

# Modern Healthcare

THE ONLY HEALTHCARE BUSINESS NEWS WEEKLY | AUGUST 2, 2021

CRAIN

## Diversity, wellness incentives rise to retain care delivery execs

BY MATTI GELLMAN

As the healthcare industry ramps up on diversity, wellness and other long-term transformations, health systems are finding new ways to hire and retain executives in charge of these initiatives.

Chief quality officers and chief nursing officers saw the biggest median base salary spikes, with 6.8% and 6.3% increases, respectively, according to data from SullivanCotter, the consulting firm that has supplied data for Modern Healthcare's annual survey since 2003. Health systems heavily recruited positions focused on ambulatory care and telehealth to help improve care delivery, employing 24% and 37% more top executives in those roles, respectively, from 2019 through 2021. Chief technology officers saw the largest rise in total cash compensation when compared with all other C-suite positions from 2020 through 2021.

Yet about a third of healthcare organizations froze executive salaries in 2021, according to Bruce Greenblatt, managing principal at SullivanCotter. The other two-thirds increased base salaries by a median of 2%—one percentage point lower than what was projected for C-suites before the pandemic. Executives

received lower financial rewards for meeting incentive program goals than they did in prior years, as health systems tried to keep budgets modest while experiencing declining revenue. Incentives accounted for a lower percentage of worker salaries than in previous years, when they drove up to 7% of pay hikes.

"We did note that there were some higher than average increases for a number of positions," said Tom Pavlik, managing principal at SullivanCotter. "And really those were the ones that either led the COVID response or were involved in some longer-term transformational efforts."

Providers invested more money in recruiting for new positions like chief patient experience officers and top behavioral services executives, and they increased the number of behavioral health providers in primary-care clinics to meet rising demand.

More organizations also developed a chief wellness officer role. Employers designed the role to address concern over employee burnout prior to the pandemic. Some feared it would be purely "ceremonial" due to a lack of research on the causes of burnout in the workforce.



GETTY IMAGES

COMPENSATION

## EXECUTIVE COMPENSATION BY ORGANIZATION SIZE

Key titles by organization revenue (\$ in thousands)

TITLE	MEDIAN			AVERAGE					
	BASE		CHANGE	TOTAL CASH COMPENSATION		CHANGE	TOTAL CASH COMPENSATION		
	2021	2020		2021	2020		2021	2020	CHANGE
<b>HOSPITALS WITH NET REVENUE OF LESS THAN \$300 MILLION</b>									
President and CEO	\$347.0	\$341.7	1.6%	\$404.7	\$393.9	2.7%	\$420.2	\$417.1	0.7%
Chief operating officer	226.2	222.3	1.8%	245.7	247.2	-0.6%	288.3	283.7	1.6%
Chief medical officer	334.3	330.0	1.3%	380.5	375.9	1.2%	391.2	392.3	-0.3%
Chief financial officer	206.1	204.0	1.0%	214.0	229.2	-6.6%	225.0	235.2	-4.4%
<b>HOSPITALS WITH NET REVENUE OF \$300 MILLION OR MORE</b>									
President and CEO	\$491.7	\$491.0	0.2%	\$622.0	\$637.6	-2.4%	\$678.2	\$665.9	1.8%
Chief operating officer	317.8	313.2	1.4%	391.2	385.2	1.5%	430.8	422.6	1.9%
Chief medical officer	387.2	380.5	1.8%	445.2	442.4	0.6%	449.3	461.2	-2.6%
Chief financial officer	286.2	283.3	1.0%	315.0	323.9	-2.8%	341.1	352.5	-3.2%
<b>SYSTEMS WITH NET REVENUE OF LESS THAN \$1 BILLION</b>									
President and CEO	\$784.0	\$750.0	4.5%	\$875.5	\$829.2	5.6%	\$905.9	\$874.7	3.6%
Chief operating officer	438.3	418.0	4.9%	507.6	485.0	4.7%	488.4	465.1	5.0%
Chief medical officer	456.7	449.6	1.6%	485.9	489.6	-0.8%	518.5	505.7	2.5%
Chief financial officer	440.3	420.2	4.8%	473.2	479.5	-1.3%	494.7	480.4	3.0%
<b>SYSTEMS WITH NET REVENUE OF \$1 BILLION TO \$3 BILLION</b>									
President and CEO	\$1,148.2	\$1,100.0	4.4%	\$1,400.0	\$1,368.5	2.3%	\$1,431.6	\$1,421.7	0.7%
Chief operating officer	700.0	650.0	7.7%	790.4	801.6	-1.4%	841.9	838.7	0.4%
Chief medical officer	560.5	537.0	4.4%	643.2	608.4	5.7%	665.3	651.5	2.1%
Chief financial officer	609.6	593.3	2.7%	698.3	731.8	-4.6%	727.0	729.0	-0.3%
<b>SYSTEMS WITH NET REVENUE OF \$3 BILLION OR MORE</b>									
President and CEO	\$1,785.1	\$1,726.2	3.4%	\$2,964.6	\$2,729.6	8.6%	\$2,520.0	\$2,313.6	8.9%
Chief operating officer	1,056.4	1,027.0	2.9%	1,498.1	1,460.6	2.6%	1,370.0	1,405.4	-2.5%
Chief medical officer	769.6	754.1	2.1%	1,059.2	1,036.4	2.2%	944.3	979.0	-3.5%
Chief financial officer	927.1	896.3	3.4%	1,264.6	1,264.3	0.0%	1,132.8	1,177.3	-3.8%

