

# INNOVATIVE HEALTH PLAN FUNDING SOLUTIONS

Wednesday, January 23, 2013  
2pm EST

**GO YOU.**



# Agenda

- **Funding solutions, an overview**
  - Anthony Matteo, Underwriting Director
- **Funding: complementing health and wellness initiatives**
  - Monica Schmude, Vice President of Sales for Mid-Atlantic
- **Shared Returns® Success Story**
  - Fred Brewer, Senior Account Manager
- **Questions**

## FLEXIBLE FUNDING SOLUTIONS



**Better manage  
risk and  
budget/cash flow**



**Provide health  
coverage that  
addresses unique  
health needs**



**Improve the  
bottom line when  
improving  
employee health**

**FULLY  
INSURED**

**INSURED  
50%  
DIVIDEND  
ELIGIBLE**

**SHARED  
RETURNS  
FULLY  
INSURED**

**SHARED  
RETURNS  
MINIMUM  
PREMIUM**

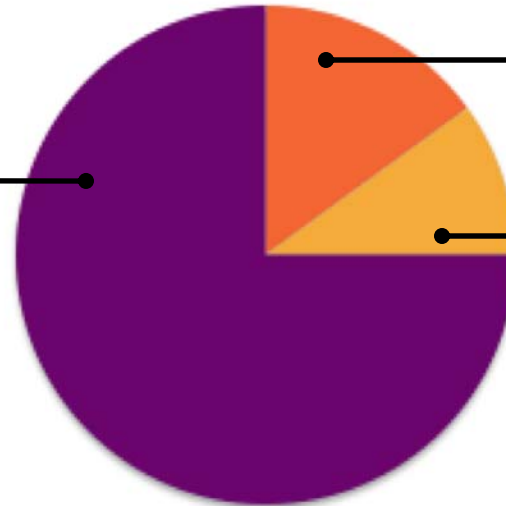
**SELF  
FUNDED  
WITH STOP  
LOSS**

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## WHERE THE HEALTH CARE DOLLAR GOES

### Claims

Payment for health care services rendered under the benefit plan.



### Fixed costs

Include administrative expenses, access fees, pooling/risk charge and premium taxes.

### Reserves

Money set aside for payment of claims incurred, but not yet paid.

## FULLY INSURED

### HOW IT WORKS

- Full insurance protection.
- Predictable, fixed monthly premium for all costs.
- Cigna pays covered claims.
- Also known as traditional funding or guaranteed cost.



## INSURED 50% DIVIDEND ELIGIBLE

### HOW IS IT SIMILAR TO FULLY INSURED?

- Full insurance protection.
- A simple, predictable, fixed monthly premium includes all costs.
- Cigna pays covered claims.

### HOW IS IT DIFFERENT?

- Participate, or share, in claim experience. This means the employer can receive up to 50% of the savings cash back if actual claims are less than expected.<sup>1</sup>



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<sup>1</sup>-Subject to renewal

## SETTLEMENT ILLUSTRATION

### INSURED 50% DIVIDEND ELIGIBLE

	Claims are lower than expected	Claims are higher than expected
Premium <sup>1</sup>	\$3,000,000	\$3,000,000
less expenses	\$400,000	\$400,000
less paid claims + change in reserve	\$2,450,000	\$2,700,000
Balance	\$150,000	(\$100,000)

#### CLAIMS ARE LOWER

The employer shares in 50% of the balance.  
 $\$150,000 \times 50\% = \$75,000$

#### CLAIMS ARE HIGHER

The employer doesn't pay more. Cigna covers the difference.

This example is provided for illustrative purposes only. Actual components will vary.

1-Premium is Experience Rated Premium excludes Access fees and Pooling.

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## SHARED RETURNS® FULLY INSURED

### HOW IS IT SIMILAR TO FULLY INSURED?

- Full insurance protection.
- Predictable, fixed monthly premium for all costs.
- Cigna pays covered claims.

### HOW IS IT DIFFERENT?

- Receive a year-end settlement.
- Participate, or share, in claim experience. This means the employer can receive cash back if actual claim costs are less than expected.



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## SETTLEMENT ILLUSTRATION

### SHARED RETURNS FULLY INSURED

	Claims are lower than expected	Claims are higher than expected
Premium <sup>1</sup>	\$3,000,000	\$3,000,000
less expenses	\$400,000	\$400,000
less paid claims + change in reserve	\$2,450,000	\$2,700,000
Balance	\$150,000	(\$100,000)

#### CLAIMS ARE LOWER

Employer shares in up to \$150,000.

The balance may be deposited into a Premium Stabilization Reserve or returned as cash-back.

#### CLAIMS ARE HIGHER

Employer does not pay balance.

Cigna covers the difference. This amount carries forward and can be recovered from future positive balances.

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## SHARED RETURNS® MINIMUM PREMIUM

### HOW IS IT SIMILAR TO FULLY INSURED?

- Full insurance protection.
- Monthly cap on total cost.

