

IA. 1: Payment on Net Leverage

This table contains regressions with *AvPayment* as the dependent variable with *NetLeverage* as the independent variables of interest. All columns contain year fixed effects and *GeoAdjFactor* with standard errors clustered at the hospital level. Column two contains additional hospital controls, while column three contains MSA controls. Column four includes hospital fixed effects. Column 5 includes only nonprofit hospitals. All variable definitions are in Table 1.

Leverage2	3.495** (2.49)	2.434* (1.72)	2.213 (1.54)	4.022** (2.23)	3.941* (1.89)
GeoAdjFactor	375.4*** (70.72)	367.6*** (66.14)	368.8*** (65.32)		363.1*** (54.77)
NoSystem		1.928 (1.29)	1.777 (1.18)	-9.036 (-1.13)	0.321 (0.18)
AvCost		0.0120*** (4.79)	0.0114*** (4.47)	0.0200*** (5.71)	0.0103*** (3.45)
CapEx		0.0119 (0.89)	0.0126 (0.95)	0.00734 (0.74)	0.0107 (0.69)
NonProfit		2.379 (1.29)	2.242 (1.19)	-3.179 (-0.69)	
NetIncomeAssets		0.00838 (0.23)	0.0118 (0.32)	0.0271 (1.54)	0.0132 (0.37)
NumBeds		0.00319 (1.29)	0.00307 (1.25)	0.00452** (2.47)	0.00283 (1.01)
Profit		-0.472 (-0.21)	-0.549 (-0.24)	0.471 (0.09)	
MktShare		2.364 (0.84)	1.599 (0.57)	-24.28*** (-3.02)	-1.272 (-0.38)
NumProcedures		0.0126*** (2.59)	0.0121** (2.49)	-0.00330 (-0.48)	0.0113** (2.12)
Teaching		2.254* (1.66)	2.203 (1.62)		1.404 (0.89)
NetIncomeVol		-0.0901** (-2.20)	-0.0851** (-2.08)		-0.0717 (-1.55)
PctOver45			0.175 (1.52)		0.351** (2.51)
HHI_Insurer			5.964 (1.50)	-6.204* (-1.69)	7.558 (1.33)
Year FE	Yes	Yes	Yes	Yes	Yes
Hospital FE	No	No	No	Yes	No
<i>N</i>	6685	6685	6685	6685	4709
adj. <i>R</i> ²	0.744	0.748	0.748	0.653	0.754

IA. 2: Alternate GeoAdjFactor Scaling

This table contains additional cross sectional regressions with various alternative measures of *AvPayment* on the LHS and alternative specifications for the *GeoAdjFactor*. *Geo2* is *GeoAdjFactor* squared. *DiffPay* is the difference between observed payments and a predicted payment if all patients were FFS Medicare patients using the base rate times two thirds times plus one third the unscaled base rate. *ScaledPay* is *AvPayment* divided by *GeoAdjFactor*.

	(1)	(2)	(3)
	DiffPay	ScaledPay	AvPayment
Leverage	3.045** (2.04)	2.633* (1.69)	2.834* (1.88)
NoSystem	1.618 (1.08)	2.085 (1.40)	1.922 (1.28)
AvCost	0.0140*** (5.74)	0.0114*** (4.69)	0.0118*** (4.73)
CapEx	0.0145 (1.08)	0.00729 (0.56)	0.0113 (0.85)
NonProfit	2.919 (1.56)	2.322 (1.22)	2.213 (1.19)
NetIncomeAssets	-0.00463 (-0.13)	0.00215 (0.06)	-0.000246 (-0.01)
NumBeds	0.00320 (1.28)	0.00280 (1.14)	0.00333 (1.35)
Profit	-0.447 (-0.19)	-0.605 (-0.26)	-0.424 (-0.18)
HHI_Insurer	2.676 (0.70)	8.820** (2.10)	7.571* (1.89)
MktShare	0.172 (0.06)	4.149 (1.42)	3.249 (1.13)
NumProcedures	0.0124** (2.55)	0.0114** (2.36)	0.0110** (2.29)
Teaching	2.159 (1.59)	1.720 (1.29)	1.865 (1.36)
NetIncomeVol	-0.0809** (-1.98)	-0.0861** (-2.11)	-0.0849** (-2.09)
GeoAdjFactor		-129.4*** (-26.44)	571.5*** (8.72)
geo2			-94.15*** (-3.11)
<i>N</i>	6685	6685	6685
adj. <i>R</i> ²	0.122	0.486	0.749

