



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](http://www.cs.state.ny.us)

NANCY G. GROENWEGEN  
COMMISSIONER

PA 07 - 20

To: Participating Agency Health Benefit Administrators

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

Subject: Empire Plan Quarterly Experience Report

Date: September 21, 2007

Enclosed are the Second Quarter Empire Plan Experience Report for 2007 and the cover letter to the Chief Executive Officers. This report presents the projected 2007 Empire Plan experience and the projected 2008 premium rates.

Enclosures



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NANCY G. GROENWEGEN  
COMMISSIONER

September 21, 2007

Dear Chief Executive Officer:

Attached is the Empire Plan Second Quarter Experience Report for 2007. This report presents the projected 2007 Empire Plan experience based on claims paid through June 30, 2007, and the projected 2008 premium rates.

For the 2007 Plan Year, the Empire Plan carriers project a net dividend of \$280.8 million, 5.4% of premium. This report presents the basis for these projections and future reports will include revisions based on additional claims experience.

The projected 2008 premium rates are presented in Exhibit II and reflect a "best-estimated" net premium increase of 8.5%. A range of the potential 2008 premium rate increase is included for your budget development considerations.

I hope this report is informative. 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**

**2007 Second Quarter**

**Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**Second Quarter - 2007**

**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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## Exhibits:

**I.** Projected 2007 Empire Plan Experience

**II.** Projected 2008 PA Premium Rates

**III.** Empire Plan PA 5-Tier Group Rates (1999-2008)

**IV.** Empire Plan PA 2-Tier Group Rates (1999-2008)

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**NEW YORK STATE HEALTH INSURANCE PROGRAM  
PARTICIPATING AGENCY GROUP  
EMPIRE PLAN EXPERIENCE REPORT  
2nd QUARTER REPORT**

**PROJECTED 2007 EMPIRE PLAN EXPERIENCE**

The Empire Plan carriers project a composite dividend of \$280.8 million (5.4% of premium), or \$147.7 million more than the margin loaded in the 2007 rates. The 2007 annual experience projected by the insurance carriers is reported in Exhibit I.

This projection is based on only six months of 2007 paid claim data. The following chart presents the percentage of the projected incurred claims actually paid as well as the current 2007 trend as compared to the trend assumed during the 2007 premium rate development:

	<b><u>% of Actual Paid Claims to Projected Incurred Claims</u></b>		<b><u>Projected 2007 Trend</u></b>	
	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>@ Final Renewal</u></b>	<b><u>@ 2nd Quarter</u></b>
Blue Cross Hospital	98.0%	37.2%	12.9%	12.3%
United HealthCare	99.2%	38.4%	12.6%	11.0%
GHI	98.8%	34.2%	4.0%	7.1%
Blue Cross Rx	99.8%	45.8%	12.0%	9.6%

The 2007 projected dividend/(loss) for each carrier as compared to the margin level used in the 2007 premium development is as follows:

	<b><u>Margin</u></b>	<b><u>2007 Projected Dividend/(Loss)</u></b>	<b><u>Increase/(Decrease)</u></b>
Blue Cross Hospital	\$34,710,000	\$63,609,000	\$28,899,000
United HealthCare	\$49,267,000	\$104,343,000	\$55,076,000
GHI	\$2,573,000	(3,737,000)	(\$6,310,000)
Blue Cross Rx	\$46,622,000	\$116,622,000	\$70,000,000
<b>Total</b>	<b>\$133,172,000</b>	<b>\$280,837,000</b>	<b>\$147,665,000</b>

The increase in the dividend projection is primarily attributable to the decrease in the 2006 claims base projected during the development of the 2007 rates for the prescription drug, hospital and medical programs coupled with an increase in the projected pharma revenue and decrease in 2007 projected trend for the prescription drug program. For GHI, the decrease in their projected 2007 dividend is primarily attributable to the projected increase in claim costs associated with compliance to Timothy's Law, which became effective on January 1, 2007. This increase in projected claim costs is reflected in the increase in the projected 2007 trend.

## **2008 PROJECTED PREMIUM RATES**

Exhibit II presents the projected 2008 Empire Plan gross and net premium rates assuming the application of \$332.00million in dividend to all payors. In aggregate, the Empire Plan gross premium is projected to increase approximately 8.9% while the net premium is projected to increase approximately 8.5%.

A range of the projected gross and net premium rate increase is also included (5.7% - 11.3%). Carrier rate projections made at this time of the year have been historically conservative with the rates ultimately approved and implemented being less than the projections contained in the 2nd Quarter Reports. 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, 1999. Exhibit IV presents, for illustrative purposes only, the 2-tier rate history from 1999 to 2008.

