Written Exam for the M.Sc. in Economics Summer 2010

Health Economics

Master's course

Re-examination, August 11, 2010

3-hour closed book exam

Please note that the language used in your exam paper must correspond to the language of the title for which you registered during exam registration. I.e. if you registered for the English title of the course, you must write your exam paper in English. Likewise, if you registered for the Danish title of the course or if you registered for the English title which was followed by "eksamen på dansk" in brackets, you must write your exam paper in Danish.

If you are in doubt about which title you registered for, please see the print of your exam registration from the students' self-service system.

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This exam consists of three essay problems. Each problem has approximately equal weight in the final grade. A problem consists of different sub-questions that do not necessarily have equal weight. All answers must be explained.

Problem 1 (Methods for economic evaluation of health care programmes and measuring Burden of Disease). Health economists often distinguish between the methods of Cost-Benefit Analysis (CBA), Cost-Effectiveness Analysis (CEA) and Cost-Utility Analysis (CUA).

1.1. Explain what health economists mean by each of the three above-mentioned methods. Discuss circumstances under which each of the three types of methods seem particularly (in)appropriate for economic evaluation of health care programmes. You may use real-life or hypothetical examples.

Burden of Disease (BoD) concepts have been developed to measure the gap between a population's health status and some reference standard.

1.2. Describe some specific methods for measuring Burden of Disease (BoD). Discuss whether such BoD measures also can be used for economic evaluation of health care programmes (and, if so, how this would relate to the methods discussed in **1.1**).

Problem 2. In countries with private and voluntary health insurance, the principle of *community rating* means that the insurance companies are not allowed to charge a premium which differs among the customers according to their health conditions.

2.1. Explain why this principle may lead to a situation where a considerable part of the population chooses not to have health insurance.

2.2. Give a suggestion as to how a monopolized health insurer can achieve that the whole population chooses to have insurance. What will happen if there is competition among several insurance companies?

2.3. In the US health insurance reform of 2010, every individual is entitled to get an insurance contract, with possible government subsidy if it is

not profitable for the private companies. Discuss the consequences for the insurance market of the reform.

Problem 3. In the debate about healthcare and its financing one often hears about the Samaritan principle as a basic reason for a tax-financed healthcare system.

3.1. Give an explanation of the Samaritan principle in terms of economic externalities, and explain how this should be dealt with according to the economic welfare theory.

3.2. In an attempt to reduce government spending on healthcare, it is decided to single out areas of healthcare where the Samaritan principle is either not working or not important. Give some suggestions for such areas of healthcare, as well as suggestions for how they are to be financed.

3.3. If healthcare is to be based on a system of Medical Savings Accounts (as in Singapore), how can the Samaritan principle be incorporated?