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United States Government Accountability Office
Washington, DC 20548

June 30, 2006

The Honorable William M. Thomas
Chairman
Committee on Ways and Means
House of Representatives

Subject: *Nonprofit Hospital Systems: Survey on Executive Compensation Policies and Practices*

Dear Mr. Chairman:

As a part of Congress's continuing efforts to oversee the activities of the nonprofit sector, you asked us to review executive compensation issues at selected private, nonprofit hospital systems to gain an understanding of the policies and practices related to the salaries, benefits, travel, gifts, and entertainment expenses paid by these hospital systems. Our study's key questions were as follows:

- What corporate governance structure do selected hospital systems report as having in place over executive compensation?
- What is the basis for the compensation and benefits earned by, awarded to, or paid to the executives as reported by selected hospital systems?
- What internal controls do selected hospital systems report as having in place over the approval, payment, and monitoring of executive travel and entertainment expenses, gifts, and other perquisites?

In answering our study's key questions, we used the American Hospital Association's *AHA Guide (2005)* to identify private, nonprofit hospital systems according to the number of staffed beds reported. We developed an electronic survey to gather information from selected hospital systems and administered the survey in two phases. In the first phase, we judgmentally selected 15 hospital systems considering geographic diversity. At least 1 hospital system was selected from each of the nine geographic regions, as defined by the Census Bureau. We briefed your staff on the results of our initial survey and, at your request, selected an additional 85 hospital systems to survey. The 15 and 85 hospital systems combined were the top 100 that we identified from the *AHA Guide (2005)*. We revised our initial survey instrument based on responses received. We analyzed the survey responses to identify unusual, incomplete, or inconsistent responses and followed up with the hospital systems to the extent possible after considering any survey comments provided. We did not seek to validate the responses provided.

Our survey was not designed to draw any conclusions with respect to the adequacy or sufficiency of the policies, practices, or procedures of any individual hospital system or whether hospital systems are complying with applicable laws and regulations. Since we did not randomly sample from the entire population of private, nonprofit hospital systems, we could not generalize the results of our work to this population. We conducted our work from June 2005 through June 2006 in accordance with generally accepted government auditing standards.

On June 5, 2006, we briefed your staff on the results of our work. This report transmits the briefing provided to your staff, as amended to reflect some additional observations (see Enclosure I). This report also includes a copy of the survey instrument with the number of responses to each question (see Enclosure II).

Summary

We received responses from 65 of the 100 hospital systems. The hospital systems reported similarities in certain governance and compensation policies and practices. For example, hospital systems commonly reported policies and practices such as

- having an executive compensation committee or entire board with primary responsibility for approving executives' base salary, bonuses, and perquisites;
- having a conflict of interest policy that covers members of the executive compensation committee and compensation consultants; and
- relying upon comparable market data of total compensation and benefits prior to making compensation determinations.

With respect to perquisites and entertainment and travel expenses for their executives and the related internal control for these payments, the 65 hospital systems reported a range of practices. For example, hospital systems commonly reported that they provide for payment of automobile-related expenses as a perquisite to executives. They also commonly reported having written policies that cover business travel and entertainment expenses. However, hospital systems reported a mix of practices related to payment for other perquisites such as memberships in recreational and social clubs and audits of perquisites and entertainment expenses.

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As we agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 30 days from the date of this letter. At that time, we will send copies to the Ranking Minority Member of your Committee and other interested congressional committees. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov.

If you have any questions about this report, please contact me at (206) 287-4809 or by e-mail at calboml@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this assignment include Kimberly Brooks (Assistant Director), Cindy Gilbert, Curtis Groves, Bret Kressin, Matt Michaels, Scott McNulty, and Terry Richardson.

Sincerely yours,



Linda M. Calbom
Director
Financial Management and Assurance

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Nonprofit Hospital Systems: Survey on Executive Compensation Policies and Practices

Briefing
Chairman, Committee on Ways and Means
House of Representatives

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Objectives, Scope, and Methodology

The Chairman of the House Ways and Means Committee asked GAO to review executive compensation issues at selected private, nonprofit hospital systems, including the policies and practices related to the salaries, benefits, travel, gifts, and entertainment expenses paid by the hospital systems. The study's key questions were as follows:

- What corporate governance structure do selected hospital systems report as having in place over executive compensation?
- What is the basis for the compensation and benefits earned by, awarded to, or paid to executives as reported by selected hospital systems?
- What internal controls do selected hospital systems report as having in place over the approval, payment, and monitoring of executive travel and entertainment expenses, gifts, and other perquisites?

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Objectives, Scope, and Methodology

- We used the American Hospital Association's *AHA Guide (2005)* to identify private, nonprofit hospital systems according to the number of staffed beds reported. We identified 172 systems as private, nonprofit systems within the top 200 private or nonfederal governmental hospital systems (state or local) that we identified from the guide.
- We developed an electronic survey to gather information from selected hospital systems and administered the survey in two phases. Although the majority of survey questions were closed-ended, hospital systems were given the opportunity at the end of the survey to provide comments about any of the questions.

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Objectives, Scope, and Methodology

- In the first phase, we judgmentally selected 15 hospital systems from the list of 172 considering geographic diversity. At least 1 hospital system was selected from each of the nine geographic regions as defined by the Census Bureau.
- We briefed your staff on the results of our initial survey and, at your request, selected an additional 85 hospital systems to survey. The 15 and 85 hospital systems combined were the top 100 from our list of 172 systems. We revised our initial survey instrument based on responses received.

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Objectives, Scope, and Methodology

- We also followed up with the 13 hospital systems that responded during the first phase to obtain their responses to questions that were either added or modified from the initial survey. We provided an opportunity for the two hospital systems that did not respond during the first phase to respond during the second phase; one of these two ultimately did respond.
- We analyzed the survey responses to identify unusual, incomplete, or inconsistent responses and followed up with the hospital systems to the extent possible after considering any survey comments provided. We did not seek to validate the responses provided.

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Objectives, Scope, and Methodology

- Our survey was not designed to draw any conclusions with respect to the adequacy or sufficiency of the policies, practices, or procedures of any individual hospital system or whether hospital systems are complying with applicable laws and regulations.
- Since we did not randomly sample from the entire population of private, nonprofit hospital systems, we could not generalize the results of our work to this population.
- We conducted our work between June 2005 and June 2006 in accordance with generally accepted government auditing standards.

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Results in Brief

We received responses from 65 of the 100 hospital systems. The hospital systems reported similarities in certain governance and compensation policies and practices. For example, hospital systems commonly reported policies and practices such as

- having an executive compensation committee or entire board with primary responsibility for approving executives' base salary, bonuses, and perquisites;
- having a conflict of interest policy that covers members of the executive compensation committee and compensation consultants; and

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Results in Brief

- relying upon comparable market data of total compensation and benefits prior to making compensation determinations.

