

Accepted Manuscript

Title: Tiered co-payments, pricing, and demand in reference price markets for pharmaceuticals

Author: Annika Herr Moritz Suppliet

PII: S0167-6296(16)30078-9

DOI: <http://dx.doi.org/doi:10.1016/j.jhealeco.2017.08.008>

Reference: JHE 2059

To appear in: *Journal of Health Economics*

Received date: 5-8-2016

Revised date: 24-8-2017

Accepted date: 25-8-2017



Please cite this article as: Annika Herr, Moritz Suppliet, Tiered co-payments, pricing, and demand in reference price markets for pharmaceuticals, *Journal of Health Economics* (2017), <http://dx.doi.org/10.1016/j.jhealeco.2017.08.008>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Tiered co-payments, pricing, and demand in reference price markets for pharmaceuticals [☆]

Annika Herr^{a,1,*}, Moritz Suppliet^b

^a*Duesseldorf Institute for Competition Economics (DICE), Heinrich Heine University*

^b*TILEC and Department of Economics, Tilburg University*

Abstract

Health insurance companies curb price-insensitive behavior and the moral hazard of insureds by means of cost-sharing, such as tiered co-payments or reference pricing in drug markets. This paper evaluates the effect of price limits –below which drugs are exempt from co-payments– on prices and on demand. First, using a difference-in-differences estimation strategy, we find that the new policy decreases prices by 5 percent for generics and increases prices by 4 percent for brand-name drugs in the German reference price market. Second, estimating a nested-logit demand model, we show that consumers appreciate co-payment exempt drugs and calculate lower price elasticities for brand-name drugs than for generics. This explains the different price responses of brand-name and generic drugs and shows that price-related co-payment tiers are an effective tool to steer demand to low-priced drugs.

Keywords: Drug prices; Cost-sharing; Co-payments; Reference pricing; Regulation; Firm behavior; Health Insurance; Demand model; Price elasticity
JEL: I18, L51, I11, L11

[☆]We would like to thank two anonymous referees, the editor Martin Chalkley, Tomaso Duso, Christopher J. Garmon, Germain Gaudin, Tobias Klein, Jonathan Kolstad, Karine Lamiraud, Martin Salm, Hendrik Schmitz, Pravin K. Trivedi, and Tobias Wenzel for helpful comments and suggestions. We thank the participants of numerous seminars and conferences for their valuable input. This research was supported by the DFG (grant HE 6825/2-1) and the SFF (Heinrich Heine University).

*Corresponding author

Email addresses: annika.herr@dice.hhu.de (Annika Herr),
m.suppliet@tilburguniversity.edu (Moritz Suppliet)

¹Universitaetsstrasse 1, 40225 Duesseldorf, Germany, Tel: +49 211 81 15497

Download English Version:

<https://daneshyari.com/en/article/5100710>

Download Persian Version:

<https://daneshyari.com/article/5100710>

[Daneshyari.com](https://daneshyari.com)