



**Department of
Civil Service**

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PE17-6

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: April 5, 2017

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

For the 2016 Plan Year, the Empire Plan vendors project a net surplus of \$9.0 million, or 0.1% of premium. The underlying causes for the projected surplus are discussed in the report.

Exhibit II presents the projected 2018 Empire Plan premium rates. These projections include a tentative dividend application amount of \$75 million, which represents one-half of the dividend application that was included in the 2017 rates. The “best estimate” projected net premium increase for 2017 is 8.9%. These projections are based on a number of assumptions made by the vendors and the Department, and include a projected aggregate claims trend of approximately 8.3%. These assumptions are likely to change prior to the development of the final 2018 premium rates; however, the 2018 premium increases projected in this report are considered to be fairly aggressive at this time.

Given the ongoing fiscal challenges faced by the State and participating employers, 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 the Financial Management Unit at (518) 402-4739.



**Department of
Civil Service**

PARTICIPATING EMPLOYERS

**EMPIRE PLAN
2016 Fourth Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

FOURTH 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

- Projected 2016 Empire Plan Experience Pages 1-2
- Projected 2018 Premium Rates Page 2

Exhibits

IA. Projected 2016 Empire Plan Experience at 12/31/2016

IB. Projected 2016 Empire Plan Experience at 9/30/2016

II. Projected 2018 Empire Plan Premium Rates

III. Monthly Rate History (2009-2018)

NYSHIP News Section Pages 1-4

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

PROJECTED 2016 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate surplus of \$9.0 million (0.1% of premium), as presented in Exhibit IA. This represents a slight improvement in the 2016 experience projected at the end of the third quarter (Exhibit IB). 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:

	<u>% of Paid Claims to Projected Incurred Claims</u>		<u>Projected 2016 Trend</u>	
	<u>2015</u>	<u>2016</u>	<u>At Renewal</u>	<u>At 2016 4th Quarter</u>
Blue Cross Hospital	99.6%	88.9%	7.1%	9.9%
UHC Medical	99.8%	90.1%	5.5%	8.0%
Beacon Health MHSA	99.5%	83.1%	6.4%	6.1%
CVS Caremark Rx	100.0%	100.0%	13.3%	8.6%

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 included the application of \$184 million in available dividend and accrued interest, but excluded any margin factor. The projected 2016 dividend/(loss) by program is as follows:

	<u>Margin</u>	<u>Projected 2016 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
Blue Cross Hospital	\$0	(\$85.4)	(\$85.4)
UHC Medical	\$0	(\$93.2)	(\$93.2)
Beacon Health MHSA	\$0	(\$5.2)	(\$5.2)
CVS Caremark Rx	\$0	\$192.8	\$192.8
Total	\$0	\$9.0	\$9.0

(In millions)

While the experience of the program components varies from the projections made in setting the premium rates, the aggregate projected surplus of \$9.0 million reflects the high degree of accuracy that was achieved in developing the 2016 premium rates. The aggregate losses projected 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 has continued throughout the 2016 plan year. The losses reported by the Hospital, Medical and Mental Health and Substance Abuse vendors are offset by a projected \$192.8 million gain reported by the Empire Plan Prescription Drug Program vendor, CVS Caremark. CVS Caremark cited lower trends for Hepatitis C and PCSK9 specialty prescriptions from the trends included in the premium development, and greater than anticipated pharma rebate receipts and Medicare Part D revenues as the primary factors behind the reported gain. The actual 2016 experience statements will be finalized on March 15, 2017.

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 8.9% for the Empire Plan. The underlying assumptions/factors contributing to this increase include:

- A 2017 premium that is expected to result in a marginal dividend.
- A 2018 projected aggregate trend of 8.3%.
- A projected \$75 million reduction in dividend application against the 2018 rates.

While \$172.7 million in dividend is anticipated to be available on December 31, 2017, the projected 2018 premium rates include the tentative use of \$75 million in dividend, or one-half of the \$150 million dividend application 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. The gradual reduction in the dividend application coupled with the expectation that dividend for the 2018 plan year will be marginal will allow for rate stability in the upcoming years.

Exhibit III presents The Empire Plan individual and family rate history since 2009 for groups with and without drug coverage.



