

# [Summary of the article the rand health insurance experiment, three decades later](https://assignbuster.com/summary-of-the-article-the-rand-health-insurance-experiment-three-decades-later/)

Summary of the Article “ The RAND Health Insurance Experiment, Three Decades Later” This paper focuses on the RAND health insurance program, which offered health insurance to several individuals in the United States.
The Research Question
The essay reexamines the core findings of the RAND health insurance experiment, and shows how health insurance affects medical spending. The examination has been done after three decades of operation, and it analyses the randomized experiments, as well as the economics of moral hazard. This identifies the following research question.
What are the core findings of the RAND health insurance experiment?
Importance of the Research Question
The research question helps in identifying the effects of the health insurance coverage on health care utilization.
Why the Research question is difficult to Answer
The experiment faces many threats of validity that makes it difficult to answer the research question. The original health impact estimates, for example, were less precise than those for health spending were. Ascertaining whether the plans, which were assigned randomly, were successful also poses a big problem. Consequently, examining potential threats to validity using the results would increase uncertainty. In addition to these threats, there is no systematic reexamination of the original data, and core findings from the RAND experiment. Incompleteness of the publicly available health data also prohibits the replication of the original RAND results. Differential participation could also lead to bias in the experiment, as there was higher participation among those covered by more comprehensive plans than those in lower comprehensive plans. Consequently, results cannot be reported with confidence.
How the Authors Attempt to Answer the Question
The authors attempt to answer the question by presenting the main findings of the experiment in a manner similar to the way they would be presented today. This makes the findings accessible to current readers. They also reexamine the validity of the experimental treatment effects, and address the potential of differential study participation and differential reporting outcomes across experimental treatments. In addition, they consider the RANDS estimates, and contrast between how the elasticity was originally estimated and its subsequent application. They finally caution against summarizing the experimental treatment effects from nonlinear health insurance contracts using single price elasticity.
Results
The results of the experiment indicated that an insurance plan that offers a lower coinsurance rate leads to more health utilization, compared to a plan that requires an individual to pay more to access the services. The 95% plan, for example, records a lower level of health spending, while the free care plan records more health spending. Therefore, individuals who spend more on health seek less treatment, than those who spend less on medical insurance.
Patients seeking medical attention, and then returning to their homes also posed a higher percentage compared to those spending their nights in the health facilities. The amounts spent on these services were higher for those who had lower cost-sharing plans, and higher for those with higher cost-sharing plans.
More to this, minimal effects were recorded relating to inpatient spending, in the different cost-sharing plans. This means that patients with serious medical problems seek medical attention at an almost equal percentage, given the risk posed on their health.
What are the Implications of the Results for Health Policy
The results imply that considering the heterogeneity found in health records can allow one to have a better understanding of health utilization, than analyzing it using its overall dollar cost. This is because Inpatient and outpatient spending can affect health spending and results could differ given a price reduction through insurance. More to this, given that price also determines the utilization of medical care, the health policy should enforce policies that allow people to access the care comfortably.
Works Cited
Aron-Dine, A., Einav, L., & Finkelstein, A. The RAND Health Insurance Experiment, Three Decades Later. Journal of Economic Perspectives, 27(1), 2013, 197-222.