

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



1111 Franklin Street, 5th Floor • Oakland, California 94607-5200 • (510) 987-0479 • FAX (510) 287-3334

Alexander Bustamante
SENIOR VICE PRESIDENT
CHIEF COMPLIANCE AND AUDIT OFFICER

August 23, 2021

**EXECUTIVE VICE PRESIDENT BYINGTON
VICE PRESIDENT LLOYD**

RE: Final Report Project No. P21A002: Senior Management Incentive Plans Medical Centers Clinical Enterprise Management Recognition Plans (CEMRP)

Attached is a copy of the final report for: Audit Services Project No. P21A002 Senior Management Incentive Plans Medical Centers Clinical Enterprise Management Recognition Plans (CEMRP). 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 "Matt Hicks".

Matt Hicks
Systemwide Deputy Audit Officer

Attachment

cc: Senior Vice President Bustamante
Chief of Staff Henderson
Director Fernandez
Systemwide Associate Audit Director Bishin
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. P21A002
June 2021

Work Performed by:
Contract Auditor Harrigan

Work Reviewed by:
Systemwide Associate Audit Director Cataldo
Systemwide Deputy Audit Officer Hicks

Executive Summary

Introduction

As part of the University of California Office of the President (UCOP) 2020-21 fiscal year (FY) audit plan, Internal Audit completed an audit of the Clinical Enterprise Management Recognition Plan (CEMRP1) for the six UC health systems and UC Health.

CEMRP1 (the Plan), established by the Regents in July 2010, provides the opportunity for at-risk variable financial incentives to those employees responsible for attaining or exceeding key clinical enterprise objectives. Participants in plan-eligible job positions 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. The Plan is supplemented with documented guidelines that establish roles, responsibilities, processes and procedures related to implementing the Plan.

At the beginning of each plan year, systemwide, institutional, and individual performance objectives are developed and approved by medical center leadership, the chancellors, UC Health, and an independent Administrative Oversight Committee (AOC) described below. Objectives relate to one or more of the following: financial performance, quality improvements, patient satisfaction, key initiatives in support of the strategic plan, and 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 (institutional) performance against plan, and a third component is systemwide (clinical enterprise) performance. If a participant's total cash compensation is over the established threshold of \$323,700, awards are reported to the Regents. In addition, the Regents must approve any awards to executive officers. Beginning with the FY 2016-17 plan year, Tier I participants (medical center CEOs and Presidents and the Executive Vice President, UC Health) no longer have individual participant objectives but share common long-term objectives. The first payout for these long-term objectives was in FY 2018-19.

The AOC is assigned oversight of the plan, including development, governance and interpretation. CEMRP1 AOC membership includes the Executive Vice President – Chief Operating Officer, Vice President – Human Resources, Executive Director – Compensation Programs and Strategy, and the chancellors from the six campuses that have health services. UC Riverside now has representation within this group. The AOC may consult with the Executive Vice President, UC Health during its deliberations. UC Legal 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 assures that periodic auditing and monitoring occurs, as appropriate. Non-material changes to the Plan may be approved by the AOC while material or substantive changes require the approval of the President and the Regents Governance Committee and Health Services Committee.

In addition to CEMRP1, there is a separate incentive plan (CEMRP2) for those health system employees below the senior management level responsible for attaining or exceeding key clinical

enterprise objectives. The AOC also provides oversight of this plan. This audit included a limited review of CEMRP2 awards. We reviewed award fund sources and compared AOC-approved estimated award payouts to actual award payouts.

Objective and Scope

The primary objective of this audit was to assess the accuracy of the FY 2019-20 CEMRP1 award calculations and award compliance with the Plan. We evaluated award criteria for accuracy and compliance for the systemwide, institutional, and participant performance reviews and award calculations. Our scope included award calculations that were based on the data provided by medical center management. We reviewed the systemwide and institutional results as well as a sample of FY 2019-20 participant performance results and verified the accuracy of the award calculations. We also reviewed additional supporting documentation provided by the health systems related to their quantitative institutional objectives as well as those related to systemwide objectives.

We assessed the FY 2020-21 CEMRP1 systemwide and institutional performance objectives for compliance with the Plan in addition to a sample of participants' objectives.

