



**Department of
Civil Service**

PARTICIPATING EMPLOYERS

EMPIRE PLAN 2015 First Quarter Experience Report

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

EMPIRE PLAN EXPERIENCE REPORT

FIRST QUARTER 2015

Produced for

PARTICIPATING EMPLOYERS IN THE

NEW YORK STATE

HEALTH INSURANCE PROGRAM

by

The Employee Benefits Division

New York State Department of Civil Service

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

ACTUAL 2014 EMPIRE PLAN EXPERIENCE

As presented in Exhibit I, the Department reports an aggregate loss of \$42.3 million (0.6% of premium) for the 2014 plan year.

Effective January 1, 2014, The Empire Plan became a fully self-funded plan. As a result, the Department developed rates based on incurred claim amounts projected by the vendors as well as by the Department's benefits consultant, Aon Hewitt. Furthermore, the premium rates established for the 2014 plan year did not include any margin. The dividend/(loss) as compared to the margin level included in the 2014 premium are as follows:

	<u>Margin</u>	<u>2014 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
Blue Cross Hospital	\$0	(\$37.4)	(\$37.4)
UHC Medical	\$0	\$72.7	\$72.7
Value Options MHSA	\$0	\$20.0	\$20.0
CVS Caremark Rx	\$0	(\$97.6)	(\$97.6)
Total	\$0	(\$42.3)	(\$42.3)

In millions

The aggregate loss is primarily attributable to the increase in the 2014 prescription drug trend from 5.5% projected at rate development to an observed trend of 10.8%. This increase is due to manufacturer general price increases on brand and generic drugs, as well as a larger increase in the spend for specialty medications which included the use of two new hepatitis C drugs which were released in late 2013 and late 2014, respectively. Also contributing to the loss for the Prescription Drug Program was the delay of a \$49 million Medicare Part D Employer Group Wavier Plan subsidy payment that was scheduled to be paid by the Centers for Medicare and Medicaid Services (CMS) in December 2014, but was not received until January 2015. As a result of the delay, the \$49 million payment will be reflected as a credit to the 2015 experience. The loss was offset, in part, by improvement in the 2014 actual trend under the Medical Program and a lower Transitional Reinsurance Fee from the amount initially projected.

The aggregate 2014 loss of \$42.3 million was offset by \$76.5 million in 2013 run out dividends declared for the insured Hospital Program (\$50.0 million), Prescription Drug Program (\$22.3 million) and Mental Health and Substance Abuse Program (\$4.2 million) that ended on December 31, 2013. In total, the run-out dividend for 2013 less the 2014 Plan Year loss equals \$34.2 million.

PROJECTED 2015 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate loss of \$15.3 million (0.2% of premium) for 2015, as presented in Exhibit II. The following chart presents the percentage of the projected incurred claims actually paid, as well as the most recent projected 2015 trend as compared to the trend assumed during the 2015 premium rate development:

	<u>% of Paid Claims to Projected Incurred Claims</u>		<u>Projected 2015 Trend</u>	
	<u>2014</u>	<u>2015</u>	<u>At Renewal</u>	<u>At 2015 1st Quarter</u>
Blue Cross Hospital	98.2%	14.4%	6.7%	6.8%
UHC Medical	99.0%	16.8%	6.3%	6.1%
ValueOptions MHSA	94.8%	12.8%	6.0%	1.9%
CVS Caremark Rx	100.0%	23.7%	12.5%	18.0%

Similar to 2014, the Department developed the 2015 rates based on incurred claim amounts projected by the vendors as well as by the Department's benefits consultant, Aon Hewitt. The projected dividend/(loss) as compared to the margin level included in the 2015 premium are as follows:

	<u>Margin</u>	<u>Projected 2015 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
Blue Cross Hospital	\$0	\$23.4	\$23.4
UHC Medical	\$0	\$41.8	\$41.8
Value Options MHSA	\$4.5	\$6.1	\$1.6
CVS Caremark Rx	\$15.6	(\$86.6)	(\$102.2)
Total	\$20.1	(\$15.3)	(\$35.4)

In millions

The modest loss projected for 2015 is primarily attributable to the continued increase in prescription drug utilization and pricing inflation, particularly with high cost specialty medications which includes the newest generation of Hepatitis C drugs. This projected loss is partially offset by improved 2015 financial projections for the Hospital, Medical and Mental Health and Substance Abuse Programs.

