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## Santerre/Neun 6e Chapter 3 Test Bank

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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

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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.

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- 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 |       |