

UNIVERSAL HEALTH SERVICES INC
Form DEF 14A
April 09, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

UNIVERSAL HEALTH SERVICES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

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filing.

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

UNIVERSAL HEALTH SERVICES, INC.

April 9, 2014

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Universal Health Services, Inc. (the Company) to be held at the offices of the Company, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania, on Wednesday, May 21, 2014, at 10:00 a.m., for the following purposes:

- (1) the election of one director by the holders of Class A and Class C Common Stock; and
- (2) the election one director by the holders of Class B and Class D Common Stock; and
- (3) to conduct an advisory (nonbinding) vote to approve named executive officer compensation; and
- (4) to ratify the selection of PricewaterhouseCoopers LLP, as the company's independent registered public accounting firm for the fiscal year ending December 31, 2014; and
- (5) the transaction of such other business as may properly come before the meeting or any adjournment thereof.

Detailed information concerning these matters is set forth in the Important Notice Regarding the Availability of Proxy Materials (the Notice) you received in the mail and in the attached Notice of Annual Meeting of Stockholders and Proxy Statement. We have elected to provide access to our Proxy Materials over the internet under the Securities and Exchange Commission's notice and access rules. If you want more information, please see the Questions and Answers section of this Proxy Statement.

Your vote is important. Whether or not you plan to attend the meeting, please either vote by telephone or internet or, if you received printed Proxy Materials and wish to vote by mail, by promptly signing and returning your Proxy card in the enclosed envelope. Please review the instructions on each of your voting options described in this Proxy Statement as well as in the Notice you received in the mail. If you then attend and wish to vote your shares in person, you still may do so. In addition to the matters noted above, we will discuss the business of the Company and be available for your comments and discussion relating to the Company.

I look forward to seeing you at the meeting.

Sincerely,

Alan B. Miller
*Chairman and
Chief Executive Officer*

UNIVERSAL HEALTH SERVICES, INC.

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PENNSYLVANIA 19406

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 21, 2014

Notice is hereby given that the Annual Meeting (the Annual Meeting) of Stockholders of Universal Health Services, Inc. (the Company) will be held on Wednesday, May 21, 2014 at 10:00 a.m., at the offices of the Company, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania for the following purposes:

- (1) the election of one director by the holders of Class A and Class C Common Stock; and
- (2) the election one director by the holders of Class B and Class D Common Stock; and
- (3) to conduct an advisory (nonbinding) vote to approve named executive officer compensation; and
- (4) to ratify the selection of PricewaterhouseCoopers LLP, as the company s independent registered public accounting firm for the fiscal year ending December 31, 2014; and
- (5) the transaction of such other business as may properly come before the meeting or any adjournment thereof.

You are entitled to vote at the Annual Meeting only if you were a Company stockholder of record at the close of business on March 24, 2014.

You are cordially invited to attend the Annual Meeting in person.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE BY TELEPHONE OR INTERNET OR, IF YOU RECEIVED PRINTED PROXY MATERIALS AND WISH TO VOTE BY MAIL, MARK YOUR VOTES, THEN DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. YOU MAY REVOKE YOUR PROXY IF YOU DECIDE TO ATTEND THE ANNUAL MEETING AND WISH TO VOTE YOUR SHARES IN PERSON.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on Wednesday, May 21, 2014:

The Proxy Statement and Annual Report to Stockholders are available at

<http://www.edocumentview.com/uhs>.

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BY ORDER OF THE BOARD OF DIRECTORS

STEVE G. FILTON, *Secretary*

King of Prussia, Pennsylvania

April 9, 2014

UNIVERSAL HEALTH SERVICES, INC.

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PA 19406

PROXY STATEMENT

QUESTIONS AND ANSWERS

1. Q: Why am I receiving these materials?

A: This Proxy Statement and enclosed forms of Proxy (first mailed to the holders of Class A and Class C Common Stock, and to the holders of Class B and Class D Common Stock who requested to receive printed Proxy Materials, on or about April 9, 2014) are furnished in connection with the solicitation by our Board of Directors of Proxies for use at the Annual Meeting of Stockholders, or at any adjournment thereof. A Notice Regarding the Availability of Proxy Materials was first mailed to all of our stockholders beginning on or about April 9, 2014. The Annual Meeting will be held on Wednesday, May 21, 2014 at 10:00 a.m., at our offices located at Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this Proxy Statement.

2. Q: What is the purpose of the Annual Meeting?

A: The Annual Meeting is being held (1) to have the holders of Class A and C Common Stock elect one Class III director to serve for a term of three years until the annual election of directors in 2017 and the election and qualification of his successor and (2) to have the holders of Class B and D Common Stock elect one Class III director to serve for a term of three years until the annual election of directors in 2017 and the election and qualification of his successor and (3) to conduct an advisory (nonbinding) vote to approve named executive officer compensation and (4) to ratify the selection of PricewaterhouseCoopers LLP, as the company's independent registered public accounting firm for the fiscal year ending December 31, 2014 and (5) to transact such other business as may properly be brought before the meeting or any adjournment thereof. We will also discuss our business and be available for your comments and discussion.

3. Q: Why did holders of Class B and Class D Common Stock receive a notice in the mail regarding the internet availability of Proxy Materials instead of a full set of Proxy Materials?

A: In accordance with notice and access rules adopted by the U.S. Securities and Exchange Commission, or SEC, we may furnish Proxy Materials, including this Proxy Statement and our Annual Report to Stockholders, to our stockholders by providing access to such documents on the internet instead of mailing printed copies. Most holders of Class B and Class D Common Stock will not receive

printed copies of the Proxy Materials unless they request them. Instead, the Notice, which was mailed to holders of Class B and Class D Common Stock, will instruct you as to how you may access and review all of the Proxy Materials on the internet. Please visit <http://www.edocumentview.com/uhs>. The Notice also instructs you as to how you may submit your Proxy on the internet. If you would like to receive a paper or e-mail copy of our Proxy Materials, you should follow the instructions for requesting such materials in the Notice.

4. Q: Who may attend the Annual Meeting?

A: Stockholders of record as of the close of business on March 24, 2014, or their duly appointed Proxies, may attend the meeting. Stockholders whose shares are held through a broker or other nominee will need to bring a copy of a brokerage statement reflecting their ownership of our Common Stock as of the record date.

5. Q: Who is entitled to vote at the Annual Meeting?

A: Only stockholders of record as of the close of business on March 24, 2014 are entitled to vote at the Annual Meeting. On that date, 6,595,708 shares of Class A Common Stock, par value \$.01 per share, 664,000 shares of Class C Common Stock, par value \$.01 per share, 91,426,192 shares of Class B Common Stock, par value \$.01 per share, and 29,823 shares of Class D Common Stock, par value \$.01 per share, were outstanding. It is important to note that holders of Class B and D Common Stock are not being asked to vote on any currently contemplated proposals at the Annual Meeting, but we are requesting that you submit your vote to grant discretionary authority with respect to such other matters as may properly come before the Annual Meeting.

6. Q: Who is soliciting my vote?

A: The principal solicitation of Proxies is being made by the Board of Directors by mail. Certain of our officers, directors and employees, none of whom will receive additional compensation therefor, may solicit Proxies by telephone or other personal contact. We will bear the cost of the solicitation of the Proxies, including postage, printing and handling and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to beneficial owners of shares.

7. Q: What items of business will be voted on at the Annual Meeting?

A: The holders of Class A and C Common Stock will elect one Class III director, to serve for a term of three years until the annual election of directors in 2017. The holders of Class B and D Common Stock will elect one Class III director, to serve for a term of three years until the annual election of directors in 2017. The holders of Class A, Class C, Class B and Class D Common Stock will conduct an advisory (nonbinding) vote to approve named executive officer compensation and vote to ratify the selection of PricewaterhouseCoopers LLP, as the company's independent registered public accounting firm for the fiscal year ending December 31, 2014.

