

**BOARD OF TRUSTEES MEETING MINUTES
DECMEBER 16, 2020**

Members present via Zoom: Bob Moody (Chair), Beth Llewellyn (Vice-Chair), Tom Sloan (Treasurer), Jim Brooke (Secretary), Larry McElwain, Pat Miller, Jim Brooke, Dr. Shari Quick, Dr. Beth Roselyn, Russ Johnson, Sheryle D'Amico, Traci Hoopingarner, Janette Kirkpatrick, Deb Cartwright, Brian Bradfield, Colleen Browne, Jared Abel, Michael Williams, Rebecca Smith and Andy Ramirez (Hospital Counsel)

Other attendees via Zoom: Danae Johnson, Christine Reed, Amy Northrop, Autumn Bishop, Korianne Kaleikini and Chad Lawhorn (LJ World)

Call to Order

The meeting was called to order at 7:30 a.m.

Opening Statement

The following opening statement was read by Danae Johnson, Director – Executive Administration:

“Good morning. Thank you for joining the LMH Health Board of Trustees meeting. Before we get started, we’d like to outline a few important procedural details for this meeting:

- LMH Health Board of Trustees welcomes community feedback on policies and issues affecting its clinics and the hospital. In order to ensure time is used efficiently, we will not take public comments during the meeting. However, comments may be shared with board members in a number of different ways, including the comments section of our webpage, by emailing trustees@lmh.org, by calling 785-505-6138, or by contacting individual trustees with the contact information listed on our website at lmh.org.
- During the meeting, each meeting participant will identify themselves using their first and last name prior to commenting.
- Roll call will be taken for voting on each item requiring board action.
- We will be having an executive session at this meeting. At the appointed time, the Board Chair will call for a motion to enter into executive session. This motion will include the time that the open session of the meeting will resume. Executive session is reserved for Trustees and Hospital Executives only. Everyone else will be asked to leave the meeting during executive session and is welcome to return to the meeting when open session resumes.
- If members of the public wish to obtain meeting materials, please contact email trustees@lmh.org or call 785-505-6138.”

Approval of Agenda and Consent Agenda

The agenda for the December 16, 2020 meeting and consent agenda (see below) were presented for review with approval requested.

- The following were presented for approval as part of the consent agenda:
 - Board of Trustees Meeting Minutes, Dec. 3, 2020
 - Board of Trustees Meeting Minutes, Nov. 18, 2020
 - Finance Committee meeting minutes, Dec. 16, 2020
 - Priorities for 2021 (Exhibit A)
 - Amendment to Lawrence Physicians, LLC Operating Agreement (Exhibit B)
 - LMH Health Graduate Medical Education Committee (GMEC) 2020 Annual Report (Exhibit C)
 - Medical Executive Committee Recommendations:

MEDICAL STAFF & ALLIED HEALTH PROFESSIONAL STAFF - New Appointments:

Zachary Brown, DDS, MD (Active Admitting; Surgery; Oral Maxillofacial) – Initial appointment 12/16/2020 not to exceed 2 years.

James Werner, MD (Active Admitting; Radiology) – Initial appointment 12/16/2020 not to exceed 2 years.

MEDICAL & LMH EMPLOYEE/ALLIED HEALTH PROFESSIONAL STAFF – Reappointments:

Nathan Bloom, MD (Active Non-Admitting; Family Practice) – Reappointment 1/1/21 not to exceed 2 years.

Lisa Castro, MD (Active Admitting; Pediatrics) – Reappointment 1/1/21 not to exceed 2 years.

Byron DeCamp, MD (Active Non-Admitting; Surgery) – Reappointment 1/1/21 not to exceed 2 years.

Chris Fevurly, MD (Active Admitting; Emergency Medicine) – Reappointment 1/1/21 not to exceed 2 years.

John Gravino, DO (Active Non-Admitting; Family Practice) – Reappointment 1/1/21 not to exceed 2 years.

Lawrence Magee, MD (Active Non-Admitting; Family Practice) – Reappointment 1/1/21 not to exceed 2 years.

Allison Sackin, DO (Active Admitting; Medicine) – Reappointment 1/1/21 not to exceed 2 years.

