



## Physician Responses to Financial Incentives:



# Summary

Examines price sensitivity of





# Inequality Methodology

Definition of Severity and Price groups

## Severity Groups

Refined enough to minimize endogeneity concerns

Maintain some price variation within groups

## Price Groups

Endogeneity, measurement concerns

Maintain some within-group variation.



# Inequality Methodology

Determining the right balance

Does variation in comorbidities across price groups within severity groups explain choices?



# Inequality Methodology

“Variance” on bounds

CIGNA, smaller sample

Bounds are determined by a stochastic process

- Bootstrap?

Price Elasticity comparison to Logit

Why plug inequality bound into Logit model?

- Different normalization: distance coefficient v.  $\partial\phi / \sqrt{6}$ .

Count the number of switches in (14)?



# Price Variation

Hospital, not Hospital-Insurer

Do higher capitation insurers negotiate smaller discounts, all else equal?

Theory predicts, yes.

Hospitals should be compensated for bearing additional risk.

Contradicted by regression results (p 25).

Omitted variable: relative bargaining position?