

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

Thursday, November 03, 2022 – 4:00pm

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

PURSUANT TO GOVERNMENT CODE SECTION 54953(e)(1), EI CAMINO HEALTH **WILL NOT BE PROVIDING A PHYSICAL LOCATION TO THE PUBLIC FOR THIS MEETING**. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

1-669-900-9128, MEETING CODE: 954-4956-9110#. 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		information 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 (09/13/2022) Information b. Progress against FY23 Committee Goals/Pacing Plan	Bob Miller, Chair	<i>public comment</i>	motion required 4:05 – 4:06
5. REPORT ON BOARD ACTIONS	Dan Woods, CEO		information 4:06 – 4:11
6. COMMITTEE PACING PLAN	Bob Miller, Chair		discussion 4:11 – 4:21
7. GOVERNANCE BEST PRACTICES FY23 Committee Goals and Strategic Plan Alignment	Dan Woods, CEO		discussion 4:21 – 4:41
8. ASSESS DELEGATION OF AUTHORITY	Bob Miller, Chair		discussion 4:41 – 4:55
9. FY22 CEO PERFORMANCE REVIEW PROCESS AND FY23 RECOMMENDATIONS	Bob Miller, Chair Heidi O’Brien, Mercer	<i>public comment</i>	possible motion 4:55 – 5:25

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
10. ADJOURN TO CLOSED SESSION	Bob Miller, Chair		motion required 5:25 – 5:26
11. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		information 5:26 – 5:26
12. 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> Minutes of the Closed Session of the ECC Meeting (09/13/2022)	Bob Miller, Chair		motion required 5:26 – 5:28
13. <i>Gov't Code Section 54957 and 54957.6 for a report and discussion on personnel matters:</i> FY22 CEO Performance Review Process and FY23 Recommendations	Dan Woods, CEO		discussion 5:28 – 5:38
14. <i>Gov't Code Section 54957 and 54957.6 for a report and discussion on personnel matters:</i> Proposed FY23 Individual Executive Strategic Pick Goals (CHRO)	Dan Woods, CEO		possible motion 5:38 – 5:43
15. ADJOURN TO OPEN SESSION	Bob Miller, Chair		motion required 5:43 – 5:44
16. RECONVENE OPEN SESSION/ REPORT OUT	Bob Miller, Chair		
To report any required disclosures regarding permissible actions taken during Closed Session.			information 5:44 – 5:45
17. CLOSING COMMENTS	Bob Miller, Chair		discussion 5:45 – 5:49
18. ADJOURNMENT	Bob Miller, Chair	<i>public comment</i>	motion required 5:50 pm

Upcoming Regular Meetings: March 2, 2023; May 4, 2023

Upcoming Board & Committee Education Meetings: January 18, 2023; March 8, 2023



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Tuesday, September 13, 2022**

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

Bob Miller, Chair**
Julie Kliger, Vice-Chair**
Teri Eyre** (arrived after roll call @ 4:20)
Jaison Layney**
Estrella Parker**
Carol Somersille
George Ting, MD

Members Absent

Alessandra Yockelson
 **via teleconference

Others Present

Dan Woods, CEO
Heidi O'Brien, Partner, Mercer**
Rob Kirkpatrick, Senior Associate, Mercer**
Erica Osborne, Via Healthcare Consulting (Via)**
Marianne Vicencio, Via**
Stephanie Iljin, Manager of Administration
Heidi Parker, Executive Assistant

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 4:00 p.m. by Chair Bob Miller. A verbal roll call was taken. All Committee members were present except for Teri Eyre, who arrived in the meeting via teleconference at 4:20, and Alessandra Yockelson, who was 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>No conflicts of interest.</p>	
3. PUBLIC COMMUNICATION	<p>None.</p>	
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>The committee held a discussion of the Executive Compensation Committee's (ECC) pacing plan and charter.</p> <p><i>Follow-up:</i> Review the ECC pacing plan and charter to ensure the Committee's roles and processes are accurately reflected in the pacing plan. Include the updated pacing plan on the November meeting agenda for consideration.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meetings (3/3/22, 5/18/22, 6/24/22).</p> <p>Movant: Ting Second: Somersille Ayes: Eyre, Kliger, Layney, Miller, Parker, Ting, Somersille Noes: None Abstentions: Absent: Yockelson</p>	<p>Consent calendar approved</p> <p><i>Follow-up: Review ECC pacing plan and charter to ensure the Committee's roles and processes are accurately reflected in the pacing plan.</i></p>

