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Abstract

Growing interest in the compensation of nonprofit hospital CEOs in Ontario, Canada, has raised questions about the relationship between CEO compensation and hospital financial performance. 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.



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