

Hospital Ownership Changes and Employers' Decision to Offer Insurance

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Abstract

This study uses 1995 - 1999 Contingent Workers Supplement and hospital ownership data from the American Hospital Association's Annual Surveys to how the employer sponsored insurance market responds to changes in hospital ownership. A Nested Multinomial Logit model estimates a two dimensional choice set of availability of an employer based plan and participation in that plan. The model indicates that access to a public hospital system produces a negligible effect on insurance availability and participation for all but the lowest income workers, and the data showed no appreciable difference for not-for-profit and for-profit hospitals.

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The patchwork of insurance coverage in the United States relies heavily on employer sponsored plans to cover workers and their dependents, but throughout the 1990s, 18% of workers remained uninsured (Fronstin 2000). Although both public and private hospitals provide uncompensated care to the uninsured, public community hospitals act as the lead safety net provider for most communities. Previous authors have found that this supply of uncompensated care does have a crowd-out effect on private insurance, but how changes in public hospitals affects the supply of employer sponsored plans remains unknown. This study explores how the employer sponsored insurance (ESI) market responds to changes in local hospital ownership distributions.

The 1990's witnessed the continued decline of employer sponsored health insurance coverage. Over the 10 year period from 1988-1997, workers covered by ESI declined from 68% to 62%, with a similar drop in workers offered ESI, from 82% to 75% (Fronstin 1999). For a similar time period, Cooper and Schone (1997) found more companies offering ESI to their workers but fewer employees participating when offered the opportunity, even after controlling for coverage through other family members. Continued research on workers not participating in ESI found similarities between workers choosing companies with no plan and those workers declining ESI when offered (Long and Marquis 1993). In both cases, these uninsured tended to be young, work part time, earn low wages, and exhibit frequent changes in employer. These results led Long and Marquis to suggest that companies not offering ESI may be reflecting a "lack of demand" for insurance amongst their employees.

Multiple studies have explored the low demand for insurance among low income workers and the uninsured. Most consider the impact of insurance premiums upon insurance choice, producing price elasticity estimates ranging from -0.31 to -0.54, depending upon the sample and type of insurance examined (Marquis et al. (2004), Marquis and Long (1995), Short and Taylor (1989)). In a 1997 study, Chernew et. al. found price elasticities between -.033 and -.095 for ESI among low income workers. With these very low elasticities, their model predicts that about ten percent of low-income workers would remain uninsured even when offered a 100% premium subsidy. Thomas (1994) produced a similar result in a paper focusing upon the income elasticities in the non-group insurance market. Her model predicts that families in poverty are not likely to purchase insurance even when faced with an actuarially fair premium.

Research to date has confirmed a link between safety-net related care and reduced demand or “crowd-out” of private, employer sponsored insurance coverage. A general consensus has emerged that any expansion of the safety net, whether it is Medicaid coverage for children or uncompensated care provided by public and not-for-profit hospitals, reduces private coverage. The primary focus of this crowd-out literature has been expansions of the Medicaid program with its associated reduction in private coverage (Cutler and Gruber 1996, Shore-Sheppard et al. 2000, and Dubay and Kenney 2003). In a study looking at Medicaid and other public funders, Thomas (1994) indicated that public provision of care (as measured by the average proportion of total medical expenditures paid by public sources in the geographic region) reduced the probability of an entire family purchasing insurance.

Most recently, several studies have confirmed the link between public hospitals and participation in employer sponsored plans. In their 2000 study, Rask and Rask found the presence of a public hospital lowered private insurance participation for individuals within 100% and 400% of the poverty line. In a follow-up study, Rask and Rask (2005) found public hospitals crowding out private coverage, but federally qualified health centers increasing participation in other public coverage. In a similar study, Herring (2005) showed self-assessed access to charity care reduces private insurance take-up. For the case of children, LoSasso and Meyer (2003) found weak crowd-out effects for total hospital uncompensated care when compared to the child's Medicaid eligibility.

Although multiple authors have found public care crowding out private coverage, the link between crowd-out and a company's decision to offer ESI remains weak. Neither Cutler and Gruber (1996) nor Shore-Sheppard, Buchmueller, and Jenson (2000) found an employer response to Medicaid expansions for women and children, and no studies have examined the influence of public hospitals on the supply of ESI. Only Herring (2005) found access to charity care reducing the availability of ESI to low income workers, but not affecting participation.

While many states were expanding Medicaid coverage in the late 1990s, many not-for-profit and public hospitals were converting to other ownership structures. For the 1991-1997 time period, Thorpe, Florence, and Seiber (2000) identified 431 ownership conversions, with public to not-for-profit and not-for-profit to for-profit conversions reducing the supply of uncompensated care provided by the hospital. No study has examined whether employers have responded to this elimination of care that previously

substituted for private insurance. The question remains whether private, employment based plans respond to changes in the public hospital ownership.

