

REPORT OF THE BOARD OF TRUSTEES

B of T Report 24-A-19

Subject: Discounted/Waived CPT Fees as an AMA Member Benefit and for Membership Promotion (Resolution 607-A-18)

Presented by: Jack Resneck, Jr., MD, Chair

Referred to: Reference Committee F
(Greg Tarasidis, MD, Chair)

1 At the 2018 Annual Meeting, the House of Delegates referred Resolution 607, "Discounted/
2 Waived CPT Fees as an AMA Member Benefit and for Membership Promotion," to the Board of
3 Trustees. Resolution 607, introduced by New York Delegate, Dr. Gregory L. Pinto, asked:

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5 That our American Medical Association (AMA) investigate mechanisms by which Members
6 may receive a discount or waiver on CPT-related fees, specifically the fees associated with
7 using CPT codes within electronic medical billing systems.

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9 BACKGROUND ON AMA MEMBERSHIP DUES AND BENEFITS

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11 As the largest association of physicians and medical students in the United States, the AMA
12 provides a wide range of benefits and services to its members. In turn, members pay annual dues in
13 accordance with their career progression, from medical students to residents and fellows to
14 physicians. For example, dues applicable to first year medical school students are less than those
15 applicable to physicians. Membership dues applicable to physicians are graduated over their first
16 five years in practice, such that physicians pay full regular practice dues (i.e. \$420) only after four
17 years of medical practice. The AMA seeks to support physicians in the most prudent and direct
18 ways possible. The AMA typically offers its physician members discounts on AMA-developed
19 products sold directly to those members, such as published books, journals and newsletters.

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21 EXPLANATION OF CPT LICENSING AND ROYALTIES

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23 The Current Procedural Terminology (CPT) code set user-base is diverse and varied, and the AMA
24 does not distinguish different types of users from one another, e.g., a nurse and a medical claims
25 specialist both use CPT. In fact, approximately two-thirds of CPT users are not eligible for AMA
26 membership because they are not physicians or medical students. CPT is typically licensed by
27 organizations for all users of CPT – irrespective of user type – and the AMA does not receive
28 information identifying the individuals covered under an organization's license.

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30 Additionally, the majority of CPT licensing is completed by third party distributors such as
31 software vendors (e.g., vendors of electronic medical billing systems) that embed CPT in their
32 products to enable critical healthcare functions. Hundreds of such organizations contract with the
33 AMA to distribute CPT domestically and globally. Distributor agreements specify a method of
34 calculating a royalty due to the AMA from the distributor, but do not dictate the amount of CPT
35 royalties (if any) to be charged by the distributors to their client, i.e. the end users of CPT. The
36 AMA also does not dictate how distributors contract with their end user customers and these

1 practices vary widely. Some distributors elect to absorb the cost of CPT royalties paid to the AMA,
2 or embed the cost into the cost of their product(s), while others choose to directly pass the cost
3 through to their customers. Some distributors license their software (and in turn CPT) based on
4 aggregate user counts, do not track the identities of specific users, and as a result, are unaware of an
5 individual physician's usage of their product or that physician's membership status with the AMA.
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7 As for CPT licensees who contract directly with the AMA (rather than through a distributor), most
8 are large or mid-sized health systems, hospitals or practices. As mentioned above, the AMA does
9 not receive information identifying specific users covered under the CPT license and thus is not
10 able to confirm which users are physicians and whether any such physician user is an AMA
11 member. We note that small practices with 25 or fewer CPT users are currently eligible for CPT
12 royalty discounts between 13 and 22% when an AMA physician member purchases the license
13 directly from the AMA, as AMA physician membership can be confirmed in this limited situation.
14 The discount is applied to the entire license, not just the pro rata portion related to the individual
15 physician member.
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17 DISCUSSION

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19 The CPT code set is a mission-driven product, which means that its royalties, like those from
20 *JAMA* and other AMA assets, are used to carry out the mission to promote the art and science of
21 medicine and the betterment of public health, to the benefit of all physicians and patients.
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23 Development of a new CPT licensing and distribution process to administer a membership-based
24 discount is at best impractical, requiring a complete reinvention of the AMA's licensing and
25 distribution model, renegotiation of hundreds of contracts, and the introduction of cumbersome
26 business processes that AMA's distributors are unlikely to accept. It would also require high
27 volume and high frequency exchange of sensitive data and a large data reconciliation process. This
28 approach would be inefficient, burdensome and costly for the AMA, the AMA's distributors and
29 the distributors' licensees. Even if these significant changes were undertaken, it is unclear that
30 savings would be delivered to AMA members, as distributors (often commercial companies) have
31 different interests than membership organizations.
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33 CONCLUSION

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35 The AMA enhances its ability to achieve its mission by managing its assets in a fiscally prudent
36 manner. Expanding CPT discounts beyond direct licensees would present significant policy,
37 operational and contractual challenges that would divert resources from other important endeavors
38 and result in unnecessary cost to the AMA. It is also very likely that the benefits of these discounts
39 would accrue to distributors or licensee organizations rather than to AMA member physicians.
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41 RECOMMENDATION

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43 Through the analysis that led to this report, an opportunity was identified to improve AMA
44 member benefits for direct licensees with 25 or fewer users by increasing their discount to 30%.
45 This change will go into effect for the 2020 CPT data file. The increased discount will enable the
46 AMA to continue to support its mission, while having a positive impact on AMA members in small
47 practices. This is also consistent with other AMA Membership discount programs. Consequently,
48 the Board of Trustees recommends that Resolution 607-A-18 not be adopted and that the remainder
49 of this report be filed.