Hospital Competition Literature

• SCP approach:
  – Melnick & Keeler (2007), Dranove et al. (2008), and many others using data from 1980s-90s

• Merger event studies:
  – Vita & Sacher (2001), Capps & Dranove (2004), Dafny (2009), HMRP papers

• Semi-structural approach:
  – Emphasis on hospital/MCO bargaining
Hospital Antitrust

- Mirrors hospital competition literature
- Early cases focused on geographic market definition and non-profit ownership
  - e.g., Butterworth (1997), Summit/Alta Bates (2001)
- Retrospective merger challenge
  - Evanston/Highland Park (2004)
- Recent merger challenges:
  - Emphasis on lost competition (WTP, diversions, merger simulation)
Questions/Areas for Future Research

• Patient Price Response
  – 19% of insured employees are enrolled in high deductible health plans, up from 8% in 2009
  – Tiered and narrow network plans are also being introduced and may become more prevalent with the health insurance exchanges in 2014
  – How should models of hospital competition incorporate patient price sensitivity?
  – How will high deductible/tiered network plans change hospital competition, if at all?
Questions/Areas for Future Research

• Market Definition
  – Is there a role for market definition with the new tools of hospital merger analysis?
  – If so, how should product and geographic markets be defined? How should market shares be calculated?
Questions/Areas for Future Research

• Price Regulation
  – There are some in the health policy community who believe that price regulation, instead of competition, may be needed to control health care costs.
  – Should future research focus on a comparison of the costs and benefits of competition vs. price regulation?
  – Is current research too focused on price effects? Should there be more research on the effects of competition on quality and amenities, esp. under price regulation?
Questions/Areas for Future Research

• Vertical Integration
  – With health care reform, there is a trend toward more vertical integration in health care markets (e.g., hospital employment of physicians, ACOs, JVs between MCOs and hospitals, etc.).
  – How will this affect how we analyze hospital/health care competition?