

# YOUR P<sup>⚡</sup>WERFUL ALLY IN PATIENT CARE

2023 ANNUAL REPORT

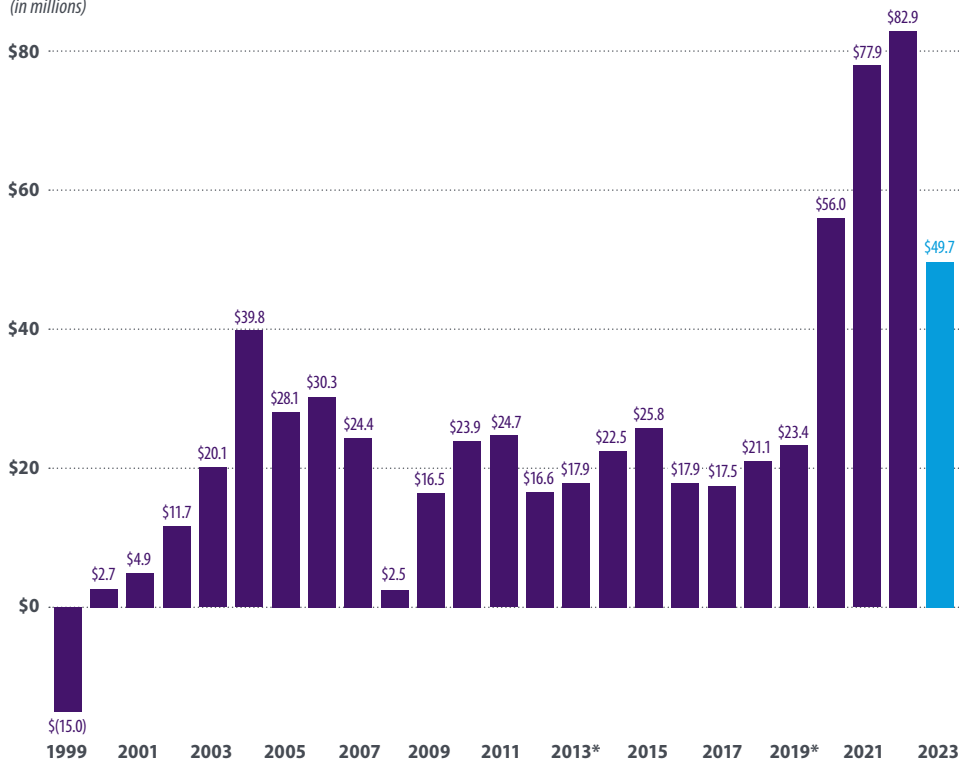


# FINANCIAL HIGHLIGHTS

(Dollars in millions)	2023	2022
Revenues	\$ 495.1	\$ 493.4
Cost of products sold and selling expense	27.8	30.6
General and administrative expenses	412.5	375.5
Operating results	49.7	82.9
Non-operating items	101.7	(117.9)
Changes in defined benefit postretirement plans, other than periodic expense, net of tax	(17.3)	29.4
Change in unrestricted equity	134.1	(5.6)
Change in donor restricted equity	(0.1)	0.1
Change in association equity	\$ 134.0	\$ (5.5)
Association equity at year-end	\$ 1,023.4	\$ 889.4
Employees at year-end	1,314	1,267

## Association operating results

(in millions)



\* Pro forma operating results: 1) 2013 excludes \$33 million in nonrecurring charges relating to AMA's headquarters relocation and 2) 2019 excludes \$36.2 million noncash pension termination expense reclassification from non-operating results.

2020 through 2022 results were impacted by a lack of travel due to the pandemic, as well as a hiring freeze and subsequent tight labor market. These savings were temporary in nature.

# The story of the American Medical Association in 2023 was one of collective achievement, resolute leadership and powerful advocacy on behalf of physicians.

The AMA stood up to challenges against physicians and medical practice at the highest levels, including launching a campaign to stop short-term payment cuts to physicians while at the same time calling for significant reform of the overall Medicare physician payment system. The AMA also secured victories to defend scope of practice and reduce burdens from prior authorization—making meaningful progress in our AMA Recovery Plan for America’s Physicians.

In doing so, the AMA reinforced its role as the Physician’s Powerful Ally in Patient Care throughout 2023. We continued to remove obstacles that interfere with patient care and are known to drive physician burnout. We advanced innovative solutions to tackle health care’s most significant challenges while reimagining medical education, training and lifelong learning. And we continued to lead the charge to prevent chronic disease, improve health outcomes and eliminate inequities across health care.

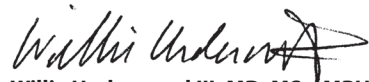
Achieving significant wins for patients in 2023, AMA advocacy yielded more than 100 state-level victories against inappropriate scope of practice expansions by working closely with state medical associations. To advance solutions that promote physician well-being, the AMA recognized 72 hospitals and health systems in its Joy in Medicine™ Health System Recognition Program, which elevates and promotes best practices in caring for physicians and patients.

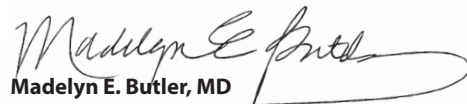
The AMA proudly announced the launch of the Rise to Health Coalition, a first-of-its-kind national initiative co-led by the AMA and the Institute for Healthcare Improvement and supported by numerous collaborators, including Race Forward. This innovative approach to eliminating historic inequities in health aligns multiple sectors—including health care organizations, physicians and other health care professionals—under a common framework and unified vision.

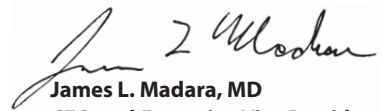
This work was made possible by another strong financial performance in 2023 and an impressive 3.4 percent growth in AMA’s dues-paying members. The hard work of dedicated AMA leadership and talented staff across

the organization continues to shape a vibrant, more fully engaged and more collaborative health care community, and paves the way for continued action and greater strength going forward.


Knocking down obstacles and overcoming challenges is deeply embedded in the AMA’s DNA. With health care rapidly evolving, physicians and patients are looking to us to make sense of these changes and help them find their footing in an unfamiliar landscape. We are committed to this work, to always promoting the art and science of medicine and the betterment of public health, and to always placing the needs of physicians and patients at the core of our efforts and advocacy.

  
**Willie Underwood III, MD, MSc, MPH**  
Chair, Board of Trustees

  
**Madelyn E. Butler, MD**  
Finance Committee Chair, Board of Trustees

  
**James L. Madara, MD**  
CEO and Executive Vice President



On the following pages you'll explore the progress we've made throughout 2023 across all initiatives. To quickly identify our highest priority initiatives related to the AMA Recovery Plan for America's Physicians, look for this symbol: 



**“The AMA has been a vital asset to the states.**

The amount of research the AMA does is invaluable.”

Claude Brunson, MD  
AMA member since 1984  
*On scope of practice*

**Medicare payment is broken**  
988 views · 2 months ago · #AMAUpdate

American Medical Association

10 Share

Help our Medicare advocacy efforts. Scan to watch, then share.

# DEFENDING THE PRACTICE OF MEDICINE

In 2023 the AMA vigorously defended medicine across the country to keep care where it belongs: between physicians and their patients.



More than 100 state-level scope of practice wins in partnership with state medical associations and medical specialty societies

## Keeping physicians at the center of medical care

Patients deserve care led by physicians. Through research, advocacy and education, the AMA in 2023 continued its work to stop inappropriate scope of practice expansions that threaten patient safety.

We promoted physician-led, team-based care and helped defeat legislation across the country that would have allowed:

- Physician assistants to practice independently without physician oversight.
- Pharmacists to prescribe medications.
- Optometrists to perform surgery.
- Scope of practice expansion for nurse practitioners and other APRNs.

To ensure more transparency in health care, the AMA worked with multiple state medical associations to introduce new or strengthen existing “Truth in Advertising”

laws so that patients know if the person providing care to them is a physician—or not. Two states enacted such laws in 2023.

## Reforming the Medicare payment system

Last year the AMA continued to lead efforts to reform the Medicare payment system to eliminate the threat of annual payment reductions and implement solutions that would increase payments in line with annual increases in the cost of providing care. The AMA was able to secure the introduction of a number of bipartisan policies and significantly grew support for those solutions throughout the year.

## Opposing efforts to undermine physicians

The AMA has continued to serve as a powerful voice for physicians in federal and state courts around the country on a broad range of issues, including several cases before the U.S. Supreme Court.

Working with state and federal policymakers, the AMA continued to oppose legislation and laws that interfere with the practice of medicine, including cases in which physicians are facing criminal, civil or administrative penalties for providing necessary care.

“I am so grateful that we have an organization that says **‘we’re not going to stand for this.’**”

Rasmeet Kaur Miller, MD  
AMA member since 2019  
*On the crisis of physician burnout*



The sold-out 2023 American Conference on Physician Health focused on bringing back the joy in medicine.

Follow us on social!



# CHAMPIONING PHYSICIAN WELL-BEING

In a recent survey co-authored by the AMA, nearly 63 percent of physicians reported symptoms of burnout. We know that reducing burnout is integral to the delivery of high-quality patient care and health system sustainability. In 2023 the AMA continued its work to tackle the root causes of burnout and developed effective advocacy, research and resources needed to help physicians increase professional satisfaction and rediscover joy in their work.

## Empowering health systems to reduce burnout

The AMA continues to expand its work in promoting physician wellness through the AMA Joy in Medicine™ Health System Recognition Program. This program is committed to advancing the science of physician burnout and recognizes those systems that are dedicated to organizational well-being. In 2023 the AMA recognized 72 health systems—bringing the total number of currently recognized organizations to 96.

## Developing evidence-based resources for well-being and resiliency

The AMA is committed to developing evidence-based programs and resources dedicated to improving mental health and resiliency. Last year alone, we provided more than 100 new and updated AMA STEPS Forward® resources—including toolkits, webinars and podcast episodes—focused on reducing physician burnout and improving patient care.



2 million users have accessed the AMA STEPS Forward program to reduce burnout and improve patient care and practice efficiency.

## Reducing the stigma of mental illness

Fear of repercussions and stigma associated with seeking care for mental health issues remains a huge barrier to physicians in getting the care they need. The AMA is part of a growing nationwide effort to remove stigmatizing mental health questions from applications for state licensing and credentialing applications used by medical groups, hospitals and health plans. As a direct result of the AMA's education and advocacy, 15 state medical boards, health systems and credentialing bodies removed potentially stigmatizing questions about mental illness from their applications, resulting in a huge step forward for physician well-being.

“The AMA is developing great policy at state and national levels that is making an impact and **improving patient care.**”

Carolynn Francavilla Brown, MD  
AMA member since 2007  
*On prior authorization*



AMA Past President Jack Resneck Jr., MD, talks on an episode of AMA Update about the work that led up to our big prior authorization win for physicians.



View this and other interviews on our AMA Update video and podcast series.

# REMOVING OBSTACLES TO PATIENT CARE

In 2023 the AMA worked tirelessly to address the burdens that get in the way of patient care. Last year we saw a number of hard-earned results that came from our direct efforts to put the needs of physicians and patients first.

**\$15 BILLION IN SAVINGS  
FOR PHYSICIANS**

and getting patients the care they  
need without delay  
(January 2024 CMS final rule  
on prior authorization)

## Fixing prior authorization

Prior authorizations often come at the expense of patients and physicians. That's why the AMA stands up to insurance companies to eliminate care delays, relieve physician burdens—and save patients' lives.

As a direct result of AMA advocacy efforts throughout 2023, the Centers for Medicare & Medicaid Services announced a final rule in early January 2024 that requires government-regulated health plans to reduce the timeframes for prior authorization decisions and to publicly report program metrics. This final rule will make important reforms to prior authorization that cut patient care delays and electronically streamline the process for physicians. Together, these changes will save physician practices an estimated \$15 billion over 10 years, according to the U.S. Department of Health and Human Services.

In 2023 we also worked with state medical associations across the country to enact prior authorization reform using AMA model legislation, data, testimony and other resources that resulted in more than 30 states introducing legislation—and at least nine new states enacting prior authorization laws.

## Increasing access to life-saving medication

The AMA successfully advocated to make naloxone available over the counter and continued to advocate for responsible pricing and insurance coverage for this life-saving medication. We also advocated for revisions to the CDC's opioid prescribing guidelines that resulted in the CDC removing its dose and quantity thresholds for treating patients experiencing pain.

