

living rooms and only charged what it costs for an oil change. Perhaps my perspective is influenced by what I have to pay lawyers, plumbers, mechanics, accountants, and my office staff. Unfortunately, the government ratchets down what I am allowed to collect for my services, but neglects to ratchet down my expenses as well!

Fees have been cut so low it costs nearly as much to provide good care as the law allows us to collect for it! I wonder where I will find an expert when I am your age and I get sick. I *will* know where to find the smart college students who *would have been* the medical experts. Instead of medical school and a career with *all* the responsibility for unrealistic outcomes demanded by patients, they will pursue a field in which they can still make a good living and get as far away from the government as possible.

Many of us in practice would love to get out of medicine. Unfortunately we spent nearly our whole lives (70 percent, in my case) in school learning to do our work, such as a microsurgical sight-saving operation that the government says is worth less than a plumber would confidently charge to install a commode.

Mr. Rodham, the most important thing of all is that you receive the care you need for your eyes. This can only come from an ophthalmologist in whom you have full confidence. If I had as little regard for the value of my physician's talents as you apparently have for mine, I would have canceled the appointment too!

If I can help you in any way with your eyes, please do not hesitate to contact me.

Sincerely,
James A. Savage, M.D.

Physicians emerge from training in their fourth decade, usually with substantial debt. Now that fees are capped at such a low level, usually with healthy doses of bureaucratic and other abuse, fewer and fewer capable and innovative candidates are willing to choose medicine as a career. Some would argue that once the system is rid of greedy doctors, we could finally have an army of Marcus Welbys, indifferent to compensation. This will not happen. Human nature does not cease to exist simply because politicians, knuckles white from wringing physicians' necks, wish it were so.

No infinite supply of humanitarians with 2400 SAT scores exists, eager for a career guaranteed to grind them into dust. The same intellectual strength that would make them the most capable physicians will enable them to see what a trap medical practice has become and make them unwilling to choose medicine as a career. Applicants to medical schools will still be mostly straight-A students. However, the well-documented transformation of college grades from a Gaussian curve into a stalagmite-shaped aberration (stark confirmation of rampant grade inflation) is a topic far too large for this discussion.

Avoid getting sick. Those who will care for us in our dotage will not be of the same stuff as their progenitors, who built the best system of medical care, now dying, that ever existed. It breaks my heart to know that the day is coming when American medicine will no longer be the envy of the entire world. Where will the sick from the far reaches of the globe go to get the very best care when it no longer exists here?

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Is Physician Income Too High, or Too Low?

Craig J. Cantoni

Is the income of physicians sufficient to attract qualified people to the profession and retain them through their most productive years?

There is some evidence that the answer is no. As reported by AAPS and other organizations, increasing numbers of physicians are closing their practices for early retirement or to pursue other careers. And doctor shortages have become so common in rural areas that the federal government has given special visa considerations to foreign nationals to work in small towns.

One of the primary causes is a reduction in Medicare fees, which also are used by private insurers to set their reimbursement schedules. Physicians are facing a 10 percent cut in Medicare fees next year and a projected cut of 40 percent over the next nine years. During the same period, the cost of running a practice is projected to increase by about 20 percent. To make matters worse, independent physicians are facing increased competition from corporate-owned clinics staffed by nurse practitioners and located in big-box stores.

On the other hand, physicians continue to rank near the top of all professions in income, especially physicians in certain specialties.

According to the Department of Labor's Bureau of Labor Statistics, the highest paying occupations in the U.S. in 2006 were physician specialists, chief executives, dentists, airline pilots, air traffic controllers, and engineering managers. But BLS data are incomplete, because they rely primarily on payroll records and exclude earnings in the form of business income from physician-owned practices.

So what is the answer? Is physician income too high, or too low?

The question is impossible to answer, although I have 30 years of experience in the compensation profession, having set the compensation of tens of thousands of people in hundreds of occupations, ranging from chief executives to janitors. If someone with my experience is unable to answer the question, then the government will also be unable to answer the question if movie director Michael Moore gets his way and the medical industry is nationalized.

The question cannot be answered because there is not an unfettered market today for either physician labor or medical care. The government has distorted the markets for both through various misguided, shortsighted, and ham-handed actions. For example, the government limits the number of medical schools and foreign

doctors, controls Medicare prices, mandates onerous record-keeping requirements, dictates when physicians have to work in emergency rooms and, worst of all, continues the 65-year folly of encouraging third-party payments with the tax code.