With respect to perquisites, entertainment and travel expenses and related internal control for their executives, the 65 hospital systems reported a range of practices. For example, hospital systems commonly reported that they provide for payment of automobile-related expenses as a perquisite to executives. They also commonly reported having written policies that cover business travel and entertainment expenses. However, hospital systems reported a mix of practices related to payment for other perquisites, such as memberships in recreational and social clubs and audits of perquisites and entertainment expenses.

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Background

- The *AHA Guide (2005)* defines hospital systems as consisting of two or more hospitals owned, leased, sponsored, or contract-managed by a central organization, or consisting of a single, freestanding hospital that includes as members three or more owned or leased nonhospital health care organizations.
- Hospital systems are classified as "501(c)(3)" organizations exempt from taxation under 26 U.S.C. § 501(a) if (1) they serve a charitable purpose, (2) no part of their net earnings goes to the benefit of any private shareholder or individual, and (3) they do not participate in political campaigns for or against candidates or carry on propaganda or lobbying as a substantial part of their activities.

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Background

- The Internal Revenue Code (I.R.C.) and regulations provide a framework for nonprofit organizations regarding executive compensation and the travel and entertainment expenses paid for executives.
- I.R.C. prohibits the payment of excessive compensation and other transactions that provide excessive economic benefit to executives (I.R.C. § 4958).
- Regulations encourage organizations to have executive compensation arrangements approved in advance by members of an "authorized body" of the organization (such as the board), none of whom have a conflict of interest with respect to the transaction (Treas. Reg. § 53.4958-6(a)).

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Background

- Regulations also encourage but do not require organizations to take certain actions when determining compensation. Regulations provide that an organization has a "rebuttable presumption" that compensation is not an excess benefit transaction if an authorized body (1) approved the compensation arrangement in advance, (2) obtained and relied on appropriate data as to the comparability and reasonableness of the total compensation, and (3) documented the basis for its determination at the time it made its decisions (Treas. Reg. § 53.4958-6(a)).

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Background

- Recently, Congress has raised questions about the adequacy of oversight, reporting requirements, and overall governance of nonprofit and tax-exempt organizations.
- The Independent Sector, a group that represents nonprofit organizations, convened a Panel on the Nonprofit Sector and in 2005 proposed actions to strengthen governance and accountability of nonprofit organizations. The panel made specific recommendations to promote better governance over executive compensation, including proposals that encourage compliance with the “rebuttable presumption” regulations and better reporting on travel expenses.

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Survey Results

The following pages summarize responses provided by the 65 hospital systems to selected survey questions.

- We did not obtain responses to every survey question from all 65 hospital systems either because the hospital systems did not provide a response and should have, or because the question did not apply to their circumstances. As a result, the response frequencies will not always total 65.

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Governance and Compensation Policies and Practices

Written Policies for the Executive Compensation Body

- 40 of the 65 hospital systems reported having written criteria for selecting members of the body that governs executive compensation; 20 of the 40 reported that the criteria address the knowledge for members, 19 of the 40 reported that the criteria address the skills for members, and 21 of the 40 reported that the criteria address the experience for members.
- All 65 of the hospital systems reported having a conflict of interest policy that covers members of the Executive Compensation Body, and they all reported that the policies require disclosure of potential conflicts.

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Governance and Compensation Policies and Practices

Use of Outside Consultants to Advise on Compensation Matters

- All of the 65 hospital systems reported that the Executive Compensation Body can hire outside consultants to advise on compensation and benefit issues.
- 63 of the 65 hospital systems reported that the Executive Compensation Body has hired outside compensation and benefits consultants since January 1, 2004.
- 40 of the 65 hospital systems reported having a policy that requires compensation consultants to be free of any conflicts of interest.

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Governance and Compensation Policies and Practices

Practices Related to Compensation Determinations

- All of the 65 hospital systems reported that they rely upon comparable market data of total compensation and benefits prior to making compensation determinations for the CEO and 63 of the 65 hospital systems reported doing this for the other top four executives.[1]
- 64 of the 65 hospital systems reported that for the CEO, they documented the basis for compensation determinations at the same time the determination was made, and 58 of the 64 responding hospital systems reported doing this for the other top four executives.

[1]The other top four executives are the four highest compensated executives other than the CEO.

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Governance and Compensation Policies and Practices

Responsibility for Approving Top Executives' Compensation

- Hospital systems reported that an Executive Compensation Committee or Entire Board is primarily responsible for:
  - approving the CEO's base salary—58 of the 65 hospital systems
  - approving the CEO's bonuses—55 of the 65 hospital systems
  - approving the CEO's perquisites—59 of the 65 hospital systems

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Governance and Compensation Policies and Practices

Responsibility for Approving Top Executives' Compensation

- Hospital systems reported that an Executive Compensation Committee or Entire Board is primarily responsible for:
  - approving the other top four executives' base salary—50 of the 65 hospital systems
  - approving the other top four executives' bonuses—50 of the 65 hospital systems
  - approving the other top four executives' perquisites—51 of the 65 hospital systems

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Governance and Compensation Policies and Practices

Deferred Compensation Provided to Top Executives

- 51 of the 65 hospital systems reported providing supplemental executive retirement plans (SERPs)[2] to the CEO, and 50 of the 65 hospital systems reported providing SERPs to the other top four executives.

[2]SERPs are maintained by an employer primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees. For example, when an executive is limited to the amount that can be contributed to a 401(k) or similar plan because his or her salary exceeds the statutory limit for contributions, employers can add to SERPs, an amount equal to that which an executive would have contributed under the company's 401(k) if not for the limits. SERP "accounts" are not funded in advance. When benefits are paid to an executive in the future, they are paid from the general assets of the employer.

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Governance and Compensation Policies and Practices

Deferred Compensation Provided to Top Executives

- 18 of the 65 hospital systems reported providing split-dollar life insurance[3] plans to the CEO and to the other top four executives.

[3]In split-dollar life insurance policies, the employer and the covered executive ordinarily split the costs and benefits, sometimes unequally. In some cases, these policies can provide for death benefits up to four times base salary for survivor life insurance. Also, with split-dollar policies, the employer can pay close to 100 percent of the premiums, that earn interest and are not subject to tax. When an executive retires, the employer is repaid--without interest--for the amount it contributed in premiums. Treasury regulations provide guidance on, among other things, the taxation of these benefits.

