
Explicit vs implicit rationing in health care provision: a welfare approach

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Abstract

We study the welfare properties of direct restrictions based on cost-effectiveness measures against indirect methods represented by waiting lists, as a policy instrument used to improve equity in the access and finance of a public health care system. Health care is supplied for free, but with some restrictions by the public health sector. Patients can choose to address their demand elsewhere by stipulating a private health care insurance policy. Our model shows that if the individual response to treatment is independent of income and cannot be observed by the patient, the choice of opting out simply depends on income and in this respect both instruments are quite similar. The study of the welfare properties shows that in general there is not a superior instruments. Restrictions may improve welfare of relatively rich individuals. In general, for an equal number of individuals opting out of the public system, explicit restrictions produce a lower welfare loss than implicit instruments.

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