

# Benefits Insights

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## Is a Narrow Network Plan Right for Your Organization?

Health care costs in the United States are high and rising. In fact, health care costs are outpacing wages. As such, health care coverage is becoming less affordable for many workers, resulting in many employers evaluating strategies to ensure benefits are sustainable and remain affordable. However, selecting a health plan that accomplishes this is often complicated, and a wrong choice can be costly for both employers and employees. One strategy many employers are embracing is adopting narrow network plans to better meet employee needs and reduce overall health care costs.

While narrow network plans may be new or unfamiliar to some, these plans have grown in popularity among self-insured employers since the Affordable Care Act (ACA) was enacted in 2010. As of 2019, narrow network plans represent approximately 72% of all plans offered through ACA exchanges, according to analysis from health care consulting firm Avalere. Narrow network plans are designed to help employers contain costs while offering employees value-driven health care. This article provides a general overview of narrow network plans and outlines some considerations for employers to keep in mind when deciding whether to implement this type of coverage.

### What Is a Narrow Network Plan?

A narrow network plan provides employees with a limited network of providers, including primary care physicians, specialists, hospitals and facilities. These plans are offered by traditional insurance carriers, but provide narrower coverage options than traditional health plans. Narrow network plans emphasize the coordination of care, since receiving care within a single health system can result in better communication between doctors and allow for easier and quicker access to patients' medical records. This tends to

result in individuals receiving more effective care and decreasing long-term care needs, thereby reducing overall health care costs. Additionally, narrow network plans can offer members benefits, such as free health coaching and telehealth. These plans can also be paired with either broad or narrow prescription drug plans. However, narrow network plans rarely provide any out-of-network coverage.

### Benefits of Narrow Network Plans

Narrow network plans are intentionally designed to reduce health care costs for employers and employees. Therefore, many organizations opt for these plans because they are more affordable than traditional health networks. Narrow network plans are more cost effective than traditional health plans because narrow network providers generally accept lower reimbursement rates. Additionally, since network size can greatly influence a plan's overall costs, a narrow network plan can help reduce an employer's health care costs because it offers a smaller or more narrow network. As a result, these plans can be an effective way to control and reduce health care costs.

Since narrow network plans generally do not provide out-of-network coverage, they can also make care more affordable for employees by not having to pay for expensive out-of-network claims. Additionally, these plans generally do not require referrals to visit specialists, which can provide significant cost savings to employees—especially those with challenging or complicated health conditions.



Further, despite having fewer provider options, narrow network plans can offer proficient care and positive health outcomes due to better patient care coordination. Narrow network plan providers generally have a reputation for providing high-quality care resulting in better health outcomes for patients. Therefore, these plans can offer cost-effective health care that delivers positive outcomes to employees when done properly.

### Considerations for Implementing Narrow Network Plans

Not all narrow network providers and facilities deliver the quality of care necessary to make narrow network plans effective and a viable option. Therefore, employers should consider the following before adopting narrow network plans for their employees:

#### *Identifying Workforce Demographics and Medical Needs*

Since narrow network plans have a limited provider network, identifying employee health care needs and usage can help employers determine whether the network of available providers will provide the care and services employees need. Some narrow network plans lack providers in certain specialties. Therefore, it's especially important for employers to review which specialists are included in a particular narrow network plan to help ensure employees' health needs are met.

#### *Understanding Geographic Limitations*

Selecting a narrow network plan may not be a viable option for some workforces because these plans tend to be limited in terms of where providers and facilities are located. Unlike traditional health plans, narrow network plans are more geographically limited, as they're generally confined to a smaller area or region. Therefore, some employees' health needs may not be sufficiently covered by the limited network offered by these plans. For example, some specialists may not be in-network within a given geographic area, meaning employees would need to see an out-of-network specialist and pay out of pocket for the visit. Accordingly, these plans may not be the best option for employers with a geographically dispersed workforce.

#### *Educating Employees*

Despite having a more limited network of providers, these plans usually provide adequate coverage for most individuals.

Therefore, when adopting a narrow network plan, it's important that employers communicate the plan's value because some employees may view these plans as limiting their care options. Additionally, providing employees with education related to providers is very important to help employees avoid costly out-of-network care.

Further, when adopting a narrow network plan, some employees' existing providers may no longer be in network. Therefore, employers need to educate employees on how a narrow network will potentially change their providers. This can be done during open enrollment. During that time, employers can also help employees find employee new in-network providers.

### Addressing Potential Challenges

While narrow network plans can help reduce premiums, they may also lead to costly out-of-network care, putting employees in financially difficult situations. Depending on an employee's individual circumstances, they may need to budget for the possibility of incurring expensive out-of-network care, as out-of-network care is not uncommon under these plans. Some employers address this issue by offering a tiered plan. This option consists of two or more different health plans, one of which is a narrow network plan and the other is a broad network plan. Employees can choose the coverage level that best meets their needs. While employers will likely not save as much by offering a tiered plan as they would with only a narrow network plan, it's still an effective way to reduce employer costs while meeting employee needs, since some employees are likely to select a narrow network over a more expensive broad network.

Additionally, these plans tend to have fewer provider options because of their smaller networks. As a result, employees may have more limited care options when staying in network.

### Summary

Narrow network plans can be an effective way to reduce and control rising health care costs while still providing employees with cost-effective, value-driven care. Understanding how narrow network plans work as well as their potential drawbacks can help employers decide whether these plans are a good option for their organizations. Reach out to National Insurance Services for more information on narrow network plans.