

Haliburton Highlands Health Services Executive Compensation Plan

Contact Information:

Dave Bonham, Chair of HHHS Board of Directors

7199 Gelert Road, Haliburton Ontario, K0M 1S0

Tel: 705-457-2527 Fax: 705-457-1071

hhhsboardchair@hhhs.ca

INTRODUCTION:

The Broader Public Sector Accountability Act, 2010 [BPSAA] was established by the government to improve accountability and transparency across the broader public sector [BPS]. It enabled government controls on compensation, expenses, perquisites, business documents and procurement. This legislation imposed a freeze on all non-bargaining unit salaries for the period March 2010 to March 2012.

Government amendments to the BPSAA in 2012, served to further restrain executive compensation, and establish a continuation of the executive compensation freeze as of March 31, 2012 carrying the freeze forward to 2017.

In March 2015, the government proclaimed the Broader Public Sector Executive Compensation Act, (BPSECA) 2014. The purpose of this legislation was to manage executive compensation in the broader public sector following the expiry of executive compensation wage freeze extended in March 31, 2012. The BPSECA 2014 authorized the government to establish compensation frameworks and regulations applicable to the designated executives of BPS designated employers.

On September 5, 2016, the Government of Ontario issued Regulation 304/16 (the Executive Compensation Framework) under the authority of the BPSECA 2014. In June 2017, the Government issued Regulation 187/17, the Broader Public Sector Executive Compensation Program Directive and Guide to amended Regulation 304/16, so as to introduce additional requirements for designated employers. The BPSECA 2014 and Regulations 304/16 and 187/17 serve to set out for designated employers the requirements for determining the maximum amount of salary, and performance pay, (the Pay Cap), the associated Executive Pay Envelope, as well as parameters regarding other elements of executive compensation that may be made available for Designated Executives, and the process for obtaining the overseeing minister's approval on all aspects of the designated employers Executive Compensation Plan.

The Haliburton Highlands Health Services (HHHS) Board of Directors have developed and approved an Executive Compensation Plan in compliance with the BPSECA, Regulation 304/16, & 187/17; and the Government's associated Directive and Guide documents.

The HHHS Executive Compensation Plan has received ministerial approval and is posted as of February 5, 2018, for the purpose of providing the public an opportunity to provide comment on the manner in which the HHHS Board of Directors determined the compensation it will provide to its Designated Executives in accordance with the current Regulations.

Haliburton Highlands Health Services Executive Compensation Plan

Haliburton Highlands Health Services Compensation Philosophy

Haliburton Highlands Health Services (HHHS) believes it is important for the benefit of its patients that HHHS is able to attract and retain executives who are competent, and possess the requisite skills to support the achievement of operating goals and strategic objectives, and share the values of HHHS. Accordingly, the HHHS Executive Compensation Plan will be competitive within the healthcare marketplace (e.g., hospital, community health, and long term care sectors) and will reward achievement of Quality Improvement Plan (QIP) objectives.

As a publicly funded institution, HHHS has designed an Executive Compensation Plan which is fiscally responsible in this environment of fiscal restraint.

Based on historical recruitment practices the typical labor market for future recruitment of HHHS executives is expected to be from Ontario hospitals, located in communities of equal or larger size to the HHHS service area, and from hospitals that are of equal or larger size in terms of: number of beds (Less than 50 and 50 – 99 beds), budget size, (\$5million to \$25million and \$25million to \$150million +) and number of hospital sites managed (more than 1, up to 4 +). Accordingly, comparator hospitals have been selected based upon these criteria and similarity of executive's scope of responsibilities including reporting structure, overall accountability for organizational divisions or functions, and the direction and guidance provided within the organization

A common set of Comparators will be utilized for all Designated Executives (DE's). The Ontario Hospital Association [OHA] 2016 Comparator Organization Demographic Data Survey and 2016 CEO and Designated Executive Salary Survey, provided the comparative industry compensation and demographic data required to develop the HHHS Executive Compensation Plan. OHA member hospitals were invited by the OHA to participate in these surveys to assist with the required market comparator process, following the government's introduction of the Executive Compensation Framework in the fall of 2016; the survey results represent over 90% of OHA member hospitals. This represents the most reliable and accurate compensation Comparator information available to HHHS.

