

# 7.2 GOVERNMENT-OWNED FIRMS ACCOUNT FOR LOW SHARE OF ACTIVITY\*

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## Abstract

In most subsectors of health care, government-owned firms account for only approximately 10 percent of activity.

Government's role in the production of health services is far smaller than its role in health care financing. In most subsectors, government-owned firms account for approximately 10 percent of overall activity, the chief exception being the health insurance industry. These observations require several important caveats.

First, there is no standardized way to measure the relative importance of government-owned firms in health care. The previously cited numbers on revenues by ownership permit only a clear division between firms subject to federal taxes and those that are not. To understand the relative importance of government-owned firms compared with non-profit firms requires data on activity that differ by industry. As shown in figure 7.2, the available measures of "activity" range from firms, to beds, to enrollment, none of which is entirely satisfactory.

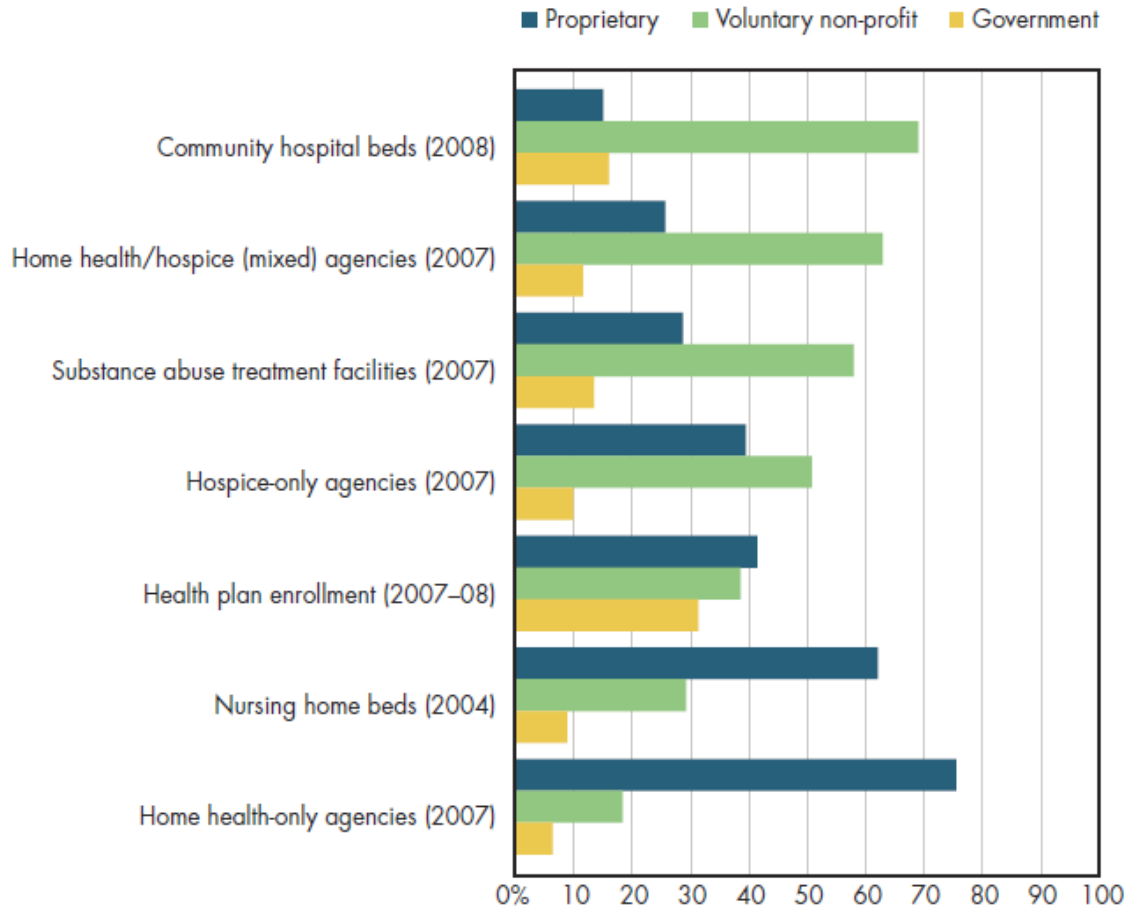
Second, ownership is not equivalent to management. Many county- or city-owned hospitals, for example, have their day-to-day operations managed by either for-profit or non-profit firms. More than 20 percent of all hospitals, including federal, state, and local (city or county) facilities, are publicly owned. However, this includes military and specialty hospitals (for example, psychiatric, tuberculosis). Among so-called community hospitals, only approximately one in six beds is publicly owned—almost identical to the share owned by for-profit facilities (figure 7.2).

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\*Version 1.1: Sep 23, 2013 12:43 pm -0500

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## 7.2 Most tax-exempt firms are voluntary non-profit agencies; government accounts for only approximately 10 percent in most subsectors



Note: Medicare, Medicaid, and SCHIP are categorized as government health plans. Percentages for health plan enrollment add to more than 100 percent because of duplicate coverage.

In the health insurance industry, the public sector role is defined in terms of enrollment in public health plans such as Medicare and Medicaid. However, government does not "own" any Medicare plans. All claims processing for those using fee- for-service Medicare is handled by private-sector intermediaries such as Aetna or Blue Cross and Blue Shield. Either many states permit those eligible for Medicaid or SCHIP to enroll in private health plans such as HMOs or they contract out their claims- processing to private insurance companies or third-party administrators. Based on membership, approximately half of the insurance business is handled by non-profit firms such as Blue Cross and Blue Shield plans, Kaiser Permanente, and HIP Health Plan of New York. Non-profit Blue Cross and Blue Shield plans alone cover more than 30 percent of the private health insurance market.

### 1 Downloads

Download Excel tables used to create figure: Figure 7.2 Table<sup>1</sup> . Figure 7.2 was created from the following table (the workbook includes all supporting tables used to create this table):

<sup>1</sup><https://hub.mili.csom.umn.edu/content/m10046/1.1/7.2TAB.xls>

- Table 7.2. Distribution of Total Health Services Industries Expenditures, by Industry and Ownership Type, 2007

Download PowerPoint versions of both figures.

- Figure 7.2 Image Slide (as it appears above)<sup>2</sup>
- Figure 7.2 Editable Slide (can be formatted as desired)<sup>3</sup>

## 2 References

A. Department of Commerce. Bureau of the Census.

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<sup>2</sup><https://hub.mili.csom.umn.edu/content/m10046/1.1/7.2IMG.ppt>

<sup>3</sup><https://hub.mili.csom.umn.edu/content/m10046/1.1/7.2DATA.ppt>