

Do Certificate-of-Need Laws Increase Indigent Care?

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Introduction

- Certificate-of-need (CON) programs prohibit hospitals, nursing homes, and ambulatory surgical centers from entering new markets or making changes to the existing capacity of medical facilities without first gaining approval from certificate-of-need regulators.
- As of 2011, 36 states and the District of Columbia had a CON program.

Why grant monopoly privileges?

- The original justification for these laws was that CON programs would be able to control health care costs. Competition induces hospitals to over-invest in capacity, and regulators could lower costs by only granting needed investments.
- Early economic literature on the topic overwhelmingly showed no evidence of lower costs. Econ 101!
- The modern argument is that supply restrictions create monopoly profits and that with regulation, regulators can induce hospitals to cross-subsidize health care for the poor.

```
summary(cars)
```

```
##           speed           dist
##  Min.      : 4.0    Min.      :  2
##  1st Qu.:12.0    1st Qu.: 26
##  Median :15.0    Median : 36
##  Mean   :15.4    Mean   : 43
##  3rd Qu.:19.0    3rd Qu.: 56
##  Max.   :25.0    Max.   :120
```

Slide with Plot

