

# Healthcare's competition conundrum

## Citation for published version (APA):

Westra, D. D. (2017). Healthcare's competition conundrum: cooperative inter-organizational strategies in competitive healthcare markets. Maastricht: Maastricht University.  
<https://doi.org/10.26481/dis.20171101dw>

## Document status and date:

Published: 01/01/2017

## DOI:

[10.26481/dis.20171101dw](https://doi.org/10.26481/dis.20171101dw)

## Document Version:

Publisher's PDF, also known as Version of record

## Please check the document version of this publication:

- A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher's website.
- The final author version and the galley proof are versions of the publication after peer review.
- The final published version features the final layout of the paper including the volume, issue and page numbers.

[Link to publication](#)

## General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal.

If the publication is distributed under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license above, please follow below link for the End User Agreement:

[www.umlib.nl/taverne-license](http://www.umlib.nl/taverne-license)

## Take down policy

If you believe that this document breaches copyright please contact us at:

[repository@maastrichtuniversity.nl](mailto:repository@maastrichtuniversity.nl)

providing details and we will investigate your claim.

## Valorization



## Valorization

‘Think before you act’ is a principle which is instilled within most individuals at an early age. It is typically reiterated shortly after an undertaking which lacked sufficient (or any) anticipatory thinking and serves as a warning for future endeavors. In essence, it endorses one to contemplate whether or not to act at all. As one advances through the various layers of the educational system, thinking becomes increasingly emphasized in spite of acting. Doctoral education, arguably the pinnacle of that educational system, consequently brings forth thinkers (intellectuals). Obliging these very thinkers to act after they have thought is quite the reverse of what has been instilled within them for many years and can thus be a daunting task. Nevertheless, it makes things come full circle. Hence, this chapter describes the practical relevance and implications of the research which has been presented in this dissertation.

## General relevance

In most developed countries, the healthcare sector constitutes the largest sector of the economy, outdoing commonly known sectors such as construction, broadcasting and telecommunication, or computer and electronic products (1). In 2015, the average OECD country spent 9% of its gross domestic product (GDP) on health care for example, an increase of almost 2% compared to the average expenditure on health in OECD countries in 2000 (2). In other words, health expenditure is high and on the rise. Many countries feel the need to break the upward trend of health expenditure in order to keep healthcare accessible to future generations and have passed various reforms towards this aim (3). Not surprisingly, the field of health services research (or health systems research), which studies how health services are delivered and organized, has become increasingly well-established during the past two decades (4). In fact, given the sheer (economic) size of the healthcare industry and its relevance to people’s overall health and wellbeing, one could argue that health services research is one of the most vital areas of scientific research today. It is within that very context and with the aim to contribute to creating an efficient and well-functioning healthcare system which will guarantee the access to health care services for future generations that this research has been undertaken.

One of the crucial distinctions between health services research and biomedical or clinical research is the context-specific nature of health services research work (5). The Netherlands is no exception to the trend of high and increasing health expenditure. In 2015, the country spent almost 11% of its Gross Domestic Product (GDP) on health care (roughly 72 billion

Euros), making it the largest spender on health with the exception of the United States (2, 6). In the same year, the combined expenses on health and social care even approximated 94 billion Euros, roughly 14% of the country's GDP (6). However, the Dutch healthcare system is, as are the healthcare systems of nearly all countries, one of a kind. Like in many countries, healthcare and the healthcare system have furthermore been a matter of fierce public debate in the Netherlands. While the discussants typically agree that providing high quality and affordable healthcare to the entire population is an important goal, opinions about how to reach that goal at a macro level (i.e. how to organize the healthcare sector) can deviate substantially. The current way of organizing the healthcare sector in the Netherlands (i.e. through mechanisms of managed competition between providers and third-party payers) has been the focus of the studies presented in this dissertation. Through studying the way the healthcare system functions, this research seeks to contribute to a sustainable healthcare system. Its findings are hence relevant to all who concern themselves with healthcare in the Netherlands.

