

Physician Issues Product and Geographic Market Definition

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Overview of Presentation



- Context for product and geographic market definition
 - Evaluation of market power
 - Physician market relevant to analysis of other issues
- Comments on product and geographic market definition
- Empirical support for market definition
 - Identifying market participants
 - Estimating shares with and without non-exclusivity
- Entry and expansion

Context for Product and Geographic Markets

Evaluation of market power/competitive effects:

- Physician network formation
- Mergers/acquisitions of physician practices
- Hospital mergers – mechanisms for patient diversion
- HMO/PPO mergers - entry
- Exclusive contracting cases
- Physician admitting privileges/credentialing matters

Product Market Definition

- Starting point: What is the nature of the claim or concern about market power?
 - What role do physicians or physician groups play?
 - What are the relevant terms of competition?
- Who are the affected customers?
 - Hospitals
 - Managed care plans
 - Patients

Product Market Definition

- What are the relevant product attributes?
 - What are the services purchased/offered?
 - Role of specialty
 - Hospital-based vs. office based
- Individual physician vs. larger organization (IPA, PHO)
- Geographic component – what role does location play in the product attributes?

Geographic Market Definition

- Who are the effective alternatives to the physicians at issue for the customers?
- Identifying plausible market participants
- Are physicians outside of the “local” area in which services are provided practical alternatives?
 - Office-based physicians
 - Hospital based physicians

Data on Market Participants

- Physician data bases (state, local)
- Hospital privilege lists (patient admissions data)
- Medical society lists
- HMO/PPO panels
- IPA membership lists
 - Available on HMO websites for managed care plans
 - Hospital affiliations

Data on Market Participants

- Managed care plan databases
 - Proprietary utilization and enrollee databases
 - Online “public” data bases
 - Input zip code, city, or county
 - Physicians identified by HMO and PPO
 - Location(s)
 - Primary and secondary specialty fields

Data on Market Participants

- Hospital privilege list and physician discharge list:
 - Name, address, specialty on privilege list and physician admissions/discharge list, which also has:
 - Number and zip code of discharges
 - Discharges by plan/product
 - IPA designation
 - Overlap between and among hospitals

Measuring Physician Market Share

- Available measures:
 - Number of physicians by type/specialty
 - Office location
 - Group affiliation (e.g., IPA)
- Key issues:
 - Non-exclusive vs. exclusive
 - Can contracting be done by managed care plan?
 - Weighting of shares
 - What is the relevant measure of capacity?

Entry and Expansion

- Entry and expansion are particularly relevant for competitive effects analysis of physician markets
- Expansion by addition of new locations
- Expansion by addition of new physicians or by use of allied professionals -- sources of new physicians
- Examination of recent evidence on entry and expansion
 - Changes in contracts at hospital level
 - Entry of new physicians as significant admitters
- Non-exclusivity – entry or expansion onto panels

Conclusions

- Market definition is relevant for economic analysis of range of issues involving physicians that extend beyond the analysis of physician market power.
- There are a number of sources of proprietary and public data that are useful for conducting empirical analyses of market definition, market share, entry, and competitive effects.
- Geographic markets may be broad in some circumstances – even national in scope.