8. Q: How does the Board of Directors recommend that I vote?

A: The Board of Directors recommends that holders of Class A and Class C Common Stock and Class B and Class D Common Stock vote shares FOR the election of each of the nominees to the Board of Directors for which they are entitled to vote, FOR the approval, on an advisory basis, of named executive officer compensation and FOR the ratification of the selection of PricewaterhouseCoopers LLP, as the company's independent registered public accounting firm for the fiscal year ending December 31, 2014.

9. Q: How will voting on any other business be conducted?

A: Other than the items of business described in this Proxy Statement, we know of no other business to be presented for action at the Annual Meeting. As for any business that may properly come before the Annual Meeting, your signed Proxy gives authority to the persons named therein. Those persons may vote on such matters at their discretion and will use their best judgment with respect thereto.

10. Q: What is the difference between a stockholder of record and a street name holder?

A: These terms describe how your shares are held. If your shares are registered directly in your name with Computershare, our transfer agent, you are a stockholder of record. If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a street name holder.

11. Q: How do I vote my shares if I am a stockholder of record?

A: A separate form of Proxy applies to our Class A and Class C Common Stock and a separate form of Proxy applies to our Class B and Class D Common Stock. For specific instructions on how to vote your shares, please refer to the instructions on the Notice Regarding the Availability of Proxy Materials you received in the mail or, if you received printed Proxy Materials, your enclosed Proxy card. If you received printed Proxy Materials, enclosed is a Proxy card for the shares of stock held by you on the record date. If you received printed Proxy Materials, you may vote by signing and dating each Proxy card you receive and returning it in the enclosed prepaid envelope, or you may vote by telephone or internet. Unless otherwise indicated on the Proxy, shares represented by any Proxy will, if the Proxy is properly executed and received by us prior to the Annual Meeting, be voted FOR each of the nominees for directors. You may also vote by telephone or internet.

12. Q: How do I vote by telephone or electronically?

A: Instead of submitting your vote by mail on the enclosed Proxy card (if you received printed Proxy Materials), your vote can be submitted by telephone or electronically, via the internet. Please refer to the specific instructions set forth on the Notice Regarding the Availability of Proxy Materials or, if you received printed Proxy Materials, on the enclosed Proxy card. For security reasons, our electronic voting system has been designed to authenticate your identity as a stockholder.

13. Q: How do I vote my shares if they are held in street name?

A: If your shares are held in street name, your broker or other nominee will provide you with a form seeking instruction on how your shares should be voted.

14. Q: Can I change or revoke my vote?

A: Yes. Any Proxy executed and returned to us is revocable by delivering a later signed and dated Proxy or other written notice to our Secretary at any time prior to its exercise. Your Proxy is also subject to revocation if you are present at the meeting and choose to vote in person.

15. Q: What is the vote required to approve each proposal?

A: The director nominee receiving the highest number of affirmative votes of the shares of Class A and Class C Common Stock, voting as a class, present in person or represented by Proxy and entitled to vote, a quorum being present, shall be elected as a Class III director. The director nominee receiving the highest number of affirmative votes of the shares of Class B and Class D Common Stock, voting as a class, present in person or represented by Proxy and entitled to vote, a quorum being present, shall be elected as a Class III director.

16. Q: What constitutes a quorum ?

A: The holders of a majority of the common stock votes issued and outstanding and entitled to vote, either in person or represented by Proxy, constitutes a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

17. Q: What are our voting rights with respect to the election of directors?

A: Our Restated Certificate of Incorporation provides that, with respect to the election of directors, holders of Class A Common Stock vote as a class with the holders of Class C Common Stock, and holders of Class B Common Stock vote as a class with holders of Class D Common Stock, with holders of all classes of Common Stock entitled to one vote per share.

As of March 24, 2014, the shares of Class A and Class C Common Stock constituted 7.4% of the aggregate outstanding shares of our Common Stock, had the right to elect five members of the Board of Directors and constituted 86.7% of our general voting power; and as of that date the shares of Class B and Class D Common Stock (excluding shares issuable upon exercise of options) constituted 92.6% of the outstanding shares of our Common Stock, had the right to elect two members of the Board of Directors and constituted 13.3% of our general voting power.

18. Q: What are our voting rights with respect to matters other than the election of directors?

A: As to matters other than the election of directors, our Restated Certificate of Incorporation provides that holders of Class A, Class B, Class C and Class D Common Stock all vote together as a single class, except as otherwise provided by law.

Each share of Class A Common Stock entitles the holder thereof to one vote; each share of Class B Common Stock entitles the holder thereof to one-tenth of a vote; each share of Class C Common Stock entitles the holder thereof to 100 votes (provided the holder of Class C Common Stock holds a number of shares of Class A Common Stock equal to ten times the number of shares of Class C Common Stock

that holder holds); and each share of Class D Common Stock entitles the holder thereof to ten votes (provided the holder of Class D Common Stock holds a number of shares of Class B Common Stock equal to ten times the number of shares of Class D Common Stock that holder holds).

In the event a holder of Class C or Class D Common Stock holds a number of shares of Class A or Class B Common Stock, respectively, less than ten times the number of shares of Class C or Class D Common Stock that holder holds, then that holder will be entitled to only one vote for every share of Class C Common Stock, or one-tenth of a vote for every share of Class D Common Stock, which that holder holds in excess of one-tenth the number of shares of Class A or Class B Common Stock, respectively, held by that holder. The Board of Directors, in its discretion, may require holders of Class C or Class D Common Stock to provide satisfactory evidence that such owner holds ten times as many shares of Class A or Class B Common Stock as Class C or Class D Common Stock, respectively, if such facts are not apparent from our stock records.

19. Q: What if I abstain from voting or withhold my vote?

A: Stockholders entitled to vote for the election of directors can abstain from voting or withhold the authority to vote for any nominee. If you attend the meeting or send in your signed Proxy with instructions to withhold authority to vote for one or more nominees, you will be counted for the purposes of determining whether a quorum exists. Abstentions and instructions on the accompanying Proxy card to withhold authority to vote will result in the respective nominees receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action.

20. Q: Will my shares be voted if I do not sign and return my Proxy card or vote by telephone or internet?

A: If you are a stockholder of record and you do not sign and return your Proxy card or vote by telephone or internet, your shares will not be voted at the Annual Meeting. If your shares are held in street name and you do not issue instructions to your broker, your broker may vote your shares at its discretion on routine matters, but may not vote your shares on nonroutine matters. Under the New York Stock Exchange rules, the proposals relating to the election of directors and the advisory vote on approval of named executive officer compensation are deemed to be nonroutine matters with respect to which brokers and nominees may not exercise their voting discretion without receiving instructions from the beneficial owner of the shares.

21. Q: What is a broker non-vote ?

A: Broker non-votes are shares held by brokers or nominees which are present in person or represented by Proxy, but which are not voted on a particular matter because instructions have not been received from the beneficial owner. Under the rules of the Financial Industry Regulatory Authority, member brokers generally may not vote shares held by them in street name for customers unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, New York Stock Exchange-member brokers who hold shares of Common Stock in street name for their customers and have transmitted our Proxy solicitation materials to their customers, but do not receive voting instructions from such customers, are not permitted to vote on

nonroutine matters. Under the New York Stock Exchange rules, the proposal relating to the election of directors and the advisory vote on named executive officer compensation are deemed to be nonroutine matters with respect to which brokers and nominees may not exercise their voting discretion without receiving instructions from the beneficial owner of the shares.

