

CONFIDENTIAL

NEW JERSEY HOSPITAL ASSOCIATION Succession Plan

The Board of Trustees and management of the New Jersey Hospital Association recognize that a management succession plan is critical to the future of a strong organization. To ensure that capable and experienced management continues to occupy leadership positions, NJHA is adopting a specific plan in order to:

- Insure uninterrupted, exceptional service to our membership;
- Identify and prepare interested, capable employees for advancement;
- Plan for vacancies in key management positions, whether they are planned (retirement) or unplanned (death, sudden departure); and
- Fill vacancies with the most qualified candidates.

The plan assumes that:

- Consideration will be given to both internal and external candidates to fill a vacancy.
- Succession planning responsibility lies with the Board of Directors and Chief Executive Officer (for the CEO position); with the CEO and senior management for critical positions within their areas of responsibility.
- NJHA encourages advancement from within the organization.
- NJHA will provide education and training appropriate to the advancement of the individual and organization.
- The CEO will review career opportunities with senior management, who will do the same with their employees.
- Throughout this plan, in the event the Chairman of the Board is precluded for any reason from undertaking these responsibilities, the Chairman-Elect shall assume his or her responsibilities.

Succession Plan – Chief Executive Officer

The CEO is accountable to the Board of Trustees for the efficient and effective operation of the Association, the direction of staff, for executing the policies established by the Board of Trustees, abiding by applicable laws and regulations, and promoting positive member, employee and public relations. The CEO is also responsible for keeping the Board informed on day-to-day operations and on critical issues affecting the Association now and in the future.

The CEO is the senior management position of the Association mandating that an orderly transition be provided in the event of any vacancy.

Vacancies can be classified as either emergency or planned. The actions required to address the two circumstances will vary. An *emergency* vacancy occurs when the CEO suddenly dies, is incapacitated for an extended period of time, resigns or is relieved of duties by the Board. A *planned* vacancy usually occurs in the

event of retirement, but could also occur if the Chief Executive Officer leaves to take another position, but provides an extended notice period to the Board.

Emergency Succession – Chief Executive Officer

In the event of an emergency vacancy in the CEO position or the CEO is no longer able to perform assigned duties, the following steps will be followed:

1. The management team of the New Jersey Hospital Association will be responsible for the operation of the Association until an interim CEO is appointed. The Chairman of the Board will handle decisions that cannot be made under specific authority of the individual operating managers.

2. **Notification Procedures**

If the CEO becomes unable to perform his/her duties due to an emergency short-term or permanent absence, the CEO (or appropriate designee) is responsible to provide immediate notification to the Board Chair and the Human Resources office at the New Jersey Hospital Association. If the Board Chair is unavailable, the CEO shall notify the Chair-elect. If the Chair-elect is unavailable the CEO shall notify another member of the Executive Committee. The notification process shall occur if the expected duration of the absence is greater than two (2) weeks. The notification should be via direct verbal communication and followed up in writing. At a minimum, the notification shall include an expected date of return, the nature of the absence, and what if any impact the return will have on performance of his or her duties as the CEO. Within three (3) business days of the notification from the CEO, the Board Chair (or the Chair-elect if the chair is unavailable) shall notify in writing the following:

NJHA Board of Trustees
NJHA Healthcare Business Solutions Board of Directors
HealthPAC Board of Directors
HRET Board of Trustees

The NJHA CEO will be responsible for assuring that at all times a current list of these key contacts will be available to the CEO administrative assistant, VP of Human Resources, NJHA Chair and Chair-elect. At a minimum, the contact information should include, name, title, organization, mailing address, phone number and email address (if available).

If the CEO is unavailable, the Human Resources department at the New Jersey Hospital Association shall be responsible for initially notifying NJHA Executive Group as well as non-management staff as appropriate. The Board Chair shall function as the CEO until an interim CEO is designated by the Executive Committee, which shall be appointed expeditiously.

NOTE: The CEO is responsible for following all NJHA human resources policies that apply to the circumstances of the absence.

3. The Board Chairman shall convene a meeting of the Executive Committee of the Board within seven (7) business days. At that meeting, the Executive Committee shall appoint an interim CEO, who will have the full range of duties required to manage the operation. The Executive Committee will establish appropriate compensation for the interim CEO, reporting such decision to the Executive Compensation

Committee. Also at this meeting, an update on the CEO status and likelihood of re-assuming his/her duties will be provided.

4. Depending upon the circumstances, the Board Executive Committee, with consultation from the interim CEO and NJHA Executive Group as may be appropriate, may make a decision concerning the need to secure records, change door locks and security codes, or contact the outside audit firm for independent audit of records.
5. A full employee staff meeting will be held to explain the situation and the anticipated actions. The chairman of the Board (or members of the Executive Committee or full Board of Trustees) as appropriate will attend the meeting to announce the interim CEO's appointment. The Chairman shall determine and direct the communications plan for employees, members and the media, and utilize resources that may be available.
6. Once the interim CEO is named, the Board Chair will work with the CFO to make notification to all depositories (to change signatories).
7. The Board shall be kept apprised of operations by the interim CEO at regular intervals as established by the Board. The Interim CEO shall report to the Board in the same fashion as outlined by NJHA's Bylaws for a permanent CEO, working closely with the Board Chair during this interim period.
8. If the vacancy is permanent, the Executive Committee is responsible for appointing a Search Committee within 30 days of NJHA establishing that the vacancy is permanent. The Search Committee shall thereupon be responsible to the full Board for its duties. The Chair of the Board shall chair the Search Committee.
9. The Search Committee shall recommend, and the full Board shall establish, the parameters of the search, including the job description, general qualifications and experience and when to commence the search process.

