

Post-Merger Conduct of Hospitals

Conceptual and
Practical Challenges

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Conceptual Challenges

- Posit causal link between merger and harm
- Adherence to fundamental assumptions
- Theory of source of market power
- Theory and mechanisms of how market power exercised



Practical Challenges: Overview of Problems

- Availability of Appropriate Data
- Heterogeneity of Hospital Services
- Changes in Input Costs
- Differences in Quality
- Other Factors



Practical Challenges: Methodologies

- Average Payments/Average Revenue
- Contract Comparisons



Practical Challenges: Availability of Data

- Average Payments Approach
 - Hospital Records
 - Insurance Claims Data
- Contract Comparison Approach
 - Non-price contract terms
 - Variety of types of contracts



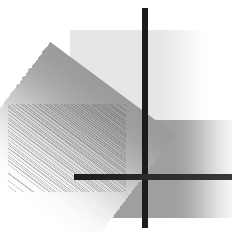
Practical Challenges: Heterogeneity of Services

- Common Problem to Both Approaches
- Many Sources of Heterogeneity
 - Services offered
 - Services consumed
 - Rates of change
 - Differences in quality
- Attempts to Find Like Services



Practical Challenges: Input Costs

- Sources of Major Cost Changes
 - Nursing staff
 - Pharmaceuticals
 - High-tech supplies
 - Insurance
- Attempts to Address
 - Include costs in analysis explicitly
 - Use of comparison hospitals



Practical Challenges: Differences in Quality

- No Well-established Quality Measures
- Attempts to Address
 - Comparisons with control hospitals
 - Information from hospitals
 - Proxy with cost information



Conclusion

- What alternatives are available?
- Analyses viewed in light of weakness in methodologies and limitations in data