

HEALTHWAYS, INC
Form DEF 14A
April 30, 2013

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

HEALTHWAYS, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(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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.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

701 Cool Springs Blvd
Franklin, Tennessee 37067

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Stockholders of Healthways, Inc.:

The Annual Meeting of Stockholders of Healthways, Inc., a Delaware corporation (the "Company"), will be held at the Franklin Marriott Cool Springs, 700 Cool Springs Boulevard, Franklin, Tennessee, 37067 at 9:00 a.m., Central time, on Thursday, May 30, 2013, for the following purposes:

- (1) To elect three directors to hold office for a term of three years or until their successors have been elected and qualified;
- (2) To consider and act upon an advisory vote to approve executive compensation as disclosed in this Proxy Statement;
- (3) To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2013;
- (4) To consider and act upon a proposal regarding the declassification of the Company's Board of Directors; and
- (5) To transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

The Proxy Statement and form of proxy accompanying this notice are being furnished to stockholders on or about April 30, 2013. Only stockholders of record at the close of business on April 3, 2013 are entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

Your attention is directed to the Proxy Statement accompanying this notice for a more complete statement regarding the matters to be acted upon at the meeting.

We hope very much that you will be able to attend the meeting. If you do not plan to attend the meeting in person, you are requested to complete, sign and date the enclosed proxy card and return it promptly or to vote by toll-free telephone or Internet as described in the enclosed proxy card.

By Order of the Board of Directors,

/s/ John W. Ballantine
John W. Ballantine
Chairman
April 30, 2013

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 30, 2013: The Proxy Statement and 2012 Annual Report are available at www.proxyvote.com.

HEALTHWAYS, INC.
701 Cool Springs Boulevard
Franklin, Tennessee 37067

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON
THURSDAY, MAY 30, 2013

The proxy is solicited by the Board of Directors (the “Board”) on behalf of Healthways, Inc. (the “Company”) for use at the Annual Meeting of Stockholders to be held on Thursday, May 30, 2013, at 9:00 a.m., Central time, at the Franklin Marriott Cool Springs, 700 Cool Springs Boulevard, Franklin, Tennessee, 37067, and at all adjournments or postponements thereof (the “2013 Annual Meeting of Stockholders”), for the purposes set forth in the foregoing Notice of Annual Meeting of Stockholders. Our Annual Report containing our audited financial statements for the fiscal year ended December 31, 2012 is being mailed together with this Proxy Statement to all stockholders entitled to vote. Copies of this Proxy Statement, the attached notice and the form of proxy are being furnished to stockholders on or about April 30, 2013.

In addition to solicitations by mail, certain of our directors, officers and employees, without additional remuneration, may solicit proxies by telephone, facsimile, email and personal interviews, but may reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to beneficial owners. We will bear all costs of this solicitation, including expenses in connection with preparing, assembling and furnishing this Proxy Statement. In addition, the Company has retained Georgeson Shareholder Communications, Inc. to assist with the solicitation of proxies for a fee not to exceed \$20,000, plus reimbursable expenses.

In the election of directors, you may vote “FOR” all of the nominees or your vote may be to “WITHHOLD AUTHORITY” with respect to one or more of the nominees. If you “WITHHOLD AUTHORITY” it will have no effect on the outcome of this proposal.

For the advisory vote to approve executive compensation, the ratification of the appointment of Ernst & Young LLP, and the vote on the proposal regarding declassification of the Board, you may vote “FOR,” “AGAINST” or “ABSTAIN.” If you “ABSTAIN,” it will have the same effect as a vote “AGAINST” these proposals.

Shares represented by proxies will be voted in accordance with the choices specified thereon. If you sign your proxy card without giving specific voting instructions, the shares represented by such proxies will be voted FOR the election of the director nominees set forth under Proposal No. 1, FOR the advisory approval of executive compensation set forth under Proposal No. 2, FOR the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for 2013 set forth under Proposal No. 3, and FOR the board declassification proposal set forth under Proposal No. 4. The Board does not know of any other matters that will be presented for action at the meeting, but the persons named in the proxy intend to vote or act with respect to any other proposal that may be properly presented for action according to their best judgment in light of the conditions then prevailing.

The quorum requirement for holding the 2013 Annual Meeting of Stockholders and transacting business is a majority of the outstanding shares entitled to be voted. The shares may be present in person or represented by proxy at the 2013 Annual Meeting of Stockholders. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum.

