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Designing the financial tools to promote universal access to AIDS care

We argue that reluctance to invest in drug treatments to fight the AIDS pandemics in developing countries is largely motivated by severe losses occurring from the future albeit uncertain appearance of a curative vaccine. We design a set of securities generating full insurance coverage against such losses, while achieving full risk-sharing with vaccine development agencies. In a general equilibrium framework, we show that those securities are demanded to improve social welfare in developing countries, to increase current investment in treatments and the provision of public goods. Even though designed for AIDS, those securities can also be applied to other epidemics such as Malaria and Tuberculosis, as well as any innovative treatment to fight orphan diseases.

Biography

Patrick Leoni is a Professor of Finance at Euromed Management (Marseille, France). He received his Ph.D. from the University of Minnesota, and he held research positions in Zurich, Venice and Dublin. Patrick Leoni's research focuses on two distinct issues. The first issue is about designing and pricing new classes of derivatives, with a strong emphasis on health economics. He has been involved in the last few years in projects related to risk management in HIV/AIDS economic policies, and the design of derivatives to hedge against mortality risk. The second issue is about beliefs and learning effects on asset pricing, in particular at macro-economic level. He has penned two books (*Economic Challenges in the Fight against HIV/AIDS*, and *Beliefs, Learning and Economic Behavior*), and he has over 20 publications in leading scholastic journals in Economics, Finance, and Mathematics. He also received several awards for his research and teaching.

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