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Governance and Compensation Policies and Practices

Deferred Compensation Provided to Top Executives

- 55 and 54 of the 64 responding hospital systems reported providing 457(b) plans for the CEO and the other top four executives, respectively.
- Hospital systems also reported providing 457(f) and 403(b) plans[4]:
  - 33 of the 64 responding hospital systems reported 457(f) plans for the CEO, and 34 of the 65 for the other top four executives; and
  - 45 of the 65 hospital systems reported 403(b) plans for the CEO, and 46 of the 65 for the other top four executives.

[4]These plans are so named by the specific section of the Internal Revenue Code that provides guidance for the plans. These plans generally allow employees to defer wages for tax purposes. Each plan has its own features, including those related to contributions, distributions, loans, and rollovers.

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Governance and Compensation Policies and Practices

Severance Packages Provided to Top Executives

- 41 of the 65 hospital systems reported that since January 1, 2004, a person serving as CEO or in one of the top four executive positions has left the system.
  - 2 of the 41 hospital systems reported that since January 1, 2004, they made a severance payment to a departing CEO who resigned, and 5 of the 41 hospital systems reported that they made a severance payment to one of the top four executives who resigned.
  - 3 of the 41 hospital systems reported that since January 1, 2004, they made a severance payment to a departing CEO who was involuntarily terminated, and 20 of the 41 hospital systems reported that they made a severance payment to one of the top four executives who was involuntarily terminated.

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Governance and Compensation Policies and Practices

Perquisites Provided to Top Executives and Related Internal Control

- 55 of the 65 hospital systems reported that they provide for automobile-related expenses as a perquisite to the CEO.
  - 21 of the 55 hospital systems reported having an internal audit since January 1, 2004 of automobile-related expenses for the CEO. Two other systems reported having an internal audit of automobile-related expenses, but reported that they did not provide this perquisite to the CEO. These two systems provided an explanation for this. See footnote “M” in the survey instrument (Enclosure II).

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Governance and Compensation Policies and Practices

Perquisites Provided to Top Executives and Related Internal Control

- 52 of the 65 hospital systems reported that they provide for automobile-related expenses as a perquisite to the other top four executives.
  - 21 of the 52 hospital systems reported having an internal audit since January 1, 2004 of automobile-related expenses for the other top four executives. Three other systems reported having an internal audit of automobile-related expenses, but reported that they did not provide this as a perquisite to the other top four executives. Two of these systems provided an explanation for this; an explanation from the other system was not available. See footnote “M” in the survey instrument (Enclosure II).

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Governance and Compensation Policies and Practices

Perquisites Provided to Top Executives and Related Internal Control

- 45 of the 65 hospital systems reported that they provide for memberships in recreational or social clubs as a perquisite to the CEO.
  - 19 of the 45 hospital systems reported having an internal audit since January 1, 2004 of memberships in recreational or social clubs for the CEO. Two other systems reported having an internal audit of these expenses for the CEO, but reported that they did not provide this as a perquisite to the CEO. One system provided an explanation for this; an explanation from the other system was not available. See footnote “N” in the survey instrument (Enclosure II).

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Governance and Compensation Policies and Practices

Perquisites Provided to Top Executives and Related Internal Control

- 35 of the 65 hospital systems reported that they provide for memberships in recreational or social clubs as a perquisite to the other top four executives.
  - 14 of the 35 hospital systems reported having an internal audit since January 1, 2004 of memberships in recreational or social clubs for the other top four executives. Three other systems reported having an internal audit of these expenses, but these three systems reported that they did not provide this as a perquisite to the other top four executives. One system provided an explanation for this; an explanation from the other two systems was not available. See footnote “N” in the survey instrument (Enclosure II).

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Governance and Compensation Policies and Practices

Other Perquisites Provided to Top Executives

- 25 and 23 of the 65 hospital systems reported that they provide for financial or tax planning as a perquisite to the CEO and the other top four executives, respectively.
- 17 and 13 of the 65 hospital systems reported that they provide tax preparation as a perquisite to the CEO and the other top four executives, respectively.
- 7 of the 65 hospital systems reported that they provide for attorney fees as a perquisite to the CEO and the other top four executives.
- 13 and 8 of the 64 responding hospital systems reported that they provide for personal travel expenses for the spouse of the CEO and the other top four executives as a perquisite, respectively.

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Governance and Compensation Policies and Practices

Certain Perquisites Generally Not Provided to Top Executives

- 63 of the 65 hospital systems reported that they do not make loans or state law prohibits them from making loans to the CEO and the other top four executives; 2 systems reported that they make loans.
- 64 of the 65 hospital systems reported that they do not pay for automobile related expenses for spouses and family members of the CEO and the other top four executives; 1 system did not respond to the specific questions about paying for these expenses for spouses and family members.

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Governance and Compensation Policies and Practices

Certain Perquisites Generally Not Provided to Top Executives

- 63 and 64 of 65 hospital systems reported that they do not pay for memberships in recreational or social clubs for spouses of the CEO and the other top four executives, respectively. Two systems did not respond to this question for the CEO, and 1 did not respond for the other top four executives.
- 64 of the 65 hospital systems reported that they do not pay for memberships in recreational or social clubs for family members of the CEO and other top four executives. One system did not respond to this question for the CEO, and 1 did not respond for the other top four executives.

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Governance and Compensation Policies and Practices

Entertainment Expenses for Top Executives

- 63 of the 65 hospital systems reported providing payment for entertainment expenses. Regarding sports events,
  - 28 systems reported that they pay for the CEO to attend sports events, 34 reported that they do not pay, and 1 did not respond to the specific question about paying for sports events.
  - 29 systems reported that they pay for the other top four executives to attend sports events, 33 reported that they do not pay, and 1 did not respond to the specific question about paying for sports events.

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Governance and Compensation Policies and Practices

Entertainment Expenses for Top Executives

- 63 of the 65 hospital systems reported providing payment for entertainment expenses. Regarding holiday or other company parties,
  - 49 systems reported that they pay for the CEO and the other top four executives to attend holiday or other company parties, 13 reported that they do not pay, and 1 did not respond to the specific question about paying for these expenses.

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Governance and Compensation Policies and Practices

Entertainment Expenses for Top Executives

- 63 of the 65 hospital systems reported providing payment for entertainment expenses. Regarding various off-site activities,
  - 48 systems reported that they pay for the CEO to attend meetings, retreats, or other off-site activities involving trips to resort locations or private, exclusive clubs. Fourteen systems reported that they do not pay and 1 did not respond to the specific question about paying for these types of expenses. For the other top four executives, 46 systems reported that they pay for these expenses, 16 reported they do not, and 1 did not respond to the specific questions about paying for these types of expenses.

