

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT SERVICES**

**Medical Center - Overtime Review
Project #12-019**

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**Medical Center – Overtime Review
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MANAGEMENT SUMMARY

As a planned audit for fiscal year 2012, Audit Services performed a review of overtime at UCSF Medical Center.

Salary and benefit expenditures represent a significant operating expense for the Medical Center, accounting for approximately 49% of total operating expenses for fiscal year 2011. Over the past three fiscal years, overtime and on-call expenditures for staff at UCSF Medical Center have remained consistent at approximately 4% of regular salary expenses, averaging \$22 million in annual expenditures. This review focused on departments with the highest overtime and on-call expenditures over the past three fiscal years, as well any departments with significant changes in overtime and/or on-call use over the three year timeframe. In addition, the review examined the highest earners of overtime and on-call compensation in fiscal year 2011.¹

Results of the review indicated that overall, the departments had sufficient oversight and management of the overtime and on-call activities of their employees. However, there are departments, specifically the Inpatient Pharmacy and Hospitality Services departments, where particular opportunities were identified for both enhancing the management of, and reducing the costs of overtime. Additionally, the review identified that while some of the available overtime reports are under utilized by department managers, the labor productivity report, which is the primary report used to monitor labor activity at the Medical Center, is in need of enhancements to increase its utility as an effective and useful monitoring tool for monitoring overtime and expenditures.

Finally, the review noted that the Medical Center did not have an established program of monitoring and evaluating the regular use of extensive overtime for extended periods.

More detailed information can be found in the body of this report.

¹ Five out of the top ten overtime and on-call earners are employees in departments included in the review; these individuals were reviewed concurrently with their respective departments.

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I. BACKGROUND

As a planned audit for fiscal year 2012, Audit Services performed a review of overtime at the UCSF Medical Center. Salaries and benefits are a significant operating expense for the Medical Center, representing approximately 49% of total operating expenses in fiscal year 2011.

During Fiscal Year 2011 a total of 467,683 of overtime hours were worked, ranking the Medical Center in the lower 25th percentile of Reuters Action OI benchmarking facilities comparator group of academic medical centers. On call salary expense as a percentage of total operating expenses averaged 0.43% for the fiscal year ranking the Medical Center in the upper 75th percentile of the benchmarking comparator group.² Overtime and on-call expenditures for staff at UCSF Medical Center have consistently been approximately 4% of regular salary expenses for the past three fiscal years.

Fiscal Year	Overtime	On Call	Regular Pay
2009	\$16,590,705	\$ 5,756,551	\$519,127,707
2010	\$15,510,186	\$ 6,128,613	\$537,571,459
2011	\$16,288,544	\$ 6,122,571	\$537,921,199

The policy and regulatory requirements stipulating which employees are eligible for overtime and/or on-call time, as well as how much time is accumulated and paid is dictated in University of California Personnel Policies for staff members as well as the collective bargaining agreements for various bargaining units representing the employees at UCSF.³

The review focused on selected departments with the highest overtime and on-call expenditures, as well as any departments with significant changes in overtime and/or on-call use over a three year timeframe. Additionally, we reviewed the highest earning individual employees for overtime and on-call compensation in fiscal year 2011.⁴ The charts below show the overtime and on-call expenditures for the selected departments included in the review:

Departments with the highest overtime expenditures:

Department	FY 2011	FY 2010	FY 2009
Inpatient Pharmacy	\$1,026,923	\$700,090	\$1,011,573
Operating Room Moffitt / Long	\$983,464	\$1,065,448	\$1,001,572
Respiratory Care Services	\$595,396	\$622,838	\$542,784
Hospitality Services	\$533,241	\$529,230	\$172,450

² Statistics are taken from the Thomas Reuters benchmarking Action OI data of comparable facilities group.

³ University of California Personnel Policies for Staff Members 31-Hours of Work, 32-Overtime, 33-Shift and Weekend Differential; collective bargaining agreements applicable to this review include the Agreement for the Patient Care Technical Unit (EX), Agreement between University of California and the California Nurses Association (NX), the Agreement for the Health Care Professionals Unit (HX), and the Agreement or the Patient Service Unit (SX)

⁴ Five out of the top ten overtime and on-call earners are employees in departments included in the review; these individuals were reviewed concurrently with their respective departments.

