



**QUEENSLAND HEALTH PAYROLL SYSTEM
COMMISSION OF INQUIRY**

Statement of Witness

<i>Name of Witness</i>	Malcolm Phillip John Thatcher
<i>Date of Birth</i>	
<i>Address and contact details</i>	Address known to the Commission
<i>Occupation</i>	Chief Information Officer, Executive Director Information and Infrastructure, Mater Hospital, Brisbane
<i>Officer taking statement</i>	Fran Copley, Official Solicitor
<i>Date taken</i>	19 April 2013

I, Malcolm Thatcher, state:

1. I am Chief Information Officer for Mater Misericordiae Health Services Brisbane Limited (**Mater Health**), based at South Brisbane. I have held this position since 1 March 2004.
2. I prepared, in consultation with Dr John O'Donnell, Mater Health Chief Executive Officer, a submission to the Inquiry dated 7 February 2013, a copy of which is annexed and marked "MT1". The views expressed in that submission are views which I hold. I have direct personal knowledge of the facts to which it refers.
3. The purpose of this is to add further comments to that submission which I consider relevant to the Commission's Terms of Reference, and in particular, recommendations which might be made by the Commission about changes to existing procurement, contract, and project management (including governance) policies, processes, standards and contractual arrangements for major Queensland government information and communication technology projects initiated in the future to ensure the delivery of high quality and cost effective products and systems.

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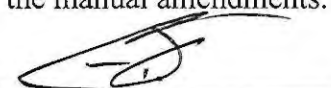


4. In my view, the single biggest challenge that Queensland Health faced in the implementation of its payroll system was never having first established the department's future "target state". By target state, I mean the business arrangements which were considered to be desirable in a fundamental sense and the type of payroll accountability culture Queensland Health wished to develop amongst its business unit managers. That state, to my knowledge, was never properly defined in any document such as a business requirements specification. As a consequence, and from the outset, the project was flawed in its design and intent.
5. One reason for Mater Health providing the submission it did to the Commission was to offer assistance as to how the future target state ought best be ascertained and articulated.
6. Mater Health has some experience in these matters. We successfully completed our Rostering Project in March 2011. The project, which commenced in 2007, took nearly 4 years to fully implement including nine months of documenting requirements and selecting a vendor. The payroll project commenced in 2009, taking six months to document requirements, a further 12 months to plan the implementation, then a further 18 months to implement the solution resulting in a successful go-live of the project in July 2012.
7. As part of the rostering system implementation, business unit or nurse unit managers took accountability for the cost of their unit's roster. Managers, in conjunction with their staff, choose validated roster patterns. Managers can then adjust the scheduled rosters as required, and staff can request leave in advance through the roster system. Any changes to the as-worked timesheets are made electronically with all staff having access to their electronic timesheet. Mater runs two primary, fortnightly payroll sequences with each fortnightly roster period closing at midnight on a Sunday. Managers must sign off on all as-worked timesheets. They have until 2pm Monday to make amendments and then staff are paid on the Wednesday of that same week.
8. By way of comparison, I understand that Queensland Health moved out by one week the pay to its staff on the basis it took over one week to do the manual amendments.

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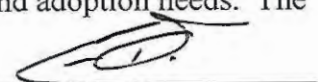
The Queensland Health roster system, to my knowledge, is being used more as a data collection tool rather than as a business management tool. Identifying and implementing an alternative target state for Queensland Health would deliver significant benefits in my view and free up much needed funds to go back into patient care.

