

**Modeling inter-regional patient mobility:  
Does distance go far enough?**

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# Modeling inter-regional patient mobility: Does distance go far enough?\*

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## Abstract

This paper estimates a theory-guided gravity equation of regional patient flows. In our model, a patient's choice to consult a physician in a particular region depends on a measure of spatial accessibility that accounts for the exact locations of both patients and physicians. Introducing this concept in a spatial economics model, we derive an augmented gravity-type equation and show that our measure of accessibility performs better in explaining patient flows than bilateral distance. We conduct a rich set of counterfactual simulations, illustrating that the effects of physicians' market exits on patient mobility crucially depend on their exact locations.

**JEL codes:** R10, R12, R23, I11, I18

**Keywords:** gravity model, patient mobility, spatial accessibility, two-step floating catchment areas (2SFCA)

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# 1 Introduction

Economic interactions across space are influenced by the distribution of demand and supply factors. Understanding the determinants of these interactions is key for economic and policy analysis. To evaluate how goods, services, and people sort across geographic space, an influential body of literature builds on gravity models that highlight the important role of bilateral resistance, such as trade and travel costs.<sup>1</sup> While gravity models have been successful to explain trade and migration flows across countries and regions, recent contributions show that gravity and congestion forces determine commuting patterns even at a sub-regional level (Ahlfeldt et al., 2015; Monte et al., 2018). As regional heterogeneity in the distribution of supply and demand is a key driver behind those flows, it is important to exploit detailed information at the finest possible scale. The intra-regional distribution of these factors is especially relevant if bilateral resistance is large, which is the case for the provision of inseparable services. On the one hand, whether a service is available to a consumer depends on the proximity to potential service providers. On the other hand, providers could be capacity constrained and might thus serve a limited number of customers only, or provide low quality if demand is high. Thus, the geographical distribution of demand is of great importance, as congestion forces increase in the number and the proximity of consumers to a service provider. This paper introduces a measure of “spatial accessibility” that incorporates the geographic distribution of demand and supply factors as well as congestion forces within regions. We apply this refined measure to the public healthcare market of general practitioners and show that accounting for regional heterogeneity is important to evaluate patient flows compared to commonly applied indicators of bilateral resistance, such as distance and travel time.

The goal of this paper is to estimate a theory-guided gravity equation of patient flows that accounts for regional heterogeneity in accessibility of general practitioners (GPs). In our theoretical framework, we model a patient’s choice to consult a physician in a particular region. Notably, accessibility does not only depend on bilateral distances between regions, but accounts for intra-regional heterogeneity of both patients and physicians, as well as a measure of congestion at the physician level. We embed this concept of accessibility into a spatial economics model along the lines of Monte et al. (2018). The model implies a gravity-type equation that predicts the probability of a patient to see a physician in a particular region, which increases with a higher accessibility measure. Similar to multilateral resistance terms, patients’ decisions also depend on the accessibility of all other regions. We further demonstrate that under restrictive assumptions, namely abstracting from intra-regional heterogeneity and congestion forces, our model nests a standard gravity equation with only bilateral distance. This approach guides our empirical analysis, where we investigate the importance of our measure of spatial accessibility relative to bilateral indicators of travel costs, like

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<sup>1</sup>The gravity equation has become the standard approach in modeling trade flows—see Tinbergen (1962) for an early application, Anderson (1979), Eaton and Kortum (2002), and Anderson and van Wincoop (2003) for other influential contributions in this field, and Yotov et al. (2016) for an introduction and an overview. Furthermore, gravity models have been used to investigate flows of foreign direct investments (Anderson, 2011; Lay and Nolte, 2017) or equity investments (Portes and Rey, 1998, 2005), and to analyze commuting patterns (Persyn and Torfs, 2016) or student mobility (Beine et al., 2018), among other areas. In the field of health economics, Levaggi and Zanola (2004) and Fabbri and Robone (2010) have applied gravity models to investigate inter-regional patient flows.

inter-regional distance or travel time.

In the empirical analysis, we test the theoretical model’s implications using detailed information on the spatial distribution of the residential population (demand) and the location of GPs (supply) in Austria. To the best of our knowledge, we are the first to estimate a gravity equation with a theory-based measure of spatial accessibility. In particular, we apply a variant of the two-step floating catchment area (2SFCA) method, developed in the field of applied geography (see Radke and Mu, 2000), which is based on spatially explicit information on potential demand (i.e. the distribution of the population at the  $250\text{ m} \times 250\text{ m}$  grid-cell level) and on the exact locations of supply.<sup>2</sup> Guided by our theoretical set-up, we compare different specifications of the gravity equation. Our results show that accounting for spatial accessibility improves the model’s fit substantially compared to a benchmark estimation with only bilateral distance. Remarkably, once we control for spatial accessibility, the coefficient of distance—which has been the main variable of interest in the gravity literature—becomes insignificant. We show that these results are highly robust and suggest utilizing indicators of supply and demand at a fine spatial scale, even if bilateral flow data are not accessible at a regionally disaggregated level.

Our approach allows predicting changes in patient mobility following supply-side shocks, which would not be possible in a standard gravity framework that only relies on bilateral resistance. Market exits or re-locations of outpatient GPs affect patients’ accessibility of physicians and thus welfare, and consequently influence their choices which doctors they consult. This is highly relevant to policy makers, who aim to provide comprehensive and equitable accessibility to healthcare services. Their goal is challenged by recently observed or expected shortages in the number of GPs, especially in rural areas.<sup>3</sup> Hence, our application to the Austrian healthcare market does not only serve as an illustration of our methodology to account for regional heterogeneity, but is also of high policy relevance in many countries with a public healthcare system. Our counterfactuals document heterogeneous changes in spatial accessibility within regions, depending on the exact locations of physicians leaving the market. Guided by our theory, this heterogeneity translates into regional variation in patient flows. If physicians are clustered in space, bordering regions are strongly affected, whereas patient mobility is only moderately influenced if the same number of GPs leaving the market is scattered throughout the region.

We contribute to recent developments of (quantitative) spatial economics (Ahlfeldt et al., 2015; Monte et al., 2018; Heblich et al., 2020; Ahlfeldt et al., 2020) by integrating the concept of spatial accessibility in a gravity framework. Ahlfeldt et al. (2015) rely on computed travel times based on the transportation network and self-reported travel times to estimate a gravity equation of commuting

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<sup>2</sup>Measures of spatial accessibility relying on the two-step floating catchment area method are typically used to accurately quantify the accessibility of locally produced and consumed services in a descriptive way. Empirical contributions in this context aim to detect under-served areas (Radke and Mu, 2000; Luo and Wang, 2003; Luo and Qi, 2009) or to relate differences in accessibility across neighborhoods to the socio-economic status of their residents (Dai and Wang, 2011; Pennerstorfer and Pennerstorfer, 2021).

<sup>3</sup>Many European countries are expecting a wave of retirement of the so-called “baby-boom” generation (OECD, 2016) paired with a reluctance of younger physicians to settle in rural areas (Ono et al., 2013). In 2018, almost one third (31.5%) of all physicians in Austria were over 55 years old. This share was even higher in Germany (44.9%) and Italy (55.8%) (Eurostat, 2020).



flows across Berlin districts. Using distances between counties’ centroids, Monte et al. (2018) analyze a gravity framework of commuters applied to U.S. data. Both studies use the regression results for their subsequent counterfactual analysis. As welfare and policy implications depend on these estimates, it is crucial to take into account information on the measure of bilateral resistance in as much detail as possible.<sup>4</sup> Dingel and Tintelnot (2020) deviate from the standard approach in spatial economics that assumes a continuum of individuals, and instead suggest employing a granular model when using fine spatial data.

Although the healthcare sector is a highly policy-relevant industry, empirical contributions on spatial aspects are still relatively scarce. The empirical literature on patient mobility—which has been referred to as “revealed accessibility” (Joseph and Bantock, 1982)—has focused mainly on hospital services (Congdon, 2000, 2001; Avdic, 2016; Balia et al., 2018; Bruni et al., 2008; Fabbri and Robone, 2010; Levaggi and Zanola, 2004; Smith et al., 2018). The few studies investigating outpatient services are either conducted in the U.S. (see, for example, Dai, 2010; LaVela et al., 2004; Schmitt et al., 2003), or are descriptive in the sense that potential accessibility is not used to predict utilization patterns (such as Joseph and Bantock, 1982; Bauer and Groneberg, 2016). Those contributions using an econometric framework to model patient mobility usually calculate Euclidean or travel distances between regions as indicators of spatial accessibility (e.g. Fabbri and Robone, 2010; Balia et al., 2018; Schmitt et al., 2003; LaVela et al., 2004). We contribute to this literature by highlighting the important role of spatial accessibility in a theory-guided estimation of patient flows, where we exploit supply and demand information at a finer spatial scale than bilateral flow data.

Our approach of augmenting a gravity model with a measure of spatial accessibility is not limited to the healthcare market, but is also relevant for other applications where exact locations of demand (e.g. consumers of goods and services, importers, workplaces, students) and supply (e.g. producers, service providers, exporters, workers, universities) are important. While country-level data might be sufficient for analyzing trade in goods (at least for reasonably small countries), even information at a sub-national level (like U.S. states or EU NUTS 1 regions) might not be accurate enough for investigating trade in services, commuting patterns or patient mobility. In these cases, our approach can contribute to standard econometric models based on bilateral distance by improving the explanatory power of these models.

The remainder of the article is organized as follows: Section 2 introduces the concept of spatial accessibility in a theoretical model of patient flows. Section 3 describes the empirical strategy employed in our paper, including the calculation of the measure of spatial accessibility and the econometric model specifications. Moreover, it details the data sources and the variables used in the empirical analysis. Finally, the regression and simulation results are presented and discussed in Section 4, while Section 5 concludes.

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<sup>4</sup>Recent contributions in the trade literature highlight the importance of intra-national trade costs (Coşar and Demir, 2016; Donaldson, 2018; Agnosteva et al., 2019).

## 2 Theory

Our analysis focuses on GPs in the public outpatient sector, who are responsible for primary healthcare in Austria. To theoretically model regional patient flows, some information about the underlying institutional setting is helpful at this point. Patients are free to choose their healthcare provider without restrictions regarding the utilization of services outside their own district or state. Patients can choose to go to a different GP quarterly without any cuts in cost coverage. The choice of provider within Austria for these so-called “first contacts” (i.e. the first contact within a given quarter of the year) with a GP is not restricted by financial considerations for the patient (Bachner et al., 2018). It is therefore plausible to assume that, especially for the initial contact with a GP, the patient freely chooses whether and where to seek care (provider and location). Moreover, supply-side inducement is less likely than for follow-up and specialist visits. On the supply side, the number of public (i.e. contracted) physicians in a region is strictly regulated. Based on the number of insured individuals (i.e. potential patients), each social health insurance fund negotiates a placement plan (*Stellenplan*) with the regional chambers of physicians (*Landesärztekammern*) for each political district. By law, the distribution of these contracted physicians has to account for regional differences in infrastructure and is such that every insured person can choose between at least two different contracted physicians reachable in due time (Stepan and Sommersguter-Reichmann, 2005; Bachner et al., 2018). However, while the number of physicians is strictly regulated on the district level, physicians are free to locate anywhere within that district.

We operationalize the concept of spatial accessibility by the so-called two-step floating catchment area (2SFCA) method. To guide our empirical approach and gain intuition of the underlying mechanisms, we first construct the theoretical counterpart of the 2SFCA method in this section. Subsequently, we integrate this measure of spatial accessibility in a spatial model along the lines of Monte et al. (2018). Our model implies a gravity equation for patient flows and brings forth novel testable predictions to be confronted with data in the empirical part in Section 3.

### 2.1 Theoretical measure of spatial accessibility

Guided by the institutional background, we employ a theoretical measure of spatial accessibility, which incorporates proximity between patients and physicians as well as congestion forces. We consider one country (Austria) which is divided into a finite number of regions  $S$ . One region  $s$  is endowed with a fixed measure of physicians,  $L_s > 0$ , and a fixed number of patients,  $K_s > 0$ . Each patient  $k$  chooses to see a physician  $l$  in a destination region  $d$ , who provides the highest utility, which depends on several determinants. In this section, we focus on one central aspect of utility, which is spatial accessibility.<sup>5</sup> In line with the idea of the 2SFCA method, our measure of spatial accessibility is constructed in *two* steps. The *first* step can be interpreted as a physician’s service provision level which we denote by  $R_l$ . It depends on two components: i) the number of patients within a GP’s catchment area and ii) the respective distances to each of the patients within this

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<sup>5</sup>The detailed utility function will be described in the subsequent section.

area. In line with our empirical counterpart, we assume the following functional form:

$$R_l = \frac{1}{\sum_k f(dist_{lk})}, \quad (1)$$

where  $f(dist_{lk})$  is a function that decreases in the distance between patient  $k$  and physician  $l$ . The catchment area includes all patients within a specified distance.<sup>6</sup> For patients outside this area, the distance function is defined as  $f(dist_{lk}) = 0$ , such that their weight is zero in Equation (1). Intuitively, a higher number of patients reduces the time allocated to one patient and hence the quality of the medical service. Given the number of other patients, this “congestion” force plays a larger role when distances to these patients within the catchment area are short (because a larger fraction of the other patients will consider the respective GP).

In the *second* step, we take the perspective of a patient  $k$  living in region  $o$ , and determine the accessibility of physicians in region  $d$ , denoted by  $A_{kod}$ . Using the service provision level of physician  $l$ , as shown in Equation (1), weighted by the respective distance between a patient and GP, and summing over all physicians in region  $d$ , we obtain:

$$A_{kod} = \sum_{l \in L_d} R_l f(dist_{kl}) = \sum_{l \in L_d} \frac{f(dist_{kl})}{\sum_k f(dist_{lk})}. \quad (2)$$

Again,  $f(dist_{kl})$  is a decreasing function of distance between patient  $k$  and physician  $l$ , which implies that a given level of service provision by physician  $l$  increases the spatial accessibility to a larger extent when distances are short. Summing over all distance weighted service provision levels of physicians determines the accessibility of region  $d$ . The empirical implementation of Equation (2) will be discussed in Section 3 in detail. Before we introduce our measure of accessibility in a spatial economics model, we summarize its main components and intuition as follows.

**Interpretation.** *From the perspective of patient  $k$ , the accessibility of physicians in region  $d$  ( $A_{kod}$ ):*

- (i) increases in the number of accessible physicians within region  $d$  (i.e. those physicians where  $f(dist_{kl}) > 0$ ),*
- (ii) increases in the service provision level ( $R_l$ ) of all physicians in region  $d$ , which itself depends on the number and proximity of all other patients within the catchment area, and*
- (iii) decreases with the distance between patient  $k$  and all physicians in region  $d$ .*

In the following section, we embed the concept of physicians’ accessibility from Equation (2) into a spatial equilibrium model that implies a gravity equation for patient flows across regions. While the residence of patients is fixed, they are geographically mobile to choose the region that offers the maximum utility for seeing a doctor.<sup>7</sup>

<sup>6</sup>In the empirical analysis, we specify an inverse power function for  $f(dist_{lk})$ , and set the distance of the catchment area at 100 km. See Section 3.2 for details.

