

Table 1: Summary Statistics of U.S. Hospital Ownership Status and Conversions, 1985-1995

Hospital Observations in sample, all years	NP	17,747	60.7%
	FP	2,468	8.4%
	Gov	9,033	30.9%
Hospital Observations, 1985	NP	1,478	58.9%
	FP	289	11.5%
	Gov	744	29.6%
Hospital Observations, 1995	NP	1,574	60.7%
	FP	160	6.2%
	Gov	857	33.1%
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Non-Profit Status Change, all years	no change	15,657	96.8%
	to FP	147	0.9%
	to Gov	369	2.3%
For-Profit Status Change, all years	no change	1,926	83.4%
	to NP	179	7.8%
	to Gov	203	8.8%
Government Status Change, all years	no change	7,700	94.2%
	to NP	424	5.2%
	to FP	52	0.6%

Source: Authors' calculations based on data from hospital cost reports supplied by the Health Care Financing Administration, 1985-1995.

Table 2: Multinomial Logit for Hospital Status (Levels) (Base case is Non-Profit)
Dependent Variable: Ownership status

For-Profit	3-digit zip code	5-digit zip code
Capital/Revenue	0.105 (0.755)	0.135 (0.961)
Salaries/Revenue	-9.850 (-29.258)	-10.010 (-28.891)
Market Share	-2.776 (-16.008)	-2.678 (-15.156)
Other NP or Government Hospitals	-2.220 (-13.473)	-2.235 (-13.329)
Education, Less Than High School	1.397 (3.254)	1.367 (5.633)
Education, College or More	0.937 (1.797)	1.804 (6.273)
Household Income < \$20,000	1.821 (4.753)	0.571 (3.035)
Household Income ≥ \$75,000	2.810 (4.527)	1.187 (3.904)
Debt-Asset Ratio	0.545 (7.964)	0.551 (7.931)
Medicaid Days	-0.278 (-1.441)	-0.233 (-1.186)
Medicare Days	-1.538 (-9.062)	-1.505 (-8.694)
Case Mix Index	-0.477 (-3.267)	-0.536 (-3.614)
Number of Beds	-0.00046 (-1.787)	-0.00047 (-1.800)
Number of Residents	-0.00720480 (-4.652)	-0.00634850 (-4.174)
Length of Stay	-0.025 (-5.856)	-0.024 (-5.355)
Occupancy Rate	-1.522 (-10.070)	-1.584 (-10.273)
Constant	5.900 (16.848)	6.328 (18.346)

Government		
	0.835 (10.224)	0.845 (10.148)
Capital/Revenue		
Salaries/Revenue	1.432 (8.455)	1.348 (7.826)
Market Share	-0.846 (-8.959)	-0.738 (-7.702)
Other NP or Government Hospitals	-0.102 (-0.780)	-0.140 (-1.068)
Education, Less Than High School	2.503 (9.982)	0.775 (5.152)
Education, College or More	-0.927 (-2.664)	-0.337 (-1.633)
Household Income < \$20,000	0.979 (4.335)	0.543 (4.483)
Household Income ≥ \$75,000	0.004 (0.010)	0.661 (3.051)
Debt-Asset Ratio	-1.577 (-24.543)	-1.563 (-23.910)
Medicaid Days	0.381 (3.706)	0.421 (3.974)
Medicare Days	-1.275 (-12.270)	-1.216 (-11.498)
Case Mix Index	-1.958 (-21.588)	-2.171 (-23.180)
Number of Beds	-0.000002 (-0.171)	0.000004 (-0.337)
Number of Residents	0.00218800 (7.798)	0.00332820 (10.428)
Length of Stay	-0.018 (-9.953)	-0.019 (-10.441)
Occupancy Rate	-1.841 (-20.609)	-1.956 (-21.405)
Constant	2.058 (9.294)	2.816 (12.857)
<i>Number of Observations</i>	30626	29248
<i>Pseudo R²</i>	0.1661	0.1645

Source: Authors' calculations described in text.

Notes: *t*-statistic values are in parentheses. Year dummies are included (not reported). Both columns contain hospital market variables defined in the 3-digit zip code market. The first column contains education and income variables defined in the 3-digit zip code market. The second column contains education and income variables defined in the 5-digit zip code market.

