

ABIM and the Finances of MOC

The Slow Motion Financial Death Spiral of ABIM and MOC Bailout Scheme



Presented by Charles P. Kroll, CPA
Healthcare Forensic Accountant

2016 AMA Annual Meeting of the House of Delegates
MOC Meeting Sponsored by the PA Medical Society
June 13, 2016, Hyatt Regency Chicago, 9:00-10:30

"On behalf of all physicians, thank you for all of your efforts."

~ C. Michael Gibson, M.D., Founder and Chairman of WikiDoc.org



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Charles P. Kroll

@CharlesPKroll

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Loyola University of Chicago ◦ Finance and Accounting
Member of American Institute of Certified Public Accountants

Born on the South Side of Chicago (Mercy Hospital)
Raised in Chicago Heights, 35 South of the Loop

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ABIM and the Finances of MOC

Healthcare Nonprofit Transparency



PARK RIDGE, IL

\$5,561 of \$7,500

Raised by 40 people in 20 months

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gofundme

Not a physician or attorney and have no political agenda

Not put up to this story by any individual or organization

Unaware of ABIM or MOC prior to the Spring of 2014

Over 1,500 uncompensated hours except GFM contributions

Ongoing relationships with investigative journalists

71 SHARES

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Created September 17, 2014
Charles Kroll

Opinions expressed are my own and not necessarily those of the Pennsylvania Medical Society or the American Medical Association.

ABIM and the Finances of MOC

“To understand why ABIM is pushing so hard on MOC you need only look at its accounting. Those numbers say ABIM is in danger of becoming a financial corpse.”

~ Kurt Eichenwald, Newsweek: “A Certified Medical Controversy” 04-07-15

“It is just shocking,” Charles P. Kroll, a certified public accountant who specializes in health care, says of the consolidated financial statements of ABIM and a related entity, the American Board of Internal Medicine Foundation. “I have never seen anything like it in my 35 years of accounting and auditing experience.”

A CERTIFIED MEDICAL CONTROVERSY

BY KURT EICHENWALD ON 4/7/15 AT 3:56 PM



The American Board of Internal Medicine attempted to expand its recertification process only to be met with revolt.

ABIM and the Finances of MOC

Chapter One: Déjà Vu All Over Again

Forensic Accounting Support for MN AG Investigation and Story Timeline

Chapter Two: It's Not Complicated

Slow Motion Financial Death Spiral of ABIM and MOC Bailout Scheme

Chapter Three: Desecration of the Flag

Meeting with the Iowa Attorney General's Office and Recommendations

Chapter One: Déjà Vu All Over Again

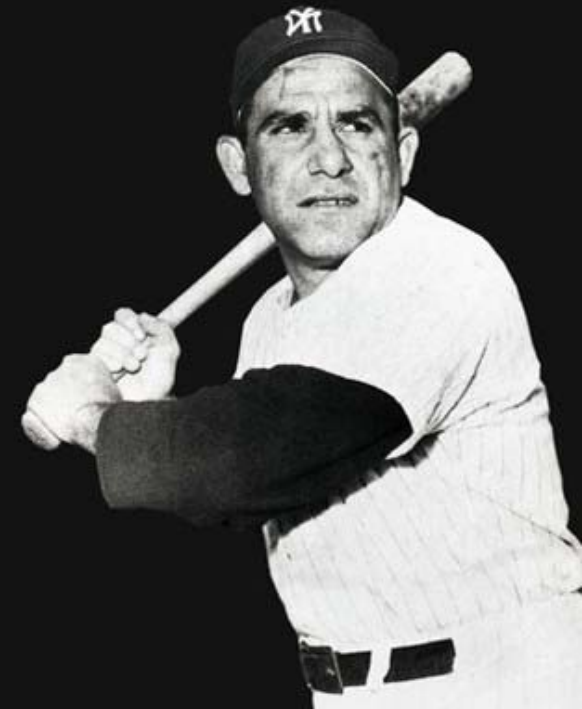
ABIM
ABIM Foundation

Consolidated
Deferred Revenue
Financial Reports
Fiscal Year (FY)
Form 990
Fund Balance
Operating Losses
Program Services
Supplementary Info
Sources

Nonprofit 501(c) Incorporated in IA in 1936
Nonprofit 501 (c) and Registered Charity
Incorporated in PA in 1989
Both ABIM and Foundation Combined
Pre-Paid, Unearned Cash Received (Yrs 2-10)
Audited Financial Statements by RSM
June 30 Year-End for Both Entities
Annual Tax Returns Filed with IRS
Assets minus Liabilities, Net Worth, Equity
Program Revenue minus Program Expenses
Revenue and Expenses for Defined Mission
Staff Expenses, Administrative, Project Exp
Form 990s and Financial Reports

It's like
deja-vu, all
over again.

YOGI BERRA



I've Seen This Movie Before



- 1998 Founded Minnesotans for HMO Reform: “...bring some semblance of financial accountability and full disclosure to the industry.”
- 2000 Minnesota Attorney General Mike Hatch launches investigation of Allina, Minnesota’s largest health system and its HMO, Medica
- 09-23-01 Hatch releases 7 volume audit report (provided forensic accounting support): breaks up Allina and Medica, replaces CEO and BOD
- 10-30-01 Testified at Minnesota Senate Finance Committee Hearing

“Cooking the Books”

Published: October 31, 2001
Section: NEWS
Page#: 01B

StarTribune

Charles Kroll, a certified public accountant who works for Minnesota Specialty Physicians, a consortium that represents more than 500 doctors, said his analysis shows that Medica appears to be "cooking the books" to make itself look less profitable.

