

A STUDY TO DETERMINE THE NEED TO IMPROVE  
THE EXISTING EMPLOYEE BENEFIT PROGRAM  
AT ST. VINCENT HOSPITAL,  
INDIANAPOLIS, INDIANA

*[Signature]*  
Director of the Program

A Problem Solving Thesis

Submitted to the Faculty of  
Baylor University

In Partial Fulfillment of the  
Requirements for the Degree

of

Master of Hospital Administration

By

Lieutenant Colonel Edna L. Capper, ANC

*[Signature]*  
Dean of the Graduate School

DATE: August 19, 1972

Waco, Texas

August, 1972

ABSTRACT

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The objective of this study was to review the employee benefit program at St. Vincent Hospital, Indianapolis, Indiana, and to identify opportunities to improve the existing program. The approach to the problem consisted of: (1) a review of local economic factors affecting the labor market; (2) a review of the hospital's employee benefit program; (3) a comparison of this program with those offered by various business and industrial firms within the city; and (4) an exhaustive review of the literature.


The study concluded that the hospital should provide a long-term disability benefit for nonexempt employees in view of the hospital management's desire to keep their benefit program competitive. The investigator has presented a model program based on data recorded for approximately one-third of the employees. The addition of this benefit would serve to make the entire program at St. Vincent Hospital highly competitive.



ACKNOWLEDGMENTS

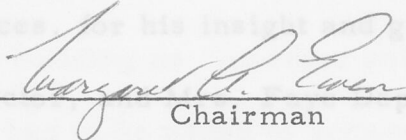
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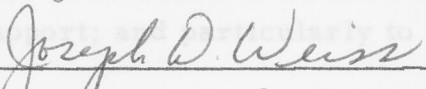
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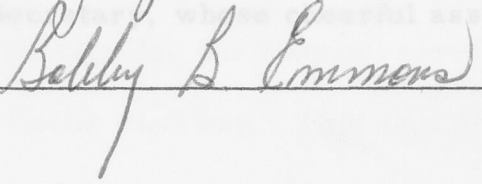
  
\_\_\_\_\_  
Director of the Program

APPROVED BY THE PROJECT COMMITTEE:

Special thanks are due to Hattell L. Connor, Assistant Administrator for General Services, for his helpful guidance; to Mr. David A. Smith, Personnel Director, for his assistance in the employment supervisor, who offered every assistance to Mrs. Rosemary Sage, Personnel Office Supervisor, who offered her assistance helped to make this study possible.

  
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Chairman

  
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APPROVED BY THE GRADUATE COUNCIL:

  
\_\_\_\_\_  
Dean of the Graduate School

DATE: August 19, 1972



HISTORICAL SKETCH  
ACKNOWLEDGMENTS

St. Vincent Hospital was founded in 1881 by four Daughters of Charity of St. Vincent de Paul, who opened a small infirmary in part of the old St. Joseph's church. The Sisters depended entirely upon the generosity of the people of Indianapolis and, as their work became known, funds increased. In 1889 they moved into a new building, St. Vincent's infirmary, on the corner of South and Delaware Streets. The Sisters described the building as "massive and commodious," but in only a few years new stories had to be added to accommodate their many patients.

The writer wishes to express sincere appreciation to Sister Carlos McDonnell, Administrator of St. Vincent Hospital, Indianapolis, and to her entire staff for the willing cooperation and assistance received during this study.

Special acknowledgment is offered to Mr. Hatcil L. Conner, Assistant Administrator for General Services, for his insight and guidance; to Mr. David A. Smith, Personnel Director, and Mrs. Faye Deputy, Employment Supervisor, who offered every support; and particularly to Mrs. Rosemary Sage, Personnel Office Secretary, whose cheerful assistance helped to make this study possible.

Having outgrown this building so rapidly, the hospital moved in 1913 into its present structure on Fall Creek Parkway. This is a 317-bed, not-for-profit, community hospital which by constant remodeling and enlarging has been able to keep pace with technological advances and the changing needs of the community. On January 4, 1971, ground was broken for a \$30 million, 500-bed hospital on West 36th Street which is expected to be completed in September, 1973. Plans also call for a 200-bed extended care facility to be added later.

St. Vincent Hospital enjoys an excellent reputation and the support of the community. The following remark was printed in one of the city's newspapers in 1913 when the present hospital was dedicated, but the

sentiment will hold when once again the hospital moves:

Long ago they took up the task of helping people without regard to caste or purse and, in the future as in the past, the lame and the halt, the sick and the poor, may turn to the new hospital with the assurance that its helpfulness will be given to them.

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<sup>1</sup>Reprinted in the Program of Graduation celebrating the Fiftieth Anniversary of St. Vincent Hospital School of Nursing, May, 1947. vii

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industries to prevent their leaving to find better employment. No longer are hospital personnel--professional or nonprofessional--satisfied to subsidize the hospital or its patients by long hours and poor pay. The advent of unionization of hospital employees has given further impetus to improve personnel programs; while many administrators now attempt to offer a program of compensation sufficiently attractive to negate the need for employees' unions.

The high employee turnover rates experienced by hospitals in general is a symptom of poor personnel programs. Employees naturally tend to move toward those industries offering the best types of compensation. A complete, well-balanced package of employee benefits offered by

hospitals will contribute toward a lower turnover rate, a more satisfied, more productive employee and consequently will contribute to better patient care.

CHAPTER I

To these ends, St. Vincent Hospital offers its employees a rather extensive benefit program.

INTRODUCTION

With the current focus of critical attention on the health care delivery system in general, and hospitals in particular, administrators are becoming more and more aware that they must maintain a sufficient staff of personnel well-trained for all job levels and well-motivated to provide the highest quality of patient care. These personnel must be attracted from a usually tight labor market and must receive compensation which is sufficiently competitive with that offered by large industries to prevent their leaving to find better employment. No longer are hospital personnel--professional or nonprofessional--satisfied to subsidize the hospital or its patients by long hours and poor pay. The advent of unionization of hospital employees has given further impetus to improve personnel programs, while many administrators now attempt to offer a program of compensation sufficiently attractive to negate the need for employees' unions.

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To these ends, St. Vincent Hospital offers its employees a rather extensive benefit program. Even while enjoying a rapidly decreasing turnover rate and very high morale among their employees, the hospital administration continually reviews its personnel program in an attempt to remain competitive in the labor market. This study was undertaken to compare the benefit program of St. Vincent Hospital with those offered by various industries in Indianapolis and to find areas for possible improvements.

#### Definition of Terms

##### The Problem

The problem is to compare the fringe benefit program offered by St. Vincent Hospital, Indianapolis, Indiana, with those offered by various industries in the city and to identify any needed improvements in the program.

##### Reason for the Study

The administrator of St. Vincent Hospital understands the importance of a well-managed, comprehensive program of fringe benefits for employees and the need for frequent review and analysis of the existing program. She is also aware of the need to plan now for the best possible compensation the hospital can offer in order to attract additional employees to staff the new, larger hospital now under construction. An

objective comparison of what other industries in Indianapolis offer their employees would assist St. Vincent Hospital in recognizing opportunities to improve their existing program.

