Benjamin Vatter

Last updated 27th November, 2024

Contact Information

bvatter@mit.edu
benjaminvatter.com
+1-224-817-2226

Employment

Assistant Professor, Applied Economics, MIT Sloan	March 2024– present
Class of 1943 Career Development Assistant Professor, MIT Sloan	July 2024 – present
Senior Lecturer in Economics Group, MIT Sloan	July 2023— March 2024
Postdoctoral Fellow, Stanford Institute for Economic Policy Research	July 2022– July 2023

Education

Ph.D. in Economics, Northwestern University *Advisors*: David Dranove, Igal Hendel, Gaston Illanes, Amanda Starc	2016–2022
M.A., Economics, Northwestern University	2016–2020
M.A., Economics, University of Chile	2014–2016
B.Sc.Eng. Industrial Engineering, University of Chile	2009–2015

Research Areas

Industrial Organization, Health Economics, Econometrics

Working papers

"Quality Disclosure and Regulation: Scoring Design in Medicare Advantage"
(Conditionally accepted at Econometrica)

Abstract: Policymakers and market intermediaries often use quality scores to alleviate asymmetric information about product quality. Scores affect the demand for quality and, in equilibrium, its supply. Equilibrium effects break the rule whereby more information is always better, and the optimal design of scores must account for them. In the context of Medicare Advantage, I find that consumersfi information is limited, and quality is inefficiently low. A simple design alleviates these issues and increases total welfare by 3.7 monthly premiums. More than half of the gains stem from scoresfi effect on quality rather than information. Scores can outperform full-information outcomes by regulating inefficient oligopolistic quality provision, and a binary certification of quality attains 98% of this welfare. Scores are informative even when coarse; firmsfi incentives are to produce quality at the scoring threshold, which consumers know. The primary design challenge of scores is to dictate thresholds and thus regulate quality.

"Vertical Integration and Plan Design in Healthcare Markets"
with Jose Ignacio Cuesta and Carlos Noton
(Submitted)

Abstract: We measure the impacts of vertical integration between insurers and hospitals. In the Chilean market, where half of private hospital capacity is vertically integrated, integration increases inpatient care spending by 6 percent and decreases consumer surplus and total welfare. Integrated insurers offer generous coverage at integrated hospitals, limited access to rival hospitals, and lower premiums. Competition for enrollees forces non-integrated insurers to provide additional coverage to high-quality non-integrated hospitals, resulting in plan networks that limit hospital competition. Whereas vertical integration reduces double marginalization, skewed cost-sharing structures—and their effect on hospital competition—more than compensate, leading to an overall negative welfare impact.

Other ongoing work

"Mergers With Intermediation: The Price Effect of Distant Hospital Mergers"
with David Dranove

Summary: The last two decades have seen over a thousand hospital mergers in the US, nearly half of which were of hospitals serving distinct geographic markets. These distant mergers, however, have faced scant antitrust scrutiny due to limitations in how existing models and evidence link local market concentration to anti-competitive behavior and harm. Using data from a large national insurer, we provide evidence that some of these mergers result in significant price increases. We contribute novel evidence supporting a long-standing hypothesis that these mergers concentrate the market for employer-sponsored insurance. We provide a theory to support our findings, showing that the mechanism behind it is linked to group purchasing and procurement behavior, which has implications for cross-market mergers in markets beyond hospitals. We present tools to conduct prospective merger evaluation in the presence of intermediated demand.

"The equilibrium effects of voluntary delayed retirement: optimality and adverse selection."
with Gaston Illanes, Manisha Padi, Bernardo de Moura, and Ursula Schwartzhaupt

Summary: Expanding the retirement age has become a major political challenge worldwide. An aging population and declining birth rates have greatly burdened national budgets and decreased labor productivity. As unilaterally increasing the retirement age has faced enormous political pushback, countries are evaluating voluntary delayed retirement. Using a natural experiment in Chile that paid some women to postpone their retirement, we evaluate the takeup of the policy and its consequences on retirees. We use the findings to evaluate the equilibrium effects of voluntary delayed retirement policies on annuitization markets. Crucially, under a voluntary regime, healthier workers delay their retirement more, changing risk selection in annuitization markets. Increased longevity risk among those who delay reduces their annuity offers, pushing against delay incentives and increasing the fiscal cost associated with achieving a target average retirement age. Adverse selection into voluntary takeup can undo the benefits of the policy if not properly implemented. We study the optimal voluntary policy and its welfare and fiscal consequences.

"Paying for Quality: Coordinated Subsidy and Scoring Design in Medicare Advantage"
with Sebastian Fleitas

Summary: Where large information asymmetries exist about service or product quality, regulators play a central role in monitoring and stimulating its production. In education, financial, and healthcare markets, regulators engage in a combination of pecuniary and informational incentives to discipline firms and correct informational frictions. Using extensive variation in quality regulation in Medicare Advantage, we study the complementarities that exist between quality disclosure policies (e.g., star ratings) and quality investment subsidies. We develop a dynamic model of the market and evaluate the impact of these different policies on competition, consumer choice, and firms' incentives to invest. We solve for the optimal policy, highlighting how subsidies and information should be jointly designed and the losses from failing to account for their interactions.

