

SCR 34 & SR 21

Audit; Overtime; Pension Spiking

REQUESTING THE AUDITOR TO CONDUCT AN AUDIT
OF STATE DEPARTMENTS WITH HIGH RATES OF
ADDITIONAL COMPENSATION PAID TO EMPLOYEES.

kim3 - Nancy

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 07, 2012 9:14 AM
To: SCATestimony
Cc: mtakaaze@hhsc.org
Subject: Testimony for SCR34 on 3/8/2012 1:15:00 PM
Attachments: Exhibit 1 (rev).pdf; LEG12SCR341SR21OTPensionMarch082012.doc

Testimony for SCA01 3/8/2012 1:15:00 PM SCR34

Conference room: 224
Testifier position: Comments Only
Testifier will be present: Yes
Submitted by: Miles Takaaze
Organization: Hawaii Health Systems Corporation
E-mail: mtakaaze@hhsc.org
Submitted on: 3/7/2012

Comments:

Additional info (pdf file) is attached. Testimony already submitted. If you have questions, please call Cindy Inouye 733-8430. Thank you@



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

Senate Special Committee on Accountability
Senator Donna Mercado Kim, Chair
Senator Will Espero, Vice-Chair

March 8, 2012
Conference Room 224, 1:15 p.m.
Hawaii State Capitol

Testimony re: SCR 34/SR21 Requesting the Auditor to Conduct an Audit of State Departments with High Rates of Additional Compensation Paid to Employees

Bruce S. Anderson, Ph.D.
President and Chief Executive Officer
Hawaii Health Systems Corporation

Thank you for the opportunity to provide information and testimony regarding the issue of overtime and pension spiking in state departments/agencies. The following are Hawaii Health System Corporation's (HHSC) responses to the requests for information contained in Senator Kim's letter to Director of Health Loretta Fuddy, dated February 29, 2012:

1. Current overtime status with HHSC

We collect overtime (OT) information for each facility and the corporate office on a fiscal year basis. As can be seen in Exhibit 1 attached hereto, actual overtime expenditures for the roughly eight-month period ending February 20, 2012 totaled approximately \$8 million. Annualized, it appears that FY 2012 projected overtime expenditures will decrease in the amount of about \$4.8 million (roughly 28%) from the prior year. All five regions have reduced overtime expenses from the prior year.

In recognition of these challenging fiscal times, HHSC management and supervisors have actively focused attention on attempting to reduce OT expenditures during the past six months.

We are unable at this time to provide a breakdown of the OT expenses by employee, or by type of position. HHSC has both UPW and HGEA employees. The largest groups of employees are HHSC's 1191 nurses (BU 09, HGEA) and 1104 health care assistants and aides (BU 10, UPW).

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2. The trend of overtime and sick leave over a 10-year period

Exhibit 1 reflects the OT expenses and sick leave usage across HHSC's 12 facilities and corporate office during FYs 2002 – 2012 (please note that certain sick leave information is not available). The data does not reflect any unusual or significant increases/decreases in any particular year.

For OT, the costs incurred have remained fairly steady since FY 09, although as mentioned above it appears likely that the FY 12 total will be less than in the previous year. It is reasonable that the OT costs would be somewhat consistent since 2009, because no pay increases have been negotiated through collective bargaining since the contract period starting July 1, 2009.

3. Any correlation between sick leave and excessive overtime

There is a direct correlation between sick leave and overtime, but overtime also occurs when employees use other non-productive paid time off (vacation, jury duty, comp time). Employees who are called in to work a non-scheduled shift without adequate advance notice will be paid at overtime rates in accordance with the respective collective bargaining agreement. Thus, HHSC ends up paying two employees (one at regular time and one at overtime) to cover a sick call or short notice shift change.

