

**The University of California**  
**Clinical Enterprise Management Recognition Plan (CEMRP)**  
**For Plan Year July 1, 2010 through June 30, 2011**

**Plan Purpose**

The purpose of the University of California Clinical Enterprise Management Recognition Plan (“Plan”) is to provide the opportunity for at risk variable financial incentives to those employees responsible for attaining or exceeding key Clinical Enterprise objectives. Achievement is measured based on specific financial and/or non-financial objectives, e.g. quality of care or patient safety, and strategic objectives which relate to the Clinical Enterprise’s mission.

The Plan encourages the teamwork required to meet challenging organizational goals. The Plan also uses individual performance objectives to encourage participants to maximize their personal effort and to demonstrate individual excellence.

**Plan Oversight**

Development, governance and interpretation of the Plan will be overseen by an independent Administrative Oversight Committee (AOC) comprised as follows:

- Executive Vice President – Business Operations
- The Chancellor of every campus with a medical center
- The Vice President – Human Resources
- The Executive Director – Compensation Programs and Strategy

The AOC, in its deliberations pertaining to the development or revision of the Plan, will consult with the Senior Vice President – Health Sciences and Services, and representatives from the medical centers comprised of a Chief Medical Officer, a Chief Nursing Officer, and a Chief Human Resources Officer, each selected from a UC medical center. The AOC will abide by the Political Reform Act, which would prohibit Plan participants, such as the Senior Vice President – Health Sciences and Services, Chief Medical Officers, Chief Nursing Officers, and Chief Human Resources Officers, from making, participating in making, or influencing decisions that would affect whether they participate in the Plan, the objectives that will govern whether they earn awards under the Plan, and the amount of awards paid to them under the Plan. The Office of General Counsel will be consulted if there are any questions about the application of the Political Reform Act in this context. The Chief Audit and Compliance Officer will assure that periodic auditing and monitoring will occur, as appropriate.

**Plan Approval**

The Plan will be subject to an annual review conducted by the AOC to address design issues and market alignment. Once approved by the Regents, the Plan will be implemented each year upon the approval of the AOC if no changes to the Plan are being recommended. If the AOC recommends any substantive or material changes to the Plan, including, but not limited to, changes in the award opportunity levels, the AOC will obtain the approval of the President and the Regents’ Committees on Compensation and Health Services before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material Plan changes until after the end of the current Plan year. However, if

changes are implemented during the Plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the Plan year. Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and the Chairs of the Regents' Committees on Compensation and Health Services and will then be implemented by the AOC at an appropriate time. The Regents will receive reports of all changes to the Plan.

### **Plan Year**

The Plan year will correspond to the University's fiscal year, beginning July 1 and ending the following June 30.

### **Eligibility**

Eligible participants 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. Participants must be full-time employees of the University at the end of the Plan year to be eligible to receive an award for that Plan year, unless they have retired or involuntarily separated from the University as set forth in the Separation from the University provision below. A participant who has been found to have violated state or federal law or to have committed a serious violation of University policy will not be eligible for an award under the Plan.

Prior to the beginning of the Plan year, the AOC will provide the President and the Chair of the Regents' Committee on Compensation with a list of Plan participants for that Plan year, including appropriate detail regarding each Plan participant.

Plan participation in any one year does not provide any right or guarantee of eligibility or participation in any subsequent year of the Plan.

Participants in this Plan may not participate in any other incentive or bonus plan during the Plan year, including the Health Sciences Compensation Plan, except in the event of a mid-year transfer within the University. Specifically, if a Plan participant is eligible for only a partial year award under this Plan because a mid-year transfer of position renders him or her eligible for Plan participation for only a portion of the Plan year, he or she may participate in a different University plan for the other portion of the Plan year. Concurrent participation in this Plan and another University plan is not permitted.

### **Award Opportunity Levels**

As part of their competitive total cash compensation package, Plan participants are assigned threshold, target and maximum recognition award levels, expressed as a percentage of their salary. These award opportunity levels serve to motivate and drive individual and team performance toward annually established objectives. Target awards shall be calibrated to expected results while maximum awards shall only be granted for superior performance against established performance standards. Actual awards for any individual participant may not exceed the maximum award opportunity level assigned. Award opportunity levels are determined, in part, based on the participant's level within the organization and the relative scope of responsibilities, impact of decisions, and long term strategic impact.

