Policy Tip Sheet

Restrictive Medical Licensing Laws Exacerbate Doctor Shortage

Problem

Strict licensing standards have become a significant barrier to entry in many fields. Unfortunately, this is producing a dire doctor shortage. State boards control licensing standards, professional discipline, and the various costs associated with entering the medical profession. In many instances, these standards are supported by existing practitioners to block entry of new competitors.

The United States faces a growing shortage of licensed physicians. Indeed, the Association of American Medical Colleges estimates the United States will have a doctor shortage of 122,000 physicians by 2032.

Advocates of strict licensing standards argue they assure quality health care services. However, critics argue the arduous and expensive licensing process hinders entry for new physicians. Moreover, they claim restrictive licensing laws impede competition, which would lower health care costs and improve consumer access to health care services.

Policy Solution

There are several ways state lawmakers and medical boards can reduce regulatory barriers. First, they could create an interstate compact that would free doctors to practice medicine across several states with one license. The framework of such an agreement already exists. Many states have joined the Interstate Medical Licensure Compact, an agreement between states that allows physicians in member states to obtain expedited licenses to treat patients located in other member states. Compacts are not perfect. They do not address duplicative licensing processes among the states nor do they allow physicians to practice among member states with one license.

A second method—similar to a compact—is a reciprocity agreement between states. Reciprocity laws allow physicians to use their license in other states without need to reapply. Darcy N. Bryan, Jared Rhoads, and Robert Graboyes argue in the Mercatus Center’s Healthcare Openness and Access Project that reciprocity laws are “the easiest and least controversial ways for states to minimize restraints on physicians, yet a substantial number of states do not allow reciprocity.”

Reciprocity would only be allowed if one state agrees to the arrangement with another state; they would never be forced to accept physicians who were licensed under standards they found less vigorous.

A third way to expand licensure is the creation of provisional or restricted medical licenses. According to The Heritage Foundation, these licenses “enable medical graduates to work under the supervision of a primary care physician or a hospital to assist in care and acquire training.”

A fourth reform proposal, supported by the Institute of Medicine and National Governor’s Association, would expand the scope of responsibilities for nurse practitioners (NP), by allowing NPs to provide more health care services. This extension would only apply to registered nurses who have also received a graduate degree in nursing. Allowing NPs to administer care would greatly reduce the upcoming doctor shortage. It would also reduce costs and increase access to quality health care.

Policy Message

Point 1: Americans are experiencing a physician shortage and burdensome licensing laws for health care providers exacerbates the problem.

Point 2: By 2032, the number of Americans over age 65 will increase by 48 percent, according to the U.S. Census Bureau, which will magnify the growing primary care shortage.

Point 3: Licensure laws artificially limit the supply of health care providers and restrict competition. This is a leading cause of skyrocketing health care costs.

Point 4: Establishing reciprocity for medical licenses would require less regulation and paperwork beyond what is currently necessary.

Point 5: A 2012 article in Health Affairs reviewing 26 studies on the quality of NP care noted the “health status, treatment practices, and prescribing behavior [of NPs] were consistent between nurse practitioners and physicians.”

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