



Epsilon Theory  
**AMA? BITFD!**

November 24, 2020

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If you're a medical doctor, you probably received an email like this in recent days from the American Medical Association, a tax-exempt not-for-profit corporation organized under section 501(c)(6) of the US tax code:

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***Subject: Dr. XYZ, don't wait to get the PPE you need from the AMA***

*Dear Dr. XYZ,*

*Since the start of the pandemic, physicians across the country have gone above and beyond to keep patients safe. Yet after eight months, many are still unable to get enough PPE for their practices. We've urged the federal government to act, and now, we're stepping in.*

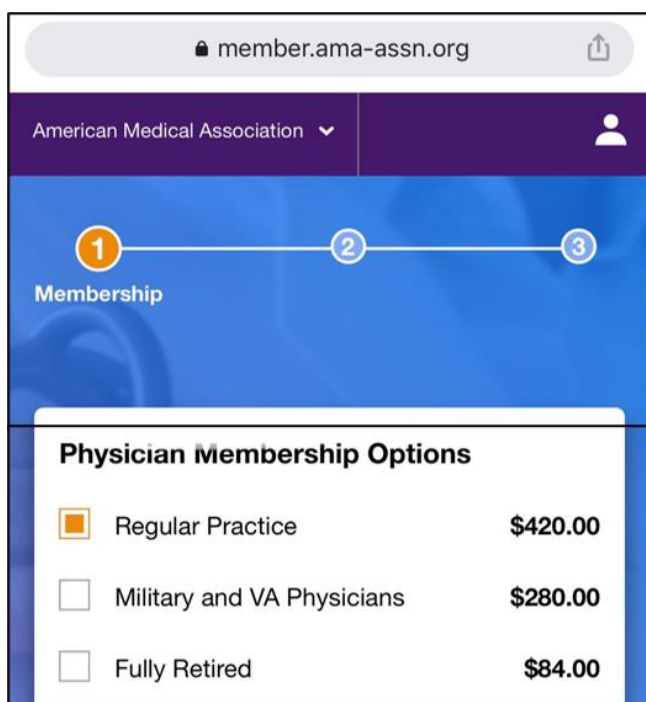
*The American Medical Association is collaborating with Project N95, a not-for-profit organization, to reserve quality-certified PPE for AMA members to purchase with no minimum.*

*If you're interested in ordering PPE, go [here](#) to learn more and view the available equipment, and then **activate your AMA membership** to get started. The deadline to place an order is 3 p.m. Central time on Monday, Nov. 23.*

*This PPE shortage has placed physicians in jeopardy for far too long. I hope this collaboration with Project N95 provides some immediate support as we continue to advocate for a long-term resolution.*

### **Activate your AMA membership**

Silly me. Did I say that if you were a medical doctor you would probably have received this email? What I meant to say is that if you were a medical doctor *who is not currently a member of the AMA, or if your membership has lapsed ...* THEN you would probably have received this particular email. It's tailored just for you.



That will be \$420 for your annual membership.

And once you pay that – and no, you can't see our great PPE bargains until you do, in fact, pay that – well, NOW take a look at these great PPE bargains.

Are they a bargain? I dunno. Honestly I have some significant qualms about the PPE pricing through this channel. But I'll say this – I don't think any of the parties involved in this effort (other than the manufacturers) are trying to profit in the technical sense of the word from some margin or mark-up on the PPE items themselves.

But the AMA is absolutely trying to profit here.

The AMA is absolutely NOT doing what it should be doing – giving away or heavily subsidizing PPE to ALL healthcare professionals.

*What is this email and offer of PPE "support" to doctors all about?*

**It's a freakin' membership drive for the AMA.**

But hey, maybe I'm too quick to judge the AMA here and how they are "stepping in to help". Maybe they're kinda new to the licensing and product sales world. Maybe they're spending every dime on educational programs and grants to improve the medical profession and the delivery of

healthcare to all Americans. Maybe they don't have the resources to purchase and distribute PPE for their members – much less ANY healthcare worker – in urgent need of said PPE.