Departments with the highest on-call expenditures:

Department	FY 2011	FY 2010	FY 2009
Operating Room at Moffitt Long	\$1,829,0401	\$1,802,878	\$1,688,693
Interventional Cardiology	\$517,179	\$498,318	\$485,254
Operating Room at Mount Zion	\$369,119	\$355,674	\$348,059

Overtime and on-call is worked on a voluntary basis and awarded to staff by qualification and seniority. All overtime and on-call assignments are reviewed by management or the appropriate scheduling supervisor to ensure that the employee willing to cover the specific shift is properly qualified and trained to perform the necessary work.

II. PURPOSE AND SCOPE

The objectives of the review were to assess how overtime and on-call is managed and monitored, including whether effective systems, reporting tools and procedures exist to effectively manage and monitor overtime and on-call at the department level; and to ensure compliance with applicable University and Medical Center policies governing overtime and on-call time.

In conducting the review, the following procedures were performed for the selected departments:

- Management for selected departments was interviewed to determine:
 - Procedures in place for the development of overtime and on-call budgets;
 - Allocation and assignment of overtime and on-call to staff;
 - Management oversight and tracking of overtime and on-call time to ensure compliance with the allocated budget;
 - Management’s utilization of reporting tools or other methods for tracking/monitoring overtime;
 - Management’s assessment of the ‘reasonableness’ of the amount of overtime and on call time worked by their employees;
 - The causes of significant variances of overtime between employees in the same title codes;
 - For departments with significant amounts of on-call hours and disproportionately small amounts of call-back time, how on-call is distributed and if alternative scheduling patterns were examined;
 - Reasons for high overtime worked by specific individuals and whether alternative strategies such as use of temporary staff; increase in Full Time Equivalent (FTE), shift scheduling changes have been assessed and considered;
 - How overtime and on-call assignments are documented and pre-approved, including the different processes used for planned and unplanned overtime and on-call time.

- Management for departments with significant changes in overtime and on-call expenditures over the past three years were interviewed to determine the cause(s) of the changes as well as their expectations for increases or decreases in the use of overtime in the next few years.

- Applicable State, University, Medical Center and departmental overtime and on-call policies were reviewed to gain an understanding of the policies and their application for the employees in the selected departments. Department management was interviewed to determine how compliance with relevant policies is ensured when scheduling overtime and on-call time for their employees.
- Documentation supporting the assignment, approval and performance of overtime and on-call time were reviewed, including documentation of retroactive approvals of employee time worked, which resulted in overtime payments. Additionally, approval of timesheets by supervisors / managers was reviewed for timeliness.

The scope of the review was limited to the specific procedures described above and related to and activities occurring in fiscal year 2011. As such, work completed is not intended, nor can it be relied upon to identify all instances of potential irregularities, errors and control weaknesses. Fieldwork was completed in November 2011.

III. CONCLUSION

Overall, the majority of departments reviewed had sufficient oversight and management of the overtime and on-call activities of their employees. Management had created adequate methods of assigning overtime and on-call hours to their employees and was well informed of the applicable labor codes and regulations related to overtime and on-call work.

The review identified the need for enhancements to the labor productivity report to identify and manage all overtime hours worked by employees in the Medical Center. The Labor Productivity Report is the primary reporting tool used by Medical Center for monitoring and managing labor expense including paid productive worked hours / FTE and premium FTE and dollars. However, the report does not fully capture total hours worked as compensated time and dollar expense is not reflected in either the worked FTE or the premium FTE. During fiscal year 2011 a total of 67,778 hours (equivalent to 33 FTE) of overtime was worked and paid as compensated time off and not classified as productive hours in labor productivity reporting. Also, when compensated time amounting to almost \$2.0 million was paid fiscal year 2011 it was reported under "other labor costs" and therefore not reflected in the premium dollar. Additionally, the labor productivity report does not reflect premium FTE variance from budget and overtime is not separately identified as a labor expense.

In addition, opportunities exists for enhancing the management oversight and control of overtime costs in Pharmacy, as well as the need for timely filling of open positions, increased oversight of Pharmacy Technicians working hours and enhanced training to meet operational needs in the department. Hospitality Services could also benefit from improved management of special requests by re-evaluating staff scheduling, skills mix and more use of per diem staff to achieve optimal staffing to meet unplanned and planned projects / events requests.

