

AGENDA

EXECUTIVE COMPENSATION COMMITTEE OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Thursday, May 24, 2018 – 3:30pm

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

PURPOSE: To assist the El Camino Hospital (ECH) Board of Directors (“Board”) in its responsibilities related to the Hospital’s executive compensation philosophy and policies. The Executive Compensation Committee shall advise the Board to meet all applicable legal and regulatory requirements as it relates to executive compensation.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER/ROLL CALL	Bob Miller, Chair		3:30-3:32pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		3:32 – 3:33
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Bob Miller, Chair		information 3:33 – 3:36
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 Executive Compensation Committee Meeting (March 22, 2018) Information b. Progress Against FY18 Committee Goals c. Article of Interest d. Report on Educational Activity	Bob Miller, Chair	<i>public comment</i>	motion required 3:36 – 3:37
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	Bob Miller, Chair		information 3:37 – 3:40
6. PROCESS FOR ANNUAL CEO PERFORMANCE EVALUATION ATTACHMENT 6	Bruce Barge, Mercer		information 3:40 – 4:00
7. DRAFT REVISED EXECUTIVE COMPENSATION POLICIES AND COMMITTEE CHARTER ATTACHMENT 7	Julie Johnston, Director, Total Rewards; Mitch Olejko, Buchalter	<i>public comment</i>	possible motion(s) 4:00 – 4:10
8. FY19 ORGANIZATIONAL GOALS ATTACHMENT 8	Dan Woods, CEO; Cheryl Reinking, RN, CNO; Kathryn Fisk, CHRO; Mark Adams, MD, Interim CMO	<i>public comment</i>	possible motion 4:10 – 4:30
9. ADJOURN TO CLOSED SESSION	Bob Miller, Chair		motion required 4:30 – 4:31
10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		4:31 – 4:32

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AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
11. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2:</i> a. Minutes of the Closed Session of the Executive Compensation Committee Meeting (March 22, 2018)	Bob Miller, Chair		motion required 4:32 – 4:33
12. <i>Gov't Code Sections 54957 and 54957.6 for report and discussion on personnel matters:</i> - Market Review	Stephen Pollack and Lisa Stella, Mercer		discussion 4:33 – 5:03
13. <i>Gov't Code Section 54957.6 for a conference with labor negotiator Dan Woods:</i> - Proposed FY19 Executive Salary Ranges	Dan Woods, CEO		discussion 5:03 – 5:13
14. <i>Gov't Code Section 54957.6 for a conference with labor negotiator Dan Woods:</i> - Proposed FY19 Executive Base Salaries	Dan Woods, CEO		discussion 5:13 – 5:28
15. <i>Health & Safety Code 32016(b) for a report and discussion involving health care facility trade secrets; Gov't Code Section 54957.6 for a conference with labor negotiator Dan Woods:</i> - Proposed FY19 Individual Executive Incentive Goals	Dan Woods, CEO		possible motion 5:28 – 5:48
16. <i>Gov't Code Section 54957.6 for a conference with labor negotiator Dan Woods:</i> - Proposed FY19 CHRO Salary Range and Base Salary	Dan Woods, CEO		discussion 5:48 – 5:53
17. <i>Health & Safety Code 32016(b) for a report and discussion involving health care facility trade secrets; Gov't Code Section 54957.6 for a conference with labor negotiator Dan Woods:</i> - Proposed FY19 CHRO Incentive Goals	Dan Woods, CEO		possible motion 5:53 – 5:58
18. <i>Gov't Code Section 54957.6 for a conference with labor negotiator Bob Miller:</i> - Proposed FY19 CEO Salary Range and Base Salary	Stephen Pollack and Lisa Stella, Mercer		discussion 5:58 – 6:03
19. ADJOURN TO OPEN SESSION	Bob Miller, Chair		motion required 6:03 – 6:04
20. RECONVENE OPEN SESSION/REPORT OUT	Bob Miller, Chair		6:04 – 6:05
To report any required disclosures regarding permissible actions taken during Closed Session.			
21. PROPOSED FY19 EXECUTIVE SALARY RANGES	Dan Woods, CEO	<i>public comment</i>	possible motion 6:05 – 6:07
22. PROPOSED FY19 EXECUTIVE BASE SALARIES	Dan Woods, CEO	<i>public comment</i>	possible motion 6:07 – 6:09

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
23. PROPOSED FY19 CHRO SALARY RANGE AND BASE SALARY	Dan Woods, CEO	<i>public comment</i>	possible motion 6:09 – 6:11
24. PROPOSED FY19 CEO SALARY RANGE AND BASE SALARY	Bob Miller, Chair	<i>public comment</i>	possible motion 6:11 – 6:13
25. FY19 COMMITTEE GOALS ATTACHMENT 25	Kathryn Fisk, CHRO	<i>public comment</i>	possible motion 6:13 – 6:15
26. FY19 PACING PLAN ATTACHMENT 26	Bob Miller, Chair	<i>public comment</i>	possible motion 6:15 – 6:17
27. APPOINTMENT OF AD HOC COMMITTEE ATTACHMENT 27	Bob Miller, Chair	<i>public comment</i>	possible motion 6:17 – 6:22
28. CLOSING COMMENTS	Bob Miller, Chair		discussion 6:22 – 6:24
29. ADJOURNMENT	Bob Miller, Chair	<i>public comment</i>	motion required 6:24 – 6:25pm

Upcoming Meetings (pending Board approval)

- September 20, 2018
- November 8, 2018
- March 28, 2019
- May 23, 2019

Board/Committee Educational Gatherings (pending Board approval)

- October 24, 2018
- April 24, 2019



**Minutes of the Open Session of the
Executive Compensation Committee**

Thursday, March 22, 2018

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

Members Present

Teri Eyre
Neysa Fligor
Julie Kliger
Bob Miller, Chair
Julia Miller

Members Absent

Pat Wadors
Jaison Layney

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Executive Compensation Committee of El Camino Hospital (the " <u>Committee</u> ") was called to order at 3:59pm by Chair Bob Miller. A silent roll call was taken. Ms. Pat Wadors and Mr. Jaison Layney were absent. All other Committee members were present.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair B. Miller asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	None.	
4. CONSENT CALENDAR	<p>Chair B. Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. Cindy Murphy, Director of Governance Services, requested that Agenda Item 4b: Proposed FY19 Committee Meeting Dates be pulled for discussion.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (January 31, 2108), and for information: Progress Against FY18 Committee Goals and Article of Interest.</p> <p>Movant: J. Miller Second: Kliger Ayes: Eyre, Fligor, Kliger, B. Miller, J. Miller Noes: None Abstentions: None Absent: Layney, Wadors Recused: None</p> <p>Ms. Murphy discussed the proposed pacing for Hospital Board meetings in FY19 and potential conflicts with the proposed Committee dates. The Committee discussed their availability and noted that there were no conflicts with September 20, 2018. Chair B. Miller noted that he will reach out to the community members of the Committee regarding their continued interest in serving on the Committee for the next fiscal year.</p> <p>Motion: To approve the consent calendar: Proposed FY19 Committee Meeting Dates, amended to reflect a September 20, 2018 meeting.</p> <p>Movant: Fligor Second: Kliger Ayes: Eyre, Fligor, Kliger, B. Miller, J. Miller Noes: None Abstentions: None Absent: Layney, Wadors</p>	<i>Consent calendar approved</i>

	<p>Recused: None</p> <p>Chair B. Miller outlined the Committee's progress against its FY18 Committee goals.</p>	
<p>5. REPORT ON BOARD ACTIONS</p>	<p>Chair B. Miller reported that the Board approved all of the Committee's recommendations, noting that there were some Board members who were concerned about target executive compensation above the 50th percentile (up to the 75th percentile).</p> <p>Chair B. Miller also discussed the Board's consideration of and concerns about delegation of authority and the prevalence of the topic in other Committees' Self Assessments. He explained that the next step is for the Committee to determine the procedures for that delegated authority.</p> <p>Ms. Fligor further described the Board concerns about movement above target compensation, even for extraordinary performance.</p> <p>Cindy Murphy, Director of Governance Services, referred to the recent Board actions as further detailed in the packet, highlighting the new hires of Bruce Harrison as President, SVMD and Deb Muro as permanent CIO. Dan Woods, CEO, described Mr. Harrison's prior experience in building physician programs.</p> <p>Chair B. Miller welcomed Ms. Kliger to the Committee.</p>	
<p>6. PROGRESS AGAINST FY18 ORGANIZATIONAL GOALS</p>	<p>Dan Woods, CEO, provided an overview of the progress against the FY18 Organizational Goals.</p> <p>Mr. Woods noted that in subsequent presentations, the quality goals will be listed first, and that the organization is on track to meet all goals by the end of the fiscal year. He described the measures and performance for each goal as further detailed in the packet.</p> <p>Chair B. Miller suggested that staff include concrete numbers for the external benchmarks referenced in the chart.</p> <p>In response to Ms. J. Miller's question regarding occupancy rates, Mr. Woods described management's review of productivity and daily data reports. Stephen Pollack from Mercer noted that the occupancy rate by itself is a difficult data point to evaluate management, as there are many other variables that control it and it should not be incentivized.</p> <p>In response to Ms. Kliger's question, staff described the timing and process of setting the organizational goals for FY19, which includes review and feedback from the Finance, Quality, and Executive Compensation Committees. Chair B. Miller noted that this Committee reviews the structure of the goals.</p>	
<p>7. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 4:28pm.</p> <p>Movant: Kliger</p> <p>Second: Eyre</p> <p>Ayes: Eyre, Fligor, Kliger, B. Miller, J. Miller</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Layney, Wadors</p> <p>Recused: None</p>	<p><i>Adjourned to closed session at 4:28pm</i></p>
<p>8. AGENDA ITEM 13: RECONVENE OPEN SESSION/ REPORT OUT</p>	<p>Open session was reconvened at 5:33pm. Agenda items 8-12 were addressed in closed session.</p> <p>During the closed session, the Committee approved the Minutes of the</p>	

