

# Advisor's Report on Dissertation Thesis

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Title of the Thesis:	Essays on health economics and health policy
Type of Defense:	<b>DEFENSE</b>
Date of Pre-Defense	October 3, 2019

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?
- d) Do the results of the thesis allow their publication in a respected economic journal?
- e) Are there any additional major comments on what should be improved?
- f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

(Note: The report should be at least 2 pages long.)

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The thesis under consideration is a collection of four tightly interlinked original papers; three papers are empirical (microeconomic) studies in health economics and the last paper is a comprehensive health policy assessment based on the results in the empirical chapters and the additional closely-related works of the author.

The thesis contains original contributions to health economics motivated by policy issues raised by the OECD in the specific context of the Czech health sector. Hence, the thesis contains new material that is not only of academic interest, but is also highly relevant for policy-makers, and thus has the potential to yield a double dividend for both health economics as well as health policy. This is already demonstrated by citations in the official OECD publications to related works of the author and her colleagues.

Chapter 1 presenting an article on the efficiency of Czech general hospitals using the conditional FDH approach. The chapter has been published after several revision rounds in *Journal of Productivity Analysis* which is a core global journal for the narrow field of productivity measurement. Editor of the article was William H. Greene (NYU), the author of a

leading textbook for graduate econometrics in social science programs worldwide since 1990. As written in my pre-defense report, I have no comments to this chapter whatsoever.

Chapter 2 exploits a 2009 abolishment of the user charges in a subset of Czech hospitals as a setting that is plausibly a natural experiment. The chapter is a follow-up to the author's paper that was published in the *Health Economics Review*, which illustrates interest in the profession in the analysis of such health policy changes. The chapter focuses on the intensive margin in the patient's choices (quantity) but not on the extensive margin (self-selection into hospitals).

In my pre-defense report, I firstly requested a more detailed discussion of patients' self-selection into hospitals. The response mentioning the prohibitively high transaction costs (e.g., travel times) relative to the user charges is satisfactory.

Second, the assumption about the absence of confounding changes is now defended by referring to the absence of other contemporaneous policy changes or sharp changes in the socio-economic situation.

Third, an additional robustness test which I proposed was conducted. As a matter of fact, the dataset was stratified by the presence of a nearby reimbursing hospital.

Chapter 3 looks into the relationship between the level of short-term liquid financial assets and a health status of the pre-retirement age cohort in the Czech Republic. To handle endogeneity, various instruments for health status are used. This is a challenging topic (as the analysis starts with structural equations that hang on many assumptions such as different effects on real assets and financial assets), but the author is in my view doing her best given the SHARE (individual-level) dataset that was at her disposal.

I recommended to explain that the exclusion condition that is required for a perfect instrument obviously cannot be tested, and to fix the interpretation of the LM overidentification test. Both changes have been made to the text.

In Chapter 4, the author summarizes her results and offers policy implications, using additional evidence and context-specific information.

In this chapter, I proposed to clarify the key criteria for a well-functioning DRG and explain how exactly the alternatives to DRG work. The response explains that the ultimate criterion is equalization of the cost per identical care across hospitals. The author discusses that that some of the case-mix adjustment can be absorbed by a mechanism based on the local variables (e.g., local demographics), but no robust alternative to the DRG mechanism exists.

To summarize, the thesis is an original and very useful work that is not only academically sound, but contains a number of valuable health policy recommendations that are neatly summarized in the final chapter. The chapters share not only motivation but also a clear ambition to deliver relevant and sufficiently robust evidence for current health policy

discussions. At the same time, each chapter contains a unique methodology and thus the thesis demonstrates breadth and depth of the author's academic interests.

My overall assessment is to recommend the thesis for defense.

Date:	April 9, 2020
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