

# **Going Out of Network: Why It Happens, What It Costs, and What Can Be Done**

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# Why networks?

## ADVANTAGES TO:

### *Insurers/Employers*

Ability to negotiate  
lower price

### *Providers*

Patient volume

### *Patients*

Lower premiums  
Increased quality?

# A Popular Option

- **88%** of privately insured adults in plan with network (PPO, POS, or CDHP)
- **8%** will use an out-of-network physician (in a year)
- **10-13%** of covered expenses

1. Kyanko KA, Curry LA, Busch SH. Out-of-Network Physicians - How Prevalent are Involuntary Use and Cost Transparency? Health Services Research. 2013 48(3): 1154-1172.
2. McDevitt, R., J. Gabel, L. Gandolfo, R. Lore, and J. Pickreign. 2007. "Financial Protection Afforded by Employer-Sponsored Health Insurance: Current Plan Designs and High-Deductible Health Plans." Medical Care Research and Review 64 (2): 212-28.

# Out-of-Network Costs: The example of cataract surgery

	IN-NETWORK	OUT-OF-NETWORK
Physician Charge	\$1000	\$1000
UCR* or In-Network Rate	\$600	\$600
Co-Insurance	\$120 (20% in-network rate)	\$240 (40% of UCR)
Balance Billing Charges	\$0 (held harmless)	\$400 (\$1000-\$600)
<b>Total Out-of-Pocket Costs</b>	<b>\$120</b>	<b>\$640</b> (\$400 + \$240)

\*UCR = Usual Customary Rate

# Methods

- Novel internet survey
  - Administered by GfK KnowledgeNetworks®
  - Online research panel constructed with probability-based sampling and representative of U.S. population
  - Fielded February, 2011
  - N=721 / 7812
- In-depth interviews
  - 28/247 survey respondents experiencing involuntary out-of-network care
  - Recurrent themes generated using the constant comparison method of data analysis



# Problems

- 1. Narrow or limited network plans**
- 2. Financial burden of high out-of-pocket costs for out-of-network care**
- 3. Involuntary or unexpected out-of-network charges**
  - Inadequate networks
  - Lack of transparency
  - Emergency care
  - Hospital-based providers

# “Problem” #1: Narrow Networks

- Narrow network plans that exclude high-cost providers increasingly popular way to cut costs.
  - Exchange plans
  - UnitedHealth Medicare Advantage plans
- High-performing (low-cost, high quality)?
- Tactic to exclude high cost patients?
- Compromise continuity of care?

# Why do patients go out-of-network?

<b>Primary Reason</b>	<b>Unweighted n (Weighted %)</b>	
<b>Continuity with previously known physician</b>	<b>175</b>	<b>(27%)</b>
<b>Recommendation of another doctor, family, or friends</b>	<b>111</b>	<b>(20%)</b>
<b>Physician skill</b>	<b>126</b>	<b>(19%)</b>
Illness that needed care right away	<b>31</b>	<b>(9%)</b>
No in-network physician available in area	<b>16</b>	<b>(4%)</b>
Convenient location	<b>16</b>	<b>(4%)</b>
Service or specialty not covered by insurance	<b>13</b>	<b>(2%)</b>
Could schedule appointment sooner	<b>8</b>	<b>(2%)</b>
Second opinion	<b>7</b>	<b>(1%)</b>
Other	<b>59</b>	<b>(14%)</b>
<b>Total</b>	<b>566</b>	<b>(100%)</b>



# Problem #2: High out-of-pocket costs

- Little objective data on net consumer out-of-pocket payments
  - Some list prices  $>10$  (or even 1,000) x Medicare rate
- Increasing use of % of Medicare fee schedule rather than UCR
  - In New York: 19%  $\rightarrow$  40% between 2008-2011
- Increasing number of plans with deductibles over \$1000 for out-of-network care

1. Americas Health Insurance Plans. 2013. "Survey of Charges Billed by Out-of-Network Providers: A Hidden Threat to Affordability."
2. New York State Department of Financial Services. 2012. "An Unwelcome Surprise : How New Yorkers Are Getting Stuck with Unexpected Medical Bills from Out-of-Network Providers."
3. PriceWaterhouseCoopers Health Research Institute. 2011. Behind the Numbers: Medical Cost Trends for 2012.

