

Health-contribution-motivated Expense Shifting and Determinants by Nonprofit Hospitals

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Abstract

Taiwan's Medical Care Act was amended in 2005 to lower the minimum appropriate standards for non-profit hospitals in providing community benefit services, and the calculation base for the total amount of community benefit services was modified from medical revenue into medical net income.

This study aims to investigate the impact of the law amendment on non-profit hospitals in shifting expense from non-medical activities to medical activities. This paper examines 46 non-profit hospitals in Taiwan during 2001-2013, and the OLS (ordinary least square) are applied to conduct regression analysis in order to review the connection, which controls both hospital and environmental characteristics, between the law amendment and the expense-shifting of non-profit hospitals.

The empirical results show that the amendment of the Medical Care Act to modify the calculation base for community benefit services has significant impact on the ratio of expense shifting between medical and non-medical activities. Before the law amendment, religious groups had levels of expense shifting similar to doctor and government groups (reference groups), but after the law amendment, religious groups have higher levels of expense shifting than the reference groups. Before the law amendment, business groups had lower levels of expense shifting than the reference groups, but after the law amendment, the results indicate that non-profit hospitals in the business groups pay more attention to medical performance than others, thus, after the law amendment, business groups have higher levels of expense shifting than the reference groups. Whether or not the Medical Care Act was amended, the level of expense shifting between religious and business groups have no significant difference.

Keywords: Not-for-profit hospitals, Expense shifting, Unrelated business activities, Cost allocation

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