

COMPETITION AND KICKBACK

Developing two novel measures, this paper studies how competition affects kickbacks. Using unique granular data from the pharmaceutical industry, we are able to test this fundamental question by measuring potential kickbacks from records of pharmaceutical payments to physicians and constructing a time-varying competition measure at the firm level through identifying the breakthroughs of rival firms' drug projects for the same disease targets. We find that our project-based competition measure is positively associated with pharmaceutical firms' kickback payments to physicians. The result is robust with four alternative competition measures. We also show that firms pay physicians more strategically in terms of the nature and forms of payment. We provide empirical evidence that kickback payment is related to higher physician prescriptions and the promotional effect of pharmaceutical kickbacks is stronger when competition is more intense. Moreover, we document that biopharma firms increase kickback payments for addictive drugs relatively more when facing greater competition, which leads to increased addictive drug prescriptions. Two possible channels underlie our findings: firms need to compensate for the value loss of the competition-affected drug projects and firms need to obtain funding to support new/ongoing projects in unaffected drug indications.

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 **9:30-11:00am**

 **SEK106, 1/F, Simon & Eleanor Kwok Building**

 **English**



SPEAKER:

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Shihua QIN is a PhD candidate in Finance at the University of Hong Kong. She obtained the Bachelor of Economics in Finance and Master of Finance from Zhejiang University. Her research interests include corporate finance, ESG, finance and health, and financial innovation. Her papers have been presented in major finance conferences such as American Finance Association (AFA) Annual Meeting and Western Finance Association (WFA) Annual Meeting. Her works also have been covered by Harvard Law School Forum on Corporate Governance and cited by the US Securities and Exchange Commission (SEC).

