



TAHOE FOREST HOSPITAL DISTRICT

# 2018-02-20 Board Executive Compensation Committee Meeting

Tuesday, February 20, 2018 at 10:30am

Tahoe Conference Room - Tahoe Forest Hospital

10054 Pine Avenue, Truckee, CA 96161

# Meeting Book - 2018-02-20 Board Executive Compensation Committee Meeting

02/20/2018 Executive Compensation Committee

## AGENDA

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ITEMS 1 - 4: See Agenda

## 5. APPROVAL OF MINUTES

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## 6. ITEMS FOR COMMITTEE DISCUSSION AND/OR ACTION

6.1. Executive Compensation Committee Charter FY18 2017\_1130 FINAL.pdf Page 6

### 6.2. Policy Review

6.2.1. ABD-01 Board Chief Executive Officer and Employee Performance Evaluation.pdf Page 7

6.2.2. ABD-02 TFHD Chief Executive Officer Compensation.pdf Page 9

6.3.a. FY18 CEO Incentive Compensation Criteria.pdf Page 11

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ITEMS 7 - 9: See Agenda



# BOARD EXECUTIVE COMPENSATION COMMITTEE AGENDA

Tuesday, February 20, 2018 at 10:30 a.m.  
Tahoe Conference Room - Tahoe Forest Hospital  
10054 Pine Avenue, Truckee, CA 96161

1. **CALL TO ORDER**
2. **ROLL CALL**  
Alyce Wong, R.N., Chair; Randy Hill, Board Member
3. **CLEAR THE AGENDA/ITEMS NOT ON THE POSTED AGENDA**
4. **INPUT – AUDIENCE**  
This is an opportunity for members of the public to address the Committee on items which are not on the agenda. Please state your name for the record. Comments are limited to three minutes. Written comments should be submitted to the Board Clerk 24 hours prior to the meeting to allow for distribution. Under Government Code Section 54954.2 – Brown Act, the Committee cannot take action on any item not on the agenda. The Committee may choose to acknowledge the comment or, where appropriate, briefly answer a question, refer the matter to staff, or set the item for discussion at a future meeting.
5. **APPROVAL OF MINUTES OF: 12/12/2017..... ATTACHMENT**
6. **ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION**
  - 6.1. **Committee Charter ..... ATTACHMENT**  
Executive Compensation Committee will review and discuss its committee charter.
  - 6.2. **Policy Review**  
Executive Compensation Committee will review the following policies:
    - 6.2.1. **ABD-01 Board, CEO, and Employee Performance Evaluation..... ATTACHMENT**
    - 6.2.2. **ABD-02 TFHD Chief Executive Officer Compensation ..... ATTACHMENT**
  - 6.3. **CEO Incentive Compensation ..... ATTACHMENT**  
Executive Compensation Committee will discuss developing metrics for CEO Incentive Compensation.
7. **REVIEW FOLLOW UP ITEMS / BOARD MEETING RECOMMENDATIONS**
8. **NEXT MEETING DATE**  
Executive Compensation Committee will meet quarterly or as needed.
9. **ADJOURN**

\*Denotes material (or a portion thereof) may be distributed later.

Note: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of services, hiring, training and employment practices on the basis of color, national origin, sex, religion, age or disability including AIDS and related conditions.

Equal Opportunity Employer. The meeting location is accessible to people with disabilities. Every reasonable effort will be made to accommodate participation of the disabled in all of the District's public meetings. If particular accommodations for the disabled are needed (i.e., disability-related aids or other services), please contact the Executive Assistant at 582-3481 at least 24 hours in advance of the meeting.

## BOARD EXECUTIVE COMPENSATION COMMITTEE

### DRAFT MINUTES

Tuesday, December 12, 2017 at 10:30 a.m.  
Pine Cafe Conference Room - Tahoe Forest Hospital  
10121 Pine Avenue, Truckee, CA 96161

#### 1. CALL TO ORDER

Meeting was called to order at 10:33 a.m.

