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PA 10-43
PAEX 10-35

TO: Participating Agency Chief Executive Officers and Health Benefits Administrators

FROM: Employee Benefits Division

SUBJECT: Plan Year 2011 NYSHIP Rates

DATE: December 3, 2010

Enclosed are the Plan Year 2011 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 II present the Employee/Employer Variable Contribution Rate Table for drug and non-drug rates, respectively. Your bill for January 2011 coverage will reflect the new rates.

The Five –Tier premium rates chargeable to Participating Agencies will, in aggregate, increase 12.7% for The Empire Plan and 13.2% for The Excelsior Plan. The percentage increase for each type of coverage varies.

Factors contributing to this rate action:

Negotiated Reductions in Premium Demands

Negotiated premium reductions of approximately \$357.4 million from the carriers' original baseline renewal requests were made as a result of negotiations between the insurers and the Department, assisted by our benefit consulting firm.

Retrospective Premium Arrangements

Most of the reductions were achieved by removing the margin from the premium and negotiating retrospective premium arrangements of approximately \$316.3 million. This strategy is consistent with the premium development strategy used in 2009 and 2010, and is intended to ensure that any dividend ultimately generated is 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. Neither the Department nor our benefit consulting firm anticipate any material retrospective premium payment.

Application of Dividend

Premium above that necessary to pay claims and administrative expenses 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 premiums charged to participants. The 2011 Empire Plan premium rates include a dividend credit amounting to \$400 million, annually.

Specific carrier premium changes and factors:

Empire Blue Cross and Blue Shield (Hospital Program)

An 11.8% premium increase results from an 11.6% trend assumption, a 0% margin load, a 5.7% increase in retention and a 2010 premium level generating a projected 0.3% loss.

UnitedHealthcare (Medical Program)

An overall 8.6% increase in the aggregate premium for the UnitedHealthcare medical component is the net result of a 9.25% trend assumption, 0% margin, a 7.5% increase in retention and a 2010 premium level generating a projected 0.5% dividend.

UnitedHealthcare (Mental Health and Substance Abuse Program)

A 0% premium change is the blended combination of an 8.0% trend assumption, 0% margin, a 3.0% increase in retention and a 2010 premium level generating a projected 7.4% dividend.

United Healthcare (Prescription Drug Program)

A 15.5% premium increase is the result of an 11.75% trend assumption, 0% margin, a 13% increase in retention, a 16.6% decrease in pharma revenue and a 2010 premium level generating a projected 1.6% dividend.

Other important information

Medicare Premium

The Centers for Medicare and Medicaid Services announced that January 1, 2011 Part B premium amount is \$115.40. This amount will be paid for all new Medicare Part B enrollees on or after January 1, 2011. Individuals who enrolled in Medicare Part B on or after January 1, 2010 but before January 1, 2011 will continue to pay \$110.50. Individuals who enrolled in Medicare Part B before January 1, 2010 will continue to pay \$96.40. Information regarding the reimbursement of the surcharge portion of the Medicare Part B premium for enrollees over certain income limits (IRMAA) will be sent to enrollees 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 2010. As you know, the December 31, 2010 deduction will pay for January 2011 NYSHIP coverage.

Participating Agency Administrative Charge

The annual administrative per enrollee charge will decrease 8.0% from \$28.134 in 2010 to \$25.894 in 2011. The administrative charge, which is less than 0.21% of premium, is 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.