

The Regents of the University of California

HEALTH SERVICES COMMITTEE

July 16, 2024

The Health Services Committee met on the above date at the UCSF–Mission Bay Conference Center, San Francisco campus and by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present: Regents Batchlor, Makarechian, Sherman, and Sures; Ex officio members Drake and Reilly; Executive Vice President Rubin; Chancellors Hawgood and Wilcox; Advisory member Ong

In attendance: Regent Beharry, Regents-designate Komoto and Wang, Faculty Representatives Cheung and Steintrager, Secretary and Chief of Staff Lyall, Interim Deputy General Counsel Sze, and Recording Secretary Johns

The meeting convened at 3:30 p.m. with Regent Reilly presiding. She welcomed the Committee's new advisory member, Michael Ong, M.D., Professor in Residence of medicine and health policy and management at UCLA. Dr. Ong was currently the Associate Chief of Staff for Research and Development, and was Hospitalist Chief from 2018 to 2022, at the VA Greater Los Angeles Healthcare System. Dr. Ong is a practicing general internist, and his research interests have focused on improving the delivery of appropriate and efficient health care by general internal medicine physicians. He was currently Chair of the State of California Tobacco Education and Research Oversight Committee.

1. PUBLIC COMMENT

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

- A. Joselen Contreras, a UC Berkeley student, urged the Regents to issue a systemwide baseline standard for collegiate recovery programs on every UC campus to be professionally staffed by at least one full-time coordinator with dedicated space, funding, and infrastructure. Investing in collegiate recovery programs would promote the University's goal of achieving higher overall graduation rates. Because there were no systemwide standards, collegiate recovery programs have developed independently on the campuses, with wide disparities. There were currently no collegiate recovery programs at UC Irvine, UC Riverside, UCSF, and UC Merced. Ms. Contreras emphasized the need for these programs.
- B. Aditi Hariharan, a UC Davis student, reiterated Ms. Contreras' request for collegiate recovery programs on each campus. In 2012, the University of Texas system decided to invest in collegiate recovery programs on all its campuses. The success rate of collegiate recovery programs was impressive. Research showed that

92 percent of students involved in these programs stayed on the path of recovery, and 90 percent remained in recovery for at least five years after graduation. According to the Association of Recovery in Higher Education, because recovery programs provide students with the connections and support that they need, they save the surrounding communities over \$3,000 per student per year.

- C. Cassidy Miller, a UC Santa Barbara student, thanked the Regents for placing the topic of collegiate recovery programs on the agenda of the Academic and Student Affairs Committee the following day. She reiterated the request mentioned by previous speakers for collegiate recovery programs to be established at every campus. She asked the chancellors to secure funding and to ensure a systemwide baseline. Substance use and addiction challenges were uniquely prevalent on college campuses.
- D. Liza Tacher, parent of a UC student, expressed alarm at the propagation of extreme and violent ideologies on campus. It is unacceptable for any organization to advocate for the extermination of another group. With the rise of antisemitism at UC, the safety and well-being of Jewish students must be prioritized. She applauded Chancellor Khosla for removing the illegal encampment. Ms. Tacher drew attention to a shift in the mindset of students, in which acceptance and diversity have been replaced by division and hatred. Faculty have disseminated misinformation and bias, and this further contributed to the spread of hatred and division on campus.
- E. UCLA Professor Judea Pearl spoke on behalf of more than 400 UCLA faculty for whom Israel and Zionism were an integral part of their identity. Since October 7, 2023, their community has been subjected to harassment, exclusion, incrimination, and dehumanization. These range from posters stating that Zionists are unwelcome to outrageous allegations that Zionist doctors are unfit to treat hospital patients. The Regents must now strengthen Regents Policy 4403, Statement of Principles Against Intolerance, to state explicitly that anti-Zionism and other forms of discrimination have no place in the University.
- F. Frank Treadway, a resident of Redding in Shasta County, requested that the Regents consider Redding as the location of the next UC campus. Redding is located on Interstate 5 and in a scenic area. Mr. Treadway was a member of a committee that had been exploring and gathering information on this idea since 2016. He acknowledged that the establishment of a new campus is a long process with many steps. The proponents of this idea hoped that such a campus would include a School of Medicine.
- G. Kira Stein spoke on behalf of the Jewish Faculty Resilience Group at UCLA (JFrg). She reported that, a few months after the October 7, 2023 attack on Israel, a person in the School of Medicine gave a lecture idolizing the terrorists who perpetrated those atrocities. The Regents must call out this and other anti-Jewish incidents. The UCLA Jewish community had been shown no empathy or support. Dr. Stein urged

the University to protect the rights and safety of Jewish students, faculty, and patients.

- H. Elina Veytsman, psychologist at the UCLA School of Medicine, spoke on behalf of JFrg. JFrg endorsed item J2, *Adoption of Regents Policy on Public and Discretionary Statements by Academic Units*, but did not understand the language in the proposal limiting the policy to particular types of websites. Any statement by a department would be taken as the official position of the University no matter where it is found. Such declarations can be coercive for junior faculty, non-tenured faculty, staff, students, and job applicants. JFrg urged passage of J2 but hoped that the Regents would consider a more complete ban on departmental statements. Individuals as individuals are free to express their political views, while departments of public universities should not make such statements.
- I. Jeffrey Young, associate clinical professor in the Department of Psychiatry at UCLA, spoke on behalf of JFrg. JFrg endorsed the passage of item J2 as a useful first step. The elaborate attempt to define landing pages of departmental websites was odd and self-defeating. From the public perspective, a political position taken by a department of a public university would be taken as the official stance of the university no matter how it is delivered and no matter what qualifications are added. Individuals clearly are free to make statements about political matters; departments, however, as official units of the University, should not make such statements.
- J. Henry Friedman, professor at the UCLA Anderson School of Management, spoke on behalf of JFrg. JFrg endorsed item J2 but had reservations about its limited scope. Positions taken by departments would be taken as the official stance of the University. No one outside the University would differentiate between department statements on University landing pages versus statements in tweets, op-eds, or any other forum. Individuals are free to make statements on their own behalf, but departments should not be making political statements.

The Committee recessed at 3:50 p.m.

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The Committee reconvened at 4:20 p.m. with Regent Reilly presiding.

Members present: Regents Batchlor, Makarechian, Sherman, and Sures; Ex officio members Drake and Reilly; Executive Vice President Rubin; Chancellors Hawgood and Wilcox; Advisory member Ong

In attendance: Regent Beharry, Regents-designate Komoto and Wang, Faculty Representatives Cheung and Steintrager, Secretary and Chief of Staff Lyall, Interim Deputy General Counsel Corner and Sze, Executive Vice President and Chief Operating Officer Nava, Vice President Lloyd, and Recording Secretary Johns

2. **RATIFICATION OF ASSURANCE OF VOLUNTARY COMPLIANCE FOR ACQUISITION OF DIGNITY HEALTH FACILITIES, SAN FRANCISCO CAMPUS**

The President of the University recommended that the Regents ratify the Assurance of Voluntary Compliance, shown in Attachment 1, which sets forth the terms and conditions upon which the Office of the Attorney General will conclude its review of UCSF Health's acquisition of St. Mary's Medical Center, Saint Francis Memorial Hospital, and related clinical assets in the City and County of San Francisco.

[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 recalled that the Regents in July 2023 approved UCSF's proposal to purchase clinical assets of Dignity Health and its affiliates in the City and County of San Francisco. Consistent with this approval, UCSF has signed agreements and planned to close the transaction at the end of the current month. In the last few months, UCSF has been in discussions and negotiations with the Office of the California Attorney General and reached an agreement on the proposed Assurance of Voluntary Compliance.

Sophia TonNu, representative of the Attorney General's Office, confirmed that the Attorney General reached a settlement agreement with the Regents under which UCSF Health would commit to maintain services, including for the unhoused and for Medi-Cal and Medicare beneficiaries at Saint Francis Memorial Hospital and St. Mary's Medical Center for at least ten years and to provide \$430 million in capital investments. There were also conditions to protect healthcare competition in the City and County of San Francisco. The agreement included provisions to ensure compliance, with an ongoing role for the Attorney General. The Attorney General's Office appreciated the cooperation of all parties including the Regents and UCSF Health and believed that this consensual resolution would continue to safeguard the affordability of and access to hospital and physician services for the residents of San Francisco in the future.

UCSF Health Chief Counsel Rachel Nosowsky summarized UCSF's commitments to the Attorney General regarding the operation of the Dignity Health hospitals following the closing of the acquisition. UCSF has agreed to maintain or expand existing services at the facilities for at least ten years. UCSF would invest at least \$430 million in the facilities, including \$80 million for electronic medical records and \$350 million for deferred maintenance and physical infrastructure. UCSF has made a language access commitment for at least ten years, consistent with the language access UCSF provides to patients every day. UCSF has made a nondiscrimination commitment and other commitments which would be overseen by the Attorney General, an independent monitor, and a community advisory board. UCSF has agreed to increase charity care, currently around \$10 million annually, by at least 2.4 percent per year over ten years; and to increase investment in community benefit programs, currently slightly over \$12 million a year, also by at least 2.4 percent per year over ten years. UCSF has agreed to continue participation in Medi-Cal and Medicare programs on terms consistent with present terms and to maintain

City and County service agreements. The agreement also included competition commitments, designed to ensure that these hospitals continue to operate as community hospitals; they would have open medical staffs, so that an individual would not have to have any affiliation with UCSF in order to be a member of the medical staff. There was no exclusivity in favor of UCSF or any UCSF affiliate. The hospitals would maintain independence in payer negotiations and observe price increase caps of four percent, subject to possible labor adjustments, over the next five years.

President Drake stated that this was a much-needed transaction. It was tragic that UC hospitals had to turn away referrals and transfer patients every day.

Regent Batchlor asked if any other UC hospital had an open medical staff. Ms. Nosowsky responded that she believed that newly acquired hospitals at UC Irvine and UCLA would have open medical staffs, that the UCLA Santa Monica hospital had community medical staff members, and that the UCSD Alvarado Hospital Medical Center intended to maintain an open medical staff.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Batchlor, Drake, Makarechian, Reilly, Sherman, and Sures voting "aye."

