



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: March 23, 2016

Attached is The Empire Plan Fourth Quarter Experience Report for 2015. This report presents the projected 2015 Empire Plan experience, based on claims paid through December 31, 2015, and the projected 2017 premium rates.

For the 2015 Plan Year, the Empire Plan vendors project a net surplus of \$139.0 million, or 1.9% of premium. The underlying causes for the projected surplus are discussed in the report.

Exhibit II presents a range of the projected 2017 Empire Plan premium rates. These projections include a tentative dividend application amount of \$155 million, \$25 million less than the dividend credit included in the 2016 rates. The “best estimate” projected net premium increase for 2017 is 7.5%, 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. While the actual increase in the premium has been historically less than the increase in premium projected in the 4th Quarter Reports, the 2017 premium increases projected in this report are viewed to be fairly aggressive.

Overall, the projected 2017 plan year premium increases are consistent with claim trends experienced in 2015 and the trend projections for the 2016 plan year. While Medical and Hospital program trends have remained relatively stable over the past year, the trends for the Prescription Drug and Mental Health and Substance Abuse programs are expected to remain above the program trends experienced a few years ago.

Given the ongoing fiscal challenges faced by the State and participating employers, our continuing goal is to achieve 2017 NYSHIP rates that are as low as possible while also promoting rate stability for the near future. The 2017 premium rate development and related actions 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.



**Department of
Civil Service**

PARTICIPATING EMPLOYERS

**EMPIRE PLAN
2015 Fourth Quarter
Experience Report**

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

**EMPIRE PLAN EXPERIENCE REPORT
FOURTH QUARTER 2015**

**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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Exhibits

- IA.** Projected 2015 Empire Plan Experience as of 12/31/2015
- IB.** Projected 2015 Empire Plan Experience as of 6/30/2015
- IC.** Projected 2015 Empire Plan Experience as of 9/30/2015
- II.** Projected 2017 Empire Plan Premium Rates
- III.** Monthly Rate History (2008-2017)

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

PROJECTED 2015 EMPIRE PLAN EXPERIENCE

Based on 2015 4th quarter report submissions, the Empire Plan vendors project an aggregate surplus of \$139.0 million (1.9% of premium) for the 2015 plan year, as presented in Exhibit IA. For comparative purposes, Exhibits IB and IC reflect the 2015 projected experience projected by the Empire Plan vendors in their respective 2nd and 3rd quarterly reports. The following chart presents the percentage of the projected incurred claims actually paid and the most recent projected 2015 trend as compared to the trend assumed during the 2015 premium rate development:

	<u>% of Paid Claims to Projected Incurred Claims</u>		<u>Projected 2015 Trend</u>	
	<u>2014</u>	<u>2015</u>	<u>At Renewal</u>	<u>At 2015 4th Quarter</u>
Blue Cross Hospital	99.6%	88.7%	6.7%	6.6%
UHC Medical	99.9%	91.3%	6.3%	5.6%
ValueOptions MHSA	99.6%	81.4%	6.0%	29.9%
CVS Caremark Rx	100.0%	100.0%	12.5%	15.0%

The 2015 plan year represents the second year The Empire Plan and Excelsior Plan were self-funded. While vendors provide projected premium rates to the Department, 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 of \$20.1 million. The projected surplus/(loss) as compared to the margin level included in the 2015 premium is as follows:

	<u>Margin</u>	<u>Projected 2015 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
Blue Cross Hospital	\$0	\$47.4	\$47.4
UHC Medical	\$0	\$97.2	\$97.2
Value Options MHSA	\$4.5	(\$27.4)	(\$31.9)
CVS Caremark Rx	\$15.6	\$21.8	\$6.2
Total	\$20.1	\$139.0	\$118.9

(In millions)

The overall projected 2015 experience has improved by \$118.9 million from the projections made at the time the premium was developed. The projected surplus 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 projected 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 use services and In-Network mental health services. The actual prescription drug trend is also higher than the level projected for 2015.

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 II, is 7.5% 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 8.3%.
- Higher prescription drug trends due to increased utilization of high cost Specialty Drugs and the continuation of high price inflation on all drugs.
- The elimination of the ACA Transitional Reinsurance Fee beginning in 2017.

