

Executive Compensation Program

Atikokan General Hospital

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EXECUTIVE COMPENSATION PROGRAM, ATIKOKAN GENERAL HOSPITAL

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Overview of AGH's Executive Compensation Program:

The *Broader Public Sector Executive Compensation Act* (BPSECA) and its associated regulations set the conditions for the first changes to Executive Compensation in the Ontario public sector in several years. Public sector executive wages have been frozen since the introduction of the *Broader Public Sector Accountability Act* in 2010. The BPSECA introduces requirements for an Executive Compensation Program. This Program must adhere to several requirements, including the following:

- Salary and performance-related pay is capped at no more than the 50th percentile of appropriate comparators.
- The rate of increase to the executive salary and performance related-pay envelope is capped at the maximum rate of increase approved by the overseeing minister.
- Designated employers must obtain approval from their overseeing minister on the comparator organizations used to determine salary and performance-related pay caps and the maximum rate of increase that could be applied when determining their executive salary and performance-related pay envelope.
- Certain compensation elements, such as signing bonuses and pay in lieu of perquisites, are prohibited.
- Designated employers must engage in public consultation to enhance the understanding and transparency of their executive compensation decisions.

This document serves as the Executive Compensation Program of the Atikokan General Hospital. Our plans for compliance with the above principles are described in the following pages.

AGH's Executive Compensation Philosophy:

The Atikokan General Hospital's Executive Compensation Philosophy guides the development of all compensation elements and provides a foundation for the development of AGH's Executive Compensation Program. The purpose of the Philosophy is to ensure that the organizational strategy and values of AGH, in compliance with the Regulation, guide our decisions in the attraction and retention of competitive and affordable executive talent.

The Executive Compensation Philosophy of AGH is composed of the following principles:

- Fiscal prudence: the program will sustain the long-term financial health of AGH by working within budgetary qualifications, testing the defensibility of program components, and structuring a fiscally sustainable and scalable compensatory package within the requirements of the Regulation.

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- Performance orientation: the program will drive organizational results by aligning AGH's organizational strategy, objectives and societal contributions with executive performance. This will also allow for meaningful performance-based compensatory differentiators in the program where appropriate.
- Clarity: the program will be simple to understand and administer. Communications about the program- both external and internal- will be transparent and will clearly demonstrate the value to the organization that the program represents.
- Market competitiveness: the program will be structured with flexibility to take into consideration the challenges associated with the market for talent, specifically attracting, engaging, and retaining executive talent in a remote and isolated geographical location.

In determining compensation, factors of external competitiveness, internal equity, and human rights will be considered:

- Externally competitive: the program will maintain, in aggregate, a 50th percentile target total compensation level (salary + performance pay) relative to the target labour market of organizations with similar skill sets and complexities.
 - Internal equity: AGH is committed to providing equitable compensation and benefit levels for positions providing proportionate value and/or contributions to the organization.
- Human rights: compensatory decisions made as part of AGH's compensation program will not violate human rights, specifically the protected grounds prescribed in the *Ontario Human Rights Code* and any other applicable legislation.

Designated Executive Positions:

At the Atikokan General Hospital, the following positions are designated as executive positions:

Full Job Title	Class of Position
Chief Executive Officer	CEO
Chief Nursing Officer	CNO

Salary and Performance-related Pay – Comparator Selection:

The Regulation establishes caps on the maximum amount of total compensation (salary + performance pay) that may be provided for an executive position. In order to establish the cap, an analysis of the total compensation of no fewer than eight (8) comparator organizations must be conducted. The cap may be no more than the 50th percentile of the total compensation rates of the comparators.

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The following organizations were selected as comparators for the CEO and CNO classes. Data from this list was obtained through a third-party report, completed on behalf of AGH by the Northwest Health Alliance.

