Executive Compensation Strategy and Program Assessment

An ACHE Qualified Education (Category II) Session – 1.0 Hour CEU

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Learning Objectives

• Obtain and interpret reliable and relevant executive compensation market data
• Balance internal equity and external market competitiveness to drive executive recruitment, motivation and retention
• Align executive performance with increasingly complex business strategies
Transformation in healthcare is an extended journey over uncharted waters, featuring untested business strategies, unprecedented capital risk and lofty performance requirements for executive teams. Healthcare organizations must:

• Understand the competitive compensation market in which they compete for executive talent
• Prioritize recruitment, motivation and retention of executives in their approach to competitive positioning and compensation program design
• Address board and enterprise risk via variable compensation
Obtain and Interpret Reliable and Relevant Executive Compensation Market Data
Executive Compensation Benchmarking

- **Sources of Data**
  - Published Surveys
  - Peer Group
    - IRS Form 990s (publically accessible information)
    - Custom Survey/Proprietary Database
- **Information needed**
  - Base salary of each executive
  - Incentive amount for each executive
  - Other benefits and supplements provided to each executive
  - Total compensation provided to each executive
Peer Group Data

- 990 Data
  - Peer Group Identification
    - Industry
    - Revenue Size
    - Number of Employees
  - Where matches are made, you may focus primarily on peer organization data in 990 filings for the job pricings
  - Organizations are chosen primarily based on:
    - Not-for-profit healthcare mission criteria
    - Aggregate annual revenue median
    - The labor cost of the city in which they do business relative to national average
  - To avoid the inclusion of significant outliers you establish reasonable upper and lower bounds for operating budget
Peer Group Data

There may be a number of peer groups for executive compensation benchmarking purposes, and organizations may span Medical Schools, Healthcare Systems and Universities.

### Medical Schools

<table>
<thead>
<tr>
<th>Organization Name</th>
<th>Year</th>
<th>Total Revenue</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Western Reserve University</td>
<td>2013</td>
<td>$1,098,738,377</td>
<td>$1,069,820,372</td>
</tr>
<tr>
<td>Duke University Health System</td>
<td>2013</td>
<td>$2,281,220,372</td>
<td>$2,277,222,372</td>
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<tr>
<td>Emory University</td>
<td>2013</td>
<td>$2,125,620,372</td>
<td>$2,119,622,372</td>
</tr>
<tr>
<td>Johns Hopkins University</td>
<td>2013</td>
<td>$2,321,620,372</td>
<td>$2,315,622,372</td>
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<tr>
<td>Mayo Clinic</td>
<td>2013</td>
<td>$2,105,320,372</td>
<td>$2,100,322,372</td>
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<tr>
<td>Mount Sinai School of Medicine</td>
<td>2013</td>
<td>$2,365,320,372</td>
<td>$2,359,322,372</td>
</tr>
<tr>
<td>North Shore University Hospital</td>
<td>2013</td>
<td>$2,475,320,372</td>
<td>$2,469,322,372</td>
</tr>
<tr>
<td>Thomas Jefferson University</td>
<td>2013</td>
<td>$2,685,320,372</td>
<td>$2,679,322,372</td>
</tr>
<tr>
<td>University of Pennsylvania</td>
<td>2013</td>
<td>$2,461,320,372</td>
<td>$2,455,322,372</td>
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<tr>
<td>University of Pittsburgh University</td>
<td>2013</td>
<td>$2,421,320,372</td>
<td>$2,415,322,372</td>
</tr>
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</table>

