



Healthcare Services

*An Analysis of Board Trends and Director Compensation
2009*

CTPartners
Board Consultants

Vertical Market: Healthcare Services

Introduction

To provide information on governance trends in Healthcare Services, CTPartners conducted the following research based upon the most recent proxy statements of sixteen selected public companies that operate in the industry.

Key Findings

Performance: The equity capital markets performance of the sixteen companies surveyed indicates that the Healthcare Services industry as a whole has enjoyed years of impressive growth before succumbing to the effects of the recession beginning in 2007. Of the nine companies for which performance data since 2000 was available, three showed negative performance.

Share Ownership: Alignment between the interests of directors and shareholders is strong, with non-executive directors holding sizeable stakes (average: \$4.1 MM) in the companies on whose boards they serve. Including executive board members in the analysis raises the average director's equity stake to over \$18 MM.

Overboarding: Only four of the companies surveyed had any directors who served on four or more rated boards: Emergency Medical Services Corp. (14%), WebMD Health Corp. (13%), Brookdale Senior Living, Inc. (13%), and Tenet Healthcare Corp. (10%).

Rotation: There is little indication that the next few years will see a higher-than-average service rotation. Current board members have an

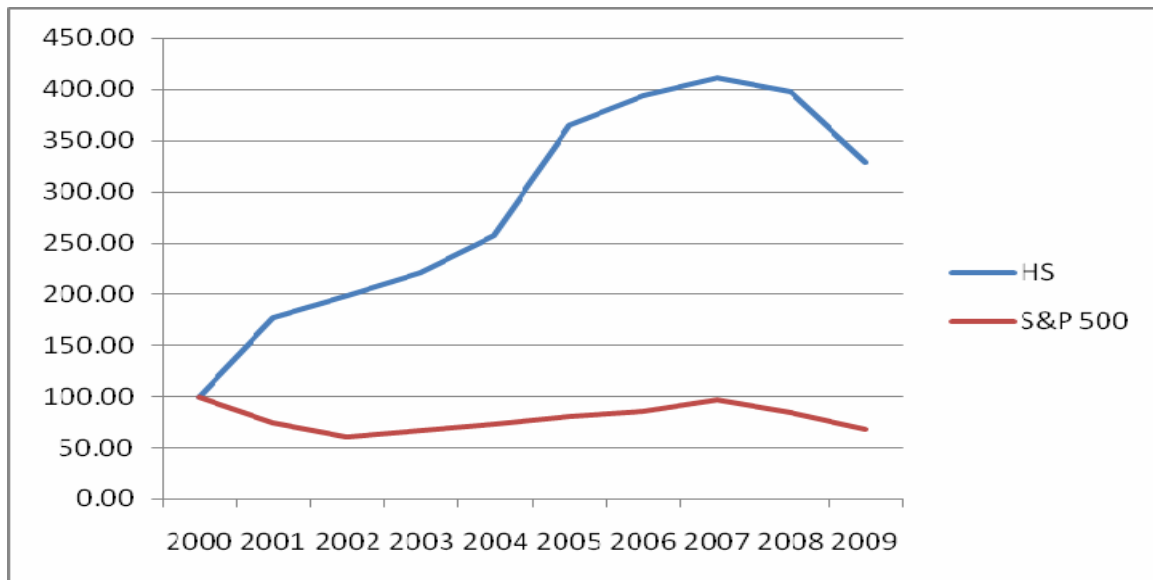
average age of 59 and an average length of board service of eight years; only 13% of non-executive directors are over the age of 70.

Composition: Boards vary slightly in composition. The average board has eight directors, with a range from five to ten, and is 80% independent, with a wide range from 57% to 90%. Selection of directors by industry or functional background to industry standard varies widely.

Diversity: Efforts have been made to increase board diversity. Nine of the sixteen boards studied have at least one female director, and two of the five boards for which ethnicity data was available employ a non-Caucasian director.