	Closed Session of the Executive Compensation Committee Meeting of January 31, 2018 by a unanimous vote in favor of all members present (Eyre, Fligor, Kliger, B. Miller, and J. Miller). Ms. Wadors and Mr. Layney were absent.	
9. AGENDA ITEM 14: DELEGATION OF AUTHORITY	<p>Motion: To recommend that the Board approve Draft Resolution 2018-___ including (a) delegation of authority to approve adjustments to annual salary ranges for all executives excluding the CEO, (b) a statement that the ECC is subject to the Brown Act and will report decisions made within its delegated authority to the Board, and (c) amending the ECC Charter and Policies 3.01, 3.02, 3.03, and 3.04 to comport with the delegation of authority and to recommend that the Board approve the Draft Procedures to be Followed by the El Camino Hospital Compensation Committee When Approving Compensation Pursuant to a Delegation of Authority Under California Nonprofit Corporation Law §5210.</p> <p>And approve draft procedures.</p> <p>Movant: Fligor Second: J. Miller Ayes: Eyre, Fligor, Kliger, B. Miller, J. Miller Noes: None Abstentions: None Absent: Layney, Wadors Recused: None</p>	
10. AGENDA ITEM 15: BIENNIAL REVIEW OF COMMITTEE CHARTER	At the suggestion of staff, the Committee deferred this topic until its May meeting to review a revised charter with the changes related to the Delegation of Authority as discussed in Agenda Item 14.	
11. AGENDA ITEM 16: BIENNIAL COMMITTEE SELF-ASSESSMENT RESULTS REVIEW	<p>The Committee discussed various ratings on the self-assessment including:</p> <ul style="list-style-type: none"> - Policies and philosophies have been clarified with recent recommendations to the Board; - Lacking clear understanding of CEO priorities and Board goals; Ms. Murphy explained that the purpose of the April 25 Educational Session is to address how Committees can better support organizational strategy. She also noted that staff will continue to bring that kind of Board-related information back to the Committee; - There has been progress regarding the Board's receptivity to Committee's recommendations. <p>The Committee suggested that the item related to "evaluating the CEO's performance and development plan" be removed in subsequent surveys, as it was not applicable to this Committee.</p> <p>Chair B. Miller thanked the Committee for the healthy dynamic and thorough discussions. Ms. Eyre commended Chair B. Miller for his leadership as Committee Chair.</p>	
12. AGENDA ITEM 17: FY19 COMMITTEE GOALS	<p>Chair B. Miller noted that the goals may need to be revised if the Board approves delegating authority to the Committee.</p> <p>Ms. Fligor suggested replacing the first goal (related to scores/goals/payouts) with a goal related to succession planning and development for the C Suite: the Committee will ensure that there are complete talent profiles – there are interim successors for each position (not identified for the Committee, but the work has been done) , relevant competencies are included and there are plans developed to address any yellow and/or red areas. Ms. Eyre also requested that the talent profiles include scenario planning for the future of</p>	<i>FY19 goal discussion to be paced for the Committee's May meeting</i>

	<p>ECH. The Committee agreed that a follow up review of the talent planning process would be appropriate in Q3 or Q4.</p> <p>Julie Johnston, Director, Total Rewards, suggested combining goals 1 and 3 as further detailed in the packet.</p> <p>The Committee and staff discussed the fourth goal related to evaluation of the independent compensation consultant, including process and timing.</p> <p>The Committee requested that revised goals, including one related to Succession Planning be brought back to the Committee's May meeting.</p>	
13. AGENDA ITEM 18: FY18 COMMITTEE PACING PLAN	There were no questions or comments from the Committee on the pacing plan.	
14. AGENDA ITEM 19: CLOSING COMMENTS	Chair B. Miller thanked the Committee and staff for a productive meeting.	
15. AGENDA ITEM 20: ADJOURNMENT	<p>Motion: To adjourn at 6:10pm.</p> <p>Movant: J. Miller</p> <p>Second: Kliger</p> <p>Ayes: Eyre, Fligor, Kliger, B. Miller, J. Miller</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Layney, Wadors</p> <p>Recused: None</p>	<i>Meeting adjourned at 6:10pm</i>

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

Bob Miller
Chair, Executive Compensation Committee

Julia E. Miller
Secretary, ECH Board of Directors

Prepared by: Sarah Rosenberg, Contracts & Board Services Coordinator

FY18 COMMITTEE GOALS

Executive Compensation Committee

PURPOSE

The purpose of the Executive Compensation Committee is to assist the El Camino Hospital (ECH) Board of Directors (“Board”) in its responsibilities related to the Hospital’s executive compensation philosophy and policies. The Committee shall advise the Board to meet all legal and regulatory requirements as it relates to executive compensation.

STAFF: **Kathryn Fisk**, Chief Human Resources Officer; **Julie Johnston**, Director, Total Rewards; **Cindy Murphy**, Director of Governance Services
The CHRO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair’s consideration. The CEO, and other staff members as appropriate, may serve as a non-voting liaison to the Committee and may participate at the discretion of the Committee Chair. These individuals shall be recused when the Committee is reviewing his/her compensation. The CEO is an ex-officio member of this Committee.

GOALS	TIMELINE by Fiscal Year (Timeframe applies to when the Board approves the recommended action from the Committee, if applicable)	METRICS
1. Advise the Board on performance incentive goal-setting and plan design, ensuring strategic alignment and proper oversight of compensation-related decisions.	<ul style="list-style-type: none"> Q2 – Q4 FY18 	<ul style="list-style-type: none"> Recommend FY17 performance goal scores and payouts (Q2) (Complete) Oversee the implementation of changes that impact the FY18 strategic planning, budgeting, and goal setting process (Complete) Recommend FY19 goals and measurements (Q4) (Will Complete on 5/24) Assess the value of long-term incentives to support the achievement of long-term strategies (Complete: Discussed on 11/9)
2. Support successful implementation of executive benefit changes	<ul style="list-style-type: none"> Q3 – Q4 FY18 	<ul style="list-style-type: none"> Review proposed changes to benefits plan policy (Q1) (Complete: LTD revision approved in June 2017) Review consultant analysis of benefit change impact (Q3) (Complete: Included in Reasonableness Opinion Letter)
3. Advise the Board ensuring strategic alignment and proper oversight of compensation-related decisions.	<ul style="list-style-type: none"> Q2 – Q4 FY18 	<ul style="list-style-type: none"> Review base salary administration policy (Q2) (Complete – recommendations made and approved by the Board), review market analysis, and make base salary recommendations to the Board (Q4) (Will Complete on 5/24) Submit the letter of reasonableness for Board acceptance (Q3) (Complete) Review compensation philosophy and performance incentive plan policies and make recommendation to Board to approve any changes (Q3) (Complete – recommendations made and approved by the Board)

SUBMITTED BY:

Lanhee Chen
 Kathryn Fisk

Chair, Executive Compensation Committee
Executive Sponsor, Executive Compensation Committee

Approved by the ECH Board of Directors on June 14, 2017

CMS HCAHPS Patient Experience Star Rating

Methodology

CMS¹ publishes HCAHPS star ratings on [Hospital Compare](#) to help patients choose a hospital based on patient experience. HCAHPS Star Ratings are updated every quarter.

Ratings are derived from the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey, which is administered to a random sample of adult patients across all types of medical conditions between 48 hours and six weeks post-discharge. Surveys are not restricted to Medicare beneficiaries. To receive a rating, hospitals must have received at least 100 completed HCAHPS surveys over a given four-quarter period and be eligible for public reporting of the measures.

The twelve HCAHPS star ratings include 11 topic-specific star ratings and one summary rating that aggregates all topics into a single star measure. Seven stars represent a composite of several questions on the HCAHPS survey, while four are derived from a single survey question. For instance, a single question on cleanliness of the hospital environment (question 8 on the survey) is translated to an individual star rating, while three questions on care transition (questions 23, 24 and 25) are aggregated into that star rating.

CMS assigns stars for each measure by applying statistical methods that consider the relative distribution and clustering among all responses. The ratings are then adjusted for the effects of patient mix, survey mode, and quarterly weighting. All scores are then rounded up to the nearest whole number. Finally, a summary star rating is assigned for each hospital. For more details on the HCAHPS methodology, review the [HCAHPS website](#).

Categories of Metrics Used to Calculate the CMS Hospital Quality Star Ratings

Category	Example of Survey Questions Included	Survey Questions Included
HCAHPS Composite Measures		
Communication with Nurses	How often did nurses treat you with courtesy and respect?	1, 2, 3
Communication with Doctors	How often did doctors explain things in a way you could understand?	5, 6, 7
Responsiveness of Hospital Staff	After you pressed the call button, how often did you get help as soon as you wanted it?	4, 11
Pain Management ²	How often did hospital staff talk with you about how much pain you had?	13, 14
Communication about Medicines	Before giving you a any new medicine, how often did hospital staff tell you what the medicine was for?	16, 17

1) Centers for Medicare and Medicaid.

2) Beginning with patients discharged in January 2018, CMS replaced the previous pain management questions which asked whether the patient had experienced pain with questions focused on staff communication about pain. This was done in response to the opioid epidemic to allay concerns that hospital's financial performance was tied to controlling pain.

Sources: "[Technical Notes for HCAHPS Star Ratings](#)" [hcahpsonline.org](#). Web. 7 April 2018. "[HCAHPS Survey Instruments](#)", [hcahpsonline.org](#). Web. 7 April 2018.

CMS HCAHPS Patient Experience Star Rating, cont.

Categories of Metrics Used to Calculate the CMS Hospital Quality Star Ratings, cont.

