LEGACY HEALTH

ADMINISTRATIVE

Policy #: 500.201
Origination Date: 7/1992
Last Revision Date: 10/2013
Triennial Review Date: 10/2016

SECTION: HUMAN RESOURCES
TITLE: PAY PRACTICES SUPPLEMENTING BASE SALARY

This policy covers pay practices for employees in Legacy Health supplementing base pay and benefits. This policy does not cover employees who are members of a union.

DEFINITIONS

1. **APL**: Annual Paid Leave program at Legacy.
2. **Base Salary**: Hourly rate or salary paid for a job performed which does not include shift differential, on-call, stand-by, overtime, incentive premiums, per diem or any pay element other than the base rate.
3. **Benefits**: Health and Welfare Plans, APL, retirement and other non-wage compensation elements such as educational assistance, jury duty, bereavement leave, etc.
4. **Call worked**: Pay for time worked when an employee is called in to work from a stand-by status.
5. **Exempt**: Employees exempt from the provisions of the Fair Labor Standards Act. Exempt employees are not eligible for daily or statutory overtime or other forms of hourly premium pay. They are not required to record time on an hourly basis.
6. **Full time**: Nonexempt employees who have been hired to regularly work 72 or more hours per pay period or exempt employees who have been hired at a full-time equivalent of .9 or greater.
7. **Legacy Shift Incentive (LSI)**: A differential paid to nonexempt employees in qualifying positions who fill staffing vacancies with less than seven consecutive days notice, after all other avenues to fill the vacancy are exhausted.
8. **On-call**: Non-scheduled, nonexempt employees who are available to work a minimum of 24 shifts per year. Based on business needs, departments may establish additional availability requirements for on-call staff. These requirements may not exceed those established for per diem staff.
9. **Overtime rate**: Nonexempt employees receive one-and-one-half times the regular rate of pay for hours defined as overtime under the Fair Labor Standards Act. Legacy, at its option, may choose to pay the overtime rate for approved hours worked over and above that required by the Fair Labor Standards Act according to internal policy and pay practice considerations.
10. **Part time**: Nonexempt employees who have been hired to work 71 or less hours per pay period or exempt employees who have been hired at a full-time equivalent of .89 or less.
11. **Pay period**: Fourteen consecutive calendar days encompassing two complete workweeks on which payroll calculations are made.
12. **Per Diem**: Non-scheduled employees who are available to work a minimum of 48 shifts per year, 24 of which are on weekends and one of which is on a designated holiday. Use of Per
Diem staff is restricted to departments approved by Legacy Sr Leadership, based on demonstrated business need. Based on business needs, departments may establish additional availability requirements for per diem staff.

13. **Premium Pay:** The excess over the regular rate or base rate of pay that is provided to nonexempt employees for call worked hours, working on holidays, or working under special shifts or conditions as defined and authorized by Legacy.

14. **Regular Rate of Pay:** The regular rate of pay is defined as the hourly rate actually paid to the employee in the workweek including shift premiums and nondiscretionary bonuses.

15. **Resource Rate of Pay:** A market driven single rate of pay for staff within a defined resource pool. Differentiated rates are established for Shifts One, Two & Three.

16. **Shift:** Regularly scheduled shifts are those hours and days usually and customarily worked by the employee and are mutually agreed upon before the workweek begins. Time worked that is less than four contiguous hours is not considered a shift.
   I. **Shift One:** The hours from 0700 to 1500.
   II. **Shift Two:** The hours from 1500 to 2300.
   III. **Shift Three:** The hours from 2300 to 0700.

17. **Shift Differential:** Additional pay supplementing base wage to eligible nonexempt workers when the majority of the worked shift occurs during Shifts Two or Three for approved jobs regularly staffed or on standby status for two or more shifts per day.

18. **Stand-by:** Hours when a nonexempt employee is not on regular duty, and is required to remain in contact with the operating unit and be available for work within a maximum response time of 30 minutes.

19. **Supplemental:** Employees who are not regularly scheduled, and who have a minimal expectation of the number of hours to be worked. Based on business needs, departments may establish additional availability requirements for supplemental staff. These requirements may not exceed those established for on-call staff.

20. **Temporary:** Employees who have been hired to work for a period less than six months, for no more than 1,000 total hours.

21. **Weekend:** The hours from 23:00 on Friday to 23:00 on Sunday.

22. **Work week:** The workweek is a fixed and recurring period of 168 hours — seven consecutive 24-hour periods, beginning at 12:01 am Sunday, and ending at midnight the following Saturday. The start of the work week is fixed and may change only if the change is designed to be permanent. Payroll processing is based on the work week.

