

AGENDA

EXECUTIVE COMPENSATION COMMITTEE OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Thursday, November 7, 2019 – 4:00pm

El Camino Hospital | Conference Room A (ground floor)
2500 Grant Road Mountain View, CA 94040

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		ESTIMATED TIMES
1. CALL TO ORDER/ROLL CALL	Bob Miller, Chair		4:00-4:01pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		4:01 – 4:02
3. 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 4:02 – 4:05
4. 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 (9/19/2019) Information b. Progress Against FY20 ECC Goals c. FY20 CEO Performance Assessment Timeline d. FY20 Organizational Goal Update e. Article of Interest	Bob Miller, Chair	<i>public comment</i>	motion required 4:05 – 4:06
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	Bob Miller, Chair		information 4:06 – 4:11
6. LETTER OF REBUTTABLE PRESUMPTION OF REASONABLENESS ATTACHMENT 6	Lisa Stella, Mercer	<i>public comment</i>	motion required 4:11 – 4:21
7. ASSESS EFFECTIVENESS OF DELEGATION OF AUTHORITY ATTACHMENT 7	Cindy Murphy, Director of Governance Services		discussion 4:21 – 4:31
8. REVIEW EXECUTIVE COMPENSATION POLICIES a. Compensation Philosophy b. Base Salary Administration Policy c. Executive Performance Incentive Plan Policy ATTACHMENT 8	Bob Miller, Chair	<i>public comment</i>	possible motion(s) 4:31 – 5:30
9. ADJOURN TO CLOSED SESSION	Bob Miller, Chair		motion required 5:30 – 5:31

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		5:31 – 5:32
11. 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 (9/19/2019)	Bob Miller, Chair		motion required 5:32 – 5:33
12. Health & Safety Code 32016(b) for a report and discussion involving health care facility trade secrets; <i>Gov't Code Section 54957.6</i> for a conference with labor negotiator Dan Woods: - FY20 Individual Executive Incentive Goals a. Proposed FY20 President, Foundation Goals; b. Proposed Revised FY20 General Counsel Goals	Dan Woods, CEO		possible motion 5:33 – 5:45
13. ADJOURN TO OPEN SESSION	Bob Miller, Chair		motion required 5:45 – 5:46
14. RECONVENE OPEN SESSION/ REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Bob Miller, Chair		information 5:46 – 5:47
15. 6-MONTH EXECUTIVE COMPENSATION CONSULTANT REVIEW ATTACHMENT 15	Bob Miller, Chair		discussion 5:47 – 5:57
16. FY20 PACING PLAN ATTACHMENT 16	Bob Miller, Chair		discussion 5:57 – 5:59
17. CLOSING COMMENTS	Bob Miller, Chair		discussion 5:59 – 6:00
18. ADJOURNMENT	Bob Miller, Chair	<i>public comment</i>	motion required 6:00pm

Upcoming Meetings:

Regular Meetings: April 2, 2020; May 28, 2020

Educational Sessions: April 22, 2020



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, September 19, 2019
El Camino Hospital | Conference Room A (ground floor)
2500 Grant Road, Mountain View, CA 94040**

Members Present

Teri Eyre
Jaison Layney
Bob Miller, Chair
George Ting, MD
Pat Wadors**
John Zoglin

Members Absent

Julie Kliger, Vice Chair

****via teleconference**

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 “Committee”) was called to order at 4:02pm by Chair Bob Miller. A verbal roll call was taken. Ms. Wadors participated via teleconference. George Ting, MD joined the meeting at 4:17pm during Agenda Item 8: FY19 Organizational Score. Ms. Kliger was absent. All other Committee members were present at roll call.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Miller asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	None.	
4. INTRODUCTIONS	Chair Miller welcomed Dr. Ting to the Committee.	
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. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (May 30, 2019); and for information: Progress Against FY20 ECC Goals.</p> <p>Movant: Zoglin Second: Layney Ayes: Eyre, Layney, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: Kliger, Ting Recused: None</p>	<i>Consent calendar approved</i>
6. REPORT ON BOARD ACTIONS	Chair Miller referred to the recent Board approvals as further detailed in the packet.	
7. GENERATIVE GOVERNANCE	<p>As discussed at the April 24, 2019 Board and Committee Education Session, Chair Miller outlined fiduciary, strategic, and generative lenses to view Committee and Board work. He noted that the intent of generative governance is to ask creative, out-of-the box questions like (not just “what did we do?” but also “should we be doing what we had been doing?”). He encouraged the Committee to use this kind of thinking in their work.</p> <p>Dan Woods, CEO, noted that issue and question framing can be curious</p>	

	and collaborative rather than adversarial.	
8. FY19 ORGANIZATIONAL SCORE	<p>Dan Woods, CEO explained that the Mortality Index is measured by actual over expected. He noted that this is a multi-year goal, and the stretch for FY20 will be 0.85.</p> <p>In response to Mr. Layney's question, Lisa Stella from Mercer explained that the types of metrics are similar to other healthcare organizations. Mr. Woods and the Committee discussed goal setting including: 1) fiscal year measurement rather than only Q4 performance for HCAHPS; 2) selection of patient experience domains and target setting using Press Ganey's tool.</p> <p>The Committee discussed organizational goal performance over time, noting that high scores could indicate an opportunity to set more challenging goals or stellar performance in a particular year. Mr. Zoglin commented that over a 10-year span achievement should average 70%. In response to Mr. Woods' questions regarding goal setting, Ms. Eyre suggested including standard deviations to provide context for benchmark data.</p> <p>Chair Miller requested that benchmark data (including particular numbers, percentiles, etc.) for goals are included in the review to provide context for the Committee.</p>	<i>FY19 Organizational Goals recommended for approval</i>
9. FY19 CEO PERFORMANCE REVIEW PROCESS AND FY20 RECOMMENDATIONS	<p>Lisa Stella from Mercer discussed the overall CEO performance review process with the Chairs of the Hospital Board, District Board, and Executive Compensation Committee. Overall, noting that feedback was generally positive. Areas for improvement identified include: 1) clearer ownership and alignment on the timeline and 2) providing survey questions to the Board in advance and incorporating any feedback on survey content.</p> <p>Chair Miller commented that 1) the FY19 process started late and 2) the questions were presented to the Board for review.</p> <p>There were no further recommended changes for the FY20 process or questions from the Committee.</p>	
10. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 4:22pm.</p> <p>Movant: Eyre</p> <p>Second: Layney</p> <p>Ayes: Eyre, Layney, Miller, Wadors, Ting, Zoglin</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Kliger</p> <p>Recused: None</p>	<i>Adjourned to closed session at 4:22pm</i>
11. AGENDA ITEM 19: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 5:37pm. Agenda items 8-17 were addressed in closed session. Ms. Wadors and Mr. Zoglin left the meeting during the closed session.</p> <p>During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting (April 2, 2019), the Proposed FY19 Individual Executive Incentive Goals Score, and the Proposed FY19 CHRO Incentive Goals Score by a unanimous vote in favor of all members present (Kliger, Layney, Miller, Wadors, Zoglin). Ms. Kliger was absent.</p>	
12. AGENDA ITEM 20: PROPOSED FY19 INDIVIDUAL	<p>Motion: 1) To approve the proposed FY19 individual incentive plan payouts noted below subject to the Board's approval of the FY19 organizational score; 2) to recommend that the Board approve the revised</p>	<i>FY19 incentive plan payouts approved and</i>

INCENTIVE PLAN PAYOUTS	<p>scoring for the ED throughput organizational goal; and 3) to recommend that the Board approve an FY19 individual executive incentive payout for the CASO that includes a \$9,000 discretionary bonus.</p> <table><tr><th>Position</th><th>Payout</th></tr><tr><td>Chief Medical Officer</td><td>\$123,557</td></tr><tr><td>VP, Corporate & Community Health Services/ President, CONCERN:EAP</td><td>\$66,148</td></tr><tr><td>Chief Operating Officer</td><td>\$98,168</td></tr><tr><td>Chief Human Resources Officer</td><td>\$93,778</td></tr><tr><td>President, SVMD</td><td>\$152,250</td></tr><tr><td>Chief Financial Officer</td><td>\$123,104</td></tr><tr><td>VP, Payor Relations</td><td>\$67,966</td></tr><tr><td>Chief Administrative Services Officer</td><td>\$50,924</td></tr><tr><td>Chief Information Officer</td><td>\$93,538</td></tr><tr><td>Chief Nursing Officer</td><td>\$92,225</td></tr><tr><td>General Counsel</td><td>\$97,783</td></tr></table> <p>Movant: Eyre Second: Layney Ayes: Eyre, Layney, Miller, Ting, Noes: None Abstentions: None Absent: Kliger, Wadors, Zoglin Recused: None</p>	Position	Payout	Chief Medical Officer	\$123,557	VP, Corporate & Community Health Services/ President, CONCERN:EAP	\$66,148	Chief Operating Officer	\$98,168	Chief Human Resources Officer	\$93,778	President, SVMD	\$152,250	Chief Financial Officer	\$123,104	VP, Payor Relations	\$67,966	Chief Administrative Services Officer	\$50,924	Chief Information Officer	\$93,538	Chief Nursing Officer	\$92,225	General Counsel	\$97,783	FY19 CASO discretionary bonus recommended for approval
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Chief Nursing Officer	\$92,225																									
General Counsel	\$97,783																									
13. AGENDA ITEM 21: PROPOSED FY20 PRESIDENT, FOUNDATION BASE SALARY	<p>Motion: To approve the Proposed FY20 President, Foundation Base Salary of \$280,000.</p> <p>Movant: Layney Second: Eyre Ayes: Eyre, Layney, Miller, Ting Noes: None Abstentions: None Absent: Kliger, Wadors, Zoglin Recused: None</p>	FY20 President, Foundation Base Salary approved																								
14. AGENDA ITEM 23: FY20 PACING PLAN	<p>The Committee summarized the requests from the meeting and discussed items for the November meeting:</p> <ol style="list-style-type: none">1. Incentive Plan policy changes – structural changes (100% as target; 150% at max) and clarify the ability to make goal modifications.2. Review Compensation Philosophy and Executive Benefits policy (<i>i.e.</i>, approach to taxable benefit allowance as part of base, total cash and total remuneration).3. Optimal timing of executive salary changes; Chair Miller asked that ECH work with Mercer for a recommendation including transition, if applicable, to get on that ideal schedule.	Pacing Plan to be updated																								
15. AGENDA ITEM 25: CLOSING COMMENTS	<p>The Committee discussed the effectiveness of the meeting.</p> <p>Chair Miller asked staff to consider how to address individual goal/measurement changes that are needed between Committee meetings to allow for more and better responsiveness. He suggested delegating ability to a sub-Committee or the Committee Chair to provide recommendations on goal revisions subject to later Board or Committee approval.</p>																									

16. AGENDA ITEM 26: ADJOURNMENT	Motion: To adjourn at 5:56pm. Movant: Ting Second: Layney Ayes: Eyre, Layney, Miller, Ting Noes: None Abstentions: None Absent: Kliger, Wadors, Zoglin Recused: None	<i>Meeting adjourned at 5:56pm</i>
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Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and the Board of Directors of El Camino Hospital.

Bob Miller
Chair, Executive Compensation Committee

Julia E. Miller
Secretary, ECH Board of Directors

Prepared by: Sarah Rosenberg, Contracts Administrator/Governance Services EA

FY20 COMMITTEE GOALS

Executive Compensation Committee

Update for 11/7/19 Meeting

PURPOSE

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: **Kathryn Fisk**, Chief Human Resources Officer (Executive Sponsor); **Julie Johnston**, Director, Total Rewards;
Cindy Murphy, Director of Governance Services

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. 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
1. Advise the Board ensuring strategic alignment and proper oversight of compensation-related decisions including performance incentive goal-setting and plan design	<ul style="list-style-type: none"> - Review and recommend FY19 Org Scores (Q1) - Review and approve FY19 Individual Scores and Payout amounts (Q1) - Review and recommend approval of letter of reasonableness (Q3) - Review and approve FY21 executive base salaries (not including the CEO) (Q4) - Review and recommend proposed FY21 organizational goals (Q4) - Review and approve FY21 individual goals (Q4) 	<ul style="list-style-type: none"> - Board approves FY19 organizational score (Q1/2) - COMPLETED - Committee approves FY19 Executive Performance Incentive Scores and Payouts (Q1) - COMPLETED - Board approves Letter of Reasonableness (Q3) – ON TRACK - Committee approves FY21 executive base salaries (not including the CEO) (Q4) – ON TRACK - Board approves FY21 organizational goals (Q4) - ON TRACK - Committee approves FY21 individual goals (Q4) - ON TRACK
2. Evaluate the effectiveness of the independent compensation consultant and the Committee	<ul style="list-style-type: none"> - Review consultant performance (Q2) - Complete ECC self-assessment (Q3) 	<ul style="list-style-type: none"> - Complete assessment of consultant (Q2) – DISCUSSION AT 11-7-19 MEETING - Board Chair reviews cost/value of consultant (Q2) – ON TRACK - Committee discusses results of self-assessment (Q4) - ON TRACK

GOALS	TIMELINE	METRICS
3. Review Leadership Development/Succession Planning	<ul style="list-style-type: none">- Review CEO FY19 performance review process (Q1)- Review Leadership Development and Succession Plan (Q4)	<ul style="list-style-type: none">- Board Chair completes CEO review (Q1) - COMPLETED- CHRO updates Committee on leadership (Q4) - ON TRACK

