



September 20, 2019

Dear Chief Executive Officer:

Attached is the Empire Plan Second Quarter Experience Report for 2019. This report presents the projected 2019 experience, based on claims paid through June 30, 2019, and the projected 2020 premium rates.

For the 2019 Plan Year, the Empire Plan vendors project a net surplus of \$65.2 million, or 0.7% of premium. Since the 2019 experience projections are based on only six months of paid claim data, the projections are expected to change as actual claims materialize throughout the remainder of the year.

Exhibit II 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 5.3%, 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 8.4%. 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 have begun, and we will provide more details when they are available.

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 Second Quarter Experience Report

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

EMPIRE PLAN EXPERIENCE REPORT

SECOND 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

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EXHIBITS

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

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

PROJECTED 2019 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2019 surplus of \$65.2 million (0.7% 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 2019 trend as compared to the trend assumed during the 2019 premium rate development:

	Percentage of Paid Claims to Projected Incurred Claims		Projected 2019 Trend	
	<u>2018</u>	<u>2019</u>	<u>At Renewal</u>	<u>At 2nd Quarter</u>
Blue Cross Hospital	99.4%	38.9%	7.4%	6.4%
UHC Medical	99.4%	40.8%	7.0%	7.4%
Beacon Health MHSA	97.3%	32.7%	8.0%	3.8%
CVS Caremark Rx	100.0%	49.6%	1.2%	-0.9%

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 is as follows:

	Projected 2019 Dividend/(Loss)	Projected Experience Change
Blue Cross Hospital	(\$22.6)	(\$22.6)
UHC Medical	(\$29.3)	(\$29.3)
Beacon Health MHSA	\$16.9	\$16.9
CVS Caremark Rx	\$100.1	\$100.1
Total *	\$65.2	\$65.2

* Please note that totals differ due to rounding.

(In millions)

The overall 2019 experience, based on six months of 2019 paid claim data, is projected to improve by \$65.2 million from the projections assumed at the time the 2019 premium rates were developed. The projected losses reported for the Medical and Hospital Programs are largely due to increases in the respective 2018 claim bases, as compared to the projections assumed at the time of rate development. The projected dividends reported for the Prescription Drug and Mental Health and Substance Abuse (MHSA) programs are primarily reflective of lower 2019 trend estimates. The lower trends for the MHSA Program are driven by reduced utilization for higher cost out-of-network inpatient services, while improved brand and generic drug pricing are factors contributing to lower trends for the Prescription Drug Program.

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 5.3% 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 8.4%;
- 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 III presents The Empire Plan individual and family 5-tier billing rate history since 2011. Exhibit IV presents, for illustrative purposes only, the 2-tier rate history from 2011 to 2020.



Information for NYSHIP Participating Agencies

Second 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 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 an agency's employees, retirees, dependent survivors, vestees and 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.

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

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Current and Upcoming Publications

- The 2019 version of the *NYSHIP General Information Book* for Participating Agencies was mailed to enrollees and shipped to agencies on July 19-26. See HBA Memo PA 19-07/PAEX 19-06 for additional information.
- Postcards to order the 2019 *Empire Plan Participating Provider Directories* were mailed to enrollee homes on June 26 – July 10, 2019. The four NY directories (NYC, Hudson Valley, Long Island and Upstate) have all been printed and mailed to enrollees who requested them by returning their postcards. The remaining versions for other states are in production and will be mailed as they are completed. See HBA Memo PA 19-08/PAEX 19-07 for additional information.
- The 2019 Creditable Coverage Letters and Annual Children's Health Insurance Program (CHIP) Notices were mailed to enrollee homes on September 13-16, 2019. See HBA Memo PA 19-09/PAEX 19-08 for additional information.
- The *Empire Plan Reports* for PAs (Empire and Excelsior) that will address 2020 changes and updates are scheduled to be mailed in October. These mailings will include updated 2020 copayment cards and a new publication, *Reporting On the Mental Health and Substance Abuse Program*. Watch for an HBA Memo announcing their 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.