Votes are counted by an independent third party. In the election for directors, the three persons receiving the highest number of “FOR” votes will be elected. In the advisory vote to approve executive compensation, the affirmative “FOR” vote of a majority of those shares present in person or represented by proxy and entitled to vote will constitute the stockholders’ non-binding approval with respect to our executive compensation programs. The proposal to ratify the appointment of the independent registered public accounting firm requires the affirmative “FOR” vote of a majority of those shares present in person or

represented by proxy and entitled to vote. The proposal regarding declassification of the Board requires the affirmative "FOR" vote of a majority of the outstanding shares.

Generally, broker non-votes occur when shares held by a broker in "street name" for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote those shares. A broker is entitled to vote shares held for a beneficial owner on routine matters, such as the ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm, without instructions from the beneficial owner of those shares. A broker is not entitled to vote shares held for a beneficial owner on certain non-routine items absent instructions from the beneficial owner of such shares. The election of directors, the advisory vote to approve executive compensation, and the vote on the Board declassification proposal are non-routine items on which a broker is not entitled to vote shares absent instructions from the beneficial owner of such shares. Broker non-votes count for purposes of determining whether a quorum exists, but do not count as entitled to vote with respect to individual proposals. Therefore, broker non-votes will not have an effect on the election of directors or the advisory vote to approve executive compensation. However, broker non-votes will have the same effect as a vote against the Board declassification proposal.

A proxy may be revoked by a stockholder at any time before its exercise by attending the meeting and voting in person, by filing, no later than 5:00 p.m., Central Time, on Wednesday, May 29, 2013, with the Secretary of the Company a written notice of revocation, by duly executing a proxy bearing a later date or by casting a new vote by toll-free telephone or the Internet no later than 11:59 p.m., Eastern Time, on Wednesday, May 29, 2013.

The preliminary voting results will be published on a Current Report on Form 8-K which will be filed by the Company with the Securities and Exchange Commission ("Commission") within four business days of the 2013 Annual Meeting of Stockholders. The final voting results, if different than the preliminary voting results, will be published on an amended Current Report on Form 8-K within four business days of the date on which the final results are known.

Each share of our common stock, \$.001 par value (the "Common Stock"), issued and outstanding on the record date, April 3, 2013, will be entitled to one vote on all matters to come before the 2013 Annual Meeting of Stockholders. Cumulative voting is not permitted. As of April 3, 2013, there were outstanding 34,133,567 shares of Common Stock.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to those persons that we know to be the beneficial owners (as defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of more than 5% of our Common Stock, our only voting security, and with respect to the beneficial ownership of our Common Stock by all directors and nominees, each of the executive officers named in the Summary Compensation Table and all of our executive officers and directors as a group. The information set forth below is based on ownership information we received as of April 3, 2013 (except as otherwise noted below). Unless specified otherwise, the shares indicated are presently outstanding, and each of the stockholders listed below has sole voting and investment power with respect to the shares beneficially owned.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class (1)
FMR LLC 82 Devonshire Street Boston, MA 02109	4,047,900 (2)	11.86%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	3,578,357 (3)	10.48%
Earnest Partners, LLC 1180 Peachtree Street NE Suite 2300 Atlanta, GA 30309	2,572,724 (4)	7.54%
North Tide Capital, LLC 500 Boylston Street Suite 310 Boston, Massachusetts 02116	2,300,000 (5)	6.74%
Wells Fargo & Company 420 Montgomery Street, San Francisco, CA 94104	2,054,116 (6)	6.02%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	1,986,279 (7)	5.82%
WHV Investment Management, Inc. 301 Battery Street Suite 400 San Francisco, CA 94111-3203	1,890,270 (8)	5.54%
Ben R. Leedle, Jr.****	1,146,723 (9)	3.27%

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Thomas G. Cigarran**	412,694 (10)	1.21%
Michael Farris***	389,784 (11)	1.14%
William C. O'Neil, Jr.**	287,578 (12)	*
Alfred Lumsdaine***	100,691 (13)	*