22. Q: What is the effect of a broker non-vote?

A: Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum but they do not affect the determination of whether a matter is approved.

23. Q: Who will count the votes?

A: The Secretary will count the Class A and Class C votes. Our transfer agent will count the Class B and Class D votes and serve as inspector of elections.

24. Q: When are stockholder proposals due in order to be included in our Proxy Statement for the 2015 Annual Meeting?

A: Any proposal that you wish to present for consideration at the 2015 Annual Meeting must be received by us no later than December 5, 2014. This date provides sufficient time for inclusion of the proposal in the 2015 Proxy Materials. Any stockholder proposal must also be in proper form and substance, as determined in accordance with the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Proposals should be addressed to our Secretary at Universal Health Services, Inc., Universal Corporate Center, 367 South Gulph Road, P.O. Box 61558, King of Prussia, Pennsylvania 19406.

25. Q: Can I receive more than one set of Annual Meeting materials?

A: If you share an address with another stockholder, each stockholder may not receive a separate copy of our Annual Report and Proxy Statement. We will promptly deliver a separate copy of either document to any stockholder upon written or oral request to our Secretary at Universal Health Services, Inc., Universal Corporate Center, 367 South Gulph Road, P.O. Box 61558, King of Prussia, Pennsylvania 19406, telephone (610) 768-3300. If you share an address with another stockholder and (i) would like to receive multiple copies of the Proxy Statement or Annual Report to Stockholders in the future, or (ii) if you are receiving multiple copies and would like to receive only one copy per household in the future, please contact your bank, broker, or other nominee record holder, or you may contact us at the above address and phone number.

26. Q: How can I obtain additional information about the Company?

A: Copies of our annual, quarterly and current reports we file with the Securities and Exchange Commission, or SEC, and any amendments to those reports, are available free of charge on our website, which is located at <http://www.uhsinc.com>. Copies of these reports will be sent without charge to any stockholder requesting it in writing to our Secretary at Universal Health Services, Inc., Universal Corporate Center, P.O. Box 61558, 367 South Gulph Road, King of Prussia, Pennsylvania 19406. The information posted on our website is not incorporated into this Proxy Statement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of March 24, 2014, the number of shares of our equity securities and the percentage of each class beneficially owned, within the meaning of Securities and Exchange Commission Rule 13d-3, and the percentage of our general voting power currently held, by (i) all stockholders known by us to own more than 5% of any class of our equity securities, (ii) all of our directors and nominees who are stockholders, (iii) the executive officers named in the Summary Compensation Table and (iv) all directors and executive officers as a group. Except as otherwise specified, the named beneficial owner has sole voting and investment power. No shares are currently pledged as security by any of our directors or executive officers.

Name and Address of Beneficial Owner ⁽¹⁾	Title of Class				Percentage of General Voting Power ⁽³⁾
	Class A Common Stock ⁽²⁾	Class B Common Stock ⁽²⁾	Class C Common Stock ⁽²⁾	Class D Common Stock ⁽²⁾	
John H. Herrell 1021 10th Street, S.W. Rochester, MN 55902		13,276 ⁽⁵⁾			(5)
Robert H. Hotz Houlihan Lokey Howard & Zukin 245 Park Avenue, 20th Floor New York, NY 10167		69,861 ⁽⁵⁾⁽¹³⁾			(5)
Alan B. Miller	5,476,665 ⁽⁶⁾ (16)(22) (72.4%)	8,380,990 ⁽⁴⁾⁽¹³⁾ (14)(18) (6.5%)	661,688 (99.7%)		83.9%
Marc D. Miller	1,423,520 ⁽⁷⁾⁽¹⁶⁾⁽¹⁹⁾ (21.6%)	1,943,947 ⁽⁴⁾⁽¹³⁾ (17)(18)(21) (1.5%)			2.1%
Anthony Pantaleoni Fulbright & Jaworski L.L.P. 666 Fifth Avenue New York, NY 10103	633,138 ⁽⁵⁾⁽¹⁵⁾⁽²⁰⁾⁽²²⁾	807,663 ⁽⁴⁾⁽⁵⁾ (8)(17)	2,192 ⁽⁵⁾		(5)
Lawrence S. Gibbs Ramius LLC 599 Lexington Avenue #20 New York, NY 10022		2,393 ⁽⁵⁾			(5)
Eileen C. McDonnell The Penn Mutual Life Insurance Company		1,000 ⁽⁵⁾			(5)

600 Dresher Road

Horsham, PA 19044

Name and Address of Beneficial Owner ⁽¹⁾	Title of Class				Percentage of General Voting Power ⁽³⁾
	Class A Common Stock ⁽²⁾	Class B Common Stock ⁽²⁾	Class C Common Stock ⁽²⁾	Class D Common Stock ⁽²⁾	
Debra K. Osteen		164,822 ⁽⁵⁾⁽¹³⁾			(5)
Steve G. Filton		377,859 ⁽⁵⁾⁽¹³⁾			(5)
Marvin G. Pember		32,500 ⁽⁵⁾⁽¹³⁾			(5)
Wellington Management Company, LLP		7,238,611 ⁽⁹⁾			
280 Congress Street		(7.9%)			
Boston, MA 02210					
BlackRock, Inc.		11,780,808 ⁽¹⁰⁾			
40 East 52 nd Street		(12.9%)			
New York, NY 10022					
The Vanguard Group		5,096,008 ⁽¹¹⁾			
100 Vanguard Blvd.		(5.6%)			
Malvern, PA 19335					
T. Rowe Price Associates, Inc.		4,923,154 ⁽¹²⁾			
100 E. Pratt Street		(5.4%)			
Baltimore, MD 21202					
All directors & executive officers as a group (11 persons)	(99.9%)	(11.4%) ⁽⁴⁾	(99.9%)	(0%)	86.9%

(1) Unless otherwise shown, the address of each beneficial owner is c/o Universal Health Services, Inc., Universal Corporate Center, 367 South Gulph Road, King of Prussia, PA 19406.

(2) Each share of Class A, Class C and Class D Common Stock is convertible at any time into one share of Class B Common Stock.

(3) As to matters other than the election of directors, holders of Class A, Class B, Class C and Class D Common Stock vote together as a single class. Each share of Class A Common Stock entitles the holder thereof to one vote; each share of Class B Common Stock entitles the holder thereof to one-tenth of a vote; each share of Class C Common Stock entitles the holder thereof to 100 votes (provided the holder of Class C Common Stock holds a number of shares of Class A Common Stock equal to ten times the number of shares of Class C Common Stock that holder holds); and each share of Class D Common Stock entitles the holder thereof to ten votes (provided the holder of Class D Common Stock holds a number of shares of Class B Common Stock equal to ten times the number of shares of Class D Common Stock that holder holds).

(4) Includes shares issuable upon the conversion of Classes A, C and/or D Common Stock.

(5) Less than 1% of the class of stock or general voting power.

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- (6) Includes 400,000 shares of Class A Common Stock which are beneficially owned by Mr. Miller and are held by Mr. Miller in trust for the benefit of his spouse.

