

Executive Compensation Policy and Framework

ALEXANDRA HOSPITAL INGERSOLL / TILLSONBURG DISTRICT MEMORIAL HOSPITAL

Front Page for Ministry Submission:

Organization (Full Name):

Last Name:

First Name:

Job Title:

Address:

Telephone Number:

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1. Background

The Province of Ontario introduced *The Broader Public Sector Accountability Act* in 2010 (BPSAA), which introduced controls on compensation, expenses, perquisites, business documents and procurement in the Broader Public Sector (BPS). This included an immediate freeze on certain executive compensation. In 2012, the Act was amended to extend the freeze to all elements of compensation for designated executives. This 2012 amendment was made to apply until a new provincial compensation framework for the BPS becomes effective. The BPSAA applied to all public designated employers including universities, colleges, hospitals and school boards. This included Erie Shore HealthCare.

In 2014, the Province began the process of developing public sector compensation frameworks to manage executive compensation in the BPS. The *Broader Public Sector Executive Compensation Act* of 2014 (BPSECA) authorized the government to establish frameworks, and set out principles that all designated employers must follow. These included ensuring that there is a consistent and evidence-based approach to setting compensation, ensuring that there is a balance between managing compensation costs while allowing employers to attract and retain the talent they seek, and ensuring that there is transparency in how executive compensation decisions are made.

Following consultation with multiple stakeholders in the BPS, in 2016 the Province introduced Ontario Regulation 304/16 in support of the BPSECA, effective September 6, 2016. This Regulation lays out the details and implementation timelines for executive compensation for all employers within the BPS.

The Regulation states that all BPS employers must have a compensation framework in place for designated executives. The framework must be compliant with the Regulation, and have been available for community feedback for a thirty-day period.

The requirements of the BPSECA and Ontario Regulation 304/16 have been considered, and the following Policy developed to ensure that Alexandra District Hospital (AHI) / Tillsonburg District Memorial Hospital (TDMH) is compliant with the requirements.

2. Description of Hospital and Role of the Executive Team

Alexandra Hospital, Ingersoll (AHI) is a fully accredited 26-bed acute and continuing care hospital located in South Western Ontario that provides both inpatient and outpatient care to a population of approximately 105,000 residents in Oxford County. Tillsonburg District Memorial Hospital (TDMH) is a progressive, fully accredited 45 bed community hospital located in Southwestern Ontario that provides both inpatient and outpatient care to a population of approximately 218,000 residents in Oxford, Elgin and Norfolk counties.

Over the last decade, the hospitals' Boards of Directors have been creating a shared delivery system where the right care is provided at the right time, in the right setting, with the right resources. To that end, the Boards began meeting together and implemented an Integrated Leadership Model. For an integrated position, the position description, job scope and duties are identical for both hospitals, and the integrated position is formally recognized as being a part of the organization structure of both parties.

Together the Integrated Leadership Team and Boards plan for and ensure strategic planning, joint services agreements and joint systems to better service the patients and the communities. The Integrated Leadership Team is accountable for a combined budget of approximately \$45,000,000, across two campuses in Ingersoll and Tillsonburg, and providing strategic leadership to over 500 caring and compassionate staff.

3. Designated Executives Positions

The Executive Compensation Regulation applies to all designated executives and all designated employers under the BPSECA. "Designated employers" include public hospitals.

"Designated executives" are individuals who meet two criteria. First, the person is the head of a designated employer regardless of title; or is a vice-president, chief administrative officer, chief operating officer or any other executive regardless of title. Second, the person is entitled to receive or could potentially receive \$100,000 or more in cash compensation in a given calendar year. Total cash compensation includes base salary and any pay for performance.

At AHI/TDMH, the designated executives include the following positions:

- President and Chief Executive Officer;
- Vice President & Chief Financial Officer;
- Vice President & Chief Nursing Executive.

For summary job descriptions for each position, please see the Appendix.

4. Compensation Philosophy

The Executive Compensation Program at AHI/TDMH shall meet the following goals:

- The compensation program shall meet all legislative requirements including, but not limited to the *Broader Public Sector Accountability Act*, *Broader Public Sector Executive Compensation Act*, *Excellent Care for All Act*, *Employment Standards Act* and *Pay Equity Act*.
- The compensation program will always be maintained within the financial means of AHI/TDMH.
- The compensation program shall be competitive to the market. The comparator market is detailed in the section titled External Comparator Organizations. The maximum salary and performance pay for Executive Compensation shall be set no higher than the 50th percentile of the market.
- The compensation program shall provide for the attraction, retention and motivation of the high performing executives required to meet the strategic goals of the organization by being competitive to the market, compensating for the value of a role and recognizing performance.
- The compensation program shall provide designated executives with performance pay up to 5% for the CEO and 2% for the Vice Presidents, for achieving annual performance expectations related to the organization's Quality Improvement Plan (QIP), Strategic Plan and Operating Plan.

