



The MetroHealth System

Board of Trustees

Monday, September 11, 2023

2:00 - 4:00 pm

The MetroHealth System K-107 or via Zoom

Compensation Committee

Special Meeting

The MetroHealth System Board of Trustees

COMPENSATION COMMITTEE

DATE: September 11, 2023

TIME: 2:00 – 4:00 pm

PLACE: The MetroHealth Board Room K107 or via Zoom
<https://us02web.zoom.us/j/89792446375>

AGENDA

- I. **Approval of Minutes**
- II. **Information Items**
 - A. Introduction of Dalph Watson, JD – EVP, Chief People Officer
 - B. Introduction of Gallagher – System Compensation Consultants

- III. **Executive Session**

Return to Open Meeting

- IV. **Recommendation/Resolution Approvals**
 - A. Recommendation for Approval of Modifications to Performance-Based Variable Compensation Plan System Goals for 2023

The MetroHealth System Board of Trustees

COMPENSATION COMMITTEE

Meeting Minutes

Board Members: Ms. Inajo Davis-Chappell-I, Mr. John Corlett-I, Ms. Maureen Dee-R, Mr. Robert Hurwitz-R, Mr. John Moss-I, Dr. J.B. Silvers-I, Dr. E. Harry Walker-I, Ms. Vanessa Whiting-I

Staff: Dr. Airica Steed-I, Dr. Jennifer Bailit-I, Dr. Richard Blinkhorn-I, Dr. Nabil Chehade-I, Mr. William Dube-I, Mr. Joseph Frolik-I, Mr. Geoff Himes-I, Dr. Olusegun Ishmael-I, Ms. Julie Jacono-I, Ms. Melissa Kline-I, Dr. William Lewis-I, Ms. Laura McBride-I, Mr. Alan Nevel-I, Ms. Sonja Rajki-I, Ms. Deb Southerington-I, Ms. Cheryl Forino Wahl, Ms. Sarah Alpert-I, Ms. Amanda Calabrese-I, Dr. Brian Mercer-I

Guests: Mr. James Mylen-I, Ms. Veronica Despoth-I, Dr. Jerod Holloway-R, Ms. Suzanne Boutros-I, Ms. Shannon Boutros-I, Ms. Tess Boutros-R, Mr. Dalton Perry-I

DATE: Wednesday, March 22, 2023

TIME: 3:00 – 5:00 pm

PLACE: MetroHealth K-107 Board Room or via Zoom
<https://us02web.zoom.us/j/83125407342>

Dr. Walker called the meeting to order at 3:04pm.

I. **Approval of Minutes**

The minutes of the February 22, 2023, Compensation Committee meeting were unanimously approved as submitted.

II. **Information Items**

A. **Executive Compensation Consultants - System update and Board next steps**

Dr. Walker reminded attendees that the Board previously approved the System's retention of an executive compensation consultant last month.

The MetroHealth System Board of Trustees

Ms. Southerington advised that the System and the identified consulting firm are pursuing a 5-year contract with rate locked in. Additionally, the System will have the ability to do abbreviated market reviews when necessary. The contract agreement is being finalized, and Human Resources is hopeful that it will be able to engage with the firm by or before the end of the week.

Dr. Walker advised that the Committee needs to address whether the Board wishes to engage its own, separate consulting firm. Mr. Moss stated that the System is going to hire a liaison between the Board and management. He recommended holding on further decisions regarding this matter until that individual has been hired.

Ms. Chappell requested clarification on the scope of the System's consulting firm's efforts. It was reaffirmed that the scope includes PBVC and executive compensation analyses.

B. PBVC Plan Materials

Ms. Southerington provided an update that Human Resources is working on the plan documents and the materials will be finalized in the coming weeks. Dr. Steed advised that the 2022 results have been reviewed and KPMG has validated those results and performance against the metrics. The results are being brought to the Committee for review. Dr. Steed also affirmed that Human Resources will be quarterbacking the process in partnership with Finance and Compliance.

Ms. Chappell asked how this year's validation process differs from previous years. Dr. Steed explained that KPMG/Internal Audit had not been used previously for this function. She requested that they perform a review/verification of proposed achievements. They have conducted a deep-dive review of each metric to determine the baseline measure, review supporting documentation behind each performance measure reported, and validate achievement on those measures.

