Principles and Guidelines for CCAC Chief Executive Officer Compensation

A Guide for Implementing the CCACs Chief Executive Officer Compensation Framework
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Message from the OACCAC

The Ontario Association of Community Care Access Centres (OACCAC), on behalf of its member CCACs, is pleased to deliver these Principles and Guidelines for CCAC Chief Executive Officer Compensation, developed with the advice and guidance of the CCAC leaders, including Board members, Chief Executive Officers (CEOs) and Chief Human Resources Officers (CHROs), and the advice of Mercer LLC. Their contributions in developing this Guide are greatly appreciated.

The Compensation Framework outlined within this Guide is intended to provide context, structure and insights relating to CEO Compensation in the Province of Ontario.

The OACCAC understands the importance of public confidence in CCACs, and recognizes that given the provincial economic realities of the day, it is more important than ever to ensure CEO compensation practices are rooted in leading practices. These practices include reasonable compensation, pay and performance accountability and the transparent governance and disclosure of these processes.

This compensation framework provides guidelines and a common approach for Boards to determine the appropriate compensation opportunity for CCAC CEOs and as importantly, ensure that compensation is aligned with the achievement of the CCAC mandate and the advancement of key strategic and operational goals.

These principles ensure that compensation is reasonable, appropriately competitive within the healthcare system, aligned with stakeholder expectations, and motivates CEOs to meet and exceed expectations.

Sincerely,

Catherine Brown
CEO
OACCAC
PART A: INTRODUCTION

Executive Summary

As publicly funded organizations in Ontario, Community Care Access Centres (CCACs) are accountable to our patients and their families, our communities, our Local Health Integration Networks, and the Ministry of Health and Long-Term Care. The sharing of information is important to ensure ongoing transparency and accountability and contributes to strengthening the public’s confidence in the CCACs. In our ongoing efforts in this regard, we are publicly posting the Compensation Framework for those who lead our organizations, our Chief Executive Officers.

The CCAC Chief Executive Officer Compensation Framework contained within this guide is a multifaceted tool designed to establish appropriate compensation for Ontario Community Care Access Centre Chief Executive Officers (CEOs). This Guide is meant to be read completely in sequence, but indexes are included so that particular sections can be easily referenced.

At a macro level, the Guide contains three primary sections:

- **CEOs Total Compensation Framework:** This section provides the user an outline of the key pay design elements associated with CCAC CEO pay. It also contains best practices and recommendations for each element of pay design.

- **Complexity Framework:** This framework is designed to help the user determine the complexity of the particular CCAC CEO role relative to other CCAC CEOs in the province.

- **Governance:** This section focuses on the recommended roles and responsibilities for the key stakeholders involved in determining CCAC CEO pay.

To create this Guide, key information was used and gathered from multiple sources, including:

- The overarching principles of the Independent Expert Panel on Executive Compensation in the Hospital Sector (Appendix 1).

- The comparator reference which will be addressed later on in the Guide.
The Chief Executive Officers (CEOs) of the 14 CCACs are directly responsible and accountable to their Boards of Directors. The 14 CCAC Boards of Directors are community-based boards that establish the strategic direction for their organization and provide for excellent management, while ensuring program quality and effectiveness and financial viability consistent with their mandate, the Service Accountability Agreement with the Local Health Integration Networks and the Ministry of Health and Long-Term Care’s Strategic Plan.

The governance of the CCAC includes the establishment of the CEO Compensation Framework. Engaging expertise in this area, all of the CCAC Boards developed compensation frameworks and contracts for their CEOs. Although the specific details of the frameworks were different in some ways, the principal components of the frameworks were very similar. For consistency across the CCACs, going forward the Boards of Directors have agreed to adopt this common compensation and performance framework for CEOs as a guideline to assist the decision making of each Board.

Universally adopting the CCAC CEO Compensation Framework using the information within this guide, across all Ontario CCACs, will present the following opportunities:

1. **Relative job complexity of Ontario CCAC CEO positions:**
   CCACs will understand the complexity of their CEO’s role relative to other CCACs in the province. This will be achieved by utilizing the validated CEO Complexity Framework.

