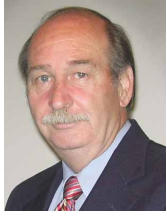


benefits



A message from John O'Brien

I am very pleased to bring you this inaugural edition of Benefits Review, a bi-monthly newsletter provided with the compliments of MHA Insurance. Look to Benefits Review for news and information about developments that may have a direct impact on you or your health care organization, from the latest legislation on pension plans to new, must-have insurance coverage options. In this issue, we focus on executive asset protection plans designed to help you attract, retain and reward your key executives so you can compete successfully in these very challenging times.

MHA Insurance is sponsoring the New England Health Care Assembly's Annual Trustee Conference to be held Thursday and Friday, December 8 and 9, at the Marriott Copley Place in Boston. I look forward to meeting some of you at that NEHA conference. In the meantime, I encourage you to contact me with feedback on our newsletter, or whenever you are in need of insurance advice or assistance. I'll do all I can to provide the answers you need and facilitate your planning process.

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MHA Insurance Agency, Inc., a wholly owned subsidiary of the Massachusetts Hospital Association, develops innovative and cost-effective programs to meet the changing needs of health care organizations. Offering superior service and exceptional value, we deliver the finest insurance and benefit plans available to the health care community.

review

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Executive benefits boost retention

With all the issues facing health care institutions today, the CEO's job is more challenging than ever. Competition for good people is fierce, and even renowned medical facilities are working hard to hold on to their star performers. In this environment, developing an effective strategy to attract and retain top talent is a must. To achieve long-term success, you need to make sure you have a creative, cost-effective compensation and benefit program that rewards excellent performance.

Danvers-based LifeTimeChoice, offering a comprehensive Executive Asset Protection Plan, is an innovator in the growing field of executive compensation and benefits planning. LifeTimeChoice tackles the retention challenge from three angles, offering executive benefit plans that include three "Health and Welfare" benefits:

- **Executive long-term care programs** to preserve net worth
- **Executive disability programs**, available without medical underwriting, to ensure adequate cash flow in the event of illness or injury
- **Executive retirement protection** to keep funds flowing into retirement plans while executives are out of work on disability

Of this trio, insurance for long-term care is becoming the must-have executive benefit, and for good reason. Over the coming decades, the cost of long-term care – already impressive, with private rooms in Boston nursing homes averaging over \$100,000 per year – is expected to increase exponentially. By 2030, that same nursing home room is projected to go for nearly \$400,000, according to LifeTimeChoice. In the

The sharpest arrow in your quiver may be a relatively new class of benefits designed specifically to preserve the lifestyles and protect the retirement assets of executives.

Negotiating comprehensive benefits for health care organizations

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30-year bond makes a comeback


Historically, benefit planners have used the 30-year Treasury rate as a key benchmark. But since the U.S. Treasury suspended issuance of the so-called “long” bond in October 2001, limiting the market to 2-, 5-, and 10-year bonds, planners assessing their companies’ 30+ year liability have had to rely on the use of other, arguably less precise rates. The IRS has provided a proxy rate for use in calculating lump sum payments from qualified retirement plans, and Congress has adopted the corporate bond index as the standard for determining requirements for plan funding.

Now, with the U.S. Treasury’s announcement in August that it will resume issuing the 30-year bond in February 2006, companies may be able to look forward to some improvement in their ability to calculate long-term obligations. This will be true regardless of whether the 30-year rate is again

adopted as the industry standard, says David Wray, vice president at Mellon. “Whether companies go back to using the new proxy [or corporate] rate, there will still be a very strong indirect benefit from the reintroduction of the 30-year rate. The mere existence of the bond will reduce the uncertainty of what their obligations will be, if only a little,” he says.

Reflecting the market’s expectations for growth and inflation, the 30-year bond rate provides a risk-free rate of return for that maturity at any given time. “It makes the market more efficient, and when it’s more efficient, there’s less uncertainty,” Wray says. “The cost goes down because people won’t be paying as much of a premium for risk.”

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Herb Crehan, president of Natick-based Crehan & Associates, an actuarial firm, can’t predict if the reintroduction of the 30-year bond will have a significant impact on benefit planning. But without action by Congress on pension reform – which might establish a permanent interest rate for measuring and funding pension obligations – the 30-year rate will again become the industry benchmark. “This is another example of how in the employee benefit planning arena, the pendulum often swings in one direction and then swings back to where it was before,” Crehan says. 



Executive benefits ...

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meantime, with the viability of government programs including Social Security and Medicare in question, assistance from federal and state government programs will, in all likelihood, decrease.

What does this mean to today’s health care executives? Despite conscientious efforts to enter retirement on a solid financial footing, many will eventually find their future security jeopardized by the need to personally absorb health care costs. The risk is significant: According to LifeTimeChoice, a staggering 1 in 3 Americans will eventually require long-term care. Executive long-term care insurance plans allow health care institutions to offer executives protection now from the potentially significant financial liability that lies ahead.

Norm Deschene, President of Lowell General Hospital, recognizes that efforts to reward and retain senior executives are key to his hospital’s business strategy. “Many on our team now see asset protection programs as an important component of their retirement planning. We don’t want to lose team leaders,” he said.


Benefits from LifeTimeChoice’s program, endorsed by the MHA, are immediately available to the insured executive whenever he or she can no longer perform two of the six “activities of daily living” as defined by the U.S. government, including basic functions such as eating, dressing and walking. Such impairment could occur well before retirement age. The program goes beyond nursing home coverage to include funding for caregivers in the home environment, day care centers for adults, assisted living and hospice care. The insurance carriers provide health care coordinators to help families develop care-giving plans.

LifeTimeChoice’s executive plan is based on an abbreviated pay model. Employers fund the plan over a 5- or 10-year period, providing executives

with a fully-paid benefit prior to retirement – and an incentive to stay with the organization until the benefit is fully funded. There is no risk of rate increases down the road, and the plan is guaranteed renewable, so coverage can never be canceled. Another plus is that benefits aren’t taxable when received. Premiums appear as “other compensation” (not salary) on Form 990, and the cost of living rider (COLA) enables the benefit pool of funds to grow tax-free. In addition, the plan is based on an indemnity rather than a reimbursement model, so recipients can spend their fixed monthly benefits as they choose. Based on a “return of premium” model and subject to some limitations, the premium will be refunded to the institution if the benefit isn’t used.

“Many on our team now see asset protection programs as an important component of their retirement planning. We don’t want to lose team leaders.”

***Norm Deschene
President, Lowell General Hospital***

Faced with intense competition, health care institutions need creative solutions now to reward and retain key leaders. The Executive Asset Protection Plan from LifeTimeChoice provides cost-effective tools that enable health care institutions to offer comparable compensation in a challenging financial environment. 

Suggestions?

Is there a benefits issue you would like to learn more about? Email your article suggestions to John O’Brien at john@mhains.com.

Career Moves

We are pleased to share the news that the following individuals have recently accepted health care positions.

Joan Vitello recently accepted the position of System Chief Nursing Officer for Hallmark Health.

Tom Viscarello is Director of Reimbursement at Dana Farber Cancer Institute.

Barbara Goldsmith, who joined Caritas St. Elizabeth’s last year, has recently been promoted to Vice President of Laboratory Systems for Caritas.

Debra Nedder is the new Chief Compliance Officer at Joslin Diabetes Center.

Chris Schifferdecker joined Caritas St. Elizabeth’s as Director of Pharmacy.

Our thanks to Bob Mitchell, Principal at Zurich Davis, for providing the information for this issue’s Career Moves.