

# Incentive for gatekeepers and their demand inducement: An empirical analysis of care managers in the Japanese Long-Term Care Insurance

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This study analyzes incentives and supplier-induced demand of care managers, middlemen between consumers and service providers in the Japanese social insurance program for long-term care. Care managers can be considered as pure gatekeepers in that their function is limited to referral to specialists and they themselves do not provide care. Rewards for care managers are rendered by capitation, which is considered as a cost-effective payment mechanism for insurers. However, many care managers actually work for firms that also operate service provision sectors. The service providers are rewarded by the fee-for-service payment and have motivation to induce excess consumer demand. Thus, the violation of neutrality of care managers might yield a financial burden on social insurance. In this study, we empirically analyze the behavior of care managers by checking whether they cause supplier-induced demand. Our estimation results detect the existence of care manager-induced demand for care managers who work for firms that jointly operate in service provision sectors; however, those who operate only care management do not induce demand. Based on the estimation results, we conduct a quantitative analysis and show that the care manager-induced produces a considerable financial burden on social insurance.

**Keyword:** Elderly care; Gatekeepers; Incentive; Supplier-induced demand; Japanese Long-Term Care Insurance program; Care managers

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