

This paper examines the effect of the patient cost-sharing on health care utilization among children. By exploiting the drastic expansion of subsidy for child health care which substantially differs by municipality, age, and time in Japan, we find that reduced cost-sharing significantly increases utilization of outpatient care. The arc-price elasticity is relatively constant around  $-0.1$  for all ages 7-14, which is smaller than the conventional estimate of  $-0.20$  for adults. We also provide suggestive evidence that most increases in utilization reflect moral hazard rather than beneficial care. In fact, we document the increases in costly after-hour visits and unnecessary use of antibiotics. Finally, we find little evidence of the offset effects: the increase in outpatient care does not seem to reduce future inpatient admissions. Taken together, our findings suggest that the benefit of such generous subsidy for child health care is unclear.