COMMITTEE ON COMPENSATION

ACTION ITEM – CONSENT

For Meeting of July 14, 2011

APPROVAL OF INDIVIDUAL PARTIALLY OR FULLY STATE-FUNDED COMPENSATION ACTIONS AS DISCUSSED IN CLOSED SESSION

RECOMMENDATION

A. Promotion, Title Change and Salary Adjustment for Santiago Muñoz as Associate Vice President – Chief Strategy Officer, Office of the President

Background to Recommendation

The Office of the President is requesting approval of a promotion, title change, and salary adjustment for Santiago Muñoz, Associate Vice President – Clinical Services Development. Funding for the position is approximately 40 percent State General Funds, 40 percent Common Funds, and 20 percent clinical revenue.

Since Santiago Muñoz’s appointment as Executive Director – Clinical Services Development, Office of the President, in 2004 and his subsequent appointment as Associate Vice President – Clinical Services Development in 2007, his responsibilities have greatly expanded to include the following:

• Lead strategist and negotiator for UC Health in systemwide contract negotiations with commercial insurers, including a deal being finalized this year with an incremental benefit of nearly $20 million annually. For the past three years, Mr. Muñoz has been the lead individual, working with managed care officers of the medical centers and practice plans, in negotiating systemwide contracts. These contracts have been integral to improving the financial performance of UC Health. This year alone, contracts will be re-negotiated with three plans. The strategic goal is to have all commercial contracts with the eight largest California payers signed by January 1, 2014, the date that the state insurance exchanges are implemented.

• Lead strategist and negotiator for UC Health in discussions with State, federal, and hospital industry leaders to renew the Medicaid waiver. These negotiations are in progress and have thus far been favorable to UC Health because of Mr. Muñoz’s efforts. The waiver will provide $780 million annually to UC
Health, including $110 million per year in incentive payments, if UC Health achieves certain negotiated clinical outcome goals.

- Lead strategist and negotiator on behalf of UC Health for the statewide Medi-Cal hospital provider fee (AB 1383 and AB 1653). For the 21 months ending June 30, 2011, Mr. Muñoz’s negotiations are expected to produce approximately $229 million in additional revenue to the five UC medical centers.

- Lead strategist and negotiator for pursuing operational improvements and savings with insurers, including developing and implementing a clinical time-study tool to assess clinical productivity for physicians. Additionally, Mr. Muñoz is integrally involved in savings initiatives, including supply chain activities that have yielded systemwide savings of nearly $20 million in the current year.

- Operational responsibility for the UC-wide Center for Health Quality and Innovation. This center was established in 2011 with the goal of providing financial support for initiatives developed within UC Health that can be implemented systemwide and which improve the delivery, value, and safety of health care provided by UC Health. The center is capitalized through contributions from each of the five UC medical centers (total $5 million) and overseen by the six vice chancellors/deans of the schools of medicine and the five medical center CEOs. The Senior Vice President for Health Sciences and Services chairs this board. The Executive Director of the Center will report directly to Mr. Muñoz.

The complexity of negotiating both the Medi-Cal provider fee and the Medicaid waiver cannot be overstated. Mr. Muñoz has successfully navigated among a variety of constituencies, sensitively addressing their concerns and resolving their issues. Taken together, these monies should total more than $3.5 billion to UC Health over five years.

This is a critical time for the financial stability of the UC medical centers. Waiver and provider fee dollars are essential for continued funding of the academic programs of UC’s health professional schools ($428 million in fiscal year 2009-2010).

UC Health created the Center for Health Quality and Innovation in February 2010. Capitalized by funds from the five UC medical centers, the Center’s mission is to provide support for interdisciplinary projects that focus on cost, quality, access to health care, and workforce training. Center support will go to projects started at individual UC campuses that can be readily expanded to benefit all UC Health campuses. The Center will play a key role in positioning UC Health for initiatives and challenges accompanying health care reform for the foreseeable future.

Market data using the 2010 Mercer Integrated Health Networks (revenue of $1.5 billion or more) indicate that the median base salary for Mr. Muñoz’s position is $303,600, and the total targeted cash compensation median is $370,250. The sources of funds for Mr. Muñoz’s salary and incentive would be approximately 20 percent clinical revenue,
40 percent State General funds, and 40 percent Common Funds. Significantly, clinical funds would provide for the entire proposed increase in Mr. Muñoz’s salary ($48,600).

**Recommendation**

The Committee recommends approval of the following items in connection with the promotion, title change and salary adjustment for Santiago Muñoz as Associate Vice President – Chief Strategy Officer, Office of the President:

1. Per policy, a promotional salary adjustment of 24.1 percent from $201,400 to $250,000, effective upon approval.

2. Re-slotting of Mr. Muñoz’s position from SLCG Grade 106 to 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700) to reflect the new portfolio of responsibilities and to align with market and internal comparators.

3. A change in title from Associate Vice President – Clinical Services Development to Associate Vice President – Chief Strategy Officer.

4. Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

5. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan, with a target award of 15 percent of base salary ($37,500) and a maximum potential award of 25 percent of base salary ($62,500), with actual award dependent upon performance.

