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2012 CEO - COO and C-SUITE COMPENSATION AND TOP CONCERNS STUDY

**(Networking Assistance and CEO-COO Job Lead Information,
Recruiter Lists, Resume Writing, Networking Articles,
CEO –COO Trended Compensation, Turnover/Tenure,
and Causes/Effects of Turnover)**

EXECUTIVE COMPENSATION

BASE SALARY % INCREASE	TOTAL COMP % INCREASE	MEDIAN SALARY	AVERAGE SALARY
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SYSTEM

CEO	4.5%	3.7%	\$805.1	\$909.9
COO	4.8%	9.1%	\$466.2	\$535.5

HOSPITAL

CEO	3.1%	8.1%	\$515.8	\$571.3
COO	2.4%	4.1%	\$310.9	\$337.1

BONUS PROGRAM PREVELANCE

BONUS TYPE	HOSPITALS USING	EFFECTIVENESS
Lump Sum	31%	53%
Group Incentives	6.9%	49%
Gain Sharing	22%	57%
Key Contributor	14%	30%

Source: Amalgamation Analysis 2012: Towers Perrin; William M. Mercer; Watson Wyatt; Segal & Co; Hay Group; SSI Search Solutions, Inc; Sullivan Cotter and Associates ; Compensation Analyst; AON Consulting; Hospital & Health Networks; Modern Healthcare; Hewitt and Associates; Jackson Coker; Medicus Group

C-SUIT COMPENSATION 2012 FORECAST

TITLE UNDER \$250M OVER \$500M \$1+ Billion ALL
 NET REVENUES N=361

2012 TRENDED HOSPITAL BASE SALARY/TOTAL COMPENSATION

CNO	\$183/\$193	\$222/\$244	\$286/\$341	\$216/\$281
CHRO	\$138/\$148	\$178/\$194	\$231/\$257	\$210/\$248
CME	\$249/\$287	\$312/\$359	\$335/\$388	\$299/\$365
CFO	\$188/\$235	\$351/\$389	\$320/\$362	\$254/\$311

PREVALENT EXECUTIVE PERQs

- Cell Phones: 78%
- Physical Examinations: 56%
- Car or Car Allowance: 52%
- Employment Contracts: 44%
- Non-Qualified Deferred Compensation Plan: 43%
- Executive Group Life, LTD: 41%
- Executive Parking: 39%

CEO BONUS PROGRAM BASIS

N=289

- Financial Performance/Margin Improvement: 72.9%
- Quality and Patient Safety: 53.2%
- Patient Satisfaction/Experience: 50.2%
- Cost Reduction: (Elimination of Contract Labor etc.) 44.7%
- Operational Efficiency: 44.4%
- Employee/Physician Satisfaction: 35.9%/31.9%

Source: Amalgamation Analysis 2011: HealthLeaders; Towers Perrin; William M. Mercer; Watson Wyatt; Segal & Co; Hay Surveys; NSI Nursing Solutions, Inc.

CEO SUCCESSION PLANNING N=289

- Have a Succession Plan: 20%
- No Succession Plan: 73%
- Have Single Successor Identified: 5%
- Have Multiple Successors Identified: 2%

Source: ACHE, Succession Planning Practices & Outcomes in U.S. Hospital Systems; HealthLeaders

EXECUTIVE PAY RED FLAGS

Trustee, April, 2011

- ❑ USE OF PAY COMPARISONS THAT MAY BE DEEM NOT AS "SIMILARLY SITUATED.
- ❑ EXECUTIVE LOANS.
- ❑ PAY GROSS-UPS TO REIMBURSE FOR TAXES.
- ❑ TRADITIONAL EXECUTIVE Perqs (Clubs, autos or allowance).
- ❑ OVER-EMPHASIS ON FINANCIAL MEASURES.
- ❑ UNCAPPED INCENTIVE PAYOUTS.
- ❑ FIXED OR GUARANTEED PAYMENTS THAT DO NOT HAVE A RETENTION OR PERFORMANCE BASE.
- ❑ EXCESSIVE RELOCATION BENEFITS.
- ❑ SIGN-ON BONUSES.
- ❑ ABOVE MARKET SERVERANCE PLAN.
- ❑ SERPS.
- ❑ DEFERRED COMPENSATION PLANS.
- ❑ CHANGE IN CONTROL POLICIES THAT DO NOT REQUIRE EMPLOYMENT TO BE INVOLUNTARY TERMINATED.

