

Ownership and quality of care provided: A case study of Japanese group homes for the elderly with dementia<sup>1</sup>  
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Some theoretical studies analyzing healthcare and long-term care (LTC) markets marked by asymmetric information between supply and demand and nonverifiability of service quality discuss that nonprofit providers supply a better quality of service than for-profit ones.

Hansmann (1980) assumes asymmetric information between supply and demand. It suggests that uninformed users tend to choose nonprofit providers because they experience anxiety with regard to the opportunistic behavior<sup>3</sup> of for-profit providers in markets marked by asymmetric information, such as healthcare and LTC markets.

On the other hand, Glaeser and Shleifer (2001) demonstrate the difference in the behavioral patterns of nonprofit and for-profit providers by assuming the nonverifiable quality of LTC services instead of asymmetric information. They describe an incomplete contract model and report the result that the service quality of nonprofit providers is higher than that of for-profit ones. In their model, nonprofit providers invest nondistributed profit in the improvement of service quality in order to enhance their reputation or demonstrate their altruism in a concrete form.

The purpose of this paper is to inquire the effect of ownership type on provider behavior. More specifically, I examine whether nonprofit providers supply a better quality of service than for-profit ones. This paper provides an answer to the question of whether user anticipation in Hansmann (1980) and Glaeser and Shleifer's (2001) claim are considered reasonable.

This paper focuses on Japanese group homes. To examine the quality of LTC services, an original survey was conducted in September and October 2003 on group homes located in 13 major cities and some cities surrounding the 23 wards of Tokyo and Osaka City. The group homes provide assistance with bathing, voiding, feeding, other daily living care, and rehabilitation training to the elderly with dementia who are in a stable condition. Elderly users rent private rooms in group homes.

To evaluate the quality of LTC services, this paper uses some evaluation measures based on group home data (usability of facilities, location, and compliance with laws) and one evaluation measure based on user data (change in the levels of LTC need from the onset of group living until the survey period).

The analysis reveals that the deterioration in the levels of LTC need in nonprofit group homes is significantly smaller than that in for-profit group homes. This finding suggests that nonprofit providers supply a better quality of service than for-profit ones. In addition, the analysis of group home data shows the superiority of nonprofit providers in terms of the appraised value of land where group homes are located and some measures such as usability of facilities and compliance with laws. Although the superiority of nonprofit providers in terms of the evaluation measures of group home data is partial, it supports the result obtained from user data.

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<sup>3</sup> Williamson (1996, pp. 378) defines opportunism as self-interest seeking behavior with guile, which includes calculated efforts to mislead, deceive, obfuscate, and confuse. He also states that it should be distinguished from simple self-interest seeking behavior wherein individuals play a game with fixed rules obeyed by each player.