## **Relevance for researchers**

This research has three main points of relevance for scholars in the health services research and healthcare management field. First and foremost, the research presented in this dissertation advances the study (and understanding) of various types of inter-organizational relations which are present in the healthcare industry. They challenge healthcare management and health services research scholars to go beyond studying well-known and commonly studied types of inter-organizational relations like patient transfers or contractual alliances. This dissertation includes several papers which study forms of inter-organizational relations which had previously remained under-researched in the healthcare industry (e.g. shared medical specialists). These papers have been well-received in respectable outlets such as the Academy of Management conference, EGOS colloquium, and Social Science and Medicine journal. This serves as a testament to the notion that inter-organizational relations occupy a relevant space within the health services research and healthcare management fields. The studies in this dissertation advance scholars' understanding of the healthcare sector and encourage them to investigate novel types of inter-organizational relations within the industry (i.e. at the meso-level).

Secondly, four of the five empirical studies described in this dissertation utilize a network perspective. That is, they utilize an analysis of inter-organizational relations which transcend the traditional dyadic (i.e. between two organizations) approach. The fragmented nature of the healthcare industry is well recognized throughout the health services research and

healthcare management fields. As a result of this fragmentation, scholars agree that various organizations or organizational units typically collaborate with one another in order to deliver healthcare services to patients. Nevertheless, a large share of the scientific research still uses single organizations or dyads of two organizations as the unit of analysis. The studies in this dissertation have shown, albeit in some cases in a mere descriptive sense, that the whole network can be a useful level of analysis to understand certain phenomenon on an industry-wide scale. Researchers are thus stimulated to utilize networks as level of analysis in future studies within the industry.

Thirdly, this dissertation contributes to the rich field of science concerned with studying the effects of (price-)competition in health care. Most importantly, it makes a case for incorporating various types of inter-organizational arrangements in these studies, rather than merely focusing on market structure as predictors of organizational performance. In essence, the argument is made that the combination of industrial organization paradigms and healthcare management principles can together foster a deeper and clearer understanding of the effects of competition in the healthcare industry. Combining these research fields in future studies should hence bring forth new insights within the sector and open several relevant avenues for scientific discovery.

## Relevance for policymakers

The past decade has seen an increasing emphasis on the use of scientific evidence in health policy (5). Ultimately, the managed competition is one of many different ways to organize a country's healthcare system at the macro level. In practice, the choice to (continue to) let the healthcare system revolve around the principles of managed competition is hence one of policymakers. The studies presented in this dissertation reveal to policymakers one of the effects of their choice to utilize price-competition in the Dutch healthcare sector. At the very least, it demonstrates that even within a price-competitive regime, healthcare providers increasingly cooperate with one another in various ways. This could in fact challenge the assumptions underpinning the principle of managed competition. During the course of this dissertation trajectory, (preliminary versions of) these results have hence been disseminated to the Dutch Healthcare Authority and the Dutch Antitrust Authority, which concern themselves with adequate functioning of healthcare markets and antitrust issues in the healthcare market. On the other hand, the exploratory study of shared medical specialists reveals that competition is not the only factor driving cooperation between healthcare providers. Increasing medical specialization, minimal volume requirements and other purchasing strategies of health insurers, and increasing prevalence of comorbidities

are a few examples of factors which increase providers' need to cooperate in order to be able to deliver (high quality) health care services. The research presented in this dissertation thus indicates to policymakers that various processes reinforce or counteract one another when it comes to the strategies employed by healthcare organizations. Such processes not only constitute top-down policy reforms but also include bottom-up phenomena stemming from professionals, healthcare organizations, third-party payers (such as insurers), and other stakeholders.

