

## Abstract

The paper provides a framework for analyzing the dynamic interaction between hospitals, HMO and consumers. The HMOs provide a platform on which consumers and Hospitals meet.

Health services are provided by the hospitals but access to these hospitals are provided by HMOs. Hospitals set prices and HMOs sign contracts with different hospitals for health care services. HMO then sets prices to consumers who choose to which HMO they wish to belong to. There are several aspects that make this interaction dynamic. First sick consumers do not have the freedom to switch HMO. For other consumers there are switching costs between hospitals and HMO. The paper provides a framework to analyze this dynamic interaction.