

UNIVERSAL HEALTH SERVICES INC  
Form DEF 14A  
April 05, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**UNIVERSAL HEALTH SERVICES, INC.**

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(Name of Registrant as Specified in Its Charter)

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

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2. Aggregate number of securities to which transaction applies:

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

**UNIVERSAL HEALTH SERVICES, INC.**

April 5, 2012

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Universal Health Services, Inc. (the Company) to be held at the offices of the Company, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania, on Wednesday, May 16, 2012, at 10:00 a.m., for the following purposes:

(1) the election of three directors by the holders of Class A and Class C Common Stock; and

(2) the transaction of such other business as may properly come before the meeting or any adjournment thereof.

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

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

I look forward to seeing you at the meeting.

Sincerely,

Alan B. Miller

*Chairman and*

*Chief Executive Officer*

UNIVERSAL HEALTH SERVICES, INC.

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PENNSYLVANIA 19406

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 16, 2012**

Notice is hereby given that the Annual Meeting of Stockholders of Universal Health Services, Inc. (the Company ) will be held on Wednesday, May 16, 2012 at 10:00 a.m., at the offices of the Company, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania for the following purposes:

(1) the election of three directors by the holders of Class A and Class C Common Stock; and

(2) the transaction of such other business as may properly come before the meeting or any adjournment thereof.

You are entitled to vote at the Annual Meeting only if you were a Company stockholder of record at the close of business on March 21, 2012.

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

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

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on Wednesday, May 16, 2012:**

**The Proxy Statement and Annual Report to Stockholders are available at**

**<http://www.proxyvoting.com/uhs>.**

BY ORDER OF THE BOARD OF DIRECTORS

STEVE G. FILTON, *Secretary*

King of Prussia, Pennsylvania

April 5, 2012

**UNIVERSAL HEALTH SERVICES, INC.**

**UNIVERSAL CORPORATE CENTER**

**367 SOUTH GULPH ROAD**

**KING OF PRUSSIA, PA 19406**

**PROXY STATEMENT**

**QUESTIONS AND ANSWERS**

**1. Q: Why am I receiving these materials?**

A: This Proxy Statement and enclosed forms of Proxy (first mailed to the holders of Class A and Class C Common Stock, and to the holders of Class B and Class D Common Stock who requested to receive printed Proxy Materials, on or about April 5, 2012) are furnished in connection with the solicitation by our Board of Directors of Proxies for use at the Annual Meeting of Stockholders, or at any adjournment thereof. A Notice Regarding the Availability of Proxy Materials was first mailed to all of our other stockholders beginning on or about April 5, 2012. The Annual Meeting will be held on Wednesday, May 16, 2012 at 10:00 a.m., at our offices located at Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this Proxy Statement. It is important to note that holders of Class B and D Common Stock are not being asked to vote on any currently contemplated proposals at the Annual Meeting, but we are requesting that you submit your vote to grant discretionary authority with respect to such other matters as may properly come before the Annual Meeting.

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

A: The Annual Meeting is being held (1) to have the holders of Class A and C Common Stock elect three Class I directors, to serve for a term of three years until the annual election of directors in 2015 and the election and qualification of their successors and (2) to transact such other business as may properly be brought before the meeting or any adjournment thereof. We will also discuss our business and be available for your comments and discussion.

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

A: In accordance with notice and access rules adopted by the U.S. Securities and Exchange Commission, or SEC, we may furnish Proxy Materials, including this Proxy Statement and our Annual Report to Stockholders, to our stockholders by providing access to such documents on the internet instead of mailing printed copies. Most holders of Class B and Class D Common Stock will not receive printed copies of the Proxy Materials unless they request them. Instead, the Notice, which was mailed to most holders of Class B and Class D Common Stock, will instruct you as to how you may access and

review all of the Proxy Materials on the internet. Please visit <http://www.proxyvoting.com/uhs>. The Notice also instructs you as to how you may submit your Proxy on the internet. If you would like to receive a paper or e-mail copy of our Proxy Materials, you should follow the instructions for requesting such materials in the Notice.

**4. Q: Who may attend the Annual Meeting?**

A: Stockholders of record as of the close of business on March 21, 2012, or their duly appointed Proxies, may attend the meeting. Stockholders whose shares are held through a broker or other nominee will need to bring a copy of a brokerage statement reflecting their ownership of our Common Stock as of the record date.

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

A: Only stockholders of record as of the close of business on March 21, 2012 are entitled to vote at the Annual Meeting. On that date, 6,625,708 shares of Class A Common Stock, par value \$.01 per share, 664,000 shares of Class C Common Stock, par value \$.01 per share, 89,437,531 shares of Class B Common Stock, par value \$.01 per share, and 32,504 shares of Class D Common Stock, par value \$.01 per share, were outstanding. It is important to note that holders of Class B and D Common Stock are not being asked to vote on any currently contemplated proposals at the Annual Meeting, but we are requesting that you submit your vote to grant discretionary authority with respect to such other matters as may properly come before the Annual Meeting.

**6. Q: Who is soliciting my vote?**

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

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

A: The holders of Class A and C Common Stock will elect three Class I directors, to serve for a term of three years until the annual election of directors in 2015. Other than the election of Class I directors, we know of no other business to be presented for action. Holders of Class B and D Common Stock are not being asked to vote on any currently contemplated proposals at the Annual Meeting, but we are requesting that you submit your vote to grant discretionary authority with respect to such other matters as may properly come before the Annual Meeting.

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

A: The Board of Directors recommends that holders of Class A and Class C Common Stock vote shares **FOR** the election of each of the nominees to the Board of Directors.

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

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

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

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

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

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

**12. Q: If I am a holder of Class B or Class D Common Stock, should I return my Proxy?**

A: Yes. Even though holders of Class B and Class D Common Stock are not being asked to vote on any currently contemplated proposals at the Annual Meeting, as for any business that may properly come before the Annual Meeting, the signed Proxy gives authority to the persons named therein. Those persons may vote on such matters at their discretion and will use their best judgment with respect thereto. Other than the election of Class I directors, we know of no other business to be presented for action.

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

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



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

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

**15. Q: Can I change or revoke my vote?**

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

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

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

**17. Q: What constitutes a quorum ?**

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

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

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

Each holder of Class A Common Stock may cumulate his or her votes for directors giving one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of shares of Class A Common Stock, or he or she may distribute his or her votes on the same principle among as many candidates as he or she shall see fit. For a holder of Class A Common Stock to exercise his or her cumulative voting rights, the stockholder must give notice at the meeting of such intention to cumulate votes.

As of March 21, 2012, the shares of Class A and Class C Common Stock constituted 7.5% of the aggregate outstanding shares of our Common Stock, had the right to elect five members of the Board of Directors and constituted 87.3% of our general voting power; and as of that date the shares of Class B and Class D Common Stock (excluding shares issuable upon exercise of options) constituted 92.5% of the outstanding shares of our Common Stock, had the right to elect two members of the Board of Directors and constituted 12.7% of our general voting power.

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

A: As to matters other than the election of directors, our Restated Certificate of Incorporation provides that holders of Class A, Class B, Class C and Class D Common Stock all vote together as a single class, except as otherwise provided by law. Other than the election of directors, we know of no other business to be presented for action at the Annual Meeting.

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

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

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

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

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

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

**22. Q: What is a broker non-vote ?**

A: Broker non-votes are shares held by brokers or nominees which are present in person or represented by Proxy, but which are not voted on a particular matter because instructions have not been received from the beneficial owner. Under the rules of the Financial Industry Regulatory Authority, member brokers generally may not vote shares held by them in street name for customers unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, New York Stock Exchange-member brokers who hold shares of Common Stock in street name for their customers and have transmitted our Proxy solicitation materials to their customers, but do not receive voting instructions from such customers, are not permitted to vote on nonroutine matters. Under the New York Stock Exchange rules, the proposal relating to the election of directors is deemed to be a nonroutine matter with respect to which brokers and nominees may not exercise their voting discretion without receiving instructions from the beneficial owner of the shares.

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

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

**24. Q: Who will count the votes?**

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

**25. Q: When are stockholder proposals due in order to be included in our Proxy Statement for the 2012 Annual Meeting?**

A: Any proposal that you wish to present for consideration at the 2013 Annual Meeting must be received by us no later than December 10, 2012. This date provides sufficient time for inclusion of the proposal in the 2013 Proxy Materials.

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

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

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

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

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of March 21, 2012, the number of shares of our equity securities and the percentage of each class beneficially owned, within the meaning of Securities and Exchange Commission Rule 13d-3, and the percentage of our general voting power currently held, by (i) all stockholders known by us to own more than 5% of any class of our equity securities, (ii) all of our directors and nominees who are stockholders, (iii) the executive officers named in the Summary Compensation Table and (iv) all directors and executive officers as a group. Except as otherwise specified, the named beneficial owner has sole voting and investment power. No shares are currently pledged as security by any of our directors or executive officers.

| Name and Address of<br>Beneficial Owner <sup>(1)</sup> | Title of Class  |  |   |   | Percentage<br>of General<br>Voting<br>Power <sup>(3)</sup> |
|--|---|--|---|---|--|
|  | Class A<br>Common<br>Stock <sup>(2)</sup>                   | Class B<br>Common<br>Stock <sup>(2)</sup>              | Class C<br>Common<br>Stock <sup>(2)</sup> | Class D<br>Common<br>Stock <sup>(2)</sup> |  |
| Leatrice Ducat   |   | 16,500 <sup>(5)(14)</sup>                              |   |   | (5)  |
| National Disease Research Interchange                  |   |  |   |   |  |
| 1628 JFK Boulevard                                     |   |  |   |   |  |
| 8 <sup>th</sup> Floor                                  |   |  |   |   |  |
| Philadelphia, PA 19103                                 |   |  |   |   |  |
| John H. Herrell  |   | 31,337 <sup>(5)(14)</sup>                              |   |   | (5)  |
| 1021 10th Street, S.W.                                 |   |  |   |   |  |
| Rochester, MN 55902                                    |   |  |   |   |  |
| Robert H. Hotz   |   | 113,322 <sup>(5)(14)</sup>                             |   |   | (5)  |
| Houlihan Lokey   |   |  |   |   |  |
| Howard & Zukin   |   |  |   |   |  |
| 245 Park Avenue, 20th Floor                            |   |  |   |   |  |
| New York, NY 10167                                     |   |  |   |   |  |
| Alan B. Miller   | 5,654,206 <sup>(6)(17)</sup><br>(19)(20)(21)(23)<br>(61.8%) | 8,224,894 <sup>(4)(14)</sup><br>(16)(18)(26)<br>(5.7%) | 661,688<br>(99.7%)                        |   | 83.2%  |
| Marc D. Miller   | 2,220,394 <sup>(7)(19)(20)(21)</sup><br>(33.5%)             | 2,751,203 <sup>(4)(14)(15)</sup><br>(18)<br>(1.5%)     |   |   | 3.1%   |
| Anthony Pantaleoni                                     | 276,438 <sup>(17)(23)(24)</sup>                             | 321,011 <sup>(4)(5)</sup><br>(8)(14)(22)(25)           | 2,192 <sup>(5)</sup>                      | 1,120 <sup>(5)</sup>                      | (5)  |
| Fulbright & Jaworski L.L.P.                            |   |  |   |   |  |
| 666 Fifth Avenue                                       |   |  |   |   |  |
| New York, NY 10103                                     |   |  |   |   |  |
| Lawrence S. Gibbs                                      |   | 0  |   |   |  |

Ramius LLC

599 Lexington Avenue #20

New York, NY 10022

| Name and Address of<br>Beneficial Owner <sup>(1)</sup>        | Title of Class                            |   |   |   | Percentage<br>of General<br>Voting<br>Power <sup>(3)</sup> |
|---|---|---|---|---|--|
|   | Class A<br>Common<br>Stock <sup>(2)</sup> | Class B<br>Common<br>Stock <sup>(2)</sup> | Class C<br>Common<br>Stock <sup>(2)</sup> | Class D<br>Common<br>Stock <sup>(2)</sup> |  |
| Debra K. Osteen   |   | 161,332 <sup>(5)(14)</sup>                |   |   | (5)  |
| Steve G. Filton   |   | 347,061 <sup>(5)(14)</sup>                |   |   | (5)  |
| Richard C. Wright   | 30,000 <sup>(5)</sup>                     | 47,000 <sup>(4)(5)(14)</sup>              |   |   | (5)  |
| Wellington Management Company, LLP                            |   | 7,474,000 <sup>(9)</sup>                  |   |   |  |
| 280 Congress Street   |   | (8.4%)                                    |   |   |  |
| Boston, MA 02210  |   |   |   |   |  |
| BlackRock, Inc.   |   | 5,256,220 <sup>(10)</sup>                 |   |   |  |
| 40 East 52 <sup>nd</sup> Street                               |   | (5.9%)                                    |   |   |  |
| New York, NY 10022  |   |   |   |   |  |
| FMR LLC   |   | 9,252,749 <sup>(11)</sup>                 |   |   |  |
| 82 Devonshire Street  |   | (10.4%)                                   |   |   |  |
| Boston, MA 02109  |   |   |   |   |  |
| Viking Global Investors LP                                    |   | 4,530,906 <sup>(12)</sup>                 |   |   |  |
| 55 Railroad Avenue  |   | (5.1%)                                    |   |   |  |
| Greenwich, CT 06830   |   |   |   |   |  |
| T. Rowe Price Associates, Inc.                                |   | 5,059,845 <sup>(13)</sup>                 |   |   |  |
| 100 E. Pratt Street   |   | (5.7%)                                    |   |   |  |
| Baltimore, MD 21202   |   |   |   |   |  |
| All directors & executive officers as a<br>group (11 persons) | 6,622,408                                 | 10,455,030 <sup>(4)</sup>                 | 663,880                                   | 1,120                                     | 87.1%  |
|   | (99.9%)                                   | (11.7%)                                   | (99.9%)                                   | (3.5%)                                    |  |

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

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

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





- (4) Includes shares issuable upon the conversion of Classes A, C and/or D Common Stock.
- (5) Less than 1% of the class of stock or general voting power.
- (6) Includes 400,000 shares of Class A Common Stock which are beneficially owned by Mr. Miller and are held by Mr. Miller in trust for the benefit of his spouse.
- (7) Includes 31,500 shares of Class A Common Stock which are held by three trusts (the 2002 Trusts ) for the benefit of certain of Alan B. Miller's family members of which Marc D. Miller (who is a named executive officer, director and the son of Alan B. Miller) and Mr. Pantaleoni are trustees; and 888,894 shares held by the A. Miller Family, LLC, whose members are the 2002 Trusts. Marc D. Miller is the sole manager of the A. Miller Family, LLC and during his tenure as such, has voting and dispositive power with respect to the Class A Common Stock held by the A. Miller Family, LLC.
- (8) Includes 7,560 shares of Class B Common Stock which are beneficially owned by Mr. Pantaleoni and are held by Mr. Pantaleoni in trust for the benefit of certain members of his family.
- (9) These securities are held by Wellington Management Company, LLP, a registered investment adviser. Information is based on Amendment No. 7 to Schedule 13G dated February 14, 2012.
- (10) These securities are held by BlackRock, Inc. Information is based on Amendment No. 2 to Schedule 13G dated February 8, 2012.
- (11) These securities are held by FMR LLC. Information is based on Amendment No. 1 to Schedule 13G dated February 14, 2012.
- (12) These securities are held by Viking Global Investors LP. Information is based on Amendment No. 1 to Schedule 13G dated January 27, 2012.
- (13) These securities are held by T. Rowe Price Associates, Inc. Information is based on Schedule 13G dated February 10, 2012.
- (14) Includes 1,961,250 shares issuable pursuant to stock options to purchase Class B Common Stock held by our directors and executive officers and exercisable within 60 days of March 21, 2012 as follows: Leatrice Ducat (12,500); John H. Herrell (21,250); Robert H. Hotz (26,250); Alan B. Miller (1,475,000); Marc D. Miller (137,500); Anthony Pantaleoni (16,250); Debra K. Osteen (87,500); Steve G. Filton (175,000) and Richard C. Wright (10,000).
- (15) Includes 296,024 shares held by MMA Family LLC ( MMA ) whose members are the 2002 Trusts and Mr. Alan Miller's spouse. Marc D. Miller is the manager of MMA and has the sole dispositive power and has sole voting power with respect to these shares.
- (16) Includes 106,326 restricted shares awarded during 2009, 2010 and 2012, net of vestings, pursuant to our Second Amended and Restated 2001 Employees Restricted Stock Purchase Plan (2009 and 2010 awards) and our 2010 Employees Restricted Stock Purchase Plan (2012 award) for Alan B. Miller. These shares are subject to forfeiture and vesting pursuant to the terms and conditions set forth in the applicable restricted stock agreements.

