



Executive Compensation Plan

Effective April 12, 2018

Introduction

In 2014, the Broader Public Sector Executive Compensation Act, 2014 (BPSECA) was approved, which required all hospitals and other designated broader public sector organizations such as colleges, universities and school boards, to submit an executive compensation program to government. The act was then amended in 2017 by Ontario Regulations 187/17 and the Program Directives. The provincial government has as its goal to create a framework to provide greater transparency, consistency and accountability across broader public sector executive compensation programs.

The framework applies to employees and office holders of designated employers, such as our hospitals, who are entitled to receive cash compensation of \$100,000 or more in a calendar year and who are:

- the head of a designated employer, regardless of whether their title is chief executive officer, president or something else;
- the vice president, chief administrative officer, chief operating officer, chief financial officer, or chief information officer of a designated employer;
- a person holding any other executive position or office with a designated employer, regardless of title.

In the hospital sector, salaries for executives have remained frozen since 2010. The new Executive Compensation Framework allows for a review of salaries and other pay elements with certain criteria applied. Compensation is capped at no more than the 50th percentile of appropriate comparators, certain elements like signing bonuses and other perquisites are prohibited and the public must be consulted.

Effective April 12, 2018 the impact to Halton Healthcare is a 5% increase to the 2016/17 total executive compensation envelope. However, due to the growth of our organization in the past two years, the percentage represents the same amount of the operating budget at 0.6%. The new compensation program has been posted for public consultation and received final government and board of director approvals.

About Halton Healthcare

Halton Healthcare is a progressive, vibrant, multi-site healthcare organization serving the residents of Halton Region with its three community hospitals – Georgetown Hospital (GH), Milton District Hospital (MDH) and Oakville Trafalgar Memorial Hospital (OTMH). Halton Healthcare is a transforming organization with evolving models of care, leading practices and specialized services. Programs and technology can be assessed, adopted and accessed by patients as the organization provides compassionate, quality, community hospital care as part of an integrated system. Through innovation, collaboration and empowerment priorities resources are focused on pursuing the vision to deliver *Exemplary Patient Experiences, always*. Partnerships continue to develop across many community and regional programs and educational settings, notably partnering with McMaster University Medical School as a designated Clinical Education Campus.

Recent expansions of facilities and successes include:

- Delivering on time and on budget several MOHLTC initiatives, culminating in \$3.36 billion in capital projects
- Seamless transitions of major projects and significant growth to the operating budget
- Emergency department expansion and CT Scanner and Diagnostic Imaging Renovation at the Georgetown Hospital, adding an additional 14,000 sq. ft. of new clinical space
- The new Oakville Trafalgar Memorial Hospital, a brand-new, state of the art 1.6 million square foot Design, Build, Finance and Maintain (DBFM) healthcare facility, opened seamlessly in December 2015
- Adding 330,000 sq. ft. of new patient-centred space, more than tripling the size of the hospital and doubling its inpatient beds capacity at Milton District Hospital opened on-time on October 1, 2017
- Next phase growth and capital planning for the Georgetown Hospital to ensure access to the state-of-the-art facilities, technology and equipment.

Compensation Philosophy

To help address the increased complexity and demands of its operations, Halton Healthcare has been focused on recruitment and compensation practices designed to attract and retain executives that can support its growth. This is particularly important given the complexity and accountability of top executive roles, the growth of the organization and the consistent, successful delivery of state-of-art, smart design, build, finance and maintain (DBFM) infrastructure projects, demanding advanced technical/clinical/medical know-how and the available talent pool in a highly competitive field.