For both CEMRP1 and CEMRP2, we reviewed the sources of funds used by the health systems and by UC Health to pay out the FY 2019-20 participant awards, reconciled the award payments to the approved amounts (CEMRP1) or estimated amounts (CEMRP2) and calculated variances, if any. For CEMRP2, we verified final payouts were reported to the AOC.

We also performed an analysis of FY 2020-21 participant organization, position title and total participants by tier (Appendix A).

Overall Conclusion

For CEMRP1, we did not identify any participant award calculation errors in our test sample. We verified that state funds were not used for award payouts and that minor changes to the Plan were appropriately approved by the Regents Health Services Committee.

For CEMRP2, we verified that all final award payouts complied with fund restrictions. Internal Audit identified seven participants from two of the medical schools initially were paid with inappropriate fund sources but these were corrected prior to the issuance of this report.

HR Compensation has not yet obtained signed attestations from health system CEOs to attest that the FY 2019-20 CEMRP1 and CEMRP2 final awards were accurate and in compliance with the respective plans. This is a new procedure.

Opportunities for Improvement and Action Plans

1. Not all of the FY 2019-20 and FY 2020-21 documents have been reviewed and approved by the AOC.

a. FY 2020-21 CEMRP1 objectives have not been reviewed by the AOC.

The CEMRP1 plan document states “participant objectives will be reviewed prior to the start of the plan year or as soon as possible thereafter.” There are four types of objectives: clinical, long term, institutional, and participant. As of May 21, 2021, the AOC review had not been completed.

Action Plan:

HR Compensation will provide the FY 2020-21 objectives to the AOC for their review and provide Internal Audit with supporting documentation.

Target date:

August 30, 2021

b. The AOC was not notified of an additional award to one participant.

One campus identified an award payout error and determined that an additional award was warranted. The campus subsequently processed the award and informed HR Compensation of this issue and the resolution but the AOC was not notified nor did they approve the additional payment.

Action Plan:

HR Compensation will obtain AOC approval of the corrected CEMRP1 award.

Target date:

October 15, 2021

**FY 2020-21 CEMRP Eligible Titles and Tiers
as of September 2021**

APPENDIX A

POSITION	UC Davis	UC Irvine	UCLA	UC Riverside	UC San Diego	UCSF	UC Health
Associate Chief Experience Officer					Tier III		
Assoc VP, UC Health Chief Strategy Officer							Tier II
Chief Admin. Officer			Tier II		6 @ Tier II		
Chief Ambulatory Officer	Tier II		Tier II				
Chief Clinical Officer					Tier II		
Chief Communications Officer\CCO & Chief Marketing Officer			Tier II		Tier II		
Chief Contracting Officer					Tier II		
CEO / President Health System	Tier I	Tier I	Tier I	Tier I	Tier I	Tier I	
CEO, El Centro					Tier II		
CFO/CFO Childrens Svcs/CFO Faculty Practice / CFO-VP-Adult Services	Tier II	Tier II	2 @ Tier II		Tier II	5 @Tier II	
Chief HR Officer/SVP HR/Chief Admin & HR Officer			Tier II		Tier II	2@ Tier II	
CIO /SVP CIO/Exec Dir Clinical IT	Tier II	Tier II				Tier II	
Chief Innovation and Strategy Officer	Tier III				Tier II		