SUBMITTED BY:**Chair:** Bob Miller**Executive Sponsor:** Kathryn Fisk

Approved by the ECH Board of Directors 6/12/2019. Updated 10-19-19jj

CEO Assessment Timeline
PREPARED 10-28-19

FY 2020 CEO Assessment	Owner	Participants	Motion	General Rule	For FY 20: To be Completed by	Status
Mercer reports on FY19 process and may recommend improvements	Mercer	ECC	Possible Motion	September ECC	9/19/2019	Completed
ECC reports and does not recommend any changes to assessment tool to Board	ECC Chair	Hospital Board	Possible Motion	October Board	10/10/2019	Completed
Tool changes requested and communicated to CEO and Mercer	Hospital and District Chairs; ECC Chair	ECC Chair updates Kathryn/Julie and Mercer; Hospital Chair updates CEO	N/A	October after Board	10/17/2010	None - Completed
Revised Tool Prepared for Review	Mercer	ECC Chair and Staff and CEO	N/A	November	N/A	
Initial Review of Tool changes	ECC Chair and Staff	Mercer	N/A	November ECC Meeting Day	N/A	
Revised Tool Prepared for Review	Mercer	ECC Chair and Staff and CEO	N/A	November	N/A	
Final Review	ECC Chair	Hospital and District Chairs	N/A	December	N/A	
Self-Assessment template sent to CEO	Mercer	CEO	N/A	July	7/1/2020	
CEO Self-Assessment returned to Mercer	CEO	Mercer	N/A	July	7/30/2020	
Survey sent to District and Hospital Board Members	Mercer	District Board Members, Hospital Board Members in FY that ended	N/A	July	7/1/2020	
District and Hospital Board Member Survey closes	District Board Members, Hospital Board Members	Mercer	N/A	July	7/30/2020	
Final CEO Assessment results shared with Board Chairs	Mercer	Mercer, District and Hospital Board Chairs	N/A	August	8/31/2020	
Chair shares assessment summary	Hospital Chair	Mercer, Hospital Board	N/A	September	September Board Meeting	
Board Chairs meet with CEO for review of feedback	District and Hospital Board Chairs	CEO	N/A	September	9/30/2020	
Mercer reports on process and makes recommendations for possible changes	Mercer	ECC	Proposed Motion	November	November ECC Meeting	
If recommended changes in tool, discuss with Hospital chair prior to preparing Board materials	ECC Chair	Mercer; Hospital Chair	N/A	November	11/20/2020	
ECC reports and may make recommendation for changes in assessment tool	ECC Chair	Mercer; Hospital Chair	Possible Motion	December	December Board Meeting	

If there is a change in leadership, the outgoing Chairs will facilitate the process with the CEO.

Note: Executives self-assessments to be completed in July and CEO's review of executives in August.

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

To: Executive Compensation Committee
From: Dan Woods, Chief Executive Officer
Date: November 7, 2019
Subject: FY20 Organizational Goal Metrics

Purpose:

To inform the Executive Compensation Committee (ECC) regarding the Fiscal Year 2020 Organizational Goal Metrics.

Summary:

- Situation:** The ECC previously approved the methodologies to be used in generating the Organizational Goals for the executive and staff incentive awards. This report is to report the final performance to these goals.
- Authority:** The ECC oversees the Executive Compensation Program, reviews proposed Executive Performance Incentive Plan organizational goals, and approves individual executive goals. Executive performance incentive plan goals support the Hospital's mission, vision, and values, and execution of the strategic plan.
- Background:** The leadership team has utilized Lean methodologies to approach aligning the work of the organization to the Strategic Themes. This is done through *True North Pillars* (Quality & Safety, Service, People, Finance, and Growth), with correlating goals and management metrics for each Pillar. To further incentivize performance, leadership will utilize Organizational Goals for each pillar.
- Assessment:** The executive team implemented multi-disciplinary teams for each pillar, led by a member of the executive team. These leaders led the development of goals for each pillar, and worked with the executive team to ensure alignment with the Strategic Themes. The methodologies with which to obtain specific metrics were generated by these teams, and approved by the ECC and Board of Directors.
- Other Reviews:** The El Camino Hospital Board of Directors approved the metrics in the October 10, 2019 meeting.
- Outcomes:** The Organizational Goals for fiscal year 2020 are detailed in the chart below:

Pillar	Weight	GOAL	OBJECTIVES/OUTCOMES	Baseline	Goal			Measurement Period
Finance	Threshold	Budgeted Operating Margin			95% of Budget			FY20
				FY19	Minimum	Target	Stretch	
Quality and Safety	30.0%	Zero Preventable Harm	Risk-Adjusted Inpatient Mortality Index	0.97	≤ 0.95	≤ 0.90	≤ 0.85	FY20
			Risk-Adjusted Readmission Index	0.99	≤ 0.99	≤ 0.96	≤ 0.94	FY20
Service	30.0%	Exceptional Personalized Experience, Always	HCAHPS : Staff Responsiveness	65.7	≥ 65.7	≥ 67.1	≥ 69.7	FY20
			HCAHPS: Discharge Information	86.7	≥ 86.7	≥ 87.3	≥ 88.4	FY20
People	20.0%	Teams Empowered with Trust and Purpose	Management: Employee Engagement	4.27	≥ 4.24	≥ 4.27	≥ 4.3	FY20
			Employees: Participation	87%	≥ 80	≥ 85	≥ 90	FY20
Growth	20.0%	Market Relevance and Access	Adjusted Discharges		98% of Budget	100% of Budget	102% of budget	FY20

Harvard Law School Forum on Corporate Governance and Financial Regulation

Rethinking Compensation Philosophies: Top 5 Questions for Boards

Posted by Aalap H. Shah, Pearl Meyer & Partners, LLC, on Tuesday, January 3, 2017

Tags: [Boards of Directors](#), [Compensation committees](#), [Corporate culture](#), [Engagement](#), [Executive Compensation](#), [Executive turnover](#), [Incentives](#), [Management](#), [Pay for performance](#), [Say on pay](#), [Succession](#)

More from: [Aalap Shah](#), [Pearl Meyer](#)

Editor's Note: [Aalap H. Shah](#) is Managing Director at Pearl Meyer & Partners, LLC. This post is based on a Pearl Meyer publication by Mr. Shah which originally appeared in *Workspan*, available [here](#).

Does your organization's philosophy on compensation deliver? In an age when competitive advantage is often tied to differentiation or industry disruption, many organizations focus on providing a unique value proposition to shareholders through their business strategy. But what about the role human-capital strategy plays? Can an organization's approach to leadership development and talent management also be a driver of growth and differentiation?

We say yes.

Unfortunately, when it comes to compensation philosophy and strategy, distinctiveness is frowned upon and seen as risky. In an effort to ensure that compensation programs are based on a purpose-driven foundation, the same central tenet to compensation philosophy is adopted across multiple industries and company profiles: attract, retain and motivate (ARM). ARM goals endorse the concept that a compensation philosophy should be focused on meeting an employee's basic needs. In meeting those needs, the assumption is that an organization's business objectives will be realized.

However, the accepted idea that ARM goals should be central to the development of an appropriate compensation philosophy neglects to address whether the means to merely attract, retain and motivate employees is effective in achieving a strategy that supports leadership development and unlocks untapped value creation. Additionally, the near-universal adoption of the ARM construct brings to light two fundamental questions:

1. Can a compensation program centered on "pulling levers" support and sustain an organization's competitive advantage?
2. Does using ARM principles provide a meaningful basis for engaging high-potential employees?

A review of multiple studies of employee behavior and engagement exposes the shortcomings of a compensation strategy based solely on an ARM construct. To fully appreciate the impact of these findings, it's important to address each lever individually:

- **Attract.** Let's be clear. Compensation programs do not attract employees to organizations. Yes, competitive pay is important, but it is rarely a defining factor.
- **Retain.** Likewise, compensation is rarely cited as the main reason for an executive's departure or overall employee turnover. A compensation strategy anchored to retention assumes security and maintenance of the status quo are critical imperatives for all organizations.
- **Motivate.** This is an antiquated concept that was derived in an era when less complex and multifaceted jobs dominated the labor market. In today's environment, intrinsic motivation is a stronger predictor of job performance

than extrinsic motivation. In other words, if organizations are not hiring the right people, compensation cannot be exclusively relied on to influence value creation.

Engaged and Aligned

Combined or viewed independently, continuing to structure compensation programs centered on ARM goals may be appropriate to address the essentials for rank-and-file employees. But for future leaders and high-potential employees, this plain vanilla approach does not catapult an organization's focus from addressing basic needs to creating and sustaining a competitive advantage through talent management. Instead, organizations would better serve shareholders and critical employee talent if compensation philosophy and derived programs were rooted in the tenets of engagement and alignment.

An engagement-centered compensation program design focuses on the following principles:

- Expanding ARM goals by being attentive to both the current and evolving needs of future leaders or high-potential employees as they advance within an organization (via age or position).
- Developing a holistic view of compensation that draws on an organization's unique culture and incorporates both monetary and recognition-based awards.
- Incorporating a true long-term view of compensation that extends beyond typical three-year time frames, realizing that internal factors (business strategy and culture) carry more import than external factors (market data and advisory firm policies).

An alignment-centered compensation program design focuses on:

- Using compensation elements that are engineered to efficiently unlock long-term shareholder value creation. (Large annual equity awards to major internal stockholders are not an efficient use of equity.)
- Adopting a compensation pay mix that encourages necessary risk while delivering payouts that equitably share in the upside/downside.
- Resisting the desire to reach the corporate governance mandates of your shareholder base.
- Accepting that shareholders have a rightful say in how compensation should be structured.

Chief among the principles of engagement and the key to unlocking an organization's human-capital competitive advantage is an acceptance that compensation philosophy is a product of an organization's culture, not something that exists in a vacuum. A deep understanding of organizational culture informed by employee engagement surveys or town hall-like discussions provides decision-makers with the ability to develop a compensation philosophy and program that is highly customized and more adept at fostering employee commitment to the organization as a whole.

Do Compensation, Culture Click?

For example, if individual autonomy is a strong cultural strain within an organization, does a compensation program that disallows choice represent the values of the organization and its employees? Furthermore, does an organization that values innovation appropriately recognize the role of failure when it rigidly pursues achievement against predetermined financial, operational or stock-price goals?

Although increased customization may seemingly run counter to shareholder interests, crafting a compensation program that is intimately linked with an organization's DNA of culture and people will provide significant value-creation opportunity for the long-term shareholder. An engagement focus transitions pay from being an external influencer to an extension of an individual's everyday functions within the organization.

Not surprisingly, in today's heightened environment, organizations tend to be more alignment oriented than engagement oriented, driven primarily by a need to justify compensation decisions versus directing compensation to work for an organization. This singular focus on alignment can result in compensation programs that are market driven, but poorly

received. A philosophy structured around the mutual dependence of both tenets is the key to building a compensation program that is more effective at navigating the uncertain waters of value creation and promoting strong leadership development.

High-Touch Approach to High-Potentials

For high-potential employees, the importance of evolving from an ARM-centered compensation philosophy in favor of one that is engagement and alignment driven is even more acute. A focus on retention only answers the question of how to keep the individual in the organization, not the more important question of whether this individual is right for the career path the organization has in mind. Moreover, an emphasis on motivation also misses the mark because by definition these high-potentials are already clearly motivated. Given that high-potential employees are likely critical to an organization's succession plan, a strategy stressing the importance of engagement throughout the grooming process becomes increasingly important.

Investing the time up-front to understand the specific needs, strengths and weaknesses of critical talent allows organizations to identify areas in the succession plan that may be more appropriate to fill with external hires. Unlike high-potential internal candidates, the most successful external hires are ones that are brought in to fill specific holes within the organization's leadership strategy or for a specific skill set. Internal candidates, with their significant company-specific knowledge and ability to navigate the organization's decision-making process, tend to fare better, assuming there is a corporate support structure that is fully engaged in their development.

In practical terms, this means adopting a high-touch strategy akin to what you would cultivate with your most-valued customers. Characteristics of a high-touch leadership development strategy include, but are not limited to, an understanding of:

- Personal motivations for commitment to the organization
- Risk tolerance
- Appetite for growth opportunities
- Goal versus task orientation
- Desired degree of autonomy
- Comfort level with accountability
- Long-term wealth creation goals, as well as current diversification of wealth
- Short-term compensation needs

The cultivation of an in-depth understanding of your high-potentials provides the necessary foundation for structuring a compensation program that is able to serve the dual purpose of addressing a recipient's needs and goals and aligning with long-term value creation. From this solid foundation, organizations can implement a more effective succession plan and adopt a customized compensation strategy to ensure the continued enthusiasm of key employees and bolster an organization's competitive advantage.

In summary, the key takeaways are:

- Don't rely on ARM-centric compensation philosophies because they limit an organization's ability to unlock the value creation potential of its critical talent.
- Develop compensation philosophies centered around employee engagement and shareholder alignment throughout all levels within the organization.
- Pay particular attention to engagement issues with your high-potentials by adopting a high-touch strategy of understanding their needs and motivations.
- Unlock the hidden potential for your organization's human capital to serve as a competitive advantage.

Both comments and trackbacks are currently closed.



EL CAMINO HOSPITAL BOARD OF DIRECTORS COMMITTEE MEETING COVER MEMO

To: Executive Compensation Committee
From: Cindy Murphy, Director of Governance Services
Date: November 7, 2019
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Executive Compensation Committee Meeting the Hospital Board met once and the District Board met once. In addition, since the Board has delegated certain authority to the Compliance and Audit Committee, the Finance Committee and the Executive Compensation Committee, those approvals are also noted in this report.

