



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2018/2019 ACADEMIC YEAR FOURTH YEAR FIRST SEMESTER

SCHOOL OF BUSINESS & ECONOMICS BACHELOR OF ARTS IN ECONOMICS

COURSE CODE: ECO 425

COURSE TITLE: HEALTH ECONOMICS

DATE: 7TH, DECEMBER, 2018

TIME: 0830 – 1030 HRS

INSTRUCTIONS TO CANDIDATES

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

QUESTION ONE

- (a) Discuss the theoretical issues surrounding the supplier-induced demand theory. **(5mks)**
- (b) Explain the medical care costs relationship of short-run marginal cost, short-run average total cost and short-run average variable cost. **(5mks)**
- (c) Explain the concept of moral hazard in health insurance. **(3mks)**
- (d) Discuss the effect of education on the demand for medical care **(4mks)**
- (e) Explain the features of health that make it unique from other goods. **(8mks)**

QUESTION TWO

- (a) 'Health care expenditure growth is not the only obsession of health economists but also other peculiarities in healthcare provision'. Explain the peculiarities in health care provision. **(6mks)**
- (b) Explain a physicians reaction to price controls under McGuire quantity setting model. **(4mks)**
- (c) Discuss the determination of the optimal demand for health in the Grossman model based on the Marginal Efficiency of Capital and cost-of-capital. **(5mks)**

QUESTION THREE

- (a) What is the effect of an increase in wages on the demand for medical care? **(3mks)**
- (b) Discuss the non-economic determinants of demand for medical care. **(8mks)**
- (c) Using the Grossman model, discuss the effect of medical care price increase on the demand for health and demand for medical care. **(4mks)**

QUESTION FOUR

- (a) Using utility analysis, explain the reasons for the downward sloping demand. **(5mks)**
- (b) Discuss the managerial expense preference model in a hospital set-up. **(5mks)**
- (c) Explain the effect of coinsurance on the demand for medicare. **(5mks)**

QUESTION FIVE

- (a) Explain the effect of age on stock of health and demand for medicare. **(6mks)**
- (b) Assume that various medical groups are in the process of developing medical guidelines. Suppose the guidelines are developed and widely adopted by physicians, how will this affect the physician services market? **(6mks)**
- (c) Distinguish between economics of health and the economics of healthcare. **(3mks)**

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