

# Huron Perth Healthcare Alliance

## **EXECUTIVE COMPENSATION PROGRAM**



*Clinton Public Hospital  
St. Marys Memorial Hospital  
Seaforth Community Hospital  
Stratford General Hospital*

## Table of Contents

Overview.....	3
About the Huron Perth Healthcare Alliance .....	4
Executive Compensation Philosophy.....	5
Executive Compensation Program - Process .....	6
Designated Executive Positions.....	7
Salary and Performance-Related Pay Caps .....	7
Comparator Selection.....	7
Comparator Group and Comparative Analysis Details.....	8
Salary and Performance-Related Pay Structure .....	11
Salary and Performance-Related Pay Envelope.....	11

## Overview

The Government of Ontario has introduced new requirements for Broader Public Sector Employers to meet when establishing executive compensation programs. These requirements are included in the Broader Public Sector Executive Compensation Act and its Executive Compensation Framework Regulation.

- Broader Public Sector Executive Compensation Act
  - <https://www.ontario.ca/laws/statute/14b13>
- Executive Compensation Framework Regulation
  - <https://www.ontario.ca/laws/regulation/160304>

As an Ontario Public Sector employer, the Huron Perth Healthcare Alliance (HPHA) Board of Directors has developed an Executive Compensation Program with consideration of the need to attract and retain the very best leaders possible in order to deliver high quality patient care while managing responsibly. The HPHA's Executive Compensation Program applies to "designated executives" which include the:

- President & Chief Executive Officer
- Vice-President, People and Chief Quality Executive
- Vice-President, Partnerships and Chief Nursing Officer
- Vice-President, Performance and Chief Financial Executive
- Chief of Staff

The HPHA's Executive Compensation Program adheres to several requirements, including the following:

- Salary and performance-related pay is capped at no more than the 50th percentile of appropriate comparators;
- The rate of increase to the executive salary and performance related-pay envelope is capped at the maximum rate of increase approved by the overseeing minister;
- Designated employers must obtain approval from their overseeing minister on the comparator organizations used to determine salary and performance-related pay caps and the maximum rate of increase that could be applied when determining their executive salary and performance-related pay envelope;
- Certain compensation elements, such as signing bonuses and pay in lieu of perquisites, are prohibited; and
- Designated employers must engage in public consultation to enhance the understanding and transparency of their executive compensation decisions.

The HPHA's proposed Executive Compensation Program was approved by the HPHA Board of Directors, and submitted to the Ministry of Health and Long-Term Care (MOHLTC) in the Fall of 2017 with the comparator hospitals as supporting evidence. The proposed Program was approved by the MOHLTC on January 17, 2018 to be posted on the HPHA website for the required 30-day consultation period to receive community feedback. There was no public feedback received on our proposed program and the Executive Compensation Plan was resubmitted to the Ministry on February 22, 2018 with the MOHLTC providing the final approval on February 27, 2018.

John Wolfe, Chair  
Board of Directors  
Huron Perth Healthcare Alliance

## About the Huron Perth Healthcare Alliance

The Huron Perth Healthcare Alliance is a four hospital Alliance that includes Clinton Public Hospital, St. Marys Memorial Hospital, Seaforth Community Hospital and Stratford General Hospital. It operates with one Board of Directors, one management team, one operating and capital budget and information technology platform. Since its creation in 2003, its focus has been on:

- Continually improving the standards and quality of care across four (4) sites;
- Recognizing the important role each site has and will continue to have in the local healthcare system;
- Committing to ensuring the Alliance plays an important role in the broader healthcare system; and
- Engaging its patients, their families, Alliance staff, physicians and volunteers in all decisions that affect them.

The Alliance's four sites offer a broad range of inpatient and outpatient services, providing care and support primarily to the residents living in Huron and Perth Counties however will support all patients and their families, regardless of where they are from should the services we offer be most appropriate for their care. The Stratford Site acts as a regional referral centre for Huron and Perth offering a broad range of medical/surgical inpatient services including critical care and neo-natal intensive care, supported with internists, paediatricians and surgical specialists such as urology, general and orthopaedics. The Stratford Site also provides mental health, maternal child, complex continuing care and rehabilitation inpatient services. The Clinton, St. Marys and Seaforth sites offer acute rehabilitation and complex continuing care inpatient services. All four sites provide 24/7 emergency services and all of the associated support services such as imaging and lab.

