



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS HONORS	
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COURSE CODE: HEC802S	COURSE NAME: HEALTH ECONOMICS
SESSION: JULY 2025	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<ol style="list-style-type: none">1. This paper consists of 5 questions2. Answer ALL questions3. Number your answers in accordance with the question paper.4. Start each question answer on a new page5. Write clearly and legibly

PERMISSIBLE MATERIALS

1. Pen
2. Ruler
3. Calculator

THIS QUESTION PAPER CONSISTS OF 7 PAGES (Including this front page)

QUESTION 1 (MULTIPLE CHOICE)

[20 MARKS]

1. What would not be classified as an externality?

- A) the increased value of neighboring houses resulting from extensive property renovation in the same street
- B) the increased traffic congestion resulting from more tourists visiting a beach resort
- C) the reduction in the spread of disease through the wearing of protective face-masks
- D) the reduction in the profits of existing firms resulting from increased prices of factors of Production

2. Which of the following illustrates the concept of external cost?

- A) Smoking harms the health of the smoker.
- B) Bad weather reduces the size of the wheat crop.
- C) A reduction in the size of the wheat crop causes income of wheat farmers to fall.
- D) Smoking harms the health of nearby nonsmokers.
- E) Public health services reduce the transmission of disease

3. There are various categories of healthcare costs. Which of the following best represents a direct medical cost and an indirect nonmedical cost, respectively?

- A. Pain and transportation
- B. Drugs and suffering
- C. Mortality and morbidity
- D. Medical professional time and lost productivity

4. The economic evaluation method, cost-effectiveness analysis, would be best applied in which of the following cases?

- A. When comparing two or more treatment alternatives that differ in humanistic outcome
- B. When comparing two or more treatment alternatives that are equal in clinical outcome
- C. When comparing two or more treatment alternatives that differ in clinical outcome
- D. When comparing two or more treatment alternatives that differ in cost

5. When quantifying the value of a clinical pharmacy service, your goal is to express the benefits associated with this service in a dollar value. Which economic evaluation method would you employ?

- A. Cost-benefit analysis
- B. Cost-effectiveness analysis
- C. Cost-minimization analysis
- D. Cost-utility analysis

6. Smoking tobacco creates a _____ externality.

- A) positive consumption
- B) negative consumption
- C) negative production
- D) positive production
- E) none of the above

7. Air pollution generated by a paper mill factory is an example of a

- A) negative production externality.
- B) positive consumption externality.
- C) negative consumption externality.
- D) positive production externality.
- E) marginal external benefit

8. Which one of the following is a means of coping with a negative externality?

- A) emission subsidies
- B) Pigovian taxes
- C) vouchers
- D) patents
- E) copyrights

9. Which of the following statements provides the best description of an incremental cost-effectiveness ratio?

- A. A summary measurement of efficiency
- B. The cost per benefit of a new strategy, independent of other treatment alternatives
- C. The extra cost to obtain an extra benefit realized from switching from one alternative to another
- D. The cost per quality-adjusted life-year gained

10. Which of the following is wrong regarding scarcity? *

- A. It is a relative term
- B. The state of no resources at all
- C. It depends on the requirements
- D. Economics is interested in scarcity

11. All problems in economic studies stem from:

- A. Unnecessary wants
- B. Scarcity
- C. Lack of knowledge
- D. Miscommunication

12. The measurement unit in cost-utility analysis (CUA) is:

- A. Physical units
- B. Dinars
- C. QALYs
- D. No unit because the outcomes are always equal

13. Which of the following is false regarding cost-benefit evaluation?

- A. It can be highly biased
- B. It is the most common type of health economic evaluation
- C. It is the most comprehensive method of economic evaluation
- D. The perceived needs impact the results

14. Both benefits and costs are quantified in monetary terms in

- A. CBA
- B. CUA
- C. CEA
- D. None of the above

15. Which of the following can be easily used in different areas of economics?

- A. CBA
- B. CUA
- C. CEA
- D. CMA

16. The broadest perspective in economic evaluation is:

- A. Payer perspective
- B. Societal perspective
- C. Provider perspective
- D. Patient perspective

17. From the perspective of a provider, which one of the following is a direct cost of health care?

- A. The amount paid out-of-pocket by patients directly to their physicians for a clinic visit.
- B. The patient charge for a visit to an emergency department.
- C. The prescription cost of insulin at the community pharmacy.
- D. The salary of the clinical pharmacist who monitors a patient's therapy.

18. From the perspective of an employer, indirect costs are best described by which one of the following?

- A. Hospitalization costs borne by the patient.
- B. Drug effects on patient functioning.
- C. Loss of patient income associated with missed workdays.
- D. Family caregiving costs.

19. The costs and consequences of health care can be different depending on the perspective of the evaluation. Costs from a patient's perspective are best described as which one of the following?

- A. Essentially, what patients are charged for a product or service.
- B. Essentially, the true cost of providing a product or service, regardless of the charge.
- C. Essentially, the charges allowed for a health care product or service.
- D. Essentially, the cost of giving and receiving medical care, including patient morbidity and mortality.

20. Which one of the following statements is not true about cost-minimization analysis?

- A. Cost-minimization analysis is a tool used to compare the costs of two or more treatment alternatives.
- B. Cost-minimization analysis shows only a cost- savings of one treatment alternative over another.
- C. Cost-minimization analysis measures the costs of treatment alternatives in dollars and assumes comparable efficacy.
- D. Cost-minimization analysis is a method to be used when no evidence exists to support the therapeutic equivalence of two or more treatment alternatives.

Question 2**[20 Marks]**

- a) What is the economic definition of health. (4 Marks)
- b) How would you define market failure in health? (4 Marks)
- c) Using an example in health care briefly explain opportunity cost (4 Marks)
- d) Differentiate between Technical Efficiency and Allocative Efficiency you learned in Health Economics. (4 Marks)
- e) Briefly explain the fundamental problem facing the Ministry of health in your country. (4 Marks)

Question 3 [20 Marks]

Distinguish the following:

- a) Economies of Scale and Economies of Scope (4 Marks)
- b) Structural and Behavioral cost functions (4 Marks)
- c) Why are economies of Scale and Scope important? (4 Marks)
- d) Use the graph to illustrate the concept of technical efficiency and allocative efficiency. (8 Marks)

Question 4 [20 Marks]

- a) Discuss the desirable Characteristics of an Insurance Arrangement. (4 Marks)
- b) Compare and contrast the following terms in health care insurance.
 - i) Insurance versus Social Insurance (4 marks)
 - ii) Risk versus Uncertainty (4 Marks)
 - iii) Premium versus Coverage (4 Marks)
 - iv) Coinsurance versus Copayment. (4 Marks)

Question 5 [20 Marks]

Discuss the economic rationale for Government intervention in the Health care market. (20 Marks)

Good Luck!