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The latest trends in executive compensation

BY CAROLINE HUDSON

Hospitals and health systems seeking executive-level talent must find leaders with the appropriate skills to oversee increasingly complex organizations, all while navigating a tight labor market and challenging economic environment.

“This industry is just under enormous pressure and stress,” said Michelle Johnson, senior partner at executive search firm WittKieffer. “I think we have to get a little creative, or at least a little more creative, both in terms of how we structure compensation and also in a willingness to broaden our hiring efforts.”

Organizations are drawing up competitive compensation packages with higher base salaries and incentives that better reflect the company’s priorities to attract the best talent to the C-suite and other top positions, according to consulting firm SullivanCotter. The company provides data from more than 2,000 health systems, hospitals, medical groups and health

EXECUTIVE COMPENSATION BY ORGANIZATION SIZE

Key titles by organization revenue (\$ in thousands)

TITLE	BASE			MEDIAN TOTAL CASH COMPENSATION			AVERAGE TOTAL CASH COMPENSATION		
	2023	2022	CHANGE	2023	2022	CHANGE	2023	2022	CHANGE
SYSTEMS WITH NET REVENUE OF \$3 BILLION OR MORE									
President/CEO	\$1,848.0	\$1,703.4	8.5%	\$2,672.8	\$2,681.7	-0.3%	\$3,181.8	\$3,211.8	-0.9%
Chief operating officer	1,102.0	1,048.0	5.2	1,513.1	1,462.8	3.4	1,649.9	1,600.9	3.1
Chief medical officer	759.1	726.6	4.5	1,000.4	1,038.3	-3.6	1,024.8	1,073.0	-4.5
Chief financial officer	950.0	901.5	5.4	1,285.9	1,227.0	4.8	1,405.1	1,342.6	4.7
SYSTEMS WITH NET REVENUE OF \$1 BILLION TO \$3 BILLION									
President/CEO	\$1,242.7	\$1,161.7	7.0%	\$1,569.3	\$1,523.9	3.0%	\$1,640.5	\$1,564.2	4.9%
Chief operating officer	722.7	684.3	5.6	863.3	830.5	3.9	917.1	883.4	3.8
Chief medical officer	615.8	591.3	4.1	707.0	704.4	0.4	732.6	712.4	2.8
Chief financial officer	644.8	615.0	4.8	733.3	750.0	-2.2	800.9	788.1	1.6
SYSTEMS WITH NET REVENUE OF LESS THAN \$1 BILLION									
President/CEO	\$850.0	\$816.5	4.1%	\$989.9	\$919.2	7.7%	\$1,008.0	\$956.8	5.3%
Chief operating officer	445.7	437.0	2.0	524.4	468.1	12.0	516.2	487.0	6.0
Chief medical officer	496.4	467.7	6.1	566.5	530.4	6.8	574.8	547.0	5.1
Chief financial officer	435.5	420.4	3.6	503.3	461.5	9.1	504.1	468.3	7.7
HOSPITALS WITH NET REVENUE OF \$300 MILLION OR MORE									
President/CEO	\$500.0	\$485.2	3.1%	\$616.2	\$664.9	-7.3%	\$690.7	\$711.7	-3.0%
Chief operating officer	301.6	291.0	3.6	351.0	357.5	-1.8	396.7	397.8	-0.3
Chief medical officer	414.9	401.1	3.4	474.6	482.6	-1.6	498.8	504.6	-1.2
Chief financial officer	280.3	275.0	1.9	321.9	347.7	-7.4	345.5	365.1	-5.4
HOSPITALS WITH NET REVENUE OF LESS THAN \$300 MILLION									
President/CEO	\$324.1	\$315.6	2.7%	\$389.9	\$420.9	-7.4%	\$411.0	\$432.0	-4.9%
Chief operating officer	214.2	204.2	4.9	245.7	250.6	-1.9	261.5	259.2	0.9
Chief medical officer	366.1	349.4	4.8	409.7	406.7	0.7	414.6	416.6	-0.5
Chief financial officer	200.0	195.0	2.6	234.5	250.6	-6.4	241.2	253.5	-4.9

Source: SullivanCotter

EXECUTIVE COMPENSATION-HOSPITALS

Selected titles (\$ in thousands)

TITLE	MEDIAN			AVERAGE					
	BASE	TOTAL CASH COMPENSATION		TOTAL CASH COMPENSATION					
	2023	2022	CHANGE	2023	2022	CHANGE	2023	2022	CHANGE
C-SUITE EXECUTIVES									
President/CEO	\$408.0	\$400.0	2.0%	\$497.6	\$519.5	-4.2%	\$556.6	\$576.9	-3.5%
Chief medical officer	396.3	382.0	3.7	447.9	452.8	-1.1	469.2	473.1	-0.8
Chief operating officer	263.9	252.7	4.4	308.1	308.6	-0.2	344.7	344.3	0.1
Chief financial officer	249.6	242.7	2.8	287.2	305.4	-5.9	303.4	319.9	-5.1
Chief nursing officer/top patient-care executive	240.0	230.0	4.3	274.8	275.9	-0.4	285.2	286.3	-0.4
OTHER TOP EXECUTIVES									
Foundation or fund development	\$275.4	\$275.4	0.0%	\$313.6	\$307.5	2.0%	\$317.7	\$310.6	2.3%
Hospital administrator	257.0	246.1	4.4	296.6	282.9	4.8	344.1	339.1	1.5
Professional services	248.8	230.4	8.0	286.3	286.8	-0.2	307.1	300.0	2.4
Human resources	245.4	235.2	4.3	284.0	279.8	1.5	309.8	295.1	5.0
Operations	226.6	215.0	5.4	248.8	252.2	-1.4	266.0	260.7	2.0

Source: SullivanCotter

plans for Modern Healthcare’s annual Executive Compensation Survey.

