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To: Participating Agency Chief Executive Officers &  
Health Benefit Administrators

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

Subject: Empire Plan Quarterly Experience Report

Date: May 24, 2012

Enclosed are the First Quarter Empire Plan Experience Report for 2012 and the cover letter to the Chief Executive Officers. This report presents the 2011 Empire Plan experience, the projected 2012 Empire Plan experience and the projected 2013 premium rates.

Enclosures



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May 24, 2012

Dear Chief Executive Officer:

Attached is the Empire Plan First Quarter Experience Report for 2012. This report presents the 2011 Empire Plan experience, the projected 2012 Empire Plan experience, based on claims paid through March 31, 2012, and the projected 2013 premium rates.

For the 2011 Plan Year, the Empire Plan carriers declared a net surplus of \$226.8 million, 3.4% of premium. After factoring in the impact of the retrospective premium payment to United HealthCare/Optum for the Mental Health and Substance Abuse Program, and the incremental experience from the claims run out of prior contracts, a net dividend of \$241.5 million was earned by the plan. The underlying causes and assumptions for these amounts are discussed in the Report.

For the 2012 Plan Year, the Empire Plan carriers project a net loss of \$196.3 million, 2.91% of premium. This projection is primarily the result of the aggressive strategy used in the development of the 2012 premium. Historically, experience projections based on three months of paid claim data have been conservative. We expect the projected loss to decrease considerably as actual claims materialize.

In Exhibit III, you will find the 2013 premium rates projected by the Department. These projections include a tentative dividend application amount of \$50 million; \$320 million less than the credits loaded in the 2012 rates. The reduction in the credits results in the greater increase in the projected premium rates charged to payors as compared to the increase in premium rates charged by the insurance carriers.

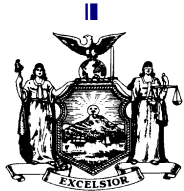
The Department projects a "best estimate" net premium increase for 2013 of 11.8% in aggregate for The Empire Plan and 13.5% in aggregate for The Excelsior Plan. While these projected increases are primarily based on carrier estimates, they are lower than the carrier estimates as the Department's projections exclude the margin factor and assume the 2012 claim base will be lower than the level used in the development of the 2012 premium. In addition, plan savings attributable to the 1/1/2013 implementation of a Medicare Prescription Drug Plan under an Employer Group Waiver Plan, were included.

Given the fiscal challenges that the State and its localities continue to face, our goal is to achieve 2013 NYSHIP rates that are as low as possible while promoting rate stability for the near future. The rate development and carrier negotiations will begin in September.

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



## **PARTICIPATING AGENCIES**

# **EMPIRE PLAN 2012 First Quarter Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

## **FIRST QUARTER**

**Produced for**

**PARTICIPATING AGENCIES IN THE**

**NEW YORK STATE**

**HEALTH INSURANCE PROGRAM**

**by**

**the Employee Benefits Division**

**New York State Department of Civil Service**

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## **EXHIBITS**

- I.** 2011 Empire Plan Experience
- II.** Projected 2012 Empire Plan Experience
- III.** Projected 2013 PA Premium Rates
- IV.** Empire Plan PA 5-Tier Group Rates (2004-2013)
- V.** Empire Plan PA 2-Tier Group Rates (2004-2013)

- *NYSHIP News*

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

**ACTUAL 2011 EMPIRE PLAN EXPERIENCE**

The Empire Plan carriers declared an aggregate surplus of \$226.8 million (3.4% of premium) as presented in Exhibit I. This represents a \$16.8 million increase in the surplus projected in the 2011 Fourth Quarter Report. United HealthCare declared a loss of \$22.6 million for the Mental Health and Substance Abuse (MHSA) Program which requires the State to make an \$8.3 million retrospective premium payment; the additional \$14.3 deficit balance may be recovered by UHC only from a future surplus, if any. In addition, EmblemHealth (formerly GHI) declared a \$130,000 loss on the run out experience for the MHSA Program contract which terminated on 12/31/08 and Empire BlueCross declared a \$0.4 million dividend on the run out experience for the Prescription Drug Program contract which terminated on 12/31/07. The net result for 2011 is a \$241.5 million dividend that was earned and paid to the Department.

