Insurers Cut Doctors' Fees in New Health-Care Plans

Move Sparks Worries Plans Will Attract Fewer Doctors

Insurers are slashing payments to medical practices in many of the plans they sell through the new health-law marketplaces—sparking worries that Americans signing up for coverage will have fewer doctors to choose from if low fees spark an exodus from the plans.

United Health Group Inc. sent some New York City physicians contract amendments as recently as this month setting rates well below what doctors normally see from private insurance, including less than $40 for a typical office visit and about $20 for reading a mammogram, according to confidential documents reviewed by The Wall Street Journal.

“We have heard from a lot of physicians the rates [insurers] are offering them are very low, and physicians are questioning whether they are going to participate,” said Sam Unterricht, a Brooklyn ophthalmologist and president of the Medical Society of the State of New York.

Some of United's rates fall close to what the state Medicaid program for low-income people pays for the same services. The fees for some office visits are less than half of what doctors in the city say they receive for treating people covered by employer-sponsored insurance. Six doctors elsewhere in New York reported lower rates from a range of insurers, including United, but declined to specify rates citing confidentiality agreements.

“Our goal is to provide exchange members with a robust choice of providers,” said a statement issued by United. The insurer added that it would “offer physicians the choice of participating at rates that are above Medicaid and comparable to historical rates.” Few New Yorkers have historically purchased coverage on the individual market, and doctors say their rates for most employer-sponsored plans are much higher. The company initially notified doctors of new rates in April.

In Connecticut offered Steven Levine, an ear nose and throat specialist in Trumbull, rates for exchange plans he said “were not what a reasonable person would consider acceptable.” He says he declined the contract. A spokeswoman for Wellpoint said that in designing its exchange plans, it “focused on affordability to allow the maximum number of individuals to purchase coverage.”

The exchange plans are expected to cover more than 20 million people by 2016. Doctors have long protested declining or stagnant rates from government programs such as Medicare and Medicaid, and had looked to the exchanges to usher in more privately insured patients.

More physicians may leave the plans as awareness of the new rates spread, doctors and experts said. Many doctors surveyed in September by the Medical Group Management Association said they weren't aware of the fees they would be offered for treating patients gaining coverage on the exchanges. Of those that had heard, 37% said the rates offered were lower than Medicare, and 18% said they were lower than Medicaid rates, according to the survey.

The 2010 health-care law itself doesn't include any requirements limiting physicians' payments or restricting insurers' arrangements with doctors. But in order to keep prices low for exchange plans, many health insurers cobbled together narrow networks of doctors who agreed to lower their fees.

But United's move, affecting plans designed around broader physician networks, is meant to rein in costs, too. Some doctors said they had learned of the fee cuts even as consumers began picking health plans. As a result, consumers may end up selecting doctors who haven't yet agreed to participate in the plans. United is giving doctors who don't want to accept the rates 30 days to opt out.
State-run Medicaid programs are being expanded in some states under the law. The program has long grappled with problems in patients’ access to services because not all doctors are willing to accept the generally low reimbursements.

Experts worry that a stratified system could emerge for the insured, where people who get health insurance through their jobs can go to a broad slate of doctors, while those newly covered in the exchanges get fewer choices. Depending on their plan, people may be able to see an out-of-network doctor and get some level of reimbursement. But many plans on the exchanges are HMO-style closed networks.

"It is going to be very tough for consumers to have accurate information about which physicians they really have access to," said Paul Ginsburg, president of the Center for Studying Health System Change, a Washington think tank.

But Joanne Peters a Department of Health and Human Services spokeswoman said, "there are now new patient protections that require qualified health plans to offer sufficient networks of providers."

Under some contracts, doctors don't have to agree to the new rates—they are automatically enrolled in the new networks. Other contracts give doctors as many as 90 days to opt out. Also, some plans are still offering the same rates as before.

How much leverage plans have to push down rates for physicians could depend in part on the number of consumers who sign up for coverage in the exchanges, which have gotten a slow start due in part to technical obstacles and a troubled rollout. If few people enroll in coverage, insurers may not need broad networks, but if enrollment soars, they may have to return to the negotiating table.

Blue Shield of California sent doctors contract amendments allowing them to opt in to treat exchange patients earlier this year. The health plan asked doctors to accept fees up to 30% lower than their normal commercial rates, according to doctors and the insurer.

"We said, this doesn't make a whole lot of sense for us," said Richard Thorp, an internist in Paradise, Calif., and president of the California Medical Association. Too few doctors agreed to the change in some mostly rural areas, so Blue Shield had to agree to continue usual rates for some doctors, said Steve Shivinsky, a spokesman.

Meanwhile, community health centers, long accustomed to treating the uninsured, are ramping up. Lone Star Circle of Care, a federally funded health center in Austin, Texas, is adding 80,000 square feet of clinic space next year, said Tamarah Duperval-Brownlee, its chief medical officer, and is participating with all seven insurers serving its market.