

Balance Billing as a Signaling Device

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Résumé :

In several countries, patients can choose between consulting a physician in the regulated sector where, in general, fees are covered in full, or consulting a physician in the unregulated sector in which balance billing prevails. Under the balance billing system, physicians can charge an extra fee that is not fully covered by the health insurances. We analyze the signaling properties of this mechanism. If patients differ in their marginal cost of adhering to the treatment, and this characteristic is private information to them, a well designed balance billing policy can help separating patient types. Hence those with a higher propensity to comply with the treatment will receive a better attention from their physician, and vice-versa. We analyze the equilibria of the game and comment on their welfare properties.

Keywords: Balance billing, Treatment adherence, Signaling equilibrium, Physicians beliefs.

JEL Classification: I11, D82.