

HEALTHCARE MARKETS

For-profit vs. Non-profit Hospital Competition

Date

Tuesday, 15th May

Time

11:00am - 12:30pm

Venue

The University of New South Wales,
Central Lecture Block, Theatre 1

Please register your attendance

marketing@unsw.edu.au

We find unusual competitive interactions between for-profit and non-profit hospitals contribute to non-profit hospitals having higher profits and prices than for-profit. The non-profit's legal inability to distribute profits to stakeholders allows non-profits to sacrifice profits for market share, thus creating formidable competitive advantages. Specifically, given the non-profits willingness to forego profits for output, non-profits deter for-profit entry into premium specialty medical services (PSMS) markets, or for-profits cede market share to non-profits foreseeing low post-entry competitive prices in costly PSMS markets. Consequently, non-profits dominate PSMS (e.g. epilepsy, cardiology, orthopaedics, and neurosurgery services) markets, commanding both greater output and higher prices. Those gaps increase as competition intensifies because non-profits seeking output invest more aggressively. Predictably, the most profitable U.S. hospitals are non-profit. Last, focusing on PSMS, non-profits employ national advertising while for-profits use local advertising for basic services. Our research involves both game-theoretic analyses and empirical tests with several healthcare databases.



Professor Steven Shugan

McKethan-Matherly Eminent Scholar & Professor
University of Florida,
Warrington College of Business

Steven M. Shugan, the McKethan-Matherly Eminent Scholar & Professor at the University of Florida, teaches multivariate statistics, marketing models and advanced marketing management. His Ph.D. in Managerial Economics is from Northwestern University. He was formerly a full professor at University of Chicago (13 years), an assistant professor at the University of Rochester (2 years) and an instructor at SDA Bocconi, Milano. He has taught marketing, econometrics (Chicago), statistics (Florida) and computer science (Northwestern). He is an INFORMS fellow as well as an Inaugural Fellow of the Society for Marketing Science. He won several best paper awards (including twice-Marketing Science, Journal of Marketing, Journal of Retailing, finalist-Journal of Service Research, finalist-Journal of Marketing Research), and best teaching awards.