



2023/2024 HEALTH INSURANCE EXECUTIVE  
COMPENSATION INSIGHTS REPORT

# Top Executive Pay Matches or Exceeds Revenue Growth



# Introduction

Boards and management teams hold the important responsibility of making well-informed executive compensation decisions. To effectively make those determinations, decision-makers must carefully consider high-quality, effective data to choose what's right for their organizations. The findings from the recently published [2023 BDO Health Insurance Industry Executive & Management Total Potential Remuneration \(TPR\) Survey](#) explore the most recent changes to executive pay packages for health insurers and offer a valuable tool in that determination process.

This summary is the first installment of a two-part series focusing on select high-level insights from the full report. Watch for the next installment on *Using Incentive Compensation to Drive Corporate Results*.

BDO's TPR Survey includes hard data, analysis, and insights related to compensation strategies and performance measures that are intended to drive desired business outcomes. The extensive survey results report contains in-depth data and analysis that can help health insurance companies to address critical issues, including:



Designing pay programs and delivery mechanisms to attract and retain an executive leadership team that will drive the business strategy.



Determining how much of an executive's pay should be at risk (e.g., variable pay that is only earned if specific performance metrics are achieved).



Ensuring performance metrics support the behaviors that will achieve the goals of the business.



Effectively designing supplemental executive retirement plans (SERPs) and change of control (COC) agreements.

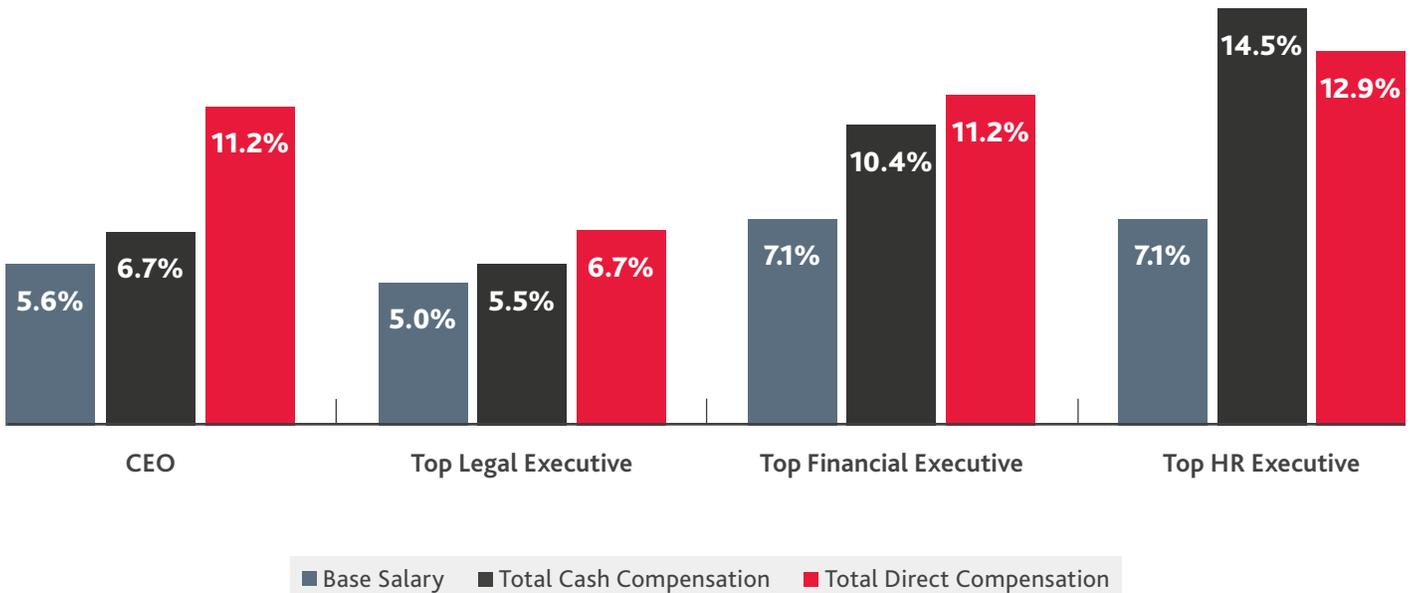
To get the full depth and breadth of analyses, [participate in our annual survey](#).

