Competition, transparency and quality of hospital care: Analysis of the Dutch hospital sector

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Abstract

The paper focuses on the relationship between competition, quality, and voluntary disclosure of quality information by hospitals in the Netherlands. We analyse the period of 2004-2008, in which a healthcare reform took place in the Netherlands, introducing competition in the healthcare sector. Competition in the form of selective contracting has been seen as a means of improving efficiency and quality of hospital care. Since quality is not easily observed, many efforts have been undertaken to achieve more transparency in quality. In particular, in 2003 the Netherlands Healthcare Inspectorate launched a sector-wide annual data survey of hospital quality indicators, participation in which was strongly encouraged but not compulsory. The increased attention to hospital quality and its growing importance in a new institutional environment have resulted in a gradual increase of the voluntary disclosure of quality indicators by Dutch hospitals.

In this paper, we use panel data for 2004-2008 to analyse the relation between competition, disclosure, and quality levels of hospitals. The dataset includes a variety of quality indicators, enabling us to differentiate across different categories of hospital quality (outcome, process and structure indicators). We observe an increase in the rate of voluntary disclosure of all indicators over the period.

We estimate a bivariate model that describes both hospital disclosure decisions on individual quality indicators (modelled as a duration process) and the level of the disclosed quality indicators. In this model we take explicit account of the correlation between these processes. Competition is allowed to have effect on both disclosure and quality; and it appears to be a significant explanatory factor for certain quality indicators, but not for disclosure.