Healthcare Association of New York State

Executive Compensation Message Points
July 2006

Strategy Notes for Public Relations Directors:

Designate a spokesperson. One strategy to effectively respond to inquiries about executive compensation is to designate a member of the hospital/health system board of trustees as the official spokesperson. Since the board is responsible for the overall financial health of the hospital, a board spokesperson could be prepared to address the factors that the board considers when setting compensation levels.

Use Proper Context. Respond to questions about executive compensation within the proper context. Compare your hospital's executive compensation budget with your overall budget to highlight the overwhelming focus on meeting patient care needs.

IRS Form 990. As tax-exempt organizations, hospitals are required to make available their annual IRS Form 990 information to anyone requesting to see it. If a request for a copy is made in person, a copy must be provided that day. If the request is in writing, the copy must be sent within 30 days. The media may also ask for compensation levels of other hospital employees not included on IRS Form 990; in responding to these inquiries, consider employee confidentiality and other human resource issues.

Refer Broader Questions to HANYS. This can serve to take the focus of a media story off a single hospital and help place the issue in the broadest possible context.

Suggested Responses to Typical Media Questions:

Question: Hospitals complain that they are losing money. If this is so, shouldn't executive salaries be lower?

Answer: New York's non-profit hospitals are oriented toward mission, not profit. Experienced managers who can improve services in the face of diminishing resources become even more important. Boards of trustees must set executive compensation at levels sufficient to attract professional leaders who can improve services and quality of care.

Question: Does this mean there is less money in the budget for patient care?

Answer: No. We are committed to meeting the health care needs of our community, and we appropriate resources in a manner that best allows us to meet that basic mission. Of greater concern are the excessive regulations and burdensome paperwork that add to the administrative and overhead costs.

Question: How do you justify high executive salaries when nurses and other hospital staff are paid so much less?

Answer: Compensation levels throughout the hospital are based on the requirements of the position and the individual's performance. Our hospital has a comprehensive compensation review system that applies to all employees.

Message Points:

- Hospital chief executive officers (CEOs) are responsible for the operation and performance of complex, multifaceted public service institutions. They are charged with guiding their organizations through the ever-changing health care environment, with its numerous financial, regulatory, and public policy challenges, while always focusing on the core mission of patient care and patient safety.

- In addition to their critical role as leaders of these dynamic organizations, CEOs must manage extensive physical plant operations, highly educated and skilled staff, and sophisticated, constantly advancing technological equipment and services.

- The nature of hospitals and the health care field is changing. Some hospital CEOs manage an array of services, including physician groups, home health care organizations, and primary care clinics.

- Today, almost every institution considers CEO candidates from across the country. Even small hospitals now look beyond their region and state to find CEO candidates. The result is a more competitive market and increased upward pressure on salaries.

- CEO compensation is developed by the board of trustees. A group of community leaders, the hospital trustees designate the CEO salary and hire the CEO. Hospital boards make CEO compensation decisions based on a variety of factors, including the hospital mission and policy, competitive market analyses, and the hospital's compensation strategy.

- Increased turnover affects salary rates. The average tenure of a CEO is approximately four to five years. This is a stark contrast to the historical pattern of administrators staying in positions for extended periods, often for virtually their entire careers. Bringing in a new CEO requires a competitive salary.

- The CEO is the risk taker of the organization. He or she is the one to be fired when a hospital is financially in trouble. The CEO's job is both risky and demanding. Financial incentive is one way to attract people to such difficult jobs.

- A hospital executive goes through years of specialized training, including education in health administration. The CEO typically has spent many years in the health care field in a variety of management positions before becoming a CEO.

- The job of a hospital CEO is to help improve the community's health. The "return on executive compensation investment" is based on several criteria: management skills, productive use of resources, and ability to lead the organization toward improving the health of the community.

- Hospitals are often the largest employer in the community. In addition to the medical staff, most hospital employees require high educational attainment levels and technical skills to perform their jobs. Thousands of families in New York State depend on well-run hospitals not only for their health, but also for their livelihood and economic welfare.