3rd annual survey

Profile of Health Care Compliance Officers

A comprehensive look at today’s Health Care Compliance Officer, professional staff and corresponding levels of compensation.

Presented by the Health Care Compliance Association and WalkerInformation with an unrestricted educational grant provided from:

PRICWATERHOUSECOOPERS

IMA

KPMG
INTRODUCTION

Today, compliance programs are an integral part of the operations of most health care organizations. Evidence suggests that a majority of compliance officers have prior administrative or operational work experience further underscoring the operational characteristics of compliance programs.

The Health Care Compliance Association (HCCA) and Walker Information are pleased to present the new and updated **2000 Profile of Health Care Compliance Officers**. This year’s study will quantify and highlight many new important trends, including how organizations manage compliance responsibility, salary levels for compliance professionals, and staffing levels for compliance departments.

In its 3\textsuperscript{rd} year, this study will provide compliance professionals with important information and trends they can use to evaluate their own compliance programs. The 2000 survey was enlarged to now provide results for payers and breakdown information based on geography.

The top goals for compliance programs identified in the survey this year demonstrate a more proactive posture for compliance professionals as many are focused on conducting audits and evaluating the effectiveness of their programs. The realities of the last few years have taught us in the health care compliance world that honest mistakes now lead to search warrants and subpoenas. Taken in combination with the cost cutting measures many health care organizations are now experiencing, it’s clear that many compliance professionals will face a variety of challenges this year.

We believe that it will be necessary to balance compliance costs against the incremental reduction in business risk that they deliver. To do this, a compliance officer would need to understand the nature of the compliance-related risk, where it occurs, and how to manage it. That is, compliance officers need to dig down into the operations of their organizations and look for ways to build an efficient, effective, and compliant control structure in their organization. We believe that by doing this, compliance officers will find significant improvement opportunities that systematically reduce gross risk and reduce the cost of managing residual risk.

On behalf of the HCCA and Walker Information, we hope you share in our excitement about the growth and maturity of the compliance profession and find this year’s results helpful in managing your compliance program. We would like to extend our sincere appreciation to all compliance professionals who contributed to this project by taking the time to fill out the survey questionnaire. In addition, we would like to thank PricewaterhouseCoopers, Healthcare Management Advisors, and KPMG for the unrestricted educational grant they provided to make this report possible.

If you have any questions about this year’s results or would like to make a suggestion for next year’s survey, please feel free to contact us at any time.

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University of Louisville School of Medicine

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Director, PricewaterhouseCoopers LLP
**Program Maturity**

Corporate compliance programs are becoming more and more common in health care organizations. Just in the past year, the percentage of health care organizations with active compliance programs in place has increased from 55% to 71%. Ninety-eight percent of health care organizations have a Corporate Compliance Officer (CCO), and 100% have conducted formal compliance training for employees.

These are a few of the results of the Health Care Compliance Association’s 2000 compliance officer survey. The HCCA has been tracking the field’s progress by conducting an annual survey since 1998. Last year we reported that the industry had moved from the state of development to that of managing program effectiveness. Today it appears programs are starting to mature, and the CCO is filling an expanded role.

**Compliance Program Issues and Trends**

The CCO faces several challenges. While 84% of the respondents say their major constituencies have a basic understanding of compliance, there are still constituents who do not. This may help explain why many respondents mentioned “education/training” and “awareness” as a major goal in the next three years.

The CCO typically reports to the CEO/President (58%) or the Board of Directors (15%). Eighty percent of the organizations report the CCO
oversees the compliance committee. The committee usually includes representatives from finance, billing, human resources and administration, and most often plays an advisory (64%) or creative (17%) role in the compliance program.

Fifty-seven percent report that their CCO has his/her own department with budgetary responsibilities and staff. Larger organizations (those with over $600 million in revenues) are more likely than smaller organizations to report separate compliance departments. Seventy-eight percent of the larger organizations have stand-alone departments, compared to just 38% of the smaller (less than $100 million in revenues) organizations. Most organizations have three full-time compliance department employees. As might be expected, larger entities (over $600 million), are likely to have more staff members.

As in previous years, compliance office staff members tend to be either administrative personnel (61%) or internal auditors (33%) in terms of training and skills. The average budget for compliance departments was reported to be about $293,000.

