

AGENDA
EXECUTIVE COMPENSATION COMMITTEE OF THE
EL CAMINO HOSPITAL BOARD OF DIRECTORS

Thursday, March 16, 2023 – 4:00 pm

El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040 | Sobrato Boardroom 2

THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION PORTION OF THE MEETING LIVE AT THE ADDRESS ABOVE OR VIA TELECONFERENCE AT:

1-669-900-9128, MEETING CODE: 986-8193-0813#. No participant code. Just press #.

PURPOSE: To assist the El Camino Hospital (ECH) Board of Directors (“Board”) in its responsibilities related to the Hospital’s executive compensation philosophy and policies. The Executive Compensation Committee shall advise the Board to meet all applicable legal and regulatory requirements as it relates to executive compensation.

	AGENDA ITEM	PRESENTED BY	ACTION	TIMES/DURATION
1	CALL TO ORDER/ROLL CALL	Bob Miller, Chair	Information	4:00 – 4:01pm
2	CONSIDER APPROVAL FOR AB 2449 REQUESTS	Bob Miller, Chair	Possible Motion <i>public comment</i>	4:01 – 4:02
3	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair	Information	4:02 – 4:03
4	PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Bob Miller, Chair	Information	4:03 – 4:05
5	CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session of the ECC Meeting (11/3/2022)	Bob Miller, Chair	Motion Required <i>public comment</i>	4:05 – 4:06
6	<u>REPORT ON BOARD ACTIONS</u>	Dan Woods, CEO	Information	4:06 – 4:11
7	ADJOURN TO CLOSED SESSION	Bob Miller, Chair	Motion Required	4:11 – 4:12
8	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair	Information	4:12 – 4:13
9	CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval <i>Gov’t Code Section 54957.2:</i> a. Minutes of the Closed Session of the ECC Meeting (11/03/2022)	Bob Miller, Chair	Motion Required	4:13 – 4:14
10	<i>Health and Safety Code Section 32106(b) for a report and discussion involving healthcare facility trade secrets:</i> FY23 Q2 STRATEGIC AND ORGANIZATIONAL GOAL UPDATE	Dan Woods, CEO	Discussion	4:14 – 4:24

	AGENDA ITEM	PRESENTED BY	ACTION	TIMES/DURATION
11	<i>Gov't Code Section 54957 and 54957.6 for a report and discussion on personnel matters:</i> METHODOLOGY OVERVIEW & FEEDBACK ON EXECUTIVE STRATEGIC PICK GOALS	Bob Miller, Chair Heidi O'Brien, Mercer	Discussion	4:24 – 4:45
12	<i>Gov't Code Section 54957 and 54957.6 for a report and discussion on personnel matters:</i> ADDRESSING COMPENSATION ERRORS	Bob Miller, Chair Heidi O'Brien, Mercer	Discussion	4:45 – 5:00
13	ADJOURN TO OPEN SESSION	Bob Miller, Chair	Motion Required	5:00 – 5:01
14	RECONVENE OPEN SESSION/ REPORT OUT	Bob Miller, Chair	Information	5:01 – 5:02
	To report any required disclosures regarding permissible actions taken during Closed Session.			
15	COMMITTEE UPDATE a. Progress Against FY23 Goals and Pacing Plan b. Proposed FY24 Committee Goals and Pacing Plan c. Proposed FY24 ECC Dates d. Timing of CEO Performance Review e. El Camino Hospital Board Director Compensation and Reimbursement Policy	Bob Miller, Chair	Discussion	5:02 – 5:20
16	CLOSING COMMENTS	Bob Miller, Chair	Discussion	5:20 – 5:29
17	ADJOURNMENT	Bob Miller, Chair	Motion Required <i>public comment</i>	5:29 – 5:30 pm

APPENDIX

Upcoming Meetings: May 23, 2023



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, November 03, 2022**

Pursuant to State of California Executive Order N-29-20 dated March 18, 2020, El Camino Health did not provide a physical location for this meeting. Instead, the public was invited to join the open session meeting via teleconference.

Members Present

Bob Miller, Chair
Julie Kliger, Vice-Chair***
Jaison Layney**
Estrella Parker*
Carol Somersille
George Ting, MD
Alessandra Yockelson**

Members Absent

Teri Eyre

* Estrella Parker was absent at roll call but joined via Zoom at 4:02 pm

**via teleconference

*** Director Kliger left at 5:30 pm

Others Present

Dan Woods, CEO
Deanna Dudley, CHRO
Ed Braxton, Director, Total Rewards
Tracy Fowler, Director, Governance Services
Heidi O'Brien, Partner, Mercer**
Rob Kirkpatrick, Senior Associate, Mercer**
Heidi Parker, Executive Assistant
Marianne Vicencio, Via Healthcare Consulting**

Agenda Item	Comments/Discussion	Approvals/ Action
1. AGENDA ITEM 1: CALL TO ORDER/ ROLL CALL	<p>The open session meeting of the Executive Compensation Committee of El Camino Hospital (the "<u>Committee</u>") was called to order at 4:00 p.m. by Chair Bob Miller. A verbal roll call was taken.</p> <p>A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020, and N-29-20 dated March 18, 2020.</p>	
2. AGENDA ITEM 2: POTENTIAL CONFLICT OF INTEREST DISCLOSURES	<p>No conflicts of interest.</p>	
3. AGENDA ITEM 3: PUBLIC COMMUNICATION	<p>None.</p>	
4. AGENDA ITEM 4: CONSENT CALENDAR	<p>Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar for further discussion. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meetings (09/13/2022)</p> <p>Movant: Ting Second: Layney Ayes: Kliger, Layney, Miller, Somersille, Ting, Yockelson Noes: None Abstentions: Parker (was not present during consent calendar approval) Absent: Eyre Recused: None</p>	<p>Consent calendar approved</p>

