HEALTHWAYS, INC
Form DEFC14A
May 13, 2014

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. 1)
Filed by the Registrant þ
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))
þ 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):
þ 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:

(5) Total fee paid:

.. 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 2014 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 9:30 a.m., Central time, on Tuesday, June 24, 2014, for the following purposes:

(1) To elect four directors to hold office for a term of one year or until their successors have been elected and qualified;

(2) To consider and act upon a non-binding, advisory vote to approve compensation of the Company's named executive officers 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 2014;

(4) To consider and act upon a proposal to approve a new 2014 Stock Incentive Plan;

(5) To consider and act upon a proposal to approve an amendment to the Company's Amended and Restated Bylaws, as amended, to implement majority voting for uncontested elections of directors; and

(6) To transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

Your vote will be especially important at the 2014 Annual Meeting of Stockholders. As you may be aware, North Tide Capital Master, LP ("North Tide") has proposed four alternative director nominees for election at the 2014 Annual Meeting of Stockholders. The Board does not endorse the election of North Tide's nominees.

We strongly urge you (1) to read the accompanying Proxy Statement carefully and vote FOR the independent and highly qualified nominees proposed by the Board of Directors (John W. Ballantine, Kevin G. Wills, Daniel J. Englander, and C. Warren Neel, Ph.D.) and in accordance with the Board's recommendations on the other proposals by using the enclosed WHITE proxy card and (2) not to return any proxy card sent to you by North Tide. If you vote using a BLUE proxy card sent to you by North Tide, you can subsequently revoke it by following the instructions on the WHITE proxy card to vote by telephone, by Internet or by signing, dating and returning the WHITE proxy card in the postage-paid envelope provided. Only your last-dated proxy will count—any proxy may be revoked at any time prior to its exercise at the 2014 Annual Meeting of Stockholders as described in the accompanying Proxy Statement.

The Proxy Statement and form of proxy accompanying this notice are being furnished to stockholders on or about May 13, 2014. Only stockholders of record at the close of business on May 5, 2014 are entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting in person, you are requested to complete, sign and date the enclosed WHITE proxy card and return it promptly or to vote by toll-free telephone or Internet as described in the enclosed WHITE proxy card. If you own shares in a brokerage account, your broker may not be able to vote your shares on any of the proposals, unless you provide voting instructions to your broker. THEREFORE, IT IS VERY IMPORTANT THAT YOU EXERCISE YOUR RIGHT AS A STOCKHOLDER AND VOTE ON ALL PROPOSALS.

By Order of the Board of Directors,

/s/ John W. Ballantine
John W. Ballantine
Chairman
May 13, 2014

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on June 24, 2014: The Proxy Statement and 2013 Annual Report are available at www.viewourmaterial.com/HWAY.

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

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON
TUESDAY, JUNE 24, 2014

The proxy is solicited by the Board of Directors (the "Board") of Healthways, Inc. (the "Company") for use at the Annual Meeting of Stockholders to be held on Tuesday, June 24, 2014, at 9:30 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 "2014 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, 2013 has been mailed 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 May 13, 2014.

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 non-binding, advisory vote to approve compensation of the Company's named executive officers as disclosed in this Proxy Statement set forth under Proposal No. 2, FOR the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm for 2014 set forth under Proposal No. 3, FOR the approval of the Company's 2014 Stock Incentive Plan (the "2014 Plan") set forth under Proposal No. 4, and FOR the approval of an amendment to the Company's Amended and Restated Bylaws, as amended (the "Bylaws"), to implement majority voting for uncontested elections of directors set forth under Proposal No. 5. 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.

Please note that North Tide Capital, LLC and certain affiliated entities (collectively, "North Tide") have nominated four alternative director candidates: Edwin "Mac" Crawford, Bradley S. Karro, Paul H. Keckley and Conan J. Laughlin. The Board DOES NOT endorse the election of North Tide's nominees. You may receive proxy solicitation materials from North Tide, including its proxy statement and proxy cards. We are not responsible for the accuracy of any information provided by or relating to North Tide or its nominees contained in any proxy solicitation materials filed or disseminated by, or on behalf of, North Tide or any other statements that North Tide may otherwise make.

THE BOARD RECOMMENDS VOTING FOR THE ELECTION OF EACH OF THE BOARD NOMINEES USING THE ENCLOSED WHITE PROXY CARD AND URGES YOU NOT TO SIGN OR RETURN OR VOTE ANY PROXY CARD SENT TO YOU BY NORTH TIDE.

If you have previously signed a proxy card sent by North Tide, you have the right to change your vote by telephone or by Internet by following the instructions on the WHITE proxy card, or by signing, dating and returning the enclosed WHITE proxy card in the post-paid envelope provided. Only the latest dated proxy card you vote will be counted. If you are a beneficial owner or you hold your shares in "street name," please follow the voting instructions provided by your bank, broker or other nominee to change your vote. We urge you to disregard any proxy card sent to you by North Tide.

In the election of directors, you may vote "FOR" all of the nominees or your vote may be to "WITHHOLD" with respect to one or more of the nominees. As a result of North Tide's intention to propose Edwin "Mac" Crawford, Bradley S. Karro, Paul H. Keckley and Conan J. Laughlin as alternative nominees, and assuming these nominees are not withdrawn by North Tide, there will be more than four nominees. This means that the four candidates receiving the highest number of "FOR" votes will be elected. This number is called a plurality. A properly executed proxy card marked "WITHHOLD" with respect to the election of a director nominee will be counted for purposes of determining if there is a quorum at the 2014 Annual Meeting of Stockholders, but will not be considered to have been voted for the director nominees. Broker non-votes (as discussed below) will also not be considered to have been voted for any director nominee.

IF YOU VOTE YOUR SHARES BY PROXY, THE ONLY WAY TO SUPPORT ALL FOUR OF YOUR BOARD'S NOMINEES IS TO VOTE "FOR" THE BOARD'S NOMINEES ON THE WHITE PROXY CARD. PLEASE DO NOT SIGN OR RETURN A BLUE PROXY CARD FROM NORTH TIDE, EVEN IF YOU VOTE "AGAINST" OR WITHHOLD ON THEIR DIRECTOR NOMINEES. DOING SO MAY CANCEL OR WAIVE ANY PREVIOUS VOTE YOU CAST ON THE COMPANY'S WHITE PROXY CARD.

For the advisory vote to approve compensation of the Company's named executive officers as disclosed in this Proxy Statement, the ratification of the appointment of Ernst & Young LLP, the approval of the 2014 Plan and the approval of an amendment to the Bylaws to implement majority voting for uncontested elections of directors, you may vote "FOR," "AGAINST" or "ABSTAIN." If you "ABSTAIN," it will have the same effect as a vote "AGAINST" these proposals.

The quorum requirement for holding the 2014 Annual Meeting of Stockholders and transacting business is a majority of the outstanding shares entitled to vote. The shares may be present in person or represented by proxy at the 2014 Annual Meeting of Stockholders. Abstentions will be counted as present for the purpose of determining the presence of a quorum. Broker non-votes will not be counted for the purpose of determining the presence of a quorum, as they are not shares entitled to vote.

Votes are counted by an independent third party. In the election for directors, the four 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 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, the proposal to approve the 2014 Plan and the proposal to amend the Company's bylaws to provide for majority voting in uncontested elections of directors require the affirmative "FOR" vote of a majority of those shares present in person or represented by proxy.

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. Usually, 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. However, because North Tide has initiated a proxy contest, it is likely that none of the proposals at the 2014 Annual Meeting of Stockholders will be considered a "routine" matter, and, therefore, your shares will not be voted on any matter unless you instruct your brokerage firm to vote in a timely manner. As there will likely be no "routine" matters at the 2014 Annual Meeting of Stockholders, broker non-votes will have no effect on the outcome of any of the proposals presented at the 2014 Annual Meeting of Stockholders. Abstentions will have the same effect as a vote "AGAINST" each of the proposals presented at the 2014 Annual Meeting of Stockholders, except for the election of directors, with respect to which abstentions will have no effect.

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 Monday, June 23, 2014, 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 Monday, June 23, 2014.

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Because North Tide has proposed alternative nominees for election at the 2014 Annual Meeting of Stockholders, we expect that you will receive proxy solicitation materials from North Tide, including an opposition proxy statement and a BLUE proxy card. Our Board unanimously recommends that you disregard it. We are not responsible for the accuracy of any information provided by or relating to North Tide or its nominees contained in any proxy solicitation materials filed or disseminated by, or on behalf of, North Tide or any other statements that North Tide may otherwise make. If you have already voted using the BLUE proxy card, you have every right to change your vote by making, signing, dating and returning the enclosed WHITE proxy card in the accompanying postage-paid envelope or by voting by telephone or via the Internet by following the instructions on your WHITE proxy card. Submitting a North Tide proxy card will revoke votes you have previously made via the Company's WHITE proxy card. Only the latest dated proxy you submit will be counted. If you vote against North Tide nominees using the BLUE proxy card, your vote will not be counted as a vote for all four of the Board's nominees and will result in a revocation of any previous vote you may have cast on the Company's WHITE proxy card. If you wish to vote pursuant to the recommendation of the Board, you should disregard any proxy card that you receive other than the WHITE proxy card.

If you have any questions or need assistance voting, please call MacKenzie Partners, Inc., our proxy solicitor, at (800) 322-2885.

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 2014 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, May 5, 2014, will be entitled to one vote on all matters to come before the 2014 Annual Meeting of Stockholders. Cumulative voting is not permitted. As of May 5, 2014, there were outstanding 35,272,245 shares of Common Stock.

We will bear all costs of this solicitation, including expenses in connection with preparing, assembling and furnishing this Proxy Statement. In addition to solicitations by mail, solicitations may be made by Internet, telephone, facsimile, email, or personal or press interviews. Some solicitations by any of these methods may be made by our directors and executive officers named in Appendix A or by our investor relations employees within the normal conduct of their duties. Brokers and other nominees will be requested to solicit proxies or authorizations from beneficial owners and will be reimbursed for their reasonable and documented expenses in connection therewith. Appendix A sets forth information relating to our directors and executive officers who are considered "participants" in our solicitation under the rules of the Commission by reason of their position as directors of the Company or because they may be soliciting proxies on our behalf. Directors, officers and employees will not be paid any additional compensation for soliciting proxies, but MacKenzie Partners, Inc. ("MacKenzie"), our proxy solicitor, will be paid a fee, estimated to be about $250,000, for rendering solicitation services. MacKenzie expects that approximately 50 of its employees will assist in the solicitation. MacKenzie will solicit proxies by mail, by Internet, telephone, facsimile, email, or personal or press interviews. MacKenzie will also ask brokerage houses and other custodians and nominees whether other persons are beneficial owners of our Common Stock.

Our aggregate expenses, including those of MacKenzie, related to our solicitation of proxies in excess of those normally spent for an annual meeting as a result of the proxy contest initiated by North Tide, and excluding salaries and wages of our regular employees, are expected to be approximately $2.7 million, of which the Company estimates it has incurred approximately $1.7 million to date.

