

## HEALTH SERVICES COMMITTEE

October 18, 2017

### INCENTIVE COMPENSATION USING HEALTH SYSTEM OPERATING REVENUES FOR FISCAL YEAR 2016-17 FOR JOHN STOBO AS EXECUTIVE VICE PRESIDENT – UC HEALTH, OFFICE OF THE PRESIDENT

#### Recommendation

The President of the University recommended that the Health Services Committee approve the Clinical Enterprise Management Recognition Plan 2016-17 Plan Year Short Term Incentive award of \$190,135 for John Stobo as Executive Vice President – UC Health, Office of the President. The recommended incentive award represents 30 percent of his annual base salary.

#### Recommended Compensation

**Effective Date:** Upon approval

**Base Salary:** \$633,782

**Recommended CEMRP STI Award:** \$190,135 (30 percent of base salary)

**Target Cash Compensation:\*** \$823,917, plus possible Long Term Incentive (LTI) awards starting after the end of the 2018-19 Plan Year

**Funding Source:** Non-State funded (100 percent from clinical enterprise revenues)

#### Prior Year Data (2015-16 plan year)

**Base Salary:** \$615,322

**CEMRP Award:** \$135,370 (22 percent of base salary)

**Target Cash Compensation:\*** \$750,692

**Funding Source:** Non-State funded (100 percent from clinical enterprise revenues)

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

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 fully 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 meets or exceeds benchmarks for pre-established objectives such as quality improvements and patient satisfaction, and other objectives such as financial performance. 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 objectives, organization-specific objectives, and individual participant objectives based on the CEMRP tier in which the eligible employee participates. As the Executive Vice President – UC Health, John Stobo’s achievement of CEMRP objectives is based on the approved systemwide objectives.

The Office of the President requested approval of a CEMRP Short Term Incentive (STI) award for Dr. Stobo as Executive Vice President – UC Health, which is tied to the attainment of a specific level of performance with regard to 2016-17 systemwide objectives. For the 2016-17 systemwide objectives, performance exceeded the maximum attainment level for all three objectives. The objective focusing on the Leveraging Scale for Value (LSFV) initiative resulted in a total combined savings across the UC Health system of \$541.9 million from improvements in supply chain and procurement, information technology expenditures, and the revenue cycle. The objective to improve access to care resulted in a reduction of Excess Bed Days by all six hospital locations (UCLA separates out the Ronald Reagan and Santa Monica locations in the calculation of performance targets) with an aggregate reduction of 286 percent. Lastly, the objective to mitigate financial risk in the current healthcare environment was focused on the development of best practices to monitor and report on metrics that contribute to financial risk for the UC Health system. This was accomplished through the development of a systemwide governance model, development and deployment of an electronic system to capture and monitor critical report parameters, and ultimately the implementation of the systemwide dashboard that reports on each UC Health enterprise and on the system as a whole.

Based on the achievement of the maximum level of performance of the equally weighted, pre-established and approved systemwide objectives, the amount of the award proposed for Dr. Stobo is \$190,135. This award represents 30 percent of Dr. Stobo’s base salary as prescribed in the 2016-17 CEMRP Plan Document. No State funds are used to fund CEMRP incentive awards as the funding is solely from UC Health system revenues.

Under Dr. Stobo’s leadership and coordination, the best practices at each of the five UC medical centers and their affiliated clinics continue to be leveraged to benefit the system as a whole with a demonstrated increase in the benefit of this systemwide effort year-over-year.

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

Committee vote: Regents Kieffer, Lansing, Makarechian, and Sherman voting “aye.”