3. AMENDMENT OF THE CLINICAL ENTERPRISE MANAGEMENT RECOGNITION PLAN

The President of the University recommended that the Health Services Committee approve the amendment of the Clinical Enterprise Management Recognition Plan (CEMRP) as shown in Attachment 2. The proposed changes will be effective July 1, 2024.

[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 the item, which proposed a revision to the weighting of a short-term or one-year objective in the Clinical Enterprise Management Recognition Plan (CEMRP) for medical center chief executive officers (CEOs), to be effective July 1, 2024. Associate Vice President Jay Henderson explained that, currently under CEMRP, the medical center CEOs were assigned two categories of short-term objectives, weighted evenly at 50 percent: clinical enterprise or systemwide objectives, and institutional or location-specific objectives. In order to provide more weight to the efforts of the CEOs with respect to their specific locations, this item proposed changing this 50 percent / 50 percent division to a weighting of 70 percent for location-specific objectives and 30 percent for systemwide objectives. Each UC location must meet a minimum threshold for financial performance to allow for a CEMRP payout at that location.

Regent Sherman referred to language in the CEMRP document regarding objectives for individual locations: "The annual Short Term Incentive Institutional performance objectives for each Health System will be established by the respective Chancellors in

advance of the Plan year. The established institutional objectives will be implemented and administered by the respective Medical Center CEOs.” He asked who determines how well objectives have been met, whether this was the chancellor or the CEMRP Administrative Oversight Committee. Mr. Henderson responded that chancellors determine whether and how objectives were met. CEMRP was audited as well.

Regent Beharry asked about past problems or the reason for the proposed change. Mr. Henderson responded that he did not believe there had been a problem, but that the chancellors felt that CEMRP should place more emphasis on location-specific objectives. The 70 percent / 30 percent division was a more common model in the industry. This change would make CEMRP more competitive within the marketplace.

Upon motion duly made and seconded, the Committee approved the President’s recommendation, Regents Batchlor, Drake, Makarechian, Reilly, Sherman, and Sures voting “aye.”

The meeting adjourned at 4:35 p.m.

Attest:

Secretary and Chief of Staff

**APPENDIX A
ATTORNEY GENERAL'S CONDITIONS
TO PROPOSED TRANSACTION**

Attorney General's Conditions to Proposed Assumption of Control of Saint Francis Memorial Hospital and Saint Mary's Memorial Hospital, as well as associated clinics and other assets (the Hospitals) by The Regents of the University of California ("The Regents/UCSF Health").

In connection with this Assurance of Voluntary Compliance (AVC):

(i) The Attorney General and the Regents/UCSF Health acknowledge they have entered into a Stipulation in connection with the assumption of control of the Hospitals.

(ii) Pursuant to the Stipulation, these conditions shall become effective upon the Court's entry of the Proposed Order accompanying the Stipulation;

(iii) The Regents/UCSF Health have entered into an Affiliation Agreement with Dignity Health, Dignity Community Care, Dignity Medical Foundation, Saint Francis Memorial Hospital Corporation, and CommonSpirit Health, attached hereto as Exhibit 1;

(iv) These conditions are contingent on the parties in section (iii) consummating the transactions contemplated by the Affiliation Agreement; and

(v) These conditions are also contingent on The Regents/UCSF Health using Commercially Reasonable Efforts to secure all required licensing and regulatory approvals in California, including those of the California Department of Public Health.

I.

These enumerated conditions of the AVC (Conditions) shall be legally binding under California Government Code Section 12533 on the following entities: (a) The Regents/UCSF Health; and (b) any affiliate, successor, or assignee acquiring ownership or control of the operating assets of SFMH¹ and/or SMMC,² including Saint Francis Memorial Hospital, a California nonprofit public benefit corporation that is the current owner of SFMH, ("Saint Francis Memorial Hospital Corporation") and which will control the assets of SFMH and SMMC following the completion of the transaction contemplated in the Affiliation Agreement (collectively, the "**Bound Parties**").

Unless otherwise specified, as used in this AVC, "Commercially Reasonable" shall mean reasonable, diligent, good-faith efforts to comply with the Conditions, as would be exercised by similarly situated operators of general acute care hospitals and medical clinics in similar markets

¹ Throughout this AVC, the term "Saint Francis Memorial Hospital" and "SFMH" shall mean the general acute care hospital located at 900 Hyde Street, San Francisco, California, 94109, and any other clinics, laboratories, units, services, or beds included on the license issued to SFMH by the California Department of Public Health (CDPH), effective as of the Closing Date of the Affiliation Agreement, and fully operational as of that date, unless otherwise indicated. Nothing herein shall preclude UCSF Health from renaming SFMH or from operating it under a fictitious name consistent with applicable law.

² Throughout this AVC, the term "St. Mary's Medical Center" and "SMMC" shall mean the general acute care hospital located at 450 Stanyan Street, San Francisco, California 94117 and any other clinics, laboratories, units, services, or beds included on the license issued to Saint Francis Memorial Hospital Corporation by CDPH, as of the Closing Date of the Affiliation Agreement, and fully operational as of that date, unless otherwise indicated.

1 in California, with comparable resources, payor mix, and payor rates servicing similar community
2 needs. Except where specifically provided otherwise in these Conditions or as otherwise required
3 by law, the Commercially Reasonable standard shall apply to all obligations under these
4 Conditions.

5 The Regents/UCSF Health acknowledge and agree that compliance with applicable state and
6 federal laws, regulations, and rules, including those governing the operation of general acute care
7 hospitals is mandatory. The requirements of this AVC are in addition to, and not in lieu of, any
8 other requirements of federal, state, or local law. Nothing in this AVC shall be construed as
9 relieving The Regents/UCSF Health of the obligation to comply with all federal, state, and local
10 laws, regulations, or rules, nor shall any of the Conditions be deemed as permission for The
11 Regents/UCSF Health to engage in any acts or practices prohibited by such laws, regulations, or
12 rules.

13 II.

14 For ten (10) years from the Closing Date of the Affiliation Agreement,³ the Bound Parties shall be
15 required to provide written notice to the Attorney General sixty (60) days prior to entering into any
16 agreement or transaction to do any of the following:

- 17 a. Sell, transfer, lease, exchange, option, convey, or otherwise dispose of SFMH or
18 SMMC or both; or
- 19 b. Transfer control, responsibility, management, or governance of substantially all of
20 SFMH or SMMC or both.

21 III.

22 **Future Operation of SFMH.** For five (5) years from the Closing Date of the Affiliation
23 Agreement, The Regents/UCSF Health or a Bound Party shall operate and maintain SFMH as a
24 licensed general acute care hospital (as defined in California Health and Safety Code section 1250,
25 subdivision (a)) with the same types and levels of services, and associated staffing as offered as of
26 the Closing Date, and which provides the community served with equal or greater access to those
27 services, including:

- 28 a. 24-hour emergency services;
- 29 b. emergency treatment stations;
- 30 c. certification as a Primary Stroke Center;
- 31 d. acute psychiatric services;
- 32 e. intensive care services;
- 33 f. orthopedic and sports medicine services;
- 34 g. a burn unit;
- 35 h. gender-affirming care, including surgical services;
- 36 i. nuclear medicine, imaging, and radiology services;
- 37 j. coronary care services, and cardiac and neurologic diagnostics;
- 38 k. cancer care; and
- 39 l. advanced gynecology and other minimally invasive surgery.

³ As used herein, "Closing Date" has the same meaning as "Effective Time," as defined in
Section 2.1 of the Affiliation Agreement.

IV.

Maintenance of SFMH Services after Five Years. For years six (6) through ten (10) from the Closing Date of the Affiliation Agreement, The Regents/UCSF Health shall use Commercially Reasonable efforts to ensure that the following services currently offered at SFMH shall be maintained at either the physical space currently used by SFMH or at a location within the City and County of San Francisco⁴ with the same capacity and associated staffing as offered as of the Closing Date, and which provides the community served with equal or greater access to those services, including:

- a. 24-hour emergency services;
- b. emergency treatment stations;
- c. intensive care services;
- d. acute psychiatric services;
- e. acute rehabilitation services;
- f. certification as a Primary Stroke Center, and stroke and neurology services;
- g. orthopedic and sports medicine services;
- h. a burn unit;
- i. gender-affirming care, including surgical services;
- j. nuclear medicine, imaging, and radiology services;
- k. coronary care services, and cardiac and neurologic diagnostics;
- l. cancer care; and
- m. advanced gynecology and other minimally invasive surgery.

If The Regents/UCSF Health or a Bound Party decides to discontinue, consolidate, materially decrease, or otherwise make material changes that adversely affect community access to the services covered in this condition, The Regents/UCSF Health shall give 60-day advance written notification to the Attorney General, and shall reasonably cooperate with any resulting information requests subject to any demonstrated legally recognized privilege and appropriate confidentiality protections; provided, however, that temporary service reductions of six months or less, that are necessary to complete physical improvements or seismic renovations at the Hospitals shall not require prior written notice to the Attorney General.

V.

Future Operation of SMMC. For five (5) years from the Closing Date of the Affiliation Agreement, The Regents/UCSF Health or a Bound Party shall operate and maintain SMMC as a licensed general acute care hospital (as defined in California Health and Safety Code section 1250, subdivision (a)) with the same types and levels of services and associated staffing as offered as of the Closing Date, and which provides the community served with equal or greater access to those services, including:

- a. 24-hour emergency services;
- b. emergency treatment stations;
- c. acute psychiatric services, including adolescent inpatient psychiatric services;

⁴ UCSF shall use Commercially Reasonable efforts to ensure community access to those services the same or better and mitigate any negative impacts to community access of these services, including, for example, providing transportation by shuttle, parking passes, transit passes, or any other mitigative assistance.

