



GEORGE E. PATAKI
GOVERNOR

STATE OF NEW YORK
DEPARTMENT OF CIVIL SERVICE
THE STATE CAMPUS
ALBANY, NEW YORK 12239
www.cs.state.ny.us

GEORGE C. SINNOTT
COMMISSIONER

DANIEL E. WALL
EXECUTIVE
DEPUTY COMMISSIONER

PA 02-24

December 2, 2002

Dear Participating Agency Health Benefits Insurance Administrator:

Attached are the Plan Year 2003 rates for the New York State Health Insurance Program (NYSHIP). Schedule I contains the full share rates, the COBRA rates and the NYS Continuity of Coverage rates. Schedule II represents the Employee/Employer Variable Contribution Rate Table (PS-508). Your bill for January 2003 coverage will reflect the new rates.

The net Five-Tier Mediprime rates for the Core plus all enhancement option have, in the aggregate, increased 13.2%. While this level of increase is higher than we would like it to be, it is lower than what many other plans in the northeast and nationally are reporting. There are a myriad of factors, both positive and negative contributing to this premium increase.

Reductions in Renewal Requests /Retrospective Premium Payments (RETROS)

- Reductions of approximately \$122.0 million from the carriers' original baseline renewal requests were made as a result of discussions with Department staff and the Department's benefit consulting firm, Buck Consultants. A significant portion of this reduction is due to the retro agreements, which are integral to this rate action. Under a retro agreement, the plan pays the insurance companies based on what the plan thinks the ultimate cost will be. The insurance company accepts the payment rate with the condition that if costs are greater than the premium earned from the payment rate, additional premium (the retro) will be paid to the insurance company. The retro payment, if needed, will be made from available dividend or future premium charges, if necessary. Of course using plan year 2002 dividend to meet any plan year 2003 retro obligation will reduce the dividend amount available to offset future premium obligations. In sum, the retros amount to approximately \$292 million and according to Buck Consultants are considered a prudent premium development strategy for 2003. Both the Department of Civil Service and Buck Consultants do not expect any material retro payment will have to be made.

Empire Blue Cross and Blue Shield (hospital)

- A 12.7% premium increase results from a 12.4% going forward trend, 0% margin load and a 2002 premium level generating a projected 0.7% dividend.

United Healthcare (major medical)

- An overall 9.4% increase in the aggregate premium for the United Healthcare medical component of the Empire Plan is the net result of a number of factors. This action reflects a trend factor of 11.3%, 2% margin and a 2002 premium level generating a projected 2.7% dividend.

Group Health Incorporated (mental health and substance abuse)

- A 14.6% premium increase is the blended combination of a 7% trend, 0.75% margin load and a 2002 premium level generating a projected 5.5% loss.

Cigna (prescription drugs)

- A 22.5% premium increase is the result of a 20% underwriting trend, a 2.2% margin factor and a 2002 premium level generating a projected 1.9% dividend.

The Empire Plan rates also include dividend and interest credits that reduce the rate of increase from 14.4% to 13.2%.

Medicare Premium

The Health Care Financing Administration has announced an increase of \$4.70 in the monthly Medicare Part B premium. Accordingly, the calendar year 2003 Medicare premium will increase to \$58.70 per month.

Retiree Deductions

Retiree pension deductions for health insurance will change in the checks issued by the retirement systems at the end of December 2002. As you know, with the New York Benefits and Eligibility and Accounting System (NYBEAS), the December 2002 deduction will pay for January 2003 coverage.

Participating Agency Administrative Charge

The 2003 annual administrative per enrollee charge will be \$19.546. The annual agency fee will be \$380. The administrative cost charge, which is less than .3% of premium, will be shown separately on your premium bill. Please send one check each month for the combined amount made payable to the "New York State Employees' Health Insurance Pending Account." Please note that the administrative charge must be borne entirely by the agency and may not be passed on to active employees, retirees or other enrollees.

If you have any questions about this rate change, please contact our Operations Unit at (518) 485-6619, (518) 457-5153 or (518) 457-5847.

Sincerely,

Robert W. DuBois, CEBS
Director
Employee Benefits Division

Attachments