The title “Corporate Compliance Officer” was by far the most prevalent one used for the compliance officer position, followed by “Vice President of Compliance” or “Vice President of Finance.” Almost 60% say the CCO is part of the senior management team, while 19% say he/she is in middle management and 19% say he/she is an officer of the company. While there is improvement over last year, about 20% of the organizations don’t have a job description for their CCO.
Just 24% of the officers are first-year CCOs, down from 42% in 1999. The majority of CCOs (62%) have been with their organization for one to three years. As might be expected, there has been some turnover in the CCO position. Twenty-four percent say their organization has had more than one CCO, compared to just 10% who said the same in 1999.

**CCO Demographics**

CCOs tend to be experienced, well-educated employees. The average age is 46.2 years. Fifty-six percent are female – a change from 1999 when the majority (52%) were male. Almost 60% have an advanced degree (Master’s, Juris Doctorate, Doctorate, etc.).

The average salary for the CCO is $90,000. This salary varies by size, location and revenue of organization. CCOs in the West and South regions tend to have higher salaries, as do those at larger organizations (5,000+ employees/$600 million+ revenues). Salaries were also positively correlated with the CCO’s education level. Most respondents said their CCO also receives health/life, dental and disability insurance as well as a retirement/401K package. Other perks, such as club memberships, auto allowances and stock options, were less common.

Health care systems want CCOs to have a background in 1) health care administration, 2) auditing and/or 3) law, in that order of preference. Other desirable backgrounds include government/regulatory affairs, health care consulting and human resources. These results are the same as in 1999.
Methodology & Respondent Profile

Surveys were sent to a random selection of 3,429 health care compliance professionals (including HCCA members and non-members) in June, 2000. The 715 completed surveys constituted a 21% response rate. Returns came to Walker Information directly from respondents via business reply envelopes or fax.

While we can compare the 2000 results to those from previous years, we must do so with some caution. The 2000 sample included HCCA members and persons who attended HCCA conventions over the past year. The 1999 research included a slightly different sample – HCCA members and health care system CEOs listed in a national database. The 2000 research has a broader scope, including more respondents in segments beyond health care systems.

There was participation from all geographic regions. About one-third of the respondents were from hospitals, while another one-third represented health systems. The average total revenue of the organizations represented was $773 million, and the average number of employees was 5,740.

Sixty-nine percent of the survey respondents were CCOs. About one-tenth were other directors/managers of other departments, while 8% were senior executives.
1. In what region of the country is your headquarters?

Northeast
Area 1...New England (CT, MA, ME, NH, RI, VT) ................................................................. 4%
Area 2...Middle Atlantic (NJ, NY, PA) ................................................................................... 15%
South
Area 3...South Atlantic (DE, KY, MD, NC, VA, WV, District of Columbia) ....................... 12%
Area 4...East South Central (FL, AL, GA, MS, SC, TN, Vir. Isl., P. Rico) ......................... 15%
Area 7...West South Central (AR, LA, OK, TX) .................................................................. 10%
Midwest
Area 5...East North Central (IL, IN, WI, MI, OH) ................................................................. 16%
Area 6...West North Central (IA, MN, ND, NE, SD, KS, MO) .......................................... 9%
West
Area 8...Mountain (ID, MT, WY CO, AZ, NM, UT) ........................................................... 5%
Area 9...Pacific (AK, HI, NV, OR, WA, CA) ....................................................................... 14%

2a. What type of health care entity do you work for?

Hospital (non-teaching) ........................................................................................................... 20%
Health system (teaching) ...................................................................................................... 20%
Health system (non-teaching) ............................................................................................... 14%
Hospital (teaching) ............................................................................................................... 13%
Physician group practice ..................................................................................................... 6%
Home health care/Nursing homes ....................................................................................... 5%
Health plan (non-profit) ........................................................................................................ 4%
Consulting firm .................................................................................................................... 4%
Health plan (for profit) ........................................................................................................ 3%
Medical billing company .................................................................................................... 2%
Other ................................................................................................................................... 9%
2b. Total revenue of health care organization served:  
Median = $156 million  
Mean = $773 million

2c. Total number of employees:  
Median = 1,330  
Mean = 5,740

Note: The mean represents the average of all respondent inputs, which by definition will be skewed upward by even a few inputs with relatively large values. The median represents the point at which half the population is higher, and half is lower. Median may at times be especially appropriate in understanding the “central tendency” in health care organizations because there are relatively few organizations that are extremely large.
3. Which best describes your compliance program?

A large majority of health care organizations have compliance programs in place and active.