Category	Example of Survey Question(s) Included	Survey Questions Included
Discharge Information	Did you get information in writing about what symptoms or health problems to look out for after you left the hospital?	19, 20
Care Transition	When I left the hospital, I had a good understanding of the things I was responsible for in managing my health	23, 24, 25
HCAHPS Individual Items		
Cleanliness of Hospital Environment	How often were your room and bathroom kept clean?	8
Quietness of Hospital Environment	How often was the area around your room quiet at night?	9
HCAHPS Global Items		
Hospital Rating	Using any number from 0-10, what number would you use to rate this hospital during your stay?	21
Recommend the Hospital	Would you recommend this hospital to your friends and family?	22

HCAHPS: Patients' Perspectives of Care Survey

Educational Briefing

Executive Summary

The Hospital Consumer Assessment of Health Care Providers and Systems (HCAHPS, pronounced “H-caps”) survey was developed collaboratively by Centers for Medicare and Medicaid Services (CMS) and the Agency for Healthcare Research & Quality (ARHQ). The survey aims to produce data about patient experience of care that allows for objective and meaningful comparisons of hospitals. The questions address topics that are important to consumers, create new incentives for hospitals to improve quality of care, and enhance provider accountability in health care by increasing transparency of the quality care. Included as a component of the [Value-Based Purchasing](#) program, CMS uses provider HCAHPS survey results to positively or negatively adjust individual hospitals’ Medicare reimbursement.

Why is the HCAHPS survey a key issue for providers?

The HCAHPS survey measures patient experience. HCAHPS survey scores are an indication of the level of service provided by an organization, contribute to its reputation, and have reimbursement implications for providers. Traditionally, consumers have “consumed” and not “shopped” for health care services. However, more consumers are moving or being forced to move to high deductible health plans. As a result of this increased financial commitment, patients are more engaged in their health care decisions. Experience is one of the many ways consumers are weighing their options. Under Value-Based Purchasing (VBP), HCAHPS accounts for 30% of the TPS in FY 2015 and 25% in FY 2016 and FY 2017.

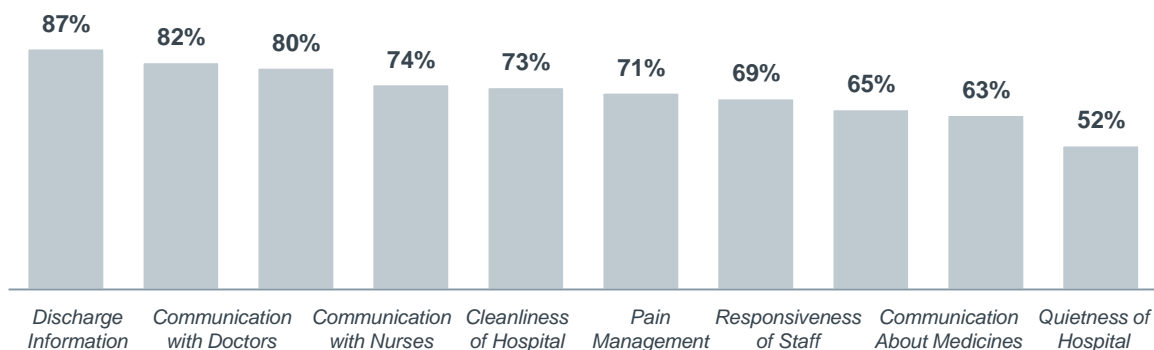
How does HCAHPS work?

The survey asks for patient feedback in several areas, including communication with nurses and doctors, the responsiveness of hospital staff, the cleanliness and quietness of the hospital environment, pain management, communication about medicines, discharge information, among others. A random sample of discharged adult patients across medical conditions are asked to answer 27 questions pertaining to their most recent hospital stay. Patients taking the survey must be 18 years or older and have had at least one overnight stay in the hospital as an inpatient, but are not required to be Medicare beneficiaries. The questions are administered to patients by mail, telephone, mail with telephone follow-up, or interactive voice recognition. Hospitals submit collected data to CMS for analysis. The Patient Experience Domain Score for each hospital is determined by summing the hospital’s HCAHPS Base Score (0-80) and HCAHPS Consistency Score (0-20). CMS publicly reports HCAHPS scores on its [Hospital Compare website](#).

Summary of HCAHPS Survey Results

Average “Top Box” Score for Hospitals

July 2017 (October 2015 to September 2016 Discharges)



July 2017

This report does not constitute professional legal advice. The Advisory Board Company strongly recommends consulting legal counsel before implementing any of the practices contained in this report or making any contractual decisions regarding suppliers and providers.
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Source: Source: Hospital Consumer Assessment of Healthcare Providers and Systems, “July 2017 Public Report: October 2015-September 2016 discharges”, available at: http://www.hcahpsonline.org/Files/July_2017_Summary%20Analyses_States.pdf; Advisory Board interviews and analysis. advisory.com

How does HCAHPS affect providers?

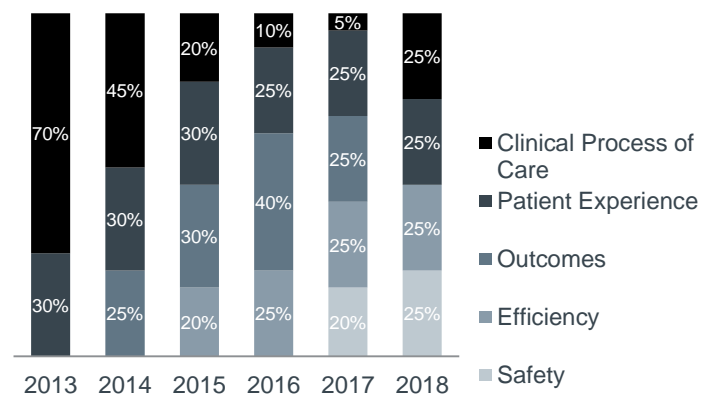
Clinical

Clinical staff must communicate effectively with patients to perform well on HCAHPS surveys. Doctors' and nurses' ability to listen and respond to patient needs play an integral role in scoring. Questions on the survey specifically address patients' perspectives on nurse care, physician care, pain management, and discharge information and instructions. Clinical staff are beginning to focus on managing pain properly, and educating discharged patients and their family members to enable post-discharge health management. The public reporting of HCAHPS scores is meant to create an incentive for providers to increase quality of care.

Financial

HCAHPS scores impact provider finances by figuring into their Medicare reimbursement determination. A provider's HCAHPS score decides their Patient- and Caregiver-Centered Experience of Care/Care Coordination Score, which comprises 25% of a provider's Total Performance Score (TPS) under [Value-Based Purchasing](#) (VBP) for FY 2016. A provider's TPS is compared to their own historical baseline TPS and to a nationwide benchmark. Whichever comparison is more favorable to the provider is used to calculate any adjustment to the provider's base operating DRG payment from CMS.

VBP Domain Weighting
(with year of starting consideration)



Operational

Patient satisfaction is becoming increasingly important, creating a need for new provider leadership roles. Many providers have created a new C-suite level role – the chief patient experience officer. Chief patient experience officers coordinate patient experience enhancement plans and benchmark initiatives to develop and test new approaches to satisfy patients. From facility design to staff training, the chief patient experience officer is tasked with ensuring patient satisfaction throughout hospital stays.

Watson Health 100 Top Hospitals

Methodology

Watson Health's Top 100 Hospitals Rankings, previously known as the Truven Health Top 100 Hospitals, focuses on individual hospital quality and operational efficiency. Quality, financial, and operational performance metrics for the five categories listed in the tables below are aggregated to calculate an overall hospital score. The hospital's overall score is then compared to other hospitals within one of five peer comparison groups: Major Teaching Hospitals, Teaching Hospitals, Large Community Hospitals, Medium Community Hospitals, and Small Community Hospitals. Watson Health divides hospitals into five comparison groups based on the number of beds, the resident-to-bed ratio, and graduate medical education involvement. The top hospitals from each comparison group are named as a Watson Top 100 Hospital. Performance data is collected from CMS Hospital Compare data set, the Medicare Provider and Analysis Review (MEDPAR) data set, and the Hospital Cost Report Information System Medicare Cost Report file.

Categories of Metrics Used to Calculate the Watson Health Top 100 Hospital Rankings for Medium Community, Large Community, Major Teaching, and Teaching Hospitals

Category	Category Weight	Example Metrics	Number of Metrics
Inpatient/Clinical	30%	Risk-adjusted inpatient mortality index Risk-adjusted complications index Mean HAI index	3
Extended Outcomes	20%	Mean 30-day risk-adjusted mortality rate Mean 30-day risk-adjusted readmission	2
Operational Efficiency	30%	Severity-adjusted average length of stay Mean ED throughput measure	4
Financial Health	10%	Adjusted operating profit margin	1
Patient Experience	10%	HCAHPS score	1

Truven Health Analytics., "Truven Top 100 Hospitals Study, 2017." (2017); Physician Executive Council interviews and analysis http://truvenhealth.com/Portals/0/assets/100topAssets/TOP_18725_031_8_100_Top_Hospitals_Study_final.pdf

Watson Health 100 Top Hospitals, cont.

Categories of Metrics Used to Calculate the Watson Health Top 100 Hospital Rankings for Small Hospitals

Category	Category Weight	Example Metrics	Number of Metrics
Inpatient/Clinical	37.5%	Risk-adjusted inpatient mortality index Risk-adjusted complications index Mean HAI index	3
Extended Outcomes	12.5%	Mean 30-day risk-adjusted readmission	1
Operational Efficiency	30%	Severity-adjusted average length of stay Mean ED throughput measure	4
Financial Health	10%	Adjusted operating profit margin	1
Patient Experience	10%	HCAHPS score	1

Memorandum

Appendix B

DATE: May 24, 2018
TO: Executive Compensation Committee
FROM: Teri Eyre, Committee Member
SUBJECT: Report on Educational Activity
BOARD ACTION: For Information

Conference Title: The Rise of Character-Driven Organizations and Their Impact on Business Success

Sponsoring Organization: The HR Symposium of the Bay Area

Key Educational Points, Lessons Learned:

1. Balancing organizational metrics with social responsibility (*e.g.*, Facebook and data privacy, 23andMe and innovation, PayPal and mission-driven motivators).
2. Focus on intangible leadership attributes and culture-shaping actions when evaluating success (and failure) and succession.
3. Opportunity to hear from Pat Wadors, ECH Compensation Committee member, about her experiences and perspectives on leadership, as well as other HR leaders with broad experiences (*e.g.*, regionally, nationally, internationally).

Do you recommend this conference to other members of the Board? Yes.

