Intended for healthcare professionals

By clicking “Accept Non-Essential Cookies”, you agree to the storing of cookies on your device to enhance site navigation, analyze site usage, and assist in our marketing efforts. Privacy Policy Cookie Policy

Manage Cookies

Accept Non-Essential Cookies

Reject Non-Essential Cookies

Impact Factor: **2.7**

5-Year Impact Factor:

Abstract

Growing interest in pay-for-performance and the level of chief executive officers’ (CEOs’) pay raises questions about the link between performance and compensation in the health sector. This study compares the compensation of nonprofit hospital CEOs in Ontario, Canada to the three longest reported and most used measures of hospital financial performance. Our sample consisted of 132 CEOs from 92 hospitals between 1999 and 2006. Unbalanced panel data were analyzed using fixed effects regression. Results suggest that CEO compensation was largely unrelated to hospital financial performance. Inflation-adjusted salaries appeared to increase over time independent of hospital performance, and hospital size was positively correlated with CEO compensation. The apparent upward trend in salary despite some declines in financial performance challenges the fundamental assumption underlying this article, that is, financial performance is likely linked to CEO compensation in Ontario. Further research is needed to understand long-term performance related to compensation incentives.

Get full access to this article

View all access and purchase options for this article.

Get Access

References

Ackerman, K., Kibler, W.E., Steele, G.D., Van Horn, R.L., & Swartz, K. (2005). Executive compensation in

nonprofit health care organizations . *Inquiry*, 42, 110-117.

Crossref

PubMed

Web of Science

Google Scholar

Ballou, J.P., & Weisbrod, B.A. (2003). Managerial rewards and the behavior of for-profit, government, and nonprofit organizations: Evidence from the hospital industry. *Journal of Public Economics*, 87, 1895-1920.

Crossref

Web of Science

Google Scholar

Baltagi, B.H. (1995). *Econometric Analysis of Panel Data*. New York: John Wiley.

Google Scholar

Brickley, J.A., & Van Horn, R.L. (2002). Managerial incentives in nonprofit organizations: Evidence from hospitals. *Journal of Law & Economics*, 45, 227-249.

Crossref

Web of Science

Google Scholar

Canadian Institute for Health Information, Government of Ontario, the Ontario Hospital Association and the University of Toronto. (2006). *Hospital report 2006: Acute care: Ottawa, Ontario*. Retrieved August 5, 2008, from http://www.hospitalreport.ca

Google Scholar

Canadian Institute for Health Information, the Government of Ontario, the Ontario Hospital Association and the Hospital Report Research Collaborative. (2007). *Hospital report 2007: Acute care: Ottawa, Ontario*. Retrieved August 5, 2008, from http://www.hospitalreport.ca

Google Scholar

Carreyrou, J., & Martinez, B. (2008, April 4). Nonprofit hospitals, Once for the poor, strike it rich; with tax breaks, they outperform for-profit rivals. *The Wall Street Journal*, p. A.1.

Google Scholar

Cleverley, W. (2008, June). Not-for-profit hospitals: Still a community value . *Healthcare Financial Management*, 24-25.

PubMed

Google Scholar

Core, J.E., Holthausen, R.W., & Larcker, D.F. (1999). Corporate governance, chief executive officer compensation, and firm performance. *Journal of Financial Economics*, 51, 371-406.

Crossref

Web of Science

Google Scholar

Evans, M. (2005). A higher standard. Report tells Congress to let regulators strip tax-exempt status and go after boards that approve unreasonable executive pay. *Modern Healthcare*, 35, 6-7, 12.

Google Scholar

Evans, M. (2006). Seeking full disclosure. SEC proposes more specific compensation reports. *Modern Healthcare*, 36, 12-13.

Google Scholar

Flannery, T., & Hofrichter, D. (2007). What's the right incentive compensation plan? *Trustee*, 60, 22-26.

PubMed

Google Scholar

Galloro, V., & Benko, L.B. (2003). Are they worth it? Executive compensation, company performance don't always relate at top hospital, post-acute and insurance companies . *Modern Healthcare*, 33, 6-7, 14.

Google Scholar

Hausman, J.A. (1978). Specification tests in econometrics. *Econometrica*, 46, 1251-1271.

Crossref

Web of Science

Google Scholar

Hawthorne, G. (2000). Pay for performance: What trustees should be applauding . *Trustee*, 53, 8-14.

PubMed

Google Scholar

Kirchheimer, B. (2001). Reaping the rewards: Hospitals show their appreciation for top execs by boosting compensation. *Modern Healthcare*, 31, 27-30, 32-33, 38.

PubMed

Google Scholar

Kostiuk, P.F. (1990). Firm size and executive compensation. *Journal of Human Resources*, 25, 90-105.

