



STATE OF NEW YORK

GEORGE E. PATAKI
GOVERNOR

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

DANIEL E. WALL
COMMISSIONER

JOHN F. BARR
EXECUTIVE
DEPUTY COMMISSIONER

PA05-26

TO: Participating Agency Health Benefits Administrators
FROM: Employee Benefits Division
SUBJECT: Plan Year 2006 NYSHIP Empire Plan Rates
DATE: November 18, 2005

Enclosed are the Plan Year 2006 rates for the New York State Health Insurance Program (NYSHIP) and the cover letter to Chief Executive Officers. 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 2006 coverage will reflect the new rates.

The Five-Tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 9.2%. The percentage increase for each type of coverage does vary. The factors contributing to this favorable rate action are as follows:

Reductions in Renewal Requests /Retrospective Premium Payments (RETROS)

Reductions of approximately \$117 million from the carriers' original baseline renewal requests were made as a result of discussions between the insurers, the Department and Buck Consultants, our benefit consulting firm. 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 a premium amount lower than the premium amount deemed necessary based on the carriers rate development methodology. If at the end of the year the actual claims and expenses exceed the amount of the paid premium, a retro payment will be made by the plan equal to the amount of the claims and expenses in excess of the paid premium; however, the maximum total premium paid for the plan year (initial paid premium plus the retro payment) shall not exceed the premium amount deemed necessary by the insurance companies during the rate negotiations. The retro payment, if needed, will be made from available dividend or future premium charges. Of course, using plan year 2005 dividend to meet any plan year 2006 retro obligation will reduce the dividend amount available to offset future premium obligations. In sum, the retros amount to approximately \$121.4 million and, according to Buck Consultants, are considered a prudent premium development strategy for 2006. Both the Department of Civil Service and Buck Consultants do not expect that any material retro payment will be necessary.

Specific Carrier Premium Changes and Factors:

Empire Blue Cross and Blue Shield (hospital) – An 11.4% premium increase results from a 13.8% going forward trend, 2% margin load, a 3.0% increase in administrative fees and a 2005 premium level generating a projected 3.7% dividend.

United Healthcare (medical) - An overall 9.0% increase in the aggregate premium for the United Healthcare medical component is the net result of a 10.3% trend assumption, 3% margin and a 2005 premium level generating a projected 2.8% dividend.

Group Health Incorporated (mental health and substance abuse) - A 5.2% premium increase is the blended combination of a 4.5% trend assumption, 3.5% margin load, 2.6% increase in administrative fees and a 2005 premium level generating a projected 2.0% dividend.

Empire Blue Cross and Blue Shield (prescription drugs) - A 9.9% premium increase is the result of a 16.2% trend assumption, 2.0% margin and a 2005 premium level generating a projected 10.8% dividend.

Medicare Premium

The Health Care Financing Administration has announced an increase of \$10.30 in the monthly Medicare Part B premium. Accordingly, the calendar year 2006 Medicare Part B enrollee reimbursement will be \$88.50 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 2005. As you know, with the New York Benefits and Eligibility and Accounting System (NYBEAS), the December 2005 deduction will pay for January 2006 coverage.

Participating Agency Administrative Charge

The 2006 annual administrative per enrollee charge will increase 15.2% from \$19.911 to \$22.937. This annual charge equates to a monthly per enrollee charge for 2006 of \$1.911. This increase was largely due to anticipated workload charges for the enactment of the Medicare Modernization Act of 2003, which provides for a subsidy to be paid to employers under the Medicare Part D provision effective January 1, 2006. Also included are charges affiliated with new data warehousing initiatives to integrate claims data and to consolidate information, creating a more meaningful support system for program management.

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) 457-2364.