CHECKLIST FOR AN EFFECTIVE EXECUTIVE COMPENSATION PROCESS

The following steps summarize best practices for Boards in establishing an effective executive compensation program. As an organization evolves so must the executive compensation program and thus it is important that all the elements of the process, and the underlying guidelines and principles, be reviewed regularly to ensure that the program continues to meet its intended aims.

ESTABLISH A PROCESS

☐ Discuss the role and responsibility of an Executive Compensation Committee and design a Committee charter for review and approval by the Board
☐ Develop a Board-approved Executive Compensation Philosophy
☐ Obtain appropriate comparability data from an independent compensation consultant
☐ Document decision-making process contemporaneously with when such decisions are effective
☐ Determine how best to evaluate performance
☐ Be familiar with Form 990 compensation information and process disclosures
☐ Prepare to respond to inquiries from media, staff, and the public

UNDERTAKE A PROCESS REVIEW

☐ Does the Philosophy actually align with the organization’s mission and strategy?
☐ Does the current process address all steps necessary to meet the guidelines for the rebuttable presumption of reasonableness?
☐ Is the process being followed?
☐ Are compensation committee members properly vetted to ensure they are independent and free of any real or perceived conflict of interest?
☐ Does the process evaluate the reasonableness of the total compensation package for all required positions (at a minimum the CEO, Chief Operating Officer, and Chief Financial Officer)?
☐ How is the peer group used for market comparison determined? Is it still appropriate?
☐ Is the performance evaluation process providing the requisite information?
☐ Is review with the full Board effective? Provide for ample discussion? And convey the salient points?

IF YOU ARE READY TO TAKE YOUR PROCESS TO THE NEXT LEVEL, CONSIDER THE FOLLOWING:

☐ Does the annual performance review process in place for the president get feedback from only the Board or should senior staff or physician leadership be included?
☐ Does an annual goal setting process exist for senior staff and directors? If so, are the goals aligned with the strategic plan of the organization? Is regular feedback regarding performance against goals provided?
☐ Have longer time horizon variable pay goals been considered?
☐ Has the Board addressed succession planning and bench strength for the senior management staff?