

## SGIM's Finances: Charting Our Course into the Future

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SGIM is in many respects a member-funded cooperative; for example, in 2016, SGIM received \$3.17 million dollars in income, of which approximately 66% originated from members in the form of dues (24%) and annual meeting registration/submission fees (41%)—see Table 1. The members elect a Board of Directors (Council) that sets the organization's strategic direction and hires a staff to carry out this plan for the benefit of the membership.

However, unlike many voluntary membership associations, only 6% of the Society's income in 2016 originated from external funds. This funding structure has enormous benefits, allowing the Society to focus intently on programs that benefit our members while minimizing the challenges associated with financial conflicts of interest that can arise when external funds constitute a significant portion of the budget. Yet as the Society's interests and aspirations grow, it is an opportune time to undertake a dialogue within the Society about opportunities for securing additional external funds while continuing to observe the principles and limits set forth in our external funding policy.

Table 1 presents the Society's income in 2016 in which major sources of income included the annual meeting (41%), JGIM (26%), and membership dues (24%). In 2016, external funds constituted approximately 6% of the Society's

Income Sources	2016 actual	%
Annual Meeting Registration, Submissions	\$1,311,497.00	41%
JGIM (Subscriptions, Editorial Support, Royalty)	\$832,972.00	26%
Membership Dues	\$755,258.00	24%
UpToDate	\$140,000.00	4%
Individual Contributions	\$27,251.00	1%
Annual Meeting Career Fair, Career Center Ads	\$65,077.00	2%
Miscellaneous Income	\$7,123.00	0%
Membership List Sales	\$2,360.00	0%
Prior Year Surplus Directed Toward Innovation	\$29,583.00	1%
<b>Total income, 2016</b>	<b>\$3,171,121.00</b>	<b>100%</b>

total income: 4% (\$140,000) from a long-standing relationship supporting UpToDate and 2% (\$65,077) from the annual meeting career fair and online job advertisements. Individual contributions represented 1% (\$27,251) of the Society's total income last year.

One of Council's most important responsibilities is to ensure and enhance the Society's fiscal health. By all accounts, the Society's current financial position is secure—its unrestricted reserve funds total \$1,260,898, as of June 2016, which is in line with our benchmark of maintaining unrestricted reserves that would cover six months of operational expenses. Maintaining healthy reserves is important as it allows the Society to keep functioning even in the face of a major inter-

ruption in revenue (such as the cancellation of an annual meeting). The reserves are also a source of funding for major capital expenditures, such as new office space or an upgrade to computer systems. The Society also has restricted reserves that contain funds to support endowed awards and grants that the Society distributes.

Each year, an annual operating budget is developed by the senior staff and the SGIM finance committee, and approved by Council. The budgeting philosophy historically has been a conservative one, which is appropriate given that there can be fluctuation in income that can be difficult to predict associated with the annual meeting and with memberships. Most years, a budget sur-

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## PRESIDENT’S COLUMN

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plus exists at the end of the year (ca. 3% of the overall budget or less), which is directed towards building reserves and supporting activities in the following budget year. Recently, the Council and staff have adopted the philosophy of developing three-year budgets, allowing for better long-term financial modeling and a clear picture of what is needed to preserve the Society’s financial health.

Table 2 outlines the Society’s expenses in 2016: Staff expenses constituted nearly half of the budget, along with expenses associated with the annual meeting (25%), operations (17%), and JGIM (16%). Committees accounted for 8% of overall expenses, nearly 2/3 of which supported the Health Policy Committee. “Contract offsets” refers to funds associated with specific grants or contracts, and are included in the expense column to account for the fact that they are associated with specific staff activities.

Securing additional revenue for the Society would be desirable for multiple reasons. In this period of substantial uncertainty in health care generally and in academic medicine in particular, the Society can play an important role in expanding the already outstanding suite of career development services and other resources it provides to its members. In addition, our current capacity for effective communication both within the Society and to outside stakeholders is limited. Finally, as might be expected with a Society of more than 3,000 bright, academic general internists, we have suffered as a group from chronic over-commitment that has stretched our outstanding staff in ways that are not sustainable. While part of the solution to our over-commitment involves sharpening our focus, securing sufficient resources to have an appropriate match between our programs and our level of staff support is important. Finally, addi-

tional resources would allow us to attract more associate members, a group that will be the lifeblood of the Society going forward. While SGIM’s associate membership fees are reasonable, students and residents can join ACP for free.

