

Survey says: Grassley steamed

Despite assertions from the industry that oversight of executive pay, bonuses and perks appears to have improved among not-for-profit health systems, based on recently released survey results, a key congressional critic isn't convinced.

Chuck Grassley (R-Iowa), the Senate Finance Committee chairman, rebuked the 35 tax-exempt health systems that opted to skip a voluntary Government Accountability Office survey of the 100 largest not-for-profit systems' compensation, benefits and governance practices. The GAO released its results July 28. "The public reasonably expects and needs transparency and cooperation from all nonprofits -- not just those that choose to cooperate," Grassley said in a statement.

Rep. Bill Thomas (R-Calif.), chairman of the House Ways and Means Committee, requested the inquiry but did not comment on its findings. A call to Thomas' office was referred to Ways and Means Committee spokeswoman Ianthe Jackson, who declined to comment on the results. Healthcare executives have yet to learn results of two Internal Revenue Service inquiries into executive compensation and community benefits.

Healthcare insiders, including Thomas Dolan, American College of Healthcare Executives president and chief executive officer, defended systems' partial participation as a strong response for such a detailed, voluntary inquiry. "It wasn't a mandatory survey," Dolan said. "It shows the field wants to respond." Fifteen-hospital Bon Secours Health System, Mariottsville, Md., was one system that did not send in a reply because of the time required to finish the questionnaire. "It was voluntary," reiterated Peggy Moseley, Bon Secours spokeswoman.

Grassley also sharply criticized poor governance practices uncovered in the report that left compensation open to abuse, citing limited audits of perks; reimbursement for executives' personal legal or financial planning fees; and executive compensation governing bodies that include CEOs as voting members. "Throughout the GAO report there are repeated instances in which it appears that the hospital boards are not aware of their roles," Grassley wrote.

Not-for-profit system officials and consultants argued results revealed solid governance and a heightened sensitivity to calls for greater oversight of tax-exempt charities pay to top executives. Michael Peregrine, a Chicago healthcare tax partner with McDermott, Will & Emery, said despite Grassley's concerns, the survey results had no "smoking gun."

"It shows a majority of health systems have responded to regulators' primary concerns," said Orest Holubec, a spokesman for 28-hospital Catholic Healthcare Partners, Cincinnati, which replied to the GAO survey.

The GAO report found all of the 65 respondents had conflict-of-interest policies that require directors who oversee compensation to disclose potential conflicts. Nearly all systems, 63, reported hiring an outside compensation consultant since 2004 for advice on how much and how to pay executives. In other areas, however, systems' reported less consistent practices. Roughly 60% had conflict-of-interest policies that covered compensation consultants. Use and oversight of travel and perks varied among survey respondents; about half audited such policies.

Don Jones, vice president of human resources for Adventist Health System, a 21-hospital not-for-profit system based in Winter Park, Fla., said the overall findings "were what I would have expected," but added he was hesitant to rely too heavily on results of a voluntary survey for such a politically sensitive subject.

Tax-exempt healthcare's business practices will likely get a more-detailed analysis in an expected summary of Grassley's inquiry of 10 not-for-profit systems, said Reatha Clark, a partner in PricewaterhouseCoopers' Health Industry Advisory practice. Clark, whose clients include one tax-exempt system targeted by Grassley, cautioned against drawing conclusions or crafting policies from the GAO's survey. "This report can't go far enough to say the board measures its risks incorrectly."