

**Stony Brook University
The Graduate School**

Doctoral Defense Announcement

Abstract

Imperfect Information and Consumer Behavior in the Health Care Sector

By

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Health care market is characterized by uncertainty and informational asymmetry. This dissertation studies two important topics about the imperfect information and consumer behavior in the health care sector. Using a unique, nationally representative dataset (the Community Tracking Study Household Survey 2000 – 2001), chapter 1 investigates the relationship between consumerism and the demand for health services to shed light on how consumer information is being used in the medical sector. We empirically examine whether consumers use health information gleaned from non-physician information sources as a substitute or a complement for health services as measured by physician visits and emergency room (ER) visits. The results, after correcting for sample selection bias and controlling for unobserved heterogeneity, reveal that consumer health information increases the demand for physician services on average. However, patients with little trust in their physicians tend to substitute self-care through consumer health information for physician services. Moreover, better-informed consumers make significantly fewer ER visits. Chapter 2 studies both theoretically and empirically how patient trust evolves given changing incentives of physicians from the influx of managed care, and ultimately how individual trust impacts the quality of health care transactions for individuals – after controlling for endogeneity that comes from learning in the market. Building trust into the principal agency framework, we find in theory that trust is ambiguous on outcomes and it is predicted that patient trust is lower under capitation than under FFS, and trust is more influential in promoting health care quality under FFS than under capitation. In the empirical part, using overall patient satisfaction with as a proxy for quality of care, we find that trust has a significant positive effect on patient satisfaction. Such effect is greater for traditionally covered patients than for HMO patients. The final chapter concludes the whole thesis and discusses the policy implications of our findings.

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