When Michael Moore and other advocates of socialized medicine claim that there has been a market failure in American health care, they overlook the fact that the government killed the market long ago. Instead of fixing that root problem by restoring the market, they want to give the killer complete control over people's lives. If they were in law enforcement, they would give badges and guns to murderers instead of arresting them.

There are many sophisticated techniques for determining the worth of a job, based on such criteria as years of required education and training, and levels of responsibility and accountability. But such techniques are generally used as a placebo by large employers to mislead employees into believing that their pay is fair and equitable. The truth is that pay levels are determined by market pricing—by the interplay between supply and demand. In a fully functioning labor market, occupations in low supply and high demand will command more pay than occupations in high supply and low demand, regardless of education, training, responsibility, and accountability. That explains why a teacher with a Ph.D. in English literature might be paid less than a software engineer with a bachelor's degree in computer engineering.

Ultimately, the consumer sets wages, unless the government dethrones the consumer as king of the market, as it has done in health care/insurance. If consumers value computer gadgets more than lectures in English literature, this subjective determination of value (or marginal utility, in economics lingo) will flow through the market and result in a higher demand for computer engineers than for liberal arts professors, much to the consternation of the professors. (Not surprisingly, surveys show that liberal arts professors lean left politically and dislike capitalism.)

Is an anesthesiologist worth more or less than a surgeon? Is a podiatrist worth more or less than a gynecologist? Under nationalized health care, the government will have to answer such questions and, inevitably, will answer them based on political considerations instead of letting the consumer make the decision.

The government will begin by establishing committees of apparatchiks to set physician pay or fees, based on subjective criteria camouflaged to look like objective criteria. But before long, interest groups will hijack the process. Women's groups will lobby to increase the supply (and pay) of obstetricians and gynecologists, AIDS advocates will lobby to increase the supply of specialists in immune deficiencies, general practitioners will form a lobbying group to convince Congress that family doctors are the most important physicians, and racial groups will lobby to increase the number of minority physicians.

Market signals will become even more distorted under nationalized health care than they are in today's half-nationalized system. Instead of imbalances in supply and demand self-correcting through market forces, the imbalances will worsen, resulting in a permanent condition of shortages, rationing, and long queues for certain medical procedures. Congress will hold

hearings, pundits will pontificate, and Michael Moore will produce a new movie about the elderly being denied treatment for cancer because they have been deemed too old by faceless and heartless bureaucrats.

This is not to suggest that government control of a profession necessarily results in lower income for the profession. Air traffic controllers are proof that government control can be lucrative.

The median pay of federal air traffic controllers is \$106,000, excluding generous employee benefits, such as paid health insurance and the opportunity to retire with a handsome retirement plan at the age of 50 after 20 years of service. By contrast, the median income of family doctors is \$149,850, and most of them have to fund their benefits and retirement out of their own pockets.

Air traffic controllers are required to take 12 weeks of formal training and two to four years of paid on-the-job training, but they are not required to have a college degree. Thus, controllers have about 3 percent of the formal training of family doctors, but earn about 70 percent of what the doctors earn. In terms of return on investment, controllers far outpace family doctors. Yet, curiously, pundits, politicians and liberal arts professors accuse doctors of being greedy, but are silent about controllers.

Some might say that air traffic controllers deserve high pay because hundreds of lives can be lost if they make a mistake. That argument is a perfect example of how the determination of a job's worth can be influenced by emotionalism, especially when political considerations come into play. In private industry, pay is not based on the consequences of making a mistake. Pay is based on the market rate for the skills and education required to do the job properly. If pay were based on the consequences of mistakes, Greyhound bus drivers would earn more than lawyers, and the guy who pushes the buttons at a nuclear power plant would earn more than everyone else.

This leads to a final question: What should a movie producer/director be paid? The answer depends on which of the following three methods is chosen to determine pay.

1. In the market method, his pay would be a percentage of the profits from his movies. This is how Michael Moore is paid.

2. In the air traffic controller method, his pay would be based on the consequences of a mistake. Michael Moore would be even richer under this method, for his movie *Sicko* is full of mistakes and leads viewers to the mistaken conclusion that socialized medicine is the cure for what ails American health care.

3. In the socialistic method, his pay would be based on arbitrary criteria established by a committee of apparatchiks. In other words, the movie producer/director would be paid like physicians will be paid if the nation adopts socialized medicine.

Moore should put his money where his mouth is. He should advocate nationalizing the movie industry and be paid according to the last method. We could then ask the unanswerable question: Is Michael Moore's income too high, or too low?

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