OBJECTIVES: Throughout Europe, economic conditions are forcing health care system reform, leading to increased scrutiny of health care costs. One dimension of health care costs is hospital length of stay (LOS). This study sought to determine which European countries have been most successful at reducing their average LOS for five inpatient admissions. This research also sought to quantify the potential savings for countries that have not achieved their current average LOS, and therefore have yet to realize the potential savings of their peers. METHODS: A review of hospital LOS and cost per day of hospital stay data was conducted in five European countries (France, Germany, Italy, Spain and the United Kingdom), utilizing data collected in inpatient medical wards during fiscal year 2011. Additionally, hospital payment systems were assessed in each country through published research to understand systemic motivations of health care providers with regards to LOS. RESULTS: Substantial variability exists in average LOS for the studied countries. The median variability was in inpatient medical ward stays ranging from 4.36 days in the UK to 11.01 days in Germany. The average LOS for three admissions (single spontaneous delivery, cataracts, and pneumonia) are relatively similar across countries. However, the average LOS in Germany for malignant neoplasm of the breast and acute myocardial infarction are significantly higher than the other four countries. There is little variability, however, in average costs per bed-day in the target countries. A review of payment mechanisms for inpatient hospitalization data in each country indicates that hospitals are financially incentivized to minimize LOS in all five countries. CONCLUSIONS: Additional research is needed to understand the reason for the discrepancy between German stays and the other four countries. While there are many potential reasons for the differences, should Germany align their average LOS for malignant neoplasm of the breast and acute myocardial infarction with the other four countries, they could save $744 million per year.

PHP91
R&D INVESTMENTS, INTANGIBLE CAPITAL AND PROFITABILITY IN THE PHARMACEUTICAL INDUSTRY


cJonas I. Melchick, IC Alexander, IC Vanessa B.

1WHU- Otto Beisheim School of Management, Vallendar, Germany, 2Janssen-Pharmaceutical companies of Johnson & Johnson, Neuss, Germany

OBJECTIVES: This paper investigates the relationship between research and development (R&D) investments and company profitability, by testing the hypothesis that R&D investments influence company profitability. The analysis is conducted for the period 1999-2011, for 111 European pharmaceutical companies. The profitability measure used is the return on equity (ROE).

RESULTS: Empirical results show a significant and positive relationship between R&D investments and profitability. The findings are robust to alternative methodologies and specification changes. The results are consistent across a wide range of specifications.

CONCLUSIONS: The results suggest that R&D investments are a key driver of profitability in the pharmaceutical industry. The findings contribute to the literature on the role of R&D in corporate performance. The results also provide insights for policymakers and stakeholders in the pharmaceutical sector.