Competition between providers: Solution, problem, or both? (necessity or nicety?)

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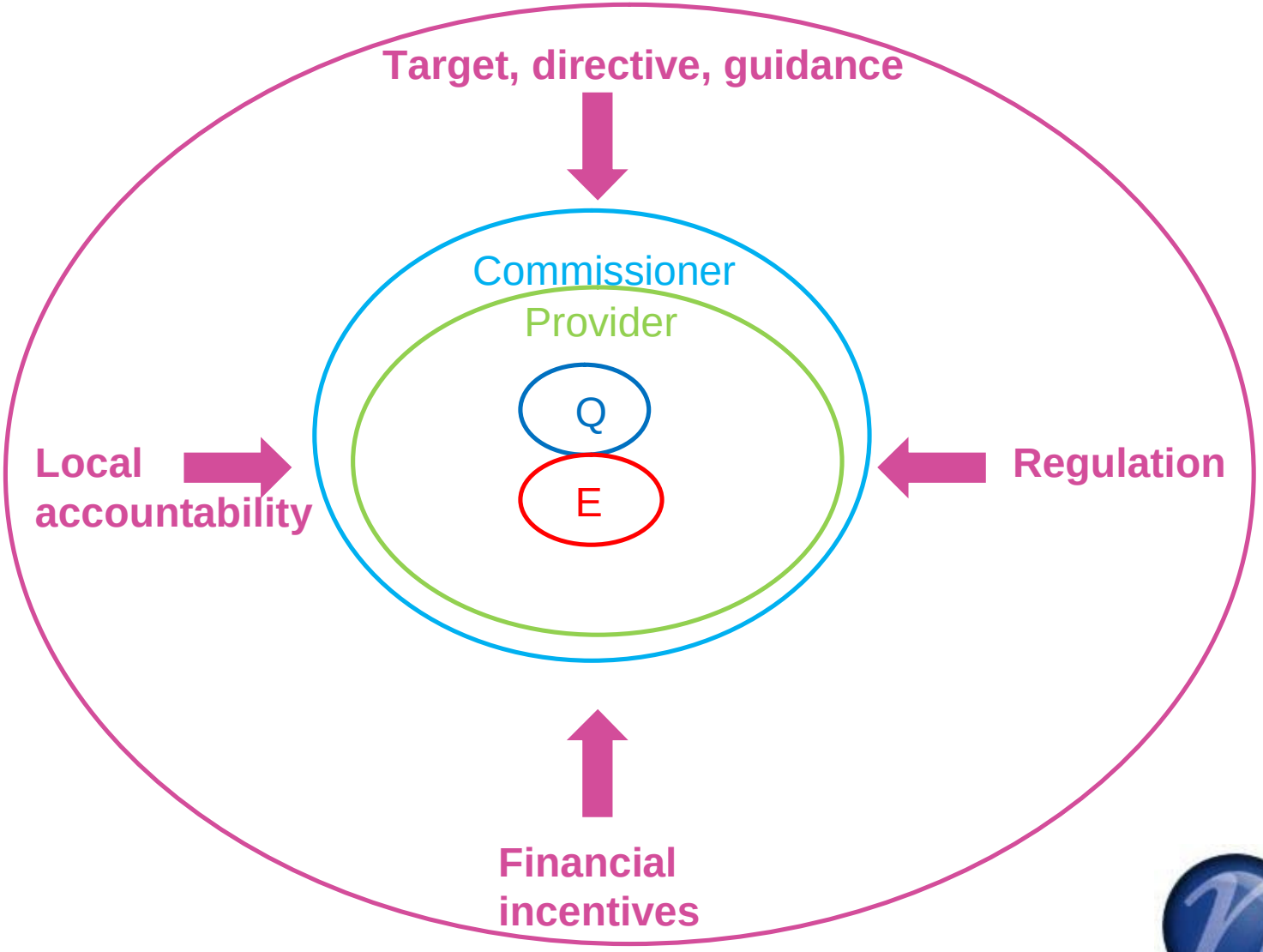
Structure

- Framework
- Hospital care
  - Independent sector activity
  - Choice
  - Impact
- Primary and community care
- Regulation
- Where next?

Framework: a lever to improve performance



Framework: some key policies

- Introduction of market-like mechanisms in NHS
  - 2002: independent sector clinical care encouraged
  - 2004: First FTs
  - 2003/4: payment by results (FTs)
  - 2004/5: payment by results (all providers)
  - 2006: patient choice of 4-5 providers
  - 2007: NHS Choices website

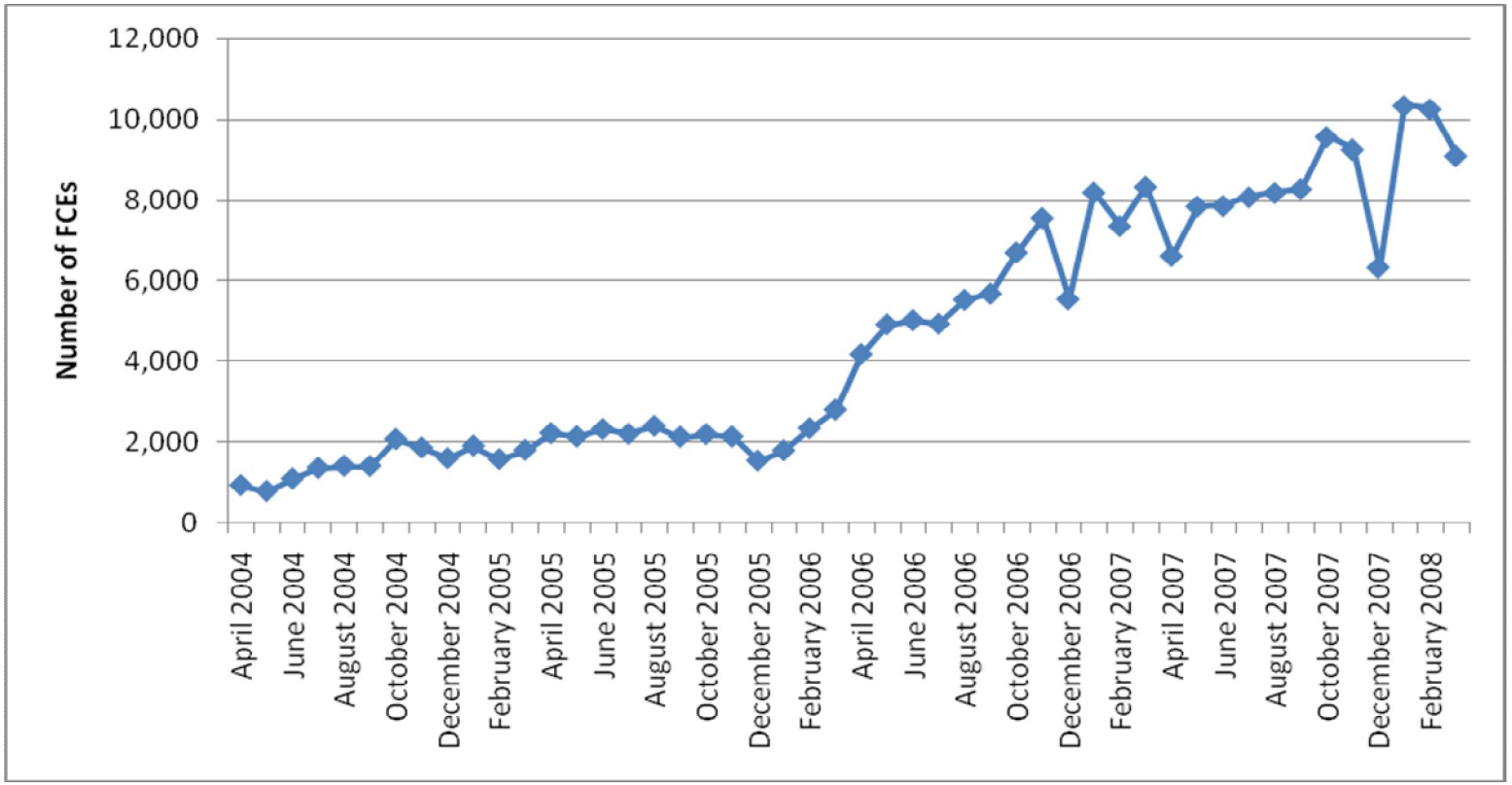
Regulatory framework

- CCP : advises on cases arising under the Principles and Rules covering:
  - **mergers** between providers of NHS services – the basis on which these should be allowed
  - the **conduct** of commissioners and service providers when it impacts on patient choice, cooperation and competition
  - the **procurement** of services by commissioners
  - **advertising** by service providers

