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# Choice of hospital: which type of quality matters?

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## Highlights

- Patients choose hospitals that improve their self-reported health
- Quality, as measured by readmission and mortality rates, is less important
- Healthier patients are more willing or able to travel for higher quality
- Quality competition in the English NHS is possible
- Potential for competition declines rapidly with distance between hospitals

## Abstract

The implications of hospital quality competition depend on what type of quality affects choice of hospital. Previous studies of quality and choice of hospitals have used crude measures of quality such as mortality and readmission rates rather than measures of the health gain from specific treatments. We estimate multinomial logit models of hospital choice by patients undergoing hip replacement surgery in the English NHS to test whether hospital demand responds to quality as measured by detailed patient reports of health before and after hip replacement. We find that a one standard deviation increase in average health gain increases demand by up to 10%. The more traditional measures of hospital quality are less important in determining hospital choice.

**JEL:** I11, I18

**Key words:** Quality, demand, healthcare, hospitals, competition, patient reported outcomes

## 1 Introduction

Many European healthcare systems have recently extended patients' right to choose their provider of elective hospital care (Vrangbaek et al. 2012). One of the aims is to encourage hospitals to compete for patients by improving quality (Besley and Ghatak 2003). A prerequisite for this is that patients' choice of hospital is influenced by quality (Marshall et al. 2004; Faber et al. 2009). But quality is multi-dimensional and the implications of increased incentives to

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