

AGENDA
GOVERNANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Tuesday, February 7, 2017 – 5:30 pm
 El Camino Hospital | Conference Room A (ground floor)
 2500 Grant Road, Mountain View, CA 94040

MISSION: To advise and assist the El Camino Hospital (ECH) Board of Directors (“Board”) in matters related to governance, board development, board effectiveness, and board composition, i.e., the nomination and appointment/reappointment process. The Governance Committee ensures the Board and Committees are functioning at the highest level of governance standards.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER / ROLL CALL	Peter Fung, MD, Chair		5:30 – 5:32 pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Peter Fung, MD, Chair		5:32 – 5:33
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Peter Fung, MD, Chair	<i>public comment</i>	information 5:33 – 5:36
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 Governance Committee Meeting (November 10, 2016) Information b. FY17 Pacing Plan c. Update on ECH Committee Recruitment	Peter Fung, MD, Chair	<i>public comment</i>	motion required 5:36 – 5:39
5. REPORT ON EL CAMINO HOSPITAL BOARD ACTIONS ATTACHMENT 5	Peter Fung, MD, Chair		information 5:39 – 5:44
6. REPORT ON EL CAMINO HEALTHCARE DISTRICT BOARD ACTIONS ATTACHMENT 6	Peter Fung, MD, Chair		information 5:44 – 5:49
7. DISTRICT AD HOC COMMITTEE REPORT ON ECH BOARD MEMBER RECRUITMENT ATTACHMENT 7	David Reeder, Chair, ECHD Ad Hoc Committee		information 5:49 – 5:54
8. ECH BOARD MEMBER COMPENSATION POLICY ATTACHMENT 8	Cindy Murphy, Board Liaison	<i>public comment</i>	possible motion 5:54 – 6:04

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
9. NON-DISTRICT BOARD MEMBER ELECTION/RE-ELECTION PROCESS ATTACHMENT 9	Peter Fung, MD, Chair	<i>public comment</i>	possible motion 6:04 – 6:14
10. ANNUAL REVIEW OF ADVISORY COMMITTEE COMPOSITION ATTACHMENT 10	Donald Sibery, Interim CEO		discussion 6:14 – 6:24
11. ADJOURN TO CLOSED SESSION	Peter Fung, MD, Chair		motion required 6:24 – 6:25
12. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Peter Fung, MD, Chair		6:25 – 6:26
13. CONSENT CALENDAR <i>Any Committee Member 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 Governance Committee Meeting (November 10, 2016)	Peter Fung, MD, Chair		motion required 6:26 – 6:27
14. Health and Safety Code Section 32106(b) for a report and discussion involving health care facility trade secrets: - Update on Competency-Based Governance	Peter Fung, MD, Chair		information 6:27 – 6:37
15. ADJOURN TO OPEN SESSION	Peter Fung, MD, Chair		motion required 6:37 – 6:38
16. RECONVENE OPEN SESSION / REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Peter Fung, MD, Chair		6:38 – 6:39
17. ROUND TABLE DISCUSSION	Peter Fung, MD, Chair		discussion 6:39 – 6:44
18. ADJOURNMENT	Peter Fung, MD, Chair		motion required 6:44 – 6:45 pm

Upcoming Meetings

- April 4, 2017
- June 6, 2017

Minutes of the Open Session of the Governance Committee
Thursday, November 10, 2016
2500 Grant Road, Mountain View, CA 94040
El Camino Hospital | CEO Conference Room

Members Present

Lanhee Chen
Peter C. Fung, MD, Chair
Gary Kalbach, Vice Chair
Christina Lai
Pete Moran
David Reeder

Members Absent

None

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	Committee Chair Peter C. Fung, MD called the Governance Committee of El Camino Hospital to order at 5:30pm. All members were present.	
2. POTENTIAL CONFLCITS OF INTEREST DISCLOSURES	Chair Fung asked if any Committee member may have a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	None.	
4. CONSENT CALENDAR	<p>Chair Fung asked if any member of the Committee wished to remove any items from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Governance Committee meeting of August 2, 2016.</p> <p>Movant: Moran Second: Reeder Ayes: Chen, Fung, Kalbach, Lai, Moran, and Reeder Noes: None Abstain: None Absent: None Recused: None</p> <p>There was no discussion about the Pacing Plan.</p>	<i>Consent Calendar approved</i>
5. REPORT ON BOARD ACTIONS	<p>Chair Fung referred to the written report in the meeting materials, highlighting the Board decisions not to renew Tomi Ryba's contract, to appoint Donald Sibery as the Interim CEO and to ratify the identified board competencies. He also noted that the previous night the Board approved the FY17 Executive Base Salaries and FY16 Executive Incentive Plan Payments and appointed a CEO Search Ad Hoc Committee.</p> <p>Mr. Chen commented that the Board would like to complete the search process within 3 months.</p>	
6. REVIEW OF ANNUAL ECH BOARD ASSESSMENT TOOL	Joann McNutt of Nygren Consulting reported that during the time her firm has been assisting the Board with its annual self-assessment (since 2011) the survey has remained approximately 95% the same with a few modifications each year. She recommended that the Committee revise question	<i>Board Assessment tool recommended for approval</i>

	<p>#24 to clarify its purpose because 3 of 9 Board members skipped the question in the last survey. The Committee members discussed Ms. McNutts's suggestion to modify it to reflect the Board's role in overseeing management's development and execution of a compliance program and directed Ms. McNutt and Cindy Murphy, Board Liaison, to redraft the question in accordance with the Committee's discussion.</p> <p>She also recommended that Question #17 be revised to read as follows: "The board effectively oversees the review and development of the medical staffing plan on a routine basis." The Committee discussed this recommendation.</p> <p>Mr. Moran suggested that the Board Chair assessment be revised since Board Chair Cohen will not be returning as Board Chair in FY18.</p> <p>Following discussion, the Committee asked staff to revise the Board Chair assessment to (1) provide feedback to Chair Cohen on his achievements, positive contributions to the Board, and any advice for his last few months of service, and (2) to inform the incoming Chair regarding the 5 most important skills/ behaviors they might expect of an effective Board Chair and (3) to offer any advice to the incoming chair.</p> <p>Motion: To revise Questions #17 and #24 of the Annual Board Self-Assessment survey and the Board Chair Assessment in accordance with the direction given to staff.</p> <p>Movant: Kalbach Second: Chen Ayes: Chen, Fung, Kalbach, Lai, Moran, and Reeder Noes: None Abstain: None Absent: None Recused: None</p>	
<p>7. BOARD AND COMMITTEE SUCCESSION PLANNING</p>	<p>Ms. Murphy reported that the Board will consider the Compliance Committee's recommendation to appoint a new member at its January meeting. She also reported that the two new Finance Committee members attended their first meeting in September and the Executive Compensation Committee will decide at its November 16th meeting whether to recruit a new member to replace Prasad Setty who recently resigned.</p> <p>Mr. Reeder reported that the District Board will begin working on recruiting a replacement for Board Chair Cohen once the CEO Recruitment has progressed.</p>	
<p>8. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 6:01pm.</p> <p>Movant: Kalbach Second: Moran Ayes: Chen, Fung, Kalbach, Lai, Moran and Reeder Noes: None Abstain: None Absent: None Recused: None</p>	<p><i>Adjourned to closed session at 6:01pm.</i></p>

9. AGENDA ITEM 14: RECONVENE OPEN SESSION/ REPORT OUT	Open session was reconvened 6:58pm. During the closed session the Committee approved the Closed Session Minutes of the Committee’s August 2, 2016 meeting by a unanimous vote of 6 members present (Chen, Fung, Kalbach, Lai, Moran, and Reeder).	
10. AGENDA ITEM 15: ROUNDTABLE DISCUSSION	None.	
11. AGENDA ITEM 16: ADJOURNMENT	Motion: To adjourn at 6:58 pm. Movant: Kalbach Second: Chen Ayes: Chen, Fung, Kalbach, Lai, Moran and Reeder Noes: None Abstain: None Absent: None Recused: None	<i>Meeting adjourned at 6:58pm.</i>

Attest as to the approval of the foregoing minutes by the Governance Committee.

Peter C. Fung, MD
Chair, ECH Governance Committee

GOVERNANCE COMMITTEE
FY2017 PACING PLAN REVISED January 31, 2017

FY2017 Q1		
JULY 2016	AUGUST 2, 2016	SEPTEMBER 2016
No Board or Committee Meetings	<ol style="list-style-type: none"> 1. Any new committee members and Chair affirm pacing plan and FY 2017 Governance Committee goals. 2. Consider Hospital Board Member competencies. 3. Consider education topics for Semi-Annual Board and Committee Gatherings. 4. Update on Governance Processes Assessment Work 5. Board and Committee Recruitment Update 6. Consider IT Oversight by the Board 	No Meeting
FY2017 Q2		
OCTOBER 4, 2016	NOVEMBER 10, 2016	DECEMBER 2016
	<ol style="list-style-type: none"> 1. Review and Recommend Annual Board Self-Assessment Tool. 2. Confirm Annual Board Retreat Agenda 3. Board and Committee Recruitment Update 4. Discuss Competency Based Governance 5. Board and Committee Succession Planning 	No Board or Committee Meetings

FY2017 Q3		
JANUARY 3, 2017	FEBRUARY 7, 2017	MARCH 2017
	<ol style="list-style-type: none"> 1. Discuss Goal #2 – Promote Enhanced and Sustained Competency Based Governance 2. Updates on Board and Committee Recruitment 3. Review and Recommend Changes to: <ul style="list-style-type: none"> • NDBM RE-Election Process • ECH Board Competency Matrix • ECH Board Member Re-Election Report Surveys • NDBM Position Specification and Job Description 4. Annual Review of Advisory Committee Composition 5. ECH Board Compensation Policy 	No Meeting
FY2017 Q4		
APRIL 4, 2017	MAY 2017	JUNE 6, 2017
<ol style="list-style-type: none"> 1. Review Draft Board and Committee Self-Assessment Results. 2. Board and Committee Recruitment Update 3. Set FY18 Governance Committee Goals. 4. Set FY18 Governance Committee Calendar. 5. Participate in NDBM Recruitment/Interview Effort as Requested by the District Board 6. Update on Governance Processes Assessment Work 7. FY18 Board and Committee Master Calendar 8. Consider Revision to Board Officer Election Procedure 	No Meeting	<ol style="list-style-type: none"> 1. Review and recommend all Committee FY18 Committee Goals to Board 2. Board and Committee Recruitment Update 3. Review Board Committee Chair assignments 4. Review Committees' progress against FY17 goals 5. Confirm self-assessment sent to District (from GC Charter) 6. Prepare FY18 Master Calendar for Board Approval in June 7. FY18 Board Education Plan 8. Enhanced and Sustained Competency Based Governance

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Report on Committee Recruitment Governance Committee February 7, 2017
Responsible party:	Cindy Murphy, Board Liaison
Action requested:	Information
Background:	<p><u>Corporate Compliance/Privacy and Internal Audit Committee</u></p> <p>At its November 9, 2016 meeting, the Committee interviewed three candidate and recommended appointment of one. The Board appointed Lica Hartman to the Committee on January 11, 2017, she completed On-Boarding and attended her first meeting on January 19, 2017. Her resume is attached.</p> <p><u>Executive Compensation Committee</u></p> <p>Member Prasad Setty resigned from the Committee. Staff has advertised the open position in local newspapers as well as internally to Board, Advisory Committee members, Foundation Board members, and the executive team. We have received five expressions of interest from candidates who are being screened by the Committee Chair and have scheduled an additional meeting on February 16th to interview candidates.</p>
Board Advisory Committees that reviewed the issue and recommendation, if any:	None.
Summary and session objectives :	To update the Governance Committee on the status of Advisory Committee recruitment activities.
Suggested discussion questions:	None. This is an informational item.
Proposed Committee motion, if any:	None.
LIST OF ATTACHMENTS:	<ol style="list-style-type: none"> 1. Resume – Lica Hartman

LICA HARTMAN

San Francisco, CA | 646-683-5755 | lica.hartman@gmail.com

INTERNAL AUDIT ■ RISK MANAGEMENT ■ BANKING AND CAPITAL MARKETS

Accomplished and driven internal audit professional with over 15 years of experience in banking and capital markets, providing strategic and tactical solutions to organizations seeking to improve the effectiveness of their control environment. I believe in a creative and tailored approach to assessing the current state of an internal audit function that thoughtfully considers an organization's risks, mission, long-term strategy, size, and complexity. This method ensures that the design of the future state satisfies both internal objectives and regulatory expectations. I believe that long-term success can be achieved by designing and implementing an infrastructure of committed talent, sound processes, and scalable tools that effectively and efficiently support the internal audit function to achieve its commitments to the Audit Committee.

Core Knowledge and Areas of Expertise Include:

Strategic Planning ■ Change Management ■ Process Improvement ■ Risk Assessment
Integrated Audits ■ Data Analytics ■ Governance Reporting ■ Risk Management
FRB SR 13-1 ■ FRB SR 08-08 ■ FRB SR 11-7 ■ FRB SR 12-17 ■ FRB SR 95-51 ■ FRB SR 15-18/19

PROFESSIONAL HISTORY

CHIEF AUDIT EXECUTIVE, INTERNAL AUDIT LendingClub Corporation

January 2017 – Present
San Francisco, CA

Design and build a nimble and scalable co-sourced internal audit department to support a dynamic and fast-paced environment. Apply a risk-based approach and harness in-house technology to develop a data analytics approach and program to achieve more efficient and effective testing results. Reporting to the Audit Committee, key oversight responsibilities include: quarterly internal audit risk assessment and plan execution, Sarbanes-Oxley 404 Program, project monitoring and pre-implementation reviews, business monitoring and identification of emerging risks, and regular coordination with Risk Management, Compliance, external auditors, and regulators.

