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THE STATE CAMPUS
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GEORGE C. SINNOTT
COMMISSIONER

DANIEL E. WALL
EXECUTIVE
DEPUTY COMMISSIONER

PA 03 – 01

To: Participating Agency Health Benefit Administrators
From: The Employee Benefits Division
Subject: Empire Plan Quarterly Experience Report
Date: January 6, 2003

Enclosed are the Third Quarter Empire Plan Experience Report for 2002 and the cover letter to the Chief Executive Officers. This report presents the projected 2002 Empire Plan experience as well as the approved 2003 premium rates.

Enclosures



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January 6, 2003

Dear Chief Executive Officer:

Attached is the Empire Plan Third Quarter Experience Report for 2002. This report presents the projected 2002 Empire Plan experience based on claims paid through September 30, 2002 as well as the approved 2003 premium rates.

For Plan Year 2002, the Empire Plan carriers project a net dividend of \$50.7 million, 1.7% of premium. The report explains the basis for these projections and future reports will include revisions based on additional claims experience. Each of the carriers will issue their annual experience statement on March 15, 2003.

The approved 2003 premium rates are presented in Exhibit II and reflect a net premium increase of 13.2%. 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 New Year.

Sincerely,

Robert W. DuBois, CEBS
Director
Employee Benefits Division

Attachments

cc: Health Benefits Administrators



PARTICIPATING AGENCIES

**EMPIRE PLAN
2002 Third Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

JULY – SEPTEMBER 2002

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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Attachment 1 – Transmission of Reports Electronically

Attachment 2 – PA Regional Meeting Agenda/Handout Materials

Exhibits

- I. 2002 Projected Empire Plan Experience**
- II. 2003 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
3rd QUARTER REPORT**

PROJECTED 2002 EMPIRE PLAN EXPERIENCE

The Empire Plan carriers project a composite dividend of \$50.7 million (1.7% of premium), or \$1.6 million greater than the margin loaded in the 2002 rates. The 2002 annual experience projected by the insurance carriers is reported in Exhibit I.

Following Prescription Drug losses projected in the two prior quarterly reports, Cigna now projects a gain of \$16.5 million, 1.9% of premium. The improved projection is attributable to both a modestly lower 2002 trend as well as larger formulary rebate credits as compared to the respective projections made in the prior quarterly reports.

United HealthCare projects a gain of \$31.9 million (2.7% of premium) for the Medical Program. This projection is modestly greater than the gain projected in the 2nd quarter report. Integral to the 2002 and 2003 claim projections, medical trend is projected at 11.2% and is reflective of the increase in trend rates reported in the industry. For comparison purposes, the observed trend (2001 over 2000) was less than 9%.

Group Health Incorporated (GHI) projects a loss of about \$4 million (5.5% of premium) for the Mental Health and Substance Abuse Program, a minor improvement over the 2nd quarter projection. The projected loss is primarily attributable to an aggressive 2001 incurred claim projection made at the time of the 2002 rate development coupled with an increase in 2002 trend from 1%, projected at rate renewal, to 7%.

Empire BlueCross BlueShield (EBCBS) projects a gain of \$6.3 million (0.7% of premium) for the Hospital Program. This represents an \$11.2 million improvement over the loss projected in the 2nd quarter report. The improvement is largely due to a decrease in the 2001 claim base resulting in a release of claim reserves. During the 3rd quarter, EBCBS was able to reach an agreement with the Long Island Health Network (LIHN), thus retaining their hospital based services as part of the EBCBS network while affecting the aggregate 2002 trend projection by 0.9%. The 2002 projected trend is now 10.3%.

2003 PREMIUM RATES

Exhibit II presents the 2003 Empire Plan gross and net premium rates and includes the application of \$113.7 million in dividend to all payors. In the aggregate, the Empire Plan gross premium increased approximately 14.4% while the net premium increased 13.2%. On a composite basis, the 2003 premium rate development includes a 14% trend factor, a margin level equal to 1.4% of premium and reflects a premium reduction of \$122.0 million from the carrier's initial rate request.

As was done last year, we have been able to achieve this relatively favorable rate increase by using retrospective premium arrangements. With such an arrangement, a carrier agrees to reduce the required billed premium level by a specific dollar amount. In exchange, the program agrees to pay the carrier up to a specific dollar amount, in the form of a retrospective premium payment, should claims and expenses exceed the billed premium level. These arrangements are used to reach agreement on a premium rate when there is a difference of opinion regarding future trends and claim levels. A second type of retrospective premium arrangement is used to provide carriers with additional protection, as a percentage of premium, for higher than anticipated claim levels in exchange for a reduction in risk charges. Any retrospective premium payment would be funded through available dividends. While the retro premium liability is approximately \$292 million, the State and its benefit consultant do not expect that any payment will be necessary.

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 structure in effect since January 1, 1996. Exhibit IV presents, for illustrative purposes only, the 2-tier rate history from 1995 to 2003. In addition, the Core plus Medical Enhancement Option will not be offered effective January 1, 2003. Agencies currently with this option have been required to select one of the two available options (Core Only or Core plus Medical and Psychiatric Enhancements).

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:

- October 29, 2002, in Saratoga Springs, NY.
- November 13, 2002, in Rockland County, NY.
- November 14, 2002, in Long Island, NY.

The turnout at this year's meetings was excellent – nearly 500 Participating Agency representatives attended these one-day sessions. We encourage you to provide us with your comments and suggestions for future meetings.

Thanks to all who attended.

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:	