

Hospital Ownership Type and Service Provision

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Abstract

Nonprofit hospitals are argued to differ little from their for-profit counterparts in the provision of care yet they enjoy tax-exempt status and face almost no requirements. In this work, I estimate the valuations hospitals assign to service provision relative to the value they assign to profits by hospital ownership, (for-profit, nonprofit or government owned) in a structural way and present evidence that valuations differ significantly by ownership type. Despite the absence of requirements, nonprofit hospitals value services relative to profits much more than their for-profit counterparts. The estimates are obtained by comparing the profits hospitals would have made had they provided the service and the costs had they not provided the service to what was actually done, which is calculated using demand models.

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