"Medica is more profitable than they are representing to the public, the business community and the physician community at the same time they continue to plead poverty in negotiations with physicians," said Kroll, who testified Tuesday, although he was not representing the doctors group at the hearing.

~ Glenn Howatt, StarTribune, "Oversight of Medica Called Lax", 10-31-01

ABIM Story Timeline

07-23-14 Linda Girgis, M.D. “Are Medical Specialty Boards Extorting Its Physicians?”, MedCity News

Initial findings: slow motion financial death spiral and pervasive accounting smoke and mirrors

Aug 2014 National media org requested from ABIM 12 years of audited financial statements to match the numbers of years of tax returns
Response: No. Review one year (FY13), ‘complicated and no copies’

Jan 2015 After media call to Pennsylvania Governor’s Press Secretary, obtain 2011 and 2013 Financial Reports with Supplementary Information

Internet Archive (web.archive.org): ABIM’s “Where Does the Money Go” posts Form 990 tax return, both ABIM and Consolidated Reports

WHERE DOES THE MONEY GO?

EXPENSES \$80.4 Million (FY 2015)

Expenses include salaries, overhead and other out-of-pocket costs.



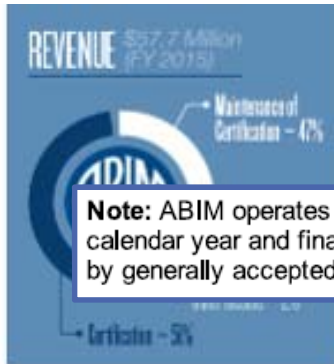
The creation of relevant and rigorous Certification and Maintenance of Certification (MOC) of leaders in internal medicine and its subspecialties, as well as a supporting team of physicians.

The information above detail how ABIM manages the resources that are collected from the industry funding. [Download the pdf](#)

For year ended 2015, ABIM expenses exceed revenues due to a slight decrease in the investment income which is tied to overall financial market performance.

Note: ABIM operates on a July-to-June fiscal year. Our most recent [publicly available 990 form \(pdf\)](#) ended 6/30/15 and reflects compensation paid for the preceding calendar year (January 2014 to December 2014) and financial activity for the current fiscal year (July 2014 to June 2015). ABIM utilizes the accrual-based accounting methodology required by generally accepted accounting principles (GAAP) to report its financial activity on our 990 forms.

Our most recent audited financials for [ABIM and Affiliated Foundation \(pdf\)](#) comprise the consolidated statements of financial position, activities and cash flow as of June 30, 2015 and 2014.



Note: ABIM operates on a July-to-June fiscal year. Our publicly available 990 forms reflect compensation paid for the preceding calendar year and financial activity for the current fiscal year. ABIM utilizes the accrual-based accounting methodology required by generally accepted accounting principles (GAAP) to report its financial activity on our 990 forms.

11-07-14: No 990 or Financial Reports Available

01-12-15: 990, ABIM and Consolidated Reports

Note: ABIM operates on a July-to-June fiscal year. Our most recent [publicly available 990 form \(pdf\)](#) is for fiscal year 2013 ended 6/30/13 and reflects compensation paid for the preceding calendar year (January 2012 to December 2012) and financial activity for the current fiscal year (July 2012 to June 2013). ABIM utilizes the accrual-based accounting methodology required by generally accepted accounting principles (GAAP) to report its financial activity on our 990 forms. The numbers on this page reflect our revenue and expenses for 2014 (July 2013 to June 2014) and are different than those on the currently available 990.

Our most recent audited financials for [ABIM \(pdf\)](#) and the [ABIM and Affiliated Foundation \(pdf\)](#) comprise the consolidated statements of financial position as of June 30, 2014 and 2013.

11-08-15: 990 and Consolidated Report Only

Note: ABIM operates on a July-to-June fiscal year. Our most recent [publicly available 990 form \(pdf\)](#) is for fiscal year 2014 ended 6/30/14 and reflects compensation paid for the preceding calendar year (January 2013 to December 2013) and financial activity for the current fiscal year (July 2013 to June 2014). ABIM utilizes the accrual-based accounting methodology required by generally accepted accounting principles (GAAP) to report its financial activity on our 990 forms.

Our most recent audited financials for [ABIM and Affiliated Foundation \(pdf\)](#) comprise the consolidated statements of financial position, activities and cash flow as of June 30, 2015 and 2014.

The American Board of Internal Medicine Omits 6 Key Financial Schedules from 2014 Report

By CHARLES KROLL

The American Board of Internal Medicine (ABIM) recently posted the Consolidated (i.e. including ABIM Foundation) [Financial Report for the Year Ending June 30, 2014](#) (and June 30, 2013) to its [Revenue and Expenses: Where Does the Money Go?](#) page.

The Financial Report's Contents page lists 3 Financial Statements and 12 pages of Notes to Consolidated Financial Statements (see image above and 02-16-15 update below).

