**The Redistributive Effects of Social Health Insurance in Nigeria**

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**ABSTRACT**

**Background**

Transactions costs, market failure and redistribution are the three arguments for public intervention in insurance market. However, researchers have focused more on market failure argument which generated adverse selection and moral hazard problems due to information advantage between insurers and insured. Studies have shown that due to the considerable health needs in developing countries, health insurance can still increase overall welfare despite the presence of adverse selection and ex-post moral hazard. For example, Olayiwola, (2015) established that both adverse selection and moral hazard were evident in health insurance, social health insurance and private health insurance in Nigeria; but, there were welfare gains of 85.8%, 87.5% and 87.3% against welfare loss of -14.2%, -12.5% and -12.7% using Marshallian, Hicksian and Nyman’s measures respectively. Hence, concluded that health insurance is welfare improving despite adverse selection and moral hazard problems in Nigeria. Given this finding, we extend our investigation to the third reason for public intervention in health insurance market.

**Objectives**

This study examines the redistributive effect of social health insurance with moral hazard in Nigeria and determine whether social health insurance is optimal.

**Method**

The work is premised on a model of insurance and redistribution with moral hazard and adverse selection in which economy consists of three types of decision-makers: households, insurance firms and the government. Households were assumed to face a risk of accident and able to take actions that affect the size of the loss in the event of an accident (ex-post moral hazard). The study employed general methods of moments (GMM) among the six alternatives of two classes of count data model for estimation. The data for the study were from a survey carried out from September to October 2012 in the six geo-political zones in Nigeria through a purposive sampling technique.

**Findings**

The results show a negative relationship between morbidity, after-tax income and productivity with coefficients of -0.03 for both after-tax income and productivity. This confirmed the theoretical expectation of a negative relationship between morbidity, the marginal net expected social valuation of income and productivity. The covariance of expected health care spending and after-tax income with the value of 3.029e-06 (= 3.029e-06) which measure equity effect is found to be positive and its denominator which measures the efficiency effect is also positive.

**Conclusion**

Since, both the equity and efficiency effects are positive, we concluded that social health insurance is redistributive and optimal in Nigeria.

**Keywords**: Social Health Insurance, Moral hazard, Redistributive Effects

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