

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES



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Sheryl Vacca
SENIOR VICE PRESIDENT
CHIEF COMPLIANCE AND AUDIT OFFICER

May 20, 2013

EXECUTIVE VICE PRESIDENT BROSTROM

Subject: Final Audit Report Senior Management Incentive Plans Medical Centers Clinical Enterprise Management Recognition Plans – No. P13C001

Attached please find a copy of the final report for: Audit Project No. P13C001: Senior Management Incentive Plans Medical Centers Clinical Enterprise Management Recognition Plans. With the issuance of this final report, please destroy any previous draft versions. We very much appreciate the assistance provided to us by you and members of your staff during our review. If you should have any questions please feel free to contact me at 510-987-9646 (email: Matthew.Hicks@ucop.edu).

A handwritten signature in black ink, appearing to read "Matthew Hicks".

Matthew Hicks
Audit Director

Attachment

cc: Senior Vice President Vacca
Senior Vice President Stobo
Vice President Duckett
Executive Director Larsen
Director Tierney
Director Weinstein
Specialist Johe
Contractor Harrigan

UNIVERSITY OF CALIFORNIA
ETHICS, COMPLIANCE AND AUDIT SERVICES
OFFICE OF THE PRESIDENT
SYSTEMWIDE AUDIT

Senior Management Incentive Plans
Medical Centers Clinical Enterprise Management Recognition Plans
Audit No. P13C001
May 20, 2013

Work Performed by:
Contract Auditor Harrigan

Work Reviewed by:
Audit Director Hicks

Executive Summary

Introduction

We have completed an audit of the Clinical Enterprise Management Recognition Plans (CEMRP and CEMRP2) for the five medical centers and Health Sciences and Services (HSS).

CEMRP (the Plan) was established by the Regents in July 2010. CEMRP provides the opportunity for at risk variable financial incentives to those employees responsible for attaining or exceeding key Clinical Enterprise objectives. Eligible participants, numbering around 90, 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.

At the beginning of each plan year, systemwide, institutional, and individual performance objectives are developed and approved by the medical centers, University of California (UC) HSS-systemwide and the Administrative Oversight Committee (AOC). Objectives relate to one or more of the following: financial performance, quality improvements, patient satisfaction, key initiatives, people and other resource management.

At the end of the plan year, participant performance is reviewed and rated as one component of the award recommendation. A second component is the local medical center performance against plan, and, for the most senior leaders, a third component is systemwide medical center performance. If a participant's total compensation is over the established threshold, \$250,000, as of 9/1/2011, awards are reported to the Regents. Any awards to Executive Officers must be approved by the Regents also.

CEMRP2 was established beginning July 2012, FY13, for participants below the level of senior leadership. There are approximately 25,000 participants. In FY12, each location followed its legacy processes for clinical incentives. Participant incentive awards were based on locally established methodologies. For the first year of CEMRP 2, Systemwide HR-Compensation management's focus has been on alignment of plans between the clinical enterprises. Our review followed that focus. Systemwide HR-Compensation provided a summary of their CEMRP2 roll-out strategy (See Appendix I).

The AOC is assigned oversight of plan development, governance, and interpretation for both plans. CEMRP AOC membership includes the EVP – Business Operations, VP Human Resources, the Executive Director – Compensation Programs and Strategy, and the Chancellors from the five campuses that have medical centers. The Senior Vice President (SVP) Health Science and Services and three representatives from medical centers are consultants to the AOC. The Chief Audit and Compliance Officer assures that periodic auditing and monitoring occurs, as appropriate. Non-material changes may be approved by the AOC while material or substantive changes to the Plan require the approval of the President and the Regents Committee on Compensation.

In FY12, Internal Audit conducted its first assessment of CEMRP. The review assessed the accuracy of award calculations and compliance with the plan. The review identified four key opportunities for improvement:

1. Establish a systemwide standard or template for documenting institutional and individual objectives performance results and award calculations including Chief Executive Officer (CEO) sign off.
2. Include weightings for objectives as required by the Plan.

3. Conduct an assessment of quantitative objectives against relevant industry benchmarks.
4. Require support that “Target Opportunity through Maximum Opportunity” objectives are stretch goals.

In response to the review, Systemwide HR-Compensation management has developed and distributed a standardized template for medical centers to use to document CEMRP performance objectives and calculate awards beginning in FY13 addressing #1 and #2 above. Management is currently evaluating how to address #3 and #4.

Objective and Scope

CEMRP - The objective was to assess the accuracy of FY11-12 award calculations and award compliance with the Plan. The following award criteria were evaluated for accuracy and compliance: systemwide, institutional, and participant performance reviews and award calculations. We verified all award calculations, based on the data provided by medical center management and tested a sample of FY12 participant performance results.

Another objective was to assess the FY13 performance objectives for participants, medical centers and systemwide for compliance with Plan.

CEMRP2 – The objective was to assess compliance and consistency review of each medical center’s FY13 local plan/s and a review of summary FY12 award data.

Overall Conclusion

FY12 Incentive Awards

Based on the information provided, we did not identify any errors in calculations of CEMRP FY12 award recommendations that were presented for approval to the AOCs or the Regents Committee on Compensation.

However, we noted errors, irregularities and inconsistencies in the initial submissions of award data that three medical centers submitted to Systemwide HR-Compensation. Corrections were required by the locations prior to submission to AOC. Per Regent’s Policy 7712, the “Top Business Officer” at each location is responsible for the accuracy and completeness of the information. Given Audit’s observations, as detailed in this report, the current quality review process at three locations appears inadequate.

FY13 Performance Objectives

Regarding FY13 performance objectives, we noted inconsistencies and variance from the Plan.

- Two participants at two different medical centers (UC San Francisco, UC Los Angeles) did not have the required number of performance objectives. While other participants had 3 high level objectives, in some cases one objectives had 3 to 5 components, effectively resulting in 5-7 goals while the Plan stipulates only three.
- Three of the medical center (UC San Diego, UC Irvine, UC Los Angeles) institutional objectives included meeting the revenue or expense "budget" as an incentive “Threshold” measure. Being "on budget" should be part of regular performance expectations, not incentive pay. A good example is the UC Davis financial goal that has a threshold that is incremental to the prior year's results.
- Three participants had a Threshold level for an incentive award as meeting -1% to +1% of annual budget. This does not appear to be a stretch objective.

