

# LEVEL FUNDING<sup>SM</sup>



## Billing and banking overview

This overview provides information on five components of the Level Funding<sup>SM</sup> billing and banking process: 1) Point of sale, 2) Monthly billing, 3) Renewal, 4) Reconciliation, 5) Termination.

### Point of sale

#### Confirmation of fees and claims funding

Cigna will provide the client with a summary that outlines the administrative fees, stop-loss premium and monthly claims funding (MCF<sup>1</sup>), as well as the terminal fund liability. The terminal fund is equal to approximately 1.25 months of claims funding based upon the last two months of the policy year (or the two months prior to termination, whichever is earlier). This document must be signed by the client and returned to Cigna by the 25th day of the effective month.

The terminal fund, sometimes called reserves, is the money set aside for claims and fees after termination.

#### Binder Check Deposit

Clients provide an initial deposit (or binder check) at the point of sale equal to the first month's administrative fees and insurance premium (administrative fees and stop loss premium) amount. The deposit is applied as a credit to offset the client's first month of A&I costs. Generally, there is no additional requirement for a credit risk deposit.

Summary of estimated medical plan costs for a sample Level Funding client

2018	Claims funding	Admin. costs and stop-loss insurance premium	Total costs	Estimated terminal fund assessment	Estimated adjusted participating claims funding
January	\$20,000	\$13,000	\$33,000	\$0	\$20,000
February	\$20,000	\$13,000	\$33,000	\$0	\$20,000
March	\$20,000	\$13,000	\$33,000	\$0	\$20,000
April	\$20,000	\$13,000	\$33,000	\$0	\$20,000
May	\$20,000	\$13,000	\$33,000	\$0	\$20,000
June	\$20,000	\$13,000	\$33,000	\$0	\$20,000
July	\$20,000	\$13,000	\$33,000	\$0	\$20,000
August	\$20,000	\$13,000	\$33,000	\$0	\$20,000
September	\$20,000	\$13,000	\$33,000	\$0	\$20,000
October	\$20,000	\$13,000	\$33,000	\$0	\$20,000
November	\$20,000	\$13,000	\$33,000	\$10,000	\$10,000
December	\$20,000	\$13,000	\$33,000	\$15,000	\$5,000
<b>Annual total</b>	<b>\$240,000</b>	<b>\$156,000</b>	<b>\$396,000</b>	<b>\$25,000</b>	<b>\$215,000</b>
Client Bank Account Tap to take place in month 1:					\$0
Tap to take place in month 2 (sum of month 1 and 2 total costs):					\$66,000
Less Deposit:					-\$13,000
<b>Estimated total first tap (net of deposit):</b>					<b>\$53,000</b>
<b>Please fund for first tap on or before:</b>					<b>2/20/2014</b>

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## Monthly billing

Clients access two monthly statements at **CignaClientResources.com** – the Group statement and Aggregate accounting statement. Both statements are available on the 10th of the month. Due to the timing of the final rate confirmation, statements are not presented during the first effective month, nor is any money tapped (withdrawn) from the client’s bank account. For example, a January 1 effective date client will see the first statement in February.

## The Group premium statement

This statement reflects the first and second month’s administrative fees and stop-loss insurance premiums, less the initial deposit. The statement includes a summary page of total costs, costs by group/plan, a detailed roster (see example below) and adjustment page.

Billing detail by group								
Bill start date: 01/01/2018 Bill end date: 01/31/2015 – Group: 00123456 Sample Client, Inc.								
Employee Name	Sub Group	Class ID	Plan ID	Cov Ind	Medical	Amount due	Claims funding	Total
Employee A	0001	A001	MOAP001	EEO	\$190.39	\$190.39	\$150.00	\$340.39
Employee B	0001	A001	MOAP001	E+FAM	\$494.40	\$494.40	\$250.00	\$744.40
Employee C	0001	A001	MOAP001	EEO	\$190.39	\$190.39	\$150.00	\$340.39
Employee D	0001	A001	MOAP001	EEO	\$190.39	\$190.39	\$150.00	\$340.39
Employee E	0001	A001	MOAP001	E+FAM	\$494.40	\$494.40	\$250.00	\$744.40
Employee F	0001	A001	MOAP001	E+FAM	\$494.40	\$494.40	\$250.00	\$744.40
Employee G	0001	A001	MOAP001	EEO	\$190.39	\$190.39	\$150.00	\$340.39
Employee H	0001	A001	MOAP001	E+C	\$327.19	\$327.19	\$215.00	\$542.19
Employee I	0001	A001	MOAP001	EEO	\$190.39	\$190.39	\$150.00	\$340.39
Employee J	0001	A001	MOAP001	EEO	\$190.39	\$190.39	\$150.00	\$340.39