t statistics in parentheses

* p<.10, ** p<.05, *** p<.01

IA. 3: System Weighted Average Payment

This table contains regressions with equal and value weighted payments by system are used as the dependent variable with independent variables either measured at the market level or by corresponding equal and value weighted measures. *EWLev* and *VWLev* are leverage equal weighted and value weighted, respectively. *EWCost* and *VWCost* are cost equal weighted and value weighted, respectively. Finally, *SystemMktShare* is the total market share the system has within the MSA.

	(1) EWA _v Pay	(2) VWA _v Pay
EWLev	9.528*** (3.27)	
VWLev		9.455*** (3.30)
EWCost	0.00637* (1.71)	
VWCost		0.00625* (1.69)
GeoAdjFactor	358.4*** (48.01)	359.0*** (47.69)
systemweight	0.774 (0.28)	0.319 (0.12)
PctOver45	0.228 (1.49)	0.272* (1.72)
HHL_Insurer	1.468 (0.26)	2.039 (0.36)
Profit	-0.261 (-0.10)	-0.241 (-0.09)
NonProfit	1.039 (0.55)	1.004 (0.53)
<i>N</i>	3348	3348
adj. <i>R</i> ²	0.767	0.768

t statistics in parentheses

* *p*<.10, ** *p*<.05, *** *p*<.01

IA. 4
Cross-sectional Tests of NetLeverage Split on Bargaining Power Proxies

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Leverage2	1.202 (0.78)	9.385** (2.23)	-0.227 (-0.13)	7.003*** (2.79)	1.549 (0.37)	9.329*** (3.88)	0.742 (0.37)	3.757** (1.98)	0.268 (0.12)	3.099* (1.81)	0.472 (0.29)	6.119* (1.90)
AvCost	0.0137*** (5.00)	0.00487 (0.86)	0.0185*** (6.03)	0.00116 (0.28)	0.0329*** (5.13)	0.0588*** (12.58)	0.00959*** (2.92)	0.0111*** (3.01)	0.0148*** (3.23)	0.00993*** (3.68)	0.00569* (1.82)	0.0173*** (3.99)
CapEx	0.0168 (1.13)	-0.0248 (-0.85)	0.0185 (1.20)	-0.0119 (-0.47)	0.209*** (3.20)	0.122*** (4.92)	0.0133 (0.68)	0.0108 (0.61)	0.0156 (0.67)	0.00700 (0.47)	0.00143 (0.09)	0.0217 (0.91)
NonProfit	3.446 (1.31)	0.382 (0.14)	1.787 (0.69)	1.532 (0.59)	12.55*** (3.16)	12.61*** (3.63)	0.851 (0.40)	4.587 (1.43)	2.326 (0.67)	2.124 (1.07)	1.472 (0.72)	4.516 (0.75)
NetIncomeAssets	0.00521 (0.14)	3.595 (1.07)	0.213*** (2.82)	0.00536 (0.16)	0.00000963*** (2.89)	-0.0414 (-0.60)	0.0191 (0.45)	-0.143 (-0.62)	-0.192 (-0.69)	0.0349 (0.94)	0.0194 (0.44)	-0.508*** (-7.41)
NumBeds	0.00255 (0.99)	0.00809 (1.07)	0.00278 (1.09)	0.00787 (1.09)	0.0238 (1.23)	0.000547 (0.11)	-0.00849** (-2.00)	0.00868*** (2.84)	0.00610 (1.46)	0.00000530 (0.00)	-0.00101 (-0.36)	0.00907* (1.94)
Profit	0.125 (0.04)	-0.308 (-0.07)	0.597 (0.19)	-4.367 (-1.37)	1.468 (0.28)	-2.227 (-0.55)	-0.340 (-0.13)	-1.179 (-0.30)	0.395 (0.10)	-0.872 (-0.36)	-2.338 (-0.93)	8.894 (1.32)
GeoAdjFactor	370.4*** (55.18)	362.7*** (34.51)	376.8*** (54.88)	354.7*** (40.69)	358.3*** (48.27)	380.5*** (44.67)	379.4*** (45.10)	379.4*** (45.10)	379.4*** (45.10)	355.0*** (49.50)	368.2*** (57.44)	355.8*** (31.32)
HHLInsurer	8.386* (1.83)	-1.204 (-0.14)	7.837 (1.62)	1.886 (0.28)	8.833 (0.18)	10.15 (1.37)	0.833 (0.18)	10.15 (1.37)	12.32*** (2.67)	12.32*** (2.67)	12.32*** (2.67)	-14.88 (-1.58)
MktShare	1.361 (0.41)	1.766 (0.34)	8.382** (2.46)	-43.40*** (-9.47)	4.457 (1.34)	1.292 (0.22)	1.852 (0.62)	1.292 (0.22)	1.852 (0.62)	1.852 (0.62)	-0.869 (-0.26)	8.894* (1.68)
NumProcedures	0.0119** (2.36)	0.0133 (0.89)	0.0134** (2.35)	0.00826 (0.96)	0.0654** (2.40)	0.0163* (1.71)	0.0154** (2.17)	0.0102 (1.52)	0.0172* (1.89)	0.0108** (2.11)	0.0216*** (2.97)	0.000290 (0.05)
Teaching	1.414 (0.95)	4.515 (1.43)	1.799 (1.16)	3.234 (1.30)	12.03** (2.31)	3.023 (1.20)	1.404 (0.76)	3.459* (1.79)	0.747 (0.32)	2.856* (1.92)	3.185** (2.03)	-0.299 (-0.12)
NoSystem	5026 (0.747)	1659 (0.753)	4126 (0.747)	2559 (0.753)	2943 (0.293)	6884 (0.304)	3472 (0.748)	3235 (0.732)	2519 (0.747)	4341 (0.717)	4651 (0.719)	2034 (0.738)