- d. intensive care services;
- e. certification as a Primary Stroke Center, and stroke and neurology services;
- f. cardiovascular services, including cardiac catheterization laboratory services and outpatient clinic;
- g. nuclear medicine, imaging and radiology;
- h. laboratory and diagnostic services;
- i. oncology services, including inpatient medical and surgical oncology services and outpatient services;
- j. orthopedic services including surgery and total joint replacement;
- k. social services;
- l. surgical services; and
- m. women's health services, including women's reproductive services.

VI.

Maintenance of SMMC Services after Five Years. For years six (6) through ten (10) from the Closing Date of the Affiliation Agreement, The Regents/UCSF Health shall use Commercially Reasonable efforts to ensure that the following services currently offered at SMMC shall be maintained at either the physical space currently used by SMMC or at a location within the City and County of San Francisco with the same capacity and associated staffing as offered as of the Closing Date, and which provides the community served with equal or greater access to those services, including:

- a. 24-hour emergency services;
- b. emergency treatment stations;
- c. intensive care services;
- d. acute psychiatric services, including adolescent inpatient psychiatric services;
- e. acute rehabilitation services;
- f. certification as a Primary Stroke Center, and stroke and neurology services;
- g. orthopedic and sports medicine services;
- h. nuclear medicine, imaging, and radiology services;
- i. coronary care services, and cardiac and neurologic diagnostics;
- j. oncology services, including inpatient medical and surgical oncology services and outpatient services;
- k. surgical services;
- l. orthopedic services including surgery and total joint replacement; and
- m. women's health services, including women's reproductive services.

If The Regents/UCSF Health or a Bound Party decides to discontinue, consolidate, materially decrease, relocate, or otherwise make material changes that adversely affect community access to the services in this condition, The Regents/UCSF Health shall give 60-day advance written notification to the Attorney General, and shall reasonably cooperate with any resulting information requests, subject to any demonstrated legally recognized privilege and appropriate confidentiality protections; provided, however, that temporary service reductions of six months or less, that are necessary to complete physical improvements or seismic renovations at the Hospitals, shall not require prior written notice to the Attorney General.

1 VII.

2 **Maintenance of Services Provided through Contract or Lease.** For ten (10) years The
3 Regents/UCSF Health shall use Commercially Reasonable efforts to ensure that the following
4 services and/or programs currently offered at SMMC (or associated clinic location(s)) shall be
maintained at either their current physical space or at a location within the City and County of San
Francisco with the same capacity and associated staffing as offered as of the Closing Date:

- 5 a. Counseling Enriched Education Program (CEEP);
6 b. mental health rehabilitation services;
7 c. long-term acute care hospital services;
8 d. Sister Mary Philippa Health Center; and
9 e. SFO airport clinic.

10 If The Regents/UCSF Health or a Bound Party decides to discontinue, consolidate, materially
11 decrease, relocate, or otherwise make material changes that adversely affect community access to
12 the services covered in this condition, The Regents/UCSF Health shall give 60-day advance written
notification to the Attorney General, and shall cooperate with any resulting information requests,
subject to any demonstrated legally recognized privilege and appropriate confidentiality
protections; provided, however, that temporary service reductions of six months or less, that are
necessary to complete physical improvements or seismic renovations at the Hospitals shall not
require prior written notice to the Attorney General.

13 To the extent that any reduction in service described in this Condition VII results from a third party
14 electing to discontinue, terminate or refusing to extend the contract or lease that permits the
15 provision of such services, The Regents/UCSF Health shall be required to notify the Attorney
General within 30-days of the change in service.

16 VIII.

17 **Participation in Medicare and Medi-Cal.** For ten (10) years from the Closing Date of the
18 Affiliation Agreement, The Regents/UCSF Health or a Bound Party shall ensure that SFMH and
SMMC continue to:

- 19 a. Be certified to participate in the Medi-Cal program at the Hospitals;
20 b. Maintain Medi-Cal Managed Care and county contracts in effect as of the Closing
21 Date, and provide the same types and levels of emergency and non-emergency
22 services at the Hospitals to Medi-Cal beneficiaries (both county and Medi-Cal
23 Managed Care) provided as of the Closing Date, on the same terms and conditions
as other similarly situated Hospitals offering substantially the same services, without
any loss, interruption of service or diminution in quality, or gap in contracted
hospital coverage, unless: (i) the contract is terminated by either party for cause,⁵
24 (ii) the terms and conditions, including compensation, are not Commercially
Reasonable, or (iii) not extended or renewed by a Medi-Cal Managed Care Plan or
25 county on its own initiative without cause; and
26 c. Be certified to participate in the Medicare program by maintaining a Medicare
Provider Number to provide the same or greater types and levels of emergency and

27 ⁵ For-cause termination refers to the lawful dissolution of a contract pursuant to grounds
28 stipulated therein and encompassing infractions such as breaches of contract, regulatory non-
adherence, or deficiency in meeting prescribed standards of quality.

1 non-emergency services at the Hospitals to Medicare beneficiaries (both Traditional
2 Medicare and Medicare Managed Care) as provided as of the Closing Date.

3 If The Regents/UCSF Health or a Bound Party determines that any contract covered in this
4 condition satisfies subsection b.ii, The Regents/UCSF Health shall give written notification to the
5 Attorney General within thirty (30) days of its determination, and shall reasonably cooperate with
6 any resulting information requests, subject to any demonstrated legally recognized privilege and
7 appropriate confidentiality protections.

8 IX.

9 **Charity Care Commitments.** For ten (10) years from the Closing Date of the Affiliation
10 Agreement, The Regents/UCSF Health or a Bound Party shall provide an annual amount of charity
11 care (as defined below) at SFMH equal to or greater than \$6,554,788 million and at SMMC equal
12 to or greater than \$3,569,524 million (the Minimum Charity Care Amounts required) with an annual
13 increase of 2.4%.⁶

14 For purposes hereof, the definition and methodology for calculating "charity care" and the
15 methodology for calculating "costs" shall be the same as that used by HCAI for annual hospital
16 reporting purposes. The Hospitals shall use and maintain a charity care policy that is no less
17 favorable than the Financial Assistance Policy currently in effect at each hospital and in compliance
18 with California and Federal law.

19 If the actual amount of charity care provided at SFMH for any year is less than the Minimum
20 Charity Care Amount required for such year, The Regents/UCSF Health shall pay an amount equal
21 to the deficiency to one or more tax-exempt entities that provide direct healthcare services to
22 residents in the SFMH service area, including 94102, 94103, 94105, 94107, 94108, 94109, 94110,
23 94111, 94112, 94114, 94115, 94116, 94117, 94118, 94121, 94122, 94123, 94124, 94127, 94130,
24 94131, 94132, 94133, 94134, 94158, and 94965 ZIP codes.

25 If the actual amount of charity care provided at SMMC for any year is less than the Minimum
26 Charity Care Amount required for such year, The Regents/UCSF Health shall pay an amount equal
27 to the deficiency to one or more tax-exempt entities that provide direct healthcare services to
28 residents in the SMMC service area, including 94102, 94103, 94105, 94107, 94108, 94109, 94110,
94111, 94112, 94114, 94115, 94116, 94117, 94118, 94121, 94122, 94123, 94124, 94127, 94129,
94131, 94132, 94133, 94134, and 94158 ZIP codes. Such payment(s) shall be made within six (6)
months following the end of such year.

21 X.

22 **Availability and Administration of Financial Assistance Policy.** Within ninety (90) days from
23 the Closing Date of the Affiliation Agreement and for ten (10) years from the Closing Date of the
24 Affiliation Agreement, The Regents/UCSF Health or a Bound Party, as applicable, shall ensure that
the Hospitals take the following steps to ensure that patients at each hospital are informed about
the respective facility's Financial Assistance Policy:

- 25 a. A copy of the respective Financial Assistance Policy and the plain language
26 summary of the Financial Assistance Policy shall be posted in a prominent location
in the admissions area and any other location in the Hospitals as appropriate, and

27 ⁶ 2.4% is the average annual increase in the San Francisco Bay, California Medical Care
28 Consumer Price Index (CPI) from 2020-2023.

1 where there is a high volume of patient traffic, including waiting rooms, billing
2 offices, and outpatient service settings;

- 3 b. A copy of the Financial Assistance Policy, the Financial Assistance Application
4 Form, and the plain language summary of the Charity Care and Cash Price Policies
5 shall be posted in a prominent place on the Hospitals' websites, as applicable;
- 6 c. If requested by a patient, a copy of the Financial Assistance Policy, Financial
7 Assistance Application Form, and the plain language summary shall be sent by mail
8 at no cost to the patient;
- 9 d. As necessary and at least on an annual basis, The Regents/UCSF Health and the
10 Hospitals will place an advertisement regarding the availability of financial
11 assistance at each hospital in a newspaper of general circulation in the communities
12 served by each hospital, or issue a Press Release to widely publicize the availability
13 of the Financial Assistance Policy to the communities served by each hospital;
- 14 e. On no less than an annual basis, the Hospitals will work with affiliated
15 organizations, physicians, community clinics, other health care providers, houses of
16 worship, and other community-based organizations to notify members of the
17 community (especially those who are most likely to require financial assistance)
18 about the availability of financial assistance at the Hospitals; and
- 19 f. No later than sixty (60) days after the Closing Date of the Affiliation Agreement,
20 and annually thereafter, the Hospitals shall train front-line staff who regularly
21 interact with patients and their families concerning payment of services to make
22 patients and their families aware of and informed about the availability of financial
23 assistance at the Hospitals.