## Maintaining access to care

The AMA successfully advocated to achieve passage of legislation to extend Medicare telehealth coverage through 2024. The 2024 Medicare payment rule preserves key telehealth policies, ensuring Medicare patients throughout the country (not only from rural areas) will continue to receive access to telehealth.

# 2023 IN REVIEW

The AMA rapidly delivered an educational offering through the AMA Ed Hub™ to help **physicians meet the new DEA MATE requirements** on substance use disorders and addiction. This offering was deployed within 24 hours of the new regulation issuance and significantly contributed to increased AMA Ed Hub engagement as well as membership growth.

 **226,000+**  
messages to Congress

from patients and physicians in our **FixMedicareNow.org** grassroots effort

Convened the first annual **JAMA Summit**, bringing together 60+ leaders in medicine to discuss ways to improve the clinical trials enterprise. In early 2024, the pages of **JAMA®** will elaborate on the themes and innovative ideas that emerged from these discussions.

Through its Center for Health Equity, the AMA continued to strengthen physician and health system understanding and engagement around advancing equity. We launched the **National Health Equity Grand Rounds**, resulting in more than 11,000 viewers for important discourse about how to advance health equity, and we continued to publish the **Prioritizing Equity Series**, reaching 47 episodes.

In support of CDC's Project Firstline, the **AMA launched resources on infection prevention and control**, including webinars, podcasts and townhalls, so that frontline health care professionals can protect patients, coworkers and themselves from infectious disease threats.

To better meet the needs of academic researchers, **JAMA optimized the JAMA Express publication pathway** by promising to move select accepted manuscripts to publication within four weeks of submission.

 **37 MILLION**


the record-breaking number of readers, listeners and viewers who consumed **AMA digital content** in 2023 (excluding *JAMA* and AMA Ed Hub)

In 2023 the AMA established the **Firearm Injury Prevention Task Force**. The task force convenes subject matter experts across medical specialties to inform the development of resources for physicians and trainees to increase counseling of high-risk patients and awareness of available interventions.

To help ensure future physicians receive standardized training on how to consistently take accurate blood pressure measurements, the **AMA awarded financial grants** to eight academic institutions representing 18 total training programs for health care professionals including future physicians, nurses, physician assistants and pharmacists.

We held our bi-annual AMA ChangeMedEd® national conference from Sept. 27-29 in Chicago. This event brought together more than 500 leaders and innovators in medical education and related health care fields to catalyze change in medical education and **transform the way future physicians and residents are trained**. Nearly 150 presenters led more than 75 sessions including plenary sessions on educator well-being in medical education, reimagining residency, precision education, and equity, diversity and belonging.

The AMA announced Leelabati Biswas, a Rutgers Robert Wood Johnson Medical School MD/PhD candidate, as the winner of the **2023 AMA Research Challenge** and recipient of a \$10,000 grand prize, presented by Laurel Road. We received nearly 1,200 submissions, with 800 selected to present in our poster symposium. The top 50 scored posters competed in our semifinals and were scored by judges and AMA members, and the top five advanced to the finals and presented to a panel of physician experts.




**8.6 million**  
YouTube views

Thanks to policy guidance provided by the AMA, five states passed bills that mandated Medicaid coverage of self-measured blood pressure devices and clinical support services, **increasing access for many underserved populations** in those states.

The AMA completed and published the inaugural **Health Equity in Organized Medicine survey**, which included responses from 68 organizations within the Federation of Medicine. We also hosted Health Equity Forums at our AMA House of Delegates meetings, reaching more than 680 delegate physicians.

As the application of augmented intelligence (AI) continues to grow and promises to transform health care, the AMA, in partnership with the University of Michigan, created a new online learning series **“AI in Health Care”** that introduces learners to foundational principles in AI and machine-learning.

*JAMA* also launched a new video and podcast series on **“AI and Clinical Practice”** to keep physicians informed on AI’s promise to transform treatment, training, research and publishing.



**125 billion**  
AMA media  
impressions

from more than 40,000 media stories on critical AMA issues

The **AMA Ed Hub, the AMA’s online education platform**, achieved unprecedented growth in users and engagement (compared to 2022):

<b>46% INCREASE</b>	SESSIONS INCREASED TO 3.7 MILLION
<b>72% INCREASE</b>	EDUCATION ACTIVITY USAGE INCREASED TO 3.6 MILLION
<b>63% INCREASE</b>	COURSE ASSESSMENT COMPLETIONS INCREASED TO 615K
<b>120% INCREASE</b>	UNIQUE NEW USER REGISTRATIONS UP 125K

In addition the AMA Ed Hub continued to expand its educational offering by signing on 14 new organizations to feature their education on the platform, bringing the total number of partners to 50.

The AMA continues to support faculty development through the **AMA Health Systems Science Scholars program** and the Coaching Implementation Workshop, with each program now having trained more than 200 faculty members from across the United States to advance these innovations in medical schools and residency programs.

The AMA piloted a **new physician credentialing solution** that improves the complex credentialing process for physicians and the health care industry. **VeriCre** addresses inefficiencies in credentialing by providing centralized, trusted and authoritative data that can be used to pre-populate applications and is designed to work with the varied workflows and software solutions within health care systems and institutions.

The AMA **released a how-to guide on integrating behavioral health care** for older adults and a behavioral health coding resource for physicians and care teams to leverage when administering behavioral health preventive services, screening and/or treatment plans.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Introduction

The objective of this section is to help American Medical Association (AMA) members and other readers of our financial statements understand management's views on the AMA's financial condition and results of operations. This discussion should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements.

Improving the health of the nation is at the core of the AMA's work. As the physicians' powerful ally in patient care, the AMA delivers on this mission by representing physicians with a unified voice in courts and legislative bodies across the nation, removing the largest governmental and private sector obstacles that interfere with optimal patient care, leading the charge to prevent chronic disease and confront public health crises, and driving the future of medicine to tackle the biggest challenges in health care and training the leaders of tomorrow. AMA's strategic arcs are supported by improving health outcomes, lifelong medical education and enhancing physician professional satisfaction and practice sustainability. Our advocacy, health equity and innovation initiatives act as accelerators across all arcs. AMA's foundation is built on science, membership, financial performance, marketing and communication, and talent and engagement.

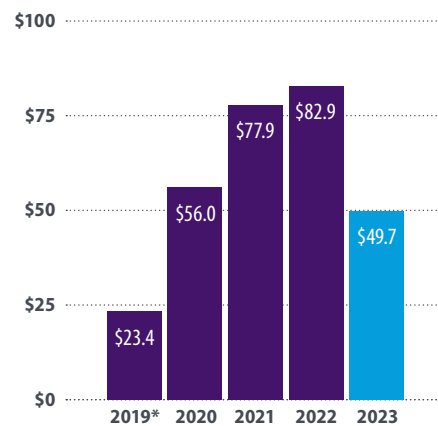
2023 priorities continued to be led by the AMA Recovery Plan for America's Physicians, focusing on five key goals to re-build health care so that it works better for physicians and all those they serve: 1) fixing prior authorization to reduce the burden on practices and minimize care delays for patients; 2) reforming Medicare payment to promote thriving physician practices and innovation; 3) stopping scope creep that threatens patient safety; 4) supporting telehealth to maintain coverage and payment; and 5) reducing physician burnout and addressing the stigma around mental health. For example, through research, advocacy and education, the AMA continued to defend the practice of medicine against scope of practice expansions that threaten patient safety. Through AMA's work with the Center for Medicare & Medicaid Services (CMS), major prior authorization reforms under Medicare Advantage were achieved. The AMA facilitated over 226,000 contacts to Congress from patients and physicians as part of our FixMedicareNow.org grassroots campaign.

The results for 2020 through 2022 were dramatically impacted by the COVID-19 pandemic. Early in 2020, the AMA, like all other organizations, recognized that there was substantial uncertainty about the effects and risk of COVID-19 on our funding, financial condition, and results of operations. As a result, AMA took steps to ensure that programmatic activities and employment levels would be protected during a sustained pandemic, knowing the potential for economic uncertainty. AMA lifted a freeze on hiring

in the spring of 2021, but the level of open positions remained high through 2022 as the job market was very tight. Vacancies and limited travel for most of the three years garnered substantial savings that were temporary in nature resulting in unusually high operating income for AMA. Open positions were at a record high at the end of 2022 and although they dropped substantially by the end of 2023, remained above normal levels, providing over \$15 million in unplanned vacancy savings for 2023.

## Pro forma net operating results

(in millions)



\*Excluding the \$36.2 million non-cash pension termination charge

Looking forward, the AMA's 2024 budget assumes that vacancies will revert to normal levels and, with expansion of certain programmatic areas, expenses will increase, resulting in operating income at the board approved policy level.

The AMA is committed to its responsibility of ensuring that the organization focuses its finite resources on strategic arcs, accelerators and core mission activities while improving the quality and breadth of products and services for physicians and medical students. Our physicians' and medical students' voices are central to AMA's overall success.

The following pages discuss the 2023 consolidated financial results as compared to 2022. Additional detailed discussion of operating unit results is included in the section titled "Group Operating Results."



# Consolidated financial results

## Results from operations

### Net operating results

(in millions)



As noted above, the unusually tight labor market that adversely impacted hiring and limited travel and in-person meetings through the first half of 2022 were major factors in spending levels running substantially less than budget during 2020 through 2022.

In 2023, AMA revenues were largely unchanged from the prior year, while expenses moved closer to budgeted levels, increasing \$34.2 million, resulting in a substantial decline in operating income compared to 2022.

In 2019, the AMA finalized termination of its defined benefit pension plan, providing lump sum payments to individuals that elected that option and purchasing a group annuity plan for participants that chose to remain in the plan. AMA recorded a \$38.2 million noncash reclassification of prior actuarial losses from non-operating expense to operating expense, titled pension termination expense, as well as reclassifying a \$2 million noncash tax benefit to income tax expense that was previously reported as a non-operating credit.

Excluding the \$36.2 million noncash pension termination expense (net of the \$2 million tax credit), AMA would have reported \$23.4 million in net operating income for 2019, shown as pro forma on the preceding page.

Results discussed below reflect AMA's actual results from operations in 2023 as compared to 2022. Any pro forma charts exclude the impact of the pension termination on 2019 results.

## Revenues

In 2023, total revenue increased slightly, up by \$1.7 million over the prior year. Continued growth in AMA's royalties and increased investment income were largely offset by the absence of \$14.3 million in one-time recognition of deferred revenue upon liquidation of a subsidiary company of Health2047, Inc. (Health2047) in 2022 and a decline in publishing print advertising.

Consolidated investment income, which is dividend and interest income, net of management fees, increased in 2023, impacted in large part by higher interest rates. Market gains or losses are not included in investment income and are reported as non-operating results.

The number of AMA dues paying members increased by 3.4 percent in 2023, the 12th year of growth in the past 13 years. During that 13-year period, AMA dues paying membership increased by over 81,000. Dues revenue declined 1.5 percent in 2023 as growth in lower dues paying categories such as group memberships and sponsored memberships partially offset the decline in individual direct member categories.

Most other revenue categories were either slightly down or unchanged for the year.

## Cost of products sold and selling expenses

All variable expenses related to the production, distribution and sale of periodicals, books, coding products and licensed products are included in the cost of products sold and selling expense categories. Examples include paper, sales commissions, promotional activities, distribution costs and third-party editorial costs.

In 2023, cost of products sold and selling expenses decreased \$2.8 million from the prior year, mainly due to the prior year inclusion of a \$2.7 million one-time recognition of deferred costs related to the Health2047 subsidiary's liquidation.

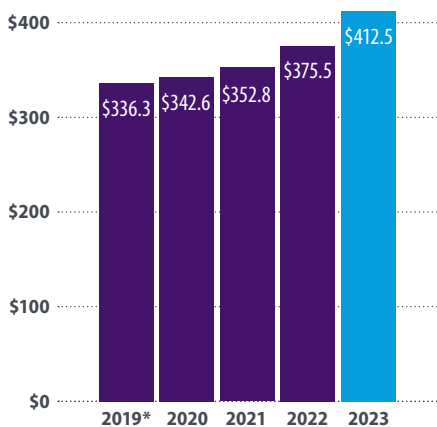
## Contribution to general and administrative expenses

Cost of products sold and selling expenses are deducted from revenues to determine the amount of money available for the general and administrative expenses of the organization. Contribution to general and administrative expenses measures the gross margin derived from revenue-producing activities.

The contribution to general and administrative expenses increased \$4.5 million to \$467.3 million in 2023, with a small revenue improvement coupled with the absence of the one-time recognition of the Health2047 subsidiary's deferred costs accounting for most of the change.

