

**HOSPITAL AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY****MINUTES OF THE February 9, 2021 MEETING
OF THE
Ad Hoc Committee of the HOSPITAL AUTHORITY BOARD OF
TRUSTEES**

A virtual meeting of the Ad Hoc Committee of the Board of Trustees (the "Board") of the Hospital Authority of the Metropolitan Government of Nashville and Davidson County (the "Hospital Authority") was held on Tuesday, February 9, 2021 at 2:00 p.m. The members of the Board present for the online meeting were Alexandria Fisher, Richard Manson, Dr. Bonnie Slovis, Pastor Frank Stevenson. Also present online were Dr. Joseph Webb, CEO, as well as other staff members and guests.

CALL TO ORDER

Mr. Manson welcomed everyone and called the meeting to order at 2:04 pm.

NEW BUSINESS

Mr. Manson has received the current contract and evaluation for Dr. Webb dated 2018-2019 with attached minutes. He also received CEO contract metrics with a list of items to consider in reference to a potential performance bonus.

Mr. Manson asked to poll the committee asking if they would like to retain Dr. Webb as the CEO of the hospital.

Pastor Stevenson stated he was not in attendance at the last Board Meeting and asked for the charge for this committee. Mr. Manson stated he believed it is to review Dr. Webb's contract terms and conditions and to make a determination in relation to his compensation. The committee has received an example of what Dr. Webb is proposing regarding his compensation. It was noted that Dr. Webb was in attendance and available to answer any questions.

Mr. Manson added this ad hoc committee is charged with making a recommendation on contract extension and language to the full Board. This contract will go into effect after the completion of the current contract that expires in June 2021.

Mr. Manson stated he does not believe the ad hoc committee has been charged with the evaluation of Dr. Webb. He stated he believes we have a future set time to for evaluation review.

Pastor Stevenson asked for verification of who is on the Zoom meeting. Mr. Mason noted it is a public meeting and asked if those in attendance from Meharry would identify themselves. Those that identified: Sustin Anderson, Caller "N User" did not identify, Janet Lester is Dr. Webb's Executive Assistant, and Dr. Smoot was identified.

Dr. Webb confirmed that he has had two 3-year contracts.

Mr. Manson stated the contract will be standard, but the committee needs to look at overall compensation and expectations. There are some expectations that were set out in previous contract as milestones. Some have been met, others have not been met. One key item in the contract dated 2018 that was not met is the pending PSA. Dr. Webb stated there was some verbiage from the Board around the PSA expectation since he does not control that process. Mr. Manson stated he believes it is part of Dr. Webb's responsibility, but if he can ultimately do it on his own is a question. Mr. Manson stated the expectation of the PSA would certainly be appropriate.

Mr. Manson stated once the Board approves the increase for 2019 that was delayed due to waiting for the audit, Dr. Webb's compensation effective July 1, 2020 will be approximately \$436,207. Assuming the audit is satisfactory during the presentation this afternoon to the HAB.

Mr. Manson stated he read a report from the Chief Human Resource Officer that gave an indication that Dr. Webb's requested base of \$500,000 is near where he would be based on previous years increase, and still below market rate of CEO positions. Mr. Manson noted he is not sure of where the information came from and if it is based on private or public hospitals.

Ms. Fisher stated that she would like to ask the Executive Team if the comparable salary information given is from other similar non-profit and safety net hospitals or for-profit hospitals. Mr. Manson stated he has asked that question without response yet. Dr. Webb stated he thinks it is a general across the board all encompassing, not just private or public. He stated if it were only in private sector it would be substantially below market value. He believes it is a mix with an average range.

Pastor Stevenson stated the report from BE Smith had a median and mean market value for SE hospital CEO compensation. Dr. Webb confirmed that data is what they are using and correct. Pastor Stevenson stated the numbers are different from the email that Mr. Mason was referring. Dr. Webb stated he has not seen the document from Chief Human Resources Officer. Pastor Stevenson stated the document was from November 2019. Dr. Webb stated the numbers may be higher now.

