

Broader Public Sector Executive Compensation Program

Dear Community Member,

In 2014, the Government of Ontario began the process of developing public sector compensation frameworks to ensure a transparent and consistent approach to executive compensation. The Broader Public Sector Executive Compensation Act of 2014 (“BPSECA”), introduced by the Ontario Government, applies to all Ontario public sector designated employers, including universities, colleges, hospitals, and school boards. This includes Sensenbrenner Hospital.

Sensenbrenner Hospital is committed to meeting the intent and goals of the Ontario Government, Treasury Board Secretariat and the Ministry of Health and Long Term Care to ensure responsible and transparent executive compensation management in the Ontario broader public sector.

In compliance with the Act, Ontario Regulation 304/16 – Executive Compensation Framework, and Ontario Regulation 187/17 (“the Regulations”), Sensenbrenner Hospital engaged an independent human resource consulting firm to develop a comprehensive proposed Executive Compensation Program to support accountable and responsible executive compensation management practices for designated executive positions.

The proposed Executive Compensation Program sets out a rational compensation approach for designated executive positions consistent with the BPSECA.

In the health sector a competitive, fair, responsible and accountable Executive Compensation program is vital for attracting and retaining the talented leadership essential to deliver high quality healthcare while managing public dollars responsibly. Excellent leaders have a significant positive impact on the effectiveness and productivity of hospitals, the quality of care and the ability of hospitals and the healthcare system to meet the evolving needs of Ontarians. We know that the communities we serve depend on us to deliver high quality, safe and compassionate care. We meet these commitments while demonstrating a commitment to be good stewards of the resources entrusted to us by the taxpayers of Ontario.

Key sections in our proposed Executive Compensation Program include:

- Executive Compensation Philosophy
- Designated Executive Positions
- Proposed Comparator Organizations
- Proposed Executive Compensation Framework
- Executive Pay Envelope and Maximum Rate of Increase

As part of the Government Regulations, all Ontario broader public sector employers are required to conduct a 30-day public consultation on their proposed Executive Compensation Program. Following consultation and review of the input, the final Executive Compensation Program will be posted.

If you have feedback on the Program please send an email to : hr@senhosp.ca.

We will be accepting public input until February 18, 2018. All feedback is appreciated and will be kept on record.

Thank you,

Gary Fortin
Chair, Board of Directors

For additional information about the Regulation, please refer to the Government of Ontario website: <https://www.ontario.ca/laws/regulation/r16304>. Additional guidelines for the Framework can be found here: <https://www.ontario.ca/page/executive-compensation-framework-guide>.

A. Compensation Philosophy

Compensation is a key element in attracting and retaining the leadership talent essential to deliver high quality healthcare while managing public dollars responsibly. Excellent leaders have a significant positive impact on the effectiveness and productivity of hospitals, the quality of care and the ability of hospitals and the healthcare system to meet the evolving needs of Ontarians.

We know that the communities we serve depend on us to deliver high quality, safe and compassionate care. We meet these commitments while demonstrating a commitment to be good stewards of the resources entrusted to us by the taxpayers of Ontario.

The Sensenbrenner Hospital compensation philosophy is designed to ensure that the organization able to attract, retain, and motivate executive leadership talent in a manner that is competitive, affordable and aligned with our mandate and strategic priorities.

Sensenbrenner Hospital's compensation philosophy is based on the following guiding principles:

1. External Competitiveness
2. Internal Equity
3. Reward for Performance
4. Accountability
5. Stewardship of Public Resources

A portion of executive compensation is linked to the achievement of the organization's Quality Improvement Plan targets which align with strategic objectives.

Third party experts in compensation practices were engaged to provide expertise and knowledge in order to develop this Executive Compensation Program.

B. Designated Executive Positions

The following are the designated executive positions as they relate to the salary and performance-related pay structure in the executive compensation program:

- Chief Executive Officer
- Assistant Administrator, Nursing Services
- Director, HR & Assistant Administrator, Finance and Hospital Services

C. Salary and Performance-Related Pay: Comparator Selection

The following is information on the comparators used to benchmark salary and performance-related pay at the designated employer for each designated executive position or class of positions:

Comparators 1 – Positions/Classes of Positions

Chief Executive Officers/Top Executive Officer

Canadian Public Sector or Broader Public Sector Comparators

West Nipissing General Hospital, Manitoulin Health Centre, MICs Group of Health Services, North Shore Health Network, Notre-Dame Hospital, Espanola Regional Hospital and Health Centre, Kirkland Lake and District Hospital, St. Joseph's General Hospital, Temiskaming Hospital.

Comparators 2 – Positions/Classes of Positions

Chief Nursing/Clinical Executives/Top Nursing Executive

Canadian Public Sector or Broader Public Sector Comparators

West Nipissing General Hospital, Manitoulin Health Centre, MICs Group of Health Services, North Shore Health Network, Espanola Regional Hospital and Health Centre, Kirkland Lake and District Hospital, St. Joseph's General Hospital, Temiskaming Hospital.

Comparators 3– Positions/Classes of Positions

Top Human Resources Executive/Top Finance/Executive Directors of Human Resources/Chief Financial Officers

Canadian Public Sector or Broader Public Sector Comparators

West Nipissing General Hospital, Manitoulin Health Centre, MICs Group of Health Services, North Shore Health Network, Notre-Dame Hospital, Espanola Regional Hospital and Health Centre, Kirkland Lake and District Hospital, St. Joseph's General Hospital, Temiskaming Hospital.