No.	Comparator	Industry match?	Operational match?	Size match?	Location match?
	Atikokan General Hospital	Publicly-funded healthcare	Acute, Emergency, and LTC services	>\$5 million, <\$25 million	Rural, esp. Northern Ont.
1	Temiskaming Hospital	√	No LTC	\$26 million	√
2	North Of Superior Healthcare Group	√	√	√	√
3	Smooth Rock Falls Hospital	√	√	√	√
4	Mattawa General Hospital	√	No LTC at present	√	√
5	Listowel Wingham Hospital Alliance	√	No LTC	√	Not northern, but rural
6	Kemptville District Hospital	√	Interim LTC	√	Not northern, but rural
7	Hanover and District Hospital	√	No LTC	√	Not northern, but rural
8	Espanola Regional Hospital & Health Centre	√	√	√	√
9	Campbellford Memorial Hospital	√	No LTC	√	Not northern, but rural
10	Chapleau Health Services	√	√	√	√
11	Geraldton District Hospital	√	√	√	√
12	Red Lake Margaret Cochenour Memorial Hospital	√	No LTC	√	√
13	Wawa Lady Dunn Health Centre	√	√	√	√
14	Matheson Bingham Memorial Hospital	√	√	√	√
15	Deep River & District Hospital	√	√	√	√

Comparative Analysis:

In selecting appropriate comparators, the following selection criteria were chosen by the Atikokan General Hospital:

- **Industry:** we chose comparators exclusively from the publicly-funded healthcare industry in Ontario, and from other hospitals in particular.
- **Operations:** In addition to Acute and Emergency treatment services, the Atikokan General Hospital provides Long-Term Care (LTC) to 26 residents. It is also important to consider the services that AGH does *not* engage in, such as Surgery, CT and MRI diagnostics, and Diabetes management programs. An important goal in our analysis was to identify comparator hospitals who provide a comparable mix of services in their communities.
- **Size:** The Atikokan General Hospital is a small hospital, with a budget of less than \$25 million annually. We believe that the scope and scale of executive responsibility in larger organizations would not be comparable, and we have chosen organizations of similar size for comparison.
It should be noted that, in addition to the Atikokan General Hospital's operating budget, the CEO of AGH has been responsible for renovations and redevelopments with a budget of \$10 million.
- **Location:** AGH is 150 kilometers away by car from the next closest hospital. Our isolated, rural location presents unique challenges in the attraction and retention of talent. We selected comparators that are also located in rural communities- especially those in Northern Ontario.

AGH engaged closely with our research partner, the Northwest Health Alliance, in applying the above criteria to appropriate peers.

In our analysis, we discovered significant variation in the role and responsibilities of the CNO class. Some organizations forego having a Chief Nursing Officer altogether, instead distributing responsibilities amongst non-executive management and to the CEO. Such organizations tend to be smaller than AGH in accordance with the "Size" criteria set out above.

Compensation rates as identified in the table below were obtained from the following sources:

- Publicly disclosed compensation rates published on the website of the Hospital.
- Public sector salary disclosures from the year 2016, published by the province of Ontario at the following website:
<https://www.ontario.ca/page/public-sector-salary-disclosure-2016-all-sectors-and-seconded-employees>
- The OHA Executive Salary Survey, which records rates of compensation for all publicly-funded hospitals in Ontario.

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- Our CEO classification was matched to OHA’s benchmark job # 1,
 - Our CNO classification was matched to OHA’s benchmark job # 13, “Top Clinical Executive – not an MD”. The reason for this is that AGH’s CNO is responsible for a broader portfolio of reports than in many comparators.
- Many of the comparators we selected do not have a “Top Clinical Executive – not an MD” position. In those cases, we matched to OHA’s benchmark job # 14, “Top Nursing Executive”. These instances have been marked with an asterisk.