However, the Consolidated [Financial Report for the Year Ending June 30, 2013](#) (and June 30, 2012) filed with the State of Pennsylvania on April 7, 2014 Contents page lists 3 Financial Statements, 12 pages of Notes to Consolidated Financial Statements, and 6 *Supplementary Information reports spanning 8 pages:*

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Consolidating Statements of Financial Position	18
Consolidating Statements of Activities	20
Schedule of ABIM Changes in Unrestricted Net Assets (Deficit) from Operations	22
Consolidating Schedule of Administrative, Program and Project Expenses	23
Consolidating Schedule of Staff Expenses	24
Consolidating Schedule of Office Expenses	25



Charles P. Kroll

@CharlesPKroll

8:46 AM - 16 Feb 2015

In Reversal, #ABIM Posts Full Set of Reports



Jan 30: Omits 6 Key Schedules

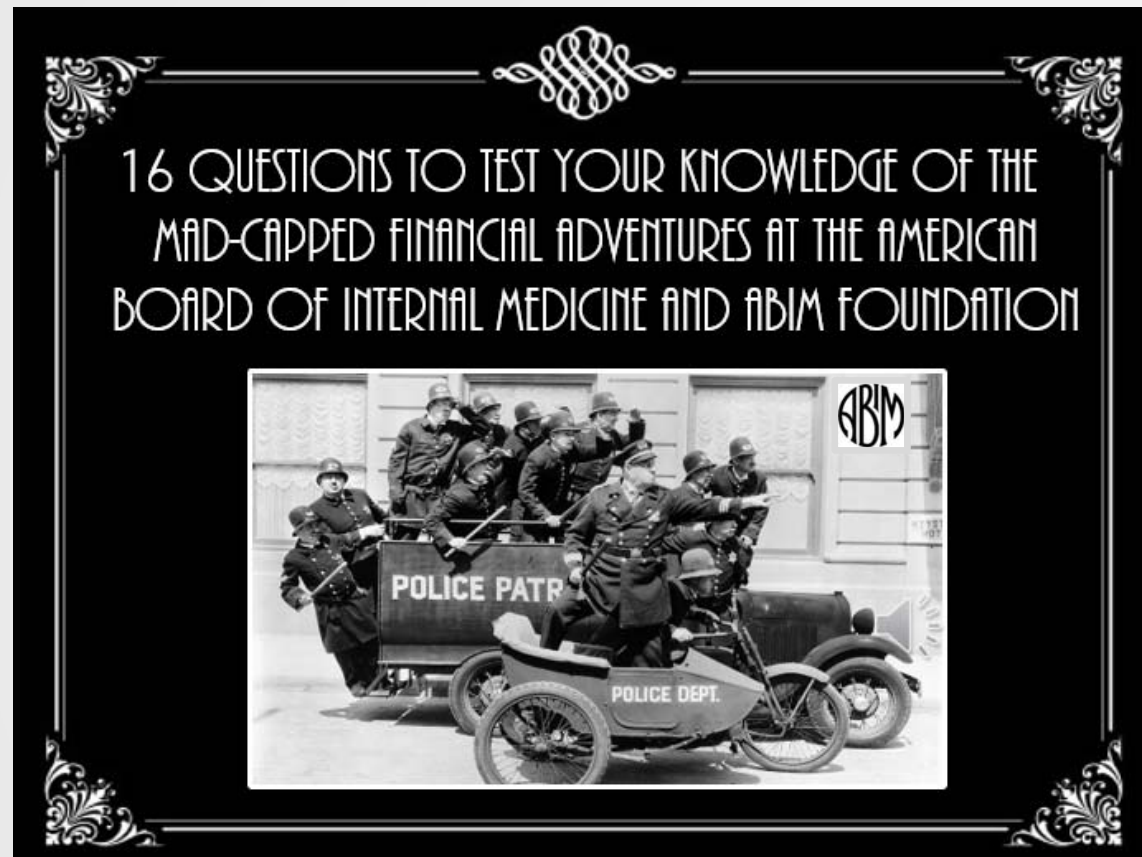
goo.gl/MlwEqQ #MOC #MedEd #HCSM

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ABIM Story Timeline

01-31-15 Published Episode 1: “In the Grasp of the Gang” on YouTube (1,100+)



ABIM Story Timeline

02-20-15 Published “Sneak Preview: Analysis of ABIM Financial Reports”

CASH AND CASH EQUIVALENTS DOUBLED TO
\$48.5 MILLION FROM \$24.8 MILLION . . .

The American Board of Internal Medicine and Affiliated Foundation

Consolidated Statements of Financial Position
June 30, 2014 and 2013

Assets	2014	2013
Cash and Cash Equivalents	\$ 48,477,278	\$ 24,853,841
Accounts Receivable, Net	991,198	405,491
Grants Receivable	1,179,356	1,559,776
Investments, at Fair Value	79,977,106	78,119,140
Investments, at Fair Value, Deferred Compensation Plan	763,487	590,056
Prepaid Expenses	1,290,807	1,205,305
Property, Net	3,201,499	3,128,073
Furniture and Equipment, Net	2,430,781	6,216,450
Total assets	\$ 138,311,512	\$ 116,078,132

ABIM Story Timeline

03-03-15 Published Episode 2: “Exposed: One Weird Accounting Trick”

* Episode 2: Exposed

Everything you always
wanted to know about
deferred revenue*

* SEE HOW THIS ONE WEIRD ACCOUNTING TRICK ALLOWED THE AMERICAN BOARD OF INTERNAL MEDICINE TO RACK UP TENS OF MILLIONS OF DOLLARS IN LOSSES AND NOT GO BANKRUPT.