While \$267.5 million in dividend is anticipated to be available on December 31, 2016, the projected 2017 premium rates include the tentative use of \$155 million in dividend or \$25 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 rate history since 2008 for groups with and without drug coverage.

2015 PROJECTED EMPIRE PLAN EXPERIENCE AS OF 12/31/2015
In (000's)

	EMPIRE	UNITED HEALTHCARE MEDICAL				VALUE OPTIONS MHSA				CVS CAREMARK	TOTAL
	BLUE CROSS	Core	NY	PA	Combined	Core	NY	PA	Combined	DRUG	
			Enhancement	Enhancement			Enhancement	Enhancement			
A Premium (1)	2,585,786	2,161,768	327,259	329,968	2,818,995	140,355	17,128	13,970	171,453	1,625,688	7,201,922
B Incurred Claims (2)	2,440,741	1,983,156	278,723	286,332	2,548,211	143,332	22,829	19,112	185,273	1,578,731	6,752,956
C Administrative Expense (3)	97,605	144,094	14,566	14,935	173,595	10,476	1,663	1,393	13,532	25,206	309,938
D Gain/(Loss) (A-B-C)	47,440	34,518	33,970	28,701	97,189	(13,453)	(7,364)	(6,535)	(27,352)	21,751	139,028

(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' 2015 4th Quarter Experience Reports.

2015 PROJECTED EMPIRE PLAN EXPERIENCE AS OF 6/30/2015
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)	2,592,231	2,166,101	328,925	329,108	2,824,134	140,521	17,150	13,965	171,636	1,620,742	7,208,743
B Incurred Claims (2)	2,453,359	2,014,255	274,146	282,353	2,570,754	130,123	20,076	15,532	165,731	1,636,129	6,825,973
C Administrative Expense (3)	97,580	150,820	14,856	15,264	180,940	10,745	1,552	1,223	13,520	26,372	318,412
D Gain/(Loss) (A-B-C)	41,292	1,026	39,923	31,491	72,440	(347)	(4,478)	(2,790)	(7,615)	(41,759)	64,358

(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' 2015 2nd Quarter Experience Reports.

2015 PROJECTED EMPIRE PLAN EXPERIENCE AS OF 9/30/2015

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)	2,583,881	2,158,994	327,084	329,249	2,815,327	140,269	17,124	13,948	171,341	1,623,665	7,194,214
B Incurred Claims (2)	2,431,256	1,982,419	278,176	284,744	2,545,339	145,544	23,845	19,339	188,728	1,616,642	6,781,965
C Administrative Expense (3)	97,571	146,703	14,644	14,970	176,317	10,980	1,420	1,064	13,464	25,656	313,008
D Gain/(Loss) (A-B-C)	55,054	29,872	34,264	29,535	93,671	(16,255)	(8,141)	(6,455)	(30,851)	(18,633)	99,241

(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' 2015 3rd Quarter Experience Reports.

**2017 Premium Projections
Empire Plan With Drug Coverage**

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
<u>Optimistic Projections</u>	<u>2016</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Individual Plan Prime	695.47	726.37	4.4%	680.91	714.36	4.9%
Family Plan Prime	1,719.56	1,802.22	4.8%	1,682.33	1,771.95	5.3%
Aggregate			4.7%			5.3%
<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	695.47	741.84	6.7%	680.91	729.83	7.2%
Family Plan Prime	1,719.56	1,840.54	7.0%	1,682.33	1,810.27	7.6%
Aggregate			7.0%			7.5%
<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	695.47	757.34	8.9%	680.91	745.33	9.5%
Family Plan Prime	1,719.56	1,878.92	9.3%	1,682.33	1,848.65	9.9%
Aggregate			9.2%			9.8%

