

# Outlook is Bright for Physician Executive Leadership Compensation

By Lois Dister

## In this article...

Examine the results of the 2009 Cejka Search ACPE Physician Executive Compensation survey.

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Physician executive median compensation marks a two-year increase of 11.6 percent, rising to \$288,000 according to the 2009 Physician Executive Compensation Survey published by Cejka Search and the American College of Physician Executives (ACPE). This is a significant increase from the 2007 survey where the two-year rate of increase was reported as 7.5 percent.

The 2009 Physician Executive Compensation Survey is the seventh biennial survey to be conducted by the ACPE and Cejka Search, a nationwide health care executive and physician search firm. Distributed electronically from mid-May through late June to all ACPE members, the 2009 survey achieved a 23 percent response rate and presents responses from 2,131 ACPE members who provided data on their 2008 compensation.

The survey questionnaire covered various components of physician executive compensation including compensation by organization type, geographic area, organization scope of operations and revenue, and group size as applicable. Other factors affecting executive compensation are also explored such as years of experience, time allocation to administrative duties, scope of responsibilities, incentive bonus, medical specialty, and post-graduate business/healthcare education.

The population of physician executives responding to the survey is predominantly male (85 percent) versus female (15 percent). The majority (92 percent) have an MD degree versus a DO degree (8 percent) and nearly all survey respondents are board certified (96 percent). One third of all physician executives report attainment of a post-graduate business degree (33 percent), with twice as many holding a Master of Business Administration degree as a Master of Medical Management degree.

Among all physician executives, the average number of years worked in a paid administrative position is 12 years, and the average number of paid administrative positions held career-to-date is three. Additionally, physician executives average 10 years with their current employer and have five years-experience in their current administrative positions.

## Physician executive compensation

According to the 2009 survey results, physician executive median compensation averages \$288,000, representing a two-year increase of 11.6 percent from the 2007 survey at \$258,000 and a 10-year increase of 44 percent over the median compensation reported in the 1999 survey at \$200,000.

Sixteen titles are represented in the 2009 survey with five titles comprising 79 percent of the total pool of respondents: medical director (30 percent), chief medical officer (21 percent), department chair/division chief (11 percent), vice president of medical affairs (9 percent), and chief executive officer/president (8 percent).

Among all physician executive titles, the chief executive officer/president role records the largest two-year percentage increase in median compensation of 13.0 percent, increasing from \$339,324 in 2007 to \$383,500 in 2009. This title also made the highest 10-year gain in compensation of 59.8 percent. Department chair/division chief also reports a significant 10-year percentage increase in median compensation of 57.1 percent, which could potentially reflect the industry-wide movement to make the salaries of professionals at academic and teaching organizations more competitive.

## Geographic location and scope

More than half of all physician executives report working in urban locations (53 percent) with the remainder in suburban (33 percent) or rural locations (14 percent).

Physician executives working for organizations that have a regional scope of operations represent 53 percent of the survey respondents and cite the largest median compensation of \$300,000, which is on average 11 percent greater than those

working in local or national organizations.

However, the majority of physician executives (87 percent) responding to the survey report having responsibility for local or regional activities within their organizations. The median compensation for physician executives with local responsibilities is \$270,000 and with regional responsibilities is \$307,000.


## Compensation by medical specialty

The respondents to the 2009 Physician Executive Compensation Survey represent 57 medical specialties. Of these, eight specialties are represented by at least 50 respondents and account for 67 percent of the total respondents.

These survey results show that family medicine and internal medicine together account for 38 percent of the

survey sample and represent the largest proportion of participating specialties. These physician executives derive the highest percentage of their income from administrative duties, whereas they have the lowest total compensation among the eight specialties. By contrast, anesthesiologists continue to derive the greatest proportion of their compensation from clinical duties and are the most highly compensated among the eight specialties having at least 50 respondents.

