

# AFRICAN ECONOMIC RESEARCH CONSORTIUM

Collaborative MA Programme in Economics for Anglophone Africa  
(Except Nigeria)

JOINT FACILITY FOR ELECTIVES (JFE)

JUNE – SEPTEMBER 2007

HEALTH ECONOMICS I

First Semester: Final Examination

Duration: 3 Hours

Date: Thursday, August 2, 2007

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## INSTRUCTIONS:

Answer **Question 1** and **ANY other TWO Questions** from **Section B**. All Questions Carry Equal Marks.

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## SECTION A

**The question in this section is compulsory. It carries 20 marks.**

**1. Consider the following scenario:**

Akwasi is a 50 year old taxi driver in Accra, the capital city of Ghana. Except for minor, short-term illnesses that commonly strike most people and which do not need any health care services (e.g. common headache), he has been healthy all of his life. After a hard day of driving in the congested city streets, he and his family celebrate his son's 18<sup>th</sup> birthday with a special meal out in a small restaurant recently opened by an old taxi-driver friend. Later that evening he develops severe pain in his chest. He initially guesses that it is simply indigestion from the big, spicy meal eaten earlier in the evening. But the pain becomes so severe that his neighbour has to drive him to the emergency ward of the main public hospital, which provides free emergency care. Once there, he is examined by the attending emergency physician and then a cardiologist. After several tests the cardiologist diagnoses his condition as angina. Akwasi asks the cardiologist what he must do to get better. The cardiologist explains that in the short-term he needs heart bypass surgery, which has a 90% chance of resolving the acute angina (but carries some risk of severe complications, including death), and that in the longer term he will need to modify his eating habits and other aspects of his life to reduce the risk of recurrence.

Although Akwasi knows that he has some health insurance through the taxi-drivers' cooperative, he is unsure of what the health insurance covers and he cannot go ahead until he clarifies its coverage and what treatment he can afford.

The contrast between Akwasi's purchase of a meal in a restaurant and his experiences in the hospital exemplify a number of frequently found differences between the markets for common consumer goods and markets for health care.

***Requirement:***

Using relevant portions of the above passage to illustrate your points, you are required to identify, state and clearly explain the main characteristics of health care that makes it different from other commodities.

## **SECTION B**

**Answer any 2 questions from this section. Each question carries 20 marks.**

2. 'The concept of supplier-induced demand may be of theoretical interest, but it is of limited practical or policy relevance'. Discuss, giving examples to support your arguments.
3. "Issues of health and health care delivery are technical managerial or clinical issues and as such there are no reasons why economists must get involved". Discuss the reasons why it is relevant to apply economics to health and health care issues.
4. Explain the distinction between the demand for health and the demand for health care in Grossman's theory. Discuss the strengths and weaknesses of Grossman's theory.
5. "Health care expenditure in almost all countries keeps increasing over the years. Health care is therefore an income-elastic, luxury good." Discuss.
6. Critically examine the causes of market failures in the health care sector and the policy relevance of each cause.
7. "Efficiency in providing health care services means both doing things right and doing the right things." Discuss.