Book: *Health Care Finance and Economics*

Author: Steven R. Eastaugh

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Book Review:

Access, cost, and quality – Americans want the best of all three. The author, Steven Eastaugh, defines economics as "the science of the allocation of scarce resources," and states Americans' conflicting desires are exactly why an understanding of finance and economics is vital to his intended audience of healthcare managers and providers. He succeeds in providing his audience "a synthesis of currently available study results and potential policy ramifications."

Eastaugh is professor of Health Finance and Economics at the George Washington University, and has been a management consultant for 25 years. He incorporates firsthand accounts from his consulting work to illustrate his points, which are well referenced. The book is organized like a text. Pertinent quotes and critical points are highlighted at the start of each chapter, with summary points, and research and discussion questions outlined to close each chapter. References cited are listed at the end of each chapter, which is easier to refer back to than a consolidated list at the end of the book.

The first chapter, "Economic Incentives and Fund Flows," opens with the quote from Duncan Neuhauser "Our past solutions are our current problems." Professor Eastaugh goes on to describe how the current problems in today's health policy in the United States were are the result of past 'solutions'. As an example, he cites the federal mandate for emergency departments to provide care regardless of a patient's ability to pay, without a corresponding federal (or any) source of funding to cover costs of this mandated care. Eastaugh contends the US exemplifies the statement that while "necessity is the mother of invention, lack of necessity impedes innovation."

Throughout the text Eastaugh defends concepts that may seem to go against popular thought:

Chapter 2. "Product Line Specialization and Standard Costing" - Cost effectiveness is not contrary to quality.
Chapter 3. "The Physician Marketplace" - Evidenced-based medicine is critical to cost containment, and while it reduces variability in medicine, it is not "cookbook" medicine.
Chapter 4. "Productivity Enhancement and Incentive Compensation" - staff cuts can improve morale.
Chapter 5. " Production Function" – Not all processes exhibit economies of scale; in fact, RN specialization increases productivity performance.

Chapter 6. “Technology Assessment and Cost-Effectiveness” – Costs of forgoing economic and efficacy evaluation often might be much greater than the costs of a well-designed evaluation.

Chapter 7. “Cost-Benefit Analysis: The Value of Life and Limb” – Cost Benefit Analysis can substitute for supply and demand forces absent in some healthcare markets

Chapter 8. “Pricing and Market Strategy Planning” – Advertising plays a minor, not the major, role in real health marketing.

Chapter 9. “Capital Finance” – Leasing does not always conserve capital.

Chapter 10. “Debt Financing and Capital Structure” cutting overhead (e.g. senior management) can cut costs without reducing quality.

The book’s final chapter “Future Issues and Alternatives” reviews options to address the fragmented state of healthcare policy in the US today, and purports the right solution will recognize that a delicate balance must be maintained between “health care as a social good and health care as a consumer good.”

Abstract

Access, cost, and quality – Americans want the best of all three. The author, Steven Eastaugh, defines economics as "the science of the allocation of scarce resources," and states Americans' conflicting desires are exactly why an understanding of finance and economics is vital to his intended audience of healthcare managers and providers. He succeeds in providing his audience "a synthesis of currently available study results and potential policy ramifications."

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Early in the text Eastaugh contends the fragmented American healthcare system suffers from the lack of necessity which impedes innovation, and applies the quote from Duncan Neuhauser "Our past solutions are our current problems." The text contains 11 chapters with titles you would expect to see in an economics text: "Economic Incentives and Fund Flows," "Product Line Specialization and Standard Costing," "The Physician Marketplace," "Productivity Enhancement and Incentive Compensation," "Production Function," "Technology Assessment and Cost-Effectiveness," "Cost Benefit Analysis," "Pricing and Market Strategy Planning," "Capital Finance," "Debt Financing and Capital Structure" and "Future Issues and Alternatives." What you might not expect to find in a healthcare finance and economics text are the concepts that cost effectiveness can improve quality, staffing cuts can improve morale, and RN specialization increases productivity performance. The final chapter closes with the statement "There is a delicate balance to maintain between health care as a social good and health care as a consumer good.