

Accretive Health, Inc.
Form 10-K/A
April 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A
(Amendment No. 1)

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____
Commission file number 001-34746
Accretive Health, Inc.
(Exact name of registrant as specified in its charter)

Delaware	02-0698101
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
401 North Michigan Avenue Suite 2700	60611
Chicago, Illinois	
(Address of principal executive offices)	(Zip Code)
(312) 324-7820	
Registrant's telephone number, including area code	

Securities registered pursuant to Section 12(b) of the Act:
Title of each class: Name of each exchange on which registered:
None None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the last sale price for such stock on June 30, 2015: \$480,464,667

As of March 4, 2016, the registrant had 110,638,385 shares of common stock, par value \$0.01 per share, outstanding.

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this “Amendment”) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the “Original 10-K”) filed by Accretive Health, Inc., a Delaware corporation (“Accretive,” “we” or “our”), on March 10, 2016 (the “Original Filing Date”). We are filing this Amendment to include Items 10, 11, 12, 13 and 14 of Part III to Form 10-K.

This Amendment does not modify or update in any way the disclosures made in the Original 10-K, including, without limitation, the financial statements and accompanying notes. Except as described above, no changes have been made to the Original 10-K. This Amendment should be read in conjunction with the Original 10-K and our other filings made with the Securities and Exchange Commission subsequent to the Original Filing Date. The Report of the Compensation Committee on Executive Compensation included in this Amendment No. 1 on Form 10-K/A is not to be incorporated by reference into any other filings made with the Securities and Exchange Commission unless otherwise stated in those filings.

Pursuant to Rule 12b-15 of the Exchange Act, the certifications required pursuant to Rule 13a-14(a) and Rule 13a-14(b) of the Exchange Act, which were included as exhibits to the Original 10-K, have been re-executed as of the date of this Amendment and are included as Exhibits 31.3, 31.4, 32.3 and 32.4 hereto.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors and Executive Officers

Set forth below is information about each of our directors and executive officers as of April 25, 2016. There are no family relationships among any of our directors or executive officers.

Charles J. Ditkoff. Age 54. Mr. Ditkoff has been a member of our board of directors since May 2015. Mr. Ditkoff has been counsel at the law firm of McDermott Will & Emery since July 2012 and has served as chairman of the Healthcare Advisory Board of The Vistria Group, a private equity firm focusing on healthcare, education and financial services, since January 2014, a member of the advisory board of Opera Solutions, a data analytics company, since September 2013, a senior advisor to Alvarez & Marsal, a global turnaround management and professional services firm, since July 2012, and a senior advisor to the Marwood Group, a healthcare focused advisory and consulting firm, since July 2012. Mr. Ditkoff served as vice chairman of healthcare corporate and investment banking from May 2010 to July 2012, group head of global healthcare group from 2005 to 2009 and managing director, head of healthcare services from 1999 to 2004 at Bank of America Merrill Lynch. Previously, he was principal/vice president of the corporate finance group at Morgan Stanley. Mr. Ditkoff is currently a member of the board of directors of Quantia Inc., and Cumberland Consulting Group. We believe Mr. Ditkoff's experience leading the healthcare division of a large investment bank, as well as his experience as an advisor or director to several healthcare and financial organizations qualify him to serve on our board.

Joseph Flanagan. Age 44. Mr. Flanagan has served as our President and Chief Operating Officer since April 2016. Mr. Flanagan joined Accretive as Chief Operating Officer in April 2013 after serving as Senior Vice President of worldwide operations and supply chain at Applied Materials, Inc., and previously as President of Nortel Business Services for Nortel Networks. Previously, Mr. Flanagan served most of his career working for General Electric (GE), holding leadership positions in many divisions.