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 10, 2014 (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)
Prudential Financial, Inc. 751 Broad Street Newark, NJ 07102-3777	5,568,014 (2)	15.80%
North Tide Capital, LLC 500 Boylston Street Suite 310 Boston, MA 02116	3,850,000 (3)	10.93%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	3,254,885 (4)	9.24%
EARNEST Partners, LLC 1180 Peachtree Street NE Suite 2300 Atlanta, GA 30309	2,756,961 (5)	7.82%
The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	2,110,311 (6)	5.99%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	1,933,320 (7)	5.49%
Wells Fargo & Company 420 Montgomery Street San Francisco, CA 94104	1,878,623 (8)	5.33%

Ben R. Leedle, Jr.****	1,242,814 (9)	3.43%
Michael Farris***	389,932 (10)	1.11%
Alfred Lumsdaine***	147,579 (11)	*
Daniel J. Englander**	115,000 (12)	*
C. Warren Neel, Ph.D**	97,105 (13)	*

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Peter Choueiri***	92,486 (14)	*
John W. Ballantine**	72,475 (15)	*
Mary Jane England, M.D.**	65,611 (16)	*
Jay C. Bisgard, M.D.**	64,624 (17)	*
Alison Taunton-Rigby, Ph. D.**	55,919 (18)	*
John A. Wickens**	57,475 (19)	*
Glenn Hargreaves***	49,520 (20)	*
William D. Novelli**	31,191 (21)	*
Mary Flipse***	14,674 (22)	*
Kevin G. Wills**	9,132 (23)	*
Donato Tramuto**	7,950 (24)	*
All directors and executive officers as a group (16 persons)	2,511,762 (25)	6.84%

* Indicates ownership of less than one percent of our outstanding Common Stock
** Director of the Company
*** Named Executive Officer
**** Director and Named Executive Officer

(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 10, 2014 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 10, 2014 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 by Prudential Financial, Inc. ("Prudential") with the Commission on January 29, 2014 and includes shares held by certain of its subsidiaries, including Jennison Associates LLC ("Jennison"). Includes 105,304 shares to which Prudential has sole voting power, 5,462,710 shares to which Prudential has shared voting power, 105,304 shares to which Prudential has sole investment power and 5,462,710 shares to which Prudential has shared investment power. Jennison filed a separate Schedule13G/A with the Commission on February 12, 2014 reporting beneficial ownership of 5,477,265 shares to which Jennison has sole voting power and shared investment power. These shares have not been listed separately because they are included in the shares reported by Prudential, which indirectly owns 100% of the equity interests of Jennison. The address of Jennison is 466 Lexington Avenue, New York, New York 10017.

(3)

Information with respect to stock ownership is based on a Schedule 13D/A filed with the Commission on March 3, 2014. Includes 3,850,000 shares to which North Tide Capital, LLC has shared voting and investment power. Includes 3,425,000 shares to which North Tide Capital Master, LP has shared voting and investment power. Includes 3,850,000 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.

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(4) Information with respect to stock ownership is based on a Schedule 13G/A filed by BlackRock, Inc. with the Commission on January 29, 2014 and includes shares held by certain of its subsidiaries. Includes 3,142,378 shares to which BlackRock, Inc. has sole voting power and 3,254,885 shares to which BlackRock, Inc. has sole investment power.

(5) Information with respect to stock ownership is based on a Schedule 13G/A filed with the Commission on February 14, 2014. Includes 1,164,444 shares to which EARNEST Partners, LLC ("EARNEST") has sole voting power, 379,742 shares to which EARNEST has shared voting power and 2,756,961 shares to which EARNEST has sole investment power.

(6) Information with respect to stock ownership is based on a Schedule 13G/A filed by The Vanguard Group, Inc. ("Vanguard") with the Commission on February 11, 2014 and includes shares held by certain of its subsidiaries. Includes 54,994 shares to which Vanguard has sole voting power, 2,057,217 shares to which Vanguard has sole investment power and 53,094 shares to which Vanguard has shared investment power.

(7) Information with respect to stock ownership is based on a Schedule 13G filed with the Commission on February 10, 2014. Includes 1,865,966 shares to which Dimensional Fund Advisors LP ("Dimensional") has sole voting power and 1,933,320 shares to which Dimensional has shared investment power.

(8) Information with respect to stock ownership is based on a Schedule 13G/A filed by Wells Fargo & Company ("WFC") with the Commission on January 28, 2014 and includes shares held by certain of its subsidiaries. Includes 116 shares to which WFC has sole voting power, 1,873,010 shares to which WFC has shared voting power, 116 shares to which WFC has sole investment power and 1,878,507 shares to which WFC has shared investment power.

(9) Includes 985,916 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(10) Includes 389,611 shares held in trust.

(11) Includes 113,567 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(12) Consists of 115,000 shares held indirectly with Ursula Capital Partners, of which Mr. Englander is the Managing Partner. Mr. Englander disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(13) Includes 43,764 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(14) Includes 74,754 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(15) Includes 43,764 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014, and 20,000 shares held in trust.

(16) Includes 53,764 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(17) Includes 43,764 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014, and 20,860 shares held in trust.

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(18) Includes 33,764 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(19) Includes 43,764 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014, and 1,100 shares held jointly by Mr. Wickens and his spouse.

(20) Includes 40,497 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(21) Includes 27,724 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(22) Includes 11,784 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(23) Consists of 9,132 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(24) Includes 3,750 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

(25) Includes 1,529,708 shares that, as of April 10, 2014, were issuable upon the exercise of outstanding stock options within 60 days after April 10, 2014.

Corporate Governance

Board Information

Our Board held nine meetings during 2013. All of the members of the Board who served during 2013 except Thomas G. Cigarran and Mr. Leedle are "independent directors," as defined under applicable law and the NASDAQ Global Select Market ("NASDAQ") listing standards. In addition, the Board has determined that Daniel J. Englander, the Board's nominee for director, is an "independent director," as defined under applicable law and 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 2013 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") note that our Bylaws 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 27, 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.

Committees of the Board

Compensation Committee

During 2013, the Compensation Committee was composed of Drs. England and Taunton-Rigby and Mr. Novelli for the entire year, Mr. Wills from February 2013 through the end of the year, Mr. Tramuto from June 2013 through the end of the year, and William C. O'Neil, Jr. from January 2013 until the 2013 Annual Meeting of Shareholders, the date of his retirement from the Board. It was chaired by Mr. Novelli. As discussed in "Compensation Discussion and Analysis," all of the directors who serve on the Compensation Committee are "non-employee directors" as defined in Rule 16b-3 of the rules promulgated under the Securities Exchange Act of 1934, as amended, "Outside Directors" for purposes of regulations promulgated pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, and "independent directors" as defined under the NASDAQ corporate governance listing standards, in each case as determined by the Board. The Compensation Committee is responsible for overseeing our overall compensation strategies and policies, evaluating the performance of our executive officers and recommending to the independent directors the compensation of each of our executive officers and administering our equity-based incentive plans, among other things. The Compensation Committee's Charter, which is reviewed annually by the Compensation Committee and is available on our website at www.healthways.com, provides a detailed description of the Compensation Committee's duties and responsibilities. The Compensation Committee held five meetings during 2013.

In connection with his election to the Board (as discussed below), the Board, upon the recommendation of the Nominating and Corporate Governance Committee, appointed Mr. Englander to serve as a member of the Compensation Committee, effective March 17, 2014.

Nominating and Corporate Governance Committee

During 2013, the Nominating and Corporate Governance Committee was composed of Drs. England, Bisgard and Neel and Messrs. Novelli and Wickens and was chaired by Dr. England. All of the directors who serve on the Nominating and Corporate Governance Committee are "independent directors" as defined under the NASDAQ corporate governance listing standards. The Nominating and Corporate Governance Committee's responsibilities include identifying individuals qualified to become members of the Board and recommending such individuals to the Board for election to the Board and developing and recommending to the Board corporate governance principles applicable to the Company. The Nominating and Corporate Governance Committee's Charter, which is reviewed annually by the Nominating and Corporate Governance Committee and is available on our website at www.healthways.com, provides a detailed description of the Nominating and Corporate Governance Committee's duties and responsibilities and sets forth the director nomination process. The Nominating and Corporate Governance Committee held four meetings during 2013.

Audit Committee

During 2013, the Audit Committee was composed of Messrs. Wills and Wickens and Drs. Bisgard, Neel and Taunton-Rigby for the entire year, and Mr. O'Neil through May 2013. The Audit Committee was chaired by Dr. Neel. All of the directors on the Audit Committee are "independent directors" as defined under the NASDAQ corporate governance listing standards, and satisfy the heightened independence criteria applicable to members of the Audit Committee under the NASDAQ corporate governance listing standards and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended. We have, and will continue to have, at least one member of the Audit Committee who has past employment experience in finance or accounting and requisite professional certification in accounting or other comparable experience that results in the individual's financial sophistication. The Audit Committee meets with our independent registered public accounting firm and management to review our consolidated financial statements, the quality and integrity of our accounting, auditing and financial reporting process, and our systems of internal controls. The Board has determined that Mr. Wills qualifies as an "audit committee financial expert," as defined by the regulations of the Commission. The Audit Committee's Charter, which is reviewed annually by the Audit Committee and is available on our website at www.healthways.com, provides a detailed description of the Audit Committee's duties and responsibilities. The Audit Committee held 12 meetings during fiscal 2013.

Investments Sub-Committee

In September 2011, the Board formed an Investments Sub-Committee (the "Sub-Committee"). The Sub-Committee has four members, two of whom were Board-appointed and two of whom are ex officio members by virtue of serving as the Chairman of the Board and Chairman of the Audit Committee:

Jay C. Bisgard (Board-appointed)	Chairman
Kevin G. Wills (Board-appointed)	Member
John W. Ballantine	Ex Officio (Chairman of the Board)
C. Warren Neel, Ph.D.	Ex Officio (Chairman of the Audit Committee)

An "Investment" is defined as an expenditure of capital or the transfer of value by the Company in exchange for businesses, securities, assets or similar matters of value.

- The CEO is authorized to approve on behalf of the Company the making of Investments that do not exceed $10 million twice during any Company fiscal year. Actions by the CEO pursuant to this authority shall be communicated to the full Board in a timely manner.

- Investments exceeding $10 million but not exceeding $25 million must be submitted to the Sub-Committee for review and final approval/non-approval. Actions by the Sub-Committee shall be communicated to the full Board in a timely manner.

- Investments in amounts exceeding $25 million must be submitted to the full Board for review and approval/non-approval.

- Investments (regardless of amount) that involve the issuance of Company equity securities or debt securities registered under the Securities and Exchange Act of 1934, as amended, must be presented to and approved by the full Board.

- Investments (regardless of amount) implicating a conflict of interest involving any officer or director of the Company must be presented to and approved by the full Board.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines to assist the Board in the exercise of its duties and responsibilities and to serve in the best interests of the Company and its stockholders. Our Corporate Governance Guidelines, which are available on our website at www.healthways.com, provide a framework for the conduct of the business of the Board.

Code of Conduct

Our Code of Business Conduct applies to all employees (including officers) and non-employee directors (collectively, "colleagues"). The purpose of the Code of Business Conduct is to provide written standards that are reasonably designed to promote: honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in reports and documents we file with the Commission and other public communications we make; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Code of Business Conduct; and accountability for adherence to the Code of Business Conduct, and to deter wrongdoing. A copy of our Code of Business Conduct, as well as any amendments thereto, is available on our website at www.healthways.com.

Stockholder Nominees

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted stockholder nominations for director candidates as described below under "Identifying and Evaluating Nominees for Directors." Any stockholder nominations proposed for consideration by the Nominating and Corporate Governance Committee should be addressed to: Secretary, Healthways, Inc., 701 Cool Springs Boulevard, Franklin, Tennessee 37067. To be timely, director nominations for the 2015 Annual Meeting of Stockholders must be submitted within the time limits for stockholder proposals as set forth on page 91.

