

Backlash from Botched AMA Endorsement Deal with Sunbeam

CHICAGO SUN-TIMES FOLLOWS THE FALLOUT

Editorial Staff

Illinois State Medical Society Calls for Independent Investigation

According to the Chicago Sun-Times, the Illinois State Medical Society is calling for an independent investigation of the involvement of the American Medical Association's board and staff in questionable business deals. The society's board has directed its delegation to urge the AMA's House of Delegates, the AMA's ultimate policymaking body, to launch an investigation of AMA business deals separate from what is being conducted by the AMA board and staff. To help restore the AMA's credibility, the Illinois affiliate wants an independent panel to "determine whether the [AMA] board of trustees and senior management acted outside their spheres of authority."

Medical Society of New Jersey Asks for Resignations

In the toughest stand taken to date, the Medical Society of New Jersey is demanding the resignations of the AMA's chief executive and board chairman. The 8,000-member New Jersey group's board adopted a resolution asking Dr. P. John Seward, chief executive of the Chicago-based AMA, and Dr. Thomas Reardon, chairman of the board, to resign "for failure to execute their duties in an acceptable manner." Dr. Carl Restivo, president of the Medical Society of New Jersey, said the AMA's involvement in such deals "may cast a negative and embarrassing light on state medical societies." The New Jersey group and some other state groups are worried that the publicity surrounding the AMA's dealings could result in a loss of members. The AMA declined to comment.

AMA General Council Resigns

The general counsel of the American Medical Association, who led controversial efforts to sell AMA endorsements to major corporations, resigned Friday as a major shakeup in the organization continues. Kirk Johnson, chief lawyer for the Chicago-based AMA since 1984, quit after the association stripped him of responsibility for lobbying and policy-setting. Last week, the AMA took responsibility for communication away from Johnson. "Mr. Johnson said that he was not prepared to continue with the AMA only in his capacity as general counsel and has resigned from that position effective Dec. 1," the AMA said.

Johnson could not be reached for comment Friday. He is the fourth AMA executive to depart since a series of articles in the Chicago Sun-Times revealed the extent of AMA efforts to sell its endorsement to corporations.

Insiders Say AMA's Leaders Expect to "Survive"

Former trustees of the AMA who guided the organization through a financial scandal in 1989-90 believe that the leadership will survive calls for their resignations. However, Dr. John Seward, the AMA's CEO, and Dr. Thomas Reardon, its board chairman, will undergo severe questioning at the organization's winter meeting starting Dec. 7 in Dallas.

"This is one AMA meeting where they could probably charge for tickets," said Dr. Raymond Scalettar, AMA board chairman in 1992-93. Scalettar, an internal medicine specialist from Washington, DC, helped lead the AMA through a scandal in the late '80s that resulted in the resignation of Dr. James Sammons, the AMA's CEO in 1989, and two other top executives.

Dr. Robert McAfee, a surgeon from Portland, Maine, and AMA president in 1993-94, predicted that despite the anger, "Reardon and Seward are going to survive. The house of delegates will understand." Although Reardon previously was vice chairman of the board, McAfee said he was elected board chairman just this past June, and it would be unfair to attach him to the Sunbeam deal signed in August. Since the mid-1950s, the AMA board has had a policy against endorsing products. Still, he said, it is likely that "reform" candidates will emerge to run for trustee positions.

An internal investigation run by AMA general counsel Kirk Johnson and the AMA's law firm, Sidley & Austin, concluded that Seward and the AMA board had been kept in the dark as AMA business executives made the deal with Sunbeam.

Dr. Jerald Schenken, an AMA board member during the Sammons affair, said, "What the AMA is facing today is quite similar to what we faced in 1989-90. Doubts are being cast on the integrity of the AMA as an organization." He said the AMA board must deal with questions about its business transactions "immediately and publicly to maintain the confidence of doctors and patients."

He professed his confidence that Johnson and the law firm did a thorough, honest job, but there would have been greater credibility if an investigation had been conducted by outsiders.

McAfee said he did not see involvement by Sidley & Austin as a problem: "Good heavens, they represent the AMA and also the American Bar Association." He said it was appropriate that Johnson rather than Seward had led the investigation.

During the Sammons crisis, the AMA hired Jenner & Block, an outside law firm. "They let the chips fall where they may," said Schenken, an Omaha, Neb., pathologist. "An inside investigation does not meet the needs of the problem." He said the AMA board needs to "resolve this problem before December."

Scalettar said that during the 1989-90 scandal, Sammons had kept key information from the board and senior staff. Sammons, for example, had withheld information about his decision to cover the \$353,000 stock market loss of Whalen Strobhar, president of the AMA's for-profit subsidiary. Sammons also failed to disclose how the AMA in 1985 lost \$50,000 on a \$268,000 loan to Richard Noffke, the deputy executive vice president. Noffke joined the AMA in 1983 as general counsel, coming there from Sidley & Austin. He was fired in 1986.

This time, Scalettar said, it is unclear what the board and the CEO knew about Sunbeam and other deals. But some delegates said they were skeptical that Seward and the board were unaware of the Sunbeam deal.

In any case, Scalettar said, "If this was not malfeasance on the part of the board, it certainly was nonfeasance. If a corporate board made the types of errors the AMA board did, they would be gone."

The business deals were aimed at bringing in non-dues revenue at a time when the AMA is struggling to attract members. Ironically, the former AMA leaders worry that the deals in the end could cost the AMA members. About 40 percent of American physicians belong to the AMA.

Schenken said the AMA experienced a small membership loss as a result of the Sammons incident.

"The AMA now faces a potentially very explosive situation. Financial pressures on doctors are such now that they may drop memberships to save money," Schenken said. "And doctors need the AMA now more than ever because of the pressures of managed care. The AMA is the only physician organization that can deal with national legislation and regulation."

AMA Creates Panel for Business Ethics

To help set standards for the association's business relationships and prevent future events like the Sunbeam fiasco, the AMA named a panel of ethics experts on Wednesday, November 5. The task force includes more than a dozen nationally known medical, business and academic leaders and will develop business guidelines.

Dr. Timothy Flaherty, co-chairman of the committee, said the group will begin meeting this month and issue a final report to the AMA by mid-1998. Also co-chairing the committee is Daniel Steiner, former vice president and general counsel for Harvard University, who has written on the subject of conflicts of interest in the funding of academic research.

The AMA will be represented on the task force by Dr. Robert Tenery, chairman of the AMA's Council on Ethical and Judicial Affairs; Dr. Richard Corlin, speaker of the house of delegates; Dr. Nancy W. Dickey, AMA president-elect; and Dr. Alfred Clementi, chairman of the AMA's council on long-range planning.

Editor's note: Special thanks to the Chicago Sun-Times and reporter Howard Wolinsky for continuing to keep the chiropractic profession updated.

DECEMBER 1997