

The people of the State of Oregon hereby enact this ACT TO FORBID EXCESSIVE HOSPITAL EXECUTIVE COMPENSATION, which shall be made a part of ORS chapter 411:

Section 1. Findings.

- (1) Most Oregon hospital executives are paid far more than medical professionals who are directly responsible for providing care to patients.
- (2) Excessively generous compensation paid to hospital executives is one of the factors driving up hospital costs.
- (3) Nonprofit hospitals do not pay taxes like ordinary businesses because they are expected to operate exclusively for charitable purposes rather than private enrichment, engaging in activities such as relief of the poor and promotion of social welfare.
- (4) The purpose of this act is to ensure that the resources of nonprofit hospitals are preserved for charitable purposes and not dissipated to pay unreasonably high executive compensation.

Section 2. (1) No nonprofit hospital may pay a hospital executive total annual compensation in excess of fifteen times the annual wage of the lowest paid employee of the hospital.

(2) No nonprofit hospital may pay a former executive severance compensation totaling more than fifteen times the annual wage of the lowest paid employee of the hospital.

(3) No nonprofit hospital may contribute more than a pro rata share of the maximums specified in subsections (1) and (2) of this section toward compensation of a hospital executive paid by a parent corporation, health system, or other combination of hospitals under a shared services arrangement. The hospital's pro rata share is based on the hospital's share of the net operating income of the parent corporation, health system, or other combination of hospitals for the prior fiscal year.

Section 3. To facilitate monitoring of compliance with this Act, nonprofit hospitals shall submit annual reports to the Office of Oregon Health Policy and Research disclosing hospital executive compensation within 120 days of the close of each fiscal year, providing such detail as shall be prescribed by rule. The reports are public records and are not exempt from disclosure under ORS chapter 192.

Section 4. Any nonprofit hospital that fails to comply with this Act may be subject to a civil penalty, which shall be imposed by the Office for Oregon Health Policy and Research as provided in ORS 442.445.

Section 5. The Office for Oregon Health Policy and Research shall adopt rules for the administration of this Act.

Section 6. The following definitions apply for purposes of this Act.

(1) "Hospital" means a hospital as defined in ORS 442.015.

(2) "Nonprofit hospital" means a hospital that is operated by a nonprofit corporation as defined in ORS 65.001 or by a foreign corporation that is recognized as tax exempt under section 501(c)(3) of the Internal Revenue Code of 1986 or is otherwise organized for a public or charitable purpose.

(3) "Hospital executive" means a person with executive, managerial or administrative authority over a hospital, a health system, or a clinic or other health care facility that operates under a hospital license,

whether the individual works as an employee or an independent contractor or otherwise provides "hospital executive" services and whether compensation is paid by the hospital itself or a parent corporation, health system, or other combination of hospitals. "Hospital executive" includes but is not limited to chief executive officers, chief financial officers, presidents, vice presidents, and hospital administrators but does not include an individual at least 50% of whose work involves direct patient care or direct supervision of staff who work exclusively providing direct patient care.

(4) "Compensation" means all remuneration for work performed or services provided, including but not limited to all forms of cash and noncash payments or benefits provided in exchange for services, including salary and wages, bonuses, severance payments, deferred payments (including all earned or accrued, whether or not vested or paid), fringe benefits, and other financial arrangements or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the organization's property. Compensation does not include health and disability insurance or contributions to a defined benefit retirement plan.

(5) "Health system" means an entity that owns or operates one or more nonprofit hospitals.

(6) "Annual wage" means 2080 hours times the employee's regular hourly rate of pay.