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GEORGE C. SINNOTT  
COMMISSIONER

DANIEL E. WALL  
EXECUTIVE  
DEPUTY COMMISSIONER

PA 01 – 02

To: Participating Agency Health Benefit Administrators  
From: The Employee Benefits Division  
Subject: Empire Plan Quarterly Experience Report  
Date: February 26, 2001

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

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

Enclosures



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February 26, 2001

Dear Chief Executive Officer:

Attached is the Participating Agency Fourth Quarter Report for 2000. This report provides projected 2000 Empire Plan experience based on claims paid through December 31, 2000 and projected premium rates for 2002.

The Empire Plan carriers are projecting a combined year 2000 surplus of \$97.9 million, 4.2% of premium. The report explains the basis for these projections.

The projected premium rates for 2002 are included in Exhibit II. These initial projections reflect increases in the gross and net premiums of approximately 11.4% and 12.5%, respectively. Please note that these are preliminary projections which have been made without any claims experience for 2001. The report explains the basis for these projections and future reports will include revisions based on actual experience. Please read the "Keeping You Informed" section of this report for information on our plans to distribute the Participating Agency Benefit Statements.

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 Fourth Quarter  
Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**OCTOBER – DECEMBER 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
- 2002 Projected Premium Rates. . . . . Page 1
- Keeping You Informed. . . . . Pages 2 - 3

Attachment 1 – Transmission of Reports Electronically

## Exhibits

- I** 2000 Projected Empire Plan Experience
- II** Projected Empire Plan PA 2002 Premium Rates
- III** Empire Plan PA Group Rates 1985-2002
- IV** Empire Plan PA 5 Tier Group Rates 1995-2002

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

**PROJECTED 2000 EMPIRE PLAN EXPERIENCE**

Based on claims paid through December 31, 2000, the Empire Plan carriers project a composite dividend of \$97.9 million (4.2% of premium), or \$39.7 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 both the Blue Cross and Cigna components. The changes to these carrier projections for the most part 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 projected by the carriers is 13.1%.

Though Cigna's surplus projection is \$51.9 million, such amount must first be used to offset the 1999 loss of \$39.8 million and results in a projected dividend of \$12.1 million. While loss recovery was envisioned, it occurred sooner than expected. The lower claims experience is attributable to utilization and 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.

**2002 PROJECTED PREMIUM RATES**

Exhibit II presents projected 2002 Empire Plan gross and net premium rates, assuming the application of \$57.4 million in dividend to all payors. In the aggregate, the Empire Plan gross premium is projected to increase approximately 11.4% while the net premium is projected to increase 12.5%.

Historically, the rate projections provided in the Quarterly Report were based on carrier projections. Since the projections made by the carriers for this report were viewed to be excessively conservative (range of 13.3% to 20.7% with a best estimate of 16.7%), the Department of Civil Service with the advice of Buck Consultants made reasonable adjustments to the carrier projections. As a result, the projected rates in this report reflect a range of 10.2% to 16.5% with a best estimate of 12.5%. Since such projections are not based on any 2001 claim data, each agency must assess its level of comfort in using them.

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 2002.

## **KEEPING YOU INFORMED**

### **Participating Agency Benefit Statements**

Empire Plan Benefit Statements will be distributed to Participating Agency enrollees' homes in Spring 2001. This statement will enable enrollees to review their official health insurance enrollment record at the Employee Benefits Division and will instruct them to notify their agency Health Benefits Administrator of any necessary additions, changes or deletions to their record. Prior to this distribution, we will send agency Health Benefit Administrator's detailed information about this project.

### **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 will be represented at the following municipal events:

- The 2001 Legislative Conference sponsored by the NYS Association of Counties on February 11-13, 2001, in Albany, NY.
- The 2001 Training School and Albany Annual Meeting sponsored by the Association of Towns of the State of New York on February 18-21, 2001, in New York City, NY.
- The Winter Legislative Meeting sponsored by the NYS Conference of Mayors and Municipal Officials on February 25-26, 2001, in Albany, NY.
- The 2001 Annual Conference sponsored by the NYS Government Finance Officers' Association on March 28-30, 2001, in Albany, 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***

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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)	\$ 689,560	\$ 728,393	\$ 118,525	\$ 80,846	\$ 927,764	\$ 58,199	\$ 6,576	\$ 5,551	\$ 70,326	\$ 626,612	\$ 2,314,262
B Incurred Claims (2)	637,742	669,489	88,044	64,034	821,567	42,927	6,748	4,885	54,560	561,037	2,074,906
C Administrative Expense (3)	29,654	70,869	8,946	6,269	86,084	9,959	1,124	951	12,034	13,724	141,496
D Gain/(Loss) (A-B-C)	\$ 22,164	\$ (11,965)	\$ 21,535	\$ 10,543	\$ 20,113	\$ 5,313	\$ (1,296)	\$ (285)	\$ 3,732	\$ 51,851	\$ 97,860

(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 4<sup>th</sup> Quarter Report

