



AFRICAN ECONOMIC RESEARCH CONSORTIUM

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

JOINT FACILITY FOR ELECTIVES JUNE – OCTOBER 2004

HEALTH ECONOMICS

Second Session: Final Examination

Time: 09.00 AM – 12.00 Noon

Saturday September 25, 2004

INSTRUCTIONS: Answer all questions.

Question 1 (15 marks)

Answer part (i) of this question by indicating whether the statement is True, False or Uncertain (neither always true nor always false) and part (ii) by justifying your answer using the appropriate economic tools and citing any relevant empirical evidence or class case studies. Credit depends only on your explanation. Each answer must not be more than one page.

- a) Vertical referral systems are appropriate organizational forms for health service delivery in resource poor countries only because they are largely consistent with the economic behaviour of patients
- b) In curbing AIDS in Sub-Saharan Africa, it is not economically rational to spend more on low-tech behavioral practices than high-tech drug treatments
- c) If the price of health care services rises and the quantity demanded falls, then the health care share of GDP will fall.



- d) Foreign direct investment is good for health economies of African countries
- e) Because developing countries do not have much money at their disposal, it is not possible for these countries to improve the health of their society

Question 2 (10 marks)

Identify the following terms and examine their relevance for understanding health economic development in Sub-Saharan Africa. (Provide short but complete answers using appropriate economic tools and relevant empirical evidence or class case studies).

- a) User fees
- b) Vertical equity
- c) Allocative efficiency
- d) Outcome-Contingent Contract
- e) National Health Accounts

Question 3 (20 marks)

- a) Discuss the role that information plays in the markets for both health care and health insurance.
- b) Specifically, explain how imperfect and asymmetric information on the side of the consumers and/or suppliers affects the operations and outcomes in each of the two markets.
- c) What checks, if any, can be introduced to improve the operations of the markets?
- d) What is the potential role of government in each instance of market failure found in the health sector in Sub-Saharan Africa?
- e) Why are mandatory social health insurance programs difficult to implement in Sub-Saharan Africa?



Question 4 (15 marks)

Following rapid deterioration in macroeconomic and sectoral performance in Sub-Saharan Africa since the mid-1970s, which reached crisis proportion in the early 1980s, many countries started comprehensive economic reform programs. However, it has been claimed that stabilization and structural adjustment programmes followed in many of these countries have adverse consequences for the health sector.

- a) Evaluate these claims, identifying and explaining the linkages between macroeconomic adjustments and the health sector.
- b) Explain why increasing income inequality is associated with greater prevalence of HIV infection in Africa.
- c) Critically examine the three major areas of need that African governments ought to address in order to strengthen and expand economic support for national health reform and development.

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