Director Qualifications

Under our Corporate Governance Guidelines and the Nominating and Corporate Governance Committee Charter, the Nominating and Corporate Governance Committee is responsible for determining the criteria for membership on the Board. Under such criteria, at least a majority of the members of the Board should be independent, and all members should have the highest character and integrity and possess an inquiring mind, vision and the ability to work well with others. Currently, all of our directors except for Mr. Leedle are independent. Other criteria that will be considered include prior experience as a director, knowledge of our business and industry and broad experience at the operational, financial or policy-making level in business. Diversity, age and skills in the context of the needs of the Board are also a consideration. While the Company's Corporate Governance Guidelines do not explicitly define diversity, it is the Nominating and Corporate Governance Committee's practice to seek director candidates who will contribute to a diversity of perspectives. The Nominating and Corporate Governance Committee considers diversity in the context of the Board as a whole and takes into account a candidate's personal characteristics and industry experience, with the intent of maintaining a Board that represents a broad range of viewpoints. Board members should also have sufficient time to devote to the affairs of the Company and to provide insight and practical wisdom based on experience. As such, in order to be active participants and perform all director duties responsibly, directors' service on other boards of public companies is limited to three public company boards (excluding the Company).

Identifying and Evaluating Nominees for Directors

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating and Corporate Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of the Board, management, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee and may be considered at any point during the year. As described above, the Nominating and Corporate Governance Committee considers properly submitted stockholder nominations for candidates for the Board. In evaluating nominations, the Nominating and Corporate Governance Committee uses the same criteria for all nominees and seeks to achieve a balance of knowledge, experience and expertise on the Board.

Directors' Attendance at Annual Meetings of Stockholders

Although directors are invited and are always encouraged to attend the annual stockholder meetings, we do not require their attendance. All of the directors then serving, except for Mr. Wickens, attended the 2013 Annual Meeting of Stockholders held on May 30, 2013.

Communications with the Board

Stockholders may communicate with the Board by submitting a letter in writing addressed to: Chairman of the Board, Healthways, Inc., 701 Cool Springs Boulevard, Franklin, Tennessee 37067. If the communication relates to the Company's ethics or conduct, financial statements, accounting practices or internal controls, the communication may be submitted in writing addressed to: Audit Committee Chairman, Healthways, Inc., 701 Cool Springs Boulevard, Franklin, Tennessee 37067. Stockholder communications may be submitted confidentially or anonymously.

Stock Retention Guidelines

The Company's stock retention guidelines applicable to executive officers require executive officers to maintain a minimum ownership in the Company's stock based on a multiple of their base salary (at least 3.75 times base salary for the Chief Executive Officer, 2 times base salary for the Chief Financial Officer, Chief Commercial Officer and the President, International, and 1.2 times base salary for the Chief Accounting Officer and General Counsel). Executive officers must retain 75% of the net number of shares acquired (after payment of exercise price, if any, and taxes) upon the exercise of all nonqualified stock options and vesting of all restricted stock units representing hypothetical shares of our Common Stock ("RSUs") until they reach the required multiple of base salary. All executive officers are currently in compliance with the guidelines. Executive officers who do not comply with the guidelines may not be eligible for future equity awards.

In January 2013, the Board adopted stock retention guidelines for directors. The guidelines require directors to maintain ownership in the Company's stock equal to three times the current minimum annual cash retainer for directors. Directors must retain 75% of the net number of shares acquired (after payment of exercise price, if any, and taxes) upon the exercise of all stock options and vesting of all RSUs until they reach the required minimum ownership. Directors will have until January 2018 to meet these requirements and may not sell shares of the Company's stock until the ownership requirement is achieved.

Evaluations of Board and Committee Performance

Each year, the Nominating and Corporate Governance Committee of the Board conducts an evaluation process focusing on the effectiveness of the Board as a whole, the performance of each committee of the Board and the performance of each individual Board member. The manner of the evaluation is determined annually by the Nominating and Corporate Governance Committee in order to ensure the procurement of accurate and relevant information. The evaluation process is designed to facilitate ongoing, systematic examination of the Board, each committee's effectiveness and accountability, and each individual's performance, and to identify opportunities for improvement. The Nominating and Corporate Governance Committee designed and coordinated the evaluations for the Board, committees, and individual directors, and the Chair of the Nominating and Corporate Governance Committee reported the results to each committee, the full Board, and each individual director.

Certain Relationships and Related Party Transactions

Since the beginning of the last fiscal year, we are aware of the following related party transaction between us and our directors, executive officers, 5% stockholders or their family members that requires disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended.

- Christopher Cigarran, President of Employer Market, is the son of former director Thomas G. Cigarran and received aggregate cash compensation of approximately $447,000 (consisting primarily of salary and performance-based cash) during fiscal 2013.

Pursuant to its written charter, the Audit Committee reviews and either ratifies, approves or disapproves all "Interested Transactions," which are generally defined (for purposes of this Proxy Statement) to include, but are not limited to, any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which:

- the aggregate amount involved exceeded, or will or may be expected to exceed, $120,000 in any calendar year;
- the Company was, is or will be a participant; and
- any Related Party had, has or will have a direct or indirect material interest.

A "Related Party" is any:

- person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 10-K and Proxy Statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director;
- greater than 5% beneficial owner of the Company's Common Stock;
- immediate family member of any of the foregoing; or
- firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner, managing member or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

In determining whether to approve or ratify an Interested Transaction, the Audit Committee considers the relevant information and facts available to it regarding the Interested Transaction and takes into account factors such as the Related Party's relationship to the Company and interest (direct or indirect) in the transaction, the terms of the transaction and the benefits to the Company of the transaction. No director participates in the approval of an Interested Transaction for which he or she is a Related Party or otherwise has a direct or indirect interest.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Background to the Board's Recommendation in Favor of the Company's Nominees

We believe our Board consists of highly-qualified, experienced, independent directors who are committed to building stockholder value and positioning the Company for revenue growth, sustainable profitability, and success in the rapidly evolving healthcare landscape.

Our Board consists of 11 members, four of whom are nominees for election at the 2014 Annual Meeting of Stockholders. We believe that it is important for our Board to include members with diverse and complementary skills and knowledge gained through professional experience in areas that are highly relevant to our strategy and operations, including experience with the operating requirements of a value-based contract services business, and who offer valuable leadership skills and diverse insights at a critical time for the Company. Our directors' backgrounds reflect, among others, the following experiences: senior leadership roles in publicly traded and privately held companies not only in the healthcare services, wellness, healthcare technology, medical device and healthcare information sectors, but also in the business advisory services, investment management, financial services and retail industries. Professional experiences of our four nominees for election at the 2014 Annual Meeting of Stockholders include risk management and investment/asset management leadership positions as well as serving as chief financial officer and chief accounting officer of a publicly traded company; board leadership positions at several publicly traded companies; and accounting, capital markets, mergers and acquisitions and international operations experience. We believe that our four nominees have the attributes necessary to maintain, together with the other members of the Board, an effective Board: strong personal and professional ethics, integrity and values; keen vision and long-term strategic perspective; practical judgment and proven decision-making skills; the ability to devote significant time to serve on our Board and its committees and to work in a collaborative manner; and an unwavering commitment to representing the long-term interests of all our stockholders.

Background to Potential Contested Solicitation

On August 12, 2013, a representative of North Tide met with the Company's Chief Executive Officer Ben Leedle, Chief Financial Officer Alfred Lumsdaine, and Senior Vice President of Investor Relations Charles Wochomurka at the Company's headquarters in Franklin, Tennessee and discussed general business trends and the Company's performance and capital structure.

On September 12, 2013, Conan Laughlin, the managing member of North Tide, met with Messrs. Leedle, Lumsdaine and Wochomurka at the Stifel Nicolaus healthcare conference in Boston, Massachusetts.

On October 24, 2013, North Tide and Messrs. Leedle, Lumsdaine and Wochomurka had a teleconference and discussed Healthways' previously issued guidance for 2013 and 2014.

On October 28, 2013, North Tide filed with the Commission a Schedule 13D reporting beneficial ownership by North Tide and its affiliates of approximately 9.88% of our outstanding common stock. This filing also indicated that North Tide may initiate discussions with the Board regarding the performance of our management team and/or other matters concerning our management.

On November 4, 2013, a representative of North Tide and Mr. Lumsdaine had a teleconference and discussed Healthways' Silver Sneakers business.

On November 15, 2013, John Ballantine, Chairman of the Board, and Mary Flipse, the Company's General Counsel, met with Mr. Laughlin in New York City. At that meeting, Mr. Ballantine provided the Board's views as to the strategic direction of the Company, and Mr. Laughlin reviewed his concerns regarding the Company's business strategy and management.

On December 2, 2013, North Tide filed with the Commission an amendment to its Schedule 13D which included a letter to the Board. In the letter, Mr. Laughlin articulated his views about the Company's management and business strategy.

On December 4, 2013, the Company filed a Current Report on Form 8-K in which the Company confirmed its receipt of the letter from North Tide and in which the Board expressed its support for the Company's management team and strategy.

On December 19, 2013, North Tide filed with the Commission an amendment to its Schedule 13D in which it reported beneficial ownership of approximately 11% of our outstanding common stock.

On December 20, 2013, Mr. Ballantine had a telephone conversation with Mr. Laughlin in which Mr. Laughlin reiterated his views about the Company's management and business strategy and expressed his intent to nominate a slate of directors for election at the 2014 Annual Meeting of Stockholders. Mr. Ballantine responded that he would discuss Mr. Laughlin's views and ideas with the Board.

On December 23, 2013, a meeting of the Board was held in which Mr. Ballantine provided an update on his communications with Mr. Laughlin, and the directors engaged in extensive deliberations of North Tide's proposals regarding the Company's management and business strategy.

On December 27, 2013, Mr. Ballantine and Mr. Laughlin had a telephone conversation in which Mr. Ballantine conveyed, among other things, that the Board had been working with the Company's external financial advisor, management and counsel to carefully evaluate the opinions regarding the Company's business strategy articulated by North Tide. Mr. Ballantine also conveyed that the Board and management engage in the process of reviewing the Company's overall strategy, financial results and projections in the ordinary course and that he would follow up with Mr. Laughlin after the Company reported its results for the fourth quarter of 2013 in February 2014.

On January 14, 2014, North Tide delivered to the Board and filed with the Commission a letter in which it indicated, among other things, its intent to seek Board representation at the 2014 Annual Meeting of Stockholders.

On February 19, 2014, Mr. Ballantine contacted Mr. Laughlin and indicated that, with the assistance from J.P. Morgan, the Board had carefully reviewed the business strategy topics raised by North Tide. Mr. Ballantine offered to make representatives of J.P. Morgan available to North Tide so that North Tide would have an opportunity to gain the perspective of the Company's financial advisor who is intimately familiar with the Company's industry, strategy, operations and financial condition. Additionally, Mr. Ballantine indicated that the Board was prepared to consider a director candidate put forth by North Tide who is independent of North Tide and who has skills and experience complementary to those of the existing Board members, subject to a customary standstill agreement expiring at the 2015 Annual Meeting of Stockholders.

On February 19, 2014, in an email to Mr. Ballantine, North Tide rejected the Board's settlement offer and proposed a settlement on the following terms: (i) three North Tide director nominees would be nominated at the 2014 Annual Meeting of Stockholders in place of the Company's then existing three Class II directors; (ii) a fourth director nominee would be a candidate mutually agreeable to North Tide and the Board; (iii) Ben Leedle would resign as CEO and as a director of the Company and an interim CEO would be installed to run the day-to-day operations until a successor would be appointed; (iv) a special committee represented equally by current directors and North Tide director nominees would be formed in order to identify a permanent CEO replacement; and (v) North Tide would enter into a customary standstill agreement wherein it would agree not to submit any nominations for the 2014 Annual Meeting of Stockholders and would be reimbursed for certain of its expenses.