4a. Your compliance program development is primarily being accomplished using: Internal staff? Consulting firm? Law firm?

Smaller organizations are more likely to use external staff in developing their compliance programs.
4b. Beyond internal resources, would you say that external resources are used to support your program…?

External firms are used in program development and for on-going support.

5. Does your organization have an appointed compliance officer?

Almost all health care organizations now have a compliance officer.

6. Has your organization conducted formal compliance training for employees?

100% Yes
7. Beyond the initial formal compliance training and that for new employees, is there regular compliance update training provided?

8. How frequently does the typical employee receive compliance update training?

While 75% of health care organizations have annual compliance update training for their employees, 18% conduct it even more frequently.
9. What specific goals do you hope to achieve with your compliance program in the next 3 years?

Note: Results add to more than 100% because respondents stated they had more than one goal for the program

Comparison of Top Three Goals 1999-2000

**Top 3 Goals from 2000**
1. Monitoring/Auditing – 88%
2. Education/Training – 82%
3. Conduct Effectiveness Evaluations – 72%

**Top 3 Goals from 1999**
1. Development/Implementation – 52%
2. Education/Training – 51%
3. Monitoring/Auditing – 41%

Most health care organizations are past the development/implementation stage and are now focusing on assessing the effectiveness of their programs.
10a. Do all of the major constituencies of your compliance program have a basic understanding of compliance?

More people are becoming knowledgeable about health care compliance. Eighty-four percent (up from 77% in 1999) say their constituencies have at least a basic understanding.

10b. Is the program comprehensive for the entire organization?
11a. What is the title of your compliance officer?

<table>
<thead>
<tr>
<th>Size of Organization – Number of Employees</th>
<th>1000 or less</th>
<th>1001-3000</th>
<th>3001-5000</th>
<th>5001+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate/ Compliance Officer</td>
<td>42%</td>
<td>62%</td>
<td>47%</td>
<td>51%</td>
<td>50%</td>
</tr>
<tr>
<td>VP/Sr. VP Compliance</td>
<td>1%</td>
<td>3%</td>
<td>11%</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td>VP/Sr. VP Finance</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>VP/Sr. VP Operations (COO)</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Other VP/Sr. VP</td>
<td>9%</td>
<td>7%</td>
<td>8%</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Dir/Mgr of Corporate Compliance/Ethics</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Other Dir/Mgr.</td>
<td>16%</td>
<td>5%</td>
<td>10%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>General Counsel/Legal</td>
<td>2%</td>
<td>1%</td>
<td>8%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Ethics/Integrity Officer</td>
<td>1%</td>
<td>2%</td>
<td>0%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>20%</td>
<td>13%</td>
<td>12%</td>
<td>16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

11b. His/her management level could be best described as…?

- Officer of the company: 19%
- Part of the senior management team: 59%
- Middle management: 19%
- Supervisor: 1%
- Individual contributor: 2%
- Officer of the company: 19%

CCOs are becoming higher-ranking employees. Seventy-eight percent of respondents say the CCO is a part of senior management or a company officer. This is an increase over the 72% who said the same in 1999.

11c. What is the gender of your current compliance officer?

<table>
<thead>
<tr>
<th>Year</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>1999</td>
<td>48%</td>
<td>52%</td>
</tr>
</tbody>
</table>

The number of female CCOs has increased since 1999.
12. What is the compliance officer’s tenure in the present role?

Compared to 1999 results, more CCOs have been in their roles 2-3 years. There has been a steady decline in the number of first-year CCOs.

13. How many people have previously been in this role at your organization?
14a. Have you developed a compliance officer job description?

Eight in 10 CCOs have a job description. CCOs at larger organizations are most likely to have a job description.

14b. Were the OIG guidelines followed in creating this job description?

Yes – 93%
No – 7%
15. Age of compliance officer: 2000 Mean = 46.2 Years  
1999 Mean = 45.3 Years

16. Compliance officer’s highest and/or most recent level of education or certification completed.

Note: Results add to more than 100% because some respondents have more than one degree.
17. To whom does the compliance officer report?

