Subject: AMA Reimbursement of Necessary HOD Business Meeting Expenses for Delegates and Alternates (Resolution 606-A-23)

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At the 2023 Annual Meeting of the American Medical Association (AMA) House of Delegates (HOD) Resolution 606, “AMA Reimbursement of Necessary HOD Business Meeting Expenses for Delegates and Alternates” was referred to the Board of Trustees for a report back to the HOD. The reference committee heard mixed testimony, including compelling testimony from the Board of Trustees regarding their fiduciary responsibility to our AMA and the need to allow sufficient time to identify and fully assess the impact on our AMA.

Resolution 606 asked:

That our American Medical Association develop a reimbursement policy consistent with established AMA travel policies for reasonable travel expenses that any state or national specialty society is eligible to receive reimbursement for its delegate’s and alternate delegate’s actual expenses directly related to the necessary business functions required of its AMA delegates and alternate delegates in service to the AMA at HOD meetings, including travel, lodging, and meals; and

That each state or national specialty society requesting such reimbursement for its delegate’s and alternate delegate’s reasonable travel expenses will submit its own aggregated documentation to the AMA in whatever form is requested by the AMA.

BACKGROUND

Resolution 606 highlighted the significance of the AMA HOD as a policy making body with diverse voices being represented through the delegations. The resolution focuses on the costs that are incurred by the organizations sending delegates and alternates to the meetings without discussing the costs of the meeting to the AMA. The resolution pointed out that several state and specialty medical societies are facing financial hardships due to several factors, including declining membership. As these organizations are looking to cut costs, not sending the full delegations or alternate delegates to the AMA HOD meetings could be seen as a savings. In some instances, delegates pay their own expenses at AMA HOD meetings so they can be a part of the robust policy making process. In addition, medical students and residents expressed issues with obtaining funding and are seeking inclusion in the development of an AMA reimbursement policy.

Costs

A fiscal note of $8.1 million was the estimate of the ongoing additional annual costs that would be incurred by the AMA if this resolution were adopted. This would be in addition to the $12 million the AMA is spending already to hold HOD meetings and provide staff support for councils,
sections and special groups. That does not include costs related to responding to and implementing resolutions from the HOD.

While our AMA has experienced above normal operating income over the last several years due to a reduction in expenses during the pandemic office closures and a record number of open positions due to tight labor markets, it is expected that the Association will return to full employment and regular operations by 2024, with a reversion to normal budgeted income.

AMA Budget and Reserve Policies

In the early 2000’s, AMA’s financial picture was very poor evidenced by questions raised at the HOD about the long-term viability of the organization. The AMA Board took action in 2000 to implement financial policies that would provide for ongoing sustainable operations and programmatic activities for both the short-and long-term. The goal was two-fold: 1) ensure that AMA would be able to withstand short-term volatility in revenue without requiring elimination of programs or personal that would be harmful to AMA’s reputation and 2) create reserve assets that could serve as a quasi-endowment fund to help ensure long-term fiscal stability of the organization. The annual budget policy was in answer to the first goal and that policy requires that AMA budget a surplus equal to the inflationary impact on two- to three-year’s operating expenses. The reserve policy prohibits the use of reserves for ongoing operating expenses in order to avoid drawing down the reserves on an annual basis and thus impairing the ability to maintain and grow reserves for the long-term stability of the organization, i.e., AMA’s quasi-endowment fund.

The two policies cited above mean that any expenditures above the current budget levels will require reducing expenses from other areas of the annual budget, i.e., other programmatic activities. If this resolution were adopted, that would result in an ongoing annual $8 million cost reduction in other programs, which at the current rate of inflation would cost almost $100 million over the next ten years. In addition, the size of the HOD continues to increase and this will drive total costs of delegates and alternate delegates attending in-person meetings higher than levels cited above, regardless of whether it is paid by AMA or the societies.

Financial and Tax Implications

AMA’s tax-exempt status and the regulations under which it operates to maintain that status is a key consideration when determining if or how to provide benefits or contributions to individuals or organizations. As an example, AMA’s tax counsel has advised that generally the IRS has found that the provision of financial benefits to members in certain situations will constitute private inurement which will result in the loss of tax-exempt status. Counsel did advise that the IRS has consistently viewed paying the reasonable travel expenses of volunteers, particularly those who participate in governance, as being acceptable and not treated as compensation which in this case would cover delegates and alternate delegates and thus led to the language of the resolution submitted to the HOD.

Additional discussions with tax counsel have resulted in another potential alternative, i.e., providing travel grants to societies in the HOD to cover or partially cover direct out-of-pocket expenses for delegates and alternate delegates based on financial need. Under this alternative, counsel recommended the following criteria: 1) the travel grants be limited to societies that demonstrate financial need; 2) the travel grants should be specifically identified as grants to cover travel reimbursement only for voting delegates and alternate delegates who participate in the HOD meetings, enabling delegates to participate in discussions regarding important issues affecting AMA and the medical profession; 3) the grant agreement between AMA and the society should
require that the funds are for reimbursement of incurred travel expenses in a manner that is consistent with 501(c)(6) purposes; and 4) that AMA should establish a cap on the amount that any one society can receive for reimbursement of travel expenses.

Based on the above alternative, AMA performed an analysis of the financial status of those societies seated in the HOD. The 2022 Form 990’s submitted to the Internal Revenue Services were obtained for 178 constituent and specialty societies. Form 990’s were not available for seven societies.

In 2022, the combined revenues and assets of the 178 societies total $3.2 billion and $7 billion respectively, and although there is wide disparity in the resources of these societies, is substantially more than AMA’s revenue or assets. The estimated average cost of a delegate and alternate delegate attending the AMA meetings is approximately $11,400. At revenue levels of $2.5 million and above, the total average cost for delegates and alternates would range from 0.04% to 2.1% of annual revenue. In comparison, AMA currently spends 2.6% of its total annual revenue on HOD activities.

The AMA realizes the importance of representation and participation in the policy-making process and the strength of organized medicine, are the organizations who send representatives to our HOD meetings to participate in the policy making process. Your Board of Trustees presents this report as informational as we continue to study options for strengthening the participation of the Federation in House of Delegates meetings. Your Board will submit a report at the 2025 Annual Meeting.