I. PURPOSE:
To establish procedures under the Hawaii Health Systems Corporation (HHSC) regarding the determination of compensation for Exempt, Excluded Employees.

II. PROCEDURES:

A. HHSC shall periodically procure the services of an independent compensation consultant to review and produce a report to allow HHSC to update the system wide HHSC Compensation Guidance for Exempt, Excluded Employees. The procedure includes but is not limited to the following:

1. The HHSC Corporate office and Regions shall provide as requested by the compensation consultant, any data related to Exempt, Excluded Employee job descriptions to assist with the preparation of the requested compensation study report.
2. Consultant shall issue a final compensation study report with recommendations to present to the HHSC Corporate board, PCEO, and Regional CEOs.
3. The PCEO and Regional CEOs shall collectively review and discuss the report and recommendations, and to the extent they deem necessary, make appropriate salary adjustments based on HHSC’s then current financial situation.

B. HHSC shall periodically update and revise the HHSC Compensation Guidance for Exempt, Excluded Employees with input and recommendations from the Regions.

C. The PCEO or RCEO as appropriate shall approve all salary actions for their respective employees in accordance with the HHSC Compensation Guidance for Exempt, Excluded Employees.

D. All salary actions shall be processed by the Corporate HR or Regional HR Offices as appropriate.

E. The Regional boards have the discretion to develop and issue compensation guidance for their respective Exempt, excluded employees.

III. ATTACHMENT(S):
Attachment 1: HHSC Compensation Guidance for Exempt, Excluded Employees
COMPENSATION GUIDANCE FOR EXEMPT, EXCLUDED EMPLOYEES
HAWAII HEALTH SYSTEMS CORPORATION
COMPENSATION GUIDANCE
FOR EXEMPT, EXCLUDED EMPLOYEES

PURPOSE AND OBJECTIVES:

Hawaii Health Systems Corporation’s (HHSC) exempt, excluded salary program is designed to meet the following primary objectives:

- To recruit and retain highly qualified and talented workforce;
- To provide financial rewards to employees who excel in their job performance and are significant contributors;
- To provide financial incentives for employees to improve job performance; pay for performance and;
- To offer competitive salary opportunities.

SALARY ADMINISTRATION:

How Salaries are Determined

In order to recruit and retain quality employees, HHSC must pay competitive salaries that are fair and equitable in relation to other employees in comparable positions and the labor market. To meet this objective, the following is conducted:

- Development of position/job description which identifies functions, knowledge and skills, decision-making, supervision, management and leadership responsibilities;
- Labor market study and salary survey of the position or similar position; the labor market is reviewed both locally and Nationally and considers the industry, profession, labor market competitiveness for recruitment, organization size, and other relative factors;
- Assignment of jobs to salary grades based on level of job and market conditions; best practices both in and out of the hospital industry and internal job relationships (hierarchies) are also taken into consideration;
• Assignment of salary ranges to salary grades based on the labor market pricing and competitive factors that have been established;

• Individual base salaries are determined by various factors such as the in-hire rate, labor market competition, internal/external equity, and the evaluation of job performance in meeting expectations and objectives.

**Salary Surveys**

HHSC conducts, obtains or purchases, and participates in industry wide salary surveys to determine what other companies are paying for jobs similar to HHSC. These surveys are performed by professional organizations, and are reviewed to determine the validity and reliability of the data.

The surveys are defined by labor markets and by geographic areas in which HHSC competes for its labor workforce. Most jobs can be measured against one survey or another, and those that cannot be competitively measured are classified at a salary grade level determined by an evaluation of the job responsibilities and a comparison against other related jobs for internal equity. Salary surveys form the basis for the design of HHSC’s salary structure and salary ranges. Because these surveys reflect changes that occur in other companies and industries, review of the surveys enables HHSC to retain its competitive position in recruiting, retaining and rewarding its employees.

