

Level funding

Control and Predictability in Balance

YEAR-END ACCOUNTING EXAMPLES

CLAIMS RUN FAVORABLY

Annual Claims Funding	\$200,000.00
Change in Terminal Fund	(\$4,000.00)
Paid Claims	(\$160,000.00)
Participating Surplus	\$36,000.00

Any required increase will be funded from the employer's claims experience.

CLAIMS RUN UNFAVORABLY

Annual Claims Funding	\$200,000.00
Change in Terminal Fund	(\$4,000.00)
Paid Claims	(\$240,000.00)

DEFICIT (\$44,000.00)

CIGNA funds the required \$4,000 increase to the terminal fund, and the \$40,000 deficit is covered under stop loss insurance.

In the event an increase is needed in an unfavorable claims year, CIGNA places additional funds into the account. The deficit is not carried forward and there are no additional charges at the time of reconciliation.

Level funding from CIGNA is a type of self-funding unique to the marketplace. It combines financial predictability and the control and information you want, with an opportunity to benefit from a positive claims year. Let's take a closer look at the reasons level funding is so effective.

PREDICTABILITY

One of the many reasons employers select level funding is because of the predictability it offers through:

- **Pre set monthly payments** – based on the number of covered employees, the total cost represents the maximum you will pay:
 - Payments do not fluctuate based upon claims experience.
 - Total cost is comprised of claims funding¹, premium and administrative fees.
- **Prefunded terminals** – Collected in your first year, terminal funds cover claims incurred prior to termination and submitted afterward, so you know your costs up front, and there are no surprises.

DETAILED REPORTING

With level funding, you'll always know exactly how your health care dollars are being spent through detailed monthly reports that:

- Highlight utilization trends in spending (such as overuse of emergency services or out-of-network health care professionals), so you can offer education and identify opportunities for savings.
- Help you take an active role in plan administration by analyzing performance and making adjustments where needed.

SAVINGS POTENTIAL

CIGNA determines an annual claims amount based on your plan design and number of employees. When your employees' claims are less than the annual claims funding, your company benefits by receiving *year-end administrative fee credits* (minus any necessary terminal fund adjustment) – putting a portion of that money back into your pocket.

FLEXIBILITY IN PLAN DESIGN

Level funding allows you to make sure your plan design fits and grows with your employees.

- You choose the plan that fits your employees' needs.
- You have the ability to change your plan based on the information presented in the reports you receive.

SELF-FUNDING BENEFITS THAT ARE ALREADY INCLUDED

Consider the additional benefits you receive with ALL CIGNA self-funded plans including level funding. The ability to:

- **Maximize benefit dollars** – Self-funding allows you to have more control over your benefits budget, and your savings can be used however you choose.
- **Avoid state-mandated benefits** – Self-funded plans are governed only by the federal Employee Retirement Income and Security Act (ERISA), not by individual states, and you decide which benefits to include in your plan. This greater flexibility can help save you money.
- **Provide a uniform benefits program in multiple states** – Self-funding allows you to offer the same benefits program to employees in all states.
- **Reduce premium taxes** – Because self-funded plans are governed only by ERISA, not by state regulations, you pay tax only on the stop-loss premium.
- **Stop loss coverage** – CIGNA works with you to set maximum monthly costs to protect you from catastrophic claims situations.

THE CIGNA ADVANTAGE

All of the CIGNA extras you've come to expect and count on are also available with level funding:

- Access to a proprietary network soon to exceed 650,000 health care professionals and over 56,000 hospitals and facilities.
- Award-winning disease management programs.
- Personal health and wellness profiles, education and support.
- Interactive online resources, including tools to compare costs, track health goals.
- Customer service line.

EXPANDING YOUR ABILITY TO PROVIDE FOR YOUR EMPLOYEES

With CIGNA, the choice extends beyond funding options to the health care plan that's the best fit for you. We provide you with the tools and empower you to make your plan work for you and your employees. For more information about level funding, its many benefits and how we can offer the right health benefits solution for your company, please contact your CIGNA representative.

¹ Claims funding is the maximum claim liability (as determined pursuant to the Stop Loss Policy).

We reference CIGNA and Great-West Healthcare to accommodate all covered individuals. CIGNA covered individuals, please disregard Great-West Healthcare references.

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it's time[®] for a change