HHHS will maintain its commitment to the Excellent Care for All legislation; as such a portion of executive compensation will be linked to the attainment of annual Quality Improvement Plan (QIP) objectives. This additional performance-related pay will be tied to successful completion of QIP and other objectives, and will be set out for each Designated Executive and Designated Executive group as follows; CEO up to 4% of base salary and class of designated executives up to 2% of base salary.

HHHS will maintain its commitment to internal equity, and the Pay Equity legislation, by establishing a common maximum rate of compensation [Pay Cap] for its Vice Presidents, essentially treating these roles as a Class of Designated Executives (DE's). The Top Clinical Executive role was utilized as the Comparator for the DE's as each of the DE's carry clinical or clinical support responsibilities. In addition a common Cap Rate will ensure Pay Equity compliance and encourage Team Based Goals and Team behavior.

The placement of the CEO within the range between their current rate of pay and the new max compensation rate will be determined by the Board Executive Committee.

Vice President (VP) positions will have a common max compensation rate. The placement of an individual VP within the range between their current rate of pay and the new max compensation rate will be determined by the CEO and Board Executive Committee.

Haliburton Highlands Health Services Executive Compensation Plan

Future increases to the executive Pay Envelope and progression toward the maximum rate of compensation [Pay Cap] established for its Designated Executives will be annually approved by the Board of Directors and shall be compliant with current Executive Compensation Regulations and Directives and will consider the “R” factor referred to in this Plan.

In the Sections that follow, BPSECA 2014, Regulation 304/16 (Executive Compensation Framework) and Regulation 187/17 (Regulation, Directive and Guide) requirements are summarized in the **Legislated Requirement column, compliance status in the **HHHS Compliance Status column**, and the action taken by HHHS to achieve compliance is stated in the **HHHS Executive Compensation Plan column**.**

Legislated Requirement, as per Regulation 304/16 and 187/17	HHHS Compliance Status	HHHS Executive Compensation Plan
<p>Designated Executives</p> <p>The Regulation applies to employees and office holders of designated employers who are entitled to receive cash compensation of \$100,000 or more in a calendar year and who are:</p> <ul style="list-style-type: none"> • 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; 	<p>In Compliance</p>	<p>The following HHHS positions have been identified as Designated Executive for purposes of this legislation;</p> <ul style="list-style-type: none"> • Chief Executive Officer <p>All executive team positions [Vice Presidents] reporting to the CEO will be treated as a Class of Designated Executive positions and will include:</p> <ul style="list-style-type: none"> • Vice President Clinical Services-Chief Nursing Executive • Vice President Community Services • Vice President Support Services-CFO
<p>Comparator Organization Selection For each Designated Executive position or Class of Designated Executive positions,</p>	<p>In Compliance</p>	<p>HHHS-List of Comparator Organizations (The Comparator Organization noted below</p>

