

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

Tuesday, June 13, 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: 974 4786 8342#. 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	ESTIMATED TIMES
1	CALL TO ORDER/ROLL CALL	Bob Miller, Chair	Information	4:00 – 4:01pm
2	AB 2449 – REMOTE PARTICIPATION	Bob Miller, Chair	Possible Motion	4:01 – 4:02
3	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair	Information	4:02 – 4:03
	PUBLIC COMMUNICATION	Bob Miller, Chair	Information	4:03 – 4:05
4	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			
	CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval	Bob Miller, Chair	Motion Required <i>public comment</i>	4:05 – 4:06
5	a. Minutes of the Open Session of the ECC Meeting (3/16/2023) Information b. Progress Against FY23 Committee Goals/Pacing Plan			
6	<u>REPORT ON BOARD ACTIONS</u>	Dan Woods, Chief Executive Officer	Information	4:06 – 4:10
7	<u>APPOINTMENT OF AD HOC COMMITTEE FOR RECRUITMENT OF NEW MEMBER(S)</u>	Bob Miller, Chair	Motion Required <i>public comment</i>	4:10 – 4:15
8	APPOINTMENT OF COMMITTEE VICE CHAIR	Bob Miller, Chair	Motion Required <i>public comment</i>	4:15 – 4:20
9	<u>RECOMMEND PROPOSED FY24 ORGANIZATIONAL PERFORMANCE GOALS</u>	Deanna Dudley, Chief Human Resource Officer Dan Woods, Chief Executive Officer	Motion Required <i>public comment</i>	4:20 – 4:40
10	<u>DIRECTOR COMPENSATION POLICY</u>	Heidi O’Brien, Mercer	Information	4:40 – 4:50
11	ADJOURN TO CLOSED SESSION	Bob Miller, Chair	Motion	4:50 – 4:51
12	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair	Information	4:51 – 4:52

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
13	CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval Gov't Code Section 54957.2: a. Minutes of the Closed Session of the ECC Meeting (3/16/2023) b. Correction of Deb Muro FY23 Strategic Pick	Bob Miller, Chair	Motion Required	4:52 – 4:55
14	Gov't Code Section 54957 and 54957.6 for a report and discussion on personnel matters: EXECUTIVE COMPENSATION ITEMS - GEOGRAPHIC DIFFERENTIAL - EXECUTIVE BENEFITS REVIEW	Heidi O'Brien, Mercer	Information	4:55 – 5:10
15	Gov't Code Section 54957 and 54957.6 for a report and discussion on personnel matters: PROPOSED FY24 INDIVIDUAL EXECUTIVE STRATEGIC PICK GOALS	Deanna Dudley, Chief Human Resource Officer Dan Woods, Chief Executive Officer	Information	5:10 – 5:30
16	ADJOURN TO OPEN SESSION	Bob Miller, Chair	Motion	5:30 – 5:31
17	RECONVENE OPEN SESSION/ REPORT OUT	Bob Miller, Chair	Information	5:31 – 5:32
	To report any required disclosures regarding permissible actions taken during Closed Session.			
18	PROPOSED FY24 INDIVIDUAL EXECUTIVE STRATEGIC PICK GOALS	Bob Miller, Chair	Motion Required <i>public comment</i>	5:32 – 5:33
19	<u>ANNUAL EXECUTIVE COMPENSATION CONSULTANT REVIEW</u>	Bob Miller, Chair	Discussion	5:33 – 5:43
20	CLOSING COMMENTS	Bob Miller, Chair	Discussion	5:43 – 5:53
21	ADJOURNMENT	Bob Miller, Chair	Motion Required <i>public comment</i>	5:53 – 5:54 pm

FY24 Upcoming Meetings: September 28, 2023; November 30, 2023; March 21, 2024; June 6, 2024



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, March 16, 2023**

El Camino Hospital, Sobrato Boardroom 1, 2500 Grant Road, Mountain View, CA 94040

Members Present

Bob Miller, Chair
Julie Kliger, Vice-Chair**
Teri Eyre
Estrella Parker
Carol Somersille
George Ting, MD

Members Absent

Jaison Layney

**via teleconference

Others Present

Dan Woods, CEO
Deanna Dudley, CHRO
Ed Braxton, Director, Total Rewards**
Tracy Fowler, Director, Governance Services
Stephanie Iljin, Manager, Administration
Heidi O'Brien, Partner, Mercer**
Rob Kirkpatrick, Senior Associate, Mercer**

Agenda Item	Comments/Discussion	Approvals/ Action
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.	
2. CONSIDER APPROVAL FOR AB 2449 REQUESTS	Director Kliger participated remotely using Just Cause. No Emergency Circumstances needed approval.	
3. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	No conflicts of interest.	
4. PUBLIC COMMUNICATION	None.	
5. 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 (11/3/2022)</p> <p>Movant: Eyre Second: Ting Ayes: Eyre, Kliger, Miller, Parker, Somersille, Ting Noes: None Abstentions: Absent: Layney Recused: None</p>	<i>Consent calendar approved</i>
6. REPORT ON BOARD ACTIONS	Chair Miller asked the Committee for any questions or feedback regarding the Report on the Board Actions, as further detailed in the packet. One question was asked regarding the board approval of the Board and Advisory Committee Education Policy. Dan Woods and Tracy Fowler Services gave additional details about direction from Governance Committee about orientation and training for all board and committee members.	