<p>5. AGENDA ITEM 5: REPORT ON BOARD ACTIONS</p>	<p>Chair Miller asked the Committee for any questions or feedback regarding the Report on the Board Actions, as further detailed in the packet. No questions were noted. Chair Miller provided additional context regarding Board Actions the Executive Compensation Committee had made recommendations on, including CEO executive compensation approvals.</p>	
<p>6. AGENDA ITEM 6: COMMITTEE PACING PLAN</p>	<p>Chair Miller led a brief discussion of the ECC pacing plan. Dan Woods, CEO, reported that the cadence of the ECC planning and review meetings has been established. Tracy Fowler, Director of Governance Services, stated that the pacing plan has been updated to include the FY22 CEO Performance Review Process and FY23 Recommendations as well as FY23 Executive Performance Review Process and FY24 Recommendations.</p>	
<p>7. AGENDA ITEM 7: FY23 COMMITTEE GOALS AND STRATEGIC PLAN ALIGNMENT</p>	<p>Mr. Woods reminded the group that the Governance Committee (GC) had challenged all board committees to review committee goals and ensure they are linked to ECH's strategic plan. He reported that ECC goals have been updated to align with El Camino Health's Value Proposition and Strategic Framework.</p> <p>The group discussed leadership succession planning and whether it should be the purview of the ECC rather than the of the Governance Committee. Heidi O'Brien, Partner, Mercer, stated that succession planning is often part of executive compensation committee's duties.</p> <p>The group also discussed committee goals and whether ECC can do the final approval of the health system's goals. Questions were asked and answered.</p> <p>Members requested the following change to ECC Committee Goals and Pacing Plan document: Replace "recused" with "excused" in this sentence - <i>These individuals shall be recused when the Committee is reviewing their individual compensation.</i>"</p>	<p>Action:</p> <p>Modify the <i>ECC Committee Goals and Pacing Plan</i> document: Replace "recused" with "excused" in this sentence - <i>These individuals shall be recused when the Committee is reviewing their individual compensation.</i>"</p>
<p>8. AGENDA ITEM 8: ASSESS DELEGATION OF AUTHORITY</p>	<p>Chair Miller provided context and background about the delegation of authority at ECH. He said the task for this group was to assess whether delegating authority to approve annual base salary changes, individual performance incentive goals, and incentive compensation payments for executives (other than the CEO) to the executive compensation committee has been effective.</p> <p>Board and committee members were asked their opinions and the consensus was the delegated authority was effective.</p>	
<p>9. AGENDA ITEM 9: FY22 CEO PERFRMANCE REVIEW PROCESS AND FY23 RECOMMENDATIONS</p>	<p>Chair Miller provided some background information on the CEO Performance Review Process, then introduced Ms. O'Brien to present Mercer's recommendations.</p> <p>Mercer's recommendations includes:</p> <ul style="list-style-type: none"> Require Board members to enter their names at time of survey submission, enabling follow-up with non-responders (responses would remain anonymous) 	<p>Action:</p> <p><i>Mercer to add district-board-focused survey questions to the board survey and aggregate the</i></p>

- Close the survey approximately one week earlier to allow discussion of results to occur in advance of salary/incentive discussions.

Discussion about the actual performance review process followed. The process for FY22 included two separate meetings: one with Mr. Woods and the Board Chairs from the ECH Board and ECH District Board (ECHDB), and a second meeting between Mr. Woods and the ECHDB. Members expressed concern that having two performance review meetings could result in competing priorities for Mr. Woods.

The committee engaged in a robust discussion where opinions were offered, and questions asked and answered.

It was suggested that the performance criteria in the current item on District Board responsibilities should be disaggregated into several separate items. Ms. O'Brien agreed the Mercer could add district-board-focused survey questions to the board survey and aggregate the results by August 2023. The aggregated results could then be provided to the board chairs before their joint meeting with Mr. Woods.

Ms. O'Brien reported that Hospital Board Chair Bob Rebitzer had requested that the presentation of data on CEO pay to the Board be simplified and minimize the amount of data provided to make the executive compensation decision process cleaner. Ms. O'Brien recommended ECH metrics should be *Percent of Target*, not *Percent of Maximum*.

Members discussed suggested process improvements and additional information needed to complete the Compensation Process. Members requested that Mercer present the salary ranges and current salary in bar graph form. They also requested that the graph include where the proposed salary would fall for a given percentage increase, and, after the final decision is made, the final salary amount. Lastly, members requested that Mercer provide a spreadsheet of what the other CEOs make in the market. After some discussion, it was agreed that the current practice of aggregating compensation data from national samples of not-for-profit health care organizations of similar size as ECH provided a much sounder basis for analyzing the competitive positioning of ECH's CEO compensation.

Motion: To approve FY22 CEO Performance Review Process And FY23 Recommendations

Movant: Somersille

Second: Kliger

Ayes: Kliger, Layney, Miller, Parker, Somersille, Ting, Yockelson

Noes: None

Abstentions:

Absent: Eyre

Recused: None

results by August 2023. Provide aggregated responses to the board chairs before their joint meeting with Mr. Woods.

March 2023 ECC agenda item: Mercer to describe their methodology to the ECC - to include sample selection process, data sources, calculations.

Before the March 2023 ECC meeting: Mercer to provide CEO performance recommendations to the two board chairs.

10. AGENDA ITEM 10: ADJOURN TO CLOSED SESSION	Motion: To adjourn to closed session at 5:08 p.m. Movant: Kliger Second: Ting Ayes: Kliger, Layney, Miller, Parker, Somersille, Ting, Yockelson Noes: None Abstentions: Absent: Eyre Recused: None	Adjourned to closed session at 5:08 p.m.
11. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT	The open session was reconvened at 5:50 p.m. Agenda items 11-15 were addressed in the closed session. During the closed session, the Committee approved the following by a unanimous vote of all members present (Kliger, Layney, Miller, Parker, Somersille, Ting, Yockelson) <ul style="list-style-type: none">• The Closed Session Minutes of the 09/13/2022 ECC meeting• Proposed FY23 Individual Executive Strategic Pick Goals (CHRO)	
12. AGENDA ITEM 17: CLOSING COMMENTS	There were no additional comments from the Committee.	
13. AGENDA ITEM 18: ADJOURNMENT	Motion: To adjourn at 5:51 p.m. Movant: Layney Second: Ting Ayes: Layney, Miller, Parker, Somersille, Ting, Yockelson Noes: None Abstentions: Absent: Eyre, Kliger Recused: None	Meeting adjourned at 5:51 p.m.

Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and the Board of Directors of El Camino Hospital.

Tracy Fowler, Director of Governance Services

Prepared by: Marianne Vicencio, Via Healthcare Consulting
Reviewed by: Tracy Fowler, Director of Governance Services

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
EXECUTIVE COMPENSATION COMMITTEE MEETING MEMO**

To: Executive Compensation Committee
From: Tracy Fowler, Director Governance Services
Date: March 16, 2023
Subject: Report on Board Actions

Purpose: To keep the Committee informed regarding actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

Since the last time we provided this report to the Quality Committee, the Hospital Board met once and the District met once. In addition, since the Board has delegated specific authority to the Executive Compensation Committee, the Compliance and Audit Committee, and the Finance Committee, those approvals are also noted in this report for any meetings since the last Quality Committee

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
ECH Board	November 9, 2022	<ul style="list-style-type: none"> - Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - Credentialing and Privileges Report - Physician Services Agreement - Capital Project Request – MV Imaging Equipment Replacement and Expansion
	December 7, 2022	<ul style="list-style-type: none"> - Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - Credentialing and Privileges Report - Orthopedic Co-Management Agreement - Annual Safety Report for the Environment of Care - Affiliate Covered Entity (ACE) Policy
	February 15, 2023	<ul style="list-style-type: none"> - Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - Surplus Cash – Reserve Fund Investment Policy - Credentialing and Privileges Report - Psychiatric Telehealth Services Renewal Agreement (Enterprise) - Capital Project Request: MV & LG Pharmacy Upgrades - Board and Advisory Committee Education Policy - Investment Committee Charter - Quality Committee Member Appointments - Scope of Service – Imaging Services - Human Resources Division Scope of Service