5. External Comparator Organizations

As per the Regulations, organizations are to select a minimum of eight (8) comparators. An organization may be selected as a comparator organization if:

- The potential comparator organization has at least one executive who holds a position comparable to the position or class of positions held by the designated executive or class of designated executives; and
- The organization is comparable to the designated employer with respect to most or all of the following factors: (a) the scope of responsibilities of the executives; (b) the type of operations; (c) the industries within which the organization competes for executives; (d) size; and (e) location.

In determining the external comparator organizations for AHI/TDMH, the following was given consideration for the five factors:

- a) Scope of Responsibilities – Comparator organizations were selected that had executive positions with similar responsibilities to those at AHI/TDMH. Each position has a different set of comparators based on the availability of a similar position within the core comparator hospitals that were selected.
- b) Type of Operations – From an operational perspective, the primary factor that was considered in selecting the comparator organizations was the number of sites. Operating a multi-site hospital has greater complexity than single site hospitals. Therefore, additional weight was given to hospitals with more than one site like AHI/TDMH which operates from two sites. As well, the comparators are small or community hospitals that offer similar programs and services.
- c) Industry – The majority of talent recruited for executive positions at AHI/TDMH have a

healthcare background. Therefore, public hospitals in Ontario were considered for selection of comparators.

- d) Size – When assessing the size of potential comparator organizations, primary consideration was given to total operating budget (revenue) and number of staff, with secondary consideration being given to the number of beds operated by the comparator hospitals.
- e) Location – AHI/TDMH operates within the Southwest LHIN. Hospitals from within the LHIN that are similar in size (as outlined above) were included as comparators. Given the lack of appropriate comparators within a close geographic proximity along with the mobility of talent and the number of personal factors that can influence where people live and work, consideration was given to similar hospitals (based on size, operations and complexity) throughout Ontario.

The comparator organizations for AHI/TDMH represent a combined analysis for the factors above, and are as follows:

President & Chief Executive Officer

Hospital	LHIN	Type	# of Beds	# of Staff	Budget	# of Sites
AHI and TDMH	Southwest	Community	71	532	\$45M	2
Collingwood General & Marine Hospital	North Simcoe Muskoka	Community	68	400-999	\$52M	1
Georgian Bay General Hospital	North Simcoe Muskoka	Community	105	400-999	\$55M	2
Headwaters Health Care Centre	Central West	Community	50-99	630	\$45M	2
Leamington District Memorial Hospital	Erie St. Clair	Community	50-99	200-399	\$40M	1
Lindsay Ross Memorial	Central East	Community	175	820	\$85M	1
Middlesex Health Alliance	Southwest	Small	60	400	\$50M	2
Norfolk General & West Haldimand	Hamilton Niagara Haldimand Brant	Community	100-199	400-999	\$62M	2
Northumberland Hills Hospital	Central East	Community	100-199	600	\$67M	1
Perth and Smith Falls District Hospital	Southeast	Community	50-99	550	\$51M	2
Renfrew Victoria Hospital	Champlain	Community	50-99	450	\$42M	2
South Bruce Grey Health Centre	Southwest	Small	80	400	\$44M	4

Vice President & Chief Financial Officer

Same list as for CEO excluding Northumberland Hills Hospital which does not have a similar position.

Vice President & Chief Nursing Executive

Same list as for CEO excluding Renfrew Victoria Hospital which does not have a similar position.

6. Comparative Analysis Details

The following provides the comparative data for each of the designated executives and identifies the 50th percentile at which the maximum salary and performance pay will be set.

Note that this information was gathered from the Designated Executives Compensation Survey sponsored by the Ontario Hospital Association.

President & Chief Executive Officer

Hospital	Title	Max Base Salary	Ann Max Perf Pay	Max Base +Perf Pay
AHI and TDMH	President & CEO	\$209,000	5%	\$220,000
Perth and Smith Falls District Hospital	President & CEO	\$205,000	0%	\$205,000
South Bruce Grey Health Centre	President & CEO	\$205,400	0%	\$205,400
Georgian Bay General Hospital	President & CEO	\$208,000	0%	\$208,000
Leamington District Memorial Hospital	CEO	\$220,000	0%	\$220,000
Middlesex Health Alliance	President & CEO	\$225,498	0%	\$225,498
Collingwood General & Marine Hospital	President & CEO	\$235,200	0%	\$235,200
Headwaters Health Care Centre	President & CEO	\$236,184	3%	\$244,184
Norfolk General & West Haldimand	President & CEO	\$251,043	0%	\$251,043
Renfrew Victoria Hospital	President & CEO	\$273,000	0%	\$273,000
Northumberland Hills Hospital	President & CEO	\$250,000	10%	\$275,000
Lindsay Ross Memorial	President & CEO	\$280,500	4%	\$290,500
	50th Percentile			\$235,200

