PERFORMANCE BASED COMPENSATION (PBC)

INTRODUCTION

Bill 46 – The Excellent Care for All Act (ECFAA) was passed on June 3, 2010 in Ontario and contains a number of provisions, one of which is a performance based compensation plan for executives. This document is intended to provide a plan to meet the requirements for performance related pay.

The Act seeks to tie a portion of executive compensation (a bonus) to the quality of care delivered within the Hospital as measure by the targets in the Quality Improvement Plan (QIP). In the case of Leamington District Memorial Hospital (LDMH) where the existing compensation plan does not provide for a bonus based on performance, the compensation plan is to be modified to ensure that a portion of the existing compensation is contingent upon the achievement of the Quality Improvement targets.

The Act does not specify what portion of executives' salaries must be tied to quality targets, nor does it impose any ceiling on executive compensation. The focus is on accountability rather than any specific change to the overall level of compensation.

Bill 16 – The Public Sector Compensation Restraint to Protect Public Services Act, 2010 supersedes Bill 46, thus putting executive base compensation "at risk" until it expires on March 31, 2012.

WHO DOES THE LEGISLATION APPLY TO?

ECFAA applies to:

- The **CEO** and anyone who holds an equivalent position, regardless of title,
- **Members of senior management** who report directly to the CEO or equivalent,
- The **Chief of Staff.**

Therefore it does not apply to:

- Trade unions,
- Employees who report to the CEO who are not in senior management,
- Employees or physicians who report to the Chief of Staff,
- Consultants or others who may be providing senior management services who are not employees or deemed employees,
- Chief of Medical Services and departments, or those paid a stipend.

LEAMINGTON DISTRICT MEMORIAL HOSPITAL
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PERFORMANCE BASED COMPENSATION (PBC)

HOW IS COMPENSATION DEFINED?

ECFAA defines “compensation” as any form of payment, benefits, and perquisites paid or provided, including discretionary payments. There is no plan at present to prescribe the amount of compensation that must be at risk.

WHAT IS THE QUALITY IMPROVEMENT PLAN (QIP)?

Health care organizations are to develop an annual QIP for the next fiscal year and make that plan available to the public. In developing the annual QIP, regard is to be had to:

- Results of Annual Patient and Caregiver Satisfaction and Employee and Service Provider Satisfaction Surveys,
- Data relating to patient relations processes,
- In the case of a public hospital, its aggregate critical incident data complied based on disclosures of critical incidents pursuant to regulations under the ***Public Hospitals Act*** and information concerning indicators of quality of health care provided by the hospital disclosed pursuant to Regulations under the ***Public Hospitals Act***,
- Additional factors as may be provided for by regulation.

The annual QIP is to contain annual performance improvement targets; and a justification for those targets and information concerning the manner and the extent to which executive compensation is linked to achievement of those targets.

The LHIN *may* request a draft of the annual QIP before it is made available to the public. Every health care organization shall provide a copy of its annual QIP to the Ontario Health Quality Council in a format established by the Council to allow for province-wide comparisons.

PERFORMANCE BASED COMPENSATION (PBC)

EVALUATION/COMPENSATION INTEGRATION

If there is no current performance based pay, a Hospital must create one. There are two options creating the plan vis a vis the current compensation plan:

a) There is room in the Salary Range (i.e. the employee is not at the top of their grid or range):

   a. Year 1 – e.g. 2% ***increase*** allocated to PBC, no effect on base salary
   b. Focus on selected QIP indicators initially but have room to introduce a broader hybrid plan
   c. CEO/Board work to identify those metrics most influenced by senior team members and weight accordingly – e.g. team has a common plan leading to a similar outcome
   d. Evaluate and in Year 2 may adjust the PBC program

b) There is no room in the Salary Range to Implement

   a. Phase in modestly – e.g. 2% removed from base salary and added as at risk bonus,
   b. Focus only on the selected QIP indicators for PBC and leave other areas of performance required for "evaluation and feedback" only
   c. CEO/Board work to identify those metrics most influenced by senior team members and weight accordingly – e.g. team has a common plan leading to a similar outcome
   d. Evaluate and in Year 2 may add to the PBC program based on feedback

c) A bonus plan already exists

   a. Transition a portion of the current bonus plan to PBC – e.g. 2% allocated to PBC to align with others above.
   b. Focus on QIP indicators for PBC and leave other areas of performance tied to balance of remaining bonus plan.
   c. CEO/Board work to identify those metrics most influenced by Senior Team members and weigh accordingly – e.g. hybrid approach with common plan for PBC and other measures for remainder.
   d. Evaluate and in Year 2 may adjust the PBC program

At LDMH a combination of status exists; therefore Option "b" and "c" above are applicable.

Where option "b" is applicable a portion of the existing base compensation must be removed and treated as performance based pay. In order for the bonus to be treated a pensionable earnings, the bonus plan must be registered with the Healthcare of Ontario Pension Plan (HOOPP).

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PERFORMANCE BASED COMPENSATION (PBC)

THE PLAN

The following plan for 2011-12 will include a **2% earnable bonus.** The basis for the earnable bonus will be the QIP & financial indicators as per attached. Other criteria for performance may be used to provide feedback on performance or in the case of option "c" used for remaining/existing bonus plan. All eligible employees will have the same performance based target in 2011-12. This may be changed in subsequent years.

OTHER ISSUES

Other issues to be addressed and obligations are:

1. If eligible employees are hired during fiscal 2011-12 or any time thereafter, their compensation offer must refer to this plan and identify both the base salary and applicable performance based pay. In the case of a mid-year hire, the performance based plan will be pro-rated based on the number of days of service worked as a percent of total days in that fiscal year.
2. If eligible employee resigns or is terminated during 2011-12 or thereafter, their performance based compensation will be pro-rated based on the number of days of service worked as a percent of total days in that fiscal year. If provided, salary continuance or termination pay will only be calculated on annual base compensation and not the performance based pay component.
3. The performance based pay will be considered pensionable earnings and the employer will file this plan with HOOPP and ensure eligibility.
4. The payment (automatic deposit) of the performance based plan to the eligible employee will be made no more than 60 days after the fiscal year ended on which the performance targets are measured against.
5. All applicable employer and employee related costs and taxes associated with the performance based pay will be applicable to this agreement.
6. Employees that are shared between hospitals will have a PBC plan designed and administered by the hospital that is the paymaster.
7. This bonus plan will comply with all applicable Ontario Acts and regulations.

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