The career advancement resource for physicians
Are you in demand?
What does that mean?
How supply and demand influence physician compensation.

INDIVIDUALS WHO BECOME PHYSICIANS overwhelmingly choose this noblest of profession because they want to help people. Many aren't nearly as focused on the business aspects of being a physician. But those aspects—including the principle of supply and demand—are important for physicians to understand, no matter their employment arrangement. Let's take a look at why.

Supply inadequacies

The looming physician shortage is well documented. In 2021, the Association of American Medical Colleges (AAMC) stated the U.S. “could see an estimated shortage of between 37,800 and 124,000 physicians by 2034, including shortfalls in both primary and specialty care.”

The physician supply shortage is exacerbated by geographic considerations and allocation issues. Generally, too few physicians practicing in rural communities. Economically challenged and rural communities also have a hard time attracting enough physicians.

Demand challenges

In economics, the flip side of supply is demand. As a nation, our population continues to age. As individuals live longer, the demand for physicians will continue to increase. Simply stated, the demand for physicians is not going away.

During COVID, many states and Medicare relaxed their telehealth and teledicine restrictions to accommodate patient demand and ensure maximum safety protections. As the nation slowly transitions from pandemic to endemic, continued access to and payment for telemedicine services will impact physician demand and community access.

What does it all mean?

As physician demand—generally, geographically or by specialty—increases, the natural inclination is that physicians will benefit. This is not necessarily the case for several reasons.

First, in the traditional economic model, if the supply stays the same and demand increases, the price should go up. But as the vast majority of practicing physicians are paid on a fee-for-service or capitated basis, physicians can’t dictate what they will charge. For physicians
practicing in a concierge or cash-only model, traditional economic principles would be much more applicable, and increased demand could result in higher compensation.

Second, as a practical matter, a physician can only see or treat so many patients in any day, and are limited in the number of hours they are able to work in a week.

Third, the trend to value-based outcomes as opposed to volume could impact physician compensation depending on those outcomes.

Fourth, the overall increased costs of delivering quality health care is likely going to depress a physician’s ability to earn as much compensation as they would like.

Your compensation takeaways

Do your economic homework when asking for a salary increase or negotiating with a new employer. Obtain information related to market trends. Consider the impact of continued telemedicine and/or changes in practice protocols in your specialty. Understand the health care supply and demand trends in your specialty and in your geographic community.

Consider your short- and long-term opportunities with that employer, and appreciate where compromise is appropriate and where it is not acceptable.

Understand your termination options so if your compensation package becomes inadequate, you have viable exit options.

If you can avoid it, don’t step away from a career in medicine. Society and your community need you.

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