



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 - 10

TO: Participating Agency Health Benefits Administrators
FROM: The Employee Benefits Division
SUBJECT: Empire Plan Quarterly Experience Report
DATE: May 23, 2000

Enclosed are the First Quarter Empire Plan Experience Report for 2000 and the cover letter to Chief Executive Officers.

This report provides final 1999 experience, projected year 2000 experience and projected premium rates for the year 2001.

Enclosures



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EXECUTIVE
DEPUTY COMMISSIONER

May 23, 2000

Dear Chief Executive Officer:

Attached is the Participating Agency First Quarter Report for 2000. This report provides final 1999 Empire Plan experience based on claims paid through March 31, 2000, projected 2000 Empire Plan experience and projected premium rates for 2001.

The Empire Plan carriers have declared a combined 1999 surplus of \$26.2 million or 1.3% of premium. The report includes details for each of the carriers. Year 2000 projected combined surplus is estimated by the Empire Plan carriers to be \$41.5 million, 1.8% of premium.

The projected premium rates for 2001 are included in Exhibit III. These initial projections reflect increases in the gross and net premiums of approximately 14.2% and 13.8%, respectively. The report explains the basis for these projections and future reports will include revisions based on actual claims experience.

The Keeping You Informed Section of the report describes a new extended coverage policy for graduates and again 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
2000 First Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

JANUARY – MARCH 2000

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

- 1999 Empire Plan Experience. Page 1
- Projected 2000 Empire Plan Experience. Page 2
- 2001 Premium Rates. Page 2
- Keeping You Informed. Pages 3 - 4

Attachment 1 – Transmission of Reports Electronically

Exhibits

- I** 1999 Empire Plan Experience
- II** 2000 Projected Empire Plan Experience
- III** Projected Empire Plan PA 2001 Premium Rates
- IV** Empire Plan PA Group Rates (1985-2001)
- V** Empire Plan PA 5 Tier Group Rates (1995-2001)

**NYS HEALTH INSURANCE PROGRAM
PARTICIPATING AGENCY GROUP
EMPIRE PLAN EXPERIENCE REPORT
1ST QUARTER REPORT**

1999 EMPIRE PLAN EXPERIENCE

As presented in Exhibit I, the Empire Plan carriers have declared an aggregate net dividend of \$26.2 million representing 1.3% of premium. This amount is \$10.6 million lower than the amount of margin loaded in the development of the 1999 premium rates and is primarily attributable to the \$39.8 million loss incurred by the prescription drug program. Cigna will recover this loss to the extent of future years' surpluses.

The prescription drug premiums were the result of a bid process. Since the time such rates were developed (March 1998) to when the claims were incurred (calendar year 1999), the annual trend increased from approximately 15% to 22%. This large unanticipated increase was mainly attributable to industry changes as opposed to plan specific occurrences. These changes included the increased use of direct consumer advertising and the accelerated rate at which new, more expensive drugs are reaching the market.

While the Medical and Mental Health and Substance Abuse programs produced a dividend generally equivalent to the margin load, the Blue Cross Hospital Program declared a \$44.5 million dividend representing 6.9% of premium. The amount in excess of the margin load (\$15.4 million) was caused by a lower 1998 claims base than was used in the 1999 rate development. In addition, the 1999 observed trend decreased from the rating estimate of 4.1% to 3.0%.

Overall, the rating of 1999 was considered to be exceptional in that the premium paid to the carriers closely matched the claims incurred and retention charges. In addition to the 1999 surplus, the Empire Plan also earned approximately an additional \$5.0 million from terminated 1998 contracts. This was driven by the fact that the payment of runout claims was less than the Reserve for Outstanding and Unreported Claims as of 12/31/98.

Another source of funds, to be used like dividends, is the \$6.3 million in demutualization compensation received from Metropolitan Life. As you most likely already know, Metropolitan Life converted from a mutual company (one that is owned by its policyholders) to a stock company. The demutualization compensation represents the equity the Empire Plan held in the mutual company.

PROJECTED 2000 EMPIRE PLAN EXPERIENCE

Based on claims paid through March 31, 2000, the Empire Plan carriers project a composite dividend of \$41.5 million (1.8% of premium), or \$16.7 million less than the margin loaded in the 2000 rates. The 2000 annual experience projected by the insurance carriers is reported in Exhibit II.