Finally, the review identified a need for the Medical Center to develop an effective program or method to monitor and evaluate departments' reliance on the regular use of overtime to maintain department operations. Not only does this practice have significant

financial implications but has resulted in a number of individuals within Moffitt / Long Operating Room and Inpatient Pharmacy working excessive number of hours and on-call time. Extended working of excessive hours may not be sustainable and patient care may suffer if departments rely too heavily on overtime to maintain their operations. Management should consider working with Human Resources in setting a threshold of reasonableness for the maximum number of hours an employee should be allowed to work within a given timeframe.

IV. **OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS**

A. Reporting Tools

1. *Medical Center's existing labor productivity and expense reporting requires enhancement to improve the effectiveness for monitoring and managing overtime.*

The labor productivity report is the primary tool used by the Medical Center for monitoring budget against actual paid FTE; productive (worked) and non productive FTEs and labor expense in dollars. The report is produced each pay period and cost center managers are held accountable to achieve a target performance measure metric of 95% productivity.

When we reviewed the report and discussed its use with selected department managers, we identified the following:

- a) The labor productivity report does not capture all overtime hours worked and its associated expense.

The report of worked and paid FTE is calculated based on regular and overtime hours for staff, as well as hours worked by staff from temporary employment agencies. However, it does not include overtime worked when employees elect to receive compensated time off ("comp time") in lieu of overtime pay. During fiscal year 2011 there was a total of 67,778 hours (equivalent to approx 33 FTE) of overtime paid in the form of comp time that was not classed as productive hours nor reflected in the labor productivity reporting. Also, the Medical Center paid almost \$2 million in unused comp time in fiscal year 2011 and this was reflected in the labor productivity reports as "other labor costs" rather than being reflected as premium labor costs.

The absence of compensated time hours and expenditures in the productivity reports means that total premium labor time and cost is not fully portrayed. Accordingly, the reports do not allow for management to assess total productivity and serve as a proper means of holding departments accountable.

- b) The report does not measure whether actual premium FTE is within budget.

Actual premium FTE, which incorporates overtime hours worked and paid is a component of the worked FTE total and is shown separately on the labor productivity report. While it is useful to know the level of premium FTE used

in a given period, this by itself is not a meaningful budgetary control measure as it is not compared to the budget premium FTE to identify variances and the cause of such variances.

- c) Overtime expenses are not identified separately from all premium pay.

Premium pay incorporates all non-regular salary and wage payments including overtime pay, on-call pay and shift differentials. As overtime pay is not separately identified, the labor productivity report cannot be used by department managers to effectively monitor and control overtime use. Instead, we found that departments have augmented the labor productivity reporting with internal tracking systems using excel spreadsheets for monitoring overtime usage.

2. *HBS reports are not adequate for monitoring and managing hours worked and were not fully utilized by departments.*

The HBS timekeeping system has available the following reports for managers to use:

- Employees who have worked more than 16 hours per day;
- Employees who have worked more than 60 hours per week;
- Paid Transactions by Week (breaks out regular, overtime, on-call and call back hours).

The HBS reports offer overtime specific information on time worked by employees based on entries into the system; however, there is no reporting of employees working consecutive shifts to identify excessive number of hours worked. Additionally, our review highlighted that some managers were not utilizing these reports on a regular basis while others were unaware that these reports were available or found that the information based on time already worked by their employees was not a useful tool in controlling overtime activity.

Management Corrective Actions

By August 1, 2012, Decision Support Services will assess and complete the design of the proposed changes to be made to the current labor productivity report and the reporting process. The new report will include compensated hours and expenses as well as premium FTE budget variances and overtime expenses. The implementation of the updated report should be completed by 12/31/2012. Until the implementation of the new reporting tools, the existing labor productivity report will continue to be used.

B. Overtime and On-Call Time Worked**1. *The Medical Center does not have a program for monitoring and evaluating the regular use of extensive overtime.***

Patient care and other critical needs can result in hospital departments requiring staff to work overtime. Departmental management schedules overtime as considered necessary and without any need for additional approval by senior management. The flexibility to schedule overtime serves as an optimal approach especially in the patient care environment. Based on a report of employees who worked more than 60 hours per week during fiscal year 2011, we found that:

- a. Inpatient Pharmacy had 43 instances of employees working greater than 60 hours in a week, with one employee working 79 hours. Also many staff frequently worked consecutive shifts or days with several instances of employees working up to nineteen consecutive days.
- b. Respiratory Care Services had 13 instances, with one employee working 72.50 hours per week on three different occasions;
- c. Hospitality Services had 15 instances, with one employee working 72 hours in one week; and
- d. The Operating Room at Moffitt/Long Hospital had 20 instances, with one employee working 80.75 hours in one week. In addition, the Operating Room had one employee who earned a combined amount in overtime and on-call totalling 168% of their regular salary. For one two week period, she worked 114 hours, was on-call for nearly 139 hours, and was paid for one holiday.