- (17) Does not include (i) 31,500 shares of Class A Common Stock which are held by the 2002 Trusts of which Mr. Pantaleoni is a trustee, and; (ii) 888,894 shares of Class A Common Stock which are held by A. Miller Family, LLC whose members are the 2002 Trusts. Mr. Pantaleoni disclaims any beneficial interest in the shares.
- (18) Includes 68,094 shares held by the three 2010 Grantor Retained Annuity Trusts (A) for the benefit of Alan B. Miller's three children. Alan B. Miller has the sole dispositive power and Marc D. Miller has sole voting power with respect to these shares.
- (19) Includes 785,586 shares held by the three 2010 Grantor Retained Annuity Trusts (B) for the benefit of Alan B. Miller's three children. Alan B. Miller has the sole dispositive power and Marc D. Miller has sole voting power with respect to these shares.
- (20) Includes 300,000 shares held by the three 2011 Grantor Retained Annuity Trusts for the benefit of Alan B. Miller's three children. Alan B. Miller has the sole dispositive power and Marc D. Miller has sole voting power with respect to these shares.
- (21) Includes 214,414 shares held by the three 2012 Grantor Retained Annuity Trusts for the benefit of Alan B. Miller's three children. Alan B. Miller has the sole dispositive power and Marc D. Miller has sole voting power with respect to these shares.
- (22) Does not include the 296,024 shares held by MMA whose members include the 2002 Trusts. Mr. Pantaleoni disclaims any beneficial interest in these shares.
- (23) Includes 258,630 shares held by The Alan B. Miller 2002 Trust. Anthony Pantaleoni is the Trustee of the Trust and has sole voting power with respect to these shares. Mr. Pantaleoni disclaims any beneficial interest in the shares.
- (24) Includes 17,808 shares held by the AP-2 2010 GRAT. Mr. Pantaleoni has the sole dispositive and voting power with respect to these shares.
- (25) Includes 12,228 shares held by the AP-2 2010 GRAT. Mr. Pantaleoni has the sole dispositive and voting power with respect to these shares.
- (26) Includes 2,560 shares held by the wife of Alan B. Miller. Mr. Alan B. Miller disclaims beneficial ownership of these shares.

**Equity Compensation Plan Information**

The table below provides information, as of the end of December 31, 2011, concerning securities authorized for issuance under our equity compensation plans.

| <b>Plan Category (1.)</b>                              | <b>(a)<br/>Number of<br/>Securities to be<br/>Issued Upon<br/>Exercise of<br/>Outstanding<br/>Options, Warrants<br/>and Rights</b> | <b>(b)<br/>Weighted Average<br/>Exercise<br/>Price of<br/>Outstanding<br/>Options, Warrants<br/>and Rights</b> | <b>(c)<br/>Number of Securities<br/>Remaining<br/>Available<br/>for Future Issuance under<br/>Equity<br/>Compensation<br/>Plans (excluding<br/>securities reflected<br/>in<br/>column (a))</b> |
|--|--|--|--|
| Equity compensation plans approved by security holders | 7,558,945  | \$ 31.63   | 15,986,951   |
| Total  | 7,558,945  | \$ 31.63   | 15,986,951   |

(1) Shares of Class B Common Stock

**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

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

The persons listed below include our Board of Directors and nominees. The terms of the three current Class I directors, Ms. Leatrice Ducat, Mr. John H. Herrell and Mr. Marc D. Miller, expire at the 2012 Annual Meeting. Ms. Leatrice Ducat, Mr. John H. Herrell and Mr. Marc D. Miller have been nominated to be elected by the holders of Class A and Class C Common Stock. We have no reason to believe that any of the nominees will be unavailable for election; however, if either nominee becomes unavailable for any reason, the shares represented by the Proxy will be voted for the person, if any, who is designated by the Board of Directors to replace the nominee. All nominees have consented to be named and have indicated their intent to serve if elected. The following information is furnished with respect to each of the nominees for election as a director and each member of the Board of Directors whose term of office will continue after the meeting.

| Name                            | Class of          |                               | Age | Business Experience   | Director Since |
|---------------------------------|-------------------|-------------------------------|-----|---|----------------|
|                                 | Class of Director | Stockholders Entitled to Vote |     |   |                |
| <b><u>DIRECTOR NOMINEES</u></b> |                   |                               |     |   |                |
| Leatrice Ducat                  | I                 | A Common<br>C Common          | 79  | President and Founder, National Disease Research Interchange since 1980; President and Founder, Human Biological Data Interchange since 1988; Founder, Juvenile Diabetes Foundation, National and International Organization. | 1997           |
| John H. Herrell                 | I                 | A Common<br>C Common          | 71  | Former Chief Administrative Officer of Mayo Foundation from 1993 through 2002; Chief Financial Officer of Mayo Foundation from 1984 until 1993 and various other capacities since 1968.                                       | 1993           |

| Name                               | Class of Stockholders |                      | Age | Business Experience  | Director Since |
|------------------------------------|-----------------------|----------------------|-----|--|----------------|
|                                    | Class of Director     | Entitled to Vote     |     |  |                |
| Marc D. Miller                     | I                     | A Common<br>C Common | 41  | Appointed to President in May 2009. Previously served as Senior Vice President and Co-Head of our Acute Care Division during 2007 and served as our Vice President since January 2005. Vice-President of Acute Care Division since August 2004; Assistant Vice President of Universal Health Services, Inc. and Group Director, of Acute Care Division, Eastern Region since June 2003; CEO/Managing Director at Central Montgomery Medical Center from February 2002 to May 2003; Chief Operating Officer at Wellington Regional Medical Center from October 2000 to February 2002; Assistant Administrator at The George Washington University Hospital from August 1999 to October 2000. Trustee of Universal Health Realty Income Trust. Son of Alan B. Miller, our Chief Executive Officer and Chairman of the Board. | 2006           |
| <b>DIRECTORS WHOSE</b>             |                       |                      |     |  |                |
| <b><u>TERMS EXPIRE IN 2013</u></b> |                       |                      |     |  |                |
| Anthony Pantaleoni                 | II                    | A Common<br>C Common | 72  | Of Counsel to the law firm of Fulbright & Jaworski L.L.P., New York, New York. We utilized during the year ended December 31, 2011 and currently utilize the services of Fulbright & Jaworski L.L.P. as outside counsel.   | 1982           |
| Robert H. Hotz                     | II                    | B Common<br>D Common | 67  | Senior Managing Director, Co-Head of Corporate Finance, Co-Chairman of Houlihan Lokey Howard & Zukin, Member of the Board of Directors and Operating Committee, Houlihan Lokey Howard & Zukin since June 2002; Chairman of the Board of Directors of Pep Boys Manny, Moe & Jack; former Senior Vice Chairman, Investment Banking for the Americas, UBS LLC, New York, NY.  | 1991           |

| Name  | Class of Director | Class of Stockholders |  | Age | Business Experience  | Director Since |
|---|-------------------|-----------------------|--|-----|--|----------------|
|   |                   | Entitled to Vote      |  |     |  |                |
| <b>DIRECTORS WHOSE TERMS EXPIRE IN 2014</b> |                   |                       |  |     |  |                |
| Alan B. Miller                              | III               | A Common              |  | 74  | Our Chairman of the Board and Chief Executive Officer since 1978 and previously served as President until May 2009. Prior thereto, President, Chairman of the Board and Chief Executive Officer of American Medicorp, Inc. Chairman of the Board of Trustees, Chief Executive Officer and President of Universal Health Realty Income Trust. Director of Penn Mutual Life Insurance Company. Father of Marc D. Miller, a Director and President. | 1978           |
|   |                   | C Common              |  |     |  |                |
| Lawrence S. Gibbs                           | III               | B Common              |  | 40  | Macro Portfolio Manager of Ramius LLC since March 2010. Prior thereto, Portfolio Manager of Millennium Partners LLC from February 2009 to March 2010. Portfolio Manager, Chief Investment Officer, of JP Morgan Chase Bank N.A. from 2006 to 2009.   | 2011           |
|   |                   | D Common              |  |     |  |                |

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

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

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Compensation Philosophy and Objectives*

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

Compensation should encourage increased stockholder value;

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

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

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

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

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

#### *Compensation Setting Process*

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

Unlike our other named executive officers, Mr. Alan Miller's base salary, minimum annual bonus and certain perquisites are determined under his employment agreement. Please also refer to the discussion of Mr. Alan Miller's employment agreement in the *Chief Executive Officer Employment Agreement* section of this Proxy Statement. In addition, the compensation setting process for Mr. Alan Miller varies from that of our other named executive officers because it is determined by the Compensation Committee without Mr. Alan Miller's input or participation. The Compensation Committee, in determining Mr. Alan Miller's compensation, takes into account his position as Chief Executive Officer, his role as a founder of our company in 1978, his years of dedicated service and his expertise in the hospital management industry. The Compensation Committee also considers Mr. Alan Miller's responsibilities in overseeing all of our Company's businesses, its operations, development and overall strategy and his role as the public face of our company, which shapes our corporate image and identity. These factors differentiate Mr. Alan Miller from the other named executive officers. In addition, the Compensation Committee reviewed data prepared in 2011 by Pay Governance LLC which provides compensation data for comparable positions in other companies within the healthcare industry as well as certain other similar-sized companies in other industries (based on revenues). Data were drawn from published surveys, publicly-filed proxies of healthcare companies and the Towers Watson executive compensation survey. Pay Governance LLC also provided performance metrics with respect to healthcare companies that compete with us. This data was considered in determining Mr. Alan Miller's 2011 compensation which included base salary, bonus target level, equity grants and the compensation related to the split dollar life insurance agreements as discussed in this Proxy Statement. In light of these factors, the Compensation Committee believes that Mr. Alan Miller's compensation is appropriate and adequately reflects our compensation objectives that are discussed in this Proxy Statement.

The targeted amount and mix of compensation levels, as well as the individual pay components for each of our named executive officers, are evaluated on an annual basis. When setting the current year's compensation, the prior year performance of the named executive is considered as is our operating performance relative to our competitors. For 2011 and 2012, for the named executive officers, including Mr. Alan Miller but excluding Mr. Wright, compensation data from proxy statements for healthcare companies, published survey data for similarly-sized general industry companies (on the basis of revenues) and data from the Towers Watson executive compensation survey was compiled by Pay Governance LLC to compare the compensation levels of our named executive officers against those of comparable positions in other comparable companies. This data is discussed in greater detail below in connection with the base salaries, annual cash incentives and equity grants for our named executive officers. This data was reviewed by the Compensation Committee in determining the 2011 and 2012 base salaries, cash incentive target levels and equity grants for each of our named executive officers, with the exception of Mr. Wright.

The Compensation Committee approved the base salary, cash incentive and long-term compensation awards to each of the named executive officers in 2012 and 2011 and believes that the forms and amounts of compensation for each year adequately reflect our compensation goals and policies.



***Tax Considerations***

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

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

The Compensation Committee will consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent reasonably practicable and to the extent consistent with its other compensation objectives. The portion of Mr. Alan Miller's 2011 base salary exceeding \$1 million will not be deductible by virtue of Section 162(m) of the Code.

***Elements of Compensation***

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

annual base salary;

annual cash incentive;

long-term incentive awards;

deferred compensation;

retirement benefits; and

other benefits, including perquisites.

***Annual Base Salary***

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

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

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

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

company financial performance, and;

salaries of similar positions in our competitor companies.

For our named executive officers, at the beginning of 2011, an analysis was conducted by Pay Governance LLC utilizing the fiscal year end 2010 proxy statements, as filed with the Securities and Exchange Commission by eight companies that we believe are our most direct competitors. The companies are as follows:

Community Health Systems Inc.

HCA Inc.

Health Management Associates, Inc

Iasis Healthcare

Kindred Healthcare, Inc.

LifePoint Hospitals, Inc.

Tenet Healthcare Corporation

Vanguard Health Systems, Inc.

This peer group was updated in 2011 due to the acquisition of Psychiatric Solutions by UHS. In addition, as a result of the sale of facilities by MedCath Corporation, the size of that company was reduced to the extent that it is no longer a reasonable market competitor for compensation comparison purposes. Survey data for similarly-sized general industry companies (on the basis of revenues) and data from the Towers Watson executive compensation survey were also analyzed and reviewed. We believe the companies indicated above are comparable peer companies based upon the median revenues of this peer group which were approximately \$5.0 billion as compared to our 2011 revenues of \$7.5 billion.

For 2011 for Mr. Alan Miller, his base salary exceeded the 75th percentile of the peer group, due to his long tenure in the position, his value as the Company's founder, his status within the healthcare industry and his performance. The median years of experience of other executives in this group was 6 years compared to Mr. Alan Miller's over 30 years.

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For 2011, for our other named executive officers (excluding Mr. Alan Miller), we targeted the median (fiftieth percentile) of base salary paid by the comparable companies (listed above) as our base market rate for the base salaries paid to each of named executive officer. We generally consider the competitive range for base

salary to be within 15% of the base salary market rate. However, actual base salaries are not determined solely by the base salary market rate. We also take into account an individual's expertise, tenure in the position, responsibilities and achievements. For 2011, the actual base salary rates for Messrs. Marc Miller, Filton, and Ms. Osteen were below the median base salary market rates for comparable positions. For Mr. Wright, a median base salary market rate analysis was not performed.

#### *Annual Cash Incentives*

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

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

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

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

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

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

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

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

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

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

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

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

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

From time to time, special cash incentives may be granted to our named executive officers in order to reward outstanding performance or achievement of a business milestone. Special cash incentive awards support our overall compensation objectives by helping us retain and motivate highly qualified professionals and by providing rewards for outstanding performance. Because special cash incentive awards are made in recognition of outstanding performance, they do not affect decisions that we make regarding other elements of compensation. There were no special cash incentive awards granted to our named executive officers in 2011.

*2012 and 2011 Annual Cash Incentive Formula and Performance Goals:* The Compensation Committee approved the specific formula for the determination of the target annual cash incentive compensation for our executive officers pursuant to the Executive Incentive Plan with respect to the years ending December 31, 2012 and 2011. Under the formula approved by the Compensation Committee, each of the executive officers, with the exception of Mr. Alan Miller, was assigned a percentage of such executive officer's annual base salary as a target cash incentive. The target cash incentive awards indicated below for Mr. Alan Miller are stipulated in his employment agreement.

For 2012 and 2011, pursuant to the Executive Incentive Plan and the formula approved by the Compensation Committee, each named executive officer is entitled to receive between 0% and 250% of that executive officer's target cash incentive based, either entirely or in part, on our achievement of a combination of:

(i) a specified range of target levels of earnings per share from continuing operations (as defined below), and; (ii) a specified range of target levels of return on capital (net income divided by quarterly average net capital) for the years ending December 31, 2012 and 2011.

For 2012 and 2011, pursuant to the Executive Incentive Plan and the formula approved by the Compensation Committee, the annual cash incentive for our named executive officers are: (i) with respect to Messrs. Alan Miller, Marc Miller and Steve Filton, based entirely on the achievement of certain corporate performance criteria; (ii) with respect to Ms. Osteen, based 25% on the achievement of certain corporate performance criteria and 75% on the achievement of divisional specified income targets, or; (iii) with respect to Mr. Wright, based 25% on the achievement of certain corporate performance criteria and 75%, if applicable, on the achievement of specified operating income targets of designated acquired facilities and/or profitability of third-party hospital construction contracts. Mr. Marvin Pember, who commenced employment with us in August, 2011 as a Senior Vice President and President of our Acute Care division, was not bonus eligible during 2011. However, for 2012, 25% of Mr. Pember's annual cash incentive is based on the achievement of certain corporate performance criteria and 75% is based on the achievement of divisional specified income targets. Please see *Compensation of Senior Vice President, President of our Acute Care Division* as included in this Proxy Statement for a summary of the elements of Mr. Pember's compensation.

