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

PROJECTED 2014 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate loss of $87.2 million (1.27% of premium) for 2014, as presented in Exhibit IA. The following chart presents the percentage of the projected incurred claims actually paid, as well as the most recent projected 2014 trend as compared to the trend assumed during the 2014 premium rate development:

	% of Paid Claims to Projected Incurred Claims		Projected 2014 Trend	
	2013	2014	At Renewal	At 2014 4th Quarter
Blue Cross Hospital	99.6%	88.5%	7.1%	7.4%
UHC Medical	99.9%	90.4%	6.0%	4.6%
ValueOptions MHSA	98.0%	77.9%	7.4%	4.5%
CVS Caremark Rx	100.0%	100.0%	5.5%	10.8%

Effective January 1, 2014, the Empire Plan became fully self-funded plans. 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 projected surplus/ (loss) as compared to the margin level included in the 2014 premium is as follows:

	Margin	Projected 2014 Dividend/(Loss)	Projected Experience Change
Blue Cross Hospital	$0	($38.2)	($38.2)
UHC Medical	$0	$33.4	$33.4
Value Options MHSA	$0	$15.4	$15.4
CVS Caremark Rx	$0	($97.7)	($97.7)
Total	**$0**	**($87.2)**	**($87.2)**

(In millions)

Overall, premiums developed for 2014 more accurately reflect the actual experience as compared to the results obtained in prior years. The projected loss is primarily attributable to the increase in the 2014 prescription trend from 5.5% projected at rate development to the currently observed trend of 10.8%. This increase is due to the use of two new hepatitis C drugs which were released in late 2013 and in late 2014, respectively, as well as higher manufacturer general price increases on brand and generic drugs. Contributing to the projected loss for the Prescription Drug Program is 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 projected loss is 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 projected 2014 loss will be partially offset by $67 million in dividends anticipated from the "run out" of the claims experience for the insured Hospital, Prescription Drug and Mental Health and Substance Program contracts that ended on December 31, 2013. Actual dividend/loss amounts for each of the programs will be declared in March. For comparison purposes, Exhibits IB and IC present the projected 2014 experience as of the 2nd Quarter and the 3rd Quarter, respectively.

2016 PROJECTED PREMIUM RATES

Similar to 2015, the 2016 the premium rates for all four self-funded Empire Plan contracts will be developed by the Department with assistance from the Department's benefit consultant and the vendors administering the plan's programs. The projected 2016 increase in net premium as presented in Exhibit II, is 8.4% for the Empire Plan. The underlying assumptions/factors contributing to this increase include:

- A 2015 premium that is expected to result in a marginal dividend.
- A 2016 projected aggregate trend of 7.4%.
- Increase in manufacturer rebates and federal subsidies received under the Prescription Drug Program's Employer Group Waiver Plan.

While $251 million in dividend is 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 III presents The Empire Plan individual and family rate history since 2007 for groups with and without drug coverage.