



STATE OF NEW YORK

DAVID A. PATERSON  
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 10-02**  
**PAEX 10-02**

To: Participating Agency Health Benefit Administrators

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

Subject: Empire Plan Quarterly Experience Report

Date: January 29, 2010

Enclosed is the Third Quarter Empire Plan Experience Report for 2009 and the cover letter to the Chief Executive Officers. This report presents the projected 2009 Empire Plan experience and the approved 2010 premium rates.

Enclosures



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January 29, 2010

Dear Chief Executive Officer:

Attached is the Empire Plan Third Quarter Experience Report for 2009. This report presents the projected 2009 Empire Plan experience, based on claims paid through September 30, 2009, and the approved 2010 premium rates.

The Empire Plan carriers project a 2009 net dividend of \$83.8 million, 1.5% of premium. This report presents the basis for these projections and future reports will include revised projections based on additional claims experience.

The approved 2010 premium rates are presented in Exhibit II and reflect a net premium increase of 3.36% for The Empire Plan and a net premium increase of 3.8% for The Excelsior Plan. Given the fiscal challenges currently faced by the State and its localities, our goal was to develop 2010 NYSHIP rates that are as low as possible to address the need for immediate rate relief for all payors. To accomplish this goal, we aggressively negotiated premium reductions with the insurers which included the use of retrospective premium agreements and applied \$410 million in dividend as credit to the premium rates. Given these low net rate increases for 2010, which follows the historically low rate increase of 1.2% for 2009, we expect that the 2011 rate increases will track more closely with actual Plan trend. It is too early to accurately predict the 2011 premium rate change with any degree of certainty. As more data becomes available we will provide projections in subsequent reports.

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  
2009 Third Quarter  
Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**THIRD QUARTER 2009**

**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 2009 Empire Plan Experience
- II.** Approved 2010 PA Premium Rates
- III.** Empire Plan PA 5-Tier Group Rates (2001-2010)
- IV.** Empire Plan PA 2-Tier Group Rates (2001-2010)

- NYSHIP News

## **PROJECTED 2009 EMPIRE PLAN EXPERIENCE**

The Empire Plan carriers project that the 2009 premiums, which included no margin, will generate a composite dividend of \$83.8 million (1.5% of premium). The 2009 annual experience projected by the insurance carriers is reported in Exhibit I.

This projection is based on only nine months of 2009 paid claim data. The following chart presents the percentage of the projected incurred claims actually paid and the current 2009 trend as compared to the trend assumed during the 2009 premium rate development:

	% of Paid Claims to Projected Incurred Claims		Projected 2009 Trend	
	2008	2009	@ Final Renewal	@ 3rd Quarter
Blue Cross Hospital	99.4%	63.2%	11.5%	11.3%
UHC Medical	99.8%	65.9%	7.5%	7.9%
MHSA	98.3%	58.2%	9.2%	13.5%
UHC Rx	99.9%	69.9%	9.0%	6.6%

The 2009 projected dividend for each carrier as compared to the margin level used in the 2009 premium development is as follows:

	Margin	2009 Projected Dividend/(Loss)	Increase/(Decrease) over margin
Blue Cross Hospital	\$0	\$35,935,000	\$35,935,000
UHC Medical	\$0	(\$2,746,000)	(\$2,746,000)
UHC MHSA	\$0	(\$8,564,000)	(\$8,564,000)
UHC Rx	\$0	\$59,162,000	\$59,162,000
<b>Total</b>	<b>\$0</b>	<b>\$83,787,000</b>	<b>\$83,787,000</b>

The increase in the dividend projection is primarily attributable to the decrease in the 2008 claims base for the hospital program projected during the development of the 2009 rates and a \$33 million improvement in the 2009 prescription drug trend. In addition, an increase in the pharma revenue is projected to be offset by an increase in retention and assessments among all the carriers. The latter is primarily due to increases in projected assessments (NYS Insurance Department Assessment, Bad Debt and Charity Surcharge and Covered Lives Assessment) made through legislation. The projected loss for the Mental Health and Substance Abuse Program is primarily the result of a continued shift in services to higher cost non-participating providers as observed since the implementation of Timothy's Law in 2007.

Historically, experience projections made by the insurance carriers in the 3rd Quarter Experience Report have been conservative compared to the actual experience.

## **2010 APPROVED PREMIUM RATES**

Through aggressive premium negotiations with the Empire Plan carriers and the application of \$410 million in dividend to all payors, The Empire Plan gross premium increased 5.5% while the net premium increased 3.36%. For the Excelsior Plan, the gross premium increased 6.0% while the net premium increased 3.8%. Exhibit II presents the approved 2010 Empire Plan and Excelsior Plan premium rates.

The low rates of increase provide for the necessary fiscal relief to NYSHIP Participating Agencies in 2010. While it is too early to accurately predict the 2011 premium rate change with any degree of certainty, we expect the 2011 increase to track more closely with actual Plan trend.

Consistent with the development of the 2009 premium rates, the 2010 premium rates exclude any margin in the rate development. In exchange, carriers agreed to a retrospective premium arrangement of approximately \$253.3 million. If claims and expenses exceed the premium paid, an additional premium amount will be paid equal to either the amount of the claims and expenses in excess of the premium paid or \$253.3 million, whichever is lower. At this time, we do not expect any retrospective premium payment for 2010 will be necessary.

Exhibit III presents The Empire Plan individual and family 5-tier billing rate history since 2001. Exhibit IV presents, for illustrative purposes only, the 2-tier rate history from 2001 to 2010.