

## **Abstract**

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This paper uses the Household Income and Expenditure Survey 2005, a nationally representative sample of 10,080 households in Bangladesh from January, 2005 to December, 2005, to investigate the determinants of illness, choice of health care provider and household out-of-pocket health care expenditures. Three models were used in this paper- logistic model for illness, multinomial logistic model for provider choice and selection model for household health care expenditure. Endogeneity biases arising due to the selection of providers were controlled in the selection model. Our results of this study showed that individual, household and environmental characteristics had substantial effects on illness, choice of health care providers as well as health care expenditures. The common perception is that the decision of whether and where to seek care and the amount of expenditure depends on how serious the illness is. Our results also showed that illness is not the only factor involved in demand for health care. Other influences, such as individual, household and environmental characteristics, were found to determine the magnitude of expenditure incurred. These findings call for policy makers to either design new health policy or strengthen existing ones, taking into consideration of various factors that were identified in this study in order to improve health care system in developing countries like Bangladesh.

**Keywords:** Choice of health care provider; Endogeneity bias; Health care expenditure; Selection model; Bangladesh