



Centre for Market and
Public Organisation

Competition in the English NHS

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Is there scope for competition in the NHS?

What is the role of the private sector?

Early findings on the impact of competition

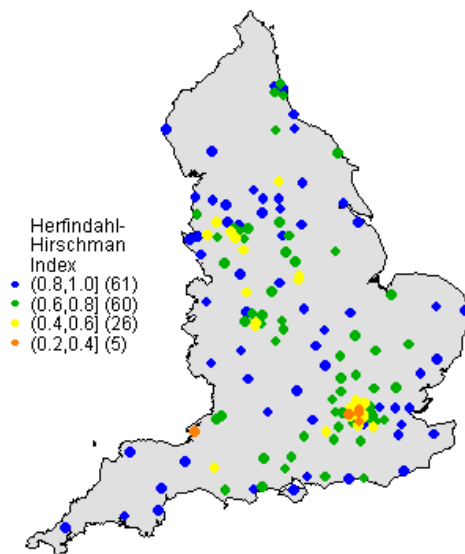
Is there scope for competition in the NHS?

- US DoJ guidelines
- Market concentration a function of the number of firms in a market and their respective market shares.
 - “HHI” index of market concentration.
 - Divides market concentration into three regions
 - unconcentrated (HHI below 1000)
 - moderately concentrated (HHI between 1000 and 1800)
 - highly concentrated (HHI above 1800)

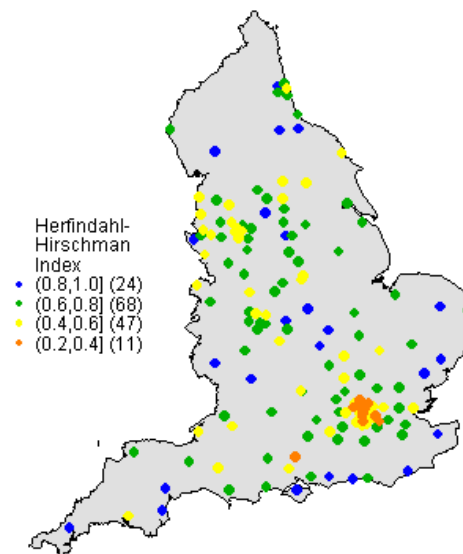
- Examine different products
 - maternity (people want to be treated close to home)
 - Hips and knees (waiting times important, lots of providers)
 - CABG (few providers, people have to travel)
 - All admissions