- (7) Includes 209,041 shares of Class A Common Stock which are held by three trusts (the 2002 Trusts) for the benefit of certain of Alan B. Miller's family members of which Marc D. Miller (who is a named executive officer, director and the son of Alan B. Miller) and Mr. Pantaleoni are trustees; and 532,194 shares held by the A. Miller Family, LLC, whose members are the 2002 Trusts. Marc D. Miller is the sole manager of the A. Miller Family, LLC and during his tenure as such, has voting and dispositive power with respect to the Class A Common Stock held by the A. Miller Family, LLC.
- (8) Includes 680 shares of Class B Common Stock which are beneficially owned by Mr. Pantaleoni and are held by Mr. Pantaleoni in trust for the benefit of certain members of his family.
- (9) These securities are held by Wellington Management Company, LLP, a registered investment adviser. Wellington Management Company LLP has shared power to vote or direct the vote of 2,473,504 shares of our Class B Common Stock and shared power to dispose or to direct the disposition of 7,238,611 shares of our Class B Common Stock. Information is based on Amendment No. 9 to Schedule 13G dated February 14, 2014.
- (10) These securities are held by BlackRock, Inc. Information is based on Amendment No. 5 to Schedule 13G dated January 8, 2014.
- (11) These securities are held by The Vanguard Group. Information is based on Schedule 13G dated February 6, 2014.
- (12) These securities are held by T. Rowe Price Associates, Inc., a registered investment adviser. Information is based on Amendment No. 2 to Schedule 13G dated February 14, 2014.
- (13) Includes 1,875,000 shares issuable pursuant to stock options to purchase Class B Common Stock held by our directors and executive officers and exercisable within 60 days of March 24, 2014 as follows:
Robert H. Hotz (15,000); Alan B. Miller (1,475,000); Marc D. Miller (90,000); Debra K. Osteen (87,500); Steve G. Filton (175,000); and Marvin G. Pember (32,500).
- (14) Includes 13,532 restricted shares awarded during 2012, net of vestings, pursuant to our 2010 Employees Restricted Stock Purchase Plan for Alan B. Miller. These shares are subject to forfeiture and vesting pursuant to the terms and conditions set forth in the applicable restricted stock agreements.
- (15) Does not include (i) 209,041 shares of Class A Common Stock which are held by the 2002 Trusts of which Mr. Pantaleoni is a trustee, and; (ii) 532,194 shares of Class A Common Stock which are held by A. Miller Family, LLC whose members are the 2002 Trusts. Mr. Pantaleoni disclaims any beneficial interest in the shares.
- (16) Includes 444,485 shares held by the three 2010 Grantor Retained Annuity Trusts (B) for the benefit of Alan B. Miller's three children. Alan B. Miller has the sole dispositive power and Marc D. Miller has sole voting power with respect to these shares.
- (17) Includes 171,426 shares held by the three 2011 Family Trusts for the benefit of Alan B. Miller's three children. Anthony Pantaleoni and Marc D. Miller are both Trustees. Marc D. Miller has sole voting power with respect to these shares. Mr. Pantaleoni disclaims beneficial ownership of all shares and Marc D. Miller disclaims beneficial ownership of Abby Miller King's shares (55,763) and Marni Spencer's shares (55,763).

- (18) Includes 212,625 shares held by the three 2012 Grantor Retained Annuity Trusts (A) for the benefit of Alan B. Miller's three children. Alan B. Miller has the sole dispositive power and Marc D. Miller has sole voting power with respect to these shares.
- (19) Includes 237,800 shares held by the 2012 Family Trust for the benefit of Abby Miller King and Marni Spencer. Anthony Pantaleoni and Marc D. Miller are both Trustees. Marc D. Miller has sole voting power with respect to these shares. Mr. Pantaleoni disclaims beneficial ownership of these shares.
- (20) Includes 356,700 shares held by the 2012 Family Trust for the benefit of Alan B. Miller's three children. Anthony Pantaleoni is the Trustee of Marc D. Miller's shares (118,900) and Mr. Pantaleoni has sole voting power with respect to Marc D. Miller's shares. Mr. Pantaleoni disclaims beneficial ownership of these shares.
- (21) Includes 863 shares held by the three 2002 Trusts for the benefit of Marc D. Miller. Anthony Pantaleoni is a Trustee and disclaims beneficial ownership of these shares. Marc D. Miller has sole voting power with respect to these shares.
- (22) Includes 258,630 shares held by The Alan B. Miller 2002 Trust. Anthony Pantaleoni is the Trustee of the Trust and has sole voting power with respect to these shares. Mr. Pantaleoni disclaims any beneficial interest in the shares.

Equity Compensation Plan Information

The table below provides information, as of the end of December 31, 2013, concerning securities authorized for issuance under our equity compensation plans.

Plan Category (1.)	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	7,620,958	\$ 43.63	10,746,858
Total	7,620,958	\$ 43.63	10,746,858

- (1) Shares of Class B Common Stock

PROPOSAL NO. 1**ELECTION OF DIRECTORS**

Our Restated Certificate of Incorporation provides for a Board of Directors of not fewer than three members nor more than nine members. The Board of Directors is currently fixed at seven members, and is divided into three classes, with members of each class serving for a three-year term. At each Annual Meeting of Stockholders, directors are chosen to succeed those in the class whose term expires at such Annual Meeting and, in the case of this Annual Meeting, directors will be elected to as in Class II directors. Under our Restated Certificate of Incorporation, holders of shares of our outstanding Class B and Class D Common Stock are entitled to elect 20% (but not less than one) of the directors, currently two directors, one in Class II and one in Class III, and the holders of Class A and Class C Common Stock are entitled to elect the remaining five directors, three in Class I, one in Class II, and one in Class III.

The persons listed below include our Board of Directors and nominees. The terms of the two current Class III directors, Mr. Alan B. Miller and Mr. Lawrence S. Gibbs expire at the 2014 Annual Meeting. Mr. Alan B. Miller has been nominated to be elected by the holders of Class A and C Common Stock and Mr. Lawrence S. Gibbs has been nominated to be elected by the holders of Class B and Class D Common Stock. We have no reason to believe that any of the nominees will be unavailable for election; however, if either nominee becomes unavailable for any reason, the shares represented by the Proxy will be voted for the person, if any, who is designated by the Board of Directors to replace the nominee. All nominees have consented to be named and have indicated their intent to serve if elected. The following information is furnished with respect to each of the nominees for election as a director and each member of the Board of Directors whose term of office will continue after the meeting.

Name	Class of		Age	Business Experience	Director Since
	Director	Stockholders			
<u>DIRECTOR NOMINEES</u>					
Alan B. Miller	III	A Common C Common	76	Our Chairman of the Board and Chief Executive Officer since 1978 and previously served as President until May 2009. Prior thereto, President, Chairman of the Board and Chief Executive Officer of American Medicorp, Inc. Chairman of the Board of Trustees, Chief Executive Officer and President of Universal Health Realty Income Trust. Father of Marc D. Miller, a Director and President.	1978
Lawrence S. Gibbs	III	B Common D Common	42	Macro Portfolio Manager at Ramius LLC since March 2010. Prior thereto, Portfolio Manager at Millennium Partners LLC from February 2009 to March 2010. Portfolio Manager, Chief Investment Officer, at JP Morgan Chase Bank N.A. from 2006 to 2009.	2011

Name DIRECTOR WHOSE	Class of Director	Class of Stockholders		Age	Business Experience	Director Since
		Entitled to Vote				
<u>TERM EXPIRES IN 2015</u>						
John H. Herrell	I	A Common		73	Former Chief Administrative Officer of Mayo Foundation from 1993 through 2002; Chief Financial Officer of Mayo Foundation from 1984 until 1993 and various other capacities since 1968.	1993
		C Common				
Marc D. Miller	I	A Common		43	Appointed as our President in May 2009. Previously served as Senior Vice President and Co-Head of our Acute Care Division during 2007 and served as our Vice President since January 2005. Vice-President of Acute Care Division since August 2004; Assistant Vice President of Universal Health Services, Inc. and Group Director, of Acute Care Division, Eastern Region since June 2003; CEO/Managing Director at Central Montgomery Medical Center from February 2002 to May 2003; Chief Operating Officer at Wellington Regional Medical Center from October 2000 to February 2002; Assistant Administrator at The George Washington University Hospital from August 1999 to October 2000. Trustee of Universal Health Realty Income Trust. Son of Alan B. Miller, our Chief Executive Officer and Chairman of the Board.	2006
		C Common				
Eileen C. McDonnell	I	A Common		51	Ms. McDonnell was appointed to our Board of Directors in April, 2013 and she currently serves as Chairman, President and Chief Executive Officer of The Penn Mutual Life Insurance Company since her appointment in February, 2011. Ms. McDonnell joined Penn Mutual in 2008 and previously served as President of the company. She was also appointed to The Penn Mutual Board of Trustees in 2010. Before joining Penn Mutual,	2013
		C Common				