The HR Symposium is a timely forum for hearing from top HR leaders about topics that are relevant and important to businesses, community, and organizations.

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Report on ECH and ECHD Board Actions Executive Compensation Committee May 24, 2018
Responsible party:	Cindy Murphy, Director of Governance Services
Action requested:	For Information
Background: <p>In FY16, we 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 a verbal report by the Chair of the Committee and/or Board members who also serve on the Committee.</p>	
Other Board Advisory Committees that reviewed the issue and recommendation, if any: <p>None.</p>	
Summary and session objectives: <p>To inform the Committee about recent Board actions.</p>	
Suggested discussion questions: None.	
Proposed Committee motion, if any: None. This is an informational item.	
LIST OF ATTACHMENTS: <p>1. Report on ECH and ECHD Board Actions</p>	

March 2018 ECH Board Actions*

1. March 14, 2018
 - a. Approved Resolution 2018-03 recognizing Emergency Department physicians and staff for their work during this winter's severe flu season
 - b. Received annual Compliance education
 - c. Approved the Community Benefit Mid-Year Metrics
 - d. Approved Resolution 2018-04: required by Premier, Inc. listing the CEO and CFO as authorized individuals to sell stock.
2. April 18, 2018
 - a. Approved the FY 18 Period 7 and 8 Financials
 - b. Approved a Resolution Delegating Authority to the Executive Compensation Committee to Approve Annual Salary Ranges, Annual Base Pay Adjustments, Individual Incentive Goals and Incentive Payments for Executives other than the CEO.
 - c. Approved a Resolution Approving the Winding Up and Dissolution of Pathways Continuous Care (Private Duty Services).
 - d. Approved Revised ECH Bylaws Sections 5.1 and 5.2.
3. May 9, 2018
 - a. Approved Resolution 2018-07 recognizing the Pathology and Lab Services Department for outstanding service.
 - b. Approved the following physician contracts:
 - i. Pathology Medical Directorship (Enterprise) Renewal
 - ii. ICU Nighttime Coverage (MV)
 - iii. ICU Daytime Coverage (MV)
 - c. Approved the Medical Executive Committee's Recommendation to Uphold Medical Staff Bylaws Section 3.2-1(c)(3)

March 2018 ECHD Board Actions

1. March 20, 2018
 - a. Approved Resolution 2018-05 acknowledging the District's partnership with the AHA on the "Check.Change.Control" Hypertension Initiative.
 - b. Approved the FY18 YTD Financial Report
 - c. Completed a Periodic Review of the District's Bylaws and Approved Revisions
 - d. Approved Resolution 2018-03 Calling a District General Election and Resolution 2018-04 Requesting and Consenting to Consolidation of District Election with the November 2018 Statewide Election.
2. May 15, 2018
 - a. Approved a Revised District Community Benefit Policy
 - b. Appointed an the FY19 El Camino Hospital Board Member Election and Re-Election Ad Hoc Committee comprised of Julia Miller (Chair) and Neysa Fligor. Christina Lai of the ECH Governance Committee will serve as an advisor to the committee and another advisor from the ECH Board will be appointed at a later date.

*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.

EL CAMINO CEO PERFORMANCE REVIEW PROCESS

DRAFT FINDINGS AND RECOMMENDATIONS

MAY 24, 2018

Bruce Barge
Lisa Stella
Stephen Pollack
Raymond Shin



OBJECTIVES AND APPROACH

- There are several objectives for the CEO performance evaluation process:
 - Promote desired CEO performance, linked to El Camino vision and strategy
 - Set key goals and assess outcomes to support CEO feedback and rewards
 - Foster Board and CEO alignment and dialogue
 - Encourage continual performance improvement and learning for CEO and El Camino
- Mercer gathered data to develop a refreshed CEO performance evaluation process
 - Conducted an introductory planning meeting with Lanhee Chen and Bob Miller
 - Reviewed market practices for CEO performance evaluation in health care
 - Conducted interviews with Cheryl Reinking (CNO), Dan Woods (CEO), David Reeder (Board), Bob Rebitzer (Board), and John Zoglin (Board)
 - Prepared the following report of findings and recommendations
- After discussion today, Mercer will revise recommendations as needed and create forms, tools or process needed to effectively administer the CEO performance evaluation

EXECUTIVE SUMMARY

- Broad alignment regarding the value of a refreshed CEO performance evaluation process
 - Past few years have lacked a clear process, inhibiting effective dialogue & governance
 - Revised process welcomed to increase transparency, communication, and accountability
- Desire to keep the process simple
 - Leverage existing operational metrics/dashboard and strategic framework
 - Many meetings already; limit number of special CEO performance evaluation discussions
- Want process to balance competing design considerations
 - Short term and longer term
 - Number/type of stakeholders (e.g., Board, executives, employees, physicians, community)
 - Evaluation for compensation and source of learning/feedback
- Desire to clarify roles to foster efficiency and good governance
 - Role of Board Chair, Compensation Committee, Full Board
 - How process can contribute to better understanding/collaboration among stakeholders

EXTERNAL MARKET PRACTICE FOCUS AND OUTCOMES

Strategic Focus

- In recent years, CEO performance evaluation has added focus on objectives related to leading transformation, e.g., value-based care, community health, continuum of care, patient experience
- CEOs require skills in driving operational synergies, such as quality, clinical informatics, care integration and network development
- Equally important are leadership skills such as stakeholder management, vision, emotional intelligence and leading change
- Evaluation seeks to include both preparing the future and executing in the present, requiring the CEO to prioritize and optimize
- CEO relationship with Board is critical objective

Evaluation Metrics

- Strategy should drive the choice and weight of performance goals, including both milestones for key initiatives and operational metrics
- Among the most common operational performance measures used:
 - Income/Margin (against budget)
 - Clinical Quality
 - Patient Experience (e.g., HCAHPS)
 - Physician Engagement
- Performance is measured against target and prior year(s), sometimes against peers or benchmarks
- Strategy: key milestones such as physician network growth or line of service integration
- Financial goals: cost per unit of care, cash flow and EBIDTA for sustainable operations
- Stakeholder surveys: employee engagement, senior leader 360 and Board surveys

EXTERNAL MARKET PRACTICE PROCESS AND REWARDS

Evaluation Process

- Sponsor of CEO evaluation process is most commonly the Board Chair. Compensation Committee sometimes owns the process
- Goals are jointly determined by CEO and Board at outset of performance year
- A trusted staff member typically obtains and packages results data for reporting on CEO goal achievement – most often quarterly
- CEO self-evaluation is a key factor in evaluation success. The format may be a narrative letter to the Board or a self assessment by goal, key business initiative and/or leadership attribute

Rewards Alignment

- Generally, executive compensation in healthcare continues to rise, given increasing leadership requirements and shortage of qualified leaders
- Short-term incentives are often tied to operational goals such as financial performance or clinical quality
- Long-term incentives are increasing as part of the reward package to incent sustained progress on transformational goals, but this is much more prevalent in larger systems and less so in smaller institutions
 - Often 2-5 measures per plan cycle
 - Typical Performance Period: 3 years
 - 60% use overlapping cycles; 40% use end-to-end cycles

INTERVIEW FOCUS

GAINING INPUT FOR FUTURE DESIGN

Probed key questions related to the three topics listed below:

CEO success requirements

- Most important outcomes for CEO to achieve?
- Short and long-term mix?
- Key stakeholders?

Performance evaluation content and process

- Key metrics for performance scorecard?
- Tools, formats, stakeholder surveys?
- Evaluation vs. development components?
- Self-assessment?

Sponsorship and execution

- Who should approve this revised design?
- Who executes/owns the evaluation process?
- Roles and responsibilities

INTERVIEW FINDINGS (1/3)

CEO SUCCESS REQUIREMENTS

Key Findings/Recommendations:

- CEO performance goals must include strategic and operational metrics to ensure the future, while delivering present expectations (40/60 weight?)
- Over time, would like more CEO emphasis on strategic, but need to strengthen present first
- Strategic goals/milestones set from ECH framework
- Operational goals (against plan) include quality, financial, existing measures reported to Board
- Other metrics suggested: satisfaction for Board, executives, physicians, employees, community. Although want diverse input, don't want to make process too complex
- Want process to show both ECH results (hard outcomes) and CEO impact (behavior & influence)
- Very important for CEO to build a strong executive team
- Very important for CEO to contribute to effective Board governance and collaboration, so that Board works well together and with CEO/executive team

Interviews - Illustrative Comments:

"[Dan] has to perform against both short and long-term incentives since strategic is no longer a 'nice to have.' ECH is at risk if the Silicon Valley bubble bursts."

"Coming in, I would have said long-term 70% and short-term 30%, but currently the systems and processes have to be built up."

"We have a strong existing set of metrics to leverage that are discussed monthly in Board meetings. We've done a lot of work on our strategic framework, with good milestones and goals to use."

"I've seen executive teams that have worked together well, but there are times in the past when this hasn't been the case at El Camino."

INTERVIEW FINDINGS (2/3)

PERFORMANCE EVALUATION CONTENT & PROCESS

Key Findings/Recommendations:

- Board Chair and CEO to agree on goals at beginning of performance year, share with full Board
- Chair and CEO to meet quarterly to discuss CEO performance, reporting to Board mid-year and year-end
- Performance evaluation is against goals/plan. Data is gathered by Board support and packaged for Board Chair
- Compensation Committee to determine CEO rewards based on evaluation outcomes
- Additionally, Board Chair and CEO may agree on “development goals and input” which are designed to enhance feedback and learning – and are not part of the evaluation and rewards process (e.g., leadership 360)
- CEO to prepare self-assessment at end of performance year, providing context for outcomes, insights on ECH performance, and self-evaluation of leadership effectiveness

Interviews - Illustrative Comments:

“Many factors will be on our organizational goals with metrics attached, so we’re not going to be there yet this year, but by 2022, we want to be close to the top 100 hospitals.”

“COO pulls the data together, but the quality scores come from the CNO and financial scores come from the CFO. These are all very measurable and looked at every board meeting.”

“I like the idea of having a development plan separate from the regular performance evaluation. We need focus more on learning, for the CEO and for everyone.”

