



STATE OF NEW YORK

ELIOT SPITZER
GOVERNOR

DEPARTMENT OF CIVIL SERVICE

Alfred E. Smith State Office Building
ALBANY, NEW YORK 12239
www.cs.state.ny.us

NANCY G. GROENWEGEN
ACTING COMMISSIONER

PA 07-03

To: Participating Agency Health Benefit Administrators

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

Subject: Empire Plan Quarterly Experience Report

Date: February 28, 2007

Enclosed are the Fourth Quarter Empire Plan Experience Report for 2006 and the cover letter to the Chief Executive Officers. This report presents the projected 2006 Empire Plan experience and approved 2007 premium rates.

Enclosures



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ACTING COMMISSIONER

February 28, 2007

Dear Chief Executive Officer:

Attached is the Empire Plan Fourth Quarter Experience Report for 2006. This report presents the projected 2006 Empire Plan experience based on claims paid through December 31, 2006, as well as the projected 2008 premium rates.

The Empire Plan carriers project a 2006 net dividend of \$378.0 million, 7.9% of premium. The report explains the basis for this projection. The carriers will issue the 2006 experience statement on March 15, 2007.

The projected 2008 premium rates are presented in Exhibit II and reflect a "best-estimated" net rate increase of 12.1%, in aggregate. The report also presents a range of the potential 2008 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

2006 Fourth Quarter

Experience Report

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

EMPIRE PLAN EXPERIENCE REPORT

OCTOBER - DECEMBER 2006

Produced for

PARTICIPATING AGENCIES IN THE

NEW YORK STATE

HEALTH INSURANCE PROGRAM

by

the Employee Benefits Division

New York State Department of Civil Service

Nancy G. Groenwegen

President, New York State Civil Service Commission

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- Projected 2008 Premium Rates Page 2

Exhibits:

- I. Projected 2006 Empire Plan Experience
- II. Projected 2008 PA Premium Rates
- III. Empire Plan PA 5-Tier Group Rates 1996-2008
- IV. Empire Plan PA 2-Tier Group Rates 1996-2008

- *NYSHIP News*. Pages 1-2

**NEW YORK STATE HEALTH INSURANCE PROGRAM
PARTICIPATING AGENCY GROUP
EMPIRE PLAN EXPERIENCE REPORT
4th QUARTER REPORT**

PROJECTED 2006 EMPIRE PLAN EXPERIENCE

The Empire Plan carriers project a composite dividend of \$378.0 million (7.9% of premium), or \$281.1 million more than the margin loaded in the 2006 rates. The 2006 annual experience projected by the insurance carriers is reported in Exhibit I.

This projection is based on twelve months of 2006 paid claim data. The following chart presents the percentage of the projected incurred claims actually paid as well as the current 2006 trend as compared to the trend assumed during the 2006 rate development:

	% of Actual Paid Claims to Projected Incurred Claims		<u>Projected 2006 Trend</u>	
	<u>2005</u>	<u>2006</u>	<u>@ Renewal</u>	<u>@ 4th Quarter</u>
Blue Cross	99.3%	86.1%	13.8%	10.0%
United HealthCare	99.7%	85.1%	10.3%	11.9%
GHI	99.8%	89.1%	4.5%	4.3%
Blue Cross Rx	100.0%	97.5%	16.2%	9.8%

The 2006 projected dividend for each carrier as compared to the margin level used in the 2006 premium development is as follows:

	<u>Margin</u>	<u>2006 Projected Dividend/(Loss)</u>	<u>Increase/(Decrease)</u>
Blue Cross	\$26,222,000	\$169,358,000	\$143,136,000
United HealthCare	\$47,285,000	\$31,889,000	(\$15, 396,000)
GHI	\$2,628,000	\$8,580,000	\$5,952,000
Blue Cross Rx	\$20,771,000	\$168,203,000	\$147,432,000
Total	\$96,906,000	\$378,030,000	\$281,124,000

The increase in the dividend projection is primarily attributable to the experience improvement on the prescription drug and hospital programs. For the hospital program, the \$143 million increase in projected dividend is attributable to both a \$60 million reduction in the projected 2005 claim base coupled with a 2006 trend that is 3.8% lower than the trend initially projected. For the prescription drug program, the increase in projected dividend is due to a reduction in the 2005 claim base, a 2006 trend that is 6.4% lower than the trend used in developing the 2006 premium and an increase in the projected pharma revenue receipts. For GHI, the increase in the projected dividend is primarily attributable to the decrease in the projected 2005 claim base since the development of the 2006 premium. UHC projects modestly higher claims for 2006 as compared to the amount of claims projected in the 2006 premium development resulting in a projected dividend that is slightly less than the margin loaded.

2008 PROJECTED PREMIUM RATES

Exhibit II presents the projected 2008 Empire Plan gross and net premium rates assuming the application of \$285.1 million in dividend to all payors. In aggregate, the Empire Plan gross premium is projected to increase approximately 11.3% while the net premium is projected to increase approximately 12.1%.

A range of projected gross and net premium rates is also included (8.7% - 15.4%). It should be noted that carrier rate projections made at this time of the year have been historically conservative. 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 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 2008.

Enclosures