The personnel director at St. Vincent Hospital has established good rapport with the personnel directors of the other four hospitals in the city and is, therefore, aware of their fringe benefit programs. For this reason those hospitals were not included in this study. Any improvements recommended as a result of this study should benefit not only the employees, but also the hospital. They should result finally in improved patient care by contributing to employee satisfaction and productivity.

#### Definition of Terms

To facilitate the reading of this study, the following definitions are included:

1. Elimination period: This is a predetermined time (usually 90-180 days) from the start of an illness to the date when the insurance company begins payment of benefits on a long term disability policy.
2. Employee benefit: This is any tangible benefit, other than monetary wages, received by an employee from his employer or in part through his employer's contributions or efforts.
3. Exempt employee: An executive, administrative, or professional personnel exempt from the minimum wage and overtime provisions of the Fair Labor Standards Act.
4. Long-term disability: This is any extended illness or incapacitating injury which prevents the employee from performing his job for a

period in excess of the paid sick leave authorized by the employer.

5. Long-term disability benefit: This is a type of insurance policy, paid for by the employer or at least in part by the employer, which provides a portion of the employees base pay to assure him an income for the entire period of his disability. It starts after the elimination period and continues, normally, to age 65, when he would begin receiving full Social Security benefits.

6. Personnel policy: This is a company-oriented statement concerned with how certain situations will be handled by the company.

7. Sick leave: This is an insured benefit given to the employee to offset loss of income due to illness. The days authorized can normally be accumulated over a period of from one to five years.

8. Social Security offset: This is a percentage of any employee's base pay, deducted from the cost of a policy premium and calculated on the basis of the amount of income the employee will receive from Workman's Compensation. For married men with dependents, the amount is 48 per cent of the base pay; for females, the offset is 24 per cent of base pay.

9. Tight labor market: This refers to a local labor market which has an unemployment rate of less than 4 per cent.

10. Total compensation: This refers to the sum of all the direct and indirect compensation elements utilized by a company in compensating its employees.

11. Workman's Compensation: This refers to that provision of the

Social Security Act under which an employee is paid an income during a period of extended illness or injury. These benefits, beginning after a six-month period, are paid under a government supervised insurance program contributed to by employers.

#### Limitations

This study is concerned only with nonexempt employees. On the pay scale at St. Vincent Hospital, this includes all employees in Grade 15 and below as well as some employees in higher pay grades who are paid an hourly wage rather than an annual salary.

#### Criteria

Any solution to this problem should:

- A. Provide a broad enough program of benefits to attract and retain qualified personnel of various levels.
- B. Provide a program which will be flexible enough to keep pace with benefit program increases offered by industry.

#### Facts and Considerations Bearing on the Problem

The following facts and considerations bear on the problem:

1. St. Vincent Hospital must compete with other industries for qualified personnel.

2. In the past three and one-half years, the employee turnover rate at St. Vincent Hospital has dropped from 59 per cent in 1967 to

38 per cent in 1970 and shows a continuing downward trend in 1971.

3. None of the hospitals in Indianapolis are present unionized.

4. The benefits program for St. Vincent Hospital should be compared with those of industries of comparable size who employ large numbers of female employees.

5. St. Vincent Hospital at present has no significant personnel problem.

#### Assumption

It is assumed that sufficient funds will be available to finance any increased benefits recommended in this study.

#### Review of the Literature

The wage stabilization program of World War II forced development of fringe benefit packages throughout American industries. Prior to this time, there were instances of paid sick leave, severance pay, and other benefits, but these were not normally considered in the competition within the labor market.<sup>1</sup> When the United States Government attempted to control wartime inflation by controlling wages, management and the unions had to look for new forms of non-inflationary compensation in their attempt to attract qualified workers out of the war-reduced labor supply.<sup>2</sup> Once given, these benefits could not be withdrawn, but instead have continued to increase until they now make up approximately 26 per cent of payroll costs, nationwide.<sup>3</sup>

Until recently, hospitals have failed to keep up with industry in

granting compensation for employees. For too long hospital administrators assumed that the intangible rewards of personal satisfaction gained from dedicated service, along with job security, could make up for poor financial rewards.<sup>4</sup> Unfortunately, this is no longer true. It has become increasingly apparent that the economic status of this nation will not permit the type of mass unemployment such as was seen during the Depression of the 1930's, and the promise of job security is no longer an important factor of recruiting and retaining personnel.<sup>5</sup> Also, the skill levels necessary in today's hospitals demand a higher caliber of personnel, and dedication can no longer be permitted to substitute for technical competence.<sup>6</sup> Well-trained technicians will demand a competitive wage and a package of benefits which will give them personal security, and they will go to those jobs and those industries which provide these benefits. That hospitals have not provided these is illustrated by the excessive turnover rates for hospital personnel, with an annual average of over 50 per cent, whereas all industry and business have an annual average of less than 30 per cent.<sup>7</sup>

Employee benefit programs must be the result of a planned effort.

They must provide for all employees, not just a few, and they must satisfy both human needs and the objectives of management. The human needs most often referred to are need for recognition, need for security, need for belonging, and need for participation.<sup>8</sup> The corporate objectives include a realization of growth and profit, and the recruitment and retention of qualified personnel. While management cannot and should not

attempt to provide employees with the best of all possible worlds, they must assure that theirs is the best of all places to work.<sup>9</sup>

### Methodology

An exhaustive review of the literature was made in an attempt to extract the development of fringe benefit programs, their philosophy and objectives.

Data was collected from personnel and financial records at St. Vincent Hospital to determine the cost of any proposed increase in the benefits program. Unstructured interviews were held with the hospital administrator, the director of personnel, and other administrative personnel of St. Vincent Hospital who are directly involved with administering the personnel program.

Structured interviews were held with the personnel directors, or their representatives, of eight business or industrial firms in Indianapolis to determine the extent of various benefits programs and to provide a means for comparative evaluation of the program provided by St. Vincent Hospital.

Finally, one interview was held with the Group Representative of the American United Life Insurance Company in Indianapolis to determine how to estimate the cost of a long-term disability insurance program for employees.

Employee attitudes were not surveyed, concerning the desire for a long-term disability benefit. It is presently intended that, if such a

program is offered, it will be paid for by the hospital and the employee's acceptance, therefore, was not questioned.

#### Footnotes

<sup>1</sup> Lawrence Stessin, Ph.D., Personnel and Industrial Relations (New York, Pitman Publishing Corporation, 1964), p. 186.

<sup>2</sup> Edwin B. Flippo, Principles of Personnel Management (New York: McGraw-Hill Book Company, 1966), p. 519.

<sup>3</sup> Arthur J. Deric, The Total Approach to Employee Benefits (New York: American Management Association, 1967), pp. 10-11.

<sup>4</sup> Malcolm T. MacEachern, Hospital Organization and Management (3d ed.; Berwyn, Illinois: Physicians' Record Company, 1962), pp. 405-406.

<sup>5</sup> Ibid., p. 406.

<sup>6</sup> John R. McGibony, Principles of Hospital Administration (New York: G. P. Putnam's Sons, 1952), p. 367.

