



Department of Civil Service

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Governor

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PE 15-04

To: Participating Employer Chief Executive Officers &
Health Benefit Administrators

From: David Boland, Director of the Employee Benefits Division

Subject: Empire Plan Quarterly Experience Report

Date: April 17, 2015

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 2015 is 8.4% in aggregate for The Empire 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 other participating employers, 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 the Financial Management Unit at (518) 402-4739.

Attachments



NYSHIP
New York State
Health Insurance Program

PARTICIPATING EMPLOYERS

**EMPIRE PLAN
2014 Fourth Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

FOURTH QUARTER 2014

Produced for

PARTICIPATING EMPLOYERS IN THE

NEW YORK STATE

HEALTH INSURANCE PROGRAM

by

The Employee Benefits Division

New York State Department of Civil Service

- Projected 2014 Empire Plan Experience Pages 1-2
- Projected 2016 Premium Rates Page 2

Exhibits

- IA.** Projected 2014 Empire Plan Experience as of 12/31/2014
- IB.** Projected 2014 Empire Plan Experience as of 6/30/2014
- IC.** Projected 2014 Empire Plan Experience as of 9/30/2014
- II.** Projected 2016 Empire Plan Premium Rates
- III.** Monthly Rate History (2007-2016)

NYSHIP News Section Pages 1-3

**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:

	<u>% of Paid Claims to Projected Incurred Claims</u>		<u>Projected 2014 Trend</u>	
	<u>2013</u>	<u>2014</u>	<u>At Renewal</u>	<u>At 2014 4th Quarter</u>
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:

	<u>Margin</u>	<u>Projected 2014 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
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 Waiver 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.

2014 PROJECTED EMPIRE PLAN EXPERIENCE AS OF 12/31/2014

In (000's)

	EMPIRE	UNITED HEALTHCARE MEDICAL				Value Options MHSA				CVS Caremark	TOTAL
	BLUE CROSS		NY	PA			NY	PA		DRUG	
		Core	Enhancement	Enhancement	Combined	Core	Enhancement	Enhancement	Combined		
A Premium (1)	2,428,790	2,073,032	296,861	296,079	2,665,972	157,946	9,828	11,669	179,443	1,598,840	6,873,045
B Incurred Claims (2)	2,366,261	1,911,681	271,100	275,939	2,458,720	121,177	16,021	13,474	150,672	1,674,381	6,650,034
C Administrative Expense (3)	100,748	143,745	14,953	15,194	173,892	10,762	1,423	1,197	13,382	22,189	310,211
D Gain/(Loss) (A-B-C)	(38,219)	17,606	10,808	4,946	33,360	26,007	(7,616)	(3,002)	15,389	(97,730)	(87,200)

(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 Empire Plan vendors (accrual basis).

(3) Administrative Expenses - All charges by the Empire Plan vendors other than for the payment of claims. Includes the vendors' cost to administer the program, interest charges, and other retention.

Source: Vendors' 2014 4th Quarter Experience Reports.

2014 PROJECTED EMPIRE PLAN EXPERIENCE AS OF 6/30/2014

In (000's)

	EMPIRE	UNITED HEALTHCARE MEDICAL				Value Options MHSA				CVS Caremark	TOTAL
	BLUE CROSS		NY	PA			NY	PA			
		Core	Enhancement	Enhancement	Combined	Core	Enhancement	Enhancement	Combined	DRUG	
A Premium (1)	2,428,786	2,076,462	297,944	295,795	2,670,201	157,863	9,836	11,664	179,363	1,598,435	6,876,785
B Incurred Claims (2)	2,346,434	1,942,761	280,754	282,104	2,505,619	132,671	16,009	12,898	161,578	1,599,777	6,613,408
C Administrative Expense (3)	100,669	145,693	15,103	15,170	175,966	11,001	1,327	1,070	13,398	24,679	314,712
D Gain/(Loss) (A-B-C)	(18,317)	(11,992)	2,087	(1,479)	(11,384)	14,191	(7,500)	(2,304)	4,387	(26,021)	(51,335)

(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 2nd Quarter Experience Reports.

2014 PROJECTED EMPIRE PLAN EXPERIENCE AS OF 9/30/2014

In (000's)

	EMPIRE	UNITED HEALTHCARE MEDICAL				Value Options MHSA				CVS Caremark	TOTAL
	BLUE CROSS		NY	PA			NY	PA		DRUG	
		Core	Enhancement	Enhancement	Combined	Core	Enhancement	Enhancement	Combined		
A Premium (1)	2,427,166	2,071,855	296,750	295,773	2,664,378	157,870	9,824	11,657	179,351	1,597,681	6,868,576
B Incurred Claims (2)	2,342,638	1,913,496	275,789	281,107	2,470,392	122,436	14,844	12,958	150,238	1,600,854	6,564,122
C Administrative Expense (3)	100,513	146,355	15,109	15,366	176,830	10,894	1,321	1,153	13,368	25,212	315,923
D Gain/(Loss) (A-B-C)	(15,985)	12,004	5,852	(700)	17,156	24,540	(6,341)	(2,454)	15,745	(28,385)	(11,469)