CEOs RATE THEIR JOB SATISFACTION AND LIST CAREER DISATISFIERS

❑ Very Unsatisfied with Job:	3%
❑ Unsatisfied with Job:	5%
❑ Unsatisfied Somewhat with Job:	19%
❑ Very Satisfied with Job:	46%
❑ Very Unsatisfied with Job:	25%
❑ Satisfied Somewhat with Job:	2%

CEO CAREER DISATISFIERS

❑ Uncertain Future:	29%
❑ Too much Politics:	27%
❑ System Broken:	42%
❑ Too Much Regulation:	55%
❑ Too much Interference:	48%

TOP REASONS FOR CEO TURNOVER

❑ Anticipating Job Change within 5 years*	37.1
❑ In-Transition	15.9%
❑ Actively Networking	43.2%

**For Free Networking Assistance,
 CEO-COO Job Leads, Network Contacts, Salary Data, or
 Sample CEO Employment Contracts, call
 Marco Colosi at 717-471-7404**

REASONS FOR TURNOVER	%
❑ Career Advancement (Larger or more Complicated Hospital, or Better Environment). Other Voluntary Resignations	18% 12%
❑ In-Voluntary Resignation: (Conflict with Board, Medical Staff, System or Financial Instability) (Source: M. Weirsema, 2002)	65%
❑ Retirement* (25.79% CEOs anticipate retiring over the next 5 years)	5%

Sources: Amalgamation Analysis 2011: ACHE; William M. Mercer; HR Strategic Solutions; Watson Wyatt

THE EFFECTS OF CEO TURNOVER

N=303

IMPACT OF CEO TURNOVER ON:

- C-Suite (Vice Presidents): 89%
- Chief Medical Officer (CMO): 67%
- Chief Operating Officer (COO): 66%
- Chief Financial Officer (CFO): 39%

- Competitors Raiding of Physicians, Patients and Key Employees: 37% to 49%
- Strategic Plans are Disrupted or Halted: 33%
- New Service Development Stalled/Nixed: 26%

CEO TURNOVER RATES

JOB SEARCH TIME

13 to **24** months

Average Tenure

5.4 years

Median Tenure

3.6 years

2000

17%

2006

14%

2007

15%

2008

14%

2009

18%

2010

16%

2011 (Forecast ACHE, Healthcare Voice)

13%

Source: Compensation Analyst, 2011; AON Consulting; ACHE, 2010; Watson Wyatt; Modern Healthcare; AHA; *HealthLeaders, July 20, 2010; Lifeline-CEO, 2011

CEO TURNOVER BY STATE

STATE	ADJUSTED %	STATE	ADJUSTED %
□ NV	33%	□ MD/MN/OH	15%
□ OK	28%	□ AZ/MT/NJ/OR/WA	14%
□ AL	25%	□ ID/IL	13%
□ MA	24%	□ CO/KY/WY	12%
□ NM/VA	23%	□ MD/OH	15%
□ MS/WVA	22%	□ MT/WA/AZ/OR/NJ	14%
□ FL/TN	21%	□ ID/IL	13%
□ TX	20%	□ CA/IA/IN/KS/ME/SC	12%
□ AR/LA	19%	□ NB/NY/WI	11%
□ NC/PA/SD	18%	□ ND	9%
□ GA/MO	17%	□ MI	5%
□ CO/KY	16%	□ UT	2%

Source: Modern Healthcare, June 20, 2011

CEO JOB CHANGES

INSTITUTIONS WITH MULTIPLE CEOs OVER A 5 YEAR PERIOD

Number of CEOs	%
1 CEO:	43%
2 CEOs:	33%
3 CEOs:	17%
4 CEOs:	5%
5 CEOs:	3%

25% of hospitals reported their institution had 3+ CEOs over a 5 year period.

Source: ACHE, The Impact of Hospital CEO Turnover in U.S. Hospitals; HealthLeaders

GIVEN THE ECONOMIC CLIMATE...

