

Prof. Dr. Marianne Simonsen will present this:

**Title: “Piling Pills? Forward-looking Behavior and Stockpiling of Prescription Drugs”**

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**Abstract**

This paper provides evidence of forward-looking behavior in demand for prescription drugs, while relying on registry-based, individual level information about the universe of Danish prescription drug purchases from 1995-2014. We exploit a universal shift in policy in early 2000 from a flat-rate to a non-linear insurance plan for prescription drugs that incentivizes stockpiling at the end of coverage year. We first describe how consumers react to the introduction of the non-linear plan by increasing spending by 80% just before the implementation of the new regime. Our main analysis next takes advantage of the policy experiment to formally analyze behavior just prior to the end-of-year reset in the non-linear plan using a difference-in-difference strategy. We provide evidence that consumers react to this reset by stockpiling towards the end of the coverage year: consumers buy what amounts to an additional 20%. We detect heterogeneity in the size of the response by individual level characteristics, by proxies for health status, and by the type of drugs. We find no evidence of any immediate adverse health utilization effects associated with the stockpiling. We round off the paper with an analysis of the importance of stockpiling for estimates of price sensitivity. We find that ignoring intertemporal substitution across coverage years inflates estimates of price sensitivity with a non-negligible amount.