



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 00-02

TO: Participating Agency Health Benefits Administrators

FROM: The Employee Benefits Division

SUBJECT: Empire Plan Quarterly Experience Report

DATE: February 23, 2000

Enclosed are the Fourth 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 2001.

Enclosures



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GEORGE C. SINNOTT
COMMISSIONER

DANIEL E. WALL
EXECUTIVE
DEPUTY COMMISSIONER

February 23, 2000

Dear Chief Executive Officer:

Attached is the Participating Agency Fourth Quarter Report for 1999. This report provides projected 1999 Empire Plan experience based on claims paid through December 31, 1999, and projected premium rates for 2001.

The Empire Plan carriers project a combined surplus of \$17.1 million or 0.9% of premium. The report includes details for each of the carriers. Final 1999 experience will be provided in the next report.

The projected premium rates for 2001, are included in Exhibit II. These initial projections reflect increases in the gross and net premiums of approximately 13.8% and 13.6% respectively. Please note that these are preliminary projections which have been made without any claims experience for 2000. The report explains the basis for these projections and future reports will include revisions based on actual experience.

The Keeping You Informed section of the report includes information on transmission of reports via E-mail. If you are interested in using this technology to receive future reports, please complete and return the form on Attachment 1.

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 Fourth Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

OCTOBER – DECEMBER 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 2001 Premium Rates 2
- Keeping You Informed. 2-3

Attachment 1 – Transmission of Reports Electronically

Exhibits

- I** 1999 Projected Empire Plan Experience
- II** Projected Empire Plan PA 2001 Premium Rates
- III** Empire Plan PA Group Rates (1985-2001)
- IV** Empire Plan PA 5 Tier Group Rates (1995-2001)

**NYS HEALTH INSURANCE PROGRAM
PARTICIPATING AGENCY GROUP
EMPIRE PLAN EXPERIENCE REPORT
4TH QUARTER REPORT**

PROJECTED 1999 EMPIRE PLAN EXPERIENCE

Based on claims paid through December 31, 1999, the Empire Plan carriers project a composite dividend of \$17.1 million (0.9% of premium), or \$19.7 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 \$38.8 million (6.0% of premium). This is \$23.4 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 \$17.2 million (2.0% of premium) representing an \$2.5 million reduction over the margin loaded in the 1999 rates.

Group Health Incorporated Mental Health and Substance Abuse Program

Group Health Incorporated projects a 1999 surplus of \$1.7 million (2.5% of premium) for the Mental Health and Substance Abuse (MHSA) Program, or \$90,000 more than the margin loaded in the 1999 rates.

Cigna

Cigna projects a 1999 loss of \$40.6 million representing 9.5% of premium. This loss is primarily attributable to an increase in prescription drug trends over the last two years from 15% to approximately 22%. As reported in the 3rd Quarterly Report, this surge in prescription drug costs is attributable to a number of factors including increase in Direct Consumer Advertising (DCA) and acceleration of new, more expensive drugs to market. Please refer to the 3rd Quarterly Report for more details.

2001 PREMIUM RATES

Exhibit II presents projected 2001 Empire Plan gross and net premium assuming the application of \$59.2 million in dividend to all payors. In the aggregate, the Empire Plan gross premium is projected to increase approximately 13.8% while the net premium is projected to increase 13.6%.

Insurance markets in general and NYSHIP, in particular, are rather dynamic and as a consequence these estimates for the year 2000 must be considered soft. A range of projected gross and net premium increases is provided 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 2001.

KEEPING YOU INFORMED

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 a 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 Adobe Systems, Inc., at <http://www.adobe.com>.

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.

NYSHIP Representation at Municipal Events

NYSHIP's Empire Plan was represented at the following municipal events: 2000 Legislative Conference sponsored by the NYS Association of Counties on January 30-31, 2000, in Albany. The 2000 Training School and Annual Meeting sponsored by the Association of Towns of the State of New York on February 20-22, 2000, in New York City.

