



STATE OF NEW YORK  
DEPARTMENT OF CIVIL SERVICE  
THE STATE CAMPUS  
ALBANY, NEW YORK 12239

GEORGE C. SINNOTT  
COMMISSIONER

DANIEL E. WALL  
EXECUTIVE  
DEPUTY COMMISSIONER

PA 99-11

TO: Participating Agency Health Benefits Administrators  
FROM: The Employee Benefits Division  
SUBJECT: Empire Plan Quarterly Experience Report  
DATE: September 20, 1999

Enclosed are the Second Quarter Empire Plan Experience Report for 1999 and the cover letter to Chief Executive Officers.

This report provides projected 1999 experience and projected premium rates for the year 2000.

Enclosures



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GEORGE C. SINNOTT  
COMMISSIONER

DANIEL E. WALL  
EXECUTIVE  
DEPUTY COMMISSIONER

September 20, 1999

Dear Chief Executive Officer:

Attached is the Participating Agency Second Quarter Report for 1999. This report provides projected 1999 Empire Plan experience based on claims paid through June, 1999 and projected 2000 premium rates.

The Empire Plan carriers project a combined surplus of \$2.2 million or 0.1% of premium. The report includes details for each of the carriers and, as in the past, these projections will be revised in the next quarterly report based on actual claims experience for 1999.

The 2000 premium projections are included in Exhibit II. These projections reflect increases of approximately 12.0% in the gross rates and 17.2% in the net rates. The report explains the basis for these initial projections and future reports will include revisions based on actual claims data available.

The Keeping You Informed Section of the report includes an update on NYBEAS, the New York Benefits Eligibility and Accounting System, which will be implemented for Participating Agencies by Fall 1999. The information on transmission of reports via E-mail is also included. If you are interested in using this technology to receive future reports, please complete and return the form on Attachment 1.

According to a national survey, the ten most heavily advertised drugs accounted for 22% of the total increase in drug spending over the last five years. In NYSHIP's Empire Plan, 20% of the increase in drug spending between 1997 and 1998 was from nine of the top ten most heavily advertised drugs. The Keeping You Informed Section provides additional details on this drug spending analysis.

I hope this report is informative and useful to you. If you have any questions, comments or suggestions, please don't hesitate to contact me.

Sincerely,

Robert W. DuBois, CEBS  
Director  
Employee Benefits Division

Attachments

cc: Health Benefits Administrators



**PARTICIPATING AGENCIES**

**EMPIRE PLAN  
1999 Second Quarter  
Experience Report**

**Prepared by The State of New York  
Department of Civil Service**

# **EMPIRE PLAN EXPERIENCE REPORT**

**APRIL - JUNE 1999**

**Produced for**

**PARTICIPATING AGENCIES IN THE**

**NEW YORK STATE**

**HEALTH INSURANCE PROGRAM**

**by**

**the Employee Benefits Division**

**New York State Department of Civil Service**

**George C. Sinnott**

**President, New York State Civil Service Commission**

- Projected 1999 Empire Plan Experience. . . . . 1
- Projected 2000 Premium Rates. . . . . 1
- Keeping You Informed. . . . . 2-3

Attachment 1 – Transmission of Reports Electronically

## Exhibits

- I 1999 Projected Empire Plan Experience
- II Empire Plan PA Projected Premium Rates
- III Empire Plan PA Group Rates (1985-2000)
- IV Empire Plan PA 5 Tier Group Rates (1995-2000)

**NYS HEALTH INSURANCE PROGRAM  
PARTICIPATING AGENCY GROUP  
EMPIRE PLAN EXPERIENCE REPORT  
2ND QUARTER REPORT**

**PROJECTED 1999 EMPIRE PLAN EXPERIENCE**

Based on claims paid through June 30, 1999, the Empire Plan carriers project a composite dividend of \$2.2 million (0.1% of premium), or \$34.5 million less than the margin loaded in the 1999 rates. The 1999 annual experience projected by the insurance carriers is reported in Exhibit I with individual carrier projections explained as follows:

***Blue Cross***

Blue Cross projects a 1999 gain of \$26.9 million (4.2% of premium). This is \$11.4 million more than the margin loaded in the 1999 rates and is primarily attributable to a lower 1998 claims base than was used in the 1999 rate development.

