

Chapter 1 - Introduction

3. From 1960 to 1980, Spain's share increased from 1.5% to 5.3%, an increase of 253%, the largest percentage increase. Canada's share increased from 5.4% to 7.0%, an increase of 30%, the smallest percentage increase.

From 1980 to 2009, Korea's share increased from 3.4% to 6.9%, an increase of 102.9%, the largest percentage increase. Sweden's share (from 1980 to 2009) increased from 8.9% to 10.0%, an increase of 12.4%, the smallest percentage increase.

5. From 1960 to 2009, the CPI grew from 82.4 to 214.5 or by 160.3%. From 1980 to 2009, the Hospital and Related Services index grew from 69.2 to 567.9 or by 720.7%. From 1960 to 2006 the Physician Services index grew from 76.5 to 320.8 or by 319.3%.

6. From 1970 to 2009, Private Health Insurance grew by a multiple of 50.87 or 4,987%; Medicare by 64.56 or 6,356% ; and Medicaid by 69.14 or 6,814%.

Chapter 2 - Microeconomic Tools for Health Economics

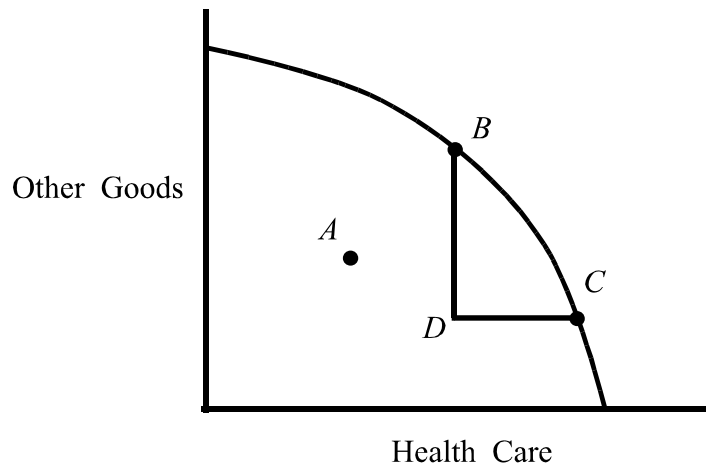
1. An improvement in the technology of producing health would increase the health intercept. An increase in available productive resources would increase both intercepts (i.e. the entire curve would shift outward).

2. Inefficiency will be shown by an interior point (A) in a production-possibility diagram (Figure E2-1).

Two efficient combinations are shown by B and C.

The cost is the decrease in production of other goods (opportunity cost), moving from point B to point C. The amount of other goods given up is shown by BD.

Figure E2-1 - Exercise 2



3. a. Increase in supply leads to lower equilibrium price and higher equilibrium quantity.

b. Same as (a).

c. Decrease in demand leads to lower equilibrium price and lower equilibrium quantity.

d. No effect on equilibrium price and quantity, but if the ceiling price is below the equilibrium price there will be excess demand.

4. a. This curve is linear.

b. This curve is curvilinear.