

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

The following report was presented by Marta J. Van Beek, MD, Chair.

**1. 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 2019 Annual Meeting presents one recommendation.

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. Bylaws 2.13.4.5 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 in which was added to the Glossary of the AMA Constitution Bylaws. Total compensation is defined as the complete reward/recognition package awarded to an individual or 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 updated compensation structure was presented and approved by the HOD at I-11 with an effective date of July 1, 2012.

The Committee's I-13 report recommended and the HOD approved the Committee's recommendation to provide a travel allowance for each President to be used for upgrades because of the significant volume of travel in representing our AMA.

At I-16, based on the result of a comprehensive compensation review conducted by Ms. Becky Glantz Huddleston, an expert in Board Compensation with Willis Towers Watson, the Committee recommended and the HOD approved modest increases to the Governance Honorarium and Per Diems for Officer Compensation, excluding the Presidents and Chair, effective July 1, 2017. A-17's report, approved by the HOD, modified the Governance Honorarium and Per Diem definition so that Internal Representation, in excess of eleven days, receives a per diem.

At A-18, based on a compensation review focused on the Presidents' and Chairs' compensation, the Committee recommended and the House approved a modest increase to their Honoraria, the first increase in ten years.

METHODOLOGY

At I-18, this Committee recommended and the House approved an Annual Health Insurance Stipend (Stipend) for the President, President-Elect and the Immediate Past President when replacement health insurance is needed because he/she loses health insurance coverage at their practice, university or hospital (collectively referred to as "Employer") when they reduce their work schedule to fulfill their responsibilities as President, President-Elect or Immediate Past President.

The amount of the Stipend was based on 70% of the then current Gold Plan premium in the President(s) state of residence for each covered family member. The Stipend ended when a President, President-Elect or Immediate Past President became Medicare eligible during their term in office because the Stipend was based on the President's need for health insurance which was met via Medicare.

The Committee heard testimony at Reference Committee F in support of the Stipend, however there were questions about the Stipend ending for the President's covered family members when the President became Medicare eligible while in office. The Committee completed additional research and concluded that revisions to the definitions were warranted because the President(s) covered family members also needed replacement health insurance when the President(s) lost insurance from his/her Employer upon reducing their work schedule to fulfill AMA responsibilities.

The Committee also noted that for clarity, the definition of the Stipend replaces "age 65" with "Medicare eligibility."

FINDINGS

The Committee notes that the President-Elect, President and Immediate Past President responsibilities require a significant time commitment in supporting our AMA in governance and representation functions. Our A-18 report noted that this level of responsibility results in a time commitment well above that required by other not-for-profit boards. The level of commitment needed in supporting our AMA may necessitate a President reduce his/her work schedule with his/her Employer to a part-time status which may result in a President and his/her covered family members losing their eligibility for Employer's health insurance coverage.

This Committee considers health insurance a necessity. At I-18 the Committee recommended and the House approved a Stipend for the President and his/her family when they lose their Employer's health insurance. This Committee recommends amending the definition of eligibility so that President(s) who already have health insurance coverage through Medicare when elected will not be eligible for the Stipend for themselves or family members. Additionally, this Committee recommends amending the eligibility definition so that if a President becomes Medicare eligible while in office, the President will be expected to enroll in Medicare and the Stipend will continue to cover family members who are not Medicare eligible. The amount of the Stipend will be adjusted accordingly. The Stipend would be reported as taxable income to the President(s).

RECOMMENDATIONS

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

1. That Policy D-605.990 be appended by a new section XXIII as follows:

Annual Health Insurance Stipend (“Stipend”)

The purpose of this payment is to provide a Health Insurance Stipend (Stipend) to compensate the President, President-Elect, and Immediate Past President when the President(s) lose(s) his/her Employer provided medical insurance coverage. President(s) who lose his/her Employer insurance will substantiate his/her eligibility for the Stipend by written notice to the Board Chair detailing the effective date of the loss of coverage and listing covered family members. The President receiving the Stipend will have the sole discretion to determine the appropriate health insurance for himself/herself and the family members; however, the Stipend will be calculated based on 70% of the then current Gold Plan premium for his/her state/county of residence.

Should a President become Medicare eligible during his/her term(s), the Stipend will end for the President the month Medicare coverage begins. If the President has covered family members who are not Medicare eligible, the amount of the Stipend will be adjusted to cover only those family members until they become Medicare eligible. As family members become Medicare eligible, the President is expected to provide written notice of the event to the Board Chair and the Stipend will be adjusted accordingly the month Medicare coverage begins.

In any case, the Stipend will end the sooner the President(s) obtains other health insurance coverage or the month following the end of his/her term as Immediate Past President.

Should a President have health insurance coverage through Medicare when elected, he/she will not be eligible for the Stipend for themselves or family members.

The amount of the Stipend will be 70% of the then current Gold Plan premium in the President(s) state/county of residence for each covered family member. If there are multiple Gold Plans in the state/county, the Stipend will be based on the average of the then current Gold Plan premiums. The amount of the Stipend will be updated January 1 of each Plan year based on then Gold Plan premiums and covered family members.

The Stipend will be paid monthly. The amount of the Stipend will be reported as taxable income for the President each calendar year and will be included in this Committee’s annual report to the House which documents compensation paid to Officers and the IRS reported taxable value of benefits, perquisites, services, and in-kind payments.

2. Except as noted above, there will be no other changes to the Officers compensation for the period beginning July 1, 2019.

APPENDIX

POSITION	GOVERNANCE HONORARIUM
President	\$290,160
Immediate Past President	\$284,960
President-Elect	\$284,960
Chair	\$280,280
Chair-Elect	\$207,480

Definition of Governance Honorarium Effective July 1, 2017:

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 up to eleven (11) Internal Representation days.

Definition of Per Diem for Representation effective July 1, 2017:

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. or for Internal Representation days above eleven (11). 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 \$1,300 per day.

Definition of Telephone Per Diem for External Representation effective July 1, 2017:

Officers, excluding the Board Chair and the President(s) who are assigned as the AMA representative to outside groups as one of their specific Board assignments or assigned Internal Representation days above eleven (11), 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 those 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 \$650.