

AGENDA
EXECUTIVE COMPENSATION COMMITTEE OF THE
EL CAMINO HOSPITAL BOARD OF DIRECTORS

Tuesday, September 28, 2020 – 4:00pm

El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 DATED MARCH 18, 2020, EI CAMINO HEALTH **WILL NOT BE PROVIDING A PHYSICAL LOCATION FOR THIS MEETING**. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

1-669-900-9128, MEETING CODE: 968 3427 5416#. No participant code. Just press #.

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 - 4:01pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		4:01 – 4:02
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 4:02 – 4:05
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 ECC Meeting (05/27/2021) b. Policy Revisions Information c. Progress against FY21 Committee Goals	Bob Miller, Chair	<i>public comment</i>	motion required 4:05 – 4:06
5. REPORT ON BOARD ACTIONS	Bob Miller, Chair; Julie Kliger, Vice Chair		information 4:06 – 4:11
6. PROPOSED FY21 ORGANIZATIONAL PERFORMANCE INCENTIVE PLAN SCORE	Dan Woods, CEO	<i>public comment</i>	possible motion 4:11 – 4:26
7. ADJOURN TO CLOSED SESSION	Bob Miller, Chair		motion required 4:26 – 4:27
8. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		information 4:27 – 4:28
9. 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 ECC Meeting (05/27/2021)	Bob Miller, Chair		motion required 4:28 – 4:29

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

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
10. Gov't Code Code Section 54957 and 54957.6 for a report on personnel matters and labor negotiations: - Proposed FY21 Individual Performance Incentive Plan Scores	Dan Woods, CEO		possible motion 4:30 – 4:40
11. Gov't Code Code Section 54957.6 for a conference with labor negotiator: - Proposed FY21 Performance Incentive Plan Payouts	Dan Woods, CEO		discussion 4:40 - 4:50
12. Gov't Code Code Section 54957.6 for a conference with labor negotiator: - Executive Market Analysis - Proposed FY22 Executive Salary Ranges	Heidi O'Brien, Mercer		discussion 4:50 – 5:15
13. Gov't Code Code Section 54957.6 for a conference with labor negotiator - Proposed FY22 Executive Base Salaries	Dan Woods, CEO		discussion 5:15 – 5:25
14. ADJOURN TO OPEN SESSION	Bob Miller, Chair		motion required 5:25 – 5:26
15. RECONVENE OPEN SESSION/ REPORT OUT	Bob Miller, Chair		information 5:26 - 5:28
To report any required disclosures regarding permissible actions taken during Closed Session.			
16. PROPOSED FY21 PERFORMANCE INCENTIVE PLAN PAYOUTS	Dan Woods, CEO	public comment	possible motion 5:28 – 5:29
17. PROPOSED FY22 EXECUTIVE SALARY RANGES	Dan Woods, CEO	public comment	possible motion 5:29 – 5:30
18. PROPOSED FY22 EXECUTIVE BASE SALARIES	Dan Woods, CEO	public comment	possible motion 5:30 – 5:31
19. AD HOC COMMITTEE REPORT	Jaison Layney, Ad Hoc Committee Chair	public comment	possible motion 5:31- 5:32
20. FY22 PACING PLAN AND GOALS	Bob Miller, Chair		discussion 5:32 – 5:35
21. CLOSING COMMENTS	Bob Miller, Chair		discussion 5:35 – 5:39
22. ADJOURNMENT	Bob Miller, Chair	public comment	motion required 5:40 pm

Upcoming Regular Meetings: November 4, 2021; March 3, 2022; May 18, 2022;
Upcoming Board & Committee Education Meetings: October 4, 2021, April 27, 2022



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, May 27, 2021**

Pursuant to State of California Executive Order N-29-20 dated March 18, 2020, El Camino Health did not provide a physical location for this meeting. Instead, the public was invited to join the open session meeting via teleconference.

Members Present

Teri Eyre**
Bob Miller, Chair**
George Ting, MD**

Members Absent

Julie Kliger, Vice-Chair**
Jaison Layney**
**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	<p>The open session meeting of the Executive Compensation Committee of El Camino Hospital (the "<u>Committee</u>") was called to order at 4:03 pm by Chair Bob Miller. A verbal roll call was taken. All Committee members were present and participated via teleconference and videoconference pursuant to Santa Clara County's shelter in place order; Julie Kliger, Vice-Chair, and Jaison Layney were absent.</p> <p>A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020, and N-29-20 dated March 18, 2020.</p>	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	<p>Chair Miller asked the Committee members for declarations of conflict of interest with any agenda items, and none were noted.</p>	
3. PUBLIC COMMUNICATION	<p>None. Community member Patrick expressed concerns about the content in closed session.</p>	
4. CONSENT CALENDAR	<p>Chair Miller asked if a member of the Committee or the public wished to remove an item from the consent calendar; none were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (3/4/2021); and for information: Progress Against FY21 Committee Goals.</p> <p>Movant: Ting Second: Eyre Ayes: Eyre, Miller, Ting Noes: None Abstentions: None Absent: Kliger, Layney Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	<p>Chair Miller asked the Committee for feedback and/or questions on the Report on the Board Actions, as further detailed in the packet.</p> <p>Dr. Ting updated the Committee on the Hospital Board elections, ECHMN, and Strategic Plan metrics.</p>	
6. COMMITTEE PLANNING	<p>Chair Miller reviewed the proposed FY22 Committee Goals and Dates, noted a conflict with the March and September dates, and requested rescheduling to accommodate. He further discussed Mercer's recommendation to combine the committee goals and pacing plan into one document.</p> <p>Motion: To approve the proposed FY22 Committee Goals, Dates, and appointment of AdHoc Search Committee noting changes to two meeting</p>	<i>FY22 Committee Goals, Dates, and Appointment of Ad Hoc Search Committee with two date</i>

