

CHAPTER 10.

SOME SELF-TEST QUESTIONS

Chapter 1: Concepts of efficiency and equity in health economics

1. "Scarcity results from inefficiency". (True or False?)
2. Which of the following questions is economics concerned with?
 - a) What goods and services to produce
 - b) What quantity of each good or service to produce
 - c) How to produce each good or service
 - d) How to distribute goods and services
 - e) Both a & b
 - f) All of the above
3. "Efficiency involves consumption (demand) as well as production (supply)". (True or False?)
4. "If countries are producing and consuming health care efficiently, then health care systems will look very similar". (True or False?)
5. Which of the following statements best describes the relationship of the economist's concept of efficiency to the distribution of income in a society?
 - a) Efficiency is unrelated to the distribution of income
 - b) Efficiency is defined for a given distribution of income; the efficient allocation of resources would be different for a different distribution of income
 - c) Efficiency assumes that income is distributed equally in a society
 - d) None of the above
 - e) All of the above
6. If some medicine has to be discarded in a remote hospital because the cold container seal has been broken while transporting it and the medicine is no longer usable, this is an example of:
 - a) Technical inefficiency
 - b) Cost-ineffectiveness
 - c) Allocative inefficiency
 - d) Both b & c
 - e) None of the above
7. In the example just given in question 6 above, is it possible to be allocatively efficient even though there is technical inefficiency due to the failure of the cold chain? (Yes or No).

8. If a local health authority chooses to provide a very expensive surgery to all people with a particular medical problem, when there is clinical evidence from high-quality research studies that a relatively inexpensive drug can be just as effective in treating the problem, this is an example of:
- a) technical inefficiency
 - b) cost-ineffectiveness
 - c) allocative inefficiency
 - d) none of the above
9. "If an economist says that something is efficient, then it should be done". (True or False?)
10. "For efficiency, resources should continue to be allocated to an activity until the extra benefit gained from each additional resource allocation is zero". (True or False?)
11. "By ensuring that every individual in society has an equal opportunity to access open heart surgery, policy makers are promoting a more equitable distribution of health care". (True or False?).
12. "Because the benefits from a health service vary across different individuals, it is important to consider the customized value of a medical service when deciding how to fairly distribute it". (True or False?).
13. "According to Rawl's Contractarian Theory of Justice, policy makers should distribute health care according to recipients' ability to pay". (True or False?).
14. "The principles of vertical and horizontal equity are examples of two process theories for fair resource allocation". (True or False?).
15. According to market mechanisms, resources should be allocated according to the demand for health services where demand is defined as one's "willingness to pay". (True or False?).

Multiple Choice Questions

16. Which of the following elements do policy makers not have to consider when deciding how to distribute resources equitably?
- A) the characteristics of the goods
 - B) whether the goods are produced cost-effectively
 - C) characteristics of the people who receive these goods
 - D) policy objectives for allocation
17. Which of the following can be considered to be a "health care good"?
- A) the consumption of medical services
 - B) a membership to a fitness club
 - C) access to comprehensive health care insurance
 - D) both A and C

18. Which of the following is considered to be a fair process to distribute resources?

- A) a queue
- B) a lottery
- C) an election
- D) all of the above

19. Which of the following statement best defines vertical equity?

- A) a distribution is vertically equitable when individuals in similar situations receive an equal amount of a particular good
- B) vertical equity occurs when resources are allocated on the basis of an individual's ability to pay for a good
- C) vertical equity occurs when individuals in different situations (i.e., income, class, etc.) receive unequal amounts of goods
- D) all of the above

20. Which of the following characteristics of a recipient in a publicly funded system is considered to be the most important for health care allocation decisions?