This study examines the effect of changes in local hospital ownership distributions and, in particular, public hospitals on both the take-up and offer of employer sponsored insurance. The paper uses a nested multinomial logit model to jointly estimate the probability of (1) a worker choosing an employer offering an employer sponsored plan and (2) whether the worker remains uninsured, participates in the group plan, or obtains coverage in the individual market. The final section simulates the effect of a change in public hospital presence on insurance choice and ESI eligibility.

Data and Methods

This study uses both the 1995, 1997, and 1999 Current Population Surveys (CPS) and the American Hospital Association's 1995-1999 Annual Hospital Surveys to test the effect of changes in public hospital presence on employer sponsored insurance. The February Contingent Worker Supplement (CWS) of the CPS provides individuals' demographic and insurance status variables. First implemented in 1995, the CWS utilized the same sampling frame as the monthly demographic survey, and interviewed all individuals in the labor force (employed and looking for employment) over age fifteen to determine the extent of the contingent workforce.

The prime advantage of the CWS over the March supplement for this study were the additional questions on source of health insurance. The basic insurance status questions are similar in both supplements, with the CWS asking "insurance from any source" while the March Supplement tracks having insurance at any time in 1994 and

“any type of health insurance in the previous week”. More importantly, the CWS documented both access to an employer sponsored plan and actual insurance status. In contrast, access in the March supplement is only known if the respondent participates in an employer sponsored plan. For individuals in the March supplement without ESI, it is not possible to determine whether they were offered ESI and declined or they have no access to an employer sponsored plan.

The 1995–1999 American Hospital Association’s (AHA) Annual Surveys contribute the key measures of hospital ownership distribution, the percent public beds and the percent of for-profit beds in the market. More specifically, these variable measures the percent of non-federal community hospital beds that are in non-federal public hospitals and the percent of beds in for-profit community hospitals. Rask and Rask 2005 adopted a similar reduced form approach in their study of public hospital crowd-out, but other recent authors have attempted systems models with mixed assumptions. LoSasso and Meyer (2003) focus on Medicaid eligibility but also use a two stage least squares estimator to control for possible endogeneity of uncompensated care per capita in the market. Herring (2005) uses a different measure, self-assessed accessibility of affordable care, and instruments for possible endogeneity of the measure. In this case, Herring treats uncompensated care as exogenous and uses it as an instrumental variable for his access measure. In all of these studies, public beds are treated as exogenous, either as an instrument for uncompensated care or directly predicting insurance take-up. This study follows Rask and Rask and uses a reduced form approach by focusing on the underlying determinants of the uncompensated care that crowds out private insurance.

Although the presence of a Federally Qualified Health Center (FQHC) in the market has been included as a control variable by recent authors, this study will use a MSA level fixed effect instead of dummies for the presence of FQHCs. Herring (2005) noted the lack of variability in the presence of FQHCs to support his decision to use the 1999 value for all years of his study. The MSA fixed effect in the model has the same effect.

This study examines the 100 largest markets nationwide. To protect respondent privacy, the CPS includes only state, county and MSA identifiers so this study follows McLaughlin (1988) and Gaskin and Hadley (1997) and defines markets by Metropolitan Statistical Areas, MSAs. These MSA codes link the hospital data to the Contingent Worker data. With the classic public safety net hospitals located primarily in major urban areas, the sample includes only the one hundred largest MSAs, defined by population in 1995. Since the role and size of public hospitals varies geographically (Gaskin 1999), the model includes MSA level fixed effects to control for time invariant geographic and local market differences. Military personnel, Medicare recipients, and the self-employed are dropped from the sample. Medicaid beneficiaries are also dropped, with only 453 workers covered by Medicaid (0.6%) in all three years of data. These restrictions produce a final data set of 71,844 workers.

Model Specification

The CWS documents both access to an employer-sponsored group plan and the respondent's actual insurance choice. This study considers five insurance outcomes, Y_{ij} , where:

Y_{11} = Not Offered a group plan, uninsured
 Y_{13} = Not Offered a group plan, other private
 Y_{21} = Offered a group plan, uninsured
 Y_{22} = Offered a group plan, participates in plan
 Y_{23} = Offered a group plan, other private

For each insurance choice, Y_{ij} , dimension i , denotes access to an employer sponsored group plan, and dimension j denotes which of the three possible insurance types (No Insurance, ESI, Other Insurance) is chosen. The outcome Y_{12} , (Not Offered a group plan, ESI) is logically excluded. Workers who obtain ESI through a spouse are coded as Other Private Insurance. As discussed previously, CHAMPUS, Medicare, and Medicaid are excluded.

