



INTEGRATED HEALTHCARE STRATEGIES™

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Spring 2010 Salary Increase and Benefits Change Survey- Preliminary Results

The State of Salary Increases, and Employee and Leadership Perception of Pay

Presented by Integrated Healthcare Strategies as Authored by Martina Young and Josh Mattson

Initiated by the declining economic condition, Integrated Healthcare Strategies (IHStrategies) began monitoring trends in salary increases, incentive practices and benefit changes in the fourth quarter of 2008. This article provides a snapshot of the major findings from the fourth survey in the series, examining the first quarter of 2010.

Pay Increases Stabilizing

The results of the Salary Increase and Benefits Change Survey indicate that pay increases at hospitals and health systems still appear to be stabilizing. As reported in previous surveys, executives, middle management, and staff-level employees' salary increases continue to be at levels below historical trends; however, the data shows the decline has leveled off. Increases remain fairly consistent with the levels reported in our earlier trend surveys. The results of the survey conducted in October of 2009 reported projected median salary increase budgets for 2010 of 2.5% for executives, and 3% for both middle management and staff-level employees. The median budgeted salary increases for 2010 from this most recent survey is the same for executives and slightly less than previously budgeted for middle management and staff. We believe that the slight decrease for staff and middle management is a result of many organizations providing increases of around 3% toward the end of 2009. We expect these numbers to increase slowly during the second half of 2010 into 2011. Organizations should anticipate budgeting for slightly higher salary increases moving forward.

Nearly one-half of participating organizations reported the actual salary increase budget for 2010 has increased over the 2009 budget and another one-quarter of organizations are reporting that the budget for 2010 will be the same as the 2009 budget. The remainder reported

that the 2010 budget for salary increases will decrease from the 2009 budgets. The most common reasons for changes to salary increase budgets were: expected financial performance in 2010, actual financial performance in 2009, regional or local salary trends, and industry salary trends.

Less Delays for Increases

Another promising preliminary result from the survey is that fewer organizations are delaying salary increases in 2010. Over a third of the participants reported delaying increases in 2009. Less than one-quarter of participants report that they expect to have a delay in salary increases for 2010.

Incentive Plan Changes

Of the organizations responding, only 14% intend to make changes to executive incentive plans in 2010; the most common change cited is a reduction in incentive opportunity levels. Of the organizations that made cutbacks to their incentive programs in 2009, 14% indicated that they would be reversing those changes in 2010.

Benefit and Perquisite Expenditures

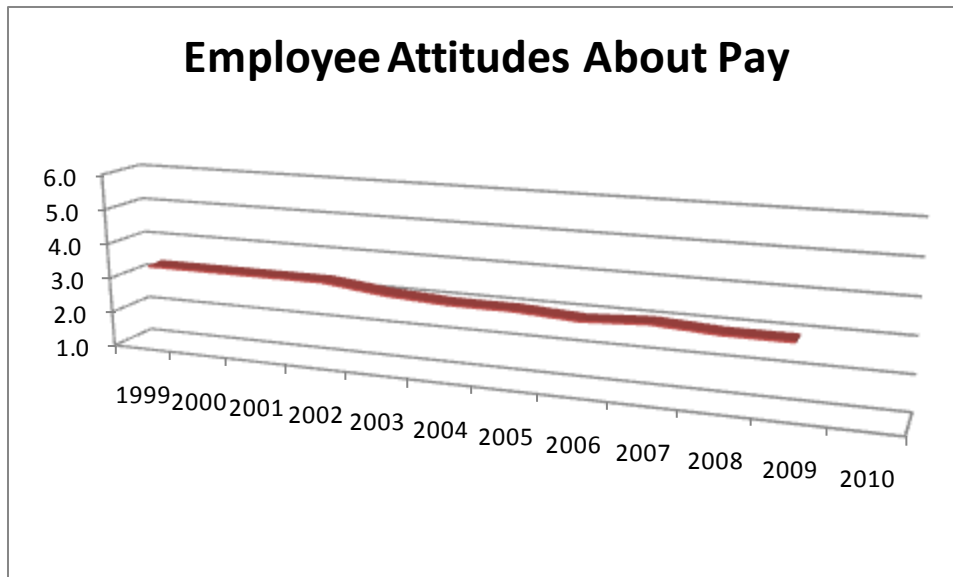
Approximately 25% of the organizations reported modifying benefit programs in 2010 to reduce expenses. The most common benefits modified were medical and dental premium contributions and paid time off. The reduction in benefits appears to be slowing since last year, when a third of the organizations reduced benefit expenses.

Employee Attitudes About Pay

Despite the economic downturn, employee attitudes regarding pay have remained fairly positive and consistent over the past two years, varying only one tenth of a point on a six point scale from 2007. IHStrategies conducts Employee and Leadership Engagement and Satisfaction Surveys for hundreds of healthcare organizations annually and has a normative database with over one million healthcare employees' attitudes regarding their organizations, including employees' opinions about pay. Currently, we are finding that because of the economic environment, employees and leaders expectations have been lower when it comes to compensation, therefore they are still fairly positive.

A concern is that news of economic recovery will result in a correlating increase in employees' expectations regarding salary increases. In lieu of the results of this most recent survey and the

one IHStrategies conducted in October of 2009, our researchers are paying closer attention to employee attitudes about pay in 2010. The concern is that as the economy recovers, the perception that employees have about their pay and the organization's ability to provide increases, at pre-recession levels, is changing and organizations will have a new employee relations issue.



Summary

The results of the Spring 2010 Salary and Benefits Change Survey are more promising than previous surveys in this trend series. These results are starting to show some stabilization in the market at levels similar to those reported in our earlier surveys. Having a clear understanding of the changes occurring in both the external market and your internal workplace environment will be key. The year 2010 will be a time of rapid transition. Continued monitoring of market trends, your organization's position relative to the market, and strategies for responding to changes will be important considerations for all executives and leaders as they decide where to focus limited resources.

About Integrated Healthcare Strategies

Integrated Healthcare Strategies provides not-for-profit healthcare organizations with direct access to a comprehensive array of healthcare-specific services, delivered by professionals from the industry who understand the rigors of running a healthcare organization – from the lunchroom to the Board Room.

Its client list is a “who’s who” of healthcare organizations including over 1200 major healthcare providers, 1,800 hospitals and 700 independent and affiliated medical groups. Integrated Healthcare Strategies specializes in the areas of physician strategy and compensation, employee compensation, executive compensation, human capital solutions, labor relations, leadership transition planning, executive search, employee surveys, performance management and board governance solutions.

About the Authors

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The MSA HR Capital practice helps clients develop a human resources organization that supports their strategic goals. MSA HR Capital provides comparative data from over 1,000 hospital organizations to tailor solutions for your specific work environment to ensure that you reach objectives by integrating your management, compensation, labor relations and employee engagement goals into one seamlessly operating strategy. Our process is simple - turn data into information which helps develop more knowledge and better decisions and positive actions. For more information, visit www.IHStrategies.com.

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The Governance, Leadership and Executive Compensation practice provides valuable information, design and strategy for a variety of governance and leadership issues and challenges. These services include executive compensation program review and design, leadership continuity planning and development, governance model design development, board retreats to enhance effectiveness, CEO and executive performance development and appraisals, physician leader services and many other governance and compensation services.