Provider market power

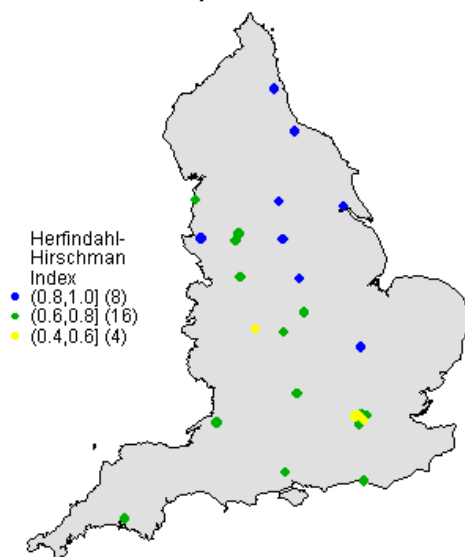
Maternity admissions



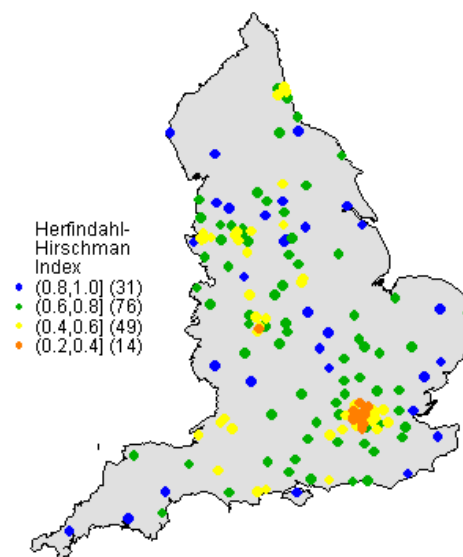
Hip replacements



CABG procedures

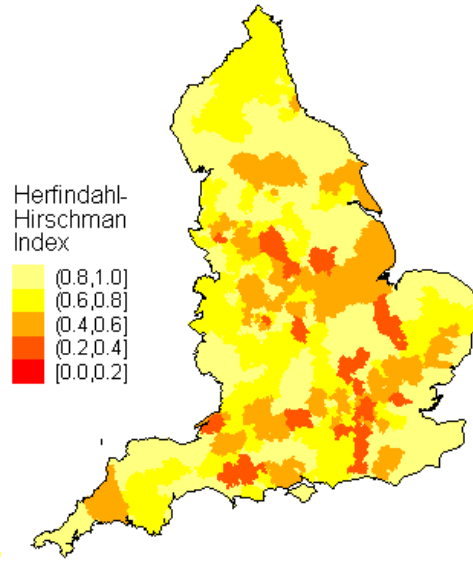


All admissions

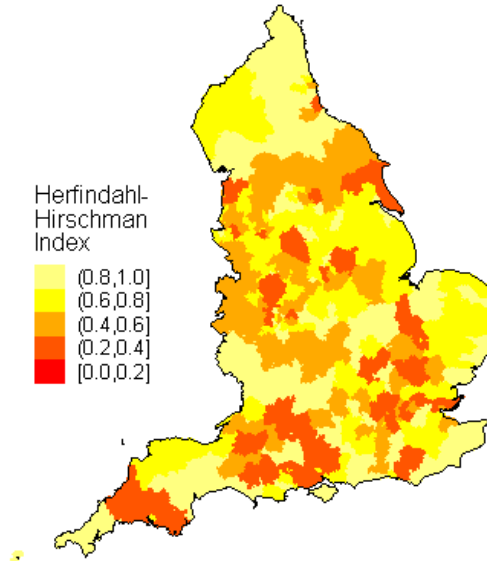


PCT supply intensity

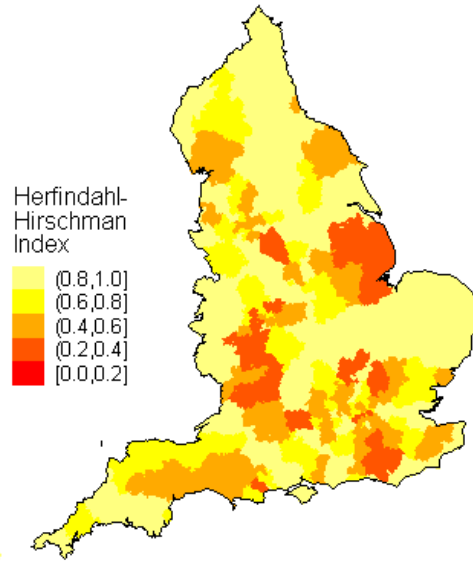
Maternity admissions



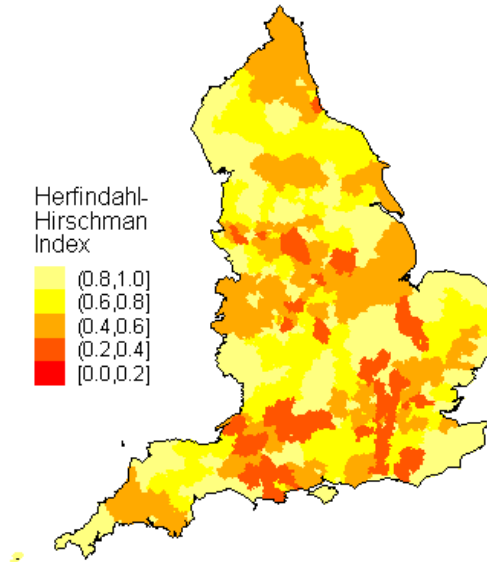
Hip replacements



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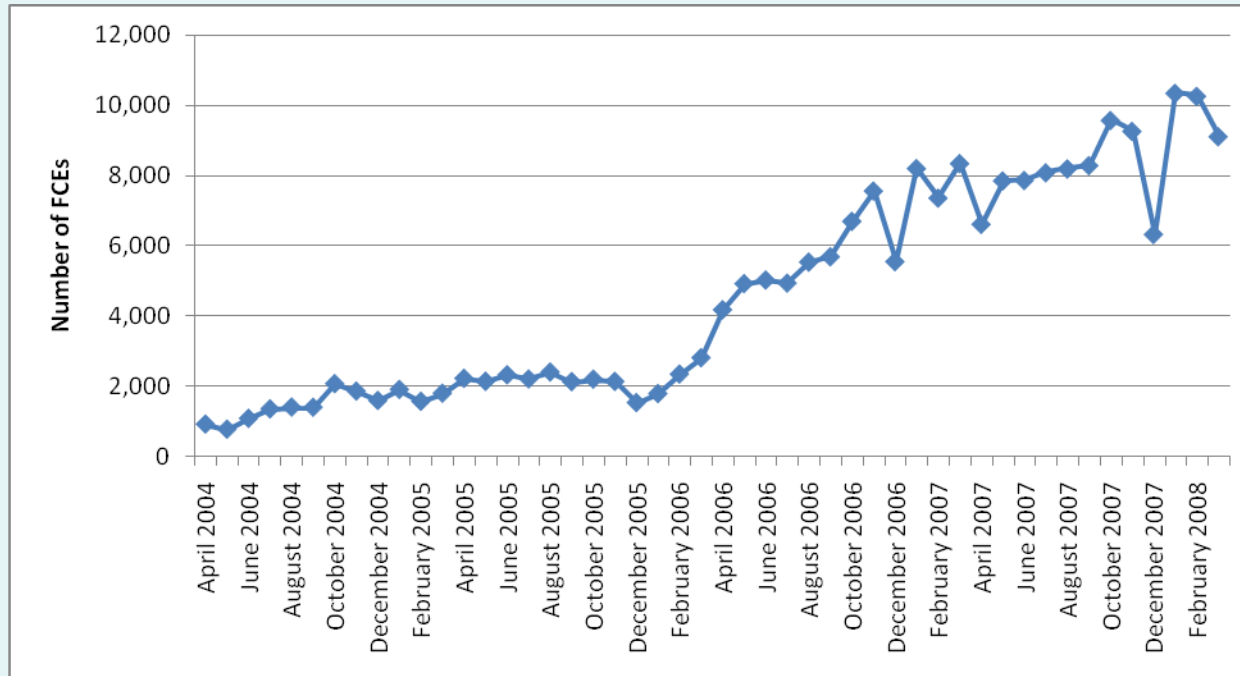
Is there scope? Summary

- English health care markets are concentrated
 - Average provider HHI of over 6000