This choice set presents problems for the standard multinomial logit model due to that model's Independence of Irrelevant Alternatives (IIA) condition. Of particular concern is the similarity of the choices (Offered ESI, No Insurance) and (Not Offered ESI, No Insurance). Due to their similarities, it would be expected that these two alternatives would share unobserved characteristics. This sharing of unobserved characteristics makes their disturbances highly correlated, violating the IIA assumption. One solution is to model and control for these shared characteristics of the uninsured. For example, if individuals working for small firms are more likely to be uninsured, a measure of firm size can be included to help break the covariance between the disturbances.

The Nested Multinomial Logit (NMNL) model developed in McFadden (1981) and revisited in Maddala (1983) addresses the IIA issue by explicitly modeling the shared characteristics between similar choices. The remaining error terms are assumed to have an independent extreme value distribution. It is still necessary to assume no correlation

in the non-modeled dimension, or in this case, no correlation between insurance types for those Offered and Not Offered ESI. For the NMNL model, the probability of individual t choosing a particular insurance type is:

$$\text{Prob}(\text{Ch}_{ij} = 1) = \frac{\exp(\beta_{ij}'X_t + \alpha_i'Y_t)}{\sum_{m=1}^2 \sum_{n=1}^3 \exp(\beta_{mn}'X_t + \alpha_m'Y_t)} \quad (i=1,2; j=1,2,3) \quad (1)$$

where:

X_t = vector of consumer characteristics that affect both i and j

Y_t = vector of consumer characteristics that affect only i

For the Y_t variables determining access to a group plan but not insurance choice, this study uses the worker's industry, occupation, and whether their employer offers a pension plan. Long and Marquis (1993) found firms in low turnover industries were more likely to offer an employer sponsored plan. Also, white-collar workers with their higher wages demand health plans for their tax benefits. Finally, access to a pension plan to represents the fact that a company already offering non-wage benefits is better equipped to offer an insurance benefit.

For X_t variables that influence both insurance choice and offer category, the model includes various demographic, human capital, and labor market measures. Marital status, age, sex, race, citizenship status, family size, and education determine risk preferences, expected medical expenses, and attitudes towards insurance. Part time work status affects both the ability to purchase insurance and the probability of being offered an employer plan. Income enters the model as whether the worker's family income is less than poverty, 100%-199% of poverty, 200%-299% of poverty, and over 300% of the federal poverty line.

With the hypothesis that the public hospital effect varies with income, the model interacts the percent of public beds with the poverty level of the household. The four

variables allow for a different public hospital effect for HIUs below the poverty line, 100% to 200% of poverty, 200% to 300%, and over 300% of poverty. The model also includes the percent of for-profit beds and interactions to test if not-for-profit hospitals also crowd-out private insurance. MSA level fixed effects and the Percent High School Graduate, Percent College Graduates, and Unemployment Rate in the MSA control for MSA level variation. The MSA fixed effects have the additional benefit of limiting the estimation to observed changes in public hospitals. Information on differences in public hospital presence between MSAs is not incorporated in the estimation. Finally, a Huber/White/Sandwich estimator is used to produce corrected standard errors. Table 1 summarizes the variable means and distribution of the insurance outcome variable.

Results

Table 2 lists the estimated coefficients for the Y_t variables determining solely participation in a group plan, but not influencing insurance choice. As with a multinomial logit model, the coefficients in equation (1) are unidentified and are normalized on the outcome (Not Offered ESI, No Insurance). Table 2 only lists Access to a Group Plan determinants making the relevant base category Not Offered ESI. These relative risk ratios represent the relative risk of changing from the base option, Not Offered an Employer Sponsored Insurance Plan (Not Offered ESI), to the alternative, (Offered ESI), for a one unit increase in the variable of interest. A ratio of one implies that the variable neither increase nor decreases the risk of changing outcomes. A value between zero and one implies a decrease in the likelihood of choosing the alternative, and a value over one increases the probability that the alternative is chosen.

The Y_t variables controlling for access to ESI produce their expected results. Workers in firms offering pension benefits are 8.5 times more likely to be offered a group health insurance plan than those in companies without a retirement program ($p=0.00$). Similarly, both white collar and professional workers proved 1.6 and 1.2 times more likely to be offered insurance than their blue collar counterparts ($p=0.00$ and $p=0.00$). Availability of group plans varied widely across industries, with only the retail trade, business services, and professional services not showing any significant difference from the excluded category, agriculture. Employees in mining, manufacturing, transportation, wholesale trade, financial services, and government were all more likely to have access to ESI while workers in construction, personal services, and the entertainment industry were less likely to be offered ESI relative agricultural workers.

