Charity and community: The role of nonprofit ownership in a managed health care system.

Mark Schlesinger; Bradford Gray; Elizabeth Bradley


Article Contents

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As American medicine has been transformed by the growth of managed care, so too have questions about the appropriate role of nonprofit ownership in the health care system. The standards for community benefit that are increasingly applied to nonprofit hospitals are, at best, only partially relevant to expectations for nonprofit managed care plans. Can we expect nonprofit ownership to substantially affect the behavior of an increasingly competitive managed care industry dealing with insured populations? In what ways will nonprofit ownership matter, and do these justify preferential treatment by policy makers? We address these issues conceptually and empirically. Drawing from historical interpretations of tax exemption in health care and from the theoretical literature on the implications of ownership for organizational behavior, we identify five forms of community benefit that might be associated with nonprofit forms of managed care. Using data from a national survey of firms providing third-party utilization review services in 1993, we test for ownership-related differences in these five dimensions. The results suggest that ownership-related differences do exist, although they are generally modest. Nonprofit utilization review firms generally provide more public goods, such as information dissemination, and are more “community oriented” than proprietary firms, but they are not distinguishable from their for-profit counterparts in addressing the implications of medical quality or the cost of the review process. However, a subgroup of nonprofit review organizations with medical origins are more likely to address quality issues than are either for-profit firms or other nonprofit agencies. Evidence on responses to information asymmetries is mixed but suggests that some ownership-related differences exist.
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