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DEPARTMENT OF CIVIL SERVICE  
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TO: Participating Agency Chief Executive Officers

FROM: Robert DuBois, Director, Employee Benefits Division

SUBJECT: Empire Plan Quarterly Report (July - September 1993)

DATE: November 22, 1993

Attached is the Empire Plan Quarterly Experience Report for the period July - September, 1993. The Plan continues to reflect favorable experience through the third quarter of 1993 and the carriers project a dividend for the year which represents 7.8 percent of premium.

I call your attention to Exhibit III of the report. The premium rates shown are the approved 1994 premium rates. We are pleased that the approved rates are below the Optimistic rates projected in the Empire Plan Quarterly Report for April - June 1993 for all Empire Plan options. The favorable rates are attributable primarily to two factors: (1) the carriers are projecting a higher dividend than was projected in the second quarter and (2) the 1994 premium for the new prescription drug program is lower than was anticipated in June.

Earlier this year, I informed you that the prescription drug component of the Empire Plan was out for bid. After a rigorous review process, CIGNA/ValueRx was selected to administer the program effective January 1, 1994. We have sent to your Health Benefits Administrator a supply of Empire Plan Reports which describe the new program for distribution to each of your enrollees. The change in the program administrator will have little, if any, impact on your enrollees since the benefits do not change and enrollees will continue to receive benefits by using their current employee benefit cards at participating pharmacies.

If you have comments or suggestions about any aspect of the Plan, please feel free to contact me.

Attachment

cc: Health Benefits Administrators

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

**EMPIRE PLAN EXPERIENCE REPORT**

**JULY - SEPTEMBER 1993**

**produced for**

**PARTICIPATING AGENCIES IN THE**

**NEW YORK STATE**

**HEALTH INSURANCE PROGRAM**

**by**

**the Employee Benefits Division**

**New York State Department of Civil Service**

**Josephine L. Gambino**

**President New York State Civil Service Commission**

**A look inside . . .**

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## EMPIRE PLAN 1993 EXPERIENCE

Empire Plan experience through the third quarter of 1993 and the 1993 annual experience projected by the insurance carriers are presented in Exhibits I and II, respectively. The composite 1993 Empire Plan dividend is projected at \$123.3 million or 7.8 percent of premium. This represents an increase of \$91.5 million over the margin loaded in the 1993 rates.

### Blue Cross

Blue Cross is projecting a 1993 dividend of \$57.1 million or 9.7 percent of premium. This is \$54.2 million more than the margin loaded in the 1993 rates. The dividend increase is due primarily to an overstatement of the 1992 claims base and a reduction in the 1993 trend from 10.4 to 6.4 percent. At the time of the 1993 rate development (October 1992), the 1992 trend was estimated at 9.5 percent; the current estimate based on claims paid through June 1993 is 6.1 percent. This reduction in the 1992 trend corresponds to a \$13 million reduction in the 1992 claims base.

### Metropolitan Medical

Metropolitan projects a composite 1993 dividend of \$46.3 million or 7.1 percent of premium. This is \$23.2 million more than the margin loaded in the 1993 rates. The increase in the projected dividend is attributable to a reduction in the 1992 claim base from what was projected at the time of rate development, a modest reduction in trend, and improved utilization review. The amounts attributable to each are:

Overstated 1992 claim base	\$ 3.0 million
Overstated 1993 claim base	\$ 3.0
Reduction in 1993 trend	\$ 7.8
Retention Decrease	\$ 0.6
Increased Utilization Review	<u>\$ 8.8</u>
Total	\$ 23.2 million

### Metropolitan Mental Health and Substance Abuse Program

Metropolitan/APM project a 1993 deficit of \$2.4 million or 2 percent of premium for the Mental Health and Substance Abuse Program. When combined with the 1992 loss of \$1.4 million, the deficit balance projected on 12/31/93 is \$3.8 million. Such loss, which is primarily attributable to higher than projected utilization, is expected to be recovered by Metropolitan through subsequent years margin. Please remember that even with these deficits, the APM Managed MH/SA Program has yielded significant savings compared to what plan premiums would have been under the predecessor benefit. Substantial reductions in premiums were taken in prior years and the current deficit amounts represent only a small fraction of those prior year savings.

## Cigna

Cigna projects a 1993 dividend of \$22.3 million or 10.2 percent of premium, a \$16.2 million increase over the margin loaded in the 1993 rates. The increase in the projected dividend is due to the following factors:

1993 Trend & Claim Base Reduction	\$13.7 million
Understated 1992 Claim Base	\$ (0.4)
Increased Administrative Expense	\$ (0.2)
Anticipated COB Processing	\$ 2.0
Demographics	<u>\$ 1.1</u>
Total	\$16.2 million

### 1994 PREMIUM RATES

Exhibit III presents the established 1994 Empire Plan gross and net rates in comparison to the 1993 rates. Exhibit IV presents the individual and family rate history of the Core plus Medical and Psychiatric Enhancements option. The 1994 net rates reflect the application of \$161.1 million in dividend to all payors. Though NYSHIP gross premiums have only increased approximately .8 percent for 1994, the Empire Plan net rates for the Core Plus Medical and Psychiatric Enhancement option are expected to increase 1.4 percent and 4.8 percent for individual and family coverage respectively. The higher net rate increase is mainly attributable to a decreasing level of dividend application.