- Concentration is not simply a function of the numbers of sellers
- Nor is it a function of the number of PCT buying care from each supplier
- Counts of suppliers may be a bit misleading
 - Certain providers have lots of suppliers round them but have high HHIs (esp. in Southern England)
 - Other providers have few suppliers round them but low HHIs (esp. in Yorks and Humber)

The role of the private sector

- What level of activity?
- What does it do?
- Where are the buyers of private care located?
- How does it change the picture for competition?

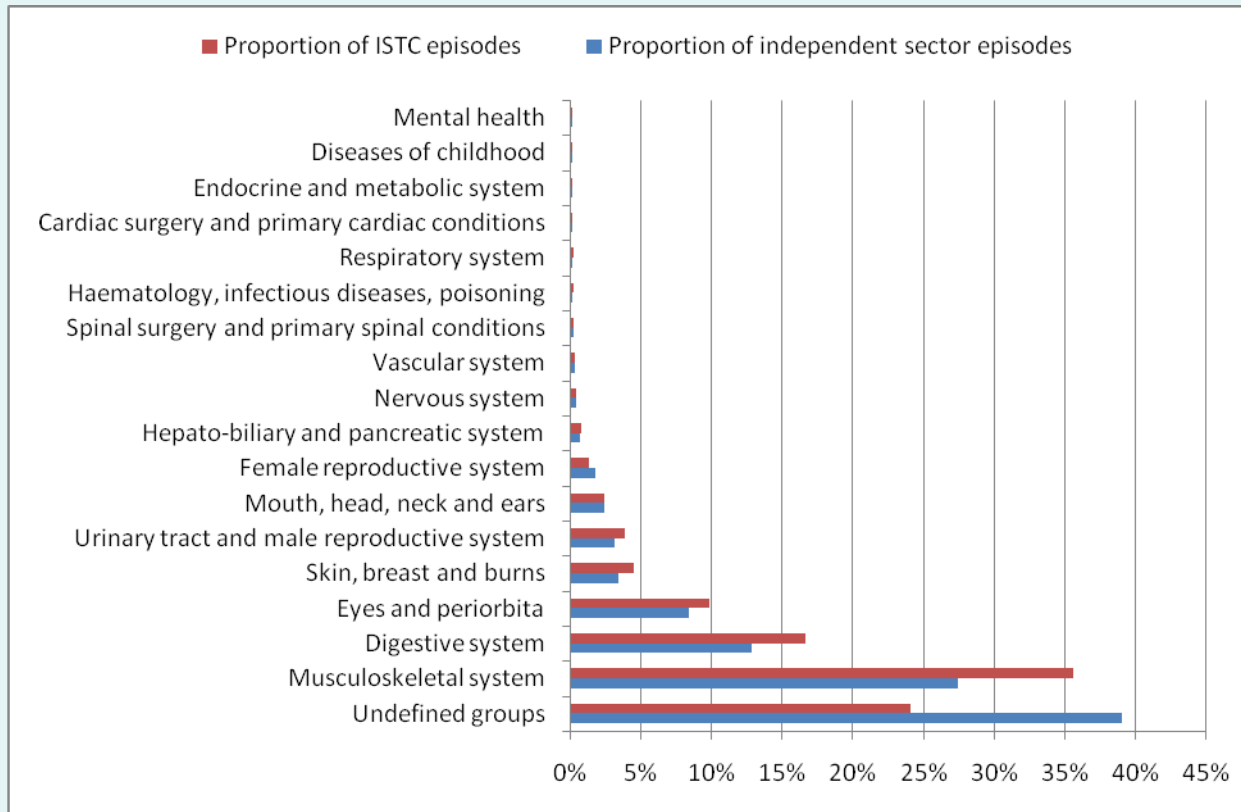
Independent sector activity as recorded in HES



