MIT Economics

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Doctoral Studies

Massachusetts Institute of Technology (MIT) — 2013-2018
PhD, Economics
Dissertation: *Essays on Insurance*
Dissertation Committee and References

Amy Finkelstein
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Prior Education

University of Wisconsin – Madison — 2008-2012
BS with Honors, Economics, Mathematics, and Political Science

Citizenship USA **Gender:** Male

Fields

Primary Fields: Public Finance, Household Finance
Secondary Fields: Health Economics

Relevant Positions

Post-Doctoral Fellow in Household Finance, NBER	2018-2019
Research Fellow, MIT Sloan Golub Center for Finance and Policy	2018-2019
Research Assistant to Amy Finkelstein, NBER and MIT	2012-2013
Chief Economist, Outline.com	2013
Junior Economist, Value-Added Research Center	2010-2012
Election Forecasting Intern, Pollster.com	2010
Intern, United States Senator Russ Feingold	2009

Fellowships, Honors, and Awards

Research Grants

J-PAL North America Health Care Delivery Initiative ($408,000)	2017
J-PAL North America Project Development Grant ($5,000)	2017
- For "The Burden of Medical Debt and the Impact of Debt Forgiveness" (with Neale Mahoney, Francis Wong, and Wesley Yin).	
J-PAL North America Pilot Grant ($50,000)	2017
J-PAL North America Project Development Grant ($5,000)	2017
George and Obie Shultz Fund ($5,500)	2017
- For "Accelerating Demand for Auto Insurance: Prepaid Flexible Contracts and Willingness-to-Pay for Lower Liquidity Requirements"	

Fellowships and Awards

NBER Post-Doctoral Fellowship in Household Finance	2018-2019
National Science Foundation Graduate Research Fellowship	2015-2018
MIT Presidential Graduate Fellowship	2013-2015
University Bookstore Award for Excellence in Senior Thesis	2012
Economic Academic Excellence Award	2012
Draminski Scholarship (Economics Department Award)	2012
Hilldale Research Fellowship for Senior Honors Thesis	2011-2012
Phi Beta Kappa Society (elected as a junior)	2011

Professional Activities

Referee*, American Economic Journal: Economic Policy, American Economic Review: Insights, J-PAL North America Health Care Delivery Initiative, Journal of Policy Analysis and Management, Journal of Public Economics, Health Affairs*

Mentor, J-PAL North America Mentoring Program	2017-2018
Social Chair, MIT Graduate Economics Association	2013-2014

Publications

"Myth and Measurement: The Case of Medical Bankruptcies" (with Carlos Dobkin, Amy Finkelstein, and Matthew Notowidigdo) ***New England Journal of Medicine*** **378(12), March 2018: 1076-1078.**

"The Economic Consequences of Hospital Admissions" (with Carlos Dobkin, Amy Finkelstein, and Matthew Notowidigdo) ***American Economic Review*** **108(2), February 2018: 308–352.**

We use an event study approach to examine the economic consequences of hospital admissions for adults in two datasets: survey data from the Health and Retirement Study, and hospitalization data linked to credit reports. For non-elderly adults with health insurance, hospital admissions increase out-of-pocket medical spending, unpaid medical bills, and bankruptcy, and reduce earnings, income, access to credit, and consumer borrowing. The earnings decline is substantial compared to the out-of-pocket spending increase, and is minimally insured prior to age-eligibility for Social Security Retirement Income. Relative to the insured non-elderly, the uninsured non-elderly experience much larger increases in unpaid medical bills and bankruptcy rates following a hospital admission. Hospital admissions trigger fewer than 5 percent of all bankruptcies in our sample.

"**Beyond Statistics: The Economic Content of Risk Scores"** (with Liran Einav, Amy Finkelstein, and Paul Schrimpf) ***American Economic Journal: Applied Economics*** **8(2), April 2016: 195-224.**

In recent years, the increased use of "big data" and statistical techniques to score potential transactions has transformed the operation of insurance and credit markets. In this paper, we observe that these widely-used scores are statistical objects that constitute a one-dimensional summary of a potentially much richer heterogeneity, some of which may be endogenous to the specific context in which they are applied. We demonstrate this point empirically using rich data from the Medicare Part D prescription drug insurance program. We show that the "risk scores," which are designed to predict an individual's drug spending and are used by Medicare to customize reimbursement rates to private insurers, do not distinguish between two different sources of spending: underlying health, and responsiveness of drug spending to the insurance contract. Naturally, however, these two determinants of spending have very different implications when trying to predict counterfactual spending under alternative contracts. As a result, we illustrate that once we enrich the theoretical framework to allow individuals to have heterogeneous behavioral responses to the contract, strategic incentives for cream skimming still exist, even in the presence of "perfect" risk scoring under a given contract.

