Doctors And Their Discontents

Despite dramatic changes to physicians’ autonomy, medicine continues to be an attractive profession.

by David C. Colby

Changes in the health care delivery and insurance systems over the past ten years have been dramatic and somewhat chaotic. Ten years ago fewer than 30 percent of insured workers were in managed care. Today about 74 percent of workers with health insurance are enrolled in some form of managed care, including health maintenance organizations (HMOs), point-of-service (POS) plans, and preferred provider organizations (PPOs). Managed care provides services to about 39 percent of Medicaid beneficiaries, mainly serving the young and their parents. Lagging behind other purchasers, Medicare has about 13 percent of beneficiaries in HMOs (11 percent in fully capitated plans).

The period from the end of World War II until the passage of Medicare and Medicaid has been described by Eliot Freidson as the Golden Age of American medicine in terms of professional control. He asserts that it ended with the passage of Medicare and Medicaid, but I believe that future historians will attribute the end to passage of the Health Maintenance Organization Act of 1973. Medicare and Medicaid extended traditional insurance coverage to new groups but merely emulated Blue Cross/Blue Shield in major ways. By contrast, the HMO Act of 1973 was designed—as President Nixon said in advocating this approach—to “organize a more efficient” medical care system. Even during the fight over that act, the American Medical Association (AMA) recognized the threat to physicians’ autonomy. A statement of the AMA Division of Medical Practice suggested that if the HMO Act passed, “nonmedical organizations may exercise control over the provision of medical services.”

Physicians’ autonomy. The potential or actual loss of autonomy to corporations owned by others is probably the greatest fear of physicians today. Since at least the 1920s the medical profession (especially the allopathic branch) has enjoyed unprecedented autonomy compared with other professions. Early threats to this autonomy posed by prepaid health care arrangements that were launched by fraternal and ethnic organizations, unions, and the cooperative movement were quashed. Physicians were expelled (or threatened with expulsion) from medical societies and threatened with the loss of medical licenses for their support of prepaid health plans. For example, one need only to recollect the history of organized medicine’s campaigns against nonprofit, prepaid health plans such as the Group Health Cooperative in Washington State and the Roos Luce clinic in Los Angeles to understand the early battles and their scars. Ironically, one of the successors to these organizations today is (and the other has been) owned by a for-profit corporation. The challenge to physicians’ autonomy and organized medicine’s power springs predominantly from corporate organizations, assuredly not from descendants of the cooperative movement.

Loss of control over clinical and related matters is reflected in physicians’ responses to these issues. The potential or actual loss of autonomy to for-profit corporations and the medicolegal issues surrounding the use of fee-for-service payments have generated an increase in the number of lawsuits against physicians. Physicians have also increased their use of defense organizations and through the use of managed care organizations have been forced to become more cost-conscious.

David Colby is deputy director of the Physician Payment Review Commission, in Washington, D.C. This Perspective responds to the issues raised by Carol Simon and colleagues and by Jack Hadley and Jean Mitchell in their papers in this volume of Health Affairs.
Physicians and market changes. Physicians also report that they are responding to market changes. In a survey conducted by Project HOPE’s Center for Health Affairs and The Gallup Organization for the PPRC, 19 percent of physicians said that their practice had experienced a major change (such as merger or affiliation with or acquisition by other practices and hospitals) in the past two years. Of those whose practices merged or affiliated with other practices, 89 percent said that they did it to negotiate with health insurers; 79 percent, to share management services; 74 percent, to negotiate with hospitals; 58 percent, to expand market area; and 44 percent, to broaden the mix of physician services. The top reasons for integrating practices with hospitals were to negotiate with health insurers (85 percent), improve quality of care (61 percent), offer an HMO (53 percent), and increase access to capital (42 percent).

Physicians expect even more change. According to the Project HOPE/Gallup survey, nearly 19 percent of physicians said that it was highly likely or likely that their practice would join with another, and nearly 30 percent thought that it was highly likely or likely that they would integrate with a hospital in a year.

Reflecting their loss of dominance and autonomy, physicians believe that others will be extremely important actors in influencing the organization of medicine. Sixty-five percent predicted that insurance companies will be extremely important in shaping the future organization of medicine; 53 percent, large employers; and 52 percent, the government. By contrast, only 30 percent thought that physicians would be extremely important.

Recent attempts by providers to establish provider-sponsored organizations (PSOs), obtain Medicare payment for such organizations, and modify antitrust legislation are part of the struggle to recapture control of the health care system. For example, the American Hospital

Although physicians' income growth in real terms is relatively flat, the economic returns on education are still very high.
Association argued that “since PSOs are provider-driven, not insurer-driven, they put clinical decisions in the hands of those most capable of balancing efficiency and patient care—local community-based health care providers.”  

Concluding remarks. Without minimizing the pain caused by market changes, I believe that medicine has been a very attractive profession. We need to refresh our memory about physicians’ status and incomes. In an earlier volume of this journal, Gregory Pope and John Schneider showed that physician incomes grew spectacularly in the 1980s, in real terms, by 24 percent from 1982 to 1989. They concluded that physicians remained the most highly compensated profession and that their absolute gains in income exceeded those of all other professions during that decade.

Today medicine continues to be an attractive profession. Although physicians’ income growth in real terms is relatively flat, the economic returns on education are still very high, especially for specialists. Satisfaction with the profession remains high. Applications to medical school have been increasing since the late 1980s, so that there are now about three applicants for every first-year medical school place.

It was said that the Quakers came to America to do good and did well. Similarly, physicians went to medical school to do good and did well. Even under current market conditions, they still do.

3. Ibid., 427.
4. Ibid., 33.
8. Ibid., 136.
15. Ibid.
16. Ibid.