

**Joint FTC/DOJ Hearings on Health Care
And Competition Law and Policy**

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Table 1

Selected Prior Research on Nonprofit and For-Profit Hospital Pricing

Authors	Pertinent Conclusions
Robert V. Pattison & Hallie M. Katz (1983)	First, during the study period both costs and charges were higher in for-profit than in not-for-profit hospitals, measured on the basis of either patient-days or admissions. Second, the for-profit chains have used aggressive marketing and pricing strategies to generate high rates of profitability and growth.
Steven C. Renn et al. (1985)	Hospitals in investor-owned multihospital systems charged significantly more for patient services than did typical free-standing or system-affiliated not-for-profit community hospitals, and were more costly to their payers in the aggregate. ... As a result of their pricing strategies, investor-owned system hospitals displayed the highest charge-to-cost markups and were the most profitable among hospital types.
J. Michael Watt et al. (1986)	Their more aggressive pricing strategy made investor-owned hospitals more costly to patients and third-party payers, but not more efficient than their not-for-profit counterparts. ... [C]harge-based payers paid about 20 percent more for comparable services at investor-owned chain hospitals than at similar not-for-profit hospitals.
Monica Noether (1987)	For-profit hospital status has a highly significant positive impact on price and an insignificantly negative effect on costs. These results suggest that proprietary hospitals charge prices that are, on average, 13 percent higher than those of non-profit hospitals. This result confirms previous work showing that for-profit hospitals are able to generate larger margins.
Thomas J. Hoerger (1991)	[T]he profit variability test supports the hypothesis that government and private [nonprofit] hospitals behave differently than for-profit hospitals.

Source: William J. Lynk, Property Rights and the Presumptions of Merger Analysis, 39 Antitrust Bull. 363, 372-73 (1994).

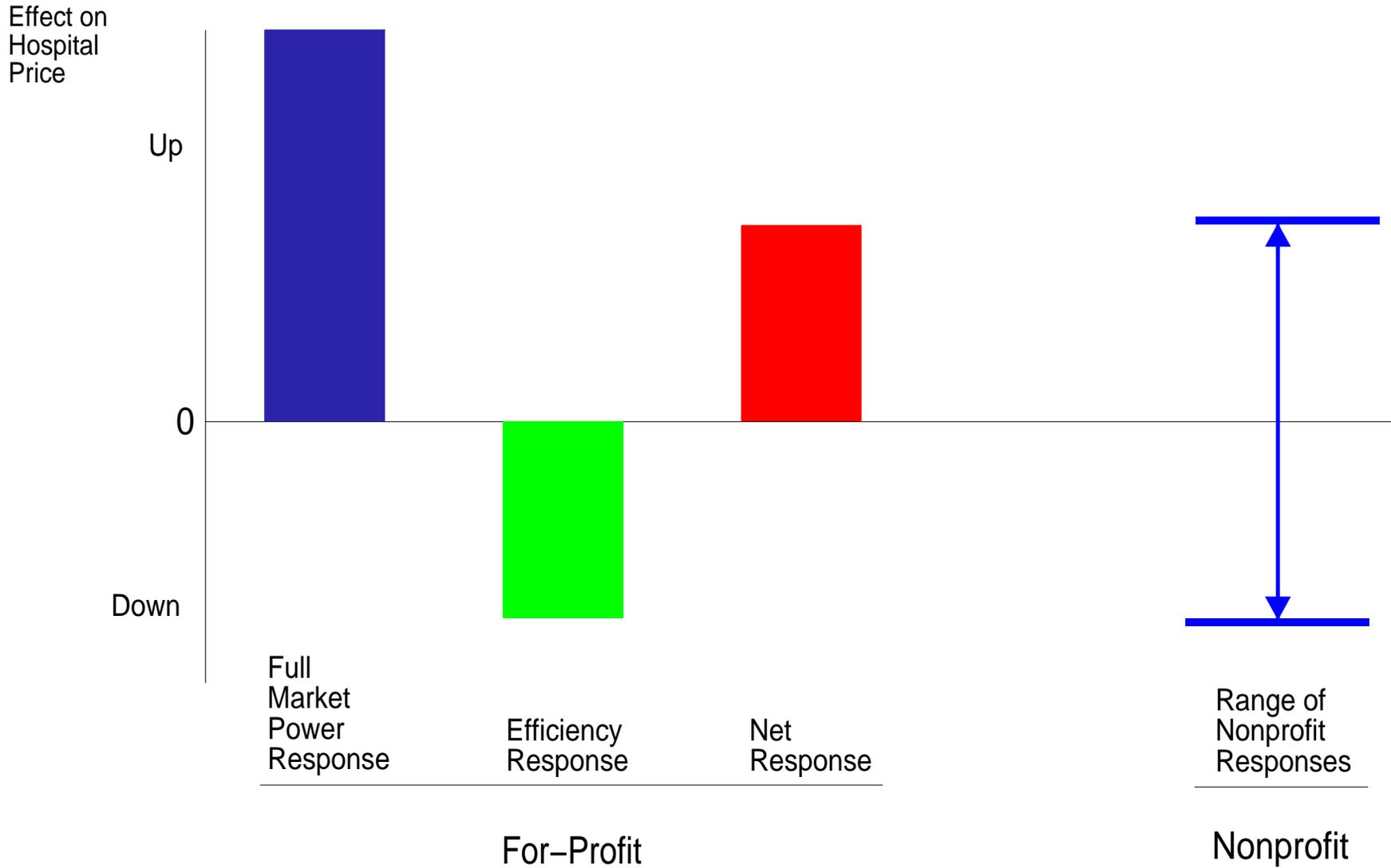
References to quotations:

