

Decision Processes Colloquia

Monday, February 13, 2012

Where: JMHH 245

When: 12:00 noon to 1:20 PM

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Active Choice and Health Outcomes: Evidence from Prescription Drug Home Delivery

(John Beshears, Stanford University, James Choi, Yale University, David Laibson, Harvard University, Brigitte Madrian, Harvard University)

Abstract. Revealed preferences are tastes that rationalize an economic agent's observed actions. Economists usually assume that these revealed preferences are also normative preferences—preferences that represent the economic actor's true interests. Welfare and policy analyses almost always assume that revealed and normative preferences are identical. In some situations, it makes sense to give revealed preferences normative status. There are many cases, however, in which choices do not reveal a true preference, but reflect the combined influence of true preferences and decision-making biases. For example, in many situations economic agents do not actively make choices. Instead, they passively accept defaults that are chosen by others. Preferences revealed through passive choice are often inconsistent, since variation in defaults generates large variation in (passively) accepted outcomes. To the extent that the wedge between normative and revealed preferences is created by inertia around the default, active choice mechanisms that force individuals to explicitly state their preferences may produce outcomes closer to the normative benchmark; such active decision mechanisms have no default option to bias outcomes.

In this paper we examine the application of an active choice mechanism to home delivery for long-term prescription medications. Home delivery has three advantages over retail pharmacy pick-up for individuals on long-term maintenance medications: (1) it is lower cost, (2) it has a lower error rate, and (3) it is potentially more convenient. Despite these advantages, utilization of home delivery under an opt-in regime is very low at around 6% of those potentially eligible. The adoption of an active decision approach to prescription drug home delivery leads to a sizeable increase in home delivery adoption: 41% of those eligible actively choose home delivery, 38% actively choose retail pharmacy pick-up, and 21% make no choice (and use retail pharmacy pick-up by default). These results are consistent with evidence on the impact of requiring an active choice on savings plan participation (Carroll et al. 2009) and on requiring an active choice for prescription drug home delivery in a field experiment (Keller,

Harlam, Loenstein and Volpp, 2011). We show that making no choice is related to the cost associated with making no choice. We also examine the effect of home delivery adoption on medication adherence using measures of medication possession ratios.