



Hanover and District Hospital
90 7th Avenue
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Broader Public Sector Executive Compensation

Executive Compensation Program (Final)

Hanover and District Hospital

1. Background

In 2010, the Province legislated a two-year compensation freeze for all non-unionized employees in the Broader Public Sector (BPS) which prohibited increases to compensation, including rates of pay, pay ranges, benefits, perquisites and other payments, but allowed for employees to progress through the pay ranges if their terms and conditions of employment included a salary grid. In 2012, the Province lifted the compensation freeze for all non-unionized employees but continued a freeze on all elements of compensation for designated executives, including performance pay envelopes. These compensation restraint measures continue to apply until a compensation framework becomes effective for an employer, or by proclamation of the Lieutenant Governor.

In 2014, the Province approved the Broader Public Sector Executive Compensation Act, 2014 (BPSECA) which provides for the establishment of compensation frameworks, the details of which are outlined in Ontario Regulation 304/16, as amended by Ontario Regulation 187/17 (the Regulations), and the Broader Public Sector Executive Compensation Program Directive (the Directive).

Under the Regulations and the Directive, the Board of Governors of HDH is responsible for:

- Approving all wage increases for designated executives;
- Developing an Executive Compensation Program (ECP) that includes a compensation philosophy, salary and performance related pay caps based on a comparative analysis of each designated executive position using at least eight (8) comparable organizations, a maximum rate by which the total designated executive salary and performance-related pay envelope could be increased each year, and any elements of compensation provided exclusively to designated executives with a corresponding rationale;
- Submitting by September 29, 2017 to the Ministry of Health & Long Term Care the proposed ECP for approval;
- After receiving approval by the Ministry, seek public comment by posting its proposed ECP on its public-facing website for a minimum of thirty (30) days;
- Submitting to the Ministry a summary of the public feedback received and any changes being made to the program;
- Securing final approval by the Minister of Health & Long-Term Care of the ECP; and
- Approving the final ECP and post on its website.

2. Compensation Philosophy

HDH is a leading health care organization providing quality, compassionate and cost-effective programs and services that continually meet and exceed the patient needs. HDH provides a full range of primary care hospital services and selected secondary care services to the population of Hanover and the surrounding rural municipalities.

Our vision is to be an innovative health care network and its primary goal is to collaborate with partners to ensure that the residents of the region receive the highest quality care possible.

We believe in partnering with acute, community and Long-term care health providers and South West LHIN to identify community service needs and the variation of services provided to ensure a full continuum without unnecessary duplication.

HDH's compensation philosophy is designed to:

- Allow HDH to attract, retain and motivate executive talent that will deliver on HDH's mission and strategy, as well as its operating goals, including Quality Improvement Plan ("QIP");
- Reward executives for the scope of their responsibilities and the delivery of high quality public services, as well as annual objectives;
- Recognize the uniqueness of HDH's competitive market in light of HDH's talent requirements in terms of culture, values and know-how;
- Provide market competitive total compensation for executives while reflecting the organization's affordability and accountability, avoiding excessive pay levels and other unwarranted compensation elements in accordance with the Framework directions. This includes capping executive compensation at the 50th Percentile of the maximum amounts of salary and performance-related pay of the relevant market; and
- HDH will seek to benchmark its executive compensation against appropriate comparators selected for similarity and fit related to: scope of responsibilities for executives, industries within which we compete for executives, size and budget of the organization, type of operations the organization engages in, and location of the organization.

Each year, QIP targets shall be reviewed with the Board Governors indicating the degree to which the targets have been met. As indicated in the QIP, 5% of the executives' annual base salary is considered to be 'at risk' and is linked to achieving 100% of the targets set out in the QIP. Achievement of all targets would result in 100% payout; partial achievement of targets will result in partial payout, as determined by the Board of Governors.

3. Designated Executive Positions

- President and Chief Executive Officer;
- Vice President of Finance and Operations;
- Vice President of Human Resources; and
- Vice President of Patient Care Services / Chief Nursing Officer.