No.	Comparator	CEO rate	CNO rate
1	Temiskaming Hospital	\$189,621.14	\$159,863*
2	North Of Superior Healthcare Group	\$164,445.49	\$110,986.82*
3	Smooth Rock Falls Hospital	\$158,652	\$118,521*
4	Mattawa General Hospital	\$185,864.80	\$144,124
5	Listowel Wingham Hospital Alliance	\$188,533	\$143,442
6	Kemptville District Hospital	\$168,000	\$121,056
7	Hanover and District Hospital	\$225,479	\$148,337
8	Espanola Regional Hospital & Health Centre	\$178,398.12	\$130,564.00
9	Campbellford Memorial Hospital	\$165,000	\$114,480*
10	Chapleau Health Services	\$149,773	Not a good comparator.
11	Geraldton District Hospital	\$149,100	\$99,000
12	Red Lake Margaret Cochenour Memorial Hospital	\$149,500	\$104,725*
13	Wawa Lady Dunn Health Centre	\$138,000	\$100,000*
14	Matheson Bingham Memorial Hospital	\$199,500	\$134,765*
15	Deep River & District Hospital	\$154,694	\$136,605.32
50th Percentile		\$170,970.70	\$117,764.61

Salary and Performance-related Pay Structure:

AGH’s Executive Compensation Program has been designed with caps for executive compensation:

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Position / Class	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 (\$)
CEO	\$140,000	\$152,000	\$160,000	5%	6.80%	\$170,970.70
CNO	\$100,000	\$110,000	\$114,231.67	2%	3%	\$117,764.61

Note that performance pay targets and maximums have been set higher for the CEO position. We aim to recognize the escalated potential for reward in the CEO's duty to successfully manage all hospital activities, particularly in a small hospital with a relatively flat organizational hierarchy. This supports our goals of allowing for meaningful performance-based compensatory differentiators and of ensuring the board can act in a fiscally prudent manner.

It should be noted that AGH intends to tie year-over-year increases to the salary range minimums and maximums to the rate of increase in salary and performance-related pay provided to AGH's non-executive managers. This is in compliance with the Regulation.

Executive Salary and Performance-related Pay Envelope:

The Pay Envelope sets out a maximum rate of increase for Executive salary and performance pay in any given year:

Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (\$)	Maximum Rate of Increase to Envelope (%)
\$256,793.20	5.0%

Rationale: We believe that the requested rate of increase fits within the budgetary guidelines and priorities established by the Ontario Government. The Ontario Government has committed in the 2017 Budget (Chapter IV, Sec. A) to increasing Hospital funding by 3% overall in the 2017-18 fiscal year.

It is important to note the context in which this compensation program has been developed. Given that executive compensation has been frozen since 2010, we believe that there will be a need to issue significant increases in the near term; these needs will abate in the future as levels of compensation progress towards competitive levels.

In developing this pay envelope, we have given consideration to the challenges associated with attracting and retaining executive talent in the geographic location in which Atikokan is located.



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150 kilometers from the next town- and 200 kilometers from Thunder Bay- Atikokan is a remote and isolated community that will face challenges in attracting executive talent in the future. Offering significant year-over-year compensation increases (both base salary and performance pay) will enable the Atikokan General Hospital to effectively compete in attracting and retaining executive talent.

Relative to the overall budget of the Atikokan General Hospital, total Executive compensation is equal to 2.59% of the total operating budget at the current envelope. We believe that there is budgetary capacity for sustainable growth at a 5% year-over-year increase to the envelope up to 3% of the overall budget (which itself will change from year-to-year).

Although compression of compensation from non-executive positions is not a factor at this time, the Atikokan General Hospital is currently undergoing a review of all non-executive, non-Union classifications. Upon completion of this review, noticeable compression is expected for the Chief Nursing Officer class (relative to the current compensation rate for that class). Therefore, we will need to adjust the Chief Nursing Officer’s salary at an accelerated pace in the near future.

A final factor in our consideration has been the recent renovations and expansions at the Atikokan General Hospital. We are currently in the final stages of the construction of a new Acute Care wing of the hospital. The total budget for this project was approximately \$10 million; note that the overall operating budget of the hospital is \$9.9 million. The project will be completed on time and on budget, and as a result, the Board of Directors may wish to recognize the Executive team for their successful stewardship of this task.

Other elements of compensation:

Executive-level positions are occasionally offered additional compensatory elements- besides their salaries and performance-related pay- that would not generally be provided to non-executive managers.

AGH does not offer any other compensatory elements to Executives. Accordingly, the following table has been left blank.

Element of Compensation	Position/Class	Rationale for Selection