At this time, Dr. Walker asked for a motion to recess into executive session to discuss hospital trade secrets and the compensation of a public employee. The motion was made by Ms. Chappell and seconded by Mr. Moss. The Committee held a roll call vote with all members voting to approve the motion to go into executive session for the purposes stated by Dr. Walker.

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Members of the public were excused, and the Board went into executive session to discuss the identified matters at 3:10pm.

Following the executive session, the meeting reconvened in open session at approximately 4:52 pm.

III. Recommendation/Resolution Approvals

Dr. Walker noted that the Committee would now be presented with two proposed resolutions. Background on these topics, including trade secrets, have been shared with the Committee in executive session. The proposed resolutions were now ready for vote.

A. Recommendation for Approval of Performance-Based Variable Compensation Plan Achievements for 2022

Dr. Walker noted that the first resolution is for the approval of System PBVC results for 2022. Based on the information presented in executive session, the System has proposed their overall achievement against the goals for 2022 to be at 98.23%. Dr. Walker further noted that the Committee had heard from KPMG regarding its review and validation of the System results. Dr. Walker then read the recommendation and asked for a motion to approve the resolution (with the amendment in the confidential Attachment A noted during executive session). The motion was made by Ms. Chappell and seconded by Mr. Moss. The resolution passed with all members present voting in favor of the resolution, as amended.
RESOLUTION NO. 19564

B. Recommendation for Approval of Performance-Based Variable Compensation Plan System Goals for 2023

Dr. Walker noted that the second resolution for the Committee's consideration is for the approval of System PBVC goals and metrics for 2023. Dr. Walker noted that the Committee had heard from Dr. Steed and the leadership team about how the proposed goals were selected. With no further questions or discussion, Dr. Walker read the recommendation and asked for a motion to approve the resolution (with the amendment in the confidential section noted during executive session). The motion was made by Ms. Chappell and seconded by Mr. Hairston. The resolution passed with all members present voting in favor of the resolution, as amended.
RESOLUTION NO. 19565

The MetroHealth System Board of Trustees

There being no further business, the Committee adjourned the meeting at 5:56 pm.

Deborah Southerington
SVP, Human Resources

Geoff Himes
Interim Chief Financial Officer



MetroHealth

Compensation Committee

September 2023



Introduction/Bio: Dalph L. Watson, JD , EVP/Chief People Officer

Reporting Relationship: Direct Report to CEO with Dotted Line to Board/Board Chair

Current Responsibilities:

- Talent Acquisition and Employee Retention
- Employee Engagement and Experience
- Diversity and Inclusion
- Workforce Development and Education
- Workplace Safety and Organizational Effectiveness
- Total Rewards (Benefits, Compensation, Wellness)

Previous Experience:

Served in a variety of progressive senior human resource officer roles in both the public and private sector, including:

- Walmart Health
- Kaiser Permanente
- Providence St. Joseph Health
- Beaumont
- Botsford Hospital
- Blue Cross Blue Shield of MI
- City of Detroit

Adjunct faculty member at Madonna University in Livonia, Michigan, instructing undergraduate and graduate students enrolled in Health Care Management, Human Resources Management, Business Ethics, Labor Law, Employment Law, Cyber Law, and Business Law.

Attorney with an area of focus in Employment/Labor Law and Compliance

Education/Training:

- Juris Doctor from Western Michigan University Thomas M. Cooley School of Law in Lansing, Michigan
- Bachelor's in Health Care Administration/Management from Southern Illinois University in Carbondale, Illinois.
- U.S. Navy Veteran



MetroHealth

Chief People Officer/Comp Consultant

Collaboration



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Consultant Engagement

We have taken proactive steps to engage a reputable consultant specializing in compensation management and compliance.

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Compliance Focus

Our priority is to ensure that our compensation practices are in full compliance with relevant laws, regulations, and industry standards. The consultant's expertise will guide us in achieving and maintaining this compliance.

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Internal Controls

In collaboration with the consultant will ensure there are robust internal controls to prevent discrepancies or issues related to compensation management.

