

# Organization Trends

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## The Decline of the American Medical Association

*Leftist Politics and Bureaucratic Incompetence Fuel Dramatic Membership Decline*

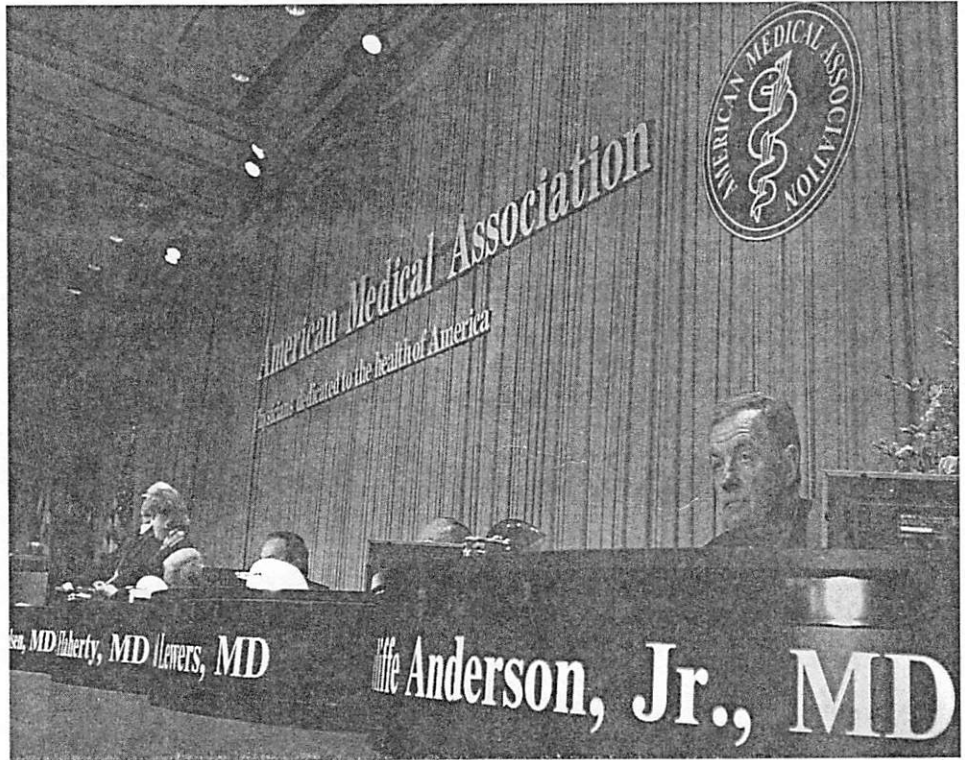
John K. Carlisle

*For decades, the American Medical Association (AMA) was held in the highest esteem as the preeminent representative of a distinguished profession and an informed advocate for the nation's doctors and a quality health care system. Sadly, that is no longer the case.*

*In the last several years, the AMA has seen its membership decline, its integrity sullied by scandal and its political agenda sharply questioned by the doctors it purports to represent. Many in the profession wonder about the relevance of an organization that is reluctant to speak out strongly for medical malpractice reform but takes advocacy positions on controversial political issues of questionable significance to the medical profession.*

**B**y any standard, the 154-year old American Medical Association is an impressive organization. It has 293,000 dues-paying members, a budget of \$250 million, and employs 1,200 people in its national headquarters in Chicago and 150 in its Washington, DC office. But this apparent strength is belied by serious internal woes that threaten the organization's very existence. Without effective management the organization's huge financial resources and bureaucracy have invited abuse and scandal.

The AMA used to represent 75 percent of the nation's doctors in the early 1970s, but only 32 percent are AMA members today. Because one-fourth of the AMA's revenue is derived from membership dues the association has been forced to scurry for new income. And an increasingly desperate search for money has led



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Former CEO Ratcliffe Anderson, at right, is suing the American Medical Association for breach of contract relating to what he alleges is the AMA's attempt to cover up financial irregularities.

the AMA into ethically questionable financial dealings, the news of which has caused even more doctors to resign their membership. In June, the AMA's former CEO sued the association's board of trustees for breach of contract and other alleged offenses relating to financial scandals. Many in Congress also accuse the AMA of monopolistic tactics that help it raise millions of dollars in revenue but inflate consumer health care costs.

