

The Regents of the University of California

**HEALTH SERVICES COMMITTEE**

October 18, 2016

The Health Services Committee met on the above date at the Plaza Room, De Neve Plaza, Los Angeles campus.

Members present: Regents Lansing, Makarechian, Reiss, and Sherman; Executive Vice President Stobo, Chancellor Khosla; Advisory members Dimsdale, Lipstein, and Smith

In attendance: Secretary and Chief of Staff Shaw, Vice President Duckett, Deputy General Counsel Nosowsky, and Recording Secretary Johns

The meeting convened at 3:05 p.m. with Committee Chair Lansing presiding.

1. **PUBLIC COMMENT**

Committee Chair Lansing explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following person addressed the Committee concerning the items noted.

Ms. Shelley Tzorfas, author of the book “Recovering Autism, ADHD, and Special Needs,” expressed concern about the dangers of vaccinations given to infants and children and about increasing levels of autism among children. She urged the University to investigate the effects of vaccines.

2. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of August 11, 2016 were approved.

3. **REMARKS OF THE EXECUTIVE VICE PRESIDENT – UC HEALTH: UC HEALTH STRATEGY AND BUDGET UPDATE**

Executive Vice President Stobo stated that Chair Lozano had asked him to convene a working group to examine Market Reference Zones (MRZs) for UC health executives and to develop appropriate MRZs.

The previous day, the National Academy of Medicine had announced its elected inductees for the current year, 70 individuals nationwide. Among them nine were from the University of California, including UCLA School of Medicine Dean Kelsey Martin.

Dr. Stobo referred to a dashboard document provided to the Committee showing the financial status of the UC medical centers, including operating margins, days' cash on hand, and debt service coverage ratios.

He referred to a presentation made by UCLA at the September Regents meeting. Included in the information presented was the fact that approximately 60 percent of the UCLA campus budget is associated with health services clinical and research activities.

4. **APPROVAL OF 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 AS DISCUSSED IN CLOSED SESSION**

Recommendation

The President of the University recommended 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.

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.

#### Background to Recommendation

The President of the University recommended 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 Market Reference Zone. 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.

[Background material was provided to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

UCSF Health Chief Executive Officer Mark Laret briefly introduced the item. Regent Reiss observed that the Market Reference Zone (MRZ) for this position would be reevaluated. She anticipated that the level of compensation being proposed for Michael Anderson, when reevaluated, would be found to be at a lower position in the competitive

market and within the MRZ. Mr. Laret confirmed that this position would be entirely funded by non-State funds.

Upon motion duly made and seconded, the Committee approved the President's recommendation.

5. **APPROVAL OF 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 AS DISCUSSED IN CLOSED SESSION**

Recommendation

The President of the University recommended 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 requested 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.

[Background material was provided to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Lansing briefly introduced the item.

Upon motion duly made and seconded, the Committee approved the President's recommendation.

6. **STATUS OF THE STUDENT HEALTH AND COUNSELING CENTERS AND UC STUDENT HEALTH INSURANCE PLAN**

[Background material was provided to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Stobo recalled that the Health Services Committee is required to produce an annual report on the student health centers and the UC Student Health Insurance Plan (SHIP). He expressed pride in the development of SHIP. After five years in the red and accumulating a deficit of about \$70 million, SHIP was now a financial success. He recalled that there had once been a significant double digit increase in the premium. For the past two years, however, the increase had been less than ten percent. UC Health was projecting no increase in the premium in the coming year. SHIP had accumulated a significant claim stabilization reserve, a public health reserve, and care management data. Students and the directors of the campus student health centers are involved in SHIP management activities.

Regent Reiss noted that students had raised concerns about insufficient numbers of medical personnel and long wait times, especially given increased student enrollment at UC. She asked about the status of these concerns. Dr. Stobo stated his perception that the situation had markedly improved. Student health centers were providing longer hours. Regent Reiss requested that improvements in care provided at the student health centers, such as extended hours, be discussed at a future meeting of the Committee.

Regent Makarechian and Committee Chair Lansing asked why UC SHIP enrollment was increasing at some campuses but decreasing at others; for example, it had increased at UC Santa Cruz by 22 percent but decreased at UC Merced by 15 percent. Dr. Stobo responded that to some extent, these changes reflected a certain natural ebb and flow. UC SHIP provides insurance for only about one-third of UC students. The remainder have medical insurance with their family or elsewhere. More freshmen may be covered by their parents' insurance than in previous years.

Regent Makarechian emphasized that these year-over-year percentage changes seemed large. Dr. Stobo responded that he would examine these data and provide an explanation. He affirmed that these shifts were not the result of dissatisfaction with SHIP. Four years earlier, when campuses had the option to leave SHIP, about half did so, but most had now returned.

Regent Sherman asked to what extent the student health centers were using new technologies such as telemedicine or providing online services for arranging appointments or making inquiries. Dr. Stobo responded that technology use varies by campus. UC Merced has an active telemedicine program, in particular for psychiatry. The campuses, through SHIP, have access to Castlight, an application that provides information on the relative cost of providers. Students can make appointments online.

The meeting adjourned at 3:20 p.m.



Attest:

Secretary and Chief of Staff