



Department of Civil Service

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Governor

PA15-20
PAEX15-18

TO: Participating Agency Chief Executive Officers and Health Benefits Administrators
FROM: Employee Benefits Division
SUBJECT: 2016 New York State Health Insurance Program (NYSHIP) Rates
DATE: November 13, 2015

Attached are the 2016 NYSHIP Participating Agency health benefit rates that become effective January 1, 2016. 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 2016 coverage (statement date December 4, 2015) will reflect the new rates.

The five tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 7.8% for The Empire Plan and increased 7.7% 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 rate action:

The 2016 Plan Year will mark the third year of the Empire Plan's full conversion to a self-funded plan. While payments to vendors, except for the Medical Program, are based on actual claims and administrative expenses, premium equivalent rates are developed as the basis to charge payors for the projected incurred claims and administrative expenses.

The 2016 premium equivalent rates were developed by the Department based on projections from the vendors and Aon Hewitt, the Department's benefit consultant. The gross premium will increase 7.2%. After the application of \$184 million in available dividend and accrued interest, the premium rates charged to payors will increase 7.4%. The increase on Participating Agencies is slightly higher due to adjustments attributable to the 5 tier rate structure. The premium impact on any particular agency can vary

based on the mix of coverage provided. Based on the projected 2015 plan year gain of \$99.2 million and the application of \$180 million in dividend for 2016, the Department anticipates a total of \$229.7 million in dividend will be available as of December 31, 2016 to offset future premium increases.

Specific health benefits rate changes and factors:

Empire Blue Cross and Blue Shield (Hospital Program)

A 5.2% increase results from a 7.1% trend assumption and a 2015 premium level generating a projected 1.7% gain. The premium equivalent rates do not include any margin.

UnitedHealthcare (Medical Program)

A 1.9% increase results from a 5.5% trend assumption, a 2015 premium level generating a projected 3.2% gain. The premium equivalent rates do not include any margin.

Value Options (Mental Health and Substance Abuse Program)

An 18.4% increase results from a 6.4% trend assumption, a 2015 premium level generating a projected 16.4% loss and 0% margin. The significant premium increase for the 2016 plan year is primarily driven by higher in-network mental health utilization and out-of-network substance abuse claims observed during the 1st half of the 2015 plan year and assumed to partially diminish for the balance of 2015.

CVS/Caremark (Prescription Drug Program)

An 18.0% increase results from a 13.3% trend assumption and a 2015 premium level generating a projected 1.5% loss. The current 2016 and 2017 trend projections are significantly greater than the trends observed prior to 2015 due to increased specialty drug utilization, lower generic launch volume and increased brand and generic pricing from manufacturers. Additionally, recent launches of high cost, newer generation Hepatitis C drugs and new PCSK9 cholesterol drugs are expected to keep specialty drug trends high over the next few years.

Other important information:

NYSHIP Medicare Part B Premium Reimbursement

The Centers for Medicare and Medicaid Services (CMS) announced effective January 1, 2016 the standard Medicare Part B premium amount will be \$121.80 for the following individuals:

- Individuals who newly enroll in Medicare Part B effective January 1, 2016 or later
- Individuals who were previously enrolled in Medicare Part B, but pay CMS directly for their Medicare Part B premium

- Individuals enrolled in Medicare Part B who are subject to Income Related Monthly Adjustment Amount (IRMAA)
- Individuals enrolled in Medicare Part B and their Part B premium is paid by Medicaid

For all other individuals enrolled in Medicare Part B, the Medicare Part B premium amount will remain at \$104.90.

Retiree Deductions

Retiree pension deductions for health insurance will change in the checks issued by the retirement systems at the end of December 2015. The December 31, 2015 deduction will pay for January 2016 NYSHIP coverage.

Participating Agency Administrative Charge

The 2016 annual administrative charge for Participating Agencies representing a monthly per enrollee charge of \$2.059 is slightly less than the 2015 charge. 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 PA/PE Unit at (518) 474-2780.