The 2011 EPS Target, which represented a specified point within the publicly disclosed range of our projected consolidated earnings per diluted share estimate for the year, was \$3.75 per diluted share. The 2011 Return on Capital Target was 6.3%. On February 28, 2011, we publicly disclosed our original 2011 estimated range of consolidated earnings per diluted of \$3.50 to \$3.65. On March 15, 2011, we announced that we had completed an amendment to our credit agreement (dated November 15, 2010) which, among other things, provided for reductions in the interest rates payable in connection with borrowings under the credit agreement. As a result, on March 15, 2011, we increased our 2011 range of projected consolidated earnings per diluted share by \$.15 per diluted share, to \$3.65 to \$3.80. This revised earnings guidance range, which gave effect to the favorable impact of the reduction in our borrowings costs resulting from the amendment to our credit agreement, became the basis for the 2011 corporate performance criteria. Pursuant to the terms of the Executive Incentive Plan and the formula approved by our Compensation Committee, as revised for 2011, our named executive officers were eligible to receive the applicable portion of their annual cash incentive (which were based on the corporate performance criteria) at various increments ranging from 0% of their bonus target award (based upon the achievement of an EPS Target of \$3.41 or less and Return on Capital of 5.7% or less) up to 250% of their cash incentive target award (based upon the achievement of an EPS Target of \$4.09 or greater and Return on Capital of 6.9% or greater).

Although the cash incentive formula in fiscal year 2012 is unchanged from 2011's cash incentive formula, the 2012 EPS Target and the Return of Capital Target have been increased to reflect the increase in our 2012 projected consolidated earnings per diluted share, consistent with the range as publicly disclosed on February 27, 2012.

In determining the corporate and divisional performance criteria, various factors are considered, including the projected revenue and earnings growth over the prior year. Since the value received by stockholders is

measured, in large part, by an increase in stock price, which is in turn typically influenced by increases in revenues and earnings, our performance criteria are established at reasonably aggressive levels to encourage the attainment of our financial objectives which, if accomplished, may result in an increase to our stock price and increased value to stockholders. As mentioned above, the corporate performance criteria are established annually and the EPS Target component directly correlates to the annual earnings guidance which is typically publicly disclosed by us during the first quarter of each year. The divisional performance criteria are also established annually and represent each division's respective portion of the corporate performance criteria.

The following table shows each named executive officer's target cash incentive as a percentage of his or her base salary for 2012 and 2011:

| Name              | Title   | Target Award |      |
|-------------------|---|--------------|------|
|                   |   | 2012         | 2011 |
| Alan B. Miller    | Chief Executive Officer and Chairman of the Board               | 100%         | 100% |
| Marc D. Miller    | President   | 65%          | 65%  |
| Steve G. Filton   | Senior Vice President and Chief Financial Officer               | 50%          | 50%  |
| Debra K. Osteen   | Senior Vice President and President, Behavioral Health Division | 50%          | 50%  |
| Richard C. Wright | Vice President, Development                                     | 40%          | 40%  |
| Marvin G. Pember  | Senior Vice President and President, Acute Care Division        | 50%          | N/A  |

N/A Not applicable.

The actual cash incentives awarded for 2011 (which were based upon corporate performance criteria) were based upon the achievement of 194% of the cash incentive target, as determined by the Compensation Committee on March 21, 2012, based upon our 2011 actual operating results. During 2011, our adjusted net income attributable to UHS, upon which the EPS Target is based, was \$3.97 per diluted share. This adjusted net income attributable to UHS per diluted share was publicly disclosed and reconciled to our reported 2011 net income attributable to UHS of \$4.04 per diluted share, on the Schedule of Non-GAAP Supplemental Consolidated Income Information, included with the our earnings for the year ended December 31, 2011, as filed on Form 8-K on February 27, 2012. The Return on Capital was 6.6% for 2011. The Return on Capital is calculated by dividing our adjusted net income attributable to UHS for the year by the consolidated average net capital.

For 2011, Ms. Osteen's divisional income target was \$146.0 million. The divisional income target consists of the projected aggregate pre-tax income for our Behavioral Health Services segment, net of deductions for the allocation of corporate overhead expenses and a charge for the estimated cost of capital. The divisional income target generally excludes the impact of acquisitions or divestitures made during the year as well as other amounts

that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years. To the extent that the actual divisional results exceeded the target, Ms. Osteen is entitled to 75% of the following (as applied to her annual base salary) as the portion of her annual bonus that is based upon divisional income: (i) 25% if actual results meet divisional income target; (ii) 50% if actual results exceed divisional income target by 5%; (iii) 75% if actual results exceed divisional income target by 10%, and; (iv) 100% if actual results exceed divisional income target by 15%. The 2011 actual divisional income, as calculated, was \$177.4 million. Since the actual divisional income exceeded the target by more than 15% (the \$146.0 million target was exceeded by \$31.4 million, or 22%), Ms. Osteen was entitled to 100% of the portion of her bonus (75%) that was based upon the achievement of the divisional income target.

For Mr. Wright, 75% of his annual cash incentive is based on the achievement of specified operating income targets of designated acquired facilities (as measured during the year following acquisition) and/or profitability of third-party hospital construction contracts (as measured at the completion of the project/contract). However, for 2011, neither of these targets was applicable since we have not acquired any acute care facilities and/or completed any hospital construction contracts during 2011 or 2010. Therefore, Mr. Wright's actual cash incentive award for 2011 was based solely on the achievement of the corporate performance criteria, as outlined above.

The performance goals related to the Executive Incentive Plan, as outlined above, are generally based upon the achievement of our business plan financial objectives. Performance goals are established at reasonably aggressive levels to encourage and motivate executive performance and attainment of our financial objectives. At the time the Compensation Committee approved the Executive Incentive Plan for fiscal years 2011 and 2012, we believed that the performance goals were attainable, but not certain. Based upon the achievement of the corporate performance criteria, 194% during 2011, 85% during 2010 and 250% during 2009 of target awards were earned.

As part of our peer company compensation review for executive officers as discussed above in *Annual Base Salary*, we also targeted the median (fiftieth percentile) of target annual cash incentives paid by competitor companies as reported in published survey and proxy data. For 2011, target cash incentive levels were assessed as being approximately at the 25<sup>th</sup> percentile. Actual cash incentives appropriately vary from this targeted level based upon performance, consistent with our pay for performance philosophy, and are detailed in the Summary Compensation Table in this Proxy Statement. The Compensation Committee believes that the cash incentives paid to our named executive officers are appropriate to facilitate our ability to attract, retain, motivate and reward our named executive officers.

For a further description of the cash incentives and other elements of compensation granted to our named executive officer for 2011, 2010 and 2009, please refer to the Summary Compensation Table in this Proxy Statement.

#### *Long-Term Incentives*

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



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

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

For a description of the long-term incentive awards granted to our named executive officers for 2011, you should read the Summary Compensation Table and the Grants of Plan-Based Awards Table included in this Proxy Statement.

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

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

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

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

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

In January, 2011, we granted stock options to each of our named executive officers in addition to other eligible employees. In determining the number of options to award to our named executive officers, the Compensation Committee considered Mr. Alan Miller's recommendations (except as related to his own award) and took into account individual performance in light of a named executive officer's position, responsibilities and contribution to our financial performance as well as his or her potential contribution to our growth and productivity. In addition, the Compensation Committee also reviewed and considered the compensation data and competitive performance data prepared by Pay Governance LLC in 2011, including stock-based compensation, and reviewed historical company practices for awards of stock options. The Compensation Committee believes that these grants of stock options are consistent with the objectives of our executive compensation program by providing an incentive for the creation of stockholder value. For a description of the long-term incentive awards granted to our named executive officers for 2011, you should read the *Summary Compensation Table* and the *Grants of Plan-Based Awards Table* included in this Proxy Statement.

Additionally, in January of 2012, Mr. Alan Miller made recommendations to our Compensation Committee with respect to stock option awards to our named executive officers (except for himself) and other eligible employees. The number of stock options awarded to each of our named executive officers during 2012 was comparable to the awards granted to each individual in 2011. The number of stock options awarded to each of our named executive officers in January of 2012 was as follows: Alan B. Miller (590,000); Marc D. Miller (90,000); Steve G. Filton (70,000); Debra K. Osteen (70,000); and; Richard C. Wright (30,000). Also, as discussed in *Compensation of Senior Vice President, President of Acute Care Division*, as included in this Proxy Statement, a stock option award was also made to Mr. Marvin Pember (50,000) in January, 2012. In determining the number of options to award to our named executive officers, the Compensation Committee considered Mr. Alan Miller's recommendations and took into account individual performance in light of a named executive officer's position, responsibilities and contribution to our financial performance as well as his or her potential contribution to our growth and productivity. In addition, the Compensation Committee also reviewed and considered the compensation data and competitive performance data prepared by Pay Governance LLC in December, 2011, including stock-based compensation, and reviewed historical company practices for awards of stock options.

*Restricted Stock Awards.* The 2010 Employees Restricted Stock Purchase Plan (the Restricted Stock Plan ), which is administered by the Compensation Committee, provides for the sale of shares of our Class B Common Stock to eligible personnel for a purchase price equal to par value. Shares of our Class B Common Stock may be sold under the Restricted Stock Plan to any of our employees or consultants.

Vesting conditions on shares issued under the Restricted Stock Plan may consist of continuing employment for a specified period of time following the purchase date. Alternatively, or in addition, vesting may be tied to the satisfaction of specific performance objectives established by the Compensation Committee based upon any one or more of the business criteria used in determining the bonuses for our named executive officers, as mentioned above. We have the right to repurchase the shares for the same purchase price (par value) if specified vesting conditions are not met.

Typically, a vesting condition based upon any of the above performance criteria will qualify for the exception to the Code's Section 162(m) deduction limitation if it is imposed in writing by the Compensation Committee within 90 days of the beginning of the applicable performance period, and it is sufficiently objective to enable a third party having knowledge of the relevant facts to determine whether the condition is met. The Compensation Committee is solely responsible for determining whether a performance-based vesting condition is satisfied at the end of the applicable performance period.

The Compensation Committee believes restricted stock awards, at times, can be effective in achieving our compensation objectives because employees realize immediate value as restricted stock awards vest, with the value increasing as our stock performance increases. Additionally, cash dividends are paid on all outstanding awards of restricted stock as an additional element of compensation and to provide employees incentives to sustain or increase our performance. We do not have any plan to select restricted stock award grant dates for our named executive officers in coordination with the release of material non-public information.

In January, 2012, the Compensation Committee approved the issuance of 54,127 restricted shares of our Class B Common Stock to Mr. Alan Miller (market value of \$2.0 million on the date of grant). As part of its process, the Committee reviewed data prepared by Pay Governance, LLC, which provided compensation data for a comparable position in other companies within the healthcare industry as well as certain other similar-sized companies in other industries. Pay Governance LLC also provided data on restricted stock as utilized by companies within the healthcare industry. These restricted shares, which were granted pursuant to the terms of the Restricted Stock Plan, are scheduled to vest as follows: 50% on the first anniversary date of the award; 25% on the second anniversary date of the award, and; 25% on the third anniversary date of the award. Certain compensation under these awards does not qualify for the performance-based compensation exemption from the \$1 million deduction limitation for executive compensation imposed by Section 162(m) of the Code.

#### *Deferred Compensation*

Our Deferred Compensation Plan, which is subject to the applicable provisions of Internal Revenue Code Section 409A, provides that eligible employees may elect to defer a portion of their base salary and bonus award into deferred compensation accounts that accrue earnings based upon the selection of available investment

options. An eligible employee under the Deferred Compensation Plan is: (i) an employee whose base compensation for 2012 is expected to be \$115,000 or higher and has been approved by our Chief Executive Officer, or; (ii) any other employee who has been approved by our Chief Executive Officer. The base compensation threshold is adjusted annually for cost-of-living increases. Pursuant to the terms of the Deferred Compensation Plan, the minimum annual amount that can be deferred is \$2,000. No more than 25% of an employee's base salary or 50% of an employee's annual bonus may be deferred under the Deferred Compensation Plan in any calendar year. Employees may allocate a portion of their deferred compensation to be distributed in a lump sum or installments to begin at retirement or a scheduled distribution date. The available investment options consist of certain mutual funds, which include: (i) conservative (e.g. money markets or bonds); (ii) moderately conservative (e.g. balanced funds), and; (iii) aggressive (e.g. domestic and international equity). Our obligation to make payments of amounts credited to participants' deferred compensation accounts is a general unsecured obligation. In addition, under the Deferred Compensation Plan, we may make discretionary contributions on behalf of an eligible employee. Since inception of the Deferred Compensation Plan, we have not made any discretionary contributions on behalf of employees. Two of our named executive officers deferred a portion of their base salary and/or bonus paid during 2011 to the Deferred Compensation Plan. The Compensation Committee believes that, by offering an alternative savings alternative for our named executive officers, the Deferred Compensation Plan supports our objectives to attract, retain and motivate talented personnel.

For a further description of the Deferred Compensation Plan, please refer to *the Nonqualified Deferred Compensation Table* and the narrative discussion included in this Proxy Statement.

#### *Retirement Benefits*

Our retirement benefits consist of our Executive Retirement Income Plan and a 401(k) plan. These plans are designed in combination to provide an appropriate level of replacement income upon retirement. The Compensation Committee believes that these retirement benefits provide a balanced and competitive retirement program and support our objectives to attract, retain and motivate talented personnel.

*Executive Retirement Income Plan.* In October 1993, the Board of Directors adopted the Executive Retirement Income Plan pursuant to which certain management or other highly compensated employees designated by the Board of Directors who have completed at least 10 years of active employment with us may receive retirement income benefits. The monthly benefit is payable to a participant who retires after he or she reaches age 62 (applicable to participants added to the plan before 2008) or age 65 (applicable to participants added to the plan after January 1, 2008). The benefit is equal to 3% of the employee's average monthly base salary over the three years preceding retirement multiplied by the number of qualified years (not to exceed 10) of the participant's employment with us.

Payment of the benefit will be made in 60 monthly installments following the participant's retirement date. If an employee ceases employment with us prior to the applicable retirement age, or an employee has not completed at least 10 years of active employment with us, no retirement income will be payable to the employee unless the Board of Directors determines otherwise. For a further description of the Executive Retirement Income Plan, please refer to the Pension Benefits Table included in this Proxy Statement.

*401(k) Plan.* We maintain a 401(k) plan for all employees, including our named executive officers, as an additional source of retirement income. Pursuant to the 401(k) plan, in 2011, we made matching contributions (subject to highly compensated employee limits set by the Internal Revenue Code) to the 401(k) plan of approximately \$24.2 million. Most of the named executive officers participated in the 401(k) plan in 2011. Accordingly, we made matching contributions equal to \$7,350 to the 401(k) plan for each of the participating named executives.

*Benefits*

Our named executive officers are eligible to participate in the benefit plans generally available to all of our employees, which include health, dental, life insurance, vision, life and disability plans, all of which the Compensation Committee believes are commensurate with plans of other similarly situated public companies in the hospital management industry.

*Company Aircraft.* We purchased a partial ownership interest in a fixed wing aircraft which has been utilized for business purposes by members of our management team, including our named executive officers, and for personal use by Mr. Alan Miller, as stipulated in his employment agreement. When the aircraft is utilized for personal purposes by Mr. Alan Miller and/or his family members, the incremental costs incurred, including the regular hourly charges, variable fuel charges and associated fees and taxes, are directly reimbursed to us by Mr. Alan Miller and therefore no imputed amounts are included in the *Summary Compensation Table*.

*Automobile.* Mr. Alan Miller utilizes his automobile for both business and personal purposes. As reimbursement for his business-related usage, we paid 70% of the original purchase price of the vehicle and Mr. Alan Miller paid the remainder. We also pay for other expenses related to the vehicle including maintenance and fuel costs, \$1,166 in 2011 of which (the amount deemed to be related to his personal use) is included in the *Summary Compensation Table* in All other compensation .

*Reimbursement of Relocation Expenses.* In the normal course of business, in an effort to satisfy our staffing needs with high-quality personnel and/or support the career development of an employee by enabling them to assume a position of broader scope and complexity, we may need to place an executive in a position in a geographic location which differs from that in which the individual resides. The relocation benefits for our executives are patterned on standard industry practices and are competitive in design. The provisions for relocation benefits are the same for several of the top layers of management and consistently administered. Included in the relocation benefits are reimbursements or direct payment to vendors for expenses that include items like a short duration house hunting trip, movement of household goods and personal items, short duration of interim living expenses and certain closing costs for the sale and purchase of a house. Relocation reimbursement that is taxable to the individual is typically grossed-up to cover the resulting incremental income tax expense. During 2011, we paid certain relocation expenses, including income tax gross-up, for Mr. Pember as disclosed on the *Summary Compensation Table* contained in this proxy statement.

*Other Perquisites.* From time to time, we make tickets to cultural and sporting events available to our employees, including our named executive officers, for business purposes. If not utilized for business purposes, the tickets are made available to our employees, including our named executive officers, for personal use.

