

HEALTH SERVICES COMMITTEE

October 18, 2016

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

**A. APPOINTMENT OF AND COMPENSATION USING NON-STATE FUNDS FOR MICHAEL R. ANDERSON AS SENIOR VICE PRESIDENT – CHILDREN’S SERVICES AND PRESIDENT OF BENIOFF CHILDREN’S HOSPITAL, UCSF HEALTH, SAN FRANCISCO CAMPUS**

Recommendation

The President of the University recommends that the Health Services Committee approve the following items in connection with the appointment of and compensation using non-State funds for Michael R. Anderson as Senior Vice President – Children’s Services and President of Benioff Children’s Hospital, UCSF Health, San Francisco campus:

- A. Per policy, appointment of Michael R. Anderson as Senior Vice President – Children’s Services and President of Benioff Children’s Hospital, UCSF Health, San Francisco campus, at 100 percent time.
- B. Per policy, an annual base salary of \$925,000.
- C. Per policy, a hiring bonus of 15 percent of base salary (\$138,750), which is intended to make the hiring offer market-competitive and to assist in securing Dr. Anderson’s acceptance of the offer. The hiring bonus will be paid in a lump sum subject to the following repayment schedule if Dr. Anderson separates from the University within two years of his appointment: 100 percent if separation occurs within the first year of employment and 50 percent if separation occurs within the second year of employment, subject to the limitations under policy.
- D. Per policy, eligibility to participate in the Clinical Enterprise Management Recognition Plan’s (CEMRP) annual Short Term Incentive (STI) component, with a target award of 15 percent of base salary (\$138,750) and maximum potential award of 25 percent of base salary (\$231,250). The actual award will be determined based on performance against pre-established objectives and will be prorated in his first year of participation based on the date of hire.
- E. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance

and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service).

- F. Per policy, monthly contribution to the Senior Management Supplemental Benefit Program.
- G. Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.
- H. Per policy, reimbursement for limited housing-related expenses actually and reasonably incurred for a period of up to 90 days, subject to the limitations under policy.
- I. Per policy, reimbursement for up to two house-hunting trips each for Dr. Anderson and his spouse or domestic partner to secure housing in the San Francisco area, subject to the limitations under policy.
- J. Per policy, reimbursement of actual and reasonable expenses associated with moving Dr. Anderson's household goods and personal effects from his former primary residence to his new primary residence, subject to the limitations under policy.
- K. This action will be effective no earlier than December 12, 2016.

### COMPARATIVE ANALYSIS

#### **Recommended Compensation**

**Effective Date :** No earlier than December 12, 2016

**Annual Base Salary:** \$925,000

**Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term Incentive (STI):** \$138,750 (at 15 percent target rate)

**Target Cash Compensation:\*** \$1,063,750

**Funding:** non-State-funded (medical center revenues)

#### **Budget &/or Prior Incumbent Data**

Not applicable – This is a new position.

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

**COMPETITIVE ANALYSIS FOR SENIOR VICE PRESIDENT – CHILDREN’S SERVICES  
AND PRESIDENT OF BENIOFF CHILDREN’S HOSPITAL,  
UCSF HEALTH, SAN FRANCISCO CAMPUS  
(MRZ TITLE: SENIOR VICE PRESIDENT-ADULT SERVICES)**

| Percentiles              | MARKET REFERENCE ZONE FOR BASE SALARY |                  |                  |                  |                  | Percentiles              | MARKET COMPOSITE FOR TARGET CASH COMPENSATION |                  |                  |                  |                  |
|--------------------------|---------------------------------------|------------------|------------------|------------------|------------------|--------------------------|---|------------------|------------------|------------------|------------------|
|                          | 25 <sup>th</sup>                      | 50 <sup>th</sup> | 60 <sup>th</sup> | 75 <sup>th</sup> | 90 <sup>th</sup> |                          | 25 <sup>th</sup>                              | 50 <sup>th</sup> | 60 <sup>th</sup> | 75 <sup>th</sup> | 90 <sup>th</sup> |
| Market Data              | \$566K                                | \$697K           | \$750K           | \$829K           | \$946K           | Market Data              | \$671K  | \$803K           | \$884K           | \$1,006          | \$1,119K         |
| % Difference from Market | 63.4%                                 | 32.7%            | 23.3%            | 11.6%            | -2.2%            | % Difference from Market | 58.5%   | 32.5%            | 20.3%            | 5.7%             | -4.9%            |

**Survey Source:** 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:** President Napolitano  
**Reviewed by:** Committee on Health Services Chair Lansing  
Office of the President, Human Resources

Background to Recommendation

The President of the University recommends approval for the appointment of and compensation using non-State funds for Dr. Michael R. Anderson as Senior Vice President – Children’s Services and President of Benioff Children’s Hospital, UCSF Health, San Francisco campus, effective no earlier than December 12, 2016. This is a new UCSF Health position which is responsible for the UCSF Benioff Children’s Hospital San Francisco, UCSF Benioff Children’s Hospital Oakland, and the UCSF Benioff Physicians foundation, all entities that collectively represent a \$1 billion operation. This position will report directly to the Chief Executive Officer of UCSF Health.

