

Executive Limitations Monitoring Report EL-8 Compensation and Benefits Lake Of The Woods District Hospital

For the period ending May 2017

Board policy is indicated in bold typeface throughout.

I hereby present my monitoring report on the Executive Limitations Policy EL-8 "**Compensation and Benefits**" according to the schedule set out. I certify that the information contained in this report is true, and represents achievement of the policy unless specifically stated otherwise.

Signed  CEO Date: May 1, 2017

With respect to employment, compensation and benefits to employees, consultants and contract workers, the CEO may not cause or allow unfair compensation practices, or jeopardy to fiscal integrity or public image.

CEO Interpretation: (no change from previous)

I interpret "unfair compensation practice" to mean those practices that are outside of the centrally negotiated unionized rates or outside of the current practice of peer hospitals in Ontario.

I interpret "fiscal integrity" to mean financial decisions are based on sound, consistent and justifiable data and moral principals which support adherence to financial commitments

I interpret "public image" to mean how the organization is perceived by the people in the community, the district and the province.

I interpret "consultant and contract positions" as those positions that may or may not fall under the term employee, but whose rates are set according to the professional market rate.

I further interpret that the board has, in the subsequent portions of this policy, comprehensively interpreted this broad policy provision. Therefore, my evidence for the numbered policy items following, taken collectively, constitutes evidence for compliance with this policy.

Accordingly, the CEO may not:

- 1. Change his or her own compensation and benefits.**

CEO Interpretation: (no change from previous)

I interpret "change his own compensation and benefits" to mean increase or decrease his own salary and/or benefits without a board motion.

Compliance will be demonstrated when an examination of the payroll employee records and the Board minutes indicates that any changes to the CEO's salary and/or benefits are supported by a board motion.

Evidence: Compliant

A review of the payroll records indicates that the salary and benefits currently being provided to the President & CEO are consistent with amounts approved in Board Motion #09/10/9, dated October 1, 2009. Details are in the In-camera minutes of October 1, 2009. In compliance with current legislation regarding compensation for hospital executives, there have been no further salary increases for the President & CEO since the one approved on that date.

2. Establish current compensation and benefits which deviate materially from the geographic or professional market for the skills employed.

CEO Interpretation: (no change from previous)

I interpret “establish current compensation and benefits” to mean the wages and benefits of the employees, the consultants and the contract workers at the Lake of the Woods District Hospital.

I interpret “deviate materially from geographic or professional market” to mean that the wage negotiated should fall within the salary ranges of employees in similar positions within the geographic Northwest region and/or within the professional market for Ontario peer hospitals. Any wage set outside these positions would be considered to deviate materially from these benchmarks.

Compliance will be demonstrated when a review of compensation rates and employee benefits provisions and the corresponding collective agreements indicates that the rates being paid to unionized employees are consistent with their centrally negotiated collective agreements. For non unionized employees compliance will be demonstrated when a review of the salary rates being paid to employees falls within the salary ranges of employees in similar positions as determined by the most recent OHA salary survey for peer group hospitals (Average of, Budget \$25M - \$50M) for corresponding positions. For consultants and contract workers compliance will be achieved when it can be demonstrated that a fair process was used to procure services and that compensation rates are commensurate with the current market rates for the specific services. Further, compliance will be demonstrated when all legislation with respect to non union and executive compensation has been complied with.

Evidence: Not Compliant (for Non-Union)

Employees covered under Centrally Negotiated Union Agreements (Compliant)

Approximately 90% of employees are either unionized or tied directly to collective agreements. A review of the payroll records indicates that rates being paid are in accordance with the wage grids in the ratified agreements.

ONA (Registered Nurses) Union rates are centrally negotiated and bilaterally agreed to by the central bargaining committee and the union. The current agreement expires on March 31, 2018.

Compensation rates for CUPE 822 (service workers) and CUPE 1781 (Registered Practical Nurses) are determined by centrally negotiated agreements. The current agreements cover a four year period and expire on September 28, 2017.

Locally Negotiated Agreements (Compliant)

The contract for CUPE 3634 (full time paramedical staff and some technical staff) is negotiated locally. Salary rates were originally set in accordance with comparisons with similar positions as their OPSEU counterparts in Ontario peer hospitals. Subsequent rate increases and other compensation provisions have been kept consistent with those reached through central bargaining by other CUPE unions at Lake of the Woods District Hospital in order to maintain parity in hourly rates between part time and full time employees in the same job classifications. The current agreement covers a four year period and expires on September 28, 2017.