Table 3: Multinomial Logit: Non-Profit Status Change (Base case is no change)
Dependent variable: Non-Profit hospitals' ownership status next year

Non-Profit to For-Profit	3-digit zip code	5-digit zip code
Capital/Revenue	1.677 (4.673)	1.624 (4.234)
Salaries/Revenue	-3.137 (-2.543)	-3.042 (-2.391)
Market Share	-1.475 (-2.754)	-1.198 (-2.197)
Other NP or Government Hospitals	-1.203 (-2.133)	-0.621 (-0.922)
Education, Less Than High School	2.307 (1.824)	1.357 (1.767)
Education, College or More	-0.561 (-0.301)	0.748 (0.676)
Household Income < \$20,000	-1.212 (-0.973)	0.030 (0.046)
Household Income ≥ \$75,000	-1.657 (-0.736)	-4.769 (-2.635)
Debt-Asset Ratio	-0.144 (-0.423)	-0.203 (-0.575)
Medicaid Days	0.430 (0.539)	0.184 (0.227)
Medicare Days	0.431 (0.619)	0.377 (0.528)
Case Mix Index	0.474 (1.069)	0.431 (0.997)
Number of Beds	-0.000063 (-0.121)	0.00001 (0.023)
Number of Residents	-0.00083780 (-0.430)	-0.00063210 (-0.328)
Length of Stay	-0.013 (-0.726)	-0.011 (-0.622)
Occupancy Rate	-0.336 (-0.635)	-0.291 (-0.544)
Constant	-2.254 (-1.896)	-3.031 (-2.477)

Non-Profit to Government		
Capital/Revenue	1.285 (4.795)	1.299 (4.705)
Salaries/Revenue	0.728 (1.100)	0.666 (0.991)
Market Share	-0.767 (-1.924)	-0.682 (-1.668)
Other NP or Government Hospitals	-0.301 (-0.592)	-0.428 (-0.838)
Education, Less Than High School	-0.233 (-0.259)	0.454 (0.836)
Education, College or More	-3.337 (-2.461)	0.101 (0.129)
Household Income < \$20,000	2.394 (2.874)	0.568 (1.180)
Household Income ≥ \$75,000	-0.263 (-0.161)	-0.248 (-0.259)
Debt-Asset Ratio	-0.830 (-3.514)	-0.898 (-3.689)
Medicaid Days	0.981 (2.665)	1.008 (2.648)
Medicare Days	0.233 (0.588)	0.358 (0.893)
Case Mix Index	-1.867 (-4.291)	-1.963 (-4.439)
Number of Beds	-0.001315 (-1.593)	-0.00178 (-2.085)
Number of Residents	0.00098020 (2.128)	0.00239400 (3.392)
Length of Stay	-0.004 (-0.615)	-0.005 (-0.837)
Occupancy Rate	-2.079 (-5.662)	-2.082 (-5.573)
Constant	-0.637 (-0.709)	-0.505 (-0.567)
<i>Number of Observations</i>	17019	16173
<i>Pseudo R²</i>	0.1311	0.1319

Source: Authors' calculations described in text.

Note: *t*-statistic values are in parentheses. Year dummies are included (not reported). Both columns contain hospital market variables defined in the 3-digit zip code market.

The first column contains education and income variables defined in the 3-digit zip code market.

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Table 4: Multinomial Logit: For-Profit Status Change (Base case is no change)
Dependent variable: For-Profit hospitals' ownership status next year

For-Profit to Non-Profit	3-digit zip code	5-digit zip code
Capital/Revenue	0.446 (1.035)	0.530 (1.232)
Salaries/Revenue	6.040 (7.010)	6.051 (6.934)
Market Share	2.147 (4.165)	2.195 (4.367)
Other NP or Government Hospitals	2.222 (3.115)	2.402 (3.411)
Education, Less Than High School	-0.524 (-0.351)	0.353 (0.397)
Education, College or More	-1.153 (-0.616)	-1.364 (-1.095)
Household Income < \$20,000	-3.276 (-2.518)	-0.415 (-0.692)
Household Income ≥ \$75,000	-3.113 (-1.270)	-1.175 (-0.905)
Debt-Asset Ratio	-0.135 (-0.644)	-0.199 (-0.913)
Medicaid Days	-0.273 (-0.336)	-0.442 (-0.519)
Medicare Days	1.249 (1.984)	1.167 (1.833)
Case Mix Index	-0.037 (-0.073)	0.061 (0.118)
Number of Beds	0.000265 (0.257)	0.00059 (0.561)
Number of Residents	0.00684140 (2.198)	0.00539220 (1.713)
Length of Stay	0.003 (0.168)	0.008 (0.409)
Occupancy Rate	1.339 (2.880)	1.380 (2.949)
Constant	-7.136 (-5.693)	-8.623 (-6.908)