Independent sector activity

- Hospital care

Number of NHS-funded inpatient episodes in independent-sector healthcare providers by the month in which the episode began



Source: Nuffield Trust

Volumes of NHS-funded activity in independent sector healthcare providers (HES)

	2004/5	2005/6	2006/7	2007/8
Number of inpatient episodes in independent sector providers (000s)	18	26	74	103
as percentage of all episodes	*0.1%*	*0.2%*	*0.5%*	*0.6%*
Number of outpatient attendances at independent sector providers (000s)	18	54		268
as percentage of all attendances	*0.0%*	*0.1%*		*0.4%*

Source: Nuffield Trust

Figure A.23: Expenditure by NHS bodies on the purchase of healthcare from non-NHS bodies

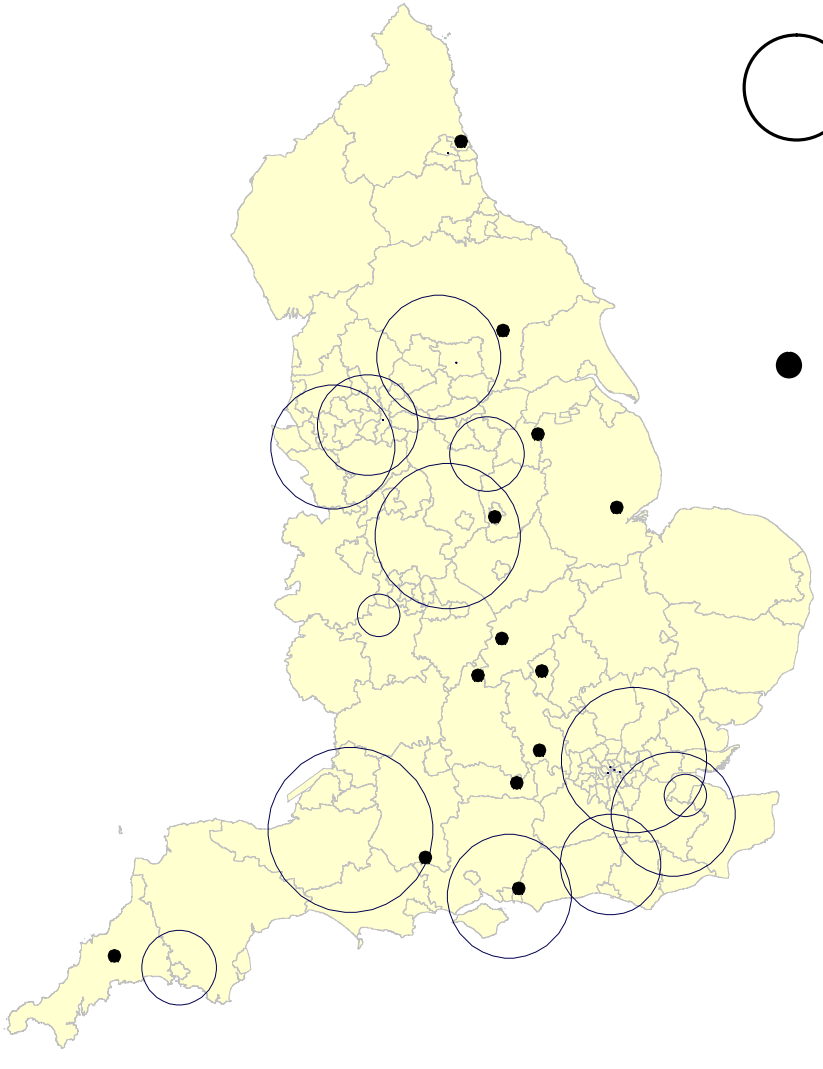
£ thousands

Year	Health authorities/strategic health authorities	Primary care trusts	NHS trusts	Total expenditure
1997-98	985,746	N/a	122,436	1,108,182
1998-99	1,108,471	N/a	121,954	1,230,425
1999-2000	1,166,412	N/a	134,784	1,301,196
2000-01	1,328,208	33,774	187,190	1,549,172
2001-02	1,136,793	409,936	246,238	1,792,967
2002-03	27,234	1,873,925	338,172	2,239,331
2003-04	3,329	2,903,763	408,801	3,315,893
2004-05	0	3,353,036	312,988	3,666,024
2005-06	0	4,096,300	319,231	4,415,531
2006-07	0	4,685,111	297,440	4,982,551
2007-08	0	5,717,489	295,079	6,012,568

Sources:
Annual Financial Returns of Health Authorities, 1997-98 to 2001-02
Annual Financial Returns of Strategic Health Authorities, 2002-03 to 2007-08
Annual Financial Returns of NHS Trusts, 1997-98 to 2005-06
Audited NHS Trust summarisation schedules 2006-07 and 2007-08
Annual Financial Returns of Primary Care Trusts, 2000-01 to 2005-06
Audited PCT summarisation schedules 2006-07 and 2007-08

Source: Departmental Report 2008/9

Inpatient activity of ISTCs in England (2007/8)

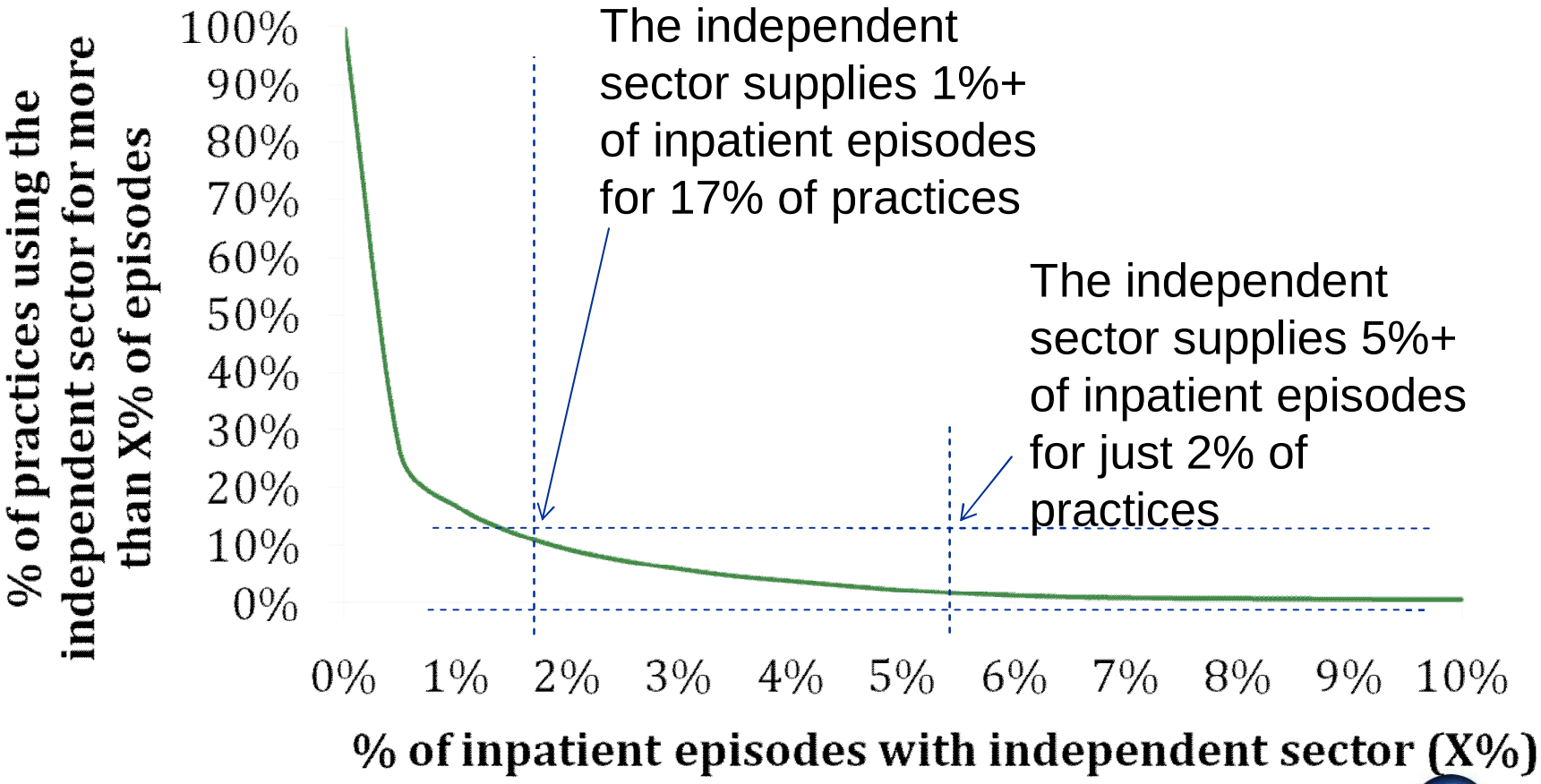


Location of ISTC (volume indicates number of inpatient episodes)