“Sometimes, we think more about strategic planning than the patients. The CEO self-assessment should speak to performance against goals, but also something more general that defines how well ECH is serving its people.”

INTERVIEW FINDINGS (3/3)

SPONSORSHIP & ROLES

Key Findings/Recommendations:

- Board Chair should own the process, to reinforce Board/CEO alignment at highest level
- Board Chair to lead mid-year and year-end discussion with Full Board
- Compensation Committee should not be involved in evaluation, only in determining rewards based on evaluation outcomes and market
- Full Board should provide input on CEO evaluation, through Board survey and/or mid-year and year-end discussion
- A trusted internal role or external provider should assist Chair in gathering and packaging evaluation information, including existing metrics and potential new surveys (e.g., leadership, physicians, Board)
- CEO should be proactive participant in the process, helping to set goals, providing insights about ECH and own performance, and using the process as a way to strengthen relationships and understanding across stakeholders

Interviews - Illustrative Comments:

“We want the Compensation Committee to focus on compensation, and we need Lanhee to drive the broader conversation about how well the CEO is doing.”

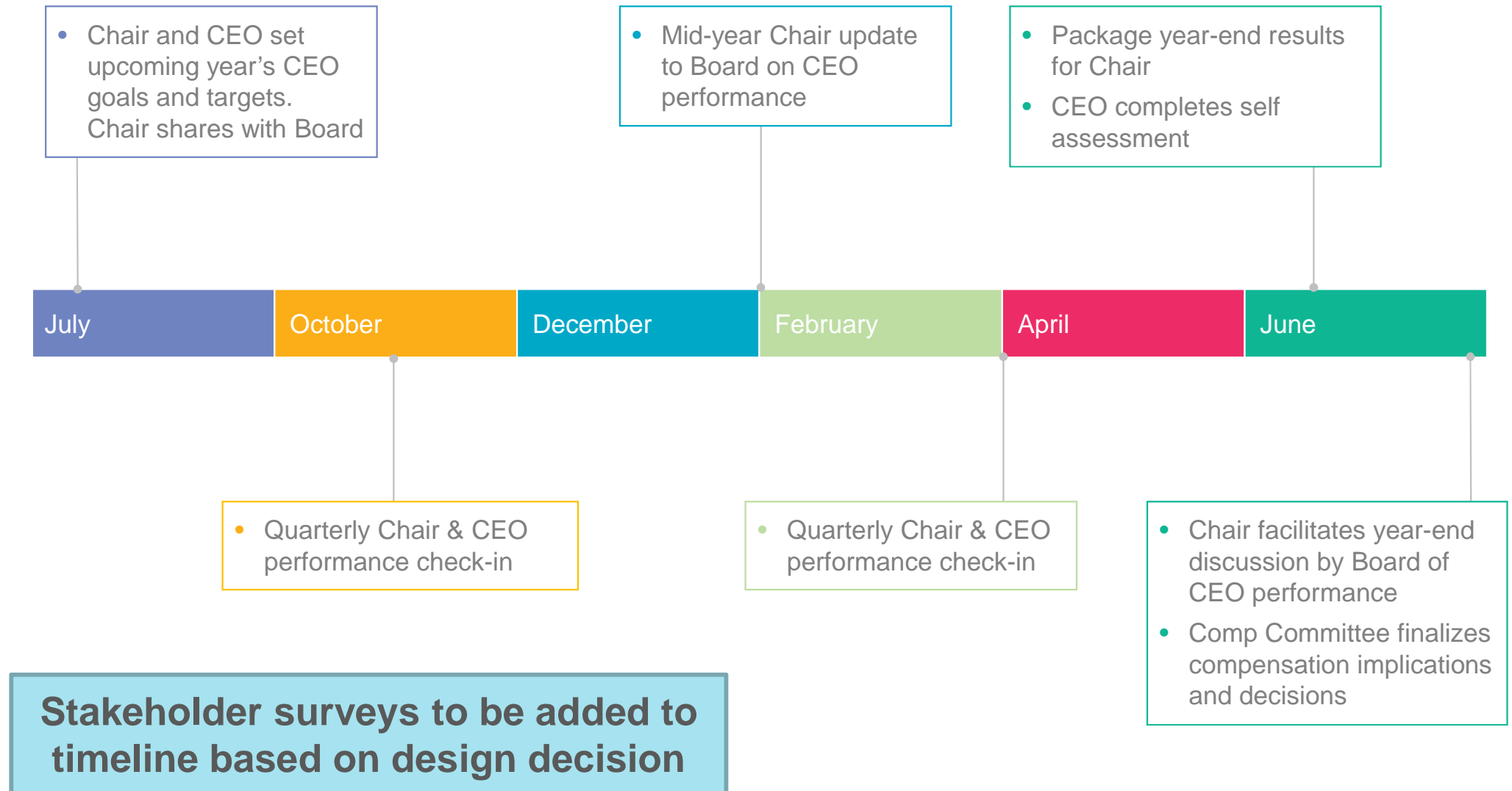
“I’m initially leaning towards letting Dan decide on who he would be comfortable with seeing and collecting this data. This could be the Head of Exec Compensation, CHRO, Cindy, but mostly whoever Dan is comfortable with.”

“Theoretically, the District Board is more committed to the community than the Hospital Board. So, the only reason to get insight from the community would be to assess the CEO’s performance as a community lead.”

“We need to get better as a Board at governance, and Dan can play an important part in that. He can’t do it by himself but it’s an area where he can really help make our meetings and focus more efficient.”

RECOMMENDED PROCESS

ILLUSTRATIVE TIMELINE



OPEN DESIGN DECISIONS

STAKEHOLDERS AND FEEDBACK

How much should the process focus on **CEO behavior/impact** beyond ECH performance metrics and strategic milestones? How many stakeholders should provide input and in what way?

	Design Question	Mercer Recommendation
Which Stakeholders?	Should surveys solicit input on CEO performance? Executive Team, Physicians, Board, Community, others?	2019: Board, Executive Team 2020: Add Physicians TBD: Community, others
Development vs. Evaluation?	Should the stakeholder feedback influence evaluation and rewards or should it be limited to learning and development?	2019: Development only to promote trust and dialogue 2020+: Consider making Board survey part of evaluation, but keep other feedback developmental

NEXT STEPS

- Mercer to document input from Compensation Committee meeting and provide to Board Chair, Committee members and CEO
- Mercer to revise recommendations as needed and prepare associated process documentation, evaluation tools and/or communications
- Determine which internal or external resource supports collection and packaging of performance data for the Chair during the performance year
- El Camino implements the new CEO performance evaluation process
- Assess effectiveness of process and make enhancements as needed



MERCER

MAKE TOMORROW, TODAY

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Draft Revised Executive Compensation Policies and Executive Compensation Charter Executive Compensation Committee May 24, 2018
Responsible party:	Cindy Murphy, Director of Governance Services; Julie Johnston, Director of Total Rewards; Mitchell J. Olejko, Buchalter
Action requested:	Possible Motion
<p>Background: At its April 18, 2018 meeting, the El Camino Hospital Board of Directors approved Resolution 2018-05 delegating authority to the Executive Compensation Committee to make certain decisions related to executive compensation. On the recommendation of this Committee and at the request of the Board, staff recommends the attached revisions to three of the Executive Compensation Policies and the Committee's Charter to comport with the delegation of authority. Staff also recommends some minor "clean-up" changes to the Committee's Charter.</p> <ol style="list-style-type: none"> 1. Remove language regarding alternate committee member as that provision is no longer in use. 2. Add clarifying language regarding recusal of members of the executive during discussion of their individual compensation. 3. Clarify that the Committee has a role in make recommendations to the Board in regards to executive development. 	
<p>Other Board Advisory Committees that reviewed the issue and recommendation, if any: The Governance Committee will review the Committee's proposed changes to the Charter at its June 5th meeting.</p>	
<p>Summary and session objectives: To review and obtain a recommendation that the Board approve the Draft Revised Policies and Committee Charter.</p>	
<p>Suggested discussion questions: None.</p>	
<p>Proposed Committee motion, if any: To recommend that the Board approve Draft Revised Policies 3.01, 3.02, 3.04 and the Draft Revised Executive Compensation Committee Charter as presented (or as further revised).</p>	
<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none"> 1. Draft Revised Policy 3.01 Executive Compensation Philosophy 2. Draft Revised Policy 3.02 Executive Base Salary Administration 3. Draft Revised Policy 3.04 Executive Performance Incentive Plan 4. Draft Revised Executive Compensation Committee Charter 5. Resolution 2018-05 and Related Procedures 	

EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES
Draft Revised for Committee Review on 5/24/18

03.01 EXECUTIVE COMPENSATION PHILOSOPHY

A. Coverage:

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

B. Reviewed/Revised:

New: 2/08, 6/09, 12/08/10; 8/10/11, 2/13/13, 6/11/14, 10/12/16, 1/10/18, 2/14/18, 5/24/18

C. Policy Summary:

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

The executive compensation program encompasses both cash compensation (salary, incentive pay, and other cash compensation) and non-cash compensation (employer provided benefit plans and perquisites) which in whole, represent total ~~remuneration~~compensation. The program is governed by the Board of Directors and the Executive Compensation Committee which advises the Board to meet all applicable legal and regulatory requirements as ~~it-related~~de to executive compensation and their effectiveness in attracting, retaining, and motivating executives. The Board has delegated authority to make certain decisions related to executive compensation to the Executive Compensation Committee pursuant to Resolution 2018-05.

The target competitive positioning for executive remuneration is:

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

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

D. Executive Compensation Philosophy:

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

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

E. Components:

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

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

F. Roles and Responsibilities:

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

G. Definitions

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

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

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

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

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

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

Salary Range Midpoint - The midpoint of the salary range for each executive position will be set at the El Camino Hospital Median.