Table 3 lists the relative risk ratios for the X_t variables influencing both insurance choice and offer category. For the variables describing the two dimensional choice set (Offer Category, Insurance Outcome), the base category is now (Not Offered ESI, No Insurance). In the NMNL model, each variable has a different effect for each value of the dependent variable. For instance, an individual one year older than a coworker will be 1.03 ($p=0.00$) times as likely to choose the outcome (Offered ESI, ESI) over the base category, (Not Offered ESI, No Insurance), than the younger coworker. Two years older would make the individual $(1.03)^2=1.06$ times as likely to choose (Offered ESI, ESI). Each variable produces a different risk relative to the base category, and the one year difference makes the older worker to be 1.01 ($p=0.00$) times more likely to choose (Not Offered ESI, Other Private) than the younger individual. For the remaining two outcomes, the one year increase in age raises the likelihood of choosing (Offered ESI,

Other Private) over the base category by factor of 1.01 ($p=0.00$) and has no significant effect for (Offered ESI, No Insurance). Statistical significance of the coefficients is relative to the base category and varies depending on the category chosen as the reference group.

The two wealth proxies, poverty level and part time work status, both have their expected effects. Higher family income increased the likelihood of (Offered ESI, ESI), (Not Offered ESI, Other), and (Offered ESI, Other). Part time workers with their lower earnings and access to ESI were less likely to choose ESI, (Offered, No Insurance) and (Offered ESI, Other) than their full time counterparts.

Among the remaining demographic variables, marital status demonstrated a varying impact on insurance choice. Married workers were more likely to choose all options over the basecategory of (Not Offered, Uninsured) than single workers while separated and divorced individuals differed only for the two Other Private categories. For all insured outcomes, minorities are 50%-80% as likely to be insured as their white counterparts. Similarly, US citizens were twice as likely as non-citizens to choose the insured outcomes. Education also increased the likelihood that the worker chooses an insured outcome, with the strongest effects for ESI.

Table 3 also presents the relative risk ratios for public and for-profit hospital presence variables. In the model, public hospital presence enters as the percent of total hospital beds in the MSA (percent public beds), and percent public beds is interacted with dummies indicating whether the health insurance unit is below the poverty line, 100% to 200% of poverty, and 200% to 300% of poverty. The group “above 300% of poverty” is the excluded base category. Including these interaction terms allows the public hospital

effect to vary for each income category. The for-profit hospital presence variables are constructed in a similar manner. Finally, the inclusion of both public and for-profit presence in the model implies that all coefficients are relative to the effect of not-for-profit hospitals.

The policy variables in Table 3 indicate that changes in public hospital presence fall almost exclusively on workers with family incomes below the poverty line. A one percentage point increase in public hospital beds relative to not-for-profit beds makes the poor 0.97 times as likely as wealthy workers to choose ESI ($p=0.01$). The one percentage point increase in public hospitals also reduced the likelihood of the two Other Private categories by 0.97 ($p=0.01$ in both cases). The same change had no effect on the chance of remaining uninsured when offered an ESI plan. Public hospitals displayed negligible influence on the choices of workers above the poverty line, with no income interactions significant at the $p=0.05$ level.

Changes in for-profit hospital presence produced one significant coefficient at the $p=0.05$ level. In this case, a one percentage point increase in for-profit hospitals (relative to not-for-profits) increased the likelihood of choosing ESI over the base category of (Not Offered, No Insurance) by a factor of 0.99 ($p=0.03$).

Simulations

The estimates show hospital market structure does have a significant effect upon worker's insurance choice, but the aggregate effect is difficult to determine from the relative risk ratios. Furthermore, the statistical significance is dependent on the basecategory chosen. Farber and Levy (2000) used regression adjusted means based on

the CPS to decompose the changes in ESI coverage into changes in employers' decision to offer and employees decision to take-up ESI plans. The simulations presented in Table 4 take a similar approach to summarize the ownership effects on ESI coverage.

Table 4 presents the average predicted probabilities for each insurance outcome, illustrating the effect of changes in hospital market structure on the insurance market. In addition to a row for each outcome, four additional rows total (1) the predicted percent Not Offered an Employer Sponsored plan and (2) Offered an Employer Sponsored plan, (3) Uninsured, and (4) with Other Private Insurance. The simulated values represent the average of each worker's probability of choosing an insurance outcome for a given hospital ownership distribution. Only the ownership values change, with all other variables in the model retaining their original values. The row representing the percentage of workers offered ESI is the sum of the three Offered ESI outcomes (Offered, Uninsured; Offered, ESI; and Offered, Other Private) while the not offered ESI values represent the sum of the two Not Offered ESI outcomes. The total Uninsured and Other Private Insurance rows are calculated in a similar manner.