Source HES

- Problem with poor coding in HES by independent providers.
- Independent sector providers with missing HRGs 71% (2004/5); 80% (2005/6); 56% (2006/7); 39% (2007/8)

What NHS-funded care does the independent sector provide?



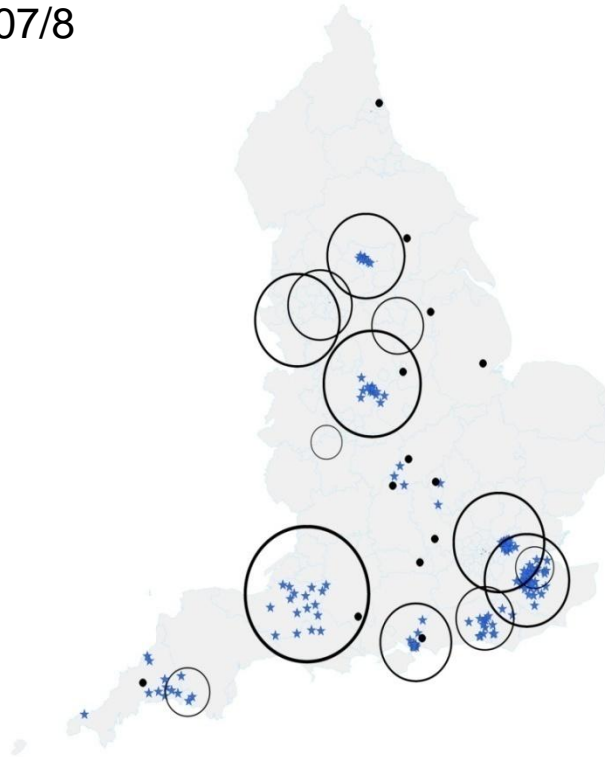
The most common diagnosis groups for independent sector inpatient episodes are knees (arthrosis of knee, 5%; and internal derangement of knee, 4%) and cataracts (senile cataracts, 3%; other cataracts, 4%).

Source: HES 2007/8

Who buys and where are they located?

Practices with more than 5% of inpatient care provided by the independent sector (stars), and location of ISTCs (circles)