24 XI.

25 **Community Benefit Programs.** For ten (10) years from the Closing Date of the Affiliation
26 Agreement, The Regents/UCSF Health or a Bound Party shall provide an annual amount of
27 Community Benefit Services at the Hospitals equal to the amount provided in fiscal year ending
28 June 30, 2024 (the Minimum Community Benefit Services Amount), as adjusted under the
methodology described below. The Regents/UCSF Health or a Bound Party shall continue
supporting community benefit programs supported by the Hospitals as of the Closing Date, or
consult with the Hospitals' Community Advisory Board prior to replacing or reducing funding to
those programs. As of the Closing Date, the programs currently supported by the Hospitals include:

- 29 a. Tenderloin Health Services (SFMH);
- 30 b. Reimbursement for Physician Indigent Care (SFMH);
- 31 c. Community grants program (SFMH and SMMC);
- 32 d. Rally Family Visitation Program (SFMH);
- 33 e. Transportation service (SMMC);
- 34 f. Uncompensated specialized testing (SFMH);
- 35 g. Community grants program (SFMH and SMMC);
- 36 h. San Francisco Health Improvement Partnership (SFMH and SMMC);
- 37 i. Graduate Medical Education, whether sponsored by The Regents/UCSF Health, a
38 Bound Party, or another duly accredited organization;⁷

⁷ Nothing in this condition shall prevent The Regents/UCSF Health from consolidating the
existing Graduate Medical Education programs offered by SMMC with those offered by UCSF
Health at other locations so long as the programs continue to use SMMC as an education site and
the overall number resident cap slots does not decrease.

- 1 j. Breast Cancer Second Opinion Panel (SMMC); and
2 k. Breast Cancer Support Group (SMMC).

3 For the second year and each subsequent year, the Minimum Community Benefit Amount shall
4 increase yearly by 2.4 percent.⁸

5 If the actual amount of community benefit services provided at SFMH or SMMC for any year is
6 less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above
7 annual percentage increase) required for such year, The Regents/UCSF Health shall pay an amount
8 equal to the deficiency to one or more tax exempt entities that provide community benefit services
9 for residents in the SFMH or SMMC service areas. Such payment(s) shall be made within six (6)
10 months following the end of such year.

11 XII.

12 **Community Advisory Board.** For ten (10) years from the Closing Date, The Regents/UCSF
13 Health or a Bound Party shall maintain a Community Advisory Board (including physicians,
14 medical and other staff, and community representatives for both SMMC and SFMH) at the
15 Hospitals (Community Advisory Board). The Regents/UCSF Health and the Hospitals shall consult
16 with the Community Advisory Board at least sixty (60) days prior to making any material non-
17 emergency reductions to the types, levels, or locations of services and the Hospitals shall consult
18 with the Community Advisory Board at least sixty (60) days prior to making any material non-
19 emergency reductions in services or community benefit programs at the Hospitals. The Community
20 Advisory Board may comment on all reports submitted to the Attorney General regarding
21 compliance with the Conditions.

22 XIII.

23 **Capital Commitments.** The Regents/UCSF Health or the Saint Francis Memorial Hospital
24 Corporation shall invest at least \$430 million capital to the Hospitals and/or services and programs
25 described in these Conditions over a ten (10) year period following the Closing Date (Capital
26 Expenditures). The Capital Expenditures shall include at least \$80 million in funding for electronic
27 medical record systems and related technology investments at the Hospitals and at least \$350
28 million in deferred maintenance and physical infrastructure improvements to support the provision
of the services and programs described in these Conditions (including, for example, those
improvements necessary to maintain compliance with Alfred E. Alquist Hospital Facilities Seismic
Safety Act of 1983, as amended). The Regents/UCSF Health or the Saint Francis Memorial
Hospital Corporation shall present the annual capital budget for the Hospitals in advance to the
Community Advisory Board for discussion and solicitation of input.

23 XIV.

24 **Seismic Safety Planning and Reporting.** The Regents/UCSF Health or the Saint Francis
25 Memorial Hospital Corporation will provide the Attorney General with courtesy copies of HCAI
26 filings required by the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended
27 by the California Hospital Facilities Seismic Safety Act and future statutes, including a Seismic
28 Improvement Plan with a budget and timeline for completion.

28 ⁸ See footnote 6.

1 XV.

2 **Maintenance of City and County Contracts.** For seven (7) years from the Closing Date of the
3 Affiliation Agreement, The Regents/UCSF Health or a Bound Party shall not engage in
4 convenience termination of the following contracts with the City and County of San Francisco, or
5 its subdivisions, departments, or agencies, for services at SFMH and SMMC unless: (i) the contract
is terminated by either party for cause, (ii) the terms and conditions, including compensation, are
not Commercially Reasonable, or (iii) the contract is not extended, renewed or otherwise terminated
by the local government or the State, as applicable.

6 For SFMH, those contracts include:

- 7 a. Memorandum of Understanding – 340 B Program;
8 b. Agreement for Supervised Therapeutic Visitation Services (Rally Family Visitation
Services); and
9 c. Residency Affiliation Agreement.

10 For SMMC, those contracts include:

- 11 a. Orthopedic Residency Affiliation Agreement;
12 b. General Services Agreement;
13 c. Mental Health and Substance Abuse Services;
14 d. Community Behavioral Health Services;
15 e. SMMC Transportation Service;
16 f. Uncompensated Specialized Testing;
17 g. Community Grants Program;
18 h. San Francisco Health Improvement Partnership;
19 i. Graduate Medical Education;
20 j. Breast Cancer Second Opinion Panel; and
21 k. Breast Cancer Support Group.

22 If The Regents/UCSF Health or a Bound Party determines that any contract covered in this
23 Condition satisfies subsection b.ii, UCSF Health shall give written notification to the Attorney
24 General within thirty (30) days of its determination, and shall reasonably cooperate with any
25 resulting information requests, subject to any demonstrated legally recognized privilege and
26 appropriate confidentiality protections.

27 XVI.

28 **Hospital Medical Staff Governance.** For seven (7) years from the Closing Date, the governing
body of the Hospitals shall not act unilaterally to approve amendments to the Medical Staff Bylaws
of the Hospitals that would result in a modification to the composition of the Medical Staff of the
Hospitals as of the Closing Date. Nothing in this condition shall preclude the Medical Staff Bylaws
of the Hospitals from being amended from time to time at the initiative of the medical staff at large
or duly elected medical staff leaders, or from being amended to comply with changes to applicable
law, Regents' policies, or accreditation standards. Further, nothing in this condition shall restrict
or limit the Hospitals' or the medical staff's ability to conduct credentialing activities, peer review
and investigatory oversight activities in a manner consistent with the Medical Staff Bylaws,
applicable law, and applicable accreditation standards.

1 XVII.

2 **Open Medical Staff and Physician Affiliations.** For ten (10) years from the Closing Date, the
3 Hospitals will not otherwise expressly or implicitly condition medical staff privileges, on the
4 employment, contracting, affiliation, or appointment status of a physician with The Regents/UCSF
5 Health or any affiliate other than the Hospitals.

6 XVIII.

7 **Medical Staff Contracting.** For seven (7) years from the Closing Date, neither The Regents/UCSF
8 Health nor the governing body of the Hospitals shall impose any requirement upon any member of
9 the Hospitals' medical staff, as a condition of their medical staff membership or privileges that
10 expressly or implicitly:

- 11 a. restricts, or imposes implicit or express exclusivity on, those physicians' or
12 providers' ability to contract with payors;
13 b. restricts, or imposes implicit or express exclusivity on, those physicians' or
14 providers' ability to refer patients to health facilities, physicians, or other
15 healthcare providers that are not affiliated with, employed by, or otherwise
16 contracted with UCSF Health or any of its affiliates; and
17 c. imposes any noncompetition, non-solicitation, nondisclosure, noninterference,
18 non-disparagement, or other restrictive covenant obligation.

19 For the avoidance of doubt, the Hospitals and The Regents/UCSF Health may adopt, amend,
20 investigate, and enforce policies and procedures that prohibit unlawful kickbacks, referrals, and
21 inducements. The Hospitals shall ensure equal access to healthcare without discrimination, and
22 without respect to their payor or their source of referral. Nothing in this Condition shall preclude
23 The Regents/UCSF Health or the Hospitals from requiring that practicing physicians participate in
24 the specific payor plans offered at the Hospitals or prohibit The Regents/UCSF Health or the
25 Hospitals from maintaining exclusive contracts for hospital-based physician arrangements;⁹
26 provided, however, that neither The Regents/UCSF Health nor the Hospitals will require a medical
27 group, as a condition of bidding on or entering such an arrangement with the Hospitals, or any of
28 their physicians, to have or maintain a faculty appointment or any affiliation with The
Regents/UCSF Health.

19 XIX.

20 **Discrimination.** From the Closing Date of the Affiliation Agreement, the Hospitals shall prohibit
21 discrimination on the basis of any protected personal characteristic in accordance with state and
22 federal civil rights laws, including section 51 of the California Civil Code and title 42, section
23 18116 of the United States Code. Categories of protected personal characteristics include, as of the
date of this Agreement:

- 24 a. Gender, including sex, gender, gender identity, and gender expression;
25 b. Intimate relationships, including sexual orientation and marital status;
26 c. Ethnicity, including race, color, ancestry, national origin, citizenship, primary
27 language, and immigration status;
28 d. Religion;
e. Age; and

⁹ Hospital-based physician arrangements include emergency department coverage,
hospitalist coverage, pathology services, radiology/imaging services and anesthesiology services.

- 1 f. Disability, including disability, protected medical condition, and protected genetic
2 information.

3 **XX.**

4 **Negotiation and Management of Commercial Payor Contracts.** For seven (7) years from the
5 Closing Date, unless a payor voluntarily requests otherwise, the Hospitals shall negotiate all
6 commercial, Medicare Managed Care Contracts, and Medi-Cal Managed Care Contracts,
including contracts for Covered California, with any payor, separately and independently from
UCSF Health.

