



EMPLOYEE BENEFITS INTEGRATION SAVES NEARLY \$2 MILLION FOR NEWLY MERGED SYSTEM

Strategic initiative with Navigant helped integrate PTO between two health systems.

CHALLENGE

When two faith-based systems merged in 2017, the newly combined system faced a challenge common to organizations following a merger: how to integrate the organizations' paid time off (PTO) policies in a way that would be equitable and cost efficient.

The new system, a large provider in the mid-South, sought to develop a common PTO policy that would compensate employees fairly while creating a structure that would best fit the new organization, both in terms of culture and cost. But gaining employee buy in for changes in PTO benefits is rarely easy. In this instance, the disparities in the PTO structures of the two founding organizations heightened PTO integration challenges:

- System A offered a three-tier PTO system, ranging from approximately 7 hours of PTO biweekly for employees with nine years of service or less, to 10 hours of PTO biweekly for employees with 15 years of service or more.
- System B offered a six-tier PTO system, ranging from almost 7 hours of PTO biweekly for employees with less than a year of service, to more than 9 hours of PTO biweekly for employees with 20 years of service or more.

At a time when many employers are [increasing their overall benefits](#) including PTO, to meet employees' desire for greater flexibility, the newly merged organization needed to carefully craft an integrated PTO policy that would meet the needs of the health system while protecting its ability to retain and attract talent.

SOLUTION

The health system sought assistance from Navigant in integrating the PTO structures of the two founding organizations and communicating the changes to staff.

Navigant examined the founding organizations' original PTO policies and compared them with the paid days off policies of organizations that are similar in size and type. Based on this analysis, Navigant identified opportunities to achieve PTO synergies in four areas:

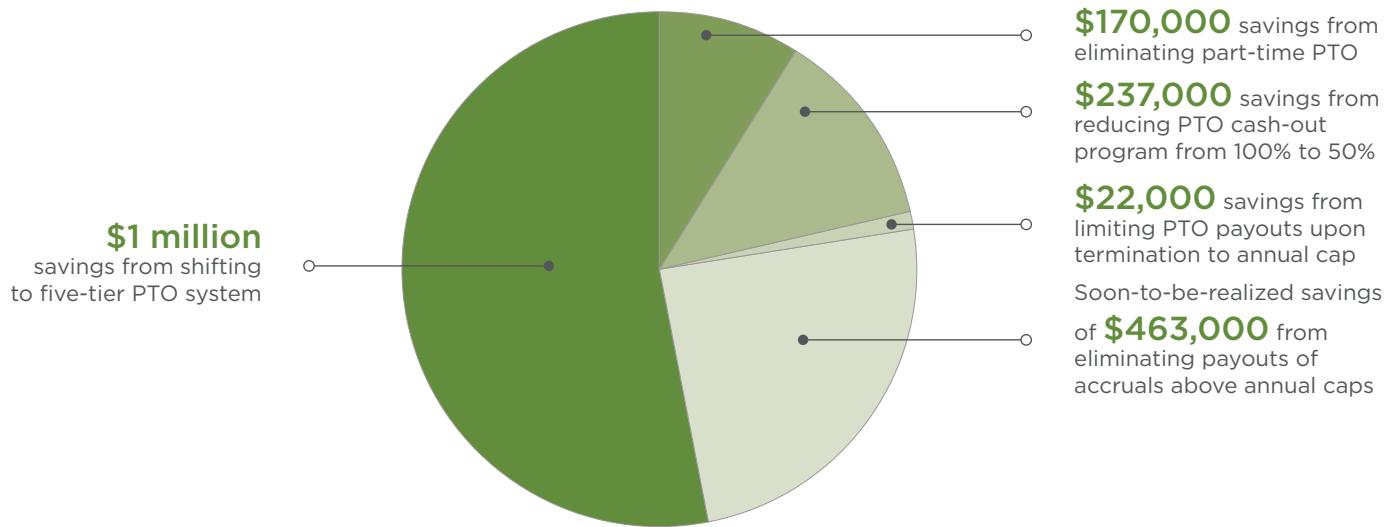
- **PTO accrual rates:** A new, five-tiered PTO structure, ranging from 22 days of PTO per year for new employees to 32 days of PTO per year for employees with 15 years or more of experience, would reduce PTO costs by \$1 million. Additionally, the organization could reduce PTO costs by an additional \$170,000 by eliminating part-time PTO, a benefit that had been offered by one of the health systems.
- **PTO cash-out program changes:** Reducing the PTO cash-out program from 100% to 50% could reduce costs by \$237,000.
- **PTO payout at employment termination:** Changing the current PTO policy to pay out only up to the annual cap upon termination would reduce costs by \$22,000.
- **PTO January payout above annual maximum:** Eliminating January payouts of accruals above the annual caps, beginning Jan. 1, 2019, could save the organization \$463,000.

The organization implemented the new PTO structure in 2018, with the exception of the PTO January payout recommendation which goes into effect in 2019.

“Navigant’s expertise in employee benefits and its access to compensation data from similarly sized health systems enabled us to create a PTO policy that best fits the organization while providing value for its staff,” says Ed Malindzak, associate director, Navigant. “In addition to guiding leaders through this process, we also helped articulate the benefits of the new PTO policy to the team.”

IMPACT

Benefits Integration Saves Nearly **\$2 Million** After Merger



navigant.com

About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant’s professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage, and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the firm primarily serves clients in the healthcare, energy, and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant’s practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at navigant.com.

 healthcare@navigant.com

 [linkedin.com/company/navigant-healthcare](https://www.linkedin.com/company/navigant-healthcare)

 twitter.com/naviganthealth

©2018 Navigant Consulting, Inc. All rights reserved. W77472

Navigant Consulting, Inc. (“Navigant”) is not a certified public accounting or audit firm. Navigant does not provide audit, attest, or public accounting services. See navigant.com/about/legal for a complete listing of private investigator licenses.

This publication is provided by Navigant for informational purposes only and does not constitute consulting services or tax or legal advice. This publication may be used only as expressly permitted by license from Navigant and may not otherwise be reproduced, recorded, photocopied, distributed, displayed, modified, extracted, accessed, or used without the express written permission of Navigant.