Appendix 2: Welfare industries power resources index (Chapter 4)

Selection of largest companies

I choose the largest three companies per industry for each observation year. For some German hospital groups, there is no data available on the number of beds. This is due to missing annual accounts as the legal form of some firms did not bind them to publish annual reports. Where the number of hospitals is available I calculate the average beds per hospital in the 2000s and multiply it with the number of hospitals in the missing years (Asklepios 1990 and 1995; Rhön 1990). I have no data on the number of Helios hospitals in the 1990s. I therefore calculate the annual growth rates of beds between 2000 and 2010 and estimate the number of beds for 1990 and 1995 according to this rate. Both estimation methods likely overestimate the number of beds in the 1990s because hospital groups for a long time especially bought small hospitals and only recently entered the market of large facilities with many beds.

For the private hospital market in England, Laing’s Healthcare Market Review is a good source for private hospital rankings based on the number of beds. In England, there is usually a distinction between public NHS hospitals and independent providers (non-profit and for profit). Since the project focuses on for-profit providers only, I excluded Nuffield Health, a non-profit organisation, from the list.

Data on the largest life insurers is available from regulatory agencies and business associations. For the UK, I have rankings based on net written premiums, while the German ranking is based on gross written premiums. Since I only use the information for case selection and not for direct comparison, different measures do not bias the results.

Hospital turnover

Turnover data for the private hospital industry in Germany is not available. Neither the association of private hospitals (BDPK) nor the umbrella organization of all hospitals (DKG) could provide this information. I checked data from the AMADEUS database and coded all hospitals for
2010 according to their ownership type. However, the results are not plausible. Comparing the number of private hospital employees in AMADEUS with the more reliable data from Statistisches Bundesamt, AMADEUS data strongly overestimate the size of the private hospital industry. After talking to experts in the field, I use the following estimation method: I take the total expenditure for hospitals in Germany as a proxy for the turnover of all hospitals. I then calculate the share of private hospitals based on the number of treated cases. Alternatively, one could estimate the turnover of hospitals by using information on DRGs which set fixed prices for hospital treatments. However, since DRGs were only introduced in the mid-2000s, this would make a comparison over time impossible.

Financial interlocks

The typical example of financial interlocks is the cross-shareholding of firms in the so called Deutschland AG where German banks, insurance companies and industry were closely interconnected. In parallel, it would be interesting to see in how far welfare industries are financially connected to other firms in the economy. Unfortunately, cross-national time-series data on shareholdings is not available for the cases under study. While some data sources have information for only one country (Commerzbank’s Wer gehört zu wem?), others are not specific with regard to the size of interests hold in other companies or the distinction between economically independent and economically dependent interlocks (Dun & Bradstreet’s Who owns whom?).

Concentration

There is a discussion in the healthcare market literature about the correct definition of hospital markets. Unlike for many other markets it is plausible to assume that hospital markets are regionally limited (Schmid, 2012). For instance, a hospital in Liverpool will most likely not compete with one in Southampton or only for very few patients that are willing and able to travel long distances. For the power resource index, however, I am not interested to what degree hospitals compete for
patients but rather how the structure of the private hospital industry looks like. Concentration serves as an indicator for the unity of an industry when it comes to raising its political voice: the more concentrated a market, the more visible will leading firms be politically. Put differently, firms with only few competitors will find it easier to gain access to politicians.

**Party donations Germany**

In Germany, political parties are obliged to publish all donations that exceed 10,000 EUR in their statement of annual accounts. Additionally, since July 2002, political parties have to promptly inform the Bundestag about donations higher than 50,000 EUR. The Bundestag administration publishes these data on a monthly basis. Annual accounts of political parties are available since 1968 (Deutscher Bundestag, 2013).

I have analysed annual accounts of all political parties that were members of parliament for each year between 1986 and 2010. I counted all donations that came from a firm or an association of either the life insurance industry or the private hospital industry. I also include donations by Deutsche Vermögensberatung which distributes insurances and is among others owned by Generali. Since 2007, it exclusively markets AachenMünchener products. I then cumulated the numbers for the four years preceding each data point of the index plus the respective year, i.e. 1986-1990, 1991-1995, 1996-2000, 2001-2005 and 2006-2010. Choosing periods instead of single data points is necessary because donations peak in election years.

One might wonder whether hospital companies can donate money that they (mostly) earned from public sources. While, state owned companies are not allowed to donate since 2002, the sources of revenue to not play a role. Companies from other publicly sponsored sectors, such as arms industry, also give donations to political parties. Empirically, however, there might be a pattern that these sectors spend less on political donations. There is evidence for the period before 2002 that public sector companies only marginally donated (Höpner, 2009). In sum, private hospital companies are allowed to donate to political parties but their source of income makes donations less likely.
Party donations UK

Access to party donation data is more difficult for the UK than for Germany. Despite some debates in the 1970s, when the Labour government for the first time discussed the possibility of public funding for parties, disclosure and transparency of party finances has been a non-topic in British politics until the late 1990s. After Labour had announced rules for more transparency of donations to political parties in its 1997 election manifesto, the Political Parties, Elections and Referendums Act 2000 regulated donations and established the Electoral Commission that serves as a regulator and watchdog. Data for the time after 2001 is thus available through a database of the Electoral Commission which is accessible online (Electoral Commission, 2013). I counted donations to Labour, Conservatives and Liberals from 2001 to 2010. I included donations made to both the central party and local units. Since this search strategy misses donations that go directly to MPs, I added a search for all donations of the largest firms in the industries (ten largest life insurance firms; five largest hospital groups).

Prior to 2001, there is no centrally collected data available. However, companies have been obliged to publish donations in their annual reports according to the Companies Act 1967. The Labour Research Department which is affiliated to trade unions but not part of the Labour party has collected these data on corporate donations. I have access to donations of life insurers that are in this data base (Mail from Neil Moister, 18 November 2013). According to Neil Moister, there were no donations of for-profit hospital groups. Second, I have analysed annual reports and annual accounts of the largest life insurers and for-profit hospitals and collected information on donations in order to complement and counter-check the LRD data. Overall, the empirical strategy for the UK tends to underestimate corporate donations to political parties because the database search starts from companies instead of parties. It will thus not cover all donations. Second, there is probably incomplete information for the time prior to 2001.
Data structure

*Table A2.1: Correlation of indicators of power resources index*

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<tr>
<th>Turnover</th>
<th>Employees</th>
<th>Interlocks</th>
<th>Concentration</th>
<th>Association</th>
<th>Donations</th>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Employees</td>
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<td>0.42</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interlocks</td>
<td></td>
<td></td>
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<td>-0.19</td>
<td></td>
</tr>
<tr>
<td>Concentration</td>
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<td>-0.24</td>
<td>-0.19</td>
<td>0</td>
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<td>-0.24</td>
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<tr>
<td>Donations</td>
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Political networks

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<th>Interlocks</th>
<th>Concentration</th>
<th>Association</th>
<th>Donations</th>
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<td>-0.09</td>
<td>-0.11</td>
</tr>
</tbody>
</table>

Political and economic indicators separately

*Figure A2.1: Welfare industry power resources index, political indicators*
Figure A2.2: Welfare industry power resources index, economic indicators

Includes turnover growth, employees, corporate interlocks, concentration