



**PA18-14  
PAEX18-13**

**TO:** Participating Agency Chief Executive Officers and Health Benefits Administrators  
**FROM:** Employee Benefits Division  
**SUBJECT:** 2019 New York State Health Insurance Program (NYSHIP) Rates  
**DATE:** December 10, 2018

Attached are the 2019 NYSHIP Participating Agency health benefit rates that become effective January 1, 2019. 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 bill for January 2019 coverage will reflect the new rates.

The five tier premium rates chargeable to Participating Agencies have, in the aggregate, increased 0.6% for The Empire Plan and increased 2.6% 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 Empire Plan has been fully self-funded since 2014. 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 2019 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 1.5%. After the application of \$166.8 million in available dividend and accrued interest, the premium rates charged to payors will increase in aggregate 0.6%. The premium impact on any particular agency can vary based on the mix of coverage provided. The 2019 Empire Plan rates are considerably lower than the plan's historical average increase due primarily to improved prescription drug pricing from the re-procurement of the Empire Plan Prescription Drug Program, and the

implementation of collectively bargained benefit changes for certain bargaining units and other unrepresented enrollees, including enrollees of Participating Agencies.

**Specific health benefits rate changes and factors:**

**Empire Blue Cross and Blue Shield (Hospital Program)**

A 3.3% premium equivalent increase results from a 7.4% going forward trend and a 2018 premium level generating a \$81.3 million gain (2.5% of premium). The projected gain is primarily attributable to lower 2017 base claim projections for outpatient and inpatient claims as compared to the trend projections used in developing the 2018 premium rates. The premium equivalent rates do not include any margin.

**UnitedHealthcare (Medical Program)**

A 4.4% premium equivalent increase for the United Healthcare medical component results from a 7.0% trend and a 2018 premium level generating a projected \$6.9 million loss, representing -0.2% of the projected 2018 premium. The modest 2018 plan year loss is primarily attributable to a slight increase in 2018 claim trend projections as compared to the trend projections used in developing the 2018 premium rates. The 2019 premium equivalent rates do not include any margin.

**Beacon Health Options (Mental Health and Substance Abuse Program)**

A 3.7% premium equivalent increase is a result of an 8.0% projected trend for 2019 and a 2018 premium level generating a projected \$7.2 million gain (2.5% of premium). The gain projected by Beacon Health Options is largely due to a decrease in projected 2018 incurred claims as compared to the incurred claim expenses used in developing the 2018 rates. The aggregate incurred claim trend for the Program has declined from 20.0% observed for the 2017 plan year to 8.9% projected for 2018. The Department anticipates claim expenses will continue to moderate through the remainder of 2018 and in 2019. The 2019 premium equivalent rates do not include any margin.

**CVS/Caremark (Prescription Drug Program)**

A 7.8% premium equivalent decrease is the result of a 1.2% trend and a 2018 premium level generating a projected \$13.3 million gain (0.7% of premium). The 2019 rate decrease is primarily attributable to the improved drug pricing and rebate guarantees resulting from the re-procurement the Prescription Drug Program contract. An anticipated \$23.0 million performance penalty related to contractual drug guarantees for 2018 claims is also contributing to the 2019 rate decrease. The 2019 premium equivalent rates do not include any margin.

**Other important information:**

### **NYSHIP Medicare Part B Premium Reimbursement**

The standard 2019 Medicare Part B monthly rate will increase 1.1% from the current 2018 monthly standard rate of \$134.00 to \$135.50 per month. In addition, for 2019 CMS will add a new income bracket for determining the Medicare Part B Income Related Monthly Adjustment Amount (IRMAA) surcharges for higher income Medicare beneficiaries. This new “highest” income bracket is for individuals earning over \$500,000 annually and married filing jointly beneficiaries earning over \$750,000 annually.

### **Retiree Deductions**

Retiree pension deductions for health insurance will change in the checks issued by the retirement systems at the end of December 2018. The December 31, 2018 deduction represents payment for January 2019 NYSHIP coverage.

### **Participating Agency Administrative Charge**

The 2019 administrative charge of \$2.652 per enrollee per month is 6.4% higher than the 2018 charge. The fee increase is primarily attributable to projected increases in personal service expenses that are partially offset by projected decreases in information technology expenses.

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)