

High-Powered Incentives in Developing Country Health Insurance: Evidence from Colombia's '*Régimen Subsidiado*'

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".....Despite current emphasis on health insurance expansions in developing countries, inefficient consumer incentives for over-use of medical care are an important counterbalancing concern. However, three factors that are more acute in poor countries (credit constraints, principal-agent problems, and positive externalities) result in substantial under-use and misuse as well.

This paper studies Colombia's *Régimen Subsidiado*, the first major developing country effort to expand insurance in a way that purposefully addresses these inefficiencies. Using a regression discontinuity design, we find that Colombia's insurance program has provided risk protection while substantially increasing the use of traditionally under-utilized preventive services (with measurable health gains) through high-powered supply-side incentives...."

Winners of the Inter-American Award for Research on Social Security 2010

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