<sup>7</sup> Addison C. Bennett, "Are Our Manpower Problems Completely Insoluble?" Hospital Topics, XLVI (September, 1968), 26.

<sup>8</sup> MacEachern, Organization, pp. 437-438.

<sup>9</sup> "Give Part-Time Employees Full-Time Consideration," Modern Hospital, CXIV (February, 1970), 70.

TABLE 1  
LABOR FORCE STATISTICS  
INDIANAPOLIS AREA  
CHAPTER II

	1965	1970
--	------	------

DISCUSSION		
<u>General Information</u>		
Total Work Force	422,300	476,800
Employed	411,400	456,800
Unemployed	10,900	19,900
Rate of unemployment	2.6	4.2
Manufacturing	129,300	128,100
Nonmanufacturing	293,000	328,700
Service Industries	41,800	54,400

St. Vincent Hospital, Indianapolis, Indiana, is located on Fall Creek Parkway, less than three miles from the geographical center of the city. Indianapolis is the county seat of Marion County and the capital of Indiana. With a population of some 600,000, the city is an industrial, business, agricultural, and university center. The Indiana Employment Security Division compiled statistics for the Indianapolis area, which takes in parts of eight counties--no statistics are available for the city alone. However, the statistics show that there has been a significant rise in the total area work force from 1965 to 1970 with the largest gains in nonmanufacturing and service industries from which presumably the hospitals would gain their personnel. This data is shown in Table 1, page 11.

The increased unemployment rate shown in Table 1 undoubtedly had some effect on the markedly reduced turnover rates at St. Vincent Hospital. However, the turnover rate began to fall in 1968 before the beginning of the recession in 1969-1970. This decline coincides with the reorganization of the administrative staff and has paralleled the subsequent emphasis which has been placed on the personnel program.

TABLE 1

LABOR FORCE STATISTICS  
INDIANAPOLIS AREA

	1965	1970
Total Work Force	422,300	476,800
Employed	411,400	456,800
Manufacturing	125,300	128,100
Nonmanufacturing	243,400	290,200
Agriculture	8,100	6,100
Service Industries	41,800	54,400
Unemployed	10,600	19,100
Rate of unemployment	2.5	4.7

Source: Indiana Employment Security Division, Indianapolis, Indiana.

Employment and turnover data are shown in Table 2. page 12.

Examination of this table will also show an increase in the use of fringe benefits for these years, coupled with a great increase in the number of promotions. It is significant that what is apparently an improvement in personnel practices parallels the decline in turnover.

TABLE 2

EMPLOYMENT DATA ( EXEMPT ONLY)  
ST. VINCENT HOSPITAL

	1968	1969	1970
Total employed full-time	653	670	740 <sup>a</sup>
Applications received	2,183	2,413	2,645
Terminations	324	269	275
Acquisitions	353	304	263
Per cent Turnover	48.4	40.14	37.74
Leave of Absence	91	77	107
Tuition Reimbursement	18	42	41
Promotions	28	46	62

<sup>a</sup>St. Vincent Hospital also employs 262 regular part-time employees who work twenty or more hours a week for a total of 965 exempt employees.

Source: Mr. Hatcil L. Conner, Assistant Administrator for General Services, St. Vincent Hospital, Indianapolis, Indiana.

The administrator of St. Vincent Hospital, Indianapolis, Indiana, was assigned in April, 1966. She reorganized the administrative staff into five divisions or services, each with an assistant administrator responsible. The part of the administrative organization pertinent to this study is shown by the chart in Appendix A. This reorganization has proved to be more efficient and effectively provides the hospital and its

employees with high quality management of a less impersonal nature than would otherwise be possible.

In his initial interview with the writer the personnel director expressed his desire to institute a long-term disability policy for the nonexempt employees since, in his opinion, the lack of this policy created an undesirable gap in the employee benefit program. The gap is particularly undesirable since the Daughters of Charity do provide a long-term disability policy for all exempt employees. The program provides benefits in the event the employee is disabled through sickness or accident. Benefits commence on the 91st day of disability and continue to age 65. The benefit provided is 60 per cent of salary, subject to a maximum benefit of \$1,083 per month. The cost of this coverage is .0059 per cent of salary. For example, if an eligible employee's earning is \$10,000 per year, the cost would be \$59.00.

The personnel director stated that he thought the employee benefit program otherwise was competitive. This opinion was based on steady and rather dramatic decline in turnover rates and the fact that the benefit program has been upgraded and enlarged considerably since the present administration was organized.

A thorough study was made of the entire program of employee benefits offered by St. Vincent Hospital. Appendix B contains a description of each of the major benefits. This program is costed at approximately 30 per cent of payroll costs; however, no breakdown of costs is available. Because of time limitations and the extreme difficulty of

abstracting information from personnel and financial records, no attempt was made to determine the actual cost of the entire program.

### Comparison of Programs

To compare this program with those offered by industries throughout the city, firms were selected using the following criteria: (1) employed large numbers of females; (2) employed 1,000 or more employees; (3) expressed willingness to cooperate with the study.

The interviews with the representatives of these firms were structured. Based on the benefits offered by St. Vincent Hospital, an outline was prepared listing each benefit, plus the following information: (1) number of employees; (2) per cent of female employees; (3) per cent of turnover for 1970; (4) union activity; (5) per cent of payroll cost represented by the benefit program; and (6) how average hourly wage compared with the average wage for all employees in industries throughout the city. Wage and salary scales were not examined in detail, but only considered as a base for the benefit programs. The overall average hourly wage for nonexempt employees in the Indianapolis area for January, 1971, was \$3.22. No later wage data was available for this study. Table 3 compares the above information for St. Vincent Hospital and the eight firms studied, page 15.

Each personnel director or representative was asked to briefly describe each of the benefits his firm offered under the following major headings: (1) educational assistance; (2) employee recognition programs;

TABLE 3

## COMPARISON OF EMPLOYEE AND WAGE INFORMATION

Employer	Number of Exempt Employees	Per cent Female	Union	Benefits as Per cent of Payroll	Compare Wages to City Average	1970 Turn-over
St. Vincent Hospital	925	78%	No	30% <sup>a</sup>	Par	38%
Firm A	6,500	Unknown	No	30%	High	Female 12-15% Male 8-9%
Firm B	600	67%	No	29.2%	High	12%
Firm C	540	75%	No	28% <sup>a</sup>	Par	27.1%
Firm D	780	77%	No	35%	+ 2%	29%
Firm E	1,900	67%	No	20%	Low	35%
Firm F	924	74%	No	20% <sup>a</sup>	Unknown	30%
Firm G	8,800	52%	Yes	30%	Par	8%
Firm H	7,755 <sup>b</sup>	65%	Yes	Unknown	Unknown	12%

<sup>a</sup>Estimated figures.

<sup>b</sup>No breakdown by exempt or nonexempt.

(3) paid vacation; (4) sick leave; (5) personal leave; (6) hospitalization and major medical coverage; (7) long-term disability insurance; (8) life insurance; (9) death benefits; (10) credit unions (11) profit sharing; and (12) "other". Under "other" were listed those benefits which could only have been offered by a particular firm because of the unique nature of that benefit. For example, some firms might offer their own products free or at a reduced rate for their employees. Because several of the directors requested that their firm not be specifically identified with details of their programs and because certain unique benefits would obviously serve to identify the firms, those benefits will not be included in this study.