Non Union Non-Management and Non Union/Management (Not Compliant)

Management staff, and non-unionized non-management (clerical and administrative staff) compensation and benefits and were originally determined locally based upon comparisons to similar positions in Ontario peer hospitals. Where peer hospital comparators are not available the hospital may also compare to market positions with similar requirement, such as level of education, type of position, and difficulty of recruitment. Where comparators are available in the most recent OHA Salary Surveys for Ontario Hospitals for our peer group (budget \$25 - \$50, LHIN 14, Community Hospital Group, Small

Hospital Group) it is used as a resource to determine fair salary levels. Although it is the only consistent source of comparability, the OHA survey does not appear to be a 100% reliable a source of comparison as participation in the survey is voluntary, and results are dependent on the specific hospitals that participate, and do fluctuate, sometimes widely, from year to year. In the current year there were some job classes where there were only 2-3 participants, including LWDH. In these cases we have also compared against other similar job classes that used different job titles. While it is possible to directly canvas hospitals for information on their specific job class salaries, it can be extremely time consuming to get a representative sample through direct contact and some hospitals are not always open to sharing this information for non- union staff. In some cases (salary > \$100,000) we can also compare to the Public Sector Salary Disclosure Survey. Again it is difficult to get a representative sample for comparison as the published salaries do not always represent annual salary amounts as they sometimes include one-time payments for items such as vacation, overtime and pay for performance incentives.

A detailed review of the most recent OHA Management Salary survey (September 2016) in comparison to hospitals in the same budget category (\$25-50 million) indicated that a majority of the mid - management staff job classes at LWDH (54.5%) are being paid at rates which are at least 2% lower than their peer comparators. The OHA Hospital Regional Salary Survey results (July 2016) compares salaries for non-union/non management and indicated that 14% of the job categories in this category are being paid at more than 2% below those of their counterparts in peer hospitals, and 71% are being paid at higher than 2% more than peer positions. This is a wide swing over the previous year, and can be explained by the relatively low number of classifications in the review with comparators (7), where by each job class represents almost 15% of the sample.

Over the past several years we have been limited by our financial resources when determining wage increases and have not been able to keep up with our peer hospital compensation rates. Prior to the 2009 freeze on non-union wages we had frozen non union salaries for an additional year and implemented lower percentage increases than unionized positions in the subsequent year. We have been experiencing difficulty in recruiting into some management positions due to the fact that the salary levels of our managers have been below those of similar positions in peer hospitals.

Senior Management salaries have been frozen since 2009 in compliance with government legislation. Previous years' comparisons have been made using the last available OHA Executive Compensation Survey, which was released in 2010. The report format for this survey changed in 2017. For 2017 comparisons have been made based on the Executive Compensation Framework in which LWDH salaries are being compared to the 50th percentile of salaries of hospitals of similar size and budget as LWDH. This comparison has identified a significant gap (>20%) in senior management compensation in comparison to direct peers.

The following table indicates the results of a comparison, to the OHA surveys for the category of Budget \$25-\$50 million. (Note LWDH Budget for 2016-17 was \$46,566,083 so at the high end of the corridor.) Note, 2010 and 2011 were not completed as wages were frozen for all non-union staff during those years.

Senior Management	2% - 5% below	1	0	0	0	0	0	0
	5% - 10% below	3	3	3	3	3	3	0
	10% - 20% below	0	1	1	1	1	1	0
	>20% below	0	0	0	0	0	0	4
	Percent lower than 2% behind the OHA or peer hosp mean/median	100% (4/4)	100% (4/4)	100% (4/4)	100% (4/4)	100% (4/4)	100% (4/4)	100% (4/4)
* Note 1: With the exception of Senior Management positions, the above table does not include data for Extra Global positions for which provincial comparators are not available. The category of “no comparator” represents positions which are unique because of combined duties (ie Manager, Finance/Health Records/Registration, Manager Education/Quality/Risk, Coordinator, Patient Registration/Clinics, Nursing Supervisors). All of these position appear to be underpaid in comparison to peer hospitals, which indicated higher rates of pay for the individuals holding single functional centre positions and therefore fewer areas of responsibility.								

A further line by line comparison was done using the OHA Regional and Management Salary Surveys and comparing Lake of the Woods District Hospital to the OHA Mean for the categories of: Community Hospital, Small Hospital and LHIN 14 Hospitals. In all categories, Lake of the Woods District Hospital non union / management salaries consistently fall short of their comparators for the majority of job classes, with the most prevalent discrepancies (100%) in the comparisons to the Community Hospital category under which LWDH is funded. Comparison to the LHIN 14 (same region) also indicated consistently lower salary rates, in most cases with higher discrepancies than indicated in the charts above, which are based on budget size.

We will be moving ahead to consider implementation of wage increases for non unionized employees. All positions are being reviewed and we will strive to provide fair increases to our employees. A cumulative provision for up to a 1.5% increase for non union staff was made in the 2017-18 budget, consistent with amounts awarded to unionized employees. An additional amount was included to allow us to address certain positions which are significantly under paid in comparison to peer hospitals, and where we are experiencing difficulties in recruitment as a result. With regard to Senior Management positions we are working within the Ontario Government’s Executive Compensation Framework to determine fair increases for senior executives. We hope to narrow the gap between our salary levels and those of our peer hospitals; however financial limitations and our need to balance our budget and maintain quality patient services with no funding increases will make it challenging to achieve full compliance in the foreseeable future.