Table 4 simulates two 10% shifts in hospital presence (approximately a one standard deviation). First, 10% of all hospital beds in the market convert from public to not-for-profit status, and secondly, those 10% of beds convert again from not-for-profit to for-profit status. Scenario #1 gives the initial market structure where all employees make their insurance choices in a market with 15% public beds, 75% not-for-profit beds, and 5% for-profit beds. Again, all other variables in the model retain their original values. Scenario #2 presents the average predicted probabilities after a 10% of beds change from public to not-for-profit status. The column between these two simulated

market structures displays the change between the two simulations. Scenario #3 presents the last scenario with 10% of beds changing from not-for-profit to for-profit status (Public = 5%, Not-For-Profit = 75%, and For-Profit = 15%). As before, the intervening column gives the observed change from the second simulation, and the last column gives the total change between the first and last simulation (the 10% of beds moving from public to for-profit status).

For the sample of all workers, shifting 10% of beds from public hospitals, to not-for-profit, and finally to for-profit status produced no appreciable effect on access to ESI and take-up. In Scenario #1 with 15% of beds in public hospitals, 77.5% of workers are offered an employer sponsored group plan, and 66.8% actually take-up the offer and enroll in employer sponsored plans while 19.4% obtain other insurance (including ESI through a spouse) and 13.8% remain uninsured. If 10% of beds made the switch to not-for-profit status, (Scenario #2), ESI take-up increases 0.5% to 67.4% and No Insurance decreases by 0.2%. From Table 3, the underlying coefficients for the full sample were not statistically significant.

In contrast to the insignificant effects for the full sample, changes in public hospital presence produces substantial changes for the poor. When 10% of beds switched from public to not-for-profit status, the uninsured in the full sample decreased by only 0.5 points. The same change for the poor reduces the uninsured by 6.7%. For these workers in poverty, the decrease in uninsured from 51.2% to 44.5% stemmed from 4.1% taking-up ESI coverage and 2.5% purchasing Other Private insurance. If those 10% of beds converted again to for-profit status, the total uninsured reduction slips to 5.1%. The change is still evenly split across the insured outcomes with 3.3% choosing ESI and 1.8%

choosing Other Private insurance. Finally, workers earning 100-199% of the poverty line do not share a similar pattern. For these near poor, changes in public hospital presence had the same effect as the full sample and produced no significant change in insurance take-up.

Table 4 also shows that public hospitals' influence extends to the availability of employer sponsored group plans. The first rows in Table 4 sum the five outcomes to give the predicted percent of workers Not Offered and Offered an Employer Sponsored plan. As observed with the insurance outcomes, the public hospital effect has no substantial influence for the full sample. In contrast, workers in poverty show substantial changes in access to ESI. The 10% change of beds from public to not-for-profit status increased percentage of workers in poverty with access to ESI plans by 2.4%. Continuing from not-for-profit to for-profit results in no additional change in the availability of ESI for workers in poverty.

Table 4 indicates that $2/3$ of the reduction in uninsured workers resulted from workers turning to their own employer sponsored plan. The remaining newly insured workers in poverty obtained Other Private insurance, including insurance through their spouse's employer. Of the 6.7% reduction in the uninsured, 1.8% took-up an existing insurance offer (transitioned from Offered, No Insurance to ESI). The remaining 4.9% came from a reduction in Not Offered, No Insurance, and was split evenly with 2.5% turning to Other Private plans and 2.3% obtaining an ESI plan. It is not possible to determine if these new enrollees in ESI changed employers or if their existing employer expanded eligibility in the plan to cover these workers.

Conclusions

This paper found public hospital presence does have a significant impact upon the insurance choices of workers in poverty and their access to employer sponsored group plans, but the data showed no appreciable difference between not-for-profit and for-profit hospitals. Across all but the lowest income levels, access to a public hospital system produced a negligible effect on insurance participation. However, for the working poor, a 10% reduction in percent public beds produced a 6.7% decrease in the uninsured, with 2/3 (4.1%) of the newly insured obtaining an ESI plan. Lastly, the same change in public hospital presence increased access to ESI by 2.4% for workers in poverty. Although the employer sponsored insurance system expanded to cover more of the working poor, most remained uninsured and dependent on a reduced public sector. After the simulated reduction in public hospital beds, 51.2% remained uninsured and 56.3% still had no access to a plan sponsored by their employer. Public hospital crowd-out could account for less than 10% of the uninsured working poor.