HHSC has 24/7 operations at 12 public hospitals across the State, providing acute and long-term care. Although the census at each facility fluctuates, there are certain minimum staffing levels that we are required to meet in order to ensure patient safety, and also to be in compliance with guidelines established by agencies such as the Centers for Medicare and Medicaid Services (CMS). We are also required to maintain certain staffing levels for purposes of accreditation. Thus for many of our positions – particularly nurses and health care assistants/aides – if an employee calls in sick or is absent for other reasons, we must call in another employee to take his/her place, in order to meet the mandated staffing ratios. The employees who are called in will be paid at an OT rate, since they are working outside of their normal working hours. The specific situations in which OT will be paid are identified in the relevant collective bargaining agreements, and are also based upon federal laws such as the Fair Labor Standards Act. Although OT is a significant expense, not calling in a replacement is in many instances not an option. This is true not just for nursing positions, but for other positions such as dietary workers and housekeeping staff, who provide essential services in a hospital setting.

4. Policies or procedures the department has instituted to address excessive overtime

HHSC is very cognizant of the problem of sick leave abuse, and its potential impact on OT. There is a certain population of "earn and burn" employees who utilize their sick and vacation leave almost immediately after it is earned. We have statistics for our BU 01 and BU 10 employees showing that approximately 3.15% of these employees

fall into this category (i.e., 137 employees out of 4346 currently have less than 40 hours of accumulated sick leave).

Our ability to control sick leave abuse is limited to the tools available in the relevant collective bargaining agreements. The agreements set forth, among other things, how much sick leave is earned, the circumstances under which it can be used, and when a doctor's certificate can be required. The contracts for BUs 01, 09 and 10 contain language addressing sick leave abuse, which provide the employer with at least some ability to address egregious cases.

HHSC believes that another effective tool for limiting sick leave abuse would be a system of paid time off (PTO), similar to that used in the private sector. A PTO system eschews the established system of employees earning 21 days of vacation leave and 21 days of sick leave per year, in favor of a set number of PTO days which the employee can use to take leave for any reason. This system would retain a few earned sick leave days, but with a far fewer number of sick days, employees would be less likely to call in sick when they are not legitimately ill. The ability to cash-out unused PTO days would provide further incentive for employees to show-up at work rather than call in sick. We have initiated discussions regarding a PTO system with both the HGEA and UPW, and continue in our efforts to negotiate a conversion to PTO for our employees.

We are not aware of any instance of an HHSC employee "spiking" his/her overtime accrual when nearing retirement in order to inflate his/her pension. We closely follow negotiated provisions and guidelines regarding the determination of OT opportunities, which makes it unlikely spiking can occur.

**HAWAII HEALTH SYSTEMS CORPORATION
OVERTIME & SICK LEAVE BY FACILITY
FISCAL YEARS 2002-2012**

Overtime By Facility	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12 (only up to 02-20-12 payroll)
Corp	49,400.94	31,883.58	53,815.95	59,098.86	35,921.96	26,239.90	51,278.27	38,054.56	24,821.95	36,278.17	40,421.13
Leahi	536,693.64	572,964.25	750,478.98	693,971.19	851,621.12	890,013.43	686,643.04	791,881.02	710,288.66	715,438.12	289,136.71
Maluhia	416,754.88	366,682.63	392,404.99	531,877.21	578,655.08	598,313.16	512,196.05	801,045.99	555,972.54	630,277.01	289,929.60
Kona	1,128,283.58	1,096,044.66	940,658.38	930,858.60	1,230,041.20	1,433,730.81	1,465,198.09	1,722,262.12	1,437,218.88	1,772,418.87	677,307.64
Kohala	102,193.48	84,892.96	90,745.50	114,188.17	136,123.55	205,908.11	222,728.76	296,854.51	257,604.45	302,687.53	231,708.48
Hilo	2,178,822.74	2,282,464.13	2,302,130.67	2,450,328.57	2,495,769.56	2,860,546.21	2,876,012.84	2,906,801.11	3,327,372.83	3,952,681.76	1,851,587.11
Hamakua	314,681.47	244,054.62	238,075.39	273,719.09	410,293.64	404,872.05	531,945.88	439,353.14	343,523.21	603,955.66	392,048.90
Kau	131,109.63	134,118.36	170,773.53	189,882.98	248,208.01	312,285.94	319,455.62	291,067.95	272,460.72	245,447.43	147,993.72
Maui	2,251,390.53	2,822,691.62	2,468,098.31	2,704,355.90	3,555,910.25	3,754,480.20	4,698,404.54	5,936,629.91	6,764,085.90	6,092,105.15	3,153,007.07
Kula	408,791.84	463,310.40	398,920.12	425,500.83	420,072.73	526,252.32	1,046,789.21	851,441.84	921,077.21	916,818.02	344,848.96
Lanai	25,848.67	51,599.68	70,000.00	51,759.49	147,098.53	121,857.65	117,171.41	95,277.57	100,025.33	84,257.87	16,306.93
KVMH	248,139.17	231,006.60	181,510.23	245,928.52	352,964.54	534,656.73	801,354.56	813,526.08	662,414.20	668,362.79	284,058.76
SMMH	148,419.35	219,477.94	303,838.47	460,661.44	687,322.59	762,451.15	1,118,311.05	1,041,053.84	943,314.92	843,951.53	327,038.57
HHSC Total	7,942,329.92	8,601,181.33	8,356,254.52	9,202,030.85	11,208,910.25	12,421,810.45	14,440,689.32	16,031,349.64	15,320,180.80	16,864,675.04	8,045,368.56