# Problem #3: Involuntary Out-of-Network Care

- Inadequate networks
- Lack of transparency
- Emergency care
- Hospital-based providers

responsibility to pay:  
u for using a Network Participation

TYPE OF SERVICE	TOTAL BILLED
Medical Visit	128.
Testing   X-ray   Lab	
Surgery	
TOTAL THIS CLAIM	

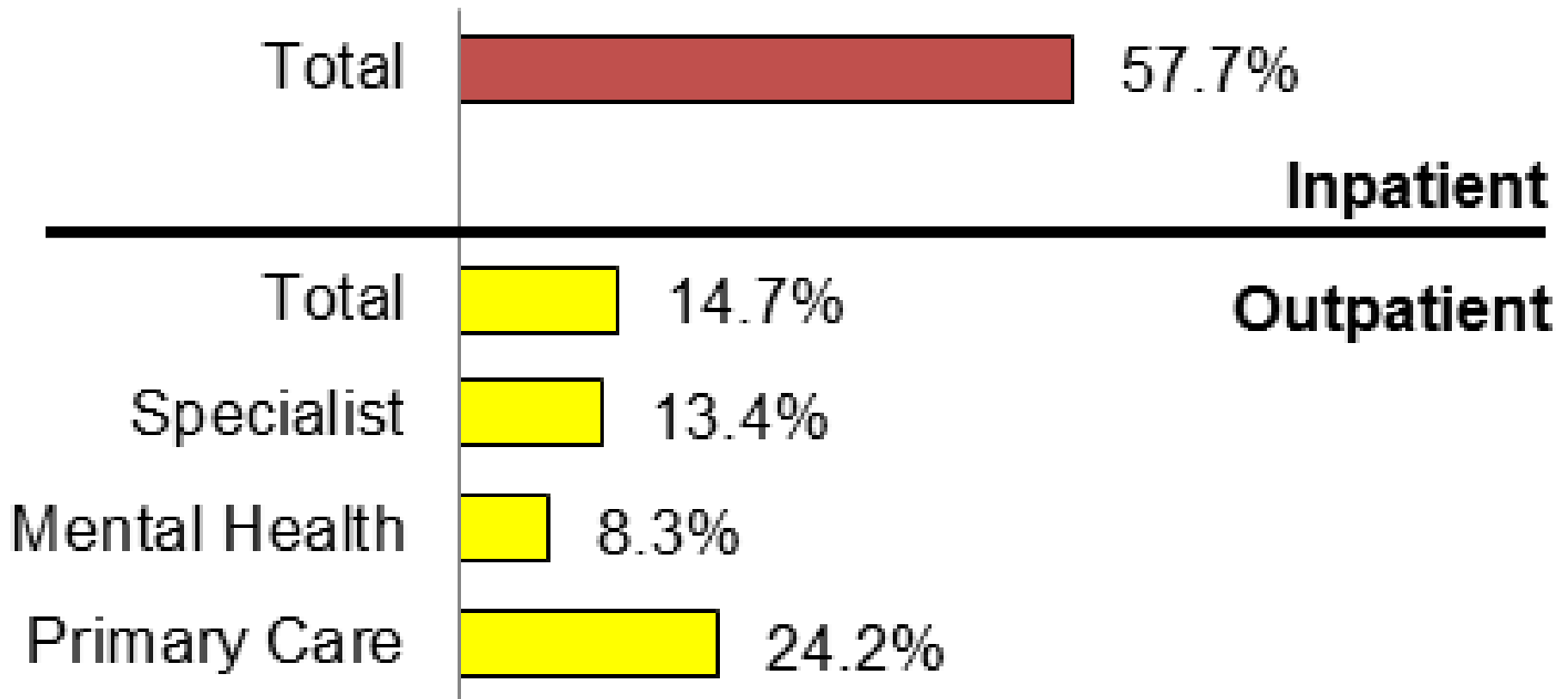
# Problem #3: Involuntary Out-of-Network Care

- 40% of patients using out-of-network physicians experience unexpected or involuntary out-of-network charges (n=247/721)
- 3.1% of patients who used any physician in last year (n=247/7,812)
- Almost 3 million patients annually in the United States

Kyanko KA, Curry LA, Busch SH. Out-of-Network Physicians - How Prevalent are Involuntary Use and Cost Transparency? Health Services Research. 2013 48(3): 1154-1172.

Reported sample sizes are unweighted, percentages are weighted.