### HOW IS IT DIFFERENT?

- Lower, fixed monthly premium.<sup>1</sup>
- Hold reserve funds.<sup>2</sup>
- Pay for claims as they occur.
- Participate, or share, in claim experience. This means the employer saves money in real time if actual claims are less than expected.



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1-Lower than a traditional funding plan. 2-Subject to underwriting approval. Client may hold reserves until termination.

## SETTLEMENT ILLUSTRATION

### SHARED RETURNS MINIMUM PREMIUM

	Claims are lower than expected	Claims are higher than expected
Expected claims (bank account liability)	\$2,500,000	\$2,500,000
less actual paid claims	\$2,350,000	\$2,600,000
plus Cigna reimbursed claims	\$0	\$100,000
<b>Bank Balance</b>	<b>\$150,000</b>	<b>\$0</b>

### CLAIMS ARE LOWER

Employer benefits in real time by paying less money.

### CLAIMS ARE HIGHER

Cigna covers employer's excess claims. Reimbursed claims carry forward and can be recovered from future positive balances.

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## SELF-FUNDING WITH STOP LOSS

### HOW IT WORKS

- Self-funding does not provide insurance protection.
- Reduced fixed costs.
- Pays all covered claims and hold reserves.
- Also known as "ASO" or "Administrative Services Only."

### ADDITIONAL PROTECTION AVAILABLE

- Integrated Stop Loss protects against excess claims.
- Cigna as claim fiduciary.



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## EXPECTED VS. ACTUAL COST

### SELF-FUNDING WITH STOP LOSS

	Claims are lower than expected	Claims are higher than expected
Expected claim	\$2,500,000	\$2,500,000
less actual paid claims	\$2,350,000	\$2,600,000
Bank Savings/Over-run	\$150,000	(\$100,000)

#### CLAIMS ARE LOWER

Employer saves \$150,000 by paying lower claims throughout the year.

#### CLAIMS ARE HIGHER

Employer pays \$100,000 more than the expected cost since actual claims were higher than expected.

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## CIGNA FUNDING SOLUTIONS COMPARISON

<b>BENEFITS</b>	<b>FULLY INSURED (GUARANTEED COST)</b>	<b>INSURED 50% DIVIDEND ELIGIBLE</b>	<b>SHARED RETURNS® FULLY INSURED</b>	<b>SHARED RETURNS® MINIMUM PREMIUM</b>	<b>SELF FUNDED</b>
<b>INSURANCE PROTECTION</b>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Optional Integrated Stop Loss
<b>PREDICTABLE MONTHLY COST &amp; BUDGETING EASE</b>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>OPPORTUNITY TO GET CASH BACK* (PARTICIPATING)</b>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>IMPROVE CASH FLOW; PAY AS YOU GO, HOLD RESERVES</b>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>YEAR-END SETTLEMENT</b>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

\*Opportunity to get cash back is subject to renewal on 50% Dividend Eligible

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# COMPLEMENTING HEALTH AND WELLNESS INITIATIVES



EARNING THE PRIVILEGE TO HELP.



GO YOU.

BEING THERE – HOW AND WHEN WE’RE NEEDED.



24/7/365 live service  
150 languages



Words We Use



Onsite



My Personal  
Champion®



Natural  
Language IVR



Online  
and mobile  
access



Social Media

**“Cigna had the greatest improvement in “enjoy-ability” among all health plans.”**

Forrester Research, 2011.

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IT STARTS WITH A ONE-OF-A-KIND EXPERIENCE.