Compounding these problems is the increasingly wayward course of AMA

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### CONTENTS

The Decline of the American Medical Association: Leftist Politics and Bureaucratic Incompetence Fuel Dramatic Membership Decline: *page 1*

Organizations Aiding Victims of Terrorist Attacks: *page 7*

Briefly Noted: *page 8*

policies. AMA strongly supports a patients' bill of rights that emphasizes expanded litigation against Health Maintenance Organizations (HMOs). This strikes many physicians as a bargain with the proverbial devil—the devil being trial lawyers. In exchange for working with trial lawyers on patients' rights legislation, the AMA leadership has made a potentially fateful decision to sideline efforts to push for legislation curbing malpractice suits. Although a top priority for doctors, AMA leaders have decided to sell out their own members' interests rather than antagonize their questionable new allies at the American Trial Lawyers Association. Many doctors also wonder why the AMA needs to take positions on racial preferences, gun control legislation and the membership policies of the Boy Scouts of America.

Confronted with its myriad problems, doctors are turning their backs on the AMA and are joining specialized medical associations that better reflect their priorities. Even physicians who remain members openly worry about the association's long-term prospects and candidly admit

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that the AMA no longer speaks for America's doctors.

## Patients' Bill of Rights

Passing a patients' bill of rights has been the AMA's most important legislative battle during the last few years. This legislation is ostensibly aimed at ending HMO abuses that compromise essential health care in the name of cost-control. Both the Senate and House passed bills this summer that greatly expand patients' right to sue HMOs. The House version, H.R. 2563, sponsored by Rep. Greg Ganske (R-IA), allows patients to collect up to \$1.5 million in non-economic damages in either state or federal court and allows \$1.5 million in punitive damages if a health plan refuses to follow an appeals board order to provide care. The Senate version, S. 1052, sponsored by Sen. John McCain (R-AZ), is even more weighted towards expanded litigation. The Senate bill would allow unlimited non-economic damages and \$5 million in punitive damages.

The AMA strongly supports the Senate bill and opposes the House version. AMA Chair Timothy Flaherty argues that the House bill places more curbs on litigation and "helps HMOs more than it helps patients."

Of all trade associations, the AMA should know from long and costly experience that health care litigation does not benefit consumers or doctors. It benefits trial lawyers most. Civil lawsuits can take months, even years, as the process of discovery, trial and appeal works through the system. Meanwhile, the patient can see his health deteriorate or may even die while waiting for a decision. Instead of a slow adversarial process, consumers are better served by alternative methods of dispute resolution. External mediation, for instance, is faster and cheaper than civil litigation. But AMA shows little interest in promoting options to lawsuits.

Polls show that a patients' bill of rights is not a top domestic concern for most Americans. When a *NBC/Wall Street Journal* poll asked people in June to name their top legislative priority, 26 percent wanted education reform. Energy exploration was

named by 19 percent of those polled. Only seven percent mentioned the need for a patients' rights bill, which ranked fifth.

The AMA's crusade to hobble HMOs with litigation makes little sense. Suing HMOs is not a priority for doctors. In July, the American Association of Health Plans (AAHP), a trade organization representing HMOs and Preferred Provider Organizations, commissioned the Ayres, McHenry & Associates polling firm to ask AMA member physicians what priority they placed on opening HMOs to increased litigation. The response: suing HMOs came in third with 17 percent. Doctors' first priority—as always—is medical malpractice reform. The poll showed that 39 percent support enacting legislation to impose caps on medical malpractice awards. Twenty-nine percent want changes in anti-trust legislation to facilitate collective bargaining while twelve percent support changing the tax code so paying for health insurance can be moved from employers to individuals.

The poll also found that 91 percent of AMA doctors believe any patient protection bill must include medical liability reform. But, amazingly, the AMA refuses to consider proposals to attach malpractice reform measures to patient protection legislation.

Why AMA's leaders decided to abandon medical malpractice reform legislation is a matter for conjecture. Clearly, it is very important to the doctors who are AMA members. As recently as 1996, it was the AMA's top legislative priority. In 1995, the AMA aggressively lobbied for a sweeping bill passed by the House that would have capped malpractice damages at \$250,000, placed limits on "joint and several liability" and required a "loser pays" rule to discourage frivolous suits. Robert McAfee, then AMA president, called the bill a "giant leap forward." But the legislation died amid wrangling in the Senate and a threatened veto by President Clinton.

