



**Department of
Civil Service**

ANDREW M. CUOMO
Governor
LOLA W. BRABHAM
Acting Commissioner

June 9, 2017

Dear Chief Executive Officer:

Attached is the Empire Plan First Quarter Experience Report for 2017. This report presents the final 2016 Empire Plan experience, the projected 2017 Empire Plan experience, based on claims paid through March 31, 2017, and the projected 2018 premium rates.

For the 2016 Plan Year, the Department of Civil Service (Department) declared a net dividend of \$37.3 million for the Empire Plan, representing 0.5% of premium. The underlying causes for this amount are discussed in the report.

For the 2017 Plan Year, the Empire Plan vendors project a net surplus of \$106.0 million, or 1.3% of premium. Since the 2017 experience projections are based on only three months of paid claim data, the projections are expected to change as actual claims materialize throughout the remainder of the year.

Exhibit III presents the projected 2018 Empire Plan premium rates. These projections include a tentative dividend application amount of \$125 million, \$25 million less than the dividend credit included in the 2017 rates. The "best estimate" projected net premium increase for 2018 is 8.7%, in aggregate, for The Empire Plan and 9.1%, in aggregate, for The Excelsior Plan. These projections are based on a number of assumptions made by the vendors which includes an aggregate claims trend of approximately 8.6%. These assumptions are likely to change throughout the year.

Given the ongoing fiscal challenges faced by the State and its localities, our continuing goal is to achieve 2018 NYSHIP rates that are as low as possible while promoting rate stability for the near future. The 2018 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 me.

Sincerely,

David J. Boland
Director
Employee Benefits Division



**Department of
Civil Service**

PARTICIPATING AGENCIES

EMPIRE PLAN 2017 First Quarter Experience Report

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

EMPIRE PLAN EXPERIENCE REPORT

FIRST QUARTER 2017

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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- Projected 2018 Premium Rates Page 3

EXHIBITS

- I.** Final 2016 Empire Plan Experience
- II.** Projected 2017 Empire Plan Experience
- III.** Projected 2018 PA Premium Rates
- IV.** Empire Plan PA 5-Tier Group Rates (2009-2018)
- V.** Empire Plan PA 2-Tier Group Rates (2009-2018)

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**NEW YORK STATE HEALTH INSURANCE PROGRAM
PARTICIPATING AGENCY GROUP
EMPIRE PLAN EXPERIENCE REPORT
FIRST QUARTER REPORT 2017**

FINAL 2016 EMPIRE PLAN EXPERIENCE

As presented in Exhibit I, the Department declared an aggregate dividend of \$37.3 million (0.5% of premium). This represents an improvement of \$28.3 million from the 2016 experience projected at the end of the fourth quarter. The actual dividend/(loss) as compared to the margin level included in the 2016 premium are as follows:

	Margin	<u>2016</u> Dividend/(Loss)	Experience Change
Blue Cross Hospital	\$0	(\$85.4)	(\$85.4)
UHC Medical	\$0	(\$43.1)	(\$43.1)
Beacon Health MHSA	\$0	(\$8.6)	(\$8.6)
CVS Caremark Rx	\$0	\$174.4	\$174.4
Total	\$0	\$37.3	\$37.3

(In millions)

While the experience of the program components varies from the projections made in setting the premium rates, the aggregate surplus of \$37.3 million, reflects the high degree of accuracy that was achieved in developing the 2016 premium rates. The surplus is the result of losses reported by the Hospital, Medical and Mental Health & Substance Abuse program vendors, offset by a gain reported for the Prescription Drug Program. The aggregate losses for the Hospital and Medical programs are largely due to a modest increase in claim spend that began in late 2015, after the 2016 rates were finalized, that continued throughout the 2016 plan year resulting in actual 2016 trends that were higher than the amounts projected during the rate development. The \$174.5 million gain reported for the Prescription Drug Program primarily resulted from lower than expected trends for Hepatitis C and PCSK9 specialty prescriptions, and greater than anticipated pharma rebate receipts and Medicare Part D revenues. The actual Prescription Drug Program trend was 8.6% as compared to the projected trend of 13.3%.

PROJECTED 2017 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2017 surplus of \$106.0 million (1.3% 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 2017 trend as compared to the trend assumed during the 2017 premium rate development:

	<u>% of Paid Claims to Projected Incurred Claims</u>		<u>Projected 2017 Trend</u>	
	<u>2016</u>	<u>2017</u>	<u>At Renewal</u>	<u>At 1st Quarter</u>
Blue Cross Hospital	98.5%	15.2%	6.9%	8.2%
UHC Medical	98.8%	17.3%	7.1%	7.0%
Beacon Health MHSA	96.5%	12.0%	7.5%	5.3%
CVS Caremark Rx	99.9%	24.2%	10.6%	8.2%

The 2017 premium equivalent rates were developed by the Department based on projections from the vendors and Aon Hewitt. The premium rates established for the 2017 plan year reflected an aggregate net increase of 8.4% over the 2016 plan year rates. The 2017 net rates include the application of \$150 million in available dividend and accrued interest, but exclude any margin factor. The projected 2017 gain/(loss) by Program as compared to the margin is as follows:

	<u>Margin</u>	<u>Projected 2017 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
Blue Cross Hospital	\$0	(\$60.0)	(\$60.0)
UHC Medical	\$0	\$63.4	\$63.4
Beacon MHSA	\$0	(\$6.5)	(\$6.5)
CVS Caremark Rx	\$0	\$109.1	\$109.1
Total	\$0	\$106.0	\$106.0

(In millions)

The overall projected 2017 experience has improved by \$106.0 million (1.27% of premium) from the projections made at the time the premium was developed. The overall projected gain is primarily attributable to lower 2017 incurred claim projections, as reflected in the changes in trend presented in the above chart, for the Medical and Prescription Drug programs as compared to the claim projections used in developing the 2017 rates. Another factor contributing to the gain is the \$45 million increase in anticipated pharma rebates for the 2017 plan year as projected by CVS Caremark. The projected gains for the Medical and Prescription Drug programs are partially offset by projected losses reported by the Hospital and Mental Health and Substance Abuse program vendors. These losses are primarily attributable to the increase in the 2016 claim base since the rates were finalized as well as the higher projected trend reflected above for the Hospital Program.

