

The New York Times

Sending Back the Doctor's Bill

By [ALEX BERENSON](#), New York Times, July 29, 2007

Easy, liberals say. If Washington would just force cuts in prescription drug prices and insurance company profits, plenty of money would be left over to cover the uninsured. Conservatives prefer to argue that the answer lies in forcing people to pay more of their own medical costs. But many health care economists say both sides are wrong. These economists, some of whom are also doctors, say the partisan fight over insurers and drug makers is a distraction from a bigger problem: the **relatively high salaries paid to American doctors, and even more importantly, the way they are compensated.**

“I always find it ironic that when I go to doctor groups and such, they always talk about the cost of prescription drugs,” said Dana Goldman, director of health economics at the RAND Corporation, a nonprofit research institute in Santa Monica, Calif. Prescription drugs cost, on average, 30 percent to 50 percent more in the United States than in Europe. But the difference in doctors’ salaries is far larger, Dr. Goldman said.

Doctors in the United States earn two to three times as much as they do in other industrialized countries. Surveys by medical-practice management groups show that American doctors make an average of \$200,000 to \$300,000 a year. Primary care doctors and pediatricians make less, between \$125,000 and \$200,000, but in specialties like radiology, physicians can take home \$400,000 or more. In Europe, however, doctors made \$60,000 to \$120,000 in 2002, according to a survey sponsored by the British government in 2004.

Given the years of training that doctors require and the stress and importance of their jobs, few would disagree that they should be well paid. In addition, with a year of medical school now about \$30,000, many doctors leave school deeply in debt. And many doctors would argue that cutting salaries would only persuade talented, college graduates to pursue better-paying professions. Still, the **lower salaries are a significant part of the reason that European countries spend less on health care than the United States does** — a fact liberals avoid mentioning when they preach the advantages of a European-style single-payer system.

Americans generally do not seem to mind the fact that doctors are well paid. In public opinion surveys, **doctors usually rank as the most trusted professionals.** Congress has repeatedly blocked Medicare’s efforts to reduce the amount it pays for each procedure doctors perform, even though overall Medicare payments to doctors are soaring and the cuts are legally required to keep the program’s budget balanced.

The way that doctors are paid may be an even more significant factor driving up costs and may lead to unnecessary care, said Dr. Peter B. Bach, a pulmonary physician at [Memorial Sloan-Kettering Cancer Center](#) and a former senior adviser to Medicare and Medicaid. In the United States, nearly all doctors are **paid piecemeal, for each test or procedure they perform, rather than a flat salary**. As a result, physicians have financial incentives to perform procedures that further drive up overall health care spending. Doctors are **paid little for routine examinations and very little for “cognitive services,” such as researching different treatment options or offering advice to help patients get better without treatment**.

“I don’t have a view on whether doctors take home too much money or not enough money,” Dr. Bach said. “The problem is the way they earn their money. They have to do stuff. They have to do procedures.” **Primary care doctors and pediatricians, who rarely perform complex procedures, make less than specialists**. They are attracting a declining percentage of medical students, and some states are facing a shortage of primary care doctors.

Doctors are also **paid whether the procedures they perform go well or badly**, Dr. Bach said, and **whether they are crucial to a patient’s health or not**. “Almost all expenditures pass through the pen of a doctor,” he said. So a doctor may decide to perform a test that costs a total of \$4,000 in order to make \$800 for himself — when a cheaper test might work equally well. “This is a highly inefficient way to pay doctors,” Dr. Bach said.

Medicare, especially, does not like to second-guess doctors’ clinical decisions, said Dr. Stephen Zuckerman, a health economist at the Urban Institute. “There’s not a lot of utilization review or prior authorization in Medicare,” he said. “If you’re doing the work, you can expect to get paid.” As a result, doctors have **steadily increased the number of procedures they perform on Medicare beneficiaries** — and thus have increased their income from Medicare, Dr. Zuckerman said. But the extra procedures have not helped patients’ health much, he said. “I don’t think there’s any real strong evidence of improvements in health status.”

Private insurers like H.M.O.’s are more aggressive than Medicare in second-guessing physicians’ clinical decisions, and they will refuse to pay for imaging scans or other expensive new procedures. Now Medicare and private insurers are moving cautiously to change the current system. Recently, they have proposed **pay-for-performance measures** that would give doctors small bonuses if their care meets the standards set by national medical organizations such as the [American Heart Association](#).

BUT all those measures are a minor fix, said Dr. Alan Garber, a practicing internist and the director of the Center for Health Policy at [Stanford University](#). Instead, he argues, the **United States should move toward paying doctors fixed salaries, plus bonuses based on the health of the patients** they care for. Even in the existing system, some health insurers, notably Kaiser Permanente, already have large networks of salaried doctors. But it would require doctors to give up some of their autonomy and move into larger group practices or work directly for insurers, a step they have been reluctant to take. About 40 percent of

doctors are in single or two-physician practices, Dr. Garber said. Nor is the [American Medical Association](#), which represents doctors, eager for wholesale changes in the system, said Dr. Edward L. Langston, chairman of the A.M.A. board. Insurance company profits and the rising cost of preventable diseases like [diabetes](#) are big culprits in soaring health care spending, Dr. Langston said.

But Dr. Goldman of RAND said that doctors are misleading themselves if they think the current system serves patients' needs. For example, if a diabetic patient visits a doctor, he said, "the doctor is paid to check his feet, they're paid to check his eyes; they're not paid to make sure he goes out and exercises and really, that may be the most important thing." "The whole health-care system is set up to pay for services that are rendered," he said, "when the patient, and society, is interested in health."