# Proportion of out-of-network contacts associated with involuntary use



# Involuntary Out-of-Network Care: Lack of Transparency

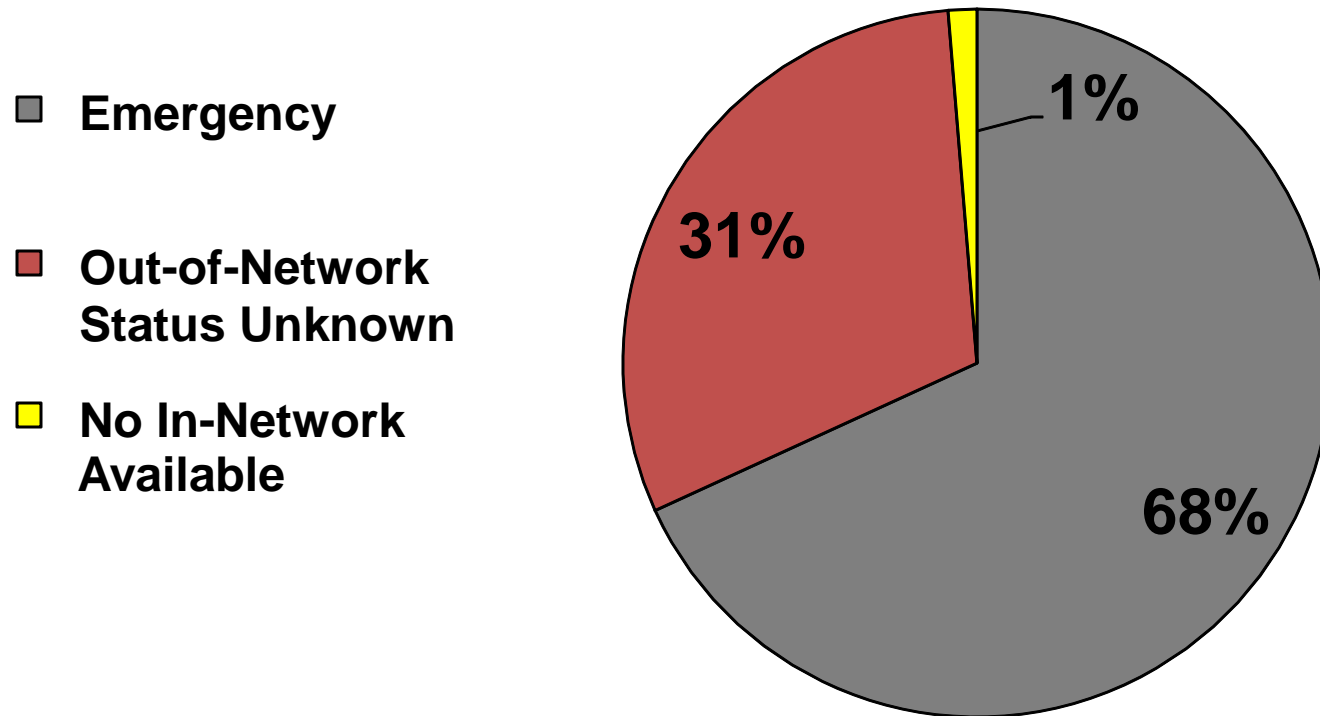
- Inaccurate website or paper directories
- Unclear mechanisms and responsibilities for determining network participation
- Inconsistent physician billing and disclosure procedures

# Involuntary Out-of-Network Care: Lack of Transparency

“We had switched insurances and I said, do you guys take this insurance? And they told me yes. So I went, saw him for a regular doctor visit and all of a sudden I get a big bill from him. ... And I called the office and she said, well we do take your insurance but out-of-network. Well, why didn't you tell me that when I called and asked?... So I ended up having to pay that bill too and switch doctors.”

[Participant #10]

# Involuntary Out-of-Network Care: Emergency Care



Among inpatient out-of-network contacts. N=247

# Involuntary Out-of-Network Care: Emergency Care

“I don’t think it’s fair that just because you have to go out of network, I can see if you go out of network when you’re in your hometown because you choose to do so. But I had no choice. So that I couldn’t believe what I had to pay ... And I can understand if I just decided, well, I want to go try this doctor. But I don’t think it’s fair [when] it’s a life or death situation, or at least I thought it was. And we have no choice and they still sting you with it.”

