Determinants Of Demand And The Physician Profession In The United States

Posted on October 17, 2019

Introduction

My case will revolve around my Niece Jenny. Jenny is a smart and intelligent high school student who is seeking ways that can help him make intelligent decisions regarding his future. Therefore, she decides to discuss her issues with me to get the best advice concerning the possibility of following a career as a healthcare professional and the finest institutions for practising medicine. She knew I was pursuing a business program in Economics. Thus, she decided to send me an email for further analysis of the dynamics of the physicians' market around its demand and supply, cost of production, pricing and profits, as well as profits and losses. As a concerned uncle, I understand the importance of focusing on a career as a doctor. Therefore, it is important for Jenny to be equipped with the best information regarding the topic as possible. I had to do some research regarding the market for doctors. With such information, Jenny will have the necessary resources she needs in order to make a strong decision regarding her career decisions.

The paper will mainly focus on various determinants of demand and the physician profession In the United States. Moreover, it will provide some fundamental details on how the increasing levels of demographics around the country will affect the demand for physicians as well as the reaction of the entire market. This will also assist in understanding that the dynamics are on the increase, and thus, the need for doctors will also increase.

This analysis will also discuss current as well as future trends of medical cover for people who look forward to receiving services from physicians. The more the society secures a firm healthcare system, the better the services of the doctors. Therefore, health insurance will be a huge factor in such decisions. Moreover, we shall also explore a number of economic factors concerning the price elasticity of demand and supply of doctors in the United States based on reliable sources and data. Based on all the analysis, information, and data that will be examined in this paper, I would like the final decision to be made by Jenny, my niece, regarding her career path towards becoming a doctor in the United States.

Discussion

On matters concerning quantity, the demand for doctors in the US directs that people are ready to pay the least cost for them to offer their services. The need for doctors mainly depends on a number of issues such as the population needs, economic issues of the society as their level of income and the cost they are facing, technological issues associated with the feasibility of consumer demands and finally, cultural considerations. Moreover, the demand for healthcare entirely depends on the association between demand and supply in the prevailing market.

According to recent studies, there will be less agreement concerning the demand for doctors in the future. As for the past analysis of the market for doctors, there has been a huge shortage which in turn has affected various programs and policies within the realms of healthcare. It takes a good number of years to train new doctors as well as creating for them the necessary infrastructure. Therefore, the country needs to plan early for the future needs of doctors. If we look back, there has been a huge deficit of doctors in the United States, which led to the establishment of new medical institutions in the country. The government also increased funds for medical institutions and motivated many people to the admission at subsidized prices. The key factors that will determine the future demand for doctors depend on the current number of physicians, millions of nurses among other healthcare professionals, approximately 300 million patients and thousands of healthcare institutions.

Justifications Using Economic Concepts And Demographics

Demand Determinants

Demand for physician services in the country shows that the public is willing to pay the minimum cost for their healthcare services. The overall demand for doctors entirely rests on the relation between demand and supply that puts up with the various market conditions. For this to be achieved, it is important to explore the growth of the entire population as well as for the baby boomers, the trend of healthcare coverage and various economic factors associated with the possible needs for physicians in the United States.

Projected demand and supply for Physicians from 2013-2025

Population growth and ageing

This is one of the most fundamental issues used to assess future demand for physicians in the United States. The 2013–2025 population and physician-demand figures in the original source were forecasts whose target date has passed. The Association of American Medical Colleges’ 2024 projections instead estimate a U.S. physician shortage of up to 86,000 physicians by 2036, driven largely by population growth and ageing.

According to the US Census Bureau, in the past ten years, there has been a huge rise in the population of the elderly. Between 2010 and 2025, people 65 years of age are probably going to rise by approximately 10 %, while those beyond 65 years are expected to increase by approximately 50%. If we evaluate the physician-patient ratio, it clearly shows that the prevailing pattern of health care is on the rise. For instance, approximately 300 physicians were taking care of approximately 150,000 people in the United States (Packham, 2015).

Since the population of the baby boomers will increase, it will definitely establish a new market demand for healthcare professionals. The graphical presentations and statistical data clearly show these facts due to the increase in the aging population, the demand for doctors with the country will increase by 20% by 2025. As a result, healthcare experts recommend that the reforms of healthcare services and other aspects of patient care will increase significantly and specialists by then. The graph below is a projection of the overall population and the ageing one by 2020, which justifies the future demands for doctors.

Impacts of Healthcare Insurance

Healthcare coverage and delivery systems in the United States remain one of the most fundamental determinants of access to various services and doctors by the rising overall population as well as the ageing population in the US. Since insurance decreases the cost of healthcare services and restrictions on healthcare plans, a huge number of people can get better services and visit doctors and healthcare specialists for their needs.

The public is classified into four categories based on their insurance coverage. The first set is made up of individuals covered under a free service plan, the second one is covered under an HMO plan, and the third one is covered within various forms of health care management such as PPO, preferred physician, and open-ended, among others. The final group is for the uninsured group. All these groups will be receiving healthcare services and regular physician visits. Therefore, there will be a significant improvement since the ageing, as well as the regular population, will rise in the next 5 to ten years. According to my studies and analysis, the most important factor that will increase the demand for more physicians is the previously uninsured population seeking to be insured in order to gain more access to better healthcare services due to the affordable care law.