A. **EXEMPT CLASSIFICATION**

**Purpose**
To establish guidelines for determining employees and their respective job classifications which qualify for exemption from overtime and record keeping requirements of the Fair Labor Standards Act.

**Policy**
Certain employees may be exempt from the overtime provisions of the law because of the type of work they regularly perform. Employees who perform this type of qualifying work will be placed in job classifications which are considered to be "exempt," and will be paid on a salaried basis. It is important to emphasize that employees meet the definition of exempt status on the basis of their actual job duties, and not solely on title, job description, or level of education.

Exempt employees do not receive overtime or straight time pay for hours worked in excess of their budgeted amount, nor receive any of the hourly premium pay practices listed.
elsewhere in this policy. Exempt employees must not record work time or absence on an hourly basis. Exempt employees do not charge Legacy's accrued leave account (APL) for absences of less than one full day. Failure to comply or to keep the employee’s salary whole may result in losing exempt status under the FLSA.

The Compensation Department will interpret and determine which jobs may qualify as exempt on the basis of the representative job duties performed by all incumbents in that job classification. Individual employees who are performing nonexempt type work in a job classification-designated as exempt will be removed to a nonexempt job classification. Occasionally supervisory, administrative, professional or executive employees classified as “exempt” may perform nonexempt work to help with shortages. This may not affect the employee’s exempt status if the work is unscheduled, occasional, and the percent of typically nonexempt work performed does not exceed 20% of the employee’s available time during the workweek. Exempt employees performing this kind of occasional and sporadic work will not receive additional pay in addition to their regularly budgeted amount.

B. OVERTIME

Purpose
To comply with the Fair Labor Standards Act by paying appropriately for required overtime.

Policy
Non-exempt staff will be compensated for overtime as defined by the Fair Labor Standards Act and other provisions contained in this policy.

Provisions
1. It is Legacy’s policy to manage the use of overtime. Supervisory staff should organize their department work loads to avoid overtime payments. All overtime must be pre-authorized by the department manager or designee. Each department will develop its approval process. If it becomes apparent that the use of overtime is consistently necessary, the addition of a new position should be considered.

2. Overtime rate will be paid under the following guidelines:

The overtime rate will be calculated as defined by the Fair Labor Standards Act. The standard for all nonexempt Legacy employees will be to pay an overtime rate of one and one half times the regular rate of pay for all hours worked in excess of 40 in the workweek, as required by the Fair Labor Standards Act.

8/80 hour option: The Fair Labor Standards Act makes allowances specifically within the Health Care Industry to assist hospitals with 7-day-per-week coverage needs, and to provide flexibility in scheduling. This Federal wage-hour law permits hospitals to use a 14-day work period instead of the 7-day workweek that applies to all other industries and employers, and is called the 8/80 rule. The 14-day work period must be mutually agreed upon in writing by the employee and Legacy before the actual performance of work. Under the 8/80 rule, employees will receive one and one half times their regular rate of pay for hours worked in excess of 8 per day, or 80 in the 14-day period. The 14-day work period alternative must be considered to be permanent and on-going, but may be changed if the change is designed to be permanent (i.e., more than 60 days).
Employees are not able to waive the overtime rate for hours designated as overtime under the Fair Labor Standards Act.

3. Legacy, at its option, may choose to pay the overtime rate for approved hours worked over and above that required by the Fair Labor Standards Act according to internal policy and pay practice considerations.

4. Supervisors should distribute overtime equitably among qualified employees.

5. Exempt employees by definition are not eligible for overtime compensation or other forms of hourly premium pay.

C. LEGACY SHIFT INCENTIVE (LSI)

Purpose
When patient census or unexpected staffing vacancies due to illness require the staffing of a given shift within a defined period of seven consecutive days, supervisors may approve the LSI pay premium to regular part-time and full-time nonexempt employees in qualifying positions who fill the vacancies. The LSI may apply to contiguous hours worked at the end of a regularly-scheduled shift, as long as the additional hours constitute an additional shift of four or more hours. Normal carryover of shifts to finish procedures or make reports does not qualify for the additional shift pay incentive, although they are worked and paid hours.

This policy is meant to cover unexpected staffing vacancies or increases in patient volume, and does not release the supervisor from his/her responsibility for preparing a comprehensive staffing plan to adequately cover departmental needs, including planned staffing vacancies. Planned staffing vacancies (greater than seven days for planning) should be filled by regular part-time staff at regular rates of pay.