(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	523.81	3.4%	492.32	512.81	4.2%
Family Plan Prime	1,318.09	1,370.42	4.0%	1,281.05	1,342.25	4.8%
Aggregate			3.9%			4.7%
<u>Best Estimate Projections</u>						
Individual Plan Prime	506.79	533.02	5.2%	492.32	522.02	6.0%
Family Plan Prime	1,318.09	1,395.39	5.9%	1,281.05	1,367.22	6.7%
Aggregate			5.8%			6.6%
<u>Pessimistic Projections</u>						
Individual Plan Prime	506.79	542.26	7.0%	492.32	531.26	7.9%
Family Plan Prime	1,318.09	1,420.42	7.8%	1,281.05	1,392.25	8.7%
Aggregate			7.6%			8.6%

(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	741.84	6.7%	729.83	7.2%
<u>Average Percent Increase</u>				
From Inception (1985)		6.9%		6.9%
Most Recent 10 Years		4.2%		4.7%
Most Recent 5 Years		2.9%		3.6%
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	1,840.54	7.0%	1,810.27	7.6%
<u>Average Percent Increase</u>				
From Inception (1985)		7.4%		7.5%
Most Recent 10 Years		5.1%		5.6%
Most Recent 5 Years		4.2%		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.

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	533.02	5.2%	522.02	6.0%
<u>Average Percent Increase</u>				
From Inception (1985)		6.4%		6.4%
Most Recent 10 Years		4.7%		5.0%
Most Recent 5 Years		2.5%		3.0%
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	1,395.39	5.9%	1,367.22	6.7%
<u>Average Percent Increase</u>				
From Inception (1985)		7.1%		7.1%
Most Recent 10 Years		5.6%		6.0%
Most Recent 5 Years		4.1%		4.6%

(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.



NYSHIP
New York State
Health Insurance Program

News

Information for NYSHIP Participating Employers

Fourth Quarter Experience Report 2015

Dependent Eligibility Verification Audit (DEVA)

Memo number **PE16-04** was issued on March 7, 2016, regarding the Dependent Eligibility Verification Audit (DEVA) for 2016. This memo provides agencies with guidance regarding the Special Amnesty Period, how to handle dependents that were removed in error, the returned mail process, and what to expect regarding the Dependent Eligibility Verification Period, which starts May 2, 2016 and ends June 17, 2016.

Federal Health Care Reform

Employer Shared Responsibility and Reporting Requirements

In December 2015, the Internal Revenue Service (IRS) released [Notice 2016-04](#). In this notice, the IRS extended the due date for Form 1095-B and Form 1095-C to be mailed to the required recipients from February 1, 2016 to March 31, 2016. The IRS also extended the due date for the transmissions of these forms, Form 1094-B and Form 1094-C to the IRS from March 31, 2016 to June 30, 2016. Employers not submitting these forms to the IRS electronically must do so by May 31, 2016. As a reminder, each NYSHIP PE is responsible for the provision of these forms to required recipients and the IRS. The State of New York will not be distributing Form 1095-B or Form 1095-C to any individuals enrolled in NYSHIP through a PA or PE.

To assist Participating Employers with their reporting obligations under the Patient Protection and Affordable Care Act (PPACA), a new report was developed. Memo **PE16-02**, dated January 28, 2016, informs agencies that this report is now available, and provides instructions on how to run the report. The report identifies their enrollees, their dependents, and period of coverage. This information is required when completing Form 1095-B and Form 1095-C.

Online PA/PE Resource Center

A new online resource (<http://www.cs.ny.gov/nyship/resource.cfm>) is now available for NYSHIP PA and PE agencies. Designed for agency personnel who do not have access to HBA Online, this page on the Department website provides updated information on

current topics of interest to PAs and PEs. As of this writing, the site includes the PA/PE webinar and PowerPoint slides, and information about the employer mandate and reporting requirements under PPACA. Bookmark the page and check back regularly for new information.

Agency Experience Reports

Agency specific Empire 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 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

To assist PEs with the valuation of their OPEB obligation, the Employee Benefit Division's consultant, Aon Hewitt, developed a report that presents the assumptions and rationale used by New York State and the State University of New York (SUNY) for the April 1, 2014 GASB 45 valuation. The 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 and 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 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: <https://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

Recently issued Empire Plan Experience Reports are available through the following direct link to our website: <https://www.cs.ny.gov/employee-benefits/hba/index.cfm>.