	<p>dates. Jayson Layney and Teri Eyre were appointed to the search committee.</p> <p>Movant: Ting Second: Eyre Ayes: Eyre, Miller, Ting Noes: None Abstentions: None Absent: Kliger, Layney Recused: None</p>	<p><i>changes were approved.</i></p>
<p>7. PROPOSED FY22 EXECUTIVE PERFORMANCE INCENTIVE PLAN ORGANIZATIONAL GOALS</p>	<p>Dan Woods, CEO, presented the Executive Performance Incentive Plan Organizational Goals and clarified goal alignment within three categories: Quality & Safety, Service, and Finance. Mr. Woods continued the discussion by highlighting the objectives and outcomes of these categories as further defined below:</p> <ol style="list-style-type: none"> 1. Quality & Safety <ul style="list-style-type: none"> – SSEs (Serious Safety Event) rate – Readmission Index – HEDIS Score 2. Service <ul style="list-style-type: none"> – LTR (Likelihood to Recommend) for Inpatient and ECHMN 3. Finance <ul style="list-style-type: none"> – Operating EBITDA Margin- sustainability strength and vitality <p>Mr. Woods concluded that the Quality Committee has reviewed the Service and Quality & Safety goals and supports approval of metrics. In addition, the Finance Committee has had a preview of the FY22 Financials and will be reviewing the financial threshold and goal at the May 24, 2021, Finance Committee meeting.</p> <p>Motion: to make a recommendation to the Board to approve Proposed FY 22 Executive Performance Incentive Plan Organizational Goals</p> <p>Movant: Ting Second: Eyre Ayes: Eyre, Miller, Ting Noes: None Abstentions: None Absent: Kliger, Layney Recused: None</p>	<p><i>To recommend Board approve the Proposed FY 22 Executive Performance Incentive Plan Organizational Goals approved</i></p>
<p>8. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 4:23 pm.</p> <p>Movant: Ting Second: Eyre Ayes: Eyre, Miller, Ting Noes: None Abstentions: None Absent: Kliger, Layney Recused: None</p>	<p><i>Adjourned to closed session at 4:23 pm</i></p>

<p>9. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT</p>	<p>The open session was reconvened at 6:05 pm. Agenda items 9-15 were addressed in the closed session. During the closed session, the Committee approved the Closed Session minutes of the 3/27/2020 ECC Meeting, Proposed FY22 Individual Executive Performance Incentive Plan Goals, and the to recommend that the Board approve changes to the CEO’s Employment Agreement, by unanimous vote of all members present (Eyre, Miller, Ting).</p>	
<p>10. AGENDA ITEM 17: EXECUTIVE BENEFITS PLAN POLICY</p>	<p>Motion: To make recommendations to the Board to approve changes to the Executive Benefits Plan design Movant: Eyre Second: Ting Ayes: Eyre, Miller, Ting Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Recommend Board approve changes to the Executive Benefits Plan design approved</i></p>
<p>11. AGENDA ITEM 18: EXECUTIVE PERFORMANCE INCENTIVE PLAN POLICY</p>	<p>Motion: To make recommendations to the Board to approve changes to the Executive Performance Incentive Plan design. Movant: Ting Second: Eyre Ayes: Eyre, Miller, Ting Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Recommend to Board to approve changes to the Executive Performance Incentive Plan approved</i></p>
<p>12. AGENDA ITEM 19: COMMITTEE CHARTER</p>	<p>Motion: To recommend revising the ECC Charter to the Governance Committee to eliminate the requirement of a separate approval of the letter of rebuttable presumption for Board approval. Movant: Eyre Second: Ting Ayes: Eyre, Miller, Ting Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Recommendation for Charter revision approved</i></p>
<p>13. AGENDA ITEM 20: EFFECTIVENESS OF EXECUTIVE COMPENSATION CONSULTANT</p>	<p>The Committee reviewed the effectiveness of the currently engaged Executive Compensation Consultant. The Committee's consensus was that the materials presented by Mercer are well reasoned and bring forward a meaningful process.</p>	
<p>14. AGENDA ITEM 21: CLOSING COMMENTS</p>	<p>There were no additional comments from the Committee.</p>	
<p>15. AGENDA ITEM 22: ADJOURNMENT</p>	<p>Motion: To adjourn at 6:23 pm. Movant: Ting Second: Eyre Ayes: Eyre, Miller, Ting Noes: None Abstentions: None Absent: None</p>	<p><i>Meeting adjourned at 6:23 pm</i></p>

	Recused: None	
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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: Stephanie Iljin, Supervisor of Executive Administration

DRAFT

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Bob Miller, Committee Chair
Date: September 28, 2021
Subject: Proposed Changes to executive compensation policies

Purpose:

To review the hospital’s executive compensation policies and to recommend changes to the Board for their approval

Summary:

1. **Situation:** The Committee periodically reviews and updates the four executive compensation policies. Recommendations on plan design changes have been made to the Hospital Board of Directors who has approved the changes. How the design changes will be implemented, documented, and maintained need to be reflected in the policies.
2. **Authority:** The Committee has been delegated the authority to recommend policy changes to the Board.
3. **Background:** Mercer, an outside compensation consultant, conducted a comprehensive market review for each El Camino Hospital executive position. Options were considered and recommendations formed by the Committee. The Board approved the plan design changes and changes to the current CEO’s employment agreement effective in fiscal year 2022.

