Vertical Integration and Treatment Choices: Evidence from Cardiologists*

Benjamin Heebsh†

October 18, 2019

Click here for most recent version.

Abstract

I study the effects of integration between referring physicians and specialists in cardiology. To address concerns of endogeneity of integration, I exploit a change in Medicare payment rates which increased the financial benefit to vertically integrating for cardiologists. Instrumental variables estimates show that cardiologists who work in the same practice as cardiac surgeons are 7.7% more likely to refer patients for surgery rather than more conservative options. Patients diagnosed by integrated cardiologists in turn have worse mortality and readmission outcomes, with 18.7% higher mortality risk and 13.4% higher risk of readmission for AMI within 180 days. This is in spite of the fact that patients diagnosed by integrated cardiologists have 7.8% medical spending in the 180 days following diagnosis. I provide evidence that these effects are not driven by inherent risks of invasive surgery or selection on patient observables, but worse outcomes for patients receiving the most conservative treatment option.

*I am indebted to my advisors Allan Collard-Wexler, James Roberts, Ryan McDevitt, and Frank Sloan for their guidance and encouragement throughout this project. I am grateful to Schuyler Jones, M.D. for providing valuable industry insight. I also thank participants in the Industrial Organization lunch seminar at Duke University and ASHEcon attendees for their feedback. Mohan Ramanujan and Jean Roth provided invaluable data support.

†Department of Economics, Duke University, benjamin.heebsh@duke.edu