

Pembroke Regional Hospital – Executive Compensation Program

Background

In 2010, the province of Ontario 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 ranks 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 and certain office holders, 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 addition, Pembroke Regional Hospital (PRH) had put in place a two year voluntary freeze for its executives prior to 2010.

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 Directors of Pembroke Regional Hospital is responsible for:

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

1. Positions Affected by Executive Compensation Program

This Executive Compensation Plan outlines the manner in which compensation is determined for members of the Executive Team at the Pembroke Regional Hospital, which consists of the following positions:

1. President & CEO
2. Senior Vice-President
3. Vice-President of Patient Services (2 positions)
4. Chief of Staff (.5 FTE)

2. Compensation Philosophy

Pembroke Regional Hospital's Executive Compensation Program is designed to attract, motivate and retain highly qualified and accountable members of the Senior Leadership Team and align their efforts to support the achievement of the Hospital's operating goals and strategic objectives. Compensation is comprised of base salary and an "at risk" amount that is related to performance.

3. Comparators

As part of the process to determine the compensation program for the Executive Team, the Board of Directors has reviewed a number of objective measures of complexity and accountability that pertain to their respective roles in relation to selected comparator hospital organizations. This assessment consists of a review of the following five criteria:

- Scope of responsibilities
 - o Each of the comparable organizations are hospitals that have similar executive roles, separate or combined, and are generally similar with respect to essential competencies (knowledge, skills, and abilities), relative complexity and the level of accountability associated with the position.
 - o The comparators positions have been selected for the roles of President, Senior Vice-President, Vice-President of Patient Services, and Chief of Staff which are comparable to those at the Pembroke Regional Hospital. The roles are similar in each hospital and generally include leadership roles in either clinical, administration and support, strategic and resource planning, IT and capital projects, budgeting, oversight of operational departments, and guidance to other areas involved in the hospitals mission. Appendix A specifies the specific roles benchmarked at comparator hospitals.
 - o PRH assessed the match of its executive positions to comparators for scope of responsibilities at 100%.
- Type of Operations the Organization engages in
 - o All comparable organizations are public hospitals in the province of Ontario offering a broad range of health care services to their communities.
 - o Pembroke Regional Hospital provides services to a local catchment area of 55,000 people and a regional catchment area of 110,000 people for its regional programs (e.g. mental health, stroke care, etc...). PRH provides inpatient care for acute, mental health, and rehabilitative patients. The Hospital provides extensive diagnostic and ambulatory services to the catchment population and operates a Community Mental Health program across Renfrew County.
 - o PRH assessed the match of its executive positions to comparators for type of operations at 100%.
- Industries within which the organization competes for executives
 - o All comparator organizations are public hospitals in the province of Ontario. PRH competes for executives primarily with hospitals in Ontario and to a lesser extent to other public sector organizations in Eastern Ontario and Western Quebec.
 - o PRH assessed the match of its executive positions to comparators for industries for which it competes for talent at 100%.

- Size of the Organization
 - o All of the comparator organizations are similarly sized and cover a broad range of clinical services similar to those delivered by PRH.
 - o PRH assessed the match of its executive positions to comparators for size of organization at 89% for President and CEO, 89% for Senior Vice President, and 100% for Vice President of Patient Services and Chief of Staff.

- Location
 - o All comparators are located within the province of Ontario.
 - o PRH assessed the match of its executive positions to comparators for location at 100%.

Comparative Analysis Detail							
Hospital	President & CEO	Hospital	Senior Vice-President	Hospital	Vice-President Patient Services	Hospital	Chief of Staff (.5 FTE)
H	236,400	H	176,241	A	150,000	D	120,000
F	256,961	A	177,500	B	153,265	G	137,904
B	275,000	B	177,625	C	164,800	A	150,000
K	280,000	C	180,000	D	168,617	F	155,000
C	290,500	D	182,500	E	173,355	C	162,417
G	308,997	E	185,000	F	177,625	E	167,500
A	317,613	F	191,627	G	177,694	B	187,500
E	342,000	G	195,000	H	182,500	H	208,000
I	380,445	I	262,200	I	187,602		
D	397,900						
J	481,200						
PRH	308,255		182,297		157,500		157,500
50th Percentile	308,997		182,500		173,355		158,709

Below is a listing of the comparator Ontario hospitals used in the analysis above:

- Brockville General Hospital
- Cambridge Memorial Hospital
- St. Mary's General Hospital
- Orillia Soldiers' Memorial Hospital
- Queensway Carleton Hospital
- St. Thomas Elgin General Hospital
- Norfolk General Hospital
- Bruyère Continuing Care
- Royal Ottawa Health Care Group
- Providence Care Kingston
- Ross Memorial Hospital
- Cornwall Community Hospital
- St. Joseph's Care Group
- Timmins and District Hospital
- Northumberland Hills Hospital
- Chatham-Kent Health Alliance