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Governance and Compensation Policies and Practices

Entertainment Expenses for Top Executives

- 63 of the 65 hospital systems reported providing payment for entertainment expenses. Regarding theatre performances,
  - 17 systems reported that they pay for the CEO to attend theatre performances, 45 reported that they do not pay, and 1 did not respond to the specific question about paying for these types of expenses.
  - 16 systems reported that they pay for the other top four executives to attend theatre performances, 46 reported that they do not pay, and 1 did not respond to the specific question about paying for these types of expenses.

Governance and Compensation Policies and Practices

Entertainment Expenses and Related Internal Control

- 63 of the 65 hospital systems reported providing payment for entertainment expenses. Of those 63 systems:
  - 56 systems reported having a written policy covering entertainment expenses. 55 and 53 of the 56 reported that the policy describes the documentation necessary to support business entertainment expenses for the CEO and the other top four executives, respectively.

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Governance and Compensation Policies and Practices

Entertainment Expenses and Related Internal Control

- 63 of the 65 hospital systems reported providing payment for entertainment expenses. Of those 63 systems:
  - 60 systems reported that the CEO's entertainment expenses are reviewed after being incurred, 1 reported that they are not reviewed, and 2 did not respond to the specific question about reviews of these expenses for the CEO.
  - 59 systems reported that the other top four executives' entertainment expenses are reviewed after being incurred, 2 reported that they are not reviewed, and 2 did not respond to the specific question about reviews of these expenses for the other top four executives.

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Governance and Compensation Policies and Practices

Entertainment Expenses and Related Internal Control

- 63 of the 65 hospital systems reported providing payment for entertainment expenses. Of those 63 systems:
  - 39 and 40 systems reported having an internal audit since January 1, 2004, of entertainment expenses for the CEO and one or more of the other top four executives, respectively.
  - 9 and 7 systems reported having an external audit (separate from the annual financial statement audit) since January 1, 2004, of entertainment expenses for the CEO and one or more of the other top four executives, respectively.

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Governance and Compensation Policies and Practices

Travel Expenses and Related Internal Control

- 62 of the 65 hospital systems reported having a written policy covering travel expenses for the CEO and other top four executives. Of those 62 systems:
  - 59 systems reported that their policy describes what are legitimate domestic business travel expenses for the CEO and the other top four executives, and 3 systems reported that their policy does not.
  - 61 and 62 systems reported that their policy describes the documentation necessary to support domestic business travel expenses for the CEO and the other top four executives, respectively. One system did not respond to the question for the CEO.

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Governance and Compensation Policies and Practices

Travel Expenses and Related Internal Control

- 64 of the 65 hospital systems reported that the CEO's and other top four executives' travel expenses are reviewed after being incurred. One system did not respond to the specific questions about reviews of these expenses.
- 40 and 41 of the 65 hospital systems reported having an internal audit since January 1, 2004, of travel expenses for the CEO and one or more of the other top four executives, respectively.
- 10 and 9 of the 65 hospital systems reported having an external audit (separate from the annual financial statement audit) since January 1, 2004, of travel expenses for the CEO and one or more of the other top four executives, respectively.

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U.S. Government Accountability Office
Survey of Nonprofit Hospital Systems

Introduction

The U.S. Government Accountability Office (GAO), an independent congressional agency, is examining issues related to executive compensation at tax-exempt hospital systems. We initiated this work based on a request from the Chairman of the Congress's House Ways and Means Committee, who asked that we obtain information from some of the country's largest nonprofit hospital systems regarding (1) the governance structure that exists at these hospital systems over executive compensation, (2) the basis for compensation and benefits earned by, awarded to, or paid to hospital system executives, and (3) the types of internal controls that exist at these hospital systems over the approval, payment, and monitoring of executive travel, entertainment, gifts, and related audits.

This survey is not designed, and we do not intend, to draw any conclusions with respect to the adequacy or sufficiency of the policies, practices or procedures of any individual hospital system or whether these systems are complying with applicable laws and regulations.

Frame of Reference

All questions should be answered from the perspective of the **hospital system** and its executives, not any subsidiary.

The hospital system refers to the separate legal entity that serves as a parent company for all of the entities that comprise the hospital (or health care) system. Therefore, the executives of any subsidiary are excluded unless an executive is also an executive of the system. Further, in the context of a survey question, hospital system means collectively the institution and members of the board and management who have responsibility or who have been delegated authority over matters addressed by the particular question.

All questions that ask whether or not something occurred should reflect those events that have occurred **since January 1, 2004**. Unless otherwise stated, all other questions should reflect the conditions that exist at the time this survey is being completed.

Instructions for Completing This Questionnaire

Most of the questions in this survey can be answered easily by checking boxes ☐ or filling in blanks, which are highlighted in yellow. Unless otherwise noted, please *mark only one response* for each question. A few questions require short narrative answers. Please note that these blanks expand to fit your answer. Additional comments may be written at the end of the questionnaire.

- Please use your mouse to navigate throughout the survey by clicking on the field or check box you wish to answer. Do not use the "Tab" or "Enter" keys as they may cause formatting problems.
- To select a check box, simply click on the center of the box.
- To change or deselect a response, simply click on the check box and the "X" will disappear.

Deadline

To assist us, we ask that you complete and return this survey by **April 21, 2006**. Please return the completed questionnaire via e-mail by simply saving this file to your computer desktop or hard drive and attaching the file as part of your e-mail message reply to Bret Kressin at kressinb@gao.gov.

If you or your staff have any questions, please contact:

Kimberly Brooks, Assistant Director
(202) 512-9038
BrooksK@gao.gov

or

Scott McNulty, Analyst-in-Charge
(202) 512-9184
McnultyS@gao.gov

Respondent Information

Please provide the following information for the individual coordinating the completion of this survey so we may contact them to clarify any responses, if necessary.

Name:

Title:

Hospital System:

Taxpayer ID #:

Telephone Number: ( ) - , Ext:

E-mail Address: @

Definitions for terms used in this survey:

Executive Compensation Body – refers to the hospital system's board of directors, executive compensation committee, finance committee, board or board committee chairperson, or other appropriate authorized body or person of the hospital system with primary responsibility for compensation matters.

CEO - the Chief Executive Officer or one who has another title and who is the highest level person with executive management responsibly.

Other Top Four Executives - the four most highly compensated executive officers of the hospital system other than the CEO.

Salary –base cash salary earned and non-cash compensation awarded, earned or paid.

Incentive Bonus – all types of bonuses or awards (cash and non-cash) earned or paid based on company or individual performance (short- or long-term).

Severance – amounts earned upon the resignation or any other termination of employment.

Other Compensation – all other forms of compensation and benefits, including such things as supplemental life insurance premiums, earnings on deferred contributions, and long-term incentive awards.

Perquisites – all types of perquisites, such as automobile allowances and leases, personal use of company aircraft, financial planning, tax planning and tax return preparation (including estate taxes), reimbursements for payment of taxes, attorney fees, personal travel expenses, memberships in recreational or social clubs or other.