*Split-Dollar Life Insurance Agreements.* In October 1998, we entered into split dollar life insurance agreements, with a combined face value of \$16 million, in connection with second to die insurance policies issued on the lives of our chief executive officer, Alan B. Miller and his wife and owned by the Alan B. Miller 1998 Dual Life Insurance Trust (the 1998 Trust ). We entered into two additional split dollar life insurance agreements, with a combined face value of \$30 million, in connection with life insurance policies issued on the life of Alan B. Miller and owned by the Alan B. Miller 2002 Trust (the 2002 Trust ) in January 2002. Anthony Pantaleoni, a director of the Company, is Trustee of the 1998 Trusts and the 2002 Trusts.

In December , 2010, with assistance from its advisors, the Compensation Committee of the Board of Directors recommended, and the Board of Directors approved, the Company s entering into supplemental life insurance plans and agreements with the 1998 Trust and the 2002 Trust (collectively, the Trusts ) previously established by Mr. Miller and which previously owned the policies. The supplemental life agreements replaced the existing arrangements. The supplemental life agreements are intended to constitute a non-equity endorsement split-dollar arrangement as defined by Internal Revenue Code and Regulations. In order to effectuate the supplemental life agreements, the Trusts transferred the life insurance policies to the Company in exchange for cancellation of the previously existing split-dollar agreement obligation to repay the Company s premium advances. This transfer terminated the previously existing split-dollar arrangements. As a result of these transfers, the Company owns the policies and agreed to endorse a portion of the death benefit to the Trusts. The Company (and the Trusts) agreed to resume making premium payments on the policies, which had been suspended since 2002, with the consent of Mr. Miller, due to uncertainties regarding the legality of the fundings of the previously existing split-dollar arrangements pursuant to the Sarbanes-Oxley Act of 2002. Premium payments will be shared by the Company and the Trusts, with the Trusts portion determined under the principles established by applicable U.S. Treasury Department pronouncements, notices, rulings and regulations in effect for determining such costs for insurance (the same premium division contemplated in the original arrangement). Upon death of the insured(s), the Company will receive the greater of the cash value of the policy or the aggregate premiums paid by the Company and the Trusts. The Trusts will receive the remaining death benefit proceeds under the policies.

As a result of these Agreements, based on actuarial tables and other assumptions, during the life expectancies of the insureds, and including amounts paid through 2011, the Company would pay approximately \$25.3 million in premiums and the Trusts would pay approximately \$8.2 million in premiums. Based on the projected premiums mentioned above, and assuming the policies remain in effect until the death of the insureds, the Company will be entitled to receive death benefit proceeds of no less than \$33.5 million representing the \$25.3 million of aggregate premiums paid by the Company as well as the \$8.2 million of aggregate premiums paid by the Trusts.

Based on these projections, the total economic pre-tax cost to the Company (which includes the projected cost of capital net of the income resulting from the Trusts expected future receipt of the \$8.2 million of premiums paid by the Trusts) would be \$11.3 million over the life expectancies of the insureds. During 2011 and 2010, the Company paid approximately \$1.4 million and \$5.6 million, respectively, in premium payments. The Company expects to expend between \$1.0 million and \$1.4 million during each of the next eleven years and lesser amounts thereafter. All of the Company s premium payments (as well as the Trusts ) are expected to be

repaid to the Company utilizing the death benefit proceeds. The Company recorded a net pre-tax and after-tax expense of \$65,000 and \$9.2 million during 2011 and 2010, respectively, representing the present value of the Company's projected premium funding commitment over the terms of the policies.

The Compensation Committee has determined to offer the above-described fringe benefits and perquisites in order to attract and retain our named executive officers by offering compensation opportunities that are competitive with those offered by our peers. In determining the total compensation payable to our named executive officers, for a given fiscal year, the Compensation Committee considers such fringe benefits and perquisites. However, given the fact that such fringe benefits and perquisites, which are available to our named executive officers, represent a relatively insignificant portion of their total compensation, they do not materially influence the decisions made by the Compensation Committee with respect to other elements of the total compensation to which our named executive officers are entitled or awarded. For a further description of the fringe benefits and perquisites received by our named executive officers during 2011, please refer to the narrative discussion included in this Proxy Statement.

*Rewards/Compensation Risk Analysis:* As part of its oversight of the Company's executive compensation program, the Compensation Committee considers the impact of the Company's executive compensation program, and the incentives created by the compensation awards that it administers, on the Company's risk profile. In addition, the Company reviews all of its compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk taking, to determine whether they present a significant risk to the Company. The review found that there were no excessive risks encouraged by the Company's reward programs and the rewards programs do not produce payments that have a material impact on the financial performance of the organization. Approximately 250 employees (including the named executive officers) of our 46,500 full-time employees (comprising 0.5% of our full-time employees) have incentive plans that entitle those individuals to larger bonus awards if profitability increases. However, although the plans are based on profitability, the bonus awards for these employees are capped at specific award levels (typically at 125% of base salary). Therefore, should our profitability increase, even by significant amounts, we do not believe the additional aggregate bonus awards would have a material unfavorable impact on our future results of operations.

***Summary***

The foregoing discussion describes the compensation objectives and policies which were utilized with respect to our named executive officers during 2011 and 2012. In the future, as the Compensation Committee continues to review each element of the executive compensation program with respect to our named executive officers, the objectives of our executive compensation program, as well as the methods that the Compensation Committee utilizes to determine both the types and amounts of compensation to award to our named executive officers, may change.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management; and based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE

Robert H. Hotz

Leatrice Ducat

Lawrence S. Gibbs

**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee of the Board of Directors is composed of Robert H. Hotz, Leatrice Ducat and Lawrence S. Gibbs. All the members of the Compensation Committee are independent directors and no member has ever been one of our officers or employees, nor has had any relationship with us that requires disclosure.



## SUMMARY COMPENSATION TABLE

The following table sets forth certain compensation information for our Chief Executive Officer, our Chief Financial Officer and the other most highly compensated executive officers for services rendered to UHS and its subsidiaries during the past three fiscal years. We refer to these officers collectively as our named executive officers:

| Name and principal position  | Year | Salary (\$)  | Bonus (\$)  | Grant Date Fair Value Stock Awards (1.) (\$) | Grant Date Fair Value Option Awards (2.) (\$) | Non-Equity Incentive Plan Compensation (3.) (\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings (4.) (\$) | All other compensation (7.) (\$) | Total (\$)    |
|--|------|--------------|-------------|--|---|--|---|----------------------------------|---------------|
| Alan B. Miller, Chairman of the Board and Chief Executive Officer              | 2011 | \$ 1,400,054 | \$ 0        | \$ 0   | \$ 6,848,956                                  | \$ 2,716,105                                     | \$ 55,471   | \$ 1,479,695                     | \$ 12,500,281 |
|  | 2010 | 1,377,053    | 0           | 1,499,991                                    | 0   | 1,170,495  | 66,265  | \$ 5,737,161                     | \$ 9,850,965  |
|  | 2009 | 1,350,052    | 0           | 2,225,012                                    | 4,683,361                                     | 3,375,130  | 120,547   | 252,573                          | 12,006,675    |
| Marc D. Miller, President and Director   | 2011 | \$ 557,522   | \$ 0        | \$ 0   | \$ 1,044,756                                  | \$ 703,035                                       | \$ 105,418  | \$ 476                           | \$ 2,411,207  |
|  | 2010 | 481,768      | 66,000(6.)  | \$ 0   | \$ 0  | \$ 204,751                                       | \$ 81,322   | \$ 1,880                         | \$ 835,721    |
|  | 2009 | 430,017      | 0           | 0  | 714,411                                       | 537,520  | 25,175  | 2,080                            | 1,709,203     |
| Steve G. Filton, Senior Vice President, Chief Financial Officer and Secretary  | 2011 | \$ 471,018   | \$ 0        | \$ 0   | \$ 812,588                                    | \$ 456,887                                       | \$ 55,471   | \$ 8,242                         | \$ 1,804,206  |
|  | 2010 | 433,517      | 150,000(5.) | 0  | 0   | 184,245  | \$ 13,765   | \$ 10,042                        | \$ 791,569    |
|  | 2009 | 425,016      | 0           | 0  | 555,653                                       | 531,270  | (751)   | 11,042                           | 1,522,230     |
| Debra K. Osteen, President, Behavior Health Division and Senior Vice President | 2011 | \$ 525,020   | \$ 0        | \$ 0   | \$ 812,588                                    | \$ 521,082                                       | \$ 93,289   | \$ 8,265                         | \$ 1,960,244  |
|  | 2010 | 450,017      | 150,000(5.) | 0  | 0   | 385,327  | 35,472  | 9,589                            | 1,030,405     |
|  | 2009 | 425,016      | 0           | 0  | 555,653                                       | 451,580  | 18,162  | 10,209                           | 1,460,620     |
| Richard C. Wright, Vice President  | 2011 | \$ 316,737   | \$ 0        | \$ 0   | \$ 464,336                                    | \$ 61,447  | \$ 11,295   | \$ 18,354                        | \$ 872,169    |
|  | 2010 | 307,512      | 0           | 0  | 0   | 26,139   | \$ 11,318   | \$ 19,554                        | \$ 364,523    |
|  | 2009 | 300,012      | 0           | 0  | 317,516                                       | 267,000  | 31,636  | 19,714                           | 935,878       |

- (1.) Represents the grant date fair value of awards made during 2010 and 2009 under the Second Amended and Restated 2001 Employees Restricted Stock Purchase Plan (the "2001 Plan"). These awards are scheduled to vest ratably over a four year period. Dividends declared by the Company are paid with respect to outstanding shares of restricted stock.
- (2.) Represents grant date fair value for awards made pursuant to our Amended and Restated 2005 Stock Incentive Plan. For the assumptions used for the fair value valuations, please refer to Note 5 Common Stock, to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the years ended December 31, 2011, 2010 and 2009.
- (3.) Reflects the dollar value of annual bonuses earned during each of the last three years pursuant to the terms of our Executive Incentive Plan as approved by our Compensation Committee on March 21, 2012 (for 2011), March 25, 2011 (for 2010) and March 11, 2010 (for 2009). As a percentage of each individual's annual base salary, the bonus amounts earned were as follows: Alan B. Miller 194% in 2011, 85% in 2010 and 250% in 2009; Marc D. Miller 126% in 2011, 43% in 2010 and 125% in 2009; Steve G. Filton 97% in 2011, 43% in

2010 and 125% in 2009; Debra K. Osteen 99% in 2011, 86% in 2010 and 106% in 2009; Richard C. Wright 19% in 2011, 9% in 2010 and 89% in 2009.

- (4.) These amounts represent the aggregate change in the present value that accrued for each named executive in 2011, 2010 and 2009 under the UHS Executive Retirement Plan. The amounts in this column do not reflect compensation deferrals pursuant to our Nonqualified Deferred Compensation Plan since there are no contributions or benefits provide by us in connection with the plan.
- (5.) The \$150,000 special cash bonuses paid to each of Mr. Filton and Ms. Osteen in 2010 were one-time bonuses in recognition of their efforts in connection with the acquisition of Psychiatric Solutions, Inc. In determining the bonus amounts, the size of the acquisition and the required effort were taken into consideration.
- (6.) The \$66,000 special cash bonus paid to Mr. Marc Miller in 2010 was in recognition of the expanded responsibilities associated with serving as interim head of our acute care division since the termination of the employment of the previous head of the division in September, 2010.
- (7.) Components of All Other Compensation are as follows:

**ALL OTHER COMPENSATION TABLE**

| Name              | Year | Perquisites and Other Personal Benefits (\$ (1.)) | Tax Reimbursements (\$) | Insurance Premiums (\$ (2.)) | Company Contributions to Retirement and 401(k) Plans (\$) | Dividends Paid on Unvested Stock | Total (\$)   |
|-------------------|------|---|-------------------------|------------------------------|---|----------------------------------|--------------|
| Alan B. Miller    | 2011 | \$ 45,661   | \$ 0                    | \$ 1,402,867                 | \$ 7,350  | \$ 23,817                        | \$ 1,479,695 |
|                   | 2010 | 44,829  | 0                       | 5,644,022                    | 7,350   | 40,960                           | 5,737,161    |
|                   | 2009 | 41,564  | 0                       | 170,942                      | 7,350   | 32,717                           | 252,573      |
| Marc D. Miller    | 2011 | \$ 476  | \$ 0                    | \$ 0                         | \$ 0  | \$ 0                             | \$ 476       |
|                   | 2010 | \$ 380  | \$ 0                    | \$ 0                         | \$ 0  | \$ 1,500                         | \$ 1,880     |
|                   | 2009 | 380   | 0                       | 0                            | 0   | 1,700                            | 2,080        |
| Steve G. Filton   | 2011 | \$ 0  | \$ 0                    | \$ 892                       | \$ 7,350  | \$ 0                             | \$ 8,242     |
|                   | 2010 | 0   | 0                       | 892                          | 7,350   | 1,800                            | 10,042       |
|                   | 2009 | 760   | 0                       | 892                          | 7,350   | 2,040                            | 11,042       |
| Debra K. Osteen   | 2011 | \$ 476  | \$ 0                    | \$ 439                       | \$ 7,350  | \$ 0                             | \$ 8,265     |
|                   | 2010 | 0   | 0                       | 439                          | 7,350   | 1,800                            | 9,589        |
|                   | 2009 | 380   | 0                       | 439                          | 7,350   | 2,040                            | 10,209       |
| Richard C. Wright | 2011 | \$ 8,700  | \$ 0                    | \$ 2,304                     | \$ 7,350  | \$ 0                             | \$ 18,354    |
|                   | 2010 | 8,700   | 0                       | 2,304                        | 7,350   | 1,200                            | 19,554       |
|                   | 2009 | 8,700   | 0                       | 2,304                        | 7,350   | 1,360                            | 19,714       |

- (1.) Amounts consist of the following during 2011: (i) Mr. Alan B. Miller: \$25,000 for professional tax services, \$14,225 for payment of country club dues, \$2,793 for accounting services, \$2,001 for maintenance on personal residence, \$1,166 of fuel and maintenance charges incurred in connection with his automobile and \$476 for sporting events; (ii) amounts for Mr. Marc D. Miller and Ms. Debra K. Osteen consist of sporting event tickets paid for by us, and; (iii) Mr. Richard C. Wright: \$7,800 auto allowance and \$900 cell phone stipend.
- Amounts consist of the following during 2010: (i) Mr. Alan B. Miller: \$25,000 for professional tax services, \$13,471 for payment of country club dues, \$2,574 for accounting services, \$1,949 for maintenance on personal residence, \$1,455 of fuel and maintenance charges incurred in connection with his automobile and \$380 for sporting events; (ii) amount for Mr. Marc D. Miller consists of sporting event tickets paid for by us, and; (iii) Mr. Richard C. Wright: \$7,800 auto allowance and \$900 cell phone stipend.
- Amounts consist of the following during 2009: (i) Mr. Alan B. Miller: \$25,000 for professional tax services, \$9,375 for payment of country club dues, \$2,085 for accounting services, \$3,819 for maintenance on personal residence, \$905 of fuel and maintenance charges

incurred in connection with his automobile and \$380 for sporting events; (ii) amounts for Mr. Marc D. Miller and Ms. Debra K. Osteen consist of sporting event tickets paid for by us, and; (iii) Mr. Richard C. Wright: \$7,800 for an auto allowance and \$900 for cell phone stipend.

(2.) Amounts for Mr. Filton, Ms. Osteen and Mr. Wright consist of premiums paid by us in connection with long-term disability insurance coverage for all years presented. Amounts in 2011 and 2010 for Mr. Alan B. Miller consisted of \$1,396,108 and \$5,637,263, respectively, of premium payments made in connection with split-dollar-life insurance agreements, as discussed in *Split Dollar Life Insurance Agreement*, included herein, and \$6,759 of premiums paid by us in connection with long-term disability insurance coverage for each of 2011 and 2010. For 2009, amounts for Mr. Alan B. Miller consisted of \$163,226 of interest charges calculated in connection with cumulative advances funded in connection with split-dollar life insurance agreements, and \$7,716 of premiums paid by us during 2009 in connection with long-term disability insurance coverage.

