

Abstract

This paper presents a game-theoretical model of the physician-patient relationship. There is a conflict of interest between physician and patient, in that the physician prefers the patient to always obtain a particular treatment, even if the patient would not consider this treatment in his interest. The patient obtains imperfect cues of whether or not he needs the treatment. The effect is studied of an increase in the quality of the patient's private information, in the form of an improvement in the quality of his cues. It is shown that when the patient's information improves in this sense, he may either become better off or worse off. The precise circumstances under which either result is obtained, are derived.