

Physician Supply, Supplier-Induced Demand and Competition: Empirical Evidence from a Single-Payer System

林恆慶

Xirasagar S;Lin HC

Abstract

We examined the earnings of 8106 office-based (FTE) physicians in 2002 in Taiwan for evidence of supplier-induced demand (SID). We hypothesize that SID, operating in the form of mutual cross-specialty referral, will cause earnings to increase with total physician density (all specialties taken together), but simultaneously, decrease with increasing competition within specialties. We used multiple regression analyses controlling for high-user population, physician demographics and practice type. The evidence supports our hypotheses. Increasing total physician density (all specialties) is positively associated with earnings. Concurrently, within specialties, increased competition is associated with reduced earnings. The medical appropriateness of increasing health care utilization with increasing physician supply cannot be directly determined from the data. However, evidence of a steady earnings increase with increasing total physician density, which precludes a saturation point (of appropriate care levels) at some optimum physician density, substantiates SID in the office-based practice market. Empirically, our data suggest that the average market effect of physicians on one another is synergic when all specialties are considered together, but competitive within each specialty.