

Shrinking Populations, Aging, and Access to Healthcare^{*}

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Abstract

Population shrinkage and aging are inevitable futures for many countries. Using data from Japan, we study the impact of unprecedented demographic changes on health-care providers and access to care. Estimating an equilibrium entry model that determines the number of physicians in small markets, we find that population shrinkage significantly reduces the number of physicians and access to care across the board. In contrast, the impact of aging varies with the mix of patients, decreasing in specialties that cater to younger populations but increasing when older people are the main clients. As a result, access to specialty care will deteriorate significantly for younger people, while that for older people will be more sustainable. Governments can address demographic challenges by increasing provider payments, but counterfactual analyses suggest that even 20% higher payments may not fully maintain the same level of access to care. Thus, addressing the challenges through payment increases alone could be costly.

Keywords: Aging, population decline, market size, specialization, the geographic distribution of physicians, access to care, physician supply

JEL Codes: I11, I18, J10, L10

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