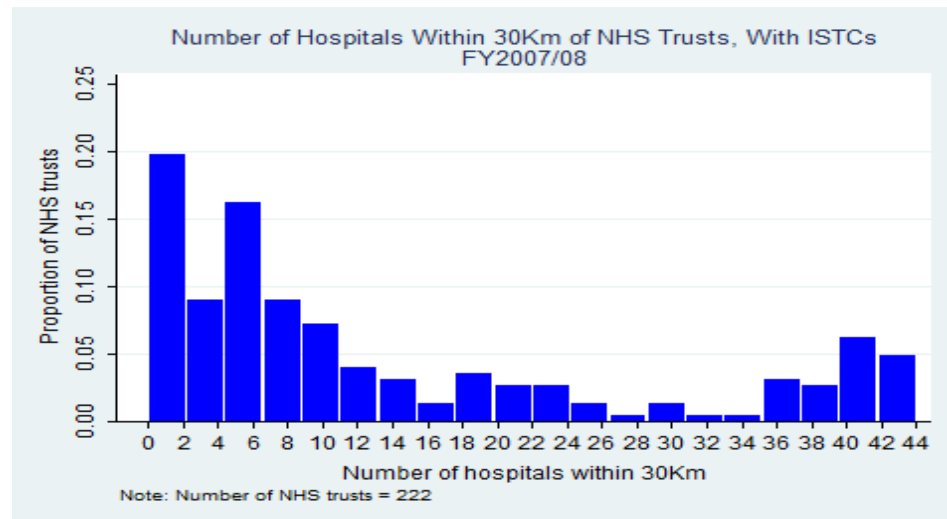
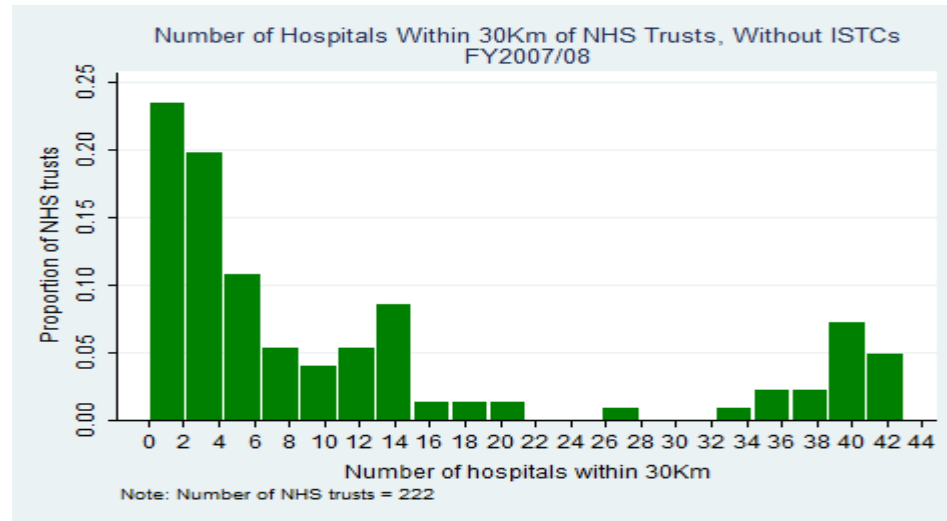
Source: HES 2007/8



The role of the private sector

- The independent sector provided more than 5% of all inpatient episodes for 176 practices
- Practices for which independent sector provided more than 10% of all inpatient episodes were all in Kent and the Medway (31 practices in total) and in Somerset (8 practices).
- The practices for which the independent sector provided more than 5% of all inpatient episodes are located close to an ISTC that is reporting in HES.
- Some ISTCs do not appear in HES
- Some ISTCs report significant volumes of inpatient care but are not located near practices that use a significant proportion of inpatient care.

Impact of ISTCs on competition measures



Early findings on the impact of supplier competition

- Impact on outcomes
- Impact on behaviour of managers

The impact on outcomes

- Look at selected death rates
 - 28 day mortality, 30 day w/in hospital mortality, AMI mortality
- Worry about endogeneity of competition
 - Quality may drive competition (e.g. good quality providers get more volume; entry is in areas with poor quality)
 - Use predicted competition measures to get round this problem

The impact on outcomes

- Use a D-in-D design (2003/4 pre, 2007/8 post)
- Death rates higher in hospitals with high competition in 2003/4
- Death rates have fallen over time
- Death rates have fallen more over time in hospitals which are more competitive