- Systemwide performance objectives were not determined and approved timely. Medical centers had completed or had in process both institutional and participants' objectives prior to communication of systemwide objectives.
- There is a lack of cascading of goals between levels. At two medical centers, the institutional objectives were not reflected in the CEO's objectives.
- The plan requires AOC review and approval of participant objectives¹, but for FY13, systemwide HR-Compensation provided AOC the HSS and CEO objectives; other participant objectives were available on request but were not reviewed.

FY13 Performance Objective and Award Calculation Template

To improve compliance with the plans and standardization, Systemwide HR-Compensation has created a template for CEMRP participant objectives and award calculations and a template for CEMRP2 summary of participants' awards by location. These could be strengthened by protecting the cells that contain calculations so they cannot be changed. The medical centers submitted CEMRP2 templates with the awards for the legacy plans and we noted that for some locations, the averages were calculated incorrectly which also resulted in an incorrect systemwide average.

Open Items from Prior Year (FY11) CEMRP Review

There are two open items from the prior year review that Systemwide HR-Compensation management needs to address:

- Conduct an assessment of quantitative objectives against relevant industry benchmarks.
- Require support that "Target Opportunity through Maximum Opportunity" objectives are stretch goals.

CEMRP2

FY13 CEMRP2 local plans had some inconsistencies and variations. HR Compensation presented these items to AOC for review and discussion. Consideration will be given to enhancing the plan for clarification and a variance review and approval process.

Data Analyses

We performed data analyses and noted:

- Organization and position titles vary significantly between the medical centers. (See Appendix A.)
- Total award amounts for each participant at all medical centers exceeded Target except for one Tier III. (See Appendices B and C.)
- For Tier I participants (CEOs), the individual component of the award was over Target, approaching Maximum, with the exception of UCSF. (See Appendix D.)
- The system wide component of the awards varied between the medical centers. UCSD participants received an amount at least 2.92% higher for this component of the award than at any other location.
- FY13 systemwide and institutional (medical center) performance objectives included baselines or benchmarks with the exception of UCSF. (See Appendix E.)
- For the sample of participants reviewed, FY 13 performance objectives were specific and measurable. However, some did not include benchmarks and some participants objectives were exactly the same as one or more other participants. (See Appendix F.)

¹ "Objectives for participants in this Plan must be submitted to the AOC, which will review and approve the objectives in consultation with the President and the Chairs of the Regents' committees on Compensation and Health Services in advance of the Plan year."

- At UC Irvine, none of the institutional objectives cascade to the CEO performance objectives. (See Appendix G.)

Positive Observation

For “C” level executives (Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Chief Medical Officer, Chief Nursing Officer), we noted they shared common objectives at two or more locations. (See Appendix H.) Also, in comparing FY13 medical center goals to systemwide goals, we noted cascading goals. Delivery System Reform Incentive Pool (DSRIP) source documents for each of the medical centers was available on the internet. DSRIP is referenced in systemwide goal #1. While the medical centers do not include a specific reference to systemwide goals or DSRIP, all medical center goals relate to DSRIP objectives (and systemwide goal #1) except:

- UC Davis – Finance: reduce institutional expenses or related revenue improvement.
- UC Irvine - Finance/cost: achieve budgeted cost per case and Quality/Safety: achieve an average length of stay of 5.7-5.9.
- UC Los Angeles - Finance: net gain from hospital operations.
- UC San Diego – Finance: increase profits and reduce costs and Growth: Increase growth and market share as a clinical and academic organization.
- UC San Francisco - Financial Performance: Meet or exceed budgeted operating margin.

Per the Plan, on an annual basis, the AOC approves each medical center's financial targets. The above goals may relate to these financial targets.

Systemwide goal #2 which relates to Central Line-Associated Bloodstream Infections (CLABSI) is included in the medical centers DSRIP objectives.

Systemwide goal #3 includes standardizing patient experience benchmarks. All five medical centers have goals related to patient experience, however, there is some variety among benchmarks. Four medical centers use Hospital Consumer Assessment Healthcare Providers Systems as a benchmark but differ in terms of the other benchmarks they include (UC Irvine-Gallup, UC San Diego & UC San Francisco- Press Ganey, UC Los Angeles –Family Physician Group, National Research Corporation Picker and others). At UC Davis, the objective is limited to outpatients so the benchmark is unique.

For a detailed discussion of issues, please refer to the subsequent pages of this report.

Management Actions

Management has provided Action Plans that will address the issues identified in the report and as detailed in the Opportunities for Improvement.

Opportunities for Improvement and Action Plans

1. At three locations, the quality assurance review process needs improvement.

Systemwide HR-Compensation and Audit noted several errors or irregularities in the data that the medical centers initially submitted and correction/s were requested and received prior to submission to AOC. Given Audit's observations, as detailed below, the current quality review process at three locations appears inadequate.

- The UC Davis CEO's award calculation used an incorrect weighting which would have resulted in an incorrect award.
- Also at UC Davis, the medical center's total award amount did not include one participant's award which could have resulted in underfunding the awards.
- At UC Los Angeles, one participant's award calculation did not include his stipend which would have resulted in an incorrect award.
- At UC San Diego, the medical center submitted two different salaries for all but three of the participants (individual calculation worksheet vs summary worksheet). Also, they did not submit their information until after the deadline and it had not yet been submitted to or approved by the Chancellor. When the data was resubmitted, Audit noted weightings for one participant were inconsistent in the two worksheets and requested HR follow-up with UCSD.

Action Plan:

UC Systemwide HR-Compensation will discuss and reinforce with the AOC the medical centers' accountability and timeliness regarding CEMRP submissions. The Chief Human Resources Officers are the accountable parties for both accuracy and timeliness.

Also refer to the Action Plan for item 3 below regarding locking down the submission template which will prevent some of these errors.

Target date:

June 30, 2013

2. Some Practices are not consistent with Plan.

a. Two participants did not have the required number of individual performance objectives.

The FY13 plan specifies the number and type of performance objectives². We noted two participants with only two objectives, and others with nested objectives that resulted in a total of five to seven rather than the three stipulated in the plan. Systemwide HR-Compensation also noted from their review that all participants did not have the required number of objectives.