Haliburton Highlands Health Services

Executive Compensation Plan

<p>comparable positions must be selected for analysis from at least eight different organizations.</p> <p>Comparable organizations are those that are similar to the employer with respect to three or more of the following factors contained in Table One:</p> <p>TABLE ONE:</p> <ul style="list-style-type: none"> • Scope of responsibilities of the organization’s executives. • Type of operations the organization engages in. • Industries within which the organization competes for executives. • Size of the organization • Location of the organization <hr/> <p>Comparable positions generally include those that are similar with respect to essential competencies (knowledge, skills, and abilities), relative complexity and the level of accountability associated with the position.</p> <p>The following information from the comparative analysis of executive compensation must be presented in the executive compensation program:</p> <ul style="list-style-type: none"> • A list of comparable organizations used to calculate salary and performance-related pay. • A description of how the comparable positions chosen are comparable to the designated executive positions or class of positions. • A description of how the comparator organizations are comparable to the designated employer with respect to the selection criteria listed in Table One. 		<p>were employed to calculate new salary and performance-related maximum Pay Caps for HHHS Designated Executives)</p> <p>The following 11 organizations have been identified as comparators for the HHHS Designated Executive and Designated Executive Class positions and are compliant with the criteria identified in Regulations 304/16, 187/17 [Directive and Guide] Table One:</p> <ol style="list-style-type: none"> 1. Arnprior Regional Health 2. Tillsonburg District Memorial Hospital 3. South Bruce Grey Health Centre 4. MICs Group of Health Services 5. Alexandra Hospital 6. North Shore Health Network 7. Listowel Wingham Hospital Alliance 8. Sensenbrenner Hospital 9. Dryden Regional Health Center 10. Temiskaming Hospital 11. Kirkland and District Hospital <p>Each of the identified comparator organizations are deemed similar to HHHS in terms of the Regulation’s Table One criteria consistent with the OHA survey data:</p> <ul style="list-style-type: none"> • Each selected comparator hospital is an Ontario Community or Teaching hospital providing services similar to HHHS many with multi sites. • The Scope of executive responsibilities and competencies are similar, based upon the position profiles provided in the 2016 OHA CEO and Designated Executive Salary Survey, including reporting structure, overall accountability for organizational divisions or functions, and the direction and guidance provided within the organization
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Haliburton Highlands Health Services Executive Compensation Plan

		<ul style="list-style-type: none"> • The selected comparator hospitals fall within the healthcare marketplace where HHHS has or may elect to search for executives, and to where HHHS has lost executives. This includes hospital sector, community health sector, and long term care sector. • They are similar in terms of relative size (Budget, Beds, & FTE). For budget, the HHHS budget is approximately \$25 million and comparator hospitals chosen fall in the range of \$5-25 million or \$25-150 million; HHHS has less than 50 beds and comparator hospitals chosen had less than 50 beds or 50 – 99 beds; and for FTE, HHHS has less than 250 FTE so comparator hospitals selected also mainly reported less than 250 FTE. • Their catchment areas are of a similar size, rurality and distance from larger centres, as Haliburton Highlands Health Services.
<p>Executive Salary & Performance-Related Pay Envelope</p> <p>The pay envelope is determined based on the sum of all salary and performance-related pay provided to all incumbents of designated executive positions for the most recently completed compensation year.</p> <p>Once determined the pay envelope may be increased by a Government defined percentage referred to in the regulation as the “R” factor. The previous year’s pay envelope is multiplied by the “R” factor to establish the pay envelope for the next pay year.</p>	<p>In Compliance</p>	<p>HHHS Executive Salary & Performance-Related Pay Envelope</p> <p>Note: The HHHS Board remained fully compliant with the executive compensation freeze requirements under the Government’s BPSAA (2010) and subsequent regulations and directives. As such, the following factors were taken into consideration in the development of the executive compensation program and rationale for Maximum rate of increase in the salary and performance-related pay envelope:</p> <ul style="list-style-type: none"> • Financial and compensation priorities of the Government of Ontario and Ministry of Health and Long-Term Care (MOHLTC). The

