



Analytics

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RE: Competition in Delaware's healthcare industry

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From Adam Smith forward, the one major insight on which all economists can agree is “competition is good!” More effectively than government regulations or price ceilings or user permits, competition results in, as if by an “invisible hand”, lower prices and lower costs (more efficient production).

Is there sufficient competition in Delaware's healthcare industry? Or are consumers being over charged and undersupplied?

Following is a simple analysis of Delaware's major healthcare sectors. It uses healthcare industry data from the 2007 Economic Census of the U.S. Department of Commerce. The establishments, revenue, and employment per 100,000 residents are compared between Delaware, the U.S., and surround states, for the available detailed healthcare sectors. Average wages by sector are also examined.

TOO LITTLE COMPETITION, MORE ENTRY WOULD HELP CONSUMERS

General Medical and Surgical Hospitals – the big enchilada, accounting for 41% of the revenue and 31% of the jobs in Delaware healthcare. Undersupplied relative to the nation and Pennsylvania, resulting in higher revenue and average wages.

Dentist Offices – significant indicators of barriers to entry. Undersupplied relative to the nation and surrounding states, leading to higher revenue and wages. (Anecdote: years ago a friend graduated from Temple dental school. After taking the Delaware dental board he was told that he would “officially” pass when a Delaware dentist retired or was willing to take him as a partner.)

Community Care Facilities for the Elderly – while the market for Delaware Nursing Care Facilities is in balance with the nation, Community Care is significantly undersupplied relative to the nation and to Pennsylvania and Maryland. This has not had a notable upward impact on revenue and wages.

Home Health Care Services – a growing industry that will grow even faster over the coming decade as the population of elderly soars. Undersupplied relative to the nation and less so to surrounding states. No evidence that the undersupply is driving up prices and revenue.

OVERSUPPLIED RESULTING IN REDUCED PRICES AND REVENUE

*Medical Laboratories
Outpatient Care Centers*

OVERSUPPLIED BUT LITTLE APPARENT IMPACT ON PRICES AND REVENUE

Offices of Physicians – account for more than one-fifth of Delaware’s healthcare revenue. Oversupplied relative to the nation, but revenue is unexpectedly high. Could be a result of more specialty care. Employment less than expected, which may be due to greater use of electronic records or associations with hospitals.

Diagnostic Imaging Centers – well oversupplied relative to the nation with almost three times the expected revenue. This could be a function of the type and technology of the imaging being conducted. Also may be due to higher income and education, especially among females, as both Maryland and New Jersey are oversupplied.

Physical and Occupational Therapists – oversupplied relative to the nation, but only modestly relative to the region. Revenue and prices appear to be held in check by regional competition.

Finally, with respect to the proposed HealthSouth rehabilitation facility in Middletown, the number of specialty hospitals per 100,000 residents (excluding psychiatric and substance abuse) in 2007 was 0.28 for the nation and only 0.12 for Delaware. Unfortunately, data on revenue, employment, and payroll were not available, nor was data specifically on independent rehabilitation facilities or rehabilitation services conducted through general hospitals.

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