

# COUNCIL CONNECT

*Excellence Through Leadership & Collaboration*

*March 31, 2008*

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## PATIENT TRANSFER AGREEMENTS: An Opportunity for County Collaboration

Hospital executives from Fresno, Madera, Tulare, and Kings counties recently held discussions, outlining their challenges with patient transfers among and between these four counties. Almost daily, patients are moved outside of their regions, by ambulances and transport companies, to receive needed care when the care is available much closer to their home and families.

**It's our ambition to be  
your "go-to" staff.  
Got a tough problem?  
Call us!**



The result of the discussions resulted in a request for Hospital Council to convene a work group made up of hospital chief nursing officers (CNOs), discharge planners, case managers, and trauma coordinators from the four counties. Its charge: To craft a patient transfer process that will ultimately be designed to:

- Ensure that the system addresses transfers to another hospital and back again to the 'home' hospital, and
- Ensure that the system for patient transfers is sustainable, consistent, improves access to care, and maximizes the capabilities of every hospital in caring for patients.

One of the challenges for every hospital is to deliver the right level of care at the right time and in the right place that is best for the patient. Patient transfer agreements are one 'tool' that can help to minimize those challenges and a four-county collaborative is one strategy to develop such agreements.

The work group will meet regularly to work out the details of the patient transfer agreements and implement new protocols for the transfer of patients.

For more information, please contact Lynne Ashbeck, Regional Vice President, (559) 650-5694, [lashbeck@hospitalcouncil.net](mailto:lashbeck@hospitalcouncil.net).

## **ALAMEDA COUNTY COALITION ON LANGUAGE ACCESS IN HEALTH CARE**

The Hospital Council is an active partner in the Alameda County Coalition on Language Access in Healthcare (ACCLAH), a coalition of agencies, organizations and individuals dedicated to finding collaborative solutions to the need for effective, efficient, patient-centered and culturally competent language access services in the county's health care system.

With funding received from the California Endowment, the ACCLAH is supporting collaborative demonstration projects in the following areas:

- Assessment and testing of bilingual staff in hospitals and community clinics to become qualified interpreters;
- A virtual translation center that will operate as a clearinghouse and repository for translated documents; and
- A Web-based, HIPPA-compliant system to manage the scheduling of on-site health care interpreters.

In January the ACCLAH also hosted a meeting of hospital and clinic language access coordinators where participants shared their current arrangements for providing interpretation services, best practices in Alameda County and gaps. The group wishes to continue meeting and the coalition has established a listserv to help members stay connected.

For more information, please contact Rebecca Rozen at (925) 746-1550 or rrozen@hospitalcouncil.net.

## **QUALITY INITIATIVES UPDATE Town Hall Meetings Draw Crowds**

The Hospital Council is leading active discussions regarding patient safety through the coordination of Town Hall Meetings in locations throughout the council. These meetings are held in collaboration with California Hospital Association, Lumetra, American Heart Association, and the California Node of the Institute for Healthcare Improvement (IHI). The goals and objectives are to assist our hospitals to collaborate locally; to learn and share best practices through education, participation and peer-to-peer sharing; and to identify winning strategies to accomplish their quality improvement goals. These events are occurring in parts of the state

that are not supported by patient safety collaboratives such as Beacon in the Bay Area and the Southern California collaborative in the greater Los Angeles region.

An IHI 5 Million Lives town hall meeting convened on January 31 at Woodland Healthcare with 22 member hospitals--from Kings to Mendocino counties--attending. The program focused on medication safety, improving stroke care and hospital-acquired pressure ulcer prevention (PUP).

- Bruce Spurlock MD, IHI faculty, led a lively dialogue on medication safety and high alert medications.
- Stephanie Bailey, Director, Ancillary Services, Contra Costa Medical Center, shared strategies for medication reconciliation, a strategy that received the "Innovation Challenge Award" from the IHI in December 2007.
- Pat Adams, Director of Medical-Surgical Services, and Ed Morin, Director of Pharmacy, both from Sutter Amador Hospital, shared their journey toward improved medication safety through implementation of bar-coding and scanning of medications.
- In a panel discussion that included Philip Laughlin MD, VPMA Woodland, panelists discussed their quest and outcomes from their hospital's efforts to become a certified stroke center and its impact on the community.
- Deidre Hegarty, RN, Senior Director, Medical-Surgical Services, O'Connor Hospital, spoke about how her hospital's program reduced PUP incidence dramatically.