9. The single greatest benefit to this system is that when managers build the roster, they can immediately see the cost of the roster. Kronos (the product which the Mater uses) gives real time costing. Managers can adjust the roster accordingly to ensure rosters are cost-effective. Mater Health Services believes that as a consequence of this labour cost transparency, Mater is seeing significant financial benefits in relation to its overall cost of labour.
10. For its 7500 current employees, Mater Health has seven payroll staff. I have no payroll staff sitting in my division. This is far fewer than, I understand, the number of staff engaged in assisting with the Queensland Health system.
11. Mater Health achieved, as part of implementing its system, an end-to-end process re-design. It identified the target state sought to be achieved, planned for how that state would be reached and, then, and only then, did we select and overlay the software that would assist in reaching it.
12. In 2008, Mater Health commenced a tender process for the new roster and payroll system. The short-listed vendors were invited to configure their software to handle several complex award interpretation scenarios.
13. Workbrain and Kronos were the final two vendors. At that time, Kronos was chosen by Mater Health Services on the basis that Workbrain did not pass the scenarios as well as Kronos on the most complex pay rules and awards.
14. Mater Health did not choose to aim for one Go-live for rostering as what is often described as a "big bang". There were approximately 24 separate Go-lives for various parts of the implementation. We recognised early on that each area of the organisation had its own nuances. A specialised, highly-skilled team went into different parts of the organisation to determine the change and adoption needs. The

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payroll system on the other hand was based on a single go-live model but only after a rigorous series of parallel runs.

15. The key criterion for the payroll system Go-live was that the parallel pay run was reconciled to the previous payroll system output with minimal if any error.
16. The critical considerations in any implementation of an IT solution are time, cost and quality.
17. Our philosophy is that quality is the number one. Quality is our principal driver. Time and costs are secondary.
18. Mater Health wishes to offer assistance Queensland Health in any way possible to effect better implementations in the future. The basis for our interest in doing so is not simply the more efficient expenditure of public funds, but also the fact that Mater Health too is involved in the delivery of health care and interacts closely with Queensland Health and its operations.
19. As mentioned in Mater Health's submission to the Inquiry, assistance was offered by us to the Minister for Health in November 2012 which is currently under consideration. Prior to that, Mater had offered assistance to Queensland Health through the Office of the Queensland Health CIO as early as 2010, however these offers were not acted upon by Queensland Health until directed by the Minister's office.

Declaration

This written statement by me dated 29th APRIL 2013 and contained in the pages numbered 1 to 4 is true and correct to the best of my knowledge and belief.

Signed at BRISBANE Signature this 29th day of APRIL 20 13

Witnessed:

Name CAROLINE CARRER Signature 29th DAY of APRIL 2013

Signature:

Witness signature:



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Annexure(s) to Statement of Witness

Items to be annexed to the statement of Malcolm Phillip John Thatcher taken on 29 April 2013:

1. Submission to The Honourable Richard Chesterman AO RFD QC, Commission of Inquiry Order (No. 2) 2012 Into the Implementation of the Queensland Health Payroll System.
Submitted by Mater Misericordiae Health Services Brisbane Limited, 07 February 2013, Rev. 3.0

Witness signature:

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Officer signature:

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Submission to

The Honourable Richard Chesterman AO RFD QC
Commission of Inquiry Order (No. 2) 2012
Into the Implementation of the Queensland Health Payroll System

Submitted by

Mater Misericordiae Health Services Brisbane Limited

07 February 2013
Rev. 3.0

SUBMISSION

OVERVIEW

On December 13, 2012 the Governor in Council ordered the establishment of a Commission of Inquiry into the implementation of the Queensland Health payroll system. The terms of reference of the inquiry seeks to focus on the following matters:

- a) *the adequacy and integrity of the procurement, contract management, project management, governance and implementation process;*
- b) *whether any laws, contractual provisions, codes of conduct or other government standards may have been breached during the procurement and/or implementation process and who may be accountable;*
- c) *the contractual arrangements between the State of Queensland and IBM Australia Ltd and why and to what extent the contract price for the Queensland Health payroll system increased over time;*
- d) *any recommended changes to existing procurement, contract and project management (including governance) policies, processes, standards and contractual arrangements for major Queensland government information and communication technology projects initiated in the future to ensure the delivery of high quality and cost effective products and systems; and*
- e) *any other matter relevant to this review.*

The elements contained within this submission are primarily associated with items (a) and (e). Mater wishes to draw to the attention of the Commissioner that Mater Health Services has successfully implemented a rostering and payroll solution comparable in scope and function to the QH system. I do so for two reasons:

- to indicate that cost effective alternatives to Workbrain / SAP are available;
- to indicate that the choice of software is less important than the design and implementation of efficient business processes in rostering, and payroll. Mater's core business is and always will be in the provision of healthcare to patients. Mater's core business is not in the implementation of payroll systems, however competent strategy and implementation in IT systems and projects is now an integral part of health care delivery. Mater therefore feels obligated to offer evidence of alternative systems implementation strategies as clearly the opportunity cost of the State payroll system is reduced funds for delivery of services to the people of Queensland.