Here are five things to know about trends in executive compensation over the past year.

1 MEDIAN SALARY FOR EXECUTIVE-LEVEL JOBS IS GROWING MORE SLOWLY.

Consultants noted that inflationary pressures drove salary increases, albeit at a slower pace than last year.

Median base salary for healthcare executives at all organization types grew 4.1% year over year, down from the 4.3% reported in 2022, according to SullivanCotter’s compensation survey. Data were calculated by comparing salaries as of Jan. 1, 2023, with those as of Jan. 1, 2022.

“We saw inflation go through the roof, and that put pressure on executive compensation because as prices were going up, it

was natural for boards to say, ‘Well, wait a minute. How is this affecting the market, and what do we need to do so that we are remaining relevant?’” said Alexander Yaffe, managing director at consulting firm Pearl Meyer.

At health systems, median base salary for presidents and CEOs grew 6.8%, while chief operating officers saw 3.8% growth. The highest increases in median base salary went to managed care executives (9%), professional services executives (8%), risk management executives (7.6%) and chief physician executives (7.5%), the survey found. Chief strategy officers’ median salary had the smallest increase, at 0.6%.

Median base salary for hospital CEOs and presidents increased 2%, and chief operating officers saw 4.4% growth. Professional services executives and operations executives had the highest increases in median base salary, at 8% and 5.4%, respectively. The median salary for foundation or fund development executives remained unchanged from 2022 to 2023.

None of the executive roles saw a year-over-year decrease in median base salary.

2 SALARIES FOR HEALTH SYSTEM EXECUTIVES ROSE FASTER THAN THOSE AT SUBSIDIARY HOSPITALS.

Health systems have grown more complex as they look to diversify revenue streams, merge with other systems and occupy increased market share. The challenges of overseeing large ambulatory footprints, physician groups, home health services and health plans, in addition to multiple hospitals, often mean boosted pay for leadership, consultants said.

Median base salaries for the C-suite and top department leaders at health systems grew 4.8%, compared with 3.9% for hospital executives, the survey found.

3 INCENTIVES FOR HEALTH SYSTEM LEADERS ARE CHANGING.

Median total cash compensation, which includes base salary and annual incentives, for health system executives grew 3.5%, according to the survey.

Consultants say the difference between total cash compensation and median base salary signals a downturn in incentive pay, related to the high costs and other financial hardships facing health systems.

Incentive models also continue to shift. Fifty-three percent of health systems changed their executive incentive plans to include goals that better reflect an organization's priorities, according to SullivanCotter's April Pulse Survey, a separate report that draws data from more than 100 nonprofit health systems. New performance measures include efficiency, workforce engagement, quality and patient experience, said Bruce Greenblatt, managing director at SullivanCotter.

Healthcare organizations are showing more interest in long-term incentives, which can have a direct effect on retaining executives, Yaffe said. A popular tool is non-qualified deferred compensation, in which an employer sets aside a pool of money to award later—often five to 10 years in the future—in addition to what the employee is currently earning.

4 DEMAND FOR EXECUTIVE TALENT IS HIGHER THAN THE AVAILABLE SUPPLY.

Health systems are using recruiting tools such as sign-on bonuses, retention awards, remote working options and professional development opportunities to attract leaders.

More than half of nonprofit health systems reported increased executive recruitment efforts, such as the addition of key roles, in the past year, Greenblatt said, citing the April Pulse Survey.

Churn presents an added challenge. Nearly 90% of health systems that responded to the April Pulse Survey saw steady or heightened turnover over the past year among leadership roles due to burnout, retirements and the availability of other career opportunities.

Consulting firms say they're often asked to step in when it comes to succession planning and strengthening the pipeline.

"We're being asked increasingly by our clients to provide support and coaching for seasoned leaders and to help develop emerging leaders to try to address the supply side, so that there are more and more effective leaders available for the needs of these healthcare organizations," Johnson said.

5 HEALTHCARE REQUIRES WIDE-RANGING SKILLS

As healthcare organizations become more complex, leaders need to be able to address extensive operational costs, tackle labor shortages and adapt to an evolving revenue mix, Greenblatt said.

In response, organizations are seeking to broaden the expertise at the top of the payroll: The compensation survey found a larger number in 2023 are hiring leaders for patient access, patient experience, information technology security, digital strategy and health equity, compared with the previous year.

