

Executive compensation is an important area for all organizations, particularly those in the public sector. Hospitals and other public institutions are challenged to ensure that we operate as effective stewards of public dollars, while at the same time compensating our executives at a level that will enable us to attract and retain a highly competent and effective senior leadership team.

The senior leadership team is accountable for managing the hospital’s operations, resources, assets, and finances in a complex and rapidly evolving healthcare environment. They are responsible for ensuring that the hospital operates efficiently and effectively, providing the quality of patient care that our community has come to expect and will continue to require in the years and decades ahead.

This executive compensation framework complies with legal requirements under regulation 304/16 (“Executive Compensation Framework”) of the *Broader Public Sector Executive Compensation Act, 2014* and with the hospital’s intention to provide a competitive level of compensation that it can afford, in order to ensure our hospital continues to fulfill its mission, vision and values as an organization.

### Compensation Philosophy

Peterborough Regional Health Centre (PRHC) is committed to providing a fair, transparent and competitive compensation program that will attract, retain and reward high-performing employees. The program will recognize and compensate employees for achieving individual and organizational goals linked to PRHC’s strategic directions and values, and is designed to meet the following objectives:

- Internal Competitiveness (by ensuring that similar jobs are paid equitably across the organization)
- External Competitiveness (by ensuring that salaries are paid competitively within the market and, more specifically, compared with benchmarked comparator organizations)
- Recognizing and incentivizing performance through salary increases when annual goals are achieved
- Structured in a way that considers the organization’s ability to pay
- Legislative and legal compliance

### Designated Executive Positions

PRHC has four (4) executive classes:

Executive Position	Executive Class
President and CEO	A (CEO)
Vice President Medical/CMO	B (VPM)
Vice President	C (VP 1)
Associate Vice President	D (VP 2)

## Comparator Selection

PRHC used 11 comparator hospitals to benchmark salary and performance-related pay for the CEO, VP1 and VP2 positions. For VPM, only eight (8) of these organizations were used as comparators due to data availability.

The comparator group includes only Ontario broader public sector organizations, and is in fact limited to hospital organizations.

Comparator Group	CEO	VP1	VP2	VPM
Humber River Regional Hospital	✓	✓	✓	Data unavailable
Lakeridge Health	✓	✓	✓	✓
North York General	✓	✓	✓	✓
St. Joseph's Health Centre, Toronto	✓	✓	✓	✓
Southlake Regional Health Centre	✓	✓	✓	✓
Grand River Hospital	✓	✓	✓	✓
Ontario Shores	✓	✓	✓	✓
Royal Victoria Hospital	✓	✓	✓	Data unavailable
Markham Stouffville Hospital	✓	✓	✓	Data unavailable
Queensway Carleton Hospital	✓	✓	✓	✓
Bluewater Health	✓	✓	✓	✓

In considering the comparator organizations, PRHC took into account the required selection criteria:

- I. Scope of responsibilities of the organization's executives
- II. Type of operations the organization engages in
- III. Industries within which the organization competes for executives
- IV. Size of the organization
- V. Location of the organization

As a large community hospital, the scope and responsibilities of the executive team are extensive. Reporting to the Board of Directors, the CEO is accountable for the results and overall direction of the organization. This role directs the senior team in developing current and long-range objectives, policies, budgets and operating plans for the hospital. The CEO is responsible to ensure that the actions taken by the senior team are aligned with the mission, vision and values of the organization and that the hospital is able to meet and exceed the expectations of the patient and community population it serves.

PRHC has a small executive team under the direction of the CEO:

The VPM is the hospital's top medical executive and fulfills the function of Chief of Staff. This is a Physician executive position, reporting directly to the President and CEO. The VPM is accountable for the overall direction of PRHC's medical services and is responsible for developing and implementing quality assurance practices related to medical issues and credentialing. The VPM is also accountable for budgets, operating plans, setting and delivering on strategic directions, and ensuring government and legal requirements, regulatory affairs, and service expectations are delivered within an assigned administrative portfolio. The VPM may also be operationally responsible for the organization in the absence of the CEO.

The VP1 role is accountable for the results and overall direction of large operational groups of clinical, professional and support services, such as outpatient and inpatient care areas, pharmacy, laboratory, diagnostics, facilities and information systems. The VP1 provides broad direction and guidance in accordance with the policies, goals and objectives established by the CEO and Board of Directors. This role is accountable for large budgets, diverse clinical operational plans, setting and delivering on strategic directions, and ensuring government and legal requirements, regulatory affairs, and patient care/service expectations are delivered within an assigned portfolio. The VP1 may also be operationally responsible for the organization in the absence of the CEO.