The lower projected dividend is the blended result of higher projected claims under the United HealthCare (UHC) and Cigna components of the Empire Plan offset by lower projected claims under the Blue Cross component. In particular, the amount of claims paid by UHC in the 1st quarter was very high thereby triggering UHC to revise its annual projection upward. Though Cigna's dividend projection is approximately \$13 million lower than the margin loaded in the 2000 rates, elements of this projection appear to be quite conservative at this point in time. Also, any dividends earned under the prescription drug contract will first be used to offset the 1999 loss.

A significant reduction in the 1999 claims base from the amount assumed and used during the development of the 2000 premium rates is the primary reason for the \$17.4 million increase in the Blue Cross projected dividend. Current trend projection for plan year 2000 for the hospital component is also slightly lower from the amount anticipated during premium development.

Historically, Carrier 1st quarter experience projections have been conservative. Accordingly, there appears to be room for improvement in the experience projection over the remainder of 2000. Any changes in the projected experience for 2000 would also favorably impact the value of the rate projection for plan year 2001.

2001 PREMIUM RATES

Exhibit III presents projected 2001 Empire Plan gross and net premium rates assuming the application of \$68.6 million in dividend to all payors. In the aggregate, the Empire Plan gross premium is projected to increase approximately 14.2% while the net premium is projected to increase 13.8%.

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

For comparison purposes, Exhibit IV 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 V 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.

Extended Coverage for Dependent Students

Effective May 1, 2000, enrollees in the New York State Health Insurance Plan may extend the coverage of their dependent students who complete coursework requirements for graduation for three months. Please refer to PA 00-07, issued on May 9, 2000, for the details of this new benefit and the process for extending enrollment.

PA Bill

As you know, a new billing system, including a new billing statement, has been instituted as a result of the conversion to NYBEAS. The details of this new system were provided in PA 99-19. Based on feedback from a number of participating agencies, we are reviewing this system to determine how it may be simplified. If you have any comments or suggestions, please send them to Mr. Stephen Kavanaugh at the address listed below. We will keep you informed of our progress.

EBD OnLine

EBD OnLine is an internal website which serves as a central resource center for information on health benefits, including the Empire Plan At A Glance, Empire Plan Reports, Certificate Amendments, HBA and PA Memos, telephone lists, calendar of

events/conferences and other general interest items related to benefits. EBD OnLine will become available to you within the next few months. Further details on this new resource are forthcoming.

NYSHIP Representation at Municipal Events

NYSHIP's Empire Plan was represented at the following municipal event:
The 21st Annual Conference sponsored by the NYS Government Finance Officers' Association on March 23-24, 2000, in Albany.

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 Campus, Building #1
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 EMPIRE PLAN EXPERIENCE
In (000's)

	BLUE CROSS	UNITED HEALTHCARE MEDICAL				GHI MHSA				CIGNA	TOTAL
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	646,651	697,754	89,315	74,910	861,979	54,754	6,292	5,085	66,131	428,449	2,003,210
B Incurred Claims (2)	570,569	599,255	88,722	64,455	752,432	43,434	4,991	4,034	52,459	455,765	1,831,225
C Administrative Expense (3)	31,622	72,643	9,589	7,391	89,623	9,952	1,144	924	12,020	12,494	145,759
D Gain/(Loss) (A-B-C)	44,460	25,856	(8,996)	3,064	19,924	1,368	157	127	1,652	(39,810)	26,226

(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 Annual Statement

Exhibit II

2000 PROJECTED EMPIRE PLAN EXPERIENCE
In (000's)

	BLUE CROSS	UNITED HEALTHCARE MEDICAL				GHI MHSA				CIGNA	TOTAL
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	680,092	726,223	117,915	80,876	925,014	57,176	6,443	5,476	69,095	616,496	2,290,697
B Incurred Claims (2)	619,893	655,818	96,975	75,215	828,008	46,242	5,214	4,425	55,881	585,014	2,088,796
C Administrative Expense (3)	36,876	77,030	10,855	7,865	95,750	9,970	1,123	956	12,049	15,716	160,391
D Gain/(Loss) (A-B-C)	23,323	(6,625)	10,085	(2,204)	1,256	964	106	95	1,165	15,766	41,510

