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Essays on the Efficiency and Efficacy of Health Policies and Programs: (a) the ACA Dependent Coverage Provision; (b) Medicare Part D

Given both the rapid growth of spending on public health programs and the mounting controversies on certain recent health policy mandates in the US, it is critical to identify the elements in these programs and policies that promote efficiency and efficacy from those that do not. My dissertation research looks into the unintended consequences of privatizing Medicare Part D and the important benefits that the Affordable Care Act dependent coverage provision offers to college graduates with student loan debt, adding new insights to the ongoing policy debates.

(a) My job market paper, titled "The Impacts of the Affordable Care Act Dependent Coverage Provision on College Graduates with Student Loan Debt," examines the effects of the 2010 Affordable Care Act (ACA) provision on a variety of outcomes among college graduates with student loan debt. The provision requires insurers to allow dependents to remain on parental health insurance policies until age 26. The ever-increasing student loan debt—the second highest form of consumer debt behind mortgage—has the potential to distort health insurance decisions made by student loan borrowers under repayment obligations. This distortion, if it exists, can be detrimental since lack of insurance may reduce health care usage and contribute to medical debt, thus creating a vicious cycle of debt. To examine whether such a distortion exists, I use data from the *National Longitudinal Survey of Youth 1997*, in which the majority of the sample were unable to benefit from the provision due to the age restriction. I find a larger amount of student loan debt is associated with a lower probability of having health insurance, and lower utilization of routine checkups as well as doctor visits in times of illness. Using data from the *Panel Survey of Income Dynamics*, I find that among college graduates who were eligible for the provision, having more student loan debt increases the likelihood of joining a parental health insurance plan. I also find that among *all* college graduates in the sample, being eligible to enroll in a parental policy increases the likelihood of having insurance conditional on the student loan amount after 2010. Finally, I conduct an analysis on the school level using data from the *College Scorecard*. I explore the differences in the percentages of college graduates who would be eligible for the provision between schools and test the hypothesis that the percentage became negatively correlated with the official school-level 2-year cohort default rate starting from the first cohort that were able to benefit from the provision. I find a strong negative correlation in the post-provision period, suggesting that the provision also improved the financial outcomes for college graduates with student loan debt.

(b) My second paper, coauthored with Kurt Lavetti, titled "Does Part D Abet Advantageous Selection in Medicare Advantage," studies the unintended consequences of privatizing Medicare prescription drug coverage (Part D). Private provision of publicly-funded health insurance benefits, in which private insurers receive capitation payments for insuring beneficiaries enrolled, has the potential to promote efficiency in health care delivery. Although Medicare uses diagnosis-based risk-adjustment in setting payments to Medicare Advantage (MA) plans to reduce the incentive for advantageous selection, this does not eliminate the selection problem if plans are able to target beneficiaries based on excluded factors. Since MA medical risk-adjustment excludes prescription drug utilization, demand for drugs can be exploited by plans to engage in advantageous selection. The introduction of Medicare Part D in 2006 gave Medicare beneficiaries a choice between MA plans in which private insurers provide integrated hospital, physician, and drug coverage, or traditional Medicare with stand-alone private drug insurance. Since Part D formularies allow cost-sharing decisions to be made at the drug-product level, they can be designed strategically by MA plans to encourage advantageous selection, as shown by Lavetti and Simon (2016). This advantageous selection, if successful, could create a negative externality on the public Medicare program, and reduce the potential benefits of privatizing health insurance delivery. Using data from the *Medicare Current Beneficiary Survey*, we find that following the introduction of Medicare Part D, MA market shares increased among beneficiaries taking drugs that tend to be associated with favorable risk-adjusted payments. For the average Medicare beneficiary in our sample, we estimate that the change in advantageous selection following the introduction of Medicare Part D increased the probability of enrolling in an MA plan by about 7.7%.