This paper examines the effect of competition on the supply of specialized substance abuse treatment services (SPESER) in the US. Cross-sectional data on 7,368 substance abuse providers across 359 metropolitan areas were used in the analyses. The results showed that competition increases the supply of SPESER by about 10%. However, when data were analyzed using hierarchical linear models (HLM), competition only increases the supply of SPESER by 5%. Moreover, when characteristics of the provider were included, competition was no longer statistically significant. These results suggest that policymakers should not always expect that competition will increase supply of services.

Keywords: Drug Treatment, Specialized Services, Supply, Competition, Behavioral Health, Hierarchical Linear Models