### Other Potential Peers

<table>
<thead>
<tr>
<th>Organization Name</th>
<th>Year</th>
<th>Total Revenue</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amherst College</td>
<td>2013</td>
<td>$356,118,724</td>
<td>$275,264,223</td>
</tr>
<tr>
<td>California Institute of Technology</td>
<td>2013</td>
<td>$2,116,823,000</td>
<td>$2,106,872,000</td>
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<tr>
<td>Kennedy University Inc</td>
<td>2013</td>
<td>$498,884,725</td>
<td>$475,214,749</td>
</tr>
<tr>
<td>Loyola University Medical Center</td>
<td>2013</td>
<td>$1,079,720,893</td>
<td>$1,034,513,281</td>
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<tr>
<td>Northeastern University</td>
<td>2013</td>
<td>$1,211,579,271</td>
<td>$1,104,513,222</td>
</tr>
<tr>
<td>Princeton University</td>
<td>2013</td>
<td>$162,392,000</td>
<td>$1,545,665,000</td>
</tr>
<tr>
<td>Robert Wood Johnson University Hospital Inc</td>
<td>2013</td>
<td>$874,886,193</td>
<td>$812,363,745</td>
</tr>
<tr>
<td>Rockefeller University</td>
<td>2014</td>
<td>$426,890,178</td>
<td>$350,429,792</td>
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<tr>
<td>Seventh-Day Adventists Loma Linda University Medical Center</td>
<td>2013</td>
<td>$1,257,431,866</td>
<td>$1,203,704,864</td>
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<td>Smith College</td>
<td>2013</td>
<td>$287,199,937</td>
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<td>Syracuse University</td>
<td>2013</td>
<td>$1,148,144,011</td>
<td>$1,087,442,150</td>
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<tr>
<td>Temple University</td>
<td>2013</td>
<td>$833,993,232</td>
<td>$840,545,806</td>
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<tr>
<td>Texas Christian University</td>
<td>2014</td>
<td>$637,593,857</td>
<td>$483,096,425</td>
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<tr>
<td>Thomas Jefferson University Hospital</td>
<td>2013</td>
<td>$1,517,029,057</td>
<td>$1,407,235,258</td>
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<td>University of Notre Dame</td>
<td>2013</td>
<td>$1,584,150,976</td>
<td>$1,218,088,403</td>
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<tr>
<td>Wake Forest University</td>
<td>2013</td>
<td>$496,807,541</td>
<td>$414,540,056</td>
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</table>
Published Surveys

- **What is market pricing?**
  - Market pricing is the process of determining the going rate of a job using relevant market data

- **What are benchmark jobs?**
  - Benchmark jobs are jobs central to an organization’s job worth hierarchy, which can be easily matched to jobs in market survey sources (aka “generic” jobs)

- **How are benchmark jobs matched to survey jobs?**
  - A majority (typically 70% or more) of a job’s content (a job description or job documentation) should match the survey job summary
    - Job duties and responsibilities
    - Job qualifications
    - Reporting relationship
Survey Sources

**Do . . .**
- Use published survey sources that:
  - Have participating organizations that are considered comparable or that compete for talent. Review the participant lists in the survey sources used
  - Provide adequate job summaries to allow for more precise job matches. (An organization should also review the accuracy of its job descriptions prior to the market analysis)
  - Use at least three *different* survey sources to derive the market consensus for a given job

**Don’t . . .**
- Use surveys that have effective dates more than two years old
- Select data points with sample sizes less than 10 incumbents for national scope surveys
  - Smaller sample sizes may work for more localized scope surveys
Trending Market Data

• Published survey data should be trended to a common point in time
  – Effective date of survey data varies
  – “Trend to” date (date to which data is aged)
  – Trend factor (rate at which market rates have or are expected to increase)

• What aging factor(s) should be used?
  – Aging factors vary by industry type, geographic location and job level
  – Leading sources include Mercer, Towers Watson, Hay Group, Sullivan-Cotter, others
Scope Factors

• In determining the appropriate scope factors to use, consider the markets where the organization recruits talent from and/or loses talent to:
  – Industry type (technology, healthcare, government, all sectors, etc.)
  – Organization size
  – Geographic location
  – Target market position (percentiles)
• **Base Salary versus Total Cash Compensation**
  – Total cash compensation is less reliable because annual incentive data are not reported by all organizations and some organizations may report targeted instead of actual incentives paid
## Market Pricing Example – Key Executive

