



SOCIETY OF ACTUARIES

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BOOK REVIEW

Martin S. Feldstein, Ph.D., *The Rising Cost of Hospital Care*, pp. 88, Information Resources Press, Washington, D. C., 1971, \$4.25.

by D. W. Pettengill

Martin S. Feldstein, Harvard Professor of Economics, on behalf of the National Center for Health Services Research and Development, has made a study of why hospital costs have risen so much and so rapidly. Anyone who is interested in putting the rapid rise of hospital costs into perspective would be well advised to spend the short time required to read this brief essay on Professor Feldstein's findings and conclusions.

In general, the study proceeds from an analysis of *how* and *how much* hospital costs have risen to *why* they have risen. Professor Feldstein emphasizes that the cost per day of hospital care has risen so much more than the general level of prices for two reasons: first, a day of hospital care is a product that has been continually changing; second, hospital wage rates have been rising more rapidly than the general level of wages.

These two phenomena, in turn, are primarily the result of increased patient demand for hospital services, which has been intensified by increased insurance coverage and to which hospitals have responded by introducing more expensive technology and raising hospital wages.

Parkinson's Law seems to operate in this area, as witness Dr. Feldstein's comments to the effect that increasing the supply of hospital facilities and personnel will not serve to stabilize prices in the classical economic sense. On the contrary, more funds to increase the supply of facilities and personnel are likely to accelerate the increase in total spending on hospital care.

The general excellence of this essay is marred by the final paragraph, in which the author forgets his own prior observation that "the growth of insurance coverage is not an independent factor but is in part a response to the rapid increase in hospital charges" and argues that "the essence of the hospital cost problem is that our current methods of hospital insurance have encouraged hospitals to raise wage rates and to increase the sophistication and expensiveness of their product more rapidly than the public actually wants. The challenge to gov-

NFWHPP

Sir:

One actuarial specialty which has evolved in recent years is the work done by insurance company and consulting actuaries for Jointly Trusteed (Union-Management) Pension Funds. The assets controlled by these funds are a staggering amount and continue to increase at a phenomenal rate.

The National Foundation of Health Welfare and Pension Plans, a non-profit organization, was founded in 1954, with the purpose of assisting in the education of those responsible for the operation of Jointly Trusteed Employee Benefit Plans. The Foundation has an Actuaries Committee to advise these educational endeavors and each annual meeting includes an Actuaries Forum.

We need help from more actuaries so that our profession can continue to make a meaningful contribution to the National Foundation. For further information please get in touch with Juan B. Rael, Jr., One Embarcadero Center, Suite 2112, San Francisco, Cal. 94111.

James Atwood
James A. Curtis
John B. Moore
Rodger Patrick
Juan B. Rael, Jr.

Actuaries Committee

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Hands Across the Sea

Sir:

Dette brevet er for å fortelle deg at minst en Amerikansk aktuar håper å snakke Norsk i Oslo på den nittende Internationale Kongressen.

Roy Berg

ernment policy is to find new methods of organization and financing that will make the future development of hospital care more responsive to the true preferences of the people."

Professor Feldstein ignores the fact that the hospital is the physician's workshop and that some of the expansion of hospital equipment and services is directly attributable to the desire of the physician to have the finest workshop. Community pride is also a factor. Finally, there is considerable doubt as to what are the "true preferences" of the people. "Spare no expense" is a not uncommon cry of the sick. □

LETTERS

ACT in U.K.

Sir:

I was most interested to read about David R. W. Jamieson's "ACT" in the January issue of *The Actuary*.

In the United Kingdom there is available a column manipulation language called ACT, which has been specifically designed for actuarial application by G. T. Humphrey, an actuary.

The language is very easy to learn and requires little computer knowledge; furthermore it is also available on a time sharing system for accessing by remote terminal and I have successfully used ACT on this basis.

F. Roger Atkins

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Jacoby Quotes Jacoby

Sir:

How about a couple of actual quotes from Jacoby?

They are:

"The race is not always to the swift nor the battle to the strong, but that's the way to bet."

"It was said of Horatius: 'And how can man die better than facing fearful odds?' That may be a good way to die but it's not the way to bet."

Oswald Jacoby

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Facts

Sir:

In the March issue the *Facts and Foibles* article invited solutions to the problem propounded by Ibn El Bana. I am glad to respond.

11,111,111,111,111,111 has divisors 2071723 and 5363222357.

(see Yates, Samuel, Factors of Repunits," *Journal of Recreational Mathematics*, Vol. 3, No. 2, April 1970.

John E. Morrill
Department of Mathematics
DePauw University

A list of *Errata* in the volume *The Fundamentals of Pension Mathematics* is now available and can be obtained on request from Barnett N. Berin, F.S.A., Vice President & Actuary, Benefit Consulting Division, Frank B. Hall & Company, 88 Pine Street, New York, N. Y. 10005.