Sick Leave Hours Used By Facility	FY 02 (No data)	FY 03 (for period 1-1-03 thru 6-30-03 only)	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12 (No data yet)
Corp	no data	3566	1395	2849.5	3923.76	9765.38	4795.78	3818.00	5416.69	6772.90	
Leahi	no data	13342.52	25616.17	30171.85	29027.87	37571.04	43050.30	38639.70	24804.95	28146.58	
Maluhia	no data	12266.52	25614.98	24559.16	30347.4	29858.45	34272.00	26676.37	24720.84	25419.87	
Kona	no data	19293.92	38104.67	40239.45	45312.86	45934.49	50216.96	46976.94	40182.31	47613.73	
Kohala	no data	1671.25	5113.09	5935.69	5702.81	6366.59	5556.75	4303.54	3946.00	6500.08	
Hilo	no data	43098.83	92685.09	47290.71	93578.14	76909.35	99,271.90	93,287	101632.54	119762.95	
Hamakua	no data	3875.97	8411.98	6046.74	8937.8	5,020	9,724	6,530	12,327	12063.45	
Kau	no data	1788.23	2958.49	3234	3965.25	1,022	3,459	4,593	5,211	5756.35	
Maui	no data	34180.75	45722.13	7062.45	73257.21	121593.49	44712.65	106083.15	128069.52	153789.02	
Kula	no data	10219.09	20265.54	18259.52	18716.85	19880.42	22628.25	23373.79	18884.80	25137.95	
Lanai	no data	1305.5	1664	2215.25	2406.5	1328.50	2088.70	2430.50	1613.25	5902.89	
KVMH	no data	96	197	217	9007.22	8619.00	20523.77	22428.98	10002.00	26971.66	
SMMH	no data	7226.75	14772.47	16418.61	25108.89	17803.27	18921.50	18409.50	14164.00	29007.00	
HHSC Total	-	151,930.33	282,520.60	204,549.92	349,292.65	379,561.22	359,221.56	400,353.84	390,977.01	492,844.33	-

Exhibit 1

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LORETTA J. FUDDY, A.C.S.W., M.P.H.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

Senate Special Committee on Accountability

March 8, 2012

**Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health**

**SCR34, REQUESTING THE AUDITOR TO CONDUCT AN AUDIT OF STATE
DEPARTMENTS WITH HIGH RATES OF ADDITIONAL COMPENSATION
PAID TO EMPLOYEES.**

1 **Department's Position:** Comments.

2 **Fiscal Implications:** Undetermined.