# Top Executive Pay Increases Match or Exceed Revenue Growth

Top executives who were in their position for the last two years experienced increases in their compensation package at or above the 6.4% average increase in total revenue<sup>1</sup> for the surveyed companies. The overall percentage change in the market rate of pay trends a bit lower than revenue growth. Change in executive pay from 2022 to 2023 is assessed two ways:

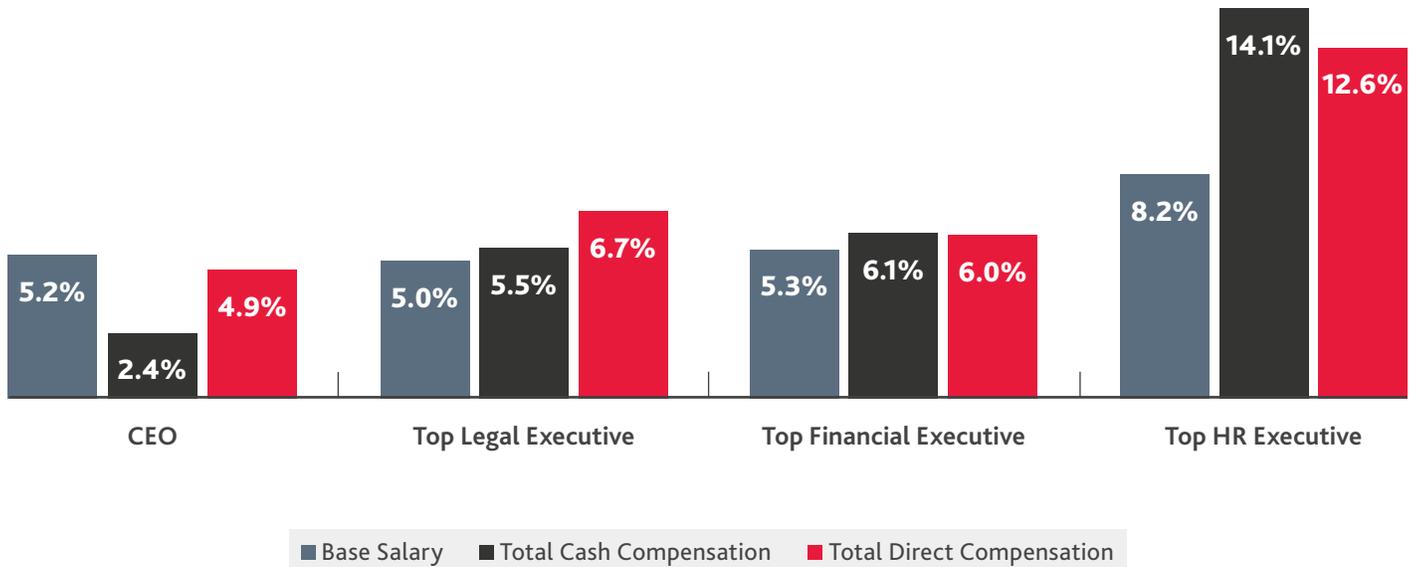
- ▶ **Exhibit One:** Change in pay for **current incumbents**, which includes the average increase or decrease in pay that was experienced by each individual executive. This analysis is based on companies with the **same incumbent** for the two survey years (see exhibit 1).
- ▶ **Exhibit Two:** Change in pay based on year-over-year change for a position. This compares company by company, including those companies where the incumbent changed (see exhibit 2).

**EXHIBIT ONE: AVERAGE CHANGE IN ACTUAL PAY FROM 2022-2023 – SAME INCUMBENTS<sup>2</sup>**



<sup>1</sup> Based on participants in the 2022 and 2023 TPR Survey editions.

<sup>2</sup> Based on companies matching the same incumbent to the job in both the 2022 and 2023 TPR Survey editions.

EXHIBIT TWO: AVERAGE CHANGE IN ACTUAL PAY FROM 2022-2023 – ALL INCUMBENTS<sup>3</sup>

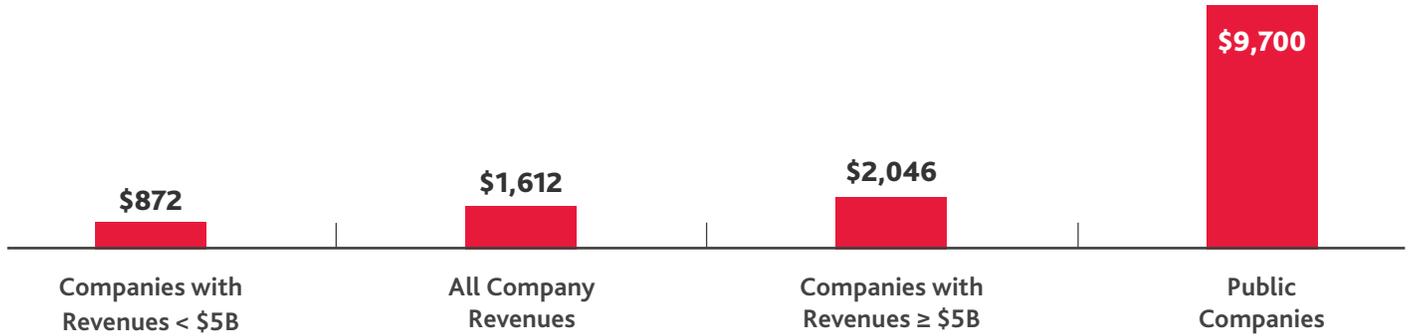
Overall, the change in pay for all incumbents shows that new hires were brought in at a lower pay level than their predecessors, except for the Top HR Executive. Our analysis revealed that, on average, 13% of these top executives were newly hired, and base salary was lower for 15% of those newly hired incumbents. The importance of effectively managing human capital is underscored by the rise in pay for the Top HR Executive.