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Table 1: Variable Means

| | | | | Mean | Std. Dev |
|----------------------------------|--------|----------|---------------------------------|-------|----------|
| Number of Observations | 71,844 | | | | |
| Not Offered ESI, No Insurance | 8,192 | 11.4% | Percent Public Beds in MSA | 11.96 | 10.76 |
| Offered ESI, No Insurance | 1,623 | 2.3% | * Less than poverty line | 0.78 | 4.06 |
| Offered ESI, ESI | 48,019 | 66.8% | * 100% - 200% of poverty | 1.64 | 5.78 |
| Not Offered ESI, Other Insurance | 7,917 | 11.0% | * 200% - 300% of poverty | 2.17 | 6.49 |
| Offered ESI, Other Insurance | 6,093 | 8.5% | Percent For-Profit Beds in MSA | 13.49 | 15.49 |
| | | | * Less than poverty line | 1.03 | 5.84 |
| | | | * 100% - 200% of poverty | 2.05 | 7.99 |
| | | | * 200% - 300% of poverty | 2.58 | 8.73 |
| | Mean | Std. Dev | Married | 0.59 | 0.49 |
| Employer offers pension benefits | 0.72 | 0.45 | Separated | 0.03 | 0.16 |
| Occupation | | | Divorced | 0.11 | 0.31 |
| White collar | 0.33 | 0.47 | Age | 38.27 | 11.42 |
| Professional | 0.54 | 0.50 | Male | 0.51 | 0.50 |
| Industry | | | Household Size | 3.11 | 1.49 |
| Mining | 0.00 | 0.05 | Family Income | | |
| Construction | 0.05 | 0.21 | 100%-199% of Poverty | 0.13 | 0.33 |
| Manufacturing | 0.16 | 0.37 | 200%-299% of Poverty | 0.18 | 0.39 |
| Transportation | 0.08 | 0.27 | Over 300% of Poverty | 0.56 | 0.50 |
| Wholesale Trade | 0.04 | 0.20 | Black | 0.11 | 0.32 |
| Retail Trade | 0.15 | 0.36 | Hispanic Origin | 0.10 | 0.30 |
| Personal Services | 0.03 | 0.17 | U.S. Citizen | 0.92 | 0.27 |
| Financial Services | 0.08 | 0.27 | High School Graduate | 0.29 | 0.45 |
| Business Services | 0.06 | 0.24 | Some College | 0.29 | 0.45 |
| Entertainment | 0.02 | 0.13 | Bachelors Degree | 0.21 | 0.41 |
| Professional | 0.27 | 0.44 | Beyond Bachelors Degree | 0.11 | 0.31 |
| Government | 0.04 | 0.20 | Part Time worker | 0.16 | 0.37 |
| | | | Unemployment Rate in MSA | 4.56 | 1.67 |
| | | | Percent Black in MSA | 13.63 | 7.96 |
| | | | Percent Hispanic in MSA | 12.12 | 13.43 |
| | | | Percent High School Grad in MSA | 28.88 | 5.11 |
| | | | Percent College Grad in MSA | 25.55 | 6.16 |
| | | | Year = 1997 | 0.33 | 0.47 |
| | | | Year = 1999 | 0.33 | 0.47 |

Table 2: Fixed Effects NMNL estimates of participation in a group plan

| | Offered ESI | | |
|----------------------------------|-------------|-----------|-----|
| | RRR | Std Error | |
| Employer offers pension benefits | 8.510 | 0.395 | *** |
| Occupation | | | |
| White collar | 1.617 | 0.113 | *** |
| Professional | 1.188 | 0.066 | *** |
| Industry | | | |
| Mining | 4.864 | 2.166 | *** |
| Construction | 0.566 | 0.070 | *** |
| Manufacturing | 1.796 | 0.228 | *** |
| Transportation | 1.707 | 0.237 | *** |
| Wholesale Trade | 1.644 | 0.238 | *** |
| Retail Trade | 0.830 | 0.099 | |
| Personal Services | 0.527 | 0.069 | *** |
| Financial Services | 1.317 | 0.171 | ** |
| Business Services | 0.857 | 0.104 | |
| Entertainment | 0.624 | 0.101 | *** |
| Professional | 1.094 | 0.131 | |
| Government | 2.337 | 0.400 | *** |

***Significant at the 1% confidence level

**Significant at the 5% confidence level

*Significant at the 10% confidence level

Table 3: Fixed effects NMNL estimates of participation in a group plan and insurance choice