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**

TRANSMISSION OF REPORTS ELECTRONICALLY

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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:

Exhibit I

1999 PROJECTED EMPIRE PLAN EXPERIENCE In (000's)

	BLUE CROSS	UNITED HEALTHCARE MEDICAL				GHI MHSA				CIGNA	TOTAL
		NY		PA	Combined	NY		PA	Combined		
		Core	Enhancement	Enhancement		Core	Enhancement	Enhancement			
A Premium (1)	646,650	697,754	89,315	74,910	861,979	54,754	6,292	5,086	66,132	428,449	2,003,210
B Incurred Claims (2)	574,791	599,681	88,422	64,255	752,358	43,276	4,973	4,020	52,269	457,233	1,836,651
C Administrative Expense (3)	33,051	75,570	9,153	7,676	92,399	10,085	1,159	936	12,180	11,832	149,462
D Gain/(Loss) (A-B-C)	38,808	22,503	(8,260)	2,979	17,222	1,393	160	130	1,683	(40,616)	17,097

(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 4th Quarter Report

EMPIRE PLAN
Participating Agency Premium Rates
Comparison of 2000 and Projected 2001 Rates

CORE ONLY						
Gross Rates (1)				Net Rates (2)		
	2000	2001	% Change	2000	2001	% Change
<u>Plan Prime:</u>						
Individual						
Optimistic	261.99	286.65	9.4%	256.64	278.27	8.4%
Best Estimate	261.99	295.22	12.7%	256.64	286.84	11.8%
Pessimistic	261.99	304.24	16.1%	256.64	295.86	15.3%
Family						
Optimistic	540.83	591.07	9.3%	529.89	573.86	8.3%
Best Estimate	540.83	608.85	12.6%	529.89	591.64	11.7%
Pessimistic	540.83	627.58	16.0%	529.89	610.37	15.2%
<u>MediPrime:</u>						
Individual						
Optimistic	209.65	245.19	17.0%	206.55	240.52	16.4%
Best Estimate	209.65	249.21	18.9%	206.55	244.54	18.4%
Pessimistic	209.65	253.52	20.9%	206.55	248.85	20.5%
Family -1						
Optimistic	489.15	550.08	12.5%	480.46	536.59	11.7%
Best Estimate	489.15	563.30	15.2%	480.46	549.81	14.4%
Pessimistic	489.15	577.33	18.0%	480.46	563.84	17.4%
Family-2						
Optimistic	436.06	508.13	16.5%	429.63	498.34	16.0%
Best Estimate	436.06	516.80	18.5%	429.63	507.01	18.0%
Pessimistic	436.06	526.10	20.6%	429.63	516.31	20.2%

(1) Represents premiums charged by the carriers

(2) Represents cost to a participating agency

EMPIRE PLAN
Participating Agency Premium Rates
Comparison of 2000 and Projected 2001 Rates

CORE PLUS MEDICAL ENHANCEMENT						
Gross Rates (1)			Net Rates (2)			
	2000	2001	% Change	2000	2001	% Change
<u>Plan Prime:</u>						
Individual						
Optimistic	293.01	319.85	9.2%	284.97	310.43	8.9%
Best Estimate	293.01	330.16	12.7%	284.97	320.74	12.6%
Pessimistic	293.01	340.93	16.4%	284.97	331.51	16.3%
Family						
Optimistic	602.75	657.33	9.1%	586.46	638.06	8.8%
Best Estimate	602.75	678.59	12.6%	586.46	659.32	12.4%
Pessimistic	602.75	700.81	16.3%	586.46	681.54	16.2%
<u>MediPrime:</u>						
Individual						
Optimistic	217.84	253.95	16.6%	214.16	249.00	16.3%
Best Estimate	217.84	258.44	18.6%	214.16	253.49	18.4%
Pessimistic	217.84	263.21	20.8%	214.16	258.26	20.6%
Family -1						
Optimistic	528.23	591.91	12.1%	516.30	577.12	11.8%
Best Estimate	528.23	607.33	15.0%	516.30	592.54	14.8%
Pessimistic	528.23	623.56	18.0%	516.30	608.77	17.9%
Family-2						
Optimistic	452.31	525.52	16.2%	444.75	515.19	15.8%
Best Estimate	452.31	535.11	18.3%	444.75	524.78	18.0%
Pessimistic	452.31	545.32	20.6%	444.75	534.99	20.3%

