

Executive Incentive Plan Design

Health care industry norms and best practices

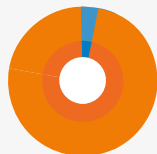


With over 1,800 participating health care organizations and data on nearly 27,000 individual managers and executives, SullivanCotter's 2016 *Manager and Executive Compensation in Hospitals and Health Systems Survey* is the largest of its kind. Combined with the 2016 *Manager and Executive Compensation in Children's Hospitals Survey*, SullivanCotter offers unique insight into executive compensation and pay practices in pediatric organizations nationwide.

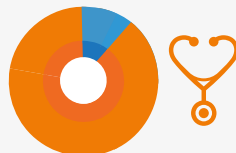
SullivanCotter

AND ASSOCIATES, INC.

Prevalence of annual executive incentive plans in:



94% Pediatric Organizations



85% General Health Care



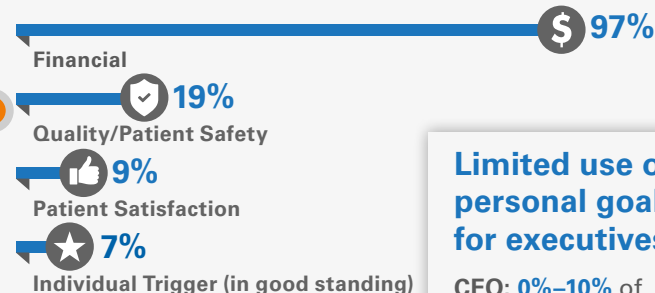
Prevalence of incentive plans for directors and managers has **INCREASED** over the years.

70% pediatric organizations | **68%** general health care

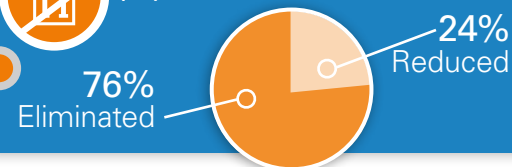
maintain separate incentive plan for this level of leadership



90% of pediatric organizations and 80% of general health care use **at least one circuit breaker**. Prevalence:



If circuit breaker is **not met**, payouts are:



Limited use of personal goals for executives:

CEO: 0%–10% of total plan weight
EVP/SVP: 0%–15%
VP: 0%–25%



Challenges with personal goals:



- Tend to reflect process measures (versus outcome-based measures)



- Typically easier to achieve
- Often penalizes performance-oriented leaders (ambitious personal goals = lower award)

Goal categories and number of goals



Providing context

- Why was the goal selected?
- How does the goal align with the business plan?
- What is being measured (and how, when)?
- How were metrics developed?
- How has the organization performed historically?

Balanced Scorecard Approach

Goal categories weighted between **20%** and **30%** each

Most commonly-used goal categories:

- \$** Finance
- 👤** People
- 🛡️** Quality
- 📈** Growth
- 👍** Patient Satisfaction/Engagement
- ✓** Efficiency