

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 Espanola Regional Hospital.

Espanola General 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”), Espanola Regional 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.

Please send feedback to compensationfeedback@esphosp.on.ca

We will be accepting public input until February 15, 2018. All feedback is appreciated and will be kept on record.

Thank you,

A handwritten signature in blue ink that reads "David Pope". The signature is written in a cursive, flowing style.

Dave Pope
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

The Espanola General Hospital believes in paying employees for consistent and sustained competency in the performance of their jobs. We strive to pay wages that are competitive with wages paid by other comparable employers, for jobs of equivalent responsibility, in areas where we compete for labour. In addition, we maintain an appropriate wage gap between supervisors and subordinates, in order to recognize accountability and for recruitment and retention purposes. Our executive compensation program strives to fulfill the following requirements:

- Ensure compliance with all legal obligations, both contractually and in regards to relevant legislation.
- Demonstrate diligence in the use of public funds by setting a reasonable budget for compensation that aligns with current fiscal realities.
- Guarantee all positions within the executive team will be compared in a fair and equitable manner.
- Alignment with the Espanola General Hospital's strategic priorities to broaden our excellent health care, promote the value of our people and to sustain our resources.
- Recognize the unique challenges presented by recruitment in a rural, northern community while also addressing the need to maintain competitiveness with the external labour market in order to attract experienced, qualified and competent candidates.
- Maintain stability in executive leadership over the medium and long term.
- Create an emphasis on performance to achieve expectations and goals included in our Vision, Mission, Values and strategic plan.
- Respect the complexities of a Health Hub and the expertise needed to manage successful collaborative initiatives, influence public policy, engage regional development and effect operational and patient care outcomes.

All executive positions are required to meet performance commitments in order to earn the maximum rate of compensation. The performance commitments are aligned with our strategic priorities of:

- Broadening our excellent health care by delivering safe, quality healthcare and continually improving the patient experience.
- Promoting the value of our people by creating a comprehensive human resources strategy to support our current and future physicians and staff.
- Sustaining our resources by creating a sustainable local health system with adequate resources to meet the changing needs of our community.

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
- Chief Nursing Officer
- Chief Financial Officer

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 Officer

Canadian Public Sector or Broader Public Sector Comparators

Haldimand War Memorial Hospital, Manitoulin Health Centre, Hanover and District Hospital, Alexandra Marine and General Hospital, North Shore Health Network, Listowel Wingham Hospitals Alliance, Kemptville District Hospital, Temiskaming Hospital, Hopital de Mattawa Hospital

Comparators 2 – Positions/Classes of Positions

Chief Nursing Officer

Canadian Public Sector or Broader Public Sector Comparators

Haldimand War Memorial Hospital, Manitoulin Health Centre, Hanover and District Hospital, Alexandra Marine and General Hospital, North Shore Health Network, Listowel Wingham Hospitals Alliance, Kemptville District Hospital, Temiskaming Hospital, Hopital de Mattawa Hospital

Comparators 3 – Positions/Classes of Positions

Chief Financial Officer

Canadian Public Sector or Broader Public Sector Comparators

Haldimand War Memorial Hospital, Manitoulin Health Centre, Hanover and District Hospital, Alexandra Marine and General Hospital, North Shore Health Network, Listowel Wingham Hospitals Alliance, Kemptville District Hospital, Temiskaming Hospital, Hopital de Mattawa Hospital

Rationale for Selected Comparators

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

The above Hospitals were selected as comparators because they all meet the following criteria:

- The scope of responsibilities of the organization's executives is the same as the Espanola General Hospital
- The type of operations the organizations engage in is the same as the Espanola General Hospital
- They are all from the industry within which the Espanola General Hospital competes for executives
- They are comparable in, FTEs, budget size, bed size and volume of services
- They are all hospitals located in Ontario

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:

As per the Regulations, the maximum possible salary and performance-related pay allowable is calculated at the 50th percentile of the comparator organizations. The 50th percentile is used for each designated executive position.

C. Salary and Performance-Related Pay Structure

Executive Position or Class of Positions	Salary Range Minimum (\$)	Salary Range Maximum (\$)	Maximum Annual Performance-Related Pay (% of Salary)	Salary and Performance-Related Pay Cap (\$)
Chief Executive Officer	150,306.00	183,495.00	3.0	189,000.00
Chief Nursing Officer	124,383.00	140,042.00	1.0	141,442.00
Chief Financial Officer	123,636.00	139,164.00	1.0	140,556.00

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 (%)
441,336.00	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 Espanola Regional Hospital and Health Centre 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 Espanola Regional Hospital and Health Centre 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. The Espanola Regional 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 Espanola Regional Hospital and Health Centre, 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.