VICE PRESIDENT, INTERNAL AUDIT Charles Schwab Corporation

July 2013 – December 2016
San Francisco, CA

Designed and executed the multi-year strategy to transition the internal audit function from 100% outsourced to a co-sourced model composed of both in-house and contracted personnel. Strategy included creating hiring priorities, transitioning internal audit operations and institutional knowledge from contracted personnel to internal team, adapting to geographic complexities due to business relocations, and executing a communications plan to stakeholders emphasizing a commitment to maintain the department's priorities and standards for quality internal audit work throughout the transition.

- Designed and built the Professional Practices Group responsible for establishing internal audit policies, overhauling procedures for risk assessment and audit execution documentation standards, managing a Quality Assurance program, and performing ongoing analysis of all internal audit activities and results to report key metrics, themes and trends, and emerging risks to the Audit Committees and to various risk management committees.
- Developed audit approaches and managed audit teams to assess the effectiveness of risk management functions (Enterprise Risk Management, Operational Risk Management, Model Risk Management, Vendor Risk Management) and first-line business processes critical to capital planning and stress testing to determine adherence to DFAST and CCAR regulatory expectations.
- Established methodology and provided oversight to ensure adequate audit coverage is achieved to support annual opinions of key risk categories as required by FRB SR 13-1.
- Improved relationships with auditees, governance committees, and regulatory agencies (FRB and OCC) through transparent communications, promoting a positive risk culture, and working collaboratively with other risk functions.

SENIOR MANAGER – BANKING AND CAPITAL MARKETS ADVISORY Ernst & Young LLP

January 2007 – July 2013
New York, NY

Built and led internal audit teams to develop and execute risk-based annual audit plans within co-sourced and outsourced internal audit models to support broker dealers, asset managers, banks, and stock exchanges.

- Built each team with quality business and technology auditors, and supplemented as needed with appropriate subject matter resources for highly specialized and technical areas.

- Established standards and procedures for risk assessments, integrated audit execution, issue tracking and remediation validation, business monitoring, and project monitoring.
- Utilized data analytics to evaluate technology controls over data integrity and access, data accuracy and completeness, and change management associated with business processes.
- Provided guidance to auditees for remediating complex and pervasive issues spanning across multiple lines of businesses and/or enterprises.

MANAGER – INTERNAL CONTROL STANDARDS AND PROCEDURES

May 2006 – January 2007

Emblem Health of New York

New York, NY

Identified current processes and internal controls with material impact to financial statements to determine the scope of Sarbanes-Oxley 404 preparedness program and to design and execute testing to evaluate the effectiveness of the financial reporting process.

- Processes evaluated: General Ledger, Financial Reporting, Fixed Assets, Expenditures, and Premium Revenue
- Managed staff of five personnel to execute test plans and report results
- Provided guidance to process owners on effective control design and implementation

VARIOUS POSITIONS OF INCREASING RESPONSIBILITY

January 2001 – May 2006

AllianceBernstein L.P.

New York, NY

Designed, implemented, and managed internal controls program to demonstrate an effective risks and controls environment compliant with Sarbanes-Oxley standards.

ASSISTANT VICE PRESIDENT – OPERATIONS CONTROL & COMPLIANCE (2004 – 2006)

Evaluated internal design and operating effectiveness, identified control weaknesses and potential fraud risks, and presented findings to management.

- Processes evaluated: Capital Expenditures, Fixed Assets, Capital Projects, Procurement, Vendor Management, and Contract Management.
- Managed staff of four personnel to execute test plans and reports results.
- Provided recommendations for process improvements to key stakeholders.
- Regular consultation with Internal Audit, Legal, and external auditors.

OPERATIONS CONTROLS MANAGER (2002 – 2004)

- Designed and executed tests of reengineered policies, procedures, and internal controls to evaluate compliance with new standards and requirements; presented results to management.
- Trained personnel on reengineered processes and controls for vendor qualification, bids for services and bid documentation, contract compliance, and vendor invoice standards pertaining to Facilities Management and Design & Construction.

PROJECT ADMINISTRATOR – DESIGN & CONSTRUCTION (2001 – 2002)

- Coordinated with outside consulting firm to design and implement processes and controls related to vendor qualification, competitive bidding, service contracts, cost management, and project documentation.
- Facilitated department-wide rollout and implementation of new processes and controls.
- Monitored capital expenditure project budgets vendor compliance with contract terms and conditions.

PROJECT COORDINATOR – CORPORATE DESIGN & CONSTRUCTION

December 1997 – January 2001

Calvin Klein, Inc.

New York, NY

EDUCATION

Alfred University; Alfred, NY
Bachelor of Arts in History and Political Science, Cum Laude

CERTIFICATIONS AND AFFILIATIONS

Certified Fraud Examiner (CFE)
Certified Internal Auditor (CIA)

The Institute of Internal Auditors (IIA) – Member
Association of Certified Fraud Examiners (ACFE) – Member
Securities Industry and Financial Markets Association (SIFMA) - Member

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Report on El Camino Hospital Board Actions Governance Committee February 7, 2017
Responsible party:	Cindy Murphy, Board Liaison
Action requested:	For Information
Background:	In FY16, staff added this item to each Board Committee agenda to keep Committee members informed about Board actions via a verbal report by the Committee Chair. This written report is intended to supplement the Chair's verbal report.
Other Board Advisory Committees that reviewed the issue and recommendation, if any:	None.
Summary and session objectives :	To inform the Committee about recent Board actions.
Suggested discussion questions:	None.
Proposed Committee motion, if any:	None. This is an informational item.
LIST OF ATTACHMENTS:	<ol style="list-style-type: none"> 1. Report on November 2016 and January 2017 Board Actions

November 2016 – January 2017 ECH Board Actions*

1. November 9, 2016 – Regular Meeting
 - a. Approved collective bargaining agreements with PRN and Local 39
 - b. Approved FY17 Executive Salary Ranges and Base Salaries
 - c. Approved FY16 Executive Incentive Goal Scores and Incentive Payments
 - d. Approved appointment of Lanhee Chen, Dave Reeder, John Zoglin, Lane Melchor, Ramtin Agah, MD, Karen Pike, MD, Teri Eyre, and Gary Kalbach to the CEO Search Committee
2. January 4, 2017 – Study Session
 - a. Held a closed session study session on strategic priorities
3. January 11, 2017
 - a. Approved FY17 Period 3 and 4 Financials
 - b. Reviewed and discussed CEO Position Specification
 - c. Approved Annual Board Self-Assessment Survey Tool
 - d. Appointed Nahid Aliniabee to the El Camino Hospital Foundation Board of Directors
 - e. Appointed Lica Hartman to the Corporate Compliance, Privacy and Internal Audit Committee
 - f. Approved Funding for MV Lab Upgrades, LG Medical Office Building Upgrades, and an updated Stryker Laparoscopic Platform
4. January 25, 2017 – Study Session
 - a. Held a closed session study session on strategic priorities

**This list 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.*

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Report on El Camino Healthcare District Board Actions Governance Committee February 7, 2017
Responsible party:	Cindy Murphy, Board Liaison
Action requested:	For Information
Background:	In FY16, staff added this item to each Board Committee agenda to keep Committee members informed about Board actions via a verbal report by the Committee Chair. This written report is intended to supplement the Chair's verbal report.
Other Board Advisory Committees that reviewed the issue and recommendation, if any:	None.
Summary and session objectives :	To inform the Committee about recent District Board actions.
Suggested discussion questions:	None.
Proposed Committee motion, if any:	None. This is an informational item.
LIST OF ATTACHMENTS:	<ol style="list-style-type: none"> 1. Report on December 2016 and January 2017 ECHD Board Actions

November 2016 – January 2017 ECHD Board Actions*

1. December 6, 2016 – District Board
 - a. Elected Dennis Chiu, Julia Miller and John Zoglin to new terms on the Hospital Board.
 - b. Directed an Ad Hoc Committee of the District Board to begin work on recruitment of a Hospital Board member to replace Dr. Neal Cohen who is not seeking reappointment when his current term ends on June 30, 2017.

2. January 17, 2017 – District Board
 - a. Approved selection of Witt/Kieffer to assist with recruitment of El Camino Hospital Board Member.
 - b. Scheduled an additional meeting on May 16, 2017.

**This list 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.*

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	El Camino Hospital Board Member Election Ad Hoc Committee Report Governance Committee February 7, 2017
Responsible party:	David Reeder, Ad Hoc Committee Chair
Action requested:	For Discussion
<p>Background: In anticipation of Dr. Neal Cohen leaving his position as a member of the El Camino Hospital Board of Directors, the District Board Ad Hoc Committee began work on the process of recruiting a replacement in accordance with the District Board’s established process. In December, staff issued an RFP to six Executive/Board search firms, including some with whom the Board has experience and some it does not. The Committee interviewed two candidates, both of whom merited serious consideration, but differed in terms of background, experience, and cost. The Committee recommended and the Board approved selection of Witt/Kieffer.</p> <p>The Committee also updated the position specification in accordance with the competencies approved by both the Hospital and District Boards. The Committee, with Gary Kalbach as our advisor, met with Jim Gauss of Witt/Kieffer on January 26th to discuss next steps. Mr. Gauss will assist us with refining the position specification to take to market. We meet with him next on February 7th and expect the following timeline for the search:</p> <ul style="list-style-type: none"> a. Mid-March 2017: Ad Hoc Committee reviews resumes. b. March and April 2017: Ad Hoc Committee interviews candidates. c. May 22, 2017: District Board interviews candidates and makes appointment for a 3-year term effective July 1, 2017. 	
Committees that reviewed the issue and recommendation, if any: None.	
Summary and Session Objectives: To update the Committee on El Camino Hospital Board Recruitment.	
Suggested discussion questions: None, this is an informational item.	
Proposed Board motion(s), if any: None, this is an informational item.	
<p>LIST OF ATTACHMENTS:</p> <ul style="list-style-type: none"> 1. Approved Position Description 	

POSITION SPECIFICATION

Approved By ECHD Board January 17, 2017

El Camino Hospital

TITLE: Board Member
LOCATION: Mountain View, California

THE CURRENT BOARD

The El Camino Hospital Board is currently comprised of the five members of the District Board, (Dennis Chiu, JD, Peter C. Fung, MD, Julia Miller, David Reeder, and John Zoglin) along with Neal Cohen, MD, Jeffrey Davis, MD, and Lanhee Chen, JD, PhD. The three members of the ECH Board who are not District Board members now serve a maximum of 4 staggered 3-year terms. Director Chen is serving his first term, Dr. Davis is serving his third term, and Dr. Cohen is not seeking reappointment when his current (second) term expires on June 30, 2017.

POSITION

BACKGROUND:

With the significant and continuing, large scale changes occurring in the healthcare environment, the District Board has determined that it will seek Hospital Director Candidates who will add to the thoughtful deliberations and guidance from the Board regarding the Hospital's strategic priorities as the Hospital moves "from Volume to Value."

QUALIFICATIONS:

The Board is seeking an individual with deep knowledge and experience in the healthcare industry.

In addition, the Board has prioritized the following preferred competencies that will provide a vital contribution to Board;

- Understanding of complex market partnerships
- Long-range strategic planning
- Healthcare insurance industry experience from either a payer or provide perspective
- Finance experience/entrepreneurship
- Experience in clinical integration/continuum of care

El Camino has relationships with most organizations of its type within Silicon Valley; accordingly, it will be important that conflicts of interest with competitors are avoided to maintain our community relationships. Consideration will be given to both actively employed and recently retired professionals with a commitment to serving the community.

SPECIFIC REQUIREMENTS:

- Physically attend at least two-thirds of all meetings.

Meetings are defined as Hospital Board meetings and Standing Committee meeting(s) to which the Board member has been appointed. Attendance guidelines will be considered met if the Board member physically attends two-thirds of all Hospital Board meetings **and** two-thirds of the meetings of each Standing Board Advisory Committee to which the member is appointed

- Serve on at least two Standing Board Advisory Committees (credit will be given for assignment to other Board obligations, including but not limited to the El Camino Hospital Foundation Board, Chair of the Board, Ad Hoc Committees and the Community Benefit Advisory Council).
- Willingness to Chair at least one of the Standing Board Advisory Committees when needed.
- Give notice (in accordance with policy) for inability to attend a meeting in-person or via teleconference, except in the case of emergency, to the Board Liaison at least five business days prior to a meeting.
- Agree to abide by the "El Camino Hospital Board Management Compact" (dated December, 2012).

BOARD MEETINGS

The El Camino Hospital Board presently meets monthly, excluding July and December typically at 5:30 pm on the second Wednesday of each month. In addition, two Joint Board and Committee evening educational sessions and one full day retreat are held each year.

COMMITTEE MEETINGS

Meetings are held on weekday evenings beginning between 4 and 5:30 pm and last approximately 1.5 to 2 hours.

Investment – 4x/year

Quality, Patient Care and Patient Experience – 10x/year

Finance – 6x/year

Governance – 4-6x/year

Executive Compensation – 4-6x/year

Corporate Compliance, Privacy and Internal Audit – 6x/year

COMPENSATION

Board members are eligible for compensation in the amount of \$200/Board meeting \$100/Committee meeting attended, up to 7 meetings per month.

