

End Term Examination 2017
Course Title: Health Economics
Course Code: PGECO4E003T
Time Duration: 3 Hours

Section A: Each part of this question carries 1.5 marks.

1.5*10=15

Note: Encircle the most appropriate answer

(1) The emergence of new cases of illness in the given period in a community is known as

- (a) Morbidity Prevalance Rate (b) Morbidity Incidence Rate
(c) Mortality Rate (d) None of these

(2) Suppose the income elasticity of demand for dental visits is +0.1. A consumer was spending Rs.100 on visits and her income doubles. She will now spend:

- (a) Rs.10 (b) Rs.101
(c) Rs.110 (d) Rs.200

(3) Which one of the below is NOT a community health indicator?

- (a) Infant Mortality Rate (b) Body Mass Index
(c) Maternal Mortality Rate (d) Crude Death Rate

(4) Demand for health care is given by $Q = 10 - 2P$, where Q is quantity and P is price. Supply is given by $Q = P$. All consumers have health insurance which pays 50% of their expenditures. The equilibrium price and quantity are

- (a) $Q = 10; P = 0$ (b) $Q = 10/3; P = 10/3$
(c) $Q = 5; P = 10/3$ (d) $Q = 5; P = 5$

(5) In Grossman's model, an increase in education causes better health because

- (a) People who choose higher levels education tend to have other characteristics which are associated with good health.
(b) People endowed with higher levels of education are more efficient producers of health.
(c) People with high temporal discount rates are both more likely to smoke and less likely to go to university.
(d) Moral hazard induces people to select low-paying jobs when the MEI schedule is inelastic.

(6) Adverse selection in health insurance markets

- (a) refers to the tendency of insured people to take fewer preventive actions, increasing everyone's costs.
(b) refers to the tendency of low risk people to opt out of insurance, increasing the price of insurance.
(c) refers to firms refusing to insure people with pre-existing conditions, leading to social problems.
(d) refers to efforts by consumers to select the lowest priced insurance on the market, leading to pervasive disequilibrium.

(7) QALYs are a metric which allows analysts to

- (a) disentangle correlation and causation in epidemiological studies.
(b) accurately assess life expectancy.
(c) make tradeoffs between quantity and quality of life.

(d) monetize health outcomes for cost-benefit analyses.

(8) You have utility function for wealth $U(W) = W^2$, you are offered actuarially fair insurance against some risk. You

(a) fully insure.

(b) buy no insurance.

(c) buy some insurance, but you do not fully insure.

(d) there is not enough information to decide if (a), (b), or (c) is correct.

(9) We interpreted the patient–physician interaction as a principal–agent problem in the sense that

(a) the physician acts as a principal, and the patient as an agent, because the physician’s behavior is hidden to the patient.

(b) the physician acts as an agent, and the patient as a principal, because the physician’s behavior is hidden to the patient.

(c) the physician acts as a principal, and the patient as an agent, because the patient’s behavior is hidden to the physician.

(d) the physician acts as an agent, and the patient as a principal, because the patient’s behavior is hidden to the physician.

(10) The Bhore Committee Report was submitted in the year

(a) 1943

(b) 1946

(c) 1947

(d) 1950

Section B: Short Answer type Questions.

8*5=40

Unit-I

(11) “Health care is a derived demand for health”, explain.

Or

In what sense is health care an investment? In what sense is it pure consumption?

Unit-II

(12) Discuss the Profit-maximizing model of Supply Induced Demand.

Or

“Health Insurance is a usual solution to the problem of uncertainty in health care”. Elucidate.

Unit-III

(13) Explain how lemons principle exists in health insurance market.

Or

Do you think that private sector play a significant role in delivering health care services in India? Justify your argument.

Unit-IV

(14) What is economic evaluation? Why we need an economic evaluation in health sector?

Or

Write short note on Cost Identification Analysis.

Unit-V

(15) "Out-of-pocket health expenditure is a double cost burden on the households". Discuss.

Or

Discuss briefly the salient features National health Policy 1983.

Section C: Long Answer type Questions

15*3=45

Note: Attempt any three questions from this section

(16) Discuss how we assess the health status of the individual and the community as a whole. "The precise health status index yet to be developed", explain.

(17) Explain how health is produced from market and nonmarket goods. Critically examine Grossman model for demand for health capital.

(18) Discuss how health care market deviates from ideal market? What is the economic rationale for different types of government intervention in health care?

(19) How does cost-benefit analysis differ from cost-effectiveness analysis? Why has cost-effectiveness analysis become the method of choice for health economists around the world?

(20) Discuss the major health related issues faced by developing countries like India.