A national search for the Senior Vice President – Children’s Services and President of Benioff Children’s Hospital was launched on February 4, 2015 by a UCSF Health search committee in collaboration with an executive recruitment firm hired by UCSF Health. The search committee found a very limited pool of qualified candidates possessing the depth and breadth of required expertise to lead and shape this complex organization.

Dr. Anderson currently is Vice President and Chief Medical Officer at University Hospitals/University Hospitals Cleveland Medical Center, a \$4 billion operation, and Professor, Pediatrics, Case Western Reserve University School of Medicine. Dr. Anderson is Board-certified in pediatrics and pediatric critical care medicine with the

focus areas of pediatric clinical care, pediatric disaster preparedness, and children's health policy, as well as bioethics, system quality, and the physician workforce. He was appointed to the University Hospitals Rainbow Babies and Children's Hospital staff in 2006.

Dr. Anderson has served as the Chief Medical Officer of University Hospitals, Cleveland, Ohio, since 2014, as Vice President University Hospitals Case Medical Center since 2011, and Attending Physician – Pediatric Critical Care at Rainbow Babies and Children's Hospital since 1997.

At Rainbow Babies and Children's Hospital, Cleveland, Ohio, Dr. Anderson served as Chief Medical Officer (2008-14), Director of Pediatrics EMS (2005-08), Director of CME and Fellowship Training (2004-08), Fellowship Director – Pediatric Critical Care (1997-2008), and Pediatric Medical Director – Critical Transport (1997-2000).

At University Hospitals Health System, Cleveland, Ohio, Dr. Anderson served as Vice President/Chief Medical Officer (2008-11) and Interim Senior Vice President/Chief Medical Officer (2008-09). At MetroHealth Medical Center, Cleveland, Ohio, Dr. Anderson served as Medical Director – Pediatric Intensive Care Unit (2005-08). His faculty appointments at Case Western Reserve University, School of Medicine, Department of Pediatrics extend back to 1996 in various capacities.

Dr. Anderson has received several major research grants for his work, including funding from the National Institutes of Health and the Emergency Medical Services for Children. He currently is a reviewer for several major journals, including *Disaster Medicine and Public Health Preparedness* (published by the American Medical Association), *Journal of Pediatrics*, and *Critical Care Medicine*. He is a Fellow of the American Academy of Pediatrics and a member of the Society of Critical Care Medicine, American Association for Respiratory Care, and American College of Healthcare Executives.

Dr. Anderson earned his Doctor of Medicine degree at Case Western Reserve University, a master's in business administration from Kent State University and a bachelor's of science from John Carroll University.

As Senior Vice President – Children's Services and President of Benioff Children's Hospital, Dr. Anderson will report directly to the UCSF Health Chief Executive Officer and will be a core member of the UCSF Health leadership team, serving as a member of UCSF Health's Leadership Council. The Council reviews and shapes UCSF Health policies, aligning strategic priorities with UCSF Health goals and objectives while adjudicating complex and large-scale issues that UCSF Health faces. He will also report to the Board of Directors of UCSF Benioff Children's Hospitals, a fiduciary board for Benioff Children's Hospitals appointed by the Chancellor of UCSF. The Benioff Children's Hospital Board leadership is enthusiastic and supportive of the potential appointment of Dr. Anderson to the Senior Vice President – Children's Services and President of Benioff Children's Hospital position.

Dr. Anderson will oversee the strategic direction, operations, and clinical services for all pediatric services across the San Francisco and Oakland campuses of UCSF Benioff Children's Hospitals. Under this affiliation, the Oakland campus will remain a separately licensed hospital with UCSF providing management services for it. The Senior Vice President – Children's Services and President of Benioff Children's Hospital position is accountable for high-quality, coordinated and innovative delivery of pediatric clinical services across UCSF Health, including UCSF-owned and -operated sites and affiliated programs, locations, and physicians.

