



**Department of
Civil Service**

PARTICIPATING AGENCIES

**EMPIRE PLAN
2016 Second Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

SECOND QUARTER

Produced for

PARTICIPATING AGENCIES IN THE

NEW YORK STATE

HEALTH INSURANCE PROGRAM

by

The Employee Benefits Division

New York State Department of Civil Service

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**NEW YORK STATE HEALTH INSURANCE PROGRAM
PARTICIPATING AGENCY GROUP
EMPIRE PLAN EXPERIENCE REPORT
SECOND QUARTER REPORT**

PROJECTED 2016 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2016 loss of \$75.6 million (1.0% of premium), as presented in Exhibit I. The following chart presents the percentage of the projected incurred claims actually paid, as well as the most recent projected 2016 trend as compared to the trend assumed during the 2016 premium rate development:

	<u>% of Paid Claims to Projected Incurred Claims</u>		<u>Projected 2016 Trend</u>	
	<u>2015</u>	<u>2016</u>	<u>At Renewal</u>	<u>At 2nd Quarter</u>
Blue Cross Hospital	99.3%	39.4%	7.1%	9.8%
UHC Medical	99.5%	40.2%	5.5%	10.0%
Beacon Health MHSA	98.2%	33.4%	6.4%	7.1%
CVS Caremark Rx	100.0%	49.6%	13.3%	8.5%

The 2016 premium equivalent rates were developed by the Department based on projections from the vendors and Aon Hewitt. The premium rates established for the 2016 plan year reflected an aggregate net increase of 7.8% over the 2015 plan year rates. The 2016 net rates included the application of \$184 million in available dividend and accrued interest, but excluded any margin factor. The projected 2016 dividend/(loss) by program is as follows:

	<u>Margin</u>	<u>Projected 2016 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
Blue Cross Hospital	\$0	(\$95.5)	(\$95.5)
UHC Medical	\$0	(\$150.3)	(\$150.3)
Beacon Health MHSA	\$0	(\$8.9)	(\$8.9)
CVS Caremark Rx	\$0	\$179.2	\$179.2
Total*	\$0	(\$75.6)	(\$75.6)

(In millions)

* Difference between the sum of the individual program experience amounts and the total is due to the rounding.

The aggregate projected loss of \$75.6 million is primarily attributable to increased incurred claim projections for the 2016 plan year by the Hospital Program and Medical Program vendors compared to the claim trends used in developing the 2016 premium rates.

Both vendors reported that the increased trends are largely the result of higher than expected claim costs per service that was observed in the last quarter of 2015 and the 1st quarter of 2016. While the anticipated utilization of services has not materially changed, the increase in claim costs may be affected by a change in the mix of services.

The projected deficit for Hospital, Medical and MHSA programs is partially offset by a projected \$179.2 million gain reported by the Prescription Drug Program vendor. The primary factor for the Prescription Drug Program projected gain is a 7.5% reduction in the projected cost per script that was assumed in the development of the rates. This reduction is primarily driven by the reduction in Hepatitis C and PCSK9 specialty medications. A \$24.6 million performance penalty payment in 2016 related to contractual drug pricing guarantees for 2015 claims is also anticipated.

2017 PROJECTED PREMIUM RATES

Similar to 2016, the 2017 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 2017 increase in net premium as presented in Exhibit II, is 9.1% and 9.2% for the Empire Plan and the Excelsior Plan, respectively. The underlying assumptions/factors contributing to this increase include:

- A 2016 premium that is expected to result in a program year loss of \$75.6 million.
- A 2017 projected aggregate trend of 7.8%.
- The elimination of the Affordable Care Act's Transitional Reinsurance Fee for the 2017 plan year.

While \$283.2 million in dividend is anticipated to be available on December 31, 2016 (prior to the offset of the projected 2016 loss), the projected 2017 premium rates include the tentative use of \$136 million in dividend or \$44 million less than the dividend credit included in the 2016 rates. The actual amount of dividend monies to be applied in the 2017 premium rates will be determined in September 2016 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 5-tier billing rate history since 2008. Exhibit IV presents, for illustrative purposes only, the 2-tier rate history from 2008 to 2017.

