

How Do Elderly Respond to Prices of Health Care?

Michal Zďenek
Norwegian School of Economics

This paper explores how patient cost sharing affects health care consumption of elderly persons. I make use of the quasi-experiment of the adoption and subsequent revocation of the recent nation-wide policy change that implemented patient cost sharing in the Czech Republic. First, I present evidence on price sensitivity of medical consumption among the elderly people by investigating how they reacted to the introduction of copayments for the physician office visit and prescription drugs. Using a difference-in-differences method I estimate price elasticity of demand and find that health care consumption of elderly is in line with price elasticities of non-elderly persons. Second, I find evidence of the hospitalization offset effect in the elderly population. Finally, I explore how has the composition of elderly's health care consumption changed with the introduction of cost sharing and find that consumption of health care that can be classified as „unnecessary“ is reduced, pointing towards desirability of the more market oriented reform.