

Research Statement

(Short Version)

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My primary interest lies in empirical research in political economy and public economics. My research investigates how characteristics of political environments and the design of government institutions interact with the behavior of public officials, the conduct of regulated industries, and social welfare. I have conducted such investigations in three contexts: the behavior of judges in U.S. state courts, regulation of the U.S. energy industry, and government programs in the U.S. health care system.

In my first line of research, I conducted empirical analyses of institutions that structure the selection and incentives of government officials, focusing on U.S. state trial court judges. I chose U.S. state trial court judges as my primary subject for three reasons. First, the institutional variation that exists for the selection and retention of state court judges (e.g., appointed vs. elected) also applies to many other public offices. Second, state trial court judges make individual decisions that can be directly measured, which helps me to focus on factors that influence individual decision-makers' incentives. Third, the procedure for decision making undertaken by state trial court judges, as well as the nature and scope of their discretion, are quite homogenous across different places, and this makes comparability of measurement possible.

In my five papers on U.S. state courts, I investigated four factors that can affect preferences, incentives, and behavior of public officials: (1) the procedure for selection and retention of public officials (appointment vs. election; nonpartisan election vs. partisan election); (2) payoff from the office; (3) active media coverage that increases voter access to information about political candidates and government decisions; and (4) officials' political orientation and demographic backgrounds. This series of papers is distinct from previous studies in terms of economic insights, quality of the data, and strengths of empirical strategy. The determinants of public officials' behavior studied in this series have mostly been studied in isolation. My papers provide new insights by analyzing their interactions. Existing studies often relied on aggregate, proxy measures of public officials' behavior. My papers employ large-scale data sets with measures of individual decisions, with empirical strategies that get at details of mechanisms.

In my second line of research, I studied the interaction between political environments and regulated industries. It was motivated by the relative paucity of research at the intersection of political economy and industrial organization. The field of industrial organization has advanced significantly in understanding the welfare effects of various market structures and regulatory policies, but there has not been a large volume of empirical research on why non-optimal regulatory policies are made in the first place. The field of political economy has advanced significantly in terms of understanding how political forces cause distortions in monetary policy, taxation, and public good provision. However, the interaction between political forces and regulatory policies has been relatively understudied, especially in the recent years. My goal is to establish systematic knowledge of government-industry interaction in large, regulated industries with significant social impacts – the energy and health care industries in the U.S. In my first study on the energy industry, “Dynamic Natural Monopoly Regulation: Time Inconsistency, Moral Hazard, and Political Environments”, I investigated the influence of regulator ideology on electric utility regulation, focusing on its welfare effects through time inconsistency and moral hazards. I also conducted a companion project that explores deregulation and regulator ideology together.

Healthcare is another large industry that faces significant governmental regulations. The way that the government interacts with the healthcare industry is very different from the energy industry, however, and this creates an opportunity to explore diverse modes of government-industry interaction. I chose Medicaid as the context for my research. Rich variation across states and years in the design and operation of the Medicaid program embedded in a large consistent framework set by the federal government renders an attractive context to explore how government programs interact with the industry. In my first study on Medicaid, “What is Behind the Size Effect? The Role of Large Hospitals in the Medicaid DSH Program”, I explored determinants of Medicaid reimbursements, focusing on disproportionate share hospital (“DSH”) payments, and documented advantages that large government hospitals in urban areas receive from government distribution of Medicaid DSH payments. The key findings are consistent with a scenario in which the government aims to counterbalance disparities in hospitals’ ability to cross-subsidize indigent patients, following the logic that hospitals who treat patients with more lucrative private insurance have greater profits and therefore can subsidize the indigent.

In my second study on Medicaid, “The Political Economy of Medicaid: Ideology, Eligibility, and the Consequences of Cost-Saving Measures”, I examined to what extent the partisan composition of the state governments influenced geographic variation in Medicaid program design and operations over a 15-year period from the mid-1990s to 2010, the time of Medicaid expansion due to the legislation of the Children’s Health Insurance Program (CHIP). I focused on the long-run tradeoff between the breadth of eligibility and the stringency of payment rates. First, I find that the Democratic seat share in the state legislatures has been a driving force behind Medicaid eligibility expansion, especially in

the relatively later stage. Second, liberal states adopted cost-saving measures aggressively along with eligibility expansion. Both the eligibility expansion and the political force behind it are strong predictors of the reduction of Medicaid fee-for-service reimbursement rates over time. The eligibility expansion also played an important role in the switch to the managed care in a subset of the states. Finally, we find that the Medicaid per-enrollee spending increased steadily despite the two cost-saving measures that accompanied the eligibility expansion, i.e., the reduction of fee-for-service reimbursement rates and the switch to the managed care. These unintended consequences are primarily due to the concurring regulation of the private insurance managed care, which increased the utilization of health care services, and its spillover effect on the Medicaid program.

In the near future, I plan to conduct more research on the variation of Medicaid spending. Medicaid is the single largest state budget item, typically constituting 25-35% of the state budget. Conceptually, the spending variation in the Medicaid program can be decomposed to four factors – the distribution of the enrolled population, benefit coverage, payment rates for the given coverage, and delivery systems. Assessing the relative role of each of these elements and understanding how their relative importance varies as a function of structural changes in the Medicaid program is a research agenda I am currently pursuing.