Disclosure of Foreign Investment Decisions by Investor-Owned Healthcare Systems

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ABSTRACT

This study offers an in-depth inquiry into the disclosure of foreign investment and divestment decisions of American for-profit, publicly traded international hospital systems over the last 25 years (1991-2016). Content analysis of the annual reports of eight publicly listed healthcare companies is performed using Microsoft Access in two levels of analysis. The reasons disclosed for investing or divesting overseas were consolidated at the company level. Among the four categories comprising foreign investment reasons, the most fully reported is the opportunity to meet unmet patient demand, followed by the availability of payment for services. Government receptivity is the last category reported, although it is recognized as an important factor in foreign investment. Foreign divestment reasons focused on the need to reduce long-term debt, focus on the core domestic business, and long-term growth. This study suggests policy makers consider statutory provisions for foreign investment and divestment disclosures in annual reports that include the names of the buyers and the sellers and the full amount for the individual sales of each hospital in the interest of the stakeholders.

INTRODUCTION

Healthcare Globalization and Corporatization

In the past, public and nonprofit hospitals relied on philanthropic and government financing. No investor-owned hospital systems existed prior to the enactment of Medicare and Medicaid legislation in 1965 which guaranteed payment for healthcare services for a select group of covered patients (Health Central System, 1983). Seeing an opportunity, for-profit healthcare systems peaked at 53 investor-owned, multihospital systems in the United States (US) in 1984 (Federation of American Hospitals, 1985). A multihospital system is defined as three or more hospitals that are owned, managed, or leased by a single investor-owned organization. The multihospital systems currently make up 19% percent of the ownership of all US registered hospitals (American Hospital Association, 2017).

With the growth of technology, medical tourism, and patient demand for services, the globalization of healthcare is occurring at the same time as the corporatization of healthcare. The corporatization of healthcare occurs when private companies invest in hospitals and other delivery methods to increase profits, diversify risk, and ultimately maximize shareholder wealth. Schroth and Kgawaja (2007) specifically note how major US medical facilities transfer their management, medical, and intellectual property expertise to international locations to the benefit of the new host communities. They also address the roles of collaboration in medical education systems to help develop the standardization and safety measurement systems that help make the universal trend deliver quality outcomes.

One benefit of for-profit systems is their ability to use equity financing for greater diversification both in terms of types of health services provided, but also in their abilities to expand internationally.
Ermann and Gabel (1986) recognized that the growth of multihospital systems were related to economic benefits, access to capital, efficiency and economies of scale, diversification, management, and planning and organizational benefits. International healthcare companies can enjoy greater cost containment while increasing consumer choice, new therapies, and access to care. On the other hand, corporately owned hospitals benefit the international community by providing significant employment opportunities, philanthropy, and can help elevate overall health through additional services that may be different from host country offerings (Hurd et al, 1998).

International investments also allow for additional opportunities to supplement lost domestic markets in a highly competitive environment. The peak of international expansion of US healthcare systems was between 1985 and 1997 with a total of 22 systems reporting foreign hospital subsidiaries to the Federation of American Hospitals (FAH) over the time period.

More specifically, the number of overseas hospitals ranged from six to 142 over the last 40 years. The period of this study is 1991-2016 during which time the eight largest systems with international operations included Hospital Corporation of America (formerly Columbia Healthcare Corp), Tenet Health (formerly National Medical Enterprises), HealthSouth Corp, Magellan Health Services (formerly Charter Medical), Humana, Inc., American Medical International, Universal Health Services, and Community Health Systems. The time period chosen for this study was based on the availability of annual reports for each of these companies from EDGARS (1996-2016) and the Compact Disclosure Information Service (1991-1995).

