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GEORGE C. SINNOTT  
COMMISSIONER

DANIEL E. WALL  
EXECUTIVE  
DEPUTY COMMISSIONER

PA 01 – 29

To: Participating Agency Health Benefit Administrators  
From: The Employee Benefits Division  
Subject: Empire Plan Quarterly Experience Report  
Date: December 21, 2001

Enclosed are the Third Quarter Empire Plan Experience Report for 2001 and the cover letter to the Chief Executive Officers. This report presents the projected 2001 Empire Plan experience as well as the approved 2002 premium rates.

Enclosures



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December 21, 2001

Dear Chief Executive Officer:

Attached is the Participating Agency Third Quarter Report for 2001. This report presents the projected 2001 Empire Plan experience based on claims paid through September 30, 2001 as well as the 2002 premium rates.

The Empire Plan carriers project a 2001 net dividend of \$111.5 million, 4.2% of premium. The report explains the basis for this projection and future reports will include revisions based on additional claims experience. The carriers will issue the annual experience statement on March 15, 2002.

The approved 2002 premium rates are presented in Exhibit II and reflect a net rate increase of 10.2%. The report also presents the major factors driving this rate increase.

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.

Our best wishes for a happy holiday season.

Sincerely,

Robert W. DuBois, CEBS  
Director  
Employee Benefits Division

Attachments

cc: Health Benefits Administrators



**PARTICIPATING AGENCIES**

**EMPIRE PLAN  
2001 Third Quarter  
Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**JULY – SEPTEMBER 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**

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• Keeping You Informed. . . . .	Pages 2 - 3

Attachment 1 – Transmission of Reports Electronically

Attachment 2 – PA Regional Meeting Agenda and Handout Materials

## Exhibits

- I. 2001 Projected Empire Plan Experience
- II. 2002 PA Premium Rates
- III. Empire Plan PA 2 Tier 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  
3RD QUARTER REPORT**

**PROJECTED 2001 EMPIRE PLAN EXPERIENCE**

The Empire Plan carriers project a composite dividend of \$111.5 million (4.2% of premium), or \$81.4 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 \$47.8 million of the projected surplus is attributable to the better than expected experience of the Prescription Drug Program. Such improvement is attributable to the softening of the prescription drug trend. 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 and discount pricing changes, the normalized trend, reported by Cigna, is 18.8% or approximately 25% below the pricing trend factor used in the development of the 2001 prescription drug rates. While this is good news, the prescription drug program is trending at almost twice the rate of the medical and hospital programs. The prescription drug component now represents approximately 28% of the Empire Plan premium.

Moderate experience improvements are also projected for both the Medical Program and the Mental Health and Substance Abuse (MHSA) Program. The improved experience in these programs is primarily attributable to the reduction in the actual 2000 claim base in comparison to the amount projected and used in the development of the 2001 premium rates. This improvement is partially offset by the marginally higher rate of trend observed, on both programs, in comparison to the trend factors used in the 2001 rate development.

Empire BlueCross BlueShield is projecting a marginal loss. If such loss occurs, Empire BlueCross BlueShield may call additional funds from previously earned dividend reserves not to exceed 3% of premium. This retro premium arrangement was negotiated in exchange for a marginless 2001 premium rate.

**2002 PREMIUM RATES**

Exhibit II presents the 2002 Empire Plan gross and net premium rates and includes the application of \$69.9 million in dividend to all payors. In the aggregate, the Empire Plan gross premium increased approximately 9.3% while the net premium increased 10.2%.

This premium increase compares favorable with the reported increase of many other large employers (i.e. Federal Employees – 13.2%). While the rate of trend has been increasing over the last few years, we have been able to achieve a relatively favorable 2002 rate increase by the use of retrospective premium arrangements.

Specifically, a carrier will agree to reduce the required premium level by a specific dollar amount in exchange for the program agreeing to pay the carrier additional money as a retrospective premium payment should claims and expenses exceed the earned premium. Any retrospective premium would be funded through available dividends or future premiums. Another benefit from this type of arrangement is that carriers will reduce the risk charges and are not as likely to be as conservative in their claim projections, margin factors and overall premium development. In sum, the retro arrangements have reduced premium \$52.6 million or 1.8%.

On a composite basis, the 2002 premium rate development includes a 12% trend factor and a margin equivalent to 1.8% of claims. While the retro premium liability is approximately \$246 million, the State and its benefit consultant do not at this time expect that any payment will be necessary.

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.

### **PA Regional Meetings**

The PA Regional Meetings were held on:

- November 8, 2001, in Saratoga Springs, NY.
- November 13, 2001, in Rockland County, NY.
- November 14, 2001, in Long Island, NY.

About 400 Participating Agency representatives attended these one-day sessions. Attachment 2 includes the agenda and handout materials from these meetings. Please note that the proposed rates for 2002 presented at the meetings were modified slightly; the final approved rates are included in Exhibit II of this report.

Since there are a number of health insurance issues which could be covered at these sessions, including the expansion and refinement of NYBEAS, consideration is being given to expanding these meetings to two-day sessions for the Fall of 2002. Please let us know if you think this would be worthwhile and if there are specific questions, issues or other suggestions for the agenda.

**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  
Director  
Employee Insurance Programs  
NYS Department of Civil Service  
State Campus, Bldg.1, Rm. 159  
Albany, NY 12239**

**TRANSMISSION OF REPORTS ELECTRONICALLY**

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Mr. Stephen Kavanaugh  
Director  
Employee Insurance Programs  
NYS Department of Civil Service  
State Campus, Bldg.1, Rm. 159  
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Agency Code:	Agency Name:
Contact Person:	E-mail Address:
Phone Number:	