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NEWS

CEO pay at US non-profit hospitals not associated with quality or charity care, study finds

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Compensation for chief executive officers (CEOs) at non-profit hospitals in the United States are associated with the hospitals' patient satisfaction ratings and employment of high technology, but not with their performance on quality measures, financial strength, or provision of charity care, a new study has found.[1]

In the study, published online in the journal *JAMA Internal Medicine*, Karen E Joynt, of the Harvard School of Public Health in Boston, Massachusetts, and colleagues, analyzed data available from the 2009 tax returns of US hospitals filing as non-profit entities.

They identified 1877 chief executive officers overseeing 2681 non-federal, private, non-profit hospitals in the US, accounting for 98% of private non-profit hospitals operating in the country.

They then looked to see to what degree the hospitals' compensation packages for their CEOs were associated with various characteristics, such as the hospital size and whether they were teaching hospitals, and, after adjusting for factors such as size, with metrics that gauge a hospital's financial performance, success at meeting quality measures, employment of high technology, and provision of community benefits, such as providing uncompensated care, community health services, and contributions to charitable organizations.

They found that CEOs had an unadjusted mean compensation of $595 781 (£372 038; €440 222) a year and a median compensation of $404 938.

The median compensation for those in the lowest decile was $117 933 ($89 221 to $136 390); in the highest, $1 662 548 ($1 358 702 to $2 327 567).

In general, those in the highest decile oversaw larger, urban hospitals, which were more often teaching hospitals. CEOs who managed larger hospitals were paid more ($550 per additional bed (95% confidence interval 429 to 671; P<0.001)), and those who managed teaching hospitals were paid $425 078 (315 238 to 534 918; P<0.001) more than were CEOs of non-teaching hospitals.

Compensation was associated with only two of the metrics the researchers looked at: high technology and patient satisfaction.

The assessment of a hospital's level of technology was based on a score that includes the presence of high technology, such as positron emission tomography and magnetic resonance imaging, and the hospital's capability for performing complex operations, such as heart surgery.

Hospitals that had a high score on this index paid their CEOs an additional $135 862 compared with what poor performers paid their executives (80 744 to 190 980;P< .001).

Hospitals that achieved high ratings for patient satisfaction also paid their CEOs $51 706 more than did those with low scores (15 166 to 88 247;P=.006).

"Boards may have an easier time assessing patient satisfaction than other quality metrics, such as risk-adjusted mortality rates, or may see patient satisfaction as a key measure of organizational performance and marketability," the researchers wrote.

The researchers found no significant association between CEO pay and hospital finances, such as their margins, liquidity or capitalization, their process quality performance metrics, mortality and readmission rates, or measures that gauge the provision of benefits to their communities.

The researchers concluded, "Executive compensation metrics are a powerful reflection of the priorities of an institution and likely have the ability to shape the focus of the CEO. We found that CEO compensation at non-profit US hospitals varies widely and is associated with greater use of technology and higher patient satisfaction but not with the quality of care delivered, patient outcomes, or community benefit."

But in an invited commentary, Warren S Browner, CEO of California Pacific Medical Center in San Francisco, California, argues that the paper highlights "the difficulty of making conclusions about causality from the presence or absence of correlations."[2]

"Their conclusion that advanced technology drives CEO pay might be right, but an observational design cannot rule out alternatives, such as [that] CEOs at fancier hospitals earn more because they are worth more, or because the members of the board compensation committees at glitzy hospitals are more accustomed to higher incomes," he writes.

On the other hand, hospitals that provide more charity care just may not have the money to pay their CEOs more, he writes. "Hospitals that provide large amounts of uncompensated charity care often struggle financially, making it less likely that their CEOs could be well compensated, even if their boards wanted to do so."

On the finding that CEO pay did not appear to be associated with performance on quality of care measures, Browner suspects that hospitals may be measuring and rewarding different quality metrics than those used for this study.

"Every hospital CEO I know who receives incentive compensation already has quality-related goals, as did approximately three-quarters of CEOs who were surveyed recently," he writes.

1 Joynt KE, Le ST, Orav EJ, Jha AK. Compensation of chief executive officers at nonprofit US hospitals. *JAMA Intern Med* Oct 2013, doi:10.1001/jamainternmed.2013.11537.
2 Browner WS. Do hospitals really reward glitz but not quality? *JAMA Intern Med* Oct 2013, doi:10.1001/jamainternmed.2013.7669.

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