



# Homestead Hospital

**BAPTIST HEALTH SOUTH FLORIDA**

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June 4, 2015

Ms. Elizabeth Dudek  
Secretary  
Agency for Healthcare Administration  
2727 Mahan Drive, Mail Stop 1  
Tallahassee, FL 32308

Dear Ms. Dudek:

Homestead Hospital voluntarily completed the Hospital Profile requested by Governor Scott's office and included in our response were references to sites where the data has already been made publicly available.

In response to your letter dated May 24<sup>th</sup>, we would like to comply and provide additional information with regard to our methods to measure quality and outcomes; how results are utilized to promote continued quality improvement; and how outcomes are reported to patients and the community, as well as our history of salaries and compensation for BHSF hospital executive teams.

With regard to quality and outcomes, here's a link to the quality safety and service portion of our BHSF website:

<https://baptisthealth.net/en/quality-and-safety/pages/default.aspx>

From here you can navigate to comparative data on experience, safety, accountability, outcome measures, and the patient and family advisory councils.

Also attached are the local comparisons for Leapfrog/Patient Safety and the recent CMS star ratings. Note that Homestead Hospital was named a Leapfrog Top Urban Hospital in 2010, 2011, and 2014.

With regard to executive salaries and compensation, attached is our history of executive salaries and compensation as reported on the IRS 990 filings. Our Executive Compensation Philosophy is available on our website [www.baptisthealth.net](http://www.baptisthealth.net). About Us/Board Members/Executive Compensation and, as a matter of convenience, copied below.

We hope this satisfactorily meets your request.

Thank you.

William Duquette  
Chief Executive Officer

## Executive Compensation

The South Florida market for highly competent healthcare executives reflects a very competitive environment for qualified executives. It is comprised of large, national, for profit chains and not-for-profit hospital systems and stand-alone hospitals.

The Board of Trustees of Baptist Health South Florida seeks executives of vision and leadership to carry out the organization's faith-based mission of quality care and community service. The Board expects these executives to provide leadership that will place Baptist Health among the best healthcare systems in the nation for quality and excellence. The Board expects executives to demonstrate integrity and loyalty in the performance of their duties and to adhere to Baptist Health Conflict of Interest Policy, Executive Code of Conduct and all compliance/ethics policies. Executive compensation is considered the foundation to attract and retain executives with the talent, experience and character to meet these expectations.

The Board's Compensation Committee is comprised exclusively of independent Board members who serve voluntarily without any remuneration, and who must adhere to a stringent conflict of interest policy that precludes them or their families from doing business with Baptist Health. The Committee is responsible for reviewing the performance and approving the compensation for executives. The term "compensation" includes salaries, benefits and incentives. The Compensation Committee annually engages a nationally-recognized, independent consultant to conduct compensation surveys and to advise the Board on compensation policies. The Compensation Committee decisions are based on the following:

### **1. Total Compensation Package**

Recruitment and retention of capable, productive executives is accomplished through design of a total compensation package that includes a base salary, at-risk incentive pay, and benefits. It is the objective of Baptist Health to ensure a consistent compensation philosophy across all employee and leadership levels that rewards outstanding performance using a cash plus employee benefits package targeting the 75th percentile. Base salaries of fully productive executives are indexed to the median (50th percentile) salary paid by similar healthcare organizations. Incentive pay for superior achievement provides the opportunity for total cash compensation at the 75th percentile of the executive's peer group if the executive exceeds his/her performance metrics.

## **2. Performance-based Salary Increases**

One of the key elements of Baptist Health's executive compensation philosophy is "pay for performance." Salary increases are based upon the degree to which each executive achieves his/her individual performance objectives for the year, which are tied to corporate objectives. Generally these objectives relate to clinical quality; patient, physician and community satisfaction; charity care and mission goals; financial performance and expense management. Individual and group performance against these objectives is reviewed by the Compensation Committee and Board of Trustees annually after the close of the fiscal year.

