BOOK REVIEWS

The Uncertain Promise of Retiree Health Benefits, by Mark J. Warshawsky (American Enterprise Institute, 1992).

Reviewer: Steven M. Cassidy, Ph.D., CLU, Howard University

The financial problems associated with retiree health insurance are becoming a fixture in the business press. Much of the attention comes from the implementation of FASB 106, under which firms that promised retiree health benefits must begin recognizing this future cost on their books for fiscal years starting after December 15, 1991. It is not uncommon to read in the newspaper about another firm taking a $1 billion-plus charge because of retiree health care benefits.

Warshawsky discusses very thoroughly retiree health benefits, the problems, and some possible solutions. The accounting, legal, and economic aspects of the area are covered in a straightforward manner.

For those involved in the employee benefits area, the first three chapters may be a review; however, they are well written and fair. One of the strengths of the book, from a historical perspective, is the discussion of the legal status of retiree health benefits. The fourth chapter is devoted to tracing the development of case law in this area as well as analyzing the meaning behind the rulings. A good point regarding the tenuous nature of these benefits is presented here. The author presents this material in a logical and easy to understand format.

Continuing on the history of retiree health benefits, the fifth chapter delves into the background of FASB 106. For those only casually familiar with this ruling, Warshawsky presents the final guidelines as well as the path taken to get there. Then, the author attempts to quantify the size of the retiree health benefit market using information from a number of different studies and surveys. At this point the reader has a good idea of the breadth of the problem, an understanding of the extent of the coverage, and the opinions of retirees and employers regarding this benefit.

Then, the author takes the book in a different direction. The next three chapters lay the base for developing a model of the cost of retiree health care for a firm and estimating accrued expenses and liabilities consistent with FASB 106 for a sample of firms. The liability estimates are larger than those estimated by other researchers as reported in the book. The author explains the differences by noting that his model uses a larger data set and more accurate assumptions regarding demographic variables. Other conclusions found in these chapters include incomplete stock market recognition of firm liabilities for retiree care and a lack of recognition by the credit market.

In the last chapter, Warshawsky looks at the politics of retiree health care and suggests two broad courses of action. In developing the advantages and disadvantages of the options, status quo, and the "ERISA-fication" of retiree health care, the author points out both sides but does not take a strong position on either.

The material presented in this book was presented to a seminar conducted by the American Enterprise Institute in 1991. At the seminar, eight individuals involved in various areas of health benefits commented on the findings. As a unique addition, the comments of the eight experts and responses by the author are included at the end of the book.

In closing, this book provides a good discussion of the problems behind retiree health care and FASB 106. It does not, however, provide any answers. Additionally, in light of the most recent U.S. federal elections, the question of retiree health benefits may become moot if some form of national program is instituted. The material in this book, then, will be of historical interest only.

Book [illegible]

Providing Health Care, edited by Alistair McGuire, Paul Fenn, and Ken Mayhew (Oxford University Press, 1991).

Reviewer: Thomas E. Getzen, Associate Professor of Health Care Economics and Finance, Temple University

What is exciting about this book is the thoroughness with which it examines the distribution of health care costs and services by income and occupational class, as well as its compelling account of the pre-World War II British health care system. The latter is very relevant to the debate over systematic health care reform in the United States today. The stated ambitions of the book as "an attempt to assess the contribution of economic analysis of the health care sector" and "to provide an analytical perspective within which the choice of the means, if not the objective, can be evaluated" is a bit too ambitious, but the authors succeed very well in those areas where the United Kingdom health economists have excelled: social welfare, equity, and cost-benefit analysis.

The introductory chapter provides a good overview of the financial and operating issues in the U.K. National Health Service reforms as of 1990. In chapter 3, Anthony Culyer provides a clear and rigorous statement of how and why the definitions of an "efficient" health care system matter and demonstrates the difficulties with using quality adjusted life years (QALYs) as the prime measure of the performance of the health care system. Then Michael Drummond, a leading practitioner, provides a spirited defense of QALYs with practical illustrations of how health status is measured by a consumer questionnaire and a league table ranking different medical interventions by cost-effectiveness (e.g., from general practitioner advice to stop smoking or implantation