



Department of Civil Service

ANDREW M. CUOMO
Governor

June 22, 2015

Dear Chief Executive Officer:

Attached is the Empire Plan First Quarter Experience Report for 2015. This report presents the 2014 Empire Plan experience, the projected 2015 Empire Plan experience, based on claims paid through March 31, 2015, and the projected 2016 premium rates.

For the 2014 Plan Year, the Department reports a net loss of \$42.3 million, or 0.6% of premium. The underlying causes for these amounts are discussed in the report.

For the 2015 Plan Year, The Empire Plan vendors project a net loss of \$15.3 million, or 0.2% of premium. The financial projections reported for the Hospital, Medical and Mental Health & Substance Abuse programs improved modestly as compared to the projections established at the time of rate development; however, these improvements were offset by the projected increase in claims experience for the Prescription Drug Program.

Exhibit III presents the projected 2016 Empire Plan premium rates. These projections include the tentative dividend application of \$130 million, \$54 million less than the dividend applied in the 2015 rates. The "best estimate" projected net premium increase for 2016 is 8.8%, in aggregate, for The Empire Plan and 9.1%, in aggregate, for The Excelsior Plan. These projections are based on Department projections with assistance provided from the vendors and Aon Hewitt, the Department's health benefits consultant.

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 overall claim trend which is approximately 7.5%.

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 actions 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,

A handwritten signature in cursive script that reads "David Boland".

David Boland
Director
Employee Benefits Division