

University of Kentucky

Gatton College of Business and Economics

Institute for the Study of Free Enterprise



INSTITUTE FOR THE
STUDY OF
FREE
ENTERPRISE

New study assesses the effect of occupational licensing in entry to the medical field

- **Study uses increased demand for medical services due to the Affordable Care Act to analyze the mitigating impact of occupational licensing on entry to the medical profession, specifically, the choice of whether or not to become an EMT**
- **The study finds that the ACA increased entry into the EMT field by 18.4 percentage points, but occupational licensing barriers reduced entry into the EMT field by 18.1 percentage points**

The Affordable Care Act (ACA) expanded access to medical services in the 2010s. This increased the demand for medical professionals in many different fields. However, occupational licensing requirements, which differ at the state level, may have dissuaded some individuals from entering these fields, resulting in an under-supply of professionals and services. In light of this, University of Kentucky Professor of Economics and ISFE Affiliate Aaron Yelowitz, along with Samuel Ingram of the Federal Housing Finance Agency, study the impact of increased barriers to entry due to occupational licensing requirements on the supply of EMT services under the increased demand for them due to the ACA.

Yelowitz and Ingram exploit variation in the effect of the ACA due to pre-ACA uninsurance rates, as well as state level differences in the days it takes to obtain certification to be an EMT - “days lost” to other income producing activities - to estimate the increased demand for EMT services as well as to estimate the reduction in supply due to increased levels of occupational licensing requirements. They find that the increase in demand was largely offset by decreased supply due to these requirements.

The study carefully notes, “our “days lost” measure cannot disentangle “better training” from “wasteful red tape”. The estimates highlight the degree to which entrants are responding to

labor demand and entry costs. Some of the additional education is likely valuable in preparing EMTs, before they start on-the-job training. We find these costs matter in the short-term decision of a worker to enter the profession, particularly for a dynamic profession with minimal formal education requirements.”

It continues, “an important topic in the current pandemic is whether the U.S. regulatory framework inhibits supply-side responses from surges in health care demand. Our evidence – entirely before the current coronavirus pandemic – suggests the answer is yes, and that reduced regulatory burden could lead to much larger supply-side responses.”