

Hospital Quality Competition under Fixed Prices

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Lay Summary

Why look at competition between hospitals?

In most sectors of the economy it is common to have many companies or providers competing with each other to win the business of customers. This is usually thought to be beneficial for customers who can shop around and choose the provider who offers the level of quality they desire, at a price they judge to be worth paying. Overall, this can improve quality and reduce prices as providers compete to attract customers.

This approach has been increasingly applied to the public sector, where the “customer” is not paying for the service directly but may still have a choice over which provider delivers their service. In this vein, government policy now demands that patients have more say in the choice of hospital. Often patients make this choice in consultation with their GP.

There has been a lot of policy interest in considering whether competition amongst NHS hospitals to win the referrals of GPs will have the same effect as competition in other sectors. Hospitals can gain more income if they attract more patients and they may do this by enhancing the quality of the care they provide. Policy-makers need to know whether this happens because it will influence the decisions taken about how many hospitals there should be, where they are located, whether patients should have more choice and what sort of regulation may be needed to ensure that hospitals provide high quality care.

Measures of quality of hospital care

Our research investigated whether hospital competition can improve quality. Previous studies have given different results, mainly because they have used different ways to measure quality. Our research investigated whether different quality measures are linked with each other: if hospitals deliver high quality on one measure, do they also deliver high quality according to another measure? We looked at 16 quality measures, including:

- 6 focused on death rates (eg, overall number of deaths, deaths in high and low risk conditions, deaths following surgery);
- 6 looking at readmission rates and the number of operations that needed to be re-done; and
- 4 on measures of patient experience (eg, cleanliness of wards, trust in doctors).

By analysing the associations between these 16 quality measures gathered from 147 hospitals, we show that the links between the measures are quite weak. So we cannot assume that just because a hospital is delivering good quality in one area, they are also doing so in other areas.

Measures of competition between hospitals

There is no definitive way to measure the degree to which hospitals compete with one another. As in other studies, we assessed “competition” by measuring the number of hospitals located within a particular travel time area. This assumes that patients generally choose from a set of hospitals within a reasonable travel time. So in geographical areas with fewer hospitals, competition is less intense than in areas where there are larger numbers of hospitals.

The link between quality and competition

The final stage of the research looked at the association between quality measures and the measures of the degree of competition between hospitals. Results changed when alternative quality measures were used, when alternative measures of competition were used, and also for hospitals in London versus those outside London. No strong pattern emerged that would support or refute the view that greater competition between hospitals drives up quality across the board.

Measuring the effect of hospital competition on quality is not straightforward. It is important to disentangle the influence of competition from other things that may influence quality. For example, higher quality hospitals may attract sicker patients who may be more likely to die. If so, do mortality rates reflect quality or the profile of patients?

The way in which patients and their doctors choose hospitals may not be the same as how choices are made by consumers in other sectors; and also the nature of the decisions about where hospitals are located and what treatments they can provide is very different from the way in which other services are organised.

Further work

This research will continue by using more sophisticated methods and other data sources so that policy makers can make decisions based on the best possible evidence.

Full report available at

http://www.york.ac.uk/media/che/documents/papers/researchpapers/CHERP80_hospital_quality_competition_fixedprices.pdf

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