WHAT ARE CEO PLANS FOR RETIREMENT

	CURRENT
Within Year:	5%
1 to 5 Years:	31%
6 to 10 Years:	33%
10+ Years:	31%

Source: Witt Kieffer, "What the Economic Downturn Means to Healthcare CEOs"

CEO TOP CONCERNS

ISSUES N=462

	2011	2012
Financial & Reimbursement Challenges: (Access to Finance (63%), Reimbursements (88%), Uncompensated Care (70%), Economy, etc.)	71%	77%
Healthcare Reform:	69%	53%
Cost Reduction/Performance Efficiency:	54%/38%	49%/51%
Margin Compression: Average Margins: Peer Hospitals- 3.87%; Benchmark- 7.46%	43%	52%
Staff Shortages (Physician/RN/Allied Professions)	33%	38%
Quality/Patient Safety/Satisfaction:	43%	31%
Governmental Mandates:	31%	32%
Physician/Hospital Relations:	34%	30%
Capacity/Governance:	9%	8%
Technology:	1%	10%

Sources: Amalgamation 2012 Analysis: AHA; ACHE; HealthLeaders, 1/29/11; Healthcare Economics; Reuters, 6/6/11

CEO ASSESSMENTS OF HEALTHCARE ENVIRONMENT

- | | | | | |
|------------------------|-------------|-----|-------------|-----|
| □ State of Healthcare: | Right Track | 24% | Wrong Track | 42% |
|------------------------|-------------|-----|-------------|-----|
- | | | | | |
|---------------------------------|--------|-----|-------|-----|
| □ Payer-Provider Relationships: | Better | 15% | Worse | 49% |
|---------------------------------|--------|-----|-------|-----|
- | | | | | |
|-------------------|----------------|-----|--------------------|-----|
| □ Top Priorities: | Cost Reduction | 35% | Quality/
Safety | 33% |
|-------------------|----------------|-----|--------------------|-----|
- | | | | | |
|--|-------------|-----|------------|-----|
| □ Top Cost Drivers:
(Especially Travel Nurse Costs) | Labor Costs | 59% | Government | 56% |
|--|-------------|-----|------------|-----|
- | | | | | |
|-------------------------------------|----------|-----|----------|-----|
| □ Health Reform Impact on Finances: | Improved | 12% | Weakened | 60% |
|-------------------------------------|----------|-----|----------|-----|
- | | | | | |
|-----------------------------------|----------|----|----------|-----|
| □ Health Reform Impact on Morale: | Improved | 7% | Weakened | 56% |
|-----------------------------------|----------|----|----------|-----|

□ Source: HealthLeaders June, 2011

CEOs MANAGE COSTS TO MEET HEALTH REFORM REQUIREMENTS

Hospitals must cut \$2.6 million a year over the next 10 years (\$155 billion). Efficiencies and cost savings come from:

- ❑ Vender re-negotiated prices,
- ❑ Cost of Labor including contract labor controls & reduction
- ❑ Inventory controls... "Just-in-Time" inventory systems,
- ❑ Stream-lined ED supply order protocols,
- ❑ Improved discharge procedures reducing "LOS",
- ❑ Billing process based on outcomes, not tests & procedures,

HOSPITAL COST CUTTING SUCCESS!

- ❑ 90% indicate cost cutting success without impacting quality outcomes (96%) & patient satisfaction (90%).
- ❑ 55% indicated a need to cut an additional 4–10% from operating budgets; 23% need to cut 11% to 20%+
- ❑ 59% indicate a need to eliminate contract labor costs (RNs...)
- ❑ 30% indicated that reducing costs while maintaining service and outcomes is the greatest obstacle to cost reduction
(HealthLeaders, June, 2011 & November 28, 2011)

HEALTH REFORM RE-ADMISSIONS

**RE-ADMISSIONS ARE CONSIDER A MARKER FOR POOR QUALITY,
WASTED REVENUE, AND INEFFICIENT USE OF RESOURCES:**

- **Cost of Re-Admissions:** **\$15 Billion**
- **Cost per each Re-Admission:** **\$7,200**
 - States with the highest rates of readmission include Washington, D.C., 23.2%; Maryland, 22%; New Jersey, 21.9%; Louisiana, 21.9%; Illinois, 21.7%; West Virginia, 21.3%; Kentucky, 21.2%; New York, 20.7%; Massachusetts, 20.2%; Mississippi, 21.1%; Missouri, 20.8%; New York, 20.7% and Oklahoma, 20.1%
- **Medicare Heart Failure Re-Admission Rate:** **12.5%**
- **Heart Failure Re-Admission occurs within 15 days, accounts for 90,000 admissions costing:** **\$590 Million**
- **CMS to withhold a % of reimbursements for all discharges:**
 - **2013:** **1%**
 - **2014:** **2%**
 - **2015 and thereafter:** **3%**

