



ANDREW M. CUOMO  
GOVERNOR

STATE OF NEW YORK  
**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)

PA 11-04  
PA EX 11-02

To: Participating Agency Health Benefit Administrators

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

Subject: Empire Plan Quarterly Experience Report

Date: March 3, 2011

Enclosed are the Fourth Quarter Empire Plan Experience Report for 2010 and the cover letter to the Chief Executive Officers. This report presents the projected 2010 Empire Plan experience and the projected 2012 premium rates.

Enclosures



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March 3, 2011

Dear Chief Executive Officer:

Attached is the Empire Plan Fourth Quarter Experience Report for 2010. This report presents the projected 2010 Empire Plan experience, based on claims paid through December 31, 2010 as well as projected 2012 premium rates. A 3<sup>rd</sup> Quarter Experience Report was not issued; however, the experience projected by the carriers based on nine months of paid claim data is included with this report.

For the 2010 Plan Year, the Empire Plan carriers project a dividend of \$126.4 million; 2.1% of premium. This report presents the basis for this projection while the First Quarter Report for 2011 will present the actual 2010 dividends declared by the carriers.

In Exhibit II, you will find the 2012 premium rates projected by both the Department of Civil Service and the Empire Plan carriers. These projections include a tentative dividend application amount of \$150 million, which is \$250 million less than the amount applied to the 2011 rates. The insurer driven "best estimate" net premium increases are 17.9% in aggregate for The Empire Plan and 17.0% in aggregate for The Excelsior Plan. The Department projects net premium increases of 13.7% for the Empire Plan and 13.9% for the Excelsior Plan.

Given the fiscal challenges that the State and its localities continue to face, our goal is to develop 2012 NYSHIP rates that are as low as possible. We intend to aggressively negotiate each premium element and include both retrospective premium agreements with the carriers and the application of dividend to the rates to accomplish this goal. However, it is important to recognize that given the application of substantial dividend amounts to the 2009, 2010 and 2011 rates coupled with the relatively low earned dividend for 2009 and 2010, the dividend available to apply to the 2012 premium rates is more limited. Therefore, the 2012 net premium increases are expected to be higher than the increases in recent Plan trend. Please be assured that we will consider every possible option for achieving as low a rate of increase as possible for 2012 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**

**2010 Fourth Quarter**

**Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**FOURTH QUARTER  
(October – December 2010)**

**Produced for  
PARTICIPATING AGENCIES IN THE  
NEW YORK STATE  
HEALTH INSURANCE PROGRAM  
by  
the Employee Benefits Division  
New York State Department of Civil Service**

- Projected 2010 Empire Plan Experience . . . . . Pages 1-2
- Projected 2012 Premium Rates . . . . . Pages 2-3

## **EXHIBITS**

- I.** Projected 2010 Empire Plan Experience (based on 12 months of paid claim data)
- IA** Projected 2010 Empire Plan Experience (based on 9 months of paid claim data)
- II.** Projected 2012 PA Premium Rates
- III.** Empire Plan PA 5-Tier Group Rates (2003-2012)
- IV.** Empire Plan PA 2-Tier Group Rates (2003-2012)

- *NYSHIP News*

**NEW YORK STATE HEALTH INSURANCE PROGRAM  
PARTICIPATING AGENCY GROUP  
EMPIRE PLAN EXPERIENCE REPORT  
4th QUARTER REPORT**

**PROJECTED 2010 EMPIRE PLAN EXPERIENCE**

The Empire Plan carriers project that the 2010 premiums will generate an aggregate dividend of \$126.4 million (2.1% of premium). The 2010 annual experience projected by the insurance carriers is reported in Exhibit I. This projection is based on twelve months of 2010 paid claim data and represents an \$86.4 million increase over the dividend projected based on nine months of paid claim data. While a 3<sup>rd</sup> Quarter Experience Report was not issued, the experience projected by the carriers based on nine months of paid claim data is presented in Exhibit IA. The following chart presents the percentage of the projected incurred claims actually paid as well as the most recent projected 2010 trend as compared to the trend assumed during the 2010 premium rate development:

