

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

The following report was presented by Anthony M. Padula, MD, Chair:

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

Reference committee hearing: see report of [Reference Committee F](#).

HOUSE ACTION: RECOMMENDATIONS ADOPTED
REMAINDER OF REPORT FILED
See Policy D-605.990

This report by the Committee at the 2016 Interim Meeting presents five recommendations. It also documents the compensation paid to Officers for the period July 1, 2015 thru June 30, 2016 and includes the 2015 calendar year IRS reported taxable value of benefits, perquisites, services, and in-kind payments for all Officers.

BACKGROUND

At the 1998 Interim Meeting, the House of Delegates (HOD) established a House Committee on Trustee Compensation, currently named the Committee on Compensation of the Officers, (the “Committee”). The Officers are defined in the American Medical Association’s (AMA) Constitution and Bylaws. (Note: under changes to the Constitution previously approved by the HOD, Article V refers simply to “Officer,” which includes all 21 members of the Board among whom are President, President-Elect, Immediate Past President, Secretary, Speaker of the HOD and Vice Speaker of the HOD, collectively referred to in this report as Officers). The composition, appointment, tenure, vacancy process and reporting requirements for the Committee are covered under the AMA Bylaws. Bylaw 2.645 provides:

The Committee shall present an annual report to the House of Delegates recommending the level of total compensation for the Officers for the following year. The recommendations of the report may be adopted, not adopted or referred back to the Committee, and may be amended for clarification only with the concurrence of the Committee.

At A-00, the Committee and the Board jointly adopted the American Compensation Association’s definition of total compensation which was added to the Glossary of the AMA Constitution and Bylaws. Total compensation is defined as the complete reward/recognition package awarded to an individual for work performance including: (a) all forms of money or cash compensation; (b) benefits; (c) perquisites; (d) services; and (e) in-kind payments.

Since the inception of this Committee, its reports document the process the Committee follows to ensure that current or recommended Officer compensation is based on sound, fair, cost-effective compensation practices as derived from research and use of independent external consultants, expert in Board compensation. Reports beginning in December 2002 documented the principles the Committee followed in creating its recommendations for Officer compensation.

At A-08, the HOD approved changes that simplified compensation practices with increased transparency and consistency. At A-10, Reference Committee F requested that this Committee recommend that the HOD affirm a codification of the current compensation principle, which occurred at I-10. At that time, the HOD affirmed that this Committee has and will continue to base its recommendations for Officer compensation on the principle of the value of the work performed, consistent with IRS guidance and best practices as recommended by the Committee’s external independent consultant, who is expert in Board compensation.

At A-11, the HOD approved the alignment of Medical Student and Resident Officer compensation with that of all other Officers (excluding Presidents and Chair) because these positions perform comparable work.

Immediately following A-11, the Committee retained Mr. Don Delves, founder of the Delves Group, to update his 2007 research by providing the Committee with comprehensive advice and counsel on Officer compensation. The Committee asked for this update because it had been four years since the last comprehensive review and because the

Committee wanted to continue refining its compensation practices to improve simplification and transparency. The updated compensation structure was presented and approved by the HOD at I-11 with an effective date of July 1, 2012.

At I-11, Reference Committee F requested that the Committee list the specific benefits, perquisites and in-kind payments provided to the Officers and to document annually the taxable value of these benefits. The Committee first reported this information, as reported to the IRS, in its A-12 report.

The Committee's I-12 report referenced discussion and research concerning Presidents' travel on regional airlines. The A-13 report expanded the travel discussion to include travel on airlines without preferred status. The HOD approved the Committee's recommendation to provide a travel allowance for each President to be used for upgrades, primarily on non-preferred status airlines, because of the significant volume of travel by the Presidents in representing our AMA.

CASH COMPENSATION SUMMARY

The cash compensation of the Officers shown in the following table will not be the same as compensation reported annually on the AMA's IRS Form 990 because Form 990s are based on a calendar year. The total cash compensation in the summary is compensation for the days these Officers spend away from home on AMA business approved by the Board Chair. The total cash compensation in the summary includes work as defined by the Governance Honorarium and Per Diem for Representation including conference calls with groups outside of the AMA, totaling 2 hours or more per calendar day as approved by the Board Chair. Detailed definitions are located in the Appendix.