On-call, per diem, supplemental, resource, stand-by and called-back employees are not eligible for the additional shift pay incentive. It is Legacy's policy to manage the appropriate use of resources, including staffing resources. Filling of vacancies should be done in the most economical and efficient order possible, cascading to the next, more costly level only when absolutely necessary. Adequate and cost-effective planning of staff resources is a major responsibility for supervisors and managers, and should be taken very seriously.

Provisions
1. Management approves which jobs and work areas may receive the additional shift incentive. Only professional and technical jobs critical to patient care needs are eligible to be approved for the premium.

2. LSI shifts will be identified by Management Discretion, within 7 days of the shift start time.

3. Minimum shift length is 4 hours.

4. LSI does not apply when the employee is called in from stand-by status.

5. Employees must meet their budgeted hours in the pay period to qualify.
6. The following time allocations will count toward meeting the budgeted hours requirement: Regular worked time, Overtime, Holiday worked time, Call-worked time, hours Cancelled due to low census (AFN/AFP), Education, Orientation, Meeting, Jury Duty, Bereavement, and APL.

7. ILL time disqualifies the employee for LSI that week.

8. A reduction in budgeted hours will result in a waiting period of 26 weeks before LSI eligibility is re-established.

9. Exempt employees by definition are not eligible for LSI.

D. STAND-BY AND CALL WORKED

Purpose
This policy is intended to solve short term staffing needs where workflow and levels of patient census do not support full 24 hour staffing coverage. When patient care needs require that an additional staff member be standing by and willing to come to work when called, this program compensates staff for the inconvenience of standing by and coming into work as needed. It is Legacy's policy to appropriately manage the use of premium pay, such as call worked. Supervisory staff should organize their schedules and department work loads to utilize the most economical method of staffing wherever possible. For reasons of patient safety and employee morale, attempts should be made, wherever possible, to not schedule stand-by immediately proceeding or immediately following a scheduled shift. Although per diem and on-call employees are eligible for stand-by status, the use of regular staff is preferred.

Policy
With prior approval, employees will be scheduled and compensated for standing by and coming in when called.

Provisions
1. Each operating unit will define which specific units, departments and jobs will be eligible for stand-by status and call worked pay.

2. Only jobs approved by management and compensation will be eligible for stand-by and call worked pay.

3. Staff will be pre-scheduled to be standing by for a defined period of time, or may be placed in a stand-by status for a defined period when an employee is released to go home from scheduled work at hospital request. During the stand-by period the individual can use the time as she or he sees fit as long as the person can be contacted (beeper, telephone, etc.) and be ready for work at the work site within the established time frame. Response time can vary between work areas depending on the patient care needs. Unless agreed to otherwise, the required response time is assumed to be 30 minutes.

4. When on stand-by status, the individual is paid the prescribed rate for the time in the established stand-by interval. An individual on stand-by receives a single unit of the prescribed rate for each hour of stand-by status, regardless of the number of departments or operating units for which the employee is standing by.
5. If a person who is on stand-by status cannot be contacted, or fails to report for work when called, the stand-by pay for that time increment shall be forfeited.

6. Call worked refers to compensation for being called to work from stand-by status and starts when the employee reports to the work site ready for work. When the employee returns from call worked to stand-by status, the call worked premium ends when the employee leaves the designated work area, unless the provisions of the three hour minimum apply (see #8 below). Work performed over the telephone where the employee does not need to report to a work site is not call worked. Telephone work time is reported in increments of 15 minutes, and is paid at the employee's base rate of pay, or overtime, if applicable.

7. The employee is compensated at a premium rate when on call worked status if the hours worked do not constitute statutory overtime. If the call worked hours fall under statutory requirements, the work is compensated at the overtime rate. Call worked pay does not compound with holiday pay if the call worked occurs during a recognized holiday. The maximum non-OT pay for any shift on a holiday, excluding shift or short notice differentials, cannot exceed the legal overtime rate.

