AMA-brokered deal poised to cover residents affected by Hahnemann closure

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Kevin B. O'Reilly
News Editor

A settlement reached with the owners of now-closed Hahnemann University Hospital would—if approved by a federal bankruptcy judge—pay for the long-tail medical liability insurance coverage for more than 1,400 residents, fellows and alumni of the hospital's training programs. The AMA is underwriting legal representation of the orphaned residents and fellows in the case.

The settlement, filed in Chapter 11 proceedings in the U.S. Bankruptcy Court for the District of Delaware, would also provide the legally required coverage for the 100 attending physicians who lost their jobs when Hahnemann closed in the summer of 2019. Legal representation on behalf of displaced residents and fellows in the case is being conducted by Jeremy Ryan and the firm of Potter Anderson & Corroon, whose work is being underwritten by the AMA. Premiums for this long-tail coverage can run into the tens of thousands of dollars per physician.

The AMA is cautiously optimistic that, with the settlement filing, relief may be just around the corner for those affected by the record-breaking Hahnemann closure. The deal would be a significant victory, not just for these physicians, but for the patients they serve.

Bankruptcy proceedings

The deal follows an emergency motion on the matter filed late last year on behalf of the Ad Hoc Committee of Hahnemann Residents and Fellows, organized by the AMA.

“As we considered all the different parallel paths to achieve tail coverage for displaced residents and fellows, we felt it was essential that impacted residents and fellows have their own legal counsel in this pending bankruptcy matter, ensuring that their interests are represented in the court,” AMA General Counsel Brian Vandenberg said in December.

In response to legal pleadings filed on behalf of the affected residents and fellows, bankruptcy judge
Kevin Gross in December directed the debtors to explain why their cases should not be converted to cases under Chapter 7. That would mean a Chapter 7 trustee taking over the affairs of Hahnemann based on their failure to maintain adequate insurance.

The AMA has partnered with the Pennsylvania Medical Society (PAMED), Philadelphia County Medical Society and others in working toward a resolution for the physicians affected by the closure of the nearly 500-bed Philadelphia hospital.

What law requires

Pennsylvania law requires that physicians, residents and fellows have medical liability tail coverage from their previous employers. A claims-made policy from the Philadelphia Academic Risk Group LLC runs through March 12. In the absence of a court-approved settlement, when that policy does expire in March, affected residents and other physicians will still need tail insurance to prevent a coverage gap.

PAMED has provided extensive and regularly updated resources on the Hahnemann University Hospital closure for the affected residents and fellows. That includes primers on claims-made insurance for attending physicians, as well as for residents and fellows.

At the 2019 AMA Interim Meeting in November, the AMA House of Delegates adopted policy calling for the AMA to urgently partner with interested parties to identify viable options to secure tail coverage for the Hahnemann residents and others affected by future teaching hospital closures. The AMA and the AMA Foundation also offered financial aid, along with many other organizations, to fund grants to help offset relocation expenses for the residents and fellows affected by the Hahnemann closure.

Learn more about how the AMA Resident and Fellow Section gives voice to, and advocates for, issues that affect resident and fellow physicians.