RECOGNIZING UNIQUE GOALS AND NEEDS



**Embrace** each customer's individuality

**100%**  
customer driven

**Be helpful**, easy and enjoyable – every time

**97%**  
customers satisfied\*

\* Care management

**Earn** trust & privilege to help them reach their goals

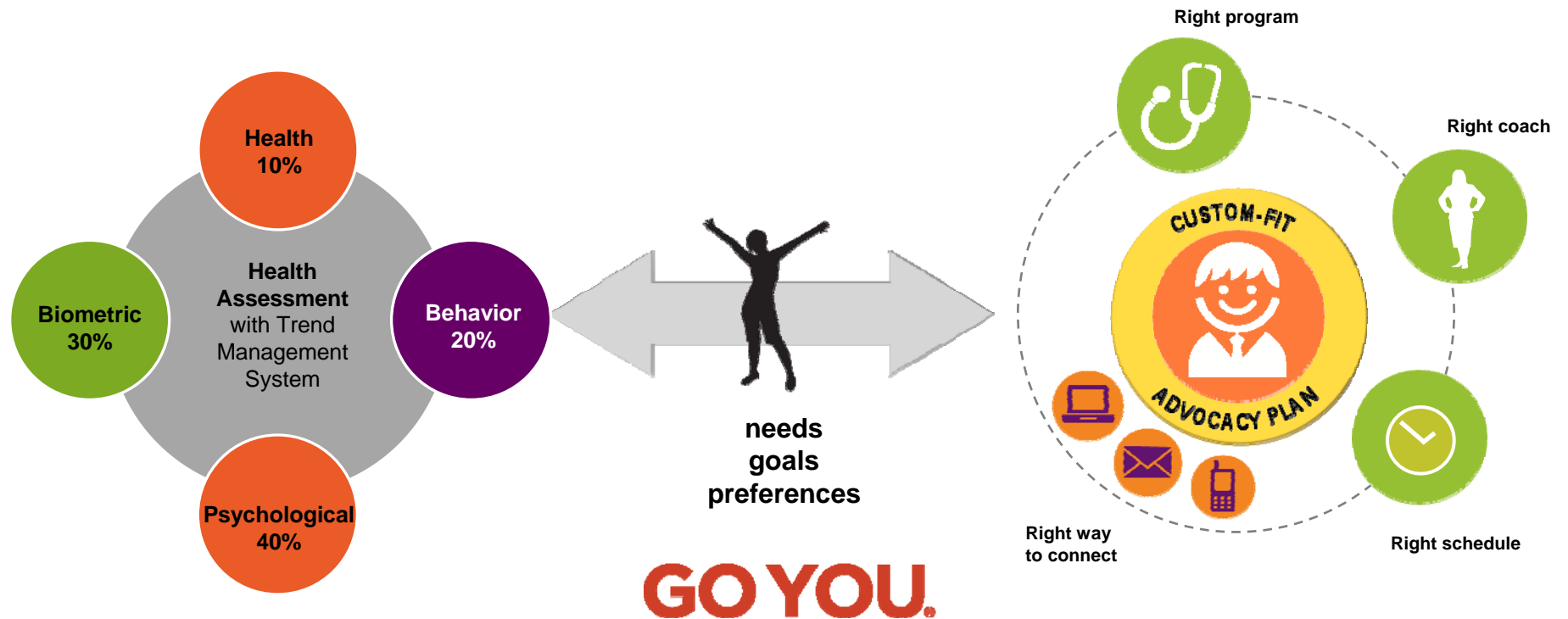
**72%**  
met health goal\*\*

\*\* Your Health First®  
Chronic Condition Program

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# PERSONALIZED HEALTH & WELLNESS SUPPORT.

CUSTOM-FIT TO YOUR PEOPLE.



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## HEALTH AND WELLNESS INITIATIVES



**IT TAKES A TEAM**

Do you  
want the  
**opportunity**  
to share in  
your **results?**

**FULLY  
INSURED**

**INSURED  
50%  
DIVIDEND  
ELIGIBLE**

**SHARED  
RETURNS  
FULLY  
INSURED**

**SHARED  
RETURNS  
MINIMUM  
PREMIUM**

**SELF  
FUNDED  
WITH STOP  
LOSS**

**All the benefits of a traditional, fully-insured  
plan plus the opportunity to get cash back.**

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# Shared Returns Success Story



## CITY OF BANGOR



### Population facts

- 470 employees plus dependents
- 58% male, 42% female
- Average age: 51
- Eleven unions
- Highest risk factors: allergies, arthritis, back pain, cholesterol, blood pressure

### They asked:

- Affordable Funding Solution
- Wellness initiatives to improve risk factors
- Health advocacy programs to control disease
- A robust network to satisfy diverse needs

### We gave:

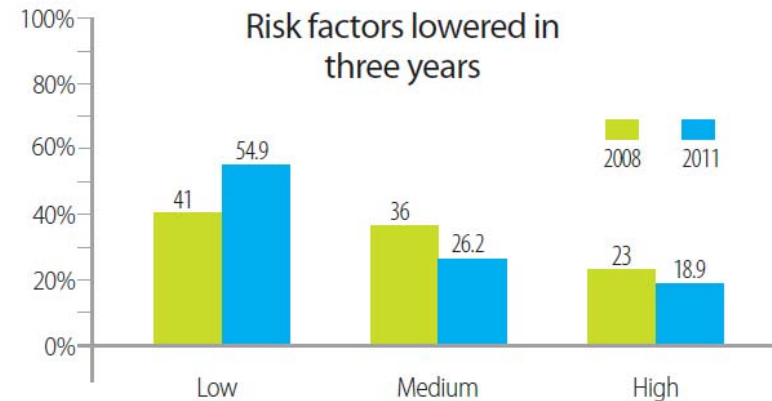
- Cigna Shared Returns® plan to control costs
- Wellness Committee that engages all departments and unions
- Annual health assessments and onsite biometric screens help target chronic condition risks
- Cigna Health Coach and “Wellness Passport” program



## CITY OF BANGOR

### Outcomes:

- Risk factors significantly lowered.
- Screening rates and preventive care statistics rose to well above the norm.
- City of Bangor experienced \$156,000 ROI with disease management programs contributing 65% (2011).
- Shared Return funding resulted in a cash-back amount of \$1,700,000.



	2008	2009	2010	2011
Renewal Increase	n/a	9.7%	6.6%	6.9%
Policy Year Margin	\$168,000	\$339,000	\$465,000	\$818,000

**4-years' savings = \$1.7 million**

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# QUESTIONS?

# THANK YOU!

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For information on health care reform,  
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