John B. Henneman III. Age 54. Mr. Henneman has been a member of our board of directors since February 2016. Mr. Henneman has more than 20 years of combined financial and operational management experience in the life sciences industry. Since October 2014, Mr. Henneman has been the Executive Vice President and Chief Financial Officer of NewLink Genetics Corporation, a biotechnology company focused on cancer immunotherapy, where he is responsible for finance, quality, law and administration. Prior to joining NewLink Genetics, Mr. Henneman served Integra LifeSciences Holdings Corp. (NASDAQ: IART) in various capacities since 1998. Before becoming Integra's Chief Financial Officer in 2007, Mr. Henneman served Integra in several capacities, including as General Counsel and Chief Administrative Officer, responsible at various times for Integra's regulatory affairs, quality systems, clinical affairs, human resources, information systems and legal affairs functions and the management of Integra's surgical instruments business. Mr. Henneman led Integra's business development function during his entire tenure with Integra, and was responsible for the more than 40 acquisitions and alliances that Integra completed during that time. Mr. Henneman also serves on the boards of directors of SeaSpine Holdings Corporation (NASDAQ: SPNE), a publicly-held medical technology company focused on surgical solutions for the treatment of spinal disorders, and Alafair Biosciences, Inc., a privately-held medical device company. Mr. Henneman received an A.B. degree in Politics from Princeton University and a J.D. from the University of Michigan Law School. We believe Mr. Henneman's senior management experience at NewLink and Integra and his service on the board of SeaSpine, as well as his extensive experience in the areas of finance, financial accounting, business transactions, and mergers and acquisitions, qualify him to serve on our Board.

Joseph R. Impicciche. Age 58. Mr. Impicciche has been a member of our board of directors since February 2016. Mr. Impicciche has been the Executive Vice President and General Counsel of Ascension Health Alliance d/b/a Ascension, the parent corporation of Ascension Health, since the corporation's formation in September 2011. From July 2004 to September 2011, Mr. Impicciche served as the Senior Vice President and General Counsel of Ascension Health. Prior to joining Ascension Health, Mr. Impicciche was a shareholder and director at Hall Render Killian

Heath & Lyman, P.C., where his practice focused on mergers and acquisitions, public finance, business and tax law for nonprofit organizations. While with the law firm, Mr. Impicciche also served as General Counsel for St. Vincent Health in Indianapolis, Indiana from 1998 to 2004. Mr. Impicciche is a member of the Indiana State and Missouri State Bar Associations and has served on the boards of numerous organizations, including currently, the Board of Trustees of the St. Joseph Institute for the Deaf in St. Louis and the Board of Trustees of Marian University in Indianapolis. Mr. Impicciche received a B.A. in political science from Wabash College, Crawfordsville, Indiana, a J.D. from Indiana University School of Law, Indianapolis, Indiana, and a Masters in health care administration from Indiana University.

Alex J. Mandl, Age 72. Mr. Mandl has been a member of our board of directors since November 2013. Mr. Mandl is currently the non-executive chairman of Gemalto N.V., a digital security company resulting from the merger of Axalto Holding N.V. and Gemplus International S.A. From June 2006 until December 2007, Mr. Mandl served as executive chairman of Gemalto. From 2002 to June 2006, Mr. Mandl was president, chief executive officer and a member of the board of directors of Gemplus. He has served as principal of ASM Investments, a company focusing on early stage funding in the technology sector, since 2001. From 1996 to 2001, Mr. Mandl was chairman and CEO of Teligent, Inc., a telecommunications company. Mr. Mandl was AT&T's president and chief operating officer from 1994 to 1996, and its executive vice president and chief financial officer from 1991 to 1993. From 1988 to 1991, Mr. Mandl was chairman and chief executive officer of Sea-Land Services Inc. Mr. Mandl served as a director of Dell Inc. from 1997 to October 2013. Mr. Mandl served from 2007 to 2010 as a director of Hewitt Associates, Inc. and from March 2008 to October 2010 as a director of Visteon Corporation. Mr. Mandl was a member of the board of directors of Horizon Lines, Inc. from January 2007 and became the chairman in February 2011, retiring in April 2012. Mr. Mandl is currently a member of the board of directors of Gemalto N.V., Arise Virtual Solutions Inc., Levant Power Corp. and Genpact Limited. We believe that Mr. Mandl's experience as chief executive officer of several large organizations, as well as his experience as a director of private and publicly-held corporations qualify him to serve on our board.