4. Comparator Selection

The following 17 organizations are selected as HDH's comparator group based on the factors specified within the Executive Compensation Framework (the "Framework")

<ol style="list-style-type: none"> 1. Alexandra Hospital 2. Alexandra Marine and General Hospital 3. Almonte General Hospital 4. Bruce-Grey Catholic District School Board 5. Campbellford Memorial Hospital 6. Carleton Place and District Memorial Hospital 7. Dryden Regional Health Centre 8. Haldimand War Memorial Hospital 9. Huron-Perth Catholic District School Board 	<ol style="list-style-type: none"> 10. Listowel Wingham Hospital Alliance 11. Middlesex Hospital Alliance 12. Municipality of Grey Highlands 13. Renfrew Victoria Hospital 14. South Bruce Grey Health Centre 15. St. Francis Memorial Hospital 16. Tillsonburg District Memorial Hospital 17. Wellington Health Care Alliance
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All the above selected organizations fulfill 3 or more of the following factors:

- **Scope of responsibilities of the organization's executives:**
All selected comparator organizations have relevant number of comparable positions to each HDH executive position, that are similar with respect to essential competencies (knowledge, skills, abilities), and share similar levels of complexity and accountability
- **Type of operations the organization engages in:**
The comparator group consists of 14 small community hospitals, 2 district school boards and 1 municipality
- **Industries within which the organization competes for executives:**
All comparator organizations are BPS organizations within which HDH competes for designated executives
- **Size of the organization:**
The comparator group represents a balanced sample of organizations that are smaller and larger than HDH with respect to Annual Revenues, headcounts, inpatient volume and number of beds. We have included 2 district school boards and 1 municipality primarily due to competition for talent and location
- **Location of the organization:**
Majority of the comparator organizations are in the region that HDH geographically competes for talent (same and surrounding LHINs)

HDH performed a comparative analysis within the comparator group and all positions were benchmarked against jobs with similar job titles and a similar nature of responsibilities and scope of portfolios.

The table lists the comparators used to benchmark each designated executive position -

Benchmark Titles				
Hospital Name	President and Chief Executive Officer	Vice President of Finance and Operations	Vice President of Human Resources	Vice President of Patient Care Services / Chief Nursing Officer
Campbellford Memorial Hospital	President & CEO	-	Director, HR	CNO

Dryden Regional Health Centre	CEO	CFO	VP - HR/Support Services	VP - Patient Care Services / CNE
Alexandra Marine and General Hospital	President & CEO	VP, Cor. & Support Services / CIO	VP, Cor. & Support Services / CIO	VP, Clinical Services / CNE
Listowel Wingham Hospital Alliance	President & CEO	CFO	CHRO	VP Clinical Services/CNE
Haldimand War Memorial Hospital	President & CEO	VP & CFO	-	VP & CNO
South Bruce Grey Health Centre	President & CEO	VP, Finance & Corporate Services	VP, Finance & Corporate Services	CNO
Wellington Health Care Alliance	President & CEO	CFO	CHRO	VP Patient Care Services & CNE
Alexandra Hospital	President & CEO	VP/CFO	VP/CFO	VP/CNE
Middlesex Hospital Alliance	President & CEO	VP Finance & CFO	-	VP Clinical Services & CNE
Almonte General Hospital	President & CEO	VP & CFO	VP, Corporate Support Services	VP, Patient/Resident Services & CNE
Carleton Place and District Memorial	President & CEO	VP Finance & CFO	-	VP Patient Services & CNE
Renfrew Victoria Hospital	President & CEO	VP, Financial Services	VP, Corporate Services	VP, Patient Care Services / CNE
Bruce-Grey Catholic District School Board	-	Superintendent of Business	Superintendent of Human Resources	-
Huron-Perth Catholic District School Board	-	Superintendent of Business	Executive Manager of Empl. Rel.	-
Municipality of Grey Highlands	-	Chief Administrative Officer	Chief Administrative Officer	-
Tillsonburg District Memorial Hospital	Shared with Alexandra Hospital	Shared with Alexandra Hospital	Shared with Alexandra Hospital	Shared with Alexandra Hospital
St. Francis Memorial Hospital	Shared with Renfrew	-	-	CNE - Director of Patient Care Services

5. Salary and Performance-related Pay Structure

The results of the comparative analysis (based on section 4) were used to determine the maximum compensation that HDH executives may earn. The total cash compensation caps for all executives were established at the 50th percentile of the comparator market maximum total cash compensation (maximum base salary plus maximum performance-related pay).

Note: 5% of the Annual Base Salary is considered 'at-risk' (claw back model) and payout is subject to performance

Executive Position	Salary Range Minimum (\$)	Salary Range Maximum (\$)	Salary and Performance-related Pay Cap (\$)
President and Chief Executive Officer	\$169,314	\$211,642.50	\$211,642.50
Vice President of Finance and Operations	\$116,935	\$129,928	\$129,928
Vice President of Human Resources	\$116,541	\$129,490	\$129,490
Vice President of Patient Care Services / Chief Nursing Officer	\$119,138	\$132,376	\$132,376

Adjustments to the salary and performance-related pay cap

Once per pay year, pursuant to Regulations, HDH may increase the salary and performance-related pay cap for a designated executive position by a rate that does not exceed the lesser of the following:

- The average rate of increase in salary and performance-related pay of the designated employer’s non-executive managers for the most recent one-year period in respect of which HDH determined the salary and performance-related pay to be paid to the non-executive managers; and
- The public sector wage settlement trend in Ontario.