3 **Purpose and Justification:** The Department of Health recognizes the phenomenon known as "pension
4 spiking" as one factor among many contributing to future unfunded liabilities for public worker
5 pensions. The Department continues to participate in Governor Abercrombie's efforts to transform
6 government through support of SB2750 SD1, an Administration Bill addressing "spiking," as well as
7 ongoing review of internal controls to minimize abusive and inappropriate practices. Spiking is
8 commonly associated with government operations that run 24 hours a day, seven days a week; examples
9 pertinent to this hearing include the Hawaii State Hospital and Emergency Medical Services.

10

11 Hawaii State Hospital

12 The Hawaii State Hospital (HSH) falls within the Behavioral Health Administration and has been
13 actively monitoring sick leave utilization for the past four years for its approximate 600 employees. In

1 the past ten years, HSH recorded between 50,000 and 90,000 hours of ordinary overtime (not associated
2 with holidays) annually, spiking in 2008 because of furlough and hiring freezes.

3
4 REFER TO ATTACHMENT A

5 REFER TO ATTACHMENT B

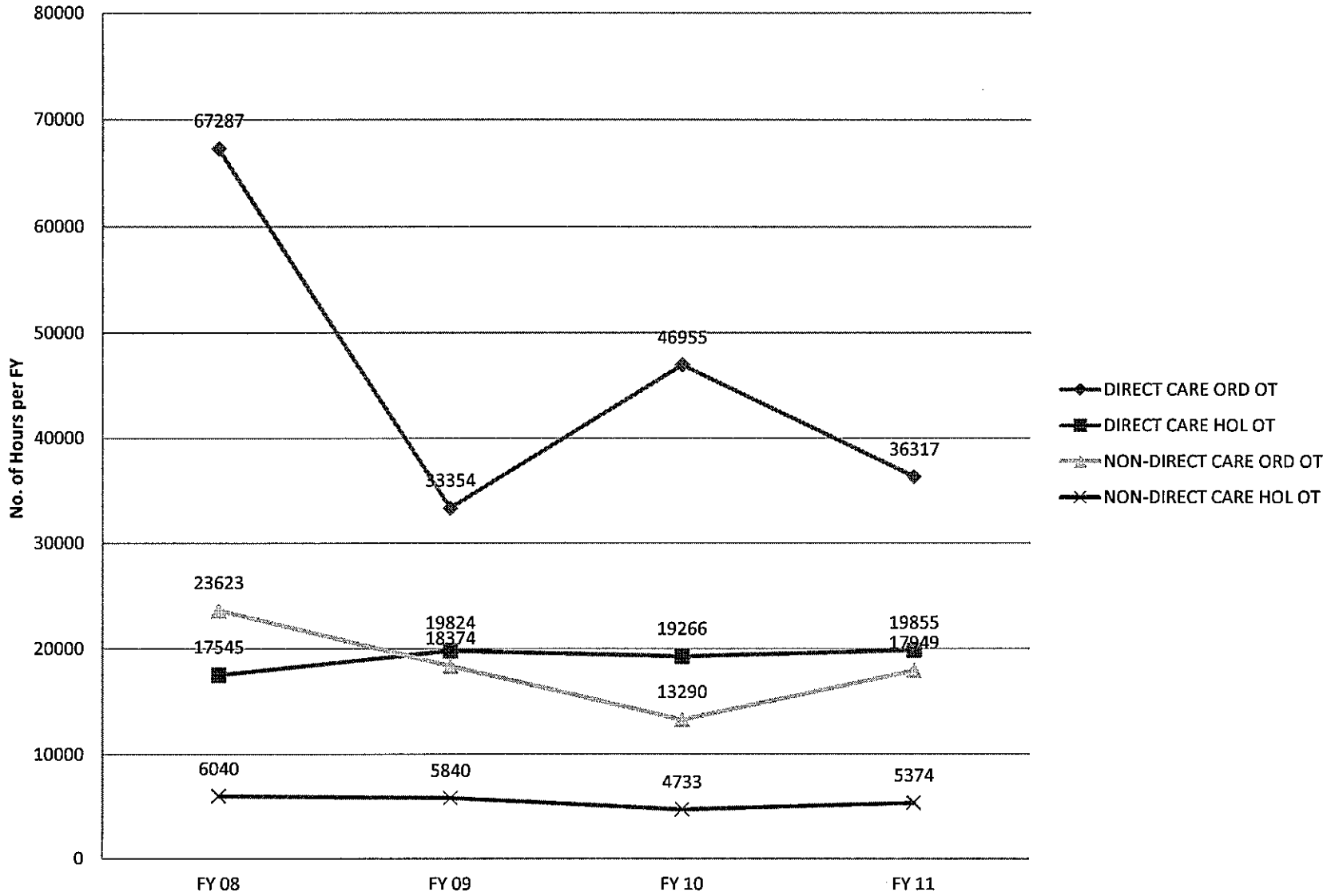
6
7 The 24/7 nature of the facility combined with mandatory staffing ratios make it difficult to isolate
8 abusive practices. Staffing ratios, which preserve employee and patient safety, are agnostic of holidays,
9 overtime, vacancies, sick leave, vacation, furloughs, and other scheduling issues for employees with
10 direct patient care responsibilities. Overtime utilization is lower in non-direct care areas because there is
11 a greater number of direct care staff, but use is roughly proportional.

