

Non-technical Summary

- This paper examines whether competition in the NHS internal market in the 1990s resulted in improvements in the outcomes for patients. The measure of outcome we use is death rates, at hospital level, from acute myocardial infarction (AMI). This is one of the measures published by the UK Department of Health in mid-1999 to assess the quality of care provided by NHS hospitals.
- We match the death rates from AMI at each hospital with administrative data on the catchment area of each hospital. We do this to control for the extent of poor health of the local population (which will influence death rates after hospitalisation). We also construct several measures of the extent of competition faced by each hospital.
- Our results show that the overall impact of competition appears to have reduced, rather than increased, quality of outcomes. Hospitals located in more competitive areas have higher death rates. However, hospitals that are both monopolies and have low activity rates appear also to have higher death rates than would be expected given their size and monopoly position.
- Competition between health care providers has been justified on the grounds that it will bring about both improvements in quality and reductions in cost. However, it has been shown theoretically that where buyers find it hard to assess quality, competition may result in quality reductions. Our results show that this appears to have occurred in the internal market.