enue cost estimates against saving incentives, such as those for individual retirement accounts. For each dollar of revenue the Treasury currently loses because of an IRA deduction, some fraction will be recouped in additional tax collections in later years (in real present value terms).

I raise these conceptual and measurement problems not to expose weaknesses in the book so much as to highlight the nature of the ongoing debate among academics on the underlying issues. Including a discussion of these in any serious detail would have made this a very different volume, accessible to a much smaller audience.

Leonard clearly went out of his way to raise an important subject and to do so in a way that would be read and appreciated by a broad audience. This is one of the book's strengths. Another is the way information, analysis, and prescription are blended on several programs that are not recorded—at least not recorded properly—in the spending figures wending their way through the appropriations and budget processes.

Leonard's work deserves to be read and digested by every citizen concerned with the role of government in economic affairs. As the size of the public sector grows, so too does the importance of understanding its hidden dimensions.

Health Care Diagnosis

Charting the Future of Health Care: Policy, Politics, and Public Health, eds. Jack A. Meyer and Marion Ein Lewin (American Enterprise Institute, 1987), 190 pp.

Reviewed by Rita Ricardo-Campbell

Charting the Future of Health Care: Policy, Politics, and Public Health is a collection of essays on various aspects of national health policy. Written for the general public by a group of professors, researchers, physicians, and individuals with government experience, this book stresses the importance of prevention, consumer education, and self care in containing the rising cost of medical care. Although developments in these areas have been well documented elsewhere, their importance certainly bears repeating.

The volume begins with an introduction by editors Jack A. Meyer and Marion Ein Lewin that serves primarily to summarize the chapters; it does not weave them into an integrated whole. This is unfortunate because two issues of real importance are largely overlooked. Neither AIDS nor the regulation of new drugs and medical devices by the Food and Drug Administration (FDA) is given adequate attention.

The AIDS epidemic is likely to be the largest single influence on the future of health care. I estimate that by 1991 cumulative medical care costs resulting from AIDS will total $100 billion. This estimate is higher than earlier estimates because of the discovery of AZT therapy, which currently costs about $10,000 per person per year and may extend life but does not cure AIDS. Also, earlier estimates failed to account for patients with AIDS-related complex.

A high estimate of future medical costs associated with AIDS is supported by physician Mervyn Silverman's essay on AIDS. As he notes, "it is . . . reasonable to assume that the number of infected persons in many areas of the United States exceeds by a hundredfold those who have been reported as having AIDS." Based on his review of available studies, he estimates that only 1 or 2 percent of those infected will be diagnosed with classic AIDS during the next year. Of those infected he estimates that 10 percent will develop AIDS-related complex, a condition that "proceeds to AIDS in 25 percent of the cases and can be extremely debilitating and even fatal."

The demand for inpatient and outpatient medical care by AIDS patients will continue to put upward pressure on prices for medical care resources and this, in turn, will increase the cost of medical care for all consumers. This and other secondary effects of AIDS on health care costs have not generally been recognized. For example, to avoid contact with AIDS patients, some new interns are leaving medicine; hence AIDS could dampen the supply of physicians.

Silverman, who was San Francisco's director of public health from 1977 to 1985, describes the conflict between the public health issues posed by AIDS—the need to control the spread of the disease—and the privacy issues raised by those suffering from the disease. He recommends policies that promote education and counseling. Silverman concludes that, "If everyone understood and followed the preventive

Rita Ricardo-Campbell is a senior fellow at the Hoover Institution, Stanford University.