2016 PROJECTED EMPIRE PLAN EXPERIENCE
In (000's)

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				BEACON HEALTH OPTIONS MHSA				CVS CAREMARK DRUG	TOTAL
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	2,739,221	2,250,582	315,236	323,736	2,889,554	160,930	24,085	18,598	203,613	1,932,751	7,765,139
B Incurred Claims (2)	2,737,739	2,209,510	318,376	328,063	2,855,949	158,835	20,387	17,885	197,107	1,724,382	7,515,177
C Administrative Expense (3)	97,029	152,082	15,692	16,141	183,915	12,422	1,588	1,396	15,406	29,172	325,522
D Gain/(Loss) (A-B-C)	(95,547)	(111,010)	(18,832)	(20,468)	(150,310)	(10,327)	2,110	(683)	(8,900)	179,197	(75,560)

(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' 2016 2nd Quarter Experience Reports.

2017 Premium Projections

Empire Plan

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2016</u>	<u>2017 (3)</u>	<u>% Change</u>	<u>2016</u>	<u>2017 (3)</u>	<u>% Change</u>
<u>Optimistic Projections</u>						
Individual Plan Prime	874.17	934.42	6.9%	849.01	922.78	8.7%
Family Plan Prime	1,980.96	2,118.88	7.0%	1,926.21	2,093.35	8.7%
Individual Mediprime	459.28	463.80	1.0%	452.79	447.48	-1.2%
Family - 1 Mediprime	1,566.06	1,648.26	5.2%	1,530.00	1,618.03	5.8%
Family - 2+ Mediprime	1,151.17	1,177.63	2.3%	1,133.77	1,142.73	0.8%
Aggregate			5.8%			6.7%
<u>Best Estimate Projections</u>						
Individual Plan Prime	874.17	954.02	9.1%	849.01	942.38	11.0%
Family Plan Prime	1,980.96	2,163.06	9.2%	1,926.21	2,137.53	11.0%
Individual Mediprime	459.28	476.40	3.7%	452.79	460.08	1.6%
Family - 1 Mediprime	1,566.06	1,685.45	7.6%	1,530.00	1,655.22	8.2%
Family - 2+ Mediprime	1,151.17	1,207.84	4.9%	1,133.77	1,172.94	3.5%
Aggregate			8.1%			9.1%
<u>Pessimistic Projections</u>						
Individual Plan Prime	874.17	973.60	11.4%	849.01	961.96	13.3%
Family Plan Prime	1,980.96	2,207.27	11.4%	1,926.21	2,181.74	13.3%
Individual Mediprime	459.28	488.98	6.5%	452.79	472.66	4.4%
Family - 1 Mediprime	1,566.06	1,722.66	10.0%	1,530.00	1,692.43	10.6%
Family - 2+ Mediprime	1,151.17	1,238.04	7.5%	1,133.77	1,203.14	6.1%
Aggregate			10.5%			11.5%

(1) Represents premiums set to fund all self insured costs.

(2) Represents cost to a participating agency.

(3) Projected Rates.

2017 Premium Projections

Excelsior Plan

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2016</u>	<u>2017 (3)</u>	<u>% Change</u>	<u>2016</u>	<u>2017 (3)</u>	<u>% Change</u>
<u>Optimistic Projections</u>						
Individual Plan Prime	775.03	832.60	7.4%	752.65	824.49	9.5%
Family Plan Prime	1,764.65	1,897.17	7.5%	1,715.53	1,879.07	9.5%
Individual Mediprime	401.10	407.22	1.5%	395.13	393.79	-0.3%
Family - 1 Mediprime	1,390.70	1,471.78	5.8%	1,357.99	1,448.38	6.7%
Family - 2+ Mediprime	1,016.76	1,046.40	2.9%	1,000.47	1,017.67	1.7%
Aggregate			5.9%			6.8%
<u>Best Estimate Projections</u>						
Individual Plan Prime	775.03	849.62	9.6%	752.65	841.51	11.8%
Family Plan Prime	1,764.65	1,935.76	9.7%	1,715.53	1,917.66	11.8%
Individual Mediprime	401.10	418.17	4.3%	395.13	404.74	2.4%
Family - 1 Mediprime	1,390.70	1,504.30	8.2%	1,357.99	1,480.90	9.1%
Family - 2+ Mediprime	1,016.76	1,072.85	5.5%	1,000.47	1,044.12	4.4%
Aggregate			8.2%			9.2%
<u>Pessimistic Projections</u>						
Individual Plan Prime	775.03	866.64	11.8%	752.65	858.53	14.1%
Family Plan Prime	1,764.65	1,974.34	11.9%	1,715.53	1,956.24	14.0%
Individual Mediprime	401.10	429.10	7.0%	395.13	415.67	5.2%
Family - 1 Mediprime	1,390.70	1,536.80	10.5%	1,357.99	1,513.40	11.4%
Family - 2+ Mediprime	1,016.76	1,099.28	8.1%	1,000.47	1,070.55	7.0%
Aggregate			10.5%			11.6%