## Pro forma general and administrative expenses

(in millions)



\*Excluding the non-cash pension termination charge

General and administrative expenses rose only \$37 million in 2023, or just under 10 percent, when compared to 2022. This was substantially less than the \$66.5 million budgeted increase for 2023, with over \$27 million in nonrecurring savings related to staffing, professional services and travel still impacting results.

Compensation and benefits increased \$27.3 million in 2023, up over 11 percent. Compensation, including temporary help, was \$17 million higher in 2023, a 7.2 percent increase which was a function of annual merit increases plus filling open positions. Fringe benefit costs increased \$2.8 million in total primarily due to higher medical, 401(k) plan and payroll tax expenses. Incentive compensation increased \$8.1 million after a \$7.8 million decline in 2022, as key performance indicators were achieved or exceeded in 2023.

Occupancy costs were largely unchanged as increased operating costs due to full return to the office were offset by reduced rent expense. In late 2022, AMA exercised a contraction option in the main headquarters lease whereby AMA relinquished one full floor of office space beginning in 2023 upon payment of a termination penalty. In late 2023, AMA negotiated an extension of the current headquarters lease in return for future contraction options and lease incentives. The impact will be amortized over the life of the lease.

Travel and meeting costs increased by \$5.2 million in 2023, as AMA resumed in-person meetings and travel for the full year. Technology costs were up \$4.4 million in 2023, due to cost increases and continued development of major AMA technology platforms for business units such as Publishing, Insurance Agency, and Membership marketing. As more technology moves to the cloud, costs associated with the technology platforms will be reflected in operating expense instead of capitalized as an asset and depreciated. This model has the benefit of reducing the need for in-house development expertise but also exposes AMA to more price risk from vendors.

Marketing and promotion costs remained largely unchanged in 2023. One-time approved marketing and media costs related to the launch of the AMA Recovery Plan for America's Physicians and membership promotion declined \$1.6 million but was offset by a \$1.1 million increase for the Advocacy marketing campaign on Medicare payment reform.

Outside professional services increased \$0.5 million in 2023, primarily in the strategic arcs, accelerators and core mission activities, led by a \$2 million increase in Advocacy related to the Physician Practice Survey and grassroots efforts supporting the Medicare payment reform campaign.

Other operating expenses were largely unchanged in 2023 as a write off of software and costs associated with liquidating a Health2047 affiliate were largely offset by a reduction in online subscription costs.

## Operating results before income taxes

The AMA reported \$54.8 million in pre-tax operating income in 2023 compared to \$87.3 million in 2022. The prior year reflects substantially reduced expenses due to pandemic restrictions on travel and meetings, staffing freezes and tight labor markets. The current year results include over \$20 million in savings that is expected to diminish in 2024 as AMA continues to see improvement in recruiting.

## Income taxes

Taxes increased \$0.7 million in 2023 when compared to 2022, reflecting higher taxable income in one of the subsidiaries.

## Net operating results

Net operating income was \$49.7 million in 2023 compared to \$82.9 million in 2022, driven mainly by expenses starting to return to normal levels.

## Non-operating items

The AMA reported a \$105 million gain in the fair value of its portfolio during 2023, recovering much of the \$115.1 million loss from 2022. Additional portfolio performance information is discussed in the group operating results section.

As a result of an accounting standard adopted in 2019 for postretirement benefit plans, non-operating results include \$3.9 million and \$3.5 million in postretirement plan interest expense and recognized actuarial losses and prior service credits for 2023 and 2022, respectively.

## Revenue in excess of (less than) expenses

Revenues exceeded expenses by \$151.4 million in 2023, a combination of \$49.7 million in operating income, \$105 million gain in fair value in the portfolio and \$3.3 million in other non-operating expenses. The opposite occurred in 2022, where expenses exceeded revenues by \$35 million, a combination of \$82.9 million in operating income, the \$115.1 million loss in fair value in the portfolio and \$2.8 million in other non-operating expenses.

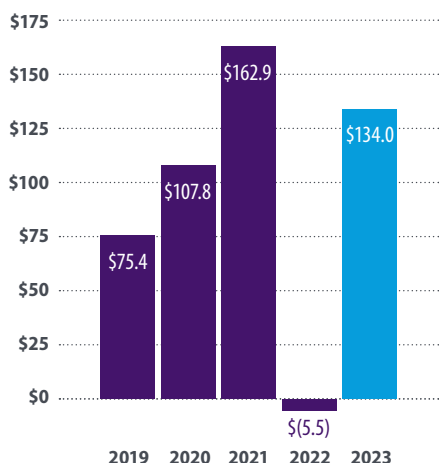
Accounting standards require organizations to recognize deferred actuarial losses and prior service credits or charges for defined benefit postretirement plans as a charge or credit to equity.

In 2023, AMA recorded a \$17.3 million charge to equity reflecting an actuarial loss for the postretirement health care plan, net of a reclassification of actuarial gains to operating expense and income tax. The loss resulted primarily from a change in the initial health care cost trend from 7.0 percent to 8.5 percent and less favorable claims cost experience.

In 2022, AMA recorded a \$29.4 million credit to equity reflecting an actuarial gain for the postretirement health care plan, net of a reclassification of actuarial losses for the plan to operating expense and income tax. The gain resulted primarily from higher interest rates that reduced the present value of plan liabilities.

## Change in total association equity

(in millions)



The AMA reported a \$134 million increase in association equity in 2023. This reflects the amount by which revenues exceeded expenses, less the charge to equity for changes in defined benefit postretirement plans discussed above, as well as a small decrease in donor-restricted equity.

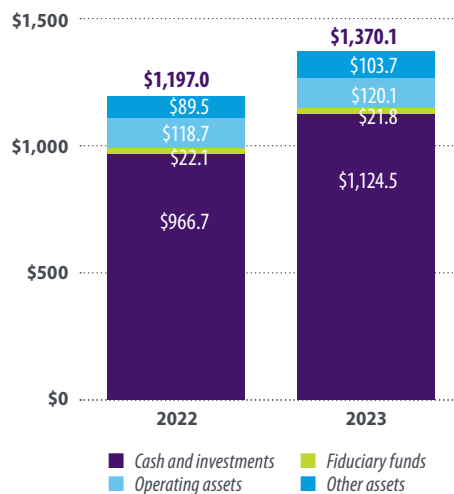
The AMA reported a \$5.5 million decrease in association equity in 2022. This reflects the amount by which expenses exceeded revenues, plus the credit to equity for changes in defined benefit postretirement plans discussed above, as well as a slight increase in donor-restricted equity.

## Financial position and cash flows

The AMA's assets include cash, cash equivalents and investments; operating assets such as accounts receivable, inventory and prepaid expenses; fixed capital such as equipment, information technology hardware and software; and other assets. AMA assets are supported by association equity, operating liabilities and deferred revenue.

### Assets

(in millions)



The AMA's total assets increased \$173.1 million in 2023. This includes a \$157.8 million increase in cash and investments resulting from \$61.5 million in free cash flow plus a \$105 million gain in the fair value of investment securities less \$8.7 million for investments in affiliates.

Fiduciary funds are premium payments from insurance customers not yet remitted to the carriers and funds held by the AMA for third parties for future use as approved by the third parties. This approximates the offsetting liability titled insurance premiums and other fiduciary funds payable.

Operating assets increased slightly in 2023, primarily due to an increase in accounts receivable. Changes in operating assets from year to year are largely due to timing of cash flows.

Other assets include operating lease right-of-use assets, property and equipment, investment in affiliates and investments in mutual funds maintained in separate accounts designated for various nonqualified benefit plans that are not available for operations. Operating lease right-of-use assets increased \$12.2 million in 2023 largely due to the extension of AMA's current headquarters lease in return for contraction rights and lease incentives. Property and equipment net book value decreased as new capital spending was exceeded by annual depreciation and

amortization of existing capital assets while AMA's investment in affiliates increased by \$6.4 million as investments of \$8.7 million were reduced by AMA's share of the affiliates' operating losses.

Operating liabilities increased \$33.3 million in 2023, led by increases in the postretirement health care plan liabilities, lease liability and accrued payroll. The postretirement health care plan liability increase was a function of the impact of a higher projected health care cost trend and adverse claims experience on the actuarially computed present value of plan liabilities. The \$5.8 million lease liability change includes an increase in the present value of the headquarters liability resulting from extending the lease as noted above, reduced by cash payments in excess of rent expense.

Deferred revenue represents funds received during the year that will not be recognized as income until the following year or thereafter. These amounts vary, as well as accounts payable and accrued expenses, depending on the timing of cash receipts and payments.

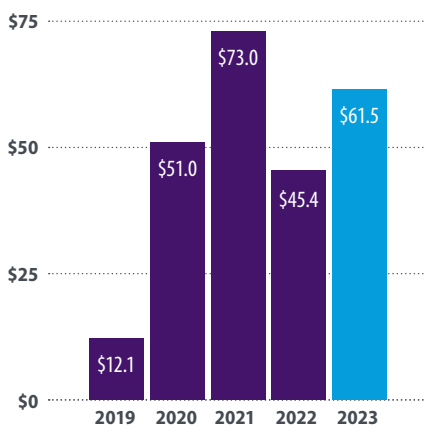
## Cash flows

Cash, cash equivalents and donor-restricted cash increased \$2.6 million and \$1.4 million in 2023 and 2022, respectively. This comparison may cause misleading conclusions, as the change in cash and cash equivalents includes reductions for amounts invested in marketable securities, as well as cash inflows from non-operating activities.

Free cash flow measures the AMA's ability to fund operations, capital expenses and major programmatic initiatives from funds generated from operations. This measure excludes non-operating gains and losses.

## Free cash

(in millions)

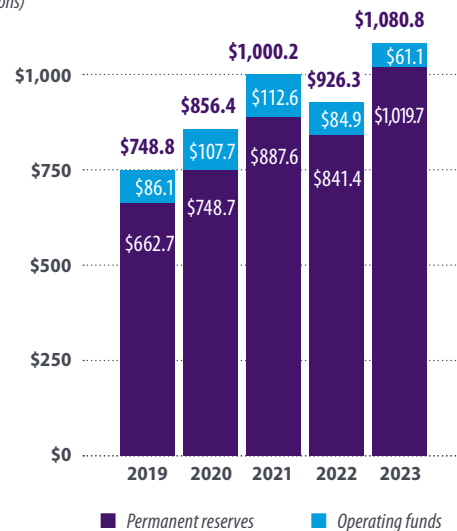


Free cash in 2023 totaled \$61.5 million, \$16.1 million higher than 2022, as changes in operating assets and liabilities more than offset the reduction in cash operating income.

# Reserve portfolio

## Reserves

(in millions)



The reserves and operating funds above do not include cash and investments in the for-profit subsidiaries and reflect only the not-for-profit entity's cash and investment portfolio values.

As of year-end 2023, the reserve portfolio's value was \$1,019.7 million compared to \$841.4 million in 2022, a \$178.3 million increase. That increase was mainly the result of a \$104.5 million gain in the fair value of the reserve portfolio plus a \$74.2 million transfer of 2022 excess operating funds to reserves. Operating funds totaled \$61.1 million in 2023, down \$23.8 million from 2022.

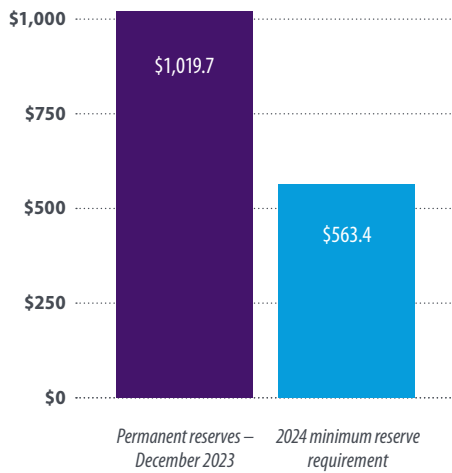
The AMA has established a required minimum reserve investment portfolio level that is adequate to cover 100 percent of annual general and administrative expenses (excluding grant expenses) plus an amount sufficient to pay long-term postretirement and lease liabilities (net of the right-of-use asset value). Operating funds, coupled with operating assets, are to be maintained at a level that allows payment of all operating liabilities.

AMA's reserves provide the backbone for the organization's long-term viability and independence, currently operating as a quasi-endowment fund, with a goal of achieving levels that could generate adequate funding to ensure the long-term future of the organization.

