

► Large Healthcare System Benefits From Strategic Outsourcing Solution

Organization: Large Healthcare System with multiple underlying hospitals and more than 60 unique investment sub-accounts

Asset Size: Over \$900 million comprised of several defined benefit plans and numerous foundation and balance sheet asset pools

Solution Provided: Wide breadth of investment management and advisory services as well as trust, custody and benefit-payment services

Key Benefits:

- Performance consistency, greater objectivity and fiduciary comfort
- The flexibility to maintain existing manager commitments while still benefiting from an integrated model
- More effective control over the strategic direction of retirement and non-retirement assets
- Single point of contact, significant time savings and a 20% reduction in costs through a bundled approach

Following a period of particularly high merger-and-acquisition activity during the late 1990s, large healthcare systems have increasingly turned to outsourcing as a means to control costs and improve service levels within their organizations.

By outsourcing non-core activities—such as information systems, payroll processing and collections—successful healthcare systems have been able to refocus on the business of running their hospital networks more efficiently at a time when the economic challenges are great.

In 2003, a large healthcare system, which operates multiple hospitals and dozens of medical-related facilities in Northeast U.S., applied SEI Investments' strategic outsourcing solution to over \$900 million of its retirement and non-retirement asset pools.

The healthcare system's investment committee was frustrated with the time-consuming manager selection process and cumbersome reporting practices among the multiple underlying hospitals and more than 60 investment sub-accounts.

SEI now acts as a single point of contact for the large healthcare delivery system, having replaced a more traditional model that consisted of more than ten different entities—a lead investment consultant, nine money managers, a trustee and a benefits-payment agent.

A key element in the \$900 million outsourcing deal was SEI's disciplined Manager-of-Managers investment process. With SEI's seasoned investment professionals selecting, monitoring and replacing managers, the healthcare system realized greater objectivity, fiduciary comfort, and significant time savings with ERISA-regulated plans.

SEI's streamlined, integrated investment-management process has not only lowered risk exposure and provided more performance consistency, but has afforded the committee more effective control over the direction of their retirement and non-retirement asset pools. Because senior management is spending less time and fewer resources managing the individual pieces of the process, they're able to spend more time on strategic allocation decisions as well as core business issues.

A SOLID PLAN THROUGH STRATEGIC ADVICE

“SEI believes it is critical to manage retirement and non-retirement asset pools in a way that considers each one’s financial impact on the organization after first addressing each pools’ fiduciary objectives,” says Paul Klauder, Vice President and Managing Director at SEI Investments. “The integrated, customized investment solutions we deliver provide predictable and meaningful financial results that directly relate to organizations’ specific benchmarks for success.”

The healthcare system was first introduced to SEI and its leading Manager-of-Managers investment process through an advisor working with the system. The fact that the advisor’s finder fee came out of SEI’s marketing pocket as opposed to being passed on to the prospective client further cemented SEI’s credibility.

SEI takes the time upfront to understand the purpose and time horizon of each asset pool before designing and implementing custom investment solutions with measurable financial results. This is in stark contrast to the traditional investment consultant approach to asset management that can often result in a one-size-fits-all portfolio recommendation.

SEI fashioned a solution where they would oversee and report on the outside investments so the healthcare system didn’t have to divest the assets prematurely.

“Our priority is to understand the drivers behind your retirement and non-retirement asset pools as well as the financial drivers behind your organization’s short- and long-term goals,” says Klauder. “This holistic approach is what enables the client to manage the financial impact of these asset pools with more predictability.”

THE BENEFITS OF A BUNDLED APPROACH

SEI is a partner whose bundled solution creates a value proposition for the retirement plans as well as the organization that a traditional, unbundled approach

couldn’t match. But the key to a bundled solution is a single provider that offers comprehensive, quality advice but who is flexible enough to only implement the necessary components.

“We build our investment solution around an organization’s specific needs. The end result is reduced risk, improved financial results, operational simplification, and more time to spend on critical core-business tasks and strategic issues.”

— Paul Klauder
Vice President and Managing Director at SEI Investments

One example of SEI’s flexibility was a group of non-retirement private equity and alternative investments the healthcare system had that was in their best interest to hold. After assessing the situation, SEI fashioned a solution where they would oversee and report on the outside investments so the healthcare system didn’t have to divest the assets prematurely.

In addition, SEI’s bundled package included integrating the necessary supporting services, in this case trust, custody and payment services, which has led to an increase in time efficiencies as well as cost benefits. SEI’s bundled solution lowered the healthcare systems’ overall costs by 20%. Furthermore, what had been a recordkeeping maze with multiple contacts and multiple reports is now a single, integrated client service and reporting contact.

“All our healthcare clients have benefited from one point of contact for their asset management and investment needs,” says Klauder. “We build our investment solution around an organization’s specific needs. The end result is reduced risk, improved financial results, operational simplification, and more time to spend on critical core-business tasks and strategic issues.”