<p>7. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 5:08 p.m. Movant: Ting Second: Kliger</p> <p>Ayes: Eyre, Kliger, Miller, Parker, Somersille, Ting Noes: None Abstentions: Absent: Layney Recused: None</p>	<p>Adjourned to closed session at 4:13 p.m.</p>
<p>8. AGENDA ITEM 14: RECONVENE OPEN SESSION/ REPORT OUT</p>	<p>The open session was reconvened at 5:08 p.m. Agenda items 8-14 were addressed in the closed session. During the closed session, the Committee approved the following by a unanimous vote of all members present: Eyre, Kliger, Miller, Parker, Somersille, and Ting.</p> <ul style="list-style-type: none"> The Closed Session Minutes of the 11/6/2022 ECC meeting 	
<p>9. AGENDA ITEM 15: COMMITTEE UPDATE</p>	<p>Bob Miller provided an overview of the FY23 goals and proposed FY24 goals, along with the proposed committee dates. He explained the changes to the timing of the benefits discussion and asked for any conflicts with the proposed dates. He also shared a summary of the CEO review process and an amended schedule for the process. The Governance Committee requested Mercer to review and compare the El Camino Hospital Board Director Compensation and Reimbursement Policy with market data, and to bring the market data back at the May meeting. Some minor comments were made, including a request to clarify that this only applies to the hospital board, and to include ride share costs.</p>	<p>Action: Mercer to compile market data for board compensation and bring back to May meeting.</p> <p>Include ride share costs as expenses.</p>
<p>10. AGENDA ITEM 16: CLOSING COMMENTS</p>	<p>There was one comment from Director Ting to suggest changing the name of a new management committee which shares the ECC acronym with this Committee.</p>	<p>Action: Management to re-name internal committee to eliminate confusion with Executive Compensation Committee.</p>
<p>11. AGENDA ITEM 17: ADJOURNMENT</p>	<p>Motion: To adjourn at 5:31 p.m. Movant: Kliger Second: Ting</p> <p>Ayes: Eyre, Kliger, Miller, Parker, Somersille, Ting Noes: None Abstentions : None Absent : Layney Recused: None</p>	<p>Meeting adjourned at 5:31 p.m.</p>

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

Tracy Fowler, Director of Governance Services

Prepared by: Tracy Fowler, Director of Governance Services
Reviewed by: Stephanie Ijtin, Manager, Administration

DRAFT

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: **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	STATUS
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 	<ul style="list-style-type: none"> - COMPLETED - COMPLETED - COMPLETED - COMPLETED
	Q3	<ul style="list-style-type: none"> - Recommend FY24 Committee goals - Receive update leadership development - Receive update on the strategic plan - Review potential policy changes <i>Move this to the November meeting each year to reflect September market changes</i> 	<ul style="list-style-type: none"> - COMPLETED - IN PROGRESS - COMPLETED - Moved to November
	Q4 (5/18)	<ul style="list-style-type: none"> - Review and recommend proposed FY24 organizational incentive goals - Review and approve FY24 individual executive strategic pick goals 	<ul style="list-style-type: none"> - ON TRACK - ON TRACK
2. Evaluate the effectiveness of the independent compensation consultant	Q4 (5/18)	<ul style="list-style-type: none"> - Conduct annual evaluation of ECC consultant 	<ul style="list-style-type: none"> - ON TRACK

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

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

To: Executive Compensation Committee
From: Tracy Fowler, Director of Governance Services
Date: June 13, 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.

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
ECH Board	April 17, 2023	<ul style="list-style-type: none"> - Renewal of MV & LG Urology Panel Agreements - Medical Staff Bylaw Revisions - Credentialing and Privileges Report - Policies, Plans, and Scopes of Services: <ul style="list-style-type: none"> • Physician Financial Arrangements – Review and Approval • Scope of Service: Endoscopy Department – Los Gatos
	May 10, 2023	<ul style="list-style-type: none"> - Credentialing and Privileges Report - Policies, Plans, and Scopes of Services: <ul style="list-style-type: none"> • Emergency Management – Pandemic Plan • MERP – Medication Error Reduction Plan • Scope of Service – Health Library & Resource Center • Scope of Service Spiritual Care
ECHD Board	March 28, 2023	- No approvals to report
	May 16, 2023	<ul style="list-style-type: none"> - Response to Santa Clara County Civil Grand Jury Report “Know What’s On Your Ballot” - Community Benefits Mid-Year Update - ECHD Board Officer Election Process
Executive Compensation Committee		- N/A
Compliance and Audit Committee	April 26, 2022	- Internal Audit Assessment and FY: 2024 Audit Work Plan
Finance Committee	May 31, 2023	- FY2023 Period 10 Financials

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Bob Miller, Chair
Date: June 13, 2023
Subject: Appointment of Ad Hoc Search Committee to select new Community Member for Executive Compensation Committee

Recommendation(s): (Motion Required)

To approve the creation of an Ad Hoc Committee to facilitate the search for a new community member of the Executive Compensation Committee.

Summary:

1. **Situation:** Due to the recent resignation of a community member, a committee position vacancy has been created. Per the Board's Charter, the Executive Compensation Committee shall be comprised of two (2) or more Hospital Board members. The Committee may also include 2-4 community members with knowledge of executive compensation practices, executive leadership and/or corporate human resource management.
2. **Authority:** Per the charter, new community members shall be appointed by the Committee, subject to the approval of the Board. All Committee appointments shall be for a term of one year, expiring on June 30, renewable annually.
3. **Outcome:** The Ad-Hoc committee will partner with leadership to post the opening and search for qualified candidates. Per past practice, all qualified applicants will be interviewed by the Committee. After the Committee selects the new member, the Committee will recommend the candidate for Board approval.
4. **Outcomes:** Appoint the Ad Hoc Committee to facilitate the search for a new Compliance and Audit Committee community member.

