

# Driving Industry Change Through Executive Compensation

Steve Sullivan, *Managing Director*



Healthcare industry expert Steve Sullivan, managing director based in Pearl Meyer's Chicago office, discusses the value of executive compensation in driving transformation.

## Q. The healthcare industry is in a unique and dynamic position. How does this impact its approach to executive compensation?

**A:** With the healthcare industry's long-range focus locked into outcomes over process came the need for management teams to radically transform their operations. As boards began to realize that true transformation would be complex and take many years, and in an effort to spur change, we saw many healthcare organizations adopt the long-term performance-based incentive programs common in the rest of corporate America. The alignment of long-range executive and board perspectives has been an important factor in helping these organizations make sweeping changes. In fact, over the last couple of years, many have seen an uptick in earnings and/or margins and certainly we've seen them moving the needle away from the legacy acute care models, which has been a major goal.

## Q. If it's been successful, what's the next step?

**A:** Well, any industry has its cycles, and as the providers and channel partners seriously address healthcare's "triple aim" of patient satisfaction, population health, and per capita cost reductions, I think we are about to enter a second wave of learnings for these boards and management teams. We're seeing some unexpected consequences in terms of reimbursement rates, patient ability to pay, etc. What that means for LTI plans is that financial performance is not necessarily the result of teams not executing—it's simply the market—and in this case it's been difficult if not impossible to predict. Boards in the healthcare space, many of which had to get up to speed on the effective use of LTI plans, may now have to come to grips with the proper use of discretion in administering the payouts of those plans. It's part of the learning curve as the industry morphs into something entirely new.

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### **About Steve Sullivan**

Steve Sullivan, a managing director in Pearl Meyer’s Chicago office, has more than 20 years of consulting and industry experience assisting clients in executing their strategic human resources and compensation initiatives. His focus has been in the areas of executive compensation program benchmarking, design, and oversight in the healthcare industry and for tax-exempt businesses. He also advises clients in the areas of sales and performance incentives, recruitment, motivation and retention, strategic compensation program design and implementation, and organizational change.

### **About Pearl Meyer**

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer’s global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in Atlanta, Baltimore, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Raleigh, and San Jose.