## **Relevance for practitioners**

From a practical perspective, some of the empirical research presented in this dissertation perhaps constitutes a mere formalization of ongoing processes. That is, part of the empirical work regarding cooperation through shared board members or shared medical professionals is descriptive in nature and thus illustrates the occurrence of and changes in specific cooperative strategies. However, these studies all reveal the widespread nature of such cooperative strategies, indicating to managers of healthcare organizations that organizational boundaries are becoming increasingly blurred in the current healthcare landscape and that traditional, mono-organizational views to managing healthcare organizations likely seem outdated. Research nascent to the PhD trajectory has furthermore indicated that crossing organizational boundaries can have various effects on the employability of health professionals. Healthcare managers and health professionals alike can translate these insights into direct policy by closely considering how well professionals fit in other environments in order to maximize the benefit boundary spanning behavior by professionals. Particularly because previous research has indicated that physicians do not necessarily perform equal in different organizations (7)

Building on findings which showed that hospitals can utilize vertical inter-organizational relations to serve strategic purposes (8), our research suggest that horizontal inter-organizational relations could have similar effects. In order to fully comprehend the relation between horizontal inter-organizational relations and the performance of healthcare organizations however, further empirical research is warranted. A novel research project is therefore being initiated within the current Health Services Research department to investigate which types of inter-organizational relations contribute to positive patient (i.e. micro level) outcomes in which way.

## Knowledge dissemination

The knowledge produced by the studies presented in this dissertation has been disseminated through various channels during the past several years. These include the common methods of scientific knowledge dissemination by way of numerous presentations during international scientific conferences and various publications in international peer-reviewed scientific journals. However, there has been a strong emphasis on disseminating the knowledge generated by the work presented in this thesis in a more direct way to policymakers and practitioners rather than to just fellow academics. Such dissemination has been strongly encouraged through the Academic Collaborative Center for Sustainable Care, a joint initiative of Maastricht UMC+ and Maastricht University. The Academic Collaborative Center for Sustainable Care has funded this research and the practical impact of scientific research is one of its core driving philosophies. Examples of such direct knowledge dissemination include sharing published work through online communication channels, the creation of audiovisual material to support the research and distributing it through online outlets, publications in open source national and international journals about nascent fields and topics (e.g. competition in mental health care and vertical integration), presenting (preliminary) results to independent regulatory agencies in the Netherlands such as the Dutch Healthcare Authority and the Dutch Antitrust Authority, incorporation of the research findings in teaching material for students in the master program Health Policy, Innovation and Management, and conducting consultation work for local healthcare providers and policymakers regarding the management and organization of health care. All of these activities have contributed to directly translating the insights gained from the research work conducted during the past years to practical knowledge relevant to a wide range of stakeholder. In future work, knowledge dissemination furthermore continues to be an important pillar. In fact, several new research projects have already been initiated in collaboration with independent regulatory agencies, local policy makers, and healthcare managers. These co-created projects not only ensure that the most practically relevant research questions are being addressed but also that the results of these studies are translated into direct actionable insights.



## References

1. Gaynor M, Ho K, Town RJ. The Industrial Organization of Health-Care Markets. *Journal of Economic Literature*. 2015;53(2):235-84.
2. OECD. OECD Health Statistics 2016. 2016.
3. Cutler DM. Equality, efficiency, and market fundamentals: the dynamics of international medical-care reform. *Journal of Economic Literature*. 2002;40(3):881-906.
4. Fulop N. *Studying the organisation and delivery of health services: research methods*: Psychology Press; 2001.
5. WHO. *World Report on Health Policy and Systems Research Switzerland*: World Health Organization, 2017.
6. CBS. *Zorguitgaven; aanbieders van zorg en financieringsbron*. Den Haag / Heerlen, the Netherlands: Centraal Bureau voor de Statistiek; 2016.
7. Huckman RS, Pisano GP. The Firm Specificity of Individual Performance: Evidence from Cardiac Surgery. *Management Science*. 2006;52(4):473-88.
8. Douglas TJ, Ryman JA. Understanding competitive advantage in the general hospital industry: Evaluating strategic competencies. *Strategic Management Journal*. 2003;24(4):333-47.