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GEORGE C. SINNOTT  
COMMISSIONER

DANIEL E. WALL  
EXECUTIVE  
DEPUTY COMMISSIONER

PA 01 – 17

To: Participating Agency Health Benefit Administrators  
From: The Employee Benefits Division  
Subject: Empire Plan Quarterly Experience Report  
Date: August 22, 2001

Enclosed are the Second Quarter Empire Plan Experience Report for 2001 and the cover letter to the Chief Executive Officers.

This report provides the projected 2001 experience and projected premium rates for the 2002 plan year.

Enclosures



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August 22, 2001

Dear Chief Executive Officer:

Attached is the Participating Agency Second Quarter Report for 2001. This report provides the projected 2001 Empire Plan experience, based on claims paid through June 30, 2001, and projected premium rates for the 2002 plan year.

The Empire Plan carriers project a 2001 net dividend of \$83.1 million, 3.1% of premium. The report explains the basis for these projections and future reports will include revisions based on additional claims experience.

The projected 2002 premium rates are presented in Exhibit II, with a best estimate increase of 12.3%. Please note that such projections have been made with only six months of 2001 paid claim data. The range of projected rates provides for a reasonable deviation from the best estimate. The actual 2002 rates shall be established in November.

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  
2001 Second Quarter  
Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**JANUARY – JUNE 2001**

**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 2001 Empire Plan Experience. . . . . Page 1
- 2002 Projected Premium Rates . . . . . Page 1-2
- Keeping You Informed. . . . . Pages 2-3

Attachment 1 – Transmission of Reports Electronically

## Exhibits

- I. 2001 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  
2ND QUARTER REPORT**

**PROJECTED 2001 EMPIRE PLAN EXPERIENCE**

The Empire Plan carriers project a composite dividend of \$83.1 million (3.1% of premium), or \$53 million more than the margin loaded in the 2001 rates. The 2001 annual experience projected by the insurance carriers is reported in Exhibit I.

Approximately \$43.8 million of the projected surplus is attributable to the improved experience of the Prescription Drug Program. A comparison of claims incurred in the first six months of 2001 with the same period of 2000 resulted in a trend of 15.5%. After adjusting for plan changes, the pure trend was approximately 18% or 25% below the pricing trend factor used in the development of the 2001 prescription drug rates. This trend reduction was the result of a marked decrease in the number of scripts per contact. The Division of Employee Benefits has requested Cigna and Express Scripts, Inc., to prepare a detailed analysis of this welcomed downturn in trend as we start rate renewal negotiations in September.

Modest improvements in experience are also projected for both the Medical Program and the Mental Health and Substance Abuse (MHSA) Program. The underlying medical trend is approximately 8.2% in comparison to the pricing trend of 8.9% used in the development of the medical premium rates. The improved experience in the MHSA Program is primarily attributable to the runout of claims at lower than anticipated levels.

A modest loss of \$5.1 million or .7% of premium is projected by Empire Blue Cross Blue Shield. If such loss occurs, Empire Blue Cross Blue Shield may call additional funds from previous earned dividend reserves not to exceed 3% of premium. This retro premium arrangement was negotiated in exchange for a marginless 2001 premium rate. Over the last year, Empire Blue Cross Blue Shield has been renegotiating their hospital contracts. While the general impact of these negotiations was analyzed for its book of business, the actual impact on the Empire Plan experience has not been determined because the paid claim data is still somewhat immature. Accordingly, the projected 2001 claim amount was developed using assumed contract negotiation impact factors in addition to historical completion factors. This introduces an extra layer of conservatism into the projections.

**2002 PROJECTED PREMIUM RATES**

Exhibit II presents projected 2002 Empire Plan gross and net premium rates, assuming the application of \$69.9 million in dividend to all payors. In the aggregate, the Empire Plan gross premium is projected to increase approximately 11.7% while the net premium is projected to increase to 12.3%.

Historically, the rate projections provided in the Quarterly Report are based on carrier projections. Since the projections made by two of the carriers were viewed to be excessively conservative, 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 10.1% to 15.0% with a best estimate of 12.3%. Because such projections are based on only six months of 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**

#### **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 Fall Training School sponsored by the NYS Conference of Mayors and the Office of the State Comptroller on September 10-14, 2001, in Kerhonkson, NY.
- The 2001 Fall Seminar sponsored by the NYS Association of Counties on September 23-25, 2001, in Rye Brook, NY.
- The 82<sup>nd</sup> Annual Convention sponsored by the NYS School Boards Association on October 18-20, 2001, in Buffalo, NY.

### **PA Regional Meetings**

The PA Regional Meetings will be planned for late October/early November. As soon as dates and locations are finalized, a PA memorandum will be issued. If you have any specific questions and/or issues which you would like addressed or other suggestions for the agenda, please let us know by reaching us by:

**Phone: (518) 485-1771 (or)**  
**Fax: (518) 485-8952**

### **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 B. Kavanaugh**  
**Director - Employee Insurance Programs**  
**Employee Benefits Division**  
**NYS Department of Civil Service**  
**State Office Campus, Building #1**  
**Albany, NY 12239**

**TRANSMISSION OF REPORTS ELECTRONICALLY**

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Mr. Stephen B. Kavanaugh  
Director – Employee Insurance Programs  
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:	