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

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

ATTACHMENT A:
APPROVED PARTICIPANTS IN EXECUTIVE
COMPENSATION PROGRAM
Effective 6/13/182/14/18

Cecile Currier, Vice President Corporate and Community Health*
Cheryl Reinking, Chief Nursing Officer
Daniel Woods, President and CEO
~~William Faber, MD, Chief Medical Officer~~
Deborah Muro, Chief Information Officer
Bruce Harrison, President SVMD
Iftikhar Hussain, Chief Financial Officer
Joan Kezic, Vice President Payor Relations*
Joanne Barnard, President, El Camino Hospital Foundation
Kathryn Fisk, Chief Human Resources Officer
Kenneth King, Chief Administrative Services Officer
Mary Rotunno, General Counsel
Open, Chief Operations Officer
Open, Chief Strategy Officer
~~Open, Chief Medical Officer~~

*These executives are considered grandfathered participants and shall continue to be eligible for the Executive Compensation Program as long as the individual remains in an executive position with El Camino Hospital.

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

EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES
Draft Revised for Committee Review on 5/24/18

03.02 EXECUTIVE BASE SALARY ADMINISTRATION

A. Coverage:

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

B. Reviewed/Revised:

New 9/15/09, 12/08/10, 2/13/13, 6/11/14, 10/12/16, 2/14/18; 5/24/18

C. Policy Summary:

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

D. General Provisions:

1. **Salary Range** – Each executive position at El Camino Hospital will have a salary range with minimum and maximum, determining the lowest and highest pay for that job.
 - a. The salary range midpoint reflects the 50th percentile or median base pay of the comparable hospitals plus the ~~cost of labor adjustment~~geographic salary differential (known as the El Camino Median).
 - b. The salary range will be from 20% below to 20% above the salary range midpoint, resulting in a maximum amount that is 150% of the minimum amount.
 - c. Salary ranges will be updated annually based on competitive market data and/or executive increase market trends. The Executive Compensation Committee reserves the right to recommend lower salary ranges or to

freeze salary ranges and recommend freezing or lowering base salaries (for example, when financially prudent) for Board approval.

2. **Placement in the Salary Range** includes initial placement of a new hire, adjustments when there is a change in job scope, and periodic salary increases or decreases. An individual's placement in the range will be determined based on a combination of the following factors: paying competitively, rewarding performance, and recognizing competence, credentials, and experience.

The guidelines for placement in range are:

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

E. Roles and Responsibilities

1. The respective roles of the El Camino Hospital Board of Directors and the Executive Compensation Committee are set forth in Resolution 2018-05 and

~~the Executive Compensation Committee Charter shall approve executive base salaries.~~

- a. ~~The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board such as selecting consultants and approval of the salary ranges.~~
2. The CEO recommends the salary range and base salary for those executives reporting to the CEO to the Committee.
3. The Chief Human Resources Officer and/or Director Total Rewards are responsible for implementing salary ranges and base salaries.

EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES
Draft Revised for Committee Review on 5/24/18

03.04 EXECUTIVE PERFORMANCE INCENTIVE PLAN

A. Coverage:

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

B. Reviewed/Revised:

New: 9/15/09, 12/08/10, 2/13/13, 6/11/14 (eff 7/1/14), 10/14/15, 10/12/16, 1/10/18, 2/14/18; 5/24/18

C. Policy Summary:

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

D. General Provisions:

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

1. Eligibility – Participants hired after December 31 will not be eligible for the program until the beginning of the next fiscal year on July 1. Incentive compensation will be pro-rated for executives with at least six months, but less than one year in the position at the end of the fiscal year. Written performance goals and measures will be determined within the first 60 days of employment.
2. Criteria – the Hospital has established three criteria for payout. There will be no payout unless all three criteria are met. The Hospital must be accredited by the Joint Commission and the individual executive must “meet expectations” on their performance review. In addition, the Hospital will establish a financial measure that must be achieved each fiscal year (i.e., a percent of operating margin) for payout to

occur.

3. Amount of incentive pay – the maximum payout for an executive is 30% of their base salary as of the end of the fiscal year. The targeted payout percent for those participants reporting to the CEO or COO is 20% of base pay. The maximum incentive pay for the CEO is 45% with a target of 30% of base salary.
4. Organizational Goals – each fiscal year the Hospital will define organizational goals that support the strategic/business plan upon which 70% (90% for the CEO) of performance incentive pay will be based which may include a financial measure in addition to the threshold for any payout. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and payouts will be on a continuum. Organizational goals will account for 50% of performance incentive pay for Presidents of the Foundation, SVMD, and Concern:EAP.
5. Executive Individual Goals (excluding CEO) – at the beginning of the fiscal year, each participant will propose performance goals and measurements that support the strategic/business plan. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and scores will be on a continuum. Individual goals (maximum of three) are weighted at 30% of target (50% for Presidents of the Foundation, SVMD, and Concern:EAP) with CEO discretion used as a modifier for individual goal pay-out ranging from 0% to 150%). The performance goal score multiplied by the CEO's overall assessment of individual executive performance will determine the overall individual goal score.
6. Ten percent (10%) of the CEO's performance incentive pay will be at the Board's discretion.
7. Performance Incentive Payout – Incentive compensation will be paid within 30 days of approval of the payout amounts. In order to receive incentive compensation, executives must be actively employed in an executive position at the time the incentive compensation is paid.

E. Roles and Responsibilities

1. The El Camino Hospital Board of Directors has delegated authority to make certain decisions related to executive compensation to the Executive Compensation Committee pursuant to Resolution 2018-05, shall approve the plan design, organizational goals and measurements, the organizational score, and the annual financial audit, executive individual goals, and performance

~~1.—incentive payout amounts.~~

~~2.—~~

~~3.2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board of Directors such as reviewing and recommending goals, scores, and performance incentive payout amounts.~~

4.3. The CEO recommends the organizational and individual goals, individual scores including discretionary component score, and recommends incentive payout amounts to the Committee.

~~5.4. The Chief Human Resources Officer and/or Director Total Rewards are responsible for overseeing administration of the program and implementing Committee or Board approvals related to executive compensation actions approved by the Committee and the Board.~~

Executive Compensation Committee Charter

Draft Revised for Review by the Committee on 5/24/18

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 and/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.~~

- Executive compensation consultants will~~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 Chief Human Resources Officer shall serve as the primary staff support to the Committee and is responsible for drafting the committee meeting agenda for the Committee Chair's consideration. The CEO, and other staff members as appropriate, may serve as a non-voting liaison to the Committee and may attend meetings at the discretion of the Committee Chair. These individuals shall be recused when the Committee is reviewing their individual 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, executive development and succession planning.

Specific Duties

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

A. Executive Compensation

1. 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.
2. Develop executive compensation policies to be approved by the Board.
3. 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.

4. Review the CEO's salary range, performance incentive program, benefit plans, and perquisites, ~~and contractual terms~~. Recommend to the Board any salary changes to base salary range and/or base salary as well as performance incentive payouts based on organizational performance and/or any performance incentive payouts based on the Committee's evaluation of the CEO's performance.

5. Review the CEO's recommendations regarding salary and performance incentive payouts for the upcoming year for the executives whose compensation is subject to review by the Committee based on the CEO's ~~and Committee's~~ evaluation of the executives' individual performance. ~~Approve rRecommendations for to the Board~~ any salary range or base salary changes and/or any performance incentive payouts within established guidelines based on the ~~Committee and~~ CEO's evaluation of the executives' individual performance. Recommend to the Board any salary changes and/or performance incentive payments that are outside established guidelines.

6. Periodically evaluate the executive compensation program, including the charter, policies, and philosophy on which it is based, to assess its effectiveness in meeting the Hospital's needs for recruiting, retaining, developing, and motivating qualified leaders to execute the Hospital's strategic and short term objectives.

7. Periodically review the total value, cost and reasonableness of severance and benefits for executives.

8. Annually review and present for Board acceptance the letter of rebuttable presumption of reasonableness.

9. Review market analysis ~~esis~~ and recommendation of the Committee's independent executive compensation consultant.

10. ~~Approve Establish~~ salary ranges for each new executive and approve recommend placement in the range for ~~the CEO and~~ those executives eligible for the plan within established guidelines. Recommend a salary range to the Board and placement therein for the CEO and or actions for other executives that are outside established guidelines.

B. Performance Goals Setting and Assessment

1. Review and provide input into the CEO's recommendations regarding annual organization goals and measures used in the Executive Performance Incentive Plan. Recommend organizational performance incentive goals and measurements for approval by the Board.

2. 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.

3. Provide input into establishing the executive team's annual performance incentive goals to execute the Hospital's strategic plan and approve. ~~Recommend~~ the annual goals and measures ~~for approval by the Board.~~

C. Executive Succession and Development

1. Review annually the CEO's own succession plan, including a leadership and professional development plan based on the previous year's ~~performance evaluation~~talent assessment.
2. 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

Recommended for Board Approval: May 24, 2018

Resolution Regarding Delegation to Executive Compensation Committee

**EL CAMINO HOSPITAL
RESOLUTION 2018-05**

RESOLUTION OF THE BOARD OF DIRECTORS OF EL CAMINO HOSPITAL DELEGATING CERTAIN AUTHORITY TO THE EXECUTIVE COMPENSATION COMMITTEE ("ECC") REGARDING EXECUTIVE COMPENSATION, ADOPTING PROCEDURES FOR THE ECC TO FOLLOW IN CONNECTION WITH THE EXERCISE OF SUCH DELEGATED AUTHORITY AND PROVIDING INDEMNIFICATION.

