

AGENDA

EXECUTIVE COMPENSATION COMMITTEE OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Tuesday, January 29, 2019 – 4:00pm

El Camino Hospital | Medical Staff Conference Room (first floor)
2500 Grant Road Mountain View, CA 94040

Julie Kliger will be participating via teleconference from 13100 Skyline Blvd Oakland, CA 94619.

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

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER/ROLL CALL	Bob Miller, Chair		4:00-4:02pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		4:02 – 4:03
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Bob Miller, Chair		information 4:03 – 4:06
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 (November 8, 2018) b. Draft Revised Executive Compensation Philosophy Information c. Articles of Interest	Bob Miller, Chair	<i>public comment</i>	motion required 4:06 – 4:07
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	Bob Miller, Chair		information 4:07 – 4:10
6. ADJOURN TO CLOSED SESSION	Bob Miller, Chair		motion required 4:10 – 4:11
7. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		4:11 – 4:12
8. 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 (November 8, 2018)	Bob Miller, Chair		motion required 4:12 – 4:14

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
9. <i>Health and Safety Code Section 32106(b)</i> for report and discussion involving health care facility trade secrets; <i>Gov't Code Section 54957.6</i> for conference with labor negotiator Dan Woods: - Proposed FY19 COO Incentive Goals	Dan Woods, CEO		motion required 4:14 – 4:19
10. ADJOURN TO OPEN SESSION	Bob Miller, Chair		motion required 4:19 – 4:20
11. RECONVENE OPEN SESSION/ REPORT OUT	Bob Miller, Chair		4:20 – 4:21
To report any required disclosures regarding permissible actions taken during Closed Session.			
12. LETTERS OF REASONABLENESS FOLLOW UP ATTACHMENT 12	Kathryn Fisk, CHRO		discussion 4:21 – 4:31
13. PROPOSED REVISIONS TO EXECUTIVE PERFORMANCE INCENTIVE PLAN ATTACHMENT 13	Kathryn Fisk, CHRO	<i>public comment</i>	possible motion 4:31 – 4:51
14. EXECUTIVE COMPENSATION TIMELINE ATTACHMENT 14	Kathryn Fisk, CHRO	<i>public comment</i>	possible motion 4:51 – 5:06
15. PROPOSED ECC CONSULTANT DASHBOARD ATTACHMENT 15	Lisa Stella, Mercer	<i>public comment</i>	possible motion 5:06 – 5:16
16. PROPOSED FY19 CEO EVALUATION PROCESS ATTACHMENT 16	Kathryn Fisk, CHRO	<i>public comment</i>	possible motion 5:16 – 5:36
17. FY19 PACING PLAN ATTACHMENT 17	Bob Miller, Chair		discussion 5:36 – 5:46
18. CLOSING COMMENTS	Bob Miller, Chair		discussion 5:46 – 5:49
19. ADJOURNMENT	Bob Miller, Chair	<i>public comment</i>	motion required 5:49 – 5:50pm

Upcoming Meetings: March 28, 2019* | May 23, 2019 || **Board/Committee Educational Sessions:** April 24, 2019



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

Thursday, November 8, 2018

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

Members Present

Teri Eyre
Neysa Fligor
Jaison Layney
Julie Kliger
Bob Miller, Chair
Pat Wadors
John Zoglin

Members Absent

None

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Executive Compensation Committee of El Camino Hospital (the “Committee”) was called to order at 4:00pm by Chair Bob Miller. A silent roll call was taken. Mr. Zoglin arrived at 4:01pm during Agenda Item 5: Report on Board Actions. All other Committee members were present at roll call.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Miller asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	None.	
4. CONSENT CALENDAR	<p>Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (September 20, 2018).</p> <p>Movant: Layney Second: Wadors Ayes: Eyre, Fligor, Kliger, Layney, Miller, Wadors Noes: None Abstentions: None Absent: Zoglin Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	Chair Miller referred to the recent Board approvals as further detailed in the packet.	
6. LETTERS OF REASONABLENESS	<p>Lisa Stella from Mercer provided an overview of the process for Letters of Reasonableness. She noted that Mercer’s findings indicate that the total compensation and total remuneration for both the covered executives and the CEO are reasonable and aligned with ECH’s philosophy.</p> <p>The Committee and staff discussed the executives who have been grandfathered into the executive incentive plan and the inclusion of each of them as a “disqualified person.” Ms. Stella and Mr. Pollack described 1) varying definitions for “disqualified person,” including an individual who has substantial influence over business affairs and/or a reporting relationship to the CEO; and 2) the IRS requirement to document an individual’s compensation for five years after they have been in the role of a disqualified person.</p>	<i>Letters of Reasonableness recommended</i>

	<p>The Committee requested that staff review the grandfathered individuals with outside counsel to evaluate whether or not to remove those individuals from Letters of Reasonableness going forward.</p> <p>Chair Miller requested that detailed appendices be removed from the versions of the letters that go to the Board for approval, as the data included in the letter itself is sufficient.</p> <p>In response to Mr. Zoglin’s question, Ms. Stella described the separate survey used to assess benefits and the utilization of non-profit data.</p> <p>The Committee requested that Mercer continue to use separate assessments for the disqualified persons and the CEO, but to prepare a combined report going forward.</p> <p>Motion: To recommend that the Letters be forwarded to outside counsel to prepare a Letter of Rebuttable Presumption for presentation to the Board.</p> <p>Movant: Zoglin Second: Wadors Ayes: Eyre, Fligor, Kliger, Layney, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>7. EXECUTIVE COMPENSATION CONSULTANT DASHBOARD</p>	<p>Ms. Stella explained that the proposed dashboard included a sampling of categories, which can be tailored to meet the objectives and priorities of the Committee.</p> <p>The Committee discussed two different uses of the tool 1) a general, annual evaluation (deep dive into the state of the relationship between the Committee and the consultant) and 2) a quick, post-meeting discussion (immediate feedback, quarterly true-up).</p> <p>The Committee, Ms. Stella, and staff noted that real time feedback would be very helpful for setting clear expectations and common understanding.</p> <p>The Committee requested that an annual review as well as a focused discussion at the end of each meeting be included on the pacing plan.</p> <p>The Committee requested the following revisions to the dashboard:</p> <ul style="list-style-type: none"> - Add a separate category for “quality of deliverables” - Call out “anticipates and meets deadlines” in the project management category - Capture “simplifying and calling out salient points/key takeaways” in communication <p>The Committee requested that Mercer provide a revised dashboard for the Committee’s review at its January 2019 meeting.</p>	<p><i>Annual consultant review to be paced</i></p> <p><i>Revised dashboard to be reviewed at the Committee’s January meeting</i></p>
<p>8. ASSESS EFFECTIVENESS OF DELEGATION OF AUTHORITY</p>	<p>Chair Miller outlined the areas of authority that have been delegated to the Committee and asked for feedback on how it is working so far.</p> <p>Ms. Fligor commented that it is too early to assess effectiveness and next year will provide more information. The Board members on the Committee noted that it would be worth revisiting this topic again later (after another round of ECC approvals, on-boarding new Board members, and the approval of delegated authority to other Committees).</p> <p>The community members on the Committee noted that the work of the Committee does not change with delegated authority.</p>	