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Governance Enhancements

In collaboration with the consultant we will enhance our governance framework, ensuring that compensation decisions are consistent, justifiable, and well documented.

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Board Involvement

We value the boards oversight and will provide regular progress updates, including implementation of any recommended controls.

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Open Communication

We encourage open and regular dialogue with the board as we work through this process and we welcome your input or questions you may have. Your guidance is invaluable in guiding us toward best practices.

Introductions

CRAIG STROM | Managing Director & Senior Advisor

Healthcare Compensation & Rewards Service Line | Minneapolis, Minnesota



More than two decades experience in auditing and designing leadership total compensation programs and governance practices at not-for-profit healthcare organizations, including large integrated delivery systems and academic medical centers from across the country.

Juris Doctorate from the University of Minnesota Law School and a B.B.A. in Financial Management, summa cum laude, from the University of North Dakota.

PROFESSIONAL HIGHLIGHTS

- Expert on healthcare leadership benchmarking, cash compensation programs, incentive plan structures, goals, and awards.
- Expert on healthcare leadership structures and titling practices.
- Principal driver for multiple, nationally leading compensation surveys including: Leadership, Nursing, Advanced Practice Clinicians, and Cancer Centers, among others.
- Guest speaker at state and national healthcare associations, including annually for OHA and OSHHRA.

Introductions

SAL DIFONZO | Managing Director

Healthcare Compensation & Rewards Service Line | Phoenix, Arizona



More than more than 25 years of experience in compensation assessment, design and implementation. Areas of expertise include compensation strategy, broad-based incentive compensation, executive compensation and sales compensation.

MS in Human Resource Management from the Krannert School of Management at Purdue University and a BA in Economics/Business and Psychology at Cornell College.

PROFESSIONAL HIGHLIGHTS

- Certified Compensation Professional (CCP), Certified Benefits Professional (CBP) and Certified Sales Compensation Professional (CSCP).
- Serves on WorldatWork's Compensation Advisory Council.
- Author of "Designing Effective Incentive Compensation Plans" (Amazon), Mr. DiFonzo is a frequent speaker and author of numerous articles on compensation.

About Gallagher

A Global Snapshot

Founded in
1927

130
Countries Served

Our Network of Offices



\$6.9B

Total Adjusted Brokerage & Risk Management Revenues (2021)

Social Responsibility

Companywide focus on ethical conduct, employee health and welfare, environmental integrity and community service