## **3. Market-based Salary Increases**

The Board's Compensation Committee reviews the market value of executive positions annually to assure that Baptist Health's pay levels are competitive. The independent consultant, selected by the Compensation Committee, obtains executive salary information for functionally comparable positions at healthcare institutions of comparable size within Florida and the United States.

Baptist Health's peer group is comprised of other complex not-for-profit hospital systems of similar size (\$2.5 billion in revenues; 15,000 employees), scope (7 hospitals, more than a dozen outpatient centers and a large international service). The peer group does not include for-profit hospitals, whose compensation practices are far more generous (and include such things as stock options and equity/ownership interests).

## **4. No Guaranteed Salary Increases**

There is no guarantee of annual executive salary increases. Salary increases depend upon the organization's ability to pay, the executive's salary in relation to the market, the executive's performance level, and internal pay relationships to peers.

## **5. At-Risk Incentive Pay**

Key executives who control significant assets or who have a major impact on operations may earn incentive pay. The purpose of incentive pay is to focus executive action on key "performance thresholds" and corporate goals that are approved by the Board's Compensation Committee. The achievement of these goals requires extraordinary effort, commitment and achievement. The incentive component of the executive's total compensation is variable and totally at risk, depending upon the achievement of the agreed-upon goals.

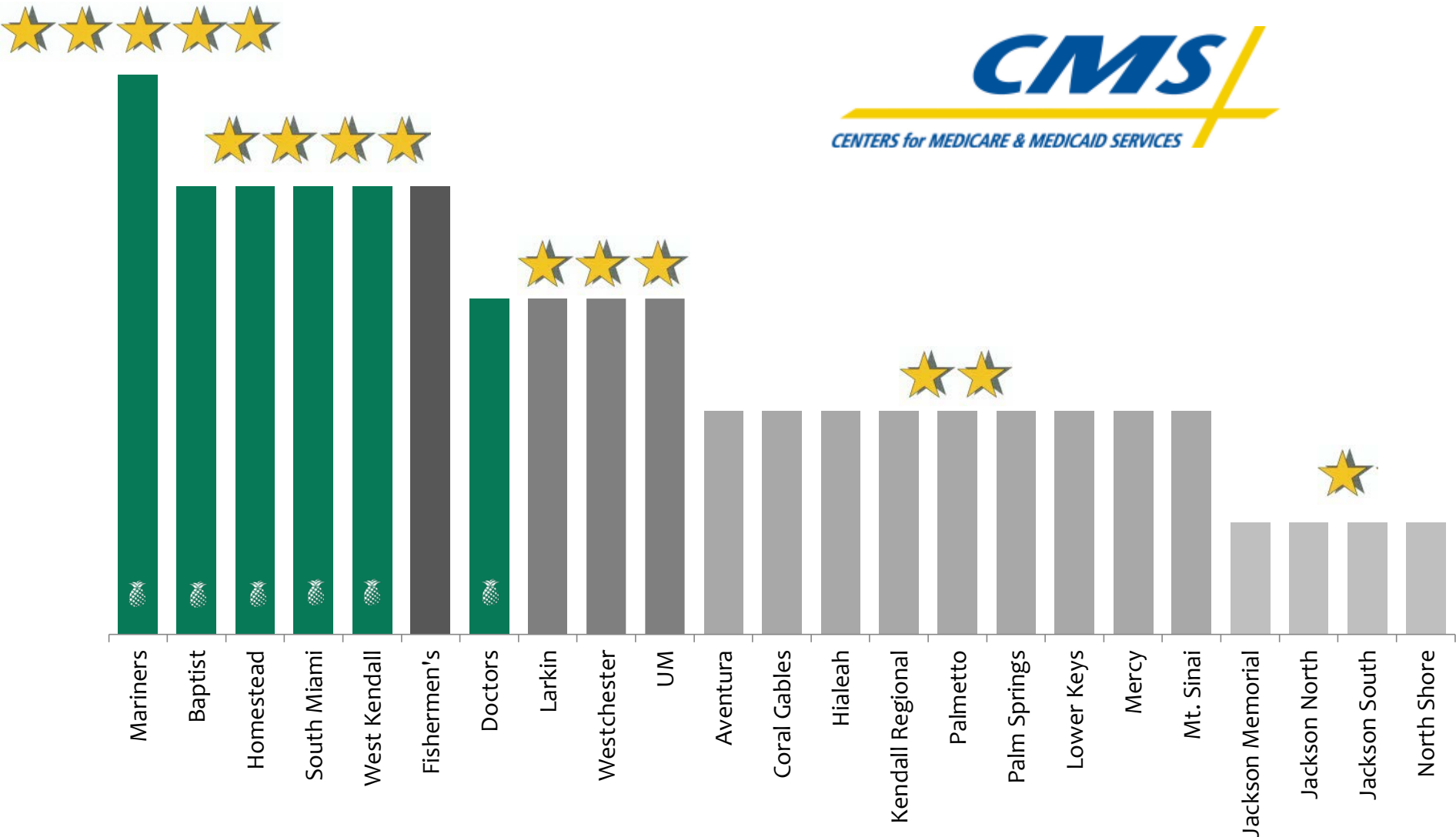
