University Medical Center of Southern Nevada
Governing Board Human Resources and Executive Compensation Committee
January 27, 2015

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Tuesday, January 27, 2015
9:00 a.m.

CALL TO ORDER

The University Medical Center Governing Human Resources and Executive Compensation Committee met in Conference Room I/J, UMC Trauma Building, 5th Floor, Las Vegas, Clark County, Nevada, on Tuesday, January 27, 2015, at the hour of 9:00 a.m. The meeting was called to order at the hour of 9:06 a.m. by Chair Laura Lopez-Hobbs and the following members were present, which constituted a quorum of the members thereof:

Committee Members:

Present:
Laura Lopez-Hobbs, Chair
Renee Franklin
Harry Hagerty

Others Present:
John Espinoza, Chief Human Resources Officer
Cindy Dwyer, Board Secretary

SECTION 1. OPENING CEREMONIES

ITEM NO. 1 PUBLIC COMMENT

Chair Lopez-Hobbs asked if there were any persons present in the audience wishing to be heard on any item on this agenda.

Speaker(s): None

ITEM NO. 2 Approval of minutes of the regular meeting of the UMC Governing Board Human Resources and Executive Compensation meeting on October 21, 2014. *(For possible action)*

FINAL ACTION: A motion was made by Renee Franklin that the minutes be approved as recommended. Motion carried by unanimous vote.

ITEM NO. 3 Approval of Agenda *(For possible action)*

FINAL ACTION: A motion was made by Renee Franklin that the agenda be approved as recommended. Motion carried by unanimous vote.

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Receive an overview of employee benefit trends in the government sector; and direct staff accordingly. ***(For possible action)***

DOCUMENTS SUBMITTED: Mercer Survey Results for UMCSN

DISCUSSION: Liz Marks and Phil Sprawls of Mercer were present to review employee benefits trends for benchmarking, which will assist with future decisions that affect our competitiveness as an employer. The information was gathered from Mercer's survey spotlight report, and because the data for the healthcare industry was more robust than that of the government sector (with 158 participants), they utilized the hospital data for today's presentation. Mercer provided data for benchmarking on retirement plans, healthcare plans for employees and retirees, dental plans, time loss plans, executive benefits, and also provided a brief overview of employer sponsored health plans.

There was discussion and consensus among the Committee members that all benchmarking should be against our competition, which is for-profit hospitals, as opposed to government employers or public hospitals. Member Harry Hagerty suggested that there be a future discussion for the Committee to consider taking a position going forward that the relevant comparison is the industry we lose staff to.

There was a consensus that benefits need to be taken into context with overall compensation as a total remuneration package. Mr. Sprawls noted that while most staff positions are approaching the market level for total remuneration, that was not the case with many of the management positions, including senior management. Mr. Espinoza explained that in the ten year period of 2003 to 2013, employees received 30% more in base salary increases than did management over that same period. This is reflected in Mercer's data, as well as in the management turnover rate to be reviewed later in today's meeting. To be able to share the information with the Board and perhaps to use as a tool to address the community perception gap, the Committee expressed their desire for Mercer to provide a succinct analysis of total compensation by tier and employee turnover for the past three years. As this was not part of their original engagement, Mercer will provide a quote to staff to provide this information.

There was discussion about health insurance, including utilization, deductibles, retiree insurance premium subsidy, and incentives for preventative care. Member Renee Franklin requested that staff provide a report on the percentage of employees enrolled in health insurance who use those services and what percentage of that group are responsible for 80% of the costs. Mr. Espinoza reminded the Committee that the two employee healthcare plans utilized by UMC employees are actually managed by Clark County. Although UMC has the ability to obtain data and provide input, the decisions about the plans are made by Clark County.

John Espinoza explained the combined annual leave bank and extended illness bank accrual, including use, carryover and cash value. The Committee concluded that additional detail regarding UMC's time loss programs is needed to determine how UMC measures against market.

The Committee would like to have future discussions about innovative programs, such as centers of excellence, to attract third party payers. Future discussions would likely include those who have expertise in the field.

In their preliminary report, Mercer recommended to staff that a philosophy on compensation be developed, which would identify the benchmarking done and a specific market position for each strata. The Committee members were in agreement that a philosophy should be developed once the compensation studies are complete, and will include this in their 2015 goals.

Staff was requested to follow-up on several items to assist in additional analysis of the information provided by Mercer today:

- Obtain a quote from Mercer to provide brief analysis of compensation by tier, and coordinate with turnover.
- Provide overview of utilization of health insurance, to include breakdown of premiums. Mercer to provide a template for data retrieval.
- Total health benefit cost contribution over past five years per employee
- Provide additional detail on time loss plan to determine how UMC measures against market
- Have future Committee discussions about opportunities for centers of excellence and other innovations to attract managed care organizations, and include Governing Board Member Jeff Ellis to better understand the role of such innovations for third party payers.
- Have future discussions about deferred compensation options for executive bonus
- Development of a compensation philosophy. Work with Mercer, as needed.

FINAL ACTION: No action taken

Chair Lopez-Hobbs called for a brief recess at 10:26 a.m.
The meeting was reconvened at 10:38 a.m.