Significant changes to the policies are summarized below:

Policy	Area	Change	Effective Date
Executive Performance Incentive Plan	Target Payout	CEO – from 30% to 35% Executives – from 20% to 25%	July 1, 2021
Executive Performance Incentive Plan	Weight of Organizational vs. Individual Goals	Shift to 100% Organizational Goals that will include strategic pick goals reflecting the executive’s specific area of contribution to organizational goals Presidents – propose no change except relabeling individual as entity goals. Would stay 50% ECH 50% entity goals	July 1, 2022
Executive Benefit Plan	Design Changes	End Taxable Benefit Allowance – current CEO will be grandfathered Increase 457(b) SERP contribution with offset for qualified plans	January 1, 2022

Proposed Changes to executive compensation policies
September 28, 2021

4. Assessment: The proposed changes have been reviewed by Mercer, leadership, and myself to ensure that they are consistent with the plan design changes approved by the Board.
5. Other Reviews: None
6. Outcomes: Recommendations will be sent to the Board for their approval.

List of Attachments:

1. Mercer overview
2. Executive Compensation Philosophy
3. Executive Base Salary Administration
4. Executive Performance Incentive Plan
5. Executive Benefit Plan

Suggested Committee Discussion Questions:

Do the proposed changes reflect the Committee's understanding of the plan design changes?

Does the Committee have recommendations to improve the language in the policies?

Has the Committee answered or addressed those questions noted as comments on the edited policies?



Executive Benefits and Incentive Plan Changes

Recommended Timing

September 28, 2021

welcome to brighter

Overview of Changes

The Board approved changes to the following executive programs:

Taxable Benefit Allowance (7% of salary)

- Reallocate into incentive plan and base salary and eliminate plan going forward¹
(executives who elected insurance benefits may opt to continue paying premiums)

Base Salaries

- Increase 2% *(separate from / in addition to normal merit increase)*

Annual Incentive Plan

- Increase target 5% *(from 20% to 25%)* and;
- Shift to 100% organizational goals with strategic pick

SERP

- Change contribution from 5% of salary to 12% /15%¹ less qualified plans *(to be more internally equitable)*

Long-Term Disability

- Increase benefit cap by \$5,000/month *(from \$15,000 to \$20,000)*

¹ 12% prior to 20 years of service; 15% for 20+ years of service

Recommended Transition Timeline

Executive Incentive Plan
target increases from 20%
to 25% for FY2022

Annual Incentive Plan
shift to 100% org. goals
with strategic pick

July 1st,
2021

January 1st,
2022

July 1st,
2022

- **Base salary:** increases 2%¹
- **7% taxable benefit allowance:**
eliminated
- **SERP:** contribution changes to
12% / 15% (less qualified plans)
- **LTD:** max increases to \$20k/month

Communication: review all changes w/ executives during October merit increase process



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

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, 2/13/19; 2/12/20, proposed 10/13/21

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 remuneration. 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 relates 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 /health systems from across the United States comparable in size and complexity to the ~~Hospital~~El Camino Health. The hospitals/health systems 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~~each 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 PARTICIPANT TITLES IN THE
EXECUTIVE
COMPENSATION PROGRAM
Effective 2/12/2010/13/21**

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

*These executives in these positions 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.

**This position is not a “disqualified person” as defined under Internal Revenue Code section 4958. In addition, the executive is considered a grandfathered participant.

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**

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, proposed 10/13/21

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 (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 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 El Camino Hospital Board of Directors shall approve the CEO's executive base salary and salary range and any exceptions that may be recommended by the Committees.

2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board such as selecting consultants and approval of the executive salary ranges and base salaries.
3. The CEO recommends the salary range and base salary for those executives reporting to the CEO to the Committee.
4. 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**

03.04 EXECUTIVE PERFORMANCE INCENTIVE PLAN

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital and Health (“El Camino”) and those executives reporting directly to the CEO and those in other approved positions. 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, 5/8/19, 4/15/20, proposed 10/13/21

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 an annual goal-based compensation program designed to motivate and reward performance toward key strategic goals of El Camino Health.

D. General Provisions:

The target amount for incentive pay will be competitive with those at comparable organizations. An executive’s incentive payout will be based on their performance against pre-defined organizational and individual goals and measures aligned with El Camino’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. However, employees promoted into an executive position at any time during the fiscal year will be eligible for executive performance incentive pay on a prorated basis. Written performance goals and measures will be determined within the first 60 days of employment.
2. Criteria – El Camino has established two criteria for payout:
 - a. the individual executive must “meet expectations” or higher on their performance review; and
 - b. El Camino must meet the threshold financial measure.

There will be no performance incentive payout to an executive unless both criteria are met.

3. Organizational Goals – each fiscal year El Camino will define organizational goals that support the strategic/business plan upon which at least 50% of performance incentive pay will be based. In addition, El Camino may establish one to three threshold measures that must be achieved for there to be any payout. ~~Each goal will have annual performance metrics for threshold, target, and stretch levels that can be scored on a continuum.~~ The organizational goals will include a threshold financial measure (i.e., net margin) that must be achieved for any participant to receive incentive pay. Each goal will have annual performance metrics for threshold, target, and stretch levels that can be scored on a continuum.
4. Executive Individual Goals (excluding CEO) – each fiscal year individual goals will be defined for each executive that support the strategic/business plan. Whenever possible, each goal will have performance measures for threshold, target, and stretch with metrics that can be scored on a continuum.
5. Discretionary Component – Effective July 1, 2018 and ending FY 2022, ~~t~~The individual score will be based on the executive’s achievement against approved goals with the CEO having the discretion to modify for individual score ranging from 0% to 150%. Starting in FY 2023, the CEO may use a discretionary modifier between 0.85 and 1.15 times of the organizational score in recommending incentive payout. The discretionary modifier cannot result in an incentive payout greater than the maximum or cap shown in section 7 below.
6. Weighing Organizational and Individual Goals – the weight of organizational, individual and discretion vary by job as shown below.

