

Session Information submitted to KAEA on
KWEN Workshop at the 2019 ASSA Meetings
Yoosoon Chang, 16 October 2018

- Session title: **Structural Estimation in Industrial Organization**
- Date/time: 4 January 2019, 4:30-6:00pm
- Venue: Atlanta Marriott Marquis M106-107
- JEL codes: D15, L0, L11, L15

➤ The requested information in the following categories are provided together below.

- Manuscript titles, abstracts, author information (names, affiliations, email addresses, and session chair information (name, affiliation, email address))

1. Presenter: Ami Ko, Georgetown University; email: ami.ko@georgetown.edu
Title of paper: "Partial Rating Area Offering in the ACA Marketplaces: Facts, Theory and Evidence," coauthored with Hanming Fang (University of Pennsylvania, email: hanming.fang@econ.upenn.edu)
Abstract: In each of the state health insurance marketplaces established by the Affordable Care Act (ACA), there is a set number of "geographic rating areas" that all insurers participating in the state's marketplace must uniformly use in their price setting. The ACA mandates that, conditional on insureds' age and smoking status, insurers price their health insurance plans uniformly in all counties that belong to the same rating area. However, the ACA does not require that insurance companies sell their plans in all counties of a rating area. Using the federal marketplace data, we quantify the prevalence of a phenomenon, which we refer to as partial rating area offering, where insurers enter some but not all of the counties in a rating area. To understand why insurers selectively enter counties in a rating area, we develop a simple model of insurer competition. The model implies that if common county characteristics, such as the county's risk distribution, demand size and provider availability, were the primary considerations for insurers, then there would be a positive correlation among insurers' entry decisions. On the other hand, if market segmentation were the main factor, there would be a negative correlation. To test the model's implications, we develop a novel nonparametric correlation test and find strong evidence for positive correlations which are explained by insurers' desire to avoid high-cost counties. The results imply that subsidies that are better tied to county characteristics could increase insurer participation in the marketplaces.
2. Presenter: Jihye Jeon, Boston University; email: jjeon@bu.edu
Title of paper: "Endogenous Information Acquisition and Insurance Choice," with Zach Y. Brown (University of Michigan, email: zachb@umich.edu)
Abstract: Insurance contracts are complicated and individuals choose how much effort to put into comparing plans. We develop a parsimonious discrete choice model that incorporates both endogenous information acquisition and unobserved preference heterogeneity. The key parameter is individuals' cost of acquiring and processing

information. Applying the model to prescription drug insurance, we show that the framework provides an explanation for a number of facts that are inconsistent with standard models of insurance demand. We argue that rational inattention is important for understanding counterfactuals and welfare, in addition to having implications for supply-side incentives.

3. Presenter: Myongjin Kim, University of Oklahoma; email: mjkim@ou.edu
Title of paper: “Strategic Responses to Used Goods Markets: Airbus and Boeing”
Abstract: In this paper, I present a dynamic oligopoly model of Airbus, Boeing, and Used aircraft markets and employ a unique dataset to examine the interaction between innovation, production, and the used goods markets. My findings show that firms increase new product developments in response to used goods markets. Moreover, R&D subsidies lead to a delay in innovation while production subsidies have a minor effect on innovation. However, the R&D subsidies are less cost-effective than the production subsidies. Finally, a change in market structure from a duopoly to a monopoly decreases innovation in the presence of used goods markets.

 4. Presenter: Boyoung Seo, Indiana University; email: seob@indiana.edu
Title of paper: “Firm Scope and the Value of One-Stop Shopping in Washington State's Deregulated Liquor Market”
Abstract: Firm scope benefits consumers by allowing them to purchase multiple goods at once. This paper quantifies the consumer benefit of one-stop shopping and returns to firms as a result. Using retailer and household panel data, I exploit an exogenous change in firm scope in Washington State, which allowed liquor sales at grocery stores. I extend the standard method in the structural demand literature allowing for endogenous prices to the bundled goods setting where market share of each bundle is not available. The consumer benefit of one-stop shopping is estimated to 11% of liquor expenditure. A store gains 4% more grocery and 23% more liquor sales when selling both.
- Chair information: Yoosoon Chang, Indiana University, email: yoosoon@indiana.edu