

The Regents of the University of California

HEALTH SERVICES COMMITTEE

June 5, 2018

The Health Services Committee met on the above date at the Luskin Conference Center, Los Angeles campus.

Members present: Regents Lansing and Sherman; Ex officio members Kieffer and Napolitano; Executive Vice President Stobo; Chancellors Block and Hawgood; Advisory members Dimsdale and Lipstein

In attendance: Regents Guber, Park, and Zettel, Regents-designate Graves and Morimoto, Secretary and Chief of Staff Shaw, Deputy General Counsel Nosowsky, Vice President Duckett, and Recording Secretary McCarthy

The meeting convened at 2:45 p.m. with Committee Chair Lansing presiding.

1. **PUBLIC COMMENT**

Mr. Jim Rockoff expressed skepticism about jin shin jyutsu, a form of acupressure therapy. This and other alternative therapies or “integrative medicine” were offered at some UC Health facilities. While not all integrative medicine was useless, many treatments were being offered and taught that should not be. He asked the Committee to investigate this matter and prevent the practice of useless treatments.

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

Upon motion duly made and seconded, the minutes of the meeting of April 13, 2018 were approved.

3. **REMARKS OF THE EXECUTIVE VICE PRESIDENT – UC HEALTH**

[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.]

Due to time constraints, Executive Vice President Stobo did not make remarks, but drew attention to UC Health financial data that had been provided. These data indicated that the UC medical centers were moving in a good financial direction from one year to the next.

4. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR RICHARD GANNOTTA AS CHIEF EXECUTIVE OFFICER, UC IRVINE HEALTH SYSTEM, IRVINE 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 for Richard Gannotta as Chief Executive Officer, UC Irvine Health System, Irvine campus:

- A. Per policy, appointment of Richard Gannotta as Chief Executive Officer, UC Irvine Health System, Irvine campus, at 100 percent time.
- B. Per policy, annual base salary of \$780,000, which will be funded by Health Enterprise revenues. No State funds will be used.
- C. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan's (CEMRP) Short Term Incentive (STI) component, with a target award of 20 percent of base salary (\$156,000) and maximum potential award of 30 percent of base salary (\$234,000), subject to all applicable plan requirements and Administrative Oversight Committee approval. Actual award will be determined based on performance against pre-established objectives.
- D. Per policy, starting in the 2018-19 plan year, eligibility to participate in CEMRP's Long Term Incentive (LTI) component, with a target award of ten percent of base salary and a maximum potential award of 15 percent of base salary, subject to all applicable plan requirements and Administrative Oversight Committee approval. As the LTI uses rolling three-year performance periods, the first possible award payout would be after the end of the 2020-21 Plan Year. Actual award will be determined based on performance against pre-established objectives and may be pro-rated in Mr. Gannotta's first three-year period of participation based on the date of appointment.
- E. Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all program requirements.
- F. Per policy, continued eligibility to participate in standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and executive salary continuation for disability after five years of Senior Management Group service). Mr. Gannotta will not receive monthly contributions to the Senior Management Supplemental Benefit Program or an annual automobile allowance.
- G. For any outside professional activities related to his professional expertise, Mr. Gannotta will comply with current Outside Professional Activity (OPA)

policies.

H. This action will be effective upon approval.

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 for Richard Gannotta as Chief Executive Officer, UC Irvine Health System, Irvine campus, effective upon approval. The prior career incumbent, Dr. Howard Federoff, Vice Chancellor for Health Affairs and System Chief Executive Officer (CEO), stepped down on February 5, 2018.

Following Dr. Federoff's departure, Mr. Gannotta has been serving as Interim CEO since February 6, 2018. The Irvine campus is returning to a previous management structure where the position of Vice Chancellor for Health Affairs and CEO are two separate positions, each of which has its own distinct Market Reference Zone. The Interim Vice Chancellor for Health Affairs, Alan Goldin, reports directly to the Chancellor. The Irvine campus has initiated recruitment for the Vice Chancellor for Health Affairs role, which is classified as a Level Two position in the Senior Management Group (SMG). The Chief Executive Officer position is classified as a Level One SMG position and requires approval by the Regents. As Interim CEO, Mr. Gannotta currently reports directly to the Chancellor and will continue to report directly to the Chancellor until a career appointee is hired for the Vice Chancellor for Health Affairs position.

The campus has concluded a national competitive recruitment for the CEO position, and Mr. Gannotta was identified as the top candidate from a broad and diverse applicant pool.

The campus is proposing a base salary of \$780,000, which is 5.3 percent below the former career incumbent's base salary (\$824,000) and 7.6 percent below the 50th percentile of the Market Reference Zone (MRZ) for this position (\$844,400). The proposed base salary represents a 30 percent increase over Mr. Gannotta's previous base salary (\$600,000) as Chief Operating Officer – UC Irvine Health prior to his appointment as Interim CEO – UC Irvine Health System. The proposed base salary is 14.9 percent above Mr. Gannotta's interim salary of \$679,000.

