

December 2019

**PAY FOR THE TOP EXECUTIVE AT
HEALTHCARE FOCUSED
NON-PROFIT ORGANIZATIONS**

**STEVEN HALL
& PARTNERS**
EXECUTIVE COMPENSATION

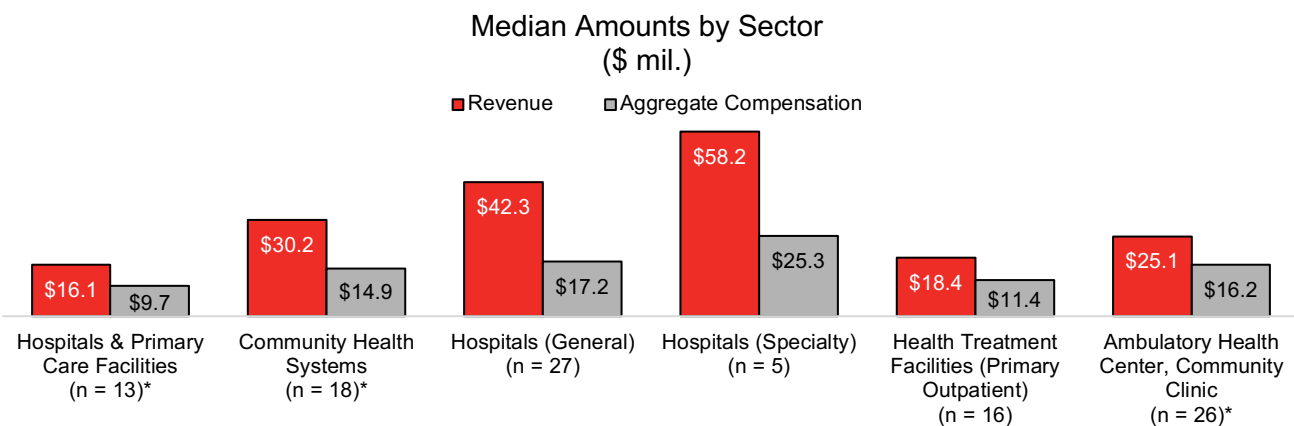
INTRODUCTION

Similar to for-profit entities, non-profit organizations can be subject to significant scrutiny and push back in regard to their compensation practices. It is important for non-profit organizations to deliver reasonable pay to executives because compensation programs send a strong message to grant makers and individual donors or stakeholders regarding the internal message of the organization. Additionally, the IRS can impose penalties on organizations that fail to provide executives with reasonable compensation.

Good compensation governance is crucial to an organization's justification that compensation paid to executives is reasonable. Governance measures include annual reviews of pay practices, the use of an independent board or compensation committee, and the documentation of compensation related decision making. Furthermore, ensuring that a compensation program is grounded in the organization's mission statement provides added rationalization of the appropriateness of how executives are paid.

Steven Hall & Partners recently analyzed top executive compensation data and related governance practices for 100 non-profit organizations classified in specific healthcare related sectors with revenues between \$5.3 million and \$93.2 million. Data was obtained from each organization's most recent Form 990, which were generally filed with the Internal Revenue Service in Fiscal 2017. The study looks at each organization's top executive who may be the Executive Director or Chief Executive Officer, and who is not necessarily the highest paid.

Revenue and aggregate compensation statistics for each of the six selected sectors are displayed below:



* Three Organizations are classified in two industries and one organization is classified in three industries

Among the 100 organizations included in the study:

- Median revenue equaled \$25.9 million
- Median aggregate compensation paid to all employees equaled \$14.8 million
- Median number of employees equaled 291

COMPENSATION FINDINGS

For the top executive among the 100 organizations studied:

- Median Base Salary was \$214,017
- Median All Other Compensation was \$24,588
 - Includes pension contributions, taxable benefits (perquisites), contributions to retirement and deferred compensation plans and certain nontaxable benefits
- Median Total Compensation was \$250,055
- 38 organizations paid a bonus in Fiscal 2017
 - Median Bonus amounts for those executives equaled \$42,142