Combined administrative fees and stop loss premium costs from the group statement

Monthly claim funding (MCF) per employee

The total cost (A&I + MCF) per employee

## The Aggregate accounting statement

The Aggregate statement (see example) illustrates the premium/admin fee accounts for the first two months as well as the claims funding amount.

Sample aggregate statement for the month of December 2013										
	1	2	3	4	5	6	7	8	9	10
2013	Monthly claim funding*	Cumulative claim funding	Monthly claim payments	Cumulative claim payments	In-month change in surplus	Cumulative surplus*	Claims funding transfer amount	Cumulative claims funding transfer	Premium/ Fee	Total transfer
January	20,000	20,000	5,000	5,000	15,000	15,000	0	0	0	0
February	20,000	40,000	12,000	17,000	8,000	23,000	40,000	40,000	13,000	53,000
March	20,000	60,000	22,000	39,000	-2,000	21,000	20,000	60,000	13,000	33,000
April	20,000	80,000	20,000	59,000	0	21,000	20,000	80,000	13,000	33,000
May	20,000	100,000	18,000	77,000	2,000	23,000	20,000	100,000	13,000	33,000
June	20,000	120,000	17,000	94,000	3,000	26,000	20,000	120,000	13,000	33,000
July	20,000	140,000	16,000	110,000	4,000	30,000	20,000	140,000	13,000	33,000
August	20,000	160,000	17,500	127,500	2,500	32,500	20,000	160,000	13,000	33,000
September	20,000	180,000	19,000	146,500	1,000	33,500	20,000	180,000	13,000	33,000
October	20,000	200,000	20,000	166,500	0	33,500	20,000	200,000	13,000	33,000
November	20,000	220,000	16,900	183,400	3,100	36,600	20,000	220,000	13,000	33,000
December	20,000	240,000	16,600	200,000	3,400	40,000	20,000	240,000	13,000	33,000

This is the administrative fees and stop loss premium costs from the Group statement

This is the amount to be tapped from the bank account on the 20th of the month

Terminal fund on account\*\* 25,000  
 Level funding arrangement\*\*\* 33%

Shows dollar amount of terminal funds collected  
 Shows percentage of surplus to be retained by Cigna

\* Approximately 50% and 25% of monthly claims funding (1) will be collected during the last two months of the plan year. The remaining 50% and 75% of monthly claims funding will be collected and applied to the terminal fund on account. (6) When a group is in cumulative deficit, surplus is displayed as \$0.

\*\* Terminal funds are amounts required to fund the plan run-out claim liability as described in Section 2 of the payment obligation index in the administrative services contract.

\*\*\* These numbers represent data that was originally reported, but has since been adjusted. See the attached adjustment listing for an explanation of adjustment processed.

