



Advancing Exceptional Care

**EXECUTIVE COMPENSATION PROGRAM**

## Background

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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 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 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 GRH 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;
- Submitting by September 29, 2017, to the Ministry of Health & Long Term Care (the “Ministry”) the proposed ECP;
- After receiving approval by the Ministry to do so, seek public comment by posting its proposed ECP on its public-facing website for a minimum of 30 days;
- Submit to the Ministry the summary of the public feedback received and any changes being made to the program;
- Secure approval by the Minister of comparator organizations and of the proposed maximum rate of increase to its salary and performance-related pay envelope; and,
- Approve the final ECP and post it on its website.

### **Designated Executives**

At GRH the Executive Compensation Program applies to the following designated executives:

- President & CEO
- Joint Chief of Staff (JCOS)
- VP, Medical Affairs
- VP, Clinical Programs & Chief Nursing Executive
- VP, Finance and Administration & Chief Financial Officer
- VP, Quality, Performance, and Clinical Information Transformation
- VP, Cancer, Diagnostic, Renal Services & Regional Vice President Cancer Care Ontario
- VP, Human Resources
- VP, Research & Innovation
- Chief Information Officer
- Chief Management Information Officer

### **Compensation Philosophy**

#### **Executive Compensation Statement**

To provide competitive compensation based on market practices, internal equity and, organizational performance which drives the desired behaviours and promotes the desired results within Grand River Hospital (GRH) and the community, while recognizing individual performance against defined objectives.

#### **Guiding Principles**

GRH Executive Compensation Philosophy guides the development of the Executive Compensation Framework. The guiding principles of the philosophy are:

- To attract, retain and motivate high caliber executive talent to execute GRH's mandate.
- To continuously offer a unique and credible executive value proposition that motivates executives to meet and exceed strategic and operational objectives and encourages executive retention and career growth.
- To have compensation levels which are reasonable, affordable, responsible, internally equitable, externally competitive, and in compliance with provincial regulations, while minimizing risk and promoting stability across the leadership team.
- To recognize executives for the scope of their functional responsibilities and the delivery of high quality services and continued excellence, as well as annual objectives, through an appropriate mix of base compensation and performance-based variable pay.
- To ensure that compensation practices are aligned with and reinforce the short and long term strategies and objectives of the organization to GRH's patients, families and partners interests.
- To have the flexibility to recognize the level of expertise and experience a leader brings to their specialized role(s) and to reward individual contributions.

#### **Application**

The Executive Compensation Philosophy applies to the following positions:

- President & CEO
- Joint Chief of Staff
- VP, Medical Affairs
- VP, Clinical Program & Chief Nursing Executive
- VP, Finance & Administration & CFO
- VP, Quality, Planning & Clinical System Transformation

- VP, Cancer, Diagnostics & Renal & Regional VP Cancer Care Ontario
- VP, Human Resources
- VP, Reach and Innovation
- Chief Information Officer
- Chief Information Management Officer

#### Target Competitive Positioning

Total compensation (base compensation + performance-based variable pay) for executives is capped at the 50<sup>th</sup> percentile (median) of the maximum compensation of the comparator market. Executives will be eligible to receive annual increases, given availability of the pay and performance related pay envelope, until the executive reaches the 50<sup>th</sup> percentile of the comparator market.

#### Compensation Design

In determining compensation, we consider both external competitiveness and internal equity.

#### Externally Competitive

Our peer group for our executive team includes hospitals that are based on the factors specified in applicable legislation such as competition for talent, organization type, location, size, and, scope of executive responsibility. The peer group for an executive may vary in cases where the executive has scope of responsibility across two distinct organizations and therefore may differ from the rest of the executive team.

#### Internal Equity

Compensation programs are oriented to provide equal value for equal contribution and therefore GRH will provide equitable compensation for similar jobs.

The pay mix is comprised of base compensation and performance-based variable pay based on the Quality Improvement Plan as required under the *Excellent Care for All Act, 2010*. The target maximum performance-based variable pay for the President and remaining executives is 15% and 5%, respectively, of annual base compensation.

### **Determining Compensation Levels**

#### Comparator Group and Comparative Analysis Details

GRH's Comparator Group includes 23 Ontario hospitals.