Reserve portfolio funds also provide the AMA with the ability to fund major strategic spending initiatives not within the operating budget. Spending from reserve funds is limited to dollar- or time-limited initiatives and capped at the amount by which reserves exceed the minimum requirement. Reserves may not be used for ongoing operating expenses. The Board of Trustees must authorize any use of reserves.

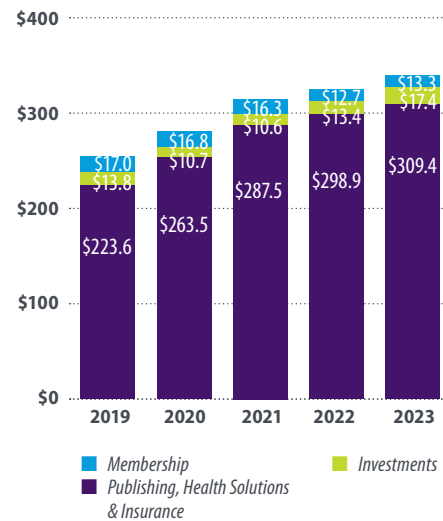
## Permanent reserves and minimum reserve requirement

(in millions)



## Contribution margin

(in millions)



## Group operating results

The AMA is organized into various operating groups: Membership; Publishing, Health Solutions & Insurance; Strategic Arcs, Accelerators & Core Mission Activities; Administration and Operations; Affiliated Organizations; Unallocated Overhead; and Health2047 (including subsidiaries). Revenues and expenses directly attributed to those units are included in the group operating results. A financial summary of group operating results is presented at the end of this section. The prior year financial results have been updated to be consistent with the current year reported results for each group.

### Contribution margin (net expenses)

Contribution margin equals individual group revenues minus cost of products sold, selling expenses, and direct general and administrative expenses such as compensation, occupancy, travel and meetings, technology costs and professional services.

Net expenses equals total spending, net of any revenue produced by the group, such as grants or other fee income. Total contribution margin and net expenses equals consolidated operating results before income taxes. The charts below separate groups with contribution margin from groups with net expenses.

The contribution margin generated by Membership; Publishing, Health Solutions & Insurance; as well as Investments, provides the funding for all mission-related activities of the AMA as well as funding for all administration and support operations required to run the organization.

### Membership

The Membership group's net membership dues revenue includes the gross dues revenue collected, reduced by any commissions paid to state societies, and equals the membership dues revenue reported on the statement of activities.

In 2023, AMA again reported an increase in the number of dues-paying members, up 3.4 percent from 2022. In 12 of the last 13 years, AMA has reported increases in the number of dues-paying members, a major accomplishment. Membership continues to focus on expanding use of digital tools to engage physicians and retain them as lifelong members, group membership marketing, and expanding AMA's reach to physicians through programmatic activities.

Dues revenue was \$33.3 million, a \$0.4 million decrease from 2022. Although the number of physician members increased, most of the growth was in lower dues paying categories. Membership expenses are down \$1 million as 2022 results included a \$1 million one-time increase in marketing costs related to the launch of the AMA Recovery Plan for America's Physicians that did not recur in 2023. Membership's contribution margin increased \$0.6 million in 2023, as cost decreases more than offset the revenue decline.

## Publishing, Health Solutions & Insurance

Publications in the JAMA Network include the *Journal of the American Medical Association (JAMA)* and the JAMA Network specialty journals. In the last decade, the JAMA Network has launched four new journals: *JAMA Oncology* in 2015 and *JAMA Cardiology* in 2016, which are hybrid journals offering open access options for research articles; *JAMA Network Open* in 2018, a fully open access journal; and *JAMA Health Forum* in 2021, a peer-reviewed, open-access, online journal focused on health policy, health care systems, and global and public health.

Publishing revenues are derived from advertising, subscriptions, site licensing, reprints, electronic licensing, open access fees and royalties. Publishing revenues decreased \$2.1 million in 2023, largely a function of a \$2.3 million decline in advertising. The continued drop in advertising revenue necessitated a change in strategy for Publishing as the business unit eliminated distribution of print journals to a controlled population of physicians who were included in measuring journal readership scores, a key indicator for ad placement. This change slightly reduced production and distribution costs and partially offset the advertising drop. It is expected to result in a larger benefit in 2024. Expenses declined \$1 million during 2023, primarily due to vacancy savings from unfilled positions. The contribution margin thus declined by \$1.1 million to \$1 million.

Health Solutions includes two major lines: Database Products, and Books and Digital Content.

Database Products includes royalties from licensed data sales and credentialing products revenue. Revenues increased in 2023, up \$0.8 million when compared to 2022, driven again in large part by a major compliance effort to upgrade existing customer contracts to full licenses. Expenses were up \$1.5 million driven by compensation from filling positions and increased technology costs, of which \$0.6 million relates to development of a new physician credentialing product. This is a credentials wallet that streamlines credentialing by pre-filling physician applications with authoritative, verified AMA data, reducing administrative burden for physicians and medical staff professionals. The resulting contribution margin declined by \$0.7 million in 2023 to \$53.6 million.

AMA-published books and coding products, such as CPT books, workshops, and licensed data files, make up the Books and Digital Content unit. Royalties and digital content sales drove a \$13.4 million revenue increase, as the market for electronic use of digital coding products continues to expand. A three percent price increase, after no increases in the pandemic years, as well as phasing in previous pricing model changes, were also factors. Coding book sales improved slightly in 2023 as the move from print products to digital slowed. Expenses were up slightly in 2023, driven by increased compensation from filling open positions, offset by a reduction in technology costs. The contribution margin increased by \$12.5 million to \$241 million.

The AMA has two active for-profit subsidiaries, the AMA Insurance Agency (Agency) and Health2047. The latter is discussed separately at the end of this discussion and analysis.

The Agency revenues improved by \$0.6 million in 2023, as increased investment income from higher interest rates offset a decline in commissions. The commission reduction was mainly due to continued decreases in commission rates to protect the viability of the plan, which allowed the Agency to avoid charging higher premiums to physician customers. The Agency, as broker, receives a commission on insurance policies sold. Expenses were up \$1.2 million mainly due to filling open positions and technology costs related to development of a new customer-facing platform. The contribution margin decreased to \$17.3 million from \$17.9 million in the prior year.

Other business operations net expenses were down \$0.4 million in 2023, as the prior year included \$0.7 million in one-time costs.

In total, Publishing, Health Solutions & Insurance contribution margin was \$309.4 million, up \$10.5 million from 2022.

## Investments (AMA-only)

AMA-only investment income includes dividend and interest earnings on the AMA's portfolio. Investment income in AMA's for-profit subsidiaries is included as part of the group results for Publishing, Health Solutions & Insurance and Health2047.

Investments' revenue was \$18.1 million in 2023, a \$4 million increase over the prior year. Dividend and interest income continued to improve in 2023, impacted in large part by higher interest rates. The contribution margin also increased by \$4 million as expenses were unchanged.

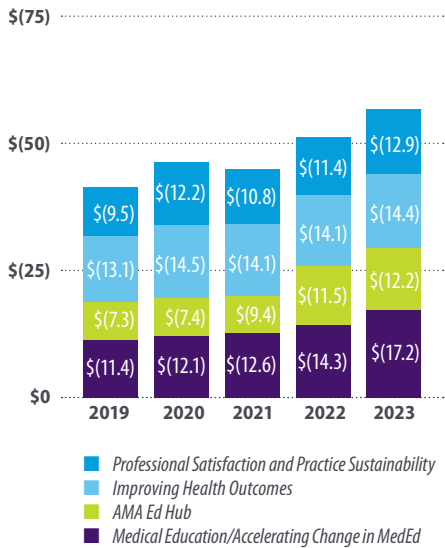
The net gain or loss on the market value of investments is not included in operating results but reported as a non-operating item. This amount is in addition to the investment income discussed above.

In 2023, AMA reported a net gain of \$105 million, compared to a \$115.1 million loss in 2022. The total investment return, including investment income, on the reserve portfolios was 14.9 percent, slightly less than the 15.4 percent gain in the composite benchmark index.

# Net expenses

## Strategic Arcs

(in millions)



The Strategic Arcs include direct costs associated with the groups for Improving Health Outcomes (IHO), Medical Education/ Accelerating Change in Medical Education (ACE), the AMA Ed Hub and Professional Satisfaction and Practice Sustainability (PS2).

IHO focuses on confronting two of the nation’s most prevalent issues: cardiovascular disease and type-2 diabetes, setting a course of innovation and action aimed at reducing the disease and cost burden associated with these selected conditions.

The main focus during 2023 was on hypertension outcome goals as progress continues on implementation of cloud-based MAP BP (a three-step program that works to diagnose and manage patients with hypertension) dashboards at health care organizations (HCOs), providing a visual representation of their performance on five key blood pressure metrics, including stratification by ethnicity, race and gender. To improve the quality of care physicians provide to their patients with hypertension, the AMA collaborated with three channel partners to increase access to AMA MAP Metrics, which help identify gaps, track progress, and support quality improvement efforts. This reached approximately 5.5 million additional patients with hypertension across 683 organizations inclusive of health systems, Federally Qualified Health Centers, community health centers and medical groups. Over 8 million hypertension patients were reached through professionals using one or more individual components of AMA MAP BP. In addition, to help close a gap in blood pressure measurement training that exists within medical schools, the AMA awarded financial grants to eight academic institutions representing 18 total training programs for healthcare professionals allowing them to meaningfully engage in BP Measurement Essentials: Student Edition, AMA’s eLearning series. In 2023, net expenses were largely unchanged.

Advancing Professional Development includes Medical Education/ACE and the AMA Ed Hub.

While the undergraduate medical school consortium grants successfully concluded in 2018, all 32 consortium schools have continued collaboration and the consortium of schools has been substantially expanded. The consortium now acts as a learning collaborative so that best practices can be developed, shared, and implemented in medical schools across the country. The AMA ChangeMedEd® initiative held its bi-annual, national conference in Chicago, bringing together more than 500 leaders and innovators in medical education and related health care fields to catalyze change in medical education and transform the way future physicians and residents are trained. Nearly 150 presenters led over 75 sessions including plenary sessions on educator well-being in medical education, reimagining residency, precision education, and equity, diversity and belonging.

In 2019, the methods and learning from the undergraduate consortium initiative were extended to a new multi-year grant program for graduate medical education, designed to improve the transition from undergraduate to graduate medical education and to maintain and reinforce the positive changes initiated by the undergraduate consortium work.

One of the key outcomes of the ACE consortium was the development of Health Systems Science, a foundational platform and framework for the study and understanding of how care is delivered, how health professionals work together to deliver that care, and how the health system can improve patient care and health care delivery.

In 2023, the AMA advanced a conceptual model for precision education: a system that can leverage technology and data to improve education personalization and learning efficiency across the continuum, in support of students, residents, fellows, physicians, and ultimately the needs of patients. Innovation Grants were awarded to 13 sites applying precision education approaches in medical school, residency and continuing professional development. Medical Education is also responsible for defining or influencing standards for undergraduate, graduate and continuing medical education and providing support for the Council on Medical Education. Net expenses increased \$2.9 million in 2023 reflecting filling open positions, resumption of in-person meetings and travel as well as a \$0.9 million expense increase for precision education.

The AMA Ed Hub, formally launched in 2018, is a platform providing physicians and other health care providers content and educational services that support lifelong professional development. The Ed Hub has unified the AMA education portfolio and has piloted integration of external content providers, launched new content sets, and established internal development plans enterprise wide, including the Health Equity Education Center and the UME Curricular Enrichment Program. The Ed Hub also gives physicians and other health professionals a streamlined way to earn, track and report continuing medical education activities spanning clinical, practice transformation and professionalism topics. The number of external education

providers on the platform grew by ten organizations to 50 organizations and the Ed Hub achieved unprecedented growth in users and engagement in 2023, driven in large part by Ed Hub's rapid delivery of an education offering to help physicians and clinicians meet the new DEA MATE requirements on substance use disorders and addiction. Net expenses were up \$0.7 million in 2023 due largely to filling open positions.

PS2 includes three major streams of work: professional satisfaction/practice transformation, practice sustainability, and digital health, all designed to improve the day-to-day practice and professional experience of physicians and remove obstacles to care. The goals of this group are to promote successful models in both the public and private sectors. This includes expanding research of credible practice science, creating tools and other solutions to help guide physicians, care teams and health system leaders on developing and implementing strategies to optimize practice efficiencies, reduce burnout and improve professional well-being; ensuring the physician perspective is represented in the design, implementation and evaluation of new health care technologies; and shaping the evolution of payment models for sustainability and satisfaction.