**Salary Structure and Salary Ranges**

A salary structure is a series of salary ranges, which provide a framework for administering salaries. A salary range example as shown below, is a salary level that applies to all job classified in that salary range.

<table>
<thead>
<tr>
<th>Grade A</th>
<th>$99,000 - $130,000 - $160,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>Market point</td>
</tr>
</tbody>
</table>

The salary ranges may overlap to provide for hiring of inexperienced employees at salary rates lower than highly experienced and productive employees classified in the lower level jobs.

These salary structures are reviewed periodically to maintain HHSC’s competitive position. HHSC will periodically procure the services of an independent compensation consultant to update the salary ranges for the exempt, excluded positions in coordination with the regions.
Enforcement of Salary Ranges

A salary range is the range of pay rates established for a particular salary grade, consisting of a minimum, market point and maximum. The range defines the range of competitive salaries for that grade. Not everyone is paid the same salary for a particular job. As experienced employees are expected to be more productive and work with less supervision, they are generally paid at the higher rate than employee who are just learning their jobs.

Each salary range reflects the minimum and maximum dollars HHSC’s regions are willing to pay for the position based on their budget. Salary ranges are divided into thirds that reflect different levels of experience, knowledge and contributions.

The minimum is the minimum salary that should be paid to someone who is new to that job at that level. Typically an employee’s salary should not be below the minimum of the assigned salary range.

The market point is the salary range for employees at HHSC typically with five or more years of service to reflect the competitive market midpoint.

The maximum is the maximum wage competitively necessary for a given position. As such, it is the highest amount a person should be making in that salary grade. Employees should not receive salary adjustments which place their salaries over the maximum of their assigned salary ranges.

Exceptions to the above guidelines can only be made due to:

- extraordinary dependence on the employee’s unique skills, background or contribution, and/or
- unusually broad scope in job content far beyond the typical incumbent in the same position.

Salaries at the Maximum

An employee whose salary is at the maximum of the salary range may receive additional increases for one of the following:

- promotion into a job assigned to a higher salary range
- maximum has been increased due to a structural adjustment
- other reasons or circumstances as deemed appropriate

The employee does not automatically receive an increase following a general structural adjustment. The employee may be eligible to receive a merit adjustment on his/her next review cycle providing that his/her performance is at a satisfactory level.
Hiring Salary Guidelines

Newly hired employees should be compensated according to the salary range for the position in which they are recruited and will be employed. The minimum represents a salary for someone whose qualifications meet the minimum requirements for that position. However, special circumstances such as difficult-to-fill position, advanced certifications and/or extensive/specialized years of experience, job knowledge, skills and that an applicant may possess may be considered to hire above the minimum salary range. Exceptions to the minimum rate may be made at the discretion of the appointing authority.

All current employees and new hires should meet the minimum qualifications listed for their position. If there is difficulty with recruiting or identifying suitable qualified candidates for a position, or if an applicant's or current employee's education, training, and experience are not directly related to the position or do not meet the position’s minimum qualifications, an “acting, temporary, or interim” assignment of the best qualified candidate available may be utilized. At the discretion of the appointing authority, the required minimum qualification requirements may be waived provided the employee meets any federal, state, and regulatory requirements of the position.

Hiring Below the Minimum

An employee who does not have all of the necessary skills and experience for a position may be hired at a salary below the minimum for the designated salary range. In such an instance, the employee should be brought to the salary range minimum at the first opportunity when eligible for a merit increase, providing the performance meets expectations; refer to page 11 for authority approvals.

Lateral Moves

A lateral move is the assignment of an employee to another position in the same salary range as that to which the employee is currently assigned, regardless of a change in location.

The types of salary adjustment, which may occur as a result of a lateral move, are dependent upon the scope of responsibilities and accountabilities of the new position. This is not an automatic salary adjustment. Any salary adjustment is subject to evaluation and review based upon the facts and circumstances of the case under consideration; refer to page 11 for authority approvals.

