

Competition, hospital quality and multitask
agency: Theory and Empirical Findings in
France

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This version November 2022

Abstract. Public authorities have recently organized competition between health care institutions in France through the production and public dissemination of quality of care indicators and the introduction of a financial incentive for quality. The economic literature has already shown that, in this case, institutions were encouraged to divert resources in order to increase observed quality, to the detriment of unobserved quality. But this substitution effect is both theoretically and empirically contested. The objective of this work is to propose a formal theoretical model and an empirical test of the causal relationship between observed and unobserved quality in France. The results of the theoretical model show that the least endowed institutions start the race to observed quality by a resource substitution mechanism. Finally, the best-endowed institutions win the race through the same mechanism, but this mode of competition proves to be socially inefficient. The main hypothesis of a substitution effect is tested empirically using administrative data and the annual statistics of medical structures (PMSI-MCO and SAE) in 2019 for orthopedics (total hip and total knee replacement). These procedures can lead to adverse events (surgical site infections) for the patient that can be identified as part of a care pathway. This unobserved quality measure (in the sense that patients do not use it to determine the choice of facility) is regressed on the patients' satisfaction measure instrumented by the distance to the patient's home. Estimation of a patient fixed effects model does not reject the main hypothesis for both hip and knee procedures. Public policy implications are discussed.

Keywords: Hospital, Competition, Quality, Imperfect information, Multitask agency, Discrete choice models, Game theory

JEL Codes: I11, L15

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