#### 2. ROLL CALL

Board: Alyce Wong, R.N., Chair; Dale Chamblin, Board Member

Staff: Alex MacLennan, Chief Human Resources Officer; DeeDee Holmes, Benefits Coordinator; Martina Rochefort, Clerk of the Board

#### 3. CLEAR THE AGENDA/ITEMS NOT ON THE POSTED AGENDA

No changes were made.

#### 4. INPUT – AUDIENCE

No public comment was received.

#### 5. APPROVAL OF MINUTES OF: 10/23/2017

Director Chamblin approved the Personnel Committee meeting minutes of October 23, 2017, seconded by Director Wong.

#### 6. ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION

##### 6.1. FY17 CEO Incentive Compensation

Executive Compensation Committee reviewed the metrics for FY17 CEO Incentive Compensation.

CEO met the two financial metrics of budgeted net income and days cash on hand.

Committee felt CEO met his compliance goal with the work done by The Fox Group.

The patient satisfaction target of 93.76 was exceeded.

Discussion about wording for “complete” physician makeover and how that will be scored.

Discussion was held on the IT goal. Epic was implemented enterprise wide. Committee felt CEO met this metric.

Discussion about how CEO has used the entire TFHD campus to its fullest.

*Harry Weis, CEO, joined the meeting at 11:05 a.m.*

Discussion was held about specific community organizations the CEO is involved with.

Discussion was held about gainsharing and incentive compensation payouts for staff, managers, directors and administrative council.

Director Wong expressed concerned about difficult times ahead with reimbursements.

Committee recommended to bump CEO from 20% to 25% for incentive compensation.

## **6.2. Committee Charter**

Executive Compensation Committee reviewed its committee charter.

The retirement subcommittee will become an administrative committee. Director Wong would like to see that employees still get representation on the committee.

Discussion was held on the committee's duties.

**Open Session recessed at 11:47 a.m.**

## **7. CLOSED SESSION**

### **7.1. Approval of Closed Session Minutes**

10/23/2017

Discussion was held on a privileged item.

**Open Session reconvened at 11:48 p.m.**

## **8. REVIEW FOLLOW UP ITEMS / BOARD MEETING RECOMMENDATIONS**

Executive Compensation Committee will draft a recommendation to include in the board packet for next week's meeting.

## **9. NEXT MEETING DATE**

Personnel Committee will meet again as needed.

## **10. ADJOURN**

**Meeting adjourned at 11:49 a.m.**

**Charter**  
**Executive Compensation Committee**  
**(formerly Personnel Committee)**  
**Tahoe Forest Hospital District**  
**Board of Directors**

***PURPOSE:***

The purpose of this document is to define the charter of the Executive Compensation Committee of the District's Board of Directors and, further, to delineate the Committee's duties and responsibilities.

***RESPONSIBILITIES:***

The Executive Compensation Committee is responsible for assisting the Board in oversight of Chief Executive Officer (CEO) relations and the work done through the Foundations of Excellence.

***DUTIES:***

1. Oversee the identification and recruitment of the organization's CEO as directed by the Board of Directors
2. Assure an annual CEO performance evaluation process is in place.
3. In conjunction with the CEO, annually review and recommend modifications of goals and objectives which will be used to evaluate the performance of the CEO.
4. Review annually the CEO's comprehensive compensation package, and make recommendations to the Board of Directors as necessary
5. In conjunction with the CEO, review and evaluate annually the CEO position description to ensure its continued relevance. Recommend revisions to the Board of Directors as necessary
6. Annually review the CEO Succession Plan and make recommendations to the Board.

***COMPOSITION:***

The Committee is comprised of at least two (2) board members appointed by the Board President.

***MEETING FREQUENCY:***

The Committee shall meet at least once annually and then on an as needed basis.



# TAHOE FOREST HEALTH SYSTEM

Origination Date:	01/1991
Last Approved:	03/2017
Last Revised:	01/2014
Next Review:	01/2019
Department:	Board - ABD
Applies To:	System

## Board Chief Executive Officer and Employee Performance Evaluation, ABD-01

### PURPOSE:

To establish a process or processes designed to ensure that all individuals who provide services on behalf of Tahoe Forest Hospital District be competent to provide such services.