Entertainment - activities that may occur at theaters, country clubs, athletic clubs, night clubs, restaurants, sporting events, trips to resort locations, holiday or other company parties, and that may include meals and other activities as defined in Section 1.274-2(b) of Chapter 26 of the Code of Federal Regulations.

Governance Policies and Practices

1. **Are there written criteria for selecting members of the Executive Compensation Body?**

   40 Yes

   25 No → If you do not use written criteria to select members of the Executive Compensation Body, what is used for selection? [A] → **SKIP TO QUESTION #3**

[A] Hospital systems provided comments that (a) criteria exist for selection of Board members who are then assigned to committees, (b) the Executive Committee of the Board serves as the Executive Compensation Body, and (c) the Executive Compensation Committee is comprised of the Board Chair and either Board Chairs of member hospitals or Chairs of Board committees.

2. **Do the written criteria for selecting members of the Executive Compensation Body address the following factors?**

	Yes ▼	No ▼
a) Knowledge?	**20**	**20**
b) Skills?	**19**	**21**
c) Experience?	**21**	**19**

3. **Is either the CEO or one of the Other Top Four Executives a voting member of the Executive Compensation Body?**

   11 Yes → Please list each person by name and title:

   54 No

4. **Since January 1, 2004, has the CEO attended Executive Compensation Body meetings when his or her own compensation was being discussed?** [B]

   0 Yes

   65 No

5. **Since January 1, 2004, have any of the Other Top Four Executives attended Executive Compensation Body meetings when their own compensation was being discussed?**

   1 Yes

   64 No

6. **Does your hospital system have a conflict of interest policy that covers members of the Executive Compensation Body?** *Note: Such a policy could include one that exists specifically for the members or one that exists for all Board Members who may serve on the Executive Compensation Body.*

   65 Yes

   0 No → **SKIP TO QUESTION #8**

[B] Hospital systems provided comments that the CEO may be present during Executive Compensation Body meetings to provide input on such things as the performance of other executives, but the CEO is excused from a meeting when the CEO's compensation is to be discussed.

7. Does your hospital system's conflict of interest policy that covers members of the Executive Compensation Body …

	Yes ▼	No ▼
a) require disclosures of potential conflicts of interest?	**65**	**0**
b) outline conditions when members must recuse themselves from particular discussions?	**59**	**6**
c) provide guidance on what may constitute a conflicting situation?	**62**	**3**

8. Within your hospital system, which entity or person has <u>primary</u> responsibility for reviewing and approving all transactions between the hospital system and disqualified persons as defined by 26 USC § 4958(f) and related regulations? *Note: If multiple entities or persons have primary responsibility, please check the last item, list or describe. Mark one response ☒ for each subquestion*.

12 Entire Board

18 Executive Compensation Committee

1 Chairperson of the Board

1 Chief Executive Officer

33 Other entities or persons → please list or describe: [c]

9. Can the Executive Compensation Body hire outside consultants to advise on compensation and benefit issues?

65 Yes

0 No

10. Since January 1, 2004, has the Executive Compensation Body hired outside compensation and benefits consultants?

63 Yes

2 No

[c] Hospital systems cited various individual or multiple committees. These committees included Executive, Finance, Audit, Ethics, Conflict of Interest, and Contract Approval. Hospital systems also cited individuals such as the Chief Compliance Officer, Business Practices Officer, and executives in charge of various departments or functions.

11. To whom do the following entities report? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Chief Executive Officer ▼	Other Entities or Persons (list or describe) ▼
a) Outside compensation and benefits consultants?	**2**	**49**	**0**	**1**	**13→** ( )
b) Outside legal advisors?	**4**	**24**	**0**	**5**	**32→** ( )[D]
c) Other outside advisors?	**5**	**22**	**0**	**4**	**27→** ( )[E]

12. Does your hospital system have a policy that requires compensation consultants to be free of any conflicts of interest?

40 Yes

25 No

[D] Hospital systems cited the general counsel.

[E] Hospital systems reported that it varied depending on the situation in which the advisor was engaged.

Compensation Policies and Practices

REMINDER: All questions that ask whether or not something occurred should reflect those events that have occurred **since January 1, 2004**. Unless otherwise stated, all other questions should reflect the conditions that exist at the time this survey is being completed.

13. Within your hospital system, which entity or person has primary responsibility for each of the following policies regarding executive compensation? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Chief Executive Officer ▼	Other Entities or Persons (list or describe) ▼
a) Developing compensation policies?	**2**	**37**	**0**	**2**	**24→** ( )[F]
b) Approving compensation policies?	**18**	**40**	**1**	**0**	**6→** ( )
c) Evaluating compensation policies?	**4**	**49**	**0**	**1**	**11→** ( )
d) Overseeing the application of compensation policies?	**3**	**39**	**1**	**4**	**17→** ( )

[F] Hospital systems cited the executive responsible for human resources in conjunction with either the CEO or the Executive Compensation Body.

14. Within your hospital system, which entity or person has <u>primary</u> responsibility for the following roles regarding the goals and objectives on which incentive bonuses are based? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Chief Executive Officer ▼	Other Entities or Persons (list or describe) ▼
a) Developing goals and objectives?	**0**	**16**	**0**	**20**	**26→** ( )[G]
b) Approving goals and objectives?	**12**	**37**	**1**	**3**	**10→** ( )
c) Evaluating goals and objectives?	**2**	**41**	**0**	**4**	**15→** ( )
d) Overseeing the application of goals and objectives?	**4**	**29**	**0**	**9**	**21→** ( )[H]

15. Which entity or person within your hospital system has <u>primary</u> responsibility for each of the following with respect to the CEO? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Other Entities or Persons (list or describe) ▼
a) Approving the CEO's salary	**20**	**38**	**1**	**6→** ( )
b) Approving the CEO's bonuses	**17**	**38**	**0**	**8→**( )
c) Approving the CEO's perquisites	**19**	**40**	**0**	**5→**( )
d) Approving the CEO's severance package	**21**	**35**	**0**	**7→**( )
e) Approving the CEO's other compensation	**19**	**40**	**0**	**5→**( )

[G] Hospital systems commonly cited multiple members of the executive management team, such as the CEO, Executive Vice President, Chief Operating Officer, and the executive in charge of human resources. One hospital system reported that their Strategic Planning Committee had this responsibility; another system reported that goals and objectives are developed by the entire Board, the Executive Compensation Body and the senior executive team.

[H] Hospital systems reported that numerous committees and management share this responsibility.