	Recused: None	
5. REPORT ON BOARD ACTIONS	<p>Chair Miller asked the Committee for any questions or feedback on the Report on the Board Actions, as further detailed in the packet.</p> <p>None were noted.</p>	
6. PROPOSED FY22 ORGANIZATIONAL PERFORMANCE INCENTIVE PLAN SCORE	<p>Dan Woods, CEO, reviewed results against the FY22 organizational goals and the proposed performance incentive score. He discussed the contributing factors that inhibited performance, such as hospital risk-adjusted readmission index and likelihood to recommend the El Camino Health Medical Network (ECHMN).</p> <p>Mr. Woods also noted that there has been substantial progress made in these areas due to performance improvement efforts that have been implemented. The Committee then engaged in a robust conversation of the metrics. Members asked questions, which were answered.</p> <p>The Committee requested management follow up on these items:</p> <ul style="list-style-type: none"> Update the organizational incentive score spreadsheet to display the actual target for the earnings before interest, taxes, depreciation, and amortization (EBIDA) metric instead of a percent change in EBIDA. Investigate with the likelihood to recommend (LTR) survey vendor what the margin of error is for the LTR metric. The Quality Committee has also asked for this same information. <p>Motion: To recommend the approval of the FY22 organizational performance incentive score.</p> <p>Movant: Kliger Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Parker, Ting, Somersille Noes: None Abstentions: None Absent: Yockelson Recused: None</p>	<p>Motion to recommend the approval of the FY22 organizational performance incentive score was approved.</p> <p><i>Follow-up: Update incentive score spreadsheet with actual EBIDA target, not a percent; investigate margin of error for LTR metric.</i></p>
7. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 4:25 p.m.</p> <p>Movant: Ting Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Parker, Ting, Somersille Noes: None Abstentions: None Absent: Yockelson Recused: None</p>	Adjourned to closed session at 4:25 p.m.
8. AGENDA ITEM 17: RECONVENE OPEN SESSION/ REPORT OUT	<p>The open session was reconvened at 5:34 p.m.</p> <p>Agenda items 9-15 were addressed in the closed session.</p> <p>During the closed session, the Committee approved the following by a unanimous vote of all members present (Eyre, Kliger, Layney, Miller, Parker, Ting, Somersille):</p>	

	<ul style="list-style-type: none"> • The Closed Session Minutes of the 05/08/22 and 06/24/22 ECC meetings • Proposed FY22 individual performance incentive plan scores • Proposed FY22 performance incentive play payouts • Proposed FY23 individual executive strategic pick goals (Chief Quality Officer and Chief Growth Officer) • Proposed FY23 executive salary ranges • Proposed FY23 executive base salaries • Proposed FY23 CEO base salary range 	
<p>9. AGENDA ITEM 19: CLOSING COMMENTS</p>	<p>There were no additional comments from the Committee.</p>	
<p>10. AGENDA ITEM 20: ADJOURNMENT</p>	<p>Motion: To adjourn at 5:36 p.m. Movant: Ting Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Parker, Ting, Somersille Noes: None Abstentions: None Absent: Yockelson Recused: None</p>	<p><i>Meeting adjourned at 5:36 p.m.</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: Marianne Vicencio, Via Healthcare Consulting
 Reviewed by: Stephanie Iljin, Manager of Administration

Executive Compensation Committee												
AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	AUG	9/13	OCT	11/3	DEC	JAN	FEB	3/2	APR	5/4	JUN
STANDING AGENDA ITEMS												
Standing Consent Agenda Items			✓		✓				✓		✓	
Minutes			✓		✓				✓		✓	
Progress Against Committee Goals			✓		✓				✓		✓	
Board Actions			✓		✓				✓		✓	
APPROVAL ITEMS												
FY23 Executive Base Salaries			✓									
FY23 CEO Base Salary Range			✓									
FY22 Individual Incentive Scores			✓									
FY22 Executive Payout Amounts			✓									
FY22 Organizational Incentive Score			✓									
FY24 Recommend Committee Goals, Plan, and Dates									✓			
FY24 Individual Executive Strategic Pick Goals											✓	
Review ECC Policies											✓	
FY22 CEO Performance Review Process and FY23 Recommendations					✓							
FY23 Executive Performance Review Process and FY24 Recommendations									✓			
Assess Delegation of Authority					✓							
DISCUSSION ITEMS												
Receive update leadership development									✓			
Receive update on strategic plan									✓			
Review potential policy changes									✓			
Review and recommend proposed FY24 Organizational Incentive Goals											✓	
Conduct annual evaluation of ECC consultant											✓	
<i>Last update: 10/27/2022</i>										✓ = Completed		
										✓ = At Risk		