### Physician Executive Median Compensation: Two-year and Ten-year Comparison

	Physician Executive Title	2009	2007	1999	% Change	
					2-year	10-year
	All Physician Executives	\$288,000	\$258,000	\$200,000	11.6%	44.0%
	Chief Executive Officer/President	\$383,500	\$339,324	\$240,000	13.0%	59.8%
	Department Chair/Division Chief	\$330,000	\$300,000	\$210,000	10.0%	57.1%
	Chief Medical Officer	\$324,750	\$292,000	\$210,000	11.2%	54.6%
	Vice President of Medical Affairs	\$299,000	\$275,000	\$205,000	8.7%	45.9%
	Medical Director	\$251,000	\$240,000	\$186,500	4.6%	34.6%

### Two-Year Comparison of Median Compensation by Medical Specialty

Specialty	2009 % Response	2009 Median Compensation	2007 % Response	2007 Median Compensation	% Change in Compensation
Family Medicine	21%	\$250,000	18%	\$226,000	10.6%
Internal Medicine	17%	\$277,500	21%	\$246,000	12.8%
Emergency Medicine	8%	\$320,000	8%	\$300,000	6.7%
Pediatrics	7%	\$275,000	7%	\$235,000	17.0%
Obstetrics/Gynecology	4%	\$289,000	4%	\$269,000	7.4%
General Surgery	4%	\$314,000	3%	\$280,000	12.1%
Psychiatry	3%	\$265,000	5%	\$228,000	16.2%
Anesthesiology	3%	\$385,000	3%	\$350,000	10.0%

## Time Allocated to Administrative Duties: Two-Year Comparison

Proportion of Time Spent on Administrative Duties	# of 2009 Sample	2009	2007	% Change
<b>Most</b>				
Chief Operating Officer	38	89%	86%	3%
Chief Medical Officer	443	89%	91%	-2%
Vice President of Medical Affairs	197	86%	89%	-3%
Chief Quality and Patient Safety Officer	55	79%	86%	-8%
Chief Executive Officer/President	166	74%	70%	6%
<b>Average</b>				
Department Chair/Division Chief	243	48%	52%	-8%
<b>Least</b>				
Professor	14	35%	46%	-24%
Chair/Member, Board of Directors	45	40%	40%	0%

## Average Reimbursement for Administrative Time: Two-Year Comparison

Admin Time	% Sample 2009	2009	2007	% Change
1% – 25%	15%	\$30,000	\$36,000	-17%
26% – 50%	17%	\$100,000	\$100,000	0%
51% – 75%	14%	\$183,000	\$170,500	7%
76% – 99%	23%	\$275,000	\$240,000	15%
100%	31%	\$290,000	\$254,500	14%

### Administrative time

Survey results indicate that physician executives allocate on average 69 percent of their time to administrative responsibilities, with 28 percent spent on clinical duties, and 3 percent on research. However, this allocation differs by physician executive title, as shown in the table below.

Almost one third (31%) of physician executives cite allocating 100 percent of their time on administrative duties.

When analyzed by specific title, the survey results show that the 31% of all physician executives who report 100 percent allocation of time to administrative duties are comprised predominantly of chief medical officers (35 percent), medical directors (28

percent), vice presidents of medical affairs (14 percent), and chief executive officers/presidents (8 percent).

### Administrative responsibility

Survey results also provide insight on 11 administrative categories performed by physician executives and the average percentage of time they allocate to that responsibility. The majority of survey respondents (88 percent) cite having responsibility for the category of Administrative Management, which includes setting organizational policy and compliance, strategic planning, marketing, physician compensation and addressing reimbursement issues. On average, 24 percent of their administrative time is devoted to this activity.

Quality Management including patient safety, cost management, utilization review, medical protocol development, medical error reduction is mentioned by 85 percent of respondents as a responsibility to which they dedicate on average 23 percent of their administrative time. More than three quarters reference Liaison activities (76

percent) and almost two-thirds report Medical Staff activities (62 percent), both of which receive an average of 14 percent of their administrative time.

### Compensating the president of the medical staff

Survey respondents describe how the President of the Medical Staff is compensated in their organizations. Forty-one percent (41 percent) cite that their organization pays the President of the Medical Staff, while 33 percent indicate they do not, and 36 percent do not know.

Among those organizations that do pay the President of the Medical Staff, 16 percent state that the hospital pays the entire stipend, while 9 percent state that the medical staff pays the entire stipend. The remainder indicates that it is split on an average basis of 60 percent paid by hospital and 40 percent by medical staff.

