The Regents of the University of California

HEALTH SERVICES COMMITTEE
January 18, 2022

The Health Services Committee met on the above date by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present: Regents Guber, Lansing, Park, Pérez, Sherman, and Sures; Ex officio members Drake and Estolano; Executive Vice President Byington; Chancellors Block, Hawgood, and Khosla

In attendance: Regents Hernandez, Kounalakis, Leib, Lott, Reilly, and Zaragoza, Regents-designate Blas Pedral and Timmons, Faculty Representatives Cochran and Horwitz, Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President and Chief Operating Officer Nava, Vice President Lloyd, Chancellors Larive, Muñoz, and Wilcox, and Recording Secretary Johns

The meeting convened at 3:10 p.m. with Committee Chair Pérez presiding.

1. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR SURESH GUNASEKARAN AS CHIEF EXECUTIVE OFFICER, UCSF HEALTH, SAN FRANCISCO CAMPUS AS DISCUSSED IN CLOSED SESSION**

The President of the University recommended that the Health Services Committee approve the following items in connection with the appointment of and compensation for Suresh Gunasekaran as Chief Executive Officer, UCSF Health, San Francisco campus:

A. Per policy, appointment of Suresh Gunasekaran as Chief Executive Officer, UCSF Health, San Francisco campus, at 100 percent time.

B. Per policy, an annual base salary of $1.85 million.

C. Per policy, a hiring bonus of 20 percent of base salary ($370,000), which is intended to make the hiring offer market-competitive and assist in securing acceptance of the offer. The hiring bonus will be paid in a lump sum subject to the following repayment schedule if Mr. Gunasekaran separates from the University or accepts an appointment at another University of California location within two years of the 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 and starting in the 2022–23 plan year, 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

($370,000) and maximum potential award of 30 percent of base salary ($555,000), subject to all applicable plan requirements and Administrative Oversight Committee approval. The 2022–23 plan year starts on July 1, 2022 and ends on June 30, 2023, and the first possible short term incentive award will be determined following the close of the 2022-23 plan year. Any actual award will be determined based on performance against pre-established objectives and may be prorated in the first year of participation.

E. Per policy and starting in the 2022–25 performance period, eligibility to participate in the Clinical Enterprise Management Recognition Plan's (CEMRP) 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. The 2022–25 performance period starts on July 1, 2022 and ends on June 30, 2025, and the first possible long term incentive award will be determined following the close of the 2022–25 performance period. The LTI uses rolling three-year performance periods, and any actual award will be determined based on performance against pre-established objectives over each three-year LTI performance period.

F. Per policy, standard pension and health and welfare benefits and standard senior management benefits, including eligibility for senior management life insurance upon start date and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service.

G. Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating Mr. Gunasekaran's primary residence, subject to the limitations under Regents Policy 7710: Senior Management Group Moving Reimbursement.

H. Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.

I. The new Chief Executive Officer will comply with the Senior Management Group Outside Professional Activities (OPA) policy and reporting requirements.

J. This action will be effective on the start date of March 1, 2022.

The compensation described above shall constitute the University's total commitment until modified by the Regents, 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 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.]

Vice President Lloyd introduced this item for the appointment of and compensation for Suresh Gunasekaran as Chief Executive Officer, UCSF Health, San Francisco campus. This Chief Executive Officer position was classified as a Level One position in the Senior Management Group and the action required approval by the Regents through the Health Services Committee. The position serves UC Health, and compensation would be paid solely from sources other than State General Fund support to the University. Therefore, the Health Services Committee may review and approve this item with no further action needed by the full Board.

The previous career incumbent, Mark Laret, retired on December 31, 2021. In early 2021, when Mr. Laret announced his retirement, the campus launched an extensive national competitive recruitment for the Chief Executive Officer position and identified Mr. Gunasekaran as the top candidate from a broad and diverse applicant pool. This action would be effective on the candidate's start date, estimated to be March 1, 2022, at 100 percent time. The proposed base salary of $1.85 million was 3.9 percent above the 75th percentile of the Market Reference Zone (MRZ) for the position and 21.9 percent above the current incumbent's base salary of $1,517,000. The proposed base salary and its placement in the MRZ were consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation. There was a very scarce candidate pool for this position, and the unique skills and expertise required for this position set this candidate apart from internal and external peers. Overseeing the UCSF Health System was a highly complex job, broader in scope than those of peers and benchmarks for positions used in surveys of the applicable market.

Mr. Gunasekaran was not a current or past employee of UC, and, despite extensive recruiting efforts, the position was difficult to fill, as the talent pool for chief executive officers in academic health systems was small, in particular for highly skilled and diverse leaders. The campus noted that this candidate voluntarily disclosed that he was forfeiting compensation and accrued benefits from his current employer to accept this Chief Executive Officer position at UCSF. Therefore, it was within policy that a hiring bonus equivalent to 20 percent of the proposed base salary ($370,000) was being recommended within the parameters of Regents Policy 7705, Senior Management Group Hiring Bonus.

Additionally, this candidate was eligible for participation in both the short-term and long-term elements of the Clinical Enterprise Management Recognition Plan (CEMRP). Between now and the end of calendar year 2023, potential cash compensation, including base salary, hiring bonus, and a Short Term Incentive award at Target 20 percent could equal $2,590,000. Reporting directly to the UCSF Chancellor, the Chief Executive Officer of UCSF Health would lead the clinical care enterprise toward UCSF's Vision 2025, charting a path for continued growth as the organization continues to grow as a large integrated network to meet the needs of the community and keep pace in a changing healthcare landscape. This candidate had more than 20 years of experience in healthcare administration and healthcare information technology. He joined the University of Iowa health enterprise in November 2018, serving as the Chief Executive Officer, overseeing the operational, strategic, and financial performance for a comprehensive academic medical center. In his current role, he worked closely with University of Iowa health enterprise leaders to advance the organization's three-part mission of biomedical research, medical education and training, and patient care. He earned his MBA with honors from Southern Methodist University in Dallas, Texas.

