



IMPROVING PLAN OPERATION IN THE HEALTHCARE MARKETPLACE

CASE STUDY

CHALLENGE

The client, a regional Hospital, had struggled for several years with recurring administrative difficulties presented by their recordkeeper/administrator and had concerns about increased regulatory scrutiny of their retirement program. Given these challenges, the Hospital's executives chose to engage our firm as an independent retirement plan consultant to conduct a comprehensive fiduciary review of their plan and plan operations. The Hospital sought to improve the level of service provided by their vendor, reduce the fees borne by participants, and to implement an improved fiduciary governance process. Specifically, the objectives were:

1. Development of a formal fiduciary process for plan management and investment analysis;
2. Improvement of plan compliance and administration operations through an independent vendor search; and
3. Minimization of the explicit and implicit costs to participants through an independent vendor search.

The Hospital hoped to achieve these goals with minimal disruption and full transparency to the Plan's participant population.

PROCESS

In the initial phase of the project, the Multnomah Group conducted a fiduciary review of the Plan's current operation including:

- Fiduciary Plan Governance
- Plan Document and Compliance
- Investment Policy Statement
- Investment Performance
- Plan Costs
- Plan Communication / Education

This analysis helped the Hospital objectively evaluate the plan structure and vendors related to the plan, and where current practices could present fiduciary or operational gaps. The results of this analysis led to a process by which the Multnomah Group helped establish a Board-authorized Retirement Plan Administration Committee.

The Retirement Plan Administration Committee, in consultation with the Multnomah Group, created a vendor search document which outlined how a Plan vendor might better support the hospital and its participants. To ensure that the wishes of the participant population were also represented in the process, the hospital hosted, and with the Multnomah Group, facilitated, focus group discussions where participants could express the concerns and desires they wished to see addressed in a new retirement plan solution.

Based on that feedback, the Multnomah Group solicited responses from the current vendor as well as a diverse selection of additional vendors, resulting in a solution that significantly improved sponsor and participant service levels.

RESULT

As a result of this process, the Hospital created a Retirement Plan Administration Committee to act as a Named Administrator and Fiduciary. Additionally, the conclusion of the vendor search lessened the plan administration burden on Hospital staff, reduced fees to participants, and improved the delivery of participant education with benchmarks to measure success. The process also brought about an improved investment universe that included risk-based asset allocation options.

Retirement Plan Administration Committee

- Formation and documentation of RPAC empowered to make decision on behalf of the Board
- Addition of a Prudent Experts to support Committee members
- Documented RPAC Charter with formal meetings, fiduciary file and minutes
- Formalized governance schedule for ensuring Plan compliance, fee reasonableness, investment due diligence and benchmarking of education campaign

Improved investment universe

- Addition of non-proprietary investment options to augment or replace current under-performing proprietary options
- Best of Class investments
- Risk-based target date asset allocation investments

Reduction of Fees

- Negotiation with vendor to waive the 3% surrender charge on contracts subject to surrender fees
- Reduction of asset fees by one-third
- Full transparency of vendor revenues

Improved Administration

- Single provider of administration services
- Outsourcing of loan and distribution administration
- Formal plan review
- Transition from individual to group contracts (owned by the Hospital)

Enhanced Education Services

- 50% increase in onsite enrollment
- Customized employee communication that address the unique issues related to the plan
- Semi-annual participant education with benchmarking of participant decisions
- Increase in total enrollment by 8% in the first three months
- Improvement of active investment decisions

At the conclusion of the project, all of the above was achieved merely by restructuring arrangements with existing vendors. In aggregate, these changes will significantly empower the Hospital to fulfill their fiduciary and regulatory responsibilities as plan sponsor.

To find out how the Multnomah Group can help your organization achieve its goals please feel free to contact one of our consultants.

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