The Comparator Group includes the following hospitals:

- Halton Healthcare
- Health Sciences North
- Humber River Hospital
- Kingston General Hospital
- Lakeridge Health
- Mackenzie Health
- Michael Garron Hospital
- Niagara Health System
- North Bay Regional Health Centre
- North York General Hospital
- Markham Stouffville Hospital

- Royal Victoria Regional Health Centre
- St. Joseph's Healthcare Hamilton
- St. Joseph's Health Care, London
- St. Joseph's Health Centre, Toronto
- St. Michael's Hospital
- Southlake Regional Health Centre
- The Ottawa Hospital
- Trillium Health Partners
- Thunder Bay Regional Health Sciences Centre
- William Osler Health System
- Windsor Regional Hospital

For the majority of the positions at GRH, excluding medical leadership, 18 hospitals were used as a comparator with a median operating budget of \$361,507,000 comparable to GRH's budget of \$354,394,000. The Comparator Group includes other hospitals that operate similar programs to GRH including regional Cancer Care Ontario and regional renal programs. The comparison group also includes multi-site hospitals, similar to GRH and also hospital's that operated integrated programs with other hospitals.

GRH Position	Comparator Group
President & CEO	Halton Healthcare Health Sciences North Humber River Hospital Kingston General Hospital Lakeridge Health Markham Stouffville Hospital Mackenzie Health Michael Garron Hospital Niagara Health System North Bay Regional Health Centre North York General Hospital Royal Victoria Regional Health Centre St. Joseph's Health Centre, Toronto St. Joseph's Healthcare, Hamilton St. Joseph's Healthcare, London Southlake Regional Health Centre Thunder Bay Regional Health Sciences Windsor Regional Hospital
Joint Chief of Staff	Halton Healthcare North York General Hospital Ottawa Hospital, The Royal Victoria Regional Health Centre St. Joseph's Healthcare Hamilton & the Niagara Health System Trillium Health Partners William Osler Health System Windsor Regional Hospital
VP 1 (VP, Medical Affairs)	Humber River Hospital Lakeridge Health North York General Hospital

	<p>Royal Victoria Regional Health Centre  St. Joseph's Health Care, London  St. Joseph's Health Centre, Toronto  St. Michael's Hospital  Thunder Bay Regional Health Sciences  Windsor Regional Hospital</p>
<p>VP 2  (VP, Clinical Services &amp; CNE,  VP, Corporate Services &amp; CFO,  VP of Quality, Performance Management and  Clinical System Transformation)</p>	<p>Halton Healthcare  Health Sciences North  Humber River Hospital  Kingston General Hospital  Lakeridge Health  Mackenzie Health  Markham Stouffville Hospital  Michael Garron Hospital  Niagara Health System  North Bay Regional Health Centre  North York General Hospital  Royal Victoria Regional Health Centre  Southlake Regional Health Centre  St. Joseph's Health Care, London  St. Joseph's Health Centre, Toronto  St. Joseph's Healthcare Hamilton  Thunder Bay Regional Health Sciences  Centre  Windsor Regional Hospital</p>
<p>VP 3  (VP, Diagnostic, Renal and Cancer Services,  GRH; Regional VP, Cancer Services,  Waterloo Wellington Regional Cancer  Program, Cancer Care Ontario)</p>	<p>Halton Healthcare  Health Sciences North  Humber River Hospital  Kingston General Hospital  Lakeridge Health  Mackenzie Health  Markham Stouffville Hospital  Michael Garron Hospital  Niagara Health System  North Bay Regional Health Centre  North York General Hospital  Royal Victoria Regional Health Centre  Southlake Regional Health Centre  St. Joseph's Health Care, London  St. Joseph's Health Centre, Toronto  St. Joseph's Healthcare Hamilton  Thunder Bay Regional Health Sciences  Centre</p>

	Windsor Regional Hospital
VP 4 (VP, Human Resources)	Halton Healthcare Humber River Hospital Lakeridge Health Mackenzie Health Niagara Health System North Bay Regional Health Centre Royal Victoria Regional Health Centre St. Joseph's Health Care, London St. Joseph's Health Centre, Toronto St. Joseph's Healthcare Hamilton Thunder Bay Regional Health Sciences Centre
VP 5 (VP, Research & Innovation, Chief Information Management Officer & Chief Privacy Officer, Joint Chief Information Officer)	Halton Healthcare Health Sciences North Humber River Hospital Lakeridge Health Markham Stouffville Hospital Michael Garron Hospital North York General Hospital St. Joseph's Health Centre, London St. Joseph's Health Centre, Toronto

The Joint Chief of Staff who integrated role with St. Mary's General Hospital (SMGH) has added complexities of managing a joint medical staff. The JCOS role is allocated at 0.4FTE at GRH and 0.4FTE at SMGH.