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

To: Executive Compensation Committee
From: Bob Miller, Committee Chair
Date: November 03, 2022
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 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 Board and the District Board have each met twice. In addition, since the Board has delegated specific authority to the Governance 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	September 14, 2022	<ul style="list-style-type: none"> - Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - Exception to Physician Financial Arrangements Policy - Neuro-Interventional Call Panel (MV) - Policies, Plans and Scope of Services
	October 12, 2022	<ul style="list-style-type: none"> - Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - Policies, Plans and Scope of Services - FY22 CEO Performance Incentive Individual Score - YF22 Audited Financial Report - FY22 CEO Performance Incentive Plan Payout - FY23 CEO Base Salary - FY22 Organization Performance Incentive Plan Score
ECHD Board	October 18, 2022	<ul style="list-style-type: none"> - FY22 Year-End Community Benefit Report - Annual Adoption of Community Benefit Grants Policy - FY24 Community Benefit Board Policy Guidance and FY23 Update

Report on Board Actions
November 3, 2022

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
Governance Committee	October 25, 2022	- Board and Advisory Committee Continuing Education Policy
Compliance and Audit Committee	September 28, 2022	- FY 2022 Consolidated Financial Statements, 403 (b) and Cash Balance Audit Results
Finance Committee	September 27, 2022	- N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None.

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EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Executive Compensation Committee
From: Dan Woods, CEO
Date: November 3, 2022
Subject: FY23 Committee Goals linked to ECH's Value Proposition and Strategic Framework

Recommendation:

To approve the proposed revisions to Executive Compensation Committee's (ECC) goals and pacing plan, which have been updated to align with El Camino Health's (ECH) Value Proposition and Strategic Framework.

Summary:

1. **Situation:** The Governance Committee requested that each Board Committee review their goals and pacing plans to ensure alignment between the goals/metrics and the new Value Proposition and Strategic Framework (strategic plan).
2. **Authority:** The Committee is responsible for approving its annual goals, objectives and workplan in alignment with the Board and Hospital's strategic goals
3. **Background:** The ECC evaluated and approved their FY23 goals. These goals were reviewed and approved at the June 02, 2022 Governance Committee meeting, with the provision that all the committees revise their goals and pacing plans to reflect the strategic framework and value proposition that were approved by the board.
4. **Assessment:** Management has assessed the committee goals alignment of the ECC Goals with the committee charter, the Strategic Framework and Value Proposition. The current goals align well with the committee charter, with only minor revisions suggested to align with the strategic plan and value proposition statement. The gaps identified relate to the implementation of the goals, rather than the goals themselves (e.g., the current metric for recommending organizational incentive goals doesn't specify the need for ECC's oversight of how the goals align with the strategic plan and value proposition statement).
5. **Outcomes:** The proposed revisions include additional clarification; aligning the committee's incentive goal oversight with ECH's strategic plan/value proposition. These revisions are included in the attached document. Following approval, all revised committee goals and pacing plans (including ECC), will be presented at the February 07, 2023 Governance Committee meeting.

List of Attachments: Executive Compensation Committee Goals

Suggested Committee Discussion Questions:

1. Do the goal revisions represent adequate alignment between committee goals and metrics and the ECH's strategic plan?



FY23 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: Deanna Dudley, Chief Human Resources Officer (Executive Sponsor)

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	<ul style="list-style-type: none"> - Review and approve FY23 executive base salaries - Review and recommend FY22 Organizational Incentive Score - Review and approve FY22 individual incentive scores - Review and approve FY22 executive payout amounts
	Q3	<ul style="list-style-type: none"> - Receive update on strategic plan - Receive update leadership development (<i>executive succession planning</i>) - Recommend FY24 Committee goals (<i>aligned with strategic plan and value proposition</i>) - Review potential policy changes
	Q4	<ul style="list-style-type: none"> - Review and recommend proposed FY24 organizational incentive goals (<i>confirming incentivizing achievement of strategic plan and value proposition aims</i>) - Review and approve FY24 individual executive strategic pick goals
2. Evaluate the effectiveness of the independent compensation consultant	Q4	<ul style="list-style-type: none"> - Conduct annual evaluation of ECC consultant