Kellian Kelly, APRN (AHP; Rehab Medicine) – Reappointment 1/1/21 not to exceed 2 years.

Kathie King, APRN (LMH Employee - Workplace Wellness) – Reappointment 1/1/21 not to exceed 2 years.

Lauren Perez, APRN (LMH Employee - CSL) – Reappointment 1/1/21 not to exceed 2 years.

PRIVILEGE &/or STATUS CHANGES & RESIGNATIONS:

Joseph Jares, III, MD – Consulting/Specialty Care; Internal Medicine - Resignation effective 12/14/2020

Svjetlana Tisma-Dupanovic, MD – Consulting/Pediatric Cardiology - Resignation effective 12/1/2020

Janelle Williamson, APRN – LMH Employee/Sponsor: Dr. R. Sosinski/Pain & Palliative Care - Resignation effective 12/4/2020.

MOTION to approve the agenda and consent agenda.

Made by Tom Sloan,

Seconded by Pat Miller.

Motion carried.

Chairperson of the Board Report

Bob Moody, Chair expressed his appreciation to the LMH Health staff.

Chief of Staff Report

Jim Mandigo, MD gave a medical staff review of 2020. He reported that 27 new physicians were hired in 2020 and recognized several physicians who are retiring in 2020.

2021 Budget

Deb Cartwright, Vice President and CFO, presented on the activities related to preparing the 2021 budget. The National Healthcare Landscape, the regional competitive market and the LMH Health strategy were the key areas of concentration while creating the budget. Ms. Cartwright discussed in depth each of these three key areas and the factors of those areas that modeled the budget. Russ Johnson, President and CEO, discussed local / regional competitors and market statistics that also influenced budget planning. He reported that LMH Health's strategy for 2021 has two main themes: Operational Readiness and Strategic Priorities. Sheryle D'Amico, Vice President – Physician Enterprise, gave a high level financial report on the Physician Enterprise and Provider Engagement. Brian Bradfield, Associate Vice President – Ancillary Services, reviewed the 2020 financials of the newly opened LMH West campus.

Ms. Cartwright reviewed the details of the 2021 budget and answered follow-up questions from the Trustees. Upon final review of the 2021 budget, Mr. Moody called for a motion to approve the agenda as presented.

MOTION to approve the 2021 budget as presented.
Made by Larry McElwain,
Seconded by Tom Sloan.
Motion carried.

2020 Year in Review

Russ Johnson, President and CEO, reported on the major areas of focus and events for LMH Health in 2020. Among these were the COVID-19 pandemic response, provider engagement, clinical integration and excellence, cultural beliefs, financial stewardship and community leadership.

Executive Session – Personnel Matters

- Motion was made to recess into executive session to discuss with counsel the CEO performance and variable compensation and legal issues related thereto as authorized by Sections 75-4319(b)(2) of the Kansas Open Meetings Act which authorizes consultation with the hospital's attorney on matters deemed privileged by the attorney-client privilege with the open meeting reconvening at 10:25 am.
MOTION made by Tom Sloan,
Seconded by Beth Llewellyn.
Motion carried.
- Motion was made to extend executive session with the open meeting reconvening at 10:43 am.
MOTION made by Tom Sloan,
Seconded by Pat Miller.
Motion carried.

Action on the Executive Compensation Philosophy (Exhibit D)

- Motion was made to approve the Executive Compensation Philosophy as presented with the additional changes of correcting the typographical error in qualified and to change references of Chairman to Chair.
MOTION made by Tom Sloan,
Seconded by Pat Miller.
Motion carried.

Action on the CEO Appraisal and Compensation Policy (Exhibit E)

- Motion was made to approve the CEO Appraisal and Compensation Policy as presented with the additional changes of including what the acronym of EBIDA stands for on first use of the term in the document.
MOTION made by Tom Sloan,
Seconded by Beth Llewellyn.
Motion carried.

Action on the 2020 Organizational Achievement Award Results

- Motion was made to approve recommendations of the Executive Compensation Committee regarding the 2020 Organizational Achievement Award Results.
MOTION made by Tom Sloan,
Seconded by Beth Llewellyn.
Motion carried.