Greenblatt said some health systems are looking outside of the industry for leadership talent in areas such as marketing, human resources and technology. ■

EXECUTIVE COMPENSATION-HEALTHCARE SYSTEMS

Selected titles (\$ in thousands)

TITLE	MEDIAN						AVERAGE		
	BASE		CHANGE	TOTAL CASH COMPENSATION			TOTAL CASH COMPENSATION		
	2023	2022		2023	2022	CHANGE	2023	2022	CHANGE
C-SUITE EXECUTIVES									
President/CEO	\$1,298.4	\$1,215.2	6.8%	\$1,724.3	\$1,637.8	5.3%	\$2,071.2	\$2,041.4	1.5%
Chief operating officer	777.7	749.1	3.8	950.0	886.7	7.1	1,112.8	1,074.1	3.6
Chief financial officer	650.0	626.1	3.8	791.0	787.4	0.5	928.3	891.2	4.2
Chief medical officer	625.1	592.4	5.5	723.5	711.2	1.7	782.1	782.3	0.0
Chief administrative officer	619.9	597.5	3.7	776.2	745.2	4.2	847.9	853.4	-0.6
Chief strategy officer	590.8	587.1	0.6	750.0	725.0	3.4	817.8	790.0	3.5
Legal services (general counsel)	555.8	530.0	4.9	688.5	673.3	2.3	785.7	752.5	4.4
Chief information officer	480.9	456.9	5.3	579.0	552.2	4.8	631.9	606.3	4.2
Chief nursing officer/patient-care exec.	400.0	393.7	1.6	467.6	470.7	-0.7	531.8	514.7	3.3
Chief patient experience officer	340.7	327.3	4.1	395.0	379.8	4.0	425.4	416.0	2.3
Chief diversity officer	314.3	305.7	2.8	404.2	368.9	9.6	422.9	399.2	5.9
Chief technology officer	301.6	299.1	0.8	358.2	347.0	3.2	382.8	362.7	5.6
TOP CORPORATE DEPARTMENT EXECUTIVES									
Chief physician	\$878.3	\$817.1	7.5%	\$1,149.3	\$1,148.1	0.1%	\$1,225.1	\$1,199.1	2.2%
Clinical integration/transformation	516.1	501.1	3.0	670.6	640.3	4.7	704.9	649.5	8.5
Quality (M.D.)	485.0	470.9	3.0	556.6	533.8	4.3	577.0	555.7	3.8
Population health	470.0	449.4	4.6	563.0	551.8	2.0	627.8	602.4	4.2
Human resources	450.0	432.6	4.0	535.1	525.0	1.9	624.5	594.3	5.1
Academic affairs	449.3	432.0	4.0	520.1	515.4	0.9	785.9	729.2	7.8
Medical informatics	418.8	402.7	4.0	493.5	478.8	3.1	507.3	491.9	3.1
Ambulatory care	401.8	388.0	3.6	486.5	472.0	3.1	471.3	467.0	0.9
Clinical research	393.8	384.3	2.5	460.7	449.7	2.4	652.4	573.4	13.8
Managed care	390.0	357.9	9.0	448.9	437.2	2.7	518.8	502.8	3.2
Foundation/fund development	380.6	365.0	4.3	438.0	431.8	1.4	533.7	511.6	4.3
Business development	368.3	360.0	2.3	459.9	455.5	1.0	546.6	544.6	0.4
Marketing	358.0	350.0	2.3	433.8	418.5	3.7	484.4	473.5	2.3
Revenue cycle	339.9	331.0	2.7	389.0	374.8	3.8	428.8	409.1	4.8
Professional services	333.4	308.6	8.0	377.4	381.4	-1.1	447.6	423.4	5.7
Supply chain management	332.9	312.3	6.6	385.9	367.7	5.0	425.4	408.2	4.2
Operations	329.9	322.1	2.4	361.9	345.5	4.7	459.8	445.5	3.2
Facilities	327.2	310.3	5.4	372.6	350.3	6.4	461.8	425.0	8.7
Government relations	322.6	309.3	4.3	384.5	380.1	1.2	410.0	401.8	2.0
Planning	322.2	302.5	6.5	373.3	345.8	8.0	397.3	381.4	4.2
Facilities planning/construction	318.1	307.4	3.5	374.6	377.6	-0.8	400.5	395.7	1.2
Compliance	317.2	305.9	3.7	362.8	362.5	0.1	402.3	396.0	1.6
Information security	310.3	299.7	3.5	370.8	353.9	4.8	383.4	366.1	4.7
Risk management	310.2	288.4	7.6	356.8	325.3	9.7	398.7	375.7	6.1
Pharmacy	307.0	294.2	4.3	360.0	349.8	2.9	374.1	360.4	3.8
Support services	298.6	280.5	6.4	340.9	331.2	2.9	370.0	351.7	5.2
Internal audit	282.3	268.4	5.2	340.6	325.6	4.6	369.0	358.8	2.8
Quality (Non-M.D.)	276.8	266.9	3.7	323.9	319.3	1.4	347.8	340.4	2.2

Source: SullivanCotter