



**Department of
Civil Service**

ANDREW M. CUOMO
Governor
LOLA W. BRABHAM
Acting Commissioner

PA 19-06
PA EX 19-05

To: Participating Agency Chief Executive Officers
and Health Benefit Administrators

From: James DeWan, Director of the Employee Benefits Division

Subject: Empire Plan Quarterly Experience Report

Date: June 26, 2019

Enclosed are the cover letter to agency Chief Executive Officers and the First Quarter Empire Plan Experience Report for 2019. This report presents the 2018 Empire Plan experience, the projected 2019 Empire Plan experience, and the projected 2020 premium rates.

Enclosures



**Department of
Civil Service**

ANDREW M. CUOMO
Governor
LOLA W. BRABHAM
Acting Commissioner

June 26, 2019

Dear Chief Executive Officer:

Attached is the Empire Plan First Quarter Experience Report for 2019. This report presents the final 2018 experience, the projected 2019 experience, based on claims paid through March 31, 2019, and the projected 2020 premium rates.

For the 2018 Plan Year, the Department of Civil Service (Department) declared a net dividend of \$312.2 million for the Empire Plan, representing 3.5% of premium. The underlying causes for this amount are discussed in the report.

For the 2019 Plan Year, the Empire Plan vendors project a net surplus of \$92.3 million, or 1.0% of premium. Since the 2019 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 2020 Empire Plan premium rates. These projections include a tentative dividend application amount of \$225 million, which represents an application of \$75 million more than the dividend credit included in the 2019 rates. The “best estimate” projected net premium increase for 2020 is 5.4%, in aggregate, for The Empire Plan and 5.1%, in aggregate, for The Excelsior Plan. These projections are based on several assumptions made by the vendors and the Department, and include a projected aggregate claims trend of approximately 8.8%. These assumptions are likely to change prior to the development of the final 2020 premium rates.

Given the ongoing fiscal challenges faced by the State and its localities, our continuing goal is to achieve 2020 NYSHIP rates that are as low as possible while promoting rate stability for the near future. The 2020 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 do not hesitate to contact me.

Sincerely,

James DeWan
Director
Employee Benefits Division

Attachment



**Department of
Civil Service**

PARTICIPATING AGENCIES

EMPIRE PLAN 2019 First Quarter Experience Report

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

EMPIRE PLAN EXPERIENCE REPORT

FIRST QUARTER 2019

Produced for

PARTICIPATING AGENCIES IN THE

NEW YORK STATE

HEALTH INSURANCE PROGRAM

by

The Employee Benefits Division

New York State Department of Civil Service

- Final 2018 Empire Plan Experience Page 1
- Projected 2019 Empire Plan Experience Page 2
- Projected 2020 Premium Rates Page 3

EXHIBITS

- I.** Final 2018 Empire Plan Experience
- II.** Projected 2019 Empire Plan Experience
- III.** Projected 2020 Participating Agency Premium Rates
- IV.** Empire Plan Participating Agency 5-Tier Group Rates (2011-2020)
- V.** Empire Plan Participating Agency 2-Tier Group Rates (2011-2020)

NYSHIP News Pages 4-6

**NEW YORK STATE HEALTH INSURANCE PROGRAM
PARTICIPATING AGENCY GROUP
EMPIRE PLAN EXPERIENCE REPORT
FIRST QUARTER 2019**

FINAL 2018 EMPIRE PLAN EXPERIENCE

As presented in Exhibit I, the Department declared an aggregate dividend of \$312.2 million (3.5% of premium). This represents an increase of \$34.2 million from the 2018 experience projected at the end of the fourth quarter. The actual dividend/(loss) as compared to the margin level included in the 2018 premium are as follows:

	Margin	<u>2018 Dividend/(Loss)</u>	<u>Experience Change</u>
Blue Cross Hospital	\$0.0	\$146.3	\$146.3
UHC Medical	\$0.0	\$73.7	\$73.7
Beacon Health MHSA	\$0.0	\$21.3	\$21.3
CVS Caremark Rx	\$0.0	\$70.9	\$70.9
Total	\$0.0	\$312.2	\$312.2

(In millions)

The final \$312.2 million dividend is primarily attributable to lower 2018 incurred claims for the Hospital, Medical, and Mental Health and Substance Abuse (MHSA) programs as compared to the claim projections used in developing the 2018 rates for the respective programs. The lower 2018 incurred claims for the Medical and MHSA programs are largely due to lower overall 2018 trends, 2% and 4% lower, respectively, as compared to the trend projections assumed in developing the 2018 rates. The final dividend for the Hospital Program is the combination of improved 2017 incurred claims (base claims) and improved 2018 plan year trend, as compared to the projections used in developing the 2018 rates. Lower 2018 utilization and pricing trends for inpatient services was the largest contributing factor to the improved 2018 Hospital Program experience. Although the reported 2018 Prescription Drug Program claims experience was slightly higher (0.30%) than the projections assumed in developing the 2018 rates, the increase in claim spend is more than offset by pharma rebates for the 2018 plan year which exceeded the projection assumed at the time of rate development by \$74 million.

