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