



Political Transparency and Accountability Profile (2010)

Coventry Health Care, Inc.

CUSIP: 222862104 Stock Symbol: CVH Corporate Web Site: www.coventryhealthcare.com

Coventry Health Care, Inc. (Coventry) is a managed health care firm, based in Bethesda, MD, that provides coverage to more than 5 million members in all 50 states.¹ The company's Commercial Business Division offers HMO, PPO, and point of service plans to employer groups. Its Individual Consumer and Government division offers Medicare Advantage HMO and PPO plans, Medicare Prescription Drug, and Medicaid programs.² Coventry also operates a Specialty unit which administers workers' compensation programs, provides bill review and case management services, and network rental and pharmacy benefit programs.³

Political Activity

The January 2010 U.S. Supreme Court decision in *Citizens United v. the Federal Election Commission* overturned several long-standing restrictions on corporate political spending activities. The Court's decision struck down part of the Tillman Act of 1907 that first limited corporate political spending. Under the new ruling companies may spend unlimited corporate funds on independent expenditures to support or oppose a candidate as long as they do not coordinate their efforts with the candidates. Companies continue to be prohibited from contributing directly to federal candidates. Third-party groups such as trade associations also may use unlimited general purposes funds for the same purpose.

Companies may also continue to give contributions at the state and local level and to so-called 527s. These groups--named for the section of the tax code under which they are organized--may significantly impact federal, state and local elections. Companies also engage in political spending indirectly by supporting trade associations, organized as 501c6 organizations and other tax-exempt groups, which include social welfare organizations known as 501c4s. Trade associations and 501c4 groups gained popularity during the 2008 election cycle in the wake of the Federal Election Commission's crackdown on 527 groups for violating campaign finance law during 2004 elections.⁴ Another way companies can contribute to the political process is by supporting events such as Presidential inauguration celebrations and the Republican or Democratic Party conventions, a growing source of corporate support in recent years.⁵ Company funds are also used to pay for trade associations' grassroots lobbying communications.

¹ See Coventry "Company Profile," available at <http://coventryhealthcare.com/company-profile/index.htm>

² See Yahoo! Finance "Profile for Coventry Health Care," available at <http://finance.yahoo.com/q/pr?s=CVH>

³ See Hoover's "Coventry Health Care Company Profile," available at http://www.hoovers.com/coventry-health-care/--ID_10397--/free-co-profile.xhtml

⁴ See *Soft Money in the 2006 Election and the Outlook for 2008: The Changing Nonprofits Landscape*, Campaign Finance Institute, 2007. Approximately \$90 million in 501(c) spending on federal election activities was reported in 2006. T.W. Farnam & Brody Mullins, "Interest-Group Campaign Spending Nears Record", *Wall Street Journal*, February 5, 2008.

⁵ See *Inside Fundraising for the 2008 Party Conventions: Party Surrogates Gather Soft Money While Federal Regulators Turn a Blind Eye*, (The Campaign Finance Institute, 2008). See: *The Inauguration: Brought to you by the Few, the Wealthy* (Public Citizen; January 14, 2009 available at <http://www.citizen.org/pressroom/release.cfm?ID=2799>), and

Coventry has been a marginal political spender over the past decade. The company has contributed approximately \$160,000 in corporate funds to political activities since 2002.⁶ The true figure is difficult to determine because reporting at the state-level is incomplete and can be misleading. This estimate also excludes payments Coventry has made to trade associations or other tax-exempt organizations that fund political activities.

Coventry does not publicly disclose its political contributions or its memberships in trade associations and the payments it makes to them that are used for political purposes. The company's Board of Directors does not oversee its political spending. These gaps in transparency and accountability put shareholder value at risk.⁷ Coventry peer companies UnitedHealth Group, Aetna, and WellPoint have implemented full disclosure of their political spending.

Election Cycle Trends

Coventry has been a political spender at the state-level in recent election cycles. So far the company has given \$17,000 to state level candidates during the 2010 cycle. It gave 27,000 at the state-level in the 2008 election cycle, \$111,000 in the 2006 cycle, \$3,000 in the 2004 cycle and \$2,000 in the 2002 cycle.⁸

Missouri was the largest state recipient of company funds. During the 2002-2008 election cycles, Coventry contributed \$13,000 to political candidates and committee and in 2006, the company contributed \$100,000 to the Committee for a Healthy Future, which was formed to support a ballot measure which sought a cigarette tax increase to fund programs to reduce and prevent tobacco use. Other states in receipt of company contributions include Virginia (\$10,000) and Louisiana (\$8,250).⁹

The amounts listed for the state-level giving are approximate figures because state campaign finance reporting is often incomplete and in many cases donations from the corporation and its political action committee (PAC) are combined, even though the latter are employee-funded. The Center for Political Accountability does not include donations that appear to come from a company PAC.¹⁰

Trade Association Activity

Trade associations serve a variety of purposes. Some engage in political activity through contributions at the state and local level, grassroots lobbying, and issue advocacy. These activities are funded by dues and other payments from member companies. While not all trade associations are politically active, several major industry groups carry significant political weight.

Lawmakers and Lobbyists Celebrate Inauguration (The Washington Independent; January 20, 2009 available at <http://washingtonindependent.com/26340/lawmakers-celebrate-inauguration-with-lobbyists>).

