

Supplementary Table 1: Impact of reforms on other hospital performance variables

	(1)	(2)	(3)	(4)	(5)
Variables	Log (diagnostic test cost per outpatient)	Log (diagnostic test cost per inpatient)	Log (fiscal subsidy)	Log (outpatient visits for private hospital)	Log (inpatient visits for private hospital)
Reform	-0.0566 (0.0469)	0.0516 (0.0701)	-0.0488 (0.164)	0.036 (0.129)	0.027 (0.191)
Individual fixed effects	Y	Y	Y	Y	Y
Yearly fixed effects	Y	Y	Y	Y	Y
Covariates included	Y	Y	Y	Y	Y
R-square	0.079	0.441	0.341	0.92	0.88
Observations	1,242	1,242	1,230	62	62

Notes: Standard errors clustered at the county level are reported in parentheses. Covariates include indicators of GDP per capita, public revenue per capita, public educational expenditures per capita, permanent resident population, the output in the primary industry as a share of GDP, and output in the secondary industry as a share of GDP. All control variables are measured at the county-level. ***, **, and * denote the significance at the 1%, 5%, and ten% level respectively.

Supplementary Table 2: Placebo test I implemented to exclude the possibility that the main results are driven by some unobserved, time-varying heterogeneities between the treatment and control groups

Panel A	(1)	(2)	(3)	(4)	(5)
Variables	Log (total cost per outpatient visit)	Log (drug cost per outpatient visit)	Log (total cost per inpatient admission)	Log (drug cost per inpatient admission)	Drug sales as a share of the total cost
Pseudo-reform (Assumed in 2010)	0.000404 (0.0233)	-0.00111 (0.0318)	0.0282 (0.0197)	0.0265 (0.0292)	0.0229 (0.787)
Individual fixed effects	Y	Y	Y	Y	Y
Yearly fixed effects	Y	Y	Y	Y	Y
Covariates included	Y	Y	Y	Y	Y
R-squared	0.091	0.236	0.353	0.277	0.130
Observations	696	696	696	696	695
Panel B	(1)	(2)	(3)	(4)	
Variables	Log (outpatient visits)	Log (inpatients admissions)	Log(Bed occupancy rate)	Log (Days per inpatient)	
Pseudo-reform (Assumed in 2010)	-0.0259 (0.0360)	-0.0680** (0.0288)	0.0455 (3.295)	0.0348 (0.0430)	
Individual fixed effects	Y	Y	Y	Y	
Yearly fixed effects	Y	Y	Y	Y	
Covariates included	Y	Y	Y	Y	
R-squared	0.503	0.629	0.054	0.052	
Observations	696	696	696	696	

Notes: Standard errors clustered at the county level are reported in parentheses. Covariates and variable definitions are the same as those in Supplementary Table 1. ***, ** and * denote the significance at the 1%, 5%, and 10% level respectively.

Supplementary Table 3: Placebo test II by assigning reform status to each one of other eight cities

	(1)	(2)	(3)	(4)	(5)
Treatment Group	Log (total cost per outpatient visit)	Log (total cost per inpatient admission)	drug sales as a share of the total cost	Log (outpatient visits)	Log (inpatients admissions)
Sanming	-0.0628** (0.0311)	-0.346*** (0.0477)	-16.89*** (0.992)	-0.0948** (0.0410)	-0.0817 (0.0510)
Fuzhou	0.221*** (0.0558)	-0.00468 (0.0224)	4.190*** (0.999)	0.0381 (0.0301)	0.0182 (0.0443)
Xiamen	-0.0105 (0.0649)	0.0230 (0.0295)	-2.079 (1.547)	-0.110** (0.0467)	-0.0892* (0.0529)
Putian	-0.0672** (0.0264)	0.0408** (0.0186)	1.680 (1.820)	-0.0808** (0.0378)	-0.0629* (0.0316)
Quanzhou	-0.0549 (0.0597)	-0.0157 (0.0279)	2.521 (1.711)	0.0661 (0.0401)	0.0849 (0.0521)
Zhangzhou	-0.0534 (0.0540)	0.0340 (0.0373)	-1.158 (1.102)	0.0401 (0.0571)	-0.0668 (0.112)
Nanping	-0.0478 (0.0670)	0.0571 (0.0356)	7.043*** (1.920)	-0.0702 (0.0684)	-0.0231 (0.0850)
Longyan	0.0429 (0.0859)	0.0662* (0.0377)	2.532 (2.295)	0.0307 (0.0626)	0.0902** (0.0437)
Ningde	-0.0170 (0.0537)	0.0518 (0.0313)	3.888** (1.673)	0.101** (0.0429)	0.131** (0.0581)

Notes: To save space, the estimation results for drug cost per outpatient, drug cost per inpatient, bed occupancy rates, and days per inpatients are not shown here. The results for these dependent variables are similar to the results are shown here. Standard errors clustered at the county level are reported in parentheses. Hospital individual fixed effects and yearly fixed effects are controlled. Covariates and variable definitions are the same as those in Supplementary Table 1. ***, **, and * denote the significance at the 1%, 5%, and 10% level respectively.