The proposed base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation, and reflects an appropriate salary, taking into account the scope of responsibilities as well as Mr. Gannotta's depth and breadth of experience.

The CEO – UC Irvine Health System is responsible for visionary and strategic leadership of Orange County’s only academic medical center. The CEO is accountable for operational oversight for the inpatient and ambulatory settings, and for ensuring that care is delivered effectively and efficiently, with a focus on growing ambulatory services. The CEO works closely with the Chancellor and the Vice Chancellor for Health Affairs to ensure a strategic alignment between the clinical enterprise and the academic and research mission of the Susan and Henry Samueli College of Health Sciences. The CEO provides vision and strategic planning in the ever-changing healthcare environment, drives operational excellence in the delivery of high-quality, patient-centered care, builds key alliances and partnerships in the community and across the UC Health system, and embraces the aspirations of the UC Irvine Health System to be a preeminent academic medical center.

Mr. Gannotta joined UC Irvine in March 2017 in the role of Chief Operating Officer for UC Irvine Health System. In this role, Mr. Gannotta has held operational accountability for inpatient and outpatient operations for the medical center. He has overseen most of the hospital administrative functions, has co-led ambulatory services and has represented the medical center externally in a variety of settings.

Prior to joining UC Irvine, Mr. Gannotta served as Senior Vice President of Hospitals at New York City (NYC) Health and Hospitals. In this role, Mr. Gannotta oversaw NYC Health and Hospitals’ 11 public hospitals. NYC Health and Hospitals is the largest public healthcare system in the nation, with a network of 11 hospitals, trauma centers, neighborhood health centers, nursing homes, and post-acute care centers. NYC Health and Hospitals provides essential services to more than one million New Yorkers every year and has a workforce of more than 42,000 employees.

Previously, Mr. Gannotta was president at Northwestern Memorial Hospital in Chicago (NMHC) where he led hospital operations, working closely with the leadership of NMHC and Northwestern University Feinberg School of Medicine to advance Northwestern Medicine in the shared vision of the health system and medical school.

He also has held various executive positions at Duke University Health System/Duke Raleigh (N.C.) Hospital and Raleigh-based WakeMed Health and Hospitals. At Duke, he worked closely with department chairs at the Duke University School of Medicine on clinical alignment, program development, and physician recruitment to expand the hospital’s primary and specialty care practices. Through those collaborations, and with the partnership of administrative teams, Mr. Gannotta’s leadership efforts increased market share for the Duke health system by strengthening Duke Raleigh’s financial position and clinical programs. The hospital also achieved top performance in patient satisfaction and, for the first time, attained Nurse Magnet Status, a designation bestowed on only five percent of the nation’s hospitals.

Mr. Gannotta received his bachelor’s degree in nursing and nurse practitioner certification from Florida International University, his master’s degree in business administration from Campbell University, and a Ph.D. in healthcare administration from the Medical University of South Carolina.

[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.]

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

5. **UC OFFICE OF THE PRESIDENT RESTRUCTURING EFFORT: UC HEALTH ADVISORY COMMITTEE UPDATE**

[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 UC Health Advisory Committee had been formed by President Napolitano to advise her on the recommendations of the report by Huron Consulting that concerned restructuring of the UC Health division office within the Office of the President (UCOP). This committee was chaired by Advisory member Lipstein.

Mr. Lipstein outlined the UC Health Advisory Committee membership, which included Regents and chancellors as well as UC Health, UCOP, and Academic Senate representatives. The Committee's charge was to identify problems associated with how UC Health currently functioned within UCOP, and obstacles that hindered it from carrying out its responsibilities. The Committee would collect information from a variety of sources, develop recommendations to remove barriers and mitigate risks, and respond to the recommendations made by Huron Consulting. The Committee would provide a preliminary draft of recommendations to President Napolitano. These recommendations would then be shared with the University community for input and comments, and subsequently brought back to the Health Services Committee and to the full Board of Regents. There would be ample opportunity for the Regents and all UC stakeholder groups to have input into the process.

Mr. Lipstein stressed that the focus of this Committee's work was only on the UC Health division office at UCOP, not on activities that take place outside that office or on the campuses. UC Health at UCOP has important relationships with other UCOP units, with the Health Services Committee, with the Board of Regents, and with stakeholders on campuses. As an enterprise, UC Health at UCOP and the academic medical centers must also be responsive to developments in the American healthcare system and in the major population centers of the State of California. Health care in the United States was experiencing an affordability crisis.