8. A minimum of three (3) hours of pay at the premium rate is paid when an employee is called in to work when on stand-by status except when noted below:
   a. The three hour minimum does not apply to work performed over the telephone.
   b. When a stand-by period commences at the end of a regularly scheduled shift, work-time at the end of the regularly scheduled shift used to finish procedures, make reports from the originally scheduled shift, or other related routine work contiguous to the originally scheduled shift is routinely paid for actual time worked at the regular rate of pay (or overtime, if applicable) and is not subject to the three hour minimum. The employee continues to receive the prescribed stand-by rate for the telephone time or contiguous work hours, but does not clock in as call worked nor receive the call worked premium.
   c. At management discretion, the three hour minimum may apply to contiguous hours worked at the end of a regularly-scheduled shift followed by a designated stand-by period under the conditions described below. Each business unit will determine the appropriate action and consistently apply one of the two methods.
      1) The employee was previously scheduled as a stand-by employee for the shift contiguous with his/her regular shift, and the stand-by employee is requested to begin a new procedure/case that begins after the end of the employee's regular shift.
      OR
      2) The employee was previously scheduled as a stand-by employee for the shift contiguous with his/her regular shift, and the stand-by employee is REQUESTED BY MANAGEMENT to complete an on-going procedure/case that is anticipated to extend significantly beyond the end of the regular shift. If practical, employees would clock out at the original shift end and immediately clock in "call worked" and continue the procedure. If this is not practical, an L-time correction sheet must be signed by the employee to properly account for the call worked time.

9. If the work for which an individual is called in requires less than three hours to complete, the individual may be asked to perform other duties for the remainder of the three hours, if the duties can be performed by the person and are needed by the operating unit. At
the supervisor’s discretion, the employee may be released to return home. If the employee is released to return home, and is subsequently called back to work within the original three hour period, an additional three hour minimum period will not apply. The employee will be required to complete a correction sheet to extend the original call worked hours until the end of the new assignment. If the call worked assignment exceeds the three hour minimum, the employee will be paid at the premium rate for all hours actually worked until released. At no time can total call worked hours exceed the total of stand-by hours.

10. Nonexempt charge/lead/coordinators are eligible for stand-by and call worked pay.

11. Exempt employees by definition are not eligible for stand-by, call worked or other hourly premium pay. Compensation for exempt employees who are required to be on a stand-by status should be administered through an adequate base pay.

E. DIFFERENTIAL PAY

Purpose
To compensate nonexempt staff for shifts outside of Shift One when an approved job is staffed or on standby status at least two shifts per day, and for select nonexempt positions that are scheduled on weekends.

Policy
To pay an additional hourly amount supplementing base wage to nonexempt workers when the majority of the scheduled shift occurs during Shifts Two or Three for approved jobs staffed or on standby status for two or more shifts per day, or for approved jobs on weekends.

Provisions
1. Only nonexempt staff are eligible.

2. Shifts are defined as follows:
   Shift One: The hours from 0700 to 1500.
   Shift Two: The hours from 1500 to 2300.
   Shift Three: The hours from 2300 to 0700.

3. Shift differential is paid when the majority of hours worked or originally scheduled to work occurs during Shifts Two or Three or on weekends for approved jobs staffed or on standby status for two or more shifts per day. Shifts where the majority of hours fall within Shift One do not receive shift differential.

4. When the majority of hours worked on an approved job and shift qualifies it to receive shift differential, the differential is paid on all hours actually worked, including additional hours worked contiguous with the original shift, either preceding or following the original shift. When a shift that normally would have qualified as Shift Two or Shift Three is canceled in mid-shift, the hours actually worked will be paid at the Shift Two or Shift Three rate as applicable, even though the majority of hours actually worked would not have otherwise qualified. The employee should clock the remaining canceled shift hours as AFP (Absent Facility With Pay) or AFN (Absent Facility No Pay) as appropriate.
5. Approved non-contiguous additional hours are paid at the differential rate applicable to the majority of hours worked, regardless of the length of the additional hours. It is not necessary for non-contiguous hours to meet the minimum 4 hour criteria to qualify for shift differential.

6. Shift differential is paid on APL and AFP hours based on the employee’s regularly assigned schedule. Shift differential is not paid on AFN hours.

7. A Weekend Differential is paid to specific approved job classifications, based on the majority of hours worked that fall within the designated time period from 23:00 Friday to 23:00 Sunday. Applicable shifts worked nights and evenings on the weekend receive Shift Two or Shift Three differential as well as weekend differential.

8. Exempt employees by definition are not eligible for shift differential or other hourly premium pay. Compensation for exempt employees who are required to report to work during times designated as evening or night shifts should be administered through an adequate base pay.

F. HOLIDAY PREMIUM PAY

Purpose
To compensate nonexempt staff for work on a designated holiday.

Provisions
Employees are compensated at a premium rate for hours worked on a holiday if the hours worked do not constitute statutory overtime. If the hours worked on a holiday fall under statutory requirements, the work is compensated at the overtime rate. The maximum pay for any shift on a holiday (excluding shift differential, on-call or per diem differential) cannot exceed one and a half times the base rate. Premium pay for work on a holiday does not affect the eligibility of employees to receive overtime pay at other times during the work week. The holiday premium is used to calculate the regular rate of pay for overtime purposes.

