



MY TIME: Paycheck Protection Benefits within a Shared Responsibility Culture

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Hackensack University Medical Center



Hackensack University Medical Center

Largest provider of inpatient and outpatient services in New Jersey

- The Heart & Vascular Hospital and the Cancer Center are amongst America's largest and most comprehensive facilities
- The Children's Hospital provides comprehensive medical and surgical pediatric care in more than 30 specialties and is one of the country's first environmentally responsible and sustainable healthcare facilities
- The Women's Hospital welcomed 6,200 babies in 2011, which was more than any other hospital in New Jersey

A work force of more than 7,500 employees, with more than 1,400 physicians representing a spectrum of specialties and subspecialties

More than 1,600 volunteers who annually donate approximately 200,000 hours to the medical center

Hackensack University Medical Center

- **The Joint Commission:** 17 Gold Seals of Approval™
- **HealthGrades®:** America's 50 Best Hospitals 2012 and the Distinguished Hospital Award for Clinical Excellence™
- **Leapfrog:** Top Hospitals List
- ***U.S. News & World Report:*** 2011-12 Best Hospitals
- ***Becker's Hospital Review:*** 50 Best Hospitals in America and 100 Best Places to Work in Healthcare
- **CEO Cancer Gold Standard**
- **American Alliance of Healthcare Providers:** "Hospital of Choice"

An environment that encourages medical innovation to flourish by recruiting top doctors and giving them freedom to push research and treatments beyond traditional thinking

Before My Time



Before My Time

Prior to launching the My Time program:

- The Short-term and Long-term Disability programs were voluntary and paid fully by employees at a group rate
- Continuous and intermittent leaves as well as unscheduled call outs were unusually high as compared to competitive benchmarks
- There was no formal “Return to Work” program to assist in managing an employee’s illness and the duration of the illness
- The EAP, Disease Management, and Wellness programs were managed independently and were not synergistic to a overall absence management program

Leave management practices were inconsistently administered from department to department

Employees had a mindset of entitlement relative to their annual sick time allotment

Before My Time

- Administrative long standing entitlement policies allowed for over-utilization of sick time which escalated costs
- There was no formal process for mitigating absence and disability expense; medical plan costs associated with employees on leave were high
- The financial obligation associated with sick time payouts at retirement was growing exponentially
- There was a growing disparity between employees due to grandfathered sick time for those hired before 1995

Inconsistencies and perceived abuses of absenteeism had a negative impact according to surveys, focus groups, and employee forums

Absenteeism was severely impacting staffing and creating added cost to the “bottom line”

Before My Time

Managers wanted:

- A “user friendly” system to manage staffing and absenteeism, and to be less involved in identifying the reasons for an employees’ absence
- Absence management integrated within the Enterprise Resource Planning and Time and Attendance systems that were being launched throughout HUMC
- Access to current and projected absence balances in the PTO banks of their direct reports and use of the automated system to plan for paid time off and ensure staffing coverage

Staff wanted:

- Flexibility without any takeaways
- Equity among their peers

Managers wanted employees to understand the impact of unscheduled callouts on patient care and wanted a reward tool for employees who managed their sick time well

Employees wanted a non-intrusive process to take time off due to their culturally and religiously diverse backgrounds

Before My Time

Everyone wanted more Short-Term protection

With a weekly benefit maximum of \$559 per week, everyone was concerned about the limited income protection from the NJ Temporary Disability Benefits Program

Absenteeism in 2009 represented approximately 176 FTE's or \$8.8M annually at an average salary of \$50,000

- The average STD incidence in healthcare was approximately 10% of employees annually; HUMC's incidence rate was 19%
- The NJ state plan did not actively manage STD claims and couldn't influence the high incidence or the elongated claim duration
- With the cap at \$43,732 of earnings, 62% of HUMC employees received less than the typical 2/3 STD wage replacement level
- The cost of unmanaged claims further impacted the hospital with paid sick time, overtime, and replacement costs

