

[IZA News](#)[About IZA](#)[Organization Chart](#)[People](#)[Research](#)[Labor Policy](#)[Publications](#)[Discussion Papers](#)[Policy Papers](#)[Standpunkte](#)[Books](#)[Research Reports](#)[IZA Compact](#)[IZA in the Press](#)[Publication Record](#)[Journals](#)[Events](#)[IZA Prize / YLE Award](#)[Teaching](#)[Links / Resources](#)[Press](#)

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### In Absolute or Relative Terms? How Framing Prices Affects the Consumer Price Sensitivity of Health Plan Choice

by Hendrik Schmitz, Nicolas R. Ziebarth  
(December 2011)

**Abstract:**

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, in order to foster competition among health insurance companies, German federal regulation required health insurance companies to express price differences between health plans in absolute Euro values rather than percentage point payroll tax differences. Using individual-level panel data, as well as aggregated health plan-level panel data, we find that the reform led to a sixfold increase in an individual's switching probability and a threefold demand elasticity increase.

**Text:** See [Discussion Paper No. 6241](#)

[Back](#)