

Determinants of Operational and Financial performance and Market Concentration for Not-For-Profit Hospitals

Abstract

We draw on data from the American Hospital Association, Center for Medicare and Medicaid Services, as well as the Internal Revenue Service Form 990 in our search for determinants of not-for-profit (NP) hospital performance. We evaluate the impact of various factors to determine key aspects of effective financial and operational practices in NP hospitals. Specifically, we attempt to identify and evaluate key characteristics of NP hospitals that impact their financial performance, market concentration as well as measures of quality of care, including inpatient length of stay, mortality rate, market concentration measured by Herfindahl-Hirschman Index, and return on assets. The goal is to provide valuable insights for hospital administrators and policy makers, and in turn lead to better efficiencies and reduced service costs. We find that a high percentage of indigent patient population as well as less independent boards can have a negative impact on NP performance. Also, as expected, higher levels of contributions are positively related to NP's financial health. Factors such as size of hospital and percentage of indigent Medicare population have a positive impact on quality of care with regard to mortality rate. We found that several factors, including median income, Governor's party affiliation, and population health status significantly impact at least one of the variables in each of the categories (quality of care, financial performance and market concentration).

Keywords: Not-for-Profit; Hospitals; Financial Performance; Quality of Care; Governance; Market Concentration