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Leadership 101: Are You Paying Retail?

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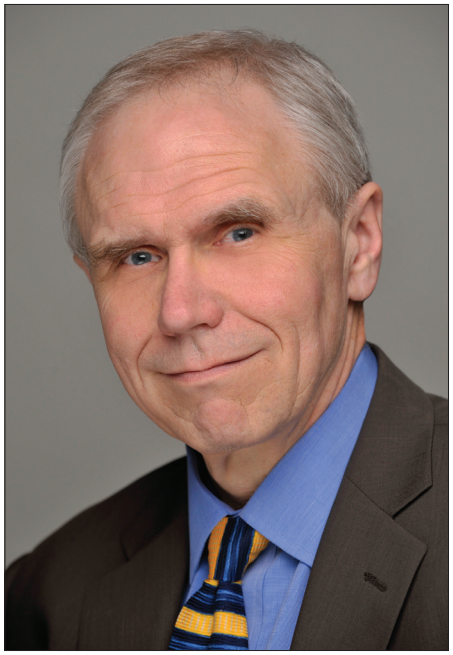


Lake Tahoe

I was recently honored to attend the 58th Annual Meeting of the Association of California Healthcare Districts (ACHD).

On the shores of Lake Tahoe, representatives from the member districts listened to industry leaders on topics important to management of these government instrumentalities in the midst of very trying times.

Hospital and healthcare district leadership face a diverse range of challenges and opportunities.

Their work is important and often difficult - especially in light of today's economic, regulatory and investment environments. These challenges are beyond their control or influence.

Trustees and staff also deal with expanded responsibilities that come with the role of retirement plan trustee and fiduciary.

In this role, a key question is how to effectively manage organizational, professional and personal risks.

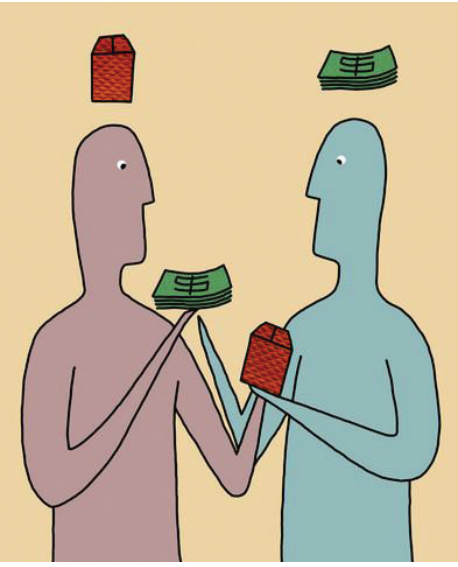
At the conference, I delivered a presentation on the subject of fiduciary oversight of hospital retirement plans and foundation investment accounts.

For this audience, the proffered perspective was that of a board member, trustee or senior executive.

Timely Topics

At the core of our presentation were issues related to best practices in the role of institutional employer and investor.

Popular themes for the attendees were regulatory changes and investment trends for:



- 403(b) plans
- 457 plans
- 401(k) plans
- pension plans
- executive compensation plans
- foundation & endowment portfolios

Investment risk and return, operating expense and the efficacy of investment advice were all popular segments of the presentation.

The Big Question

One of the district trustees asked an astute question: "How do we know if our benefits / finance team is getting a good deal on our retirement plan services for our district

and our employees?"

A reasonable question and one that bears a considered answer.

"If you can't measure it, you can't manage it" is a quote variously attributed to Lord Kelvin, Albert Einstein, Bill Hewlett and Arthur Deming, among others.

They Were Right

Fiduciary standards and regulations require that employers manage their responsibilities with the skill and diligence of a prudent person. If you don't measure, compare and document your review of your own performance, how can you show a regulator, a plan participant or an outside board member that you have "done the right thing"?

Key elements of a plan compliance process include:

1. Plan Performance & Expenses;
2. Peer Data & Your Comparative Performance; and
3. Provider Pricing / Best Practices

If it appears that you are paying more than others for investment and administrative services, best practices suggest that you: negotiate, seek alternatives and if necessary, change vendors.

Unfortunately, industry practices and vendor business interests often result in poor access or inaccurate data on peer pricing and reasonable service costs.

Why Can't We Get The Data?

You can.

There are hundreds of hospitals and clinics in the Western states, all dealing with the same issue. It requires a little expense, a bit of effort and a commitment to the process.

See the Presentation?

If you would like to view a recording of the ACHD presentation on board/management oversight of retirement plans and investment accounts, send an email to:

info@mchenrypartners.com

We will send you the link via email.

Can We Get Better Service Pricing?

You can and should. Everything is negotiable.

Today, healthcare providers partner to buy supplies, equipment and services through the power of combined price negotiation.

It is possible to realize similar economies in the acquisition and management of employee retirement plans, as well as foundation and endowment investment accounts.

Good micro (plan) and macro (peer) data is required to benchmark your results and costs, while industry access and information is required to effectively negotiate with vendors.

There are over 150 public health and hospital districts in the Western states and hundreds more hospitals and clinics in the for-profit and not-for-profit space.

From experience, we see that many healthcare employers are over-paying for services. At the very least, they should be tracking their relative performance and expenses.

Find Friends

As a group, you have a great opportunity - whether small, medium or large employers or investors.

Build shared resources with organizations and fellow professionals with a desire to measure and manage these issues at the board or staff level.

You Are Not Alone

Institutional employers and investors deserve better information, access and leverage.

If you would like to network with

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other interested organizations, please give me a call.

Good data, some benchmarking and a common sense approach to vendor management can pay great dividends in the form of risk management and plan performance - not to mention reduced operating costs.

Ward Harris supports institutional employers and investors through data management services and fiduciary consulting relationships. He can be reached at 1-800-638-8121 or ward.harris@mchenrypartners.com.

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