Year-over-year changes in pay can be more inconsistent when including new hires. Contributing factors include comparison of a full-year bonus to a partial-year bonus paid to new hires in their first year. This is also true of total direct compensation (salary plus annual and long-term incentives), which typically fluctuates more from year to year in general.

In addition to absolute compensation levels, it is interesting to consider compensation spend relative to revenues. Executive pay levels typically increase in concert with company size. For instance, the average salary for CEOs in companies with revenues greater than or equal to \$5 billion is about 25% higher than the average salary for CEOs at companies with revenues of less than \$5 billion (see exhibit 3). However, this does not necessarily mean that larger companies overpay their CEOs. We compared pay levels relative to revenues and found that larger-sized companies were able to achieve a greater return (revenue) on their investment (CEO pay).

<sup>3</sup> Based on companies matching to the job, irrespective of the same incumbent, in both the 2022 and 2023 TPR Survey editions.

EXHIBIT 3: AVERAGE REVENUE PER DOLLAR OF CEO TOTAL DIRECT COMPENSATION (IN THOUSANDS)

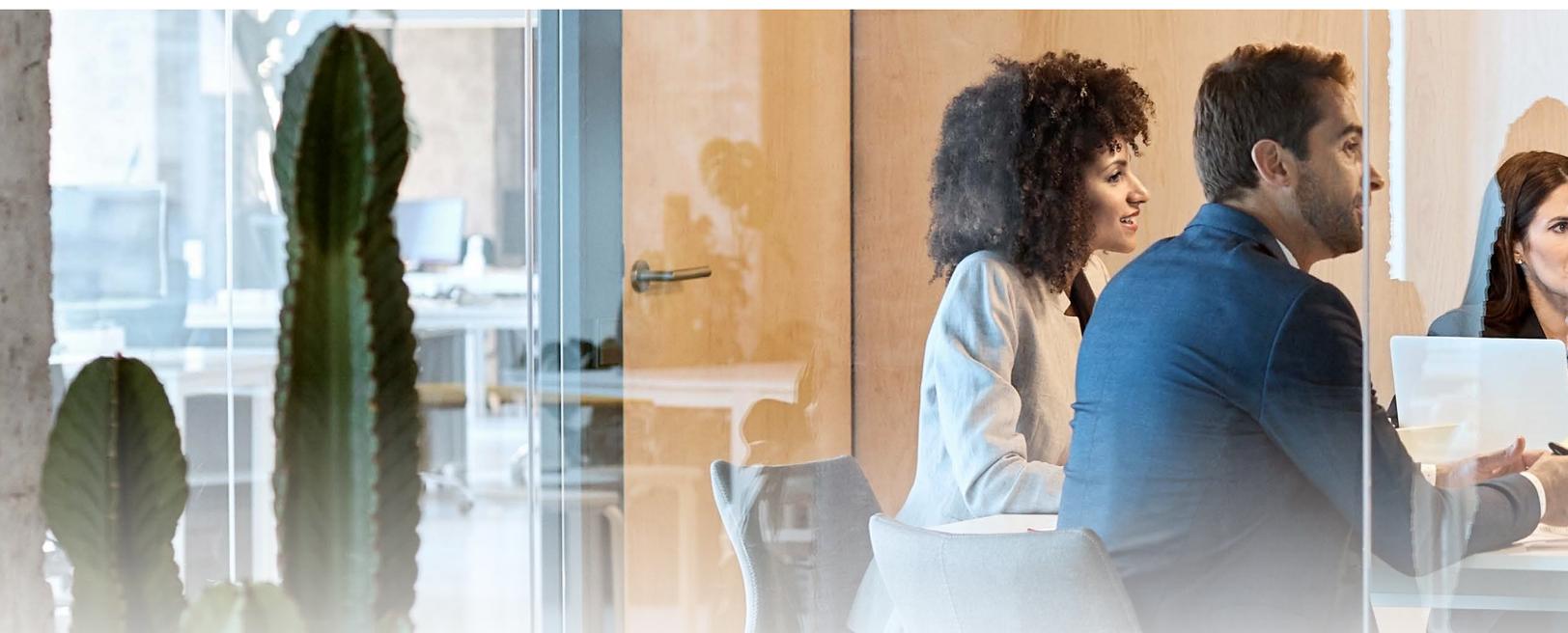


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*Company size is one of the variable-pay risk factors to consider in determining how much of an executive's pay should be at risk. Other variable-pay risk factors to consider include the firm's business cycle maturity, industry volatility, domestic vs. international services, competitive landscape, regional/local sensitivities, and senior management's risk tolerance.*