Report on Board Actions
 March 16, 2023

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
ECHD Board	December 5, 2022	<ul style="list-style-type: none"> - Santa Clara County Board of Supervisor Appointments of September 13, 2022 - Election of District Board Members Fung and Ting to Hospital Board of Directors
	February 8, 2023	<ul style="list-style-type: none"> - Ad Hoc Committee Recommendation to Reappoint ECHB Director – Rebitzer - Ad Hoc Committee Recommendation to Not Reappoint ECHB Director – Kliger
Compliance and Audit Committee	November 30, 2022	<ul style="list-style-type: none"> - Affiliate Covered Entity (ACE) Policy - Modification to Physician Financial Arrangement Review and Approval Policy
	February 22, 2023	<ul style="list-style-type: none"> - <i>Physician Financial Arrangement Reports</i>
Executive Compensation Committee	No meetings	<ul style="list-style-type: none"> - No approvals to report
Finance Committee	November 21, 2022	<ul style="list-style-type: none"> - FY23 Period 3 Financial Report
	January 30, 2022	<ul style="list-style-type: none"> - FY23 Period 6 Financial Report - Hospitalist Professional Services Renewal Agreement (LG) - Hospitalist Professional Services Agreement (MV) - Plastic Surgery Per Activation Professional Services Agreement (LG) - Anesthesia Services Agreement
	February 27, 2023	<ul style="list-style-type: none"> - <i>Information pending</i>

FY23 COMMITTEE GOALS AND PACING PLAN

Executive Compensation Committee

The purpose of the Executive Compensation Committee (the "Committee") is to assist the El Camino Hospital (ECH) Hospital Board of Directors ("Board") in its responsibilities related to the Hospital's executive compensation philosophy and policies. The Committee will advise the Board to meet all legal and regulatory requirements as it relates to executive compensation.

STAFF: **Deana Dudley**, Chief Human Resources Officer (Executive Sponsor)

The CHRO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration and for developing and disseminating in a timely manner management's recommendations to the Committee and appropriate supporting information to facilitate the Committee's deliberations and exercise of its responsibilities. The CEO, and other staff members as appropriate, may serve as a non-voting liaison to the Committee and may participate at the discretion of the Committee Chair. These individuals shall be recused when the Committee is reviewing their individual compensation.

GOALS	TIMELINE	METRICS/PACING PLAN
1. Provide oversight and approvals for compensation-related decisions, including performance incentive goal-setting and plan design	Q1 (9/13)	<ul style="list-style-type: none"> - Review and approve FY23 executive base salaries - Review and recommend FY22 Organizational Incentive Score - Review and approve FY22 individual incentive scores - Review and approve FY22 executive payout amounts
	Q3	<ul style="list-style-type: none"> - Recommend FY24 Committee goals - Receive update leadership development <i>Move to Q4</i> - Receive update on strategic plan - Review potential policy changes <i>Move this to November meeting each year to reflect September market changes</i>
	Q4 (5/18)	<ul style="list-style-type: none"> - Receive update on leadership development - Review and recommend proposed FY24 organizational incentive goals - Review and approve FY24 individual executive strategic pick goals
2. Evaluate the effectiveness of the independent compensation consultant	Q4 (5/18)	<ul style="list-style-type: none"> - Conduct annual evaluation of ECC consultant

SUBMITTED BY: Chair: Bob Miller | Executive Sponsor: Deanna Dudley

FY24 COMMITTEE GOALS AND PACING PLAN

Executive Compensation Committee

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STAFF: **Deanna Dudley**, Chief Human Resources Officer (Executive Sponsor)

The CHRO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration and for developing and disseminating in a timely manner management's recommendations to the Committee and appropriate supporting information to facilitate the Committee's deliberations and exercise of its responsibilities. The CEO, and other staff members as appropriate, may serve as a non-voting liaison to the Committee and may participate at the discretion of the Committee Chair. These individuals shall be recused when the Committee is reviewing their individual compensation.

GOALS	TIMELINE	METRICS/PACING PLAN
1. Provide oversight and approvals for compensation-related decisions, including performance incentive goal-setting and plan design	Q1 (9/21)	<ul style="list-style-type: none"> - Review and approve FY24 executive base salaries - Review and recommend FY23 Organizational Incentive Score - Review and approve FY23 individual incentive scores - Review and approve FY23 executive payout amounts
	Q2 (11/16)	<ul style="list-style-type: none"> - Review potential policy changes
	Q3 (3/21)	<ul style="list-style-type: none"> - Recommend FY25 Committee goals - Receive update on strategic plan
	Q4 (5/23)	<ul style="list-style-type: none"> - Review and recommend proposed FY25 organizational incentive goals - Review and approve FY25 individual executive strategic pick goals - Receive update leadership development
2. Evaluate the effectiveness of the independent compensation consultant	Q4 (5/23)	<ul style="list-style-type: none"> - Conduct annual evaluation of ECC consultant

SUBMITTED BY: Chair: Bob Miller | **Executive Sponsor:** Deanna Dudley

Executive Compensation Committee Meetings
Proposed FY2024 Dates

RECOMMENDED ECC DATES THURSDAYS @ 4:00 PM PT
Thursday, September 28, 2023
Thursday, November 30, 2023
Thursday, March 21, 2024
Thursday, May 23, 2024



welcome to brighter

CEO Total Remuneration Evaluation Process

March 16, 2023

Heidi O'Brien
Rob Kirkpatrick

A business of Marsh McLennan

CEO Performance Evaluation and Pay Decisions

Current process

- Each year, Mercer facilitates a survey for Board members, and the CEO, to provide input on CEO performance
 - Survey open between **mid-August and early September**
 - Mercer reviews summarized findings with Hospital and District Chairs in **late September / early October**
 - Board Chairs meet with CEO to conduct performance review in **early October**
 - Findings are discussed in **October Board meeting**
- The Board also makes decisions on CEO salary increase and discretionary incentive score in the **October Board meeting**

