

Investigating the Role of Incentives in Improving Efficiency of Healthcare Systems

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Abstract

Healthcare systems are composed of multiple stake-holders, who often have conflicting objectives, leading to inefficiencies in the system. A major factor in the increase in the cost of any healthcare system can be attributed to the strategic behavior of the participants based on the economic and service payoffs. The paper investigates the role of incentives provided to different players in the healthcare ecosystem in order to improve the overall efficiency of the system. This paper considers the effects of incentives, such as multilateral payoffs, information access, and priority service, on reducing costs in a healthcare system composed of three major players: patients, care-providers and insurers. We highlight the system level efficiencies that can be derived from such incentives, and also provide guidelines for optimal design of incentives under different operating conditions.