SUBMITTED BY: Chair: Bob Miller | Executive Sponsor: Deanna Dudley

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

To: Executive Compensation Committee
From: Deanna Dudley, CHRO
Date: November 03, 2022
Subject: Effectiveness of Delegation of Authority to the Committee

Purpose:

To assess whether delegating authority to approve annual base salary changes, individual performance incentive goals, and incentive compensation payments for executives (other than the CEO) to the executive compensation committee has been effective.

Recommendation:

Recommend to the Governance Committee to approve updates to Appendix A in *ECC Delegation of Authority Procedures (approved 2018.04.18)*

Recommended updates: Add the Chief Quality Officer to the list in Appendix A; and replace the Chief Strategy Officer with Chief Growth Officer.

Summary:

1. Situation: At its April 18, 2018 meeting, on this Committee's ("ECC") recommendation, the Board delegated authority to this Committee to approve for executives other than the CEO (1) adjustments to annual salary ranges and annual salaries, (2) individual goals for incentive purposes, and (3) the amount of incentive compensation earned. The intended purpose of the delegation was two-fold. First, to leave these decisions in the hands of those with specific subject matter expertise with Board members working alongside and second, to free up Board time to enable the Board to focus on strategic planning and decision making. Since that time, the Committee approved the following (see section 3 below) for Executives other than the CEO.
2. Authority: N/A
3. Background: Since that time, the Committee approved the following for executives other than the CEO:
 - FY18, FY19, FY20, FY21, FY22 Individual Incentive Plan Scores/Incentive Compensation Payments
 - FY19, FY20, FY21, FY22, FY23 Base Salaries
 - FY19, FY20, FY21, FY22, FY23 Individual Performance (Incentive) GoalsThe Committee reported each of its approvals to the Board as informational items on the Board's consent calendar. The Board as a whole has not raised any questions or concerns about the reported approvals. Due to timing issues, the Board, from time to time, approved the base salaries of incoming executives without prior ECC review or approval, although the CEO did consult with the Committee Chair in advance of the presentation to the Board
4. Assessment: N/A
5. Other Reviews: None
6. Outcomes: N/A

List of Attachments:

1. ECC Delegation of Authority Procedures (approved 2018.04.18)

Suggested Committee Discussion Questions:

1. Does the Committee receive adequate information and feel comfortable making these decisions without oversight by the full Board?
2. Has the delegation resulted in less time spent on executive compensation matters at the Board level, with respect to both meeting preparation and Board discussion?

DRAFT

APPROVED APRIL 18, 2018

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

A. Overview.

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

B. Policies and Applicable Law.

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

C. Conflict of Interest.

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

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

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

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

D. Appropriate Data Regarding Comparability.

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

E. Approval.

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

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

F. Required Documentation.

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

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

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

the basis for its determination.

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

G. ECC Charter.

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

APPENDIX A

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

*Current Incumbents Grandfathered into the Plan

APPENDIX B

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

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

CONFIDENTIAL
EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Executive Compensation Committee
From: Bob Miller, Chair
Date: November 03, 2022
Subject: CEO's Performance Review Process

Recommendation:

To determine a recommendation to the Board for improving the process for the Board evaluation of CEO performance.

Mercer's recommendations are 1) Require Board members to enter their names at time of survey submission, enabling follow-up with non-responders (responses would remain anonymous); 2) Close the survey ~ 1 week earlier to allow discussion of results to occur in advance of salary/incentive discussions.

