

REPORT OF THE BOARD OF TRUSTEES

B of T Report 27-A-24

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

Presented by: Willie Underwood, III, MD, MSc, MPH, Chair

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

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8 Resolution 606 asked:

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

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

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21 BACKGROUND

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

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34 *Costs*

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36 A fiscal note of \$8.1 million was the estimate of the ongoing additional annual costs that would be
37 incurred by the AMA if this resolution were adopted. This would be in addition to the \$12 million
38 the AMA is spending already to hold HOD meetings and provide staff support for councils,

1 sections and special groups. That does not include costs related to responding to and implementing
2 resolutions from the HOD.

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

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9 *AMA Budget and Reserve Policies*

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

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

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32 Financial and Tax Implications

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

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44 Additional discussions with tax counsel have resulted in another potential alternative, i.e.,
45 providing travel grants to societies in the HOD to cover or partially cover direct out-of-pocket
46 expenses for delegates and alternate delegates based on financial need. Under this alternative,
47 counsel recommended the following criteria: 1) the travel grants be limited to societies that
48 demonstrate financial need; 2) the travel grants should be specifically identified as grants to cover
49 travel reimbursement only for voting delegates and alternate delegates who participate in the HOD
50 meetings, enabling delegates to participate in discussions regarding important issues affecting
51 AMA and the medical profession; 3) the grant agreement between AMA and the society should

1 require that the funds are for reimbursement of incurred travel expenses in a manner that is
2 consistent with 501(c)(6) purposes; and 4) that AMA should establish a cap on the amount that any
3 one society can receive for reimbursement of travel expenses.

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

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

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