The Effects of Switching Health Insurance on Individual Health

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Abstract

We investigate the individual health effects of health insurance choice in Germany. The German health insurance market is especially interesting for this analysis as it combines some special features: (1) Health insurance is compulsory in Germany and (2) the decision to choose an insurance company is made on two levels. First, you sort into the private or statutory system and second, you choose an insurer within the system. In order to assess quality differences between private and statutory health insurance, the health outcome of switchers between systems is analyzed. In the next step, health effects that result from quality differences and health effects due to psychological issues are disentangled by focusing on individuals that switch insurance companies within the statutory health insurance system. This is feasible, as the catalog of benefits for statutory health insurers is strictly regulated and hardly differs between companies. In a broad empirical strategy based on data from the German Socio-Economic Panel, we are able to include a large set of health measures. By applying a Regression Discontinuity model, unobserved heterogeneity and reversed causality in the process of switching—either between insurance systems, or between companies within a system—is accounted for.

JEL classifications: Public and Private Health Insurance; Individual Health

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