The way international investment decisions are conveyed to shareholders and other stakeholders is the basis for this study. Disclosure in annual reports is material to investment decisions and relies on the transparency of the company’s reporting. Strategic investment decisions effect profits and dividends and full disclosure allows investors to retain confidence in the organizations receiving their resources. As a result, a fiduciary responsibility regulated by the U.S. Security and Exchange Commission (SEC) exists for companies to explain all material business decisions. Given the statutory communication requirements for companies to report annually to their stakeholders, the Form 10-K annual report content provides an ideal instrument for disclosure of the foreign investment strategic decisions. In this study, the narratives of annual reports were analyzed for how companies disclose their entry and exit into foreign markets. The subjects for this analysis are eight major, for-profit health care systems that were publically traded from 1991-2016.

The multi-level study analyzes the different ways in which these eight firms approached the reporting of foreign investments, the extent to which they conveyed the decisions to stakeholders, and their consistency longitudinally over a 25 year period. The objective of this paper is to illumine the factors affecting decisions to invest in and divest from international markets. The rationale underpinning foreign investment decisions based on patterns of time, company investment behaviors, and country specific characteristics are considered.

This research is important to international business research for two main reasons: the delivery of healthcare is a continually changing process with large growth potential for private companies in care for the public good and for-profit healthcare systems actively participate with other transnational corporations to capitalize on the financial opportunities internationally. The findings may provide guidance to managers of both non-profit and for-profit medically-related firms interested in foreign expansion on how disclose their decisions to stakeholders and what factors lead to foreign investment decisions.
LITERATURE REVIEW

Foreign Investment

Internationalization and its role in field of international business and strategy is well documented (Caves, 1995; Dunning, 2001; Geringer, Beamish, and daCosta, 1989; Johanson and Vahlne, 1977). Hymer (1960) and Kindlberger (1969) first articulated that local firms should be better informed about the local environment than foreign firms and therefore have a marked advantage. If foreign firms possess certain advantages over local firms and that the market of the advantages is imperfect, then foreign direct investment can be economically viable. Buckley and Casson (1976) and Hennart (1982) explained internationalization theory as the motivations and growth of transnational companies in their foreign investments to internalize activities and develop specific advantages. Dunning’s (1977) eclectic theory supports some of FDI under the ownership, location, internalization paradigm.

Ghoshal (1987) determined three ways to gain a competitive advantage internationally: building global market share; gaining scope economies in the sharing of investments, costs, and learning across products and market; and exploiting a comparative advantage of a company. The size and age of a firm impacts internationalization decisions (Geroski, 1995; Caves, 1998). Specifically, firm age and export participation have a positive influence on each other (Roberts and Tybout, 1997) and firm size and export entry are positively correlated (Bernard et al., 2003; Wagner, 2003). Firms that already have domestic and foreign subsidiaries enjoy learning effects that can lower organization barriers to entry and, including costs to establish foreign subsidiaries (Amit, 1986). Likewise, firms with overseas access gain intelligence about their foreign markets which may assist in streamlining foreign market entry (Gupta and Govindarajan, 1994).

Foreign Divestment

The phenomenon of international divestment, or de-internationalization, is the reduction of a firm’s international operations (Benito and Welch, 1997; Boddevyn, 1979). Boddevyn (1979) identified key foreign divestment factors: financial considerations, poor pre-investment analysis, adverse environmental conditions, lack of fit and resources, structural and organizational factors, external initiating pressures, and foreignness and national differences. Several researchers also looked at divestment as part of corporate strategy (Calvet, 1981; Grosse, 1981; Benito and Welch, 1997).

Prior research looked specifically at reasons for divestment. Studies focused on justifications resulting from misguided divestments (Kableam and Weisbach, 1992; Hoskisson, Johnson, and Moesel, 1994; Berg, 1997; Capron, Mitchell, Swaminthan 2001; and Kruse 2002). Reasons to divest also include that they are unwanted operations from larger acquisitions (Weston, 1989; Bergh, 1997; Lord and Saito (working paper), Boddevyn, 1980; Benito, 1997). Divestment can also be a strategic choice for optimal resource allocation (Gombola, 1992; Ghertman, 1988; Hamilton and Chow 1993; Schnieder, 2002; Hennart et al, 2002). Over-diversification, sometimes called corporate focus hypothesis, is another reason (Comment and Jarrell, 1995; Johinofek, 1995; Davey, Mehrtora, and Sivakumar, 1997). While foreignness and national differences may be another corporate reason to divest (Van den Bulcke, 1979), there is also a non-voluntary/externally forced divestment related to trust regulations and nationalization at the country level (Sachdev, 1976).