Suggested Committee Discussion Questions:

1. What are the most important considerations in recruiting prospective candidates?
2. What are the Committee's expectations of the sub-committee?

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Dan Woods, CEO and Deanna Dudley, Chief HR Officer
Date: June 13, 2023
Subject: Proposed Fiscal Year 2024 Organizational Goals

Recommendation(s):

To review and approve the proposed Fiscal Year 2024 (FY24) organizational goals for the Executive Performance Incentive Plan, and recommend to the organizational goals to Board of Directors for approval.

Summary:

1. **Situation:** Each year the Executive Compensation Committee (ECC) along with the other Board Committees review management's proposed organizational goals. The ECC will review and recommend that the Board approve the organizational goals as part of the Executive Performance Incentive Plan.
2. **Authority:** The ECC has the delegated authority from the Board to approve the incentive program for the individual executives. Further, the ECC recommends the organizational performance goals to the Board for approval.
3. **Background:** Each year, management aligns the budget and tactical planning to the organizational strategic plan to ensure alignment with the long-term vision of the organization. This effort culminates in annual organizational goals, of which a subset are chosen to be a part of the Organizational Performance (Incentive) Goals.
4. **Assessment:** The Vision 2027 Strategic Plan indicated the need for prioritizing three (3) key areas: 1) Physician Alignment, 2) Leadership in Clinical Programs, and 3) Expanding our Reach. Strategic Milestones were created to gauge implementation progress in achieving the vision of the strategic plan (attachment 1, page 2).

Management is utilizing "Pillars" to effectively implement the plan at all levels of the organization. These Pillars consist of Quality and Safety, Service, People, Finance, and Growth. Each pillar has specific measures, which are either directly taken from the strategic milestones, or are leading indicators which drive performance to the overall strategic milestones. These metrics constitute the Organizational goals (attachment 1, slide 3). A subset of these are selected for the Organizational Performance (Incentive) Goals (figure 1).

Figure 1

Pillar	Weight	OBJECTIVES/ OUTCOMES	Benchmark		Measurement Defined			Measurement Period
			Internal Benchmarks	External Benchmark	Minimum	Target	Stretch	
Threshold		Maintain positive EBIDA Margin	FY2020: 11.6%; FY2021: 15.8% FY2022 through March: 19.6% Budget FY2023: 16.7%	Moody's: Median for 'A1': 9.7% Median for 'Aa3': 8.9%	≥ 80% of budgeted Operating EBIDA Margin			FY2024
Quality and Safety	25%	HAC Index	FY2023 composite score	Benchmarked through CMS and Leapfrog metrics	2% improvement from FY2022 baseline	3% improvement from FY2022 baseline	4% improvement from FY2022 baseline	FY2024
Service	25% (Hospital)	Likelihood to Recommend (LTR) – Inpatient	FY2023 through March: 75.5 <small>(81st % ile)</small>	Press Ganey	Target minus distance between Target and Stretch	Target in line with top 50% of improvers	Target in line with top 30% of improvers	FY2024
	OR 25% (ECHMN)	Likelihood to Recommend (LTR) – ECHMN	FY2023 through March: 82.2 <small>(28th % ile)</small>	Press Ganey	Target minus distance between Target and Stretch	Target in line with top 50% of improvers	Target in line with top 30% of improvers	FY2024
People	25% (Managers)	Culture of Safety	FY2018: 4.04 FY2021: 3.96	2021 Nat. Avg. - 4.01 Targets based on statistically significant improvement	Methodology utilizes Press Ganey's statistical significance analysis for recommended targets			FY2024
	OR 25% (Employees)		Participation in Culture of Safety Survey		Press Ganey average participation-75%	TBD	TBD	
Finance	25%	Operating EBIDA Margin	FY2023 YTD Q3: \$173 Million	Moody's: Median for 'A1': 9.7% Median for 'Aa3': 8.9%	95% of Budget \$221M	100% of Budget \$233M	105% of Budget \$245M	FY2024

Further Explanation of Pillar Goals are provided below.

Quality Pillar: The Quality Pillar will monitor a revised Hospital Acquired Conditions (HAC) Index. The HAC Index incorporates measures which inform the strategic milestone of Leapfrog grades, and which ECH needs to improve performance. The proposed areas of focus are Clostridium Difficile (C. Diff.), Central Line Blood Stream Infections (CLABSI), Catheter Associated Urinary Tract Infections (CAUTI), and non-ventilator hospital acquired pneumonia (nvHAP). Performance in avoiding nvHAP does not directly affect our external ratings, but is the most common hospital acquired infection at ECH. Each of these measures is weighted to create an organizational index score. The Quality, Patient Care and Patient Experience Committee monitors the components that make up the composite score of the HAC Index

Service Pillar: ECH's value proposition indicates the need to provide the best healthcare experience in the Bay area. Management currently monitors dozens of metrics related to specific elements of each patients visit, both at the hospital and the ECHMN. Likelihood to Recommend is a proxy for Net Promoter score, and measures patients' loyalty to El Camino Health. Management feels this is the best metric available to measure how ECH is delivering on its value proposition statement, especially in comparison to others in the market. As indicated in Figure 1, employees that work at the hospital will be measured on hospital performance, and employees that work at El Camino Health Medical Network (ECHMN) will be measured on ECHMN performance. This is a change from prior years and aligns effort to the appropriate Strategic Business Unit. Current thinking around target setting methodology is to utilize Press Ganey's (patient experience survey vendor) proprietary calculator to identify a score *and percentile rank* that is in line with projected scores of other organizations nationally.

