

Written Exam for the M.Sc. in Economics summer 2012

Health Economics

Final Exam

June 7, 2012

(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.

1. A country with a predominantly public system of healthcare, which however does not cover immigrants, has introduced a voluntary health insurance scheme for the latter; the scheme must satisfy the community rating principle in the sense that the premium should be the same for all. It turns out that immigrants from countries with poor health conditions have a higher risk of illness, but at the same time these immigrants are much less risk averse than the immigrants from countries with good health conditions.

Give an assessment, based on the theory of health insurance, of how this situation may affect the number of immigrants holding a health insurance, and describe the general consequences.

It is proposed that the insurance scheme should have a premium, which is common for all but a deductible, which depends on country of origin. Will such a scheme constitute an improvement of the previous one?

2. Give a short outline of the Grossman model of a consumer choosing consumption and health over the lifetime.

Suppose that a new drug is developed which reduces risk of heart attacks by keeping the cholesterol at low level. A cost-effectiveness analysis has shown that it is cost-reducing, so that the cost of treatment is reduced with same or better health effects. This gives rise to a proposal, namely paying out the yearly per capita outlays on heart diseases to citizens who keep their cholesterol level below a certain threshold.

Comment on this scheme. Will this work as an incentive to the consumers for adopting the new treatment?

3. Explain that some of the services delivered by the healthcare sector has the character of a public good, and that individual payment for public goods gives rise to inefficiencies.

Sketch how the public good components of healthcare might be financed so as to sustain efficiency as far as possible.