

Which preferred providers are really preferred?

Evidence of a Discrete Choice experiment

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Summary

Insurers' bargaining power depends on their ability to channel consumers toward preferred providers. Health insurers may restrict provider choice ex-ante or influence provider choice ex-post. We used a discrete choice experiment to examine the effectiveness of ex-post channeling to "preferred" pharmacies. Negative financial incentives appear to be more effective than similar positive incentives. We find evidence of substantial status quo bias that may limit the effectiveness of ex-post channeling. Using the theoretically consistent compensation variation method, we find much lower estimates of "willingness to pay" for pharmacy attributes than those derived from marginal rates of substitution.

Keywords; Discrete Choice Experiments, preferred provider choice, status quo bias, pharmacy market

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