Compensation: Non-executive director compensation is heavily tilted towards equity participation. Of the sixteen companies studied, thirteen compensated non-executive directors in cash, eight in stock grants, and six in options grants. Average director compensation was \$50,346 in cash, \$103,391 in stocks and \$100,229 in options.

Industry Performance



Indexed performance of the nine HS equities that have been publicly traded since 2000 as compared to the performance of the S&P 500.

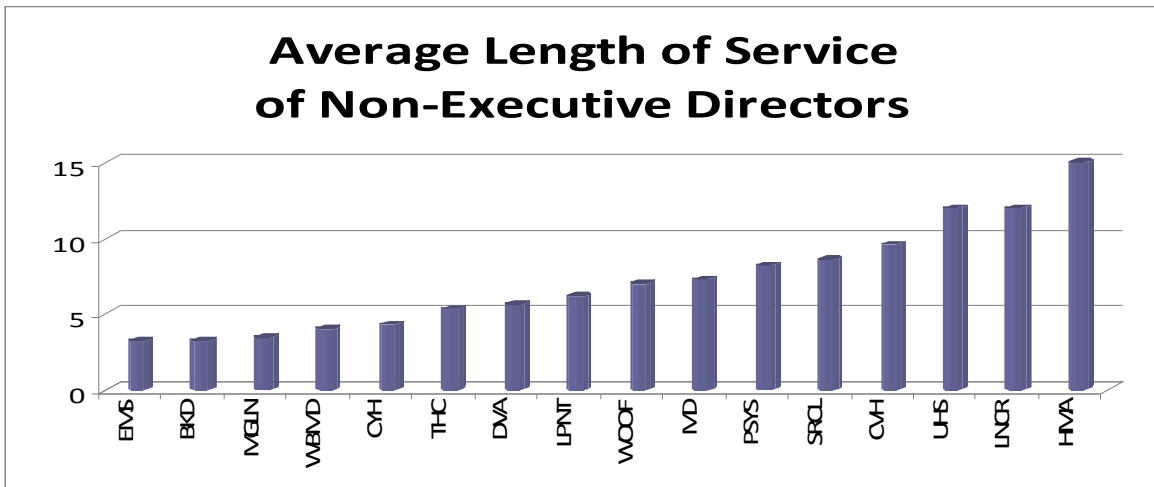
Stock performance data relative to the S&P 500 index over an extended period of time can often be useful in determining board performance. Nine of the sixteen public companies surveyed have historical performance data since 2000: Community Health Systems, Health Management Associates, Lifepoint Hospitals, Tenet Healthcare, Universal Health Services, Davita, Coventry Health Care, Stericycle and Lincare Holdings. This performance data was compared to S&P 500 index performance from the period of September, 2000 through September, 2009.

During this period, the S&P 500 lost 32%. Seven of the nine healthcare services companies analyzed beat the index performance, with an average gain of 129%.

Three companies exhibited a negative performance: Lifepoint Hospitals, with a period loss of 20% (12% above the S&P 500 index); Health Management Associates, with a period loss of 58% (26% under index); and Tenet Healthcare, with a period loss of 79% (47% under index). The high performer for the period was Davita (DVA), whose stock has increased by 1055% over the past nine years.

While such performance could be viewed as indicative of strong governance, the high gains across the industry prior to 2007 suggest a high demand for healthcare services during that period. The companies surveyed appear to have capitalized on an exceptional market opportunity, and it is difficult to ascertain how much influence their past Directors had on these decisions.