I mean, sure, the organization that Rusty and I helped start – [Frontline Heroes](#) – has been able to distribute 170,000 medical respirators to more than 1,400 clinics and hospitals across the United States at *absolutely no charge* to the recipients, funded by the awe-inspiring generosity of hundreds of donors who know exactly what “stepping in to help” truly means. Sure, every penny we raised has gone exclusively to the purchase and distribution of that PPE, with no one taking any compensation ever. Sure, we've done all that with a handful of incredible human beings and working out of my garage. But it is, admittedly, a nice garage. Maybe the AMA doesn't have the wherewithal to find a couple of volunteers and a nice garage. Maybe they're stretched terribly thin in “these unprecedented times”.

So I decided to look up the AMA's tax filings.

All of the information I'm about to share is on the AMA's public IRS filings (EIN: 36-0727175). I've stored and made available for download their most recent filing here: [AMA 2018 Form 990](#).

**In 2018, the American Medical Association had total revenues of \$332 million.** That's not a typo or an extra zero or two in there. That's three hundred and thirty two million American dollars in revenue. In one year.

I figured membership dues would be the biggest revenue line item, but no, not even close. Membership dues from all you doctors comes to just over 10% of revenues – \$36.8 million. The AMA got almost as much in revenue from direct sales of merch – \$29.7 million – and with a COGS of \$5 million you really gotta admire their margins. Subscription revenues of \$39.7 million were a bit higher than membership dues, but still not the biggest revenue item. Nor was the advertising revenue of \$15.7 million, nor the dividend income of \$12.4 million *on an investment portfolio of publicly traded securities valued at \$643 million*, nor the profit on securities sold of \$14.0 million, nor the “credentialing” revenue of \$14.0 million, nor the “reprints and permissions” revenue of \$7.4 million, nor all the other odds and ends categories.

No, by far the primary annual revenue engine for the AMA is ... royalties.

**In 2018, the American Medical Association made \$158.6 million in 100% gross margin revenues by licensing its name and logo and membership lists to everyone from its own insurance brokerage subsidiary – the AMA Insurance Agency – to every pharma co or medical device co or whatever co that was willing to pay for that stamp of approval and halo of authority.**

That's how the AMA makes its money. Not so much by selling TO you – the doctors of America – with membership dues and overpriced PPE and merch, but by selling YOU – the doctors of America – to anyone who wants to buy your name and your reputation.

Okay, okay, but I'm sure it's all for a good cause! Tell me about all the outreach programs and charitable grants that the AMA administers, Ben!

Yeah, well, about that ...

In 2018, the AMA made \$4.9 million in grants to 82 separate 501(c)(3) organizations. Almost all were quite small and for specific programs, except for a \$1.8 million grant for "general support" to the PCPI Foundation, a Chicago-based medical consortium that is *very* closely linked to the – golly, can this be right – Chicago-based AMA. So really it was \$3.1 million to 81 recipients, and yes, you can do that math as easily as I can: **in 2018, the AMA handed out less than 1% of its revenues in grants and awards to independent medical charities and research programs.**

The AMA spent more money on office equipment (\$3.9 million) than on grants and awards. The AMA spent as much money on market research and telemarketing sales (\$3.0 million) than on grants and awards. The AMA spent twice as much on advertising and promotion (\$6.1 million) than on grants and awards. The AMA spent more than twice as much on membership solicitation (\$7.8 million) than on grants and awards.

Of course you see where this is going.

**In 2018, the American Medical Association spent \$168.7 million on employee salaries and benefits.**

The AMA had *twenty-four* Trustees in 2018, each paid an annual stipend ranging from \$70,000 to \$290,000. Four former Trustees, who had no apparent ongoing connection with the AMA, still collected \$10,000 to \$25,000 that year.

The AMA has *five* Senior Vice Presidents paid between \$880,000 and \$1,050,000 in 2018.

The AMA has a Chief Strategy Officer who was paid \$1,130,000 in 2018.

The AMA has a Chief Operating Officer who was paid \$1,350,000 in 2018.