People Pillar: The Strategic Milestones list Employee Engagement as a governance level metric for the enterprise. Culture of Safety is an element of the overall employee engagement survey, and has been one ECH has underperformed on in the past. This underperformance is what has affected implementation of the High Reliability Organization work over the past couple of years. Management proposes maintaining this sub-metric for one additional year to preserve momentum in improving the culture, and return to overall engagement in subsequent years. Target setting methodology will include working with the survey vendor to identify statistically significant improvement and setting an improvement target accordingly. This will be done directly after the completion of the FY23 survey taking place in May - June, 2023.

Finance Pillar: The Finance Pillar metric is identical to FY23, and directly pulled from the Strategic Milestone of Operating Earnings Before Interest, Depreciation, and Amortization (EBIDA). This metric allows the Board and management to monitor whether the investments made in growth are driving financial performance in areas which management can directly affect – operations. Though Operating EBIDA is projected to decline over the years due to revenue pressures and the shift from inpatient volumes to the outpatient settings. Additionally, poor growth investments will accelerate negative performance and be apparent in the Operating EBIDA performance. Management proposes using the budget for the targets.

Individual Executive Strategic Pick Goals

In prior years, executives have been limited in which metrics they were able to select for their “strategic pick” goals. This year, management has further defined the organizational goals to allow a broader pool of metrics executives can select (figure 2).

Pillar	OBJECTIVES/ OUTCOMES	Benchmark		Measurement Defined			Measurement Period
		Internal Benchmarks	External Benchmark	Minimum	Target	Stretch	
Service	Third Next Available Appointment	Primary Care: 6.35 days	N/A	<10 days	<7 days	<5 days	FY2024
Finance	Operating Revenue	FY2023 YTD: ~\$1.4 Billion	Moody's: Median for 'A1': 9.7% Median for 'Aa3': 8.9%	95% of Budget \$1.43B	100% of Budget \$1.5B	102% of Budget \$1.53B	FY2024
Growth	Adjusted Discharges	FY23 Q3: 31,945	N/A	95% of Budget 41,288	100% of Budget 43,462	105% of Budget 45,635	FY2024
	Ambulatory Sites	FY23 Q3: 11	N/A	15	18	20	FY2024
	Unique Ambulatory Lives	FY23 Q3: 68,511	N/A	73,000	75,000	77,000	FY2024
	Aligned Physicians	FY23 Q3: 141	N/A	165	170	175	FY2024

Figure 1 – Proposed Strategic Pick Goal Measurement Definitions

Further explanations for these metrics:

Service: Third Next Available Appointment - taken directly from the Strategic Milestones. Availability to care is a major barrier to healthcare in the bay area. Management monitors many metrics related to access, and proposes Third Next Available Appoint (3NA) is the appropriate metric for measurement of performance. 3NA is a reflection of true appointment availability as it mitigates the potential noise of appointment cancellations, no-shows or other chance occurrences. Management set the targets above based on internal and external analysis, and current performance. Though external benchmarks are limited, evidence indicates that competing health systems are struggling to perform at the current targets.

Finance: Operating Revenue - Net Revenue will continue to be monitored at the Enterprise level, as the growth initiatives should be directly increasing the revenue received. Target setting methodology is to follow the budget setting process, and each target is based on the FY24 budget and are in line with the multi-year plans created in order to achieve the FY27 targets set as part of the Strategic Plan.

Growth Pillar: Adjusted discharges – This metrics incorporates both inpatient and outpatient (hospital based and ambulatory) volumes. It has frequently been an organizational goal, but has not previously been available for the strategic pick. Target setting methodology is based on the FY24 budget and multi-year plans.

Growth Pillar: Ambulatory sites – A major factor in ECH “Expanding our Reach” is creating access points closer to where patients live and work. Though not the only vehicle of achieving this, ECH is expanding its physical geographic footprint of ambulatory sites.

Proposed Fiscal Year 2024 Organizational Goals
June 13, 2023

Target setting methodology for this metrics in line with tactical plans and current acquisition plans.

Growth Pillar: Unique Ambulatory lives (Primary and Specialty Care) – Also a strategic milestone, and an indicator of how well ECH is providing patient access channels to our community. This metric measures how many unique patients are seen at our Primary Care and Specialty care facilities within an 18 month period of time. Management utilized current performance and physician recruitment plans to define the target for this metric.

Growth Pillar: Aligned Providers – This metric is also directly from the strategic milestones. Another element of the strategic framework is “Physician Alignment.” In order to provide the care to our community, we must have physicians aligned with the health system. This metric reports how many physicians and/or Advanced Practice Providers (i.e., Physician Assistants, Nurse Practitioners, Nurse Midwives, etc.) are aligned with ECH. This includes providers that are employed through the Physician Services Agreements (PSAs) at ECHMN, or are a part of ECH’s Independent Physician Association (IPA). Targets are aligned with current physician recruitment plans related to our service line growth and IPA physician interest.

5. Other Reviews: The Finance and Quality Committees have reviewed the goals related to their respective areas.
6. Outcomes: The organizational goals approved by the Board of Directors will be used for the management performance incentive plan and employee engagement and recognition program as well as for executive performance incentive plan.