Berry (2009) researched the divestment decisions of U.S. manufacturing Multi-National Corporations (MNCs). Bederbos (2003) and Belberdoes and Zous (2006) studied the foreign divestment activities of the Japanese electronics industry. Despite these contributions, Dranikoff, Koller and
Schnieder (2002) and Brauer (2006) found that although divestures are among the most important strategic decisions firms make, their significance is under-represented in the literature. It has been overlooked, especially in the field of healthcare, where over the last 40 years 22 multi-national hospitals systems had foreign hospital subsidiaries in 23 countries. In 2016, only Hospital Corporation of America, Universal Health Services, and Tenet Health have an overseas investment presence, and these hospitals are only in England. McDermott (2011) emphasized that an absence of data on foreign divestment by services MNCs is a significant knowledge gap. This study seeks to add to the body of research on foreign investment and divestment patterns in service industries.

Content Analysis

Content analysis infers meaning from content. Annual reports from public companies have been used to help understand the business strategies of firms in a variety of areas. Researchers previously used annual reports to analyze disclosure regarding corporate social responsibility (Jizi, Slama, Dixon, & Stratling, 2014; Waller and Nalis, 2009), environmental reporting (Jose and Lee, 2007; Ahmad and Sulaiman, 2004), profitability (Dainelli, Bini, & Giunta, 2013; Li, 2008), human capital (Passetti and Cinquini, ), intellectual capital disclosure (Bhattacharjee, Bhattacharjee, Chakraborty, 2014), document tone (Jegadeesh and Wu, 2013), and philanthropic strategy (Campbell and Slack, 2008).

Little research exists on the foreign direct investment (FDI) decisions of international healthcare systems. Like many large firms in other industries, some for-profit healthcare systems have also become MNCs. However, theory and research on internationalization have to date centered on diversification, financial growth, and market expansion and often do not include the health care sector or other service industries. Content analysis of annual reports provides a new approach to understanding how and why these foreign investment decisions are made.

DATA SOURCES AND COLLECTION

The Federation of American Hospitals (FAH) represents over 1,000 investor-owned or managed community hospitals and health systems in the United States. Annually, they produce a report that lists all the healthcare systems and the number of foreign investments they have by number of hospitals. The library at the American Hospital Association maintains a copy of the annual reports (data missing for 1998, 2001, and 2002). Through the initial analysis of the FAH annual reports, 18 different companies invested overseas from 1991-2016 according to the reports. Ten of the companies were privately-owned without the requirement to produce public annual reports. The eight publicly traded companies included Charter Medical Corps/Magellan (in operation 1994-2000), Community Health Centers (later named their subsidiary Transition Health), HealthSouth Corps, Columbia Healthcare Corp/Hospital Corps of America, Universal Health Services, American Medical International, Humana, and National Medical Enterprises/Tenet.

As a result of the mega-mergers of the mid 1980s-1990s in the healthcare sector, companies aggressively grew in size to better compete with each other. In the middle of the oligopolistic competition and multi-market contact several name changes occurred for the hospitals systems during the time period covered. For example, National Medical Enterprises, Inc. merged with American Medical International in 1994 and later changed its name to Tenet Healthcare Corp in 1995. Columbia Healthcare Corporation bought out the hospital subsidiary of Humana in 1994 and merged with Hospital Corporation of America (HCA) the same year. The name changed to Columbia HCA Healthcare Corp to HCA-The Healthcare
Company and now files with the SEC as HCA Holdings, Inc. Magellan Health Services bought out Charter Medical Corp in 1996 and acquired its overseas assets. HealthSouth Corp was formerly HealthSouth Rehabilitation Corp prior to 1991. After 1996, Transitional Hospitals Corp became the hospital subsidiary of Community Health Services. Community Psychiatric Centers and Universal Health Services are the only two of the eight companies to retain the same name over the 25 year time period analyzed. Only three of the companies currently have overseas hospitals- HCA, Tenet, and UHS.