Promotion

A promotion is the assignment of an employee to another position in a higher salary range than that to which the employee is currently assigned. The addition
of one or two added responsibilities or duties to a person’s job either permanently, temporarily or on a trial basis does not automatically constitute a promotion. The added responsibilities and accountabilities must significantly expand the original job’s scope.

The salary range is designated to promote movement within a range and movement from one range to another.

In determining the amount of the promotional increase, supervisors should consider the individual’s knowledge and skill level, development activities required to produce an acceptable level of performance, where the individual’s salary is within the new salary range, and how the employee’s salary will compare to salaries of other staff members within the unit who perform the same or similar functions.

Demotions

A demotion is the assignment of an employee to a job in a lower salary range than the one to which the employee is currently assigned. This may occur due to poor performance or to reorganization.

Any salary adjustment in this circumstance is subject to judgment based on the facts and circumstances of the case under consideration. The employee’s performance and length of service should be taken into consideration.

Often times, a salary decrease is not in order. However, the employee’s salary should typically not exceed the maximum for the new position. Future increases will also be limited by the new maximum. It may be appropriate to adjust the salary to a position in the new range comparable to the employee’s position in the old range.

Voluntary Reassignment

A voluntary reassignment is the reassignment of an employee to a job at the same salary range in either the same or another department. Employees voluntarily reassigned to a job in the same salary range or to a different job in the same salary range should have their salaries maintained at the current level with no increase or decrease. If the employee’s present salary is above the maximum salary level for the range, it may be adjusted accordingly.

An employee may submit a written request for consideration for a voluntary reassignment to another department or job in the organization for which they are qualified if a job is vacant or there is a need. Final approval should be obtained according to established policies and procedures.
Involuntary Reassignment

An involuntarily reassignment is the reassignment of an employee initiated by a facility against an employee’s will and without the employee’s consent for reasons other than for causes of misconduct, delinquency, or inefficiency. There are a variety of reasons for involuntary reassignments that include, but are not limited to, the good of the employee, the best interests of the organization, and/or other defensible actions based on the judgment of the President and CEO (PCEO) or Regional Chief Executive Officers (RCEOs).

Managing Salaries

The salary management program is based on “pay for performance” as stated in the objectives. Salary increases are based on the employee’s current performance evaluation rating.

There is another basis for determining the size of the salary increase. In addition to performance, the position of an individual’s salary in relation to the salary range is a consideration. Obviously, the higher the performance level, the larger the salary increase opportunity.

MERIT INCREASES:

Merit Increase Allows Pay for Performance

How quickly individuals move through the salary range depends on their performance. HHSC believes in rewarding the contribution employees make to their department and facility with merit salary increases, where possible.

<table>
<thead>
<tr>
<th>Performance Level</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional Performer</td>
<td>Significantly exceeds the qualitative and quantitative standards</td>
</tr>
<tr>
<td>Consistent Performer</td>
<td>Proficient at the majority of skills required performing their jobs</td>
</tr>
<tr>
<td>Developing Performer/Needs Improvement</td>
<td>Performance is somewhat below expectations for quality &amp; quantity work performed</td>
</tr>
<tr>
<td>Unsatisfactory Performer</td>
<td>Performance is noticeably below job requirements, even under close supervision</td>
</tr>
</tbody>
</table>
Example of Merit Increase Matrix

<table>
<thead>
<tr>
<th>Performance Rating</th>
<th>Percentage of Increase Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional Performer</td>
<td>3 – 5% of base salary</td>
</tr>
<tr>
<td>Consistent Performer</td>
<td>2 – 3% of base salary</td>
</tr>
<tr>
<td>Developing Performer</td>
<td>0 – 1% of base salary</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>0%</td>
</tr>
</tbody>
</table>

Eligible employees may receive merit increases based on their individual performance rating as measured in their performance evaluation. The chart on the previous page shows an example of the merit increase matrix and is subject to amendment. The respective Corporate and Regional System Boards may also take into consideration the across-the-board increase percentages provided to union employees when determining the annual percentage of merit increases based on performance.