Neal Moszkowski, Age 50. Mr. Moszkowski has been a member of our board of directors since February 2016. Mr. Moszkowski is a co-founder of TowerBrook Capital Partners L.P. and has served as the firm's co-chief executive officer since its inception in March 2005. Previously, Mr. Moszkowski was co-head of Soros Private Equity Partners, a division of Soros Fund Management LLC. Prior to Soros, Mr. Moszkowski was a member of the Principal Investment Area of Goldman Sachs in London and New York. Mr. Moszkowski earned his B.A. from Amherst College and received his M.B.A. from the Stanford Graduate School of Business. He serves as a director of True Religion Apparel, Inc., a TowerBrook portfolio company. Mr. Moszkowski's past directorships include service on the boards of WellCare Health Plans and Sound Inpatient Holdings, former TowerBrook portfolio companies, as well as the board of Integra LifeSciences Corporation. We believe Mr. Moszkowski's senior executive leadership skills and experience, finance and investment background and experience serving on numerous corporate boards, including for public and private companies operating in the health care industry, qualify him to serve on our board.

Christopher Ricaurte, Age 56. Mr. Ricaurte has served as our chief financial officer since April 2016. Prior to that, Mr. Ricaurte served as our chief financial officer Senior Vice President, Revenue Cycle Operations for Accretive Health since 2013 and has been responsible for all of the company's centers of excellence in the U.S. and India. Before joining Accretive, he was CFO, Silicon Systems Group at Applied Materials, Inc. Prior to this he was President of Nortel Business Services, where he had also previously held the position of CFO, Global Operations. Before this, Mr. Ricaurte was CFO of CHEP Europe in London. He also worked for GE for more than 20 years, where he held positions of increasing responsibility, including CFO for GE Consumer & Industrial in Europe, Middle East and Africa (EMEA), and CFO of GE's Industrial Solutions division.

Emad Rizk, M.D., Age 53. Dr. Rizk has served as our chief executive officer and as a member of our board of directors since July 2014. From 2003 to June 2014, Dr. Rizk served as the president of McKesson Health Solutions, a division of McKesson Corporation, a healthcare services company. Prior to joining McKesson Health Solutions, Dr. Rizk served as the lead partner and global director, medical management/pharmacy for Deloitte Consulting from 1994 to 2003. Dr. Rizk currently serves on the boards of directors of Accuray Incorporated, a publicly-held corporation, Intarcia Therapeutics Inc., a bio-pharmaceutical company, and the National Alliance for Hispanic Health, a nonprofit

organization, and served as vice-chairman of the National Clinical Advisory Board, a healthcare

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organization focused on providing insight into the future direction of healthcare, management and delivery of patient care, from 1994 to 2000. We believe that Dr. Rizk's experience as president of a division of a large, publicly-held corporation in the healthcare industry, together with his experience as a director of a publicly-held corporation, qualify him to serve on our board.

Ian Sacks. Age 45. Mr. Sacks has been a member of our board of directors since February 2016. Mr. Sacks has been with TowerBrook Capital Partners L.P. since its inception in 2005. Previously, Mr. Sacks was with Soros Private Equity Partners. Mr. Sacks was Chairman and Chief Executive Officer of HelpCare. Prior to that, he was a Partner at MESA Partners. Prior to MESA, he was a consultant with APM. Mr. Sacks earned a B.S. from Tufts University. Mr. Sacks serves as a director of Sound Inpatient Physicians and Vistage Worldwide, both of which are TowerBrook portfolio companies, as well as HealthEquity, Inc. Previously, Mr. Sacks served as a director of The Broadlane Group, a then TowerBrook portfolio company. We believe Mr. Sacks' deep knowledge of the healthcare services and technology sectors, investment experience, as well as his experience serving on the boards of public and private companies operating in the healthcare industry qualify him to serve on our board.

Steven J. Shulman. Age 64. Mr. Shulman has been a member of our board of directors since April 2013, and was appointed Chairman of the Board of Directors effective April 2, 2014. Since 2008, Mr. Shulman has served as managing partner of Shulman Family Ventures, a private equity firm. Mr. Shulman has served as an operating partner at Water Street Health Partners, a healthcare-focused private equity firm, from 2008 until March 2015. From 2008 until December 2013, Mr. Shulman served as operating partner at Tower Three Partners LLC, a private equity firm. From December 2002 to February 2008, Mr. Shulman served as chairman and chief executive officer of Magellan Health Services, a specialty healthcare management organization. From 2000 to 2002, he served as chairman and chief executive officer of Internet Healthcare Group (IHCG), an early-stage healthcare services and technology venture fund that he founded. From 1997 to 1999, Mr. Shulman served as chairman, president and chief executive officer of Prudential Healthcare, Inc. Mr. Shulman serves on the boards of several privately-held companies. He also serves on the Dean's Council at the State University of New York at Stony Brook. We believe that Mr. Shulman's experience in private equity investment, his experience as an operating partner for a healthcare private equity firm and his experience as chief executive of several large organizations in the healthcare industry, as well as his experience as a director of several privately held companies, qualifies him to serve on our board.

