

Gender-Based Pricing Ban in Health Insurance: Evidence from Chile

Regulation in health insurance aims to reduce inefficiencies while addressing redistribution across demographic groups. We examine a regulation within Chile's health insurance market that mandates plan pricing must not be based on gender. Leveraging administrative data from Chile, we offer empirical insights into the impact of this pricing constraint on consumer welfare. Our analysis sheds light on the discourse surrounding the prohibition of observable-based pricing, driven by considerations of equity and market efficiency. While this pricing ban may benefit some demographic groups, it can also exacerbate adverse selection by increasing prices. To analyse the implications of this regulation, we develop and estimate a discrete choice model of health insurance plans that incorporates the distribution of prospective individual medical costs. We combine the insurance plan demand model with a plan pricing model that accounts for insurer competition. Using this model, we explore counterfactual scenarios to evaluate how insurers might adjust their pricing and plan offerings under alternative regulatory policies. Our results show that after the policy, consumer surplus increased for women and decreased for men. Focusing only on the policy's price effect without accounting for changes in plan characteristics would underestimate the losses experienced by men. These findings highlight the importance of considering both price effects and insurer responses when designing health insurance regulations, providing insights for policymakers seeking to balance efficiency and redistribution.