	<b>% of Paid Claims to <u>Projected Incurred Claims</u></b>		<b><u>Projected 2010 Trend</u></b>	
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>@ Final Renewal</u></b>	<b><u>@ 4th Quarter</u></b>
Blue Cross Hospital	99.5%	87.6%	11.8%	9.3%
UHC Medical	99.8%	91.7%	8.0%	4.5%
UHC MHSA	99.7%	84.4%	6.8%	.9%
UHC Rx	100.0%	97.7%	9.9%	7.3%

The 2010 projected dividend for each carrier as compared to the margin level used in the 2010 premium development is as follows:

	<b>Margin</b>	<b>2010 Projected Dividend/(Loss)</b>	<b>Increase/(Decrease) over margin</b>
Blue Cross Hospital	\$0	(\$2,905,000)	(\$2,905,000)
UHC Medical	\$0	\$76,507,000	\$76,507,000
UHC MHSA	\$0	\$9,692,000	\$9,692,000
UHC Rx	\$0	\$43,071,000	\$43,071,000
<b>Total</b>	<b>\$0</b>	<b>\$126,365,000</b>	<b>\$126,365,000</b>

The NYSHIP Dependent Eligibility Verification Project affected the premium amounts paid to the carriers during 2010 due to a significant number of dependent deletions that resulted in changes from family to individual coverage retroactive to February 1, 2009. If proof of coverage was eventually provided, dependents were retroactively reinstated under family coverage. As a result, the premium paid during 2010 was approximately \$60 million less than the amount anticipated during the 2010 rate renewal. The lower paid premium amounts negatively affects the generation of dividends for 2010. However, the 2010 claims experience for all of the Empire Plan components is considerably lower than the level anticipated, resulting in the moderate dividend projection. The majority (\$118 million) of the improved claims experience is reflective of a lower 2010 trend (7.0% vs. 9.4%) compared to the levels assumed in the development of the 2010 premium rates. Other significant components of the improved experience include the reduction in the 2009 claim base (\$27 million), improved 2009 claim run-out (\$45 million) and greater pharma revenue (\$29.4 million). In addition to the reduction in premium as detailed above, the improved experience also is offset by a \$40 million reduction in the 2010 premium paid for the hospital program. During rate negotiations between the Department and BlueCross regarding the 2010 trend assumption, the lower premium amount was agreed to by BlueCross in exchange for a retrospective premium agreement of an equal amount. Based on current projections, the experience and trend have improved from the amount assumed by BlueCross making a retrospective premium payment unlikely.

The \$9.7 million surplus for the Mental Health and Substance Abuse Program is generated from a 2009 claim base that is approximately \$5 million lower than the amount used in the development of the 2010 premium. In addition, the resulting 2010 trend of approximately 1% is considerably less than the estimated 7% trend assumed in the premium development. Any surplus generated by the MHSA Program must first be used to offset the 2009 loss of \$9 million thereby reducing the projected payable dividend to \$117.3 million. The insurance carriers will issue the 2010 Final Experience Statements on March 15, 2011.

## **2012 PROJECTED PREMIUM RATES**

Empire Plan carrier rate proposals for 2012 are required to be submitted to the Department by September 1<sup>st</sup>. 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 2012 while maintaining rate stability for the coming years. Taking these rate factors into account, the Department's best estimate of the projected 2012 net premium increases, as presented in Exhibit II, are 13.7% and 13.9% for the Empire Plan and the Excelsior Plan, respectively. Future quarterly reports will reflect updates to these estimates as 2011 experience is incurred and analyzed.

The Department's estimates along with the insurance carrier's 2012 premium estimates assume the application of \$150 million in dividend across all payors. The difference between the Department estimates and carrier "best estimates" is primarily attributable to the removal of margin from the carrier rates that included margin. The actual amount of dividend to be applied as a credit in the 2012 premium rates will be determined in October 2011 based on a number of factors including, but not limited to, the following:

- The final results of premium negotiations with the carriers which include projections of the incurred 2011 experience as well as estimates of the 2012 trend, both of which are affected by the Federal health care legislation and, possibly, future NYS legislation. Of particular note is the fact that 2011 is the final year of the Prescription Drug Contract and it is unknown how changes in contract terms and/or contractors may affect 2012 rates for that very significant component of the Plan.
- The ability, or lack thereof, to stabilize the premium over time (2012 – 2016).
- The status of the economy, as well as the State and Local Government fiscal climate.