- At UC San Francisco, a participant had only two individual objectives. Per discussion with Systemwide HR-Compensation, this is an ongoing variance but

² The plan (page 4) requires: "(1) Three objectives relating to the performance of the Clinical Enterprise (defined as Systemwide); (2) Three objectives relating to the performance of the Institutions (defined as the participant's Medical Center); (3) Three objectives relating to Individual performance..."

has not been documented in writing and formally approved by the medical center and AOC.

- At UC Los Angeles, one participant is not in compliance with the plan as he has only two individual objectives.

b. The AOC approved participant objectives for HSS and the CEOs.

Other objectives were available on request. The Plan stipulates that the AOC will review all participant objectives.

c. AOC approval of FY12 awards and FY13 performance objectives was documented but was not signed off.

Action Plan:

UC Systemwide HR-Compensation will revise practices or the Plan:

- *Regarding number of participant objectives – As the Plan requirement was intended to reduce the number of objectives to three or fewer, edit Plan wording to “no more than” three objectives.*
- *Regarding approval of objectives - will discuss with AOC revising the plan to require that the AOC review CEO and HSS objectives and indicate all other participant objectives will be available for review.*
- *As some AOC members may participate via teleconference, will evaluate alternative options to signatures to record AOC approvals.*

Target date:

June 30, 2013

3. CEMRP templates, provided to the medical centers to record objectives and awards, contain cells with calculations that are not protected.

The medical centers submitted CEMRP2 templates with the awards for the legacy plans and we noted that for some locations, the averages were calculated incorrectly which also resulted in an incorrect systemwide average. Also the CEMRP template has cells that contain formulas that could be changed as they were not protected. These two worksheets could be strengthened by protecting the cells that contain calculations so they cannot be changed.

Action Plan:

UC Systemwide HR-Compensation will evaluate options to lock down the templates including password protecting calculation cells or providing a web-based form.

Target date:

June 30, 2013

4. There are some inconsistencies between CEMRP2 local plans.

While the AOC reviewed and approved CEMRP2 local plans for FY13, there remain some variances and the systemwide plan needs enhancement to provide additional guidance. It is a multi-year effort to develop the plan and related processes to ensure consistency and equitability between the medical centers.

Action Plan:

Systemwide HR-Compensation has taken initiatives in support of the President's requirement that we move CEMRP2 to a systemwide approach similar to where CEMRP is today. As a result of discussions with the AOC and Audit and Compliance, Systemwide HR-Compensation has committed to meeting with the Medical Center Compensation Managers during FY12 – 13 Plan Year to discuss plan changes for FY13 – 14. These discussions will focus on local Plan variations identified during the review this year. They've also asked us to discuss CEMPR2 goals with a focus on cascading goals within each medical center and how we can design a process and format that would allow consistency across the medical centers, as appropriate. One challenge is that cascading goals may be inappropriate in several circumstances. For example, an institutional goal to reduce the blood infection rate that cascades to the CEO would not cascade to Finance or IT as they have other areas of responsibility. Given the variety of functions, it may be best to leave some requirements to CEO discretion.

