
POLICY ORIGIN: Board of Trustees

POLICY NO: 010-202

SECTION TITLE: Human Resources

TOPIC: Executive Compensation

POLICY STATEMENT

INTRODUCTION

Bill 46 – *Excellent Care for All Act* (ECFAA) was passed on June 3, 2010 in Ontario and contains a number of provisions, one of which is a performance based compensation requirement for executives. This document intends to provide a plan to meet the requirements for performance related pay.

The Act requires the compensation of CEOs and other executives to be linked to the achievement of performance improvement targets laid out in the Quality Improvement Plan (QIP) every fiscal year. In the case of St. Mary's General Hospital (SMGH) where the existing compensation plan does not provide for a bonus based on performance, the compensation plan is to be modified to ensure that a portion of the existing compensation is linked to the achievement of the Quality Improvement targets laid out in the QIP.

The Act does not specify what portion of executives' salaries must be tied to QIP. The focus is on accountability rather than any specific change to the overall level of compensation.

Due to provincial legislation (Bill 55), executive compensation has been frozen since 2010. This legislation superseded ECFAA. Therefore, the executive compensation that is linked to the QIP is a claw back or "Pay at Risk" rather than a bonus structure.

Effective, September 6, 2016 additional changes to Executive Compensation were announced, resulting in salary and performance-related pay caps. Once the Ministry of Health and Long-Term Care approve St. Mary's "Executive Compensation Framework" submission, actual compensation adjustments will be governed by a new "salary and performance-related pay envelope". The pay envelope is composed of the actual amount of salary and performance-related pay that was paid to the entire group of designated Executives (defined in Section 1.1) at the organization in the previous year. An approved maximum rate of increase will be applied to the salary and performance-related pay envelope in a given year with the resulting dollar

figure representing the additional compensation "budget" that can be distributed "in amounts determined at the discretion of the designated employer" provided it does not exceed the applicable pay cap for a role or a class of positions.

Other elements of compensation may be provided to designated executives in the same manner and relative amount as what is generally provided to non-executive managers. For any element of compensation provided only to executives, the executive compensation program must include a job requirement or business need rationale, with the submission of the Executive Framework.

An annual Executive Compensation compliance submission is required, by May 1st each year.

1.1 Who Does the Legislation Apply to?

- ♦ The President and anyone who holds an equivalent position, regardless of title,
- ♦ Members of senior executive management
- ♦ The Chief of Staff.

Therefore it does not apply to:

- ♦ Trade unions,
- ♦ Employees that report to the President that are not in senior management,
- ♦ Employees or physicians that report to the Chief of Staff,
- ♦ Consultants or others that may be providing senior management services that are not employees or deemed employees,

1.2 How is Compensation Defined?

ECFAA defines "compensation" as any form of payment, benefits, and perquisites paid or provided, including discretionary payments.

1.3 What is the Quality Improvement Plan (QIP)?

Health care organizations are to develop an annual Quality Improvement Plan for the next fiscal year and make that plan available to the public. In developing the annual Quality Improvement Plan, regard is to be had to:

- ♦ Results of annual patient and caregiver satisfaction and employee and service provider satisfaction surveys,
- ♦ Data relating to patient relations processes,

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- ♦ In the case of a public hospital, its aggregate critical incident data compiled based on disclosures of critical incidents pursuant to regulations under the *Public Hospitals Act* and information concerning indicators of quality of health care provided by the Hospital disclosed pursuant to regulations under the *Public Hospitals Act*.
- ♦ Additional factors as may be provided for by regulation.

The annual QIP is to contain annual performance improvement targets and a justification for those targets and information concerning the manner and the extent to which executive compensation is linked to achievement of those targets.

The Local Health Integration Network (LHIN) *may* request a draft of the annual QIP before it is made available to the public. Every health care organization shall provide a copy of its annual QIP to the Health Quality Ontario (HQO) in a format established by the HQO to allow for province-wide comparisons.

EVALUATION/COMPENSATION INTEGRATION

If there is no current performance based pay (PBP), a Hospital must create one. For example, 5% removed from base salary and considered "pay at risk" or performance based pay (PBP).

The Board has the discretion to set performance targets and determine how the designated Executives will be evaluated and earn their "performance based pay at risk", which is outlined in the Quality Improvement Plan. In using its discretion, the Board may:

- ii) Focus only on QIP indicators for PBP and leave other areas of performance required for "evaluation and feedback" only
- iii) President/Board work to identify those metrics most influenced by different senior team members and weigh accordingly – or team has a common plan with common weightings leading to a similar outcome
- iv) Evaluate and may add to the PBP program based on feedback and outcomes expected, annually.

APPROVAL: Board of Trustees, March 2013

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REVIEWED:

REVISED: Audit Committee – April 2015

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Mission and Governance Committee – May 2015; March 2016; January
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Board of Trustees – May 2015; November 2016; January 2019
