growth in indemnity insurance premiums. For an average group located in a market whose HMO penetration rate increased by 25 percent, the real rate of growth in premiums would be approximately 5.9 percent instead of 7.0 percent. The findings indicate that competitive strategies, relying on managed care, have significant potential to reduce health insurance premium growth rates, thereby resulting in substantial cost savings over time. *Inquiry*, Fall 1995, 32(3): 241–251. (Reprinted with permission of ABI/Inform, copyright UMI.)

HEALTHCARE AND INSURANCE

The Effects of Benefit Design and Managed Care on Health Care Costs, by Dana P. Goldman, Susan D. Hosek, Lloyd S. Dixon, and Elizabeth M. Sloss

Recently, the U.S. Department of Defense replaced its traditional fee-for-service insurance plan for military health care beneficiaries with an HMO/PPO hybrid. Using survey and claims data, a comparison is made of changes in costs over two years at sites that implemented this CHAMPUS Reform Initiative (CRI) with changes at matched control sites. Results indicate that CRI substantially raised per beneficiary government costs for providing benefits (as compared to predicted costs in the absence of CRI). This difference is attributed to the higher overhead of managed care and the increased expenditures by HMO participants. *Journal of Health Economics,* October 1995, 14(4): 401–418. (Reprinted with permission of ABI/Inform, copyright UMI.)

ECONOMICS OF HEALTH CARE

The "Rush to Transplant" and Organ Shortages, by A. H. Barnett and David L. Kaserman

Normally, economists expect entry to improve industry performance. The effects of entry, however, can become perverse. The causes and effects of observed entry into the transplantation industry are examined. Entry appears to be caused by economic rents created by the shortage of organs resulting from the current policy proscribing payment to organ donors. Under this policy, entry has little effect on the number of transplants performed. Consequently, entry spreads available organs among an increasing number of transplant centers, resulting in both increased costs and lower success rates. Thus, current policy simultaneously encourages entry and perverts its normally salutary effects. *Economic Inquiry,* July 1995, 33(3): 506–515. (Reprinted with permission of ABI/Inform, copyright UMI.)