



ANDREW M. CUOMO
Governor

Department of Civil Service

JERRY BOONE
Commissioner

March 23, 2015

Dear Chief Executive Officer:

Attached is the Empire Plan Fourth Quarter Experience Report for 2014. This report presents the projected 2014 Empire Plan experience and the projected 2016 premium rates.

For the 2014 Plan Year, the Empire Plan vendors project a net loss of \$87.2 million representing 1.27% of premium. The underlying causes generating this projected loss are discussed in the report.

Exhibit II presents a range of the projected 2016 Empire Plan premium rates. These projections include a tentative dividend application amount of \$130 million which is \$54 million less than the dividend credit included in the 2015 rates.

The "best estimate" projected net premium increase for 2016 is 9.1%, in aggregate, for The Empire Plan and 9.0%, in aggregate, for The Excelsior Plan. These projections are based on a number of assumptions made by the vendors and the Department of Civil Service.

In recent years, the actual premium increases were less than trend due to a number of significant program changes such as the conversion to a self-funded plan in 2014, the implementation of the Medicare Part D Plan in 2013, collective bargaining changes beginning in 2012 and lower costs achieved through the CVS/caremark contract which was effective on January 1, 2014. For 2016, the increase in premium is projected to more closely reflect the projected increase in claim trend which is approximately 7.4%.

Given the ongoing fiscal challenges faced by the State and its localities, our continuing goal is to achieve 2016 NYSHIP rates that are as low as possible while promoting rate stability for the near future. The 2016 premium rate development and related proceedings 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,

David Boland
Director
Employee Benefits Division