BOOK REVIEWS

Competition In the Health Care Sector: Ten Years Later, edited by Warren Greenberg (Duke University Press, 1988).

Reviewer: Kenneth J. Crepas, Professor of Finance and Insurance, Illinois State University.

Competition in the Health Care Sector: Ten Years Later consists of a series of papers concerned with the state of competition in respective areas of healthcare delivery. The impetus for these papers was provided originally by a major conference sponsored by the Federal Trade Commission in June 1977. In 1987, seven of the original authors of the 1977 papers agreed to re-examine the status of health care competition. During this decade health care expenditures increased from 9% of gross national product in 1977 to 10.9% of gross national product in 1987 and, incidentally, is still rising as a percentage of gross national product.

The collection of papers in this edited book very effectively discusses the major structural changes that have altered the level of competition in the health care sector. In the decade encompassing 1977 to 1987, the insurance market has changed dramatically. First, a substantial number of large employers are now self-insured. Second, cost containment efforts are being pursued through the use of higher deductibles and coinsurance combined with managed care which include mechanisms such as preadmission certification and required second opinions for surgery. A third major development is the increased market share of HMOs from 2.5 percent in 1977 to 11.5 percent in 1987. A fourth major development is the rapid growth of preferred provider organizations that allow for discounts to employer based groups to encourage utilization of their services.

The authors are divided on the further potential of cost limitations versus technological improvements which increase costs. The citation of landmark court cases provides further insight into the status of effective competition. In 1977, the Federal Trade Commission won an antitrust case against the American Medical Association, leading to rapid growth of preferred provider organizations and selective contracting plans. Another important case was decided by the Supreme Court in 1986, FTC v. Indiana Federation of Dentists. In this case the Indiana dentists were accused with obstructing cost control efforts by not submitting x-rays for insurance company review. It was alleged that this boycott was a conspiracy to adversely affect competition.

Two of the authors contributing papers to *Competition in the Health Care Sector: Ten Years Later* place strong emphasis on the argument that the increase in new technology, not lack of competition, is the main force contributing to rising health care costs. The contention is that new technology is very costly and examples of cost ranges for various types of transplants are cited as examples. There is a lack of supporting data to substantiate the claim that new and expensive technology has been the primary factor in escalating health care costs since these costs are not analyzed relative to total health care costs. The issues of prolonged intensive care for patients with no hope of recovery is yet to be resolved. As a society, we are reluctant to examine the extent to which health care should be measured on a cost-benefit basis.

Competition in the Health Care Sector: Ten Years Later is a provocative and timely collection of papers that should be of current interest to readers of the journal. This book of readings would be invaluable to students pursuing a major in the field of insurance and would be especially appropriate reading for a seminar course. At this point a unified theory concerning competition in health care services is yet to be developed. Similarly, no guidelines or restrictions are being advanced on the introduction and application of technology. The question of whether a person has the right to die is yet to be resolved.

Essentials of Health Care Finance, by William O. Cleverly, Second Edition, (Aspen Publishers, 1986).

Reviewer: Steven M. Cassidy, Assistant Professor of Insurance and Finance, Howard University.

In the preface of *Essentials of Health Care Finance* the author states that the book's objective is to improve the understanding and use of financial information by decision makers in the health care industry and that this book is an expansion of his earlier, easy-to-understand elementary text on hospital finance. While the goal may have been to write a book on health care finance, the current text appears to be an elementary finance text that uses only health care examples.

With a title such as *Essentials of Health Care Finance*, I envisioned a text that was geared to the application of finance principles in health care. After finishing the book I was somewhat disappointed. The book could be used in a finance principles course as it spends at least nine of fourteen chapters covering the basics of financial statements, ratio analysis, the time value of money, uses of accounting information, and analyzing capital projects. While this was clearly the intention of the author, there cannot be a large university market for such a text. Existing health care finance courses are usually upper level finance courses with principles of finance as a prerequisite. There may be a market for such a text in practitioner oriented classes but not at the collegiate level.

In addition to the weaknesses already listed, several others stick out. There is no direct mention of for-profit hospitals in the text, even though these are increasingly important. Along with this omission naturally comes the lack of

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