2016 PROJECTED PREMIUM RATES

The projected 2016 increase in net premium as presented in Exhibit III, is 8.6% for The Empire Plan. The underlying assumptions/factors contributing to this increase include:

- The 2015 Plan Year ending with a marginal loss.
- A 2016 projected trend of 7.5%.
- \$10 million projected reduction in ACA Transitional Reinsurance Fees due in 2016.

There is \$308.1 million in dividend anticipated to be available on December 31, 2015. The projected 2016 premium rates include the tentative use of \$130 million in dividend or \$54 million less than the dividend credit included in the 2015 rates. The actual amount of dividend monies to be applied in the 2016 premium rates will be determined in September 2015 with the balance of the dividends set aside to provide stability to future premium rate increases.

Exhibit IV presents The Empire Plan individual and family rate history since 2007 for groups with and without drug coverage.

2014 FINAL EMPIRE PLAN EXPERIENCE

In (000's)

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				VALUE OPTIONS MHSA				CVS CAREMARK DRUG	TOTAL
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	2,428,791	2,073,032	296,861	296,079	2,665,972	157,946	9,828	11,669	179,444	1,598,839	6,873,047
B Incurred Claims (2)	2,365,499	1,892,539	261,513	265,910	2,419,962	117,685	15,532	13,067	146,283	1,674,241	6,605,985
C Administrative Expense (3)	100,698	143,303	14,905	15,145	173,353	10,564	1,394	1,173	13,132	22,219	309,401
D Gain/(Loss) (A-B-C)	(37,405)	37,190	20,443	15,025	72,658	29,697	(7,098)	(2,571)	20,028	(97,621)	(42,339)

(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: Vendors' 2014 Annual Experience Reports

2015 PROJECTED EMPIRE PLAN EXPERIENCE
In (000's)

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				VALUE OPTIONS MHSA				CVS CAREMARK DRUG	TOTAL
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	2,572,709	2,151,041	324,647	329,727	2,805,415	139,828	16,996	13,987	170,811	1,617,519	7,166,454
B Incurred Claims (2)	2,451,910	2,025,000	276,366	281,111	2,582,477	122,341	16,656	12,265	151,262	1,678,329	6,863,978
C Administrative Expense (3)	97,362	151,481	14,733	14,966	181,180	10,979	1,420	1,065	13,464	25,816	317,822
D Gain/(Loss) (A-B-C)	23,437	(25,440)	33,548	33,650	41,758	6,508	(1,080)	657	6,085	(86,626)	(15,346)

(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: Vendors' 2015 1st Quarter Experience Reports.

2016 Premium Projections Empire Plan With Drug Coverage

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
<u>Optimistic Projections</u>	<u>2015</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>	<u>2016</u>	<u>% Change</u>
Individual Plan Prime	656.23	688.94	5.0%	641.39	678.37	5.8%
Family Plan Prime	1,595.52	1,689.01	5.9%	1,559.83	1,661.99	6.5%
Aggregate			5.7%			6.4%
 <u>Best Estimate Projections</u>	 <u>2015</u>	 <u>2016</u>	 <u>% Change</u>	 <u>2015</u>	 <u>2016</u>	 <u>% Change</u>
Individual Plan Prime	656.23	703.55	7.2%	641.39	692.98	8.0%
Family Plan Prime	1,595.52	1,724.70	8.1%	1,559.83	1,697.68	8.8%
Aggregate			7.9%			8.7%
 <u>Pessimistic Projections</u>	 <u>2015</u>	 <u>2016</u>	 <u>% Change</u>	 <u>2015</u>	 <u>2016</u>	 <u>% Change</u>
Individual Plan Prime	656.23	718.14	9.4%	641.39	707.57	10.3%
Family Plan Prime	1,595.52	1,760.32	10.3%	1,559.83	1,733.30	11.1%
Aggregate			10.2%			11.0%

(1) Represents premiums set to fund all self insured costs.

(2) Represents cost to a participating employer.

