Address private equity’s growing impact on residency training

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The role of private equity has increased markedly in recent years, and the consequences of that change are adversely affecting graduate medical education, according to an AMA Council on Medical Education report whose recommendations were adopted at the 2022 AMA Interim Meeting in Honolulu.

The 2019 closing of Philadelphia’s Hahnemann University Hospital is one glaring example of the potential adverse consequences. The closure by a for-profit ownership temporarily left nearly 600 resident and fellow physicians without an accredited graduate medical education (GME) program to continue their training. From 2015 to 2019, the number of investor-owned, for-profit community hospitals in the U.S. rose 19% to more than 1,200 hospitals, the AMA council’s report noted.

Additionally, private equity ownership of teaching hospitals can affect residents and fellows’ ability to qualify for the Public Service Loan Forgiveness Program (PSLF), which is restricted to nonprofit and publicly owned entities.

In an effort to address the potential pitfalls of private equity ownership of GME institutions, the AMA House of Delegates adopted new policy to:

- Affirm that an institution or medical education training program academic mission should not be compromised by a clinical training site’s fiduciary responsibilities to an external corporate or for-profit entity.
- Support publicly funded independent research on the impact that private equity has on graduate medical education.

“While positive developments have been made to implement protections for residents since the unexpected closure of Hahnemann, we are concerned that these changes are only temporary and may not lead to lasting change or prevent dramatic teaching hospital closures from happening again as a result of private equity investment,” said AMA Immediate Past Chair Bobby Mukkamala, MD.
“We will continue to advocate for protections for residents who train in residency programs at private equity-owned teaching hospitals and encourage sponsoring institutions to monitor these programs to minimize disruptions to residency training—not only to ensure continuity of excellent education for physicians-in-training but also ensure they’re able to continue providing much needed care for the communities and patients they serve,” Dr. Mukkamala said.

“This is critically important for safety-net hospitals in underserved urban and rural areas that provide essential services to our most at-risk patients.”

Mergers, acquisitions and doctors

Delegates also directed the AMA to encourage GME training institutions, programs and relevant stakeholders to:

- Demonstrate transparency on mergers and closures, especially as it relates to private equity acquisition of GME programs and institutions, and demonstrate institutional accountability to their trainees by making this information available to current and prospective trainees.
- Uphold comprehensive policies which protect trainees, including those who are not funded by Medicare dollars, to ensure the obligatory transfer of funds after institution closure.
- Empower designated institutional officials to be involved in institutional decision-making to advance such transparency and accountability in protection of their residents, fellows, and physician faculty.
- Develop educational materials that can help trainees better understand the business of medicine, especially at the practice, institution, and corporate levels.
- Develop policies highlighting the procedures and responsibilities of sponsoring institutions regarding the unanticipated catastrophic loss of faculty or clinical training sites and make these policies available to current and prospective GME learners.

In addition, the House of Delegates directed the AMA to encourage:

- Necessary changes in PSLF to allow medical students and physicians to enroll in the program even if they receive some or all of their training at a for-profit or governmental institution.
- Physician associations, boards and societies to draft policy or release their own issue statements on private equity to heighten awareness among the physician community.
- Physicians who are contemplating corporate investor partnerships to consider the ongoing education and welfare for trainee physicians who train under physicians in that practice, including the financial implications of existing funding that is used to support that training.

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