Halton Healthcare's compensation philosophy incorporates guiding principles that drive the compensation decision-making and is designed to achieve objectives outlined below;

- Allow Halton Healthcare to attract, retain and motivate excellent people who will lead and work with others in the best interests of Halton Healthcare to achieve the vision of transforming the community hospital experience and delivering exemplary patient experiences always,
- Compensate executives for the scope of their responsibilities and the delivery of high quality public services, as well as annual objectives, through an appropriate mix of fixed and performance-based variable pay,
- Ensuring internal equity for individual roles as well as groups or bands of roles using a comprehensive job evaluation approach,
- Recognize the challenges of finding the right fit for Halton Healthcare's requirements in terms of culture, values and know-how,
- Provide market-competitive total compensation for executives, while respecting budgets, supporting accountability and avoiding excessive pay levels and other unwarranted compensation elements that follow the new regulation (includes capping executive compensation at the 50th percentile of the maximum salary and performance-related pay for the relevant market).

Currently, Halton Healthcare has 11 full-time executive positions that were evaluated considering the required skills, knowledge and responsibility using the Hay Group Guide-Chart Profile Method. This method is broadly used by many broader public and private sector organizations across Canada and Internationally. Various aspects of total job content (such as know-how, problem solving and accountability) are considered to evaluate the jobs. The use of job evaluation provided the basis for grouping Halton Healthcare's 11 executive positions in 5 executive levels (classes of positions, as described in the framework).

Comparator Organizations

The government regulations state a minimum of eight comparator organizations must be used to develop the program. At Halton Healthcare thirteen comparable organizations were selected based on their similarities with respect to all five of the factors as specified by the framework:

1. Scope of responsibilities of the organization's executives

- Each comparator is an organization with similar structures, executive roles and overall scopes of accountability and responsibility.
- Each comparator has a Chief Executive Officer, Chief of Staff and several Vice President and executive level positions.
- All comparators have top level executive roles that report directly to the Board of Directors and have the same level of reporting responsibilities and accountabilities to their Local Health Integration Network (LHIN), the Ministry of Health and Long-Term Care (MOHLTC), Health Quality Ontario (HQO) and other formal regulators.
- The Ontario Hospital Association 2016 Designated Executive Survey was used to identify potential comparators and provided details on position definitions and comparisons.

2. Type of operations the organization engages in

- Each comparator is a hospital offering acute care and other healthcare services to the local communities they serve.
- All comparators share in similar public data sharing on key performance related measures
- Each comparator operates similar core portfolios, including Finance, Information & Communications Technology, Human Resources, Operations, Capital Projects, Strategy and Professional Staff functions.

3. Industries within which the organization competes for executives

- All comparators are hospitals and are within the industry that Halton Healthcare competes for talent at the executive level.
- Other Canadian healthcare organizations could have been considered, however each comparator is an Ontario based hospital, providing a direct provincial comparison.

4. Size of the organization

- Almost all of the comparators are like size organizations based on a number of criteria including the number of sites, overall range of staff and physicians, total operating budget and patient volumes.
- The two largest comparators have been included to account for the added complexities and responsibility of leading multi-site locations and their proximity to Halton Healthcare.
- Data collected through the Ontario Hospital Association 2016 Designated Executive Survey was used, including operating budget, number of staff and type of organization.

5. Location of the organization

- All comparator organizations are within a close geographical distance to Halton Healthcare and are considered when executive hiring is contemplated.
- Each comparator is included in the Halton Healthcare's attraction, recruitment and retention market.

Overall, Halton Healthcare's comparator group of 13 Ontario hospitals listed below represents a balanced sample of hospitals that are similar in size and in a combination of other important benchmark criteria as mentioned above. The comparator hospitals have a similar number of headcount, physicians, inpatient volume, research expense and number of discrete sites, with a relevant number of comparable positions to Halton Healthcare executive positions. All comparators are located in close proximity and from where talent is attracted and recruited.

Industry/Market	13 Comparator Organizations
Hospital	Centre for Addiction and Mental Health Hamilton Health Sciences Corporation Humber River Hospital Joseph Brant Hospital Kingston General Hospital Lakeridge Hospital Niagara Health System North York General Hospital Sinai Health System Southlake Regional Health Centre St. Joseph's Healthcare Hamilton Trillium Health Partners William Osler Health System

Comparative Analysis Details

Halton Healthcare has performed a comparative analysis and salary and performance-related pay cap are established at the 50th Percentile of the comparator maximum compensation values. The results of the comparative analysis were used to determine the maximum compensation that can be earned by the executives at Halton Healthcare.

