

Custom networks discussion: Direct-to-Employer arrangements

Most employers don't have thousands of employees or a sophisticated approach to structuring health benefit plans. For these employers, the full scale, risk-based, Direct-to-Employer approach that General Motors took with Henry Ford Health System isn't a viable option for either employers or providers.

These employers might, however, be in a position to partner with a third-party administrator that is able to assist it in taking an initial step in that direction by establishing a customized provider network.

Technically, custom provider networks are not a Direct-to-Employer arrangement as there is typically no direct contract between the providers and the employer. Instead, a third-party administrator maintains, manages and pays the provider network on behalf of the employer. Nevertheless, because employers play an influential role in how they are developed, physicians interested in Direct-to-Employer arrangements should also understand custom provider networks.

To determine how to best position themselves for inclusion in custom provider networks, physicians first need to understand the selection criteria employers use when developing the network.

While employers are free to develop unique criteria, most focus on cost, quality of care and patient satisfaction. Employers will set minimum standards for these and other provider criteria based on data maintained by the third-party administrator. As a result, physicians who are statistical outliers on any of the typical selection criteria may find themselves excluded from an employer's custom provider network.

Cost can be a particularly difficult selection criterion to reconcile. Some physicians may have cost rates that are acceptable to one of their third-party administrators, but may find that the same rates make them a statistical outlier within the employer network.

Physicians considering participation in a custom network should consider whether the potential benefits of participation in a custom network (potentially higher patient volume since there are usually fewer qualified providers) outweigh the potential drawbacks (need to offer competitive rates, ability to meet utilization, quality of care and other custom network participation criteria).

More articles on Direct-to-Employer arrangements

The AMA has developed these additional materials to help physicians navigate available opportunities and negotiate terms that reflect the practices' goals and preferences.

- | Practice capabilities
- | Types of arrangements
- | Model checklist
- | Case studies