A second panel included participants from Barton Memorial Hospital, Woodland Healthcare and Fremont-Rideout Health Group. The panel demonstrated that an individual hospital's personality and creativity can successfully implement change with positive results, seen from many different vantage points.

The work that these hospitals are doing will go a long way to minimize losses from complications when the CMS no-pay rules for hospital-acquired conditions begin in October 2008.

A second 5 Million Lives town hall meeting convened in Fresno on March 13, hosted by Community Medical

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Centers (CMC). Seventy-three registrants representing 21 facilities from Kern to San Joaquin counties listened to:

- Tom Utecht, MD, Chief Quality Officer for CMC, advocate for the good work of patient care and quality leaders as they persist in their efforts to reduce harm,
- Fran Griffin, IHI faculty, deliver information on methicillin-resistant *Staphylococcus aureus* (MRSA),
- A panel of infection control (IC) practitioners from Kaiser Permanente and the VA Central California Health Care System share their strategies for the prevention and control of MRSA, and
- Tanya Warwick, MD, spoke about the creation of a new stroke center at the Community Regional Medical Center.

The final topic, The Leadership Imperative, was explored at every level. Colleen Strom, RN, VP Quality, CMC, addressed the imperative for everyone to keep patients in focus and strive for improvement in everything. Kathy Palusko, RN, Director of Infection Control, Adventist Health, Central California Network, spoke to her role in leading culture change in the ICU by participating in The Johns Hopkins Hospital's collaborative on culture of safety.

Future town hall meetings are scheduled for:

- October 23, 2008 in Ukiah, co-hosted by Adventist Health's Frank R. Howard Memorial Hospital and Ukiah Valley Medical Center, and
- November 6, 2008 at Salinas Valley Memorial Healthcare System.

PLEASE PLAN TO JOIN US!

For more information, please contact Mary Lopez, Vice President, Quality Initiatives, (559) 650-5692, [mlopez@hospitalcouncil.net](mailto:mlopez@hospitalcouncil.net).

## **NEW DIRECTIONS PROGRAM UPDATE Inappropriate Use of ED Visits Declines**

Hospital Council, working through New Directions, its intensive case management program for frequent users of emergency departments (ED), is having an impact on homelessness in Santa Clara County. Over the past

five years of providing services to individuals in Santa Clara County, including the homeless, the program has identified 'obtaining permanent housing' as a key characteristic for reducing inappropriate use of the ED.

In addition to being connected in an ongoing relationship with a primary care physician, homeless individuals who obtain needed mental health and drug services and who receive interdisciplinary care conferencing and stable housing have been shown to reduce their inappropriate use of ED services. As a result, the New Directions program was awarded a Housing and Urban Development (HUD) grant for 24 units of permanent housing for homeless clients receiving services through New Directions.

Working with Catholic Charities in late 2007 and early 2008, New Directions has been able to place 10 homeless clients in permanent housing units in Santa Clara County. Funding for case management provided by New Directions is included to ensure that the individual successfully obtains appropriate medical care while housed. This HUD grant provides a means for the Hospital Council to continue working with community groups in Santa Clara County and to identify opportunities for interim and stable housing to homeless individuals with medical needs.

For more information, contact Pamela Smith Martin, Regional Vice President, (925) 746-5108, [pmartin@hospitalcouncil.net](mailto:pmartin@hospitalcouncil.net).

## **SECTION MEETINGS WITH POLITICAL "FLAIR" Opportunity Knocks!**

Section meetings in the Hospital Council Regions this last quarter included potential congressional and legislative candidates. From Sacramento to Modesto to San Francisco, candidates have been invited to share their health care platforms openly with CEO's and to test their theories of health care reform. Four such meetings have taken place in Modesto, Sacramento and Solano counties. Greg Aghazarian is running for a Senate seat in the 5th District. His relationships with hospitals in the past have been strong and CEOs enjoyed a lively discussion on the issues. Dean Andal,

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candidate for the 11th Congressional District, and Doug Ose, candidate for the 4th Congressional District, both attended section meetings with open agendas to listen and learn: Concerned CEOs told them about Medicare cuts in the federal budget and the elimination of certain safety net funding for metropolitan and rural health care districts. State Senate District candidate Joe Nation discussed with hospital CEOs from the North Bay how the budget crisis might be solved on a long-term basis and why he is the only candidate opposing the single payer universal health plan. These occasions were great testing grounds for potential political leaders.

