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PA09-30

PAEX 09-16

TO: Participating Agency Chief Executive Officers & Health Benefits Administrators

FROM: Employee Benefits Division

SUBJECT: Plan Year 2010 NYSHIP Rates

DATE: November 26, 2009

Enclosed are the Plan Year 2010 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 Low Income Subsidy (LIS), the COBRA rates and the NYS Continuity of Coverage rates. Schedules II and III represent the Employee/Employer Variable Contribution Rate Table for drug and non-drug rates, respectively. Your bill for January 2010 coverage will reflect the new rates.

The Five-Tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 3.36% for the Empire Plan and increased 3.8% for the Excelsior Plan. The percentage increase for each type of coverage does vary.

Factors contributing to this favorable rate action:

Negotiated Reductions in Premium Demands

Negotiated premium reductions of approximately \$225.7 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

Further reductions were achieved by removing the margin from the premium and negotiating retrospective premium arrangements of approximately \$253.3 million. This strategy is consistent with the premium development strategy used for 2009 and is intended to ensure that the level of dividends that are ultimately generated are kept to a minimum. If, at the end of the year the actual claims and expenses exceed the amount of the paid premium, a retrospective premium payment will be made by the plan from available dividend. Both the Department of Civil Service and our benefit consulting firm do not expect that any material retrospective premium payment will be necessary.

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 2010 Empire Plan premiums include a dividend credit of \$410 million.

Specific carrier premium changes and factors:

Empire Blue Cross and Blue Shield (hospital)

A 6.5% premium increase results from an 11.8% trend assumption, a 0% margin load, a 2.0% increase in administrative fees and a 2009 premium level generating a projected 1.6% dividend.

United Healthcare (medical)

An overall 6.5% increase in the aggregate premium for the United Healthcare medical component is the net result of an 8.0% trend assumption, 0% margin, a 6.0% increase in retention and a 2009 premium level generating a projected \$3 million loss.

United Healthcare (mental health and substance abuse)

A 14.8% premium increase is the blended combination of a 6.8% trend assumption, 0% margin load, 5.7% increase in retention and a 2009 premium level generating a projected 7.1% loss.

United Healthcare (prescription drugs)

A 1.8% premium increase is the result of a 9.0% trend assumption, a 0% margin, \$59 million in savings from the 2010 benefit and contractual changes and a 2009 premium level generating a projected 4.0% dividend.

Other important information

Medicare Premium

The Centers for Medicare and Medicaid Services (CMS) has announced that most enrollees will continue to pay the 2009 Medicare Part B premium amount for 2010. 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 2009. As you know, the December 31, 2009 deduction will pay for January 2010 NYSHIP coverage.

Participating Agency Administrative Charge

The 2010 annual administrative per enrollee charge will increase 3.8% from \$27.116 to \$28.134. This annual charge equates to a monthly per enrollee charge for 2010 of \$2.345. This reflects EBD administrative costs less the application of the PA Rate Fluctuation Surplus as of March 31, 2009.

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.