2. **Consistent executive compensation principles and process:**
   CCACs will have clear principles and processes surrounding CEO pay that can be articulated to internal and external stakeholders.

3. **Context for the amount of CCAC CEO pay:**
   CCACs will have a foundation on which to articulate CCAC CEO pay to stakeholders relative to the complexity of the role and performance of the incumbent while at the same time enabling, when required, successful recruitment strategies. CEO compensation will be disclosed in full to the public with reference to the guideline through the posting of employment contracts and through the annual Public Sector Salary Disclosure.

4. **CEO compensation framework will be aligned with the Performance of the CCAC.**
   CEO compensation framework will be dependent on the achievement of both the core expectations and key strategic priorities which ensure that external stakeholder expectations, Board priorities and the CEO’s compensation are aligned.

5. **Governance:**
   Governance decisions surrounding CCAC CEO pay, retention and recruitment are reinforced and enhanced. The CCAC Boards of Directors are in a sound position to articulate CEO compensation content and decision-making processes in a transparent manner for stakeholders.
Background

In November 2011, a voluntary Independent Expert Panel, chaired by The Honourable John Manley, O.C., P.C., issued a Report on Executive Compensation in the Hospital Sector, which provided recommendations to the Ontario Hospital Association (OHA) Board of Directors on appropriate executive compensation policies for Ontario’s hospital sector. A total of eight recommendations were made. The full report can be found on the OHA website.


The CCAC CEO Compensation Framework was developed based on some of the Independent Expert Panel’s recommendations and this guideline acts as a reference tool for CCAC Boards to use in implementing and applying the CCAC CEO Compensation Framework features:

- A standard CEO Complexity Framework and Model Pay Structure to be used in determining the appropriate CEO base salary.

- A pay-for-performance program linked to achieving provincial priorities, CCAC strategic priorities and CCAC performance improvement targets, set in the CCACs’ performance goals including the Quality Improvement Plans.

- Board Governance.

This Guide focuses solely on CCAC CEOs and is not intended for other senior executives in CCACs.

For the overarching principles that provided the foundation for the development of this guidance document, see Appendix 1 and Appendix 2.
PART B: CEO TOTAL COMPENSATION FRAMEWORK

Total Rewards Program Design Criteria – Compensation Philosophy

Background

This section contains the fundamental components of the CCAC CEO Compensation Framework to be considered when constructing or reviewing the pay of an Ontario CCAC CEO.

The subsections within contain the core elements of compensation design detailed in a manner to be useful to the end-user. The following is an executive summary including the potential collective benefits:

1. **The compensation opportunity is based on the relative complexity of Ontario CCAC CEO positions:**
   - By utilizing the validated CEO Complexity Framework, Ontario CCACs will understand the complexity of their CEO role relative to other CCACs in the province.
   - Compensation opportunities will vary with these relative complexity differences. There are 5 Bands of compensation opportunity across the 14 CCACs.

2. **Consistent executive compensation principles and process:**
   - Adopting the content within the guide helps ensure CCACs have clear principles and process surrounding CEO pay that can be articulated to internal and external stakeholders.
   - Providing a standard provides Ontario CCACs with defensible compensation principles.

3. **CCAC CEO pay is capped and is referenced to comparable Ontario Hospitals:**
   - There is a maximum compensation opportunity within each CCAC compensation band
   - CCAC compensation bands are referenced to the 10 bands of the OHA Compensation Framework to ensure that compensation practices across the healthcare sector are aligned and reasonable.
   - The maximum compensation opportunity for the most complex CCAC is equal to a Level 4 OHA Hospital (Median of Community, Complex Continuing Care and Rehabilitation Hospitals in Ontario) and the less complex CCAC is capped at the level of an OHA level 2 hospital. These compensation bands result in compensation opportunities that are reflective of CCAC complexity.