RESEARCH PAPERS

"The Economic Consequences of Bankruptcy Reform" (with Tal Gross, Feng Liu, Matthew Notowidigdo, and Jialan Wang) **Job Market Paper.**

A generous consumer bankruptcy system provides partial insurance against financial risks faced by households, but it may also raise the cost of credit to consumers. We study this trade-off using a large reform to the U.S. bankruptcy code which raised the cost of filing for bankruptcy and reduced the benefits of filing for many consumers. We find that the reform significantly reduced aggregate bankruptcy filings, and using a combination of administrative records, proprietary market-research data, and credit reports, we estimate pass-through to borrowing costs and consequences for the insurance value of bankruptcy. We estimate a one percentage point reduction in filing risk within a credit score segment translates to a 70-100 basis point decline in the offered interest rate for unsecured credit. After the reform, a large negative financial shock—in particular, an uninsured hospitalization—is less than half as likely to be discharged through bankruptcy. Overall, we find reducing the generosity of the bankruptcy code lowered interest rates at the cost of reducing the insurance value of the bankruptcy system, with identical shocks less likely to be insured by bankruptcy after the reform.

"Information Frictions and Insurer Plan Design: Evidence from Medicare Advantage" (with Evan Mast)

Behavioral frictions in insurance exchanges affect not only the plan a consumer selects, but also the menu of plans insurers offer. We investigate an information friction in Medicare Advantage—beneficiaries pay two premiums, and one is much more salient. We find a larger demand elasticity for the salient versus non-salient premium. A model of insurer plan design produces simulated premiums matching the observed distribution using these "behavioral" elasticities, but not when assuming equal elasticities across the two premiums. Removing the friction increases enrollment in low-premium plans, increasing consumer surplus $5/year with supply fixed and $73/year when including a supply response.

RESEARCH IN PROGRESS

"Accelerating Demand for Auto Insurance: Prepaid Flexible Contracts and Willingness-to-Pay for Lower Liquidity Requirements" RCT in the field.

Despite a universal insurance mandate, 30 million drivers in the United States do not carry the minimum automobile insurance required by law. Traditional contracts pool high and low frequency drivers and require large upfront payments to enroll. High upfront premiums may make these contracts unappealing to low income drivers, who also drive fewer miles on average. We introduce a flexible "prepaid" auto insurance contract designed to increase take-up among uninsured drivers by lowering liquidity requirements and charging drivers an incremental premium per day of driving. We randomize auto insurance contract offers to uninsured drivers in California (where 15% of drivers lack insurance), varying the flexibility of the contract (traditional versus prepaid), the price of coverage, and quantity discounts for longer coverage terms. The design tests the potential of flexible prepaid contracts to increase insurance take-up among uninsured drivers, estimates willingness-to-pay for lower liquidity requirements, and explores potential barriers to insurance take-up.

"The Burden of Medical Debt and the Impact of Debt Forgiveness" (with Neale Mahoney, Francis Wong, and Wesley Yin). RCT in the field.

Medical debt is potentially a large burden for many Americans—with 44 million individuals holding an aggregate $75 billion in medical debt. While these nominal amounts are staggering, it is unclear to what extent medical debt harms financial well-being. Medical debt recovery rates are low, suggesting that the pure "balance sheet" cost of medical debt is modest for most individuals. Yet medical debt may harm individuals through lower credit scores, higher interest rates, and reduced access to credit—impairing economic opportunities and perhaps even locking individuals in "debt traps." Collaborating with RIP Medical Debt, a non-profit that buys and abolishes medical debt, we implement a randomized-control trial (RCT) to study the impact of medical debt. Medical debt is forgiven for randomly chosen "treated" individuals, whose financial outcomes are compared to otherwise similar "control" individuals for whom medical debt was not forgiven.

"The Effects of Financial Assistance Policies on Health and Health Care Utilization" (with Neale Mahoney, Francis Wong, and Wesley Yin).

American households owe $75 billion in medical debt. Health care providers are increasingly concerned that medical debt may harm patient health – both through the stress of the debt and because indebted patients may be reluctant to seek additional health care – and are establishing financial assistance programs to address the issue. In this project, we are working with a large managed care organization to study the impacts of a financial assistance program. Our research design uses a discontinuity in program eligibility to study the effects of the financial assistance on health care utilization and health, and to use our estimates to inform the design and targeting of financial assistance policies.