

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

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

**REPORT OF THE HOUSE OF DELEGATES COMMITTEE
ON THE 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 2018 Interim Meeting presents one recommendation. It also documents the compensation paid to Officers for the period July 1, 2017 thru June 30, 2018 and includes the 2017 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. 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 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

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 results 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.

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 spent 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 in the Appendix.

The summary covers July 1, 2017 to June 30, 2018.

AMA Officers	Position	Total Compensation	Total Days
Maya A Babu, MD, MBA	Resident Officer	\$ 5,400	0
Susan R Bailey, MD	Speaker, House of Delegates	\$ 96,850	50.5
David O Barbe, MD, MHA	President	\$ 279,000	161
Willarda V Edwards, MD, MBA	Officer	\$ 67,600	48
Jesse M Ehrenfeld, MD, MPH	Secretary & Young Physician Officer	\$ 131,650	90
E Scott Ferguson, MD	Officer	\$ -	2.5
Sandra A Fryhofer, MD	Officer	\$ -	4
Andrew W Gurman, MD	Immediate Past President	\$ 274,000	98
Gerald E Harmon, MD	Chair	\$ 269,500	91.5
Patrice A Harris, MD, MA	Immediate Past Chair	\$ 150,600	120.5
William E Kobler, MD	Officer	\$ 92,950	63
Russell WH Kridel, MD	Officer	\$ 70,200	47
Barbara L McAneny, MD	President-Elect	\$ 274,000	135
William A McDade, MD, PhD	Officer	\$ 74,100	60
Mario E Motta, MD	Officer	\$ -	2
S Bobby Mukkamala, MD	Officer	\$ 65,000	43.5
Albert J Osbahr, III, MD	Officer	\$ 78,000	54.5
Stephen R Permut, MD, JD	Officer	\$ 89,050	68
Jack Resneck, Jr, MD	Chair-Elect	\$ 199,500	94.5
Ryan J Ribeira, MD, MPH	Resident Officer	\$ 66,300	39
Karthik V Sarma, MS	Medical Student Officer	\$ 102,050	85.5
Bruce A Scott, MD	Vice Speaker, House of Delegates	\$ 78,650	55.5
Carl A Sirio, MD	Officer	\$ 106,600	78.5
Georgia A Tuttle, MD	Officer	\$ 85,800	60.5
Kevin W Williams, MSA	Public Board Member Officer	\$ 65,000	43.5

President, President-Elect, Immediate Past President and Chair

In 2017-2018, each of these positions received an annual Governance Honorarium which was paid in monthly increments. These four positions spent a total of 485.5 days on approved Assignment and Travel, or 121.4 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 \$65,000 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 were compensated at a per diem rate of \$1,300.

Assignment and Travel Days

The total Assignment and Travel Days for all Officers (excluding the President, President-Elect, Immediate Past President and Chair) were 1110.5; 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 18 reimbursed calls, representing 9 per diem days.

EXPENSES

Total expenses paid for the period, July 1, 2017 – June 30, 2018, \$798,212 compared to \$844,506 for the previous period, representing a 5.5% decrease. This includes \$1,907 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 \$305,000 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. Also, travel assistance is available to all Officers when traveling more than 100 miles from home or internationally.

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, except for 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 \$28,791 and \$28,750 respectively for 2017. An additional \$5,750 was paid to third parties for secretarial services during 2017.

METHODOLOGY

Periodically, the issue of health insurance for the Presidents has been brought to this Committee's attention. Specifically, what our AMA can do to assist our President(s) when replacement health insurance is needed because he/she loses health insurance coverage at his/her 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. While this has occurred infrequently, the Committee wanted our AMA to be prepared going forward. In researching possible solutions, the Committee's objective was to arrive at a solution that was fiscally responsible to the AMA, require the President to have some responsibility for the premium cost and provide flexibility to address each President's health insurance needs based on his/her family demographics. An annual stipend to assist the President(s) seemed to meet this goal.

To determine the amount of the stipend, premiums were obtained from the Health Insurance Marketplace ("Exchange") established under the Patient Protection and Affordable Care Act of 2010 to obtain the specific amounts of 2018 premiums. The Committee reviewed the Plan designs offered on the Exchange and determined that the Gold Plan would be the basis for the stipend. The Gold Plan's actuarial value is that the plan covers 80% of expenses. Gold Plan design can vary by state but the actuarial equivalent of the design must be to cover 80% of expenses. In addition, insurance carriers, plan availability, premium amounts and the scope of the network varies state to state down to county level within a state. Premiums are individually determined based on the home zip code of the family and the demographics of each covered family member.

Demographics of the full Board were used to obtain a broader cross-section of Gold Plan premiums across the country. Board members who qualify for Medicare were excluded from the analysis and would not be eligible for a stipend. With the assistance of AMA's external employee benefits broker, premiums were anonymously obtained based on each Board member's state of residence, and demographics.

The range of the premiums was significant which demonstrated the need for a "customized" stipend. The Committee determined that the stipend would reflect a "cost-sharing" of the premium for the President and covered family members. Premiums would also change annually. Medicare-eligible President(s) would not be eligible to receive a stipend.

President(s) who lose his/her employer insurance would substantiate his/her eligibility for an annual stipend by written notice to the Board Chair detailing the effective date of the loss and listing covered family members. 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.

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 losing his/her eligibility for employer's health insurance coverage.

This Committee considers health insurance a necessity. As such, this Committee recommends that Presidents who are not Medicare-eligible receive a stipend based on 70% of the then current Gold Plan premium for the President and his/her covered family members once the President provides written notice to the Board Chair about the loss of coverage. 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 be filed:

1. That there be no change to the current Definitions effective July 1, 2018 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.

2. 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 under age 65, when the President(s) loses his/her employer-provided medical health insurance coverage during his/her term. 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 coverage for the himself/herself and the family, and provide proof of purchasing such coverage to the Board Chair.

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. Should a President reach age 65 during his/her term(s), the Stipend will end the month Medicare coverage begins. In all cases the Stipend will end the sooner the President(s) obtains other health insurance coverage, reaches age 65 or the month following the end of his/her term as Immediate Past President. 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.

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

Fiscal Note: The maximum annual stipend is estimated at \$87,000. This is based on 70% of the highest 2018 Gold Plan Premium based on current Board demographics and assumes all three Presidents and spouses/partners would receive the stipend in the same year.

APPENDIX

POSITION	GOVERNANCE HONORARIUM
President	\$290,160
Immediate Past President & President-Elect	\$284,960
Chair	\$280,280
Chair-Elect	\$207,480
Other Officers	\$ 65,000

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 day.

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 Telephonic Per Diem for External Representation effective July 1, 2017:

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 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 these meetings would require approval of the Chair of the Board. The amount of the Telephonic Per Diem will be $\frac{1}{2}$ of the full Per Diem or \$650.