

To: Board of Commissioners
Jeff Tomlin, MD, Chief Executive Officer

From: Jessika Groce, Chief Human Resources Officer
Tina Mycroft, Chief Financial Officer

Date: June 21, 2022

Re: 2021 Leader At-Risk Compensation (LARC) Program Close-Out

Recommendation/Key Points:

Please list 4-5 key points the Commissioners need to know.

1. Leadership has received all of the necessary data to close out the 2021 LARC program goals.
2. The 2021 external audit has been completed and the final financial results are available.
3. The System (EvergreenHealth and EvergreenHealth Monroe) did not meet the system financial trigger to generate a LARC pay-out for 2021.
4. Exception Request: If the Board will approve an exception of \$3M COVID CARES funding to cover 2021 COVID expenses, the System will meet the Threshold level.
5. The rationale for the exception is to allow the LARC NOI results to recognize the federal funding reported in non-operating revenue that supported 2021 pandemic-related costs that have already negatively impacted operating income. This funding supported a variety of pandemic-related expenses, including entrance screeners that have continued to be required under the emergency declaration beyond what was budgeted for in 2021. **This also follows Mercer's recommendation that COVID expenses and revenue are both recognized for purposes of the LARC.**

Community Benefit Statement:

Please list a brief (1-2 short sentences) statement indicating why this is important to the community and how it will benefit them. This statement will be placed in the minutes on the public website.

N/A

Requested Action:

The Administrative Council recommends that the Board of Commissioners adopt the following minute resolution at the June 21, 2022 Board Meeting:

I move to adopt the 2021 Leader At-Risk Compensation close-out as written and presented, including the exception request of \$3M of 2021 CARES funding to cover 2021 COVID expenses.

We will be available at the June 21, 2022 Board Meeting to answer any questions you may have.



2021 EvergreenHealth Organizational Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Organizational Goals	Baseline
<p>Financial Trigger</p> <p>Tina</p>	<ul style="list-style-type: none"> Combine both Kirkland & Monroe into one financial trigger that activates the plan. Kirkland & Monroe retain financial stewardship organizational goals specific to each District but the plan is triggered together as one team. The logic here is to support collaboration and accountability to our vision as a System, but retain the local accountability through the financial stewardship metrics and goals. Phased financial trigger (Threshold = 80% of Budget; Target = Budget; Stretch = 110% of Budget) including reserve for applicable LARC payout (assumes 70% of eligible %) Budget: (\$14.5M) <i>Through June 2021</i> Threshold: (\$17.4M) Variance to Threshold (\$9.17M) = (\$1.78M) Target: (\$14.5M) Actual (\$10.95M) vs Budget (\$7.64M) = Variance to Target (\$3.31M) Stretch: (\$13.0M) Variance to Stretch (\$6.88M) = (\$4.07M) <p><i>Through September 2021</i></p> <p>Variance to Threshold (\$14.54M) = \$0.96M</p> <p>Actual (\$13.59M) vs Budget (\$12.13M) = Variance to Target (\$1.46M)</p> <p>Variance to Stretch (\$10.88M) = (\$2.71M)</p> <p>FINAL Audited 2021 – <i>DID NOT MEET THRESHOLD TRIGGER</i></p> <p>Actual (\$18.63M) vs Threshold (\$17.39M) = Variance of (\$1.24M) (with threshold LARC accrual)</p> <p>Actual (\$18.63M) vs Budget/Target (\$14.50M) = Variance of (\$4.13M) (with threshold LARC accrual)</p> <p>Actual (\$18.63M) vs Stretch (\$13.00M) = Variance of (\$5.62M) (with threshold LARC accrual)</p> <p>Request: <i>\$3.0M 2021 CARES Funding to cover 2021 COVID expenses – MET THRESHOLD TRIGGER @ 80% payout</i></p> <p>Actual (\$18.63M) vs Threshold (\$20.39M) = Variance of \$1.76M (with threshold LARC accrual)</p> <p>Actual (\$18.63M) vs Adj Budget/Target (\$17.50M) = Variance of (\$1.13M) (with threshold LARC accrual)</p> <p>Actual (\$18.63M) vs Stretch (\$16.00M) = Variance of (\$2.63M) (with threshold LARC accrual)</p>