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850+

Offices in 68 Countries

39,000+

Employees Worldwide

Global Reach Local Presence

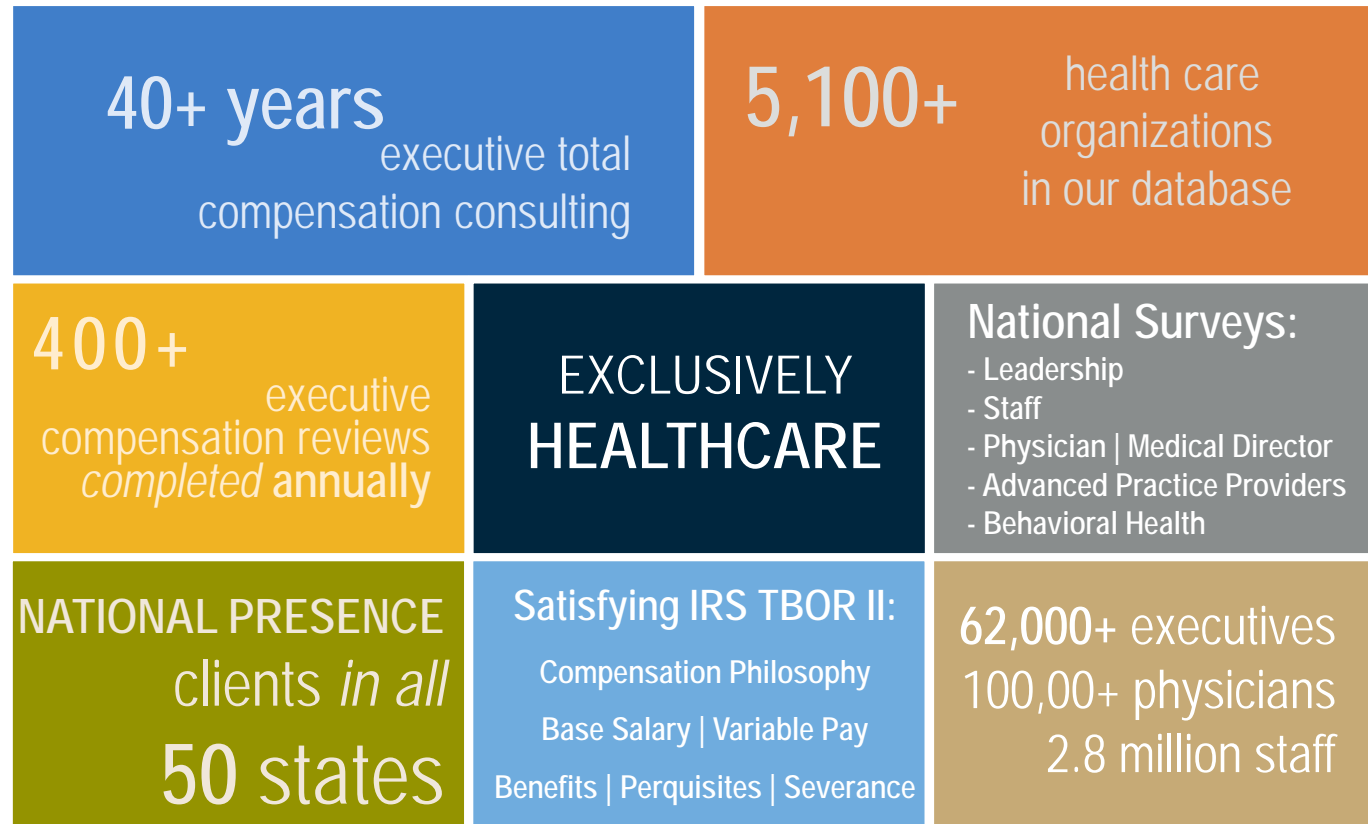
Shared values + Passion of excellence =
Promises delivered



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Gallagher's Healthcare Compensation Consulting Practice



Gallagher Compensation and Rewards Service Line

Focusing on all aspects of human resources and compensation consulting in the health care industry

Our clients have included more than 1,200 healthcare providers, 1,800 hospitals, and more than 50 independent and affiliated medical groups



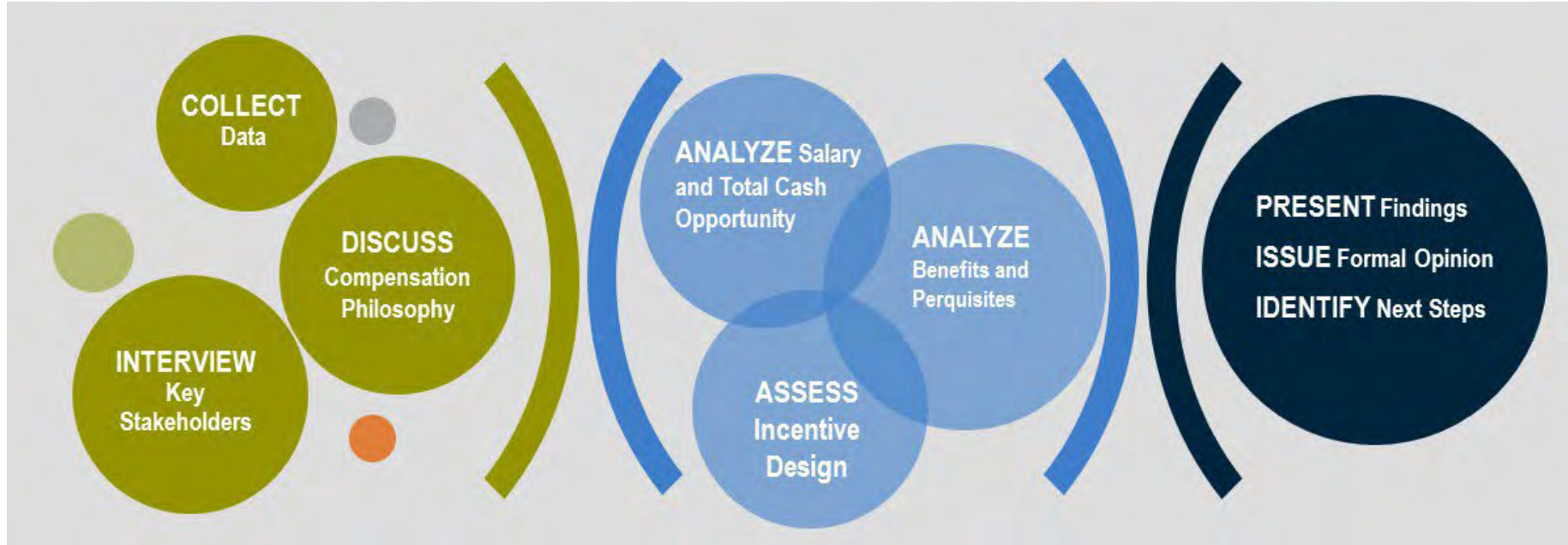
Establishing the Executive Compensation Governance Framework



