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**PA13-18**  
**PAEX13-20**

TO: Participating Agency Chief Executive Officers and Health Benefits Administrators

FROM: Employee Benefits Division

SUBJECT: 2014 New York State Health Insurance Program (NYSHIP) Rates

DATE: November 29, 2013

Attached are the 2014 NYSHIP Participating Agency health benefit rates that become effective January 1, 2014. 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 III represent the Employee/Employer Variable Contribution Rate Table for drug and non-drug rates, respectively. Your bill for January 2014 coverage will reflect the new rates.

The five tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 1.9% for The Empire Plan and decreased .2% for The Excelsior Plan. The percentage increase for each type of coverage does vary; see the attached schedules for rate details.

**Factors contributing to this favorable rate action:**

**Impact of Self Funding the Empire Plan Components**

Effective 1/1/14, the Empire Plan hospital, prescription drug and behavioral health contracts become self-funded. As a result, New York State premium taxes are avoided and taxes/fees specified by the Affordable Care Act are mitigated. The medical contract with United Health Care was converted to a self-funded arrangement effective 1/1/2013. These changes result in 2014 rates that are approximately \$343 million lower than what the rates would have been had the Empire Plan continued to be fully insured.

While health benefit rates are charged to plan participants, vendors are paid based on the claims paid on behalf of the plan plus administrative/other expenses. The payments to vendors are generally required to be made prior to the issuance of checks to providers/recipients. The Plan/Department is now responsible to fund these payments throughout the plan year regardless of the premium equivalent amounts collected. An annual accounting shall be performed to determine whether the plan incurred a dividend or a loss. The billing process to agencies will not change due to the Plan's conversion to self funding.

## **Application of Dividends and Other Credits/Charges**

When premium paid exceeds the amounts necessary to pay claims and other expenses in any given year, the excess amount 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 Plan premium charged to payors. The 2014 Empire Plan rates include an aggregate dividend credit of \$128 million. As a result, we project there will be \$488 million in dividends earned as of December 31, 2014 to be available to offset 2015 health benefit rates or pay for any 2014 plan year loss. The 2014 Empire Plan rates also include a \$39 million credit pertaining to amounts received from the Early Retiree Reinsurance Program.

### **Specific health benefits rate changes and factors:**

#### **Empire Blue Cross and Blue Shield (Hospital Program)**

A 1.2% increase results from a 7.1% trend assumption, a 2013 premium level generating a projected 3.0% surplus and the removal of premium taxes due to self funding the program effective 1/1/2014.

#### **UnitedHealthcare (Medical Program)**

A .3% increase results from a 6.0% trend assumption, a 2013 premium level projecting a 7.2% surplus and the inclusion of certain taxes/fees required by the Affordable care Act effective 1/1/2014.

#### **Value Options (Mental Health and Substance Abuse Program)**

A 1.7% decrease results from a 7.4% trend assumption and a 2013 premium level generating a projected 8.5% surplus and the removal of premium taxes due to self funding the program effective 1/1/2014.

#### **CVS/Caremark (Prescription Drug Program)**

An 8.4% increase results from a 5.5% trend assumption, a 2013 premium level generating a projected 3.7% surplus, the impact on claims associated with the new vendor, the removal of premium taxes due to self funding the program effective 1/1/2014 and adjustments to the premium equivalent rates to account for the lag in pharma revenue and subsidies associated with the Employer Group Waiver Plan.

### **Other important information**

#### **NYSHIP Medicare Part B Premium Reimbursement**

The Centers for Medicare and Medicaid Services announced that the January 1, 2014 Medicare Part B premium amount will be \$104.90 for all enrollees except for those in high income brackets whom will continue to be subject to the Income Related Monthly Adjustment Amount (IRMAA).

**Retiree Deductions**

Retiree pension deductions for health insurance will change in the checks issued by the retirement systems at the end of December 2013. The December 31, 2013 deduction will pay for January 2014 NYSHIP coverage.

**Participating Agency Administrative Charge**

The 2014 annual administrative charge for Participating Agencies will remain at the 2013 level representing a monthly per enrollee charge of \$2.114. This reflects EBD administrative costs less the application of the PA Rate Fluctuation Surplus as of March 31, 2013.

The administrative charge cost will be 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 Agency Services Unit at (518) 474-2780.