A. ECH Board Actions: October 10, 2019

- Approved FY20 Periods 1 & 2 Financials
- Approved FY19 Audit (to ECHD on 10/22/19)
- Approved FY19 Organizational Goal Score
- Approved FY20 Organizational Goal Metrics
- Approved \$24.9 Million Partial Funding for MV Campus Completion Project (To ECHD on 10/22/19)
- Approved FY20 CEO Base Salary
- Approved FY19 CEO Incentive Payment
- Approved FY19 CASO Incentive Payment
- Approved Cardiology Call Panel (LG) Renewal

B. ECHD Board Actions

- Approved FY19 Audit
- Approved FY19 Year End Consolidated and Stand-Alone Financials
- Approved FY20 YTD (P2) ECHD Financials
- Approved \$24.9 Million Partial Funding for MV Campus Completion Project
- Approved FY19 Community Benefit Report
- Re-Elected Julie Kliger, RN and Bob Rebitzer to the El Camino Hospital Board of Directors for a second 3-year term effective July 1, 2020.

Report on Board Actions
November 7, 2019

- Appointed Julia Miller as Chair and Peter Fung as a member of an Ad Hoc Committee tasked with bringing back recommendations regarding the ECHD Community Benefit Grant Program to the Board for consideration.

C. Finance Committee Actions: September 23, 2019

- Approved Employee Wellness & Health Professional Services Agreement.
- Approved Maternal Child Health Professional Services Agreement.
- Approved NICU Consulting Agreement.

D. Compliance and Audit Committee: None since last report.

E. Executive Compensation Committee Actions: September 19, 2019

- Approvals of the FY19 Incentive Plan Payments for Executives were conditioned on the Board's approval of the FY19 Organizational Goal Score on October 10, 2019 and approval of the FY19 financial audit.
- Approved FY20 Base Salary for the VP of the El Camino Health Foundation

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None.



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

To: Executive Compensation Committee
From: Bob Miller, Committee Chair
Date: November 7, 2019
Subject: Letter of Rebuttable Presumption of Reasonableness

Recommendation(s):

To accept the attached letter from Mercer, executive compensation consultants to the Committee and the Hospital Board.

Summary:

1. Situation: To confirm that the letters of reasonableness reflect the actions taken by the Committee and the Board
2. Authority: The Committee's Charter defines the role of the Committee and the Board in the oversight and governance of Executive Compensation.
3. Background: El Camino Hospital engaged Mercer (US) Inc. ("Mercer"), an independent healthcare consulting firm, to evaluate executive compensation levels as part of its overall executive compensation process with respect to certain executives. El Camino Hospital intends to obtain the benefit of the rebuttable presumption of reasonableness pursuant to regulations implementing Section 4958 of the Internal Revenue Code.
4. Assessment: In order to invoke the presumption, the amount of compensation must be approved in advance by an authorized body; the decision must be based on appropriate data as to comparability; and the *decision must be adequately documented*. El Camino Hospital's decisions to compensate executives are approved in advance by its Board of Directors ("Board") or the Executive Compensation Committee (acting within delegated authority).
5. Other Reviews: N/A
6. Outcomes: If approved, the Letter of Reasonableness will be presented to the Board as documentation of compliance of IRS Section 4958.

List of Attachments:

1. Letter of Rebuttable Presumption of Reasonableness

Suggested Committee Discussion Questions: None.

Private & Confidential

Mr. Robert Miller
Chair, Executive Compensation Committee
El Camino Hospital
2500 Grant Road
Mountain View, CA 94040

November 1, 2019

Subject: Reasonableness Opinion for El Camino Hospital Disqualified Persons

Dear Mr. Miller:

As requested by the Executive Compensation Committee (“Committee”) of the Board of Directors (“Board”) of El Camino Hospital (“El Camino” or “ECH”), Mercer has conducted an evaluation of the total remuneration program provided to the El Camino executives named in Table 1 for the fiscal year ending June 30, 2019 (FY 2019). The results of this assessment were presented in Mercer’s report at the May 2019 Executive Compensation Committee meeting and were used to inform the Board’s approval of FY 2020 compensation and benefits. This letter outlines the study’s objectives, Mercer’s evaluation process, findings, and our opinion that the approved FY 2020 total remuneration program for the named executives falls within a reasonable range of the competitive practice.

I. PURPOSE

The purpose of this letter is to document comparability data and provide Mercer’s opinion on the reasonableness of the executive total remuneration program in support of the organization’s pursuit of the rebuttable presumption of reasonableness under IRC §4958. To do so, we have:

- Presented relevant summary market comparability data at the May 2019 Committee and June 2019 Board meetings to ensure that the Committee and the Board are well-informed of current executive compensation and benefits practices when making decisions on El Camino’s executive remuneration;
- Advised the Committee regarding interpretation of the market data;
- Assisted the Committee in its governance responsibility with respect to the compensation program for all executives by providing Mercer’s opinion that all executives’ total remuneration, approved for the 2020 fiscal year, falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances in accordance with the Intermediate Sanctions legislation and applicable regulations; and
- Documented the recent changes to compensation approved by the Board of Directors based on the comparability data Mercer provided to the Committee in May 2019.

Page 2
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

II. BACKGROUND

Mercer serves as an independent advisor to the Committee. In this capacity, we provide advice and competitive compensation and benefits market data to management that has been used in its decision-making process relative to the compensation program for El Camino's executives.

The executive compensation program is governed by the Board of Directors and the Executive Compensation Committee, which advises the Board to meet all applicable legal and regulatory requirements as they relate to executive compensation and effectiveness in attracting, retaining, and motivating executives.

Organization Context

El Camino Hospital's mission is to heal, relieve suffering, and advance wellness as a publicly accountable partner. El Camino opened its doors to its first patients on September 1, 1961 with 21 medical staff. An expanding population in Silicon Valley drove El Camino to develop further, and today El Camino Hospital consists of two fully accredited hospital campuses: Los Gatos and Mountain View. Net operating revenue for FY 2019 was \$996 million.¹

El Camino Executives

Table 1 details the list of incumbents included in Mercer's review of FY 2020 total remuneration.

Table 1: Executives Reviewed

Incumbent	Title
Woods, Daniel	Chief Executive Officer
Adams, Mark	Chief Medical Officer
Griffith, James	Chief Operating Officer
Harrison, Bruce	President, SVMD
Hussain, Iftikhar	Chief Financial Officer
Rotunno, Mary	General Counsel
Muro, Deborah A	Chief Information Officer
Reinking, Cheryl	Chief Nursing Officer
Fisk, Kathryn	Chief Human Resource Officer
King, Ken	Chief Administrative Services Officer
Cope, Andrew	President of ECH Foundation
Currier, Cecile	VP, Corp / Comm. Health Svcs
Open Position	Chief Strategy Officer

¹ Source: El Camino FY19 Financial Audit.

Page 3
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Executive Compensation Philosophy²

El Camino's Executive Compensation Philosophy utilizes the following guiding principles and objectives to drive executive compensation decisions:

1. Support the Hospital's ability to attract, retain, and motivate a highly-talented executive team with the ability and dedication to manage the Hospital accordingly.
2. Support the Hospital's mission and vision and achievement of strategic goals.
3. Encompass a total compensation perspective in developing and administering cash compensation and benefit programs.
4. Considers the Hospital's financial performance and ability to pay which shall be balanced with the Hospital's ability to attract, retain and motivate executives.
5. Govern the executive compensation programs to comply with state and federal laws.

The executive compensation program encompasses both cash compensation (base salary, incentive compensation, and other cash compensation) and non-cash compensation (benefit plans and perquisites) which, in whole, represent total remuneration.

The three key components of the program are base salary, incentives, and benefits. In evaluating executive compensation, the Executive Compensation Committee uses the following market definition and desired positioning guidelines.

Table 2 – El Camino Hospital Market Definition and Desired Positioning

Component	Market Definition and Desired Positioning
Market Definition	<ul style="list-style-type: none"> National, not-for-profit, independent hospitals/health systems of comparable revenue size and complexity to ECH. Base salary and total cash data increased by a 25% geographic salary differential to account for the salary differences in the Bay Area (reviewed annually to verify appropriateness).
Base Salary	<ul style="list-style-type: none"> Salary range midpoints are based on the 50th percentile, with ranges set at +/- 20% of 50th percentile. Actual salary is determined based on a combination of the following factors: paying competitively, rewarding performance, and recognizing competence, credentials, and experience. Pay at 80% to 90% of market 50th percentile may be appropriate for individuals with limited experience in a comparable position. Pay at 90% to 110% of market 50th percentile for fully experienced individuals with demonstrated records of successful performance.

² This is extracted from El Camino's official stated philosophy, as approved at the February 13, 2019 Board meeting.

Page 4
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

	<ul style="list-style-type: none"> Pay at 110% to 120% of market 50th percentile may be appropriate for a highly experienced individual with demonstrated record of consistently exceeding performance expectations or in roles which are particularly critical for the achievement of strategic objectives or roles with a particularly competitive labor market. Board of Directors may approve salaries above the normal salary range for hard-to-recruit positions or positions deemed critical to the organization's success.
Incentives	<ul style="list-style-type: none"> Target incentive opportunities are set at competitive levels. Actual total cash compensation targets the 50th percentile, up to the 75th percentile, dependent on individual and organizational performance.
Benefits	<ul style="list-style-type: none"> Actual total remuneration (total cash and benefits) targets between the 50th and 75th percentile and reflects individual and organizational performance. Executive benefits and severance target competitiveness, compliance, and cost-effectiveness. Perquisites should only be provided when supported by specific business reasons. ECH's practice is to minimize the use of perquisites.

El Camino's Total Remuneration Program

Mercer assessed the value of the total remuneration provided to each executive, which consists of the following elements:

Table 3: Compensation Elements

Element	Overview
Base Salary	<ul style="list-style-type: none"> Annual cash salary based on position, market data, and incumbent skills and experience. For FY 2020, approved base salary increases, where provided, ranged from 3 – 10.5%, and were determined based on market, merit, and executive experience.
Incentives	<ul style="list-style-type: none"> Annual cash incentive awards were provided based on annual performance against system-wide financial, patient safety, patient satisfaction, and operational efficiency metrics. For FY 2020, target opportunity has not changed, and remains at 20% of base salary for all executives, except for the Chief Executive Officer at 30%. Maximum incentive opportunity is at 30% of base salary for all executives, with the Chief Executive Officer at 45%.
Retirement	<ul style="list-style-type: none"> Executives are eligible for the following employer paid retirement plans: a Qualified Defined Contribution (DC) Plan; a Qualified Defined Benefit (DB) Plan; and a Nonqualified DC SERP. <ul style="list-style-type: none"> Defined Contribution (DC) – 403(b) Executive Retirement Plan: 4-6% depending on pension years Defined Benefit (DB) – Cash Balance Plan: 5% of salary

Page 5
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

	<ul style="list-style-type: none"> – Nonqualified DC SERP – Executives receive an employer contribution of 5% of salary, while the CEO receives 13% of salary, offset by contributions to qualified plans • Executives may also participate in 403(b) Executive Retirement Plan and 457(b) Supplemental Executive Retirement Plan (SERP) for voluntary deferrals. • See Appendix C for a detailed market analysis of benefits.
Health & Welfare	<ul style="list-style-type: none"> • Executives are eligible to receive the same health benefits as all other El Camino employees. • Executives receive group life insurance coverage of up to 3x base salary (capped at \$2 million); no medical underwriting required. • Executives are eligible to receive salary continuation if disabled: 100% of base salary for six months (offset for state disability insurance, worker's compensation, paid time off, extended sick leave) • Executives are eligible for long-term disability equal to 60% of base salary up to a monthly maximum of \$15,000. • See Appendix C for a detailed market analysis of benefits.
Perquisites	<ul style="list-style-type: none"> • Executives receive an employer contribution of 7% of base salary to an Executive Taxable Benefit Plan to purchase voluntary long-term disability, long-term care, and life insurance; unused allowance can be deferred to the 457(b) SERP or paid in cash. • Executive severance policy provides up to six months of base salary and health continuation benefit for all executives, except for the Chief Executive Officer who is provided with up to 12 months of base salary and health benefits. • The Chief Executive Officer was provided a \$400,000 interest-free loan to support housing costs. • See Appendix C for a detailed market analysis of perquisites.

Table 4 summarizes the approved target and maximum FY 2020 total remuneration program for El Camino's executives. Target values below reflect the structure of El Camino's program; actual payouts will vary and are based on performance. Maximum values assume annual incentive is paid at the maximum value (30% of base salary for Executives, 45% for CEO) and is paid for attainment of stretch performance under the annual incentive plan.

