

**Office of the President**

**TO MEMBERS OF THE HEALTH SERVICES COMMITTEE:**

**ACTION ITEM**

*For Meeting of August 16, 2017*

**APPROVAL OF SALARY ADJUSTMENTS USING NON-STATE FUNDS FOR CERTAIN MEMBERS OF THE SENIOR MANAGEMENT GROUP WITHIN THE UC HEALTH SYSTEM AS DISCUSSED IN CLOSED SESSION**

**EXECUTIVE SUMMARY**

Consistent with the 2017 salary program for non-represented staff at all levels, the President of the University recommends approval of merit-based salary adjustments for the Chief Executive Officers (CEOs) of UC Health.

The individual CEOs have contributed greatly to the improvements and progress the UC Health organization has made over the last year, particularly in implementing operational efficiencies, securing expansion opportunities, and responding to intensified local and regional competition, among other accomplishments. For example:

- Under the guidance of UC San Diego Health System CEO Patricia Maysent, the UC San Diego Health System successfully completed the Joint Commission accreditation review and licensing of the Jacobs Medical Center, opening in November 2016. UCSD was once again designated as part of the American Nurses Credentialing Center's Magnet Recognition Program, which recognizes superior quality in nursing care.
- UCLA Health System President and CEO – UCLA Hospital System Johnese Spisso led the successful openings of the new 168-bed California Rehabilitation Facility in partnership with Cedars-Sinai and Select Medical, the new home health care service, and the new Behavioral Health Clinic to provide mental health services to medical and graduate students. In addition, Ms. Spisso led expansion efforts with the Venice Family Clinics, Olive View, Harbor UCLA, Martin Luther King Hospital and the West Los Angeles Veterans Affairs Medical Center to provide care to vulnerable populations, and worked with L.A. Care to improve access to tertiary and quaternary care for Medicaid patients.
- In response to challenges in the reimbursement environment and Medicaid expansion, UC Irvine Health Vice Chancellor for Health Affairs and System CEO Howard Federoff

implemented Operational Transformation, an initiative focused simultaneously on expense reduction, efficiency improvement, and new revenue generation, resulting in a sustainable \$39 million financial improvement and an increase of ambulatory visits to over 800,000 patients annually. Separately, UC Irvine Medical Center has also partnered with UC San Diego in an unprecedented collaboration to share a single electronic medical record (EMR) platform and information technology unit that will result in \$16 million in savings in a single fiscal year. In addition, since Dr. Federoff also serves as the Vice Chancellor for Health Affairs overseeing the Schools of Medicine and Nursing and programs in Pharmaceutical Sciences and Public Health, he led the highly successful Liaison Committee on Medical Education (LCME) accreditation site visit for the School of Medicine, securing a full eight year reaccreditation.

- UCSF Health President and CEO Mark Laret continued expansion of the UCSF brand throughout the Bay Area, solidifying a partnership with Dignity Health, one of the largest health care providers in the nation, and expanding the partnership with the accountable care network, Canopy Health, which has a network of over 4,000 physicians and 16 hospitals.
- UC Davis Health CEO Ann Madden Rice led the effort to designate UC Davis Children's Hospital as the first hospital on the West Coast and fourth in the nation to earn verification as a Level I Children's Surgery Center by the American College of Surgeons. Ms. Rice also led initiatives focusing on patient access, quality, and financial sustainability that resulted in patient engagement scores improving, patient volumes increasing, and actual financial performance significantly outperforming budget.

Expenditures for delivery of healthcare services at all five UC Health medical centers, including UCSF Benioff Children's Hospital Oakland is now in excess of \$10 billion, more than one-third of the University's total operating expenditures. The University of California's five academic medical centers provide a vast resource for the clinical training programs of UC Health professional schools, as well as contributing, collectively, approximately a half billion dollars of their revenue to support these schools. These centers prepare future generations of health professionals; they catalyze major advances in biomedical and clinical research; and they collectively serve as California's fourth-largest healthcare delivery system, with about 42,000 employees, including 12,000 nurses. UC operates or staffs five major trauma centers, providing half of all transplants and one-fourth of extensive burn care in the state. UC medical centers manage more than 368,000 emergency room visits and nearly 4.9 million outpatient visits annually, as well as more than 167,000 inpatient admissions resulting in more than one million inpatient days. More than 60 percent of UC patients are covered by Medicare or Medi-Cal or lack health insurance. In support of the University's teaching, research, and public service missions, UC health programs also maintain active relationships with more than 100 affiliated Veterans Affairs facilities, as well as county and community-based health facilities located throughout California.

In addition, UC's institutions continue to win public accolades. The *U.S. News and World Report* 2017-18 Best Hospitals Honor Roll has UCSF Medical Center ranked fifth in the nation and Ronald Reagan UCLA Medical Center seventh in the nation, among 4,658 hospitals nationwide.

Within California, UCSF was ranked first, UCLA second, Davis fifth, San Diego seventh, and Irvine 11th overall, among hundreds of institutions.

The proposed three percent increases will help the University maintain relative positioning to the salaries of CEOs at UC's peer institutions. Of the five individuals listed in the chart in the recommendation section, four have a proposed base salary that is below the 60th percentile of the current Market Reference Zone (MRZ) and one would be 1.1 percent over the 60th percentile. It is important to note that the current Market Reference Zones are based on market information that is nearly two years old; the MRZs are scheduled to be updated in March 2018. When applying more current market data, comparing each CEO to his or her peers at other not-for-profit and teaching hospitals of comparable size and complexity, all five are currently below the median (50th percentile) salary of their similar-sized counterparts with two (Laret and Spisso) around the 25th percentile. The not-for-profit and academic medical centers used in the updated market data, above, include institutions such as University of Maryland, Oregon Health and Science University, Boston Medical Center, Barnes Jewish Hospital, Johns Hopkins, Duke, University of Massachusetts Memorial, Cedars-Sinai, and University of Pennsylvania, among others.

All five individuals are eligible for incentive pay as authorized by the Regents.

Consistent with the merit program guidelines, all five individuals were in their current role on or before January 1, 2017. Four of the five individuals did not receive any salary adjustments since January 1, 2017. One individual, Ms. Spisso, received a 14 percent market-based salary adjustment effective on March 1, 2017 to begin to bring her salary into alignment within UC Health and with CEOs at other teaching hospitals of similar size.

**RECOMMENDATION**

The President of the University recommends that the Health Services Committee approve the merit-based salary adjustments for the individuals listed below, effective July 1, 2017.

<b>Last Name</b>	<b>First Name</b>	<b>Location</b>	<b>Working Title</b>	<b>Current Annual Base Salary</b>	<b>Proposed Salary Increase %</b>	<b>Proposed Annual Base Salary</b>
Laret	Mark	UCSF	Chief Executive Officer	\$1,041,536	3.00%	\$1,072,782
Spisso	Johnese	UCLA	Chief Executive Officer	\$998,649	3.00%	\$1,028,608
Rice	Ann Madden	UCD	Chief Executive Officer	\$878,425	3.00%	\$904,778
Federoff	Howard	UCI	Chief Executive Officer	\$800,000	3.00%	\$824,000
Maysent	Patricia	UCSD	Chief Executive Officer	\$785,000	3.00%	\$808,550

The base salaries described above shall constitute the University's total commitment for base salary until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation

recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

**Submitted by: President Napolitano**

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