Target date:
June 30, 2013

FY13 CEMRP Eligible Position Titles and Tiers
as of July 2012

APPENDIX A

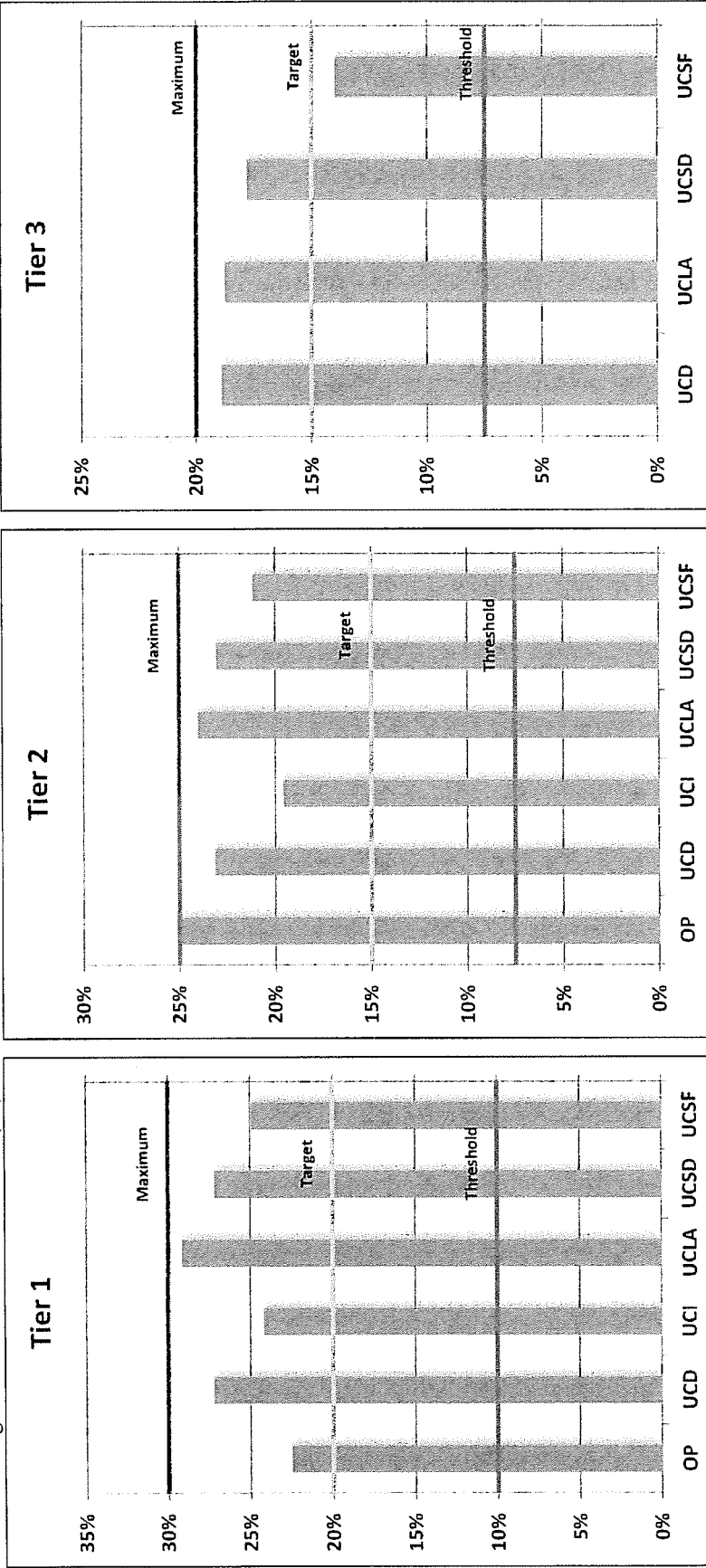
POSITION	UC Davis	UC Irvine	UCLA	UCSD	UCSF	UCOP-HSS
Assoc. Dir./Administrator For Support Services			Tier III		Tier III	
Associate Director				Tier III		
Asst Dir Govmt & Community Relations	Tier III					
Asst Dir Patient Care Svcs - 4 positions	Tier III-4					
Asst Dir Public Affairs Mktg	Tier III					
AVC Medical Sciences Finance & Administration			Tier II			
AVC Health Sciences Development	Tier III					
AVP Health Sciences - UCOP						Tier II
CEO	Tier I	Tier I	Tier I	Tier I	Tier I	
CFO	Tier II	Tier II	Tier II	Tier II	Tier II	
Chief Administrative Officer			Tier II			
Chief Ambulatory Officer				Tier II		
Chief Compliance Officer/Exec Dir Clinical Ent. Compliance (UCSF)			Tier II		Tier III	
Chief Contracting Officer				Tier II		
Chief Counsel/Assoc Counsel/Assoc Dir Legal		Tier II	Tier II			
Chief Human Resources Officer				Tier II	Tier II	
Chief Strategic Officer/Exec Dir Strategy		Tier II		Tier II VACANT	Tier II	
CIO /Exec Dir IT (SF)/Exec Dir Clinical IT (SF)	Tier II	Tier II	Tier II	Tier II	Tier II-2	
CMO	Tier II	Tier II	Tier II	Tier II	Tier II	
CNO / Sr. Patient Care Svcs Officer & Director of Nursing (UCD)/Sr. Assoc Dir. Ops Patient Care Svcs (UCLA)	Tier II	Tier II	Tier II	Tier II	Tier II	
Controller	Tier III					
COO - Medical Center/Health System	Tier II	Tier II	Tier II	Tier II VACANT	Tier II	
COO - Medical Group/Faculty Practice Group			Tier II	Tier II		
Dean of Clinical Affairs/Sr Asso Dean Clin Aff		Tier II		Tier I		
Dir. Patient Accts Admin.	Tier III					
Director Clinical Ops. Managed Care	Tier II					
Director Health System Contracts	Tier II					
Exec Dir Clinical Facilities Plant						
Exec Director & Chief Contracting Officer						
Exec Director Facilities /Assoc Admin Fac (UCSD)	Tier II			Tier III	Tier II	
Exec Director Human Resources	Tier II					

- UCI wants to remove their Tier III position from CEMRP eligibility.

FY12 CEMRP AWARDS

APPENDIX B

Average Award as a Percent of Salary by Location



NOTABLE OBSERVATIONS

- The OP-HSS Tier II participant was the only participant from any Tier who received the highest possible award (Tier II = 25%).
- Only 3 of 89 participants (UCSF Tier III) received an award that was at or below Target. The rest received awards that were above Target or close to Maximum.

UCI and OP do not have any Tier III participants.

Note: Medical Center details supporting this chart are in Appendix C.

FY12 CEMRP AWARDS

APPENDIX C

Summary of Participant Awards by Location by Tier

Tier I	# of Participants FY12	Total Salaries	Average Salary	Total Awards (\$)	Average Award (\$)	Average Award (%)	Target as % of Salary	Max as % of Salary	Low %	High %	Low \$	High \$
UCLA	1	\$900,012.00	\$900,012.00	\$262,502.00	\$262,502.00	29.17%	20%	30%	n/a	n/a	n/a	n/a
UCD	1	\$800,000.00	\$800,000.00	\$217,800.00	\$217,800.00	27.23%	20%	30%	n/a	n/a	n/a	n/a
UCSD	1	\$582,575.00	\$582,575.00	\$158,212.81	\$158,212.81	27.16%	20%	30%	n/a	n/a	n/a	n/a
UCSF	1	\$935,000.00	\$935,000.00	\$232,971.61	\$232,971.61	24.92%	20%	30%	n/a	n/a	n/a	n/a
UCI	1	\$630,000.00	\$630,000.00	\$152,302.50	\$152,302.50	24.18%	20%	30%	n/a	n/a	n/a	n/a
OP-HSS	1	\$580,000.00	\$580,000.00	\$130,500.00	\$130,500.00	22.50%	20%	30%	n/a	n/a	n/a	n/a
TOTAL	6	\$4,427,587.00	\$737,931.17	\$1,154,288.92	\$192,381.49	26.07%						
Tier II												
OP-HSS	1	\$250,000.00	\$250,000.00	\$62,500.00	\$62,500.00	25.00%	15%	15%	n/a	n/a	n/a	n/a
UCLA	15	\$5,107,747.36	\$340,516.49	\$1,214,191.74	\$80,946.12	23.77%	15%	25%	14.67%	24.67%	\$47,666.45	\$141,832.95
UCD	10	\$3,030,296.00	\$303,029.60	\$707,322.41	\$70,732.24	23.34%	15%	25%	18.10%	24.35%	\$41,376.60	\$131,317.88
UCSD	9	\$2,576,650.00	\$286,294.44	\$593,653.66	\$65,961.52	23.04%	15%	25%	21.46%	23.96%	\$45,575.73	\$83,552.29
UCSF	18	\$5,613,850.00	\$311,880.56	\$1,131,063.42	\$62,836.86	20.15%	15%	25%	16.77%	24.67%	\$16,023.82	\$115,178.90
UCI	11	\$3,204,706.00	\$291,336.91	\$630,550	\$57,322.73	19.68%	15%	25%	11.80%	21.90%	\$28,996.00	\$90,045.00
TOTAL	64	\$19,783,249.36	\$309,113.27	\$4,339,281.21	\$67,801.27	21.93%			11.80%	24.67%	\$16,023.82	\$141,832.95
Tier III												
UCD	9	\$1,777,465.00	\$197,496.11	\$336,156.90	\$37,350.77	18.91%	15%	20%	18.70%	19.70%	\$30,067.23	\$43,616.76
UCLA	2	\$530,352.00	\$265,176.00	\$99,059.05	\$49,529.53	18.68%	15%	20%	17.50%	20.00%	\$48,813.59	\$50,245.46
UCSD	6	\$1,188,800.00	\$198,133.33	\$211,453.91	\$35,242.32	17.79%	15%	20%	15.99%	19.33%	\$25,768.69	\$40,871.74
UCSF	2	\$445,500.00	\$222,750.00	\$53,422.60	\$26,711.30	11.99%	15%	20%	10.00%	18.00%	\$12,833	\$40,590.00
UCI	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	19	\$3,942,117.00	\$207,479.84	\$700,992.46	\$36,846.97	17.76%			10%	20.00%	\$12,833	\$50,270.60