In the years following, the AMA has grown concerned about what it considers the growing power of the managed-care

industry to dictate patient care. To reverse this trend, AMA leaders appear to have developed a tacit alliance with their one-time enemy, the American Trial Lawyers Association (ATLA). AMA and ATLA have a common objective: expanding HMOs' liability. Currently, health care plans can only be sued in federal court for failing to provide services stipulated in their contracts. But an individual can only collect the monetary value of the coverage that was denied. The patients' rights' bill supported by the AMA would make HMOs liable for not covering certain procedures and allow patients to sue in state court and collect whatever state law permits.

Of course, trial lawyers adamantly oppose limits on malpractice damages. So it seems the AMA has decided not to antagonize its new allies. In 1998, House Speaker Dennis Hastert discovered this when he urged the AMA to support adding malpractice protection to patients' rights legislation. Hastert was stunned when the AMA rejected his overtures. This year the association went further by withdrawing from the Health Care Liability Alliance, a group that supports including malpractice reform in a patient protection bill. The Alliance includes the American Academy of Dermatology, the American Academy of Orthopedic Surgeons, the American College of Surgeons and tort reform organizations.

The AMA decision has betrayed the doctors it represents. The AAHP poll finds that 74 percent of AMA doctors believe it is a "bad idea for doctors to align themselves with trial lawyers in the pursuit of new lawsuits against health plans if the cost is putting aside efforts to reform the medical malpractice system." But the AMA is not listening.

## AMA Embraces Liberal Political Causes

For decades, the AMA's reputation was one of solid support for the conservative wing of the Republican Party and its small business agenda. From 1965 when it denounced Medicare as "socialized medicine" to 1994 when it worked to defeat the Clinton health care plan, the AMA built close alliances with the GOP. In the 1996

elections, less than 20 percent of AMA campaign contributions went to Democratic party candidates.

That alliance has collapsed. For the first half of 2001, 67 percent of AMA political contributions have gone to Democrats. As of July 1, the AMA's Political Action Committee (AMPAC) gave \$52,500 to House Democrats compared to only \$27,450 to House Republicans. Likewise, AMPAC contributed \$7,000 to four Senate Democrats while contributing \$2,000 to a single GOP Senator, Larry Craig (R-ID). The AMA reinforces its financial support with action. AMA Chair Flaherty strongly supports the Senate patients' bill of rights, which is the Democrats' preferred version, calling it "the gold standard," while deriding the GOP alternative passed by the House. The AMA's alliance with the trial lawyers, major contributors to the Democratic party, has left angry Republicans sputtering that the AMA is a "toady" of Democrats. In a slap at the AMA, President George W. Bush chose to deliver his first major health care speech to the American College of Cardiology, and the Bush Administration failed to include an AMA representative in the U.S. delegation to the World Health Assembly in Geneva.

AMA officials deny they have become a Democratic special interest. But they are staking out positions on causes and issues unrelated to health care that reflect attention to political coalition-building needs more than to representing member interests.

In 1998, for instance, the AMA announced its opposition to a Washington State ballot initiative to ban state racial preference programs. This past summer, the AMA's House of Delegates passed a resolution critical of the Boy Scouts of America for prohibiting homosexuals from serving as troop leaders. The resolution asked "youth-oriented organizations to rescind exclusionary policies that are based on sexual orientation."

In June, the new AMA president Richard Corlin delivered a speech calling for more gun control. Indifferent to a 2000 survey in *Medical Economics* which found

that one-third of doctors own firearms, Corlin said, "We don't regulate guns in America. We regulate other dangerous products like cars and prescription drugs and tobacco and alcohol – but not guns." Dr. Timothy Wheeler of the Claremont Institute's Doctors for Responsible Gun Ownership has responded that "Corlin has declared war on gun owners" and notes that the AMA has sent out booklets advising doctors to tell patients to get rid of their guns.

Corlin's outspoken opinions are driving gun-owning doctors out of the AMA. Dr. Robert Woolley, a Minnesota doctor who belongs to the AMA and the National Rifle Association, says he probably won't renew his AMA membership. "Nobody disputes that people dying and being injured from gunshot wounds is a terrible problem," says Woolley, but groups like the AMA "are making very simplistic assumptions that the solution is more gun control."