Anthony J. Speranzo. Age 67. Mr. Speranzo has been a member of our board of directors since February 2016. Mr. Speranzo has been the Executive Vice President and Chief Financial Officer of Ascension Health Alliance d/b/a Ascension, the parent corporation of Ascension Health, since the corporation's formation in September 2011. From 2002 to September 2011, Mr. Speranzo served as the Senior Vice President and Chief Financial Officer of Ascension Health. Prior to joining Ascension Health, Mr. Speranzo served as Managing Director at U.S. Bancorp Piper Jaffray (USBPJ) in Newport Beach, California. Mr. Speranzo has also served on several hospital and corporate boards. Mr. Speranzo received a B.A. in economics from the University of Massachusetts in Amherst, Massachusetts and an M.B.A. from Suffolk University in Boston, Massachusetts. We believe Mr. Speranzo's proven leadership, extensive healthcare experience, experience serving on hospital and corporate boards and expertise in finance qualify him to serve on our board.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and the holders of more than 10% of our common stock to file with the SEC initial reports of ownership of our common stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Officers, directors and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of such filings, we are not aware of any director, officer or 10% stockholder who failed to file on a timely basis any report required by Section 16(a) for fiscal year 2015 other than Emad Rizk, Peter Csapo and Joseph Flanagan who inadvertently did not timely file Form 4s reporting monthly tax withholding obligations associated with the monthly vesting of restricted common stock previously granted to such reporting persons (Rizk: 8 transactions from 2015 to 2016; Csapo: 8 transactions from 2015 to 2016; Flanagan: 39 transactions from 2013 to 2016). Each reporting person reported the aggregate of such withholding transactions in a Form 4 filed with the

SEC on February 12, 2016. Since such date, each reporting person has timely filed Form 4s with the SEC for each subsequent tax withholding obligation.

Code of Ethics

We have adopted a code of business conduct and ethics that applies to our directors and officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) as well as our employees. Copies of our code of business conduct and ethics are available without charge upon written request directed to Corporate Secretary, Accretive Health, Inc., 401 N. Michigan Avenue, Suite 2700, Chicago, Illinois, 60611.

Identifying and Evaluating Director Candidates

The process followed by the nominating and corporate governance committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the nominating and corporate governance committee and our board.

In considering whether to recommend any particular candidate for inclusion in our board's slate of recommended director nominees, the nominating and corporate governance committee applies the criteria set forth in our Corporate Governance Guidelines. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. In addition to these criteria, the nominating and corporate governance committee also considers diversity in its evaluation of candidates for board membership. Our board believes that diversity with respect to viewpoint, skills and experience should be an important factor in board composition. The committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our board to fulfill its responsibilities.

Stockholders may recommend individuals to the nominating and corporate governance committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to Nominating and Corporate Governance Committee, c/o Accretive Health, Inc., 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611, Attention: Corporate Secretary. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. If our board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in our proxy card for the next annual meeting.

Audit Committee

Our board of directors has established a standing audit committee. Our audit committee assists our board of directors in its oversight of our accounting and financial reporting process and the audits of our financial statements. During the period beginning January 1, 2015 and ending February 16, 2016, each of Stanley Logan, Alex Mandl, Michael Hammond, Steven Kaplan, Denis Nayden and Mark Wolfson served as members of our Audit Committee, and our Board determined that each of the foregoing members was independent as defined under the rules of the New York Stock Exchange, or NYSE. In connection with the Transaction and effective February 16, 2016, our Audit Committee was reconstituted to include the following members: Messrs. Ditkoff, Henneman and Mandl. Our board of directors has determined that each of the members of our audit committee is independent as defined under the rules of the NYSE and satisfies the requirements for financial literacy under the current requirements of NYSE rules and regulations. Our board of directors has further determined that each of Mr. Mandl and Mr. Henneman is an "audit committee financial expert" as such term is defined in Item 407(d)(5) of Regulation S-K.

