Hospitals, Patients and Politics: Political Cycles in the Public Hospital Management※

Reo TAKAKU

Institute for Health Economics and Policy

reo.takaku@ihep.jp

Shun-ichiro BESSHO

Policy Research Institute,

Ministry of Finance

shunichiro.bessho@mof.go.jp

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Abstract

Previous studies find health care service is likely to be a target of political manipulation since it gathers huge public attention, while there is a little studies on how politicians actually intervene health care services. In order to illustrate a clear association between political incentive and health care services provision, this paper examine how local politicians intervene government-owned hospitals in their municipalities in the mayoral election years. Hospital-level census data are matched with the timing of the 1,724 mayoral elections during the years from 2001 to 2012. The results suggest the statistically significant increases in the number of physicians in municipal hospitals, in the years of mayoral elections. In addition, municipal hospitals are more likely to provide unprofitable cares such as pediatrics and obstetrics in mayoral election years. As a result, the number of outpatients as well as inpatients received by these hospitals also increased. Placebo tests sufficiently suggest that these associations are causal, not spurious. After all, this paper suggests that mayoral elections in the years from 2002 to 2012 are associated with the increase in municipal hospital costs by about 3.3 billion USD.

Keywords: Japan; Political Budget Cycle; Hospital; Blame Avoidance

JEL Classification: J13, J16, I10