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Physicians Treating Physicians: Information and Incentives in Childbirth

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[NBER Working Paper No. w19242](#)**Abstract:**

This paper provides new evidence on the interaction between patient information and financial incentives in physician induced demand (PID). Using rich microdata on childbirth, we compare the treatment of physicians when they are patients with that of comparable non-physicians. We exploit a unique institutional feature of California to determine how inducement varies with obstetricians' financial incentives. Consistent with PID, physicians are almost 10 percent less likely to receive a C-section, with only a quarter of this effect attributable to differential sorting of patients to hospitals or obstetricians. Financial incentives have a large effect on C-section probabilities for non-physicians, but physician-patients are relatively unaffected. Physicians also have better health outcomes, suggesting overuse of C-sections adversely impacts patient health.

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