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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 2018 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>

PROJECTED 2019 EMPIRE PLAN EXPERIENCE
In (000's)

	EMPIRE	UNITED HEALTHCARE MEDICAL				BEACON HEALTH OPTIONS MHSA				CVS CAREMARK	TOTAL
	BLUE CROSS	Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined	DRUG	
A Premium (1)	3,387,323	2,711,113	354,852	371,882	3,437,847	221,085	37,314	35,005	293,404	1,885,652	9,004,226
B Incurred Claims (2)	3,314,834	2,537,891	355,567	373,633	3,267,091	198,677	34,434	27,765	260,876	1,757,582	8,600,383
C Administrative Expense (3)	95,067	164,607	17,285	18,175	200,067	11,838	2,067	1,691	15,596	27,925	338,655
D Gain/(Loss) (A-B-C)	(22,578)	8,615	(18,000)	(19,926)	(29,311)	10,570	813	5,549	16,932	100,145	65,188

(1) Earned Premium - Premium which pays for coverage for the period reported (accrual basis).

(2) Incurred Claims - Represents the cost of covered services provided during the period reported by the vendor (accrual basis).

(3) Administrative Expenses - All charges by the vendor other than for the payment of claims.
 Includes vendor's cost to administer the program, interest charges, and other retention.

Source: Vendors' 2019 2nd Quarter Experience Reports.

2020 Premium Projections

Empire Plan

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2019</u>	<u>2020 (3)</u>	<u>% Change</u>	<u>2019</u>	<u>2020 (3)</u>	<u>% Change</u>
<u>Optimistic Projections</u>						
Individual Plan Prime	1,055.48	1,105.18	4.7%	1,042.85	1,079.84	3.5%
Family Plan Prime	2,441.27	2,552.95	4.6%	2,412.77	2,494.22	3.4%
Individual Mediprime	419.89	425.25	1.3%	403.27	408.46	1.3%
Family - 1 Mediprime	1,805.70	1,873.02	3.7%	1,773.19	1,822.86	2.8%
Family - 2+ Mediprime	1,170.10	1,193.09	2.0%	1,133.57	1,151.46	1.6%
Aggregate			4.0%			3.0%
<u>Best Estimate Projections</u>						
Individual Plan Prime	1,055.48	1,127.87	6.9%	1,042.85	1,102.53	5.7%
Family Plan Prime	2,441.27	2,605.14	6.7%	2,412.77	2,546.41	5.5%
Individual Mediprime	419.89	436.59	4.0%	403.27	419.80	4.1%
Family - 1 Mediprime	1,805.70	1,913.87	6.0%	1,773.19	1,863.71	5.1%
Family - 2+ Mediprime	1,170.10	1,222.60	4.5%	1,133.57	1,180.97	4.2%
Aggregate			6.3%			5.3%
<u>Pessimistic Projections</u>						
Individual Plan Prime	1,055.48	1,150.53	9.0%	1,042.85	1,125.19	7.9%
Family Plan Prime	2,441.27	2,657.32	8.8%	2,412.77	2,598.59	7.7%
Individual Mediprime	419.89	447.92	6.7%	403.27	431.13	6.9%
Family - 1 Mediprime	1,805.70	1,954.71	8.3%	1,773.19	1,904.55	7.4%
Family - 2+ Mediprime	1,170.10	1,252.10	7.0%	1,133.57	1,210.47	6.8%
Aggregate			8.5%			7.6%

(1) Represents premiums set to fund all self insured costs.

(2) Represents cost to a participating agency.

(3) Projected Rates.

