

# GRADED FUNDING

## Billing and banking overview

Available to employers with fewer than 250 employees<sup>1</sup>

The following is a review of the billing and banking mechanism developed to support Graded Funding<sup>SM</sup>. This overview is divided into three critical areas: 1) point of sale, 2) billing and 3) termination.

### Point of sale

#### Plan cost projections

The Graded Funding proposal includes a summary that outlines the sold costs – administrative fees, stop-loss insurance premium and maximum claim liability, as well as the estimated terminal liability.

#### Summary of estimated medical plan costs for sample group

2015	MEDICAL MINIMUM COSTS	MEDICAL EXPECTED CLAIMS	MEDICAL MAXIMUM CLAIMS	MEDICAL EXPECTED COSTS	MEDICAL MAXIMUM COSTS
January	\$3,125	\$6,667	\$8,333	\$9,792	\$11,458
February	\$6,250	\$13,333	\$16,667	\$19,583	\$22,917
March	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
April	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
May	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
June	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
July	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
August	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
September	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
October	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
November	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
December	\$12,500	\$26,667	\$33,333	\$39,167	\$45,833
In-year liability	\$134,375	\$286,667	\$358,333	\$421,042	\$492,708
Reserve liability	\$15,625	\$33,333	\$41,667	\$48,958	\$57,292
<b>Total</b>	<b>\$150,000</b>	<b>\$320,000</b>	<b>\$400,000</b>	<b>\$470,000</b>	<b>\$550,000</b>

Together, all the way.<sup>SM</sup>



## Binder check or credit risk deposit

Clients provide either a credit risk deposit (CRD) or a binder check at the point of sale. The type of deposit and the amount depend on the claim transfer frequency selected by the client. Clients with monthly claims transfers can expect to provide a CRD equal to one month of total expected plan costs, while clients with weekly claims transfers would be equal to half of one month of total expected plan costs. Cigna holds the

CRD for the client until termination. The CRD is then applied to terminal claim liability during the second month following termination.

Clients who select daily transfers for claims can expect to provide a binder check equal to one month of administrative and stop-loss insurance costs. This binder check is deposited and applied as a credit to offset the client's first month of administrative fees and stop-loss insurance premium (A&I) costs.

CLAIM TRANSFER FREQUENCY	CREDIT RISK DEPOSIT AMOUNT	BINDER CHECK AMOUNT
Monthly	1 month of total expected costs	n/a
Weekly	1/2 month of total expected costs	n/a
Daily	n/a	1 month of administrative & insurance costs

## Billing

Depending on the lead time between the sale and the stop-loss policy effective date, statements may not present before the first policy month. On the 10th day of each subsequent month, the premium statement is posted to the Client Resources website for the client to view. The Premium Statement will reflect costs for administrative fees and stop-loss insurance premiums (fixed cost).

The Aggregate Statement (see example) is posted for a client to view at the same time as the Premium Statement. The statement provides the stop-loss premium and administrative fee amounts, as well as the claims attachment and paid claims reporting. This is updated once monthly, however, other paid claims reports are available on **CignaClientResources.com** to ensure the most current paid claim information is available on demand.

## Sample aggregate statement

The aggregate statement reflects cumulative claim liability and cumulative paid claims, allowing the client to view year-to-date savings.

