

The distributional impact of decentralization in health care: the case of Piedmont.

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Abstract

The aim of the paper is to provide a framework for the analysis of the impact of fiscal federalism on the interpersonal redistribution achieved through the provision of public goods, which can allow to bring together the geographical and the interpersonal dimensions. The empirical work focuses in the redistributive impact of public health care provision in the Piedmont region.

Most of the existing empirical literature on the redistribution achieved in Italy through the provision of in kind benefits, with the notable exception of the recent Gigliarano and D'Ambrosio (2009), is carried out at the national level (Citoni 2000, Baldini et al 2007, Sonedda and Turati, Marical et al 2008). Results are controversial: some conclude that health expenditure is pro-poor, others that it is moderately regressive.

We use the latest (2007) version of the Italian EUSILC dataset (ITSILC) which allows regional disaggregation, and enrich it with information from the Istat survey on "Health Conditions and Use of Health Services". The latter contains detailed information on both the *demand* of health services (health status, behavioural risk factors, disabilities, chronic conditions) and the actual *consumption* on the part of households (hospital services, drug consumption, laboratory tests...).

We use both a benefit approach and an assurance approach to impute the benefit of health expenditures to individuals, taking into account the important role of socio-economic variables (income, education level, proxies for wealth and deprivation indicators) in determining health needs. Such links, emphasised by Costa et al. (2008), are overlooked by the existing literature on in kind benefits.

Through the comparison between the distribution of market, gross, net and augmented (with in kind benefits) income, we aim at measuring the amount of redistribution attributable to money transfers and taxation and in kind benefits *at the regional level*.

The ongoing decentralization process is likely to involve changes in the allocation of health budget to regional governments, either through changes in the financing system, in the definition of minimum standards, or in the equalisation formula (Arachi et al 2009, Ferrario and Zanardi 2009). Consequences will, of course, vary across regions.

A regional government facing a shrinking health budget could react by i) raising taxes; ii) raising co-payments; iii) improving efficiency; and/or reducing expenditure/amount of services.

The previous analysis of the interpersonal redistribution performed through the health sector at the regional level provides a basis for the simulation and assessment of the distributive implications of the changes implied by different scenarios.

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