Pastor Stevenson shared the SE Hospital Compensation Average document. Ms. Fisher noted it does not tell us if it is broken down between non-profit safety-net hospitals or for-profit. Mr. Manson said we can use the information as a guide, but we need to look at what we can afford financially and if we make an offer to Dr. Webb if he is in a position to accept the offer.

Mr. Manson asked to consider locking a base and using an incentive to get to the \$500,000 requested mark without a cap by using key performance indicators. He stated it would benefit the hospital, but benefit Dr. Webb by not capping. Mr. Manson stated we are not suggesting we are paying Dr. Webb's worth; we must balance with what we can afford to pay as a public facility.

Dr. Webb noted a hospital that sees 30%-40% indigent patients by its charter and nature will not make a profit. We are losing millions less now. Dr. Webb stated he is responsible for \$110 million budget. He asked what we are willing to defend. He stated a CEO for public, private, or for-profit hospital has essentially the same duties and responsibilities.

Pastor Stevenson proposed a 4-year contract, \$450,000 base to start first year, include automatic annual 5% increase, then another annual 5% performance-based increase for items listed under "C" in the contract. The automatic increase would offset against the annual hospital raises. For example, if the hospital receives 3%, he would receive 2% to bring it to the 5% in contract. The total compensation as it relates to raises and incentive would be capped at 10%.

Mr. Manson stated we should remove the PSA under incentives.

Mr. Manson would like the performance-based increase to not be capped. Dr. Webb noted as a performance incentive, since he has been with NGH the payor mix has flipped. It was 60% non-paying patients, with 40% paying. It is now 60% paying patients, with 40% non-paying. Mr. Manson noted there is not a lot we can do in our current model to increase revenue. Dr. Webb noted we have some future revenue increases such as our Charlotte Clinic where we are going to exceed 40,000 in ambulatory patient volume, and we expect to exceed that in our future clinic on Clarksville Pike. In 2018, we had \$56 million in operating budget, now we operate on \$43 million in six years.

Dr. Webb stated the hospital building lease ends in 2027. The payments to Meharry stop in 2024. He stated there may be negotiations of how much of the 3-year non-payment can be eliminated. To occupy the space for 3 years without revenue would be of concern to Meharry. We are factoring that piece in so that if Meharry wants to see an early departure we could be flexible. Mr. Manson noted a 4-year contract would take us out to 2025. Dr. Webb stated we can start

working on building in 2021, as it would be a 5-year plan since we do not yet have approval. It would be 5-6 years before we could safely gain access a new facility.

Ms. Fisher asked for more information for CEO compensation specifically for safety-net hospitals before making a recommendation.

Dr. Webb asked if the credentials of the individual is considered in compensation (experience, accomplishments, and academics). Pastor Stevenson stated his training is in Public Administration, so he understands the different type of negotiations. He is looking at 3 things: First, the HR person is responsible for being familiar with the appropriate salary in the situation and he is going off the data presented instead of researching. Secondly, the starting salary of \$12,000 more is about 3% of current salary. He stated a 3-4% increase over last year is reasonable. Third, the incentive pay can be customized until we get to the numbers where we think we should be. He recommends the stability of a 4-year contract, though Dr. Webb requested 5-years.

Mr. Manson agreed that HR should have the responsibility of the research. They have the information but request the detail based on the type of facilities.

Dr. Slovis stated another variable to consider is the hospital size. She would like to know if the data from HR is based on a similar hospital size, in addition to the safety-net salary data. She agreed that HR should be able to let us know if we are competitive.

Mr. Manson stated the information he reads from HR is the market data from Smith that was presented to the Board in early 2020 for the CEO. He was due an evaluation in August 2021. The request of \$500,000 is near where his base pay would be projected based on previous years increase, and still below market rate for the CEO position.