The recent audit of UCOP by the California State Auditor might result in some financial and operational restrictions. Forty percent of the University's total revenues come from patient care activity, and another eight percent from research activity associated with the medical schools and the healthcare enterprise. Mr. Lipstein noted that these percentages would not decrease in the future, but grow. The Committee was trying to envision the future state of the academic medical centers within the broader University, and to position UC

Health to ensure future success. Declining reimbursement rates would be a serious challenge. The federal government was operating at a budget deficit and increasing its debt at an unsustainable rate. The State of California had always operated under significant fiscal constraints, and most Californians were beginning to find health insurance to be increasingly unaffordable. These challenges would have a direct impact on the University and on 50 percent of its operating resources, derived from UC Health activities.

Universities operate in a different market and employment environment than the healthcare delivery system. The Committee wished to ensure that the healthcare enterprise and the University are equally nimble and adept at serving their respective stakeholders, recognizing that the employment market for nurses may be very different than the employment market for faculty. There is an important symbiotic relationship between the UC Health division office at UCOP and the medical centers. The Committee was occupied with the question of balancing local authority with realizing the full collaborative potential of the medical center campuses.

The Committee had formulated draft principles to guide the development of its recommendations. The Committee would solicit feedback from stakeholders and seek to document this as a list of pros and cons regarding its recommendations; these would subsequently be shared with President Napolitano. One of the Huron Consulting recommendations was to move the UC Health division office from its current status as a unit at UCOP to being a separate location. The meaning and implications of this recommendation were not clear to the members of the Committee. Mr. Lipstein had asked Chancellor Khosla and Dr. Stobo to define what this status as a separate location would mean, what its implications for the authority of the UC Health division office, the authority of the campuses, and the authority of the President of the University would be, and what might change or not change. The idea of the location status caused some uneasiness, but it had not yet been defined. Another question to be taken up by the Committee concerned the sources and uses of funds available to the UC Health division office. Two further recommendations from the Huron Consulting report concerned the administrative locations of UC's self-funded health insurance plans and of Student Health and Counseling. The Committee would also consider the fact that UC serves as an employer, an insurer, and a provider of healthcare services and has an inherent economic interest in keeping as much of the health insurance premium associated with self-funded plans as possible inside the organization, in encouraging its employees to use its services. This is the case for most healthcare employers in the U.S. who are also providers and have self-funded plans. However, UC is a large university, and not all its employees work for UC Health; the Committee would have to take this into account.

Regent Sherman observed that the members of the UC Health Advisory Committee did not come to the discussions with any preconceived outcome, but with an open mind.

Chair Kieffer requested that there be an extensive presentation on UC Health to the full Board at the September meeting. Those Regents not on the Health Services Committee would have to familiarize themselves with UC Health issues and the pressures affecting

the medical centers. Committee Chair Lansing added that this presentation should include the outside advisors and medical center chief executive officers.

Regent Park referred to the various options from the Huron Consulting report listed on a slide and asked if they represented the full scope of options. Mr. Lipstein responded in the negative. After their first meeting, members of the UC Health Advisory Committee were asked to complete a matrix, indicating their view of the risks and benefits of these options, and suggesting any other options the Committee should consider. Other stakeholder groups would also be asked about additional options the Committee should consider.

Regent Park asked if the categories of options, such as locations and funding of the UC Health division office, and location of the self-funded health plans, represented the scope of the Committee's activity. Mr. Lipstein responded that two issues had been receiving the most attention so far. The first was positioning UC Health so that it can be responsive to the needs of the medical centers and campuses, to derive the maximum benefit of working as a system, and the question of the most effective governance and oversight of this structure. The second issue was making UC Health activities transparent to all stakeholders, ensuring accountability and confidence that the UC Health division office is acting in the best interest of the campuses and the University.

Regent Park observed that the Committee's plan was ambitious within the time frame proposed. She referred to language describing one option for the UC Health division office, which would be "governed by a committee of interested stakeholders, including chancellors." This would need to be defined specifically, and it must be made clear what this model of governance would entail. Mr. Lipstein concurred that the details of the governance and oversight model were very important.

Advisory member Dimsdale expressed concern about the proposed time frame. If major changes were going to be proposed, this process should be given more time. He urged the University to proceed with caution, noting that there may be very good reasons for the existence of some current structures. The University should not make changes that could bring harm to UC Health because of transitory political concerns. Mr. Lipstein responded that the Academic Senate had also expressed concern about the pace of this process and advised taking a conservative approach to problem resolution. In his own view, a longer process would not necessarily produce a better outcome.

6. **CLINICAL QUALITY DASHBOARD FOR UNIVERSITY OF CALIFORNIA MEDICAL CENTERS**

[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 noted that the clinical quality dashboard information for the UC medical centers had been provided to the Committee. She asked UCLA Health Chief Medical and Quality Officer Robert Cherry if there were any "red flags," specific figures or data points that were cause for concern. Dr. Cherry responded in the negative.

7. **UPDATE ON STUDENT HEALTH AND COUNSELING 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.]

Committee Chair Lansing suggested that this item be presented to the full Board at a future meeting.

The meeting adjourned at 3:15 p.m.

Attest:

Secretary and Chief of Staff