



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 00-13

TO: Participating Agency Health Benefits Administrators

FROM: The Employee Benefits Division

SUBJECT: Empire Plan Quarterly Experience Report

DATE: August 31, 2000

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

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

Enclosures



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GEORGE C. SINNOTT
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EXECUTIVE
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August 31, 2000

Dear Chief Executive Officer:

Attached is the Participating Agency Second Quarter Report for 2000. This report provides projected 2000 Empire Plan experience based on claims paid through June 30, 2000, and projected premium rates for 2001.

The Empire Plan carriers are projecting a combined year 2000 surplus of \$61.9 million, 2.7% of premium.

The projected premium rates for 2001 are included in Exhibit III. These projections reflect increases in the gross and net premiums of approximately 15.6% and 15.2%, respectively. The report explains the basis for these projections and future reports will include revisions based on additional claims experience.

We are pleased to announce that the New York State Long Term Care Insurance Program will commence in 2001. Please read the "Keeping You Informed" section of this report for more information.

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 Second Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

APRIL – JUNE 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

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

Attachment 1 – Transmission of Reports Electronically

Exhibits

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

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

PROJECTED 2000 EMPIRE PLAN EXPERIENCE

Based on claims paid through June 30, 2000, the Empire Plan carriers project a composite dividend of \$61.9 million (2.7% of premium), or \$3.7 million more than the margin loaded in the 2000 rates. The 2000 annual experience projected by the insurance carriers is reported in Exhibit I.

This modestly higher projected dividend in comparison to the margin load is primarily the blended result of lower projected claims under the Blue Cross component offset by higher projected claims under the United HealthCare (UHC) component. The changes to both carrier projections relate to the 1999 claim base projected at the time the 2000 rates were developed while the expected trend (2000 over 1999) remains generally consistent with the values used in the 2000 rate development.

Though Cigna's dividend projection approximates the margin load, the claims paid in the first six months of the plan year are modestly lower than expected after adjusting for trend. The improved claims experience is not reflected in a larger dividend projection demonstrates the conservatism of insurance carriers. Such projection will be closely examined during the upcoming 2001 rate renewal discussions. Also, any dividends earned under the prescription drug contract will first be used to offset the 1999 loss (\$39.8 million).

Historically, the 2nd quarter experience projections have been conservative. Accordingly, there still appears to be room for improvements in the aggregate experience 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 II 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 15.6% while the net premium is projected to increase 15.2%.

Insurance markets in general and NYSHIP, in particular, are rather dynamic. Given this as well as the apparent caution reflected by the carriers in projecting claims

for both 2000 and 2001, the current rate estimates for the year 2001 are considered to be somewhat conservative by the department of Civil Service. A range of the carriers' 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

Long Term Care Insurance Program

Under the provisions of the enabling legislation, Participating Agencies may offer this program to their employees and eligible dependents. The definition of who is eligible for this coverage will be different from the definition for health insurance coverage. We expect that this important new program will offer affordable, valuable protection for employees, dependents and their parents.

We anticipate that the contract for this program will become effective on January 1, 2001, and that you will begin receiving information about this program during the second quarter of next year. As more detailed information becomes available to us we will share it with you in future reports.

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.

PA Regional Meetings

The PA Regional Meetings are being planned for the Fall of 2000. An announcement will be distributed as soon as dates and locations are finalized.

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 will be represented at the following municipal events:

- The 2000 Fall Seminar sponsored by the NYS Association of Counties on September 11-12, 2000, in Kerhonkson, NY.
- The Annual Fall Training School sponsored by the NYS Conference of Mayors and the Office of the State Comptroller on September 11-14, 2000, in Lake Placid, NY.
- The 81st Annual Convention and Educational Trade Show sponsored by the NYS School Boards Association on October 19-22, 2000, in Rochester, NY.

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, NY 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, NY 12239

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

Exhibit I

2000 PROJECTED EMPIRE PLAN EXPERIENCE
In (000's)

	BLUE CROSS	UNITED HEALTHCARE MEDICAL				GHI MHSA				CIGNA	TOTAL
		NY		PA		NY		PA			
		Core	Enhancement	Enhancement	Combined	Core	Enhancement	Enhancement	Combined		
A Premium (1)	685,840	726,353	118,366	80,428	925,147	57,779	6,531	5,507	69,817	625,064	2,305,868
B Incurred Claims (2)	626,786	670,896	90,078	67,622	828,596	45,413	6,136	4,403	55,952	581,744	2,093,078
C Administrative Expense (3)	31,495	75,254	10,022	7,015	92,291	9,603	1,085	916	11,604	15,411	150,801
D Gain/(Loss) (A-B-C)	27,559	(19,797)	18,266	5,791	4,260	2,763	(690)	188	2,261	27,909	61,989

