



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

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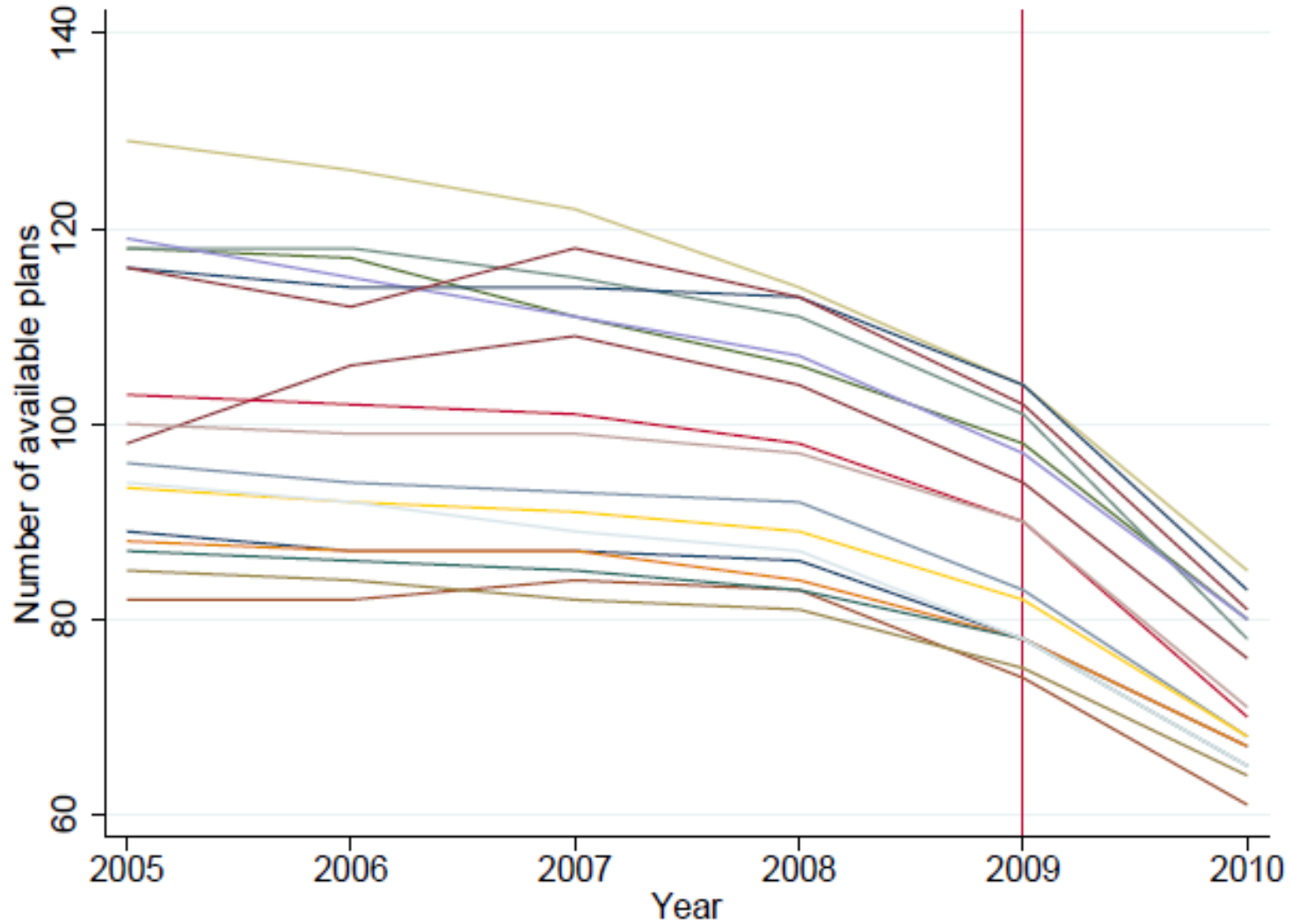
# Research Question

- 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.

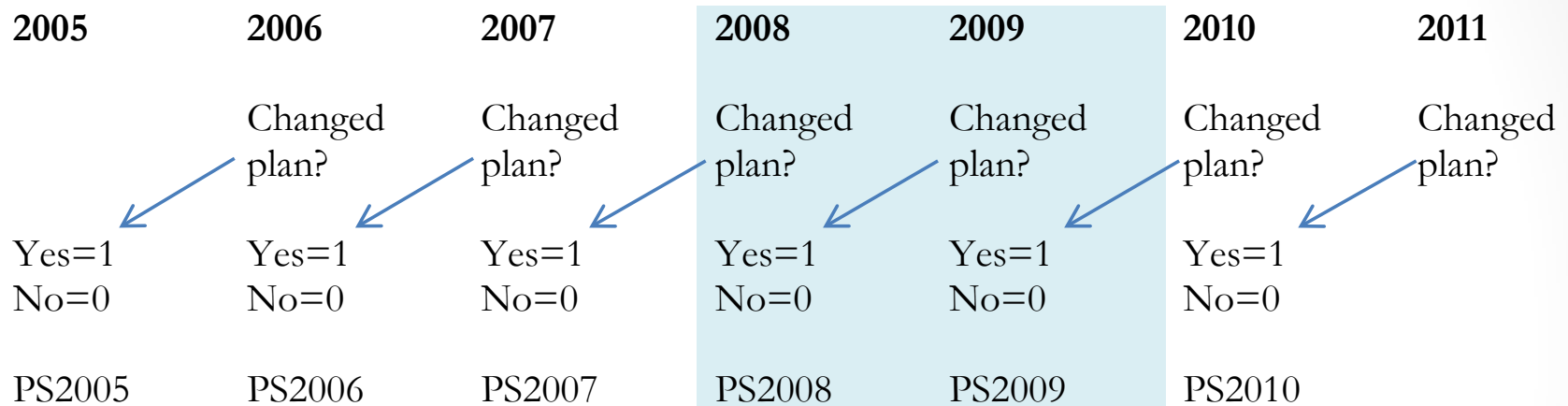
## Research question (2)

- 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)<br>Controls |                       | (2)<br>FE |                       | (3)<br>IV |                                 |
|--------------------------|-----------------|-----------------------|-----------|-----------------------|-----------|---------------------------------|
|                          | coeff           | (se)/[p]              | coeff     | (se)/[p]              | coeff     | (se)/[p]                        |
| Potential Savings (PS)   | 0.1004          | (0.075)<br>[0.202]    | 0.2246    | (0.174)<br>[0.216]    | 0.2326    | (0.160)<br>[0.166]              |
| Post 2009                | 3.6115          | (2.849)<br>[0.224]    | 4.3886    | (1.325)<br>[0.005]*** | 6.5786    | (1.496)<br>[0.001]***           |
| # Plans                  | 0.1985          | (0.085)<br>[0.034]**  | 0.2540    | (0.090)<br>[0.013]**  | 0.3415    | (0.079)<br>[0.001]***           |
| PS × Post 2009           | 0.8194          | (0.253)<br>[0.005]*** | 0.5531    | (0.253)<br>[0.045]**  | 0.5424    | (0.266)<br>[0.059]*             |
| PS × # Plans             | -0.0015         | (0.001)<br>[0.281]    | -0.0042   | (0.003)<br>[0.185]    | -0.0045   | (0.003)<br>[0.142] <sup>+</sup> |
| # 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.