



**Department of
Civil Service**

PARTICIPATING EMPLOYERS

**EMPIRE PLAN
2016 First Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

FIRST QUARTER 2016

Produced for

PARTICIPATING EMPLOYERS 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 EMPLOYER GROUP
EMPIRE PLAN EXPERIENCE REPORT
FIRST QUARTER REPORT**

ACTUAL 2015 EMPIRE PLAN EXPERIENCE

As presented in Exhibit I, the Empire Plan vendors declared an aggregate surplus of \$138.7 million (1.9% of premium).

The 2015 plan year represents the second year The Empire Plan and The Excelsior Plan have operated as a self-funded plan. Under the self-funded arrangement, the vendors provide projected premium rates to the Department; however, the Department ultimately develops the rates with support from the Department's benefits consultant, Aon Hewitt. The 2015 premium rate increase was 3.9% and included margin amounts for the Mental Health and Substance Abuse and Prescription Drug programs totaling \$20.1 million. The actual dividend/(loss) as compared to the margin level included in the 2015 premium are as follows:

	<u>Margin</u>	<u>2015 Dividend/(Loss)</u>	<u>Experience Change</u>
Blue Cross Hospital	\$0	\$61.5	\$61.5
UHC Medical	\$0	\$78.3	\$78.3
Value Options MHSA	\$4.5	(\$23.5)	(\$28.0)
CVS Caremark Rx	\$15.6	\$22.4	\$6.8
Total	\$20.1	\$138.7	\$118.6

In millions

The aggregate dividend is primarily attributable to a decrease in the 2014 claim base projections for the Hospital and Medical Programs as compared to the projections used in developing the 2015 premium rates. Other factors contributing to the surplus include a lower 2015 plan year ACA Transitional Reinsurance Fee based on the final methodology selection (Medical Program), a \$26.6 million performance penalty related to contractual drug pricing discount guarantees and increased pharma revenue and Employer Group Waiver Plan (EGWP) subsidies received under the Prescription Drug Program. The surplus is offset, in part, by a 2015 Mental Health and Substance Abuse (MHSA) Program trend of nearly 30%, which is primarily due to increased utilization of Out-of-Network substance abuse services and In-Network mental health services. The actual prescription drug trend was also higher than the level projected at the time the 2015 rates were developed.

In addition to the dividend declared for the 2015 plan year, the insurance carriers also declared an additional dividend of \$15.8 million related to the "run out" experience of the 2013 insured Hospital Program, Prescription Drug Program and MHSA Program contracts that ended on December 31, 2013. The sum of the "run out" dividend for 2013 and the 2015 plan year dividend totals to \$154.5 million.

PROJECTED 2016 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2016 surplus of \$69.0 million (0.9% of premium), as presented in Exhibit II. 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 2016 1st Quarter</u>
Blue Cross Hospital	98.4%	15.4%	7.1%	9.1%
UHC Medical	98.8%	17.1%	5.5%	5.5%
ValueOptions MHSA	95.9%	10.9%	6.4%	8.3%
CVS Caremark Rx	100.0%	24.8%	13.3%	8.0%

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 include the application of \$184 million in available dividend and accrued interest, but exclude 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	(\$76.8)	(\$76.8)
UHC Medical	\$0	(\$28.4)	(\$28.4)
Value Options MHSA	\$0	(\$11.5)	(\$11.5)
CVS Caremark Rx	\$0	\$185.7	\$185.7
Total	\$0	\$69.0	\$69.0

In millions

The overall projected 2016 experience has improved by \$69.0 million from the projections made at the time the premium was developed. This modest overall projected gain is primarily attributable to the improved projected 2016 claim trend under the Prescription Drug program as compared to the claim trend used in developing the 2016 premium rates. Also contributing to the projected Prescription Drug Program surplus is an anticipated \$24.6 million performance penalty related to contractual drug pricing guarantees.

The projected gain under the Prescription Drug Program is offset, in part, by projected losses reported by the Hospital, Medical and MHSA vendors. The projected losses for the Medical and MHSA programs are primarily due to increases in the 2015 base claims under the respective programs since the 2016 rates were established, while a higher 2016 claims trend projection is driving the projected loss for the Hospital Program. The Department remains confident that the final 2016 plan year experience will be comparable to the premium charged participants.

2017 PROJECTED PREMIUM RATES

Similar to 2016, the 2017 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 III, is 6.9% for The Empire Plan. The underlying assumptions/factors contributing to this increase include:

- A 2016 premium that is expected to result in a marginal dividend.
- 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, the projected 2017 premium rates include the tentative use of \$156 million in dividend or \$24 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 IV presents The Empire Plan individual and family rate history since 2008 for groups with and without drug coverage.