AT FIRST YOU'LL BE INTRIGUED. THEN YOU'LL BE OUTRAGED.

ABIM Story Timeline

03-10-15 Newsweek #1: “The Ugly Civil War in American Medicine”

04-07-15 Newsweek #2: “A Certified Medical Controversy”

05-01-15 Meeting in Des Moines at Iowa Attorney General’s Office

Practices

1. Charitable nonprofits must be publicly open and accountable, must be well managed, and must continually build trust with the public by appropriate financial reporting, communications with the public about significant contributions to the community with the charity’s funds and programs, and strongly evident commitment to ethical behavior.
2. Chartered by the State of Iowa, charitable nonprofits should work to have a responsible relationship with appropriate state agencies, including the Iowa Attorney General, the Secretary of State, and the Department of Revenue and Finance. Iowa charitable nonprofits should respect and comply with the regulations and oversight of the United States Internal Revenue Service which accords tax exempt status.

Iowa Principles and Practices for Charitable Nonprofit Excellence

Revised 2011

Developed by The Iowa Governor’s Nonprofit Task Force



 THE UNIVERSITY OF IOWA

The Larned A. Waterman Iowa Nonprofit Resource Center
© 2011

ABIM Story Timeline

05-21-15 Newsweek #3: “Medical Mystery: Making Sense of ABIM’s Financial Report”

05-22-15 ABIM Press Release: “A Message from Richard Baron, MD”

I am still processing the myriad allegations in the most recent *Newsweek* piece. But I want to be very clear about correcting two of the most egregious and misleading charges that have been leveled against me and ABIM.

First, we have never made any effort to obfuscate, hide or delay ABIM's financial information. It's publicly available on our website. Second, no one is trying to hide salaries. I earned \$688,000 in compensation in 2014 and \$55,000 in deferred compensation (payment of which is contingent upon completion of my five-year contract). That is more than I ever made in 30 years of independent community practice of internal medicine and geriatrics, but it is set by my Board to be comparable to what CEOs of similar-sized health-related organizations earn.

06-01-15 National Quality Forum hires ABIM’s lobbying firm, \$40,000 quarterly

06-30-15 ABIM terminates lobbying firm: \$440,000 unreported 2009-2015

09-15-15 Newsweek #4: “To the Barricades: The Doctors’ Revolt is Succeeding!”

ABIM Story Timeline

Nov 2015 ABIM posts Consolidated Financial Report as of June 30, 2015
Does not post ABIM stand-alone (\$50 million Deficit buried), Level 3

04-12-16 Oklahoma Governor signed into law SB 1148 banning forced MOC
Senate 42-0, House Public Health Committee 9-0, House 92-0

05-13-16 ABIM posts Form 990 Tax
Returns for year ending June 30, 2015


ABIM Foundation: 11 Cayman Islands
investments purchased through non-
publicly traded TIFF Keystone Fund
Partnership totaling \$6,516,936

“Dublin, Ireland” listing incorporated
in Cayman Islands on 02-21-11



Charles P. Kroll
@CharlesPKroll

6:59 PM - 19 May 2016

#ABIM Foundation Cayman Islands Investment
HQ'd at Ugland House
 Obama "Largest building or largest tax
scam" #MOC

RETWEETS 47 LIKES 35

Name of transferee ABIM FOUNDATION		Identifying number 23-2585181
1. If the transferee was a corporation, complete questions 1a through 1d.		
a. If the transferee was a section 301(a) or (b) transferee, was the transferee controlled (under section 305(c)) by 5 or fewer domestic corporations? <input type="checkbox"/> Yes <input type="checkbox"/> No		
b. Did the transferee remain in existence after the transfer? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If not, list the controlling shareholder(s) and their identifying number(s):		
Controlling shareholder	Identifying number	



