

HEALTH SERVICES COMMITTEE

August 16, 2017

1. SALARY ADJUSTMENT USING NON-STATE FUNDS FOR PATRICIA MAYSSENT AS CHIEF EXECUTIVE OFFICER, UC SAN DIEGO HEALTH SYSTEM, SAN DIEGO CAMPUS

Recommendation

The President of the University recommends that the Health Services Committee approve the following items in connection with the salary adjustment using non-State funds for Patricia Maysent as Chief Executive Officer, UC San Diego Health System, San Diego campus:

- A. Per policy, a market-based salary adjustment of 8.9 percent (following a systemwide three percent merit increase action), increasing Ms. Maysent's base salary to \$880,770, effective August 1, 2017.
- B. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan's (CEMRP) Short Term Incentive (STI) component, with a target award of 20 percent of base salary (\$176,154) and maximum potential award of 30 percent of base salary (\$264,231). Actual award will be determined based on performance against pre-established objectives.
- C. Per policy, continued eligibility to participate in CEMRP's Long Term Incentive (LTI) component, with a target award of ten percent of base salary and a maximum potential award of 15 percent of base salary. As the LTI uses rolling three-year performance periods, the first possible award payout would be after the end of the 2018-19 Plan Year. Actual award will be determined based on performance against pre-established objectives.
- D. Per policy, continued annual automobile allowance of \$8,916.
- E. Per policy, continuation of a monthly contribution to the Senior Management Supplemental Benefit Program.
- F. Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability after five consecutive years of Senior Management Group service).
- G. Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: August 1, 2017

Annual Base Salary: \$880,770

Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term Incentive (STI): \$176,154 (at 20 percent target rate)

Clinical Enterprise Management Recognition Plan (CEMRP) – Long Term Incentive (LTI):

ten percent target rate with the first possible payment to occur after the end of the 2018-19 Plan Year.

Target Cash Compensation:* \$1,056,924 plus possible LTI awards starting after the end of the 2018-19 Plan Year

Funding: Non-State-funded (UC San Diego Health System Revenue)

Budget &/or Prior Incumbent Data

Title: Chief Executive Officer, UC San Diego Health

Annual Base Salary: \$785,000 (\$808,550 after systemwide merit increase of three percent)

Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term Incentive (STI): \$157,000 (at 20 percent target rate)

Clinical Enterprise Management Recognition Plan (CEMRP) – Long Term Incentive (LTI):

ten percent target rate with the first possible payment to occur after the end of the 2018-19 Plan Year.

Target Cash Compensation:* \$942,000 plus possible LTI awards starting after the end of the 2018-19 Plan Year

Funding: Non-State-funded (UC San Diego Health System Revenue)

* Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

**COMPETITIVE ANALYSIS FOR CHIEF EXECUTIVE OFFICER
(MRZ TITLE: CHIEF EXECUTIVE OFFICER)**

Percentiles	MARKET REFERENCE ZONE FOR BASE SALARY					Percentiles	MARKET COMPOSITE FOR TARGET CASH COMPENSATION*				
	25 th	50 th	60 th	75 th	90 th		25 th	50 th	60 th	75 th	90 th
Market Data	\$854K	\$1,001K	\$1,051K	\$1,128K	\$1,296K	Market Data	\$965K	\$1,260K	\$1,396K	\$1,604K	\$1,974K
% Difference from Market	3.1%	-12.0%	-16.2%	-21.9%	-32.0%	% Difference from Market	9.5%	-16.1%	-24.3%	-34.1%	-46.5%

*Excludes any possible LTI award

Survey Source: Mercer Integrated Health Networks (IHN) Compensation Survey, Integrated Health Care Strategies National Healthcare Leadership Compensation Survey and Sullivan Cotter Manager and Executive Compensation

The base salary described above shall constitute the University's total commitment for base salary until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: President Napolitano
Reviewed by: Health Services Committee Chair Lansing
Office of the President, Human Resources

Background to Recommendation

The President of the University recommends approval of a market-based salary adjustment for Patricia Maysent as Chief Executive Officer, UC San Diego Health System, San Diego campus. The Health Services Committee's approval is required because this is a Level One position in the Senior Management Group (SMG).

As Chief Executive Officer for UC San Diego Health, Ms. Maysent has had many accomplishments and accolades. She oversaw the successful opening of the Jacobs Medical Center in the fall of 2016 and was the principal architect of UC San Diego Health's strategic plan, which concentrates on four main areas: clinical excellence, patient experience, performance management, and growth. Additionally, she has managed the development of the clinical program councils and related specific clinical program strategic plans.