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

EMPIRE PLAN
Participating Agency Premium Rates
Comparison of 2000 and Projected 2001 Rates

CORE PLUS MEDICAL & PSYCHIATRIC ENHANCEMENTS						
Gross Rates (1)			Net Rates (2)			
	2000	2001	% Change	2000	2001	% Change
Plan Prime:						
Individual						
Optimistic	294.94	321.70	9.1%	286.53	312.03	8.9%
Best Estimate	294.94	332.11	12.6%	286.53	322.44	12.5%
Pessimistic	294.94	342.97	16.3%	286.53	333.30	16.3%
Family						
Optimistic	607.33	661.71	9.0%	590.16	641.85	8.8%
Best Estimate	607.33	683.20	12.5%	590.16	663.34	12.4%
Pessimistic	607.33	705.65	16.2%	590.16	685.79	16.2%
MediPrime:						
Individual						
Optimistic	217.94	254.04	16.6%	214.25	249.08	16.3%
Best Estimate	217.94	258.54	18.6%	214.25	253.58	18.4%
Pessimistic	217.94	263.31	20.8%	214.25	258.35	20.6%
Family -1						
Optimistic	530.97	594.53	12.0%	518.52	579.37	11.7%
Best Estimate	530.97	610.09	14.9%	518.52	594.93	14.7%
Pessimistic	530.97	626.46	18.0%	518.52	611.30	17.9%
Family-2						
Optimistic	453.22	526.39	16.1%	445.51	515.96	15.8%
Best Estimate	453.22	536.02	18.3%	445.51	525.59	18.0%
Pessimistic	453.22	546.28	20.5%	445.51	535.85	20.3%

(1) Represents premiums charged by the carriers

(2) Represents cost to a participating agency

EMPIRE PLAN
PA GROUP RATES
1985 - 2001 Monthly Rates

Core plus Med. & Psych. Enh.	Gross Rate	% Change	Net Rate	% Change
Individual				
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	260.67	9.0%	253.98	14.4%
2001 (projected)	297.63	14.2%	289.90	14.1%
Average Percent Increase				
From Inception		7.8%		7.8%
Most Recent 10 Years		4.1%		4.7%
Most Recent 5 Years		6.4%		8.7%
Family				
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	578.26	7.3%	563.03	12.7%
2001 (projected)	657.09	13.6%	638.99	13.5%
Average Percent Increase				
From Inception		8.1%		8.2%
Most Recent 10 Years		3.6%		4.5%
Most Recent 5 Years		6.1%		8.4%
* 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				
(4) Represents 2 tier Empire Plan Rates; 5 tier rate schedule effective 1/1/96				

EMPIRE PLAN
PA 5 TIER GROUP RATES
1995 - 2001 Monthly Rates

Core plus Med. & Psych. Enh.	Gross Rate(1)	% Change	Net Rate(2)	% Change
Individual Planprime				
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	294.94	5.5%	286.53	9.7%
2001 (projected)	332.11	12.6%	322.44	12.5%
Average Percent Increase				
From Inception of 5 Tier Structure		7.6%		9.0%
Family Planprime				
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	607.33	5.9%	590.16	11.0%
2001 (projected)	683.20	12.5%	663.34	12.4%
Average Percent Increase				
From Inception of 5 Tier Structure		5.9%		7.1%
Individual Medprime				
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	217.94	16.9%	214.25	22.0%
2001 (projected)	258.54	18.6%	253.58	18.4%
Average Percent Increase				
From Inception of 5 Tier Structure		4.5%		6.6%
Family - 1 Medprime				
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	530.97	10.4%	518.52	16.0%
2001 (projected)	610.09	14.9%	594.93	14.7%
Average Percent Increase				
From Inception of 5 Tier Structure		4.1%		5.6%
Family - 2 or More Medprime				
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	453.22	17.1%	445.51	23.5%
2001 (projected)	536.02	18.3%	525.59	18.0%
Average Percent Increase				
From Inception of 5 Tier Structure		3.0%		5.1%
(1) Represents premiums charged by the carriers.				
(2) Represents cost to a participating agency.				
(3) Inception of Medprime Rate Structure.				