2016 Premium Projections Empire Plan Without Drug Coverage

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
<u>Optimistic Projections</u>	<u>2015</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>	<u>2016</u>	<u>% Change</u>
Individual Plan Prime	493.41	502.57	1.9%	481.69	492.00	2.1%
Family Plan Prime	1,257.61	1,302.24	3.5%	1,228.40	1,275.22	3.8%
Aggregate			3.3%			3.6%
 <u>Best Estimate Projections</u>	 <u>2015</u>	 <u>2016</u>	 <u>% Change</u>	 <u>2015</u>	 <u>2016</u>	 <u>% Change</u>
Individual Plan Prime	493.41	511.42	3.7%	481.69	500.85	4.0%
Family Plan Prime	1,257.61	1,325.97	5.4%	1,228.40	1,298.95	5.7%
Aggregate			5.2%			5.5%
 <u>Pessimistic Projections</u>	 <u>2015</u>	 <u>2016</u>	 <u>% Change</u>	 <u>2015</u>	 <u>2016</u>	 <u>% Change</u>
Individual Plan Prime	493.41	520.25	5.4%	481.69	509.68	5.8%
Family Plan Prime	1,257.61	1,349.63	7.3%	1,228.40	1,322.61	7.7%
Aggregate			7.0%			7.4%

(1) Represents premiums set to fund all self insured costs.

(2) Represents cost to a participating employer.

PARTICIPATING EMPLOYER RATES 2007-2016 MONTHLY RATES REPRESENTS ENROLLEES WITH RX DRUG COVERAGE				
	Gross Rate (1)	% Change	Net Rate (2)	% Change
Individual				
2007 (3)	493.70	6.6%	462.74	7.0%
2008	517.06	4.7%	483.37	4.5%
2009	508.00	-1.8%	481.52	-0.4%
2010	536.22	5.6%	499.07	3.6%
2011	599.25	11.8%	561.83	12.6%
2012 (4)	646.04	7.8%	612.26	9.0%
2013	622.25	-3.7%	609.56	-0.4%
2014	633.04	1.7%	617.51	1.3%
2015	656.23	3.7%	641.39	3.9%
2016 Projected	703.55	7.2%	692.98	8.0%
Average Percent Increase				
From Inception (1985)		6.9%		7.0%
Most Recent 10 Years		4.4%		4.9%
Most Recent 5 Years		3.3%		4.3%
Family				
2007 (3)	1,123.91	7.5%	1,056.23	8.2%
2008	1,191.70	6.0%	1,118.71	5.9%
2009	1,190.98	-0.1%	1,132.44	1.2%
2010	1,248.31	4.8%	1,165.06	2.9%
2011	1,390.76	11.4%	1,308.84	12.3%
2012 (4)	1,500.45	7.9%	1,423.94	8.8%
2013	1,499.54	-0.1%	1,470.65	3.3%
2014	1,534.36	2.3%	1,499.61	2.0%
2015	1,595.52	4.0%	1,559.83	4.0%
2016 Projected	1,724.70	8.1%	1,697.68	8.8%
Average Percent Increase				
From Inception (1985)		7.5%		7.5%
Most Recent 10 Years		5.2%		5.7%
Most Recent 5 Years		4.4%		5.4%

- (1) Represents premiums charged by the carriers (2006-2013) and premiums set to fund all self insured costs (2014-2016).
(2) Represents the premium charged to a participating employer.
(3) Rates presented do not include Medicare Part B surcharge.
(4) Reflects rates effective 7/1/2012.

PARTICIPATING EMPLOYER RATES 2007-2016 MONTHLY RATES REPRESENTS ENROLLEES WITHOUT RX DRUG COVERAGE				
	Gross Rate (1)	% Change	Net Rate (2)	% Change
2007 (3)	338.77	9.0%	322.24	10.7%
2008	358.10	5.7%	343.35	6.6%
2009	359.79	0.5%	346.01	0.8%
2010	383.85	6.7%	361.11	4.4%
2011	422.70	10.1%	407.98	13.0%
2012 (4)	470.89	11.4%	450.01	10.3%
2013	473.37	0.5%	466.99	3.8%
2014	472.25	-0.2%	464.40	-0.6%
2015	493.41	4.5%	481.69	3.7%
2016 Projected	511.42	3.7%	500.85	4.0%
<u>Average Percent Increase</u>				
From Inception (1985)		6.5%		6.5%
Most Recent 10 Years		5.2%		5.7%
Most Recent 5 Years		4.0%		4.2%
Family				
2007 (3)	809.96	9.1%	770.95	10.8%
2008	870.96	7.5%	835.62	8.4%
2009	883.85	1.5%	850.83	1.8%
2010	938.53	6.2%	884.48	4.0%
2011	1,034.74	10.3%	999.11	13.0%
2012 (4)	1,142.72	10.4%	1,092.47	9.3%
2013	1,190.63	4.2%	1,174.47	7.5%
2014	1,198.84	0.7%	1,179.71	0.4%
2015	1,257.61	4.9%	1,228.40	4.1%
2016 Projected	1,325.97	5.4%	1,298.95	5.7%
<u>Average Percent Increase</u>				
From Inception (1985)		7.2%		7.2%
Most Recent 10 Years		6.0%		6.5%
Most Recent 5 Years		5.1%		5.4%