### POLICY:

- A. Since the outcome of services rendered by Tahoe Forest Hospital District affects the quality of life of its patients and community, it is important that the delivery of these services be monitored. Inherent in this process is the periodic review of each individual providing service on behalf of Tahoe Forest Hospital District including its employees and professional contract providers of clinical care. Of equal importance is the Board of Directors' commitment to periodically review its own performance and that of the hospital's Chief Executive Officer.
- B. Therefore, formal systems of performance evaluation shall be established to cover all such individuals. The usual period for which an evaluation is documented is one year. Nevertheless, the system should encourage continuing activity so as to effect performance improvement more quickly and to provide motivational rewards on a timely basis. The object of the formal performance evaluation system is:
  1. To reveal areas in which each team member can work to improve.
  2. To optimize the performance of each member of the Tahoe Forest Hospital District team.
  3. To provide a logical manner by which compensation decisions can be made, and thereby maximize the motivational value of the rewards.

### PROCEDURE:

- A. Employee Evaluation:
  1. All employees are regularly evaluated to document their compliance with TFHD goals, personal goals, TFHD policies and procedures and job performance. Evaluations are given at the end of the probationary period and annually thereafter. The quality of patient care services provided by these individuals is reviewed as part of the hospital's quality assurance program. The procedure for this category of individuals is more fully delineated in the District policy [AHR-68 Performance Reviews](#).
  2. On an annual basis, the department head of a clinical care area who engages the services of a professional contract provider will conduct and document a review of the services rendered by that professional contract provider.

B. Chief Executive Officer Performance Evaluation: The Chief Executive Officer's performance will be formally reviewed, based on pre-determined criteria, at least annually. The process will be accomplished by the full Board of Directors and will be documented through a written report.

1. It is the responsibility of the hospital's Chief Executive Officer to prompt the scheduling of such a review through the timely placement of this item on the Closed Session agenda.
2. In recognition that a performance appraisal is not intended to limit feedback to a once a year event, the District Directors are encouraged to provide regular feedback to the Chief Executive Officer relating to his/her performance in accomplishment of objectives.

C. Board Evaluation:

1. The Board will monitor and discuss the Board's process and performance at least annually. The self-evaluation process will include comparison of Board activity to manner of governance policies. The process may include, but not be limited to:
  - a. Evaluation of feedback gathered from surveys of Medical Staff, employees and community.
  - b. Use of an appropriate Board self-evaluation tool.
  - c. Achievements relative to the District's mission and strategic goals.

Related Policies/Forms: <a href="#">AHR-68 Performance Reviews</a>
References:
Policy Owner: Clerk of the Board
Approved by: Chief Executive Officer

All revision dates:

01/2014, 01/2012, 02/2010, 03/2008, 07/2004

**Attachments:**

No Attachments

**Approval Signatures**

Step Description	Approver	Date
	Harry Weis: CEO	03/2017
	Martina Rochefort: Clerk of the Board	03/2017





Origination Date:	06/2000
Last Approved:	03/2017
Last Revised:	01/2014
Next Review:	01/2019
Department:	Board - ABD
Applies To:	System

## TFHD Chief Executive Officer Compensation, ABD-2

### POLICY:

Tahoe Forest Hospital District Chief Executive Officer Compensation

### PROCEDURE:

#### A. Policy Statement

Tahoe Forest Hospital District wants to ensure that the Chief Executive Officers compensation decisions are competitive, fair and equitable as well as compliant with appropriate regulatory guidelines and representative of best market practices. Compensation philosophy for all executives will tie to an overall organizational philosophy.

#### B. Guiding Principles

The Board of Directors of the Tahoe Forest Hospital District recognizes that if we are to achieve our goal to be the Best mountain community health care system in the country that we must attract and retain exceptional leaders. As elected trustees we also have the duty to appropriately care for the resources of the Tahoe Forest Hospital District on behalf of the community. It is the responsibility of the Board Personnel Committee to review executive compensation and to manage the Chief Executive Officer contract renewal process. The Board Personnel Committee is composed of two board members and is appointed annually by the Board President. An effort will be made to have the most independent Board Members serve on this committee during the Chief Executive Officer contract renewal process. In accordance with the California Brown Act, debate and decisions on executive compensation will be held in open and public meetings.

