Despite economic slowdown, healthcare CEO's bonuses are blooming

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Even Bear Stearns chairman rides it out: a $25 million condo

Not everyone is feeling the pinch of the declining economy.

A New York Times piece Monday tells the tale of Paul Parmar, a 37-year-old investor in health care, defense, luxury and media companies.

"In recent months, Mr. Parmar, who lives in Colts Neck, N.J., said he bought 140 acres in Mineola, Tex., and is spending $20 million to begin building a refuge there for abused tigers," the Times notes. "Since January, he said he added to his car collection with a $110,000 BMW 750 Li (for his girlfriend) and a Bentley Arnage for himself, for about $300,000. He is leasing a Maybach through Luxautica, an 'ultimate car club' that has annual fees of about $125,000."

“On a spending level,” Mr. Parmar said, speaking about a possible recession, “it doesn’t affect me at all.” That said, providers of luxury goods reported anecdotal evidence of a widening gap between the merely rich and the ultrarich. Clifford Greenhouse, who owns a household-staff employment company, said he suspects that the merely rich might be starting to lag behind their far richer counterparts, and are trimming their budgets. He cited reduced demand for chauffeurs — a relatively small-ticket service — yet ever-strong demand for private chefs, butlers and “household managers.”

Why? A little reported fact of the hemorrhaging US economy is that healthcare companies -- and more widely known -- defense contractors, are raking it in.

Just two weeks ago, Standard & Poor's affirmed its ratings for health insurers Aetna Inc., UnitedHealth Group Inc. and Cigna Corp., "citing strong profit and competitive positions in the industry."

Blue Cross & Blue Shield is also doing well, lavishing the parent of its Illinois CEO with massive bonuses for 2007.

"Wellness," penned the Chicago Business Journal last week, "the new marketing slogan of Blue Cross & Blue Shield of Illinois, also applies to the pocketbooks of the insurer's top executives."

Pay for almost all of the top 10 execs at the Blues' Chicago-based parent, Health Care Service Corp., at least doubled in 2007 thanks to hefty bonuses, a recent state filing shows. Longtime CEO Raymond McCaskey's $8.7-million bonus pushed his total pay to $10.3 million, up 78% from the previous year. The top 10 execs made a combined $35.8 million last year, up 131% from 2006

In a statement, the company defends the compensation, saying it allows it to "compete for and retain talented employees"....

"Health insurers are paying huge amounts of money to top executives at a time when more and more middle-class families can't afford insurance," says Jerry Flanagan, health care policy director at the California-based advocacy group Consumer Watchdog. Mr. McCaskey's pay alone "is enough to provide coverage to 3,500 individuals" for a year, he says.

Executive pay at Health Care Service, which had $14.35 billion in revenue last year, dwarfs that of most other companies that own Blue Cross subsidiaries. Two large Blues plans in Pennsylvania, for example — each of which also ranks among the top 10 health insurers nationally, with about $9.5 billion in 2006 revenue apiece — paid their CEOs $3.7 million and $2.6 million last year.

Cigna's CEO received $22.7 million in 2007, AP reported last month.

"The chief executive of health insurer Cigna Corp. received a compensation package worth $22.7 million in 2007, boosted by a big bonus awarded during a year of lackluster stock performance, according to a regulatory filing made late Friday," AP said. "H. Edward Hanway received a salary of $1.11 million, a performance-based bonus of nearly $18 million, and other perks worth $32,021 including the use of company aircraft. He received $3.57 million worth of stock and option awards, the value on the day they were granted, a Securities and Exchange Commission filing showed."

This is up from $15.2 million in 2006.

United Health, another profitable insurance company whose rating remained positive in the S&P's recent review was remonstrated by physicians in an Apr. 4 article by the Wall Street Journal, where some "physicians who see the insurer as ironfisted in reimbursement and largely absent in communicating with doctors."

Aetna stocks have slid this year, but the company maintains it will hit its profit expectations for 2008.

Defense contractors are also posting growth. In 2008 dollars, yearly expenditures top peaks reached during the Korean and Vietnam wars, and amount to three quarters of the peak reached during World War II -- which called for 10 times the number of troops -- according to SmartMoney.com associate editor Jack Hough.

"Accordingly, the stock value of America's big defense contractors has swelled, on average, more than 150% in five years, about triple the broad market's gain," Hough adds, in his April 10 piece, "War Lines Pockets of Defense-Stock Investors."

Rich staying rich, and living well

Across the country, those of multi-million dollar means may be feeling the pinch in the stock market, but it isn't keeping them from spending lavishly. The multimillion and up housing market -- particularly in Manhattan and Miami Beach -- remains strong.

And it's not just the rich who are rich that are doing well.

"Days before the collapse of Bear Stearns, the bank's chairman, James E. Cayne, paid $25 million for a 14th-floor condo at the Plaza Hotel," the *New York Times*' Christine Haughney and Eric Konigsberg reveal Monday.

You might expect Cayne to be hiding from the financial crowd after Bear Stearn's collapse. He's not.

He's "invited to [a] May 10 party at the Plaza," Haughney and Konigsberg write. "It will feature a dozen female string musicians made up to look like statues and clothed in dresses of fresh flowers, like roses and gardenias. There will be caviar and Cognac bars, as well as a buffet designed to visually replicate 17th-century Dutch paintings from the recent Metropolitan Museum of Art exhibit, "The Age of Rembrandt."

Cayne stepped down to become non-executive chairman in January. He will become "one of the bank's top 'rainmakers,' working with key clients on mergers and acquisitions and other high-profile deals," according to the British *Telegraph*.

The paper documents the continued buying power of America's powerful elite.

Real estate in Manhattan isn't suffering the woes of the subprime crisis hitting low-income and middle-class homeowners across the country. Buyers have plucked up 71 apartments in the gilded city -- all of them priced over $10 million. This compares with just 17 such units in 2007.

"And the GoldBar, a downtown lounge, reports that bankers continue to order $3,000 bottles of Rĕmy Martin Louis XIII Cognac."