The VP2 role oversees a smaller and more focused portfolio than the VP1 position. The VP2 is responsible for aligning cross-corporate initiatives (e.g. Financial, Human Resources) with the strategic plan, mission, vision and values of PRHC. The VP2 provides broad direction and guidance in accordance with policies, goals and objectives established by the CEO and Board of Directors, and supports the entire organization in a manner directly related to the role's function. The VP2 is accountable for budgets, operating plans, setting and delivering on strategic directions, and ensuring government and legal requirements, regulatory affairs, and service expectations are delivered within an assigned portfolio. The VP2 may also be operationally responsible for the organization in the absence of the CEO.

In addition to managing a portfolio a VP may also assume the role of Chief Financial Officer (CFO), Chief Human Resources Officer (CHRO) or Chief Nursing Executive (CNE). In the current Executive structure, the CFO and CHRO are VP2's and the CNE is a VP1.

When selecting the 11 comparator organizations, PRHC primarily considered hospitals that are regularly used as clinical benchmark organizations (i.e. hospitals against which PRHC normally evaluates the effectiveness of its clinical programs, staffing levels/skill mix ratios and competitiveness for non-union staff salaries). PRHC also considered geographic proximity as well as competitors for executive talent as part of its evaluation of comparator hospitals.

The following chart compares each hospital to PRHC, identifying:

- a. Organization type (based on provincial funding categories)
- b. Annual operating budget
- c. Organization headcount and number of full-time equivalents (FTEs)
- d. Number of beds
- e. Geographic location

Hospital	Organization type	Annual Operating Budget	Organization headcount	Number of staff FTE's	# of beds
Lakeridge	Community	\$150M to < \$450M	Greater or equal to 2,000	1,500 to < 4,000	500 and more
Southlake	Community	\$150M to < \$450M	Greater or equal to 2,000	1,500 to < 4,000	300 - 499
North York General	Community	\$150M to < \$450M	Greater or equal to 2,000	1,500 to < 4,000	300 - 499
Grand River	Community	\$150M to < \$450M	Greater or equal to 2,000	1,500 to < 4,000	300 - 499
Humber River	Community	\$150M to < \$450M	Greater or equal to 2,000	1,500 to < 4,000	500 and more
Royal Victoria	Community	\$150M to < \$450M	Greater or equal to 2,000	1,500 to < 4,000	300 - 499
PRHC	Community	\$150M to < \$450M	Greater or equal to 2,000	1,500 to < 4,000	300 - 499
St. Joseph's Toronto	Community	\$150M to < \$450M	Greater or equal to 2,000	1,500 to < 4,000	250 to < 500
Markham Stouffville	Community	\$150M to < \$450M	1,000 to 1,999	1,500 to < 4,000	200 - 299
Queensway Carleton	Community	\$150M to < \$450M	1,000 to 1,999	1,500 to < 4,000	200 - 299
Bluewater Health	Community	\$150M to < \$450M	1,000 to 1,999	250 to < 1,500	300 - 499
Ontario Shores	Addiction and Mental Health	\$25M to < \$150M	1,000 to 1,999	250 to < 1,500	300 - 499

When comparing actual annual operating budgets, PRHC ranked at the 45<sup>th</sup> percentile against the selected hospitals. Of the 11 comparators, six (6) have operating budgets greater than PRHC's and five (5) have lesser operating budgets.

The following chart illustrates the relative size of the hospitals used for comparative analysis, based on operating budget. Note that PRHC (shown here in white) is close to the median in terms of its budget size.

Neither the largest comparator, Lakeridge Health, nor the smallest comparator, Ontario Shores, are normally used as clinical benchmark comparators for PRHC, nor are they clear comparators from a size and/or provincial funding category perspective. They were, however, specifically selected as comparators for this exercise; given their close geographic proximity, these organizations are direct competitors for executive talent, for the purposes of both recruitment and retention.

The vast majority of PRHC employees are recruited from the healthcare sector, and we are generally in competition with other hospitals for that talent. For this reason, PRHC has chosen to not consider comparators from outside the hospital sector.

### Comparative Analysis Details

PRHC's positions are benchmarked against roles within the comparator organizations with similar titles, similar job content, and similar scope of responsibilities.

Maximum salary and maximum performance-related pay at PRHC has been established based on median (P50) maximum rates at the comparator hospitals identified above. This means that half of the PRHC Comparators pay their Executives more, and the other half pay less.