Executive Compensation Review - May 2016

| Job Title                  | Survey Job Title                                                                 | Survey Source                                                                 | Survey Scope | Incum | Cos | Weight | 25th     | 50th     | 75th     | 90th     | 25th     | 50th     | 75th     | 90th     |
|----------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------|--------------|-------|-----|--------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| VP, Research (Ph.D.)       | System Head of Research (+10% scope adjustment)                                 | 2014 IHS Exec Comp Survey for Leading Academic Healthcare Organizations (AHCO) | Academic Medical Centers: Median Rev: $987.4 M; size adjusted for rev scope | 8      | 8   | 6.0%   | $258,641 | $364,906 | $448,046 | $522,926 | $274,884 | $397,666 | $551,970 | $690,857 |
| Chief Research Admin (+10% scope adjustment) | 2014/2015 Assoc of Academic Health Centers Salary Survey of Academic Health Center Senior Officials (AAHC) | All Private Institutions | 6      | 6   | 12.0% | $327,103 | $355,627 | $480,481 | $592,456 | $424,258 | $470,660 | $579,165 | $677,143 |
| Chief Research Admin (+10% scope adjustment) | 2014/2015 Assoc of Academic Health Centers Salary Survey of Academic Health Center Senior Officials (AAHC) | Public and Private Institutions | 7      | 7   | 28.0% | $262,758 | $316,804 | $390,894 | $457,578 | $332,341 | $421,598 | $479,492 | $531,597 |

### Market Value

<table>
<thead>
<tr>
<th>Percentile</th>
<th>25th</th>
<th>50th</th>
<th>75th</th>
<th>90th</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>$295,485</td>
<td>$373,079</td>
<td>$461,305</td>
<td>$540,666</td>
</tr>
<tr>
<td>50%</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
</tr>
<tr>
<td>75%</td>
<td>$359,531</td>
<td>$454,910</td>
<td>$553,292</td>
<td>$641,883</td>
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</tbody>
</table>

### Executive Compensation Review - May 2016

<table>
<thead>
<tr>
<th>Percentile</th>
<th>25th</th>
<th>50th</th>
<th>75th</th>
<th>90th</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
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<tr>
<td>50%</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
</tr>
<tr>
<td>75%</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
<td>$360,000</td>
</tr>
</tbody>
</table>

### Differential

<table>
<thead>
<tr>
<th>Percentile</th>
<th>High</th>
<th>OK</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>OK</td>
<td>OK</td>
<td>OK</td>
</tr>
<tr>
<td>50%</td>
<td>OK</td>
<td>OK</td>
<td>OK</td>
</tr>
<tr>
<td>75%</td>
<td>OK</td>
<td>OK</td>
<td>OK</td>
</tr>
</tbody>
</table>

*Market Value is the estimated market value for this position at various percentiles.*

*Differential is the percent that the executive salary is above or below the Market Value.*

*Total Annual Cash Compensation includes base salary and annual incentive or bonus amounts.*
Other Guidelines

• Some additional points for consideration . . .

Do not attempt to market price every job. Attempting to price every job often leads to job matches that are forced or use unreliable data to derive the market consensus.

Most surveys with revenue cuts present data by net revenues. Check the source to see how the data is provided. Using gross revenue as a scope factor could lead to inflated salary data.

Job matches should be based on job content – not job title. For each job, review published survey job title matches and summary descriptions provided in the surveys.

Adjustments to market data should not exceed 20%.
Pricing Assumptions and Methodology

• Where such data is available, use Total Annual Cash Compensation (also known as Total Base Compensation, i.e., annual base salary plus annual bonus and/or other cash compensation as the primary basis for assessing the competitiveness and/or reasonableness of executive compensation levels.

• If your philosophy to recruit the best and brightest (including attracting key talent from both for-profit and not-for-profit organizations) and to become one of the top organizations in your area of expertise and/or geography, the compensation levels for most positions would be targeted between the 50th and 75th percentiles of the market.
Balancing Internal Equity and External Market Competitiveness to Drive Executive Recruitment, Motivation and Retention
Effective Compensation Strategy should be driven by Business and HR Strategy, and informed by competitive market practices and other external influences. While it is important to understand market practices, these practices should not drive or dictate the design of executive compensation programs.
## Business Strategy and Leadership Strategy