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 2003 to 2012.

**2010 PROJECTED EMPIRE PLAN EXPERIENCE**  
**as of 12/31/2010**

**In (000's)**

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				UHC MHSA				UHC DRUG	TOTAL
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	2,011,603	1,791,567	249,064	251,092	2,291,723	128,924	4,628	4,174	137,726	1,513,185	5,954,237
B Incurred Claims (2)	1,861,744	1,556,293	222,759	215,342	1,994,394	97,703	5,723	5,313	108,739	1,386,483	5,351,360
C Administrative Expense (3)	152,764	180,817	20,333	19,672	220,822	17,489	946	860	19,295	83,631	476,512
D Gain/(Loss) (A-B-C)	(2,905)	54,457	5,972	16,078	76,507	13,732	(2,041)	(1,999)	9,692	43,071	126,365

(1) Earned Premium - Premium which pays for coverage for the period reported (accrual basis).

(2) Incurred Claims - Represents the cost of covered services provided during the period reported by the insurance company (accrual basis).

(3) Administrative Expenses - All charges by the insurance carrier other than for the payment of claims.  
Includes carrier's cost to administer the program, interest charges, and other retention.

Source: Carriers 2010 4th Quarter Experience Reports

**2010 PROJECTED EMPIRE PLAN EXPERIENCE**  
**as of 9/30/2010**

**In (000's)**

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				UHC MHSA				UHC DRUG	TOTAL
		Core	Enhancement	Enhancement	Combined	Core	Enhancement	Enhancement	Combined		
A Premium (1)	2,015,255	1,790,760	249,209	250,637	2,290,606	128,806	4,629	4,166	137,601	1,512,851	5,956,313
B Incurred Claims (2)	1,867,025	1,610,150	229,153	218,388	2,057,691	100,432	4,194	3,641	108,267	1,405,736	5,438,719
C Administrative Expense (3)	153,614	182,630	20,270	19,457	222,357	17,434	931	814	19,179	82,401	477,551
D Gain/(Loss) (A-B-C)	(5,384)	(2,020)	(214)	12,792	10,558	10,940	(496)	(289)	10,155	24,714	40,043

(1) Earned Premium - Premium which pays for coverage for the period reported (accrual basis).

(2) Incurred Claims - Represents the cost of covered services provided during the period reported by the insurance company (accrual basis).

(3) Administrative Expenses - All charges by the insurance carrier other than for the payment of claims. Includes carrier's cost to administer the program, interest charges, and other retention.

Source: Carriers 2010 3rd Quarter Experience Reports

## 2012 Premium Projections

### Empire Plan

<u>Department Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>
Individual Plan Prime	734.00	797.59	8.7%	693.92	781.40	12.6%
Family Plan Prime	1,598.49	1,738.42	8.8%	1,513.92	1,704.33	12.6%
Individual Mediprime	446.90	488.60	9.3%	405.64	476.98	17.6%
Family - 1 Mediprime	1,311.39	1,429.42	9.0%	1,225.62	1,399.89	14.2%
Family - 2+ Mediprime	1,024.28	1,120.42	9.4%	937.31	1,095.46	16.9%
<b>Aggregate</b>			<b>9.0%</b>			<b>13.7%</b>

<u>Carrier Optimistic Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>
Individual Plan Prime	734.00	801.66	9.2%	693.92	785.47	13.2%
Family Plan Prime	1,598.49	1,746.29	9.2%	1,513.92	1,712.20	13.1%
Individual Mediprime	446.90	499.25	11.7%	405.64	487.63	20.2%
Family - 1 Mediprime	1,311.39	1,443.87	10.1%	1,225.62	1,414.34	15.4%
Family - 2+ Mediprime	1,024.28	1,141.47	11.4%	937.31	1,116.51	19.1%
<b>Aggregate</b>			<b>9.9%</b>			<b>14.6%</b>

