



# COMMENTS ON “TARGETING WITH IN-KIND TRANSFERS: EVIDENCE FROM MEDICAID HOME CARE”

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# Importance of Paper

- Thinking rigorously about the tradeoffs between using in-kind versus cash transfers for long term care
  - Discussion of cash versus in-kind in this context has not focused on the efficiency/optimal taxation perspective
- Key tradeoff
  - In-kind transfers distort consumption decisions (moral hazard)
  - Cash transfers don't target benefits to those with the highest demand

# Previous Literature and Basic Finding

- Previous analyses of in-kind versus cash transfers
  - Theoretical literature: Targeting, Efficiency, Tagging
  - In-kind welfare transfers may have smaller work disincentive effects than cash transfers
  - Empirical Analyses
    - Limited number of recent analyses
    - None have focused on long term care
    - Mainly focused on food stamps
- Basic Finding
  - Optimal to have high subsidy rates on formal care
  - Suggests that the benefits of targeting transfers to those with high demand outweighs the costs incurred due to distorted formal care consumption
  - Results not that sensitive to the parameterization of the model

# Things that are unique about long term care

- Unlike other types of transfers (e.g., food stamps), an important alternative source of care: informal care
  - How does potential informal care provision affect the model? How should it?
- There is an insurance component to formal care
  - How does the insurance value of formal care affect the model? Seems different than food stamps.

# Modeling Decisions

- Models of caregiving have used game theoretic bargaining models
  - Family members have agency
  - Family members have both competing and consistent goals and are unlikely to be indifferent to the form of benefits
  - Where does the nature of family decision making enter?
- What exactly is the nature of heterogeneity in this context?
  - From the perspective of the government or from the perspective of the individual or both?
- If tagging is used to improve targeting, does it play the role of an implicit tax on some groups? Should it?

# Small Points

- Consider using an indicator for having a single daughter as a regressor for predicting formal care
- Might want to be clearer on a few points:
  - Where does coresidence fit into the analysis?
  - Where does nursing home use fit in?
- Not a small point: A really nice paper that makes a unique contribution to the literature!