The overall improvement in the 2011 experience from the level projected at the time the premiums were developed is primarily due to the following three factors: 1) a \$70 million decrease in the 2010 claim base; 2) the decrease in the 2011 trend from 10.6% to 8.8%; and 3) an \$80 million increase in pharma revenue. Offsetting the surplus is the \$22.6 million loss on the Mental Health and Substance Abuse Program. The loss is primarily attributable to the large increase in the utilization of services. For 2011, the number of services per 1000 contracts increased 12.7% for network claims and 37% for out-of-network claims. In addition, the 2010 claim base has deteriorated by \$3.8 million since the 2011 premium rates were developed.

In retrospect, the 2011 premium was somewhat conservative. Factors that contributed to the level of conservatism in the premiums were the uncertain impact of the Federal Health Care legislation and the assumption that 2011 would be the last year of the prescription drug contract insured by United Healthcare; this contract is being extended for two years to accommodate the implementation of a Medicare Prescription Drug Program, as explained below.

**PROJECTED 2012 EMPIRE PLAN EXPERIENCE**

The Empire Plan carriers project an aggregate loss of \$196.3 million (2.91% of premium) for 2012, as presented in Exhibit II. This projection is based on three months of 2012 paid claim data. The following chart presents the percentage of the projected incurred claims actually paid, as well as the most recent projected 2012 trend as compared to the trend assumed during the 2012 premium rate development:

	<b><u>% of Paid Claims to Projected Incurred Claims</u></b>		<b><u>Projected 2012 Trend</u></b>	
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>@ Final Renewal</u></b>	<b><u>@ 2012 1st Quarter</u></b>
Blue Cross Hospital	97.6%	14.5%	10.0%	10.2%
UHC Medical	98.9%	16.6%	7.3%	7.3%
UHC MHSA	97.1%	13.0%	10.4%	11.8%
UHC Rx	99.9%	23.8%	8.9%	10.2%

For 2012, the carriers once again agreed to remove margin from the premium. Also, based on the size of the projected 2011 dividend being generated and continued underlying carrier conservatism, the State requested additional premium reductions totaling \$186 million from the 2012 premium rates. The carriers agreed to the premium reductions in exchange for retrospective premium arrangements that total \$439.1 million. The 2012 projected dividend for each carrier as compared to the margin level and premium reductions factored in the 2012 premium are as follows:

	<u>Margin</u>	<u>Premium Adjustments</u>	<u>2012 Projected Dividend/(Loss) First Quarter Report</u>	<u>Experience Improvement</u>
Blue Cross Hospital	\$0	(\$61.0)	(\$38.7)	\$22.3
UHC Medical	\$0	(\$60.0)	(\$96.2)	(\$36.2)
UHC MHSA	\$0	\$0.0	(\$6.7)	(\$6.7)
UHC Rx	\$0	(\$65.0)	(\$54.7)	\$10.3
<b>Total</b>	<b>\$0</b>	<b>(\$186.0)</b>	<b>(\$196.3)</b>	<b>(\$10.3)</b>

While the overall 2012 experience appears to have worsened, there are signs of improvement on the hospital and prescription drug programs. This improvement is primarily due to a lower 2011 claim base from the amount projected in the development of the 2012 premium. For the mental health and substance abuse program, the 2011 claim base is higher than previously projected and the 2012 trend projected by UHC has increased from 10.4% to 11.8%. For the medical program, a large increase in the loss was projected by UHC primarily based on a slight increase in trend, on 4<sup>th</sup> quarter 2011 claims.

The Department expects these projections to improve consistent with the improvement of experience observed in prior years. For example, in 2011, the carriers projected a \$54 million loss in the first Quarter Report and a \$226.8 million surplus resulted. The claim projections will become more reliable as actual claim data materializes. This will be more evident as the 2013 rate renewal approaches.

### **2013 PROJECTED PREMIUM RATES**

Empire Plan carrier rate proposals for 2013 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 dividends to lower the Plan's net premiums. Our goal is to achieve the lowest rates possible for 2013 while maintaining rate stability for the coming years. Taking these rate factors into account, the Department's best estimate of the projected 2013 net premium increases, as presented in Exhibit II, are 11.8% and 13.5% for the Empire Plan and the Excelsior Plan, respectively. Future quarterly reports will reflect updates to these estimates as 2012 experience is incurred and analyzed.

