

The effect of private health insurance on medical care utilization and self-assessed health in Germany*

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Abstract

In Germany, employees are generally obliged to participate in the public health insurance system, where coverage is universal, co-payments and deductibles are moderate, and premia are based on income. However, they may buy private insurance instead if their income exceeds the compulsory insurance threshold. Here, premia are based on age and health, individuals may choose to what extent they are covered, and deductibles and co-payments are common. In this paper we estimate the effect of private insurance coverage on the number of doctor visits, the number of nights spent in a hospital and self-assessed health. Variation in income around the compulsory insurance threshold provides a natural experiment that we exploit to control for selection into private insurance. We document that income is measured with error and suggest an approach to take this into account. We find negative effects of private insurance coverage on the number of doctor visits, no effects on the number of nights spent in a hospital, and positive effects on health.

JEL Classification: I11, I12, C31.

Keywords: Private health insurance, medical care utilization, selection into insurance, natural experiment, regression discontinuity design, measurement error.

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