

← Back to Original Article

## A shift toward smaller health insurance networks

*Thousands of employers in California and nationwide are opting for 'narrow network' HMOs, which offer notable savings on insurance premiums but also offer fewer medical providers.*

April 03, 2011 | By Duke Helfand

Thousands of employers in California and across the country are slashing expensive doctors and hospitals from their insurance rosters in a move to hold down rising healthcare costs — a trend that is gaining favor with corporate bosses, if not the rank and file.

The savings on insurance premiums — nearly 25% in some cases — are gained when companies switch their health plans to "narrow network" HMOs that offer fewer choices of medical providers.

California, with nearly 21 million people in health maintenance organizations, is driving the rapid expansion of these networks. More than 10,000 California employers and public agencies have enrolled, mostly since the recession struck in 2008.

While many workers welcome the cheaper HMOs, the savings come at the price of fewer healthcare choices.

Beverly Prange chose a slimmed-down network in January offered through her employer, the San Diego County Office of Education. The change cut her insurance premiums but meant switching physicians, something she was reluctant to do.

"I have less flexibility now than I had in the past," said Prange, a migrant education specialist. "I liked the doctor where I was."

The narrow networks have attracted some of California's largest employers. Two of the biggest users — the University of California and the California Public Employees' Retirement System — have offered their members the option of slimmer plans sold by Health Net Inc. and Blue Shield of California, and say the cost-cutting alternatives have found wide acceptance.

"It's a better use of healthcare dollars for our members," said Kathleen Billingsley, a CalPERS benefits official.

Insurers and employer groups say the networks have grown fastest among small businesses, allowing them to save money and still get high-quality medical care for their employees.

California Furniture Galleries, a small home furnishings store in Canoga Park, chose the "Silver" network from Health Net last year rather than asking 14 employees to pay more for their health insurance. The change roughly cut in half an expected 13% increase in premiums, and most employees were able to keep their doctors, who were part of the smaller network.

"It was a no-brainer," manager Mike Katz said of the decision to switch.

The availability of doctors varies by each narrow network. Woodland Hills-based Health Net, one of the first to promote the strategy in California, features 47,000 doctors in its full HMO network but just 7,000 physicians in its Silver plan.

That network — available in 10 counties, including Los Angeles, Orange, San Bernardino and Riverside — can save businesses as much as 14% on insurance premiums, a spokesman said.

An even smaller network, Bronze, has 1,600 doctors in Los Angeles, San Diego and San Bernardino counties, and can shave as much as 24% off insurance bills.

"We know we have a popular, growing concept," said Health Net spokesman Brad Kieffer, who noted the company's plans to expand beyond California.

Other insurance companies, seeing a trend in the making, are eagerly promoting their own versions of narrow networks nationwide. Three of the largest national providers in particular — WellPoint Inc., Aetna Inc. and UnitedHealth Group Inc. — are quickly expanding the niche to capture millions of new customers.

UnitedHealthcare alone has signed up about 75,000 employer groups nationwide, the bulk of them in the last two years, including more than two dozen Southern California school districts that joined in January.

"We are revving up that engine," said Dr. Sam Ho, UnitedHealthcare's chief medical officer. "There is an aggressive appetite for new solutions and new opportunities to manage healthcare costs."

California regulators said consumers were protected from potential abuses by a state law that requires narrow networks to abide by the same rules set for broader HMO systems — for example, providing access to doctors and hospitals close to patients' homes.

Healthcare experts and consumer advocates warn that eliminating doctors and hospitals from insurance lists could harm patients, particularly those who depend on specific providers to treat chronic or life-threatening conditions.

They note that HMO patients who seek care from doctors outside their networks typically must foot the entire cost of their treatments.

"The real question is, can people who are really sick and need high-end specialty care ... still get the care they need in these narrower networks?" asked Drew Altman, president of the Kaiser Family Foundation, a nonprofit research organization in Northern California. "That will depend on the details of how they work."

Insurers say they have designed the smaller networks with healthcare quality in mind, relying on clinical benchmarks from outside organizations to ensure that customers receive high-quality care.

In California, for instance, insurers say they often look to the state's Office of the Patient Advocate for quality guidelines. Every year, the state agency issues a report card on HMOs to help consumers evaluate health coverage.

Insurers also say these narrow networks don't dramatically cut people's choices, and that the slimmed-down lists of doctors and hospitals often feature many of the providers in the broader HMO systems.

That's what Tony Sarabia found when his clerical services company switched to Health Net's Silver network last year. The Rolling Hills Estate firm saw a slight decrease in its insurance bill, while its four employees got to keep their primary-care doctors.

"That gave us some peace of mind," Sarabia said. "It certainly makes it a lot easier to keep up with our commitment to our employees to provide coverage."

But Craig Madore, a partner in a Los Angeles media company, was alarmed after he switched to a narrow network offered by Anthem Blue Cross and discovered that his longtime doctor was not included.

Madore immediately called his insurance broker and found that his physician belonged to Anthem's broader HMO network. He switched within days. The change drove up his insurance bill by nearly \$800 a year, but he said he was more than willing to pay the extra cost.

"I love my doctor," said Madore, 42. "He listens. He's compassionate. He's my partner when I make healthcare decisions."

*duke.helfand@latimes.com*