

Policy:	Executive Pay for Performance		
Owner:	VP People & Employee Experience		
Endorsed By:	VP People & Employee Experience, LHSC Supervisor	Endorsement Date:	2024-10-01
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PURPOSE

The purpose of this policy is to motivate and reward senior executives based on their contribution to the achievement of London Health Sciences Centre's (LHSC's) strategic goals. These goals could be in areas such as patient care excellence, operational efficiency, innovation, financial sustainability, and employee engagement.

AUDIENCE

This policy applies to LHSC senior executives only. It applies to work conducted both onsite on LHSC owned and rented properties and remote work.

POLICY

LHSC recognizes contributions of senior executives by offering compensation based on performance based on the following criteria:

1. Core Principles

- 1.1. **Alignment with Organizational Goals:** The payment system should be closely aligned with the broader goals of the organization, including quality of care, financial performance, patient outcomes, and adherence to the mission and values of LHSC.
- 1.2. **Transparency:** The criteria for performance payments should be clear and communicated to the senior executives to ensure understanding and buy-in.
- 1.3. **Fairness:** The system should be perceived as fair and equitable, rewarding executives for their contributions proportionate to their performance and impact.
- 1.4. **Flexibility:** The system should be adaptable enough to respond to changes in healthcare regulations, funding, or shifts in strategic priorities.
- 1.5. **Balanced Scorecard Approach:** Using a balanced scorecard can ensure that performance is measured across multiple dimensions, preventing a focus solely on financial outcomes.

2. Components of the Payment System

2.1. Base Salary

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2.1.1. Senior executives receive a competitive base salary that reflects their experience, role, and market benchmarks for similar healthcare institutions. This is the guaranteed portion of their total compensation.

2.1.2. The performance-based component is a variable portion of their total compensation, set out in the employment contract and linked to annual performance evaluations. This can be split into:

2.2. Quality Improvement Plan

2.2.1. Board approved metrics related to the organization’s Quality Improvement Plan will comprise a component of performance-based compensation and the pay at risk will be set out in Executive contracts.

2.2.2. Performance-Based Incentives

<p><u>Organizational Performance: 40%</u></p> <p>Board approved targets focused on:</p> <ul style="list-style-type: none"> • Financial Health (1) • Patient Care & Safety (1) • Operational Efficiency (1) • Innovation and growth (1) <p>Each weighted at 10% Targets the same for every Executive</p>	<p><u>Portfolio Performance: 30%</u></p> <p>3 CEO approved objectives focused on the strategic priorities of the individual Executive and portfolio. Driven by the organizational strategic plan.</p> <p>Each weighted at 10% Unique to each Executive</p>
<p><u>Individual Executive Performance: 20-30%</u></p> <p>CEO assigned rating based on:</p> <ul style="list-style-type: none"> • 360 feedback • Annual review • Results of staff surveys 	<p><u>Long Term Incentive: 0-10%</u></p> <p>Board approved target focused on an improvement initiative with a 3-5 year window.</p>

2.2.2.1. **Organizational Performance Bonus (40%):** Tied to achieving institutional goals and focused on:

2.2.2.1.1. **Financial Health:** Achieving budgetary targets, managing expenditures, revenue diversification.

2.2.2.1.2. **Patient Care & Safety:** Improvements in patient outcomes, reductions in readmission rates, patient satisfaction scores.

2.2.2.1.3. **Operational Efficiency:** Efficiency improvements in hospital operations, cost reductions without compromising quality.

2.2.2.1.4. **Innovation & Growth:** Initiatives that lead to innovation in care delivery, adoption of new technologies, research development, or expansion of service lines.

2.2.2.2. **Portfolio Performance Bonus (30%):** Based on the executive’s individual goals as outlined in their annual performance plan. This will reflect:

2.2.2.2.1. **Leadership:** Strengthening leadership skills, mentoring subordinates, fostering a positive work culture.

2.2.2.2.2. **Project Delivery:** Successful completion of key projects such as infrastructure development or implementing new care models.

2.2.2.2.3. **Strategic Initiatives:** Achievement of specific initiatives tied to strategic priorities of the hospital (e.g., digital transformation, partnerships with other health organizations).

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2.2.2.3. **Individual Executive Performance Bonus (20-30%):** Reflects individual contributions as well as collaboration and teamwork. Performance assessed by the CEO based on 360° feedback, annual review, and survey results.

2.2.2.4. **Long-Term Incentives (LTI) (0-10%):** To ensure alignment with long-term organizational success, a portion of the executives' incentives may be deferred and tied to long-term performance metrics, such as:

2.2.2.4.1. **Sustained Patient Care Excellence:** Continuous improvement in care quality over a 3–5-year period.

2.2.2.4.2. **Strategic Impact:** Long-term achievements in areas like research impact, expansion of specialized services, or sustainability initiatives.

2.2.2.4.3. **Retention and Stability:** Retaining high-performing senior leaders and achieving key milestones set in multi-year strategic plans.

3. Evaluation Process

3.1. The performance management system includes a structured evaluation process involving:

3.1.1. **Annual Performance Reviews:** Based on pre-agreed criteria, the executive's performance will be reviewed annually by the President and CEO.

3.1.2. **360-Degree Feedback:** Input from peers, subordinates, and stakeholders will provide a broader view of the executive's leadership and performance.

3.1.3. **Mid-Year Check-ins:** Regular touchpoint to review progress against goals and adjust targets if necessary due to unforeseen challenges (e.g., public health crises). No changes to the objectives or metrics will be made after December 31st.

4. Governance and Oversight

4.1. **Board Involvement:** The overall system/policy will be approved by the LHSC Board of Directors, which will have the final say on the size of performance payments based on the established criteria.

4.2. **External Benchmarking:** The payment structure will be reviewed periodically and benchmarked against other similar healthcare institutions to ensure competitiveness and fairness.

4.3. **Transparency and Reporting:** Reporting to stakeholders (e.g., government bodies, the public, etc.) on executive compensation and performance management will be transparent to maintain trust in the system.

5. Risk Mitigation

5.1. Performance bonuses are set out in Executive contracts and language may be inserted to mandate a regular review of pay for performance as a component of total compensation. Contracts for both CEO and Executives may also be amended to include language focused on bonus claw back in the event of inaccurate performance data, or misconduct.

6. Communication and Implementation

6.1. **Clear Communication:** Executives will be fully informed of how the system works, the performance metrics involved, and how their compensation will be affected. Templates for documenting the annual performance-based compensation plans will be developed and circulated.

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6.2. **Transition Period:** A phased implementation may be necessary to ensure a smooth transition.

7. **Timelines**

Initial objective setting	February-March
Mid-Year Check In	September-October
Final Review	May
Pay for Performance	End of Q1

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