

The Effect of Incentive Scheme on Health Care Service Market: Evidence from PNPM Generasi Program in Indonesia

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Abstract

Despite of severe health condition, people in developing countries do not often utilize proper health care service. In order to pursue this puzzle, this paper addresses the “absenteeism,” which describes the phenomenon that health workers are frequently absent from hospitals. Absenteeism declines the supply of health care service, and also lowers the demand since if people cannot see a doctor, they lose their trust in health care system and would stop visiting a hospital. By this means, absenteeism creates a structure of the puzzle. This paper examines this idea by focusing on a unique program in Indonesia, where subdistricts are randomized into incentive treatment, non-incentive treatment, or control. Thanks to the randomization, we can analyze how the incentive changes labor supply of health care providers. The results show that the incentive treatment increases the total hours of labor by midwives, and further raises the number of prenatal care visits by mothers. The latter result implies that the reduction in absenteeism boosts up people’s utilization in health care service. This research is unique in that it is the first one that empirically addresses the absenteeism as a key to the puzzle.

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