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PA07-27

TO: Participating Agency Chief Executive Officers & Health Benefits Administrators
FROM: Employee Benefits Division
SUBJECT: Plan Year 2008 NYSHIP Empire Plan Rates
DATE: November 16, 2007

Enclosed are the Plan Year 2008 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 No-drug rates attributable to Medicare Part D LIS enrollees, the COBRA rates and the NYS Continuity of Coverage rates. Schedules II and III represents the Employee/Employer Variable Contribution Rate Table (PS-508). Your bill for January 2008 coverage will reflect the new rates.

The Five-Tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 5.4%. 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 \$58.2 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 2007 dividend to meet any plan year 2008 retro obligation will reduce the dividend amount available to offset future premium obligations. In sum, the retros amount to approximately \$53.2 million and, according to Buck Consultants, are considered a prudent premium development strategy for 2008. 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 8.2% premium increase results from a 12.0% going forward trend, a 2.5% margin load, a 2.5% in administrative fees and a 2007 premium level generating a projected 6.1% dividend.

United Healthcare (medical) - An overall 6.4% increase in the aggregate premium for the United Healthcare medical component is the net result of a 10.5% trend assumption, 3% margin, an 8.8% increase in retention and a 2007 premium level generating a projected 6.4% dividend.

Group Health Incorporated (mental health and substance abuse) - A 13.4% premium increase is the blended combination of a 6.0% trend assumption, 3.5% margin load, 1.1% increase in administrative fees and a 2007 premium level generating a projected 5.1% loss.

United Healthcare (prescription drugs) - A 2.3% premium increase is the result of a 7.6% trend assumption, an 6.8% increase in retention, a 4.0% margin and a 2007 premium level generating a projected 8.0% dividend.

Medicare Premium

The Centers for Medicare and Medicaid Services (CMS) has announced an increase of \$2.90 in the standard Medicare Part B premium. Accordingly, the calendar year 2008 Medicare Part B enrollee reimbursement will be \$96.40 per month. Information regarding the reimbursement of the surcharge portion of the Medicare Part B premium for enrollees over certain income limits will be sent in a separate communication.

Retiree Deductions

Retiree pension deductions for health insurance will change in the checks issued by the retirement systems at the end of December 2007. As you know, with the New York Benefits and Eligibility and Accounting System (NYBEAS), the December 2007 deduction will pay for January 2008 coverage.

Participating Agency Administrative Charge

The 2008 annual administrative per enrollee charge will decrease 3.83% from \$28.578 to \$27.482. This annual charge equates to a monthly per enrollee charge for 2008 of \$2.29. This reflects normal budgetary increases, less the application of the PA Rate Fluctuation Surplus as of March 31, 2007.

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 the PA/PE Operations Unit at (518) 474-2780.