Sector	Count *	Median Sized-Based Measures		Top Executive Median Compensation by Sector				
		Revenue	# of Employees	Total Comp. Paid to All Employees	Base Comp.	Bonus Comp.	All Other Comp. ¹	Total Comp. ²
Hospitals & Primary Care Facilities	13	\$16,149,422	198	\$9,653,733	\$177,310	\$0	\$24,420	\$241,168
Community Health Systems	18	\$30,237,347	281	\$14,939,277	\$203,999	\$11,749	\$10,977	\$261,918
Hospitals (General)	27	\$42,307,999	342	\$17,236,822	\$225,029	\$0	\$24,755	\$274,110
Hospitals (Specialty)	5	\$58,163,426	468	\$25,335,378	\$293,186	\$3,564	\$44,149	\$363,186
Health Treatment Facilities (Primary Outpatient)	16	\$18,391,153	283	\$11,437,392	\$180,010	\$0	\$18,866	\$221,597
Ambulatory Health Center, Community Clinic	26	\$25,149,186	298	\$16,212,984	\$215,038	\$0	\$21,414	\$251,752
Total Sample	100	\$25,944,555	291	\$14,758,644	\$214,017	\$0	\$24,588	\$250,055

* Three organizations are classified in two sectors and one organization is classified in three sectors

¹ All other compensation includes employee pension contributions, taxable benefits (perquisites), contributions to retirement and deferred compensation plans and certain nontaxable benefits

² Total compensation numbers represent medians for each component. Numbers are not additive.

The highest total compensation amount for top executives was observed among Specialty Hospital organizations:

- Median equal to \$363,186
 - Approximately \$89,000 more than the next highest paid industry, General Hospital organizations (with median pay of \$274,110)

The lowest pay was observed among Health Treatment Facilities, where median total compensation for the top executive equaled \$221,752.

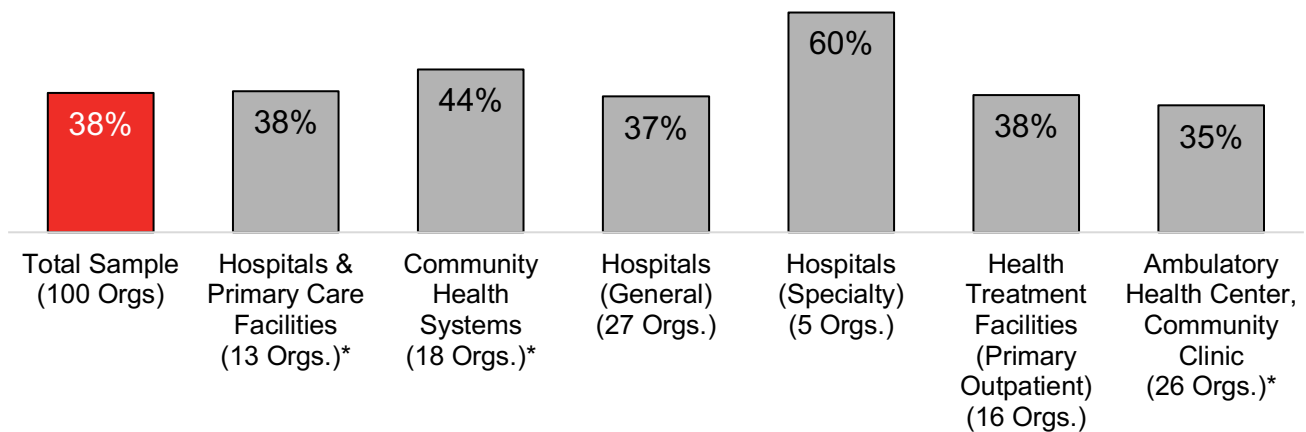
COMPENSATION FINDINGS

Bonus Prevalence

Among the 100 organizations studied:

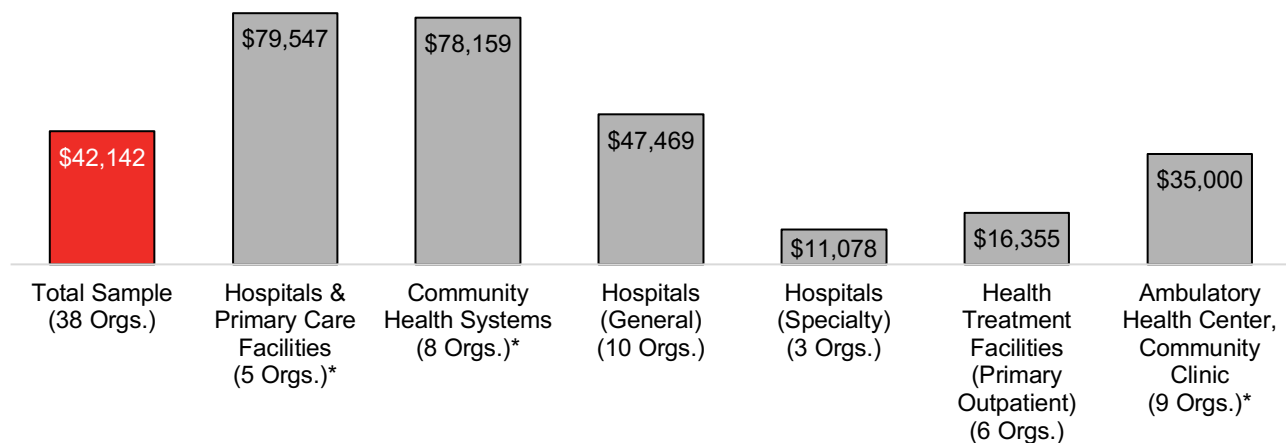
- 38 paid their top executive a bonus in 2017
 - Amounts ranged from \$101 to \$332,833
 - Median equaled \$42,142
-

Prevalence of Bonus Compensation for Top Executives



* Three Organizations are classified in two industries and one organization is classified in three industries

Median Bonus Amounts among organizations paying a bonus in 2017



* Three Organizations are classified in two industries and one organization is classified in three industries

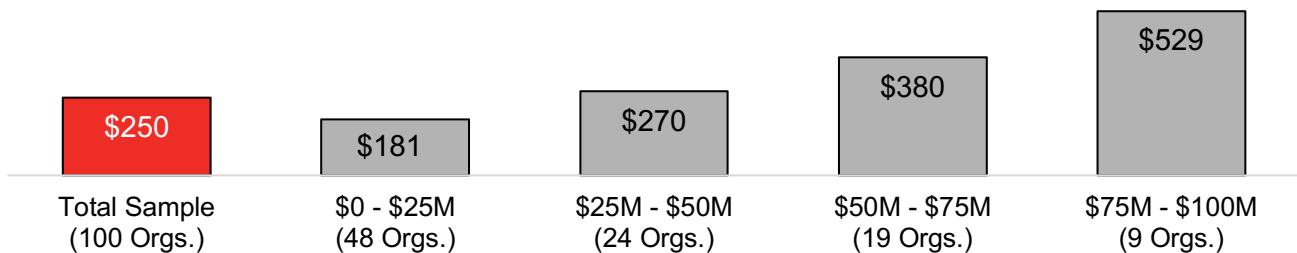
PERQUISITES FINDINGS

By Size

Similar to trends among for-profit companies, compensation levels at non-profit organizations are generally correlated to revenue size.

Additionally, we note that as organization size increases, median bonus compensation also increases. Executives are also more likely to receive a bonus at larger organizations:

Top Executive Median Total Compensation by Revenue Range
(\$000s)