When staff is required to work extensive amounts of overtime for extended periods, this can impact the quality and quantity of work, employee morale, and the retention of experienced and productive staff.

The Medical Center does not have a program to identify individuals who regularly work overtime or any methods to assess ways of reducing the overtime worked. An effective program would monitor overtime, request that departments explain and justify the need for extensive overtime, and require departments to develop strategies to reduce overtime. This would provide increased assurance concerning the propriety and necessity of requiring staff to work extensive amounts of overtime on a regular basis. In addition, it would increase accountability and potentially reduce costs as managers' evaluated ways to reduce the need for overtime.

Management Corrective Actions

Medical Center Finance and Human Resources will work together to develop a program to identify departments who are incurring and employees who are working large amounts of overtime and on-call for extended periods. As the program is developed, Finance and Human Resources will determine the optimum method for having departments report to the senior leadership group on the operational needs for the extraordinary overtime volume or why certain employees are working overtime and/or on-call for extended periods. The proposed program including establishing reporting criteria and thresholds will be developed by September 30, 2012.

2. On-Call Utilization

The Medical Center's on-call expenses as a percentage of total labor expenses is 0.78 %, ranking the institution in the upper 75th percentile of Reuters Action OI benchmarking facilities comparator group for academic medical centers. In fiscal year 2011, the on call utilization rate (call in hours as a percentage of total on-call hours) was 9.56%.⁵ As the table below illustrates, for some departments the amount of hours worked when called in are significantly low indicating the infrequency of on-call staff utilization, while still being paid for their time.

Description	On Call Hours	Called In hours	Utilization Rate %
Anesthesia Mount Zion*	5,876	88	1.50
Operating Room Mount Zion	19,218	359	1.87
PACU/Pre-OP MZ	875	12	1.37
Anesthesia Moffitt/ Long*	5718	508	8.88
Operating Room Moffitt/ Long	89,532	7,340	8.20
Interventional Cardiology	22,372	493	2.20
Interventional Cardiology (Pediatrics)	4,591	40	0.88

*Anesthesia rates coincide with the corresponding Operating Rooms

The on call rates vary based on the negotiated bargaining agreement but generally UCSF on call rates are paid at 50% of base salary rate which is higher than other UC Medical Centers (see below). Pay differentials are based on San Francisco Bay Area geographical region to maintain competitiveness with other hospitals in the same region.

Position	UCSF ⁶	UCI	UCSD	UCLA	UCD
Hospital Lab Tech II	\$15.70	\$5.22	\$5.50	\$4.20	\$7.00
Clinical Nurse II	\$30.50	\$8.00	\$9.50	\$10.50	\$9.00
Clinical Nurse III	\$31.90	\$8.00	\$9.50	\$10.50	\$9.00

While it is acknowledged that on-call is required to provide coverage for emergency response situations, there may still be opportunities to re-evaluate how frequently and how many on-call hours should be allotted to employees if they are rarely called-in for procedures. For example, an assessment should be made on whether coverage for Pediatrics Interventional Cardiology cases can be provided by the adult cardiology team or whether Moffitt / Long operating room can provide coverage for Mount Zion OR emergency cases.

Management Corrective Actions

Medical Center concurs that there may be some opportunities to reduce on-call expenses and the Chief Nursing Officer has asked that Perioperative Services to evaluate options for reducing on-call time at the Mt. Zion Hospital and provide her with a report outlining their findings. It is expected that the evaluation and report will be completed by September 30, 2012.

⁵ Total paid on call hours was 196,939 and call in hours amounted to 18,831.

⁶ Based on 50% of the hourly rate at mid-point for the positions.

C. Inpatient Pharmacy

1. *Overtime has not been effectively managed within Inpatient Pharmacy.*

Staffing resource constraints, structural organizational issues and lack of sufficient training of Pharmacy Technicians has contributed to high overtime costs for the Inpatient Pharmacy Unit.) Inpatient Pharmacy's annual overtime costs have been approximately \$1 million; and has incurred some of the highest amounts of overtime over the past three years of any Medical Center department.