## EXECUTIVE COMPENSATION-HOSPITALS

Selected titles (\$ in thousands)

TITLE	BASE			MEDIAN TOTAL CASH COMPENSATION			AVERAGE TOTAL CASH COMPENSATION		
	2021	2020	CHANGE	2021	2020	CHANGE	2021	2020	CHANGE
<b>C-SUITE EXECUTIVES</b>									
President and CEO	\$409.3	\$403.6	1.4%	\$484.5	\$485.2	-0.1%	\$536.3	\$529.1	1.4%
Chief operating officer	287.5	283.4	1.5%	337.6	334.6	0.9%	377.6	370.8	1.9%
Chief medical officer	369.1	363.3	1.6%	404.4	416.3	-2.8%	426.6	434.3	-1.8%
Chief financial officer	236.5	234.8	0.7%	251.9	272.3	-7.5%	278.2	289.0	-3.7%
Chief nursing officer/top patient-care executive	220.4	217.6	1.3%	240.9	251.8	-4.3%	258.1	263.7	-2.1%
<b>OTHER TOP EXECUTIVES</b>									
Chief human resources officer	\$231.9	\$224.9	3.1%	\$266.3	\$251.2	6.0%	\$297.6	\$286.3	3.9%
Hospital administrator	320.2	317.0	1.0%	395.4	370.0	6.9%	409.8	393.5	4.2%
Operations	222.6	218.8	1.7%	249.7	232.6	7.3%	259.7	251.8	3.1%
Professional services	221.0	213.1	3.7%	255.0	240.6	6.0%	279.7	259.0	8.0%
Foundation or fund development	253.7	232.4	9.1%	284.3	255.8	11.1%	304.9	292.4	4.3%

Over  
**50%**  
of leaders in charge of health plans reported the value of mental health services increased in 2020 more than other benefits offered by their organization

But this position became a critical player in supporting the well-being of physicians and caregivers through COVID, Greenblatt said, adding, “Certainly at the outset, organizations made an investment in employee wellness, whether that included securing personal protective equipment or arranging for child care and other support services.”

Community wellness, telehealth and population health leadership positions emerged as organizations focused on reviewing issues of health equity, Greenblatt said.

MedStar Health started offering its workforce mental recharging stations with massage chairs, background music, and snacks to decompress. The Maryland-based health system’s chief financial officer organized resiliency workshops for 2,000 participants targeting employee strain and coping mechanisms.

“Sometimes we sort of get caught in the idea that it’s only the ICU nurses, the ED nurses (under stress) and yes, they are at the point of care. But when you strain your people with the demands and time constraints of this very challenging environment, it impacts everybody,” said Dr. Stephen Evans, MedStar’s chief medical officer. “We’ve made sure that everybody hears the same message, especially around the challenges related to leadership.”

But experts say competition to fill executive roles is rising as well, forcing health systems to find new means of attracting and retaining talent.

