

January 10, 2001

Dear Chief Executive Officer:

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

The Empire Plan carriers are projecting a combined year 2000 surplus of \$89.3 million, 3.9% of premium. The report explains the basis for these projections and future reports will include revisions based on additional claims experience.

The premium rates for 2001 are included in Exhibit II. These amounts reflect increases in the gross and net premiums of approximately 10.8% and 10.2%, respectively.

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.

Also, attached to the report is a request form for receiving the quarterly report electronically and a copy of the slides from the PA Regional meetings.

I hope this report is informative and useful to you. If you have any questions, comments or suggestions, please feel free to contact me. Our best wishes for a happy holiday season.

Sincerely,

Robert W. DuBois, CEBS
Director
Employee Benefits Division

Attachments

cc: Health Benefits Administrators

TO: Participating Agency Health Benefits Administrators
FROM: The Employee Benefits Division
SUBJECT: Empire Plan Quarterly Experience Report
DATE: January 10, 2001

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

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

Enclosures

PARTICIPATING AGENCIES

**EMPIRE PLAN
2000 Third Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

JULY – SEPTEMBER 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
- Keeping You Informed. Pages 2 - 3

Attachment 1 – Transmission of Reports Electronically

Attachment 2 – PA Regional Meeting Handouts

Exhibits

- I** 2000 Projected Empire Plan Experience
- II** 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
3RD QUARTER REPORT**

PROJECTED 2000 EMPIRE PLAN EXPERIENCE

Based on claims paid through September 30, 2000, the Empire Plan carriers project a composite dividend of \$89.3 million (3.9% of premium), or \$31.1 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 both the Blue Cross and Cigna components offset by higher projected claims under the United HealthCare (UHC) component. The changes to these carrier projections primarily relate to the 1999 claim base projected at the time the 2000 rates were developed. While the 1999 claim base is lower, the trend factors on all benefit components are rising. For Plan Year 2001, the aggregate trend factor is 13.1%.

Though Cigna's surplus projection is \$47.4 million, such amount must first be used to offset the 1999 loss of \$39.8 million and results in a projected dividend of \$7.6 million. While loss recovery was envisioned, it occurred sooner than expected. The lower claims experience is attributable to utilization mix savings resulting from the change in the copay amounts effective 1/1/2000. Though these savings benefit the current and future experience, we must note that the trend factor developed by the carrier is 24% and reflects the increasing costs of prescription drugs.

2001 PREMIUM RATES

Exhibit II presents 2001 Empire Plan gross and net premium rates, assuming the application of \$74.0 million in dividend to all payors. In the aggregate, the Empire Plan gross premium increased approximately 10.8% while the net premium increased 10.2%.

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.

You will begin receiving information about this program during the second quarter of this 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 2000 PA Regional Meetings were held on November 8 in Rockland County, November 9 in Suffolk County and November 14 in Saratoga County. About 370 people attended. Attachment 2 includes the agenda and handout materials. In addition to the financial issues, the Empire Plan carriers provided an update of benefits, and presented new programs including the Empire Plan Nurseline, Centers of Excellence for Transplants, Centers of Excellence for Infertility Treatment, and the Cardiovascular Risk Reduction Program. Further information on these benefits will be included in upcoming issues of the Empire Plan Report.

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
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	688,016	727,226	118,447	80,594	926,267	57,936	6,560	5,517	70,013	625,019	2,309,315
B Incurred Claims (2)	632,834	666,640	89,048	65,394	821,082	45,529	5,929	4,178	55,636	563,083	2,072,635
C Administrative Expense (3)	29,994	74,093	9,751	6,838	90,682	10,067	1,139	960	12,166	14,537	147,379
D Gain/(Loss) (A-B-C)	25,188	(13,507)	19,648	8,362	14,503	2,340	(508)	379	2,211	47,399	89,301

(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 3rd Quarter Report

**Empire Plan
Participating Agency Premium Rates
Comparison of 2000 and Final 2001 Rates
Mediprime Rate Structure**

EMPIRE PLAN OPTION	GROSS RATES (1)			NET RATES (2)		
	2000	2001	% Change	2000	2001	% Change
CORE ONLY						
<u>Non-Medicare</u>						
Individual (81)	261.99	293.01	11.8%	256.64	283.24	10.4%
Family (82)	540.83	608.59	12.5%	529.89	588.51	11.1%
<u>Medicare</u>						
Individual	209.65	236.42	12.8%	206.55	230.99	11.8%
Family - 1 medicare	489.15	553.16	13.1%	480.46	537.43	11.9%
Family - 2 medicares	436.06	495.31	13.6%	429.63	483.91	12.6%
CORE PLUS MEDICAL ENHANCEMENT						
<u>Non-Medicare</u>						
Individual (61)	293.01	323.21	10.3%	284.97	312.44	9.6%
Family (62)	602.75	668.99	11.0%	586.46	646.91	10.3%
<u>Medicare</u>						
Individual	217.84	245.51	12.7%	214.16	239.82	12.0%
Family - 1 medicare	528.23	592.45	12.2%	516.30	575.44	11.5%
Family - 2 medicares	452.31	513.49	13.5%	444.75	501.56	12.8%
CORE PLUS MEDICAL AND PSYCHIATRIC ENHANCEMENTS						
<u>Non-Medicare</u>						
Individual (71)	294.94	325.23	10.3%	286.53	314.26	9.7%
Family (72)	607.33	673.67	10.9%	590.16	651.09	10.3%
<u>Medicare</u>						
Individual	217.94	245.64	12.7%	214.25	239.94	12.0%
Family - 1 medicare	530.97	595.25	12.1%	518.52	577.95	11.5%
Family - 2 medicares	453.22	514.40	13.5%	445.51	502.37	12.8%
(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	289.41	11.0%	280.25	10.3%
Average Percent Increase				
From Inception		7.6%		7.6%
Most Recent 10 Years		3.7%		4.4%
Most Recent 5 Years		5.8%		7.9%
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	640.64	10.8%	619.28	10.0%
Average Percent Increase				
From Inception		8.0%		8.0%
Most Recent 10 Years		3.4%		4.1%
Most Recent 5 Years		5.5%		7.7%
* 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	325.23	10.3%	314.26	9.7%
Average Percent Increase				
From Inception of 5 Tier Structure		7.2%		8.5%
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	673.67	10.9%	651.09	10.3%
Average Percent Increase				
From Inception of 5 Tier Structure		5.6%		6.8%
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	245.64	12.7%	239.94	12.0%
Average Percent Increase				
From Inception of 5 Tier Structure		3.5%		5.6%
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	595.25	12.1%	577.95	11.5%
Average Percent Increase				
From Inception of 5 Tier Structure		3.7%		5.1%
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	514.40	13.5%	502.37	12.8%
Average Percent Increase				
From Inception of 5 Tier Structure		2.2%		4.2%

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