The selection criteria of comparable organizations were based on the following:

Scope of responsibilities of the organization's executives:

- 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.
- Each comparator has a role of President & Chief Executive Officer comparable to GRH.
- GRH has a joint medical staff with St. Mary's General Hospital and a joint leader as our Chief of Staff. There are a few comparators in the province that provide for the complexity of managing across two organizations with two governance structures and overseeing integrated programs. As a result, the comparator group for this position was slightly different from the rest of the Executive Team. The comparators are from multi-site or are responsible for medical leadership across two organizations.
- The VP, Medical Affairs is a position that is similar in many hospitals across the province. As this role's focus is on quality and risk it was imperative that the comparators had programs of similar nature to GRH.
- Almost all comparators have an equivalent to our Vice-President, Clinical Programs & Chief Nursing Executive (CNE). This role is similar in each hospital and generally includes

leadership and resource planning and budgeting for a number of clinical programs as well as responsibility for nursing activities throughout the hospital. The Chief Nursing Executives play a key leading role in shaping a health system where each patient has a bridge to primary care, where patient experience drives improvement, where practice is rooted in evidence and service delivery is timely. The CNE also provides leadership in the development and implementation of hospital wide activities and programs that promote a safe patient-centred environment and that contribute to quality improvement and risk management initiatives.

- Most comparators have the equivalent of a Vice-President, Finance and Administration & Chief Financial Officer. Although the title of this position varies somewhat from institution to institution, in general terms across the comparators, this role has oversight of the core portfolios of finance, budget, facilities, purchasing and capital planning. Each hospital may or may not have other areas within this portfolio (e.g. Security, Business Development and Pension) which are included in GRH's role. Most include long term financial planning and analysis.
- Many of our comparator organizations have a VP responsible for quality, strategic planning and technology whose portfolio's may encompass a slightly different scope from the position at GRH but generally have the same level of responsibility. However, an additional factor for our VP is the implementation of a health information system amongst our regional hospitals.
- Many of our comparators also have regional programs that provide a good comparison for our VP, Cancer, Diagnostics, and Renal & RVP, Cancer Care Ontario. These are complex roles that have an added complexity of overseeing programs in organizations external to GRH. Including comparators that have this regional focus provides GRH the opportunity to fairly evaluate this role.
- Many of the comparator institutions have a Vice-President of Human Resources or equivalent. The role of VP, Human Resources oversees the services that support and optimize the development and implementation of key strategies and people services that continue to evolve a high-performance culture. Each hospital may or may not have other areas within this portfolio (e.g. Volunteers, Central Scheduling, and Pension Administration) which are included in the GRH role. The comparators for this position had a similar scope of responsibility in their portfolio, relatively a similar number of employees in the organization, and were multi-site.
- The VP, Research and Innovation comparators were of similar size organizations that were non-teaching facilities, as the role in these organizations are different than in a teaching hospital. If this role had been compared to research roles in teaching facilities it would have artificially increased the incumbent's salary.
- The Information Technology roles at GRH have a large span of control as they are also responsible for programs that include privacy, medical records, decision support and registration. These positions require individuals with a breadth of knowledge of not only technology but multiple other fields. The comparators in this group had similar responsibilities and reporting structures, as the positions at GRH report to a VP and not the President & CEO.

Type of operations the organization engages in:

All comparable organizations are hospitals tasked with offering similar programs to GRH. The Comparator Group includes other hospitals that operate regional Cancer Care Ontario and regional renal programs. The comparison group also includes multi-site hospitals, similar to GRH and also hospital's that operated integrated programs with other hospitals.

The hospitals were selected to ensure that the complexities of the programs are comparable



to GRH.