**FY 2020-21 CEMRP Eligible Titles and Tiers
as of September 2021**

APPENDIX A

POSITION	UC Davis	UC Irvine	UCLA	UC Riverside	UC San Diego	UCSF	UC Health
CMO/ VP CMO at Benioff Children's Hospital Oakland/ UC Health Medical Director	Tier II	Tier II				1@ Tier II and 2 @ Tier III	Tier II
CNO/Chief (UCLA), Chief (UCD) Patient Care Svcs Officer, Nursing Director – Emergency Svce	1@ Tier II, 1@ Tier III	Tier II	Tier II			Tier II	
COO - Medical Center/VP Med Center Administration -	Tier II	Tier II	Tier II	Tier II	Tier II	1@ Tier II 2@Tier III	
Chief Pharmacy Office/Vice President-Clinical Svcs						Tier II	
Chief Strategic Planning Officer /Chief Strategy Officer /Chief Strategy Officer Children's Svcs /Exec Dir Strategy & Business Dev./AVC Strategic Communications/Chief Transformation Officer		Tier II	Tier II		Tier II	2 @Tier II	Tier II
Controller/ Controller CHO/VP Accounting (UCSF)/Controller BCHO	Tier III					1@ Tier II 1@Tier III	
CIO Bay Health						Tier II	
Director Clinical Ops, Managed Care	Tier III						
Director Finance/Exec. Dir. Financial Ops	Tier III						
Director Health Sci Finance and Admin	Tier III						

**FY 2020-21 CEMRP Eligible Titles and Tiers
as of September 2021**

APPENDIX A

POSITION	UC Davis	UC Irvine	UCLA	UC Riverside	UC San Diego	UCSF	UC Health
Director Health System Contracts	Tier II						
Director Patient Care Services	4 @Tier III						
Director Payer Strategies	Tier III						
Exec. Advisor for Children's Health						Tier II	
Exec. Dir. Enterprise Networked Data Warehouse						Tier II	
Exec. Dir Patient Experience/Patient Services	Tier III						
Exec. Dir Facilities/VP Facilities	Tier III					Tier II	
Exec. Dir Perioperative Nursing	Tier III						
Exec. Dir Professional Services	2@Tier III						
Exec. VP Physician Services/vice Dean Clinical Affairs						Tier II	
Exec. Vice Chancellor UC Health - UCOP							Tier I
Sr. Assoc. Vice Chancellor/VP UCSF Health Real Estate						Tier III	
Sr. VP& Chief FP Officer and VP Faculty Practice Operations						2 @ Tier II	

**FY 2020-21 CEMRP Eligible Titles and Tiers
as of September 2021**

APPENDIX A

POSITION	UC Davis	UC Irvine	UCLA	UC Riverside	UC San Diego	UCSF	UC Health
Vice Dean Administration and Finance SOM / Sr. Assoc Dean, Finance & Administration			Tier II			Tier II	
Vice President – Benioff Children’s Hospital San Francisco						Tier II	
Vice President, Business Development/Business Dev. Officer	Tier III						
Vice President – Children’s Ambulatory Operations						Tier III	
Vice President Clinical Services						Tier II	
Vice President, COO Adult Services						Tier II	
Vice President, IT/Assoc. Chief Information Officer						Tier III	
Vice President – International Business Development						Tier III	
Vice President, Major Capital Projects						Tier II	
Vice President Marketing & Brand Mgt						Tier II	
Vice President – New Hospital Operations, Plan & Activation						Tier III	
Vice President, Population Health						Tier II	
Vice President, Revenue Cycle/ Revenue Cycle Administrator/Director Revenue Services	Tier III				Tier II	Tier II	
Vice President Quality						Tier III	

**FY 2020-21 CEMRP Eligible Titles and Tiers
as of September 2021**

APPENDIX A

POSITION	UC Davis	UC Irvine	UCLA	UC Riverside	UC San Diego	UCSF	UC Health
Vice President – Medical Center Administration						Tier II	
Vice President - Strategic Development / VP Strategy-Cancer Enterprises						3 @ Tier III	
Vice President Supply Chain						Tier II	
SVP Children’s Services & President Benioff Children’s Hospital						Tier II	

**FY 2020-21 CEMRP Eligible Titles and Tiers
as of September 2021**

APPENDIX A

SUMMARY					
	Location	Tier I	Tier II	Tier III	FY21 Total Eligible Positions
NOTABLE OBSERVATIONS - UCSF has significantly more participants in the Plan than any other location. - Only UCSF, UCSD, and UC Davis have Tier III participants in FY20.	UC Davis	1	7	18	26
	UC Irvine	1	6	0	7
	UCLA	1	10	0	11
	UC Riverside	1	1	0	2
	UC San Diego	1	16	1	18
	UCSF	1	33	14	48
	UC Health	1	3	0	4
	Total	<u>7</u>	<u>76</u>	<u>33</u>	<u>116</u>