Each Tier above is Sorted by Avg Award %

	Range of Awards (%)		Range of Awards (\$)	
	Low %	High %	Low \$	High \$
UCD	18.1	27.23%	\$30,067.23	\$217,800.00
UCI	11.80%	24.20%	\$28,996.00	\$152,302.50
UCLA	14.67%	29.17%	\$47,666.45	\$262,502.00
UCSD	15.99%	27.16%	\$25,768.69	\$158,212.81
UCSF	10%	24.92%	\$12,833.00	\$232,971.61
OP-HSS	22.50%	25.00%	\$62,500.00	\$130,500.00

# of Participants FY12	Total Salaries	Average Salary	Total Awards (\$)	Average Award (\$)	Average Award (%)
UCD	\$5,607,761	\$280,388.05	\$1,261,279	\$63,063.97	22.49%
UCI	\$3,834,706	\$319,558.83	\$782,852.50	\$65,237.71	20.41%
UCLA	\$6,538,111	\$363,228.38	\$1,575,753	\$87,541.82	24.10%
UCSD	\$4,348,025	\$271,751.56	\$963,320	\$60,207.52	22.16%
UCSF	\$6,994,350	\$333,064.29	\$1,417,457.63	\$67,497.98	20.27%
OP-HSS	\$830,000.00	\$415,000.00	\$193,000.00	\$96,500.00	23.25%

Note: Results by Tier are illustrated in Appendix B. There may be slight variances from amounts reported to Regents due to rounding differences.

FY12 CEMRP AWARDS

APPENDIX C

Summary of Participant Awards by Location by Tier

UCLA Tier I	# of Participants FY12	Total Salaries	Average Salary	Total Awards (\$)	Average Award (\$)	Average Award (%)	Target as % of Salary	Max as % of Salary	Range of Awards (%)		Range of Awards (\$)	
									Low	High	Low	High
Tier I	1	\$900,012.00	\$900,012	\$262,502.00	\$262,502.00	29.17%	20%	30%	n/a	n/a	n/a	n/a
Tier II	15	\$5,107,747.36	\$340,516.49	\$1,214,191.74	\$22,701.10	23.77%	15%	25%	14.67%	24.67%	\$47,666.45	\$141,832.95
Tier III	2	\$530,351.56	\$265,175.78	\$99,059.04	\$49,529.52	18.68%	15%	20%	17.50%	20.00%	\$48,824.75	\$50,270.60
UC Davis												
Tier I	1	\$800,000.00	\$800,000	\$217,800.00	\$217,800.00	27.23%	20%	30%	n/a	n/a	n/a	n/a
Tier II	10	\$3,030,296.00	\$303,029.60	\$707,322.41	\$70,732.24	23.34%	15%	25%	18.10%	24.35%	\$41,376.60	\$131,317.88
Tier III	9	\$1,777,465.00	\$197,496.11	\$336,156.90	\$37,350.77	18.91%	15%	20%	18.70%	19.70%	\$30,067.23	\$43,616.00
UCSD												
Tier I	1	\$582,575.00	\$582,575.00	\$158,212.81	\$158,212.81	27.16%	20%	30%	n/a	n/a	n/a	n/a
Tier II	9	\$2,576,650.00	\$286,294.44	\$593,653.66	\$65,961.52	23.04%	15%	25%	21.46%	23.96%	\$45,575.73	\$83,552.29
Tier III	6	\$1,188,800.00	\$198,133.33	\$211,453.91	\$35,242.32	17.79%	15%	20%	15.99%	19.33%	\$25,768.69	\$40,871.74
UCSF												
Tier I	1	935,000.00	\$935,000	\$232,971.61	\$232,971.61	24.92%	20%	30%	n/a	n/a	n/a	n/a
Tier II	18	5,613,850.00	\$311,880.56	\$1,131,063.42	\$62,836.86	20.15%	15%	25%	16.77%	24.67%	\$16,023.82	\$115,178.90
Tier III	2	445,500.00	\$222,750.00	\$53,422.60	\$26,711.30	11.99%	15%	20%	10.00%	18.00%	\$12,833.00	\$40,590.00
UCI												
Tier I	1	\$630,000.00	\$630,000.00	\$152,302.50	\$152,302.50	24.18%	20%	30%	n/a	n/a	n/a	n/a
Tier II	11	\$3,204,706	\$291,336.91	\$630,550.00	\$57,322.73	19.68%	15%	25%	11.80%	21.90%	\$28,996.00	\$90,045.00
OP - HSS												
Tier I	1	\$580,000.00	\$580,000.00	\$130,500.00	\$130,500.00	22.50%	20%	30%	n/a	n/a	n/a	n/a
Tier II	1	\$250,000.00	\$250,000.00	\$62,500.00	\$62,500.00	25.00%	15%	25%	n/a	n/a	n/a	n/a

NOTABLE OBSERVATIONS

- OP-HSS Tier I participant had the lowest award % for that Tier while the Tier II participant received the highest award % for Tier II.
- Only 3 of 89 participants received an award that was at or below Target, the rest received awards that were above Target or close to Maximum.
- UCLA Tier I participant had the highest average award (%).
- UCD Tier III participants had the highest average award (%) for that Tier, followed closely by UCLA.
- UCI Tier II participants had the lowest average award (%) for that Tier.
- UCSF Tier III had the lowest average award (%) for that Tier.