4. **Competitive CEO compensation is subject to meeting clear performance expectations:**
   - Pay-for-Performance principles will be consistently applied across the CCAC sector for CEOs.
   - Competitive Executive Compensation is comprised of Base Salary and may include Pay at Risk and/or Performance Pay.
   - Performance pay is expected to vary from year to year based on the CEO’s achievement of significant strategic and operational goals.
   - Both Pay at Risk and Pay-for-performance provide for a clear link between financial reward and the attainment of CCAC objectives.
Key Design Elements for Pay

Diagram 1: Total Compensation Strategy Model

The diagram above shows the elements of a competitive compensation program. In this context, Pay for Performance is not additional to competitive compensation but rather an element of it in the same way that benefits and pensions are part of the competitive offer.

Cash Elements of Compensation and Pay-for-Performance

The Total Cash Compensation available to executives consists of Base Salary (including Pay at Risk) plus Pay-for-Performance.

1. Base Salary

Background

Levels of competitive annual total cash compensation have been established for each CCAC based on the relative complexity of each organization as determined by the Complexity Framework. Target total annual cash compensation is only achieved when Base Salary including the portion which is at risk (Pay at Risk) and Target Pay for Performance has been earned.

CCAC compensation bands are referenced to the OHA Compensation Framework to ensure that compensation practices across the healthcare sector are aligned and reasonable. The maximum compensation opportunity for the most complex CCAC is equal to a Level 4 OHA Hospital (Median of Community, Complex Continuing Care and Rehabilitation Hospitals in Ontario) and the less complex CCAC level is capped at the level of an OHA level 2 hospital. These compensation bands result in compensation opportunities that are reflective of CCAC complexity.
Each pay band includes a range of base salary that represents the range of pay that may be provided to CEOs. This range provides the Board with the flexibility to recognize sustained differences in performance and capability among CEOs within the same complexity level.

Competitive Base Salary includes fixed compensation of not less than 90% plus up to 10% Pay at Risk. Pay at Risk targets are a base expectation for a CCAC, must be achieved to earn a competitive base salary and must be re-earned each year. Because these goals are core to the CCAC’s mandate, Pay at Risk goals are expected to be achieved in most years.

The following chart shows the levels of competitive base salary for the 5 different levels of CCAC complexity.

Each CEO will be paid not less than 90% of the assigned Base Salary with 0 - 10% held back each year subject to achieving pre-determined Pay at Risk expectations for those that elect this component of the framework.

<table>
<thead>
<tr>
<th>Complexity Level / Pay Band</th>
<th>Min</th>
<th>Mid (Job Rate)</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>$236</td>
<td>$278</td>
<td>$319</td>
</tr>
<tr>
<td>4</td>
<td>$209</td>
<td>$246</td>
<td>$283</td>
</tr>
<tr>
<td>3</td>
<td>$185</td>
<td>$218</td>
<td>$250</td>
</tr>
<tr>
<td>2</td>
<td>$164</td>
<td>$193</td>
<td>$222</td>
</tr>
<tr>
<td>1</td>
<td>$145</td>
<td>$171</td>
<td>$196</td>
</tr>
</tbody>
</table>

The base pay mid point of the pay band reflects the job rate for a competent leader in the role. Base salary progression is not guaranteed. The Board will determine the size of the annual increase to base salary (if any) based on the CEO performance, capability as well as other fiscal or legislative constraints.

**Approach**

- Determine appropriate Base Salary Band based on an assessment of the level of CCAC complexity by referencing the Complexity Framework.
- Determine appropriate Base Salary within the salary range giving consideration to performance, affordability, job tenure etc.
- Determine whether Pay at Risk compensation component will be applied
- Determine Pay at Risk percentage – up to but not exceeding 10%
- Provide compensation of 90% - 100% of the approved base salary level
- Determine Pay at Risk Performance objectives
- At year end, assess the achievement of Pay at Risk objectives and determine the proportion of held back base salary that has been re-earned for that year.
- Pay at risk awards are paid as a lump sum as soon as practical following year end.
Advantages

Boards will be able to use core dimensions and benchmark their CCAC to determine the level of CCAC complexity and reference the appropriate base salary pay range.

The 14 CCAC Boards of Directors will ensure the bands remain competitive and properly positioned within the marketplace through regular reviews.

2. Pay-for-Performance

Approach

The following pay-for-performance guidelines and principles are recommendations developed as part of the CEO Compensation Framework and should be considered in the context of the Board’s policy for CEO Performance Management.