| | Offered ESI, No Insurance | | Offered ESI, ESI | | |
|---------------------------------|---------------------------|-----------|------------------|-----------|-----|
| | RRR | Std Error | RRR | Std Error | |
| Percent Public Beds in MSA | 1.009 | 0.013 | 1.001 | 0.005 | |
| * Less than poverty line | 1.016 | 0.011 | 0.969 | 0.006 | *** |
| * 100% - 200% of poverty | 0.999 | 0.012 | 1.004 | 0.006 | |
| * 200% - 300% of poverty | 1.004 | 0.011 | 0.998 | 0.006 | |
| Percent For-Profit Beds in MSA | 1.021 | 0.011 | 1.006 | 0.004 | |
| * Less than poverty line | 1.002 | 0.008 | 0.989 | 0.005 | ** |
| * 100% - 200% of poverty | 1.011 | 0.009 | 0.995 | 0.004 | |
| * 200% - 300% of poverty | 1.014 | 0.008 | 0.995 | 0.004 | |
| Married | 1.287 | 0.135 | 1.582 | 0.099 | *** |
| Separated | 1.129 | 0.262 | 1.141 | 0.154 | |
| Divorced | 0.982 | 0.155 | 1.102 | 0.089 | |
| Age | 0.999 | 0.005 | 1.029 | 0.003 | *** |
| Male | 0.820 | 0.072 | 0.937 | 0.045 | ** |
| Household Size | 0.986 | 0.032 | 1.013 | 0.021 | |
| Family Income | | | | | |
| 100%-199% of Poverty | 1.238 | 0.222 | 0.882 | 0.086 | |
| 200%-299% of Poverty | 0.949 | 0.172 | 1.785 | 0.171 | *** |
| Over 300% of Poverty | 1.067 | 0.157 | 2.796 | 0.218 | *** |
| Black | 0.900 | 0.108 | 0.803 | 0.050 | *** |
| Hispanic Origin | 0.740 | 0.110 | 0.844 | 0.055 | *** |
| U.S. Citizen | 1.107 | 0.152 | 1.946 | 0.169 | *** |
| High School Graduate | 0.973 | 0.120 | 1.228 | 0.078 | *** |
| Some College | 1.008 | 0.146 | 1.603 | 0.126 | *** |
| Bachelors Degree | 0.651 | 0.116 | 2.144 | 0.182 | *** |
| Beyond Bachelors Degree | 0.532 | 0.135 | 2.229 | 0.288 | *** |
| Part Time worker | 0.397 | 0.045 | 0.131 | 0.009 | *** |
| Unemployment Rate | 0.997 | 0.071 | 1.039 | 0.046 | |
| Percent High School Grad in MSA | 1.030 | 0.015 | 1.004 | 0.009 | ** |
| Percent College Grad in MSA | 0.995 | 0.017 | 1.010 | 0.009 | |
| Year = 1997 | 0.929 | 0.110 | 0.954 | 0.058 | |
| Year = 1999 | 0.911 | 0.118 | 0.938 | 0.074 | |

***Significant at the 1% confidence level

**Significant at the 5% confidence level

*Significant at the 10% confidence level

Table 3: Fixed effects NMNL estimates of participation in a group plan and insurance choice (continued)

| | Not Offered ESI, Other Private | | | Offered ESI, Other Private | | |
|---------------------------------|-----------------------------------|-----------|-----|-------------------------------|-----------|-----|
| | RRR | Std Error | | RRR | Std Error | |
| Percent Public Beds in MSA | 0.999 | 0.007 | | 1.010 | 0.007 | |
| * Less than poverty line | 0.966 | 0.009 | *** | 0.970 | 0.012 | ** |
| * 100% - 200% of poverty | 0.994 | 0.007 | | 1.003 | 0.009 | |
| * 200% - 300% of poverty | 0.990 | 0.008 | | 0.990 | 0.009 | |
| Percent For-Profit Beds in MSA | 1.004 | 0.008 | | 1.007 | 0.006 | |
| * Less than poverty line | 0.990 | 0.006 | | 0.985 | 0.011 | |
| * 100% - 200% of poverty | 0.999 | 0.005 | | 1.007 | 0.006 | |
| * 200% - 300% of poverty | 0.994 | 0.005 | | 1.006 | 0.006 | |
| Married | 1.890 | 0.124 | *** | 6.227 | 0.572 | *** |
| Separated | 0.763 | 0.135 | | 1.611 | 0.350 | ** |
| Divorced | 0.516 | 0.061 | *** | 0.487 | 0.077 | *** |
| Age | 1.011 | 0.003 | *** | 1.013 | 0.003 | *** |
| Male | 0.663 | 0.037 | *** | 0.395 | 0.025 | *** |
| Household Size | 1.091 | 0.020 | *** | 1.075 | 0.025 | *** |
| Family Income | | | | | | |
| 100%-199% of Poverty | 0.877 | 0.111 | | 0.694 | 0.122 | ** |
| 200%-299% of Poverty | 2.085 | 0.281 | *** | 1.966 | 0.312 | *** |
| Over 300% of Poverty | 3.483 | 0.288 | *** | 4.810 | 0.550 | *** |
| Black | 0.534 | 0.051 | *** | 0.763 | 0.066 | *** |
| Hispanic Origin | 0.465 | 0.047 | *** | 0.649 | 0.070 | *** |
| U.S. Citizen | 2.477 | 0.275 | *** | 1.893 | 0.301 | *** |
| High School Graduate | 0.815 | 0.064 | *** | 0.958 | 0.099 | |
| Some College | 1.226 | 0.099 | ** | 1.252 | 0.127 | ** |
| Bachelors Degree | 1.352 | 0.137 | *** | 1.193 | 0.152 | |
| Beyond Bachelors Degree | 1.181 | 0.178 | | 1.131 | 0.192 | |
| Part Time worker | 2.683 | 0.177 | *** | 0.614 | 0.045 | *** |
| Unemployment Rate | 1.029 | 0.058 | | 1.046 | 0.054 | |
| Percent High School Grad in MSA | 1.013 | 0.012 | | 0.994 | 0.012 | |
| Percent College Grad in MSA | 1.013 | 0.012 | | 0.999 | 0.012 | |
| Year = 1997 | 1.051 | 0.075 | | 1.065 | 0.078 | |
| Year = 1999 | 0.981 | 0.091 | | 1.111 | 0.102 | |

