

Optimal Revelation of Life-Changing Information

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This paper studies the optimal revelation of life-changing information as in tests for severe, incurable diseases. Our model blends risk attitudes with anticipatory utility. We characterize the optimal test design and provide conditions under which the optimal test gives either precise good news or noisy bad news, but never definite bad news. We also consider optimal test design under partial information and show how an approximately optimal dynamic unraveling of information can be implemented without any knowledge of the patient's preferences through an explicit algorithm.