



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY
EXAMINATIONS
2018/2019 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS &
ECONOMICS
BACHELOR OF ARTS IN
ECONOMICS**

**COURSE CODE: ECO 3206
COURSE TITLE: HEALTH ECONOMICS**

**DATE: 15TH APRIL, 2019
1030HRS**

TIME: 0830 -

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

This paper consists of 2 printed pages. Please turn over.

QUESTION ONE

- (a) Discuss the performance indicator components that make up the THREE aspects of medical care.

9mks

- (b) Explain McGuire's quantity-setting model with administered pricing and health insurance.

6mks

- (c) Hospital managers face an important trade-off in determining the optimal levels of quality and quantity to produce. Explain the quality preference over quantity effect on the hospital cost of production. **6mks**

- (d) By an illustration, explain the concept of moral hazard in health insurance.

4mks

QUESTION TWO

- (a) Health care 'cost explosion' has led to a number of legislative measures in many industrialized countries with the objective to reduce the rate of health care expenditure. Beyond healthcare expenditures, discuss the peculiarities of healthcare. **6mks**

- (b) Explain the reason to healthcare 'cost explosion' should not become an obsession to health economists.

4mks

- (c) Discuss the effect of coinsurance on the demand for healthcare. **5mks**

QUESTION THREE

- (a) Explain the difference between a health economy and the macro economy.

3mks

- (b) Explain any THREE barriers to physician service industry.

6mks

- (c) Distinguish between copayment and deductibles in health insurance

2mk

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- (d) Explain the effect of a higher wage on the demand for health capital in the pure investment version of Grossman model.

4mks

QUESTION FOUR

- (a) Explain the effect of medical technology change on the total productivity of medical care.

2mks

- (b) Discuss the Grossman demand for health capital.

5mks

- (c) Discuss the pricing behavior of not-for-profit hospitals.

4mks

- (d) Explain the physician behavior under the supplier-induced demand model.

4mks

QUESTION FIVE

- (a) Hospital managers derive utility from the quality of hospital care provided. Discuss the aspects of hospital care quality.

6mks

- (b) Discuss the managerial expense preference model in the hospital behavior.

4mks

- (c) Discuss the distinction between economics of health and economics of healthcare.

5mks

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