**GRANTS OF PLAN-BASED AWARDS**

The following table provides information regarding plan-based awards granted during fiscal year 2011 to our named executive officers.

| Name              | Approval /Grant Date   | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1.) |                  |                   | Estimated Future Payouts Under Equity Incentive Plan Awards (3.) |             |              | All Other Stock Awards: Number of Shares of Stock or Underlying Options (4.) (#) | All Other Awards: Exercise or Base Price of Option Awards (\$ / Sh) (5.) | Grant Date Fair Value of Stock and Option Awards (\$) | Closing Price on Grant Date (\$ / Sh) |
|-------------------|------------------------|--|------------------|-------------------|--|-------------|--------------|--|--|---|---------------------------------------|
|                   |                        | Threshold (\$ (2.))  | Target (\$ (2.)) | Maximum (\$ (2.)) | Threshold (\$)   | Target (\$) | Maximum (\$) |  |  |   |                                       |
| Alan B. Miller    | 3/25/2011<br>1/19/2011 | \$ 126,005   | \$ 1,400,054     | \$ 3,500,135      |  |             |              | 590,000  | \$ 43.67   | \$ 6,848,956  | \$ 43.67                              |
| Marc D. Miller    | 3/25/2011<br>1/19/2011 | \$ 32,615  | \$ 362,389       | \$ 905,973        |  |             |              | 90,000   | \$ 43.67   | \$ 1,044,756  | \$ 43.67                              |
| Steve G. Filton   | 3/25/2011<br>1/19/2011 | \$ 21,196  | \$ 235,509       | \$ 588,773        |  |             |              | 70,000   | \$ 43.67   | \$ 812,588  | \$ 43.67                              |
| Debra K. Osteen   | 3/25/2011<br>1/19/2011 | \$ 5,906   | \$ 164,069       | \$ 557,834        |  |             |              | 70,000   | \$ 43.67   | \$ 812,588  | \$ 43.67                              |
| Richard C. Wright | 3/25/2011<br>1/19/2011 | \$ 2,851   | \$ 126,695       | \$ 316,737        |  |             |              | 40,000   | \$ 43.67   | \$ 464,336  | \$ 43.67                              |

(1.) Pursuant to the Executive Incentive Plan and the formula approved by the Compensation Committee, each named executive officer is entitled to receive between 0% and 250% of that executive officer's target bonus based, either entirely or in part, on our achievement of a combination of certain performance criteria. See the discussion in the Compensation Discussion and Analysis relating to our Executive Incentive Plan.

(2.) Estimates calculated based upon 2011 salaries.

(3.) There were no restricted shares of common stock issued to our chief executive officer, chief financial officer or any of our next three most highly compensated executive officers during 2011.

(4.) Stock option awards issued on January 19, 2011 were issued under our Amended and Restated 2005 Stock Incentive Plan.

(5.) Represents the full grant date fair value for the stock awards and option awards, calculated in accordance with ASC 718 as described in the Form 10-K for the year ended December 31, 2011.



### **Chief Executive Officer Employment Agreement**

As discussed in the *Compensation Discussion and Analysis*, unlike our other named executive officers, Mr. Alan Miller's compensation is determined in large part by the terms of his employment agreement. Mr. Miller's base salary, minimum annual bonus and certain perquisites are determined under his employment agreement. On December 27, 2007, we entered into an employment agreement with Alan B. Miller which provides that Mr. Miller will continue to serve as Chief Executive Officer and Chairman of our Board of Directors through December 31, 2012, followed by annual one-year renewal periods unless either party elects otherwise. The agreement also contemplates that Mr. Alan Miller will remain as Executive Chairman of our Board of Directors for three years after the expiration of his term as chief executive officer, followed by a term of up to two years as non-executive chairman (in any case ending December 31, 2017).

Mr. Alan Miller participates in benefit plans and programs that are made available to other employees and he receives certain executive perquisites, including, but not limited to, split dollar life insurance benefits, payment of certain automobile costs, payment of country club dues, tax and accounting services, use of a private plane for personal purposes for up to 60 hours per year, subject to reimbursement by Mr. Alan Miller at market rates, and such other fringe benefits as the Compensation Committee of our Board of Directors may determine (as discussed in the Compensation Discussion and Analysis above).

Mr. Alan Miller's salary as our Chief Executive Officer will be \$1,428,000 for 2012 which is a 2.0% increase over his 2011 salary. Mr. Miller is also entitled to an annual bonus opportunity target equal to 100% of his salary. The amount of the annual bonus for any year may be more or less than the target amount and will be determined by the Board of Directors in accordance with pre-established performance measures.

In addition to the stock options and/or restricted stock granted to Mr. Alan Miller during the years discussed above in the *Compensation Discussion and Analysis-Restricted Stock Awards and Stock Options*, he was also eligible to receive awards under our long term incentive plan(s), including minimum awards of \$1.5 million of restricted stock for years 2009 and 2010.

For a further description of the employment agreement, please refer to the *Potential Payments Upon Termination or Change-in-Control* section below. For a further description of the compensation setting process with respect to Mr. Miller, please refer to the *Compensation Discussion and Analysis* section above.

### **Chief Executive Officer Restricted Stock Grants in 2012, 2010, 2009 and 2008**

In January, 2012, drawing upon data provided by and discussed with Pay Governance, LLC in December, 2011 the Compensation Committee approved the issuance of 54,127 restricted shares of our Class B Common Stock to Mr. Alan Miller (market value of \$2.0 million on the date of grant) pursuant to the 2010 Employees' Restricted Stock Purchase Plan. These restricted shares have a vesting schedule of 50% on the first anniversary date of the award, and 25% on each of the second and third anniversary dates of the grant date. The forfeiture of these shares prior to the vesting dates are determined pursuant to the terms set forth in the Restricted Stock Purchase Agreement. In determining this stock-based incentive award, the Committee reviewed data prepared by Pay Governance, LLC which provided compensation data for comparable positions in other companies within the

healthcare industry as well as certain other similar-sized companies in other industries. The review included base salary, short-term cash incentive compensation and long-term, stock-based compensation. This data was considered in determining Mr. Miller's 2012 compensation which primarily includes base salary, cash incentive compensation (based upon the achievement of specific bonus formula) and stock-based compensation included stock options and restricted stock.

In January, 2010, the Compensation Committee approved the issuance of 49,472 restricted shares of our Class B Common Stock to Mr. Alan Miller (market value of \$1.5 million on the date of grant) pursuant to the Second Amended and Restated 2001 Restricted Stock Plan and Mr. Alan Miller's employment agreement. Pursuant to Mr. Alan Miller's employment agreement, these restricted shares are scheduled to vest ratably on the first, second, third and fourth anniversaries of the grant date. Pursuant to the terms of the grant, 25%, or 12,368 shares of restricted stock vested on each of January 20, 2011 and 2012. The remaining restricted shares will fully vest: (i) upon the termination of Mr. Alan Miller's employment due to disability, death, by the Company without cause, or due to a breach of the employment agreement by the Company, or; (ii) if Mr. Alan Miller's term as Chief Executive Officer ends due to nonrenewal of the initial or a renewal term.

In February 2009, based upon a Towers Watson & Co.'s compensation review, the Compensation Committee approved the issuance of 109,850 restricted shares of our Class B Common Stock to Mr. Alan Miller (market value of \$2.23 million on the date of grant). These restricted shares are scheduled to vest ratably on the first, second, third and fourth anniversaries of the grant date. Pursuant to the terms of the grant, 25%, or 27,463 shares of restricted stock vested on each of February 18, 2010 and 2011 and 25% of the grant, or 27,462 shares of restricted stock vested on February 18, 2012. The remaining restricted shares will fully vest: (i) upon the termination of Mr. Miller's employment due to disability, death, by the Company without cause, or due to a breach of the employment agreement by the Company, or; (ii) if Mr. Miller's term as Chief Executive Officer ends due to nonrenewal of the initial or a renewal term.

In January 2008, the Compensation Committee approved the issuance of 62,190 restricted shares of our Class B Common Stock to Mr. Alan Miller (market value of \$1.5 million on the date of grant) pursuant to the Restricted Stock Plan and Mr. Alan Miller's employment agreement. Pursuant to Mr. Alan Miller's employment agreement, these restricted shares are scheduled to vest ratably on the first, second, third and fourth anniversaries of the grant date. Pursuant to the terms of the grant, 25%, or 15,546 shares of restricted stock vested on January 16, 2012 and 15,548 shares of restricted stock vested on each of January 16, 2011, 2010 and 2009.

The restricted stock awarded to Mr. Miller did not impact decisions regarding other elements of Mr. Miller's compensation package.

#### **Compensation of Senior Vice President, President of Acute Care Division**

Marvin G. Pember commenced employment with us in August, 2011 as Senior Vice President of the Company and President of our Acute Care division. Mr. Pember's annual base salary is \$575,000. For 2012, his target bonus award is 50% of his base salary (he was not bonus eligible in 2011). Mr. Pember also received a \$100,000 sign-on bonus upon commencement of employment. Pursuant to the Executive Incentive Plan and the

formula approved by the Compensation Committee, the 2012 annual bonus for Mr. Pember is based: (i) 25% on the achievement of certain corporate performance criteria (as discussed in this Proxy Statement), and; (ii) 75% on the achievement of divisional specified income targets.

In connection with the commencement of Mr. Pember's employment, on August 11, 2011, the Compensation Committee awarded him options to purchase 30,000 shares of our Class B Common Stock at an exercise price of \$38.12 per share. In January, 2012, in connection with stock options awards made by the Compensation Committee to our named executive officers and other eligible employees, Mr. Pember was awarded options to purchase 50,000 shares of our Class B Common Stock at an exercise price of \$36.95 per share. Each of the above-mentioned stock options are scheduled to vest ratably on the first, second, third and fourth anniversaries of the date of grant and expire on the fifth anniversary of the date of the grant.

In addition, Mr. Pember is entitled to \$2 million of supplemental compensation, \$1 million of which is payable contingent upon his continued employment until the first anniversary date of his employment (August, 2012) and \$1 million of which is payable contingent upon his continued employment until the second anniversary date of his employment (August, 2013). If earned, the supplemental compensation is intended to compensate Mr. Pember for a deferred compensation arrangement with his previous employer which he forfeited upon resignation. The supplemental compensation, if applicable, is payable, at our election, in the form of: (i) cash; (ii) shares of our Class B Common Stock, or: (iii) a combination of both. If we elect to make payment of the supplemental compensation in shares of Class B Common Stock, the value of such shares will be based upon the average closing market price of such shares for the 10 trading days preceding the due date of such payment.

Mr. Pember was also entitled to certain relocation-related reimbursements including expenses incurred for house hunting trips, moving expenses and interim living expenses. Mr. Pember's arrangement also includes a provision that requires us to purchase his former personal residence since it has remained unsold for longer than 180 days after commencement of his employment. Should the fair market value of the property paid by us, or a third-party buyer, be less than Mr. Pember's original cost, we may compensate Mr. Pember for some or all of the difference.

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2011

The following table provides information about the number of outstanding equity awards held by our named executive officers at December 31, 2011.

| Name              | Option Awards (1.)                                      |   |  |                            |                        | Stock Awards (2.)   |   |   |  |
|-------------------|---|---|--|----------------------------|------------------------|---|---|---|--|
|                   | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$ (3.)) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) |
| Alan B. Miller    | 590,000   | 0   | 0  | \$ 24.445                  | 11/20/2012             | 107,577   | \$ 4,180,442  | 0   | 0  |
|                   | 442,500   | 147,500   | 0  | \$ 16.22                   | 11/20/2013             | 0   | 0   | 0   | 0  |
|                   | 295,000   | 295,000   | 0  | \$ 31.18                   | 12/15/2014             | 0   | 0   | 0   | 0  |
|                   | 0   | 590,000   | 0  | \$ 43.67                   | 01/18/2016             | 0   | 0   | 0   | 0  |
| Marc D. Miller    | 10,000  | 0   | 0  | \$ 25.595                  | 8/1/2012               | 0   | 0   | 0   | 0  |
|                   | 25,000  | 0   | 0  | \$ 24.445                  | 11/20/2012             | 0   | 0   | 0   | 0  |
|                   | 35,000  | 17,500  | 0  | \$ 16.22                   | 11/20/2013             | 0   | 0   | 0   | 0  |
|                   | 45,000  | 45,000  | 0  | \$ 31.18                   | 12/15/2014             | 0   | 0   | 0   | 0  |
|                   | 0   | 90,000  | 0  | \$ 43.67                   | 01/18/2016             | 0   | 0   | 0   | 0  |
| Steve G. Filton   | 70,000  | 0   | 0  | \$ 24.445                  | 11/20/2012             | 0   | 0   | 0   | 0  |
|                   | 52,500  | 17,500  | 0  | \$ 16.22                   | 11/20/2013             | 0   | 0   | 0   | 0  |
|                   | 35,000  | 35,000  | 0  | \$ 31.18                   | 12/15/2014             | 0   | 0   | 0   | 0  |
|                   | 0   | 70,000  | 0  | \$ 43.67                   | 01/18/2016             | 0   | 0   | 0   | 0  |
| Debra K. Osteen   | 17,500  | 0   | 0  | \$ 24.445                  | 11/20/2012             | 0   | 0   | 0   | 0  |
|                   | 17,500  | 17,500  | 0  | \$ 16.22                   | 11/20/2013             | 0   | 0   | 0   | 0  |
|                   | 35,000  | 35,000  | 0  | \$ 31.18                   | 12/15/2014             | 0   | 0   | 0   | 0  |
|                   | 0   | 70,000  | 0  | \$ 43.67                   | 01/18/2016             | 0   | 0   | 0   | 0  |
| Richard C. Wright | 0   | 10,000  | 0  | \$ 16.22                   | 11/20/2013             | 0   | 0   | 0   | 0  |
|                   | 10,000  | 20,000  | 0  | \$ 31.18                   | 12/15/2014             | 0   | 0   | 0   | 0  |
|                   | 0   | 40,000  | 0  | \$ 43.67                   | 01/18/2016             | 0   | 0   | 0   | 0  |

1. *Stock option awards.* All of the stock options are scheduled to vest ratably on the first, second, third and fourth anniversary dates from the date of grant. The applicable grant dates for the options indicated above are set forth below:

On August 2, 2007, stock options were granted with an exercise price of \$25.595.

On November 21, 2007, stock options were granted with an exercise price of \$24.445.

On November 21, 2008, stock options were granted with an exercise price of \$16.22.



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On December 16, 2009, stock options were granted with an exercise price of \$31.18.

On January 19, 2011, stock options were granted with an exercise price of \$43.67.

2. *Restricted Stock Awards.* The outstanding restricted stock awards vest as follows:

Alan B. Miller: 15,548 shares on January 16, 2012; 27,462 shares on February 18, 2012; 27,463 shares on February 18, 2013; 12,368 shares on January 20, 2012; 12,368 shares on January 20, 2013, and; 12,368 shares on January 20, 2014.

3. Based on the closing sale price of the Class B Common Stock on the New York Stock Exchange on December 31, 2011 of \$38.86 per share.

**OPTION EXERCISES AND STOCK VESTED**

The following table provides information about stock option exercises by, and the vesting of stock for, our named executive officers during fiscal year 2011.

| Name              | Option Awards                                   |                                       | Stock Awards  |                                      |
|-------------------|---|---------------------------------------|---|--------------------------------------|
|                   | Number of Shares<br>Acquired on Exercise<br>(#) | Value Realized<br>on Exercise<br>(\$) | Number of Shares<br>Acquired on Vesting<br>(#) (1.) | Value Realized<br>on Vesting<br>(\$) |
| Alan B. Miller    | 400,000   | \$ 4,079,000                          | 15,546  | \$ 714,650                           |
|                   |   |                                       | 27,462  | \$ 1,178,669                         |
|                   |   |                                       | 12,368  | \$ 537,761                           |
|                   |   |                                       | 15,341  | \$ 595,077                           |
| Marc D. Miller    | 10,000  | \$ 187,700                            |   |                                      |
| Steve G. Filton   | 70,000  | \$ 791,700                            |   |                                      |
| Debra K. Osteen   | 0   | \$ 0                                  |   |                                      |
| Richard C. Wright | 20,000  | \$ 393,600                            |   |                                      |
|                   | 10,000  | \$ 240,000                            |   |                                      |
|                   | 10,000  | \$ 168,500                            |   |                                      |
| Marvin Pember     | 0   | \$ 0                                  |   |                                      |

(1.) Restricted stock vested as follows:

On January 16, 2011, 15,546 shares of restricted stock vested for Mr. Alan B Miller.

On January 20, 2011, 12,368 shares of restricted stock vested for Mr. Alan B Miller.

On February 18, 2011, 27,462 shares of restricted stock vested for Mr. Alan B Miller.

On November 21, 2011, 15,341 shares of restricted stock vested for Mr. Alan B Miller.