Adjournment

With no further business presented, a motion was made to adjourn the meeting at 10:48 a.m.
MOTION made by Jim Brooke,

Seconded by Beth Llewellyn.
Motion carried.

Respectfully submitted,

A handwritten signature in black ink that reads "Jim Brooke".

Jim Brooke, Secretary of the Board

Destination Health 2021

D-R-A-F-T Work Plan and Focus Areas

Operational Emphasis - *Focus on support of existing services/programs*

- COVID-19 pandemic operations and readiness
- Supporting our workforce
- Clinical integration and excellence
- Financial stewardship and operating efficiency

Strategic Priorities - *Recognize our centennial and focus on three initiatives*

- Invest in provider engagement and the physician enterprise
- Expand and enhance patient care
 - Unified primary care strategy
 - Strategic clinical relationship
 - Service line development
 - *Maine Street campus infrastructure*
- Strengthen equity and inclusion across all of our efforts

Further Detail

COVID 19 Pandemic Operations and Readiness (Community Leadership)

- Daily operational review of status
- Staffing and facility surge planning to support our community
- Utilizing funding options (CARES fund, HHS, FEMA, other) to support our services
- Vaccination of employees and continued following of precautions and procedures
- Effective use of facility both for the pandemic and after
- Continued partnership with Lawrence/Douglas Public health and Unified Command

Supporting our Workforce (People First/Workforce Excellence/Cultural Beliefs)

- Building resiliency in our workforce to provide stress relief and avoid burn out/turnover
- Integrating flexibility into schedules, hours, work locations
- Continue to review our benefit and compensation programs to meet needs
- Using transparency, communication and visibility to build trust

Clinical Integration & Excellence (Clinical Integration & Excellence)

- Increase our *Hospital Compare* performance to be 4 stars overall within 3 years
- Increase our Leapfrog to a "A" grade within 2 years
- Increase our BCBSKS ACO VIS score to 3.0 within 2 years
- Increase all pay-4-performance programs by 10% in one year
- Improve performance in payor contracting metrics
- Strengthen our population health processes, procedures and tools

Financial Stewardship (Financial Stewardship)

- Refine staffing tools for daily use and operational management
- Better Together for Value to continue identifying cost savings measures
- Creating a financial support structure for the Physician Enterprise division

Invest in Provider Engagement and the Physician Enterprise (Provider Engagement)

- Refine clinical operating environment
- Physician Enterprise Support Team: Finance, HR, IT, Operations
- Authority matrix for all provider-led functions
- Chief Medical Officer
- Leadership connection to providers for communication, feedback and trust
- Support of service line development
- Completion of the Authority Matrix outlining roles and responsibilities across the organization
- Delineate all opportunities for provider leadership and engagement

Primary Care Strategy (Provider Engagement)

- Convening PCP leadership
- Identifying strategic and operational priorities
 - Developing leadership teams to address these
- Creating a collective identity and process for going forward

Strategic Clinical Relationships (A Partner for Lifelong Health)

- Finalize the input from the three service lines
- Obtaining broader feedback across clinicians
- Convening the Steering Committee
- Make recommendations to the Board
- Engage conversations as indicated

Service Line (Provider Engagement, People First)

- Continue development of three Service Lines – Cardiology, Oncology and MSK
- Explore service line strategy for Mother/Baby
- Continue building our mental health capacity and coordination with BHLC

Maine Street Campus (Financial Stewardship, People First)

- Review master plan for campus enhancements over next three years
- Work with the Centennial project to locate the historical area

Strengthen equity and inclusion across all of our efforts (People First, Workforce Excellence)

- Adding leadership resources to our ID&E efforts
- Advancing our ID&E strategic plan
- Enhancing awareness and education among staff
- Utilize our equity tools across the organization

Comments:

- In 2021 have greater focus on support of existing services/programs and less on development of new programs, acquisitions, or development.
- Minimal development of new services
- Less recruitment of providers than last three years
 - Active areas: GI, orthopedic, primary care, vascular

**WRITTEN ACTION
OF
THE BOARD OF TRUSTEES
OF
THE LAWRENCE MEMORIAL HOSPITAL**

The undersigned Secretary of the Board of Trustees of The Lawrence Memorial Hospital, an instrumentality of the City of Lawrence pursuant to K.S.A. § 12-1615 (the “Board”), hereby certifies that the Board adopted the following resolutions at a duly called and held meeting of the Board on the 16th day of December, 2020:

WHEREAS, each of the Trustees currently serving on the Board also serves as a Manager of Lawrence Physicians, LLC;

WHEREAS, pursuant to Article VI of the Operating Agreement of Lawrence Physicians, LLC (the “Operating Agreement”), the Managers of Lawrence Physicians, LLC have delegated certain clinical oversight and management authority to the “Clinical Operations Board” (the “COB”);

WHEREAS, the COB is comprised, in part, of physicians employed by The Lawrence Memorial Hospital (“LMH”);

WHEREAS, LMH has recently employed certain physicians specializing in hospitalist medicine;

WHEREAS, the individual Trustees of the Board, in their respective capacities as Managers of Lawrence Physicians, LLC, desire to amend the Operating Agreement in order to modify the composition of the COB to include a physician representative specializing in hospitalist medicine.

THEREFORE, BE IT RESOLVED, that, pursuant to Section 10.1 of the Operating Agreement, the Trustees of the Board, in their capacity as Managers of Lawrence Physicians, LLC, hereby approve, ratify, confirm, and adopt the Amendment to the Operating Agreement attached hereto as Exhibit A (the “Amendment”);

FURTHER RESOLVED, that the Secretary of the Board, or any other officer of the Board, be, and hereby is, authorized and directed to execute the Amendment, for and on behalf of the Managers of Lawrence Physicians, LLC, and file the same in the corporate records of Lawrence Physicians, LLC, and to take any and all other actions necessary and appropriate in connection therewith; and

FURTHER RESOLVED, that all actions taken by the officers of the Board prior to the date hereof in furtherance of the foregoing resolutions be, and the same hereby are, adopted, approved, ratified, and confirmed in all respects.

Dated this 16th day of December, 2020.



Secretary, Board of Trustees

EXHIBIT A

Amendment to Operating Agreement of Lawrence Physicians, LLC

See Attached.

Article VI CLINICAL OPERATIONS BOARD

6.1 Clinical Operations Board. In addition to the Board of Managers described in Section 5.1, there is established a ~~nine-ten~~ (910) member Clinical Operations Board (“COB”) to assist with the oversight and management of certain administrative and operational aspects of the Company’s Clinics.

6.2 COB Composition; Qualifications. The members of the Clinical Operations Board shall consist of ~~nine-ten~~ (910) members: ~~eight-nine~~ (89) “Providers,” (~~seven-eight~~ seven (7) physicians and one (1) nurse) and one (1) voting ex-officio member, the Vice President of the Physician Division of LMH (or his or her designee), who shall all be employees of LMH.

6.3 Fiduciary Duty. The members of the Clinical Operations Board are each designated “Vice Presidents of Clinical Operations” and officers of the Company for purposes of the Act. As such, each member shall have a fiduciary duty to conduct the affairs of the Company consistent with the terms of this Agreement and in the best interests of the Company and its stockholders, including the safekeeping and use of all of the Property and the use thereof for the exclusive benefit of the Company.

6.4 COB Appointment; Composition. The initial COB shall consist of the individuals listed in Exhibit B, each to serve the initial term set forth opposite their name. Thereafter, Providers shall be appointed by the Managers based upon the recommendation of the COB after the consent of the Medical Staff employed by LMH. The COB Provider member shall, prior to the expiration of a COB Provider(s) term of office, nominate a replacement and the replacement(s) name to the Medical Staff employed by LMH for approval by majority vote of the Medical Staff. To the extent possible, the Providers nominated and appointed to the COB shall include the following: two (2) primary care practitioners (e.g. internal medicine and family practice), two (2) medical specialists (e.g. neurology, cardiology, pulmonology, oncology, endocrinology and infectious diseases), two (2) surgical specialists (e.g. gastroenterology, general surgery, neurosurgery, obstetrics/gynecology, plastic surgery, urology, phlebology/vein surgery), one (1) hospitalist physician, and one (1) advanced practice registered nurse, each shall be an employee of LMH.