The following three principles should be considered:

1. Award Opportunity

- Annual performance-pay opportunity is expressed as a percentage of base salary for the performance year. Each Board may determine whether to apply the Pay at Risk and the appropriate percentage of Pay for Performance of up to a maximum of 10% of Base Salary.

- In addition to the performance objectives set for any Pay At Risk component, Performance-pay programs should clearly articulate the amount of performance-pay tied to various measurable and qualitative objectives or targets (not meeting targets, meeting targets, exceeding targets).
  - Performance pay goals should reflect key strategic priorities for that year and should not be objectives that reflect the basic mandate of the organization. As a result, these goals should be stretch objectives that require significant effort and performance to achieve.
  - Payment of a ZERO award is possible
  - It is expected that a majority of the time (approximately 6 times out of 10) the CEO should earn 80% of the maximum award for “target” performance – again, for hitting measures that are truly “stretch” in nature.
  - Awards above target may be earned for exceptional performance.
  - Maximum awards should only be paid in circumstances where all stretch goals have been significantly exceeded. It is expected that this level of achievement would be rare.

- Performance-pay awards typically vary from year to year, some years exceeding and some years falling short.
- Awards earned in prior years have no impact on future awards.
2. **Performance Measurement**

- Performance-pay awards are based on performance objectives/expectations agreed to between the CEO and the Board and communicated at the start of each fiscal year.
- Performance assessment should consider achieved results and demonstrated desired behaviours.
- Performance objectives may be qualitative or quantitative
  
  a. Goals should be “stretch goals” and not day-to-day responsibilities.
  
  b. Some goals may take several years to achieve and short-term progress objectives may be warranted.
  
  c. Where possible, goals should be measurable.
- Each objective must be clearly communicated, identifying a threshold, target and outstanding expectations while also outlining how the measured results will translate into pay-for-performance.
- Less than 10 objectives – ideally five to seven – ensure meaningful impact on performance-pay.
- Objectives should be based on key strategic priorities and may include operational, financial, patient, employee, and key partnerships.
- Performance measurement should allow sufficient flexibility and discretion for the Board to recognize relative results achievement and demonstrated behaviour.
- It is important to ensure that overall performance and demonstrated behaviour are part of the evaluation for overall performance.

3. **Governance**

- CEO’s performance and resulting performance-pay awards must be approved by the CCAC’s Board of Directors.
- Awards earned for Pay for Performance goal achievement are independent from Pay at Risk performance however, if Pay at Risk is not re-earned, Pay for Performance goals will not be automatically paid based on results. The Board of Directors has full discretion in determining whether to apply partial or no payment of Pay for Performance awards.
Model Pay Structure

The following table shows the levels of Target Total Cash for the 5 different levels of CCAC complexity assuming Target Performance Pay of 8% (80% of a 10% maximum) and Pay at Risk of up to 10%. Each Board may determine whether to apply one or both of at-risk and performance pay, as well as the percentage of each element appropriate to their circumstances of up to a maximum of 10% each.

Target total annual cash compensation is only achieved when Base Salary including the full portion which is at risk (Pay at Risk) and Target Performance Pay of 8% have both been earned.

Diagram 2: Model Pay Structure (Base Salary (which includes Pay at Risk) + Target Performance Pay = Target Total Cash)

<table>
<thead>
<tr>
<th>Level</th>
<th>Base Salary (including Pay at Risk of up to 10%)</th>
<th>Target Performance Pay (% of Salary)</th>
<th>Target Total Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Min (Job Rate)</td>
<td>Mid (Job Rate)</td>
<td>Max</td>
</tr>
<tr>
<td>5</td>
<td>$236</td>
<td>$278</td>
<td>$319</td>
</tr>
<tr>
<td>4</td>
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<td>$250</td>
</tr>
<tr>
<td>2</td>
<td>$164</td>
<td>$193</td>
<td>$222</td>
</tr>
<tr>
<td>1</td>
<td>$145</td>
<td>$171</td>
<td>$196</td>
</tr>
</tbody>
</table>

Note: Target Performance Pay is established at 80% of Maximum Performance Pay.
Additional Elements of Compensation

1. Benefits

- The CEO may receive benefits in line with the Broader Public Sector Perquisite Directive

Background

The BPSAA and related Perquisites Directive outline permissible benefits for the broader public sector, including CCACs. Social memberships, non-business related travel, unique benefits coverage or unique premium payments are among some of the excluded benefits and perquisites.