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	El Camino Hospital Board Member Compensation Governance Committee February 7, 2017
Responsible party:	Cindy Murphy, Board Liaison
Action requested:	For Information
Background:	
<ul style="list-style-type: none"> • February 2014 – ECH Board Adopts Board Director Compensation and Reimbursement Policy and Procedure (“policy”): \$100 stipend per event up to 5 events per month. Events included Board and Committee meetings as well as other meetings attended by a Director at the express request of the Board. • June 2015 – The Governance Committee (“GC”) recommended a revised policy. Adopting some of the Committee’s recommendations, the ECH Board approved the following revisions to the policy: <ul style="list-style-type: none"> ○ Compensation for attendance at up to 7 events per month. ○ \$200 stipend per Board meeting. ○ \$100 stipend per other approved event (Standing Committees, CBAC, Foundation Board, Ad Hoc Committees and PAMF/ECH JOC). ○ To receive compensation attendance must be in person, except once per month. • September 2016 – Executive Compensation Committee (“ECC”) raised the following question: Should Board Compensation be within the purview of the ECC with the advice of its executive compensation consultant? • The ECC’s charter does not address Board Compensation. • The GC Charter Section 3c provides “Recommend updates to Hospital Board governance policies where necessary and as required by legal and regulatory agencies.” • Staff has been advised that there may be some interest by Board members to revise the policy to: <ul style="list-style-type: none"> ○ Provide for an increase in the stipend paid for Board Meetings; and ○ Always allow compensation for participation by phone. 	
Other Board Advisory Committees that reviewed the issue and recommendation, if any:	
None.	
Summary and session objectives :	
<ol style="list-style-type: none"> 1. To address whether the Executive Compensation Committee Charter should be revised to place oversight of Board Compensation within its purview. 	

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	<ol style="list-style-type: none">2. If not, to consider whether the Committee recommends any revisions to the current policy.
	<p>Suggested discussion questions:</p> <ol style="list-style-type: none">1. Does the ECC, together with the assistance of its executive compensation consultants, have better expertise to address possible revisions to the policy?2. If yes, should the ECC Charter be revised to include oversight of Board Compensation?3. If not, does the GC want to undertake review of the policy at this time?4. If yes, what revisions does the Committee recommend?
	<p>Proposed (Possible) Committee motion, if any:</p> <p>At the Discretion of the Committee:</p> <ol style="list-style-type: none">1. To direct staff to draft a revision to the Executive Compensation Committee’s Charter for it to review at its March 23, 2017 meeting and for the GC to review at its April 4, 2017 meeting. <p>OR</p> <ol style="list-style-type: none">2. To direct staff to draft the following revisions to the policy for the Committee’s consideration at its April 4, 2017 meeting: _____.
	<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none">1. Board Memo: November 13, 20132. Legal Memo: November 6, 20133. Board Memo: June 10, 20154. El Camino Hospital Board Director Compensation and Reimbursement Policy and Procedure (as revised June 2015)5. Executive Compensation Committee Charter6. Governance Committee Charter7. Article: What is Reasonable for Non-Profit Board Pay?8. Article: Should Board Members of Non-Profit Organizations Be Compensated?



Memorandum

DATE: Board of Directors Meeting – November 13, 2013

TO: El Camino Hospital Board of Directors

FROM: Cindy Murphy, Board Liaison

SUBJECT: Board Member Compensation

BOARD ACTION: Possible Motion: That the Board approve compensation for its members at a rate of _____ per meeting attended to a maximum of _____ meetings per month and directs staff to draft a policy for Board approval at a later meeting in accordance with this motion.

Summary of Survey:

Staff conducted a survey of board member compensation practices at fifteen “comparable” hospitals. Hospitals were selected for inclusion in the survey if they were not part of a large health system and were similar with respect to the number of inpatient beds. Staff attempted to balance the importance of inclusion of “comparable” hospitals with attaining a sufficient sample size resulting in some variability in the characteristics of the hospitals selected for inclusion in the survey. Sequoia Hospital and Stanford Hospital were included to provide geographically local data points. A memorandum from legal counsel has been provided separately.

Survey Results: The hospitals surveyed can be divided into three groups:

1. Hospitals that are owned by a special district and have district boards that are indistinguishable from the hospital boards:

- a. Hospitals: Palomar Health, Washington Hospital, Tri-City Medical Center and Salinas Valley Memorial.
- b. Compensation: Yes, stipend of \$100 per meeting up to 5 meetings per month.

2. Hospitals not associated with a special district:

a. Hospitals: Stanford, Sequoia, John Muir, Hoag Newport Beach, Huntington Memorial, Cottage, Eisenhower Medical Center, Scripps La Jolla and Sharp Memorial.

b. Compensation: No, although John Muir is contemplating putting a stipend in place.

3. Other:

a. Marin General Hospital – District owned, but none of the 5 district board members serve on the 10 member hospital board. District board members are compensated \$100 per meeting up to 5 meetings per month. Hospital board members are not compensated.

b. Doctors Medical Center – The hospital is district owned and has a board consisting of 11 members, five of whom are district board members. District board members are compensated for their district board activities only (\$100 per meeting up to 5 meetings per month). Hospital board members are not compensated.

MEMORANDUM

To: Board of Directors
El Camino Hospital

File No.: E4192-0002

From: Mitchell J. Olejko

Date: November 6, 2013

Re: Payment of Compensation to Members of the Board of Directors of
El Camino Hospital

I. Summary

As a tax-exempt organization, El Camino Hospital may pay compensation to members of its board of directors (“Board of Directors”), subject to the limitation that any such payment must be fair market value for the services rendered. As a matter of practice, it is relatively uncommon for members of the board of directors of a nonprofit, tax-exempt corporation to receive payment for their services as directors, although it may become more common over time. It is very common, however, for directors to be reimbursed for their expenses incurred in connection with their services.

Hospital board members (“Directors”) who receive compensation for service as a director (excluding reimbursement for expenses) would not be protected by statutory limitations on liability conferred by the California Nonprofit Corporation Law or the federal Volunteer Protection Act (only if total compensation exceeds \$500 per year, in the case of the federal law).

II. Considerations regarding Compensation of Nonprofit Corporation Board Members

The California Nonprofit Corporation Law does not prohibit compensation of directors. In practice, it is common for directors of nonprofit corporations to serve without compensation other than reimbursement of actually incurred expenses.

The Nonprofit Corporation Law (Section 5047.5) provides that uncompensated directors and officers of organizations exempt under 501(c)(3) of the Internal Revenue Code are protected from personal liability for monetary damages resulting from negligent acts or omissions. Section 5239 further provides that volunteer directors and executive officers of public benefit corporations (the Hospital is a public benefit corporation) are not personally liable for monetary

damages caused by their negligent acts or omissions.¹

A condition of liability protection under California law is that the organization must maintain liability insurance in excess of \$1,000,000.00. We understand that El Camino Hospital maintains a liability policy with limits of \$10,000,000.00.

The federal Volunteer Protection Act of 1997 (42 USC §§14501-14505) also provides a federal defense to claims alleging harm caused by an act or omission of a volunteer who provides services in any capacity to a 501(c)(3) organization and is not compensated for such services in excess of \$500 a year.²

Historically, El Camino Hospital has not compensated its Directors — taking the view that any compensation to Directors could open members of its Board who also serve as directors of El Camino Healthcare District to criticism for taking advantage of the current structure of El Camino Hospital to avoid the restrictions that apply to the El Camino Healthcare District. Hospital payments that are consistent in scope and amount with Health and Safety Code Section 32103 are less likely to raise such a concern.

¹ Generally, Sections 5047.5 and 5239 apply to directors acting within the scope of their duties and in good faith.

² Similar to the state limitations on liability, the Volunteer Protection Act requires the volunteer to have been acting within the scope of his or her responsibilities and that the harm was not caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, flagrant indifference to the rights or safety of an individual harmed by the volunteer. It also requires that that, if appropriate or required, the volunteer be properly licensed, certified, or authorized at the time the harm occurred. The Volunteer Protection Act preempts state laws to the extent that such laws are inconsistent with its provisions, but does not preempt state laws that provides additional protections to volunteers from liability.

TITLE:	El Camino Hospital Board Director Compensation and Reimbursement Policy and Procedure
CATEGORY:	Administration
LAST APPROVAL:	June 10, 2015

TYPE:	<input checked="" type="checkbox"/> Policy <input type="checkbox"/> Protocol <input type="checkbox"/> Scope of Service/ADT <input checked="" type="checkbox"/> Procedure <input type="checkbox"/> Standardized Process/Procedure
SUB-CATEGORY:	Board
OFFICE OF ORIGIN:	Administration
ORIGINAL DATE:	February 12, 2014 (applicable to events after 1/8/14)

I. **COVERAGE:** All Members of the El Camino Hospital Board of Directors with the exception of the Chief Executive Officer.

II. **PURPOSE:**

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

III. **POLICY STATEMENT:**

- A. El Camino Hospital shall pay members of its Board of Directors, for in person attendance at each of the events listed below, not to exceed seven events per month. However, one of the compensable events per month may be attended by teleconference. Members of the Board of Directors who do not wish to receive such payments may notify the Board Liaison and the CEO by submitting a “Board of Directors’ Compensation Opt-Out” form. Any member not receiving compensation may request to receive such compensation for attendance at future events by notifying the Board Liaison and the CEO.
- B. Events which are subject to compensation include:
 - 1. Board members shall be paid \$200 for attendance at Regular, Special and Emergency Meetings of the El Camino Hospital Board of Directors.
 - 2. Board members shall be paid \$100 for attendance at meetings of the Standing Board Advisory Committees of which the Director is a member or an alternate.
 - 3. In addition to the foregoing meetings, the Board, by adoption of this policy, declares that the following events constitute performance of official duties by a member of the Board of Directors for which Board members shall be paid \$100 for attending:

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- a. Meetings of the Board’s Ad Hoc Committee established by the Board of which the Director is a member.
 - b. Meetings of the El Camino Hospital Foundation, when the Director is then serving as an ex-officio member of the Foundation Board.
 - c. Meetings of the Community Benefit Advisory Council (“CBAC”) if the Director has been appointed to the CBAC by the El Camino Hospital Board of Directors.
 - d. Meetings of the PAMF/ECH Joint Operating Council if the Director has been appointed as the Board’s liaison to the Council.
- C. El Camino Hospital shall also pay to members of its Board of Directors (who request such payment reimbursement and submit the required form) an amount equal to his or her actual necessary travel and incidental expenses, including but not limited to travel, lodging and meals incurred (1) as a result of attending events specified in Section B above and (2) as a result of attending educational events funded by El Camino Hospital.
- D. Board members who reside within the El Camino Healthcare District shall not be eligible for reimbursement for mileage to events at El Camino Hospital.
- E. Board members are expected to use prudent judgment in selecting their travel accommodations and otherwise incurring expenses which will be reimbursed by the Hospital.
- F. This policy shall be implemented in accordance with the procedures described in Section VI below.

IV. DEFINITIONS (if applicable):

N/A

V. REFERENCES:

N/A

VI. PROCEDURE:

A. Stipends

- 1. Hospital staff will track Board members’ attendance at meetings and, on a monthly basis, provide Board members who have not opted out of the

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- policy with a “Meeting Attendance Report Confirmation” Form for signature.
2. Upon receipt of the signed Meeting Attendance Report Confirmation and following approval of the Board Chair, (or the Vice Chair, in the case of the Chair’s compensation) Hospital staff will forward the document to accounting.
 3. Stipends paid to Directors are IRS Form 1099 – Miscellaneous reportable. Directors who have not opted out of participation (See, Section III A) and are accepting stipend payments must submit IRS FORM W-9 to ECH Accounting before receiving payment. Annually, ECH will provide IRS Form 1099-Miscellaneous to Directors receiving stipend compensation in excess of \$600.00 in a calendar year.
- B. Use of Personal Vehicle for attendance at meetings or educational events.
1. The Hospital will pay the current IRS mileage rate for miles actually traveled, but not more than, from the Board member’s home or usual place of business within California to events as defined in Section III B and to educational events funded by the Hospital. Board members who reside within the El Camino Healthcare District shall not be eligible for reimbursement for mileage traveled to events at El Camino Hospital.
 2. To be reimbursed, the Board member must complete the Mileage Reimbursement form provided by the Board Liaison. The form must be signed by the Board Chair (or the Vice Chair in the case of the Chair’s reimbursement) and sent to accounting (OAK200) for processing.
- C. Educational seminars, conferences, events etc. attended for the benefit of the Hospital and in accordance with the Board and Committee Education Policy.
1. **Seminar/conference fees** will be reimbursed in full or at a pro-rated amount in accordance with the Board and Committee Education Policy.
 2. **Air travel** will be reimbursed at “coach” airfare rates. No reimbursement should be claimed for personal convenience fees such as those associated with priority boarding or seating upgrades.
 3. **Ground travel** to a seminar or a meeting using the Board member's personal vehicle will be reimbursed as noted in item D.1., at the current IRS mileage rate per mile. Board members should consider use of a rental car in cases where the expenses are expected to be less than the reimbursement for a personal vehicle.

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4. **Taxi, bus, rail, limo or rental car service**, if required at the destination, may be reimbursed by the Hospital if necessary for business purposes, as follows:
 - a. Reimbursement for car rental expenses incurred by the Board member will be limited to the amount charged for a standard “intermediate” car unless there is a business need for a larger vehicle (multiple travelers with luggage, for example). If the requester requests a larger automobile than is necessary to meet the business need, he/she is to have the rental agency document what the price would have been for a standard “intermediate” vehicle and seek reimbursement for only the lower amount. If a larger vehicle is required to meet a business need, this need must be documented on the "Business-Education-Travel Reimbursement Authorization" form.
 - b. Limousine service is permitted if it is no more expensive than available alternatives.
 - c. Board members should choose the least expensive available alternative suitable for the purpose and situation.
5. **Lodging** will be reimbursed at the standard private room rate at the selected motel/hotel.
6. **Meals** will be reimbursed at actual cost plus tip (normally 15%). The maximum reimbursement per day is \$95.00. It is the responsibility of the Board member to decide how he/she spends the per day maximum allowable amount for meals. Detailed receipts indicating the items purchased must be submitted.