Page 6
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 4: El Camino's FY 2020 Target and Maximum Total Remuneration Opportunity (Compensation Data in \$000s)

Incumbent	Title	FY2020 Base Salary	Total Cash Compensation				Total Remuneration		
			Target Bonus	Target TCC ⁽¹⁾	Max Bonus	Max TCC ⁽¹⁾	Benefits	Target TR ⁽²⁾	Max TR ⁽²⁾
Woods, Daniel	Chief Executive Officer	\$995	30%	\$1,294	45%	\$1,443	\$212	\$1,505	\$1,654
Adams, Mark	Chief Medical Officer	\$592	20%	\$711	30%	\$770	\$123	\$833	\$893
Griffith, James	Chief Operating Officer	\$567	20%	\$680	30%	\$736	\$125	\$805	\$862
Harrison, Bruce	President, SVMD	\$527	20%	\$633	30%	\$685	\$126	\$759	\$812
Hussain, Iftikhar	Chief Financial Officer	\$509	20%	\$611	30%	\$661	\$118	\$729	\$780
Rotunno, Mary	General Counsel	\$427	20%	\$513	30%	\$555	\$108	\$621	\$664
Muro, Deborah A	Chief Information Officer	\$393	20%	\$472	30%	\$512	\$98	\$571	\$610
Reinking, Cheryl	Chief Nursing Officer	\$379	20%	\$455	30%	\$492	\$108	\$563	\$601
Fisk, Kathryn	Chief Human Resource Officer	\$369	20%	\$442	30%	\$479	\$95	\$538	\$575
King, Ken	Chief Administrative Services Officer	\$312	20%	\$375	30%	\$406	\$95	\$469	\$501
Cope, Andrew	President of ECH Foundation	\$280	20%	\$336	30%	\$364	\$90	\$426	\$454
Currier, Cecile	VP, Corp./ Comm. Health Svcs	\$275	20%	\$330	30%	\$358	\$89	\$419	\$446
Open Position	Chief Strategy Officer	---	---	---	---	---	---	---	---

(1) Total Cash Compensation (TCC) calculated as Base Salary + Target Bonus.

(2) Total Remuneration calculated as Total Cash Compensation + Benefits (employer cost of all benefits).

III. METHODOLOGY

Mercer's evaluation was conducted in accordance with our firm's standards for reviewing compensation arrangements in tax-exempt organizations.

Cash Compensation Assessment Methodology

- Market Composite - Healthcare Surveys:
 - Mercer (2018): *Integrated Health Networks (IHN) Compensation Survey*;
 - Integrated Healthcare Strategies (2018): *National Healthcare Leadership Compensation Survey*; and
 - Sullivan, Cotter and Associates, Inc. (2018): *Manager and Executive Compensation in Hospitals and Health Systems Survey*.
- Survey Data Methodology:
 - From each survey, we collected market data for base salary and total cash compensation at the 25th, 50th, and 75th percentiles.
 - Survey data are scoped to approximate ECH's forecast net revenue of \$1.06B (FY 2019 forecast, inclusive of ECH's recent physician group acquisition).
 - Data sources were trended to January 1, 2020 using a 3.0% update factor, the expected annual increase budgeted for executives at healthcare organizations
 - All base salary and total cash data sources were adjusted by 25% to account for the geographic salary differences in the Bay Area. See Appendix D for detail.
 - Mercer developed a position matching strategy for each role through a detailed review of job descriptions, discussions with El Camino, and interviews with executives.

Page 7
November 1, 2019
Mr. Robert Miller
El Camino Hospital

We show a market ratio to 50th and 75th percentiles (Market Ratio P50 and Market Ratio P75) which shows each El Camino executive's compensation element as a percentage of the market 50th or 75th percentile. For example, a Market Ratio P50 of 100% means that executive's compensation element is at the 50th percentile.

Benefits Assessment

El Camino's benefits and perquisites were compared to practices among both not-for-profit organizations using Mercer's (2016/2017) *Health Care Executive Benefits and Perquisites Survey* (revenue ranging from \$400 million to \$1.6 billion) and general industry companies from Mercer's Executive and Broad-Based Employee Retirement Tool (revenue ranging from \$400 million to \$1.6 billion) and Mercer's (2017/2018) *US Executive Rewards Year-End Survey* (revenue ranging from \$500 million to \$2.5 billion). To develop the survey total remuneration market perspective, Mercer added the market annualized value of retirement, health and welfare benefits and perquisites to market total cash compensation levels.

Mercer added the market annualized value of retirement, health and welfare benefits and perquisites to market total cash compensation levels.

IV. FINDINGS AND OBSERVATIONS

Target and Maximum Total Remuneration

Tables 5-7 display the comparison of El Camino's approved FY 2020 target and maximum total remuneration program to market composite levels. See Appendix B for FY 2019 actual total remuneration compared to market.

Overall, base salaries generally fall below the 50th percentile of the not-for-profit healthcare market when the geographic salary differential is applied. El Camino executives' target bonus levels bring target total cash compensation (base salary + target bonus) to a more competitive position at just above the 50th percentile in aggregate. Target total remuneration (base salary + target bonus + benefits) is generally within 15% of market 50th percentile, with some exceptions over the 75th percentile.

In aggregate, target total remuneration of the executives is within range of the market 50th percentile, which aligns with the desired positioning stated in El Camino's compensation philosophy. Maximum total cash compensation and maximum total remuneration for most executives is positioned below the 75th percentile of market data.

Base Salary

As shown in Table 5, in aggregate, FY 2020 base salary levels fall at or below the 50th percentile of the not-for-profit healthcare market for all executives.

Page 8
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 5: FY 2020 Approved Base Salary versus Market (Compensation Data in \$000s)

Incumbent	Title	ECH FY2020	Market Base Salary			Market Ratio P50
			P25	P50	P75	
Woods	Chief Executive Officer	\$995	\$939	\$1,149	\$1,361	87%
Adams	Chief Medical Officer	\$592	\$522	\$590	\$673	100%
Griffith	Chief Operating Officer	\$567	\$590	\$692	\$816	82%
Harrison	President, SVMd	\$527	\$374	\$458	\$586	115%
Hussain	Chief Financial Officer	\$509	\$534	\$623	\$707	82%
Rotunno	General Counsel	\$427	\$422	\$483	\$550	88%
Muro	Chief Information Officer	\$393	\$400	\$455	\$507	86%
Reinking	Chief Nursing Officer	\$379	\$345	\$393	\$442	96%
Fisk	Chief Human Resource Officer	\$369	\$352	\$403	\$453	91%
King	Chief Administrative Services Officer	\$312	\$266	\$304	\$352	103%
Currier	VP, Corp./ Comm. Health Svcs	\$275	\$243	\$268	\$295	103%
Cope	President of ECH Foundation	\$280	\$240	\$291	\$344	96%
<i>Open Position</i>	<i>Chief Strategy Officer</i>	--	\$358	\$442	\$553	--
Aggregate						94%

Note: All base salary and total cash market data include a 25% geographic differential and any appropriate premiums/discounts for the VP Corp./Comm. Health Services & Pres, CONCERN.

Annual Incentives and Total Cash Compensation

Table 6 provides a comparison of El Camino's total cash compensation (base salary + target bonus) to market composite total cash compensation. In aggregate, El Camino's FY 2020 target total cash compensation is positioned just above the 50th percentile. Most executives are positioned within 15% of the 50th percentile for target total cash compensation, with the exception of the President, SVMd, Chief Administrative Services Officer, which is farther above the 50th percentile.

Table 6: FY 2020 Approved Target and Maximum Total Cash Compensation versus Market (Compensation Data in \$000s)

Incumbent	Title	ECH TCC FY2020		Market Actual Total Cash Compensation			Market Ratio	
		Target	Max	P25	P50	P75	Target/ P50	Max/ P75
Woods	Chief Executive Officer	\$1,294	\$1,443	\$1,038	\$1,358	\$1,673	95%	86%
Adams	Chief Medical Officer	\$711	\$770	\$563	\$653	\$797	109%	97%
Griffith	Chief Operating Officer	\$680	\$736	\$600	\$786	\$963	86%	77%
Harrison	President, SVMD	\$633	\$685	\$408	\$545	\$706	116%	97%
Hussain	Chief Financial Officer	\$611	\$661	\$586	\$699	\$836	87%	79%
Rotunno	General Counsel	\$513	\$555	\$462	\$541	\$649	95%	86%
Muro	Chief Information Officer	\$472	\$512	\$434	\$496	\$570	95%	90%
Reinking	Chief Nursing Officer	\$455	\$492	\$372	\$424	\$508	107%	97%
Fisk	Chief Human Resource Officer	\$442	\$479	\$381	\$451	\$526	98%	91%
King	Chief Administrative Services Officer	\$375	\$406	\$276	\$332	\$373	113%	109%
Currier	VP, Corp./ Comm. Health Svcs	\$330	\$358	\$253	\$305	\$352	108%	102%
Cope	President of ECH Foundation	\$336	\$364	\$247	\$320	\$394	105%	92%
Open Position	Chief Strategy Officer	--	--	\$402	\$503	\$646	--	--
Aggregate							101%	91%

Note: All base salary and total cash market data include a 25% geographic differential and any appropriate premiums/discounts for the VP Corp./Comm. Health Services & Pres, CONCERN.

Benefits

Overall, El Camino's executive benefit offerings are generally consistent with market practice. The total value of El Camino's benefits is generally aligned with the market 50th percentile of the not-for-profit health care industry. See Appendix C for more detailed information.

Target Total Remuneration

In aggregate, El Camino's target total remuneration is between the market 50th and 75th percentiles, with variation by individual (Table 7).

Maximum Total Remuneration Opportunity

In addition to examining the approved target total remuneration program for El Camino's executives, Mercer also reviewed the maximum total remuneration opportunity for executives (maximum total cash compensation + benefits). Maximum total remuneration assumes the annual incentive plan pays out at maximum (i.e., 150% of target opportunity) and payout requires attainment of stretch goals under the annual incentive plan. In aggregate, executive maximum total remuneration (Table 7) is positioned between the 50th and 75th percentile, in alignment with philosophy.

Page 10
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 7: FY 2020 Approved Target and Maximum Total Remuneration versus Market (Data in \$000s)

Incumbent	Title	ECH TR FY2020		Market Total Remuneration			Market Ratio	
		Target	Max	P25	P50	P75	Target/ P50	Max/ P75
Woods	Chief Executive Officer	\$1,505	\$1,654	\$1,190	\$1,541	\$1,889	98%	88%
Adams	Chief Medical Officer	\$833	\$893	\$660	\$760	\$917	110%	97%
Griffith	Chief Operating Officer	\$805	\$862	\$707	\$909	\$1,104	89%	78%
Harrison	President, SVMD	\$759	\$812	\$483	\$632	\$813	120%	100%
Hussain	Chief Financial Officer	\$729	\$780	\$685	\$812	\$961	90%	81%
Rotunno	General Counsel	\$621	\$664	\$544	\$632	\$750	98%	89%
Muro	Chief Information Officer	\$571	\$610	\$512	\$582	\$665	98%	92%
Reinking	Chief Nursing Officer	\$563	\$601	\$442	\$502	\$593	112%	101%
Fisk	Chief Human Resource Officer	\$538	\$575	\$452	\$530	\$612	102%	94%
King	Chief Administrative Services Officer	\$469	\$501	\$334	\$395	\$445	119%	113%
Currier	VP, Corp./ Comm. Health Svcs	\$419	\$446	\$308	\$363	\$414	115%	108%
Cope	President of ECH Foundation	\$426	\$454	\$301	\$382	\$464	112%	98%
Open Position	Chief Strategy Officer	--	--	\$473	\$587	\$747	--	--
Aggregate							104%	94%

Note: All base salary and total cash market data include a 25% geographic differential and any appropriate premiums/discounts for the VP Corp./Comm. Health Services & Pres, CONCERN.

V. BASIS FOR OPINION

Many factors are considered in an evaluation of the reasonableness of pay, including the organization's performance, its total rewards philosophy, and the qualifications and roles of the incumbents. Market data and external factors play a role in determining a reasonable range of compensation practices. Differences in pay levels between an organization and the market data (i.e., variation from the 75th) do not mean that an organization is necessarily over- or under-competitive. El Camino can compensate an executive above the 75th percentiles of the market and still be within a range of reasonable compensation, depending on the facts and circumstances of the particular situation.

- **Industry Pressure:** With the significant changes in the health care industry, El Camino Hospital faces a strategic crossroads as an independent community hospital system. The ability to attract and retain key talent remains critical to the future success of the organization during this turbulent time and providing compensation at market (50th percentile) or above levels is part of El Camino's strategy to ensure its ability to attract and retain executive talent.
- **Executive Compensation Philosophy:** El Camino's desired market positioning as described in the executive compensation philosophy is the market 50th percentile. In aggregate, El Camino executives are positioned within 10% of the 50th percentile for target compensation across compensation elements and in alignment with the compensation philosophy. Some individuals exceed target positioning, but this reflects specific circumstances for those individuals and the decision of El Camino to allocate its compensation spend

Page 11
November 1, 2019
Mr. Robert Miller
El Camino Hospital

strategically across the executive team. The Committee has discussed the rationale for the positioning of these executives.

VI. OPINION OF REASONABLENESS

Mercer (US) Inc. certifies that it (1) is a compensation consulting firm, (2) performs compensation valuation studies of this type on a regular basis, and (3) is qualified to perform the valuations of the type of property or services involved. In our opinion, the total remuneration we have reviewed falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances.

Disclaimers

Mercer has relied on the information and data provided to us without any independent review or verification and we assume all data provided to us is accurate, factual and complete. This does not constitute an opinion regarding the underlying business decisions.

This opinion has been prepared exclusively for El Camino Hospital to assist in understanding market total remuneration positioning for its senior executives. This letter provides the Committee with market comparability data as required by Intermediate Sanctions regulations and we urge the Committee to ensure that the additional requirements for establishing the rebuttable presumption/determining reasonable compensation have been met and to seek the advice of counsel as needed in this regard. This letter may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any such unauthorized use.

We are unaware of any family members of the Executives listed in Table 1 that also work for El Camino Hospital who might also be considered disqualified persons

As always, it is our pleasure to be of service. If you have any questions about this letter, please do not hesitate to contact me at (213) 346-2280.