2. Pension

- CEOs pension contribution percentage should be similar to that of other employees

Background

All of the CCACs participate in the standard Healthcare of Ontario Pension Plan (HOOPP), with the expectation that contributions are paid for by CCAC executives in the same manner in which they are paid for by other employees.
3. Comparator Market(s)

Comparator Market (s)

<table>
<thead>
<tr>
<th>Be relevant:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ensure competitiveness with Ontario hospitals of similar complexity</td>
</tr>
<tr>
<td>Reflect the appropriate competitive markets for talent, which might include:</td>
</tr>
<tr>
<td>• Relativity to other health care providers</td>
</tr>
<tr>
<td>Be verifiable:</td>
</tr>
<tr>
<td>• Have support data</td>
</tr>
<tr>
<td>• Validate within the industry</td>
</tr>
<tr>
<td>• Validate external to industry</td>
</tr>
</tbody>
</table>

Background

Comparing CCACs to others of the same complexity (as per standard practice) and basing the compensation on hospitals of comparative complexity which are at the 25th percentile of total cash for similarly sized organizations in the private sector (excluding financial companies) enables CCAC Boards to attract top leaders.
PART C: CEO COMPLEXITY FRAMEWORK

Background

The CEO Compensation Framework was adopted by CCAC Boards as a guideline to provide a standard, consistent approach to establishing CEO compensation. The framework was developed specifically for Ontario CCACs.

Ontario CCACs have a voluntary governance structure whereby Boards govern appropriate executive compensation. Since Ontario’s CCACs are public institutions, funded by taxpayer dollars, the public expectation is that Boards follow leading practices and standard approaches to setting compensation structures. If the Board determines that a pay structure needs to vary from the expectations outlined within the CEO Compensation Framework, it is entirely the Board’s responsibility, as community representatives, to publicly explain their reasons and rationale so that the public may have a good understanding of their CCAC’s operations.

The focus of the CEO Complexity Framework is to assist the Board in ascertaining the “complexity” of the CEO’s role in order to ensure it has sound guidance on the appropriate pay band for their CEO.

The framework enables the Board to quantitatively evaluate cash compensation for the CEO through an assessment of “core dimensions” and “impact modifiers” that may augment the CCAC’s complexity. As a system, this framework provides greater consistency among CCACs as their Boards determine appropriate compensation opportunities.

The framework also enables Boards to compare CCACs with other CCACs in order to conceptually validate levels of complexity and appropriate pay bands when setting compensation structures.

It is important to note that this framework focuses on determining the relative complexity of CCACs in an objective manner. When properly applied, it will allow the Board to determine CEO compensation that is appropriate and defensible.
Core Dimensions

A. **Size of Annual Operating Budget**
   Total revenue in $ Millions

B. **Direct Clinical Care Staffing**
   Total Clinical Care FTEs as a percentage of Total FTEs, where Clinical Care positions include the following:
   Mental Health & Addiction Nurses + RN Lead for Mental Health & Addiction Nurses + Rapid Response Nurses + Palliative NPs + all Case Managers + any APN positions employed by the CCAC for a regional “shared care” palliative program, etc. (i.e., this is not an exhaustive list).

C. **Total Case Load**
   Total number of active ADMITTED referrals per year – each counted only once regardless of how many different services received or number of times admitted.

D. **Stakeholder Engagement Index**
   Total # of hospital sites (in the LHIN) X 40% + Total # of LTCHs (in the LHIN) X 30% + Total # of Public / Private Schools (in the LHIN) X 20% + Total # of Contracted Service Provider Organizations X 10% (only those SPOs that are providing direct service to clients; for greater clarity, it does not include contracts with Staples, law firms, HR vendors, etc.)