1. Monica Noether, Competition Among Hospitals (Staff Report of the Bureau of Economics, Federal Trade Commission, 1987), at 69 (note omitted).

2. Steven C. Renn et al., The Effects of Ownership and System Affiliation on the Economic Performance of Hospitals, 22 Inquiry 219 (1985), at 230.
3. Robert V. Pattison & Hallie M. Katz, Investor-Owned and Not-For-Profit Hospitals, 309 N. Engl. J. Med. 347 (1983), at 347.
4. J. Michael Watt et al., The Comparative Economic Performance of Investor-Owned Chain and Not-for-Profit Hospitals, 314 N. Engl. J. Med. 89 (1986), at 94.
5. Thomas J. Hoerger, "Profit" Variability in For-Profit and Not-for-Profit Hospitals, 10 J. Health Econ. 259 (1991), at 286 (note omitted).

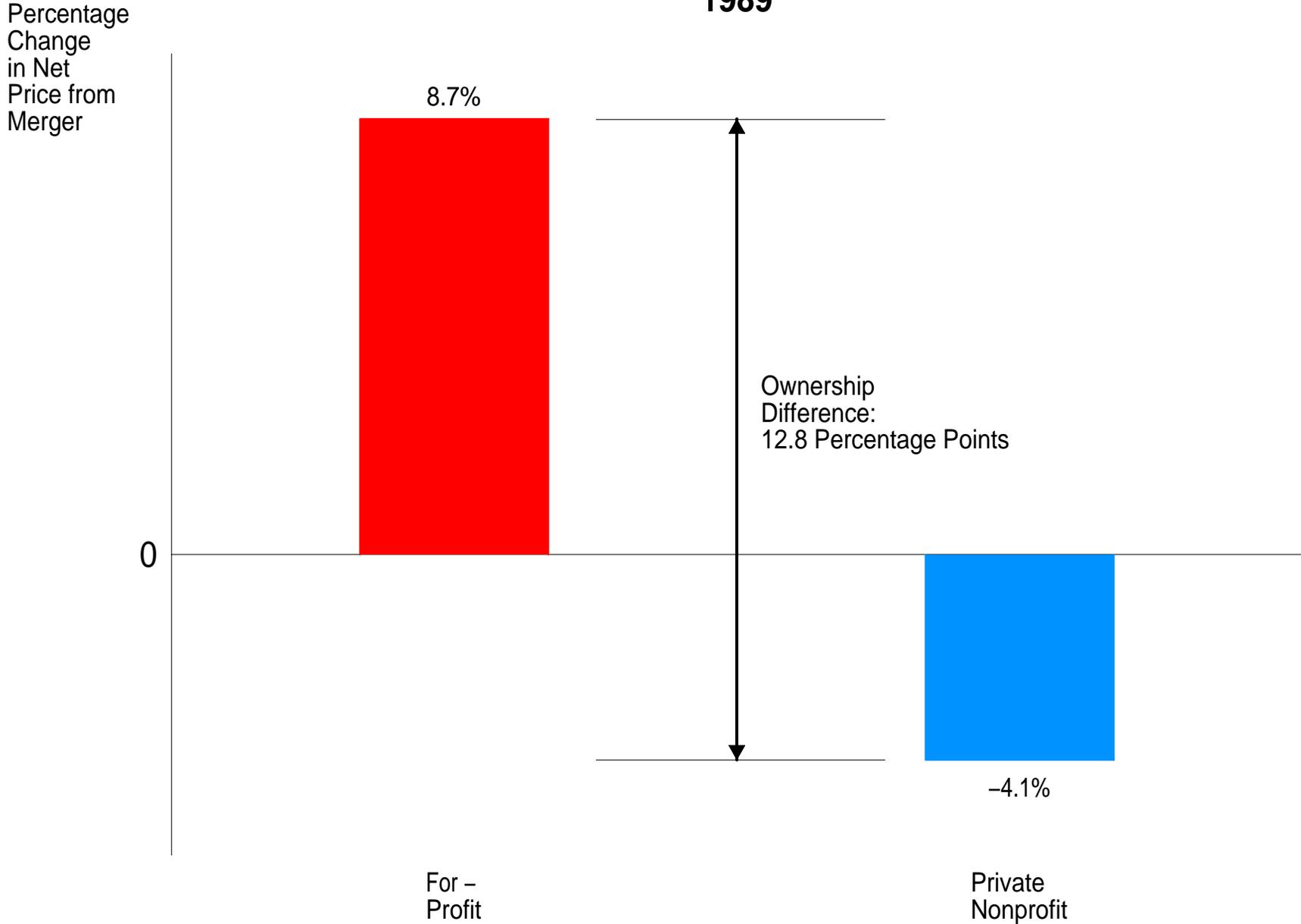
Figure 1

Differential Responses to Market Power Through Merger



Source: William J. Lynk & Lynette R. Neumann, Price and Profit, 18 J. Health Econ. 99 (1999), sec. 2.

Figure 2
**Estimated Effects on Net Hospital Prices From Merger,
By Type of Ownership
1989**