(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 3rd 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	687.64	4.8%	641.39	677.04	5.6%
Family Plan Prime	1,595.52	1,668.10	4.5%	1,559.83	1,641.01	5.2%
Aggregate			4.6%			5.3%
 <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	707.74	7.8%	641.39	697.14	8.7%
Family Plan Prime	1,595.52	1,717.82	7.7%	1,559.83	1,690.73	8.4%
Aggregate			7.7%			8.4%
 <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	727.84	10.9%	641.39	717.24	11.8%
Family Plan Prime	1,595.52	1,767.54	10.8%	1,559.83	1,740.45	11.6%
Aggregate			10.8%			11.6%

(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	508.38	3.0%	481.69	497.78	3.3%
Family Plan Prime	1,257.61	1,296.08	3.1%	1,228.40	1,268.99	3.3%
Aggregate			3.1%			3.3%
 <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	522.94	6.0%	481.69	512.34	6.4%
Family Plan Prime	1,257.61	1,334.29	6.1%	1,228.40	1,307.20	6.4%
Aggregate			6.1%			6.4%
 <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	537.50	8.9%	481.69	526.90	9.4%
Family Plan Prime	1,257.61	1,372.50	9.1%	1,228.40	1,345.41	9.5%
Aggregate			9.1%			9.5%

(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	707.74	7.8%	697.14	8.7%
Average Percent Increase				
From Inception (1985)		6.9%		7.0%
Most Recent 10 Years		4.4%		5.0%
Most Recent 5 Years		3.5%		4.5%
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	1,717.82	7.7%	1,690.73	8.4%
Average Percent Increase				
From Inception (1985)		7.4%		7.5%
Most Recent 10 Years		5.2%		5.7%
Most Recent 5 Years		4.4%		5.3%

(1) Represents premiums charged by the carriers (2006-2013) and premiums set to fund all self insured costs (2014-2015).

(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	522.94	6.0%	512.34	6.4%
<u>Average Percent Increase</u>				
From Inception (1985)		6.5%		6.6%
Most Recent 10 Years		5.4%		5.9%
Most Recent 5 Years		4.4%		4.7%
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	1,334.29	6.1%	1,307.20	6.4%
<u>Average Percent Increase</u>				
From Inception (1985)		7.2%		7.2%
Most Recent 10 Years		6.1%		6.6%
Most Recent 5 Years		5.3%		5.6%

(1) Represents premiums charged by the carriers (2006-2013) and premiums set to fund all self insured costs (2014-2015).

(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.



Information for NYSHIP Participating Employers

Fourth Quarter Report - 2014

Federal Health Care Reform

The Patient Protection and Affordable Care Act (PPACA) includes an Employer Shared Responsibility provision that outlines conditions under which a large employer (employers that have 50 or more full-time employees) may be penalized with a shared responsibility fine if any full-time employee enrolls in coverage through NY State of Health or an exchange operated by another state or the federal government and receives a premium tax credit or subsidy to offset the cost of that coverage. Employees working at least 30 hours per week are defined as “full-time” for purposes of PPACA.

Large employers are also responsible for providing coverage to at least 70 percent of full-time employees in 2015. This requirement increases to 95 percent beginning in 2016. Failure to comply with these requirements could result in substantial fines for employers.

The Employer Shared Responsibility also includes a provision that large employers report certain health insurance information pertaining to health insurance coverage and availability of coverage for their full time employees.

These requirements are employer responsibilities. Employers are responsible for determining their full-time employees and reporting the information required under PPACA. The Employee Benefits Division recommends employers subject to these provisions begin to act now, as the required forms must be provided to full-time employees no later than January 31, 2016. 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.

Additional information on the requirements of the Affordable Care Act, including the Employer Shared Responsibility may be found at: <http://www.dol.gov/ebsa/healthreform/index.html> and <http://www.irs.gov/uac/About-Form-1095-C>. These resources contain final regulations providing guidance to employers that are subject to the shared responsibility provisions.

Carolinas HealthCare System Contract Impasse

UnitedHealthcare’s contract with the Carolinas HealthCare System (CHS) expired on February 28, 2015. CHS includes 2,220 physicians throughout North and South Carolina. Notification letters were sent to 301 Empire Plan members who are Plan primary and used a CHS provider within the last year. If an agreement is ultimately reached, UHC will update these members. Please note that Empire Plan hospital benefits are not impacted. If Plan members have questions or need to find a network provider, they should call The Empire Plan toll-free at 1-877-7-NYSHIP (1-877-769-7447) and press 1 for the Medical Program.

Agency Experience Reports

Agency specific Empire Plan and Excelsior 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 reporting of information to NYSHIP participating public 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>. Please note: we anticipate the 2014 Report will be released in May. 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:
MaryEllen.Bruculeri@cs.ny.gov and include your name, agency name & code number, mailing address, phone number and e-mail address. For additional information about GASB 45, please refer to Memos PE06-11 and PE06-21.

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 remedy this situation, 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 contact the Civil Service Help Desk at (800) 422-3671 or (518) 457-5406 to request a copy of the Information Resource Management Form IRM-302.

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: <http://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 are available through the following direct link to our website: <https://www.cs.ny.gov/employee-benefits/hba>.