



Economics Seminars

Thursday 26 October 2023 at 12:00

Aula Lai

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Persuasion in Physician Agency

Abstract. We revisit the physician-patient agency problem in a model where patients differ in their preferences for treatment and the physician decides whether to recommend a treatment based on the results of a diagnostic test. We show that, in equilibrium, some patients who could benefit from treatment remain untreated, while others receive unnecessary treatment. We explore two policy interventions. Mandatory testing increases health but the effect on welfare is ambiguous. Differently, a policy that does not authorize tests with high false positives increases health and welfare, while policy limiting false negatives is detrimental.