

Secondary Markets and the Opioid Crisis: Evidence from a Laboratory Experiment

The opioid crisis is responsible for hundreds of thousands of deaths and trillions of dollars in costs. The secondary market for opioids contributes substantially to those numbers. While shutting down the secondary market can alleviate the health threat induced by the drug diversions, it could also trigger increased unnecessary prescriptions, leaving the welfare consequences of closing secondary market distribution ambiguous. Drawing on Schnell's (2017) model of secondary markets and the opioid crisis, we design a laboratory experiment to investigate the effect of secondary markets on patient and physician behaviors. We find that, as compared to when the secondary market is absent, in the presence of a secondary market patients visit physicians more frequently and physicians provide more prescriptions. Consequently, we find that shutting down this distribution channel reduces total consumption of opioids, and positively impacts overall health outcomes. Our results provide clear evidence that policies aimed at restricting secondary markets would significantly contribute to mitigating the opioid crisis.

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