<u>Carrier Best Estimate Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>
Individual Plan Prime	734.00	821.74	12.0%	693.92	805.55	16.1%
Family Plan Prime	1,598.49	1,789.68	12.0%	1,513.92	1,755.59	16.0%
Individual Mediprime	446.90	519.82	16.3%	405.64	508.20	25.3%
Family - 1 Mediprime	1,311.39	1,487.76	13.4%	1,225.62	1,458.23	19.0%
Family - 2+ Mediprime	1,024.28	1,185.85	15.8%	937.31	1,160.89	23.9%
<b>Aggregate</b>			<b>13.0%</b>			<b>17.9%</b>

<u>Carrier Pessimistic Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>
Individual Plan Prime	734.00	838.72	14.3%	693.92	822.53	18.5%
Family Plan Prime	1,598.49	1,826.54	14.3%	1,513.92	1,792.45	18.4%
Individual Mediprime	446.90	532.02	19.0%	405.64	520.40	28.3%
Family - 1 Mediprime	1,311.39	1,519.85	15.9%	1,225.62	1,490.32	21.6%
Family - 2+ Mediprime	1,024.28	1,213.15	18.4%	937.31	1,188.19	26.8%
<b>Aggregate</b>			<b>15.4%</b>			<b>20.4%</b>

(1) Represents premiums charged by the carriers.

(2) Represents cost to a participating agency.

(3) Projected Rates

## 2012 Premium Projections

### Excelsior Plan

<u>Department Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>
Individual Plan Prime	647.47	704.57	8.8%	613.90	697.25	13.6%
Family Plan Prime	1,417.28	1,543.35	8.9%	1,346.35	1,527.83	13.5%
Individual Mediprime	381.00	416.50	9.3%	344.73	410.96	19.2%
Family - 1 Mediprime	1,150.80	1,255.27	9.1%	1,077.16	1,241.55	15.3%
Family - 2+ Mediprime	884.31	967.19	9.4%	807.97	955.25	18.2%
<b>Aggregate</b>			<b>9.1%</b>			<b>13.9%</b>

<u>Carrier Optimistic Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>
Individual Plan Prime	647.47	704.57	8.8%	613.90	697.25	13.6%
Family Plan Prime	1,417.28	1,542.71	8.9%	1,346.35	1,527.19	13.4%
Individual Mediprime	381.00	416.87	9.4%	344.73	411.33	19.3%
Family - 1 Mediprime	1,150.80	1,255.01	9.1%	1,077.16	1,241.29	15.2%
Family - 2+ Mediprime	884.31	967.31	9.4%	807.97	955.37	18.2%
<b>Aggregate</b>			<b>9.1%</b>			<b>13.9%</b>

<u>Carrier Best Estimate Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>
Individual Plan Prime	647.47	721.44	11.4%	613.90	714.12	16.3%
Family Plan Prime	1,417.28	1,579.35	11.4%	1,346.35	1,563.83	16.2%
Individual Mediprime	381.00	433.56	13.8%	344.73	428.02	24.2%
Family - 1 Mediprime	1,150.80	1,291.48	12.2%	1,077.16	1,277.76	18.6%
Family - 2+ Mediprime	884.31	1,003.60	13.5%	807.97	991.66	22.7%
<b>Aggregate</b>			<b>12.1%</b>			<b>17.0%</b>

<u>Carrier Pessimistic Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>	<u>2011</u>	<u>2012 (3)</u>	<u>% Change</u>
Individual Plan Prime	647.47	735.95	13.7%	613.90	728.63	18.7%
Family Plan Prime	1,417.28	1,611.03	13.7%	1,346.35	1,595.51	18.5%
Individual Mediprime	381.00	443.61	16.4%	344.73	438.07	27.1%
Family - 1 Mediprime	1,150.80	1,318.70	14.6%	1,077.16	1,304.98	21.2%
Family - 2+ Mediprime	884.31	1,026.36	16.1%	807.97	1,014.42	25.6%
<b>Aggregate</b>			<b>14.4%</b>			<b>19.5%</b>

(1) Represents premiums charged by the carriers.

