

## **Switching Costs in Health Insurance**

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### **Abstract**

We exploit a change in the health insurance offerings of a large employer to estimate individuals' willingness-to-pay for being able to keep their current primary care doctor. Beginning in January 2011, employees who were with one of the health insurance providers were given the option of choosing a lower premium in exchange for accepting a more limited network of primary care physicians. All other aspects of insurance coverage would remain the same. Alternatively, individuals could stay with the default option of paying a higher premium and facing no change in the network of primary care doctors. For individuals whose doctors were covered under both plans, coverage and insurance were identical under both options so that the cheaper option strictly dominated the more expensive option. We can use the observed choices of these individuals to estimate the propensity not to switch health plans due to inattention. Individuals whose existing doctors were *not* covered under the cheaper option had to decide whether they would prefer to pay more to keep their current doctor. This setup allows us to identify the costs that individuals associate with having to switch doctors separately from switching costs that are related to inattention.