

# **Providers' coordination through bundled payments: from theory to experimental evidence in France**

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## **Abstract**

In healthcare systems, the adoption of incentives based on cost observations faces unique challenges compared to other sectors due to the unobserved heterogeneity in patients' costs, encompassing both prediction errors and inefficiencies. Implementing these incentives, especially for experimental payment models, a trade-off emerges between fostering participation and minimizing windfall gains. This paper exploits an experimental payment scheme to shed light on these intricate trade-offs. Theoretical findings highlight the inherent risk of significant heterogeneity in providers' response, resulting from the payment design and coordination costs. Empirical results confirm the theoretical intuitions allowing to size the extent of provider response heterogeneity. The paper enhances the understanding of incentive structures in healthcare coordination, offering valuable insights for refining future payment strategies.