According to Khosla (2012), the Affordable Care Act increased the access to insurance coverage to an additional 30 million individuals who were initially uninsured. Their study on this issue shows that the newly covered population through the Affordable Care Act will drastically increase the demand for healthcare services and doctors. Moreover, the study also shows that primary care providers will have approximately two additional visits every week, accounting for approximately a 4% increase in visits nationally. Outpatient departments in various hospitals will see an average of 8 additional visits every week. Therefore, it is not simply the previously covered population that will lead to an increase in demand for more doctors, but it is the Affordable care that has led to a drastic increase in the future needs for physicians and healthcare services in the country.

Various Economic Factors:

The multiple economic aspects that would either increase or decrease the demand for doctors in the future. A good number of economists have indicated that the overall economic growth of the country could increase the ability of the people to afford their health coverage, which will raise the need for more doctors and other specialists. Moreover, it will facilitate paying high costs of quality care as the economy continues to grow. According to Gunderman, (2014), the historical rates of doctors per capita demand shows that the demand for doctors has increased between 1929 and 2000. The percentage increase in GDP over the years has resulted in an approximately 8% upsurge in demand for doctors.

Some researchers have argued that financial growth is not associated with the rising demand for health services and the demand for healthcare professionals since the more individuals are financially capable, the more they will be able to care for themselves through proper diet, self-managed nutrition and home and elsewhere. This will result in a drastic decrease in the need for more doctors.

More minorities enrolling to medical institutions

Cost of Becoming a Physician:

The cost of becoming a doctor is a very important aspect to take into consideration for those who are considering this as their career, like Jenny. Recent studies have shown that the medical debt of $ 167,900 will take over 30 years for the student to complete it. If this is calculated with an interest rate of 8%, the overall cost of education is $ 430,500. (Reese, 2013). This might be viewed as a lot of money in loans to any individual who looks forward to being a doctor. Nevertheless, it is important to think through the demand and supply elasticity of pursuing a career as a doctor in the prevailing market conditions as to whether having such a debt could have any benefits in the long-term basis. If not, it might turn out to be a significant financial problem for the learners.

Price Elasticity of Demand:

The curve will indicate the fluctuations in the need for doctors by price. If the demand curve is elastic, then a slight change in price will greatly affect the need for more doctors. The elasticity of demand can be influenced by numerous factors. For instance, the increased ageing population, increase in the overall population and increase in the overall cost of healthcare, among others, will greatly affect the elasticity of demand for doctors. According to the United States survey, the population growth in the country is expected to be 40 million more in the next ten years. All the factors indicated above could significantly raise the cost of healthcare by reducing the elasticity of demand. Therefore, it can be a significant thing to always think through the elasticity of demand of doctors. This will help those looking forward to becoming doctors to become aware of the overall trend.

The following diagram compares the demand for physicians to supply. In the coming ten years, the demand for doctors will be approximately 860,300, but they will be able to only meet the demand for 749,900 needs, resulting in a shortage of approximately 125,400.

Price Elasticity of Supply

This is also an important factor for determining if pursuing a career as a doctor is economically viable. The price elasticity of supply appears to be inelastic. Age is one major factor that would influence price inelasticity since more and more doctors are considering retiring due to ageing. The strategies put in place in order to increase the number of new physicians have encouraged the supply to be more and more elastic. The claimed 40% increase in medical-school enrolment by 2025 was a historical projection and should not be treated as a current result.

Projected growth in enrollment of medical students

The average demand for healthcare professionals in certain areas is usually inelastic since there are no other alternatives to doctors. Nevertheless, the demand for a certain doctor in the market with a number of physicians is usually priced elastic. When a physician increases or reduces its prices, the impact on total income would be determined by the demand elasticity for the services. Healthcare institution that increases their prices while having an elastic demand will incur huge losses in total profits since the percentage decline in the capacity of demand will be more in prices.

Recommendations

In order to provide a viable resolution to Jenny regarding her future career, it is important to evaluate the marginal analysis. It is necessary for Jenny to consider the balance between marginal benefits and marginal costs in order to make viable decisions. This will help her decide whether benefits such as higher income, better skills and licenses are going to surpass the marginal costs such as student loans and the period required to attain a degree. If the benefits are beyond the marginal cost, then it would be a great move for Jenny to consider pursuing a career as a physician. Based on the valuation of various issues, I would advise Jenny to proceed to pursue her career path of being a physician, and it is evident to me that the need for more doctors is not only going to rise, but also the marginal benefits will be more than the marginal cost.

References

Khosla, Vinod (December 4, 2012) *Technology Will Replace 80% of What Doctors Do.*

Retrieved from: http://fortune.com/2012/12/04/technology-will-replace-80-of-What-doctors-do/

Gunderman, Richard (November 30, 2014). *$2.6 million: Is the cost of becoming a doctor worth it?* Retrieved from: http://www.kevinmd.com/blog/2014/11/2-6-Million-cost-becoming-doctor-worth.html

More Minorities Apply and Enroll to Med School." University Business 7, no. 12 (December 2004): 20. Academic Search Complete, EBSCOhost (accessed September 13, 2015).419 Non-Hispanic

Peckham, Carol (April 21, 2015). *Medscape Physician Compensation Report 2015*

Retrieved from: http://www.medscape.com/features/slideshow/compensation/2015/public/overview

Reese, Shelly (2013). *Best & Worst Places to Practice: 2013* Retrieved from: http://www.medscape.com/features/slideshow/best-places-to-practice-2013

Shafrin, Jason (August 19, 2009). *How Does Changing Medical Prices Affect Patient Demand?* Retrieved from: http://healthcare-economist.com/2009/08/19/how-does-Changing-medical-prices-affect-patient-demand/