2015 FINAL EMPIRE PLAN EXPERIENCE
In (000's)

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				VALUE OPTIONS MHSA				CVS CAREMARK DRUG	TOTAL
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	2,585,787	2,161,768	327,259	329,968	2,818,995	140,356	17,128	13,970	171,454	1,625,688	7,201,924
B Incurred Claims (2)	2,426,655	1,992,743	283,719	291,596	2,568,058	138,626	23,439	19,371	181,436	1,578,104	6,754,253
C Administrative Expense (3)	97,606	143,306	14,474	14,841	172,621	10,407	1,677	1,427	13,511	25,212	308,950
D Gain/(Loss) (A-B-C)	61,526	25,719	29,066	23,531	78,316	(8,677)	(7,988)	(6,828)	(23,493)	22,372	138,721

(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: Department's 2015 Annual Experience Reports

2016 PROJECTED EMPIRE PLAN EXPERIENCE

In (000's)

	EMPIRE	UNITED HEALTHCARE MEDICAL				VALUE OPTIONS MHSA				CVS CAREMARK	TOTAL
	BLUE CROSS	Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined	DRUG	
A Premium (1)	2,745,018	2,256,944	316,459	324,156	2,897,559	161,243	24,111	18,670	204,024	1,933,713	7,780,314
B Incurred Claims (2)	2,725,220	2,132,551	305,965	305,150	2,743,666	167,920	18,106	15,314	201,340	1,721,677	7,391,903
C Administrative Expense (3)	96,640	151,227	15,510	15,521	182,258	11,837	1,273	1,078	14,188	26,373	319,459
D Gain/(Loss) (A-B-C)	(76,842)	(26,834)	(5,016)	3,485	(28,365)	(18,514)	4,732	2,278	(11,504)	185,663	68,952

(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 1st Quarter Experience Reports.

2017 Premium Projections Empire Plan With Drug Coverage

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2016</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>2017</u>	<u>% Change</u>
<u>Optimistic Projections</u>						
Individual Plan Prime	695.47	721.43	3.7%	680.91	707.66	3.9%
Family Plan Prime	1,719.56	1,794.83	4.4%	1,682.33	1,761.07	4.7%
Aggregate			4.3%			4.5%
<u>Best Estimate Projections</u>						
Individual Plan Prime	695.47	736.67	5.9%	680.91	722.90	6.2%
Family Plan Prime	1,719.56	1,832.66	6.6%	1,682.33	1,798.90	6.9%
Aggregate			6.5%			6.8%
<u>Pessimistic Projections</u>						
Individual Plan Prime	695.47	751.93	8.1%	680.91	738.16	8.4%
Family Plan Prime	1,719.56	1,870.56	8.8%	1,682.33	1,836.80	9.2%
Aggregate			8.7%			9.0%

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

(2) Represents cost to a participating employer.

2017 Premium Projections Empire Plan Without Drug Coverage

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2016</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>2017</u>	<u>% Change</u>
<u>Optimistic Projections</u>						
Individual Plan Prime	506.79	529.36	4.5%	492.32	521.53	5.9%
Family Plan Prime	1,318.09	1,384.16	5.0%	1,281.05	1,362.78	6.4%
Aggregate			4.9%			6.3%
<u>Best Estimate Projections</u>	<u>2016</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Individual Plan Prime	506.79	538.66	6.3%	492.32	530.83	7.8%
Family Plan Prime	1,318.09	1,409.29	6.9%	1,281.05	1,387.91	8.3%
Aggregate			6.8%			8.3%
<u>Pessimistic Projections</u>	<u>2016</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Individual Plan Prime	506.79	547.98	8.1%	492.32	540.15	9.7%
Family Plan Prime	1,318.09	1,434.49	8.8%	1,281.05	1,413.11	10.3%
Aggregate			8.7%			10.2%

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

(2) Represents cost to a participating employer.

PARTICIPATING EMPLOYER RATES				
2008-2017 MONTHLY RATES				
REPRESENTS ENROLLEES WITH RX DRUG COVERAGE				
	Gross Rate (1)	% Change	Net Rate (2)	% Change
Individual				
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 (3)	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	695.47	6.0%	680.91	6.2%
2017 Projected	736.67	5.9%	722.90	6.2%
<u>Average Percent Increase</u>				
From Inception (1985)		6.9%		6.9%
Most Recent 10 Years		4.2%		4.6%
Most Recent 5 Years		2.7%		3.4%
Family				
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 (3)	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	1,719.56	7.8%	1,682.33	7.9%
2017 Projected	1,832.66	6.6%	1,798.90	6.9%
<u>Average Percent Increase</u>				
From Inception (1985)		7.4%		7.5%
Most Recent 10 Years		5.1%		5.5%
Most Recent 5 Years		4.1%		4.8%

(1) Represents premiums charged by the carriers (2006-2013) and premiums set to fund all self insured costs (2014-2017).

(2) Represents the premium charged to a participating employer.

(3) Reflects rates effective 7/1/2012.

