

The Impact of User Fees on Health Care Utilisation: Evidence from a Policy Experiment

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Extended Abstract

In this paper, we examine the impact of changes in the fees that patients pay when they use primary health care services on the utilisation of these services, as well as the flow-on impact on utilisation of secondary care services and on health status. Unlike the situation in many other OECD countries, the New Zealand government has traditionally provided only partial subsidies to support access to primary health care services, leaving New Zealanders to pay for much of their own primary health care through fee-for-service user charges paid to primary health care practitioners. It was widely felt that these fees have resulted in significant barriers to access to care, especially for those on lower income, thus, in 2001, the government began to implement the Primary Health Care Strategy (PHCS), which aimed to improve access to primary health care services, to improve health and to reduce inequalities in health.

A key focus of the PHCS was to reduce the fees that New Zealanders pay when they use primary health care services. This was done by increasing the amount of funding allocated directly to primary health care providers and tying the allocation of this funding to whether fee reduction objectives were achieved by individual providers. The government clearly set out its expectations about levels of fee reductions, fee levels for standard consultations and fee increases over time. These ‘targets’ differed for patients in different age groups, specifically 0-5, 6-17, 18-24, 25-44, 45-64, 65-74 and 75+ year-olds. The government also provided additional funding to providers who committed to ensuring very low cost access for all patients, that is, to keeping fees for standard consultations at zero for children, under \$10 for those aged 6-17 and under \$15 adults.

We identify the impact of user fees on health care utilisation by exploiting the variation across age-groups provided by the implementation of the PHCS. Specifically, we examine how both the fees paid by individuals in different age-groups changed over time and how health care utilisation by these age-groups changed over the same time period. Both a difference-in-differences framework and an instrumental variables approach are used to compare the relative change in health care utilisation for each age-group to the relative change in fees paid for primary health care visits for each age-group and calculate the

elasticity of health care utilisation to fees charged for each group and averaged over the sample.¹ Importantly, these frameworks allow us to also control for other characteristics, such as employment status and neighbourhood of residence, that are correlated with both health care utilisation and the fees paid by individuals.

Our analysis utilises data from the New Zealand Health Surveys (NZHS) fielded in 1996/97, 2002/03 and 2006/07. The NZHS collects representative cross-sectional data on the health status of New Zealanders, the prevalence of risk and protective factors associated with these health conditions, and the use of health services. Each of these surveys involved face-to-face interviews with New Zealanders aged 15 years and over and collected information. Each round of the NZHS asks respondents whether they had visited a general practitioner (GP) in the previous 12 months. If they answered ‘yes’ to this question, they were then asked what the doctor charged them for their last visit. Respondents were also asked the number of times they visited a GP in the previous 12 months, whether they had seen a medical specialist in the past 12 months, whether they had been admitted to a hospital in the past 12 months and a variety of questions about their health status including SF-36 and whether they have various chronic conditions. These are the outcome variables we will examine in our analysis. The survey also collects extensive data on socioeconomic characteristics that we use to control for other potential changes over time in health care utilisation and fees paid.

Preliminary analysis is underway but we have no results to report yet. Our results should shed light on how responsive individuals are to the fees charged by primary health care providers, which is of significant interest to both national and international researchers and policymakers, as fees are widely in use in other countries, are often promoted as a policy instrument for influencing health decisions, and are the subject of on-going controversy. The international evidence to support reductions in fees is limited and few studies have been undertaken which are able to track changes over time arising from actual reductions in fees and the bolstering of primary health care services.

¹ We have also explored using a regression discontinuity design to identify these elasticities, however the sample size of the data we use and the precision of our main outcome variables does not give us enough power to utilise this approach.