7 A. The Hospitals will not expressly or implicitly condition the participation of or impose any
8 payor contract terms, including prices or any other conditions, concerning SFMH and SMMC or
any of its affiliates on the participation of, or any payor contract terms concerning, UCSF Health
or any of its affiliates with any payor or future payor, including:

- 9 1. Engaging a payor in "all-or-nothing" contracting for facility services by expressly or
10 impliedly requiring the payor to contract with facilities other than the Hospitals and not
11 permitting the payor to contract with the Hospitals (either individually or together)
12 separately, including by conditioning the participation, pricing, or payor contract terms of
the Hospitals in a commercial or government-sponsored product on any of the following:
- 13 a. Participation or payor contract terms of any facility other than the Hospitals in the
14 same or any other commercial or government-sponsored product offered by the
payor;
- 15 b. Pricing any facility other than the Hospitals in the same or any other commercial
16 or government-sponsored product offered by the payor; and
- 17 c. Status of any facility other than the Hospitals (including the decision on whether to
18 include or exclude) in the payor's center of excellence program (or other program
designed to differentiate facilities based on their quality of care, their cost, or other
19 consideration), or the exclusion of any third party's facility in the payor's center of
excellence program (or other similar program).
- 20 2. Interfering with or otherwise engaging in any action, direct or indirect, to prevent a payor
21 from contracting with any other hospital, provider, or facility or to prevent the
22 introduction or promotion of narrow, tiered, or steering commercial or government-
23 sponsored products or value-based benefit designs for commercial or government-
sponsored products (i.e. benefit designs that attempt to reward providers for affordability
and/or quality), including reference pricing.

24 B. UCSF Health or any of its affiliates will not expressly or implicitly condition the
25 participation of or impose any payor contract terms, including prices or any other conditions,
concerning UCSF Health or any of its affiliates on the participation of, or any payor contract
26 terms concerning, SFMH and SMMC with any payor or future payor, including:

- 27 1. Engaging a payor in "all-or-nothing" contracting for facility services by expressly or
28 impliedly requiring the payor to contract with facilities other than the Hospitals and not
permitting the payor to contract with the Hospitals (either individually or together)

separately, including by conditioning the participation, pricing, or payor contract terms of the Hospitals in a commercial or government-sponsored product on any of the following:

- a. Participation or payor contract terms of any facility other than the Hospitals in the same or any other commercial or government-sponsored product offered by the payor;
- b. Pricing any facility other than the Hospitals in the same or any other commercial or government-sponsored product offered by the payor; and
- c. Status of any facility other than the Hospitals (including the decision on whether to include or exclude) in the payor's center of excellence program (or other program designed to differentiate facilities based on their quality of care, their cost, or other consideration), or the exclusion of any third party's facility in the payor's center of excellence program (or other similar program).

2. Interfering with or otherwise engaging in any action, direct or indirect, to prevent a payor from contracting with any other hospital, provider, or facility or to prevent the introduction or promotion of narrow, tiered, or steering commercial or government-sponsored products or value-based benefit designs for commercial or government-sponsored products (i.e. benefit designs that attempt to reward providers for affordability and/or quality), including reference pricing.

C. *Separate Payor Negotiating Teams.* The Hospitals shall continue to maintain a team of negotiators for payor contracts exclusively responsible for negotiating payor contracts for SFMH and SMMC (Community Hospitals Negotiating Team) that will not overlap with, and otherwise shall be kept separate from the team of negotiators for UCSF Health (UCSF Negotiating Team).

UCSF Health and any its affiliates shall continue to maintain a team of negotiators for payor contracts exclusively responsible for negotiating payor contracts for UCSF Health that will not overlap with, and otherwise shall be kept separate from the Community Hospitals Negotiating Team. To the extent UCSF Health or the Regents negotiate system-wide contracts across the entire University of California healthcare system, they shall not evade the provisions in this Condition through such system-wide contractual negotiations or system-wide contracts.

The Community Hospitals Negotiation Team and UCSF Negotiating Team shall operate independently of each other and shall have the exclusive responsibility of negotiating their respective payor contracts separately and in competition with each other and other healthcare systems.

At the voluntary request of a specific payor or future payor and upon written notice to the Attorney General's Office for each and every applicable joint negotiation, UCSF Health shall be permitted to negotiate a payor contract for hospital services jointly for both the Hospitals and UCSF Health for that specific payor for that specific payor contract.

D. *Segregation of Information.* For purposes of these Conditions, "Payor Contracting Information" shall mean prices; rates; price-related terms (including maximum reimbursement amounts allowed or amounts paid for services), definitions, conditions, or policies; and pricing methodologies concerning contracts or negotiations with a specific payor or future payor; provided, however, that "Payor Contracting Information" shall not include: (i) information that is in the public domain or that falls in the public domain through no violation of these Conditions or

1 breach of any confidentiality or non-disclosure agreement with respect to such information by
2 UCSF Health or any of its affiliates; (ii) information that becomes known to UCSF Health from a
3 third party that UCSF Health reasonably believes has disclosed that information legitimately; (iii)
4 information that is required by law to be publicly disclosed; (iv) information of a payor that
5 applies to all providers or to all providers within a category (e.g., provide type or geography)
6 unrelated to provider prices, rates, or price-related terms; or (v) aggregate information¹⁰
7 concerning the financial condition of the Hospitals. This paragraph shall not be construed to
8 require the Hospitals to have a separate and independent electronic system of any kind for storing
9 and accessing clinical information from UCSF Health. Nor shall it be construed to require UCSF
10 Health to maintain separate teams to manage billing, reimbursement, collections, and related
11 activities ("Contract Administration"); provided, however, that UCSF Health prohibits the
12 sharing of any Payor Contracting Information applicable to UCSF Health and any of its affiliates
13 with the Community Hospitals Negotiating Team and prohibits the sharing of any Payor
14 Contracting Information applicable to the Community Hospitals with the UCSF Negotiating
15 Team.

16 Payor Contracting Information with respect to the Hospitals shall not, directly or indirectly, be
17 transmitted to or received by the UCSF Negotiating Team or by UCSF Health and any of its
18 affiliates, and Payor Contracting Information with respect to UCSF Health or any of its affiliates
19 shall not, directly or indirectly, be transmitted to or received by the Community Hospitals'
20 Negotiating Team, except as provided in this Condition.

21 No later than ninety (90) days after this AVC becomes effective, UCSF Health shall implement
22 procedures and protections¹¹ to ensure that Payor Contracting Information for UCSF Health or
23 any of its affiliates, on the one hand, and the Hospitals, on the other, is maintained separately and
24 confidentially, including but not limited to:

- 25 1. Establishing an information firewall (Firewall) that prevents the UCSF Negotiating Team,
26 UCSF Health or any of its affiliates from requesting, receiving, sharing, or otherwise
27 obtaining any Payor Contracting Information with respect to the Hospitals, and prevents
28 the Community Hospitals Negotiating Team from requesting, receiving, sharing, or
otherwise obtaining any Payor Contracting Information with respect to UCSF Health or
any of its affiliates.

The Firewall shall include reasonable confidentiality protections, internal practices,
training, segregation of personnel, communication restrictions, data storage restrictions,
protocols, and other system and network controls and restrictions, all as reasonably
necessary to make the Firewall effective.

The Firewall shall also include measures by which the Monitor, as appointed pursuant to
condition XXVI, the Hospitals, and UCSF Health shall (1) investigate any suspected
material violation of any established policies and procedures; (2) develop and implement
appropriate remedial training and/or disciplinary action for any substantiated violation; (3)
adopt disclosure mitigation measures in the event of a breach; and (4) document and

¹⁰ "Aggregate information" shall mean information that is aggregated across services and
across payors.

¹¹ After this AVC becomes effective and before the procedures and protections are
implemented, UCSF Health and any of its affiliates shall use Commercially Reasonable Efforts to
ensure that Payor Contracting Information for UCSF Health or any of its affiliates, on the one
hand, and the Hospitals, on the other, is maintained separately and confidentially.

1 maintain records of reported Firewall policy violations to provide to the Attorney
2 General's Office upon request.

- 3 2. Establishing a software application or other data system that houses Payor Contracting
4 Information (Contract System) that is utilized by the UCSF Negotiating Team that is
5 separate or clearly partitioned from the Contract System that is utilized by the Community
6 Hospitals Negotiating Team to ensure the confidentiality of Payor Contracting
7 Information;
- 8 3. Causing each of UCSF Health's employees with access to Payor Contracting Information
9 to maintain the confidentiality of that information, including but not limited to:
 - 10 a. requiring each employee to sign a statement that the individual will comply with
11 these terms;
 - 12 b. maintaining complete records of all such statements; and
 - 13 c. providing an officer's certification to the Attorney General's Office as part of the
14 annual reporting required by this AVC stating that such statements have been
15 signed and, to the best of that officer's knowledge, information, and belief, are
16 being complied with by all relevant employees.
- 17 4. This Condition shall not operate to prevent UCSF Health's officers from requesting,
18 receiving, sharing, using or otherwise obtaining Payor Contracting Information relating to
19 any the Hospitals, including, but not limited to, aggregated information related to costs,
20 quality, patient mix, service utilization, experience data, budgets, capital needs, expenses,
21 and overhead. Provided that, however, UCSF Health's officers may not share Payor
22 Contracting Information regarding the Hospitals with the UCSF Health Negotiating Team,
23 or regarding UCSF Health and any of its affiliates with the Community Hospitals
24 Negotiation Team. This Condition also shall not operate to preclude any Regent, in the
25 exercise of their duties as a Regent, nor any Regents-appointed auditor, in the exercise of
26 the auditor's independent duties to the Regents, from receiving any and all information
27 and documents they may require; provided, however, that such Regents and auditors shall
28 be required, as a condition of their access, to not share any Payor Contracting Information
regarding UCSF Health and any of its affiliates with the Community Hospitals
Negotiating Team and any Community Hospitals Payor Contracting Information with the
UCSF Negotiating Team.
5. If a payor or future payor voluntarily elects to negotiate and contract jointly for hospital
services for both UCSF Health and the Hospitals, nothing in this AVC shall prohibit
UCSF Health from requesting or obtaining Payor Contracting Information with respect to
hospital services for both UCSF Health and the Hospitals for that particular payor or from
using that Payor Contracting Information for that particular Payor with respect to the joint
negotiations and contracting for that particular Payor Contract.
6. Nothing in this AVC shall prevent the department that will be responsible for contract
administration for both UCSF Health and the Hospitals (Corporate Payor Contracting
Department) from requesting Payor Contracting Information from the UCSF Negotiating
Team or the Community Hospitals Negotiating Team, provided, however, that:

- 1 a. the Payor Contracting Information that is requested and obtained is used solely for
2 the purpose of contract administration, and
- 3 b. the Corporate Payor Contracting Department is prohibited from providing, sharing,
4 or otherwise making available Payor Contracting Information from the UCSF
5 Negotiating Team to or with the Community Hospitals Negotiating Team; or from
6 the Community Hospitals Negotiating Team to or with the UCSF Negotiating
7 Team.

