

**Department of Economics**  
**2024-2025**  
**Seminar Series**



Monday, March 24, 2025  
12:30 PM-1:50 PM  
SBS, Room N603

**Ashley Swanson**

Associate Professor  
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***Title: A Double Dose of Reform: Insurance and Centralized Negotiation in Drug Markets***

**Abstract:** Making expensive, innovative drugs affordable and accessible is a pressing global challenge. In this paper, we explore the welfare and equity effects of a recent policy reform in China that coupled centralized drug price negotiation with expanded insurance coverage. The reform offered insurance coverage for innovative drugs, contingent on mutually-agreeable price reductions negotiated between the government and drug producers. Successful negotiations were followed by 48% decreases in retail prices, 80% reductions in out-of-pocket prices, and 350% increases in utilization. Focusing on cancer drugs, we estimate a flexible demand and supply model that features heterogeneous households, bargaining with potential breakdowns, and a government objective function that depends on consumer surplus and insurance expenditure. Our analyses deliver several findings. First, insurance coverage combined with central negotiation incentivizes drug producers to reduce drug prices, which increases consumer surplus gains by 77% relative to scenarios where drugs are covered without negotiation. Second, centralized bargaining is far more beneficial to patients in low- to moderate-income provinces compared to decentralized negotiation. Third, paradoxically, a regressive schedule with lower co-insurance rates for high-income households increases drug access for all consumers through increased bargaining leverage.

All in-person seminars will be held in the Social and Behavioral Sciences Building, Room N603. For additional information, contact the seminar organizers: Profs. Chang Liu & Eva Carceles-Poveda. Visit our webpage for additional information: [stonybrook.edu/economics](http://stonybrook.edu/economics).

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