Traditionally, practice settings of dermatology have included academia, hospital systems, solo practice, and single- and multi-specialty group practices. Over time, the number of solo practitioners has continued to decrease significantly. Increasing government regulations, administrative burdens, student debts, and fear arising from healthcare reform have contributed to this trend.

Established dermatologists have looked for avenues to combat these challenges, opening the door for private equity investment in practices. Current discussion at conferences and on social media has involved the pros and cons of private equity pertaining to seasoned dermatologists in practice. However, residents and millennial dermatologists have largely been left out of this discussion, especially as it relates to the future of the dermatology profession.

BACKGROUND

Private equity (PE) refers to group(s) that provide capital to invest in businesses for profit. The eventual goal is quick value addition and shareholder profit when “flipping” or selling the company, usually after a period of three to seven years. Given this paradigm, it seems inevitable that friction may develop between those who value long-term practice stability versus those who seek to maximize profits within a short period of time. In addition, as ownership switches with each sale of the company, the direction of the practice may change, leaving physicians and patients vulnerable.

Notably, the last decade has seen a dramatic rise in the number of private equity backed practices—just 30 PE-backed companies were noted in 2018. Some of these companies have grown to encompass more than 180 practices nationwide. The recent Journal of the American Academy of Dermatology article by Konda et al has shed light on PE in dermatology. In addition, a recent New York Times article has highlighted potential conflicts of interest that may exist within leadership of the American Academy of Dermatology. Social media forums are rampant with polarizing views on private equity, often sparking heated debate, while talks at various conferences often gloss over the impact of PE-backed dermatology practices on young dermatologists.

OPTIONS FOR THOSE NEW TO PRACTICE

When dermatology residents are considering jobs, they are faced with a multitude of factors, such as geography, type of practice model, and employment position. The recent and rapid rise of PE-backed practices has
The landscape has significantly changed from even a decade ago. With rising student debts, numerous midlevel providers performing previously physician performed procedures, the shifting regulatory landscape and increased competition from growing PE-backed practices, one cannot blame graduating residents who may feel apprehensive to open a practice straight out of residency.”

resulted in a new option for graduates. While not all PE-backed practices are the same, many are attempting to attract graduates with guaranteed high salaries for a certain initial number of years and may involve supervision of numerous midlevel providers whose training and quality are unknown to the supervising physician. The opportunity for a small amount of equity in the company may also exist. It should be noted that economic growth in these companies largely benefits corporate investors and physician providers who partnered with PE at an early stage compared to incoming dermatologists.

Additionally, if physicians choose to leave these practices at any time, non-compete clauses may prevent them from working in large regions around the country where the particular PE-backed group has a strong presence.

While PE-backed practices still constitute a minority of practices nationwide, they are rapidly growing every year. However, residents have reported anecdotally that large dermatology recruiting firms openly state that the majority of positions currently available are PE-backed, which is highly misleading. This perception may lead to residents resigning themselves to work for PE-backed corporations without exploring all available practice models.

Research Explores Resident Work Hour Reform

Exposure of physicians to work hour reforms during residency training is not associated with post-training differences in patient mortality, readmissions, or costs of care, according to a study in The BMJ (2019;366:14134).

Researchers attempted to quantify the impact of resident work hour reforms over the last decade. Reforms set in place in 2003 established a maximum 80-hour work week with shift lengths limited to a maximum of 30 consecutive hours. In 2011, shifts were capped at 16 consecutive hours for interns and 28 hours for other trainees. However, 2017 changes reversed some of the caps, increasing total shift hours for interns.

For the current study, researchers analyzed national data from Medicare. They found no subsequent differences in 30-day mortality, 30-day readmissions, or costs of care after completion of residency for individuals affected by the 2003 reforms compared with physicians who completed their residency before the reform.

The authors note there are limitations to their study and urge further research.

—PD Staff
PE-backed practices also rarely disclose their affiliations directly to residents, and the onus is on the resident to ascertain this information. Some PE-backed companies also host resident workshops or board review series that serve to recruit residents to their practice. In addition, some residents have joined independent practices that were later bought by a PE-backed group, and this fact may not have been disclosed to the resident at the time of contract signing. Such a scenario could be avoided by having a “PE buyout” clause that could void a contract if this were to happen.

IMPACT ON ENTREPRENEURSHIP

For young entrepreneurial dermatologists, the picture is grim. The tide toward consolidation is inevitable. If not PE, then it will be hospitals, academic centers, or large multi-specialty groups. I would argue that these latter entities have existed as part of the medical profession for decades with robust physician leadership. In addition, single specialty practices are thriving, and like-minded dermatologists are able to not only navigate the regulatory landscape but provide high-quality care. It’s brazen to assume that we should resign ourselves to being employees for large corporations while so many of our mentors and leaders in the field have paved the way with their own entrepreneurial. With respect to PE, as alluded to in a recent discussion at the 2018 American Society for Dermatologic Surgery conference, once the hotbed of investments cools down, it’s anyone’s guess as to who will be left holding the bag.

With the rapid expansion of PE-backed corporations through collaboration with numerous older generation physicians, younger dermatologists will face stiffer competition in the market place. Additionally, the enormous rise in midlevel providers has also led to increased competition and potential devaluation of what it means to be a board-certified dermatologist. This may leave new graduates feeling pressure from both top and bottom in the current situation. Some established dermatologists may state that this has always been the case, and residents should have the courage to start a practice. However, the landscape has significantly changed from even a decade ago. With rising student debts, numerous mid-level providers performing previously physician-performed procedures, the shifting regulatory landscape, and increased competition from growing PE-backed practices, one cannot blame graduating residents who may feel apprehensive to open a practice straight out of residency.

EXPLORE OPPORTUNITIES

I would argue that the picture is not as dire as what you may be led to believe. During my search for jobs, there were numerous opportunities for those willing to join a solo, small or large single- or multi-specialty practice with the opportunity for partnership. Many mentors are eager to share their wisdom and expertise in hopes of a fruitful partnership. Social media outlets, such as Facebook’s The Board Certified Dermatologists Career Center group, have definitely enhanced this ability to connect dermatologists across generations. The ability of like-minded professionals joining together can ensure no erosion in quality of care and prevent the loss of what it means to be a true professional in our field.

Established practitioners and leaders in dermatology have every right to make decisions that benefit them professionally and personally. They have earned this right. However, as millennials we, implore them to not give up on us. We have worked just as hard to become dermatologists and look to them as role models to safeguard our profession against the potential corporatization and devaluation of our profession. As new graduates, we will continue to put in sweat equity. Whether we do so for the benefit of others or arduously trained as we are, ultimately depends on our choices and collaboration. The demand for dermatology will continue to grow and we as the future stewards of the profession can shape that future.

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6. “Private Practice vs. Private Equity Debate.” 2018 ASDS Conference, Phoenix AZ.

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