In 2023, PS2 published more than 25 peer-reviewed studies on physician and practice issues, and led and funded a variety of research on high impact issues affecting physicians and health systems, such as burnout, workforce and EHR inbox workload. The AMA Joy in Medicine Health System Recognition Program recognized 72 health systems who met the evidenced-based criteria representing their commitment to organizational well-being. Providing over 100 new or updated AMA STEPS Forward® resources (toolkits, webinars, podcasts, and playbooks) helped drive the user growth to over two million. AMA also co-sponsored the 2023 American Conference on Physician Health with Stanford Medicine and Mayo Clinic with a record-breaking attendance of over 600 participants. In 2023, net expenses increased \$1.5 million, driven almost entirely by staffing and travel costs.

Accelerators & Core Mission Activities includes six groups: Advocacy; Health, Science & Ethics; Center for Health Equity (CHE); Integrated Health Model Initiative (IHMI); Enterprise Communications; and Marketing & Member Experience (MMX).

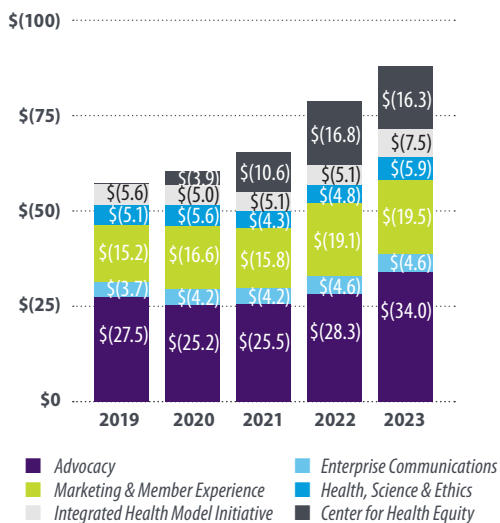
Advocacy includes federal and state level advocacy to enact laws and advance regulations on issues important to patients and physicians; economic, statistical and market research to support advocacy efforts; political education for physicians; grassroots advocacy; and maintaining relations with the federation of medicine. Advocacy led the launch of a major media campaign to urge Congress to address long-term, systemic reform of Medicare payments through the AMA's coalition. Other major initiatives included fighting scope creep by achieving more than 100 state-level scope of practice victories in strong collaboration with Federation partners and introducing or strengthening existing "Truth in Advertising" laws so that patients know if the person providing care is a physician; working with the Center for Medicare & Medicaid Services (CMS) to finalize several major prior authorization reforms under Medicare Advantage; ensuring that AMA's critical voice is represented in federal and state courts around the country on a broad range of issues; working with state and federal policymakers to oppose legislation and laws that interfere with the practice of medicine; and elevating the voice of physician leadership on critical issues of public health. In 2023, Advocacy net spending increased \$5.7 million, with \$2.5 million for compensation expenses and travel and meeting costs as in-person meetings resumed, \$1.9 million in media and professional service costs for the Medicare reform campaign, as well as \$1.5 million for the Physician Practice Survey initiative.

Health, Science & Ethics is involved in developing AMA policies on scientific, public health and ethical issues for the House of Delegates; providing leadership, subject matter expertise and scientifically sound content and evidence that underpins and informs both current and future AMA initiatives in areas such as infectious disease, drug policy and opioid prescribing; overseeing maintenance of the AMA *Code of Medical Ethics* and publication of the *AMA Journal of Ethics*, AMA's online ethics journal; and managing the United States Adopted Names (USAN) program, responsible for selecting generic names for drugs by establishing logical nomenclature classifications based on pharmacological or chemical relationships (reported separately in group operating results). This group launched several major initiatives in 2023 including a new website and learning center for the *AMA Code of Medical Ethics*, new resources on infectious disease and control, and the Firearm Injury Prevention Task Force. Net expenses increased \$1.1 million in 2023, mainly due to higher compensation and travel and meeting expenses.

AMA recognized that a key to long-term success in our strategic arcs is increasing our efforts to reduce health and health care disparities. As a result of a 2018 task force report, the AMA sought leadership to embed health equity initiatives as relevant into all strategic priorities and areas of the organization, creating a new group, the Center for Health Equity. The focus of this group is to elevate AMA's public role and responsibilities to improve health equity. In 2023, CHE expanded its efforts to establish

## Accelerators & Core Mission Activities

(in millions)





an AMA presence in the health equity research literature with the publication of 43 Social Justice Education Ed Hub modules, the continuation of the Prioritizing Equity Series and launching the National Health Equity Grand Rounds, engaging over ten thousand viewers.

AMA-Satcher Health Leadership Institute at Morehouse School of Medicine, Medical Justice in Advocacy Fellowship is a unique, first of its kind post-doctoral fellowship designed to enhance physicians' advocacy leadership skills to improve health outcomes and advance health equity in the areas they serve or may serve. The Advocacy Fellowship successfully completed its second cohort of fellows, bringing the total number of fellows to 23.

CHE continued to convene members of the health ecosystem to share knowledge and to build alliances resulting in collaboration opportunities and collective action that advance health equity, including the official launch of the *Rise to Health: A National Coalition for Equity in Health Care* co-led by the Institute of Healthcare Improvement (IHI), uniting organizations toward action and shared solutions for systemic change and structural impact, and establishment of the Truth, Reconciliation, Healing and Transformation Task Force during the first half of 2023. CHE also represented AMA as an anchor mission partner for the collaborative on Chicago's west side, West Side United, and continued building staff capacity to understand concepts surrounding health equity and to operationalize equity in goal and metric setting and developing structural competency learning tools. CHE has largely achieved its planned level of growth and net expenses declined slightly in 2023.

IHMI brings together experts from patient care, medical terminology, and informatics around a common framework for defining and expressing health data. IHMI has been recognized as a leading authority on clinical content standards and is contributing to the development and use of clinical content through collaboration with Health Level 7 (HL7) FHIR (Fast Healthcare Interoperability Resources), the Gravity Project and others. A major initiative in the last several years has focused on development of a Self-Measured Blood Pressure (SMBP) software and services solution, which in 2023 was determined to be difficult for AMA to develop and maintain. As such, AMA decided to cease operations of the development team and focus on the clinical content standards work. IHMI net expenses increased \$2.4 million in 2023, reflecting a full year of development activity as well as costs associated with closing the SMBP program. The data standards team will be transferred to Health Solutions in 2024.

MMX extends the reach and impact of AMA's mission and advocacy initiatives and strengthens the AMA brand. MMX continues to take on increased oversight for managing the quality, timing and relevance of the experience physicians have at each point of interaction through AMA's digital publishing, health system engagement and member programs. MMX creates or packages AMA's content into digital formats and distributes AMA resources and thought leadership to intended audiences through owned and paid channels, raising awareness of AMA initiatives, resources and accomplishments and elevating the

voice of AMA and physicians. In 2023, almost 37 million unique individuals accessed AMA's website, a 5 percent increase over the record number of users in the prior year. The continuation of the AMA Recovery Plan for America's Physicians demonstrated its relevance with more than 80 percent of physicians saying it is important, with awareness of the campaign increasing 26 percent over the prior year. Video programming connected strongly with medical students with more than half the video views on YouTube attributed to the AMA Research Challenge. Net expenses increased slightly in 2023, by \$0.4 million, as higher staffing costs were partially offset by lower media marketing expenses for the Recovery Plan after the initial launch in 2022.

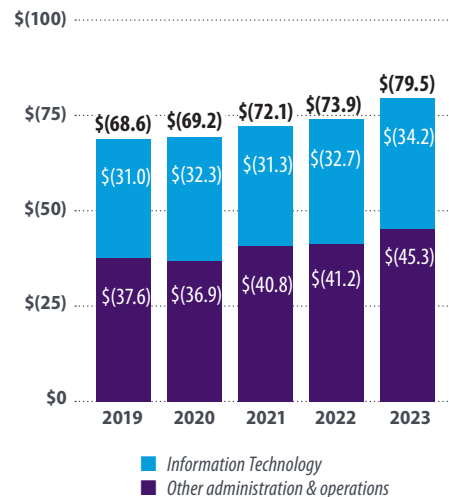
Ongoing responsibilities of the Enterprise Communications area include amplifying the work of individual operating units among their core audiences while providing consistency and alignment with the AMA narrative. Enterprise Communications distinctly communicates AMA's leading voice in science and evidence to embed equity, innovation, and advocacy across the AMA's strategic work throughout health care. Net expenses were unchanged in 2023, as increased staffing and technology costs were largely offset by the absence of costs for activities celebrating AMA's 175th anniversary in 2022.

## Governance

Governance includes the Board of Trustees and Officer Services, the House of Delegates (HOD), Sections and Special Constituencies & International units. The Board of Trustees unit includes costs related to governance activities as well as expenses associated with support of the Strategic Arcs, Accelerators and Core Mission Activities. The HOD, Sections and Special Constituencies & International unit includes costs associated with annual and interim meetings, groups, sections and other HOD activities, as well as costs associated with AMA's involvement in the World Medical Association. In 2023, Governance net spending was up \$1.1 million, mainly reflecting the impact of a full year's in-person meeting and travel costs.

## Administration and Operations

(in millions)



These units provide administrative and operational support for Publishing & Health Solutions, Membership, Strategic Arcs, Accelerators and Core Mission Activities, as well as other operating groups. Net expenses were up 7.6 percent in 2023, an increase of \$5.6 million, almost entirely due to compensation costs from filling open positions and merit increases.

## Affiliated Organizations

Affiliated Organizations represent either grant or in-kind service support provided by the AMA to other foundations and societies. In some cases, the AMA is reimbursed for services provided. No net expenses were reported in 2023.

## Unallocated Overhead

The net expenses in this area include costs not allocated back to operating units such as corporate insurance and actuarial services, employee incentive compensation, valuation allowances or other reserves. In 2023, these expenses total \$29.3 million, up from \$18.6 million in 2022. Higher incentive compensation was the main factor in the increase.

## Health2047 and Subsidiaries

AMA owns a business formation and commercialization enterprise designed to enhance AMA's ability to define, create, develop and launch, with partners, a portfolio of products and technologies that will have a profound impact on many aspects of the U.S. health care system and population health, with a central goal of helping physicians in practice. The AMA Board of Trustees approved the use of reserves to establish this subsidiary with plans to use third-party resources to assist in funding spinoffs with commercial potential in future years. These liquidity events generally occur somewhere between eight and twelve years after the initial spinoff.

Health2047 funds initial projects and moves those that demonstrate commercial appeal into separate companies, along with necessary seed funding for the new companies. The initial stages generally involve seed money provided by Health2047, after which these companies should command additional investment from third parties to begin commercialization of the product, either through debt or equity financing. For those that achieve third-party funding, at some point in the future, the spinoffs will be sold or liquidated, at which time, AMA would expect to receive a financial return.

Since 2017, Health2047 has spun off or invested in 12 companies, Akiri, Inc. (Akiri), First Mile Care, Inc. (FMC), HXSquare, Inc. (HXS), Zing Health Enterprises, LP (Zing), Medcurio, Inc. (Medcurio), Phenomix Sciences, Inc. (Phenomix), Sitebridge Research, Inc. (Sitebridge), Emergence Healthcare Group, Inc. (Emergence), Heal Security, Inc. (Heal), Evidium, Inc. (previously Recovery Exploration Technologies, Inc.) (Evidium), Scholar Rx, Inc. (Scholar Rx) and IntellixAI, Inc. (IntellixAI).

In 2021 and 2022, Health2047 liquidated two of these companies, Akiri and HXS, as third-party financing efforts were unsuccessful. Upon liquidation of Akiri in 2022, there was an \$11.6 million gain from recognizing deferred revenue and expense for a customer contract entered into and paid in an earlier year. There was no material gain or loss upon the HXS liquidation. In 2023, Health2047 liquidated Emergence and recorded a \$2.2 million loss on liquidation.

As of December 31, 2023, Health2047 has an ownership interest in nine companies, including a consolidated subsidiary, FMC, one company accounted for using the equity method, Heal, and seven companies accounted for using the cost method, Zing, Medcurio, Phenomix, Sitebridge, Evidium, Scholar Rx and IntellixAI. The footnotes to AMA's financial statements include a detailed discussion on accounting for Health2047 spinoff companies. Third-party financing is expected to cover most long-term future costs for many of these companies.

Health2047 revenue in 2023 totaled a negative \$0.3 million, as the \$1.2 million loss in earnings of affiliates was partially offset by investment income and other operating revenue totaling \$0.9 million. In 2022, as result of the Akiri liquidation, Health2047 recognized \$14.3 million in revenue and \$2.7 million in associated costs for creating a custom platform for a customer. Both revenue and expense had been received or incurred in prior years but were deferred until the project was completed or abandoned, which occurred in 2022.

