

Lieber and Lockwood (2019) Outline

Sarah Bass

- Background
 - What in-kind transfers are
 - Problem with in kind transfers: recipients prefer equal-cost cash transfers
- Research question: How can we quantify this trade-off of in-kind provision in home-care settings?
 - Provide home care background context
- Methods/Results
 - Moral hazard effect
 - Recipients value the in-kind benefit far below its cost
 - Distribution of consumption of the good within benefit-eligible states of the world
 - There is considerable heterogeneity in the consumption of formal care
 - Link between consumption of the good and the marginal utility of income
 - In-kind provision sharply concentrates transfers on a small fraction of the eligible population that has a greater demand for formal care
 - Combine reduced form estimates in a structural model to quantify this trade-off in a stylized expected utility framework
 - In-kind benefits are valued far less than their cost ex post, but they sharply concentrate transfers in what appear to be relatively high-marginal utility states
- Contribution to the literature
 - Reveals the two factors determining the welfare effect of any long-term care insurance
 - Risk within unhealthy states of the world
 - Moral hazard
 - Links the theoretical and empirical literature on in-kind transfers
 - Contributes to literature on targeting in benefit programs