Each executive role was analyzed and a classification was provided as it relates to total compensation in the newly designed executive compensation program.

Job Title/Category	Classification
President and Chief Executive Officer	CEO
Chief of Staff	COS
SVP, Clinical Programs & Chief Nursing Executive VP, Corporate Services & Chief Financial Officer VP, Redevelopment & Facilities	Band 1
Chief Information Officer COO, Oakville Trafalgar Hospital VP, HR Planning & Organizational Development VP, Strategy, Partnerships & Performance	Band 2
COO & Program Director, Georgetown Hospital COO & Program Director, Milton District Hospital	Band 3

CEO, COS, Band-1 and Band-2 were benchmarked against jobs with similar job title, job content and scope of responsibilities within the selected 13 comparator organizations. The total cash compensation caps for these levels were then established at the 50th percentile of the comparator market maximum total cash compensation (maximum base salary plus maximum performance related pay).

Due to the complexity and uniqueness of the roles in Band-3 classification, the Hay Group Job Size Methodology has been used to benchmark these roles. This methodology considers the different aspects of total job content (i.e. know-how, problem solving and accountability) and the sum of these measures, expressed in job evaluation “points”, to represent the value of the job. A comparator group of 19 of hospitals, listed below was used in this analysis.

Industry/Market	19 Band 3 Comparator Organizations
Hospital	Brant Community Healthcare System Cambridge Memorial Hospital Dryden Regional Hospital Georgian Bay General Hospital Grey Bruce Health Services Guelph General Hospital Hamilton Health Sciences Corporation Hanover and District Hospital Mackenzie Health Niagara Health System North Bay Regional Health Centre, North York General Hospital Peterborough Regional Health Centre, Southlake Regional Health Centre St. Joseph's Healthcare London, St. Thomas Elgin General Hospital Timmins and District Hospital Trillium Health Partners Waypoint Centre for Mental Health Care

Using the job evaluation methodology, Band-3 class was benchmarked with jobs of similar size (job evaluation points) within Hay Group's Ontario Hospital database consisting of 19 Ontario hospitals. The total cash compensation pay cap of Band-3 class was then set at 50th percentile of the maximum total cash compensation of this market. This methodology is within the requirements of the framework that specifies the comparable positions to be similar with respect to essential competencies (knowledge, skills, abilities, etc.), relative complexity, and the level of accountabilities associated with the position.

Compensation Framework

In accordance with the new legislation, Halton Healthcare's new executive compensation structure is benchmarked to the 50th percentile of the comparator market's maximum total cash compensation. The new compensation structure includes base salary and a performance based portion of 4% linked to the organizations Quality Improvement Plan (QIP) and other potential measures.

Title	Min Salary Range	Max Salary Range	Performance Based Compensation	Max Total Compensation Range**
CEO	\$336,538	\$480,769	4%	\$500,000
COS*	\$254,000	\$250,000	4%	\$260,000
Band 1	\$187,704	\$268,149	4%	\$278,875
Band 2	\$174,798	\$221,100	4%	\$230,000
Band 3	\$142,962	\$168,950	4%	\$175,700

*COS is a part-time role

**Max Total Compensation Range is equal to P50 of comparator organizations/roles and is a range, does not necessarily represent individual compensation or proposed salaries

Other Elements

Benefit packages, including pension, health benefits, vacation and professional development and memberships, provided to executives mirror those provided to non-executive managers at Halton Healthcare.

Halton Healthcare does not provide other perquisites, severance levels, or benefits that are not aligned to the new framework. All elements of compensation are offered in the same manner and relative amounts in relation to others in the organization.

