

BOT-06 - Executive Compensation

Key Points

- This policy applies to The MetroHealth System (MHS).
- The Board of Trustees recognizes the need for MHS to attract and retain effective and committed executives to assist MHS in achieving its goals and providing high quality care in accordance with its mission, while acting in accordance with the laws and standards applicable to MHS.
- This policy sets forth the framework that the Board uses to carry out its fiduciary duties in determining appropriate and competitive compensation for the CEO and other MHS Executives¹.

Policy

1. The Board, through the Human Resources & Compensation Committee, shall review the CEO's and Executives' compensation at least annually. This review shall include actual compensation paid during the prior year as well as any proposed changes to the CEO's future compensation, if any.
2. To support the Board's fiduciary and statutory duties, MHS shall retain an independent compensation consultant (or consultants) to assist in providing the Board with information regarding comparable CEO and Executive compensation and related terms.
 - 2.1. The independent compensation consultant shall provide a written report(s) to and communicate directly with the Board's Human Resources & Compensation Committee.
3. CEO Compensation
 - 3.1. The Board sets total compensation for the CEO that is consistent with other comparable nonprofit and public hospitals and health systems and that reflects fair value for the services that MHS receives.
 - 3.2. The Board shall approve all compensation paid to the CEO.
 - 3.3. Any changes in the CEO's total compensation outside of the terms of the CEO's employment agreement must be approved by the Board in advance of payment.
4. Executive Compensation
 - 4.1. In accordance with Policy BOT-07, the CEO has the authority to set the wages, salaries and benefits for other MHS employees, including base salary and other fixed, performance-based, or other incentive compensation.
 - 4.2. However, the wages and salaries set by the CEO for Executives must be consistent with compensation provided by comparable nonprofit and public hospitals and health systems.
 - 4.2.1. The CEO must notify the Board if any Executive's total compensation (including maximum available performance-based variable compensation and all other compensation) will exceed the 90th percentile of the comparable group and request Board approval in advance. The requirement of 4.2.1 for Board approval does not apply to interim Executives who are employed on a temporary basis (less than 12 months) to fill an immediate need. In such a situation, the CEO must notify the Board Chair in writing if an interim Executive's total cash compensation will exceed the 90th percentile,

- but Board approval is not required. The CEO shall report to the Board on all interim Executive hires at least annually.
- 4.3. The CEO shall report to the Board's Human Resources and Compensation Committee on each Executives' compensation, including a report of each Executive's base salary and all other components of compensation, at least annually.
5. Performance-Based Variable Compensation (PBVC)
- 5.1. The Board has authorized performance-based variable compensation (PBVC) to be a component of certain eligible employees' total compensation with the goal of incentivizing leaders to accomplish goals that promote MHS's mission and operations.
- 5.2. The Board shall approve the amount of PBVC available to the CEO through the CEO's written employment agreement. The CEO may determine the amount of PBVC available to other employees subject to the requirements and limits of this policy.
- 5.3. *Performance Goals:*
- 5.3.1. The Board will annually establish System performance goals, including the relative weighting between the goals, that are metric-driven and balanced to achieve short-term and long-term organizational success.
- 5.3.2. The Board-approved System performance goals reflect the PBVC goals for the CEO. The CEO may determine whether to incorporate individual goal performance for other PBVC-eligible employees.
- 5.3.3. Each established System performance goal will specify achievements at the following levels: threshold (50% achievement), target (100% achievement); and maximum (150% achievement).
- 5.3.3.1. Achievement between the threshold and maximum limitations will be calculated on a sliding scale.
- 5.3.3.2. If the level of achievement on any goal is less than the 50% threshold, no PBVC incentive payments will be made for that goal.
- 5.4. *PBVC Trigger:*
- 5.4.1. In conjunction with its approval of annual System performance goals, the Board will also set a trigger (financial or otherwise) that is a prerequisite for any PBVC payout. If MHS does not meet this baseline trigger, there will be no PBVC payout to any employee, regardless of MHS' achievements with respect to the Board-approved goals or any individual goals.
- 5.5. *Award & Payment:*
- 5.5.1. Within 30 days of receiving the System's final audited financial statements, the Board shall assess the System's performance relative to each of the approved goals, including

the financial trigger, and approve the performance level achieved for each of the approved goals, along with the total performance level achieved across all of the goals.

5.5.2. The Board shall review and approve the proposed PBVC award for the CEO, if any, via written resolution.

5.6. *PBVC Plan:*

5.6.1. The process and parameters for the award of PBVC (including eligibility, timing, etc.) for employees other than the CEO shall be set forth in a written Plan document that shall be approved by the CEO and consistent with this Policy.

5.6.2. The Plan shall be reviewed by the Human Resources and Compensation Committee when any material changes are made and at least annually.

5.7. The Board reserves the right to review, amend, suspend, and/or terminate PBVC with respect to any or all employees at any time and at its sole discretion.

References

[ORC 339.06, 339.07](#)

Endnotes

¹ Executives are defined as VP and above. For purposes of in-depth market data and comparisons for Board of Trustee review, Executives are defined as SVP and above.