12
13 That being said, the Hawaii State hospital is required to follow the requirements for sick leave and
14 overtime in the various collective bargaining agreements. The agreements are very specific as to the
15 way overtime and sick leave must be administered and as such the Hospital prefers the collective
16 bargaining agreement as the controlling document, rather than internal policies and procedures which
17 may create misunderstanding and opportunities for grievances. This also assures a greater degree of
18 consistency throughout the Hospital.

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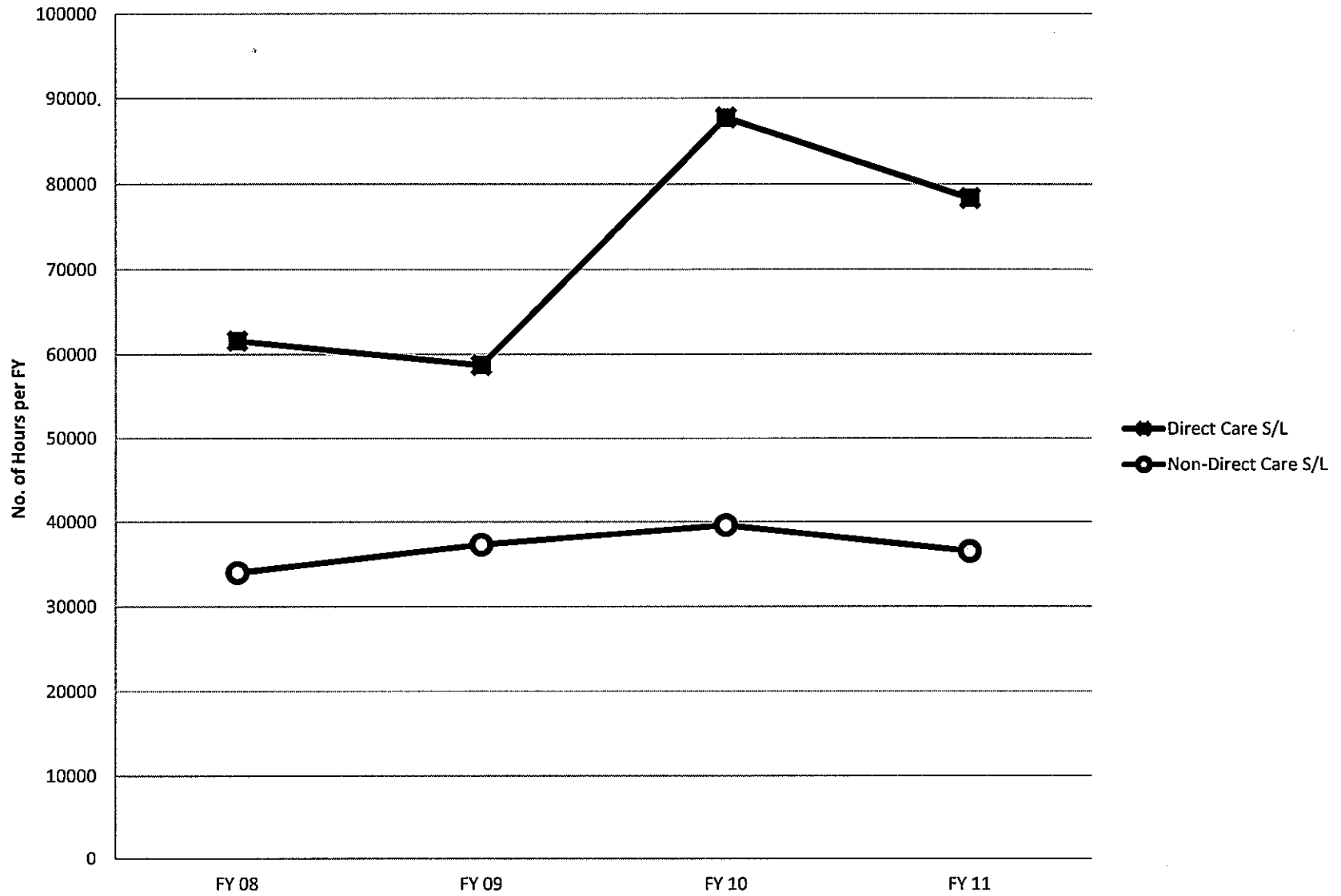
ATTACHMENT A