#### C. Total Compensation

Total compensation for the Chief Executive Officer position with TFHD may include:

1. Personal leave
2. Long Term Sick Leave
3. \$500,000 life insurance benefit
4. Automobile allowance
5. Housing assistance
6. Health, dental and vision insurance
7. Long Term Disability policy
8. Participation in Money Purchase Pension Plan
9. Employer match into 457 Deferred Compensation Plan
10. Discretionary deferred compensation
11. Incentive Compensation Plan
12. Severance agreement

#### D. Markets

1. The Personnel Committee will review survey data from various sources including, but not limited to, the California Hospital Association Executive Compensation Survey and other targeted data. Reviews will take place one year

prior to the contract expiration date of standing Chief Executive Officer and as needed for recruitment.

2. Survey comparisons will be to like size healthcare systems. Review of stand alone facilities and healthcare systems will include the size of the organization, scope of services offered, gross/net revenue, operating expenses, number of FTE's, number of beds and scope of responsibility (e.g. Bi-state organizations, Multi-specialty Clinic services) and other applicable information.

**E. Target**

1. The 50<sup>th</sup> percentile of current pay practices will be targeted to establish base compensation. "At Risk" compensation and other rewards will be targeted at above industry standards to off set base pay at the 50<sup>th</sup> percentile. It is our intention to provide total compensation comparable to industry standards with a focus on mountain community healthcare systems. Due to the housing market forces in our area, additional housing related benefits may be included in a total compensation package. These benefits may be more generous than industry standards due to local market and housing conditions.
2. The Board maintains the discretion to pay base compensation in excess of the 50<sup>th</sup> percentile based on other factors such as experience and results and to pay total compensation up to the 100<sup>th</sup> percentile based on extraordinary results.

**F. Other factors**

1. Other factors such as competitive market forces, each individual's job responsibilities are also considered in TFHD compensation and benefit decisions. These include:
2. Organizational complexity (the number and variety of services and/or organizational units).
3. Current and future management challenges (such as bankruptcies, major financing, construction projects, consolidations, increased competition, etc.).
4. The availability or lack of availability of staff experts.
5. The depth and breadth of the executive's knowledge and experience.
6. The rate of organizational growth.
7. The executive's value in the labor market as reflected, in part, by his salary history elsewhere.
8. The hospital's prior success in recruiting and retaining competent executive personnel.
9. Fees charged for comparable services by recognized hospital management companies.

Related Policies/Forms:
References:
Policy Owner: Clerk of the Board
Approved by: Chief Executive Officer

All revision dates: 01/2014, 01/2010, 03/2008, 06/2000

**Attachments:** No Attachments

**Approval Signatures**

Step Description	Approver	Date
	Harry Weis: CEO	03/2017
	Martina Rochefort: Clerk of the Board	03/2017

## FY18 CEO Incentive Compensation

### Finance 60%

-Meet or exceed budgeted net income of \$2,278,838.

### Service 10%

-Meet or exceed 93.76 Patient Satisfaction Scores as highlighted in gain sharing program.

### Quality 10%

-Maintain or improve core measure in sepsis bundle

### Growth 10%

-Meet or exceed 59,226 annual physician office visits total for all owned or managed physicians

### People 10%

- Meet or exceed national average on physician engagement survey.

# 5 Points on Designing a CEO Incentive Compensation Plan

December 21, 2010 | [Print](#) | [Email](#)

Hospital incentive plans are increasingly focused on quantifiable measures that are critical for hospital success, meaning only the most focused CEOs can achieve the top financial rewards for their work. Ralph DiPisa, partner of executive healthcare recruiter Phillips DiPisa, discusses five essential traits of an effective CEO incentive plan.

**1. Goals should be tiered, not "all or nothing."** Mr. DiPisa says an incentive plan should be made up of several goals, meaning the plan could be partially accomplished and still mean a payout for the CEO. For example, if the hospital sets four equally-weighted goals, and the CEO accomplishes three but fails on the fourth, he or she would receive 75 percent of the incentive payment. This means that a CEO discouraged over one particular goal will not give up on the rest of the goals. It also offsets the impact of the economy, which may make particular goals — increasing hospital revenue or attracting more providers, for example — more difficult.