A STD program would improve the benefit for 62% of the employees

The program costs would be similar to the \$2M paid to NJTDB

PTO bank systems don't typically allow for sick time to accumulate; thus accumulated sick time would be reduced over time

Before My Time

Everyone wanted Long-Term protection

HUMC offered only 100% employee-paid LTD plans to non-executive employees as compared to 70% of health care employers offering a basic employer-paid LTD program for all staff

- The voluntary LTD plans that HUMC offered were expensive and consequently had very low participation
- Typically, 1 in 5 employees are disabled before the age of 65; 21% of HUMC employees are 55 years or older

The absence of an employer-sponsored LTD program for 98% of HUMC employees was an inhibitor to HUMC's goal to be a "Destination Workplace" and its commitment to protect employees/families from economic loss during an extended or chronic disability.

A LTD program with competitive eligibility and coverage features could be provided for approximately \$1.7M, funded by the projected savings in the proposed PTO bank system

A LTD program could provide supplemental coverage on an employee-paid basis

Analysis and Design



Analysis and Design

The initial analysis began with an ongoing review of sick time allocation and accruals as well as approved leave of absences

- 74% of the employees had less than 400 accrued sick hours, which was insufficient to provide income protection against a long term absence
- Approximately 2,600 employees were on an approved leave annually
 - 2/3 of these leaves were for serious illness with an average time away from work of 50 days per employee
 - Many of these employees did not have sufficient finances to cover their expenses during the extended leave and had to take hardship withdrawals from their retirement plans

Disabled employees asked:

“Will my sick time run out before I’m back to work?”

“Can I afford the full cost of health insurance while I’m on leave?”

“Once I use my sick time and don’t receive a check, how will I choose between buying food for my family and paying for medical care?”

Analysis and Design

HackensackUMC paid \$43,730,093 to employees for absenteeism in 2009 and approximately \$45M for related overtime and replacement costs

The projections for a PTO Bank System indicated that payroll costs would be \$39,420,363 and similarly reduced overtime and replacement costs

- Savings were projected based on multiple models of sick days and incidences from previous years
- The model suggested that employees who used less than 4 sick days annually would have access to more paid time off, and
- Those employees who used more than 6 sick days annually would have to use what had been “vacation time”
- Those employees who used 4 or 5 sick days would be cost neutral to HackensackUMC

PTO days have to be used before accessing grandfathered sick days or allocated elimination period days

There is no accumulation of allocated elimination period days beyond those that were grandfathered

Employees make better decisions about paid time off due to these policies

Analysis and Design

The SVP of HR identified a Project Team that:

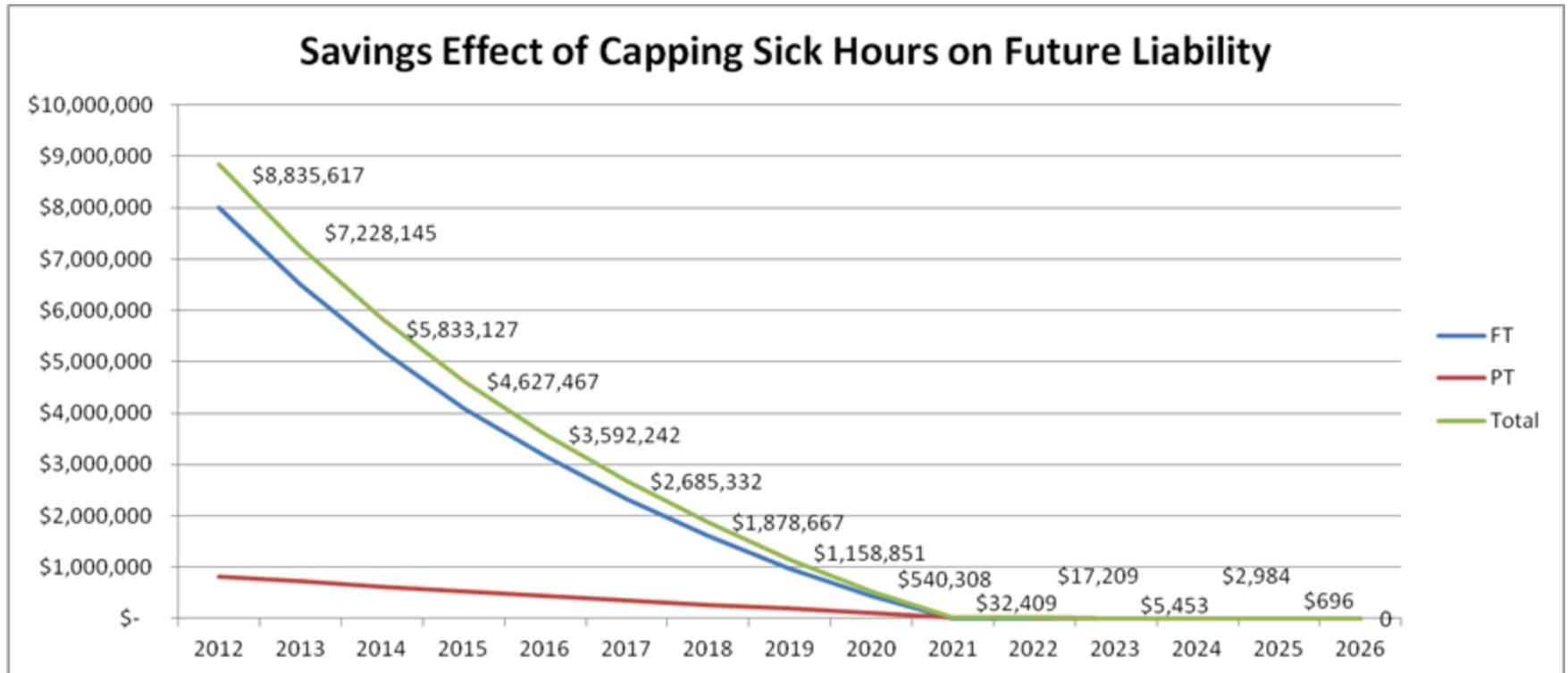
- Analyzed current programs and plans relative to benchmarking data (industry, employer size, geography)
- Considered changes relative to hospital's goals of:
 - Reduce long-term liability for accumulated sick time
 - Reinforce a “Shared Responsibility” culture
 - Align the EAP, Disease Management, and Wellness programs
 - Optimize “Return to Work” initiatives
 - Maintain state and federal regulatory compliance
- Conducted focus groups made up of a cross section of employees to gather feedback about transitioning to a paid time off “Bank” system

Analysis and Design

The Team needed to find an effective approach to better manage short term absences:

- New Jersey allows employers to provide state mandated STD through a private insurance carrier. Benefits must be at least equivalent.
- 50% +1 of employees must sign their approval of the move – not as easy as you would think!
- Fully insured carrier offered:
 - Much better management and oversight to reduce costs and absences in general
 - Direct link to our EAP and disease management programs through warm transfers for all absences that were appropriate
 - Single source for all absence data which could be fed into our medical and Rx data warehouse to better understand total cost of absences

Savings



Savings – Bump-ups 3/11+ vs. 5/15

Years of Service	Existing	5/15 yr	Existing	5/15 yr	Difference	Value
	Vacation	Vacation	Vacation hrs	Vacation hrs		
1	80	80	40,000	40,000	-	
2	80	80	40,000	40,000	-	
3	120	80	60,000	40,000	20,000	\$ 720,000
4	120	80	60,000	40,000	40,000	\$ 1,440,000
5	120	120	60,000	60,000	-	\$ 1,440,000
6	120	120	60,000	60,000	-	\$ 1,440,000
7	120	120	60,000	60,000	-	\$ 1,440,000
8	120	120	60,000	60,000	-	\$ 1,440,000
9	120	120	60,000	60,000	-	\$ 1,440,000
10	120	120	60,000	60,000	-	\$ 1,440,000
11	128	120	64,000	60,000	4,000	\$ 1,584,000
12	136	120	68,000	60,000	8,000	\$ 1,872,000
13	144	120	72,000	60,000	12,000	\$ 2,304,000
14	152	120	76,000	60,000	16,000	\$ 2,880,000
15	160	160	80,000	80,000	-	\$ 2,880,000
16	160	160	80,000	80,000		\$ 2,880,000
17	160	160	80,000	80,000		\$ 2,880,000
18	160	160	80,000	80,000		\$ 2,880,000
19	160	160	80,000	80,000		\$ 2,880,000
20	160	160	80,000	80,000		\$ 2,880,000
						\$ 36,720,000