Statement for the month of Dec 2013. — Summary statement for the year beginning Jan 2013.										
	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Month	Monthly attachment level	Cumulative attachment level	Monthly benefit payments	Cumulative benefit payments	In-month change in experience deficit	Cumulative change in experience deficit	Benefit payments transfer amount	Cumulative benefit payments transfer amount	Admin fee and stop-loss premium	Total transfer
Jan-11	\$8,333	\$8,333	\$7,000	\$7,000	\$0	\$0	\$0	\$0	\$0	\$0
Feb-11	\$16,667	\$25,000	\$13,500	\$20,500	\$0	\$0	\$20,500	\$20,500	\$9,375	\$29,875
Mar-11	\$33,333	\$58,333	\$27,000	\$47,500	\$0	\$0	\$27,000	\$47,500	\$12,500	\$39,500
Apr-11	\$33,333	\$91,666	\$24,500	\$72,000	\$0	\$0	\$24,500	\$72,000	\$12,500	\$37,000
May-11	\$33,333	\$124,999	\$18,000	\$90,000	\$0	\$0	\$18,000	\$90,000	\$12,500	\$30,500
Jun-11	\$33,333	\$158,332	\$26,000	\$116,000	\$0	\$0	\$26,000	\$116,000	\$12,500	\$38,500
Jul-11	\$33,333	\$191,665	\$24,000	\$140,000	\$0	\$0	\$24,000	\$140,000	\$12,500	\$36,500
Aug-11	\$33,333	\$224,998	\$29,500	\$169,500	\$0	\$0	\$29,500	\$169,500	\$12,500	\$42,000
Sep-11	\$33,333	\$258,331	\$27,500	\$197,000	\$0	\$0	\$27,500	\$197,000	\$12,500	\$40,000
Oct-11	\$33,333	\$291,664	\$18,500	\$215,500	\$0	\$0	\$18,500	\$215,500	\$12,500	\$31,000
Nov-11	\$33,333	\$324,997	\$19,000	\$234,500	\$0	\$0	\$19,000	\$234,500	\$12,500	\$31,500
Dec-11	\$33,333	\$358,330	\$21,000	\$255,500	\$0	\$0	\$21,000	\$255,500	\$12,500	\$33,500

## Payment schedule

### Monthly

- ▶ If monthly claim transfers are selected: We collect the administration fee and stop-loss policy premium by way of an automated clearinghouse (ACH) transfer around the 20th of each month. If the client has elected monthly claims transfers, there will be a second ACH transfer for the claims.

### Daily

- ▶ If daily claim transfers are selected: We collect the administration fee and stop-loss premium by way of an automated clearinghouse (ACH) transfer around the 20th of each month. The client would see a daily ACH transfer for claims. For daily transfers, the transfer amount is available each day in the banking reports and the transfer for that day takes place on the following day. For example, Tuesday's transfer amount shows in the portal on Tuesday, but the transfer amount for Tuesday is actually pulled Wednesday.

### Weekly

- ▶ If weekly claim transfers are selected: We collect the administration fee and stop-loss premium by way of an automated clearinghouse (ACH) transfer around the 20th of each month. The client would see a weekly ACH transfer for claims. For weekly transfers- the transfer amount is available via the banking reports on **CignaClientResources.com** each Monday and the transfer takes place on Tuesday.

ACH transfers typically occur on the 20th of the month, unless there is a bank holiday or federal holiday.

The time of day varies based on the bank the client uses - sometimes the transfer is in the morning, sometimes it happens later in the day or after business hours.

ACH transfer dates can be found under the Announcements Section at **CignaClientResources.com**.

### Renewal

Underwriting provides a renewal package and the final renewal plan costs will be used in the following plan year. The package includes a summary that outlines the sold rates (Administrative fees, stop-loss policy premium and maximum claim liability), as well as the estimated terminal liability.

## Termination

At the time of termination, clients will continue to be responsible for paying run-out claims much like when they were active, up to their maximum liability. Terminal or run-out claims are claims for expenses incurred while the client's administrative service agreement (ASA) was still in effect, but are paid after its termination. Terminal fees and terminal claim funding factors are always set at the beginning of the policy year so clients know the liability up front. The client's claim liability differs, depending on the type of termination and the maximum liability outlined in their renewal package and stop-loss policy.

For more information, refer to your company's renewal package, stop-loss policy, and contact your Cigna representative for the Terminal Liability Overview.

**Cigna's self-funding solutions have been around for more than 25 years, proving to companies with fewer than 250 employees<sup>1</sup> that it's possible to improve health and save money. Contact your Cigna sales representative for more information.**



1. In most states, Cigna offers administrative services for self-funded plans with as few as 25 full-time employees. Product and service availability may vary by location and plan type and is subject to change. For more information, contact your Cigna sales representative.

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