2021 EvergreenHealth Organizational Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

Organizational 2021 Leader at Risk Compensation Goals (50%)

2021 Organizational Goals	National Benchmark	2020 Actual	Metrics	Q4 Update	Weight %	Overall Goal Weight %
Clinical Excellence: <ul style="list-style-type: none"> Improve (raw) Harm Score from 2020 actual Dr. Palazzo	NA	2019 Actual - 102 2020 Actual – 97 (original projected 100)	Threshold: 100 Target: 95 (5% reduction from 2019 base) Stretch: 90 (10% reduction from 2019 base)	Q1 = 25 Q2 = 27 Q3 = 29 Q4 = 25 Total = 106 Did not meet	5% 10% 15%	15%
Culture & People: <ul style="list-style-type: none"> Decrease First Year Employee Turnover (excludes per diem) Jess	National = 32.9% Pacific = 32.2% (Advisory Board – (201-400 beds – 50 th %ile)	28.6% (Rolling 12 mos. through Dec 2020)	Threshold: 28.0% Target: 27.5% Stretch: 26.5%	Q1 = 27.7% Q2 = 23.8% Q3 = 21.2% Q4 = 22.0% Met Stretch	1.66% 3.33% 5.00%	5.0%
Culture & People: <ul style="list-style-type: none"> Actions plans completed for departments falling below the organizational engagement score of 80 Jess	Engagement Score: 74 (out of 100)	Engagement Score: 80 (out of 100)	Threshold: 85% Target: 90% Stretch: 95%	Q1 = 100% Q2 = 100% Q3 = 100% Q4 = 100% Met Stretch	1.66% 3.33% 5.00%	5.0%

2021 EvergreenHealth Organizational Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Organizational Goals	National Benchmark	2020 Actual	Metrics	Q4 Update	Weight %	Overall Goal Weight %
Financial Stewardship (Kirkland): Achieve NOI \$ trigger Tina	N/A	2020 Final (\$42.8M)	<p>Threshold: (\$12.8M) (80% of budget) Target: (\$10.7M) (budget) Stretch: (\$9.6M) (110% of budget)</p> <p><i>Final Through December 2021 – MET THRESHOLD</i></p> <p>Actual (\$12.5M) vs Threshold (\$12.8M) = Variance of \$0.3M (with threshold LARC accrual) Actual (\$12.5M) vs Budget/Target (\$10.7M) = Variance of (\$1.8M) (with target LARC accrual) Actual (\$12.5M) vs Stretch (\$9.6M) = Variance of (\$2.9M) (with threshold LARC accrual)</p>	<p>Q1 = Below threshold Q2 = Met threshold Q3 = Met threshold Q4 = Met threshold Q4 vs adj triggers w/\$3.0M 2021 CARES funding received to cover 2021 COVID expenses = Met stretch</p> <p>Request for Adjustment to 2021 Results for \$3.0M 2021 CARES funding received to Cover 2021 COVID expenses</p> <p>Adj Threshold: (\$15.8M) (80% of adj budget) Adj Target: (\$13.7M) (100% of adjusted budget) Adj Stretch: (\$12.6M) (110% of adj budget)</p> <p>Actual (\$12.5M) vs Adj Threshold (\$15.8M) = \$3.3M (with LARC threshold accrual) Actual (\$12.5M) vs Adj Target (\$13.7M) = \$1.2M (with LARC threshold accrual) Actual (\$12.5M) vs Adj Stretch (\$12.6M) = \$0.1M (with LARC threshold accrual)</p>	<p>3.33% 6.66% 10.0% 10.0%</p>	10%