<table>
<thead>
<tr>
<th><strong>Business Strategy</strong></th>
<th><strong>Leadership Strategy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Context</strong></td>
<td><strong>Management Development Strategy</strong></td>
</tr>
<tr>
<td>– Key Differentiators (vs Competition)</td>
<td>– (Internal vs External)</td>
</tr>
<tr>
<td>– Geographic Reach (Current, Future)</td>
<td><strong>Reward Philosophy</strong></td>
</tr>
<tr>
<td>– Short Term Business Goals</td>
<td>– (Low vs High Performance Orientation)</td>
</tr>
<tr>
<td>– New Program Introduction (Frequency, % Revenue from New Programs)</td>
<td><strong>Freedom to Act</strong></td>
</tr>
<tr>
<td>– Value Drivers (How Do You Make Money?)</td>
<td>– Centralization of Decision Making, Type of Guidance, Leadership Style</td>
</tr>
<tr>
<td><strong>Strategic Plan</strong></td>
<td>– Independence of Business Units</td>
</tr>
<tr>
<td>– Long Term Business Goals</td>
<td><strong>Organization Structure</strong></td>
</tr>
<tr>
<td>– Time Horizon on Strategic Change</td>
<td>– Function Orientation versus Business Unit Orientation</td>
</tr>
<tr>
<td>– Milestones Within the Plan</td>
<td>– Hierarchical Orientation</td>
</tr>
<tr>
<td>– Extent of Change Required to Accomplish Strategic Goals</td>
<td><strong>Organization Culture</strong></td>
</tr>
<tr>
<td>– Challenges (What Could Derail Strategy?)</td>
<td>– Risk Orientation</td>
</tr>
<tr>
<td>– What is Necessary for Strategy to Succeed?</td>
<td><strong>Core Competencies</strong></td>
</tr>
<tr>
<td></td>
<td>– Customer</td>
</tr>
<tr>
<td></td>
<td>– Product and Services</td>
</tr>
<tr>
<td></td>
<td>– Management</td>
</tr>
<tr>
<td></td>
<td>– People</td>
</tr>
<tr>
<td></td>
<td>– Technology</td>
</tr>
</tbody>
</table>
# Internal Versus External Focus and Performance Orientation

<table>
<thead>
<tr>
<th>Talent Management</th>
<th>Internal Focus</th>
<th>External Focused</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing Strategy</td>
<td>Grow Your Own / Internal Promotion</td>
<td>Buy Needed Talent / External Hiring</td>
</tr>
<tr>
<td>Career Development Philosophy</td>
<td>Firm Driven</td>
<td>Individual Driven</td>
</tr>
<tr>
<td>Career Management Philosophy</td>
<td>There's a Home for Everyone</td>
<td>Up or Out</td>
</tr>
<tr>
<td>Career Horizon (Typical Executive Tenure)</td>
<td>20 to 30 Years</td>
<td>0 to 5 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reward Philosophy</th>
<th>Low Performance Orientation</th>
<th>High Performance Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Factor to Establish Target Pay (Base, Bonus, LTI)</td>
<td>Ensure Internal Equity</td>
<td>Emphasize External Equity</td>
</tr>
<tr>
<td>Degree of Differentiation in Award Allocation - Merit</td>
<td>Egalitarian</td>
<td>Meritocracy</td>
</tr>
<tr>
<td>Degree of Differentiation in Award Allocation - Bonus</td>
<td>Egalitarian</td>
<td>Meritocracy</td>
</tr>
<tr>
<td>Degree of Differentiation in Award Allocation - LTI</td>
<td>Egalitarian</td>
<td>Meritocracy</td>
</tr>
<tr>
<td>Mix of Compensation (Degree of Risk or Leverage)</td>
<td>Low Variable Pay</td>
<td>High Variable Pay</td>
</tr>
<tr>
<td>Degree of Reward Opportunity Variability (Threshold vs Max)</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Degree of Discretion in Award Determination</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>
Compensation Positioning

• Assessing your organization
  – What are your perceptions regarding the overall competitiveness of compensation?
  – Do you have the ability to attract and retain the caliber of leadership the Company needs?
  – What survey data sources are used to benchmark other executive positions?
  – How important is a comparison with the external market vs. internal pay parity?
  – Among the senior executives, are there any internal fairness issues?
  – How are individual target and award levels determined?
  – Are there individual needs and preferences?
    • Opportunity vs. risk
    • Short-term variable compensation vs. long-term
    • Wealth creation objectives and time frame
    • Current vs. deferred compensation
Attraction/Retention

- **Assessing your organization**
  - With whom are you competing for executive talent? OR What is the process for filling selling team roles?
  - Does the Company have a distinct advantage, or a particular disadvantage, relative to the market [for talent]?
  - Are there any retention [or recruitment] issues today? Could this change?

