



The Price Sensitivity of Health Plan Choice among Retirees: Evidence from the German Social Health Insurance

Authors: Amelie Wupperman, Sebastian Bauhoff, Markus Grabka

Discussant: Margherita Borella (University of Turin, CeRP and Netspar)

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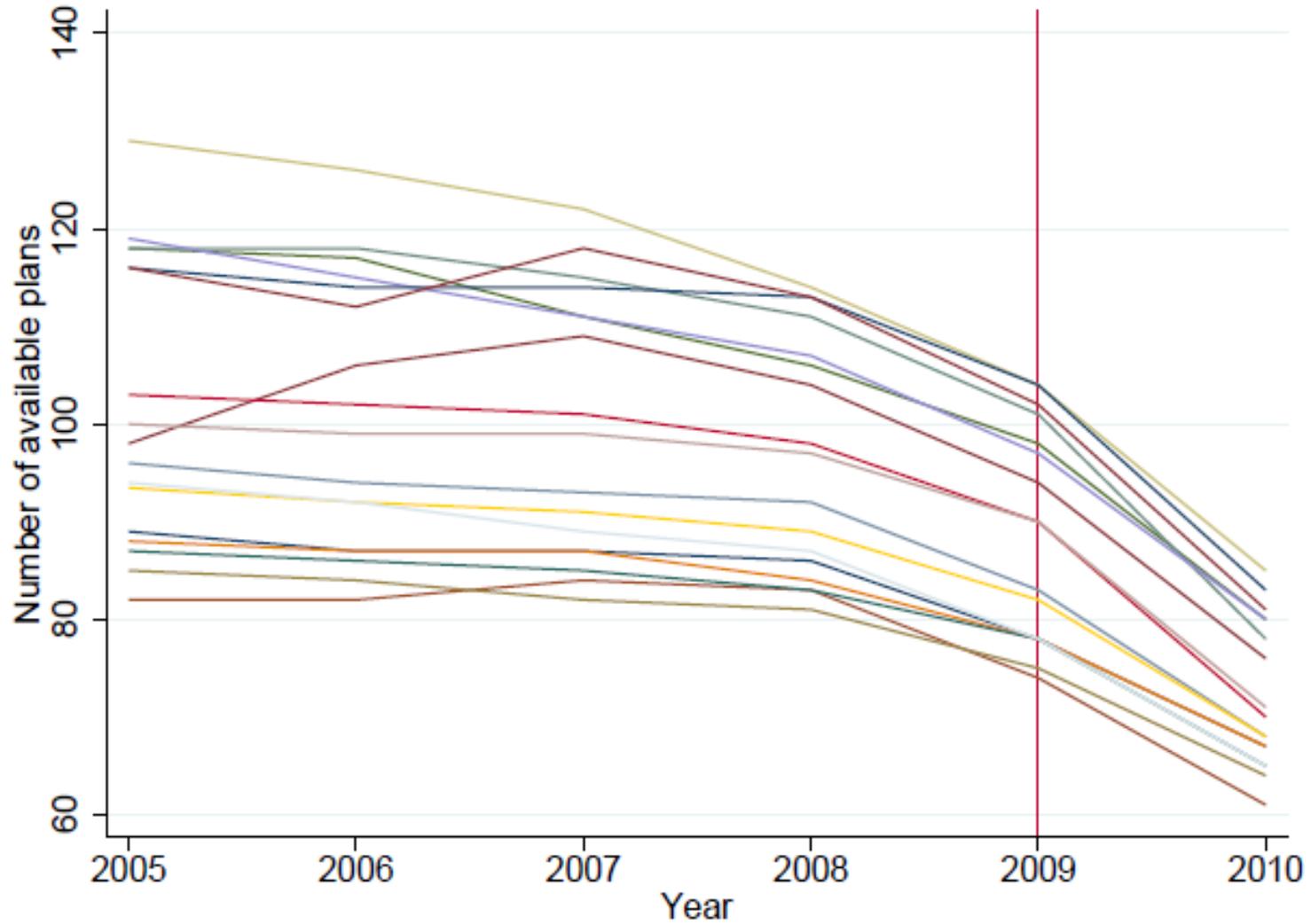
Research Question

- Investigate whether price sensitivity of health plan demand among retirees depends on:
 - 1 – size of the choice set
 - 2 – salience of premium differences
- Focus on German Social Health Insurance: plans are highly standardised and the market is strictly regulated.
- Reform in 2009 forced convergence by introducing a uniform contribution rate, increasing salience of price.
- Focus on retirees: typically, elderly individuals are less price sensitive.