Not-for-profit health systems increasingly recruited talent from outside the traditional healthcare industry in 2021, after executive burnout and more frequent hospital mergers spurred a labor shortage. Many looked for candidates from areas with a strong consumer presence and

## EXECUTIVE COMPENSATION-HEALTHCARE SYSTEMS

Ranked by average total cash compensation (\$ in thousands)

TITLE	BASE			MEDIAN TOTAL CASH COMPENSATION			AVERAGE TOTAL CASH COMPENSATION		
	2021	2020	CHANGE	2021	2020	CHANGE	2021	2020	CHANGE
<b>C-SUITE EXECUTIVES</b>									
President and CEO	\$1,100.0	\$1,073.4	2.5%	\$1,376.1	\$1,353.5	1.7%	\$1,722.2	\$1,637.1	5.2%
Chief operating officer	700.0	670.0	4.5%	894.9	808.7	10.7%	989.1	967.8	2.2%
Chief financial officer	620.4	603.2	2.9%	714.4	731.4	-2.3%	834.7	830.6	0.5%
Chief administrative officer	541.0	531.0	1.9%	618.7	642.9	-3.8%	756.1	727.1	4.0%
Chief medical officer	557.0	528.2	5.5%	645.0	616.2	4.7%	737.2	720.9	2.3%
Chief strategy officer	570.7	553.8	3.1%	643.3	656.5	-2.0%	725.2	709.3	2.3%
Legal services (general counsel)	500.0	484.0	3.3%	607.2	576.4	5.3%	668.3	651.3	2.6%
Chief information officer	437.9	421.0	4.0%	510.0	493.1	3.4%	545.9	529.9	3.0%
Chief technology officer	294.6	281.4	4.7%	351.8	316.0	11.4%	365.3	343.8	6.3%
Chief patient experience officer	310.8	305.9	1.6%	372.8	373.4	-0.2%	392.2	391.6	0.2%
<b>TOP CORPORATE DEPARTMENT EXECUTIVES</b>									
Academic affairs	\$471.4	\$464.6	1.5%	\$538.7	\$525.0	2.6%	\$676.9	\$671.8	0.8%
Clinical integration/transformation	388.4	379.0	2.5%	504.7	465.0	8.5%	558.2	531.3	5.1%
Population health	448.1	439.9	1.9%	531.7	531.7	0.0%	585.6	578.6	1.2%
Quality (M.D.)	471.0	441.0	6.8%	533.0	531.9	0.2%	547.9	534.7	2.5%
Clinical research	385.0	373.9	3.0%	417.5	432.6	-3.5%	554.2	569.1	-2.6%
Chief human resources officer	393.1	385.6	1.9%	455.6	448.3	1.6%	531.0	513.2	3.5%
Business development	354.2	342.1	3.5%	421.8	405.8	4.0%	473.1	466.7	1.4%
Medical informatics	373.5	361.5	3.3%	429.9	408.9	5.2%	451.1	441.6	2.2%
Chief nursing officer/patient-care exec	372.2	350.0	6.3%	431.6	409.0	5.5%	448.7	434.4	3.3%
Ambulatory care	334.9	331.4	1.1%	371.6	367.6	1.1%	399.1	393.7	1.4%
Managed care	347.5	337.1	3.1%	410.5	397.3	3.3%	443.3	438.6	1.1%
Foundation/fund development	332.2	327.7	1.4%	370.5	360.5	2.8%	444.6	437.8	1.5%
Professional services	306.6	300.0	2.2%	362.6	335.1	8.2%	388.6	386.2	0.6%
Marketing	327.4	321.4	1.9%	391.4	380.0	3.0%	428.2	412.6	3.8%
Planning	306.7	301.2	1.8%	317.8	336.4	-5.5%	374.2	368.5	1.5%
Operations	317.1	324.8	-2.4%	358.7	347.6	3.2%	436.8	419.6	4.1%
Government relations	299.3	290.7	3.0%	359.2	350.0	2.6%	368.5	365.9	0.7%
Facilities	293.7	291.2	0.9%	326.4	333.3	-2.1%	377.1	373.0	1.1%
Revenue cycle	315.2	312.0	1.0%	375.4	365.9	2.6%	390.5	378.6	3.2%
Supply chain management	312.0	301.0	3.7%	357.9	353.5	1.3%	383.1	375.0	2.1%
Reimbursement	279.0	269.0	3.7%	313.8	313.5	0.1%	333.1	340.4	-2.1%
Facilities planning/construction	310.8	293.6	5.9%	384.4	358.3	7.3%	386.2	377.4	2.3%
Compliance	280.0	270.9	3.4%	323.5	325.0	-0.5%	346.0	338.0	2.4%
Support services	280.6	266.4	5.3%	301.6	297.4	1.4%	340.2	332.0	2.5%
Risk management	277.3	268.5	3.3%	307.4	307.4	0.0%	360.7	342.4	5.4%
Internal audit	258.4	250.6	3.1%	296.4	297.8	-0.5%	318.6	316.8	0.6%
Information security	275.0	271.9	1.2%	294.2	290.0	1.4%	319.1	318.3	0.2%
Quality (non-M.D.)	264.1	262.9	0.5%	300.3	294.9	1.8%	318.9	307.7	3.7%
Pharmacy	269.8	265.0	1.8%	304.9	298.7	2.1%	326.6	314.1	4.0%