2021 EvergreenHealth Organizational Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Organizational Goals	National Benchmark	2020 Actual	Metrics	Q4 Update			Weight %	Overall Goal Weight %													
Growth & Access: <ul style="list-style-type: none">Increase number of: radiation new starts (Cancer); deliveries (OB); surgical cases (Ortho); surgical cases (Neuro); EP procedures via EHA (Cardiac); & bariatric surgeries (GI) Chris	N/A	Cancer: 510 OB: 4,367 Ortho: 2,635 Neuro: 93 Cardiac: 977 GI: 301	For each service line achieving or exceeding 2021 budget, the award % will be 1/6 th of 5% 2021 Budget: Cancer: 528 1/6 th of 5% OB: 4,350 1/6 th of 5% Ortho: 2,833 1/6 th of 5% Neuro: 179 1/6 th of 5% Cardiac: 1043 1/6 th of 5% GI: 458 1/6 th of 5%	<table><tr><th>Service</th><th>YE Total</th></tr><tr><td>Cancer</td><td>486</td></tr><tr><td>OB</td><td>4,753</td></tr><tr><td>Ortho</td><td>2,736</td></tr><tr><td>Neuro</td><td>317</td></tr><tr><td>Cardiac</td><td>1,076</td></tr><tr><td>GI</td><td>461</td></tr></table> Met 4/6 th of 5%	Service	YE Total	Cancer	486	OB	4,753	Ortho	2,736	Neuro	317	Cardiac	1,076	GI	461		.833% .833% .834% .834% .833% .833% 4/6 th of 5% = 3.33%	5.0%
Service	YE Total																				
Cancer	486																				
OB	4,753																				
Ortho	2,736																				
Neuro	317																				
Cardiac	1,076																				
GI	461																				
Growth & Access: Increase the number of unique new patient encounters to EH system as tracked in Cerner – YTD 2021 Chris/CMCO	N/A	58,676	Threshold: 58,881 Target: 58,969 Stretch: 59,087	Q1 = 16,113 Q2 = 15,365 Q3 = 18,055 Q4 = 17,262 YE 2021 = 66,795 Met Stretch		1.66% 3.33% 5.00%	5.0%														

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Action Item 6

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Community Engagement Leaders (165 managers & above) will volunteer for 4 hours of approved community service in communities where we care for patients for a total of 660 organizational hours. This time will be considered work time if volunteering during normal work time. This process will be supported by the Community Engagement Council & Community Engagement Team. Monique/CMCO	N/A	N/A	Threshold: 495 = 75% Target: 561 = 85% Stretch: 627 = 95%	Q1 = N/A Q2 = N/A Q3 = 17% of leaders Q4 = 88% of leaders Met Target	1.66% 3.33% 5.00%	5.0%
				Total:	24.99% @ 0% payout 31.66% @ 100% payout 31.66% @ 110% payout	50%