Reed Williams Partner
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LMH Health Graduate Medical Education Committee (GMEC) 2020 Annual Report

Prepared: 12/2/2020

MEC Review: 12/9/2020

KUMC Graduate Medical Students Volume for 2019 & 2020

- 2019 – 7 ED residents
- 2020 – 7 ED residents

Supervising Physicians Clinical Privileges

- Supervising ED physicians are on the medical staff and approved for ED patient care through the credentialing process.

Performance/Patient Safety/Quality Concerns related to Graduate Medical Students

- None identified

Joint Commission Citations for KU Graduate Medical Student Program

- None per Rebecca Potter, EM Resident Coordinator (email 10/27/2020)


Proposed Graduate Student Expansion at LMH Health: Ortho Fellows from KUMC

- Proposed Locations
 - OrthoKansas Clinic
 - Rounding at LMH Health Main Campus
- Status
 - Fellows have been allowed to observe at the clinic since 8/13/2020
 - Waiting on finalized Program Letter of Agreement for fellows to have full experience at our facility.

Report Prepared by: LMH Health Graduate Medical Education Committee

Members: Ken Sarber* (Chair), Dr. Kye Evans* (ED Residents Preceptor), Dr. Stephan Pro* (Proposed Ortho Fellows Preceptor), Lori Elston (MSO Coordinator), Carol Gaumer (MSO Manager, Rachel Lynch (ad hoc TJC/Quality representative).

Rebecca Potter (ad hoc KUMC school representative). * Voting members.

| | |
|---|---|
|  | Title: EXECUTIVE COMPENSATION PHILOSOPHY |
| Document Category: Human Resources | Document Type: Policy |
| Owner: Board of Trustees | Original Date: February 13, 2017 |
| Approved By: Board of Trustees | Approval Date: (Complete history at end of document.) |

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I. Philosophy

The Board of Trustees (Board) for ~~Lawrence Memorial Hospital~~ LMH Health (LMH) believes that an effective executive compensation process begins with a philosophy statement based on the unique interests of LMH Health, the needs of the Lawrence community, the dynamics of the health care industry and the competitive compensation practices in healthcare among similar organizations. The philosophy is the basis for making executive compensation decisions and it provides the CEO and executive team with a model for keeping pay for executives competitive in the market and within a consistent process.

The purpose of this philosophy is to provide a consistent process for executive compensation based on a commitment to excellence, reasonableness, Board judgment, and financial stewardship.

Ultimately, compensation for executives and all positions in the hospital, is for the purpose of recruitment and retention of qualified employees who serve to further LMH Health's Purpose.

The Board recognizes that members of the executive team must possess unique skills, expertise, and leadership to address complex responsibilities including the following:

- Broad scope of accountability often including hundreds of employees working in multiple functional areas;
- Direct supervision of many middle management leaders;
- Oversight over complex and expensive contracts for services and individuals;
- Oversight and collaboration roles with physicians and advanced practice providers including medical directors, hospital-based physician groups;
- Oversight of high-risk functions that directly impact the health and wellbeing of others;
- Budgeting and financial control for millions of dollars in operating costs; and
- Accountability for achieving strategic and operational outcomes critical to the realizing LMH 'sHealth's purpose – A Partner for Lifelong Health.

Furthermore, the Board recognizes the CEO's role to have additional important and vital leadership considerations including:

- Providing ultimate accountability for the organization;

- Acting as a visible and vital leader for LMH Health in the community, region and across the organization;
- Understanding and addressing the complexity of regulation, delivery systems, clinical excellence, market dynamics, physician/provider relations and other aspects of the healthcare industry;
- Managing the scale of LMH Health from a revenue and employment perspective; and,
- Developing vision, strategy, and tactical plans for the future success of LMH Health.

Given the scope of responsibility for these roles, the Board believes that executive compensation should be competitive at a regional and national level. Executive compensation and benefit structures should reflect industry norms from a broad comparison perspective. At all times the Board supports pay practices that are legal and consistent with a philosophy of prudence and good judgment. Executive compensation and benefit packages will be formulated using market-based survey data issued by established entities with validation processes. Such data shall be compiled by the Board's legal counsel in collaboration with the ~~Vice President~~ & Chief ~~Talent People~~ Officer (~~CTO-CPO~~).

