



# MASENO UNIVERSITY

## UNIVERSITY EXAMINATIONS 2015/2016

### FOURTH YEAR SECOND SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF ARTS IN ECONOMICS WITH INFORMATION TECHNOLOGY

#### CITY CAMPUS AND MAIN CAMPUS

#### AEC 414: HEALTH ECONOMICS

Date: 20<sup>th</sup> April, 2016

Time: 2.00 - 4.00 pm

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#### INSTRUCTIONS:

- Answer question ONE and any other TWO questions.

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Q1. a) Physicians are tempted to increase demand for their services v quantity demanded is low or there is a decrease in price.

i) Give and explain the theoretical name for this behavior [2 Marks]

ii) Discuss above using graphical illustration the behaviour name (1)

[8 Mark]

b) Discuss the main principles of Copenhagen Primary Health Care Framework. [10 Mark]

c) Using production possibility curve, describe the four basic questions of health economics. [10 Mark]

Q2. Most hospital globally are characterized by non-profit behavior tendencies in offering their services. Discuss three models that help maximize its revenues through non-profit price behaviour.

[20 Mark]

Q3. a) Characterize the short run cost theory of a representative medical firm

[6 Marks]

b) i) Explain why government has to be involved in provision regulation of health care. [4 Mark]

ii) Describe the types of government interventions. [10 Mark]

Q4. a) Explain the barriers to entry in pharmaceutical industry. [6 Marks]

b) The Board of Directors of Keato Pharmaceutical Company conducting a research on pricing behaviour, promotional activities, product innovativeness in the industry. Explain to the Board the arguments to be considered in their decision making. [14 Marks]

- Q5. a) Discuss two types of externalities that exist in health care markets. Use diagrams where necessary. [14 Marks]
- b) Describe at 6 building blocks of a good health system. [6 Marks]