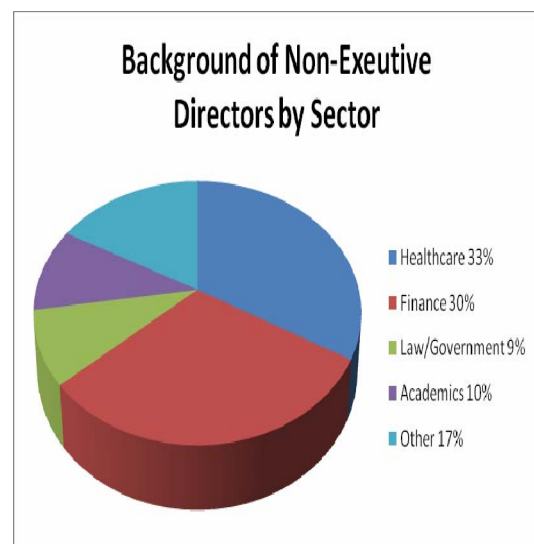
Director Demographics



The typical healthcare services company board consists of eight directors, 80% of whom are independent. These non-executive directors likely come from the healthcare and finance industries, and each board typically includes at least one director with either a legal or academic background. Other professional backgrounds represented on the boards of the companies surveyed include consulting.

Directors are overwhelmingly male and Caucasian, with an average age of 59 and an age range of 38 to 79. They have served for an average of eight years with a range of one to 31 years.

Most directors serve on at least one other board; of the 101 non-executive directors studied, only 26% hold no other directorships.

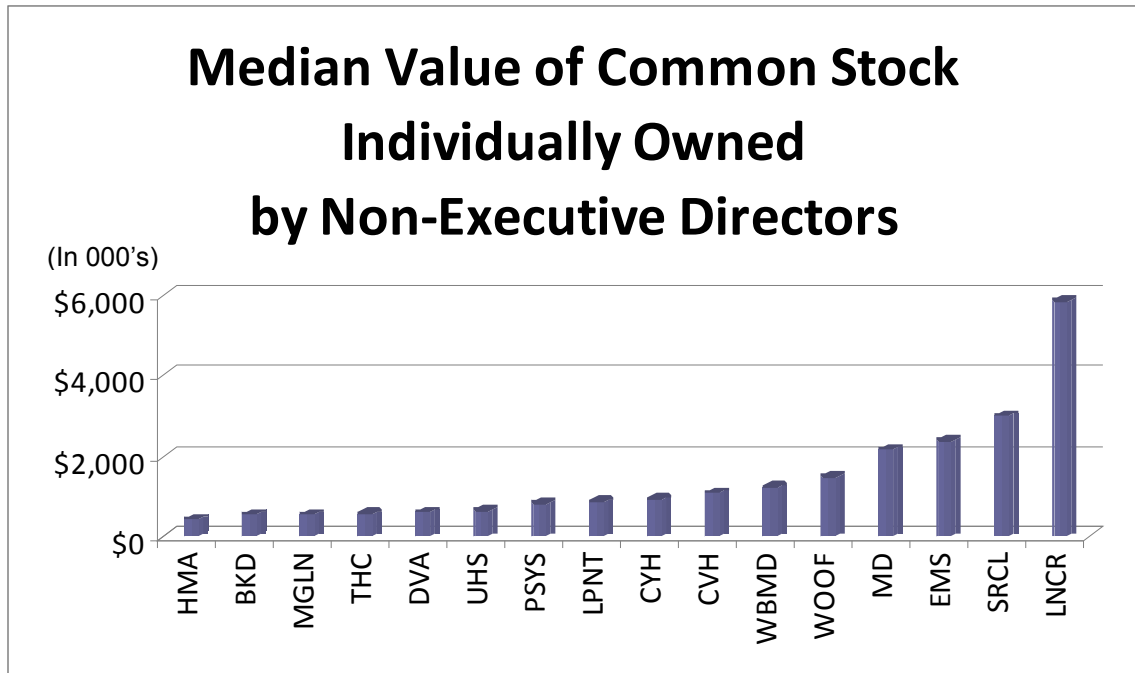


Board Diversity

Women currently hold 10 of the 126 seats in the eleven companies surveyed, or 7% as compared to the Fortune 500 average of 14.6%; Seven of the sixteen boards surveyed were exclusively male. Board member ethnicity data for most of the companies surveyed was difficult to obtain. Of

the five companies for which data was available, two had one African-American board member, both of whom were appointed in 1999 or later. Three of the five boards for which ethnicity data was available had no minority representation.

