



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

NANCY G. GROENWEGEN
COMMISSIONER

PA 10-09

To: Participating Agency Health Benefit Administrators

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

Subject: Empire Plan Quarterly Experience Report

Date: March 25, 2010

Enclosed are the Fourth 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 projected 2011 premium rates.

Enclosures



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March 25, 2010

Dear Chief Executive Officer:

Attached is the Empire Plan Fourth Quarter Experience Report for 2009. This report presents the projected 2009 Empire Plan experience, based on claims paid through December 31, 2009, and the projected 2011 premium rates.

The Empire Plan carriers project a net dividend of \$73.3 million, 1.3% of premium. This report presents the basis for these projections.

In Exhibit II, you will find the projected 2011 premium rates based on The Empire Plan carriers' premium projections and a tentative dividend application amount that is \$120 million less than the amount loaded in the 2010 rates. The insurer driven "best estimate" projected net premium increases are 17.9% in aggregate for The Empire Plan and 17.3% in aggregate for The Excelsior Plan. The Department's actuarial consultant, Buck Consultants, projects 2011 premium increases of 13.4% and 13.5% for The Empire Plan and The Excelsior Plan, respectively, using the same dividend application assumption.

Given the fiscal challenges that the State and its localities continue to face, our goal is to develop 2011 NYSHIP rates that are as low as possible. The rate development and carrier negotiations will begin in September 2010; we intend to aggressively negotiate for premium reductions with the insurers. We will use both retrospective premium agreements with the carriers and application of dividend to the rates to accomplish this goal. However, given the application of substantial dividend to the 2009 and 2010 rates coupled with the relatively low projected dividend accruing for 2009, the dividend available to apply to 2011 rates will be limited. Therefore, the 2011 premium increases are expected to be higher than the increases in recent trend. Taking these factors into consideration, the Department's best estimate of the projected net premium increases for 2011 is consistent with the projections made by Buck Consultants. Please be assured that we will consider every possible option for achieving both as low a rate of increase as possible for 2011 while promoting rate stability for the near future.

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 Fourth Quarter
Experience Report

Prepared by the State of New York
Department of Civil Service

EMPIRE PLAN EXPERIENCE REPORT

FOURTH 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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- Projected 2011 Premium Rates Pages 2 - 3

EXHIBITS

- I.** Projected 2009 Empire Plan Experience
- II.** Projected 2011 PA Premium Rates
- III.** Empire Plan PA 5-Tier Group Rates (2002-2011)
- IV.** Empire Plan PA 2-Tier Group Rates (2002-2011)

- *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 \$73.3 million (1.3% of premium). The 2009 annual experience projected by the insurance carriers is reported in Exhibit I.

This projection is based on twelve months of 2009 paid claim data. The following chart presents the percentage of the projected incurred claims actually paid as well as 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	@ 4th Quarter
Blue Cross Hospital	99.5%	87.3%	11.5%	13.0%
UHC Medical	99.9%	91.7%	7.5%	6.5%
MHSA	98.6%	80.1%	9.2%	20.1%
UHC Rx	99.9%	98.0%	9.0%	3.7%

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	\$4,962,000	\$4,962,000
UHC Medical	\$0	\$4,370,000	\$4,370,000
UHC MHSA	\$0	(\$14,801,000)	(\$14,801,000)
UHC Rx	\$0	\$78,729,000	\$78,729,000
Total	\$0	\$73,260,000	\$73,260,000

The increase in the dividend projection is primarily attributable to the improvement in the Prescription Drug Program 2009 trend, which accounts for approximately \$60 million of the increase, and an increase in the pharma rebates earned by the Program. The projected loss for the Mental Health and Substance Abuse Program is primarily the result of increases in both the cost of services and the number of services provided under the Program. Shifts in utilization from in-network to out of network attributable to Timothy's Law also continued to be observed. In addition, projected dividend reflects an increase in retention and assessment costs among all the carriers. The latter is primarily due to increases in the NYS Insurance Department Assessment, Bad Debt and Charity Surcharge and Covered Lives Assessment resulting from State legislation.

2011 PROJECTED PREMIUM RATES

The Empire Plan carriers' rate proposals for 2011 are required to be submitted to the Department by September 1. Upon review of the documentation by the Department and Buck Consultants, we will negotiate aggressively with each of the carriers to achieve appropriate reductions in the submitted premium levels. Additionally, we will continue to use retrospective agreements with the carriers and the prudent application of dividend to lower the Plan's net premiums. Our goal is to achieve the lowest rates possible for 2011 while maintaining rate stability for the coming years. Taking these rate factors into account, the Department's best estimate of the projected 2011 net premium increases, as presented in Exhibit II, are 13.4% and 13.5% for The Empire Plan and The Excelsior Plan, respectively. These estimates are consistent with the projections provided by Buck Consultants. Future quarterly reports will reflect updates to these estimates as 2010 experience is incurred and analyzed.

Exhibit II presents the projected 2011 Empire Plan gross and net premium rates, as projected by the insurance carriers, assuming the application of \$290.0 million in dividend across all payors. The Empire Plan gross premium is projected to increase 14.3% , in aggregate, while the net premium is projected to increase 17.9%. The Excelsior Plan gross premium is projected to increase 13.9%, in aggregate, while the net premium is projected to increase 17.3%. Exhibit II also includes a range of gross and net premium rates based on carrier projections (13.3% - 22.5% net increase for the Empire Plan).

Exhibit III presents The Empire Plan individual and family 5-tier billing rate history since 2002. Exhibit IV presents, for illustrative purposes only, the 2-tier rate history from 2002 to 2011.

As noted above, the 2011 premium projections in Exhibit II are based on The Empire Plan insurance carriers' 2009 fourth quarter reports since 2010 claims data were not yet available. Historically, premium projections made at this time of the year have been conservative. Over the past five years, the final premium rates negotiated with the carriers in October for the following plan year have been slightly greater than the carrier optimistic rate projections made at this point in time. While each agency should assess its budgetary environment in using the projected information contained in this report, we believe the actual increases will more closely match the Buck projections.

The current assumed dividend application of \$290 million is reflective of a strategy to promote rate stability, as best as possible, over a number of years while also providing fiscal relief to State and Local governments. However, the actual amount of dividend to be applied as a credit in the 2011 premium rates will be determined in October 2010 based on a number of factors including, but not limited to, the following:

- The final results of premium negotiations with the carriers which may be impacted by federal healthcare legislation, NYS legislation, the NYSHIP Dependent Eligibility Audit Project, the Empire Plan contract procurement schedule, etc.
- The impact on the stability of premium over time (2011 – 2015).
- The status of the economy, as well as the State and Local Government fiscal climate.

We will work together with the Division of the Budget to ensure that NYSHIP rates for local governments are kept as low as fiscally prudent.