Physicians (Compliant)

The only physicians directly employed by LWDH are two pathologists. Their salaries were originally negotiated according to comparable rates with other Ontario pathologists. The hospital portion of the pathologists’ salaries has not increased since April 2005. For the past eight years, the pathologist compensation information has been submitted to a provincial body (OMA & MOHLTC) that reviews hospital based pathologist salaries across Ontario. The salaries that are paid to the pathologists by the hospitals are compared to pathologist salaries being paid by other hospitals across the province and those below a predetermined uniform minimum level of compensation (UMLC), are eligible for a partial top up. These submissions have resulted in the Hospital receiving funding under the Laboratory Medicine Funding Framework Agreement (LMFFA), as a supplement to the pathologists’ salaries, which is in turn paid directly to the pathologists to bring them closer in line with their provincial counterparts.

When compensation for non-employee physicians is tied to specific programs, the amounts are based on actual funding provided from the funding sources (i.e. such as the Emergency Alternate Funding Agreement, HOCC Agreement, and Psychiatric Stipends etc.) These are negotiated by the physicians, or their associations.

The Chief of Staff and Chief of ER are non employee positions and are paid stipends directly from our global operating funds. Other hospitals of similar size and service in Ontario were consulted when originally determining the amount of these stipends, however functions and rates fluctuate widely from hospital to hospital so comparability is difficult to determine. There have been no increases since 2008 to the amount of the stipends paid for these two positions. In 2016 we provided compensation in the form of a stipend for the role of Lead Physician for the Internal Medicine/GP Extender service. This too is a non-employee role and is funded from our internal operating funds. The rate of pay was established at a base similar to the other two Chiefs of services.

We have also been under increasing pressure from physicians to consider compensation for various other administrative services which are currently being performed by some physicians on a voluntary basis. Ministry Physician alternate funding agreements have become more complex to coordinate and more physician involvement and consultation is being required under legislation for various hospital committees and services. As physicians are being expected to spend more time away from their practices for these functions, we anticipate the expectation of compensation will increase.

Consultants and Contract Workers (Compliant)

Consultant and contract workers are typically paid according to the prevailing market rates. In accordance with the Broader Public Sector Procurement Guidelines, selection is based on a request for proposal and/or competitive tenders. In 2016 the Hospital contracted with an individual for project management services for the Surgical Services/MDR Capital Redevelopment Project. An RFP was posted publicly for the procurement of this position and an objective evaluation process, including comparison of fees, was followed in determining the successful proponent.

Compliance with Legislation & BPS expectations (Compliant)

The hospital has been compliant with legislation regarding compensation and transparent in all reporting to the public with regard to compensation practices.

- In accordance with the Public Sector Salary Disclosure Act, salaries for all employees earning in excess of \$100,000 are publicly reported on an annual basis, both through the Ministry of Finance database and on the hospital's external website.
- Effective March 31, 2012 the Broader Public Sector Accountability Act, 2010 was amended to implement further restraint measures for designated executives at hospitals, and again in 2012 to extend the freeze on the compensation of senior executives until the province ceases to have a deficit. LWDH has complied with this legislation and has not implemented any compensation rate increases for Senior Management since April 1, 2009.
- In June 2016 the government initiated the Executive Compensation Framework regulation to lift the freeze on executive compensation in the Broader Public Sector. The Framework sets out extensive requirements, including:
 - a salary and performance related pay cap at no more than the 50th percentile of appropriate comparators (minimum of 8 comparators required),
 - prohibiting certain elements such as signing bonuses and pay in lieu of perquisites,
 - a required period of public engagement and full public disclosure of the executive compensation program.
 - Each employer must post a compliant executive compensation program on its website, no later than September 5, 2017.

LWDH is in the process of following the Framework to determine adjusted compensation levels for its executives.

- Legislation further requires that a portion of senior executive salaries be tied into the achievement of specified performance indicators. The Board outlined performance targets in its 2016 -17 Quality Improvement Plans and has also identified the amount of executive compensation at risk with respect to these performance targets. The QIP and progress reports

have been publicly posted on the hospital's website as required. Due to the legislated freeze on executive compensation the performance pay component has not been paid since the implementation of this requirement.

- Hospitals are required to publicly post employment contracts for Senior Executives. At LWDH, the contract for the President & CEO has been posted on the hospital's external website.
- Hospitals are required to publicly post travel and hospitality expenses on a semiannual basis for Senior Executives and Board Members. Examination of the external website will show that LWDH is in compliance with that requirement.
- As reported in the February 29, 2016 internal financial statements, salaries and benefits have decreased approximately 1.3% over the same period last year. (March 31, 2016 figures are still not available).