***United HealthCare Medical***

United HealthCare projects a composite 1999 dividend of \$8.7 million (1.0% of premium) representing an \$11.0 million decrease over the margin loaded in the 1999 rates. There are no material variances in the quarterly estimates and those made at renewal.

***Group Health Incorporated Mental Health and Substance Abuse Program***

Group Health Incorporated projects a 1999 surplus of \$1.3 million (2.0% of premium) for the Mental Health and Substance Abuse (MHSA) Program, or \$278,000 less than the margin loaded in the 1999 rates. There are no material variances in the quarterly estimates and those made at renewal.

***Cigna***

A 1999 loss of \$34.7 million representing 8.1% of premium is projected by Cigna. This loss is primarily attributable to an increase in prescription drug trends over the last two years from 15% to approximately 20%.

**PROJECTED 2000 PREMIUM RATES**

Exhibit II presents the projected 2000 Empire Plan gross and net premium assuming the application of \$69.5 million in dividend to all payors. The Empire Plan gross premium is projected to increase approximately 12.0% with a net premium increase of 17.2%. The higher rate increase of net premium in relation to the increase in the gross premium reflects the decreased level of available dividend to be applied in 2000 as compared to 1999.

While final rates will not be established until later this year, we expect that they will be within the range presented in Exhibit II.

For comparison purposes, Exhibit III presents the individual and family rate history for the Core Plus Medical and Psychiatric Enhancements option based on the Two Tier Empire Plan rate structure in effect prior to January 1, 1996, while Exhibit IV presents the five tier history from 1996 to 2000.

## **KEEPING YOU INFORMED**

### ***NYBEAS (New York Benefits Eligibility and Accounting System)***

The Employee Benefits Division is in the process of converting the NYSHIP eligibility and accounting systems into one system called NYBEAS which will be implemented for Participating Agencies by Fall of 1999. Please note that the cut-off date for processing transactions through the current enrollment system is October 25, 1999. The start-up date for processing transactions through NYBEAS is November 15, 1999. During this three week period, it will not be possible to process any transactions.

Training sessions have been scheduled beginning September 27, 1999, for agencies that submit more than 100 transactions per year and for smaller agencies that are equipped and interested in using NYBEAS. Agencies not equipped to use NYBEAS will submit paper transactions to the Employee Benefits Division.

We will keep you informed of our progress in implementing NYBEAS.

### ***Transmission of Reports Electronically***

The Employee Benefits Division has the capability to transmit the Participating Agency Quarterly Experience Report via E-mail. Using a software product called Adobe Acrobat Reader™, the PA Quarterly Report is converted into portable document format (PDF). This is a format that can be read by any recipient, if they have Adobe Acrobat Reader™ installed on their system. Adobe Acrobat Reader™ is available free from the Internet. For your reference, Attachment 2 includes the instructions on how to obtain Adobe Acrobat Reader™.

There are many advantages to receiving the reports electronically including: reports will be received sooner; there will be less paper to handle; and the reports can be stored electronically and/or a hard copy may be printed.

If you would like to receive the report electronically, please provide your E-mail address by completing the bottom section of Attachment 1 and returning it to the Employee Benefits Division.

### ***Impact of Advertising on the Empire Plan's Prescription Drug Program***

An analysis of the Empire Plan's Prescription Drug Program spending between 1997 and 1998 shows an increase of \$43.3 million. Of this increase, \$8.5 million (or 20%) was for nine of the top ten most heavily advertised "Direct to Consumers" medications. These include Claritin, Zyrtec, Allegra, Pravachol, Zocor, Prilosec, Prozac, Zyban and Evista. The tenth medication is Propecia which is not covered under the Empire Plan since it is used for cosmetic purposes.

