and moral judgments that Americans have yet to acknowledge and, in any event, may not wish to sign over to the government or any other third party. *Yale Journal on Regulation,* Summer 1994, 11(2): 433-494 (Reprinted with permission of ABI/Inform, Copyright UMI.)

Contracts and Supply Assurance in the UK Health Care Market, by P. Fenn, N. Rickman, and A. McGuire

The authors present a formal model of the relationship between a health care purchaser and a provider drawing on the recent experience of explicit contracting in the U.K. health sector. Specifically, they model the contractual relationships emerging between District Health Authorities, who are presently the dominant health care purchasers, and the providers of hospital care. The comparative static analysis implies that the transaction cost of using nonlocal hospitals, the expected patient demand, the extent of excess capacity in local hospitals, and the proportion of that excess capacity expected to be lost to competitive purchasers are all important determinants of the choice of contract. *Journal of Health Economics,* July 1994, 13(2): 125-144. (Reprinted with permission of the *Journal of Economic Literature.*)

Relating Hospital Health Outcomes and Resource Expenditures, by Robert C. Bradbury, Joseph H. Golec, and Paul M. Steen

An analysis addresses the question of whether hospitals with better health outcomes for their patients spend more or less to accomplish these results. Adult medical service admissions to 43
Pennsylvania hospitals are analyzed. Health outcomes and resource expenditures are adjusted for admission severity of illness and other patient variables. The results demonstrate a positive correlation between adjusted mortality (logit regression) and adjusted total charges, ancillary charges, and length of stay (ordinary least squares regression), but only the mortality and length of stay relationship is statistically significant. For patients staying at least four days, however, there is a statistically significant, positive relationship between adjusted mortality and all three adjusted measures of resource expenditures. The relationship between the adjusted morbidity and each of these three adjusted resource measures is positive and statistically significant. The positive relationship is largely unrelated to hospital size, staffing, teaching status, and location in urban areas. *Inquiry,* Spring 1994, 31(1): 56-65. (Reprinted with permission of ABI/Inform, Copyright UMI.)

Agency in Health Care with an Endogenous Budget Constraint, by D. Clark and J. A. Olsen

In this paper, a doctor acts as a perfect agent for a group of patients in an environment where the health service is funded by a group of contributors. The contributor group donates resources to the health sector in accordance with its split preferences about the health care services that they would like for them-

selves and those that they would like for others. The authors show that the size of the health budget is endogenous and depends on the choices made by the doctor. The focus is on the division of the budget between health-enhancing and non-health-enhancing health care. *Journal of Health Economics,* July 1994, 13(2): 231-251. (Reprinted with permission of the *Journal of Economic Literature.*)

Health Care and Insurance

Product Differentiation Among Health Maintenance Organizations: Causes and Consequences of Offering Open-Ended Products, by Douglas R. Wholey and Jon B. Christianson

Open-ended products that allow a health maintenance organization (HMO) enrollee to use providers who are not affiliated with the HMO have become an important component of the Clinton administration's health reform proposal because these products maintain consumer freedom of choice of any provider. However, little is known about the consequences of offering an open-ended product from an organizational standpoint. An analysis shows that the decision of an HMO to offer an open-ended product is a function of where the HMO is located along the attribute dimension in relation to range of choice of providers. The consequences of offering an open-ended product on enrollment change are also a function of where an HMO is located along the provider choice continuum. For groups, open-ended products have positive and negative effects. They cannibalize basic enrollment, yet they are a transition product. The overall effect is to decrease a group's total enrollment growth. *Inquiry,* Spring 1994, 31(l): 23-39. (Reprinted with permission of ABI/Inform, Copyright UMI.)

Discrepancies in Employer-Sponsored Health Insurance Among Sociodemographic and Employment Factors, by Karen Seccombe, Leslie L. Clarke, and Raymond T. Coward

A study explored differences in the incidence and predictors of employer-sponsored health insurance among Hispanics, blacks, and whites. A nationally representative sample of employed adults from the 1987 National Medical Expenditure Survey was used. The results suggested that: 1. Whites are most likely and Hispanics least likely to have employer-sponsored medical insurance in their own name or in the name of another individual. 2. Hispanics are most likely and whites are least likely to be completely uninsured. 3. The factors that increase the odds of receiving employer-sponsored coverage in one's own name are relatively similar across racial groups, though they differ significantly in magnitude. *Inquiry,* Summer 1994, 31(2): 221-229. (Reprinted with permission of ABI/Inform, Copyright UMI.)