For simplicity in analyzing the 10-K reports over the 25 year period, the names of the companies are the ones currently filed with the SEC and abbreviated- HCA Holdings, Inc. (HCA), Magellan Health Services (Magellan), HealthSouth Corp (HealthSouth), Community Health Systems (CHS), Tenet Healthcare Corp (Tenet), American Medical International (AMI), Universal Health Services (UHS), and Humana, Inc. (Humana).

Because companies file their 10-K annual reports with the SEC, laws and regulations ensure that companies do not make materially false or misleading statements in their 10-Ks. Companies cannot omit material information that may mislead stakeholders. The Sarbanes-Oxley Act requires company Chief Financial Officers and Chief Executive Officers to certify the accuracy of the 10-K. While the SEC does not ensure the accuracy of the reports, it sets the disclosure requirements and the SEC staff monitors and enhances compliance to the requirements. The use of the 10-K annual reports ensures basic accuracy of the information recorded which makes it a useful resource for this study.

Annual reports on a Form 10-K provide information on the company’s business, the risks it faces, and the operating and financial results for the fiscal year covered. Reference to the international operations of the health care systems were found in five different sections of the annual reports. Item 1, “Business” discusses its main services, products, subsidiaries, and markets. It often contains information about recent occurrences, competition, regulations, and other factors. Item 1A, “Risk Factors”, requires companies to share the most significant risks that apply, but not necessarily how the company plans to mitigate those risks. Item 2, Properties” often lists the company’s significant properties. The company management also discusses its perspective on the business and their strategies in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Item 15, “Exhibits, Financial Statement Schedules” lists documents like material contracts and company subsidiaries. These different items in the 10-K reports were analyzed to determine themes of where management discloses foreign investments.

From 1991-2017, the eight international for-profit healthcare systems operated 179 foreign hospitals in nine countries (Australia, England, Malaysia, Saudi Arabia Singapore, Spain, Switzerland, and Thailand). Foreign investments disclosures in the annual reports included discourse around the locations, the organization of the company its international operations, the location of its properties, market risks involved and the financial reporting of the overseas assets. Each company listed their foreign operations in Item 1 of the 10-Ks and often included how the foreign operations fit into the larger healthcare system. HCA was the only company that specifically explained how they organized their international division. Companies also commented on some of the market risk associated with international operations in Item 1A and Item 7. These risks were divided into two main areas- currency risk and legal risk that included the Foreign Corrupt Practices Act and the United Kingdom Bribery Act has wide jurisdiction over certain activities that affect the United Kingdom (UK).

Most of the decisions to invest and divest were disclosed in the annual reports with a few exceptions. Press releases and articles from healthcare and business industry journals were also used for the initial analysis on disclosure. The extent of voluntary disclosures of international hospital investment
decision by the companies is sparse overall, but detailed information could be found on the transactions in the 54 press releases and articles collected.

In general, companies disclose acquisitions and divestitures about 89% of the time in their annual reports. Information on the specific acquisitions is less available than for divestitures. Sellers are disclosed about 37% of the time, while the dollar amount for a specific overseas investment is provided even less frequently, only 11% of the time. More information is provided to company stakeholders in 10-K annual reports with buyer names disclosed 56% of the time and the sale amount provided 61% of the time.

Overall, the risk assessments by the companies indicated that the foreign operations did not place the company in jeopardy. For example, “Foreign operations and the related market risks associated with foreign currency are currently insignificant to the Company's results of operations and financial position” (HCA, 1998, 1999, 2000) and, “The Company's international hospital operations are not material to the Company's overall operations” (Magellan, 1994, 1995, 1996, 1997).