The 1994 actual rates are significantly lower than originally estimated in the Quarterly Experience Report issued in February 1993. The decrease in the 1994 rates is attributable to lower trend experienced thus far in 1993, resulting in a lower projected 1993 claims base, and a continuation of the lower trend patterns into 1994. Trend assumptions for 1994 have varied as follows:

	Original Estimate	1994 Rating Assumption
Blue Cross	10.0%	10.4%
Metropolitan Medical	9.4%	7.1%
Metropolitan MH/SA	7.8%	5.6%
Cigna	21.0%	13.0%
Composite	11.2%	9.03%

EMPIRE PLAN EXPERIENCE  
Through Third Quarter 1993  
In (000's)

	BLUE CROSS	METROPOLITAN MEDICAL				METROPOLITAN MHSA				CIGNA	TOTAL
		Core	Enhancements	PA Enhancements	Combined	Core	Enhancement	Enhancement	Combined		
A Premium (1)	440,024	353,232	62,189	74,584	490,005	70,370	13,174	4,724	88,268	161,266	1,179,563
B Incurred Claims (2)	367,861	292,033	54,188	53,186	399,407	57,108	10,944	8,105	76,157	133,540	976,965
C Administrative Expense (3)	24,095	40,643	7,017	7,284	54,944	11,302	2,115	879	14,296	5,998	99,333
D Gain/(Loss) (A-B-C)	48,068	20,556	984	14,114	35,654	1,960	115	(4,260)	(2,185)	21,728	103,265

(1) Earned Premium - Premium which pays for coverage for the period reported (accrual basis).

(2) Incurred Claims - Represents the cost of covered services provided during the period reported by the insurance company (accrual basis).

(3) Administrative Expenses - All charges by the insurance carrier other than for the payment of claims. Includes carrier's cost to administer the program, interest charges, and retention.

Source: 1993 3rd Quarter Reports

## EMPIRE PLAN EXPERIENCE

Projected 1993 Year

In (000's)

	BLUE CROSS	METROPOLITAN MEDICAL				METROPOLITAN MHSA				CIGNA	TOTAL
		Core	NY Enhancements	PA Enhancements	Combined	Core	NY Enhancement	PA Enhancement	Combined		
Premium (1)	586,820	471,600	83,005	99,400	654,005	94,100	17,600	6,300	118,000	219,930	1,578,755
Incurred Claims (2)	497,453	389,900	72,625	71,975	534,500	76,800	14,300	10,400	101,500	189,599	1,323,052
Administrative Expense (3)	32,222	54,270	9,357	9,601	73,228	14,968	2,788	1,137	18,893	8,012	132,355
Gain/(Loss) (A-B-C)	57,145	27,430	1,023	17,824	46,277	2,332	512	(5,237)	(2,393)	22,319	123,348

(1) Earned Premium - Premium which pays for coverage for the period reported (accrual basis).

(2) Incurred Claims - Represents the cost of covered services provided during the period reported by the insurance company (accrual basis).

(3) Administrative Expenses - All charges by the insurance carrier other than for the payment of claims.  
Includes carrier's cost to administer the program, interest charges, and retention.

Source: 1993 3rd Quarter Reports

## Exhibit III

EMPIRE PLAN OPTION	GROSS RATES (1)			NET RATES (2)		
	1993	1994	% Change	1993	1994	% Change
<b>CORE ONLY</b>						
Individual (81)	181.26	182.20	0.5%	166.77	166.03	-0.4%
Family (82)	400.68	409.09	2.1%	368.56	372.35	1.0%
<b>CORE PLUS PSYCHIATRIC ENHANCEMENT</b>						
Individual (51)	182.55	185.57	1.7%	163.54	169.20	3.5%
Family (52)	405.79	421.33	3.8%	354.18	383.74	8.3%
<b>CORE PLUS MEDICAL ENHANCEMENT</b>						
Individual (61)	213.01	210.46	-1.2%	197.88	194.22	-1.8%
Family (62)	474.26	472.45	-0.4%	440.73	435.55	-1.2%
<b>CORE PLUS MEDICAL AND PSYCHIATRIC ENHANCEMENTS</b>						
Individual (71)	214.30	213.83	-0.2%	194.64	197.39	1.4%
Family (72)	479.37	484.69	1.1%	426.35	446.94	4.8%

(1) Represents premiums charged by the carriers.  
(2) Represents cost to a participating agency.

EMPIRE PLAN  
PA GROUP RATES  
1985 - 1994 Monthly Rates

Core plus Med. & Psych. Enh.	Gross Rate	% Change	Average Increase From 1985	Net Rate	% Change	Average Increase From 1985
<b>Individual</b>						
1985*	95.71			92.85		
1986	91.97	-3.9%		91.49	-1.5%	
1987	103.14	12.1%		101.65	11.1%	
1988 (1)	142.01	37.7%		141.52	39.2%	
1989	168.72	18.8%		168.05	18.7%	
1990 (2)	179.50	6.4%		167.09	-0.6%	
1991 (3)	202.09	12.6%		185.09	10.8%	
1992	198.85	-1.6%		181.81	-1.8%	
1993	214.30	7.8%		194.64	7.1%	
1994	213.83	-0.2%	10.0%	197.39	1.4%	9.4%
<b>Family</b>						
1985*	203.97			197.57		
1986	195.31	-4.2%		194.30	-1.7%	
1987	222.39	13.9%		219.20	12.8%	
1988 (1)	324.13	45.7%		323.06	47.4%	
1989	383.42	18.3%		381.95	18.2%	
1990 (2)	403.75	5.3%		380.15	-0.5%	
1991 (3)	464.39	15.0%		417.36	9.8%	
1992	445.64	-4.0%		407.76	-2.3%	
1993	479.37	7.6%		426.35	4.6%	
1994	484.69	1.1%	11.0%	446.94	4.8%	10.4%

\* Statewide Plan Premium Rates

(1) 1988 rates represent the effective amounts of the 1/88 and 8/88 rate changes.

(2) No change in effective net rate over 1989.

(3) Represents rates effective 1/1/91 - 6/30/91