Sincerely,



Lisa Stella, Principal

Page 12
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

APPENDIX A: MARKET EVALUATION DETAILS (COMPENSATION DATA IN 000S)

Table 8: Chief Executive Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 050 - Independent Chief Executive Officer - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 871.3; Med: 867.1		62		\$758	\$889	\$1,012	\$820	\$1,054	\$1,300	\$820	\$1,065	\$1,309
MER-HPEM-A-MVS18 - 4100A - President/Chief Executive Officer (CEO) - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.2B		47	47	\$792	\$951	\$1,152	\$850	\$1,088	\$1,370	\$850	\$1,088	\$1,434
SUL-EXE18 - 7000 - President and Chief Executive Officer - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,250.9		163		\$703	\$918	\$1,102	\$822	\$1,116	\$1,345	\$901	\$1,121	\$1,416
Survey Composite						\$751	\$919	\$1,089	\$831	\$1,086	\$1,338	\$857	\$1,091	\$1,387
Survey Composite with 25% Geographic Differential						\$939	\$1,149	\$1,361	\$1,038	\$1,358	\$1,673	\$1,071	\$1,364	\$1,733

Page 13
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 9: Chief Medical Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 650 - Independent Chief Medical Officer (MD/DO) - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 846.8; Med: 824.6		52		\$417	\$446	\$506	\$445	\$494	\$605	\$445	\$494	\$612
MER-HPM-A-MVS18 - 4320A - Chief Medical Officer (CMO) - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.4B	-10% for size	25	25	\$392	\$462	\$536	\$406	\$508	\$635	\$425	\$551	\$669
SUL-EXE18 - 7010 - Chief Medical Officer - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,269.4		103		\$445	\$509	\$574	\$500	\$564	\$674	\$500	\$564	\$682
Survey Composite						\$418	\$472	\$538	\$450	\$522	\$638	\$457	\$536	\$654
Survey Composite with 25% Geographic Differential						\$522	\$590	\$673	\$563	\$653	\$797	\$571	\$671	\$818

Page 14
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 10: Chief Operating Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 100 - Independent Chief Operating Officer (with Nursing) - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 874.6; Med: 863.0		37		\$436	\$479	\$609	\$450	\$538	\$696	\$450	\$547	\$702
MER-HPEM-A-MVS18 - 4102A - Chief Operating Officer (COO) - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.2B		22	22	\$528	\$630	\$683	\$528	\$692	\$827	\$528	\$692	\$827
SUL-EXE18 - 7005 - Chief Operating Officer - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,205.4		96		\$451	\$552	\$668	\$462	\$656	\$788	\$462	\$661	\$825
Survey Composite						\$472	\$554	\$653	\$480	\$629	\$770	\$480	\$633	\$784
Survey Composite with 25% Geographic Differential						\$590	\$692	\$816	\$600	\$786	\$963	\$600	\$792	\$981

Table 11: President, SVMD Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
MER-HPEM-A-MVS18 - 4125A - CEO of Physician Practices / Medical Group - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.2B		9	9	\$399	\$438	\$555	\$428	\$522	\$672	\$428	\$522	\$672
SUL-EXE18 - 7145 - Top Physician Practices Management Executive - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,135.7		21		\$245	\$318	\$446	\$264	\$377	\$500	\$264	\$377	\$500
SUL-MG-EXE18 - 7221 - Medical Group Chief Executive Officer/Executive Director (Non-MD) - All Medical Groups	1	Physician FTEs Med: 257.5		62		\$253	\$344	\$404	\$288	\$409	\$523	\$288	\$409	\$533
Survey Composite						\$299	\$367	\$469	\$327	\$436	\$565	\$327	\$436	\$568
Survey Composite with 25% Geographic Differential						\$374	\$458	\$586	\$408	\$545	\$706	\$408	\$545	\$710

Page 15
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 12: Chief Financial Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 425 - Independent Chief Financial Officer - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 850.8; Med: 820.1		61		\$442	\$476	\$538	\$460	\$532	\$629	\$460	\$532	\$635
MER-HPEM-A-MVS18 - 4230A - Chief Financial Officer (CFO) - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.4B	-10% for size	34	34	\$402	\$489	\$557	\$471	\$537	\$657	\$482	\$553	\$677
SUL-EXE18 - 7015 - Chief Financial Officer - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,219.4		136		\$437	\$530	\$603	\$476	\$609	\$721	\$476	\$613	\$723
Survey Composite						\$427	\$499	\$566	\$469	\$560	\$669	\$473	\$566	\$678
Survey Composite with 25% Geographic Differential						\$534	\$623	\$707	\$586	\$699	\$836	\$591	\$708	\$848

Table 13: General Counsel Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 590 - Top Executive, Legal Services (General Counsel) - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 905.6; Med: 872.6		51		\$321	\$375	\$433	\$360	\$420	\$492	\$360	\$422	\$494
MER-HPEM-A-MVS18 - 4280A - Chief Legal Counsel/Top Legal Services Executive - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.4B	-10% for size	24	24	\$325	\$366	\$419	\$342	\$398	\$506	\$342	\$398	\$509
SUL-EXE18 - 7075 - Top Legal Services Executive (General Counsel) - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,268.8		92		\$369	\$419	\$469	\$408	\$480	\$559	\$408	\$480	\$562
Survey Composite						\$338	\$387	\$440	\$370	\$433	\$519	\$370	\$433	\$521
Survey Composite with 25% Geographic Differential						\$422	\$483	\$550	\$462	\$541	\$649	\$462	\$541	\$652

Page 16
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 14: Chief Information Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 550 - Chief Information Officer - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 892.7; Med: 871.7		76		\$312	\$339	\$388	\$323	\$360	\$422	\$323	\$360	\$422
MER-HPEM-A-MVS18 - 4165A - Chief Information Officer (CIO) - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.4B	-10% for size	42	42	\$307	\$365	\$387	\$338	\$382	\$429	\$338	\$382	\$429
SUL-EXE18 - 7030 - Chief Information Officer - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,228.0		107		\$342	\$390	\$442	\$381	\$448	\$518	\$381	\$448	\$518
Survey Composite						\$320	\$364	\$406	\$347	\$396	\$456	\$347	\$396	\$456
Survey Composite with 25% Geographic Differential						\$400	\$455	\$507	\$434	\$496	\$570	\$434	\$496	\$570

Page 17
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 15: Chief Nursing Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 121 - Chief Nursing Officer/Top Executive, Nursing (Operations) - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 855.0; Med: 821.5		66		\$273	\$311	\$340	\$289	\$334	\$389	\$289	\$334	\$389
MER-HPEM-A-MVS18 - 4380A - Top Nursing Executive - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.4B	'-10% for size	20	20	\$259	\$300	\$349	\$286	\$320	\$386	\$289	\$363	\$453
SUL-EXE18 - 7046 - Chief Nursing Officer/Top Patient Care Executive - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,298.3		106		\$297	\$333	\$370	\$317	\$365	\$445	\$317	\$365	\$445
MER-HPEM-A-MVS18 - 4381A - Top Patient Care Executive - All Data	0		For reference only.	14	14	\$265	\$305	\$387	\$318	\$362	\$452	\$318	\$365	\$452
IHS-LEAD-MVS18 - 120 - Top Executive, Patient Care - Systems; Net Revenue \$500M - \$1.5B	0	Net Revenue (\$MM) Avg: 926.8; Med: 937.8	For reference only.	20		\$153	\$210	\$341	\$153	\$233	\$375	\$153	\$233	\$375
Survey Composite						\$276	\$314	\$353	\$297	\$339	\$407	\$298	\$354	\$429
Survey Composite with 25% Geographic Differential						\$345	\$393	\$442	\$372	\$424	\$508	\$373	\$442	\$536

Page 18
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 16: Chief Human Resources Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 500 - Top Executive, Human Resources - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 869.4; Med: 829.0		73		\$270	\$299	\$339	\$278	\$330	\$397	\$279	\$331	\$397
MER-HPEM-A-MVS18 - 4260A - Top Human Resources Executive - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.4B	-10% for size	34	34	\$278	\$323	\$352	\$309	\$358	\$411	\$309	\$358	\$414
SUL-EXE18 - 7055 - Top Human Resources Executive - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,248.0		116		\$297	\$347	\$397	\$327	\$395	\$453	\$327	\$395	\$457
Survey Composite						\$282	\$323	\$362	\$305	\$361	\$421	\$305	\$361	\$422
Survey Composite with 25% Geographic Differential						\$352	\$403	\$453	\$381	\$451	\$526	\$381	\$451	\$528

Page 19
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 17: Chief Administrative Services Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 302 - Top Executive, Facilities - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 1,013.2; Med: 1,111.3		22		\$253	\$264	\$293	\$256	\$279	\$311	\$256	\$279	\$311
MER-HPEM-C-MVS18 - 4220C - Top Facilities Management Executive - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.3B		45	45	\$161	\$220	\$267	\$179	\$233	\$278	\$179	\$233	\$278
SUL-EXE18 - 7070 - Top Facilities Executive - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,482.4	-10% for size	39		\$224	\$245	\$285	\$226	\$284	\$307	\$226	\$284	\$307
Survey Composite						\$212	\$243	\$282	\$221	\$265	\$299	\$221	\$265	\$299
Survey Composite with 25% Geographic Differential						\$266	\$304	\$352	\$276	\$332	\$373	\$276	\$332	\$373

Table 18: President of El Camino Health Foundation Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 735 - Head of Foundation/Fund Development - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 933.6; Med: 917.9		46		\$147	\$188	\$216	\$148	\$192	\$245	\$148	\$192	\$245
MER-HPEM-A-MVS18 - 4240A - Head of Foundation - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.4B	-10% for size	11	11	\$190	\$225	\$285	\$190	\$276	\$329	\$190	\$276	\$329
SUL-EXE18 - 7090 - Top Foundation/Fund Development Executive - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,199.9		71		\$239	\$286	\$323	\$254	\$301	\$371	\$254	\$301	\$371
Survey Composite						\$192	\$233	\$275	\$197	\$256	\$315	\$197	\$256	\$315
Survey Composite with 25% Geographic Differential						\$240	\$291	\$344	\$247	\$320	\$394	\$247	\$320	\$394

Page 20
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 19: Vice President of Corporate and Community Health Services; President, Employee Assistance Program Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 325 - Head of Service Line (with Nursing) - All Systems	1	Net Revenue (\$MM) Avg: 2,668.3; Med: 2,207.5	+20% for responsibility, -20% for size	12		\$187	\$195	\$202	\$202	\$215	\$236	\$202	\$215	\$236
MER-HPEM-A-MVS18 - 4600A - Head of Product/Service Line - Total Net Revenue: 500M to less than 2B USD	1	Financial Scope Median: 1.7B	+20% for responsibility, -10% for size	10	23	\$175	\$202	\$250	\$183	\$211	\$294	\$183	\$211	\$294
SUL-EXE18 - 7260 - Top Service Line/Institute Executive - Other - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,572.0	+20% for responsibility, -10% for size	9		\$222	\$247	\$258	\$222	\$305	\$315	\$222	\$305	\$315
Survey Composite						\$195	\$215	\$236	\$202	\$244	\$282	\$202	\$244	\$282
Survey Composite with 25% Geographic Differential						\$243	\$268	\$295	\$253	\$305	\$352	\$253	\$305	\$352

Table 20: Chief Strategy Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
IHS-LEAD-MVS18 - 790 - Top Executive, Strategic Planning - Systems; Net Revenue \$500M - \$1.5B	1	Net Revenue (\$MM) Avg: 952.7; Med: 913.4		25		\$258	\$317	\$410	\$276	\$360	\$466	\$276	\$360	\$466
MER-HPEM-A-MVS18 - 4391A - Top Planning Executive - Total Net Revenue: 500M to less than 2B USD	0	Financial Scope Median: 1.2B	For reference only.	7	7	\$194	\$200	\$275	\$205	\$238	\$294	\$205	\$238	\$294
SUL-EXE18 - 7027 - Chief Strategy Officer - Health Systems - \$700 Million to \$2.0 Billion	1	Net Revenue (\$MM) Med: 1,210.9		49		\$315	\$389	\$474	\$367	\$445	\$569	\$387	\$463	\$582
Survey Composite						\$286	\$353	\$442	\$321	\$403	\$517	\$331	\$411	\$524
Survey Composite with 25% Geographic Differential						\$358	\$442	\$553	\$402	\$503	\$646	\$414	\$514	\$655

Page 21
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

APPENDIX B: ACTUAL FY 2019 TOTAL REMUNERATION (COMPENSATION DATA IN 000'S)

Table 21: FY 2019 Actual Incentive Payout

Incumbent	Title	FY19 Base Salary	FY2019 Incentive Plan Payout			
			Target	Maximum	Actual (\$)	Actual (% Tgt)
Woods, Daniel	Chief Executive Officer	\$995	\$299	\$448	\$324	109%
Adams, Mark	Chief Medical Officer	\$592	\$118	\$178	\$124	104%
Griffith, James	Chief Operating Officer	\$567	\$113	\$170	\$98	87%
Harrison, Bruce	President, SVMD	\$527	\$105	\$158	\$152	144%
Hussain, Iftikhar	Chief Financial Officer	\$509	\$102	\$153	\$123	121%
Rotunno, Mary	General Counsel	\$427	\$85	\$128	\$98	114%
Muro, Deborah A	Chief Information Officer	\$393	\$79	\$118	\$94	119%
Reinking, Cheryl	Chief Nursing Officer	\$379	\$76	\$114	\$92	122%
Fisk, Kathryn	Chief Human Resource Officer	\$369	\$74	\$111	\$94	127%
King, Ken	Chief Administrative Services Officer	\$312	\$62	\$94	\$60	96%
Currier, Cecile	VP, Corp./ Comm. Health Svcs	\$275	\$55	\$83	\$66	120%

Note: This table shows incumbents who participated in the FY19 annual incentive plan; Andrew Cope (President, ECH Foundation) has thus been excluded, as he started in FY 2020.

