

Costs per discharge and hospital ownership under prospective payment and cost-based reimbursement systems in Taiwan.

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Abstract

This study in Taiwan examined the relationships between health care costs and hospital ownership under two financing systems with diametrically opposite incentives, case-payment (a form of prospective payment) and cost-based reimbursement. The universal sample of patients treated in 2000, for three standard care groups under each payment method, was included. The case payment diagnoses were uncomplicated cases of caesarean section, femoral/inguinal hernia operation and thyroidectomy, and the cost-based reimbursement diagnoses were uncomplicated cases of benign breast neoplasm, pneumococcal pneumonia and traumatic finger amputation. Costs per discharge were significantly lower in for-profit hospitals (by 2.8 to 5.7%) compared with public and not-for-profit hospitals for case payment diagnoses, which is consistent with the literature on US hospitals. For the cost-based reimbursement diagnoses, for-profits had 11.5 to 21.8% higher costs per discharge. The opposite direction of associations under the two payment systems validates the assumptions of the property rights theory in Taiwan's health care sector. Three plausible explanations for the study findings are suggested: (1). greater productive efficiency in private hospitals under case payment, (2). cost shifting from case payment diagnoses to cost-reimbursed diagnoses, and (3). patient dumping. Longitudinal studies using detailed hospital-level information with patient tracking facility are needed to clarify these issues.