care, and in its place tie the book together with a discussion of the claims evaluation process.

The topics covered in this book cross many disciplines, including medical science, legal interpretation of benefits, and economic aspects of health care. Clearly such a book requires input from specialists, and the editor has done a good job in merging the writing styles of the contributors. Due largely to the need for precision in the use of terminology specific to medicine, law and insurance, it is difficult to present such varied material in a cohesive package. The format of this book, edited together without attribution of specific sections to contributors, involves more work on the part of the editor, but results in a very clear package.

Overall, *Medical Aspects of Claims* gives the reader a good overview of major topics in medicine as they relate to casualty claims, and provides a good deal of advice on how to evaluate claims. Clearly there is need for such a book as the cost of medical claims accounts for an increasing percentage of casualty insurance payments. I would recommend this book to both new and experienced casualty claims representatives as they begin or refine the process of evaluating claims.

Regulating Doctors' Fees: Competition, Benefits and Controls Under Medicare, edited by H.E. Frech, III (The AEI Press, 1991). 446 pages.

Reviewer: Michael J. Ileo, Ph.D., President/Senior Economist, Technical Associates, Inc., Richmond, VA

Regulating Doctors' Fees consists of original articles and commentaries of 45 noted health care economists, practitioners, and administrators. The book, which is well-organized and edited, addresses many of the issues posed in the current national debate on U.S. health care policy, especially the question of how alternative Medicare reimbursement mechanisms impact the cost and supply of physician services.

For serious students of the health care industry, the book will serve as a valuable resource since its contents identify much of the major research in medical insurance and economics in the past 20 years. At the same time, *Regulating Doctors' Fees* is probably too technical for introductory college courses, although the lively dialogue in Part 3, "What Have We Learned from Research, Theory, and Experience?," is easily understood. For graduate and advanced undergraduate work in such fields as medical insurance, health care economics, and hospital administration, the book will make an excellent addition to a readings list.

Frech begins the book by exploring theoretical and factual characteristics of the market for physician services. Parts One and Two then proceed to specifically address these aspects, focusing principally on Medicare's role. The view that emerges is that the market is at best monopolistically competitive due to medical licensure, consumer ignorance, third-party payments and other institutional realities. Accordingly, policies governing

Medicare's reimbursement of doctors should be aimed at easing impediments to market efficiency if cost containment is to be achieved.

Taken alone, the mechanism by which Medicare pays for physician services is favorably regarded by most contributors to *Regulating Doctors' Fees*. Medicare is a form of indemnity insurance, where only part of a doctor's fee is reimbursed such that the patient is responsible for the remainder through what is termed balance billing. This serves to promote competition, because consumers and producers confront choices regarding how the benchmark customary, prevailing, and reasonable (CPR) physician fees not reimbursed by Medicare are to be paid.

With the advent and spread of Medigap insurance, however, much of the pro-competitive nature of Medicare has vanished. Additionally, the book notes that policymakers have become increasingly concerned with the level and trend of doctors' fees, the cost and rapidity of technical progress that has little medical value, declining access to health care by the general public, the structure of Medicare payments across physician specialties, and the financial risk to Medicare recipients that indemnity insurance poses.

Regulating Doctors' Fees examines various ways to restore Medicare's original efficiency and cost-containment objectives, such as greater deductibles and copayments, taxing Medigap benefits, expanded oversight of service utilization, use of capitation in which health care organizations receive single payments, and promotion of HMO's PPO's and other managed care systems. Another policy option is the Resource-Based Relative Value Scale (RBRVS) mechanism, under which Medicare would pay doctors in accordance with a formula generally derived as: $RBRVS_{is} = (TW_i)(1+RPC_s)(1+AST_s)$, where the subscripts i and s refer, respectively to particular physician services and specialties; TW is total work related to a service reflecting physician time, mental effort and judgment, technical skill, physical effort, and stress due to risk; RPC is an index of relative specialty practice costs; and AST is an index of the amortized value of income foregone due to specialized training.

Policymakers' current interest in RBRVS is, to a large degree, the catalyst of the book -- more than half of its pages are devoted to debating the merits of RBRVS. Ardent supporters claim a RBRVS system is a more rational payment mechanism which promotes efficiency and achieves other objectives since it captures the relative costs of medical processes. Other contributors to the book voice skepticism and disapproval. These include concerns about the administrative feasibility of determining and applying RBRVS's for thousands of distinct services within hundreds of different specialties across diverse geographic regions. They also involve serious challenge to how RBRVS treats overhead costs, since it is well-understood that all such supply-side allocations are arbitrary.

The end-result is a book that is extremely interesting, whether viewed from a theoretical, practical, or philosophical standpoint. *Regulating Doctors' Fees* solves no problems, but it does crystalize important issues.