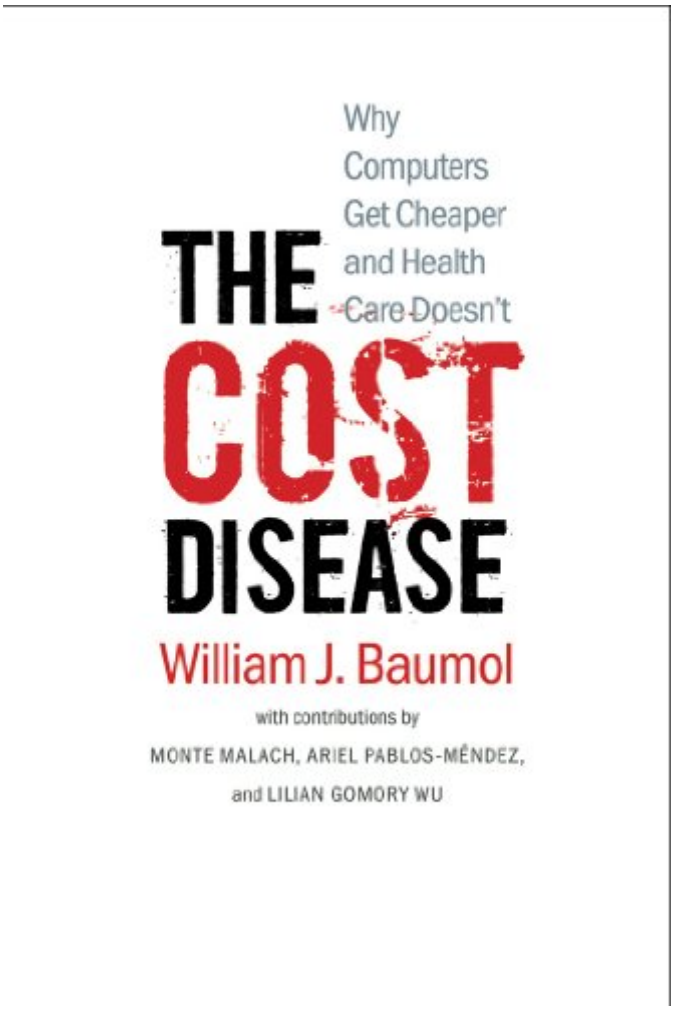
The Cost Disease: Why Computers Get Cheaper And Health Care Doesn't



Synopsis

The exploding cost of health care in the United States is a source of widespread alarm. Similarly, the upward spiral of college tuition fees is cause for serious concern. In this concise and illuminating book,Ã Â well-known economist William J. Baumol explores the causes of these seemingly intractable problems and offers a surprisingly simple explanation. Baumol identifies the "cost disease" as a major source of rapidly rising costs in service sectors of the economy. Once we understand that disease, he explains, effective responses become apparent.Ã Â Baumol presents his analysis with characteristic clarity, tracing the fast-rising prices of health care and education in the U.S. and other major industrial nations, then examining the underlying causes of the phenomenon, which have to do with the nature of providing labor-intensive services. The news is good, Baumol reassures, because the nature of the disease is such that society will be able to afford the rising costs.

Book Information

File Size: 2026 KB

Print Length: 272 pages

Publisher: Yale University Press (September 25, 2012)

Publication Date: September 25, 2012

Sold by:Ã Â Digital Services LLC

Language: English

ASIN: B009B5STCG

Text-to-Speech: Enabled

X-Ray: Not Enabled

Word Wise: Enabled

Lending: Not Enabled

Screen Reader: Supported

Enhanced Typesetting: Enabled

Best Sellers Rank: #119,994 Paid in Kindle Store (See Top 100 Paid in Kindle Store) #5 inÃ Â Books > Business & Money > Economics > Inflation #5 inÃ Â Kindle Store > Kindle eBooks > Business & Money > Economics > Inflation #17 inÃ Â Kindle Store > Kindle eBooks > Business & Money > Industries > Service