CEO Performance Assessment and Pay Adjustments

Recommended Changes for FY2023+

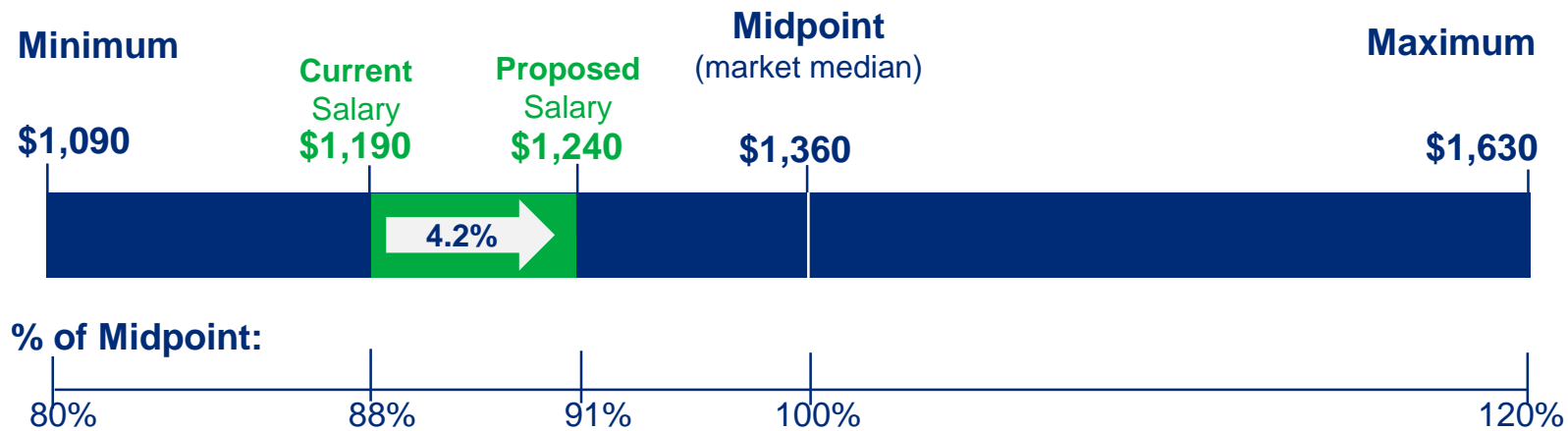
- 1 Require Board members to enter their names at time of survey submission, enabling follow-up with non-responders**
 - Each Board member's survey response would remain anonymous
 - 1 out of 10 Board members did not respond to the 2022 survey; 2 of 10 did not respond in 2021
- 2 Close survey ~ 2 weeks earlier to allow ample time for discussion of results prior to salary/incentive decisions**
- 3 Decouple discussions of CEO performance and CEO pay into two separate Board meetings**
 - September Board meeting: review CEO performance assessment
 - October Board meeting: approve CEO pay changes (follows the September ECC meeting)
- 4 Hold any discussions on CEO performance prior to the Board Chairs' meeting with the CEO**
 - Preference is for only one (Board-wide) discussion on CEO performance (at September Board meeting)
 - If separate District Board discussion is needed, this should occur prior to the Chairs' performance discussion with the CEO
- 5 Expand the District-specific question in the survey**
 - Expand single "District Board Accountabilities" rating into 3 different ratings: 1) Administration of District resources and services approved by the District, 2) Representation of the District in the community, and 3) Communication with the District Board
- 6 Simplify Board alternatives for salary increase and discretionary incentive score**
 - Provide simplified chart with fewer salary alternatives
 - Reflect discretionary incentive score alternatives as a % of target (prior ECH spreadsheet reflected % of max)
 - Apply discretion only if/when warranted (i.e. in most years discretionary score will equal organizational score)
- 7 Coordination:** When distributing survey to Board members, Mercer will make clear that this is separate from other surveys (e.g. Board self-assessment), and will ensure Tracy Fowler and Stephanie Iljin reflect this process in the pacing plan and master calendar

Proposed Base Salary Actions

EXAMPLE OUTPUT

- ECH's compensation philosophy targets salary on average at the market median, with placement in the salary range (80%-120% of median) dependent upon experience and performance

FY2024 Salary Range:

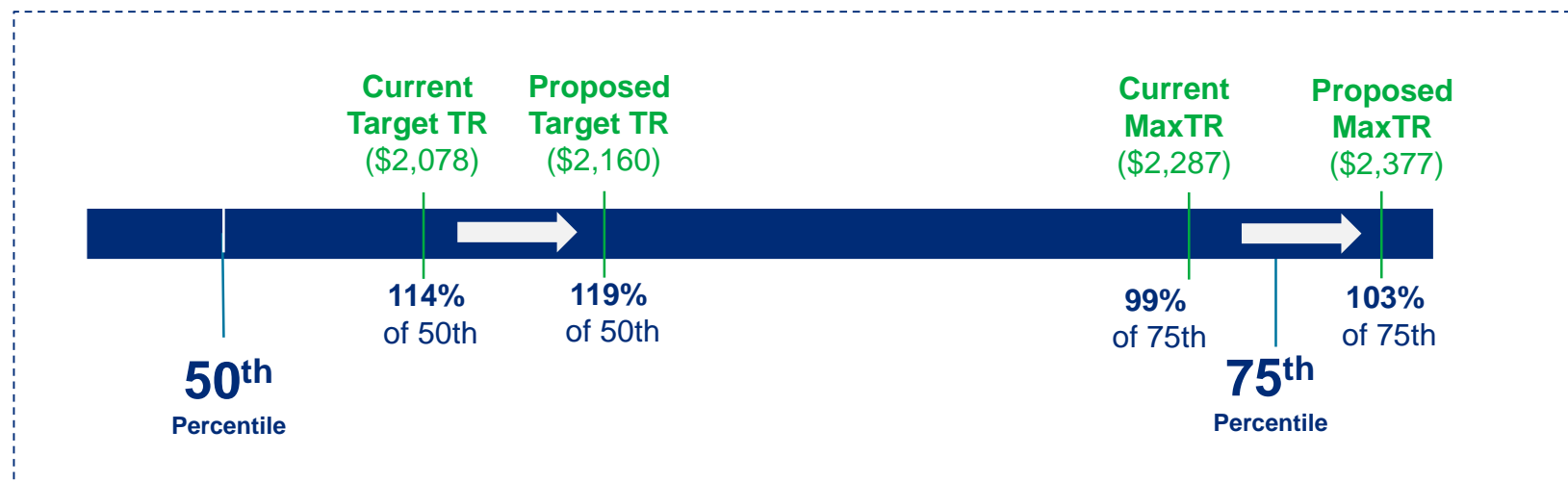


Current salary is 88% of the midpoint. With the proposed 4.2% salary increase, salary would be 91% of the midpoint

Positioning of Total Remuneration

EXAMPLE OUTPUT

- With the proposed \$1.24M salary, resulting target total remuneration (“TR” = salary plus incentive plus benefits) is \$2.16M
- ECH’s compensation philosophy targets salary at the market median, and TR* between the market median and 75th percentile, depending upon performance



With the proposed salary increase, TR is aligned with the compensation philosophy

*Target TR assumes annual incentive is paid at target. Max TR assumes incentive is paid at maximum. Max TR is compared to the market 75th percentile.

Note: TR includes \$219K in special benefits value approved as part of the 2021 CEO retention package (consists of \$112K in forgiven loan value which will not be included in total remuneration after 2025, and \$107K in additional SERP value that is unvested until 2024 and 2025). Without this additional value, target TR would be 111% of median, and Max TR 97% of 75th percentile.