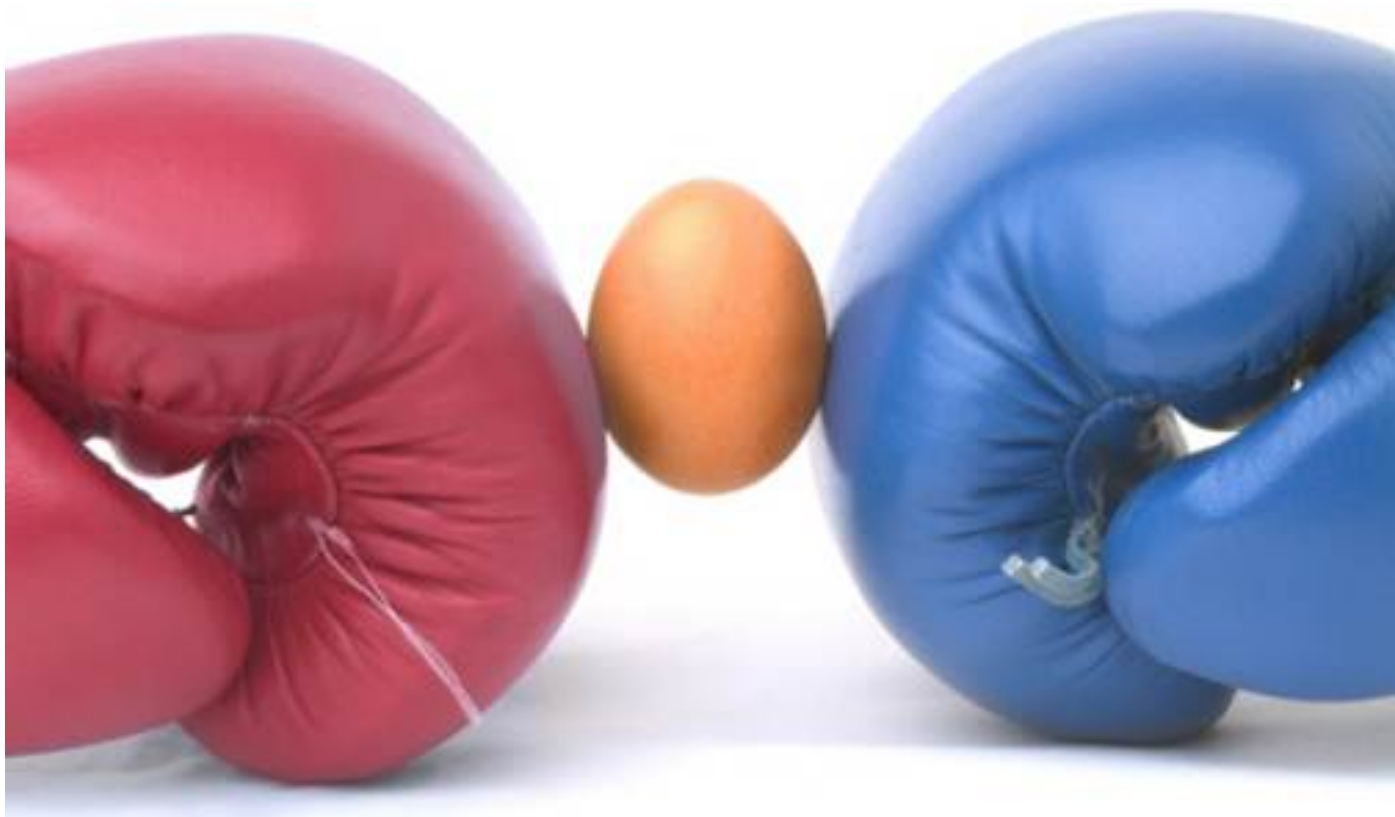
[Participant #7]



# Involuntary Out-of-Network Care: Hospital-Based Physicians

“I just never even questioned who was going to do what because I knew the hospital was in network, I knew this doctor that was doing the procedure was in the network and because the hospital was in network that means their anesthesiologists are all in-network. And I just assumed that pathology would be in-network also. But that was an assumption that I guess I shouldn't have made.”

[Participant #27]



# Systems level failures

- Involuntary out-of-network charges occurred due to systems-level factors.
- Patient education may not be sufficient to reduce the prevalence and financial burden of involuntary out-of-network care.
- **Understanding and addressing consumer complaints with networks will help prevent backlash against this cost-saving tool.**

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