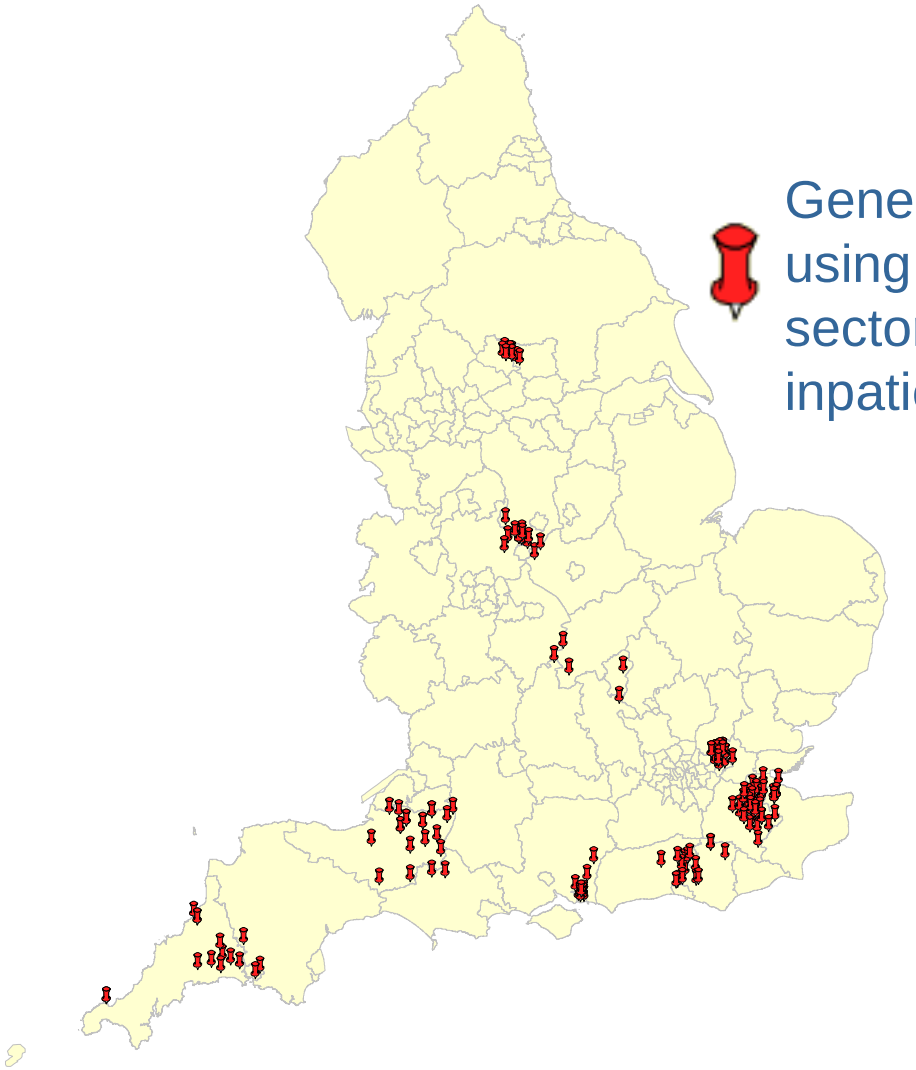
ISTC not reporting in HES

Source: Hospital Episode Statistics

Use of the independent sector is limited (2007/8)

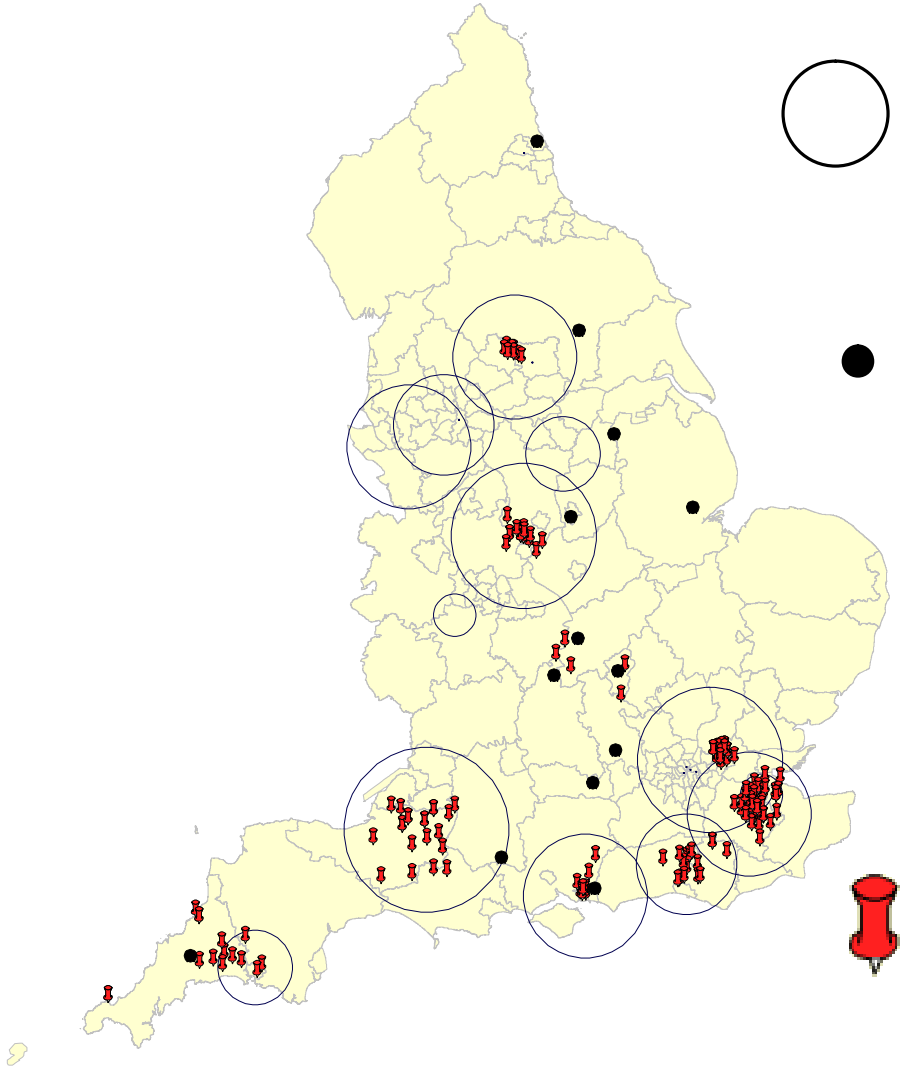


Practices using the independent sector the most (2007/8)



General practice using the independent sector for 5%+ of inpatient episodes

The utilisation of ISTCs and their location (2007/8)