	<p>Chair Miller commented that he has noticed more streamlined processes at the Board level and strengthened communication between the Board and the Committee.</p> <p>Mr. Zoglin commented that a Board should not “rubber stamp” 100% of Committee recommendations.</p>	
<p>9. PROPOSED FY19 CEO EVALUATION PROCESS</p>	<p>Bruce Barge from Mercer reviewed the methodology and approach for an interim process in FY18: surveys completed by the Hospital and District Board members, a narrative CEO self-assessment, and ECH financial/operational results.</p> <p>The Committee discussed the District evaluation of the CEO, including the following suggestions:</p> <ul style="list-style-type: none"> - Delete references to District Committees as the District does not currently have any. - Distinctly separate each attribute being surveyed (<i>i.e.</i>, establishing a culture, leading a leadership team, etc.). - Include unique elements that are not already covered by the Hospital questionnaire. - Align questions with the criteria in District Board Bylaws for evaluating the CEO, but adjust verbiage as appropriate to conform to best practice. <p>The Committee also discussed the inclusion of the CFO evaluation in the CEO evaluation, and whether the Board or CEO or both should participate in the evaluation and delivery of feedback. Ms. Stella noted that traditionally CFOs report to the CEO, but she will solicit information regarding practices in the industry. The Committee noted that this is an opportunity to clear up the confusion.</p> <p>The Committee commented that the District Board Bylaws may need to be updated to clarify the role of the CEO as “liaison officer between the District Board and its Committees.”</p> <p>The Committee requested changing the Likert scale to use “standards” (more defined performance-based level) rather than “expectations.”</p> <p>The Committee requested that Mercer work with Ms. Fisk and Ms. Murphy to rework the criteria specific to the District Board and bring back revisions for the Committee’s review at its January meeting.</p> <p>Mr. Barge outlined the CEO evaluation timeline. Ms. Wadors suggested that the quarterly feedback between the Hospital Board Chair and the CEO be documented. The Committee also suggested 1) to include the District Board Chair during mid-year and year-end check ins with the CEO and Hospital Board Chair and 2) to move the survey for the Board as close as possible to the end of each fiscal year.</p> <p>Ms. Fligor left the meeting at 5:24pm.</p> <p>Mr. Barge explained that a 90 degree survey of direct reports should be used for developmental purposes, which aligns with best practice. Ms. Eyre noted that the CEO direct report responses to the employee engagement surveys can be utilized for this purpose.</p> <p>In response to Ms. Eyre’s question, Chair Miller commented that the Hospital should survey physicians to review the organizational relationship between ECH and the medical staff, but that survey should not be used in the CEO’s performance evaluation.</p>	

10. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 5:29pm.</p> <p>Movant: Wadors</p> <p>Second: Layney</p> <p>Ayes: Eyre, Kliger, Layney, Miller, Wadors, Zoglin</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Fligor</p> <p>Recused: None</p>	<p><i>Adjourned to closed session at 5:29pm</i></p>
11. AGENDA ITEM 15: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 6:02pm. Agenda items 11-15 were addressed in closed session.</p> <p>During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting (September 20, 2018) by a unanimous vote in favor of all members present (Eyre, Layney, Kliger, Miller, Wadors, Zoglin). Ms. Fligor was absent.</p>	
12. AGENDA ITEM 16: FY19 PACING PLAN	<p>The pacing plan requests for the January meeting included: 1) CEO performance evaluation process and 2) revised consultant dashboard.</p> <p>The Committee discussed availability for the March meeting.</p> <p>Ms. Stella left the meeting and Mr. Pollack discontinued participation in the meeting.</p>	
13. AGENDA ITEM 17: CLOSING COMMENTS	<p>The Committee reviewed the effectiveness of the materials for the meeting and expressed concerns and dissatisfaction with the materials and presentation for the CEO performance evaluation item.</p> <p>The Committee and staff discussed the recent Board and Committee Educational session, highlighting appreciation for the roundtable discussions and strategic overview.</p>	
14. AGENDA ITEM 18: ADJOURNMENT	<p>Motion: To adjourn at 6:16pm.</p> <p>Movant: Zoglin</p> <p>Second: Layney</p> <p>Ayes: Eyre, Kliger, Layney, Miller, Wadors, Zoglin</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Fligor</p> <p>Recused: None</p>	<p><i>Meeting adjourned at 6:16pm</i></p>

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

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Bob Miller, Chair
Date: January 29, 2019
Subject: Executive Compensation Philosophy

Recommendation(s):

To recommend that the Board make the following changes to the Executive Compensation Philosophy:

- 1) To restate participants by job titles for positions approved by the Hospital Board of Directors for inclusion in the executive compensation and benefit plans.
- 2) To update the participant list to include Mark Adams, MD, CMO, and Jim Griffith, COO, as current incumbents.