FY2023 Incentive Plan Payment

**EXAMPLE
OUTPUT**

Target Incentive Payment is 35% of Salary

- CEO incentive payment is based on the organizational score, and may be adjusted by Board discretion
 - Board has discretion to adjust the payment when the organization's performance does not accurately reflect the CEO's performance (expected to occur in limited circumstances)

- Incentive payment calculation: $35\% \times \text{FY23 salary} \times \text{organizational score} = \mathbf{\$354,025}$

$\underbrace{\hspace{10em}}_{\$1.19\text{M}} \quad \underbrace{\hspace{10em}}_{\text{FY23 score} = 85\%}$

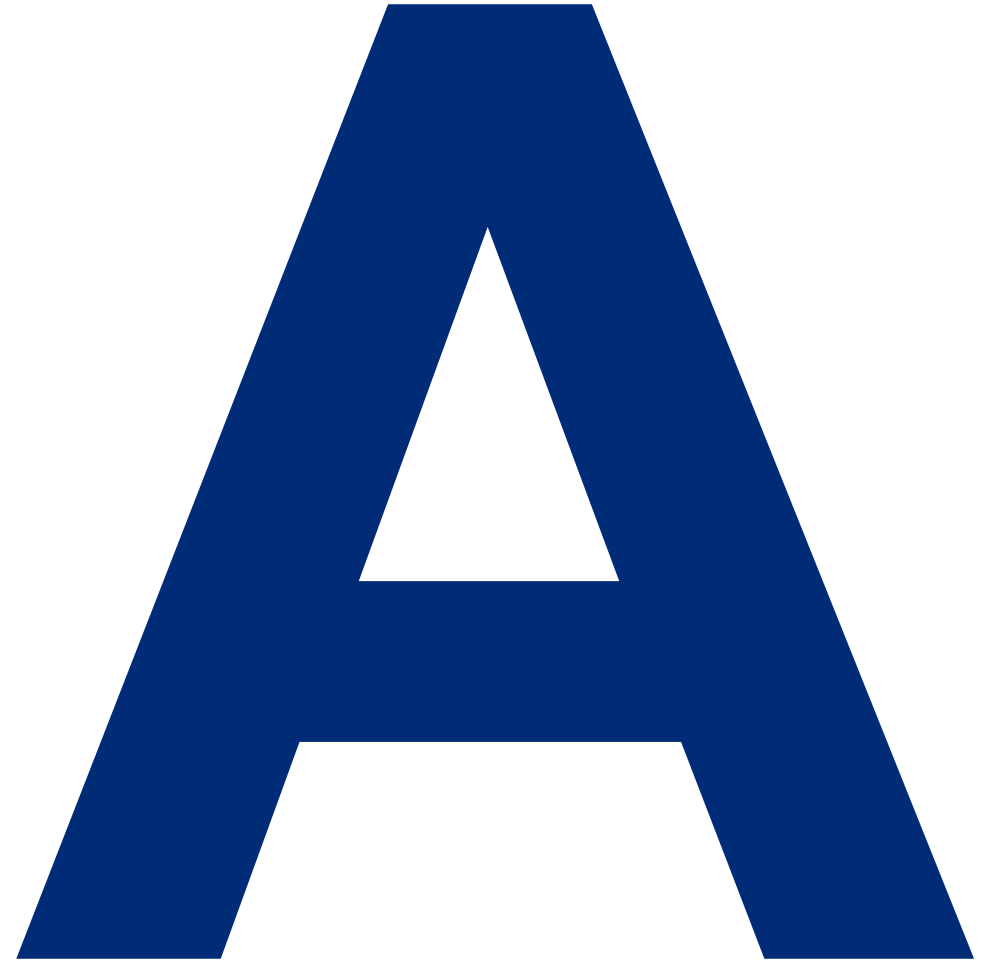
- *If Board discretion is warranted*, the \$354,025 can adjust to between \$318,623 and \$381,098:



Proposed Timeline for FY23 CEO Evaluation & Pay Approval

Step	Timing	Responsible
Distribute CEO survey to Board members and CEO	Early July	Mercer
Respond to CEO performance survey	By late July	All Board members, CEO
CEO to prepare high-level summary of ECH performance relative to local systems; Mercer to include in the assessment report	Mid-August	CEO, Mercer
Summary report provided to Board Chairs covering 1) Board survey input and 2) CEO self-assessment survey input	Mid-August	Mercer
Board meeting: present/discuss CEO performance evaluation results	September	Board Chairs
District Board meeting (if warranted): to discuss the CEO's District-related performance only	September, prior to Chairs' meeting with CEO	District Board Chair
Board Chairs meet with CEO: discuss performance evaluation	Mid-Late September	Board Chairs, CEO
Prepare exhibits for CEO salary and incentive alternatives	Mid-Late September	Mercer
ECC meeting: review proposed CEO base salary range based on market analysis	September 21	Mercer, ECC
Discuss CEO salary and incentive alternatives; determine recommendation for Board meeting	Late September (~2 weeks before Oct. 11 Board mtg)	Board Chairs, ECC Chair, Mercer
Board meeting: approve salary increase and incentive payment	October 11	Board Chairs to recommend; full Board to approve

Appendix



Annual Board Evaluation of CEO Performance

Summary of approach and report contents

Approach	Report Contents
<ul style="list-style-type: none">• All Board members are asked to provide input on CEO performance across eight categories:<ul style="list-style-type: none">– Board Relations– Strategic Development– Executive Team Relations and Development– Quality and Patient Safety– Financial Leadership– Risk and Change Management– Leadership and Culture– Community Health and Partnerships• District Board members are asked to rate the CEO in one additional category specific to District-related responsibilities<ul style="list-style-type: none">– Proposed change expands this from one to three categories	<ul style="list-style-type: none">• Board ratings and narrative comments• Comparison table of CEO self-assessment to Board feedback• CEO self-assessment ratings and narrative, for each of the performance categories• Results are presented from four lenses:<ul style="list-style-type: none">– ECH Hospital Board findings– ECH District Board findings– Combined Board findings– CEO self-assessment findings

FY2023 Incentive Plan Payment

**EXAMPLE
OUTPUT**

Board discretion details

- Board has discretion to adjust the payment when the organization's performance does not accurately reflect the CEO's performance (expected to occur in limited circumstances)
- Incentive payment calculation (without adjustment): 35% x FY23 salary x organizational score = **\$354,025**

$$\underbrace{\quad}_{\$1.19\text{M}} \times \underbrace{\quad}_{\text{FY23 score} = 85\%} = \$354,025$$

- Board discretion can adjust the incentive to a limited degree:

Unadjusted Incentive (Salary x 35% x Org Score)	Discretionary Score (% of Target)	TOTAL Incentive Payment	TOTAL as a % of Target
\$354,025	0.0% (min)	\$318,623	77%
\$354,025	85.0% (= org score)	\$354,025	85%
\$354,025	150.0% (max)	\$381,098	92%

If CEO score = organizational score, incentive is \$354,025

Board discretion, if warranted, can adjust incentive to between **\$318,623** and **\$381,098**





Origination 01/2014
Last Approved 03/2019
Effective 03/2019
Last Revised 03/2019
Next Review 03/2022

Owner **Stephanie Iljin:
Manager
Administration**
Area **Board**
Document Types **Procedure**

El Camino Hospital Board Director Compensation and Reimbursement

I. COVERAGE:

All Members of the El Camino Hospital Board of Directors with the exception of the Chief Executive Officer.

