

Health Services as Credence Goods: A Field Experiment

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Abstract:

Health services are often provided under asymmetric information. Physicians may exploit their informational advantage by overtreatment, i.e. providing more services than necessary. We conduct a field experiment in a health care market to study the determinants of overtreatment. We vary two factors: First, the extent of the information asymmetry between the physician and the test-patient. Second, we vary whether the test-patient is perceived as a low or high income patient. Furthermore, we collect data on market and practice characteristics and construct different measures of the intensity of physician competition. We find that there are significantly less overtreatment recommendations when the test patient is a (perceived) high income patient than when the test-patient is a low income patient. Furthermore, we find that lowering the information asymmetry leads to significantly less overtreatment recommendations if the test-patient is a low income patient. Regarding market characteristics, we find that a higher level of competition increases overtreatment recommendations.