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Title: Do co-payments affect nursing home entry? Quasi-experimental evidence using Dutch administrative data

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### *Abstract:*

Virtually all developed countries use co-payments to limit nursing home stays. However, as nursing home stays are generally a last resort, there may be less moral hazard than with other types of care. Hence, it is not clear whether co-payments affect nursing home care use. This paper assesses the impact of the co-payments for permanent nursing home residents by exploiting quasi-experimental variation. A co-payment reform implemented in 2013 in the Netherlands led to a sizeable increase in the co-payments for nursing home care, but only for elderly with high wealth. We perform a difference-in-differences analysis on administrative data for the full Dutch 65+ population from 2010 to 2014 to test for an impact of the co-payment increase on nursing home entry. We focus on single elderly who are eligible for a permanent nursing home admission for the first time and monitor their subsequent nursing home care use. Our results indicate that, on average, the increased co-payments did not lower the use of nursing home care. But the reform did reduce the probability of an admission for the elderly who were subject to relatively large increases (€1,500 per month) by 7 percentage points in the first 8 months after becoming eligible. Compared to a baseline nursing home use rate of 79%, these estimates imply that the co-payment increase induced by the reform led to an important reduction of nursing home admissions for those with high financial wealth and a moderate income. These results mean that, contrary to what is often conjectured, demand-side financial incentives do play a role in the timing of permanent nursing home stays, even in a country like the Netherlands that ensures financial accessibility of institutional care.