

# **Health Insurance, Health Care Utilization, and the Law of Demand: Combining Administrative Data with an Experimental Design**

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## **Short Abstract**

This paper evaluates the extent to which expanding health insurance to low-income households influences utilization of inpatient care by using data from a far-reaching health reform in Mexico that provided subsidized health insurance to nearly half of its population. Recent results based on a Mexican health insurance experiment suggest that reductions in the price of health care fail to increase health care utilization. This runs contrary both to the Law of Demand and to evidence from two other large-scale health insurance experiments. We shed light into this puzzle by matching administrative data on hospitalizations to the villages included in the original experimental design and assessing the extent of crowding out. Our results suggest that there is a substantial increase in hospitalizations for the formerly uninsured, and that data quality issues obscured this finding in previous research. Evidence for crowding out is mixed.