Throughout her time at UC San Diego Health, Ms. Maysent has been instrumental in improving the delivery of patient care by developing significant collaborations that have increased access to UC San Diego Health's services. Among them are new programs and strategic partnerships with Rady Children's Hospital and Scripps Health; an affiliation agreement with El Centro Regional Medical Center and Tri-City Healthcare District; clinical affiliations with Temecula Valley Hospital and Eisenhower Medical Center; and a joint venture with home health care provider AccentCare. In addition, Ms. Maysent has expanded the UC San Diego Health Physician Network, a collective of regional health care providers including UC San Diego Health and faculty physicians, community hospitals, medical groups, and physicians based in San Diego, Riverside, and Imperial Counties. Members of the physician network become part of a clinical integration network that collaborates on developing shared systems, infrastructure, care pathways, and quality initiatives to provide high-value health care to patients, employers, and health plans.

Ms. Maysent's extensive experience in community partnerships also resulted in UC San Diego Health partnering with high-profile organizations, such as the San Diego Chargers,

the San Diego Padres, and the United States Olympic Committee. These collaborative efforts have allowed UC San Diego Health to expand services within the community and provide medical care to some of the world's greatest athletes. As Chief Executive Officer, Ms. Maysent will continue to pursue a forward-thinking approach in order to achieve positive results and position UC San Diego Health for the future – clinically, academically, and financially.

Chief Executive Officer salaries at other not-for-profit and public teaching hospitals of similar size and complexity to UCSD Health range from \$605,000 to over \$1,195,000, with a median salary of \$882,800. The comparators consist of more than 40 institutions, such as the University of Chicago Medicine, University of Massachusetts Memorial Medical Center, University of North Carolina Hospitals, Temple University Health System, and Wake Forest Baptist Medical Center.

This action proposes increasing Ms. Maysent's base salary to \$880,770, which is an 8.9 percent increase from her base salary following a systemwide merit increase (a three percent increase moving her base salary from \$785,000 to \$808,550). The proposed salary will better position Ms. Maysent, internally and externally, when taking into account the size and complexity of UC San Diego Health and Ms. Maysent's experience and qualifications. The proposed base salary will be 3.1 percent above the 25th percentile of the current Market Reference Zone. Funding for this position will continue to come entirely from UC San Diego Health System revenues and no State funds will be used.

Committee vote: Regents Blum, Kieffer, Lansing, Makarechian, Napolitano, Reiss, and Sherman voting "aye."

2. **SALARY ADJUSTMENTS USING NON-STATE FUNDS FOR CERTAIN MEMBERS OF THE SENIOR MANAGEMENT GROUP WITHIN THE UC HEALTH SYSTEM**

Recommendation

The President of the University recommends that the Health Services Committee approve the merit-based salary adjustments for the individuals listed below, effective July 1, 2017.

Last Name	First Name	Location	Working Title	Current Annual Base Salary	Proposed Salary Increase %	Proposed Annual Base Salary
Laret	Mark	UCSF	Chief Executive Officer	\$1,041,536	3.00%	\$1,072,782
Spisso	Johnese	UCLA	Chief Executive Officer	\$998,649	3.00%	\$1,028,608
Rice	Ann Madden	UCD	Chief Executive Officer	\$878,425	3.00%	\$904,778
Federoff	Howard	UCI	Chief Executive Officer	\$800,000	3.00%	\$824,000
Maysent	Patricia	UCSD	Chief Executive Officer	\$785,000	3.00%	\$808,550

The base salaries described above shall constitute the University's total commitment for base salary until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: President Napolitano
Reviewed by: Health Services Committee Chair Lansing
Office of the President, Systemwide Human Resources

Background to Recommendation

Consistent with the 2017 salary program for non-represented staff at all levels, the President of the University recommends approval of merit-based salary adjustments for the Chief Executive Officers (CEOs) of UC Health.

The individual CEOs have contributed greatly to the improvements and progress the UC Health organization has made over the last year, particularly in implementing operational efficiencies, securing expansion opportunities, and responding to intensified local and regional competition, among other accomplishments. For example:

- Under the guidance of UC San Diego Health System CEO Patricia Maysent, the UC San Diego Health System successfully completed the Joint Commission accreditation review and licensing of the Jacobs Medical Center, opening in November 2016. UCSD was once again designated as part of the American Nurses Credentialing Center's Magnet Recognition Program, which recognizes superior quality in nursing care.
- UCLA Health System President and CEO – UCLA Hospital System Johnese Spisso led the successful openings of the new 168-bed California Rehabilitation Facility in partnership with Cedars-Sinai and Select Medical, the new home health care service, and the new Behavioral Health Clinic to provide mental health services to medical and graduate students. In addition, Ms. Spisso led expansion efforts with the Venice Family Clinics, Olive View, Harbor UCLA, Martin Luther King Hospital and the West Los Angeles Veterans Affairs Medical Center to provide care to vulnerable populations, and worked with L.A. Care to improve access to tertiary and quaternary care for Medicaid patients.
- In response to challenges in the reimbursement environment and Medicaid expansion, UC Irvine Health Vice Chancellor for Health Affairs and System CEO Howard Federoff implemented Operational Transformation, an initiative focused simultaneously on expense reduction, efficiency improvement, and new revenue generation, resulting in a sustainable \$39 million financial improvement and an increase of ambulatory visits to over 800,000 patients annually. Separately, UC Irvine Medical Center has also partnered with UC San Diego in an unprecedented collaboration to share a single electronic medical record (EMR) platform and