Particular attention was paid to the details of the long-term disability benefit offered by any of the firms. In no case was there concrete data available to show the extent of usage of this benefit. A detailed comparison of the types of long-term disability benefits is shown in Appendix C. A less detailed comparison of the other major benefits is shown in Appendix D.

As will be seen by a study of Appendix D, the employee benefit program offered by St. Vincent Hospital is competitive with any of the firms listed, and superior to some. As was suspected and suggested by the personnel director, the only major benefit not provided by the hospital is a long-term disability policy for nonexempt employees. In a final interview with the administrator, she too expressed concern over the disparity between benefit programs since the long-term disability is the only benefit provided for

ESTIMATED POPULATION BY AGE GROUPS  
WITH ESTIMATED INCOME AND GROSS PREMIUM RANGES

Age	Sample Size	Estimated Population	Mean Income/ Standard Deviation	Income Range		Gross Monthly Premium for Sample Group		Gross Monthly Premium for Population Group		
				Min	Max	Min	Max	Min	Mean	Max
0-24	27	75	440/27	412	467	46	52	127	135	144
25-29	25	69	465/25	440	490	46	51	126	133	140
M 30-34	5	14	646/126	520	772	14	20	37	46	56
A 35-39	4	11	663/142	521	805	13	20	36	46	56
L 40-44	3	8	476/79	397	555	9	13	25	30	36
E 45-49	2	6	620/349	271	969	6	21	16	36	57
50-54	4	11	605/135	470	740	24	38	67	86	105
55-59	5	14	477/35	442	512	49	57	135	146	157
Total	75	208								
0-24	66	182	540/27	512	567	168	186	466	491	516
25-29	40	110	565/35	529	600	105	119	292	311	331
30-34	35	94	559/47	511	606	108	128	300	328	356
F 35-39	36	102	520/31	488	551	136	154	378	402	426
E 40-44	22	60	566/66	500	631	102	129	283	320	358
M 45-49	24	66	610/51	558	661	170	201	472	515	558
A 50-54	25	69	554/48	505	602	240	286	665	728	792
L 55-59	15	41	551/49	502	599	201	241	558	613	667
E 60	1	3	371/0	371	371	11	11	31	31	31
61	1	3	437/0	437	437	14	14	39	39	39
62	1	3	626/0	626	626	21	21	57	57	57
63	3	8	464/80	384	543	28	40	80	97	113
64	5	13	535/110	424	645	49	74	135	170	205
Total	274	745								

TABLE 4

the exempt but not for the nonexempt group of employees. This type of practice could be the basis for employee grievances since pay and status are usually considered sufficient differentials between the two groups.

#### Estimation of Cost of a Long-Term Disability Program

An attempt was made to show how the cost of a long-term disability program might be estimated. Through the courtesy of a major insurance company in Indianapolis, costing data was obtained which requires knowledge of the age, sex, and monthly wage of each individual employee to be covered by the policy. This information is not available in a single location at the present time since personnel data is not yet computerized at this hospital. Wage information had to be extracted from the monthly payroll report then calculated from hourly to monthly rates. Birthdate and sex statistics were obtained from personnel data cards, after which birthdates had to be computed into years of age. Because of the time-consuming nature of this work, data could not be compiled on the approximately 965 nonexempt employees. Instead, a random sample of 349 employees was used. This sample provided a range of cost estimates based on probable salary ranges for age-group populations. Salary ranges are estimated with a 95% degree of probability. Table 4, page 17 shows the estimated population by age and sex groups based on the size of the sample. Also in this table are shown the estimated minimum-maximum range of incomes and gross monthly premiums, based on mean income and standard deviation for each group.

Table 5, page 21, is a rate calculation sheet, using actual salaries of the employees included in the sample. A comparison of gross monthly premiums, using Table 4, which calculates the premium based on estimated population, and Table 5, based on actual sample, shows a very high correlation. This correlation is evidence that the sample size is adequate.

The method used to calculate this cost is that method used by the American United Life Insurance Company in Indianapolis. This is not the company which underwrites the policy for the St. Vincent Hospital employees; therefore, rates and methods of calculation may vary slightly, but the rates should be comparable.

Figures for monthly indemnity (60 per cent) and Social Security offset rate (primary rate only of 24 per cent) were selected arbitrarily. The 60 per cent indemnity was selected to align the policy with that now in effect for the exempt employees, and the 24 per cent Social Security offset was chosen because of the great majority of female employees. An elimination period of ninety (90) days was chosen, also arbitrarily, because the maximum paid sick leave which can be accumulated is sixty (60) work days or ninety (90) calendar days.

Following is an outline of the procedure for determining the cost of this benefit. The results calculated are shown on pages twenty-one through twenty-five.

TABLE 5

Gross rates before offset (Part I)

To determine gross rates:

Male Ages	Number of Employees	Eligible Monthly Salaries	Monthly Benefit	Monthly Rate Per \$100 <sup>a</sup>	Gross Monthly Premium
0-24	66	\$ 35,669	21,401.40	.83	\$ 177.63
25-29	40	24,258	14,554.80	.83	120.81
30-34	35	19,428	11,656.80	1.04	121.23
35-39	30	15,500	9,300.00	1.05	16.72
40-44	25	12,500	7,446.00	1.77	13.19
45-49	20	10,000	5,500.00	1.77	13.19
50-54	15	7,500	4,125.00	1.77	13.19
55-59	10	5,000	2,750.00	1.77	13.19
60-64	5	2,500	1,375.00	1.77	13.19
65-69	0	0	0	3.48	---
70-74	0	0	0	3.20	---

1. Separate the census data into the various sex and age grouping on the work sheet. Enter the aggregate eligible salary for each age group in the appropriate space.

2. Enter the aggregate monthly indemnity exposed in each age group. For plans providing 60 per cent of salary, this figure will be 60 per cent of the amounts entered in Step 1.

3. Enter the applicable base rate from the rate sheets, according to the plan being presented.

4. Find the aggregate gross premium for each age group. This will be 1/100 of the amount in Step 2, multiplied by the base rate listed in Step 3.