Job	Organizational Weight	Individual Weight	Discretion
CEO	90%	N/A	10% at Board’s discretion
Presidents (Concern: EAP <u>Health</u> ; Foundation; and SVM <u>DECMN</u>)	50% <u>In FY 23, weight with be 50% ECH organizational goals and 50% entity organizational goals</u>	50% <u>0% in FY23</u>	CEO has discretion to modify individual score from 0% to 150%. <u>In FY23, CEO may modify the executive’s score from 0.85 to 1.15</u>
Other Participants	70% <u>In FY23, 100% that</u>	30% <u>Will transition to</u>	CEO has discretion to modify

	<u>will include strategic pick goals reflecting the executive’s specific area of contribution to organizational goals</u>	<u>“Strategic Pick” goals in FY23</u>	individual score from 0% to 150% <u>In FY23, CEO may modify the executive’s score from 0.85 to 1.15</u>
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7. Amount of incentive pay – effective FY22 the amount of incentive pay is based on the executive’s base salary as shown below:

Job	Threshold	Target	Maximum or Cap
CEO	<u>17.5%</u>	<u>350%</u>	<u>4552.5%</u>
Other Participants	<u>12.50%</u>	<u>250%</u>	<u>3037.5%</u>

The amount of incentive pay is prorated for new participants hired after July 1 and those employees who transfer into an executive position during the fiscal year. Incentive pay is prorated based on the number of calendar days. If a management employee is promoted into an executive position during the fiscal year, the executive’s bonus payout will be prorated based on the length of their participation in the management and executive performance incentive plans.

8. Performance Incentive Payout – Incentive compensation will be paid within 30 days of approval of the organizational score and 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.
9. Exceptions – Provision allows for additions, deletions, and changes to approved organizational and individual goals, metrics, and weighting.
- a. Timing – The CEO is to initiate a request as soon as a change is known and within the fiscal year. Recommendations for changes will be made at the next scheduled Executive Compensation Committee meeting for individual goals and at the next scheduled Hospital Board meeting for organizational goals.
 - b. Organizational Goals – The CEO may recommend changes to the goal statement or metrics based on unforeseen events beyond the control of executive leadership including removing a goal and reweighting other approved goals/metrics. The CEO will notify the Board and Committee chairs of the need for change. Recommendations will be made to the Executive Compensation Committee (ECC) or to the ECC Chair prior to the exception request going the Hospital Board of Directors. If the recommendations go to the ECC first, the ECC will make the recommendation to the Board. If the Board meets first, the Board’s decision will be reported at the next ECC meeting.

- c. Individual Goals - The CEO may recommend additions, deletions, and changes to approved individual goals, metrics, and weighting. Such changes may occur based on unforeseen events beyond the control of the executive. The CEO will make recommendation to the ECC who has the authority to approve the changes. Changes will be reported to the Board.

E. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve the plan design including positions eligible; organizational goals, metrics; and scoring; and the CEO's discretionary score and performance incentive payout. In addition, the Board approves any exceptions recommended by the Executive Compensation Committee.
2. The Executive Compensation Committee shall approve individual goals, metrics, and scores, and non-CEO executive performance incentive payouts. In addition, the Committee will review and recommend organizational goals, policy and plan design changes, and report its decisions to the Board.
3. The CEO recommends the individual goals, scores, and incentive payout amounts to the Committee and the organizational goals to the Committee and Board.
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 Committee and the Board.



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

03.03 EXECUTIVE BENEFIT PLAN

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and Health 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: 6/16/09, 12/08/10, 2/13/13, 8/13/14, 6/14/17, ~~and~~ 10/10/18, 10/123/21 for changes effective January 1, 2022

C. Policy Summary:

To support the Hospital’s ability to attract and retain executive talent, the Hospital shall provide key executives with a benefits package that is market competitive, compliant, and cost effective. This section outlines the benefits offered to executives in addition to those offered to employees in general.

D. General Provisions:

There are several components of the executive benefit program:

- 1) Basic Benefits are benefits the Hospital offers to all eligible employees and currently includes:
 - a. Group insurance and income protection programs such as medical, employee assistance, dental, and vision plans; supplemental life insurance for the employee, spouse/domestic partner and dependent/child(ren) life insurance; accidental death and dismemberment insurance;
 - b. Paid time off and extended sick leave;
 - c. Cash balance pension plan;
 - d. Employer-match to the 403(b) Retirement Plan; and
 - e. Domestic Social Security or Medicare tax payments.
- 2) Basic Executive Benefits are non-elective group benefits provided to executives with plan provisions that differ from those of non-executive employees which currently include:

- a. Basic Life Insurance – Under Class 2 of the group life insurance policy, the basic benefit for full-time executives is three times annual salary (rounded to the nearest \$10,000) up to \$2.0 million with a guaranteed issue amount of the full basic benefit effective January 1, 2019. The IRS requires the Hospital to report imputed income for coverage over \$50,000. If an executive’s regular status is less than full-time, they will be eligible for the employee basic life insurance plan.
- b. Long-term disability (LTD) – Effective January 1, ~~2018~~2022, executive basic LTD insurance will provide a benefit of up to 60% of base earnings to a maximum of ~~\$1520,000~~ following a 90-day waiting period. Eligibility for benefits will be the same as other employees except that executives will be given consideration of disability under their “own occupation” in all years.

3) Supplemental Executive Benefits include:

- a. Executive Disability Salary Continuation – if an executive is unable to work due to a health-related problem, the executive’s salary will be continued for up to six months at 100% of base salary.
 - i. Disability Salary Continuation benefits are integrated with all other employer-sponsored benefits so that the executive will not receive more than 100 % of salary. This includes use of accrued PTO and Extended Sick Leave as well as state disability insurance, workers’ compensation, and group long-term disability insurance.
 - ii. Disability Salary Continuation benefits are taxed as ordinary income.
 - iii. Disability Salary Continuation benefits are not portable at termination of employment
 - iv. Employer and employee cost sharing of employee benefits will continue during the period an executive is receiving salary continuation benefits.