## Aggregate accounting statement column key

Column	Header: description
1	<b>Monthly claim funding:</b> Maximum amount of claims dollars the client is liable for the effective month. Regardless of whether actual claims are above or below this amount, the client pays this amount. This amount may fluctuate over the year based on enrollments/disenrollments.
2	<b>Cumulative claim funding:</b> The cumulative total of claim funding dollars paid by the client throughout the full policy year.
3	<b>Monthly claim payments:</b> Actual paid claims under the specific stop-loss limit for that month. Does not include claims or adjustments outside the stop-loss arrangement (example - pharmacy claims for terminated employees).
4	<b>Cumulative claim payments:</b> Claims under the specific stop-loss limit cumulative for the plan year. Does not include claims or adjustments outside the stop-loss arrangement (example - pharmacy claims for terminated employees).
5	<b>In-month change in surplus:</b> Represents any change to the cumulative surplus based on retroactivity.
6	<b>Cumulative surplus:</b> Portion of cumulative claim funding amount above cumulative claim payments.
7	<b>Claims funding transfer amount:</b> For clients in the first plan year, this amount includes monthly claims funding (column 1) and terminal fund collection during the last two months of the plan year, and adjustments for the current plan year.  For clients in the second plan year, this amount includes monthly claims funding (column 1), and adjustments for the current plan year.
8	<b>Cumulative claims funding transfer:</b> For clients in their first plan year, this amount includes cumulative claims funding (column 2) as of the statement month, terminal fund collection during the last two months of the plan year, and adjustments to the current plan year.  For clients in the second plan year, this amount includes cumulative claims funding (column 2) as of the statement month, and adjustments for the current plan year.
9	<b>Premium/Fee:</b> Fixed cost amount due for the current month from the group statement.
10	<b>Total transfer:</b> Combination of claims funding transfer amount and premium/fee costs - the amount to be tapped on the 20th of the month. Note: The Adjustment Listing Page of the Aggregate Statement provides a summary of current and prior year adjustments.

### Schedule for the year:

- First month: No presentation of the bill and no bank account tap.
- Second month: One bank account tap for first and second month administrative fees, stop loss premium and monthly claims funding (less initial deposit).
- Third month and beyond: One bank account tap for total costs (administrative fees, stop loss premium and monthly claims funding in the current month).

Bank account taps typically take place on the 20th of the month. The schedule of taps for the full year is available at [cignaclientresources.com](http://cignaclientresources.com).

### Renewal

Underwriting provides a renewal package and the final renewal rates will be stored and used in the following plan year.

### Year-end reconciliation

During the third month following a client's renewal, a year-end accounting statement is included in the aggregate accounting statement. The summary assesses the terminal fund liability based on the year-end enrollment and claims funding. The terminal fund liability equals 50% of month 11 claims funding plus 75% of month 12 claims funding, for a total of approximately 1.25 months of claims funding. Terminal funds are not included in the claims funding that accumulates toward an administrative fee credit opportunity. If a client is eligible for that credit, it is applied towards administrative fees and stop loss premium cost in the fourth month following renewal. Should the credit be greater than the fourth month's administrative fees and stop loss premium, it will continue to apply toward future administrative fees and stop loss premium each month until the credit is exhausted.

## Sample Group Year-End Level Funding Accounting Summary

Summarizes the year-end accounting, including the terminal fund adjustment, surplus/deficit amount and any credit.

Original effective date	01/01/2018
Plan year to reconcile	01/01/2018 to 12/31/2018
Group number	00605000

Terminal fund adjustment	
Beginning terminal fund	\$0.00
<b>Terminal fund on account at end of year*</b>	<b>\$25,000.00</b>

Year-end accounting	
Cumulative claims funding**	\$215,000.00
Less cumulative paid claims	(\$200,000.00)
Final surplus (deficit)	\$15,000.00

<b>Surplus to be shared to with client (renewal required)***</b>	<b>\$10,000.00</b>
<b>Service fee to Cigna (33%)***</b>	<b>\$5,000.00</b>

\* Terminal fund is calculated based upon the claims funding from the last two months of the plan year (75% of the last month plus 50% of the second to last month) as described in Section 2 of the payment obligations appendix in the administrative services contract.

\*\* Claims funding is referred to in the stop-loss policy as "cumulative attachment limit".

\*\*\* See Section 1 of the payment obligations appendix in the administrative services contract for further details.

### Termination

At the time of termination, clients will be notified of the time period in which to enter any eligibility changes. If any are made after the monthly tap in the final effective month result in a financial impact. The client will be notified of any amount due or to be refunded to them. Once final eligibility is complete, the client will not be charged any additional fees or liability.



1. Monthly claims funding (MCF) is the maximum monthly claim liability (as determined pursuant to the stop-loss policy).

Product availability may vary by plan type, group size and location, and is subject to change. In most states, Cigna offers group insurance coverage to employers with more than 50 full time employees, as well as administrative services for self-funded plans with as few as 25 full-time employees. All stop loss insurance policies and health benefit plans contain exclusions and limitations. For more information, contact your Cigna sales representative.

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