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**PENSION BENEFITS**

The following table provides information about pension benefits pursuant to our Executive Retirement Plan for our named executive officers.

| Name              | Number of Years<br>Credited<br>Service<br>(#) | Present Value of<br>Accumulated Benefit<br>(\$ (L.)) | Payments During<br>Last Fiscal<br>Year<br>(\$) |
|-------------------|---|--|--|
| Alan B. Miller    | 33  | \$ 1,837,314   | 0  |
| Marc D. Miller    | 17  | \$ 405,906   | 0  |
| Steve G. Filton   | 26  | \$ 563,694   | 0  |
| Debra K. Osteen   | 27  | \$ 642,132   | 0  |
| Richard C. Wright | 33  | \$ 409,912   | 0  |

(1.) 4% discount rate applied.

In October 1993, the Board of Directors adopted the Executive Retirement Income Plan pursuant to which certain management or other highly compensated employees designated by the Board of Directors who have completed at least 10 years of active employment with us may receive retirement income benefits. The monthly benefit is payable to a participant who retires after he or she reaches age 62 (applicable to participants added to the plan before 2008) or age 65 (applicable to participants added to the plan after January 1, 2008). The benefit is equal to 3% of the employee's average monthly base salary over the three years preceding retirement multiplied by the number of qualified years (not to exceed 10) of the participant's employment with us.

Payment of the benefit will be made in 60 monthly installments following the participant's retirement date. Under certain circumstances, the participant may be entitled to elect to receive the present value of the payments in one lump sum or receive payments over a period of 10 years. If an employee ceases employment with us prior to the applicable retirement age, or an employee has not completed at least 10 years of active employment with us, no retirement income will be payable to the employee unless the Board of Directors determines otherwise.

For Mr. Alan Miller the aggregate benefit payable (for the 60 months in which the participant receives benefits) assuming retirement as of December 31, 2011 amounted to approximately \$2.1 million. As of December 31, 2011, the projected aggregate benefit payable for each of Steve G. Filton, Debra K. Osteen, Marc D. Miller and Richard C. Wright were approximately \$850,000 \$900,000, \$1.0 million and \$450,000, respectively, based upon the following assumptions: (i) each participant will retire at the age of 62, and; (ii) annual salary increases of 3% are provided until the age of 62 is attained.

**NONQUALIFIED DEFERRED COMPENSATION**

The following table provides information about our Deferred Compensation Plan for our named executive officers.

| Name              | Executive Contributions<br>in Last Fiscal<br>Year (\$)<br>(1.) | Registrant<br>Contributions in Last<br>Fiscal Year<br>(\$ (2.) | Aggregate Earnings<br>in Last Fiscal<br>Year<br>(\$ (2.) | Aggregate<br>Withdrawals /<br>Distributions<br>(\$) | Aggregate Balance at<br>Last Fiscal Year-<br>End<br>(\$) |
|-------------------|--|--|--|---|--|
| Alan B. Miller    | \$ 25,000  | \$ 0   | \$ (10,906)  | \$ 0  | \$ 995,433   |
| Marc D. Miller    | \$ 0   | \$ 0   | \$ 256   | \$ 0  | \$ 26,620  |
| Steve G. Filton   | \$ 0   | \$ 0   | \$ 0   | \$ 0  | \$ 0   |
| Debra K. Osteen   | \$ 0   | \$ 0   | \$ 0   | \$ 0  | \$ 0   |
| Richard C. Wright | \$ 56,535  | \$ 0   | \$ (4,431)   | \$ 0  | \$ 197,317   |

(1.) Amounts included in salary in the Summary Compensation Table.

(2.) Amounts shown are not reported as compensation in the Summary Compensation Table.

*Deferred Compensation*

Our Deferred Compensation Plan, which is subject to the applicable provisions of Internal Revenue Code Section 409A provides that eligible employees may elect to convert and defer a portion of their base salary and bonus award into investment options in lieu of receiving cash. An eligible employee under the Deferred Compensation Plan is: (i) an employee whose base compensation for 2012 is expected to be \$115,000 or higher and has been approved by our Chief Executive Officer, or; (ii) any other employee who has been approved by our Chief Executive Officer. The base compensation threshold is adjusted annually for cost-of-living increases.

Pursuant to the terms of the Deferred Compensation Plan, the minimum annual amount that can be deferred is \$2,000. No more than 25% of an employee's base salary or 50% of an employee's annual bonus may be deferred under the Deferred Compensation Plan in any calendar year. Employees may allocate a portion of their deferred compensation to be distributed in a lump sum or installments to begin at retirement or a scheduled distribution date. The available investment options consist of certain mutual funds which include: (i) conservative (e.g. money markets or bonds); (ii) moderately conservative (e.g. balanced funds), and; (iii) aggressive (e.g. domestic and international equity). Our obligation to make payments of amounts credited to participants' deferred compensation accounts is a general unsecured obligation. In addition, under the Deferred Compensation Plan, we may make discretionary contributions on behalf of an eligible employee. Since inception of the Deferred Compensation Plan, we have not made any discretionary contributions on behalf of employees.

Our obligations under the Deferred Compensation Plan in connection with an employee's retirement account are payable, beginning at retirement at age 55 and 10 years of service, in equal installments over a ten year period; except that an employee may make a distribution election to receive the balance of the participant's retirement account in either a single one lump sum or equal annual or less frequent installments over a period not to exceed ten years. An employee will receive a lump sum distribution as a result of termination of

employment for other than retirement, death or disability. An employee may change his distribution elections by making new distribution elections at least 12 months prior to the date on which such payment was otherwise scheduled to be made and must be delayed until a date that is at least five years after the date the distribution was previously scheduled to begin.

Our obligations under the Deferred Compensation Plan in connection with an employee's scheduled distribution are payable in a lump sum or installments of two to ten years, commencing on the date indicated by the employee. If the employee's employment is terminated prior to the distribution of obligations in accordance with a scheduled distribution then the amounts credited to such accounts will be transferred to the employee's retirement account and distributed in accordance with the employee's distribution election for that account.

If an employee experiences a financial hardship that is the result of an unforeseeable emergency, as defined under the Deferred Compensation Plan, he or she may apply to the administrator of the Deferred Compensation Plan for an emergency withdrawal against his or her accounts. Such an emergency withdrawal may be allowed at the discretion of the administrator, in which case the employee's account will be reduced accordingly.

#### *Executive Retirement Income Plan*

For a description of the Executive Retirement Income Plan and potential payments thereunder, please refer to the Pension Benefits Table and the related narrative discussion included in this Proxy Statement.

#### *Split-Dollar Life Insurance Agreements:*

See *Split-Dollar Life Insurance Agreements* as included above in this Proxy Statement.

#### **Potential Payments Upon Termination or Change-in-Control**

Mr. Alan Miller's employment agreement provides that Mr. Alan Miller will continue to serve as Chief Executive Officer and Chairman of our Board of Directors through December 31, 2012, followed by annual one-year renewal periods unless either party elects otherwise. The agreement also contemplates that Mr. Alan Miller will remain as Executive Chairman of our Board of Directors for three years after the expiration of his term as Chief Executive Officer, followed by a term of up to two years as non-executive Chairman (in any case ending December 31, 2017). The employment agreement also contains customary non-disparagement, non-solicitation and non-competition provisions.

During the term of Mr. Alan Miller's service as Executive Chairman of our Board of Directors, Mr. Alan Miller will receive the same compensation, benefits and perquisites as he would have been entitled to receive if the term of his employment as Chief Executive Officer had continued, except: (i) his annual salary will not be subject to an annual cost of living adjustment, and; (ii) he will not be entitled to an annual bonus. If Mr. Alan Miller serves as non-Executive Chairman of our Board of Directors pursuant to his employment agreement, he will receive an annual cash retainer of at least \$250,000, as well as such equity and other incentive award

opportunities and other non-cash compensation as are provided to other non-management directors. In addition, during the period of his service as non-executive Chairman of the Board of Directors, Mr. Alan Miller will receive certain perquisites.

If the Board of Directors determines that Mr. Alan Miller shall not serve as executive Chairman for the full three-year or other term prescribed by the employment agreement, then Mr. Miller will receive a lump sum payment equal to the salary he would have received had he served as executive Chairman for the remainder of such term, as well as the perquisites and fringe benefits that would have been provided during such period.

In general, Mr. Alan Miller's long-term incentive awards granted pursuant to his employment agreement will become fully vested upon termination of his employment other than by us for cause or voluntarily by Mr. Alan Miller before the end of the applicable term (under circumstances not involving a breach of the employment agreement by us).

If Mr. Alan Miller's employment is terminated for cause, as defined in the employment agreement, he will be entitled to any benefits payable to or earned by Mr. Miller with respect to any period of his employment or other service prior to the date of such discharge.

If Mr. Alan Miller's employment as Chief Executive Officer is terminated due to his disability, Mr. Alan Miller shall be paid a pro rata portion of the annual bonus which would otherwise have been payable for the year in which his employment terminates, plus an amount equal to one-half of Mr. Alan Miller's base salary, payable in twelve equal monthly installments. If Mr. Alan Miller's employment or service terminates due to his death, Mr. Alan Miller's beneficiary shall receive a pro rata portion of the annual bonus which would otherwise have been payable to Mr. Alan Miller for the year of his death.

If Mr. Miller terminates his employment or other service under the employment agreement because of a material change in the duties of his office or any other breach by us of our obligations, or in the event of the termination of Mr. Alan Miller's employment by us without cause or otherwise in breach of the employment agreement, Mr. Alan Miller will generally continue to receive all of the cash compensation, benefits and minimum long term incentive compensation set forth in the employment agreement as if his employment or service had not terminated, and the vesting of his long-term incentive plan awards will accelerate.

The following table provides quantitative disclosure of the estimated payments that would be made to Mr. Alan Miller under his employment agreement as of December 31, 2011, the last business day of our fiscal 2011, assuming that the employment agreement would have been in effect at that time:

|   | Cash Severance<br>Payment (\$) | Perquisites/<br>Benefits (\$) | Continuation of<br>Restricted Stock<br>Awards (\$) | Total Termination<br>Benefits (\$) |
|---|--------------------------------|-------------------------------|--|------------------------------------|
| <b>Alan B. Miller</b>                                       |                                |                               |  |                                    |
| Termination by Us for Cause                                 | \$ 2,716,105(a.)               | \$ 0                          | \$ 0   | \$ 2,716,105                       |
| Termination Due to Mr. Alan Miller's<br>Disability          | \$ 3,430,341(b.)               | \$ 0                          | \$ 0   | \$ 3,430,341                       |
| Termination Due to Mr. Alan Miller's Death                  | \$ 2,716,105(a.)               | \$ 0                          | \$ 0   | \$ 2,716,105                       |
| Termination by Mr. Alan Miller for Breach by<br>the Company | \$ 17,832,933(c.)              | \$ 8,221,613(d.)              | \$ 0   | \$ 26,054,546                      |

(a.) Based upon actual 2011 non equity incentive plan bonus award.

(b.) Based upon 100% of actual 2011 non equity incentive plan bonus award and 50% of Mr. Alan Miller's 2012 base salary, payable in twelve equal monthly installments.

(c.) Assumes (i) continuation of all cash compensation through 2017; (ii) annual base salary increase of 2.0% through 2014 and no salary increase from 2015 through 2017 pursuant to the terms of Mr. Alan Miller's employment agreement, and; (iii) an annual bonus award equal to 100% of his base salary through 2017, which assumes the achievement of the bonus opportunity target set forth under Mr. Alan Miller's employment agreement.

(d.) Assumes (i) continuation of all entitled perquisites through 2017; (ii) continuation of insurance premiums in connection with long-term disability, our 401(k) match and charges all of which were based upon the actual 2011 amounts. Additionally, assumes premiums due in connection with split-dollar life insurance agreements through 2017. Please see the *Summary Compensation and the All Other Compensation* table included herein.

## 2011 DIRECTOR COMPENSATION

The following table provides information concerning the compensation of our Non-Employee Directors for 2011.

| Name                   | Fees Earned<br>or Paid in<br>Cash (\$) | Grant Date<br>Fair<br>Value<br>Stock Awards<br>(1.) (\$) | Grant Date<br>Fair Value<br>Option Awards<br>(2.) (\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Change in<br>Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(3.)<br>(\$) | All Other<br>Compensation<br>(\$) | Total (\$) |
|------------------------|--|--|--|---|---|-----------------------------------|------------|
| Leatrice Ducat         | \$ 59,500                              | \$ 0   | \$ 174,126   | \$ 0  | \$ 0  | \$ 0                              | \$ 233,626 |
| John H. Herrell        | \$ 63,000                              | \$ 0   | \$ 174,126   | \$ 0  | \$ 0  | \$ 0                              | \$ 237,126 |
| Robert H. Hotz         | \$ 71,500                              | \$ 0   | \$ 174,126   | \$ 0  | (\$ 1,800)  | \$ 0                              | \$ 243,826 |
| Anthony Pantaleoni     | \$ 42,000                              | \$ 0   | \$ 174,126   | \$ 0  | \$ 0  | \$ 0                              | \$ 216,126 |
| Lawrence S. Gibbs      | \$ 24,986                              | \$ 0   | \$ 0   | \$ 0  | \$ 0  | \$ 0                              | \$ 24,986  |
| Rick Santorum (4.)     | \$ 24,000                              | \$ 0   | \$ 174,126   | \$ 0  | \$ 0  | \$ 0                              | \$ 198,126 |
| Daniel B. Silvers (5.) | \$ 21,068                              | \$ 0   | \$ 174,126   | \$ 0  | \$ 0  | \$ 0                              | \$ 195,194 |

- (1.) There were no restricted stock awards made to our non-employee directors during 2011.
- (2.) Each non-employee director, with the exception of Lawrence S. Gibbs who became a director during the second quarter of 2011, received 15,000 stock options on January 19, 2011, which had a grant date fair value of \$174,126. In addition, on January 18, 2012, each of the members of the board of directors reflected above, with the exception of Messrs. Santorum and Silvers who are no longer members of the board of directors as indicated below, received 15,000 stock options which had a grant date fair value of \$160,750.

As of December 31, 2011 the following stock options were outstanding for each director:

|                    |        |
|--------------------|--------|
| Leatrice Ducat     | 33,750 |
| John H. Herrell    | 42,500 |
| Robert H. Hotz     | 47,500 |
| Anthony Pantaleoni | 37,500 |
| Lawrence S. Gibbs  | 0      |

- (3.) Consists of market value earnings on phantom shares relating to the Universal Health Services, Inc., Deferred Compensation Plan for the UHS Board of Directors. Additionally, as of December 31, 2011, 198 shares of phantom stock were held on behalf of Robert H. Hotz and will be paid out in future years as elected by Mr. Hotz at the time of deferral.
- (4.) Mr. Rick Santorum resigned from the Board of Directors on June 14, 2011. Unvested outstanding stock options, including those reflected in the table above (grant date fair value of \$174,126), were cancelled on June 14, 2011.
- (5.) Mr. Daniel B. Silvers term expired on May 18, 2011. Unvested outstanding stock options, including those reflected in the table above (grant date fair value of \$174,126), were cancelled on May 18, 2011.



*Cash Compensation.* During 2011, all active non-employee directors received an annual retainer of \$40,000 for service on the Board of Directors. Additionally, during 2011, John H. Herrell, Chairperson of the Audit Committee received an annual retainer of \$10,000 for his services in that capacity and Leatrice Ducat and Robert H. Hotz, members of the Audit Committee, each received an annual retainer of \$2,500 and Daniel B. Silvers received a pro-rated retainer of \$945. Also, during 2011, Robert Hotz, received \$5,000 for his services as Chairperson of the Compensation Committee and an additional \$5,000 for his services as Chairperson of the Nominating & Governance Committee. Each non-employee director also was paid a \$1,000 meeting fee for participation in each committee meeting in excess of 30 minutes. Meeting fees paid during 2011 were as follows: Robert H. Hotz was paid \$29,000, Leatrice Ducat was paid \$17,000, John H. Herrell was paid \$13,000, Anthony Pantaleoni was paid \$2,000, Daniel B. Silvers was paid \$5,000, and Rick Santorum was paid \$4,000.

During 2012, we anticipate that each active non-employee director will receive an annual retainer of \$40,000 for service on the Board of Directors. Additionally, during 2012, John H. Herrell, Chairperson of the Audit Committee, will receive an annual retainer of \$10,000 for his service in that capacity and members of the Audit Committee will receive an annual retainer of \$2,500 each. Also during 2012, Robert H. Hotz, Chairperson of the Compensation Committee and Chairperson of the Nominating & Governance Committee, will receive annual retainers of \$5,000 each for his services in the respective capacities. Each non-employee director will be paid a meeting fee of \$1,000 for participation in each committee meeting in excess of 30 minutes. All retainers and meeting fees will be paid in cash.