Equity Ownership



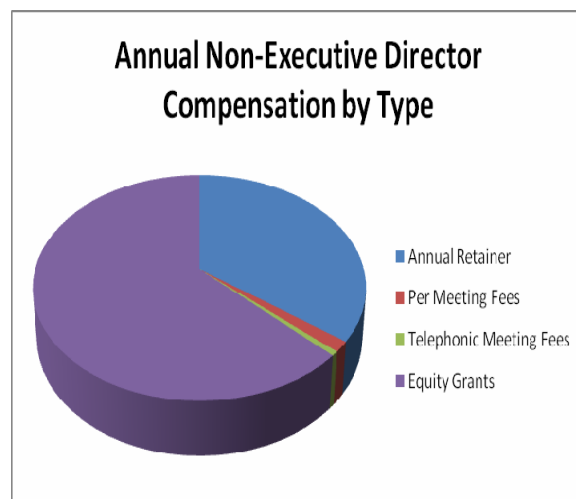
Equity ownership has historically been viewed as a metric by which director-shareholder alignment can be measured. In keeping with that philosophy, it can be derived from the data above that this alignment strongly exists among the major firms in the healthcare services industry. The 101 non-executive directors of the sixteen companies surveyed own a total of \$413 million in stock in the companies on whose boards they serve, or a median individual investment of \$4,093,919.

In the instance of several of the companies surveyed, the median figure of the stakes of non-executive directors obscures a tremendous variation in individual investment. One director of Stericycle, for example, personally owns over \$155 MM of common stock in the company, while two of his contemporaries own under \$1 MM each.

Non-Executive Director Compensation

Company	Market Cap As of 10/1/09 (in Bs)*	Data Year	Annual Retainer	Per Meeting Fee	Telephonic Meeting Fee	Equity Grants	# of Meetings
COMMUNITY HEALTH SYSTEMS INC (CYH)	\$3.09	2008	\$40,000	\$1,500		\$108,750	4
HEALTH MANAGEMENT ASSOC (HMA)	\$1.95	2008	\$40,000	\$5,000		\$71,760	6
LIFEPOINT HOSPITALS INC (LPNT)	\$1.58	2008	\$75,000			\$74,830	9
TENET HEALTHCARE CORP (THC)	\$2.77	2008	\$75,000	\$2,000		\$130,000	8
UNIVERSAL HEALTH SVCS (UHS)	\$3.08	2008	\$40,000			\$30,300	6
PSYCHIATRIC SOLUTIONS INC (PSYS)	\$1.49	2008	\$40,000	\$2,000	\$1,000	\$40,993	4
DAVITA INC (DVA)	\$5.87	2008	\$12,000			\$138,326	5
MEDNAX INC (MD)	\$2.52	2008	\$50,000			\$39,203	9
VCA ANTECH INC (WOOF)	\$2.22	2008	\$10,000	\$2,000	\$1,000	\$62,240	3
WEBMD HEALTH CORP (WBMD)	\$1.87	2007				\$227,555	7
COVENTRY HEALTH CARE INC (CVH)	\$2.94	2008	\$112,500				4
MAGELLAN HEALTH SERVICES INC (MGLN)	\$1.04	2008	\$50,000	\$2,000	\$1,000	\$125,000	8
EMERGENCY MEDICAL SVCS CORP (EMS)	\$2.07	2008	\$50,000			\$100,000	6
STERICYCLE INC (SRCL)	\$4.08	2008				\$125,000	5
LINCARE HOLDINGS INC (LNCR)	\$2.08	2008	\$60,000			\$154,550	7
BROOKDALE SENIOR LIVING INC (BKD)	\$2.22	2008					11

Non-executive director compensation has historically weighted towards equity grants. Among the companies surveyed in the Healthcare Services industry, eleven out of the sixteen companies compensated their non-executive directors more heavily in equity than in cash; the median compensation split was 66% equity, 34% cash. All sixteen of the companies surveyed compensated directors with equity through either restricted stock grants or stock options.