Our hospitals receive operating funds primarily from the South West Local Health Integration Network and we are an integral part of the Local Health Integration Network's Huron Perth Sub-Region.

## Executive Compensation Philosophy

The Huron Perth Healthcare Alliance (HPHA) is committed to an Executive compensation program that is compliant with all relevant pieces of legislation and is both internally and externally competitive. The HPHA's Executive Compensation Program is designed to attract, motivate and retain highly skilled, qualified and accountable members of the Senior Leadership Team and to align their efforts in the achievement of the Alliance's operating goals and strategic objectives. The Program is also designed to reward individual and organizational performance and to do so in the most responsible and transparent manner possible.

### Total Salary and Performance-Based Compensation

The total salary and performance-based compensation for all members of the Executive Team shall be positioned at the 50th percentile of total compensation for similar positions within a group of comparator hospitals (identified in this document) and in accordance with the Broader Public Sector Executive Compensation Act 201 (BPSECA) and specifically Regulation 304/16, Executive Compensation Framework.

### Pay Components and Progression

Salary ranges have been established for the Huron Perth Healthcare Alliance's (HPHA) Executive positions and are identified within this document.

The Job Rate for an executive position is defined as the total maximum salary plus the performance-based compensation for the Executive position. The HPHA's Executive Compensation Program includes a pay-for-performance component, the realization of which is dependent upon the executive's level of achievement of Board-endorsed annual organizational and individual performance improvement goals. This aspect of the HPHA's Executive Compensation Program ensures HPHA's compliance with the province's *Excellent Care for All Act, 2010* which mandates "performance-based compensation" as a way to ensure that organization's focus on a specific set of goals linked to improving quality. The HPHA's entire Quality Improvement Plan for the current fiscal year is available on the HPHA website - <http://www.hpha.ca/Default.aspx?cid=1296&lang=1>.

Merit Pay/Progression through the salary scale is designed to compensate non-union employees for their individual performance. Progression through the salary grid is not automatic and is based on the executive's ability to meet job description requirements, individual/portfolio performance targets and other performance elements assessed in a performance review. Where the executive is not at the top of the salary scale, the amount of performance pay received by the executive in the previous year will determine their base salary for the upcoming year provided that the resulting increase does not exceed the top/maximum of the salary scale. Where the executive is at the top of their salary scale, their performance pay will be identified as a re-earnable pay-for-performance percentage each year to the maximum cap of salary plus performance pay as outlined in the Executive Compensation Program and representing the 50th percentile. It is noted that, where an Executive does not meet performance targets, total compensation will fall below the 50<sup>th</sup> percentile.

### Economic Salary Adjustments

Executive staff is eligible for the same economic increases as awarded to non-executive, non-union staff.

### **Maximum Annual Increases**

Annual increases to an Executive's total salary and performance-based compensation are limited to no more than 5% in total. This 5% maximum increase amount takes into consideration potential increases generated through:

- 1) The Pay-for-Performance Program and movement through the established salary scale; and
- 2) Any identified annual economic adjustment (as awarded to other non-executive, non-union staff in accordance with provincial trends).

Annual Increases to an Executive Position's identified salary cap (set at 50 percentile) will occur in accordance with the Broader Public Sector Executive Compensation Act, 2014 (BPSECA).

## **Executive Compensation Program - Process**

The HPHA's Executive Compensation Program was developed in-house in conjunction with established requirements as detailed in the *Broader Public Sector Executive Compensation Act, 2014*, and Regulation 304/16 last amended on June 8, 2017. In addition, the HPHA utilized resources made available to all Ontario Hospitals by the Ontario Hospital Association. The HPHA's Draft Executive Compensation plan and the specific compensation levels identified for the members of the Executive Team must be reviewed and approved by both the HPHA Board of Directors and by the Minister of Health and Long-Term Care prior to public consultation and again prior to finalization.

In establishing the compensation program for the Executive Team, the Board of Directors itemized a number of objective indicators to be used in the identification of comparator facilities. The indicators selected to determine comparator Hospitals are identified below:

- Multi-Site Status of Organization;
- Multi-Community Status of Organization;
- Multi-Corporation Status of Organization;
- Scope of Responsibility of the Organization's Executive;
- Types of Operations the Organization Engages In;
- Size of Organization; and
- Organization Location/Proximity.

