



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: September 23, 2016

Attached is the Empire Plan Second Quarter Experience Report for 2016. This report presents the projected 2016 Empire Plan experience, based on claims paid through June 30, 2016, and the projected 2017 premium rates.

For the 2016 Plan Year, the Empire Plan vendors project an aggregate loss of \$75.6 million, or 1.0% of premium. Historically, experience projections based on six months of paid claim data have been conservative. Therefore, we expect the projected experience to modestly improve as actual claims materialize.

Exhibit II presents the projected 2017 Empire Plan premium rates. These projections include a tentative dividend application amount of \$136 million, \$44 million less than the dividend credit included in the 2016 rates. The “best estimate” projected net premium increase for 2017 is 7.9%, in aggregate, for The Empire Plan. These projections are based on a number of assumptions made by the vendors which includes a projected aggregate claims trend of approximately 7.8%. These assumptions are likely to change prior to the development of the final 2017 premium rates.

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 promoting rate stability for the near future. The 2017 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.



**Department of  
Civil Service**

**PARTICIPATING EMPLOYERS**

**EMPIRE PLAN  
2016 Second Quarter  
Experience Report**

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

**EMPIRE PLAN EXPERIENCE REPORT  
SECOND 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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**Exhibits**

- I.** Projected 2016 Empire Plan Experience
- 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  
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:

	<b><u>% of Paid Claims to Projected Incurred Claims</u></b>		<b><u>Projected 2016 Trend</u></b>	
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>At Renewal</u></b>	<b><u>At 2016 2ND Quarter</u></b>
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 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:

	<b><u>Margin</u></b>	<b><u>Projected 2016 Dividend/(Loss)</u></b>	<b><u>Projected Experience Change</u></b>
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
<b>Total*</b>	<b>\$0</b>	<b>(\$75.6)</b>	<b>(\$75.6)</b>

(In millions)

\*The 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 1<sup>st</sup> 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 7.9% for The Empire Plan (7.8% for rates with drug coverage and 11.9% for rates without drug coverage). 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 rate history since 2008 for groups with and without drug coverage.



**NYSHIP**  
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**News**

## Information for NYSHIP Participating Employers

**Second Quarter Report 2016**

### **Dependent Eligibility Verification Audit (DEVA)**

#### Termination of Dependents

Health Management Systems, Inc. (HMS) has completed the NYSHIP Dependent Eligibility Verification Audit (DEVA) for members of Participating Employers and New York State retirees. In total, 6,586 dependents were removed from coverage on July 31<sup>st</sup> with effective dates of January 1, 2016 for non-Medicare primary dependents and September 1, 2016 for Medicare primary dependents.

#### 90-Day Reinstatement Period

A 90-day reinstatement period is in effect through October 5, 2016. DCS will process reinstatements on a daily basis upon receipt of information received from the Health Management Systems (HMS). The Department is mailing reinstatement confirmation letters to enrollees for each dependent whose coverage was reinstated. Agencies that receive requests to reinstate dependents who were removed during DEVA after the reinstatement period should require the enrollee to provide appropriate dependent documentation in accordance with *Policy Memo 139r1*. Dependent coverage should be reinstated in accordance with NYSHIP late enrollment rules.

### **Health Alliance of the Hudson Valley Termination from Empire Plan Network**

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

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 employers to easily identify those NYSHIP enrollees covering dependents with missing or invalid Social Security or Taxpayer Identification numbers. Refer to *HBA memo PE 15-21 dated November 20, 2015* for information and instructions on running the report.

Participating Employers 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 PE 16-02 dated January 28, 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 Employer Annual Webinar (Formerly Regional Meetings)**

Preparations are underway for the Fall PE Annual Webinars. Similar to last year, we will be holding one session for PEs. This Annual webinar session will provide information such as; benefit and program updates, NYSHIP policies, and projected Empire Plan experience and premium rates. The webinar will also provide a forum for questions and answers, as well as an opportunity to suggest and discuss future program updates. The agenda and webinar date 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 between August 16 and November 1 to enrollees who returned the postcard to request one.

### **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>. Please note that we anticipate the 2016 Report will be released in October. Agencies will be notified when the report become 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.Bruccleri@cs.ny.gov](mailto:MaryEllen.Bruccleri@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 last day of the month preceding the month of coverage. Unpaid premiums that are not paid timely will be included in the following month's bill; however, that amount is considered past due. 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 mailings 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](mailto: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](mailto: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>.