EBRI FAST Facts
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Evidence That Health Care Coinsurance Reduces Use of Certain Care More Than Copayments Do

Many high-cost health care claimants reach their deductible.[1] This phenomenon raises questions about the relative effectiveness of different types of cost sharing — such as copayments and coinsurance — not only later in the year, once an individual reaches his or her deductible, but also during the year. That's because end-of-year prices may matter most when individuals are deciding whether to use a health care service, even before the end of the year is reached.

Why Might There Be A Difference in Impact?

Why would we expect to find differences in behavior by whether an individual faces copayments or coinsurance after they reach their deductible? Prior studies often found that individuals are not forward-looking when it comes to prices for health care. The same may be true when it comes to types of cost sharing. Before an individual reaches their deductible, they will know what the price of health care is if they face copayments after reaching their deductible. Copayments are well-defined and known before health care services are used. Coinsurance is less well-defined when it comes to knowing the price of a health care service in advance of using the service. An individual may know that they will pay 10 or 20 percent of the cost of the health care service, but they usually do not know what the allowed charge for the service will be until the claim has been adjudicated by the health plan. The uncertainty of coinsurance relative to the certainty of copayments may mean that coinsurance has a differential impact on use of health care services compared with copayments.

In a recent study, "Managing Use of Health Care Services After People Satisfy Their Deductible: What Do Copayments and Coinsurance Do?," the Employee Benefit Research Institute (EBRI) examined the differential effect of copayments and coinsurance on use of health care services. The study used data from 2013 to 2018 on between 1.9 and 3.6 million individuals, depending on the year, who either have copayments or coinsurance for various health care services. We examined the expected percentage change in use of health care from a 1 percent change in cost sharing. We found that coinsurance reduces use of inpatient care and specialist physician office visits, but copayments do not. Specifically:

- For inpatient health care, each 1 percent increase in coinsurance led to a 0.18 percent decrease in utilization.
- For specialty physician office visits, each 1 percent increase in coinsurance led to a 0.19 percent decrease in utilization.
- Meanwhile, we found no evidence that demand for inpatient and specialty visits was linked to copayments.

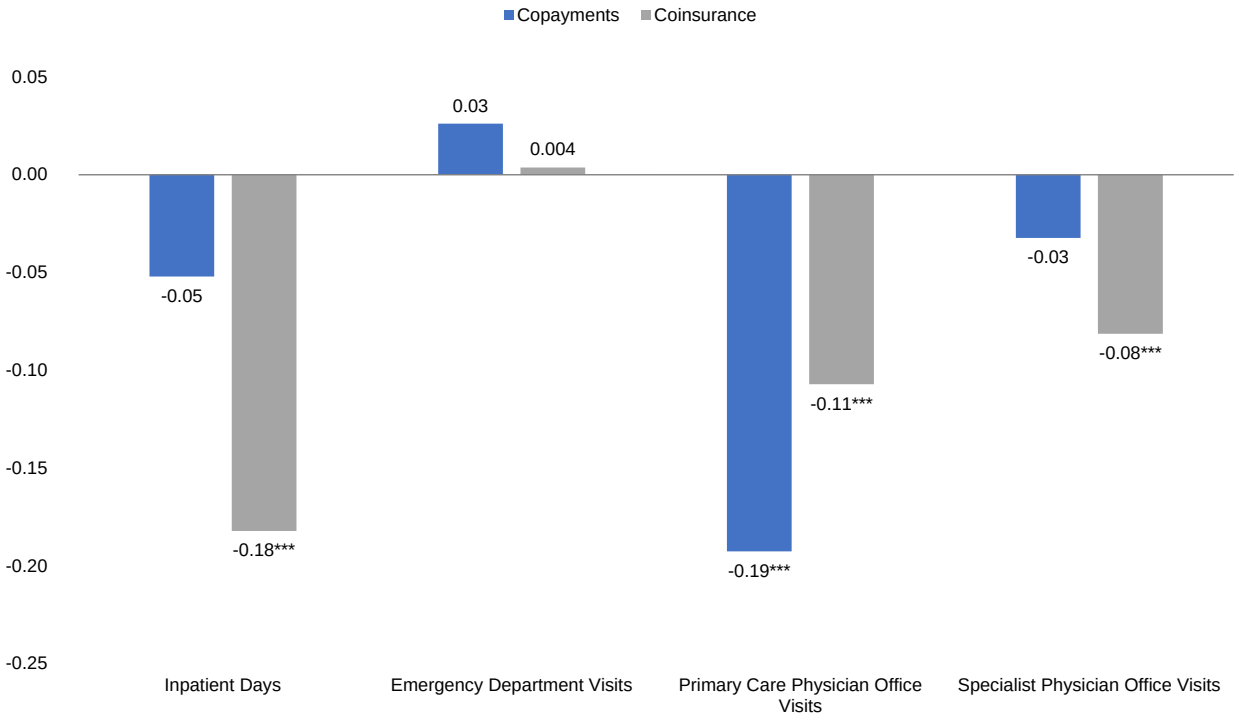
When it comes to primary care physician office visits, on the other hand, we found that copayments have nearly twice the impact on the number of visits as coinsurance. For primary care physician office visits, each 1 percent

[1] Paul Fronstin and M. Christopher Roebuck, "Persistency in High-Cost Health Care Claims: 'It's Where the Spending Is, Stupid,'" *EBRI Issue Brief*, no. 493 (Employee Benefit Research Institute, October 24, 2019).

increase in coinsurance led to an 0.11 percent decrease in utilization; for copayments, this decrease was 0.19 percent. Neither copayments nor coinsurance had an effect on emergency department visits that was statistically significant.

Most employers already use coinsurance for inpatient care. However, only 44 percent use coinsurance for office visits. This research suggests that employers seeking to manage use of health care services and spending — especially among high users of health care services — may have more success by moving from copayments to coinsurance for specialist office visits as a way to do so.

Change in Use of Health Care Services Due to a 1 Percent Increase in Cost Sharing, by Type of Health Care Service and Type of Cost Sharing



*** Value is statistically significant.

The EBRI report, "Managing Use of Health Care Services After People Satisfy Their Deductible: What Do Copayments and Coinsurance Do?," is published as the November 2020 *EBRI Issue Brief*, and is available online here.

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