Note: Results by Tier are illustrated in Appendix B. There may be slight variances from amounts reported to Regents due to rounding differences.

FY12 CEMRP Participant Total Awards, Individual Awards, and Institutional Results
% at each Opportunity Level by Medical Center and by Tier

APPENDIX D

**# Total Awards at each Opportunity Level
(Systemwide + Institutional + Individual)**

Location	Tier I				NOTABLE OBSERVATIONS
	Not Met 0%	Thres .1-10%	Target 10.1-20%	Max 20.1-30%	
UCD				1	All Tier I participants received an award in the Maximum range (20.1 - 30% of salary.)
UCI				1	
UCLA				1	
UCSD				1	
UCSF				1	
UCOP-HSS				1	

Location	Tier II				NOTABLE OBSERVATIONS
	Not Met 0%	Thres .1-7.5%	Target 7.6-15%	Max 15.1-25%	
UCD				10	97% Of Tier II participants received an award in the Maximum range (15.1 - 25% of salary).
UCI			1	12	
UCLA			1	15	At UCLA, a Tier II participant whose individual goal attainment was "not met" still received an award in the Target range (14.66%).
UCSD				9	
UCSF				18	
UCOP-HSS				1	

Location	Tier III				NOTABLE OBSERVATIONS
	Not Met 0%	Thres .1-7.5%	Target 7.6-15%	Max 15.1-20%	
UCD				9	At 3 of 4 locations, all Tier III participants received awards in the Maximum range (15.1 - 20%).
UCI	No Tier III participants.				
UCLA				2	
UCSD				6	
UCSF			1	1	
UCOP-HSS	No Tier III participants.				

**Institutional Component of Participant Awards
(Based on Medical Center meeting objectives)**

Location	All Tiers				NOTABLE OBSERVATIONS
	Not Met	Thres	Target	Max	
UCD				1	Each medical center rated the institution as obtaining the Maximum results against objectives.
UCI				1	
UCLA				1	For FY12, the Institutional component ranged from 25%-50% of each participants total award except UCOP-HSS.
UCSD				1	
UCSF				1	
UCOP-HSS	Not Applicable				

FY12 CEMRP Participant Total Awards, Individual Awards, and Institutional Results
 % at each Opportunity Level by Medical Center and by Tier

APPENDIX E

**Individual Component of Participant Awards
 (Based on individual's performance)**

Tier I					NOTABLE OBSERVATIONS
Location	Not Met	Thres	Target	Max	
UCD				1	TIER I- The individual component of awards were over Target, in the Maximum range for all participants except 1 at UCSF (CEO).
UCI				1	
UCLA				1	
UCSD				1	
UCSF			1		
UCOP-HSS				1	

Tier II					NOTABLE OBSERVATIONS
Location	Not Met	Thres	Target	Max	
UCD				10	TIER II - At UCSF, one TIER II participant did not have any individual goals, which the Plan requires.
UCI		1	1	10	
UCLA	1			14	
UCSD			1	8	
UCSF		1	7	9	
UCOP-HSS				1	

Tier III					NOTABLE OBSERVATIONS
Location	Not Met	Thres	Target	Max	
UCD				11	TIER III - Again, at UCSF, one TIER III participant did not have any individual goals, which the Plan requires.
UCLA			1	1	
UCSD		1	1	4	
UCSF				1	

UCI and UCOP-HSS do not have any TIER III participants.

FY13 CEMRP PERFORMANCE OBJECTIVES
SYSTEMWIDE AND INSTITUTIONAL
BASELINE and BENCHMARK ANALYSIS

APPENDIX E

Performance Objectives	Objective Description or Measure	Benchmark Source
Systemwide-Entity		
1. Responding to the Demands for Performance Focused Health Care Reform.	In aggregate complete at least 191 of the DSRIP program milestone commitments.	DSRIP – Delivery System Reform Incentive Pool prescribed deliverables for each medical center. (Not referenced but Auditor located plans for each medical center on the internet at http://www.dhcs.ca.gov/provgovpart/Pages/DSRIP1.aspx).
2. Clinical Quality and Safety Improvement	Reduction of CLASBI rate by 3 – 7% (Last 4 quarters for which data is available).	Source not provided but benchmark is the prior 4 quarters. (Reducing the CLASBI rate is a DSRIP goal at the medical centers).
3. Multi year Patient Experience Improvement	Form a team – determine PE metrics	Not applicable.
Medical Centers - Institutional		
UC Davis	Deliver Safer Care -Reduce heart failure 30-day readmission rate (all cause) of 19.6% for calendar year 2011.	Better than or equal to the UHC reported 2011 top decile of 18.4% (assume that UHC is University HealthSystem Consortium.)
	Improve Outpatient Satisfaction: Increase overall Outpatient Satisfaction with Quality of Care to be above 2011-12 scores; (69.1 – 70.4%)	2011 - 69% of surveyed patients noted "Excellent" as their response, which is the 50th percentile for PRC hospitals (norm year 2011). (Assume that PRC is Professional Research Consultants.)
	Improve Sustainability Reduction of institutional expenses, or related revenue improvements, equal to the noted annualized aggregate tiered goals, and incremental to the previous year's efforts.(\$1.25 - \$5M)	Measure is not mentioned but assume audited financial statement.
UCLA	Patient Satisfaction Scores RR-UCLA, SM-UCLA, NPH-UCLA, FPG weighted average score (75%ile – 85%ile)	Picker-NRC, H-CAPHS, McLean Plus Survey
	Performance Against CMS Core Quality and Safety Measures	Dashboard data from: medicare audited data, JCAHO data, Data with CDC goals, IT, Event System Data
	Net Gain from financial operations (Budget - +10%)	Financial Reports
UC Irvine	Achieve an Average Length of Stay (excluding Psych) of 5.7 (5.6 – 5.9)	Baseline was YTD through April but source not provided.
	Enhance Overall Service/Patient Experience Scores	HCAHPS Inpatient "Overall" Rating: 75.4% (YTD thru Jan) HCAHPS Custom Composite Rating of all 8 domains: 71.22%
	Achieve our budgeted cost per case (adjusted for ambulatory activity and inpatient case mix index)	Budgeted expense per Case Mix Index(CMI) adjusted discharge.

