



# HEALTHY CHOICE?

*Competition in healthcare may mean some will receive lower quality treatment*

**HEALTHCARE AND COMPETITION** policy has become a hot topic in the UK with the passing of the Health and Social Care Act 2012. The Act created a framework in which choice and competition (on quality, not price) could take place. For choice to be meaningful there must be differences between offerings. But would the existence of such differences in healthcare combined with competition and choice be controversial?

Products can differ in many ways. For some products and services, if the different variants were sold at the same price, consumers would vary in terms of which variant they would prefer – think of different colours of jumpers, or, for healthcare, different locations of hospitals. Economists refer to such products and services as horizontally differentiated. For other products and services, if the different variants were sold at the same price, consumers would all prefer the same variant; essentially the difference is one of quality. For healthcare, one example would be the quality of the surgeon as expressed by the survival probability of the patient from a particular operation. Economists refer to such products and services as vertically differentiated. Most products and services contain mixtures of both horizontal and vertical attributes.

In the area of healthcare, while choice between horizontal attributes is most likely uncontroversial,

the same is clearly not the case when it comes to choice between vertical attributes. First, it is not at all obvious that we would value choice between different quality levels in healthcare: if there are genuine differences in quality, why would we not always prefer the best? Second, if when choosing between purely vertical attributes some people are choosing lower quality healthcare, this must be due to lack of income, lack of information/advice, inability to process that information or a combination of these.

## MAKING A CHOICE

Ironically, the better information that is needed for all of us to exercise informed choices will also make any quality differences more visible. Many will instinctively feel that we all deserve the same quality healthcare and that the choice of healthcare is different from choosing another vertically differentiated product such as a car, where it is OK for the richer to get the nicer model. In this, differences in waiting time may be less controversial than for example the likely outcome of a procedure.

An often overlooked requirement for active competition is that there are differences in the offerings. Normally we focus on price. If all the prices are the same, then consumers have no incentive to shop around and hence they place no competitive restraint on firms. If there are differences in prices, those consumers who are active will get better deals, while those who are not lose out.

The political fall-out of this has been evident in the energy market in the last 12 months where the Prime Minister has stepped in. With competition in the quality of healthcare, if there are no differences in quality, there is no meaningful choice. If there are differences in quality, unless there is excess supply – empty beds rather than waiting lists – some people will have to accept the lower quality product. If there is any lesson from energy it is that the less active consumers are likely to get a disproportionate share of the lower quality care. Those who promote this form of competition will also need to stand up and support the regulator, Monitor, and the politicians when the headlines in the tabloids highlight how the middle classes get the best care. ■

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MANY INSTINCTIVELY FEEL THAT WE ALL DESERVE THE SAME QUALITY HEALTHCARE

## WHERE WE RANK

According to a report from the Commonwealth Fund, the UK ranks second relative to six other nations worldwide, based on a variety of performance measures: quality of care; access; efficiency; equity; long, healthy, productive lives; and health expenditure/capita (2007):

1. Netherlands
2. UK
3. Australia
4. Germany
5. New Zealand
6. Canada
7. USA

With regard to quality of care, the top three rankings were as follows:

- ▶ Effective care
  1. UK
  2. Australia
  3. Netherlands

- ▶ Safe care
  1. Netherlands
  2. UK
  3. Germany

- ▶ Co-ordinated care
  1. New Zealand
  2. Netherlands
  3. UK

- ▶ Patient-centred care
  1. New Zealand
  2. Australia
  3. Germany

Source: Mirror, Mirror on the Wall: How the Performance of the US Health Care System Compares Internationally, 2010 update