

Martin Gaynor, Rodrigo Moreno-Serra, and Carol Propper

"...Monopoly power substantially increases a patient's risk of death."

In 2006, England's National Health Service (NHS) adopted a set of reforms intended to foster competition among hospitals. These reforms included paying hospitals fixed regulated prices for treating patients (similar to the Medicare hospital payment system in the United States) and mandating that all patients be given the choice of five hospitals. Prior to this reform, the local public agencies responsible for purchasing health care on behalf of the public engaged in selective contracting with hospitals, bargaining over price and quantity, and doctors referred patients to available facilities. Thus, the reform gave patients with more choice, and moved hospitals from a market-determined price environment to a regulated price environment. In *Death By Market Power: Reform, Competition and Patient Outcomes in the National Health Service* (NBER Working Paper No. [16164](#)), authors Martin Gaynor, Rodrigo Moreno-Serra, and Carol Propper use data from the universe of (English) NHS hospital discharges and administrative data from 100 hospitals to examine the impact of these reforms. **They find that patients in markets where hospital competition was more feasible spent less time in the hospital, were less likely to die, but were treated at the same cost as patients in less competitive markets.** The bottom line, the authors conclude, is that monopoly power substantially increases a patient's risk of death. The NHS reform meant that hospitals would receive payment only if they attracted patients, and the newly fixed prices meant that success would depend on quality, and not on price as in the previous system. The research shows that after the reforms, hospitals with shorter waiting lists and higher quality attracted more patients, drew patients from more residential areas, and drew patients from further away. The effect of these changes was that, within two years of implementation, the NHS resulted in significant improvements in mortality and reductions in length-of-stay. There were no changes in total expenditure or increases in expenditure per patient. The research estimates suggest that the policy resulted in 3,354 life years saved, valued at 227 million GBP per year. While this is small compared to the annual cost of the NHS of 100 billion GBP, the authors calculate that estimate based only on short-run decreases in de-

Allowing for longer-run improvements in mortality, as well as in other less well aspects of quality, might increase the net benefits of the pro-competition reforms
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