2020 Premium Projections

Excelsior Plan

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2019</u>	<u>2020 (3)</u>	<u>% Change</u>	<u>2019</u>	<u>2020 (3)</u>	<u>% Change</u>
<u>Optimistic Projections</u>						
Individual Plan Prime	953.85	999.20	4.8%	943.70	974.91	3.3%
Family Plan Prime	2,221.81	2,325.72	4.7%	2,198.72	2,269.40	3.2%
Individual Mediprime	373.81	379.66	1.6%	359.78	364.83	1.4%
Family - 1 Mediprime	1,641.77	1,706.20	3.9%	1,614.80	1,659.35	2.8%
Family - 2+ Mediprime	1,061.73	1,086.66	2.3%	1,030.89	1,049.26	1.8%
Aggregate			4.3%			3.0%
<u>Best Estimate Projections</u>						
Individual Plan Prime	953.85	1,018.70	6.8%	943.70	994.41	5.4%
Family Plan Prime	2,221.81	2,370.97	6.7%	2,198.72	2,314.65	5.3%
Individual Mediprime	373.81	389.59	4.2%	359.78	374.76	4.2%
Family - 1 Mediprime	1,641.77	1,741.86	6.1%	1,614.80	1,695.01	5.0%
Family - 2+ Mediprime	1,061.73	1,112.75	4.8%	1,030.89	1,075.35	4.3%
Aggregate			6.4%			5.1%
<u>Pessimistic Projections</u>						
Individual Plan Prime	953.85	1,039.02	8.9%	943.70	1,014.73	7.5%
Family Plan Prime	2,221.81	2,418.17	8.8%	2,198.72	2,361.85	7.4%
Individual Mediprime	373.81	399.63	6.9%	359.78	384.80	7.0%
Family - 1 Mediprime	1,641.77	1,778.77	8.3%	1,614.80	1,731.92	7.3%
Family - 2+ Mediprime	1,061.73	1,139.39	7.3%	1,030.89	1,101.99	6.9%
Aggregate			8.6%			7.4%

(1) Represents premiums set to fund all self insured costs.

(2) Represents cost to a participating agency.

(3) Projected Rates.

**EMPIRE PLAN
PA 5 TIER GROUP RATES
2011 - 2020 Monthly Rates**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
Individual Planprime				
2011	734.00	11.2%	693.92	13.3%
2012	751.55	2.4%	712.75	2.7%
2013	779.91	3.8%	767.98	7.7%
2014	789.31	1.2%	771.54	0.5%
2015	830.01	5.2%	805.05	4.3%
2016	874.17	5.3%	849.01	5.5%
2017	957.11	9.5%	944.39	11.2%
2018	1,022.47	6.8%	1,014.98	7.5%
2019	1,055.48	3.2%	1,042.85	2.7%
2020	1,127.87	6.9%	1,102.53	5.7%
Average Percent Increase				
From Inception of 5 Tier Structure (1996)		6.9%		7.3%
Most Recent 10 Years		5.5%		6.1%
Most Recent 5 Years		6.3%		6.5%
Family Planprime				
2011	1,598.49	11.7%	1,513.92	13.7%
2012	1,645.31	2.9%	1,562.80	3.2%
2013	1,712.76	4.1%	1,686.56	7.9%
2014	1,752.26	2.3%	1,714.19	1.6%
2015	1,862.59	6.3%	1,808.86	5.5%
2016	1,980.96	6.4%	1,926.21	6.5%
2017	2,188.54	10.5%	2,160.64	12.2%
2018	2,364.48	8.0%	2,348.15	8.7%
2019	2,441.27	3.2%	2,412.77	2.8%
2020	2,605.14	6.7%	2,546.41	5.5%
Average Percent Increase				
From Inception of 5 Tier Structure (1996)		7.0%		7.3%
Most Recent 10 Years		6.2%		6.8%
Most Recent 5 Years		7.0%		7.1%
Individual Medprime				
2011	446.90	11.5%	405.64	10.4%
2012	447.66	0.2%	419.24	3.4%
2013	409.85	-8.4%	399.33	-4.7%
2014	424.22	3.5%	408.77	2.4%
2015	412.95	-2.7%	401.84	-1.7%
2016	459.28	11.2%	452.79	12.7%
2017	439.91	-4.2%	421.40	-6.9%
2018	449.90	2.3%	444.39	5.5%
2019	419.89	-6.7%	403.27	-9.3%
2020	436.59	4.0%	419.80	4.1%
Average Percent Increase				
From Inception of 5 Tier Structure (1996)		3.3%		3.8%
Most Recent 10 Years		1.1%		1.6%
Most Recent 5 Years		1.3%		1.2%

(1) Represents premiums paid to the vendors (2011-2013) and premiums set to fund all self insured costs (2014-2020).
(2) Represents cost to a participating agency.