Vice President & Chief Financial Officer

Hospital	Title	Max Base Salary	Ann Max Perf Pay	Max Base +Perf Pay
AHI and TDMH	VP and Chief Financial Officer	\$134,750	2%	\$137,500
South Bruce Grey Health Centre	VP, Finance & Corporate Services	\$124,995	0%	\$124,995
Middlesex Health Alliance	VP, Finance & CFO	\$137,150	0%	\$137,150
Headwaters Health Care Centre	VP	\$137,768	2%	\$140,228
Renfrew Victoria Hospital	VP, Financial Services	\$141,541	0%	\$141,541
Collingwood General & Marine Hospital	VP, Corporate Services, CIO and CFO	\$143,208	0%	\$143,208

Perth and Smith Falls District Hospital	VP, Finance & Support Services	\$144,066	0%	\$144,066
Georgian Bay General Hospital	VP, Corporate Services & CFO	\$144,418	0%	\$144,418
Leamington District Memorial Hospital	CFO	\$162,337	0%	\$162,337
Lindsay Ross Memorial	Regional CFO	\$175,000	6%	\$185,000
Norfolk General & West Haldimand	VP of Finance	\$191,627	0%	\$191,627
	50th Percentile			\$143,637

Vice President & Chief Nursing Executive

Hospital	Title	Max Base Salary	Ann Max Perf Pay	Max Base +Perf Pay
AHI and TDMH	VP and Chief Nursing Executive	\$134,750	2%	\$137,500
South Bruce Grey Health Centre	Chief Nursing Officer	\$124,995	0%	\$124,995
Middlesex Health Alliance	VP, Clinical Services & CNO	\$137,150	0%	\$137,150
Headwaters Health Care Centre	VP	\$137,768	2%	\$140,228
Perth and Smith Falls District Hospital	VP of Clinical Services	\$144,066	0%	\$144,066
Georgian Bay General Hospital	VP, Patient Services & CNE	\$144,418	0%	\$144,418
Northumberland Hills Hospital	VP, Patient Services & CNE	\$153,265	0%	\$153,265
Collingwood General & Marine Hospital	VP of Patient Services & CNE	\$155,844	0%	\$155,844
Lindsay Ross Memorial	VP, Patient Care & CNO	\$150,000	7%	\$160,000
Leamington District Memorial Hospital	CNE	\$162,337	0%	\$162,337
Norfolk General & West Haldimand	VP of Patient Care	\$168,617	0%	\$168,617
	50th Percentile			\$148,842

7. New Salary Range and Pay for Performance

The following are the new salary ranges and maximum potential pay for performance for each designated executive position at AHI/TDMH.

Position	Min Base	Max Base	Ann Max Perf Pay	Max Base + Perf Pay*
President & Chief Executive Officer	\$190,655	\$224,300	5%	\$235,200
Vice President & Chief Financial Officer	\$126,739	\$140,821	2%	\$143,637
Vice President & Chief Nursing Executive	\$126,739	\$140,821	2%	\$143,637

* <=50th percentile of the comparators

8. Salary and Performance-related Pay Envelope

The designated executives at AHI/TDMH shall be moved to the new maximum base salary plus performance pay. This will bring them in line with the 50th percentile and support recruitment and retention. In the future, newly hired designated executives may be hired between the minimum and maximum of the salary scale.

Sum of Salary and Performance-Related Pay for the Most Recently Completed Pay Year (\$)	Maximum Rate of Increase to Envelope (%)
481,250	1.84

Rationale for the Proposed Maximum Rate of Increase:

The Board of Directors proposes that the maximum rate by which this envelope could be increased in each year be set at 1.84% in addition to performance related pay. The Board considered the five factors articulated in the Directive, which are summarized below:

1. Financial and compensation priorities of the Ontario government: The Ontario government has approved a balanced budget in 2017-18 for the first time since 2008-09.
2. Compensation trends: According to the Ontario Ministry of Labour, the 11-year average from 2006 to 2016 of the annual wage base increase for the provincial public sector was 1.82%. Most of these employees also receive annual increases for progress-through-the-ranks up to the maximum of their salary ranges.
3. Proportion of the operating budget used for executive compensation: The hospitals share executive leaders among two organizations to reduce the proportion of operating budget used for executive compensation.
4. Impact of salary compression on attracting and retaining talent: There is a lack of qualified candidates for executive positions in the rural community so recruitment is very challenging and retention is critical.
5. Expansion in the operations: Healthcare is in a period of unprecedented change and demand pressure. In order to accommodate the increasing demand and support patients and families of our community, operations need to expand. This will require increased innovate outpatient and inpatient services. Both communities served have changing demographics (i.e. increasing frail elderly population) requiring expansion of services.

Any adjustment in salary for a designate executive shall be approved by the board of Directors and any adjustments to the salary and performance-related pay envelope, by way of proration, shall also be determined by the Board of Directors.



9. Other Elements of Compensation

The elements of compensation include:

- Health Care & Dental Benefits
- Life Insurance
- Short-Term and Long-Term Disability
- HOOPP
- Vacation
- Sick Leave

The benefits provided to designated executives are not more than those provided to non-executive leadership.