

# **Upfront Payment Preference: Evidence on Care Facility Choice under Long-Term Health Risk <sup>1</sup>**

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## **Abstract**

In an aging society, housing decisions in anticipation of long-term care needs are increasingly important. In Japan, private nursing homes offer comprehensive services but require large upfront payments. In contrast, aging at home involves lower initial costs but potentially higher future expenses. Service-equipped housing has emerged as a middle-ground option. Due to uncertainty about care needs and potential information asymmetries, individuals are often assumed to avoid prepaying for care. However, disentangling preferences for payment structure from care quality remains challenging. This study contributes to the literature on time preference and long-term care insurance by examining whether individuals avoid large upfront costs when care quality is held constant. We conduct a survey experiment with over 1,000 Japanese adults aged 50 and older, randomly assigning them to cost-framing conditions with equivalent total costs. Using a multiple price list format, we elicit preferences across different payment combinations. Surprisingly, we find a consistent preference for paying more upfront, especially among those with lower time discounting. Misperception of care risk weakens this tendency. While based in Japan, our findings have implications for other aging East Asian societies such as Korea and Taiwan, where similar institutional structures and demographic trends exist.

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