What Does a Public Option Do? Evidence from California

Research Question:

What is the impact of introducing a public option for health insurance that competes with private insurers?

Methods:

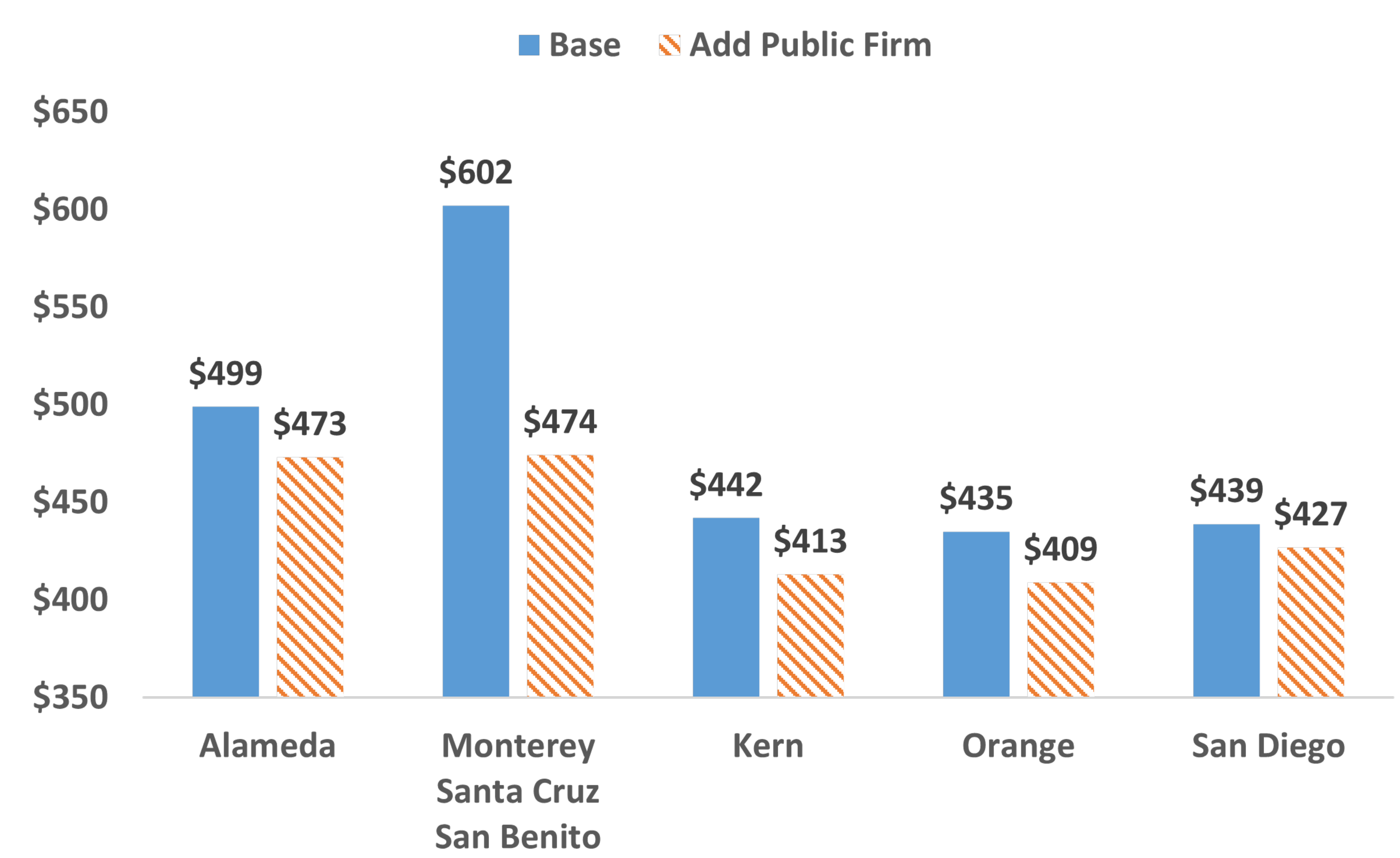
- Develop a structural mixed oligopoly model
- Use consumer-level data from California's ACA exchange, where some counties have a public option

Key Results:

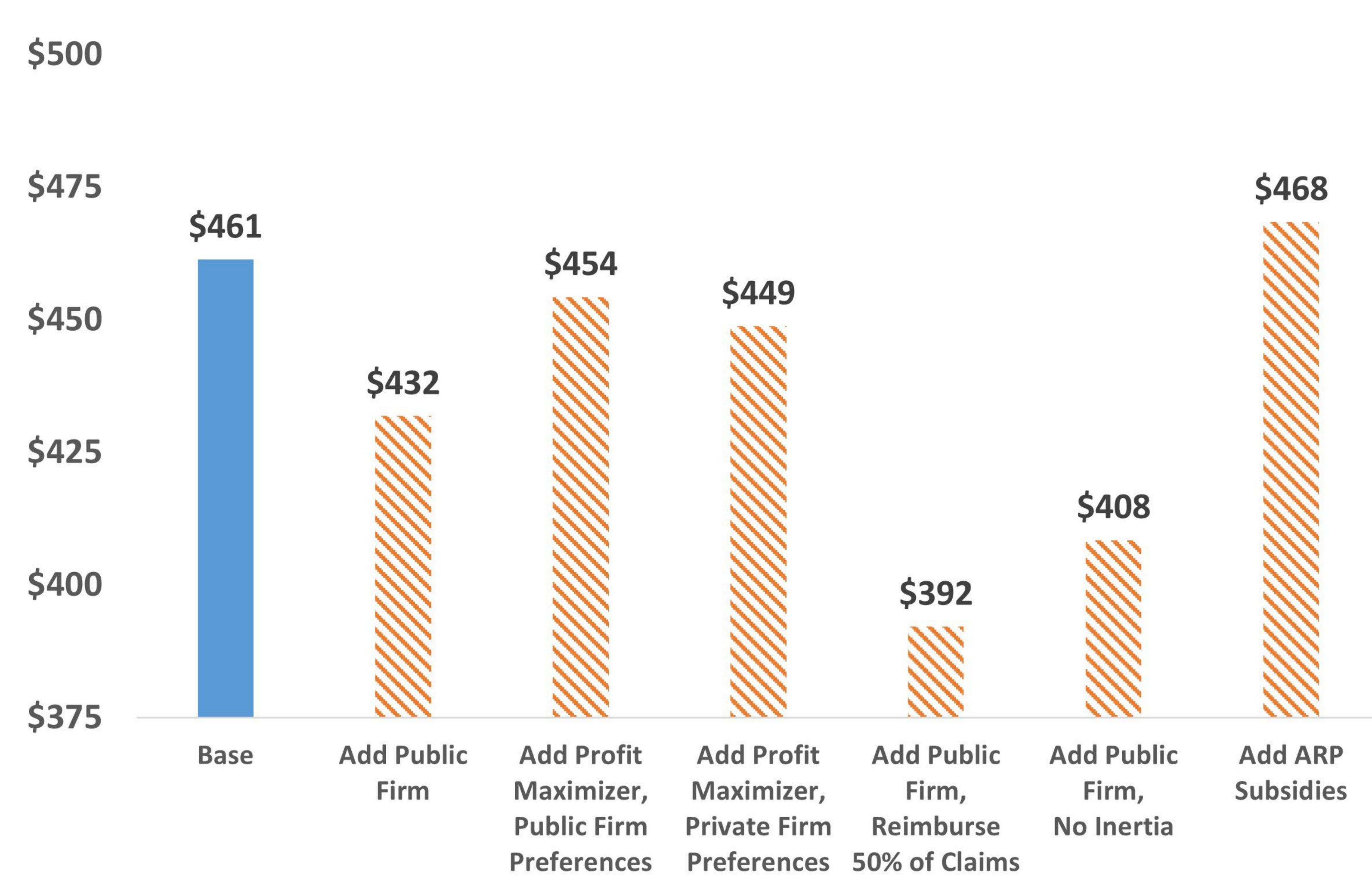
- Public firms put more weight on consumer welfare than firm profit
- Adding public option decreases premiums, increases welfare in concentrated markets, and increases surplus for disadvantaged populations

Willingness to Pay for Private Plan

Unsubsidized Premiums by Market



Unsubsidized Premiums by Design



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