## Doctors Disillusionment Fuels Membership Decline

That the AMA no longer represents the majority of America's doctors is perhaps the most powerful indictment of its lost effectiveness. In the 1990s membership has plummeted as doctors join specialized medical associations or simply decline to renew their AMA affiliation, perhaps in protest against recently-adopted association policies. In the early 1970s, the AMA represented nearly three-quarters of American physicians. As recently as 1989, it represented 45 percent. But today the association represents just 293,000 of the nation's 725,000 doctors—32 percent. This loss of membership affects the association's finances. In 1999, membership revenue declined by \$4.8 million. Last year, the loss of 3,000 members translated into a loss of \$4 million in revenues, which partly explains the AMA's operating deficits for the last two years. The organization ran a \$15 million deficit in 1999 and an \$8 million deficit in 2000. The AMA currently is generating \$257 million in revenue, but only \$57 million is from membership dues.

Why the decline in members and money? Politics is probably one reason. The AAHP poll revealed that 50 percent of AMA doctors said they voted for George W. Bush while only 24 percent supported Al Gore. The poll also showed that President Bush's stand on patients' rights wasn't hurting him among AMA members. The poll, conducted in July 2001, found that 64 percent approved of his conduct as President.

But perhaps more infuriating to doctors is the way AMA national officials foist their policies on state chapters and rank-and-file members. Traditionally, the AMA has run a decentralized operation. Dr. Jerald Schenken, an AMA trustee from 1985 to 1994, notes that the organization's national leadership used to defer to its state associations in deciding on political endorsements and contributions—even when a state chapter supported a candidate or measure with little chance of winning. Schenken told the *The Weekly Standard*, "If [a position] didn't come from the grass roots, the AMA wouldn't support it."

That has changed.

In 1997—about the time AMA decided to ditch malpractice reform—AMA officials adopted more centralized decision-making processes that ended deference to state leaders and emphasized compliance with the national office's agenda. Schenken notes, "The AMA has begun to pressure states from the top down with their political activity contributions."

Members of Congress quickly noticed the change. Rep. John Shadegg (R-AZ), who for years had a solid working relationship with the Arizona AMA, found that the national leadership refused to even talk to him about crafting an acceptable patients' rights bill. Shadegg wanted to attend the AMA's annual gathering in Chicago this year to discuss these issues. But, says Shadegg, "The Washington office moved heaven and earth to deny me a chance to go have that discussion."

Hastert says the leadership has lost touch with its members. Pete Jeffries, a

spokesman for the speaker, says, "The dues-paying doctors in Congress are afraid the lobbying shop in D.C. isn't fighting for the interests of doctors in the hinterlands."

What's happening to the AMA is all-too-familiar. Ideological cadres have taken over and politicized many professional organizations from the American Bar Association to the PTA. An AMA doctor in California observes, "The kind of people who gravitate to the leadership in groups like the AMA generally have an expansive view of social activism."

## AMA Members Criticize Their National Leaders

Of course, GOP criticism of AMA positions and operations might be dismissed as sour grapes. But doctors in the AMA insist that the organization has become an inefficient bureaucracy and that it is unresponsive to the opinions, either political or professional, of its members.

An article in the September 1, 2000 *Dermatology Times* reveals the disillusionment of many AMA physicians. Dr. Ruth

Dr. David Arluk of Forest Hills, New York, says the AMA leadership doesn't "really take into consideration the opinions of a large number of their membership, and I think that's why they've lost membership – they don't ask us questions."

AMA confronts one added major problem. Many medical specialists believe that because it is a broad-based general membership organization, the AMA is ill-suited to represent their particular interests. Dr. Thomas Witt, a dermatologist from Bangor, Maine, says the "AMA has a substantial membership of people who are primary care physicians, and they have a substantial membership of people, such as myself, who are specialists – our interests really are at a variance."

The problem is further exacerbated by doctors whose careers consist of working at AMA leadership posts. Says Witt, "There doesn't seem to be a turnover. These people stay on for years and years and years [and] they don't have much contact. The guys who stay in there for

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Adams says of the AMA:

"It has just gotten too big. It would be much better if there was a way for them to get a better feel for what the individual physician thinks and be able to represent the little guy in Washington. It's become just another bureaucracy... To me, it's just like the government. The government was started so there could be representation of the people – elected officials are supposed to represent you, but they don't. They go to Washington, and then have their own agendas – the same thing is happening to the AMA."

years become politicians and cease to be doctors." Witt says he stays because "I'm a creature of habit. My generation... were joiners. We did join and I have some benefits. I've bought insurance and you can't keep your insurance if you drop your membership."