Summary:

1. Situation: The participant list is not current. Every time there is a staff change, the policy needs to be updated.
2. Authority: The Committee has the authority to recommend changes to the policy for Board approval.
3. Background: The initial executive compensation policy was designed to include the CEO and those executives reporting to him. Certain positions were grandfathered into the policy by the Board in December 2010 when they no longer reported to the CEO.
4. Assessment: N/A
5. Other Reviews: N/A
6. Outcomes: An updated participant list reflecting the current incumbents

List of Attachments:

1. Executive Compensation Philosophy (redline)

Suggested Committee Discussion Questions: None, this is a consent item.

EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES
PROPOSED CHANGES TO ATTACHMENT A

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

C. Policy Summary:

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

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

The target competitive positioning for executive remuneration is:

- Base Salary – Executive base salaries 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 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 labor in Silicon Valley.
2. Performance Incentive Compensation. Each executive will be eligible for a goal-based performance incentive compensation program. An executive's performance incentive payout will be based on their performance against pre-defined organizational and individual goals 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. 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 ~~2/14/18~~ 2/13/2019 (if Board approves)


~~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~~

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

*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.

Top five strategic priorities for health plan leaders going in to 2019

 advisory.com/research/health-plan-advisory-council/members/expert-insights/2018/top-5-strategic-priorities-for-health-plan-leaders-in-2019

Executive takeaways from discussions at the Health Plan Advisory Council National Meeting

Expert Insight|October 29, 2018

Earlier this month, we gathered senior executives from health plans across the nation to discuss health plan strategy at a moment of innovation, integration, and disruption in the industry.

Read below to learn the top insights they gained from our research and the perspectives they shared along the way.

1. Purchasers are pushing plans to achieve greater affordability using diverging methods.

Health plans are no longer solely bearing the scrutiny for rising health care costs. But, as one executive noted, “No one would call a 5-7% price increase a victory lap in any other industry.”

Purchasers are getting restless and demanding more from plans. But their strategies are diverging due to shifting stakeholder capabilities:

- **Individuals** may choose from a range of low-cost, limited-coverage options due to shifting regulations
- **Employers**, losing faith in high-deductible solutions, are asking for increased consumer guidance
- **Medicaid** plans must help members verify eligibility under new experimental limits
- **Medicare Advantage** plans can expand supplemental social benefits

Plans’ future profitable growth will depend on strategic investments to meet these new capabilities, without bloating their administrative spending.

2. Growing vertical integration signals new competitive standards.

While most plans aren’t going to broker behemoth deals like CVS-Aetna or Cigna-Express Scripts, they will face the new expectations promised by industry integration:

- **Lower drug spending** through transparent low-cost options, formulary steerage, and targeted medication management
- **Smart network routing** from provider entry sites to appropriate providers and care pathways

- **Point of care insights** to guide tailored cost-effective treatment decisions in real time

These are each hallmarks of an industry oriented on outcomes, rather than procedures. “We’re seeing a focus shift from patient **care** to patient **needs**,” said one plan leader.

3. To improve outcomes, plans must selflessly put their partners’ needs first.

Most plans use increased member cost sharing or risk-based payment models to compel members and providers to action.

But this ignores the practical realities those partners face. Population health models require tedious work from already overburdened providers with thin margins. Greater consumer responsibility requires members to wade into overwhelming tasks like discerning appropriate choices from an array of unclear price and quality options.

Successful plans will step in to help providers understand how to achieve their own objectives in lowering medical spend, and help members understand their true care choices.

4. Providers can change their care approach, but need plans’ help to lower operating expenses.

Physicians are spending roughly half of their time on documentation and data review. This time spent away from patients harms both provider and member satisfaction.

Plans’ IT infrastructure may offer a solution to the overwhelming data strain facing providers. For example, automating prior authorization approvals or applying artificial intelligence to support clinical decisions can reduce the information processing burdens placed on clinicians.

5. Members rely on plans to guide them to affordable, personal care.

U.S. health spending, by default, must absorb a great deal of social support. As a result, there’s no room in the future for a health plan that sees itself solely as a financial company.

That starts with more proactively addressing members’ biggest challenges with the basics of using their benefits. As one plan executive stated, “It’s already hard to identify the best quality care; getting the most affordable care is even harder.”

To avoid dissatisfaction—or even disintermediation—plans must focus on addressing core service delivery failures that prevent members from easily getting what they want most: care that is provider-directed, affordable, and convenient.

Topics

Seven things to watch for in 2019

How 2018's news stories will impact plan strategy



advisory.com/research/health-plan-advisory-council/members/expert-insights/2019/what-to-watch-in-2019

Expert Insight | December 19, 2018

This past year was one of blockbuster vertical integration deals, record drug spending, and regulatory uncertainty. While it's now in our collective rear view mirror, it does tee up a number of discussions our team will have as we go into 2019.

1. Will Medicare for All and Medicaid Buy-In debates bring new scrutiny to the role of commercial insurers?

The incoming House of Representatives is more liberal and many ran on a platform of "Medicare for All." The good news for insurers is that no one knows what this actually means yet and how it could impact plans. The bad news is that we aren't calling it "Private Insurance for All".

What the debate shows is how far plans have to go in proving their role in managing costs to the general public. While it's highly unlikely (though never say never) that any bill will pass with the current divide both within and across parties, even the debate itself will highlight new ways insurers have to change their attitudes and services to directly highlight the role they play in supporting individuals.

2. Will Amazon-JP Morgan-Berkshire disrupt the employer benefits space or be a Health Transformation Alliance 2.0?

We recently asked health plan executives which news story that they thought would most transform the payer industry in the next 3 years and over half of respondents selected Amazon's partnership with JP Morgan and Berkshire. There's a lot that intrigues me about this still unnamed partnership – particularly the talent they've already recruited to lead it.

