

AMGH Executive Compensation Program

ALEXANDRA MARINE & GENERAL HOSPITAL

February 28, 2018

AMGH Executive Compensation Program

The Organization

Alexandra Marine and General Hospital (AMGH) is a lead provider of health care services in Huron County. Located in Goderich, its primary catchment population is the surrounding municipalities totalling over 25,000 people. Patients come from throughout Huron, Grey and Bruce County to access our hospital, including residents of Huron Kinloss, South Bruce, Kincardine, Hanover, Lucknow, Owen Sound, Port Elgin, Chesley, and Walkerton, among others. AMGH provides services that exceed those which are traditionally offered in similar sized communities. As a full service, acute care, community hospital, AMGH not only provides emergency, surgery, medicine, internal medicine, inpatient medical services, diagnostic imaging, and laboratory services but also provides regional services for Huron County and beyond.

AMGH's regional programs include:

- Southwest Ontario Schedule 1 Mental Health Facility
- Obstetrics and Gynecology
- Telestroke
- Satellite Dialysis Unit
- CT Scanner

Guideline and Framework

In response to the Ontario Government's Executive Compensation Framework Regulation, established under the Broader Public Sector Executive Compensation Act, the Alexandra Marine and General Hospital (AMGH) has prepared an Executive Compensation Program.

The Executive Compensation Framework includes the following elements:

- Executive Compensation Philosophy
- Designated Executive Positions
- Identification of Comparator Organizations and supporting rationale
- Market Data for Comparator Organizations
- Executive Compensation Plan

EXECUTIVE COMPENSATION PHILOSOPHY

AMGH's leadership compensation philosophy endeavors to support the Hospital by engaging individuals who have the required skills, capabilities and experience to facilitate the achievement of the healthcare organization's strategic mandate.

The Human Resources / People Strategy adopted by AMGH allows and supports the hospital efforts to attract, retain, motivate and reward talented professionals who share AMGH's vision and values and those who can significantly contribute to the organization's continued successes in achieving its Strategic Goals and Operational Objectives.

Many factors influence a compensation philosophy, which in turn impacts the decisions an organization makes about its total rewards programs. In creating a compensation philosophy, AMGH will be guided by the following principles:

- Market competitiveness
 - Maintain executive compensation guidelines that place AMGH in a competitive position within a comparable market.
 - Total compensation package should be inclusive of competitive salary and benefits.
- Flexibility
 - To positively and successfully adapt to changing strategic circumstances
 - To respond to talent market changes or pressures
 - To both recruit and retain executive talent
- Internal equity
 - Equitable compensation and benefits for positions of the same value, related to scope and complexity within the organization
 - To ensure that there is internal equity, recognition and value of its executive staff through appropriate differentiation of executive salary
 - Employ salary guidelines that appropriately recognize wage grid compression
 - To foster the recruitment of executive staff to AMGH through use of publicly adopted "rurality index" strategies (recognizing the need to consider incentives to attract individuals to rural locals)
- Pay for Performance
 - Incent the achievement of approved performance based goals and objectives
 - Support and reinforce individual and collective behaviours that are consistent with a high performance culture that values professional development, mentorship and accountability
 - The compensation program should recognize and compensate executives for high performance.

- Value
 - AMGH recognizes as desirable, those individuals who can create value for the Organization (where value is demonstrated by delivering exceptional results from available time and resources).

DESIGNATED EXECUTIVE POSITIONS	
Full Job Title	Class of Position
President and Chief Executive Officer	President / CEO
Chief Information Officer / Vice President Corporate Services	Vice President (VP-1)
Chief Nursing Executive / Vice President Clinical Services	Vice President (VP-1)

Identification of Comparator Organizations

AMGH will consider the following in order to identify comparator organizations.