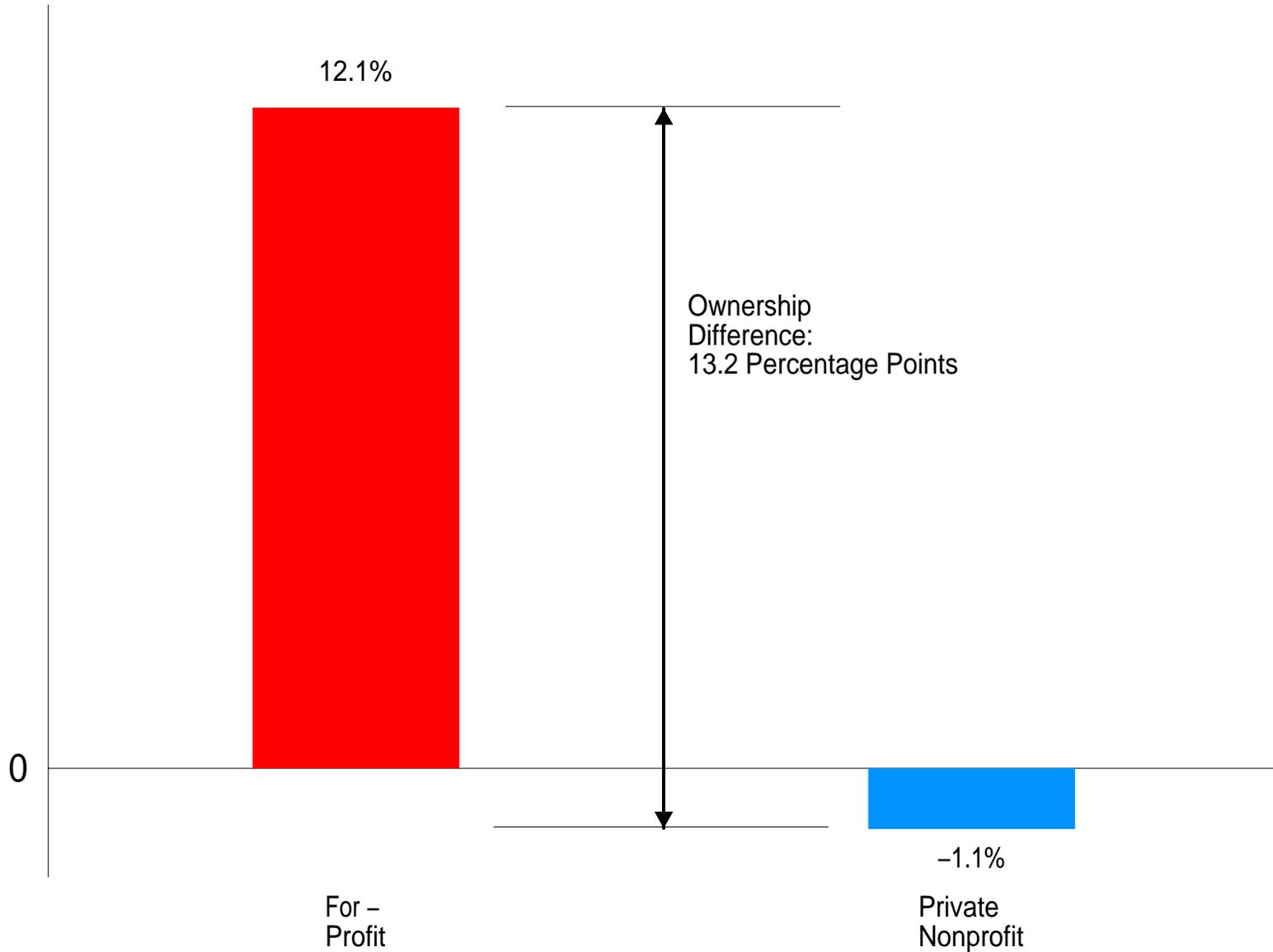


Source: William J. Lynk, Nonprofit Hospital Mergers and the Exercise of Market Power, 38 J. Law & Econ. 437 (1995), Table 4.

Figure 3

Estimated Effects on Net Hospital Prices From Merger and Scale Expansion By Type of Ownership 1989

