

An Empirical Analysis of the Impact of Certificate of Need Law on Competition in Inpatient Care Market

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Abstract

We investigate the impact of Certificate of Need (CON) Law and its stringency on Inpatient market competition measured by the Herfindahl-Hirschman Index (HHI). We show that on average the CON legislation enhances competition between Inpatient units. Additionally, the size, demographics, and health insurance coverage of the state population are found to significantly impact Inpatient market competition in a state. Our study findings can help policy makers devise programs that encourage competition among healthcare providers and thus improve quality of Inpatient care and above all significantly add to the literature that portrays the law in a positive light.

Keywords: CON Law; Health Policy; Market Competition; Inpatient Care.

JEL classification: I11, I18