

Executive Compensation Framework Program Public Consultation Process

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 Lake of the Woods District Hospital (LWDH).

The Executive Compensation Framework Regulation (“the Regulation”), established under the BPSECA, sets out requirements that designated broader public sector (BPS) employers must meet when determining executive compensation programs for certain designated employees of the organization.

The Regulation requires all designated employers to seek overseeing Minister approval on two components of the proposed Executive Compensation Program:

1. The comparator organizations used to benchmark compensation caps for executive positions; and
2. the proposed maximum rate of increase to the executive compensation envelope.

Lake of the Woods District Hospital has received approval from the Minister of Health and Long-Term Care on both the selected comparator organizations and the proposed maximum rate of increase to the executive salary and performance-related pay envelope.

The approved Executive Compensation Program (attached) sets out the compensation approach for designated executive positions at LWDH, 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 community we serve depends on our hospital 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 attached Executive Compensation Program include:

- Executive Compensation Philosophy
- Designated Executive Positions
- Identification of Proposed Comparator Organizations and Rationale for Selection
- Proposed Executive Salary and Performance Related Compensation Framework
- Executive Pay Envelope and Maximum Rate of Increase
- Other Elements of Compensation

Public Consultation

The BPSECA identifies Public Consultation as a required component of the Executive Compensation Framework. The attached document presents the Executive Compensation Framework Program for Lake of the Woods District Hospital (LWDH). The hospital values feedback from our community, and this public comment period is an opportunity for all interested parties to provide input into LWDH's proposed framework.

The consultation period will last a total of 30 days and all comments should be submitted prior to April 4, 2018.

LWDH continues to support and encourage a fair and balanced approach to all public sector compensation. The hospital will continue to work with the provincial government, understanding that this is a time of accountability, transparency, and consistency in compensation for all executives throughout the broader public sector.

**PLEASE DIRECT ANY COMMENTS IN REGARD TO THE
EXECUTIVE COMPENSATION PLAN TO:**

Joan Reid

Board Chair

Lake of the Woods District Hospital

21 Sylvan Street West

Kenora, ON P9N 3W7

admin@lwdh.on.ca

Prior to the end of the 30 day posting period (April 4, 2018)

To ensure your comments receive the appropriate consideration you will be required to provide your name, telephone number and your email address. Comments without this information will not be considered in the plan.

Provide the information required for each section. Refer to the [Broader Public Sector Executive Compensation Guide](#) for additional instructions and assistance with completing this form.

A. Compensation Philosophy	Provide information on the designated employer's compensation philosophy including details on how the executive compensation program supports the employer's strategic objectives and what the program, including its approach to performance-related pay, is designed to reward.
B. Designated Executive Positions	List all designated executives at the designated employer. If applicable, indicate the class or category of each designated executive position as it relates to the salary and performance-related pay structure in the executive compensation program.
C. Salary and Performance-related Pay Caps	
Comparator Selection	Provide 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. Provide a rationale for the chosen comparators.
Comparative Analysis Details	Provide information on the percentile used to benchmark the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the methodology used to determine salary and performance-related pay can provide useful context.
Structure	Provide information on the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the salary ranges and performance-related pay structure can provide useful context.
D. Salary and Performance-related Pay Envelope	Provide the sum of salary and performance-related pay paid to designated executives for the most recently completed pay year. In addition, provide the maximum rate of increase to the salary and performance-related pay envelope. Additional information on why changes are necessary and how they were determined can provide useful context.
E. Other Elements of Compensation	Provide information on any proposed compensation elements, other than salary and performance-related pay, that would be provided to designated executive positions or classes of positions but that are not generally provided in the same manner and relative amount to non-executive managers. Include rationale outlining the critical business reasons that justify the provision of each proposed element of compensation.
F. Supplemental Information	Provide any additional information required to support or explain the information included in the executive compensation program.

A. Compensation Philosophy

Provide information on the designated employer's compensation philosophy including details on how the executive compensation program supports the employer's strategic objectives and what the program, including its approach to performance-related pay, is designed to reward.

The compensation philosophy for Lake of the Woods District Hospital is to create a compensation plan that supports the recruitment and retention of highly talented and qualified executives to guide and carry out the Hospital's Organizational Ends, Strategic Goals, Vision and Values.

As a medium sized hospital with the highest rurality index in the province (almost 500 km from its nearest Ontario tertiary centre, and 250 km from tertiary services in Manitoba), Lake of the Woods District Hospital (LWDH) offers wide array of complex inpatient, outpatient and specialist services. Proficient and qualified leadership is a key factor in ensuring that Lake of the Woods District Hospital continues to provide high quality services to the people that we serve. In order to attract, retain and motivate competent and dedicated leaders who are motivated to drive and carry out the organization's mission, vision and strategic goals, it is necessary to provide fair compensation levels that are competitive with peer organizations in healthcare and other competing talent markets.

In accordance with the guidelines set out by the Government of Ontario, we will strive to provide executive compensation levels that are comparable to the 50th percentile of peer hospitals who are similar to LWDH in terms of comparable services offered, size, complexity and mandate. The Hospital will administer a compensation program that is consistent and competitive within local, regional and provincial talent markets, and that fairly and adequately recognizes and rewards our senior executives for services provided.

B. Designated Executive Positions

List all designated executives at the designated employer. If applicable, indicate the class or category of each designated executive position as it relates to the salary and performance-related pay structure in the executive compensation program.

Full Job Title	Class of Position
E.g. Chief Operating Officer	E.g. VP-1
President & CEO	President
VP, Patient Care Services&CNO VP Mental Health&Addict	Vice President
Vice President, Corporate Services & CFO	Vice President

C. Salary and Performance-related Pay – Comparator Selection

Provide 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. Provide a rationale for the chosen comparators.

Comparators 1

Executive Positions or Classes of Positions Benchmarked

President and Chief Executive Officer

Canadian Public Sector or Broader Public Sector Comparators

Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)

Lake of the Woods District Hospital has proposed the following Comparators, which are all Ontario Hospitals:

Collingwood General & Marine Hospital
Headwaters Health Centre - Orangeville
Leamington District Memorial Hospital
Middlesex Hospital Alliance
Norfolk Simcoe General Hospital
Pembroke Regional Hospital
Perth and Smith Falls Hospital
Renfrew Victoria Hospital
Riverside Healthcare Facilities - Fort Frances
Sioux Lookout Meno Ya Win Health Centre
South Bruce Grey Health Centre
Winchester District Memorial Hospital

Positions or Classes of Positions (e.g. Chief Financial Executives)

Chief Executive Officer
President & CEO

Rationale for Selected Comparators

1. Type of Organization - All are Ontario Hospitals, which provide similar services & compete for the same pool as executives
2. Relative complexity and scope of services - All have a similar range or number of services provided as LWDH
3. Size of Organization - Annual operating budgets between .5 and 2 times that of LWDH
4. Full Time Equivalents between 200 - 600 FTES
5. Location of Organization - Rurality - not a large urban tertiary centre
6. Scope of Responsibility - similar with respect to essential competencies, knowledge, skills, abilities, relative complexity and level of accountability

The rationale would suggest that the executives of organizations who provide similar types and complexity of services, manage similar budgets, oversee a similar size workforce and deal with similar issues with regard to service demographics should be compensated at comparative levels. LWDH has selected a mix of smaller, same size and larger hospitals based on similar services and geographical similarities. LWDH is a medium sized hospital with a high rurality index. The nearest hospital is 140 km away (a small hospital with fewer services) and the nearest tertiary centre in Ontario is 500 km away. The ability to integrate and rationalize services between hospitals in NW Ontario is difficult while still effectively maintaining patient safety and efficiency. Therefore LWDH provides a wide array of services which are more typical to larger hospitals (eg. Schedule 1 inpatient psychiatry, hemodialysis, specialist services, obstetrics, surgery), and even though volumes may be slightly lower in some cases than our larger peers, the executive oversight and talent required to manage these services is the same as it would be in a larger centre. LWDH competes with the Southern Ontario and Western Canada markets for executives, and must remain competitive in its compensation levels if we wish to attract and retain the necessary talent levels to northern, rural Ontario to fill senior executive position. With greater consolidation of management portfolios in medium/smaller

facilities it can be reasoned that greater expertise is required to oversee a broader portfolio than in larger centres where executive may have more supporting staff levels.

The President & CEO of LWDH also directly oversees the managers of Diagnostic Imaging, Laboratory, Quality & Risk and Education, so the scope of duties is broader than the typical CEO of a larger hospital.

The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

Comparators 2

Executive Positions or Classes of Positions Benchmarked

Vice Presidents - Clinical (VP Patient Care Services and Chief Nursing Officer and VP Mental Health & Addictions)

Canadian Public Sector or Broader Public Sector Comparators

Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)
same as above

Positions or Classes of Positions (e.g. Chief Financial Executives)

CNO

VP Clinical Services

VP Clinical Services & CNE

VP Nursing/Clinical Services & CNO

Rationale for Selected Comparators

See rationale under Comparators 1 above.

VP Patient Care Services & CNO for LWDH oversees all nursing departments as well as other patient care areas such as Rehabilitation and Pharmacy which many typically come under the management scope of a different executive in a larger facility. VP Mental Health & Addictions is a comparable clinical position to the VP Clinical Services. LWDH operates the smallest Schedule 1 inpatient Psychiatry unit in the province, however also operates a very large community based suite of Mental Health & Addictions Programs. Also, VP Mental Health and Addictions oversees both acute inpatient (Schedule 2) psychiatry as well as the outpatient programs and services, crisis response and integrated social work services in the hospital LWDH has maintained a policy to compensate all Vice Presidents at the same salary schedules so the plan is to continue to tie the compensation level of the VP Mental Health & Addictions in to the same level as the other Senior VP Executives.

The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

Comparators 3

Executive Positions or Classes of Positions Benchmarked

Vice President Corporate Services & Chief Financial Officer

Canadian Public Sector or Broader Public Sector Comparators

Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)
same as above

Positions or Classes of Positions (e.g. Chief Financial Executives)

VP Corporate Services

VP Corporate Services & CFO

CFO

Rationale for Selected Comparators

see above under Comparator 1

In addition, VP Corporate Services & CFO at LWDH has direct responsibility for capital planning and capital projects which is typically beyond the scope of many larger organizations.

The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

Comparators 4

Executive Positions or Classes of Positions Benchmarked

Canadian Public Sector or Broader Public Sector Comparators

Organizations (e.g. Organization 1, Organization 2, Organization 3, etc.)

Positions or Classes of Positions (e.g. Chief Financial Executives)

Rationale for Selected Comparators

The designated employer received approval from the President of the Treasury Board to use private sector and/or international comparators for these executive positions or classes of positions.

C. Salary and Performance-related Pay – Comparative Analysis Details

Provide information on the percentile used to benchmark the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the methodology used to determine salary and performance-related pay can provide useful context.

Similar rationale and methodology was used to determine salary and performance related pay for all executive positions at LWDH (President & CEO and Vice Presidents)

The process was followed as per the requirements of the the BPS Executive Compensation Framework (O. Reg. 304/16) and the BPS Executive Compensation Program Directive to identify appropriate comparators. Maximum compensation was then set at the 50th Percentile of the identified comparators.

Data to identify comparator hospitals was obtained through detailed analysis using the following sources:

- Ministry of Health and Long Term Care Health Indicator (HIT) Tool
- CIHI Data
- Ontario Healthcare Reporting Standards database (OHRS)
- Financial Statements and Annual Reports of identified comparable organizations
- Direct correspondence with potential comparators

Using the above sources, the following indicators were examined to identify Hospitals that most closely compared to Lake of the Woods District Hospital. Criteria used for selection included:

- Hospital Class (Large Community Hospitals as per the MOHLTC HIT Tool Classification)
 - Geography (LHIN, Rurality)
 - # of FTEs and headcount
 - Total Expenses (Budget)
 - Range of Services Offered (ie Acute, ICU, Surgery, Mental Health, ER, Outpatient, Fund 2 programs)
- Inpatient Volumes, Ambulatory Care and Emergency Volumes were also considered to determine relative comparability but were not one of the deciding factors.

A corridor of .5 to 2 X budget & FTEs was used to identify the facilities that were similar to LWDH for those particular criteria.

The twelve hospitals who matched the largest number of the above criteria were selected as peer comparators for LWDH.

The Ontario Hospital Association CEO and Designated Executive Survey 2016 was used to identify salary levels for the CEO and comparative Vice Presidents of the comparator hospitals. If salaries were not available from that source they were obtained through direct correspondence with the comparator hospital.

For each position class, the 50th percentile of the twelve comparator hospitals was selected as the proposed new maximum level of compensation for LWDH executives. The MOHLTC has subsequently indicated that increases in the overall compensation pool may not exceed 5% increases between current compensation levels and proposed maximum pay grids may not exceed 20% so LWDH has complied with these parameters and reduced the proposed salary range maximums to fall within the 20% ceiling.

The salary range minimum for each of the executive position has been set at 5% higher than the current level of compensation, with the Salary Range maximums being set at near the 50th percentile of the peer comparators.

C. Salary and Performance-related Pay Structure

Provide information on the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on salary ranges and performance-related pay structure can provide useful context.

Executive Position or Class of Positions	Salary Range Minimum (\$)	Job Rate (\$)	Salary Range Maximum (\$)	Target Annual Performance-related pay (% of Salary)	Maximum Annual Performance-related Pay (% of Salary)	Salary and Performance-related Pay Cap (\$)
E.g. President	E.g. 200,000	E.g. 220,000	E.g. 240,000	E.g. 7.5	E.g. 10	E.g. 264,000
President & CEO	\$192,211	\$196,055	\$228,431	2.0	2.0	\$233,000
Vice President - Clinical Serv (Includes VP Patient Care & CNO and VP Mental Health & Addictions)	\$124,875	\$126,123	\$140,965	1.0	1.0	\$142,375
Vice President, Corporate Services & CFO	\$124,875	\$126,123	\$140,965	1.0	1.0	\$142,375

D. Salary and Performance-related Pay Envelope

Provide the sum of salary and performance-related pay paid to designated executives for the most recently completed pay year. In addition, provide the maximum rate of increase to the salary and performance-related pay envelope. Additional information on why changes are necessary and how they were determined can provide useful context.

Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (\$)	Maximum Rate of Increase to Envelope (%)
\$539,842	5.0

Rationale for the Proposed Maximum Rate of Increase:

Factors to consider

The total executive pay envelope for LWDH for 2016 was \$539,842. LWDH proposes to increase the pay envelope by the 5%. Rationale is as follows:

-Historically, Lake of the Woods District Hospital (LWDH) executives have consistently been paid 20-25% lower than benchmarked peers in both the comparable hospital sector and other areas in the Broader Public Sector. This has been the case even prior to the compensation freeze enacted in the Broader Public Sector Accountability Act, 2010 and subsequently in the BPS Executive Compensation Act, 2014.

1) Financial Priorities of Government of Ont - The Province has approved a balanced budget for 2017/18 so has lifted the freeze on Executive compensation in the BPS. LWDH Sr. Executives have been without a pay increase for 8 years and have not received pay for performance since the legislation freezing compensation was implemented

2) Recent executive compensation trends in the comparative sector - Union settlements within hospitals have averaged between 1.5% and 2% during the 8 year term of the executive compensation freeze for an avg of 12-16% increase over that time period. Internally non union/non management salaries have risen by a similar amount while LWDH executives have been frozen at 0% and have been denied their pay for performance bonuses.