**METHODS AND PROCEDURES**

This multi-level longitudinal study that utilizes Microsoft Access for the collection and analysis of the content found in annual reports and healthcare and business press journals. Annual reports spanning from 1991-2016 for the eight companies with an SIC of 8060 (Services-Hospitals) and SIC 8062 (Services- General Medical & Surgical Hospitals) were analyzed resulting in 124 10-Ks found in the 25 year period. Annual reports for the year prior and the year after the foreign investments were made were considered in the analysis. This ensured that all relevant discussions of international operations were captured. The years, size, and location of foreign investment were initially determined through the FAH reports and then confirmed in the 10-K annual reports for consistency.

After the collection phase, two analytical stages occurred- coding and measurement. Coding for international operations and foreign investments included keyword searches using PDF and Word documents from EDGARS and Compact Disclosures. Keywords included global, foreign, abroad, Europe, Asia, overseas, international, multinational, transnational, cross-border, and specific country names. Investment keywords included investment, purchase, and acquisition. Divestment key words included sale, termination, disposal, and divest. These keywords were utilized for the initial content analysis.

A deductive approach was used for coding the reasons for foreign investment and divestment. The themes considered at the beginning of the process were based on existing theory, conceptual frameworks, and previous research conducted. The categories captured in the disclosures were developed as the research progressed and as new themes presented themselves. Boddewyn’s themes for divestment were helpful in developing the framework for the initial analysis. An iterative and cyclical approach was used during the consideration of the data beginning with the pre-defined areas of interest.

The development of pattern codes emerged in the second and third analysis that were more relevant across the data set when it became apparent the language in the reports did not match all the findings in the literature. Because no literature exists on the format of foreign investment disclosures in 10-Ks, some of the themes were developed independent of other literature. The longitudinal format is used to show if foreign investment disclosures changed over time, especially as different companies entered and exited the foreign markets. To ensure reliability of the data, coding was checked by the author during three different points in time at two week intervals.
FINDINGS AND DISCUSSION

The content analysis method analyzed over 100 10K filings of five, publically traded for-profit health care systems over 25 years. The research included a review of seven main items of the 10K, where background information (Item 1), property listings (Item 2), and the management’s statements (Item 7) were the most common locations for disclosure about international investments. Other items on the 10K included comments regarding the financial impacts of overseas operations and how the company subsidiaries abroad were organized in the notes sections found at the end of the SEC filings. While the locations of the disclosures in the 10-Ks were relatively consistent, the depth of the disclosure varied significantly. On one occasion, no mention was made of a foreign investment or divestment. The larger the international investments, the more significant the disclosures were on the annual reports in terms of breadth of explanation and frequency. Decisions to invest overseas appear more incremental, while decisions to divest appear to be a deliberate corporate strategy that occurs over two years to full market exit. The next sections capture the specific findings reasons for investment and divestment disclosed in the annual reports.

Reasons for Foreign Investment and Divestment

We focus on the company level and the specific reasons for international investments and divestments that are disclosed to shareholders. The reasons for entering and departing a market differ. The following sections include an explanation of the themes for investment reasons, followed by discussion of the foreign divestment themes.

The reasons for investment in overseas markets include the opportunities to capitalize on untapped patient demand, the availability of private health insurance that can aid in payment (profitability), exploiting the core competencies of the firm to overseas markets, and the receptivity of the local government to aid in and/or protect investments. See Table 1. The selection of foreign markets plays a critical role in the success of investment. Unlike prior research, the role of private insurance and the assurance of paying customers is a major driver in the healthcare industry when making foreign investment decisions. Companies are considering the growth of private sector care and the number of patients with private insurance.

