



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, November 7, 2019
El Camino Hospital | Conference Room A (ground floor)
2500 Grant Road, Mountain View, CA 94040**

Members Present

Teri Eyre
Jaison Layney
Julie Kliger, Vice Chair
Bob Miller, Chair
George Ting, MD
Pat Wadors
John Zoglin

Members Absent

None

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Executive Compensation Committee of El Camino Hospital (the " <u>Committee</u> ") was called to order at 4:00pm by Chair Bob Miller. A silent roll call was taken. Mr. Zoglin joined the meeting at 4:01pm during Agenda Item 4: Consent Calendar. 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. CONSENT CALENDAR	<p>Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar.</p> <p>Chair Miller requested and the Committee agreed to update the following metrics for the FY20 ECC Goals:</p> <ol style="list-style-type: none"> 1. For goal #2, "Evaluate the effectiveness of the independent compensation consultant and the Committee": the Committee Chair rather than the Board Chair reviews the cost/value of the consultant. 2. For goal #3, "Review Leadership Development/Succession Planning": the first metric should read "Committee completes review of the CEO review process and makes recommendation(s) to the Board." <p>Ms. Kliger requested that materials related to the CEO Evaluation clearly explain what "the tool" is: the assessment form completed by Board members, which includes a few questions specifically for the District Board.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (9/19/2019); and for information: Progress Against FY20 ECC Goals (as updated above); FY20 CEO Performance Assessment Timeline (as modified above); FY20 Organizational Goal Update; Article of Interest.</p> <p>Movant: Ting Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin Noes: None Abstentions: None</p>	<i>Consent calendar approved</i>

	<p>Absent: None Recused: None</p>	
<p>5. REPORT ON BOARD ACTIONS</p>	<p>Chair Miller referred to the recent Board approvals as further detailed in the packet, including the approval of the FY20 CEO Base Salary.</p> <p>Dan Woods, CEO, reported that Bob Rebitzer and Julie Klinger were re-appointed to the El Camino Hospital Board at the October 22, 2019 District Board meeting.</p>	
<p>6. LETTER OF REBUTTABLE PRESUMPTION OF REASONABLENESS</p>	<p>Lisa Stella from Mercer reported that the purpose of the letter is to document for IRS purposes the process, data used, and actions taken by the Board and the Committee (acting with delegated authority) related to executive compensation for certain executives. She noted that there is no new information in the letter; it is a summary of the last year.</p> <p>In response to questions, Ms. Stella and Chair Miller described the calculation of the geographic differential using Economic Research Institute data between the local area and the national market. Ms. Stella reported that the current differential is 28% for Mountain View and Silicon Valley (average across several cities in Santa Clara County), and ECH applies a 25% differential to its salary data, per policy approved by the Committee and the Board. She noted that the annual review ensures that the geographic differential applied continues to be appropriate. Ms. Eyre suggested using more regional (<i>i.e.</i>, San Francisco Bay Area) rather than hyper-local numbers.</p> <p>Ms. Eyre suggested that the Committee look holistically at compensation and consider 1) what are the critical roles for the organization and are we compensating those roles accordingly and 2) to what degree are we using compensation tools in service of our succession strategy?</p> <p>Chair Miller requested that survey sources and range of revenue sizes for compensation surveys be included in the narrative part of the letter, mirroring the language for the benefits section. He also requested that the letter include two exhibits, one for the executive team and one for the CEO separately to be presented to the Board.</p> <p>Motion: To adopt and recommend that the Board approve the Letter of Rebuttable Presumption of Reasonableness with changes described above.</p> <p>Movant: Wadors Second: Layney Ayes: Eyre, Klinger, Layney, Miller, Wadors, Ting, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Letter of Rebuttable Presumption of Reasonableness recommended for approval</i></p>
<p>7. ASSESS EFFECTIVENESS OF DELEGATION OF AUTHORITY</p>	<p>The Committee discussed the effectiveness of delegation of authority to the Committee, including 1) encouraging the Board to review this area as well, 2) the level of comfort with the work, and 3) how the Committee is a better forum for deeper discussion with subject matter experts. The Board members on the Committee described the differing views of delegations of authority on the Board and the general level of comfort with the process. Mr. Zoglin commented that the Board should not be accepting 100% of recommendations from Committees.</p>	