Haliburton Highlands Health Services Executive Compensation Plan

<p>As part of its Executive Compensation plan implementation, a designated employer must determine the maximum rate of increase to the executive salary and performance-related pay envelope that applies to all designated executives.</p> <p>At plan implementation the dollar increase provided to each designated executive may not exceed their new Maximum Compensation Cap and the sum of the salary and performance-related pay received by each designated executive may not exceed the pay envelope.</p>		<p>Government of Ontario has committed to achieving a balanced budget in 2018-19. To align, through signed accountability agreements with the Local Health Integration Network (LHIN), on behalf of the MOHLTC, HHHS is required to submit and maintain a balanced operating budget.</p> <ul style="list-style-type: none"> • Trends in compensation in healthcare in Ontario. Over the past 10 years, the annual wage base has increased for the provincial public sector, in addition, most of these employees also received annual increases for progress-through-the-ranks up to the maximum of their salary ranges. At HHHS, in addition to progression through the grid for the unionized workforce, they have also been awarded wage grid increases averaging 1.6% each of the past five (5) years. • A detailed analysis and comparison of the percentage of our operating budget that is used for executive compensation and the percentages of the operating budgets of our identified comparator organizations that is used for executive compensation (compensation includes both salary and performance-related pay). In 2016/17, HHHS invested 2.2% of the total operating budget in executive compensation, which is considered to be significantly less than comparator organizations. • The effect of executive compensation on our ability to attract and retain talent to our executive positions. Since 2014/15, HHHS has experienced a one hundred percent (100%) turnover rate of the current designated executive positions, with a length of time to recruit of thirteen (13) months for one of the positions, due primarily to the compensation potential of the position. • The difference between the executive compensation amounts and the compensation amounts of the individuals
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Haliburton Highlands Health Services Executive Compensation Plan

<p>Conducting the Comparative Analysis</p> <p>Designated employers are required to determine caps on salary and performance-related pay.</p> <p>Determining caps involves conducting a comparative analysis for each designated executive position or class of designated executive positions. The analysis may be undertaken by the employer or a third party.</p> <p>The comparative analysis should typically follow these steps:</p> <ol style="list-style-type: none"> 1. Determine the maximum amount of annual base salary and performance-related pay available to comparable executives from at least eight appropriate comparator organizations. 2. Determine an amount in the range of comparator compensation values that is no greater than the 50th percentile – that is, no greater than the point in the range where half the values fall below. This value becomes the cap for the position or class of positions being evaluated. 	<p>In Compliance</p>	<p>who report directly to the designated executives. Significant compression issues at all levels of the organization being realized based on an average wage grid increase of 1.6% each of the past five (5) years for the unionized staff at HHHS while designated executives wages have been frozen. In 2016/17, the differential in base wage rates averaged only thirteen percent (13%) between front-line staff and non-executive managers, and less than \$15,000 per year differential between designated executives and their direct reporting managers.</p> <p>The HHHS pay envelope for the most recently completed pay year is:</p> <p>\$534,900.</p> <p>The “R” factor HHHS employed to adjust its pay envelope for the coming year was</p> <p>5%</p> <p>The new pay envelope (inclusive of the 5% “R” factor increase] for HHHS to distribute among its Designated Executives in the implementation of its Executive Compensation Plan is:</p> <p>\$ 561,645 (this number is inclusive of the 5% “R” factor adjustment]</p> <p>The 5% “R” factor is considered appropriate given the relative position of HHHS in the market and recognizing that the market will be rising through this process. This R factor will be used to guide the Board as Executives move towards the new Cap Rates in future years.</p>
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Haliburton Highlands Health Services Executive Compensation Plan

<p>Comparative Analysis Details</p> <p>The following information from the analysis of executive compensation must be presented in the compensation program: a list of the comparable positions and organizations used when calculating each cap on salary and performance-related pay:</p> <ul style="list-style-type: none"> • description of how the comparable positions are comparable to the designated executive position • description of how the comparator organizations are comparable to the designated employer with respect to the selection criteria. 	<p>In Compliance</p>	<p>HHHS Comparative Analysis & Details</p> <p>HHHS engaged third party expertise to conduct an independent comparative analysis of each Designated Executive and Class of Designated Executives. The Ontario Hospital Association [OHA] 2016 Comparator Organization Demographic Data Survey and 2016 CEO and Designated Executive Salary Survey data (the most reliable and comprehensive available) served as the basis for a comparative analysis that has established the HHHS Designated Executive new Pay Caps. This analysis resulted in the creation of new Compensation Pay Caps at the 50th percentile of the compensation provided at the identified Comparator Organizations.</p> <p>The listed 11 Comparator organizations were employed to complete the comparative analysis for all HHHS Designated Executives and Designated Executive Classes.</p> <p>Beyond the CEO, HHHS has decided to utilize a Designated Executives Class, for all Vice Presidents. This decision maintains Pay Equity Legislation compliance and provides flexibility in the reassignment of executive responsibilities without the need for pay adjustments. The OHA survey's "Top Clinical Executive [Non-MD]" position was utilized for the Vice Presidents. Additionally, this approach allows for the creation of team goals and will be helpful in the development of a team culture. In addition all DE's in the Class carry clinical or clinical support accountabilities.</p> <p>Comparative Analysis Results</p> <p>As a result of the 50th percentile comparative analysis the New Maximum Compensation Pay Cap (salary + performance-related pay) and new Base</p>
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Haliburton Highlands Health Services Executive Compensation Plan