Summary:

1. Situation: Each year, Mercer facilitates an anonymous survey for Board members to provide input on CEO performance. Mercer recommends two changes to the current process (listed above).
2. Authority: The Committee annually reviews the process for the Board's assessment of the CEO's performance. The Committee may make recommendations for improvement to the Board for approval.
3. Background: At the end of each fiscal year, Mercer conducts the anonymous survey and solicits feedback from the Directors serving on both the Hospital and District Boards. These assessments are summarized and provided to the Board Chairs and used by the Hospital Board chair to during the performance review session with the CEO. In addition, the information informs the Board's decisions on the CEO's discretionary incentive score and salary increase.
4. Assessment: Mercer, independent consultants to the Committee, will present options to the Committee to inform their recommendation.
5. Other Reviews: N/A
6. Outcomes: Recommendation is to establish the FY23 CEO review process to include entering names upon survey submission (encourage 100% response rates) and to better align with the Board's pacing on CEO Score and Payout.
7. List of Attachments:
 - a. CEO Total Remuneration Evaluation Process (Mercer)

Suggested Committee Discussion Questions:

1. Will board members be willing to submit their name with their survey responses, if assured their responses will remain confidential?
2. Should the expectation be a 100% response rate?



welcome to brighter

CEO Total Remuneration Evaluation Process

November 3, 2022

Heidi O'Brien
Rob Kirkpatrick

A business of Marsh McLennan

Board Evaluation of CEO Performance

Current process and recommended changes

- Each year, Mercer facilitates an anonymous survey for Board members to provide input on CEO performance, and for the CEO to provide input on his own performance
 - Survey open between **mid-August and early September**
 - Mercer reviews summarized findings with Hospital and District Chairs in **late September / early October**
 - Board Chairs meet with CEO to conduct performance review in **early October**
 - Findings are discussed in **October Board meeting**, at the time CEO pay decisions are made
- **Recommended changes for FY2023+**
 1. **Require Board members to enter their names at time of survey submission, enabling follow-up with non-responders**
 - Each Board member's survey response would remain anonymous
 - 1 out of 10 Board members did not respond to the 2022 survey; 2 of 10 did not respond in 2021
 2. **Close survey ~ 1 week earlier to allow discussion of results prior to salary/incentive discussions**
 - Mercer meets with Hospital and District Chairs to discuss Board evaluation of CEO performance
 - Mercer, Board Chairs, and ECC Chair meet to discuss potential CEO salary and incentive adjustments
 3. **Hold all Board discussions on CEO performance with the full Board**
 - In October, the District Board met to discuss CEO performance, *after* the Board Chairs met with the CEO to discuss his performance. District Board discussion on CEO performance (other than specific to the CEO's District responsibilities) appears to be redundant, as District Board members are present when CEO performance is discussed with the full Board

