

Bloomberg: Simple Economics Can Help Cut Health-Care Costs

Increasing the supply of labor is a good place to start

This article is an opinion by the editorial board of Bloomberg, published on Oct. 15, 2024.

Of the \$4.5 trillion the US spends on health care every year, the largest proportion — almost a third — goes to hospitals. The cost of hospital services has consistently outpaced the overall inflation rate for at least two decades. If Vice President Kamala Harris and former President Donald Trump really want to reduce health-care costs — as they both say — addressing this trend should be a priority.

Hospitals are heavily regulated, labyrinthine institutions that straddle the public and private sectors. In many cases, their pricing is subject to forces beyond their control. But absent (another) major reform to the US health-insurance system, more straightforward changes can still help rein in spending.

Hospital Services Have Long Outpaced the Overall Inflation Rate

Consider hospitals' biggest expenditure — labor — which accounts for 60% of spending. Workforce shortages are often blamed for these costs. The government estimates shortages of almost 140,000 physicians over the next 15 years. Yet shortages aren't inevitable. In many cases, they're the result of government policies that can and should be revised.

Hospitals' Biggest Expenditure Is Labor

An obvious place to start would be so-called scope-of-practice laws. Most health-care workers require a license, which is granted by state authorities. Officials establish education and training standards, as well as rules dictating what certain professions can (and often cannot) do. Proponents say such laws are needed to protect patients, and limiting complex cases to skilled professionals makes some sense. (No one wants nurses performing heart surgeries.) However, needlessly strict laws limit access to care and have been shown to increase costs. One study found that relaxing such laws for nurse practitioners could save Medicare more than \$40 billion annually.

During the pandemic, several states temporarily relaxed their scope-of-practice laws to allow trained nurse practitioners and physician assistants to perform certain tasks, such as administering diagnostic tests and vaccines, without direct supervision from doctors. Once the crisis subsided, though, many states reverted to form, despite evidence that such flexibilities improved patient outcomes and increased availability of quality care.

The US Has Fewer Doctors Than Most of Its Rich Peers

The US has fewer physicians per capita than most rich nations and the highest doctor salaries in the world. Yet lawmakers have consistently opted to limit competition and preserve the status quo. Foreign-trained doctors, for example, must overcome a wall of state and federal restrictions before they can practice in the US. Even those with decades of experience must pass a standardized exam, repeat their residency programs and apply for state licensure — which can take years and cost thousands of dollars. Aspiring doctors in the US are only slightly better off. Federal subsidies for residency slots haven't kept pace with the number of medical-school graduates, thanks to a 1996 law that caps Medicare funding for such training programs.

Increasing the supply of highly qualified workers who can perform needed tasks — whatever their degree — is the most straightforward way to lower costs. But while some state legislatures are considering proposals to relax their scope-of-practice laws, many have struggled to overcome medical associations' (often self-interested) resistance to "scope creep" — when workers increase occupational overlap with higher-skilled professionals. Such complaints are generally off the mark: The point is to allow nurse practitioners and physician assistants to perform to the full extent of their training, not beyond.

Lawmakers need to strike a better balance. Promisingly, states including Florida, Tennessee and Virginia have granted provisional licenses to qualified foreign-trained doctors. More should follow their lead. US regulators should also grant residency waivers to

graduates of high-quality overseas medical programs. Congress, meanwhile, should reform its outdated system of funding residencies, with a goal of boosting the number of doctors in fields or specialties facing shortages.

Fixing the American health-care system is a monumental undertaking. That's all the more reason to make simple improvements whenever possible. Increasing the supply of much-needed workers is a good place to start.

View the original article [here](#).

Other Articles in this Issue

- [WHA Updates Board on 2024 Goals, New Leaders Elected](#)
- [Governor Evers, WI Congressional Delegation Urge Biden Administration to Assist with IV Shortage](#)
- [2025 Physician Leadership Development Conference Registration Now Open](#)
- [WHA-Crafted Grant Program Creates Public-Private Partnerships and Nearly \\$100 Million Investment in Wisconsin's Health Care Workforce](#)
- [Wisconsin Hospitals State PAC & Conduit Update](#)
- [Bloomberg: Simple Economics Can Help Cut Health-Care Costs](#)
- [WHA Welcomes New Employee, Haley Salazar](#)
- [WHA Celebrates National Healthcare Quality Week Oct. 20-26](#)