

By Daniel M. Isard

A Victory Forgotten

The profession has failed to continue to embrace the purpose of the basic non-declinable services fee.

Dear Dan,

In the 30 years of being in my family business, I have seen the inside of my competitor's funeral home three times. They have a bronze plaque inscribed with a quote about the quality of a funeral. I am not sure who said this, but my father thinks it's a quote from a former longtime executive director of NFDA. We don't use the same casket company or I would ask the salesman to go over and take a picture of it. And I don't want to ask my competitor about it because it might make him feel superior to me. I was wondering what you might know of this quote and the person who said it.

Dumbfounded in Delaware

Dear Dumbfounded,

I suspect the plaque is one memorializing the words of William Ewart Gladstone, former prime minister of the United Kingdom. He was a member of the Liberal Party and espoused many liberal ideals for his time. In a career lasting more than 60 years, he served 12 years as prime minister spread over four terms, beginning in 1868 and ending in 1894. He also served four times as chancellor of the Exchequer. Here are a few quotes for which he is famous:

- "Justice delayed is justice denied."
- "Nothing is morally wrong that is politically right."
- "Show me the manner in which a nation cares for its dead and I will measure with mathematical exactness the tender mercies of its people, their respect for the laws of the land and their loyalty to high ideals."

I believe the longtime NFDA executive director your father is thinking about was Howard C. Raether, who held that position from 1948-83. That 35-year tenure covered two very important flash points of the last century in funeral service. The first came when Jessica Mitford wrote her exposé, *The America Way of Death*. Mitford's book talked about markups on caskets and other pricing issues she felt were unreasonable, and based on her perception, many others shared her opinions after learning of her text.

Raether was also executive director during the FTC hearings that created the Funeral Rule. In fact, Raether came up with the concept of the basic non-declinable services fee. As he told me many years ago, funeral service was losing during the FTC hearings because funeral directors were misrepre-

sented by the FTC finding some bad apples and holding them up to the light of the hearing. At the last moment, Raether met with the FTC and some congressional aids and told them he agreed with them – that the concept of itemized pricing was the way to go. What the policy wonks in Washington didn't understand was that there needed to be one fee regardless of the merchandise and type of funeral consumers would choose.

Raether had some visions for the profession. He was strong on casketing and anti-preneed. "If funeral directors insist on soliciting preneed funerals, they are, in fact, prearranging the funeral of their profession." He thought preneed would drive down the prices charged to consumers and thought funeral directors would have a race to the bottom in offering pre-funded funerals in a competitive market. Obviously, we have seen that is not the case, in most markets. The FTC crew loved this idea.

But after winning an important victory in the final moment of the battle, funeral service has obviously forgotten. The profession has not continued to embrace the purpose of the basic non-declinable service fee. We achieved a victory and have steadily rolled it back for the past 30-plus years. We must remember what the basic non-declinable service fee (BNDSF) states. The items to consider, according to the FTC, are:

This basic services fee should include services that are common to virtually all forms of disposition or arrangements that you offer, such as conducting the arrangements conference, securing the necessary permits, preparing the notices, the sheltering of remains and coordinating the arrangements with the cemetery, crematory or other third parties. The basic

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services fee should not include charges related to other items that must be separately listed on the General Price List and that the customer may decline to purchase.

This means the same services regardless of whether a body is going to be buried or cremated after services are rendered by your firm, as well as those that are going to be shipped in or out for your firm to service. The amount charged should not vary. It takes the same general overhead once a body is taken into your care, it takes the same arrangement staffing, and the administrative requirements are the same.

The quandary I face is that I see many GPLs with the BMDSF published as higher than the entire amount of the direct cremation package. How can this be?

Regardless of whether a body is being cremated or buried, funeral directors have the right to charge an administrative fee. In fact, the FTC summoned the initiative to create the Funeral Rule because, in part, it thought funeral homes were charging different amounts based on disposition. Whether some were or weren't doing this 40 years ago is moot. We are doing it now.

How can we assess a bill for services for cremation disposition that is any less than the bill for burial disposition? In 1984, when cremation was 5% of dispositions and we were making bad decisions on pricing, we could live with it. Today, however, with 50% of families choosing cremation disposition rather than full body burial, directors can't overcharge families choosing burial to subsidize families choosing cremation.

In my workshop at the 2016 NFDA Convention, I used the following as a slide:

	BURIAL
Non-Declinable Basic Services Fee	✓
Removal/Transfer of Remains to Funeral Home	✓
Embalming or Sanitary Care of Body	✓
Use of Facilities/Staff for Viewing	✓
Use of Facilities/Staff for Ceremony at Funeral Home	✓
Transfer of Body to Cemetery or Crematory	✓
Service Car or Van/Utility Vehicle	✓
Basic Memorial Printed Package	✓
Cremation of Body	-

From a tasking analysis, burial has eight tasks and cremation has nine. All are similar or identical. So how can cremation services cost less than burial services? At best, they should be the same. Most accurately, the price of a cremation service should be higher compared to burial services as there is a cremation fee charged (either by you for performing the service in your own retort or by a third party charging the funeral home a fee).

How much overhead should be allocated to the BMDSF? It depends. What is the mix of your business? I don't want to consider a mix of burial versus cremation. I want to look at how families choose to use your funeral home. Some mix issues are:

- Mix of visitation versus no visitation
- Mix of service versus graveside or no service
- Mix of services at your facility versus at another facility offsite.

The more opportunity a family has in using other services, the more latitude you have in setting your prices on the individual line items versus the BMDSF.

Through itemized pricing, the BMDSF is added on to the choices a consumer makes for any form of funeral arrangement. In the case of packages, the BMDSF is included into the package pricing along with the other services offered. The use of packages doesn't mean prices must be discounted. They can be, but I see too many funeral home managers screwing up their pricing via package discounts.

In summary, my dear Dumbfounded,

1. Gladstone was a British prime minister.
2. Raether was an NFDA potentate.
3. I am a modest servant of the people.
4. The FTC gave us all of the tools to win the profit war

and yet we screw them up daily.

Any further questions?

Financial and tax advice in this article is for informational purposes only and may or may not apply to your individual position. Readers are strongly encouraged to seek the counsel of qualified advisors before undertaking any action based on this information.

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