On February 24, 2014, in a telephone conversation with Mr. Laughlin, Mr. Ballantine expressed the Board's strong desire to avoid the potential cost and distraction of a proxy contest and presented a new settlement offer on behalf of the Board in an effort to avoid such a proxy contest. Under the settlement offer, the Board offered to put forward for election at the 2014 Annual Meeting of Stockholders a five-person slate, including two qualified independent candidates to be nominated by North Tide, subject to confirmation through the ordinary review process of the Nominating and Corporate Governance Committee of the nominees' independence and lack of affiliations with North Tide. Two nominees would be selected by the Board from its existing Class II directors, and the Board would identify a fifth qualified, independent director, who would be reviewed with North Tide prior to his or her nomination. Together, if elected, these directors would serve on an expanded 12-member Board. In addition, the Board would create a strategic review committee for the purpose of assisting management and the Board in reviewing and refining the Company's long-term strategy. A North Tide representative would serve on this new committee and each of the other standing committees of the Board. The Board's offer contemplated customary standstill and voting commitments from North Tide through the 2014 Annual Meeting of Stockholders but expiring prior to the nomination deadline for the 2015 Annual Meeting of Stockholders.

On February 26, 2014, North Tide delivered a letter to the Board in which it disagreed with the Board's assessment of management but proposed a settlement as follows: (i) the Board's support of the nomination of four North Tide candidates; (ii) the appointment of one of North Tide's nominees as Chairman, or preferably Executive Chairman of the Board; and (iii) the resignation of Messrs. Ballantine, Neel and Wills from the Board.

On February 27, 2014, Mr. Ballantine sent a letter to North Tide in which the Board expressed its disappointment in North Tide's response to the Board's settlement offer, support for the Company's leadership and strategy and reiterated the settlement offer set forth in Mr. Ballantine's telephone conversation with Mr. Laughlin on February 24, 2014.

On February 28, 2014, North Tide delivered a letter to the Board reiterating its positions with respect to the Company's board composition, management and business strategy. On the same date, an affiliate of North Tide delivered to the Company a formal notice of nomination of Edwin "Mac" Crawford, Bradley S. Karro, Paul H. Keckley and Conan J. Laughlin to the Board at 2014 Annual Meeting of Stockholders, and North Tide's Schedule 13D was amended to reflect this nomination.

On February 28, 2014, the Company issued a press release in which the Company acknowledged the receipt of a director nomination notice from North Tide. In the press release, Mr. Ballantine expressed the Board's continued support of the Company's strategy under the leadership of Mr. Leedle and the Board's disappointment with North Tide's apparent determination to proceed with a disruptive and costly proxy contest at the expense of all of the Company's stockholders.

On March 31, 2014, North Tide filed with the Commission a preliminary proxy statement accompanied by an investor presentation.

On April 1, 2014, North Tide filed with the Commission a revised investor presentation.

On April 14, 2014, the Company filed with the Commission a preliminary proxy statement for the 2014 Annual Meeting of Stockholders and issued a press release announcing the same.

On April 18, 2014, North Tide filed with the Commission two identical revised preliminary proxy statements.

On April 28, 2014, North Tide filed with the Commission a further revised preliminary proxy statement.

On May 1, 2014, North Tide filed with the Commission a further revised preliminary proxy statement.

On May 2, 2014, the Company filed with the Commission a revised preliminary proxy statement.

On May 8, 2014, the Company filed with the Commission an investor presentation and issued a press release announcing the same.

Election of Directors

Pursuant to an amendment to our Restated Certificate of Incorporation, as Amended (our "Certificate of Incorporation") approved by our stockholders at the 2013 Annual Meeting of Stockholders, our Board is in transition to no longer be classified. Accordingly, at our 2013 Annual Meeting of Stockholders, three directors (the "Class I" directors) were elected to a three-year term, which expires at the 2016 Annual Meeting of Stockholders. At the 2014 Annual Meeting of Stockholders, our stockholders will elect four directors (the "Class II" directors) to a one-year term expiring at the 2015 Annual Meeting of Stockholders. At the 2015 Annual Meeting of Stockholders, our stockholders will elect four directors (the "Class III" directors) and the Class II directors to one-year terms expiring at the 2016 Annual Meeting of Stockholders. Beginning with the 2016 Annual Meeting of Stockholders, our stockholders will elect the full Board on an annual basis.

Unless contrary instructions are received, shares of our Common Stock represented by duly executed proxies will be voted in favor of the election of the nominees named below. If for any reason a nominee is unable to serve as a director, it is intended that the proxies solicited hereby will be voted for such substitute nominee as our Board may propose. The Board has no reason to expect that the nominees will be unable to serve, and therefore, at this time does not have any substitute nominees under consideration.

As previously reported, Mr. Thomas G. Cigarran resigned from the Board, effective February 14, 2014, and the Board elected Daniel J. Englander to fill the vacated seat on the Board, effective March 17, 2014. As a Class II director, Mr. Englander is standing for election at the 2014 Annual Meeting of Stockholders.

Other than Mr. Englander, there are no Company nominees for election to the Board who have not previously been elected by the stockholders.

A nominee for election must receive a plurality of the votes cast at the 2014 Annual Meeting of Stockholders to be elected as a director. Stockholders have no right to vote cumulatively for directors, but rather each stockholder shall have one vote for each director for each share of Common Stock held by such stockholder.

The Board recommends a vote FOR each nominee.

Class II Directors

The following persons are the nominees for election to serve as Class II directors for a term that will expire at the 2015 Annual Meeting of Stockholders and until his/her successor is elected and qualified. All nominees are presently directors of the Company and were previously elected by the stockholders (except for Mr. Englander). Certain information relating to the following persons has been furnished to us by the individuals named, and we have also included the specific skills, qualifications and experience of each of our directors.

<u>John W. Ballantine</u> Former Executive Vice President and Chief Risk Management Officer of First Chicago NBD Corporation	Age 68	Director since 2003

Mr. Ballantine has been Chairman of the Board since May 2011. Mr. Ballantine served as Executive Vice President and Chief Risk Management Officer of First Chicago NBD Corporation, a bank holding company, from 1996 until his retirement in 1998. He currently serves as a director of DWS Funds, a family of mutual funds, where he is Chairman of the Fixed Income and Asset Allocation Committee, and Portland General Electric, a publicly traded electric service provider, where he is Chairman of the Finance Committee.

Qualifications: Mr. Ballantine's specific skills, experience and qualifications to serve as a director of the Company include his leadership as Executive Vice President and Chief Risk Management Officer of First Chicago NBD Corporation, in addition to his board leadership roles at a number of companies including DWS Funds. We believe Mr. Ballantine's experience at these firms enhances the Board's understanding of the perspective of institutional investors.

Board Committees: investments sub-committee

<u>Kevin G. Wills</u> Managing Director and Chief Financial Officer of AlixPartners, LLP	Age 48	Director since 2012

Mr. Wills has served as Managing Director and Chief Financial Officer of AlixPartners, LLP, a global business advisory firm, since March 2014. Prior to that, he served as Executive Vice President and Chief Financial Officer of Saks Incorporated (now a part of Hudson's Bay Company), a publicly traded (prior to the fourth quarter of 2013) retailer of fashion apparel, shoes, accessories, jewelry, cosmetics, and gifts, from May 2007 through November 2013. Mr. Wills served as Executive Vice President of Finance/Chief Accounting Officer of Saks Incorporated from May 2005 through April 2007, and as Executive Vice President of Operations for Parisian, Inc., a retailer, from February 2003 until April 2005. Prior to that, he was appointed Senior Vice President of Planning and Administration for Saks Department Store Group in September 1999, Senior Vice President of Strategic Planning in September 1998 and Vice President of Financial Reporting for Saks Incorporated in September 1997, when he joined Saks Incorporated. Prior to joining Saks Incorporated, Mr. Wills served as Vice President and Controller for Tennessee Valley Authority, an energy producer. Prior to that, Mr. Wills served as the Business Assurance Manager for Coopers and Lybrand (currently known as PricewaterhouseCoopers), an accounting and financial services firm.

Qualifications: Mr. Wills' specific skills, experience and qualifications to serve as a director of the Company are evidenced by his many years of executive leadership, most recently serving as the Managing Director and Chief Financial Officer of AlixPartners, LLP and, prior to that, Chief Financial Officer of Saks Incorporated, as mentioned above. Additionally, Mr. Wills is a Certified Public Accountant and brings significant capital markets, mergers and acquisitions and international operations experience, all of which enhance our Board's understanding of various financial aspects of the Company's business.

Board Committees: audit, compensation; investments sub-committee

Daniel J. Englander Managing Partner of Ursula Capital Partners	Age 45	Director since March 2014

Mr. Englander is the managing partner of Ursula Capital Partners, an investment management firm that he founded in May 2004. In addition, since 2007, Mr. Englander has served as a director of America's Car-Mart, Inc., a publicly traded automotive retailer based in Bentonville, Arkansas. He also has served as a director of Copart, Inc., a publicly traded company based in Dallas, Texas, that provides vehicle sellers with a full range of services to process and sell vehicles over the Internet, since 2006, and as a director of Ambassadors International, Inc., formerly a publicly traded cruise ship operator based in Seattle, Washington, from November 2008 through May 2011. From October 1994 until January 2004, Mr. Englander was employed as an investment banker with Allen & Company, a New York-based merchant bank, serving as a Managing Director from September 2002 until his departure. He holds a Bachelor of Arts degree from Yale University.

Qualifications: Mr. Englander's background in investment management and finance coupled with his board experience at other publicly traded companies enables him to be a valuable resource to our Board and to our company with respect to financial and business issues. Additionally, Mr. Englander has been an active, engaged investor in Healthways since 2005 through the business transformation cycle, knows our strategy well and understands the markets for our well-being solutions.

Board Committees: compensation

C. Warren Neel, Ph.D. Former Executive Director of the Center for Corporate Governance at the University of Tennessee	Age 75	Director since 1991

Dr. Neel currently serves as a professor in the Master of Business Administration program at the University of Tennessee. From 2003 until his retirement in 2013, Dr. Neel served as the Executive Director of the Center for Corporate Governance at the University of Tennessee, which was recently renamed The Neel Corporate Governance Center in his honor. He served as the Commissioner of Finance and Administration for the State of Tennessee from July 2000 until February 2003. He served as Dean of the College of Business Administration at the University of Tennessee in Knoxville from 1977 to 2002. From September 1998 to May 2012, Dr. Neel served as a director of Saks Incorporated (now a part of Hudson's Bay Company), a publicly traded (prior to the fourth quarter of 2013) retailer of fashion apparel, shoes, accessories, jewelry, cosmetics and gifts, where he was Chair of the Audit Committee.

Qualifications: Dr. Neel's specific skills, experience and qualifications to serve as a director of the Company include his significant leadership experience in business. As Commissioner of Finance and Administration for the State of Tennessee, Dr. Neel served as the governor's Chief Financial Officer, managing a budget of over $20 billion. In his most recent position with the University of Tennessee, Dr. Neel helped establish The Neel Corporate Governance Center. Additionally, Dr. Neel's academic research has been published in a variety of journals. Because of Dr. Neel's strong business acumen and leadership in a variety of roles, we believe he enhances our Board's understanding of complex financial data and management issues.