The Department estimates the 2013 gross premium paid to the carrier will increase 6.5%. This is based on an estimated 2012 claim base projected to generate a 1% loss, 8.0% trend, 0% margin and plan savings of \$270 million attributable to the implementation of a Medicare Prescription Drug Plan (PDP) effective 1/1/2013. The PDP, which will be implemented under an Employer Group Waiver Plan

(EGWP) will have the comparable benefits as the Empire Plan. The savings is attributable to premium funding provided by CMS, additional manufacturer discounts on drugs in the “donut hole” and federal funding on catastrophic claims. The carrier projected 2013 gross premium increase of 16.2% was considered to be too conservative as it included the margin and excluded the EGWP savings.

The projected 6.5% increase in gross premium will be negatively leveraged by a reduction in the application of available dividends resulting in a projected 11.8% increase in premium charged to payors in 2013. While \$156 million in dividend is anticipated to be available on 12/31/2012, DCS anticipates the application of \$50 million in the 2013 rates. The balance is necessary to fund anticipated retrospective premium payments for 2012 and potentially 2013. This credit is \$320 million less than the 2012 credit resulting in the higher rate of increase to the net premium as compared to the 6.5% increase in gross premium. The actual amount of dividend to be applied in the 2013 premium rates will be determined in October 2012 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 2012 experience as well as estimates of the 2013 trend, both of which are affected by the Federal health care legislation and, possibly, future NYS legislation. Of particular note is the fact that 2013 is the final year of the Prescription Drug and the Mental Health and Substance Abuse contracts. Carrier premium requirements in the last year of a contract tend to be more conservative.
- The actual impact of collectively bargained Plan benefit changes on claims experience.
- The ability, or lack thereof, to stabilize the premium over time (2013–2017).
- The status of the economy, as well as the State and Local Government fiscal climate.

The credit for 2012 included amounts provided by the Early Retiree Reinsurance Program (ERRP). ERRP was established by the Affordable Care Act and is a temporary Federal program which became effective June 1, 2010. ERRP provides reimbursement to employer and union sponsors of participating employment-based plans for a portion of the cost of health benefits for early retirees and their spouses, surviving spouses, and dependents. The Department filed an application for the ERRP subsidy on behalf of all NYSHIP participants. The Department received \$81.5 million for ERRP claims on behalf of Empire Plan members. The ERRP application stated that the ERRP subsidies received by NYSHIP would be credited to all payors, as is done with earned dividends and earned interest. The Department applied \$30 million of the ERRP funds in the 2011 Plan Year as a credit to the premium rates and applied the \$51.5 balance in the 2012 Plan Year. In January 2012, the \$5 billion appropriated for the program had been disbursed and ERRP managers announced that no claims additional payments would be made.

Exhibit IV presents The Empire Plan individual and family 5-tier billing rate history since 2004. Exhibit V presents, for illustrative purposes only, the 2-tier rate history from 2004 to 2013.

**2011 FINAL EMPIRE PLAN EXPERIENCE**  
**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)	2,271,647	1,942,411	282,000	283,467	2,507,878	129,820	4,973	4,266	139,059	1,752,102	6,670,686
B Incurred Claims (2)	2,051,615	1,720,095	250,345	252,435	2,222,875	123,504	8,754	8,833	141,091	1,532,497	5,948,078
C Administrative Expense (3)	159,158	184,848	21,401	21,489	227,738	18,109	1,245	1,245	20,599	88,310	495,805
D Gain/(Loss) (A-B-C)	60,874	37,468	10,254	9,543	57,265	(11,793)	(5,026)	(5,812)	(22,631)	131,295	226,803

(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 2011 Annual Experience Statements



**2012 PROJECTED EMPIRE PLAN EXPERIENCE**  
**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)	2,363,836	1,906,740	283,392	283,524	2,473,656	147,389	9,602	9,523	166,514	1,735,682	6,739,688
B Incurred Claims (2)	2,235,646	1,822,159	252,759	248,231	2,323,149	134,313	8,263	9,945	152,521	1,691,308	6,402,624
C Administrative Expense (3)	166,881	202,534	22,235	21,907	246,676	18,279	1,141	1,341	20,761	99,054	533,372
D Gain/(Loss) (A-B-C)	(38,691)	(117,953)	8,398	13,386	(96,169)	(5,203)	198	(1,763)	(6,768)	(54,680)	(196,308)

(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 2012 1st Quarter Experience Reports

