

More on Executive Pay: Healthcare Non-Profits Are Paying More & More to CEOs

Just after we wrote last week about the SEC's new pay ratio disclosure rule under Dodd-Frank, Modern Healthcare published a [story](#) on executive pay in not-for-profit healthcare entities that we want to draw your attention to. State laws governing non-profits provide a check on CEO salaries by requiring that those salaries be "market rates," and attempting to ensure that they do not amount to misuses of the entities' charitable assets. Notwithstanding, Modern Healthcare's review of recent non-profit healthcare executives' pay shows an increase of 29.6% in pay for the 20 top-paid healthcare executives who earned both a base salary and bonus and incentive income from 2012 to 2013. This average includes huge spikes, including the more than doubling of some executives' pay.

Of course, this is a situation where a rising tide floats all boats—i.e., when many non-profit executives' pay increases, the "market rate" for a non-profit CEO goes up, making further increases more likely. And, with for-profit healthcare executive pay often double, triple, or more than non-profit pay, these executives and their companies can still argue that they are a bargain. Consultants are predicting an increase in the upward trend. It will be interesting to see whether the SEC rule for publicly traded companies has any effect in the non-profit sector. Unfortunately, we will have to wait until 2017 before that rule even takes effect, but press on the issue now may have some effect (we hope).