

# The Impact of Hospital Competition on Healthcare Quality: Evidence from China's Healthcare Reform

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## Abstract

Hospital competition has been a common feature in healthcare reforms worldwide, yet scant attention has been paid to its impact on healthcare quality in developing countries in the literature. In our study, we investigated the impact of hospital competition on healthcare quality in China. Employing a competition model with hospital decisions and patient choice, we theoretically analyzed the effects of hospital competition on healthcare quality under China's healthcare reform. Using multiple datasets comprising city- and individual-level data of 21,974 individuals across 150 districts, we measured technical and non-technical healthcare quality by readmission and patient satisfaction, respectively. To mitigate endogeneity concerns, we instrumented hospital competition with the inverse of average distance and time from patients and hospitals and performed 2SLS methods. Our results revealed a positive association between hospital competition and healthcare quality. Specifically, the impact of hospital competition on technical healthcare quality is significantly positive for public hospitals, and hospital competition has a larger effect on healthcare quality for primary hospitals and inpatient services. Additionally, our findings implied that hospital competition affects healthcare income, which in turn affects non-technical healthcare quality, while healthcare income and demand jointly influence the relationship between hospital competition and technical healthcare quality. The finding provides new evidence of the impact of hospital competition on both technical and non-technical healthcare quality in China and offers valuable policy implications for developing countries facing the challenges of introducing hospital competition.

## Keywords

Hospital Competition, Technical Healthcare Quality, Non-technical Healthcare Quality, China's Healthcare Reform