information technology unit that will result in \$16 million in savings in a single fiscal year. In addition, since Dr. Federoff also serves as the Vice Chancellor for Health Affairs overseeing the Schools of Medicine and Nursing and programs in Pharmaceutical Sciences and Public Health, he led the highly successful Liaison Committee on Medical Education (LCME) accreditation site visit for the School of Medicine, securing a full eight year reaccreditation.

- UCSF Health President and CEO Mark Laret continued expansion of the UCSF brand throughout the Bay Area, solidifying a partnership with Dignity Health, one of the largest health care providers in the nation, and expanding the partnership with the accountable care network, Canopy Health, which has a network of over 4,000 physicians and 16 hospitals.
- UC Davis Health CEO Ann Madden Rice led the effort to designate UC Davis Children's Hospital as the first hospital on the West Coast and fourth in the nation to earn verification as a Level I Children's Surgery Center by the American College of Surgeons. Ms. Rice also led initiatives focusing on patient access, quality, and financial sustainability that resulted in patient engagement scores improving, patient volumes increasing, and actual financial performance significantly outperforming budget.

Expenditures for delivery of healthcare services at all five UC Health medical centers, including UCSF Benioff Children's Hospital Oakland is now in excess of \$10 billion, more than one-third of the University's total operating expenditures. The University of California's five academic medical centers provide a vast resource for the clinical training programs of UC Health professional schools, as well as contributing, collectively, approximately a half billion dollars of their revenue to support these schools. These centers prepare future generations of health professionals; they catalyze major advances in biomedical and clinical research; and they collectively serve as California's fourth-largest healthcare delivery system, with about 42,000 employees, including 12,000 nurses. UC operates or staffs five major trauma centers, providing half of all transplants and one-fourth of extensive burn care in the state. UC medical centers manage more than 368,000 emergency room visits and nearly 4.9 million outpatient visits annually, as well as more than 167,000 inpatient admissions resulting in more than one million inpatient days. More than 60 percent of UC patients are covered by Medicare or Medi-Cal or lack health insurance. In support of the University's teaching, research, and public service missions, UC health programs also maintain active relationships with more than 100 affiliated Veterans Affairs facilities, as well as county and community-based health facilities located throughout California.

In addition, UC's institutions continue to win public accolades. The *U.S. News and World Report* 2017-18 Best Hospitals Honor Roll has UCSF Medical Center ranked fifth in the nation and Ronald Reagan UCLA Medical Center seventh in the nation, among 4,658 hospitals nationwide. Within California, UCSF was ranked first, UCLA second, Davis fifth, San Diego seventh, and Irvine 11th overall, among hundreds of institutions.

The proposed three percent increases will help the University maintain relative positioning to the salaries of CEOs at UC's peer institutions. Of the five individuals listed in the chart in the recommendation section, four have a proposed base salary that is below the 60th percentile of the current Market Reference Zone (MRZ) and one would be 1.1 percent over the 60th percentile. It is important to note that the current Market Reference Zones are based on market information that is nearly two years old; the MRZs are scheduled to be updated in March 2018. When applying more current market data, comparing each CEO to his or her peers at other not-for-profit and teaching hospitals of comparable size and complexity, all five are currently below the median (50th percentile) salary of their similar-sized counterparts with two (Laret and Spisso) around the 25th percentile. The not-for-profit and academic medical centers used in the updated market data, above, include institutions such as University of Maryland, Oregon Health and Science University, Boston Medical Center, Barnes Jewish Hospital, Johns Hopkins, Duke, University of Massachusetts Memorial, Cedars-Sinai, and University of Pennsylvania, among others.

All five individuals are eligible for incentive pay as authorized by the Regents.

Consistent with the merit program guidelines, all five individuals were in their current role on or before January 1, 2017. Four of the five individuals did not receive any salary adjustments since January 1, 2017. One individual, Ms. Spisso, received a 14 percent market-based salary adjustment effective on March 1, 2017 to begin to bring her salary into alignment within UC Health and with CEOs at other teaching hospitals of similar size.

Committee vote: Regents Blum, Kieffer, Lansing, Makarechian, Napolitano, Reiss, and Sherman voting "aye."