Adverse selection and health care provider network formation

Faculty Member: Jacob Wallace

Proposal Description:

The incentives for health plans differ across markets. In employer-sponsored insurance (ESI), employers contract with insurers to administer their health care benefits. The insurers play an administrative role – contracting with providers, paying bills, notifying employees of their benefits – but do not bear financial risk since all bills are ultimately paid by the employer. This is distinct from managed competition markets (e.g. Medicaid managed care, Medicare Advantage, health insurance exchanges) where multiple insurers offer plans and compete for patients. In this setting insurers are financially responsible for the medical bills accrued by their members, and may distort their provider networks (or other plan characteristics) to avoid attracting sicker members.

In this proposal, we will study how these incentives shape provider networks. Using novel new provider network data, we’ll examine whether insurers facing adverse selection tend to exclude high-cost specialty hospitals (e.g. Memorial Sloan Kettering) or limit the number of specialists in-network to avoid high-cost patients. Research assistance is sought to analyze the provider network data in Stata (or, if necessary, R/Python/SAS) to generate tables and figures, and carry out analyses under Dr. Wallace’s guidance, along with other tasks that might come up related to this project.

Requisite Skills and Qualifications:

Coursework in econometrics and intermediate microeconomics a plus, a basic knowledge of Stata (or R/Python/SAS), attention to detail, ability to work independently.

HSSRO Application Link: [HSSRO Application Link]
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Project Type: HSSRO