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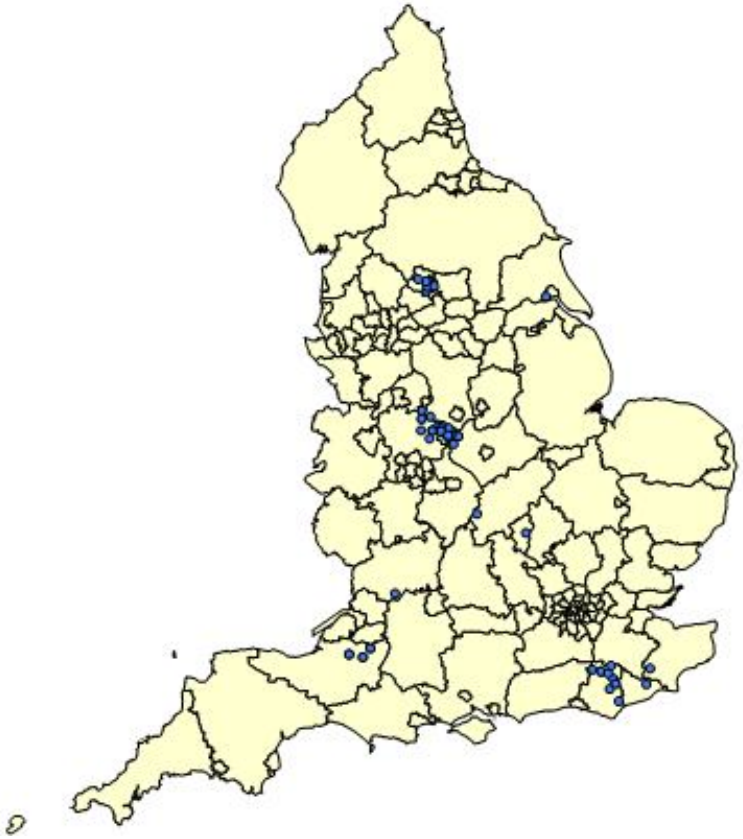
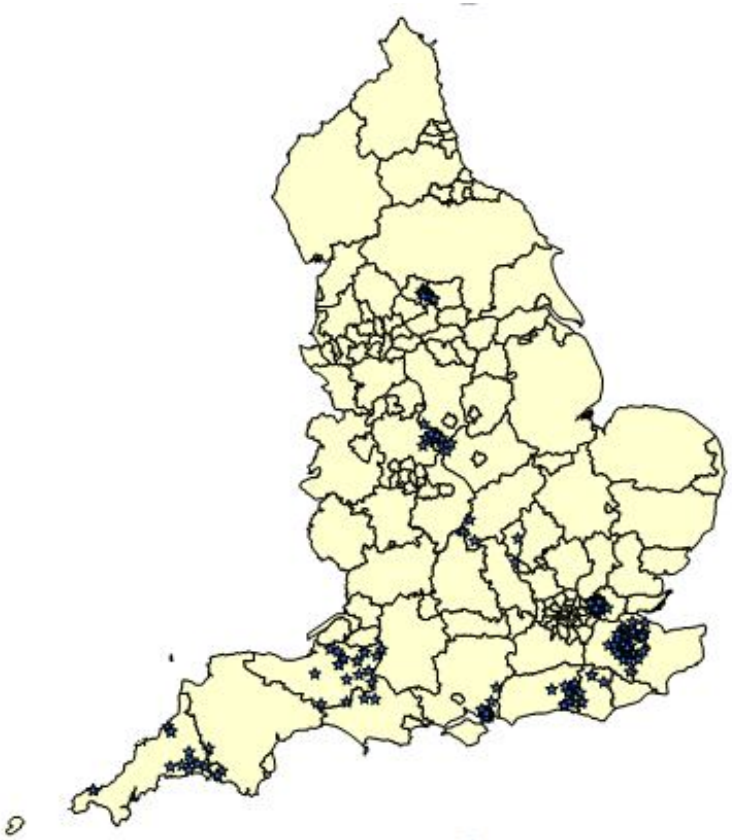
Practices using the independent sector the most (2007/8)

5%+ of **outpatient attendance**



5%+ of **inpatient episodes**



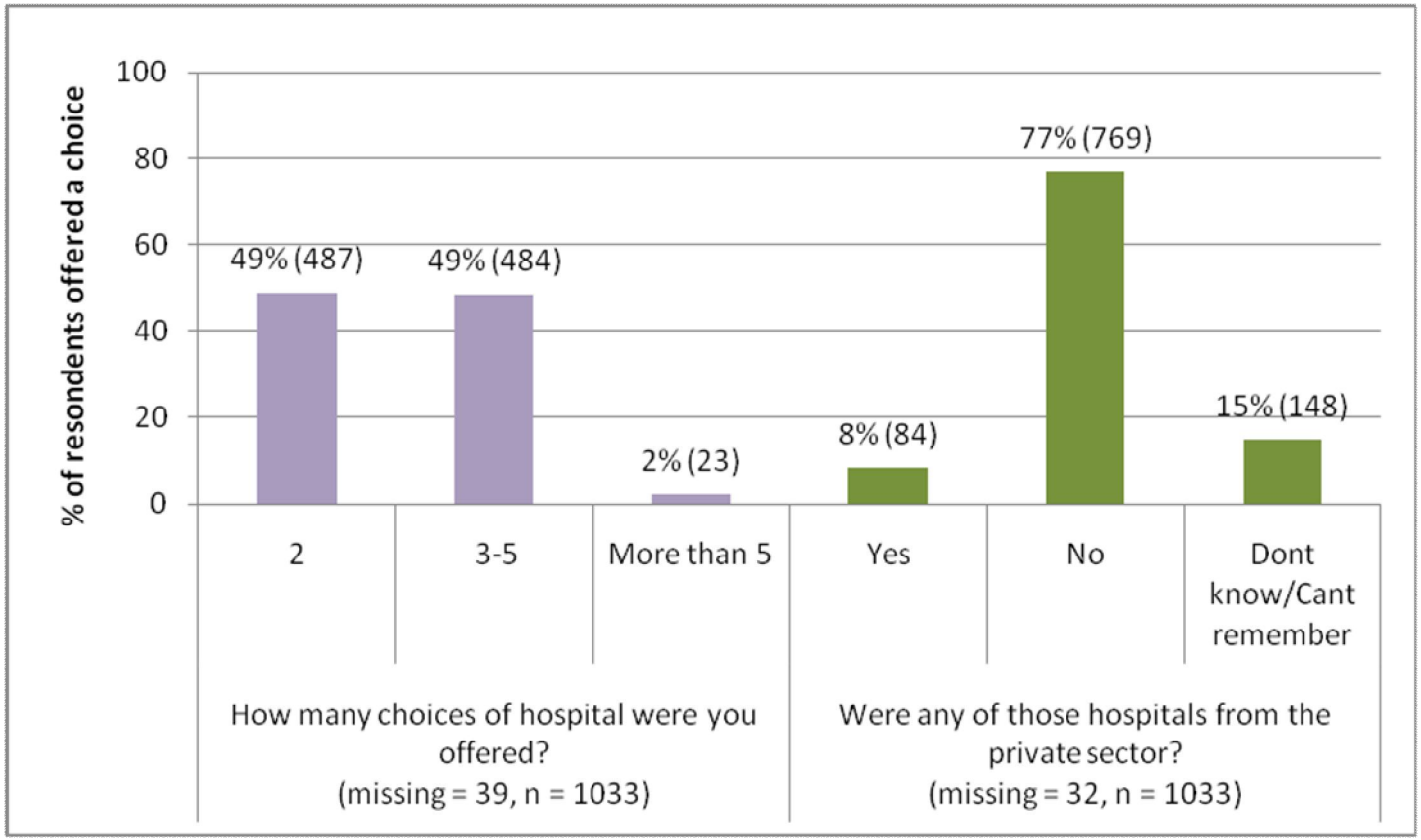
Source: Hospital Episode Statistics

Summary of progress

- The majority of practices in England (60%) had some independent sector provided care in 2007/8, the amounts are typically very small.
- Nationally, at most 1% volume of NHS-funded acute hospital care is provided for the independent sector, even allowing for the shortcomings of the available data in HES.
- NHS-funded independent sector provision of acute hospital care is relatively small and concentrated in few parts of the country.