List of Attachments:

1. Proposed FY24 Strategic Milestones, Organizational Goals, and FY24 Executive Strategic Pick Goals

Suggested Committee Discussion Questions:

1. Does the Committee propose any modifications to leadership’s recommended measurements?



Attachment 1

Proposed FY 24 Organizational Performance Goals

Dan Woods, Chief Executive Officer

Deanna Dudley, Chief Human Resource Officer

June 13, 2023

Proposed Milestone Targets for FY24 to Achieve Vision 2027 Plan

<u>Strategic Priority</u>	<u>Goal</u>	<u>FY22</u>	<u>FY23 YTD</u>	<u>FY24 Target</u>	<u>FY27</u>	
Physician Alignment	Unique Ambulatory Lives ¹	Primary & Specialty Care Lives	59,869	66,284	75,000	120,000
		Other Aligned Lives (UCC, ASC, etc.)			TBD	100,000
	Aligned Providers (ECHMN, IPA, or other alignment vehicle)	120	141	170	263	
Value Proposition / Frictionless	Ambulatory Access: Days to Third Next Available Appointment (Non-urgent Primary Care)	18.1 days	6.35 days	<7 days	<7 days	
	Ambulatory Experience: Likelihood to Recommend (Care Provider)	83.2 (30 th %ile)	82.2	TBD	Top Quartile	
	Quality & Experience – Leapfrog	MV:A LG:B	MV:A LG:A	MV:A LG:A	MV:A LG:A	
Leadership in Clinical Programs	Inpatient Market Share	CY20: 18.7%	CY21: 20.1%	CY22: 21%	CY26 23%	
	Outpatient Market Share (Surgical) ³	8.9%	6.6%	7.5%	15%	
Expanding our Reach	Ambulatory Care Sites (Clinics, UCC, ASCs, Imaging sites)	11	11	18	25	
	Total revenue from Outpatient and Ambulatory	\$45.83M	\$51.4M (annualized)	\$102.97M	\$172.4M	
Foundational / Core	Finance – Operating EBIDA	\$285.3M	\$172.8M (Thru Q3)	\$233.6M	\$260M	
	Workforce – Employee Engagement (Hospital)	4.22 (67 th %ile)	n/a	TBD	Top Quartile	
	Workforce – Employee Engagement (ECHMN)	3.6 (3 rd %ile)	3.85 (23 rd %ile)	3.97	Top Quartile	

1. Definition of Unique Ambulatory Lives will change in FY24; Prior years were all ambulatory lives combined; subsequent will be bifurcated to Primary Care, and all other sites.
2. Inpatient Market Share is provided on an annual basis through HCAI hospital data
3. Outpatient Market Share is “noisy” data, and becomes more accurate over time. Management is evaluating additional ways to improve the analysis programing to remove noise more quickly.

Proposed Fiscal Year 2024 Organizational Performance Goals – Draft 05/22/2023

Pillar	Weight	OBJECTIVES/ OUTCOMES	Benchmark		Measurement Defined			Measurement Period
			Internal Benchmarks	External Benchmark	Minimum	Target	Stretch	
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	OR		Participation in Culture of Safety Survey		Press Ganey average participation-75%	TBD	TBD	
25% <small>(Employees)</small>		77%		80%		83%	FY2024	
Finance	25%	Operating EBIDA Margin	FY2023 YTD Q3: \$173 Million	Moody’s: Median for ‘A1’: 9.7% Median for ‘Aa3’: 8.9%	95% <i>of Budget</i> \$221M	100% <i>of Budget</i> \$233M	105% <i>of Budget</i> \$245M	FY2024

Fiscal Year 2024 Available Executive Strategic Pick Goals – Draft 05/22/2023

Pillar	OBJECTIVES/ OUTCOMES	Benchmark		Measurement Defined			Measurement Period
		Internal Benchmarks	External Benchmark	Minimum	Target	Stretch	
Service	Third Next Available Appointment	Primary Care: 6.35 days	N/A	<10 days	<7 days	<5 days	FY2024
Finance	Operating Revenue	FY2023 YTD: ~\$1.4 Billion	Moody's: Median for 'A1': 9.7% Median for 'Aa3': 8.9%	95% of Budget \$1.43B	100% of Budget \$1.5B	102% of Budget \$1.53B	FY2024
Growth	Adjusted Discharges	FY23 Q3: 31,945	N/A	95% of Budget 41,288	100% of Budget 43,462	105% of Budget 45,635	FY2024
	Ambulatory Sites	FY23 Q3: 11	N/A	15	18	20	FY2024
	Unique Ambulatory Lives	FY23 Q3: 68,511	N/A	73,000	75,000	77,000	FY2024
	Aligned Physicians	FY23 Q3: 141	N/A	165	170	175	FY2024



welcome to brighter

Hospital Board of Directors Compensation

June 13, 2023 Compensation Committee Meeting

Current ECH Hospital Board Compensation

- Only the Hospital Board Chair receives a retainer; all other compensation is based only on meeting fees
- Hospital Board members also receive reimbursement of expenses, if any (such as travel, lodging or meals), relating to Board/Committee-related meetings or educational events funded by ECH
 - Mileage reimbursement is not provided to board members living in the district for travel to ECH

Hospital Board Compensation Elements:

	Member	\$ Amount
Annual Retainer	Board Chair	\$12,000 annually
Meeting/Event Fee	Board Member	\$200 / board mtg; \$100 / committee mtg or event (max of 7/month)

- Average FY23 Hospital Board member pay (excluding Chair) is **\$3,311**¹
 - FY23 range is \$2,400 - \$4,400¹
 - Excludes District Board compensation²; see Appendix for District Board compensation details
- Maximum non-Chair annual pay is ~**\$13,000** (based on 7 meetings/events per month; unlikely to be reached)

¹ Based on actual fees provided by ECH for July 2022-April 2023 plus estimated May/June 2023 (equal to average of prior months)

² For the five Hospital Board members that are also on the District Board, average FY23 total pay (Hospital + District pay) is \$4,522