Board Committees: audit (chair); nominating and corporate governance; investments sub-committee

Class III Directors

The following four persons currently are members of the Board and will continue in their present positions until the 2015 Annual Meeting of Stockholders. The following persons are not nominees and stockholders are not being asked to vote for them. Certain information relating to the following persons has been furnished to us by the individuals named, and we have also included the specific skills, qualifications and experience of each of our directors.

Jay C. Bisgard, M.D. Former Director of Health Services at Delta Air Lines, Inc.	Age 71 Director since 2003

Dr. Bisgard has been self-employed as a physician since 2001. Dr. Bisgard served as Director of Health Services at Delta Air Lines, Inc., a publicly traded airline operator, from January 1994 to April 2001. Prior to that, he served as the corporate medical director at Pacific Bell, a provider of telephone services, GTE Corporation, a provider of telephone services, and ARCO, an oil company. He retired from the U.S. Air Force in 1986 with the rank of colonel. He served as acting Deputy Assistant Secretary of Defense (Health Affairs) from 1981 to 1984. He is a member of the International Academy of Aviation and Space Medicine, and a fellow of the American College of Preventive Medicine and the American College of Physician Executives.

Qualifications: Dr. Bisgard's specific skills, experience and qualifications to serve as a director of the Company include over 30 years of experience in the healthcare industry in both the private and public sectors, including serving as a hospital CEO, a director of a number of companies and as acting Deputy Assistant Secretary of Defense (Health Affairs). Dr. Bisgard is certified in aerospace medicine and his primary interests have been in health policy and resource management. We believe his extensive career in the healthcare industry as well as his interests in health policy and resource management provide critical insight to our Board on both the historical and current trends within the healthcare industry.

Board Committees: audit; nominating and corporate governance; investments sub-committee (chair)

Mary Jane England, M.D. Professor at the Department of Community Health Sciences at the Boston University School of Public Health; Former President of Regis College	Age 75	Director since 2004

Dr. England has served as a Professor at the Department of Community Health Sciences at the Boston University School of Public Health since 2012 and served as ad interim Chair from 2012 until November 2013. She also served as a Visiting Professor of Health Policy and Management at Boston University School of Public Health from 2011 to 2012. Previously, Dr. England served as President of Regis College in Weston, Massachusetts from 2001 through 2011. From 1990 to 2001, she served as President of the Washington Business Group on Health, a non-profit devoted to representing the interests of large employers on national health policy issues. Prior to 1990, she served as Vice President of Prudential Insurance Co., a global insurance provider, Associate Dean at the John F. Kennedy School of Government at Harvard University, Commissioner of Social Services, and Associate Commissioner of Mental Health in Massachusetts. She serves on the board of directors of NSF International, a non-profit involved in standards development, product certification, auditing education and risk management for public health and the environment.

Qualifications: Dr. England's specific skills, experience and qualifications to serve as a director of the Company include her significant experience in the healthcare industry. For over ten years, Dr. England served as the President of the Washington Business Group on Health. Additionally, Dr. England serves on the board of directors of NSF International. We believe Dr. England's experience at the Washington Business Group on Health, as well as in other positions, provides our Board with unique insight into how the interests of companies within the healthcare industry are effectively represented.

Board Committees: compensation; nominating and corporate governance (chair)

<u>John A. Wickens</u>
Former National Health Plan President of UnitedHealth Group Age 57 Director since 2007

Mr. Wickens is the sole owner of Athlete Endeavors LLC, a web platform designed to support aspiring Olympic athletes, which he founded in October 2013. Mr. Wickens was not employed from March 2006 to September 2013. Mr. Wickens served as National Health Plan President of UnitedHealth Group Incorporated, a publicly traded diversified health and well-being company, from January 2004 to February 2006 and South Division President from September 2001 to December 2003. Prior to that time, he served in various capacities at UnitedHealth Group Incorporated beginning in 1995. Mr. Wickens currently serves as the Vice Chair of U.S.A. Track & Field Foundation and Chair of UnitedHealthcare Children's Foundation.

Qualifications: Mr. Wickens' specific skills, experience and qualifications to serve as a director of the Company include his varied leadership roles at UnitedHealth Group Incorporated. We believe Mr. Wickens' experience at UnitedHealth Group Incorporated gives our Board insight into how other companies within the healthcare industry both manage and respond to the numerous challenges faced in the current economic and political climate.

Board Committees: audit; nominating and corporate governance

	Age	Director since
<u>William D. Novelli</u> Professor at the McDonough School of Business at Georgetown University; Former Chief Executive Officer of AARP	72	2009

Mr. Novelli has served as a professor at the McDonough School of Business at Georgetown University since August 2009. From 2001 to 2009, he served as the Chief Executive Officer of AARP, a nonprofit organization that helps people over age fifty improve their lives. Mr. Novelli currently serves as the Chair of the board of directors of Campaign for Tobacco-Free Kids.

Qualifications: Mr. Novelli's specific skills, experience and qualifications to serve as a director of the Company are evidenced by his many years of executive leadership, most recently serving as the Chief Executive Officer of AARP, as mentioned above. Additionally, Mr. Novelli's current leadership as chairman of the board of directors of the Campaign for Tobacco-Free Kids, a leader in fighting to reduce tobacco use and its consequences in the world, enhances our Board's own understanding of how other organizations promote improved health and wellness, which is the core of the Company's business.

Board Committees: compensation (chair); nominating and corporate governance

Class I Directors

The following three persons currently are members of the Board and will continue in their present positions until the 2016 Annual Meeting of Stockholders. The following persons are not nominees and stockholders are not being asked to vote for them. Certain information relating to the following persons has been furnished to us by the individuals named, and we have also included the specific skills, qualifications and experience of each of our directors.

<u>Ben R. Leedle, Jr.</u>
President and Chief Executive Officer of the Company Age 53 Director since 2003

Mr. Leedle has served as Chief Executive Officer of the Company since September 2003 and as President of the Company from May 2002 through October 2008 and April 2011 through present. Mr. Leedle served as Chief Operating Officer of the Company from September 1999 to August 2003, Executive Vice President of the Company from September 1999 to May 2002 and as Senior Vice President of Operations from September 1997 to September 1999.

Qualifications: Mr. Leedle's specific skills, experience and qualifications to serve as a director of the Company include his nearly 17 years of senior leadership experience at the Company. During this time Mr. Leedle has effectively led the Company through significant growth as well as managed the Company in the current economic environment. Additionally, Mr. Leedle has developed and overseen a talented group of senior executives. Given his extensive leadership experience and institutional knowledge of the Company, we believe Mr. Leedle should serve as a director of the Company.

Board Committees: none

Alison Taunton-Rigby, Ph.D. Former Chief Executive Officer of RiboNovix, Inc.	Age 70	Director since 2005

From 2003 until her retirement in 2010, Dr. Taunton-Rigby was the Chief Executive Officer of RiboNovix, Inc., a private company developing anti-infectives. From 2001 to 2003, she served as the Chief Executive Officer of CMT, Inc., a privately held medical device company. From 1995 to 2000, Dr. Taunton-Rigby served as the Chief Executive Officer of Aquila Biopharmaceuticals, Inc. (successor to Cambridge Biotech Corporation), a publicly traded biotechnology company. She serves on the boards of directors of Columbia Funds, a mutual funds complex, ICI Mutual Insurance Company, a provider of insurance and fidelity bonding to the U.S. mutual fund industry, and Abt Associates, a provider of public policy and business research and consulting, where she serves as Chair of the Audit & Finance Committee. Dr. Taunton-Rigby also serves on the Board of Trustees of the Boston Children's Hospital. From 2004 to 2010, Dr. Taunton-Rigby served as a director on the board of Idera Pharmaceuticals, a publicly traded biotechnology company.

Qualifications: Dr. Taunton-Rigby's specific skills, experience and qualifications to serve as a director of the Company include her service as Chief Executive Officer of a number of publicly traded healthcare companies and over 25 years of senior executive experience in the life science industry. Dr. Taunton-Rigby also has significant experience serving on the boards of a variety of companies in the healthcare industry. We believe Dr. Taunton-Rigby's entrepreneurial and leadership experience in the healthcare industry coupled with her board experience at other healthcare companies and in the investment industry provides insight to our Board on business, financial and strategic issues affecting the Company.

Board Committees: audit, compensation

Donato Tramuto Chief Executive Officer and Chairman of Physicians Interactive	Age 57	Director since 2013

Mr. Tramuto is one of the founders of Physicians Interactive Holdings ("PIH") and has served as its Chief Executive Officer and Chairman since 2008. PIH is one of the largest providers of online resources for healthcare information, medication samples and mobile decision support tools to healthcare professionals. Prior to organizing PIH, he served as President of the Physicians Interactive Division of Allscripts Healthcare Solutions, Inc., a publicly traded provider of clinical software, connectivity and information solutions. From 2004 to 2006, Mr. Tramuto was Chief Executive Officer of i3, a global pharmaceutical services company that, prior to its sale to inVentiv Health, Inc. in 2011, was part of Ingenix (a subsidiary of UnitedHealth Group Incorporated). Prior to joining Ingenix, Mr. Tramuto was one of the founders of Protocare, Inc., a large provider of drug development services, where he served as Chief Executive and President of the Protocare Sciences Division and Corporate Officer of Protocare from 1998 to 2003. Prior to co-founding Protocare, Mr. Tramuto served as General Manager/Executive Vice President of the Home Healthcare Business Unit and Corporate Vice President of Disease Management Marketing at Caremark. Mr. Tramuto also serves on several executive leadership boards including the Boston University School of Public Health Dean's Advisory Board, the Physicians Interactive Board of Directors and the Robert F. Kennedy Center for Justice and Human Rights Europe Board. Mr. Tramuto is the Chairman and founder of the Health eVillages Board, and a former member of the State of Maine Economic Growth Council, an appointment by former Maine Governor John Baldacci.

Qualifications: Mr. Tramuto's specific skills, experience and qualifications to serve as a director of the Company include his service as Chief Executive Officer of several mid-to-large sized, global healthcare companies, providing more than 30 years of healthcare experience in the both the product and service segments. He has extensive knowledge in strategy, product and business development, succession planning, marketing and consumer insights and has taken several companies from the startup phase to successful exits. In 2005, 2009 and 2012, Mr. Tramuto was selected by PharmaVOICE as one of the Top 100 Most Inspirational Healthcare Leaders in the Life Sciences Industry. In May 2012, he was recognized by The Boston Globe as one of the top 12 innovators in Massachusetts for the launch of Health eVillages, a non-profit organization he founded in 2011 providing global mobile healthcare to disadvantaged communities. In April of this year, he was awarded, along with Hillary Clinton, Robert DeNiro, and Tony Bennett, the 2014 Robert F Kennedy Ripple of Hope Award, for his more than three decades of executive leadership in advancing innovative healthcare programs that have had a meaningful impact in saving lives.

Board Committees: compensation

Director Compensation

Outside Directors each receive a $50,000 annual cash retainer as well as $1,000 for each non-regularly scheduled meeting attended at which action is taken, regardless of length. Additionally, the Audit Committee chair receives an annual retainer of $25,000, and the Compensation Committee and Nominating and Corporate Governance Committee chairs each receive an annual retainer of $20,000. Audit Committee members receive an annual retainer of $7,500, and Compensation Committee and Nominating and Corporate Governance Committee members receive an annual retainer of $6,000, provided that each Outside Director who participates on at least two committees will receive minimum annual cash compensation of $100,000 (from annual stockholder meeting to annual stockholder meeting). Furthermore, upon their election to the Board, new Outside Directors receive an option to purchase 15,000 shares of Common Stock.