OR

- Why do executives leave? [Examples: Benefits; Career Advancement; Challenging Work; Compensation; Leadership; Other]
- What attracts executives?
- Why do executives stay?
Align Executive Performance with Increasingly Complex Business Strategies
Healthcare organizations seek to understand the degree to which each of the board’s and the institution’s risk elements play a role in their business strategy:

• **Establish tighter payer-provider contractual arrangements to contain risk and cost and improve quality**
  – Price, position and promote risk-managed insurance plans

• **Upgrade capacity for data analytics – successfully merging Insurers’ Information and providers’ data**
  – Required to make contractual arrangements actually work

• **Achieve physician-led clinical integration**
  – Producing good numbers to enable negotiation with insurers and employers

• **Anticipate and control costs**
  – Requiring physician leaders to think outside the MD box

• **Increase access to care**
  – Access data exists for acute care but often not for ambulatory care

• **Develop population health strategies and metrics**
  – Segmenting populations and developing direct disease treatment approaches

• **Establish channel partnerships**
  – Business, community, academic

• **Maximize employee engagement**
  – Where the rubber meets the road

• **Revolutionize the patient experience**
  – Learning how to impact ambulatory care experience
Compensation Challenges

Once board and institution risk elements have been identified and quantified, the organization can begin to assess the impact on human resources and compensation strategies:

• **Understanding complex business strategies and the impact on compensation**
  - Tighter payer-provider contractual arrangements forcing strategic and fundamental transformation
  - Requires major changes to the design, delivery, criticality competitive positioning and communication of executive compensation

• **Recruiting and retaining executive talent from other industries**
  - Physician executives, retail, hospitality, insurance industries
  - Morphing inpatient care to ambulatory community treatment

• **Identifying appropriate variable compensation measures and metrics**
  - Incentive awards must be contingent on the same goals that drive the strategic plan
  - Corporate-wide, leading, relative measures which are attainable

• **Long-term incentives to enhance strategy alignment and retention**
  - Multi-year incentive plans with award values based upon sustained performance against pre-established strategic measures
  - Award levels and total compensation calibrated with reasonable market practices for compliance purposes

• **Using discretion when evaluating performance against plan**
  - Complex transformation makes it difficult to identify metrics and target performance
  - Borrow from public companies to fashion parameters and processes for the use of discretion
A New Time for Executive Compensation in Healthcare

• The transformation of care driven by changing legislation, demographics, and costs is going to take considerable time and diverse resources.

• Boards are expecting their leadership teams to establish “accountable care organizations”, form successful strategic alliances with a wide variety of channel partners and reengineer medical service delivery across the continuum of patient care.

• Healthcare executives are, in turn, asking their boards to support the initiatives needed to expand and improve the quality of services by:
  – Approving requested capital expenditures
  – Investing in new care delivery facilities
  – Hiring clinical and infrastructure personnel
  – Taking on risk by funding and operating insurance programs
  – Purchasing needed technologies for merging and analyzing insurer and provider disease treatment data

• The nature and cost of these initiatives, coupled with a lack of historical and predictive data, represents a range of executive performance and level of enterprise risk unprecedented in healthcare.
A New Time for Executive Compensation in Healthcare

- **Healthcare must now use compensation to drive outcomes as in other industries.**
  - The breadth of change and the broad range of performance which will define success in the ACA environment aligns with a stronger emphasis on variable compensation
  - The challenge:
    - Aligning executive compensation with business and leadership strategy
    - Making pay programs a powerful catalyst for value creation and competitive advantage
  - Healthcare organizations must meet their long-term strategic goals
    - Business-based, strategic thinking that transforms compensation from a cost of doing business into a competitive advantage and a catalyst for value creation
    - Compensation committees should have robust analytics with which they can make ongoing, informed decisions about compensation strategy and pay-for-performance calibration
A New Time for Executive Compensation in Healthcare