**Recommended Compensation**

**Effective Date:** Upon approval

**Base Salary:** $250,000

**Clinical Enterprise Management Recognition Plan (CEMRP):** $37,500 (at 15 percent target rate)

**Total Cash Compensation:** $287,500 (assuming CEMRP award at 15 percent target rate)

**Grade Level:** SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700)

**Median Market Data (Base Salary Only):** $303,600

**Median Market Data (Total Targeted Cash):** $370,250

**Percentage Difference from Market:** 17.7 percent below market (base) and 22.4 percent below market (total targeted cash)

**Funding Source:** Approximately 40 percent State General funds, 40 percent Common Funds, and 20 percent clinical revenue.

**Budget &/or Prior Incumbent Data**

**Base Salary:** $201,400
Clinical Enterprise Management Recognition Plan (CEMRP): $30,210 (at 15 percent target rate)

Total Cash Compensation: $231,610 (assuming CEMRP award at 15 percent target rate)

Grade Level: SLCG Grade 106 (Minimum $154,200, Midpoint $195,200, Maximum $236,100)

Funding Source: 50 percent State General funds and 50 percent Common Funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).

The compensation described above shall constitute the University’s total commitment until modified by the Regents 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 Yudof
Reviewed by: Committee on Compensation Chair Ruiz
Office of the President, Human Resources

B. Promotional Appointment of and Total Compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources, Office of the President

Background to Recommendation

The Office of the President is requesting approval of a promotional appointment of and total compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources. Funding would come from State Funds. The request includes an annual base salary increase of $27,500.

In September 2008, as part of the ongoing effort to increase organizational efficiencies at the Office of the President, a review team appointed by then Executive Vice President Katherine Lapp and chaired by UC Davis Vice Chancellor John Meyer submitted its report, titled “Organizing for Successful Delivery and Stewardship of Capital Assets.” This report recommended that the systemwide Budget Office and Facilities Administration be merged. The report included a set of summary major recommendations as well as specific recommendations associated with several of the sub-areas of the newly-defined department.

The consolidation was launched in mid-April 2009 with the creation of a new Department of Budget and Capital Resources. Patrick Lenz, Vice President, Systemwide Budget, effectively doubled his portfolio from 20 full-time equivalent employees (FTE) and a budget of $2.5 million to a combined total budget of $5.8 million and 53 FTE. The
new unit was renamed Budget and Capital Resources, and Vice President Lenz assumed the new title of Vice President – Budget and Capital Resources.

In addition to continuing to oversee systemwide capital and operating budgets, Vice President Lenz now has responsibility over the following areas:

- **Sustainability.** Provide systemwide leadership on issues related to sustainability; coordinate implementation of the University’s policy on sustainable practices.

- **Plant, Energy, and Utilities.** Support and coordinate systemwide facilities renewal and deferred maintenance, plant operation and maintenance, and energy conservation and purchases.

- **Policy and Contract Administration.** Coordinate and administer contract policy, maintain guidelines and manuals, and provide regulatory and code expertise. Manage training programs.

- **Physical and Environmental Planning.** Support and coordinate University land use and site planning, including Long Range Development Plans and environmental assessment. Facilitate capital project approval and review.

- **Real Estate.** Real Estate Services Group: leadership and support for systemwide real estate activities.

Two associate vice president positions are in place to oversee systemwide Operating Budget matters and Capital Resources, respectively.

The proposed base salary of $300,000 is 2.3 percent below the midpoint for SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500). In addition, the proposed base salary is 1.4 percent below other incumbents at the Office of the President in SLCG Grade 110, and 10.2 percent above the Vice Chancellors – Budget and Resources at the campuses. Market data provided by the College and University Professional Association indicate a market median base salary of approximately $299,040.

This position is paid 100 percent from State General Funds.

**Recommendation**

The Committee recommends approval of the following items in connection with the promotional appointment of and total compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources, Office of the President:

1. Promotional appointment of Patrick J. Lenz from Vice President – Budget to Vice President – Budget and Capital Resources.
(2) Salary grade change from SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700) to SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500), in recognition of the significant additional responsibilities.

(3) Appointment salary of $300,000 per annum (SLCG Grade 110: Minimum $239,700, Midpoint $307,200, Maximum $374,500). This represents a 10.1 percent increase over current base salary of $272,500.

(4) This appointment is at 100 percent time and effective upon approval.

**Recommended Compensation**

- **Effective Date:** Upon approval
- **Base Salary:** $300,000
- **Bonus/Incentive:** $0
- **Total Cash Compensation:** $300,000
- **Grade Level:** SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500)
- **Median Market Data:** $299,040
- **Percentage Difference from Market:** 0.3 percent above market
- **Funding Source:** State funds

**Budget &/or Prior Incumbent Data**

- **Title:** Vice President – Budget
- **Base Salary:** $272,500
- **Bonus/Incentive:** $0
- **Total Cash Compensation:** $272,500
- **Grade Level:** SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700)
- **Funding Source:** State funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, continued participation in the UC Home Loan Program, in accordance with all applicable policies.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University policy.

The compensation described above shall constitute the University’s total commitment until modified by the Regents 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 Yudof
Reviewed by: Committee on Compensation Chair Ruiz
            Office of the President, Human Resources