<table>
<thead>
<tr>
<th>Reasons to Invest</th>
<th>Descriptors/Key Phrases</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unmet Demand</td>
<td>rapidly growing middle class demand for quality care (Tenet, 1994)</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>demand exceeds public system's capacity (Tenet, 2015)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>plan further expansion (Tenet 1995)</td>
<td></td>
</tr>
<tr>
<td>Available of Private Health Insurance/Paying Customers</td>
<td>% of population with private insurance (Transition, 1994)</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>solid growth in private health industry, shift to private sector</td>
<td></td>
</tr>
<tr>
<td>Competency of Company</td>
<td>take advantage of competitive strength; expertise positions to meet growing foreign</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>demand (Tenet, 1994)</td>
<td></td>
</tr>
<tr>
<td>Government Receptivity</td>
<td>interest, openness, responsiveness, partnership, willingness</td>
<td>2</td>
</tr>
</tbody>
</table>

Unmet Demand

Tenet articulate in their annual reports spanning over 10 years that they see potential in other markets where there is unmet demand. In 1994, they note that medical tourism, national medical affiliations, and the growth of healthcare in Southeast Asia create an ideal opportunity for market entry. For example, “Our Singapore operations, which include two hospitals plus lab and radiology services, are
thriving. They provide a sturdy base for continued development in Southeast Asia (Tenet, 1994). Tenet also highlights a growing middle class seeking high quality medical care. “NME is well-positioned to take full advantage of a world of health care opportunities. In Asia, we are helping to meet the rapidly growing middle class's demand for quality care (Tenet, 1994). In 2015, Tenet entered the British market where they also noted a demand for healthcare services beyond what is currently offered. “Although the U.K. provides government-funded healthcare to all of its residents through the National Health Service, the demand for healthcare services exceeds the public system’s capacity” (Tenet, 2015).

Availability of Private Health Insurance

Having a source of payment beyond the fluctuating government reimbursement systems is also a trend in for-profit hospital system decisions to seek opportunities is specific countries to in Europe (mainly England) and Australia. For example Community Psychiatric Centers (1994) articulates in its annual report that, “Approximately 12% of the British population is covered by private health insurance”. In Australia, Tenet also “foresees solid growth in the private health care industry.” In Europe, too, they note that “where some countries are beginning to shift toward the private sector as an alternative to overburdened public health systems, we are pursuing selective expansion” (Tenet, 1994).

Competency

Tenet in 1994 also stressed that their competencies in the long term care sector, in addition to their experience overseas give them a competitive advantage in foreign markets.

For example, Tenet believes that they “are well positioned to take advantage of their relative competitive strengths within the long term care business in the United States and the United Kingdom” (Tenet, 1994). They also share with their stakeholders in the same annual report, “We see opportunities to expand internationally. Our existing successful operations overseas, our resources and our hospital management expertise put us in a good position to meet growing foreign demand for quality health care” (Tenet, 1994).

Government Receptivity

Governments can restrict international investments through protectionist policies and a need for local responsiveness especially for healthcare services. Government monetary, regulatory, and fiscal policies may be sources of competitive advantage. In health care, added requirements exist for understanding local regulations in terms of medical practice standards, reimbursement policies, and patient expectations in market entry decisions. Countries with nationalized health care systems may have different attitudes toward for-profit health care system and shape the business climate. Countries with greater receptivity of the host country government and patient population may provide stronger opportunities. Community Psychiatric Centers notes this receptivity with the British government to work with private providers like them. In 1994, the company operated substance abuse clinics, a secure psychiatric facility, and two kidney dialysis facilities for Britain's National Health Service, as an example.

Reasons for Divestment

Different reasons are provided in the annual reports for divesting foreign assets that organize around three themes: reducing long term debt and improving liquidity, focusing on the core business domestically, and posturing for long-term growth. Table 2 below lists the descriptors and key phrases for each of the divestment reasons and the count found in the annual reports.
Table 2: Reasons to Divest by Healthcare Company (1991-2016)