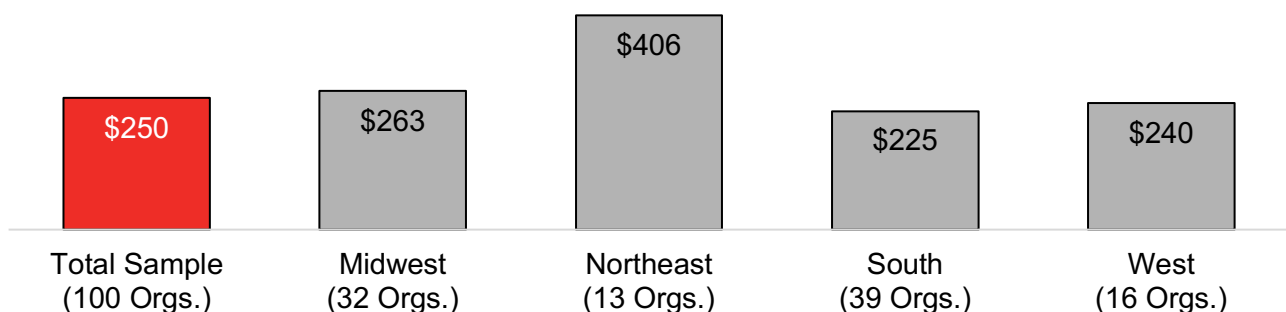


By Region

The highest median total compensation for the top executive was observed at organizations located in the Northeast, which paid a median of \$406,384. The Northeast was also the only region with a median bonus amount greater than zero.

At median, the South region pays the least total compensation to top executives despite containing the largest number of organizations out of the four regions.

Top Executive Median Total Compensation by Region
(\$000s)



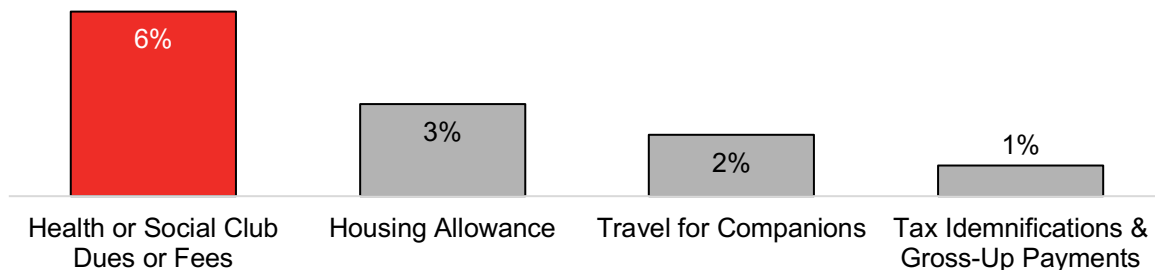
PERQUISITES FINDINGS

In addition to the regular cash compensation that executives receive, some non-profit organizations provide their top executives with benefits that are intended to attract and retain top talent. SH&P tracked and analyzed the seven types of perquisites that are disclosed in schedule J on form 990. Of note, there was only one organization that did not file Schedule J.

The use of perquisites remains a minority practice for healthcare focused non-profit organizations and in Fiscal 2017, 11 organizations disclosed the use of at least one perquisite. The most common perquisite offered was the payment of fees or dues for a health or social club, which was provided at 6% of the organizations studied.

The next most prevalent type of perquisite is organization sponsored housing. Housing allowances were only offered by organizations in the General Hospitals and Specialty Hospitals industries.

Prevalence of Perquisite Offerings *



* Perquisites not included in chart were not offered by any organization studied.

GOVERNANCE FINDINGS

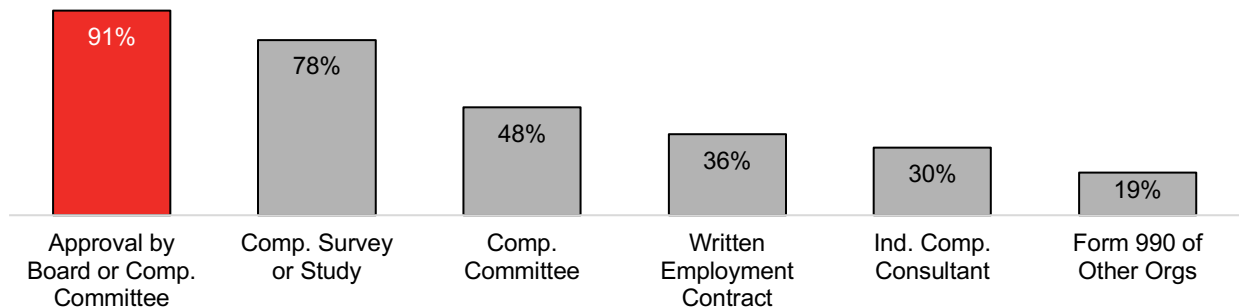
Governance measures are often used to help organizations develop reasonable compensation programs and establish rebuttable presumption which provides important legal protections for directors and organizations. SH&P tracked and analyzed each of the six governance measures outlined in Schedule J of Form 990.

