

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

The following report was presented by Richard A. Evans, 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 Interim Meeting presents several recommendations. It also documents the compensation paid to Officers for the period July 1, 2018 thru June 30, 2019 and includes the 2018 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 the 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 Officers 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 guidelines 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 HOD approved the Committee's recommendation of modest increases to the Governance Honorarium and Per Diems for Officer Compensation, excluding the Presidents and Chair, effective July 1, 2017. At A-17 the HOD approved modifying the Governance Honorarium and Per Diem definition so that Internal Representation, greater than eleven days, receives a per diem.

At A-18, based on comprehensive review of Board leadership compensation, the HOD approved the Committee's recommendation to increase the President, President-elect, Immediate Past-President, Chair and Chair-elect honoraria by 4% effective July 1, 2018.

At I-18 and A-19, the House approved the Committee's recommendation to provide a Health Insurance Stipend to President(s) who are under Medicare eligible age when the President(s) and his/her covered dependents, not Medicare eligible, lose the President's employer provided health insurance during his/her term as President. Should the President(s) become Medicare eligible while in office, he/she will receive an adjusted Stipend to provide insurance coverage to his/her dependents not Medicare eligible.

#### 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 2018 to June 30, 2019.

AMA Officers	Position	Total Compensation	Total Days
Grayson W Armstrong, MD, MPH	Resident Officer	\$ -	2.5
Susan R Bailey, MD	Speaker, House of Delegates	\$ 89,700	69
David O Barbe, MD, MHA	Immediate Past President	\$ 284,960	96.5
Willarda V Edwards, MD, MBA	Officer	\$ 65,650	45
Lisa Bohman Egbert, MD	Vice Speaker, House of Delegates	\$ -	2
Jesse M Ehrenfeld, MD, MPH	Chair-Elect & Young Physician Officer	\$ 207,480	104.5
Scott Ferguson, MD	Officer	\$ 71,500	54.5
Sandra Adamson Fryhofer, MD	Officer	\$ 83,200	68
Gerald E Harmon, MD	Immediate Past Chair	\$ 86,450	67
Patrice A Harris, MD, MA	President-Elect	\$ 288,210	185
William E Kobler, MD	Officer	\$ 86,450	62
Russell WH Kridel, MD	Secretary	\$ 78,000	66
Barbara L McAneny, MD	President	\$ 290,160	189
William A McDade, MD, PhD	Officer	\$ 78,000	59.5
Mario E Motta, MD	Officer	\$ 66,950	39
Bobby Mukkamala, MD	Officer	\$ 74,100	56
Albert J Osbahr, III, MD	Officer	\$ 78,000	52.5
Jack Resneck, Jr, MD	Chair	\$ 280,280	97.5
Ryan J Ribeira, MD, MPH	Resident Officer	\$ 65,000	49
Karthik V Sarma, MS	Medical Student Officer	\$ 113,750	91

Bruce A Scott, MD	Vice Speaker, House of Delegates	\$ 71,500	64
Sarah Mae Smith	Medical Student Officer	\$ -	6.5
Michael Suk, MD, JD, MPH, MBA	Officer	\$ -	2.5
Georgia A Tuttle, MD	Officer	\$ 84,500	58
Willie Underwood, III, MD, MSc, MPH	Officer	\$ -	2
Kevin A Williams, MSA	Public Board Member	\$ 66,950	50

President, President-Elect, Immediate Past President, and Chair

In 2018 – 2019, each of these positions received an annual Governance Honorarium which was paid in monthly increments. These four positions spent a total of 568.5 days on approved Assignment and Travel, or 142 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 1070.5; 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 16 reimbursed calls, representing 8 per diem days.

#### EXPENSES

Total expenses paid for the period, July 1, 2018 – June 30, 2019, \$882,074 compared to \$798,212 for the previous period, representing a 10.5% increase. This includes \$3,644 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 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 stationary, 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 the 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 \$41,292 and \$26,250 respectively for 2018. An additional \$12,125 was paid to third parties for secretarial services during 2018.