16. Which entity or person within your hospital system has <u>primary</u> responsibility for each of the following with respect to the Other Top Four Executives? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Chief Executive Officer ▼	Other Entities or Persons (list or describe) ▼
a) Approving the Other Top Four Executives' salaries	**7**	**43**	**0**	**11**	**4→** ( )
b) Approving the Other Top Four Executives' bonuses	**7**	**43**	**0**	**9**	**4→** ( )
c) Approving the Other Top Four Executives' perquisites	**10**	**41**	**0**	**11**	**3→** ( )
d) Approving the Other Top Four Executives' severance packages	**11**	**40**	**1**	**11**	**2→** ( )
e) Approving the Other Top Four Executives' other compensation	**8**	**44**	**0**	**9**	**4→**( )

Note: Questions 17a through 17c pertain to when the CEO or Other Top Four Executives were either hired, or the last time their employment contracts were renewed.

17. With respect to compensation that was earned by, awarded to, or paid to the CEO and the Other Top Four Executives (regardless of when the initial compensation determination was made), did the hospital system:	<u>its CEO?</u>		<u>**all** of its Other Top Four Executives?</u>	
	Yes ▼	No ▼	Yes ▼	No ▼
a) approve the compensation arrangement prior to the effective date of employment contract or renewal for…	**63**	**2**	**60**	**4**
b) rely upon comparable market data of total compensation and benefits prior to making its compensation determinations for…	**65**	**0**	**63**	**2**
c) document the basis for its compensation determination at the same time as the determination was made for…	**64**	**1**	**58**	**6**

18. Which entity or person within your hospital system has <u>primary</u> responsibility for each of the following tasks with respect to the CEO? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Other Entities or Persons (list or describe) ▼
a) Evaluating the CEO's performance	**17**	**28**	**7**	**13→** ( )
b) Recommending adjustments to CEO's salary based on their evaluations	**4**	**46**	**5**	**10→** ( )
c) Recommending adjustments to CEO's incentive bonus based on their evaluations	**3**	**47**	**3**	**10→** ( )
d) Approving adjustments to CEO's salary based on evaluations	**21**	**37**	**2**	**5→** ( )
e) Approving adjustments to the CEO's incentive bonus based on evaluations	**19**	**37**	**1**	**6→** ( )

19. Which entity or person within your hospital system has primary responsibility for each of the following tasks with respect to the Other Top Four Executives? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Chief Executive Officer ▼	Other Entities or Persons (list or describe) ▼
a) Evaluating the Other Top Four Executives' performance	**0**	**6**	**0**	**58**	**1→** ( )
b) Recommending adjustments to Other Top Four Executives' salary based on their evaluations	**0**	**6**	**0**	**55**	**3→** ( )
c) Recommending adjustments to Other Top Four Executives' incentive bonus based on their evaluations	**0**	**5**	**0**	**52**	**6→** ( )
d) Approving adjustments to Other Top Four Executives' salary based on evaluations	**5**	**40**	**1**	**16**	**3→** ( )
e) Approving adjustments to the Other Top Four Executives' incentive bonus based on evaluations	**6**	**40**	**0**	**11**	**6→** ( )

	CEO		Any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
20. Since January 1, 2004, has the CEO or any of the Other Top Four Executives received compensation from any party related to either the hospital system or its affiliates?	**4**	**61**	**5**	**60**

Incentive and Bonus Programs

	CEO		Any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
21. Does your hosptial system provide guaranteed bonuses to the CEO or any of the Other Top Four Executives regardless of their performance?	**3**	**61**	**0**	**64**

	CEO		Any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
22. Does your hospital system provide incentive bonuses that reward the CEO or any of the Other Top Four Executives for achieving certain performance goals or objectives?	**57**	**8**	**59**	**6**



IF YOU ANSWERED "NO" TO BOTH PARTS OF QUESTION #22, SKIP TO QUESTION #26; otherwise, continue …

	CEO			Any of the Other Top Four Executives		
	Yes ▼	No ▼	N/A ▼	Yes ▼	No ▼	N/A ▼
23. What is the method for calculating incentive bonuses?						
a) Percentage of salary only	**40**	**6**	**3**	**42**	**6**	**1**
b) Another method, please describe:	**23**	**8**	**7**	**23**	**8**	**6**

	CEO			Any of the Other Top Four Executives		
	Yes ▼	No ▼	N/A ▼	Yes ▼	No ▼	N/A ▼
24. Are minimum performance targets set under which no incentive bonuses, regardless of how calculated, would be paid?	**56**	**1**	**2**	**58**	**1**	**0**

	CEO			Any of the Other Top Four Executives		
	Yes ▼	No ▼	N/A ▼	Yes ▼	No ▼	N/A ▼
25. Are maximum performance targets set over which such incentive bonuses, regardless of how calculated, would be capped?	**55**	**2**	**2**	**57**	**2**	**0**

Benefit Programs and Perquisites

26. Does your hospital system provide the following nonqualified deferred compensation plans to its CEO or any of the Other Top Executives?	CEO		Any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
a) Excess retirement benefit plan	**15**	**50**	**15**	**50**
b) Supplemental executive retirement plan (SERP)	**51**	**14**	**50**	**15**
c) Split-dollar life insurance plan	**18**	**47**	**18**	**47**
d) Section 457(b) plan	**55**	**9**	**54**	**10**
e) Section 457(f) plan	**33**	**31**	**34**	**31**
f) Section 403(b) plan	**45**	**20**	**46**	**19**
g) Other (please specify)	**13**	**36**	**12**	**36**

27. Does your hospital system make severance payments to departing CEOs or any of the Other Top Four Executives in the following situations?	CEO		Any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
a) Resignation (for any reason)	**6**	**59**	**6**	**59**
b) Involuntary termination	**61**	**4**	**60**	**5**
c) Change of corporate control events	**41**	**24**	**37**	**28**
d) Other (please specify) [1]	**16**	**30**	**12**	**34**

28. Has your hospital system had anyone in the CEO or Other Top Four Executive positions leave since January 1, 2004?

41 Yes

24 No → **SKIP TO QUESTION #30**

[1] The hospital systems cited numerous other situations when severance payments are made to executives, such as a substantial change in duties, death, disability, and breach of compensation payment obligation.

29. Since January 1, 2004, did your hospital system make severance payments to departing CEOs or any of the Other Top Four Executives in the following situations?	Departing CEO		Any Departing Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
a) Resignation (for any reason)	**2**	**38**	**5**	**35**
b) Involuntary termination	**3**	**37**	**20**	**21**
c) Change of corporate control events	**0**	**40**	**1**	**39**
d) Other (please specify)	**2**	**30**	**3**	**30**

30. Does your hospital system make loans to its CEO or any of the Other Top Four Executives? *Note: Answer "State Law Prohibits" if state law prohibits nonprofit organizations from making loans to executives and the hospital system does not make such loans.*	CEO?			Any of the Other Top Four Executives?		
	Yes ▼	No ▼	State law prohibits ▼	Yes ▼	No ▼	State law prohibits ▼
	2	**53**	**10**	**2**	**54**	**9**



IF YOU ANSWERED "NO" or "STATE LAW PROHIBITS" TO BOTH PARTS OF QUESTION #30, SKIP TO QUESTION #36; otherwise, continue ...

