



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 03 - 04

To: Participating Agency Health Benefit Administrators

From: Robert W. DuBois, Director of the Employee Benefits Division

Subject: Empire Plan Quarterly Experience Report

Date: March 3, 2003

Enclosed are the Fourth 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 projected 2004 premium rates.

Enclosures



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

March 3, 2003

Dear Chief Executive Officer:

Attached is the Empire Plan Fourth Quarter Experience Report for 2002. This report presents the projected 2002 Empire Plan experience based on claims paid through December 31, 2002 as well as the projected 2004 premium rates.

The Empire Plan carriers project a 2002 net dividend of \$39.8 million, 1.3% of premium. The report explains the basis for this projection. The carriers will issue 2002 experience statements on March 17, 2003.

The projected 2004 premium rates are presented in Exhibit II and reflect a "best estimate" net increase of 18.4%. The report also presents a range of the potential 2004 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
2002 Fourth Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

OCTOBER – DECEMBER 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

• Projected 2002 Empire Plan Experience	Page 1
• Projected 2004 Premium Rates	Pages 1 - 2
• Keeping You Informed.	Pages 2 - 3

Attachment 1 – Transmission of Reports Electronically

Exhibits

- I. 2002 Projected Empire Plan Experience
- II. 2004 Projected PA Premium Rates
- III. Empire Plan PA 5-Tier Group Rates 1995-2004
- IV. Empire Plan PA 2-Tier Group Rates 1995-2004

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

PROJECTED 2002 EMPIRE PLAN EXPERIENCE

The Empire Plan carriers project a composite dividend of \$39.8 million (1.3% of premium), or \$9.4 million less than the margin loaded in the 2002 rates. The 2002 annual experience projected by the insurance carriers is reported in Exhibit I.

Cigna projects a gain of \$8.9 million (1.0% of premium) for the Prescription Drug Program, \$7.6 million less than the 3rd Quarter projection. The less favorable projection is attributable to a greater than expected increase in claims observed over the last three months of the policy year.

United HealthCare projects a \$33.6 million dividend (2.8% of premium) for the Medical Program, \$1.7 million greater than the prior quarterly projection. As in prior projections, the projected incurred claims reflect an annual trend factor of 11.2% which is tracking consistently with comparable industry trends.

A loss of \$2.1 million (2.8% of premium) is projected by Group Health Incorporated (GHI) for the Mental Health and Substance Abuse Program. The projection represents an improvement of \$1.9 million from the 3rd Quarter projection. The projected loss is primarily attributable to an increase in utilization from the level projected at the time of the 2002 rate development. Since 2001, Program trend has increased from 1% to 6%.

Empire BlueCross BlueShield (EBCBS) is projecting a loss of \$0.7 million (less than a tenth of a percent of premium) for the Hospital Program, compared to a 3rd Quarter projected dividend of \$6.3 million. This shift is largely attributable to an increase in the projected 2002 incurred claim level. The increase is mitigated by a credit of \$3.2 million pertaining to the settlement of 2001 administrative expenses. The State and EBCBS recently reached agreement on administrative fees covering the period 2001 – 2005.

2004 PROJECTED PREMIUM RATES

Exhibit II presents the projected 2004 Empire Plan gross and net premium rates assuming the application of \$76.0 million in dividend to all payors. In aggregate, the Empire Plan gross premium is projected to increase approximately 16.7% while the net premium is projected to increase 18.4%. The higher net premium increase (compared to the gross premium increase) is reflective of the decrease in dividends that are projected to be applied in the 2004 rates relative to those being applied in the 2003 rates.

A range of projected gross and net premium rates is also included (14.9% - 21.7%). While carrier rate projections made at this time of the year have been historically conservative, the projections made in this report appear to be excessively conservative. Therefore, the optimistic projections appear reasonable at this time; however, 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 2004.

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 in PDF file. 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 represented at the following municipal events:

- The 2003 Legislative Conference, sponsored by the NYS Association of Counties on February 2-4, 2003, in Albany, NY.
- The 2003 Training School and Annual Meeting, sponsored by the Association of Towns of the State of New York on February 16-18, 2003, in New York City.
- The 2003 Legislative Conference, sponsored by the NYS Conference of Mayors on February 23-24, 2003 in Albany, NY.

NYSHIP's Empire Plan will be represented at:

- The 2003 Annual Conference, sponsored by the NYS Government Finance Officers' Association on March 19-21, 2003, in Albany, NY.
- The 2003 Local Government Conference, sponsored by the NYS Tug Hill Commission on March 27, 2003, in Watertown.

CEO and HBA Name and Address Changes

Please be sure to notify the Employee Benefits Division of any changes in the names and/or addresses of your agency's CEO or HBA so that we may keep our mailing lists up-to-date. This updated information may be sent to:

***Ms. Mary Frye
Acting Director, Employee Insurance Programs
Employee Benefits Division
NYS Department of Civil Service
State Office Campus, Building #1
Albany, NY 12239***

TRANSMISSION OF REPORTS ELECTRONICALLY

Instructions to read PDF files using ADOBE ACROBAT READER™:

What is PDF?

PDF stands for portable document format - a file format that is compatible with many different computers and printers. PDF can be read by any recipient who has Adobe Acrobat Reader™ installed on their system. Adobe Acrobat Reader™ is available free from Adobe Systems, Inc., and comes in versions that run in DOS, Windows, Mac, UNIX and OS/2. Be sure to download the correct version using the download instructions below.

Disclaimer

The Department of Civil Service is not responsible for Adobe Acrobat Reader™ or your use of it. The information provided herein is provided for your convenience and does not in any way constitute an endorsement of this software product or company.

To Download

Go to Adobe Systems Web Page at:

<http://www.adobe.com/supportservice/custsupport/download.html>

Follow instructions for downloading under:

Acrobat Reader Macintosh Windows DOS UNIX OS/2

If you would like to receive the report electronically, please complete this form and return it to:

Ms. Mary Frye
Acting 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:	