CEO Salary and Incentive Plan Adjustments

Current process and recommended changes

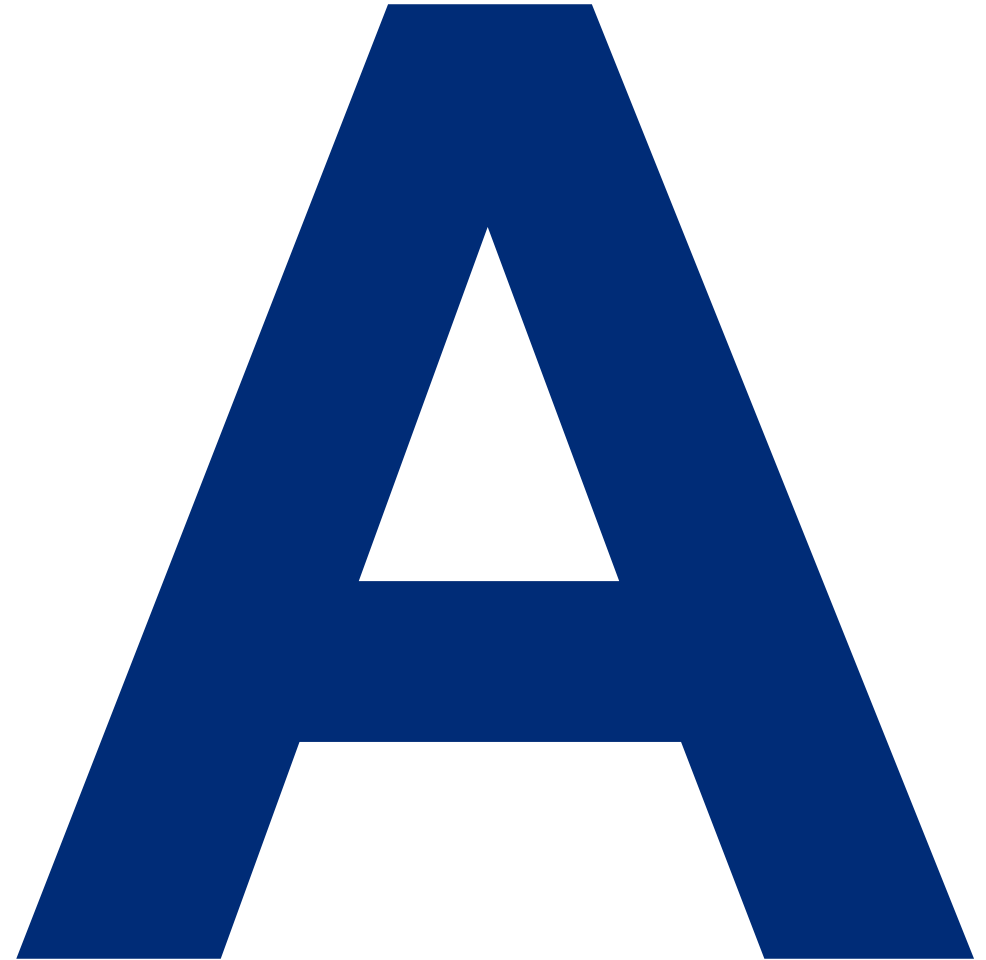
	Current Process	Recommended Changes for FY2023+
Base Salary Evaluation	Detailed spreadsheet provided to Board Chair with salary ranges, potential increases in \$10,000 increments, resulting salary positioning, total cash compensation (TCC), TCC positioning, target total remuneration (TR), and TR positioning	<ul style="list-style-type: none"> • Mercer to prepare a simplified presentation with a more limited number of adjustment options <ul style="list-style-type: none"> – Focus outcomes on positioning of salary and TR only (not also TCC)
Incentive Plan Discretionary Score	<p>ECH prepares a detailed spreadsheet, with discretionary scores relayed as a % of maximum, rather than target</p> <p>This is inconsistent with the organizational score, which is relayed as a % of target</p> <hr/> <p>90% of payout is based on organizational score; 10% is based on Board discretion</p>	<ul style="list-style-type: none"> • Express discretion score as a % of target, so that a 100% score reflects payment at target • Replace the spreadsheet traditionally presented by ECH with a simplified chart, to be prepared by Mercer and included in Mercer's materials • Apply a discretion score only if/when needed, not every year <ul style="list-style-type: none"> – In most years, CEO total score would equal the organization score. Board can apply discretion if needed, which should be in limited circumstances – Aligns with the change already made for the executive team incentive

Proposed Timeline for FY2023+

- Recommended cadence of events, assuming a mid-October Board meeting:

Step	Timing	Responsible
Respond to CEO performance survey issued in August	By end of August	All Board members, CEO
Summary report provided to Board Chairs covering 1) Board survey input and 2) CEO self-assessment survey input	Mid-late Sept	Mercer
High-level summary of hospital performance provided to Board Chairs	Mid-late Sept	CEO
Discussion with CEO regarding performance evaluation	Late Sept	Board Chairs, CEO
Prepare simplified alternatives for CEO salary and incentive decisions	Late Sept	Mercer
Discuss CEO salary and incentive alternatives; determine recommendation for Board meeting	Late Sept - early Oct (~2 weeks before Board mtg)	Board Chairs, ECC Chair, Mercer

Appendix



Annual Board Evaluation of CEO Performance

Summary of purpose, reports, and report contents

Approach	Report Contents
<ul style="list-style-type: none">• Board members are asked to provide input on CEO performance across eight categories:<ul style="list-style-type: none">– Board Relations– Strategic Development– Executive Team Relations and Development– Quality and Patient Safety– Financial Leadership– Risk and Change Management– Leadership and Culture– Community Health and Partnerships• Results are presented from three lenses:<ul style="list-style-type: none">– ECH Hospital Board findings– ECH District Board findings– Combined Board findings– CEO self-assessment findings	<ul style="list-style-type: none">• Executive summary and development dialogue• Board ratings and narrative comments<ul style="list-style-type: none">– Eight core survey questions by performance category– Results broken out by Hospital Board members and District Board members– District Board survey includes an additional question specific to District Board accountabilities• Comparison table of CEO self-assessment to Board feedback• CEO self-assessment ratings and narrative, for each of the performance categories