For clarity and probity, and to identify a potential conflict of interest, I also indicate that since the issues with the Queensland Health Payroll System were first made known in 2010, Mater has offered to assist Queensland Health in any way possible. Recent discussions with the Minister for Health's Office have raised the possibility of Mater working with Queensland Health to undertake a pilot of Mater's rostering and payroll solution within the Metro South Hospital and Health Service. There has been no response to Mater's proposal. Fully costed documentation of the project plan for design and implementation of rostering and payroll, business process change, and capital and operating costs for Metro South and all QH facilities Statewide are available at the Commissioner's discretion.

ABOUT MATER HEALTH SERVICES

Mater Health Services was established in Brisbane in 1906 by the Sisters of Mercy with a mission to provide care to the sick and needy without discrimination. Mater provides exceptional care to more than 500,000 patients each year.

A Queensland icon, Mater is a not-for-profit provider of health services operating seven hospitals, a medical research institute, pathology and pharmacy businesses—all of which are underpinned by community support through the Mater Foundation.

Through its collocation of private and public facilities, Mater is able to meet the needs of the community by reinvesting any revenue from the business back into the provision of health care services and outreach into the communities of greatest need.

With more than 7500 staff and volunteers, a commitment to excellence in clinical care, research and education, Mater delivers a comprehensive range of services to meet the needs of our community..

2012 Mater statistics

Mater patients	Patient discharges	Patient days	Theatre patients	Beds
Mater Private Hospital Brisbane	28440	98165	11956	328
Mater Private Hospital Redland	8307	16928	4414	71
Mater Mothers' Hospital	10129	40661	3901	121
Mater Mothers' Private Hospital	5944	34299	2418	128
Mater Children's Hospital	17053	42306	6234	142
Mater Children's Private Hospital	4996	9625	2997	39
Mater Adult Hospital	20702	53387	6368	213
TOTAL	95571	295371	38288	1042

Emergency attendances	
Mater Adult Hospital Emergency	36799
Mater Children's Hospital Emergency	44794
Mater Private Emergency Care Centre	18409

Outpatient clinical	
Mater Mothers' Hospital	88723
Mater Children's Hospital	80306
Mater Adult Hospital	118097

Births	
Mater Mothers' Hospital	5571
Mater Mothers' Private Hospital	4618
Mater Mothers' Private Redland	397

Diagnostic services	
Mater Mothers' Hospital	38600
Mater Children's Hospital	89085
Mater Adult Hospital	176567

The following section outlines Mater's successful implementation of a contemporary roster and payroll system.

MATER'S ROSTERING AND PAYROLL SOLUTION

Mater Misericordiae Health Services Brisbane Limited (Mater) has a strong tradition of delivering high-quality, safe healthcare services to the people of Queensland and beyond. Mater is proud to be part of the delivery of public patient services in Queensland for over one hundred years and we recognise our role in the sustainable delivery of those services. Mater currently provides approximately 10% of hospital inpatient episodes funded by the State.

In seeking to achieve contemporary best practice in workforce management and recognising the need to meet the most fundamental of obligations as an employer, in 2007 Mater commenced a project plan to automate its end to end rostering and payroll service delivery. Mater consequently selected and has implemented best in class, and relatively low cost, electronic rostering and payroll solutions.

Mater's journey to deliver a best-practice, highly automated approach to staff rostering and payroll system functions has included documentation of detailed specifications of requirements, a thorough tendering and evaluation process for best-of-breed, fit-for-purpose existing technology and a total re-engineering of the relevant end-to-end business processes.

