

Switching behavior of consumers in Dutch social health insurance

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Abstract

We use survey data to examine switching behavior of sickness fund enrollees in the Dutch social health insurance system. Since 1996 eligible people have annual free choice of sickness funds. Free choice has been introduced to foster competition among sickness funds. We find that only a small fraction of the enrollees used the opportunity to switch funds. Prices play only a minor role in switching and choice decisions. Main reasons for switching are the presence of employment-based group contracts for supplementary insurance and the extent of supplementary coverage. For most consumers a variety of switching costs outweighs the benefits of switching. The inclination to switch sickness funds varies by type of consumer. Results of an ordered probit estimation show that the propensity to switch decreases with age and family size. Higher educated healthy people are significantly more likely to switch. In addition, specific knowledge about health insurance and switching rules appears to play a crucial role in switching decisions. Estimation results of a multinomial logit model show that people who did not switch but seriously considered doing so are less healthy than other non-switchers and less well-informed than those who actually switch.

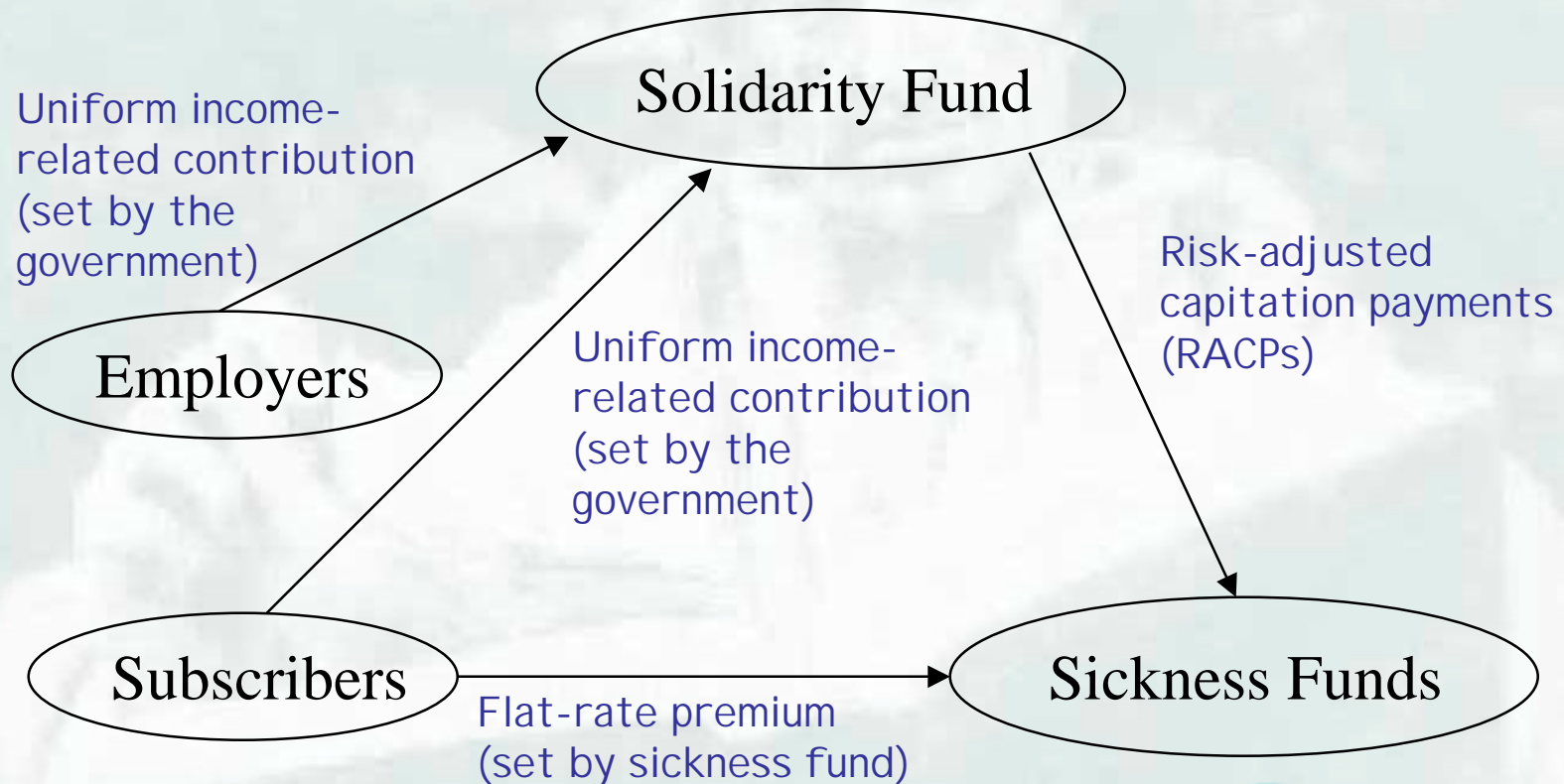
Keywords: health plan choice, health insurance, switching costs, Netherlands