8 Within ninety (90) days of the Closing Date of the Affiliation Agreement, UCSF Health and the
9 Hospitals shall affirm to the Attorney General's Office that they will continue to maintain, as
10 separate, non-overlapping negotiating teams, the Community Hospital Negotiating Team, the
11 UCSF Health Negotiating Team, and the Joint Negotiating Team, respectively, and identify the
12 members of each negotiating team. UCSF Health and the Hospitals shall provide annually,
13 starting January 1, 2025, an update as to the identity of the members of each negotiating team and
14 continue to affirm that they are maintaining these separate, non-overlapping negotiating teams.

15 XXI.

16 **Price Cap Period.** For five (5) years from the Closing Date, the maximum that the Hospitals may
17 charge a payor for any Commercial or government-sponsored product for general acute care
18 hospital services will be governed by the applicable payment provisions in the contract terms that
19 are in effect for SMMC, SFMH, or Dignity Health, and that payor as of the Closing Date, subject
20 to any renewal contract terms that are negotiated in compliance with this AVC so long as such
21 annual price increase shall not exceed four percent (4.0%).

22 For purposes of this Condition XXI, price increases do not cover increases in the costs incurred by
23 the Hospitals as disclosed in applicable collective bargaining agreements that are in excess of 4.0%.
24 In the event the Hospitals negotiate with a payer an increase in excess of 4.0%, the Monitor and the
25 Attorney General shall have 60 days from the date of execution of the payer agreement to request
26 information about or raise any objection to the excess increase. In the event the Hospitals do not
27 reach an agreement satisfactory to the Attorney General, the parties shall meet and confer as
28 provided in Condition XXV herein.

XXII.

21 **Annual Compliance Report.** For ten (10) years from the Closing Date of the Affiliation
22 Agreement, the Hospitals and UCSF Health shall submit to the Attorney General, no later than six
23 (6) months after the conclusion of each calendar year, a report describing in detail compliance with
24 each Condition set forth herein during that calendar year. The Chief Executive Officer(s) of the
25 Hospitals and of UCSF Health (with respect to those Conditions that apply directly to UCSF
26 Health) shall certify that the report is true, accurate, and complete to the best of their knowledge,
27 information, and belief, and provide documentation of the review of the report by the Community
28 Advisory Board and Regents Health Services Committee.

XXIII.

27 At the request of the Attorney General, the Bound Parties shall provide such information as is
28 reasonably necessary for the Attorney General and the Monitor (as applicable), as appointed
pursuant to Condition XXVI, to monitor compliance with the Conditions. The Attorney General

1 will, at the request of the Bound Parties and to the extent provided by law, keep confidential any
2 information so produced except in so far as is necessary for the enforcement of these Conditions in
3 a judicial proceeding, subject to a protective order the Monitor may investigate and issue a report
4 and recommendation on any Condition where compliance, partial noncompliance, or
5 noncompliance by the Hospitals is involved, and the text of the Condition provides that review is
6 in the scope of the Monitor's engagement. To the extent that either a complaint is received by the
7 Attorney General or by the Monitor involving compliance, noncompliance, or partial compliance
8 with these Conditions by UCSF Health or its affiliates, only the Attorney General shall have the
9 power to investigate such compliance, partial compliance, or noncompliance with these Conditions.
10 The Attorney General is entitled to request the cooperation of UCSF Health and its affiliates with
11 any such investigation and such cooperation shall not be unreasonably withheld.

12 XXIV.

13 The Bound Parties shall reimburse the Attorney General for reasonable, documented investigative
14 costs incurred in connection with any investigative follow-up by the Attorney General, up to a
15 maximum of \$500,000 during the ten (10) year term of this AVC.

16 XXV.

17 The Attorney General reserves the right to enforce against the Bound Parties each and every
18 provision set forth herein to the fullest extent provided by law under California Government Code
19 section 12533 and shall be entitled to all of the remedies against the Bound Parties provided for by
20 California Government Code section 12533. Any action by the Attorney General to enforce these
21 Conditions may be brought in the Superior Court of San Francisco, and any applicable appellate
22 court therefrom. Before bringing any such action, the Attorney General's Office and UCSF Health
23 shall meet in good faith to discuss and try to reasonably resolve any such dispute without litigation
24 and shall discuss in good faith resorting to mediation, with a mutually acceptable mediator and
25 costs for the mediation to be split in half between the Attorney General's Office and UCSF Health.

26 XXVI.

27 The Attorney General shall have the power to appoint and will promptly appoint an independent
28 monitor (Monitor) to monitor and evaluate compliance with the Conditions herein as applicable to
the Hospitals only, for seven (7) years from the Closing Date of the Affiliation Agreement.¹²

To be qualified to serve as the Monitor, a candidate must disclose to the Attorney General any
potential conflict of interest, be experienced with hospital operations and managed care contracting
in general, if not also knowledgeable as to hospital operations and managed care contracting in
California. The Bound Parties will disclose candidates they propose to serve as the Monitor to the
Attorney General and the Attorney General will disclose candidates it proposes to serve as the
Monitor to the Bound Parties.

The Attorney General and the Bound Parties shall consider diversity, equity, and inclusion in
proposing candidates to serve as the Monitor. The Attorney General will give due consideration to
any candidates proposed by the Bound Parties and the Bound Parties will give due consideration to
any candidates proposed by the Attorney General.

Any interviews of any candidates will be jointly conducted by the Bound Parties and the Attorney
General.

¹² The Attorney General will monitor and evaluate compliance with these Conditions in
every other respect.

1 Not later than thirty (30) days after the Attorney General's selection of the Monitor, the Bound
2 Parties shall execute an agreement that, subject to the prior approval of the Attorney General,
3 confers on the Monitor those rights, powers, and authorities necessary to permit the Monitor to
4 perform their duties.

5 The Bound Parties may require the Monitor and each of the Monitor's staff and experts to sign a
6 customary confidentiality agreement; provided however, that such agreement shall not restrict the
7 Monitor from providing any information to the Attorney General.

8 The Monitor shall have the power to conduct and provide ongoing oversight and surveillance of
9 the Bound Parties' compliance with the applicable Conditions described in this AVC. The Monitor
10 shall have all powers reasonably necessary to monitor compliance with the Conditions, including
11 the power to:

- 12 1. Take complaints regarding compliance with the Conditions from payors, competitors of
13 the Bound Parties, employees of the Hospitals, and Foundation Physicians Medical
14 Group, employees of UCSF Health and UCSF Health Medical Foundation, or from the
15 Attorney General (with reasonable notice to be provided thereafter to all parties);
- 16 2. Inspect records and compel disclosure of confidential documents maintained by SFMH
17 and SMMC subject to any demonstrated legally recognized privilege and appropriate
18 confidentiality protections;
- 19 3. Interview staff, patients, visitors, contractors, and other interested persons subject to
20 reasonable prior notice and the opportunity for the Bound Parties to have counsel present;
- 21 4. Hire staff and experts reasonably necessary to conduct the activities within the scope of
22 the Monitor's engagement; and
- 23 5. Make recommendations concerning enforcement to the Attorney General.

24 The Bound Parties shall reasonably cooperate with the Monitor in the performance of the Monitor's
25 work and shall take no action to interfere with or impede the Monitor's ability to monitor
26 compliance with the Conditions.

27 The Bound Parties shall provide annual reports to the Attorney General of the Bound Parties' efforts
28 to comply with the Conditions. The Attorney General may confer with the Monitor regarding the
annual reports to determine compliance with Conditions under the scope of the Monitor's duties.

The Bound Parties will be solely responsible for the expenses of the Monitor, including staff and
experts of the Monitor, in performing the services described in this Condition; provided however,
that the Bound Parties will not be compelled to pay more than \$750,000 in the aggregate, with a
one-time supplement of up to \$225,000, upon the Attorney General's good cause determination for
the services provided by the Monitor during the term of the Monitor's engagement.

XXVII.

Retaliation or threats of retaliation based on any payor, entity, or individual having provided information in conjunction with the Conditions herein to the Attorney General, the Monitor, or to a court is prohibited.

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Proposed change to CEO objective weighting is on page 7
Additions shown by underscore; deletions shown by strikeout

The University of California
Clinical Enterprise Management Recognition Plan (CEMRP)
For Plan Year July 1, 2024 through June 30, 2025

1. PLAN PURPOSE

The purpose of the University of California Clinical Enterprise Management Recognition Plan (CEMRP or Plan) is to provide at-risk, variable incentive compensation opportunity to those employees responsible for achieving or exceeding key Clinical Enterprise objectives. Consistent with healthcare industry practices, the UC Health System uses performance-based incentive compensation programs to encourage and reward achievement of specific financial and/or non-financial objectives (e.g., quality of care or patient satisfaction and safety, budget performance) and strategic objectives which relate to the Clinical Enterprise's mission.

The annual Short Term Incentive (STI) component of the Plan provides participants with an opportunity to receive a non-base building cash incentive based on the achievement of specific annual financial, non-financial, and strategic objectives relative to the mission and goals of the UC Health clinical enterprise.

The three-year Long Term Incentive (LTI) component is a non-base building incentive that is intended to encourage and reward top executives of the UC Health clinical enterprise for the achievement of multi-year strategic initiatives, to support and reinforce those results that will promote the long-term success of each UC Health location and collectively the clinical enterprise systemwide emphasizing the importance of the long-term strategic plan. In addition, the LTI assists in retaining the executive talent needed to achieve multi-year organizational objectives by complementing (but not duplicating) the focus of the short-term objectives of the Clinical Enterprise Management Recognition Plan. The Medical Center Chief Executive Officers (CEOs) of each UC Health System will participate in the LTI.