These meetings are extremely important as candidates listen to community concerns far more when they are running for office than they do after they have been elected and have a sense that they know the answers. This is particularly true of first-time state or federal office candidates. It is the period between announcing one's candidacy and the election that gives health care leaders the greatest opportunities to inform candidates of the important issues facing hospitals and their patients.

Opportunity knocks now, from today until November 4. Invite first-time candidates to your hospital so they can see, first hand, the problems hospitals face in serving patients and the community as a whole.

For more information, contact Scott Seamons, Regional Vice President, (916) 552-7564, [sseamons@hospitalcouncil.net](mailto:sseamons@hospitalcouncil.net) or Ron Smith, Regional Vice President, (415) 616-9990, [rsmith@hospitalcouncil.net](mailto:rsmith@hospitalcouncil.net).

## **HOSPITAL COUNCIL OFFERS IMPORTANT WORKSHOP Joint Commission 2009 Survey Changes to be addressed**

Hospital Council will present a seminar addressing upcoming changes in The Joint Commission (TJC) survey process and how these changes will affect California hospitals. The program entitled "Joint Commission 2009 Updates & Recent Survey Experience: Learn from the Past and Prepare for the Future" has been developed for hospital leaders such

as CEOs, COOs, CNOs, Chief Pharmacy Officers and Staff Pharmacists, Performance Improvement Managers, Quality Managers/Risk Managers, Accreditation & Licensing Coordinators, Medical Staff Leaders. This program is provider approved by the California Board of Registered Nursing; Provider # CEP 14560 for 6 (six) contact hour.

Scheduled presenters include Kathleen Billingsley, Deputy Director, Department of Health Services; Steve Lipton, Partner, Davis Wright Tremaine, LLP; Dan Ross, Pharm. D., President, Patients First Consulting; and a TJC field examiner covering important information regarding:

- What is currently being addressed in Sacramento for licensing and certification regarding future 2008-09 Consolidated Accreditation and Licensure Survey (CALs)?
- What is DHS' role in enforcement of SB1301 and SB1312?
- What actions should hospitals take while conducting internal reviews after an "immediate jeopardy" reporting and how to prepare a response?
- How to respond to CMS Black Box Warnings and what are a hospital's responsibilities in meeting the related FDA and DHS requirements?
- Beginning in January 2009 what changes will occur with the TJC survey process, e.g.,
  - new scoring methodologies,
  - processes for integrating IMQ surveyor findings with TJC findings, and
  - initiatives for standards improvement.

The program will be presented on Tuesday, June 3, 2008, at the South San Francisco Conference Center, 255 So. Airport Blvd, South San Francisco, CA 94080. Registration and continental breakfast will begin at 8:00 am, followed by the program from 9:00 am until 3:00pm. Lunch will also be provided.

Program registration fee is \$195 per person for member hospitals with discounted registration at \$175 per person for two or more registrants from the same facility. Hospital Council Corporate or Associate members registration is \$195 per person with non-member registration at \$220 per person.

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To register via fax, print out the registration form at [http://www.hospitalcouncil.net/Upload/HC\\_JointCommission2009UpdateRegistrationForm.pdf](http://www.hospitalcouncil.net/Upload/HC_JointCommission2009UpdateRegistrationForm.pdf) and fax it to (925) 746-2401, Attn: Cheree Martindale.

For more information, please contact Petrina Aiello, Manager, Member Services, (925) 746-5106, [paiello@hospitalcouncil.net](mailto:paiello@hospitalcouncil.net) or Cheree Martindale, (925) 746-1552, [cmartindale@hospitalcouncil.net](mailto:cmartindale@hospitalcouncil.net).

## **2008 LEADERSHIP SUMMIT PROGRAM ANNOUNCED**

### **Register Now!**

The 2008 Hospital Council Leadership Summit takes place September 10 -12, at the elegant Palace Hotel in San Francisco. Designed to address the prominent challenges facing health care executives, an outstanding line-up of speakers, education sessions, top notch entertainment and fine food await all levels of hospital leadership.

REGISTER NOW at [www.hospitalcouncil.net](http://www.hospitalcouncil.net) and take advantage of the new discount pricing when two or more health care leaders from the same facility attend.