(2) Represents cost to a participating agency.

(3) Projected Rates

**EMPIRE PLAN  
PA 5 TIER GROUP RATES  
2003 - 2012 Monthly Rates**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
<b>Individual Planprime</b>				
2003	400.00	13.1%	384.89	11.7%
2004	448.00	12.0%	438.15	13.8%
2005	490.41	9.5%	478.49	9.2%
2006	547.86	11.7%	529.76	10.7%
2007	600.69	9.6%	564.84	6.6%
2008	633.79	5.5%	592.38	4.9%
2009	630.73	-0.5%	598.58	1.0%
2010	660.24	4.7%	612.34	2.3%
2011	734.00	11.2%	693.92	13.3%
2012	797.59	8.7%	781.40	12.6%
	Department Projection			
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		8.1%		8.6%
Most Recent 10 Years		8.5%		8.6%
Most Recent 5 Years		5.9%		6.8%
<b>Family Planprime</b>				
2003	842.38	13.4%	811.41	12.1%
2004	945.29	12.2%	924.74	14.0%
2005	1,038.64	9.9%	1,013.68	9.6%
2006	1,164.16	12.1%	1,126.19	11.1%
2007	1,273.96	9.4%	1,198.07	6.4%
2008	1,346.27	5.7%	1,258.78	5.1%
2009	1,350.26	0.3%	1,282.17	1.9%
2010	1,431.43	6.0%	1,330.93	3.8%
2011	1,598.49	11.7%	1,513.92	13.7%
2012	1,738.42	8.8%	1,704.33	12.6%
	Department Projection			
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		7.8%		8.4%
Most Recent 10 Years		8.9%		9.0%
Most Recent 5 Years		6.5%		7.4%
<b>Individual Medprime</b>				
2003	307.02	18.1%	297.50	17.2%
2004	341.87	11.4%	334.22	12.3%
2005	340.50	-0.4%	331.93	-0.7%
2006	359.35	5.5%	338.88	2.1%
2007	363.02	1.0%	333.18	-1.7%
2008	397.23	9.4%	360.41	8.2%
2009	384.38	-3.2%	359.22	-0.3%
2010	400.76	4.3%	367.37	2.3%
2011	446.90	11.5%	405.64	10.4%
2012	488.60	9.3%	476.98	17.6%
	Department Projection			
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		5.5%		6.3%
Most Recent 10 Years		6.7%		6.7%
Most Recent 5 Years		6.3%		7.6%

- (1) Represents premiums paid to the carriers.  
(2) Represents cost to a participating agency.  
(3) Inception of Medprime Rate Structure

**EMPIRE PLAN  
PA 5 TIER GROUP RATES  
2003 - 2012 Monthly Rates**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
<b>Family - 1 Medprime</b>				
2003	749.40	15.4%	724.05	14.4%
2004	839.18	12.0%	820.82	13.4%
2005	888.71	5.9%	867.09	5.6%
2006	975.66	9.8%	935.32	7.9%
2007	1,036.30	6.2%	966.44	3.3%
2008	1,109.74	7.1%	1,026.86	6.3%
2009	1,103.90	-0.5%	1,042.81	1.6%
2010	1,171.95	6.2%	1,085.94	4.1%
2011	1,311.39	11.9%	1,225.62	12.9%
2012	1,429.42	9.0%	1,399.89	14.2%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		6.7%		7.3%
Most Recent 10 Years		8.3%		8.4%
Most Recent 5 Years		6.7%		7.8%
<b>Family - 2 or More Medprime</b>				
2003	656.42	18.2%	636.67	17.4%
2004	733.05	11.7%	716.88	12.6%
2005	738.79	0.8%	720.53	0.5%
2006	787.16	6.5%	744.45	3.3%
2007	798.65	1.5%	734.81	-1.3%
2008	873.21	9.3%	794.94	8.2%
2009	857.54	-1.8%	803.45	1.1%
2010	912.48	6.4%	840.98	4.7%
2011	1,024.28	12.3%	937.31	11.5%
2012	1,120.42	9.4%	1,095.46	16.9%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		5.6%		6.4%
Most Recent 10 Years		7.4%		7.5%
Most Recent 5 Years		7.1%		8.5%