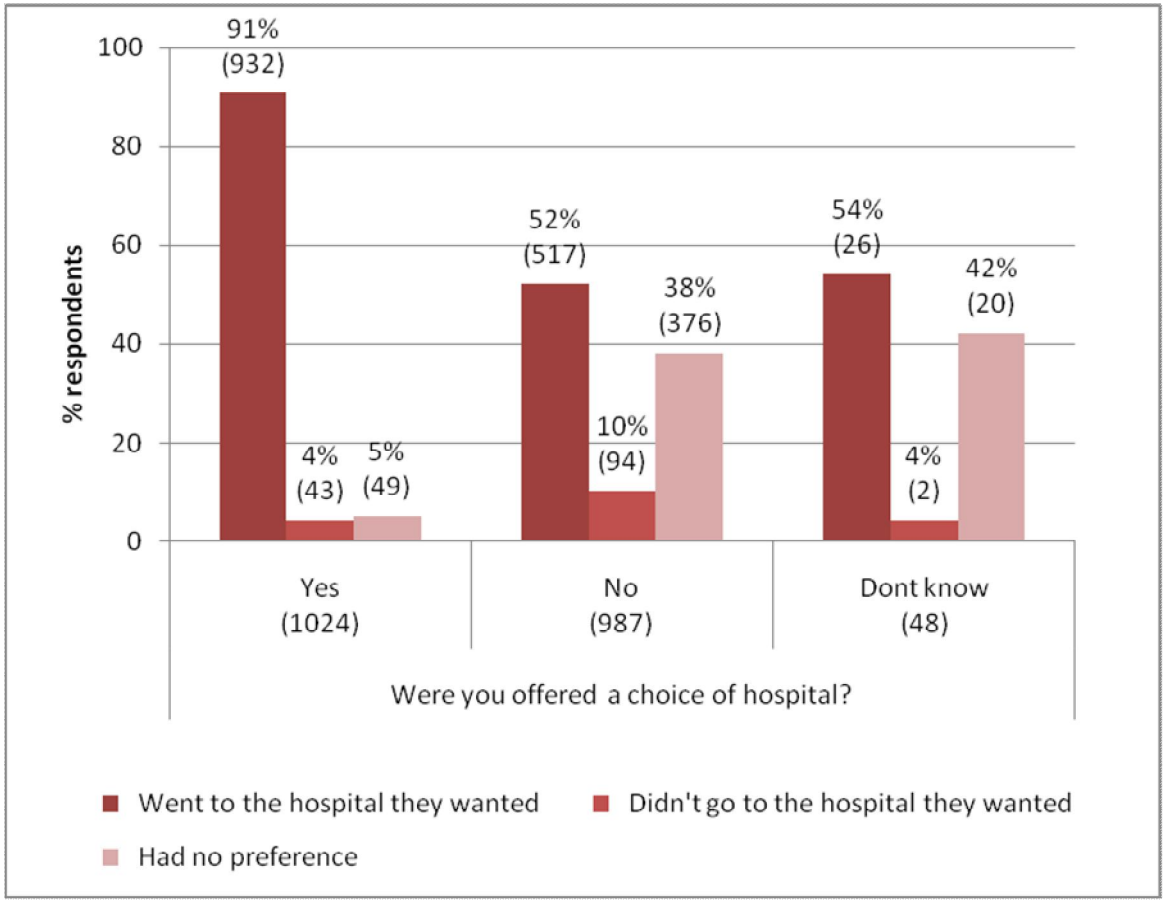
Choice

Choices offered to patients: number of choices and whether private sector option was offered



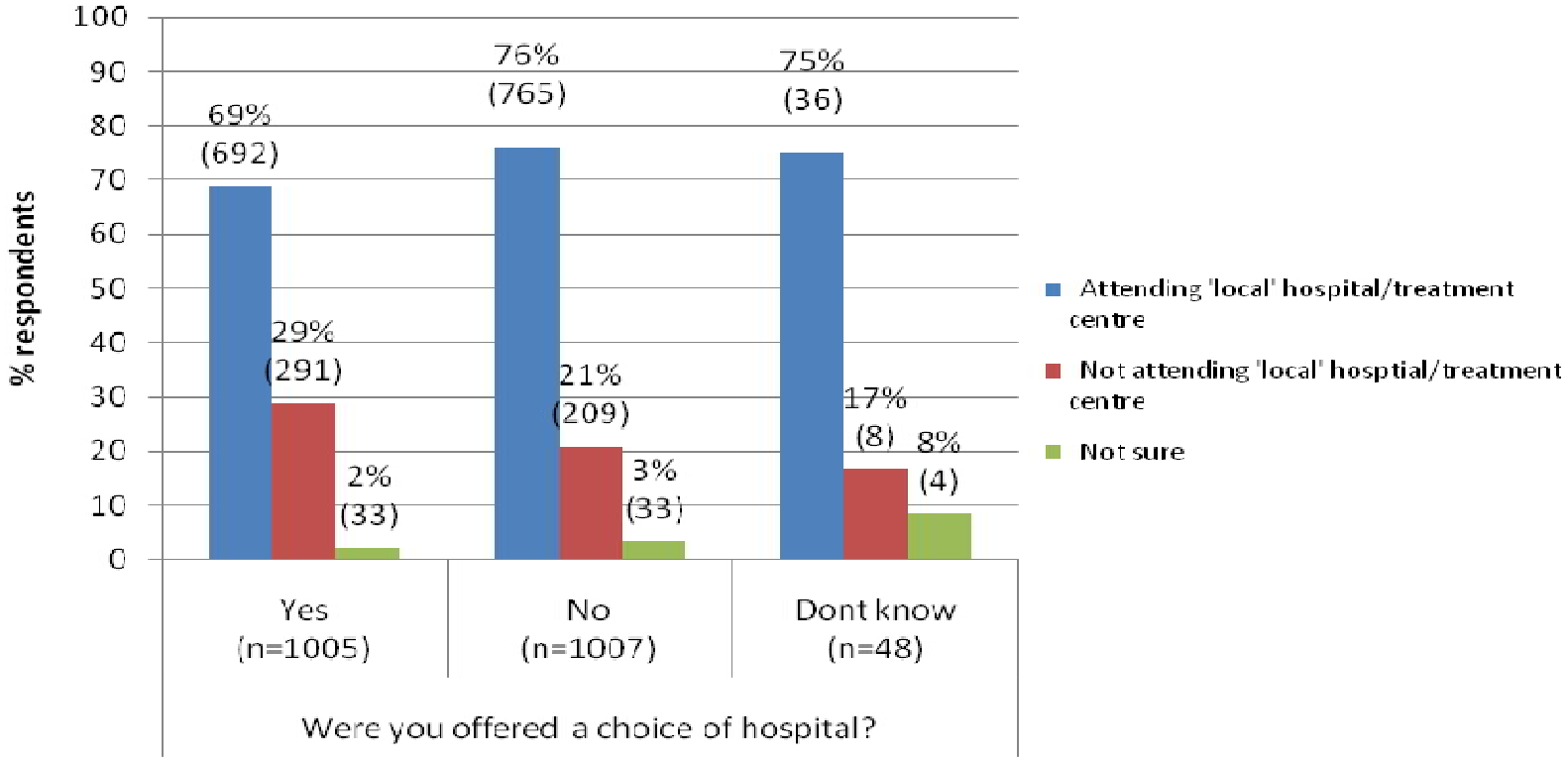
Source: Robertson R, Dixon A. Choice at the point of referral. King's Fund

Number of patients who were offered a choice and who attended the hospital they wanted



Source: Robertson R, Dixon A. Choice at the point of referral. King's Fund

Number (%) of patients who were offered a choice and who attended their local hospital



