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# Do HMOs Have Monopsony Power?

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hospital services. Second, we estimate regressions for the utilization of ambulatory visits and inpatient hospital days per HMO enrollee, as a function of HMO buying power and other variables.

**Principal Findings:** Increased HMO buying power is associated with lower price and higher utilization of hospital services. Buying power is not related to ambulatory visit price or utilization per member.

**Conclusions:** Our findings are not consistent with the monopsony hypothesis. They suggest that managed care organizations have contributed to a welfare-increasing breakup of hospital monopoly power. The role of HMOs as buyers of ambulatory services is more complex. We discuss possible reasons why buying power may not affect price or utilization of ambulatory visits.

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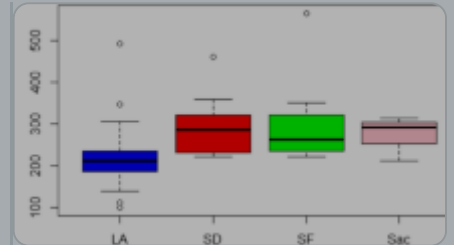
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