**8. REVIEW EXECUTIVE
COMPENSATION
POLICIES**

Executive Compensation Philosophy

Ms. Kliger suggested additional threshold criteria for executive incentive payouts related to quality or other critical organizational functions. Ms. Johnston explained that the organization previously used accreditation by the Joint Commission (a triennial survey) as a threshold goal. Ms. Stella noted that most organization use “triggers” in their performance incentive plan rather than in their compensation philosophy; the majority of hospitals use a goal related to financial stewardship and only 20-30% use a quality threshold goal. The Committee and staff discussed 1) the inclusion of additional criteria for corporate stewardship, like labor disputes, significant CMS fines, quality goals, or other “third rail” events that would pre-empt incentive payment, 2) utilizing an exception/adjustment clause in the incentive plan to cover unforeseen circumstances, 3) language regarding a Code of Conduct (which is covered by the employment agreements) and forfeiture of payments, and 4) whether or not to articulate institutional (rather than individual) failure points in the philosophy.

In response to Ms. Eyre’s question, Ms. Johnston explained that for the Executive Performance Incentive Plan (EPIP), executives must “meet expectations” overall on their performance review.

Mr. Woods explained that there are long-term strategic organizational goals, which were established in FY18 through FY22. He noted that there currently is no long-term incentive plan. Ms. Kliger suggested that there should be clarity around the methodology for how the short-term goals are milestones for the longer-term (3-5) year goals.

The Committee requested the following revisions:

1. Refer consistently to “health system” rather than “Hospital” where appropriate, but coordinate with Legal/Governance Services on the appropriate nomenclature.
2. Section D(1): remove “with the ability and dedication to manage the Hospital accordingly.”
3. Section D(2): “Support the Hospital’s mission and vision, achievement of long and short-term goals, **and stewardship of the health system mission**” [addition of language in bold].
4. Section D(4): substitute “ability to fund” for “ability to pay.”
5. Section E(2): remove reference to a discretionary component and amended and restate the second sentence as follows: “An executive’s performance incentive payout will be based on their performance against individual and organizational goals.”
6. Section G (Comparable Hospital): “comparable in size and complexity to the Hospital based on net operating revenue.”
7. Section G (El Camino Hospital Median): remove the specific reference to the 25% differential (the second sentence).
8. Section G (Other Cash Compensation): remove specific reference to home loans and say relocation “assistance” rather than “reimbursement,” which could include home loans.
9. Section G (Salary Range Midpoint): substitute “adjust” for “increase” to cover movement of salary ranges in both directions; amended and restated as “The Committee may elect not to adjust salary ranges when financially prudent.”

The Committee agreed not to hardwire the 25% geographic differential in the philosophy.

The Committee requested clarification on “El Camino Health” and how it should be used in these documents.

Mr. Woods explained that the financial trigger for the FY20 goals is based on the consolidated enterprise financials, which includes SVMD, not just the Hospital’s standalone financials.

The Committee expressed no concerns with the rest of the proposed changes for the Philosophy.

*Generally, the Committee requested that all changes be made consistently across all of the policies.

Salary Administration

1. Section D(1)(a): substitute “adjust” for “increase” to cover movement of salary ranges in both directions; amended and restated as “The Committee may elect not to adjust salary ranges when financially prudent.”*

The Committee expressed no concerns with the rest of the proposed changes for this policy.

Executive Performance Incentive Plan

1. Section C: Remove discretionary reference
2. Section D(1)(a): Clarify and simplify the proration of an incentive bonus for a promoted individual; amended and restated as “If an employee is promoted into an executive position during the fiscal year, the executive’s bonus payout will be prorated based on the length of their participation in the management and executive performance incentive plans.”
3. Section D(4): Remove reference to the “Hospital will define goals..” and instead state that “each fiscal year, **individual goals will be defined for each executive** that support the strategic/business plan...”
4. Section D(5): Notate the table with an example of the weighting of the individual goals, and showing that these numbers are percentages (of achievement) of a percentage (of base salary) to determine payout.
5. Section D(6): In the chart, change the header “Minimum” to “Below Threshold.”
6. New subsection in Section D (between 6 and 7): Add a separate exception clause to allow for changes based on unusual or unforeseen circumstances. The Committee would have the authority to approve individual goals/metrics changes and make recommendation to the Board for changes to organization goals/metrics. Under the proposed change, the Board would approve any changes to the organization goals/metrics. In addition, add a clause that the Committee can recommend and the Board can approve adjustment and/or suspension of payouts.