Crossref

Web of Science

Google Scholar

Newman, J.F., Tyler, L., & Dunbar, D.M. (2001). CEO performance appraisal: Review and recommendations . *Journal of Healthcare Management*, 46, 21-37, *discussion* 37-38.

Google Scholar

Ontario Joint Policy and Planning Committee. (2006, June). *Recommendations to the Ministry of Health and Long-Term Care on Hospital Accountability Indicators for 2007/08*. Retrieved August 5, 2008, from http://www.jppc.org

Google Scholar

Ontario Joint Policy and Planning Committee. (2008a). *JPPC rate model results based on 2006/07 data*. Retrieved August 5, 2008, from http://www.jppc.org

Google Scholar

Ontario Joint Policy and Planning Committee. (2008b). *Schedule B: Performance obligations. Hospital service accountability agreement for 2008-10*. Retrieved August 5, 2008, from http://www.jppc.org

Google Scholar

Pink, G.H., Brown, A.M., Daniel, I., Hamlette, M.L., Markel, F., McGillis Hall, L., et al. (2006). Financial benchmark for Ontario hospitals . *Healthcare Quarterly*, 9, 40-45.

Crossref

PubMed

Google Scholar

Pink, G.H., McKillop, I., Schraa, E.G., Preyra, C., Montgomery, C.M., & Baker, G.R. (2001). Creating a balanced scorecard for a hospital system. *Journal of Health Care Finance*, 27, 1-20.

PubMed

Google Scholar

Preyra, C., & Pink, G.H. (2001). Balancing incentives in the compensation contracts of nonprofit hospital CEOs. *Journal of Health Economics*, 20, 509-525.

Crossref

PubMed

Web of Science

Google Scholar

Public Sector Salary Disclosure Act. (1996). *Chapter 1, Schedule A*. Retrieved May 14, 2009, from http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_96p01a_e.htm

Google Scholar
Quigley, M.A., & Scott, G.W.S. (2004). *Hospital governance and accountability in Ontario (A report for the Ontario Hospital Association)*. Retrieved May 14, 2009 from http://www.oha.com/client/OHA/OHA_LP4W_LND_WebStation.nsf/resources/Hospital_GovernanceandAccountability_Report_Quigley_and_Scott/$file/Hospital_GovernanceandAccountability_Report_Quigley_and_Scott.pdf

Google Scholar
Ricaud, J.S. (2006, June). Is your hospital's tax-exempt status at risk? *Healthcare Financial Management*, 74-78.

PubMed

Google Scholar

Roomkin, M.J., & Weisbrod, B.A. (1999). Managerial compensation and incentives in for-profit and nonprofit hospitals. *Journal of Law, Economics, & Organization*, 15, 750-781.

Crossref

Web of Science

Google Scholar

Ryan, H.E., & Wiggins, R.A. (2001). The influence of firm- and manager-specific characteristics on the structure of executive compensation. *Journal of Corporate Finance*, 7, 101-123.

Crossref

Web of Science

Google Scholar

Santerre, R.E., & Thomas, J.M. (1993). The determinants of hospital CEO compensation. *Health Care Management Review*, 18, 31-40.

Crossref

PubMed

Google Scholar

SPSS Inc. (2007). *SPSS 16.0 for Windows: Release 16.0.1*. Chicago: Author.

Google Scholar
StataCorp. (2007). *Stata Statistical Software: Release 10*. College Station, TX: StataCorp LP.

Google Scholar
Taylor, M. (2006). Just compensation? GAO investigating executive pay at not-for-profits. *Modern Healthcare*, 36, 4.

Google Scholar

Tieman, J. (2002). Statement of net worth. As executive salaries keep growing bigger, some healthcare industry experts question whether associations are getting value for money. *Modern Healthcare*, 32, 6-7, 16.

Google Scholar

White, H. (1980). A heteroskedasticity-consistent covariance matrix estimator and a direct test for heteroskedasticity. *Econometrica*, 48, 817-830.

Crossref

Web of Science

Google Scholar

Yermack, D. (1996). Higher market valuation of companies with a small board of directors. *Journal of Financial Economics*, 40, 185-211.

Crossref

Web of Science

Google Scholar

Zhou, X. (1999). Executive compensation and managerial incentives: A comparison between Canada and the United States. *Journal of Corporate Finance*, 5, 277-301.

Crossref

Google Scholar

You currently have no access to this content. Visit the access options page to authenticate.

Download PDF

Also from Sage

CQ Library

Elevating debate

Sage Data

Uncovering insight

Sage Business Cases

Shaping futures

Sage Campus

Unleashing potential

Sage Knowledge

Multimedia learning resources

Sage Research Methods

Supercharging research

Sage Video

Streaming knowledge

Technology from Sage

Library digital services