Jel classification D12 II

Motivation

- Since 1996 free choice of sickness fund: consumers should search for better and lower-priced insurers
- Effect on price and quality
- Risk adjustment

Social health insurance in the Netherlands

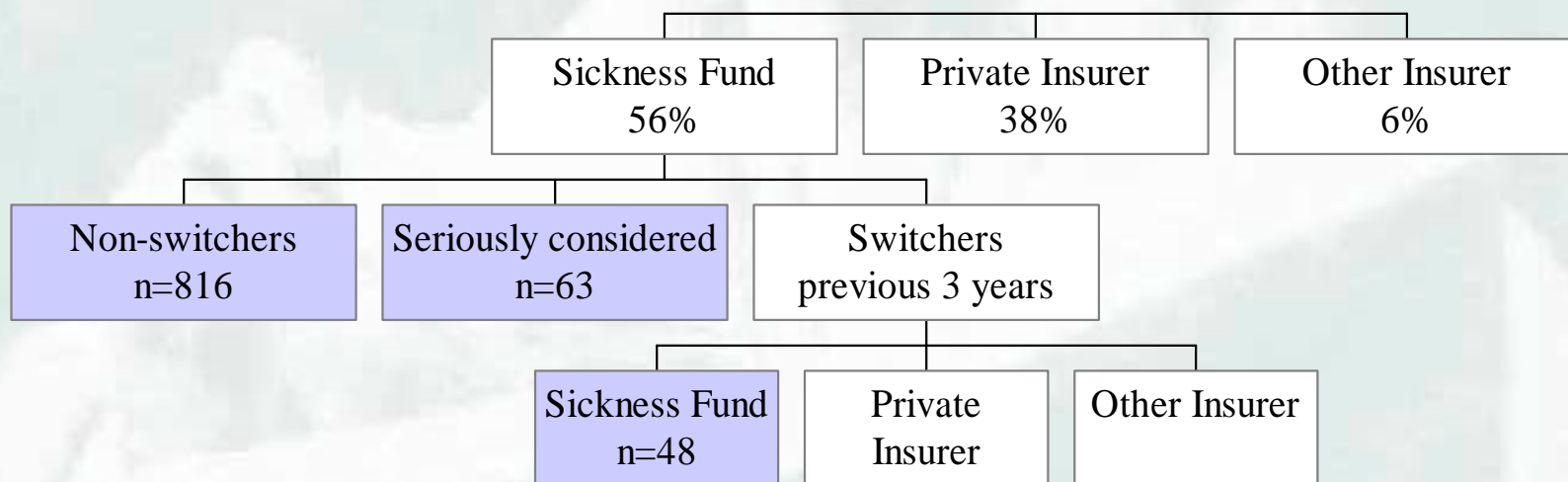


Determinants of switching

- Information
- Individual characteristics
- Switching costs

Questionnaire

- Questionnaire of March 2001
- All individuals in the household of 16 and older



Data

- Background
 - Age, sex, education, family size, income
- Health measure
 - Self-reported health: 5-point scale
 - List of 24 serious conditions
- Knowledge about sickness funds
 - 5 statements about premiums, acceptance rules, and switching rules
- Reasons for (not) switching

Choice for sickness fund

- Since childhood enrolled in this SF: 32%
- SF is largest and best known in region: 17%
- Low premium: 4.5%
 - Non-switchers: 3.6%
 - Seriously considered: 11.1%
 - Switched: 12.5%

Reasons to consider switching

- Coverage of supplementary insurance: 20%
- Dissatisfaction with current SF: 19%
- High premium: 14%
- Employment-based group contract: 13%

Reasons not to switch in the end

- Slight differences between SFs: 41%
- Too complicated to switch: 27%
- Expected not to be accepted: 6%

Results multinomial logit

	Switched	Seriously considered
Age	Negative	Negative
Gender	n.s.	n.s.
Large families	n.s.	Negative
Knowledge	Positive	n.s.
Good health	n.s.	Negative
Excellent health *	Positive	n.s.
High education		

Conclusions

- Small fraction of the enrollees switched sickness funds between 1998-2001
- Premium differences play a minor role
- The better informed and high educated healthy are more likely to switch
- Older people and larger families are less likely to switch
- Switching costs may explain immobility