

Supply in health care



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Physician Services Physician Services as a submarket is an important component of the healthcare industry and, up to a certain degree, is sold and bought in the market within the conventional supply and demand principle. However, like any submarkets within healthcare, it has its own characteristics that make it different from conventional enterprise.

As part of the healthcare industry such as health plans and insurance, physician services have unique characteristics that distinguish it from other goods and services sold in conventional and competitive markets. First, public interest is heavily invested in it because human life or health is at stake so that the sector is often seen as insulated from traditional market forces (Feldstein, 2011, p. 513). Issues of morality and ethics, hence, are included as drivers of the supply and demand. In addition, public policy in terms of the organization and regulation of medical services has also been increasing in the United States, which is highlighted by the flagship universal healthcare program of the Obama administration.

On the supply side, one can say that economic forces are present and significant. For instance, there is the case of projected physician shortage in the United States. According to Snyderman, Sheldon and Bischoff (2002), this would have serious ramifications, limiting access to healthcare dramatically (p. 168). In purely economic terms, once the supply is scarce and demand is high, prices for physician services could inevitably rise. This is demonstrated in the manner by which anesthesiologists could demand high fees. The skill set involved is very important and, hence, hospitals and patients have very little choice but to pay for them. This is highlighted by the fact that in some areas, anesthesiologists have banded together into groups and associations, enabling them to monopolize and dictate standard prices

for their services. This is what Getzen (2010) referred to as control over supply in this submarket, wherein professional associations has increased profits for members (p. 177) All in all, the price of physician services, as Feldstein stressed, will rise in response to fewer supply of physicians, according to the principle of supply and demand, or vice versa through the impact of competition (p. 398). Elasticity for this submarket, hence, could be elastic or inelastic. In a highly competitive condition, it could be elastic whereas in instances wherein no close substitutes are available such as in the case of a monopoly by professional groups or a sheer scarcity of the physician service(s) involved, then it is considered inelastic. For health professionals, this is important because it means that their careers and their income are also subject to market conditions.

Again, as previously mentioned, physician services are not exclusively governed by economic principles. It involved moral and ethical considerations as depicted in physicians motivations. Aside from profit, which is the sole objective for traditional business enterprise, physicians who are providing care, have to consider standards of practice, ethics, and the welfare of patients, among other factors that do not fall on economic terms. This is the reason why the industry can be explained by a more complex paradigm or a specific supply and demand principle tailored according to the dynamics of the physician services submarket.

References

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