FY13 CEMRP PERFORMANCE OBJECTIVES
SYSTEMWIDE AND INSTITUTIONAL
BASELINE and BENCHMARK ANALYSIS

APPENDIX E

Performance Objectives	Objective Description or Measure	Benchmark Source
UCSD	Increase profits and reduce costs.	Audited financial statements.
	Improve Customer Service and Patient Satisfaction	HCAHPS and Press Ganey Survey
	Improve Quality of Care provided to Patients	UHC data source -30 day all cause readmission, HbA1c Control, Clinical process of care measures: AMI PCI within 90 min, HR discharge instructions, PN ED blood cultures, PN antibiotic selection, SCIP antibiotic timeliness, selection & discontinuation.
	Increase growth and market share as a clinical and academic organization.	Discharge rate for Service Lines (cancer, surgery, cardiovascular, women & infants) and new visit rate. Source of data not provided.
UCSF	Patient Safety & Quality – increase use of sepsis resuscitation bundle by 30%, achieve 90% compliance with use of bar code medication admin, scanning of patients, etc, increase MyChart enrollment to 50,000.	Source of baselines and benchmarks not provided. (A DSRIP goal relates to electronic health records – McChart).
	Patient Satisfaction – Maintain mean score of 91.5 – 91.7. Percentile ranking of 60-70 on at least 5 of 8 HCAHPS domains.	Baselines not provided. Benchmarks are HCAHPS and Press Ganey Survey
	Financial Performance- Operating Margin (\$100M - \$120M)	Baseline not provided. Assume benchmark is audited financial statements.

NOTABLE OBSERVATION

- UCSF was the only location where institutional performance objectives did not include baseline details or benchmarks.

FY13 CEMRP Individual Performance Objectives - Detail of test sample.

Location	Position	Tier	Support Institutional Objectives?	Specific	Measurable	Stretch*	Benchmarks	Comments
UCD	Dir, Hospital & Clinics	III	0 of 3	3 of 3	3 of 3	unable to determine	3 of 3	As current baselines not provided, unable to determine if stretch.
	Dir, Health Sys Contracts	II	0 of 3	1 of 3	3 of 3	unable to determine	0 of 3	As current baselines not provided, unable to determine if stretch.
	Dir, Finance	III	0 of 3	3 of 3	3 of 3	unable to determine	0 of 3	As current baselines not provided, unable to determine if stretch.
	Chief Medical Officer	II	1 of 3	3 of 3	3 of 3	unable to determine	3 of 3	As current baselines not provided, unable to determine if stretch.
	Asst. Dir. Govm't / Community Rels.	III	0 of 3	3 of 3	3 of 3	2 of 3	0 of 3	Benchmarks may be n/a
	Pres & CEO Univ. Physicians & Surgeons	III	0 of 3	3 of 3	3 of 3	0 of 3	0 of 3	Left Benchmark/Baseline fields blank
UCI	Sr. Dir. Govt Healthcare Programs	II	0 of 3	3 of 3	1 of 3	0 of 3	0 of 3	Left Metric/Benchmark/Baseline fields blank
	Chief Medical Officer	II	0 of 3	3 of 3	3 of 3	3 of 3	2 of 3	Benchmark/baseline is "UHC"
	Chief Patient Care Svcs Officer	II	1 of 3	3 of 3	3 of 3	2 of 3	1 of 3	1 of 3 is exactly the same as CMO
	Chief Medical Officer, Hospital System	II	1 of 3	3 of 3	3 of 3	2 of 3	3 of 3	1 of 3 is exactly the same as above participant and participant below
	Assoc Dir, Clinical & Support Svcs	III	1 of 3	3 of 3	3 of 3	2 of 3	2 of 3	1 of 3 is exactly the same as CMO
	Chief Medical Officer	II	1 of 3	3 of 3	3 of 3	1 of 3	2 of 3	UCSD has 4 institutional goals while plan requires 3. Participants have 3 goals.
UCSD	Chief Ambulatory Officer	II	2 of 3	3 of 3	3 of 3	1 of 3	1 of 3	
	Assoc. Dir. Support Svcs	III	1 of 3	3 of 3	3 of 3	3 of 3	3 of 3	
	Revenue Cycle Admin.	III	1 of 3	3 of 3	3 of 3	2 of 3	0 of 3	

FY13 CEMIRP Individual Performance Objectives - Detail of test sample

Location	Position	Tier	Institutional Support Objectives?	Specific	Measurable	Stretch	Benchmarks	Comments
UCSF	Exec Dir, Ambulatory, Safety & Security	II	1 of 3	1 of 3	3 of 3	1 of 3	n/a	UCSF's institutional goal is to meet or exceed budgeted operating margin. One individual goal same as CMO including "Threshold" opportunity allows for exceeding budget by 1%.
	Exec Dir, Clinical Svcs	II	2 of 3	3 of 3	2 of 3	3 of 3	n/a	1 goal is exactly same as CMO (Flex Variance and reduce div FTE) and "Threshold" comment above applies.
	Exec Dir, HPS & Transplant.	II	3 of 3 relate to fin'l objective	3 of 3	3 of 3	3 of 3	n/a	1 goal is exactly same as above participants above and below and "Threshold" comment above applies.
	Chief Medical Officer UCSF Med Ctr	II	1 of 3	3 of 3	3 of 3	3 of 3	0 of 3	1 goal is exactly same as CMO and "Threshold" comment above applies.
	Exec. Dir, Patient/Svc Excellence	II	2 of 3	3 of 3	3 of 3	3 of 3	2 of 3	

* Note: Auditor reviewed for "stretch" as movement from prior year. For example, a UCSF institutional goal was to " reduce sepsis mortality by increasing use of the sepsis resuscitation bundle by 30% from the FY12 baseline in the Emergency Department, 9/13 ICUs, and 14th floor." The FY12 baseline was not specified.