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C . W a r r e n N e e l , P h . D.**	100,536 (14)	*
J o h n W . Ballantine**	88,306 (15)	*
J a y C . B i s g a r d , M.D.**	78,306 (16)	*
M a r y J a n e E n g l a n d , M.D.**	52,317 (17)	*
John A. Wickens**	45,906 (18)	*
A l i s o n T a u n t o n - R i g b y , P h . D.**	41,131 (19)	*
P e t e r Choueiri***	40,781 (20)	*
T h o m a s F . Cox*****	10,000	*
W i l l i a m D . Novelli**	7,013 (21)	*
Kevin G. Wills**	3,750 (22)	*
Mary Flipse***	149	*
D o n a t o Tramuto*****	0	*
All directors and executive officers as a group (18 persons)	2,835,090 (23)	7.95%

- * Indicates ownership of less than one percent of our outstanding Common Stock
- ** Director of the Company
- *** Named Executive Officer
- **** Director and Named Executive Officer
- ***** Named Executive Officer; left the Company in July 2012
- ***** Director nominee

(1) Pursuant to the rules of the Commission, certain shares of our Common Stock that an individual owner set forth in this table has a right to acquire within 60 days after April 3, 2013, which is the record date for the 2013 Annual Meeting of Stockholders, pursuant to the exercise of options to purchase shares of Common Stock (“stock options”) or other securities are deemed to be outstanding for the purpose of computing the ownership of that owner, but are not deemed outstanding for the purpose of computing the ownership of any other individual owner shown in the table. Likewise, the shares subject to stock options or other securities held by our other directors and executive officers that are exercisable within 60 days of April 3, 2013, which is the record date for the 2013 Annual Meeting

of Stockholders, are all deemed outstanding for the purpose of computing the percentage ownership of all executive officers and directors as a group.

(2) Information with respect to stock ownership is based on a Schedule 13G/A filed with the Commission on February 14, 2013. Includes shares directly or indirectly beneficially owned by FMR LLC ("FMR") and its Chairman, Edward C. Johnson III, as of December 31, 2012. Members of the Johnson family, directly or through trusts, own approximately 49% of the voting power of FMR and, due to their share ownership and entry into a voting agreement with certain other shareholders, may be deemed to form a controlling group with respect to FMR. Mr. Johnson and FMR, through its control of Fidelity Management & Research Company, have sole investment power with respect to all 4,047,900 shares.

- (3) Information with respect to stock ownership is based on a Schedule 13G/A filed with the Commission on January 11, 2013. Includes 3,578,357 shares to which Blackrock, Inc. has sole voting and investment power.
- (4) Information with respect to stock ownership is based on a Schedule 13G/A filed with the Commission on February 13, 2013. Includes 889,626 shares to which EARNEST Partners, LLC (“EARNEST”) has sole voting power, 231,862 shares to which EARNEST has shared voting power, and 2,572,724 shares to which EARNEST has sole investment power.
- (5) Information with respect to stock ownership is based on a Schedule 13G/A filed with the Commission on February 22, 2013. Includes 2,300,000 shares to which North Tide Capital, LLC has shared voting and investment power. Includes 1,700,000 shares to which North Tide Capital Master, LP has shared voting and investment power. Includes 2,300,000 shares to which Conan Laughlin, who serves as the Manager of North Tide Capital, LLC, has shared voting and investment power. The address of North Tide Capital Master, LP and Conan Laughlin is 500 Boylston Street, Suite 310, Boston, Massachusetts, 02116.
- (6) Information with respect to stock ownership is based on a Schedule 13G/A filed with the Commission on March 29, 2013. Includes shares owned beneficially by Wells Fargo & Company (“WFC”) and the following subsidiaries: Wells Capital Management Incorporated, Wells Fargo Bank, National Association, Wells Fargo Advisors Financial Network, LLC, Wells Fargo Advisors, LLC and Wells Fargo Funds Management, LLC. Includes six shares to which WFC has sole voting power, 2,048,488 shares to which WFC has shared voting power, six shares to which WFC has sole investment power and 2,032,599 shares to which WFC has shared investment power. Includes 352,605 shares to which Wells Capital Management Incorporated (“WCM”) has shared voting power and 1,803,405 shares to which WCM has shared investment power. The address of WCM is 525 Market St., 10th Floor, San Francisco, CA 94105.
- (7) Information with respect to stock ownership is based on a Schedule 13G/A filed with the Commission on February 11, 2013. Includes 56,656 shares to which The Vanguard Group (“Vanguard”) has sole voting power, 1,931,523 shares to which Vanguard has sole investment power, and 54,756 shares to which Vanguard has shared investment power.
- (8) Information with respect to stock ownership is based on a Schedule 13G/A filed with the Commission on February 6, 2013. Includes 758,305 shares to which WHV Investment Management, Inc. (“WHV”) has sole voting power and 1,890,270 shares to which WHV has shared investment power.
- (9) Includes 947,971 shares issuable upon the exercise of outstanding stock options.
- (10) Includes 80,764 shares issuable upon the exercise of outstanding stock options and 320,829 shares pledged to secure personal obligations.
- (11) Includes 389,611 shares held in trust.
- (12) Includes 50,764 shares issuable upon the exercise of outstanding stock options.
- (13) Includes 82,012 shares issuable upon the exercise of outstanding stock options.
- (14) Includes 50,764 shares issuable upon the exercise of outstanding stock options
- (15) Includes 65,764 shares issuable upon the exercise of outstanding stock options and 20,000 shares held in trust.