Percentage
Change
in Net
Price from
Merger

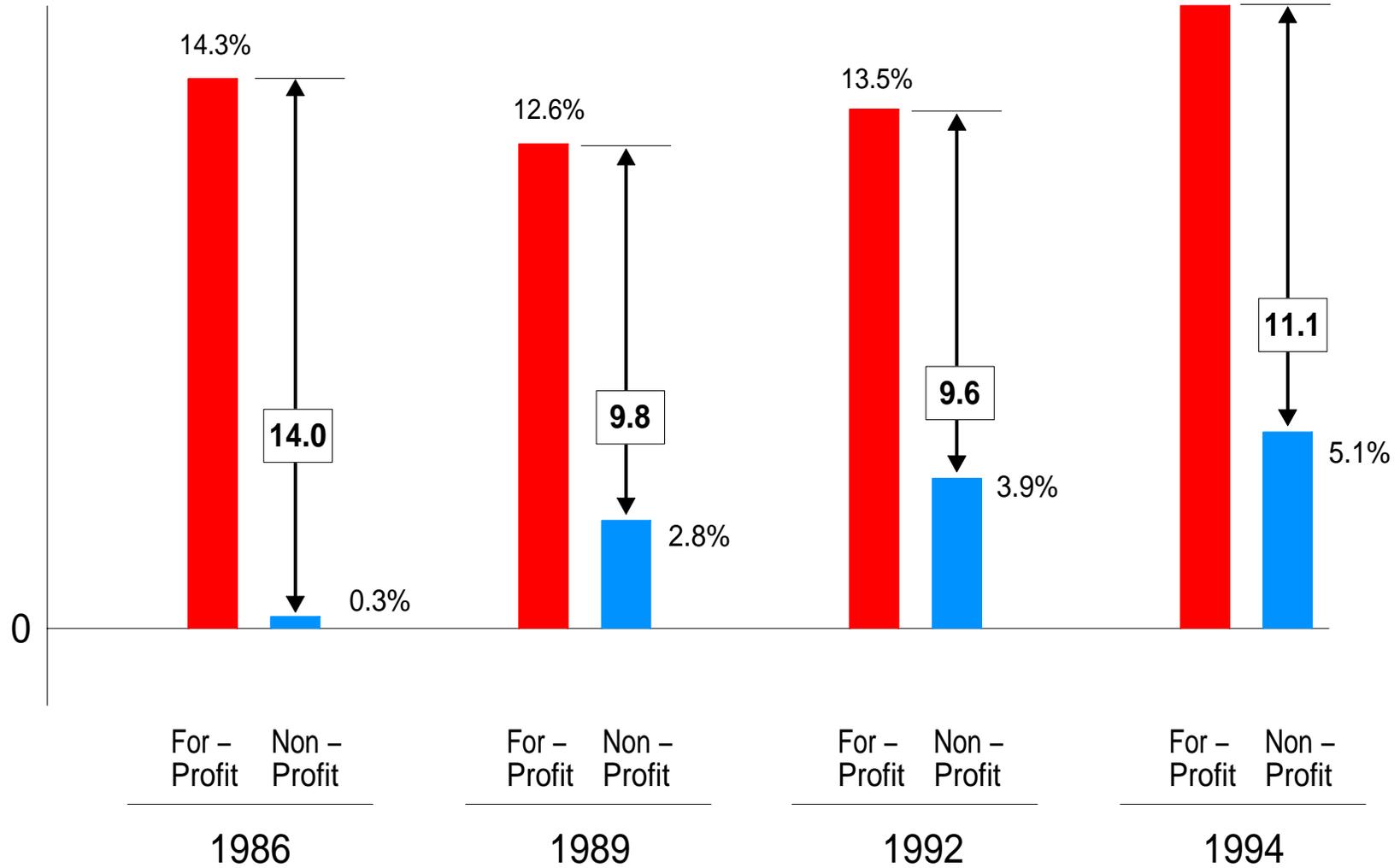


Source: William J. Lynk, Nonprofit Hospital Mergers and the Exercise of Market Power, 38 J. Law & Econ. 437 (1995), Tables 3 and 4.

Figure 4