Name	Class of Director	Class of Stockholders		Age	Business Experience	Director Since
		Entitled to Vote				
					Ms. McDonnell founded ExecMPower, a strategic planning and executive coaching consultancy. Previously, she was president of New England Financial, a wholly owned subsidiary of MetLife, and senior vice president of the Guardian Life Insurance Company.	
DIRECTORS WHOSE						
<u>TERMS EXPIRE IN 2016</u>						
Anthony Pantaleoni	II	A Common		74	Of Counsel to the law firm of Fulbright & Jaworski L.L.P., New York, New York. We utilized during the year ended December 31, 2012 and currently utilize the services of Fulbright & Jaworski L.L.P. as outside counsel.	1982
		C Common				
Robert H. Hotz	II	B Common		69	Senior Managing Director, Co-Head of Corporate Finance, Co-Chairman of Houlihan Lokey Howard & Zukin, Member of the Board of Directors and Operating Committee, Houlihan Lokey Howard & Zukin since June 2002;	1991
		D Common				

See the Section 16(a) Beneficial Reporting Compliance and Corporate Governance sections herein for additional information about our Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS.

PROPOSAL NO. 2

ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

Pursuant to rules of the Securities and Exchange Commission, we are asking you to approve, on an advisory (non-binding) basis, the compensation paid to our named executive officers as disclosed in the Compensation Discussion and Analysis below, the compensation tables below, and any related narrative discussion contained in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives stockholders the opportunity to express their views on the compensation paid to our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we are asking the stockholders to vote **FOR** the following resolution at the Annual Meeting:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed in the Company's proxy statement for the 2014 Annual Meeting of Stockholders, pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion contained in this Proxy Statement.

Vote Required

The affirmative vote of the holders of a majority of the Class A, B, C and D Common Stock votes present in person or represented by proxy and entitled to vote on the matter is required for the approval of this proposal.

If you are a stockholder of record and you do not sign and return your Proxy card or vote by telephone or internet, your shares will not be voted at the Annual Meeting. Under the New York Stock Exchange rules, this proposal is not a routine matter and broker non-votes may occur with respect to this proposal. If your shares are held in street name and you do not issue instructions to your broker, your broker or nominee may not vote your shares on these matters without receiving instructions.

Broker non-votes with respect to this matter will be treated as neither a vote **for** nor a vote **against** the matter, although they will be counted in determining the number of votes required to attain a majority of the shares present or represented at the meeting and entitled to vote. An abstention from voting by a stockholder present in person or by proxy at the meeting has the same legal effect as a vote **against** the matter because it represents a share present or represented at the meeting and entitled to vote, thereby increasing the number of affirmative votes required to approve this proposal.

The "say-on-pay" vote is advisory and will not be binding upon the Company, the Board of Directors or the Compensation Committee. However, the Compensation Committee will take into account the outcome of the vote when considering future named executive officer compensation arrangements.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE **FOR APPROVAL OF THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS, AS DISCLOSED PURSUANT TO ITEM 402 OF REGULATION S-K, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, COMPENSATION TABLES AND NARRATIVE DISCUSSION CONTAINED IN THIS PROXY STATEMENT.**

PROPOSAL NO. 3

RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of the Board has selected, and as a matter of good corporate governance, is requesting ratification by the shareholders of the selection of PricewaterhouseCoopers LLP to serve as our independent registered public accountants for the year ending December 31, 2014. PricewaterhouseCoopers LLP served as our independent registered public accountants for the year ended December 31, 2013. If a favorable vote is not obtained, the Audit Committee may reconsider the selection of PricewaterhouseCoopers LLP. Even if the selection is ratified, the Audit Committee, in its discretion, may select different independent auditors if it subsequently determines that such a change would be in the best interest of the Company and its shareholders.

PricewaterhouseCoopers LLP representatives will attend the Annual Meeting and respond to questions where appropriate. Such representatives may make a statement at the Annual Meeting should they so desire.

Vote Required

Ratification of the selection of the independent registered public accountants by the shareholders requires that affirmative FOR vote of the holders of a majority of the Class A, Class B, Class C and Class D Common Stock votes present in person or represented by proxy and entitled to vote on the matter. Unless marked to the contrary, proxies will be voted FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accountants.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

In designing our compensation programs for our named executive officers, we follow our belief that compensation should reflect the value created for stockholders while supporting our strategic business goals. In doing so, our compensation programs reflect the following objectives:

Compensation should encourage increased stockholder value;

Compensation programs should support our short-term and long-term strategic business goals and objectives;

Compensation programs should reflect and promote our core values set forth in our mission statement, which includes commitment to excellence, high ethical standards; teamwork and innovation;

Compensation should reward individuals for outstanding performance and contributions toward business goals, and;

Compensation programs should enable us to attract, retain and motivate highly qualified professionals.

These objectives govern the decisions that the Compensation Committee of the Board of Directors (the "Compensation Committee") and management of the Company make with respect to the amount and type of compensation payable to our named executive officers. The Compensation Committee believes that linking executive compensation to corporate performance results in a better alignment of compensation with corporate business goals and stockholder value. This belief has been adhered to by developing incentive pay programs that provide competitive compensation and reflect our performance. Our compensation programs are designed to reward our employees for outstanding performance and contributions that increase our stock price thereby increasing stockholder value. Both short-term and long-term incentive compensation are based on our performance and the value received by stockholders. As our performance goals are met or exceeded, resulting in increased value to stockholders, executives are rewarded commensurately. The majority of our compensation programs are reviewed annually to ensure that these objectives continue to be met.

Compensation Setting Process

The Compensation Committee has traditionally taken into account the input and recommendations of our Chairman and Chief Executive Officer, Mr. Alan Miller, with respect to our compensation programs, including the compensation arrangements with our named executive officers other than himself. The Compensation Committee believes that Mr. Alan Miller, due to his role within the Company, his years of healthcare experience and other factors, as mentioned below, provides a valuable resource to the Compensation Committee. Mr. Alan Miller attends certain Compensation Committee meetings by invitation, however, he does not have the right to vote on matters addressed by the Compensation Committee and he does not participate in the discussions with respect to his own compensation. Mr. Alan Miller conducts formal performance evaluations on an annual basis with the named executives who have direct reporting responsibility to him.

Unlike our other named executive officers, Mr. Alan Miller's base salary, minimum annual bonus and certain perquisites are determined under his employment agreement. Please also refer to the discussion of Mr. Alan Miller's employment agreement in the *Chief Executive Officer Employment Agreement* section of this Proxy Statement. In addition, the compensation setting process for Mr. Alan Miller varies from that of our other named executive officers because it is determined by the Compensation Committee without Mr. Alan Miller's participation. The Compensation Committee, in determining Mr. Alan Miller's compensation, takes into account his position as Chief Executive Officer, his role as a founder of our company in 1978, his years of dedicated service and his expertise and reputation in the hospital management industry. The Compensation Committee also considers Mr. Alan Miller's responsibilities in overseeing all of our Company's businesses, its operations, development and overall strategy and his role as the public face of our company, which shapes our corporate image and identity. These factors differentiate Mr. Alan Miller from the other named executive officers.