The AMA has a Chief Financial Officer who was paid ... huh? ... only \$730,000 in 2018. Wow, that's weird. I mean, she's the only woman in the C-suite, but I'm sure that has nothing to do with it. I think we all know that being a CFO is nowhere near as rigorous or demanding a job as being a ((checks notes)) Chief Strategy Officer, especially one who was the CEO's best bud when they were both working at the University of Chicago Medical Center, **a best bud who replaced the CEO and made sure he got his \$2.7 million severance payment when the CEO was forced to resign.**

Which brings us to Jim.



That's Jim Madara, American Medical Association CEO and EVP since 2011, **shaking his finger at us** in a 2019 speech and telling us that the core challenge for the medical profession in general and the AMA in particular will be finding ways to address health inequity – the disparate healthcare outcomes for Americans stemming from food and housing insecurity, limited access to transportation, and above all, income inequality.

Jim announced that the AMA would be taking a “leadership role” in this important cause by acting on the AMA Health Equity Task Force recommendations to hire senior executives and staff to build out the AMA Center for Health Equity, a think tank that would be charged with making further programmatic recommendations to advance the AMA’s ... leadership role.

To be sure, Jim’s bold vision for addressing health equity issues might surprise some, given that he was forced to resign from his prior position as CEO of the University of Chicago’s Medical Center over **accusations of systematically redirecting low-income or uninsured patients to nearby hospitals and clinics for treatment**, to the point where **190 U of C Med Center docs signed a letter to Trustees protesting Madara’s policy**.

Speaking of income inequality, Jim Madara was paid \$2.3 million in cash compensation by the AMA in 2018. That does not include deferred compensation, pension contributions and other benefits, which is reported at another \$200k. Nor does it include his compensation from all of his other advisory side gigs, like the **Aspen Leadership Group** or the Chicago-based healthcare incubator **Matter**. But that’s not the big play for Jim.

In 2016, the AMA funded the creation of a private “tech accelerator” in Silicon Valley – **Health2047** – with an **initial \$15 million investment**, plus **a follow-on \$27 million investment** in

2018. Did I mention that the AMA has an investment portfolio of \$642 million in publicly traded securities and \$111 million in private securities?

Health2047's chairman of the board is – you guessed it – Jim Madara, and he hired his friend and **self-described protege**, Doug Given, as the company's CEO. Health2047 has funded and “accelerated” four portfolio companies today, including **Akiri** (building healthcare data networks “on the blockchain”) and **First Mile Care** (described by Jim as “uber but for diabetes”). But this is only part of the big play for Jim.

A tech accelerator can make good money, sure, but it's not nearly as lucrative as being the general partner in a private investment fund where you can charge a management fee and take a 20% carried interest in any realizations. So in 2018, Doug Given stepped down as CEO of Health2047 (don't worry, he's still on the board with Jim) so that he and Jim could start **Health2047 Capital Partners**, a good old-fashioned venture capital fund. Doug is the Managing Member of the General Partner for Health2047 Capital Partners, and Jim is chairman of the board.

**SEC filings** show that Health2047 Capital Partners recently closed on a \$47 million investment as part of their \$250 million initial fund. There are no public disclosures for investments in a private fund, but if I were a betting man – and I am – I would wager a substantial sum that the limited partner making that \$47 million investment is the AMA. Hey, maybe I'm wrong. If Doug or Jim want to give me a shout and make a credible representation that the American Medical Association isn't an LP in this venture fund where Jim is affiliated with the GP ... I'll be happy to post their denial statement directly in this note. LOL.

You know, I feel like I've been around the block a few times. I feel like I've seen more than just garden variety self-dealing and chicanery in my years around Wall Street. I feel like I've seen more than my fair share of corporate perversions of narrative and the tax code alike, more than my fair share of outright corporate betrayals of the public good.

But I've never seen anything like this.

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The AMA is not a *charitable* organization.

The AMA is not an *educational* organization.

**The AMA is a tax-exempt hedge fund and licensing corporation.**

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**The American Medical Association is designed from the ground up to enrich its executives.**

**Publicly, it espouses a doubleplusgood narrative of social justice and health equity. Privately, the only interests it serves are its own bureaucratic imperatives and the self-aggrandizement of its “leaders”.**

**There is no “fixing” the AMA. There is no “reforming” the AMA. This is ... this is an abomination.**

**Burn. It. The. Fuck. Down.**

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