

Comments on:
What if everybody has a choice? Using
hypothetical choice experiment to analyze
the private health insurance

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A promising approach

- § Measures of WTP is useful tool to decide if the government should subsidize a more extensive drug coverage than the current standard Medicare part D health plan (and to determine the level of subsidies).
 - Optimal policy obtained comparing “net welfare” (ie WTP- premium) (?).
- § Hypothetical choices represents a promising approach to measure the value of health insurance:
 - when individuals choices are unobserved: for example, measuring the value of health insurance among people who are covered by employer-provided mandatory health plan \Rightarrow understanding why some firms offer health insurance and other do not.
 - when the market is complex: for example, the individual market in France where we have broad range of coverage and various rating practices \Rightarrow understanding why low incomes do not make step to obtain subsidies for their health plan.

Questions about the issue

- § Is there any evidence that Medicare Part D health insurance is non optimal?
 - Dissatisfaction with regard to the coverage, expressed in survey?
 - Health care renouncement due to the deductible or the coverage gap?
- § Why people would not obtain their desired level of coverage?
 - Enhanced coverage unaffordable? Adverse selection ?
 - Some eligible has restricted choice no choice of coverage?
 - Too complex market \Rightarrow Problems of information?
- § Standard plan seems partially designed according to classical results about optimal policy resulting from risk-pooling and moral hazard. These results have been criticized by not taking into account income transfer due to health insurance (Nyman).

The hypothetical choice experiment approach: do the set of choices matter?

- Due to the fact that in 2006, a majority of the eligibles were automatically enrolled. Enable to control supply characteristics, in particular health plan offer.
- Stability of results rely on IIA hypothesis...Otherwise, results may be sensitive to the set of choices of health plans; greater choice of health plan may leads to:
 - ⇒ Choice of generous options more sensitive to health status (?)
 - ⇒ Higher WTP for generous options and lower WTP for basic options (?)
- The alternatives which are proposed do not include the case where the gap is covered but not the deductible.
 - ⇒ People can choose to cover the gap only in addition with the deductible.
 - ⇒ Valuation of gap coverage overestimated ?

Results (stated choices) and computation of WTP

- § Variables that reflect health insurance demand mainly influence the choice to cover the gap; Constant associated with gap coverage is noticeably reduced when we introduce these variables.
- § These results highlight a contrast between “no coverage”, “(standard) insurance” or “no deductible” and “gap coverage”.
 - Test the IIA alternative dropping one of the close substitutes “(standard) insurance” or “no deductible”.
- § Also indicate that WTP estimations may be sensitive to adverse selection and to the way it is controlled.
 - Lower WTP for “no deductible” and “gap coverage” when the estimations are based on models that account for health risk variables (see table 8).
- § A lower demand for health insurance among the low income. Unaffordability? Do the WTP reflect the “true” value of health insurance coverage for the poor?

Comparison between stated and real choices

- § According to hypothetical choice model, a higher demand for health insurance among those who were automatically enrolled (“passive” variable).
 - Those who have a higher demand for health insurance may had a greater probability to work in a firm that offer health insurance, to do the steps for obtaining MEDICAIRE....
 - Justify *a posteriori* the use of the hypothetical choice approach.
- § Real choice model leads to surprisingly low WTP estimations, in particular for the standard plan. In addition to the explanations provided in the paper, we could suppose that:
 - A larger drugs basket assumed in the hypothetical choices approach.
 - Very low premium or null premium for low income due to additional subsidies: health plan price may not reflect the “true” WTP.
- § Question: how the differences between plans premiums are taken into account.