## METHODOLOGY

The Committee commissioned a comprehensive review of Officer compensation, excluding leadership, since it has been three years since the last compensation review. The purpose of this review was to refresh the Committee's knowledge of market conditions related to Board compensation, to ensure the Officers are compensated appropriately for the work performed on behalf of the AMA and that the structure of Officer compensation aligned with current trends in for-profit Board compensation. The Committee also continues to be interested in reviewing and refining its compensation practices for increased simplification and transparency.

To complete the compensation review, the Committee retained 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.

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 and the following additional guidelines:

- 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 at for-profit organizations and at complex not-for-profit organizations of similar size and activities.
- Compensation should reflect a balance of volunteerism while also compensating Officers for level of fiduciary responsibilities and time commitment of the role.
- Compensation should be aligned with the long-term interests of AMA members.
- 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.

The process the Committee followed along with the aforementioned principles is consistent with the guidelines recommended by the IRS for determining reasonable and competitive levels of Officer compensation.

Ms. Huddleston and the Committee developed their recommendations based on:

- The current compensation structure.
- Review and analysis of Officer compensation data for the past three terms.
- Pay practices for Boards of Directors at for-profit and not-for-profit organizations similar to the AMA who pay their Board members.
- A collaborative, deliberative and objective review process.

## 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.

In reviewing the Officer Compensation data for the past three terms, the Committee and its consultant first reviewed the time commitment of the non-leadership Officers. This review showed that the time commitment for Board-related work was generally consistent among the non-leadership Officers with the variability in the honorarium days due to travel, committee meetings which vary by Board committee and committee orientation. Internal representation had more variability than Board-related work and External Representation was the most variable.

The Committee and its consultant also reviewed the current structure of Officer compensation to ensure that the structure appropriately compensates the Officers for the number of days worked and the varied time commitment of each Officer. The analysis compared the Officer compensation for the 2018/2019 term under the current definition which compensates Officers via a Per Diem for Internal Representation days above eleven with a hypothetical scenario where all internal representation days were included in the Governance Honorarium. The conclusion of this analysis is that the current structure appropriately compensates the Officers for the varied time commitments in Internal Representation. The analysis further demonstrated that the current structure addresses the variable time commitment of the Immediate Past Chair role.

External 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) 2018-2019 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 2017. 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. Since the 2016 assessment, the compensation data of for-profit and not-for-profit organizations showed an average increase of slightly over 7%.

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 2016 and the Committee used the data from the not-for-profit peer group Governance Honorarium comparison to directionally inform them.

The Committee balanced simplicity, transparency and comparability with internal and external compensation data and the total cost of governance to the AMA when recommending the modest increases to the Governance Honorarium and Per Diems. This Committee is recommending an increase of approximately 3%, or approximately 1% per year, to both the Honorarium and Per Diem, effective July 1, 2020.

## 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 Representation and Telephonic Per Diem except for the Governance Honorarium and Per Diem amounts as recommended in 2, 3 and 4 below.
- Definition of Governance Honorarium effective July 1, 2017:  
The purpose of this payment is to compensate Officers, excluding Board Chair, Chair-Elect and Presidents, 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, subcommittee and task force meetings, Board orientation, Board development and media training, and Board conference calls, and any associated review or preparatory work, and all travel days related to all such meetings. The Governance Honorarium also covers Internal Representation, such as section and council liaison meetings (and associated travel) or calls, 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 for Officers, excluding Board Chair, Chair-Elect 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., 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.

- Definition of Telephonic Per Diem for Representation effective July 1, 2017:  
Officers, excluding the Board Chair, Chair-Elect and 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.
- 2. That the Governance Honorarium for all Board members excluding, Board Chair, Board Chair-elect, President, President-elect, and Immediate Past President be increased effective July 1, 2020 to \$67,000.
- 3. That the Per Diem for Chair-assigned representation for all Board members excluding the Board Chair, Chair-Elect and Presidents and related travel be increased effective July 1, 2020 to \$1,400 per day.
- 4. That the Per Diem for Chair-assigned Telephonic Per Diem for Representation be increased effective July 1, 2020 to \$700 as defined.

## APPENDIX

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