Title: Liquidity and Healthcare Consumption: Evidence from Social Security Payments
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There exists broad agreement that health insurance ought to involve cost sharing to reduce moral hazard and wasteful spending. At the same time, a growing body of research has documented the ubiquity and importance of liquidity constraints in a variety of domains. In the health care sphere, over 30% of Americans with health insurance report that they have skipped a prescription due to its cost during the past year. Of course, it is possible that such survey evidence could be misleading, biased by respondents' imperfect memories and by the basic fact that consumers do not know their own counterfactual. Beyond responses to such survey questions, there exists little evidence on the relative importance of liquidity constraints in healthcare consumption. To our knowledge, there are no empirical studies that credibly isolate the effect of liquidity constraints in healthcare.

Our research aims to fill this gap by using a quasi-experimental research design that has been exploited in other domains. We study how the distribution of Social Security checks affects the healthcare consumption of Medicare recipients. We compare the healthcare consumption of each Medicare recipient receiving their checks to the healthcare consumption of two control groups. First, we study similar Medicare recipients who receive their checks on a different date. Second, we study Medicare recipients who are on subsidized plans and so face no co-payments when they fill prescriptions. That comparison allows us to isolate the effect of receiving Social Security checks on the likelihood of filling a prescription and all other Medicare-covered behavior.