However, we've seen this story before. A couple years ago the Health Transformation Alliance formed a coalition of some of the largest employers to lower benefits spending. While much was made at the time of its disruptive potential, in reality, they've partnered to lower admin fees and not much else.

The biggest test for this new partnership will be whether their tactics can translate to other large groups with different employee compositions – or if it's ultimately just another avenue for employers to share data with each other.

3. How will the current regulatory and judicial environment factor into payers' individual market strategy?

We know that enrollment on the individual market is down compared to years past. Primarily, this is due to less marketing of open enrollment, difficulty navigating the website and call center rather than fewer plans available (in fact, there are more and they're cheaper than expected). And with the repeal of the individual mandate and recent decision in *Texas v. Azar*, I'd expect to see less certainty from individuals on the need to buy a qualified plan.

However, with Medicaid growing its ranks due to expansion in 36 states and a tighter labor market, some of the enrollment decline may be just individuals with more options. And those options also include an expansion of the individuals that can sign up for short term and association health plans. I'll be looking to see what these newer products look like and how plans view them as an extension of their individual strategy.

4. With more time to consider it, will more plans offer supplemental benefits for Medicare Advantage?

Despite excitement from health plans about being able to offer non-traditional services with MA's expansion of the definition of supplemental benefits, only about half of plans chose to do so.

But we've heard that this low participation is likely due to timing rather than enthusiasm. Plans were only given a few weeks from the release of the guidance and filing deadlines. With a full year of data to look at the impact on enrollment and evaluate pilot programs, I'm excited to see if and how other plans approach offering these services.

5. How will a greater focus on Medicaid eligibility and benefits verification impact plan care management?

One of the biggest challenges facing Medicaid plans in managing their members' care is the lack of consistent contact information – either due to incomplete data, member distrust, or churn. Missing this crucial information will harm plans' ability to form the relationship needed to influence their care in such a short period of time.

Recent state work requirements will only make things harder as members have to verify eligibility annually or as their status changes. If Arkansas is any indicator, up to 6% of members may lose coverage due to an inability to prove work. Much has been made of the administrative impact on the state to administer these work requirements but I'm curious to see what the medical spend impact will be as well.

6. Will more employers ditch deductibles?

Deductibles are at unsustainable levels – with many reaching over \$3,000, individuals feel more self-insured than self-protected. And ultimately, member responsibility is reaching its limits as a way to keep premiums low. With notable large employers publically questioning how far they can raise deductibles, we could be approaching the natural limit. Employers in a tighter labor market are looking for ways to stand out and increasingly that means competing on richer, more tailored benefits packages. I'll be excited to see at what cost plans will meet this new need.

7. Will CMS's expansion of telehealth indications for providers lead to more member utilization?

When I talk to plans, many lament the unrealized promise of telehealth. Members could get value but either don't know about it, don't care to use it, or only want to use it if their provider is on the advising end. Providers had been reluctant to invest, as the economics for the majority of their members (i.e. Medicare) never added up.

With new indications and a greater financial opportunity for individual clinicians, plans may see spillover effects onto their platforms as telehealth becomes an increasingly standard part of the care continuum.

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Cindy Murphy, Director of Governance Services
Date: January 29, 2019
Subject: Report on Board Actions

Purpose:

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

Summary:

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Executive Compensation Committee meeting the Hospital Board has met three times and the District Board has met twice.

A. ECH Board Actions

November 14, 2018

- Approved Resolution 2018-11, honoring Ganesh Krishna, MD for his innovative work in the field of Interventional Pulmonology
- Delegated Authority to the Finance Committee to approve certain physician contracts and to the Finance Committee and the Compliance and Audit Committee to approve the Annual Summary of Physician Financial Arrangements
- Approved revisions to the Quality, Patient Care, and Patient Experience Committee Charter including a refined definition of quality care and providing for the Committee to review and approve its annual quality dashboard
- Approved Revised Board and Committee Education Policy increasing the annual allowance to \$5,000 per Board member and per Committee

December 5, 2018

- Approved Period 3 Financial Report
- Approved Letters of Rebuttable Presumption of Reasonableness
- Approved the following Physician Contracts: Professional Services Agreements for the Perinatal Diagnostic Center, Radiology, and the Hospitalists for the Mountain View Campus; Medical Director Agreement for the Aspire Program; Orthopedic Co-Management Agreement; Gastroenterology and Orthopedic Surgery Call Panel Agreements

Report on Board Actions
January 29, 2019

January 16, 2019

- Approved Period 4 Financial Report
- Appointed George Ting, MD to the Investment Committee and Quality, Patient Care, and Patient Experience Committee
- Appointed Julia Miller as Co-Liaison to the El Camino Hospital Foundation Board
- Approved funding for the Los Gatos Cancer center construction not to exceed \$6.4 million
- Revised Policies: Signature Authority; Corporate Compliance; Physician Financial Arrangements; Board of Director Approval of Hospital Policies
- Approved acquisition of interests in El Camino Ambulatory Surgery Center and capital improvements not to exceed \$9.2 million in total.

B. ECHD Board Actions

December 5, 2018

- Revised Community Benefits Grants Policy to comply with new statutory requirements
- Appointed John Zoglin as a member of the District's ECH Board Member Election Ad Hoc Committee
- Appointed Julia Miller as the District's Liaison to the CBAC

December 7, 2018

- Re-Elected Peter C. Fung, MD and elected George O. Ting, MD to four year terms on the El Camino Hospital Board of Directors

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None.

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Kathryn Fisk, CHRO
Date: January 29, 2019
Subject: Letters of Reasonableness Follow Up

Purpose:

To provide the Committee with follow up information.

