Comments of Moiz Bhai, PhD
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To Members of this Committee:

My name is Moiz Bhai and I am a health economist with a PhD in economics from the University of Illinois at Chicago, and now currently serve as an Associate Professor of Economics at the University of Arkansas at Little Rock. I am a policy expert in health economics and have published multiple studies and policy pieces on improving healthcare and health outcomes by reforming state policies. Recently, I am an author of a study on Certificate of Need (CON) laws and their impacts on the health care labor force notably of physicians. I write to you regarding CON laws.

The main takeaways from my comments are as follows:

(1) Based on my research, Certificate of Need (CON) laws have adverse effects in the labor markets leading to wage suppression.
(2) The wage suppression supports previous research that shows CON also results in restricted provision of health care services.
(3) Overall, CON laws hurt patients, providers, and society.

The policy implications surrounding CON laws have garnered much attention, especially as healthcare reform remains a priority for many governments. The primary argument for CON laws has been to control healthcare costs and to ensure that services are equitably distributed. However, an expanding body of research, including my latest study on the impact of CON laws on physician labor markets, raises serious questions about these objectives.

My study, employing data from the American Community Survey (a 1% sample of the U.S. population conducted annually), provides robust evidence that CON law not only depress physician earnings but also impose a broader economic cost without delivering discernible benefits in healthcare provision. In a sector already plagued by access issues and high costs, CON laws exacerbate these challenges by serving as a barrier to market entry. They restrict the supply of healthcare services, create artificial scarcities, and as the data suggests, depress physician earnings. Importantly, they also grant healthcare employers a form of monopsony power, skewing the labor market against physicians and other high-level healthcare providers like nurse practitioners. These distortions have wider societal implications, particularly because physicians constitute about 20% of overall healthcare spending.

Moreover, the study indicates that CON laws do not affect the number of hours physicians work, suggesting that while physicians may be paid less, they are not necessarily redistributing their labor in ways that might compensate for lower wages. This observation is essential in understanding the multiple layers of inefficiency embedded in CON regulations. They not only misallocate resources but also deter potential market entrants—be it new healthcare facilities or professionals—thus magnifying healthcare access issues.

Now, the study further paves the way for a multi-dimensional understanding of healthcare policy. While the ACA has made strides in improving healthcare access from the demand side, there is a complementary necessity for supply-side interventions. One promising avenue is the expansion of scope for physician substitutes like nurse practitioners and physician assistants, as discussed in my recent article in the *Southern Economic Journal*. Given that the study indicates an increased demand for healthcare providers in the absence of CON laws, it becomes doubly important to explore how the removal of such regulations may synergize with other reforms aimed at increasing the healthcare labor supply, such as scope-of-practice expansions for nurse practitioners and physician assistants.

To summarize, improving access to care remains an overarching policy goal that cannot be fully realized unless we address the supply constraints imposed by laws like CON. The demonstrated wage penalties on physicians, the misallocation of labor and capital, and the subsequent economic inefficiencies compel us to reconsider the efficacy of such regulatory frameworks. As an academic economist aiding policy research, it becomes increasingly critical for us to rigorously assess not just the immediate impact of such laws but also their cascading effects on healthcare costs, access, and even the potential for innovation in healthcare services. Given what we know about CON laws, the General Assembly should consider removing these laws that restrict the movements of physicians, and harms patients, consumers, and providers in the Bluegrass state.

Sincerely,

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