

Economic Policy Uncertainty and Profitability of Healthcare Institutions: Evidence from General Hospitals in Korea

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Abstract:

This study examines the impact of economic policy uncertainty (EPU) on the profitability of healthcare institutions in Korea, using data from general hospitals with 100 or more beds. It explores how this relationship varies based on hospital size and investigates potential reasons for these differences. The research focuses on the unique aspects of the Korean healthcare system, including the National Health Insurance (NHI) and government intervention in healthcare transactions.

Using 1,625 hospital-year observations from 2016 to 2021, the study finds that EPU negatively affects hospital profitability, particularly in non-tertiary hospitals. Tertiary hospitals' profitability remains unaffected by EPU. Interestingly, while overall core revenues show no significant relationship with EPU, a revenue shift is observed between tertiary and non-tertiary hospitals as EPU increases. Tertiary hospitals experience positive effects on core revenues, while non-tertiary hospitals face negative or insignificant effects.

This research contributes to the EPU literature by exploring its impact on healthcare industry profitability, offering insights for policymakers to enhance NHI system sustainability. Unlike previous studies focusing on managerial decision-making, this paper analyzes profitability from the patients' perspective. The findings suggest that curbing patient concentration in large hospitals and restraining their expansion could contribute to a more sustainable medical care system in Korea, offering an alternative to addressing the decline of healthcare resources in non-urban areas.

Keywords:

Economic policy uncertainty, Hospital profitability, National health insurance, Medical resource allocation, Patient concentration.