E. **Diversity Index**
   An index of Statistics Canada numbers outlining percentage of population within the LHIN that are (1) visible minorities, (2) identified as aboriginal, (3) living in low income – all weighted equally in the index.
## Recommended CEO Complexity Framework (continued)

### HEALTH SYSTEM IMPACT DIMENSIONS

**Important:** Focus on what is typical / normal rather than what is unusual / one-off.

Each factor has a weight of one, three or five points.

### CORE DIMENSIONS

<table>
<thead>
<tr>
<th>Definition of Core Dimension</th>
<th>CORE DIMENSIONS</th>
<th>Pay Band Indicated by Framework Points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Size of Annual Operating Budget</strong></td>
<td>Less Complex - 1 pt</td>
<td>More Complex - 3 pts</td>
</tr>
<tr>
<td>&lt;$100 Million</td>
<td>$100 Million to $200 Million</td>
<td>&gt; $200 Million</td>
</tr>
<tr>
<td><strong>B. Direct Clinical Care - total FTEs providing direct clinical service as a % of your total FTE staff complement</strong></td>
<td>&lt; 50%</td>
<td>50% to 70%</td>
</tr>
<tr>
<td><strong>C. Total Case Load - total number of active ADMITTED referrals per year</strong></td>
<td>&lt; 30,000</td>
<td>30,000 to 50,000</td>
</tr>
<tr>
<td><strong>D. Stakeholder Engagement Index = (LHIN Total # of hospital sites X 40%) + (Total # of LTCHs X 30%) + (Total # of Public and Private Schools X 20%) + (Contracted Service Provider Organizations X 10%) [only those SPOs that are providing direct service to clients e.g., does not include contracts with Staples, law firms, HR vendors, etc.]</strong></td>
<td>&lt; 50</td>
<td>50 to 75</td>
</tr>
<tr>
<td><strong>E. Diversity - An index of Stats Can numbers outlining percentage of population within the LHIN that are (1) visible minorities, (2) identified as aboriginal, and (3) living in low income.</strong></td>
<td>Average score = 1.0</td>
<td>Average score &gt;1.0 and up to and including 1.33</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Core Dimension Points (Based on 5 core factors)</th>
<th>5 to 10</th>
<th>11 to 18</th>
<th>19 to 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay Band Indicated by Framework Points</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>
Impact Modifiers

Once the core dimensions have been assessed, the Board should consider impact modifiers prior to finalizing the compensation band.

Again, the Board has discretion to use “impact modifiers” that currently exist or will exist in the future. It is simply the responsibility of the Board to disclose the rationale for decisions made.

Impact Modifiers

A. Case Complexity Percentage
   Percent of caseload that is categorized as "complex" (including complex palliative), therefore # of active "complex" clients / # active clients as of 4/1/2012 (excluding children at this time).

B. Total Hospital Complexity
   Using the OHA Complexity Framework, the total complexity scores of hospitals served within the LHIN using a 5 point scale; e.g., 1 & 2 = 1; 3 & 4 = 2 ... 9 & 10 = 5).

C. Localization Index
   Transfers in and out of the CCAC so as to measure the proportion of LHIN residents who receive hospital services in a CCAC other than the one in the LHIN in which they reside - (CHRIS report) - Home care referral type, any referral source, hospital referral institution: includes only home care referral types and includes only hospitals as referral institutions.