The summary covers July 1, 2015 to June 30, 2016:

AMA Officers	Position	Total Compensation	Total Days
Maya A Babu, MD, MBA	Resident Officer	\$72,900	62
Susan R Bailey, MD	Speaker, House of Delegates	\$74,700	52
David O Barbe, MD, MHA	Officer	\$92,700	78
Willarda V Edwards, MD, MBA	Officer	-	2.5
Jesse M Ehrenfeld, MD, MPH	Young Physician Officer	\$87,900	64
Julie K Goonewardene	Public Board Member Officer	\$61,500	37
Andrew W Gurman, MD	President-Elect	\$274,000	128
Gerald E Harmon, MD	Secretary	\$65,700	57
Patrice A Harris, MD, MA	Chair-Elect	\$205,500	94
William E Kobler, MD	Officer	\$92,700	71
Russell WH Kridel, MD	Officer	\$73,500	54.5
Omar Z Maniya, MBA	Medical Student Officer	-	1.5
Barbara L McAneny, MD	Immediate Past Chair	\$87,300	75.5
Mary Anne McCaffree, MD	Officer	\$89,700	69.5
William A McDade, MD, PhD	Officer	-	1
Albert J Osbahr, III, MD	Officer	\$87,300	59
Stephen R Permut, MD, JD	Chair	\$269,500	106
Dina Marie Pitta, MPP	Medical Student Officer	\$61,500	31.5
Jack Resneck, Jr, MD	Officer	\$77,100	59
Bruce A Scott, MD	Vice Speaker, House of Delegates	\$61,500	44
Carl A Sirio, MD	Officer	\$106,500	80
Steven J Stack, MD	President	\$279,000	169
Georgia A Tuttle, MD	Officer	\$77,700	56
Robert M Wah, MD	Immediate Past President	\$274,000	129
Kevin W Williams	Public Board Member Officer	-	2

President, President-Elect, Immediate Past President and Chair

In 2015-2016, each of these positions received an annual Governance Honorarium which was paid in monthly increments. These four positions spent a total of 532 days on approved Assignment and Travel, or 133 days each on average.

Chair-Elect

This position received a Governance Honorarium of approximately 75% of the Governance Honorarium provided to the Chair.

All other Officers

All other Officers received cash compensation, which included a Governance Honorarium of \$61,500 paid in monthly installments. The remaining cash compensation is for Assignment and Travel Days that are approved by the Board Chair to externally represent the AMA. These days are compensated at a per diem rate of \$1,200.

Assignment and Travel Days

The total Assignment and Travel Days for all Officers (excluding the President, President-Elect, Immediate Past President and Chair) were 1051; this includes reimbursement for telephonic representation meetings for external organizations that are 30 minutes or longer during a calendar day and total 2 or more hours. These are reimbursed at ½ of the current per diem rate. During this reporting period, there were 30 reimbursed calls, representing 15 per diem days.

EXPENSES

Total expenses paid for the period, July 1, 2015 – June 30, 2016, were \$881,137 compared to \$832,337 for the previous period, representing a 5.9% increase. This includes \$1,040 in upgrades for Presidents' travel per the approved Presidential Upgrade Allowance of \$2,500 per position per term.

BENEFITS, PERQUISITES, SERVICES AND IN-KIND PAYMENTS

Officers are able to request benefits, perquisites, services and in-kind payments, as defined in the "AMA Board of Trustees Standing Rules on Travel and Expenses." These non-taxable business expense items are provided to assist the Officers in performing their duties:

- AMA Standard laptop computer or iPad
- iPhone
- American Express card (for AMA business use)
- Combination fax/printer/scanner
- An annual membership to the airline club of choice offered each year during the Board member's tenure
- Personalized AMA stationery, business cards and biographical data for official use.

Additionally, all Officers are eligible for \$300,000 term life insurance and are covered under the AMA's \$500,000 travel accident policy and \$10,000 individual policy for medical costs arising out of any accident while traveling on official business for the AMA. Life insurance premiums paid by the AMA are reported as taxable income.

Secretarial support, other than that provided by AMA's Board office, is available up to defined annual limits as follows: President, during the Presidential year, \$15,000; \$5,000 each for the President-Elect, Chair, Chair-Elect and Immediate Past president per year. Secretarial expenses incurred by other Officers in connection with their official duties are paid up to \$750 per year per Officer. This is reported as taxable income.

Travel expenses incurred by family members are not reimbursable, with the exception of the family of the incoming President at the Annual Meeting of the HOD.

Calendar year taxable life insurance and taxable secretarial fees reported to the IRS totaled \$25,755 and \$20,375 respectively for 2015. An additional \$16,500 was paid to third parties for secretarial services during 2015.

METHODOLOGY

As noted in its A-16 report, the Committee commissioned a comprehensive compensation review with an outside consultant expert in Board compensation to refresh the Committee's knowledge of market conditions related to Board compensation because it has been five years since the last compensation review. The purpose of the review is to ensure the Officers are compensated appropriately for the work performed on behalf of the AMA. The Committee also continues to be interested in reviewing and refining its compensation practices for increased simplification and transparency. The Committee also asked the consultant to review the structure of Officer compensation to ensure continued alignment with current trends in for-profit Board compensation which had been to move away from paying for each individual Board or Board committee meeting to one annual fee.