Even long-time AMA doctors acknowledge the group's shortcomings. Dr. Gary Waldman, a Charlotte, North Carolina, dermatologist, says it's important for him to maintain his membership because the AMA is the only association speaking for all doctors and not just one specialty. But Waldman acknowledges, "A lot of

doctors just can't relate to the AMA. It has always been the establishment – it hasn't been that responsive to individual member's concerns, and it is expensive to maintain a membership."

If the AMA is to stop its membership decline, doctors say its officials need to re-connect with the grassroots. Says Arluk, "They have to go back and talk to us, and ask what we want out of them, and what do we think – maybe poll us more often on certain issues rather than just coming out with statements from the hierarchy."

So far, the AMA has shown no real inclination to address these concerns. One striking and ominous indication of what may be in store for the organization is the decision last year by the Illinois State Medical Society to sever its affiliation. The Illinois State Medical Society is a 14,000-member organization representing the state's doctors. In 1952, it was one of the first state groups to show solidarity with the AMA by establishing a unified membership: A doctor joining the Illinois State Medical Society automatically became an AMA member.

But in April 2000 the society voted to end its formal connection because of widespread dissatisfaction with AMA missteps. Dr. Clair Callan, president of the state society, says, "It has become very clear the grass-roots membership are really bothered by mandated membership." In particular, members are upset by a 1997 controversy concerning AMA's attempt to endorse health products made by Sunbeam Corporation. That scandal still plagues the AMA.

It is telling that Illinois doctors surrendered their state society's affiliation with the AMA even though it increased their costs. Under the unified relationship, doctors paid \$300 for both state and AMA member dues. After disaffiliation, doctors would have to add payment of AMA's regular \$420 annual membership fee. Even without controversy that fee dissuades doctors from joining the organization.

## Internal Turmoil Rocks AMA

In June 2001, AMA's chief executive

officer, Dr. Ratcliffe Anderson, filed a lawsuit against the AMA charging its board of trustees with breach of contract and defamation of character. He seeks \$5 million in damages. The dispute stems from Anderson's attempt to fire AMA general counsel Michael Ile for allegedly selling AMA property in Chicago for \$13.5 million below its market value.

The property was sold in 2000 for \$23.5 million. In his lawsuit, Anderson says Ile failed to get an appraisal, failed to renegotiate the deal while property prices were rising, and failed to provide sufficient remedies to the AMA in case of a buyer's breach. Anderson says the board of trustees defended Ile when he tried to fire the general counsel and then threatened him: "When I pointed fingers and asked questions about why we were leaving millions of dollars on the table, the board of trustees accused me of flouting their authority and they subsequently threatened my job." Anderson says he

new general counsel who would continue to cover the tracks of board members involved in the Sunbeam fiasco. "When I refused to cooperate in their decision to hire a new general counsel who would 'cover their butts,' the board of trustees unleashed a series of assaults on my office," says Anderson.

In August 1997, the AMA and Sunbeam announced a deal allowing Sunbeam to place the AMA's serpent-and-staff logo on Sunbeam products such as heating pads and humidifiers. Even though the AMA stood to make millions of dollars, the endorsement deal provoked a wave of criticism from AMA doctors and medical ethicists who thought it was wrong to use the association's name to sell products. AMA backed out of the deal and, in the ensuing fallout, a half-dozen AMA executives, including the previous chief executive officer, lost their jobs. About 3,000 doctors quit the organization in protest and the AMA was forced to pay Sunbeam \$13

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*Senator Trent Lott*

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tried to make his case before the board but its leadership barred him from their meeting. The board allowed Ile to resign on December 31, 2000 with a generous severance package. Less than two weeks after filing his lawsuit, the board fired Anderson.

The board's actions are especially perplexing because Anderson was trying to reduce the AMA's \$15 million deficit in its \$250 million budget.

Anderson charges that he was thwarted because Ile protected "certain trustees from an embarrassing endorsement deal in 1997 with Sunbeam Corp." After the board accepted Ile's resignation, Anderson says it instructed him to hire a

million to settle its lawsuit.

AMA board members claimed they knew nothing about the deal until it was made public. Anderson, who was hired in 1998 to help the AMA recover from the botched deal, says that's not true. He charges that current board members serving in 1997 knew about the proposed Sunbeam partnership. The explosive lawsuit is sure to increase the damage to AMA's already-shaky reputation and its efforts to recruit new members.

