



**Department of
Civil Service**

ANDREW M. CUOMO
Governor
LOLA W. BRABHAM
Acting Commissioner

PA 17-12
PA EX 17-11

To: Participating Agency Chief Executive Officers and
Health Benefit Administrators

From: David J. Boland, Director of the Employee Benefits Division

Subject: Empire Plan Quarterly Experience Report

Date: August 25, 2017

Enclosed are the cover letter to agency Chief Executive Officers and the Second Quarter Empire Plan Experience Report for 2017. This report presents the projected 2017 Empire Plan experience and the projected 2018 premium rates.

Enclosures



**Department of
Civil Service**

ANDREW M. CUOMO
Governor
LOLA W. BRABHAM
Acting Commissioner

August 25, 2017

Dear Chief Executive Officer:

Attached is the Empire Plan Second Quarter Experience Report for 2017. This report presents the projected 2017 Empire Plan experience, based on claims paid through June 30, 2017 and the projected 2018 premium rates.

For the 2017 plan year, the Empire Plan vendors project an aggregate gain of \$104.8 million, or 1.26% of premium. Since the 2017 experience projections are based on six months of paid claim data, the projections are subject to change as actual claims materialize throughout the remainder of the plan year.

Exhibit II 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 9.6%, in aggregate, for The Empire Plan and 9.9%, in aggregate, for The Excelsior Plan. These projections are based on various assumptions made by the vendors which include a projected aggregate claims trend of approximately 8.8%. These assumptions are likely to change prior to the development of the final 2018 premium rates.

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 Second Quarter Experience Report

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

EMPIRE PLAN EXPERIENCE REPORT

SECOND 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

- Projected 2017 Empire Plan Experience Pages 1-2
- Projected 2018 Premium Rates Pages 2-3

EXHIBITS

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

NYSHIP News Pages 1-4

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

PROJECTED 2017 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2017 surplus of \$104.8 million (1.26% 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 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 2nd Quarter</u>
Blue Cross Hospital	99.3%	38.7%	6.9%	8.9%
UHC Medical	99.5%	42.1%	7.1%	5.7%
Beacon Health MHSA	98.4%	34.6%	7.5%	16.8%
CVS Caremark Rx	99.9%	49.2%	10.6%	7.8%

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	(\$76.1)	(\$76.1)
UHC Medical	\$0	\$77.5	\$77.5
Beacon Health MHSA	\$0	(\$35.1)	(\$35.1)
CVS Caremark Rx	\$0	\$138.4	\$138.4
Total	\$0	\$104.8	\$104.8

(In millions)

The overall projected 2017 experience has improved by \$104.8 million (1.26% of premium) from the projections made at the time the premium was developed. The projected gain for the 2017 plan year is primarily attributable to lower 2017 incurred claim projections for the Medical and Prescription Drug Programs, as compared to the claim projections used in developing the 2017 rates, as well as higher than anticipated prescription drug pharma rebates as reported by CVS Caremark. Approximately \$44.0 million of the aggregate \$77.5 million projected gain reported by the Medical Program vendor, UnitedHealthcare (UHC), is due to a 1.4% reduction in the projected trend for the 2017 plan year. Another factor contributing to the projected Medical Program gain is \$22.0 million in savings expected from UHC's efforts to recruit out-of-network providers into the Empire Plan Participating Provider network. Under the Prescription Drug Program, approximately \$77.0 million of the \$138.4 million projected gain reported by CVS Caremark is attributable to lower trends projected for generic, brand, and specialty drugs. Increases in prescription drug claim costs continue to be led by high cost specialty drugs; these costs have increased from \$567.0 million in 2014 to \$846.0 million in 2016 and now represent over 37% of the Prescription Drug Program's total costs.

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 (MHSA) Program vendors. A significant portion of the \$76.1 million loss projected by Empire BlueCross BlueShield (EBCBS) is attributable to increased 2017 trend projections for both inpatient and outpatient hospital services. Although inpatient utilization continues to be on the decline, the cost per inpatient service is trending above 9%. The average cost per inpatient stay is projected to exceed \$28,000 in 2017. The projected loss for the MHSA Program rose sharply in the 2nd quarter due to higher than anticipated out-of-network services for the treatment of substance use disorders. According to Beacon Health Options, treatment for substance use disorders has increased from \$36.2 million incurred in 2014 to \$65.6 million incurred in 2016. This trend has continued into 2017 and is the primary cause for the increase in the projected deficit.

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 II, is 9.6% and 9.9% 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 \$104.8 million surplus.
- A 2018 projected aggregate trend of 8.8%.
- 2018 claim trend projections for the Medical, MHSA, and Prescription Drug Programs that exceed current 2017 trend projections.

While \$210.5 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 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 III presents The Empire Plan individual and family 5-tier billing rate history since 2009. Exhibit IV 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

Second Quarter Experience Report 2017

Save the Date! Participating Agency Annual Webinar Announcement

The Annual PA Webinar meetings will be held on 10/17/17 and 10/18/17. Agency staff is invited to participate in one of these two sessions. Agencies will be sent an HBA memo including agenda and registration information by mid-September.

Medicare Beneficiary ID

Beginning in April 2018, the Centers for Medicare and Medicaid Services (CMS) will begin mailing new Medicare identification cards containing a Medicare Beneficiary Identifier (MBI) to all people with Medicare. The MBI is replacing the Social Security Number based Health Insurance Claim Number (HICN) to fight medical identity theft. There will be a transition period where either the HICN or the MBI can be used to submit claims. The transition period will begin no earlier than April 1, 2018 and will run through December 31, 2019. Effective January 1, 2020, CMS will no longer accept HICN for the submission and processing of claims.

The Employee Benefits Division is already coordinating efforts with our NYSHIP partners to assure a smooth transition for our Medicare enrollees. We will continue to keep you informed of our progress as we migrate through the CMS transition.

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

As a reminder, 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. Agencies will also be billed for payments 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;
- The Empire Plan *Participating Provider Directories* Postcard for 2017 was mailed to enrollees on July 13-14. Directories for the earliest versions (NYS) began mailing to enrollees who requested them on August 1. The remaining versions will continue to be mailed as they are printed, through October.
- *Empire Plan Report*, September 2017;
- Annual Creditable Coverage Notice with Children's Health Insurance Program (CHIP) Letter, September 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.

Agency Reconciliation Reports

As a reminder, all agencies should be running a reconciliation report each month. Although agencies may run a reconciliation anytime, the report should be run on the Monday following the first Friday (the date billing is run) to ensure accuracy and capture all transactions that involve billing that took place in the previous month. Instructions for running the report are located in memo PA 11-08, PAEX 11-05 dated May 2, 2011.

GASB 45 Assumptions Report and Census Data

To assist PAs in valuing their other postemployment benefit (OPEB) obligations under GASB 45, the Department has made available Actuarial Assumption reports that present assumptions and rationale used in the development of New York State and SUNY GASB 45 valuations.

The 2016 Actuarial Assumption report developed by Aon Hewitt is 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.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 PA06-11 and PA06-18.

Prompt Payment of NYSHIP Premium

As a continuing 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.

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/>