- GRH is a nationally recognized in the top ten (10) of Canada's safest hospitals for the last four years;
- Is the largest community hospital in our LHIN with:
  - 567 inpatient beds across two campuses
  - Over 25,000 admissions per year with 187,500 inpatient days of care
  - Emergency visits of approximately 67,000 per year
  - Approximately 4,100 births/year
  - 5,700 inpatient surgeries and 12,300 day surgeries
  - 243,000 ambulatory visits
  - Regional programs include: four cancer campuses and three renal across the WWLHIN
- 15 clinical programs:
  - Cancer Care
  - Childbirth
  - Children's Programs
  - Complex Continuing Care
  - Critical Care
  - Emergency
  - Surgery
  - Laboratory
  - Medical
  - Mental Health and Addiction
  - Medical Imaging and Special Testing
  - Pharmacy
  - Rehabilitation – physical and Neuro
  - Renal Stroke Care
- Although GRH is not an official teaching hospital, it has partnerships with over 80 academic institutions. In partnership with McMaster University, GRH has a clinical teaching unit and has placements for over 300 medical learners a year and over 600 other students in a variety of fields.
- Over 3,400 staff, 600 privileged physicians and over a 1,000 volunteers.
- Is the lead hospital in a regional health information system.
- Working with research organizations like inter RAI at the University of Waterloo, GRH is one of the first hospitals in Canada to adopt the Assessment Urgency Algorithm (AUA). It is an innovative research-based screening tool to help assess the risk to adults over the age of 70.

Industries within which the organization competes for executives:

All comparator organizations are hospitals in Ontario. Along with other hospital and other Broader Public Sector organizations, these comparator organizations are part of the industries within which GRH competes for designated executives.

Size of the Organization:

- Almost all of the comparator organizations are similarly sized hospitals.
- As noted above, we included hospitals that operated both Regional Cancer Care Ontario and regional renal programs for the added complexity of these regional operations, with the balance of the comparator range being achieved by including smaller organizations, which are located across Ontario.

- The largest hospital in the Comparator Group, Trillium Health Partners, was included to have representation from a multi-site organization with similar clinical programs to GRH and Regional Programs and was used only for the JCOS position to cover the complexities of providing leadership between two acute care hospitals.
- The second and third largest hospitals, William Osler and St. Michael's Hospital were only used for the medical leadership to provide a fair representation of the complexity of their roles, specifically the JCOS managing across two separate organizations.
- The fourth largest hospital, the Niagara Health System (\$468,472) and fifth largest St. Joseph's Healthcare Hamilton (SJHH) (\$468,765,000), shares a JCOS and has integrated programs with partner hospitals similar to GRH. GRH has integrated laboratory, medical imaging and pharmacy programs and SJHH also operates under an integrated model that provides the complexity of our leadership roles with combined budgets over two hospitals.
- The majority of the positions, non-physician leadership, used the same 18 hospitals in its comparator group to match similar positions to GRH. The median budget was within 2% of GRH's budget (\$361,507,000 for the Comparator Group versus \$354,394,000 at GRH).

Location of the Organization:

All comparator organizations are Ontario hospitals.

**Comparative Analysis**

GRH did not exceed the 50th percentile of the comparator group for the maximum for each executive position or class of position and at all times was compliant with the Broader Public Sector Executive Compensation Act 2010 when designing the Executive Compensation Framework.

To ensure compliance with pay equity legislation, GRH balanced the external market analysis with the internal value of the positions. GRH created a job worth hierarchy using the point evaluation system from Korn Ferry Hay Group. As a result, this created situations where the organization chose not to use the 50th percentile, but a lower percentile to ensure internal relative worth of the positions was maintained and a reasonable variance between the compensation bands.

The following chart provides the percentile used for each position:

<b>POSITION</b>	<b>Percentile Used</b>
President & CEO	50th
Joint Chief of Staff	50th
VP01	50th
VP02	50th
VP03	40th
VP04	46th
VP05	50th

The Executive Compensation Framework was designed to be defensible to the community, enabling us to attract and retain talent and compensate designated executives for the increase scope of responsibility as a result of the implementation of a clinical information system across the region.

#### Salary and Performance-Related Pay

Pursuant to the Regulations, the maximum salary and performance-related pay caps for each designated executive is based on the 50<sup>th</sup> percentile or lower of the total salary paid for similar positions of the comparable organizations as outlined above. Additionally, the minimum salary and performance-related pay for each designated executive is based a spread of 20% of the maximum salary.

The minimum and maximum compensation for each designated executive is outlined in the chart below:

Title	Minimum	Maximum	Pay for Performance	Max. Total Cash Compensation
President & CEO	\$318,330	\$397,913	15%	\$457,600
JCOS*	\$380,952	\$476,178	5%	\$499,987
VP, Medical Affairs*	\$314,667	\$393,333	5%	\$413,000
CNE				\$245,125
CFO				\$245,125
VP, Planning & Performance Management	\$186,762	\$233,452	5%	\$245,125
VP, Cancer and Diagnostic	\$171,429	\$214,286	5%	\$225,000
VP, Human Resources	\$156,952	\$204,668	5%	\$215,440
VP Research & Innovation*				\$170,871**
Chief Information Officer				
Chief Management Information Officer	\$130,187	\$162,734	5%	

\* Part-time position are paid on a pro-rated basis; salaries shown are annualized at a full-time rate.