Further, in developing the Executive Compensation Program the HPHA made a conscious decision to utilize the same group of comparator Hospitals for each executive position.

## Designated Executive Positions

The following designated executive positions and classes are included in the HPHA's Executive Compensation Program:

- President and Chief Executive Officer
- Vice-President, People and Chief Quality Executive
- Vice-President, Partnerships and Chief Nursing Executive
- Vice-President, Performance and Chief Financial Executive
- Chief of Staff

## Salary and Performance-Related Pay Caps

The following comparators were used to benchmark salary and performance-related pay for each designated executive position or class of positions, along with rationale for the chosen comparators.

### Comparator Selection

#### ➤ Comparator 1

Executive Positions or Classes of Positions Benchmarked:

- President and Chief Executive Officer
- Vice-President, People and Chief Quality Executive
- Vice-President, Partnerships and Chief Nursing Executive
- Vice-President, Performance and Chief Financial Executive

Positions or Classes of Positions:

- Top Executive Officer
- Top Clinical Executive, Not an MD
- Top Financial Executive
- Top Nursing Executive
- Top Clinical Support Services Executive, not an MD
- Top Support Services Executive
- Top Executive Officer Next to CEO
- General Executive Officer

#### ➤ Comparator 2

Executive Positions or Classes of Positions Benchmarked:

- Chief of Staff

Positions or Classes of Positions:

- Top Medical Executive

#### Comparator Organizations:

- Grand River Hospital
- Markham Stouffville Hospital Corporation
- Joseph Brant
- Brant Community Healthcare System
- Quinte Health Care
- Grey Bruce Health Services
- Bluewater Health
- Sault Area Hospital
- Royal Victoria Regional Health Centre
- Chatham-Kent Health Alliance
- North Bay Regional Health Centre

#### Rationale for Selected Comparators:

- Multi-Site Status of Organization
- Multi-Community Status of Organization
- Multi-Corporation Status of Organization
- Scope of Responsibility of the Organization's Executive
- Types of Operations the Organization Engages In
- Size of Organization
- Organization Location/Proximity

## Comparator Group and Comparative Analysis Details

### Multi-Site Locations

The Huron Perth Healthcare Alliance (HPHA) comparator group includes eleven hospitals in Ontario that were chosen for the multi-site status of the organization, with all comparators having more than one (1) site. The HPHA operates four (4) separate sites within Huron and Perth Counties in the South West LHIN region. The Grey Bruce Health Services is a similar multi-site location with close proximity to our region that operates six (6) hospitals (Lion's Head, Markdale, Meaford, Owen Sound, Southampton and Wiarton). Bluewater Health is also in close proximity in Southwestern Ontario, operating two (2) hospitals in Sarnia and Petrolia. The key difference for multi-site hospitals is that managing these multi-site locations increases the operational complexity, while servicing a greater geographic area.

### Multi-Community Locations

The Huron Perth Healthcare Alliance (HPHA) comparator group hospitals serve multi-community locations, which is different than one location servicing multiple communities. Community hospitals, providing patient treatment with specialized medical and nursing staff and medical equipment, are fundamental healthcare services complementing the primary health care system. Quinte Health Care, operates four (4) hospitals in the communities of Belleville, North Hastings, Prince Edward County, and Trenton serving a total of 160,000 residents which is in direct comparison to the HPHA operating four (4) hospitals in the communities of Clinton, St. Marys, Seaforth and Stratford with a total resident population of 136,912. All the communities involved place a high value on their local hospital thereby increasing the demands on the successful management of those operations.



### **Multi-Corporation Status**

The Huron Perth Healthcare Alliance (HPHA) model of operating as a merged organization with common Board, staff, information system and budget, but the four sites are still legally independent corporations requiring additional processes and routines to satisfy this requirement adds additional complexity. For example, the Ministry of Health and Long-Term Care (MOHLTC) and Local Health Integration Network still treat each site as independent corporations with four specific cash flows, four quarterly and annual budget submissions, four ongoing financial and statistical reporting requirements, and four Hospital Service Accountability Agreements. Additionally each of the four corporations maintains their own medical staff, foundations and other community connections which require management participation and coordination. Multi community engagement activities and strategies are more time consuming and complex than single community providers. HPHA has 17 municipal governments in its secondary catchment area.