Page 22
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 22: FY 2019 Actual Total Remuneration versus Market (Data in \$000s)

Incumbent	Title	ECH TR FY2019 Actual	Market Total Remuneration			Market Ratio Target/ P50	Market Ratio Max/ P75
			P25	P50	P75		
Woods	Chief Executive Officer	\$1,531	\$1,190	\$1,541	\$1,889	99%	81%
Adams	Chief Medical Officer	\$838	\$660	\$760	\$917	110%	91%
Griffith	Chief Operating Officer	\$790	\$707	\$909	\$1,104	87%	72%
Harrison	President, SVMD	\$806	\$483	\$632	\$813	127%	99%
Hussain	Chief Financial Officer	\$750	\$685	\$812	\$961	92%	78%
Rotunno	General Counsel	\$634	\$544	\$632	\$750	100%	84%
Muro	Chief Information Officer	\$585	\$512	\$582	\$665	101%	88%
Reinking	Chief Nursing Officer	\$579	\$442	\$502	\$593	115%	98%
Fisk	Chief Human Resource Officer	\$558	\$452	\$530	\$612	105%	91%
King	Chief Administrative Services Officer	\$467	\$334	\$395	\$445	118%	105%
Currier	VP, Corp./ Comm. Health Svcs	\$430	\$308	\$363	\$414	118%	104%
<i>Cope</i>	<i>President of ECH Foundation</i>	--	\$301	\$382	\$464	--	--
<i>Open Position</i>	<i>Chief Strategy Officer</i>	--	\$473	\$587	\$747	--	--
Aggregate						106%	90%

Note: All base salary and total cash market data include a 25% geographic differential and any appropriate premiums/discounts for the VP Corp./Comm. Health Services & Pres, CONCERN.

Page 23
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

APPENDIX C: EXECUTIVE BENEFITS AND PERQUISITES REVIEW

Retirement Plans Summary

	El Camino	Market Practice	Comments
Employer-paid	<p>Qualified Plans <u>Defined Contribution (DC) – 403(b) Plan</u></p> <ul style="list-style-type: none"> Employer match of salary, based on pension years: <ul style="list-style-type: none"> 1-14 years: 4% 15-19 years: 5% 20+ years: 6% <p><u>Defined Benefit (DB) – Cash Balance Plan</u></p> <ul style="list-style-type: none"> 5% of salary <p>Contributions on payup to IRS limit (\$280K in 2019)</p> <p>Nonqualified DC SERP <u>457(f) Plan</u></p> <ul style="list-style-type: none"> CEO: 13% of salary, offset by contributions to qualified plans Other executives: 5% of salary <p>Note: Total retirement contribution ranges from 10%-16% of salary, depending on pay and service</p> <p>Note: Executives > age 65 receive cash-in-lieu of SERP; 5 year vesting</p>	<ul style="list-style-type: none"> Nearly all provide employer contributions to a qualified DC plan <ul style="list-style-type: none"> Less than 15% provide a qualified DB plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> 60% provide a supplemental plan to the CEO and top executives <ul style="list-style-type: none"> The vast majority are DC SERPs Median total contribution from all employer-provided sources ranges from 12%-13% of salary <p>For-Profit</p> <ul style="list-style-type: none"> 50% provide a supplemental plan Median total contribution from all employer-provided sources is 6% of salary 	<ul style="list-style-type: none"> Overall structure is consistent with market practice although prevalence of DB plans continues to decline Contribution level is generally aligned with not-for-profit market median

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report.

Page 24
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Retirement Plans Summary, continued

	El Camino	Market Practice	Comments
Voluntary Deferrals	<u>403(b) Plan</u> <ul style="list-style-type: none"> Allows for deferral of pay (up to \$19,000 in 2019; \$25,000 if age 50+) <u>457(b) Plan</u> <ul style="list-style-type: none"> Allows for additional deferral up to \$19,000 in 2019 Most executives have elected to defer some or all of their Taxable Benefit Allowance 	<ul style="list-style-type: none"> Nearly all allow for deferrals to a 403(b)/401(k) plan Not-for-Profit <ul style="list-style-type: none"> 85% allow additional deferrals into a 457(b) plan For-Profit <ul style="list-style-type: none"> 60% allow additional deferrals into a nonqualified plan 	<ul style="list-style-type: none"> Consistent with market practice to provide a 457(b) plan

Sources: Mercer's 2016/2017 Healthcare Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report.

Page 25
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Health & Welfare Plans Summary

	El Camino	Market Practice	Comments
Medical	<ul style="list-style-type: none"> Executives receive the same health benefits as all employees 	<ul style="list-style-type: none"> It is common to provide the same health benefits and employer/employee cost sharing to all employees 	<ul style="list-style-type: none"> Consistent with market practice
Life Insurance	<ul style="list-style-type: none"> 3x annual salary, up to a maximum of \$2 million; no medical underwriting required (effective 1/1/2019) (FT only) Option to buy additional coverage with Taxable Allowance 	<ul style="list-style-type: none"> Almost all provide employer-paid group coverage 30%-45% provide supplemental coverage to top executives Median coverage is 100%-150% of salary (200%-300% at the 75th percentile) 	<ul style="list-style-type: none"> Adjustments made to the plan ensure that life insurance remains very competitive and provides equitable benefits for higher-paid executives Elimination of medical underwriting requirement (guaranteed issue) reduces administrative burden on covered employees and organization
Long-term Care (LTC)	<ul style="list-style-type: none"> Option to buy coverage with Taxable Allowance 	<ul style="list-style-type: none"> Approximately 5% provide executive coverage to the CEO 	<ul style="list-style-type: none"> Providing LTC is not prevalent in the market

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Page 26
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Health & Welfare Plans Summary, continued

	El Camino	Market Practice	Comments
Salary Continuance	<ul style="list-style-type: none"> Employer-paid executive coverage equal to 100% of salary for up to 6 months, offset by long-term disability benefits, accrued PTO, etc. 	<ul style="list-style-type: none"> 75% provide group coverage <ul style="list-style-type: none"> 60% of salary is the most common benefit 40% provide supplemental coverage to top executives <ul style="list-style-type: none"> 100% of salary is the most common benefit 	<ul style="list-style-type: none"> Consistent with market practice
Long-term Disability (LTD)	<ul style="list-style-type: none"> Non-contractual employer-paid group coverage equal to 60% of salary up to a monthly maximum of \$15,000 Option to buy additional coverage with Taxable Benefit Allowance Full time executives benefit less limiting if > 24 months 	<ul style="list-style-type: none"> Nearly all provide group coverage 30%-50% provide supplemental coverage to executives Median coverage is 60% of salary up to \$20,000 per month for CEO and \$15,000 for other top executives 	<ul style="list-style-type: none"> Coverage level is consistent with market practice
Taxable Benefit Allowance	<ul style="list-style-type: none"> 7% of salary Can be used to purchase LTC, additional LTD, and life insurance, defer into 457(b) plan, or distributed in cash 	<ul style="list-style-type: none"> Prevalence of flexible plans has declined over time (less than 20% provide), due to complexity and compliance risk 	<ul style="list-style-type: none"> Note that El Camino's plan was updated in 2009, which simplified the plan and minimized compliance risk

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Page 27
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Severance and Perquisites Summary

	El Camino	Market Practice	Comments
Severance	<ul style="list-style-type: none"> Salary and health benefits continue for up to 12 months for CEO, 6 months for other top executives 	<ul style="list-style-type: none"> 65% provide additional severance for executives Median severance period is 12 months for executives <ul style="list-style-type: none"> 75% continue benefits during the severance period 	<ul style="list-style-type: none"> Length of severance period is below market median
Perquisites	<ul style="list-style-type: none"> CEO: Interest-free loan up to \$400,000 (compensatory value of interest included in total remuneration of \$18,320) 	<ul style="list-style-type: none"> Car/car allowance is the only perquisite that remains somewhat prevalent <ul style="list-style-type: none"> 35% for the CEO and 20% for other top executives Perquisites are slightly more prevalent among for-profit companies, with ~75% providing at least one perquisite to the CEO and 70% to other top executives Relocation allowances are common for executives Interest-free loans are less common 	<ul style="list-style-type: none"> Perquisites without a clear business-related purpose continue to become less prevalent The CEO's interest-free loan was intended to assist with relocation expenses associated his recruitment at the time of hire and has little impact on market positioning

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Page 28
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

APPENDIX D: GEOGRAPHIC SALARY DIFFERENTIAL

- A geographic salary differential is a numerical value that expresses how a position's pay in a particular location compares to the national average pay for the same position.
 - For example, a differential of 28% for Mountain View means that the average executive salary in Mountain View is 28% higher than the average salary of executives in like positions across the US.
- The purpose of applying a geographic salary differential to market data is to account for the market differences in that employee's location.
 - Geographic salary differentials used in this study are calculated using data from the Economic Research Institute (ERI), which determines differentials using salary survey data from across the country. The differential in the Bay Area has been increasing over the past decade, with that increase accelerating over the past three to five years.

	Bay Area ¹	Silicon Valley ²	Mountain View
Average Differential	24%	28%	28%

¹ Bay Area includes Silicon Valley (see below), San Francisco, Oakland, Berkeley, Piedmont, Lafayette, Walnut Creek, Alameda, and Marin County (Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon).

² Silicon Valley includes Mountain View, Palo Alto, Cupertino, Sunnyvale, Los Altos, and Los Gatos.

- A geographic salary differential of 25% has been applied to survey data for base salary and total cash compensation in this study.



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

To: Executive Compensation Committee
From: Cindy Murphy, Director of Governance Services
Date: November 7, 2019
Subject: Effectiveness of Delegation of Authority to the Committee

Purpose:

To consider whether the delegation of authority serves its intended purposes.

Summary:

1. **Situation:** At its April 18, 2018 meeting, on this Committee's ("ECC") recommendation, the Board delegated authority to the Committee to approve for Executives other than the CEO (1) adjustments to annual salary ranges and annual salaries, (2) individual goals for incentive purposes, and (3) the amount of bonus awards earned. The intended purpose of the delegation was two-fold. First, to leave these decisions in the hands of those with specific subject matter expertise with Board members working alongside and second, to free up Board time to enable the Board to focus on strategic planning and decision making.
2. **Background:** Since that time, the Committee approved the following for Executives other than the CEO:

May 2018

1. FY19 Salary Ranges
2. FY19 Base Salary Adjustments
3. FY19 Individual Goals

September 2018

1. FY18 Individual Incentive Plan Goal Scores
2. FY18 Incentive Plan Bonus Awards
3. FY19 COO Base Salary

May 2019

1. FY20 Salary Ranges
2. FY20 Base Salary Adjustments
3. FY20 Individual Goals

September 2019

1. FY19 Individual Incentive Plan Goal Scores
2. FY19 Incentive Plan Bonus Awards
3. FY19 Foundation VP Base Salary

Staff reported each of the Committee's approvals to the Board as informational items on the Board's consent calendar. The Board did not raise any questions or concerns about the reported approvals. Since, due to a mid-year change in organizational priorities, the CEO recommended a late change to CASO's FY19 individual goals, the Committee considered the proposal for the

Delegation of Authority to the Committee
November 7, 2019

CASO's FY19 Incentive Plan Bonus Award to be "outside policy." Therefore, the Committee recommended the Board approve the Award, rather than making the approval itself.

3. Assessment: N/A
4. Other Reviews: None
5. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions:

1. Does the Committee receive adequate information and feel comfortable making these decisions without oversight by the full Board?

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

To: Executive Compensation Committee
From: Bob Miller, Committee Chair
Date: November 7, 2019
Subject: Review of Executive Compensation Policies

Recommendation(s):

1. To review and approve minor modifications to the Executive Compensation Philosophy, Salary Administration Policy, and Performance Incentive Plan.
2. To engage Mercer to perform an updated benefit market analysis and make recommendations regarding plan design changes that are more contemporary and better meet the goals of the Executive Compensation Philosophy.

Summary:

1. Situation: The Committee periodically reviews the executive compensation policies and may make recommended changes to the Board for approval. Language in the policies needs to be updated for consistency across the policies and with the Committee's charter as amended on June 13, 2018. Attached are three of the policies for review with minor modifications.

The Executive Benefits Plan needs a closer look as certain benefits lag market practice and others are losing prevalence at tax-exempt health systems and hospitals.

2. Authority: The Committee's Charter defines the role of the Committee and the Board in the oversight and governance of Executive Compensation.
3. Background: The recommendations reflect the change in the Committee's Charter, Mercer's recent letter of reasonableness summarizing market practice in each area of total remuneration, and anticipates the publication of 2019 executive benefits data in the near future.
4. Assessment: For discussion by the Committee
5. Other Reviews: N/A
6. Outcomes: Recommendations for policy language changes.

List of Attachments:

1. Executive Compensation Philosophy
2. Executive Salary Administration Policy
3. Executive Performance Incentive Policy
4. Executive Compensation Committee Charter (for reference)

Suggested Committee Discussion Questions:

1. Does the philosophy support the mission, vision, values, and strategic goals of El Camino Health?
2. How has market practice changed?