In addition, for Mr. Alan Miller and the Company's other named executive officers, the Compensation Committee reviewed data prepared in late 2012 and early 2014 by Pay Governance LLC that compared the Company's executive compensation levels to data for comparable positions in other companies within the healthcare industry as well as to size-adjusted (by revenues) data from the broader general industry. Data were drawn from publicly filed proxies of peer healthcare companies and a Towers Watson executive compensation survey database covering a range of companies and industries. Data were compiled for all elements of compensation including base salary, annual incentive opportunity, and equity/long-term incentive awards. These data, as well as Company-specific factors including the prior year performance of our executives and the Company's operating performance relative to our competitors, were considered by the Committee in determining 2013 and 2014 compensation rates for Mr. Alan Miller and our other named officers. In light of the above factors, the Compensation Committee approved the base salary, annual cash incentive opportunity, and long-term compensation award to each of the named executive officers in 2013 and 2014 and believes that the forms and amounts of compensation for each year adequately reflect our compensation goals and policies.

Tax Considerations

Our chief executive officer, our chief financial officer and the next three most highly compensated officers are referred to herein as the named executive officers. Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") places a limit of \$1 million on the amount of compensation we may deduct for federal income tax purposes in any one year with respect to our named executive officers with the exception of our chief financial officer. However, performance-based compensation that meets certain requirements is excluded from this \$1 million limitation.

In reviewing the effectiveness of the executive compensation program, the Compensation Committee considers the anticipated tax treatment to us and to the named executive officers of various payments and benefits. However, the deductibility of certain compensation payments depends upon the timing of an executive's vesting or exercise of previously granted awards, as well as interpretations and changes in the tax laws and other factors beyond the Compensation Committee's control. For these and other reasons, including to maintain flexibility in compensating the named executive officers in a manner designed to promote varying corporate goals, the Compensation Committee will not necessarily, or in all circumstances, limit executive compensation to that which is deductible under Section 162(m) of the Code and has not adopted a policy requiring all compensation to be deductible.

The Compensation Committee will consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent reasonably practicable and to the extent consistent with its other compensation objectives. The portion of Mr. Alan Miller's 2013 base salary exceeding \$1 million will not be deductible by virtue of Section 162(m) of the Code.

Elements of Compensation

Our executive compensation is based on six primary components, each of which is intended to serve the overall compensation objectives. These components include:

annual base salary;

annual cash incentive;

long-term incentive awards;

deferred compensation;

retirement benefits; and

other benefits, including perquisites.

Annual Base Salary

Our annual base salary levels are intended to be consistent with competitive pay practices and level of responsibility, with salary increases reflecting competitive trends, our overall financial performance, the performance of each individual executive and general economic conditions.

The base salary for each of our named executive officers is paid in cash and is intended to reward the performance and efforts of each named executive officer during the fiscal year relative to his or her position with us. In establishing the base salary for our named executive officers, various criteria are reviewed including the following:

the executive officer's achievements, performance in his or her position with us, taking into account the tenure of service, the complexity of the position and current job responsibilities;

Mr. Alan Miller's recommendations as to the proposed base salary, other than his own;

company financial performance, and;

salaries of similar positions in our competitor companies.

For our named executive officers, in late 2012 and early 2014, an analysis was conducted by Pay Governance LLC utilizing the most currently available proxy statements, as filed with the Securities and Exchange Commission by eight companies that we believe are our most direct competitors. The companies are:

Community Health Systems Inc.

HCA Inc.

Health Management Associates, Inc.

Iasis Healthcare

Kindred Healthcare, Inc.

LifePoint Hospitals, Inc.

Tenet Healthcare Corporation

Vanguard Health Systems, Inc.

This peer group is consistent with the peer group utilized for the analysis used to determine 2012 compensation. We believe the companies indicated above are comparable peer companies based upon the median revenues of this peer group, which were approximately \$6 billion as compared to our 2013 revenues of \$7 billion.

For 2013 for Mr. Alan Miller, his base salary exceeded the 75th percentile of the peer group, due to his long tenure in the position, his value as the Company's founder, his status within the healthcare industry and his performance. The median years of experience of other executives in this group was 9 years compared to Mr. Alan Miller's 35 years.

For 2013, for our other named executive officers (excluding Mr. Alan Miller), we targeted the median (fiftieth percentile) base salary paid by the comparable companies (listed above), along with the median of broader general industry data, to establish our base market rate. We generally consider our base salaries to be competitive if they are approximately within a 15% range of the median market rate. However, actual base salaries are not dictated solely by the median market rate. We also take into account an individual's expertise, tenure in the position, responsibilities and achievements. For 2013, the actual base salary rates for Messrs. Marc Miller, Filton and Pember and Ms. Osteen were within or above approximately 15% of their respective median base salary market rates (as assessed relative to our peer group).

Annual Cash Incentives

Cash incentives for our named executive officers are awarded under the Executive Incentive Plan, which was adopted by our stockholders at our 2010 Annual Meeting. The Executive Incentive Plan is intended to support our efforts to attract, retain and motivate highly qualified senior management and other executive officers of the Company and its affiliates through the payment of performance-based incentive compensation. Annual incentive compensation may be awarded under the Executive Incentive Plan to our named executive officers and others as selected by the Compensation Committee for any calendar year. The Compensation Committee believes that the payment of cash incentives to our named executive officers under the Executive Incentive Plan is consistent with the objectives for our compensation programs by rewarding such officers for the achievement of specified business goals and performance objectives and, ultimately, may increase the value of our stock.

The amount of an employee's cash incentive award for a calendar year is based upon the employee's target cash incentive and the extent to which the performance goal(s) applicable to the employee are achieved. For each calendar year, an employee's target cash incentive will be equal to a fixed percentage of the employee's base salary earned during the year.

The Compensation Committee establishes performance goals for the named executive officers using such business criteria and other measures of performance discussed herein; provided that, in the case of incentive awards intended to qualify as performance-based compensation under Section 162(m) of the Code, the Compensation Committee will establish objective performance goals based upon one or more of the following business criteria:

attainment of certain target levels of, or a specified increase in, revenues, income before income taxes and extraordinary items, net income, earnings before income tax, earnings before interest, taxes, depreciation and amortization or a combination of any or all of the foregoing;

attainment of certain target levels of, or a specified increase in, after-tax or pre-tax profits;

attainment of certain target levels of, or a specified increase in, operational cash flow;

attainment of a certain level of, reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of, our bank debt or other long-term or short-term public or private debt or other similar financial obligations, which may be calculated net of such cash balances and/or other offsets and adjustments as may be established by the committee;

attainment of certain target levels of, or a specified increase in, earnings per share or earnings per share from continuing operations;

attainment of certain target levels of, or a specified increase in, return on capital or return on invested capital;

attainment of certain target levels of, or a specified increase in, after-tax return on stockholders' equity;

attainment of certain target levels of, or a specified increase in, economic value added targets based on a cash flow return on investment formula, and/or;

attainment of certain target levels in the fair market value of our Class B Common Stock or growth in the value of an investment in the Class B Common Stock assuming the reinvestment of dividends.

In the case of an award intended to qualify as performance-based compensation under Section 162(m) of the Code, except as otherwise permitted under Section 162(m) of the Code, the applicable target cash incentive, performance goals and performance factors with respect to any calendar year will be established in writing by the Compensation Committee no later than 90 days after the commencement of that year. Promptly after the date on which the necessary financial or other information for a particular year becomes available, the Compensation Committee will determine the amount, if any, of the cash incentive compensation payable to each participant for that calendar year and will certify in writing prior to payment that the performance goals for the year were in fact satisfied. The maximum incentive award which any participant may earn under the Executive Incentive Plan for any calendar year shall not exceed \$5 million. The Executive Incentive Plan provides the Compensation Committee with the discretion to establish higher or lower performance factors for levels of performance that are more or less than the target levels. Performance goals may be adjusted for changes in accounting methods, corporate transactions and other similar types of events, provided that, such adjustment is permitted under Section 162(m) of the Code.

