In this discussion, we are going to consider how doctors have conflicting incentives. You could consider:

Why do doctors need to act as agents for patients?

What are doctors' financial motives?

How could you encourage doctors to act as agents of their patients? Think about how payments are structured and as well as other solutions.

I encourage you to think about specific situations, like medical check-ups, surgeries, diagnostic tests (e.g., x-rays), prescribing pharmaceuticals. What affects the incentives of doctors to over-service and the ability of patients to understand whether the care is appropriate?

For this discussion post, I am using the terms ‘doctors’ and ‘physician’ invariably to refer to the same profession.

Doctors incentives could pose a conflict of interest depending on how they are compensated. If they are compensated piecewise, they are likely to not act as a true agent for the patients while if they are compensated as salary, they may not have the incentive to see as many patients as they should or practically could. This dilemma should be common for any personnel economics problem. There are, however, other intangible problems like reputation and the cost of guilt.

In an altruistic sense, the doctors need to act as agents for the patients but, they (and everyone for that matter) are their own agents to begin with. Physicians, just like any other profession are compensated financially for their services or products and so we shouldn’t expect much of a difference in their financial motives. Some of the discussion posts highlighted the investment costs for becoming a doctor, and the textbook discussed about the cost of guilt and damage to reputation as possible factors to dampen the incentive of supplier induced demand. And yes, there is an ethical component to it as well.

It is not possible to make doctors act as patients’ agents with the given system. In a sense, that is what the role of insurance companies are turning out to be but leaving it up to the insurance companies will be irresponsible and dangerous because their incentive is solely to make money by reducing the costs paid out. For example, the most recent opioid epidemic caused by prescription pain killers, the doctors had an incentive in the kick back from the pharmaceuticals and so they prescribed it. On the other hand, at least in my opinion, had they known the public health outcome, they would have not participated in the scheme. And yes, punishments push them toward safer practices but that also makes them deviate away from optimal health care and move towards defensive practices. So where does the balance really lie?

Some fundamental changes need to happen within the healthcare space to encourage doctors to act as patients’ agents. Though there are many, one of the starting places of such reform could be in their education. All the doctors are required to complete an undergraduate degree before they start medical school. Making them spend at least 8 to 10 years in school post high school. They are less likely to make any money during this time and some may even have challenges to form a family or buy a house. This system needs to change. An abundance of doctors (there is a quality vs quantity tradeoff but there will be an optimal point), coupled with lower cost of education and structural changes could be one of many changes that would encourage doctors to start acting as patients’ agent.