II. Executive Compensation Committee

The CEO reports directly to the Board. As such, the Board will oversee the process to conduct annual performance assessment and will identify the goals and expectations for the CEO consistent with the organization's strategic goals that are outcomes-focused, measurable and challenging.

The Board will appoint an Executive Compensation Committee (ECC) to facilitate this obligation consistent with this compensation philosophy statement. The ECC shall make recommendations to the full Board relating to base compensation, variable compensation benefits, and employment contract changes for the CEO. The ECC will coordinate the CEO's annual review and assessment process and schedule. The ECC shall recommend to the Board the compensation process and guidelines for the executive team beyond the CEO. The Board recognizes that the assessment, coaching, development and awarding of compensation changes for the executive team (and all other employees) is the responsibility of the CEO, within the Executive Compensation Philosophy Statement guidelines.

The ECC currently consists of the Past Chairman, Chairman and two (2) at-large members appointed by the Chairman. The ~~CTO-CPO~~ shall serve in an advisory capacity to the Committee and provide staff support as needed.

III. Executive Compensation Components

The Board recognizes three main components to executive compensation. These are:

1. Base salary;
2. Variable compensation that is at-risk based on performance; and,
3. Executive benefits.

These elements are outlined in CEO Appraisal and Compensation Policy. The goal of these three elements is to create a compensation program that enables the Board to:

- Hire the best talent available for the job;
- Pay competitively in order to retain incumbents; and
- Offer compensation that defines expectations for exceptional performance.

Given these goals, executive compensation should provide base compensation between 45% and 65% of comparable medians with total compensation (including the three elements above) not exceeding the 80th percentile. Based on existing practices and the above goals, the following table outlines variable compensation ranges by leadership category.

| Leadership Designation | Variable Compensation Range |
|--------------------------|--|
| Chief Executive Officer | Up to 30% of base salary |
| VP, AVP and/or Chiefs | Up to 20 25% of base salary |
| LMHEA Executive Director | Up to 15% of base salary |
| Directors | Up to 7% of base salary |

The CEO and Board may update this matrix, including expansion of variable compensation to other levels of management, as necessary to meet the goals above.

IV. Procedure

Refer to the CEO Appraisal and Compensation Policy.

Revision History:

ORIGINAL DATE: February 2017

REVISED: August 2018



Title: CEO Appraisal and Compensation

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| | Document Type: Policy |
| Owner: Board of Trustees | Original Date: |
| Approved By: Board of Trustees Vice President & Chief Talent People Officer | Approval Date: (Complete history at end of document.) |

I. Policy:

The Chief Executive Officer (CEO) reports directly to the Board of Trustees (Board) of ~~Lawrence Memorial Hospital~~ LMH Health. The Board and CEO will jointly establish annual performance goals and expectations for the CEO consistent with the organization’s strategic goals and tactics that are outcomes-focused, measurable and challenging.

The Board has established the Executive Compensation Committee (ECC) to guide and monitor the executive compensation program and to make recommendations to the Board regarding such matters (See ECC charter). The ECC shall consist of the Chair, Past Chair, and two other members of the Board. The ECC shall facilitate the annual performance reviews of the CEO, ensure communication with the broader Board, and facilitate the CEO compensation policies and practices. In this process, the ECC shall practice due diligence, prudence and a measure of “reasonableness” in recommending contractual agreements, compensation and benefits for the CEO.

The Board believes that the organization should be a competitive employer with salary and benefit structures that reflect the industry norms in both regional and national levels to enable recruitment of an outstanding leader. Further, the Board believes that recruitment and salary packages need to be tailored for the best fit to the individual CEO’s needs. The Board affirms that it will pursue CEO compensation practices that are compliant with all applicable laws, regulations and a philosophy of prudence and sound judgement.

II. Procedure for determining compensation awards:

1. The ECC will facilitate the Board’s control of the CEO compensation program, ensuring that its structure and application is consistent with the Board’s compensation philosophy. The program includes base salary adjustment, annual variable pay award and consideration of benefits and contract changes. See the Executive Compensation Philosophy statement.
2. In preparation for the CEO’s annual appraisal and compensation determination, the CEO shall provide the ECC and the Board documentation which includes the following.
 - a) A memorandum on Position-Specific and Organization-Wide variable compensation goals identified at the prior appraisal, proposed award/score and leadership considerations.