In this table consists of subsample regressions split on six bargaining power proxies. All low bargaining power groups are in the even columns, while high bargaining power groups are in the odd columns. Column 1 consists of hospitals in a hospital system, 2 is stand-alone hospitals, 3 is above-median *MktShare* in the MSA-year, 4 is below-median, 5 is rural hospitals, 6 is hospitals in MSAs, 7 is hospitals that have below-median hospitals in their MSA for that year, 8 is above-median, 9 is hospitals that bargain with insurance companies with an HHI less than 0.25, 10 bargain with those above 0.25, 11 operate in states without Medicaid pooling laws, and 12 operate in states with these laws. This table includes year fixed effects and standard errors are clustered at the hospital level. t-statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% level, respectively.

IA. 5: Subsample Based on Increase in Assets/Liabilities NetLeverage

This table contains regressions with average payment as the dependent variable. All regressions include year fixed effects, controls and standard errors clustered at the state level. Column 1 contains hospitals that increase liabilities with no increase in assets and Column 2 contains an increase in both assets and liabilities.

	(1)	(2)
	LiabIncrease	BothIncrease
NetLeverage	5.363* (1.66)	4.689* (1.76)
NoSystem	6.179** (2.14)	2.341 (1.12)
AvCost	0.00547 (1.04)	0.0167*** (4.80)
CapEx	-0.0686 (-0.53)	0.00912 (0.42)
NonProfit	0.892 (0.26)	-0.502 (-0.17)
NetIncomeAssets	2.509 (0.52)	0.827 (0.38)
PctOver45	-0.0522 (-0.20)	0.359** (2.01)
NumBeds	0.00488 (0.85)	0.00320 (0.77)
Profit	-6.534 (-1.46)	-1.390 (-0.37)
GeoAdjFactor	337.6*** (27.54)	381.0*** (49.85)
HHI_Insurer	-6.565 (-0.69)	6.899 (1.04)
MktShare	-5.622 (-0.91)	9.006** (2.38)
NumProcedures	0.00790 (0.93)	0.0100* (1.68)
Teaching	3.343 (1.27)	2.751 (1.44)
NetIncomeVol	-0.113 (-1.56)	-0.0849 (-1.52)
<i>N</i>	797	2154
adj. <i>R</i> ²	0.711	0.766