Commented [JJ1]: Added this provision for future clarity.

b. Severance plan

- i. The severance period is up to six months unless otherwise stated in the executive’s employment agreement. Severance will be paid on a bi-weekly basis and will be determined by the executive’s base salary at the time of termination.
- ii. Severance may be paid if the executive’s employment is terminated by the Hospital without cause or following a material reduction in duties or salary within six months of a

change of control. Severance will not be paid when the executive voluntarily resigns or is discharged as described under Human Resources Policies ~~3.12 and 7.04 (Resignation/Separation of Employment and Discipline and Discharge)~~.

Commented [JJ2]: Policies are no longer tracked by number.

- iii. In addition to six months' pay, the executive is eligible for up to six months coverage extension of medical, dental, and vision coverage employer contributions. The executive will contribute to the cost on the same basis as when employed. The Hospital will continue to pay the employer share until such time as the executive fails to pay his or her share of premium, becomes ineligible for continuation under COBRA, obtains other group coverage, or six months (whichever is less).
- iv. Any obligation of the Hospital to the executive is conditioned, upon the executive signing a release of claims in the form provided by the Hospital (the "Employee Release") within twenty-one days (or such greater period as the Hospital may specify) following the later of the date on which the executive receives notice of termination of employment or the date the executive receives a copy of the Employee Release and upon the executive not revoking the Employee Release in a timely manner thereafter.
- v. Severance benefits are taxed as ordinary income.
- vi. Severance pay will be offset by any earnings received should the executive gain employment during the severance period. The terminated executive must notify the Hospital upon obtaining other employment and provide evidence of base salary received and benefits eligibility (if continuing benefits) in the new position.

~~3) 4) Effective January 1, 2022, participants will no longer receive the Executive Taxable Benefit Allowance. Voluntary benefits in place at transition may be continued on an individual, self-pay basis. —the executive will be provided an annual benefits allowance equal to 7% of base pay (as determined based on annualized base salary on January 1 or date initially eligible for the plan) to purchase the following voluntary benefits on a taxable basis:~~

Commented [j3]: The taxable benefit allowance will be grandfathered for the current CEO

~~d. Individual Long-term Disability;~~

~~e-c. Individual Long Term Care (note: policies in force as of 12/31/08 will be provided as a non-elective benefit, paid by the Hospital on a pre-tax basis and not included in the 7% taxable benefit allowance. Executives may revoke coverage but not make any changes to the policy that increases the premiums);~~

- ~~Individual Life Insurance; and~~
- ~~457(b) Executive Retirement Plan – if there is allowance remaining after the purchase of voluntary benefits; the executive may elect to contribute to a 457(b) plan or may receive the remainder in cash as pay in lieu of benefits. Such deferrals are subject to statutory limits (i.e., \$18,500 in 2018).~~

7)5) Executive Retirement Plans

- a. 457(b) Executive Retirement Plan – an executive may contribute ~~unused taxable Benefit Allowance, payout of accrued PTO, and/or base~~ salary, subject to statutory limits (i.e., \$198,500 in 202148). The account balance will be fully vested at all times.
- b. 457(f) Supplemental Executive Retirement Plan (SERP) – Starting January 1, 2022, the Hospital will contribute 135% of Base ~~Pay-Salary~~ (as determined based on annualized base salary on January 1 or date initially eligible for plan) ~~to a tax-deferred retirement account to the SERP less any contributions that will be made to the 403(b) Retirement and Cash Balance Pension Plans. Executives with 20 or more years of services as of December 31 of the Plan Year, will receive a contribution of 16% of Base Salary under the same terms and conditions.~~ Such contributions have a “Deferred Vesting Date” of the fifth anniversary of the date each Account is created (i.e., January 1, 20223 for 202248 account.) The Participant shall be entitled to the SERP Benefit upon the earliest of (i) remaining employed by the Company to the earlier of the Deferred Vesting Date for such Account or the Participant’s 65th birthday; (ii) Disability; (iii) Death; or (iv) Involuntary Separation from Service without Reasonable Cause.
 - i. Participant’s age 65 or greater - If a Participant continues employment beyond age 65, the Company shall pay to the Participant an amount equal to the credits the Company otherwise would have credited to a SERP Account for such Participant in cash. The Company shall pay such amounts during the applicable Plan Year(s).
 - ii. Under current tax rules, taxes are payable at vesting, so the plan will provide a partial distribution at vesting to cover taxes.
 - iii. In order to attract and retain executive talent, the Hospital may contribute a higher percent or dollar amount for individual executives as determined by the Hospital’s Board of Directors and consistent with the total compensation policy.

E. Roles and Responsibilities

- 1) The El Camino Hospital Board of Directors shall approve all changes to plan design and delegated executive benefit plan administration oversight to the Executive Compensation Committee. The Committee has the responsibility to recommend eligibility and changes to plan design.
- 2) The Chief Human Resources Officer is responsible for overseeing the administration of the program and implementing new benefits or changes. The Chief Human Resource Officer has the authority to engage third parties and assign duties internally and/or externally to effectively administer the plan.
- 3) The executive benefit plan consultants are selected by the Executive Compensation Committee on behalf of the Board of Directors and advise the Board on plan design, overall plan management, and compliance.

