



**PA17-17
PAEX17-16**

TO: Participating Agency Chief Executive Officers and Health Benefits Administrators
FROM: Employee Benefits Division
SUBJECT: 2018 New York State Health Insurance Program (NYSHIP) Rates
DATE: November 8, 2017

Attached are the 2018 NYSHIP Participating Agency health benefit rates that become effective January 1, 2018. Schedule I contains the full share rates, the no-drug rates for Medicare Part D Low Income Subsidy (LIS), the COBRA rates and the NYS Continuity of Coverage rates. Schedules II and III represent the Employee/Employer Variable Contribution Rate Table for drug and non-drug rates, respectively. Your NYSHIP billing statement dated December 1, 2017, for January 2018 coverage will reflect the new rates.

The five tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 8.2% for The Empire Plan and increased 8.0% for The Excelsior Plan. The percentage increase for each type of coverage does vary; see the attached schedules for rate details.

Factors contributing to this rate action:

The 2018 Plan Year will mark the fifth year of the Empire Plan's full conversion to a self-funded plan. While payments to vendors, except for the Medical Program, are based on actual claims and administrative expenses, premium equivalent rates are developed as the basis to charge payors for the projected incurred claims and administrative expenses.

The 2018 premium equivalent rates were developed by the Department based on projections from the vendors and Aon Hewitt, the Department's benefit consultant. The gross premium will increase 7.1%. After the application of \$76.8 million in available dividend and accrued interest, the premium rates charged to payors will increase in aggregate 8.2%. The premium impact on any particular agency can vary based on the mix of coverage provided.

Specific health benefits rate changes and factors:

Empire Blue Cross and Blue Shield (Hospital Program)

A 9.4% premium equivalent increase results from a 7.9% going forward trend and a 2017 premium level generating a \$56.0 million loss (-1.9% of premium). The projected loss is primarily attributable to increased 2017 trend projections for both inpatient and outpatient hospital services as compared to the trend projections used in developing the 2017 premium rates. The premium equivalent rates do not include any margin.

UnitedHealthcare (Medical Program)

A 3.7% premium equivalent increase for the United Healthcare medical component results from a 6.8% trend and a 2017 premium level generating a projected \$67.1 million gain, representing 2.1% of the projected 2017 premium. The projected gain is primarily attributable to lower claim projections for the 2017 plan year, as compared to the claim projections used in developing the 2017 premium rates, and savings anticipated from United Healthcare's efforts to recruit out-of-network providers into the Empire Plan Participating Provider Network. The 2018 premium equivalent rates do not include any margin.

Beacon Health Options (Mental Health and Substance Abuse Program)

A 28.9% premium equivalent increase is a result of a 10.0% projected trend for 2018 and a 2017 premium level generating a projected \$50.7 million loss (-23.0% of premium). The significant loss projected by Beacon Health Options is largely due to higher than anticipated inpatient services for the treatment of substance use disorders. The national opioid epidemic coupled with the NYS legislative changes implemented on January 1, 2017 concerning the treatment of substance abuse disorders are contributing factors for the increased inpatient spend. The Department anticipates trends for substance use disorder services will moderate through the remainder of 2017 and into 2018.

CVS/Caremark (Prescription Drug Program)

A 4.9% premium equivalent increase is the result of a 9.6% trend and a 2017 premium level generating a projected \$140.1 million gain (7.2% of premium). The 2018 rate action is also mitigated by an anticipated \$30 million performance penalty related to contractual drug guarantees for 2017 claims and increased Medicare Part D Employer Group Waiver Program (EGWP) subsidy credits. The projected gain for 2017 is

attributable to lower trends projected for generic, brand, and specialty drugs, as well as higher than anticipated pharma rebates.

Other important information:

NYSHIP Medicare Part B Premium Reimbursement

As of the issuance date of this memorandum, the 2018 Medicare Part B rates have not yet been formally announced by the Centers for Medicare and Medicaid Services (CMS). Based on the Medicare Trustees Report released in July 2017, the Medicare Part B standard monthly premium for 2018 is projected to be \$134.00, which is the same as the 2017 amount. However, many Medicare enrollees are currently charged a lower premium due to the hold harmless provision in the law that limited the 2017 Medicare Part B premium increase to the Social Security Cost of Living Allowance (COLA). The Social Security Administration recently announced a 2.0% COLA increase for 2018. Because of this COLA increase, which equates to an average increase of approximately \$25.00 in monthly Social Security benefits, it is anticipated all Medicare enrolled individuals will be charged the same Medicare Part B standard monthly premium in 2018.

For 2018, CMS will also be adjusting the income brackets that are used in determining the Medicare Part B Income Related Monthly Adjustment Amount (IRMAA) surcharges for higher-income Medicare beneficiaries. The changes, which will increase Medicare Part premiums for many Medicare enrollees, consolidates the current top two income brackets and splits the existing third bracket into two brackets.

Retiree Deductions

Retiree pension deductions for health insurance will change in the checks issued by the retirement systems at the end of December 2017. The December 31, 2017 deduction represents payment for January 2018 NYSHIP coverage.

Participating Agency Administrative Charge

The 2018 administrative charge of \$2.493 per enrollee per month is 10.5% higher than the 2017 charge. This increase is largely due to higher than anticipated personal service and information technology expenses for 2017 that were charged to the Employee Benefits Division after the establishment of the 2017 Participating Agency administrative charge. Please note, the 2018 administrative charge is only moderately greater than the administrative fees charged to PAs during the period 2007-2010. Between 2011 and 2016, the administrative fees charged to PAs were significantly lower than the fees

charged PAs prior to 2011 due to budgetary constraints. The administrative fee increases for the past two years reflect recent salary increases and additional staff hires as a result of the State's improved fiscal condition.

The administrative charge cost will be shown separately from the health benefit charges on your monthly bill. Please send one check each month for the combined amount, made payable to the "New York State Employees' Health Insurance Pending Account". Please note that the administrative charge must be borne entirely by the agency and may not be passed on to active employees, retirees, or other enrollees.

If you have any questions about this rate change, please contact the PA/PE Unit at (518) 474-2780.

Attachment(s)