The Inpatient Pharmacy currently has significant staffing deficiencies (30 vacant positions at the time of review), including vacancies in key management positions. Additionally, due to the existing limited resources, employee sick time has also contributed to overtime in the department. Pharmacy employees took just over 3,000 hours in sick leave between December 26, 2010, and June 25, 2011 or the equivalent of 380 8-hour working shifts that have had to be covered by other employees (likely as an overtime shift).

An assessment of Pharmaceutical Services' operations by an outside consultant in May 2011 reported several recommendations, including the need for 25 additional FTE positions, a more effective organizational structure and service delivery model, as well as increased education and development for the existing staff. Echoing the consultant's findings, management has cited staffing constraints as a major contributor to overtime and at the time of review has received preliminary approval for 26 additional FTEs. Management also acknowledged that the lack of supervisory oversight for Pharmacy Techs due to decentralized locations may have resulted in potential manipulation of overtime by Pharmacy techs. To that end, the department is working to staff people in key management positions, including an Assistant Director to focus on the satellites, a Pharmacy Tech Supervisor to oversee the schedule and a Pharm Tech Trainer to develop and oversee the training program and ensure that more coverage is available.

Management Corrective Action

Pharmaceutical Services will develop a strategy of actions, which have or will be taken, to better manage and reduce overtime in the department. The strategy will be prepared and submitted to the Chief Nursing Office for review by April 30, 2012.

2. *Inpatient pharmacy did not always approve the timesheets by the established payroll deadline date.*

Medical Center policy states that it is management's responsibility to edit, correct, approve and submit HBS entries by the required deadline communicated by Payroll.⁷

⁷ Medical Center Payroll Policy 4.04.01

Audit Services' review of timesheet approvals during fiscal year 2011 found six timesheet groups within Inpatient Pharmacy with approval rates of less than 70%, with one as low as 25%.⁸ Pharmaceutical Services management has cited the lack of unfilled management positions has resulted in ineffective oversight in this area.

Timesheet approval is a management oversight function intended to ensure that employee time as recorded and paid is accurate. Without approval, employees may be paid for time they did not work, including overtime.

Management Corrective Action

Pharmaceutical Services will immediately take action to ensure employee time records are approved timely. Actions to improve timeliness of time reporting approval will be taken no later than February 1, 2012.

D. Hospitality Services

1. *There are opportunities for reducing overtime by Hospitality Services.*

A significant amount of overtime work in the department is performed as a result of requests for cleaning, construction project work, events or general facility support from other departments. The department reported that 66% of the overtime worked by the department in fiscal year 2011 resulted from requests from outside departments. Often these requests are received with too short of notice to adjust employee schedules; therefore the jobs become overtime work for employees who are willing to take the assignments. While the cost for these jobs is subsequently recharged back to the requesting department, overtime costs for the Medical Center could ultimately be reduced if there was better planning and increased notification for certain requests such as construction related jobs; establishing priority criteria and / or if the department made greater use of per diem employees that are appropriately trained to work on an as-needed basis for the project and events work.

Departmental management stated that with the size of its existing work force, a 15 -18% backfill is required to cover their assignments when employees are on vacation or sick leave. An increase in per diem employees (the department currently has 19 per diem staff, with nine in the process of becoming fulltime) would make a significant difference in ensuring that additional job requests are met and would not have to become an overtime shift for a regular employee.⁹

Management Corrective Action

An assessment of a staffing model that includes increased use of per diem staff will be performed and a business case proposal for hiring more per diem staff will be developed and presented to senior management for review by March 31, 2012.

⁸ Approval percentages are based on the amount of approved timesheets per a specific pay period.

⁹ The nine per diem staff that are in the process of becoming fulltime are slated to replace fulltime employees who have recently retired.

2. Hospitality Services does not have a budget for premium FTE

Best practices prescribe that good financial management and control includes proper planning and estimation of costs and that these are monitored and measured against actual results. The actual use of premium FTE by Hospitality Services averaged at 7.1 FTE during 2011.¹⁰ However, we noted that no budget for premium FTEs had been developed for this department. Without budget estimates, actual performance cannot be measured and management cannot make appropriate decisions to correct deviations from the budget.

Management Corrective Action

As part of developing the annual operational budget, the labor expense budget will separately identify the premium FTE from regular FTE. The budget is expected to be developed by May 31, 2012.

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¹⁰ Based on a six period average.