~~The executive benefits plan advisor is selected by the Chief Human Resources Officer and assists in plan communication and administration. The advisor will be a licensed professional who acts as an agent for purchases of individual insurance products. The advisor will guide and advise individual executives on his or her benefit elections upon hire, during open enrollment, and at termination of employment.~~

Commented [JJ4]: An advisor will not be required due to the elimination of voluntary benefits offered under the Taxable Benefit Allowance.

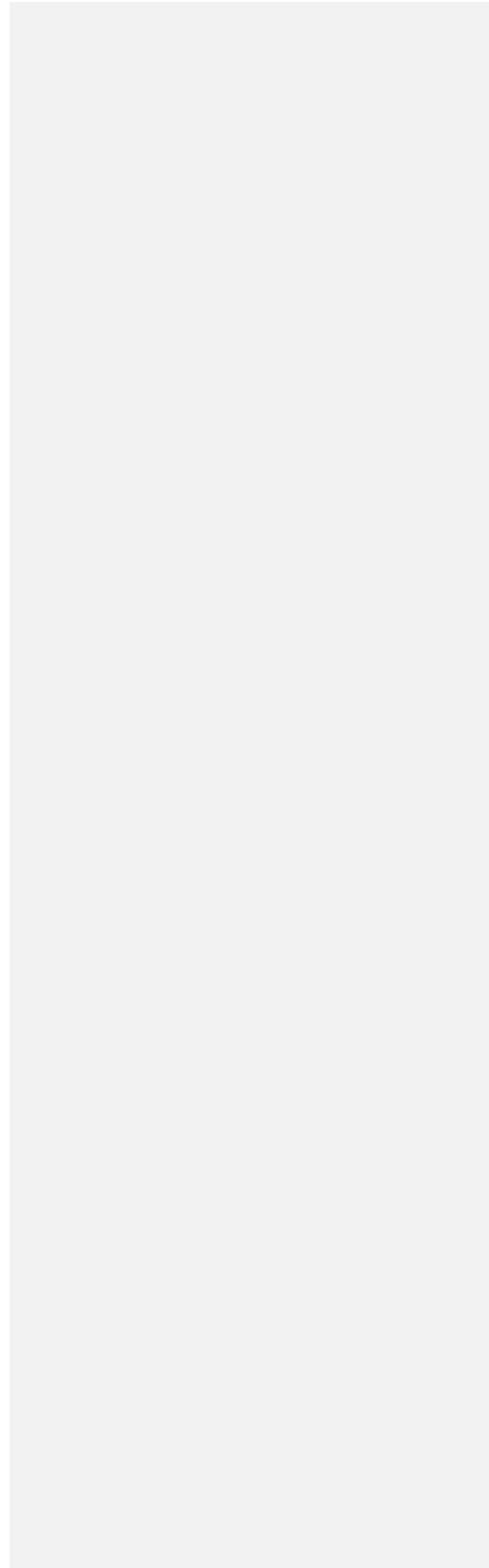
F. Procedures:

- 1) Effective January 1, 2019, new executives will be eligible for the executive benefit plan on the same day they become eligible for standard employee health and welfare benefits. Employees who are promoted into an executive will be eligible for executive benefits on the 1st of the month on/after date of transfer. The taxable benefits allowance and SERP contribution will be prorated based on the number of complete months of participation during the year.

~~1) There will be an annual open enrollment period during which the executive may add or change certain benefit elections.~~

Commented [JJ5]: Will no longer be required. Executives will be able to change their 457(b) contributions at any time.

- 2) At termination of employment, the Hospital will prorate the ~~taxable benefits allowance and~~ SERP contribution based on the number of complete months of participation during the year. The taxable benefits allowance and SERP contribution will be discontinued upon termination.
- 3.
- 3) If an executive transfers into a position that is not eligible for the executive benefits program, the Hospital will prorate the ~~taxable benefits allowance and~~ SERP contribution as of the transfer date based on the number of complete months of participation during the year. The ~~taxable benefits allowance and~~ SERP contribution will be discontinued as of the transfer date. The former executive will continue to vest his or her SERP contributions throughout their employment with the Hospital.





FY21 COMMITTEE GOALS

Executive Compensation Committee

Update for 9-28-21 Meeting

The purpose of the Executive Compensation Committee (the "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 Committee will advise the Board to meet all legal and regulatory requirements as it relates to executive compensation.

STAFF: **Kathryn Fisk**, Chief Human Resources Officer (Executive Sponsor); **Julie Johnston**, Director, Total Rewards

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 and for developing and disseminating in a timely manner management's recommendations to the Committee and appropriate supporting information to facilitate the Committee's deliberations and exercise of its responsibilities. 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 their individual compensation.

GOALS	TIMELINE	METRICS
1. Provide oversight and approvals for compensation-related decisions, including performance incentive goal-setting and plan design	Q1	<ul style="list-style-type: none"> - Review and approve FY21 executive base salaries (not including the CEO) - completed - Review and recommend FY20 Organizational Incentive Score- completed - Approve FY20 individual executive payout amounts (pending Board approval of incentive score) - completed
	Q3	<ul style="list-style-type: none"> - Review and recommend approval of letter of reasonableness – completed
	Q4	<ul style="list-style-type: none"> - Review and recommend proposed FY22 organizational incentive goals – completed - Review and approve FY22 individual executive incentive goals – completed
2. Review executive benefits design	Q4	<ul style="list-style-type: none"> - Review (November 2020) and recommend benefit policy changes to the Board – completed
3. Evaluate the effectiveness of the independent compensation consultant	Q2/Q4	<ul style="list-style-type: none"> - Conduct semi-annual evaluation of ECC consultant – Q2 completed
	Q1 – Q4	<ul style="list-style-type: none"> - Appoint an Ad Hoc Committee (if desired) - completed - Conduct Interviews - completed - Interview finalists with the whole Committee - completed - Select consultant and sign contract - completed
4. Review Executive Leadership Development Plan/Succession Planning	Q3	<ul style="list-style-type: none"> - Presentation in March 2021 – completed
5. Evaluate the effectiveness of the Committee	Q1	<ul style="list-style-type: none"> - Complete Committee Self-Assessment – completed

