Opinion

Health CEO Salaries: Sour Grapes or Social Envy?

Aesop, one of my childhood heroes from ancient Greece, told a fable about a fox who spied a bunch of ripe grapes hanging just out of his reach. He (Aesop's gender choice, not mine) jumped and hopped and climbed and twisted but could not get a single grape to taste. So he declared that they weren't worth the effort because they were probably sour. Over time, "sour grapes" has become a term for rationalizing our inability to attain something desirable. Sour grapes is how I crystallize my feelings about chief executive officer (CEO) salaries in the business of health, be it companies dealing with insurance, devices, hospitals, or pharmaceuticals. These salaries are truly eye-popping (an inadvertent ophthalmic metaphor), as reported in *The New York Times* and my other preferred sources of health-related news, and they exceed those in other sectors of the economy.

Aetna Chairman and CEO Mark Bertolini led the pack. Although his salary for 2012 was a paltry $977,000, his total compensation package for that year reached $36 million, mostly in stock shares vested and options taken. And, of course, there was the extra $283,000, largely for personal use of corporate aircraft (required for security purposes). Ronald Del Mauro, a former president of Barnabas Health, a midsize health system in New Jersey, earned just $28,000 in salary in his retirement year of 2012, but his total compensation was $21.7 million. WellPoint's CEO Joseph Swedish received $17 million compensation for 2013, including a signing bonus, reimbursement for pay he forfeited by leaving his previous job early, $78,000 in moving expenses, and other "considerations."

It turns out that physicians, the most highly trained members of the health industry workforce, are, on average, right in the middle of the health care compensation pack in terms of base pay (not including stock grants and options). The reason physicians made it so high is that we still underpay nurses and other direct caregivers. According to Compdata Surveys, the average general surgeon makes $306,000, and general practitioner, $185,000—while the average insurance CEO makes $584,000; hospital CEO, $386,000; and hospital administrator, $237,000. Although the data are not as transparent, the executives just below the CEOs are also profiting handsomely in the current state of affairs, with double-digit annual increases in salary. The aforementioned Barnabas Health has more than 20 vice presidents, each of whom earned over $350,000.

In their defense, the companies note that these executives have years or decades of service, that their salaries are determined by an executive compensation committee (notably composed largely of other CEOs with a vested interest in salary inflation—the foxes guarding the henhouses), and that such salaries are a drop in the bucket for these billion-dollar businesses. In fact, Uwe Reinhardt, a prominent health care economist from Princeton, has stated that naysayers of corporate CEO salaries are manifesting a form of social envy.

So which more aptly describes my feelings: sour grapes or social envy? (Keep your eyes peeled for the answer.) From my perspective, the job of being a physician and actually contributing to the health of my patients is far more rewarding than being an administrator. To get the salary of a health CEO means you actually have to do the work of a CEO. And for me, that turns those great big salary grapes sour.

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