## **6. Perquisites**

Baptist Health executives are provided with a common set of perquisites that are typical of other responsible not-for-profit organizations to enable them to more effectively conduct their business. These benefits are deemed by the Compensation Committee to be appropriate and conservative. Perquisites are generally limited to auto and cell phone allowances which are fully taxable to the executive. Other perquisites provided to executives, such as paid time off or reimbursement for relevant educational expenses, are offered to all employees in accordance with enterprise-wide policies and procedures. Business travel for executives on commercial airlines is limited to coach fares (an upgrade to the next available class of service, e.g., business class, may be permitted when the flight duration is in excess of five hours or an overnight accommodation can be avoided). Chartered plane travel, spousal travel, luxury residences for personal use, health, country or social club dues and personal services (such as maid, chauffeur, chef, landscaper) are not provided (or reimbursed) to Baptist Health executives. Baptist Health does not provide private residences, vacation homes, low-cost or forgivable mortgages or loans or housing allowances to any of its executives.

“The stability of our executive staff over the years has been instrumental to the success of Baptist Health. Many of our executives have been with us 15, 20 or more years.” Former Board Chairman, Rev. David Cleeland said. “A fair and equitable compensation program is one reason we have this stability in our ranks. But quite frankly, they do not stay solely because of their compensation. Executive search firms regularly seek out our executives, and many of our executives have been offered substantially more money to go elsewhere. I believe they stay with Baptist Health because they are committed to fulfilling our mission of serving our community – including the less fortunate in our community – with the highest level of care.”