Customer Reviews

This book is embarrassingly bad, yet it had the potential to be a vital and necessary reference for

policy makers, particularly in health care and education (it almost exclusively addresses health care). It needs a total rework on Chapter 4, which is the heart of the book. There, it dumps in its own hat, and then dons it. Let me explain.For years, I have been advising school boards and administrations about Baumol's "Cost Disease". Those labor-intensive institutions, with few means of productivity improvement, will have costs that inevitably outstrip growth in the Consumer Price Index (CPI). This happens because they have to offer compensation that matches growth in the more productive sectors (such as manufacturing). Otherwise, we will lose workers in vital low-productivity growth sectors such as education, health care, the criminal justice system at all stages of the process, and more. This is Baumol's thesis, and he should be the best to expound it. However, he fails to pursue its consequences in a manner that survives careful examination, with the character of the projections he makes. This is sad, because those arguments could have been made effectively.Consider that many school districts are restrained by "tax caps", where revenue growth without a referendum is limited to CPI growth. They have an inevitable collision with that. In manufacturing, however, workers can be given compensation increases above the CPI increase, because of the productivity from capital investment, technology, training, better methods, and more. This Baumol describes as the difference between the "stagnant" and the "progressive" sectors, with a "hybrid" sector in between. Some of the "stagnant", personal service industries die off (doctors do not make house calls anymore, there are no milkmen, and there are butlers and cooks only on Downton Abbey). Others will never vanish, because they are necessary to society: Health Care, Education, Criminal Justice, and more. Even barbers and hairdressers must survive.So I needed a book I could give to schools, and one from the original source would be excellent. This book fails miserably. It is not an academic book by any means (nor should it be, but at times it tries, schizophrenically). It attempts to be a popularization of economic thought, and guru on policy advice, but it does not succeed. Instead, it is a mishmash of different authors and of styles (even within Baumol's own chapters, where he ranges from the academic, to attempts at a breezy style). He fails in the key Chapter 4, "Yes, We Can Afford It". I will have more on that later.As another reviewer remarked, some of the graphs are poorly rendered, making them almost useless. The XY Charts use data markers that are so small that they are indistinguishable among the multiple data sets. That could have easily been fixed with distinctive line styles (still not requiring color printing), but then the book is poorly edited overall. The most significant editing problem is for coherent content on the modeling in Chapter 4, which would get an MBA student flunked. Even Baumol, in his extremely lengthy Endnote 13 to that chapter, knows that something is wrong. His own colleagues must have warned him. One has to go to the endnotes to ferret out the details, on this

pivotal chapter.He assumes that health care costs, as a percent of GDP, will continue to grow at a compounding rate of 1.41% per year, with no leveling off, ever. Reviewer Gaetan Lion points out that such an assumption will eventually exceed 100% of the economy. Baumol seems to recognize that in Endnote 14, and then blithely ignores it. In fact, in his lengthy Endnote 13, he says he is not doing a "forecast", but a "projection". That seems to be a distinction without a difference, unless "projection" now means "meaningless extrapolation for 100 years, without any underpinnings and logic, leading to an impossibility." Yet he refers to his own use of logic in the endnote. Redo your homework, sir.Health care in his projection ends up constituting 62% of the economy in one hundred years. As other reviewers have pointed out, this crowds out even the other "stagnant" industries, such as education and criminal justice. We're still going to need barbers and hairdressers also. It has reduced the "progressive" sector to only 38%. Yet this is what is supposed to be paying for everything, so his 2.13% real productivity growth rate across the economy is unsustainable, and its contribution is being steadily eroded. No one seems to have pointed that out -- he has some means to pay for things, but not the amount he assumes, and it would be shrinking every year. This is what results when someone does a back-of-the-envelope calculation, without actually trying to flesh it out in a moderately detailed spreadsheet, where the absurdities and inconsistencies would become apparent.With regard to some of these considerations, he remarks that a "nonlinear" model would probably not materially change the "linear" model he uses. All I can figure out is that he is rejecting a model that would have certain things grow to some asymptotic limits, such as an "S Curve", or "Logistic Curve". Yes--that is exactly what would make his projections plausible, and perhaps help him make his point - that we will be able to afford all this in some way. I agree with him that no one can fine-tune such predictions. So run half a dozen different plausible scenarios, which actually might make some sense, demonstrate the range of possibilities, and show how things might still work under a variety of circumstances.As a final critique, I will note that some things noted as "Cost Disease" are actually "Mission Creeps/Mission Enhancements". On page 21, he refers to negative productivity in education (not just stagnation), referring to changing student/teacher ratios in recent years. Much of that was due to Federal and State mandates re Special Ed, and increasing classification of children as Special Ed, where class sizes are often only half as large. Likewise, other reviewers have pointed out that compensation of doctors, nurses, and other medical professionals does not explain much of health care expense growth. Stats from the Dept of Education and Dept of Labor show that Baumol's Cost Disease per se only accounted for less than a third of the slippage above the CPI over a twelve-year period in Cost per Student. The rest was Mission Creep (think Special Ed, Technology, Security...), or possibly waste. This book attempts to

