

Case Study:

Split Funding



Enhancing People
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Company Background:

An Ohio-based manufacturing company with seven locations nationally and over 200 employees, owns two plants and one warehouse in the Cleveland area. In addition, the company rents warehouse space in Chicago, LA, Toronto, and Atlanta. This company has a history of successful acquisitions and continues to target manufacturers or distributors as prospective acquisitions.

In order to attract potential acquisitions and retain quality employees, this organization needs to offer a benefits package that is both cost-effective for the company and satisfying to employees.

The Solution:

In 2005, CPI-HR presented an exciting new option to this manufacturing company. The option included a High Deductible Health Plan (HDHP) with a Health Reimbursement Arrangement (HRA). CPI-HR went one step further and pioneered a new take on the traditional HRA, with a process called split funding.

The name split funding literally describes the claims process. Both employee and employer split the funding of claims based on a pre-determined schedule of benefits decided by the employer. This method allows greater plan flexibility than traditional fully insured options. Split funding gives the employer the ability to customize a plan design to fit their organization, rather than picking an "off-the-shelf" plan design from the insurance carrier.

Split funding uses a HDHP, but to an employee it works much like a traditional fully insured medical plan making it a very cost-effective alternative for this company. In addition, the unique proprietary technology at CPI-HR is user-friendly and can provide claims experience to the management team at the organization. Having access to this information will help educate management about the source of medical costs and can act as a great leveraging tool during renewal negotiations.

The Results:

In 2005, the manufacturing company saved 25% in annual healthcare costs by switching to the split funding process. Since partnering with CPI-HR in 2005, the local manufacturing company has saved more than \$4.2 million cumulatively by choosing a split funding option versus an equivalent fully insured medical plan.



In addition to the financial savings the company experienced, the employer was able to customize their plan design to maintain the same deductibles, coinsurance, and copays the employees were exposed to previously, while actually reducing the employees' annual out of pocket maximum.

As you can see the split funding plan design administered by CPI-HR has consistently provided this organization a lower cost healthcare solution for the past several years. Furthermore, employees of the organization have had the benefit of a very rich healthcare plan at a much lower cost.