

Gender Homophily in Referral Networks Consequences for the Medicare Physician Earnings Gap (Zeltzer, 2020)

Female Medicare physicians earn 48% less than their male counterparts. A third of the gap can be explained by gender sorting. Particularly, female physicians tend to specialize on lower paying medical branches like gynecology. Another third is explained by frequent female physician's career interruptions – e.g. having children. The last third does not have a clear explanation. Nonetheless, the disproportionate referrals to male specialists from male and female physicians is a strong candidate.

One Sentence Summary

Medicare physicians, male and female, tend to more refer to male specialists than female ones. Specifically, they measure relative homophily to estimate a gender referral bias. This widens the earnings gap between male and female specialists as female specialist demand falls due to the disproportionate referrals to male specialists.

Main Findings

Homophily is the tendency to focus on the same gender. In this case, homophily happens when male physicians refer to more male specialists than female ones. Male Medicare physicians represent 70% of total Medicare general doctors; out of all of their referrals 85% are directed to male specialists. Surprisingly, female physicians refer 80% of their cases to male specialists. Both female and male physicians disproportionately refer their cases to male specialists.

The author used a measure of *relative homophily* by subtracting male references to male specialists and female references to specialists. For instance, in the absence of a gender referral bias both genders should have the same referral percentage for men, independent of the population ratio. If men tend to refer to more men than women, then homophily is present in male physicians. Concretely, the relative homophily estimations are statistically significant ranging from 4% to 11%. But how does referral affect earnings?

Specialist doctors heavily rely on referrals from general physicians. The presence of a homophilic bias will decrease female specialist demand, as they receive less referrals than similar males. Any difference in earnings can be explained by quantity of services because Medicare prices are fixed regardless of gender. Thus, a lower demand for female services will lead to lower earnings. In fact, homophily explains 15% of the gender earnings gap.

Concluding Remarks

Over the last decades there has been a tremendous reduction of the gender wage gap. However, there are still some elusive gender mechanism, like homophily that – most likely – male physicians are unaware of. This paper provides evidence of such mechanisms and quantifies how the negative effect of gender biases in the labor market.

References

- Zeltzer, D., 2020. Gender Homophily in Referral Networks: Consequences for the Medicare Physician Earnings Gap. Am. Econ. J. Appl. Econ.
<https://doi.org/10.1257/app.20180201>.