		<p>Salary for each Designated Executive and Designated Executive class is as follows:</p> <p>Chief Executive Officer, Minimum Compensation: \$180,063 Maximum Compensation (Pay Cap) \$195,000 New Base Salary \$180,063</p> <p><u>Vice Presidents Class</u> Minimum Compensation: \$112,200 Maximum Compensation (Pay Cap) \$133,851</p> <p>VP-Chief Nursing Executive New Base Salary \$117,300</p> <p>VP-Support Services-CFO New Base Salary \$117,300</p> <p>VP-Community Services New Base Salary \$112,200</p> <p>Quality Improvement Plan (QIP) & Performance-Related Pay</p> <p>HHHS maintains its commitment to the Excellent Care for All legislation; as such a portion of executive compensation is linked to the attainment of the annual Quality Improvement Plan objectives and other Performance-related Pay objectives. The potential additional compensation, tied to performance for 2017-18, will be as follows:</p> <p>Chief Executive Officer, up to 4% of base salary \$7,203</p> <p>Vice President -Chief Nursing Executive up to 2% % of base salary \$2,346</p> <p>Vice President-Community Services up to 2% of base salary \$2,244</p> <p>Vice President-Support Services, CFO up to 2% of base salary \$2,346</p> <p>The annualized aggregate of base salary, QIP</p>
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Haliburton Highlands Health Services Executive Compensation Plan

		and other Performance-related Pay does not exceed the pay envelope or the individual Designated Executive Pay Caps.
<p>Other elements of compensation</p> <p>With the exception of salary and performance-related pay, an employer cannot provide an element of compensation to Designated Executives that is not also generally provided to non-executive managers, unless the element is required for the performance of the executive’s job or to satisfy a critical business need.</p> <p>Non-executive managers refers to employees and office holders who exercise managerial functions, and who directly report to one or more designated executives.</p> <p>The executive compensation program must identify any element of compensation provided exclusively to a designated executive, or class of Designated Executives, and include a written rationale explaining why the element is required for the performance of the executive’s job or the critical business need that is satisfied by its provision.</p> <p>Guide to providing other elements of compensation</p> <ul style="list-style-type: none"> • If the element is generally provided to non-executive managers: Then the element may be provided in the same manner, and relative amount, as what is generally provided to non-executive managers. • If the element is required for the performance of the executive's job or for critical business reasons: Then the element may be provided and must be supported by a business rationale. Otherwise, 	<p>In Compliance</p>	<p>HHHS Other elements of compensation for Designated Executives [perquisites]</p> <p>HHHS Designated Executives do not receive other compensation elements/perquisites that are not currently made available to HHHS non-executive management.</p>