From time to time, special cash incentives may be granted to our named executive officers in order to reward outstanding performance or achievement of a business milestone. Special cash incentive awards support our overall compensation objectives by helping us retain and motivate highly qualified professionals and by providing rewards for outstanding performance. Because special cash incentive awards are made in recognition of outstanding performance, they do not affect decisions that we make regarding other elements of compensation. There were no special cash incentive awards granted to our named executive officers in 2013.

2014 and 2013 Annual Cash Incentive Formula and Performance Goals: The Compensation Committee approved the specific formula for the determination of the target annual cash incentive compensation for our executive officers pursuant to the Executive Incentive Plan with respect to the years ending December 31, 2014 and 2013. Under the formulae approved by the Compensation Committee, each of the Company's executive officers was assigned a percentage of such executive officer's base salary as a target bonus based upon corporate performance criteria. The corporate performance criteria target bonus award indicated below for Mr. Alan B. Miller is stipulated in his employment agreement dated July 24, 2013.

The following table shows each named executive officer's corporate performance criteria target bonus as a percentage of his or her base salary for 2014 and 2013. With respect to Messrs. Alan B. Miller, Marc D. Miller and Steve G. Filton, 100% of their annual incentive bonus for 2014 and 2013 will be/was determined using the corporate performance criteria, as described below. With respect to Ms. Osteen and Mr. Pember, their 2014 and 2013 annual incentive bonus will be/was determined utilizing: (i) 25% of their annual salary based upon the achievement of the corporate performance criteria, and; (ii) 75% of their annual salary based upon the achievement of the divisional income targets, as described below.

Name	Title	Target Award	
		2014	2013
Alan B. Miller	Chief Executive Officer and Chairman of the Board	100%	100%
Marc D. Miller	President	65%	65%
Steve G. Filton	Senior Vice President and Chief Financial Officer	50%	50%
Debra K. Osteen	Senior Vice President and President, Behavioral Health Division	50%	50%
Marvin G. Pember	Senior Vice President and President, Acute Care Division	50%	50%

Pursuant to the Plan and the formulae approved by the Compensation Committee, each executive officer is entitled to receive between 0% and 250% of that executive officer's target bonus based, either entirely or in part, on the Company's achievement of a combination of: (i) a specified range of target levels of adjusted net income per diluted share attributable to UHS, and; (ii) a specified range of target levels of return on capital (net income divided by quarterly average net capital) for the years ending December 31, 2014 and 2013. The adjusted net income per diluted share attributable to UHS generally excludes, among other things, the impact of the incentive

income and incremental expenses incurred in connection with the implementation of electronic health records applications at our acute care hospitals, as well as other amounts that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years.

The divisional income targets consist of the projected aggregate pre-tax income for our Acute Care and Behavioral Health Services segments, net of deductions for the allocation of corporate overhead expenses and a charge for the estimated cost of capital. The divisional income targets generally exclude, among other things, the impact of the incentive income and incremental expenses incurred in connection with the implementation of electronic health records applications at our acute care hospitals, as well as other amounts that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years.

To the extent that the actual divisional results exceeded the targets, Ms. Osteen and Mr. Pember are entitled to 75% of the following (as applied to their annual base salary) as the portion of their annual bonus that is based upon divisional income targets: (i) 25% if actual results meet divisional income targets; (ii) 50% if actual results exceed divisional income targets by 5%; (iii) 75% if actual results exceed divisional income targets by 10%, and; (iv) 100% if actual results exceed divisional income targets by 15%.

The 2013 Target of adjusted net income per diluted share attributable to UHS, which represented a specified point within the publicly disclosed range of our projected consolidated earnings per diluted share estimate for the year, was \$4.40 per diluted share. The 2013 Return on Capital Target was 6.7%. On February 28, 2013, we publicly disclosed our 2013 estimated range of adjusted net income per diluted share attributable to UHS of \$4.35 to \$4.50.

In October of 2013, based upon our actual operating results experienced during the first nine months of 2013, we publicly disclosed an increase to our annual 2013 estimated range of adjusted net income attributable to UHS to \$4.52 to \$4.58 per diluted share. For annual cash incentive computation purposes, the above-mentioned 2013 Target of adjusted net income per diluted share attributable to UHS, and the 2013 Return on Capital Target, were not impacted by this publicly disclosed upward revision to our annual 2013 estimated range of adjusted net income per diluted share attributable to UHS.

Pursuant to the terms of the Executive Incentive Plan and the formula approved by our Compensation Committee, our named executive officers were eligible to receive the applicable portion of their annual cash incentive (which were based on the corporate performance criteria) at various increments ranging from 0% of their bonus target award (based upon the achievement of a Target of adjusted net income per diluted share attributable to UHS of \$3.99 or less, and Return on Capital of 6.0% or less) up to 250% of their annual cash incentive target award (based upon the achievement of a Target of adjusted net income per diluted share attributable to UHS of \$4.80 or greater and Return on Capital of 7.3% or greater). Although the cash incentive formula in fiscal year 2013 is unchanged from 2012's cash incentive formula, the Targets have been adjusted, as necessary, to correlate to the range of our estimated 2013 adjusted net income per diluted share attributable to UHS, as publicly disclosed on February 28, 2013.

In determining the corporate and divisional performance criteria, various factors are considered, including the projected revenue and earnings growth over the prior year. Since the value received by stockholders is measured, in large part, by an increase in stock price, which is in turn typically influenced by increases in

revenues and earnings, our performance criteria are established at reasonably aggressive levels to encourage the attainment of our financial objectives which, if accomplished, may result in an increase to our stock price and increased value to stockholders. As mentioned above, the corporate performance criteria are established annually and the Target of adjusted net income per diluted share attributable to UHS directly correlates to our annual earnings guidance that is typically publicly disclosed by us during the first quarter of each year. The divisional performance criteria are also established annually and represent each division's respective portion of the corporate performance criteria.

The actual cash incentives awarded for 2013 (which were based upon corporate performance criteria) were based upon the achievement of 154% target, as determined by the Compensation Committee in March, 2014, based upon our 2013 actual operating results. During 2013, our adjusted net income per diluted share attributable to UHS, upon which the Target adjusted net income per diluted share attributable to UHS was based, was \$4.55. This adjusted net income per diluted share attributable to UHS for 2013 was publicly disclosed and reconciled to our reported 2013 net income per diluted share attributable to UHS of \$5.14, on the Schedule of Non-GAAP Supplemental Consolidated Income Information, included with our earnings for the year ended December 31, 2013, as filed on Form 8-K on February 27, 2014. The Return on Capital was 6.9% for 2013. The Return on Capital is calculated by dividing our annual adjusted net income per diluted share attributable to UHS by the consolidated average net capital.

For 2013, Ms. Osteen's divisional income target was \$274 million. The divisional income target consists of the projected aggregate pre-tax income for our Behavioral Health Services segment, net of deductions for the allocation of corporate overhead expenses and a charge for the estimated cost of capital. The divisional income target may be adjusted to include the impact of acquisitions or divestitures made during the year, if material, as well as other amounts that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years. The 2013 actual divisional income, as calculated, was \$291 million. Since the actual divisional income exceeded the target by more than 5% (the \$274 million target was exceeded by \$17 million, or 6%), Ms. Osteen was entitled to 50% of the portion of her bonus (75%) that was based upon the achievement of the divisional income target.