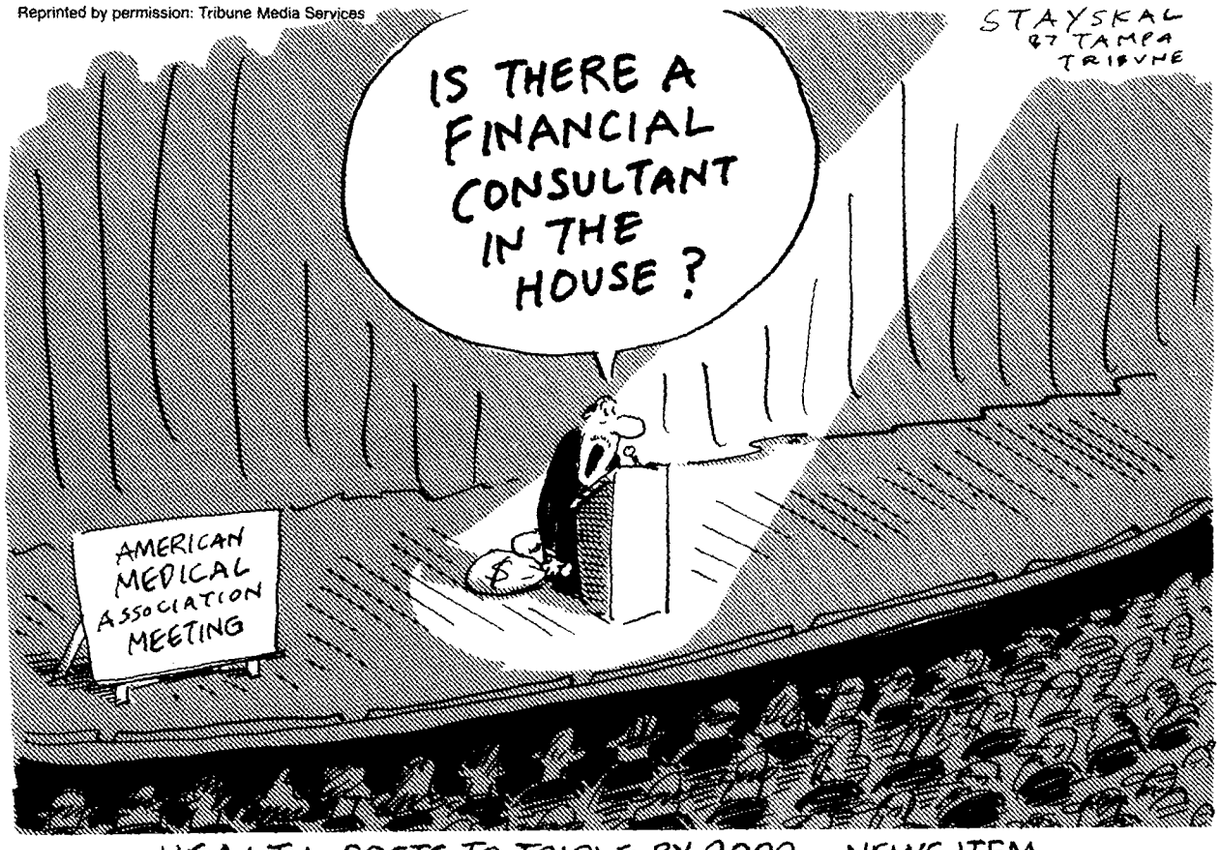
measures that we know are effective, this epidemic, like the plague, would soon be history."

Disturbing, at least to this reviewer, are recent reports that a few individuals who know they are infected with AIDS and know how the disease is spread are continuing to sell their blood to donor banks and have sexual contact. This raises serious questions about the efficacy of education as the primary tool for dealing with AIDS. There are also serious questions about the quality of sex education in elementary and secondary schools and about its effect on children.

Allen Schick's essay provides a useful legislative history of government spending on medical care and the budgetary process. Schick reports that the proportion of total government spending going to Medicare and Medicaid actually peaked in 1977 at 52 percent, and has subsequently shrunk to about 21 percent (in 1986). However, when measured against a benchmark like gross national product, health expenditures have risen continuously. According to administration estimates contained in the 1988 budget, total health care costs as a percent of GNP have grown from 8.6 percent in 1975 to 10.7 percent in 1984—much faster than warranted by the aging of the population.

I have often noted that it is politically (if not economically) wiser to irritate a few doctors and hospital administrators than to bring down the wrath of 31 million Medicare beneficiaries. Not surprisingly Congress has chosen to cut Medicare spending by regulating medical care providers, abandoning attempts to increase the share of costs borne by beneficiaries. As Schick properly concludes, the redistribution of government-financed medical benefits is politically such a touchy subject that "White House proposals to enhance health care benefits for catastrophic illness by reducing benefits for short-term care have fallen on deaf ears in Congress. No matter how sensible this trade-off might be on ethical and analytical grounds, it would force Congress to disadvantage the many so that the few should gain."

