

EXECUTIVE COMPENSATION PROGRAM

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INTRODUCTION

The Perth and Smiths Falls District Hospital (the “Hospital” or “PSFDH”) is a fully accredited acute care health care organization located on two state-of-the-art sites. The hospital is situated in the heart of the Rideau Canal region and proudly provides health services to more than 44,000 people in the surrounding communities. The hospital delivers a broad range of primary and secondary services and programs such as emergency care, diagnostic imaging, obstetrics, general and specialty surgical services, dialysis as well as laboratory and infection control services.

The Hospital’s Board of Directors recognizes the significant value of human resources in fulfilling its mission and realizing its vision. One of the PSFDH’s strategic enablers is its investment in people. The Board of Directors wants to ensure that the compensation program for its executive management is current, competitive, in line with current legislation and appropriate to attract and retain the best senior talent necessary to lead the organization.

BACKGROUND

Ontario is implementing a new framework for executive compensation in the broader public sector. While removing the current compensation freeze, it caps salaries and performance-related pay at no more than the 50th percentile of the appropriate comparators; prohibits certain elements like signing bonuses; and requires designated employers to have an executive compensation program that will be posted on the web and subject to public consultation. The framework regulation applies to all designated employers under the Broader Public Sector Executive Compensation Act, 2014. As part of this process, the Hospital is posting this summary of its Executive Compensation Plan (ECP) and inviting public feedback.

Historically, and when permitted, PSFDH has undertaken regular reviews of its compensation practices. Past reviews included relevant comparators in the Healthcare and the private sector relevant to the talent PSFDH needs to attract and retain. A performance-based program has not been a part of PSFDH’s executive compensation structure as the compensation freeze prevented an effective implementation.

COMPENSATION PHILOSOPHY

Within the constraints specified by Treasury Board and/or the Ministry of Health and Long Term Care (MOHLTC), Perth and Smiths Falls District Hospital's Executive Compensation Philosophy aims to establish structures and incentives designed to attract, motivate, develop and retain highly qualified and accountable members of the Executive Team and align their efforts to support the achievement of the organization's operating goals and strategic objectives.

Designated Executive Positions

Full Job Title	Class of Position
President and CEO	President and CEO
Vice President of Patient Care and Chief Nursing Executive	Vice President
Vice President of Finance and Support Services	Vice President
Vice President of Clinical Services	Vice President
Chief of Staff	Chief of Staff

Salary and Performance-Related Pay – Comparator Selection

Comparator organizations were chosen based on their similarity to PSFDH along the following dimensions.

- Scope of Responsibility – Each of the comparator positions must have similar accountability and a similar level of responsibility as does the PSFDH position being evaluated.
- Type of operations the organization engages in – Each of the comparators are, as is PSFDH, a community hospital.
- Industries within which the organization competes for executives – All of the comparator organizations are hospitals, as defined by the Public Hospitals Act.
- Size of the organization:
 - Hospital Budget – All of the comparators fall into the budget range of \$25 million to \$150 million annually. PSFDH's budget for 2017/2018 is \$52.3 million
 - Number of Beds – All of the comparator hospitals fall into the range of 50 to 199 beds. PSFDH has 85 beds.
 - Number of Staff – The number of full-time equivalent (FTE) employees at each of the comparators is in the range of 250 to 1500 FTEs. PSFDH employs 406 FTEs.
 - Weighted Cases handled – Some of the comparator hospitals fall into the "Small" classification. Of the "Medium" hospitals, the range of weighted cases is 2,900 to 7,000. PSFDH is considered a medium-sized hospital and has 5,535 weighted cases per year on average.
- Geographical area – All of the comparator hospitals are located in Ontario.

Comparative Analysis Details
Hospital

Hospital	President & CEO
Northumberland Hills Hospital	250,000.00
Woodstock General Hospital	250,000.00
Collingwood General Hospital	241,500.00
Weeneebayko General Hospital	240,000.00
Headwaters Health District Hospital	236,184.00
Hunstville District Memorial Hospital	235,200.00
Strathroy Middlesex General Hospital	225,498.00
Brockville General Hospital	216,444.00
Georgian Bay General Hospital	208,000.00
Perth & Smiths Falls District Hospital	205,000.00

50th percentile-\$236,184.00 (pay cap) (number 5 of 9 comparators)

