

**REPORT OF HOUSE OF DELEGATES COMMITTEE ON
COMPENSATION OF THE GENERAL OFFICERS**

The following report was presented by David R. Holley, MD, Chair:

REPORT ON THE COMPENSATION OF AMA GENERAL OFFICERS

**HOUSE ACTION: RECOMMENDATIONS ADOPTED AND
REMAINDER OF REPORT FILED**

This report by the Committee at the 2005 Annual Meeting is to address the referral by the House of Delegates of the Committee's report at the 2004 Interim Meeting, as well as Resolution 613 (I-04), "AMA Board of Trustees Compensation for the Medical Student and Resident/Fellow Members."

BACKGROUND

At the 1998 Interim Meeting the House of Delegates established a House Committee on Trustee Compensation. Based on this Committee's informational report and recommendations to the House of Delegates at its 1999 Interim Meeting, the House of Delegates directed the implementation at the conclusion of the 2000 Annual Meeting (A-00) of a Committee on Compensation of the AMA General Officers. Under AMA Bylaws, Section 2.74, the composition, appointment, tenure, vacancy process and reporting requirements are defined.

The Committee is required to present an annual report, which is provided at each AMA Interim Meeting. In its report at the 2003 Interim Meeting report, the House referred the Committee recommendation that the compensation of the medical student and resident/fellow be changed from a stipend to the same basis and level as other Non-Officer Trustees. At its report at the 2004 Annual Meeting, the Committee further explained the basis for equal compensation for the medical student and resident/fellow trustee; however, the House referred the report back to the Committee for more supporting information for the recommendation. The Committee recognized the concerns expressed by the House of Delegates in referring this recommendation and addressed them in the Committee's report at the 2004 Interim Meeting.

The recommendations in the Committee's I-04 report were the following:

1. The annual cash compensation for the Officers (President, President-elect, Immediate Past resident, and Chair) is appropriate at the current level projected for the 2004-2005 elected year.
2. The current honorarium and per diem levels for Non-Officer Trustees and the annual compensation of the Chair-Elect should remain at the levels for the 2004-2005 elected year.
3. The current compensation of the Resident as well as the Student is not adequate and should be increased to 60% of the honorarium provided to Non-Officer Trustees (\$690) and 60% of the per diem for other assignment days (\$690).
4. The current allowance for the Presidents for spousal travel should be increased to \$6,000 using the same appropriateness criteria as stated in the current Standing Rules.

Reference Committee F commended the excellence of the I-04 report but recommended referral back to the Committee because of "continued concerns about the student and resident compensation recommendations" (Recommendation 3). The House of Delegates concurred and narrowly (54% of the votes cast for the Reference Committee's recommendation) referred the report back to the Committee.

The House of Delegates also referred Resolution 613, "AMA Board of Trustee Compensation for the Medical Student and Resident/Fellow Members. This resolution recommends: "That the annual stipend for the medical student on the American Medical Association Board of Trustees be equal to the annual average stipend for an MD/PhD student, to be updated annually as data is available"; and "That the annual stipend for the resident/fellow on the AMA Board of Trustees be equal to the annual average salary of a PGY-3 resident, to be updated annually as

data is available.” The resolution estimated that this would increase the current stipend for the medical student trustee from \$6,000 per year to between \$18,000 and \$24,000 and the resident/fellow trustee from \$15,000 to between \$39,000 and \$47,000.

DISCUSSION

The Committee carefully reviewed the Reference Committee Report and subsequent proceedings by the House of Delegates on the Committee’s report and Resolution 613. It was noted that there were no objections to Recommendations 1, 2, and 4 in the Committee’s Report. The concerns from the House of Delegates were focused on Recommendation 3, the recommended compensation for the medical student and resident/fellow trustee.

The Committee’s reference to the Sarbanes-Oxley Act during the deliberations by the House of Delegates at the 2004 Interim Meeting was intended to give an example of one of the pressures that have put increasing expectations on members of Boards of Directors/Trustees. The provisions of this legislation are directed primarily at increasing the accountability of for-profit entities. It is clear, however, that non-profits will also feel the effects of increasing public’s expectations for accountable governance. Individuals serving on boards will be held to a higher standard and more effort and time may be required to fulfill their responsibilities. Accountability will likely apply equally to all board members and not differentially allocated to individual members on the basis of age, education or other factors. The Committee has been advised that the Audit Committee of the Board has taken the necessary steps to ensure AMA’s compliance.

Officer and Non-Officer Trustee Compensation

Recommendations 1 and 2 from the Committee’s report at I-04 left cash compensation for Officers and Non-Officer Trustees at their current levels (honorarium and per diem) for the period 2005-2006 elected year. Since there were no objections reflected in the House transcript, the Committee is making the same recommendations.

The compensation for the above Trustees will remain unchanged at the 2004-2005 elected year rates as follows:

- Officers
 - President, President-Elect, Immediate Past President, Board Chair: \$235,000/year
- Non-Officer
 - Chair-Elect: \$164,500/year (70% of Officer compensation)
 - Public Member: Same as “Other Trustee”
 - “Other Trustee” (except Student and Resident Trustees): Honorarium - \$1,150/day; Per Diem - \$1,150/day

The Committee will be reviewing updated information for its deliberations and recommendations for 2006-2007 elected year in its report at the 2005 Interim Meeting.

