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## HOSPITAL'S ACTIVITY-BASED FINANCING SYSTEM AND MANAGER-PHYSICIAN INTERACTION

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### Abstract

Hospital financing systems determine major decisions made by physicians and managers within hospitals. This paper examines the impact of the transition toward an activity-based reimbursement system that has emerged in most OCDE countries. We consider two initial situations, one for a private for-profit sector where both hospitals and physicians are paid on a fee-for-service basis and the other for a public sector under prospective budget and salaried physicians. For the private sector, our model focuses on the type of interaction (simultaneous, sequential or joint decision-making games) that should emerge between agents after the introduction of the activity-based financing system. In the public sector, the elasticity of the demand to the level of inputs seems to play a more crucial rôle in the transition.

**Keywords:** hospital's financing system, strategic interaction, activity-based payment system.

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