The Changing Effects of Competition on Non-profit And For-profit Hospital Pricing Behavior 1986 – 1994

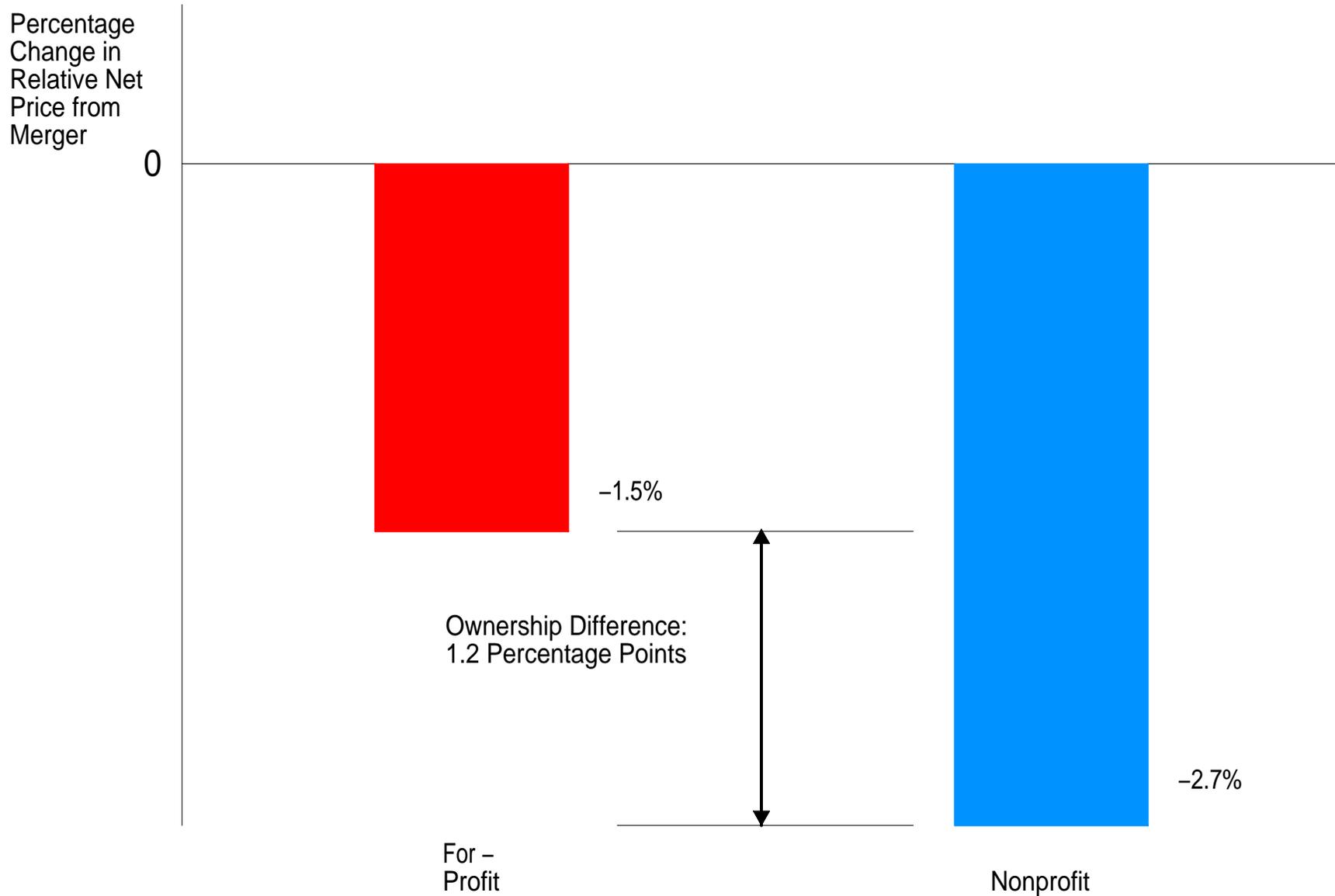
Percentage
Change in
Net
Price from
Merger



Source: Emmett B. Keeler, Glenn Melnick & Jack Zwanziger,
18 J. Health Econ. 69 (1999), Table 4.