Another essay, by Lucy Johns, provides an interesting discussion of California's selective contracting with hospitals through a health "czar." Since this is a new program and many variables affect hospital utilization patterns, it is



not easy to isolate the impact of selective contracting on hospital costs. Among other things, Medicare implemented payments tied to diagnoses at about the same time as selective contracting, and this may have helped moderate the inflationary pricing behavior of hospitals (although there is some evidence that this may not be so). Johns's paper, which is based primarily on data from 1984, would have benefited from the use of more current data. Quarterly financial and utilization data are available from the California Health Facilities Commission with only a two-quarter lag.

Clement Bezold's essay on the future of the health care profession is interesting but less than comprehensive (as might be expected in an essay of only 20 pages). For example, the author does not analyze the impact on medical-technology innovation of FDA regulations and Medicare reimbursement practices. Also, he does not address AIDS (so his prediction that health care will consume as little as 6 to 9 percent of GNP by 2010 seems optimistic). Some physicians would quarrel with some of Bezold's statements such as, "Currently, diagnostic software programs, like CADECEUS, can diagnose specific health problems . . . better than a general practitioner and can compete with the best specialists of the field." Although computer software packages for diagnosis have been improved, they do not replace personal interface that conveys body language changes and other clues.

Richard Rettig, well known for his careful research on end-stage renal dialysis, presents an interesting analysis of medical technology. His analysis supports the view that there is no historical inevitability to ever-increasing, higher cost medical technology—no "technological imperative," to use a phrase coined, I believe, by Stanford University economist Victor Fuchs. Rettig provides some specific illustrations to make his point—improvements in kidney dialysis, for example, which permit "two patient shifts" to be dialyzed on a single nursing shift. He overlooks the increasing replacement of exploratory surgery by the more effective CAT and NMR scanners as compared to common X-rays.

Rettig's analysis recognizes that although academic medical centers are the prime points for the diffusion of new medical technology, industry is likely to be the prime source of funds for technological innovation. He warns that government regulations can stifle innovation: " . . . policy makers should avoid trying to create too tidy an institutional world: decentralized decision making provides a hedge against the errors of centralized processes, and institutional diversity increases the probability of learning from a variety of natural experiments."

In an essay on health promotion in the workplace, Ruth Behrens argues that "the real leadership in encouraging health promotion programs in the workplace has come from businesses themselves." I wholeheartedly agree with this conclusion. Behrens provides interesting examples of occupational programs developed in the 1960s, but fails to note that many business firms had provided sport facilities for their employees much earlier. She also stresses the importance of employee participation when discussing the problems faced by company management in evaluating wellness programs and their probable cost-effectiveness for employees. For example, anti-smoking programs are very cost-effective only if employees choose to participate in them. Neither Behrens, nor Bezold in his earlier essay, recognizes that computer assisted screening has enabled some firms to eliminate from new hires individuals with higher than average health risks.

The last essay in the volume, by Suzanne Blank and Thomas Brock, addresses the many facets of the well-known relationship between poor health and poverty. Although the direction of causation remains an open issue, the chapter raises an important policy question: How can working mothers with low earnings be deterred from leaving the labor force in order to become eligible for valuable Medicaid benefits for themselves and their children? Undoubtedly, this question will challenge researchers and policy makers for many years to come.

I would note two weaknesses in *Charting the Future of Health Care*. First, the book is generally backward looking, rather than forward looking as suggested by the title. No really new proposals are made. Second, some of the most important public policy issues, such as the financing of acute catastrophic health expenses and long-term nursing-home care, are discussed only in passing. Overlooked is the debate over the allocation of health care, the cost of which is the fastest growing part of the U.S. budget.

Overall, this is a worthwhile and interesting book on health policy. A number of important issues are carefully and thoughtfully analyzed. A considerable amount of useful information is successfully condensed into a readable volume.