2021 Hospital Division Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Division Goals	National Benchmark	2020 Actual	Metrics	Q4 Update	Weight %	Overall Goal Weight %
Experience & Loyalty - <u>Inpatient</u> : <ul style="list-style-type: none"> Nurse Communication Mary	N/A	YTD November 2020 = 78.7% Top Box or 41 st %ile (YE 2020 with updated benchmarking)	Threshold: 79.0% = 43 rd %ile Target: 80.1% = 51 st %ile Stretch: 81.6% = 63 rd %ile %ile rankings as of YE 2020	Q1 YTD = 81.8% = 71 st %ile Q2 YTD = 80.0% = 54 th %ile Q3 YTD = 79.8% = 57 th %ile Q4 YTD / YE 2021 = 79.2% = 56 th %ile %ile rankings as of YE 2021 Met Threshold for Top Box Score Met Target for %ile Ranking	5.55% 11.10% 16.66% Avg of Threshold and Target = 8.33%	16.66%
Experience & Loyalty - <u>Inpatient</u> : <ul style="list-style-type: none"> Responsiveness of Staff Mary	N/A	YTD November 2020 = 66.4% Top Box or 61 st %ile (YE 2020 with updated benchmarking)	Threshold: 66.5% = 54 th %ile Target: 67.9% = 61 st %ile Stretch: 71.2% = 74 th %ile %ile rankings as of YE 2020	Q1 YTD = 68.4% = 73 rd %ile Q2 YTD = 67.6% = 65 th %ile Q3 YTD = 68.5% = 72 nd %ile Q4 YTD / YE 2021 = 67.4% = 74 th %ile %ile rankings as of YE 2021 Met Threshold for Top Box Score Met Stretch for %ile Ranking	5.55% 11.10% 16.66% Avg of Threshold and Stretch = 11.10%	16.66%
Clinical Excellence <ul style="list-style-type: none"> (CAUTI, HAPI, Fall resulting in serious injury or death, and Periop Hemorrhage Hematoma) Dr. Palazzo	N/A	48 Total Events 2020	Threshold: 44 (9%) Target: 39 (18%) Stretch: 35 (27%) Percentage reduction from metrics used specifically for this indicator. Not comparable to 2020 due to change in individual metrics.	Q1 = 13 Q2 = 10 Q3 = 10 Q4 = 10 Total 2021 = 43 Met Threshold (10% reduction)	5.56% 11.12% 16.68%	16.68%

Total: 24.99% 50%

2021 *EHMG* Division Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Division Goals	National Benchmark	2020 Actual	Metrics	Q4 Update	Weight %	Overall Goal Weight %
Clinical Excellence: Meet EHMG Quality Goals for Primary Care & Specialty Practice for High Blood Pressure a. Controlling High Blood Pressure	HEDIS 5 Star Ratings 1 Star < 51% 2 Star 51% to < 62% 3 Star 62% to < 75% 4 Star 75% to < 82% 5 Star 82%	74.91% = 3 Star	Threshold: 79% (4 Star) Target: 80% (4 Star) Stretch: 82% (5 Star)	Q1 = 74.39% Q2 = 74.41% Q3 = 74.99% Q4 = 75.04% YE 2021 = 75.04% Did not meet	2.78% 5.56% 8.33%	8.33%
----- b. % of Patient Visits Blood Pressure Taken & Recorded	N/A	88.95%	Threshold: 90% Target: 91% Stretch: 92%	Q1 = 87.01% Q2 = 91.47% Q3 = 89.50% Q4 = 89.50% YE 2021 = 89.50% Did not meet	2.78% 5.56% 8.33%	8.33%
Chris						

2021 *EHMG* Division Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Division Goals	National Benchmark	2020 Actual	Metrics	Q4 Update	Weight %	Overall Goal Weight %
Experience & Loyalty - a. Press Ganey Overall for <u>Primary Care</u> Top Box%	93.0 = 50%ile	a. Primary Care 79.8%	Threshold: 81.1% Target: 82.0% Stretch: 84.3%	Q1 YTD = 79.6% = 41 st %ile Q2 YTD = 79.4% = 37 th %ile Q3 YTD = 79.1% = 31 st %ile Q4 YTD = 78.6% = 36 th %ile YE 2021 = 79.0% = 40 th %ile Did not meet	2.78% 5.56% 8.33%	8.33%
----- b. Press Ganey Overall for <u>Specialty</u> Top Box%	93.0 = 50%ile	b. Specialty 78.9%	Threshold: 80.4% Target: 81.6% Stretch: 83.2%	Q1 YTD = 79.7% = 41 st %ile Q2 YTD = 79.5% = 38 th %ile Q3 YTD = 79.2% = 40 th %ile Q4 YTD = 77.1% = 29 th %ile YE 2021 = 78.7% = 37 th %ile Did not meet	2.78% 5.56% 8.33%	8.33%
Mary						
Financial Stewardship Charge lag in days	N/A	10 days	Threshold: 9.0 days Target: 8.6 days Stretch: 8.2 days	Q1 = 8.67 Q2 = 8.57 Q3 = 9.34 Q4 = 8.85 YE 2021 = 8.93 Met Threshold	5.56% 11.12% 16.68%	16.68%
Tina						