5. Add the amounts calculated in Step 4. The total is the gross monthly premium rate before Social Security offset.<sup>1</sup>

Female Ages	Number of Employees	Eligible Monthly Salaries	Monthly Benefit	Monthly Rate Per \$100 <sup>a</sup>	Gross Monthly Premium
0-24	66	\$ 35,669	21,401.40	.83	\$ 177.63
25-29	40	24,258	14,554.80	.83	120.81
30-34	35	19,428	11,656.80	1.04	121.23

TABLE 5

## LTD RATE CALCULATION SHEET --PART I

Male Ages	Number of Employees	Eligible Monthly Salaries	Monthly Benefit	Monthly Rate Per \$100 <sup>a</sup>	Gross Monthly Premium
0-24	27	\$10,895	\$6,537	.69	\$ 45.11
25-29	25	11,665	6,999	.69	48.39
30-34	5	3,234	1,940.40	.87	16.41
35-39	4	2,654	1,592.40	1.05	16.72
40-44	3	1,430	858	1.29	11.07
45-49	2	1,241	744.60	1.77	13.19
50-54	4	2,420	1,452	2.14	38.33
55-59	5	2,387	1,432.20	3.69	52.84
60	0	-----	-----	4.26	---
TOTALS	349	188,562	12,940.80		\$1,735.35
61	0	-----	-----	4.49	---
62	0	-----	-----	4.59	---
63	0	-----	-----	3.48	---
64	0	-----	-----	3.20	---
Female Ages	Number of Employees	Eligible Monthly Salaries	Monthly Benefit	Monthly Rate Per \$100 <sup>a</sup>	Gross Monthly Premium
0-24	66	\$ 35,669	21,401.40	.83	\$177.63
25-29	40	24,258	14,554.80	.83	120.81
30-34	35	19,428	11,656.80	1.04	121.23

TABLE 5--Continued.

Female Ages	Number of Employees	Eligible Monthly Salaries	Monthly Benefit	Monthly Rate Per \$100 <sup>a</sup>	Gross Monthly Premium
35-39	36	\$18,521	\$1,112.60	1.26	\$140.02
40-44	22	12,471	7,482.60	1.55	115.99
45-49	24	14,662	8,797.20	2.12	186.50
50-54	25	13,853	8,311.80	3.17	263.49
55-59	15	8,269	5,021.40	4.47	224.44
60	1	371	222.60	5.11	11.40
61	1	437	262.20	5.39	14.12
62	1	626	381.60	5.51	21.05
63	3	1,392	835.20	4.18	34.90
64	5	2,679	1,607.40	3.84	61.71
<b>TOTALS</b>	<b>349</b>	<b>\$ 188,562</b>	<b>\$112,940.80</b>		<b>\$1,735.35</b>

<sup>a</sup>Rates are as shown on the scales provided by this insurance company. The scales are not included in this study.

#### Figuring the social security offset (Part II)

To estimate Social Security offset:

1. Enter under "Social Security Salary" the aggregate salaries of all employees falling within the various age and sex groupings on the work sheet. Do not use more than \$650 per month for any one employee. For example, if an employee earns \$500 per month, use \$500 in your calculations. If he earns \$750 per month, use \$650.

2. If the offset is to be the full social security benefit both primary and secondary (family) enter in the "Social Security Benefit" column 42 per cent of the amounts in the "Social Security Salary" column on male employees and 24 per cent of such amounts on female employees.

If primary benefits alone are to be offset, enter in the "Social Security Benefit" column 24 per cent of the amounts in the "Social Security Salary" column for all employees.

The rate per \$100 is taken directly from the rate sheets. If the plan has an elimination period of 180 days or less, use the 180 day elimination period rates. If the plan has a 365 day elimination period, use 365 day elimination rates. Duration of coverage will be the same as the basic plan.

3. Multiply 1/100 of the "Social Security Benefit" by the premium rate per \$100 and enter the product in the column headed "Social Security Offset." Total this column. The result is the total premium reduction because of Social Security Offset.<sup>2</sup>

TABLE 6

## LTD RATE CALCULATION SHEET--PART II

Male Ages	Number of Employees	Social Security Salary	Social Security Benefit	Rate Per \$100 <sup>a</sup>	Social Security Offset
0-24	27	\$ 10,869	\$ 2,608.56	.60	\$ 15.65
25-29	25	11,584	2,780.16	.60	16.68
30-34	5	2,888	693.12	.75	5.20
35-39	4	2,361	599.64	.90	5.10

TABLE 6 --Continued.

Male Ages	Number of Employees	Social Security Salary	Social Security Benefit	Rate Per \$100 <sup>a</sup>	Social Security Offset
40-44	3	\$ 1,430	\$ 343.20	1.08	\$ 3.70
45-49	2	1,169	280.56	1.49	4.17
50-54	4	2,228	534.72	2.19	11.72
55-59	5	2,387	570.72	3.08	17.59
60	0	----	-----	3.77	---
61	0	----	-----	3.75	---
62	0	----	-----	3.45	---
63	0	----	-----	2.82	---
64	0	----	-----	1.71	---
<hr/>					
Female Ages					
0-24	66	34,481	8,275.44	.66	54.62
25-29	40	23,261	5,582.64	.66	37.95
30-34	35	18,165	4,359.60	.82	35.75
35-39	36	18,225	4,374.00	.99	43.30
40-44	22	11,404	2,736.96	1.19	32.57
45-49	24	13,378	3,210.72	1.64	52.66
50-54	25	13,110	3,146.40	2.41	75.82
55-59	15	8,095	1,942.80	3.41	66.26
60	1	371	89.04	4.15	3.69
61	1	437	104.88	4.12	4.33

TABLE 6 --Continued.

Female Ages	Number of Employees	Social Security Salary	Social Security Benefit	Rate Per \$100 <sup>a</sup>	Social Security Offset
62	1	\$ 626	\$150.24	3.80	\$5.70
63	3	1,392	334.08	3.10	10.35
64	5	2,568	616.32	1.88	11.58
TOTALS	349	\$180,429	\$43,300.80	-----	\$514.39

<sup>a</sup>Rates are as shown on the scales provided by this insurance company. Scales are not included in this study.

TABLE 7

## FIGURING THE NET RATE--PART III

(1) Gross Monthly Premium (From Part I-Step 5)	\$ 1,735.35
(2) Less Social Security Offset (From Part II-Step 3)	\$ 514.39
(3) Equals Net Monthly Premium	\$ 1,220.96
(4) Total Eligible Monthly Salaries (From Worksheet)	\$ 188,562.00
(5) Monthly Rate Per \$100 Salary (3) ÷ [(4) x .01]	\$ .00677 .0068
(6) Total Monthly Benefit	\$ 112,940.80
(7) Monthly Rate Per \$100 Benefit (3) ÷ [(6) x .01]	\$ 1.08

### Analysis of Cost Data

The monthly rate of .0068 per \$100 salary is .0010 per cent higher than the rate now charged for the policy covering the exempt employees. This may be because of a rate variation between the companies. Since the figures were based on a sample of 34 per cent of the employees, the net monthly premium for the entire staff should be approximately three times \$1,220.96 or \$3,662.88. This amount might be reduced by lengthening the elimination period for part-time employees if the administration deemed it advisable. The 1970 Annual Report for St. Vincent Hospital shows salaries and wages paid in the amount of \$5,996,596. With a program of benefits costed at 30 per cent, this would be approximately \$1,798,978 paid for the current program. An increase to this amount by \$3,662 per month, or \$43,944 per year, would be approximately .0244 or 2.44 per cent, a rather insignificant amount to pay for the additional employee satisfaction to be gained.

The cost of personnel turnover at St. Vincent Hospital has been established at \$500 per person.<sup>3</sup> During calendar year 1971, 350 people terminated, for a total cost of \$175,000, or approximately four times the annual cost of the LTD benefit. Therefore, if the provision of this benefit reduced turnover by 25%, or 87 people, it would pay for itself.

