

Management Interventions in a New Hospital: Microfounding Learning-by-Doing

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The volume-outcome hypothesis posits that hospitals become more productive as they grow in size. A generally accepted explanation for this hypothesis is that productivity improvements are due to learning by doing, whereby hospitals become more efficient as a result of increased experience. In this paper we use rich emergency room data to study the determinants of productivity changes in a new hospital. Proxying for productivity with times of attention and medical imaging use, we find a rapid increase in productivity and productivity cycles thereafter. We show that these patterns are mostly due to managerial interventions, which if unobserved, would be attributed to learning by doing. Thus, we provide a microfoundation of learning by doing, arguing that learning by doing can be greatly explained by good management practices.