

"Who Makes an Active Choice? Testing Models of Default Effects in Medicare Part D."

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"We study decision-making among low-income beneficiaries of Medicare Part D, documenting a new stylized fact: Only 16% of beneficiaries make an active choice of insurance plan when they initially qualify, with the rest instead receiving the default, a randomly-assigned plan. We find that these default assignments are persistent, with only one-third of assigned beneficiaries having actively chosen to switch out of their plan after five years of enrollment. This dynamic persistence is driven by inattention rather than adaptation: 92% of assigned beneficiaries switch plans when their default quasi-randomly changes from remaining in their plan to being reassigned to a random plan. Despite their inattention, beneficiaries respond to poor plan assignment fit by reducing their drug consumption by 8-15%, and consequentially experience small increases in their use of hospital services. Those who face the greatest risk of these consequences are not more likely to make active decisions, both ex ante and ex post. Our results are inconsistent with the class of boundedly-rational models of choice commonly used in the literature, and raise concerns about the ability of market-based insurance provision to efficiently elicit beneficiary preferences."