

Results from:
Doctor Switching Costs in Health Insurance

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Setting

- A large employer (the University of California) introduced a narrow network option into its largest HMO health plan (HealthNet) in 2011
- Only two differences between broad network and narrow network option
 - Physicians in the network
 - Premium
- Default: Stay in broader network
- Annual premium savings from switching to narrow network range from \$650 (self only) to \$1850 (self plus family)
- Same HMO plan, same co-pays, same prescription drug coverage, etc.
- Narrow Network includes university doctors and hospitals (high quality)

Our Focus

- Existing employees who had chosen this insurance plan in 2010 and stayed with the university in 2011 and in 2012
 - Number of observations: 26,400
- We know whether the employee's existing primary care physician will be in the narrow network
 - Also know this for insured family members
- We are working on integrating information about specialists

Switching Rates

	Full Sample, Year 1	Full Sample, Year 2
	N=26,359	N=26,359
Stay with Broad Network	33%	25%
Switch to Narrow Network	59	65
Switch to another plan	8	11

Existing Primary Care Doctor Outside/Inside Narrow Network

	Existing doctor(s) <u>NOT</u> in NN	Existing doctor(s) in NN
Year 1	N=7,984	N=18,375
Stay with Broad Network	56%	22%
Switch to Narrow Network	31	72
Switch to another plan	13	6

Choice of Narrow Network increases to 38% and 76%, respectively, in the 2nd year.

What Drives the Decision to Stay in the Broader Network?

	Keep existing doctor, who is NOT in NN	Inertia/inattention
Overall percentage	61%	39%
<u>Effect of observables:</u>		
Income	+	+
Age	+	-
Female	+	-
Children Covered	-	-
Past Doctor Visits	+	-
Narrow Network Doctors in Home Zip Code	-	0