### Reporting compensation via form 990

The 2009 Physician Executive Compensation Survey included a question inquiring about the newly implemented legislation requiring non-profit organizations to report the compensation of their most highly paid executives. Sixty-five percent (65 percent) of respondents indicate that they are employed by tax-exempt organizations. Among those, 36 percent expect that their organization would file Form 990 reporting their compensation, 14 percent say their organization would not, and 50 percent do not know.

### Practice of clinical medicine

The 2009 Physician Executive Compensation Survey explored the degree to which physician executives continue involvement with clinical activities and provides insight on current practices related to whether continuing to practice medicine is a requirement of their current position. Responses are shown at right.

### Executive bonuses

Bonuses continue to represent a growing component of physician executive administrative compensation. Nine out of ten respondents report that their bonus was up to 30 percent of their administrative compensation. The greatest percentage increase (23 percent) in bonus compensation over the two-year period from 2007 to 2009 is reported by those physician executives whose bonuses range from 21 percent to 30 percent of their median compensation. This appears to confirm that more

executive total compensation is at risk among those who are more highly compensated.

According to the results of the 2009 survey, physician executives report that their bonus is based on a mix of organizational goals (55 percent) and personal goals (45 percent). To achieve a better understanding of the relative importance of an array of personal objectives on the award of executive bonus, physician executives were also asked to indicate the frequency and average percent of bonus each of the components represented in their bonus award.

#### Physician Executive Titles Allocating 100% of Time to Administrative Duties

Job Title	% of Physician Executives
(All)	31%
Chief Medical Officer	35%
Medical Director	28%
Vice President of Medical Affairs	14%
Chief Executive Officer / President	8%
Chief Quality and Patient Safety Officer	3%
Consultant	3%
Chief Operating Officer	2%
All other titles	6%
Total	100%

Practice of Clinical Medicine	Yes	No
Does your organization compensate you for time lost from clinical productivity?	25%	75%
Do you continue to practice medicine?	68%	32%
Is maintaining clinical hours a requirement of your job?	42%	58%

## Executive Bonus as a Percentage of Median Compensation: Two-year Comparison

Executive Bonus Percentage	% of 2009 Respondents	2009 Median Compensation	2007 Median Compensation	% Change
10% or less	42%	\$278,000	\$250,000	11%
11% – 20%	36%	\$320,000	\$282,500	13%
21% – 30%	12%	\$377,500	\$307,000	23%
31% – 40%	5%	\$424,500	\$377,500	12%
41% or more	5%	\$423,505	\$400,000	6%

## Executive Bonus

Bonus Component	Percent Responding	Average Percent of Bonus
Financial performance (cost containment, organization profit)	62%	44%
Clinical quality (measurements, outcomes, safety, process)	53%	31%
Satisfaction (physician, employee, patient)	44%	21%
Productivity (patient volume)	27%	36%
Service (speed, service line performance)	24%	19%
Other	15%	36%
No criteria exist	5%	79%

Given the effects of the economy, it is not surprising that financial performance, including cost containment and organization profit, is highlighted most often (62 percent) as a bonus component in 2009. This is a 60 percent increase in the frequency of this component being reported from 2007 when only 39 percent mentioned this as a component of their executive bonus.

Clinical quality, including outcome measurements, safety and process, is reported as a bonus component 53 percent of the time, as compared to only 32 percent in 2007,

an increase of 67 percent in frequency. “Clinical quality outcomes and patient safety goals are now driving the performance of organizations and executive compensation,” explains Deedra Hartung, executive vice president and managing director with Cejka Search’s Executive Search Division. “In an era influenced heavily by the Institute of Medicine and national quality organizations, these overarching goals are becoming synonymous with rankings of top hospitals.”

Satisfaction objectives, which include physician, employee and

patient satisfaction, are also reported 44 percent of the time as a bonus component. This bonus performance objective represents the largest two-year percentage increase (122 percent) when only 20 percent selected this as a performance objective in 2007.

## Benefits

The top three benefits as reported by the physician executive survey respondents are health insurance (87 percent), 401k/retirement (86 percent), and vacation/holiday/personal time (86 percent). In comparison of 2007 versus 2009, physician executives found 401k/retirement benefits to be more important than CME, travel and paid time-off. Additionally, Senior Executive Retirement Plans (SERP) and auto allowance benefits declined by 6 percent and 7 percent respectively. In 2009, CME, travel, and paid time-off benefit averages at \$4,083, while 32 days on average are granted for vacation, holiday, and personal time.

