

# Bureaucrats, not doctors, are making healthcare so expensive

by Marion Mass & Kenneth Fisher | January 26, 2018 12:01 AM

Republican leadership emerged from their Camp David policy retreat earlier this month [announcing](#) that significant healthcare reform is not on their 2018 agenda. That's bad news for the [one-quarter](#) of Americans who put off or postpone getting the healthcare they need each year because of its costs, which have [doubled](#) since 2013.

To meaningfully address these skyrocketing healthcare costs, bold reforms are needed. Rather than simplistic assertions that blame doctors, legislators must tackle healthcare's stultifying bureaucracy consisting of federal and state government agencies, big insurance companies, and, yes, the American Medical Association.

Consider the reporting requirements that this bureaucracy foists on physicians. Doctors now spend roughly [two-thirds](#) of their professional time on paperwork – mostly filling out the never-ending fields that are part of Electronic Medical Records requirements — rather than attending to patients. Because paperwork doesn't pay, this means patients are essentially spending three times more than they should have to for their doctors' time. Simply halving doctors' paperwork could halve physicians' costs, because they'd have more time for productive, patient-centered work.

This bureaucracy also distorts necessary healthcare price signals at best, and engages in outright price fixing at worst. Clear and unfettered price signals would help keep prices down because they convey vital information for patients and providers. In a free market, a high price for avocados sends the message that first, avocados should be economized and put to their highest value uses, and second, that farmers should grow more avocados to profit, fill consumer demand, and bring down prices.

This dynamic is largely absent from healthcare, where prices are hidden through CPT codes, Relative Value Units, and the [secret dealings](#) of the AMA's Relative Value Update Committee. This price opacity prevents doctors, insurers, and hospitals from effectively allocating their resources where they're needed most, creating inefficiencies and higher costs.

Even if healthcare providers can somehow interpret hidden price signals to make supply decisions, they are often held up again by additional bureaucratic regulations. For instance, most state governments require burdensome Certificate of Need permits

before new healthcare supply can be offered. Major insurers require doctors to jump through numerous hoops before covering new and innovative treatments. And the AMA holds treatments hostage to its pricing codes, on which all doctors must rely to get paid.

Given the AMA's role in this bureaucracy, some commentators claim doctors themselves are partially to blame for skyrocketing healthcare costs. For instance, policy analyst Christian Barnard [argues](#) in a recent *Washington Examiner* op-ed that the AMA works to reduce doctor supply and nurse practitioner (NP) competition in a conspiracy to bolster doctor pay, which increases overall costs.

There are a number of problems with this analysis. First, while the AMA has its problems, less than [15 percent](#) of American doctors actually belong to it – hardly enough to paint such a broad conspiracy brush. Second, the [ratio of doctors per patient](#) has never been greater than it is today, suggesting that if there is a conspiracy to keep doctor supply down, it's not working very well.

Lastly, doctors generally welcome limited use of nurse practitioners because they free up their time to pursue their comparative advantage — diagnosing and treating patients. Yet while NPs can competently treat scrapes and sniffles, more serious cases should be examined by doctors. NPs are a part of a team, but for the sake of patient safety, should always be supervised by those with the most rigorous training. NPs receive far less training than medical students, who would never be allowed to treat any patients unsupervised.

There is also a growing body of [evidence](#) that NPs cost the system more than they save by ordering more testing, more opioids, more antibiotics – likely as a crutch — and that their training is being diluted by diploma mills. Though it is popular to suggest NPs can fill rural medical needs, in reality they congregate in the same populated areas as physicians.

The best solution to skyrocketing healthcare costs, then, is attacking healthcare's calcified bureaucracy. The good news is that reducing physician paperwork, increasing price transparency, and eliminating Soviet-style regulations like Certificates of Need may even draw bipartisan support and keep healthcare reform on the 2018 political calendar.

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