Enclosures

*Second Quarter – 2007*

**IMPORTANT UPDATE:**

**Income-Related Medicare Part B Premium Adjustment for 2007**

As previously reported, Federal law has changed the amount charged for Medicare Part B coverage for some higher income beneficiaries. Effective January 1, 2007, some individuals are being charged an income-related adjustment in addition to the standard premium which is \$93.50 for 2007. Our original interpretation was that NYSHIP employers would not be required to reimburse any amount in excess of the standard premium. However, in light of subsequent litigation regarding reimbursement of Medicare Part B premiums, we requested that our Department Counsel review that interpretation. Based upon that review, we have been advised that Civil Service Law, Section 167-a, requires NYSHIP employers to reimburse the entire Medicare Part B premium charged to a NYSHIP enrollee. The language of this statute and its implementing regulation, Section 73.3(b)(6) of the Codes, Rules and Regulations of the State of New York (Book 4), provides that an amount "equal to" the monthly premium charge for Medicare be reimbursed to the enrollee.

The State will be reimbursing the additional Medicare B premium on an annual basis after the end of the calendar year. Affected enrollees will be required to apply for reimbursement by providing documentation of the amount they actually paid for the Medicare Part B premium for the prior year. EBD is currently developing procedures for this reimbursement and will inform PA HBAs as soon as they are completed.

**Empire Plan Prescription Drug Program Contract Award**

The Department's current contract for the Empire Plan Prescription Drug Program expires on December 31, 2007. An RFP was issued for that contract and as a result of the procurement process, the Department recently announced the selection of United HealthCare in partnership with Medco. We successfully negotiated terms of a new four year contract with United HealthCare which we anticipate will reduce plan costs by more than \$100 million. The contract is currently being reviewed by the Office of the State Comptroller and, if approved, will take effect on January 1, 2008. We are currently working with all parties to ensure a smooth transition for enrollees.

### **PA Regional Meetings**

The announcement of the 2007 PA Regional Meetings was distributed in mid-August. Please be sure to register as soon as possible using the registration form attached to the announcement. If you did not receive the announcement, please contact Debbie D'Orazio at her e-mail address - [Deborah.Dorazio@cs.state.ny.us](mailto:Deborah.Dorazio@cs.state.ny.us) or by phone at (518) 485-1771. The meeting dates are:

- Tuesday, October 2<sup>nd</sup> in Saratoga Springs
- Wednesday, October 3<sup>rd</sup> in Rockland County
- Thursday, October 4<sup>th</sup> in Long Island

We look forward to this opportunity to interact with PA representatives and hope you are planning to attend.

### **Medicare Part D Employer Subsidy Update**

To date, NYSHIP applied for and received estimated Employer Subsidies covering January through November 2006, January through March of 2007 (credited to the July bill) and, most recently, May of 2007, which was applied to the September bill issued in early August. We are currently testing data for June and July and expect to submit a request to CMS in mid-September. As indicated in the previous report, the Employer Subsidy for December 2006 has not yet been released pending the completion of the 2006 reconciliation by CMS; by including the December subsidy as a part of the final reconciliation the need to recover any subsidy overpayments will be minimized. We will continue to distribute subsidy payments as soon as possible following receipt from CMS.

### **NYSHIP Representation at Municipal Events**

During the next quarter, NYSHIP's Empire Plan will be represented at the following event:

- The **2007 Annual Fall Training School** sponsored by the NYS Conference of Mayors on September 17-20, 2007, in Saratoga Springs, NY.
- The **2007 Annual Fall Seminar** sponsored by the NYS Association of Counties on September 19-20, 2007, in Albany.
- The **2007 Annual Convention** sponsored by the NYS School Boards' Association on October 25-27, 2007, in NYC.

If you are planning to attend an event, please stop by the NYSHIP exhibit.



### **GASB 45 Census Reports**

As indicated in previous reports, NYSHIP will provide agency census reports upon request for use in complying with the provisions of GASB 45. Since the data included in these reports will be current at the time they are provided, it is important that your agency NYBEAS file is up-to-date, including correctly identifying and coding retirees before requesting census reports. To request a copy of your agency's census information, please send an e-mail to:

[Melinda.Beyer@cs.state.ny.us](mailto:Melinda.Beyer@cs.state.ny.us) and include your name, agency name & code number, mailing address, phone number and E-mail address. For additional information about GASB 45, please refer to PA Memos 06-11 and 06-18.

### **Transmission of Reports Electronically**

Many agencies receive the Empire Plan Experience Report via E-mail. If you would like to be added to our distribution list, you may contact us at the address or E-mail below.

### **CEO & HBA Name and Address Changes**

Please be sure to notify EBD of any changes in the names and/or addresses (including E-mail address) of your agency's CEO or HBA, so that we may keep our mailing lists up-to-date. This updated information should be sent to:

*Debbie D'Orazio*  
*NYS Department of Civil Service*  
*Employee Benefits Division*  
*Alfred E. Smith State Office Building*  
*Albany, New York 12239*  
*or E-mail: [Deborah.Dorazio@cs.state.ny.us](mailto:Deborah.Dorazio@cs.state.ny.us)*