Costs increased by \$0.9 million in 2023 as a \$3.6 million increase was offset by the absence of the prior year \$2.7 million recognition of deferred costs. The gross \$3.6 million increase includes the \$2.2 million loss on liquidation of Emergence, as well as \$1.5 million in increased compensation.

Net expenses increased by \$15.4 million in 2023 mainly due to the cost increases plus the absence of the net \$11.6 million impact from recognizing the deferred revenue and expense that was reported in 2022.

The summary of group operating results is included on the following page.

# American Medical Association Group operating results

(in millions)	Revenues		Margin (Expenses)	
	2023	2022	2023	2022
<b>Membership</b>	\$ 33.3	\$ 33.7	\$ 13.3	\$ 12.7
<b>Publishing, Health Solutions &amp; Insurance</b>				
Publishing	63.8	65.9	1.0	2.1
Books and Digital Content	265.5	252.1	241.0	228.5
Database Products	67.7	66.9	53.6	54.3
Insurance Agency/Affinity Products	37.1	36.5	17.3	17.9
Other business operations	-	-	(3.5)	(3.9)
	434.1	421.4	309.4	298.9
<b>Investments (AMA-only)</b>	18.1	14.1	17.4	13.4
<b>Strategic Arcs, Accelerators &amp; Core Mission Activities</b>				
Improving Health Outcomes	-	-	(14.4)	(14.1)
Medical Education/Accelerating Change in Medical Education	0.4	0.3	(17.2)	(14.3)
AMA Ed Hub	0.3	0.4	(12.2)	(11.5)
Professional Satisfaction and Practice Sustainability	0.6	0.4	(12.9)	(11.4)
Advocacy	1.0	0.5	(34.0)	(28.3)
Health, Science & Ethics	2.4	2.7	(5.9)	(4.8)
Center for Health Equity	-	0.1	(16.3)	(16.8)
Integrated Health Model Initiative	-	-	(7.5)	(5.1)
Marketing and Member Experience	-	-	(19.5)	(19.1)
Enterprise Communications	-	-	(4.6)	(4.6)
United States Adopted Names Program	3.4	3.7	2.6	2.9
	8.1	8.1	(141.9)	(127.1)
<b>Governance</b>				
Board of Trustees and Officer Services	-	-	(6.8)	(6.3)
House of Delegates, Sections, Special Constituencies & International	0.1	0.1	(10.9)	(10.3)
	0.1	0.1	(17.7)	(16.6)
<b>Administration and Operations</b>				
Information Technology	-	-	(34.2)	(32.7)
Senior Executive Management	-	-	(7.5)	(5.6)
General Counsel	-	-	(6.3)	(6.9)
Finance & Risk Management	-	-	(9.0)	(7.7)
Human Resources	-	-	(8.2)	(8.1)
Corporate Services	-	-	(6.2)	(5.6)
Customer Service	-	-	(3.6)	(3.4)
Strategic Insights and Planning	-	-	(4.5)	(3.9)
	-	-	(79.5)	(73.9)
Affiliated Organizations	0.1	0.1	-	-
Unallocated Overhead	1.6	1.7	(29.3)	(18.6)
Health2047 & Subsidiaries	(0.3)	14.2	(16.9)	(1.5)
<b>Consolidated revenue and income before tax</b>	\$ 495.1	\$ 493.4	54.8	87.3
Income taxes			(5.1)	(4.4)
<b>Consolidated net operating income</b>			\$ 49.7	\$ 82.9

# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31

(in millions)	2023	2022
<b>Revenues</b>		
Membership dues	\$ 33.3	\$ 33.8
Advertising	11.0	13.3
Journal print subscription revenues	2.7	2.9
Journal online revenues	31.6	30.8
Other publishing revenue	18.0	17.8
Books, newsletters and online product sales	23.8	24.7
Royalties and credentialing products	308.0	293.1
Insurance commissions	31.6	33.2
Investment income (Note 4)	21.3	15.1
Equity in losses of affiliates (Note 2)	(1.2)	(0.8)
Grants and other income	15.0	29.5
<b>Total revenues</b>	<b>495.1</b>	<b>493.4</b>
<b>Expenses</b>		
Cost of products sold and selling expenses	27.8	30.6
<b>Contribution to general and administrative expenses</b>	<b>467.3</b>	<b>462.8</b>
<b>General and administrative expenses</b>		
Compensation and benefits	262.0	234.7
Occupancy	21.2	21.4
Travel and meetings	19.9	14.7
Technology costs	33.9	29.5
Marketing and promotion	20.7	21.3
Professional services	29.7	29.2
Other operating expenses	25.1	24.7
<b>Total general and administrative expenses</b>	<b>412.5</b>	<b>375.5</b>
Operating results before income taxes	54.8	87.3
Income taxes (Note 9)	5.1	4.4
<b>Net operating results</b>	<b>49.7</b>	<b>82.9</b>
<b>Non-operating items</b>		
Net gain (loss) on investments (Note 4)	105.0	(115.1)
Defined benefit postretirement plan non-service periodic expense (Note 8)	(3.9)	(3.5)
Other non-operating income	0.6	0.7
<b>Total non-operating items</b>	<b>101.7</b>	<b>(117.9)</b>
<b>Revenues in excess of (less than) expenses</b>	<b>151.4</b>	<b>(35.0)</b>
Changes in defined benefit postretirement plans, other than periodic expense, net of tax (Notes 8 and 9)	(17.3)	29.4
<b>Change in association equity</b>	<b>134.1</b>	<b>(5.6)</b>
<b>Change in donor restricted association equity</b>		
Restricted contributions	0.6	0.4
Net assets released from restriction	(0.7)	(0.3)
<b>Change in association equity – donor restricted</b>	<b>(0.1)</b>	<b>0.1</b>
<b>Change in total association equity</b>	<b>134.0</b>	<b>(5.5)</b>
Total association equity at beginning of year	889.4	894.9
<b>Total association equity at end of year</b>	<b>\$ 1,023.4</b>	<b>\$ 889.4</b>

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31

(in millions)	2023	2022
<b>Assets</b>		
Cash, cash equivalents and donor-restricted cash	\$ 36.1	\$ 33.5
Fiduciary funds (Note 2)	21.8	22.1
Investments in affiliates (Note 2)	15.3	8.9
Accounts receivable and other receivables, net of an allowance for doubtful accounts of \$0.3 in 2023 and 2022	104.5	101.5
Inventories	2.1	2.8
Prepaid expenses and deposits	10.5	11.7
Deferred income taxes (Note 9)	3.0	2.7
Investments (Note 4)	1,088.4	933.2
Property and equipment, net (Note 6)	27.3	33.3
Operating lease right-of-use assets (Note 10)	51.3	39.1
Other assets (Note 5)	9.8	8.2
	<b>\$ 1,370.1</b>	<b>\$ 1,197.0</b>
<b>Liabilities, deferred revenue and association equity</b>		
<b>Liabilities</b>		
Accounts payable, accrued expenses and other liabilities	\$ 15.1	\$ 16.0
Accrued payroll and employee benefits (Note 7)	54.9	45.7
Accrued postretirement health care benefits (Note 8)	107.8	88.1
Insurance premiums and other fiduciary funds payable (Note 2)	21.6	22.1
Operating lease liability (Note 10)	71.1	65.3
	<b>270.5</b>	<b>237.2</b>
<b>Deferred revenue</b>		
Membership dues	13.2	13.9
Subscriptions, licensing, insurance commissions and royalties	59.9	53.9
Grants and other	3.1	2.6
	<b>76.2</b>	<b>70.4</b>
<b>Association equity</b>		
Association equity	1,023.4	889.3
Donor-restricted association equity	-	0.1
Total association equity	1,023.4	889.4
	<b>\$ 1,370.1</b>	<b>\$ 1,197.0</b>

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(in millions)	2023	2022
<b>Cash flows from operating activities</b>		
Change in total association equity	\$ 134.0	\$ (5.5)
Adjustments to reconcile change in association equity to net cash provided by operating activities		
Depreciation and amortization	11.7	12.2
Postretirement health care expense	4.4	4.6
Noncash operating lease expense	8.9	9.7
Net (gain) loss on investments	(105.0)	115.1
Equity in losses of affiliates	1.2	0.8
Noncash charge (credit) for changes in defined benefit plans other than periodic expense net of tax	17.3	(29.4)
Noncash loss (gain) upon liquidation of affiliate or subsidiary	2.2	(11.6)
Loss on disposal of property and equipment	1.5	-
Bad debt expense	0.1	0.1
Other	(1.3)	(1.3)
Changes in assets and liabilities		
Accounts receivable and other receivables	(3.1)	(13.1)
Inventories	0.7	(1.1)
Prepaid expenses and deposits	1.2	1.0
Accounts payable, accrued liabilities and income taxes	(8.9)	(22.5)
Accrued postretirement benefit costs	(3.0)	(2.7)
Deferred revenue	5.8	(1.7)
Net cash provided by operating activities	67.7	54.6
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(6.2)	(9.2)
Investment in affiliates	(8.7)	(2.3)
Purchase of investments	(876.0)	(538.3)
Proceeds from sale of investments	825.8	496.6
Net cash used in investing activities	(65.1)	(53.2)
<b>Net change in cash, cash equivalents and donor restricted cash</b>	<b>2.6</b>	<b>1.4</b>
Cash, cash equivalents and donor restricted cash at beginning of year	33.5	32.1
<b>Cash, cash equivalents and donor restricted cash at end of year</b>	<b>\$ 36.1</b>	<b>\$ 33.5</b>
<b>Noncash operating activities</b>		
Right-of-use assets obtained in exchange for lease obligation	\$ 17.8	\$ 0.5
<b>Noncash investing activities</b>		
Accounts payable for property and equipment additions	\$ 1.3	\$ 0.3

See accompanying notes to the consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022  
(Columnar amounts in millions)

## 1. Nature of operations

The American Medical Association (AMA) is a national professional association of physicians with approximately 283 thousand members. The AMA serves the medical community and the public through standard setting and implementation in the areas of science, medical education, improving health outcomes, health equity, delivery and payment systems, ethics, representation and advocacy, policy development, and image and identity building. The AMA provides information and services to hundreds of thousands of physicians and includes journal and book publishing, physician credentialing, database licensing, insurance and other professional services for physicians.

The AMA classifies all operating results as revenues and expenses in the consolidated statements of activities. Non-operating items include net realized and unrealized gains and losses on investments, defined benefit postretirement plan non-service expense and other nonrecurring income or expense.

Donor-restricted association equity includes contributions restricted for use for a scope of practice program which are not available for general use by AMA.

## 2. Significant accounting policies

### Consolidation policy

The accompanying consolidated financial statements include the accounts of the AMA and its subsidiaries, AMA Services, Inc., American Medical Assurance Company and Health2047 Inc. (collectively, the AMA).

AMA, through its wholly owned subsidiary, Health2047 Inc. (Health2047), has investments in nine companies or limited partnerships as of December 31, 2023. Health2047 controls and therefore consolidates the results of one company, First Mile Care, Inc.

The equity method of accounting is used to account for investments in companies or limited partnerships in which the AMA has significant influence but not overall control. The investments are initially recorded at the original amounts paid for common and convertible preferred stock, and subsequently adjusted for the AMA's share of undistributed earnings and losses from the underlying entities from the dates of formation. Each investment will be increased or reduced by any future additional contributions and distributions received, respectively. The cost method of accounting is used to account for investments in companies in which the AMA has neither significant influence nor overall control and where the fair value is not readily determinable.

The companies accounted for under the equity method of accounting during 2023 are Emergence Healthcare Group, Inc. (formed in January 2021 and liquidated in September 2023) and Heal Security, Inc. (formed in February 2021).

At December 31, 2023, AMA ownership interest is 33.3% in Heal Security, Inc. The book value of the investment accounted for under the equity method, net of convertible debt, at December 31, 2023 is \$0.9 million.

In addition, at December 31, 2023, AMA has ownership interest of 3.3% in Zing Health Enterprises, LP (formed in May 2020), 16.7% in Medcurio Inc., (formed in February 2020), 19.1% in Phenomix Sciences, Inc. (formed in August 2020), 11.3% in Evidium, Inc. (formerly Recovery Exploration Technologies, Inc., formed in August 2021), 18.4% in Sitebridge Research, Inc. (formed in January 2021), 6.0% in Scholar Rx, Inc. (formed in December 2022) and 6.1% in IntellixAI, Inc. (formed in May 2023). The investments in these entities are accounted for using the cost method, as AMA holds less than a 20% ownership and does not exercise significant influence over the entities. The book value of the seven investments carried at cost at December 31, 2023 is \$14.4 million.

