

Seminario de microeconomía aplicada 12: Myopia and Complex Dynamic Incentives: Evidence from Medicare Part D

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Resumen: Under the standard benefit package, Medicare Part D drug coverage provides no coverage in a “donut hole” region, which makes the purchase problem dynamic. We specify a dynamic drug purchase model with hyperbolic discounting. We develop a regression discontinuity based test for myopia, using a sample of enrollees who arrived near the coverage gap early in the year and hence who should rationally expect to reach it. We find that that purchases are at before the gap but that there are fewer and cheaper purchases immediately after reaching the gap, providing evidence of myopia.

We structurally estimate the dynamic model using maximum likelihood. We find that, for the full sample of Part D enrollees, behavioral hazard increases enrollee spending by 44%. A counterfactual policy that closed the coverage gap in a revenue-neutral way would require 42% coinsurance.

Organizadores: Banco de la República- Cali, en asocio con el Congreso de la Asociación Colombiana de Economía de la Salud

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