In fiscal 2017, 97% of the organizations analyzed disclosed the use of at least one governance measure. The most common governance measure was the requirement that the Board or Compensation Committee determine/approve executive compensation, which was employed by 91% of the organizations studied.

A significant number of organizations also used a survey or other study to assist in the determination of pay (78% of organizations) or had an established Compensation Committee to oversee compensation-related matters (48% of organizations).

The use of a compensation consultant (30% of organizations), and the review of Form 990s of similar organizations to determine compensation (19% of organizations) remains a minority practice.

Prevalence of Governance Measure Usage



Organization Type	Count*	Prevalence of Disclosed Governance Measures by Sector					
		Comp. Cmte.	Ind. Comp. Consultant	Form 990 of Other Orgs.	Written Employment Contract	Comp. Survey or Study	Approval by Board or Comp. Cmte.
Hospitals & Primary Care Facilities	13	54%	38%	8%	38%	85%	92%
Community Health Systems	18	44%	33%	28%	22%	83%	83%
Hospitals (General)	27	63%	37%	19%	30%	81%	96%
Hospitals (Specialty)	5	100%	40%	20%	60%	100%	100%
Health Treatment Facilities (Primary Outpatient)	16	38%	19%	13%	44%	44%	94%
Ambulatory Health Center, Community Clinic	26	27%	15%	23%	46%	88%	88%
Total Sample	100	48%	30%	19%	36%	78%	91%

* Three Organizations are classified in two industries and one organization is classified in three industries

METHODOLOGY

Steven Hall & Partners analyzed top executive compensation data as well as perquisite usage and governance practices for 100 non-profit organizations in healthcare related industries that filed Form 990s with the Internal Revenue Service in fiscal 2017.

The study focuses on the Health – General & Rehabilitative category of the National Taxonomy of Exempt Entities (NTEE) system. Within that category, the following sub-cause areas were selected for the analysis:

1. Hospitals and Primary Medical Care Facilities
2. Community Health Systems
3. Hospitals (General)
4. Hospitals (Specialty)
5. Health Treatment Facilities (Primary Outpatient)
6. Ambulatory Health Center, Community Clinic

The number of organizations contained in the six sub-cause areas exceeded 12,000 organizations. The 100 incumbents for this study were randomly selected from this universe and can be found on the following page.

The study looks at each organization's top executive who may be the Executive Director or Chief Executive Officer, and who is not necessarily the highest paid.

Executive compensation analyses reflect the components of total compensation (base salary, bonus, and all other compensation). Base salaries for new hires have been annualized. All other compensation includes contributions to benefit and deferred compensation plans, nontaxable benefits, and all other compensation as reported.

Perquisites and executive compensation-related governance practices are as reported in each organization's Form 990, Schedule J.

Additional data has been collected for each organization's "Second Executive" who has been defined as the highest paid executive that is not the CEO / Executive Director or a paid physician or medical practitioner. For more information regarding this part of our analysis, please contact SH&P through one of the methods found on the last page of this report.

