<table>
<tr><td rowspan="1">St.Mary's GENERAL HOSPITAL</td><td>BOARD OF TRUSTEES POLICIES</td><td>Section
ADMIN</td><td>Pages
1 of 3</td><td>Number
010-202</td></tr>
<tr><td colspan="3">Subject:
EXECUTIVE COMPENSATION</td><td colspan="2">Date:
April 1, 2013</td></tr>
<tr><td>Supersedes
NEW</td><td colspan="2">Cross Reference</td><td colspan="2">Issuing Authority
Board</td></tr>
</table>

1.0 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 plan for executives. This document intends to provide a plan to meet the requirements for performance related pay.

The Act seeks to tie a portion of executive compensation (a bonus) to the quality of care delivered within the Hospital as measured by the targets in the Quality Improvement Plan (QIP). 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 contingent upon the achievement of the Quality Improvement targets.

The Act does not specify what portion of executives' salaries must be tied to quality targets, nor does it impose any ceiling on executive compensation. The focus is on accountability rather than any specific change to the overall level of compensation.

Bill 16 – *Public Sector Compensation Restraint to Protect Public Services Act, 2010* superseded
Bill 46, thus putting executive based compensation "at risk" until it expired on March 31, 2012.

Bill 55 – *Strong Action for Ontario Act (Budget Measures), 2012* superseded Bill 16 and expires on or after the day the Public Accounts for a fiscal year are laid before the Assembly indicating that the Province did not have a deficit for that fiscal year.

1.1 Who Does the Legislation Apply to?

Bill 46 applies to:

- The **President** and anyone who holds an equivalent position, regardless of title,
- **Members of senior management** who report directly to the President or equivalent,
- 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,
- Chief of Medical Services and departments, or those paid a stipend.

1.2 How is Compensation Defined?

ECFAA defines "compensation" as any form of payment, benefits, and perquisites paid or provided, including discretionary payments There is no plan at present to prescribe the amount of compensation that must be at risk.

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,
- 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.

2.0 EVALUATION/COMPENSATION INTEGRATION

If there is no current performance based pay (PBP), a Hospital must create one. There are two options creating the plan vis a vis the current compensation plan:

a) There is room in the salary range (the employee is not at the top of their grid):

i) Year 1 – e.g., 5% *increase* allocated to PBP, no effect on base salary
ii) Focus on QIP indicators initially but have room to introduce a broader hybrid plan
iii) President/Board work to identify those metrics most influenced by different senior team members and weigh accordingly – or team has a common plan leading to a similar outcome – or hybrid
iv) Evaluate and in Year 2 may add to the PBP program

b) There is no room in the salary range to implement:

i) Phase in – e.g., 5% removed from base salary and added as at risk bonus,
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 in Year 2 may add to the PBP program based on feedback

For the most part, ***executives and President at SMGH have no room in the salary range and (Bill 55 prohibits increases to compensation, including to variable (bonus or pay for results) pay; therefore Option "b" above is applicable.***

A portion of the existing base compensation must be removed and treated as performance based pay. In order for the bonus to be treated as pensionable earnings, the bonus plan must be registered with the Healthcare of Ontario Pension Plan (HOOPP).