Review Executive Compensation Policies

November 7, 2019

3. Do the policies help enable the Hospital to attract and retain executive talent (*i.e.*, annual and long-term incentives, severance provisions, home loans, relocation)?
4. What compensation or benefit plan design changes does the Committee want to consider?
5. The next ECC meeting is April 2, 2020, does the Committee want to add a meeting to further discuss options for plan design changes?



EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES
POTENTIAL REVISIONS FOR DISCUSSION
DRAFT 10-2819

03.01 EXECUTIVE COMPENSATION PHILOSOPHY

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO and approved participants. Participation in the plan is subject to approval by the Hospital Board of Directors (see Attachment A).

B. Reviewed/Revised:

New: 2/08, 6/09, 12/08/10; 8/10/11, 2/13/13, 6/11/14, 10/12/16, 1/10/18, 2/14/18, 2/13/19

C. Policy Summary:

The compensation philosophy is the official statement of El Camino Hospital’s Board of Directors regarding the guiding principles and objectives upon which executive compensation decisions are based, and the general parameters and components for accomplishing these objectives.

The executive compensation program encompasses both cash compensation (salary, incentive pay, and other cash compensation) and non-cash compensation (employer provided benefit plans and perquisites) which in whole, represent total ~~compensation~~remuneration.

The program is governed by the Board of Directors and the Executive Compensation Committee which advises the Board to meet all applicable legal and regulatory requirements as it related to executive compensation and their effectiveness in attracting, retaining, and motivating executives.

The target competitive positioning for executive remuneration is:

- Base Salary – Executive base salaries, on average, are targeted ~~on average~~ at the 50th percentile of market data
- Total Cash Compensation - Base Salary plus actual performance incentive payouts is targeted, on average, at the 50th percentile and up to the 75th percentile of market data, dependent upon individual and organizational performance

Commented [JJ1]: Does the minor change better describe the intent that target is based on the group as a whole, not any individual?

- Total Remuneration - Total Cash plus the value of benefits is targeted, on average, between the 50th and 75th percentile of market data, dependent upon individual and organizational performance

D. Executive Compensation Philosophy:

The philosophy describes the guiding principles and objectives of the executive compensation program. Executive compensation decisions will be made using the following guiding principles and objectives:

1. Support the Hospital's ability to attract, retain, and motivate a highly-talented executive team with the ability and dedication to manage the Hospital accordingly.
2. Support the Hospital's mission and vision and achievement ~~of short and long-term~~ strategic goals.
3. Encompass a total compensation-remuneration perspective in developing and administering cash compensation and benefit programs.
4. Considers the Hospital's financial performance and ability to pay ~~which shall be balanced with the Hospital's ability to attract, retain and motivate executives competitively~~.
5. Govern the executive compensation programs to comply with state and federal laws.

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E. Components:

The three key components of the executive compensation program are base salary, performance incentive compensation, and benefits.

1. Base Salary. Each executive position will be assigned a salary range that is competitive with comparable hospitals and accounts for the higher cost of labor in Silicon Valley.
2. Performance Incentive Compensation. Each executive will be eligible for a goal-based performance incentive compensation program. An executive's performance incentive payout will be based on their performance against pre-defined ~~organizational and~~ individual goals with a discretionary component and ~~objectives~~ organizational goals aligned with the Hospital's mission, vision, and strategic goals.
3. Executive Benefits and Perquisites. The Hospital may provide executives with supplemental benefits as described in the executive benefits policy. It is the

Hospital's practice to minimize the use of perquisites in total executive compensation.

F. Roles and Responsibilities:

The Executive Compensation Committee shall recommend and maintain written policies and procedures regarding the administration of each component. The Hospital Board of Directors will approve all policy changes.

G. Definitions

Comparable Hospital – To measure the competitiveness of the executive compensation program, the Hospital will use, in general, compensation information from tax-exempt independent hospitals from across the United States comparable in size and complexity to the Hospital. The hospitals will be comparable in size and complexity based upon net operating revenues.

Competitive Position – A determination of where the Hospital places executive salaries, incentives, and benefits relative to comparable hospitals nationally. El Camino Hospital's competitive position for base salaries is the market median plus a geographic differential for the Silicon Valley area.

Geographic Differential – Recognizes the significantly higher cost-of-labor in Silicon Valley. The Committee will periodically analyze data to ensure the geographic differential is appropriate and accurately projecting the El Camino Hospital median.

El Camino Hospital Median – Reflects the median base pay of the comparable hospitals plus the geographic differential for a particular position. The Hospital increases the data by 25% to calculate the El Camino Hospital median.

Other Cash Compensation – Other cash compensation excludes base salary and incentive pay but includes a hiring and retention bonuses, home loans, and relocation reimbursement.

Salary Range - A range established as 20% below to 20% above the salary range midpoint, resulting in a maximum amount that is 150% of the minimum amount.

Salary Range Midpoint - The midpoint of the salary range for each executive position will be set at the El Camino Hospital Median. However, the Committee may elect to not increase salary ranges when financially prudent or when lowers the midpoint.

Total Cash Compensation – includes base salary plus annual incentive compensation (and other cash) paid to an executive.

Total ~~Compensation-Remuneration~~ – Total cash compensation plus the cost of employee and executive benefit programs.

Commented [JJ2]: Policy does not address who has authority over such decisions. While actuals are reported to the ECC and Board, the CEO as "labor negotiator" is the one who negotiates or approves terms of an executive offer or retention agreements

**ATTACHMENT A:
APPROVED PARTICIPANTS IN EXECUTIVE
COMPENSATION PROGRAM**
Effective ~~2/13/2019~~ 12/11/19 (if Board approves change)

Job Title	Name
Chief Admin Svcs Officer	Kenneth K. King
Chief Executive Officer	Daniel J. Woods
Chief Financial Officer	Iftikhar Hussain
Chief Human Resources Officer	Kathryn M. Fisk
Chief Information Officer	Deborah A. Muro
Chief Medical Officer	Mark C. Adams, MD
Chief Nursing Officer	Cheryl L. Reinking
Chief Operating Officer	James D. Griffith
Chief Strategy Officer	Vacant
General Counsel	Mary Lynn Rotunno
President Foundation	Joanne Royer Barnard <u>Andrew Cope</u>
President, Silicon Valley Medical Development	Bruce A. Harrison
VP Corp & Comm Hlth Svcs/ <u>President</u> <u>Concern</u>	Cecile S. Currier *
VP Payor Relations	Joan M. Kezic*

*~~These executives~~ is ~~are~~ considered a grandfathered participants and shall continue to be eligible for the Executive Compensation Program as long as the individual remains in an executive position with El Camino Hospital. Executive has been deemed a non-disqualified person.

Note: Executives hired on an interim basis are not eligible for the Executive Compensation and Benefits Program.



**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES
POTENTIAL REVISIONS FOR DISCUSSION
DRAFT 10-28-19**

03.02 EXECUTIVE BASE SALARY ADMINISTRATION

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO and those in other approved positions. ~~or CEO.~~ Participation in the plan is subject to approval by the Hospital Board of Directors. (reference Attachment A of the Executive Compensation Philosophy).

Commented [JJ1]: Changed to be consistent with Comp Philosophy and statement in other exec comp policies.

B. Reviewed/Revised:

New 9/15/09, 12/08/10, 2/13/13, 6/11/14, 10/12/16, 2/14/18

C. Policy Summary:

Base salary is one component of the executive total ~~compensation-remuneration~~ program which includes benefits, performance incentive pay, and other cash compensation. This policy defines how a salary range is established and provides guidelines for determining an individual’s placement in the range. The program is governed by the Board of Directors and administered by the Executive Compensation Committee (“the Committee”).

D. General Provisions:

1. **Salary Range** – Each executive position at El Camino Hospital will have a salary range with minimum and maximum, determining the lowest and highest pay for that job.

- a. The salary range midpoint reflects the 50th percentile or median base pay of the comparable hospitals plus the cost-of-labor adjustment (known as the El Camino Median). The midpoint of the salary range for each executive position will be set at the El Camino Hospital Median. However, the Committee may elect to not increase salary ranges when financially prudent or when lowers the midpoint.

Commented [JJ2]: Note that the ECC has not lowered salary ranges when the ECH median is lower than prior year(s).

Approval: 2/14/18
El Camino Hospital

Rev.: 2/16/18 jj

- b. The salary range will be from 20% below to 20% above the salary range midpoint, resulting in a maximum amount that is 150% of the minimum amount.
 - c. Salary ranges ~~will may~~ be updated annually based on competitive market data and/or executive increase market trends. ~~The Executive Compensation Committee reserves the right to recommend lower salary ranges or to freeze salary ranges and recommend freezing or lowering base salaries (for example, when financially prudent) for Board approval.~~
2. **Placement in the Salary Range** includes initial placement of a new hire, adjustments when there is a change in job scope, and periodic salary increases or decreases. An individual's placement in the range will be determined based on a combination of the following factors: paying competitively, rewarding performance, and recognizing competence, credentials, and experience.

The guidelines for placement in range are:

- a. ***Pay at 80% to 90% of Midpoint*** may be appropriate for an individual with limited experience in a comparable position, or for an individual who has recently been promoted and needs developmental time in the position. This may be a new hire or internal promotion. An individual may be eligible for higher percentage increases, aligned with performance, when positioned at this level.
- b. ***Pay at 90% to 110% of Midpoint*** may be appropriate for a fully experienced individual with a demonstrated record of successful performance. The Hospital manages base salary increases so that upward movement in salary reflects individual performance and demonstrated proficiency.
- c. ***Pay at 110% to 120% of Midpoint*** may be appropriate for a highly experienced individual with demonstrated record of consistently exceeding performance expectations or in roles which are particularly critical for the achievement of strategic objectives or in roles with a highly competitive labor market. The Hospital compares base salary levels above market with competitive market data to verify that individual base salary is reasonable.
- d. The Hospital Board of Directors can approve salaries outside the normal salary range or guidelines for hard-to-recruit positions or positions deemed critical to the success of the organization. The Hospital compares salary levels above market with competitive market data to verify that the individual base salary and total compensation is reasonable.

Commented [JJ3]: The ECC now approves salary ranges as delegated.

E. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve the CEO's base salary and any exceptions recommended by the Executive Compensation Committee. ~~executive base salaries.~~
2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board such as selecting consultants and approval of the salary ranges and base salaries of executives other than the CEO. If at the time annual salary decisions are normally made, the Committee votes to freeze base salaries, the Board will be notified of the exception-
3. The CEO recommends the salary range and base salary for those executives reporting to the CEO to the Committee.
4. The Chief Human Resources Officer and/or Director Total Rewards are responsible for implementing salary ranges and base salaries.

Commented [JJ4]: Modifications made based on Charter as amended by the Board in June 2018

EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES
POTENTIAL REVISIONS FOR DISCUSSION
DRAFT 10-28-19

03.04 EXECUTIVE PERFORMANCE INCENTIVE PLAN

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO and those in other approved positions. Participation in the plan is subject to approval by the Hospital Board of Directors (reference Attachment A of the Executive Compensation Philosophy).

B. Reviewed/Revised:

New: 9/15/09, 12/08/10, 2/13/13, 6/11/14 (eff 7/1/14), 10/14/15, 10/12/16, 1/10/18, 2/14/18, 5/8/19

C. Policy Summary:

The Performance Incentive Plan is one component of the executive total remuneration program which includes base salary, benefits, and other cash compensation. The Performance Incentive Plan is an annual goal-based compensation program designed to motivate and reward performance toward key strategic goals of the Hospital. The Plan includes a discretionary component.

D. General Provisions:

The target amount for incentive pay will be competitive with those at comparable hospitals. An executive’s incentive payout will be based on their performance against pre-defined organizational and individual goals and measures aligned with the Hospital’s mission, vision, and strategic goals.

1. Eligibility – Participants hired after December 31 will not be eligible for the program until the beginning of the next fiscal year on July 1. Incentive compensation will be pro-rated for executives with at least six months, but less than one year in the position at the end of the fiscal year. Written performance goals and measures will be determined within the first 60 days of employment. If an employee is promoted into an executive position during the fiscal year, the executive’s bonus payout will be prorated based on their eligibility for management and executive performance incentive plans.

Commented [JJ1]: Consistent with existing practice.
Proration is based on days in each position.

2. Criteria – the Hospital has established two criteria for payout: 1) the individual executive must “meet expectations” or higher on their performance review and 2) the Hospital must meet the threshold financial measure. There will be no performance incentive payout to an executive unless both criteria are met.
3. Organizational Goals – each fiscal year the Hospital will define organizational goals that support the strategic/business plan upon which at least 50% of performance incentive pay will be based. In addition, the Hospital may establish one to three threshold measures that must be achieved for there to be any payout. Whenever possible, each goal will have annual performance measures for threshold, target, and maximum levels and payouts will be on a continuum. The organizational goals will include a threshold financial measure (i.e., net margin) that must be achieved for any participant to receive incentive pay.
4. Executive Individual Goals (excluding CEO) – each fiscal year the Hospital will define individual goals that support the strategic/business plan. Whenever possible, each goal will have performance measures for threshold, target, and stretch (levels and scores will be on a continuum. The individual score will be based on the executive’s achievement against approved goals with the CEO having the discretion to modify for individual score ranging from 0% to 150%).
5. Weighing Organizational and Individual Goals – the weight of organizational, individual and discretion vary by job as shown below.