6. Salary and Performance-related Pay Envelope

HDH’s salary and performance-related pay envelope for the Most Recently Completed Pay Year (2016/17) is \$520,202.

HDH has proposed a 5.0% maximum rate of increase to the envelope based on the factors outlined in section 3.3 of the BPSEC Framework Regulation. Although all the factors were considered, some factors were given more attention due to data availability and/or relative impact on HDH’s executive compensation needs and organization-specific circumstances. The following factors were the primary determinants:

- *The financial priorities and the compensation priorities of the Ontario Government as indicated in the most recently published 2017 Ontario Budget:*
Based on the 2016 Ontario Economic Outlook and Fiscal Review, transforming healthcare is one of the primary priorities for Ontario. HDH is honoured to be chosen as Studer Group's Canadian Organization of Distinction for the first half of 2017. This award shows HDH has demonstrated good outcomes over time and recognizes hard work and dedication to achieving clinical, service and operational excellence. HDH has been accredited twice with “Exemplary Status” demonstrating we are an innovative health care network. The proposed maximum rate of increase would allow HDH to attract, retain, and motivate executives that are critical to leading the delivery and execution of HDH’s mandate in its LHIN.

- Recent executive compensation trends in the part of the Canadian public sector and BPS that is in the industry within which the designated employer competes for executives.*

Korn Ferry Hay Group's Executive Market Trends report indicates that executives in national broader public sector have received an average increase of approximately 1.9% annually to actual base salary between 2012 to 2017. HDH and other Ontario BPS organizations have maintained the same salaries for the last 7 years. The proposed maximum rate of increase of 5.0% will allow for the initial and future annual compensation adjustments needed to attract, retain and motivate the executive team, or address any internal/external inequities that may arise.
- Portion of operating budget used for executive compensation as compared to the comparator organizations*

HDH has made efforts to obtain data and analyze information regarding to this factor. However, at this time, this type of information is not readily available. We believe that our executive compensation portion with respect to our operating budget is well within the predicted benchmarking amounts of other hospital organizations.
- The difference between the salary and performance-related pay range for executive positions and the salary and performance-related pay ranges for the employees or office holders who directly report to those positions.*

HDH believes that the proposed maximum rate of increase of 5.0% would allow the executives to receive reasonable increases over time, up to the maximum total cash compensation cap, while working towards reasonable pay gaps between the executives and non-executives, and aiming to alleviate further compression issues between executives and non-executives.
- Significant expansion in the operations of the designated employer that is not the result of a significant organizational restructuring*

Recently, HDH got an approval from the MOHLTC to implement an own funds capital project to install a new Computer Tomography (CT) scanner to the diagnostic imaging departments services. The total estimated project cost is significant and includes purchase of the equipment and associated capital renovations.

The CT scanner is an additional service to be added to go along with the current X-ray and Fluoroscopy services.

HDH has also recently added two Restorative Care Unit (RCU) beds that will provide patients with extra time to recover from their hospital stay prior to going home. HDH's Surgical program and its complexities and Obstetrical program continues to grow as HDH offers all the modern conveniences associated with child birth, including family birthing rooms, epidurals, 24/7 Cesarean Section support, and midwives.

Considering this expansion, and growth, the proposed 5.0% maximum rate of increase will be essential to attracting, retaining, and motivating top executives to support HDH's future operating complexities.

7. Other Elements of Compensation

The designated executive positions receive the same benefit provisions as all management staff at HDH with the following exceptions:

- **Vacation:** Executives are entitled to 1.25 days/month to 8 weeks depending on the tenure and non-executive managers are entitled for 1.25 days/month to 7 weeks depending on the tenure
HDH will grandfather this element for 3 years and thereafter remove the 8 week model by adopting the non-executive managers vacation of up to 7 weeks with the same tenure.
- **Professional Fees:** HDH currently provides two executives (Vice President of Finance and Operations & Vice President of Human Resources) for annual professional renewal of certification in accordance with their job requirements. This is not provided to the non-executive managers.

HDH will grandfather this element for 3 years and thereafter remove this policy for all the executives.