Figure 5

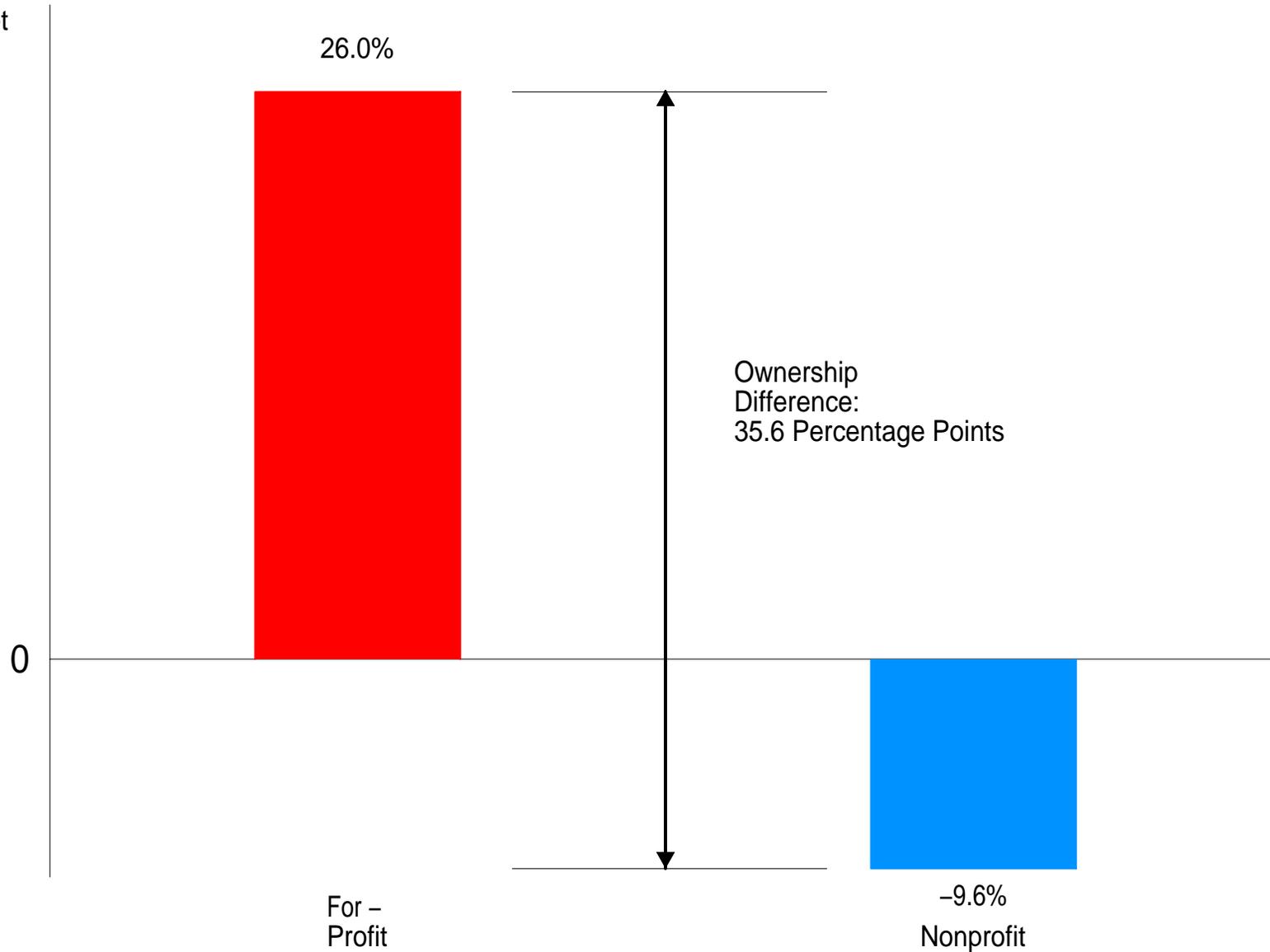
Which Types of Hospital Mergers Save Consumers Money? 1986 – 1994



Source: Robert A. Connor, Roger D. Feldman & Tiffany A. Radcliff, 16 Health Affairs 62 (1997), Exhibit 2.
Note: Percentages are percent change in merging hospitals' prices relative to non-merging hospitals' prices.

