

Abundance or shortage: oppositions in physician price and quantity responses to competition*

Matthieu Cassou[†], Carine Franc[‡], Quitterie Roquebert[§]

Abstract

This paper explores how competition affects the activity and prices of gynaecologists providing outpatient care in France, taking into account the initial supply configuration of the market. It takes advantage of recent changes in this market, with a high number of midwives entering the market with an increasingly overlapping scope of practice with gynaecologists and a steady decline in the number of gynaecologists over the same period. We first derive a model of care provider differentiation in waiting times to explore the specifics of market interaction in a context of shortage. Contrasting with the canonical expectation, the model provides a rational to price increases as a reaction to regulated provider entry, such as midwives, in those markets. We empirically test the predictions with exhaustive administrative panel data on healthcare providers (*CNAM-DGFiP*) with 4 waves. We estimate individual fixed-effect models, where competition is measured by a spatially smoothed measure of supply density and interacted with the initial supply level. The results show that there is a significant interaction between the density of midwives and the price charged by unregulated gynaecologists. The price reaction is non-linear and the canonical effect of a price decrease when competition increases is observed only in high-density areas, whereas midwives entry lead to price increase in low-density areas. Thus, healthcare professionals respond differently to competition depending on the context and estimating an average effect is likely to hide contrasted effects of possibly opposite signs.

JEL CODES: C23, I11, I18, L12

KEYWORDS: balance-billing, physician labor supply, fee-for-services, task-shifting, competition

*We are grateful to the members of GYMS team for useful feedbacks as well as participants to the EUHEA 2024 Conference. Authors acknowledge financing from ANR (ANR-22-CE41-0007).

[†]IRDES, E-mail: cassou@irdes.fr

[‡]INSERM, E-mail: carine.franc@inserm.fr

[§]Université de Strasbourg, Université de Lorraine, CNRS, BETA, 67000, Strasbourg, France. E-mail: roquebert@unistra.fr