### Summary

The employee benefit program at St. Vincent Hospital was evaluated

in detail and compared with the benefit programs of eight other business and industrial firms in the Indianapolis metropolitan area. Attention was focused primarily on the long-term disability benefit now provided by the Daughters of Charity for exempt but not for nonexempt personnel. Using the procedures and rates given by the American United Life Insurance Company of Indianapolis, a sample program was costed out in detail.

#### Footnotes

<sup>1</sup>Procedure used by American United Life Insurance Company, Indianapolis, Indiana. (Typewritten.)

<sup>2</sup>Ibid.

<sup>3</sup>David A. Smith, Personnel Director, St. Vincent Hospital, Indianapolis, Indiana. (Telephone conversation, November 10, 1971.)

#### Recommendations

The following recommendations are offered for the purpose of improving the existing employee benefit program:

## CHAPTER III

## CONCLUSION

Conclusions

The conclusions of this study are as follows:

1. The total employee benefit program at St. Vincent Hospital is competitive with those of industries and, in many cases, is more comprehensive than those offered by some of the industries investigated.
2. The only major benefit not being provided for the nonexempt employees at St. Vincent Hospital is the long-term disability. The absence of this benefit for the nonexempt employee is even more significant since the benefit is provided for the exempt employees.
3. As discussed in the introduction to this study, improvements in the benefit program serve to increase employee satisfaction. It is to be expected, therefore, that the addition of a long-term disability benefit program would increase satisfaction, produce a lower turnover rate, and directly enhance the hospital's ability to meet its objectives.

Recommendations

The following recommendations are offered for the purpose of improving the existing employee benefit program:

1. The director of personnel should provide the hospital administrator with the exact figures necessary to determine the accurate cost of a long-term disability benefit for all nonexempt employees.

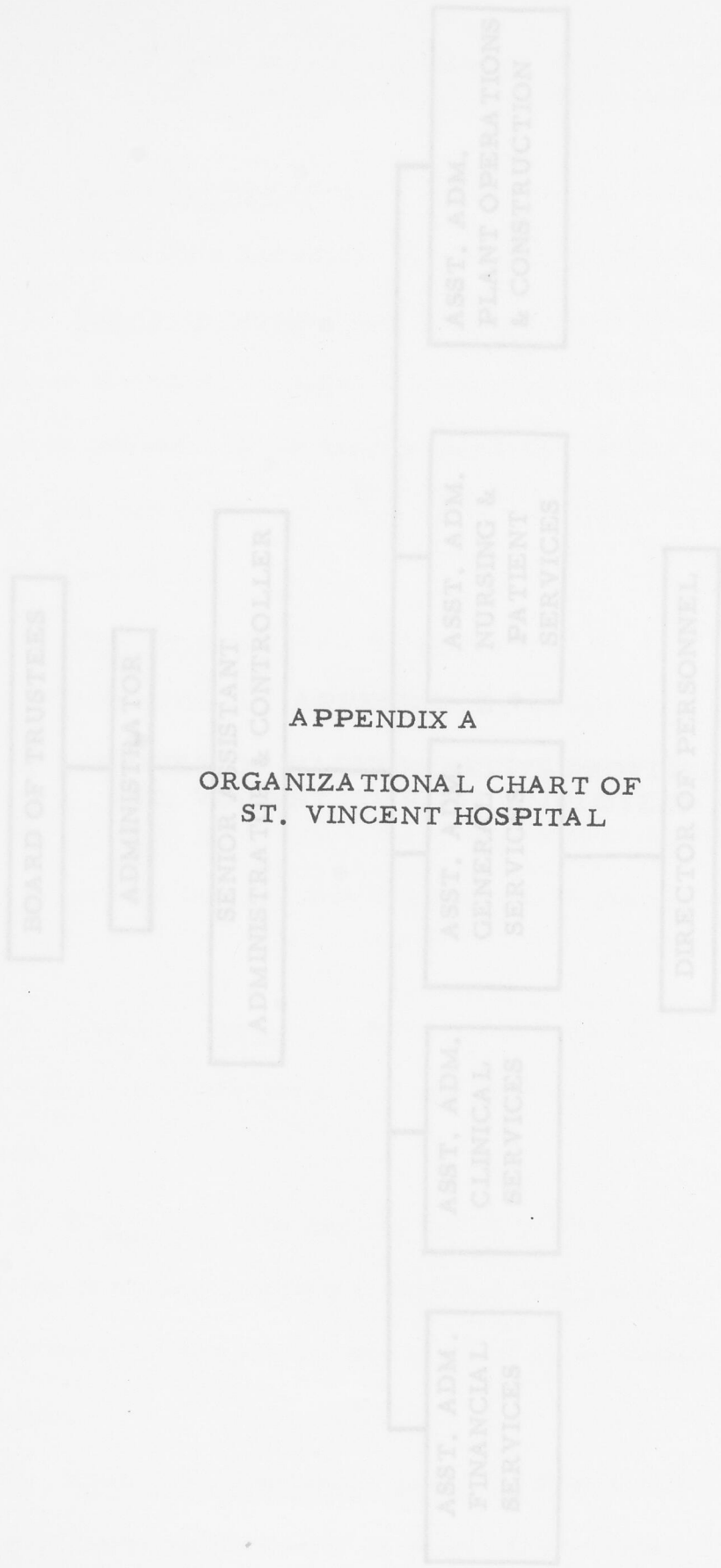
2. The hospital administrator should adopt the long-term disability benefit, the cost of which will be absorbed by the hospital and not by the employees.

3. The total benefit program should continue to receive frequent analysis and review in an effort to keep it highly competitive with programs provided by industries.

