

**HEALTH SERVICES COMMITTEE**

October 9, 2018

1. **APPROVAL OF THE AMBULATORY CARE CENTER EXPANSION WITH EYE CENTER PROJECT, DAVIS CAMPUS**

The President of the University recommends that the Health Services Committee approve UC Davis Health's proposed presentation of the Ambulatory Care Center Expansion with Eye Center project and subsequent requests to the Finance and Capital Strategies Committee at its future meetings for (1) approval of preliminary plans funding and (2) approval of the budget and design pursuant to the California Environmental Quality Act.

Committee vote: Regents Kieffer, Lansing, Napolitano, Sherman, and Zettel voting "aye."

2. **INCENTIVE COMPENSATION USING HEALTH SYSTEM OPERATING REVENUES FOR FISCAL YEAR 2017-18 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 2017-18 Plan Year Short Term Incentive award of \$140,700 for John Stobo as Executive Vice President – UC Health, Office of the President. The recommended incentive award represents 22.2 percent of his annual base salary as of June 1, 2018.

Recommended Compensation

**Effective Date:** Upon approval

**Base Salary:** \$633,782 (2017-18 salary)

**Recommended CEMRP STI Award:** \$140,700 (22.2 percent of base salary)

**Target Cash Compensation:**\* \$774,482, 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 (2016-17 plan year)

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

**CEMRP 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)

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

The incentive compensation described above 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 against pre-established objectives such as quality improvements, patient satisfaction, 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 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, Dr. Stobo's achievement of CEMRP objectives is based on the approved systemwide objectives.

The Office of the President requests 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 of 2017-18 Clinical Enterprise (Systemwide) objectives (SW Obj). The results of the 2017-18 systemwide objectives are summarized below:

<b>Base Salary as of 6/1/18: \$633,782</b>	<b>Weight</b>	<b>Attainment Level</b>	<b>Award %</b>	<b>Award = (Base*Weight*Award %)</b>
SW Obj #1a	12%	Target	20%	\$15,211
SW Obj #1b	11%	Maximum	30%	\$20,915
SW Obj #1c	11%	Maximum	30%	\$20,915
SW Obj #2	33%	Maximum	30%	\$62,744
SW Obj #3	33%	Threshold	10%	\$20,915
<b>Total 2017-18 Award</b>				<b>\$140,700</b>

As outlined in the CEMRP 2017-18 Plan Document, Dr. Stobo's award opportunity percentages are: Threshold – ten percent; Target – 20 percent; Maximum – 30 percent.

Based on the achievement of the objectives as summarized above, the amount of the award proposed for Dr. Stobo is \$140,700, which is 22.2 percent of Dr. Stobo's base salary as of June 1, 2018.

Systemwide Objective #1 focused on improving the operating margin across the system through the efforts of the Leveraging Scale for Value (LSFV) initiative. LSFV creates a

collaborative effort across the UC Health System to accelerate aligned operations and ultimately improve quality, create greater value, and enhance the consolidated operating margin across UC Health. This objective consisted of three areas of measurement:

- a. Supply Chain and Procurement; result was an improvement of \$146.4 million, which is between the Target (\$125 million) and Maximum (\$150 million) attainment levels;
- b. Information Technology; result was \$26 million, which was at the Maximum attainment level (\$26 million);
- c. Labor Management; result was \$67.6 million, which was above the Maximum attainment level (\$10 million)

Systemwide Objective #2 focused on clinical improvement by developing sustainable, systemwide initiatives that result in the delivery of efficient, high-value, consistent clinical care across the UC Health System. The quality measure for 2017-18 was a reduction in excess bed days. The result was five medical centers achieving a four percent reduction in excess bed days, which exceeded the Maximum attainment level of five medical centers achieving at least a four percent reduction in excess bed days.

Systemwide Objective #3 focused on improving the Population Health Infrastructure by finding ways to expand and diversify the delivery model and source of patients for the UC Health System. The result was at Threshold, which required consolidating the existing campus-based population health work groups into a single workgroup for a systemwide effort, as well as identifying the top five priorities to be addressed by the workgroup. Target and Maximum attainment would have involved full development of the systemwide Population Health infrastructure and ultimately identifying a project that would result in expanding and diversifying services.