Hospital	Vice Presidents
Brockville General Hospital	164,800.00
Woodstock General Hospital	161,142.00
Collingwood General Hospital	155,854.00
Weeneebayko General Hospital	155,000.00
Georgian Bay General Hospital	149,709.00
Strathroy Middlesex General Hospital	134,150.00
West Parry Sound Health Center	133,906.00
Lake of the Woods District Hospital	118,928.00
Perth and Smiths Falls District Hospital	133,516.50

50th percentile-\$152,354.50 (pay cap), ½ way between comparator #4 Weeneebayko General Hospital and #5 Georgian Bay General Hospital (out of 8 comparators)

Hospital	Chief of Staff
Woodstock General Hospital	146,250.00
Georgian Bay General Hospital	127,173.91
Brockville General Hospital	112,501.35
Timmins General Hospital	112,499.99
Lake of the Woods District Hospital	107,739.45
Collingwood General Hospital	105,300.00
Sioux Lookout Meno-Ya-Win Health Center	99,023.43
Kirkland and District Hospital	97,501.95
Perth and Smiths Falls District Hospital	95,000.00

50th percentile-\$110,119.72 (pay cap), ½ way between comparator #4 Timmins General Hospital and #5 Lake of the Woods District Hospital (out of 8 comparators)

Salary and Performance-Related Pay - Structure

To establish a coherent pay structure, we recommend setting the range minimums at current levels and the maximums at the 50th percentile of the comparator organizations. This latter factor is the maximum permitted under Provincial guidelines and is fair considering the context in which the Hospital operates.

Executive Position or Class of Positions	Salary Range Minimum (\$)	Current Salary (\$)	Salary and Performance Related Pay Caps (50th percentile of comparators)
President and CEO	205,000.00	205,000.00	236,184.00
Vice President of Patient Care CNE	133,516.50	133,516.50	152,354.50
Vice President of Finance and Support Services	133,516.50	133,516.50	152,354.50
Vice President of Clinical Services	133,516.50	133,516.50	152,354.50
Chief of Staff	95,000.00	95,000.00	110,119.72

Salary and Performance-Related Pay Envelope

The Compensation Guidelines issued by Treasury Board require the Hospital to recommend a total \$ amount of increase for all the Executives (versus an amount for each). This is called an envelope. Once approved by the Minister of Health and Long-Term Care it will be at the discretion of the PSFDH Board of Directors to allocate said amount. Initial thoughts are to apply the amount to create an incentive plan whereby the Executives can earn the payment only by achieving certain critical health outcomes (for example; wait times).

Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (\$)	Recommended Rate of Increase to Envelope (%)	Actual \$ Amount of Envelope
700,549.50	4%	28,021.98

In proposing 4%, the Board considered the five factors articulated in the Directive, which are summarized below:

- Themes that emerge from government publications include a) the return to growth of the Ontario economy - although the economy is still in transition, executive salaries have been frozen for seven years and the return to growth presents an opportunity to remedy the resulting uncompetitive executive salary structures at PSFDH. b) investment in health care - while investment in additional healthcare infrastructure is key to a robust healthcare system, investment in the quality of executive leaders in healthcare is no less important. This is

particularly true in small rural hospitals such as PSFDH. c) The need to remain competitive - while it is important that the private sector become more competitive, a key factor supporting such growth in competition is a robust healthcare system. A competitive salary structure is an important factor in ensuring that PSFDH is an efficient and effective small rural hospital to support industry moving to this part of Ontario. Investment in health care - while investment in additional healthcare infrastructure is key to a robust healthcare system, investment in the quality of executive leaders in healthcare is no less important. This is particularly true in small rural hospitals such as PSFDH.

- Executive compensation in the hospital sector has been frozen since 2010, so there is no discernible trend during the seven-year period leading up to this exercise.
- PSFDH’s executive compensation is 1.34% of its total budget. Data were only received from three comparators. The values were 1.25%, 1.17% and 1.26%.
- The effect of the executive compensation freeze has been to create greater compression between the vice president level and those who report to the executive level.
- There are no plans for expansion at PSFDH.

Other Elements of Compensation

Compensation can take many forms other than base salary and incentives.

The table below reflects these possible payments and the Hospital’s past (and future) practice with respect to each.

Job Title	1. Signing/Retention Bonuses	2. Payments or Other Benefits in lieu of perquisites	3. Cash Housing Allowances	4. Insured Benefits not provided to Non-Executive Managers
President and CEO	None	None	None	None
Vice President of Patient Care and CNE	None	None	None	None
Vice President of Finance and Support Services	None	None	None	None
Vice President of Clinical Services	None	None	None	None
Chief of Staff	None	None	None	None