Discussant Comments

Driving a Bargain: Negotiation Skill and Price Dispersion

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The paper in one slide

Research question

Why do medical services have such large negotiated price dispersion across hospitals?

Core hypothesis

Price dispersion reflects not only market structure and organizational factors, but also the portable negotiation skill of individual managers.

10.1%

Higher reimbursement for a 1 s.d. increase in NS

37%

Price dispersion attributed to NS heterogeneity within bargaining weights

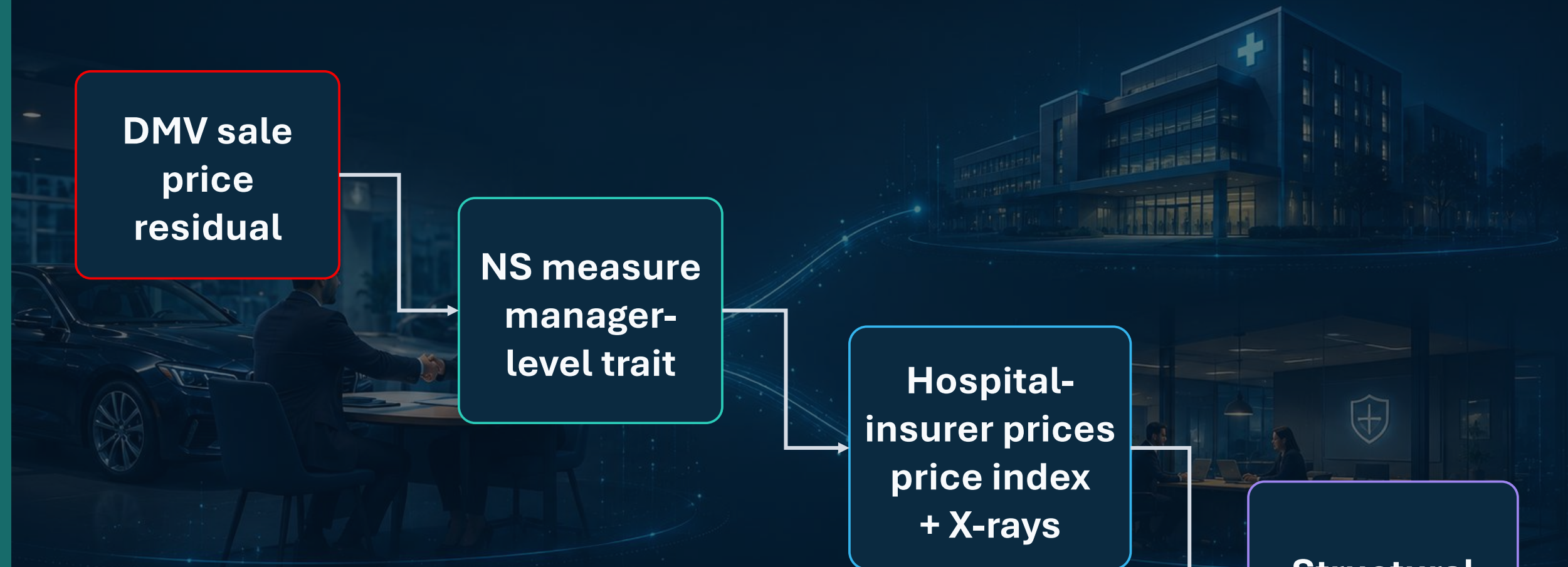
130

Exogenous turnover events

X-ray

Standardized procedure robustness

How the evidence is stacked



DMV sale price residual

NS measure manager-level trait

Hospital-insurer prices price index + X-rays

Structural model

What I like about the paper

- **Creative Measurement:** Uses outcome-based, high-frequency data (car buys) independent of the hospital setting
- **Societally Important Setting:** Addresses an important hospital-insurer contracting market
- **Robust Identification:** Employs multiple layers, standardized X-ray prices, and exogenous departures
- **Structural Bridge:** Connects reduced-form evidence to latent bargaining weights (β)

Institutional backdrop: Insurer-hospital contracts are bundles

Contracting usually involves more than just price

Percent of chargemaster, Medicare multiples, base rates, APC/DRG weights, annual escalators, prior authorization, denial rules, network tiering, volume steering, and termination threats.

Are we observing total bargaining surplus or one visible price margin?

Comment 1a: Higher hospital prices equals to “better” outcomes ?

Hospital perspective

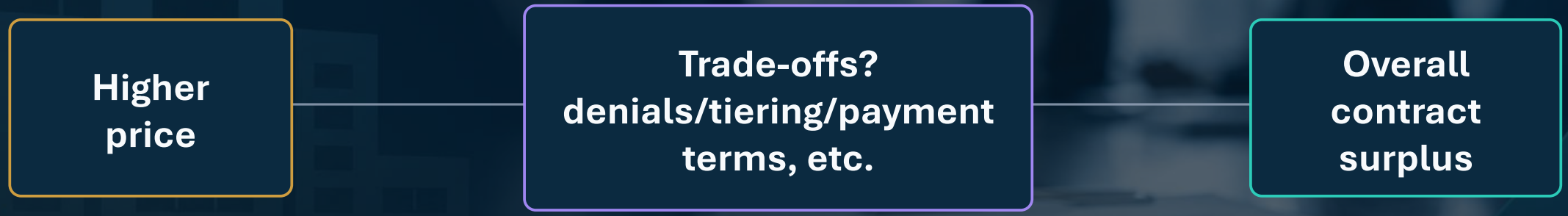
- **Higher reimbursement**
- Better revenue position
- Potentially offsets public-payer underpayment

System perspective

- **Higher premiums**
- Greater patient cost sharing
- More price dispersion / rent extraction concerns

- **Distinguishing private hospital bargaining gains from welfare-improving negotiation can be helpful**

Comment 1b: Reimbursement rates are only one contract margin



If non-price terms are unobserved, higher reimbursement may not equal better total contracts.