- Dr. Larry Brilliant, executive director of Google.org, the philanthropic wing of the Internet search engine, shares his quest, “Changing the World, One Challenge at a Time.”
- Scott Waddle, Commander, USN Retired, tells his compelling story about a tragic ordeal and the choices that followed, a lesson about integrity and resilience, in “Failure is not Final.”
- Ian Morrison, internationally known author, consultant and futurist will address the political, economic and strategic context of change in health care and will identify the leadership challenges and opportunities that lie ahead.
- Dick Morris, the most prominent American political consultant today and commentator for the Fox News Channel, well known for hard hitting, nonpartisan commentary about the U.S. political scene, will share his insights on the 2008 Presidential Election.
- C. Duane Dauner, President, California Hospital

Association, will lead a breakfast forum focused on pressing financial health care issues and provide an update on federal and state legislation.

- Breakout sessions will cover:
  - CEO-Board relationships,
  - Medication safety,
  - Health reform and physician and nurse supply,
  - Optimizing CHA data suite reports for decision making, and
  - Issues in hospital-based clinic development.
- Pre-Summit workshop for nurse leaders and CEOs is titled “Charting Nursing’s Future: Are We On The Right Path?”
- Pre-Summit symposium for public information officers and government relations officers is called “Speaking with One Voice: Credibility, Strength, Impact.”
- Experience new exciting health care technologies developed by McKesson, during the Summit’s Welcome Reception at McKesson Vision Center located just steps away from the Palace Hotel.
- Enjoy the hilarious antics of the Capitol Steps, a comedy group that began as a group of Senate staffers who set out to satirize the very people and places that employed them.
- Tour the new de Young Museum in Golden Gate Park.
- Golfers, get ready to tee up at the Healthcare Foundation’s Inaugural Charity Golf Tournament benefitting the Barbara Harrelson Health Sciences Scholarship Fund at the historic Presidio golf course.

**DON’T FORGET, REGISTER NOW!** Visit [www.hospitalcouncil.net](http://www.hospitalcouncil.net) for online registration and complete Summit details.

For more information, contact Petrina Aiello, Manager, Member Services, at (925) 746-5106, [paiello@hospitalcouncil.net](mailto:paiello@hospitalcouncil.net).

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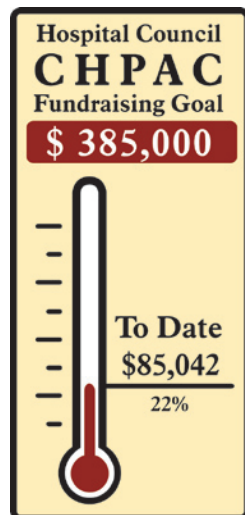
## CHPAC UPDATE

### Hospitals Reach 100% of Goal

Congratulations to Barton Memorial Hospital and Coalinga Regional Medical Center for reaching 100% of their CHPAC fund-raising goal. This shows tremendous support for this year's statewide goal of \$1,000,000. The Hospital Council's portion of the statewide goal is \$385,000.

Appointing a CHPAC campaign coordinator for your facility is a great way to initiate staff campaigns and reach your hospital's CHPAC fund-raising goal. Another way is to promote the benefits of CHPAC Presidents' Club membership to hospital vendors and invite them to join. Hospital campaign coordinators should contact Anna McAleer, CHPAC Administrator, for a campaign coordinator's kit. Anna can be reached at (916) 552-7560, amcaleer@calhospital.org.

The CHPAC is the only organization that gives financial support to responsible pro-health care candidates running for office throughout the state.



Make your CHPAC contribution today at one of the following levels:

- Presidents' Club member at \$1,250
- Leadership Board member at \$750
- Golden State Club member at \$500.

For more information, contact Justin Matheson, CHPAC, Executive Director, (916) 552-7533, jmatheson@calhospital.org.

## BUSINESS PARTNER PROFILE

### Lincoln Financial Group

Lincoln Financial Group, the marketing name for Lincoln National Corporation and its affiliates, is a strong leader in the financial services industry with its oldest affiliate, Lincoln National Life Insurance Agency, holding more than a century of experience helping customers with their financial needs. Throughout their history, they have remained at the forefront of what

they call "the retirement revolution" by constantly working to improve the products and services that they offer. This focus and leadership has been rewarded with an ever growing presence in the communities in which they serve. In California, Lincoln Financial has a special relationship with the hospital community and is proud of their continuous support of the Hospital Council and the California Hospital Association.