31. Since January 1, 2004, has your hospital system made loans to its CEO or any of the Other Top Four Executives for the following purposes?	CEO			Any of the Other Top Four Executives		
	Yes ▼	No ▼	N/A ▼	Yes ▼	No ▼	N/A ▼
a) Purchasing a home	**0**	**2**	**0**	**0**	**2**	**0**
b) Purchasing investments or making equity contributions in for profit entities affiliated with the hospital system	**0**	**2**	**0**	**0**	**2**	**0**
c) Purchasing investments in entities not affiliated with the hospital system	**0**	**2**	**0**	**0**	**2**	**0**
d) Other reasons, please list:	**0**	**2**	**0**	**0**	**2**	**0**

32. Which entity or person within your hospital system has <u>primary</u> responsibility for each of the following with respect to the CEO? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Other Entities or Persons ▼ (please describe)
a) Approving loans to the CEO	**0**	**0**	**1**	**1→**( )
b) Monitoring the repayment of loans made to the CEO to ensure accountability	**0**	**0**	**0**	**2→**( )
c) Approving the forgiveness of loans made to the CEO	**0**	**1**	**1**	**0→**( )

33. Which entity or person within your hospital system has <u>primary</u> responsibility for each of the following with respect to the Other Top Four Executives? *Note: If multiple entities or persons have primary responsibility, please check the box in the last column, list or describe. Mark one response ☒ for each subquestion.*

	Entire Board ▼	Executive Compensation Committee ▼	Chairperson of the Board ▼	Chief Executive Officer ▼	Other Entities or Persons ▼ (please describe)
a) Approving loans to the Other Top Four Executives	**0**	**1**	**0**	**1**	**0→** ( )
b) Monitoring the repayment of loans made to the Other Top Four Executives to ensure accountability	**0**	**0**	**0**	**1**	**1→** ( )
c) Approving the forgiveness of loans made to the Other Top Four Executives	**0**	**1**	**0**	**1**	**0→** ( )

	<u>the CEO?</u>			<u>any of the Other Top Four Executives?</u>		
	Yes ▼	No ▼	N/A ▼	Yes ▼	No ▼	N/A ▼
34. Since January 1, 2004, has your hospital system forgiven any loans owed by …	**1**	**1**	**0**	**1**	**1**	**0**
35. Since January 1, 2004, has your hospital system refused to accept any loan payments owed by …	**0**	**2**	**0**	**0**	**2**	**0**

36. Does your hospital system provide the following perquisites to the CEO or any of the Other Top Four Executives?	CEO		Any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
a) Personal travel expenses	3	62	2	62
b) Automobile-related expenses	55	10	52	12
c) Financial or tax planning	25	40	23	42
d) Tax preparation	17	48	13	52
e) Attorneys fees	7	58	7	58
f) Memberships in recreational or social clubs	45	20	35	30
g) Other, please specify: [J]	26	26	23	30

37. Since January 1, 2004, has the CEO or any of the Other Top Four Executives had the following expenses paid for on their behalf (or reimbursed) from any party related to either the hospital system or its affiliates?	CEO		Any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
a) Personal travel expenses	3	62	2	63
b) Automobile-related expenses	10	55	10	55
c) Financial or tax planning	4	61	4	61
d) Tax preparation	5	60	4	61
e) Attorneys fees	1	64	1	64
f) Memberships in recreational or social clubs	11	54	10	55
g) Other, please specify:	2	47	2	47

[J] The other perquisites noted by the hospital systems included cellular telephones and Blackberrys, reimbursement of professional dues and annual membership fees, fitness center membership or home fitness equipment, professional development and continuing professional education programs, and allowances that can be used at the discretion of the executive on a variety of perquisites.

38. Does your hospital system provide the following perquisites to the spouses of the CEO or any of the Other Top Four Executives?	Spouse of CEO		Spouses of any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
a) Personal travel expenses [K]	**13**	**51**	**8**	**56**
b) Automobile-related expenses	**0**	**64**	**0**	**64**
c) Financial or tax planning	**0**	**64**	**0**	**64**
d) Tax preparation	**0**	**64**	**0**	**64**
e) Attorneys fees	**0**	**64**	**0**	**64**
f) Memberships in recreational or social clubs	**0**	**63**	**0**	**64**
g) Other perquisite, please list:	**5**	**48**	**3**	**49**

39. Does your hospital system provide the following perquisites to family members other than spouses of the CEO or any of the Other Top Four Executives?	Family members (other than spouse) of the CEO		Family members (other than spouse) of any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
a) Personal travel expenses	**1**	**63**	**1**	**63**
b) Automobile-related expenses	**0**	**64**	**0**	**64**
c) Financial or tax planning	**0**	**64**	**0**	**64**
d) Tax preparation	**0**	**64**	**0**	**64**
e) Attorneys fees	**0**	**64**	**0**	**64**
f) Memberships in recreational or social clubs	**0**	**64**	**0**	**64**
g) Other, please specify:	**0**	**51**	**0**	**51**

[K] Hospital systems reported that they may pay for the travel expenses of spouses when they are accompanying the top executives to certain business events, retreats, or educational seminars.

40. Does your hospital system provide the following perquisites to any retired CEOs or Other Top Four Executives?	Retired CEOs		Retired Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
a) Personal travel expenses	**0**	**65**	**0**	**64**
b) Automobile-related expenses	**2**	**63**	**0**	**64**
c) Financial or tax planning	**1**	**64**	**1**	**63**
d) Tax preparation	**1**	**64**	**1**	**63**
e) Attorneys fees	**1**	**64**	**1**	**63**
f) Memberships in recreational or social clubs	**2**	**63**	**0**	**64**
g) Other, please specify:	**10**	**46**	**6**	**50**

Internal Control over Travel, Entertainment, Gifts and Related Audits

REMINDER: All questions that ask whether or not something occurred should reflect those events that have occurred **since January 1, 2004**. Unless otherwise stated, all other questions should reflect the conditions that exist at the time this survey is being completed.