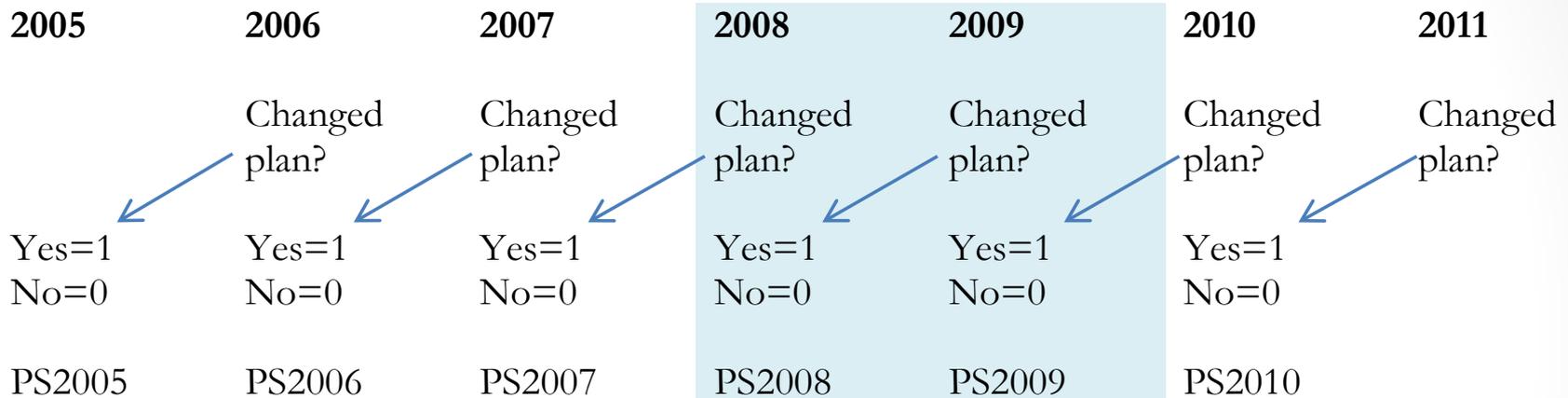
Research question (2)

- Relevant topic: helps shedding light on retirees' determinants of switching choices.
- Policy relevance: what shapes the probability of switching plan among the elderly? What's the effect of the 2009 reform?
- Previous literature (Schmitz and Ziebarth, 2013) finds big increase in probability to switch plan after the reform, for employed individuals who faced premium increases.
- There is also some evidence that complexity of the choice set may reduce the probability of switching (e.g. Frank and Lamiraud 2009).

Figure 1: Size of Choice Set across Regions and Years



Timing



In the current version of the paper, there is only one time period after 2009. Why not include the year 2009?

The 2009 reform – descriptive evidence

- It would be extremely useful to have more descriptive evidence about the 2009 reform, in particular:
- Adding information on the prices of the various plans (e.g. mean and standard dev. by year, minimum and maximum contribution rate or fees and so on)
- This is particularly relevant when the 2009 reform applies: in the year 2008, the contribution rate varies between 12.7 to 17.4 per cent (source: Schmitz and Ziebarth, 2013). What was the average contribution rate?

The 2009 reform (continued)

- After the 2009 reform, that is since 1/1/2009, all plans must charge the same contribution rate of 15.5%: did the average contributor paid more or less in 2009 compared to 2008? (from table 4 column 1 it appears on average contributors pay less, but this refers to 2010-2011).
- What happened to price differences after the reform? What are the additional premiums or rebates?
- May show potential savings through time (and how many switchers)
- Question: are individuals who were worse off after the 2009 reform more likely to switch plan?

Results – table 2

| | (1) Controls | | (2) FE | | (3) IV | |
|--------------------------|-----------------|-----------------------|-----------|-----------------------|-----------|---------------------------------|
| | coeff | (se)/[p] | coeff | (se)/[p] | coeff | (se)/[p] |
| Potential Savings (PS) | 0.1004 | (0.075) [0.202] | 0.2246 | (0.174) [0.216] | 0.2326 | (0.160) [0.166] |
| Post 2009 | 3.6115 | (2.849) [0.224] | 4.3886 | (1.325) [0.005]*** | 6.5786 | (1.496) [0.001]*** |
| # Plans | 0.1985 | (0.085) [0.034]** | 0.2540 | (0.090) [0.013]** | 0.3415 | (0.079) [0.001]*** |
| PS × Post 2009 | 0.8194 | (0.253) [0.005]*** | 0.5531 | (0.253) [0.045]** | 0.5424 | (0.266) [0.059]* |
| PS × # Plans | -0.0015 | (0.001) [0.281] | -0.0042 | (0.003) [0.185] | -0.0045 | (0.003) [0.142] ⁺ |
| # Plans × Post 2009 | | | | | | |
| # Plans × Post 2009 × PS | | | | | | |
| Ind. F.E. | No | | Yes | | Yes | |
| Year F.E. | Yes | | Yes | | Yes | |
| Region F.E. | Yes | | Yes | | Yes | |
| Add controls | Yes | | Yes | | Yes | |

Results - comments

- More careful interpretation of results is needed.
- Table 2 (basic results): coefficient on potential savings is never different from zero, while coefficient on the number of plans is always positive (that is, more choice increases switching probability).
- The interaction between PS and #plans is not significant (meaning? Why should individuals be able to compute their PS but get confused by the number of plans?)
- The post 2009 dummy is effectively a time dummy (adding an additional year would help identification)
- Potential savings after 2009 have a positive and significant impact on switching

Conclusions

- Very interesting paper on a very interesting topic
- May add more descriptive evidence
- More careful interpretation of results is needed.