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Study: Hospital CEO Pay and Performance Not Related



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Pamela Lewis Dolan

As physician payment shifts toward outcome and value-based models, a new study finds no correlation between quality and hospital CEO pay.

A study published online Oct. 14 by JAMA Internal Medicine examined hospital CEO pay and its correlation to various hospital characteristics including technology adoption, quality metrics, financial performance and community benefits.

It found a direct correlation between advanced technology, as well as high patient satisfaction scores, and high CEO pay. There was no correlation between CEO pay and quality metrics, such as mortality rates and readmission rates.

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the quality of care that is delivered at a hospital,” Jha said. “A CEO prioritizes where to make investments, sets the tone and sets the goals and targets for the organization. So the CEO is very influential.”

The study found that the mean compensation for the 1,877 CEOs examined was \$595,781 in 2009. Hospitals with high levels of advanced technological capabilities compensated their CEOs \$135,862 more than those with low levels of technology.

And hospitals with high patient satisfaction scores compensated their CEOs \$51,706 more than those with low performance on patient satisfaction. Patient outcomes had no association to CEO pay.

The study also found that CEO pay at small, rural hospitals is significantly lower than pay at larger institutions and teaching hospitals. The mean salary for the lowest-paid CEOs was \$117,993 compared with a median of \$1.66 million for executives paid the highest.

Jha said that if more robust pay-for-performance healthcare programs are introduced at the hospital level — and those programs have the potential to really affect a hospital’s bottom line — boards will be forced to hold CEOs accountable. He said it’s not a case of hospital boards not having good intentions, many simply don’t know how to focus on quality and don’t have the expertise to know what good quality measures look like.

An analysis of CEO pay by Kaiser Health News published in June found many hospital CEOs are paid bonuses. It was more common for the bonus to be tied to boosting volume rather than increasing quality.

A lot has been written about how to implement pay-for-performance healthcare programs for physicians, but little information is available on implementing similar programs for CEOs. According to an October 2012 **Health Affairs report**, 40 private-sector, pay-for-performance programs are in existence. The Centers for Medicare & Medicaid Services also has performance-based payment programs in place. Most, if not all, programs focus on physician accountability, not top management.

The **American College of Healthcare Executives** has a policy that states hospital or health-system CEOs should be evaluated on a

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activities,” according to the ACHE document. A representative for the ACHE said no one was available to comment for this story.

Jha said the study findings were not a case of good news or bad news.

“This is meant to be an opportunity story,” Jha said. “For boards, for organization leaders to say ‘we really want to improve patient outcomes and deliver better care, and there’s an opportunity.’ Take your senior management, create some incentives for them so they, too, can have some skin in the game.”

Pamela Lewis Dolan is a Chicago-based journalist with more than 15 years of experience writing for print publications, websites and trade associations. For nearly a decade she has covered the business of healthcare and health information technology issues for both consumers and medical professionals.



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