

The Impact of a Cost-containment Measure on the Quality of Regional Health Services in Italy: a Parametric and a Non-parametric Approach

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Abstract

Healthcare spending cuts are frequently implemented to restore budget balance, particularly in countries with publicly funded healthcare systems. Understanding whether cost-containment measures adversely affect the population's health status is a key concern for policymakers. This paper provides novel evidence on the impact of a cost-containment measure first introduced in Italy in 2007—*Piani di Rientro sanitari* (PdRs)—on the quality and efficiency of Regional Health Services (RHSs). Thus far, ten out of twenty-one RHSs have undergone at least one round of PdRs—three managed to exit, while seven remain treated—raising the question of whether cost reduction has led to any unintended adverse effects on the quality of treated RHSs. I answer this question using the *Two-way Mundlak* approach. Compared to the classic Two-way Fixed Effects, this method explicitly accounts for the staggered nature of the policy, allowing me to analyze how the treatment effect varies across different dimensions. Furthermore, it enables the estimation of the long-run impact of PdRs. Overall, I find that *Piani di Rientro* successfully reduced costs. However, cost reduction was not followed by improvements in RHS efficiency or the appropriateness of care provided, contrary to policymakers' expectations. Conversely, the reduced budgets allocated to regions resulted in an unintended deterioration in the quality of healthcare services. These results persist in the long run and remain robust under a set of *bounded-variation* assumptions.

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