A. **SALARY ADJUSTMENT USING NON-STATE FUNDS FOR JOHNES Spisso AS PRESIDENT, UCLA HEALTH SYSTEM AND CHIEF EXECUTIVE OFFICER, UCLA HOSPITAL SYSTEM, LOS ANGELES CAMPUS**

**Recommendation**

The President of the University recommended that the Health Services Committee approve the following items in connection with the salary adjustment using non-State funds for Johnese Spisso, President, UCLA Health System and Chief Executive Officer, UCLA Hospital System, Los Angeles campus:

A. Per policy, continued appointment of Johnese Spisso as President, UCLA Health System and Chief Executive Officer, UCLA Hospital System, Los Angeles campus, at 100 percent time.

B. Per policy, a market-based salary adjustment of 14 percent, increasing Ms. Spisso’s base salary from $876,000 to $998,649.

C. 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 ($199,730) and maximum potential award of 30 percent of base salary ($299,595). Actual award will be determined based on performance against pre-established objectives.

D. 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.

E. Per policy, continued annual automobile allowance of $8,916.

F. Per policy, continuation of a monthly contribution to the Senior Management Supplemental Benefit Program.

G. 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).
H. Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.

I. Funding for this position will continue to come exclusively from UCLA Health revenues. No State or UC general funds will be used.

J. This action will be effective March 1, 2017.

**COMPARATIVE ANALYSIS**

**Recommended Compensation**

**Effective Date:** March 1, 2017

**Annual Base Salary:** $998,649

**Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term Incentive (STI):** $199,730 (at 20 percent target rate)

**Clinical Enterprise Management Recognition Plan (CEMRP) – Long Term Incentive (LTI):** 10 percent target rate with the first possible payment to occur after the end of the 2018-19 Plan Year.

**Target Cash Compensation:** $1,198,379 plus possible LTI awards starting after the end of the 2018-19 Plan Year

**Funding:** Non-State-funded (UCLA Health revenue)

**Budget &/or Prior Incumbent Data**

**Title:** President, UCLA Health System and Chief Executive Officer, UCLA Hospital System

**Annual Base Salary:** $876,000

**Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term Incentive (STI):** $175,200 (at 20 percent target rate)

**Clinical Enterprise Management Recognition Plan (CEMRP) – Long Term Incentive (LTI):** 10 percent target rate with the first possible payment to occur after the end of the 2018-19 Plan Year.

**Target Cash Compensation:** $1,051,200 plus possible LTI awards starting after the end of the 2018-19 Plan Year

**Funding:** Non-State-funded (UCLA Health 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)

<table>
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<tr>
<th>Percentiles</th>
<th>MARKET REFERENCE ZONE FOR BASE SALARY</th>
<th>MARKET COMPOSITE FOR TARGET CASH COMPENSATION*</th>
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<tbody>
<tr>
<td></td>
<td>25th</td>
<td>50th</td>
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<tr>
<td>Market Data</td>
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</tbody>
</table>
**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 compensation described above shall constitute the University’s total commitment 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: UCLA Chancellor Block
Reviewed by: Health Services Committee Chair Lansing
Office of the President, Human Resources

**Background to Recommendation**

The President of the University recommended approval of a market-based salary equity adjustment of 14 percent using non-State funds for Johnese Spisso as President, UCLA Health System and Chief Executive Officer (CEO), UCLA Hospital System, Los Angeles campus. Ms. Spisso has more than 30 years of leadership experience in healthcare, including service at University of Washington Medicine. Given the broad scope and level of Ms. Spisso’s responsibilities, the UCLA Health System is recommending that her base compensation be moved to a more market-competitive and appropriate position in the Market Reference Zone. UCLA Health proposes increasing her base salary from $876,000 to $998,649 as she continues to create a strong and efficient organization to support UCLA Health System’s growth and strategic direction. The proposed salary action is warranted for an incumbent with extensive senior management experience and reflects the increasing scope and complexity of UCLA Health, which includes four hospitals, a network of more than 150 primary and specialty care offices, and a physician practice plan and affiliation with the David Geffen School of Medicine at UCLA. Funding for this position will come exclusively from non-State funds, specifically from UCLA Health revenue. Ms. Spisso holds a critical role, brings significant experience to her role, and has demonstrated strong performance in her role.

Over the last year, Ms. Spisso has been instrumental in overseeing significant growth and realignment of the UCLA health organization, including:

- Expansion of UCLA Health Community Clinics and UCLA Faculty Practice Group Clinics (with a new total of 160 clinics in 75 sites throughout the region). These are now integrated into the Health System.
- Expansion of Clinical Services at UCLA Health’s four hospitals (Ronald Reagan UCLA, UCLA Santa Monica, UCLA Resnick Neuropsychiatric Hospital, UCLA Mattel Children’s).
- Expansion of facilities, including a joint venture with Select Medical for a 138-bed California Rehabilitation Hospital.
- Expansion of strategic partnerships, including a joint venture with AccentCare for UCLA Home Health Services and a joint venture with United Surgical Partners International and Tarzana Hospital for an Ambulatory Surgery Center.
- Planning and design for a new 160-bed tower addition to the Ronald Reagan UCLA Medical Center.
- Adding a major partnership with Los Angeles Lakers to serve as their Team Physicians, and naming rights to a training facility, including marketing opportunities.
- Achieving cost savings through a reduction in the Health System Executive Team (eliminated three positions that will result in a projected annual net savings of $1.2 million, with the duties absorbed by the President and CEO and other senior team members).

The Regents’ approval is required because this is a Level One position in the Senior Management Group (SMG). The proposed market-based equity adjustment would place Ms. Spisso’s base salary at 0.2 percent below the 50th percentile of the Market Reference Zone (MRZ) for this position. Under Regents Policy 7701, Senior Management Group Appointment and Compensation, salaries near the 50th percentile of the MRZ will be assigned to SMG members who have significant experience in the position, who are proficient in the required skills, who are adept at managing the typical responsibilities, and who have documented and sustained high levels of performance.

Committee vote: Regents Blum, Lansing, Lozano, Makarechian, Reiss, and Sherman voting “aye.”

B. ENDORSEMENT OF REQUEST FOR BUDGET AND DESIGN APPROVAL FOR THE PRECISION CANCER MEDICINE BUILDING AT MISSION BAY, SAN FRANCISCO CAMPUS

The President of the University recommended that the Health Services Committee endorse UCSF’s proposed request to the Finance and Capital Strategies Committee at its March 2017 meeting for approval of the Precision Cancer Medicine Building, a new cancer outpatient building at Mission Bay, San Francisco campus.

Committee vote: Regents Blum, Lansing, Lozano, Makarechian, Reiss, and Sherman voting “aye.”