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, the members of which are prescribed in the CEMRP 2017-18 plan document.

Committee vote: Regents Kieffer, Lansing, Napolitano, Sherman, and Zettel voting "aye."

3. **APPOINTMENT OF AND COMPENSATION FOR BRADLEY SIMMONS AS INTERIM CHIEF EXECUTIVE OFFICER, UC DAVIS MEDICAL CENTER, DAVIS CAMPUS, IN ADDITION TO HIS EXISTING APPOINTMENT AS CHIEF OPERATING OFFICER, UC DAVIS MEDICAL CENTER, DAVIS 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 for Bradley Simmons as Interim Chief Executive Officer, UC Davis Medical Center, Davis campus, in addition to his existing appointment as Chief Operating Officer, UC Davis Medical Center, Davis campus:

- A. Per policy, appointment of Bradley Simmons as Interim Chief Executive Officer, UC Davis Medical Center, Davis campus effective October 1, 2018 through September 30, 2019 or until the appointment of a new Chief Executive Officer, UC Davis Medical Center, Davis campus, whichever occurs first.
- B. Per policy, continued appointment of Bradley Simmons as Chief Operating Officer, UC Davis Medical Center, Davis campus.
- C. Per policy, an annual base salary of \$732,022 during the appointment as Interim Chief Executive Officer, UC Davis Medical Center, Davis campus. At the conclusion of the interim appointment, Mr. Simmons's annual base salary will revert to his base salary in effect as of September 30, 2018 (\$592,250) plus any adjustments made under the UC Davis salary program during the interim appointment.
- D. Per policy, continued eligibility to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), at his current plan level with a target award of 15 percent of base salary (\$109,803) and a maximum potential award of 25 percent of base salary (\$183,006), subject to all applicable plan requirements and Administrative Oversight Committee approval. Mr. Simmons will not be eligible for participation in the Long Term Incentive (LTI) portion of the CEMRP plan. Actual award for the STI will be determined based on performance against pre-established objectives.
- E. 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).
- F. Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.

- G. Per policy, continuation of monthly contribution to the Senior Management Supplemental Benefit Program based on his continued appointment as Chief Operating Officer.

**COMPARATIVE ANALYSIS**

**Recommended Compensation**

**Effective Date:** October 1, 2018

**Annual Base Salary:** \$732,022

**Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term**

**Incentive (STI):** \$109,803 (at 15 percent target rate)

**Target Cash Compensation:\*** \$841,825

**Funding:** Non-State-Funded (UC Davis Medical Center Revenue)

**Current Compensation**

**Title:** Chief Executive Officer

**Annual Base Salary:** \$904,788

**Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term**

**Incentive**

**(STI):** \$180,958 (at 20 percent target rate)

**Target Cash Compensation:\*** \$1,085,746

**Funding:** Non-State-Funded (UC Davis Medical Center Revenue)

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

**COMPETITIVE ANALYSIS FOR INTERIM CHIEF EXECUTIVE OFFICER,  
UC DAVIS MEDICAL CENTER  
(MRZ TITLE: CHIEF EXECUTIVE OFFICER – UC DAVIS)**

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	\$809.0K	\$993.1K	\$1,075.7K	\$1,199.5K	\$1,358.9K	Market Data	\$863.4K	\$1,170.3K	\$1,290.1K	\$1,469.8K	\$1,855.1K
% Difference from Market	-9.5%	-26.3%	-31.9%	-39.0%	-46.1%	% Difference from Market	-2.5%	-28.1%	-34.7%	-42.7%	-54.6%

**Survey Source:** Mercer Integrated Health Networks (IHN) Compensation Survey, Integrated Health Care Strategies National Healthcare Leadership Compensation Survey and Sullivan Cotter

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: Health Services Committee Chair Lansing**  
**Office of the President, Systemwide Human Resources**

Background to Recommendation

The President of the University recommends approval for the appointment of and compensation for Bradley Simmons as Interim Chief Executive Officer (CEO), UC Davis Medical Center, Davis campus, in addition to his existing appointment as Chief Operating Officer (COO), UC Davis Medical Center, Davis campus. The current incumbent, Ann Madden Rice, has accepted the position of President of Abbott Northwestern Hospital and Senior Vice President, Allina Health Operations and will be leaving UC Davis on September 30, 2018.