Outcomes realised since implementing this fully integrated and customised rostering and payroll solution include:

- integrated real time electronic rostering and payroll solution hosted to all business units including self-service functionality;
- industry best-practice payroll staffing ratios of 1:1,000;
- accuracy and consistency in interpretation of many complex public sector and private sector industrial awards;
- negligible payroll processing errors;
- elimination of manually intensive paper based processes including the need for manual pay sequences;
- reduction in time taken to process and approve as-worked timesheets to allow payroll processing to occur within 3 days of end of pay period;
- rosters can be drafted by department and ward managers, and automatically costed leading to a lower overall cost of labour;
- transparency (immediate online availability) of leave balances, overtime and timesheets;
- electronic staff self-service for high-volume HR transactions;
- very high levels of staff satisfaction associated with payroll processing and
- the presentation of easily understood and comprehensive payslips;
- reduction in duplicate data management and errors;
- reduction in agency utilisation;
- 14% reduction in numbers of calls to help desk and 49% reduction in calls related to incorrect payments;
- relatively low total cost of ownership;
- stable, reliable and high performance.

The total costs of rostering and payroll implementation, staff training, staff backfill for training time, project management, payroll implementation, vendor fees and system hardware were approximately \$9.1M.

The Mater rostering and payroll system could be deployed State wide for QH and then handed to QH for ongoing operations at an estimated cost of \$172.M. This project would take approximately 3 years to complete based on full cooperation from QH.

CLAIMS OF QUEENSLAND HEALTH UNIQUE COMPLEXITY

The KPMG report¹ re-iterated Ernst & Young's claim that the Queensland Health payroll operating environment is uniquely complex. This claim was originally used by Ernst & Young to justify why no comparison of the efficiency and associated costs of Queensland Health payroll could be provided. It was used in the KPMG review as a justification for the negative system performance, cost and resourcing requirements associated with the Queensland Health payroll crisis.

Mater has arguably an even greater level of complexity regarding legislation, awards and industrial agreements, as Mater employees work under both public and private award provisions, sometimes simultaneously. In this context, the Mater deals with duality of legislation, awards and agreements.

The following table provides a comparison of complexity measures associated with award and payroll processing:

Complexity Metrics	Mater Aurion and Kronos	Queensland Health SAP and Workbrain (from KPMG Review)
Staff numbers across a range of professional occupations, many of whom work a 24-hour	7,500	85,000
Number of Industrial Awards covered	10	12
Number of Industrial Awards impacted	9 (4 private, 5 public)	6
Number of allowances	130 , plus 170 time-based	200
Different combinations of pay	22,000	24,000

This means the Mater deployed rostering and payroll solutions needed to be able to deal with an even greater number of allowances and different combinations of calculation groups and rules, involving more complex algorithms for computation of fortnightly pay, than is required for Queensland Health. The Mater system can manage pays for staff who, within the same pay cycle, work part time in private hospitals on private Awards and Agreements, and part time in public contract hospitals on QH Awards and Agreements.

¹ Review of the Queensland Health Payroll System, KPMG Consulting, 31 May 2012

The KPMG report stated that a move to an alternative system would have significant cost escalation, risk escalation and business process implications. On the contrary, Mater has successfully customised and integrated the Kronos rostering solution with the Aurion payroll solution to fully support the complex business requirements and business rules in a similar environment to the Queensland Health operating environment.

The solution has also been customised to enable the automation of re-engineered and bespoke business processes. Additionally, the Mater deployed rostering and payroll solution has already proven its adaptability to support continuous business improvement and changes to legislation, awards and agreements, with recent changes to the award for nurses being implemented.

OVERARCHING CONCERNS

Mater senior HR and IT system staff, and the consultants who assisted us in the rostering and payroll projects, have substantial concerns about many of the assumptions, assertions, costings and conclusions reached in the 18 publically available consultants reports into the problems and proposed remedies for the QH Payroll system. The relevance of these observations and opinions depends on the Commissions breadth of interpretation of the final Term of Reference, and hence is not included in this brief paper. Should such opinion be considered relevant or useful to the Commission Mater staff would of course be available at any time.

Thank you for the opportunity to respond to some of the terms of reference,

Yours sincerely,



Dr. John O'Donnell
Chief Executive Officer