(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 2nd 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	296.80	13.3%	256.64	287.36	12.0%
Best Estimate	261.99	305.96	16.8%	256.64	296.52	15.5%
Pessimistic	261.99	315.14	20.3%	256.64	305.70	19.1%
Family						
Optimistic	540.83	611.97	13.2%	529.89	592.59	11.8%
Best Estimate	540.83	630.97	16.7%	529.89	611.59	15.4%
Pessimistic	540.83	650.04	20.2%	529.89	630.66	19.0%
<u>MediPrime:</u>						
Individual						
Optimistic	209.65	246.54	17.6%	206.55	241.05	16.7%
Best Estimate	209.65	250.71	19.6%	206.55	245.22	18.7%
Pessimistic	209.65	254.89	21.6%	206.55	249.40	20.7%
Family -1						
Optimistic	489.15	562.87	15.1%	480.46	547.44	13.9%
Best Estimate	489.15	576.88	17.9%	480.46	561.45	16.9%
Pessimistic	489.15	590.95	20.8%	480.46	575.52	19.8%
Family-2						
Optimistic	436.06	511.34	17.3%	429.63	499.85	16.3%
Best Estimate	436.06	520.37	19.3%	429.63	508.88	18.4%
Pessimistic	436.06	529.41	21.4%	429.63	517.92	20.6%

- (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
Plan Prime:						
Individual						
Optimistic	293.01	326.34	11.4%	284.97	315.86	10.8%
Best Estimate	293.01	337.05	15.0%	284.97	326.57	14.6%
Pessimistic	293.01	347.79	18.7%	284.97	337.31	18.4%
Family						
Optimistic	602.75	670.93	11.3%	586.46	649.49	10.7%
Best Estimate	602.75	693.03	15.0%	586.46	671.59	14.5%
Pessimistic	602.75	715.20	18.7%	586.46	693.76	18.3%
MediPrime:						
Individual						
Optimistic	217.84	254.34	16.8%	214.16	248.57	16.1%
Best Estimate	217.84	258.92	18.9%	214.16	253.15	18.2%
Pessimistic	217.84	263.51	21.0%	214.16	257.74	20.3%
Family -1						
Optimistic	528.23	600.09	13.6%	516.30	583.36	13.0%
Best Estimate	528.23	616.06	16.6%	516.30	599.33	16.1%
Pessimistic	528.23	632.08	19.7%	516.30	615.35	19.2%
Family-2						
Optimistic	452.31	526.82	16.5%	444.75	514.79	15.7%
Best Estimate	452.31	536.66	18.6%	444.75	524.63	18.0%
Pessimistic	452.31	546.51	20.8%	444.75	534.48	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 & PSYCHIATRIC ENHANCEMENTS						
Gross Rates (1)			Net Rates (2)			
	2000	2001	% Change	2000	2001	% Change
<u>Plan Prime:</u>						
Individual						
Optimistic	294.94	328.19	11.3%	286.53	317.50	10.8%
Best Estimate	294.94	339.00	14.9%	286.53	328.31	14.6%
Pessimistic	294.94	349.83	18.6%	286.53	339.14	18.4%
Family						
Optimistic	607.33	675.32	11.2%	590.16	653.38	10.7%
Best Estimate	607.33	697.64	14.9%	590.16	675.70	14.5%
Pessimistic	607.33	720.04	18.6%	590.16	698.10	18.3%
<u>MediPrime:</u>						
Individual						
Optimistic	217.94	254.43	16.7%	214.25	248.65	16.1%
Best Estimate	217.94	259.02	18.8%	214.25	253.24	18.2%
Pessimistic	217.94	263.61	21.0%	214.25	257.83	20.3%
Family -1						
Optimistic	530.97	602.72	13.5%	518.52	585.68	13.0%
Best Estimate	530.97	618.82	16.5%	518.52	601.78	16.1%
Pessimistic	530.97	634.98	19.6%	518.52	617.94	19.2%
Family-2						
Optimistic	453.22	527.69	16.4%	445.51	515.56	15.7%
Best Estimate	453.22	537.57	18.6%	445.51	525.44	17.9%
Pessimistic	453.22	547.47	20.8%	445.51	535.34	20.2%

(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)	302.36	16.0%	293.79	15.7%
Average Percent Increase				
From Inception		7.9%		7.9%
Most Recent 10 Years		4.2%		4.9%
Most Recent 5 Years		6.8%		9.0%
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)	667.96	15.5%	647.93	15.1%
Average Percent Increase				
From Inception		8.3%		8.3%
Most Recent 10 Years		3.8%		4.6%
Most Recent 5 Years		6.5%		8.7%
* 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)	339.00	14.9%	328.31	14.6%
Average Percent Increase				
From Inception of 5 Tier Structure		8.0%		9.3%
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)	697.64	14.9%	675.70	14.5%
Average Percent Increase				
From Inception of 5 Tier Structure		6.3%		7.5%
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)	259.02	18.8%	253.24	18.2%
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)	618.82	16.5%	601.78	16.1%
Average Percent Increase				
From Inception of 5 Tier Structure		4.4%		5.9%
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)	537.57	18.6%	525.44	17.9%
Average Percent Increase				
From Inception of 5 Tier Structure		3.1%		5.1%
(1) Represents premiums charged by the carriers.				
(2) Represents cost to a participating agency.				
(3) Inception of Medprime Rate Structure.				