Board Directors

Brookdale Senior Living Inc (8)

NYSE: BKD

Frank M. Bumstead (C)
Jackie M. Clegg ◦
James R. Seward
Jeffrey R. Leeds (A)
Mark J. Schulte □
Samuel Waxman
Tobia Ippolito □
Wesley R. Edens □×

Community Health Systems Inc (9)

NYSE: CYH

H. Mitchell Watson (C)
Harvey Klein
James S. Ely
John A. Clerico (A)
John A. Fry
Julia B. North ± ◦
W. Larry Cash □
Wayne T. Smith □×
William N. Jennings

Coventry Health Care Inc (8)

NYSE: CVH

Allen F. Wise □×
Daniel N. Mendelson
Elizabeth E. Tallett ◦
Joel Ackerman
L. Dale Crandall (C)
Lawrence N. Kugelman (A)
Rodman W. Moorhead
Timothy T. Weglicki

Davita Inc (9)

NYSE: DVA

Charles G. Berg
John M. Nehra (C)
Kent J. Thiry □×
Paul J. Diaz
Peter T. Grauer ±
Richard C. Vaughan (A)
Roger J. Valine
Willard W. Brittain
William L. Roper

Emergency Medical Svcs Corp (7)

NYSE: EMS

James T. Kelly (C)
Kevin E. Benson
Michael L. Smith (A)
Paul B. Iannini
Robert M. Le Blanc □±
Steven B. Epstein
William A. Sanger □×

Health Management Assoc (9)

NYSE: HMA

Donald E. Kiernan
Gary D. Newsome □

Kent P. Dauten (A)
Randolph W. Westerfield
Robert A. Knox ± (C)
Vicki A. O'Meara ◦
William C. Steere
William E. Mayberry
William J. Schoen×

Lifepoint Hospitals Inc (8)

NasdaqGS: LPNT

DeWitt Ezell
Gregory T. Bier (A)
John E. Maupin †
Marguerite W. Kondracke ◦
Michael P. Haley
Owen G. Shell×±
Richard H. Evans (C)
William F. Carpenter □

Lincare Holdings Inc (5)

NasdaqGS: LNCR

Chester B. Black (C)
Frank D. Byrne
John P. Byrnes □×
Stuart H. Altman
William F. Miller (A)

Magellan Health Services Inc (8)

NasdaqGS: MGLN

Eran Broshy
Michael Diament (C)
Michael P. Ressler (A)
Nancy L. Johnson ◦
René Lerer, M.D. □×
Robert M. Le Blanc ±
William D. Forrest
William J. McBride

Mednax Inc (10)

NYSE: MD

Cesar L. Alvarez× †
Dany Garcia ◦ †
Enrique J. Sosa †
Manuel Kadre †
Michael B. Fernandez (C) †
Pascal J. Goldschmidt □
Paul G. Gabos (A)
Roger J. Medel □
Roger K. Freeman
Waldemar A. Carlo

Psychiatric Solutions Inc (7)

NasdaqGS: PSYS

Christopher Grant (C)
David M. Dill (A)
Edward K. Wissing
Joey A. Jacobs □×
Mark P. Clein
Richard D. Gore
William M. Petrie □

Stericycle Inc (8)

NasdaqGS: SRCL

Jack W. Schuler ±
John Patience
Jonathan T. Lord (C)
Mark C. Miller □×
Rod F. Dammeyer (A)
Ronald G. Spaeth
Thomas D. Brown
William K. Hall

Tenet Healthcare Corp (10)

