

BDO 600

Board Director Compensation Trends in Middle-Market Healthcare Companies



DIRECTOR COMPENSATION CONTINUES TO CLIMB IN SIX DIFFERENT INDUSTRIES BUT DECLINES IN TWO, ACCORDING TO AN ANALYSIS CONDUCTED BY BDO USA, LLP, A LEADING ACCOUNTING AND CONSULTING ORGANIZATION.

The *BDO 600: 2013 Survey of Board Compensation Practices of 600 Mid-Market Public Companies* examines the director compensation trends in publicly-traded companies with annual revenues from \$25 million to \$1 billion in the energy, healthcare, manufacturing, real estate, retail and technology industries; and publicly-traded companies with assets between \$50 million to \$2 billion in the banking and financial services industries. Information for the study was drawn from proxy statements that were filed between May 15, 2012, and May 15, 2013.

Board director pay remains relatively static in the healthcare sector, with average total compensation decreasing slightly to

\$146,636 from \$148,272 last year. The one percent decrease contrasts with increases seen in several other surveyed sectors. While healthcare board director compensation ranks third in overall board member compensation, the technology industry receives the highest average compensation at \$174,407, down from \$177,249, a two percent decrease from the previous year. Despite trailing the other industry segments in total compensation, financial services banking and non-banking companies saw significant upward movement with 13 percent and seven percent increases in compensation from last year, respectively.

BDO HEALTHCARE INDUSTRY PRACTICE

BDO's national team of professionals offers the hands-on experience and technical skill to address the distinctive business needs of our healthcare clients. We supplement our technical approach by analyzing and advising our clients on the many elements of running a successful healthcare organization.

For more information on BDO USA's Executive and HR Services offerings for the healthcare industry, please contact one of the service leaders below:

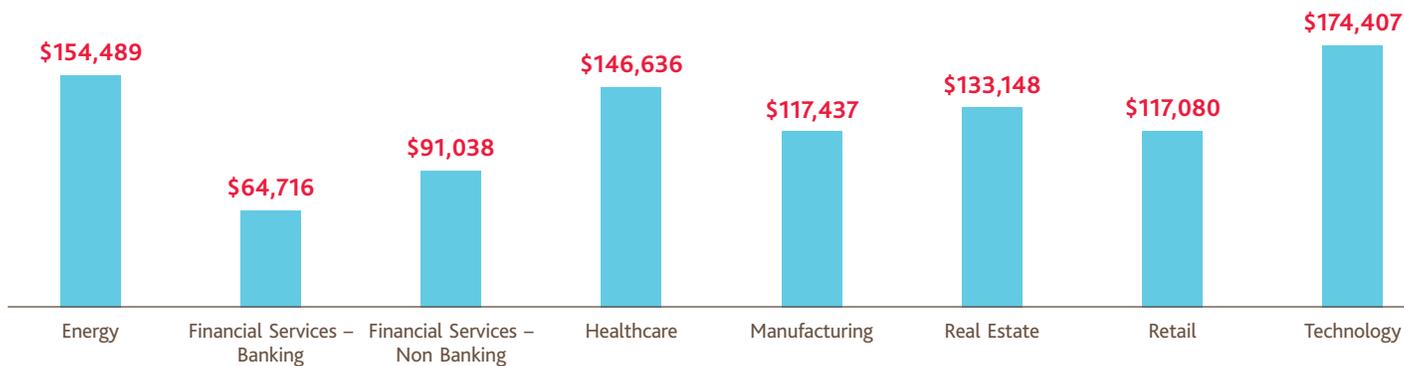
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Board Director Compensation by Industry 2011 – 2012



“Director pay in healthcare seemed to level off this year,” says **Randy Ramirez, senior director in the Global Employer Services practice at BDO**. “Moving forward, compensation is likely to become more volatile as the industry faces continued uncertainty in the face of a shifting paradigm in healthcare.”

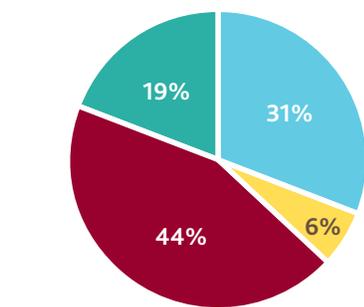
►COMPENSATION IN THE HEALTHCARE INDUSTRY REMAINS STEADY

Average total director compensation in healthcare companies (\$146,636) continues to fall just behind the energy and technology sectors. Board member compensation in the healthcare sector is likely driven by the significant shifts in the sector, where reimbursement changes and the enactment of the Affordable Care Act, has created particular uncertainty for healthcare organizations, as they try to predict the ultimate impact on their business.

►FULL-VALUE STOCK AND OPTION AWARDS DOMINATE

Director compensation in healthcare is weighted toward non-cash options, with 63 percent of compensation awarded in the form of full-value equity and option awards. Average full-value stock awards alone jumped to \$64,408 from \$58,193 last year, showing an 11 percent increase. This trend in reduced fixed income compensation may help remind directors of their fiduciary duty to act in the best interest of the company. It also serves the need of healthcare organizations to maintain cash reserves as they face significant uncertainty under the Patient Protection and Affordable Care Act.

Stock Awards Dominate Pay Mix



- Board Retainers and Fees
- Committee Retainers and Fees
- Stock Awards
- Option Awards

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