3) Percentage of operating budget used for executive compensation - LWDH spends 1% of its operating budget on executive compensation. LWDH compensation for executives averages 23% less than the 50th percentile of peer comparators. Comparators are spending a higher percentage of operating dollars on executive compensation and in some cases have more positions falling under the executive category for operations providing similar services.

4) Effect of salary compression on attracting and retaining executives - With the extended freeze on executive compensation, collective agreement negotiations are pushing the level of compression between unionized staff, their middle managers, and senior executives. Unionized employees and non-union non management employees have received an average of 1.5 - 2% annual increases over the past eight years, for an average increase of 12-16% over that time period, while there has been 0% salary increase provided to LWDH executives since April 2009. Pay for performance incentives, which came into effect just prior to the compensation freeze have also not been paid to LWDH executives since the implementation of the freeze. The gap between senior executives and direct reports has narrowed significantly and in some cases, when factoring in overtime and shift differential, pay for direct reports has exceeded the executives' salaries. Recruitment to leadership positions is challenging without adequate compensation incentive for front line staff or middle managers to leave their positions. Local talent may seek opportunities outside of Kenora if compensation levels are not competitive. As peer comparators implement salary increases for their executives with the lifting of the compensation freeze, the wage disparity between LWDH and its peer hospitals will continue as executive salary increases are restricted to 5% within the government's parameters. Two of LWDH's 4 executives will be retiring in 2018. LWDH executives are significantly (over 20%) behind peer comparators in salary. This wide disparity, and the significant gap between the 50th percentile of its peers and LWDH executives' pay will impair the hospital's ability to recruit new executives and to retain existing ones.

5) Expansion of Scope of Responsibilities - Over the past several years, due to cost cutting and implementation of efficiency measures the size of the senior executive team at LWDH has been reduced from 7 to 4 (43%) and portfolios have been consolidated under fewer senior managers. There are also fewer supporting staff to assist with

management in the execution of scope of duties and all senior managers are involved in direct hands on execution of some functions that would typically be handed off to other managers in larger organizations with a menu of services similar to LWDH. It is important that qualified executives be retained and recruited, who can effectively accomplish the wide scope of operations that LWDH demands of its leaders.

6) Location - remoteness of Kenora from larger urban centres and distance from tertiary and other hospitals creates difficulties in recruitment and retention. We draw on the same talent pool as hospitals in southern Ontario who are closer to larger urban centres and are paying higher salaries. Potential recruits from central and southern Ontario regions will stay in larger centres and closer to family, if scope of responsibility is the same or less for more pay. Cost of living is higher in Northern communities. There are fewer employment opportunities for spouses/partners of potential employees in northern and smaller centres.

LWDH requires flexibility to adjust salaries to retain and attract the talent needed to continue to manage the complex operations which it provides. However, with the imposed 5% limitation in compensation increases for the first year of the framework's implementation, LWDH will still be at less than the 6th percentile of its peer comparators in terms of salary for its executives.

E. Other Elements of Compensation

Provide information on any compensation elements, other than salary and performance-related pay, that would be provided to designated executive positions or classes of positions but that are not generally provided in the same manner and relative amount to non-executive managers.

Include rationale outlining the critical business reasons that justify the provision of each element of compensation.

Element 1

Element of Compensation

Professional affiliation membership dues

Positions or Classes of Positions

President and Vice Presidents

Rationale

In order to ensure that LWDH Executive Leadership possess the high levels of expertise in their relative fields of practice, and that they remain up to date in their professional capacity, the Hospital requires President and Vice Presidents to possess post graduate certifications and to be member of the Canadian College of Health Leaders and other similar Associations. This is important to ensure that the hospital retains the necessary management talent pool that is required to effectively manage in the complex hospital environment. It is usual practice for hospitals to pay such membership fees on behalf of their executives. In the interest of remaining competitive with similar organizations, and to attract and retain professionals who possess high levels of expertise and commitment the payment of professional affiliation and membership fees is recommended.