For 2013, Mr. Pember's divisional income/loss target was a loss of \$276 million. The divisional income/loss target consists of the projected aggregate pre-tax income for our Acute Care Services segment, net of deductions for the allocation of corporate overhead expenses and a charge for the estimated cost of capital. The divisional income/loss target may be adjusted to include the impact of acquisitions or divestitures made during the year, if material, as well as other amounts that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years. The 2013 actual divisional income/loss, as calculated, was a loss of \$352 million. Since the actual divisional income/loss did not meet the target, Mr. Pember was not entitled to the portion of his bonus (75%) that was based upon the achievement of the divisional income target.

The performance goals related to the Executive Incentive Plan, as outlined above, are generally based upon the achievement of our business plan financial objectives. Performance goals are established at reasonably aggressive levels to encourage and motivate executive performance and attainment of our financial objectives. At the time the Compensation Committee approved the Executive Incentive Plan for fiscal years 2014 and 2013, we

believed that the performance goals were attainable, but not certain. Based upon the achievement of the corporate performance criteria, 154% during 2013, 27% during 2012 and 194% during 2011 of the target awards were earned.

As part of our peer company compensation review for executive officers as discussed above in *Annual Base Salary*, we also target the median (fiftieth percentile) market rate from our healthcare peers and the broader general industry data when determining each officer's target annual incentive and long-term incentive opportunity. For 2013, our target annual incentive opportunities were assessed as being at or below the market 25th percentile. Actual cash incentive awards, however, appropriately vary from this targeted level based upon performance, consistent with our pay for performance philosophy, and are detailed in the Summary Compensation Table in this Proxy Statement. The Compensation Committee believes that the annual and long-term incentive opportunities offered to our named executive officers are appropriate to facilitate our ability to attract, retain, motivate and reward our named executive officers, and that actual incentive payouts appropriately reflect the Company's performance.

For a further description of the cash incentives and other elements of compensation granted to our named executive officer for 2013, 2012 and 2011, please refer to the Summary Compensation Table in this Proxy Statement.

Long-Term Incentives

The Compensation Committee believes that the grant of non-cash, long-term compensation, primarily in the form of long-term incentive awards, to our named executive officers is appropriate to attract, motivate and retain such individuals, and enhance stockholder value through the use of equity incentive compensation opportunities.

Further, long-term incentive awards reward individuals for their performance and achievement of business goals. The Compensation Committee believes that our best interests will be advanced by enabling our named executive officers, who are responsible for our management, growth and success, to receive compensation in the form of long-term incentive awards which may increase in value in conjunction with the satisfaction by the Company of pre-determined performance measures and/or an increase in the value of our common stock and which will provide our named executive officers with an incentive to remain in their positions with us.

Like base salaries, with respect to grants of long-term incentive awards, an individual's performance is reviewed in light of his or her position, responsibilities and contribution to our financial performance. In addition, the Compensation Committee takes into account an individual's potential contribution to our growth and productivity. There is no other predetermined formula, factors or specified list of criteria that is followed.

For a description of the long-term incentive awards granted to our named executive officers for 2013, you should read the Summary Compensation Table and the Grants of Plan-Based Awards Table included in this Proxy Statement.

Stock options. Our 2005 Stock Incentive Plan (the "Stock Incentive Plan"), as amended in 2008 and 2011, provides for the issuance of options to purchase shares of our Class B Common Stock at an exercise price equal to the fair market value on the date of grant. The Stock Incentive Plan is intended to provide a flexible vehicle through which we may offer equity based compensation incentives to our named executive officers and other eligible personnel in support of our compensation objectives.

Awards under the Stock Incentive Plan may be in the form of options to purchase shares of Class B Common Stock (including options intended to qualify as incentive stock options within the meaning of Section 422 of the Code and options which do not qualify as incentive stock options) and stock appreciation rights (SARs). Awards may be granted to our present or future employees, our affiliates and our directors and consultants who are not employees. To date, no SARs have been granted.

Typically, option awards are granted by the Compensation Committee on specific dates that are scheduled in advance, which generally coincide with regularly scheduled meetings of the Compensation Committee and the Board of Directors. There is no separate policy with respect to the timing of option awards to our named executive officers. Typically, option awards are granted to our named executive officers at the same time as option awards are granted to our other employees. In certain circumstances, such as new hires or promotions, option awards are granted separately.

Subject to the provisions of the Stock Incentive Plan, the Compensation Committee has the responsibility and full power and authority to select the persons to whom awards will be made, to prescribe the terms and conditions of each award and make amendments thereto, to construe, interpret and apply the provisions of the Stock Incentive Plan and of any agreement or other instrument evidencing an award and to make any and all determinations and take any and all other actions as it deems necessary or desirable in order to carry out the terms of the Stock Incentive Plan. The grant of stock options is based primarily on an employee's level in the organization and their contribution to our growth and profitability.

Stock options have such vesting and other terms and conditions as the Compensation Committee, acting in its discretion, may determine. Generally, grants of stock options vest in equal amounts over four years and, unless otherwise determined by the Compensation Committee, employees must be employed by us for such options to vest. We do not have any plan to select option grant dates for our named executive officers in coordination with the release of material non-public information. The exercise price per share of Class B Common Stock covered by an option may not be less than 100% of the fair market value of the underlying Class B Common Stock on the date of grant. For purposes of the Stock Incentive Plan, unless otherwise determined by the Compensation Committee, the fair market value of a share of Class B Common Stock as of any given date is the closing sale price per share reported on a consolidated basis for securities listed on the principal stock exchange or market on which the Class B Common Stock is traded on the date as of which such value is being determined or, if there is no sale on that day, then on the next day on which a sale was reported.

In January of 2013, Mr. Alan Miller made recommendations to our Compensation Committee with respect to stock option awards to our named executive officers (except for himself) and other eligible employees. The number of stock options awarded to each of our named executive officers during 2013 was comparable to the awards granted to each individual in 2012. The number of stock options awarded to each of our named executive officers in January of 2013 was as follows: Alan B. Miller (590,000); Marc D. Miller (90,000); Steve G. Filton (70,000); Debra K. Osteen (70,000); and; Marvin G. Pember (50,000). In determining the number of options to award to our named executive officers, the Compensation Committee considered Mr. Alan Miller's recommendations and took into account individual performance in light of a named executive officer's position, responsibilities and contribution to our financial performance as well as his or her potential contribution to our growth and productivity. In addition, the Compensation Committee also reviewed and considered the compensation data and competitive performance data prepared by Pay Governance LLC in December 2012,

including stock-based compensation, and reviewed historical company practices with respect to stock option and long-term incentive awards. The grant date value of Mr. Alan Miller's above-mentioned 2013 stock option award exceeded the 75% percentile of the peer group and the grant date values of the 2013 stock option awards for Messrs. Marc Miller, Filton and Pember and Ms. Osteen were at or below the median versus the peer group. For a description of the long-term incentive awards granted to our named executive officers in 2013, please see the Summary Compensation Table and the Grants of Plan-Based Awards Table included in this Proxy Statement.

Additionally, in March of 2014, Mr. Alan Miller made recommendations to our Compensation Committee with respect to stock option awards to our named executive officers (except for himself) and other eligible employees. The number of stock options awarded to each of our named executive officers during 2014, which were unchanged from the 2013 awards, was as follows: Alan B. Miller (590,000); Marc D. Miller (90,000); Steve G. Filton (70,000); Debra K. Osteen (70,000); and; Marvin G. Pember (50,000). In determining the number of options to award to our named executive officers, the Compensation Committee considered Mr. Alan Miller&