

Building Narrow Networks: 3 Steps to Containing Healthcare Costs

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Historically, healthcare networks have been limited, or narrowed, for the purpose of containing healthcare costs. Employers and carriers are now shifting to developing smaller networks that focus more on value-based healthcare. These networks are made up of providers that offer service at a reasonable cost that's well-coordinated and results in fewer readmissions, focuses on prevention and takes a conservative approach to care. Narrow networks often don't just involve primary care physicians, but typically include specialists, such as surgeons, and surgical facilities and hospitals.

If this sounds complicated, it is. These steps should help you get a good grasp on narrow networks.

Step 1: Build the Provider List

Employers and carriers review qualitative elements to measure cost efficiency and high-quality outcomes (what those specific elements are will vary by network). Some value-based networks are built around hospitals that provide exemplary service. However, not every hospital, surgical center or individual provider excels at all the services they provide. For example, a hospital may excel at maternity care, but not at joint replacement surgery.

Most employers rely on carriers to build narrow networks.

That's because carriers have access to necessary data. Carriers review data across providers to determine which ones meet certain criteria centered around care to patients, zeroing in on those with low cost, low readmission rates, a history of preventive care and patient satisfaction.

Providers drawn to narrow networks may see an increase in patients, as well as an increase in revenue per patient. In addition, some narrow networks may offer providers incentives to treat patients within the network.

This leaves the plan sponsor to focus on the equally important issue of employee education and engagement when implementing a narrow network.

Step 2: Build an Employee Education & Communications Program

Narrow networks that promise a higher quality of care with a lower cost are enticing to employers and carriers but may be a harder sell to employees. Yes, these networks are likely more cost-effective for employees, too, but the notion of having a smaller list of doctors to choose from can be disappointing, especially for plan participants whose preferred providers are no longer in-network.

The requirement that an employee change providers can often lead to decision paralysis, and even resentment. They may not know how to choose a new physician, or they may have used one primary care physician for several years and don't want to change. However, providing information on the "why" of a narrow network can help overcome indecision. And in this age of spiraling healthcare costs, employees are also motivated by potential healthcare savings.

Transparency is another way to gain employee buy-in, increase appropriate healthcare utilization and generally keep them “on board.” An employee education & communications campaign can explain, among other network details, how providers are selected. Plan participants are likely to be receptive to the idea that a high-quality provider can keep them and their family members out of the hospital, a win for everyone.

Step 3: Build on Employee Engagement

Making sure employees understand how it works is key to the network operating correctly. Carrier-driven narrow networks often include tools that allow employees to search for in-network providers and read ratings and reviews so that they can find the highest-quality care. An employee advocacy team can be instrumental in connecting participants with new providers and helping them navigate these networks.

There’s evidence that narrow networks work. Studies of narrow networks have found that they do result in lower premiums and lower costs to insurers. Several factors on both the patient behavior side and the economic side contribute to this. The selective nature of narrow networks allows insurers to negotiate lower prices, and the plan design steers patients to lower cost providers.¹

Containing healthcare costs comes at a price. It’s impossible for employers to continue offering the same provider options without seeing steep increases. But narrow networks could help them and employees save significantly.

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¹ [Health Economics](#), “Why Do Narrow Network Plans Cost Less?”