



Department of Civil Service

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Governor

PA16-18
PAEX16-18

TO: Participating Agency Chief Executive Officers and Health Benefits Administrators
FROM: Employee Benefits Division
SUBJECT: 2017 New York State Health Insurance Program (NYSHIP) Rates
DATE: November 10, 2016

Attached are the 2017 NYSHIP Participating Agency health benefit rates that become effective January 1, 2017. 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 NYSHIP billing statement dated December 2, 2017, for January 2017 coverage will reflect the new rates.

The five tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 8.4% for The Empire Plan and increased 7.4% 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 2017 Plan Year will mark the fourth 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 2017 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 7.7%. After the application of \$153.0 million in available dividend and accrued interest, the premium rates charged to payors will increase in

aggregate 8.4%. The premium impact on any particular agency can vary based on the mix of coverage provided.

Specific health benefits rate changes and factors:

Empire Blue Cross and Blue Shield (Hospital Program)

A 9.3% premium equivalent increase results from a 6.9% going forward trend and a 2016 premium level generating a projected \$80.5 million loss (-3.0% of premium). The projected loss is primarily attributable to increased claim projections for the 2016 plan year as compared to the claim trends used in developing the 2016 premium rates. The premium equivalent rates do not include any margin.

UnitedHealthcare (Medical Program)

A 9.8% premium equivalent increase results from a 7.1% trend assumption and a 2016 premium level generating a projected \$111.7 million loss, or -3.8% of the projected 2016 premium. Similar to the Hospital Program, the projected loss is primarily attributable to increased claim projections for the 2016 plan year as compared to the claim trends used in developing the 2016 premium rates. The premium equivalent rates do not include any margin.

Beacon Health Options (Mental Health and Substance Abuse Program)

An 8.3% premium equivalent increase results from a 7.5% trend assumption and a 2016 premium level generating a projected \$1.3 million loss (-0.66% of premium).

CVS/Caremark (Prescription Drug Program)

A 0.3% premium equivalent increase is a result of a 10.6% trend and a 2016 premium level generating a projected \$174.2 million gain (9.0% of premium). The projected gain for 2016 is largely attributable to a lower trend than the amount that was initially expected coupled by an increase in pharma revenue and Medicare Part D subsidies.

Other important information:

NYSHIP Medicare Part B Premium Reimbursement

As of the issuance date of this memorandum, the 2017 Medicare Part B rates have not yet been formally announced by the Centers for Medicare and Medicaid Services (CMS). Based on the Medicare Trustees Report released in July 2016, high earner (IRMAA) Medicare enrolled individuals, new Medicare enrollees for 2017, as well as enrollees who pay CMS directly for their Medicare Part B premium may experience a 22% increase in Medicare Part B premiums. Due to a hold harmless provision under the Social Security Act, Medicare Part B premiums for all other Medicare individuals will not increase by more than the Social Security Cost of Living Adjustment (COLA). The Social Security Administration recently announced a 0.3% COLA increase for 2017.

Retiree Deductions

Retiree pension deductions for health insurance will change in the checks issued by the retirement systems at the end of December 2016. The December 31, 2016 deduction represents payment for January 2017 NYSHIP coverage.

Participating Agency Administrative Charge

The 2017 administrative charge of \$2.256 per enrollee per month is 9.6% higher than the 2016 charge. This increase is largely due to higher than anticipated information technology expenses for 2016 that were charged to the Employee Benefits Division after the establishment of the 2016 Participating Agency administrative charge.

The administrative charge cost will be shown separately from the health benefit charges 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.

Attachment(s)