

Experimenting with episode-based pricing in the face of strategic participation by hospitals?

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Abstract:

The implementation of bundle payment in France is preceded by a period of experimentation from 2020 to 2025 for which hospitals have volunteered. The objective of this study is to determine whether hospitals volunteering to take part in the recent bundle payment experiment in France (a.k.a. the experimenters) display specific characteristics. Using a unique set of health claims and administrative data covering the whole range of French hospital over time, we aim at determining the existence and magnitude of a selection effect in levels and trends and how these characteristics can be linked to a strategic behaviour for hospitals to volunteer. The results of the analysis show that the experimenters are specific. They display higher performance measures (volume, productivity, attractiveness, quality) and give a more important role to cooperation with providers of the care pathway. Most of the differences observed at the start of the experimentation in 2019 appear to have been present since at least 2015, suggesting that the organizational costs of the transition to a bundle payment-funding scheme were notably already partially absorbed before entering the experimentation. Nevertheless, experimenters increased their patient volume and productivity more strongly than the others did over the period, thereby accentuating their competitive advantage. Our results suggest potential additional cost of scaling up the experiment to all hospitals. A selection effect amongst the volunteers risks creating inequalities in performance between experimenters and the others; the former having also gained a competitive advantage from participation in the program through a windfall effect and thus consolidated innovative positions in the past. Public policy implications are further discussed.