HAWAII STATE HOSPITAL OVERTIME
FY 2008 - FY 2011



ATTACHMENT B

HAWAII STATE HOSPITAL SICK LEAVE USE
FY 08 - FY 11



1 Emergency Medical Services

2 General oversight of the Emergency Medical Services system falls to the Director of Health but
3 operations, including personnel management, are contracted out to the counties. The DOH Emergency
4 Medical Services and Injury Prevention System Branch monitors the use of overtime by those counties,
5 two of which (the City and County of Honolulu and the County of Hawaii) are government entities
6 whose employees are part of the EUTF.

7

8 Because EMS is a continuous 24 hour service every day of the year, some amount of overtime is
9 expected. However, as shown in the following graphs, the two government agencies' percentage of
10 personnel cost due to overtime is different. This is due to a higher number of vacancies at the City and
11 County of Honolulu.

12

13 REFER TO ATTACHMENT C

14 REFER TO ATTACHMENT D

15

16 The Department of Health does not have a breakdown of overtime or sick leave by individual employee
17 but has expressed its concerns to the contractors. In the case of the City and County of Honolulu, the
18 City's EMS Administration has worked with the DOH to develop strategies that strictly manage
19 overtime and instituted a new attendance policy to reduce sick leave. Surveillance of overtime and sick
20 leave will be enhanced upon implementation of a new employee information software system.