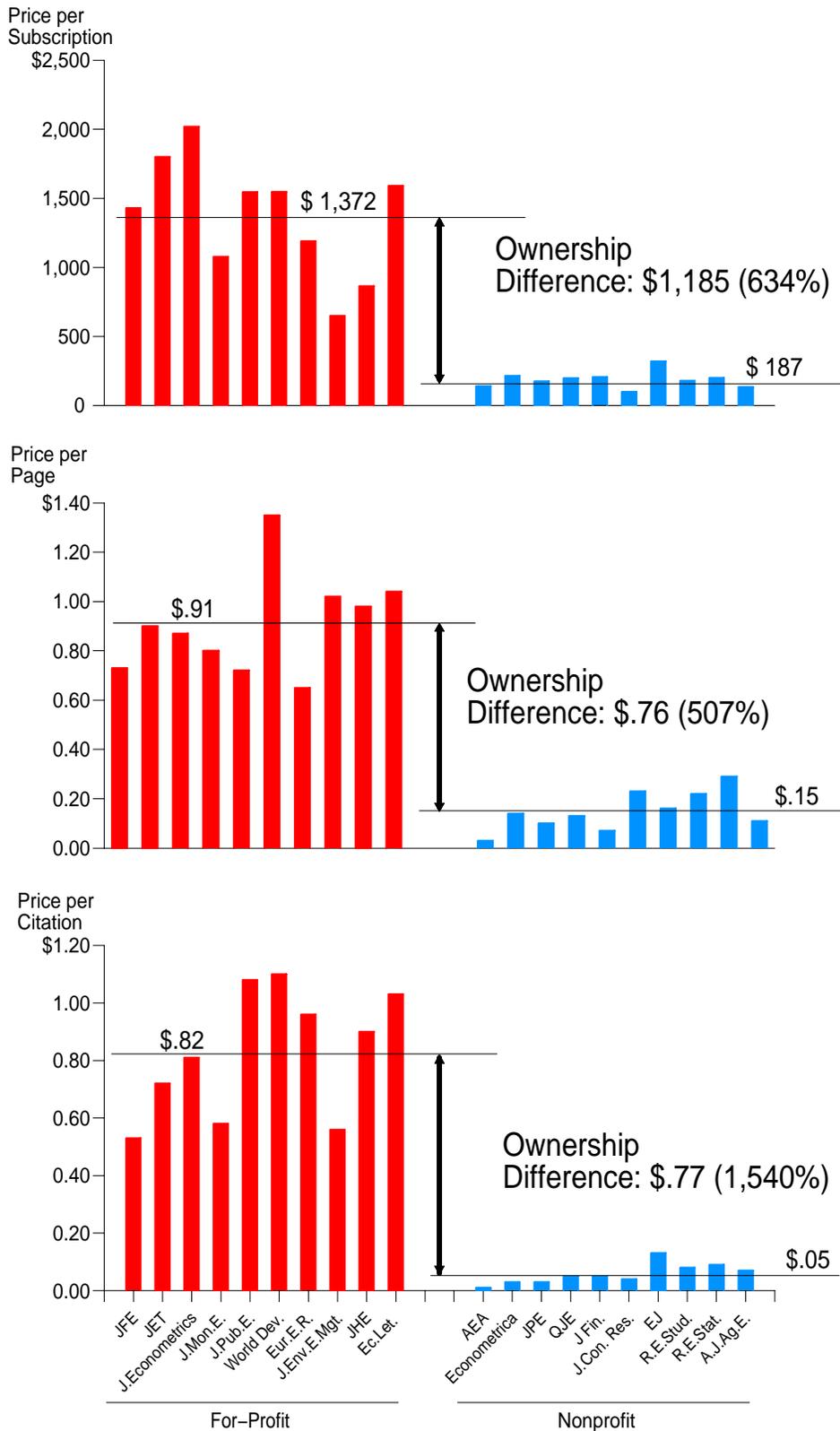
Figure 6
**Hospital Mergers and Savings for Consumers;
Exploring New Evidence
1989 – 1997**

Percentage
Change in
Relative Net
Price from
Merger



Source: Heather R. Spang, Gloria J. Bazzoli & Richard J. Arnould,
20 Health Affairs 150 (2001), Exhibit 2.
Note: Percentages are percent change in merging hospitals' prices
relative to non-merging hospitals' prices.

