

# **Behavioral Economics in Healthcare**

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# **Behavioral Economics in Healthcare: Understanding, Predicting, and Influencing Stakeholder Choices and Decisions**

BY

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INVESTOR IN PEOPLE

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## About the Author

**Ahmet Yıldırım** is a Lecturer in the Medical School at Istanbul Medeniyet University, Türkiye. Having an MSc in Management, Organizations, and Governance from the London School of Economics and a PhD from the Innovation and Entrepreneurship group at Imperial College Business School, his multidisciplinary research interests focus on innovation management, behavioral economics, and psychological manipulations.

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# Preface

When questioned, most people would consider the medical profession as critically vital to human existence. And again if we query about the most important notion in one's life, many individuals may choose health over money or love. Yet, the human aspect of healthcare continues to face various pressing challenges. Among the plethora of pertinent questions, only a few can be listed as follows: How should medical training be structured to enable doctors to make better choices? What are the strategies to enhance communication between doctors and patients? How can societies or politicians make smarter decisions regarding healthcare? What are the dynamics of the wrong choices and decisions that individuals make about their health? How can we address the famous phenomenon of doctor arrogance? What are the underlying sources of stakeholder incentives that result in scientific, economic, or moral failures in the industry? How can we mitigate the issue of violence against doctors?

This book endeavors to address these questions and many others by employing the lens of behavioral economics which is an emerging and promising field. Positioned at the crossroads of various social sciences, especially economics and psychology, behavioral economics systematically explores why people behave as they do by focusing on the cognitive and behavioral mechanisms that influence their decisions. Consequently, it offers numerous and inspirational insights into critical life issues involving human behavior. In the context of healthcare, the field provides valuable insights into the decision-making processes of all involved stakeholder groups.

Primarily designed as a review and a textbook for medical students and professionals, this book aims to enhance the understanding in predicting and improving the behaviors of the most prominent stakeholders in the medicine field. These include doctors, patients, hospital management, public authorities, medical firms, general public, and academicians. Specifically, a refined understanding of why people behave as they do is a crucial step toward incorporating empathy into relationships, thereby contributing to the communicative skills of healthcare students and professionals. Although current medical education primarily focuses on imparting extensive knowledge to students, it tends to neglect the interpersonal aspect of the profession. However, it is particularly important as people's sensitivity is heightened due to health-related concerns (Street & Haidet, 2001).

This book holds appeal not just for medical students and professionals but for intellectuals from any other background as well. They may find various insights on improving their decision quality about their patients' or own well-being,

designing a stronger healthcare system, understanding the effect of incentives on any desired behavior, and much more. In addition, healthcare constitutes an appropriate basis to evaluate people in a serious context for themselves and provides a realistic perspective on understanding how people actually think and behave. For this purpose, the book adopts a multidisciplinary approach by integrating insights from behavioral economics, psychology, and healthcare, offering a comprehensive understanding of how these fields converge to influence decisions and their outcomes. With the target audience's diverse backgrounds in mind, the book is crafted to be understandable for those with little to no background in economics or healthcare.

The outline of the book is structured as follows. After a brief introductory chapter on the basics of behavioral economics, the book turns to discuss the broad functioning principles of our mind in Chapter 2, such as shortcuts and heuristics, affect, comparisons, or framing, which aim to elucidate how the mind works to come to decisions. In relation to Chapter 2, Chapter 3 shifts the focus to more specific biases or thinking mistakes and discusses the main decision failures that people are prone to, including but not limited to confirmation and authority biases, errors in understanding causality, overdiagnosis, or statistical mistakes. The subsequent chapter presents the other side of the picture as a brief counter-argument, which is expected to significantly improve the perspective on approaching previously described mechanisms and failures by discussing why they are an integral part of human thinking, and how they are actually effective tools despite their problematic nature in causing decisional errors. Chapter 5 debates the possibility of eliminating these errors and explores effective strategies for improvement. Chapter 6 is a synthesis of the “nudges” in the context of healthcare, which is a famous and highly debated concept for motivating people to do the right thing for their interests. Benefiting from the mechanisms and biases discussed in Chapters 2 and 3, this chapter suggests some ways to design incentives for motivating healthier behavior such as complying with the medication schedule, maintaining long-term health, or getting vaccinated. Chapter 7 is situated at the intersection of traditional and behavioral economics and lays the foundations for discussing the role of incentives in motivating people for their health-related behaviors. In relation to Chapter 7, the final proceeding chapter is a brief discussion on how science and research in the field of medicine progress in relation to the problem of incentives and aims to provide a critical perspective for the scientific process regarding the field.

As for the teaching method, this book first briefly delineates each phenomenon and then employs a plethora of examples to demonstrate its implications in practical settings. This approach aims to foster the application of these concepts to various real-life scenarios that readers may encounter with the objective to enhance their imagination, understanding, and adaptability.

The content of this book is the culmination of material from the “Behavioral Economics in Medicine” course, which is prepared and instructed by the author in Istanbul Medeniyet University starting from 2022. The content is carefully compiled from a wide range of resources for the benefit of medicine students. About 75% of the examples are directly drawn from healthcare and related

professions to ensure relevance to the primary audience. Additionally, 25% of the content includes examples from other life contexts in order to provide a broader perspective and aid in the comprehension and application of concepts across various domains. The balanced mix of examples is designed to enhance understanding and to aid in the long-term retention of the material by the readers.

A very important consideration for readers is that this book is primarily focused on behavioral economics rather than being a comprehensive source of medical information. While it incorporates medical knowledge and examples which are duly cited, they serve to illustrate principles of behavioral economics rather than to provide medical guidance. Therefore, readers are encouraged to focus on the overarching messages about human behavior and decision-making processes. It is essential to understand that this book does not claim absolute correctness in medical matters and should not be used as a substitute for professional medical advice or treatment. The intent is to provide a behavioral economics perspective to complement medical understanding.