

Optimal design of deposit-based financial incentive programs for smoking cessation

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Abstract

Deposit-based financial incentive programs for smoking cessation offer to subjects who agree to pay a deposit for participation a reward if they do not smoke for a predefined period. The paper determines the personalized values of deposit and reward giving to each subject the incentive to participate while maximizing his efforts to quit smoking. We show that the values of deposit and reward likely to reach these two objectives decrease as: 1) the baseline probability of quitting smoking decreases; 2) the degree of risk aversion increases; 3) the degree of correlation aversion increases. We also show that these levels of deposit and reward are higher than those that subjects would choose from a menu of combinations offered to them.

JEL Classification: I12, D90.

Keywords: Smoking cessation; financial incentives; preferences.