Job	Organizational	Individual	Discretion
CEO	90%	N/A	10% at Board’s discretion
Presidents (Concern:EAP; Foundation; and SVMD)	50%	50%	CEO has discretion to modify individual score from 0% to 150%
Other Participants	70%	30%	CEO has discretion to modify individual score from 0% to 150%

6. Amount of incentive pay – the amount of incentive pay is based on the executive’s base salary as shown below:

Job	Minimum	Threshold	Target	Maximum
CEO	0.0%	15%	30%	45%
Other Participants	0.0%	10%	20%	30%

The amount of incentive pay is prorated for new participants hired after July 1.

7. Performance Incentive Payout – Incentive compensation will be paid within 30 days of approval of the organizational score and the payout amounts. In order to receive incentive compensation, executives must be actively employed in an executive position at the time the incentive compensation is paid.

E. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve the plan design including position~~s~~ eligible~~s~~; organizational goals, measurements, and scoring~~s~~; and the CEO's discretionary score and performance incentive payout. In addition, the Board approves any exceptions recommended by the Executive Compensation Committee.
2. The Executive Compensation Committee shall approve individual goals, measurements, and scores, and non-CEO executive performance incentive payouts. In addition, the Committee will review and recommend organizational goals, policy and plan design changes, and report its decisions to the Board.
3. The CEO recommends the individual goals, scores, and incentive payout amounts to the Committee and the organizational goals to the Committee and Board.
4. The Chief Human Resources Officer and/or Director Total Rewards are responsible for overseeing administration of the program and implementing actions approved by the Committee and the Board.

Executive Compensation Committee Charter

Purpose

The purpose of the Executive Compensation Committee (“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 shall advise the Board to meet all applicable legal and regulatory requirements as it relates to executive compensation.

Authority

All governing authority for ECH resides with the Hospital Board except that which may be lawfully delegated to a specific Board committee. The Committee will report to the full Board at the next scheduled meeting any action or recommendation taken within the Committee’s authority. The Committee has the authority to select, engage and supervise a consultant to advise the Board and the Committee on executive compensation issues. In addition, the Committee, by resolution, may adopt a temporary advisory committee (ad hoc) of less than a quorum of the members of the Committee. The resolution shall state the total number of members, the number of board members to be appointed, and the specific task or assignment to be considered by the advisory committee.

Membership

- The Executive Compensation Committee shall be comprised of two (2) or more Hospital Board members. The Committee may also include 2-4 external (non-director) members with knowledge of executive compensation practices, executive leadership and/or corporate human resource management.
- Executive compensation consultants will be retained as appropriate and participate as directed.
- The Chair of the Committee shall be appointed by the Board Chair, subject to approval by the Board. All members of the Committee shall be eligible to serve as Chair of the Committee.
- All Committee members shall be appointed by the Board Chair, subject to approval by the Board, for a term of one year expiring on June 30th each year, renewable annually.
- It shall be within the discretion of the Chair of the Committee to appoint a Vice-Chair from among the members of the Committee. If the Chair of the Committee is not a Hospital Board member, the Vice-Chair must be a Hospital Board member.
- All members of the Committee must be independent directors with no conflict of interest regarding compensation or benefits for the executives whose compensation is reviewed and recommended by the Committee. Should there be a potential conflict, the determination regarding independence shall follow the criteria approved by the Board and as per the Independent Director Policy (*see* attached Appendix).

Staff Support and Participation

The Chief Human Resources Officer shall serve as the primary staff support to the Committee and is responsible for drafting the committee meeting agenda for the Committee Chair’s consideration. The CEO, and other staff members as appropriate, may serve as a non-voting liaison to the Committee and

may attend meetings at the discretion of the Committee Chair. These individuals shall be recused when the Committee is reviewing their individual compensation.

General Responsibilities

The Committee is responsible for recommending to the full Board policies, processes and procedures related to executive compensation philosophy, operating performance against standards, executive development and succession planning.

Specific Duties

The El Camino Hospital Board has adopted Resolution 2018-05 delegating certain decision-making authority to the Executive Compensation Committee. Resolution 2018-05 controls in the case of any inconsistency between this Charter and the Resolution or attachments to the Resolution. The specific duties of the Executive Compensation Committee include the following:

A. Executive Compensation

- Develop a compensation philosophy that clearly explains the guiding principles on which executive pay decisions are based. Recommend the philosophy for approval by the Board.
- Develop executive compensation policies to be approved by the Board.
- Review and maintain an executive compensation and benefit program consistent with the executive compensation policies, which have been approved by the Board. Recommend any material changes in the program for approval by the Board.
- Review the CEO's salary range, performance incentive program, benefit plan, and perquisites. Recommend to the Board any salary change to base salary range and/or base salary as well as performance incentive payouts based on organizational performance.
- Review the CEO's recommendations regarding salary and performance incentive payouts for the upcoming year for the executives whose compensation is subject to review by the Committee based on the CEO's evaluation of the executives' individual performance. Approve recommendations for any salary range or base salary changes and/or any performance incentive payouts within established guidelines based on the CEO's evaluation of the executives' individual performance. Recommend to the Board any salary changes and/or performance incentive payments that are outside established guidelines.
- Periodically evaluate the executive compensation program, including the charter, policies, and philosophy on which it is based, to assess its effectiveness in meeting the Hospital's needs for recruiting, retaining, developing, and motivating qualified leaders to execute the Hospital's strategic and short term objectives..
- Periodically review the total value, cost and reasonableness of severance and benefits for executives.
- Annually review and present for Board acceptance the letter of rebuttable presumption of reasonableness.
- Review market analyses and recommendation of the Committee's independent executive compensation consultant.
- Approve salary ranges for each new executive and approve placement in the range for those executives eligible for the plan within established guidelines. Recommend a salary range to the

Board and placement therein for the CEO and or actions for other executives that are outside established guidelines.

B. Performance Goals Setting and Assessment

- Review and provide input into the CEO's recommendations regarding annual organization goals and measures used in the Executive Performance Incentive Plan. Recommend organizational performance incentive goals and measurements for approval by the Board.
- Provide input into establishing the CEO's annual individual performance incentive goals and performance appraisal process to execute the Hospital's strategic plan. Recommend the CEO's individual annual goals and measures for approval by the Board.
- Provide input into establishing the executive team's annual performance incentive goals to execute the Hospital's strategic plan and approve the annual goals and measures.

C. Executive Succession and Development

- Review annually the CEO's own succession plan, including a leadership and professional development plan based on the previous year's talent assessment.
- Review annually the CEO's succession plan for the executive team members, which shall include the process by which potential executives are identified and developed.

Committee Effectiveness

The Committee is responsible for establishing its annual goals, objectives and workplan in alignment with the Board and Hospital's strategic goals. The Committee shall be focused on continuous improvement with regard to its processes, procedures, materials, and meetings, and other functions to enhance its contribution to the full Board. In addition, the Committee shall provide counsel and advice to the Board as requested.

Meetings and Minutes

The Committee shall meet at least once per quarter. The Committee Chair shall determine the frequency of meetings based on the Committee's annual goals and work plan. Minutes shall be kept by the assigned staff and shall be delivered to all members of the Committee when the agenda for the subsequent meeting is delivered. The approved minutes shall be forwarded to the Board for information.

Meetings and actions of all advisory committees of the Board shall be governed by, and held and taken in accordance with, the provisions of Article VI of the Bylaws, concerning meetings and actions of directors. Special meetings of advisory committees may also be called by resolution of the Board and the Committee Chair. Notice of any special meetings of the Committee requires a 24 hour notice.

Appendix

Definition of Independent Director – Compensation Committee

1. An independent director is a more limited and narrow classification of director than otherwise required by law and is not meant to expand or limit the definition of interested director for purposes of the El Camino Hospital Conflict of Interest Policy or to expand or reduce the scope of any legal duty or otherwise applicable legal obligation of a director. The Board of Directors, by separate resolution, may determine to limit membership on particular committees to independent directors to avoid even the appearance of a conflict of interest.
2. A member of the Board of Directors of El Camino Hospital shall be deemed to be an independent director so long as such director (and any spouse, sibling, parent, son or daughter, son- or daughter-in-law or grandparent or descendant of the director):
 - i. has not, within the preceding twelve (12) months, received payments from El Camino Hospital, a subsidiary or affiliate of El Camino Hospital in excess of Ten Thousand Dollars (\$10,000), excluding reimbursement of expenses or other permitted payments to a director related to service as a director;
 - ii. does not own an interest in an entity, or serve as a Board member or executive of an entity, that is a direct competitor of El Camino Hospital (or an entity controlling, controlled by or under common control with El Camino Hospital) for patients or services, located within ten (10) miles of El Camino Hospital (or an entity controlling, controlled by or under common control with El Camino Hospital). An entity is not a direct competitor if it provides competing services in the above area that do not exceed ten percent (10%) of such entity's revenues.
3. If a director is an owner of an entity, then the amount received from El Camino Hospital during any period shall be determined by multiplying the percentage ownership interest of the director in such entity by the total amount paid by El Camino Hospital to such entity during such period.
4. Each director appointed to the Compensation Committee and the Compliance and Internal Audit Committee shall be, at the time of appointment and while a member of such Committee, an independent director as defined above.
5. **Note:** Other laws may prohibit certain contracts or interests in their entirety and this definition is not intended to narrow or otherwise limit the application of any such law.

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.	

Executive Compensation Committee**Updated 10-30-19 if no additional meetings**

FY20 ECC Pacing Plan – Q1		
July 2019	August 2019	September 19, 2019
<i>No scheduled Committee meeting</i>	<i>No scheduled Committee meeting</i>	<u>Discussion:</u> <ul style="list-style-type: none">- Review CEO FY19 Performance Review Process (including proposed FY20 Process)- Generative Governance <u>Committee Actions:</u> <ul style="list-style-type: none">- Approve Minutes- Recommend approval of FY19 OrgScore- Approve FY19 Executive Individual Goal Scores- Approve FY19 Executive Performance Incentive Payout Amounts (*pending Board approval of FY19 Org Score)- FY20 President, Foundation Base Salary <u>Board Actions:</u> <ul style="list-style-type: none">- Approve FY19 Organizational Score

Executive Compensation Committee**Updated 10-30-19 if no additional meetings**

FY20 ECC Pacing Plan – Q2		
October 2019	November 7, 2019	December 2019
<i>No scheduled Committee meeting</i>	<u>Discussion:</u> <ul style="list-style-type: none">- Assess Effectiveness of Delegation of Authority- 6-Month Exec Comp Consultant Review <u>Committee Actions:</u> <ul style="list-style-type: none">- Approve Minutes- Recommend Letter(s) of Reasonableness- FY20 President, Foundation Incentive Goals- Revised FY20 General Counsel incentive goals- Policy Review: Compensation Philosophy; Salary Administration; Performance Incentive Plan	<i>No scheduled Committee meeting</i>
<u>Board Actions:</u> <ul style="list-style-type: none">- Approve FY19 Financial Audit- Approve FY19 Organizational Score/Results- Approve CEO FY19 Individual Score and Performance Incentive Payout- Approve FY20 CEO Base Salary Range and Base Salary <u>Informational Report to Board on:</u> <ul style="list-style-type: none">- FY19 Executive Individual Goal Scores (closed)- FY19 Executive Payout Amounts (open)		
*Mercer to prepare Letter(s) of Reasonableness	*Mitch Olejko to prepare rebuttable presumption action cover letter for Board meeting	<u>Board Actions:</u> <ul style="list-style-type: none">- Approve Letter(s) of Reasonableness- Approve Changes in Exec Comp policies
FY20 ECC Pacing Plan – Q3		
January 2020	February 2020	March 2020
<i>No scheduled Committee meeting</i>	<i>No scheduled Committee meeting</i>	<i>No scheduled Committee meeting</i>

Executive Compensation Committee
Updated 10-30-19 if no additional meetings

FY20 ECC Pacing Plan – Q4		
April 2, 2020	May 28, 2020	June 2020
<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - Leadership Development and Succession Plan Update - Strategic Plan Update (and progress against FY20 organizational goals) - Best Practices in Goal Setting in healthcare - Executive Benefit Plan Design and impact on total remuneration <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes - Approve FY21 Committee Goals - Possible recommendations on executive benefit plan design 	<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - 6-Month Exec Comp Consultant Review - Review Committee Self-Assessment results <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes - Approve FY21 Pacing Plan - Approve FY21 Executive Base Salaries - Approve FY21 Executive Salary Ranges - Approve FY21 Executive Individual Goals - Review and recommend proposed FY21 Organizational Goals - Review and recommend proposed FY21 CEO Salary Range and Base Salary <p><u>Board Actions:</u></p> <ul style="list-style-type: none"> - Approve Changes in Executive Benefit Plan Design <p><u>Informational Report to Board on:</u></p> <ul style="list-style-type: none"> - Leadership Development and Succession Planning - Best Practices in Goal Setting in Healthcare - 	<p><i>No scheduled Committee meeting</i></p> <p><u>Board Actions:</u></p> <ul style="list-style-type: none"> - Approve FY21 Organizational Goals - Approve FY21 CEO Salary Range and Base Salary <p><u>Informational Report to Board on:</u></p> <ul style="list-style-type: none"> - FY21 Executive Individual Goals - FY21 Executive Base Salaries - FY21 Executive Salary Ranges
<p>April 22, 2020 Board and Committee Educational Gathering</p>		

Commented [JJ1]: CEO's Executive Base Salary recommendations will be made in September following completion of FY 20 performance reviews.