

**Item: 11.D Board of Trustees March 17-18, 2018**  
**Rule of 95 Task Force Report**

**Members of the Task Force**

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**Introduction**

The Rule of 95 Task Force met via conference call on Monday, February 26, 2018. The Chair reviewed the detailed analysis provided to Task Force members which discussed what was in place before the Rule of 95, the history of the Rule, data about the financial impact of the Rule, the variability of how other specialties categorize more senior members, and options that have been discussed over the years for replacing the Rule. The background is in Attachment 1. The problems with the current Rule of 95 include its complexity; confusion among members; the number of members over age 63 who do not qualify; the fact that 25% of our members are now in this reduced dues category and this is increasing; the increasing financial impact on the APA and the DBs; and the fact that younger members will need to increasingly subsidize the reduction in dues revenue.

**Principles**

In reviewing the various options, the Task Force developed the following principles:

- 1) Have a simplified system that would apply to APA and the DBs
- 2) Retain members of all ages
- 3) Have lower dues for members who are older and cutting back on their practices
- 4) Avoid having to increase dues of younger members to maintain revenue
- 5) Decrease revenue impact on APA and the DBs as more members advance in age
- 6) Grandfather/grandmother in everyone who is already in the Rule of 95

**Best Option**

Although there was a lot of discussion and suggestions, the overall consensus of the members of the Task Force was that the following was the best option for APA and DBs considering all the factors presented. The following provides the specifics about the option selected.

*Use retirement and semi-retirement as criteria rather than age or years of membership*

This option would eliminate the Rule of 95 and establish a semi-retirement and retirement category that a member must opt into. Years of membership or age would

no longer be a factor. If elected, a member would have to attest to being semi-retired or fully retired. Semi-retired would be defined as a person who is near retirement age and works less than 15 hours per week in any administrative or **Item: 11.D Board of**

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clinical role or roles (i.e. across multiple settings). Retired would be defined as anyone who has reached retirement age and is fully retired from all administrative or clinical responsibilities. Dues could be set for APA and DBs/SAs at no more than half dues for semi-retired and 1/3 dues for fully retired as a maintenance fee. Hardship, which currently has nearly two thousand members who are inactive members due to retirement or other income-affecting factors, would become limited to only those who have had an event that temporarily impacts their ability to work, such as a serious illness. If a member has a long-term disability, APA would allow people to move to the retirement category instead of becoming non-dues paying inactive members. This also provides an option for the thousands of members who don't qualify for the Rule of 95 but will eventually slow their practice or retire and are at risk of dropping their membership entirely to avoid paying full dues. Lastly, the current 50% discount policy for members 70 years or older, who are fully retired and who do not qualify for life membership, could be eliminated since it would no longer be applicable.

Building projections to approximate impact of this option was difficult since age or years of membership would no longer be factors. The following is the information that we know based on self-reported numbers and the number of total inactive members:

- 2,632 users of 10,729 self-reporting identified their Work Schedule as fully retired. The average age of these self-reporting members who identify their work schedule as fully retired is 84.3.
  - 1,515 are current Life Members of the APA
  - 39 are current General Members
  - 1,059 are inactive members
  - 19 are non-members (dropped, resigned or non-member)
- 1,942 users of 10,729 self-reporting identify their Work Schedule as Part Time Psychiatry. The average age of members who identify their work schedule as part time psychiatry is 73.6.
  - 1,300 are current Life Members of the APA
  - 461 are current General members

Although it is difficult to project who will elect these categories each year, a conservative model was built using the self-reported information as a basis. Although an educated guess, the workgroup discussed the assumptions and thought they looked reasonable based on what they were seeing in their communities. Although age was not a qualification for this option, age ranges were used to estimate the percentage of members who may elect these categories. The following assumptions were used to build the model.

### ***Assumptions used in building the model:***

- Assume that 5% of members age 60 will opt into the semi-retired category and that this number will increase gradually by about 5% per year until it reaches 70% at age 77.
- Assume that 1% of members age 60 will opt into the retired category and that this number will gradually increase by about 2% per year until it reaches 25% at age 77.
- Assume that the remaining members will pay full membership dues, which results in 94% of members age 60 will pay full membership dues, while at age 77 only 5% of members will pay full dues.

As an example of financial impact, APA would realize an estimated \$4.8 million of additional revenue compared to the Rule of 95 between 2018-2032 (2018 was used for all options for consistency but there would need to be a transition period, which is discussed below). **Item: 11.D Board of Trustees March 17-18, 2018**

### **Grandfather/Grandmother Period**

This option includes a two-year proposed transitional period. Consequently, those who have already qualified for the Rule of 95 and those who are two years from qualifying would not be impacted by the change. Therefore, if the assumption is that this would become policy in 2019, the transition period would include 2020 and 2021 and become effective for the 2022 renewal period. After 2021, no additional members will qualify for the Rule of 95 and instead will be able to opt into the semi or retirement categories. Additionally, members could still earn the titles of Life Fellow and Distinguished Life Fellow after the grandfather period ends, with the change that this would be an honorary category no longer be tied to the dues rate.

### **Conclusion**

The Rule of 95 has been discussed for more than a decade. Although no perfect solution exists, the consensus of the Task Force was that eliminating the Rule of 95 and creating semi and fully retired categories, not tied to age or years of membership, is most inclusive of the needs of our members while helping to reduce the impact of the Rule of 95 on APA and District Branch Revenue. Moreover, the continued consistency in application to ensure the new Rule applies equally to both APA and DBs helps to reduce the complexity of the membership structure, reduce confusion among members, and keep the management of the 72 District Branches on Centralized Billing manageable.

**ACTION: Will the Board of Trustees vote to approve replacing the Rule of 95 with a semi and fully retired category as described above and refer this item to the APA Assembly for action**