(1) Represents premiums paid to the carriers.  
(2) Represents cost to a participating agency.  
(3) Inception of Medprime Rate Structure

**EMPIRE PLAN**  
**PA 2 TIER GROUP RATES**  
**2003 - 2012 Monthly Rates**  
**(For Illustrative Purposes Only)**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
<b>Individual</b>				
2003	357.44	14.0%	345.36	13.0%
2004	402.70	12.7%	394.31	14.2%
2005	433.70	7.7%	423.31	7.4%
2006	477.33	10.1%	459.25	8.5%
2007	511.23	7.1%	477.96	4.1%
2008	536.84	5.0%	498.88	4.4%
2009	527.09	-1.8%	497.91	-0.2%
2010	557.46	5.8%	515.75	3.6%
2011	621.78	11.5%	581.69	12.8%
2012     Department Projection	677.48	9.0%	662.52	13.9%
<b><u>Average Percent Increase</u></b>				
From Inception (1986)		7.8%		7.9%
Most Recent 10 Years		8.1%		8.2%
Most Recent 5 Years		5.9%		6.9%
<b>Family</b>				
2003	805.64	14.5%	778.82	13.6%
2004	899.98	11.7%	881.48	13.2%
2005	968.40	7.6%	945.11	7.2%
2006	1,073.28	10.8%	1,034.40	9.4%
2007	1,158.16	7.9%	1,084.90	4.9%
2008	1,233.38	6.5%	1,150.41	6.0%
2009	1,230.02	-0.3%	1,165.24	1.3%
2010	1,297.06	5.5%	1,203.56	3.3%
2011	1,441.84	11.2%	1,353.97	12.5%
2012     Department Projection	1,572.32	9.0%	1,538.47	13.6%
<b><u>Average Percent Increase</u></b>				
From Inception (1986)		8.2%		8.3%
Most Recent 10 Years		8.4%		8.5%
Most Recent 5 Years		6.4%		7.3%

(1) Represents premiums charged by the carriers.

(2) Represents cost to a participating agency.



Information for local governments participating in NYSHIP

## *Fourth Quarter Report - 2010*

### **Federal Health Care Reform**

The Employee Benefits Division implemented the following provisions of the Patient Protection and Affordable Care Act that was signed into law on March 23, 2010.

**Grandfathered Status:** For 2011 the Empire Plan benefit design for Participating Agencies meets the requirements of a non-grandfathered plan, including coverage for certain preventive services with no enrollee out of pocket cost. This will ensure that all PAs will be compliant with PPACA requirements regardless of changes that they may have made or will make in their contributions to the cost of employee health benefits. An increase in the employee contribution rate of 5% or more anytime after the effective date of PPACA triggers the loss of grandfathered status

**Young Adult Coverage:** Effective January 1, 2011, children up to age 26 are eligible to be covered as dependents under their parent's NYSHIP coverage. A publication was mailed to all NYSHIP enrollees in early November that explained this new eligibility and how to enroll their young adult children. NYSHIP is not excluding from eligibility for coverage those young adults who are eligible for group health insurance as the result of their own employment; however, Participating Agencies that have maintained grandfathered status may elect to adopt this policy.

In addition NYSHIP is participating in the **Early Retiree Reinsurance Program**. This temporary program, which will end January 1, 2014 or sooner if funding is exhausted, is intended to encourage employers to continue to provide coverage to retired employees who are not yet eligible for Medicare coverage by reimbursing 80% of the cost of claims greater than \$15,000 and less than \$90,000. On November 23, 2010, the Department filed its first claim for reimbursement under this Program. The request was approved by HHS on January 21 and the \$47.9 million payment has been deposited into the Health Insurance Fund. We estimate that NYSHIP will receive approximately \$300 million over the first two years of the program. The proceeds of the reinsurance program will be used in the same manner as plan dividend to help offset future premium increases for all plan participants.

Division staff continues to review and monitor updates and clarifications of the legislation and its numerous provisions which NYSHIP will be required to implement in the future.