## 2013 Premium Projections

### Empire Plan

<u>Department Best Estimate Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>
Individual Plan Prime	751.55	810.73	7.9%	712.75	807.68	13.3%
Family Plan Prime	1,645.31	1,777.89	8.1%	1,562.80	1,771.30	13.3%
Individual Mediprime	447.66	451.72	0.9%	419.24	445.53	6.3%
Family - 1 Mediprime	1,341.42	1,418.91	5.8%	1,269.28	1,409.20	11.0%
Family - 2+ Mediprime	1,037.53	1,059.90	2.2%	975.77	1,047.05	7.3%
<b>Aggregate</b>			<b>6.5%</b>			<b>11.8%</b>

<u>Department Optimistic Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>
Individual Plan Prime	751.55	786.41	4.6%	712.75	783.36	9.9%
Family Plan Prime	1,645.31	1,724.56	4.8%	1,562.80	1,717.97	9.9%
Individual Mediprime	447.66	438.17	-2.1%	419.24	431.98	3.0%
Family - 1 Mediprime	1,341.42	1,376.33	2.6%	1,269.28	1,366.62	7.7%
Family - 2+ Mediprime	1,037.53	1,028.10	-0.9%	975.77	1,015.25	4.0%
<b>Aggregate</b>			<b>3.3%</b>			<b>8.5%</b>

<u>Department Pessimistic Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>
Individual Plan Prime	751.55	835.05	11.1%	712.75	832.00	16.7%
Family Plan Prime	1,645.31	1,831.22	11.3%	1,562.80	1,824.63	16.8%
Individual Mediprime	447.66	465.28	3.9%	419.24	459.09	9.5%
Family - 1 Mediprime	1,341.42	1,461.44	8.9%	1,269.28	1,451.73	14.4%
Family - 2+ Mediprime	1,037.53	1,091.70	5.2%	975.77	1,078.85	10.6%
<b>Aggregate</b>			<b>9.7%</b>			<b>15.2%</b>

(1) Represents premiums charged by the carriers.

(2) Represents cost to a participating agency.

(3) Projected Rates

## 2013 Premium Projections

### Excelsior Plan

<u>Department Best Estimate Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>
Individual Plan Prime	666.18	727.68	9.2%	634.99	725.04	14.2%
Family Plan Prime	1,467.78	1,604.67	9.3%	1,401.03	1,598.98	14.1%
Individual Mediprime	374.30	394.82	5.5%	350.85	389.70	11.1%
Family - 1 Mediprime	1,175.91	1,271.79	8.2%	1,116.93	1,263.62	13.1%
Family - 2+ Mediprime	884.04	938.91	6.2%	832.81	928.25	11.5%
<b>Aggregate</b>			<b>8.4%</b>			<b>13.5%</b>

<u>Department Optimistic Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>
Individual Plan Prime	666.18	705.85	6.0%	634.99	703.21	10.7%
Family Plan Prime	1,467.78	1,556.53	6.0%	1,401.03	1,550.84	10.7%
Individual Mediprime	374.30	382.96	2.3%	350.85	377.84	7.7%
Family - 1 Mediprime	1,175.91	1,233.63	4.9%	1,116.93	1,225.46	9.7%
Family - 2+ Mediprime	884.04	910.75	3.0%	832.81	900.09	8.1%
<b>Aggregate</b>			<b>5.1%</b>			<b>10.1%</b>

<u>Department Pessimistic Projections</u>	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>	<u>2012</u>	<u>2013 (3)</u>	<u>% Change</u>
Individual Plan Prime	666.18	749.52	12.5%	634.99	746.88	17.6%
Family Plan Prime	1,467.78	1,652.80	12.6%	1,401.03	1,647.11	17.6%
Individual Mediprime	374.30	406.65	8.6%	350.85	401.53	14.4%
Family - 1 Mediprime	1,175.91	1,309.94	11.4%	1,116.93	1,301.77	16.5%
Family - 2+ Mediprime	884.04	967.08	9.4%	832.81	956.42	14.8%
<b>Aggregate</b>			<b>11.6%</b>			<b>16.9%</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  
2004 - 2013 Monthly Rates**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
<b>Individual Planprime</b>				
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	751.55	2.4%	712.75	2.7%
2013 Department Projection	810.73	7.9%	807.68	13.3%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		7.7%		8.3%
Most Recent 10 Years		7.4%		7.8%
Most Recent 5 Years		5.1%		6.5%
<b>Family Planprime</b>				
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	1,645.31	2.9%	1,562.80	3.2%
2013 Department Projection	1,777.89	8.1%	1,771.30	13.3%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		7.5%		8.1%
Most Recent 10 Years		7.8%		8.2%
Most Recent 5 Years		5.8%		7.2%
<b>Individual Medprime</b>				
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	447.66	0.2%	419.24	3.4%
2013 Department Projection	451.72	0.9%	445.53	6.3%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		4.7%		5.5%
Most Recent 10 Years		4.1%		4.2%
Most Recent 5 Years		2.7%		4.4%