4. Salary and Performance Related Pay Caps

As outlined in the Broader Public Sector Executive Compensation Guide, salary and performance-related pay is capped at no more than the 50th percentile of appropriate comparators. The following sets out the targeted maximum salary and performance pay at risk for each position as a result of the comparative analysis as follows:

<u>Position</u>	<u>Maximum Annual Salary and Performance Pay at Risk</u>
President & CEO	\$ 308,997
Senior Vice President	\$ 182,500
Vice President of Patient Services (2)	\$ 173,355
Chief of Staff (.5 FTE)	\$ 158,709

5. Executive Salary and Performance related Pay Envelope

The current Salary and Performance Pay Envelope for the five executives at Pembroke Regional Hospital for 2016 was \$929,919.

Once per pay year, pursuant to Regulations, the Board of Directors 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.
- The public sector wage settlement trend in Ontario.

The Board of Directors has established a maximum rate of increase to the Executive Salary and Performance related Pay Envelope of 3% for this Executive Compensation Plan. This rate was established based on a review of:

- **Financial and compensation priorities of the provincial government**
 - The Ontario government has approved a balanced budget in 2017-18 for the first time since 2008-09.
- **Recent executive 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.
- **Proportion of the operating budget used for executive compensation**
 - PRH expends 7.6% on Administrative expenses. The Comparative group of hospitals used in this evaluation expends on average 10.8% on Administrative Expenses.
- **Impact of salary compression on attracting and retaining talent**
 - In 2017-18, the hospital recruited several positions in its non-executive category and two of three candidates were recruited from major urban centers. Specialized talent is most often not available in the local community often resulting in higher than market rates to attract talent to our community.
- **Expansion in the operations.**
 - PRH continues to grow as a regional health care provider including the recent addition of MRI as well as an Orthopedic Program that is further expanding the Hospital's role. The Hospital plays a key role in regional initiatives within the Champlain LHIN and is now the lead organization for Health Links in our Sub-Region.

6. Other Elements of Compensation

Executives at Pembroke Regional Hospital do not have any other elements of compensation that are not provided to non-executive managers.

Appendix A – Specific Roles benchmarked at Comparator Hospitals

<u>Position</u>	<u>Hospital Comparator</u>	<u>Comparator Position</u>
President & CEO	Queensway Carleton Hospital	President & CEO
	Northumberland Hills Hospital	President & CEO
	Ross Memorial Hospital	President & CEO
	Bruyère Continuing Care	President & CEO
	Cambridge Memorial Hospital	President & CEO
	St. Thomas Elgin General Hospital	President & CEO
	St. Joseph's Care Group	President & CEO
	Royal Ottawa Health Care Group Timmins and District Hospital	President & CEO President & CEO
Senior Vice-President	Cornwall Community Hospital	Chief Financial & Information Officer
	Chatham-Kent Health Alliance	VP & CFO
	Orillia Soldiers' Memorial Hospital	Executive VP, Corporate Services & CFO
	Cambridge Memorial Hospital	VP Finance & Corporate Services
	Ross Memorial Hospital	Regional CFO
	Norfolk General Hospital	VP of Finance
	Providence Healthcare	VP Finance and CFO
	Queensway Carleton Hospital Bruyère Continuing Care	VP Finance & Corporate Services Senior VP, Corporate Services & CFO
Vice-President of Patient Services	Orillia Soldiers' Memorial Hospital	VP, Regional Patient Programs
	Northumberland Hills Hospital	VP, Patient Services & CNE
	Brockville General Hospital	VP & CNO
	Norfolk General Hospital	VP of Patient Care
	St. Joseph's Care Group	VP, Addictions & Mental health; VP Rehabilitative Care & Chronic Disease Management; VP Seniors Health & CNE
	Chatham-Kent Health Alliance	VP & CNE
	St. Mary's General Hospital	VP CNE
	Cambridge Memorial Hospital	VP, Clinical Programs & CNE
	Royal Ottawa Health Care Group	VP, Patient Care Services
	Chief of Staff	Cornwall Community Hospital
Brockville General Hospital		Chief of Staff
Royal Ottawa Health Care Group		Psychiatrist in Chief & Chief of Staff

Cambridge Memorial Hospital	VP Medical Affairs / Chief of Staff
St. Mary's General Hospital	Chief of Staff
Ross Memorial Hospital	Chief of Staff
Orillia Soldiers' Memorial Hospital	Chief of Staff and VP Medical Affairs
Bruyère Continuing Care	Chief of Staff