1. Nonexempt employees who do not work on a holiday may use available APL, unless the holiday falls on their regular day off, or may take the day without pay. APL is paid at the employee’s regular base rate of pay and includes shift differential for those nonexempt employees who regularly work a shift qualifying for the differential.

2. The location of a majority of the hours in a shift will determine whether or not it falls on a holiday.

3. Exempt employees by definition are not eligible for holiday or other hourly premium pay. Compensation for exempt employees who are required to report to work during times designated as a holiday should be administered through an adequate base pay. Exempt employees who do not work on the holiday must use available APL. (See Annual Paid Leave policy.)

G. TELEPHONE TIME

Purpose
To compensate nonexempt staff for work done on the telephone away from the work site.
Policy
Nonexempt employees who perform work on the telephone outside of a scheduled shift and away from the work site will be compensated in 15 minute increments at their base salary (plus on-call or per diem incentive if applicable), or statutory overtime or holiday differential pay as appropriate.

Provisions
1. Employees track the time they spend on the telephone performing work and report this time to the nearest 15 minute increment.

2. When the telephone time worked falls on a recognized Legacy holiday, employees will receive holiday premium pay.

3. If the telephone time worked puts the employee over his/her overtime threshold, the employee will be paid at the overtime rate.

4. Other differentials such as Shift Differential and Call Worked do not apply to telephone time.

H. REPORTING FOR WORK OPTIONS

Purpose
To provide guidelines for nonexempt employees who report to work when there is not sufficient work available for them.

Policy
It is Legacy’s policy to make every effort to notify workers in advance, advising them not to come to work when there is insufficient work available for normal operations. If notification efforts should prove unsuccessful, nonexempt employees will be allowed the option of returning home without remuneration, or being allowed to work for two hours to compensate for the expense and effort of showing up for work.

Provisions
1. Nonexempt employees who report for work at the starting time of their regularly scheduled shift, or at any other time designated by management, and find that no work is available to them will be allowed two options: a) immediately return home without remuneration or b) may be asked to perform other duties for a minimum of two hours at the regular rate of pay, so long as the duties can be performed by the person and are needed by the operating unit. This two hours pay is to compensate for the expense and effort of reporting for work.

2. The two hours of assigned work, which serve as reporting pay, are time worked and will be used in computing weekly overtime figures.

Approval: Human Resources Leadership
Executive Council
Originator: Human Resources Leadership
I. EMPLOYMENT CATEGORIES AND PAY PRACTICES

Purpose
1. To ensure pay practices utilization is appropriate for each employment category.
2. Pay Practice Eligibility for Employment Categories

<table>
<thead>
<tr>
<th>Code</th>
<th>Category</th>
<th>Definition</th>
<th>Overtime</th>
<th>Holiday Premium Pay</th>
<th>Standby</th>
<th>LSI</th>
<th>APL</th>
<th>Flex Benefits/Insurance</th>
<th>Shift Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regular full time</td>
<td>Employees who have been hired to work regularly 72-80 hours per pay period.</td>
<td>Yes *</td>
<td>Yes *</td>
<td>Yes *</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes *</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Temporary full time</td>
<td>Employees who have been hired to work temporarily 72-80 hours per pay period for less than six months, for no more than 1000 total hours.</td>
<td>Yes *</td>
<td>Yes *</td>
<td>Yes *</td>
<td>No</td>
<td>No</td>
<td>Yes *</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Regular part time</td>
<td>Employees who have been hired to work regularly 8-71 hours per pay period.</td>
<td>Yes *</td>
<td>Yes *</td>
<td>Yes *</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes, at 24 hrs/wk or more Yes *</td>
<td></td>
</tr>
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<td>4</td>
<td>Temporary part time</td>
<td>Employees who have been hired to work temporarily 8-71 hours per pay period for a specified period of time, usually less than six months.</td>
<td>Yes *</td>
<td>Yes *</td>
<td>Yes *</td>
<td>No</td>
<td>No</td>
<td>Yes *</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Supplemental</td>
<td>Employees who are not regularly scheduled, and who have a minimal expectation of the number of hours to be worked.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>6</td>
<td>On-call</td>
<td>Non-scheduled nonexempt employees who work a minimum of 24 shifts per year.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>7</td>
<td>Per diem</td>
<td>Non-scheduled employees who work a minimum of 48 shifts per year, 24 of which are on weekends and one of which is on a designated holiday.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
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<tr>
<td>9</td>
<td>Resource Staff</td>
<td>Staff hired to populate Resource Pool</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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*These pay practices are limited to nonexempt employees only.