**EMPIRE PLAN**  
**Participating Agency Premium Rates**  
**Comparison of 2001 and Projected 2002 Rates**

CORE ONLY						
Gross Rates (1)				Net Rates (2)		
	2001	2002	% Change	2001	2002	% Change
<b><u>Plan Prime:</u></b>						
Individual						
Optimistic	293.01	314.74	7.4%	283.24	309.91	9.4%
Best Estimate	293.01	321.13	9.6%	283.24	316.30	11.7%
Pessimistic	293.01	336.42	14.8%	283.24	331.59	17.1%
Family						
Optimistic	608.59	653.15	7.3%	588.51	643.04	9.3%
Best Estimate	608.59	666.41	9.5%	588.51	656.30	11.5%
Pessimistic	608.59	696.37	14.4%	588.51	686.26	16.6%
<b><u>MediPrime:</u></b>						
Individual						
Optimistic	236.42	268.93	13.8%	230.99	264.36	14.4%
Best Estimate	236.42	274.41	16.1%	230.99	269.84	16.8%
Pessimistic	236.42	288.73	22.1%	230.99	284.16	23.0%
Family -1						
Optimistic	553.16	608.39	10.0%	537.43	598.55	11.4%
Best Estimate	553.16	620.75	12.2%	537.43	610.91	13.7%
Pessimistic	553.16	649.73	17.5%	537.43	639.89	19.1%
Family-2						
Optimistic	495.31	561.45	13.4%	483.91	551.88	14.0%
Best Estimate	495.31	572.90	15.7%	483.91	563.33	16.4%
Pessimistic	495.31	600.89	21.3%	483.91	591.32	22.2%

- (1) Represents premiums charged by the carriers.  
(2) Represents costs charged to participating agencies.

**EMPIRE PLAN**  
**Participating Agency Premium Rates**  
**Comparison of 2001 and Projected 2002 Rates**

<b>CORE PLUS MEDICAL ENHANCEMENT</b>						
<b>Gross Rates (1)</b>			<b>Net Rates (2)</b>			
	<b>2001</b>	<b>2002</b>	<b>% Change</b>	<b>2001</b>	<b>2002</b>	<b>% Change</b>
<b><u>Plan Prime:</u></b>						
Individual						
Optimistic	323.21	348.18	7.7%	312.44	339.76	8.7%
Best Estimate	323.21	355.25	9.9%	312.44	346.83	11.0%
Pessimistic	323.21	372.22	15.2%	312.44	363.80	16.4%
Family						
Optimistic	668.99	720.03	7.6%	646.91	702.76	8.6%
Best Estimate	668.99	734.66	9.8%	646.91	717.39	10.9%
Pessimistic	668.99	767.97	14.8%	646.91	750.70	16.0%
<b><u>MediPrime:</u></b>						
Individual						
Optimistic	245.51	279.00	13.6%	239.82	273.48	14.0%
Best Estimate	245.51	284.68	16.0%	239.82	279.16	16.4%
Pessimistic	245.51	299.51	22.0%	239.82	293.99	22.6%
Family -1						
Optimistic	592.45	651.90	10.0%	575.44	637.52	10.8%
Best Estimate	592.45	665.15	12.3%	575.44	650.77	13.1%
Pessimistic	592.45	696.31	17.5%	575.44	681.93	18.5%
Family-2						
Optimistic	513.49	581.58	13.3%	501.56	570.13	13.7%
Best Estimate	513.49	593.44	15.6%	501.56	581.99	16.0%
Pessimistic	513.49	622.44	21.2%	501.56	610.99	21.8%

- (1) Represents premiums charged by the carriers.  
(2) Represents costs charged to participating agencies.

**EMPIRE PLAN**  
**Participating Agency Premium Rates**  
**Comparison of 2001 and Projected 2002 Rates**

<b>CORE PLUS MEDICAL ENHANCEMENT</b>						
<b>Gross Rates (1)</b>			<b>Net Rates (2)</b>			
	<b>2001</b>	<b>2002</b>	<b>% Change</b>	<b>2001</b>	<b>2002</b>	<b>% Change</b>
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- (1) Represents premiums charged by the carriers.  
(2) Represents costs charged to participating agencies.

EMPIRE PLAN  
PA GROUP RATES  
1985 - 2002 Monthly Rates

Core plus Med. & Psych. Enh.	Gross Rate	% Change	Net Rate	% Change
<b>Individual</b>				
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%
2002 (Projected)	323.93	11.9%	316.76	13.0%
<b>Average Percent Increase</b>				
From Inception		7.8%		7.9%
Most Recent 10 Years		5.1%		5.8%
Most Recent 5 Years		8.1%		9.9%
<b>Family</b>				
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%
2002 (Projected)	712.98	11.3%	696.96	12.5%
<b>Average Percent Increase</b>				
From Inception		8.2%		8.2%
Most Recent 10 Years		4.9%		5.6%
Most Recent 5 Years		7.6%		9.3%
* 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 - 2002 Monthly Rates				
Core plus Med. & Psych. Enh.	Gross Rate(1)	% Change	Net Rate(2)	% Change
<b>Individual Planprime</b>				
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%
2002 (projected)	357.29	9.9%	348.87	11.0%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		7.6%		8.8%
<b>Family Planprime</b>				
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%
2002 (projected)	739.39	9.8%	722.10	10.9%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		6.2%		7.4%
<b>Individual Medprime</b>				
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%
2002 (projected)	284.81	15.9%	279.29	16.4%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		5.3%		7.1%
<b>Family - 1 Medprime</b>				
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%
2002 (projected)	667.97	12.2%	653.58	13.1%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		4.9%		6.2%
<b>Family - 2 or More Medprime</b>				
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%
2002 (projected)	594.35	15.5%	582.90	16.0%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure		4.1%		5.9%
(1) Represents premiums charged by the carriers.				
(2) Represents cost to a participating agency.				
(3) Inception of Medprime Rate Structure.				