

Chapter 1: U.S. Medical Care: An Uncertain Future

Multiple Choice

1. Opportunity cost is a measure of
 - a. foregone opportunities.
 - b. value based on the alternative not chosen.
 - c. value in terms of the cost of production.
 - d. the difference between production cost and resource cost.
 - e. **both a and b.**

2. The opportunity cost of investing in a new lithotripter (a machine that pulverizes kidney stones with sound waves) is
 - a. defined by the dollar cost of the equipment.
 - b. the same for every health care provider.
 - c. measured by the difference between the expected revenues from selling the services of the lithotripter and the invoice cost of the machine.
 - d. **defined by the next best use of the money invested in the equipment.**
 - e. impossible to calculate.

3. The “invisible hand” using Adam Smith’s terminology refers to
 - a. government control of the market.
 - b. **market forces working through the price mechanism.**
 - c. the money supply that serves to keep the economy working smoothly.
 - d. the role of innovation in maintaining a steady rate of growth.
 - e. “behind-the-scenes” policy making to influence how markets allocate scarce resources.

4. According to recent public opinion polls, what percentage of Americans are satisfied with the quality of the medical care they receive?
 - a. 15 percent.
 - b. 40 percent.
 - c. 65 percent.
 - d. **70 percent.**
 - e. 90 percent.

5. Charging higher prices for one category of patients in order to provide free or subsidized care to another group is called
 - a. price discrimination.
 - b. **cost-shifting.**
 - c. categorical costing.
 - d. reprehensible and unethical.
 - e. creative accounting.

6. According to economic theory what is the optimal percentage of GDP to be spent on medical care?

- a. 6 percent.
- b. 8 percent.
- c. 10 percent.
- d. 12 percent.
- e. **There is no widely-accepted way to determine the optimal percentage.**

7. The 1974 federal legislation that exempted employers from certain state laws governing health insurance was

- a. COBRA
- b. **ERISA**
- c. CON
- d. HIPAA
- e. SCHIP

8. Which of the following statements is based on positive analysis?

- a. Individuals without health insurance have less access to physicians' services than those who have health insurance.
- b. The high cost of health insurance places U.S. firms at a competitive disadvantage with their foreign competitors.
- c. Employers should be required to provide health insurance for all full-time workers and their dependents.
- d. none of the above.
- e. **Both a and b.**

9. Economists use the term "marginal" to describe costs and benefits

- a. that are minimal and hardly worth noting.
- b. **that are incremental and thus relevant to decision making.**
- c. that are noteworthy but not the most important.
- d. whose importance can be minimized through hard work.
- e. none of the above.

10. Self-insurance refers to: the practice of setting aside funds to pay for medical care expenses instead of paying premiums to an insurance company. Approximately, _____ of all employees who participate in group insurance plans work for firms that self-insure.

- a. starting one's own insurance company
- b. buying insurance from a not for profit entity
- c. **setting aside fund to pay for medical care expenses instead of buying insurance**
- d. none of these
- e. both a and b

11. Which of the following is not a characteristic that makes medical care different from other commodities?

- a. Demand for medical care is irregular.
- b. Sellers have more information than buyers.
- c. Third-party payers abound.
- d. For-profit providers play a major role in delivering medical care.**
- e. The transaction itself is filled with uncertainty.

Structured Discussion:

1. Resolved: The United States system of health care delivery is in a state of crisis.
2. Resolved: The recent slowing of health care spending as a share of gross domestic product will continue. In other words, the relative size of the health care sector has reached a natural limit.