

# A Moneymaking Scan: Dual Reimbursement Systems and Supplier-Induced Demand for Diagnostic Imaging\*

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## Abstract

In light of growing healthcare spending, designing reimbursement systems that incentivize cost-efficient care provision is key. We investigate whether hospitals offset financial pressures in one care sector by inducing demand in others. Specifically, we show that in-hospital imaging units induced demand for costly and unnecessary *ambulatory* imaging examinations reimbursed under fee-for-service, following a reform that introduced prospective payment and increased competition in the *inpatient* sector in Switzerland in 2012. Market structure, competitive pressures and price regulations also influence demand inducement by varying the response to the reform. Our results suggest that altering reimbursement systems can induce supplier-induced demand in other care sectors within hospitals. The possibility to self-refer patients to high-margin diagnostic examinations bears negative consequences on healthcare expenditures and potentially patient health.

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