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Lay Summary

**MARKET STRUCTURE, PATIENT CHOICE AND HOSPITAL QUALITY FOR ELECTIVE PATIENTS**

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Policy makers have expanded the scope of competition in the health care sector. Patient choice of hospital is influenced by quality, and in many countries hospitals compete only over quality. It is argued that increasing competition amongst hospitals will lead to higher quality. An empirical literature, mostly from the US and more recently from the UK, has investigated the effect of hospital competition on quality and has been the subject of intense debate. A key concern is how to measure quality.

We examine the relationship between competition and quality of care for planned (elective) patients. We focus on three common elective procedures: hip and knee replacement, and coronary artery bypass grafts (CABG). In the English National Health Service (NHS) before 2006, the choice of hospitals for elective treatment was generally constrained to the set of local NHS hospitals which had contracts with the patient's local health authority. In 2006 these constraints were relaxed and patients had to be offered a choice of at least four providers.

We find that the change in the effect of market structure, due to the 2006 choice reforms, was to reduce quality as measured by the probability of a post-operative emergency readmission for hip and knee replacement patients. We find no effects of the choice reform on the quality of care (as measured by emergency readmission rates or mortality rates) for coronary artery bypass patients.

In conclusion, our analysis highlights that the choice reforms have had mixed effects on hospital quality, depending on the type of procedure. The reduction in quality in hospitals for hip and knee replacement procedures do not necessarily imply that patients undergoing these procedures were made worse off by the 2006 relaxation of constraints on choice of provider. Patients may place an intrinsic value on having a choice of provider. Moreover, even if the reform reduced hospital quality, patients could still gain from being able to switch to providers they preferred but which would have previously been unobtainable.

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