ITEM NO. 5 Receive an overview of Nevada Revised Statute 288 and its application to UMC; and direct staff accordingly. ***(For possible action)***

DOCUMENTS SUBMITTED: PowerPoint presentation "Public Sector Collective Bagaining in Nevada"

DISCUSSION:

Doug Spring, Assistant Director of Human Resources, gave a presentation on Public Sector Collective Bargaining in Nevada, as set forth in Nevada Revised Statue 228, and its application to UMC. As a public entity, UMC is ruled by the

Employee Management Relations Board. Mr. Spring explained the process for addressing complaints, the recognition of an employee organization, exclusions from membership, negotiation of collective bargaining agreements, mandatory subjects of bargaining, management rights, and prohibited practices, He noted that all public sector collective bargaining agreements include a no-strike clause

FINAL ACTION: None taken.

ITEM NO. 6 Review and make recommendations for modifications of performance metrics to be included in the Chief Executive Officer's employment agreement, as it pertains to discretionary salary increases and bonuses, for approval by the Governing Board; and direct staff accordingly. (For possible action)

DOCUMENTS SUBMITTED: Schedule B Performance Objectives; - Mason VanHouweling.

DISCUSSION: The Governing Board Chair requested that the Committees provide input on the CEO performance objectives, specific to their areas of their oversight.

Member Harry Hagerty suggested that there should be a financial component to the bonus, to be determined by the Audit and Finance Committee. There was discussion among Committee members regarding the weight of each Committee's performance measures. It was the consensus of the Committee to recommend to the Governing Board that a set percentage of the CEO's bonus be based on successful performance of the Committee initiatives in the form of two performance measures each, and the remaining percentage of the bonus be based on the other performance objectives currently listed in Schedule B. The Committee acknowledged the importance of the Committee measures being coordinated to ensure they are consistent and not competing with each other.

John Espinoza reminded the Committee that the CEO Employment Agreement ties the salary adjustment and bonus to the CEO's anniversary date, not fiscal year. It was the consensus of the Committee that there be a proposed amendment to the Agreement to provide a mid-year performance appraisal, and then tie to the fiscal year effective 7/1/15.

Specific HR objectives will be discussed at the next meeting.

FINAL ACTION: None taken.

ITEM NO. 7 Receive update on Human Resources dashboard metrics; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: UMC Human Resources Metrics – 2014

DISCUSSION: John Espinoza reviewed with the Committee the 2014 metrics for Human Resources.

Of particular note was the increase in turnover, which has risen in the past year from 11.6% to 13.8% for full-time non-management employees, and from 18.1% to 29.4% for management employees. Staff was directed to further analyze the data to determine how many of the management terminations were voluntary, involuntary, or retirements. Vacancy rates increased from 6.9% in 2013 to 9.3%, but staff attributed this increase to the large number of positions that went intentionally unfilled while awaiting placement of displaced workers after the recent layoffs. The Committee recommended that the turnover and vacancy rates be included in the Committee Report at the Governing Board meeting.

Mr. Espinoza provided an update on the impact of the recent layoffs. Though there were 287 displacements, the net effect was 114 employees who left the organization with no option to retain employment through bumping or vacant positions. Mr. Espinoza also explained the recall process. The Committee requested additional clarification between internal movements and recalls from the outside.

Mr. Espinoza noted that at a future meeting he would like to provide a comprehensive presentation to address employee and management development. Member Renee Franklin requested clinical education metrics to share with the Clinical Quality Committee in the future.

Over the past year, there has been a 23% improvement from previous year for total time it takes to recruit and fill vacant positions. A reduction was noted in the number of applications and hires, assumed to be a result of the lay-offs.

Follow-up for staff:

- Provide breakdown of terminations to show voluntary, involuntary and retiree turnover
- Provide breakdown of recalls to differentiate between internal movements and recalls from outside
- Provide clinical education metrics for the Clinical Quality Committee.

The Committee will continue to focus on vacancy and turnover rates, and will include the development of a talent management strategy in their goals for next year.

FINAL ACTION: None taken.

ITEM NO. 8 Discuss Committee accomplishments for 2014 and determine focus for 2015; and direct staff accordingly. ***(For possible action)***

DOCUMENTS SUBMITTED: Human Resources and Executive Compensation Committee Progress in 2014

DISCUSSION:

Committee members discussed goals for the upcoming year and concluded that the following four goals would best represent what this Committee would like to accomplish in the coming year. Goals will be forwarded to the Board Chair for consideration by the Board.

- Complete market compensation surveys
- Draft for consideration by the Board a remuneration/compensation philosophy
- Continue to regularly review, discuss and develop HR metrics
- Review, discuss and develop a talent management strategy

FINAL ACTION: None taken.

ITEM NO. 9 Identify emerging issues to be addressed by staff or by the Human Resources and Executive Compensation Committee at future meetings; and direct staff accordingly. *(For possible action)*

Future agendas will reflect the goals of the Committee.

COMMENTS BY THE GENERAL PUBLIC:

At this time, Chair Lopez-Hobbs asked if there were any persons present in the audience wishing to be heard on any items not listed on the posted agenda.

SPEAKER(S): None

There being no further business to come before the Committee at this time, at the hour of 11:50 a.m. Chairman Lopez-Hobbs adjourned the meeting.

APPROVED: March 24, 2015