[Note: Other than contracted medical directors, this policy shall not apply to reimbursement for meals involving physicians, regardless of whether submitted by a physician or a non-physician employee. Refer to Policy 37.00 for expenses involving physicians.]

7. **Alcohol** will not be reimbursed unless approved by the CEO, CFO or Board Chair. Because approval will only be granted in unusual circumstances, it is recommended that Board members request approval in advance of the expenditure. The maximum reimbursement of \$95.00 per day includes any approved expenses for alcohol.

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8. **Telephone calls and Internet Service**, during travel, required for necessary Hospital business will be reimbursed at cost. These expenses should be itemized on the statement. The Hospital will also reimburse expenses for a personal telephone call home each day while on Hospital business. The conversation should be kept to a reasonable length and will be reimbursed at cost.

D. The Hospital will not advance or reimburse for the following:

1. Any expenses of a spouse or other individual who accompanies the Board member on travel.
2. Any additional expenses for travel by business or first class, or any charges for special boarding privileges or seats.
3. Lodging amenities such as subscription television, valet service, cleaning/pressing of clothes (if the function is greater than one week, this service is allowed), concierge, etc. In-room meal service is subject to the normal meal reimbursement rates detailed in D.2.f above.
4. If an offsite event is within a reasonable radius of the Board member's home or usual place of business and the function is starting after 7:30 a.m. and/or will be ending before 11:30 p.m., the Hospital will not pay for overnight accommodations, as it is expected that the Board member will commute that distance to and from the function within that business day.
5. Car rental fees on an individual basis where there is the opportunity to share a rental car for a group of participants.
6. Additional per mileage charge or gasoline expense by a car rental agency for personal pleasure driving.
7. Any entertainment such as theater, tours, nightclubs, etc.
8. Discretionary expenses for another Board member or Hospital staff, such as a birthday, holiday (e.g. Christmas), weddings, child birth, special days (i.e. Administrative Day, or some life event).
9. Professional memberships are generally not reimbursable.

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

1. If a deposit is required to be made by the Hospital, prior approval of the travel request must be received in sufficient time for Accounting to process

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the request and ensure that the payment reaches its destination by the required date.

2. When booking air travel utilizing a travel agency, the Hospital's current travel agency must be used. Board members may book airfares over the Internet using the employee's personal credit card. The Board member must then seek reimbursement from the Hospital.
3. In most cases, air travel should be booked as a non-refundable fare. The much-lower cost of these non-refundable fares is normally so great that the extra cost, should a trip be re-scheduled, is still much less than paying a full-price fare.

F. Expense Account Reporting

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

G. Procedure for Completing Form

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

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- iii. *Detailed* meal receipts
- iv. Car rental receipts
- v. Parking fee receipts
- b. In circumstances where a receipt is not obtainable (or lost), the Board member must attach a statement detailing the expense as to date, place, reason for expense, and amount. All reports with missing receipts require approval by the CFO or CEO.
- c. Where receipts are given that include non-reimbursable expenses, these expenses must be marked in some fashion and deducted from the total so that only eligible expenses are reimbursed.
- 3. When travel advances are provided, the recipient must submit a final accounting of his/her expenses on the Business, Education, and Travel Expense form and return any excess advance, no later than 120 days from the date of the event. If this is not done, disciplinary action may be taken. In addition, any undocumented advance will be considered additional income to the recipient and reported as a W-2 or Form 1099 transaction.
- 4. Signature Authority (approval) for the completed form, as well as travel agency invoices, is as follows:
 - a. Department Manager/Director - up to \$5,000.00 per activity.
 - b. Department Line Vice President - up to \$50,000.00 per activity.
 - c. CEO - amounts greater than \$50,000.00 per activity.
- 5. A Board Member cannot approve her/his own reimbursement of funds.

H. Exceptions: Because it is impossible to foresee every possible situation, it is recognized that exceptions may sometimes be appropriate. As a result, expenses which are not generally reimbursed under this policy may be reimbursed by the Hospital upon determination of the appropriateness and reasonableness of the expenses by the CEO or CFO. Any such exception, including the justification for the exception, shall be attached to the request for reimbursement.

VII. APPROVAL:

APPROVING COMMITTEES AND AUTHORIZING BODY	APPROVAL DATES
Originating Committee or UPC Committee	N/A
(name of) Medical Committee (if applicable):	N/A
ePolicy Committee:	N/A
Pharmacy and Therapeutics (if applicable):	N/A

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Medical Executive Committee:	N/A
Board of Directors:	6/10/15
Historical Approvals:	2/12/14 (applicable to covered events occurring after 1/8/14)

VIII. ATTACHMENTS (if applicable):

N/A

Executive Compensation Committee Charter

Purpose

The purpose of the Executive Compensation Committee (“Compensation 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 Compensation 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 or corporate human resource management. The Hospital Board may designate up to two Hospital Board members to serve as alternate Committee members. Alternate Committee members shall serve as full members of the Committee when their attendance is permitted. If there are two alternates, meeting attendance will rotate with assignments made by the Committee Chair upon appointment or reappointment. If an alternate or Hospital Board member is unable to attend any Committee meeting, the unassigned alternate Committee member may attend any Committee meeting so long as the number of Hospital Board members in attendance is less than five.

- Compensation consultants may 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.

Staff Support and Participation

The CHRO 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 his/her 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, and succession planning.

Specific Duties

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, benefits, perquisites, and contractual terms. Recommend to the Board any salary changes and/or any performance incentive payouts based on the Committee's evaluation of the CEO's 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 and Committee's evaluation of the executive's performance. Recommend to the Board any salary changes and/or any performance incentive payouts based on the Committee and CEO's evaluation of the executive's performance.
- 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.
- 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 analysis and recommendation of the Committee's independent executive compensation consultant.
- Establish salary ranges for each executive and recommend placement in the range for the CEO and those executives eligible for the plan to the Board.

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 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. Recommend the annual goals and measures for approval by the Board.

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 performance evaluation.
- 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 review and approval.

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.

Approved as Revised: June 8, 2016

Governance Committee Charter

Purpose

The purpose of the Governance Committee (“Committee”) is to advise the El Camino Hospital (ECH) Hospital Board of Directors (“Board”) in matters related to governance, board development, board effectiveness, and board composition, i.e., the nomination and appointment/reappointment process and succession planning for the Board. The Governance Committee ensures the Board and its Advisory committees are functioning at the highest level of governance standards.

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, recommend engagement, and supervise any consultant hired by the Board to advise the Board or Committee on governance-related 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 Governance Committee shall be comprised of two (2) or more Hospital Board members. The Chair of the Committee shall be a Hospital Board director who shall be appointed by the Board Chair, subject to approval by the Board. .
- The Governance Committee may also include 2-4 external (non-Hospital Board member) members with expertise in governance, organizational leadership or as a hospital or health system executive.
- 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.
- The Governance Committee shall review and make recommendations to the Board regarding the Board Chair’s appointments of Advisory Committee Chairs and Advisory Committee members.
- It shall be within the discretion of the Chair of the Committee to appoint a Vice-Chair from among the members of the Committee.
- All members of the Governance Committee shall be independent.

Staff Support and Participation

The CEO shall attend meetings and serve as the primary staff support to the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the executive team may participate in the Committee meetings upon the recommendation of the CEO and at the discretion of the Committee Chair.

General Responsibilities

The Committee is responsible for recommending to the full board policies, processes and procedures related to board development, board effectiveness, board composition and other governance matters.

Specific Duties

The specific duties of the Governance Committee include the following:

1. **BOARD COMPOSITION, DEVELOPMENT AND EFFECTIVENESS** - Ensure that the Board is committed to the discipline of doing the right things the right way.
 - a. **Composition**
 - i. Define the necessary skill sets, diversity and other attributes required for Board members to support Hospital strategy, goals, community needs and current market conditions.
 - ii. Make recommendations to the Board regarding Board Composition.
 - b. **Orientation, Education and Development**
 - i. Recommend the orientation program for newly-appointed members to the Hospital Board of Directors and newly-appointed Board Committee members.
 - ii. Recommend a policy, budget and annual plan for Hospital Board and Committee member education, training and development.
 - c. **Board Evaluation**
 - i. Recommend an evaluation instrument and process to be used by the Hospital Board for evaluation of Board governance.
 - ii. Ensure there is a board performance evaluation completed on an annual basis, and as appropriate, evaluation of the individual directors, committees and their chairs, and the Board Chair.

- iii. Ensure submission of Hospital Board’s annual self-evaluation to the El Camino Healthcare District Board of Directors.

d. Board Efficiency

- i. Monitor and recommend improvements or changes to the on-going governance process and procedures of the Hospital Board in order to enhance overall efficiency of the Board and Advisory Committee Structure.
- ii. Ensure the Board develops a master Board meeting calendar to establish a cadence of information flow and dialogue, such that the Board has sufficient time to review the minutes and recommendations of the committees. The cadence must accommodate a flow of approvals from Committee to the full Board.

2. SUPPORT OF BOARD ADVISORY COMMITTEE ALIGNMENT WITH ORGANIZATIONAL STRATEGY AND GOALS

a. Development of Process for Advisory Committee Review of Advisory Committee Goals and Charters

- i. Recommend process for the development of annual Board Advisory Committee goals which includes:
 - 1. Linkage of committee goals to organizational goals and strategy, to the Board.
 - 2. The Board’s review and approval.
- ii. Ensure all Board Advisory committees conduct bi-annual review of Advisory committee charters and recommend any changes to the Board for approval.

b. Development of Board Advisory Committee Membership Succession Plan

- i. Ensure membership succession plan considers organizational strategy and goals.
- ii. Develop process for Advisory committee use to identify a need for increase or change in membership to further alignment with organizational strategy and goals.

3. **ARTICLES OF INCORPORATION, BYLAWS, AND POLICIES**

- a. Provide for a review of the Articles of Incorporation and Bylaws at least once every three years.
- b. Monitor legal and regulatory issues affecting governance.
- c. Recommend updates to Hospital Board governance policies where necessary and as required by legal and regulatory agencies.

Committee Effectiveness

The Committee is responsible for establishing its annual goals, objectives and pacing plan 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.

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 review and acceptance.

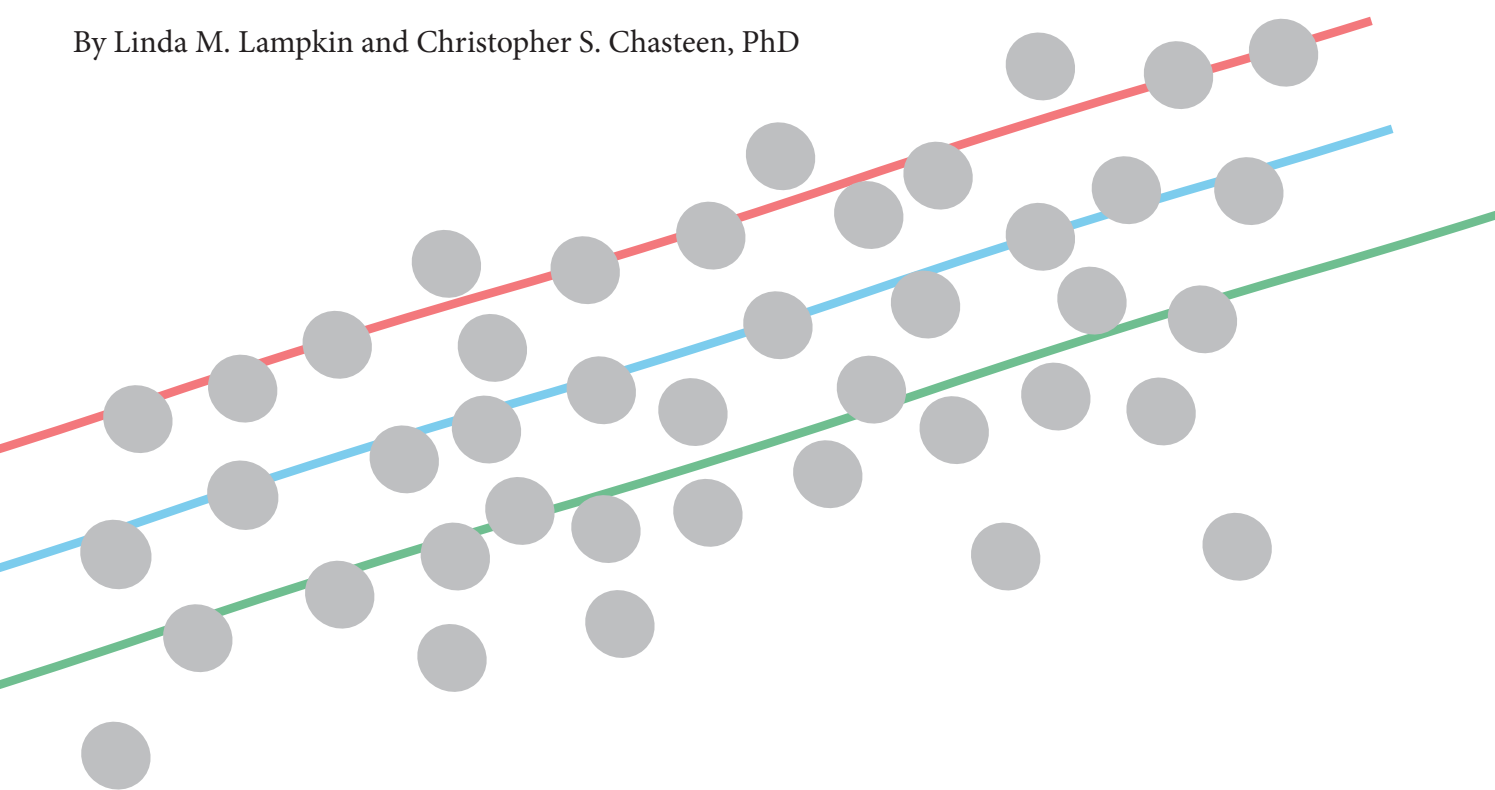
Meetings and actions of all Advisory committees of the Board shall be governed by, and held and taken in accordance with, the provisions of Article VI of the Bylaws, concerning meetings and actions of directors. Special meetings of Advisory committees may also be called by resolution of the Board and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

Approved as Revised on November 13, 2013

Approved as Revised on April 9, 2014

What Is Reasonable for Nonprofit Board Pay?

