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STATE OF NEW YORK
DEPARTMENT OF CIVIL SERVICE
THE STATE CAMPUS
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GEORGE C. SINNOTT
COMMISSIONER

DANIEL E. WALL
EXECUTIVE
DEPUTY COMMISSIONER

PA 03-21

To: Participating Agency Health Benefit Administrators
From: The Employee Benefits Division
Subject: Empire Plan Quarterly Experience Report
Date: December 22, 2003

Enclosed are the Third Quarter Empire Plan Experience Report for 2003 and the cover letter to the Chief Executive Officers. This report presents projected 2003 Empire Plan experience and the approved 2004 premium rates.

Enclosures



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December 22, 2003

Dear Chief Executive Officer:

Attached is the Empire Plan Third Quarter Experience Report for 2003. This report presents the projected 2003 Empire Plan experience based on claims paid through September 30, 2003 as well as the approved 2004 premium rates.

For Plan Year 2003, the Empire Plan carriers project a net dividend of \$99.9 million, 2.9% of premium. The report explains the basis for these projections and future reports will include revisions based on additional claims experience.

The actual 2004 premium rates are presented in Exhibit II and reflect an aggregate net rate increase of 13.5%.

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 healthy and happy New Year.

Sincerely,

Robert W. DuBois, CEBS
Director
Employee Benefits Division

Attachments

cc: Health Benefits Administrators



PARTICIPATING AGENCIES

**EMPIRE PLAN
2003 Third Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

JULY – SEPTEMBER 2003

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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• 2004 Premium Rates	Pages 2
• Keeping You Informed.	Pages 2-3

Attachment 1 – Transmission of Reports Electronically

Attachment 2 – Participating Agency Regional Meetings

Exhibits

- I. Projected 2003 Empire Plan Experience
- II. 2004 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
3RD QUARTER REPORT**

PROJECTED 2003 EMPIRE PLAN EXPERIENCE

The Empire Plan carriers project a composite dividend of \$99.9 million (2.9% of premium), or \$53.3 million more than the margin loaded in the 2003 rates. The 2003 annual experience projected by the insurance carriers is reported in Exhibit I and is primarily due to a modest reduction in trend.

For the Prescription Drug Program, Cigna projects a gain of \$51.0 million (4.8% of premium) or \$28.3 million more than the margin level used in the development of the 2003 rates. This increase is reflective of the modest improvement in the 2002 claim base that occurred after the development of the 2003 rates coupled with a moderate improvement in the 2003 trend as compared to the 20% level assumed in the rate development.

For the Medical Program, United HealthCare projects a gain of \$73.0 million (5.5% of premium) or \$49.5 million more than the margin level used in the development of the 2003 rates. This experience improvement is attributable to a modest reduction in the 2002 estimated claim base as well as a reduction in the 2003 trend from 11.3% projected at the time of the 2003 rate development to the current projected trend of 8.6%.

Group Health Incorporated (GHI) projects a gain of \$2.3 million (2.7% of premium) for the Mental Health Substance Abuse Program or \$1.8 million more than the margin level used in the development of the 2003 rates. This improvement is largely attributable to a projected reduction in trend from 7% at the time of the 2003 rate development to 5.3%, the current projected trend level.

Empire BlueCross BlueShield (EBCBS) projects a net loss of \$26.3 million (2.6% of premium) for the Hospital Program. The projected loss is primarily attributable to an increase in the 2002 claim base from the amount projected at the time of the 2003 rate development. Since the projected 2002 claim base estimated by EBCBS is still viewed to be conservative by the Department, the impact on the 2003 trend is less certain. The 2003 trend is projected to be significantly higher than the 9.7% trend level assumed in the 2003 rate development. In addition, \$5 million of the projected loss is attributable to an increase in assessed taxes.

2004 PREMIUM RATES

Exhibit II presents the actual 2004 Empire Plan gross and net premium rates. In the aggregate, the Empire Plan gross premium increased 11.9% while the net premium increased 13.5%. On a composite basis, the 2004 premium rates include a 12.9% trend factor, a margin level equal to 2.9% of premium and reflect a premium reduction of \$152.0 million from the carrier's initial rate request. In addition, \$77.7 million in all payor dividends was used to mitigate the net premium increase.

As was done last year, we have been able to achieve this relatively favorable rate increase by using retrospective premium arrangements. A retro premium arrangement provides for the payment of a reduced premium throughout the year with a provision for an additional payment at settlement in the event that claims and expenses exceed the amount paid throughout the year. This technique is used when we believe the carriers demand is excessive. Retros are used to remove claims margin from the rate and to reduce risk charges. Any retrospective premium payment would be funded through available dividends. While the retro premium liability is approximately \$276 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 Enhancement 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

Participating Agency Regional Meetings

The 2003 PA Regional Meetings were held on November 12th in Saratoga Springs, November 20th in Suffern and November 21st in Long Island. Nearly 500 Participating Agency CEO's and HBA's attended. Attachment 2 includes the agenda and handout materials.

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 represented at the following municipal events:

- The 2003 Fall Training School, sponsored by the NYS Conference of Mayors and Municipal Officials on September 15-17, 2003, in Lake Placid, NY.
- The Small Cities Workshop, sponsored by the Governor's Office of Small Cities on September 22-23, 2003, in Albany, NY.
- The 12th Annual Local Government Conference, sponsored by the SUNY Potsdam Rural Services Institute on October 7, 2003, in Potsdam, NY.
- The 84th Annual Convention, sponsored by the NYS School Boards Association on October 23, 2003, in Rochester, NY.

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

Attachment 1

TRANSMISSION OF REPORTS ELECTRONICALLY

Instructions to read PDF files using ADOBE ACROBAT READER™ :

What is PDF?

It is a file format compatible with many different computers and printers. Adobe Acrobat Reader comes in versions that run in DOS, Windows, Mac, UNIX and OS/2. Be sure to download the correct version. Their page contains download instructions.

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Ms. Mary Frye
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:	