

Hospital CEOs join the \$1m club

Union slams big raises, but nonprofits say they're trying to keep top talent

By Christopher Rowland, Boston Globe Staff | August 31, 2006

Chief executives at charitable hospitals in Massachusetts received substantial pay and benefit increases in fiscal year 2005, for the first time boosting their overall compensation to more than \$1 million at most of the largest institutions.

Also, the highest-paid hospital executive in the state, Partners HealthCare chief executive James J. Mongan, broke the \$2 million barrier, another significant milestone.

The salaries, bonuses, retirement plans and fringe benefits were made public by the hospitals in annual reports they filed this month with Attorney General Thomas F. Reilly's public charities division.

The compensation packages quickly drew criticism from the state's largest healthcare union, the Massachusetts Nurses Association. But hospital board members who set salaries and benefits said more lucrative contracts are required to retain top talent and reward executives for managing complex institutions.

Partners HealthCare and its member hospitals want to pay Mongan and other chief executives enough to keep them from being lured away by competitors or private industry, said Jack Connors, chairman of Partners HealthCare and chairman of its compensation committee. If Partners were a publicly traded, for-profit corporation, its nearly \$6 billion in revenue would make it the seventh-largest in the state in 2005, behind the likes of [BJ's Wholesale Club](#) and [Boston Scientific Corp.](#)

“Just because the hospitals are nonprofit doesn't mean they can afford second-class leadership,” Connors said. “I really feel we're doing the right thing by paying these guys top dollar in the field.”

The reports show compensation packages for Massachusetts health executives exceeded or kept pace with the rapidly increasing pay rates of hospital executives across the country.

In a national survey, total cash compensation levels for executives and managers at profit and nonprofit hospitals rose 7.2 percent during fiscal year 2005, 30 percent in 2004, 12 percent in 2003 and 14 percent in 2002.

Mongan's total compensation in cash and benefits rose 10.5 percent to \$2.1 million in 2005, from \$1.9 million in 2004. It included \$1.17 million in salary, a \$350,000 bonus, \$150,000 in deferred compensation, and a \$350,000 contribution to his retirement plan.

Partners HealthCare is New England's largest health system. The heads of its two largest member hospitals received substantial pay increases in 2005.

Massachusetts General Hospital chief executive Peter Slavin's compensation rose 13.1 percent to \$1 million, from \$884,422.

The package for the chief executive at Brigham and Women's Hospital, Gary Gottlieb, climbed 6.9 percent to \$1 million, from \$935,009.

Among other teaching hospitals in the state, Boston Medical Center chief executive Elaine Ullian's compensation increased 54 percent to \$1.37 million, from \$885,901. The jump was the result of bonuses worth \$425,000, which made her the second-highest-paid chief executive in the state, behind Mongan.

Marshall Carter, chairman of the Boston Medical Center board of trustees, said Ullian's bonus represented payments for 2004 and 2005 that were lumped together after negotiations for her contract were completed in 2005. He said the bonus was based on her increasing inpatient volume, recruiting new clinical chiefs, reducing the average costs of hospital admissions, and improving patient safety. Also, the board wants to make sure Ullian stays put.

"We wouldn't want someone to swoop in here from Cleveland and offer her three times the salary," he said.

In addition to awarding performance bonuses, Massachusetts hospitals have begun reporting large payments of deferred compensation and retirement-plan payments. Hospitals say the payments encourage executives to stay through the end of their contracts or until retirement, because they won't get the money if they leave early.

But the payments have also been criticized by members of Congress. Senate Finance Committee chairman Charles Grassley, Republican of Iowa, recently said they create "the opportunity for nonprofits to pay exorbitant deferred compensation amounts."

Reilly spokeswoman Beth Stone said the attorney general's office would review the executives' compensation, but that Internal Revenue Service rules allow nonprofit hospitals to set executive compensation at the same level as for-profit hospitals.

At UMass Memorial Medical Center in Worcester, chief executive John O'Brien's compensation swelled 38 percent to \$1.27 million, from \$920,000. The increase included \$372,000 in deferred compensation and other benefits. The Massachusetts Nurses Association, which broadly criticized increased salaries for Massachusetts hospital chief executives, singled out O'Brien for criticism, because during ongoing contract talks for 760 nurses at the hospital's university campus he has asked them to accept a reduction in pension and healthcare benefits.

"It's obscene for him to take all that money when he's asking nurses who provide the bulk of care at that hospital to accept concessions," said David Schildmeier, spokesman for the union.

UMass Memorial spokesman Mark Shelton said O'Brien's compensation package is comparable to what top executives at other hospitals receive. During contract negotiations, Shelton said, O'Brien is seeking to ensure nurses are compensated fairly.

“The proposals we have made are intended to keep the nurses in that bargaining unit compensated competitively while at the same time recognizing how the world of healthcare has changed in recent years,” Shelton said.

At Lahey Clinic in Burlington, chief executive David M. Barrett's package was up 32 percent to \$1.25 million, from \$945,031. The increase included \$518,000 in benefit payments.

In Springfield, Baystate Health gave chief executive Mark R. Tolosky \$1.24 million, up from \$1.03 million in 2004, the year he was promoted to chief executive.

Children's Hospital Boston boosted chief executive James Mandell's compensation 9.9 percent to \$1.07 million, from \$978,955.

At Tufts-New England Medical Center, chief executive Ellen Zane received a total of \$1.05 million in 2005. In 2004, she was chief executive for just eight months and received \$590,131.

Beth Israel Deaconess Medical Center chief executive Paul Levy received a 4.5 percent increase to \$1 million, from \$957,477.

Caritas Christi Health Care, the hospital system operated by the Archdiocese of Boston, paid its former chief executive, Robert Haddad, \$932,870 in salary and benefits. Haddad, who was forced to resign this year amid allegations he sexually harassed women in his office, replaced chief executive Michael Collins in 2004.

Caritas Christi also reported paying Collins \$1.21 million in fiscal year 2005, even though he left the prior year. Caritas Christi said the payments to Collins and several other executives who left during 2004 were severance packages that had previously been reported.