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