### Structure

Based on the hospital's four executive classes, the following structure has been developed:

Executive Position or Class of Positions	Salary Range Minimum (\$)	Job Rate / Salary Range Maximum (\$)	At risk pay if performance targets not met (% of Salary)	Maximum Annual Performance-Related Pay (% of Salary)	Salary and Performance-Related Pay Cap (\$)
CEO	374,000.00	440,000.00	2%	0%	440,000.00
VPM	339,155.00**	399,006.00	2%	0%	399,006.00**
VP1	223,125.00	262,500.00	2%	0%	262,500.00
VP2	190,612.00	224,250.00	2%	0%	224,250.00

\*\* Incumbent works 4 days per week. Per regulation requirements, salary has been annualized.

Section 6(ii) of the *Broader Public Sector Executive Compensation Act, 2014* notes that the average rate of increase in salary for executives must be the same (or less) than that of non-executives. PRHC's compensation system applies the same average rate of increase for the entire organization, and pay-for-performance rankings that determine any movement through a salary range.

Each year, PRHC will establish a suitable percentage increase to be applied to all non-union staff, including the executive team. That percentage will be benchmarked against Broader Public Service and hospital comparators and determined as part of the PRHC budgeting process.

Under the Excellent Care for All Act, each Executive is required to have a percentage of their annual pay at risk, based on the performance of the hospital. PRHC has chosen to claw back 2% of salary if performance is not met versus reducing a bonus value (PRHC does not have a pay for performance bonus program for Executives).

PRHC completes a detailed compensation review every two (2) to three (3) years to ensure competitiveness with the external market, and may make annual market adjustments to all ranges. Market adjustments are based on various compensation surveys/economic indicators, and all executive and non-executive/non-union job classes are adjusted by the same percentage. This more in-depth

market review is intended to (1) capture any shift in individual job classes that might be required, and (2) review pay premiums or other market pressures the organization may face from the external market. It is conducted using the services of an external compensation consulting firm.

Annual compensation adjustments may occur based on knowledge of industry and market trend surveys; these are typically small increases to move incumbents through their pay range based on performance.

**Salary and performance-related pay envelope**

Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (2017)	Maximum Rate of Increase to Envelope (%)
\$1 645 000	<b>5%</b>

When determining the maximum rate of increase, Government regulation requires that PRHC consider:

1. The financial priorities and the compensation priorities of the Ontario Government.
2. Recent executive compensation trends across Healthcare
3. A comparison between 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 employers’ comparator organizations that are used for executive salary and performance related pay.
4. The effect on attracting talent to the designated employer’s executive positions and retaining talent in the designated employers executive positions, and the effect on the difference between the salary and performance-related pay range for those positions and the salary and performance-related pay ranges for the employees or office holders who directly report to the holders of those positions.
5. Any significant expansion in the operations of the designated employer that is not the result of a significant organizational restructuring.

PRHC has set the maximum rate of increase to the envelope at 5%,

It is important to note that the maximum rate of increase to the compensation envelope is required by the government to be set now for future years, meaning that PRHC must set a percentage that reflects (1) increases in the first year to compensation that has been frozen since 2010 and (2) increases in any subsequent year going forward. In any given year, PRHC cannot exceed this rate, or the lesser of the two between this rate and a rate identified by government. PRHC is a fiscally responsible organization and, as noted above, has in place a rigorous process to determine annual compensation increases that are aligned with provincial norms.

In considering the 5% envelope PRHC determined that such an increase is consistent with the financial priorities and the compensation priorities of the Ontario Government and is reflective of compensation trends across Ontario Healthcare. This was validated by the P50 comparison against selected comparators, a review of hospital executive salaries, and work conducted by an independent compensation consulting firm.

In order to attract and retain top talent across the healthcare sector, it is critical that PRHC offer competitive wages for the roles within the executive team. Compensation levels have been frozen for the executive team since 2010. If increases are not established now to keep compensation levels competitive, the organization risks falling further behind – especially if future freezes are implemented. A 5% envelope is reasonable to support PRHC and ensure its ability to maintain a high-functioning executive team. It is important to note that this does not mean that all executives will receive a 5% increase, but rather that the entire envelope may increase by no more than 5% in any future year and for the first year a determination would need to be made in terms of where to place executives within the newly approved ranges.

#### **Other Elements of Compensation**

PRHC provides a monthly car allowance of \$1,000 to the CEO. As part of the requirements of this role, the CEO travels to community and regional meetings and events as a representative of the organization, using a personal vehicle.

All other benefits are provided in the same manner and relative amount to non-executive managers:

#### **Supplemental information**

All data used for analysis is taken from the Ontario Hospital Association's 2017 survey on executive compensation, with some data supplemented with publically available information (where gaps existed in the Ontario Hospital Association survey).