

2nd World Congress on

Health Economics Policy & Outcomes Research

June 29-30, 2017 | Madrid, Spain

VARIATION IN PRICE EFFECTS OF MULTI-HOSPITAL SYSTEM AFFILIATION ACROSS DIFFERENT TYPES

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Context: Various forms of multi-hospital systems have become increasingly prevalent in the United States. One reason behind the proliferation is efficiency gain from health system affiliation, which may lower the price of care. The other is enhanced market power from affiliation, which may increase the price of care. This study explores the effects of health system affiliation on selected surgery pricing across different health system types.

Methods: Using a large private insurance claim database, the author identified 22,174 colectomy cases, 15,264 coronary artery bypass graft (CABG) cases, and 111,668 percutaneous coronary intervention (PCI) cases from 2002 to 2007. Health systems were categorized into four clusters: centralized physician/insurance health system (CPIHS), moderately centralized health system (MCHS), decentralized health system (DHS), and independent health system (IHS). The association between negotiated hospital price and health system type was examined.

Results: Health system affiliation is significantly associated with lower price for less centralized health systems. The CABG and PCI prices in IHS were significantly lower than the prices in non-affiliated hospitals, by 15.6 percent and 13 percent respectively. For centralized health systems, affiliation is significantly associated with higher price. The risk-adjusted PCI price in CPIHS was 2.2 percent higher than in non-affiliated hospitals.

Implications: The current antitrust guidelines tend to emphasize the market share of merging parties, and pay less attention on the characteristics of merging parties. The results of this study suggest that antitrust review can be more effective by considering different health system types.

Biography

Sung W. Choi is an assistant professor of health administration at Harrisburg School of Public Affairs. Choi earned a Ph.D. in Public Policy and Administration at George Washington University. His academic interests include Health Care Competition Policy, Health Care Financing, and HIV/AIDS financial Sustainability.

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