In light of Dr. Anderson's experience and unique skill set, and because of the very scarce candidate pool, the proposed base salary of \$925,000 is necessary to attract him to the position. It is 11.6 percent above the 75th percentile (\$829,000) and 2.2 percent below the 90th percentile (\$946,000) of the position's MRZ. The recommended base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation: "Salaries near the 90th percentile will be assigned to SMGs who have highly specialized credentials, professional accomplishments, and expertise that set them apart from internal and external peers. In addition, a salary near the 90th percentile may be assigned where the SMG's position is highly complex and significantly broader in scope than that of peer positions or the benchmark position(s) used in surveys of the applicable market. A salary near or above the 90th percentile may also be assigned in situations where a very scarce candidate pool for the position exists and unique skill sets are critical." Moreover, compensation data clearly indicate a premium for leadership positions focused on providing services related to children's health care, such as this one, further indicating that a salary at this level is necessary.

Due to the extreme difficulty in filling this position and to make the hiring offer market-competitive, UCSF Health is also proposing a hiring bonus of 15 percent of base salary (\$138,750). The hiring bonus meets policy requirements because this position has been difficult to fill despite extensive recruiting efforts. If the hiring bonus is not offered, the University runs the risk of losing the candidate and would have to go through the recruitment process again.

**B. INCENTIVE COMPENSATION USING HEALTH SYSTEM OPERATING REVENUES FOR FISCAL YEAR 2015-16 FOR JOHN STOBO AS EXECUTIVE VICE PRESIDENT – UC HEALTH, OFFICE OF THE PRESIDENT**

Recommendation

The President of the University recommends that the Health Services Committee approve the Clinical Enterprise Management Recognition Plan 2015-16 Plan Year award of \$135,370 for John Stobo as Executive Vice President – UC Health, Office of the President. The recommended incentive award represents 22 percent of his annual base salary.

**Recommended Compensation****Effective Date:** Upon approval**Base Salary:** \$615,322 (2015-16 salary)**Recommended CEMRP Award:** \$135,370 (22 percent of base salary)**Base Salary Plus Recommended CEMRP Award:** \$750,692**Funding Source:** non-State funded**Prior Year Data (2014-15 plan year)****Base Salary:** \$597,400**CEMRP Award:** \$174,000 (30 percent of base salary)**Base Salary Plus CEMRP Award:** \$776,620**Funding Source:** non-State funded

The incentive compensation described shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, 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.

**Background to Recommendation**

The Clinical Enterprise Management Recognition Plan (CEMRP), previously approved by the Regents and funded from clinical revenues using no State funds, is a UC Health system clinical performance-based incentive plan that places a certain amount of pay at risk for each participant, and pays out only if performance against pre-established goals such as quality of care, patient safety, and other objectives such as financial performance are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation at other teaching hospitals. CEMRP drives alignment of the five UC medical centers by establishing and rewarding the achievement of systemwide goals, organization-specific objectives, and individual participant objectives.

Dr. John Stobo's accomplishments over the last year included working with each campus health system to develop a systemwide strategic plan for UC Health to address the needs of an increasing Medi-Cal population and establishing UC Health to become a leader in California for delivering system and payment reforms for these programs. Another accomplishment focused on leveraging the supply chain scale of operations across UC Health to deliver savings through systemwide strategic sourcing. Each of these efforts required strong leadership and collaboration across all medical centers to align local activities and to use systemwide leverage to deliver substantially improved performance over what is possible locally. The success of these efforts contributes to the future stability and competitiveness of the UC Health enterprise.

The Office of the President requests approval of an incentive award tied to 2015-16 performance in the amount of \$135,370 for Dr. Stobo as Executive Vice President – UC Health. This award for performance during fiscal year 2015-16 represents 22 percent of his base salary (representing overall performance better than "Target" which would be at

20 percent), and reflects performance against four previously established goals. Each of these broad goals was equally weighted. Medical center operating revenues fund CEMRP awards; no State funds are used.

The CEMRP 2015-16 Plan Year was challenging, breaking new ground in collaborative activity to respond to healthcare performance improvement, and in health system development under Dr. Stobo's leadership. Under Dr. Stobo's leadership and coordination, the best practices at each of the five UC medical centers and their affiliated clinics have been leveraged to benefit the system as whole.

Consistent with Regents policy, this award has been reviewed and approved by the CEMRP Administrative Oversight Committee, comprised of the five UC chancellors of campuses with medical centers, the Executive Vice President and Chief Operating Officer, the Vice President of Human Resources and the Executive Director of Compensation Programs and Strategy.