\$36 average cost of salaries

Analysis and Design

The Project Team:

- Designed a Paid Time Off Bank System that would include an Extended Illness Bank and a Historical Illness Bank (pre-1995 employees)
- Developed a comprehensive RFP for an outside vendor that would meet the following objectives :
 - Transition from state to private TDB plan
 - Assist in the My Time rollout to all staff
 - Ensure a disability management philosophy and coordination with all available resources
 - Provide a “Return to Work” focus
 - Provide systems that would integrate with medical center’s new and evolving systems

The Team recommended to the Executive Team :

Transition to a paid time off “Bank” System

Provide employer paid STD and LTD programs

Contract with a vendor for administration of all Leaves of Absence with both case management and “Return to Work” components

Results



Results: Vacation

PREVIOUS PROGRAM

- Vacation allocated based on role and years of service
- 32 Hours Optional Holiday Time



PAID TIME OFF BANK

- Current Vacation Entitlement
- 32 Hours Optional Holiday Time **AND** 24 Additional Hours
- Accrued time is based on role and hire date

Results: Vested Sick Balance

PREVIOUS PROGRAM

- Sick Time entitlement of 12 days annually
- 74% of employees had less than 400 hours of accrued sick time
- Sick Time could be exhausted, so didn't serve as an income replacement benefit



EXTENDED ILLNESS BANK

- Full carry over of accumulated sick time **AND**
- Five additional days, if there are less than 400 hours of accumulated time

Results: Vested Sick Balance

PREVIOUS PROGRAM

- Employees hired prior to July 1, 1995 may have a vested sick balance of up to 960 hours
- Approximately 750 employees have more than 400 hours and 550 employees have less than 400 hours in this program



HISTORICAL ILLNESS BANK

- Vested Sick balance is carried into this bank, but does not accumulate additional time
- Employees with less than 400 hours can accumulate additional time in the Bank

Results: Holidays and Leave

PREVIOUS PROGRAM

- Legal Holidays, Jury Duty, Bereavement, and Military Leave



LEGAL HOLIDAYS, JURY DUTY, BEREAVEMENT AND MILITARY LEAVE

Holidays and leave time are paid out in the pay period in which the holiday or leave occurred

Results: Short-term Disability

PREVIOUS PROGRAM

- NJ State Temporary Disability Benefit (TDB) provides up to \$559 weekly for a maximum of 26 weeks covering a salary up to \$43,500
- The NJ State Program does not adequately cover the employee's salary for 62% of the population



PRIVATIZED SHORT TERM DISABILITY PROGRAM

- Employer paid STD wrap plan providing 66% replacement income for 26 weeks without a “cap”
- Employees use accrued sick time before the program pays benefit

Results: Long-term Disability

PREVIOUS PROGRAM

- Voluntary Long-term Disability Program with a low participation rate due to cost

* Statistics indicate that one in five employees will become disabled before age 65