Rationale for Selected Comparators

Selected comparator organizations comply with the conditions established in the Executive Compensation Framework Regulation as follows:

A. The scope of responsibilities of the organization's executives. The scope of responsibilities for the executives at all of the comparator organizations selected is directly comparable. The Ontario Hospital Association 2016 Designated Executive Survey was utilized to screen potential comparator organizations and provided standardized job class definitions to support comparison of the scope of responsibilities of designated executives.

B. The type of operations the organization engages in. The comparator organizations are all Ontario hospitals and engaged in the delivery of healthcare services to the communities which they serve. Comparators are generally northern, remote and/or rural hospitals.

C. The industries within which the organization competes for executives. The comparator organizations are all within the healthcare industry and are all Ontario hospitals.

D. The size of the organization. The comparator organizations reflect an appropriate comparison in relation to size. Benchmarking considered organizations within the same or related Ontario Hospital Association categories and ranges in terms of both budget and staffing. Comparators reflect a balance of similar, slightly larger and smaller organizations. The Ontario Hospital Association 2016 Designated Executive Survey provides organization profile information to assist with determining comparators, including: organization-specific information (e.g., city, OHA region, LHIN, organization type, operating budget, number of FTEs, etc.).

E. The location of the organization. The comparator organizations are an appropriate comparison in terms of location. All comparator organizations are within the province of Ontario, are predominately located in Northern Ontario and all are in the Northeast LHIN or Northwest LHIN. The comparator organizations all are located in and/or serve smaller rural and/or remote communities.

All of the comparators utilized are Canadian public sector or broader public sector organizations.

C. Salary and Performance-Related Pay: Comparative Analysis Details

The following is information on the percentile used to benchmark the salary and performance-related pay cap for each designated executive position or class of positions:

1. Determine the maximum amount of annual base salary and performance-related pay available to comparable positions from appropriate comparator organizations.
2. Determine the amount in the range of comparator compensation values that is no greater than the 50th percentile.
3. This value set the cap for the position or class of positions being evaluated.

The following information from the comparative analysis is presented in this executive compensation program:

- A list of the comparable organizations used to calculate each cap on salary and performance-related pay.
- A description of how the comparable positions chosen are comparable to the designated executive position or class of positions.
- A description of how the comparator organizations are comparable to the designated employer with respect to the selection criteria set out in The Executive Compensation Framework regulation (O. Reg. 304/16).
- The percentile values used to benchmark salary and performance-related pay in each calculation (must be no more than the 50th percentile). The percentile value utilized in this program was 50%.

Benchmarking considers organizations within the same or related Ontario Hospital Association categories and ranges in terms of both budget and staffing. Comparators reflect a balance of similar, slightly larger and smaller organizations. The Ontario Hospital Association 2016 Designated Executive Survey provides organization profile information to assist with determining comparators, including: organization-specific information (e.g., city, OHA region, LHIN, organization type, operating budget, number of FTEs, etc.).

C. Salary and Performance-Related Pay Structure

Executive Position of Class of Positions	Salary Range Minimum (\$)	Salary Range Maximum (\$)	Maximum Annual Performance-Related Pay (% of Salary)	Salary and Performance-Related Pay Cap (\$)
Top Executive Officer	156,096.00	180,000.00	5.0	189,000.00
Top Nursing Executive	108,684.00	125,330.50	5.0	131,597.00
Top HR & Finance Executive	104,193.00	120,151.50	5.0	126,159.00

D. Salary and Performance-Related Pay Envelope

The sum of salary and performance-related pay paid to designated executives for the most recently completed pay year is as follows:

Sum of Salary and Performance-Related Pay for the Most Recently Completed Pay Year (\$)	Maximum Rate of Increase to Envelope (%)
531,901.00	5.0

Rationale for the Proposed Maximum Rate of Increase:

1. The proposed designated executive pay caps and the proposed maximum rate of increase are consistent with the Managing Compensation section of the 2017 Ontario Budget. The proposed maximum rate of increase to the salary and performance-rated pay envelope will moderate wage increases. This will support government in the goal expressed in the budget of meeting fiscal commitments without compromising the quality of public services. This approach will ensure that Sensenbrenner Hospital is accountable for compensation decisions and is able to attract and retain the necessary executive leadership talent to deliver high-quality healthcare services while managing public dollars responsibly.
2. The comparative analysis details provide evidence that Sensenbrenner Hospital executive compensation rates are lower than the median of the comparators indicating a need to improve competitive positioning in the industry in which it competes for executive talent.
3. Sensenbrenner Hospital is a small rural hospital with significant community responsibilities for the delivery of quality care. The organization has a lean executive structure. At the present time limited data is publicly available to support a comparison of the percentage of the designated employer's operating budget that is used for executive salary and performance-related pay and the percentages of the operating budgets of the designated employer's comparator organizations. However the current lean executive leadership structure in the context of a small rural and northern hospital with significant scope of responsibilities and the need to maintain market competitiveness demonstrates the appropriateness of the proposed rate of increase.
4. The Ontario Government has introduced a number of measures that directly or indirectly impacted hospital executive compensation rates including salary freezes since 2010. It is noted that particularly for small hospitals such as Sensenbrenner Hospital, these measures have resulted in significant compression of compensation between non-bargaining unit and bargaining unit employees particularly with respect unionized employees who are at the top of their salary range and who can collect substantial premium pay. Compensation compression tends to discourage individuals (including doctors and nurses) from taking on leadership positions for which the financial rewards are minimal and the quality of life trade-offs are significant, creating attraction and retention issues that can be further exacerbated by aging hospital leadership demographics provincially.