



GEORGE E. PATAKI
GOVERNOR

STATE OF NEW YORK
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

PA 05-28

To: Participating Agency Health Benefit Administrators
From: Robert W. DuBois, Director of the Employee Benefits Division
Subject: Empire Plan Quarterly Experience Report
Date: December 30, 2005

Enclosed are the Third Quarter Empire Plan Experience Report for 2005 and the cover letter to the Chief Executive Officers. This report presents the projected 2005 Empire Plan experience and approved 2006 premium rates.

Enclosures



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

December 30, 2005

Dear Chief Executive Officer:

Attached is the Empire Plan Third Quarter Experience Report for 2005. This report presents the projected 2005 Empire Plan experience based on claims paid through September 30, 2005, as well as the approved 2006 premium rates.

For Plan Year 2005, the Empire Plan carriers project a net dividend of \$239.7 million, 5.6% of premium. The report explains the basis for this projection and future reports will include revisions based on additional claims experience. The approved 2006 premium rates are presented in Exhibit II and reflect a net rate increase of 9.2%, in aggregate.

Please be sure to review "NYSHIP News", which has replaced the "*Keeping You Informed*" section of this quarterly report. It provides more detailed information on issues of importance to Participating Agencies.

I hope this report is both 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 2005 Third Quarter Experience Report

Prepared by The State of New York
Department of Civil Service

EMPIRE PLAN EXPERIENCE REPORT

JULY – SEPTEMBER 2005

Produced for

PARTICIPATING AGENCIES IN THE

NEW YORK STATE

HEALTH INSURANCE PROGRAM

by

the Employee Benefits Division

New York State Department of Civil Service

Daniel E. Wall

President, New York State Civil Service Commission

- Projected 2005 Empire Plan Experience Page 1
- 2006 Premium Rates Page 2

Exhibits:

- I. Projected 2005 Empire Plan Experience
- II. 2006 Approved PA Premium Rates
- III. Empire Plan PA 5-Tier Group Rates 1996-2006
- IV. Empire Plan PA 2-Tier Group Rates 1996-2006

- *NYSHIP News*. Pages 1-3

**NEW YORK STATE HEALTH INSURANCE PROGRAM
PARTICIPATING AGENCY GROUP
EMPIRE PLAN EXPERIENCE REPORT
3RD QUARTER REPORT**

PROJECTED 2005 EMPIRE PLAN EXPERIENCE

The Empire Plan carriers project a composite dividend of \$239.7 million (5.6% of premium), or \$136.3 million more than the margin loaded in the 2005 rates. The 2005 annual experience projected by the insurance carriers is reported in Exhibit I.

This projection is based on nine months of 2005 paid claims data. The following chart presents the percentage of the projected incurred claims actually paid, as well as the current 2005 trend as compared to the trend assumed during the 2005 rate development:

	% of Actual Paid Claims to Projected Incurred Claims		<u>Projected 2005 Trend</u>	
	<u>2004</u>	<u>2005</u>	<u>@ Renewal</u>	<u>@ 3rd Quarter</u>
Blue Cross	98.7%	59.7%	13.6%	12.0%
United HealthCare	99.7%	64.9%	10.7%	10.2%
GHI	99.5%	58.4%	4.5%	4.3%
Cigna	100.0%	63.4%	17.6%	10.0%

The 2005 projected dividend for each carrier as compared to the margin level used in the 2005 premium development is as follows:

	<u>Margin</u>	<u>2005 Projected Dividend/(Loss)</u>	<u>Increase/(Decrease)</u>
Blue Cross	\$23,043,000	\$53,460,000	\$30,417,000
United HealthCare	\$40,834,000	\$45,074,000	\$4,240,000
GHI	\$2,423,000	\$2,885,000	\$462,000
Cigna	\$37,107,000	\$138,275,000	\$101,168,000
Total	\$103,407,000	\$239,694,000	\$136,287,000

The increase in the dividend projection is primarily attributable to a reduction in the projected prescription drug trend coupled with an increase in savings attributable to the plan changes made effective January 1, 2005. The moderately higher dividend projected for the Blue Cross component is attributable to a decrease in the 2004 projected claim base and a modest reduction in the 2005 trend. UHC's modest increase in the projected dividend is also due to a slight reduction in both the 2004 claim base and 2005 trend. GHI's dividend projection is consistent with the margin loaded into the 2005 rates.

2006 APPROVED PREMIUM RATES

Exhibit II presents the approved 2006 Empire Plan gross and net premium rates. In aggregate, the Empire Plan gross premium increases 10.7% while the net premium increases 9.2%. The 2006 rates are based on a 2005 premium level generating a 5.6% dividend, an aggregate trend of 13.0%, a margin level equal to 2.1% of premium and a 17.4% increase in retention. Approximately 9% of this increase in retention is attributable to the amounts proposed by the selected prescription drug vendor over the 2005 projected expenses. In addition, \$246.4 million in all-payor dividend was used to mitigate the gross premium increase.

Also contributing to this favorable rate increase is the use of retrospective premium arrangements. A retro premium arrangement provides for the payment of a reduced premium level throughout the year with a provision for an additional premium payment at settlement in the event that claims and expenses exceed the premium paid throughout the year. The amount of the retro payment is capped at the difference between the original premium requested and the reduced premium level paid throughout the year. This strategy is used when we believe the carriers' premium demand is overly conservative. Any necessary retrospective premium payment would be funded through available dividends. While the retro premium liability is approximately \$121.4 million, the State and its benefit consultant, Buck Consultants, do not expect that any retro 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 five-tier Empire Plan billing rate history in effect since January 1, 1996. Exhibit IV presents, for illustrative purposes only, the two-tier rate history from 1996 to 2006.