- A) ability to pay
- B) needs
- C) societal productivity
- D) wants
- E) none of the above

Chapters 2, 3 and 4: Basics of markets and health care markets and Classical welfare economics and market failure in health care, parts I and II

1. "In a market with many producers producing similar goods, a firm will be able to create significant profits by selling their product at a price higher than the equilibrium price". (True or False?).
2. "In the presence of large fixed costs and few suppliers, the price of the good will exceed the private marginal costs and will create profits for the producers". (True or False?).
3. "The development of a new farming technique which increases the supply of wheat will cause the price of wheat to decrease". (True or False?).
4. "The ability of the physician to guide Juan's consumption of health care services arises from the characteristic of uncertainty". (True or False?).
5. "Licensure, professional regulation and professional ethics are used to protect patients from the existence of externalities in the health care market". (True or False?).

Multiple Choice Questions

6. If the demand for a good is price elastic, then which of the following statements is true?
- A) the percentage change in quantity demanded of the good in response to a 1% change in the price is less than 1 in absolute value
 - B) a decrease in the price of the good will not alter the quantity demanded of the good
 - C) the quantity demanded of a good changes by a percentage greater than 1 in absolute value following a 1% change in the price of that good.
 - D) a 1% increase in the price of inputs results in a greater than 1% change in the price of the good
 - E) None of the above
7. Which of the following is not an example of market failure?
- A) a steel producing factory pollutes a lake that a nearby community uses for fishing
 - B) an increase in wage rates causes suppliers to produce less of a particular good
 - C) the ability of a producer to charge higher prices for a good in the presence of large fixed costs
 - D) an individual buys a used car for \$5000 which breaks down the following day
 - E) both b and c
 - F) all of the above
8. Which of the following can be considered an institutional response to a positive externality?
- A) the provision of information as to the value of a product
 - B) anti-trust laws
 - C) a tax on the producer discouraging the over-production of a particular good
 - D) subsidizing an industry in order to help lower production costs and increase the production of a particular product
 - E) none of the above
9. The demand for a health care service will depend on which factors?
- A) time costs
 - B) the patient's income
 - C) the patient's health status
 - D) the physician's advice
 - E) all of the above
10. Which of the following statements best defines the term "a derived demand for health care"?
- A) patients are guided in their demand for health care by physicians who have more information on which services to consume to restore and maintain health.
 - B) patients with more money are able to afford more medical services and therefore, demand more health care
 - C) a patient's demand for health care arises from the demand for the health benefits which result from the use of services and not for the services themselves
 - D) all of the above

Chapters 6 and 7: The microeconomics of economic evaluation of health care programmes, parts I and II

1. "Cost-benefit analysis is founded on a branch of economics called welfare economics". (True or False?).
2. "An economic evaluation study being done for a particular government department should use the viewpoint of that department as the primary viewpoint". (True or False?).
3. "In undertaking a cost-benefit analysis the analyst must decide whether to use the human capital method or the willingness-to-pay method". (True or False?).
4. "There is no such thing as an equity-neutral economic evaluation". (True or False?).

Multiple Choice Questions

5. A study comparing kidney dialysis to kidney transplantation in terms of cost per live year gained is a
 - A) cost-effectiveness analysis
 - B) cost-utility analysis
 - C) cost-benefit analysis
 - D) none of the above
6. Which methods consider the value that individuals place on the outcomes achieved?
 - A) cost-effectiveness analysis
 - B) cost-utility analysis
 - C) cost-benefit analysis
 - D) both a and b
 - E) both b and c
 - F) all of the above
7. Discounting of future costs and consequences is required in economic evaluations
 - A) to account for interest that could be gained if the money were put in the bank
 - B) to account for expected inflation
 - C) to account for the time preference of individuals and society
 - D) because the guidelines specify the discount rate that should be used
 - E) none of the above
8. The "efficient set" of alternatives in a cost-effectiveness analysis consists of the following
 - A) the dominant alternatives
 - B) the alternatives that have a cost-effectiveness ratio less than the decision criterion
 - C) the dominated alternatives
 - D) the alternatives that have an incremental cost-effectiveness ratio less than the decision criterion.
 - E) all of the above