In summary, the Plan encourages the teamwork required to meet challenging organizational goals while encouraging individual participants to strive for personal excellence through individual and/or departmental performance objectives.

2. PLAN OVERSIGHT

Development, governance, and interpretation of the Plan will be overseen by an independent Administrative Oversight Committee (AOC), organized by the Vice President – Systemwide Human Resources and Associate Vice President – Total Rewards, and comprised of the following voting members:

- Chancellor of each campus with a Health System
- Executive Vice President – Chief Operating Officer
- Executive Vice President – Chief Financial Officer
- Executive Vice President – UC Health

The AOC, in its deliberations pertaining to the development or revision of the Plan, may consult with representatives from the Health Systems. The AOC will abide by the Political Reform Act, which would prohibit Plan participants from making, participating in making, or influencing decisions that would affect whether they participate in the Plan, the objectives that will govern whether they earn awards under the Plan, and the amount of awards paid to them under the Plan. The Office of General Counsel will be consulted if there are any questions about the application of the Political Reform Act in this context. The Senior Vice President – Chief Compliance and Audit Officer will assure that periodic auditing and monitoring will occur, as appropriate.

3. PLAN APPROVAL

The Plan will be subject to an annual review conducted by the AOC to address design issues and market alignment. The Plan will be implemented each year upon the approval of the AOC if no substantive or material changes to the Plan are being recommended.

If the AOC recommends any substantive or material changes to the Plan, including, but not limited to, changes in the award opportunity levels, the AOC will obtain the approval of the President and the Regents' Health Services Committee before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material Plan changes until after the end of the current Plan year. However, if changes are implemented during the Plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the Plan year. Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and will then be implemented by the AOC at an appropriate time. The Regents will receive reports of all changes to the Plan.

4. PLAN YEAR

The CEMRP year will correspond to the University's fiscal year, beginning July 1 and ending the following June 30.

The applicable performance period for CEMRP's LTI component will begin July 1 of the Plan year and end three years later on June 30th.

5. PLAN ADMINISTRATION

The Plan will be administered under the purview of the Associate Vice President - Total Awards, at the Office of the President, consistent with the Plan features outlined in this document, and as approved by the President and the Regents' Health Services Committee. The Plan features and provisions outlined in this document will supersede any other Plan summary.

6. ELIGIBILITY TO PARTICIPATE

Eligible participants in CEMRP are defined as the senior leadership of the Clinical Enterprise who have significant strategic impact and a broad span of control with the ability to effect enterprise-wide change. Campus and/or health system attorneys, members of Ethics, Compliance and Audit teams, and members of development/fundraising teams are not eligible to participate in CEMRP.

Eligibility to participate in CEMRP's LTI component is reserved for those senior executives who are in a position to make a significant impact on the achievement of long-term strategic objectives, specifically the CEOs at each of the Health Systems.

Plan participation in any one year does not provide any right or guarantee of eligibility or participation in any subsequent year of the Plan. The AOC will review and approve the Participant List prior to the start of each plan year.

Plan participants may be added after the Plan year has begun, subject to CEMRP's eligibility requirements and AOC approval.

Participants in this Plan may not participate in any other incentive or recognition plan during the Plan year, including the Health Sciences Compensation Plan, except in the event of a mid-year transfer within the University. Specifically, if a Plan participant is eligible for only a partial year award under this Plan because a mid-year transfer of position renders him or her eligible for Plan participation for only a portion of the Plan year, he or she may participate in a different University plan for the other portion of the Plan year. Concurrent participation in this Plan and another University incentive plan is not permitted.

CEMRP STI participants must have a minimum of six months of service to participate in the Plan and will receive a prorated award in their first year of participation. Similarly, participants who were not working for a significant portion of the Plan year may receive a prorated award in appropriate circumstances, as determined by the AOC. Participants who transfer within the University to a position that would not be eligible for participation in the Plan are eligible to receive a prorated award for that Plan year if they worked in the CEMRP-eligible position for at least six months.

An LTI participant hired or promoted into an LTI-eligible position between July 1, 2024 and December 31, 2024 of the 2024-25 Plan year will be assigned one or more long-term objective(s) for the three-year period from July 1, 2024 to June 30, 2027. The new LTI participant will be eligible for their first LTI incentive opportunity at the close of the three-year period ending June 30, 2027. The LTI award will be prorated by dividing the number of complete months the participant is in an eligible role during that three-year period by the number of months in the full performance period (36 months).

Prior to the beginning of the Plan year, the AOC will approve the Plan's participants and provide the President and the Chair of the Regents' Health Services Committee with a list of participants for that Plan year, including appropriate detail regarding each participant.

7. AWARD OPPORTUNITY LEVELS

As part of their competitive total cash compensation package, Plan participants are assigned threshold, target, and maximum incentive award levels, expressed as a percentage of their base

salary. These award opportunity levels serve to motivate and drive individual and team performance toward established objectives. Target awards will be calibrated to expected results while maximum awards will be granted only for superior performance against established performance standards. Actual awards for any individual participant may not exceed the maximum award opportunity level assigned. Award opportunity levels are determined, in part, based on the participant's level within the organization and the relative scope of responsibilities, impact of decisions, and long-term strategic impact. If a participant changes positions during the Plan year within the same institution (defined as the participant's Health System) and the participant's level within the organization changes based on the table below, the participant's award should be adjusted to take into account the amount of time spent in each position.

CEMRP STI Annual Award Opportunity (as percent of salary)

| Position Level within Organization | Threshold Opportunity | Target Opportunity | Maximum Opportunity |
|--|------------------------------|---------------------------|----------------------------|
| Tier 1: Medical Center Chief Executive Officers | 10% | 20% | 30% |
| Tier 2: Senior Executive Clinical Enterprise Leadership | 7.5% | 15% | 25% |
| Tier 3: Other Clinical Enterprise Leadership | 7.5% | 15% | 20% |

The individuals eligible to participate in CEMRP's LTI component will be assigned one or more long-term performance objective(s) for the three-year period that begins with each new CEMRP Plan year, resulting in overlapping three-year LTI cycles. The LTI Threshold, Target, and Maximum award opportunity for the Medical Center CEOs will be 5 percent, 10 percent, and 15 percent, respectively, as shown in the chart below. The actual awards will be based on final assessments at the conclusion of the three-year LTI performance period and paid at the same time as the STI awards are paid.

CEMRP LTI Award Opportunity (as percent of salary)

| <u>Position Level within Organization</u> | <u>Threshold Opportunity</u> | <u>Target Opportunity</u> | <u>Maximum Opportunity</u> |
|--|-------------------------------------|----------------------------------|-----------------------------------|
| Tier 1: Medical Center Chief Executive Officers | 5% | 10% | 15% |

8. PERFORMANCE STANDARDS

Each Plan participant will be assigned Performance Objectives which have standards of performance defined as Threshold, Target, and Maximum performance consistent with the following:

Threshold Performance – Represents the minimum acceptable performance standard for which an award can be paid. This level represents satisfactory results, but less than full achievement of stretch objectives.

Target Performance – Represents successful attainment of expected level of performance against stretch objectives.

Maximum Performance – Represents results which clearly and significantly exceed all performance expectations for the year. This level of accomplishment should be rare.

The same performance standards will be used for LTI performance objectives, but they will relate to performance over a three-year period rather than a one-year period.

9. PERFORMANCE OBJECTIVES AND WEIGHTINGS

At the beginning of each fiscal year, each participant will be assigned a set of financial and/or non-financial performance objectives that align to the mission and goals of the Clinical Enterprise systemwide and each participant's respective UC Health location

Objectives set at the Systemwide Clinical Enterprise level encourage cooperation between the UC Health locations for the benefit of the entire UC Health Clinical Enterprise systemwide. Institutional performance objectives are specific to each UC Health location to encourage teamwork and recognize the collective effort needed to achieve challenging organizational goals. Individual or departmental performance objectives are designed to focus attention on key individual or departmental goals.

For purposes of this Plan, individual/departmental performance objectives should not be identical to regular job requirements or expectations as overall job performance is assessed as part of the Annual Performance Review Process.

All CEMRP performance objectives must be stretch in terms of achievement potential, must be aligned with specific Institutional and/or Clinical Enterprise initiatives, and are often connected with or supplement ongoing job responsibilities.

Each of the STI and LTI performance objectives will relate to one or more of the categories below:

- Financial Performance
- Quality Improvements
- Patient Satisfaction
- Key Initiatives in Support of the Strategic Plan
- People and other Resource Management

There will be no more than nine STI performance objectives for each participant comprised of the following: (1) Up to three objectives relating to the performance of the *Clinical Enterprise* (defined as Systemwide); (2) Up to three objectives relating to the performance of the *Institution* (defined as the participant's Health System); (3) For all participants other than those eligible for the LTI component, up to three objectives relating to *Individual* and/or *Departmental* performance. If an Individual/Departmental performance objective has three components and the

Threshold, Target, and Maximum performance standards are framed as “meet one of three,” “meet two of three,” and “meet three of three,” respectively, each component must have equal importance and weighting. While this type of Individual/Departmental performance objective is permissible, Individual/Departmental performance objectives with clear metrics for each performance standard are preferred.

Annual STI Individual/Departmental performance objectives will be established by each participant’s supervisor in consultation with the Medical Center CEO of their respective Health System for all participants other than those eligible to participate in the LTI component. The established individual objectives will be implemented and administered by the Chief Human Resources Officers that oversee each health system.

The annual STI Institutional performance objectives for each Health System will be established by the respective Chancellors in advance of the Plan year. The established institutional objectives will be implemented and administered by the respective Medical Center CEOs.

