

The effect of reducing cost-sharing for children on utilization of inpatient services: Evidence from Japan

Hiroataka Kato¹ and Rei Goto^{1,2}

1: Graduate School of Economics, Kyoto University

2: Hakubi Center of Advanced Research, Kyoto University

Email: kato.hiroataka.44u@st.kyoto-u.ac.jp

Abstract

Assessing the impact of cost-sharing on utilization of health care is a critical issue in health economics and health policy. We exploit a subsidy policy which reduces cost-sharing for inpatient and outpatient services for children in Japan in order to investigate two types of effect: the effect of reducing cost-sharing for inpatient care on hospital admissions (the own-price effect); the effect of reducing cost-sharing for outpatient services on hospital admissions (the cross-price effect). Using DPC data, administrative admission data, we find that reduction in cost-sharing for inpatient care significantly increases the number of admissions. We also find that a decrease in cost-sharing for outpatient care has a positive but insignificant effect on overall hospital admissions. However, the latter effect varies by region. The subsidy for outpatient services reduces the number of overall admissions in low-income areas; in contrast, it increases in high-income areas. These results suggest that outpatient and inpatient services are substitutes in low-income areas, but they are complements in high-income areas. Therefore, although the subsidy for children would increase the overall cost of health care in total, at least in low-income areas, it could reduce admissions and its cost could be offset to some extent by the reduction of admissions.

Keywords: Health insurance; Cost-sharing; Child care; Inpatient care; Outpatient care.

JEL Codes: I12, I18, J13