Recognizes the Broader Operating Climate

- Engage executives who have demonstrable abilities to lead the organization in the complex operating healthcare sector
- To provide guidance to the Board of Directors to accomplish its mandate
- Supports LHIN approved role for AMGH to move towards an Integrated Health Service Organization
- Consideration given to complexity of integration/collaboration and change management requirements

Talent Market

For the Chief Executive Officer, the AMGH talent market is defined as individuals employed within the healthcare/greater public sector in Canada. Experience with multiple site program delivery and with community/regional service delivery

For Vice Presidents, the AMGH talent market is defined as individuals employed at public sector organizations:

- Located in healthcare organization and/or complex public sector organization in both Ontario and across Canada
- Experience with multiple site organizations

Operational Considerations

In selecting comparators, AMGH will look to find comparator organizations with similar organizational and operational characteristics that are inclusive of the unique suite of secondary services provided by AMGH. The following services are of particular note; full suite of secondary service programs in general surgery, obstetrics and gynecology (regional), general and internal medicine, 24/7 emergency services, Schedule 1 inpatient and community based mental health program and supporting diagnostic and ancillary services. AMGH will determine the unique characteristics of the organization that contribute to the development of its Executive positions. AMGH will consider an individual's ability to impart persuasory influence in order to achieve consistently improved outcomes of healthcare services that AMGH provides.

Comparator Organizations

The executive compensation guidelines will consider at least 8 appropriate comparator organizations. AMGH has considered the organizations with which AMGH shares similar roles/responsibilities for executive talent within their respective systems and where a similar level of complexity, similar work, similar geography, size and where the executives who have similar scope of responsibilities and accountabilities. A balance of comparable smaller and larger organizations will be considered.

Comparators Based on Size

Ontario Hospital Association research determined that a correlation exists between organization's size and complexity relative to CEO salary. Based on this analysis, the dimensions with the strongest correlation were:

- Number of Staff
- Annual Operating Budget
- Patient Volume
- Breadth and complexity of patient programs (type, mix)

A balanced number of comparator organizations ranging between approximately 0.5 and 2X the budget of AMGH were used.

The following criteria were considered to inform the comparator selection:

- Similar hospitals/healthcare organizations in Ontario
- Similar healthcare organizations in Canada
- Other boarder public sector organizations with similar complexity and size in non-urban settings

- Participants in OHA 2016 and/or OHA Executive Compensation survey
- Council of Ontario Universities survey
- Employed staff within an approximate range between 100 and 600
 - Reports: number of non-unit and unit producing staff;
 - Non-reports – numbers and types of physicians, midwives and other staff who are not considered employees of the organization
- Total Patient Volume (inclusive of all programs)
- Approved beds
- Those with similar level of complexity of patient programs
- Similar type, mix and volume of services

Beyond the criterion described above, consideration was given to additional modifiers in the selection of comparators. These include:

- LHIN/geographic area – rural Ontario landscape with similar patient demographic profiles
- Organizational type – small or community hospital with program responsibilities with multi-jurisdictional accountabilities
- Number of sites
- Emerging roles for hospital organizations to pursue collaborative and integrated relationships among healthcare providers

Selected Comparator Organizations

Using the AMGH executive compensation guideline criterion, the following nine comparator organizations have been chosen to best meet requirements as stated in the Act.

Comparators for CEO:

- Hanover District Hospital
- Lennox and Addington County General Hospital
- Mattawa & Algonquin
- MICS Group
- South Bruce Grey Health Centre
- West Nipissing General Hospital
- Wellington Health Care
- West Parry Sound Healthcare
- Winchester District Hospital

Comparators for VPs:

- Hanover District Hospital
- Lennox and Addington County General Hospital
- Mattawa & Algonquin

- MICS Group
- South Bruce Grey Health Centre
- West Nipissing General Hospital
- Wellington Health Care
- West Parry Sound Healthcare
- Winchester District Hospital

Market Data for Comparator Organizations and Establishing Maximum Pay

Market data for comparator organizations was compiled based on available compensation data.

As per the regulation, the maximum salary plus performance based incentive shall be no greater than the 50th percentile for the comparator organizations. Alexandra Marine and General Hospital has not utilized any private sector or international comparator organizations in the determination of its Executive Compensation Framework.