- b) A CEO Annual Assessment form with scoring elements, to be administered every two years. This assessment will include feedback from providers, executives and staff via surveys or other communication channels.
 - c) Five to seven proposed Position-Specific and Organization-Wide goals for the current year for variable compensation award from which the Board will select at least three for each category.
3. Using 1) the CEO's summary, 2) direct dialog with the CEO and 3) year-end financial statements, the ECC makes a preliminary finding of the CEO's performance outcomes that occurred during the previous fiscal year (ending December 31). These results are then reviewed and discussed with the full Board in executive session to include time with and without the CEO.
 4. The ECC will conduct three meetings per year, or more often as determined by the ECC, related to the CEO compensation. Following are the general schedule and topics.
 - January:
 - Review prior year self-assessment
 - February:
 - Finalize prior year ECC assessment and compensation recommendation to the Board
 - Draft current year variable compensation performance plan & recommendation to the Board
 - March: (not an ECC meeting)
 - Board action on ECC recommendations on prior year variable compensation award and base compensation adjustment
 - July/August:
 - Review current year variable and base compensation performance
 - November/December: (if necessary)
 - Special session to approve early payout

The annual appraisal will include 1) a review of the materials noted in #2 above, 2) the determination of compensation elements (base, variable and benefits), 3) general feedback on performance and 4) the selection of Variable Compensation metrics to be used for the performance year ahead. The ECC shall, in consultation with the full Board, use a consistent and thorough evaluation method to ensure good communication, effective feedback and consistent application of pay adjustments.

5. The total annual compensation determination shall include three primary elements: 1) overall performance and adjustments to base compensation, 2) Variable Pay Award (see attached), and 3) consideration of benefits if/as needed.
6. The Board's decision on the CEO's annual base salary adjustment and benefits shall be based on two factors: 1) competitive salary in the market and 2) the

“Overall Performance” of the CEO during the previous fiscal year. The latter portion is made from the CEO Annual Assessment form and other feedback.

- a. The range for base salary adjustment is established from competitive market data. The ~~L~~MH Health legal counsel, in conjunction with the VP/~~CTO~~CPO, will obtain a CEO salary assessment annually and provide recommendations for a range to the ECC. This recommendation shall also consider employment benefits for the CEO.
 - b. Overall Performance shall be based on eight factors:
 1. Board of Trustees Relationships
 2. Strategic Planning & Execution
 3. Professional Knowledge and Skill
 4. Leadership & Team Relationship Building
 5. Communication & Presentation
 6. Change Management
 7. Personal Integrity
 8. Board Judgment
7. The Variable Pay award includes four components; 1) LMH Health Financial performance, 2) Organization-wide measures, 3) Position-Specific measures, and 4) Board judgment.

- a. ~~LMH—~~LMH Health Financial performance (~~operating income~~EBIDA) relative to its budgeted financial goals for the fiscal year will serve as the variable compensation eligibility trigger. This measure will create the eligibility for whether variable compensation is paid out and to what extent. See the table below.

| Operating Margin <u>EBIDA</u> Results as % of Budget | Percent of Eligible Variable Compensation |
|---|---|
| 0% to < 50% | 0% |
| 50% to < 75% | 25% |
| 75% to < 95% | 75% |
| 95% to < 120% | 100% |
| >120% | 115% |

- b. **Organization-Wide Measures** shall be 3-6 elements identified during the annual appraisal that reflect the overall performance of LMH Health in key dimensions. Measures will be submitted by the CEO to the ECC and Board for their consideration. These may include quality, service, growth or other elements from the strategic plan. Measures will be selected by the Board upon consultation with the CEO and account for 40% of the variable pay award. At the annual appraisal of the CEO, the Board will consider the degree (%) to which these goals were achieved and make the award accordingly. These measures shall

be used for variable compensation determination for the CEO by the Board, and for the senior team, by the CEO.