(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  
2004 - 2013 Monthly Rates**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
<b>Family - 1 Medprime</b>				
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	1,341.42	2.3%	1,269.28	3.6%
2013 Department Projection	1,418.91	5.8%	1,409.20	11.0%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		6.3%		6.9%
Most Recent 10 Years		6.7%		7.0%
Most Recent 5 Years		5.1%		6.6%
<b>Family - 2 or More Medprime</b>				
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	1,037.53	1.3%	975.77	4.1%
2013 Department Projection	1,059.90	2.2%	1,047.05	7.3%
<b>Average Percent Increase</b>				
From Inception of 5 Tier Structure (1996)		5.0%		5.7%
Most Recent 10 Years		5.0%		5.2%
Most Recent 5 Years		4.1%		5.7%

(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  
2004 - 2013 Monthly Rates  
(For Illustrative Purposes Only)**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
<b>Individual</b>				
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	619.95	-0.3%	584.75	0.5%
2013 Department Projection	656.75	5.9%	651.79	11.5%
<b><u>Average Percent Increase</u></b>				
From Inception (1986)		7.4%		7.5%
Most Recent 10 Years		6.4%		6.7%
Most Recent 5 Years		4.2%		5.6%
<b>Family</b>				
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	1,478.23	2.5%	1,398.52	3.3%
2013 Department Projection	1,577.18	6.7%	1,566.78	12.0%
<b><u>Average Percent Increase</u></b>				
From Inception (1986)		7.9%		8.0%
Most Recent 10 Years		7.0%		7.3%
Most Recent 5 Years		5.1%		6.5%

(1) Represents premiums charged by the carriers.

(2) Represents cost to a participating agency.

## *First Quarter Report - 2012*

### **Federal Health Care Reform**

**Employer Group Waiver Plan:** As previously reported, effective January 1, 2013, NYSHIP will implement a Medicare Prescription Drug Plan (PDP) under an Employer Group Waiver Plan, or EGWP. The EGWP will replace the current prescription drug benefit for Medicare primary enrollees and dependents. The EGWP will be supplemented by traditional additional coverage which will wrap around the benefits available under the Medicare PDP (a “wrap”). This will enhance the PDP benefits so that they will be virtually the same as the non-Medicare Empire Plan drug benefits. While there will be some differences in the benefit available to Medicare eligible retirees due to CMS requirements for PDP coverage; those differences will be beneficial to the covered individual.

The establishment of the EGWP will mean NYSHIP is no longer eligible to receive distributions from the Retiree Drug Subsidy (RDS) program. Therefore, participating employers will no longer receive this credit. However, due to changes resulting from Federal Health Care Reform, the EGWP will provide NYSHIP with significant financial advantages over the RDS. Savings under the EGWP will result from premium funding provided by CMS, additional manufacturer discounts on drugs in the “donut hole” and federal funding of catastrophic claims. Although employers will no longer see an RDS credit on their agency bill, savings from the EGWP will result in overall lower premium for the State and PAs. Additional information regarding the implementation of the EGWP will be provided to PAs as soon as it is available.

**W-2 Health Cost Reporting:** The Patient Protection and Affordable Care Act (PPACA) amended the Internal Revenue Code (Code) to require employers to report the aggregate cost of employer-sponsored group health plan coverage on Form W-2 for taxable years beginning on or after January 1, 2011. Previous guidance from the IRS delayed reporting until taxable years beginning on or after January 1, 2012, reported in early 2013. The IRS has recently issued Notice 2012-9 [<http://www.irs.gov/pub/irs-drop/n-12-09.pdf>], which provides further interim guidance on the reporting requirement. In addition to other clarifications, the Notice provides that the transition relief for those employers required to file fewer than 250 Form W-2s will continue unless and until further guidance is issued.

**Uniform Summary of Benefits and Coverage (SBC):** PPACA requires that insurers provide an SBC to enrollees and prospective enrollees at certain times during the enrollment process, such as initial enrollment and during each option transfer period. The SBC is intended to provide clear, consistent and comparable summary information regarding enrollees’ health plan benefits and coverage. The SBC is required to be available on September 23, 2012. The Employee Benefits Division is currently working to ensure compliance with the SBC requirement for Empire Plan enrollees. Additional information concerning this requirement will be sent to agencies as it is available.

