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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 23, 2014

Dr. Ramanathan Raju, MD
President and Chief Executive Officer
New York City Health and Hospitals Corporation
125 Worth Street
New York, NY 10013

Re: Management and Control
of Overtime Costs
Report 2014-F-15

Dear Dr. Raju:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law, we have followed up on the actions taken by New York City Health and Hospitals Corporation (HHC) officials to implement the recommendations contained in our audit report, Management and Control of Overtime Costs (2009-N-15).

Background, Scope and Objectives

The New York City Health and Hospitals Corporation (HHC), a public benefit corporation created in 1970, serves about 1.4 million patients annually and is the largest municipal hospital and health care system in the United States. HHC is managed by a Board of Directors and provides comprehensive medical and mental health services through its 11 acute-care hospitals, 4 skilled nursing facilities, 6 diagnostic and treatment centers, a home health care agency, and more than 70 community-based clinics. In addition, HHC provides medical services to New York City's correctional facilities and operates a managed-care health plan.

HHC's operating expenses for fiscal year 2013 totaled \$6.5 billion including payroll costs of \$3.6 billion (including fringe benefits) for its 35,006 employees. HHC is funded through revenues it receives for patient services, mostly from third-party sources such as Medicaid and Medicare, as well as from New York City and New York State. HHC is required to provide services to all patients regardless of their ability to pay. It relies heavily on Medicaid (which currently provides 74 percent of total patient revenue), and is significantly affected by State and federal government actions that impact Medicaid. HHC has struggled for years with ongoing, significant, structural imbalance in its finances. Since fiscal year 2009, HHC has attempted to address this by instituting

cost-saving measures, including a hiring freeze that reduced staff by about 3,800 employees.

Our initial audit report, which was issued May 7, 2012, determined that HHC did not effectively manage and control its overtime costs. As a result, HHC officials lacked assurance that overtime was used only when it was in the best interest of HHC. Moreover, we found indications that overtime was often used when it was not in the best interest of HHC, as employees responsible for patient care routinely worked excessive overtime shifts that could compromise the quality of the care they provide due to fatigue.

Summary Conclusions and Status of Audit Recommendations

We found that HHC officials have made some progress in addressing the issues identified in our initial report. Additional actions, however, are still needed. We determined that each of the three recommendations from the initial report were partially implemented.

Follow-up Observations

Recommendation 1

Actively explore, implement and manage ways to reduce HHC's overtime costs, including encouraging facilities to maximize the use of part-time and temporary staff before using full-time staff when assigning overtime. Adopt the best practices of other HHC facilities when deciding to use overtime.

Status - Partially implemented

Agency Actions - Since the issuance of our prior report, HHC has continued to take actions to reduce its overall personal service costs through reductions in head count. Since fiscal year 2009, employee head count has been reduced by 3,800, with 931 of this reduction occurring during fiscal year 2013. With these staff reductions, overtime totaled \$136.7 million in 2014 (an increase of \$8.5 million since 2012). However, HHC did not encourage its facilities to maximize the use of part-time and temporary staff. HHC officials explained that they allow each of their health care facilities to determine how to best deploy staff and to manage overtime costs. They further stated that it would be impractical for HHC's central office to control the day-to-day use of overtime at the facilities, as they operate semi-autonomously. In addition, officials indicated that the use of temporary staff is not always practical because highly trained staff are needed in certain circumstances. Further, they told us that the best overtime management practices of one HHC facility might not be applicable to others, as the overtime demands of each facility can be unique. HHC officials believe that the savings achieved through staff reductions justifies some flexibility in the use of overtime.

Recommendation 2

Review the extent that employees at all facilities are working multiple overtime shifts and

consecutive days. Establish and implement controls to prevent employees from working excessive multiple overtime shifts and consecutive days.

Status - Partially Implemented

Agency Actions - HHC central officials told us that they do not review the extent to which facility employees work multiple overtime shifts and consecutive days. In addition, HHC has neither established nor implemented controls to prevent employees from working excessive multiple overtime shifts and consecutive days. Officials told us that the actions we suggested in our recommendation are managed locally by each facility. In that regard, central officials provided us with the formal procedures used by three HHC facilities (Kings County Hospital Center, Coney Island Hospital, and Gouverneur Health) to control overtime. Nonetheless, we maintain that HHC central officials should monitor the extent to which facility employees work multiple overtime shifts and consecutive days, and they should work with facility management to help ensure that adequate controls are in place to prevent excessive overtime use.

Recommendation 3

Set specific dollar or percentage overtime reduction goals for the facilities, monitor the facilities' performance in achieving these goals, and take corrective action if the goals are not achieved.

Status - Partially Implemented

Agency Action - HHC set specific dollar targets for overtime for each of its facilities and monitors each facility's performance with respect to these goals. HHC annually prepares overtime budget plans showing estimated overtime costs for each of its facilities. For the fiscal years 2012 through 2014, there was a projected increase in total overtime costs of \$5.3 million (5 percent), with reductions expected at some facilities. However, HHC did not provide us with evidence of corrective actions taken regarding facilities that exceeded their overtime targets. HHC officials agreed that overtime costs should be managed against established goals. They also indicated that certain reductions in overtime costs did not occur "due to the Corporation's FTE reduction targets being achieved ahead of schedule."

Major contributors to this report were Santo Rendón and Jeffrey Marks.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of HHC for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Michael Solomon
Audit Manager

cc: C. Telano, Chief Internal Auditor, HHC
C. Averett, NYC HHC
G. Davis, Mayor's Office