address a significant set of issues, but does so superficially.This book requires such a major rework that I think the author will not bother. Yale University Press did a poor vetting of its content, perhaps based on the distinguished past of its chief author. It cannot be used for giving to policy makers, since it can be easily attacked for its absurdities. That need not have been the case, since a proper exposition could have solidly made many of his points, and those are important ones.

This is a disappointing rehash of the fine work of Baumol (and Bowen) many years ago: the cost DILEMMA cited a number of industries where the ability to substitute capitol for labor is limited, if not impossible. In such industries, labor productivity is stagnant, and any increase in pay (to keep workers in the industry over time) will result in increased costs. A good portion of the focus then was on the arts. Today there is little discussion beyond the area of health issues. Deciphering a number of the tables is a major challenge, and sections of the several essays are either repetitive or contradictory., As I noted elsewhere, a better title for the book would have been Citation Disease, where 30 percent of the book is devoted to footnotes. By order of magnitude beyond the norm,. A major disappointment from an author whose earlier work had and still does have a significant impact on the field..

We are constantly informed that our aging societies and spiraling health care costs, eating up ever increasing percentages of GDP, will end in disaster unless we trim the costs of healthcare.Not true, according to Princeton Economics Professor Emeritus William J Baumol and his contributing authors.This is a short easy read, but important to all involved in the debates about healthcare, and especially to journalists and doctors, who have an urgent duty to advocate sensible healthcare economics because of the economic illiteracy of politicians and their electorate.Baumol described his ÃƒÂ¢Ã â ¬Ã Ëœcost diseaseÃƒÂ¢Ã â ¬Ã â„¢ in the 1960ÃƒÂ¢Ã â ¬Ã â„¢s in the performing arts ÃƒÂ¢Ã â ¬Ã â œ arguing that it is difficult to achieve significant labour productivity increases when it takes as many musicians just as long to perform a Mozart symphony today as when it was composed.Nearly fifty years of data have borne out the predictions he made in the sixties, and the same argument applies to all ÃƒÂ¢Ã â ¬Ã Ëœstagnant ÃƒÂ¢Ã â ¬Ã â„¢ sectors of the economy, such as healthcare and education, because of the large component of human input.It doesnÃƒÂ¢Ã â ¬Ã â„¢t particularly matter that a modern hip replacement ÃƒÂ¢Ã â ¬Ã â œ or any given medical intervention - is better and longer lasting than an earlier one (ie the quality-adjusted cost has fallen) the quality-unadjusted bill is the same.Meanwhile ÃƒÂ¢Ã â ¬Ã Ëœprogressive ÃƒÂ¢Ã â ¬Ã â„¢ sectors, mostly computing and manufacturing,