Ms. Fisher asked for HR to give the HAB members more specific information about safety-net hospital CEO pay, and hospital CEOs for similar bed size hospitals. She noted to Dr. Webb that she appreciates the awkwardness of public conversations about his compensation and agrees with Mr. Manson to ensure we are not underpaying or overpaying regarding similar positions. We want to do this right. She stated she wants to take time to get it right with precise data.

Mr. Manson stated we can adopt this as a proposal subject to the information verification provided by HR.

Mr. Manson stated that if Dr. Webb goes out and obtains additional revenue for something we are not currently doing, there should be some additional benefit to him.

Ms. Fisher stated that improving performance is not just increasing profit or decreasing expenses. Performance can be obtaining a safety rating, decreasing avoidable poor outcomes, increasing employee retention or job satisfaction. There can be other measurable metrics that are not based on revenue. Mr. Manson confirmed that some of those measures are in the contract.

Mr. Manson stated the proposed contract has 10% based on performance. The proposal is 5% performance and 5% automatic.

Dr. Slovis asked for confirmation regarding the contract process. Pastor Stevenson and Mr. Manson confirmed the HAB approves the contract and it becomes in effect. The salary comes from the hospital. Metro does not have to approve the contract.

Mr. Manson suggested removing the PSA from the CEO's contract. Pastor Stevenson agreed that the PSA should have never been put in the CEO's contract. That is part of managing the hospital, but not part of the contract. He stated he is okay with it being tied to performance incentive but should not be part of the contract.

Pastor Stevenson stated that if a CEO puts getting the PSA signed because it is tied to his pay in front of the best interest of the hospital, then you put him in a precarious situation. If the PSA takes precedent based on salary, the decision to get the PSA signed may not be in the best interest of the hospital, it may be in the best interest of the contract language.

Mr. Manson stated there are standard provisions for termination which does not require edits. He stated the contract requires "confidentiality", but it is a public document. The rest of the language is standard typical language.

Mr. Manson stated the committee proposes the following compensation, subject to further discussion with HR:

- \$450,000 base
- Term: 4 years with an option to extend 1 year without revision
- Automatic increase of 5% annually, offset from any hospital increase
- Incentive increase of up to 5% based on the performance items listed

Mr. Manson stated the committee has taken into consideration the following:

- Starting salary with the increase of approximately 3%
- Things that the committee considers important in relation to incentive pay
- We are talking about a safety-net hospital verses a public facility as a qualifier, not based upon it changing our evaluation.
- Hospital size

Dr. Slovis asked to review the items that determine performance increase and give each item weight so the evaluation will be clear. Mr. Manson stated there are 5 things that are measurable milestones. Some items impact census and should weigh more than some "yes/no" items.

Pastor Stevenson suggested asking HR to create metrics

Mr. Manson will contact HR to request the following items:

- Obtaining metrics as an evaluation tool that weighs each performance item.
- Ask for data on what other hospital CEOs are being paid at similar bed size hospitals.
- Ask what other safety net hospitals are paying their CEOs.
- Ask about standard practice for the 30-day termination concerns.

Mr. Manson will report to the HAB Chair during the next regular Board Meeting that this committee has some recommendations in addition to some follow up items.

Pastor Stevenson asked Dr. Webb if there was anything he would like to add for consideration. Dr. Webb stated in the next 6 years we will be looking at a new facility or major project at the conclusion of this lease. He asked if they want to give thought to a longer contract to get through the project without interruption of a negotiating process.

Dr. Slovis mentioned the "30-day termination for convenience" seems very short considering the compensation stops after 30 days. Pastor Stevenson would like the lawyers to review.

Ms. Fisher stated Dr. Webb may also terminate a contract with 30-day notice. She would defer to expertise in hospital management or council for Nashville General.

Dr. Slovis stated she believes both should be longer than 30 days.

ADJOURNMENT

There being no further business the meeting adjourned at 3:15 p.m. Mr. Manson will set up another meeting in follow up to report back findings, if needed. The meeting must be public.

Respectfully Submitted by:

Richard Manson

/jll