

DATA-DRIVEN HEALTH INNOVATION AND PRIVACY REGULATION

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Abstract ID: 213

Inviato: 12/04/2023

Evento: XXI Workshop Annuale SIEPI

Argomento: 13. Economia dei dati e della privacy

Parole chiave: health data; data-driven innovation; precision medicine; privacy regulation

Data-driven health innovation may lead to develop targeted treatments using health data. We consider privacy-sensitive patients who may decide to share personal health data if compensated. Each patient does not internalize the impact of sharing data on drug innovation. We show that investment incentives in targeted treatments are too weak due to the costs for collecting health data. Then, privacy protection measures reducing data sharing risks can promote pharmaceutical R&D and social welfare. We also investigate the effects of a policy allowing firms to access health data for medical research without patients' consent.