Performance Based Pay

Using comparator market analysis and in compliance with the regulations, AMGH has developed an executive compensation guideline for each of the executives or classes of executives. The salary guidelines are comprised of a base salary plus performance pay, the total of which shall not exceed the 50th percentile (median) of at least eight comparator organizations.

Performance measures and targets will be established with each executive at the beginning of each year with the level of achievement measured at the end of each year and tied to the attainment of the organizations Quality Improvement Plan (QIP). The intention of this aspect of the Executive Compensation Framework is to incentivise the attainment of performance goals. The target annual performance-related pay and maximum annual performance-related pay shall be three percent.

Position	President & CEO	CNE / VP Clinical Services	CIO / VP Corporate Services
Compensation Philosophy	The Alexandra Marine and General Hospital provides a competitive executive compensation and benefit program that is intended to reward executives for their individual and collective efforts in achieving the organization's strategic priorities and operational objectives.		
Comparator Organizations	<u>CEO:</u> <ul style="list-style-type: none"> • Hanover District Hospital • Lennox and Addington County General Hospital • Mattawa & Algonquin • MICS Group • South Bruce Grey Health Centre • West Nipissing General • Wellington Health Care • West Parry Sound Healthcare • Winchester District Hospital 	<u>VP's:</u> <ul style="list-style-type: none"> • Hanover District Hospital • Lennox and Addington County General Hospital • Mattawa & Algonquin • MICS Group • South Bruce Grey Health Centre • West Nipissing General • Wellington Health Care • West Parry Sound Healthcare • Winchester District Hospital 	

MARKET DATA

President & CEO Comparator Chart

Hospital Name	City	Organization Type:	Number of Beds	Annual Operating Budget March 31, 2016	Number of Staff - FTEs as of Sept.30, 2016	Maximum Salary	Title current CEO had in role prior to becoming CEO at your organization: 2	Title that previous CEO had in role before becoming CEO at your organization
West Nipissing General	Sturgeon Falls	Small	100-199	\$24,503,055	< 250	\$189,294	Unknown	Unknown
West Parry Sound Healthcare	Parry Sound	Community	100-199	\$47,924,000	250 to < 1,500	\$190,000	CEO / President	COO
MICs Group	Cochrane / Iroquois Falls / Matheson	Community	100-199	\$29,984,830	250 to < 1,500	\$199,500	CEO / President	CEO/President
South Bruce Grey Health Care	Walkerton	Community	50-99	\$44,933,588	250 to < 1,500	\$205,400	CEO / President	Unknown
Wellington Healthcare	Fergus, Palmerston, Mount Forest	Small	50-99	46,498,000	250 - <1,500	\$217,885	Unknown	Unknown
Mattawa & Algonquin	Mattawa	Small	< 50	\$14,353,576	< 250	\$218,212	Unknown	Unknown
Hanover District Hospital	Hanover	Small	<50	\$18,222,164	< 250	\$225,479	Unknown	Unknown
Lennox and Addington County General Hospital	Napanee	Community	50-99	\$28,522,886	< 250	\$254,801	CEO / President	Other
Winchester District Memorial Hospital	Winchester	Community	50-99	\$38,072,733	< 250	\$270,000	CEO / President	COO

Vice President Comparator Chart

Hospital	City	Organization Type:	Number of Beds	Annual Operating Budget - March 31, 2016	Number of Staff - FTEs - as of Sept.30, 2016.	Maximum Salary
West Nipissing General	Sturgeon Falls	Small	100-199	\$ 24,503,055	< 250	\$115,467
South Bruce Grey Health Care	Walkerton	Community	100-999	\$44,933,588	250 to < 1,500	\$124,995
Wellington Health Care	Fergus, Palmerston, Mount Forest	Small	50-99	\$46,498,000	250 - <1,500	\$132,376
West Parry Sound Healthcare	Parry Sound	Community	100-999	\$47,924,000	250 to < 1,500	\$133,906
MICs	Cochrane, Iroquois Falls, Matheson	Community	100-199	\$29,984,830	250 to < 1,500	\$140,186
Mattawa & Algonquin	Mattawa	Small	< 50	\$14,353,576	< 250	\$144,124
Hanover District Hospital	Hanover	Small	<50	\$18,322,164	< 250	\$148,667
Winchester District Hospital	Winchester	Community	50-99	\$38,072,733	< 250	\$149,931
Lennox & Addington County General Hospital	Napanee	Community	50-99	\$28,522,886	< 250	\$159,658