By Linda M. Lampkin and Christopher S. Chasteen, PhD



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Many board members of for-profit corporations receive pay for their work in guiding the company. However, the situation is very different in the nonprofit sector.

Although there is no prohibition on paying members of these nonprofit boards, the IRS does require that compensation be reasonable¹ and, to the IRS, that means that the compensation should be the amount that would ordinarily be paid for like services by a like enterprise under like circumstances.

This is the same requirement that covers all executive compensation by charitable nonprofits. If compensation is typical for similar organizations and backed up with data, then the IRS will have no basis for questions.

Background

Some associations representing organizations in the nonprofit sector (such as Independent Sector and BoardSource) have long recommended that board members serve without pay.

For example, Independent Sector's "Principles for Good Governance and Ethical Practice" (<http://www.independentsector.org/>) includes a statement that:

Board members are generally expected to serve without compensation, other than reimbursement for expenses incurred to fulfill their board duties. A charitable organization that provides compensation to its board members should use appropriate comparability data to determine the amount to be paid, document the decision and provide full disclosure to anyone, upon request, of the amount and rationale for the compensation.

A study of more than 1,000 grantmakers released by the Council on Foundations in September 2014 found that 20% pay board member fees and, for those receiving fees, the median amount was \$71,438. According to the COF:

Trustee compensation can be a tricky issue. While it is legal for grant makers to pay their boards, excessive or unreasonable compensation could violate federal and state

¹ According to the IRS, "the organization must not be organized or operated for the benefit of private interests, and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any organization managers agreeing to the transaction. Section 501(c)(4) of the Internal Revenue Code expressly prohibits inurement of the net earnings of an entity otherwise described in that paragraph to the benefit of any private shareholder or individual. Moreover, the Code imposes excise taxes on excess benefit transactions between a disqualified person and any organization described in section 501(c)(4)" For more details, see <http://www.irs.gov>.

*laws that were enacted decades ago to ensure foundations were using most of their money for charitable purposes. Foundations pay close attention to the laws governing board pay and so COF decided to include such information in its annual survey for the first time. It is important to see what's appropriate compensation in their own field, so if they wanted to compensate, they would have the tools to help set reasonable levels.*²

Although nonprofit board service is usually a volunteer activity, some feel that compensation is justified when the responsibilities of board members are especially time consuming or include legal responsibilities. Some also argue that compensation makes it possible for individuals of very limited financial means to participate as board members.³ It is not illegal for a nonprofit to compensate its board members with reasonable fees unless prohibited by the organization's bylaws. If compensation is authorized, compensation amounts need to be set by independent directors or an independent compensation committee with input from outside advisors. It is very important that board compensation be comparable to that of other nonprofit organizations and not deemed excessive by the IRS.

The message from the IRS is the same as on other compensation: If your organization pays its board members, make sure you have relevant comparables to justify those payments – that means, what do similar organizations in similar situations pay their directors?

Nonprofit Board Member Pay – A Look at Form 990 Data

ERI creates a database of Form 990 information, including financial measures such as revenues and assets as well as compensation, for use in the **Nonprofit Comparables Assessor™**. This is a software program that calculates average competitive compensation levels for the executive jobs reported on the form, based on characteristics such as revenue size, type of organization, and geographic location, with values chosen by the user.

The compensation data are from Forms 990 digitized by ERI from images purchased from the IRS, supplemented with data leased from GuideStar. ERI's software identifies comparable organizations and calculates what compensation at the organization of interest would be expected based on the comparables. Customers include many regulators (the IRS with multiple licenses and state charity officials) and many large nonprofits, as well as the lawyers, accountants, and consultants who serve the nonprofit sector.⁴

² http://philanthropy.com/article/20-of-Grant-Makers-Pay/149097/?cid=pw&utm_source=pw&utm_medium=en

³ See more discussion in Nonprofit Board Members: Paid or Volunteer? By Mike Conover in BDO USA, LLP's "Nonprofit Standard" newsletter (Summer 2011). Copyright © 2011 BDO USA, LLP. All rights reserved. www.bdo.com

⁴ For more information, see <http://www.eri.com/index.cfm?fuseaction=ERICA.Main>.

For the purposes of this analysis, compensation has been defined as more than \$10,000 reported on the Form 990 – this definition was chosen to eliminate board members who receive reimbursement for expenses, so that the compensation data will include pay for services provided as a director to the organization. The data were also reviewed to remove paid employees improperly reported as board members.

Research Questions

ERI's Form 990 database has been used to analyze the following questions:

- How prevalent is compensation for board members of tax-exempt organizations?
- Does the incidence of pay vary by size or type of nonprofit?
- Do charities (exempt under IRC section 501c3 which allows donations to be tax deductible for the donor) typically pay board members?
- Does the incidence of pay for charity board members vary by size or type of organization?

Incidence of Compensation for Nonprofit Board Members

The table below shows all nonprofits in the ERI database reporting CEO compensation in their 2011 Forms 990 (and does not include those filing Forms 990 and 990 EZ that do not have paid staff members and the very small Form 990-N “post card” filers)⁵. Charities represent 73% of all the exempt organizations in the database and have 74% of all the directors listed on the forms. Although not well known, there are actually many different types of tax-exempt organizations.

For the nearly 151,000 charities in the 2011 database, less than 3% of the organizations report paying their board members. It is more common for some types of organizations exempt under different IRC subsections to pay their directors (for example, c5 – labor and agricultural, c12 – benevolent life insurance, etc., c15 – mutual insurance), but these types of tax-exempts are a relatively small part of the nonprofit sector. In general, only a small proportion of board members of all tax-exempt organizations seem to be paid; however, the IRS regulations on penalties for excessive compensation cover only c3 and c4 organizations.

⁵ See www.irs.gov for information on filing requirements.

Table 1. Board Member Compensation in Tax-Exempt Organizations by IRC Code, 2011

IRC Subsection for Tax Exemption	Org Count	Bd Mbr Count	# Orgs with Paid Bd Mbrs	% Orgs with Paid Bd Mbrs	# Paid Bd Mbrs in these Orgs	% of Bd Mbrs Paid
3 - Charities	150,980	1,735,487	4,274	2.8	5,513	0.3
4 – Civic Leagues, Social Welfare Organizations, and Local Associations of Employees	7,290	68,010	229	3.1	487	0.7
5 – Labor, Agricultural and Horticultural Organizations	8,156	82,867	1,202	14.7	2,160	2.6
6 – Business Leagues, Chambers of Commerce, Real Estate Boards, etc.	15,887	261,815	396	2.5	683	0.3
7 – Social and Recreational Clubs	7,183	61,958	115	1.6	130	0.2
8 – Fraternal Beneficiary Societies and Associations	3,167	29,906	186	5.9	324	1.1
9 – Voluntary Employee Beneficiary Associations	3,458	23,522	57	1.6	109	0.5
10 – Domestic Fraternal Societies and Associations	561	4,731	37	6.6	40	0.8
12 – Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc.	2,474	16,658	595	24.1	2,871	17.2
13 – Cemetery companies	856	6,068	95	11.1	179	2.9
14 – State-Chartered Credit Unions, Mutual Reserve Funds	2,227	17,704	62	2.8	154	0.9
15 – Mutual Insurance Companies or Associations	166	1,031	25	15.1	30	2.9
Tax exempt -- all other subsections	3,897	35,203	68	1.7	80	0.2
Total	206,302	2,344,960	7,341	3.6	12,760	0.5

Incidence of Board Member Compensation in Charities by Size

Table 2a below provides a more detailed look at compensation of charity board members by size. It appears that both the smallest and the largest reporting charitable organizations are slightly more likely to pay their board members, but overall percentages are still around 3%. In smaller organizations, perhaps directors put in more hours and assume greater responsibility where there are few staff members. Also, larger organizations are more complex, requiring more skills and expertise from their directors, and might actually compete for board members with for-profit companies where pay is typical. But, on the whole, the number of charities paying board members, regardless of size, is still very low.

Table 2a. Board Member Compensation in Charities by Size, 2011

Revenue	Org Count	# Orgs with Paid Bd Mbrs	% Orgs with Paid Bd Mbrs	Bd Mbr Count	Paid Bd Mbrs	% Bd Mbrs Paid
< \$500k	66,332	2,171	3.3	601,957	2,394	0.4
\$500k to \$1 mil	26,302	750	2.9	285,048	863	0.3
\$1 mil to \$5 mil	37,294	751	2.0	480,445	1,010	0.2
\$5 mil to \$10 mil	8,563	161	1.9	128,869	222	0.2
> \$10 mil	12,489	441	3.5	239,168	1,024	0.4
Total	150,980	4,274	2.8	1,735,487	5,513	0.3

Board compensation for foundations, a specific type of charity, is sometimes a concern and sometimes even a subject of public outcry.⁶ Using asset size, the most appropriate measure of size for foundations, the 6,837 organizations with paid CEOs classified as Philanthropy, Voluntarism, and Grantmaking in the ERI database are grouped by asset size in Table 2b below. The distribution of paid board members by asset size reveals again that the overall percentage is low, but slightly higher in the small and largest foundations.

Table 2b. Board Member Compensation in Philanthropy, Voluntarism, and Grantmaking Organizations by Asset Range, 2011

Assets	Org Count	# Orgs with Paid Bd Mbrs	% Orgs with Paid Bd Mbrs	Bd Mbr Count	Paid Bd Mbrs	% Bd Mbrs Paid
< \$500k	2,120	70	3.3	20,169	72	0.4
\$500k to \$1 mil	822	21	2.6	10,172	21	0.2
\$1 mil to \$5 mil	1,975	29	1.5	26,720	31	0.1
\$5 mil to \$10 mil	672	11	1.6	9,438	17	0.2
> \$10 mil	1,248	36	2.9	22,290	191	0.9
Total	6,837	167	2.4	88,789	332	0.4

⁶ See discussion at <http://philanthropy.com/article/Foundation-Trustees/147863/>.

Incidence of Board Member Compensation in Tax-Exempt Organizations Other Than Charities

The incidence of board member compensation in tax-exempt organizations other than charities is outlined in Table 3. The percentages are slightly higher than for the c3 group but rise with increasing size. In fact, the incidence of paid directors in the group of organizations with more than \$10 million in annual revenues increases to nearly 21%.

Table 3. Board Member Compensation in Tax-Exempt Organizations Other Than Charities by Size, 2011

Revenue	Org Count	# Orgs with Paid Directors	% Orgs with Paid Directors	Director Count	Paid Directors	% Directors Paid
< \$500k	29,595	1,198	4.0	271,750	1,456	0.5
\$500k to \$1 mil	8,994	449	5.0	103,337	630	0.6
\$1 mil to \$5 mil	10,986	568	5.2	147,929	1,035	0.7
\$5 mil to \$10 mil	2,332	141	6.0	33,157	390	1.2
> \$10 mil	3,415	711	20.8	53,300	3,736	7.0
Total	55,322	3,067	5.5	609,473	7,247	1.2

Incidence of Board Member Compensation in Charities by Type

Although there are small differences in the incidence of board compensation among various sizes of charities, the Table 4 below illustrates that there are also differences among different types of organizations, as classified using the National Taxonomy of Exempt Entities⁷, the classification system used by the IRS, and in ERI's **Nonprofit Comparables Assessor**. Hospitals tend to pay their directors more than other types of charities; the incidence of pay in universities is also higher than in other types of charities. The type of charity that comprises the largest segment of the charities and, in fact, the entire nonprofit sector – Human Services – shows a lower-than-average incidence of paid board members.

⁷ <http://nccs.urban.org/classification/NTEE.cfm>

Table 4 –Board Member Compensation in Charities by Type (NTEE Group), 2011

NTEE Group	Org Count	# Orgs with Paid Bd Mbrs	% Orgs with Paid Bd Mbrs	Bd Mbr Count	Paid Bd Mbrs	% Bd Mbrs Paid
Arts	13,243	430	3.2	166,381	793	0.5
Education (excl. Universities)	21,838	549	2.5	181,286	475	0.3
Universities	1,098	46	4.2	251,514	667	0.3
Health (excl. Hospitals)	20,823	590	2.8	25,240	61	0.2
Hospitals	2,578	164	6.4	241,043	879	0.4
Human Services	56,862	1,406	2.5	36,713	314	0.9
Public Societal Benefit	17,067	403	2.4	619,716	1,671	0.3
All Other Organizations	17,471	686	3.9	213,594	653	0.3
Total	150,980	4,274	2.8	1,735,487	5,513	0.3

Incidence of Board Members Compensation in Different Types of Charities by Size

Finally, compensation for charity board members in different types of charities for different revenue levels is analyzed. Table 5a shows the percentage of charities by types and sizes that have paid directors, and Table 5b provides the actual numbers of organizations with paid directors by type and size of charity. These tables give a more detailed picture of which charities are likely to pay directors. Large hospitals are paying their directors more often, but still only 8% of them pay their directors. The number of board members receiving compensation is very small when the total number of people serving as directors of charities in the ERI database (over 1.7 million!) is considered.