Howard Wolinsky, author of *The Serpent on the Staff: The Unhealthy Politics of the American Medical Association* (1995) says the scandal couldn't have hit at a worse time. "They are going to be so



caught up in their internal problems that they will be distracted," says Wolinsky. "They will lose credibility. They can't afford to lose much more membership... They're in a sad state."

AMA members are disillusioned. Dr. Marie Kuffner, a California AMA physician, says, "This is read very badly at home... Everyone was like, 'I don't believe this; the AMA's at it again.' The damage is far greater to the grassroots physicians who will or will not make the decision to join again."

## AMA Monopoly on Billing Codes Costs Consumers, Frustrates Doctors

For years, critics have charged that the AMA wields a unique monopoly power that guarantees profits for itself at the expense of consumer choice and control over health care inflation.

This summer members of Congress launched a new assault on that monopoly. In August 2001, Senate Minority Leader Trent Lott (R-MS) asked the Department of Health and Human Services to end the AMA's federally-approved "monopoly" on Medicare and Medicaid billing codes that doctors are required to use to bill for reimbursement.

When the federal government established the current Medicare/Medicaid billing system in 1983, it allowed the AMA to have exclusive copyright to the "Current Procedural Terminology" (CPT) billing codes. The CPT code system attempts to assign a unique code to the huge number of possible medical procedures and diagnoses. For instance, the code "49505" represents a type of hernia operation. Code "99201" stands for a ten minute office visit with a new patient. The codes let clerks without medical training enter information into a computer so doctors' bills match up with insurance company payments.

The federal government sets the costs doctors can charge Medicare and Medicaid for various procedures. But by giving the AMA control over access to that coded information, says Senator Lott, the AMA

can prevent consumers from learning about the prices doctors charge, thus discouraging competition and exacerbating health care costs. Moreover, private insurers are forced to adopt the AMA's billing standards.

The AMA receives an estimated \$71 million from annual royalties and books sales on CPT codes. That represents over half of the \$133 million the AMA now derives from non-dues sources. Facing a declining membership, the AMA is clearly motivated to maintain its CPT monopoly.

To understand this arcane system, doctors are forced to purchase expensive CPT code books from the AMA detailing the codes for medical services. For instance, AMA charges \$49.95 for *CPT 2001*, the lowest-priced book containing all CPT codes. The AMA is quite willing to sue anyone who tries to disseminate the CPT codes freely. It has successfully sued websites that posted comparisons of doctors' fees on the internet using the CPT codes.

"The AMA has been able to impose on the entire nation the AMA's obviously self-interested policy against consumers comparison shopping for medical care," says Lott. "Comparison shopping and proper billing to avoid mistakes and fraud are two of the most potent weapons we have to combat the routine double-digit increases in health care costs that keep millions of Americans uninsured."

The AMA defends its CPT copyright, saying patients should not choose doctors based on billing comparisons.

Doctors are critical of the CPT codes as well. The American Association of Physicians and Surgeons (AAPS), an association representing doctors since 1943, strongly supports eliminating the AMA's CPT monopoly. AAPS spokesman Kathryn Serkes says "any doctor will tell you that the AMA's stranglehold on government billing has been a major cause of the fear and intimidation in which doctors are now forced to practice medicine. Elimination of the AMA cartel will do more to protect patients than any patients' bill of

rights law."

Drs. Michael Glueck and Robert Cihak, who write on health care issues, say the CPT codes are an example of how the "AMA often acts more in its own business interest than for its physician members or the patients they serve." In their view, the CPT system is an onerous government mandate that consumes too much effort and wastes time better spent treating patients. Glueck and Cihak would put the CPT code in the public domain so the "patient would be better informed and have more choice."

The CPT monopoly reminds Glueck and Cihak of why they left the AMA. "Years ago, when each of us independently found ourselves no longer adequately represented by the AMA, we resigned our memberships. Why pay \$500 per year for dues and then purchase our own information back from ourselves?"

Why indeed be a member of the AMA? In increasing numbers, doctors are answering "No" when invited to join the tottering giant. The AMA leadership abandoned American doctors when it cast off its longtime advocacy for malpractice reform and chose to side with trial lawyers to win passage of a deeply-flawed patients' bill of rights. Its heavy-handed tactics and embarrassing financial scandals have further alienated its members. Put simply, the AMA is a trade association that is failing its primary purpose to represent the interests of physicians.

*John K. Carlisle is the Editor of Organization Trends.*