Item 11. Executive Compensation

Compensation Discussion and Analysis

This Compensation Discussion and Analysis, or CD&A, provides information about our executive compensation philosophy and the components of our compensation programs, including information about how we align the compensation for our named executive officers, or NEOs, with our goals and performance. This CD&A is intended to help readers better understand the information found in the tables and narrative that follow.

Compensation Objectives and Philosophy

Our executive compensation program aims to attract and retain highly talented executives by providing competitive pay and benefits and to reward our executives for performance that aligns with our operating and strategic goals, with the ultimate objective of increasing stockholder value. The structure of our executive compensation program enables us to provide a competitive total compensation package that ties a portion of each executive's overall compensation to key corporate financial goals and significant accomplishments. Both short-term and long-term incentives are intended to align executives with stockholder interests and the successful execution of long-term strategic plans.

We attract and retain executives by providing a market competitive compensation program consisting of base salary, annual bonus and long-term incentives, coupled with benefits to support health, wellness and other life events. The box below highlights the key considerations behind the development, review and approval of our NEOs' compensation in 2015.

Objectives

Our NEO compensation program is designed to:

- Align the interests of our executives with those of our stockholders

- Pay for performance by rewarding the achievement of our annual and long-term operating and strategic goals

- Recognize individual contributions

- Attract, retain and motivate highly talented individuals who have the breadth and depth of experience to successfully execute our business strategy

This CD&A focuses on the following executive officers who served during 2015:

Dr. Emad Rizk, President and Chief Executive Officer - Dr. Rizk joined Accretive Health as President and Chief Executive Officer in July

2014.

Peter Csapo, Chief Financial Officer and Treasurer - Mr. Csapo joined Accretive Health as Chief Financial Officer and Treasurer in August 2014

Joseph Flanagan, Chief Operating Officer - Mr. Flanagan joined Accretive Health as Chief Operating Officer in April 2013.

On April 21, 2016, we announced a number of management changes including the appointment of Mr. Flanagan as President and Chief Operating Officer and the promotion of Christopher Ricaurte to Chief Financial Officer, as Peter Csapo stepped down as our Chief Financial Officer. No new or amended compensation arrangements were entered into in connection with such changes. However, the Compensation Committee will consider any such changes in connection with its ongoing review of our compensation programs, objectives and philosophy in light of the Transaction discussed below.

2015 Performance

Company Achievements

During 2015, we continued to focus our efforts on several key strategic and operational imperatives aimed at delivering on our critical customer obligations and continued to expand the depth and breadth of our services. While our financial results fell below expectations, our NEOs achieved important goals during this period, including:

- In response to a letter received in July 2015 from Ascension Health, or Ascension, our largest customer and the nation's largest Catholic and non-profit health system, we commenced a strategic review process to enhance stockholder value. The strategic review process concluded in December 2015 with the announcement of a long-term strategic partnership with Ascension Health Alliance, or Ascension Health, the parent of Ascension, and TowerBrook Capital Partners, an investment management firm, or the Transaction. As part of the Transaction, we renewed, revised and expanded our existing services agreement with Ascension, or the MPSA, for a 10-year term effective February 16, 2016. This long-term strategic partnership provided our business with approximately \$200 million in new capital, will expand our relationship with Ascension and is anticipated to improve our ability to expand our customer base outside of the Ascension hospital base.

- Deepening our focus on scalable infrastructure and applications, operational excellence, and shared services capacity in preparation of our anticipated addition of more than \$8 billion in net patient revenue under management due to the long-term strategic partnership with Ascension.

- Significant sequential improvement in financial results in the fourth quarter and over the prior year, including net cash generated from customer contracting activities of \$26.4 million, compared to \$7.8 million for 2014.

- Becoming current with our Securities and Exchange Commission, or SEC, filings.

- Continuing to make meaningful progress towards remediating our control environment deficiencies.

- Completing our mid-term HITRUST assessment and successfully maintaining our HITRUST CSF certification.

Linking Pay with Performance

Executive compensation for 2015 was consistent with our compensation objectives and reflects our operating performance, demonstrating our commitment to pay our executives for the performance they deliver.