Table 5a. Percentage of Charities with Paid Board Members by Type and Size, 2011

NTEE Group	\$1m to \$5m	\$5m to 10m	\$10m +
Arts	1.9	4.1	1.2
Education (excl. Universities)	1.9	1.6	2.6
Universities	3.2	2.6	3.8
Health (excl. Hospitals)	2.4	1.9	3.1
Hospitals	1.8	0.6	8.3
Human Services	1.8	1.7	1.7
Public Societal Benefit	2.0	2.1	4.7
All Other Charitable Organizations	2.8	1.9	3.9

Table 5b. Number of Charities with Paid Board Members by Type and Size, 2011

NTEE Group	\$1m to \$5m	\$5m to 10m	\$10m +
Arts	48	18	4
Education (excl. Universities)	117	24	40
Universities	4	2	29
Health (excl. Hospitals)	141	35	89
Hospitals	5	1	147
Human Services	255	53	62
Public Societal Benefit	83	17	45
All Other Charitable Organizations	98	11	25

Summary of Findings

- Less than 4% of all tax-exempt organizations report paying their board members.
- Charitable organizations, exempt under IRC Section 501c3, represent 73% of all tax-exempt organizations and less than 3% report paying their board members.
- Other organizations exempt under other IRC subsections are more likely to pay their board members (for example, labor groups, life and mutual insurance companies, etc.), but the incidence of payment is still low; these organizations are not covered by IRS regulations that provide penalties for excessive compensation.
- When analyzed by annual revenues, the small and very large charitable organizations have a slightly higher incidence of payment for board members.
- Board member pay for foundations also shows a higher incidence for the small and the very large grantmakers, but is still less than 3.5% for all sizes, as measured by size of assets.
- For all other tax-exempts, the incidence of pay is markedly higher for the largest organizations.
- The charitable organizations most likely to pay board members are hospitals (6%), followed by universities (4%).

Debate and controversy over the incidence and amount of compensation for board members in the nonprofit sector is ongoing. IRS regulations require that, for the largest group of tax-exempt organizations (i.e., the c3s known as charities), compensation must be reasonable and based on data from comparable organizations. Based on this analysis of compensation for board members reported on the Forms 990, care must be taken to collect data that supports compensation for board members and stands up to IRS scrutiny.

Please email Linda M. Lampkin at linda.lampkin@erieri.com or call (202)-306-7333 with questions or comments.

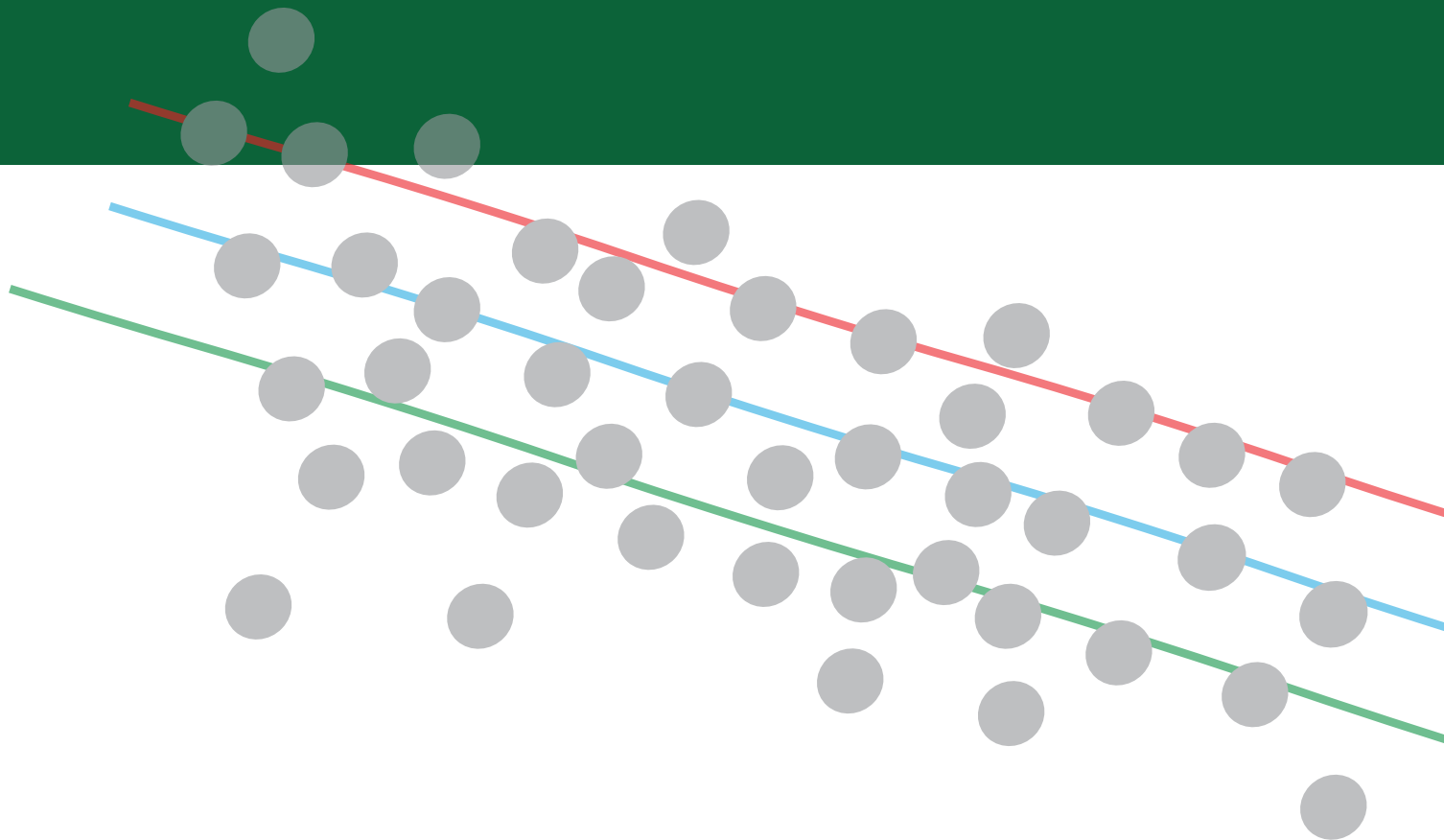
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The Center For Association Leadership

Should Board Members of Nonprofit Organizations Be Compensated?



By ASAE Staff December 21, 2015

Although not the norm, compensating board members is legal in many circumstances and may be beneficial to the organization. Here are important factors to consider in assessing whether you should compensate your board members.

Nonprofits often wrestle with the question of whether to compensate board members. Federal legislation, such as the Sarbanes-Oxley Act of 2002, and IRS regulations relating to excessive compensation add to the concern.

There are significant differences between the responsibilities of nonprofit and for-profit organizations. For-profits engage in commerce in order to earn financial return for their shareholders. Nonprofits operate to achieve their missions without the motivation of

financial gain. Nonprofit organizations do not have shareholders. Instead, nonprofits owe allegiance to members, funders, grant makers, beneficiaries, and employees, as well as to the public, which has given nonprofit organizations special status in society.

According to 2011 ASAE benchmarking research, compensating board members is not the norm in the association world: Only 13 percent of associations have some kind of compensation arrangement with the chief elected officer, such as an annual stipend or per-meeting fee; compensation for other board positions is even less common.

Although it is an uncommon practice, it is not illegal for a nonprofit to compensate its board members with reasonable fees unless prohibited by the organization's bylaws or state laws. If compensation is authorized, compensation amounts should be set by independent directors or an independent compensation committee with input from outside advisors. It needs to be clear that compensation does not imply monetary profit. It is important that board compensation be comparable to that of other nonprofit organizations and not deemed excessive by the IRS. (See Treas. Reg. §53.4958(b)(1)(ii); Treas. Reg. §53.4958-3(c)(2),(3).)

Federal Laws to Consider

Several laws should be reviewed and interpreted when considering board compensation. First is the Federal Volunteer Protection Act of 1997 (42 U.S.C. §14501 et seq.), which is intended to encourage volunteerism. It defines a volunteer as an individual performing service who does not receive compensation, other than reasonable reimbursement or allowance for expenses actually incurred.

Form 990, which has extensive reporting requirements, is the next point to consider. This form, also known as the "Return of Organization Exempt from Income Tax," requests thorough and complete information about an organization's compensation arrangements, as well as possible conflicts of interest for officers and others.

Finally, the private inurement and excess-benefits regulation directly affects the amount of compensation nonprofits may provide to board members. Section 501(c)(6) of the Internal Revenue Code prohibits any part of net earnings benefiting individuals. Section 501(c)(3) contains excess-benefits rules, which bar board directors and officers from profiting from their positions within a nonprofit organization. Paying reasonable fees to board members for services may be legal in some circumstances, but paying more than the recognized market average can result in stiff penalties, including fines or loss of tax-exempt status.

13% The percentage of associations that compensate their chief elected officer, according to 2011 ASAE benchmarking research. Compensation for other board positions is even less common.

Pros and Cons

Here are some points to consider when deciding whether or not to compensate your nonprofit board members.

Reasons not to compensate board members:

- Board members are thought of as volunteers.
- Donors and members expect their monies to be spent on services.
- Members are willing to give of their time and of themselves to further a cause.
- There are no stockholders.
- Nonprofits are organized and operated to serve a mission.
- Boards that pay members could discourage volunteering.
- Boards that pay members could discourage charitable giving.
- Boards have the fiduciary responsibility of managing the organizations' funds.
- Boards that pay members could be considered the same as staff.
- Boards will not want to risk losing the protective status offered in the Volunteer Protection Act.

Reasons to compensate board members:

- Compensation promotes economic diversity, giving members an opportunity to serve who might otherwise be unable to do so.
- Compensation promotes professionalism rather than amateurism.
- Compensation attracts the most qualified and able individuals.
- Compensation awards, in a tangible way, valuable personal time and contributions made for the cause.
- Compensation promotes more risk taking.
- Compensation stimulates better attendance at board and committee meetings.
- Compensation holds board members more accountable for performance.

The organization's culture, funds, members, donor expectations, and the image it wishes to portray will all factor into the decision whether to compensate board members. If you pay board members or plan to pay them in the future, consider these tips:

- Establish policies with clear objectives, and indicate how compensating the board of directors will benefit the organization.
- Determine what compensation is considered reasonable, and review the compensation regularly.
- Determine which board members will be compensated (the chair, board officers, or all board members).
- Determine how the compensation will be structured (i.e., flat fee, retainer, per diem, formula), how it will be distributed, and the tax implications.
- Determine how much each board member will be compensated and whether the chair will be paid more than others.

Careful attention to legal requirements and the details of any payment arrangements will ensure that nonprofits make informed decisions and set responsible policies for board compensation.

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Review of El Camino Hospital Non-District Board Member Election (and Re-Election) Process Governance Committee February 7, 2016
Responsible party:	Cindy Murphy, Board Liaison
Action requested:	For Possible Motion
Background:	<p>The El Camino Healthcare District Board has engaged in the attached Non-District Board Member Election and Re-Election Process (the “Process”) as described in the attached documents for the last three years. As set forth in Section 8, the District Board has requested that the Governance Committee review and recommend changes to the process and associated surveys and position descriptions.</p> <p>The District Board recently revised the process to clarify that a Governance Committee member be appointed to advise the Ad Hoc Committee and appointed Gary Kalbach.</p> <p>As noted previously in the agenda, the Ad Hoc Committee is working on recruitment of a replacement for Dr. Cohen. The attached simplified competency matrix was used to assess the competencies of the current El Camino Hospital Board. Each of the District Board Directors participated in the competency matrix survey. The results of the survey and the current position specification are also attached.</p> <p>The Ad Hoc Committee chose not to use the ECH Board Member Evaluation Survey this year, but it is also attached for reference.</p>
Committees that reviewed the issue and recommendation, if any:	None
Summary and Session Objectives:	To obtain the Committee’s recommendation to revise or affirm the Process and associated documents.
Suggested discussion questions:	<ol style="list-style-type: none"> 1. Has the healthcare landscape changed in any way that would call for revisions to the Competency Matrix? 2. Does the Committee recommend any changes to the Process?
Proposed Committee motion, if any:	None.
LIST OF ATTACHMENTS:	<ol style="list-style-type: none"> 1. Process for Re- Election and Election Of Non-District Board Members To The El Camino Hospital Board of Directors (Approved January 25, 2017). 2. ECH Board Competency Matrix 3. ECH Board Competency Profile (September 2016) 4. ECH Board Member Position Description (Approved January 17, 2017) 5. ECH Board Member Evaluation Survey (Not used in FY17)



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**Process for Re- Election and Election
Of Non-District Board Members
To The El Camino Hospital Board of Directors.***

BOARD OF DIRECTORS

*Dennis W. Chiu, JD
Patricia A. Einarson, MD
Julia E. Miller
David Reeder
John L. Zoglin*

A. Timeline

1. Previous FYQ4: The District Board Chair shall appoint a District Director as Chair of an Ad Hoc Committee and the Board shall approve the appointment of one additional District Director as a member of the Committee. The Board shall also approve the appointment of a member of the El Camino Hospital Governance Committee (who has been referred by the Chair of the Governance Committee) as an advisor to the Ad Hoc Committee.
2. FYQ1 – Regular District Board Meeting:
Prior to Meeting, District Board Chair (i) asks the El Camino Hospital Director, who is not also a member of the District Board whose term is next to expire (Non District Board Member “NDBM”) to declare interest and (ii) informs the District Board of intent (via Board packet).
3. FYQ2 – Regular District Board Meeting:
 - a. Prior to the Meeting, District Board Members:
 - i. Complete the ECH Board Competency Matrix and ECH Board Member Re-Election Report Surveys
 - ii. Review Position Specification in place at time of election to the Hospital Board and the ECH Board Member NDBM Job Description.
 - b. At the Meeting: Discuss portfolio of skills needs.
4. FYQ2 – Regular District Board Meeting:
 - a. Prior to the Meeting:
 - i. Ad Hoc committee analyzes evaluations, (3) (a) above, interviews the NDBM, and develops recommendation regarding re-election of NDBM to the Hospital Board.
 - ii. Hospital Board develops revised recommended Position Description if the District Board requests it to do so.
 - b. At the Meeting:
 - i. District Board considers re-election of NDBM.
 - ii. If NDBM is re-elected, the Hospital Board shall be notified.
 - iii. If NDBM is not re-elected, the District Board will authorize external recruitment of a new NDBM.
5. FYQ3 – Begin external search if necessary.
6. FYQ3 – Regular District Board Meeting:
 - a. Ad Hoc Committee to present an interim update to the District Board.