Summary:

1. Situation: The Committee requested that the CHRO gather information about “disqualified persons.” The Hospital Board has delegated responsibilities for the oversight and administration of the Executive Compensation Program to the Committee. The Executive Compensation Philosophy lists the eligible participants and does not refer to “disqualified persons.” The letters of opinion of reasonableness include all participants and provides documentation that complies with IRS Section 4958, which defines “disqualified persons.”
2. Authority: The CHRO obtained a legal opinion.
3. Background: See attached.
4. Assessment: See attached.
5. Other Reviews: Legal
6. Outcomes: N/A

List of Attachments:

1. Letters of Reasonableness Follow Up – PowerPoint Presentation

Suggested Committee Discussion Questions:

1. Does the Committee want to discuss policy changes at a future meeting (*i.e.*, references to disqualified persons in policy)?
2. Does the Committee want to exclude non-disqualified persons from the 2019 letters of reasonableness?



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Letters of Reasonableness Follow Up

Executive Compensation Committee

Kathryn Fisk, CHRO
January 29, 2019

Discussion Items

- Participants in the Executive Compensation plans include the CEO, executives reporting directly to the CEO, and other designated executives
- The Executive Compensation Philosophy does not reference “disqualified persons” under IRS Section 4958
- The letters of reasonableness prepared each year include all participants including “non-disqualified persons” who are not subject to IRS Section 4958
- It has been several years since the Executive Compensation Committee last reviewed the criteria
- Future decisions for the Committee
 - Whether or not to reference IRS Section 4958 in the policy
 - Whether or not to include “non-disqualified persons” in the letters of reasonableness

Key Provisions of IRS Section 4958

- Any tax-exempt organization that provides a **disqualified person** with **excess benefits** may be subject to **intermediate sanctions**: fines for the recipient of the benefit and organization managers who knowingly approve the benefits
- **Disqualified Persons**
 - **Deemed Disqualified Persons:**
 - Presidents, chief executive officers, or chief operating officers. — includes any person who, regardless of title, has ultimate responsibility for implementing the decisions of the governing body or for supervising the management, administration, or operation of the organization.
 - Treasurers and chief financial officers. — includes any person who, regardless of title, has ultimate responsibility for managing the finances of the organization.
 - **Persons with Substantial Influence:** A person whose status has “substantial influence” over the affairs of an organization include, but are not limited to, the following—
 - The person has or shares authority to control or determine a substantial portion of the organization’s capital expenditures, operating budget, or compensation for employees;
 - The person manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole

Persons Deemed Not to Have a Substantial Influence

- Excluded from the term “disqualified person” are most organizations exempt under § 501(c)(3) or § 501(c)(4).
 - Persons deemed not to have substantial influence. — A person is deemed not to be in a position to exercise substantial influence over the affairs of an applicable tax-exempt organization
 - Persons earning less than \$120,000/year
- The statute defines a qualified person to include any person who was, at any time during the 5-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization.

Current Exec Participants

Job Title	Name	Disqualified Status Type
Chief Executive Officer	Daniel J. Woods	Deemed
Chief Financial Officer	Iftikhar Hussain	Deemed
Chief Operating Officer	James D. Griffith	Deemed
Chief Admin Svcs Officer	Kenneth K. King	Substantial Influence
Chief Human Resources Officer	Kathryn M. Fisk	Substantial Influence
Chief Information Officer	Deborah A. Muro	Substantial Influence
Chief Medical Officer	Mark C. Adams, MD	Substantial Influence
Chief Nursing Officer	Cheryl L. Reinking	Substantial Influence
Chief Strategy Officer	Vacant	Substantial Influence
General Counsel	Mary Lynn Rotunno	Substantial Influence
President Foundation	Joanne Royer Barnard	Substantial Influence
President, SVMD	Bruce A. Harrison	Substantial Influence
VP Corp & Comm Hlth Svcs and President Concern:EAP	Cecile S. Currier	Substantial Influence
VP Payor Relations	Joan M. Kezic	Not a disqualified person

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Kathryn Fisk, CHRO
Date: January 29, 2019
Subject: Proposed Revisions to Executive Performance Incentive Plan (“EPIP”)

Purpose:

To provide the Committee with follow up information. No changes are recommended.

Summary:

1. Situation: At the last meeting, the Committee discussed feedback from Mercer’s summary of executive feedback on the EPIP and asked that more specific recommendations for policy, process, and timeline changes be presented.
2. Authority: The Committee may recommend changes to the Executive Performance Incentive Plan policy to the Hospital Board of Directors.
3. Background: The feedback on communication, timelines, and goal setting is being addressed through quarterly meetings with the executives eligible for the plan. The first two meetings have been successful in sharing progress toward individual and organizational goals and improving understanding of the processes around goal setting and executive compensation. Timelines for the executives and the CEO have been developed, discussed, and refined.
4. Assessment: A pulse was taken on whether to change the policy/timeline to remove the provision requiring Board approval of the financial audit before payout. There was not support of the executive team to change the practice.
5. Other Reviews: None.
6. Outcomes: No changes recommended.

List of Attachments:

1. Executive Performance Incentive Plan

Suggested Committee Discussion Questions:

1. Does the Committee have any questions about the specific improvements?
2. What advice does the Committee have to improve perceived alignment between the executives and the organizational goals?
3. As we prepare materials for FY20, what process improvements would the Committee like to see?

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

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

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 the Board of Directors approving the payout amounts. In order to receive incentive compensation, executives must be actively employed in an executive position at the time the incentive compensation is paid.

E. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve the plan design, organizational goals, executive individual goals, and performance incentive payout amounts.
2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board of Directors such as reviewing and recommending goals and performance incentive payout amounts.

3. The CEO recommends the organizational and individual goals, discretionary score, and recommends incentive payout amounts to the Committee.
4. The Chief Human Resources Officer and/or Director Total Rewards are responsible for overseeing administration of the program and implementing actions approved by the Board.

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Kathryn Fisk, CHRO
Date: January 29, 2019
Subject: Executive Compensation Timeline

Purpose:

To review the executive compensation timeline with the Committee.

