Hospitals Embrace Benefits of Using Paycards

BY CATHY S. BEYDA, ESQ.

Hospitals are well known for their commitment to patient care. In recent years, many hospitals have taken steps to ensure that the same high level of care is provided to their employees on payday. Specifically, to ensure that employees have prompt, reliable, and convenient access to wages, these hospitals have implemented electronic wage-payment programs offering employees the choice between direct deposit and a paycard.

Challenges Breed Solutions
Like many employers today, hospitals are under increased pressure to reduce operating costs. Yet processing, printing, and distributing paper paychecks can be expensive. Moreover, delivering wages in a timely manner can be challenging, particularly during severe weather or when employees are traveling.

The fact that many hospital employees work nontraditional schedules and/or at satellite locations makes the delivery of wages on payday even more challenging. Although direct deposit offers a valuable solution, it is not available to the large number of hospital workers who are unbanked or under-banked.

In addition, many hospitals are unionized and must work together with their unions to offer employees the benefits of paycards.

Paycard Success Stories
In light of these challenges, it is not surprising that many hospitals have decided to complement their traditional direct deposit programs with paycards. The Methodist Hospital System in Texas, for example, began offering paycards to its employees in 2005 and has been able to eliminate paper paychecks for more than 99% of its workforce. The hospital system enjoys cost savings, while its employees are provided immediate access to their full wages on payday and are able to avoid check-cashing fees.

John Stewart, Human Resources Director, said that the Methodist Hospital System is very pleased with the program and is considering expanding it so employees can receive other payments such as bonuses on cards as well. The hospital system also is implementing electronic paystubs.

The University of Arizona Health Network introduced paycards in 2010. Today, all 7,000 of the Network’s employees receive their wages either by

Cathy S. Beyda, Esq., is an attorney with the law firm Paul Hastings, LLP, in Palo Alto, Calif. She is also the Chair of APA’s Paycards Subcommittee of the Government Affairs Task Force (GATF) and Chair of APA’s Paycard User Group.
direct deposit or paycard. The Network enjoys the simplicity of the program and the ability to pay unbanked employees electronically.

“I have nothing but good things to say about the program,” said Lanny Watts, Payroll Supervisor for the Health Network. From his perspective, offering paycards as a complement to traditional direct deposit is like paying all employees by direct deposit. Although he expected some complaints when the program was rolled out, that didn’t happen.

Similarly, the Nationwide Children’s Hospital pays all of its employees electronically. Terri Lucas, Director of Payroll and HRIS for the hospital, noted that employees who receive their wages on a paycard enjoy the card’s flexibility, which allows them to access their funds in many different ways. Lucas stated that employees also like the fact that instant-issue cards are available if a card is lost or stolen.

“If an employee loses the card unexpectedly, our payroll staff can replace the lost card and allow the employee to have funds in their hands on payday—all in a matter of minutes,” Lucas said.

Bruce Phipps, Corporate Payroll Manager for Einstein Healthcare Networks in Pennsylvania, said his employees enjoy the security of paycards over paper paychecks. Not only are paychecks susceptible to theft, but many of Einstein’s unbanked and under-banked employees felt vulnerable carrying around their wages after cashing their paycheck. Today, 98% of Einstein’s employees receive their wages either by direct deposit or on a paycard. Some of these employees, including Einstein’s maintenance workers, are represented by a union. Phipps recalled that the union was very receptive to the use of paycards, and that the program is now specifically addressed in the parties’ union contract.

Overall, Phipps said satisfaction has been high—both Einstein Healthcare Network and its employees have enjoyed the cost savings and convenience of electronic wage payment.

The University of New Mexico Hospital eliminated paper paychecks for its employees approximately three years ago. Employees who do not participate in direct deposit receive their wages on a paycard. The hospital’s three unions supported the change and have not had issues with the program.

Bill Wilson, Compensation Manager, believes that this is because all parties benefit from the change. Employees benefit as they now receive their wages reliably on payday. This was more of a challenge when the hospital issued paper paychecks. Issuing and distributing paychecks and paystubs was also expensive, and the hospital has benefited from eliminating those costs.

Benefits of Working Together
The successful use of paycards by hospitals reinforces what many of us have known all along: offering paycards as a complement to direct deposit benefits employees and employers alike. Moreover, the hospital experience demonstrates that employers and unions can, and often do, work together to bring this important benefit to unionized workers.