

Stay, don't run away: Hospital reimbursement schemes and patients' length of stay.

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Abstract

Prospective payment schemes implemented as diagnosis-related group (DRG) systems are frequently promoted as an instrument to reduce the problem of hospitals keeping patients too long in order to increase their own profits. We investigate the consequences of changing the reimbursement scheme of Swiss hospitals to a DRG system and evaluate the impact on length of stay and health outcomes. Based on a simple microeconomic framework we are able to predict different shifts in patients' length of stay due to kinks in the reimbursement scheme and try to show that an aggregated perspective might not be able to reveal the full impact. In contrast to prior research we depict heterogeneous changes along the length of stay distribution of patients and exploit such variation to investigate the consequences on health outcomes.

Keywords: hospital payment, DRG, prospective payment.