Source: HealthLeaders, Factfile, November, 2010; HealthLeaders, December 28, 2010

MEDICARE CUTS 2012-2016

CA	\$19,300	MO	\$4,100	UT	\$1,000
NY	\$17,100	MN	\$2,500	MS	\$1,900
TX	\$15,000	WI	\$3,100	NV	\$1,400
FL	\$21,800	AZ	\$3,500	NM	\$800
PA	\$8,000	IN	\$1,900	WV	\$1,500
IL	\$9,000	CO	\$1,900	NB	\$1,100
OH	\$8,500	CT	\$3,300	ME	\$900
MI	\$9,400	LO	\$3,100	DC	\$800
MA	\$4,900	OR	\$3,400	RI	\$600
NJ	\$9,200	SC	\$3,300	NH	\$800
NC	\$6,400	AL	\$3,700	ID	\$800
MD	\$3,400	KY	\$3,300	VT	\$300
VA	\$3,900	OK	\$2,300	DE	\$800
GA	\$5,800	KS	\$1,900	MT	\$500
WA	\$3,400	IO	\$1,900	SD	\$800
TN	\$4,800	AR	\$2,200	ND	\$400

Source: American Medical Association

HEALTHCARE ECONOMICS

- National Health Expenditure 2013: \$3,098 billion
- National Health Expenditure per capita 2013: \$10,046
- National Health Expenditure 2012: \$2,931 billion
- National Health Expenditure per capita 2012: \$9,501
- Number of Hospitals: 5,708
- Hospitals in the "Red": (Thomson Reuters) 38%
- Staffed Beds 2012: (ALOS 4.5 days) 990,000
- Admissions, but ED volumes up 4%+: Flat
- ER Visits: (2006 – 119 million, with 12% of EDs closed) +4%
- S&P Healthcare Economic Composite Index: 5.39%
- S&P Healthcare Economic Commercial Index: 7.13%
- S&P Healthcare Economic Hospital Commercial Index: 7.93%
- S&P Healthcare Economic Medicare Index: 2.14%
- S&P Healthcare Economic Hospital Index: 4.86%
- S&P Healthcare Economic Hospital Medicare Index: 0.93%

SOURCES

- MODERN HEALTHCARE, BY THE NUMBERS AND DAILY DOSE
- FITCH REPORTS
- PRESS GANEY
- MOODY INVESTER SERVICES
- AMERICAN HOSPITAL ASSOCIATION (AHA)
- AMERICAN NURSE ASSOCIATION (ANA)
- AMERICAN ASSOCIATION OF COLLEGES OF NURSING
- HOSPITAL FINANCE MANAGEMENT ASSOCIATION, "Financing the Future"
- AMERICAN SOCIETY OF HEALTHCARE HUMAN RESOURCES ADMINISTRATION
- SARATOGA INSTITUTE
- WILLIAM M. MERCER CO.
- HAY GROUP
- WATSON WYATT CO.
- TOWERS PERRIN
- AHCA FINANCIAL DATA
- HRSA BUREAU OF WORKFORCE STUDIES, THE NATIONAL SAMPLE SURVEY OF RNs, 2008
- HOSPITALS & HEALTH NETWORKS
- SULLIVAN COTTER AND ASSOCIATES
- PINNACLE HEALTH GROUP
- ALMANAC OF HOSPITAL FINANCIAL & OPERATING INDICATORS #7353
- WARREN SURVEYS
- COMPENSATION ANALYST
- MEDICUS PARTNERS
- DELTA MEDICAL CONSULTING
- AON CONSULTING
- JACKSON COKER
- HOSPITAL & HEALTH COMPENSATION SERVICES
- US BUREAU OF LABOR STATISTICS, 2008 REVISION OF US HHS 2003 REPORT

All survey information and data is obtained from: consulting firms and other published data, professional journals, white papers, professional associations and governmental websites, NSI surveys, etc., and all are coalesced, amalgamated and as applicable are trended and forecasted in the variously published NSI surveys and reports.

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- ***NSI*** is not a foreign recruiter nor a travel or temporary agency.
- The partnership is "RISK FREE, since you must hire the nurses BEFORE ***NSI*** is paid.
- The relationship is also a "**WIN-WIN**", since not only are the nurses guaranteed for 6 months, ***NSI*** provides "On-Boarding Coaching" for the nurses, for 365 days.