There are no other similar Ontario hospital provider models with four (4) separate hospital corporations, operating as one entity and still having to meet separate legislated corporate organizational obligations as well as the MOHLTC and other reporting entities requirements. The Chatham-Kent Health Alliance comparator still retains their separate corporation status for each of their sites, but the MOHLTC treats the Chatham-Kent Health Alliance as one funding entity.

### **Scope of Responsibilities of the Organizations Executive**

Each of the eleven comparator hospitals have similar executive roles in regards to responsibilities, community and Ministry accountability and the essential competencies in order to achieve the goals set by the Boards of Directors. Each hospital has a President and Chief Executive Officer, comparable to the Huron Perth Healthcare Alliance President and Chief Executive Officer, as evidenced by:

- Grand River Hospital
  - President and CEO; supported by 6 Vice Presidents
- Chatham-Kent Health Alliance
  - President and CEO; supported by 3 Vice Presidents
- Grey Bruce Health Services
  - President and CEO; supported by 4 Vice Presidents
- Bluewater Health
  - President and CEO; supported by 3 Vice Presidents
- North Bay Regional Health Centre
  - President and CEO; supported by 3 Vice Presidents
- Royal Victoria Regional Health Centre
  - President and CEO; supported by 6 Vice Presidents

Each hospital has an equivalent of Vice President positions that report through to the CEO. These positions have significant budget and performance accountabilities, large staffing responsibilities and multi-disciplinary teams working to provide the patient experience everyday. In summary, the positions and commensurate responsibilities and competencies required in all positions across the eleven hospital comparator groups are the same.

### **Types of Operations the Organization Engages In**

The eleven comparator organizations offer many of the same services in respect to emergency departments, surgery, medicine, maternal child, mental health programs, rehabilitation and a range of diagnostic services.

The Chatham-Kent Health Alliance as a comparable organization offers the following services, Complex Continuing Care, Diagnostic Imaging, Emergency Department & Ambulatory Care, ICU/PCU, Medicine, Mental Health & Addictions, Oncology/Cancer Clinic, Rehabilitation, Surgery, Women & Children's Program, District Stroke Centre, MRI & CT Examinations, Ontario Breast Screening Program, Hemodialysis Satellite Program, Early Psychosis Intervention Program for Youth, Satellite Chemotherapy Unit.

The Huron Perth Healthcare Alliance offers the following services, Cardiorespiratory, Chemotherapy, Clinical Nutrition, Critical Care, Diabetes Education, Dialysis, Emergency Services, Hand Therapy, Imaging, Breast Screening Program, Laboratory Services, Maternal Child, Medicine, Mental Health Services, Outpatient Pediatric Therapy, Outpatient Physiotherapy, Outpatient Speech Language Pathology, Rehabilitation, Smalltalk, Stroke and Surgery, Early Psychosis Intervention Program for Youth, Complex Continuing Care, District Stroke Centre.

### **Size of Organization**

Huron and Perth counties are the Central Region of the South West Local Health Integration Network (SW LHIN). Statistics Canada data indicates the population of Perth and Huron counties is 136,912 within 5,615 kilometers. The HPHA has 836 full-time equivalents (FTEs) with the comparator group median at 1255. The median revenue for the comparator group was \$185 million, with the Huron Perth Healthcare Alliance at just over \$130 million annually.

### **Organization Location/Proximity**

The HPHA is located with 100 km of five of the eleven comparator group hospitals which is not only commutable in this day and age, but makes for an easy move for those looking to take on new executive roles. The HPHA is also within 50 km of London Health Sciences (LHSC), the largest teaching hospital in Southwestern Ontario, and St. Joseph's Health Care London, and within 50 km of Grand River Hospital and St. Mary's General Hospital, both in Kitchener-Waterloo. Although LHSC was not in the comparator group, they are in direct competition for the senior health care talent of our organization. It is important that our executive compensation strategy remains competitive to not only the comparator group, but to other hospitals in the region that compete for top executive talent. A competitive compensation strategy includes salary structure to fit the responsibilities of the position, annual increases for cost of living, competitive pay for performance and a benefit program. The proper executive compensation package based on the proposed comparator group is crucial to attract and retain excellent talent for the HPHA.