Benchmarking Approach

- There is very limited current survey information on nonprofit healthcare board compensation. Mercer's review of market practice focused on the following:
 1. **Nonprofit healthcare organizations in CA in ECH's size range ("Form 990 Group"):** board member compensation as reported in the most recently filed Form 990 for each organization
 - Revenue ranges from \$675M - \$2.6M (~1/2 to 2x that of ECH)
 2. **Public health districts in CA:** board member compensation/benefits as reported on publicpay.ca.gov
- As an additional reference, Mercer utilized:
 - 2016 Mercer Board Governance Survey for Healthcare Organizations
 - 2021-2022 NACD Director Compensation Report (mainly for-profit companies; referenced only for board pay *structure* but not board pay *amounts*)

ECH Hospital Board Pay Relative to Market

- While most of the organizations do not pay board members, ECH’s board compensation is low relative to organizations that do pay

	% Providing Board Pay	% Providing Board Benefits	Median Board Member Pay*	ECH Hospital Board Average ¹
CA Healthcare Organizations (Form 990)	37%	N/A ²	\$32,941	\$3,311
CA Healthcare Districts	44%	22%	\$1,950 (\$3,395 including benefits)	

**Based only on those organizations that pay board members. Median pay reflects non-Chairs*

- Note that median pay for the Form 990 group (\$32,941) is similar to the median from Mercer’s 2016 Board Governance Survey for Healthcare Organizations (\$31,600 median, based on the 24% that pay board members)

¹ FY23 estimate based on actual July 2022-April 2023 fees plus estimated May/June 2023 (average of prior months); excludes Hospital Board Chair and District Board pay.

² While Forms 990 do not specify whether benefits are provided, in Mercer’s experience it is very rare for boards (whether nonprofit or for-profit) to receive employer-paid benefits. Public health districts are unique in this regard, as board members are considered W2 employees

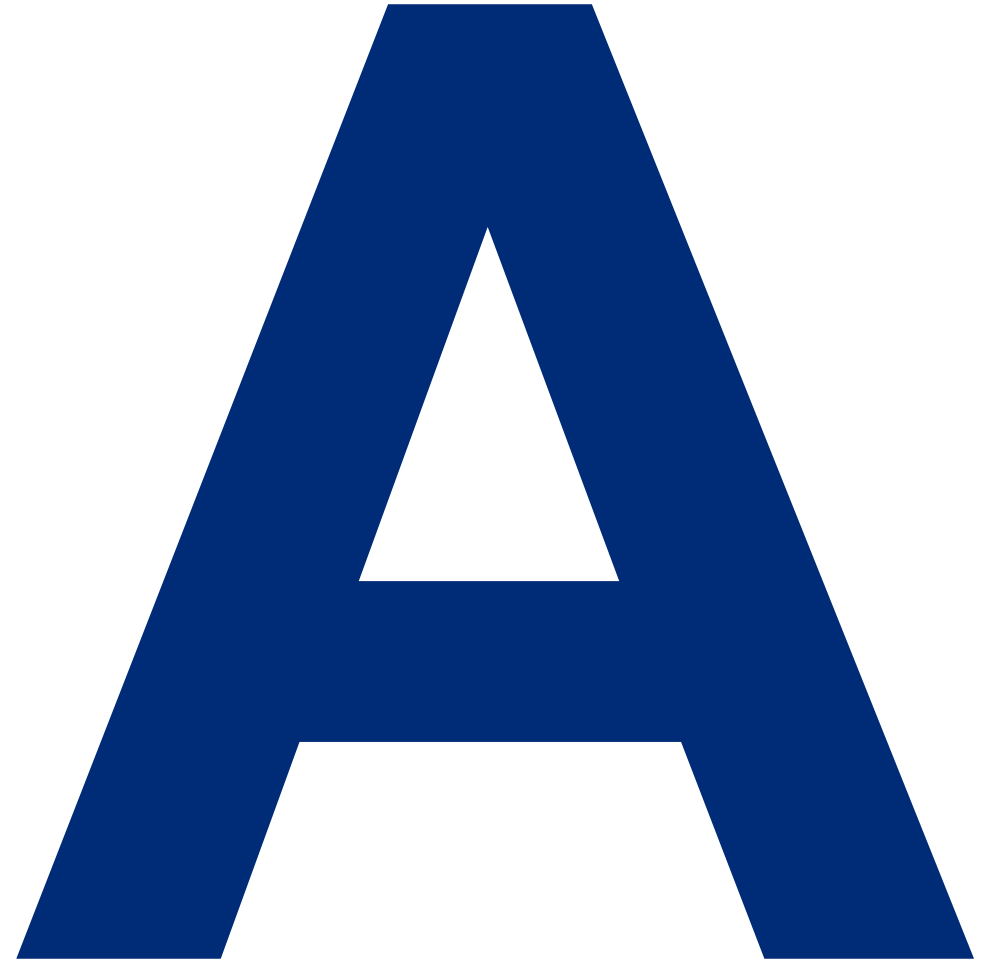
Considerations for ECH Hospital Board Pay

- Given the low prevalence of Board compensation, ECH’s compensation is not misaligned with market
- However, paying only meeting fees is unusual. Most organizations pay a retainer only, or a retainer plus meeting fees, and there is a continued trend away from meeting fees
 - 2016 Mercer Board Governance Survey for Healthcare Organizations reported 51% prevalence of any meeting fees
 - 2021-2022 NACD Director Compensation Report reported only 17% prevalence of any meeting fees
- **Consider a retainer in lieu of meeting fees, which would be simpler for ECH and board members**
 - \$5,000 retainer would modestly increase total cost, and would not decrease pay for any Board members
 - For non-Chair Hospital Board members, FY23 pay ranged from \$2,400 - \$4,400 (average was \$3,311)