Summary:

1. Situation: Participants in the executive compensation and benefits plan are meeting quarterly to review goals and goal progress, improve executive teamwork, better understand executive compensation and benefits, and share/learn best practice in goal setting and leadership performance.
2. Authority: The CHRO and CEO partner in leading these meetings.
3. Background: Two meetings have been held to date and are achieving their desired outcome. There is a high level of participation and the timeline has been updated to include additional activities that engage and support leadership.
4. Assessment: N/A
5. Other Reviews: N/A
6. Outcomes: N/A

List of Attachments:

1. Executive Timeline

Suggested Committee Discussion Questions:

1. Does the Committee have any questions?
2. Does the Committee have any suggestions?

Proposed 2019 Timeline for Executive Compensation
Draft 1-22-19 with FY 20 Budget

Proposed 2019	January	February	March	April	May	June	July	August	September	October	November	December
Budget/Strategic Planning	Finance publishes budget/ planning timeline	Board/Executive Strategic Retreat. FY 20 Service line volume estimates due	Department and capital expense budgets due	Execs review budgets. First draft to Finance Committee	Finance Committee approves recommended expense and capital budget	Board approves expense and capital budget						
Market Analysis/ Reasonableness Opinion Letters (ROL)	ECC determines whether non-disqualified persons will be included in the 2019 ROL			CEO receives market data	ECC receives market data					HR and CEO review drafts ROL	ECC approves ROL and has legal counsel write recommendation to board	Board accept ROL
Executive Performance Review		Determine if CEO wants to change format	If yes, HR builds new form in Success Factors	HR tests new form and obtains approval	HR launches performance review forms	Executive self-evals due	Executive reviews completed	Executive reviews completed				
Base Salaries					CEO recommends and ECC approves FY 20 base salaries. Executives notified of changes.	ECC reports increases to Board		Executive base pay increases effective 8/11/19				
Strategic/Organizational Goals	ECC receives strategy update and FY19 org goal progress update	Board/Executive Strategic Retreat			ECC reviews Draft FY 20 Org goals	Board approves FY20 Org Goals		Executives review FY19 performance against goals	Board approves FY19 org score subject to approval of audit	Board approves audit		
Individual Goals	Executives share progress against FY 19 goals as a team. Discuss goal-setting best practice	HR builds new tool for goal setting	Executive input on tool. Training/coaching on goal-setting	Executives share progress against FY 19 goals and proposed FY20 goals as a team	ECC approves FY20 individual goals		Executives submit scored FY 19 goals	COO, CEO, and HR validate scores and calculate payouts	ECC approves FY 19 scores and payouts. Individual score communicated to executive	Bonus payout	Executives share progress against FY 20 goals as a team	
Discretionary Score and Developmental Feedback on Leadership Attributes	CEO gives executive developmental feedback on leadership attributes based on first half of fiscal year	CEO gives executive developmental feedback on leadership attributes based on first half of fiscal year					CEO gives developmental feedback on leadership attributes to executive and communicates proposed discretionary scoring.	CEO gives developmental feedback on leadership attributes to executive and communicates proposed discretionary scoring.	CEO recommends individual performance incentive score including discretion to the ECC.			

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Bob Miller, Chair
Date: January 29, 2019
Subject: ECC Consultant Dashboard

Recommendation(s):

To finalize the ECC Consultant Dashboard.

Summary:

1. Situation: The Committee has discussed the development of a consultant dashboard that can be used to discuss and review the executive compensation consulting firm (“Consultants”).
2. Authority: The Committee selects, engages, and directs the Consultants to help achieve its goals and responsibilities.
3. Background: The Committee has not had tools to evaluate current consultants, but has used criteria in the selection of consultants.
4. Assessment: N/A
5. Other Reviews: N/A
6. Outcomes: Improvement in effectiveness of the Committee and the Board in executing their respective duties. Establishment of performance standards and provision of regular feedback to Consultants.

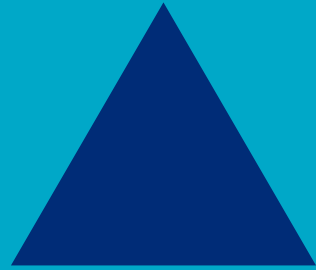
List of Attachments:

1. Mercer presentation


Suggested Committee Discussion Questions:

1. What qualities and behaviors does the Committee value in a consultant?
2. What best practices/processes have Committee members experienced?
3. What items should be in the dashboard?
4. How often will the Committee review the dashboard (*i.e.*, every meeting, annually, semi-annually?)
5. Does the Committee want to establish a formal way to assess consultant performance?
6. Is the Committee ready to take action?
7. How does the discussion impact the ECC Pacing Plan?

CONSULTANT EVALUATION UPDATE



COMPENSATION CONSULTANT FEEDBACK

Technical Expertise	Consistently demonstrates valuable expertise, technical depth, industry knowledge, leading edge ideas, and market-driven information to support decisions.	
Analysis and Due Diligence	Presents thorough, accurate analysis that is placed in the context of industry practice, market data, and the organization's compensation philosophy and practices.	
Proactive /Responsive	Brings new ideas on an ongoing basis, Anticipates emerging issues and red flags, and demonstrates initiative in understanding ECH culture, stakeholders, strategy, and success drivers.	
Innovative Forward-Thinking	Brings new ideas on an ongoing basis, appropriately asks questions, shares divergent perspectives, and presents alternative solutions for consideration.	
Communication	Engages regularly and appropriately with key stakeholders. Produces clear, focused, accurate deliverables demonstrating understanding of audience knowledge and dynamics. Highlights and prioritizes critical points of materials for committee.	
Independence/Objectivity/Balance	Understands reporting relationship; manages relationships between Board, Compensation Committee, and management appropriately; maintains objectivity and avoids conflicts of interest.	
Trusted Advisor	Strives to build a long-term partnership; places organization interests ahead of their owns; understands perspectives of various stakeholders; appropriately challenges and questions.	
Project Management	Establishes a methodical course of action and drives plan to completion according to agreed-upon ownership and timelines . Develops and adheres to a thorough process for working with management, Committee and Board.	

