

ENTRY BARRIERS IN PROVIDER MARKETS: EVIDENCE FROM DIALYSIS CERTIFICATE-OF-NEED PROGRAMS

David A. Rosenkranz*

JOB MARKET PAPER

October 22, 2021

([an updated version may be available here](#))

Abstract. Can entry barriers in health care provider markets raise welfare? In the U.S., proponents of regulatory entry barriers called CON programs claim that they reduce waste by limiting “unnecessary” entry. I examine CON programs in the dialysis industry, where their effects on market structure, access, health, costs, and welfare are poorly understood, and where patients are sensitive to access and quality. I combine quasi-experimental policy variation in low population areas with a structural model of patient preferences to find that marginal entrants improved access significantly, reduced hospitalization rates, and generated for patients the utility value of traveling 275-344 fewer miles per month; but there is evidence that they contributed even more to fixed costs. Using policy variation throughout North Carolina, I also find evidence that the NC dialysis CON program created a mechanism through which incumbents could block potential entrants by expanding in tandem with their local patient populations. Taken together, my findings suggest that stronger regulatory entry barriers in low population areas may raise total welfare at patients’ expense—but they also amplify concerns that CON programs dampen competition statewide.

*Department of Economics, Columbia University. Email: dar2151@columbia.edu and darosenkranz@gmail.com. I thank my advisers Douglas Almond, Michael Best, Sebastian Calonico, Gautam Gowrisankaran, Ryan McDevitt, Ashley Swanson, and Pietro Tebaldi. I thank Paul Eliason for his valuable advice. I am grateful to attendees of the Columbia University Department of Economics IO Workshop, IO Colloquium, Econometrics Colloquium, Applied Microeconomics Colloquium, and Applied Microeconomic Theory Colloquium; attendees of the Health Economics and Policy Seminar at the Mailman School of Public Health; and the ASHEcon Virtual Mentoring Program. Finally, I thank Guy Aridor, Tatyana Avilova, Daniel Deibler, Felipe Netto, Bozidar Plavsic, Silvio Ravaioli, and Dario Romero. All remaining errors are mine. The data reported here have been supplied by the United States Renal Data System (USRDS). The interpretation and reporting of these data are the responsibility of the author(s) and in no way should be seen as an official policy or interpretation of the U.S. government.

The manuscript is complete and will be shared after a privacy review by the US Renal Data System administrators.