<b>Position Level within Organization</b>	<b>Threshold Opportunity (as % of Salary)</b>	<b>Target Opportunity (as % of Salary)</b>	<b>Maximum Opportunity (as % of Salary)</b>
Chief Executive Officer	10%	20%	30%
Other “Chief Levels” and Other Key Senior Clinical Enterprise Leadership	7.5%	15%	25%
Other Key Clinical Enterprise Leadership	7.5%	15%	20%

### **Performance Standards**

Each Plan participant shall be assigned Performance Objectives which have standards of performance defined as Threshold, Target, and Maximum performance consistent with the following:

*Threshold Performance* – Represents the minimum acceptable performance standard for which a recognition award can be paid. This level represents satisfactory results, but less than full achievement of stretch objectives.

*Target Performance* – Represents successful attainment of expected level of performance against stretch objectives.

*Maximum Performance* – Represents results which clearly and significantly exceed all performance expectations for the year. This level of accomplishment should be rare.

### **Performance Objectives and Weightings**

Prior to the beginning of each fiscal year, a series of financial and non-financial objectives will be established for each participant, consistent with the mission and goals of each medical center in the Clinical Enterprise. Objectives should fall into the categories below, with no single category accounting for more than 50 percent of the total incentive. It is recommended that no more than three objectives be established per category utilized, with no more than nine objectives in total per participant. Objectives should each relate to one of the following:

- Financial Performance
- Quality Improvements
- Patient Satisfaction
- Key Initiatives in Support of the Strategic Plan
- People and other Resource Management

In addition, the participants’ performance toward their assigned objectives will be measured across three organizational levels, when appropriate: Clinical Enterprise, Institutional (defined as the participant’s medical center) and Individual. Suggested weighting ranges are listed in the table below. Clinical Enterprise level objectives encourage medical centers to work together for the benefit of the entire Clinical Enterprise system. Institutional objectives encourage local teamwork and recognize the joint effort needed to meet challenging organizational goals.

Individual objectives are designed to encourage participants’ maximum effort and demonstration of individual excellence.

***Performance Weightings:***

<b>Position Level within Organization</b>	<b>Clinical Enterprise Level</b>	<b>Institutional Level</b>	<b>Individual Level</b>
Chief Executive Officer	25% - 50%	25% - 50%	10% - 25%
Other “Chief Levels” and Other Key Senior Clinical Enterprise Leadership	10% - 25%	25% - 50%	25% - 50%
Other Clinical Participants	NA	25% - 50%	25% - 75%

Annual performance objectives for the Clinical Enterprise Level (system-wide), annual Institutional performance objectives for each medical center, and annual performance objectives for the individual CEOs of the medical centers will be established and administered by the Senior Vice President – Health Sciences and Services in consultation with the respective Chancellors. Annual performance objectives for the Senior Vice President – Health Sciences and Services will be established by the President in consultation with the Chairs of the Regents’ Committees on Compensation and Health Services in advance of the Plan year. Annual performance objectives for other participants will be established and administered by each participant’s supervisor in consultation with the CEO of that medical center.

Performance objectives must be specific, measureable, and stretch. Assessment of participants’ performance and contribution relative to these objectives will determine their actual award amount.

Objectives for participants in this Plan must be submitted to the AOC, which will review and approve the objectives in consultation with the President and the Chairs of the Regents’ Committees on Compensation and Health Services in advance of the Plan year. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of Plan participants’ objectives.

**Financial Standards and Plan Funding**

A financial target will be set by each medical center for the Plan year. These financial targets will be reviewed by the AOC in consultation with the Senior Vice President – Health Sciences and Services and the Executive Vice President and Chief Financial Officer, and approved by the President in advance of the beginning of the Plan year.

Full funding of awards for participants at a medical center in the Plan year is contingent upon that medical center’s ability to pay out the awards while maintaining a positive net cash flow from operations before intra-institutional transfers. In the event that the medical center cannot meet that financial standard for the Plan year, but the medical center attains key Institutional non-financial objectives, the AOC may consider and approve, in consultation with the Chancellor and Senior Vice President – Health Sciences and Services, partial award payouts for

some or all of that medical center's Plan participants based on the Award Opportunity Levels defined above and participants' achievement of their assigned objectives for the Plan year.