	Current	Retainer-Only Examples	
		Comparable to Current	Higher Retainer
Meeting Fees	\$200 / Board mtg; \$100 / Committee/other mtg	None	None
Member Retainer	None	\$5,000	\$10,000
Chair Retainer	\$12,000	\$12,000	\$25,000
ECH Total Cost	\$41,800¹	\$57,000	\$115,000

¹ FY23 estimate based on actual fees July 2022-April 2023 plus estimated May/June 2023 (equal to average of prior months). Excludes District Board compensation (total including both Hospital and District Board compensation is \$46,812)

Appendix



Total ECH Board Compensation

Including both Hospital Board and District Board

- Five of the 10 Hospital Board members also serve on the District Board, and therefore receive both Hospital Board and District Board pay

	Hospital Board		District Board
	Chair	Non-Chair	
Retainer	\$12,000	None	None
Meeting Fees	None	\$200 per board mtg / \$100 per committee mtg or event ¹	\$105 per committee mtg or event ^{1,2}
FY23 Average		\$3,311	\$1,002
FY23 Range		\$2,400 - \$4,400	\$350 - \$1,911
FY23 TOTAL	\$41,800 (including Chair)		\$5,012

¹ Maximum of seven paid meetings/events per month

² Will be increasing to \$110 per meeting/event

CA Healthcare Organizations (Form 990 Group)

Among organizations that pay Board members, median (non-chair) compensation is \$32,941

Organization	City	Total Revenue (\$M)	Chair of the Board		Committee Chairs		Non-Chair Directors			
			Annual Comp.	Avg. Hrs/Wk	Annual Comp.	Avg. Hrs/Wk	Range of Annual Comp (Min - Max)		Avg. Annual Comp	Avg. Hrs/Wk
Memorial Health Services Group Return	Fountain Valley	\$2,607	--	--	--	--	--	--	--	1
Sutter Health	Sacramento	\$1,925	\$30,196	10	\$35,228	10	\$30,196	\$42,777	\$32,165	7
John Muir Health	Walnut Creek	\$1,671	\$27,451	5	--	--	\$16,470	\$27,451	\$24,096	5
City of Hope National Medical Center	Duarte	\$1,466	--	2	--	--	--	--	--	2
Seventh-Day Adventists Loma Linda University Medical Center	Loma Linda	\$1,439	--	--	--	--	--	--	--	1
Sharp Memorial Hospital	San Diego	\$1,372	--	2	--	--	\$2,416	\$718,376	\$141,046	5
St Joseph Health Northern California LLC	Irvine	\$1,267	--	2	--	--	--	--	--	2
Hoag Memorial Hospital Presbyterian	Newport Beach	\$1,202	--	4	--	--	--	--	--	2
Prime Healthcare Foundation Inc	Victorville	\$1,010	--	10	--	--	\$4,392	\$6,588	\$5,765	2
Eisenhower Medical Center	Rancho Mirage	\$887	--	2	--	2	--	--	--	1
Grossmont Hospital Corporation	San Diego	\$860	--	2	--	--	\$32,941	\$32,941	\$32,941	3
Santa Barbara Cottage Hospital	Santa Barbara	\$838	--	4	--	1	--	--	--	1
St. Joseph Hospital of Orange A Corp.	Orange	\$837	--	5	--	--	--	--	--	3
St Jude Hospital Inc	Fullerton	\$704	--	2	--	--	--	--	--	2
Community Hospital of the Monterey Peninsula	Monterey	\$699	--	12	--	--	--	--	--	4
Pih Health Whittier Hospital	Whittier	\$697	--	2	--	--	\$39,529	\$79,058	\$59,294	2
Mission Hospital Regional Medical Center	Mission Viejo	\$687	--	2	--	--	--	--	--	2
Pomona Valley Hospital Medical Center	Pomona	\$678	--	2	--	--	\$4,388	\$64,900	\$34,644	2
Enloe Medical Center	Chico	\$675	--	5	--	--	--	--	--	5

Summary Statistics

75th Percentile	\$1,405	--	5	--	--	\$31,568	\$71,979	\$46,969	3
Median	\$887	--	2	--	2	\$16,470	\$42,777	\$32,941	2
25th Percentile	\$701	--	2	--	--	\$4,390	\$30,196	\$28,131	2
Average	\$1,133	\$28,823	4	\$35,228	4	\$18,619	\$138,870	\$47,136	3

Notes:

All data aged to 1/1/2023

Organization averages and summary statistics exclude 0s

CA Healthcare Districts (1/2)

