



**MAASAI MARA UNIVERSITY**  
**REGULAR UNIVERSITY EXAMINATIONS**  
**2022/2023 ACADEMIC YEAR**  
**THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS & ECONOMICS**  
**BACHELOR OF SCIENCE IN ECONOMICS**

**COURSE CODE: ECO 3208-1**

**COURSE TITLE: HEALTH ECONOMICS**

**DATE: 21/4/ 2023**

**TIME: 1430-1630 HRS**

---

**INSTRUCTIONS TO CANDIDATES**

1. Answer Question **ONE** and any other **TWO** questions

*This paper consists of **three** printed pages. Please turn over.*

### **QUESTION ONE**

- (a) Distinguish between economics of health and the economics of healthcare. **(4 marks)**
- (b) Explain a physicians reaction to price controls under McGuire quantity setting model. **(4 marks)**
- (c) 'Health care expenditure growth is not the only obsession of health economists but also other peculiarities in healthcare provision'. Explain the peculiarities in health care provision. **(6 marks)**
- (d) Explain the effect of coinsurance on the demand for medicare. **(6 marks)**

### **QUESTION TWO**

- (a) Discuss the determination of the optimal demand for health in the Grossman model based on the Marginal Efficiency of Capital and cost-of-capital. **(6 marks)**
- (b) Explain the medical care costs relationship of short-run marginal cost, short-run average total cost and short-run average variable cost. **(6 marks)**
- (c) Explain the concept of moral hazard in health insurance. **(3 marks)**

### **QUESTION THREE**

- (a) Discuss the theoretical issues surrounding the supplier-induced demand theory. **(6 marks)**
- (b) Discuss the effect of education on the demand for medical care. **(6marks)**
- (c) Using the Grossman model, discuss the effect of medical care price increase on the demand for health and demand for medical care. **(3 marks)**

### **QUESTION FOUR**

- (a) Explain the effect of age on stock of health and demand for medicare. **(5 marks)**
- (b) Discuss the managerial expense preference model in a hospital set-up. **(6 marks)**
- (c) Explain the features of health that make it unique from other goods. **(4 marks)**

//END//