

Santerre/Neun 6e Chapter 3 Test Bank

1. Money spent on transportation to a medical care provider is an example of _____.
 - a. direct medical care costs
 - b. direct nonmedical costs
 - c. indirect costs
 - d. deadweight loss
 - e. None of the above.

2. Lost wages due to a medical disability is an example of _____.
 - a. direct medical care costs
 - b. direct nonmedical costs
 - c. indirect costs
 - d. deadweight loss
 - e. None of the above.

3. Which of the following is a limitation of cost-benefit analysis?
 - a. Difficulty choosing the correct discount rate
 - b. Difficulty measuring the value of a human life
 - c. Difficulty measuring the dollar value of gains / losses in utility
 - d. Both a and c are correct
 - e. All of the above

4. Failure to achieve the maximum total net societal benefit (TNSB) results in some amount of _____.
 - a. deadweight loss
 - b. negative TNSB
 - c. increasing opportunity costs
 - d. unnecessary direct costs
 - e. diminishing marginal productivity

5. Discounting involves _____ by $(1 + r)^t$ to obtain the _____.
 - a. dividing the present value; willingness to pay
 - b. multiplying the future value; present value
 - c. multiplying the present value; willingness to pay
 - d. dividing the future value; present value
 - e. dividing the future value; willingness to pay

6. Which of the following is considered a shortcoming of the human capital approach?
 - a. It includes nonmarket returns
 - b. It is used to estimate the value of a human life
 - c. It includes labor market imperfections
 - d. All of the above
 - e. None of the above

Santerre/Neun 6e Chapter 3 Test Bank

7. The _____ equates the value of a life to the market value of the output produced by an individual during his / her expected lifetime.
- willingness-to-pay approach
 - cost-benefit approach
 - cost-effectiveness approach
 - human capital approach
 - cost-utility approach
8. Cost-effectiveness analysis assumes that _____.
- the outcome is desirable
 - the marginal benefit is greater than the marginal cost
 - resources are unlimited
 - there are no indirect costs
 - new technology is preferable to old technology
9. Using the incremental cost-effectiveness ratio, if a new medical technology represents a positive net cost and negative net effect, then _____.
- the new medical technology dominates the old medical technology
 - the relative costs and benefits must be reviewed further
 - the old medical technology dominates the new medical technology
 - the discount rate utilized should be changed
 - a standard gamble should be utilized
10. Which of the following is not a method used in constructing a health-utility index?
- rating scale
 - standard gamble
 - time trade-off
 - discounting
 - both b and d
11. Rationality implies that people will always make the correct choice.
- True
 - False
12. Economists assume people behave rationally. If this were true, then the U.S. Surgeon General would only make decisions that benefit him/her financially.
- True
 - False
13. The use of a larger discount rate will result in a lower present value when estimating the costs and benefits of new medical technology.

Santerre/Neun 6e Chapter 3 Test Bank

- a. True
 - b. False
14. Cost-effectiveness analysis is useful in deciding if public funds should be spent on military personnel or public health initiatives.
- a. True
 - b. False
15. Cost-utility analysis assumes that life-years added due to a medical intervention are homogeneous.
- a. True
 - b. False

Answers:

- | | |
|-------|-------|
| 1. b | 11. b |
| 2. c | 12. b |
| 3. e | 13. a |
| 4. a | 14. b |
| 5. d | 15. b |
| 6. c | |
| 7. d | |
| 8. a | |
| 9. c | |
| 10. d | |