Organizational Structure and Productive Efficiency of Non-profit Hospitals

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Abstract

This paper investigates how hospital affiliation in a multi-hospital system (contract managed, owned, sponsored), the number of system hospitals, HMO and PPO contracts, and other factors, impacts hospital cost efficiency. Using a 1996-1999 panel of 248 hospitals, results show that for urban hospitals, increasing the number of hospitals in the system, system ownership and contract management/sponsorship of hospitals in period t-1 do not contribute to improvements in current period (period t) cost efficiency. For rural hospitals, increasing the number of hospitals in the system, system ownership and contract management/sponsorship of hospitals in period t-1 helped enhance current period cost efficiency.

JEL Codes:   D29, I19, L31

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