**The Causal Effects of Pharmaceutical Payments on Physician Prescriptions**

**Abstract:**

I provide estimates of the causal effects of payments from pharmaceutical companies on the prescribing habits of Medicare Part D physicians.

Identifying the causal effects of payments associated with pharmaceutical “detailing” (marketing to physicians) is confounded by dynamic selection in and out of payment assignment by the drug producer.

I employ a novel identification strategy which uses exogenous variation in brand-related payments due to pharmaceutical producers undergoing acquisitions by other firms.

The analysis focuses primarily on aminosalicylates, the drug class used to treat inflammatory bowel disease, and finds that stopping payments to a physician reduces the probability that she will prescribe any drug from the aminosalicylates class by around 5 percentage points.

Decomposing payment effects to persistent and temporary components, I find that at most 50 percent of brand-specific effects and 80 percent of class-specific effects are persistent.

Payment effects in other drug classes seem to exhibit similar patterns.