*Stock Option Awards.* On January 19, 2011, all non-employee directors received an option to purchase 15,000 shares of our Class B Common Stock at an exercise price of \$43.67 per share. These options have a fair value of \$11.61 per share. These stock options were granted under our Amended and Restated 2005 Stock Incentive Plan, vest ratably over four years and expire on the fifth anniversary of the grant date. Additionally, on January 18, 2012, all non-employee directors received an option to purchase 15,000 shares of our Class B Common Stock at an exercise price of \$36.95 per share. These options have a fair value of \$10.72 per share. These stock options were granted under our Second Amended and Restated 2005 Stock Incentive Plan, vest ratably over four years and expire on the fifth anniversary of the grant date.

*Deferred Compensation Plan for Non-Employee Directors.* The Deferred Compensation Plan, which has been terminated, was a nonqualified deferred compensation plan for the benefit of our non-employee directors, previously enabling them to defer payment of up to 100% of his or her total retainer and fees. Certain previously deferred amounts are scheduled to be paid out in future years as elected by our non-employee directors at the time of deferral.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our Common Stock and other equity securities.

Based upon a review of the copies of such reports furnished to us during fiscal year 2011 and written representations from our executive officers and directors, we believe that during the 2011 fiscal year, the officers, directors and holders of more than 10% of our Class A and Class B Common Stock complied with all Section 16(a) filing requirements.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Marc D. Miller, a member of our Board of Directors and President of the Company, is the son of Alan B. Miller, our CEO. Marc D. Miller is a named executive officer and therefore the salary and other compensation arrangements between us and Marc D. Miller are disclosed and described throughout this Proxy Statement.

Anthony Pantaleoni, a member of our Board of Directors and a member of the Executive Committee is Of Counsel to Fulbright & Jaworski L.L.P., the law firm we use as our principal outside counsel. This law firm also provides personal legal services to our Chief Executive Officer. Mr. Pantaleoni is also the trustee of certain trusts for the benefit of the Chief Executive Officer and his family.

Studioality provides certain website services for the Company. The owner of Studioality is the son-in-law of Alan B. Miller, our Chairman and Chief Executive Officer. Fees earned by Studioality for such services during 2011 were approximately \$75,000 on terms that we believe are comparable to those we would have paid to an unaffiliated third party for such services.

Pursuant to our Code of Business Conduct and Corporate Standards, all employees, officers and directors of the Company and its subsidiaries are prohibited from engaging in any relationship or financial interest which is a conflict of interest with, or which interferes or has the potential to interfere with, the interests of the Company or any of its subsidiaries or facilities. In addition, all employees, officers and directors of the Company and its subsidiaries are required to disclose to our compliance officer any financial interest or ownership interest or any other relationship that he or she (or a member of his or her immediate family) has with customers, vendors, or competitors of the Company or any of its subsidiaries or facilities. James Caponi is currently our Chief Compliance Officer.

All employees, officers and directors of the Company and its subsidiaries are prohibited from entering into a related party transaction with the Company without the prior approval of our compliance officer. Any request for the Company to enter into a transaction with an employee, officer or director or any of such persons immediate

family members must first be presented to our compliance officer for review, consideration and approval. In approving or rejecting the proposed agreement, our compliance officer will consider the relevant facts and circumstances available and deemed relevant, including but not limited to, the risks, costs, and benefits to the Company, the terms of the transactions, the availability of other sources for comparable services or products, and, if applicable, the impact on director independence. Our compliance officer shall only approve those agreements that, in light of known circumstances, are in or are not inconsistent with, the Company's best interests, as determined in good faith by our compliance officer.

Except as otherwise disclosed in this Proxy Statement, since the beginning of the Company's last fiscal year, we have not been a party to, and we have no plans to be a party to, any transaction or series of similar transactions in which the amount involved exceeded or will exceed \$120,000 and in which any employee, executive officer or director, holder of more than 5% of our voting securities, or any member of the immediate family of any of the foregoing, had or will have a direct or indirect material interest.

Please see [Corporate Governance](#) [Director Independence](#) for additional information on the independence of our directors.

## CORPORATE GOVERNANCE

### Director Independence

Our Board of Directors has affirmatively determined that four of its seven current members (Leatrice Ducat, John H. Herrell, Robert H. Hotz and Lawrence S. Gibbs) are independent directors under the applicable rules and regulations of the SEC and the New York Stock Exchange listing standards. Rick Santorum, who resigned from our Board of Directors effective as of June 14, 2011, was an independent director.

In determining independence, the Board of Directors affirmatively determines each year whether directors have any material relationship with us. When assessing the materiality of a director's relationship with us, the Board of Directors considers all relevant facts and circumstances, not merely from the director's standpoint, but also from the standpoint of the persons or organizations with which the director has an affiliation. Material relationships can include commercial, banking, industrial, consulting, legal, accounting, charitable and familial relationships. The Board of Directors has concluded that no material relationship exists between us and any of our independent directors, other than each such person's position as one of our directors.

We are eligible to be treated as a controlled company under New York Stock Exchange Rule 303A due to the fact that the family of Alan B. Miller holds more than 95% of the shares of Class A and Class C Common Stock, which is entitled to elect 80% of the entire Board of Directors and constitutes more than 50% of our aggregate voting power. New York Stock Exchange Rule 303A states that a controlled company need not have a majority of independent directors on its board or have nominating/corporate governance and compensation committees composed entirely of independent directors. We have elected to avail ourselves of a limited aspect of the Rule 303A exemption, determining that the Nominating & Governance Committee is not responsible for identifying and recommending qualified candidates for Board positions that, in accordance with our Restated Certificate of

Incorporation, are to be elected by the holders of Class A and Class C Common Stock of the Company. We currently intend to have a majority of independent directors on our Board of Directors and all independent directors on our Audit Committee, Compensation Committee and Nominating & Governance Committee.

#### **Meetings of the Board of Directors**

Regular meetings of the Board of Directors are generally held every other month, while special meetings are called when necessary. Before each Board of Directors or committee meeting, directors are furnished with an agenda and background materials relating to matters to be discussed. During 2011, there were six Board of Directors meetings. All directors participated in at least 75% of the aggregate of the total number of meetings of the Board of Directors and of the total number of meetings held by all committees of the Board of Directors on which they served. Directors are expected to attend the Annual Meeting of Stockholders. All of our directors attended the 2011 Annual Meeting of Stockholders.

Our Corporate Governance Guidelines provide that the Board of Directors shall hold, in accordance with a schedule determined by the Nominating & Governance Committee of the Board of Directors, executive sessions where non-management directors (i.e., directors who are not our officers, but who do not otherwise have to qualify as independent directors) meet without management participation (except as otherwise specifically requested by the non-management directors). John H. Herrell is the presiding director who presides over the executive sessions of the non-management directors. Interested parties may communicate directly and confidentially with the presiding director or with the non-management directors of the Board of Directors as a group by writing to that person or group at Universal Health Services, Inc., c/o Secretary, Universal Corporate Center, 367 South Gulph Road, P.O. Box 61558, King of Prussia, PA 19406.

#### **Board Leadership Structure and Board of Directors**

Mr. Alan B. Miller serves as both the Company's Chairman of the Board and Chief Executive Officer. John H. Herrell is the presiding director who presides over the executive sessions of the non-management directors. The Company believes this structure allows all of the non-management directors to participate in the full range of the Board's responsibilities with respect to its oversight of the Company's management. The Board has determined that this leadership structure is appropriate given the size and complexity of the Company, the number of directors overseeing the Company and the Board's oversight responsibilities.

The specific experience, qualifications, attributes or skills that led to the conclusion that each Director should serve as a Director of the Company, in light of the Company's business and structure, are as follows:

Alan B. Miller has been a Director of the Company since 1978. Mr. Alan Miller has been the Company's Chairman of the Board and Chief Executive Officer since 1978, when he founded the Company, and previously served as the Company's President until May 2009. Prior thereto, he was President, Chairman of the Board and Chief Executive Officer of American Medicorp, Inc. Mr. Alan Miller is a Trustee of Universal Health Realty Income Trust. He is also a Director of Penn Mutual Life Insurance Company. Mr. Alan Miller oversees all of the Company's businesses, its operations, development and overall strategy. As a result of his many years of service, Mr. Miller provides expertise on the hospital management industry.

Marc D. Miller has been a Director of the Company since 2006. He was appointed President in May 2009, has been Co-Head of the Company's Acute Care Division since 2007 and previously served as the Company's Senior Vice President from 2007 to May 2009 and the Company's Vice President from January 2005 to May 2009. Mr. Marc Miller has been Vice-President of the Company's Acute Care Division since August 2004. He has been Assistant Vice President of the Company and Group Director of the Acute Care Division, Eastern Region since June 2003. He was CEO/Managing Director at Central Montgomery Medical Center (an acute care hospital formerly owned by the Company) from February 2002 to May 2003, Chief Operating Officer at Wellington Regional Medical Center from October 2000 to February 2002, and Assistant Administrator at The George Washington University Hospital from August 1999 to October 2000. Mr. Marc Miller provides expertise on the hospital management industry.

Anthony Pantaleoni has been a Director of the Company since 1982. He is Of Counsel to the law firm of Fulbright & Jaworski L.L.P. and he was a partner from 1970 to 2000. His corporate representation has involved a variety of complex transactions, including mergers, acquisitions, joint ventures, leveraged buyouts, exchange offers and corporate restructurings. Additionally, he has had substantial experience in public offerings and private placements of securities, having represented both issuers and investment banking firms in these transactions. Clients represented by Mr. Pantaleoni have included a wide variety of companies, such as a supplier of products which analyze medical health costs. Mr. Pantaleoni provides expertise on legal matters.

Robert H. Hotz has been a Director of the Company since 1991. He is Senior Managing Director, Global Co-Head of Corporate Finance and Co-Chairman of Houlihan Lokey Howard & Zukin. He has also been a member of the Board of Directors and Operating Committee of Houlihan Lokey Howard & Zukin since June 2002. Mr. Hotz is Chairman of the Board of Directors of Pep Boys Manny, Moe & Jack, and was former Senior Vice Chairman, Investment Banking for the Americas, of UBS LLC. Mr. Hotz provides expertise on financial and strategic advisory matters.

John H. Herrell has been a Director of the Company since 1993. In 2009, Mr. Herrell was appointed to the Board of Directors of Eisenhower Medical Center. He was the former Chief Administrative Officer of the Mayo Foundation from 1993 through 2002. Mr. Herrell was the Chief Financial Officer of the Mayo Foundation from 1984 until 1993 and held various other capacities since 1968. Mr. Herrell provides expertise on health care companies and financial matters.

Leatrice Ducat has been a Director of the Company since 1997. She has been President and Founder of the National Disease Research Interchange since 1980. Ms. Ducat has been the President and Founder of Human Biological Data Interchange since 1988. She was the Founder of the Juvenile Diabetes Foundation, a national and international organization. Ms. Ducat provides expertise on health care matters, financial and budgetary issues as well as personnel compensation issues expertise from her years of administrative experience.

Lawrence S. Gibbs has been a Director of the Company since 2011. He has been the Macro Portfolio Manager of Ramius LLC since March 2010. Prior thereto, he was Portfolio Manager of Millennium Partners LLC from February 2009 to March 2010. Mr. Gibbs was Portfolio Manager, Chief Investment Office, of JP Morgan Chase Bank N.A. from 2006 to 2009. Mr. Gibbs provides expertise on corporate finance and investment matters.

The Board holds six regular meetings each year to consider and address matters involving the Company. The Board also may hold special meetings to address matters arising between regular meetings. These meetings may take place in person or by telephone. The independent directors also regularly meet in executive sessions outside the presence of management. The Board has access to legal counsel for consultation concerning any issues that may occur during or between regularly scheduled Board meetings. As discussed below, the Board has established a Compensation Committee, an Audit Committee and a Nominating & Governance Committee to assist the Board in performing its oversight responsibilities.

The Nominating & Governance Committee annually oversees a self-evaluation of the current Board members and those committees as the Board shall specify from time to time and reports to the Board with respect to whether the Board and its committees are functioning effectively. The full Board discusses each evaluation report to determine what, if any, actions should be taken to improve the effectiveness of the Board or any committee thereof.

### **The Board's Role in Risk Oversight**

Consistent with its responsibility for oversight of the Company, the Board, among other things, oversees risk management of the Company's business affairs directly and through the committee structure that it has established. The principal risks associated with the Company are risks related to concentration of the locations of our facilities, dependence on payments from the government and other third party payors, the inability to collect payments from patients, a worsening of the economic and employment conditions in the United States, uncertainties regarding health care reform, competition for patients from other hospitals and health care providers, our ability to recruit and retain quality physicians, our ability to attract and retain qualified nurses and medical support staff, compliance with extensive laws and government regulations, liabilities from claims brought against our facilities, governmental investigations, regulatory actions and whistleblower lawsuits, accreditation of our facilities, acquisition and integration of hospitals, state efforts to regulate the construction or expansion of health care facilities, fluctuations in our operating results, quarter to quarter earnings and other factors, significant corporate regulation as a public company, and dependence on key management personnel.

The Board's role in the Company's risk oversight process includes regular reports from senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The full Board (or the appropriate committee) receives these reports from management to identify and discuss such risks.

The Board periodically reviews with management its strategies, techniques, policies and procedures designed to manage these risks. Under the overall supervision of the Board, management has implemented a variety of processes, procedures and controls to address these risks.

The Board requires management to report to the full Board on a variety of matters at regular meetings of the Board and on an as-needed basis, including the performance and operations of the Company and other matters relating to risk management. The Audit Committee also receives regular reports from the Company's independent registered public accounting firm on internal control and financial reporting matters. These reviews are conducted in conjunction with the Board's risk oversight function and enable the Board to review and assess

any material risks facing the Company. The Lead Independent Director periodically meets with management and the Company independent registered public accounting firm to review and discuss the activities of the Company and to provide direction with respect thereto.

#### **Stockholder Communications**

Stockholders who wish to send communications to the Board of Directors or an individual director should address such communications to Universal Health Services, Inc., c/o Secretary, Universal Corporate Center, 367 South Gulph Road, P.O. Box 61558, King of Prussia, PA 19406. The Secretary will forward such communications to the Board of Directors or the specified individual director to whom the communication is directed unless such communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Secretary has the authority to discard the communication or take appropriate legal action regarding such communication.

#### **Committees of the Board of Directors**

The Compensation Committee, the Audit Committee, the Nominating & Governance Committee, the Executive Committee and the Finance Committee are the standing committees of the Board of Directors. A current copy of the our Corporate Governance Guidelines, Code of Business Conduct and Corporate Standards, Code of Ethics for Senior Financial Officers, Compensation Committee Charter, Nominating & Governance Committee Charter and Audit Committee Charter are available free of charge on the our website at [www.uhsinc.com](http://www.uhsinc.com). Copies of these documents also are available in print free of charge to any stockholder who requests them. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K relating to amendments to or waivers of any provision of our Code of Ethics for Senior Financial Officers by promptly posting the information on our website.

*Compensation Committee.* The current members of the Compensation Committee are Robert H. Hotz, Leatrice Ducat and Lawrence S. Gibbs. The Compensation Committee met four times during 2011. The Board of Directors has determined, in its business judgment, that each member of the Compensation Committee qualifies as an independent director under the regulations adopted by the SEC and the New York Stock Exchange. Rick Santorum, who resigned from our Board of Directors effective as of June 14, 2011, was an independent director and a member of the Compensation Committee.

The Compensation Committee reviews and approves our goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, evaluates their performance, determines and approves their compensation level, reviews and determines the form and amount of compensation of the non-management members of the Board of Directors, administers incentive-compensation plans and equity-based plans and approves compensation awards, among other duties and responsibilities.

The amount and mix of the compensation paid to our named executive officers and directors are evaluated on an annual basis. See the section titled Compensation Setting Process, in the Compensation Discussion & Analysis for an additional discussion.

The Compensation Committee has the authority to establish one or more subcommittees which shall have the responsibilities and consist of those members of the Compensation Committee as the Compensation Committee may determine from time to time. The Compensation Committee also has the sole authority to retain and terminate compensation consultants to assist it in evaluating our compensation plans, particularly those pertaining to our directors, our Chief Executive Officer and our other executive officers, and to approve the fees and other terms relating to the provision of those services. As discussed in the *Compensation Discussion and Analysis*, unlike our other named executive officers, Mr. Alan Miller's compensation is determined in large part by the terms of his employment agreement.

*Audit Committee.* Members of the Audit Committee are Leatrice Ducat, John H. Herrell, Robert H. Hotz and Lawrence S. Gibbs. No member serves on the audit committee of more than three public companies. The Audit Committee met thirteen times during 2011.