(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: 2000 1st 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	287.53	9.7%	256.64	278.07	8.4%
Best Estimate	261.99	296.16	13.0%	256.64	286.70	11.7%
Pessimistic	261.99	305.31	16.5%	256.64	295.85	15.3%
Family						
Optimistic	540.83	592.96	9.6%	529.89	573.55	8.2%
Best Estimate	540.83	610.88	13.0%	529.89	591.47	11.6%
Pessimistic	540.83	629.87	16.5%	529.89	610.46	15.2%
<u>MediPrime:</u>						
Individual						
Optimistic	209.65	241.10	15.0%	206.55	235.60	14.1%
Best Estimate	209.65	245.07	16.9%	206.55	239.57	16.0%
Pessimistic	209.65	249.37	18.9%	206.55	243.87	18.1%
Family -1						
Optimistic	489.15	547.69	12.0%	480.46	532.24	10.8%
Best Estimate	489.15	560.95	14.7%	480.46	545.50	13.5%
Pessimistic	489.15	575.08	17.6%	480.46	559.63	16.5%
Family-2						
Optimistic	436.06	499.99	14.7%	429.63	488.48	13.7%
Best Estimate	436.06	508.59	16.6%	429.63	497.08	15.7%
Pessimistic	436.06	517.87	18.8%	429.63	506.36	17.9%

(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	322.68	10.1%	284.97	312.18	9.5%
Best Estimate	293.01	333.16	13.7%	284.97	322.66	13.2%
Pessimistic	293.01	344.16	17.5%	284.97	333.66	17.1%
Family						
Optimistic	602.75	663.11	10.0%	586.46	641.64	9.4%
Best Estimate	602.75	684.72	13.6%	586.46	663.25	13.1%
Pessimistic	602.75	707.41	17.4%	586.46	685.94	17.0%
<u>MediPrime:</u>						
Individual						
Optimistic	217.84	250.38	14.9%	214.16	244.60	14.2%
Best Estimate	217.84	254.84	17.0%	214.16	249.06	16.3%
Pessimistic	217.84	259.63	19.2%	214.16	253.85	18.5%
Family -1						
Optimistic	528.23	591.97	12.1%	516.30	575.22	11.4%
Best Estimate	528.23	607.56	15.0%	516.30	590.81	14.4%
Pessimistic	528.23	624.03	18.1%	516.30	607.28	17.6%
Family-2						
Optimistic	452.31	518.40	14.6%	444.75	506.35	13.9%
Best Estimate	452.31	527.97	16.7%	444.75	515.92	16.0%
Pessimistic	452.31	538.22	19.0%	444.75	526.17	18.3%

(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	324.52	10.0%	286.53	313.81	9.5%
Best Estimate	294.94	335.09	13.6%	286.53	324.38	13.2%
Pessimistic	294.94	346.19	17.4%	286.53	335.48	17.1%
Family						
Optimistic	607.33	667.46	9.9%	590.16	645.49	9.4%
Best Estimate	607.33	689.30	13.5%	590.16	667.33	13.1%
Pessimistic	607.33	712.22	17.3%	590.16	690.25	17.0%
MediPrime:						
Individual						
Optimistic	217.94	250.47	14.9%	214.25	244.68	14.2%
Best Estimate	217.94	254.94	17.0%	214.25	249.15	16.3%
Pessimistic	217.94	259.73	19.2%	214.25	253.94	18.5%
Family -1						
Optimistic	530.97	594.57	12.0%	518.52	577.51	11.4%
Best Estimate	530.97	610.30	14.9%	518.52	593.24	14.4%
Pessimistic	530.97	626.91	18.1%	518.52	609.85	17.6%
Family-2						
Optimistic	453.22	519.26	14.6%	445.51	507.11	13.8%
Best Estimate	453.22	528.88	16.7%	445.51	516.73	16.0%
Pessimistic	453.22	539.17	19.0%	445.51	527.02	18.3%

(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)	298.55	14.5%	289.96	14.2%
Average Percent Increase				
From Inception		7.8%		7.8%
Most Recent 10 Years		4.1%		4.7%
Most Recent 5 Years		6.5%		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)	660.15	14.2%	640.04	13.7%
Average Percent Increase				
From Inception		8.2%		8.2%
Most Recent 10 Years		3.7%		4.5%
Most Recent 5 Years		6.2%		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)	335.09	13.6%	324.38	13.2%
Average Percent Increase				
From Inception of 5 Tier Structure		7.8%		9.1%
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)	689.30	13.5%	667.33	13.1%
Average Percent Increase				
From Inception of 5 Tier Structure		6.0%		7.2%
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)	254.94	17.0%	249.15	16.3%
Average Percent Increase				
From Inception of 5 Tier Structure		4.2%		6.3%
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)	610.30	14.9%	593.24	14.4%
Average Percent Increase				
From Inception of 5 Tier Structure		4.2%		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)	528.88	16.7%	516.73	16.0%
Average Percent Increase				
From Inception of 5 Tier Structure		2.8%		4.8%
(1) Represents premiums charged by the carriers.				
(2) Represents cost to a participating agency.				
(3) Inception of Medprime Rate Structure.				