Figure 7
**For-Profit and Nonprofit Pricing:
 The Case of Economics Journals**

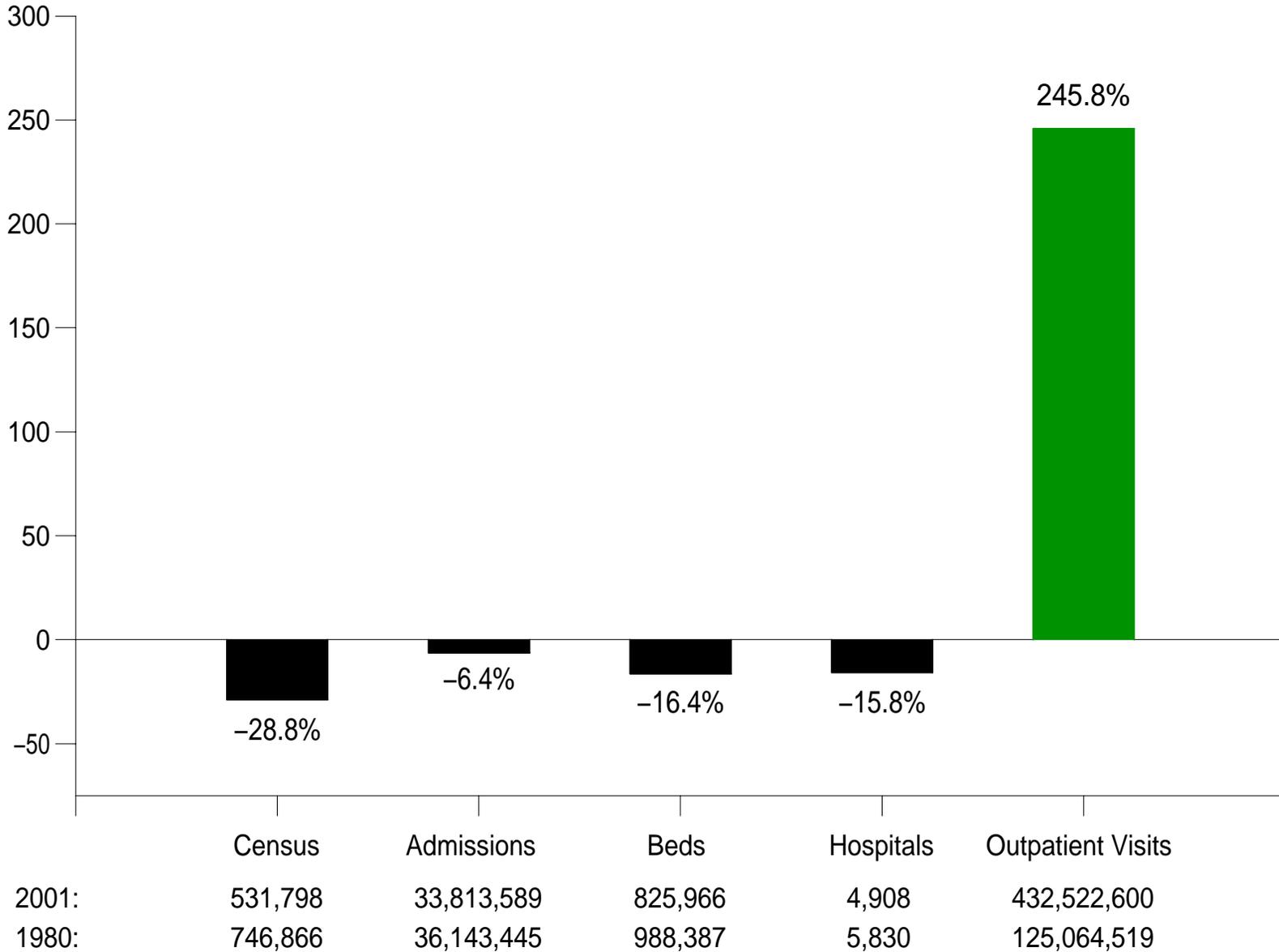


Source: Theodore C. Bergstrom, Free Labor for Costly Journals?, 15 J. Econ. Perspectives 183, 184 (2001).

Figure 8

Percentage Change in Community Hospital Characteristics in the United States 1980–2001

Percentage
Change



Source: American Hospital Association, AHA Hospital Statistics (2003 – Table 3; 1981 – Table 5A).
Note: Outpatient visits does not include emergency.