II. PURPOSE:

- A. To define the events for which Board Directors other than the CEO shall receive compensation and reimbursement.
- B. To define the amount of compensation Board Directors shall receive.
- C. To define the procedures necessary to implement this policy.

III. POLICY STATEMENT:

- A. El Camino Hospital shall pay its Board Chairperson an annual stipend in the amount of \$12,000, payable during the third month of each quarter of the fiscal year.
- B. El Camino Hospital shall pay members of its Board of Directors, with the exception of the Board Chairperson, a stipend for **in person attendance** at each of the events listed below, not to exceed seven events per month. However, one of the compensable events per month may be attended by teleconference. Members of the Board of Directors who do not wish to receive such payments may notify the Director of Governance Services and the CEO by submitting a "Board of Directors' Compensation Op-Out" form. Any member not receiving compensation may request to receive such compensation for attendance at future events by notifying the Director of Governance Services and the CEO. Notwithstanding the above, a stipend shall be paid for participation in the event described in Section C(3)(e) for either in person or telephonic attendance.

- C. Events which are subject to compensation include:
1. Board members shall be paid \$200 for attendance at Regular, Special and Emergency Meetings of the El Camino Hospital Board of Directors.
 2. Board members shall be paid \$100 for attendance at meetings of the Standing Board Advisory Committees of which the Director is a member or an alternate.
 3. In addition to the foregoing meetings, the Board, by adoption of this policy, declares that the following events constitute performance of official duties by a member of the Board of Directors for which Board members shall be paid \$100 for attending:
 - a. Meetings of the Board's Ad Hoc Committee established by the Board of which the Director is a member.
 - b. Meetings of the El Camino Hospital Foundation, when the Director is then serving as a liaison to the Foundation Board.
 - c. Meetings of the Community Benefit Advisory Council ("CBAC") if the Director has been appointed as a liaison to the CBAC by the El Camino Hospital Board of Directors.
 - d. Advisory Committee Meeting agenda setting meetings, in person or telephonic, if the Director is the Chair of the Committee.
- D. El Camino Hospital shall also pay to members of its Board of Directors, including the Board Chairperson, (who request such payment reimbursement and submit the required form) an amount equal to his or her actual necessary travel and incidental expenses, including but not limited to travel, lodging and meals incurred (1) as a result of attending events specified in Section B above and (2) as a result of attending educational events funded by El Camino Hospital.
- E. Board members who reside within the El Camino Healthcare District shall not be eligible for reimbursement for mileage to events at El Camino Hospital.
- F. Board members are expected to use prudent judgment in selecting their travel accommodations and otherwise incurring expenses which will be reimbursed by the Hospital.
- G. This policy shall be implemented in accordance with the procedures described in Section VI below.

IV. DEFINITIONS:

N/A

V. REFERENCES:

N/A

VI. PROCEDURE:

- A. Stipends
1. Hospital staff will track Board members' attendance at meetings and, on a monthly basis, provide Board members who have not opted out of the policy with a "Meeting

Attendance Report Confirmation" Form for ~~signature~~confirmation.

2. Upon receipt of the ~~signed~~ Meeting Attendance Report Confirmation and following approval of the ~~Board Chair, (or the Vice Chair, in the case of the Chair's compensation)~~Director of Governance Services, Hospital staff will forward the document to accounting.
3. Stipends paid to Directors are IRS Form 1099 – Miscellaneous reportable. Directors who have not opted out of participation (See, Section III A) and are accepting stipend payments must submit IRS FORM W-9 to ECH Accounting before receiving payment. Annually, ECH will provide IRS Form 1099-Miscellaneous to Directors receiving stipend compensation in excess of \$600.00 in a calendar year.

B. Use of Personal Vehicle for attendance at meetings or educational events.

1. The Hospital will pay the current IRS mileage rate for miles actually traveled, but not more than, from the Board member's home or usual place of business within California to events as defined in Section III B and to educational events funded by the Hospital. Board members who reside within the El Camino Healthcare District shall not be eligible for reimbursement for mileage traveled to events at El Camino Hospital.
2. To be reimbursed, the Board member must complete the Mileage Reimbursement form provided by the Director of Governance Services. ~~The form must be signed by the Board Chair (or the Vice Chair in the case of the Chair's reimbursement) and sent to accounting (OAK200) for processing.~~

C. Educational seminars, conferences, events etc. attended for the benefit of the Hospital and in accordance with the Board and Committee Education Policy.

1. **Seminar/conference fees** will be reimbursed in full or at a pro-rated amount in accordance with the Board and Committee Education Policy.
2. **Air travel** will be reimbursed at "coach" airfare rates. No reimbursement should be claimed for personal convenience fees such as those associated with priority boarding or seating upgrades.
3. **Ground travel** to a seminar or a meeting using the Board member's personal vehicle will be reimbursed as noted in item D.1., at the current IRS mileage rate per mile. Board members should consider use of a rental car in cases where the expenses are expected to be less than the reimbursement for a personal vehicle.
4. **Taxi, bus, rail, limo or rental car service**, if required at the destination, may be reimbursed by the Hospital if necessary for business purposes, as follows:
 - a. Reimbursement for car rental expenses incurred by the Board member will be limited to the amount charged for a standard "intermediate" car unless there is a business need for a larger vehicle (multiple travelers with luggage, for example). If the requester requests a larger automobile than is necessary to meet the business need, he/she is to have the rental agency document what the price would have been for a standard "intermediate" vehicle and seek reimbursement for only the lower amount. If a larger vehicle is required to meet a business need, this need must be documented on the "Business-Education-Travel Reimbursement Authorization" form.