<table>
<thead>
<tr>
<th>Reasons to Divest</th>
<th>Descriptors/Key Phrases</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetization/Reduce Long-term Debt</td>
<td>repay secured bank loans due (Tenet, 1996) make mandatory payments on indebtedness (Magellan, 1994) reduce borrowings outstanding (Magellan, 1994) realize the best value for assets (Tenet, 1996)</td>
<td>13</td>
</tr>
<tr>
<td>Focus on Core Business</td>
<td>focus on domestic general hospitals (Tenet, 1995, 1996) development and growth of core business (Transition, 1996)</td>
<td>9</td>
</tr>
<tr>
<td>Government Disinterest</td>
<td>unwillingness, hostility, disagreement</td>
<td>3</td>
</tr>
</tbody>
</table>

**Reduce Long Term Debt and Improve Liquidity/Monetization**

The most common reason is to reduce long term debt and improved liquidity. Repaying long term debt includes bank loans, unscheduled principal payments, and reduce the amount borrowed. Improving liquidity is described as a way to “accelerate expansion” efforts, un-lock non-core assets, “realize best value”, and utilize funds for an aggressive growth strategy. Tenet notes specifically that their foreign divestments are being used to repay bank loans that were outstanding (1996). Magellan and Community Psychiatric Centers both focus their disclosure language on the need to pay off outstanding debts, not unlike NME/Tenet, but they also add that these efforts are also to improve liquidity. For Community Psychiatric Centers, in addition to repaying long term debt, there is an effort to repurchase company stock with money gained from divesting internationally (1996).

**Focus on the Core Business**

Much of the language used for divesting discusses a need to reduce overseas investments in order to focus on the domestic market. During fiscal 1995, Tenet's management concluded that “it would be in the best interests of Tenet's shareholders for the Company to focus on its core business of operating domestic general hospitals rather than on its international operations (1995). Community Psychiatric Centers, 1996 used a similar approach in their disclosure, “the Company will now focus on the development and growth of its core business of operating long-term acute care hospitals.

**Long Term Growth**

Tenet discusses long term growth as a reason for divestment. “In March 2004, we approved a proposed sale of our general hospital in Barcelona, Spain. The purpose of this restructuring is to enable us to focus our financial and management resources on our remaining 69 domestic general acute care hospitals in 13 states and to create a stronger company with enhanced potential for long-term growth (Tenet, 2003). Community Psychiatric Centers (1996) also wrote, “The Company plans to use the remaining net cash proceeds from the above described sales to accelerate THC’s expansion through acquisitions of either individual hospitals or chains, and to continue to take advantage of opportunities to buy back the Company's stock.”

**CONCLUSION**

As a result of significant healthcare consolidation, payment reform, policy changes, and economic pressure over last 25 years, only three for-profit hospital systems in the US have foreign hospitals from a peak of 17 in the late 1980s. The policy environment in the US created significant changes in the delivery...
and payment of services that caused the healthcare industry to shift strategies in order to maintain costs, often at the expense of overseas operations. According the 1989 and 1990 Hospital Closure Reports by the Department of Health and Human Services, the trend in US hospitals closing was a result of interrelated factors of declining bed occupancy, lagging revenues, and rising costs. While the reasons for foreign investment were filled with optimism- seeking markets with a demand for healthcare services, the growth of private health insurance in Europe and Australia, the emerging middle class and booming health care sector in Asia, foreign government receptivity of foreign investment, and confidence in the competencies of the corporations- the companies experienced a high failure rate. Divestment reasons were disclosed to focus on reducing long term debt, increasing liquidity, growing domestically, and returning to core business operations resulted in significant divestment that were a result of the tumultuous US market.

Expanding the years of analysis would enrich the findings, especially during the significant investment and divestment of foreign hospitals in the 1980s by US companies. Analyzing content in the annual reports of non-US, for-profit international healthcare systems would provide a cross-cultural component and increase the depth of the study. Additionally, comparing for-profit and not-for-profit international systems would make for an interesting comparison of foreign investment reasons to invest and divest. Determining if an increase in foreign investment enhances the health of the population served in target foreign markets would have interesting impact on foreign policy. The value in this study, however, is an initial attempt to look at the disclosure of foreign investment and divestment decisions by for-profit healthcare systems in an effort to better explain their strategies and how they are shared with their stakeholders.

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