

BDO 600

Board Director Compensation Trends in Healthcare



Director compensation among middle market public companies is up 12 percent in fiscal year 2013, a significant jump from the 3 percent increase in the previous year, according to an analysis of 600 companies conducted by BDO USA, LLP, a leading accounting and consulting organization.

Average healthcare director compensation climbed to \$163,069 in fiscal year 2013, an 11 percent increase over fiscal 2012, when director compensation at \$146,636, had remained essentially unchanged over the year before. This year's healthcare compensation increase is equal to the mode of the increases seen across the eight industries surveyed. Retail and banking directors saw the lowest increases, at 2 percent and 4 percent, respectively, while non-banking financial services director compensation increased at an average of 36 percent.

"Middle market board director compensation continues its positive trajectory. The slight decreases we saw last year in year-over-year compensation change in some industries, such as technology and healthcare, were short lived," says **Randy Ramirez, senior director in the Global Employer Services Practice at BDO.** "However, while we are seeing more demand being placed on healthcare directors, we likely won't see sustained double-digit percentage increases in compensation levels until the post-reform era becomes less uncertain and the long-term implications of the Affordable Care Act are known."

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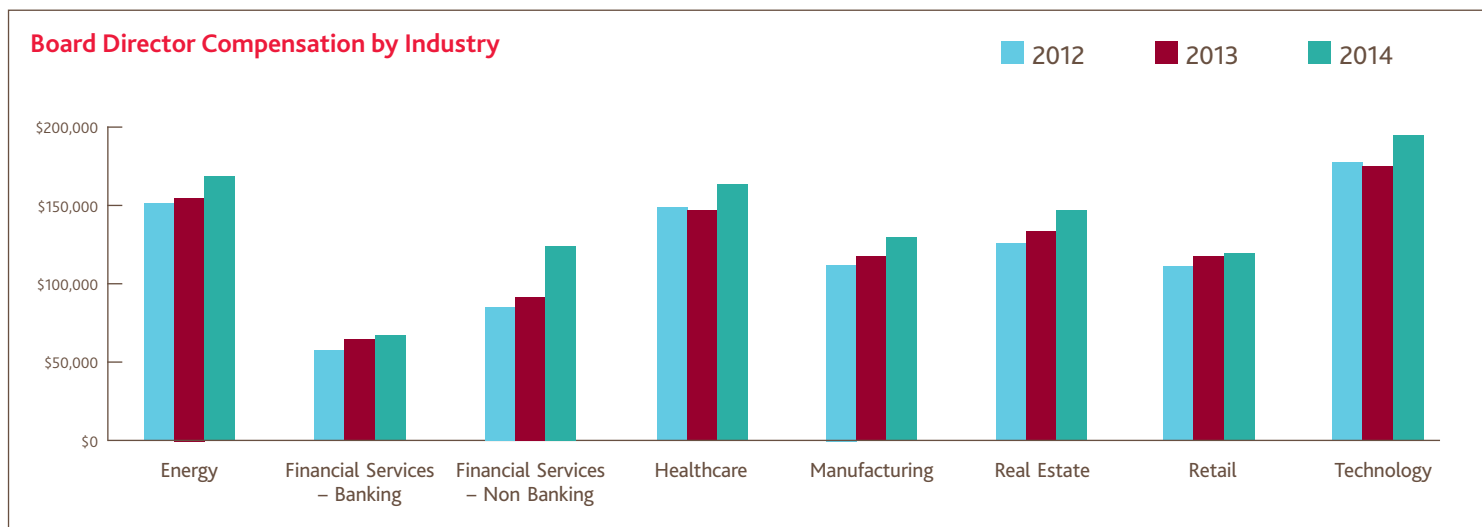
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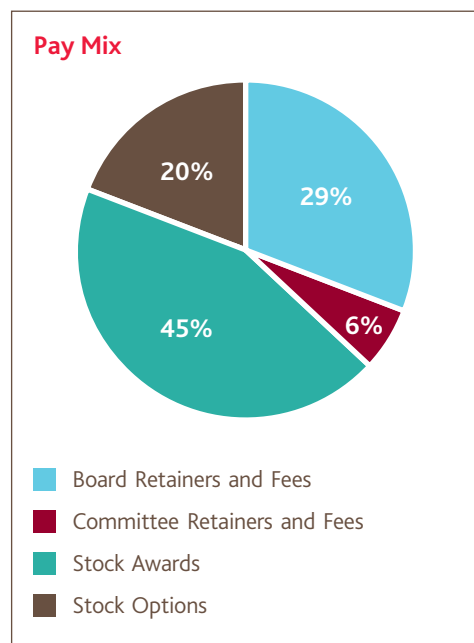


▶HEALTHCARE CONTINUES TO RANK THIRD IN OVERALL COMPENSATION

Similar to last year, average total director compensation in the healthcare sector continues to fall just behind that found in the energy and technology sectors. While there is no year-over-year spike in compensation in the sector, the strong overall director compensation levels reflect a need to attract board talent that has the skills and experience to effectively manage a risky business environment that may see increased merger and acquisition activity and continued regulatory compliance challenges.

▶PAY MIX FAVORS EQUITY

The distribution of compensation options among board and committee retainers and fees, stock awards and stock options remained relatively unchanged. While mid-market healthcare directors continue to be some of the most highly compensated of all the industries evaluated in the BDO 600, a greater percentage of their pay is tied to market performance. Only the technology sector makes a higher percentage of compensation contingent upon stock returns, with 65 percent of healthcare directors' packages made up of full-value equity and option awards, compared to 68 percent in the technology sector. The average full value of directors' stock awards was \$73,613 among all healthcare companies evaluated, a 14 percent increase over last year's \$64,408, which was an 11 percent increase over the prior year.



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