The Committee's review and subsequent recommendations for Officer compensation are based on the principle of the value of the work performed, as affirmed by the HOD. In addition, the following additional guidelines were followed:

- Compensation should be based on the value expected by the AMA from its Officers.
- Compensation should take into account that the AMA is a complex organization when comparing compensation provided to Board members by for-profit organizations and by complex not-for-profit organizations of similar size and activities.
- Compensation should be aligned with the long-term interests of AMA members and the fulfillment of the fiduciary responsibilities of the Officers.
- Officers should be adequately compensated for their value, time, and effort.
- Compensation should reinforce choices and behaviors that enhance effectiveness.
- Compensation should be approached on a comprehensive basis, rather than as an array of separate elements.

It is important to note that the process the Committee followed along with the aforementioned principles are consistent with the guidelines recommended by the IRS for determining reasonable and competitive levels of Officer compensation.

To complete the compensation review, the Committee retained a new consultant, Becky Glantz Huddleston, of Willis Towers Watson. Ms. Huddleston is an expert in Board compensation and works with both for-profit and not-for-profit organizations. The firm she works for, Willis Towers Watson, is one of the largest, most prestigious and well-respected compensation consulting firms.

To develop her recommendations with the Committee, Ms. Huddleston:

- Met with internal AMA staff assigned to support this Committee to review and understand the current compensation structure.
- Interviewed certain Board members to gain an understanding of their thoughts and insights related to the current Officer compensation program.
- Discussed her interview results with the Committee.
- Reviewed and analyzed Officer compensation data for the past three terms.
- Analyzed and researched pay practices for Board of directors at for-profit and not-for-profit organizations similar to the AMA who pay their Board members.
- Prepared a final report to the Committee following a collaborative, deliberative and objective process to arrive at the recommendations as documented in this report to the House of Delegates.

FINDINGS

The Committee notes that Officers continue to make significant time commitments in supporting our AMA in governance and representation functions. Given the amount of time required of Board members, it is important that individuals seeking a position on the Board be aware of the scope of the commitment and the related compensation.

The Committee further notes that external data indicates for-profit organizations are continuing the trend of eliminating meeting fees while increasing the annual retainer in an effort to simplify the program and to recognize that Board work has become more fluid in nature and is increasingly completed outside of formal meetings; this is also a trend at the AMA based on Officer feedback.

In 2011, the HOD approved this Committee's recommendation to refine the AMA's compensation structure for non-leadership Officers by expanding the Governance definition to include Chair-assigned internal representation and increasing the amount of the annual Governance Honorarium. Chair-assigned External Representation continued to be paid by a Per Diem. The \$61,500 annual Governance Honorarium has been in effect since July 1, 2012 and the \$1200 Per Diem has been the same amount since 2008.

The Committee and its consultant reviewed and considered feedback from the interviews with Officers. The overall consensus from the Officers interviewed was that the Board compensation program is generally working and while there were not any major issues, modest adjustments to the compensation levels may be appropriate. However, Officer interviews included concerns that the current structure resulted in an unequal internal time commitment among Officers because some internal representation assignments result in greater time commitments which, by definition, are included as part of the Governance Honorarium unlike external assignments compensated by per diem.

Review of AMA data for the past three terms showed that the time commitment for Board-related work was generally consistent among the Officers. Internal representation had more variability than Board-related work and External Representation was the most variable. The Governance Honorarium does not address the variability of internal representation. The wide variance in External Representation reflects the unique skillset and expertise of each Officer and the responsibility of the Board Chair to make assignments that optimize the Officers' expertise. The current use of the Per Diem for External Representation addresses the wide variance in time commitment of the Officers.

Compensation data from both for-profit and not-for-profit organizations was reviewed. For-profit Board compensation data was sourced from the National Association of Corporate Directors (NACD) 2015-2016 survey of organizations with revenue between \$50M – \$500M. This data indicated for-profit Board compensation consisted of both a pay and stock component. The Committee's external consultant noted that not-for-profit organizations do not have the ability to grant stock awards and therefore do not necessarily intend to be competitive with the for-profit sector from the perspective of total compensation. While AMA's Governance Honorarium was close to the median cash compensation, it was well below the total Board compensation due to absence of stock awards.

The consultant collected and analyzed data from not-for-profit organizations determined to be of similar size and complexity as the AMA, AMA's not-for-profit peer group. This information was collected from Form 990 filings, generally for 2014. This data showed that AMA non-leadership Officers spend significantly more time on internal Board and representation when compared to the peer group. Further analysis, to adjust for the variance in time commitments, showed that AMA's Governance Honorarium was significantly lower than the peer group.

In determining the Governance Honorarium recommendation for non-leadership Officers, the Committee balanced simplicity, transparency and comparability versus pay for internal representation days as a compensation structure, Board feedback and the total cost of governance to the AMA. There is no good external comparison for Per Diem pay for External Representation for non-leadership Officers given the unique nature of this function at the AMA. However, the Per Diem amount has not changed since 2008 and the Committee used the data from the not-for-profit peer group Governance Honorarium comparison to directionally inform them.