- Healthcare must now use compensation to drive outcomes as in other industries.
  - Short-term incentive plans should focus on the critical financial and operational performance necessary to ensure the continued viability of the organization, and should also predict success in the long-term incentive plan.
  - Long-term metrics should:
    - Define the board’s vision for the future state of the organization.
    - Present the leadership team with an opportunity to put the right pieces in place to gradually make that vision a reality.
  - Properly designed executive compensation programs must incorporate:
    - Clear alignment between the program and business goals to make it effective.
    - Increasingly robust data and P4P analytics to develop targeted compensation plans that incent the right behaviors and drive positive business outcomes.
A New Time for Executive Compensation in Healthcare

• Healthcare must now use compensation to drive outcomes as in other industries.
  – The committee and the executive team must select performance metrics that truly drive value creation by utilizing:
    • A number of analytic tools (value trees, regression analyses, etc.) that can provide quantitative validity to management/Board insights
    • Incentive measures that balance several perspectives and considerations:
      o **Short-term versus long-term results.** Both the measures themselves and the goal-setting process should take into account the inevitable trade-offs between maximizing short-term performance relative to investing in long-term growth opportunities
      o **Leading versus lagging indicators.** Most measures are financial and are lagging indicators; leading indicators can focus an organization on activities that improve the quality and sustainability of financial results
      o **Corporate measures versus expanded eligibility.** Broad transformational change is often tied to overall corporate performance, and so committees and management teams need to evaluate whether performance measures are tied to actions, decisions, and results that are within the control of participants
A New Time for Executive Compensation in Healthcare

- **Healthcare must now use compensation to drive outcomes as in other industries.**
  - Analytics data may be used to periodically recalibrate metrics to meet long-term goals
    - Setting the performance range around “target” or budget is a good start, but committees need to periodically review the goal-setting process and the resulting payout curves to ensure that they accurately reflect the long-term expectations of stakeholders
    - There are quantitative analyses that can add depth to a discussion of the degree of difficulty embedded in the current goal-setting process; they can also assess the extent to which internal budgets are aligned with market expectations for future growth
    - Testing the results annually can help to refine future incentive-plan design
      - Plans are established each year on the basis of the best estimation of the right measures and the degree of performance required to create enterprise value
      - Estimations are based on historical results, peers and the market in general
      - It is important to look at actual results to assess the degree to which those estimations were borne out and to determine what adjustments, if any, should be made in the future to continue to refine the pay-for-performance alignment
**The role of leadership strategy and culture.**

- 75% of mergers and acquisitions fail to deliver the planned value proposition, often due to the impact of leadership and/or culture
- Boards and committees seldom delve into people management (“It’s for the leadership team.”)
- ACA and the pressure to succeed is blurring those lines
- Compensation committees are expanding charters to include succession, talent development, performance management, etc.
- The committee can, and should, play an oversight role defining the interplay between leadership and culture, business strategy, and compensation design:
  - Does our management team reflect our business and leadership strategies? Are our criteria for hiring, recognition, and promotion linked to the drivers of success?
  - Are our compensation plans consistent with our leadership style? Is the leverage in our pay opportunity consistent with our views on risk-taking? Are the right people participating based on our executive HR plan?
A New Time for Executive Compensation in Healthcare

• **Communication X 3**
  
  1) The main purpose of the executive incentive plan is to signal the organization’s priorities to participants and key stakeholders
    • That message is effective only to the extent that it is clear and consistent
    • Sharing performance results with participants should inform measure selection
  
  2) Executive compensation communication to stakeholders/financial contributors is critical
    • Just as public companies devote considerable time and attention to shareholder communications, the committee must devote sufficient time and attention to increasing and improving stakeholder communication when it’s needed
  
  3) More and more, some aspects of plan design will/should be disclosed to the public
    • Committees need to consider the varying agendas of different consumers of internal and external information
    • Careful consideration of what is communicated, and to whom, is a growing element of overall compensation design, and one that can have a major impact on the success of a pay program and the broader business strategy it serves
Questions?
Bradley D. Bridges, Director, Compensation Services, is responsible for leading all aspects of compensation services at The University of Texas Health Science Center at Houston. Among the service areas he leads are compensation administration, executive compensation, incentive plans, job descriptions, job classification, market surveying, budgeting and career architecture.