NYSHIP
New York State
Health Insurance Program

News

Information for NYSHIP Participating Employers

Fourth Quarter Report - 2016

New Information regarding the Dependent Eligibility Verification Audit (DEVA)

HBA memo PE 16-16, dated August 11, 2016, advised Agencies that dependents of enrollees who provided proof of eligibility after the DEVA appeal period (October 5, 2016) and who were considered previously eligible were subject to a 3-month waiting period regardless of coverage type. We would like to announce that new memo (PE17-05) will be issued shortly regarding an update to the DEVA reinstatement process, which will allow retroactive dependent reinstatements under certain circumstances. Please be alert for the issuance of this memo.

Federal Health Care Reform

Employer Shared Responsibility and Reporting Requirements

To assist PE's with their reporting obligations under the Patient Protection and Affordable Care Act (PPACA), the Affordable Care Act (ACA) Enrollment Report was updated to provide additional functionality for PE agency health benefits administrators. The data in the ACA Enrollment Report now includes coverage information through December 31, 2016. The report was also updated to identify Medicare primary enrollees and dependents, since Medicare primary individuals do not need to be reported when filing ACA information with the IRS.

Employers may use the report to produce Plan Year 2015 or Plan Year 2016 information, depending on their business needs. HBA memo PE16-02 dated January 28, 2016, provides instruction on how to run the report.

Dependent Social Security Number Solicitation

In accordance with PPACA, employers are required by Internal Revenue Service (IRS) regulations to request the Social Security or Taxpayer Identification number for dependents participating health plans. Agencies have access to download a report that will identify all enrolled dependents with a missing SSN. HBA Memo PE 15-27 provided information on how to run this report. Agencies are encouraged to then request the Social Security number for identified dependents.

Participating Employer Annual Webinar (Formerly Regional Meetings)

The PE Annual Meeting was held via webinar on November 7, 2016. The Annual Meeting provided information related to projected Empire Plan experience and premium rates, updates and reminders of employer obligations under PPACA, NYSHIP benefit and program updates, as well as a reminder of NYSHIP policies and communication materials. Over 100 agency representatives attended the session. For agencies who were unable to attend, the Frequently Asked Questions and a recording of the webinar will soon be posted on HBA Online.

65th Birthday Letters for Active Employees

EBD sends information to PE employees and their dependents that will be turning 65, regarding how Medicare coordinates with NYSHIP and when to enroll in Medicare. HBA Memo PE 16-17 informed agencies that beginning in August 2016, active enrollees would be included in the monthly 65th birthday mailing. This letter is mailed five months prior to an enrollee's 65th birthday to provide guidance about enrolling in Medicare. It also includes the publication, *Medicare & NYSHIP*.

Recent and Upcoming Publications

- 2017 Empire Plan *At A Glance*, which includes:
 - *2017 versions of The Empire Plan Flexible Formulary;*
 - *Out-of-Network Reimbursement Disclosure; and*
 - *The Preventive Care Coverage Chart.*

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

The 2016 Aon Hewitt Consultants report is now available online at:
<https://www.cs.ny.gov/GASB/2016-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.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.

NYSHIP Banking Vendor Change

The New York State Department of Civil Service's Employee Benefits Division (EBD) has contracted with *U.S. Bank* to provide banking services for the New York State Health Insurance Program (NYSHIP). **This change became effective on November 8, 2016.**

Participating Employers billing statement for December coverage included a pink insert letter notifying of the banking change, and an updated envelope (blue color) for agencies to remit premium payments to the new banking vendor.

Billing statements issued to direct pay enrollees in November included an insert letter regarding the bank change and an updated envelope (green color) for enrollees to remit premium payments to the new banking vendor. As part of the vendor change, enrollee billings now contain an "Enrollee Billing Number" that is unique to each NYSHIP enrollee. In remitting premium payments, enrollees should include their assigned Enrollee Billing Number on their check. Direct pay enrollees who use online banking/Bill Pay to make payments must update their online account with the Enrollee Billing Number and with the new payment address indicated on the green envelope.

HBA memo PE 16-22 issued on November 7, 2016 includes additional details concerning the banking services change.

Prompt Payment of NYSHIP Premium

As a reminder, NYSHIP premium payments from Participating Employers are due the last day of the month **preceding** the month of coverage. Premium amounts that are not received by the due date are considered past due. Employers 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 Employers

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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/hba/index.cfm>.