Haliburton Highlands Health Services Executive Compensation Plan

the element is prohibited.		
<p>Future Adjustments to the Salary and Performance-related Pay Cap and Pay Envelope</p> <p>Pay Cap All salary increases provided to Designated Executives must be approved by the Board of Directors, or the equivalent governing body or officer.</p> <p>Once per pay year, a designated employer may increase the salary and performance-related pay cap for a designated executive position or class of designated executive positions by a rate that does not exceed the lesser of the following:</p> <p>The average rate of increase in salary and performance-related pay of the designated employers non-executive managers for the most recent one year. In respect of which the employer determined the salary and performance-related pay to be paid to the non-executive managers.</p> <p>The public sector wage settlement trend in Ontario, as set out in the budget, the Economic Outlook and Fiscal Review or the public documents of the crown in right of Ontario, the cabinet, the Treasury Board or the Management Board of Cabinet.</p> <p>Pay Envelope Each year, a designated employer may increase the pay envelope. The designated employer may increase its envelope by an amount that must not exceed the Government approved maximum rate of increase (referred to in the regulation as the “R” factor). The total actual salary and performance-related pay that the designated employer provides to its designated executive incumbents cannot exceed the envelope for a pay year, regardless of how any increases are distributed across the team of designated</p>	In Compliance	<p>Future HHS Adjustments to the Salary and Performance-related Pay Cap</p> <p>The Board has overseen the development of this Executive Compensation Plan, and the Board has approved the Compensation Pay Caps, Pay Envelope and the new salaries and Performance-related pay contained within it.</p> <p>On an annual basis, the Board will oversee all changes to Executive Compensation, including increases to Pay Caps, the Pay Envelope, the award of performance-related pay and individual Designated Executive compensation changes or other changes to this Plan. All future changes will be compliant with the Government’s current Executive Compensation Regulations and Directives and will consider the 5% R factor.</p>

Haliburton Highlands Health Services Executive Compensation Plan

<p>executives.</p> <p>Executive Compensation Plan submission and public consultation process.</p> <p>The hospital will comply with the Government’s five step approval process defined in regulation 187/17 prior to its posting and implementation of its Executive Compensation Plan</p> <ol style="list-style-type: none"> 1. Designated employer submits proposed executive compensation plan for Government review [September 29, 2017]. 2. Designated employer addresses Government feedback. 3. Public consultation by posting its proposed executive compensation program on its publicly facing website for a minimum of 30 days. 4. Designated employer applies for ministerial approval of specific components of its Executive Compensation Plan. 5. Designated employer’s Board approves decision to adopt and employer posts final plan 	<p>In Compliance</p>	<p>HHHS Executive Compensation Plan submission and public consultation process.</p> <ol style="list-style-type: none"> 1. The HHHS Executive Compensation Plan was submitted to the Minister of Health on September 29, 2017. 2. Government feedback was received on November 22, 2017, January 4, 2018, and January 19, 2018. Feedback was addressed and plan resubmitted on December 20, 2017, January 10, 2018, and January 23, 2018 respectively. 3. Government provided approval to proceed to public consultation phase on January 24, 2018. Posting to HHHS website occurred on February 5, 2018. The public consultation phase concluded on March 7, 2018. 4. The plan with summaries of the public feedback was submitted to the ministry for approval on March 27, 2018. 5. The plan with ministry approval was submitted to the HHHS Board for approval on May 24, 2018. The approved file Executive Compensation plan is posted on the HHHS website on May 25, 2018.
<p>Initial and Annual Executive Compensation Compliance Attestation</p> <p>The Executive Compensation Framework Compliance Report Directive requires the Board Chair or equivalent highest ranking officer at each designated employer to attest to the employer’s compliance with the regulations. The compliance directive</p>	<p>In Compliance</p>	<p>HHHS Compliance Attestation</p> <ol style="list-style-type: none"> 1. The initial “Executive Compensation Program Compliance Report Form” was submitted to the Government on February 28, 2018. 2. The “Annual Executive Compensation

Haliburton Highlands Health Services Executive Compensation Plan

<p>sets out two distinct reporting requirements that each designated employer must satisfy.</p> <ol style="list-style-type: none"> 1. The initial compliance attestation will be made utilizing the “Executive Compensation Program Compliance Report Form”. 2. The “Annual Executive Compensation Compliance Report Form”, will be completed and submitted on or before May 1 of each year to report on compliance for the period April 1 to March 31 of the preceding year. 		<p>Compliance Report Form”, will be submitted to the Government on May 1, 2018.</p>
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