Chancellor Hawgood expressed enthusiasm about this exceptional candidate for the role of Chief Executive Officer of UCSF Health. UCLA Health Sciences Vice Chancellor John Mazziotta expressed support for the action. This individual had the special talents and qualities required for managing a health system. UCLA Health President Johnese Spisso noted that she had served on the search committee and congratulated Chancellor Hawgood on coming to this decision. UC Davis Human Health Sciences Vice Chancellor David Lubarsky commented that it was difficult to execute a search for this type of position, and the outcome of this search was commendable. UC Irvine Health Chief Executive Officer Chad Lefteris congratulated the search committee on identifying an outstanding candidate. UC Irvine Health Vice Chancellor Steven Goldstein concurred that this was a difficult job to fill. The search proceeded in an excellent manner.

Committee Chair Pérez asked where this compensation level was in the 2019 MRZ. Ms. Lloyd responded that the proposed base salary was 3.9 percent above the 75th percentile of the 2019 MRZ. She acknowledged that the University was behind on the MRZ.

Committee Chair Pérez asked if compensation for UC nurses was above or below the 75th percentile of the MRZ. Ms. Lloyd responded that nurses were paid and their salaries were bargained using a different pay scale, not these MRZs. Committee Chair Pérez asked if other hospital staff, those who transport patients, were paid at or above the 75th percentile for their comparators. Ms. Lloyd responded that most of UC's other pay categories were at market, while the Senior Management Group salaries currently lagged the market. Committee Chair Pérez countered that the 75th percentile was not behind. Ms. Lloyd responded that the MRZs were not current. The contract for UC nurses would be opened later this year. Committee Chair Pérez asked if this contract compensation would be at or above the 75th percentile for comparators. Ms. Lloyd responded that this contract would have to be bargained.

Committee Chair Pérez commented that the University presented executive compensation differently than compensation for a broad cross-section of its employees. This position was eligible for CEMRP compensation, and CEMRP compensation was based on the performance of the overall institution, which includes subordinates. He supported the action but had questions about equity in how UC discusses these matters. According to the information provided, the candidate voluntarily disclosed something which was beneficial to him and which triggered a 20 percent hiring bonus. In Committee Chair Pérez's view, this was not so much a voluntary disclosure as a negotiating tactic. He did not fault a candidate for seeking the best compensation possible, but UC, as the employer, should be forthright and state that the candidate made a compelling case that he was leaving money on the table at the position he was leaving. It was appropriate for a candidate to ask for compensation he or she felt was appropriate. The University should be forthright in how it characterizes these actions. He understood that UC must sometimes provide salaries above the middle of market ranges in order to secure a candidate in alignment with UC needs and he trusted that Chancellor Hawgood and the search committee took this into account. The University must be consistent in how it views questions of equity. There were different subsets of UC employees at different levels who did not always benefit from consistency in questions of equity.

Upon motion duly made and seconded, the Committee approved the President's recommendation, Regents Drake, Estolano, Guber, Lansing, Park, Pérez, Sherman, and Sures voting "aye."

2. **PROPOSED REQUEST FOR THE PENINSULA OUTPATIENT CENTER TENANT IMPROVEMENTS, SAN FRANCISCO CAMPUS**

The President of the University recommended that the Health Services Committee authorize the San Francisco campus to request approval from the Regents, through the Finance and Capital Strategies Committee for (1) preliminary plans funding for the Peninsula Outpatient Center Tenant Improvements project and (2) budget and design pursuant to the California Environmental Quality Act for the project at a future date, and (3) any amendment or modification to the foregoing.

No irrevocable commitment is being made through this authorization.

[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.]

Chancellor Hawgood explained that this item was a request to move ahead with tenant improvements for a leased building in Burlingame, San Mateo County, for the development of ambulatory surgery, imaging, infusion, and a cancer center. This facility would complement existing UCSF clinics in San Mateo County. The total cost of the tenant improvements was $78 million, which exceeded Chancellor Hawgood's delegated authority by $8 million. Following approval by the Health Services Committee, UCSF would present an item to the Finance and Capital Strategies Committee the following day for approval of preliminary plans funding of $2.5 million. UCSF would seek full funding at a later date.

Regent Sures remarked that the cost was $78 million for a building that UCSF was leasing. He asked how long the lease was and how much tenant improvement allowance UCSF was receiving. Chancellor Hawgood responded that the tenant improvement allowance was about $8.4 million. With regard to the length of the lease, he believed that it was a 15-year renewable term.

Regent Sures hoped that, if the University invested $78 million in a building, it would have the building for a lengthy period of time. Chancellor Hawgood expressed agreement. This was a new building in cold shell condition that was built for health care. UCSF had evaluated the options of building a new structure from the ground up or renovating a building that had served another function. The proposed option was found to be the most economical and the quickest to market that UCSF could achieve.

Student Observer Steven Gong introduced himself. He was an undergraduate at UC Irvine, studying human biology, economics, and social science, and served as the chief financial officer of the UC Student Association. It would be an honor to serve as Student Observer to the Committee.

Upon motion duly made and seconded, the Committee approved the President's recommendation, Regents Drake, Estolano, Guber, Lansing, Park, Pérez, Sherman, and Sures voting "aye."

The meeting adjourned at 3:35 p.m.

Attest:

Secretary and Chief of Staff