## Business management degrees

Post-graduate business management degrees continue to be an important reflection of median compensation. Results from the 2009 Physician Executive Compensation Survey reveal that 33 percent of the physician executives responding hold one of four post-graduate business management degrees:

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ACPE members are invited to engage with an interactive panel of physician executives who will discuss how our newest compensation survey findings can be used to support healthcare organizations' objectives and strategic planning.



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## 2009 Physician Executive Compensation Survey

*Median compensation for physician executives achieves a two-year increase of 11.6 percent – how does your compensation compare?*

*Find out today! Visit [cejkasearch.com/acpe](http://cejkasearch.com/acpe) for survey highlights and to purchase your copy.*

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- 53 percent have a Master of Business Administration (MBA)
- 28 percent have a Master of Medical Management (MMM)
- 13 percent have a Master of Public Health (MPH)
- 6 percent have a Master of Health Administration (MHA)

The largest proportion of post-graduate business management degree holders are medical directors (26 percent), chief medical officers (24 percent), vice president of medical affairs (11 percent), and department chair/division chief (10 percent).

Median compensation among physician executives appears to be positively influenced by the attainment of a post-graduate business management degree. When a comparison of median compensation between physician executives with and without a post-graduate business degree is analyzed, the survey findings show that:

- Chief executive officer/president titles report earning 22 percent greater median salary with an MBA and 5 percent greater salary with an MMM.
- Vice president of medical affairs titles report earning 14 percent greater median salary with an MBA and 5 percent more with an MMM.
- Department chair/chief titles report earning 10 percent greater median salary with an MBA and 25 percent more with an MMM.
- Chief medical officer titles report earning 7 percent greater median salary with an MBA.
- Medical director titles report earning 11 percent greater median salary with an MBA, 9 percent more with an MMM, and 18 percent more with an MHA.

## Gender

Similar to the findings from prior Physician Executive Compensation Surveys, the gender mix of respondents to the 2009 survey continues to be 85 percent male and 15 percent female. Of the 15 percent of female survey respondents, 41 percent are medical directors, 14 percent are chief medical officers, 12 percent are department chair/division chiefs, 6 percent are vice president of medical affairs, 5 percent are chief executive officer/presidents, and the remaining 22 percent represented a mix of other physician executive titles.

With regard to the gender mix for specific titles among those participating in the survey, the titles with the largest percentage of female versus male representation include:

- Consultant (26 percent female versus 74 percent male)
- President of the medical staff (24 percent female versus 76 percent male)
- Professor (21 percent female versus 79 percent male)
- Residency/fellowship program director (21 percent female versus 79 percent male)
- Chief quality and patient safety officer (20 percent female versus 80 percent male)
- Medical director (20 percent female versus 80 percent male)
- Service line director (19 percent female versus 81 percent male)

The titles with the lowest percentage of female versus male representation are: chief medical officer (10 percent), vice president of medical affairs (10 percent), and chief executive officer/president (8 percent). Those titles with no female representation in this survey include: chief medical information officer, chief information officer, and chief operating officer.

## Conclusion

The 2009 Physician Executive Compensation Survey findings are consistent with the leadership trends seen in the marketplace today. “Physician executives are being rewarded for measurable improvements that enhance organizational and clinical effectiveness and ultimately fiscal gains. Given today’s economy, it is not surprising to see more emphasis being placed on financial performance, advanced clinical outcomes and patient satisfaction,” states Lois Dister, executive vice president and managing director with Cejka Search’s Executive Search Division. “More and more, physician executives are eagerly embracing accountability for their leadership in these areas and are relied upon by their organizations to move forward in the strategic direction necessary for success.”

ACPE members are invited to attend an interactive panel presentation at the 2009 ACPE Fall Institute on Monday, November 16, at 12:00 noon. Participants will engage with a panel of physician executives who will discuss the survey findings as they pertain to their organization’s objectives and strategic planning.

To purchase a copy of the Cejka Search and the American College of Physician Executives 2009 Compensation Survey, visit [www.cejkasearch.com/acpe](http://www.cejkasearch.com/acpe). Cost is \$150 for ACPE members and \$350 for non-members. Individual sections with the Executive Summary may also be purchased for \$75 for ACPE members and \$150 for non-members.



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