

7.1 NON-PROFIT ORGANIZATIONS OR PUBLIC OWNED ENTERPRISES PROVIDED LARGER SHARE OF HEALTH OUTPUT*

Christopher Conover

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Abstract

Compared with the rest of the economy, a much larger share of health output is provided by non-profit organizations or publicly owned enterprises.

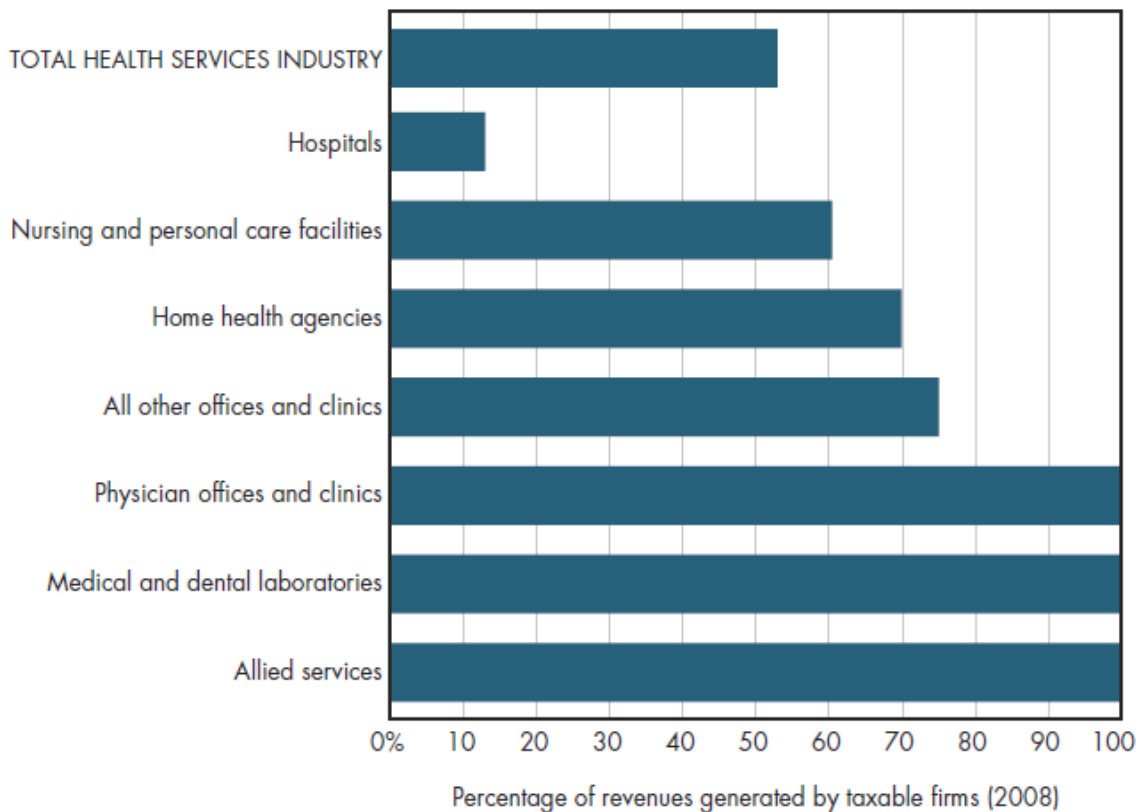
Almost half of all revenues in the health system are generated by tax-exempt organizations, including both those that are publicly owned or are organized as non-profit firms. The share of revenues flowing through such enterprises is far larger in the hospital sector than in any other area of health care delivery. The relative importance of government-owned firms varies by subsector.

On average, 40 percent of nursing home care is provided through tax-exempt firms, but this is a blend of nursing homes — where for-profit firms account for 75 percent of revenues — and various types of residential care facilities for the elderly, along with those requiring care for mental health, mental retardation, or substance abuse. The tax-exempt share among such facilities is approximately 65 percent. Among home health agencies, the tax-exempt share is less than 30 percent (figure 7.1).

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7.1 Public and non-profit owners dominate the hospital sector and provide a large fraction of nursing home and home health care



Note: "Health services" includes ambulatory health care services and hospitals, nursing, and residential care facilities. It does not include pharmaceuticals, medical devices, non-durable medical products, or the health insurance industry.

It has been postulated that non-profit or public enterprises might be attractive in sectors such as health care in which consumer trust is an important factor. Many studies compare the performance of non-profit firms relative to for-profit firms in terms of various measures of efficiency, profitability, access to care, and similar metrics. Although the evidence is mixed, with neither form having a clear advantage, the performance has been sufficiently similar that it has prompted IRS scrutiny of whether tax exemption is warranted for hospitals. Current federal tax rules require hospitals to demonstrate that the dollar value of the community benefits they provide equal or exceed the amount of tax savings resulting from exemption. A far smaller literature compares the relative performance of government-owned firms with either for-profit or non-profit health care organizations.

1 Downloads

Download Excel tables used to create figure: Figure 7.1 Table¹. Figure 7.1 was created from the following table (the workbook includes all supporting tables used to create this table):

- Table 7.1. Share of Total Health Services Industries Revenues Generated by Tax-Exempt Firms, by Industry, 2008

¹<https://hub.mili.csom.umn.edu/content/m10045/1.1/7.1TAB.xls>

Download PowerPoint versions of both figures.

- Figure 7.1 Image Slide (as it appears above)²
- Figure 7.1 Editable Slide (can be formatted as desired)³

2 References

A. Department of Commerce. Bureau of the Census.

²<https://hub.mili.csom.umn.edu/content/m10045/1.1/7.1IMG.ppt>

³<https://hub.mili.csom.umn.edu/content/m10045/1.1/7.1DATA.ppt>