21

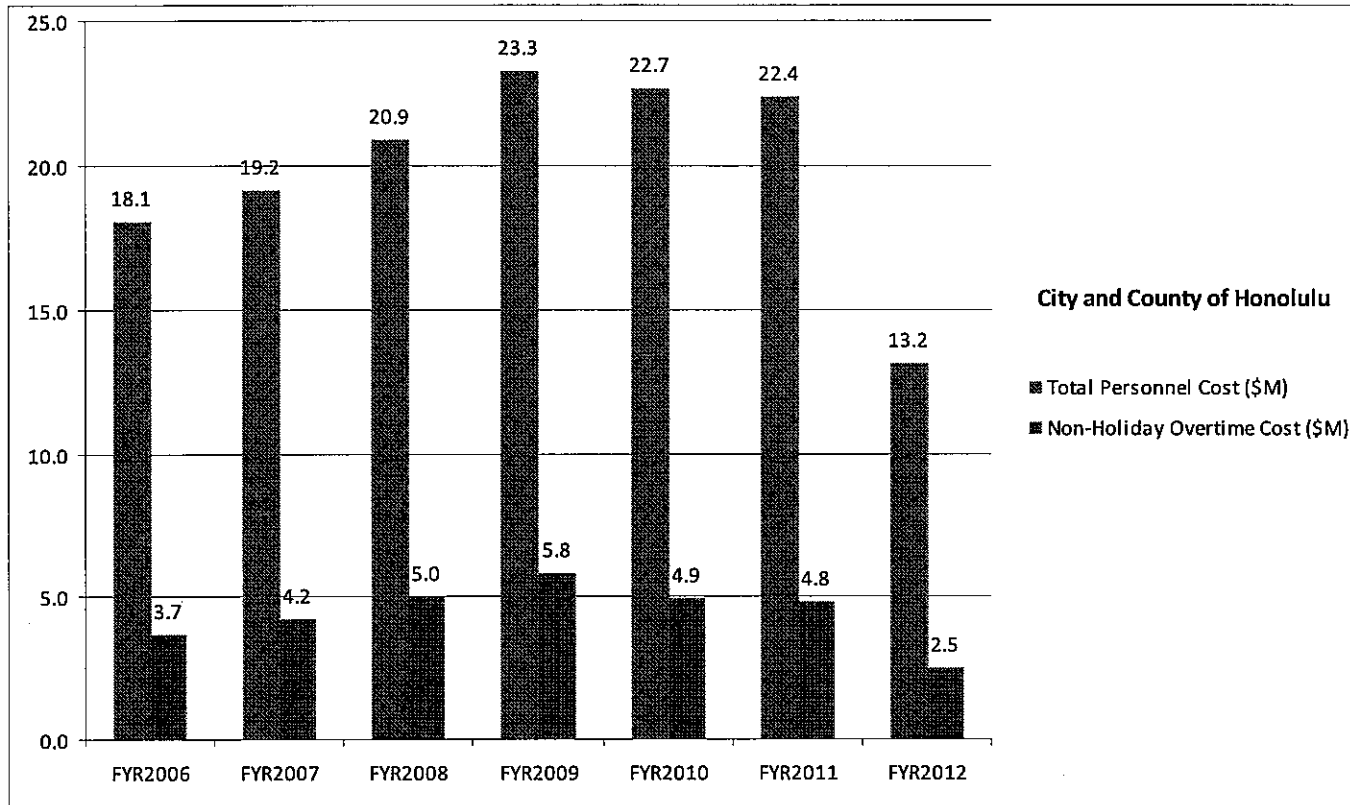
22 A major root cause for overtime, chronic vacancies, is being addressed through accelerated and
23 additional EMS training classes, and attempts to decrease forced overtime which causes some workers
24 to leave the field. City EMS has been actively recruiting and hiring to fill vacancies. In the meantime,
25 additional capacity has been maintained without adding to overtime through subcontracting EMS

1 services from AMR. This year, to protect patient and provider safety, a limit on the number of
2 consecutive shifts providers can work was added to the State contracts for EMS.

