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GEORGE C. SINNOTT  
COMMISSIONER

DANIEL E. WALL  
EXECUTIVE  
DEPUTY COMMISSIONER

PA 02 – 01

To: Participating Agency Health Benefit Administrators  
From: The Employee Benefits Division  
Subject: Empire Plan Quarterly Experience Report  
Date: February 22, 2002

Enclosed are the Fourth 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 projected 2003 premium rates.

Enclosures



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February 22, 2002

Dear Chief Executive Officer:

Attached is the Empire Plan Fourth Quarter Experience Report for 2001. This report presents the projected 2001 Empire Plan experience based on claims paid through December 31, 2001, as well as the projected 2003 premium rates.

The Empire Plan carriers project a 2001 net dividend of \$133.9 million, 5.0% of premium. The report explains the basis for this projection. The carriers will issue the 2001 experience statement on March 15, 2002.

The projected 2003 premium rates are presented in Exhibit II and reflect a "best estimated" net increase of 10.5%. The report also presents a range of the potential 2003 rate increase for your budget development considerations.

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 Fourth Quarter**  
**Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**OCTOBER – DECEMBER 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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• Projected 2003 Premium Rates . . . . .	Pages 1 - 2
• Keeping You Informed. . . . .	Pages 2 - 3

Attachment 1 – Transmission of Reports Electronically

## Exhibits

- I. 2001 Projected Empire Plan Experience
- II. 2003 Projected PA Premium Rates
- III. Empire Plan PA 5-Tier Group Rates 1995-2003
- IV. Empire Plan PA 2-Tier Group Rates 1995-2003

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

**PROJECTED 2001 EMPIRE PLAN EXPERIENCE**

The Empire Plan carriers project a composite dividend of \$133.9 million (5.0% of premium), or \$103.8 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 \$42.7 million of the projected surplus is attributable to the better than expected experience of the Prescription Drug Program. While the current dividend projection represents a \$5 million reduction from the 3<sup>rd</sup> Quarter projection, the 2001 experience is still significantly better than the experience projected at rate development. After adjusting for plan and discount pricing changes, the normalized trend, reported by Cigna, is 18.0% or approximately 25% below the pricing trend factor used in the development of the 2001 prescription drug rates.

United HealthCare has projected a \$76.1 million dividend, \$18.7 million greater than the 3<sup>rd</sup> quarter projection. This incremental increase is primarily due to a modest reduction in the projected 2001 trend. The majority of the dividend in excess of the margin is attributable to a lower 2000 claim base than what was assumed in the development of the 2001 premium rates.

The projected \$5.1 million dividend for the Mental Health and Substance Abuse Program 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 was partially offset by the marginally higher trend observed in comparison to the trend factor used in the 2001 rate development.

Empire BlueCross BlueShield is projecting a \$10.1 million dividend representing 1.3% of premium. This modest gain, in relation to the marginless premium rate, was primarily attributable to the fact that Empire BlueCross BlueShield did not become a "for profit company" in 2001. As such, tax assessments chargeable to the Plan will be lower than the amount anticipated in the development of the 2001 premium rates.

**2003 PROJECTED PREMIUM RATES**

Exhibit II presents the projected 2003 Empire Plan gross and net premium rates assuming the application of \$111.0 million in dividend to all payors. In the aggregate, the Empire Plan gross premium is projected to increase approximately 11.6% while the net premium is projected to increase 10.5%.

A range of projected gross and net premium rates is also included. While carrier rate projections made at this time of the year have been historically conservative, each agency should assess its budgetary environment in using the enclosed projections.

Exhibit III presents the individual and family rate history for the Core Plus Medical and Psychiatric Enhancements option based on the 5-tier Empire Plan billing rate history in effect since January 1, 1996. Exhibit IV presents, for illustrative purposes only, the 2-tier rate history from 1995 to 2003.

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

- The 2002 Legislative Conference sponsored by the NYS Association of Counties on January 27-28, 2002, in Albany, NY.
- The 2002 Training School and Annual Meeting sponsored by the Association of Towns of the State of New York on February 17-19, 2002, in New York City.
- The 2002 Winter Legislative Conference sponsored by the NYS Conference of Mayors on February 24-25, 2002, in Albany, NY.
- The 2002 Annual Conference sponsored by the NYS Government Finance Officers' Association on March 19-21, 2002, in Albany.

**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 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:	