**“The pandemic permanently changed the nature of the employer-employee relationship and not in a way that employers or boards probably would want.”**

**Steve Sullivan**, managing director at the Chicago office of executive compensation consulting firm Pearl Meyer

digital strategies, said Marc Hallee, a senior consultant at Korn Ferry.

Recruiters were also interested in attracting and retaining talent from different backgrounds. While organizations had diversity, equity and inclusion initiatives pre-pandemic, labor shortages and competition put a steep price on access to diverse talent pools, Hallee said.

Employers turned to three-year incentive programs to retain this talent instead of shorter-term programs that last a couple months to a year. The longer programs slowed turnover by forcing executives to stay in order to receive their rewards, such as higher bonuses or new employee benefits. Longer incentives also helped hospitals attract executives through promises of more ambitious goals, like addressing diversity in workforce composition and building recruitment pipelines for applicants, Hallee said.

Many long-term incentive programs combined internal employee assessments with leadership development programs that would coach workers and connect them with leaders to create clear succession paths.

Sentara Healthcare’s SafeSpace conversations allowed underrepresented members of the workforce to talk about racial trauma following George Floyd’s death and amid COVID-19 vaccine distrust. Partnerships with community organizations allowed the health system to aid underemployed individuals with 100,000 boxes of food and a pilot educational program.

“We hope the pilot program will remove barriers and create pathways into healthcare and other skilled career opportunities for a more diverse workforce,” Becky Sawyer, executive vice president and chief people officer at Sentara Healthcare, wrote in a June 2021 op-ed for Modern Healthcare.

In some cases, not-for-profit systems rolled their talent acquisitions department under their chief diversity officer, effectively building human resources into the role, Hallee said.

“The pandemic permanently changed the nature of the employer-employee relationship and not in a way that employers or boards probably would want,” said Steve Sullivan, managing director at the Chicago office of executive compensation consulting firm Pearl Meyer.

Some providers are working with compensation committees to offer executives non-qualified retirement plans as part of performance-driven long-term incentives. Those packages were rare just three years ago, Sullivan said.

Not-for-profit systems also floated car allowances, estate planning advisory services and hybrid life insurance plans as perks to attract talent, he said, adding, “You’re in a market where the pendulum has swung to the seller, not the buyer.”

Some health systems set performance incentives based on the frequency and quality of healthcare leaders’ interactions with front-line staff.

But it is critical that organizations continue to evolve how they plan to address wellness. The “warp speed” rate of acquisitions, fueled by the availability of private capital in the industry, sparked quick ownership changes, which has contributed to layoff fears, said Paul Keckley, author of the Keckley Report.

“Some of the CEOs that I talked to say, I’m going out with my folks to see how people are feeling,” Keckley said. “But the ones that have the biggest concerns might not want to voice those and you’ve got to have an outlet for that.”

Many employers assumed hourly wage, unlicensed workers—who account for up to half the healthcare workforce—would remain a reliable labor source as long as employers paid well, Keckley said. But competition for hourly talent increased during 2021. Many providers are sending messages to their employees that some hourly work will be outsourced to reduce costs. CEOs may struggle to retain staff if they don’t address hourly staff working conditions or those of fellow executives and mid-level employees, Keckley said. ■