

**FY23 Certification Follow-up: Executive Compensation
Attachment D**



Executive Compensation Philosophy

UNIVERSITY OF VERMONT HEALTH NETWORK

UVMHN's hospitals and physicians bring the best of community and academic medicine together, sharing their knowledge and resources to give patients access to leading-edge technology, advanced treatment options and the highest level of compassionate care – the heart and science of medicine. UVMHN cares for communities on both sides of Lake Champlain, from the Adirondacks to the Green Mountains and beyond. Members include:

- The University of Vermont Medical Center (UVMHC), formerly known as Fletcher Allen Health Care, and affiliated with the University of Vermont Colleges of Medicine and Nursing and Health Sciences
- Alice Hyde Medical Center (AHMC)
- Central Vermont Medical Center (CVMC)
- Champlain Valley Physicians Hospital (CVPH)
- Elizabethtown Community Hospital (ECH)
- Porter Medical Center (PMC)
- University of Vermont Medical Group (UVMHG)

EXECUTIVE COMPENSATION PHILOSOPHY

As the leading healthcare provider in Vermont and northeast New York, UVMHN must recruit, retain, and develop dedicated, high-performing leaders to advance its mission and achieve its goals.

To this end, the Board of Trustees (Board) has developed and implemented this Executive Compensation Philosophy. It is designed to guide the Board and its Compensation Committee (Committee) in establishing and maintaining executive compensation programs that are competitive, reasonable, and effective at focusing leaders on the Network's strategic and operational goals and priorities.

UVMHN's Board delegates execution of this policy to the Committee. The Committee has the responsibility to engage external resources as needed to support the Committee's and Board's deliberations and decision making.

EXECUTIVE COMPENSATION PARAMETERS

This compensation philosophy provides the framework for setting compensation for executives of UVMHN, its affiliated hospitals, and its medical group.

Peer Groups

The peer groups used as references in establishing compensation for executives of the network and for executives of each of its affiliates will be broad national groups of not-for-profit health care organizations comparable in size, mission, and complexity. Peer groups will be nationwide, as UVMHN and its affiliates compete for talent with hospitals, health systems, and academic medical centers across the country. In determining pay for individual executives, UVMHN and its affiliates may consider regional peer group data, too, from comparable organizations in Vermont, Maine, New Hampshire, Massachusetts, and upstate New York, but excluding organizations in the Boston and New York metropolitan areas.

- UVMHN: The peer group for the network as a whole is other multi-hospital health systems similar in size to UVMHN, as measured by net total operating revenue, including but not limited to systems with a major teaching hospital(s) or academic medical center.
- UVMHC: The peer group for UVMHC is major teaching hospitals and academic medical centers similar in size to UVMHC, as measured by net total operating revenue, which are owned or managed by and/or affiliated with a health system.
- UVMHG: The peer group for UVMHG is physician groups similar in size to UVMHG, as measured by number of physicians or net total operating revenue, which are owned or managed by and/or affiliated with a health system.
- Community hospitals: The peer groups for each of the community hospitals are other community hospitals similar in size, as measured by net total operating revenue, which are owned or managed by and/or affiliated with a health system.

Because the integration of administrative, operational, and strategic functions across UVMHN and its affiliates will occur over time, the Committee may also consider the current and historical responsibilities and pay of incumbent executives as their organizations become affiliates of UVMHN. This may mean considering pay levels at independent hospitals when determining compensation for executives of new affiliates. It is expected that pay for their successors will be set in comparison to pay at hospitals which are part of a health system, as noted above.

Competitive Position of Executive Total Compensation

Recognizing the need to recruit and retain experienced executives and the importance of maintaining a stable leadership team, the Board intends to provide a total compensation program that is market competitive, with flexibility to position the compensation of individual executives above or below market based on experience, organizational and individual performance, recruitment and retention needs, and other factors the Board and/or Committee may deem appropriate. The executive compensation program provides competitive total compensation opportunities through a combination of the following elements.

- Salaries targeted at the 50th percentile (median) of the national peer group.
 - Individual salaries will be administered within ranges structured with midpoints set at median and a 50% spread from minimum and maximum.
 - Regional data may be considered when placing individuals within their respective ranges.
 - Data from independent hospitals may also be considered when determining the salaries for the executives of affiliates who join the Network while these affiliates transition from an independent hospital to a fully integrated member of the Network.
- Performance-based variable pay sufficient to provide total cash compensation opportunities at the 65th percentile when target level awards are earned by achieving strategic and operational Network objectives set by the Committee.
 - Actual total cash compensation for executives may be below, at, or above the 65th percentile of the market depending on a) the positioning of an executive's salary within the appropriate salary range, b) performance of the network and its affiliates, and c) other criteria determined by the Committee.
- Market competitive benefits, perquisites and severance.

Governance of Executive Total Compensation

In approving compensation and benefits for the leaders covered by this compensation philosophy, the Committee will adhere to the process and governance principals detailed in the UVMHN Compensation Committee Charter, to establish and maintain a rebuttable presumption of reasonableness, as set forth in Treasury Regulation § 53.4958-6(a). Before making any change to executive compensation or benefits, the Committee will review and rely upon the appropriate peer group comparability data to ensure the proposed total compensation is reasonable, consistent with this philosophy, and fair market value for the services provided by the leader(s) whose compensation is under review. Should the Committee, in its discretion, approve compensation or benefits outside the guidelines set forth in this compensation philosophy, it must document the facts and circumstances supporting its decision.

APPROVED by UVMHN Compensation Committee on August 17, 2016

APPROVED BY UVMHN BOARD on December 14, 2016

REVISED/APPROVED by UVMHN Compensation Committee on December 7, 2017