(1) Represents premiums charged by the carriers (2006-2013) and premiums set to fund all self insured costs (2014-2016).

(2) Represents the premium charged to a participating employer.

(3) Rates presented do not include Medicare Part B surcharge.

(4) Reflects rates effective 7/1/2012.



NYSHIP
New York State
Health Insurance Program

News

Information for NYSHIP Participating Employers

First Quarter Report 2015

Federal Health Care Reform

Urgent PPACA Reporting Deadlines

Effective January 1, 2015, large employers (50 or more employees) are responsible for providing health insurance coverage to at least 70 percent of full-time employees. This requirement increases to 95 percent beginning in 2016. Failure to comply with these requirements could result in penalties of up to \$2,000 multiplied by an employer's total number of employees.

In addition, all NYSHIP participating agencies and participating employers must send an individualized form to each enrollee that provides details regarding their coverage. These forms must be provided to enrollees no later than January 31, 2016. Participating agencies and participating employers must also transmit this information to the Internal Revenue Service (IRS) by the end of February or March (smaller employers must file by the end of February; larger employers have until the end of March).

These requirements are the responsibility of each participating agency and participating employer. Although the Employee Benefits Division will support participating agencies and participating employers in this process by providing enrollment data upon request, the State of New York will not produce or send these forms to enrollees or the IRS.

The Employee Benefits Division recommends employers subject to these provisions begin to act now, as producing these forms will likely require significant preparation. Based upon on IRS guidance, most employers will use Form 1095-C to report coverage information to their employees. To complete this form accurately, employers should use the NYSHIP Reconciliation, which includes enrollee and dependent names, social security numbers and periods of coverage.

For additional information and resources, refer to NYSHIP memo PE 15-05, Patient Protection and Affordability Act (PPACA) Employer Shared Responsibility and Reporting Requirements dated April 9, 2015. Employers may also refer to the following resources published by the federal government:

- Form 1095-C: <http://www.irs.gov/pub/irs-pdf/f1095c.pdf>
- Instructions for Completing Form 1094-C and 1095-C: <http://www.irs.gov/instructions/i109495c/ar01.html>
- Federal Regulations: <https://www.federalregister.gov/articles/2014/02/12/2014-03082/shared-responsibility-for-employers-regarding-health-coverage#h-149>

Patient-Centered Outcomes Research Institute (PCORI) Fee

As part of the Patient Protection and Affordable Care Act (PPACA), health insurers and plan sponsors of self-insured health plans are required to finance the Patient-Centered Outcomes Research Institute (PCORI) Trust Fund. PCORI fees fund the Institute's research into the comparative effectiveness of medical treatments. The fee, which applies to policy or plan years ending on or after October 1, 2012, and before October 1, 2019, is based on the average number of covered lives under the policy and is due by July 31 of the calendar year following the last day of the plan year.

Internal Revenue Service (IRS) rules and regulations prohibit plan sponsors from billing enrollees for PCORI fees associated with self-funded plans through established premium rates charged to plan participants. Therefore, the Employee Benefits Division is billing each NYSHIP Participating Agency/Employer for their allocated portion of the 2014 PCORI fee related to The Empire Plan, which fully converted to a self-funded plan effective January 1, 2014.

The fee for the 2014 plan year is \$2.08 per covered life. For plan years ending on or after October 1, 2014, the fee increases are based on a formula that includes increases in the projected per capita amount of National Health Expenditures provided by the Department of Health and Human Services (HHS). In calculating the 2014 PCORI fee, IRS rules and regulations require plan sponsors to use one of three counting methods for determining the average number of lives covered during the plan year. Plans may select the counting method that is most favorable to the plan. For the 2014 plan year, the "Snapshot Factor" method produced the most favorable average enrollment count and lowest PCORI fee for the NYSHIP. The calculated fee was then allocated to each NYSHIP agency based on average enrollment using the "Snapshot Factor" counting method. If an agency did not participate in the NYSHIP for the entire 2014 plan year, the assessment was prorated accordingly.