- b. Limousine service is permitted if it is no more expensive than available alternatives.
 - c. Board members should choose the least expensive available alternative suitable for the purpose and situation.
 5. **Lodging** will be reimbursed at the standard private room rate at the selected motel/hotel.
 6. **Meals** will be reimbursed at actual cost plus tip (normally 15%). The maximum reimbursement per day is an average of \$130.00. It is the responsibility of the Board member to decide how he/she spends the average per day maximum allowable amount for meals. Detailed receipts indicating the items purchased must be submitted.
 7. **Alcohol** will not be reimbursed unless approved by the CEO, CFO or Board Chair. Because approval will only be granted in unusual circumstances, it is recommended that Board members request approval in advance of the expenditure. The maximum reimbursement of \$130.00 per day includes any approved expenses for alcohol.
 8. **Telephone calls and Internet Service**, during travel, required for necessary Hospital business will be reimbursed at cost. These expenses should be itemized on the statement. The Hospital will also reimburse expenses for a personal telephone call home each day while on Hospital business. The conversation should be kept to a reasonable length and will be reimbursed at cost.
- D. The Hospital will not advance or reimburse for the following:
1. Any expenses of a spouse or other individual who accompanies the Board member on travel.
 2. Any additional expenses for travel by business or first class, or any charges for special boarding privileges or seats.
 3. Lodging amenities such as subscription television, valet service, cleaning/pressing of clothes (if the function is greater than one week, this service is allowed), concierge, etc. In-room meal service is subject to the normal meal reimbursement rates detailed in D.2.f above.
 4. If an offsite event is within a reasonable radius of the Board member's home or usual place of business **and** the function is starting **after** 7:30 a.m. and/or will be ending **before** 11:30 p.m., the Hospital will not pay for overnight accommodations, as it is expected that the Board member will commute that distance to and from the function within that business day.
 5. Car rental fees on an individual basis where there is the opportunity to share a rental car for a group of participants.
 6. Additional per mileage charge or gasoline expense by a car rental agency for personal pleasure driving.
 7. Any entertainment such as theater, tours, nightclubs, etc.
 8. Discretionary expenses for another Board member or Hospital staff, such as a birthday, holiday (e.g. Christmas), weddings, child birth, special days (i.e.

Administrative Day, or some life event.

9. Professional memberships are generally not reimbursable.

E. Travel Reservations: When booking accommodations and/or air travel, the following points should be noted:

1. If a deposit is required to be made by the Hospital, prior approval of the travel request must be received in sufficient time for Accounting to process the request and ensure that the payment reaches its destination by the required date.
2. When booking air travel utilizing a travel agency, the Hospital's current travel agency must be used. Board members will be given a profile to use the Hospital's current travel agency. Board members may book airfares over the Internet using the Board member's personal credit card. The Board member must then seek reimbursement from the Hospital.
3. In most cases, air travel should be booked as a non-refundable fare. The much-lower cost of these non-refundable fares is normally so great that the extra cost, should a trip be re-scheduled, is still much less than paying a full-price fare.

F. Expense Account Reporting

1. Expense account reporting must be in conformity with minimum IRS standards and all expenses of \$25.00 or greater must be supported by detailed receipts. Expense reports must indicate as a minimum all of the following:
 - a. Business purpose
 - b. Date and location
 - c. Name and position
2. Noncompliance with the above requirements could cause the reimbursement to be considered as additional compensation to the Board member and thus would become taxable (via a W-2 or Form 1099). To avoid this potential problem, the Board member must complete the "Business-Education-Travel Reimbursement Authorization" form and attach all supporting documentation.

G. Procedure for Completing Form

1. All Board members must complete the "Business-Education-Travel Reimbursement Authorization" form (Form 2085). Local business mileage reimbursement may be requested via the use of the Mileage Reimbursement form (form #54.00a).
2. Form #2085 is self-explanatory, but listed below are key points to remember.
 - a. **All** supporting documents must be attached to the request form. Examples of supporting documents include
 - i. Copy of registration form
 - ii. Lodging receipts
 - iii. *Detailed* meal receipts
 - iv. Car rental receipts
 - v. Parking fee receipts

- b. In circumstances where a receipt is not obtainable (or lost), the Board member must attach a statement detailing the expense as to date, place, reason for expense, and amount. All reports with missing receipts require approval by the CFO or CEO.
 - c. Where receipts are given that include non-reimbursable expenses, these expenses must be marked in some fashion and deducted from the total so that only eligible expenses are reimbursed.
 - 3. When travel advances are provided, the recipient must submit a final accounting of his/her expenses on the Business, Education, and Travel Expense form and return any excess advance, no later than 120 days from the date of the event. If this is not done, disciplinary action may be taken. In addition, any undocumented advance will be considered additional income to the recipient and reported as a W-2 or Form 1099 transaction.
 - 4. Signature Authority (approval) for the completed form, as well as travel agency invoices, is as follows:
 - a. Director of Governance Services, Controller or CFO - up to \$25,000 per activity
 - b. CEO - amounts greater than \$25,000.00 per activity.
 - 5. A Board Member cannot approve her/his own reimbursement of funds.
- H. Exceptions: Because it is impossible to foresee every possible situation, it is recognized that exceptions may sometimes be appropriate. As a result, expenses which are not generally reimbursed under this policy may be reimbursed by the Hospital upon determination of the appropriateness and reasonableness of the expenses by the CEO or CFO. Any such exception, including the justification for the exception, shall be attached to the request for reimbursement.

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

Approval Signatures

Step Description

Approver

Date



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, November 03, 2022**

Pursuant to State of California Executive Order N-29-20 dated March 18, 2020, El Camino Health did not provide a physical location for this meeting. Instead, the public was invited to join the open session meeting via teleconference.

Members Present

Bob Miller, Chair
Julie Kliger, Vice-Chair***
Jaison Layney**
Estrella Parker*
Carol Somersille
George Ting, MD
Alessandra Yockelson**

Members Absent

Teri Eyre

* Estrella Parker was absent at roll call but joined via Zoom at 4:02 pm

**via teleconference

*** Director Kliger left at 5:30 pm

Others Present

Dan Woods, CEO
Deanna Dudley, CHRO
Ed Braxton, Director, Total Rewards
Tracy Fowler, Director, Governance Services
Heidi O'Brien, Partner, Mercer**
Rob Kirkpatrick, Senior Associate, Mercer**
Heidi Parker, Executive Assistant
Marianne Vicencio, Via Healthcare Consulting**

Agenda Item	Comments/Discussion	Approvals/ Action
1. AGENDA ITEM 1: CALL TO ORDER/ ROLL CALL	The open session meeting of the Executive Compensation Committee of El Camino Hospital (the " <u>Committee</u> ") was called to order at 4:00 p.m. by Chair Bob Miller. A verbal roll call was taken. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020, and N-29-20 dated March 18, 2020.	
2. AGENDA ITEM 2: POTENTIAL CONFLICT OF INTEREST DISCLOSURES	No conflicts of interest.	
3. AGENDA ITEM 3: PUBLIC COMMUNICATION	None.	
4. AGENDA ITEM 4: CONSENT CALENDAR	Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar for further discussion. No items were removed. Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meetings (09/13/2022) Movant: Ting Second: Layney Ayes: Kliger, Layney, Miller, Somersille, Ting, Yockelson Noes: None Abstentions: Parker (was not present during consent calendar approval) Absent: Eyre Recused: None	Consent calendar approved