Employee Benefits Division staff continues to review and monitor updates and clarifications related to Federal Healthcare Reform and its numerous provisions which NYSHIP will be required to implement in the future. We will continue to provide information as it becomes available.

### **Policy Memo 122r3 – Health Insurance Buyouts**

On March 7, the Department issued Policy Memo 122r2 related to PA health insurance buyouts. The revised policy memo clarified that “other employer sponsored coverage” means coverage other than through NYSHIP. Several PAs have expressed concern over existing buyout programs, which were established administratively or through collective bargaining, and allow for the “other coverage” to be NYSHIP coverage. On May 15, the Department issued Policy Memo 122r3, which provides guidance to address those concerns. Consistent with Policy Memo 122r3, existing PA buyout programs that allow for the other coverage to be NYSHIP coverage may be grandfathered until the earlier of the following:

1. If the buyout program was established through collective bargaining, the first day of the plan year following the ratification of a new collective bargaining agreement; or
2. If the buyout program was established administratively by an employer, the first day of the plan year following the end of the employer’s budget period that begins following the effective date of this policy.

This policy memo, as well as all other NYSHIP policy memos may be viewed on HBA Online.

### **2011 Participating Agency Self-Audit**

If your agency has not yet completed the 2011 Self-Audit, it is very important that you complete it as soon as possible. The Self-Audit can be accessed at <http://www.cs.ny.gov/paaudit/index.cfm>.

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

To date, 38 PAs have elected to extend coverage to qualified members of 177 volunteer fire and ambulance companies. For information on this coverage, refer to Memo PA10-29/PAEX10-25, issued September 1, 2010, which summarizes the provisions of Chapter 71 of the Laws of 2010 which amended 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, an agency is permitted, but not required, to provide coverage. PAs that elect to provide coverage are required 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 Experience Reports**

Agency specific Empire Plan and Excelsior 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 drug. To obtain a financial experience report, PAs 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.

### **GASB 45 Assumptions Report and Census Data**

The 2011 Buck Consultants report *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB Valuation – Participating Agency Version* is now available online at: [http://www.cs.ny.gov/gasb\\_pa/2011PAAssumptionsReport.pdf](http://www.cs.ny.gov/gasb_pa/2011PAAssumptionsReport.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 an agency’s NYBEAS file is up-to-date, including correctly identifying and coding retirees before requesting census data.



Requests for census data can be e-mailed to: [Kevin.Hill@cs.state.ny.us](mailto:Kevin.Hill@cs.state.ny.us). Please include your name, agency name, five digit agency code, phone number and e-mail address. For additional information about GASB 45, please refer to Memos PA06-11 and PA06-18.

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

The Employee Benefits Division continues to aggressively monitor 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 premium. To avoid disruption of NYSHIP coverage, agencies must ensure submission of premium payments by the due date, as we must submit premium to the NYSHIP insurers on time. Agencies may wish to consider submitting payments electronically to promote timely payments.

### **Mailing of HBA Memos**

As you may be aware, it is mandatory that all Participating Agencies have access to the New York State Benefits Eligibility and Accounting System (NYBEAS) and HBA Online. On January 27, 2012 we issued Memo PA12-02/PAEX12-02, which notified agency HBAs that we will no longer be mailing printed copies of HBA Memos. All new HBA Memos are posted to HBA Online, with a notification sent through NYBEAS. As a result, it is very important that a representative of your agency access NYBEAS and HBA Online frequently to ensure receipt of the most up-to-date information from the Employee Benefits Division. It is also very important that your agency maintain current contact information and system access permissions with the Department of Civil Service. If your agency needs to request new permissions or needs to update its current permissions, please contact the Civil Service Help Desk at (800) 422-3671 or (518) 457-5406 to request a copy of the Information Resource Management Form IRM-302.

### **Availability of Reports Electronically**

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

### **CEO, CFO & HBA Name and Address Changes**

Agencies must notify the Employee Benefits Division of any changes in the names and/or addresses (including e-mail addresses) of agency CEOs, CFOs and/or HBAs to ensure that our mailing and contact lists are up-to-date. Any updates should be e-mailed to [Deborah.DOrazio@cs.state.ny.us](mailto:Deborah.DOrazio@cs.state.ny.us).