Two other highly advertised drugs, Lipitor and Viagra, account for a significant portion of Empire Plan drug spending. Lipitor moved from 13<sup>th</sup> in 1997 to 2<sup>nd</sup> in 1998 in terms of total drug costs for the Plan. Although Viagra was introduced in June 1998, it still accounted for 4% of the total increase in drug spending.

Combining the top nine medications noted above with Lipitor and Viagra, the total drug spending increase for the Empire Plan was \$17.8 million which represents 41% of the total increase for 1998. If other heavily advertised drugs, such as Lamisil, were included in the analysis, the percentage would be even higher.

Since "Direct to Consumers" advertising has almost doubled over the last two years, it is anticipated that the increases in drug spending attributable to this advertising will continue at a high level.

#### ***NYSHIP Representation at Municipal Events***

NYSHIP's Empire Plan was represented at the 1999 Fall Seminar sponsored by the NYS Association of Counties on September 13-15, 1999, in Lake Placid and the 1999 Fall Training School co-sponsored by the NYS Conference of Mayors and Office of the State Comptroller on September 13-17, 1999, in Ellenville.

#### ***Name and Address Changes***

Please be sure to notify the Employee Benefits Division of any changes so that we may keep our mailing lists up-to-date. This updated information may be sent to:

Mr. Stephen Kavanaugh  
Assistant Director  
Employee Benefits Division  
NYS Department of Civil Service  
State Office Building Campus  
Building #1, Rm. 159  
Albany, New York 12239

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If you would like to receive the report electronically, please complete this form and return it to:

Mr. Stephen Kavanaugh  
Assistant Director  
Employee Benefits Division  
NYS Department of Civil Service  
State Office Campus, Building #1  
Albany, New York 12239

Agency Code:	Agency Name:
Contact Person:	E-mail Address:



1999 PROJECTED EMPIRE PLAN EXPERIENCE

In (000's)

	BLUE CROSS	UNITED HEALTHCARE MEDICAL				GHI MIISA				CIGNA	TOTAL
		NY		PA	Combined	NY		PA	Combined		
		Core	Enhancement	Enhancement		Core	Enhancement	Enhancement			
Premium (1)	641,992	693,304	88,719	74,464	856,487	54,319	6,226	5,038	65,583	428,238	1,992,300
Incurred Claims (2)	581,035	606,093	84,265	60,978	751,336	43,276	4,887	4,014	52,177	450,375	1,834,923
Administrative Expense (3)	34,056	78,781	10,028	7,649	96,458	10,015	1,148	928	12,091	12,557	155,162
Gain/(Loss) (A-B-C)	26,901	8,430	(5,574)	5,837	8,693	1,028	191	96	1,315	(34,694)	2,215

(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: 1999 2nd Quarter Report

**EMPIRE PLAN**  
**Participating Agency Premium Rates**  
**Comparison of 1999 and Projected 2000 Rates**

<b>CORE ONLY</b>						
<b>Gross Rates (1)</b>			<b>Net Rates (2)</b>			
	<b>1999</b>	<b>2000</b>	<b>% Change</b>	<b>1999</b>	<b>2000</b>	<b>% Change</b>
<b>Plan Prime:</b>						
Individual						
Optimistic	247.05	267.45	8.3%	233.20	261.67	12.2%
Best Estimate	247.05	275.13	11.4%	233.20	269.35	15.5%
Pessimistic	247.05	283.56	14.8%	233.20	277.78	19.1%
Family						
Optimistic	507.42	548.88	8.2%	476.31	537.04	12.8%
Best Estimate	507.42	564.80	11.3%	476.31	552.96	16.1%
Pessimistic	507.42	582.29	14.8%	476.31	570.45	19.8%
<b>MediPrime:</b>						
Individual						
Optimistic	178.22	209.70	17.7%	169.33	206.33	21.9%
Best Estimate	178.22	212.99	19.5%	169.33	209.62	23.8%
Pessimistic	178.22	216.82	21.7%	169.33	213.45	26.1%
Family -1						
Optimistic	439.33	491.92	12.0%	413.18	482.47	16.8%
Best Estimate	439.33	503.46	14.6%	413.18	494.01	19.6%
Pessimistic	439.33	516.35	17.5%	413.18	506.90	22.7%
Family-2						
Optimistic	369.71	433.30	17.2%	348.51	426.24	22.3%
Best Estimate	369.71	440.48	19.1%	348.51	433.42	24.4%
Pessimistic	369.71	448.74	21.4%	348.51	441.68	26.7%