### **NYSHIP Coverage for Volunteer Firefighters and Ambulance Workers**

To date, 37 participating agencies have elected to extend coverage to qualified members of 163 volunteer fire and ambulance companies. For information on this coverage, refer to PA Memo 10-29 (PAEX Memo 10-25) dated September 1, 2010 which summarizes the provisions of Chapter 71 of the Laws of 2010 which amend Civil Service Law to extend NYSHIP eligibility to active members of volunteer fire and

ambulance companies and to provide guidelines to PAs for administering this new legislation. As indicated in the memo, a PA is permitted, not required, to provide coverage. Agencies that elect to provide coverage are requested to submit the form, “Notice of Election to Extend NYSHIP Coverage to Volunteer Firefighters and/or Ambulance Workers”, which was included with the PA Memo.

#### **Agency E-mail Addresses and Contact Information**

The Employee Benefits Division issued PA Memo 10-20 (PAEX10-16), dated June 28, 2010, requesting current e-mail addresses and contact information from PAs to enable us to communicate with agency representatives more quickly and efficiently about important program developments. The response from PAs has been excellent – if you have not already submitted the information, please do so as soon as possible, as we plan to begin corresponding with PAs via e-mail in the very near future.

#### **Agency Experience Reports**

As indicated in the previous report, agency specific Empire Plan financial experience reports are available from the Employee Benefits Division upon request. These reports are calendar year based and provide aggregate data broken down by Plan component – hospital, medical/surgical, mental health/substance abuse and prescription drugs. To obtain a financial experience report for your agency, you may submit an official written request on agency letterhead indicating the calendar years for which reports are desired. The request may be directed to the Employee Benefits Division - Director’s Office.

In recent months, several requests have been received as FOIL requests – it is not necessary to obtain them through the FOIL process. They are available as described above.

#### **GASB 45**

As indicated in previous reports, the 2009 Buck Consultants report “Development of Recommended Actuarial Assumptions for New York State/SUNY GASB Valuation – Participating Agency Version” is available online at: [http://www.cs.state.ny.us/gasb\\_pa/2008\\_NYS\\_GASB\\_45\\_Participating\\_Agencies.pdf](http://www.cs.state.ny.us/gasb_pa/2008_NYS_GASB_45_Participating_Agencies.pdf). NYSHIP will provide agency census reports upon request for use in complying with the provisions of GASB 45. Since the data included in these reports will be current at the time they are provided, it is important that your agency NYBEAS file is up-to-date, including correctly identifying and coding retirees before requesting census reports. To request a copy of your agency’s census information, please send an e-mail to: [Kevin.Hill@cs.state.ny.us](mailto:Kevin.Hill@cs.state.ny.us) and include your name, agency name & code number, mailing address, phone number and e-mail address. For additional information about GASB 45, please refer to PA Memos 06-11 and 06-18.

#### **Prompt Payment of NYSHIP Premium**

As indicated in previous reports, the Employee Benefits Division has been aggressively monitoring agencies that fail to submit premium payments in a timely manner. This procedure includes suspension of claims for enrollees of any agency that falls three months behind in their premiums. To avoid

disruption of your employees' benefits, please be sure to submit your premium payments by the due date, as we must submit premium to the Empire Plan insurers on time. You may wish to consider submitting your payments electronically to promote timely payments. Attached are guidelines to initiate electronic transfer of funds.

**Availability of Reports Electronically**

The Empire Plan Experience Reports are available through the following direct link to our website:  
<http://www.cs.state.ny.us/ebd/ebdonlinecenter/pamarket/qer.cfm>.

**CEO & HBA Name and Address Changes**

Please be sure to notify EBD of any changes in the names and/or addresses (including e-mail address) of your agency's CEO or HBA, so that we keep our mailing lists up-to-date. This updated information should be sent to:

**Debbie D'Orazio**  
**NYS Department of Civil Service**  
**Employee Benefits Division – Rm. 529**  
**Alfred E. Smith State Office Building**  
**Albany, NY 12239**  
or E-mail: [Deborah.D'Orazio@cs.state.ny.us](mailto:Deborah.D'Orazio@cs.state.ny.us)