D. Political Complexity
   # of MPPs the CEO interacts with within the LHIN.

E. Agency Complexity
   # LHIN funded agencies the CEO interacts with within the LHIN.
   Recommended CEO Complexity Framework (continued)
<table>
<thead>
<tr>
<th>Description of Impact</th>
<th>Pay Band 1</th>
<th>Pay Band 2</th>
<th>Pay Band 3</th>
<th>Pay Band 4</th>
<th>Band 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of Impact Intended to recognize material differences between expectations for core dimensions outlined</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Case Complexity - Percent of caseload that is categorized as &quot;complex&quot; (including complex palliative). # active &quot;complex&quot; clients / # active clients as of 4/1/2012 (excluding children at this point in time)</td>
<td>&lt; 7.5%</td>
<td></td>
<td>7.5% to 15%</td>
<td></td>
<td>&gt; 15%</td>
</tr>
<tr>
<td>B. Total Hospital Complexity - using the OHA complexity framework, the total complexity scores of hospitals served within the LHIN using a 5 point scale. Eg 1&amp;2=1; 3&amp;4=2... 9/10=5)</td>
<td>&lt; 20.0</td>
<td></td>
<td>20.0 to 35.0</td>
<td></td>
<td>&gt; 35.0</td>
</tr>
<tr>
<td>C. Localization Index - transfers in and out of the CCAC so as to measure the proportion of LHIN residents who receive hospital services in a CCAC other than the one in the LHIN in which they reside (CHRIS report)</td>
<td>&lt; 10 %</td>
<td></td>
<td>10% to 20%</td>
<td></td>
<td>&gt; 20 %</td>
</tr>
<tr>
<td>E. Political Complexity - # of MPP the CEO interacts with within the LHIN</td>
<td>&lt;5</td>
<td></td>
<td>5 to 10</td>
<td></td>
<td>&gt;10</td>
</tr>
<tr>
<td>F. Agency Complexity - # LHIN funded agencies the CEO interacts with within the LHIN</td>
<td>&lt; 75</td>
<td></td>
<td>75 to 150</td>
<td></td>
<td>&gt;150</td>
</tr>
</tbody>
</table>

Minimum of 2 modifiers to be above pay band indicated by the Core Dimensions in order to consider moving CEO to next payband.
CEO Complexity Framework: Putting it all together with the assessment

1. **Assess CCAC against Core Dimensions** to determine placement of CCAC in pay band one, three or five.

2. **Assess Impact Modifiers** – look to see if at least 2 modifiers are above the pay band established by the Core Dimensions.

3. **Determine if a range adjustment is warranted (max one pay band higher)** – given the impact of the 2 higher modifiers, a move from pay band one to two or pay band three to four, for example.

   There is no adjustment to a CCAC already placed in pay band 5 as this CCAC is expected to be operating at the highest level of complexity.

**Example**

The steps as illustrated above depict how:

**Step 1:** The Board uses the framework’s “core dimensions” to determine the appropriate pay band for the CEO. Again, the 5 pay bands are divided into three levels of complexity.

**Step 2:** The Board then looks at the five “impact modifiers” to determine if its CCAC is operating above its “core dimension” level of complexity in at least two of the modifiers. For example, pay bands 1 or 2 have levels of complexity with modifiers that would normally be associated with pay bands 3 and 4. Again, the Board uses the benchmark CCACs to test validity with their assessment.

**Step 3:** Given a positive result to Step 2 (above), the Board is able to consider moving the CEO up one pay band (i.e., a “1” to a “2”, or a “2” to a “3”, or a “3” to a “4”, etc.). Of note, an individual cannot move up a pay band if only one “impact modifier” is above the CCAC’s level of complexity, even if that impact modifier is two levels of complexity up. At least two modifiers must be more complex.

**Step 4:** The Board is now able to place the CEO in the proper pay band.
PART D: GOVERNANCE

This is to provide recommended guiding principles to oversee compensation and human resources planning for CCAC CEOs as outlined in CCAC policy and reinforced by terms of reference for CCAC Board of Directors (or appropriate subcommittees and/or subsets of the Board delegated this authority).

Guiding Principles

1. The Board is responsible for the hiring of the CCAC CEO and is responsible for establishing:
   - Appropriate contractual terms and conditions of employment.
   - Appropriate compensation philosophy and policies to ensure that the CEO is paid competitively and appropriately.

2. The Board is accountable for reviewing the CCAC CEO's performance annually and adjusting total compensation in accordance with compensation policy and philosophy as outlined within the contractual terms of the CEO's employment agreement (this includes ensuring appropriate legislative requirements and contractual obligations are adhered to and appropriately met). They are responsible for:
   - Ensuring awareness of the competitive marketplace and recommended standard pay structures to ensure the CEO is paid fairly for the complexity of the role and the performance delivered.
   - Approving performance objectives and assessment criteria for the CEO.
   - Establishing and conducting a performance review process.
   - Approving any base salary increases and pay-for-performance pay tied to performance as outlined in performance expectations.