PARTICIPATING EMPLOYER RATES				
2008-2017 MONTHLY RATES				
REPRESENTS ENROLLEES WITHOUT RX DRUG COVERAGE				
	Gross Rate (1)	% Change	Net Rate (2)	% Change
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 (3)	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	506.79	2.7%	492.32	2.2%
2017 Projected	538.66	6.3%	530.83	7.8%
<u>Average Percent Increase</u>				
From Inception (1985)		6.4%		6.5%
Most Recent 10 Years		4.8%		5.2%
Most Recent 5 Years		2.8%		3.4%
Family				
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 (3)	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	1,318.09	4.8%	1,281.05	4.3%
2017 Projected	1,409.29	6.9%	1,387.91	8.3%
<u>Average Percent Increase</u>				
From Inception (1985)		7.1%		7.2%
Most Recent 10 Years		5.7%		6.1%
Most Recent 5 Years		4.3%		4.9%

(1) Represents premiums charged by the carriers (2006-2013) and premiums set to fund all self insured costs (2014-2017).

(2) Represents the premium charged to a participating employer.

(3) Reflects rates effective 7/1/2012.



First Quarter Report 2016

Dependent Eligibility Verification Audit (DEVA)

Agency Communication

Memo number PE16-04 was issued on March 7, 2016 regarding the Dependent Eligibility Verification Audit (DEVA) for 2016. This memo provided Employers with information regarding the DEVA project timeline, instructions for updating and reporting address changes for enrollees whose mail was returned by the post office, as well as instructions for running a query to determine what addresses were updated programmatically as a result of reporting received from the DEVA vendor.

Enrollee Communication

On May 2nd, HMS mailed the verification letter to enrollees with family coverage. Enrollees were informed that they must respond by June 17, with acceptable proofs of eligibility. Non-Medicare primary dependents of enrollees who fail to respond will be removed from coverage retroactively to January 1, 2016. Medicare primary dependents will be removed prospectively in accordance with CMS rules. For questions regarding the verification, enrollees should be referred to call HMS at 1-866-252-0527, between 8 a.m. and 11 p.m., Eastern time, Monday through Friday. Additional information regarding DEVA can be found on the Department's website, www.cs.ny.gov.

Health Alliance of the Hudson Valley Termination from Empire Plan Network

As of May 31, 2016, the contract between Empire BlueCross BlueShield (the hospital administrator for The Empire Plan) and Health Alliance of the Hudson Valley (HAHV) has expired. 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

Except in limited circumstances, this means that most services from HAHV facilities will be covered on a non-network basis. 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 who are currently receiving services or are scheduled for treatment 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

Employer Shared Responsibility and Reporting Requirements

To assist Participating Employers with their reporting obligations under the Patient Protection and Affordable Care Act (PPACA), a new report was developed. PE Memo 16-02 dated January 28, 2016, informs Employers that this report is now available and provides instruction on how to run the report. The report identifies their enrollees and their dependents and period of coverage. This information is required for completing forms 1095B and 1095C.

Patient-Centered Outcomes Research Institute (PCORI) Fee

As part of PPACA, health insurers and plan sponsors of self-insured health plans are required to finance the Patient-Centered Outcomes Research Institute (PCORI) Trust Fund. The fee, which applies to policy or plan years ending on or after October 1, 2012, and before October 1, 2019, is based on the average number of covered lives under the policy and is due by July 31 of the calendar year following the last day of the plan year.

Internal Revenue Service (IRS) rules and regulations prohibit plan sponsors from billing enrollees for PCORI fees associated with self-funded plans through established premium rates charged to plan participants. Therefore, the Employee Benefits Division is billing each NYSHIP Participating Agency their allocated portion of the 2015 PCORI fee related to The Empire Plan.

The fee for the 2015 plan year is \$2.17 per covered life. In calculating the 2015 PCORI fee, IRS rules and regulations require plan sponsors to use one of three counting methods for determining the average number of lives covered during the plan year. Plans may select the counting method that is most favorable to the plan. The "Snapshot Factor" produced the most favorable average enrollment count and lowest PCORI fee for the NYSHIP. The calculated fee was then allocated to each NYSHIP agency based on average enrollment using the "Snapshot Factor" counting method. If an agency did not participate in NYSHIP for the entire 2015 plan year, the assessment was prorated accordingly.

PCORI fee assessments for the plan year ended December 31, 2015 will be included on the July 2016 NYSHIP Participating Agency/Employer monthly billing statement. The charge, labeled "ACA PCORI FEE 2015", will be included in the total amount due July 25, 2016. The Employee Benefits Division will remit payment to the IRS on behalf of the entire plan by July 31, 2016.

April 2016 Empire Plan Reports

The *April 2016 Empire Plan Reports* are now available. The *Reports* include a summary of changes to The Empire Plan and NYSHIP and have important reminders for enrollees, including information on the Individual Mandate for Health Insurance Coverage, Emergency Medical Services and Surprise Bill law, and Medicare and NYSHIP.

The Reports were mailed to enrollee homes in April. For additional information, refer to HBA Memo PE 16-07.

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 2014 Aon Hewitt Consultants report is available online at:
<https://www.cs.ny.gov/GASB/2014-PE-Assumption-Report-Aon.pdf>.

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 **PE 06-11** and **PE 06-18**.

Prompt Payment of NYSHIP Premium

The Employee Benefits Division continues to aggressively monitor Employers 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 Employers 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: <http://www.cs.ny.gov/employee-benefits/hba/index.cfm>.