The Committee further discussed the process for modifying individual goals or establishing them for new executives. They voiced support that the Chair of the Committee would provide recommendations to the CEO on proposed revisions to an individual executive’s goal. Ms. Wadors and Ms. Eyre expressed concerns about the responsiveness of the process and commented that the CEO should be empowered and delegated authority to make goal adjustments. Other members commented that revisions should be approved by either the Committee or the Board to ensure oversight.


The Committee suggested that the process be as follows: 1) CEO reviews

	<p>proposed goal revisions or new goals with the ECC Chair; 2) the revisions/new goals are taken to the next ECC or Board meeting, whichever is first, for review and approval; and 3) the approved goals are provided to either the Board or Committee (whichever body did not approve the change) at their next meeting for information.</p> <p>The Committee discussed the Committee’s review of the organizational goals, reviewing the structure while the Quality and Finance review content.</p> <p>Motion: To approve in concept the proposed changes be made to the Executive Compensation Philosophy, Salary Administration Policy, and Executive Performance Incentive Plan policies and to direct staff to bring back revised drafts of the policies for the Committee’s review and approval at the Committee’s next meeting.</p> <p>Movant: Wadors Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p> <p>Ms. Johnston explained that Mercer will be conducting a benefits review and the Benefits Policy will be reviewed at the Committee’s next meeting.</p>	
<p>9. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 5:49pm.</p> <p>Movant: Zoglin Second: Kliger Ayes: Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Adjourned to closed session at 4:22pm</i></p>
<p>10. AGENDA ITEM 14: RECONVENE OPEN SESSION/ REPORT OUT</p>	<p>Open session was reconvened at 5:37pm. Agenda items 10-13 were addressed in closed session. Ms. Kliger and Ms. Wadors 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 (9/19/2019) by a unanimous vote in favor of all members present (Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin) and the Proposed FY20 President, Foundation Goals, and the Proposed Revised FY20 General Counsel Goals by a unanimous vote in favor of all members present (Eyre, Layney, Miller, Ting, Zoglin). Ms. Kliger and Ms. Wadors were absent.</p> <p>Ms. Stella clarified that the revisions to the Letters of Rebuttable Presumption of Reasonableness include:</p> <ul style="list-style-type: none"> - Separate exhibits for the CEO and executive data - Specific revenue cuts for each of the compensation surveys - Removal of a comment in the methodology section on including general industry benefits data <p>These edits will be incorporated into the version presented to the Board for approval.</p>	


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	Ms. Stella left the meeting and Mr. Woods discontinued participation in the meeting.	
11. AGENDA ITEM 15: 6-MONTH EXECUTIVE COMPENSATION CONSULTANT REVIEW	The Committee discussed the timing of an RFP for next year and requested more information on this topic (dates of the original contract, the dates of the extension recommended and approved by the Committee, and next steps/pacing). The Committee and staff also reviewed the effectiveness of the executive compensation consultant.	<i>Staff to provide more information regarding RFP</i>
12. AGENDA ITEM 16: FY20 PACING PLAN	The Committee requested adding a meeting in January/February 2020 for the benefits review and to finalize the policy revisions from this meeting.	
13. AGENDA ITEM 17: CLOSING COMMENTS	Chair Miller thanked the Committee for the work in this meeting.	
14. AGENDA ITEM 18: ADJOURNMENT	Motion: To adjourn at 6:20pm. Movant: Zoglin Second: Kliger Ayes: Eyre, Layney, Miller, Ting, Zoglin Noes: None Abstentions: None Absent: Kliger, Wadors Recused: None	<i>Meeting adjourned at 6:20pm</i>

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

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Julia E. Miller
Secretary, ECH Board of Directors

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