make impressive productivity gains, with two effects:1. Stagnant sector prices must rise more rapidly than the Consumer Price Index;2. Because of the large increase in the overall wealth of society generated by the excellent work of the progressive sectors, we can still, and will always be able to afford, the healthcare (and other labour intensive services) we want.If we invest in education to continue the productivity and wealth gains.ThatÃƒÂ¢Ã â ¬Ã â„¢s a big ÃƒÂ¢Ã â ¬Ã ËœifÃƒÂ¢Ã â ¬Ã â„¢ ÃƒÂ¢Ã â ¬Ã â œ and this is where informed doctor-advocates are needed.This is the main thesis of the book, which is written for the general reader.Doctors may argue that Baumol overlooks some factors which drive up cost, for example the role of third party payers (the patient wants the very best, because the insurer will pay), but he also debunks some myths by means of studying actual data ÃƒÂ¢Ã â ¬Ã â œ for example the cost of malpractice lawsuits.As a doctor, I found some of the discussions of, for example, the economic multiplier effect of developing medical software a little too detailed given that they are not part of the main theme - they felt a little like contributing authors' papers dropped in as chapters without enough editing, but this is a relatively minor criticism and does not really detract from the overall argument.Many of the examples are from the US, but are applicable internationally, and Baumol makes a cogent argument for broad and deep medical insurance markets in poor societies where it is even more important to pool risk.Given that the First Law of Healthcare Economics states that healthcare spending in any society will rise as its GDP rises, and that there is no satiety in healthcare (No society has ever said, ÃƒÂ¢Ã â ¬Ã ËœNo more, thank you, thatÃƒÂ¢Ã â ¬Ã â„¢s enough healthcareÃƒÂ¢Ã â ¬Ã Â¦ÃƒÂ¢Ã â ¬Ã â„¢) the fear of society collapsing under the healthcare bill will not disappear. Baumol argues that if governments cannot be led to understand his ideas, their citizens may be denied vital health, education and other benefits because they appear to be unaffordable, when, in fact, they are not.His answer to ÃƒÂ¢Ã â ¬Ã ËœCanÃƒÂ¢Ã â ¬Ã â„¢t afford healthcare?ÃƒÂ¢Ã â ¬Ã â„¢ is ÃƒÂ¢Ã â ¬Ã ËœInvest in education.ÃƒÂ¢Ã â ¬Ã Â¦ÃƒÂ¢Ã â ¬Ã â„¢I will be giving a few copies to journalists and politicians in my town.

Impact of Computers in Clinical Medicine (Computers and Medicine) Great Big World of Computers - History and Evolution : 5th Grade Science Series: Fifth Grade Book History Of Computers for Kids (Children's Computer Hardware Books) The Healing of America: A Global Quest for Better, Cheaper, and Fairer Health Care Kidney Disease: for beginners - What You Need to Know About Chronic Kidney Disease: Diet, Treatment, Prevention, and Detection (Chronic Kidney Disease - KIdney Stones - Kidney Disease 101) Gum Disease Cure (Gum Disease Cure, Periodontal Disease, Gum Disease, Gum Infection, Gingivitis treatment, Tooth Decay) The Gum Disease Cure: How I cured Periodontal Disease in 2 months (Gum Disease Periodontal Disease Periodontitis Receeding Gums) Exponential Organizations: Why new organizations are ten times better, faster, and cheaper than yours (and what to do about it) The Ultimate Guide to Crohn's Disease and Ulcerative Colitis: How To Cure Crohn's Disease and Colitis Through Diet and Exercise (Health, IBD, Irritable Bowel Syndrome, Colitis, Crohn's Disease) Public Health Nursing - Revised Reprint: Population-Centered Health Care in the Community, 8e (Public Health Nursing: Population-Centered Health Care in the Community) Why, God, Why?: What to Do When Life Doesn't Make Sense Don't Pay for Your MBA: The Faster, Cheaper, Better Way to Get the Business Education You Need Applied Methods of Cost-benefit Analysis in Health Care (Handbooks in Health Economic Evaluation) Orchids Care Bundle 3 in 1, THE NEW EDITION: Orchids + Orchids Care For Hobbyists + Phalaenopsis Orchids Care (Orchids Care, House Plants Care, Gardening Techniques Book 4) Gastrointestinal Disease in Primary Care (Bilhartz, Gastrointestinal Disease in Primary Care) Health Communication: From Theory to Practice (J-B Public Health/Health Services Text) - Key words: health communication, public health, health behavior, behavior change communications RSMeans Concrete and Masonry Cost Data 2014 (Means Concrete & Masonry Cost Data)