<table>
<thead>
<tr>
<th>Size of Organization – Number of Employees</th>
<th>Total</th>
<th>1000 or less</th>
<th>1001-3000</th>
<th>3001-5000</th>
<th>5000+</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/President</td>
<td>58%</td>
<td>59%</td>
<td>61%</td>
<td>58%</td>
<td>57%</td>
</tr>
<tr>
<td>Board</td>
<td>15%</td>
<td>19%</td>
<td>10%</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>Executive VP/VP</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>0%</td>
<td>7%</td>
</tr>
<tr>
<td>CFO/Financial</td>
<td>5%</td>
<td>4%</td>
<td>8%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>General Counsel/Legal</td>
<td>4%</td>
<td>2%</td>
<td>3%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>COO</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>Compliance/Audit Committee</td>
<td>3%</td>
<td>1%</td>
<td>4%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

18. Is your compliance officer position a stand-alone department with budgetary responsibilities and staff?

Yes – 57%

No – 43%

Note: Question 19 follows Question 21 in report (page 19).
20. Which term best describes the role your compliance committee plays in your compliance program?

- Creative: 17%
- Advisory: 64%
- Minimal to no Involvement: 10%
- Reactive: 9%

21a. Does the compliance officer oversee the compliance committee?

- Yes – 81%
- No – 19%

21b. Who makes up this committee?

- Note: Results add to more than 100% because committee members come from more than one department.
19.* How many of these (compliance) staff are full-time employees of the compliance department?  
Mean = 3.44

<table>
<thead>
<tr>
<th>Compliance FTEs</th>
<th>Size of Organization – Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>0-1</td>
<td>40%</td>
</tr>
<tr>
<td>2-3</td>
<td>31%</td>
</tr>
<tr>
<td>4-5</td>
<td>12%</td>
</tr>
<tr>
<td>6-15</td>
<td>14%</td>
</tr>
<tr>
<td>16 or more</td>
<td>3%</td>
</tr>
</tbody>
</table>

The typical compliance department has 0-3 full-time employees. Larger organizations tend to have more compliance staffers.

*This question was moved out of questionnaire order, as it relates to Question 22 (below).

22. Number of direct staff reporting to the compliance officer:  Mean = 2.77
(Note: Not all full-time employees of compliance department report to the CCO.)

Sixty-eight percent of organizations have 0-2 staffers directly reporting to the CCO.

<table>
<thead>
<tr>
<th>Mean Direct Reports by Type of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
</tr>
<tr>
<td>Provider</td>
</tr>
<tr>
<td>Payer</td>
</tr>
<tr>
<td>&lt;1000 Employees</td>
</tr>
<tr>
<td>1000-3000 Employees</td>
</tr>
<tr>
<td>3001-5000 Employees</td>
</tr>
<tr>
<td>5001+ Employees</td>
</tr>
</tbody>
</table>
23a. Skill mix of direct reports

Note: Results add up to more than 100% because typically the CCO has more than one direct report.

23b. Salaries of Staff (based on averages of ranges provided):
24. Annual budget of compliance department (by size of organization):

- 1000 or less: $153,280
- 1001-3000: $240,380
- 3001-5000: $289,770
- 5000+: $614,840

Mean = $292,990
Provider Mean = $280,940
Payer Mean = $466,670

25a. Which of the following items are included in the compliance office budget?

- Compliance Staff Education: 85%
- Information Sources: 82%
- Compliance Training & Tools: 80%
- Compliance Staff & Salaries: 74%
- Hotline Expenses: 63%
- Professional Service Fees: 60%
- Computer Hardware/Software: 44%
- Internal Audit Dept: 17%
- Legal Dept: 10%
- Billing Audit Dept: 9%
- Coding Staff: 7%
- Other: 7%

Note: Results add to more than 100% because typically there are multiple budget items.
25b. What percent of your compliance budget is spent on…?

- Salaries: 48%
- Other: 12%
- Training: 14%
- Risk Ass./Audit: 12%
- Outside Consultant/Atty.: 14%

26. The primary industry experience you deem most important in a CCO is:

<table>
<thead>
<tr>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Health Care Administration</td>
</tr>
<tr>
<td>2. Auditor</td>
</tr>
<tr>
<td>3. Attorney</td>
</tr>
<tr>
<td>4. Government (including regulatory affairs)</td>
</tr>
<tr>
<td>5. Health Care Consulting</td>
</tr>
<tr>
<td>6. Human Resources</td>
</tr>
<tr>
<td>7. Physician Executive</td>
</tr>
<tr>
<td>8. Manufacturing</td>
</tr>
</tbody>
</table>

These results are in the same order of importance as in 1999.