- i. Incorporate Board feedback into further recruitment efforts.
 - ii. Plan for interviews – direct staff to schedule.
- 7. FYQ4 – Regular District Board Meeting:
 - a. Prior to the Meeting: Ad Hoc Committee to summarize interviews for the Board packet and make a recommendation to the District Board
 - b. District Board Considers AD Hoc Committee recommendation and votes to elect new NDBM to the Hospital Board.
- 8. This process to be confirmed by the District Board annually when the process is complete.
- 9. The following matters are delegated to the El Camino Hospital Board Governance Committee:
 - a. FYQ3 – Review and recommend changes to the survey tools identified in section 3(a)(i).
 - b. FYQ3 – Review and recommend changes to this process.
 - c. FYQ3 – Review and recommend changes to NDBM Position Specification and Job Description.
 - d. Participate in the recruitment effort of new NDBM by referring a member to advise the Ad Hoc Committee as described in #1 above.

B. General Competencies

- 1. Understanding of the vital role El Camino Hospital plays in the broader region.
- 2. Loyalty to El Camino Hospital’s charitable purposes.
- 3. Knowledge of healthcare reform (Affordable Care Act) implications.
- 4. Ability to understand and monitor the following:
 - a. Diverse portfolio of businesses and programs
 - b. Complex partnerships with clinicians
 - c. Programs to create a continuum of care
 - d. Investment in technology
 - e. Assumption of risk for population health
 - f. Resource allocation
 - g. Quality metrics
- 5. Commitment to continuing learning.
- 6. Demonstrated strategic thinking.
- 7. Efforts to recruit potential Advisory Committee members.
- 8. Understanding and support of the role the District Board plays in Governance of the 501(c)(3) corporation.

C. Portfolio Skill Set

- 1. Complementary to skill sets of other Board members (gap-filling).
- 2. Applicable to the then current market. (See, Competency Matrix)

D. Other Criteria

- 1. Positive working relationship with other Board members.
- 2. Productive working relationship with the El Camino Hospital CEO.
- 3. Attendance at Board and Committee meetings.
- 4. See, Competency Matrix.

**Approved 12/9/2014; revised 3/17/2015; revised 6/14/2016; revised 1/25/2017.*

ECH Hospital Board Member Competencies (FY17 - Revised August 23, 2016)

Rating Scale:

- 1 = Have No Background or Experience
- 2 = Have Minimal Knowledge and Experience
- 3 = Have Moderate/Broad Knowledge and Experience
- 4 = Have Competent Knowledge and Experience
- 5 = Have Expert Knowledge and Experience

Dennis Chiu	Neal Cohen	Jeffrey Davis	Peter Fung	Julia Miller	David Reeder	Tomi Ryba	Lanhee Chen	John Zoglin
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I. Collective Competencies

1. Complex Market Partnerships								
2. Long Range Strategic Planning								
3. Healthcare Insurance Payor								
4. Finance/Entrepreneurship								
5. Clinical Integration/Continuum of Care								
6. Knowledge of Healthcare Reform								
7. Oversight of Diverse Business Portfolio								
8. Understands Complex Partnerships With Clinicians								
9. Experience in More Than One Area of the Continuum of Care								
10. Patient Care Quality and Safety Metrics								

III. Universal Attributes

1. Analytical thinker: separates the important from trivial								
2. Collaborative: feels collaboration is essential for success								
3. Community oriented: always keeps stakeholders in mind								

A NYGREN CONSULTING PRESENTATION FOR

Date: September 7, 2016
Prepared for: ECH District Board of Directors
Prepared by: JoAnn McNutt, PhD



ECH District Board of Directors
2016 ECH Hospital Board Competency Profile

Results of All Directors

Collective Competencies										Universal Attributes		
Complex Market Partnerships	Long Range Strategic Planning	Healthcare Insurance Payor	Finance/ Entrepreneurship	Clinical Integration/ Continuum of Care	Knowledge of Healthcare Reform	Oversight of Diverse Business Portfolio	Understands Complex Partnerships w/ Clinicians	Experience in More Than One Area of the Continuum of Care	Patient Care Quality and Safety Metrics	Analytical Thinker	Collaborative	Community Oriented
4.40	4.20	4.00	4.00	4.60	4.60	4.25	4.60	4.60	4.80	4.75	4.25	4.50
4.00	4.00	3.60	3.75	4.60	4.40	4.20	4.20	4.40	4.75	4.60	4.20	4.25
3.60	4.00	3.40	3.75	4.50	4.20	3.60	4.00	3.75	4.60	4.60	4.00	4.00
3.25	3.75	3.25	3.25	3.50	3.75	3.50	3.60	3.60	3.75	4.20	4.00	4.00
3.25	3.50	3.25	3.25	3.50	3.50	3.25	3.50	3.25	3.25	3.75	3.75	3.80
3.00	3.25	3.00	3.20	3.20	3.50	3.20	3.25	3.00	2.80	3.50	3.75	3.75
2.75	3.00	2.50	2.80	2.50	3.50	3.00	2.75	2.50	2.75	2.75	3.00	3.60
2.00	2.50	2.25	2.50	2.25	3.00	2.25	2.00	2.25	2.50	2.25	3.00	3.40
3.28	3.53	3.16	3.31	3.58	3.81	3.41	3.49	3.42	3.65	3.80	3.74	3.91
Overall = 3.46										Overall = 3.82		

Note

- N=8 (5 District Directors and 3 Hospital Board Members)
- Tomi Ryba is not included in this report.
- Self-ratings are not included in the average scores above.

- 4.00 and Above
- Between 3.00 and 3.99
- Below 3.00

Results Without Neal Cohen

Collective Competencies										Universal Attributes		
Complex Market Partnerships	Long Range Strategic Planning	Healthcare Insurance Payor	Finance/ Entrepreneurship	Clinical Integration/ Continuum of Care	Knowledge of Healthcare Reform	Oversight of Diverse Business Portfolio	Understands Complex Partnerships w/ Clinicians	Experience in More Than One Area of the Continuum of Care	Patient Care Quality and Safety Metrics	Analytical Thinker	Collaborative	Community Oriented
4.00	4.00	3.60	3.75	4.60	4.40	4.25	4.20	4.60	4.75	4.75	4.25	4.50
3.60	4.00	3.40	3.75	4.50	4.20	3.60	4.00	3.75	4.60	4.60	4.20	4.25
3.25	3.75	3.25	3.25	3.50	3.75	3.50	3.60	3.60	3.75	4.20	4.00	4.00
3.25	3.50	3.25	3.25	3.50	3.50	3.25	3.50	3.25	3.25	3.75	3.75	4.00
3.00	3.25	3.00	3.20	3.20	3.50	3.20	3.25	3.00	2.80	3.50	3.75	3.75
2.75	3.00	2.50	2.80	2.50	3.50	3.00	2.75	2.50	2.75	2.75	3.00	3.60
2.00	2.50	2.25	2.50	2.25	3.00	2.25	2.00	2.25	2.50	2.25	3.00	3.40
3.12	3.43	3.04	3.21	3.44	3.69	3.29	3.33	3.28	3.49	3.69	3.71	3.93
Overall = 3.33										Overall = 3.78		

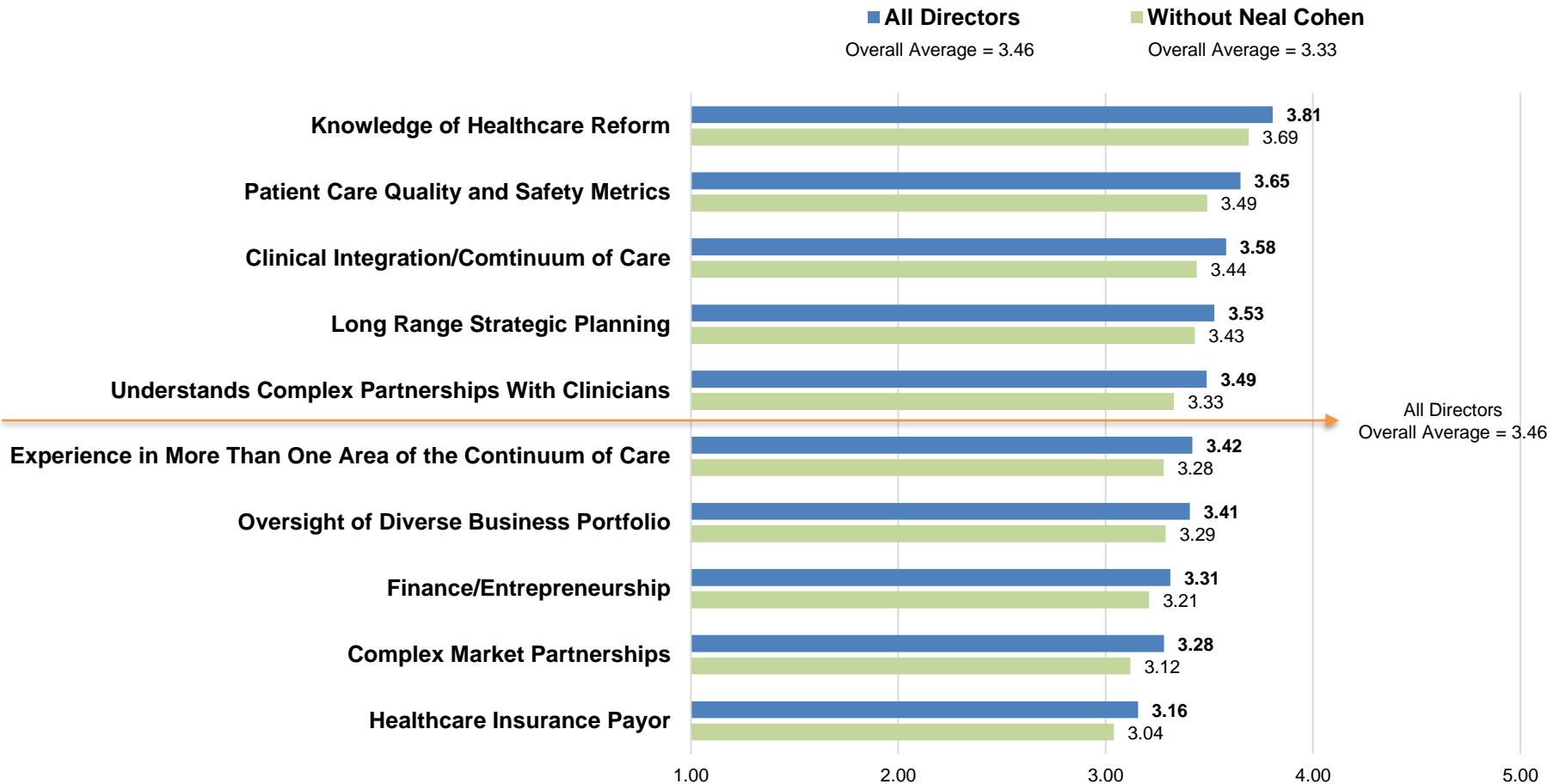
Overall Score Decreased by 0.13

Overall Score Decreased by 0.04

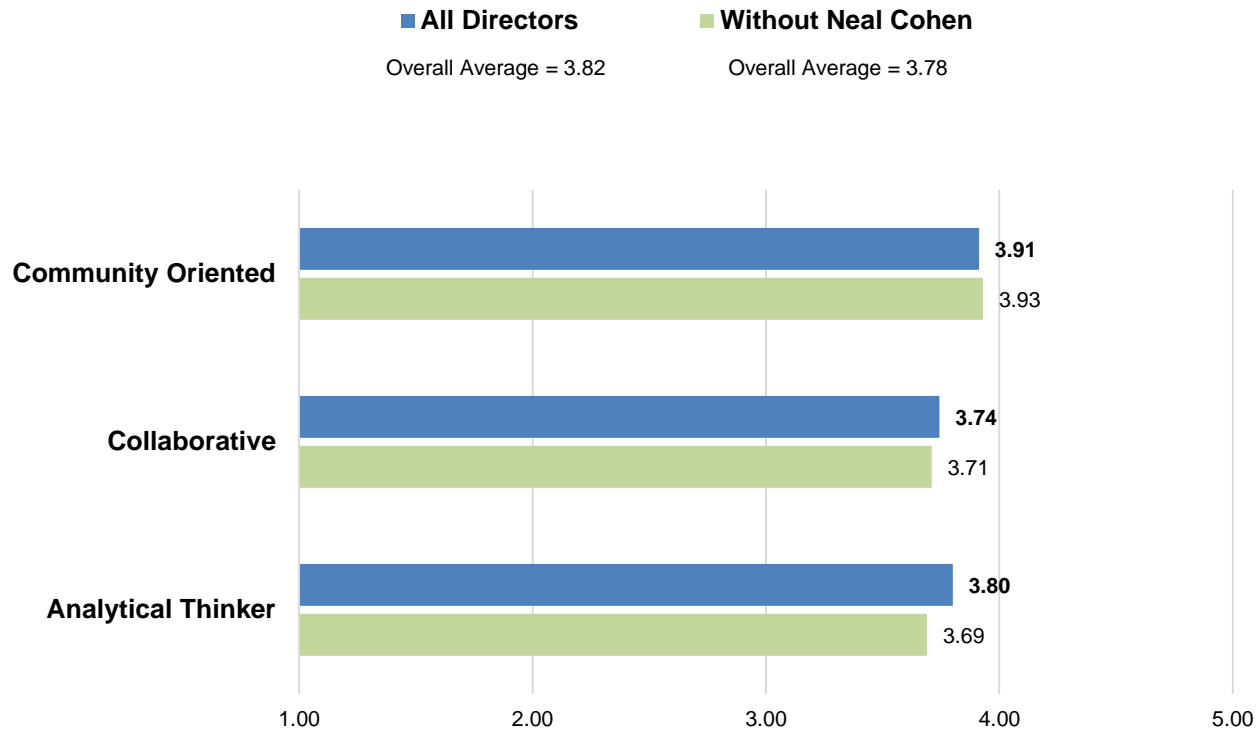
- Note**
- N=7 (5 District Directors and 2 Hospital Board Members; Neal Cohen's results are not included.)
 - Tomi Ryba is not included in this report.
 - Self-ratings are not included in the average scores above.