In light of the fact that our NEOs received retention equity grants in connection with the Transaction, notwithstanding the achievements described above, our NEOs did not receive an annual cash incentive bonus for 2015 performance, other than Mr. Flanagan, who received a discretionary bonus of \$500,000 to reward his leadership of the cross-functional team that retained Ascension as a customer and negotiated a meaningful expansion of the MPSA with Ascension. See page 17 for details.

Overview of 2015 Compensation Decisions and Actions

Factors Guiding Our Decisions

The following factors guided the planning and decisions for 2015 executive compensation:

- Executive compensation program objectives;
- Operating performance;
- Recommendations of the Chief Executive Officer for other NEOs;
- Advice of an independent compensation consultant;

Uncertainties related to our strategic review;
Our stock price performance; and
Competitive market practices.
Key 2015 Executive Compensation Decisions

We have faced significant business challenges since 2012, which have informed our executive compensation decision making. The compensation decisions made during 2015, as outlined below, demonstrate our commitment to providing incentives tied to improved financial and stock performance.

Base Salary

None of our NEOs received a base salary increase in 2015 based on our market analysis of compensation data for similarly situated executives.

Annual Cash Incentive Bonus

2015 Awards: Although our NEOs achieved significant accomplishments critical to the success of our company, in light of the fact that they received retention equity grants in connection with the Transaction, our Compensation Committee determined that no bonus payouts would be awarded to our NEOs for 2015 performance, except that our Compensation Committee awarded a discretionary bonus of \$500,000 to Mr. Flanagan for 2015 performance to reward his leadership of the cross-functional team that retained Ascension as a customer and negotiated a meaningful expansion of the MPSA with Ascension.

2014 Awards: In light of the fact that our 2014 annual cash incentive bonus awards, which were paid to certain employees (either entirely or in part) in the form of restricted shares of our common stock that vested monthly over twelve months, significantly declined in value shortly after the grant because of the decline in the price of our common stock, our Compensation Committee approved a grant of cash bonuses to those employees, including each of the NEOs. See page 18 for details.

Equity Incentive Awards

Equity incentive awards are generally granted to NEOs when they enter into or renew an employment agreement with us. On occasion, our Compensation Committee also awards discretionary equity grants to retain NEOs, reward exceptional performance and/or recognize expanded responsibility.

In connection with the Transaction, each NEO received a retention equity grant in the form of restricted stock on December 31, 2015, designed to promote retention of the services and skills of the recipient, as well as to maintain the recipient's focus on ongoing operations during a critical time for our business. In connection with these retention equity grants, Dr. Rizk received 1,500,000 shares, Mr. Csapo received 676,800 shares and Mr. Flanagan received 952,000 shares. Each of these equity grants vests in equal annual installments over three years. See page 20 for details.

Retention Bonus Program and Enhanced Change of Control Severance Program

In July 2015, our Board approved a targeted retention program, or the Retention Bonus Program, and enhanced change-of-control severance arrangements, or the Enhanced Change of Control Severance Program, for key employees, including our NEOs and critical members of their management team. The Retention Bonus Program and Enhanced Change of Control Severance Program were adopted to retain these key leaders during our strategic alternatives review process to enhance stockholder value, which was announced on July 16, 2015. These programs were also intended to mitigate any uncertainty regarding future employment resulting from Ascension's unsolicited proposal to acquire us, or other strategic alternatives.

In connection with the Transaction, the retention agreements that were entered into in connection with the Retention Bonus Program and the Enhanced Change of Control Severance Program were ultimately canceled and, for our NEOs, replaced in their entirety by a one-time retention equity grant on December 31, 2015. Other severance and change-of-control arrangements were not impacted and remain in place. See page 26 for details.

Pay-for-Performance Focus

Aligning Pay with Performance

Pay-for-performance is one of the objectives of our executive compensation philosophy. NEOs can earn target compensation only to the extent we achieve our corporate goals. Additionally, their actual annual incentive award takes into account their individual performance in supporting several key business objectives. Our incentive compensation program for NEOs is designed to link total compensation with the achievement of our corporate goals, some of which are short-term, while others may take several years to achieve.