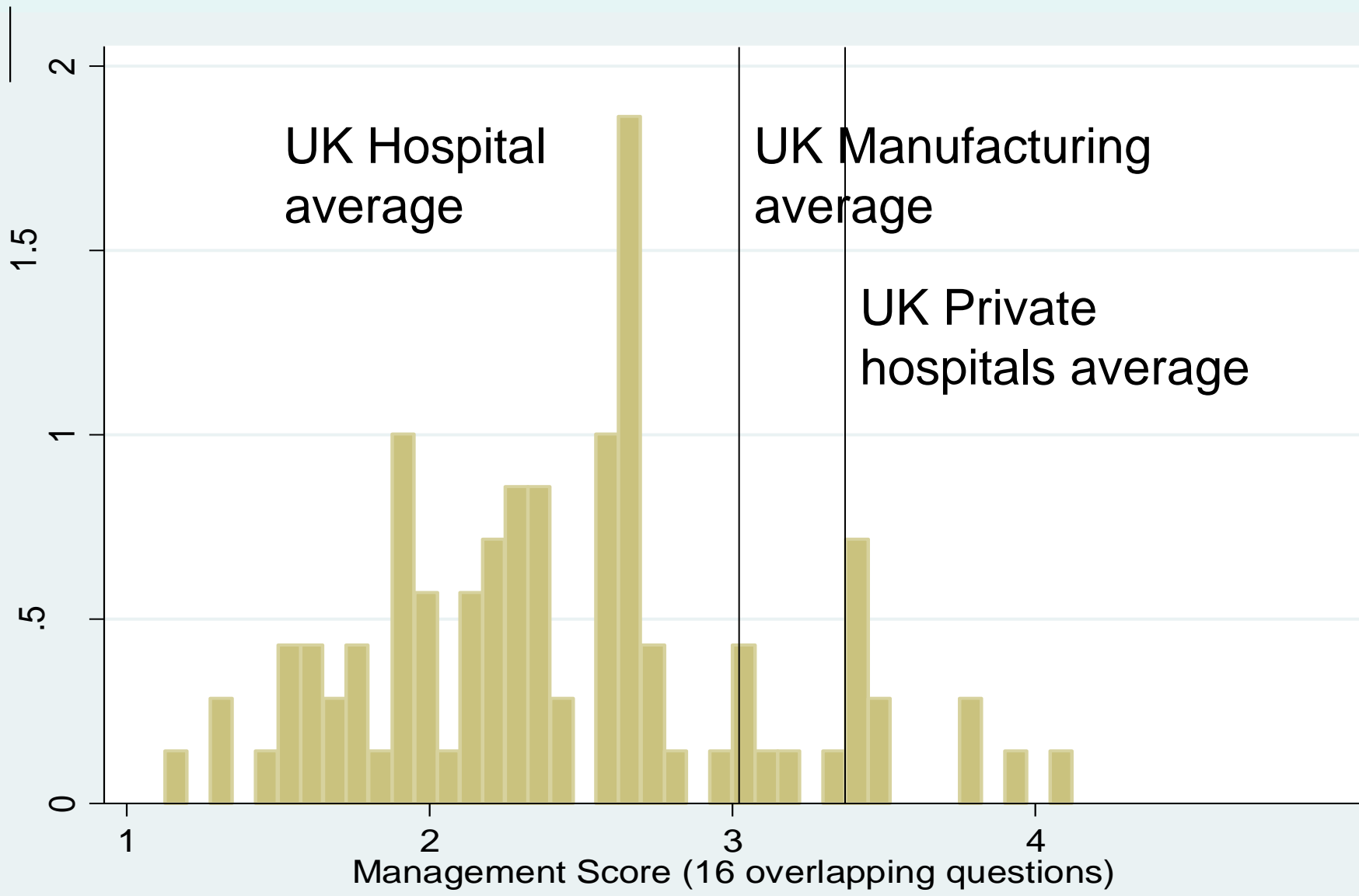
The impact on management practices (with Bloom, Seiler, Van Reenen)

- Undertook a survey of management practices in the NHS in 2006
 - Examines 4 areas of management practice (monitoring, operations, incentives, targets)
 - Same survey as used in manufacturing sector in UK, US and elsewhere
- Questions
 - How well does NHS score?
 - Are management practices driven by same factors as in rest of the economy (skills, competition)?

The management practices

- Considerable dispersion in management practices

FIG 3: PUBLIC HOSPITAL MANAGEMENT SCORES ARE VERY DISPERSED (LIKE HOSPITAL OUTCOME DATA)



The management practices

- Better management practices associated with better outcomes (e.g. lower death rates, higher HCC scores, lower length of waiting lists)

The impact of competition on management practices

- Competition might operate thru
 - product market competition
 - Career concerns of managers
 - Yardstick competition
- Use an IV approach to account for possible endogeneity of competition
- We find
 - Competition leads to better management practices

Summary

- English healthcare market quite concentrated
- Impact of private sector
 - Use heavily concentrated in a few areas
 - Analysis hampered because of poor data
- Our early findings on competition suggest
 - Hospitals in more competitive areas have better outcomes post 2006
 - Competition associated with better management practices
- Future work
 - focus on hospitals for whom competition possibly more important and on areas where private sector is operating