(1) Represents premiums set to fund all self insured costs.

(2) Represents cost to a participating agency.

(3) Projected Rates.

EMPIRE PLAN
PA 5 TIER GROUP RATES
2008 - 2017 Monthly Rates

	Gross Rate(1)	% Change	Net Rate(2)	% Change
Individual Planprime				
2008	633.79	5.5%	592.38	4.9%
2009	630.73	-0.5%	598.58	1.0%
2010	660.24	4.7%	612.34	2.3%
2011	734.00	11.2%	693.92	13.3%
2012	751.55	2.4%	712.75	2.7%
2013	779.91	3.8%	767.98	7.7%
2014	789.31	1.2%	771.54	0.5%
2015	830.01	5.2%	805.05	4.3%
2016	874.17	5.3%	849.01	5.5%
2017	954.02	9.1%	942.38	11.0%
Average Percent Increase				
From Inception of 5 Tier Structure (1996)		7.1%		7.5%
Most Recent 10 Years		4.8%		5.3%
Most Recent 5 Years		4.9%		5.8%
Family Planprime				
2008	1,346.27	5.7%	1,258.78	5.1%
2009	1,350.26	0.3%	1,282.17	1.9%
2010	1,431.43	6.0%	1,330.93	3.8%
2011	1,598.49	11.7%	1,513.92	13.7%
2012	1,645.31	2.9%	1,562.80	3.2%
2013	1,712.76	4.1%	1,686.56	7.9%
2014	1,752.26	2.3%	1,714.19	1.6%
2015	1,862.59	6.3%	1,808.86	5.5%
2016	1,980.96	6.4%	1,926.21	6.5%
2017	2,163.06	9.2%	2,137.53	11.0%
Average Percent Increase				
From Inception of 5 Tier Structure (1996)		7.1%		7.5%
Most Recent 10 Years		5.5%		6.0%
Most Recent 5 Years		5.6%		6.5%
Individual Medprime				
2008	397.23	9.4%	360.41	8.2%
2009	384.38	-3.2%	359.22	-0.3%
2010	400.76	4.3%	367.37	2.3%
2011	446.90	11.5%	405.64	10.4%
2012	447.66	0.2%	419.24	3.4%
2013	409.85	-8.4%	399.33	-4.7%
2014	424.22	3.5%	408.77	2.4%
2015	412.95	-2.7%	401.84	-1.7%
2016	459.28	11.2%	452.79	12.7%
2017	476.40	3.7%	460.08	1.6%
Average Percent Increase				
From Inception of 5 Tier Structure (1996)		4.2%		4.7%
Most Recent 10 Years		2.9%		3.4%
Most Recent 5 Years		1.5%		2.0%

(1) Represents premiums paid to the carriers (2008-2013) and premiums set to fund all self insured costs (2014-2017).

(2) Represents cost to a participating agency.

