CASE STUDY

Executive Incentive Plans:
Aligning Goal-Setting with Industry Best Practices

Reviewing Plan Rigor

A large, single-state health system had spent a decade delivering industry-leading performance across financial and clinical measures — but that success came with a catch.

Consistent payouts above target for both annual and long-term incentive plans left compensation committee members questioning whether goals were being set with enough rigor and aligned with market best practices.

Here's how we helped leadership independently verify the answer:

CHALLENGES

- Compensation committee members expressed skepticism about the goal-setting process, given payouts consistently above target level.
- Leadership wanted independent confirmation that financial performance and clinical outcomes are truly top tier within the industry, not just exceeding internal targets.
- Beyond validating performance, the organization required assurance that the goal-setting methodology itself was aligned with industry best practices.

APPROACH

- Worked with leadership to aggregate historical performance over the past 3-5 years across all relevant performance domains and measures for finance and quality.
- Analyzed performance at the measure level as well as the performance domain level and compared performance against industry peers.
- Reviewed the probability of achievement of prior plans to ensure that goals were set with the appropriate rigor and remained strongly positioned relative to market peers.

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SPOTLIGHT

Probability of Achievement

Summary of findings across the metric level and in aggregate.

SullivanCotter conducted an independent third-party assessment of the historical short-term incentive plan and long-term incentive plan goals to evaluate the probability of achievement across individual measures and in aggregate.

			Goals			Probability of Achievement		
System Measure	Weight %	Baseline	Minimum	Target	Challenge	Minimum	Target	Challenge
Operating Margin	20%	4.75%	4.00%	5.00%	6.00%	70%	40%	10%
New Patient Ratio	15%	18.7%	19.0%	19.5%	20.5%	75%	45%	15%
Hospital-Acquired Infections Composite	15%	0.675	0.650	0.600	0.550	85%	55%	25%
Inpatient Experience Top Box	15%	77.5	77.2	77.9	78.6	75%	45%	15%
Medical Practice Experience Top Box	15%	85.0	84.7	85.3	85.9	80%	50%	20%
Employee and Physician Engagement Score	10%	4.15	4.12	4.18	4.24	85%	55%	25%
Employee Turnover (Excluding Physicians)	10%	13.00%	13.5%	12.9%	12.3%	90%	60%	30%
Aggregate Annual Incentive Plan Probability of Achievement						80%	50%	20%

OUTCOMES

Validation

Verified that the health system's performance compared to peers in aggregate is industry-leading.

Awareness

Identified variances in probability of achievement at the measure and domain levels.

Alignment

Confirmed that the overall plan was set in accordance with the goal-setting philosophy and tied to industry best practices.

Consensus

Shared findings with leadership to align on methodology and reduce variability, then presented them to the Committee for transparency into goal rigor and expected achievement.

Strengthen how performance is measured and rewarded!

See how we can help >

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