APPENDIX A

ORGANIZATIONAL CHART OF  
ST. VINCENT HOSPITAL

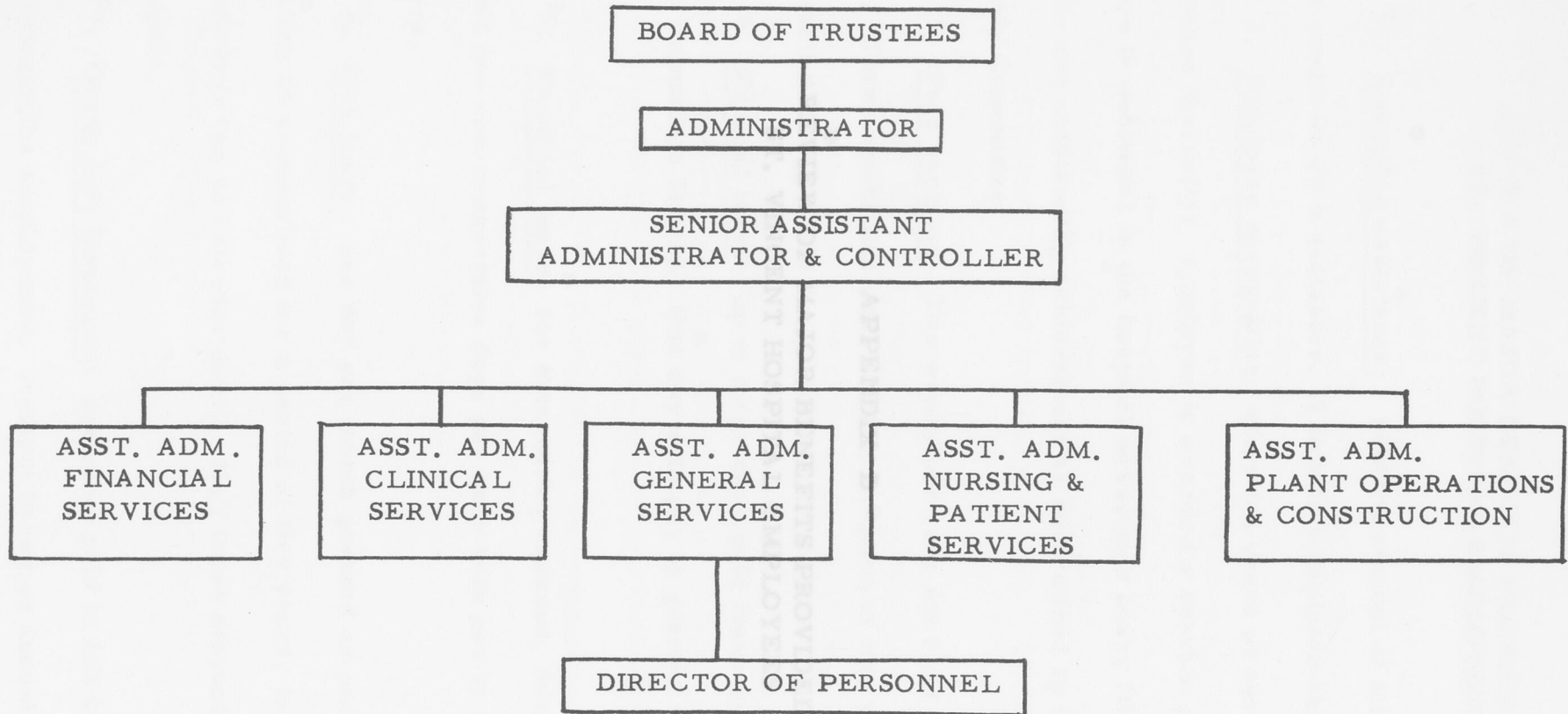
ORGANIZATIONAL CHART - ST. VINCENT HOSPITAL



APPENDIX A  
 ORGANIZATIONAL CHART OF  
 ST. VINCENT HOSPITAL

Source: Annual Report, 1970, St. Vincent Hospital, Indianapolis, Indiana.

ORGANIZATIONAL CHART --ST. VINCENT HOSPITAL



Source: Annual Report, 1970, St. Vincent Hospital, Indianapolis, Indiana.

REVIEW OF MAJOR BENEFITS PROVIDED  
ST. VINCENT HOSPITAL EMPLOYEES

1. Education assistance: reimbursement of tuition costs up to three credit hours a semester, if course completed satisfactorily.

2. Employee recognition: after ten years of service and every five years thereafter, employee is awarded a service pin. Employee's picture is published in the hospital newspaper every fifth anniversary and for any outstanding achievement as determined by the Employee's Activity Committee.

3. Paid vacation: Two weeks per year for first five years of employment. Three weeks per **APPENDIX B** completion of five years employment.

(One-half of) REVIEW OF MAJOR BENEFITS PROVIDED  
ST. VINCENT HOSPITAL EMPLOYEES

4. Funeral leave: up to three days paid leave for death of member of the immediate family. One day with pay is granted for death of an in-law.

5. Personal leave: for extenuating reasons, employees may be granted two non-consecutive days per year with pay to attend to personal matters.

6. Sick leave: one day per month granted as paid sick leave, which can be accumulated for a period of five years, to a maximum of 60 work days (or 90 calendar days). Half these amounts for part-time employees.

7. Group Life Insurance: premium paid in full by the hospital, after six months employment. Amount based on annual salary.

REVIEW OF MAJOR BENEFITS PROVIDED  
ST. VINCENT HOSPITAL EMPLOYEES

- <sup>a</sup>1. Education assistance: reimbursement of tuition costs up to three credit hours a semester, if course completed satisfactorily.
2. Employee recognition: after ten years of service and every five years thereafter, employee is awarded a service pin. Employee's picture is published in the hospital newspaper every fifth anniversary and for any outstanding achievement as determined by the Employee's Activity Committee.
3. Paid vacation: Two weeks per year for first five years of employment. Three weeks per year after completion of five years employment. (One-half these amounts for part-time employees.)
- <sup>a</sup>4. Funeral leave: up to three days paid leave for death of member of the immediate family. One day with pay is granted for death of an in-law.
- <sup>a</sup>5. Personal leave: for extenuating reasons, employees may be granted two non-consecutive days per year with pay to attend to personal matters.
6. Sick leave: one day per month granted as paid sick leave, which can be accumulated for a period of five years, to a maximum of 60 work days (or 90 calendar days). Half these amounts for part-time employees.
- <sup>a</sup>7. Group Life Insurance: premium paid in full by the hospital, after six months employment. Amount based on annual salary.

Salary less than \$5,000.....	\$2,000	death benefit.		
" \$5,000 -\$10,000.....	\$5,000	"	"	
" over \$10,000.....	\$10,000	"	"	

<sup>a</sup>8. Major Medical and Hospitalization Insurance: Premiums for complete Blue Cross -Blue Shield coverage for the employee are paid by the hospital. Employee may contribute discounted rate for family coverage. Part-time employees may join, but must pay own premiums.

9. Accidental Death and Dismemberment: Only covers employees while on assignment off the hospital premises. This is a \$50,000 policy, paid in full by the hospital.

10. Death Benefits: Only the accumulated benefits of the life insurance and those amounts in the Credit Union and retirement fund.

11. Retirement plan: an amount equal to a percentage of wage is paid into this fund. The entire contribution is paid by the hospital. Plan is now being revised, and details are not yet available.

12. Holidays: Six paid holidays are granted plus a paid day off for each employee on his birthday. Four hours pay for those days granted to part-time personnel.

<sup>a</sup>Benefit granted only to full-time employees.

COMPARISON OF LONG-TERM DISABILITY  
PROGRAMS OFFERED BY INDUSTRY

St. Vincent Hospital: None

Firm A: Payment of life insurance in monthly installments to age 65, or to a maximum total of \$40,000.\* Elimination period, 120 days.

Firm B: (Employee pays all premiums.) Receive 60 per cent of salary to age 65. Elimination period, 90 days.

Firm C: Receive base salary to age 65. Company also continues payments to the Retirement Fund during this time. Elimination

APPENDIX C

COMPARISON OF LONG-TERM DISABILITY  
PROGRAMS OFFERED BY INDUSTRY

Firm D: Receive up to 75 per cent of salary to age 70. Elimination period, 6 months.