WHEREAS, the Board of Directors ("Board") of El Camino Hospital ("Hospital") has previously created the ECC as an advisory committee of the Board which includes experts in executive compensation among its members;

WHEREAS, the Hospital has previously taken and continues to take all steps needed to meet the requirements of the Internal Revenue Service in order to obtain the presumption of the reasonableness of executive compensation;

WHEREAS, the ECC has advised the Board on general and specific matters relating to executive compensation, recommending policies and procedures, as well as activities related to individual executive's compensation and the reasonableness thereof;

WHEREAS, the Board has determined to exercise its authority under Section 5210 of the California Nonprofit Corporation Law to delegate certain authority over executive compensation to the ECC; now, therefore, be it

RESOLVED, the Board hereby delegates to the ECC the authority to determine the base salary to be paid to executives who are included in Policy entitled "Executive Compensation Philosophy," except the Chief Executive Officer ("Executives"); be it further

RESOLVED, that the ECC will also establish the individual incentive goals and determine the relative achievement of such goals by each of the Executives; be it further

RESOLVED, that the Board confirms the authority of the ECC to set salary ranges for the Executives and to retain, supervise and work with a compensation consultant with respect to compensation determinations that the ECC makes as to the Executives and, with respect to the Chief Executive Officer ("CEO") salary range and compensation recommendations the ECC makes to the Board; be it further

RESOLVED, that the ECC shall take steps to confirm that the approved base salary and all other compensation and benefits payable to the Executives and the CEO (as to the CEO, as recommended to the Board) is reasonable compensation; be it further

RESOLVED, in all its actions pursuant to the authority delegated in this Resolution, the ECC shall follow the Board-approved applicable policies and procedures including the procedures attached as Exhibit A which are hereby approved; be it further

RESOLVED, that the ECC charter and the policies listed on Exhibit A are hereby amended to read as provided in the attached version of the ECC charter and the policies; be it further

RESOLVED, that the ECC will comply with the Brown Act with respect to the exercise of its delegated authority; be it further

RESOLVED, that in exercising the authority delegated by the Board in this Resolution, each member of the ECC shall be deemed to be an agent of the Hospital for purposes of indemnification pursuant to state law and the Hospital's bylaws; be it further

RESOLVED, that any authority not expressly delegated to the ECC hereunder is retained by the Board; decisions of the ECC within the delegated authority do not require Board approval; be it further

RESOLVED, that this Resolution grants no contract or other rights to any individual and this Resolution may be amended, repealed or replaced by the Board at any time.

Duly passed and adopted at a regular meeting held on this 18th day of April, 2018, by the following votes:

AYES: Davis, Fliger, ~~King~~ Kalbach, Kliger, Miller, Rebitzer, Ruden and Zoglin

NOES: 0

ABSENT: Chen, Fung

ABSTAIN: 0

Julia E. Miller
Julia E. Miller
Secretary, ECH Board of Directors

EXHIBIT A

Amended Policies

1. Policy 3.01. Executive Compensation Philosophy.
2. Policy 3.02. Executive Base Salary Administration.
3. Policy 3.03. [Executive Benefits Policy.]
4. Policy 3.04. Executive Performance Incentive Plan.

APPROVED APRIL 18, 2018

PROCEDURES TO BE FOLLOWED BY THE EL CAMINO HOSPITAL COMPENSATION COMMITTEE WHEN APPROVING COMPENSATION PURSUANT TO A DELEGATION OF AUTHORITY UNDER CALIFORNIA NONPROFIT CORPORATION LAW § 5210.

A. Overview.

The Board of Directors of El Camino Hospital ("Board"), pursuant to Resolution 2018 – 05 has delegated to the Executive Compensation Committee ("ECC") the authority to determine the base salary, salary ranges and certain aspects of individual goals under the Executive Performance Incentive Plan of the persons employed or to be employed to hold the positions listed on Appendix A. Such list may be amended by resolution of the Board or by the Board's approval of changes to the relevant policy. In taking any such action pursuant to the delegated authority, the ECC shall follow the procedures set forth below. No authority has been granted to the ECC to take final action regarding the compensation or determining the salary range of the Chief Executive Officer.

B. Policies and Applicable Law.

In setting compensation for the persons holding the offices listed on Appendix A, the ECC shall follow all applicable policies adopted by the Board as now in force or as they may be amended, revised or repealed and any newly adopted policies. The applicable policies that are now in force are listed on the attached Appendix B. In addition, the ECC will exercise the authority delegated by the Board so that El Camino Hospital shall meet the regulatory requirements to qualify for the rebuttable presumption of reasonableness under applicable federal regulations.

C. Conflict of Interest.

If any member of the ECC has a conflict of interest (defined below), then the ECC shall require that person to be recused from any determination giving rise to such conflict. The member may not be present at the meeting when the matter is considered and may not be present for the discussion or vote on the matter. Such recused individual may meet with the ECC or its members only to answer questions of the ECC or its members.

A member of the ECC has a conflict of interest with respect to a decision of the ECC, if such person:

- (a) is the person whose compensation is being determined or is a family member of such person ("Subject Disqualified Person");
- (b) is an employee under the direction or control or whose compensation or other payments are subject to the approval of the Subject Disqualified Person;
- (c) has a material financial interest affected by the compensation arrangement for the Subject Disqualified Person; and

- (d) has received or will receive an economic benefit from a transaction the Subject Disqualified Person has approved or will approve.

D. Appropriate Data Regarding Comparability.

The ECC shall obtain, consider and rely upon, prior to making a compensation decision, appropriate data regarding comparability. The ECC shall also retain an independent consultant to assist it in obtaining such data and to advise the ECC regarding fair market value of total compensation, including benefits established by the Board. Appropriate data as to comparability is, given the knowledge and expertise of its members, information sufficient to determine whether the compensation arrangement in its entirety is reasonable. Relevant information includes compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions; the availability of similar services in the geographic area of El Camino Hospital; and actual written offers from similar institutions competing for the services of the individual.

E. Approval.

The ECC shall approve all compensation subject to its approval before the compensation or changed compensation is paid. With respect to any amount payable as an incentive, the parameters shall be approved by the ECC and the amount of potential compensation payable as an incentive shall be approved by the ECC or Board in advance and before payment. The ECC will approve any action by the vote of a majority of a quorum at a meeting of the ECC.

The ECC shall report to the Board, at the Board's next regularly scheduled Board meeting, its final actions approving: salary ranges for Executives, base salaries for Executives, individual goals established under the Executive Performance Incentive Plan, incentive payouts and any matter requiring Board approval under the following paragraph. The ECC report shall contain such additional information as requested by the Board.

F. Required Documentation.

The ECC shall document its compensation decisions at the time the ECC approves the compensation amount. The written or electronic records of the ECC must state, as to each compensation arrangement:

- (a) The terms of the approved compensation arrangement and the date approved;
- (b) The members of the ECC who were present during debate and those who voted on it;
- (c) The comparability data obtained and relied upon by the ECC and how the data was obtained; and
- (d) Any actions taken with respect to members of the ECC, e.g., recusal, who had a conflict of interest with respect to the transaction.

Should the ECC determine that reasonable compensation for a specific compensation arrangement is higher or lower than the range of comparability obtained, the ECC must record

the basis for its determination.

Such records must be prepared before the later of the next meeting of the ECC or 60 days after the final action or actions of the ECC are taken. Records must be reviewed and approved by the ECC as reasonable, accurate and complete within a reasonable time period thereafter.

G. ECC Charter.

Except as set forth herein or in Resolution 2018 - 05, the ECC shall continue to perform all advisory activities set forth in the ECC charter in its role as an advisory committee of the Board.

APPENDIX A

- Chief Administrative Services Officer
- Chief Financial Officer
- Chief Human Resources Officer
- Chief Information Officer
- Chief Medical Officer
- Chief Nursing Officer
- Chief Operating Officer
- Chief Strategy Officer
- General Counsel
- President of El Camino Hospital Foundation
- President, SVMD
- Vice President of Corporate & Community Health Services*
- Vice President of Payor Relations*

*Current Incumbents Grandfathered into the Plan

APPENDIX B

List of ECH Policies relating to Executive Compensation (as of April 18, 2018)

1. Policy 3.01. Executive Compensation Philosophy.
2. Policy 3.02. Executive Base Salary Administration.
3. Policy 3.03. Executive Benefits Policy
4. Policy 3.04. Executive Performance Incentive Plan

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Proposed FY19 Organizational Goals Executive Compensation Committee May 24, 2018
Responsible party:	Cheryl Reinking, RN, CNO; Kathryn Fisk, CHRO
Action requested:	Possible Motion

Background:

Each year, the Executive Compensation Committee reviews and provides input into the leadership team's recommendations regarding annual organizational goals and measures used in the Executive Performance Incentive Plan* and recommends organizational performance incentive goals for approval by the Board. The Proposed FY19 Organizational Goals are:

1. Patient Throughput (ED Door to Patient Floor – LG & MV, excluding behavioral health):
This goal reflects the amount of time it takes (measured in minutes) from the time a patient arrives in the emergency department until they are admitted to an inpatient unit. It is an important efficiency measure, impacts patient satisfaction, and requires collaboration by many departments throughout the enterprise to improve and maintain. We have excluded behavioral health patients because county-wide inpatient bed availability for these patients who present in our ED is outside of our control. We are using an internal benchmark as our baseline. Target for FY19 is 280 minutes.
2. HCAHPS Service Metrics (Nurse Communication, Responsiveness, and Cleanliness):
These goals represent the percentage of our randomly surveyed patients who answered "always" to the standard HCAHPS Nurse Communication, Responsiveness, and Cleanliness questions. The proposed recommended incremental improvement may seem small, but improvement in these areas is very difficult to achieve, and a small improvement can result in a large improvement in percentile ranking. We are using an External Benchmark (Press-Ganey, our survey vendor), but have also provided our current performance as a baseline.
3. Quality Metrics: We are proposing Mortality and Readmissions goals for all patients for FY19 (not limited by disease or payor). The external benchmark would be Premier Quality Advisor. The metrics are risk adjusted (for acuity) ratios and reflect observed deaths over expected. So, for example, the minimum goal for mortality of 1.0 means the number of deaths observed at ECH equals the expected number of deaths and the target goal of .95 means there would be fewer deaths observed at ECH than expected.
4. People (Employee Engagement): Employee engagement is a critical component of employee recruitment and retention, as well as, importantly, patient safety and clinical outcomes. The target goal is to increase our overall score by 0.05 for FY19, which

