



# Issues in Market Definition for Physician Services

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# Physician Product and Geographic Markets

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- Model: Standard Guidelines Analyses
- Product Market
  - Delineation by specialty
- Geographic Market
  - Primary care v. Specialty care
  - Office-based v. Hospital-based
- Factual Analyses of Physician Markets
  - Information sources and problems



# Standard Analytical Tools

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- Merger Guidelines
  - Hypothetical monopolist paradigm
  - Sufficient patient switching
  - Critical Loss (or its equivalent)
- Price discrimination



# Product Market

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- Lack of interchangeability of many physician services.
- Individual services are seldom defined as separate product markets.
- As a practical matter, physicians are included in markets by specialty.
- Sometimes a matter of convenience rather than from rigorous application of the model.



# Product Market: Primary Care Physicians

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- Often primary care market includes several related specialties (IM, FM, Peds, sometimes OB/GYN).
- Provide many of the same sets of services, enabling some patients to switch among them.



# Product Market: Specialty Physicians

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- Typically thought of as different product markets by specialty.
- Some specialties may overlap for particular areas of care (e.g., orthopods and neurosurgeons for spinal surgery).
- Extent of overlap depends on nature of analysis.



# Product Market: Office-based/Hospital-based

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- Important distinction that has bearing on market definition.
- Office-based physicians: PCPs, surgeons, medical specialties.
- Hospital-based physicians: anesthesiologists, neonatologists, ER physicians, pathologists.



# Product Market: Office-based Physicians

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- Treat patients in own offices and in hospitals.
- Have privileges, but only occasionally employed by hospitals.
- Compete directly for patients.





# Product Market: Hospital-based Physicians

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- Often employed or contracted by hospitals, sometimes exclusively.
- Receive patients through hospital rather than competing directly.
- Treat patients in hospitals, though some may have office practices also.



# Geographic Markets

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- Often considered to be local on premise that patients will not travel far.
- Factual issue.



# Geographic Market: Office-based Physicians

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- PCPs: May have smaller service areas.
- Specialists: Patients may be willing to travel farther, and payors want them to.
- All of these are factual issues.



# Geographic Market: Hospital-based Physicians

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- Compete for contracts or employment by hospitals.
- As a consequence, market is likely to be national or regional.
- Hospitals have incentive for physicians with desirable quality/price.
- Not likely to have barriers to entry.



# Geographic Market: Price Discrimination

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- Multi-location practices *may* have different prices for different locations.
- Could result in multiple geographic markets.
- Also opens possibility for unilateral effects.



# Factual Analyses: Sources of Information

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- Hospital recruiting/physician placement (for hospital-based physicians).
- Own patient records.
- Referral patterns.
- Insurance utilization and claims data.
- Public information.

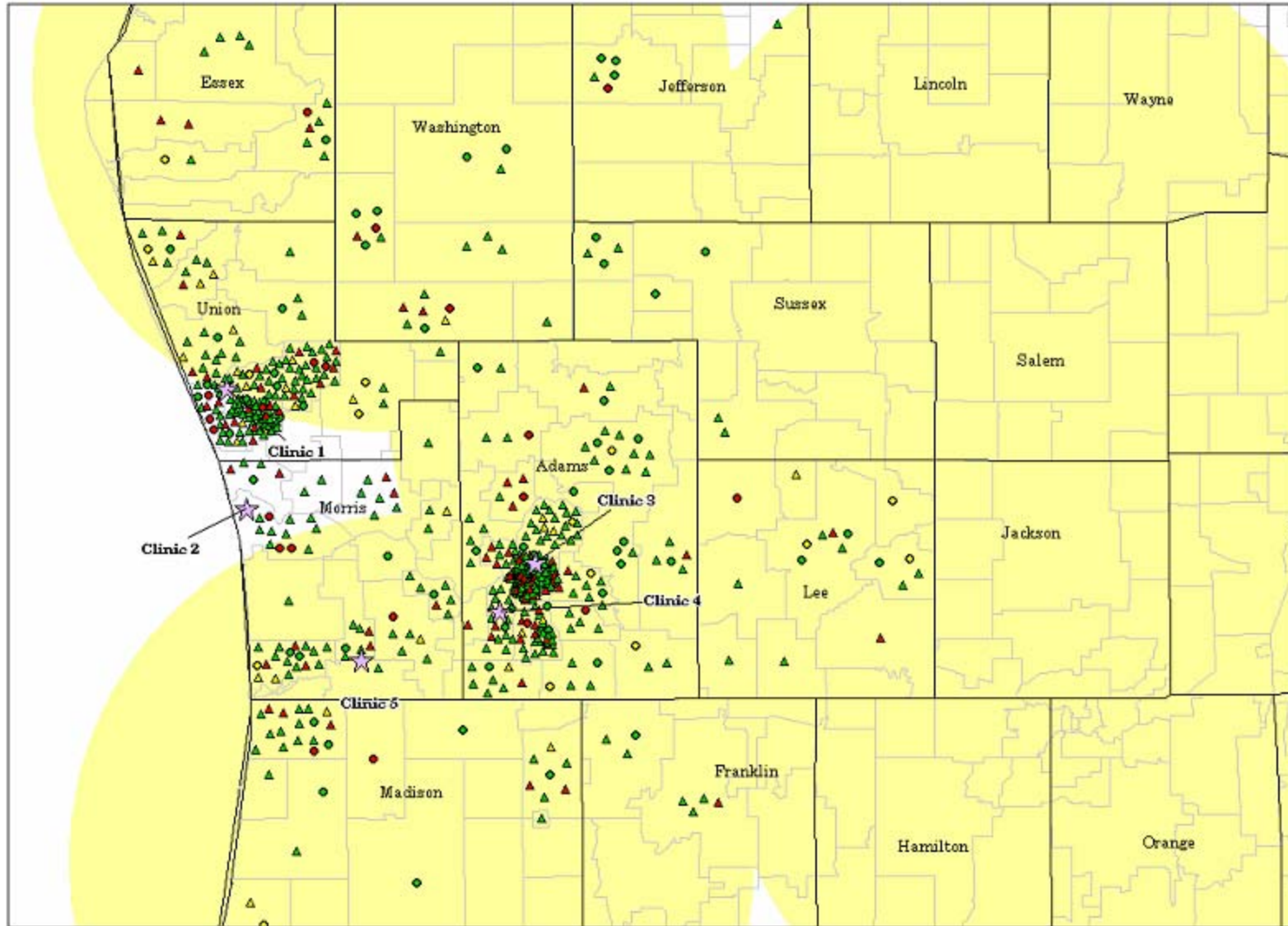


# Factual Analyses: Sources of Information

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- What to do if information is incomplete?
  - Own physician service area.
  - Locations of other physicians.
  - Proxy service areas.
  - Service area overlaps.

# Factual Analyses: Using Available Information







# Conclusions

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- Merger Guidelines framework, remembering price discrimination possibility.
- Distinction between office-based and hospital-based physicians.
- Challenges for factual analysis.