Lincoln Financial has created an advisory division focused exclusively on Retirement Income Security Planning. Led by industry leader Robert A. Studin, CFP®, PFS, CPA, JD, Lincoln's representatives work with hospitals to help guide their employees through the retirement income security process leading to successful retirement.

When you do business with a Hospital Council Business Partner, you help generate non-dues revenue in support of member services. Please see the end of this newsletter to access Retirement Income Security Planning for Hospital Executives & Employee, by Robert A. Studin.

For more information, contact Robert Cucchiaro, CRPC®, Managing Principal, Lincoln Financial Advisors/California Fringe Benefits, (925) 659-0352, Robert.Cucchiaro@LFG.com or contact Petrina Aiello, Manager, Member Services, (925) 746-5106, paiello@hospitalcouncil.net.

## CEO UPDATES

Douglas L. Self is the new Chief Executive Officer at Seneca Healthcare District, replacing Bill Gordon.

Michael Lawson is the new Chief Executive Officer at Kindred Hospital-San Francisco Bay Area, replacing Interim CEO Mary Schwind, who will continue as Chief Operating Officer.

Shawn Bolouki is the new Chief Executive Officer at Tulare District Healthcare System, replacing Robert C. Kelley, Interim CEO.

Dick Smith is the new Interim CEO at Banner Lassen Medical Center, replacing Joanne Fenton, Interim CEO.

Gary Myers has retired as Chief Executive Office of Mammoth Hospital. Position is unfilled at this time.

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## EDUCATION PROGRAMS AND SPECIAL EVENTS

May 14, 2008 10:00 am - 3:30 pm

Beacon Collaborative

Practical Skills for Quality Improvement

Kaiser Permanente, Redwood City

Contact Teresa Roebuck (925) 746-0728

May 15, 2008 10:00 am - 3:30 pm

Hospital Council Beacon Collaborative

Compass Series - West

Santa Clara County Medical Association, San Jose

Contact Teresa Roebuck (925) 746-0728

June 3, 2008 8:00 am – 3:00 pm

Hospital Council

Joint Commission 2009 Updates & Recent Survey

Experience:

Learn From the Past and Prepare for the Future

South San Francisco Conference Center

Contact Petrina Aiello (925) 746-5106

September 10, 2008 8:00 am – 4:00 pm

Healthcare Foundation of Northern & Central California

Charity Golf Tournament Benefiting

The Barbara Harrelson Health Sciences Scholarship

Fund

Presidio Golf Course, San Francisco

Contact Petrina Aiello (925) 746-5106

September 10 – 12, 2008

Hospital Council 2008 Leadership Summit

Palace Hotel, San Francisco

Contact Petrina Aiello (925) 746-5106

## MAY SECTION MEETINGS

May 2, 2008 9:00 – 11:00 am

East Bay Section

Kaiser Permanente Corporate Office, Oakland

Contact Marsha Yaranon, (925) 746-5108

May 14, 2008 11:00 am - 2:00 pm

Northern Sierra Section

Mercy Medical Center, Redding

Contact Kathy Sowers (916) 552-7565

May 22, 2008 8:00 am – 10:00am

Santa Clara Section

Santa Clara County Medical Association, San Jose

Contact Marsha Yaranon (925) 746-5108



## Retirement Income Security Planning for Hospital Executives & Employees



Robert A. Studin  
CFP®, PFS, CPA\*, JD\*  
Executive Director  
Financial Advisory Services  
Lincoln Financial Network

\*Licensed, not practicing

### The Steps Toward Retirement Income Security

Lincoln Financial Group believes that the key to serving the Boomer market is embracing a coordinated, fully integrated retirement planning process that is simple, compliant, repeatable, and scalable. This process must also allow the advisor to provide complex, meaningful and strategic solutions in a simple manner. The centerpiece of any such process should be a Retirement Income Security Plan that recognizes the non-linear nature of today's retirement. The plan itself, however, is not enough. It must be accompanied by a consultative process that makes it easy for the advisor to repeat each step from acquiring new clients to providing reviews for existing Retirement Income Security clients. The main goal of the Retirement Income Security Plan is to answer almost every client's desire to have "a sense of security that my financial affairs are in order." Lincoln Financial has developed a methodology that addresses the five basic financial challenges for today's retirees – timing/withdrawal rate risk, longevity risk, inflation risk, asset allocation risk, and healthcare risk – and that helps the advisor to effectively guide their clients through the planning process.

