



Intertemporal
Substitution

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Discussion of:
Intertemporal Substitution in Response to Non-Linear Health
Insurance Contracts

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Summary

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- Proliferation of high deductible plans (HDP) in health insurance
- Extends literature on dynamic incentives within a year to cross-year substitution
- Fuzzy RD to compare individuals that suffered an injury at the end of 2010 versus individuals that suffered an injury at the beginning of 2011
 - ↳ The latter group should be more likely to meet their 2011 deductibles Evidence
- Preliminary results show evidence of intertemporal substitution in health care consumption
- Ignoring this substitution would cause previous estimates to overstate the cost-saving benefits of HDP



Basic Idea

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- 1 I suffer an unexpected injury at the beginning of 2011 → meet annual deductible
- 2 I am healthy so I know it is unlikely the same will happen in 2012
- 3 I was also planning on having a small elective procedure in 2012

⇒ I move to 2011 the elective procedures I was planning on having in 2012

- **Implicit assumption:** forward looking behavior



1 - How forward looking are we?

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- In terms of cross-year substitution, literature tends to focus on people delaying treatment (Einav, Finkelstein and Schrimpf 2015 and Cabral 2017)
- Here the story is that people will consume health care ahead of schedule
- Anticipating non-elective treatment more than a year from now requires strong forward looking behavior
- Show results that support the intuition behind your story:
 - 1 Focus on elective medical spending unrelated to injury
 - ↳ If story is right, no effect on non-elective services
 - ↳ Injury on a family member would make analysis cleaner
 - 2 Display spending in 2012 by quarter
 - ↳ Larger effects during first quarters
 - 3 Compare elective spending in 2011 versus 2012
 - ↳ If story is right, this should be higher (lower) for people on the right of threshold in 2011 (2012)



2 - Analysis of HDP

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- Motivation was about proliferation of HDP
- Huge potential, in my opinion, to leverage ability to observe deductibles for each household
- Incentives to be forward looking plausibly larger for people in HDP
- Compare results by deductible level



3 - Forward Looking Behavior Test

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- Evidence that people respond heavily to spot prices instead of expected end-of-year prices

- Weak forward looking behavior:
 - ↳ If you meet your deductible right after injury, you are more likely to stock up on health care as spot price is lower

- Strong forward looking behavior:
 - ↳ No difference if people respond to expected end-of-year price

- Compare results depending on when individuals meet their deductible: right after injury or later in the year



Minor Comments

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- Instrument more plausibly exogenous if injury was on a family member (Kowalski 2016)
- Why not using elective spending instead of only elective care dates?
- How measurement error in your deductibles would bias your results?
- Not sure if you could proxy for income and control for that
- Information on coinsurance rates could be valuable



Conclusions

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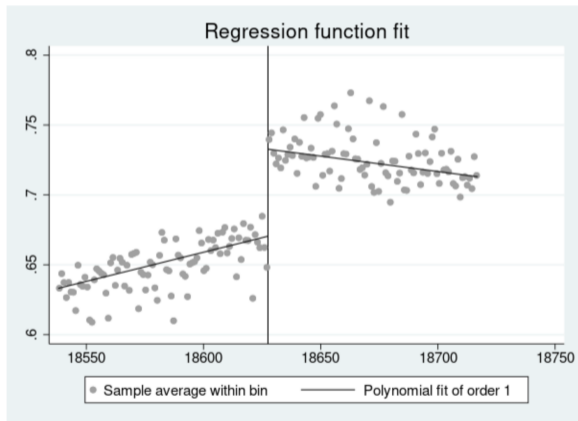
- Really nice research idea with great potential
 - ↳ Extends perfectly current literature on dynamic incentives in health insurance
- Preliminary results look promising so far
 - ↳ Most of the effect is in elective care
- Think more about story you want to tell and how your results (will) show that story
- Looking forward to see how the paper develops... good luck!



First Stage

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