PCORI fee assessments for the plan year ended December 31, 2014, will be included on the July 2015 NYSHIP Participating Agency/Employer monthly billing statement. The charge, labeled "ACA PCORI FEE 2014", will be included in the total amount due July 25, 2015. The Employee Benefits Division will remit payment to the Internal Revenue Service on behalf of the entire plan by July 31, 2015.

Carolinas HealthCare System Contract Settled

UnitedHealthcare (UHC) and the Carolinas HealthCare System (CHS) have reached a contractual agreement, resulting in the return of all CHS physicians to The Empire Plan network. The effective date will be retroactive to March 1, 2015, ensuring that Empire Plan enrollees and dependents do not experience any interruption in their network benefits for services received from CHS providers. Any questions regarding CHS providers or claims should be directed to UHC by calling The Empire Plan at 1-877-7-NYSHIP (1-877-769-7447); press or say 1 for the Medical Program.

Agency Experience Reports

The Empire Plan financial experience reports are available from the Employee Benefits Division upon request. The reports provide aggregate premium and claim summary data consistent with New York State legislation enacted in 2014 concerning the information reported to NYSHIP participating employers. To obtain a financial experience report, PEs 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 2012 Buck Consultants report is available online, at:
<http://www.cs.ny.gov/GASB/2012PEReport.pdf>. We anticipate the 2014 Report will be released this summer. Agencies will be notified when the report becomes available.

NYSHIP will provide agency census reports upon request, for use in complying with the provisions of GASB 45. Since the data included in this report will be current at the time it is provided, it is important that an agency's NYBEAS file is up-to-date, including correctly identifying and coding retirees before requesting census data.

To request a copy of your agency's census information, please send an e-mail to:
GASB45@cs.ny.gov. (Please note this is a new email address) and include your name, agency name and code number, mailing address, phone number and e-mail address. For additional information about GASB 45, please refer to Memos PE06-11 and PE06-18.

Prompt Payment of NYSHIP Premium

The Employee Benefits Division continues to aggressively monitor agencies that fail to submit premium payments in a timely manner. To meet its contracted financial responsibilities, premium payments from Participating Employers must be received by the Department by the due date. The due date is the 25th day of the month preceding the month of coverage. Failure to pay timely will also result in the unpaid amount to be included in the following month's bill; however, that amount is considered past due. Beginning this month, the due date for each month's payment is more clearly shown on the remittance page of each employer's invoice. If an agency fails to make payment when required, its enrollees' NYSHIP benefits may be suspended.

Mailing of HBA Memos

As a reminder, all new HBA Memos are posted to HBA Online, with a notification sent through NYBEAS. Hard copy mailing of memos are provided to CEO's and CFO's. As a result, it is very important that agencies 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.D'Orazio@cs.ny.gov.

Those without access to NYBEAS and HBA online; please see below for information on how to sign up for an E-mail notification when a new memo becomes available. If your agency needs to request new permissions or needs to update its current permissions, please email the AGS-ITS Service Desk at: its.sm.esd.ags@its.ny.gov or call (518) 473-2433 to request a copy of the Information Resource Management Form IRM-302. IRM-302 Form can also be found online at: <https://www.cs.ny.gov/forms/irm302.pdf>.

NYSHIP e-News for Participating Employers

The Department of Civil Service maintains a list for anyone who wishes to be notified via e-mail of information regarding the New York State Health Insurance Program (NYSHIP). To sign-up for this service, go to; the Department's website at: <https://www.cs.ny.gov/nyship/nyshipnews/> When you subscribe, you will receive a confirmation e-mail, as well as future alerts, from nyshipnews-pe@cs6.state.ny.us which will include: NYBEAS broadcast messages, memos to Participating Employer HBAs, and notices of new NYSHIP publications that have been posted to NYBEAS. Since undeliverable e-mail addresses will be deleted, please make certain that you enter your correct address.

Availability of The Empire Plan Experience Reports

The Empire Plan Experience Reports memos are available on HBA Online through the following DCS website at: <https://www.cs.ny.gov/employee-benefits/hba/index.cfm>