EMPIRE PLAN PA 5 TIER GROUP RATES 2008 - 2017 Monthly Rates				
	Gross Rate(1)	% Change	Net Rate(2)	% Change
Family - 1 Medprime				
2008	1,109.74	7.1%	1,026.86	6.3%
2009	1,103.90	-0.5%	1,042.81	1.6%
2010	1,171.95	6.2%	1,085.94	4.1%
2011	1,311.39	11.9%	1,225.62	12.9%
2012	1,341.42	2.3%	1,269.28	3.6%
2013	1,342.71	0.1%	1,317.93	3.8%
2014	1,387.18	3.3%	1,351.42	2.5%
2015	1,445.54	4.2%	1,405.68	4.0%
2016	1,566.06	8.3%	1,530.00	8.8%
2017	1,685.45	7.6%	1,655.22	8.2%
<u>Average Percent Increase</u>				
From Inception of 5 Tier Structure (1996)		6.0%		6.4%
Most Recent 10 Years		5.0%		5.6%
Most Recent 5 Years		4.7%		5.5%
Family - 2 or More Medprime				
2008	873.21	9.3%	794.94	8.2%
2009	857.54	-1.8%	803.45	1.1%
2010	912.48	6.4%	840.98	4.7%
2011	1,024.28	12.3%	937.31	11.5%
2012	1,037.53	1.3%	975.77	4.1%
2013	972.66	-6.3%	949.28	-2.7%
2014	1,022.11	5.1%	988.69	4.2%
2015	1,028.48	0.6%	1,002.46	1.4%
2016	1,151.17	11.9%	1,133.77	13.1%
2017	1,207.84	4.9%	1,172.94	3.5%
<u>Average Percent Increase</u>				
From Inception of 5 Tier Structure (1996)		4.7%		5.2%
Most Recent 10 Years		4.4%		4.9%
Most Recent 5 Years		3.3%		3.9%

(1) Represents premiums paid to the carriers (2008-2013) and premiums set to fund all self insured costs (2014-2017).

(2) Represents cost to a participating agency.

**EMPIRE PLAN
PA 2 TIER GROUP RATES
2008 - 2017 Monthly Rates
(For Illustrative Purposes Only)**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
Individual				
2008	536.84	5.0%	498.88	4.4%
2009	527.09	-1.8%	497.91	-0.2%
2010	557.46	5.8%	515.75	3.6%
2011	621.78	11.5%	581.69	12.8%
2012	619.95	-0.3%	584.75	0.5%
2013	608.23	-1.9%	594.58	1.7%
2014	619.05	1.8%	602.57	1.3%
2015	643.84	4.0%	624.64	3.7%
2016	681.30	5.8%	663.86	6.3%
2017	731.74	7.4%	719.22	8.3%
Average Percent Increase				
From Inception (1986)		6.8%		6.9%
Most Recent 10 Years		3.7%		4.2%
Most Recent 5 Years		3.4%		4.3%
Family				
2008	1,233.38	6.5%	1,150.41	6.0%
2009	1,230.02	-0.3%	1,165.24	1.3%
2010	1,297.06	5.5%	1,203.56	3.3%
2011	1,441.84	11.2%	1,353.97	12.5%
2012	1,478.23	2.5%	1,398.52	3.3%
2013	1,502.55	1.6%	1,471.47	5.2%
2014	1,539.35	2.4%	1,502.31	2.1%
2015	1,604.08	4.2%	1,557.93	3.7%
2016	1,722.49	7.4%	1,678.01	7.7%
2017	1,862.03	8.1%	1,833.90	9.3%
Average Percent Increase				
From Inception (1986)		7.5%		7.5%
Most Recent 10 Years		4.9%		5.4%
Most Recent 5 Years		4.8%		5.6%

(1) Represents premiums paid to the carriers (2008-2013) and premiums set to fund all self insured costs (2014-2017)

(2) Represents cost to a participating agency.



NYSHIP
New York State
Health Insurance Program

News

Information for NYSHIP Participating Agencies

Second Quarter Report 2016

Dependent Eligibility Verification Audit (DEVA)

Termination of Participating Agency Dependents

On May 21, 2016, unverified non-Medicare primary dependents were removed from NYSHIP coverage effective January 1, 2016. Medicare primary dependents were removed from NYSHIP coverage effective July 1, 2016, in accordance with CMS termination guidelines. In total, 15,236 dependents were removed.

90-Day Reinstatement Period

The 90-day reinstatement period ended August 5, 2016. DCS processed reinstatements daily based upon information received from Health Management Systems (HMS). The Department produced and mailed a reinstatement confirmation letter to enrollees for 13,700 dependents whose coverage was reinstated. Requests for dependent reinstatements received after the reinstatement period end date will require the enrollee to provide appropriate dependent documentation in accordance with *Policy Memo 139*. Dependent coverage will be reinstated on a current basis and is subject to the NYSHIP late enrollment rules.

