

Review Notes - Secondary Markets - Physician Services

- Why do we have physician firms and what do they do?
 - what is the dual role of the physician?
 - what is vertical and horizontal integration?
 - market based firms versus integrated firms
 - regulation of physician firms
 - what are the possible goals of physician firms? (comment on each)
 - where does demand for physician services originate?
 - physician as agent (what does that mean?)
 - where does supply of physician services originate?
- Demand side performance of physician firms (allocative efficiency)
 - how do we measure allocative efficiency?
 - focus on competitive markets (how do they work?)
 - variations in physicians' fees between Drs. and geographic areas
 - how should fees vary in a competitive market?
 - with full information and no quality differences?
 - with incomplete information and quality differences?
 - what is the empirical evidence (*i.e.*, is the market competitive/efficient?)
 - increases in physicians' fees over time
 - what should happen to fees, both in short and long-run, if market is competitive? (Hint: focus on costs of production.)
 - empirical (don't need to know numbers, but should know the general conclusions we came to in class based on the data.)
- Supply side performance of physician firms (technological efficiency)
 - inherent problems?
 - how do you measure output (know the possibilities and their advantages and disadvantages)?
 - what are the inputs into the process (how to measure them as well as relationship between the inputs)?
 - empirical studies of technological efficiency
 - again don't need to know numbers, but do need to know general conclusions.
 - optimal number of aides
 - economies of scale (do they exist, are they taken advantage of?)
 - group practice (what's that, relevance to tech. efficiency?)
 - physician referrals (problems with re: tech. efficiency)
 - what is fee-splitting and multi-specialty firms?
 - how is this a problem (*i.e.*, incentives)?
 - what are the conclusions?
- Models of Physician pricing
 - monopoly pricing model
 - what are the assumptions of the model?

- what are the predictions of the model (*i.e.*, what happens to price and quantity?)
 - important topics include entry barriers, cheating, advertising, etc.
- Supplier induced demand
 - What causes price rigidities?
 - Target Income Model
 - Disutility of Discretion Model
 - Inducement and Advertising
 - What are the problems?
 - What is "identification" and how is it relevant to induced demand models?
 - Small area variation
- Public Policy regarding physician services
 - what is the overall conclusion regarding competition and efficiency (both allocative and technological) especially in recent years?
 - possible public policy proposals?
- Physician labor markets
 - why do individuals choose to become physicians?
 - make sure you know the model including costs, benefits, and graphical representation.
 - in general, what are the rates of return for physicians, higher or lower than for other types of education?
 - do the same things for the decision to specialize.
 - Physician licensure
 - What are the major theories of licensure (3)?
 - What are the predictions of each theory as to the impact of licensure?
 - What is the empirical evidence as to which is correct?
 - physician labor supply
 - how is this different than the decision to become a physician?
 - why do physicians supply labor?
 - you should understand two reasons (what are they?) and the implications about dr. labor supply which come from these reasons (focus on labor, leisure, and the wage rate).
 - what does an individual's supply of labor curve look like?
 - what are income and substitution effects?
 - can the S_L curve bend backwards? Under what conditions?
 - market supply of labor (same questions)
 - what do empirical studies say?
- Physician location decisions
 - assumptions of the hotelling model
 - according to the model, where will physicians choose to locate?
 - what are the predictions, does the empirical evidence support the model?