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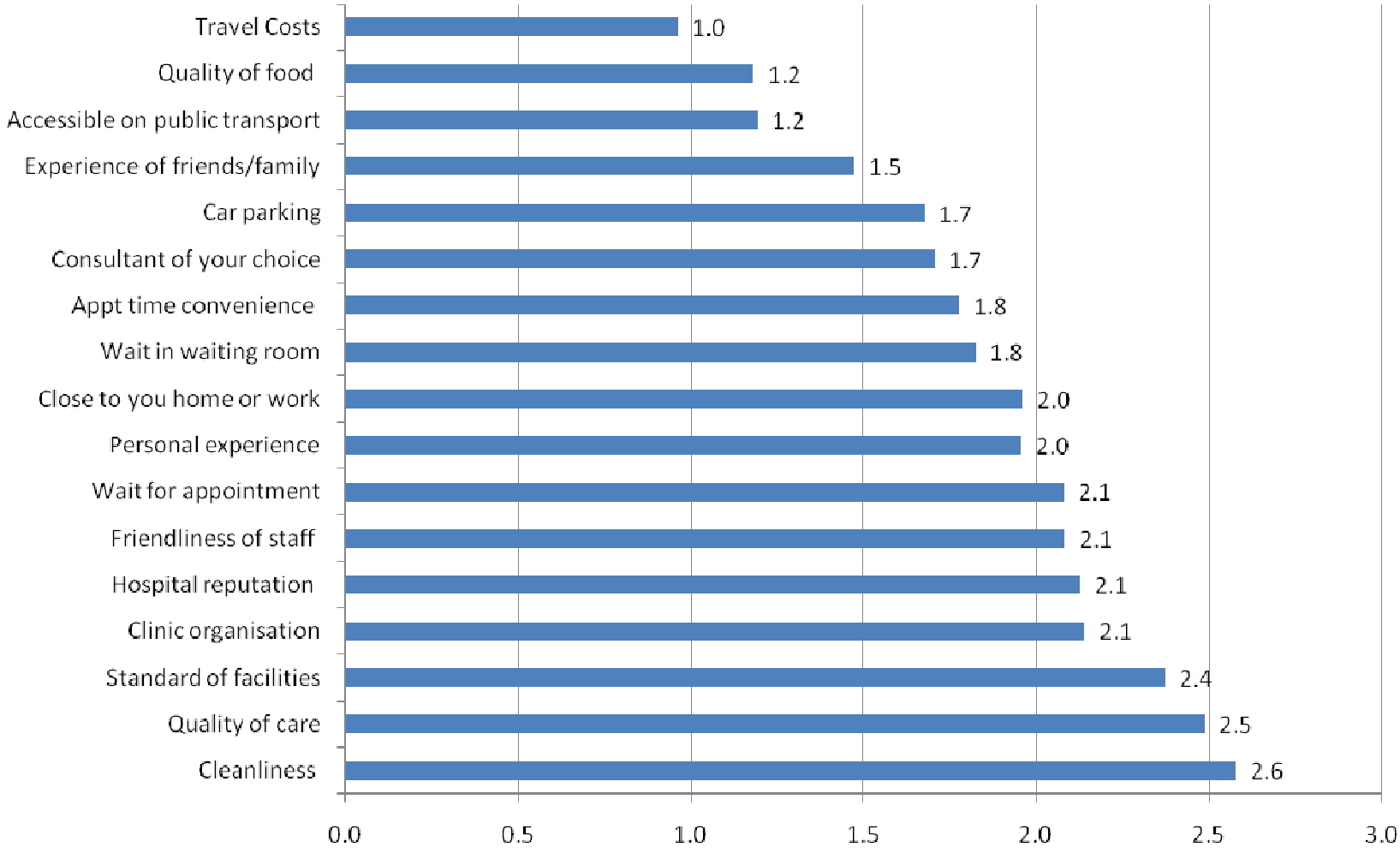
Factors that influenced patients' choice of hospital



Source: Robertson R, Dixon A. Choice at the point of referral. King's Fund

Impact

1990 Reforms

- Existing evidence on effects of competition on health outcomes in UK (England) based on 'internal market' of the 1990s
- 1990s reforms involved price competition, so incentives to drive costs down, not quality up
- Competition related to purchaser choice, not patient choice
- Propper et al (2004, 2008) find competition erodes quality using hospital trust data

Source: Cooper Z

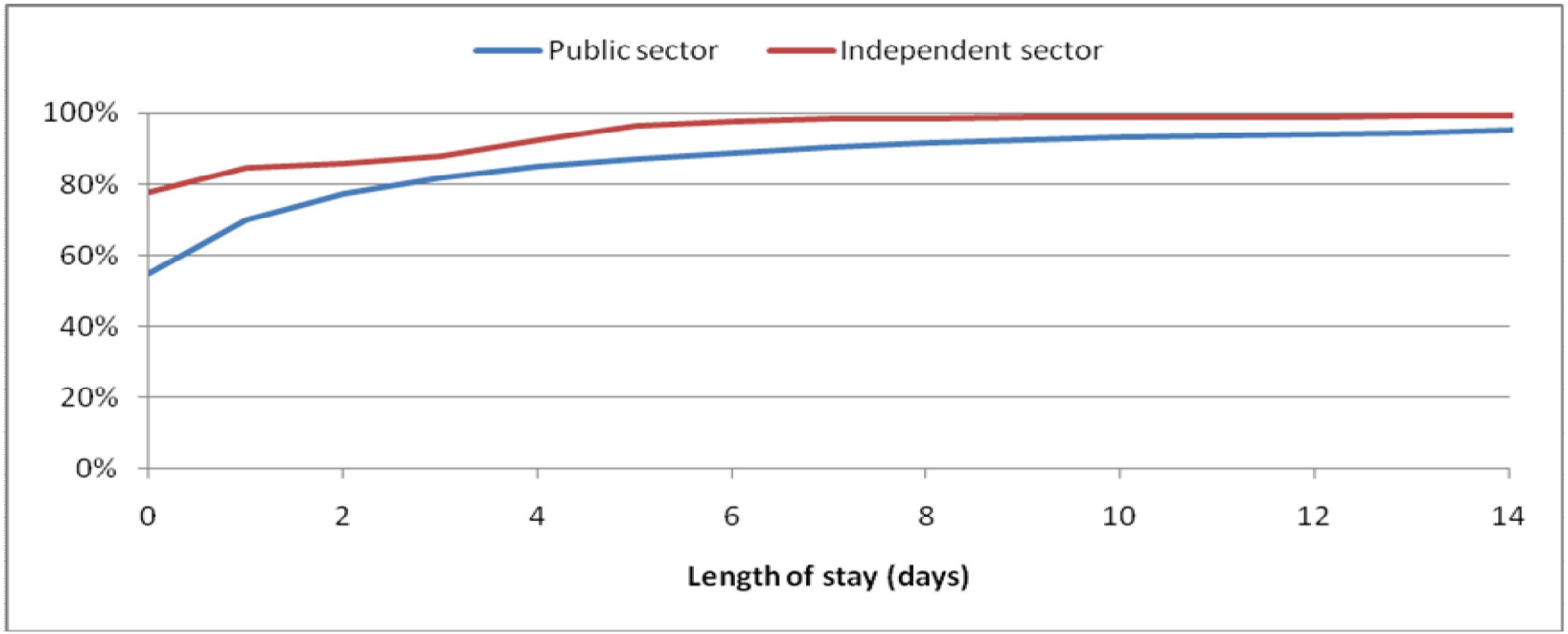
Health Select Committee Report 2005/6: ISTCs

- No great contribution to capacity
- Increased choice
- No information about quality
- Anecdotal impact on NHS providers from the threat of competition
- Good practice and innovation but ? Relative to NHS?
- Uncertainty about efficiency
- Concerns about training

Healthcare Commission report on quality of ISTCs

- July 2008 and 2009:
  - Patients rated experience highly
  - Poor quality coding of data
    - Clinical quality cannot be assessed

Length of stay for inpatient spells ending in 2007/8



Source: Nuffield Trust

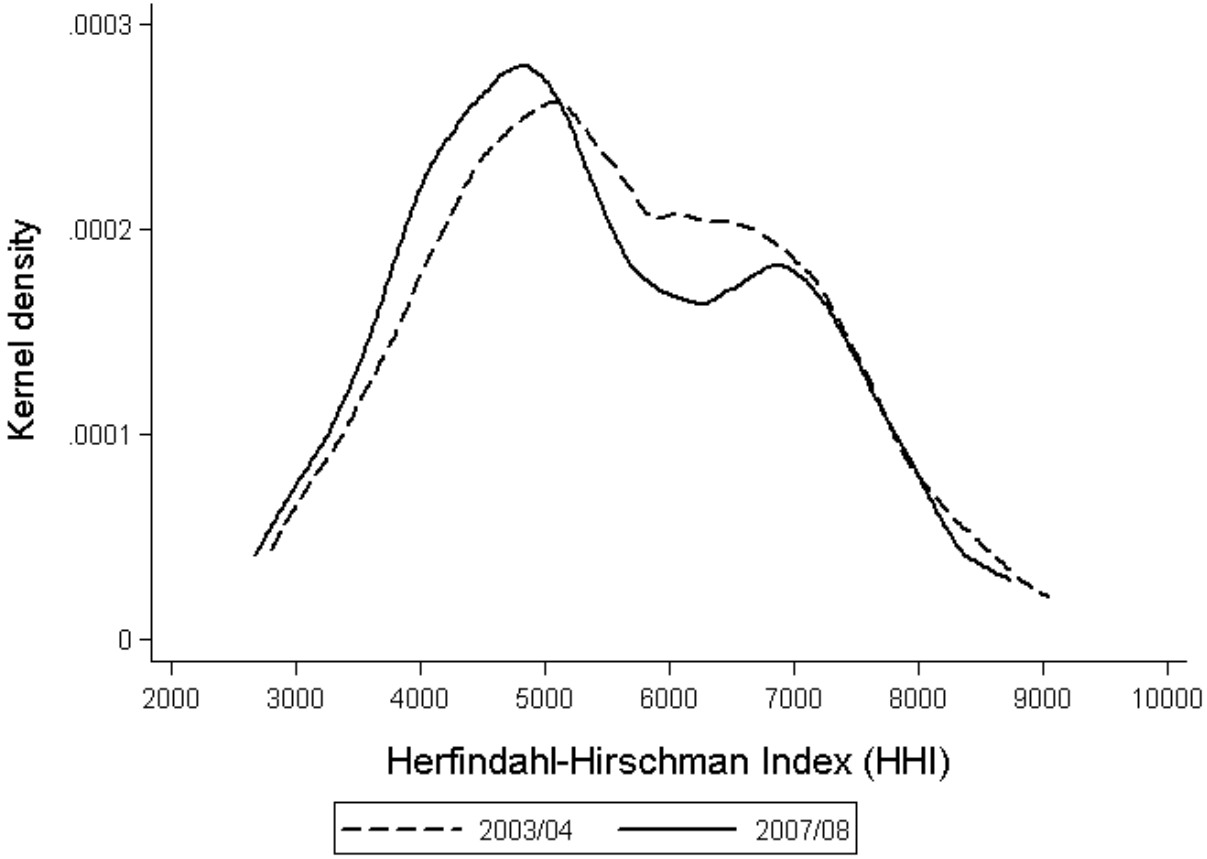
Death by market power?

