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Lay Summary

**DO HOSPITALS RESPOND TO RIVALS' QUALITY AND EFFICIENCY?
A SPATIAL PANEL ECONOMETRIC ANALYSIS**

by Francesco Longo, Luigi Siciliani, Hugh Gravelle, Rita Santos

Quality and efficiency are fundamental goals for policymakers in the hospital sector. Policymakers have argued that competition may induce hospitals to raise their quality to attract patients and to enhance their efficiency. Previous investigations of the effect of competition on quality and efficiency in the US, the United Kingdom, and other OECD countries have produced mixed results.

This paper explores whether hospitals in the English National Health Service between 2010/11 and 2013/14 responded to increases in quality or efficiency of rival hospitals by increasing their own quality or efficiency.

We consider both clinical and non-clinical dimensions of quality. We measure clinical quality through risk adjusted overall mortality and readmission rate, and mortality rates for high volume conditions such as hip fracture and stroke. We also measure health gains for a common elective procedure (hip replacement) using patients-reported outcomes. We capture non clinical dimensions of patients' experience using patient satisfaction with their overall hospital experience, hospital cleanliness, and the extent to which clinicians involved the patients in the treatment decision. We measure hospital efficiency through indicators for bed occupancy, cancelled elective operations, and cost indices for overall hospital activity, elective and non-elective activity, and for hip replacement.

In simple words, we found that if a hospital has higher quality, neighbouring hospitals also have high quality. But after accounting for some additional demand and supply factors we generally find that quality and efficiency indicators in a hospital are not positively correlated with those of other nearby hospitals, suggesting that hospitals do not respond when neighbouring hospitals vary their quality or efficiency.

Full report available at:

https://www.york.ac.uk/media/che/documents/papers/researchpapers/CHERP144_hospital_quality_efficiency_spatial_econometrics.pdf

Contact: Francesco Longo Francesco.longo@york.ac.uk

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