\*\* VP Research & Innovation will be grandfathered at an annual salary of \$200,260.

#### Adjustments to the salary and performance-related pay cap

Once per pay year, pursuant to Regulations, GRH 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 Laurentian determined the salary and performance-related pay to be paid to the non-executive managers.
- The public sector wage settlement trend in Ontario.

#### Designated Executive Salary and Pay Performance-Related Pay Envelope

The Hospitals total pay envelope for designated executives for the period of July 1, 2016, to June 30, 2017, was \$2,894,408.61; the new compensation envelope under the Executive Framework is proposed at \$3,030,923.50 or a 4.5% increase over 2016/17. The Board of Directors proposes that the maximum rate by which this envelope could be increased in each year be set at 4.5%. In proposing the amount of 4.5%, the Board considered the five factors articulated in the Directive, which is summarized below.

#### Factor compensation priorities of the Ontario Government:

- The Government has identified a need to take a balanced approach to managing public sector compensation, recognizing the need to maintain a stable, flexible and high-performing public-sector workforce that supports the government's transformational priorities and at the same time ensuring that public services continue to remain affordable. For executives, the Government wants to ensure that broader public-sector organizations are able to attract and retain the necessary talent to deliver high-quality public services while managing public dollars responsibly.

#### Recent Executive Compensation Trends

- GRH closely considered both executive compensation trends within the hospital sector as well as from the broader public sector from which the Hospital attract executive talent.
- The following trends reflect the findings of Mercer's most recent compensation planning study:
  - Canadian broader public sector average.
- Proposed Maximum Rate of Increase
  - The financial and executive compensation increases are projected to be 2.6%; and,
  - Canadian services (non-financial) average executive compensation increases are projected to be 2.8%.

#### Comparison of Percentage of Operating Budget for Executive Salaries between our Hospital and its Comparators

The Hospital regularly review the appropriateness of their executive organizational structures and staffing and believe that they are appropriate given the complexity of the organization, and do not warrant an overall reduction in the annual maximum increase to the pay envelope.

#### The Effect on the Ability to Attract and Retain Talent

The Hospital has had difficulty retaining executive talent with a 55% turnover in the positions in the past two years. The proposed rate of increase must consider increases for represented jobs within the organization, as they are an important source for attracting talent to future executive positions.

The proposed maximum rate of increase needs to provide the flexibility required to balance affordability with the need to avoid long term pay compression, or inversion, between layers of management and between management and the bargaining units.

Any Significant Expansion that is Not a Result of Restructuring

The Hospital is experiencing growth and increased complexities with the being the lead hospital of a regional health system. The Hospital strategic plan will investigate the expansion of clinical programs to meet the needs of our community as well as developing partnerships in the research and innovation area to improve care and services to our patients.

Any adjustments in salary for a designated executive shall be approved by the Board of Directors and any adjustments to the salary and performance-related pay envelope, by way of proration, shall also be determined by the Board of Directors.

Other Eligible Elements of Compensation

Compensation of designated executives will include salary, as well as other benefits available to Senior Leaders, consistent with the terms and conditions of employment pertaining to Senior Leadership at GRH.

The table below provides confirmation statement that GRH compliance with this aspect of the Regulation. GRH does not provide these forms of compensation for any executive.

<b>Framework Requirement (section 3)</b>	<b>GRH Compliance</b>
1. Payment or other benefits provided in lieu of perquisites	No payments are provided in lieu of perquisites.
2. Signing Bonus	GRH does not provide signing bonuses
3. Retention Bonus	GRH does not provide retention bonuses
4. Cash housing allowance	GRH does not provide cash housing allowance
5. Insured benefits that are not generally provided to non-executive managers	No benefits are received by the executive that are not generally provide to non-executive managers.
6. Termination payments, including payments in lieu of notice of termination, and severance payments that in total equal more than 24 times the average monthly salary of the designated executive.	GRH will follow common law in Ontario with the respect to severance pay. All GRH contracts are within the framework requirements.
7. Termination or severance payments that are payable in the event of termination for cause.	GRH does not provide payments for termination/severance in the event of termination for cause.
8. Paid administrative leave.	GRH does not provide paid administrative leave or payment in lieu of administrative leave

GRH does not provide to any its executive a supplementary pension plan or car allowance.