**STEVEN LIOU**  
Insurance Advisory Director



# Conclusion

Health insurers are front and center in some of the biggest challenges facing society, and while there is a need to retain a top-tier team, the public perception of compensation is also very important. Some of the nation's largest health insurers have recently experienced higher profits and revenues due in part to increases in membership, rising medical cost inflation, and a decline in the uninsured rate.<sup>1</sup> The fast pace of change to the economy and markets requires monitoring, communication, and flexibility.

## ABOUT OUR SURVEY

BDO's annual [Health Insurance Industry Executive & Management Total Potential Remuneration \(TPR\) Survey](#) reports compensation, benefits, perquisites, and contract agreements for over 40 executive and senior management positions in health insurance organizations. Survey responses are gathered annually from participating health insurance organizations with three categories of analyses:



COMPENSATION  
LEVELS



TOTAL  
POTENTIAL  
REMUNERATION  
LEVELS



POLICIES AND  
PRACTICES



*Assessing compensation levels and delivery in terms of the company's financial position is an important test of the pay plan.*

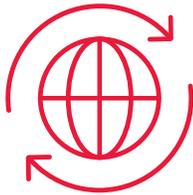


**JUDY CANAVAN**  
Global Employer Services  
Managing Director



# About BDO's Global Employer Services Practice

The professionals in BDO's Global Employer Services practice are dedicated to helping companies achieve their business and financial goals by effectively managing their most important asset—**their people**.



## GLOBAL MOBILITY

### Expatriate Tax

Working with multinational employers to minimize tax burdens and compliance risk while providing integrated services and essential tools, such as our business traveler tracking application, to enable seamless global and domestic employee transitions.

### Mobility Consulting

Developing strategies with company stakeholders to determine key objectives and create or modify a global mobility program to meet these objectives through enhanced assignee selection criteria, policy design, repatriation strategies, cost analysis, market analysis, and effective communication.

### Global Equity

Helping employers with multinational stock compensation programs to minimize tax burdens and compliance risk through our international network and tools like the BDO Global Equity Mobility Solution and Global Equity Rewards Matrix.



## GLOBAL REWARD TAXATION

### Global Payroll

Providing payroll review, recommendation and implementation; assignment benefit and compensation gathering; and compensation schedules to reconcile U.S. and foreign payrolls.

### U.S. Employment Tax

Identifying and implementing strategies to help reduce current and future employment tax burden and exposures; taking advantage of federal, state, and local opportunities to recover overpayments and maximize credit opportunities; and managing the unique complexities of remote and flexible work arrangements.

### Executive Tax

Providing tax consulting for nonqualified deferred compensation plans, stock options and other equity-based plans, golden parachute (280G) analysis, 162(m) compliance, fringe benefits, transfer of partnership interests and review for IRC 409A compliance.



## PEOPLE AND ORGANIZATION STRATEGY

### Employee Stock Ownership Plan (ESOP) Advisory

Helping companies evaluate and transition to a shared ownership with employees through an ESOP, a tax-advantaged mechanism for business owners who are looking for liquidity for part or all of their business while maintaining a legacy for valued employees.

### Compensation Consulting & Surveys

Providing total compensation program design and benchmarking, long-term incentive strategy development, board briefings and support on the executive compensation regulatory environment, preparation of executive compensation disclosures and performance management.

### Workforce in Transactions

Helping companies assess risks, costs, and exposures relating to the people and HR elements of all transaction types by providing workforce due diligence and post-deal strategy services spanning the full people and organization continuum.



## RETIREMENT PLANS

### ERISA Consulting

Providing design, administration and support for qualified retirement plans, including traditional defined benefit pension and cash balance plans, 401(k) Profit Sharing, 403(b) and ESOPs; annual compliance testing, preparation of plan documents and government filings, plan corrections, compliance reviews and M&A due diligence.

### Actuarial Services

Providing cash balance and other tax-qualified defined benefit plan services in addition to retiree health/welfare and non-qualified plans; design, implementation and administration of employer-tailored cash balance plans; resources for long- and short-term planning, funding, accounting, termination, and M&A.

# Contact Us

If you have any questions, comments, or suggestions, please contact us.



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