Practice Test Questions, Unit 1, ECON 4350, Darren Grant. Your test will have 22 multiple choice questions, both from the notes and the book, and three or four free response questions worth 12 points, for a total of 34 points. Sample questions are below, with answers given at bottom.

1. Under traditional indemnity insurance, the insurance company would pay physicians whatever they typically charged for services rendered. (Choose the best of the three responses below.)
     a) This statement is basically true.
     b) This statement is false.
     c) The physician worked for the insurance company at a salary agreed on by both parties.

2. When we did a cost-benefit analysis for Gardasil:
     a) we put a dollar figure on the benefits, as well as the costs
     b) we figured out whether Gardasil reduced cervical cancer significantly
     c) we figured out whether the money spent on Gardasil would save more lives if spent elsewhere

3. A classic study how the out-of-pocket price of health care affects health care consumption is called:
     a) the CDC Analysis of Health Care Utilization
     b) the Surgeon General's Report on the Effects of Coinsurance
     c) the RAND Health Insurance Study

4. In class we discussed four major strategies adopted by managed care to try to reduce costs. Name all four and briefly describe each. (This question might be worth four points, one for each strategy.)

5. (Getzen, simplified.) Which type of insurance coverage would likely cause more moral hazard problems: a) a payment of $10,000 for each eye or limb lost, or b) a payment of $50 for each day spent in a nursing home? Why?

Answers and Brief Explanation:

1. The answer is a. The other choices are just completely wrong–the phrase used in class was "pay prevailing rates."

2. The answer is a. The other answers are plausible–they are reasonable things to do, they simply are not what we did in class, and they do not describe a cost-benefit analysis.

3. The answer is c. This study gets three paragraphs in one chapter, and is mentioned in another.

4. The answer: selective contracting, prospective payment, experience rating, and utilization review. See the notes for descriptions of each. I think of this as a very basic question–you should not plan on walking into the test without knowing material like this.

5. The answer is b. You might go to a nursing home if insurance was paying much of the cost, or stay longer because of it, but I doubt you'd lose an eye or limb for $10,000. This requires judgment but I don't think it's a close call.

Now that you've seen the type of questions to expect, prepare accordingly.