

Abstract:

This study uses changes in hospital reimbursement in Germany as a natural experiment to estimate the effect of changes in the generosity of hospital payment on quality of care. Quality of care is measured by a broad range of indicators about medical outcomes, medical procedures, and patient satisfaction. I use data from the German Federal Office for Quality Assurance and from a survey on patient satisfaction with hospitals. The generosity of hospital reimbursements has little effect on quality of care. Hospitals react to reduced payments by admitting more patients, billing more complex procedures, and less specialization.