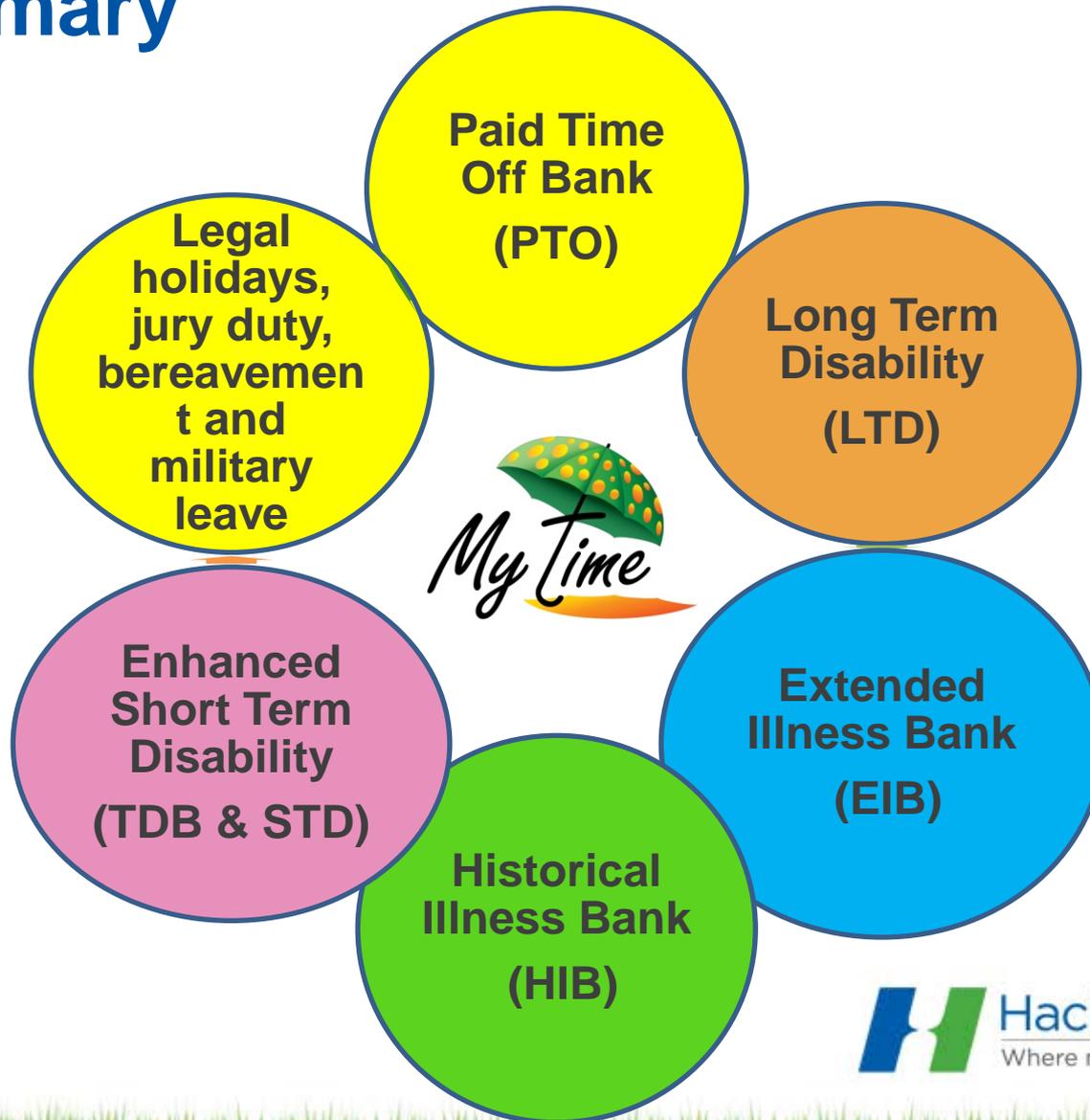
"Americans with Disabilities: 2005", U.S. Census Bureau, 2008, <http://www.census.gov/prod/2008pubs/p70-117.pdf>



EMPLOYER-PAID LONG-TERM DISABILITY PROGRAM

- Provided for all eligible employees at 50% of salary up to \$5,000 a month
- Option to “buy up” for employees who want additional protection

Summary



Lessons Learned



Lessons Learned

- Meaningful change is difficult, but necessary
- Not all constituents will like and/or support change
- Arm Leadership Team with ongoing talking points
- Remember what gets measured, gets managed
 - Know Your Numbers – benchmark regional, national and population data
 - Use your data to dispel rumors quickly
- Document, parallel test, re-test, and test again
- Always be prepared for the unexpected
- Communicate, Communicate, Communicate