<p>5. AGENDA ITEM 5: REPORT ON BOARD ACTIONS</p>	<p>Chair Miller asked the Committee for any questions or feedback regarding the Report on the Board Actions, as further detailed in the packet. No questions were noted. Chair Miller provided additional context regarding Board Actions the Executive Compensation Committee had made recommendations on, including CEO executive compensation approvals.</p>	
<p>6. AGENDA ITEM 6: COMMITTEE PACING PLAN</p>	<p>Chair Miller led a brief discussion of the ECC pacing plan. Dan Woods, CEO, reported that the cadence of the ECC planning and review meetings has been established. Tracy Fowler, Director of Governance Services, stated that the pacing plan has been updated to include the FY22 CEO Performance Review Process and FY23 Recommendations as well as FY23 Executive Performance Review Process and FY24 Recommendations.</p>	
<p>7. AGENDA ITEM 7: FY23 COMMITTEE GOALS AND STRATEGIC PLAN ALIGNMENT</p>	<p>Mr. Woods reminded the group that the Governance Committee (GC) had challenged all board committees to review committee goals and ensure they are linked to ECH's strategic plan. He reported that ECC goals have been updated to align with El Camino Health's Value Proposition and Strategic Framework.</p> <p>The group discussed leadership succession planning and whether it should be the purview of the ECC rather than the of the Governance Committee. Heidi O'Brien, Partner, Mercer, stated that succession planning is often part of executive compensation committee's duties.</p> <p>The group also discussed committee goals and whether ECC can do the final approval of the health system's goals. Questions were asked and answered.</p> <p>Members requested the following change to ECC Committee Goals and Pacing Plan document: Replace "recused" with "excused" in this sentence - <i>These individuals shall be recused when the Committee is reviewing their individual compensation.</i>"</p>	<p>Action:</p> <p>Modify the <i>ECC Committee Goals and Pacing Plan</i> document: Replace "recused" with "excused" in this sentence - <i>These individuals shall be recused when the Committee is reviewing their individual compensation.</i>"</p>
<p>8. AGENDA ITEM 8: ASSESS DELEGATION OF AUTHORITY</p>	<p>Chair Miller provided context and background about the delegation of authority at ECH. He said the task for this group was to assess whether delegating authority to approve annual base salary changes, individual performance incentive goals, and incentive compensation payments for executives (other than the CEO) to the executive compensation committee has been effective.</p> <p>Board and committee members were asked their opinions and the consensus was the delegated authority was effective.</p>	
<p>9. AGENDA ITEM 9: FY22 CEO PERFRMANCE REVIEW PROCESS AND FY23 RECOMMENDATIONS</p>	<p>Chair Miller provided some background information on the CEO Performance Review Process, then introduced Ms. O'Brien to present Mercer's recommendations.</p> <p>Mercer's recommendations includes:</p> <ul style="list-style-type: none"> Require Board members to enter their names at time of survey submission, enabling follow-up with non-responders (responses would remain anonymous) 	<p>Action:</p> <p><i>Mercer to add district-board-focused survey questions to the board survey and aggregate the</i></p>

- Close the survey approximately one week earlier to allow discussion of results to occur in advance of salary/incentive discussions.

Discussion about the actual performance review process followed. The process for FY22 included two separate meetings: one with Mr. Woods and the Board Chairs from the ECH Board and ECH District Board (ECHDB), and a second meeting between Mr. Woods and the ECHDB. Members expressed concern that having two performance review meetings could result in competing priorities for Mr. Woods.

The committee engaged in a robust discussion where opinions were offered, and questions asked and answered.

It was suggested that the performance criteria in the current item on District Board responsibilities should be disaggregated into several separate items. Ms. O'Brien agreed the Mercer could add district-board-focused survey questions to the board survey and aggregate the results by August 2023. The aggregated results could then be provided to the board chairs before their joint meeting with Mr. Woods.

Ms. O'Brien reported that Hospital Board Chair Bob Rebitzer had requested that the presentation of data on CEO pay to the Board be simplified and minimize the amount of data provided to make the executive compensation decision process cleaner. Ms. O'Brien recommended ECH metrics should be *Percent of Target*, not *Percent of Maximum*.

Members discussed suggested process improvements and additional information needed to complete the Compensation Process. Members requested that Mercer present the salary ranges and current salary in bar graph form. They also requested that the graph include where the proposed salary would fall for a given percentage increase, and, after the final decision is made, the final salary amount. Lastly, members requested that Mercer provide a spreadsheet of what the other CEOs make in the market. After some discussion, it was agreed that the current practice of aggregating compensation data from national samples of not-for-profit health care organizations of similar size as ECH provided a much sounder basis for analyzing the competitive positioning of ECH's CEO compensation.

Motion: To approve FY22 CEO Performance Review Process And FY23 Recommendations

Movant: Somersille

Second: Kliger

Ayes: Kliger, Layney, Miller, Parker, Somersille, Ting, Yockelson

Noes: None

Abstentions:

Absent: Eyre

Recused: None

results by August 2023. Provide aggregated responses to the board chairs before their joint meeting with Mr. Woods.

March 2023 ECC agenda item: Mercer to describe their methodology to the ECC - to include sample selection process, data sources, calculations.

Before the March 2023 ECC meeting: Mercer to provide CEO performance recommendations to the two board chairs.

10. AGENDA ITEM 10: ADJOURN TO CLOSED SESSION	Motion: To adjourn to closed session at 5:08 p.m. Movant: Kliger Second: Ting Ayes: Kliger, Layney, Miller, Parker, Somersille, Ting, Yockelson Noes: None Abstentions: Absent: Eyre Recused: None	Adjourned to closed session at 5:08 p.m.
11. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT	The open session was reconvened at 5:50 p.m. Agenda items 11-15 were addressed in the closed session. During the closed session, the Committee approved the following by a unanimous vote of all members present (Kliger, Layney, Miller, Parker, Somersille, Ting, Yockelson) <ul style="list-style-type: none">• The Closed Session Minutes of the 09/13/2022 ECC meeting• Proposed FY23 Individual Executive Strategic Pick Goals (CHRO)	
12. AGENDA ITEM 17: CLOSING COMMENTS	There were no additional comments from the Committee.	
13. AGENDA ITEM 18: ADJOURNMENT	Motion: To adjourn at 5:51 p.m. Movant: Layney Second: Ting Ayes: Layney, Miller, Parker, Somersille, Ting, Yockelson Noes: None Abstentions: Absent: Eyre, Kliger Recused: None	Meeting adjourned at 5:51 p.m.

Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and the Board of Directors of El Camino Hospital.

Tracy Fowler, Director of Governance Services

Prepared by: Marianne Vicencio, Via Healthcare Consulting
Reviewed by: Tracy Fowler, Director of Governance Services