41. Does your hospital system have a written policy covering travel expenses by the CEO and Other Top Four Executives? [L]

62 Yes

3 No → **SKIP TO QUESTION #46**

	for the CEO?		for any of the Other Top Four Executives?	
	Yes ▼	No ▼	Yes ▼	No ▼
42. Does the policy describe what is legitimate domestic business travel expenses …	**59**	**3**	**59**	**3**
43. Does the policy describe what is legitimate international business travel expenses …	**46**	**16**	**46**	**16**
44. Does the policy describe the documentation necessary to support domestic business travel expenses …	**61**	**0**	**62**	**0**

[L] Hospital systems commented that their travel policies do not differentiate between international and domestic travel.

	for the CEO?		for any of the Other Top Four Executives?	
	Yes ▼	No ▼	Yes ▼	No ▼
45. Does the policy describe the documentation necessary to support international business travel expenses …[1]	**50**	**12**	**49**	**12**

1

	CEO		Any of the Other Top Four Executives	
	Yes ▼	No ▼	Yes ▼	No ▼
46. Since January 1, 2004, has the CEO or any of the Other Top Four Executives had any international travel expenses paid for on their behalf (or reimbursed) from any party related to either the hospital system or its affiliates?	**21**	**44**	**25**	**40**

47. Are the CEO's travel expenses …

a) approved prior to being incurred?
- **6** Yes →
- **59** No

What entity or person approves these expenses? please specify:

b) reviewed after being incurred?
- **64** Yes →
- **0** No

What entity or person reviews these expenses? please specify:

48. Are any of the Other Top Four Executives' travel expenses …

a) approved prior to being incurred?
- **15** Yes →
- **50** No

What entity or person approves these expenses? please specify:

b) reviewed after being incurred?
- **64** Yes →
- **0** No

What entity or person reviews these expenses? please specify:

49. Does your hospital system pay for entertainment expenses?

63 Yes
2 No → **SKIP TO QUESTION #56**

50. Does your hospital system have a written policy covering entertainment expenses?

56 Yes
7 No → **SKIP TO QUESTION #53**

	for the CEO?		for any of the Other Top Four Executives?	
	Yes ▼	No ▼	Yes ▼	No ▼
51. Does the policy describe what are legitimate business entertainment expenses …	**53**	**2**	**52**	**2**
52. Does the policy describe the documentation necessary to support business entertainment expenses …	**55**	**0**	**53**	**1**

53. Are the CEO's entertainment expenses …

a) approved prior to being incurred? **3** Yes → **59** No — **What entity or person approves these expenses?** please specify:

b) reviewed after being incurred? **60** Yes → **1** No — **What entity or person reviews these expenses?** please specify:

54. Are the Other Top Four Executives' entertainment expenses …

a) approved prior to being incurred? **7** Yes → **55** No — **What entity or person approves these expenses?** please specify:

b) reviewed after being incurred? **59** Yes → **2** No — **What entity or person reviews these expenses?** please specify:

	CEO		Any of the Other Top Four Executives	
55. Does your hospital system pay for the following expenses for which its CEO or any of the Other Top Four Executives can attend?	Yes ▼	No ▼	Yes ▼	No ▼
a) Sports events	**28**	**34**	**29**	**33**
b) Holiday or other company parties	**49**	**13**	**49**	**13**
c) Meetings, retreats, or other off-site activities involving trips to resort locations or private, exclusive clubs	**48**	**14**	**46**	**16**
d) Theatre performances	**17**	**45**	**16**	**46**
e) Other, please specify:	**11**	**32**	**10**	**33**

	the CEO?		any of the Other Top Four Executives?	
56. Does your hospital system have written policies:	Yes ▼	No ▼	Yes ▼	No ▼
a) regarding the purchase of gifts by the hospital system and given by…	**38**	**26**	**37**	**27**
b) regarding the purchase of gifts by the hospital system for…	**34**	**30**	**33**	**31**

	CEO			Any of the Other Top Four Executives		
57. Since January 1, 2004, has your hospital system had an internal audit of the following for the CEO or any of the Other Top Four Executives? *Note: If any of the following is not offered or paid for by the hospital system, check the corresponding response.*	Yes ▼	No ▼	Not offered or paid ▼	Yes ▼	No ▼	Not offered or paid ▼
a) Travel expenses	**40**	**23**	**0**	**41**	**23**	**0**
b) Automobile-related expenses[M]	**23**	**32**	**7**	**24**	**31**	**7**
c) Loans and loan repayments	**0**	**13**	**51**	**0**	**13**	**51**
d) Memberships in recreational or social clubs[N]	**21**	**31**	**12**	**17**	**28**	**19**
e) Entertainment expenses	**39**	**22**	**3**	**40**	**20**	**4**
f) Other perquisites, please specify:	**9**	**31**	**14**	**10**	**30**	**14**
g) Components of other compensation, please specify:	**8**	**30**	**12**	**7**	**32**	**12**

[M] Two systems reported having an audit of these expenses for the CEO and the other top four executives but reported that they did not provide this perquisite to the CEO or other top four executives. One of the systems explained that their audits were of auto expenses as part of executives' travel reimbursement and the other system stated that audits were performed in 2004 when they used to explicitly pay for automobile expenses, but in 2005 they began granting executive business allowances that covered various types of expenses, including auto expenses. Also, 1 other system reported having an audit of these expenses for the other top four executives but reported that they did not provide this as a perquisite to the other top four executives. An explanation was not available from this system.

[N] One system reported having an audit of membership expenses for the CEO and the other top four executives but reported that they did not provide this as a perquisite to the CEO and the other top four executives. This system stated that they had an audit in 2004 when they used to explicitly pay for membership expenses, but in 2005 they began granting executive business allowances that covered various expenses including membership expenses. Also, 1 system for the CEO, and 2 systems for the other top four executives reported having an audit of these expenses but reported that they did not provide this as a perquisite. An explanation was not available for these systems.

58. Since January 1, 2004, has your hospital system had an external audit (separate from the annual financial statement audits) of the following for the CEO and the Other Top Four Executives? *Note: If any of the following is not offered or paid for by the hospital system, check the corresponding response.*

	CEO			Any of the Other Top Four Executives		
	Yes ▼	No ▼	Not offered or paid ▼	Yes ▼	No ▼	Not offered or paid ▼
a) Travel expenses	**10**	**55**	**0**	**9**	**55**	**0**
b) Automobile-related expenses	**10**	**49**	**5**	**10**	**47**	**7**
c) Loans and loan repayments	**0**	**19**	**46**	**0**	**20**	**45**
d) Memberships in recreational or social clubs	**7**	**49**	**9**	**6**	**45**	**13**
e) Entertainment expenses	**9**	**53**	**3**	**7**	**54**	**4**
f) Other perquisites, please specify:	**2**	**41**	**13**	**2**	**41**	**12**
g) Components of other compensation, please specify:	**3**	**38**	**15**	**3**	**39**	**14**

59. Do you have any other comments regarding this survey? If so, please type them here.

(190151)

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