While it is clear that we work for the **Committee of the Board**, we are a **TEAM** – the Committee, senior leadership, and Gallagher all working together to retain and recruit a high-quality executive team



Study Process



**RECOMMENDATION TO THE BOARD OF TRUSTEES OF THE METROHEALTH SYSTEM
FOR APPROVAL OF MODIFICATIONS TO PERFORMANCE-BASED VARIABLE
COMPENSATION PLAN SYSTEM GOALS FOR 2023**

Recommendation

The President and Chief Executive Officer is recommending modifications to certain portions of the Performance-Based Variable Compensation (“PBVC”) plan goals and performance metrics previously approved by the Board of Trustees.

The proposed modifications seek to account for changes in underlying data systems and to more accurately recognize financial challenges faced by the System. The goals continue to embody a balanced approach across the following domains: financial; strategy and growth; quality and service; clinical transformation and health equity; human capital and diversity; and innovation and research.

Background

On March 22, 2023, the Board of Trustees of The MetroHealth System approved the 2023 PBVC plan goals and performance metrics via Resolution 19565. Then, on May 24, 2023, the Board approved minor corrections and changes to the 2023 goals and metrics via Resolution 19575.

**Approval of Modifications to
Performance-Based Variable Compensation Plan System Goals for 2023**

RESOLUTION XXXX

WHEREAS, the Board of Trustees of The MetroHealth System (the "Board") has previously approved a Performance-Based Variable Compensation plan for the President and CEO and other members of leadership (the "PBVC Plan");

WHEREAS, the Board has previously approved via Resolution 19565 the goals and performance metrics for the PBVC Plan for 2023, as adjusted via Resolution 19575; and

WHEREAS, the President and Chief Executive Officer has presented the Board a recommendation to further modify certain aspects of the PBVC Plan goals and performance metrics for 2023.

WHEREAS, the Board has reviewed this recommendation, had an opportunity to ask questions and now recommends its approval.

NOW, THEREFORE, BE IT RESOLVED, the Board of Trustees of The MetroHealth System hereby approves the modified 2023 PBVC Plan Measures and Goals as described in the attachment hereto.

BE IT FURTHER RESOLVED, no PBVC Plan awards will be paid unless the System's Adjusted EBIDA for 2023 exceeds the System's maximum annual debt service.

BE IT FURTHER RESOLVED, this Resolution and approval hereby supersedes the Board's previous approval of the 2023 goals and performance metrics via Resolution 19575.

AYES:

NAYS:

ABSENT:

ABSTAINED:

DATE:

CONFIDENTIAL: THIS DOCUMENT CONTAINS TRADE SECRETS AND INFORMATION THAT IS CONFIDENTIAL AND PROPRIETARY PROPERTY OF THE METROHEALTH SYSTEM AND MAY NOT BE COPIED, PUBLISHED OR DISCLOSED TO OTHERS WITHOUT THE EXPRESS WRITTEN AUTHORIZATION OF AN AUTHORIZED OFFICER OF METROHEALTH. THIS DOCUMENT MUST BE KEPT ONLY IN CONFIDENTIAL FILES WHEN NOT IN USE.