



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2020 /2021 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF
ECONOMICS**

COURSE CODE: ECO 318

COURSE TITLE: HEALTH ECONOMICS

DATE: 11th MARCH, 2021

TIME: 9:00-12:00 pm

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

REGULAR – MAIN EXAM
ECO 318: HEALTH ECONOMICS

STREAM: BA ECONOMICS

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

Question One

- a. Briefly describe the distinctive features of the health care services from other commodities (10 marks)
- b. State the key assumptions of Grossman's theory of demand for healthcare. (5marks)
- c. Market failure occurs when the conditions necessary to achieve market-efficient solution are absent, or are contravened in one way or another. Explain the reasons why the market for health care does not in practice, function according to the theory of perfect competition. (10 marks)
- d. Explain situation in which Cost Utility Analysis may be used (5 marks)

Question Two

- i. State and explain desirable characteristics for health insurance (10marks)
- ii. Give reasons for the increasing cost of health care to individuals and to the society at large. (10 marks)

Question Three

- i) One of the major problems associated with demand for insurance is moral hazard. Explain the sources of moral hazard. (10 marks)
- ii) Grossman's shows the way in which many important aspects of health demand differ from the traditional approach to demand. Explain the key concepts of the Grossman's model (10 marks)

Question Four

- a) World Health Organization (WHO) identifies five streams of decentralization. List the streams (5 marks)
- b) Discuss the benefits of decentralization in healthcare sector. (15marks)

Question Five

- i) It is often said that decentralization is a political process as it is about power. Briefly discuss the political objectives of decentralization. (10 marks)
- ii) There exist fundamental factors that can have an impact on the demand for health care services. Explain the key concepts as identified by Grover C. Wirick (10 marks)