The COS contract includes a unique long-term disability (LTD) supplement, termination benefits and a professional education subsidy. These elements will be "grandfathered" for the remaining term of the contract until December 2019, within the allowable 3 year period as outlined and permitted in the framework.

Overall Increase to the Pay Envelope

Halton Healthcare has also considered all of the factors set out below in determining the maximum rate of the increase to the overall executive pay envelope.

1) The financial priorities and the compensation priorities of the Ontario Government

Based on the 2016 Ontario Economic Outlook and Fiscal Review, transforming healthcare is one of the primary priorities for Ontario. In terms of Infrastructure investments, Halton region is considered to be one of the high-growth communities and major expansions are planned in this region. Halton Healthcare's role in the health system is crucial to its operating region and the proposed maximum rate of increase would allow Halton Healthcare to attract, retain, and motivate executives that are critical to leading the delivery and execution of its mandate in the MHLHIN and the province.

2) Recent executive compensation trends in competing industry

Based on the last 6 years some executives within the broader public sector received an average increase of approximately 1.80% annually to actual base salary between 2012 to 2017. Halton Healthcare and other Ontario BPS organizations have maintained the same salaries for the last 7 years. The proposed increase to the envelope will allow for updated compensation levels to move closer to the P50 of our comparators and to continue to attract, retain and motivate the executive team.

3) Portion of operating budget to executive compensation with respect to the comparator organization

While the overall portion of operating budget to executive compensation within comparator organizations is currently unknown the overall percentage within Halton Healthcare remains stable once the proposed increases are considered. The most recent pay envelope, based on the 2016/17 fiscal year, represented 0.6% of that years' operating budget. The proposed pay envelope will remain stable and represent 0.6% of the increased operating budget in 2017/18. It is understood this portion is well within the predicted benchmarking amounts of other hospital organizations.

4) Compression or inversion of compensation between executives and non-executive managers

There is compression of compensation between executive roles and non-executive Director and Manager roles. The pay gap between the total compensation of certain executives and others in smaller job sizes has grown to a negative position due to 7 years under a compensation freeze. This adversely affects overall equity across the organization, the attraction, recruitment and potential retention for these roles. Specifically there are 2 executives that are more than \$15,000 below the acceptable compression amount and require adjustments. The increase to the pay envelope considers the correction to the pay gaps currently existing between executives and non-executives.

5) Significant expansion in the operations of the designated employer that is not the result of a significant organizational restructuring

Halton Healthcare provides quality and compassionate healthcare services to more than 325,000 residents. Population forecasts in each of the three communities it serves show continued growth in excess of the provincial average putting increased demand on services, facilities and executives.

Halton Healthcare has more than doubled in size in recent years with a vision to transform the community hospital experience through the delivery of “Exemplary patient experiences, always”. The overall Operating Budget has grown by close to 40% during the period of 2015/16 to 2017/18, totaling \$462 million this fiscal year. This budget has been approved by the Ministry of Health and is expected to grow by 8% over the next few years and reach \$499 million. The current funded bed capacity of 573 has approved funding to increase to 639 beds by the year 2020 and the physical capacity to expand to 784 beds based on population growth and resources. Supported by more than 3,800 employees, 1,400 volunteers and 280 family physicians and specialists, Halton Healthcare ensures a consistent, coordinated approach to care through the provision of primary, secondary and some tertiary healthcare services to the residents of Oakville, Milton and Halton Hills.

The growth of Halton Healthcare has been achieved through several major capital and redevelopment projects across the three hospitals to keep pace with explosive population growth and aging demographic.

Summary

2016/17 Executive Pay Envelope	Proposed Maximum Increase
\$2,658,410	5%

Considering the significant expansion, continuing growth plan and the wage freeze induced compensation compression the Board and government approved, maximum rate of increase of 5% to the pay envelope is essential to be able to attract and retain executive talent and remain at a consistent proportion of the operating budget.