**EMPIRE PLAN**  
**Participating Agency Premium Rates**  
**Comparison of 1999 and Projected 2000 Rates**

<b>CORE PLUS MEDICAL ENHANCEMENT</b>						
<b>Gross Rates (1)</b>			<b>Net Rates (2)</b>			
	<b>1999</b>	<b>2000</b>	<b>% Change</b>	<b>1999</b>	<b>2000</b>	<b>% Change</b>
<b>Plan Prime:</b>						
Individual						
Optimistic	277.67	298.03	7.3%	260.48	289.41	11.1%
Best Estimate	277.67	307.32	10.7%	260.48	298.70	14.7%
Pessimistic	277.67	317.36	14.3%	260.48	308.74	18.5%
Family						
Optimistic	568.84	610.22	7.3%	530.54	592.71	11.7%
Best Estimate	568.84	629.37	10.6%	530.54	611.86	15.3%
Pessimistic	568.84	650.09	14.3%	530.54	632.58	19.2%
<b>MediPrime:</b>						
Individual						
Optimistic	186.36	217.83	16.9%	175.61	213.85	21.8%
Best Estimate	186.36	221.54	18.9%	175.61	217.56	23.9%
Pessimistic	186.36	225.80	21.2%	175.61	221.82	26.3%
Family -1						
Optimistic	478.26	530.80	11.0%	446.33	517.91	16.0%
Best Estimate	478.26	544.39	13.8%	446.33	531.50	19.1%
Pessimistic	478.26	559.32	16.9%	446.33	546.43	22.4%
Family-2						
Optimistic	386.15	449.72	16.5%	360.73	441.47	22.4%
Best Estimate	386.15	457.77	18.5%	360.73	449.52	24.6%
Pessimistic	386.15	466.89	20.9%	360.73	458.64	27.1%

**EMPIRE PLAN  
Participating Agency Premium Rates  
Comparison of 1999 and Projected 2000 Rates**

<b>CORE PLUS MEDICAL &amp; PSYCHIATRIC ENHANCEMENTS</b>						
<b>Gross Rates (1)</b>			<b>Net Rates (2)</b>			
	<b>1999</b>	<b>2000</b>	<b>% Change</b>	<b>1999</b>	<b>2000</b>	<b>% Change</b>
<b>Plan Prime:</b>						
Individual						
Optimistic	279.56	299.88	7.3%	261.18	290.88	11.4%
Best Estimate	279.56	309.17	10.6%	261.18	300.17	14.9%
Pessimistic	279.56	319.41	14.3%	261.18	310.41	18.8%
Family						
Optimistic	573.33	614.60	7.2%	531.89	596.23	12.1%
Best Estimate	573.33	633.76	10.5%	531.89	615.39	15.7%
Pessimistic	573.33	654.94	14.2%	531.89	636.57	19.7%
<b>MediPrime:</b>						
Individual						
Optimistic	186.46	217.93	16.9%	175.61	213.94	21.8%
Best Estimate	186.46	221.64	18.9%	175.61	217.65	23.9%
Pessimistic	186.46	225.91	21.2%	175.61	221.92	26.4%
Family -1						
Optimistic	480.95	533.43	10.9%	447.05	520.04	16.3%
Best Estimate	480.95	547.02	13.7%	447.05	533.63	19.4%
Pessimistic	480.95	562.23	16.9%	447.05	548.84	22.8%
Family-2						
Optimistic	387.05	450.59	16.4%	360.66	442.19	22.6%
Best Estimate	387.05	458.65	18.5%	360.66	450.25	24.8%
Pessimistic	387.05	467.86	20.9%	360.66	459.46	27.4%