SUBMITTED BY: Chair: Bob Miller | **Executive Sponsor:** Kathryn Fisk

Approved by the ECH Board of Directors 6/10/2020

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO**

To: Executive Compensation Committee
From: Stephanie Iljin, Supervisor of Executive Administration
Date: September 27, 2021
Subject: Report on Board Actions

Purpose: To keep the Committee informed regarding actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. **Situation:** It is essential to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive; still, it 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 time we provided this report to the Executive Compensation Committee, the Hospital and District boards have met once. In addition, since the Board has delegated specific authority to the Executive Compensation Committee, the Compliance and Audit Committee, and the Finance Committee, those approvals are also noted in this report.

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
ECH Board	Aug 18, 2021	<ul style="list-style-type: none"> - Minutes of the Open & Closed Sessions of the Hospital Board Meeting (06/23/2021) - Quality Improvement Patient Safety Plan (QAPI) - Medical Staff Credentials and Privileges Report - Pediatric FPPE Plan-Revised - Medical Staff Bylaws Amendment - FY 21 Period 11 Financials - MV Daytime Intensivist Professional Services Agreement - Investment in New Joint Venture with Satellite Healthcare - Amendment to CEO Employment Agreement

Report on Board Actions
September 27, 2021

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
	June 23, 2021	<ul style="list-style-type: none"> - FY 2021 Period 10 Financials - FY 2022 Individual Executive Performance Incentive Goals - Medical Staff Credentials and Privileges Report - Quality Council Minutes - Amendment to the CEO Employment Agreement - Executive Performance Incentive and Benefit Plan Design - New Enterprise Anesthesia Services Agreement, MV Nighttime Intersivist Servies Agreement, and Line of Credit Agreement - FY 2022 Master Calendar - FY 2022 Committee Goals - FY 2022 Committee Liaisons Appointments - FY 2022 Community Benefit Plan - FY 2022 Organizational Performance Incentive Plan Goals - FY 2021 Period 9 Financials - Infection Control Medical Director Agreement - Medical Staff Report - MV Major Projects Update
ECHD	Sept 24, 2021	<ul style="list-style-type: none"> - N/A/ Special Study Session
	June 29, 2021	<ul style="list-style-type: none"> - ECH FY 2022 Budget - ECHD FY 2022 Budget - ECHD FY 2022 Pacing Plan - District Capital Outlay Funds - Resolution 2021-08 FY 2022 Regular Meeting Dates - Resolution 2021-09 Granting Utility Easement for EV Charging Stations - Resolution 2021-10 Establishing Tax Appropriation Limit for FY 2022 (Gann Limit) - ECHD Covid-19 Community Testing Program - FY 2022 Community Benefits Plan - FY 2022 Community Benefits Advisory Liaison Appointment - District Board Officers Election: <ul style="list-style-type: none"> o Chair – Miller, Vice-Chair- Fung, Secretary/Treasurer - Somersille
	June 17, 2021	<ul style="list-style-type: none"> - N/A/ Special Study Session
Executive Compensation Committee		<ul style="list-style-type: none"> - N/A
Compliance Committee	Aug 19, 2021	<ul style="list-style-type: none"> - Minutes of the Open & Closed Sessions of the CAC Meeting (05/20/2021)

Report on Board Actions
September 27, 2021

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
		<ul style="list-style-type: none"> - Minutes of the Closed Session of the CAC Meeting (3/18/2021) - KPI Scorecard and Trends - Activity Log May 2021 - Activity Log June 2021 - Internal Audit Work Plan - Internal Audit Follow Up Table - Committee Pacing Plan
<p>Finance Committee</p>	<p>Aug 9, 2021</p>	<ul style="list-style-type: none"> - Minutes of the Open & Closed Sessions of the Finance Committee (05/24/2021) - Minutes of the Open Session of the Joint Hospital Board and Finance Committee (05/24/2021) - FY 21 Period 11 Financials - FY 21 Period 12 Financials - Medical Development Plan - Cath Lab Project - ECHMN Clinic Relocation - Pyxis Replacement Project - MV Daytime Intensivist Professional Services Renewal Agreement - Enterprise Quality and Physician Services Medical Director Renewal Agreement - MV Cardiothoracic Surgery Panel Renewal Agreement - Inpatient Rehabilitation Business Development - Service Line/ Business Affiliate Review: Investment in New JV Center with Satellite Healthcare

List of Attachments: None.

Suggested Committee Discussion Questions: None.



**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Dan Woods, CEO
Date: September 28, 2021
Subject: FY 2021 Organizational Performance Incentive Plan Score

Recommendation:

Possible motion: To recommend that the Board approve an organizational score of 104% subject to the financial audit confirming the financial results.

Summary:

1. **Situation:** Committee will review results against FY 21 goals, the proposed organizational score and make a recommendation to the Board per its Charter.
2. **Authority:** The Committee has the authority to recommend the organizational performance incentive plan score to the Board
3. **Background:** There were no changes made to the goals during the fiscal year. Once fiscal year results were determined, the Board approved specific metrics to achieve in October 2020 and the changes reported to the Committee in November 2020. The exact metrics reflected the approved goals (i.e., “maintain FY 20 baseline”) as stated in the attached summary. The executive team stayed focused on achieving the goals/metrics in addition to meeting the challenges on the pandemic.
4. **Assessment:** Results for the fiscal year are shown in the attached document.
5. **Other Reviews:** Progress toward the goals has been shared with the Board throughout the year. In addition, the Quality Committee and Finance Committees received updates on the Quality & Safety/Service and Financial goals, respectively. Each Committee will see their respective results on September 27 (Finance) and October 4 (Quality) prior to the October 13, 2021 Board meeting. In addition, the Compliance/Internal Audit Committee will review the financial audit results on September 30, 2021.
6. **Outcomes:** FY 21 Executive Performance Incentive Payouts amounts are based on the organizational score and the individual goal scores approved by the Committee.

