



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## UNIVERSITY EXAMINATIONS 2024/2025

FOURTH YEAR, FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF  
SCIENCE IN ENERGY ECONOMICS

### BEC 3404: HEALTH ECONOMICS

DATE: JANUARY 025

TIME: 2 HOURS

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**INSTRUCTIONS:** *Answer Question ONE and any other TWO Questions.*

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#### QUESTION ONE – (30 MARKS)

- a) Outline five determinants of demand for health care. (5 Marks)
- b) Briefly explain the concept of “irrational” behavior as a cause of market failure. (6 Marks)
- c) Highlight the desirable characteristics for insurance. (4 Marks)
- d) Discuss five sources of moral hazard. (10 Marks)
- e) Outline five synergies of health on education. (5 Marks)

#### QUESTION TWO – (20 MARKS)

- What are the merits and demerits of financing health care systems with taxes? (10 Marks)
- Discuss the Grossman’s theory of demand for health and its assumptions. (10 Marks)

#### QUESTION THREE – 20 MARKS)

- a) What is economic development and how does it influence health status in a country. (8 Marks)
- b) Define adverse selection and possible solutions to it (4 Marks)

- c) Describe what is meant by cream-skimming (8 Marks)

**QUESTION FOUR - (20MARKS)**

- a) Explain the concept of supplier – induced demand in relation to health care market (10 Marks)
- b) Give examples of how health might be produced from market and non-market goods (5 Marks)
- c) Describe the determinants of demand for insurance. (5 Marks)

**QUESTION FIVE – (20 MARKS)**

- a) Define health according to WHO and explain the indicators of health. (5 Marks)
- b) Give reason justifying study of health economics. (6 Marks)
- c) Briefly explain the concept of public goods in relation to health care market. (9 Marks)