# HIV Prevention through the Lens of Behavioral Economics

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#### Brief Overview of the Talk

- What is Behavioral Economics (BE)? 2 min.
  - Slides on Microbicide use and BE on MTN website
  - Slides on BE and ART adherence on NIH
     Adherence Network Distinguished Speaker Series
  - Paper on BE and HIV Prevention in JAIDS (2015)



John D. Arras, Medical Care Philosopher, Is Dead at 69

Liberian Leader Concedes E Response to Ebola

HEALTH

#### Study That Paid Patients to Take H.I.V. Drugs Fails

By DONALD G. McNEIL Jr. FEB. 24, 2015



#### Brief Overview of the Talk

- Increased recognition that
  - behavior matters
  - Incentives can influence behaviors
- Many people's reactions (probably): Incentives don't work...
- But: BE points out other ways of
  - Influencing behavior (message framing, increasing the salience of decisions, ...)
  - incentivizing!

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- But: BE points out other ways of
  - Influencing behavior (message framing, increasing the salience of decisions, ...)
  - Structuring incentives

#### Main Question of the Talk

How can we use BE to design better incentives?

 Much of policy is explicitly or implicitly based on the 'rational actor' of traditional (neoclassical) economics

- Therefore, interventions typically focus on
  - Information provision ("Smoking is bad for you")
  - Cash payments ("If you do X I pay you Y")

## What incentives have been used to improve HIV-related outcomes?

 Pettifor et al. (2006): 16 studies using cash and financial incentives for HIV prevention

 Galárraga (2013): 4 studies for improving ART adherence; 2 cash, 2 vouchers based

 HPTN065: cash incentives did not have (fully) desired effect

#### What is behavioral economics?

Different from traditional economics that assumes that people

"...can think like Albert Einstein, store as much memory as IBM's Big Blue, and exercise the willpower of Mahatma Gandhi" (Thaler and Sunstein, 2008)

- Studies BIASES (systematic decision-making errors):
   Present bias, Loss aversion, Salience, ...
- Uses these biases as entry points and levers to remedy the errors they cause

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  - our struggle with self-control
  - our desire to fit in with our peer groups
  - allows implementing smarter incentives (more effectively, at lower cost)

#### Traditional incentives

Policies based on traditional economics:

## HOW MUCH?

#### BE and incentives

Traditional economics:

## **HOW MUCH?**

Behavioral economics:

HOW?

#### Incentives: Traditional vs. BE

	Traditional Economics	Behavioral Economics
Dealing with preferences	Overrides preferences	Supports individual's preferences Nudges towards those of the rational, 'cool' self 'Angel' (Dec 31) vs. Devil (Jan 1)
Type of incentive	THE UNTED STATES OP AMERICA  12 B  13 STATES OF AMERICA  2 B  14 STATES OF AMERICA  2 Constitution of the	Money (Can backfire!) In-kind Chance to be kind (self-identity) Social prestige ("Employee of the month")
Allocation mechanism	Fixed (Quid pro quo)	Contingent Unconditional Fixed Variable (Lotteries, raffles,)
Delivery	Does not matter	As a loss avoided (loss aversion) As a separate payment (salience)

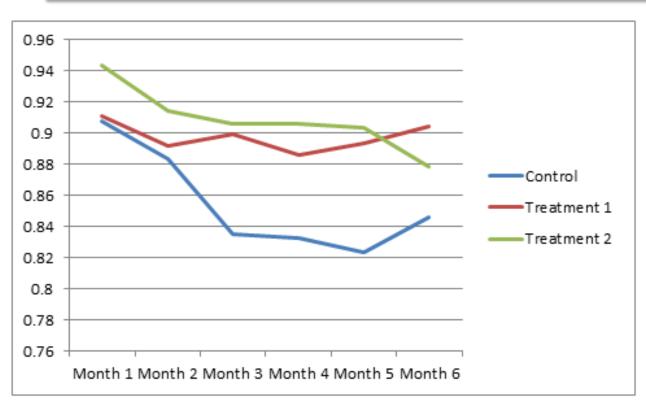
#### Take-home message

- Incentives are not only \$\$\$
- Financial payments can backfire
- BE can help us think of more effective incentives

Example of an ongoing BE-based incentive program:

- Trying to increase ART adherence in Uganda
- Costs about 2 USD per person per year
- Giving out small prizes (coffee mug, umbrella) through a raffle

#### BE incentives: 8% points increase in adherence



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#### **THANK YOU!**

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