Outside Directors who had served as directors of the Company for at least 12 months were granted $100,000 in equity awards on the date of the 2013 Annual Meeting of Stockholders, the value of which consisted of 50% stock options and 50% RSUs. Equity awards to Outside Directors during 2013 were made pursuant to the 2007 Stock Incentive Plan, as amended (the "2007 Plan"). Mr. Englander was elected to the Board effective March 17, 2014, and on such date was granted an option to purchase 15,000 shares of Common Stock. For fiscal 2014, subject to stockholder approval of the 2014 Plan (or, if the 2014 Plan is not approved, share availability under the 2007 Plan), each director (excluding Mr. Englander) will be granted up to $100,000 in equity awards consisting of an expected value of 50% stock options and 50% RSUs.

In addition to the cash retainer and equity awards discussed above, committee chairs receive $4,500 for each Audit Committee meeting attended and $2,500 for each Compensation Committee or Nominating and Corporate Governance Committee meeting attended. Other Outside Directors receive $2,500 for each committee meeting attended.

Mr. Ballantine is paid $200,000 in cash per year for serving as Chairman of the Board. In addition, he receives the equivalent equity compensation awarded to Outside Directors, as determined by the Nominating and Corporate Governance Committee. He receives no other additional compensation for his service on the Board or attendance at any Board or committee meetings.

The following table summarizes the compensation to each member of the Board during 2013. Mr. Leedle receives no additional compensation, as such, for serving as a member of the Board.

2013 Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Total ($)
John W. Ballantine	$200,000	$50,003	$50,012	$300,015
Thomas G. Cigarran	125,000	50,003	50,012	225,015
Jay C. Bisgard, M.D.	107,500	50,003	50,012	207,515
Mary Jane England, M.D.	99,500	50,003	50,012	199,515
C. Warren Neel, Ph.D.	148,000	50,003	50,012	248,015
William D. Novelli	100,500	50,003	50,012	200,515
William C. O'Neil, Jr.	44,958	-	-	44,958
Alison Taunton-Rigby, Ph.D.	109,000	50,003	50,012	209,015
Donato J. Tramuto	38,667	-	114,900	153,567
John A. Wickens	100,000	50,003	50,012	200,015
Kevin G. Wills	100,000	50,003	50,012	200,015

(1) Reflects the aggregate grant date fair value of stock awards granted during 2013 calculated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718. The grant date fair value of stock awards granted to the Outside Directors during 2013 was $13.94 per award. The following directors had unvested stock awards outstanding as of December 31, 2013: Mr. Ballantine (11,755); Mr. Cigarran (11,755); Dr. Bisgard (11,755); Dr. England (11,755); Dr. Neel (11,755); Mr. Novelli (10,873); Mr. O'Neil (8,168); Dr. Taunton-Rigby (11,755); Mr. Wickens (11,755) and Mr. Wills (3,587). Upon resignation in February 2014, Mr. Cigarran's unvested stock awards were cancelled.

(2) Reflects the aggregate grant date fair value of stock option awards granted during 2013 calculated in accordance with FASB ASC Topic 718. The grant date fair value of stock options granted to the Outside Directors during 2013 was $7.66 per stock option. Assumptions used in the calculation of these amounts are disclosed in Note 13 to our audited financial statements for the fiscal year ended December 31, 2013, included in our Annual Report on Form 10-K filed with the Commission on March 14, 2014. The following directors had stock option awards outstanding as of December 31, 2013: Mr. Ballantine (56,998); Mr. Cigarran (41,998); Dr. Bisgard (56,998); Dr. England (66,998); Dr. Neel (56,998); Mr. Novelli (40,958); Mr. O'Neil (50,469); Dr. Taunton-Rigby (46,998); Mr. Tramuto (15,000), Mr. Wickens (56,998); and Mr. Wills (21,529). Of Mr. Cigarran's options outstanding as of December 31, 2013, 21,234 of unvested options were cancelled in February 2014 upon his resignation.

Forward-Looking Statements

This Proxy Statement contains forward-looking statements, which are based upon current knowledge, assumptions, beliefs, estimates and expectations, involve a number of risks and uncertainties, and are subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not historical statements of fact and those regarding the intent, belief, or expectations of the Company, including, without limitation, all statements regarding the Company's future earnings and results of operations, and can be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," or "continue" and similar expressions. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary from those in the forward-looking statements as a result of various factors. These factors include, but are not limited to, those described in Item 1A, Risk Factors, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2013, and those that will be described from time to time in the Company's filings with the Commission, including the Company's subsequent reports filed with the Commission on Form 10-K, Form 10-Q and Form 8-K, which are available on the Commission's website at www.sec.gov and on the Company's website at www.healthways.com. We undertake no obligation to update or revise any such forward-looking statements.

Executive Compensation

Compensation Discussion and Analysis

Named Executive Officers

The following table lists our Chief Executive Officer, Chief Financial Officer, and four other most highly compensated executive officers for 2013 (the "NEOs"):

Name	Position
Ben R. Leedle, Jr.	President and Chief Executive Officer
Alfred Lumsdaine	Executive Vice President, Chief Financial Officer
Peter Choueiri	President, Healthways International
Michael Farris	Executive Vice President, Chief Commercial Officer
Glenn Hargreaves	Chief Accounting Officer
Mary Flipse	Senior Vice President, General Counsel

Executive Summary

Compensation Decisions for 2013

The rapid movement in 2012 and early 2013 toward value-based models of care has slowed as both payers and providers confront the magnitude and complexity of the change required across their enterprises for operating success. For Healthways, this slowdown has affected the ramp of lives at risk for quality and financial outcomes management. As a result, our financial results for 2013 were below our initial expectations primarily due to a much lower number of risk lives available for our total population management services within our health systems customer relationships than originally anticipated. A smaller but still important impact came from the normal fluctuations in the memberships of our commercial health plan customers, where we experienced a net reduction in lives compared with our expectations.

Due to the foregoing factors, we did not achieve our performance targets in 2013 related to our short-term cash incentive awards or long-term performance-based cash awards, and accordingly, consistent with the Company's compensation philosophy, our NEOs did not earn any short-term cash incentive awards (other than Mr. Choueiri whose performance with respect to short-term cash incentive awards was in part subject to an international performance target) or any performance-based cash as a part of long-term incentive awards, which, in total, were a mix of non-qualified stock options, restricted stock units (RSUs), and performance-based cash. Additionally, our NEOs did not earn a Company discretionary match for our nonqualified deferred compensation plan.

Impact of Say on Pay Vote Results

In 2012, a majority of our stockholders voted against the approval of our executive compensation program at the 2012 Annual Meeting of Stockholders. In response, the Compensation Committee (the "Committee") initiated a review of the Company's executive compensation practices with the assistance of an independent compensation consultant, Total Rewards Strategies, in the fall of 2012. In the spring of 2013, prior to the 2013 Annual Meeting of Stockholders, we solicited feedback on our compensation practices from investors that collectively held approximately 37% of our Common Stock, specifically focusing on those who voted against our say on pay proposal in 2012. After considering the feedback received from our stockholders and input from our independent compensation consultant, the Committee made a number of changes for 2013 that immediately addressed the governance-related aspects of the executive compensation program. In addition, the Committee promptly began examining the overall direct compensation program structure (i.e. salaries, short-term cash incentives, and long-term incentive awards) for our executive officers and the design of each incentive; however, direct compensation decisions for 2013 had already been made when the Committee initiated its review of the compensation program. As a result, the significant changes that the Committee made to the direct compensation program, which it believes are responsive to the stockholder feedback received, are effective for 2014. Therefore, the 2014 direct compensation program changes will not be reflected in the Summary Compensation Table until next year's proxy statement.

At the 2013 Annual Meeting of Stockholders, a majority (64%) of our stockholders again voted against the approval of our executive compensation program. Following the 2013 Annual Meeting, the Committee continued to review the Company's executive compensation program with a focus on the direct compensation components. The Committee engaged a new independent compensation consultant in September 2013, Frederic W. Cook & Co., Inc. ("Cook & Co."), to assist the Committee in designing an executive compensation program that reflects the input from stockholders and supports the Company's pay for performance compensation philosophy and business objectives.

Compensation Decisions for 2014

After considering feedback received from our stockholders, input from our independent compensation consultant, and competitive and best practices, the Committee implemented a number of significant changes for 2014 summarized in the table below and discussed in more detail beginning on page 44. This year's "say on pay" proposal is Proposal No. 2 in this Proxy Statement.

Following is a summary of the changes we implemented in both 2013 and 2014 based on best practices, stockholder feedback, and advice from the Committee's independent compensation consultants. The program design changes that are effective for our 2014 executive compensation program are noted as such and will not be reflected in NEO compensation tables until 2014 executive compensation is reported in our 2015 Proxy Statement.

Executive Compensation Program Changes (2013 and 2014)

Incentive Design

· Revised Peer Group (2013 and 2014): Established a revised peer group for 2013 and a further revised peer review group for 2014 for purposes of evaluating the executive compensation program. The revised group for 2014 includes relevant industry peers with comparable revenues and market capitalization to Healthways.

· Incentive Caps (2013): Added a cap to annual and long-term incentives for our executive officers.

· Lower CEO Total Compensation (2014): Targeted CEO total compensation at the 2014 Peer Group median which results in a 30% reduction in target total compensation pay opportunity in 2014 as compared to 2013.

· Performance-Based Equity (2014): Adopted an equity-based long-term incentive program (subject to availability of shares under the 2007 Plan or the new 2014 Stock Incentive Plan, if approved by stockholders) with 50% of the grant value subject to risk of forfeiture if pre-defined, multi-year performance objectives are not achieved.

· Long-Term Vesting (2014): Extended the vesting period on the settlement of performance-based awards from 3 years to 4 years to emphasize retention and mitigate risk-taking behaviors during the performance period.

Governance

· Recoupment Policy (2013): Adopted an incentive recoupment policy that permits the Committee, in its discretion, to recover incentive-based compensation from our executive officers in the event of a restatement of our financial results or non-compliance with our Code of Business Conduct to the material detriment of the Company.

· No Change in Control Gross-Ups (2013): Adopted a policy whereby gross-up payments in connection with excise taxes upon a change in control are prohibited in future employment agreements.

· Anti-Hedging and Anti-Pledging Policies (2013 and 2014): In 2013, adopted a policy prohibiting the hedging of shares of Company stock, and in 2014, adopted a policy prohibiting the pledging of shares of Company stock, by our executive officers and Board members.

· Double-Trigger Vesting Upon a Change In Control (2014): Adopted a policy whereby future equity awards may not accelerate vesting upon a change in control unless the executive is terminated without cause or with good reason within 12 months of the change in control event or the award is not assumed by an acquirer.

Executive Compensation Program Changes (2013 and 2014)

Incentive Design	Governance
· Multi-Year LTI Performance Period (2014): Extended the long-term incentive: Extended the long-term incentive performance period from 12 months to a multi-year period to reward sustained performance · No Above-Target Pay Without Superior Total Shareholder Return Results (2014): Performance-based LTI is capped at target unless annualized total shareholder return ("TSR") during the performance period exceeds 25%. Above-target LTI payout is subject to the incentive caps established in 2013.	

Summary of Compensation Practices

Below are key features of our executive compensation program, including the changes implemented in 2014, that we believe drive sustainable results, encourage executive retention, and align executive and stockholder interests. We also highlight certain practices we have not implemented because we do not believe they would align with our stockholders' long-term interests.