ALIGNMENT WITH SELECTION CRITERIA

- As requested by the Committee, Mercer reviewed the consultant RFP selection criteria and identified the following points of alignment with the proposed consultant evaluation criteria:
 - Ability to meet ECH timelines
 - Strategic partner - honesty, integrity, trust, transparency, compliance
 - Ability to address questions and concerns
 - Ability to counsel on internal and community issues
 - Interactive style
 - Ability to anticipate issues

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Kathryn Fisk, CHRO
Date: January 29, 2019
Subject: FY19 CEO Evaluation Process

Recommendation(s):

To determine whether the Committee will recommend the CEO assessment process and tool to the Hospital Board of Directors with or without changes.

Summary:

1. Situation: The Board requested new tool(s) to assess CEO's performance including question(s) about the CEO's responsibilities to the Healthcare District.
2. Authority: The Hospital Board values input from the Committee on evaluating executive performance.
3. Background: The executive compensation consultant and board consultants who helped developed past practices are no longer active. The Committee asked Human Resources and Mercer to partner in developing a new tool/practice.
4. Assessment: Since the last ECC meeting, HR has partnered with the CEO and Board and Committee members and gathered best practice information from CEO professional organizations and the American Hospital Association (AHA). Revisions have been made to more effectively and efficiently serve the intended purpose.
5. Other Reviews: The proposed tool was discussed with the CEO.
6. Outcomes: The primary objective of the assessment is to guide development of the CEO and provide a focused feedback channel between the Board and the CEO about organizational and individual performance and development. The performance assessment may inform and influence salary increase decisions and/or the discretionary component of the bonus, but it does not directly impact those outcomes. The Hospital and District Boards will approve their respective assessment tools.

List of Attachments:

1. Draft CEO Assessment Process and Tool
2. Draft CEO Evaluation and Compensation Timeline

Suggested Committee Discussion Questions:

1. The role of the CEO's self-assessment – should it have the same criteria as Board member assessments? How does he account for achievements above and beyond organizational goals?
2. What best process and practices have Committee members experienced?
3. What is the value of all Board members seeing the CEO's self-assessment? Before or after their own input?
4. Does the Committee support the CHRO's recommendation with or without modification?



CHIEF EXECUTIVE OFFICER PERFORMANCE ASSESSMENT PROCESS

The Chair of the Board of Directors is responsible for leading the assessment of the Chief Executive Officer's (CEO) performance.

This assessment is a tool for the Hospital Chair to gather information from the Board Directors regarding the CEO's performance. Once the overall assessment is completed and data compiled, the Hospital Chair will provide feedback to the CEO.

In addition, the District Chair is charged with leading the performance assessment of the CEO on District accountabilities. District Board Directors will assess the CEO on specific District accountabilities at the same time they complete their Hospital CEO assessment. Once the assessment is completed and data compiled, the District Chair with the Hospital Chair will provide feedback to the CEO.

The CEO will also complete a self-assessment evaluation based on the exact criteria in the Board assessment documents and this information will be included in the performance assessment tool provided to the Board Directors.

Instructions: Please use the following rating scale in assessing the CEO's performance over the past 12 months; the bulleted items listed under each section of the assessment tool are examples of how the CEO demonstrates the stated accountability and is not intended to be an all-inclusive list. Provide *one rating* for each of the assessment areas. In the event that you rate the CEO's performance 2 or below, please provide specific suggestions for performance improvement.

Rating Scale	
Exceeds Expectations: The CEO's personal attributes and leadership qualities extend <i>above and beyond</i> these attributes as a part of his or her leadership.	5
Meets All Expectations: The CEO's personal attributes and leadership qualities in this area are <i>always</i> exhibited as a part of his or her leadership. The CEO's performance in this area <i>meets all of my expectations</i> .	4
Meets Most Expectations: The CEO often practices the personal attributes and leadership qualities in this area as a part of his or her leadership, but not always. The CEO's performance in this area generally meets my expectations.	3
Meets Some Expectations: The CEO inconsistently practices the personal attributes and leadership qualities in this area as a part of his or her leadership. The CEO's performance in this area only meets some of my expectations.	2
Does Not Meet Expectations: The CEO rarely or never practices these personal attributes and leadership qualities as a part of his or her leadership. The CEO does not perform well in this area.	1
Not Applicable: Not applicable or has not been observed.	N/A

Board Relations
<i>Examples:</i> <ul style="list-style-type: none"> • <i>Informs the Board on timely and important developments/issues</i> • <i>Ensures a positive working relationship with the Board founded on transparency and collaboration</i> • <i>Ensures continuous education for the Board on issues/topics important to ensure effective, evidence-based governing leadership</i>
CEO Self-Rating: ____ Comments:
Board Director Rating: ____ Comments:

Strategic Development

Examples:

- *Collaborates with the Board to set the strategic direction for the organization*
- *Develops, communicates and leads the implementation of the strategic plan in a manner consistent with the organization's mission, vision and values*
- *Engages internal and external stakeholders to develop strategies and plans to move the organization in the desired direction*
- *Considers evolving internal and external trends and factors, and adjusts plans as necessary*

CEO Self-Rating: ____

Comments:

Board Director Rating: ____

Comments:

Executive Team Relations and Development

Examples:

- *Recruits and develops a cohesive leadership team to implement organizational goals and strategies*
- *Holds leaders accountable for achieving performance goals*
- *Maintains an open, honest, trusting and collaborative relationship with senior leaders*
- *Develops future leaders within the organization*

CEO Self-Rating: ____

Comments:

Board Director Rating: ____

Comments:

Quality and Patient Safety

Examples:

- *Ensures that quality and patient safety is a top priority at every level in the organization*
- *Establishes and nurtures a culture build on quality, service, and continuous improvement*
- *Advances the organization's culture to ensure the patient experience is exemplary in every aspect of care*
- *Uses quality outcomes and data to drive actionable decision-making*

CEO Self-Rating: ____

Comments:

Board Director Rating: ____

Comments:

Financial Leadership

Examples:

- *Financial results in the past year met or exceeded financial goals for the organization's growth*
- *Sets the tone for financial discipline and the importance of financial balance to achieve the mission and vision*
- *Ensures adequate internal systems are in place to protect the organization's financial health*
- *Continuously explores opportunities to strengthen the organization's financial position and organizational growth and development*

CEO Self-Rating: ____

Comments:

Board Director Rating: ____

Comments:

Risk and Change Management

Examples:

- *Encourages self and others to challenge the status quo; takes calculated risks*
- *Leads the organization to be agile and adaptable*
- *Assumes responsibility for adverse outcomes*
- *Thinks innovatively; seeks and values the opinions of others*

CEO Self-Rating: ____

Comments:

Board Director Rating: ____

Comments:

Leadership and Culture
<i>Examples:</i> <ul style="list-style-type: none"> • <i>Provides focused and effective leadership that ensures commitment to the organization's mission and vision</i> • <i>Encourages all to improve productivity, quality and patient satisfaction</i> • <i>Inspires a high performing culture with commitment on continuous improvement</i> • <i>Combines strong ethical judgment with technical and management skills</i>
CEO Self-Rating: ____ Comments:
Board Director Rating: ____ Comments:

Community Health and Partnerships
<i>Examples:</i> <ul style="list-style-type: none"> • <i>Seeks partnerships that help achieve the Hospital's mission and vision and improve community health</i> • <i>Ensures services and programs are made available to address community health improvement challenges and needs</i>
CEO Self-Rating: ____ Comments:
Board Director Rating: ____ Comments:

(To be completed by District Board Directors only)

District Board Accountabilities
<i>Examples:</i> <ul style="list-style-type: none"> • <i>Administers District resources and services approved by the District</i> • <i>Represents the District in the community</i> • <i>Communicates effectively and timely with the District Board</i>
CEO Self-Rating: ____ Comments:
Board Director Rating: ____ Comments:

Proposed 2019 Timeline for CEO Performance and Compensation

Draft 1-22-19

Proposed 2019	January	February	March	April	May	June	July	August	September	October	November	December
Base Salary				ECC Chair and HR ECC staff review Mercer market analysis	Hospital Board Chair receives CEO market analysis		Hospital Board chair prepares recommendation	Board approves FY 20 CEO Base salary. Effective 8-11-19			ECC reviews draft of rebuttable presumption of reasonableness (LOR)	Board approves Letter and has legal counsel write recommendation to board
CEO Performance Review and Developmental Feedback	Hospital Chair meets with CEO for mid-year progress check	Hospital and District Chairs meet with CEO for mid-year progress check		Hospital Chair meets with CEO for quarterly check-in	CEO completes self-assessment	Consultant sends assessment form to Hospital and District Board members	Consultant summarizes survey findings and reviews with Hospital Board Chair	Hospital and District Board Chair meets with CEO for annual performance review		Hospital Chair meets with CEO for quarterly check-in		
Incentive Pay							Hospital Board discusses CEO performance in closed session		ECC reviews CEO incentive payout based on org scores	Board determines CEO's discretionary score and FY 19 incentive payout		
Strategic/Organizational Goals	Board receives progress update against FY19 Org goals		Hospital Executives and Board Committees discuss goals/measures for FY 20	Hospital Executive and Board Committee discuss goals/measures for FY 20	ECC reviews proposed FY20 Org goals	Board approves FY20 Org Goals			Board approves FY19 Org score subject to approval of audit	Board approves audit and receives report on executive individual scores		
Budget/Strategic Planning	Finance publishes budget/ planning timeline	Board/Executive Strategic Retreat. FY 20 Service line volume estimates due	Department and capital expense budgets due	Execs review budgets. First draft to Finance Committee	Finance Committee approves recommended expense and capital budget	Board approves expense and capital budget						

Executive Compensation Committee

Updated January 21, 2019

FY19 ECC Pacing Plan – Q1		
July 2018	August 2018	September 20, 2018
<p><i>No scheduled meeting</i></p>	<p><i>No scheduled meeting</i></p> <p><i>Board to take action on:</i></p> <ul style="list-style-type: none"> - <i>CEO Base Salary and 2nd Amendment to Employment Agreement</i> - <i>CMO Base Salary</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 <p><i>Board to take action on:</i></p> <ul style="list-style-type: none"> - <i>Approve FY18 Organizational Score</i>
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"> - <i>Accept Moss Adams' financial audit</i> <p><i>Board to receive informational report on:</i></p> <ul style="list-style-type: none"> - <i>FY18 Executive Individual Scores (closed)</i> - <i>FY18 Executive Payout Amounts (open)</i> - <i>FY19 CMO goals (closed)</i> - <i>FY19 COO Base Salary (open)</i> - 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 - Dashboard for reviewing Executive Compensation Committee Consultant - Assess Effectiveness of Delegation of Authority - Review Salary Administration Process and Executive Incentive Plan - Discuss FY19 CEO Evaluation Process <p><i>Mitch Olejko prepares cover letter for rebuttable presumption action</i></p>	<p><i>No scheduled meeting</i></p> <p><i>Board to take action on:</i></p> <ul style="list-style-type: none"> - <i>Approve Letters of Reasonableness</i>

Executive Compensation Committee

Updated January 21, 2019

FY19 Executive Compensation Committee Pacing Plan – Q3		
January 29, 2019	February 2019	**March/April 2019**
<p><i>Confirmed Meeting</i></p> <ul style="list-style-type: none"> - Review Incentive Plan structure (<i>specific recommendations</i>) — Update on Strategic Plan implementation - Review compensation timeline - Finalize ECC Consultant Dashboard - Proposed FY19 CEO Evaluation Process (District Board survey questions) 	<p><i>No scheduled meeting</i></p>	<p>Committee to receive report on:</p> <ul style="list-style-type: none"> - Progress against FY19 Organizational Performance Incentive Goals - Succession Planning Practices and Update on Executive Development Plan - <i>Update on Strategic Plan implementation</i> <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><i>Board & Committee Educational Gathering April 24, 2019</i></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>