NOTABLE OBSERVATIONS

- Plan requires that "objectives must be stretch". (CEMRP FY13, page 4)
- Two UCSF participants in the sample had a "Threshold" objective that allows for exceeding budget by 1%.
- Unable to determine if UCD objectives are stretch.
- UCSF and UCLA each have participants with the exact same objectives as one or more participants.
- Plan requires 3 institutional goals but UCSD has four.

FY13 CEMRP Participant Performance Objectives
 Chief Executive Officers/President
 Mapping to Institutional (local Medical Center) Goals

APPENDIX G

FY12-13 CEO Performance Objectives	Objective Description/Measure
UC Davis – CEO	<p>One goal (#2) ties in to institutional goal.</p> <ol style="list-style-type: none"> Regional Affiliate Network (7%) – expand or create relationships with other providers Health Science (7%)- raise \$20-30M ties in to institutional goal (Improve Sustainability) Telehealth (6%)– does not tie in to institutional goal but ties in to systemwide goal #1 (DSRIP)
UC Irvine – CEO	<p>No goal ties in to institutional goals.</p> <ol style="list-style-type: none"> Improve CMS Core Measures (33%) Increase Primary Care capacity (33%)-15k-30k visits – 1,500-3,000 sessions (34%) A. Ambulatory Services – improve quality and accessibility AND B.Create new leadership structure
UCLA – President	<p>Two goals (#1 & 3) tie to institutional goals.</p> <ol style="list-style-type: none"> Cost reductions (40%) CareConnect Electronic Medical Records (30%) Patient Experience (30%)
UCSD – CEO	<p>Two goals (#1 & 2) tie to institutional goals. 1 ties to systemwide (#3) goal. Note: There are 4 institutional goals and 3 personal goals.</p> <ol style="list-style-type: none"> Improve patient throughput Reduce Expenses DSRIP milestone completed
UCSF – CEO	<p>Two goals tie to institutional (item #2 from goal 3.C.)</p> <ol style="list-style-type: none"> Consolidate Ops of UCSF/CHRCO (30%) Increase Ancillary Revenue, Reduce equipment budget, Increase CMI. (35%) Three Parts A. Funds flow redesign B. staff engagement score increase, C. Increase MyChart enrollment (35%)

NOTABLE OBSERVATIONS

- CEO goals tie in to 1-2 institutional (medical center) goals except for the UC Irvine CEO.
- UC Irvine CEO goals do not tie to any UCI institutional goals.

CEMRP FY13
C-Level Executive Participant Objectives

APPENDIX H

Position	Common Participant Objectives	Location
CEO	1.Reduce Costs and/or Expenses	UCSF, UCLA, UCSD
	2. Increase primary care capacity/network	UCD, UCI
	3. Improve patient satisfaction/employee engagement scores	UCLA, UCSF
COO	1.Reduce Costs and/or Expenses	UCD, UCLA, UCSF, UCI ("create efficiencies") (position is vacant at UCSD)
	2.Improve Patient Satisfaction	UCD, UCLA,
CFO	1.Reduce Costs and/or Expenses	UCI, UCSF, UCSD, UCLA
	2.Electronic Medical Records-EPIC/APEX implementation/optimization-revenue cycle	UCD, UCLA, UCSD, UCSF
CIO	1.Electronic Medical Records/ EHR-implementation/optimization	UCD, UCI, UCLA
	2.Reduce Costs and/or Expenses	UCSF, UCLA
CMO	1.Quality - reduce readmit rates	UCD ,UCI
	2.DSRIP* - compete milestones	UCSD, UCLA
	3.Reduce Costs and/or Expenses	UCSD, UCSF
CNO	1.Patient Satisfaction (throughput- door to floor =UCSD, UCI)	UCSD, UCI, UCD
	2. Reduce Costs and/or Expenses	UCSF, UCI, UCLA

NOTABLE OBSERVATIONS

- "Chief" level participants from every location have some shared objectives with other locations.
- "Reduce Costs and/or expenses" and "Improve Patient Satisfaction" are goals shared by one or more C-level executives at all locations.

* DSRIP = Delivery System Reform Incentive Payments under California's Section 1115a Medicaid Waiver DSRIP Program

Relates to systemwide goal #1

Purpose of 1115a - "...advance Medi-Cal program changes that will help the state transition to the federal reforms that will take effect in January 2014. Changes under the waiver involve expanding coverage today for those who will become "newly eligible" in 2014 under health care reform, implementing models for more comprehensive and coordinated care for some of California's most vulnerable residents, and testing various strategies to strengthen and transform the state's public hospital health care delivery system to prepare for the additional numbers of people who will have access to health care once health care reform is fully implemented."

Source: <http://www.dhcs.ca.gov/Documents/1115%20Waiver%20Fact%20Sheet%2011.2.10.pdf>

Clinical Enterprise Management Recognition Plan 2 (CEMRP2)

MULTI-YEAR STRATEGY

As of January 2013

APPENDIX I

The strategy for CEMRP 2 can be viewed as a simplification and unification process. A major concern is that CEMRP/CEMRP 2 not be a mechanism to increase salaries; rather, a true incentive plan where payouts must be earned. Over the past year, Systemwide HR-Compensation has discussed this strategy with the Administrative Oversight Committee (AOC), Medical Center Chief Human Resource Officers (CHRO's) and Audit.

Plan Year 12/13

1. Articulate current state of affairs (e.g. what's going on now and what needs to be addressed – modified, added, eliminated).
2. With regard to 1. above, identify and resolve differences between the CEMRP 2 Plans among Medical Centers with regard to various plan provisions (eligibility, award amounts, etc)
3. Conduct in-depth payout analysis for consistency, trends, differences among campuses
4. Report findings to AOC
5. Announce and/or implement proposed changes to medical centers

Plan Year 13/14

1. Move toward consistent approach (a la CEMRP) to a standardized goal setting and payout calculation template
2. Consider merging CEMRP and CEMRP2 into single plan covering entire medical enterprise
3. Provide commentary on whether different approaches should be abandoned for "consistency sake" or are of value
4. Provide commentary on the degree to which goals cascade is meaningful to lower level staff
5. Report findings to AOC
6. Announce and/or implement proposed changes to medical centers

Plan Year 14/15

1. Implement final phase of proposed changes, if any, as required

Note: Information in this document prepared by UC Systemwide HR-Compensation.