3

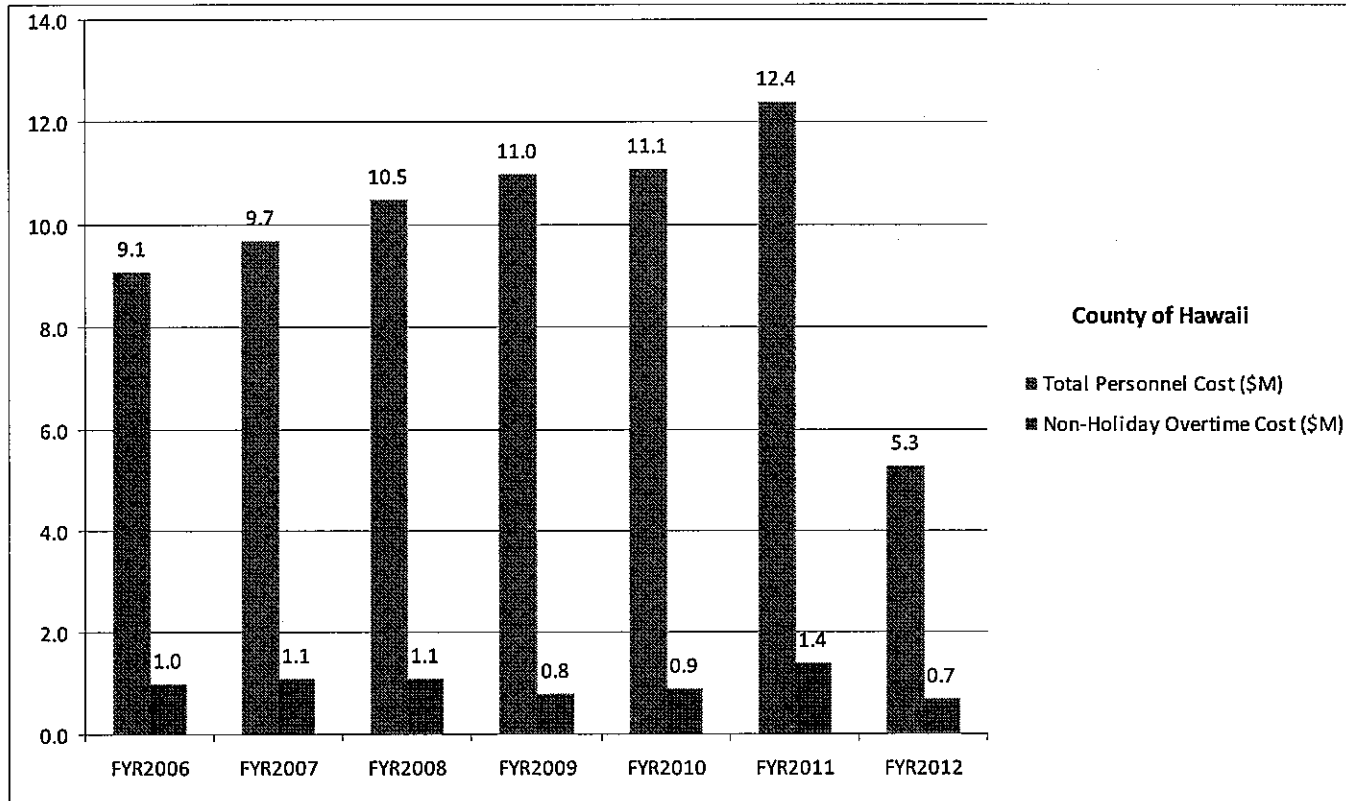
4 Thank you for the opportunity to comment.

ATTACHMENT C



Note: FYR2012 includes expenditures reported as of January 31, 2012.

ATTACHMENT D



Note: FYR2012 includes expenditures reported as of November 30, 2011.

NEIL ABERCROMBIE
GOVERNOR



BARBARA A. KRIEG
INTERIM DIRECTOR

LEILA A. KAGAWA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

March 7, 2012

TESTIMONY TO THE
SENATE SPECIAL COMMITTEE ON ACCOUNTABILITY - 01

For Hearing on Thursday, March 8, 2012
1:15 p.m., Conference Room 224

BY

BARBARA A. KRIEG
INTERIM DIRECTOR

**Senate Concurrent Resolution No. 34/Senate Resolution 21
Requesting the Auditor to Conduct an Audit of State Departments with High
Rates of Additional Compensation Paid to Employees**

WRITTEN TESTIMONY ONLY

TO CHAIRPERSON DONNA MERCADO KIM AND MEMBERS OF THE COMMITTEE:

The purpose of SCR 34/ SR 21 is to request the Auditor to conduct an audit of state departments with high rates of additional compensation paid to employees.

The Department of Human Resources Development **supports** these resolutions given that the findings and recommendations of the audit will be helpful information for the State of Hawaii Executive Branch to consider in the formulation of policy and operational decisions, including in connection with the adoption of integrated technology solutions.

Thank you for the opportunity to provide testimony on these resolutions.