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
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

- 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

Number of Hospitals Within 30Km of NHS Trusts, Without ISTCs
FY2007/08

Number of Hospitals Within 30Km of NHS Trusts, With ISTCs
FY2007/08

Note: Number of NHS trusts = 222
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