Table 4: Simulated Insurance Outcomes with a 10% shift in total hospital beds in the market from Public to Not-for-Profit and to For-Profit status.

| | Scenario #1 | | Scenario #2 | | Scenario #3 | |
|--------------------------------|---------------------------------|------------------------|--------------------------------|------------------------|--------------------------------|------------------------|
| | Public=15% NFP=75% FP=10% | Change for #2-#1 | Public=5% NFP=85% FP=10% | Change for #3-#2 | Public=5% NFP=75% FP=20% | Change for #3-#1 |
| Full Sample | | | | | | |
| Not Offered ESI | 22.5% | 0.3% | 22.8% | -0.4% | 22.4% | -0.1% |
| Offered ESI | 77.5% | -0.3% | 77.2% | 0.4% | 77.6% | 0.1% |
| No Insurance | 13.8% | -0.5% | 13.3% | 0.2% | 13.5% | -0.3% |
| Not Offered ESI, No Insurance | 11.7% | -0.3% | 11.5% | -0.2% | 11.2% | -0.5% |
| Offered ESI, No Insurance | 2.0% | -0.2% | 1.8% | 0.5% | 2.3% | 0.2% |
| ESI (Offered ESI, ESI) | 66.8% | 0.5% | 67.4% | -0.2% | 67.1% | 0.3% |
| Other Insurance | 19.4% | 0.0% | 19.4% | 0.0% | 19.4% | 0.0% |
| Not Offered ESI, Other Private | 10.8% | 0.5% | 11.4% | -0.2% | 11.2% | 0.4% |
| Offered ESI, Other Private | 8.6% | -0.6% | 8.0% | 0.2% | 8.2% | -0.4% |
| Less than Poverty | | | | | | |
| Not Offered ESI | 56.3% | -2.4% | 53.9% | 0.1% | 54.0% | -2.3% |
| Offered ESI | 43.7% | 2.4% | 46.1% | -0.1% | 46.0% | 2.3% |
| No Insurance | 51.2% | -6.7% | 44.5% | 1.6% | 46.1% | -5.1% |
| Not Offered ESI, No Insurance | 45.8% | -4.9% | 40.9% | 0.6% | 41.6% | -4.2% |
| Offered ESI, No Insurance | 5.4% | -1.8% | 3.6% | 1.0% | 4.6% | -0.8% |
| ESI (Offered ESI, ESI) | 35.1% | 4.1% | 39.2% | -0.9% | 38.3% | 3.3% |
| Other Insurance | 13.7% | 2.5% | 16.2% | -0.7% | 15.5% | 1.8% |
| Not Offered ESI, Other Private | 10.4% | 2.5% | 12.9% | -0.5% | 12.4% | 2.0% |
| Offered ESI, Other Private | 3.3% | 0.0% | 3.3% | -0.2% | 3.1% | -0.1% |
| 100% - 200% Poverty | | | | | | |
| Not Offered ESI | 38.5% | 1.1% | 39.6% | -0.7% | 38.9% | 0.4% |
| Offered ESI | 61.5% | -1.1% | 60.4% | 0.7% | 61.1% | -0.4% |
| No Insurance | 32.4% | 0.1% | 32.4% | 0.6% | 33.1% | 0.7% |
| Not Offered ESI, No Insurance | 27.8% | 0.3% | 28.1% | -0.7% | 27.4% | -0.4% |
| Offered ESI, No Insurance | 4.6% | -0.2% | 4.4% | 1.3% | 5.7% | 1.1% |
| ESI (Offered ESI, ESI) | 52.4% | -0.5% | 51.9% | -1.0% | 50.9% | -1.5% |
| Other Insurance | 15.2% | 0.4% | 15.7% | 0.4% | 16.0% | 0.8% |
| Not Offered ESI, Other Private | 10.7% | 0.9% | 11.5% | 0.0% | 11.5% | 0.8% |
| Offered ESI, Other Private | 4.6% | -0.4% | 4.2% | 0.4% | 4.5% | 0.0% |