While the Retirement Income Security Plan itself is the centerpiece, the entire consultative process must be uniform with the plan. The process must be designed in a manner that makes it easy for the advisor to repeat each step from acquiring new clients to providing reviews for existing Retirement Income Security clients.

### The Retirement Income Security Plan

The main goal of the Retirement Income Security Plan is to answer almost every client's desire to have "a sense of security that my financial affairs are in order." The plan should seek to address the following questions:

- **How much do I want to accumulate?**
- **How much can I afford to spend?**
- **Could my current situation be better structured to accomplish my objectives?**

### The Retirement Income Security Process

Lincoln Financial has adopted the six stages of retirement planning outlined by the College for Financial Planning in their Chartered Retirement Planning Counselor (CRPC) designation course of study. The six stages in retirement planning are:

- Stage 1: Establish and define the client counselor relationship
- Stage 2: Gather client data, including goals and expectations
- Stage 3: Process and analyze information to determine retirement savings needs
- Stage 4: Develop and present financial planning recommendations and/or alternatives
- Stage 5: Implement the financial plan recommendations
- Stage 6: Monitor the financial plan recommendations

### The Challenges

Most professionals in the Retirement Income Security arena agree that at least five basic financial challenges face today's retirees: timing/withdrawal rate risk, longevity risk, inflation risk, asset allocation risk, and healthcare risk. While it is easy to outline these risks in generic form, the true difficulty comes in translating that information into an actionable solution for a client. Achieving balance between competing and conflicting risks takes considerable skill and understanding. For example, many experts suggest allocating a significant portion of a portfolio to equities to combat inflation risk. However, a lesser allocation to equities is usually suggested to combat timing risk. Most Boomers will face several risks at the same time. Each of these risks will be briefly described below.

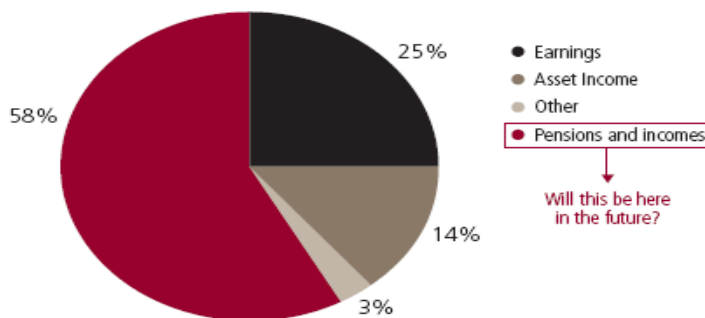
### Challenge #1: Timing/Withdrawal Rate Risk

It is clear that Boomer retirees must assume greater responsibility for planning for their retirement income. While many Boomers are business owners or are in professions where compensation is variable, the great bulk of this demographic has been accustomed to living on a paycheck on a month-to-month basis. They may have difficulty adapting to managing their finances without a monthly paycheck.

Advisors need to help their clients prepare for their changing sources of income. Consider the following:

- Pensions and Social Security payments account for 58% of current retirees' income (*Figure 1*), however:
- From 2001-2004, nearly 200 FORTUNE 1000 corporations eliminated or froze their defined benefit plans,\* and
- Social Security may or may not be available in the future in the same manner it is provided today: In 1950, there were 16 workers contributing for each Social Security beneficiary. In 2004, there were only 3.3!

**Figure 1. Percentage of Current Retirees' Income**  
Where will your retirement income come from?

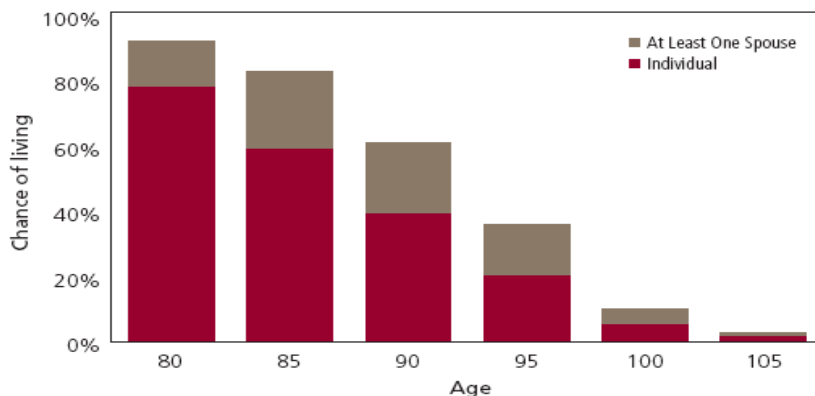


Source: Data from "Fast Facts and Figures about Social Security, 2006," Social Security Administration, 11/06.

