



# Physician Executive Compensation: How Are Top Physician Leaders Paid?

A recent *New York Times* report showed that more physicians are seeking business degrees to build a foundation of skills and knowledge about the business of healthcare. Currently, there are 65 joint MD/MBA degree programs at universities compared with only five or six in the late 1990s.

As more physicians look to strengthen their business backgrounds and accept executive positions at hospitals, more data becomes available to benchmark their compensation trends. The 2011 Physician Executive Compensation Survey, published by Cejka Executive Search, scoured through results reported by 1,985 members of the American College of Physician Executives. Here are some of the highlights of physician executive pay at various hospital institutions. *Note:* All data from the survey is from the 2010 calendar year and includes salary, bonuses, incentives, research stipends and other forms of compensation.

Physician CEOs and presidents saw the rate of growth in their total compensation packages slow down significantly over the past two years, reporting their lowest two-year increase since 2001 at 2.5 percent.

Physicians who take on the role of chief medical officer in the C-suite reported a better two-year growth at 5.7 percent. Hospital CMOs saw a 4.5 percent increase from 2009 and a gain of 54.2 percent over a 10-year period. Notably, CMOs at health system corporate offices gained a significant 16.5 percent in the past two years.

Overall, physician executives at the health-system level saw the greatest median annual compensation figures in 2011, earning roughly \$385,000, an 8.7 percent increase since 2009 that outpaced the 5.9 percent reported by all physician executives. Not surprisingly, this figure towers over physician executives at other hospital-related organizations, such as academic medical centers, hospitals and hospital management companies. Physician executives are most prevalent at general acute-care hospitals, but they reported annual median compensation that is \$71,100 less per year than those at the health-system level. A similar and somewhat consistent finding revealed that median income was highest among physician executives

Physician Executive Title	Response	2011	2009	2001	% Change	
					2-Year	10-Year
All Physician Executives	1,985	\$305,000	\$288,000	\$210,000	5.9%	45.2%
Chief Executive Officer / President	166	\$393,152	\$383,500	\$250,000	2.5%	57.3%
Chief Medical Officer	437	\$343,334	\$324,750	\$225,000	5.7%	52.6%
Department Chair / Division Chief	195	\$340,000	\$330,000	\$233,000	3.0%	45.9%
Vice President of Medical Affairs	127	\$315,000	\$299,000	\$215,750	5.4%	46.0%
Medical Director	473	\$269,050	\$250,088	\$250,000	7.6%	34.5%

Type of Organization	2011	2009	2001	% Change	
				2-Year	10-Year
Health System Corporate Office	\$453,000	\$389,000	\$300,000	16.5%	51.0%
Hospital	\$393,260	\$324,500	\$220,000	4.5%	54.2%

Type of Organization	Response	2011	2009	2-Year % Change
Academic Medical Center	282	\$300,000	\$294,000	2.0%
Health System Corporate Office	177	\$385,000	\$354,178	8.7%
Hospital	586	\$313,900	\$290,000	8.2%
Hospital Corporation/ Management Company	75	\$302,000	\$286,500	5.4%

whose main responsibilities are regional or whose organizational location spans a combination of urban, suburban and rural locations.

Physician executive salary is also influenced by

regional differences. According to Medscape's 2011 Physician Compensation Survey, the highest-earning physicians were in the North Central region of the United States, but that area differs for physician executives. The highest-earning

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See how your organization compares – learn more about important issues in physician executive compensation and leadership development from the 2011 Physician Executive Compensation Survey published by Cejka Executive Search and American College of Physician Executives. Visit [www.cejkaexecutivesearch.com/Comp2011](http://www.cejkaexecutivesearch.com/Comp2011) or call us at 866-346-7125.

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### Physician Executive Median Compensation by Region: 2-Year Comparison

Geographic Region	% of Respondents	2011	2009	2-Year % Change
Northeast	28%	\$310,000	\$289,000	7%
Southeast	19%	\$308,250	\$289,000	7%
North Central	24%	\$306,587	\$289,912	6%
Central	13%	\$310,000	\$280,000	11%
West	16%	\$292,000	\$286,095	2%

### Physician Executive Median Compensation By Degree

Position With an MBA	2011 Median Compensation Without MBA	2009 Median Compensation With MBA	\$ Difference in 2011 Compensation	% Difference in 2011 Compensation
CEO/President	\$399,500	\$423,500	\$24,000	6%
Chief Medical Officer	\$322,000	\$365,525	\$43,525	14%
Department Chair/Division Chief	\$340,000	\$366,600	\$26,600	8%
Medical Director of a Service Line	\$260,200	\$282,500	\$22,300	9%
Vice President of Medical Affairs	\$309,900	\$332,500	\$22,600	7%

physician executives worked in the Northeast and Central areas, averaging roughly \$310,000 per year in salary and benefits. Physician executives in the Central region also saw the largest increase in median compensation from 2009, as they make 11 percent more on average.

As mentioned earlier, a growing number of physicians are working toward an MBA, and as the survey showed, compensation favors physician executives who have post-graduate business management degrees. Physician CEOs, CMOs, department chairs, service line medical directors and vice presidents of medical affairs with MBAs all make more than their counterparts who do not have an MBA. CMOs witnessed the largest difference between the two groups, as CMOs with an MBA received roughly 14 percent more on average in total annual compensation than CMOs who do not have the degree.

While executive compensation at hospitals remains a point of scrutiny, especially at non-profits, physician executives still have seen modest raises to their annual total compensation. Physician executive compensation is significantly higher than it was 10 years ago, which may lead to a plateau in the near future. However, current trends indicate a growing pathway toward the increase of annual physician compensation for physician leaders who seek a broader horizon of system responsibilities and build the foundation of business-focused training these jobs require. ■

## 5 Considerations on How to Compensate a Physician Leader

By Deedra Hartung, Executive Vice President and Managing Principal, Cejka Executive Search

**1. Performance.** Generating market growth and clinical outcomes are key determinants in the earning power of executives. The physician executive should be able to benchmark his or her results and demonstrate a strong track record of metrics that drive value for their organization.

**2. Risk/Reward.** The physician leader who is willing to risk a significant part of his or her total compensation on meeting specific outcomes and goals should gain greater potential upside for taking the risk — and then meeting or surpassing those goals.

**3. Team leadership.** The first two considerations must be placed in the context of team per-

formance. As executives develop and progress in their leadership roles, they will see that a greater percentage of their bonus compensation will be based on organizational, more so than personal, performance. They are rewarded for leading teams toward group success.

**4. Scope of responsibilities.** Executives positioned to influence the performance of a diverse group of stakeholders, or to drive outcomes from multiple enterprises in a system, should have higher compensation potential. The compensation is less about the size of the title and more about the scope of responsibility the executive is willing to assume.

**5. Management training.** Typically, physicians who invest in developing their management skills through a post-graduate degree earn more than those without a post-graduate management degree. However, the degree is not the determining factor. The executive must also deliver a track record for performance and demonstrate skills in conflict resolution, project management and collaborative decision-making to see the financial upside. ■

To purchase a copy of the Cejka Search and ACPE 2011 Physician Executive Compensation Survey, visit <http://www.cejkaexecutivesearch.com/comp2011/>. The survey costs \$150 for ACPE members and \$350 for non-members.

Looking for more information about the 2011 Physician Executive Compensation Survey? Three easy ways:

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