Total: 5.56% 50%

2021 Home Care Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Division Goals	National Benchmark	2020 Actual	Metrics		Q4 Update	Weight %	Overall Goal Weight %
Growth & Access: <ul style="list-style-type: none">Achieve growth in Home Health episodes/admissionsHospice Program DaysIn-Home Mental Health Tiers Monique	N/A	HH Actuals: 11,210 HO Actuals: 184,755 IHMH Actuals: 4,670	Threshold: Target: Stretch:	Meet 1 of 3 Meet 2 of 3 Meet 3 of 3 HH Target: 11,434 (2%) HO Target: 190,298 (3%) IHMH Target: 4,763 (2%)	Q1 Threshold (1/3) HH: 2,988 (11,952) HO: 46,637 (186,548) IHMH: 1,170 (4,680) Q2 Threshold (1/3) HH: 5,933 (11,866) HO: 93,219 (186,438) IHMH: 2,310 (4,620) Q3 Threshold (1/3) HH: 8,755 (11,673) HO: 141,111 (188,148) IHMH: 3,433 (4,577) Q4 Threshold (1/3) HH: 11,775 HO: 189,931 IHMH: 4,497 Met Threshold	5.55% 11.11% 16.66%	16.66%

2021 Home Care Leader At-Risk Compensation (LARC) Goals
4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Division Goals	National Benchmark	2020 Actual	Metrics		Q4 Update	Weight %	Overall Goal Weight %
Clinical Excellence: <ul style="list-style-type: none">HH-Improve Compliance for Infection Control ScreeningHospice-Improve Compliance for Infection Control ScreeningOxygen Safety Evaluation Compliance Monique	N/A	HH Actual: 68.3% HO Actual: 66.3% HH Actual: 59.7%	Threshold: Meet 1 of 3 Target: Meet 2 of 3 Stretch: Meet 3 of 3 HH Target: 70.3% (3%) HO Target: 68.3% (3%) HH Target: 61.5% (3%)		Q1 Stretch 3/3 HH: 78.6% HO: 75.6% HH: 100% Q2: Stretch 3/3 HH: 81.3% HO: 73.0% HH: 100% Q3 Stretch 3/3 HH: 83.6% HO: 78.6% HH: 100% Q4 Stretch 3/3 HH: 88% [83%] HO: 82% [78%] HH: 96% Met Stretch	5.55% 11.11% 16.66%	16.66%

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4th Quarter Update (through December 31, 2021)

Action Item 6

2021 Division Goals	National Benchmark	2020 Actual	Metrics	Q4 Update	Weight %	Overall Goal Weight %
Financial Stewardship: <ul style="list-style-type: none">Reduce HH supply spend by 2% (after inflation and measured by visit)Reduce HO supply spend by 2% (after inflation and measured by visit)Reduce Home Health LUPAs by .5% Monique	N/A	HH Actual (with inflation): \$4.70/visit HO Actual (with inflation): \$25.00 HH 2020 Actual: 14.9%	Threshold: Meet 1 of 3 Target: Meet 2 of 3 Stretch: Meet 3 of 3 HH Target: \$4.60/visit HO Target: \$24.50/visit HH Target: 14.4% (.5%)	Q1 Threshold 1/3 HH \$4.96 HO \$25.43 LUPA 11.9% Q2 Stretch 3/3 HH \$4.53 HO \$24.22 LUPA 11.9% Q3 Target 2/3 HH \$4.58 HO \$24.86 LUPA 11.9% Q4 Target 2/3 HH \$4.70 HO \$24.47 LUPA 11.9% Met Target	5.56% 11.12% 16.68%	16.68%
Total:					33.33%	50%