



## Medical Insurance in Old Age

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The old age provisions of the Medicaid program were designed to insure poor retirees against medical expenses. However, it is the rich who are most likely to live long and face expensive medical conditions when very old. We estimate a rich structural model of savings and endogenous medical spending with heterogeneous agents, and use it to compute the distribution of lifetime

Medicaid transfers and Medicaid valuations across currently single retirees. We find that retirees with high lifetime incomes can end up on Medicaid, and often value Medicaid's insurance features the most, as they face a larger risk of catastrophic medical needs at old ages, and face the greatest consumption risk. In addition, our compensating differential calculations indicate that retirees value Medicaid insurance at more than its actuarial cost, but that most would value expansions of the current Medicaid program at less than cost, thus suggesting that the Medicaid program may currently be of the approximately right size.