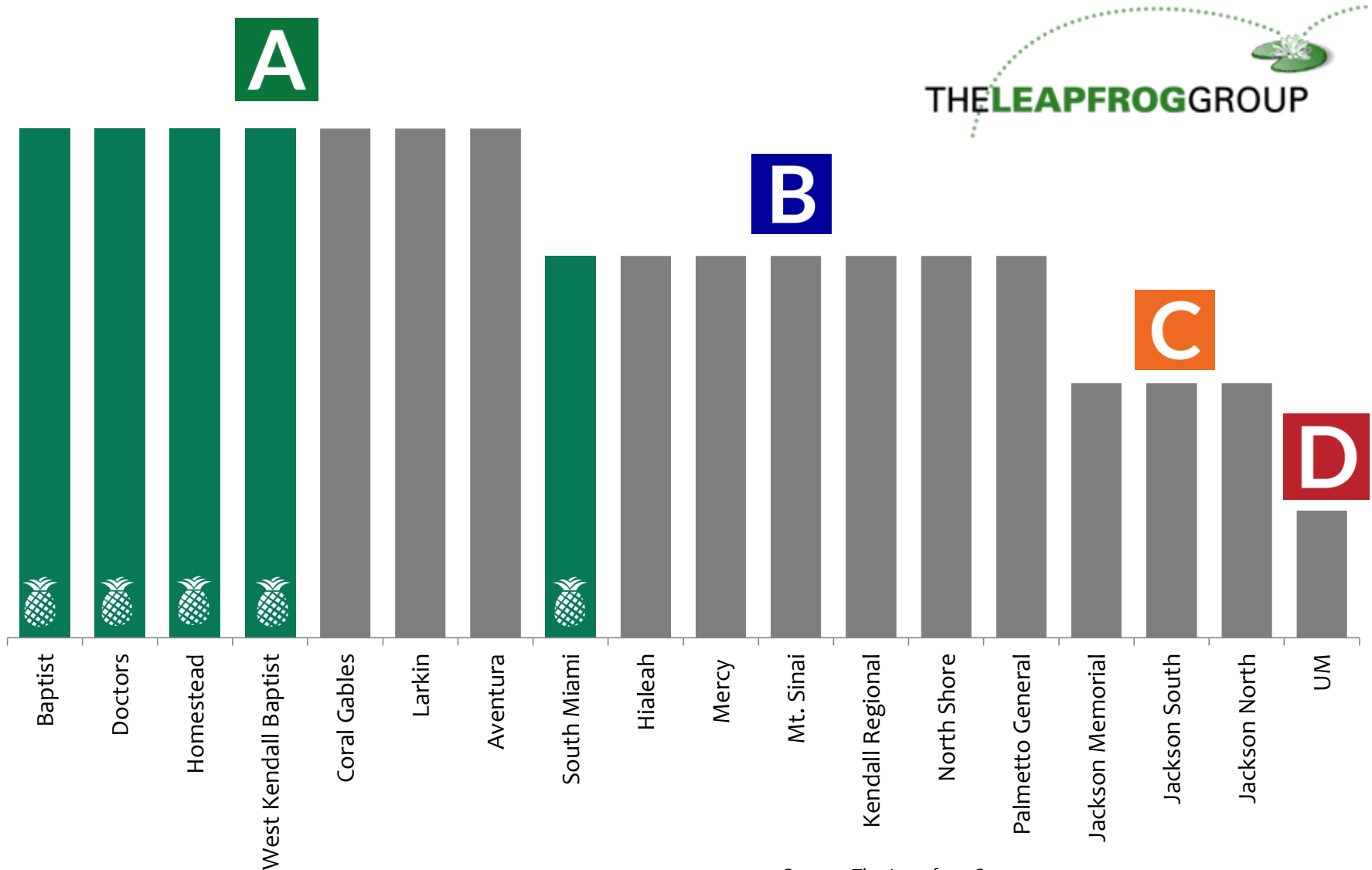
# CMS Patient Experience Rating

Miami-Dade & Monroe County Individual Hospital Comparison, May 2015



# Leapfrog Group Hospital Safety Score

Miami-Dade & Monroe County Individual Hospital Comparison, Spring 2015



Source: The Leapfrog Group, Mariners, Fishermen's, Lower Keys, Palm Springs, Westchester not graded

Homestead Hospital

Total Executive Compensation as Reported on Form 990

|       | HH              |
|-------|-----------------|
| FY 05 | \$ 394,503.00   |
| FY 06 | \$ 694,490.00 * |
| FY 07 | \$ 384,917.00   |
| FY 08 | \$ 490,587.00   |
| FY 09 | \$ 636,512.00   |
| FY 10 | \$ 556,346.00   |
| FY 11 | \$ 648,274.00   |
| FY 12 | \$ 686,843.00   |
| FY 13 | \$ 782,423.00   |

\* Compensation information includes the compensation of two Chief Executive Officers.

Amounts reported above are comprised of base salary, payments under the formal incentive plan and contributions to employee benefit plans. The value of deferred compensation, which is subject to a substantial risk of forfeiture, is included as well. If and when such deferred compensation amounts are paid to the executive, tax law requires reporting of the payments again on the Form 990.