Firm E: None

Firm F: None

Firm G: After six months service, receive up to 52 weeks at half pay. Graduated increases, up to 52 weeks at full pay for employees with 25 or more years service. Life-time benefits (or benefits covering full duration of the disability) offered only for on-the-job accidents.\*

Firm H: COMPARISON OF LONG-TERM DISABILITY PROGRAMS OFFERED BY INDUSTRY elimination period. <sup>a</sup>

St. Vincent Hospital: None

Firm A: Payment of life insurance in monthly installments to age 65, or to a maximum total of \$40,000.<sup>a</sup> Elimination period, 120 days.

Firm B: (Employee pays all premiums.) Receive 60 per cent of salary to age 65. Elimination period, 90 days.

Firm C: Receive base salary to age 65. Company also continues payments to the Retirement Fund during this time. Elimination period, 6 months.

Firm D: Receive up to 75 per cent of salary to age 70. Elimination period, 6 months.

Firm E: None

Firm F: None

Firm G: After six months service, receive up to 52 weeks at half pay. Graduated increases, up to 52 weeks at full pay for employees with 25 or more years service. Life-time benefits (or benefits covering full duration of the disability) offered only for on-the-job accidents.<sup>a</sup>

<sup>a</sup>Firms list these under long term disability but benefits does not actually

Firm H: May receive full salary for one year. No elimination period.<sup>a</sup>

APPENDIX D

COMPARISON OF MAJOR BENEFITS OFFERED  
BY ST. VINCENT HOSPITAL AND EIGHT  
OTHER INDIANAPOLIS FIRMS

<sup>a</sup>Firms list these under long term disability, but benefit does not actually meet the criteria for this.

COMPARISON OF MAJOR BENEFITS OFFERED  
BY ST. VINCENT HOSPITAL AND EIGHT  
OTHER INDIANAPOLIS FIRMS

Type of Benefits Offered	St. Vincent Hospital	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Firm G	Firm H
Education assistance	x	x	x	x	x	x	x	x	-
Employee Recognition (Regular program)	x						x	x	x
Paid Vacation									
Funeral leave	x	x	x	x	x	x	x	x	-
Personal leave	x	x	x	-	-	-	-	-	x
Sick leave	x	x	x	x	x	x	-	x	x
Long-term disability	-	x	x	x	x	-	-	x	x
Life insurance	x	x	x	x	x	x	x	x	x
Major medical and hospitalization	x	x	x	x	x	x	x	x	x
Accidental death and dismemberment	x	x	x	x	x	-	-	x	-
Death	x	x	x	-	-	-	-	x	-
Retirement	x	x	x	x	x	x	x	x	x
Holidays	x	x	x	x	x	x	x	x	x

APPENDIX D

COMPARISON OF MAJOR BENEFITS OFFERED  
BY ST. VINCENT HOSPITAL AND EIGHT  
OTHER INDIANAPOLIS FIRMS

x equals benefit provided; - equals benefit not provided

COMPARISON OF MAJOR BENEFITS OFFERED  
BY ST. VINCENT HOSPITAL AND EIGHT  
OTHER INDIANAPOLIS FIRMS

Type of Benefits Offered	St. Vincent Hospital	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Firm G	Firm H
Education assistance	x	x	x	x	x	x	x	x	-
Employee Recognition (Regular program)	x	x	-	-	-	-	x	x	x
Paid Vacation	x	x	x	x	x	x	x	x	x
Funeral leave	x	x	x	x	x	x	x	x	-
Personal leave	x	x	x	-	-	-	-	-	x
Sick leave	x	x	x	x	x	x	-	x	x
Long-term disability	-	x	x	x	x	-	-	x	x
Life insurance	x	x	x	x	x	x	x	x	x
Major medical and hospitalization	x	x	x	x	x	x	x	x	x
Accidental death and dismemberment	x	x	x	x	x	-	-	x	-
Death	x	x	x	-	-	-	-	x	-
Retirement	x	x	x	x	x	x	x	x	x
Holidays	x	x	x	x	x	x	x	x	x

x equals benefit provided; - equals benefit not provided

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Felter, H. G. Personnel Director, Stokely-Van Camp, Incorporated, 966 North Meridian Street, Indianapolis, Indiana.

Greene, Sue. Interviewer, Personnel Department, Ayres Department Store, 1 West Washington Street, Indianapolis, Indiana.

Hardisty, R. C. Secretary of Employee Benefit Committee, Indiana Bell Telephone Company, 240 North Meridian Street, Indianapolis, Indiana.

Lyndell, N. U. Group Actuary, American United Life Insurance Company, 26th Street and Meridian Street, Indianapolis, Indiana.

## BIOGRAPHICAL SKETCH

McDonnell, Sister Carlos. Administrator, St. Vincent Hospital,  
Indianapolis, Indiana.

McVey, G. C. Employee Relations Manager, Block Department Store,  
50 North Illinois Avenue, Indianapolis, Indiana.

Norcross, N. U. Personnel Director, Merchants Bank of Indianapolis,  
11 South Meridian Street, Indianapolis, Indiana.

Radel, Glenn. Personnel Director, American United Life Insurance  
Company, 26th Street and Meridian Street, Indianapolis, Indiana.

Rutan, Louis. Administrative Assistant for Staff Personnel, Indiana  
Schools, Walnut Street and Delaware Avenue, Indianapolis,  
Indiana.

Smith, David A. Personnel Director, St. Vincent Hospital, Indiana-  
polis, Indiana.

White, Marian. Personnel Director, Eli Lilly Company, 307 East  
McCarty Street, Indianapolis, Indiana.

Bachelor of Science Degree in Nursing from Incarnate Word College,  
San Antonio, Texas.

Her overseas assignments include: France, Germany, Hawaii, and  
Vietnam. LTC Capper's awards include the Army Commendation Medal  
with Oak Leaf Cluster and the Bronze Star Medal.

On August 24, 1970, she entered the U. S. Army-Baylor University  
Program in Health Care Administration. Following a one-year residency  
at Valley Forge General Hospital, Pottsville, Pennsylvania, she re-  
ceived a Master's Degree in Hospital Administration, in August 1971,  
from Baylor University.

## BIOGRAPHICAL SKETCH

Lieutenant Colonel Edna L. Capper [REDACTED]

[REDACTED]. She attended public schools in and near Pittsburgh and graduated from Duquesne High School, Duquesne, Pennsylvania in 1949. In September, 1952, she graduated from St. Francis Hospital School of Nursing, Pittsburgh, and later that year received a license as a Registered Nurse from the Commonwealth of Pennsylvania.

LTC Capper received a direct commission as a first lieutenant in the Army Nurse Corps in September, 1955. Her stateside assignments include: Fort Campbell, Kentucky; Fort Sam Houston, Texas; and two tours at Fort Bragg, North Carolina. In May, 1964, she received a Bachelor of Science Degree in Nursing from Incarnate Word College, San Antonio, Texas.

Her overseas assignments include: France, Germany, Hawaii, and Vietnam. LTC Capper's awards include the Army Commendation Medal with Oak Leaf Cluster and the Bronze Star Medal.

On August 24, 1970, she entered the U.S. Army-Baylor University Program in Health Care Administration. Following a one-year residency at Valley Forge General Hospital, Phoenixville, Pennsylvania, she received a Master's Degree in Hospital Administration, in August 1972, from Baylor University.