- **Useful outcomes: denials, patient volume, payer mix, out-of-pocket share, network participation.**

Comment 2: Structural model & disagreement costs

Insurer payoff function captures

- Demand relocation
- Patient willingness to pay

Memorial Hermann and Blue Cross Blue Shield of Texas Were Out of Network for 10 Days in April — Here Is What Houston Patients Went Through and What Comes Next

April 23, 2026 Live Insurance News

The two organizations had been in contract negotiations since the **summer of 2025**. When the April 1 deadline arrived without a **new multi-year** agreement, Memorial Hermann's hospitals and affiliated providers became out-of-network for most BCBSTX commercial health plan and Blue Advantage Marketplace members.

On April 11, 2026, Memorial Hermann and BCBSTX announced that a new agreement had been reached..... the agreement is **retroactive** to April 1.

- **If omitted, β may reflect broader insurer disruption costs**
- **NS may matter by increasing the counterparty's disagreement cost.**

Comment 3a: What does NS really measure?

The NS measure is innovative — but the vehicle sale price is only one component of a multi-dimensional car transaction.

- A lower reported vehicle price may reflect true price bargaining. Or....
  - concessions on financing
  - trade-in allowance/rebates
  - Warranties/service plans/add-ons.
- NS may capture a price-focused negotiation style, not necessarily total deal surplus.

Suggested clarification/test:

- Is the DMV sale price gross before/after trade-in?
- Can lienholder/trade-in status be observed or controlled?

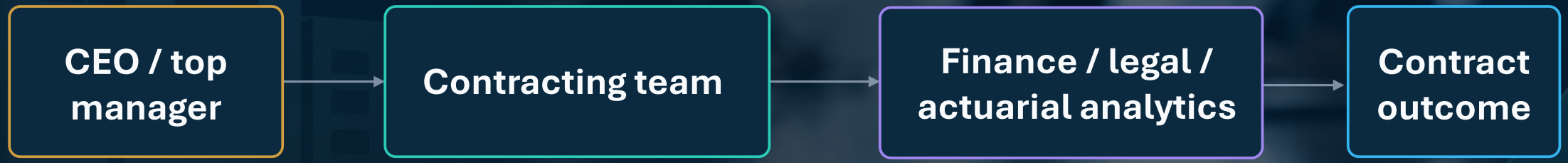
Comment 3b: Earliest car purchase??

Is NS innate or can it be learned??

- Negotiation skill may evolve through repeated negotiations, legal knowledge, and other contracting experience.
  - JD association suggests at least some learned or domain-relevant skill.

- **Suggested test:**
  - interact NS with tenure, prior hospital leadership, number of previous vehicle transactions
  - a NS measure that leverage all prior car purchase records, etc.
  - separate purchases with likely confounding margins, e.g., new vs. used cars

Comment 4: Individual skill or organizational contracting capability?



- Hospital-insurer bargaining is usually a team-based process.
- High-NS managers may personally bargain better, but may also build better contracting infrastructure.

- **Sharpen interpretation :** NS as individual bargaining skill vs. broader managerial capability/organizational design.
- **Internal promotions:** the contracting team and hospital infrastructure remain more stable, while the top manager changes. If NS still matters within internal promotions, that strengthens the individual-skill interpretation.

Comment 5a: Natural turnover, what exactly is exogenous?

What the test solves

- **Reduces endogenous departure concerns**
- Holds hospital fixed effects constant
- Uses shocks that are less tied to pricing performance

What remains

- **Departure may be exogenous; successor NS may not be**
- Boards may choose successors based on upcoming negotiations
- Retirements may involve planned succession

- **Suggested test:** separate deaths/health shocks from age-based retirements, and test predictors of successor NS.
- Or even consider the events with sudden death plus fast decision on external hires, if data permits.

Comment 5b: Timing matters because contracts are sticky

- If prices react before a plausible renegotiation window, the interpretation may involve inherited contracts, claims processing, or other concurrent changes.

- **Suggested check: effect of turnover on long-term contract price changes, e.g., year 0 to year 3.**

Comment 5c: The “star-legacy” trap

Table OA.3.9

	DV: Hospital Price Index			
	System Level		Facility Level	
	(1)	(2)	(3)	(4)
Increase-NS Turnover × NS	1.246**	1.224**	1.821***	1.668***
	(2.48)	(2.34)	(5.42)	(4.44)
Decrease-NS Turnover × NS	0.576	0.475	-0.774	-0.979*
	(1.26)	(1.00)	(-1.49)	(-1.80)

If a star manager resets contract terms upward, the next manager may inherit sticky price precedents.

Implication: Hire a very good manager to set the price, and then it doesn’t matter for the successors??? NS only matters, once a while?

- **Suggested check:**
  - **test whether current NS matters less when prior negotiated prices are already high.**
  - **Also test for longer term.**

Closing: what I would take away

NS matters.

The next step is to further clarify:

- What exactly NS measures
- When NS matters: continuous input or contract-resetting asset?
- For whom NS matters: hospital revenue, insurer surplus, patients, employers, or social welfare?
- How NS works structurally: bargaining split, disagreement-cost management, or organizational capability?

The paper is valuable because it makes an unobserved bargaining component observable — my comments are meant to make that interpretation sharper.