Mr. Bridges came to The University of Texas system in 2014, after serving as Baptist Health System of Alabama's Director of Compensation Services and as Vice President of the Alabama Compensation Association. He brings to the university more than 18 years of Higher Education and Healthcare compensation experience.

After earning a Bachelor's of Business Administration from Sam Houston State University, Mr. Bridges began his career with seven productive years at the University of Southern Mississippi, advancing in both University Budgets' and Human Resources.

From 2005 to 2010, Mr. Bridges advanced with Forrest General Hospital system in Mississippi, leading compensation and benefit functions.

Currently, Mr. Bridges is a certified member of The Society for Human Resources Management, and is continuing his education as an MBA student with Sam Houston State University.
Biography

Eric Fernette, Vice President, Human Resources, and Chief Human Resources Officer, is responsible for all aspects of human resources at The University of Texas Health Science Center at Houston. Among the service areas he leads are employment, recruiting, compensation, employee relations, training and development, Equal Employment Opportunity, and UT Counseling and WorkLife Services and student and employee assistance programs.

Mr. Fernette came to The University of Texas system in 2002, serving as M.D. Anderson Cancer Center's Director of Recruitment before joining the Health Science Center in 2008. He brings to the university more than 20 years of Human Resources experience.

After earning a Bachelors of Political Science from Arizona State University, Mr. Fernette began his career with ITT Corporation, a global manufacturing firm of more than 300 thousand employees. His nine years with ITT culminated with Mr. Fernette's position as head of Human Resources for the company's Information System Division in San Jose, California.

From 1987 to 1997, Mr. Fernette led various human resources efforts in the U.S. and abroad for Compaq Computer Corporation, leading to his position as head of human resources for North America. Prior to working for The University of Texas, Mr. Fernette was the Officer and Executive Vice President of Human Resources at the international IT consulting firm Documentation Associates Consulting Group (DACG) from 1997 to 2000.

Following a successful initial public stock offering that positioned DACG as the top SAP training and documentation consultant to Fortune 500 companies, Mr. Fernette took the opportunity to travel the country with his family for two years, providing a valuable home schooling education and life experience for his children.
Steve Sullivan, a Principal with Pearl Meyer & Partners’ Houston office, has over 20 years of consulting and industry experience assisting clients in executing their strategic human resources and compensation initiatives. His focus has been in the areas of executive compensation program benchmarking, design and oversight in the health care industry. Mr. Sullivan also advises clients in the areas of sales and performance incentives, recruitment, motivation and retention, strategic compensation program design and implementation, and organizational change. He has experience in the financial services, manufacturing and information technology industries.

Prior to joining PM&P, Mr. Sullivan was a Director in McGladrey’s National Human Capital Services Practice. He also previously served as a Senior Manager with Ernst & Young LLP’s National Human Capital Practice, providing advisory services to both public and private companies; as a Manager in Americas’ Compensation for Accenture, and as a Compensation Consultant for the Bank Administration Institute. He has also worked on the corporate side of compensation as a Human Resources Officer at The Northern Trust Company.

Mr. Sullivan holds a B.A. from Gustavus Adolphus College, an M.A. from California State University and has completed studies toward an Industrial/Organizational Psychology Ph.D. at the Illinois Institute of Technology.

Mr. Sullivan has conducted research and spoken in different forums on non-profit IRS compliance issues, institutional investor activism, corporate governance and strategic compensation alignment with organizational imperatives. He is a member of the American College of Health Care Executives, National Association of Stock Plan Professionals (NASPP), Society of Human Resource Management (SHRM) and WorldatWork.

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On Behalf of

Thank you for attending this session