"Regulating Charitable Care"
with Xuelin Li and Tong Liu

Summary: The majority of hospitals in the US operate under a tax-exempt not-for-profit status and are expected to provide charitable care to their communities in return. However, recent evidence has shown that tax-exemption and compensating payments exceed charitable care costs nearly two to one. Moreover, the burden of care is unequal, with some hospitals providing no charitable care and others more than their tax benefits. We study the optimal regulation of charitable care, accounting for the heterogeneous demand and the opportunity cost for hospitals associated with displacing profitable patients. We leverage regulatory shocks to the supply of charity care in Wisconsin to estimate the cost and value of free care and evaluate counterfactual policies. We show the effectiveness and welfare consequences of a recently proposed floor-and-trade policy that requires not-for-profit hospitals to deliver a fixed share of revenue as charitable care. The policy allows hospitals to buy credits from hospitals that face a greater local demand for such care, improving the allocative efficiency and effectiveness of the tax incentive imposed by the tax benefit.

"Robust Risk Adjustment"
with Aaron Banks, Pietro Tebaldi, and Matthew Zahn

Summary: Managing risk selection is one of the central challenges of regulated insurance markets. To offset the unraveling forces of adverse selection, regulators implement risk adjustment policies that attempt to compensate insurers for cost differentials in the population. Despite their popularity, it is well known that these policies create new incentives for insurers to select enrollees to maximize regulatory payoffs. Using extensive variation in risk adjustment regulation in Medicare, we show that private insurers systematically attract consumers more rewarded by future risk payments, conditional on true spending risk. Intuitively, insurers have an informational advantage relative to the regulator, having more knowledge about patients' medical histories and more advanced technologies to predict future spending. This allows insurers to selectively attract patients who the regulator might consider ex-ante expensive to insure (e.g., diabetics) but who are ex-post cheap (e.g., diabetics with good eating habits). Using this variation, we estimate a model of demand for insurance that accounts for heterogeneous correlations between enrollees' preferences, their observable risk factors, and their true underlying risk. The same variation allows the identification of insurers' private information. We study the optimal design of risk adjustment policies that are robust to the presence of this information asymmetry. We contrast robust policies' performance to those with access to insurers' private information, highlighting the gains and losses from adopting robust design perspectives in insurance markets.

Fellowships & Awards

HSI grant, MIT Sloan School of Management	2024
Dissertation University Fellowship, Northwestern University	2021–2022
Robert Eisner Graduate Fellowship, Northwestern University	2019
Short research internships grant, University of Chile	2015
Research internships grant, Millennium Center for the study of market imperfections	2015
Masters students thesis grant, Millennium Center for the study of market imperfections	2015

Presentations

London School of Economics — 2024
Federal Trade Commission Microeconomics Conference
Rice University
University of Chicago, Harris School of Public Policy
UBC Sauder School of Business
Washington University in St. Louis, Olin Business School
Pennsylvania State University

Econometric Society Winter Meetings — 2023
Carnegie Mellon University Tepper School of Business
NBER Health care winter meetings
University of Wisconsin Madison
ASHEcon

New York University Stern School of Business, — 2022
University of Navarra IESE Business School
MIT Sloan School of Management
New York University
Duke University
University of Pennsylvania,
Washington University in St. Louis Olin Business School,
Stanford University Graduate School of Business,
University of Chicago Booth School of Business,
University of Minnesota

Harvard Kennedy School,
University of Chile Centro de Economia Aplicada,
Universidad Catolica
20th Annual International Industrial Organization Conference (IIOC)
Health Economics Initiative Annual Conference at BFI University of Chicago
5th Rome Junior Conference of Applied Microeconomics
Barcelona School of Economics Summer Forum
University of California Berkeley
Yale University
Annual Health Econometrics Workshop
University of California Los Angeles
Columbia University
University of Leuven
Tilburg University
Federal Trade Commission
Israeli IO conference

European Economic Association-ESEM conference 2021
Bar-Ilan University
Hebrew University of Jerusalem, Reichman University,
Tel-Aviv University

46th Conference of the European Association for Research in Industrial Economics 2019

16th Annual International Industrial Organization Conference (IIOC) 2018
4th Empirics and Methods in Economics Conference (EMCON)

Teaching Experience

Lecturer - 15.010 Economic Analysis For Business Decisions 2023
Microeconomics for MBAs at MIT Sloan

Lecturer - 15.S06 IO of Health and Energy Markets 2024
Ph.D.-Level topics course in industrial Organization at MIT Sloan

Guest Lecturer - CEA Summer School 2022
Master's level two-part course on health economics and market design at the University of Chile

Guest Lecturer - Health Economics 2022, 2023
Guest lecture in Ph.D. class at Northwestern University

Refereeing

The American Economic Review, Econometrica, The Review of Economic Studies, American Economic Journal – Microeconomics, American Economics Journal – Applied, American Economics Journal – Public Policy, RAND Journal of Economics, Review of Economics and Statistics, The Economic Jornal, Economic Inquiry, International Journal of Health Economics and Management

Other Scholarly Activities

Co-organizer of the BU-Harvard-MIT Health Economics Seminar 2023-2024

* - Forthcoming activities