

The Welfare Effects of Single Rooms in German Nursing Homes: A Structural Approach_

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Abstract

We analyze the welfare effects of a single room policy in German nursing homes using a large panel dataset containing information on prices, residents, and facility characteristics for the years 2007 and 2009. We estimate a one-level nested logit model of demand and, based on the model of bargaining between payers and providers, recover the marginal costs and markups. We then analyze a counterfactual market where only single rooms are offered. Under the scenario of unchanged total capacities, single room policy increases consumer surplus by 1.8% and providers' variable profits by 5.1%. Yet, if the capacities are reduced by transforming doubles into single rooms, consumer surplus decreases by 6.6% and providers' variable profits by 16.2%. In order to secure the positive welfare effects of a single room policy, the supply of nursing home places must be maintained by investing in new facilities.

JEL classification: I11, I18, L13, L51

Keywords: single rooms; nursing homes; policy simulation; structural models; bargaining.