PROJECTED 2019 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2019 surplus of \$92.3 million (1.0% 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 2019 trend as compared to the trend assumed during the 2019 premium rate development:

	<u>% of Paid Claims to Projected Incurred Claims</u>		<u>Projected 2019 Trend</u>	
	<u>2018</u>	<u>2019</u>	<u>At Renewal</u>	<u>At 1st Quarter</u>
Blue Cross Hospital	98.8%	15.2%	7.4%	6.7%
UHC Medical	98.8%	17.0%	7.0%	7.1%
Beacon Health MHSA	94.7%	10.9%	8.0%	5.6%
CVS Caremark Rx	100.0%	24.2%	1.2%	0.0%

The 2019 premium equivalent rates were developed by the Department based on projections from the vendors and Aon Hewitt. The premium rates established for the 2019 plan year reflected an aggregate net increase of 0.6% over the 2018 plan year rates. The 2019 net rates include the application of \$150 million in available dividend and accrued interest, but exclude any margin factor. The projected 2019 gain/(loss) by program as compared to the margin is as follows:

	<u>Margin</u>	<u>Projected 2019 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
Blue Cross Hospital	\$0.0	(\$3.9)	(\$3.9)
UHC Medical	\$0.0	\$28.0	\$28.0
Beacon Health MHSA	\$0.0	\$11.8	\$11.8
CVS Caremark Rx	\$0.0	\$56.4	\$56.4
Total	\$0.0	\$92.3	\$92.3

(In millions)

The overall 2019 experience, based on only three months of 2019 paid claim data, is projected to improve by \$92.3 million from the projections assumed at the time the 2019 premium rates were developed. The projected dividends reported for the MHSA and Prescription Drug programs are primarily reflective of lower 2019 trend estimates, while the projected dividend reported for the Medical Program is largely due to a decrease in the 2018 claim base, as compared to the projections assumed at the time of rate development. The projected experience reported for the Hospital Program remains relatively unchanged from the claim and expense projections assumed in developing the 2019 program rates.

2020 PROJECTED PREMIUM RATES

The 2020 premium rates for all four self-funded Empire Plan contracts will be developed with assistance from the Department's benefit consultant and the vendors administering the plan's programs. The projected 2020 increase in net premium as presented in Exhibit III, is 5.4% and 5.1% for the Empire Plan and the Excelsior Plan, respectively. The underlying assumptions/factors contributing to this increase include:

- A 2019 premium that is expected to result in a marginal surplus;
- A 2020 projected aggregate trend of 8.8%;
- A projected \$75 million increase in dividend application against the 2020 rates; and
- Increased application of Pharma Rebates and Employer Group Waiver Plan (EGWP) subsidies under the Prescription Drug Program.

While \$586.4 million in dividend is anticipated to be available on December 31, 2019, the projected 2020 premium rates include the tentative use of \$225 million in dividend, or \$75 million greater than the dividend credit included in the 2019 rates. The actual amount of dividend to be applied in the 2020 premium rates will be determined in September 2019 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 2011. Exhibit V presents, for illustrative purposes only, the 2-tier rate history from 2011 to 2020.



First Quarter Experience Report 2019

Employer Responsibility 1094-C and 1095-C

As a reminder, each NYSHIP employer is responsible for providing Form 1095-B or Form 1095-C to all of its Empire Plan and Excelsior Plan enrollees pursuant to the federal Patient Protection and Affordable Care Act (PPACA). The State of New York will not produce or send these forms to enrollees or the IRS. Employers can run an Affordable Care Act (ACA) Enrollment Report. The ACA Enrollment Report is a snapshot of all of an agency's employees, retirees, dependent survivors, vestees, young adult option enrollees and COBRA enrollees and their dependents who were enrolled in NYSHIP health insurance coverage at any time during the year.

For additional information regarding the ACA Enrollment Report, please refer to NYSHIP Memo PA 16-02.

Medicare Beneficiary ID

The Centers for Medicare and Medicaid Services (CMS) has begun 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 began 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.

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 Office of Financial Administration 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.

NYSHIP News
First Quarter Experience Report 2019

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

Upcoming Publications

An *Empire Plan Special Report* summarizing the 2019 benefit changes was mailed to enrollee homes on April 2, 2019. Please refer to HBA memo 19-04 for additional information.

Postcards to order the 2019 *Empire Plan Participating Provider Directories* will be mailed to enrollee homes by the end of June. Enrollees must return the postcard to request a directory based on their home zip code or another state or region. The first versions are on schedule to be printed and start mailing in late July. Watch for an HBA memo announcing their availability.

The 2019 version of the NYSHIP *General Information Book* for Participating Agencies will begin print production by the end of June and will be mailed to enrollees and shipped to agencies in early July. Watch for an HBA memo announcing its availability.

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 in memo PA 11-08/PAEX 11-05 dated May 2, 2011.

NYSHIP News
First Quarter Experience Report 2019

GASB 75/45 Actuarial Assumptions Reports and Census Data

To assist PAs in valuing their other postemployment benefit (OPEB) obligations under GASB 45 and/or GASB 75, the Department has made available Actuarial Assumption reports that resent assumptions and rationale used in the development of New York State and SUNY GASB45 and GASB 75 valuations.

The 2017 Actuarial Assumption report developed by the Employee Benefits Division's benefit consultant (AON Hewitt) is available online at:
<https://www.cs.ny.gov/GASB/2017-PA-Assumption-Report-Aon.pdf>

NYSHIP will provide agency census reports, upon request, for use in complying with the provisions of GASB 45 and GASB 75. Since the data included in this report should be current at 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: Pelu@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 on 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/financial-reports.cfm>