

**Minutes of the Joint Meeting of the
 El Camino Hospital Board of Directors
 and the Executive Compensation Committee**

Wednesday, April 13, 2016

**El Camino Hospital, 2500 Grant Road, Mountain View California
 Conference Rooms E, F & G**

Board Members Present

Lanhee Chen
 Dennis Chiu
 Neal Cohen
 Jeffrey Davis, MD
 Peter Fung, MD
 Julia Miller
 David Reeder
 Tomi Ryba
 John Zoglin

Committee Members Absent

Jing Liao

Members Excused

None

Committee Members Present

Teri Eyre
 Bob Miller
 Prasad Setty

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER	The Joint Session meeting of the Board of Directors of El Camino Hospital (the “Board”) and the Executive Compensation Committee (the “Committee”) was called to order at 5:30 pm by Chair Cohen.	
2. ROLL CALL	A silent roll call was taken. All Board and Committee members were present, with the exception of Jing Liao. Director Fung arrived at 5:40 pm and Mr. Setty arrived at 5:35 pm.	
3. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Director Cohen asked if any Board or Committee member may have a conflict of interest on any of the items on the agenda. No conflicts were noted.	
4. EXECUTIVE INCENTIVE GOAL SETTING PHILOSOPHY	<p>Jeff Davis, Chair of the Executive Compensation Committee, introduced the Committee and praised the knowledge and proactive nature of the Committee members. Committee members Terry Eyre, Prasad Setty, and Bob Miller introduced themselves to the Board. Chair Davis provided a brief introduction of Committee member Jing Liao who was absent.</p> <p>Bob Miller, Vice Chair of the Executive Compensation Committee, described Mercer – the newly engaged executive compensation consultants – and their recommendations and findings on the goal setting philosophy and process. These recommendations were based on interviews with the Board Chair, leadership team, members of the committee, and Mercer’s depth and breadth of experience in working with numerous</p>	

- other hospitals. The Committee reviewed the recommendations and shared them with the Board:
- Maintain operating margin as a threshold for incentive payment
 - Consider removing Joint Commission accreditation as a gateway or trigger and consider replacing it with a quality goal
 - Maintain organizational performance measures, include one strategic goal (to provide focus on long-term outcomes)
 - Change executive goal weighting from 70/20/10 to 80/10/10 (organizational/individual/discretionary). Maintain CEO at 90 organizational/10 discretionary
 - Introduce SMART goal (1 key, well-set goal per executive) with strategic plan link
 - Change weights for performance to be rewarded 50% organizational, 40% business, 10% discretionary for the Presidents of the Foundation and CONCERN: EAP

Mr. Miller explained that the Committee disagreed with Mercer's recommendations for changing the weighting for the Executives. Instead, the Committee recommends the weights be maintained at 70% organizational/20% individual/10% discretionary.

He also explained that the Committee's deliberations focused on balancing long-term and operational goals as well as individual versus shared goals and accountability. He reported that Committee discussions moving forward will address whether target levels are appropriate, and how best to standardize and streamline goal setting processes.

In the Board's feedback to the Committee, Director Reeder discussed the potential pitfalls of using a quality goal as a gateway for measuring organizational success, given the dramatic impact of a single incident. Director Chiu asked about the CEO's lack of individual goals in the weighting recommendations. Ms. Eyre explained that the CEO's role is to pursue the top organizational goals and be accountable for those. Director Cohen discussed accountability for organizational goals, and the need for it to be equitable across the leadership team. He highlighted the need to foster a more collaborative environment and process. Mr. Miller noted that performance reviews as well as incentive plans can distribute accountability.

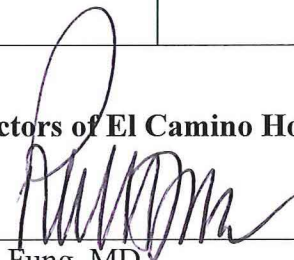
	<p>Director Ryba commented that physician leaders are engaged when discussing and developing organizational goals. She also noted that Medical Director contracts are very goal specific, and organization/individual goals inform manager goals.</p> <p>Director Ryba suggested setting two-year goals rather than setting targets one year at a time, as work often takes longer than one year.</p>	
<p>5. SUCCESSION PLANNING</p>	<p>Mr. Miller outlined the succession planning talent profile. This document provides information on strengths, development needs, and resources to help improvement. If an executive leaves, succession planning outlines how the role should be filled and who is ready for that role, building a pipeline of talent.</p> <p>Kathryn Fisk, CHRO, reported on the status of succession planning and leadership development activities. She commented that one goal is to find talent in ECH's pool of department Directors and noted that 100% of ECH's executives have emergency successors. Next steps include reviewing core competencies and developing and retaining current executives while grooming successors. Another project underway is creating succession charts that note candidates' readiness for roles.</p> <p>Director Zoglin initiated discussion of measurable outcomes to determine the effectiveness of these plans: improving retention rate, internal promotions/hires, etc. Mr. Setty, Director Ryba, and Director Cohen described important factors to balance: ideally, multiple people are available to fill a particular executive role (not relying on one person), individuals have specialized <i>and</i> general knowledge (so they can add value to other areas), and the talent pool brings new perspectives into the fold (even though the employees here already are very capable). Ms. Eyre noted from her experience a general benchmark for success is filling two-thirds of executive positions internally. Metrics will continue to be discussed and refined to decide what the strategy of measuring success is, and then to evaluate if ECH is meeting that strategy.</p>	
<p>6. ADJOURNMENT</p>	<p>Motion: To adjourn the meeting at 6:45 pm.</p> <p>Movant: Chen Second: Chiu</p>	<p><i>Meeting adjourned at 6:45 pm.</i></p>

	Ayes: Chen, Cohen, Chiu, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None. Abstentions: None. Absent: None. Recused: None.	
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Attest as to the approval of the foregoing minutes by the Board of Directors of El Camino Hospital:



Neal Cohen, MD
Chair, ECH Board



Peter C. Fung, MD
ECH Board Secretary



Jeffrey Davis, MD
Chair, ECH Executive Compensation
Committee

Prepared by: Cindy Murphy, Board Liaison