
[Download](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

[Ávila-Montealegre, Oscar Iván Ospina-Tejeiro, Juan José Ramos-Veloza, Mario Andrés](#)

The series [Working Papers on Economics](#) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date:
Friday, 30 August 2024

Abstract

Healthcare expenditure in Colombia is expected to increase by 35% over the next eight years, due to population aging, rising costs, and domestic policies. These trends, in a context of high levels of informality and affiliation to the subsidized regime, add significant pressure to public finances. Using a dynamic general equilibrium model with heterogeneous households, we analyze the macroeconomic impact of financing a higher public healthcare expenditure through different taxes. The funding sources play a significant role in shaping the aggregate dynamics and income inequality. While consumption taxes are the best option in terms of output, financing with taxes on high-skilled labor improves income distribution.