List of Attachments:

1. Approved FY 21 Organizational Executive Performance Incentive Goals
2. Historical Organizational Scores

Suggested Committee Discussion Questions:

1. Are there any concerns that need to be addressed before a recommendation can be made?

**Proposed FY 21 Organizational Performance Incentive Score
for Executive Compensation Committee
September 28, 2021**

True North Pillar	Weight	GOAL	OBJECTIVES/OUTCOMES	Benchmark		Measurement Defined			Measurement Period	Results	Results through	Score	Weighted Score
				Internal Benchmarks	External Benchmark	Minimum	Target	Stretch					
Threshold		Operating EBIDA	Return to, and maintain positive EBIDA	FY19: 16.9% FY 20 YTD P11: 11.5%		≥ 3% EBIDA			FY21	14.80%	June - pre audit	Met	
Quality and Safety	40.00%	Zero Preventable Harm	Serious Safety Event (SSEs) Rate	Dec '19-May '20 –COVID-Adjusted Baseline 4.16 SSEs per 10K adj.pt days	External Baseline – best practice is to reduce to zero	5	4	3.6	FY21	3.13	June	150.0%	20.0%
			Risk-Adjusted Readmission Index	FY 20 Target = 0.96. FY 20 Actual: 0.98 (through April)	Premier Standard Risk Calculation	0.96 Lower of FY20 Target or Baseline	0.93 Close gap to top performers (15%ile) by 50%	0.91 Close gap to top performers (15%ile) by 75%	FY21	0.93	June	100.0%	13.3%
			Medical Network: Healthcare Effectiveness Data and Information Set (HEDIS) Composite Score	FY20 composite score: 2.75 Aggregate score of the 8 selected measures	Internal Calculation: validate individual measures with external benchmarks	2.75 <i>(maintain baseline)</i>	3 <i>(10% improvement)</i>	3.2 <i>(15% improvement)</i>	FY21	3.38	June	150.0%	20.0%
Service	40.00%	Exceptional Personalized Experience, Always	Likelihood to Recommend (LTR) – Inpatient	FY 19: 83.2 FY 20 : 83.1	Press Ganey: Top 30% of performers	83.1 <i>(Maintain baseline)</i>	83.6 <i>(30% of improvers)</i>	85.2 <i>(10% of improvers)</i>	FY21	80.1	June	0.0%	0.0%
			LTR – Emergency Department	FY 19: 71.3 FY 20: 75.7	Press Ganey: Top 30% of performers	76.4 <i>(50% of improvers)</i>	78.2 <i>30% of Improvers</i>	80.7 <i>10% of Improvers</i>	FY21	76.1	June	0.0%	0.0%
			LTR – El Camino Health Medical Network	FY19 Baseline: 71.9 FY20 Q3: 71.1	NRC Net Promoter FY20 Q3 50%ile: 78.8	72.9	75.9	78.9	FY21	76.1	June	103.3%	20.7%
Finance	20.00%	Sustainable Strength and Vitality	Operating EBIDA margin	FY19: 16.9%. FY20 Projected: 9.1%	S&P Global Ratings AA rating: 11.1%	90% of Budget	100% of Budget	110% of Budget	FY21	150.7% of budget	June pre-audit	150.0%	30.0%

TOTAL SCORE 104.0% RELATIVE TO TARGET

* The financial audit results will be presented to the Compliance Committee on 9/30/21 and submitted to Board for approval at the October board meeting.

FY22 COMMITTEE GOALS AND PACING PLAN

Executive Compensation Committee

The purpose of the Executive Compensation Committee (the "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 Committee will advise the Board to meet all legal and regulatory requirements as it relates to executive compensation.

STAFF: **Greg Souza**, Interim Chief Human Resources Officer (Executive Sponsor);
 Julie Johnston, Director, Total Rewards; **Hope Walczak**, Director, Total Rewards

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 and for developing and disseminating in a timely manner management's recommendations to the Committee and appropriate supporting information to facilitate the Committee's deliberations and exercise of its responsibilities. 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 their individual compensation.

GOALS	TIMELINE	METRICS/PACING PLAN
1. Provide oversight and approvals for compensation-related decisions, including performance incentive goal-setting and plan design	Q1 09/28/21	<ul style="list-style-type: none"> - Review and approve FY22 executive base salaries - Review and recommend FY21 Organizational Incentive Score - Review and approve FY21 individual incentive scores - Review and approve FY21 executive payout amounts (pending Board approval of incentive score)
	Q2 11/04/21	<ul style="list-style-type: none"> - Review and approve of letter of reasonableness (<i>ECC's future role to be determined</i>)
	Q3 03/03/22	<ul style="list-style-type: none"> - Recommend FY23 Committee goals - Receive update leadership development - Receive update on strategic plan - Review potential policy changes
	Q4 05/18/22	<ul style="list-style-type: none"> - Review and recommend proposed FY23 organizational incentive goals - Review and approve FY23 individual executive incentive goals
2. Evaluate the effectiveness of the independent compensation consultant	Q2 11/04/21 Q4 05/18/22	<ul style="list-style-type: none"> - Conduct semi-annual evaluation of ECC consultant

SUBMITTED BY: Chair: Bob Miller | **Executive Sponsor:** Greg Souza