ORGANIZATIONS STUDIED

Non-Profit Healthcare Organizations Studied	
Access health Louisiana	Kentucky Primary Care Association Inc.
Adelante Healthcare Inc.	Laurens Institute for Education
Altura Centers for Health	Lawrence County Medical Memorial Hospital
Atchison Hospital Association	Madelia Com Hospital Inc.
Baptist Health System Inc	Marana Health Center Inc.
Baptist Memorial Regional Rehabilitation Services Inc	McGehee Hospital Inc.
Beatrice Community Hospital & Health Centers Inc	Med Centro Inc.
Beebe Medical Foundation	Medarva Healthcare
Big Springs Medical Association	Memphis Health Center
Blue Ridge Community Health Services Inc.	Mendocino Community Health Clinic Inc.
Borniquen Health Care Center Inc.	Mercy Life of Alabama
Brockton Neighborhood Health Center Inc	Mercy Ships
Callen-Lorde Community Health Center	Metropolitan Jewish Health System Inc
Cameron Memorial Community Hospital Inc.	Michigan Public Health Institute
Cape Cod Healthcare Inc.	Midtown Community Health Center Inc
Carthage Area Hospital Inc	Midwest Medical Center
Central Montana Medical Facilities Inc.	Mount Nittany Medical Center Health Services Inc
Chapcare	Mountain Comprehensive Health Corporation
Charles Drew Health Center Inc	Mountainlands Community Health Center Inc.
Chenango Memorial Hospital Inc.	Mt Graham Regional Medical Center Inc.
Clarkson Regional Health Services Inc.	Muskingum Valley Health Centers
Columbus Regional Healthcare System	National Alliance of State and Territorial AIDS Directors
Community Health Centers of South Central Texas Inc.	Neighborhood Health
Community Health Centers of Southeastern Iowa Inc.	Omni Family Health
Community Hospitals and Wellness Centers	Pembina County Memorial Hospital Association
Cook Area Health Services Inc.	Project Health Inc
Cosma Inc.	Purcell Municipal Hospital
Crippled Children's Hospital	Refuah Health Center Inc.
East Arkansas Family Health Center	Resurrection University
El Centro Del Barrio Inc	Roseland Community Hospital
Ely-Bloomenson Community Hospital	Sacramento Native American Healthcenter, Inc.
Family Christian Health Center	Selby General Hospital
Family First Health Corporation	Signature Healthcare Medical Group Inc.
Frances Mahon Deaconess Hospital	Southeast Mississippi Rural Health Initiative Inc.
Franciscan Hospital for Children Inc.	Southern Ohio Health Services Network
Fulton County Medical Center	St. Vincent Dunn Hospital Inc.
Georgia Highlands Medical Services Inc.	St. Vincent Fishers Hospital Inc.
Gracemed Health Clinic Inc.	Stoughton Hospital Association
Grafton City Hospital Inc.	Sunrise Community Health
Halifax Regional Hospital Inc.	Swope Health Services
Hampton Regional Medical Center	Tandem Health SC
Hardin County General Hospital	Texas Health Harris Methodist Hospital Azle
Health Current	The Menninger Clinic
Health Services Inc.	Tyler Family Circle of Care
Healthcare Choices NY Inc.	United Medical Centers
HealthLinc, Inc.	Valley Community Healthcare
Howard Memorial Hospital	VNA Health Care
Infirmary Health System Inc.	West Central Kansas Association Inc.
Jones County Regional Healthcare System	West Michigan Cancer Center
Juniper Health Inc.	York General Hospital

About Steven Hall & Partners

Steven Hall & Partners is an independent compensation consulting firm, specializing exclusively in the areas of executive compensation, board compensation, non-profit compensation and related governance issues. By focusing solely on this critical and complex segment of the human resources arena, we are able to provide our clients with the highest quality expertise and best counsel available on a practical basis. For more information, please visit www.shallpartners.com and follow us on Twitter [@SHallPartners](https://twitter.com/SHallPartners).

SH&P has established a practice dedicated to non-profit compensation because we recognize the unique and particular importance of providing executive compensation consulting to those organizations. Our clients seek to balance the need to pay competitively to retain talented executives with the desire to honor the organization's mission and use donor resources responsibly while navigating the waters of public scrutiny and regulatory reforms. Unlike their peers at public companies, when assessing the reasonableness of compensation, non-profit Boards are faced with a deficit of timely, publicly available compensation data for non-profit organizations. We strive to partner with our non-profit clients to ensure that they have the tools and information needed to successfully navigate the questions surrounding non-profit executive compensation.

For more information on our non-profit practice, please see "[Non-Profit Compensation](#)" on our website at www.shallpartners.com/services/.

Contact Information

This publication is provided by Steven Hall & Partners as a service to our clients and colleagues. The information contained in this publication should not be construed as legal, tax or accounting advice. If you would like to discuss this study in more detail, please contact Allison E. Bergmann (212-488-5400; abergmann@shallpartners.com).

