



For Immediate Release

Contact: Candice Wartier
cwartier@communication-strategies.com
312-587-3105
Lynda Baldwin
l.baldwin@communication-strategies.com
708-703-8804

Study: BCBS Health Insurance CEOs Paid Less, Many Provide Higher Returns Per Dollar of CEO Pay than Larger Competitors

Reading, Pennsylvania (December 11, 2013) – Chief Executive Officers at Blue Cross and/or Blue Shield (BCBS) organizations earned significantly less than their counterparts at the large for profit insurance companies yet, in many cases, provided higher returns per dollar of CEO pay, according to a recent study by HR+Survey Solutions (www.hrssl.com), a leading compensation consulting and research firm.

The study revealed that the average total direct compensation (TDC) for the CEOs of BCBS organizations is only about 25 percent of the average level of pay reported in proxies for the large publicly held health insurance companies while executives return an average of \$2,000 in premium revenue per dollar of CEO pay and some BCBS organizations boasted returns upwards of \$4,000 per dollar of CEO pay. Although the CEOs of the larger for profit insurance companies average a return of \$2,800 per dollar of CEO pay, the figure does not account for the added expense of the larger and highly paid senior staff required to run these companies.

The findings are based on the eighth annual Executive Total Potential Remuneration (TPR) Compensation, Benefits and Perquisites Survey which assessed pay for the CEO and other executive positions at 19 BCBS organizations.

“Blue Cross and/or Blue Shield organizations are a great example of how companies can provide targeted regional health insurance solutions and effectively manage their resources,” says Judy Canavan, managing partner, HR+Survey Solutions.

The shift in CEO pay over the last five years has been more toward variable compensation. Annual and long-term incentives comprise about 56 percent of the pay package in 2012, vs. 46 percent in 2007. This is still significantly less leveraged than publicly held companies. The variable pay for general industry mid cap companies comprises over 75 percent of the pay package; for large publicly held health insurers, it’s approximately 90 percent of their compensation package.

“There is a war for talent right now, particularly in this industry. If you want to attract top talent, you have to pay them well, and that requires creative thinking around compensation,” explains Canavan. “I’m seeing a lot of room to grow the use of

performance-based annual and long term incentives for the top team members. BCBS organizations could expand the use of long-term bonuses to better align pay with company performance," she adds.

Other study highlights

- Over the last five years, mix of pay for the CFO has also shifted more towards variable pay. Annual and long-term incentives comprise about 51 percent of the pay package in 2012, vs. 43 percent in 2007. However, it is still less than publicly held companies, where the variable pay for general industry mid cap companies comprises over 69 percent of the pay package.
- Compensation for many top executive positions within the surveyed BCBS companies remained flat over the last five years.
- All companies have an annual incentive plan.
- The vast majority (84 percent) have a long term incentive plan – the prevalence of LTI has remained fairly constant over the last five years.
- Target annual incentives have increased on average.
- The larger BCBS plans tend to have more pay at risk than the smaller plans (66 percent variable pay versus 50 percent for smaller plans)

About the methodology

The 8th annual Executive Total Potential Remuneration Surveyⁱ was published by HR+Survey Solutions in August, 2013. A total of 19 BlueCross and/or BlueShield organizations participated, with 38 positions represented. The Executive TPR Survey assesses compensation packages including salary, benefits, executive perks, long and short-term incentives, SERPs, and severance agreements, among other values. If you are interested in participating in the 2014 Executive Total Potential Remuneration Survey, contact Judy Canavan at 866-252-6788 x902 [jcanavan@hrssl.com].

About HR+Survey Solutions

HR+Survey Solutions conducts annual industry and custom client surveys and provides organizations with expert advisory services focused on compensation plan design and assessment of appropriate compensation levels. Please visit www.hrssl.com for more information.

###

ⁱ This study was conducted by HR+ Survey Solutions, with no affiliation or sponsorship by the Blue Cross and Blue Shield Association or other Blue companies.