Health2047 had investments in nine companies or limited partnerships as of December 31, 2022. Health2047 controlled and therefore consolidated the results of two companies, First Mile Care, Inc. and Akiri, Inc. (Akiri). Akiri was liquidated during 2022 resulting in recognition of \$14.3 million of deferred revenue, reported in grants and other income, and \$2.7 million of deferred costs, included in cost of products sold and selling expenses, related to completion of a customer contract entered into during 2017.

The companies accounted for under the equity method of accounting during 2022 were: HXSquare, Inc. (formed in January 2019 and liquidated in February 2022), Emergence Healthcare Group, Inc., Heal Security, Inc., and Evidium, Inc. During 2022, the AMA ceased application of the equity method to account for the investment in Evidium, Inc. as additional third-party investment resulted in AMA no longer exercising significant influence over this entity.

At December 31, 2022, AMA ownership interest was 20.1% in Emergence Healthcare Group, Inc. and 33.3% in Heal Security, Inc. The book value of the two investments accounted for under the equity method, net of convertible debt, at December 31, 2022 was \$1.8 million.

In addition, at December 31, 2022, AMA had an ownership interest of 3.6% in Zing Health Enterprises, LP, 12.1% in Medcurio Inc., 12.6% in Phenomix Sciences, Inc., 11.3% in Evidium, Inc., 18.8% in Sitebridge Research, Inc. and 6.0% in ScholarRx, Inc. The investments in these entities were accounted for using the cost method, as AMA held less than a 20% ownership and did not exercise significant influence over the entities. The book value of the six investments carried at cost at December 31, 2022 was \$7.1 million.



## Use of estimates

Preparation of consolidated financial statements in conformity with accounting principles generally accepted (GAAP) in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as reflected in the consolidated financial statements. Actual results could differ from estimates.

## Cash equivalents

Cash equivalents consist of liquid investments with original maturities of three months or less and are recorded at cost, which approximates fair value.

## Fiduciary funds

One of the AMA's subsidiaries, the AMA Insurance Agency, Inc., in its capacity as an insurance broker, collects premiums from the insured and, after deducting its commission, remits the premiums to the underwriter of the insurance coverage. Unremitted insurance premiums are invested on a short-term basis and are held in a fiduciary capacity. The AMA also collects and holds contributions on behalf of separate unincorporated entities with \$2.4 million and \$2.3 million held at December 31, 2023 and 2022, respectively.

## Inventories

Inventories, consisting primarily of books and paper for publications, are valued at the lower of cost or net realizable value.

## Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Furniture and office equipment, hardware and software are depreciated or amortized over three to 10 years. Leasehold improvements are depreciated over the shorter of the estimated useful lives or the remaining lease term.

## Revenue recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that AMA expects to receive in exchange for those products or services. AMA enters into contracts that generally include only one product or service and as such, are distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

## Nature of products and services

Membership dues are deferred and recognized as revenue in equal monthly amounts during the applicable membership year, which is a calendar year.

Licensing and subscriptions to scientific journals, site licenses, newsletters or other online products are recognized as revenue

ratably over the terms of the subscriptions or service period. Advertising revenue and direct publication costs are recognized in the period the related journal is issued. Book and product sales are recognized at the time the book or product is shipped or otherwise delivered to the customer. Royalties are recognized as revenue over the royalty term. Insurance brokerage commissions on individual policies are recognized as revenue on the date they become effective or are renewed, to the extent services under the policies are complete. Brokerage commissions or plan rebates on the group products are recognized as revenue ratably over the term of the contract as services are rendered.

## Contract balances

AMA records a receivable when the performance obligation is satisfied and revenue is recognized. For agreements covering subscription or service periods, AMA generally records a receivable related to revenue recognized for the subscription, license or royalty period. For sales of books and products, AMA records a receivable at the time the product is shipped or otherwise delivered to the customer. These amounts are included in accounts receivable on the consolidated statements of financial position and the balance, net of allowance for doubtful accounts, was \$98.4 million and \$96.3 million as of December 31, 2023 and 2022, respectively.

The allowance for doubtful accounts reflects AMA's best estimate of probable losses inherent in the accounts receivable balance. The allowance is based on historical experience and other currently available evidence.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. Some annual licensing agreements carry longer payment terms. In instances where the timing of revenue recognition differs from the timing of invoicing, AMA has determined that these contracts generally do not include a significant financing component.

Prepaid dues by members are included as deferred membership dues revenue in the consolidated statements of financial position. Prepayments by customers in advance of the subscription, royalty or insurance coverage period are recorded as deferred subscriptions, licensing, insurance commissions and royalty revenue in the consolidated statements of financial position.

## Income taxes

The AMA is an exempt organization as defined by Section 501(c)(6) of the Internal Revenue Code and is subject to income taxes only on income determined to be unrelated business taxable income. The AMA's subsidiaries are taxable entities and are subject to income taxes. See note 9.

## Changes in presentation

In 2023, AMA realigned its business units to better reflect the current operations of the organization. As a result, the presentation of the functional expenses for 2022 in footnote 14 have been updated to be consistent with the current presentation.

### 3. New accounting standards update

In August 2020, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-06, *Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40) — Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The amendments in this update are expected to improve, simplify, and enhance the financial reporting requirements for convertible instruments and contracts in an entity's own equity for all entities, including private companies. The new guidance is effective for the AMA for the year ending December 31, 2024. AMA does not expect there to be a material impact on the consolidated financial statements upon adoption.

In December 2023, FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures*. This requires an entity to report the amount of income taxes paid disaggregated by federal, state, and foreign taxes as well as the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than five percent of total income taxes paid. The new standard is effective for AMA for annual periods beginning after December 15, 2025. The adoption of the standard will expand certain footnote disclosures but will not have an impact on the AMA's consolidated financial statements.

### 4. Investments

Investments include marketable securities and venture capital and private equity investments that are carried at fair value.

In determining fair value, the AMA uses various valuation approaches. The FASB's Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the organization. Unobservable inputs are inputs that would reflect an organization's assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1—Valuations based on quoted prices in active markets for identical assets that the organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The AMA uses prices and inputs that are current as of the measurement date, obtained through a third-party custodian from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below.

Exchange-traded equity securities are valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized in Level 1 of the fair value hierarchy.

Mutual funds are open-ended Securities and Exchange Commission (SEC) registered investment funds with a daily net asset value (NAV). The mutual funds allow investors to sell their interests to the fund at the published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy.

The fair value of corporate debt securities is estimated using recently executed transactions, market price quotations (where observable) or bond spreads. If the spread data does not reference the issuer, then data that reference a comparable issuer are used. Corporate debt securities are generally categorized in Level 2 of the fair value hierarchy.

U.S. government agency securities consist of two categories of agency issued debt. Non-callable agency issued debt securities are generally valued using dealer quotes. Callable agency issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. Agency issued debt securities are categorized in Level 2 of the fair value hierarchy.

U.S. government securities are valued using quoted prices provided by a vendor or broker-dealer. These securities are categorized in Level 2 of the fair value hierarchy, as it is difficult for the custodian to accurately assess at a security level whether a quoted trade on a bond represents an active market.

Foreign and U.S. state government securities are valued using quoted prices in active markets when available. To the extent quoted prices are not available, fair value is determined based on interest rate yield curves, cross-currency basis index spreads, and country credit spreads for structures similar to the bond in terms of issuer, maturity, and seniority. These investments are generally categorized in Level 2 of the fair value hierarchy.

Investments also include investments in a diversified closed end private equity fund with a focus on buyout and secondary market opportunities in the United States and the European Union, as well as an investment in a venture capital fund focused on companies developing promising health care technologies that can be commercialized into revolutionary products and services that improve the practice of medicine and the delivery and management of health care. The investments are not redeemable and distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next four to ten years. The fair value estimates of these investments are based on NAV as provided by the investment managers. Unfunded commitments as of December 31, 2023, and 2022 totaled \$81.1 million and \$80.1 million, respectively.

The AMA manages its investments in accordance with Board-approved investment policies that establish investment objectives of real inflation-adjusted growth over the investment time horizon, with diversification to provide a balance between long-term growth objectives and potential liquidity needs.

The following table presents information about the AMA's investments measured at fair value as of December 31. In accordance with ASC Subtopic 820-10, investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

	2023	2022
<b>Level 1 – Quoted prices in active market for identical securities</b>		
Equity securities	\$ 544.3	\$ 419.9
Fixed-income mutual funds	19.4	27.1
	563.7	447.0
<b>Level 2 – Significant other observable inputs</b>		
<b>Debt securities</b>		
Corporate	126.0	106.7
U.S. government and federal agency	254.3	264.8
Foreign government	28.3	24.7
U.S. state government	0.1	0.1
	408.7	396.3
<b>Other investments measured at NAV – Private equity and venture capital funds</b>		
Investments	\$ 1,088.4	\$ 933.2

Interest and dividends are included in investment income as operating revenue while realized and unrealized gains and losses are included as a component of non-operating items.

Investment income consists of:

	2023	2022
Investment dividend and interest income	\$ 25.0	\$ 18.3
Management fees	(3.7)	(3.2)
	\$ 21.3	\$ 15.1

Investment non-operating items include:

	2023	2022
Realized gains on investments, net	\$ 15.2	\$ 6.4
Unrealized gains (losses) on investments, net	89.8	(121.5)
	\$ 105.0	\$ (115.1)

## 5. Other assets

Other assets include investments in mutual funds maintained in separate accounts designated for various nonqualified benefit plans that are not available for operations. Mutual funds are open-ended SEC registered investment funds with a daily NAV. The mutual funds allow investors to sell their interests to the fund at the published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy. The investments totaled \$9.8 million and \$8.2 million as of December 31, 2023 and 2022, respectively.

## 6. Property and equipment

Property and equipment at December 31 consists of:

	2023	2022
Leasehold improvements	\$ 36.2	\$ 39.0
Furniture and office equipment	17.5	19.9
<b>Information technology</b>		
Hardware	11.6	12.9
Software	96.6	94.4
	161.9	166.2
Accumulated depreciation and amortization	(134.6)	(132.9)
Property and equipment, net	\$ 27.3	\$ 33.3

## 7. Retirement savings plan

The AMA has a 401(k) retirement and savings plan, which allows eligible employees to contribute up to 75 percent of their compensation annually, subject to Internal Revenue Service (IRS) limits. The AMA matches 100 percent of the first three percent and 50 percent of the next two percent of employee contributions. The AMA may, at its discretion, make additional contributions for any year in an amount up to two percent of the compensation for each eligible employee. Compensation is subject to IRS limits and excludes bonuses and severance pay. AMA matching and discretionary contribution expense totaled \$9.2 million and \$8.3 million in 2023 and 2022, respectively.

## 8. Postretirement health care benefits

The AMA provides health care benefits to retired employees who were employed on or prior to December 31, 2010. After that date, no individual can become a participant in the plan. Generally, qualified employees become eligible for these benefits if they retire in accordance with the plan provisions and are participating in the AMA medical plan at the time of their retirement. The AMA shares the cost of the retiree health care payments with retirees, paying approximately 60 to 80 percent of the expected benefit payments. The AMA has the right to modify or terminate the postretirement benefit plan at any time. Other employers participate in this plan and liabilities are allocated between the AMA and the other employers.

The AMA has applied for and received the federal subsidy to sponsors of retiree health care benefit plans that provides a prescription drug benefit that is actuarially equivalent to Medicare Part D under the *Medicare Prescription Drug, Improvement and Modernization Act of 2003*. In accordance with *ASC Topic 958-715, Compensation-Retirement Benefits*, the AMA initially accounted for the subsidy as an actuarial experience gain to the accumulated postretirement benefit obligation.

The postretirement health care plan is unfunded. In accordance with *ASC Topic 958-715*, the AMA recognizes this liability in its consolidated statements of financial position.

