

Cost Convergence Between Public and For-Profit Hospitals under Prospective Payment and High Competition in Taiwan

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Abstract

OBJECTIVE: To test the hypotheses that: (1) average adjusted costs per discharge are higher in high-competition relative to low-competition markets, and (2) increased competition is associated with cost convergence between public and for-profit (FP) hospitals for case payment diagnoses, but not for cost-plus reimbursed diagnoses. **DATA SOURCES:** Taiwan's National Health Insurance database; 325,851 inpatient claims for cesarean section, vaginal delivery, prostatectomy, and thyroidectomy (all case payment), and bronchial asthma and cholelithiasis (both cost-based payment). **STUDY DESIGN:** Retrospective population-based, cross-sectional study. **DATA ANALYSIS:** Diagnosis-wise regression analyses were done to explore associations between cost per discharge and hospital ownership under high and low competition, adjusted for clinical severity and institutional characteristics. **PRINCIPAL FINDINGS:** Adjusted costs per discharge are higher for all diagnoses in high-competition markets. For case payment diagnoses, the magnitudes of adjusted cost differences between public and FP hospitals are lower under high competition relative to low competition. This is not so for the cost-based diagnoses. **CONCLUSIONS:** We find that the empirical evidence supports both our hypotheses.