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PA08-19

TO: Participating Agency Chief Executive Officers & Health Benefits Administrators

FROM: Employee Benefits Division

SUBJECT: Plan Year 2009 NYSHIP Rates

DATE: December 5, 2008

Enclosed are the Plan Year 2009 rates for the New York State Health Insurance Program (NYSHIP). Schedule I contains the full share rates, the No-drug rates for Medicare Part D LIS enrollees, the COBRA rates and the NYS Continuity of Coverage rates. Schedules II and III present the Employee/Employer Variable Contribution Rate Table for drug and non-drug rates, respectively. Your bill for January 2009 coverage will reflect the new rates.

The Five-Tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 1.18%. The percentage increase for each type of coverage does vary. By comparison, a survey of 70 health insurers nationwide indicated premium increases for 2009 would be in the 6 percent range. Premiums for employees of the U.S. Government are expected to rise an average of 8 percent. Consistent with Governor Paterson's directive, the Department worked with The Empire Plan carriers to assure that premiums paid by participating local governments are as low as possible while still being sufficient to pay the benefits to which enrollees are entitled under the Plan.

Factors contributing to this favorable rate action:

Negotiated Reductions in Premium Demands

Negotiated premium reductions of approximately \$74.3 million from the carriers' original baseline renewal requests were made as a result of discussions between the insurers, the Department and our benefit consulting firm.

Retrospective Premium Arrangements

To achieve further reductions and avoid paying more premium throughout the year than we expect will be necessary to pay claims, we negotiated retrospective premium arrangements (retros) of approximately \$174.2 million. If, at the end of the year the actual claims and expenses exceed the amount of the paid premium, an additional payment will be made by the Plan. Both the Department of Civil Service and our benefit consulting firm do not expect that any material retro payment will be necessary. The retro payment, if needed, will be made from the Health Insurance Fund's premium stabilization reserve.

Application of Dividend

Premium above what is necessary to pay claims in any given year is returned to the Plan as a dividend and, consistent with State Law, is deposited in the Health Insurance Fund and used as a premium stabilization reserve. Funds from this reserve are applied each year to reduce the Plan's premiums. The 2009 Empire Plan premiums include a dividend credit of \$275 million.

Specific carrier premium changes and factors:**Empire Blue Cross and Blue Shield (hospital)**

A 5.9% premium increase results from an 11.5% trend assumption, a 0% margin load, a 7.9% increase in retention and a 2008 premium level generating a projected 4.7% dividend.

United Healthcare (medical)

An overall 3.4% decrease in the aggregate premium for the United Healthcare medical component is the net result of a 7.5% trend assumption, 0% margin, a 6.6% increase in retention and a 2008 premium level generating a projected 10.3% dividend.

United Healthcare (mental health and substance abuse)

A 10.1% premium increase is the blended combination of a 9.2% trend assumption, 0% margin load, 0.7% decrease in retention and a 2008 premium level generating a projected 3.5% loss.

United Healthcare (prescription drugs)

A 4.3% premium decrease is the result of a 9.0% trend assumption, a 0% margin, substantial savings from the 2009 benefit changes and a 2008 premium level generating a projected 7.9% dividend.

Other important information**Medicare Premium**

The Centers for Medicare and Medicaid Services (CMS) has announced that there will be no increase in the standard Medicare Part B premium for the calendar year 2009. Therefore, the required Medicare Part B reimbursement to enrollees for the standard premium will remain at \$96.40 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 2008. As you know, the December 2008 deduction will pay for January 2009 NYSHIP coverage.

Participating Agency Administrative Charge

The 2009 annual administrative per enrollee charge will decrease 1.33% from \$27.482 to \$27.116. This annual charge equates to a monthly per enrollee charge for 2009 of \$2.260. This reflects EBD administrative costs less the application of the PA Rate Fluctuation Surplus as of March 31, 2008.

The administrative cost charge, which is less than 0.3% of premium, will be shown separately on your monthly 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.