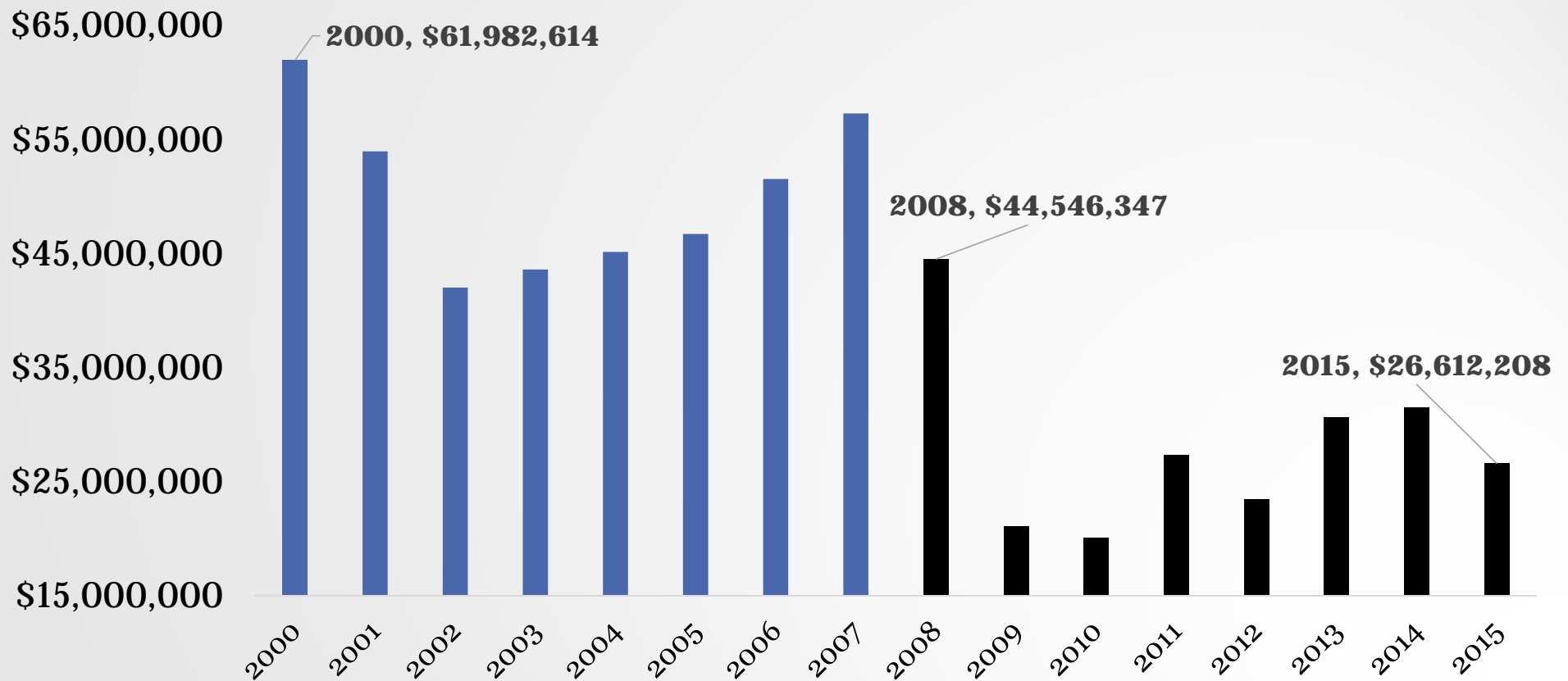
if listed in the Cayman Islands. The building reportedly houses more than 12,000 corporations, it says.

Chapter 2: It's Not Complicated



Slow Motion Death Spiral

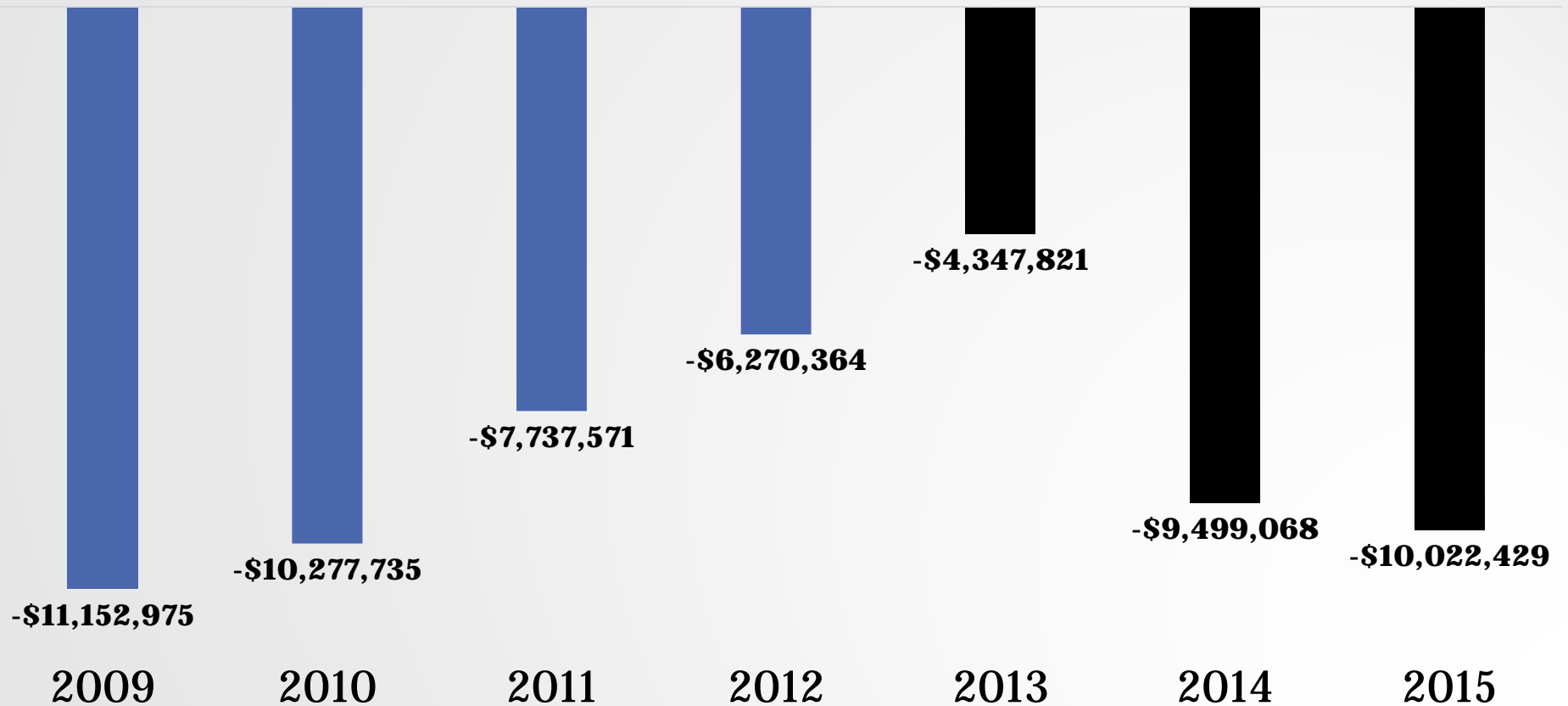
Consolidated Fund Balance Peaked at \$62 Million in 2000