	Annual Cash Incentive Bonus Short-Term (Cash)	Stock Options Long-Term (Equity)	Restricted Stock Awards Long-Term (Equity)
Objective	Short-term business performance	Stockholder value creation	Stockholder value creation
Time Horizon	1 Year	Generally vest over 4 years Subject to continued employment with the Company, exercisable for up to 10 years	Generally vest over 4 years Subject to continued employment with the Company
Metrics	Specific tactical, strategic and financial business objectives and Individual performance	Stock price	Stock price

Our executive compensation decisions in recent years have been affected by our efforts to build and retain a leadership team that will help ensure we perform at our highest level. This focus, however, has not changed our strong emphasis on pay-for-performance. While we require competitive compensation packages to attract and retain leaders who will help us perform well both internally and externally, we follow a compensation strategy that heavily emphasizes performance.

For our Chief Executive Officer, this means that the greatest portion of his compensation is in the form of incentive compensation, and the majority of this incentive compensation is focused on delivering long-term performance. During the leadership transitions we have experienced in recent years, we have made decisions to ensure that the majority of long-term incentives are focused on increasing value to our stockholders as well as our company’s future, leveraging our plans to build stockholder value. By making the greatest portion of our Chief Executive Officer’s compensation package in the form of performance-based pay, with value directly tied to the increase in value of our organization and thus our stock price, we aim to ensure that our executive compensation packages are strongly focused on pay-for-performance, not merely attraction and retention.

Consideration of “Say-on-Pay” Vote

Our stockholders approved the non-binding advisory proposal on the compensation of our NEOs with an 84% favorable vote at our annual meeting of stockholders held in August 2015, our most recent annual meeting at which such a vote was taken. Based in part on this approval from stockholders, our Compensation Committee determined that no changes to our 2016 executive compensation program were warranted.

At our 2011 annual meeting of stockholders, our stockholders voted to adopt the recommendation of our Board to conduct future advisory votes on the compensation of our NEOs every three years. Accordingly, the next stockholder advisory vote on the compensation of our NEOs will be held at the 2018 Annual Meeting.

Determining Executive Compensation

In determining compensation changes for NEOs from year to year, our Compensation Committee generally focuses on total direct executive compensation, which consists of base salary, annual cash incentive bonus and long-term equity incentive awards.

Factors Guiding Decisions

Executive compensation program objectives

Company financial performance and important achievements

Assessment of leaders' adherence to company values, their leadership traits and achievement of individual objectives

Recommendations of the Chief Executive Officer for other NEOs

Stockholder input through the "say-on-pay" vote

Advice of an independent compensation consultant on market pay practices

Role of our Compensation Committee

Our Compensation Committee oversees our executive compensation program and has done so historically. In this role, our Compensation Committee reviews and approves compensation decisions relating to our NEOs. Our Compensation Committee has the authority, without approval of our Board, to retain and terminate an independent compensation consultant to assist in the evaluation of executive officer compensation.

During the period beginning January 1, 2015 and ending February 16, 2016, each of Steven N. Kaplan, Edgar Bronfman, Jr., Denis J. Nayden and Steven J. Shulman served as members of our Compensation Committee, and our Board determined that each of the foregoing members was independent as defined under the rules of the NYSE. In connection with the Transaction and effective February 16, 2016, our Compensation Committee was reconstituted to include the following members: Ian Sacks, Steven J. Shulman and Anthony J. Speranzo. Other than with respect to Mr. Shulman, our Board has not yet made a determination as to the independence of the foregoing members.

Our newly reconstituted Compensation Committee is undertaking a substantial review of our existing compensation programs, objectives and philosophy and determining whether such programs, objectives and philosophy are appropriate in light of the Transaction. In connection with this review, our Compensation Committee has engaged Steven Hall & Partners as its new independent compensation consultant.

Role of our Chief Executive Officer

Our Chief Executive Officer annually reviews the performance of each of our other executive officers and, based on these reviews, provides recommendations to our Compensation Committee with respect to salary adjustments, annual cash incentive bonus targets and awards, and equity incentive awards.

Our Compensation Committee meets with our Chief Executive Officer annually to discuss and review our Chief Executive Officer's recommendations regarding executive compensation for our executive officers, excluding our Chief Executive Officer. Our Compensation Committee typically meets in executive session to discuss those recommendations before our Compensation Committee makes final decisions regarding our executive officers' compensation and informs our Board of such decisions. Our Chief Executive Officer is not present for discussions regarding our Chief Executive Officer's compensation.

For fiscal year 2015, our Chief Executive Officer was authorized by our Compensation Committee to grant options to employees who are not directors or executive officers of the company and to determine the number of