The following reconciles the change in accumulated benefit obligation and the amounts included in the consolidated statements of financial position at December 31:

	2023	2022
Benefit obligation at beginning of year	\$ 88.1	\$ 117.5
Service cost	0.5	1.1
Interest cost	4.4	3.1
Benefits paid	(4.4)	(4.1)
Participant contributions	1.2	1.2
Federal subsidy	0.2	0.2
Actuarial loss (gain)	17.8	(30.9)
Accrued postretirement benefit costs	\$ 107.8	\$ 88.1

The postretirement health care plan accumulated gains or losses not yet recognized as a component of periodic postretirement health care expense, but included as an accumulated charge or credit to equity as of December 31 are:

	2023	2022
Actuarial losses (gains)	\$ 8.6	\$ (9.7)

Actuarial assumptions used in determining the accumulated benefit obligation at December 31 are:

	2023	2022
Discount rate	5.0%	5.2%
Initial health care cost trend	8.5%	7.0%
Ultimate health care cost trend	4.0%	4.0%
Year that the rate reaches the ultimate trend rate	2047	2046

The change in the initial health care cost trend from 7.0% to 8.5% and claims cost experience were the major drivers of the \$17.8 million actuarial loss in 2023. The change in the discount rate from 2.8% at the end of 2021 to 5.2% in 2022 was the major driver of the \$30.9 million actuarial gain in 2022.

AMA recognizes postretirement health care expense in its consolidated statements of activities. The service cost component is included as part of compensation and benefits expense and the other components of expense are recognized as a non-operating item:

	2023	2022
Service cost	\$ 0.5	\$ 1.1
Non-service costs		
Interest cost	4.4	3.1
Amortization of actuarial (gain) loss	(0.5)	0.4
Total non-service costs	3.9	3.5
	\$ 4.4	\$ 4.6

Postretirement health care-related changes, other than periodic expense, that have been included as a charge or credit to unrestricted equity consist of:

	2023	2022
Actuarial (loss) gain arising during period	\$ (17.8)	\$ 30.9
Reclassification adjustment for recognition of actuarial (gain) loss	(0.5)	0.4
Change in association equity	\$ (18.3)	\$ 31.3

Actuarial assumptions used in determining postretirement health care expense are the same assumptions noted in the table above for determining the accumulated benefit obligation, except as follows:

	2023	2022
Discount rate	5.2%	2.8%
Initial health care cost trend	7.0%	6.1%

The following postretirement health care benefit payments are expected to be paid by the AMA, net of contributions by retirees and federal subsidies:

2024	\$ 3.7
2025	4.1
2026	4.5
2027	4.8
2028	5.1
2029 – 2033	30.1

## 9. Income taxes

The provision for income taxes includes:

	2023	2022
Operating		
Current	\$ 4.4	\$ 4.3
Deferred	(4.6)	(21.4)
Valuation allowance	5.3	21.5
	5.1	4.4
Tax (benefit) expense related to credits or charges to equity		
Deferred	(1.0)	1.9
	\$ 4.1	\$ 6.3

As prescribed under ASC Topic 740, *Income Taxes*, the AMA determines its provision for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

The deferred tax benefit or expense from credits or charges to equity represents the estimated tax benefit from recording unrecognized actuarial losses and prior service credits for the postretirement health care plan, pursuant to ASC Topic 958-715.

Valuation allowances are provided to reduce deferred tax assets to an amount that is more likely than not to be realized. The AMA evaluates the likelihood of realizing its deferred tax assets by estimating sources of future taxable income and assessing whether or not it is likely that future taxable income will be adequate for the AMA to realize the deferred tax asset. The valuation allowance reflects the fact that deferred tax assets include future expected benefits, largely related to retiree health care payments, that may not be deductible due to a projected lack of taxable advertising income in future years as well as net operating or capital losses where recoverability will not occur until future taxable income is generated. Increases or decreases in deferred tax assets, where future benefits are considered unlikely, will result in an equal and offsetting change in the valuation reserve. If the AMA were to make a determination in future years that these deferred tax assets would be realized, the related valuation allowance would be reduced and a benefit to earnings recorded.

Deferred tax assets recognized in the consolidated statements of financial position at December 31 are:

	2023	2022
Net operating and capital loss carryforward	\$ 26.5	\$ 21.4
Benefit plans and compensation	5.9	5.2
Other	(0.1)	0.1
	32.3	26.7
Valuation allowance	(29.3)	(24.0)
	\$ 3.0	\$ 2.7

Cash payments for income taxes were \$4.4 million and \$4 million in 2023 and 2022, respectively, net of refunds.

AMA's federal taxes are open to examination by taxing authorities from 2020 through 2023. AMA's state taxes are open to examination for various years depending on the jurisdiction.

## 10. Leases

AMA leases office space at a number of locations and the initial terms of the office leases range from four years to 15 years. Most office space leases have options to renew at then prevailing market rates, or, in one circumstance, early terminate or contract with appropriate notice and termination payments. As any renewal, termination, or contraction is at the sole discretion of AMA, and at this date is not certain, renewal and termination options are not included in the right-of-use asset (ROU asset) or lease liability. AMA also leases copiers and printers in several locations, with initial terms generally of four years.

The lease agreements do not contain variable lease payments, residual value guarantees or material restrictive covenants. All leases are classified as operating leases.

AMA leases do not provide an implicit interest rate and as such, AMA calculates the lease liability at lease commencement or remeasurement date as the present value of unpaid lease payments using an estimated incremental borrowing rate. The incremental borrowing rate represents the rate of interest that AMA estimates it would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term, based on information available at the time of commencement or remeasurement.

During 2023, AMA extended the term of the main headquarters lease for an additional seven years in return for certain concessions. The ROU asset and lease liability were remeasured as of the modification date and the impact of the extension is a \$17.7 million increase in the ROU asset and corresponding lease liability. In addition, AMA exercised early termination options of two small satellite office leases, with a termination penalty. The impact of the early terminations was not material.

During 2022, AMA exercised a contraction option that reduced the square footage at the main headquarters by approximately 10%, with a contraction penalty. The ROU asset and lease liability were remeasured as of the lease modification date and the impact of the contraction was reflected in the ROU asset and lease liability as of December 31, 2022. ROU assets decreased \$1.3 million, lease liabilities decreased \$2.3 million, with the resulting net gain of \$1 million included as a reduction to other operating expense in 2022.

Operating lease costs totaled \$8.9 million in 2023 and \$9.7 million in 2022. Cash paid for amounts included in the measurement of lease liabilities totaled \$15.3 million in 2023 and \$13.2 million in 2022.

The remaining weighted-average lease term is 11.1 years and 6.3 years as of December 31, 2023 and 2022, respectively. The weighted-average discount rate used for operating leases is 7.2% and 5% for 2023 and 2022, respectively.

The maturity of lease liabilities as of December 31, 2023:

2024	11.5
2025	8.2
2026	1.9
2027	1.9
2028	5.6
2029 and beyond	80.4
Total lease payments	109.5
Less imputed interest	(38.4)
Present value of lease obligations	\$ 71.1

In addition to the above, as of December 31, 2023, AMA entered into a lease for a satellite office that will commence in 2024 with aggregate future lease payments totaling \$4 million.

## 11. Financial asset availability and liquidity

AMA has a formal reserve policy that defines the reserve investment portfolios as pools of liquid net assets that can be accessed to mitigate the impact of undesirable financial events or to pursue opportunities of strategic importance that may arise, as well as provide a source of capital appreciation. The policy establishes minimum required dollar levels required to be held in the portfolios (defined as an amount equal to one-year's general and administrative operating expenses plus long-term liabilities). The policy also covers the use of dividend and interest income, establishes criteria for use of the funds and outlines the handling of excess operating funds on an annual basis.

Dividend and interest income generated from the reserve portfolios are transferred to operating funds monthly and used to fund operations. The formal reserve policy contemplates use of reserve portfolio funds for board approved time- or dollar-limited strategic outlays, to the extent that the reserve portfolio balances exceed the minimum amount established by policy. All surplus funds generated from operations annually (defined as operating cash plus other current assets minus current liabilities and deferred revenue at year-end) are transferred to the reserve portfolios after year-end. The reserve policy does not cover the for-profit subsidiaries' activities.

AMA invests cash in excess of projected weekly requirements in short-term investments and money market funds. AMA does not maintain any credit facilities as the reserve portfolios provide ample protection against any liquidity needs.

The following reflects AMA's financial assets as of December 31 reduced by amounts not available for general use that have been set aside for long-term investing in the reserve investment portfolios or funds subject to donor restrictions. AMA's financial assets include cash, cash equivalents and donor restricted cash, short-term investments and long-term investments in the reserve portfolios.

	2023	2022
Financial assets	\$ 1,124.5	\$ 966.7
Less assets unavailable for general expenditures:		
Restricted by governing body primarily for long-term investing or for governing body approved outlays	(1,021.2)	(841.4)
Financial assets available to meet cash needs for general expenditures within one year	\$ 103.3	\$ 125.3

In addition to financial assets available to meet general expenditures over the next 12 months, the AMA operates under a policy that requires an annual budget surplus, excluding time- or dollar-limited strategic expenditures approved by the board, and anticipates generating sufficient revenue to cover general ongoing expenditures on an annual basis.

## 12. Contingencies

In the opinion of management, there are no pending legal actions for which the ultimate liability will have a material effect on the equity of the AMA.

## 13. Subsequent events

ASC Topic 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the consolidated balance sheet date but before consolidated financial statements are issued or are available to be issued.

For the year ended December 31, 2023, the AMA has evaluated all subsequent events through February 9, 2024, which is the date the consolidated financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition or disclosure in these consolidated financial statements that have not already been accounted for.

## 14. Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the Strategic Arcs and Core Mission Activities, Publishing, Health Solutions and Insurance, Membership and other supporting services.

The expenses that are allocated and the method of allocation include the following: fringe benefits based on percentage of compensation and occupancy based on square footage. All other expenses are direct expenses of each functional area.

	Membership	Publishing, Health Solutions and Insurance	Investments (AMA only)	Strategic Arcs and Core Mission Activities	Governance, Administration and Operations	Health2047 and Subsidiaries	Total
Cost of products sold and selling expense	\$ -	\$ 27.8	\$ -	\$ -	\$ -	\$ -	\$ 27.8
Compensation and benefits	6.7	65.5	-	87.7	93.6	8.5	262.0
Occupancy	0.5	5.5	-	7.0	7.3	0.9	21.2
Travel and meetings	0.1	3.4	-	7.9	8.0	0.5	19.9
Technology costs	1.1	12.1	-	8.4	12.2	0.1	33.9
Marketing and promotion	10.5	1.2	-	8.3	-	0.7	20.7
Professional services	0.2	4.2	0.3	18.5	3.4	3.1	29.7
Other operating expense	0.9	5.0	0.4	12.2	3.8	2.8	25.1
<b>2023 total expense</b>	<b>\$ 20.0</b>	<b>\$ 124.7</b>	<b>\$ 0.7</b>	<b>\$ 150.0</b>	<b>\$ 128.3</b>	<b>\$ 16.6</b>	<b>\$ 440.3</b>
Cost of products sold and selling expense	\$ -	\$ 27.9	\$ -	\$ -	\$ -	\$ 2.7	\$ 30.6
Compensation and benefits	6.4	65.1	-	78.1	78.1	7.0	234.7
Occupancy	0.4	5.7	-	6.9	7.1	1.3	21.4
Travel and meetings	0.1	2.6	-	4.5	7.2	0.3	14.7
Technology costs	1.0	11.0	-	7.1	10.3	0.1	29.5
Marketing and promotion	11.7	0.1	-	8.9	-	0.6	21.3
Professional services	0.4	4.2	0.3	17.6	3.7	3.0	29.2
Other operating expense	1.0	5.9	0.4	12.1	4.6	0.7	24.7
<b>2022 total expense</b>	<b>\$ 21.0</b>	<b>\$ 122.5</b>	<b>\$ 0.7</b>	<b>\$ 135.2</b>	<b>\$ 111.0</b>	<b>\$ 15.7</b>	<b>\$ 406.1</b>

# INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of American Medical Association

## Opinion

We have audited the consolidated financial statements of American Medical Association (the "AMA") and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AMA as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the AMA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the AMA's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AMA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the AMA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP  
Chicago, Illinois  
February 9, 2024



# WRITTEN STATEMENT OF CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The undersigned hereby certify that the information contained in the consolidated financial statements of the American Medical Association for the years ended December 31, 2023 and 2022 fairly present, in all material respects, the financial condition and the results of operations of the American Medical Association.

James L. Madara, MD  
Executive Vice President and Chief Executive Officer

Denise M. Hagerty  
Senior Vice President and Chief Financial Officer

February 9, 2024

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Note: Drs. Underwood, Suk and Fryhofer serve on all committees, except where otherwise noted, as ex-officio members without vote. Dr. Ehrenfeld serves on all committees as an ex-officio member with vote.