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	<p>moves our percentile nationally from the 40th to the 50th. Press Ganey indicates that this change is very aggressive in a one year period, but we have implemented numerous strategies and feel confident in attaining our goal.</p> <p>5. <u>Budgeted Operating Margin (95%)</u>: Same threshold from FY18 being proposed for FY19.</p> <p>*Other ECH employees also participate in performance incentive plans tied to these goals.</p>
	<p>Other Board Advisory Committees that reviewed the issue and recommendation, if any:</p> <p>The Quality, Patient Care, and Patient Experience Committee reviewed the proposed efficiency, and service goals at its April 30th meeting. However, the proposed metrics were not available at that time so the Committee will review the proposed goals again at its June 4th meeting. In addition, management is not recommending different the quality goals (now Mortality and Readmissions) than the Quality Committee reviewed in April. The Quality Committee will review these on June 4th. The Finance Committee will discuss the threshold goal (% of budgeted operating margin) at its May 29th meeting.</p>
	<p>Summary and session objectives:</p> <p>To discuss and recommend approval of the Proposed FY19 Organizational Goals.</p>
	<p>Suggested discussion questions:</p> <ol style="list-style-type: none"> 1. Are there any questions about the proposed goals and measurements? 2. Are there any suggestions?
	<p>Proposed Committee motion, if any:</p> <p>To recommend approval of the Proposed FY19 Organizational Goals.</p>
	<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none"> 1. Proposed FY19 Organizational Goals

DRAFT FY19 Organizational Goals

Organizational Goals FY19		Benchmark	Baseline	Minimum	Target	Maximum	Weight	Performance Timeframe
Organizational Goals								
	Patient Throughput ED Door to Patient Floor - LG & MV	Internal Benchmark <i>Based on CMS Core Measure Data</i>	Minutes - 339	306	280	270	30%	Q4
	HCAHPS Service Metric Nurse Communication 10% Responsiveness 10% Cleanliness 10%	External Benchmark <i>PG-HCAHPS Adjusted/Received</i>	Nurse Comm - 80 Responsiveness - 65.1 Cleanliness - 74.5	80.5 65.6 75	81 67 76	82 68.5 77	30%	Q4
	Quality Metrics Mortality Index - All Patients 10% Readmissions Index - All Patients 10%	External Benchmark <i>Premier Quality Advisor Top Quartile</i>	Mortality 1.02 Readmission 1.08	1.00 1.07	0.95 1.05	0.90 1.03	20%	FY
	People Employee Engagement	External Benchmark <i>Press Ganey</i>	4.09	4.09	4.14	4.17	20%	FY
Threshold Goals								
	Budgeted Operating Margin	Internal <i>95% Threshold</i>	Achieved FY18 Budget	95% of Budgeted Operating Margin			Threshold	FY



DRAFT PROPOSED
FY19 COMMITTEE GOALS
 Executive Compensation Committee

PURPOSE

The purpose of the Executive Compensation Committee is to assist the El Camino Hospital (ECH) Board of Directors (“Board”) in its responsibilities related to the Hospital’s executive compensation philosophy and policies. The Committee shall advise the Board to meet all legal and regulatory requirements as it relates to executive compensation.

STAFF: **Kathryn Fisk**, Chief Human Resources Officer; **Julie Johnston**, Director, Total Rewards; **Cindy Murphy**, Board Liaison

The CHRO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair’s consideration. The CEO, and other staff members as appropriate, may serve as a non-voting liaison to the Committee and may participate at the discretion of the Committee Chair. These individuals shall be recused when the Committee is reviewing his/her compensation. The CEO is an ex-officio member of this Committee.

GOALS	TIMELINE by Fiscal Year (Timeframe applies to when the Board approves the recommended action from the Committee, if applicable)	METRICS
1. Advise the Board ensuring strategic alignment and proper oversight of compensation-related decisions including performance incentive goal-setting and plan design.	<ul style="list-style-type: none"> Review and Recommend FY 18 Org Scores - Q1 Review and recommend (or approve) FY18 Individual Scores and Payout Amounts – Q1. Receive status update on FY19 progress toward goals and overview of FY20 strategic priorities – Q3 Receive FY20 market analysis report Review and recommend (or approve) CEO’s recommendations regarding base salary with or without changes – Q4 Review Proposed FY20 organizational and individual goals – Q4 	<ul style="list-style-type: none"> Committee (or Board) approves Executive Performance Incentive Scores and Payouts for FY18 – October 2018 Board approves CEO’s Performance Incentive Scores and Payout for FY18 – October 2018 Board approves letters of reasonableness – January 2019 Committee (or Board) approves FY20 executive base salaries – June 2019 Board approves CEO’s FY20 executive base salary – June 2019 Committee (or Board) approves FY20 executive individual goals – June 2019 Board approves FY 20 organizational goals –June 2019
2. Support successful implementation of changes in Board’s delegation of authority to the Committee	<ul style="list-style-type: none"> Evaluate effectiveness of changes in process – Q4 Discuss the impact of the delegation change on the effectiveness of the Committee and Committee meetings – Q4 	<ul style="list-style-type: none"> Report to the Board regarding effectiveness of changes and proposed changes or process improvements – June 2019
3. Evaluate the effectiveness of the independent compensation consultant	<ul style="list-style-type: none"> Survey committee members and administrative staff on performance of current consultant and determine whether or not to conduct an RFP – Q1 If conduct an RFP complete selection process in Q2 	<ul style="list-style-type: none"> Determine whether or not to conduct an RFP – November 2018 Extension or non-renewal of current agreement – by December 31, 2018 If new firm selected, select by December 31 and complete contracting by February 10, 2019

SUBMITTED BY:

Bob Miller

Chair, Executive Compensation Committee

Kathryn Fisk

Executive Sponsor, Executive Compensation Committee

Drafted by Julie Johnston, Director Total Rewards 4/10/18

Executive Compensation Committee

Created April 23, 2018

FY19 ECC Pacing Plan – Q1		
July 2018	August 2018	September 20, 2018
<i>No scheduled meeting</i>	<i>No scheduled meeting</i>	<ul style="list-style-type: none"> - Receive update on Strategic Plan <p>Committee to take action on:</p> <ul style="list-style-type: none"> - Approve Minutes - Recommend Approval of FY18 Organizational Score - Approve FY18 Executive Individual Scores - Approve FY18 Executive Performance Incentive Payout Amounts (Pending Board approval of FY18 Organizational Score) - Ad Hoc Committee Report: Recommendation Regarding Retention of ECC Consultant and Possible RFP
FY19 ECC Pacing Plan – Q2		
October 2018	November 8, 2018	December 2018
<p><i>No scheduled meeting</i></p> <p><i>Board to take action on:</i></p> <ul style="list-style-type: none"> - Accept Moss Adams' financial audit - Approve FY18 Organizational Score <p><i>Board to receive informational report on:</i></p> <ul style="list-style-type: none"> - FY18 Executive Individual Scores (closed) - FY18 Executive Payout Amounts (open) - Mercer Prepares Letters of Reasonableness <p><i>Board and Committee Educational Gathering October 24, 2018</i></p>	<p>Committee to take action on:</p> <ul style="list-style-type: none"> - Approve Minutes - Recommend Letters of Reasonableness - Approve Executive Compensation Consultant - Assess Effectiveness of Delegation of Authority - Mitch Olejko prepares cover letter for rebuttable presumption action 	<p><i>No scheduled meeting</i></p> <p><i>Board to take action on:</i></p> <ul style="list-style-type: none"> - Approve Letters of Reasonableness

Executive Compensation Committee

Created April 23, 2018

FY19 Executive Compensation Committee Pacing Plan – Q3		
January 2019	February 2019	March 28, 2019
<i>No scheduled meeting</i>	<i>No scheduled meeting</i>	<p>Committee to receive report on:</p> <ul style="list-style-type: none"> - Update on Strategic Plan Implementation - Progress against FY18 Organizational Performance Incentive Goals - Succession Planning Practices and Update on Executive Development Plan - Executive Benefit Plan Review <p>Committee to take action on:</p> <ul style="list-style-type: none"> - Approve Minutes - Proposed FY20 Committee Goals - FY20 Meeting Dates
FY19 Executive Compensation Committee Pacing Plan – Q4		
April 2019	May 23, 2019	June 2019
<p>Board & Committee Educational Gathering April 24, 2019</p>	<p>Committee to take action on:</p> <ul style="list-style-type: none"> - Approve Minutes - Finalize FY20 Pacing Plan - Review and Approve FY20 Executive Salary Ranges - Review and Approve FY20 Executive Base Salaries - Review and Recommend FY20 Organizational Goals - Review and Approve FY20 Executive Individual Performance Incentive Goals - Review and Recommend CEO's FY20 Salary Range and FY20 Base Salary 	<p><i>No scheduled meeting</i></p> <p><i>Board to take action on the following items:</i></p> <ul style="list-style-type: none"> - <i>FY20 Organizational Goals</i> - <i>FY20 CEO Salary Range and Base Salary</i> - <i>FY20 Committee Goals and Board and Committee Calendar</i> <p><i>Board to receive report on</i></p> <ul style="list-style-type: none"> - <i>FY20 Executive Individual Goals</i> - <i>FY20 Executive Salary Ranges and Base Salaries</i>

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Appointment of Ad Hoc Committee Executive Compensation Committee May 24, 2018
Responsible party:	Bob Miller, Executive Compensation Committee Chair
Action requested:	Possible Motion
Background: <p>The Statement of Work with our current Executive Compensation Consultant (Mercer) expires on December 31, 2018. As we discussed at our last meeting, the Committee should assess whether we should engage in an RFP process that certainly could include Mercer. I recommend that we appoint an Ad Hoc Committee comprised of two of our members, Teri Eyre and Jaison Layney, whose charge will be:</p> <ol style="list-style-type: none"> 1. To Assess the Mercer team's effectiveness and value as ECH's Executive Compensation Consultant; 2. Recommend at our September meeting whether we should engage in an RFP process or not; and 3. If the recommendation is affirmative, to recommend a proposed RFP. 	
Other Board Advisory Committees that reviewed the issue and recommendation, if any: None.	
Summary and session objectives: To appoint an Ad Hoc Committee.	
Suggested discussion questions: None.	
Proposed Committee motion, if any: <p>To appoint Teri Eyre and Jaison Layney to an Ad Hoc Committee charged with making recommendation(s) regarding engaging in an RFP process.</p>	
LIST OF ATTACHMENTS: None.	