For-Profit to Government		
Capital/Revenue	0.567 (1.124)	0.571 (1.126)
Salaries/Revenue	6.202 (6.187)	6.380 (6.282)
Market Share	2.414 (3.838)	2.264 (3.522)
Other NP or Government Hospitals	1.114 (2.180)	1.240 (2.349)
Education, Less Than High School	-0.174 (-0.101)	-1.147 (-1.173)
Education, College or More	-1.943 (-0.785)	-1.816 (-1.273)
Household Income < \$20,000	-4.199 (-2.760)	-0.626 (-0.874)
Household Income ≥ \$75,000	-4.676 (-1.490)	-0.253 (-0.174)
Debt-Asset Ratio	-1.160 (-3.803)	-1.214 (-3.875)
Medicaid Days	-0.753 (-1.010)	-0.463 (-0.601)
Medicare Days	0.309 (0.486)	0.151 (0.233)
Case Mix Index	-2.753 (-4.265)	-2.612 (-3.922)
Number of Beds	0.000207 (0.137)	-0.00046 (-0.292)
Number of Residents	0.00473120 (0.828)	0.00552810 (0.958)
Length of Stay	0.031 (2.175)	0.032 (2.182)
Occupancy Rate	-0.860 (-1.504)	-0.798 (-1.360)
Constant	-1.721 (-1.320)	-3.021 (-2.285)
<i>Number of Observations</i>	2398	2308
<i>Pseudo R²</i>	0.2814	0.2786

Source: Authors' calculations described in text.

Note: *t*-statistic values are in parentheses. Year dummies are included (not reported). Both columns contain hospital market variables defined in the 3-digit zip code market.

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Table 5: Multinomial Logit: Government Status Change (Base case is no change)
Dependent variable: Government hospitals' ownership status next year

Government to Non-profit	3-digit zip code	5-digit zip code
Capital/revenue	0.651 (2.506)	0.646 (2.423)
Salaries/Revenue	-1.636 (-2.781)	-1.765 (-2.944)
Market Share	0.450 (1.316)	0.310 (0.883)
Other NP to Government Hospitals	0.442 (0.914)	0.289 (0.594)
Education, Less Than High School	-2.370 (-2.449)	0.349 (0.593)
Education, College or More	-0.891 (-0.655)	0.208 (0.246)
Household Income < \$20,000	1.069 (1.275)	0.063 (0.140)
Household Income ≥ \$75,000	0.520 (0.335)	-0.668 (-0.779)
Debt-Asset Ratio	0.799 (3.454)	0.682 (2.807)
Medicaid Days	0.816 (2.289)	0.705 (1.911)
Medicare Days	1.012 (2.644)	0.937 (2.407)
Case Mix Index	0.538 (1.519)	0.739 (2.065)
Number of Beds	0.000002 (0.043)	0.00000 (0.038)
Number of Residents	-0.00087580 (-0.680)	-0.00096600 (-0.749)
Length of Stay	0.010 (1.683)	0.012 (1.956)
Occupancy Rate	-0.115 (-0.371)	-0.060 (-0.203)
Constant	-3.714 (-4.394)	-4.176 (-5.016)

Government to For-Profit		
	1.088	0.963
Capital/Revenue	(1.714)	(1.485)
Salaries/Revenue	-2.273 (-1.369)	-2.165 (-1.313)
Market Share	-1.639 (-1.288)	-1.532 (-1.205)
Other NP to Government Hospitals	16.715 (8.318)	16.563 (8.536)
Education, Less Than High School	-4.279 (-1.468)	0.216 (0.128)
Education, College or More	7.003 (2.032)	4.541 (2.705)
Household Income < \$20,000	0.612 (0.248)	1.719 (1.419)
Household Income ≥ \$75,000	-8.318 (-1.767)	-0.854 (-0.344)
Debt-Asset Ratio	1.032 (1.752)	1.209 (2.011)
Medicaid Days	-0.299 (-0.264)	-0.637 (-0.550)
Medicare Days	0.639 (0.600)	-0.035 (-0.032)
Case Mix Index	0.464 (0.449)	0.542 (0.522)
Number of Beds	0.000006 (0.059)	0.00001 (0.062)
Number of Residents	-0.01509930 (-0.997)	-0.01610100 (-1.043)
Length of Stay	0.005 (0.245)	0.006 (0.307)
Occupancy Rate	0.109 (0.285)	0.100 (0.213)
Constant	20.16412 (NA)	-21.640 (NA)
<i>Number of Observations</i>	8495	8176
R^2	0.0910	0.0889

Source: Authors' calculations described in text.

Note: *t*-statistic values are in parentheses. Year dummies are included (not reported). Both columns contain hospital market variables defined in the 3-digit zip code market.

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