EXECUTIVE COMPENSATION PLAN

Salary and Performance-related Pay Structure:

Executive Position or Class of Positions	Salary Range Minimum (\$)	Salary Range Maximum (\$)	Target Annual Performance-Related pay (% of salary)	Maximum Annual Performance Related Pay (%)	Salary & Performance Related Pay Cap (%)
President / CEO	\$188,922.00	\$211,348.00	3%	\$6,537	\$217,885
Vice President	\$130,180.05	\$135,980.00	3%	\$4,206	\$140,186

Salary and Performance Pay Envelope

Sum of Salary and Performance-Related Pay for the Most Recently Completed Pay Year (\$) "P"	Proposed Maximum Rate of Increase to Envelope "R"	Salary and Performance-Related Pay Envelope Total (\$) Envelope Equation: $P+(P \times R)$
\$406,040.00	5%	\$426,342.00

Compression and Inversion

AMGH experience has been that compression has been impacted as follows: Five years ago the difference between the salary of the highest paid floor nurse to the CNE salary was 22% and has decreased to 8% for the 2016/17 fiscal period (which represents a reduction in the salary differential of 64%)

- Recruitment and retention requirements – AMGH operational environment required recruitment of CEO / Senior Leadership Team that was experienced, competent and skilled in operating a fully integrated and collaborative health care system.
- AMGH experienced first-hand the challenges of leadership recruitment in 2016. The recruitment of a new CEO consumed nine months until role was filled permanently; recruitment hard cost was \$56,044; as well as soft costs relating to the delay of the Clinical Service Program implementation.
- Rurality Index – Goderich is considered an underserved area as evidenced by the Rurality Index payment made to MDs, RNs, and RPNs who chose AMGH for a period of time after their graduation. According to Northern Health Programs, Goderich has a RIO2008 score of 52 which applies to Medical Doctors. Newly graduated RNs and RPNs are eligible for the Tuition Support Program to support the recruitment and retention of nurses to Goderich. This speaks to perhaps a higher number of less experienced staff so therefore require experienced leadership to ensure safest possible care as well as confirms Goderich requires additional incentive to recruit skilled workers
- Competitiveness: During the summer 2016 AMGH CEO recruitment found the current pay scale created a challenge to recruit a CEO with CEO experience.
- Equitable internal and external consideration where all staff are treated in an impartial and fair manner and consistent with AMGH's Compensation Plan for Non-Executive, Non-Union Staff Policy and guiding principles of: Market Competitiveness, Flexibility, Internal Equity, Pay for Performance, and Value.

Compression and Inversion

- As a result of salary freeze since 2008, the current salaries represent a real reduction of 17%

Ontario Provincial Budget Spring 2017 & Public Sector Collective Agreements

- 9% compound increase since 2012. Reference: Chart 6.1 Ontario Public/Private Wage Settlement Trends from:
 - <http://www.fin.gov.on.ca/en/budget/ontariobudgets/2017/ch6a.html#c6-1>
- 1.4% annual increase for Public Sector Provincial approved March 2017 in the Ontario Ministry budget

Ratio of Executive Compensation to Budget

- The AMGH Executive Compensation Committee was able to obtain data for the organizations used as Comparators for the CEO position. This data was plotted on a scattergram and indicated an inverse trend between the ratio of CEO salary to Budget vs Budget. The results confirmed that for the CEO position, AMGH is within the distribution curve relative to our peer organizations.