Down 57.1% (S&P 500 Up 45.2%)

Hemorrhaging Cash

Consolidated Operating Losses of \$59.3 Million Since 2009



Money Trail 2009 to 2015

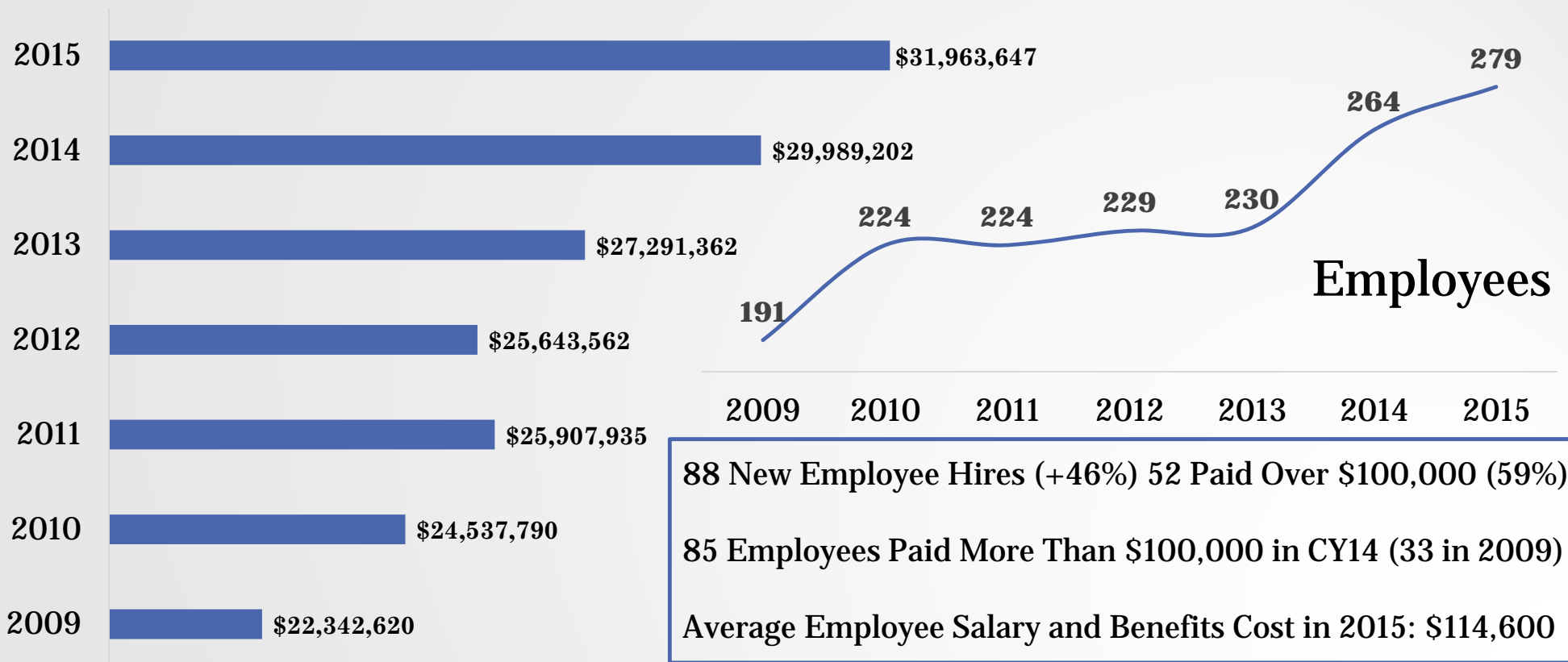
Fund Balance Decreased \$17.9 Million Since 2008 (-40.3%)

Fund Balance as of July 1, 2008		\$44,546,347
A1: Certification Examination Fee Income	\$202,796,926	
A2: Maintenance of Certification Revenue	\$126,861,571	
A3: Research Grants	\$107,477	
A: Total Program Service Revenue	\$328,765,974	
B: Total Program Service Expenses	\$307,006,416	
C (A minus B): Program Service Net Income	\$21,759,558	
D: Overhead: Management and General (24.7% of Revenue, 26.1% 2015)	\$81,067,521	
E (C minus D): Operating Losses for the Seven Years Ending June 30, 2015	(\$59,307,963)	
F1: Contributions and Grants (including \$6.7 million RWJF Choosing Wisely)	\$7,163,763	
F2: Investment Income and Gains on Investments (5.5% annual return)	\$27,577,876	
F3: Miscellaneous Revenue (ABMS Singapore, Dups, Rescores, Other)	\$6,632,185	
Decrease in Fund Balance for the Seven Years Ending June 30, 2015	(\$17,934,139)	
Fund Balance as of June 30, 2015		\$26,612,208