The PCEO and RCEOs will collectively discuss and provide merit pay percentage recommendations to their respective Boards for consideration.

Exceptions and Equity Increases

There may be a number of reasons that management may want to recommend an equity or exception increase. A few such reasons may include, but are not limited to the following:

- An employee’s salary is too low in comparison with other employees who are performing at the same level in the job.
- A supervisor/manager has a salary which is low in comparison to the employees he/she supervises.

Exception increases may be granted to correct inequitable compensation situations with appropriate documentation. Proposed exception increases should be reasonable and, if the amount needed to create equity is large, the increase may be given in multiple steps.

Salary increases are to be based on performance and not length of service. Length of service does not entitle an employee to a salary increase. Salary increases are granted for continuing satisfactory or better performance. The salary structure and the example of Merit Increase Matrix is designed to gradually increase an employee’s salary to a specific level over a period of time.
based on performance. Merit increases are typically not meant to move an employee's salary from minimum to the middle third in one step.

PERFORMANCE EVALUATION:

Importance of Evaluation

Performance evaluations enhance communication between the manager/supervisor and employee, encourages coaching and monitoring performance to provide on-going constructive feedback to employees throughout the rating period, and recognizes and emphasizes positive performance. This process allows the manager/supervisor to set objectives and goals and encourages a one-to-one meeting with employees to discuss progress with existing objectives, personal development, priorities, issues or concerns, any objective to be modified or added, plan of action points. Evaluations provide a means of measuring performance against previously established standards, goals and objectives, develop future goals and objectives and communicate expectations. This is an important tool to support the professional development of HHSC employees and to provide opportunity to encourage collaboration between supervisors/managers and employees in aligning goals and performance with the mission and values of HHSC. Through regular evaluation and feedback, employees would have an opportunity to enhance their strengths and correct any gaps in performance.

The evaluation is used for many purposes; therefore, it is extremely important that it be objective and accurate. Constructive criticism, when presented objectively, will improve performance and the work relationship. Documentation of performance is not only necessary for the positive development of an employee or for purposes of salary adjustments, but in the event of discipline, discharge, or EEOC complaint; documentation is critical and important. Merit increases will be based on how well the employee performed responsibilities and accountabilities, and how the employee met specific goals and objectives as rated by their respective manager/supervisor. Merit increases are not automatic and may be determine by the availability of funds and financial condition of the facility, region and system.

In order to record the employee’s progress and document performance review, there are three (3) types of performance evaluation forms that are currently being used for exempt, excluded employees as listed below. The Board of Directors, PCEO and RCEOs have the option to use whichever evaluation form that meets their needs.

- **Exhibit A** - The Performance Evaluation for the President and Chief Executive Officer (PCEO) has been available since July 2005 and is the traditional performance appraisal form where only the employee’s supervisor provides feedback. This form reflects HHSC’s set of core
competencies for evaluation which include Team Development, Leadership, Organizational Impact, Communication/Interpersonal Skills, Management of Human Resources, Job Knowledge and Application, and Board Relations. These identified competencies are aligned with HHSC’s mission, values and strategies and are needed for the employee to succeed on the job. To rate the performance of the PCEO, the HHSC System Board of Directors uses a point system as defined in the Performance Rating Definition Sheet.

