

Written Exam for the M.Sc. in Economics summer 2013

**Health Economics**

Final Exam

June 22th 2013

(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.

**This exam consists of 2 pages in total (including this front page) with 3 questions.**

### **Question 1**

- a) Explain why individuals demand medical care according to the pure investment model of Grossman (1972)? And what is the reason in the pure consumption model?
- b) Discuss why education may matter for the demand for health and discuss empirical evidence considering this.
- c) What role does information play in the Grossman model? Can you imagine that some patients will react more to an information campaign than others? Based on the Grossman model and empirical evidence: What is the likely impact of an information campaign about a given treatment?

### **Question 2**

- a) According to the standard economic model of health insurance (e.g. Rothschild & Stiglitz, 1976), when and why do people demand health insurance?
- b) How does the theory of Nyman differ from the standard model?
- c) What is adverse selection in health insurance markets, and how can it be alleviated?
- d) What is the moral hazard in health insurance markets, and how can it be alleviated?

### **Question 3**

- a) What is a QALY and why is it needed?
- b) Describe different methods to measure a QALY and their pros and cons
- c) How can we measure the monetary value of a QALY?