- 4.00 and Above
- Between 3.00 and 3.99
- Below 3.00

Collective Competencies



Universal Attributes



Appendix: 2016 Competency Matrix Rating Tool and Rating Scale

- 1 = Have No Background or Experience
- 2 = Have Minimal Knowledge and Experience
- 3 = Have Moderate/Broad Knowledge and Experience
- 4 = Have Competent Knowledge and Experience
- 5 = Have Expert Knowledge and Experience

ECH Hospital Board Member Competencies (FY17 - Revised August 23, 2016)

- 1 = Have No Background or Experience
- 2 = Have Minimal Knowledge and Experience
- 3 = Have Moderate/Broad Knowledge and Experience
- 4 = Have Competent Knowledge and Experience
- 5 = Have Expert Knowledge and Experience

	Dennis Chiu	Neal Cohen	Jeffrey Davis	Peter Fung	Julia Miller	David Reeder	Tomi Ryba	Lanhee Chen	John Zoglin
I. Collective Competencies									
1. Complex Market Partnerships									
2. Long Range Strategic Planning									
3. Healthcare Insurance Payor									
4. Finance/Entrepreneurship									
5. Clinical Integration/Continuum of Care									
6. Knowledge of Healthcare Reform									
7. Oversight of Diverse Business Portfolio									
8. Understands Complex Partnerships With Clinicians									
9. Experience in More Than One Area of the Continuum of Care									
10. Patient Care Quality and Safety Metrics									
III. Universal Attributes									
1. Analytical thinker: separates the important from trivial									
2. Collaborative: feels collaboration is essential for success									
3. Community oriented: always keeps stakeholders in mind									

**NYGREN
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POSITION SPECIFICATION

Approved By ECHD Board January 17, 2017

El Camino Hospital

TITLE: Board Member
LOCATION: Mountain View, California

THE CURRENT BOARD

The El Camino Hospital Board is currently comprised of the five members of the District Board, (Dennis Chiu, JD, Peter C. Fung, MD, Julia Miller, David Reeder, and John Zoglin) along with Neal Cohen, MD, Jeffrey Davis, MD, and Lanhee Chen, JD, PhD. The three members of the ECH Board who are not District Board members now serve a maximum of 4 staggered 3-year terms. Director Chen is serving his first term, Dr. Davis is serving his third term, and Dr. Cohen is not seeking reappointment when his current (second) term expires on June 30, 2017.

POSITION

BACKGROUND:

With the significant and continuing, large scale changes occurring in the healthcare environment, the District Board has determined that it will seek Hospital Director Candidates who will add to the thoughtful deliberations and guidance from the Board regarding the Hospital's strategic priorities as the Hospital moves "from Volume to Value."

QUALIFICATIONS:

The Board is seeking an individual with deep knowledge and experience in the healthcare industry.

In addition, the Board has prioritized the following preferred competencies that will provide a vital contribution to Board;

- Understanding of complex market partnerships
- Long-range strategic planning
- Healthcare insurance industry experience from either a payer or provide perspective
- Finance experience/entrepreneurship
- Experience in clinical integration/continuum of care

El Camino has relationships with most organizations of its type within Silicon Valley; accordingly, it will be important that conflicts of interest with competitors are avoided to maintain our community relationships. Consideration will be given to both actively employed and recently retired professionals with a commitment to serving the community.

SPECIFIC REQUIREMENTS:

- Physically attend at least two-thirds of all meetings.

Meetings are defined as Hospital Board meetings and Standing Committee meeting(s) to which the Board member has been appointed. Attendance guidelines will be considered met if the Board member physically attends two-thirds of all Hospital Board meetings **and** two-thirds of the meetings of each Standing Board Advisory Committee to which the member is appointed

- Serve on at least two Standing Board Advisory Committees (credit will be given for assignment to other Board obligations, including but not limited to the El Camino Hospital Foundation Board, Chair of the Board, Ad Hoc Committees and the Community Benefit Advisory Council).
- Willingness to Chair at least one of the Standing Board Advisory Committees when needed.
- Give notice (in accordance with policy) for inability to attend a meeting in-person or via teleconference, except in the case of emergency, to the Board Liaison at least five business days prior to a meeting.
- Agree to abide by the "El Camino Hospital Board Management Compact" (dated December, 2012).

BOARD MEETINGS

The El Camino Hospital Board presently meets monthly, excluding July and December typically at 5:30 pm on the second Wednesday of each month. In addition, two Joint Board and Committee evening educational sessions and one full day retreat are held each year.

COMMITTEE MEETINGS

Meetings are held on weekday evenings beginning between 4 and 5:30 pm and last approximately 1.5 to 2 hours.

Investment – 4x/year

Quality, Patient Care and Patient Experience – 10x/year

Finance – 6x/year

Governance – 4-6x/year

Executive Compensation – 4-6x/year

Corporate Compliance, Privacy and Internal Audit – 6x/year

COMPENSATION

Board members are eligible for compensation in the amount of \$200/Board meeting \$100/Committee meeting attended, up to 7 meetings per month.

El Camino Healthcare District
El Camino Hospital Board Member Evaluation

Prepared for: El Camino Healthcare District
March 2014

This peer assessment tool is prepared for members of the El Camino Healthcare District for use in the Evaluation of members of the El Camino Hospital Board of Directors. This tool can also be used for self-assessment to compare self-ratings with the average of peer ratings.

Board Member Peer Review

	Strongly Disagree	Disagree	Neither Agree/ Disagree	Agree	Strongly Agree	Not at all/Unable to Judge
Fiduciary and Strategic Oversight						
1. Demonstrates an understanding of fiduciary responsibility and stewardship of ECH's resources.	1	2	3	4	5	N/A
2. Demonstrates loyalty to ECH's charitable purposes.	1	2	3	4	5	N/A
3. Demonstrates an understanding of how ECH's strategic direction compliments the vital role ECH plays in the broader region.	1	2	3	4	5	N/A
4. Offers insights that reflect strategic thinking about the future of the institution.	1	2	3	4	5	N/A
5. Understands the board's role in governance and does not inappropriately intervene in areas delegated to management.	1	2	3	4	5	N/A
Knowledge and Expertise						
6. Brings skills and knowledge that distinctly adds value to the overall competency of the board.	1	2	3	4	5	N/A
7. Demonstrates sufficient knowledge of healthcare reform implications to govern effectively.	1	2	3	4	5	N/A
8. Seeks the appropriate level of information from staff to govern effectively.	1	2	3	4	5	N/A
9. Demonstrates a clear understanding of the role the District Board plays in governance of the 501(c)(3) corporation.	1	2	3	4	5	N/A
10. Is supportive of the role the District Board plays in governing ECH.	1	2	3	4	5	N/A

	Strongly Disagree	Disagree	Neither Agree/ Disagree	Agree	Strongly Agree	Not at all/Unable to Judge
11. Demonstrates ability to understand and oversee the following:						
a. Diverse portfolio of businesses and programs	1	2	3	4	5	N/A
b. Complex partnerships with clinicians	1	2	3	4	5	N/A
c. Programs to create a continuum of care	1	2	3	4	5	N/A
d. Investment in technology	1	2	3	4	5	N/A
e. Assumption of risk for population health	1	2	3	4	5	N/A
f. Resource allocation	1	2	3	4	5	N/A
g. Quality metrics	1	2	3	4	5	N/A
Interpersonal and Communication						
12. Treats others in a respectful manner.	1	2	3	4	5	N/A
13. Creates a blameless culture by giving others the benefit of the doubt; assumes good intent of others before making judgment.	1	2	3	4	5	N/A
14. Takes responsibility for his/her actions; is able to admit mistakes.	1	2	3	4	5	N/A
15. Communicates effectively during meetings.	1	2	3	4	5	N/A
16. Operates in an open and transparent manner.	1	2	3	4	5	N/A
17. Behaves in a manner that models the highest standard of ethics and integrity.	1	2	3	4	5	N/A
18. Possesses self-awareness of his/her strengths and limitations.	1	2	3	4	5	N/A
19. Is able to modify behavior with feedback given by other.	1	2	3	4	5	N/A
Relationships						
20. Has a positive working relationship with fellow board members.	1	2	3	4	5	N/A
21. Has a positive working relationship with the ECH CEO.	1	2	3	4	5	N/A
22. Has a positive working relationship with the management team.	1	2	3	4	5	N/A
23. Is able to foster relationships with others even when styles or personalities may differ.	1	2	3	4	5	N/A
Participation						
24. Comes prepared to meetings.	1	2	3	4	5	N/A

	Strongly Disagree	Disagree	Neither Agree/ Disagree	Agree	Strongly Agree	Not at all/Unable to Judge
25. Participates effectively in board meetings; speaks up and actively listens.	1	2	3	4	5	N/A
26. Participates effectively in committees.	1	2	3	4	5	N/A
27. Adds value in comments to the board.	1	2	3	4	5	N/A
28. Makes an effort to recruit potential Advisory Committee members.	1	2	3	4	5	N/A
29. Demonstrates a commitment to continuous learning.	1	2	3	4	5	N/A
30. Advocates on behalf of ECH.	1	2	3	4	5	N/A
Decision Making						
31. Demonstrates clear, logical thinking when deliberating an issue.	1	2	3	4	5	N/A
32. Demonstrates an ability to identify the costs, benefits, and consequences of Board decisions.	1	2	3	4	5	N/A
33. Weighs all sides of the issue before reaching a conclusion.	1	2	3	4	5	N/A
34. Supports the board once a decision has been made.	1	2	3	4	5	N/A
35. Appropriately questions data and information presented to the Board for its deliberations.	1	2	3	4	5	N/A

1. What do you believe are this Director's greatest strengths?

2. What are his/her areas for development?

If you marked a 1 or 2 on any of the items above, please provide an explanation.

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Annual Review of Advisory Committee Composition Governance Committee February 7, 2017
Responsible party:	Cindy Murphy, Board Liaison
Action requested:	For Discussion
<p>Background: The Governance Committee Charter Section 2(b)(ii) provides: “Develop process for Advisory committee use to identify a need for increase or change in membership to further alignment with organizational strategy and goals.”</p> <p>Each year, the Governance Committee has asked the Committee Chairs to assess the collective competencies represented by the community members of their committees and report to the Governance Committee. Staff polled the committee chairs and obtained the following information:</p> <ol style="list-style-type: none"> 1. Corporate Compliance, Privacy and Internal Audit Committee – The committee membership has been well represented in terms of privacy and IT security expertise, and, with the appointment of Lica Hartman, has replenished its audit and enterprise risk management expertise. Per its charter, the committee has the option to add one more member. While the committee is not actively recruiting, it is mindful that enterprise risk management is a very broad strategic issue, and might benefit from deepening its competency in that area. 2. Executive Compensation Committee – Necessary competencies are well represented. We are recruiting to fill a gap left by Prasad Setty’s recent resignation. 3. Finance Committee – No vacancies. With the addition of Joseph Chow and Boyd Faust the committee has a broad range of expertise to support its work. 4. Governance Committee - No vacancies, necessary competencies are well represented. 5. Investment Committee – No vacancies, necessary competencies are well represented. 6. Quality Committee – We currently have six non-Director community experts on the committee whose competencies, complemented by those of Director Fung and Director Davis, provide excellent expertise in support of the work of the committee. The committee charter provides for appointment of up to nine outside experts and we are without a member with expertise in the payor industry. We have recruited for this competency in the past, but it has proven difficult to find a candidate that does not have a conflict of interest. The Committee also has two very valuable patient advocate members. We do not have plans to recruit at this time. 	
Other Board Advisory Committees that reviewed the issue and recommendation, if any: None.	
Summary and session objectives: To update the Committee on Board Advisory Composition and Competency.	
Suggested discussion questions:	
<ol style="list-style-type: none"> 1. Is there any additional work the Committee would like to do with respect to this aspect of its Charter? 	
Proposed Committee motion, if any: None. This is a discussion item.	
LIST OF ATTACHMENTS: None.	