2018 PROJECTED PREMIUM RATES

Similar to 2017, the 2018 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 2018 increase in net premium as presented in Exhibit III, is 8.7% and 9.1% for the Empire Plan and the Excelsior Plan, respectively. The underlying assumptions/factors contributing to this increase include:

- A 2017 premium that is expected to result in a \$106.0 million dividend.
- A 2018 projected aggregate trend of 7.9%.
- Continued utilization and price increases for high cost specialty drugs.

While \$207.5 million in dividend is anticipated to be available on December 31, 2017, the projected 2018 premium rates include the tentative use of \$125 million in dividend or \$25 million less than the dividend credit included in the 2017 rates. The actual amount of dividend monies to be applied in the 2018 premium rates will be determined in September 2017 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 5-tier billing rate history since 2009. Exhibit V presents, for illustrative purposes only, the 2-tier rate history from 2009 to 2018.



NYSHIP
New York State
Health Insurance Program

News

Information for NYSHIP Participating Agencies

First Quarter Experience Report 2017

The Role of the Data Access Officer: HBA Online and NYBEAS System Access

Participating Agencies are required to have a designated Data Access Officer (DAO) in order to add or remove user access to Department of Civil Service systems (e.g., NYBEAS, HBA Online). DAOs are required to submit changes to permissions through the Online Civil Service Permission Request System (OCSPR) located at www.cs.ny.gov.

If an agency needs to establish or change their DAO, send the following information to the Public Employer Liaison Unit (PELU) on agency letterhead:

Agency Name
Agency Code
Data Access Officer Name
Data Access Officer Title
Social Security Number
E-mail Address(s)
Phone Number(s)

This DAO change/update must be signed by an authorized signatory of the Agency (e.g., a CEO or CEO's designee). Once a DAO is established (if one has not already been established), the agency DAO can add or remove NYBEAS access for a user as appropriate.

All NYBEAS users should have their own individual sign on to NYBEAS and passwords/access should not be shared by multiple users. NYBEAS access misuse may result in suspension or termination of NYBEAS privileges.

(NOTE: The DAO should not be the HBA or NYBEAS user.)

Withdrawing from NYSHIP

Agencies are reminded that they are required to provide the Department with a 90-day notice prior to withdrawing from NYSHIP. Once an agency is withdrawn from NYSHIP and all employees have been removed from coverage, the EBD Financial Services Unit will determine if any additional premium payment is due for coverage prior to the agency requested withdrawal date or whether any refund for overpayment of premium is due. Additionally, agencies will be billed for required payments related to a distribution an agency received from the Health Insurance Reserve Receipts Fund (HIRRF) or for the repayment of the 1989 Administrative Cost deferral and/or Deficit Recoupment, if applicable.

The President's Regulations provide that an agency that withdraws from NYSHIP is not eligible to rejoin for one year.

Recent and Upcoming Publications

- *Empire Plan Certificate* for Participating Agencies, see HBA memo PA17-8;
- *Empire Plan Participating Provider Directories* Postcard, Summer 2017 enrollee mailing to offer a printed copy of a directory based upon their home address;
- *Empire Plan Report*, Summer 2017.

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. All such requests should be directed to the Employee Benefits Division - Director's Office.

GASB 45 Assumptions Report and Census Data

The 2016 Aon Hewitt Consultants report is now available online at:
<https://www.cs.ny.gov/GASB/2016-PA-Assumption-Report.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 should be current at the time it is provided, it is important that the NYBEAS information is accurate and up-to-date 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 PA06-11 and PA06-18.

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.

IRS rules and regulations prohibit plan sponsors from billing enrollees for PCORI fees associated with self-insured 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 2016 PCORI fee related to the Empire Plan.

The fee for the 2016 plan year is \$2.26 per covered life. In calculating the 2016 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 2016 plan year, the assessment was prorated accordingly.

The PCORI fee assessment for the plan year ended December 31, 2016 will be included on the July 2017 NYSHIP Participating Agency/Employer monthly billing statement. The charge, labeled “ACA PCORI FEE 2016”, will be included in the total amount due on July 25, 2017. The Employee Benefits Division will remit payment to the IRS on behalf of the entire plan by July 31, 2017.

Prompt Payment of NYSHIP Premium

As a reminder, NYSHIP premium payments from Participating Agencies are due the 25th day of the month **preceding** the month of coverage. Premium amounts that are not received by the due date are considered past due. Agencies that fail to remit premium payments in a timely manner risk suspension of NYSHIP benefits for its enrollees. If your agency is having difficulty meeting its financial obligation for NYSHIP coverage, please contact the Employee Benefits Division Public Employers Liaison Unit at (518) 549-2356.

NYSHIP e-News for Participating Agencies

To subscribe, go to: http://www.cs.ny.gov/nyship/nyshipnews/nyshipnews_pa.cfm.

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/interested-in-joining/>