27. Is your compliance department separate from your auditing department?

- Yes – 74%
- No – 26%
28a. How is the compliance officer compensated?

Provider Mean = $89,500
Payer Mean = $99,060
Mean Compensation

### Compensation by Education

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Mean Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctorate</td>
<td>$128,096</td>
</tr>
<tr>
<td>Juris Doctorate</td>
<td>$118,690</td>
</tr>
<tr>
<td>CPA</td>
<td>$95,000</td>
</tr>
<tr>
<td>Master’s</td>
<td>$90,150</td>
</tr>
<tr>
<td>Other Certif.</td>
<td>$82,390</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>$80,230</td>
</tr>
<tr>
<td>Nursing</td>
<td>$74,290</td>
</tr>
<tr>
<td>Health Care Certif.</td>
<td>$72,500</td>
</tr>
<tr>
<td>Associate’s</td>
<td>$61,000</td>
</tr>
<tr>
<td>Other</td>
<td>$57,500</td>
</tr>
</tbody>
</table>

### Profile of Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Median Revenue</th>
<th>Median Size (by Number of Employees)</th>
<th>Mean # Full-Time Compliance Employees</th>
<th>Mean Compliance Budget</th>
<th>Mean CCO Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$156 M</td>
<td>1330</td>
<td>3.44</td>
<td>$293 M</td>
<td>$90,000</td>
</tr>
<tr>
<td>Northeast</td>
<td>$119 M</td>
<td>1480</td>
<td>3.90</td>
<td>$301 M</td>
<td>$89,410</td>
</tr>
<tr>
<td>South</td>
<td>$158 M</td>
<td>1390</td>
<td>3.54</td>
<td>$309 M</td>
<td>$89,950</td>
</tr>
<tr>
<td>Midwest</td>
<td>$125 M</td>
<td>1120</td>
<td>2.98</td>
<td>$260 M</td>
<td>$86,090</td>
</tr>
<tr>
<td>West</td>
<td>$202 M</td>
<td>1310</td>
<td>3.43</td>
<td>$298 M</td>
<td>$95,270</td>
</tr>
</tbody>
</table>

28b. Does your compliance officer qualify for incentive compensation (bonus)?

Yes – 39%  No – 61%

28c. Does your compliance officer qualify for stock options?

Yes –12%  No – 20% None Available – 68%
29. Projected salary increase for the upcoming year:

<table>
<thead>
<tr>
<th>Percentage Increase</th>
<th>Percent Responding</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% +</td>
<td>3%</td>
</tr>
<tr>
<td>8-10%</td>
<td>3%</td>
</tr>
<tr>
<td>5-8%</td>
<td>8%</td>
</tr>
<tr>
<td>3-5%</td>
<td>60%</td>
</tr>
<tr>
<td>Less than 3%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Sixty percent expect a 3-5% raise for the CCO in the upcoming year. This is very similar to 1999’s results.

30. Additional perquisites that are part of the compliance officer’s compensation package

- Health/Life Insurance: 94%
- Retirement/401K: 85%
- Dental: 74%
- Disability: 72%
- Auto/Allowance: 13%
- Stock Options: 11%
- Profit Sharing: 6%
- Club Membership: 6%
- Other: 3%

Note: Results add to more than 100% because typically a CCO receives more than one perquisite.
31. Is your organization under a corporate integrity agreement?

| Yes – 17% | No – 83% |

32. Person responding to survey:

- Compliance Officer: 69%
- COO: 3%
- Other VP/Sr Exec: 8%
- General Counsel: 3%
- CEO: 3%
- CFO: 2%
- Internal Auditor: 1%
- Other: 1%
- Other Dir/Mgr: 11%

33. What would you say is the biggest issue facing your organization’s compliance program today?

- Compliance Program Dev’t./Implementation: 66%
- Education/Training: 16%
- Compliance w/Govt. Regs.: 15%
- Monitoring/Auditing: 11%
- Information/Communication: 7%
- Documentation: 3%

Note: Results add to more than 100% because some respondents mentioned more than one problem.
This survey was designed and conducted jointly by the Health Care Compliance Association (HCCA) and Walker Information. The HCCA exists to champion ethical practice and compliance standards in the health care community and to provide the necessary resources for compliance professionals and others who share these principles. Walker Information is a privately owned company that conducts stakeholder research and measurement in the areas of customer satisfaction, employee commitment and corporate reputation and ethics.

For additional information on the survey or its results, contact:

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