Health Alliance of the Hudson Valley Termination from Empire Plan Network

As previously reported, the contract between Empire BlueCross BlueShield (the hospital administrator for The Empire Plan) and Health Alliance of the Hudson Valley (HAHV) expired on May 31, 2016. Effective June 1, 2016, the following HAHV facilities are no longer in The Empire Plan network:

- Health Alliance Hospital – Broadway Campus (formerly known as Kingston Hospital)
- Health Alliance Hospital – St. Mary's Avenue Campus (formerly known as Benedictine Hospital)
- Margaretville Memorial Hospital

This provider continues to have non-network status. Except in limited circumstances, this means Empire Plan enrollees will be responsible for a coinsurance amount of 10 percent of billed charges for covered services, up to the annual coinsurance maximum.

Enrollees seeking services at HAHV hospitals are encouraged to call The Empire Plan at 1-877-7-NYSHIP (1-877-769-7447) and press or say 2 for the Hospital Program. Representatives can provide assistance in locating an alternative Empire Plan network hospital in the area.

Federal Health Care Reform

In accordance with the federal Patient Protection and Affordable Care Act (PPACA), employers are required by Internal Revenue Service (IRS) regulations to request the Social Security or Taxpayer Identification number for dependents participating in the New York State Health Insurance Program (NYSHIP). A report is available that will allow participating agencies to easily identify those NYSHIP enrollees covering dependents with missing or invalid Social Security or Taxpayer Identification numbers. Refer to *HBA memos PA 15-23 and PA EX 15-21* for information and instructions on running the report.

Participating agencies are also required by IRS regulations to distribute Form 1095-B or Form 1095-C (depending on the employer's number of employees) to their NYSHIP enrollees. A NYBEAS report is available that provides the required information to be included on these forms. *HBA memos PA 16-02 and PA EX 16-02*, dated January 29, 2016, provide instructions for running this report. The report identifies enrollees, their dependents and the period of coverage.

More information on these IRS requirements can be found on the IRS website:

<https://www.irs.gov/affordable-care-act/employers/questions-and-answers-on-employer-shared-responsibility-provisions-under-the-affordable-care-act>

Participating Agency Annual Webinar (Formerly Regional Meetings)

Preparations are underway for the Fall PA and PE Annual Webinars. Similar to last year, EBD will be holding 2 sessions for PA's. Annual webinar sessions are held to provide Participating Agencies with information such as; benefit and program updates, NYSHIP policies, and the projected Empire Plan experience and updates on the projected 2017 premium rates. The webinar will provide a forum for questions and answers as well as an opportunity to suggest and discuss future program updates. The agenda and webinar dates will be announced soon.

Participating Provider Directories

The 2016 Empire Plan Participating Provider Directory Postcards were mailed to enrollees homes between July 22 and July 28. Although the directory is available online; if an enrollee prefers a printed Empire Plan Participating Provider Directory based on their home zip code or for another state or region, they can use the reply postcard to make their request. Directories will be mailed out late August through the end of October to enrollees who return the postcard.

The online participating provider search is available at our website; <https://www.cs.ny.gov/employee-benefits/login> under the 'Find a Provider' link. We encourage use of the online directory as it is updated weekly and is easily searchable and customizable.

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, PAs 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 2014 Aon Hewitt Consultants report is available online at: <http://www.cs.ny.gov/GASB/2014-PA-Assumption-Report-Aon.pdf>. (Please note: We anticipate the 2016 Report will be released in October. 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 PA06-11 and PA06-18.

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 contractual financial responsibilities, premium payments from Participating Agencies must be received by the Department by the due date. The due date is the 25th day of the month prior to the month of coverage. Failure to pay timely results in past due balances, which continue to be included on the following month's billing statement. If an agency fails to satisfy past due balances, their 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 Agencies**

The Department Of Civil Service maintains a list of 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/nyshipnews_pa.cfm.

When you subscribe, you will receive a confirmation e-mail, as well as future alerts, from nyshipnews-pa@cs6.state.ny.us., which will include; NYBEAS broadcast messages, memos to Participating Agency 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/pa-market/index.cfm>.