⁶ See Institute for Money in State Politics, www.followthemoney.org and CQMoneylines <http://moneylines.cq.com/pml/home.do>. The CPA used these databases to conduct searches on the company's political giving. The search results do not distinguish contributions made with corporate funds from contributions made by the company PAC. Though the CPA made every effort to exclude any PAC contributions, the figure cited in this report might include donations made with employee funds.

⁷ *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, February 2005. See also *Hidden Rivers: How Trade Associations Conceal Corporate Political Spending, Its Threat to Companies, and What Shareholders Can do*, Center for Political Accountability, May 2006.

⁸ The Institute for Money in State Politics, www.followthemoney.org. The CPA used the Institute's database to conduct searches on the company's political giving. The search results do not distinguish contributions made with corporate funds from contributions made by the company PAC. Though the CPA made efforts to eliminate any PAC contributions, the figure cited in this report might include donations made with employee funds.

⁹ *Ibid*

¹⁰ *Ibid*

A complete list of the trade associations or related groups to which Coventry belongs is not publicly available. Most associations only disclose the companies represented on their board of directors, not their entire membership list. Shareholders also do not have access to the amount Coventry pays to trade associations annually or the portion used for the associations' political spending.

A Center for Political Accountability review of publicly available information found that Coventry is a member of the American Benefits Council (ABC),¹¹ which describes itself as one of the premier advocates of employer-sponsored benefit programs.¹² The ABC has been politically active in recent years. In 2008, the group reported payments of \$3.4 million and lobbying and political expenditures of \$1 million.¹³ In 2007, it reported payments of \$3.3 million and lobbying and political expenditures of \$1.2 million.¹⁴

Transparency and Accountability Checklist

Publicly Disclosed Standards & Procedures Governing Corporate Political Activity

The CPA derived the following checklist from existing legal standards, best practice standards among leading corporations and policies that ensure protection of shareholder value. A company that fulfills most of the criteria listed below likely has good governance of its corporate political spending. The CPA relied on information that is disclosed on the company website and therefore publicly available to all investors. A company will not get credit for policies or procedures that are not publicly available.

Industry Comparison

Several of Coventry's peer companies, including Aetna, UnitedHealth Group, and WellPoint, disclose their soft money political contributions, their oversight policies and have implemented board oversight.

Positive Practices

Coventry discloses some of the policies that regulate its political spending in its Code of Business Conduct and Ethics.¹⁵

Room for Improvement

Coventry does not disclose its political contributions or the payments it makes to trade associations and other tax-exempt groups that are used for political purposes. Also, the company does not have a policy of board oversight over its political spending.

¹¹ See American Benefits Council "About Us- Member List," available at <http://www.americanbenefitscouncil.org/about/memberlist.cfm>

¹² See American Benefits Council "About the Council," available at <http://www.americanbenefitscouncil.org/about/mission.cfm>

¹³ The ABC's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2008 indicates that the group received \$3,437,317 in dues, assessments and similar amounts from members (See Schedule C, Part III-B, Line 1). Of that amount, \$1,005,748 – or about 29% - was spent on lobbying and political expenditures. (See Schedule C, Part III-B, Line 2a)

¹⁴ The ABC's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2007 indicates that the group received \$3,319,517 in dues, assessments and similar amounts from members (See line 3, 85c). Of that amount, \$1,192,512 – or about 36% - was spent on lobbying and political expenditures. (See line 85d)

¹⁵ See Coventry Health Care "Code of Business Ethics and Conduct," available at <http://coventryhealthcare.com/web/groups/public/documents/webcontent/c001716.pdf>

Basic Disclosure
Is this information disclosed on the company website?

Political contributions policies	partial ¹⁶	Political contributions	no	Trade association memberships and affiliations with other tax-exempt organization	no
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Standards & Oversight Procedures
Do company policies explicitly include the following items?

The use of corporate funds for political purposes is prohibited	no
Political contributions permitted only through voluntary employee funded PAC contributions	no
No contribution will be given in anticipation of, in recognition of, or in return for an official act	yes ¹⁷
Company will not reimburse employees directly or indirectly for political donations or expenses	no
No employees will be pressured to make any personal political expenditures	no
Political contribution policies are included in Code of Conduct	partial ¹⁸
Political contribution policies are disclosed elsewhere on the company website	no
Political contributions policies include specific criteria for approval of political donations	no
Prior approval required for political contributions	no
Officer or department must approve political contributions	no
General counsel or legal department must approve political contributions	no
An executive officer of the company must approve political contributions	no
Board of directors or board committee oversees political contributions	no
Board of directors or board committee must issue prior approval for political contributions	no
The same standards and oversight procedures apply to trade association payments	no

¹⁶ See "Coventry HealthCare Compliance and Ethics Program," available at <http://coventryhealthcare.com/web/groups/public/documents/webcontent/c001716.pdf>. The policy discloses some basic information regarding employee political involvement, but does not disclose the company's policy for making and overseeing political activity.

¹⁷ Ibid.

¹⁸ Ibid.

This checklist relies on the company's publicly disclosed information and reflects only external company standards and procedures. It does not measure compliance with the company's expressed standards and procedures. Any clear violations of the company's standards and procedures of which the CPA is aware will be included in this report.

Data last updated on April 9, 2010