EMPIRE PLAN  
PA GROUP RATES  
1985 - 2000 Monthly Rates

Core plus Med. & Psych. Enh.	Gross Rate	% Change	Net Rate	% Change
<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%	197.39	1.4%
1995	214.70	0.4%	193.54	-2.0%
1996 (4)	219.20	2.1%	192.27	-0.7%
1997	219.87	0.3%	198.37	3.2%
1998	227.35	3.4%	204.38	3.0%
1999	239.24	5.2%	222.00	8.6%
2000 projected	268.57	12.3%	261.40	17.7%
<b>Average Percent Increase</b>				
From Inception		7.6%		7.6%
Most Recent 10 Years		4.2%		4.7%
Most Recent 5 Years		4.7%		6.4%
<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%	446.94	4.8%
1995	486.99	0.5%	440.35	-1.5%
1996 (4)	491.07	0.8%	428.27	-2.7%
1997	495.81	1.0%	447.22	4.4%
1998	514.28	3.7%	463.62	3.7%
1999	539.14	4.8%	499.75	7.8%
2000 projected	602.91	11.8%	586.58	17.4%
<b>Average Percent Increase</b>				
From Inception		8.1%		8.1%
Most Recent 10 Years		4.2%		4.6%
Most Recent 5 Years		4.4%		6.1%
* 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				
(4) Represents 2 tier Empire Plan Rates; 5 tier rate schedule effective 1/1/96				

EMPIRE PLAN  
PA 5 TIER GROUP RATES  
1995 - 2000 Monthly Rates

Core plus Med. & Psych. Enh.	Gross Rate(1)	% Change	Net Rate(2)	% Change
<b>Individual Planprime</b>				
1995	214.70		193.54	
1996 (3)	234.59	9.3%	207.66	7.3%
1997	261.80	11.6%	240.22	15.7%
1998	267.89	2.3%	246.07	2.4%
1999	279.56	4.4%	261.18	6.1%
2000 proj	309.17	10.6%	300.17	14.9%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		7.6%		9.3%
<b>Family Planprime</b>				
1995	486.99		440.35	
1996 (3)	521.96	7.2%	459.16	4.3%
1997	537.96	3.1%	489.22	6.5%
1998	552.00	2.6%	503.78	3.0%
1999	573.33	3.9%	531.89	5.6%
2000 proj	633.76	10.5%	615.39	15.7%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		5.5%		7.0%
<b>Individual Medprime</b>				
1995	214.70		193.54	
1996 (3)	158.65	-26.1%	131.72	-31.9%
1997	150.53	-5.1%	129.28	-1.9%
1998	167.91	11.5%	151.34	17.1%
1999	186.46	11.0%	175.61	16.0%
2000 proj	221.64	18.9%	217.65	23.9%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		2.0%		4.6%
<b>Family - 1 Medprime</b>				
1995	486.99		440.35	
1996 (3)	446.03	-8.4%	383.23	-13.0%
1997	427.23	-4.2%	378.82	-1.2%
1998	452.73	6.0%	409.76	8.2%
1999	480.95	6.2%	447.05	9.1%
2000 proj	547.02	13.7%	533.63	19.4%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		2.7%		4.5%
<b>Family - 2 or More Medprime</b>				
1995	486.99		440.35	
1996 (3)	369.87	-24.0%	307.07	-30.3%
1997	315.24	-14.8%	267.15	-13.0%
1998	351.98	11.7%	314.25	17.6%
1999	387.05	10.0%	360.66	14.8%
2000 proj	458.65	18.5%	450.25	24.8%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		0.3%		2.8%

- (1) Represents premiums charged by the carriers.  
 (2) Represents cost to a participating agency.  
 (3) Inception of Medprime Rate Structure.