Supplementary Table 4: the estimated results of PSMDID

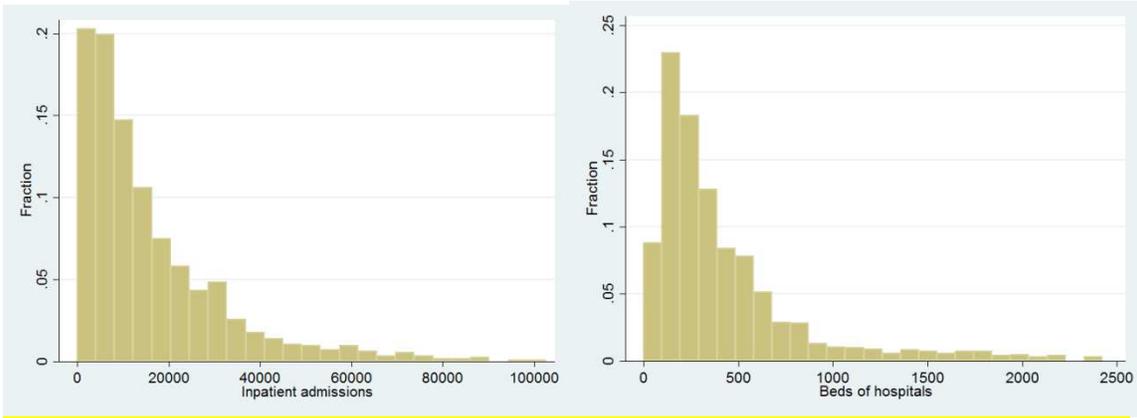
	PSMDID	Difference-in-Difference
Log (total cost per outpatient visit)	-0.119* (0.0691)	-0.0628** (0.0311)
Log (drug cost per outpatient visit)	-0.317*** (0.066)	-0.346*** (0.0477)
Log (total cost per inpatient admission)	-0.146*** (0.0347)	-0.168*** (0.0305)
Log (drug cost per inpatient admission)	-0.846*** (0.0624)	-0.823*** (0.0451)
Drug sales as a share of the total cost	-16.44*** (1.482)	-16.89*** (0.992)
Log (outpatient visits)	-0.00399 (0.0741)	-0.0948** (0.0410)
Log (inpatients admissions)	0.00314 (0.0787)	-0.0817 (0.0510)
Log(Bed occupancy rate)	0.00537 (0.0874)	-0.0536 (0.0408)
Log (Days per inpatient)	-0.876 (0.648)	-0.456 (0.537)

Notes: Standard errors clustered at the county level are reported in parentheses. ***, **, and * denote the significance at the 1%, 5%, and 10% level respectively.

Supplementary Table 5: Excluding observations in Fuzhou & Xiamen

Panel A	(1)	(2)	(3)	(4)	(5)
Variables	Log (total cost per outpatient visit)	Log (drug cost per outpatient visit)	Log (total cost per inpatient admission)	Log (drug cost per inpatient admission)	Drug cost as a share of total cost
Reform	-0.0683** (0.0338)	-0.350*** (0.0497)	-0.171*** (0.0316)	-0.818*** (0.0459)	-16.90*** (1.059)
Individual fixed effects	Y	Y	Y	Y	Y
Yearly fixed effects	Y	Y	Y	Y	Y
Covariates included	Y	Y	Y	Y	Y
Observations	892	892	891	891	892
R square	0.672	0.305	0.468	0.608	0.663
Panel B	(1)	(2)	(3)	(4)	
Variables	Log (outpatient visits)	Log (inpatient admissions)	Log (bed occupancy rate)	Log (days per inpatient)	
Reform	-0.0883* (0.0443)	-0.0827 (0.0573)	-0.0454 (0.0384)	-0.997* (0.525)	
Individual fixed effects	Y	Y	Y	Y	
Yearly fixed effects	Y	Y	Y	Y	
Covariates included	Y	Y	Y	Y	
Observations	892	891	891	892	
R square	0.602	0.600	0.061	0.046	

Notes: This table reports the results of regressions that exclude observations in Fuzhou and Xiamen. Standard errors clustered at the county level are reported in parentheses. Covariates and variable definitions are the same as those in Supplementary Table 1. ***, **, and * denote the significance at the 1%, 5%, and 10% level respectively.



Supplementary Figure 1: the distribution of inpatient admissions and hospital beds