Propper C, Gaynor M, Moreno-Serra C. 2010

Does hospital competition save lives?

Cooper Z, Gibbons S, Jones S, McGuire A. 2010

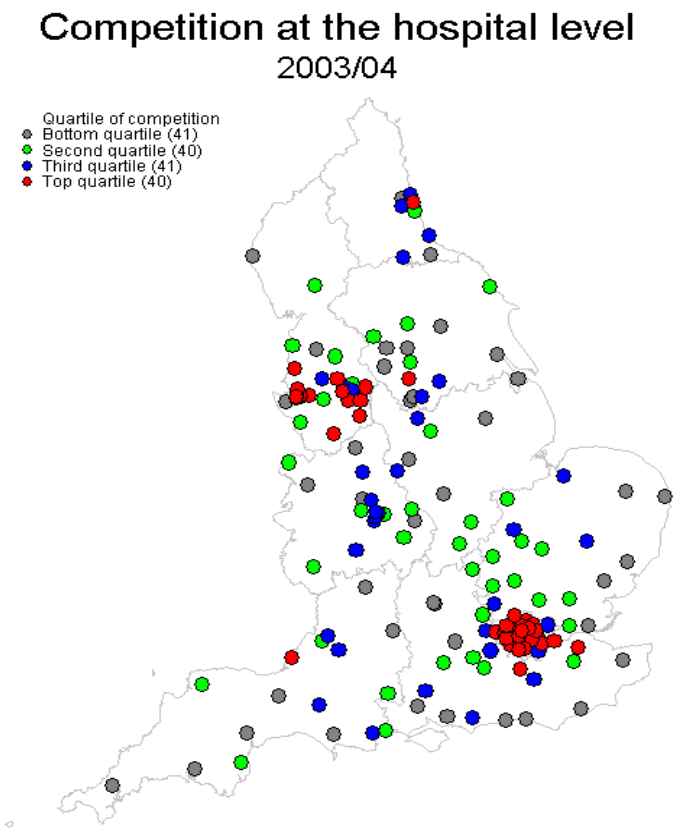
Increase in competition 2003/4 to 2007/8
(actual provider HHI)

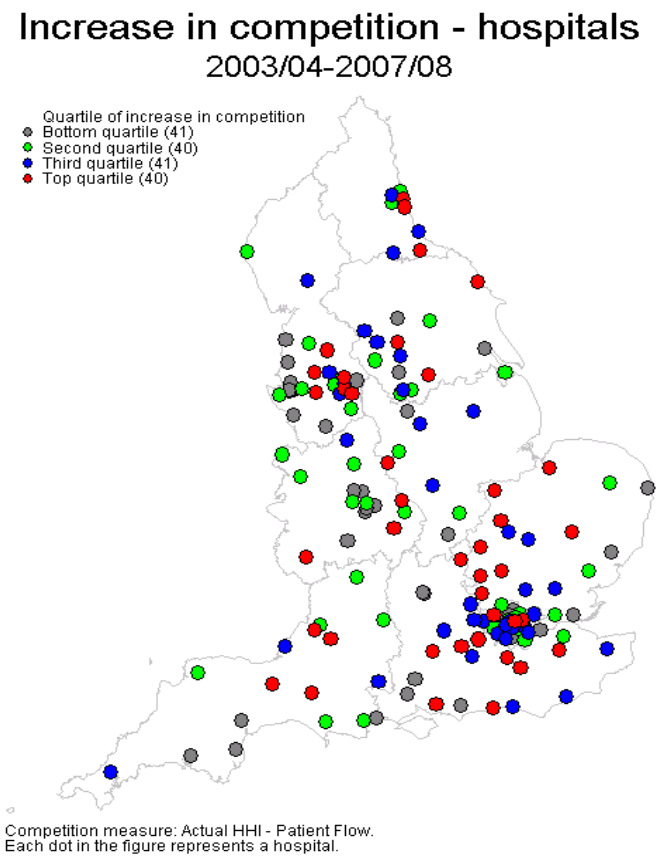


Number of hospitals: 162 (2003/04); 162 (2007/08).
Market definition method: actual patient flow.

Propper C, Gaynor M, Moreno-Serra C. 2010

Increase in competition around conurbations





Propper C, Gaynor M, Moreno-Serra C. 2010

Impact of competition on outcomes and waiting times

- Death rates fell more in competitive areas (note not just AMI related deaths)
- Magnitude: a one standard deviation increase in competition leads to around 487 fewer AMI deaths = about 16% of mean fall 2003-2007
- No change in waits or other clinical measures of outcome

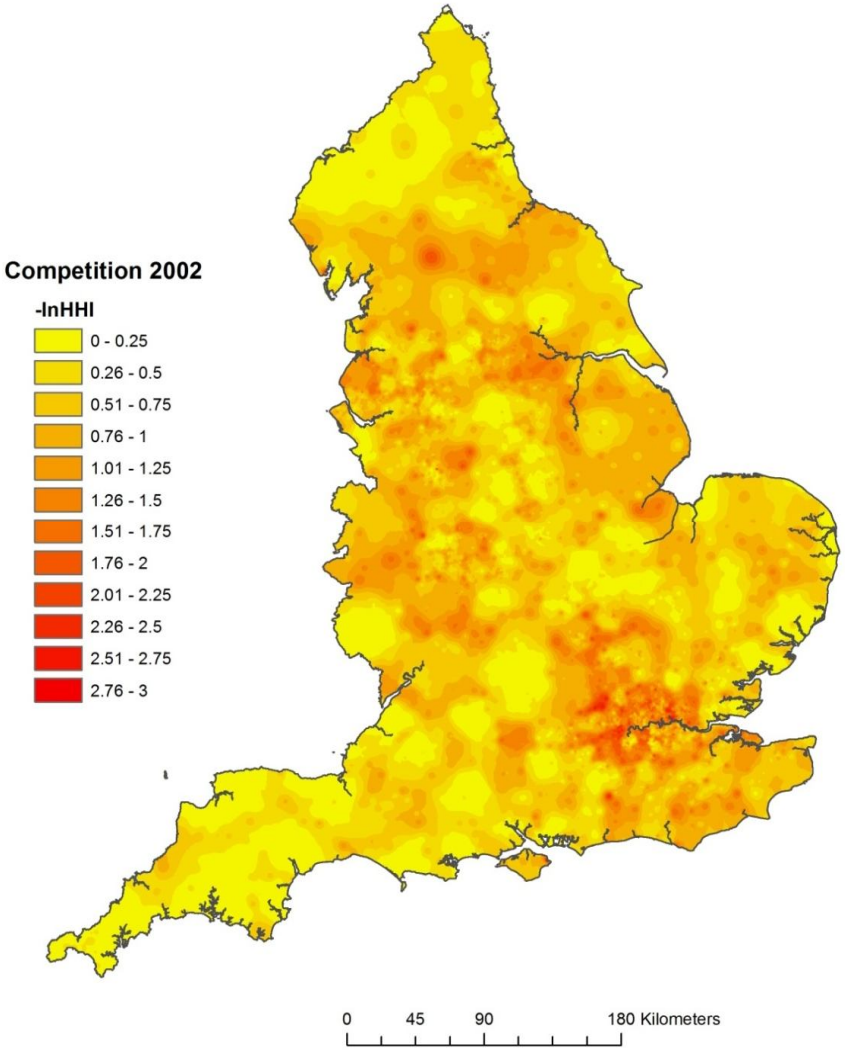
Propper C, Gaynor M, Moreno-Serra C. 2010