## Salary and Performance-Related Pay – Comparative Analysis Details

The 50th Percentile was used to benchmark the salary and performance-related pay cap for each designated executive position or class of positions - as is mandated through legislation.

The eleven comparator organizations identified above were benchmarked for the following HPHA executive positions with the Maximum Job Rate (Base+ Performance) pay caps for each role identified as follows:

- President and CEO - \$325,125
- Vice-President, People and Chief Quality Officer - \$207,900
- Vice-President, Partnerships and Chief Nursing Officer - \$207,900
- Vice-President, Performance and Chief Financial Officer - \$207,900

The eleven comparator organizations identified above were benchmarked for the Chief of Staff position and the annualized Maximum Job Rate (base+ performance) pay cap has been identified as follows:

- Chief of Staff - \$317,500<sup>1</sup>

## Salary and Performance-Related Pay Structure

Executive Position/ Class	Salary Range Minimum (\$)	Job Rate (\$)	Salary Range Maximum (\$)	Target Annual Performance Related Pay (% of salary)	Maximum Annual Performance Related Pay (% of Salary)	Salary and Performance Related Pay Cap (\$)
President & CEO	\$264,681	\$294,860	\$309,642	5.0	5.0	\$325,125
VP People & Chief Quality Executive	\$162,411	\$171,210	\$198,000	5.0	5.0	\$207,900
VP Partnerships & Chief Nursing Executive	\$162,411	\$164,561	\$198,000	5.0	5.0	\$207,900
VP Performance & Chief Financial Executive	\$162,411	\$177,899	\$198,000	5.0	5.0	\$207,900
Chief of Staff <sup>1</sup>	\$258,475	\$300,000	\$302,380	5.0	5.0	\$317,499

## Salary and Performance-Related Pay Envelope

Sum of Salary and Performance-Related Pay for the Most Recently completed Pay Year (\$)	Maximum Rate of Increase to Envelope (%)
\$868,530	5.0

<sup>1</sup> The maximum job rate for the Chief of Staff reflects a full-time position. The Chief of Staff role within the HPHA is remunerated at 1 day/week, consistent with 1/5 of the comparator Maximum Job Rate.

### **Rationale for the Proposed Maximum Rate of Increase:**

Currently, the HPHA has had a "Pay-at-Risk" program in order to comply with the *Excellent Care for All Act* as, when the act was introduced, Executive salaries were frozen and, like many smaller hospital organizations, the HPHA did not have a Pay for Performance program in place. A 5% maximum increase/year will allow for the implementation of a true Pay-for-Performance program, potential movement through the salary grid as well as potential increases due to economic adjustment. The implementation of a true Pay-for-Performance Program will ensure that HPHA executives are focused on the achievement of stretch organizational goals and objectives. Further, the execution of a true Pay-for-Performance program will better align HPHA with comparator organizations thereby making HPHA more competitive and successful in both the recruitment and retention of quality executives. It is understood that the 5% maximum increase is just that, a maximum - the potential exists in this compensation program for executives to receive less than the maximum increase in any given year.

The proposed compensation respects the financial and compensation priorities of the Government of Ontario and provides for an increase to salaries that have been frozen since 2010.

- The proposed compensation provides for a reasonable differential between the salary and performance pay of positions that report to designated executive positions to retain and attract talent.
- The proposed Executive Compensation Program allows for:
  - compliance with the *Excellent Care for All Act* through the Pay-for-Performance component;
  - movement through the salary scale; and
  - economic adjustments.
- The proposed compensation provides for a true pay for performance component without adding additional costs to the compensation program.
- The proposed compensation program provides for reasonable movement through the salary scale in keeping with other organizational compensation practices.
- The proposed compensation program provides for reasonable economic adjustments in keeping with other organizational compensation practices.
- The proposed compensation program provides for annual increases to the identified classification salary caps in accordance with the BPSECA.
- The proposed capped compensation program provides for total compensation for each executive that is at the 50th percentile of comparator hospital.
- The proposed compensation program recognizes the scope and complexity of the work as HPHA continues to perform as an Industry Leader in system integration through partnership building and system's focused thinking.