

Hospital IT systems can facilitate price collusion, study finds

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Multihospital health systems with a uniform IT platform across member

hospitals have an easier time tacitly colluding with rival systems to keep service prices above competitive levels, according to a new study from a researcher at The University of Texas at Austin.

The study found tacit collusion is most pronounced among systems with standardized IT and member hospitals overlapping in multiple patient markets, and less likely for systems using newer, advanced analytical IT.

"The more you overlap, the more likely you are to achieve that sphere of influence with each other and force the other party into tacit compliance," said Hüseyin Tanriverdi, an associate professor of information, risk and operations management in the McCombs School of Business.

The research is online in the journal *MIS Quarterly*.

Tanriverdi, with Kui Du of the University of Massachusetts, tapped into data on 195 multihospital health systems' IT setups along with finance and operations information, quality of care delivery processes and medical service offerings, among several others.

They found that having uniform IT helps the systems efficiently suggest and monitor prices charged, and compare pricing with that of rivals over time. It's also easier to tell whether a competing health system has broken the unspoken agreement to keep prices high by lowering costs, then rivals swiftly retaliate to bring it back in line.

"Standardized IT is key to doing this," Tanriverdi said. "To the extent that multihospital health systems are able to do it, prices are high and both parties are profitable."

In the U.S., on average, hospitals charge 3.4 times the cost of their services, with those owned by multihospital systems charging

significantly more than stand-alone facilities.

The research found multihospital systems that overlapped with one another and had standardized IT saw daily costs per patient on average \$432 higher than competitive prices. The prices of systems whose member hospitals used more advanced IT were only \$171 higher, on average.

Innovative IT helped hospitals reduce [costs](#), a benefit they used to compete with local rivals and passed on to customers by lowering prices and keeping them low.

The researchers said the study could help individual hospitals that are part of multihospital health systems decide whether to invest more significantly in innovative, advanced IT solutions.

More information: Kui Du and Hüseyin Tanriverdi, Does IT Enable Collusion or Competition: Examining the Effects of IT on Service Pricing in Multi-market Multihospital Systems, *MIS Quarterly*. [DOI: 10.25300/MISQ/2022/16764](#). [misq.umn.edu/does-it-enable-co ... ospital-systems.html](https://misq.umn.edu/does-it-enable-co...ospital-systems.html)

Provided by University of Texas at Austin

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