The Board of Directors has determined, in its business judgment, that each member of the Audit Committee qualifies as an independent director under the regulations adopted by the SEC and the New York Stock Exchange and is financially literate and that John H. Herrell qualifies as an audit committee financial expert under SEC regulations and has accounting or related financial management expertise.

The Audit Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the stockholders, potential stockholders, the investment community and others relating to: the integrity of our financial statements, the financial reporting process, the systems of internal accounting and financial controls, the performance of our internal audit function and independent auditors, the independent auditors' qualifications and independence and our compliance with legal and regulatory requirements. This Committee has the authority, duties and responsibilities set forth in its Audit Committee Charter, as amended.

*Nominating & Governance Committee.* The current members of the Nominating & Governance Committee are Leatrice Ducat, Robert H. Hotz and Lawrence S. Gibbs. This Committee met once during 2011. The Board of Directors has determined, in its business judgment, that each member of the Nominating & Governance Committee qualifies as an independent director under the regulations adopted by the SEC and the New York Stock Exchange. Rick Santorum, who resigned from our Board of Directors effective as of June 14, 2011, was an independent director and a member of the Nominating & Governance Committee.

The Nominating & Governance Committee was established, with respect to those directors who are to be elected by the holders of Class B and Class D Common Stock of the Company in accordance with the our Restated Certificate of Incorporation, for the purpose of: (i) assisting the Board of Directors by identifying individuals who are qualified to become directors, consistent with the criteria approved by the Board of Directors; (ii) recommending to the Board of Directors Class B and D director nominees for the next annual meeting of stockholders at which a Class B and D director is to be elected; (iii) developing and recommending to the Board of Directors a set of corporate governance principals in the form of our corporate governance guidelines; (iv) leading and overseeing the Board of Directors in its annual review of the performance of the Board of Directors and our management, and; (v) recommending to the Board of Directors director nominees for each committee of the Board of Directors. The Nominating & Governance Committee provides such assistance



in identifying and recommending Class A and Class C Common Stock director nominees as may be requested by the entire Board of Directors. The Nominating & Governance Committee adopted our Corporate Governance Guidelines.

In light of the concentration of over 95% of the voting power of our Class A and Class C Common Stock in a single individual and related entities, and in accordance with the Controlled Companies exemption set forth in Section 303A of the New York Stock Exchange Listed Company Manual, the Nominating & Governance Committee is not responsible for identifying and recommending qualified candidates for directors that, in accordance with our Restated Certificate of Incorporation, are to be elected by the holders of Class A and Class C Common Stock. The Nominating & Governance Committee shall, however, provide such assistance in identifying and recommending Class A and C Director nominees as may be requested by the entire Board of Directors.

The Nominating & Governance Committee will consider Class B and D director nominees recommended by stockholders. Under our Restated Certificate of Incorporation, the number of directors to be elected by the Class B and D Common stockholders is limited to 20% of the entire Board of Directors, or a maximum of two directors. Stockholders who wish to recommend a nominee for the Nominating & Governance Committee's consideration may do so by submitting the individual's name and qualifications to the Nominating & Governance Committee c/o Secretary, Universal Corporate Center, 367 South Gulph Road, P.O. Box 61558, King of Prussia, PA 19406. Recommendations must be received by the Nominating & Governance Committee no later than the date by which stockholder proposals for presentation at the next Annual Meeting must be received. Recommended nominees will only be considered if there is a vacancy or if the Board of Directors decides to increase the number of directors.

The Nominating & Governance Committee identifies and evaluates committee-recommended Class B and D director nominees considering, among other factors, the following minimum qualifications: the individual's integrity, experience, education, expertise, independence and any other factors that the Board of Directors and the Nominating & Governance Committee deem would enhance the effectiveness of the Board of Directors and our governance. The Nominating & Governance Committee seeks persons who have achieved prominence in their fields and who possess significant experience in areas of importance to the Company. Additionally, strong analytical skills, independence, energy, forthrightness and integrity are desired characteristics that the Nominating & Governance Committee seeks in potential candidates. We do not have a formal policy with regard to the consideration of diversity in identifying director nominees. However, the Board of Directors believes that it is essential that its members represent diverse viewpoints, with a broad array of experiences, professions, skills, geographic representation and backgrounds that, when considered as a group, provide a sufficient mix of perspectives to allow the Board of Directors to best fulfill its responsibilities to the long-term interests of our stockholders. The Nominating & Governance Committee will evaluate a nominee on the same basis if the individual is recommended by a stockholder. The Nominating & Governance Committee does not currently pay a fee to a third party to identify or evaluate nominees, but may consider from time to time engaging a search firm to identify Class B and D director candidates.

*Executive Committee.* The Executive Committee has the responsibility, between meetings of the Board of Directors, to advise and aid our officers in all matters concerning the management of the business and, while the Board of Directors is not in session, has the power and authority of the Board of Directors to the fullest extent permitted under law. The Executive Committee met once in 2011. Members of the Committee are Alan B. Miller, Robert H. Hotz and Anthony Pantaleoni.

*Finance Committee.* The Finance Committee is responsible for reviewing our overall long-term financial planning. The Finance Committee met once in 2011. Members of this Committee are Alan B. Miller, Robert H. Hotz, Anthony Pantaleoni and Marc D. Miller.

### AUDIT COMMITTEE REPORT

The Board of Directors is committed to the accuracy and integrity of the Company's financial reporting. The Audit Committee takes an involved and active role in delivering on this commitment.

The Audit Committee provides independent, objective oversight of our accounting functions and internal controls.

The Audit Committee reviews and evaluates, and discusses and consults with our management, internal audit personnel and the independent auditors about the following:

the plan for, and the independent auditors report on, each audit of the Company's consolidated financial statements and internal controls;

changes in our accounting practices, principles, controls or methodologies, or in the Company's financial statements;

significant developments in accounting rules;

the adequacy of our internal accounting controls, and accounting, financial and auditing personnel; and

the establishment and maintenance of a work environment that promotes ethical behavior.

The Audit Committee acts under a written charter which was originally adopted by the Board of Directors in 2004 and is reviewed and approved on an annual basis. The Audit Committee reviews, acts on and reports to the Board of Directors with respect to various auditing, accounting, financial reporting, internal control and regulatory compliance matters. In discharging its oversight role, the Audit Committee may engage independent counsel and other advisers as it determines necessary. In accordance with the Sarbanes-Oxley Act of 2002, the Audit Committee also has the direct responsibility to select, evaluate, determine the compensation of, oversee, and where appropriate, replace our independent auditors, and has the authority to resolve disagreements between management and our auditors. The Audit Committee may establish procedures for the receipt, retention and treatment of complaints received by us regarding accounting and auditing matters, as well as confidential, anonymous submission by employees. The Board of Directors has determined that each of the members of the audit committee is independent within the meaning of the rules of the New York Stock Exchange and the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002.

The Audit Committee recommended to the Board of Directors that the consolidated financial statements be included in the Annual Report on Form 10-K. The Audit Committee took a number of steps in making this recommendation for 2011:

First, the Audit Committee discussed with our independent auditors the overall scope and plans for their audits.

Second, the Audit Committee met with the independent auditors, without management present, to discuss the results of their audits, their evaluations of our internal controls and the overall quality of our financial reporting.

Third, the Audit Committee reviewed and discussed the audited consolidated financial statements in the Annual Report on Form 10-K with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the consolidated financial statements.

Fourth, the Audit Committee reviewed with the independent auditors their judgments as to the quality, not just the acceptability, of the our accounting principles and such other matters as are required to be discussed with the Audit Committee under the standards of the Public Company Accounting Oversight Board (United States).

Fifth, the Audit Committee discussed with the independent auditors the auditors' independence from management and the Company, including the matters in the written disclosures required by the Independence Standards Board, and considered the compatibility of non-audit services with the auditors' independence.

Finally, the Audit Committee obtained and reviewed a report from the independent auditor describing: (i) the independent auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years inspecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company.

The Audit Committee reviewed our consolidated financial statements with the Board of Directors and discussed them with PricewaterhouseCoopers LLP during the 2011 fiscal year, along with the matters required to be discussed by Statement on Auditing Standards No. 114, as amended (AICPA Professional Standards, Vol. 1 AU Section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee received from PricewaterhouseCoopers LLP the written disclosures, including the letter, required by PCAOB 3526 and discussed with PricewaterhouseCoopers LLP its independence. Based on the discussions with PricewaterhouseCoopers LLP and management, the consolidated financial statement review, and such other matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our 2011 Annual Report on Form 10-K.

Audit Committee

John H. Herrell

Robert H. Hotz

Leatrice Ducat

Lawrence S. Gibbs

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**RELATIONSHIP WITH INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP ( PwC ) served as our independent auditors during 2011 and 2010. Representatives from PwC will be present at the Annual Meeting and will have an opportunity to make a statement, if they desire to do so, and to respond to any appropriate inquiries of the stockholders or their representatives.

PwC s audit report on our consolidated financial statements as of and for the years ended December 31, 2011 and 2010 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

Set forth below are the fees paid or accrued for the services of PwC during 2011 and 2010:

|                    | <b>2011</b>         | <b>2010</b>         |
|--------------------|---------------------|---------------------|
| Audit fees         | \$ 2,227,586        | \$ 2,576,125        |
| Audit-related fees |                     | 50,000              |
| Tax fees           | 759,933             | 525,000             |
| All other fees     | 76,750              | 75,270              |
| <b>Total</b>       | <b>\$ 3,064,269</b> | <b>\$ 3,226,395</b> |

Audit fees consisted of professional services rendered to us or certain of our subsidiaries. Such audit services include audits of financial statements, audit of our annual management assessment of the effectiveness of internal control over financial reporting in 2011 and 2010 (as required by Section 404 of the Sarbanes-Oxley Act of 2002), reviews of our quarterly financial statements, audit services provided in connection with regulatory filings and other matters and audit services in 2010 related to a bond offering.

Fees to PwC for audit-related services in 2010 consisted of professional services related to our acquisition of Psychiatric Solutions, Inc.

Fees for tax services in 2011 and 2010 consisted primarily of consultation on various tax matters related to us and our subsidiaries, including consultation related to the divestiture of a behavioral health care facility located in Puerto Rico and for preparation of federal and state income tax returns for certain of our subsidiaries.

The other fees in 2011 and 2010 represent fees to PwC for Independent Review Organization services in connection with our South Texas Health System affiliates.

The Audit Committee has considered and determined that the provision of non-audit services by our principal auditor is compatible with maintaining auditor independence.

All audit and permissible non-audit services provided to us by the independent auditors are pre-approved by the Audit Committee, which considers whether the proposed services would impair the independence of the independent auditors. The Chairperson of the Audit Committee may pre-approve audit and permissible non-audit services during the time between Audit Committee meetings if the fees for the proposed services are less than \$25,000.

**YOU ARE URGED TO VOTE, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR VOTE YOUR PROXY BY TELEPHONE OR INTERNET AT YOUR EARLIEST CONVENIENCE, WHETHER OR NOT YOU CURRENTLY PLAN TO ATTEND THE ANNUAL MEETING IN PERSON.**

BY ORDER OF THE BOARD OF DIRECTORS

STEVE G. FILTON, Secretary

King of Prussia, Pennsylvania

April 5, 2012

**PROXY**

**CLASS A**

**COMMON STOCK**

**CLASS C**

**COMMON STOCK**

**UNIVERSAL HEALTH SERVICES, INC.**

*This Proxy Solicited By The Board Of*

*Directors For The Annual Meeting Of*

*Stockholders To Be Held On May 16, 2012*

Alan B. Miller and Steve Filton and each of them, as the true and lawful attorneys, agents and proxies of the undersigned, with full power of substitution, are hereby authorized to represent and to vote, as designated below, all shares of Class A Common Stock and Class C Common Stock of Universal Health Services, Inc. (the Company) held of record by the undersigned on March 21, 2012 at the Annual Meeting of Stockholders to be held at 10:00 a.m. on Wednesday, May 16, 2012 at the offices of the Company, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania and at any adjournment thereof. Any and all proxies heretofore given are hereby revoked.

**Important Notice Regarding Availability of Proxy Materials for the Stockholder Meeting to be held on Wednesday, May 16, 2012. The Proxy Statement and Annual Report to Stockholders are available at <http://bnymellon.mobular.net/bnymellon/uhs>.**

**THIS PROXY IS CONTINUED ON THE REVERSE SIDE.**

**PLEASE SIGN ON THE REVERSE SIDE AND RETURN PROMPTLY.**

PLEASE MARK YOUR CHOICE LIKE THIS IN BLUE OR BLACK INK

.. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ACCOUNT NUMBER

CLASS A COMMON

CLASS C COMMON

The Board of Directors recommends a vote FOR the listed nominees.

Discretionary authority is hereby granted with respect to such other matters as may properly come before the meeting.

1. Nominees:

01-Marc D. Miller      " For      " Withhold Authority

DATED: \_\_\_\_\_

02-Leatrice Ducat      " For      " Withhold Authority

SIGNATURE: \_\_\_\_\_

03-John H. Herrell      " For      " Withhold Authority

SIGNATURE: \_\_\_\_\_

IMPORTANT: Please sign exactly as name appears at the left. Each joint owner shall sign. Executors, administrators, trustees, etc. should give full title.

The above-signed acknowledges receipt of the Notice of Annual Meeting of Stockholders.

**WHEN PROPERLY EXECUTED, THIS PROXY WILL BE VOTED AS DESIGNATED. IF NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED FOR THE ELECTION OF MARC D. MILLER, LEATRICE DUCAT AND JOHN H. HERRELL AS DIRECTORS.**



Universal Health Services, Inc.

WO# Fulfillment#

19667-1 20035-1

q FOLD AND DETACH HERE q

Please mark your votes as  
indicated in this example X

Discretionary authority is hereby granted with respect to such other matters as may properly come before the meeting.

Mark Here for ..

Address Change

or Comments

SEE REVERSE

**IMPORTANT: Please sign exactly as name appears at the left. Each joint owner shall sign. Executors, administrators, trustees, etc. should give full title. The above-signed acknowledges receipt of the Notice of Annual Meeting of Stockholders and the Proxy Statement furnished herewith.**

Signature

Signature

Date

**Annual Meeting**

**of**

**Universal Health Services, Inc. Stockholders**

**Wednesday, May 16, 2012**

**10:00 a.m.**

**Universal Corporate Center**

**367 South Gulph Road**

**King of Prussia, PA**

**Agenda**

Holders of Class B and Class D Common Stock are NOT being asked to vote on any currently contemplated proposals at the Annual Meeting. Please return or submit the signed proxy card to grant discretionary authority with respect to such other matters as may properly come before the Annual Meeting.

Choose **MLink<sup>SM</sup>** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect<sup>®</sup>** at [www.bnymellon.com/shareowner/equityaccess](http://www.bnymellon.com/shareowner/equityaccess) where step-by-step instructions will prompt you through enrollment.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on Wednesday, May 16, 2012:**  
The Proxy Statement and Annual Report to Stockholders are available at <http://www.bnymellon.mobular.net/bnymellon/uhs>

**FOLD AND DETACH HERE**

**PROXY**

**CLASS B**

**COMMON STOCK**

**CLASS D**

**COMMON STOCK**

**UNIVERSAL HEALTH SERVICES, INC.**

**This Proxy Solicited By The Board Of Directors For**

**The Annual Meeting Of Stockholders To Be Held On May 16, 2012**

Alan B. Miller and Steve Filton and each of them, as the true and lawful attorneys, agents and proxies of the undersigned, with full power of substitution, are hereby authorized to represent and to vote, as designated below, all shares of Class B Common Stock and Class D Common Stock of Universal Health Services, Inc. held of record by the undersigned on March 21, 2012 at the Annual Meeting of Stockholders to be held

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at 10:00 a.m. on Wednesday, May 16, 2012, at the offices of the Company, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania and at any adjournment thereof. Please call 1-800-814-5819 to obtain directions to the Annual Meeting to vote in person. Any and all proxies heretofore given are hereby revoked.

**THIS PROXY IS CONTINUED ON THE REVERSE SIDE.**

**PLEASE SIGN ON THE REVERSE SIDE AND RETURN PROMPTLY.**

**Address Change/Comments**  
**(Mark the corresponding box on the reverse side)**

SHAREOWNER SERVICES  
P.O. BOX 3550  
SOUTH HACKENSACK, NJ 07606-9250

| WO#     | Fulfillment# |
|---------|--------------|
| 19667-1 | 20035-1      |