

Is competition and choice in health care a good thing?

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Quasi-Markets and Social Policy

EJ 1991

Quasi-Markets and Social Policy: EJ 1991

- Described the changes put in place 1988 onwards by the Thatcher administration as
 - “A major offensive against the bureaucratic structure of welfare provision... years that in retrospect will be seen as critical in the history of British social policy”
 - “All these reforms had a fundamental similarity: the introduction of ‘quasi-markets’ into the delivery of welfare services”

Quasi-Markets and Social Policy: EJ 1991

- The intention was
 - “For the state to stop being both the funder and the provider of services. Instead it was to become a funder, purchasing services from a variety of private, voluntary and public providers, all operating in competition with each other”
 - “Method of funding also to change... given directly to potential users or agents acting on their behalf”

Quasi-Markets and Social Policy: EJ 1991

- Quasi-markets differ from conventional markets in one or more of three ways
 - Not for profit organisations competing for contracts, sometimes with for profits
 - Consumers purchasing in terms of vouchers rather than cash
 - In some cases consumers represented by agents instead of operating by themselves

Quasi-Markets and Social Policy (1993)

- Conditions for quasi-market success
 - Competitive market structure
 - Information
 - Low transactions cost
 - Motivation
 - Absence of selection
- Set the agenda for future research

Has competition and choice improved
outcomes in health care?

Evidence (1)

- Almost all the evidence is from the US
- Evidence is mixed and depends on whether prices are regulated

Evidence (2): From the UK current reforms

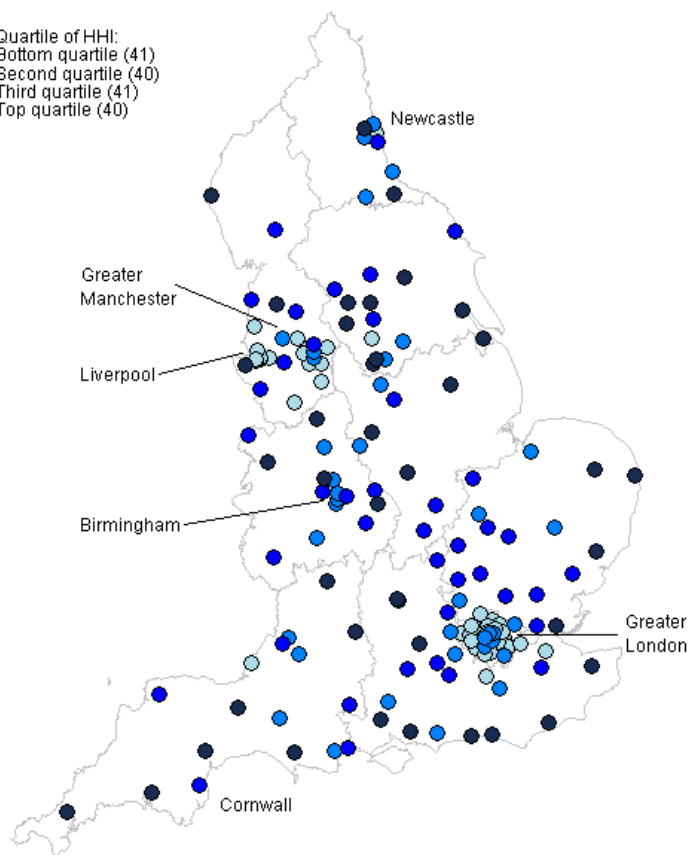
- Care seeking patterns have changed

The location of, and changes in, concentration

Concentration levels: hospitals

2003/04

- Quartile of HHI:
- Bottom quartile (41)
 - Second quartile (40)
 - Third quartile (41)
 - Top quartile (40)

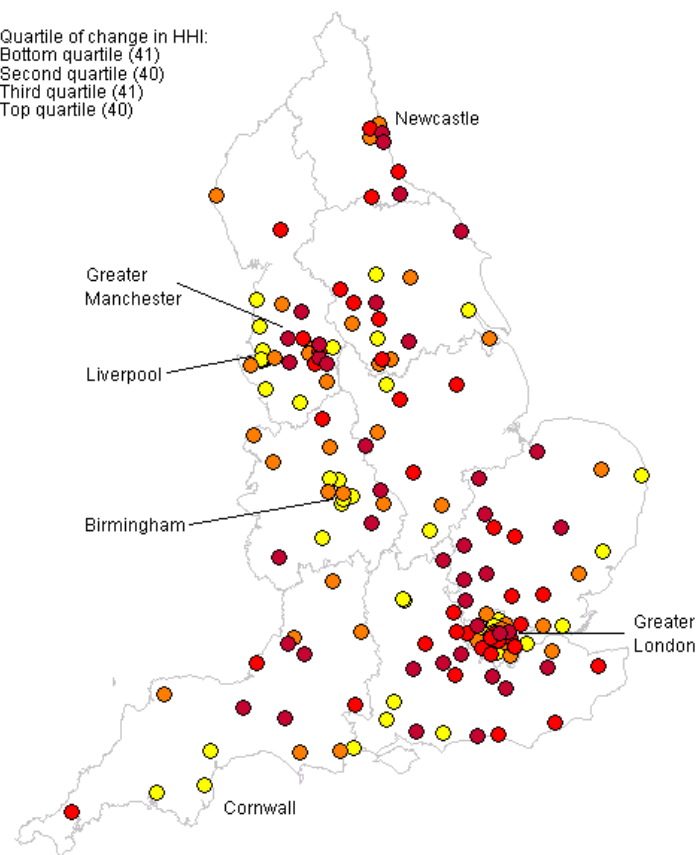


Measure: HHI based on actual patient flows.
Each dot in the figure represents a hospital.

Changes in concentration: hospitals

2003/04-2007/08

- Quartile of change in HHI:
- Bottom quartile (41)
 - Second quartile (40)
 - Third quartile (41)
 - Top quartile (40)



Measure: HHI based on actual patient flows.
Each dot in the figure represents a hospital.

- What has been shown
 - Patients who chose went to better hospitals post reforms
 - Some measures (lack of death) of quality of care rose in markets where competition more possible
 - Length of stay fell
 - No overall increase in expenditure or activity per pound spent
 - No evidence of increase in inequity

Evidence (3)

- Management in NHS hospitals
 - Better management associated with better outcomes
 - Competition leads to better management
- 1990s internal market
 - Quality and waiting times fell more in competitive than less competitive markets
 - No real evidence of increase in inequity

In summary

- Some evidence that competition can bring benefits
- But benefits take time and there is a lack of willingness to let experiments run
- We are far from Le Grand's vision of a full quasi-markets