

ABSTRACT:

HOSPITAL RESOURCES: REALLOCATION UNDER PRICE CHANGES

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Health care provision became a remarkable expense factor in global budgets, with growth rates usually exceeding GDP growth. As hospitalization causes most of these costs, prospective payment systems have been implemented globally to encourage more efficient treatments. Using data from the universe of Germany hospitals, this paper investigates resource allocations between capital stock, human capital and services if treatment prices change at hospital and federal state level by the implementation of a prospective payment system. Lower prices increase investments in the quality of human capital and the stock of capital and decrease the stock of employees. While hospitals tend to specialize more, the amount of single services increase. Structural differences between hospitals enhance these effects. To account for endogeneity, I focus on competing hospitals along state borders and instrument changes in treatment prices by fine-grid weather conditions in hospital catchment areas.