

December 1, 2000

Dear Participating Agency Health Benefits Insurance Administrator:

Attached are the Plan Year 2001 rates for the New York State Health Insurance Program (NYSHIP). Schedule I represents the full share rates, the COBRA rates and the NYS Continuity of Coverage rates. Schedule II represents the Employee/Employer Variable Contribution Rate Table (PS-508). Your bill for January 2001 coverage will reflect the new rates.

The net Five-Tier Mediprime rates for the Core plus all enhancement option have, in the aggregate, increased 10.2%. While this level of increase is higher than we would like it to be, it is lower than many other plans in the northeast and nationally. There are a myriad of factors, both positive and negative contributing to this premium increase.

Reductions in Renewal Requests /Retrospective Premium Payments (RETROS)

- Reductions of approximately \$109 million (4% of total premium) from the carriers original baseline renewal requests were made as a result of discussions with Department staff and the Department's benefit consulting firm, Buck Consultants. A significant portion of this reduction is due to the retro agreements which are integral to this rate action. Under a retro agreement, the plan pays the insurance companies based on what the plan thinks the ultimate cost will be. The insurance company accepts the payment rate with the condition that if costs are greater than the premium earned from the payment rate, additional premium (the retro) will be paid to the insurance company. The retro payment, if needed, will be made from available dividend within 90 days of the plan year 2001 settlement date (March 15, 2002). Of course using plan year 2000 dividend to meet any plan year 2001 retro obligation will reduce the dividend amount available to offset future premium obligations. In sum, the retros amount to approximately \$57 million (2.2% of the premium liability rate) and according to Buck Consultants are considered a prudent premium development strategy for 2001.

Empire Blue Cross and Blue Shield (hospital)

- A 6.4% premium increase results from a 9.8% going forward trend, zero margin load and a 2000 premium level generating a projected 3.7% dividend. During the current year, hospitals have aggressively initiated recontracting with a major focus on inpatient pricing. A 10.06% inpatient instate cost trend factor is included in this renewal.

United Healthcare (medical)

- An overall 12.1% increase in the aggregate premium for the United Healthcare medical component of the Empire Plan is the net result of a number of factors. This action reflects a trend factor of 8.9%, 3% margin, 2000 premium level generating a projected 1.6% dividend and an artificially low 2000 premium due to non recurring collective bargaining adjustments for items such as a reduction in the Disabled Lives Liability reserve.

Group Health Incorporated (mental health and substance abuse)

- A 1% premium increase is the blended combination of a 1% trend, 3.5% margin load and a 2000 premium level generating a projected 3.2% dividend. Modest downward adjustments, (less than \$1 million) were made to the original carrier rate recommendation for items such as base, trend and administrative expense.

Cigna (prescription drugs)

- Direct to consumer advertising and the introduction of new prescription products were among the factors driving plan year 2000 costs; these factors have not abated and are expected to continue to influence plan year 2001 costs.
- A 13.3% premium increase is the result of a 24% underwriting trend tempered by a plan year 2000 premium base that included a \$10 million deficit load, a 3% underwriting margin and significant plan design changes.

The remaining Empire Plan rating components, including dividend and interest, make up the remainder of the premium increase for 2001.

Medicare Premium

The Health Care Financing Administration has announced an increase of \$4.50 in the monthly Medicare Part B premium. Accordingly, the calendar year 2001 premium will increase to \$50.00 per month.

Retiree Deductions

Retiree pension deductions for health insurance will change in the checks issued by the retirement systems at the end of December 2000. As you know, with the New York Benefits and Eligibility and Accounting System (NYBEAS), the December 2000 deduction will pay for January 2001 coverage.

Participating Agency Administrative Charge

The 2001 annual administrative per enrollee charge will decrease 24% from \$16.241 to \$12.326. The lower charge is the blended result of a higher PA enrollment a carryforward surplus and an increase in the allocable costs. The annual agency fee will decrease 21% from \$276 to \$218. Any difference between the actual and estimated costs will be factored into the 2002 administrative fees.

The administrative cost charge which is less than .3% will be shown separately on your premium bill. Send one check each month for the combined amount made payable to the "New York State Employees' Health Insurance Pending Account." Please note that the administrative charge must be borne entirely by the agency and may not be passed on to active employees, retirees or other enrollees.

If you have any questions about this rate change, please contact our Operations Unit at (518) 485-6619.

Sincerely,

Robert W. DuBois, CEBS
Director
Employee Benefits Division

Attachments

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