

Specialty Hospitals: A Competition-Oriented Perspective

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Three Key Points

- ❑ Markets do a better job of maximizing consumer welfare than alternative institutional arrangements.
 - “Consumer welfare is maximized by open competition and consumer sovereignty – even when complex products and services such as health care are involved.”
- ❑ We should pay (and care about) outputs, not inputs or location where care is rendered – and we shouldn’t try to bury subsidies in our pricing system.
- ❑ No principled distinction between things we currently allow/encourage (gain-sharing and ASCs) and single specialty hospitals.

Improving Health Care: A Dose of Competition



**A Report by the
Federal Trade Commission
and the Department of Justice**

July 2004

Health Care Hearings and Report

- ❑ September 2002: FTC held 2-day workshop
- ❑ February 2003 – October 2003: 27 days of FTC/DOJ joint hearings, covering both antitrust (19 days) and consumer information issues (8 days)
- ❑ Joint Report: July 23, 2004

Health Care Hearings

Some Basic Statistics

250 Witnesses

300 Presentations

150 Powerpoint Presentations/Hand-outs

4900 Pages of Transcripts

All available at www.ftc.gov

Report Overview

- ❑ Executive Summary and 8 Chapters
 - Chapter 1: Overview and Background
 - Chapter 2: Physicians
 - Chapter 3: Hospitals
 - Chapter 4: Hospitals – Competition law
 - Chapter 5 – Insurance Industry Overview
 - Chapter 6 – Insurance – Competition law
 - Chapter 7 – Pharmaceuticals
 - Chapter 8 – Miscellaneous

What We Found on SSHs

- ❑ Why?
 - Less tightly managed care
 - Control/dissatisfaction with general hospital
 - Opportunity to profit
- ❑ Various responses
 - Pro-competitive
 - Anti-competitive
 - Grey areas

Two Final Lessons

- ❑ Government as both solution and source of problems – often simultaneously.
- ❑ Dismantle barriers to entry, and don't let incumbent providers decide the issue:
“Competition, like exercise, is universally agreed to be good for other people.”
(George Stigler)