NYSE: THC

Brenda J. Gaines ◦ †
Edward A. Kangas× (C)
Floyd D. Loop
J. McDonald Williams
J. Robert Kerrey
James Unruh (A)
John Ellis Bush
Karen M. Garrison ◦
Richard R. Pettingill
Trevor Fetter □

Universal Health Svcs (7)

NYSE: UHS

Alan B. Miller □×
Anthony Pantaleoni □
John H. Herrell ± (A)
Leatrice Ducat ◦
Marc D. Miller □
Rick Santorum
Robert H. Hotz (C)

VCA Antech Inc (5)

NasdaqGS: WOOF

Frank Reddick (C)
John A. Heil
John B. Chickering (A)
John M. Baumer
Robert L. Antin □×

WebMD Health Corp (8)

NasdaqGS: WBMD

A. R. Moossa †
James V. Manning
Jerry C. Keller
Mark J. Adler
Martin J. Wygod □×
Neil F. Dimick
Stanley S. Trotman
Wayne T. Gattinella □

× chair
± lead independent director
(A) audit committee chair
(C) comp committee chair
□ insider
◦ woman
† minority**

**director ethnicity data not available for all companies

Basis of the Research

The data in the survey was compiled from proxy statements from January 2008 through March 2009.

This study focuses on sixteen healthcare information technology companies. Nine of the companies surveyed are traded on the New York Stock Exchange: Brookdale Senior Living Inc., Community Health Systems Inc., Coventry Health Care Inc., Davita Inc., Emergency Medical Svcs. Corp, Health Management Assoc., Mednax Inc., Tenet Healthcare Corp., Universal Health Svcs. Seven of the companies surveyed are traded on the NASDAQ: Lifepoint Hospitals Inc., Lincare Holdings Inc., Magellan Health Services

Inc., Psychiatric Solutions Inc., Stericycle Inc., VCA Antech Inc., WebMD Health Corp.

More detailed information concerning the company boards discussed in this survey is available by contacting John Hawkins, Vice Chairman, at the address below.

CTPartners Board Consultants

1166 Avenue of the Americas
3rd Floor
New York, NY 10036
Telephone: (212) 209-5728
Facsimile: (212) 688-5754

For More Information

For more information regarding CTPartners' Healthcare Services Practice please contact:

North America

Richard Alexander	New York/Washington D.C.	ralexander@ctnet.com / +1 609 844 7597
Ernest Brittingham	Washington D.C.	ebrit@ctnet.com / +1 443 393 1102
Samantha Carey	New York	scarey@ctnet.com / +1 212 588 3575
Paul Groce	New York	pgroce@ctnet.com / +1 212 209 3532
John Hawkins	New York/Washington D.C.	jhawkins@ctnet.com / +1 212 209 5728
Buster Houchins	Washington D.C.	bhouchins@ctnet.com / +1 443 393 1111
Tom Koch	Redwood City	tkoch@ctnet.com / +1 949 754 3198
Helga Long	New York	hlong@ctnet.com / +1 212 588 3563
Gregory Lovas	Washington D.C.	glovas@ctnet.com / +1 443 393 1118

EMEA

Christopher Coe	London	ccoe@ctnet.com / +44 207 901 0450
Alain Leclerc	Paris	aleclerc@ctnet.com / +33 1 56 60 27 05
Chris Seabourne	London	cseabourne@ctnet.com / +44 207 901 0455

Asia Pacific

Pagan Van	Hong Kong	pvan@ctnet.com / +852 2855 6922
Kenneth Xu	Shanghai	kxu@ctnet.com / +86 21 6122 1065
Kathryn Yap	Singapore	kyap@ctnet.com / +65 6622 9718

Latin America

Jorge Caridad	Caracas	jcaridad@ctnet.com / +58 212 951 4522
Magui Castro	São Paulo	mcastro@ctnet.com / +55 (11) 3513 6301
Nestor D'Angelo	Miami	ndangelo@ctnet.com / +1 305 913 6273