

Dr. Hendrik Schmitz

**“In absolute or relative terms? How framing prices affects the consumer price sensitivity of health plan choice”**

Abstract:

Exploiting a unique natural experiment in Germany, this paper provides field evidence on a.) how price framing affects consumers' decision to switch health insurance plans and b.) how the price elasticity of demand for health insurance can be influenced by policymakers through simple regulatory efforts. In 2009, to foster competition among health insurance companies, German federal regulation required health insurances to express price differences across health plans in absolute Euro values rather than percentage point payroll tax differences. Using individuallevel panel data as well as administrative aggregate data, we find that the reform has led to a fourfold increase in the individual switching probability.