Bloomberg VIEW

'Doc Shock' Reaches the Masses

By Megan McArdle, Feb 6, 2014

In December, I **predicted** that "doc shock" was going to be a major problem for the U.S. health-care overhaul, as people found out that the narrow networks insurers use to keep premiums low often don't cover the top-notch doctors you'd like to see if you get really sick:

"If narrow networks could give everyone in the country access to health-care outcomes no worse than 90 percent as good as the folks with the best doctors at 75 percent of the price we'd pay for broader networks, the health-care wonks would jump on that deal as an unbelievable bargain. But I think it's pretty clear that average folks don't think like health-care wonks.

"Rationally, you should get the policy with the highest possible deductible and coinsurance, because more comprehensive insurance basically just means that you're prepaying the deductible in advance. But people hate those policies. The most bitter union fights are usually when management tries to increase the copays and deductibles on health insurance -- even though the union knows exactly how much this is costing, because they're basically making a dollar-for-dollar trade of wage compensation for health insurance premiums. That's what the membership wants.

"So even if narrow networks actually were better, people would resist them. And they'll fight with every fiber of their being when you tell them to take their kid with leukemia to a community hospital rather than the top-notch children's hospital nearby. Expect the fight over doc shock to be bitter and long -- and to end when insurers cave and start adding pricey doctors back to their networks."

I reiterated this **in my recent Intelligence Squared debate**: However much good, sound policy sense narrow networks might make, they are political poison. Regulators and politicians are going to find it very hard to withstand the appeals of constituents who have been restricted to the bargain basement of our nation's health-care system. I simply don't think they'll be able to stand it for very long. This is basically what happened to the managed-care revolution that held down cost growth in the mid-1990s -- people in those plans complained bitterly, in their capacity as both voters and employees. A combination of legal and market pressure forced insurers to open up their networks and approve more treatments. And then costs started rising again. As people begin using their Obamacare policies and start running into restrictions, the same sort of pressure will begin to mount.

And indeed, it's already started, according to the **Wall Street Journal**:

"Insurers are facing pressure from regulators and lawmakers about plans that offer limited choices of doctors and hospitals, a tactic the industry said is vital to keep down coverage prices in the new health law's marketplaces.

"This week, federal regulators proposed a tougher review process for the doctors and hospitals in plans to be sold next year through **HealthCare.gov**, a shift that could force insurers to expand those networks.

"Meantime, regulators in states including Washington and New Hampshire are ramping up their own scrutiny, and lawmakers in Mississippi and Pennsylvania, among others, are weighing bills that could force plans to add more hospitals and doctors."

Health-care wonks can insist that **narrow networks aren't news**, but clearly, these networks are news to the folks in the plans -- and now that they know, they aren't happy.

Regulators could stand firm against that pressure, on the grounds that however annoying narrow networks are, they're the necessary price we pay for lower premiums. But it sounds like some of them are already caving, which probably means that the ultra-narrow networks you see on many exchanges will not be long for this world. Which in turn means that you should expect to see higher premiums next year.