### Challenge #2: Longevity Risk

Compared to previous generations, Boomers can expect to live a longer, often healthier life in retirement. For a 65-year-old, there is a better than 60% chance that either the individual or the spouse will live to age 90 (*Figure 6*). In 1990, only 37,000 Americans were over age 100. The U.S. Census Bureau predicts that in 2050, more than 1,000,000 Americans will be age 100 or older. These predictions are based on 2006 assumptions. With future advances in medical care, it is likely these predictions are conservative and retirees need to prepare for 20, 30, 40, or even more years of income past their retirement age. Many Boomers will spend more years in retirement (or semi-retirement) than they did working full time. Outliving their income is a real concern for current retirees. This issue will become more and more prevalent in future years. Many Boomers will not have enough accumulated wealth to easily alleviate this concern. Structuring the plan to provide sources of income they cannot outlive, especially with regard to "Needs," will be a key to providing an appropriate solution.

**Figure 6. Boomers Can Expect To Live Longer**  
Percentage chances of at least one spouse of an age 65-year-old couple living to age 90.



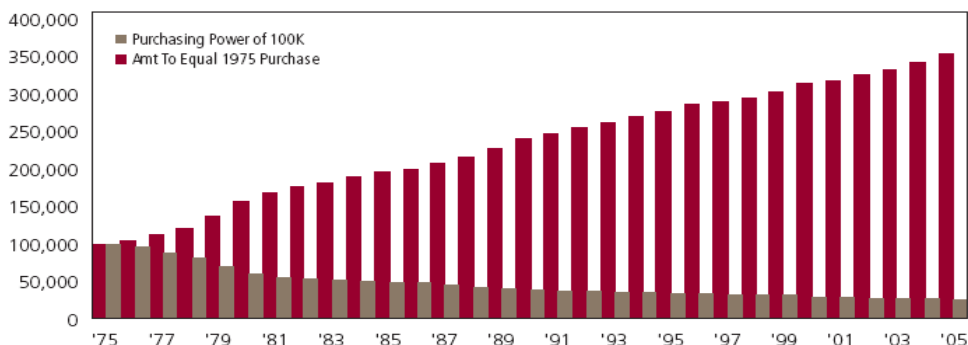
### Challenge #3: Inflation Risk

Maintaining the current standard of living is another challenge for retirees and their advisors. Inflation constantly erodes purchasing power through increased costs while taxes reduce the potential of investable earnings.

#### Inflation

Over the 30 years ending December 2005, inflation reduced spending power a compounded 4.31%. This means that \$100,000 in 1975 would only buy a little over \$25,000 of goods in 2005 (Figure 7). Stated differently, it would take more than \$350,000 in 2005 to buy what you could buy in 1975 for \$100,000. With today's retirement projected to last 30 plus years, inflation risk is much more of a threat for Boomers than it was for their parents and grandparents – who typically lived only a few years after they stopped working. Retirement planning must now include new ways for the client's income and portfolio to keep pace with inflation.