In its I-04 report, the Committee made a significant effort to explain the basis for its recommendations. The Committee believes the basis for trustee compensation should be on the assessed value, time and effort, as recommended by the National Association of Corporate Directors (NACD) a well-recognized authority on governance practices. In addition, the NACD emphasizes that compensation should motivate appropriate behavior and be aligned with the long-term interests of the organization.

Recognizing that the AMA is a hybrid organization in that it functions as a non-profit entity with substantial business activities, members of the AMA Board must fulfill responsibilities that are more akin to the value, time and effort required of directors of a small to medium for-profit company. Based on the above principles and these governance demands, the Committee used survey data from small for-profit companies on their director compensation as the primary benchmark for AMA Board compensation.

The Committee understands that some physicians who serve or might consider serving on the AMA Board may lose revenue opportunities from their practice. However, since physicians serving on the AMA Board come from a variety of practice specialties and settings, some no longer practicing medicine full-time, and others pursuing other forms of employment, this “lost revenue” number has a wide range and does not address the assessed value of the individual board member to the organization. Since this number is an important consideration for some in deciding to become an AMA Board member, it was collected and reviewed for comparative purposes.

Medical Student and Resident/Fellow Compensation

The Committee reviewed both the basis for its prior recommendations, Resolution 613 and the transcript from the House of Delegates deliberations at I-04. The Committee recognizes that a majority of the House of Delegates does not believe the medical student and resident/fellow Trustees should be compensated equal to the Non-Officer Trustees; however, there is strong sentiment that the current stipend of \$6,000 for the medical student and \$15,000 for the resident/fellow is too low. Furthermore, the Committee believes the fact that the motion to refer the Committee's I-04 report attracted 54% of the votes cast indicated that the recommended level of 60% of daily honorarium (\$690) and per diem (\$690) was still considered by the House to be somewhat high.

The Committee restates the reality that the medical student and resident/fellow on the AMA Board are full members both legally and in their responsibilities, having equal standing with Non-Officer Trustees and the public member of the AMA Board. As with the young physician and public member on the Board, these positions were established to provide the AMA Board with the unique perspective and experience of AMA members who are in medical school or a residency. By virtue of being on the AMA Board they assume the broader fiduciary responsibilities of all Board members and must invest the time and effort to be able to actively participate in all Board business and activities including the representation program. Together the medical student and resident/fellow trustees represent almost ten percent of the Board votes on business motions. With the increased focus on the youth of medicine, more opportunities have arisen for these individuals to represent the AMA in various venues.

In order to expect and receive this level of involvement and recognizing the value, time and effort required, these individuals need to be compensated consistent with this assessment. The flip side is that without expectation, the amount of time and effort may not produce the value desired. While the expected time and this effort these individuals expend is equal, they do not have the equivalent medical experience. The Committee understands the rationale for a somewhat lower compensation recommendation relative to the Non-Officer Trustees. However, in some instances their educational and employment background has offset this lack of medical experience. It is not only medical experience that qualifies an individual for election to the Board.

In the Committee's review of the House transcript, it noted specific areas of expressed concern. The first relates to the potential impact of the proposed increase on student loans. Compensation, in the form of a stipend, honorarium and/or per diem, is considered income and could affect some commercial loans that require all such compensation to be included in an application or a periodic review. This would have to be considered by individuals in deciding to be a candidate for the Board, just as the same individuals must consider this point when pursuing other outside income. However, most student loans do not have such qualifications and would not be affected by increased compensation for serving on the AMA Board.

The Committee also heard the concerns of some members that this compensation should not exceed that of their peers. Resolution 613 recommends that the AMA set the compensation of the medical student and resident/fellow trustees to the average salary of a MD/PhD student and a PGY-3 resident/fellow. Based on the available data from AAMC, the stipend support given MD/PhD students ranges from \$14,400 to \$20,000. According to the latest 2004 AAMC Survey of Housestaff Stipends, Benefits and Funding, the mean for a 3rd year resident would be \$44,491. Not only is this higher than the resident/fellow would have received under the Committee's recommendation in its I-04 report, the disparity between the medical student and the resident/fellow is not consistent with the value, time and effort each brings to the AMA Board.

To review lost opportunity revenue as it did with the Non-Officer Trustees, the Committee reviewed incomes for medical student and resident peers that could have been obtained if not spending the time and effort on the AMA Board. Since historically, the medical student on the AMA Board has been a 4th year student or MD/PhD, they have the potential of working in a number of health care settings. If they have an MBA or JD degree, the opportunities could be even greater.

For comparative purposes, the Committee chose to use the average daily compensation a medical student would receive for working in a research capacity. For the resident/fellow, the Committee chose the daily rate for providing physician services outside the residency. The daily rate for the medical student was estimated to be \$200 per day and the daily rate for a resident/fellow was \$800. If these rates were applied to the 2004-2005 experience of

assignment/travel days for the medical student (72.5 days) and the resident/fellow (55.5 days), the total compensation would have been \$14,400 for the medical student and \$44,400 for the resident/fellow. This disparity in compensation between two individuals providing very similar contributions to the AMA Board would, in the Committee's view, not be appropriate.

