

Report Type

Mid Term Award Report

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Project Title

Health Insurance and Household Financial Well-being

Project Start Date

May 01, 2020

Project End Date

Apr 30, 2021

Project Abstract

This paper investigates how public insurance provision affects financial well-being and households' investments and risk-taking decisions. We exploit a major health reform in Thailand in 2001, which triggered exogenous changes in household health insurance coverage, combined with panel data from Townsend Thai Monthly surveys of rural households. We show that households with higher health risk experienced larger reduction in expected costs of illness and thus benefited more from the reform. Using this variation as source of identification, we find that households that benefited more gained differential improvement in financial well-being and welfare shown by the differential decline in exposure to health expenditure risk and loan default rate, long-run differential increases in consumption, and short-run differential reduction in incidence of child labor. These households also shifted their cultivation portfolio towards riskier cash crops at the intensive margin by more relatively in the long run.

Activities and Achievement

The goal of this paper is to estimate the effect of public health insurance provision on household financial well-being and investment decisions. In the absence of health insurance, adverse health shocks pose a financial burden for households through rising medical expenses and decreased household income due to reduced labor productivity. Because health infrastructures and insurance markets are underdeveloped in developing countries, these shocks can force households into costly risk-coping strategies, such as selling assets and using child labor, and may also disincentivize risk-averse households from making investments. These negative consequences could be mitigated with public health insurance provision.

To estimate the effects of health insurance, we combine a long household panel data in rural Thailand with a universal health insurance reform in Thailand in 2001. The reform generates heterogeneous reductions in expected medical expenditure and productivity loss across households differing in their pre-existing health risk. Relative to the low-risk, high-risk households benefit more from the reform in terms of larger reductions in expected cost of sickness. We exploit this heterogeneous treatment intensity of the reform as the source of identification.

Our key findings reveal that the reform led to relatively larger reduction in the cost of sickness and exposure to risk associated with medical spending for households that benefited more from the reform. This reaffirms the role of universal health coverage policy

in protecting households against potential financial risk associated with medical expenditure especially for the poor. These households in turn had differential declines in their loan default rate, loans-assets ratio as well as in reliance on selling assets or land, and child labor. Their consumption and school enrollment rate also increased by more relatively. Our results also suggest that these households also shifted their cultivation portfolio towards riskier cash crops especially at the intensive margin in the long run.

#### Dissemination

A. We plan to submit our working paper before summer 2021 for publication. The working paper is currently in the final stage of writing up and is ready for circulation for useful comments.

B. Our analyses reveal that the reform led to relatively larger reduction in out-of-pocket spending for households with higher predicted health risk, which highlights the important role of universal health coverage policy in protecting households against potential financial risk associated to medical expenditure. In addition, our results also show that expanding health insurance not only has pronounced effects in improving financial well-being of households, but also allows households with higher predicted health risk to allocate relatively more resources towards riskier cultivation activities such as growing cash-crops. These would suggest that the financial implications of health insurance coverage expansion spreads well beyond just healthcare providers and patients and into various aspects of the economy. These results therefore are in favor of the provision of public health insurance especially to poor, previously uninsured households.

#### Outputs

We have obtained the (final) results for our study and are in the final stage of writing up the output paper. Draft TBC.

#### Major Difficulties and Any Other Issues

The Covid-19 pandemic has caused some delays in our work throughout the period of the project. We had to switch fully to an online platform to continue working together, but are now fully adapted to work effectively under such condition. Another factor that have caused the delay is that Mr Benjapon Prommawin had to undergo a knee surgery in Thailand on 4 February 2021. During his recovery, he has been working under limited capacity and mobility.

#### Web Links

At this stage, there are none.

#### Additional Information

Although we are already in the final stage of polishing the working paper, we would really appreciate it if the attached working paper is not publicized just yet.