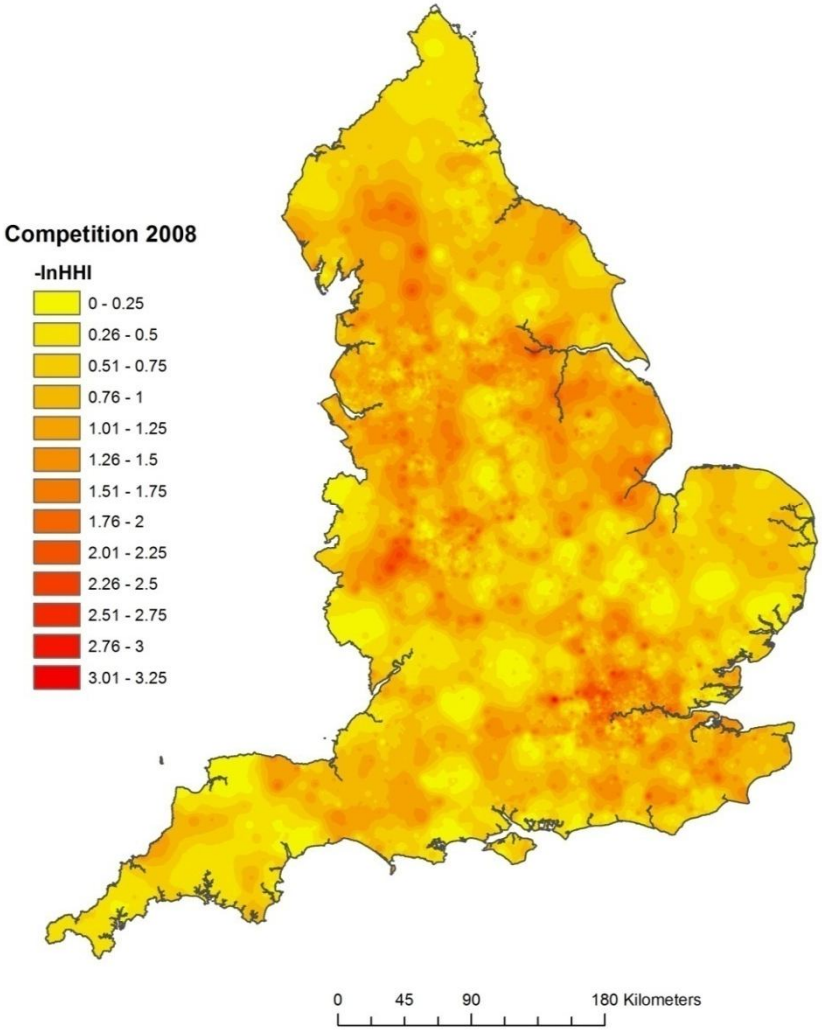
Conclusions

- Conclude: policy saved lives and did not increase costs (exact mechanism unknown)
- Do not necessarily need large change in competition to bring about change
- Cannot necessarily pre-judge where competitive pressures will be felt
- Active merger programme would reduce competitive pressure ….

Propper C, Gaynor M, Moreno-Serra C. 2010

95% variable GP radius 2002 and 2008 (all procedures)





Cooper Z, Gibbons S, Jones S, McGuire A. 2010

Measures of quality

- Emergency admissions for Acute Myocardial Infarction (AMI – “heart attack” ICD I21 I22)
- Indicator that patient died within 30 days
- 30 day mortality ubiquitous in the literature as a litmus/canary test of health care quality
  - Highly correlated with other aspects of health care quality in hospitals
- General decline in death rates due to technology: e.g. angioplasty, clot-busters (and less smoking)
  - Scope for variable adoption of technology

Cooper Z, Gibbons S, Jones S, McGuire A. 2010

Adjusted for

- Patient: age, gender, ethnicity, Charlson co-morbidity score, IMD income deprivation
- Procedure: day and month of admission, angioplasty, distance from GP to hospital attended
- Hospital: teaching, Foundation status, number of AMIs treated per year
- Hospital site dummies, Strategic Health Authority trends, GP fixed effects

Cooper Z, Gibbons S, Jones S, McGuire A. 2010

Results

- Robust evidence of faster rate of decline in AMI mortality post-2006 for patients from high-competition areas
- One standard deviation (0.54) more competition implies about 0.3 percentage points lower probability of AMI death during 1st year of reform
- Further 0.3 percentage points for each year after 2006
- Results suggest no pre-policy difference in trends between high and low competition areas

Cooper Z, Gibbons S, Jones S, McGuire A. 2010

Primary and community independent care

Progress

- Competition in primary and community care mostly involves competitive tendering
  - some patient choice in GP services and in some community services
- The number of primary and community care tenders has been gradually increasing
- Many contracts have been won by the independent sector
- Transforming community services

Fig: Primary and community care tenders per month 07-09

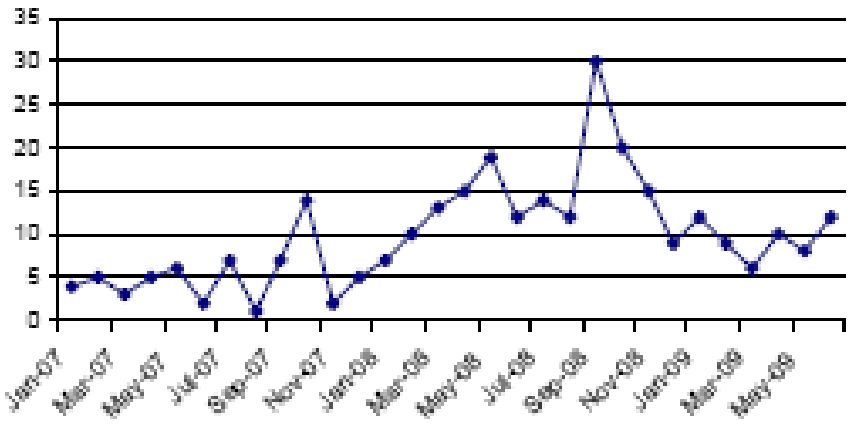
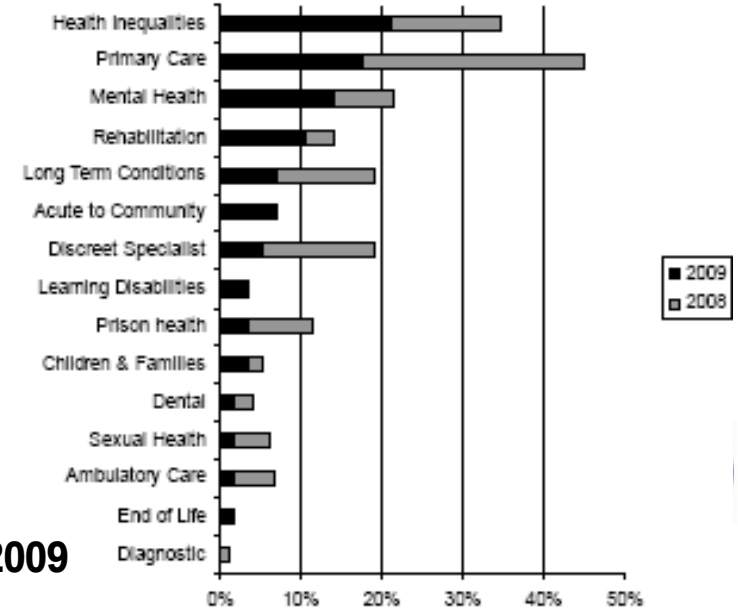


Fig: Primary and community care tenders by service



Source: Quarterly Market Analysis, Local Partnerships, 2009

Contracts awarded in 2009

Type of Organisation	Proportion
FT	3%
Acute Trusts	5%
Community Interest Company	3%
GP – Local	23%
GP – Social Enterprise	9%
GP & FT Social Enterprise	1%
IS	38%
Provider Arm	11%
Third Sector	6%
Total	**100%**

Source: Quarterly Market Analysis, Local Partnerships, 2009

Where next?

- Progress (but short term wobble)
- Emerging evidence on competition good re quality (hospital only)
- Prospect of mergers reducing competition
- Promise of vertical integration to reduce avoidable costs
- ? Competition between vertical providers or payer/providers?
- How best regulated?
- Evidence for public benefit test?