The Board may elect to postpone a search to evaluate the performance of the interim CEO. However, the Search Committee shall commence its duties within six months.

In the event that the Board expresses a desire to engage the interim CEO as the permanent CEO, using Guidelines and objectives approved by the full Board, and report their recommendation back to the full Board, whose decision shall be final.

In the event that a full search is to commence, with or without an internal candidate, the process will then parallel that of a planned succession (see below).

Planned Succession – Chief Executive Officer

The process of replacing the NJHA CEO in the event of a planned retirement or departure will vary, depending on the particular circumstances and the timeframe provided. Normally, a planned, timed replacement of the CEO allows for appropriate preparation and transition. Ideally, a timeframe of 180 to 360 days from announcement to departure would be ideal.

The Board has the overall responsibility for carrying out this plan, for the selection process and by majority vote, the hiring of the new CEO.

The Executive Committee will appoint a Search Committee, chaired by the Board Chair. It is the objective of this succession plan for such a candidate to be available at the appropriate time. If, however, the Board chooses to

conduct a search, a Search Committee will be appointed from among members of the Board of Trustees. The current CEO shall not be a member of the Committee, although the Committee may choose to take advantage of his/her advice and expertise.

The Search Committee may elect to utilize an outside recruiting firm to assist in the process. If so, the Search Committee shall outline and the Board will approve, clear standards for the firm regarding the candidates to be sought. A specific contract with a recruitment firm should be obtained outlining responsibilities and expenses. An administrative liaison shall be appointed to assist the Search Committee.

Specifically, the Search Committee is responsible for the following:

- Communicating to staff that internal applicants are welcome;
- Determining a total compensation and benefits package to be offered; the outline of said package shall be approved in advance by the Executive Compensation Committee
- Selecting media in which to advertise the position;
- Establishing a timeframe for resumes to be received;
- Utilizing established criteria, selecting best candidates for further evaluation;
- Conducting background checks: job and personal references, bondability, credit checks, educational transcripts, etc.;
- Conducting all interviews
- Selecting a final candidate for recommendation to the Board;
- The Chairman of the Search Committee shall present the Committee's final candidate to the Board for the Board's decision. Should the Board not accept the recommendation, the Search Committee shall be directed to begin the search again. At its discretion, the Board may direct the Executive Committee to appoint a new Search Committee for this purpose. It is not the role of the full Board to conduct interviews on its own.
- If the Board accepts the Search Committee's recommendation, it shall direct the Chairman of the Search Committee to negotiate an employment contract in accordance with the compensation principles established earlier and execute said contract.
- The Chairman and Chair-Elect shall jointly conduct the contract negotiation and report the results back to the full Board.

Succession Plan – Preparation of Executive Team for a vacancy in the CEO's position

It is the CEO's responsibility to prepare the executive team for a potential vacancy. The CFO, General Counsel, SVP Health Economics and VP for Legislative Affairs will be kept fully aware of NJHA's strategic plan, mission and operational plans. Over time they have/will have been given discretion to make certain key decision within their areas utilizing their own judgment, so they are accustomed to operating in a self-sufficient manner. Members of the executive team have been encouraged to attend a broad range of training and educational sessions to better equip them to perform their duties. Their regular attendance at Board meetings provides a broader perspective of the overall chain of command and of the Board's expectations.

There should be no explicit or implicit identification of any individual or position as the likely successor to the CEO.

Succession Plan for Broader Management Team

Each member of the management team is responsible for preparing a staff member(s) within his/her department to perform the duties of the “management team” member in the event of management absence, termination or incapacitation. Such responsibility, and outcomes, shall be reflected in the job descriptions, short- and long-term goals and annual performance reviews of the managers.

Selection of employee(s) included in such preparation shall be based upon demonstrated performance, requisite education and/or experience and the individual’s interest in personal and professional development. Preparation includes involvement in their day-to-day decisions and duties, project assignment, inclusion in various meetings and training opportunities, and inclusion in developing the operational plan to achieve strategic outcomes. The development goals, accompanying metrics, timelines and outcomes shall be included on the individual’s annual performance review.

Managers shall meet with employees involved in such succession development no less than semi-annually to discuss goal attainment, progress, and ongoing action items.

There should be no explicit or implicit identification of any individuals or positions as the likely successors to the management positions.

Annual Review of Succession Plan

The CEO will review this succession plan annually at a minimum. Once a year, the CEO will report to the Board through the Chairman about the status of the plan and NJHA’s readiness to implement the plan if needed, and present any recommended changes. The NJHA Chairman will in turn consult the Executive Committee. The Board of Directors will then review and approve the plan as it is or with any recommended revisions.

Date Approved – 11/18/09