Officers in leadership, the Board Chair, Chair-elect, President, President-elect and Immediate Past President have a significant level of responsibility, representing a time commitment well above that required by other non-profit Board leadership. This led to further analysis by the consultant to adjust for the variance in time commitment. This analysis showed that compensation for AMA Officers in leadership roles for the past three terms ranged near the median, resulting in the recommendation that leadership compensation continues to be appropriate and no change is necessary.

RECOMMENDATIONS

The Committee on Compensation of the Officers recommends the following recommendations be adopted and the remainder of this report be filed:

1. That there be no change to the current Definitions effective July 1, 2012 as they appear in the Travel and Expenses Standing Rules for AMA Officers for the Governance Honorarium, Per Diem for External

Representation and Telephonic Per Diem for External Representation except for the Governance Honorarium and Per Diem amounts as recommended in 2, 3 and 4 below.

- Definition of Governance Honorarium effective July 1, 2012:
The purpose of this payment is to compensate Officers for all Chair-assigned internal AMA work and related travel. This payment is intended to cover all currently scheduled Board meetings, special Board or Board committee meetings, task forces, subcommittees, Board orientation, development and media training, Board calls, sections, councils or other internal representation meetings or calls, and any associated review or preparatory work, and all travel days related to all meetings as noted above.
 - Definition of Per Diem for Representation effective July 1, 2012:
The purpose of this payment is to compensate for Board Chair-assigned representation day(s) and related travel for Officers, excluding Board Chairs and Presidents. Representation is either external to the AMA, or for participation in a group or organization with which the AMA has a key role in creating/partnering/facilitating achievement of the respective organization goals such as the AMA Foundation, PCPI, etc. The Board Chair may also approve a per diem for special circumstances that cannot be anticipated such as weather related travel delays.
 - Definition of Telephonic Per Diem for External Representation effective July 1, 2011:
Officers, excluding the Board Chairs and the Presidents, who are assigned as the AMA representative to outside groups as one of their specific Board assignments, receive a per diem rate for teleconference meetings when the total of all teleconference meetings of 30 minutes or longer during a calendar day equal 2 or more hours. Payment for these meetings would require approval of the Chair of the Board.
2. That the Governance Honorarium for all Board members excluding leadership, Board Chair, Board Chair-elect, President, President-elect, and Immediate Past President be increased effective July 1, 2017 to \$65,000.
 3. That the Per Diem for Chair-assigned representation external to the AMA or for participation in a group or organization with which the AMA has a key role in creating/partnering/facilitating achievement of the respective organization goals such as the AMA Foundation, PCPI, etc., and related travel be increased effective July 1, 2017 to \$1,300 per day.
 4. That the Per Diem for Chair-assigned Telephonic Per Diem for External Representation be increased effective July 1, 2017 to \$650 as defined.
 5. Except as noted above, there be no other changes to the Officers compensation for the period beginning July 1, 2017.

APPENDIX - Current Leadership Compensation Summary

Officer compensation and definitions initially approved at I-11 and effective July 1, 2012.

Position	Governance Honorarium
President	\$279,000
Immediate Past President & President-Elect	\$274,000
Chair	\$269,500
Chair-Elect	\$199,500
Other Officers	\$61,500

Definition of Governance Honorarium Effective July 1, 2012:

The purpose of this payment is to compensate Officers for all Chair-assigned internal AMA work and related travel. This payment is intended to cover all currently scheduled Board meetings, special Board or Board Committee meetings, task forces, subcommittees, Board orientation, development and media training, Board calls, sections, councils or other internal representation meetings or calls, and any associated review or preparatory work, and all travel days related to all meetings as noted above.

Definition of Per Diem for Representation effective July 1, 2012:

The purpose of this payment is to compensate for Board Chair-assigned representation day(s) and related travel. Representation is either external to the AMA, or for participation in a group or organization with which the AMA has a key role in creating/partnering/facilitating achievement of the respective organization goals such as the AMA Foundation, PCPI, etc. The Board Chair may also approve a per diem for special circumstances that cannot be anticipated such as weather related travel delays. Per Diem for Chair-assigned representation and related travel is \$1,200 per day.

Definition of Telephonic Per Diem for External Representation effective July 1, 2011:

Officers, excluding the Board Chair and the Presidents, who are assigned as the AMA representative to outside groups as one of their specific Board assignments, receive a per diem rate for teleconference meetings when the total of all teleconference meetings of 30 minutes or longer during a calendar day equal 2 or more hours. Payment for these meetings would require approval of the Chair of the Board. The amount of the Telephonic Per Diem will be ½ of the full Per Diem or \$600.