Although the Committee explored for comparative purposes the use of salary data for the medical student and resident/fellow as well as the lost opportunity revenue, the Committee does not support the use of either as the basis for determining the compensation for the medical student or the resident/trustee. No single method of determining compensation seems universally acceptable and the Committee elected to view the range of compensation achieved by several methods and recommend a middle ground.

It is the Committee's recommendation that the medical student and resident should be compensated at 50% of the current daily honorarium (\$1,150) and current daily per diem (\$1,150) approved for Non-Officer Trustees. This computes to a daily rate of \$575 for both honorarium and per diem. This recommended compensation recognizes the value the medical student and resident/fellow bring to the AMA Board relative to Non-Officer Trustees and the equal time and effort expected of them. It also provides additional per diem for the assignment/travel days the Board Chair determines is needed to support their participation in the AMA Representation Program. It further recognizes the fact that the House of Delegates expects a significant difference between the compensation for the Non-Officer Trustee and the medical student and resident/fellow Trustee.

For illustrative purposes, the following is a table showing the amount of compensation the medical student would have received during each elected year in the period July, 1, 2001 and June 30, 2005:

Table 1 - Historical Adjusted Annual Compensation for the Medical Student Trustee, July 1, 2001 - June 30, 2005

	2001-2002	2002-2003	2003-2004	2004-2005
<i>Assignment Days</i>				
Board Meetings	36.0	36.0	35.5	35.0
Other Assignments	<u>12.5</u>	<u>42.5</u>	<u>33.5</u>	<u>37.5</u>
Total Days	48.5	78.5	69.0	72.5
<i>Compensation (\$)</i>				
Board Meetings (\$575/day)	20,700	20,700	20,413	20,125
Other(\$575/day)	<u>7,188</u>	<u>24,438</u>	<u>19,263</u>	<u>21,563</u>
Total Compensation	27,888	45,138	39,676	41,688

The compensation for the medical student trustee would have ranged from \$27,888 for the 2001-2002 elected year to a high of \$45,138 in the 2002-2003 elected year. Embedded in this amount is the core compensation of about \$20,700 for required Board meetings and related travel days. The range difference in total compensation is due to the "Other" days approved by the Board Chair which includes days representing the AMA other than meeting days. The average for the four-year period would have been \$38,526.

For illustrative purposes, the following is a table showing the amount of compensation the resident/fellow would have received during each elected year in the period July, 1, 2001 and June 30, 2005:

Table 2 - Historical Adjusted Annual Compensation for the Resident/Fellow Trustee, July 1, 2001 - June 30, 2005

	2001-2002	2002-2003	2003-2004	2004-2005
<i>Assignment Days</i>				
Board Meetings	36.0	36.0	35.5	35.0
Other	<u>22.0</u>	<u>24.0</u>	<u>20.0</u>	<u>20.0</u>
Total Days	58.0	60.0	55.5	55.0
<i>Compensation (\$)</i>				
Board Meetings (\$575/day)	20,700	20,700	20,413	20,125
Other (\$575/day)	<u>12,650</u>	<u>13,800</u>	<u>11,500</u>	<u>11,500</u>
Total Compensation	33,350	34,500	31,913	31,625

The compensation for the resident/fellow trustee would have ranged from a low of \$31,625 in 2004-2005 to a high of \$34,500 in the 2002-2003 elected year. Embedded in this amount is the core compensation of \$20,700 to \$21,850 for required Board meetings and associated travel days. As with the medical student, the range in total compensation is due to differences in the number of days the Board approves the resident/fellow to represent the AMA other than attending meetings. The average elected year compensation for the entire period would have been \$32,847.

Travel and Expenses

Since no objections were raised by the House of Delegates to the Committee's prior recommendation to increase the current allowance for spousal travel from \$3,000 to \$6,000, the Committee believes this should be implemented beginning July 1, 2005. As stated in its I-04 report, "The Committee recognizes the additional difficulties and concerns related to the impact of the excessive travel schedule of the Presidents on their families." The Committee also believes the current "Standing Rules of the AMA Board of Trustees" have adequate provisions for the appropriateness and approval of such travel by the Board Chair.

RECOMMENDATIONS

The Committee recommends the House of Delegates adopt the following recommendations and the remainder of the report be filed:

1. The annual cash compensation for the Officers (President, President-Elect, Immediate Past President, and Chair) remain at current 2004-2005 elected year level.
2. The current honorarium and per diem levels for Non-Officer Trustees and the annual compensation for the Chair-Elect remain at the current 2004-2005 elected year levels.
3. The current compensation of the Medical Student and Resident be increased to 50% of the honorarium provided to Non-Officer Trustees (\$575) and 50% of the per diem for other assignment days (\$575).
4. The current annual allowance for each President for spousal travel should be increased to \$6,000 for the period 2005-2006 using the same appropriateness criteria as stated in the current Standing Rules.