(16) Includes 65,764 shares issuable upon the exercise of outstanding stock options and 10,000 shares held in trust.

(17) Includes 45,764 shares issuable upon the exercise of outstanding stock options.

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- (18) Includes 35,764 shares issuable upon the exercise of outstanding stock options and 1,100 shares held jointly by Mr. Wickens and his spouse.
- (19) Includes 25,764 shares issuable upon the exercise of outstanding stock options.
- (20) Includes 31,250 shares issuable upon the exercise of outstanding stock options.
- (21) Includes 6,234 shares issuable upon the exercise of outstanding stock options.
- (22) Includes 3,750 shares issuable upon the exercise of outstanding stock options.
- (23) Includes 1,515,758 shares issuable upon the exercise of outstanding stock options.

Corporate Governance

Board Information

Our Board held 15 meetings during 2012. All of the members of the Board except Messrs. Cigarran and Leedle are "independent directors," as defined under applicable law and the NASDAQ Global Select Market ("NASDAQ") listing standards. The Board has a Nominating and Corporate Governance Committee, an Audit Committee and a Compensation Committee.

Each of our incumbent directors attended at least 75% of the aggregate of the total number of meetings held during 2012 by the Board and of each committee of which such director was a member for the entire year.

Leadership Structure

We believe our board leadership structure is appropriate in light of the Company's business. Our Board of Directors' Corporate Governance Guidelines (our "Corporate Governance Guidelines") provide that our Board size should consist of at least five and no more than 12 directors which we believe provides for the optimal exchange of ideas without stifling cooperation. While our Corporate Governance Guidelines provide flexibility in who may serve as Chairman of the Board, we do not presently combine the roles of Chairman and Chief Executive Officer ("CEO"). In May 2011, the Board elected John Ballantine, a director of the Company since 2003, as Chairman of the Board. Our Corporate Governance Guidelines set forth in greater detail the responsibilities of our Board. Our Corporate Governance Guidelines are available under "Corporate Governance" accessible through the "Investors" link on the Company's website at www.healthways.com.

Risk Oversight

The Company is exposed to a number of risks, including economic, environmental, operational, and regulatory risks, among others. Management is responsible for the day-to-day management of the risks the Company faces, while the Board as a whole is responsible for the oversight of such risk. Our Audit, Compensation and Nominating and Corporate Governance Committees each play a significant role in assisting the Board to fulfill its oversight responsibilities. Our Audit Committee, for example, is responsible for overseeing the accounting, financial, legal, and regulatory risks the Company faces. The Audit Committee receives reports from management and outside auditors regarding material issues concerning the adequacy of the Company's internal controls over financial reporting. The Audit Committee also has access to management in discharging its duties and provides regular reports to the Board. Our Compensation Committee assists the Board with risk oversight by annually reviewing the compensation philosophy of the Company and evaluating and providing recommendations on executive compensation as well as producing an annual report on executive compensation to be included in our Proxy Statement. As further described in

“Compensation Discussion and Analysis” beginning on page 22, the Compensation Committee has determined that our compensation programs do not encourage our management or colleagues to take risks reasonably likely to have a material adverse effect on our business. The Compensation Committee regularly

reports its activities to the full Board. Our Nominating and Corporate Governance Committee assists with risk oversight by managing Board structure and organization, the criteria for selecting new members to the Board and any Board committees, determining compensation for directors, evaluating Board members, and annually reviewing the corporate governance principles of the Company and recommending changes when appropriate. The Nominating and Corporate Governance Committee regularly provides reports to the Board. The activities of each of our committees are set forth in greater detail in each of their respective charters which are available under “Corporate Governance” accessible through the “Investors” link on the Company’s website at www.healthways.com.