What We Do

ü Pay for performance by placing the majority of executive compensation "at risk" through linkage to our financial or market results

ü Mitigate undue risk by having caps on incentive awards and a recoupment policy with respect to performance-based compensation

ü Maintain meaningful stock ownership and retention requirements

ü Engage an independent compensation consultant who does not provide any other services to the Company

ü Require double trigger change in control provisions for acceleration of equity awards in all new equity awards

ü Balance multiple metrics for short- and long-term incentives

ü Seek stockholder feedback on our executive compensation

What We Don't Do

X No excise tax gross-ups upon a change in control for employment agreements entered into after February 2013

X No tax gross-ups on ongoing benefits

X No granting of discounted stock options

X No repricing of stock options or repurchasing of equity awards without stockholder approval

X No hedging or short sales of Company securities

X No pledging of Company securities

CEO Pay-for-Performance Alignment

The following chart illustrates the alignment between the CEO's pay and TSR for the three-year period ending December 31, 2013. Note that this chart does not reflect the reduction in the CEO's targeted total compensation for 2014. We have shown both target total pay and realizable pay. Realizable pay includes salary, short- and long-term cash incentives earned, and the intrinsic value of equity awards granted during 2011, 2012, and 2013 based upon the Company's closing stock price on December 31, 2013 of $15.35 per share. The intrinsic value of stock options equals the difference between the December 31, 2013 price and the exercise price of the awards.

For 2014, based on stockholder feedback, the Committee targeted CEO total compensation at the 2014 Peer Group median, which resulted in a 30% reduction in target total pay opportunity from 2013 to 2014, as shown below.

CEO Target Pay (in $000s)

Description	2013 Target Pay	2014 Target Pay	Percentage Change
Base salary	$712	$712	0%
Short-term incentive	$499	$499	0%
Long-term incentive	$2,672	$1,500	-44%
Total	$3,883	$2,711	-30%

The Committee's Processes and Analyses

Role of Compensation Committee

The Compensation Committee sets and administers the policies that govern compensation of our executive officers, including:

- Annually evaluating the performance of the CEO and other executive officers and recommending to the independent directors of the Board the compensation level, including short- and long-term incentive compensation, for each such person based on this evaluation;
- Reviewing and recommending for approval to the Board any changes in executive officer incentive compensation plans and equity-based compensation plans; and
- Reviewing and approving all equity-based compensation plans of the Company and granting equity-based awards pursuant to such plans.

The Committee seeks to assure that compensation paid to executive officers is fair, reasonable and competitive, and is linked to increasing long-term stockholder value. Only independent directors serve on the Committee. Based on the Compensation Committee Charter, the Compensation Committee may delegate any of its responsibilities to a subcommittee so long as such subcommittee is solely composed of one or more members of the Committee.

Compensation Philosophy and Objectives

Healthways is committed to making the world a healthier place, one person at a time. In pursuit of that mission, we seek to attract, retain and motivate talented individuals who are committed to the Company's mission and core values. The Committee is committed to designing an executive compensation program that is performance-based, competitive, clear in its design and objectives, and that aligns the interests of management with those of the Company's stockholders by rewarding executive officers when the Company achieves financial success.

The Committee believes that performance-based pay is key to achieving our financial and strategic objectives and meeting stockholder expectations. The direct effect of this performance-based philosophy is that a majority of the total target compensation that is set at the beginning of the year for an NEO is variable (excluding benefits and perquisites). We consider compensation to be variable if the ultimate value realized may be less than the intended target compensation. Variable compensation includes both the annual short-term incentive awards and the long-term incentive awards that in 2013 consisted of stock options, RSUs, and performance-based cash awards. For example, for 2013, approximately 81% of Mr. Leedle's total target compensation was variable, as shown below. For all other NEOs, approximately 63% of their total target compensation was variable (using a weighted average). Target compensation is defined as base earnings, short-term incentives at target (using the short-term incentive percentages for each NEO on page 37), and long-term incentives at target (using the long-term incentive percentages for each NEO on page 39).

Guided by the following principal objectives, the Committee strives to align compensation of its employees with the Company's business needs without encouraging excessive or unnecessary risk-taking:

- Compensation that reflects both individual and Company performance.

  - We link employee pay to both individual and Company performance.

- When employees assume greater responsibilities, more of their pay is linked to Company performance and stockholder returns through increased participation in equity programs and increased linkage of their short-term and long-term incentive targets to overall Company performance. Since a significant share of our NEOs' total compensation is based on long-term incentives, their interests are aligned with the long-term interests of our stockholders and the Company.

- We balance pay-for-performance and employee retention. Even during downturns in Company performance, the compensation program should continue to motivate successful, high-achieving employees.

· Compensation consistent with job responsibility and the market.

We set base salaries by evaluating market compensation data and internal pay relativity, which means that pay differences among jobs should be commensurate with differences in job responsibility, geography, and impact.

· Stockholder input.

We consider stockholder input from the most recent say on pay vote. We also consider other feedback from our stockholders. We seek to provide appropriate incentives for executives that are earned only when we achieve our performance goals that increase stockholder value, thereby aligning stockholder and executive interests.

Annually, or more frequently as needed, the Compensation Committee reviews:

· Its compensation philosophy -- to ensure alignment with the principal objectives for compensation;

· Our executive compensation policies -- in light of our financial performance, the annual budget, and competitive and best practices; and

· The compensation of individual executives -- in light of such executive's performance and the Committee's executive compensation policies for that year.

As a result of our balance of short- and long-term incentives, our use of different types of equity compensation awards that provide a balance of incentives, our cap on incentive awards, our recoupment policy, our anti-hedging and anti-pledging policies, and our stock ownership guidelines, the Committee believes that our compensation programs, including our executive compensation program, do not encourage our management or colleagues to take risks reasonably likely to have a material adverse effect on our business.

The Committee also believes that our compensation strategies are aligned with our compensation philosophy, long-term performance, and Company culture, which places significant value on highly-performing individuals, and that those strategies promote individual responsibility for collective long-term success.

As discussed in further detail throughout the Compensation Discussion and Analysis, and based on Company performance in 2013, the Committee believes that 2013 executive compensation was reasonable and appropriate.

Setting Compensation

In addition to its annual review of executive compensation, the Committee retains an independent compensation consultant to review the Company's executive compensation. The Committee also employs several tools to set executive compensation targets that meet the Company's objectives. In January 2012, the Committee selected Total Rewards Strategies to provide independent executive compensation advisory services during 2012 and in setting executive compensation for 2013. In September 2013, the Committee engaged Cook & Co. to provide independent executive compensation advisory services during 2013 and in setting executive compensation for 2014, details of which are discussed under "Compensation Decisions for 2014". The independent compensation consultants report directly to the Committee and provide no other services to the Company. The Committee uses the following tools to set compensation:

- Assessment of individual performance.

  - At the beginning of each year, the Committee meets with the CEO to review and approve performance objectives for the upcoming year for the CEO and the other NEOs. After the end of the year, the CEO delivers to the Committee individual performance evaluations and compensation recommendations for each NEO. The Committee determines compensation adjustments for each NEO based on a variety of factors, such as a competitive compensation analysis, the CEO's and the Committee's assessment of each NEO's individual performance, the Company's performance, and the Committee's judgment based on the NEO's interactions with the Board.

  - After the end of the year, the CEO presents to the Committee a self-assessment of his performance for the year based on his established performance objectives. The Committee conducts a confidential review of the CEO's performance for the previous year and discusses and recommends to the independent directors any compensation adjustment for the upcoming year based on the competitive compensation analysis, its assessment of the CEO's performance in light of the pre-approved performance objectives, the Company's performance, and the level of CEO compensation relative to the other NEOs.

- Assessment of Company performance.

  - In addition to each NEO's individual performance, the Committee also considers the Company's overall performance in determining executive compensation. When evaluating the relationship between the CEO's pay and Company performance, the Committee considers both reported pay (as reflected in the Summary Compensation Table) and realized pay for the CEO in recent years.

- Compensation benchmarking.

  - The Committee reviews NEO compensation against external references to determine the appropriateness of compensation. The Committee does not use particular formulas or specific positions within a range to determine compensation levels reflecting the responsibilities of a particular officer position but instead uses external comparisons to provide a point of reference. The external references may include peer group analysis (see below) and/or commercially available, broad-based, comparative market compensation survey reports developed by independent professional organizations (collectively, the "Survey Reports"). The Survey Reports cover a significant number of companies across a broad range of industries. To support the Committee's review and evaluation, management, and if applicable, an independent compensation consultant, provides the Committee with information drawn from the Survey Reports. While the Committee still applies this approach, for 2014, based on stockholder feedback, the Committee targeted CEO total compensation at the 2014 Peer Group median.

  - The Committee recognizes that we compete locally and nationally for talent with companies much larger than those included in our compensation peer group. These larger companies aggressively recruit for the best qualified talent in particularly critical functions. As a result, to attract and retain talent, the Committee may from time to time determine that it is in the best interests of our Company and stockholders to provide compensation packages that deviate from the external benchmark references.

Executive Compensation for 2013

Overview

Program Elements

The 2013 executive compensation program consisted of:

- Base salaries;
- Short-term cash incentive awards, based on achieving clearly-defined financial targets; and
- Long-term incentive awards that are based on individual performance and/or the achievement of financial performance and/or business goals. To focus our executives on the Company's long-term sustainable performance, a significant share of our executive compensation is weighted with long-term incentives.

Target Percentages

The Committee generally sets the executive officers' short-term and long-term incentive target percentages based on the targets that correspond with their internal job grades. In 2013, we made no changes to the alignments between our internal job grade structure and incentive target percentages.

2013 Peer Group

During 2012, our prior independent compensation consultant developed a peer group consisting of the following companies (the "2013 Peer Group"), whose compensation levels were used in setting NEO compensation for 2013. The consultant applied certain criteria in developing our peer group such as industry sector, compensation strategy, and financial metrics. With regard to revenue and market capitalization, the consultant only evaluated companies with revenue and market capitalization each ranging between $200 million and $2 billion. The median revenue for 2011 and market capitalization as of July 31, 2012 for companies in our peer group were $559 million and $764 million, respectively. Compared to the 2013 Peer Group, we ranked slightly above median in terms of 2011 revenue and below the 25th percentile on market capitalization as of July 31, 2012.

Accretive Health	Corvel	Merge Healthcare
Advisory Board	eHealth	Metropolitan Health Networks
Allscripts Healthcare Solutions	Ensign Group	Molina Healthcare
AmSurg	Fair Isaac	Providence Service Corp
AthenaHealth	Hanger Orthopedic	Quality Systems
Bio-Reference Labs	HealthStream	Skilled Healthcare
Capella Healthcare	IPC The Hospitalist Company	U.S. Physical Therapy
Centene	MedAssets	Universal American
Computer Programs & Systems	Medidata Solutions	WebMD Health

Compensation Decisions for 2013

In determining 2013 compensation for our NEOs, the Committee employed the executive compensation structure from 2012 as a reference point together with an assessment of (i) individual performance, responsibilities, expectations and contributions of each NEO, (ii) the competitiveness of the Company's executive compensation and (iii) overall Company performance. Additionally, the Committee considered feedback received from our stockholders and input from our prior independent compensation consultant and made the following changes to the executive compensation program for 2013, which the Committee believes better aligned the interests of our executives and our

stockholders:
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- Caps on incentive awards equal to two times target;
- Disclosure of forward-looking performance targets for both short- and long-term incentive awards;
- Establishment of a revised peer group to evaluate the executive compensation program;
- Implementation of a recoupment policy;
- Elimination of Section 280G gross-up payments for all new employment agreements; and
- Adoption of an anti-hedging policy.