EMPIRE PLAN PA 5 TIER GROUP RATES 2011 - 2020 Monthly Rates
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	Gross Rate(1)	% Change	Net Rate(2)	% Change
Family - 1 Medprime				
2011	1,311.39	11.9%	1,225.62	12.9%
2012	1,341.42	2.3%	1,269.28	3.6%
2013	1,342.71	0.1%	1,317.93	3.8%
2014	1,387.18	3.3%	1,351.42	2.5%
2015	1,445.54	4.2%	1,405.68	4.0%
2016	1,566.06	8.3%	1,530.00	8.8%
2017	1,671.33	6.7%	1,637.63	7.0%
2018	1,791.89	7.2%	1,777.54	8.5%
2019	1,805.70	0.8%	1,773.19	-0.2%
2020 projected	1,913.87	6.0%	1,863.71	5.1%
<u>Average Percent Increase</u>				
From Inception of 5 Tier Structure (1996)		5.8%		6.1%
Most Recent 10 Years		5.1%		5.6%
Most Recent 5 Years		5.8%		5.9%
Family - 2 or More Medprime				
2011	1,024.28	12.3%	937.31	11.5%
2012	1,037.53	1.3%	975.77	4.1%
2013	972.66	-6.3%	949.28	-2.7%
2014	1,022.11	5.1%	988.69	4.2%
2015	1,028.48	0.6%	1,002.46	1.4%
2016	1,151.17	11.9%	1,133.77	13.1%
2017	1,154.11	0.3%	1,114.63	-1.7%
2018	1,219.31	5.6%	1,206.95	8.3%
2019	1,170.10	-4.0%	1,133.57	-6.1%
2020 projected	1,222.60	4.5%	1,180.97	4.2%
<u>Average Percent Increase</u>				
From Inception of 5 Tier Structure (1996)		4.2%		4.6%
Most Recent 10 Years		3.1%		3.6%
Most Recent 5 Years		3.7%		3.6%

(1) Represents premiums paid to the vendors (2011-2013) and premiums set to fund all self insured costs (2014-2020).
(2) Represents cost to a participating agency.

**EMPIRE PLAN
PA 2 TIER GROUP RATES
2011 - 2020 Monthly Rates
(For Illustrative Purposes Only)**

	Gross Rate(1)	% Change	Net Rate(2)	% Change
Individual				
2011	621.78	11.5%	581.69	12.8%
2012	619.95	-0.3%	584.75	0.5%
2013	608.23	-1.9%	594.58	1.7%
2014	619.05	1.8%	602.57	1.3%
2015	643.84	4.0%	624.64	3.7%
2016	681.30	5.8%	663.86	6.3%
2017	724.25	6.3%	710.27	7.0%
2018	770.58	6.4%	764.28	7.6%
2019	780.11	1.2%	765.06	0.1%
2020	826.37	5.9%	805.46	5.3%
<u>Average Percent Increase</u>				
From Inception (1986)		6.6%		6.6%
Most Recent 10 Years		4.1%		4.6%
Most Recent 5 Years		5.1%		5.3%
Family				
2011	1,441.84	11.2%	1,353.97	12.5%
2012	1,478.23	2.5%	1,398.52	3.3%
2013	1,502.55	1.6%	1,471.47	5.2%
2014	1,539.35	2.4%	1,502.31	2.1%
2015	1,604.08	4.2%	1,557.93	3.7%
2016	1,722.49	7.4%	1,678.01	7.7%
2017	1,856.96	7.8%	1,825.69	8.8%
2018	1,979.89	6.6%	1,965.09	7.6%
2019	2,002.23	1.1%	1,968.14	0.2%
2020	2,126.49	6.2%	2,075.13	5.4%
<u>Average Percent Increase</u>				
From Inception (1986)		7.2%		7.2%
Most Recent 10 Years		5.1%		5.7%
Most Recent 5 Years		5.8%		5.9%

(1) Represents premiums paid to the vendors (2011-2013) and premiums set to fund all self insured costs (2014-2020)

(2) Represents cost to a participating agency.