3. The Board must ensure that effective leadership is in place to deliver the CCAC's strategic plan. This includes:
   - Recruitment, retention and leadership development for the CEO.
   - Understanding the succession plans for the CEO (specifically as it relates to internal successor candidates).
   - An understanding of planned leadership development for the CEO and key Executive Team members.
   - An understanding of retention strategies for the CEO and identified successor candidates.
Summary of Principles with respect to the CEO:

- Approve the employment contract for the CEO.
- Approve the annual performance rating for the CEO.
- Approve compensation adjustments for the CEO (as recommended by the subcommittee assigned to review total compensation, in consultation with Human Resources).
- Approve the succession planning strategy for the CEO as outlined by the subcommittee assigned to succession planning review.
- Approve the leadership development strategy for the CEO and any expenses related to implementation of that strategy as outlined by the subcommittee assigned to review CEO succession.
- NB – It is always useful to have a human resources professional assist with various aspects of compensation, succession planning and leadership development.
1. Overarching Principles that Guided the Development of the CCAC CEO Compensation Framework

- Ontarians have the right to expect that CCACs will be run effectively and efficiently, and that common standards of care and performance will be achieved.

- Each CCAC’s strategic priorities should be supported by goals and clear accountabilities of the Board, CEO, and other senior managers right through to the front line.

- Executive compensation should be aligned with CCAC priorities and objectives and reflect actual performance measured against the said objectives. Failure to meet performance standards should have consequences for CEO executive pay.

- The public has the right to full disclosure of CCAC performance and executive pay.

- Total compensation for CCAC CEOs should stand the test of reasonableness, taking into account factors such as market competition and CCAC size and complexity, while recognizing the public nature of the healthcare system.

- The Framework should be sensitive to differences amongst CCACs, and provide CCAC boards with the latitude to govern.

2. Broader Public Sector Accountability Act and Perquisites Directive

On May 12, 2011, the Ontario Government passed Bill 173, *Better Tomorrow for Ontario Act (Budget Measures), 2011* in support of its 2011 budget. This omnibus legislation included amendments to the *Broader Public Sector Accountability Act*, which enabled Management Board of Cabinet to issue directives requiring designated public sector organizations to establish rules about perquisites. On August 2, 2011, Management Board issued the Broader Public Sector Perquisites Directive, which requires designated organizations, including hospitals, to establish rules about perquisites covering all individuals in the organization. Under this Directive, a perquisite is defined as a privilege that is provided to an individual or to a group of individuals, provides a personal benefit, and is not generally available to others. To be allowable, a perquisite must be a business-related requirement for the effective performance of an individual’s job. The Directive also identified perquisites that are not allowed under any circumstance.

3. Manley Report Recommendations for Ontario Hospitals

1. Ontario Hospital Boards of Directors should use a standard Hospital Executive Compensation Framework to determine compensation for their senior hospital executives.

2. The 25th percentile of private sector total cash compensation (excluding long-term incentive plans) should be used as a reference point to determine the total cash compensation for Ontario hospital CEOs, controlling for organization revenues.

3. The OHA, in consultation with its member hospitals, should develop a standard compensation template for hospital boards to use in determining the appropriate level of CEO base salary.

4. All Ontario hospitals should implement within three years a pay-for-performance program for their CEOs, ranging from 10% to 30% of base pay. Performance pay should be linked to achieving provincial priorities, hospital strategic priorities and hospital performance improvement targets, set in QIP.

5. Ontario hospital CEO severance agreements (for termination without cause) should be standardized according to best practice and legal precedent.

6. The OHA, in partnership with its member hospitals, should develop a standard form that includes comprehensive compensation information for hospital CEOs and senior executives. All hospitals should be required to post this information on their respective websites in a timely fashion.

7. The OHA should develop education programs and provide coaching for hospital board members and executive leaders who require assistance in transitioning to a comprehensive pay-for-performance approach as part of their compensation practices. This includes developing competencies to implement the Executive Compensation Framework and its key components (compensation competitiveness, pay-for-performance, enhanced public disclosure).

8. Hospital boards should be responsible for approving the compensation policies that apply to the direct reports of the CEO.