- **Exhibit B** - The Executive 360 Performance Evaluation form is a newly added form to evaluate performance for the President and Chief Executive Officer (PCEO). The 360 performance evaluation allows flexibility with various core competencies for evaluation which are developed by the HHSC System Board of Directors and the employee. This evaluation form identified HHSC core leadership competencies such as General Industry Knowledge Pertaining to Hospital Operations, Knowledge of HHSC & Electronic Health Records Management, Strategic Leadership & Planning, Collaboration & Teaming Skills, Communication Skills & Protocols, and Healthcare System Technologies. The rating is a range scale of strongly agree – strongly disagree and a no rating of the evaluator when they do not have sufficient information to evaluate. The HHSC System Board of Directors has the flexibility in identifying other core competencies for evaluation depending on its objectives and strategies for that evaluation period. The 360 performance evaluation method allows the HHSC System Board of Directors, direct reports and external stakeholders to provide feedback.

- **Exhibit C** - The Exempt, Excluded Management and Staff Employees has been available since July 2005 and is a 180 degree performance evaluation form where the employee completes a self-evaluation prior to the supervisor providing feedback. This evaluation form is comprised of three (3) sections:
  - **Section 1**: Includes core competencies: Team Development/Cooperation, Organizational Impact, Communication/Interpersonal Skills, Job Knowledge/Skills Application, Quality of Work/Productivity, Leadership, and Management of Human Resources; and weighted percentages that can be added to each competency;
  - **Section 2**: Includes an area to add specific objectives or goals from the HHSC System Board of Directors or the supervisor; and
  - **Section 3**: Provides an opportunity for feedback and comments for the HHSC System Board of Directors and Employee to use. The employee completes a self-evaluation using the Performance Rating Definition Sheet which is based on a point system, then submits it to the HHSC System Board of Directors or supervisor to complete their evaluation. This evaluation form includes Career
Development Planning to assist employees to achieve their increased satisfaction from their work.

The performance evaluation forms for the PCEO and RCEOs (Exhibit A, B, or C) are subject to discussion and modification by their respective Boards for each evaluation rating period.

The PCEO, RCEO, or designees determine individual performance objectives and goals for exempt, excluded employees under their respective supervision. The PCEO and RCEOs should provide recommendations on objectives and goals to their respective Boards for approval and adoption.

Performance Evaluation Process

1. Employees are reviewed after the completion of six (6) months service and in July of each year, thereafter. When an employee changes department or is promoted, the manager/supervisor is required to provide an evaluation covering the period from the last performance evaluation to the date of promotion or transfer. If this period is less than three months, a performance evaluation is not required. Employees must have been employed for at least six months service to receive a merit increase.

2. Employees should be informed in advance of the scheduled evaluation meeting in order to provide them time to prepare for the discussion. The meeting should be a two-way communication, held in private and with appropriate time set aside to cover all discussions. The employee being evaluated should be encouraged to provide comments. The employee’s job description should be reviewed to ensure accuracy and completeness. New objectives, goals and career plans should be discussed, as well as corporate direction and priorities.

3. Supervisor/manager shall submit the completed performance evaluation to their respective human resources office for review and if appropriate and approved, for salary adjustment processing.
AUTHORITY FOR APPROVAL OF INCREASES

- All salary actions impacting the President and Chief Executive Officer (PCEO) require the approval of the HHSC System Board of Directors.

- All salary actions impacting the Corporate Executive Staff require the approval of the PCEO.

- All salary actions impacting a Regional Chief Executive Officer (RCEO) require the approval of the respective Regional System Board, and all salary actions impacting exempt, excluded employees require the approval of the respective RCEO, unless otherwise determined by the respective Regional System Board Bylaws.

- Hiring above the market point or below the minimum of the salary range requires the approval of the PCEO for Corporate office employees or the respective RCEO for regional employees.

- Salary adjustments for lateral moves require the approval of the PCEO for Corporate office employees or the respective RCEO for regional employees.

- Exceptions, adjustments or equity increase require the approval of the PCEO for Corporate office employees or the respective RCEO for regional employees.

- All salary adjustments are based on appropriate salary as determined by a salary study.

- The respective Corporate and Regional System Boards may take into consideration the across-the-board increase percentages provided to union employees when determining the annual percentage of merit increases based on performance.