

# How Does Financial Incentive to Hospitals Affect Inpatient Care? \*

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## Abstract

I analyze financial incentives to hospitals by exploiting institutional change in national provider payment schedule in Japan. My research mainly focuses on how length of stay of circulatory disease patients are affected by provider's financial incentives. I find that introduction of partial prospective payment system reduced length of stay, especially for angina and cardiac infarct patients. I also examine the effect of "kink points" in nonlinear-pricing payment schedule, which generates discontinuous reduction of payment at certain timing of length of stay. I find that kink points of fee-for-service payment significantly increase patients who are discharged just before the day of kink points, especially who are treated without operation.

JEL Codes: I10, I12, I18

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