The annual STI performance objectives for the Systemwide Clinical Enterprise Level will be established by the EVP-UC Health, who must consult with the President, the Chair of the Regents’ Health Services Committee, and the Chair of the Board of Regents. The established systemwide objectives will be implemented and administered by the Systemwide Office of UC Health under the purview of the EVP-UC Health.

LTI participants will also be assigned one or more LTI performance objective(s) for each three-year performance period. The LTI performance objective(s) will require longer-term, multi-year efforts to achieve. LTI performance objectives must contain details that define Threshold, Target, and Maximum performance and include metrics and benchmarks, as appropriate. The LTI performance objectives will be established by the EVP-UC Health, who must consult with the President, and the Chair of the Regents’ Health Services Committee and the Chair of the Board of Regents. The established LTI objectives will be implemented and administered by the Systemwide Office of UC Health under the purview of the EVP-UC Health.

All performance objectives must be SMART (specific, measurable, attainable, relevant, and time-based). Assessment of participants’ performance and contribution relative to these objectives will determine their actual award amount.

Peer group and/or industry data must be used where appropriate to provide a benchmark and performance standard. Performance objectives at the Systemwide and Institutional levels are typically measured against relative peer/industry benchmarks in the market. Where an established internal or external benchmark is used, baseline metrics must be included to enable a determination of the degree to which the intended results would require stretch performance.

The Chief Human Resource Officer at each Health System will be responsible for ensuring that all Individual/Departmental objectives for participants at that location meet the SMART standards before obtaining sign-off from the CEO and Chancellor. The STI and LTI performance objectives for all participants will be subject to review and approval by the AOC prior to the beginning of the Plan year or as soon as possible thereafter. The AOC will consult the Senior Vice President – Chief Compliance and Audit Officer in an independent advisory capacity during its review of Plan participants’ objectives.

The participants' performance toward their assigned STI objectives may be measured across three organizational levels as noted above (Systemwide, Institutional, and Individual/Departmental) and will be weighted according to the percentages listed in the table below.

Weighting of STI Annual Objectives

| Position Level within Organization | Clinical Enterprise (Systemwide) Level | Institutional Level | Individual and/or Departmental Level |
|--|---|----------------------------|---|
| Tier 1: Medical Center Chief Executive Officers | 50% 30% | 50% 70% | 0% |
| Tier 2: Senior Executive Clinical Enterprise Leadership | 30% | 50% | 20% |
| Tier 3: Other Clinical Enterprise Leadership | 20% | 50% | 30% |

Each participant's supervisor will provide notification to each participant of: (a) the participant's performance objectives for the Plan year, (b) the performance standards that will be used to measure Threshold, Target, and Maximum performance for each objective, (c) the performance weightings that will apply to the participant's performance objectives, and (d) a copy of this Plan document.

10. PLAN FUNDING AND MINIMUM THRESHOLD FOR FINANCIAL STANDARD

Full funding of STI awards for participants at a Health System in the plan year are to be paid from health revenues only. Payment of awards is contingent upon each Health System's ability to pay out the awards while maintaining a positive Modified EBIDA. This minimum threshold financial standard is based on the calculation of Modified EBIDA as reported to the Regents' Health Services Committee.

In the event that the Health System cannot meet that financial standard for the Plan year, and the Health System attains key Institutional non-financial objectives, the AOC may consider and approve, in consultation with the Chancellor and EVP – UC Health, partial STI award payouts for some or all of that Health System's Plan participants based on the Award Opportunity Levels defined above and participants' achievement of their assigned STI performance objectives for the Plan year.

11. INCENTIVE AWARD ELIGIBILITY CRITERIA

Participants must be active full-time employees of the University at the conclusion of the Plan year (i.e., as of midnight on June 30th) to be eligible to receive an STI award for that Plan year, unless the circumstances of their separation from the University entitle them to a full or partial award as set forth in the Separation from the University provision below in Section 13.

LTI participants must be active full-time employees at the conclusion of the three-year period associated with an LTI performance objective (i.e., as of midnight on June 30th of the third year) to be eligible to receive an LTI award for that period.

Participants must have at least a “Meets Expectations” or equivalent overall rating on their performance evaluation for the Plan year to be considered for an STI award under the Plan for that Plan year or an LTI award for the performance period that concludes at the end of that Plan year. A manager may reduce or eliminate an award according to the participant’s overall performance rating with the approval of the AOC. However, an overall performance rating below “Meets Expectations” will eliminate the total award for that participant for that Plan year or performance period.

A participant who has been found to have committed a serious violation of state or federal law or a serious violation of University policy at any time prior to distribution of an STI or LTI award will not be eligible for such awards under the Plan for that Plan year and/or performance period. If such allegations against a participant are pending investigation at the time of the award distribution, the participant’s award(s) may be withheld pending the outcome of the investigation. If the participant’s violation is discovered later, the participant may be required to repay awards for the Plan years and/or performance periods in which the violation occurred.

Likewise, when it has been determined that a participant’s own actions or the participant’s negligent oversight of other University employees played a material role in contributing to a serious adverse development that could harm the reputation, financial standing, or stability of the participant’s Health System (*e.g.*, the receipt of an adverse decision from a regulatory agency, placement on probation status, or the adverse resolution of a major medical malpractice claim) or, with regard to the Clinical Enterprise overall, the AOC has the discretion to decide that the participant will either not be eligible for an STI or LTI award under the Plan that year or will receive an award that has been reduced as a result of and consistent with the participant’s role with regard to the adverse development. If the participant’s role regarding the adverse development is still under investigation at the time of award distribution, the participant’s award for the Plan year may be withheld pending the outcome of the investigation.

If the participant’s role in the adverse development is discovered later, the participant may be required to repay awards for the years in which the actions or negligent oversight occurred.

12. INCENTIVE AWARD APPROVAL PROCESS

At the end of each Plan year, proposed incentive awards will be submitted to Systemwide HR under the purview of the AVP, Total Rewards. Except as set forth below. Awards amounts will be reviewed and approved by the AOC. The AOC will consult the Senior Vice President – Chief Compliance and Audit Officer in an independent advisory capacity during its review of proposed incentive awards. The AOC will provide the chair of the Regents’ Health Services Committee and the President with a listing of award recommendations before awards are scheduled to be paid. On behalf of the AOC, the Systemwide HR under the purview of the AVP, Total Rewards will provide the President and the Regents with the award details in the Annual Report on Executive Compensation.

Approved incentive awards will be processed after the Vice President – Systemwide Human Resources provides notification to release the awards unless they have been deferred pursuant to the provision set forth below.

Annual incentive awards will be payable in cash, subject to appropriate taxes and pursuant to normal University payroll procedures. The participant’s total University salary (which includes

base salary and any stipends but does not include any prior year incentive award payouts or disability pay) as of June 1st of the Plan year will be used in the calculation of the incentive award amount.

The assigned Description of Service code of “XCE” specific to the Plan **must** be used when paying awards to Plan participants.

This Plan may be terminated or replaced at any time for any reason upon the recommendation of the President, in consultation with the Chair of the Regents’ Health Services Committee. Reasonable efforts, given all circumstances, will be made to delay Plan termination until after the current Plan year has concluded. However, if the Plan is terminated during the Plan year, awards for the current year will still be processed based on participants’ performance during the portion of the Plan year prior to termination.

Notwithstanding any other term in the Plan, current year incentive awards may be deferred if the Regents issue a declaration of extreme financial emergency upon the recommendation of the President or if the Systemwide Clinical Enterprise experiences a consolidated negative Modified EBIDA as reported to the Regents’ Health Services Committee. In such situations, the deferral would be made upon the recommendation of the AOC and require the approval of the President and the Chair of the Regents’ Health Services Committee. In such a case the current year deferred awards will earn interest at the Short Term Investment Pool rate. Award payments that have been approved, but deferred, will be processed and distributed as soon as possible. In no event will awards be deferred longer than one year.

The University may require repayment of an award that was made as a result of inappropriate circumstances. For example, if there is an inadvertent overpayment, the participant will be required to repay the overage. If the participant has not made the repayment before an award for the employee for a subsequent Plan year is approved, the outstanding amount may be deducted from the employee’s subsequent award.

13. SEPARATION FROM THE UNIVERSITY

The table below indicates whether a participant who separates from the University will be eligible to receive a full or partial STI award and specifies when forfeiture of such awards will occur. Retirement will be determined based upon applicable University policies. In order to determine the most accurate STI award for the current Plan year, partial payments will be calculated at the end of the Plan year and issued in accordance with the normal process and schedule.

| Reason for Separation | Separation During Plan Year (i.e., on or before June 30, 2025) | Separation on or after July 1, 2025 |
|---|--|---|
| Voluntary Separation for any reason other than retirement | <ul style="list-style-type: none"> Forfeiture of STI award for 2024-25 Plan year. | <ul style="list-style-type: none"> Payout of full STI award for 2024-25 Plan year. |
| <ul style="list-style-type: none"> Retirement Medical separation due to disability Death* Involuntary separation due to reorganization or restructuring | <ul style="list-style-type: none"> Partial STI award for 2024-25 Plan year. | <ul style="list-style-type: none"> Payout of full STI award for 2024-25 Plan year. |

| | | |
|---|--|---|
| Involuntary termination due to misconduct or inadequate performance | <ul style="list-style-type: none"> • Forfeiture of STI award for 2024-25 Plan year. | <ul style="list-style-type: none"> • Forfeiture of STI award for 2024-254 Plan year. |
|---|--|---|

*In such cases, payments will be made to the estate of the participant.

LTI awards are not eligible for full or partial payment if a participant separates from the University before the conclusion of the applicable three-year LTI performance period; forfeiture will occur.

14. TREATMENT FOR BENEFIT PURPOSES

Incentive awards under this Plan are not considered to be compensation for University benefit purposes, such as the University of California Retirement Plan or employee life insurance programs.

15. TAX TREATMENT AND REPORTING

Under Internal Revenue Service Regulations, payment of incentive awards under this Plan must be included in the participant's income as wages subject to withholding for federal and state income taxes and applicable FICA taxes. The payment is reportable on the participant's Form W-2 in the year paid.