

Office of the President

TO MEMBERS OF THE HEALTH SERVICES COMMITTEE:

ACTION ITEM

For Meeting of June 5, 2018

APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR RICHARD GANNOTTA AS CHIEF EXECUTIVE OFFICER, UC IRVINE HEALTH SYSTEM, IRVINE CAMPUS AS DISCUSSED IN CLOSED SESSION

EXECUTIVE SUMMARY

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

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

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

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

The proposed base salary is consistent with Regents Policy 7701, Senior Management Group

Appointment and Compensation, and reflects an appropriate salary, taking into account the scope of responsibilities as well as Mr. Gannotta's depth and breadth of experience.

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

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

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

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

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

Mr. Gannotta received his bachelor's degree in nursing and nurse practitioner certification from Florida International University, his master's degree in business administration from Campbell

University, and a Ph.D. in healthcare administration from the Medical University of South Carolina.

RECOMMENDATION

The President of the University recommends that the Health Services Committee approve the following items in connection with the appointment of and compensation for Richard Gannotta as Chief Executive Officer, UC Irvine Health System, Irvine campus:

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

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: Upon approval

Annual Base Salary: \$780,000

Clinical Enterprise Management Recognition Plan (CEMRP): Short Term Incentive (STI): \$156,000 (at 20 percent target rate)

Clinical Enterprise Management Recognition Plan (CEMRP) – Long Term Incentive (LTI): ten percent target rate with the first possible payment to occur after the end of the 2020-21 Plan Year.

Target Cash Compensation:* \$936,000, plus possible LTI awards starting after the end of the 2020-21 Plan Year

Funding: Non-State funded (UC Irvine Health revenue)

Budget &/or Prior Incumbent Data

Title: Vice Chancellor for Health Affairs and System Chief Executive Officer, UC Irvine Health System

Annual Base Salary: \$824,000

Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term Incentive (STI): \$164,800 (at 20 percent target rate)

Clinical Enterprise Management Recognition Plan (CEMRP) – Long Term Incentive (LTI): ten percent target rate with the first possible payment to occur after the end of the 2018-19 Plan Year.

Target Cash Compensation:* \$988,800 plus possible LTI awards starting after the end of the 2018-19 Plan Year

Funding: Non-State funded (UC Irvine Health revenue)

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

COMPETITIVE ANALYSIS FOR CHIEF EXECUTIVE OFFICER, UC IRVINE HEALTH SYSTEM (MRZ TITLE: CHIEF EXECUTIVE OFFICER - IRVINE)

MARKET REFERENCE ZONE FOR BASE SALARY						MARKET COMPOSITE FOR TARGET CASH COMPENSATION*				
Percentiles	25 th	50 th	60 th	75 th	90 th	25 th	50 th	60 th	75 th	90 th
Market Data	\$679.5K	\$844.4K	\$904.9K	\$995.7K	\$1,199.5K	\$732.3K	\$947.9K	\$1,091.5K	\$1,307.0K	\$1,758.8K
% Difference from Market	14.8%	-7.6%	-13.8%	-21.7%	-35.0%	27.8%	-1.3%	-14.2%	-28.4%	-46.8%

* Excludes any possible LTI award.

Survey Source: Mercer Integrated Health Networks (IHN) Compensation Survey, Integrated Healthcare Strategies National Healthcare Leadership Compensation Survey, and Sullivan Cotter Survey of Manager and Executive Compensation.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by:	UC Irvine Chancellor Gillman
Reviewed by:	Health Services Committee Chair Lansing
	Office of the President, Human Resources