Figure 7. The Impact of Inflation



Source: Bureau of Labor Statistics - CPI

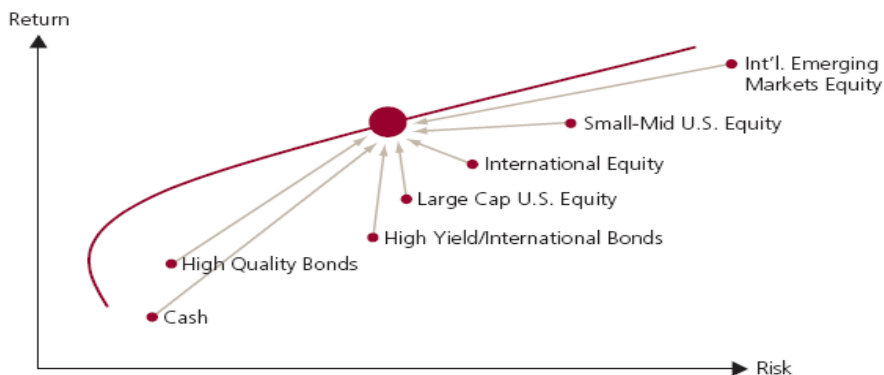
### Challenge #4: Asset Allocation Risk

Many advisors project retirement income needs based on a long-term straight line rate of return. In general, it is easier to think about a specific rate of return when making investment portfolio decisions.

With a long-term time horizon, reversion to the mean is more likely. However, as we have seen earlier, being invested in equity markets at the wrong time when taking distributions can have extremely negative results because of the lack of time to recover from downturns. On the other hand, failure to be in the market can expose retirees to inflation risk and result in depletion of assets or a reduced lifestyle. How can retirees invest to take into account these conflicting goals? The answer is through a combination of asset allocation, sequencing of investments, pairing income sources with the appropriate need, and flexibility. Using appropriate products specifically designed to address these needs is also a consideration.

Figure 10. Efficient Frontier

Combining asset classes that are negatively correlated can help reduce risk and may improve potential return.



## Challenge #5: Health Care Risk

In a recent poll, pre-retirees indicated that potential health care costs are one of their biggest concerns as they approach retirement. The statistics as to the rise in these costs and how many people incur them are staggering. The real problem with health care expenses, as opposed to many other expenses, is that no one is certain if or when costs will be incurred, or how much may be needed. Therefore, this is much more difficult to plan for than basic living expenses. It has been estimated that a current retiree may need an extra \$200,000 in today's dollars to cover this unpredictable expense.

Some wealthy retirees may feel that self-funding these expenses (primarily long-term care) is more effective than passing the risk to an insurance company. However, we believe that health insurance has become one of the fundamental elements of retirement income security and should be included as part of the analysis.

It is estimated that one out of every two retirees will spend some time in a nursing home. Only a small portion of these costs are likely to be covered by Medicare. This does not include the possibility of home health care, adult day care, and other alternative care plans. The costs for these expenses can be devastating, with the nursing home expenses increasing faster than inflation and already approaching \$100,000 per year in some locations.<sup>1</sup> As stated earlier, while some retirees feel they can self-insure this risk, for most, transferring the risk to an insurance company will have superior results.

## Conclusion

As you can see, the challenges facing today's retirees are daunting and should not be underestimated. Lincoln Financial Advisors is prepared to help clients address these challenges by designing customized financial & retirement plans to meet your unique situation. Lincoln has a 100-year-old heritage of helping people find solutions to their financial challenges — with the same honesty, integrity, and responsibility that you'd expect from our namesake. It's a legacy that we proudly and respectfully continue each day.

## The strength of Lincoln Financial today

Lincoln Financial is among the largest financial services companies in the country. We believe our continued commitment to strength and stability is indispensable to who we are and critical to your confidence in us. We are a proven industry leader in identifying and delivering sophisticated financial strategies and product solutions for the creation, preservation, protection, and enjoyment of wealth. We are committed to helping clients redefine their retirement because we don't believe retirement is an end — it's an opportunity for everyone to start doing what they were meant for all along.

### **Written By Robert A. Studin:**

*Robert A. Studin is the Executive Director of Lincoln Financial Network's Financial Advisory Services. Prior to joining Lincoln Financial Advisors Corp., Mr. Studin was a Partner with Berk, Patterson, PC, Certified Public Accountants, and prior to that, worked with Arthur Andersen. He received his Bachelor of Science degree from the University of Alabama in 1975 and his JD\* from Cumberland School of Law in 1978.*

*Mr. Studin holds the following designations: CFP® (Certified Financial Planner™) certification; PFS Personal Financial Specialist; ChFC (Chartered Financial Consultant); CLU (Chartered Life Underwriter). He is a CPA\* and a member of the Alabama Society of Financial Planning Association and the AICPA.*

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<sup>1</sup> \*Sources: U.S. Department of Health and Human Services – National Clearinghouse for LTC Information (accessed June 2007) – [www.longtermcare.gov](http://www.longtermcare.gov) and Bureau of Labor Statistic Online