In general, and based on the methodology described in the "Compensation Benchmarking" section, the Committee believes compensation levels for NEOs are appropriate.

An analysis of the components of 2013 executive compensation is described in detail below.

Base Salary

In setting base salaries for 2013, the Committee took into account several factors: individual and Company performance, prior year's salary, responsibilities, salaries paid by comparable companies for comparable positions, CEO recommendations, date of the NEO's previous salary increase, and internal pay equity within the Company's overall pay scale. In addition, the Committee also considered the Company's 2013 budget for salary increases, which had been established at 4% based on the Company's 2012 performance and the Company's expected 2013 performance. The objective of establishing a budget for salary increases is to allow salary increases to retain, motivate, and reward successful performers while maintaining affordability within the Company's business plan. Individual pay increases can be higher or lower than budgeted depending on individual performance and changes in responsibilities, but aggregate increases must stay within the budget for salary increases. In accordance with the Committee's belief that current base salaries were competitive based on the results of the compensation benchmarking process discussed earlier, Mr. Leedle and Mr. Farris did not receive salary increases for 2013; in fact, Mr. Leedle's salary has remained at the same level since 2008. Base salary increases for the remaining NEOs were as follows:

Annualized Base Salary ($000s)

Name	2013 Base Salary	2012 Base Salary (at end of year)	Percentage Increase	Date of Previous Increase
Ben R. Leedle, Jr.	$712	$712	0%	03/2008
Alfred Lumsdaine	$385	$350	10%	02/2012
Peter Choueiri [(1)]	$438	$409	4%	01/2012
Michael Farris	$700	$700	0%	08/2011
Glenn Hargreaves	$258	$253	2%	07/2012
Mary Flipse	$258	$253	2%	07/2012

(1) Mr. Choueiri is paid in Euros. Estimated salary in dollars is based on the average conversion rate for each year as calculated using the first and last business days of the year.

Short-term Cash Incentive Awards

We offer short-term cash incentive awards to NEOs to align their annual compensation with the Company's financial objectives for the current year. Following are the key components of the short-term (annual) cash incentive program for 2013:

· Short-Term Cash Incentive Target Percentages

Short-term cash incentive targets (expressed as a percentage of base salary) were set based on target percentages that correspond with each NEO's internal job grade. Short-term cash incentive targets did not change between 2012 and 2013 for any NEO who held the same position during that time except for Mr. Lumsdaine, whose short-term cash incentive target increased in conjunction with an increase in his internal salary grade based on an evaluation of his role and salary grade relative to other executives within the company. The Committee believes the short-term cash incentive targets are market competitive and that they establish the appropriate level of annual pay at risk and drive the achievement of annual performance goals. For 2013, the Committee set maximum award amounts for the NEOs for short-term incentive awards that cap their potential award at 200% of the target award amount.

Short-term Cash Incentive Targets (as a percentage of base salary)

Name	2013	2012
Ben R. Leedle, Jr.	70%	70%
Alfred Lumsdaine	55%	50%
Peter Choueiri	50%	50%
Michael Farris (1)	n/a	n/a
Glenn Hargreaves	45%	45%
Mary Flipse	45%	38%(2)

(1) Not eligible to participate in short-term cash incentive program due to a separate three-year incentive award described on page 42.
(2) Blended rate. Short-term cash incentive target was 30% through February 2012, 35% for March through July 2012, and 45% thereafter based on increased responsibilities/roles throughout 2012.

· Short-Term Cash Incentive Performance Measures

For 2013, the Committee changed the performance metric for short-term cash incentive awards to EBITDA, which was used as the metric for both earning and funding short-term cash incentive awards. EBITDA provides a specific measure of operating performance and is one of the most prevalent short-term cash incentive metrics used by our 2013 Peer Group (as defined on page 35).

All employees, including the NEOs (except for Mr. Farris), were eligible to begin earning short-term cash incentive awards when the Company exceeded EBITDA of $85.5 million. For Mr. Choueiri, 50% of his short-term incentive award was based on exceeding the total Company EBITDA target of $85.5 million, while the remaining 50% of his award was based on exceeding an EBITDA target for the international business.

Because total company EBITDA for 2013 did not exceed our goal of $85.5 million, the NEOs did not earn any short-term cash incentive awards for 2013, except for Mr. Choueiri, who earned 50% of his short-term incentive award based on exceeding the EBITDA target for the international business, which was $0.4 million. The table below illustrates the 2013 short-term cash incentive targets and payouts.

Short-Term Cash Incentive Payouts for 2013 ($000s)

Name	2013 at Target	2013 Payout
Ben R. Leedle, Jr.	$499	$0
Alfred Lumsdaine	$208	$0
Peter Choueiri [(1)]	$217	$109
Michael Farris [(2)]	n/a	n/a
Glenn Hargreaves	$115	$0
Mary Flipse	$115	$0

(1) Mr. Choueiri is paid in Euros. Estimated payout in dollars for 2013 is based on the average conversion rate for the year as calculated using the first and last business days of the year.
(2) Not eligible to participate in short-term cash incentive program due to a separate three-year incentive award described on page 42.

Long-term Incentive ("LTI") Awards

The Committee believes that our long-term incentive compensation is a key component of our retention strategy and is integral to our ability to achieve our performance goals. LTI awards are generally granted annually to eligible employees, including our NEOs. LTI awards are typically made during the first quarter after the Committee has had the opportunity to review the previous year's full year results, expected performance for the current year, and the Company's long-range business plan. Awards are granted on the date of the Committee's approval. In 2013, the Committee granted LTI awards on February 28, 2013.

· LTI Mix

As described above, one of our key compensation objectives is to provide long-term incentive compensation to strengthen and align the interests of our NEOs with our stockholders. To meet this objective, the Committee determined that in 2013 LTI for our NEOs would include a combination of stock options, RSUs, and performance-based cash awards as indicated below. The table below summarizes the incentives, the objective for using each of the incentives to align the interests of the NEOs and the stockholders, and the incentive mix for both the Company and our 2013 Peer Group.

Long-Term Incentive Mix

For 2013, the target mix for our LTI grant was 25% stock options, 25% RSUs, and 50% performance cash. We consider both stock options and performance-based cash awards to be performance-based awards. Due to limitations under the 2007 Plan on the number of full-value awards that could be granted, the actual mix of the grant differed slightly from target, as shown below. For 2013, 81% of the total LTI awards to our NEOs were performance-based (consisting of stock options and performance-based cash awards). We consider stock options to be performance-based since they provide value only if the Company's stock price increases from the date of grant.

Incentive	Objective	Approximate Percentage of LTI Award Value	
		Healthways' Target Mix	Healthways' 2013 Awards
Stock options	Encourage executive retention and promote share price appreciation	25%	31%
Restricted stock units	Encourage executive retention, promote share price appreciation, and minimize stockholder dilution	25%	19%
Performance-based cash awards	Encourage executive retention and align executives with the Company's financial goals	50%	50%

· LTI Target Percentages

LTI targets for 2013 (expressed as a percentage of base salary) were set based on target percentages that correspond with each NEO's internal job grade. The LTI targets did not change between 2012 and 2013 for any NEO who held the same position during that time, except for Mr. Lumsdaine, whose LTI target increased in conjunction with an increase in his internal salary grade. For 2014, rather than setting LTI award values as a multiple of each NEO's salary, the Committee approved a fixed pool of shares to be granted in 2014 based on competitive burn rate levels among the peer group. See "Compensation Decisions for 2014". Mr. Farris currently is not eligible to participate in our standard LTI program due to a separate three-year incentive that began in 2012, as discussed on page 42.

LTI Targets (as a percentage of base salary; at time of annual award in February)

Name	2013	2012
Ben R. Leedle, Jr.	375%	375%(1)
Alfred Lumsdaine	200%	180%
Peter Choueiri	200%	200%(2)
Michael Farris (3)	n/a	n/a
Glenn Hargreaves	120%	90%(4)
Mary Flipse	120%	50%(4)

(1) Does not include the Performance Award described on page 56.
(2) During 2012, Mr. Choueiri's LTI target was 200%, which was granted in the form of a performance-based cash award. In addition, he received a promotional equity grant in January 2012 in connection with his promotion to President, Healthways International, which was not part of his 200% target.
(3) Not eligible to participate in standard LTI program due to a separate three-year incentive award described on page 42.
(4) Ms. Flipse and Mr. Hargreaves received promotional equity grants in July 2012 that were in addition to their regular LTI targets.

· Stock Options and Restricted Stock Units

On February 28, 2013, the Committee granted the NEOs stock options and RSUs, each pursuant to the 2007 Plan. The stock options and RSUs vest 25% per year on each of the first four anniversaries of the grant date.

The exercise price or value of stock options and RSUs, as applicable, was equal to the fair market value of our common stock at the time of the grant, as determined based on the closing stock price on the grant date.

The Committee may also approve additional equity-based awards in certain special circumstances, such as upon an officer's initial employment with the Company, the promotion of an officer to a new position or in recognition of special contributions made by an officer.

2013 Equity Awards

The following table sets forth equity awards made to the NEOs in 2013:

Name	Stock Options	Exercise Price	RSUs
Ben R. Leedle, Jr.	117,307	$12.85	39,501
Alfred Lumsdaine	33,811	$12.85	11,385
Peter Choueiri	37,008	$12.85	12,462
Michael Farris [(1)]	n/a	n/a	n/a
Glenn Hargreaves	13,568	$12.85	4,569
Mary Flipse	13,568	$12.85	4,569

(1) As previously noted, Mr. Farris currently is not eligible for LTI grants due to a separate three-year incentive award described on page 42.

· Vesting

The stock options and RSUs are subject to the terms of the 2007 Plan and the individual award agreements. The Committee believes that the equity grants reflect the Company's long-term strategy and market practices. Stock options vest 25% per year on each of the first four anniversaries of the grant date and expire ten years from the date of grant. RSUs vest 25% per year on each of the first four anniversaries of the grant date.

Generally, all equity awards granted to NEOs fully vest in the event of a change in control, death, or disability (each as defined in the 2007 Plan). In addition, as provided in our employment agreements with the NEOs, in the event the NEO's employment is terminated without cause or if the NEO resigns for good reason (as defined in his/her employment agreement), the equity awards would accelerate and fully vest. For a detailed discussion of potential severance and change of control benefits, see "Potential Payments Upon Termination or Change in Control of the Company," beginning on page 59.

· Performance-Based Cash Awards - Domestic

For all NEOs except Mr. Choueiri, performance-based cash awards for 2013 were cash-based grants with three forward-looking one-year performance periods. Each one-year period provides the NEO with the opportunity to earn up to one-third of the total amount granted, as illustrated below, provided that we achieve certain performance metrics approved annually by the Committee at the beginning of the year. If performance metrics are not achieved in a given one-year performance period, the portion of the award attributable to that performance period is forfeited and cannot be realized in a later performance period. If the Company exceeds its performance metrics, the NEOs could receive awards in excess of such amounts, up to two times their target. As part of the Company's retention strategy, awards earned do not vest and are not paid until the third anniversary of the grant date.

The table below illustrates that the 2013 performance period includes year three of the 2011 grant (for which the target was based on EPS), year two of the 2012 grant (for which the target was based on EPS), and year one of the 2013 grant (for which the target was based on revenue growth).

Domestic Performance-Based Cash Awards

	Portion of Grant to be Measured in Each Year				
Year of Grant	2011	2012	2013	2014	2015