

Authors: Vanessa Cirulli (*), Sapienza University of Rome; Giorgia Marini, Sapienza University of Rome

Corresponding Author: Giorgia Marini, giorgia.marini@uniroma1.it, +390649910600

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Title: Hospital mergers in the English NHS: new results on service mix offer

Abstract: Over the past twenty five years, there has been a distinct change in the English NHS “market” with widespread merger activity taking place – in 1994 there were around 262 Trusts, reducing to 165 by 2017. The industrial economics literature applied to the healthcare market, offers a number of explanations about the driving forces behind merger activity and the impact of mergers on the performance of Trusts. In effect, Trusts may have used mergers as a strategic tool to improve their financial performance through price increases (made possible by increased market power) and/or cost reductions (made possible by either economies of scale and scope, monopsony power or favourable adjustments in the product mix), with important policy implications both in terms of services provided to patients and in terms of an efficient use of available resources.

The aim of this paper is to investigate whether merged Trusts are able to reconfigure their service-mix offer more significantly than non-merged Trusts and achieve a relative advantage. In order to answer this question, we use a DID model in which we check whether being a merged Trust has a significant impact on both the level and the composition of activity. Our results show that hospital mergers change both the level and the composition of Trusts’ activity.

In terms of policy implications, these results suggest that the institution monitoring Trusts’ merging decisions should be very careful in giving authorisation to any hospital merger as this may have irreversible consequences in terms of services offered to the public.