<sup>7</sup>As we focus on cross-sectional data in the empirical analysis, we abstract from residential location choice over time.

## 2.2 Patients' preferences

In modeling the preference structure of patients, we follow the recent spatial economics literature and assume a Cobb-Douglas type utility function over consumption and housing.<sup>8</sup> The preferences of a patient  $k$ , who consumes, works and lives in region  $o$  and consults a physician in region  $d$ , are given by:

$$U_{kod} = B_{kod} \left( \frac{C_{ko}}{\alpha} \right)^\alpha \left( \frac{H_{ko}}{1-\alpha} \right)^{1-\alpha}, \quad 0 < \alpha < 1, \quad (3)$$

where  $C_{ko}$  denotes the consumption of goods and  $H_{ko}$  is the demand for housing. To focus on patient flows, we abstract from commuting and hence assume that patients work in their region of origin  $o$ , where they receive a common wage rate  $w_o$  to make their consumption and housing decisions.<sup>9</sup> The parameter  $B_{kod}$  in Equation (3) captures a composite amenity measure, which consists of two parts:

$$B_{kod} = a_{kod} A_{kod}. \quad (4)$$

As a first component, patients in  $o$  have idiosyncratic tastes for seeing a doctor in  $d$ . These shocks imply that patients have different preferences regarding physicians across locations. We denote the idiosyncratic amenity shock by  $a_{kod}$ , which enters utility as part of  $B_{kod}$ . In modeling this heterogeneity in preferences, we follow Monte et al. (2018) and Heblich et al. (2020) by assuming that the amenity shocks  $a_{kod}$  are drawn from a Fréchet distribution:<sup>10</sup>

$$G_{od}(a) = e^{-M_{od}a^{-\epsilon}}, \quad (5)$$

where the scale parameter  $M_{od}$  determines the average amenities of living in region  $o$  and seeing a physician in region  $d$ . The shape parameter  $\epsilon > 1$  reflects the dispersion of amenities. Hence, it controls the sensitivity of location decisions with respect to economic variables and—importantly in our case—with respect to spatial accessibility, which enters preferences as a second component.<sup>11</sup> Hence, for given idiosyncratic tastes for region  $d$ , patients prefer seeing a doctor there when accessibility of the region is high. Put differently, heterogeneous amenity shocks ensure that patients make different choices about their doctor's region when faced with the same accessibility measure.

**Remark.** *Note that bilateral (iceberg) traveling costs between regions  $o$  and  $d$  do not enter explicitly in our utility function, but are subsumed in our spatial accessibility measure. In Section 2.4, we show under which restrictive assumptions our approach nests a standard gravity equation featuring bilateral distance between  $o$  and  $d$  as a proxy for bilateral traveling costs.*

In a next step, we derive the indirect utility of patients. To do so, we make use of the Cobb-

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<sup>8</sup>See Redding and Rossi-Hansberg (2017) and Redding (2020) for reviews on quantitative spatial models.

<sup>9</sup>We discuss the role of commuting on patient flows at the end of Section 2.3. Additionally, we control for commuting in the empirical analysis.

<sup>10</sup>The use of extreme value distributions has been shown to be useful to derive gravity equations of international trade (Eaton and Kortum, 2002) and of commuting flows (Monte et al., 2018).

<sup>11</sup>The smaller the shape parameter  $\epsilon$ , the greater the heterogeneity in idiosyncratic amenities, and the less sensitive are location decisions with respect to other variables.

Douglas structure of preferences, which implies that patients spend a share  $\alpha$  of their labor income on consumption of goods. Analogously, a share  $(1 - \alpha)$  is spent on housing. Denoting the price of housing by  $P_o$  and the price of the consumption good by  $Q_o$ , we obtain demand for housing and consumption as:

$$H_o = \frac{(1 - \alpha) w_o}{Q_o}, \quad (6)$$

$$C_o = \frac{\alpha w_o}{P_o}. \quad (7)$$

Inserting the two demand functions into Equation (3), we derive indirect utility for patient  $k$  living in region  $o$  and seeing a doctor in region  $d$  as:

$$U_{kod} = \frac{B_{kod} w_o}{P_o^\alpha Q_o^{1-\alpha}}. \quad (8)$$

### 2.3 Gravity equation of patient flows

Each patient chooses a physician in the region that offers the maximum utility:

$$U_k = \max \{U_{kod}; d \in S\}. \quad (9)$$

The probability that a patient from region  $o$  derives the maximum utility from seeing a doctor in region  $d$  is:

$$\lambda_{kod} = \Pr [U_{kod} \geq \max \{U_{kos}; s \neq d\}]. \quad (10)$$

Note that this decision depends on the accessibility of physicians in this region and how distant the patient is to those doctors relative to other patients. As the indirect utility (8) is a monotonic function of idiosyncratic amenities  $a_{kod}$  that follow a Fréchet distribution, the indirect utility and its maximum are also Fréchet distributed:  $G_{kod}(U) = e^{-\Psi_{kod} U^{-\epsilon}}$ , where  $\Psi_{kod} = M_{od} A_{kod}^\epsilon w_o^\epsilon (P_o^\alpha Q_o^{1-\alpha})^{-\epsilon}$ . We use this property together with the fact that the probability in Equation (10) can be written as  $\lambda_{kod} = \int_0^\infty \Pi_{s \neq d} \Pr (U_{kos} \leq U) dG_{kod}(U)$ , which leads to a gravity-type equation for patient flows:<sup>12</sup>

$$\lambda_{kod} = \frac{M_{od} A_{kod}^\epsilon}{\sum_s M_{os} A_{kos}^\epsilon} = \frac{M_{od} \left( \sum_{l \in L_d} \frac{f(\text{dist}_{kl})}{\sum_k f(\text{dist}_{lk})} \right)^\epsilon}{\sum_s M_{os} \left( \sum_{l \in L_s} \frac{f(\text{dist}_{kl})}{\sum_k f(\text{dist}_{lk})} \right)^\epsilon}. \quad (11)$$

A patient from region  $o$  is more likely to consult a physician in region  $d$  if the average amenities  $M_{od}$  are larger. While this bilateral component is specific to the region-pair, the accessibility measure  $A_{kod}$  differs across patients from the same origin region  $o$  and captures heterogeneity in spatial accessibility of doctors. The Fréchet shape parameter influences the relative importance of spatial accessibility. A larger  $\epsilon$  implies that idiosyncratic amenities are less dispersed and accessibility becomes more important in determining patient flows. According to Equation (11), each patient from region  $o$  faces different distances to physicians located in destination  $d$ . Note that a standard

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<sup>12</sup>The derivation of the gravity equation for patient flows is shown in Appendix A.

gravity framework with only bilateral costs does not take into account this heterogeneity. The term  $\sum_s M_{os} A_{kos}^\epsilon$  captures “multilateral resistance”, which is patient-specific and includes average amenities as well as physicians’ accessibility of all possible destinations. This term captures general equilibrium adjustments in addition to the direct effects of accessibility. In particular, changes in accessibility between two regions will also affect patient flows between all other regions. While we control for multilateral resistance through fixed effects in the empirical analysis, these general equilibrium adjustments will be considered as endogenous variables in our counterfactual analysis in Section 4.4.

To focus on the patient’s choice of physicians, we have abstracted from commuting and hence work place decisions. This implies that wage differences across regions do not matter in Equation (11). If the patient works in the region where the preferred physician is located, wage differentials play a role and will be absorbed by destination and origin fixed effects.<sup>13</sup>

## 2.4 Relation to a standard gravity equation

To highlight the role of spatial accessibility in determining patient flows across regions, we show under which restrictive assumptions our framework collapses to a standard gravity equation. In a first step, we shut down spatial heterogeneity within regions by assuming that all physicians and patients are located in one point, respectively.<sup>14</sup>

**Restrictive Assumption 1.** *There is no intra-regional heterogeneity in distances between patients, i.e. all patients (physicians) of one region are located in one point.*

This assumption implies that the measure of accessibility only captures information on inter-regional distances. Hence, intra-regional differences of distances between patients and physicians are not taken into account. In this case, the service provision level in Equation (1) is identical for all physicians in destination  $d$  and reduces to  $R_d = \frac{1}{\sum_z K_z f(dist_{dz})}$ . Note that Equation (1) takes into account all patients and their individual distances, including intra- and inter-regional heterogeneity. In contrast, the simplified version abstracts from intra-regional distances. Hence, from the perspective of region  $d$ , this simplified measure only sums over all potential origin regions  $z$ , as all patients within an origin  $z$ ,  $K_z$ , face the same distance. From the perspective of a patient in origin  $o$ , the accessibility measure under Restrictive Assumption 1 can be written as follows:  $A_{od}^{r1} = L_d R_d f(dist_{od})$ . Inserting the service provision level leads to:

$$A_{od}^{r1} = \frac{L_d f(dist_{od})}{\sum_z K_z f(dist_{dz})}. \quad (12)$$

Compared to Equation (2), the accessibility measure is identical for all patients from one region. As a second step, we additionally assume that all patients within the catchment area of a physician

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<sup>13</sup>In this case, the gravity equation (11) can be written as follows:  $\lambda_{kod} = \frac{M_{od} A_{kod}^\epsilon w_d^\epsilon}{\sum_s M_{os} A_{kos}^\epsilon w_s^\epsilon}$ . A larger wage  $w_d$  increases the probability of an individual working and seeing a physician in destination  $d$ .

<sup>14</sup>Note that this does not have to be the same point. Here, it is only important to assume that all patients of one region have identical distances to physicians of a particular region.

affect the service provision level to the same degree, irrespective of their actual distance.

**Restrictive Assumption 2.** *Congestion only depends on the number of physicians relative to patients, i.e. all patients within a catchment area enter into the service provision measure with the same weight.*

With this second assumption, the accessibility measure in Equation (12) simplifies to:

$$A_{od}^{r2} = \frac{L_d f(dist_{od})}{\sum_z K_z}. \quad (13)$$

Note that the latter measure only considers origins  $z$  for which  $f(dist_{dz}) > 0$  in Equation (12). This implies that all patients within the catchment area enter with a weight of one, irrespective of their distance. Inserting Equation (13) into the gravity equation (11), we obtain:

$$\lambda_{od} = \frac{M_{od} \kappa_{od}^{-\epsilon} \left( \frac{L_d}{\sum_z K_z} \right)^\epsilon}{\sum_s M_{os} \kappa_{os}^{-\epsilon} \left( \frac{L_s}{\sum_s K_s} \right)^\epsilon}, \quad (14)$$

where  $\kappa_{od} = \frac{1}{f(dist_{od})}$  represents bilateral (iceberg) traveling costs, which would reduce patients' utility as in a commuting framework à la Monte et al. (2018). Equation (14) resembles a standard empirical specification of the gravity equation with both destination as well as origin fixed effects and a measure of bilateral distance as a proxy for traveling costs. This analysis has shown that our augmented framework nests the standard gravity model as a special case. Moreover, we conclude that bilateral distance should not play a role in determining bilateral patient flows once we drop the Restrictive Assumptions 1 and 2 and make use of our spatial accessibility measure. To summarize, our theoretical analysis highlights two main implications which are stated in the following propositions.

**Proposition 1.** *Controlling for multilateral resistance and average amenities, patient flows between regions  $o$  and  $d$  are determined by a measure of spatial accessibility, which captures intra-regional distances and congestion forces. A higher accessibility measure  $A_{kod}$  increases the probability that a patient  $k$  located in  $o$  consults a physician in  $d$ .*

**Proposition 2.** *Accounting for spatial accessibility implies that bilateral distance no longer predicts inter-regional patient flows. The augmented gravity equation nests a standard framework if intra-regional heterogeneity i) in distances between patients and physicians and ii) in the measure of congestion are not taken into account.*

Based on these propositions, the goal of the following empirical analysis is to determine the importance of our refined accessibility measure compared to a standard gravity approach.

### 3 Empirical strategy

In this section, we first outline how to empirically test the propositions of the theoretical model. Subsequently, we describe the available data on patient mobility and discuss how we utilize information on different levels of spatial aggregation to generate variables explaining inter-regional patient flows.

#### 3.1 Analyzing patient flows

To test the theoretical model, we start with the gravity-type equation for patient flows (Equation (11)), summarizing the probability that patient  $k$  living in region  $o$  consults a physician in region  $d$ , i.e.  $\lambda_{kod} = M_{od}A_{kod}^\epsilon / \sum_s M_{os}A_{kos}^\epsilon$ . Taking the logarithm of this equation gives:

$$\log(\lambda_{kod}) = \epsilon \log(A_{kod}) + \log(M_{od}) - \log\left(\sum_s M_{os}A_{kos}^\epsilon\right). \quad (15)$$

The term  $\sum_s M_{os}A_{kos}^\epsilon$  captures multilateral resistance and can be accounted for by patient-level fixed effects. As we observe the patients' destination choices only at the regional level, we take regional aggregates of both patients' decisions and accessibility levels in Equation (15). We thus aggregate the probabilities of consulting a physician in region  $d$ ,  $\lambda_{kod}$ , over all patients in region  $o$  and analyze the number of patients  $y_{od} = \sum_k \lambda_{kod}$  (patient flow), as outlined in the following regression equation:

$$\log(y_{od}) = \gamma_0 + \gamma_1 \log(A_{od}) + \gamma_2 \log(M_{od}) + \tau_o + \mu_d + \varepsilon_{od}. \quad (16)$$

We aggregate individual accessibility measures to derive the respective variable at the district pair level (i.e.  $A_{od} = \sum_k A_{kod}$ ). The variable  $M_{od}$  indicates the average amenities of living in region  $o$  and consulting a GP in region  $d$  (see Section 3.2 for details).  $\tau_o$  and  $\mu_d$  denote directional regional fixed effects, accounting for all kinds of push and pull factors as well as multilateral resistance.  $\gamma_0$ ,  $\gamma_1$  and  $\gamma_2$  are the parameters to be estimated and  $\varepsilon_{od}$  indicates the error term.

Following the empirical literature applying gravity models (see, in particular, Santos Silva and Tenreyro, 2006; Yotov et al., 2016), we estimate Equation (16) using a Poisson pseudo-maximum-likelihood (PPML) estimator, which allows us to include the endogenous variable (patient flows  $y_{od}$ ) in levels rather than in logarithms.<sup>15</sup> This approach acknowledges that patient flows are count data and circumvents the problem that the logarithm of zero is undefined. The endogenous variable on patient mobility includes intra-regional patient flows (i.e. patients who utilize healthcare in their district of residence). Inference is based on a robust sandwich covariance matrix estimator to account for potential heteroskedasticity in the error term. This approach yields unbiased results

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<sup>15</sup>The Poisson model specifies that each patient flow  $y_{od}$  is drawn from a Poisson distribution, and that the expected patient flow is given by  $E(y_{od}) = \exp(\gamma_0 + \gamma_1 \log(A_{od}) + \gamma_2 \log(M_{od}) + \tau_o + \mu_d)$ . See Greene (2003) for details. Note that this Poisson model provides the same interpretation of the parameters as in the log-log-specification outlined in Equation (16).



even in the presence of overdispersion (Wooldridge, 1999).<sup>16</sup>

### 3.2 Data and variables

The dependent variable  $y_{od}$  is based on a dataset comprising all patient flows between the 115 political districts<sup>17</sup> in the Austrian public outpatient sector in 2016, amounting to 13,225 observations (including intra-district patient flows). An analysis at a lower level of regional aggregation is impeded, because information on healthcare utilization is highly sensitive and thus restricted at a spatially (more) disaggregated level. These data were provided by the Main Association of the Austrian Insurance Funds. We count the number of first contacts with a public GP in each quarter as a measure of patient mobility from the origin district  $o$  (patient’s district) to the destination district  $d$  (physician’s district). We restrict the measure of healthcare utilization to first contacts rather than including follow-up visits, because in case of the former the decision whether and where to go lies entirely within the discretion of the patient, whereas the latter might be influenced by a physician’s referral. In total, 21,268,245 first contacts with public GPs were recorded during the entire year of 2016, which corresponds to 0.62 contacts per capita per quarter. Out of these around 21 million contacts, almost 3 million (about 14 %) occurred outside the patients’ districts of residence.

In order to explain patient mobility, we utilize data from various sources that are available at different levels of spatial aggregation. To calculate the measure of spatial accessibility based on the 2SFCA method, we exploit spatially highly granular data on the residential population and the physicians’ locations. Data on the residential population were collected by the Austrian Statistical Office (Statistics Austria) in 2015 and are provided at the grid-cell level. The grid cells are independent of administrative boundaries and the size of one cell is 250 m  $\times$  250 m. Each person is assigned to exactly one cell based on their postal address. This provides very detailed information about the spatial distribution of the population, as one square kilometer (square mile) is represented by 16 (41) cells. The spatial distribution of the population is illustrated in Figure 1.

[Figure 1 about here]

Information on all outpatient physicians was obtained in June 2017 through a web-scraping routine that collects data from the websites of all state-level chambers of physicians (*Landesärztekammern*).<sup>18</sup> These data include the physicians’ exact locations (addresses and geocodes), their specializations and whether they hold contracts with health insurance funds. We restrict the sample to all GPs and differentiate between public and private ones. A public GP is defined as a physician

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<sup>16</sup>We prefer a poisson over a hurdle or a zero-inflated poisson model, because zero and positive patient flows are the result of the same qualitative process (see, for example, the discussion in Greene, 2003). Both outcomes are determined by individual choices without institutional barriers. In fact, although more than half of the patient flows comprise 20 or less individuals, only 4.7 % of all flows are exactly zero.

<sup>17</sup>The city of Vienna is divided into 23 districts. The districts Eisenstadt, Rust and Eisenstadt-Umgebung had to be aggregated due to data limitations.

<sup>18</sup>The data was collected by the dwh GmbH (<http://www.dwh.at/>) within the K-Projekt DEXHELPP (<http://www.dexhelpp.at/>). Detailed description of the web-scraping process can be found in Wastian et al. (2018) and Rippinger et al. (2019).

who holds a contract with at least one of the Austrian health insurance funds. All other outpatient GPs are classified as private. The spatial distribution of public GPs is illustrated in Figure 2.

[Figure 2 about here]

The spatial accessibility of all physicians located in region  $d$  for patient  $k$  is stated in Equation (2). The distance between patient  $k$  and physician  $l$ ,  $dist_{kl} = dist_{lk}$ , is calculated as the Euclidean distance between the centroids of the grid cells hosting patient  $k$  and physician  $l$ , respectively.<sup>19</sup> The distance to a GP located in the same grid cell is set to 125 m to approximate the travel distance within one grid cell. Note that this approach is also applied to calculate the accessibility measure for physicians located within the patients' districts of residence (i.e. when  $o = d$ ).

We use a simple inverse power function  $f(dist_{lk}) = dist_{lk}^{-\beta}$  to calculate the measure of spatial accessibility, which is one of the most popular distance decay functions (Kwan, 1998). We therefore follow recent applications of the two-stage floating catchment area method (see, e.g., Dai, 2010; Dai and Wang, 2011; Delamater, 2013), arguing that a continuous distance decay function can capture changes in spatial accessibility better than binary (applied in Radke and Mu, 2000; Luo and Wang, 2003) or discrete ones (adopted by Luo and Qi, 2009) used in earlier versions of this method. The catchment area is set to 100 km, and thus  $f(dist_{lk}) = 0$  if the distance between patient and physician exceeds this threshold value.<sup>20</sup> Individual accessibility measures are aggregated at the district pair level, i.e.  $A_{od} = \sum_k A_{kod}$ . The parameter  $\beta$  of the inverse power function will be determined endogenously by the data (see Section 4.1). If two districts are far away, the spatial accessibility  $A_{od} = 0$  and the logarithm is undefined. We follow Battese (1997) and replace the undefined values by  $\log(A_{od}) = 0$ , and include a dummy variable in the regressions, indicating whether missing values are imputed.

It is important to emphasize that the distance decay function  $f(dist_{lk}) = dist_{lk}^{-\beta}$  is convex and decreases with distance. The accessibility measures of all residents of one region to physicians in another district are thus higher on average compared to the accessibility calculated at the average distance, a characteristic known as Jensen's inequality (Jensen, 1906). Calculating the accessibility measure based on the average distance between two regions therefore underestimates the average accessibility. The difference—and thus the error when relying on district-pair level indicators—is large if distance is important (i.e. the distance decay parameter  $\beta$  is large), if the distribution of the residential population and the GP locations are spatially dispersed, and if the distance between two regions is small. If the distance between two regions is large, the intra-regional distribution of patients and physicians is less relevant.

In addition to the particular measure of spatial accessibility outlined above, we also use simplified versions of this index. In a first step, we abstract from intra-regional heterogeneity (see Restrictive

<sup>19</sup>We do so because information on the spatial distribution within grid cells is not available (for patients), and for computational reasons (for GPs).

<sup>20</sup>Restricting the catchment area to 100 km is to some extent arbitrary, but estimating the relationship between patient flows and distance non-parametrically suggests that patient flows are not significantly different from zero at this distance (see Figure B.1 in Appendix B).

Assumption 1 in Section 2.4). Based on the distribution of the population and the physicians we calculate the population-weighted centroid and the physician-weighted centroid for each region, and use the Euclidean distance between these two locations as a measure of  $dist_{od}$ . Using this distance enables us to calculate a simplified accessibility measure, denoted by  $A_{od}^{r1}$ , following Equation (12). If we further assume that the level of congestion only depends on the number of physicians relative to patients within the catchment area (Restrictive Assumption 2), the logarithm of the accessibility measure simplifies to a region-pair-specific function of distance, in addition to variables captured by origin and destination fixed effects (see Equations (13) and (14)). When applying both restrictive assumptions, we use the Euclidean distance between the regions' population-weighted centroids as a measure of  $dist_{od}$ .<sup>21</sup> To obtain a measure for the average distance within each district, we randomly draw 10,000 pairs of locations (grid cells) of each district and take the average Euclidean distance between these location pairs.

We do not directly observe the variable  $M_{od}$  in Equation (16) indicating the average level of amenities of living in region  $o$  and seeing a physician in region  $d$ . We therefore initially follow Ahlfeldt et al. (2015) and assume that this variable is composed of an origin-specific part  $\tilde{M}_o$  and a destination-specific part  $\hat{M}_d$  in a multiplicative way, such that  $\log(M_{od}) = \log(\tilde{M}_o \hat{M}_d) = \log(\tilde{M}_o) + \log(\hat{M}_d)$  is controlled for by the regional fixed effects. However, the average amenities  $M_{od}$  could also include a bilateral component that influences the ease of traveling not captured by distance (or travel time). For example, conditional on travel distance and time, patients may find it more comfortable to travel by train than by bus, might prefer a direct train connection over connections necessitating to change trains, or value public transport modes providing (free) Wi-Fi.<sup>22</sup> We thus follow Monte et al. (2018) in an alternative model specification and use commuter flows as indicators of bilateral amenities  $M_{od}$ , because these (unobserved) bilateral amenities are expected to influence both commuter and patient flows.<sup>23</sup> Furthermore, working in a particular region might increase the workers' preferences of choosing a physician there as well, because marginal travel costs are likely to be small when seeing a GP close to the workplace. Commuting patterns are available at the district-pair level and are collected by Statistics Austria in 2015. These data include employees working in their districts of residence ("within-district commuters"). As commuting flows are zero for some district pairs, we again replace  $\log(M_{od}) = 0$  in these cases and include a dummy variable, indicating that the respective values have been imputed.

Summary statistics for all relevant variables of our analysis are presented in Table 1.

[Table 1 about here]

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<sup>21</sup>In the sensitivity analysis, we use car travel times instead of Euclidean distances. To calculate driving times, a local open source routing machine, based on a street network from *Die Geofabrik*, was used. See <https://www.geofabrik.de/> and <http://project-osrm.org/> for details.

<sup>22</sup>Schmid et al. (2019) provide empirical evidence that time travel costs differ substantially between different transport modes, and Bounie et al. (2019) estimate the travelers' valuations of mobile phone and internet networks when using public transport.

<sup>23</sup>We use aggregated commuter flows rather than commuter shares as a proxy for average amenities  $M_{od}$ . Note that the corresponding parameter estimated  $\hat{\gamma}_2$  is identical in both variants, due to taking the logarithm of  $M_{od}$  in addition to including regional fixed effects.

## 4 Empirical results

In this section, we start by discussing how we select the necessary parameters to calculate the spatial accessibility measures. We then present the results of the econometric analysis and several sensitivity checks. Based on these regression results, we investigate counterfactual scenarios to illustrate how changes in the supply (and thus accessibility) of GP services affect patient mobility.

### 4.1 Selection of distance function

To specify the distance decay function  $f(dist_{lk}) = dist_{lk}^{-\beta}$  for calculating the accessibility measure  $A_{od}$ , we have to determine the appropriate parameter  $\beta$  of the inverse power function. We estimate Equation (16) with the spatial accessibility measures  $A_{od}^{r1}$  and  $A_{od}$ , respectively, as well as regional fixed effects  $\tau_o$  and  $\mu_d$  as regressors. We vary the exponential parameters  $\beta$  for the distance decay function  $f(dist_{lk})$  and choose the value providing the best goodness-of-fit. Table B.1 in Appendix B reports different indicators regarding the fit of the model, namely the Akaike Information Criterion (AIC), the Bayesian Information Criterion (BIC)<sup>24</sup> and the value of the log-likelihood function, but suppresses the parameter estimates for brevity. All these indicators suggest calculating the spatial accessibility measures  $A_{od}^{r1}$  and  $A_{od}$  with a distance decay function of  $f(dist_{lk}) = dist_{lk}^{-2.1}$  and  $f(dist_{lk}) = dist_{lk}^{-2.8}$ , respectively.

In general, a higher parameter  $\beta$  is associated with a steeper distance decay, implying that proximity becomes more important and that GPs further away contribute less to the spatial accessibility measure.<sup>25</sup> Figure B.2 in Appendix B.1 shows the spatial distribution of the accessibility measure at the individual level,  $A_{ko} = \sum_d A_{kod}$ , for  $\beta = 2.8$  and  $\beta = 0.3$ , illustrating that accessibility is more evenly distributed across space for lower parameter values. If  $\beta$  takes a very high value, the spatial distribution of accessibility levels becomes congruent with the distribution of GP locations in Figure 2. The summary statistics of the dyad-specific accessibility measure  $A_{od}$  for different values of  $\beta$ , reported in Table 1, underpin this observation, as the variation of the accessibility measure increases with  $\beta$ .

### 4.2 Regression results

In our base model (Model 0), which closely follows the standard gravity framework and, hence, applies the Restrictive Assumptions 1 and 2 (see Equations (13) and (14)), we only include distance between population-weighted centroids in addition to origin and destination fixed effects. In the next specification (Model 1) we use the “simple” spatial accessibility measure,  $A_{od}^{r1}$ , for public GPs based on Restrictive Assumption 1, i.e. when we ignore intra-regional heterogeneity (see Equation (12)). In Model 2 we relax both restrictions, but assume that the average amenities  $M_{od}$  are composed of

<sup>24</sup> $AIC = -2 \cdot LL + h \cdot npar$ , where  $LL$  indicates the value of the log-likelihood function,  $npar$  represents the number of parameters in the model, and  $h = 2$ . For calculating the  $BIC$ ,  $h$  is set to the logarithm of the number of observations.

<sup>25</sup>With  $\beta = 2.8$ , doubling the distance between a patient and a GP location decreases the physician’s contribution to the accessibility measure by about 86 %.

an origin- and a destination-specific part and hence are captured by regional fixed effects. Finally, in the main model specification (Model 3), we add inter- and intra-regional commuter flows as a proxy for average bilateral amenities  $M_{od}$ . Table 2 summarizes the regression results for the four models outlined above, with the spatial accessibility measures based on the distance decay functions selected in Section 4.1. All model specifications include directional (origin and destination) regional fixed effects.

[Table 2 about here]

Model 0 resembles the standard gravity equation and includes the population-weighted centroid-to-centroid Euclidean distance as the only dyad-specific variable. The estimated parameter is significantly negative, suggesting that a one percent increase in distance is associated with 2.80 % lower patient flows. Substituting the population-weighted distance with the simple accessibility measure (Model 1) slightly improves the goodness-of-fit (according to BIC, AIC, and the log-likelihood value) and shows that a one percent increase in accessibility is associated with a 1.31 % increase in patient mobility. Using an accessibility measure based on the 2SFCA method (Model 2) greatly improves the model’s fit according to our goodness-of-fit measures.<sup>26</sup> The elasticity of patient flows with respect to accessibility of public GPs takes a point estimate of 0.62, which is significantly positive at the 0.1 % level. In Model 3, when including commuters as a proxy for average amenities between two districts, the coefficient on accessibility of public GPs decreases to 0.43, but is still significantly different from zero. A one percent increase in the number of commuters is associated with 0.49 % higher patient flows between districts. All goodness-of-fit measures show that the full model, which is based on the theoretical framework outlined in Section 2, has the highest explanatory power compared to all other presented specifications. We thus find strong empirical evidence in support of Proposition 1, namely that spatial accessibility is an important determinant of patient mobility.

### 4.3 Sensitivity analysis

The parameter estimates on the relationship between spatial accessibility and patient mobility are remarkably robust to a number of sensitivity analyses, covering potential limitations of the main empirical specification.

*Additional control variables:* We first include additional explanatory variables, as reported in Table 3. To address Proposition 2, we add the population-weighted distance to our preferred specification (i.e. Model 3, reported in Table 2) to see whether this affects the coefficient  $\gamma_1$  of the main explanatory variable,  $A_{od}$ . Including both the accessibility measure and distance in one regression (see Model 3a in Table 3) shows that the parameter estimate on distance,  $dist_{od}$ , is negligibly small and not significantly different from zero, while the estimated coefficient of  $A_{od}$  is virtually unaffected. Compared to Model 0, the point estimate of  $dist_{od}$  declines (in absolute

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<sup>26</sup>As the AIC and BIC are difficult to interpret, we also calculate McFadden’s adjusted  $R^2$ , which increases from 0.70 in Model 0 to 0.99 in Model 3. However, as for non-linear models the interpretation of such pseudo- $R^2$ s is disputed (see Cameron and Trivedi, 2005, for a discussion), these figures must be interpreted cautiously.

values) from  $-2.80$  to  $-0.02$  and thus by more than 99%. As suggested by our theoretical model and the resulting Proposition 2, the mere distance between districts does neither significantly nor substantially contribute to explaining patient mobility, once we include our measure of spatial accessibility (based on rich information on the locations of patients and physicians).

To account for other potential covariates, we add a dummy variable that equals one if the patient’s district and the physician’s district are in the same state, and zero otherwise (Model 3b). Even though the borders of the nine federal states in Austria do not restrict patients in their choice of physicians, they might impose other barriers (e.g. public transport providers differ between states). Furthermore, the Austrian outpatient sector is not limited to public GPs, but also includes those who do not have a contract with one of the public health insurance funds, so-called private GPs (*Wahlärzte*). To account for a potential substitution effect between public and private physicians, we add the same accessibility measure based on the 2SFCA method for private physicians (Model 3c). The parameter estimates on the accessibility of public GPs,  $A_{od}$ , and on commuters,  $M_{od}$ , are hardly affected by including additional explanatory variables and only change by a small and statistically insignificant amount. As expected, the accessibility of private GPs,  $A_{od}^{priv}$ , is negatively associated with patient flows in the public sector, although the coefficient is not significantly different from zero.

[Table 3 about here]

*Travel time to proxy travel costs:* In the empirical literature on commuting behavior it is well-established that travel costs are better proxied by travel time than by (Euclidean or travel) distance (see, e.g. Glaeser and Kahn, 2004).<sup>27</sup> Ideally, we could draw on travel times instead of Euclidean distances between grid cells to construct our accessibility measure  $A_{od}$ . This approach is impeded by the large number of grid cells (roughly 1.3 million in Austria), and the extremely time-consuming calculation of travel times between all of them. Furthermore, the empirical literature based on data from the UK suggests that Euclidean distance, driving time and driving distance to emergency departments are highly correlated, and that straight-line distance as a proxy for perceived accessibility and reported driving time to hospitals is as good as GIS-based unimpeded travel time (Haynes et al., 2006; Fone et al., 2006). Although in our sample, the correlation between the population-weighted Euclidean distance and the driving time by car between the regions is as high as 0.96, we investigate the sensitivity of our results when using travel time  $tt_{od}$  instead of the Euclidean distance  $dist_{od}$ .

The corresponding results are reported in Table 4. Including travel time as the only explanatory variable in addition to regional fixed effects (Model 0a) shows that the association of travel time with patient mobility is significantly negative, with a point estimate of  $-3.32$ . Using travel time instead of Euclidean distance between population-weighted centroids (see Model 0 in Table 2) increases the model’s fit, suggesting that in our case travel time is indeed a better proxy for travel costs than distance. When we include the driving time instead of distance in addition to spatial accessibility  $A_{od}$

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<sup>27</sup>Van Ommeren and Dargay (2006) estimate that the ratio between pecuniary and time travel costs is as low as 0.14. This result suggests that travel time is a very good proxy of overall travel costs. When investigating the city structure of Berlin, Ahlfeldt et al. (2015) also use travel times between city blocks as indicators of commuting costs.

and the number of commuters  $M_{od}$ , as summarized in Model 3d in Table 4, the estimated coefficient of travel time remains significantly negative. While distance—consistent with the predictions of our theoretical model, summarized in Proposition 2—does not contribute to explaining patient mobility once we include our measure of spatial accessibility  $A_{od}$ , considering driving time between district centroids adds some explanatory power. However, the parameter estimate on spatial accessibility,  $A_{od}$ , is again significantly positive, the point estimate decreases slightly from 0.43 (when we include distance instead of travel time, see Model 3a in Table 3) to 0.33, whereas the point estimate on travel time declines substantially (in absolute terms) from  $-3.32$  to  $-0.44$ .

[Table 4 about here]

*Alternatives to account for multilateral resistance:* The starting point of our empirical analysis was the gravity-type equation (11) for the probability of a patient consulting a physician in a particular district,  $\lambda_{kod} = M_{od}A_{kod}^\epsilon / \sum_s M_{os}A_{kos}^\epsilon$ . While the denominator can be captured by individual fixed effects after a logarithmic transformation, the multilateral resistance term is not precisely (but only approximately) accounted for by regional fixed effects when we aggregate individual probabilities at a regional level. In general,  $\log(E(y_{od})) = \log(\sum_k \lambda_{kod}) = \log\left(\sum_k \frac{M_{od}A_{kod}^\epsilon}{\sum_s M_{os}A_{kos}^\epsilon}\right) \neq \log(M_{od}) + \log(A_{od}) - \log(\sum_s M_{os}A_{os}^\epsilon)$  (with  $A_{od} = \sum_k A_{kod}^\epsilon$ ), because the denominator is patient-specific and depends on the exact location of patient  $k$  within region  $o$ . We address this issue in two ways: First, we account for multilateral resistance at an individual level and normalize the individual spatial accessibility  $A_{kod}^{nrm} = \frac{A_{kod}}{\sum_d A_{kod}}$ , such that  $\sum_d A_{kod}^{nrm} = 1$  for all patients, resulting in bilateral accessibility levels  $A_{od}^{nrm} = \sum_k A_{kod}^{nrm}$  (see Model 3e reported in Table 5). Second, we calculate the multilateral resistance  $mlr_o = \sum_s \sum_k M_{os}A_{kos}$ , and include this term as an additional explanatory variable. As the multilateral resistance term is origin-specific, we exclude regional fixed effects at this level, but include the population size of the patient’s region instead. We exclude destination fixed effects in one specification (Model 3f), but include these dummy variables in an alternative variant (Model 3g), as reported in Table 5. The parameter estimate of the normalized measure of spatial accessibility  $A_{od}^{nrm}$  is significantly positive, and the point estimate of 0.46 is similar to the one of the non-normalized accessibility measure  $A_{od}$  in Model 3, reported in Table 2. If we include a variable for the multilateral resistance term instead of regional fixed effects, the explanatory power of the model declines somewhat, but the parameter estimates of our measure of spatial accessibility  $A_{od}$  remains virtually unaffected, irrespective of excluding (Model 3f) or including destination fixed effects (Model 3g). The parameter estimates of the multilateral resistance term are significantly negative in both model specifications, indicating that patient flows to one region decrease with the spatial accessibility and average amenities of other regions.

[Table 5 about here]

*Alternative distance decay for private GPs:* Finally, we use alternative distance decay functions to calculate the accessibility measure for private GPs,  $A_{od}^{priv}$ , and apply different  $\beta$ s for the inverse power function  $f(dist_{lk}) = dist_{lk}^{-\beta}$ . We do so because we did not endogenously determine the

optimal  $\beta$  for the calculation of  $A_{od}^{priv}$ , as we did for  $A_{od}$  in Section 4.1. As reported in Models 3h to 3k in Table 6, the estimated coefficients for the spatial accessibility to public GPs,  $A_{od}$ , remain significantly positive and vary only slightly. Using a less pronounced distance decay function (i.e. a smaller  $\beta$ ) to calculate  $A_{od}^{priv}$  results in significantly negative parameter estimates for this variable, indicating that private and public GPs can be considered as substitutes. Furthermore, the point estimates for  $A_{od}^{priv}$  are larger (in absolute terms) for smaller values of  $\beta$ . This, together with the improved goodness-of-fit statistics, suggests that the ideal  $\beta$  for calculating private GPs' accessibility is smaller than that for calculating public GPs' accessibility, indicating that proximity is relatively less important when choosing a private healthcare provider. This seems plausible, as consulting a private physician—contrary to a public one—usually requires out-of-pocket payments, likely leading to a differentiation of physicians in quality (especially in terms of time spent with the patient) and pricing.

[Table 6 about here]

#### 4.4 Simulation of counterfactual scenarios

To illustrate the results of our analysis, we perform simulation experiments based on different hypothetical scenarios. We focus on the district St. Veit, indicated by gray shading in Figure 2, because this is a typical rural region with difficulties of attracting outpatient GPs: The district has about 55,000 inhabitants and lacks an urban agglomeration, its population has declined over the last decades and the share of the elderly is high. Furthermore, the spatial distribution of the population within the region and the transport connections to neighboring districts are quite heterogeneous, at least partly due to topographical reasons. The district hosts 32 GPs and less than 10 % of the population consults a physician outside their region of residence. The district has strong economic ties with neighboring regions in the south-west: 18 % of the employed residents of St. Veit commute to the federal state's capital Klagenfurt, and about 2.6 % to Klagenfurt Land as well as Feldkirchen. The shares of commuters to the other districts bordering St. Veit are much lower (between 0.2 % and 1.1 %), while 65 % work in their own district.

In four counterfactual scenarios, we investigate the effects of supply side shocks in this district on patient mobility. Specifically, we simulate changes in patient flows (i) if the 16 GPs of the northern part of this region leave the market (scenario 1), (ii) if the 16 GPs of the southern part leave the market (scenario 2), (iii) if 16 randomly selected GPs leave the market (scenario 3), or (iv) if the number of GPs remains unaffected, but 16 randomly selected GP locations are dissolved, while the remaining 16 locations host two GPs (scenario 4). The district of St. Veit, its neighboring regions, the GP locations and the spatial distribution of the population are illustrated in Figure 3.

[Figure 3 about here]

The change in the number or locations of physicians influences the accessibility measure  $A_{kod}$  to physicians in St. Veit and thus the patients' accessibility levels  $A_{ko} = \sum_d A_{kod}$ . The impact on



accessibility at the patient level is displayed in Figure 4 for these four scenarios. The effect on spatial accessibility is higher the closer patients are located to physicians leaving the market and diminishes with distance, but is not confined by regional borders.<sup>28</sup> Note that the way these supply side shocks affect accessibility across space is directed by the distance decay function  $f(dist_{lk}) = dist_{lk}^{-\beta}$ , determined endogenously by the data. Following Equation (8), a change in spatial accessibility leads to a proportional change of a patient’s utility, and can thus be interpreted as the welfare effect due to variations in the service provision level of primary health care.

[Figure 4 about here]

The changes in accessibility affect the patients’ choices of their GPs and therefore patient mobility. This is of high policy relevance, because replacing physicians who are retiring may be particularly difficult in some parts of a region (in our application: in the thinly populated northern area of the district). As a baseline scenario, we calculate the expected probability of each individual to consult a GP in a particular district, based on the gravity-type equation for patient flows (Equation (11)) and on the parameter estimates of Model 3, reported in Table 2:

$$\hat{\lambda}_{kod} = \frac{M_{od}^{\hat{\gamma}_2} A_{kd}^{\hat{\gamma}_1}}{\sum_s M_{os}^{\hat{\gamma}_2} A_{ks}^{\hat{\gamma}_1}}. \quad (17)$$

Aggregating the probabilities of individual patients at the district-pair level results in estimated patient flows, serving as a benchmark for comparison with our counterfactual scenarios. The change in the number or locations of physicians affects the accessibility measure  $A_{kod}$  to physicians in St. Veit and thus patient flows from other districts to St. Veit. It also influences outward-bound patient mobility via the multilateral resistance term, because physicians in St. Veit become more “congested” and consulting physicians in other districts gets relatively more attractive. While we focus on the effects of these four counterfactual scenarios on patient flows from and to St. Veit to keep the discussion concise, we are aware that patient mobility between region-pairs other than St. Veit are also influenced due to changes in the multilateral resistance term. These general equilibrium adjustments are reported in patient flow matrices, reported in Tables B.3 to B.6 in Appendix B

The expected effects of these four scenarios on patient flows from and to St. Veit are illustrated in Figure 5 and reported in the table below the map. If 16 physicians in the north of the district leave the market, nearly 6,000 additional residents of St. Veit see a GP in a region outside their district of residence (scenario 1). The share of inhabitants of St. Veit consulting GPs outside their district of residence thus increases by nearly 11 percentage points (pp). Patient inflows are expected to decline, but by a much smaller amount in absolute terms (by about 800 patients). If the 16 physicians in the south leave the market (scenario 2), the effects are generally much larger: 15,000 (27 pp) additional residents of St. Veit switch to GPs located in other districts, mostly to the districts in the south-west. Patient inflows decline substantially by 4,600, mostly attributable to the south-western neighbors.

<sup>28</sup>While Figure 4 reports the relative change in accessibility, Table B.2 in Appendix B.2 summarizes the average change in accessibility at the regional level, indicating large differences in the average effects for the different scenarios under scrutiny (for residents of both St. Veit and its neighboring regions).

Most of the patients from other regions, who do not choose a physician in St. Veit anymore due to large-scale market exits, pick a GP in their district of residence in both counterfactual scenarios (between 60 % and 88 %; see Tables B.3 and B.4 in Appendix B.2 for details).

[Figure 5 about here]

Some aspects of these results are worth highlighting: First, the effects of scenario 2 are much larger compared to scenario 1. Second, the effects of market exits of GPs in the south on patient mobility are heavily concentrated to the south-western regions, which are also more strongly affected than the neighboring districts in the north-east if the physicians in the north leave the market (scenario 1). The substantial differences between these two scenarios are mainly due to intra-regional heterogeneity: If the southern GPs leave the market, the inhabitants affected most strongly (i.e. patients living close to these physicians) are mainly located in the very south of the St. Veit district. For these patients, physicians in the densely populated regions in the south-west are good substitutes, and many of them are expected to choose a doctor there. Additionally, the strong economic ties between these two regions (indicated by a large number of commuters) make them even more attractive. In scenario 1 (when the northern GPs leave the market), many of the most strongly affected patients are located close to the geographical centroid of the region. In this case, picking a physician in the southern part of their district of residence or even in the bordering regions in the south-west (due to strong economic ties) are often better alternatives than choosing a physician in the thinly populated region bordering St. Veit in the north, with a small number of physicians that are actually not that close.

If the physicians leaving the market are randomly selected (scenario 3), the effects on patient mobility are much smaller: patient flows from St. Veit to other districts increase by only 2,800 (5 pp), and inflows from other districts decline by less than 1,000 patients. While the utility of patients declines due to a lower quality of the medical service (because the GPs are more “congested”, see Figure 4), proximity seems to outweigh this reduction in service quality for most patients. If the number of GP locations declines while the number of physicians remains unaffected (scenario 4), patient outflows increase marginally by about 700 people. As the GPs are less congested, patient inflows increase slightly.

The counterfactual scenarios in this section illustrate that the pure number (or the share) of physicians leaving the market is a poor proxy to evaluate the effects on (aggregated) patient mobility, and to determine which other regions are also influenced by this supply-side shock. In the scenarios investigated, the number of patients choosing a doctor in a district where half of the physicians exit the market may decline by a total of 19,600 (scenario 2) or by merely 3,700 (scenario 3), depending on the exact locations of these physicians, the spatial distribution of the population, and the attractiveness of GPs in neighboring regions as viable alternatives.

Note that we would not be able to investigate these counterfactual scenarios in a standard gravity model when relying on cross-sectional data only, because regional fixed effects would absorb the impact of the (region-specific) number of GPs. Excluding regional fixed effects or utilizing

panel data would enable us to estimate the relationship between patient mobility and the number of physicians, and thus to predict the effects of GPs leaving the market on patient flows. However, even in this case information on intra-regional heterogeneity is not accounted for, and differentiating between scenarios 1, 2 and 3 (where only the exact locations of the exiting GPs within a region differ) would not be possible. The counterfactual scenarios presented here highlight that this intra-regional heterogeneity is of key importance to explain patient mobility.

## 5 Conclusion and outlook

We estimate a theory-guided gravity equation of patient flows and highlight the important role of spatial accessibility. Compared to gravity frameworks with only bilateral resistance such as distance or travel time, our measure of spatial accessibility takes into account intra-regional heterogeneity of supply and demand as well as congestion forces at the physician level. We introduce this concept into a spatial economics model and estimate a gravity equation of patient flows across regions. The analysis is based on spatially detailed data of the residential population at the grid-cell level and the exact locations of all GPs in Austria. Spatial accessibility has a significantly positive effect on patient mobility and predicts patient flows more accurately than usually applied measures of bilateral resistance. Moreover, we show that the coefficient of bilateral distance becomes insignificant when controlling for spatial accessibility. Our results are illustrated by simulating the effects of GPs leaving the market or changing their locations. This counterfactual analysis would not be possible relying on a standard gravity model without these accessibility measures. We show that the number of patients choosing a physician in a different region does not only depend on the size of the shock (i.e. the number of physicians leaving the market), but also on the exact locations where these shocks occur. Our counterfactuals document heterogeneous changes in spatial accessibility within regions, which induces patients to switch to other districts. As this “congests” physicians and thus reduces service quality, the negative effects on service provision following market exits in one region spill over to other, predominantly neighboring, regions.

Our approach of augmenting a gravity model with measures of spatial accessibility is not limited to the healthcare market. As long as indicators of demand and supply are available at a finer spatial scale than bilateral flow data, similar measures of spatial accessibility that go beyond bilateral distance can be calculated and used to analyze determinants of various flow variables. This is especially relevant in research fields where data privacy concerns are high or data is simply not recorded at a disaggregated level. A possible application of our approach could be to use spatially explicit information on plant locations and the distribution of workers to simulate the short-term effects of mass layoffs (e.g. following plant closures) on commuting patterns. Due to lower demand for labor, the remaining nearby plants become more “congested”, and it becomes more difficult for laid-off workers to find jobs in the remaining plants of that region, which affects inter-regional worker mobility. Thus, our approach is best applicable to analyse short-term changes in economic interactions, especially if entry barriers for suppliers (e.g. of jobs or services) exist either because

market entry is publicly regulated or very time- and resource-intensive, and if changing residence is associated with high costs and therefore impedes immediate moving. While we are interested in short-run changes of mobility, it is left to future research to account for long-run consequences such as endogenous location decisions of supply and demand.

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# Figures for main text

Figure 1: Map of residential population at 250 m  $\times$  250 m grid-cell level

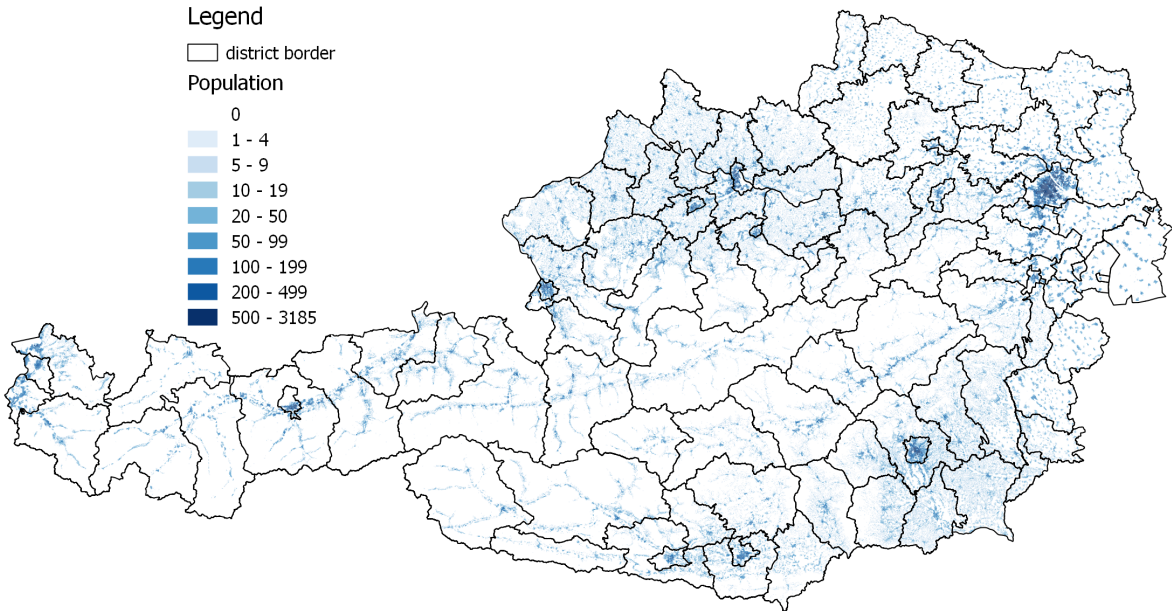


Figure 2: Map of public GP locations

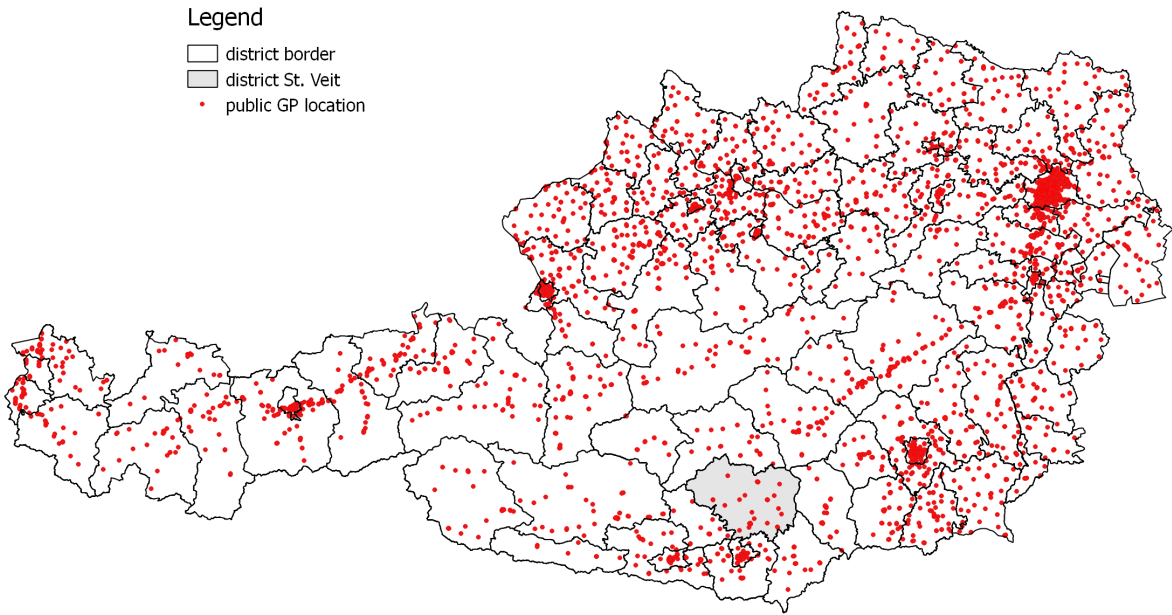
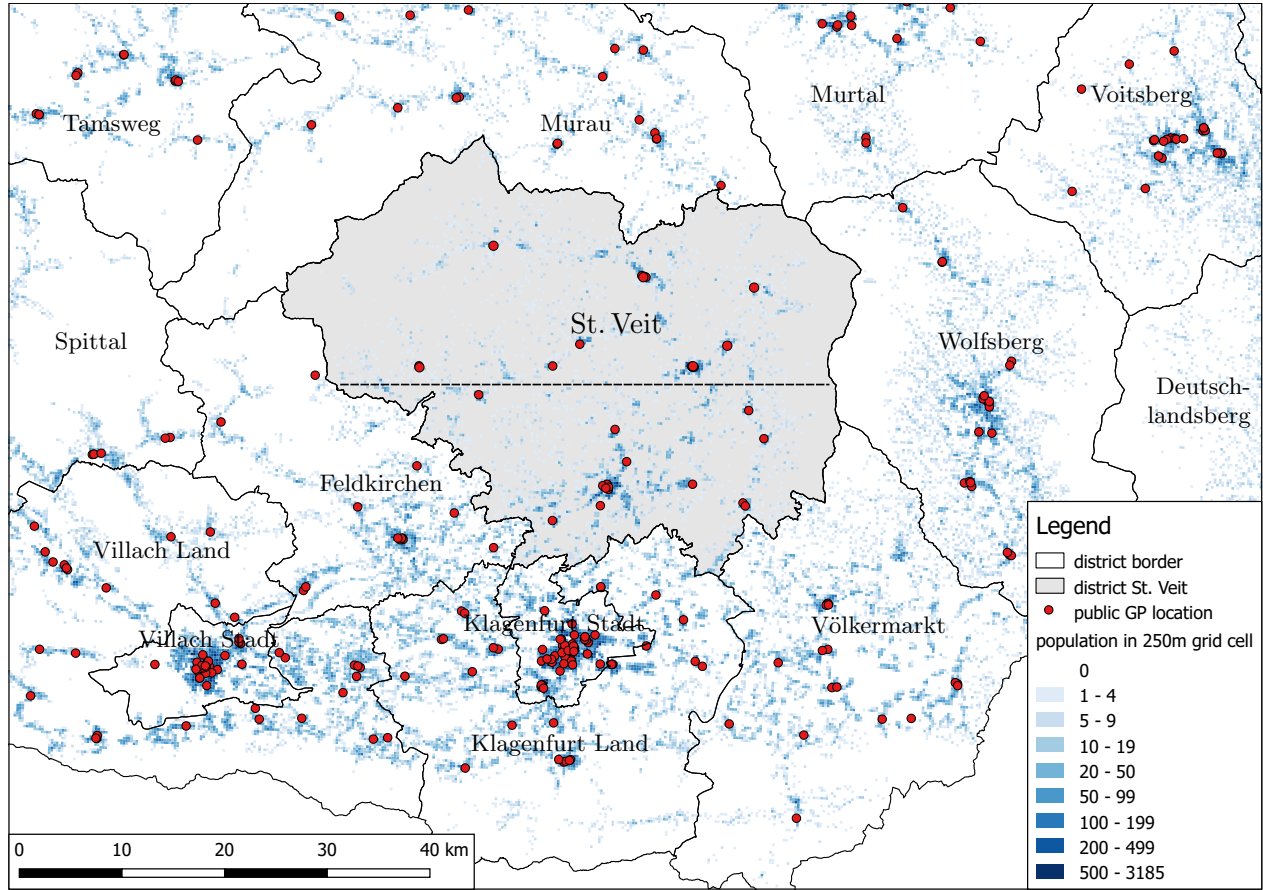
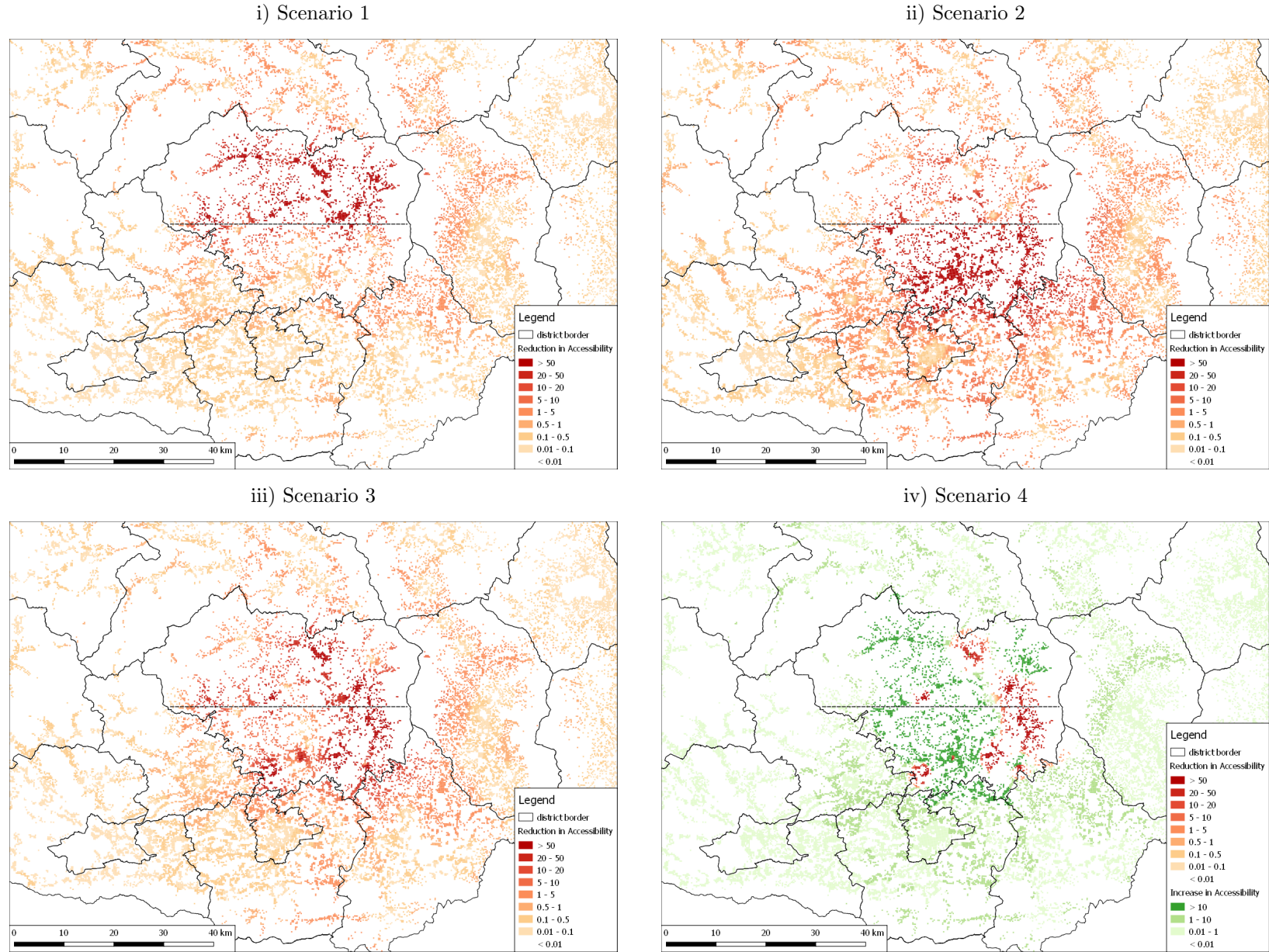


Figure 3: Baseline for simulation experiments



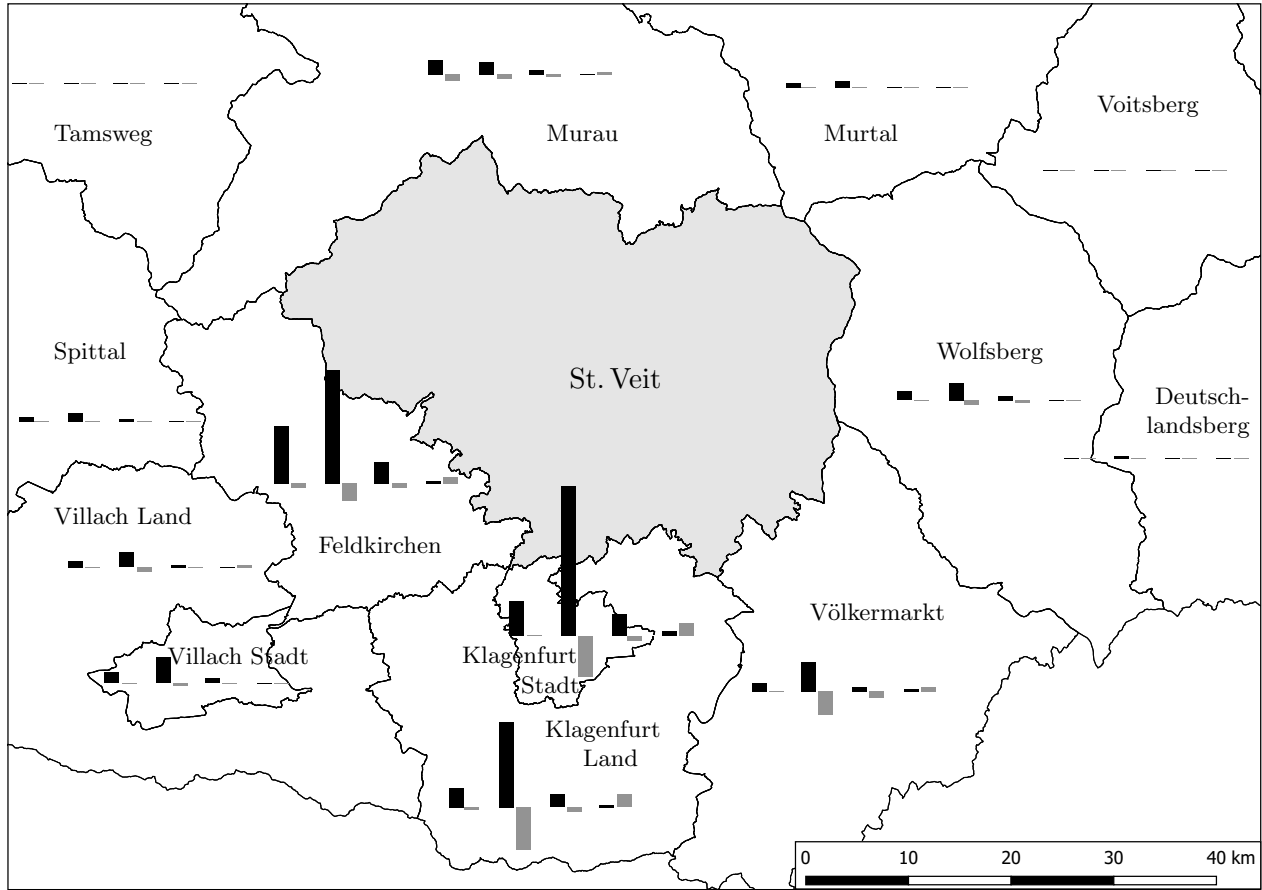
Notes: Map section displays the distribution of the population and all public GP locations in and close to the district of St. Veit. The dashed line separates the 16 northern from the 16 southern GPs of St. Veit. In four simulation experiments, we evaluate the effects on patient mobility if the 16 northern GPs leave the market (scenario 1), if the 16 southern GPs leave the market (scenario 2), if 16 randomly selected GPs leave the market (scenario 3), or if the number of GPs remains unaffected, but 16 randomly selected GP locations are dissolved, while the remaining 16 locations host two GPs (scenario 4).

Figure 4: Results of simulation experiments—Expected change in aggregate accessibility



Notes: Figures illustrate changes in spatial accessibility at the individual level,  $A_{ko} = \sum_d A_{kod}$ , relative to the baseline scenario (in %), if the 16 northern GPs leave the market (scenario 1), if the 16 southern GPs leave the market (scenario 2), if 16 randomly selected GPs leave the market (scenario 3), and if the number of GPs remains unaffected, but 16 randomly selected GP locations are dissolved, while the remaining 16 locations host two GPs (scenario 4).

Figure 5: Results of simulation experiments—Expected change in patient mobility



Scenario	Change in patient flows St. Veit $\Rightarrow$ other districts				Change in patient flows other districts $\Rightarrow$ St. Veit			
	1	2	3	4	1	2	3	4
Klagenfurt Stadt	1,078	4,499	676	182	-44	-1,240	-150	387
Feldkirchen	1,767	3,411	677	123	-142	-551	-146	192
Klagenfurt Land	610	2,578	389	103	-65	-1,293	-167	402
Villach Stadt	349	797	154	40	-18	-69	-16	32
Wolfsberg	280	548	145	58	-59	-188	-77	49
Murau	453	442	132	30	-242	-141	-93	120
Villach Land	195	480	90	23	-41	-155	-36	71
Völkermarkt	296	918	183	65	-62	-734	-195	143
Spittal	172	315	66	15	-31	-54	-18	30
Murtal	162	215	60	19	-28	-36	-17	20
Deutschlandsberg	48	92	22	8	-5	-17	-5	6
Voitsberg	23	38	10	3	-5	-12	-5	5
Tamsweg	16	25	6	1	-6	-8	-3	5
other districts	410	623	166	55	-58	-109	-41	47
$\sum$	5,860	14,982	2,774	727	-806	-4,609	-969	1,510
$\Delta$ share (in pp) <sup>a)</sup>	10.6	27.1	5.0	1.3	-1.5	-8.3	-1.8	2.7

Notes: Map section displays the simulation results of market exits of GPs in the district of St. Veit (shaded gray) on patient mobility. Black bars indicate the change in the number of patients from St. Veit to the respective district, while gray bars indicate the change in the number of patients from the respective district to St. Veit. Expected effects on patient mobility between other district pairs are not displayed. The first pair of bars indicates the expected effect on patient mobility if the 16 northern GPs leave the market (scenario 1), the second pair illustrates the impact if the 16 southern GPs leave the market (scenario 2), the third pair depicts the consequences if 16 randomly selected GPs leave the market (scenario 3), and the fourth pair displays the influence if the number of GPs remains unaffected, but 16 randomly selected GP locations are dissolved, while the remaining 16 locations host two GPs (scenario 4). The corresponding figures are provided in the table below the figure. Figures in <sup>a)</sup> denote the expected change in patient mobility over the total population in St. Veit in percentage points (pp).

## Tables for main text

Table 1: Summary statistics

Variable	Mean	Std. Dev.	Min	Max	N
Patient flows ( $y_{od}$ )	1,608.19	16,978.59	0.00	541,193.00	13,225
Residential population	74,602.51	42,600.17	11,332.00	273,107.00	115
Number of public GPs	35.50	18.06	5.00	114.00	115
Number of private GPs	40.73	39.90	6.00	281.00	115
Spatial accessibility based on 2SFCA method					
Public GPs ( $A_{od}$ )					
with $f(dist_{lk}) = dist_{lk}^{-5}$	0.31	3.69	0.00	113.97	13,225
with $f(dist_{lk}) = dist_{lk}^{-2.8}$	0.31	3.62	0.00	113.49	13,225
with $f(dist_{lk}) = dist_{lk}^{-0.3}$	0.31	0.91	0.00	34.77	13,225
Public GPs, Restrictive Assumption 1 ( $A_{od}^r$ )					
with $f(dist_{od}) = dist_{od}^{-5}$	0.31	2.84	0.00	114.00	13,225
with $f(dist_{od}) = dist_{od}^{-2.1}$	0.31	2.04	0.00	112.43	13,225
with $f(dist_{od}) = dist_{od}^{-0.3}$	0.31	0.94	0.00	27.54	13,225
Public GPs normalized ( $A_{od}^{nrm}$ )					
with $f(dist_{lk}) = dist_{lk}^{-5}$	648.72	7,544.97	0.00	267,704.90	13,225
with $f(dist_{lk}) = dist_{lk}^{-2.8}$	648.72	7,092.97	0.00	258,833.40	13,225
with $f(dist_{lk}) = dist_{lk}^{-0.3}$	648.72	1,903.17	0.00	66,553.40	13,225
Private GPs ( $A_{od}^{pri}$ )					
with $f(dist_{lk}) = dist_{lk}^{-5}$	0.35	5.27	0.00	280.92	13,225
with $f(dist_{lk}) = dist_{lk}^{-2.8}$	0.35	5.09	0.00	279.64	13,225
with $f(dist_{lk}) = dist_{lk}^{-0.3}$	0.35	1.43	0.00	85.68	13,225
Distance					
Euclidean distance (in km) between					
population-weighted centroids ( $dist_{od}$ )	172.32	116.20	0.50	551.08	13,225
geographical centroids ( $dist_{od}^{geo}$ )	172.21	115.62	0.50	548.66	13,225
Driving time by car (in min, $tt_{od}$ )	179.23	105.06	0.50	525.51	13,225
Number of commuters ( $M_{od}$ )	304.42	2,286.39	0.00	94,802.00	13,225

Notes: To obtain a measure for the average distance within each district we randomly draw 10,000 pairs of locations (grid cells) within each district and take the average Euclidean distance between these location pairs. To estimate the average travel time within a district we first perform a linear regression of travel time on the Euclidean distance for all district pairs where  $o \neq d$ , and then use the results to predict travel times within districts ( $o = d$ ). Variable on commuters includes within-district commuters.

Table 2: Main analysis—Regression results

	Model 0	Model 1	Model 2	Model 3
Population-weighted distance, $\log(dist_{od})$	-2.798*** (0.353)			
Accessibility of GPs after RA1, $\log(A_{od}^{r1})$		1.307*** (0.198)		
Accessibility of GPs, $\log(A_{od})$			0.616*** (0.003)	0.425*** (0.009)
Number of commuters, $\log(M_{od})$				0.489*** (0.019)
Constant	18.178*** (1.281)	9.278*** (0.696)	9.849*** (0.024)	6.434*** (0.145)
Origin fixed effects	yes	yes	yes	yes
Destination fixed effects	yes	yes	yes	yes
Number of obs.	13,225	13,225	13,225	13,225
Log-likelihood	-25,995,758	-24,757,597	-780,106	-549,204
BIC	51,993,698	49,517,387	1,562,404	1,100,620
AIC	51,991,975	49,515,656	1,560,674	1,098,874

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

All models estimate inter-regional patient flows by using a Poisson pseudo-maximum-likelihood (PPML) estimator and include origin- (patient-) and destination- (physician-) regional fixed effects.  $A_{od}^{r1}$  indicates the spatial accessibility measure under Restrictive Assumption 1 (RA1), i.e. when all patients (all physicians) of one region are located in one spot. If explanatory variables are zero and the logarithm is undefined, dummy variables are included that take the value one in these cases and zero otherwise. Standard errors are reported in parenthesis and are based on a robust sandwich covariance matrix estimator.



Table 3: Sensitivity analysis—Additional control variables

	Model 3a	Model 3b	Model 3c
Accessibility of GPs, $\log(A_{od})$	0.425*** (0.009)	0.425*** (0.009)	0.456*** (0.026)
Number of commuters, $\log(M_{od})$	0.483*** (0.018)	0.489*** (0.020)	0.497*** (0.020)
Population-weighted distance, $\log(dist_{od})$	−0.023 (0.021)		
Accessibility of private GPs, $\log(A_{od}^{priv})$			−0.034 (0.026)
Constant	6.536*** (0.153)	6.434*** (0.145)	6.407*** (0.147)
Origin fixed effects	yes	yes	yes
Destination fixed effects	yes	yes	yes
Dummy for same federal state	no	yes	no
Number of obs.	13,225	13,225	13,225
Log-likelihood	−548,740	−549,197	−546,277
BIC	1,100,614	1,094,783	1,099,700
AIC	1,098,862	1,093,023	1,097,948

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

All models estimate inter-regional patient flows by using a Poisson pseudo-maximum-likelihood (PPML) estimator and include origin- (patient-) and destination- (physician-) regional fixed effects. If explanatory variables are zero and the logarithm is undefined, dummy variables are included that take the value one in these cases and zero otherwise. Standard errors are reported in parenthesis and are based on a robust sandwich covariance matrix estimator.



Table 4: Sensitivity analysis—Travel time to proxy travel costs

	Model 0a	Model 3d
Travel time by car in minutes, $\log(tt_{od})$	−3.319*** (0.040)	−0.436*** (0.023)
Accessibility of GPs, $\log(A_{od})$		0.331*** (0.009)
Number of commuters, $\log(M_{od})$		0.509*** (0.016)
Constant	19.932*** (0.257)	7.645*** (0.125)
Origin fixed effects	yes	yes
Destination fixed effects	yes	yes
Number of obs.	13,225	13,225
Log-likelihood	−4,525,502	−456,483
BIC	9,053,186	915,187
AIC	9,051,464	913,434

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

All models estimate inter-regional patient flows by using a Poisson pseudo-maximum-likelihood (PPML) estimator and include origin- (patient-) and destination- (physician-) regional fixed effects. If explanatory variables are zero and the logarithm is undefined, dummy variables are included that take the value one in these cases and zero otherwise. Standard errors are reported in parenthesis and are based on a robust sandwich covariance matrix estimator.

Table 5: Sensitivity analysis—Alternatives to account for multilateral resistance

	Model 3e	Model 3f	Model 3g
Accessibility of GPs, $\log(A_{od})$		0.464*** (0.024)	0.446*** (0.009)
Accessibility of GPs (normalized), $\log(A_{od}^{nrm})$	0.460*** (0.009)		
Number of commuters, $\log(M_{od})$	0.768*** (0.014)	0.373*** (0.050)	0.424*** (0.018)
Multilateral resistance term, $\log(mlr_o)$		-0.163*** (0.019)	-0.087** (0.027)
Population (in logs)		0.528*** (0.045)	0.365*** (0.055)
Constant	0.503*** (0.073)	1.502** (0.483)	3.120*** (0.491)
Origin fixed effects	yes	no	no
Destination fixed effects	yes	no	yes
Number of obs.	13,225	13,225	13,225
Log-likelihood	-586,600	-1,024,787	-642,870
BIC	1,175,410	2,049,640	1,286,888
AIC	1,173,665	2,049,587	1,285,982

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

All models estimate inter-regional patient flows by using a Poisson pseudo-maximum-likelihood (PPML) estimator. If explanatory variables are zero and the logarithm is undefined, dummy variables are included that take the value one in these cases and zero otherwise. Standard errors are reported in parenthesis and are based on a robust sandwich covariance matrix estimator.

Table 6: Sensitivity analysis—Alternative distance decay for private GPs

	<b>Model 3h</b> $\beta = 0.5$	<b>Model 3i</b> $\beta = 1.0$	<b>Model 3j</b> $\beta = 1.5$	<b>Model 3k</b> $\beta = 2.0$
Accessibility of GPs, $\log(A_{od})$	0.447*** (0.009)	0.461*** (0.013)	0.475*** (0.019)	0.471*** (0.025)
Accessibility of private GPs, $\log(A_{od}^{priv})$	-0.213*** (0.020)	-0.155*** (0.031)	-0.127*** (0.038)	-0.079* (0.038)
Number of commuters, $\log(M_{od})$	0.494*** (0.020)	0.496*** (0.020)	0.500*** (0.019)	0.500*** (0.019)
Constant	6.536*** (0.148)	6.618*** (0.160)	6.624*** (0.172)	6.513*** (0.162)
Origin fixed effects	yes	yes	yes	yes
Destination fixed effects	yes	yes	yes	yes
Number of obs.	13,225	13,225	13,225	13,225
Log-likelihood	-536,988	-542,289	-543,914	-545,442
BIC	1,076,206	1,086,808	1,090,058	1,093,114
AIC	1,074,446	1,085,048	1,088,298	1,091,354

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

All models estimate inter-regional patient flows by using a Poisson pseudo-maximum-likelihood (PPML) estimator and include origin- (patient-) and destination- (physician-) regional fixed effects. If explanatory variables are zero and the logarithm is undefined, dummy variables are included that take the value one in these cases and zero otherwise. Standard errors are reported in parenthesis and are based on a robust sandwich covariance matrix estimator.

## A Theoretical Appendix

Starting from Equation (10) in the main text, we derive the gravity equation for patient flows as shown in Equation (11). We assume that  $U_{kod} = U$ . The probability that  $U_{kod}$  is the highest utility is given by the probability that  $U_{kos} \leq U$  for all  $s \neq d$ :  $\Pi_{s \neq d} Pr(U_{kos} \leq U) = \Pi_{s \neq d} G_{kos}(U)$ . Inserting the indirect utility function (8) and using the Fréchet distribution (5) leads to:

$$G_{kod}(U) = e^{-\Psi_{kod} U^{-\epsilon}}, \quad (\text{A1})$$

where  $\Psi_{kod} = M_{od} A_{kod}^\epsilon \left( \frac{P_o^\alpha Q_o^{1-\alpha}}{w_o} \right)^{-\epsilon}$ . In a next step, we use the Fréchet distribution to rewrite the joint probability:

$$\Pi_{s \neq d} Pr(U_{kos} \leq U) = \Pi_{s \neq d} e^{-\Psi_{kod} U^{-\epsilon}} = e^{-\Psi_{ko} U^{-\epsilon}}, \quad (\text{A2})$$

where  $\Psi_{ko} = \sum_{s \neq d} M_{os} A_{kos}^\epsilon \left( \frac{P_o^\alpha Q_o^{1-\alpha}}{w_o} \right)^{-\epsilon}$ . The latter equation shows the joint probability that all other destination choices lead to a weakly smaller utility than  $U_{kod} = U$ . We take into account all possible realizations of  $U_{kod}$ , where the probability that  $U_{kod} = U$  is given by:

$$dG_{kod}(U) = \epsilon M_{od} A_{kod}^\epsilon \left( \frac{P_o^\alpha Q_o^{1-\alpha}}{w_o} \right)^{-\epsilon} U^{-\epsilon-1} e^{-M_{os} A_{kos}^\epsilon \left( \frac{P_o^\alpha Q_o^{1-\alpha}}{w_o} \right)^{-\epsilon} U^{-\epsilon}} dU. \quad (\text{A3})$$

This allows us to rewrite the probability of choosing destination  $d$  (when located in origin  $o$ ) as follows:

$$\begin{aligned} \lambda_{kod} &= \int_0^\infty \Pi_{s \neq d} Pr(U_{kos} \leq U) dG_{kod}(U) \\ &= \int_0^\infty e^{-\Psi_{ko} U^{-\epsilon}} \epsilon M_{od} A_{kod}^\epsilon \left( \frac{P_o^\alpha Q_o^{1-\alpha}}{w_o} \right)^{-\epsilon} U^{-\epsilon-1} e^{-M_{os} A_{kos}^\epsilon \left( \frac{P_o^\alpha Q_o^{1-\alpha}}{w_o} \right)^{-\epsilon} U^{-\epsilon}} dU. \end{aligned} \quad (\text{A4})$$

Solving the integral leads to the following expression:

$$\lambda_{kod} = \frac{M_{od} A_{kod}^\epsilon \left( \frac{P_o^\alpha Q_o^{1-\alpha}}{w_o} \right)^{-\epsilon}}{\sum_s M_{os} A_{kos}^\epsilon \left( \frac{P_o^\alpha Q_o^{1-\alpha}}{w_o} \right)^{-\epsilon}}, \quad (\text{A5})$$

which simplifies to the gravity equation for patient flows as shown in Equation (11).

## B Empirical Appendix

### B.1 Description and selection of distance decay

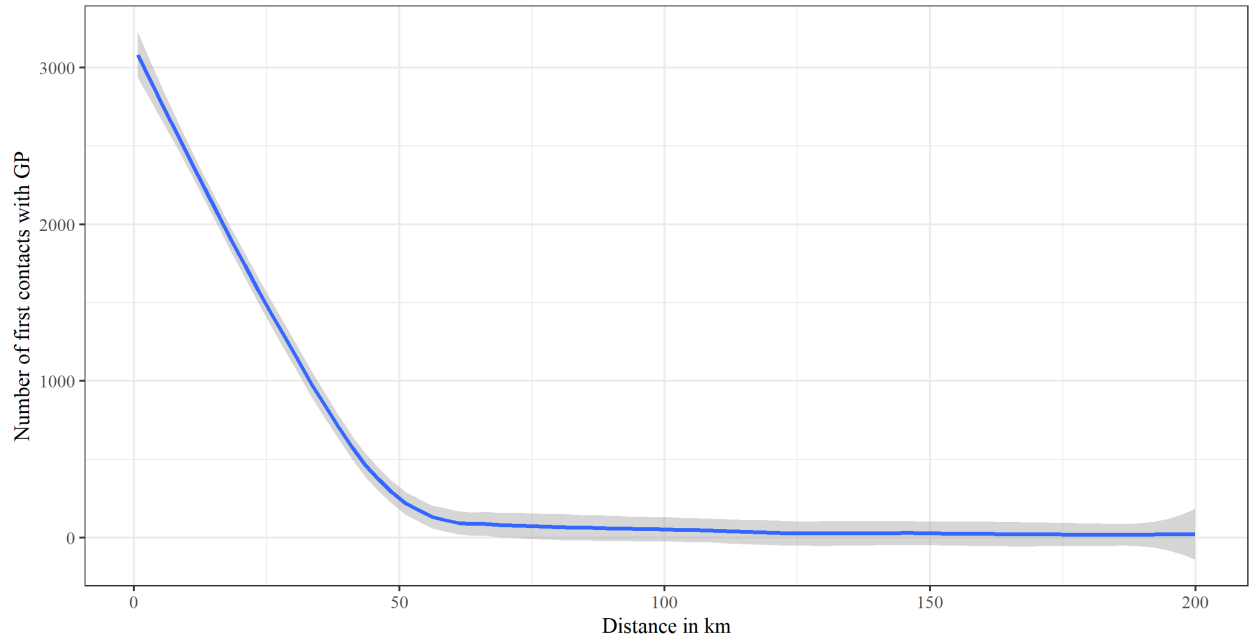
In this section of the empirical appendix, we provide an empirical rationale for the choice of the distance decay function  $f(dist_{lk})$  to derive the spatial accessibility measures based on the two-step floating catchment area method.

Figure B.1 illustrates the non-parametric relationship between inter-regional patient flows and Euclidean distance. Intra-regional patient mobility is suppressed for ease of exposition. The figure shows that patient flows decline quickly with distance, but the relationship flattens after a distance of about 50 km. Patient flows are not significantly different from zero after roughly 75 km distance between the patients' and the physicians' districts. Therefore, choosing a threshold distance of 100 km is a rather conservative estimate of the physicians' catchment areas.

To select the distance decay parameter  $\beta$  for the distance decay function  $f(dist_{lk}) = dist_{lk}^{-\beta}$  we estimate the regressions  $\log(y_{od}) = \alpha + \gamma_1 \log(A_{od}) + \tau_o + \mu_d + \varepsilon_{od}$  and  $\log(y_{od}) = \alpha + \gamma_1 \log(A_{od}^{r1}) + \tau_o + \mu_d + \varepsilon_{od}$ , using a Poisson pseudo-maximum-likelihood regression, for different values of  $\beta$ . Table B.1 reports the goodness-of-fit statistics for these regressions, namely the Akaike Information Criterion (AIC), the Bayesian Information Criterion (BIC) and the value of the log-likelihood function. All three test statistics suggest using a value of  $\beta = 2.8$  to calculate the regular accessibility measure  $A_{od}$  and a value of  $\beta = 2.1$  to derive the simpler measure  $A_{od}^{r1}$ , under Restrictive Assumption 1 (i.e. when we abstract from intra-regional heterogeneity for both physicians and patients).

A very high value of  $\beta$  results in a steep distance decay function, indicating that proximity is very important for patients. The Figures B.2 i) and ii) show the spatial distribution of the accessibility measure at the individual level,  $A_{ko} = \sum_d A_{kod}$ , for  $\beta = 2.8$  and  $\beta = 0.3$ . If  $\beta$  is low, proximity is less important, and spatial accessibility is rather evenly distributed across space, as illustrated by Figures B.2 ii).

Figure B.1: Non-parametric regression between patient flows and inter-regional distance



Notes: The blue line depicts the locally weighted polynomial regression line for patient flows to public GPs,  $y_{od}$ , between the patients' region  $o$  and the physicians' district  $d$ , and the Euclidean distance between the population-weighted centroids (in km) of the respective district pairs. The gray area around the regression line illustrates the 95%-confidence interval. The graph only includes out-of-own-district patient flows, i.e.  $y_{od}$  with  $o \neq d$ .

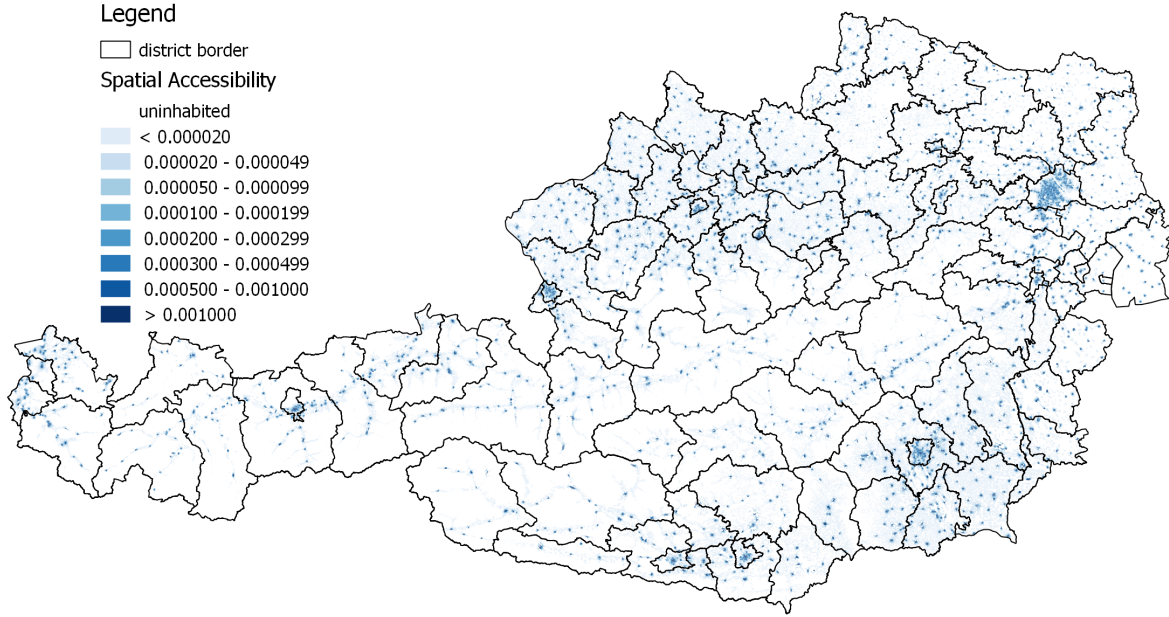
Table B.1: Goodness-of-fit statistics to select  $\beta$  for  $f(dist_{lk}) = dist_{lk}^{-\beta}$

$\beta$	in $A_{od}^{r1}$			in $A_{od}$		
	BIC	AIC	LL	BIC	AIC	LL
2.0	49,516,152	49,517,882	-24,757,845	1,686,951	1,688,681	-843,244
2.1	49,515,657	49,517,387	-24,757,598	1,650,699	1,652,429	-825,118
2.2	49,518,296	49,520,026	-24,758,917	1,622,617	1,624,347	-811,077
2.3	49,523,130	49,524,860	-24,761,334	1,601,135	1,602,865	-800,336
2.4	49,529,460	49,531,190	-24,764,499	1,585,069	1,586,799	-792,303
2.5	49,536,766	49,538,496	-24,768,152	1,573,544	1,575,274	-786,541
2.6	49,544,663	49,546,394	-24,772,101	1,565,924	1,567,654	-782,731
2.7	49,552,870	49,554,600	-24,776,204	1,561,746	1,563,476	-780,642
2.8	49,561,178	49,562,908	-24,780,358	1,560,674	1,562,404	-780,106
2.9	49,569,440	49,571,170	-24,784,489	1,562,454	1,564,184	-780,996
3.0	49,577,548	49,579,278	-24,788,543	1,566,890	1,568,621	-783,214
3.1	49,585,430	49,587,160	-24,792,484	1,573,822	1,575,552	-786,680
3.2	49,593,036	49,594,766	-24,796,287	1,583,113	1,584,843	-791,326
3.3	49,600,335	49,602,065	-24,799,937	1,594,640	1,596,370	-797,089
3.4	49,607,311	49,609,041	-24,803,424	1,608,287	1,610,017	-803,912
3.5	49,613,954	49,615,684	-24,806,746	1,623,937	1,625,668	-811,738

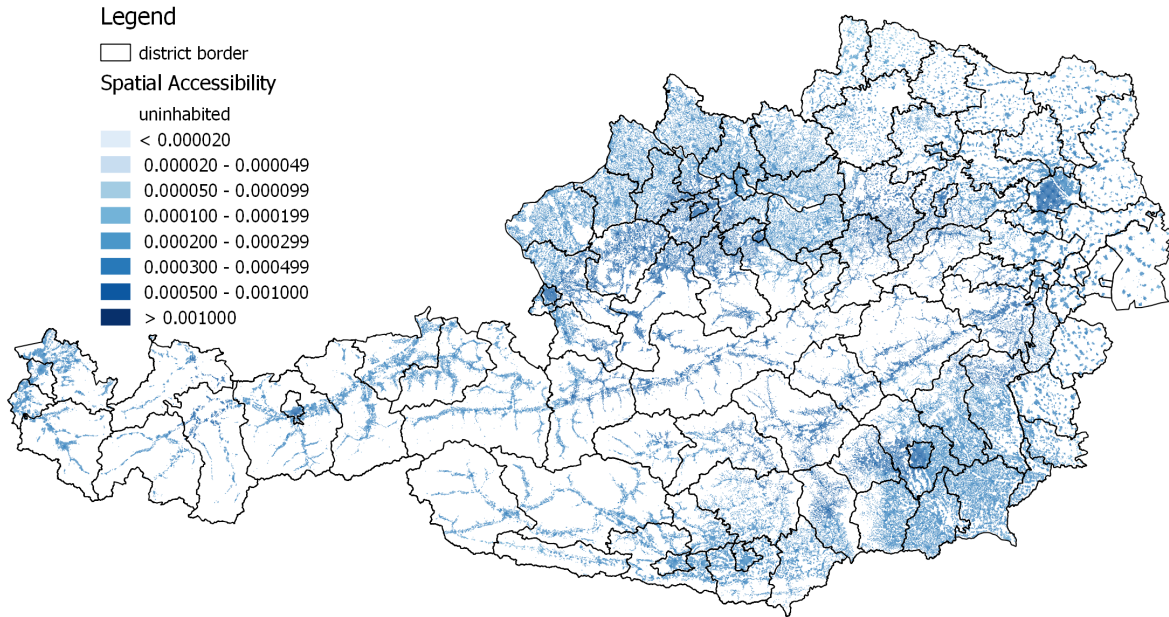
Notes: The statistics are based on the models  $\log(y_{od}) = \alpha + \gamma_1 \log(A_{od}^{r1}) + \tau_o + \mu_d + \varepsilon_{od}$  and  $\log(y_{od}) = \alpha + \gamma_1 \log(A_{od}) + \tau_o + \mu_d + \varepsilon_{od}$ , respectively, estimated by a Poisson pseudo-maximum-likelihood (PPML) regression. The rows highlighted in gray indicate the model specifications with the best fit.  $A_{od}^{r1}$ : Accessibility measure after Restrictive Assumption 1.  $A_{od}$ : Accessibility measure based on the two-step-floating catchment area method. BIC: Bayesian Information Criterion. AIC: Akaike Information Criterion. LL: Log-likelihood value.

Figure B.2: Spatial accessibility measure to public GPs at the individual level ( $A_k = \sum_d A_{kd}$ )

i) Based on distance decay function  $f(dist_{lk}) = dist_{lk}^{-2.8}$



ii) Based on distance decay function  $f(dist_{lk}) = dist_{lk}^{-0.3}$





## B.2 Simulation of counterfactual scenarios—Effects on accessibility and patient mobility

Market exits or relocations of physicians in St. Veit influence the spatial accessibility of GPs and thus patient mobility. While the relative change in accessibility at the individual level,  $A_{ko} = \sum_d A_{kod}$ , is illustrated in Figure 4 in the main text for the four counterfactual scenarios under scrutiny, Table B.2 reports regional averages of these effects. The spatial accessibility for residents in St. Veit decreases between 33.3 % and 54.9 % in the first three scenarios, whereas these patients experience (on average) a gain in accessibility in scenario 4. The negative effects on accessibility for residents of other regions are generally largest in scenario 2 (i.e. when GPs in the south of the St. Veit district leave the market), in particular for regions in the south-west: accessibility declines on average by 4.2 % and 3.4 % in the districts of Völkermarkt and of Klagenfurt Land, respectively.

The expected effects of these supply-side shocks on patient mobility are summarized by flow matrices, reported in Table B.3 to Table B.6. To derive these flow matrices, we first calculate the expected flow matrix in the baseline scenario, based on Equation (17) and the parameter estimates of Model 3, reported in Table 2. We then calculate the patient flow matrix in each counterfactual scenario and report the difference to the flow matrix in the baseline scenario. Table B.3 to Table B.6 report the expected change in patient flows for all district pairs depicted in Figure 3 to Figure 5, while all other districts are aggregated for brevity (and labeled “other” in the respective tables).

The first row of Table B.3, for example, reports the expected change in patient flows under scenario 1 (i.e. when the 16 northern GPs leave the market) for residents of St. Veit (labeled SV). Due to the market exits, the expected number of inhabitants of St. Veit seeing a doctor in their districts of residence declines by 5,860. Out of those, 1,078 residents see a GP in K (Klagenfurt Stadt), 1,767 in FE (Feldkirchen), and so on. The row sums up to zero, because every patient chooses exactly one physician. The column sums indicate the expected change in the number of patients choosing a physician in the respective region. For example, the expected number of patients opting for a GP in SV (St. Veit) declines by 6,666. Out of those, 5,860 individuals are residents of SV (St. Veit), 44 are residents of K (Klagenfurt Stadt), and so on. These patients have to be admitted by physicians in other regions, as depicted by the other column sums in Table B.3. The expected effects on patient mobility in the three other counterfactual scenarios, reported in Table B.4, Table B.5 and Table B.6, can be interpreted analogously.

Table B.2: Results of simulation experiments—Expected average change in spatial accessibility

Scenario	1	2	3	4
St Veit	−33.32	−54.87	−36.52	15.15
Klagenfurt Stadt	−0.05	−0.85	−0.19	0.52
Feldkirchen	−0.46	−1.81	−0.79	0.69
Klagenfurt Land	−0.19	−3.42	−0.68	2.26
Villach Stadt	−0.01	−0.03	−0.01	0.02
Wolfsberg	−0.35	−0.83	−0.44	0.31
Murau	−1.33	−0.63	−0.65	0.67
Villach Land	−0.06	−0.19	−0.06	0.14
Völkermarkt	−0.46	−4.22	−1.81	1.07
Spittal	−0.06	−0.10	−0.04	0.08
Murtal	−0.13	−0.14	−0.08	0.11
Deutschlandsberg	−0.03	−0.07	−0.03	0.04
Voitsberg	−0.03	−0.06	−0.03	0.04
Tamsweg	−0.20	−0.24	−0.11	0.22
other districts	0.00	0.00	0.00	0.00

Notes: Figures denote the average change in spatial accessibility (in %) relative to the baseline scenario. The change in accessibility is calculated at the individual (patient) level and averaged over all patients in the district.

Table B.3: Flow matrix—Expected change in patient mobility under scenario 1

	SV	K	FE	KL	VI	WO	MU	VL	VK	SP	MT	DL	VO	TA	other	$\Sigma$
SV	−5,860	1,078	1,767	610	349	280	453	195	296	172	162	48	23	16	410	0
K	−44	37	1	4	0	0	0	0	0	0	0	0	0	0	0	0
FE	−142	6	113	5	7	1	0	5	1	3	0	0	0	0	1	0
KL	−65	14	2	39	2	0	0	3	2	0	0	0	0	0	0	0
VI	−18	0	0	0	15	0	0	3	0	0	0	0	0	0	0	0
WO	−59	1	0	0	0	50	0	0	2	0	1	1	1	0	2	0
MU	−242	2	5	1	1	1	195	1	1	1	14	1	1	6	14	0
VL	−41	1	1	1	9	0	0	25	0	2	0	0	0	0	1	0
VK	−62	4	1	3	1	7	0	1	43	0	0	0	0	0	2	0
SP	−31	0	1	0	1	0	0	1	0	25	0	0	0	0	2	0
NT	−28	0	0	0	0	0	0	0	0	0	24	0	0	0	2	0
DL	−5	0	0	0	0	0	0	0	0	0	0	4	0	0	1	0
VO	−5	0	0	0	0	0	0	0	0	0	0	0	4	0	1	0
TA	−6	0	0	0	0	0	0	0	0	0	0	0	0	5	1	0
other	−58	0	0	0	0	0	0	0	0	0	0	1	0	0	56	0
$\Sigma$	−6,666	1,144	1,893	665	386	340	650	236	344	205	202	54	29	27	492	

Notes: Matrix reports the expected changes in patient flows under scenario 1, i.e. when the 16 northern GPs leave the market. List of abbreviations: SV: St. Veit, K: Klagenfurt Stadt, FE: Feldkirchen, KL: Klagenfurt Land, VI: Villach, WO: Wolfsberg, MU: Murau, VL: Villach Land, VK: Völkermarkt, SP: Spittal, MT: Murtal, DL: Deutschlandsberg, VO: Voitsberg, TA: Tamsweg. All other districts are aggregated and labeled “other”.

Table B.4: Flow matrix—Expected change in patient mobility under scenario 2

	SV	K	FE	KL	VI	WO	MU	VL	VK	SP	MT	DL	VO	TA	other	$\Sigma$
SV	−14,982	4,499	3,411	2,578	797	548	442	480	918	315	215	92	38	25	623	0
K	−1,240	1,024	27	131	15	5	1	13	13	4	1	1	0	0	5	0
FE	−551	33	418	31	26	2	2	22	3	8	1	1	0	1	3	0
KL	−1,293	314	46	774	36	11	2	49	39	7	2	2	1	1	9	0
VI	−69	1	1	0	55	0	0	11	0	1	0	0	0	0	0	0
WO	−188	3	1	1	1	161	0	1	6	0	3	2	2	0	7	0
MU	−141	1	3	0	1	0	114	1	0	1	7	0	0	4	7	0
VL	−155	4	5	4	34	0	0	100	0	5	0	0	0	0	2	0
VK	−734	61	9	43	10	67	1	8	507	4	2	3	1	0	18	0
SP	−54	0	1	0	2	0	0	2	0	45	0	0	0	0	2	0
NT	−36	0	0	0	0	0	0	0	0	0	32	0	0	0	3	0
DL	−17	0	0	0	0	0	0	0	0	0	0	13	0	0	3	0
VO	−12	0	0	0	0	0	0	0	0	0	0	0	9	0	2	0
TA	−8	0	0	0	0	0	0	0	0	0	0	0	0	6	1	0
other	−109	0	0	0	1	0	0	1	0	1	1	2	1	0	104	0
$\Sigma$	−19,591	5,942	3,924	3,564	977	795	563	687	1,486	392	265	116	53	38	789	

Notes: Matrix reports the expected changes in patient flows under scenario 2, i.e. when the 16 southern GPs leave the market. List of abbreviations: SV: St. Veit, K: Klagenfurt Stadt, FE: Feldkirchen, KL: Klagenfurt Land, VI: Villach, WO: Wolfsberg, MU: Murau, VL: Villach Land, VK: Völkermarkt, SP: Spittal, MT: Murtal, DL: Deutschlandsberg, VO: Voitsberg, TA: Tamsweg. All other districts are aggregated and labeled “other”.

Table B.5: Flow matrix—Expected change in patient mobility under scenario 3

	SV	K	FE	KL	VI	WO	MU	VL	VK	SP	MT	DL	VO	TA	other	$\Sigma$
SV	−2,774	676	677	389	154	145	132	90	183	66	60	22	10	6	166	0
K	−150	123	4	16	2	1	0	2	2	0	0	0	0	0	1	0
FE	−146	9	112	7	7	1	1	6	1	2	0	0	0	0	1	0
KL	−167	39	6	100	5	1	0	7	5	1	0	0	0	0	1	0
VI	−16	0	0	0	13	0	0	2	0	0	0	0	0	0	0	0
WO	−77	1	0	1	0	66	0	0	2	0	1	1	1	0	3	0
MU	−93	1	2	0	0	0	75	1	0	0	5	0	0	2	5	0
VL	−36	1	1	1	8	0	0	23	0	1	0	0	0	0	0	0
VK	−195	17	3	11	3	20	0	2	131	1	1	1	0	0	5	0
SP	−18	0	0	0	1	0	0	1	0	15	0	0	0	0	1	0
NT	−17	0	0	0	0	0	0	0	0	0	15	0	0	0	1	0
DL	−5	0	0	0	0	0	0	0	0	0	0	4	0	0	1	0
VO	−5	0	0	0	0	0	0	0	0	0	0	0	3	0	1	0
TA	−3	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0
other	−41	0	0	0	0	0	0	0	0	0	0	1	0	0	40	0
$\Sigma$	−3,743	866	806	525	193	234	208	133	324	88	83	30	15	11	226	

Notes: Matrix reports the expected changes in patient flows under scenario 3, i.e. when 16 randomly selected GPs leave the market. List of abbreviations: SV: St. Veit, K: Klagenfurt Stadt, FE: Feldkirchen, KL: Klagenfurt Land, VI: Villach, WO: Wolfsberg, MU: Murau, VL: Villach Land, VK: Völkermarkt, SP: Spittal, MT: Murtal, DL: Deutschlandsberg, VO: Voitsberg, TA: Tamsweg. All other districts are aggregated and labeled “other”.

Table B.6: Flow matrix—Expected change in patient mobility under scenario 4

	SV	K	FE	KL	VI	WO	MU	VL	VK	SP	MT	DL	VO	TA	other	$\Sigma$
SV	-727	182	123	103	40	58	30	23	65	15	19	8	3	1	55	0
K	387	-324	-8	-39	-4	-1	0	-4	-4	-1	0	0	0	0	-1	0
FE	192	-9	-149	-10	-9	-1	-1	-8	-1	-3	0	0	0	0	-1	0
KL	402	-96	-14	-243	-11	-3	-1	-16	-11	-2	-1	-1	0	0	-3	0
VI	32	0	0	0	-26	0	0	-5	0	0	0	0	0	0	0	0
WO	49	-1	0	0	0	-42	0	0	-1	0	-1	-1	0	0	-2	0
MU	120	-1	-3	0	-1	0	-98	-1	0	-1	-6	0	0	-3	-6	0
VL	71	-2	-2	-2	-16	0	0	-45	0	-3	0	0	0	0	-1	0
VK	143	-10	-1	-7	-2	-12	0	-1	-105	-1	0	-1	0	0	-3	0
SP	30	0	-1	0	-1	0	0	-1	0	-25	0	0	0	0	-1	0
NT	20	0	0	0	0	0	0	0	0	0	-17	0	0	0	-2	0
DL	6	0	0	0	0	0	0	0	0	0	0	-5	0	0	-1	0
VO	5	0	0	0	0	0	0	0	0	0	0	0	-4	0	-1	0
TA	5	0	0	0	0	0	0	0	0	0	0	0	0	-4	-1	0
other	47	0	0	0	0	0	0	0	0	0	0	-1	0	0	-45	0
$\Sigma$	784	-260	-56	-199	-30	-2	-70	-58	-57	-21	-8	0	-2	-7	-12	

Notes: Matrix reports the expected changes in patient flows under scenario 4, i.e. when the number of GPs remains unaffected, but 16 randomly selected GP locations are dissolved. List of abbreviations: SV: St. Veit, K: Klagenfurt Stadt, FE: Feldkirchen, KL: Klagenfurt Land, VI: Villach, WO: Wolfsberg, MU: Murau, VL: Villach Land, VK: Völkermarkt, SP: Spittal, MT: Murtal, DL: Deutschlandsberg, VO: Voitsberg, TA: Tamsweg. All other districts are aggregated and labeled “other”.