### **Administrative Provisions and Award Approval**

The Plan shall be administered under the purview of the Executive Director – Compensation Programs and Strategy, at the Office of the President, consistent with the Plan features outlined above, and as approved by the President and the Regents. The Plan features and provisions outlined in this document shall supersede any other Plan summary.

The supervisor of each Plan participant will provide him/her with an annual Terms and Conditions document that (a) identifies the participant's individual performance objectives for the Plan year, (b) defines the standards that will be used to measure threshold, target, and maximum performance for each objective, and (c) assigns performance weightings to the participant's objectives.

At the end of each fiscal year, proposed awards will be submitted to the Executive Director - Compensation Programs and Strategy. Except as set forth below, review and approval of all awards under the Plan will be the responsibility of the AOC, which will review recommended awards within 60 days of the end of the Plan Year. Any award for the Senior Vice President – Health Sciences and Services or any other Plan participant who holds one of the executive offices identified in section 92032(b)(7)(B)(i) of the California Education Code, including, but not limited to, any vice president of the University, will require the approval of the Regents in addition to the approval of the AOC. Approved awards will be processed as soon as possible unless they have been deferred pursuant to the provision set forth below. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of proposed awards.

The Executive Director – Compensation Programs and Strategy will provide the President and Chairs of the Regents' Committees on Compensation and Health Services with a listing of the award recommendations before the awards are scheduled to be paid. The awards will be reported annually to the Regents, with appropriate detail, such as the range of awards and the percentage and amount of the award granted for each Plan participant.

Annual incentive awards will be payable in cash, subject to appropriate taxes and pursuant to normal University payroll procedures. The participant's total University salary (including base salary, stipends, and PTO pay, but excluding any prior year incentive award payouts and disability pay) paid as of the end of the Plan year (i.e., on June 30) will be used in the calculation of the award payout.

This Plan may be terminated or replaced at any time for any reason upon the recommendation of the President, in consultation with the Chairs of the Regents' Committees on Compensation and Health Services, and with the approval of the Regents. Reasonable efforts, given all circumstances, will be made to delay Plan termination until after the current Plan year has concluded. However, if the Plan is terminated during the Plan year, awards for the current year will still be processed based on participants' performance during the portion of the Plan year prior to termination.

Notwithstanding any other term in the Plan, current year awards may be deferred if the Regents issue a declaration of extreme financial emergency upon the recommendation of the President or if the Clinical Enterprise experiences a system-wide negative cash flow. In such situations, the deferral would be made upon the recommendation of the AOC and require the approval of the President and the Chairs of the Regents' Committees on Compensation and Health Services. In such a case the current year deferred awards will earn interest at the STIP rate. Award payments that have been approved, but deferred, will be processed and distributed as soon as possible. In no event will awards be deferred longer than one year.

The University may require repayment of an award that has been made as a result of inappropriate circumstances.

### **Separation from the University**

Participants who retire or who involuntarily separate due to reorganization, restructuring, or total disability during the current Plan year are eligible to receive a prorated incentive award for the current Plan year based on the date of separation of employment from the University. Retirement and total disability status will be determined based upon applicable University policies. In order to determine the most accurate award for the current Plan year, prorated payments will be calculated at the end of the Plan year and issued in accordance with the normal processing schedule.

Participants whose employment terminates as a result of death during the current Plan year are similarly eligible to receive a prorated incentive award for the current Plan year based on the date of death. In this situation, award payments will be made to the estate of the deceased participant. In order to determine the most accurate award for the current Plan year, prorated payments will be calculated at the end of the Plan year and issued to the estate of the deceased participant in accordance with the normal processing schedule.

Involuntary separation during the current Plan year for any other reason will be handled on a case by case basis.

### **Partial Year Awards**

Participants must have a minimum of six months of service to participate in the Plan and will receive a prorated award in their first year of participation. Similarly, participants who were not working for a significant portion of the Plan year may receive a prorated award. Participants who transfer within the University to a position that would not be eligible for participation in the Plan are eligible to receive a prorated award for that Plan year.