t statistics in parentheses

* $p < .10$, ** $p < .05$, *** $p < .01$

IA. 6: Payment on Net Leverage by Corporate Type

This table contains cross sectional regressions with *AvPayment* as the dependent variable for subsets of hospitals based on their corporate status. Column 1 contains the subset of for-profit hospitals and Column 2 contains nonprofit hospitals. Column 3 is a difference-in-difference regression with the treatment group being hospitals that switched from nonprofit hospitals to for profit hospitals during the sample

	(1) Profit	(2) NonProfit	(3) Switchers
NetLeverage	-0.174 (-0.08)	3.941* (1.89)	3.812** (2.11)
AvCost	0.0169** (2.58)	0.0103*** (3.45)	0.0199*** (5.69)
CapEx	0.00932 (0.20)	0.0107 (0.69)	0.00721 (0.73)
NoSystem	5.759 (1.51)	0.321 (0.18)	-9.087 (-1.14)
NetIncomeAssets	1.329 (0.58)	0.0132 (0.37)	0.0269 (1.47)
PctOver45	-0.0896 (-0.35)	0.351** (2.51)	
NumBeds	-0.000370 (-0.04)	0.00283 (1.01)	0.00461** (2.52)
GeoAdjFactor	392.1*** (26.90)	363.1*** (54.77)	
HHI_Insurer	6.862 (0.99)	7.558 (1.33)	-6.231* (-1.70)
MktShare	8.926 (1.03)	-1.272 (-0.38)	-24.93*** (-3.09)
NumProcedures	0.0141 (1.14)	0.0113** (2.12)	-0.00375 (-0.55)
Teaching	5.642* (1.73)	1.404 (0.89)	
NetIncomeVol	-0.195 (-0.97)	-0.0717 (-1.55)	
Switch			3.480 (0.63)
LevSwitch			5.368 (0.72)
<i>N</i>	1160	4709	6685
adj. <i>R</i> ²	0.676	0.754	0.654

t statistics in parentheses

* $p < .10$, ** $p < .05$, *** $p < .01$

IA. 7: Net Leverage on Bargaining Power

This table contains regressions with net hospital leverage as the dependent variable. All regressions include year fixed effects and standard errors clustered at the hospital level. The first column contains the four variables of interest *NegMktShare*, *HHL_Insurer*, *System*, and *NoLaws*. The second column contain other MSA level controls and hospital controls, and the final column contains hospital fixed effects. Variable definitions can be found in Table 1.

	(1)	(2)	(3)
	NetLeverage	NetLeverage	NetLeverage
NoSystem	0.0557*** (3.40)	0.0467*** (2.88)	0.00495 (0.06)
SamePremium	0.0935*** (5.06)	0.0658*** (3.38)	
NegMktShare	-0.00565 (-0.15)	0.0386 (1.04)	0.150 (1.51)
NumHosp	0.00159*** (3.59)	0.00118*** (2.61)	-0.00107 (-1.14)
HHL_Insurer	0.0127 (0.21)	0.0609 (0.98)	-0.0192 (-0.43)
AvCost		0.000105*** (3.22)	0.0000795*** (2.82)
CapEx		-0.000430*** (-2.83)	-0.0000829 (-0.89)
NonProfit		0.0512*** (2.73)	-0.0199 (-0.53)
NetIncomeAssets		-0.00605*** (-4.17)	-0.00590*** (-7.34)
NumBeds		-0.0000264 (-0.68)	-0.000000654 (-0.03)
Profit		-0.0789** (-2.18)	0.0998** (2.16)
NumProcedures		-0.0000672 (-1.12)	-0.0000294 (-0.57)
Teaching		-0.00337 (-0.19)	
NetIncomeVol		0.00107** (2.04)	
Year FE	Yes	Yes	Yes
Firm FE	No	No	Yes
<i>N</i>	6685	6685	6685
adj. <i>R</i> ²	0.034	0.060	0.031

t statistics in parentheses

* p<.10, ** p<.05, *** p<.01