S&P 500 Up 63.9%

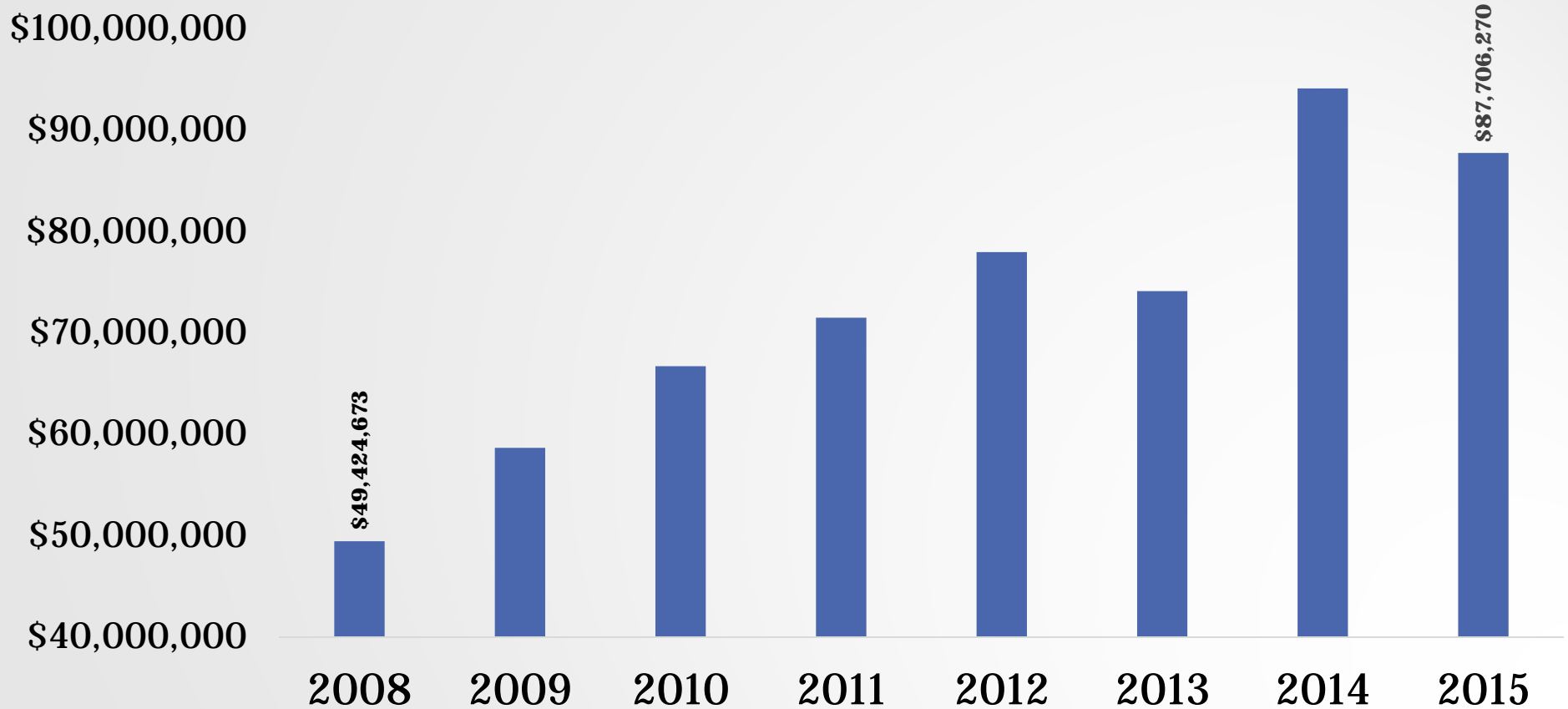
Payroll Suffocation

\$187.7 Million in Salaries and Benefits Since 2009 (Up 43.1%)



Artificial Life Support

\$38.3 Million Infusion of Pre-Paid, Unearned Cash Since 2009



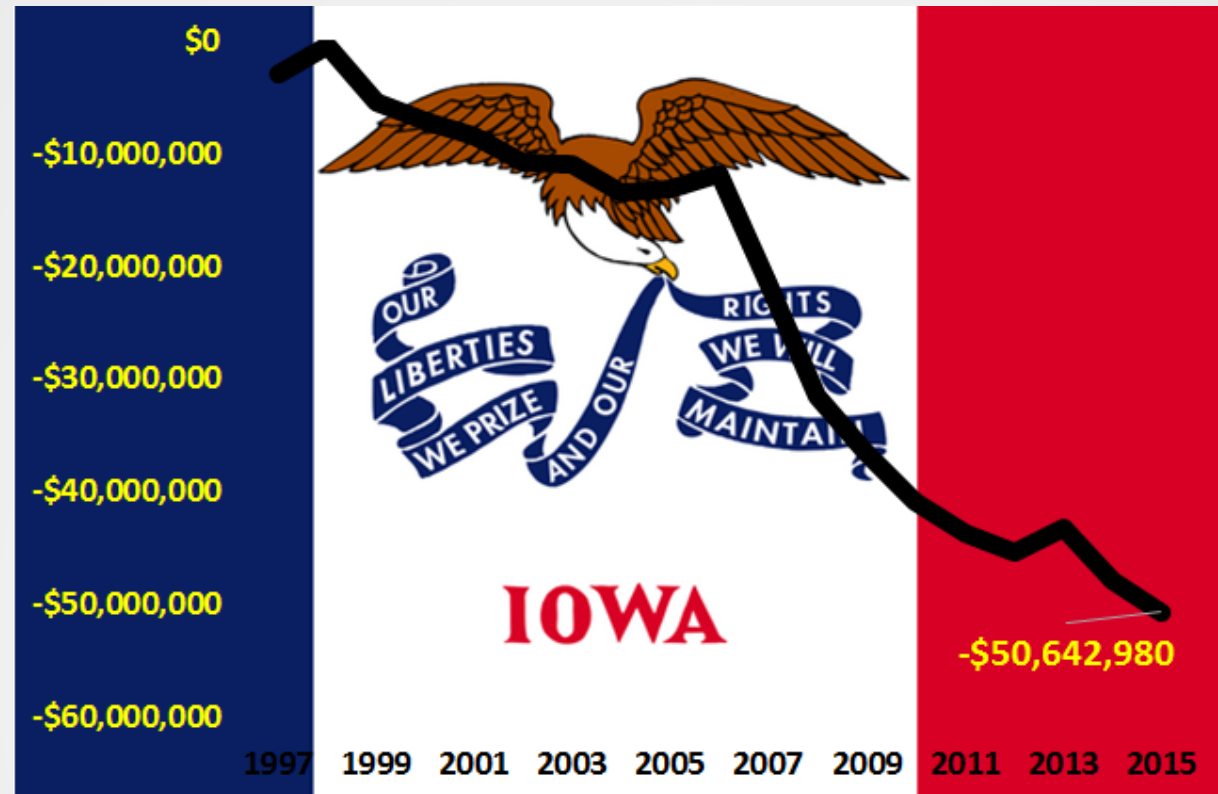
MOC Bailout Scheme DOA

\$7.7 Million Increase in MOC Revenue Since 2013 Wiped Out

Increase in MOC Revenue 2013 to 2015	\$7,673,024
14.4% Decrease in Certification Exam Fee Income	(\$4,992,998)
13.1% Increase in Program Service Expenses	(\$6,012,812)
18.8% Increase in Overhead: Management and General Expenses	(\$2,341,822)
Increase in Operating Losses 2013 to 2015	(\$5,674,608)
Operating Losses for the Year Ending June 30, 2013	(\$4,347,821)
Operating Losses for the Year Ending June 30, 2015	(\$10,022,429)

Chapter 3: Desecration of the Flag of Iowa

\$50,642,980 Deficit as of June 30, 2015



The American Board of Internal Medicine was incorporated in Iowa on February 29, 1936 (ABIM Foundation: Pennsylvania October 17, 1989)

Meeting with IA AG's Office

Summary of Findings

Analysis of IRS Form 990 Return of Organization Exempt from Income Taxes
Twelve Fiscal Years Ending June 30, 2002 to June 30, 2013, and
Audited Financial Reports for the Year Ending June 30, 2014

The American Board of Internal Medicine (“ABIM”)
ABIM Foundation (“Foundation”)



Prepared by Charles P. Kroll, CPA
For Iowa Attorney General's Office May 1st, 2015

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Proud Father ◦ Runner ◦ Drummer ◦ PTSD Survivor

Recommendations: Hatch Model

- (1) Replace Board of Directors, Officers and Top Financial and Operations Management
- (2) Liquidate non-publicly traded partnership, force dissolution of ABIM Foundation (PA), remaining assets back to ABIM
- (3) Designate pre-paid, unearned MOC and Certification cash (Deferred Revenue) as restricted

Pennsylvania Case*

Directors of Nonprofit Held Financially Liable for Relying on Incompetent Officers and Lack of Oversight

**In re Lemington Home for the Aged, No.13-2707, 2015 WL 305505 (3d Cir. Jan. 26, 2015) ("Lemington III")*



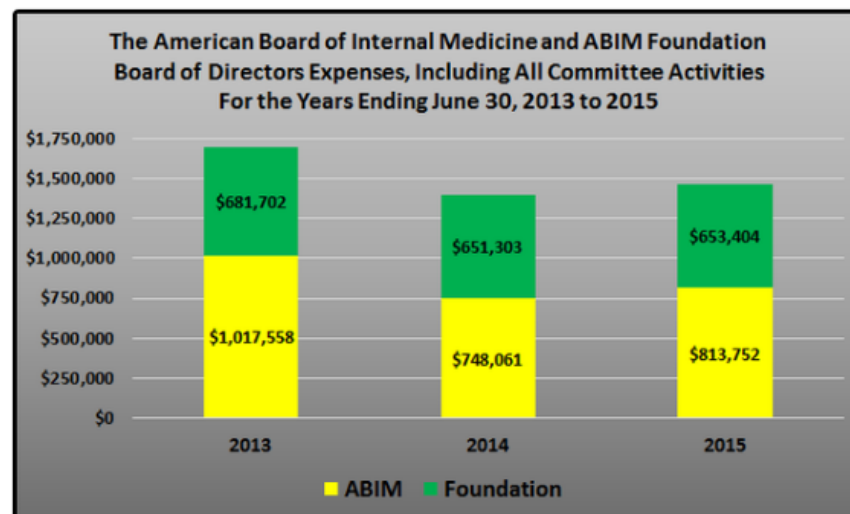
Charles P. Kroll
@CharlesPKroll

3:44 PM - 3 Jan 2016

#ABIM Fun Fact Jan 3

Hush money? \$4,565,780 BOD Exp in 3 yrs

▶ PA Nonprofit Directors Liable goo.gl/iqPg50



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The Slow Motion Financial Death Spiral of ABIM and MOC Bailout Scheme



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