- c. **Position-Specific Goals** shall be 3-6 elements identified during the annual appraisal for the forthcoming year. Measures will be submitted by the CEO to the ECC and Board for their consideration. Elements will be selected by the Board based on priorities in the organization’s strategic/tactical plans. At the annual appraisal of the CEO, the Board will consider the degree (%) to which these goals were achieved and make the award accordingly. These Position-Specific goals will account for 45% of the variable award (see below).
- d. **The Board Judgment** component of the variable compensation may consider specific challenges or issues that arose during the year but were not anticipated at the time of the previous evaluation. This may include financial and operational performance goals, key leadership roles, strategic relationships and/or other Board discretion. These measures may have both objective and subjective elements in the Board’s determination of the extent to which the goals were achieved. The CEO recognizes that this portion of the variable compensation award determination shall be the sole discretion of the Board and shall account for 15% of the variable award.

Operating Margin/EBIDA determines eligibility for award (see table in 8.a. above).

Variable Pay Determination Factors - EXAMPLE

| | |
|--|--------------------------|
| A. 4-6 Organization-Wide Measures: | <u>% of total</u> |
| Agreed Measure # 1 | 10% |
| Agreed Measure # 2 | 10% |
| Agreed Measure # 3 | 10% |
| Agreed Measure # 4 | <u>10%</u> |
| Note: if 3 elements are selected, they are 16.67% each, if 5 elements are selected 8% each etc.) | |
| Total Organization-Wide Measures | 40% |
| B. 4-6 Position Specific Measures: | <u>% of total</u> |
| Agreed Measure # 1 | 11.25% |
| Agreed Measure # 2 | 11.25% |
| Agreed Measure # 3 | 11.25% |
| Agreed Measure # 4 | <u>11.25%</u> |
| Note: if 3 elements are selected, they are 15% each, if 5 elements are selected 7% each etc.) | |
| Total Position Specific Measures | 45% |
| C. Board Judgement | <u>15%</u> |
| Total Potential Variable Compensation Award | 100% |

- 8. Eligibility for participation:
 - If newly employed between January 1st and June 30th, the CEO will be eligible for a prorated variable compensation. If employed on July 1st or after, the CEO will not be eligible to participate in the variable compensation program until the following plan year.

- If separated from employment on or prior to June 30th, the CEO is not eligible to participate in the variable compensation program for that calendar year. If separated from employment after June 30th, the CEO is eligible for prorated variable compensation.
 - Proration is calculated on the ratio of calendar days employed/365.
9. The ECC will meet with the CEO in February to ensure completeness of information and process followed. From that dialogue the full Board will review all information and make determination recommendation to the full Board for:
- a. changes to base salary,
 - b. variable pay bonus award **(if not awarded earlier)**
 - c. any changes to the CEOs benefits or Employment Contract terms, and
 - d. selection of variable compensation elements for the coming year.

The effective date for any compensation or benefit change (including Base Pay) will be January 1 of each year. Variable Pay Award shall be paid on or before March 15th.

| President and CEO | Example: | Base Compensation | Target Variable Comp. % | Potential Variable Comp. \$ | |
|--|----------------|-------------------|-------------------------|-----------------------------|--------------|
| | | \$435,000 | 30% | \$130,500 | |
| Actual Results as a Percent of Target | <50% of Target | 50% - <75% Target | 75% - 90% Target | > 90% - <120%+ Target | 120%+ Target |
| Eligible Funding Award Percent | 0% | 25% | 65% | 100% | 115% |
| Maximum Eligible Funding Award Dollars | \$0 | \$32,625 | \$84,825 | \$130,500 | \$150,075 |
| % of Award from Hospital-Wide Targets | 40% | 40% | 40% | 40% | 40% |
| Potential Award from Hospital-wide Targets | \$0 | \$13,050 | \$33,930 | \$52,200 | \$60,030 |
| % of Award from Position Specific Targets | 45% | 45% | 45% | 45% | 45% |
| Potential Award from Hospital-wide Targets | \$0 | \$14,681 | \$38,171 | \$58,725 | \$67,534 |
| % Board Judemnt Award | 15% | 15% | 15% | 15% | 15% |
| Potential Award from Board Judgement | \$0 | \$4,894 | \$12,724 | \$19,575 | \$22,511 |