After carefully reviewing historical trends in membership dues and meeting fees, and benchmarking our costs relative to competing membership associations, the Council has concluded that securing additional revenue through increasing dues and fees would be undesirable. Therefore, for the upcoming year, membership dues and meeting fees will remain essentially flat. Securing additional revenue for the Society will be a major focus of our new CEO. SGIM members can expect to see several new programs related to securing additional revenue come online shortly, such as an expanded development and bequest initiative. Pursuing additional grant funded activities, while appealing on the surface, has several complexities. Oftentimes, there is not a good match between the grant funds provided and the effort required. Plus, SGIM does not want to be in the position of inadvertently competing with its members for grants.

Revisiting our approach to external funds will be an important element of a plan to secure additional revenue for the Society. The topic of external funds has been a complex and controversial one for our Society. *One point I want to clearly emphasize at the outset, however, is that Council has no intention of deviating from the spirit or the letter of our Society’s current external*

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<b>Table 2: SGIM 2016 Expenses</b>		
<b>Expenses</b>		
Staff expenses	\$1,276,404.00	43%
Annual Meeting	\$733,704.00	25%
Operations	\$499,799.00	17%
JGIM	\$466,560.00	16%
Contract offsets	\$(259,316.00)	-9%
Committees	\$233,308.00	8%
Newsletter	\$22,359.00	1%
Officer’s Allowance	\$1,204.00	0%
<b>Total expenses, 2016</b>	<b>\$2,974,022.00</b>	<b>100%</b>

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*funding policy.* This policy was the product of what many long time SGIM members would describe as the most contentious issue in SGIM’s history, one that threatened the very existence of the organization itself. Of particular concern was the degree to which the Society should accept external funds from for-profit (or not-for-profit) entities related to a specific diseases or specific pharmaceuticals, medical devices, or diagnostics, which the current policy prohibits. The Society also wrestled with the broader issues of dependence (the proportion of the Society’s budget derived from external funds) and conflicts of interest. The Policy on Acceptance and Disclosure of External Funds was originally approved in 1994, followed by several processes of revision and amendment until the current policy was approved in 2006. I would encourage all members to review the current policy in its entirety, which can be accessed at <https://tinyurl.com/SGIMExternalFunds>.

Importantly, the policy not only outlines types of external funding that would be unacceptable (such as earlier described) but also it sets clear limits for the proportion of the Society’s overall revenue from external sources (see Table 3). Our two current sources of external

funds (UpToDate and the Career Fair) fall well below these limits. For example, the policy limits all combined external funds to 33% of SGIM’s operating budget. Together, UpToDate and the Career Fair constitute 7% of the total operating budget (\$205,077/\$2,974,022).

Also noteworthy is the evolution and deepening of the literature addressing the issue of conflict of interest that has taken place in the decade since 2006 when SGIM’s External Funds policy was last updated. Those interested in this issue should review “Conflict of Interest in Medical Research, Education, and Practice,” the outstanding National Academy of Medicine report published in 2009. The report notes that “the central goal of conflict of interest policies in medicine is to protect the integrity of profes-

sional judgment and to preserve public trust rather than to try to remediate bias or mistrust after it occurs.” It describes disclosure of these financial relationships as a “critical but limited first step” and encourages organizations to adopt strong policies addressing these conflicts. Seen in this light, the SGIM External Funds Policy was ahead of its time!

Over the next year, we will undertake a Society-wide dialog on strategies to increase revenue while remaining true to our core values, which will begin as soon as our new CEO is in place. In the meantime, feel free to share your thoughts on this topic with me directly at [thomasg@uw.edu](mailto:thomasg@uw.edu). I hope every member will contribute to the critical discussion soon to come on this important issue. SGIM

**Table 3: External Fund Limits**

Source of External Funding per Fiscal Year	Cannot Support More Than:
Combined external funding (all non-member revenue)	33% of SGIM’s operating budget
Combined funding from healthcare-related for-profits	10% of SGIM’s operating budget
Single healthcare-related for-profit	5% of SGIM’s operating budget
Single non-healthcare-related for-profit	15% of SGIM’s operating budget
Single non-profit	15% of SGIM’s operating budget