

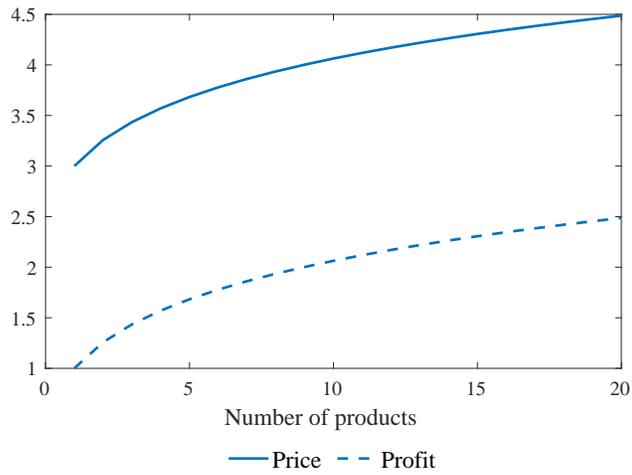
**Product Proliferation under Rational Inattention:  
Application to Health Insurance**

**ONLINE APPENDIX**

**Zach Y. Brown**

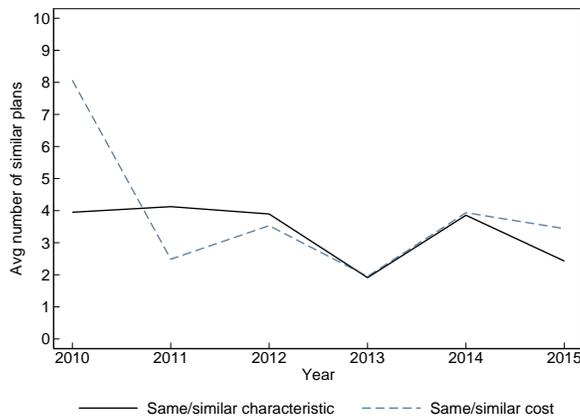
**Jihye Jeon**

Figure A-1  
 Predicted Price and Profit by Number of Products



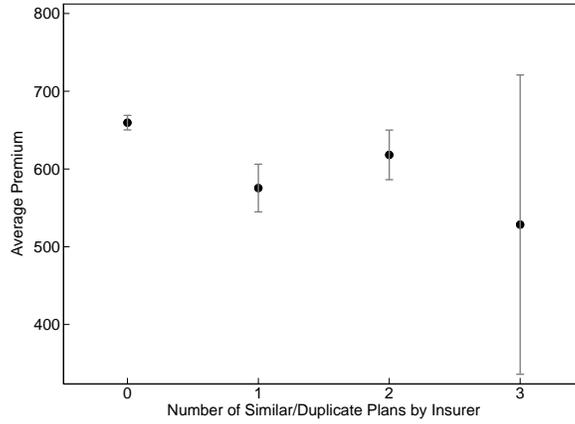
*Notes:* Chart uses the model presented in Section 2.2 to show simulated price and profit of firm A as a function of its number of duplicate products ( $N_A$ ) when  $\lambda$  is fixed at 1 and  $N_B$  at 1. Marginal cost is set to 1.

Figure A-2  
 Similar Plans by Year



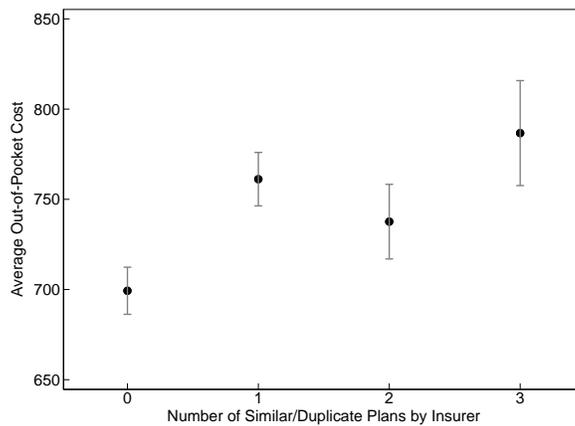
*Notes:* Chart shows average number of very similar or duplicate plans in individuals' choice sets for 2010 to 2015.

Figure A-3  
 Relationship between Similar/Duplicate Plans and Premiums



*Notes:* Similar/duplicate plans offered by an insurer defined as those with the same or very similar characteristics. Insurers with over 3 similar plans (2.9% of observations) not shown.

Figure A-4  
 Relationship between Similar/Duplicate Plans and Out-of-Pocket Cost  
 Similarity Measure based on Plan Cost



*Notes:* Similar/duplicate plans offered by an insurer defined as those in which the total cost in the same ventile. Insurers with over 3 similar plans (2.9% of observations) not shown.

Table A-1  
Relationship between Similar/Duplicate Plans and Out-of-Pocket Cost  
Similarity Measure based on Plan Cost

	(1)	(2)	(3)	(4)	(5)
Similar plans have cost in same ventile					
Number similar plans	30.1** (13.2)	35.7*** (12.5)	34.5*** (11.4)	33.7*** (11.0)	32.0*** (9.9)
Plan risk			-0.47*** (0.00)		-0.47*** (0.00)
Plan quality			-18.73 (15.07)		-13.08 (18.47)
Adjusted R2	0.008	0.096	0.649	0.129	0.664
Observations	1,866	1,858	1,855	1,858	1,855
Similar plans have cost in same percentile					
Number similar plans	93.5** (35.5)	104.2*** (31.6)	101.9*** (29.7)	98.2*** (26.5)	95.3*** (24.8)
Plan risk			-0.47*** (0.00)		-0.47*** (0.00)
Plan quality			-19.10 (15.18)		-13.87 (18.65)
Insurer FEs	No	Yes	Yes	Yes	Yes
Year FEs	No	No	No	Yes	Yes
Adjusted R2	0.010	0.097	0.650	0.130	0.665
Observations	1,866	1,858	1,855	1,858	1,855

*Notes:* Estimates from OLS regression where dependent variable is the number of plans offered by an insurer that have a total cost in the same ventile or percentile. Standard errors clustered at the insurer level in parentheses. \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .