

In-vitro fertilization clinics offering money-back guarantees achieve better outcomes with less aggressive treatments

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In-vitro fertilization (IVF) clinics that offer money-back guarantees (MBGs) for their services achieve a higher live-birth success rate with less aggressive treatments than clinics that do not provide money-back guarantees.

In research recently published in the *Journal of Marketing Research*, Shan Yu, an assistant professor in the Lally School of Management at Rensselaer Polytechnic Institute, explored the question: Are MBG programs by IVF clinics marketing gimmicks that take advantage of consumers or a way for clinics to signal high-quality service?

Using a unique data set compiled from four distinct sources to undertake a systematic, clinic-level empirical analysis, Dr. Yu found that, on average, even when they transfer fewer embryos and do not sort [patients](#) according to their fertility, clinics using the marketing tool of MBGs achieve higher success rate and do not impose higher multiple birth risks. These results indicate that clinics that offer MBGs provide higher quality of service than clinics that do not offer MBGs.

According to Dr. Yu, consumers and [policy-makers](#) can use the presence of this marketing practice as a signal of high-quality care in the increasingly important field of IVF and other health-care and expert-service markets.

"In medicine, marketing practices are often perceived as a necessary evil," Dr. Yu said. "Our study suggests that market-based promotional devices like money-back guarantees can serve as a necessary good for consumers."

In a typical MBG plan, patients pay a set fee for a certain number of treatment cycles. If the patient does not deliver a live baby by the end of the treatment cycles, the patient receives a refund. If the patient delivers an infant at any point in the treatment plan, the clinic retains the payment in full.

With this type of expert-service market, the doctor holds far more knowledge than the patient, a factor known as information asymmetry. Because of this imbalance of knowledge, many critics argue that the

pressure to return full payment motivates clinics to use MBG programs to entice less-informed patients and boost their success rate by using more aggressive treatment protocols or by sorting more fertile patients to their clinics. Both behaviors will decrease consumer welfare in the long term.

In the study, Dr. Yu accounted for these factors and found the critics' fears to be unfounded. The data showed that clinics offering MBGs achieved enhanced quality of care by securing better outcomes despite taking lower risks and without sorting for the most fertile patients.

"This suggests that MBG programs may not necessarily be marketing ploys employed to entice less informed and more vulnerable patients," Dr. Yu said. "Through experience, clinics may have developed a repository of skills and expertise that make them confident in offering MBG programs without undertaking adverse actions."

The research further showed that clinics are more likely to offer MBGs in states without a mandate for [insurance companies](#) to cover IVF treatment costs, suggesting that MBGs also serve as a market-driven insurance device, in particular for lower-fertility patients.

"The results of this study are consistent with signaling theory predictions that money-back guarantees can serve as signals of unobservable clinic quality despite the incentives for clinics to engage in opportunistic behaviors," Dr. Yu said. "These findings offer policy guidance and improve patient welfare in a complex expert-service market fraught with information asymmetry."

More information: Shan Yu et al, Money-Back Guarantees and Service Quality: The Marketing of In Vitro Fertilization Services, *Journal of Marketing Research* (2021). [DOI: 10.1177/00222437211060733](#)

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