Incentive plans are formed in many different ways, but hospital boards can also choose to weight specific goals to make them more important. If patient satisfaction is the number one objective in the hospital's strategic plan for 2011, the hospital board might weight that goal more heavily to direct the CEO's focus.

**2. Incentive goals should combine personal and organizational objectives.** Compensation experts agree that most incentive goals should be quantifiable and measurable. That means that at the end of the year, the hospital board should be able to look at the goals and the CEO's progress and determine very clearly whether those goals were met. Even goals that seem more subjective — creating better relationships with the medical staff, for example — should use physician satisfaction surveys and other data to inform the board's determination.

Mr. DiPisa says many hospitals choose to combine personal and organizational objectives to encourage a more dynamic CEO. Organizational objectives might include decreasing readmission rates, improving patient satisfaction scores or increasing profit. Personal objectives might include improving the CEO's knowledge of finance or working on his or her presentation skills. By including personal goals in the incentive plan, hospitals ensure that the CEO continues to grow those personal tools that help accomplish organizational goals.

**3. Only the best CEOs should earn 100 percent of their incentive.** According to Mr. DiPisa, CEO incentive plans should be designed to really challenge the CEO rather than simply create the semblance of accountability. Compensation specialists discuss incentive plans in terms of a "threshold" and a "target" — the threshold being the minimum amount the hospital expects the CEO to accomplish, and the target being the desired amount. If the CEO has the opportunity to earn 25 percent of his or her base salary by accomplishing a set of goals, the compensation committee might set the threshold at 12.5 percent, meaning half the goals were accomplished. The target would be set at 20 percent, meaning most, but not all, of the goals were accomplished.

The CEOs who are top in their field could earn 100 percent of that incentive. "This is the part that separates the men from the boys and the women from the girls," he says. Some compensation committees will allow the best CEOs to "take the top off" the incentive plan and actually earn more than 100 percent, assuming they have met all the goals and accomplished extra objectives.

**4. Incentive goals should not exceed eight.** While a hospital strategic plan might include 68 goals for the year, Mr. DiPisa says a CEO incentive plan should include between four and eight goals. He says he has seen client organizations that divided the plan into four personal goals and four organizational goals. If the CEO's goals outnumber eight, Mr. DiPisa says there's a good chance the CEO will accomplish fewer goals and become frustrated with the incentive plan.



Mr. DiPisa, who has served as a hospital CEO in the past, says, "Having run a hospital before, you could be busy every day and all day attending meetings, making presentations and going to small groups. You could do that for a whole year and think, 'I worked so hard this year' and have actually accomplished nothing," he says. Because CEOs are so busy, you need to concentrate the CEO's attention on several goals and make sure those are a priority next to the hustle and bustle of "making the trains run on time," Mr. DiPisa says.

**5. CEO goals should trickle down.** While your hospital staff probably shouldn't be told the exact financial reward your CEO will receive for accomplishing a specific goal, they should be on the same page about the hospital's main priorities. The CEO will find it difficult to accomplish his or her goals if the organization isn't on board. For example, while the CEO can take measures to improve patient satisfaction, the people who most often affect the patient experience are the physicians, nurses and staff members on the "front lines" of the hospital.

He says CEO goals can be spread throughout the facility by implementing incentive plans two or three levels down. "Maybe middle managers would have the opportunity to have a piece of their compensation bonus-based, and they should have the same goals as the CEO," he says. "The CEO's goal might be to grow cardiology by a certain percent, and the person two or three levels down might have goals around increasing the number of echocardiograms [or other more granular objectives]."

He adds that while organizational goals should be public, personal goals should probably be kept private.

Learn more about [Phillips DiPisa](#).

Read more about executive compensation:

[-Large Health System CEOs Beat Compensation Average by \\$15M](#)

[-15 Statistics on Healthcare Leader Compensation](#)

[-6 Statistics About ASC Administrator Compensation](#)

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