Mr. Simmons will be appointed with a proposed base salary of \$732,022, effective for 12 months from October 1, 2018 through September 30, 2019 or until the appointment of a new CEO, whichever occurs first. At the conclusion of the interim appointment, Mr. Simmons will continue in his current position as Chief Operating Officer, UC Davis Medical Center, and his base salary will revert to his base salary in effect as of September 30, 2018 (\$592,250) plus any adjustments made under the UC Davis salary program during his interim appointment.

This is a Level One Senior Management Group (SMG) position. The proposed base salary of \$732,022 will compensate Mr. Simmons for his work as Interim CEO and as COO. It represents an increase of 23.6 percent over Mr. Simmons's current base salary (\$592,250) and is 9.5 percent below the 25th percentile (\$809,000) of the Market Reference Zone (MRZ) for the CEO position. Additionally, the salary is 19.1 percent below the current incumbent's base salary (\$904,788). The proposed base salary and position in the MRZ are appropriate given Mr. Simmons' qualifications and experience. Mr. Simmons will maintain a 100 percent appointment.

The Davis campus does not propose any other changes to Mr. Simmons's compensation, and there are no proposed exceptions to policy.

Mr. Simmons will continue to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), at his current plan level with a target award of 15 percent of base salary (\$109,803) and a maximum potential award of 25 percent of base salary (\$183,006), subject to all applicable plan requirements and Administrative Oversight Committee approval. Mr. Simmons will not be eligible for participation in the Long Term Incentive (LTI) portion of the CEMRP plan. Actual award for the STI will be determined based on performance against pre-established objectives.

As Interim CEO, Mr. Simmons will report directly to the Vice Chancellor – Human Health Sciences and CEO for UC Davis Health, David Lubarsky. Mr. Simmons will also

continue to serve as the Chief Operating Officer for the UC Davis Medical Center during this interim period, thus will hold a dual role as CEO and COO.

Mr. Simmons will oversee more than 6,500 employees who support the operations of an acute care teaching hospital licensed at over 600 beds. The Medical Center, which includes primary and specialty clinics in ten communities, has an annual operating budget of more than \$1 billion and serves a region of six million residents in 33 counties in Northern and Central California, recording nearly one million patient visits annually. It is the sole provider of a number of services for inland Northern California, including a Level 1 trauma center, a full-service children's hospital and pediatric emergency department, and a National Cancer Institute-designated Cancer Center.

Mr. Simmons is recognized as a seasoned leader in academic medicine and joined UC Davis Health as the Chief Operating Officer, UC Davis Medical Center in June 2016. In his current role as COO, Mr. Simmons reports to the CEO of the Medical Center and has delegated operational responsibility and accountability for inpatient and outpatient operations for the medical center. He oversees most hospital administrative functions, co-leads ambulatory services and represents the medical center externally in a variety of settings. Due to his direct experience managing the Medical Center, campus leadership has concluded that it is best to have Mr. Simmons serve in this interim role while a competitive recruitment to fill the career position occurs.

Prior to joining UC Davis Medical Center, Mr. Simmons served as Chief Operating Officer at St. Luke's Hospital in Kansas City. He served as the leader of day-to-day operations for a 622-bed, nationally recognized tertiary care teaching and research hospital. Prior to joining St. Luke's in 2012, Mr. Simmons served as a senior vice president with Parkland Health and Hospital System, where he significantly improved emergency department throughput and was a key contributor to the development of a \$2.5 billion replacement hospital.

Mr. Simmons received his Master of Health Administration from Washington University, St. Louis, Missouri and his Bachelor of Business Administration, Human Resources Management, Insurance and Risk Management, from Baylor University, Waco, Texas.

Funding for this position will come entirely from non-State funds, specifically from UC Davis Medical Center revenue.

Committee vote: Regents Kieffer, Lansing, Napolitano, Sherman, and Zettel voting "aye."