Among organizations that pay Board members, median compensation is \$1,950

Organization	Chair of the Board	Non-Chair Director			
	Avg. Annual Comp	Avg. Annual Comp	Avg. Benefit Value	Avg. Comp + Benefit Value	
Alta Healthcare District	--	\$926	--	\$926	
Avenal Healthcare District	--	--	--	--	
Beach Cities Health District	--	\$2,250	--	\$2,250	
Bear Valley Community Healthcare District	--	\$2,809	\$4,296	\$7,105	
Bloss Memorial Healthcare District	--	--	--	--	
Camarillo Health Care District	--	\$1,300	--	\$1,300	
Cambria Community Healthcare District	--	--	--	--	
Chowchilla Memorial Healthcare District	--	--	--	--	
City of Alameda Health Care District	--	--	--	--	
Cloverdale Health Care District	--	--	--	--	
Coalinga Regional Medical Center	--	--	--	--	
Corning Healthcare District	--	--	--	--	
Del Norte Healthcare District	--	--	--	--	
Del Puerto Health Care District	--	--	--	--	
Desert Healthcare District	--	\$4,785	\$8,091	\$12,876	
East Kern Health Care District	--	\$2,700	--	\$2,700	
Eden Township Healthcare District	\$1,400	\$1,375	--	\$1,375	
Fallbrook Regional Health District	\$4,515	\$4,358	--	\$4,358	
Grossmont Healthcare District	--	\$8,848	\$16,419	\$25,268	
Heffernan Memorial Healthcare District	--	--	--	--	
Hi-Desert Memorial Hospital District	\$2,900	\$1,675	--	\$1,675	
John C. Fremont Healthcare District	--	\$1,200	--	\$1,200	
Kaweah Delta Health Care District	--	--	--	--	
Kern Valley Hospital District	--	\$4,000	\$7,131	\$11,131	
Kingsburg Tri-County Health Care District	--	--	--	--	
Lindsay Local Hospital District	\$3,900	\$1,900	--	\$1,900	
Lompoc Hospital District	--	--	\$9,903	\$9,903	
Los Medanos Community Healthcare District	--	\$4,360	--	\$4,360	
Marin Healthcare District	--	\$2,583	--	\$2,583	
Mark Twain Health Care District	--	\$940	--	\$940	
Mayers Memorial Hospital District	--	--	\$14,691	\$14,691	
Mendocino Coast Hospital District	--	--	\$7,200	\$7,200	
Summary Statistics					
	75th Percentile	\$3,725	\$3,981	\$14,691	\$12,993
	Median	\$3,050	\$1,950	\$13,344	\$3,395
	25th Percentile	\$2,150	\$1,319	\$7,200	\$1,394
	Average	\$2,969	\$3,144	\$11,340	\$7,161

CA Healthcare Districts (2/2)

Including both compensation and benefits, median total remuneration is \$3,395

Organization	Chair of the Board	Non-Chair Director			
	Avg. Annual Comp	Avg. Annual Comp	Avg. Benefit Value	Avg. Comp + Benefit Value	
Modoc Medical Center	--	--	--	--	
Mountain Communities Healthcare District	--	--	--	--	
Muroc Hospital District	--	--	--	--	
North Sonoma County Healthcare District	--	--	--	--	
Oak Valley Hospital District	--	--	\$13,344	\$13,344	
Palo Verde Health Care District	--	--	--	--	
Palomar Health District	--	\$7,470	\$14,610	\$22,080	
Peninsula Health Care District	--	--	--	--	
Plumas Hospital District	--	--	--	--	
Redbud Healthcare District	--	\$1,000	--	\$1,000	
Salinas Valley Memorial Healthcare District	--	\$14,897	--	\$14,897	
San Benito Health Care District	--	--	--	--	
San Bernardino Mountains Community Hospital District	\$3,200	\$3,925	--	\$3,925	
San Geronio Memorial Healthcare District	--	\$1,400	--	\$1,400	
Selma Health Care District	--	--	--	--	
Seneca Hospital District	--	--	--	--	
Sequoia Healthcare District	--	--	\$16,648	\$16,648	
Sierra Kings Health Care District	\$1,900	\$2,000	--	\$2,000	
Sierra View Local Health Care District	--	--	\$14,305	\$14,305	
Soledad Community Health Care District	--	--	--	--	
Southern Humboldt Community Healthcare District	--	--	--	--	
Southwest Healthcare District	--	\$600	--	\$600	
Surprise Valley Hospital District	--	--	--	--	
Tehachapi Valley Healthcare District	--	\$1,700	\$1,164	\$2,864	
Tri-City Healthcare District	--	\$1,539	\$19,625	\$21,164	
Tulare Local Healthcare District	--	--	--	--	
West Side Community Healthcare District	--	\$1,200	--	\$1,200	
Summary Statistics					
	75th Percentile	\$3,725	\$3,981	\$14,691	\$12,993
	Median	\$3,050	\$1,950	\$13,344	\$3,395
	25th Percentile	\$2,150	\$1,319	\$7,200	\$1,394
	Average	\$2,969	\$3,144	\$11,340	\$7,161

Notes:

Organization averages and summary statistics exclude 0s



COMPENSATION CONSULTANT FEEDBACK

Technical Expertise	Consistently demonstrates valuable expertise, technical depth, industry knowledge, leading edge ideas, and market-driven information to support decisions.	
Analysis and Due Diligence	Presents thorough, accurate analysis that is placed in the context of industry practice, market data, and the organization's compensation philosophy and practices.	
Responsive	Anticipates emerging issues and red flags, and demonstrates initiative in understanding ECH culture, stakeholders, strategy, and success drivers.	
Forward-Thinking	Brings new ideas on an ongoing basis, appropriately asks questions, shares divergent perspectives, and presents alternative solutions for consideration.	
Communication	Engages regularly and appropriately with key stakeholders. Produces clear, focused, accurate deliverables demonstrating understanding of audience knowledge and dynamics. Highlights and prioritizes critical points of materials for committee.	
Independence/Objectivity/Balance	Understands reporting relationship; manages relationships between Board, Compensation Committee, and management appropriately; maintains objectivity and avoids conflicts of interest.	
Trusted Advisor	Strives to build a long-term partnership; places organization interests ahead of their own; understands perspectives of various stakeholders; appropriately challenges and questions.	
Project Management	Establishes a methodical course of action and drives plan to completion according to agreed-upon ownership and timelines. Develops and adheres to a thorough process for working with management, Committee and Board.	