



**Department of  
Civil Service**

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PE 18-06

To: Participating Employer Chief Executive Officers and  
Health Benefit Administrators

From: James DeWan, Director of the Employee Benefits Division

Subject: Empire Plan Quarterly Experience Report

Date: July 13, 2018

Attached is the Empire Plan First Quarter Experience Report for 2018. This report presents the final 2017 experience, the projected 2018 experience, based on claims paid through March 31, 2018, and the projected 2019 premium rates.

For the 2017 Plan Year, the Department of Civil Service (Department) declared a net dividend of \$246.4 million for the Empire Plan, representing 3.0% of premium. The underlying causes for this amount are discussed in the report.

For the 2018 Plan Year, the Empire Plan vendors project a net surplus of \$31.2 million, or 0.3% of premium. Since the 2018 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 2019 Empire Plan premium rates. These projections include a tentative dividend application amount of \$190 million, which represents an application of \$120 million more than the dividend credit included in the 2018 rates. The "best estimate" projected net premium increase for 2019 is 7.6%, in aggregate, for The Empire Plan. These projections are based on several assumptions made by the vendors and the Department, and include a projected aggregate claims trend of approximately 9.3%. These assumptions are likely to change prior to the development of the final 2019 premium rates.

Given the ongoing fiscal challenges faced by the State and its localities, our continuing goal is to achieve 2019 NYSHIP rates that are as low as possible while promoting rate stability for the near future. The 2019 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.



**Department of  
Civil Service**

**PARTICIPATING EMPLOYERS**

**EMPIRE PLAN  
2018 First Quarter  
Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**FIRST QUARTER 2018**

**Produced for**

**PARTICIPATING EMPLOYERS 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.** Final 2017 Empire Plan Experience
- II.** Projected 2018 Empire Plan Experience
- III.** Projected 2019 Empire Plan Premium Rates
- IV.** Monthly Rate History (2010-2019)

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**NEW YORK STATE HEALTH INSURANCE PROGRAM  
PARTICIPATING EMPLOYER GROUP  
EMPIRE PLAN EXPERIENCE REPORT  
FIRST QUARTER 2018**

**FINAL 2017 EMPIRE PLAN EXPERIENCE**

As presented in Exhibit I, the Department declared an aggregate dividend of \$246.4 million (3.0% of premium). This represents a decrease of \$11.7 million from the 2017 experience projected at the end of the fourth quarter. The actual dividend/(loss) as compared to the margin level included in the 2017 premium are as follows:

	<b><u>Margin</u></b>	<b><u>2017 Dividend/(Loss)</u></b>	<b><u>Experience Change</u></b>
Blue Cross Hospital	\$0.0	\$3.8	\$3.8
UHC Medical	\$0.0	\$63.3	\$63.3
Beacon Health MHSA	\$0.0	(\$42.1)	(\$42.1)
CVS Caremark Rx	\$0.0	\$221.3	\$221.3
<b>Total*</b>	<b>\$0.0</b>	<b>\$246.4</b>	<b>\$246.4</b>

(In millions)

\* Please note that totals differ due to rounding.

The overall projected 2017 experience improved by \$246.4 million from the projections made at the time the premium was developed. The gain for the 2017 plan year is primarily attributable to lower incurred claim projections for the Medical and Prescription Drug Programs, as compared to the claim projections used in developing the 2017 rates, as well as higher than anticipated prescription drug pharma rebates as reported by CVS Caremark. The Hospital Program is also contributing to the gain with a projected modest surplus of \$3.8 million. The gains for the Medical, Hospital, and Prescription Drug Programs are partially offset by projected losses reported by the Mental Health and Substance Abuse (MHSA) Program vendor. The projected loss for the MHSA Program is primarily due to a significant increase in inpatient services for the treatment of substance use disorders observed during the 2017 plan year.

**PROJECTED 2018 EMPIRE PLAN EXPERIENCE**

The Empire Plan vendors project an aggregate 2018 surplus of \$31.2 million (0.3% 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 2018 trend as compared to the trend assumed during the 2018 premium rate development:

	<b><u>% of Paid Claims to Projected Incurred Claims</u></b>		<b><u>Projected 2018 Trend</u></b>	
	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>At Renewal</u></b>	<b><u>At 1st Quarter</u></b>
Blue Cross Hospital	98.5%	14.8%	7.9%	8.9%
UHC Medical	98.6%	17.0%	6.8%	6.7%
Beacon Health MHSA	95.5%	11.6%	10.0%	9.3%
CVS Caremark Rx	100.0%	24.1%	9.6%	11.6%

The 2018 premium equivalent rates were developed by the Department based on projections from the vendors and Aon Hewitt. The premium rates established for the 2018 plan year reflected an aggregate net increase of 7.5% over the 2017 plan year rates. The 2018 net rates include the application of \$70 million in available dividend and accrued interest, but exclude any margin factor. The projected 2018 gain/(loss) by program as compared to the margin is as follows:

	<b><u>Margin</u></b>	<b><u>Projected 2018 Dividend/(Loss)</u></b>	<b><u>Projected Experience Change</u></b>
Blue Cross Hospital	\$0.0	\$46.3	\$46.3
UHC Medical	\$0.0	(\$9.5)	(\$9.5)
Beacon Health MHSA	\$0.0	(\$0.6)	(\$0.6)
CVS Caremark Rx	\$0.0	(\$5.0)	(\$5.2)
<b>Total</b>	<b>\$0.0</b>	<b>\$31.2</b>	<b>\$31.2</b>

(In millions)

The projected \$31.2 million gain is primarily attributable to lower 2018 incurred claim projections and lower 2017 base claim projections for the Hospital Program as compared to the claim projections used in developing the 2018 rates. The projected gain reported by the Hospital Program vendor is partially offset by modest losses projected for the Medical, Mental Health and Substance Abuse (MHSA), and Prescription Drug Programs. The increased trend projections for the Prescription Drug Program are largely due to increased utilization projections for high cost specialty drugs. The increased 2018 prescription drug claim projections are partially offset by higher than anticipated pharma rebates for the 2018 plan year.

## **2019 PROJECTED PREMIUM RATES**

The 2019 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. As presented in Exhibit III, the projected 2019 increase in net premium is 7.6% for the Empire Plan. The underlying assumptions/factors contributing to this increase include:

- A 2018 premium that is expected to result in a marginal surplus;
- A 2019 projected aggregate trend of 9.3%;
- A projected \$120 million increase in dividend application against the 2019 rates; and
- Continued high prescription drug cost and utilization trends for specialty drugs and non-specialty brand name drugs.

While \$410.4 million in dividend is anticipated to be available on December 31, 2018, the projected 2019 premium rates include the tentative use of \$190 million in dividend, or \$120 million greater than the dividend credit included in the 2018 rates. The actual amount of dividend to be applied in the 2019 premium rates will be determined in September 2018 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 billing rate history since 2010 for groups with and without drug coverage.



## Information for NYSHIP Participating Employers

### *First Quarter Experience Report 2018*

#### **Empire Plan Prescription Drug Program**

The Department of Civil Service officially withdrew RFP #RX-2017-1 entitled, “Pharmacy Benefit Services for The Empire Plan, Excelsior Plan, Student Employee Health Plan and New York State Insurance Fund Workers’ Compensation Prescription Drug Programs” on May 21, 2018. A [new RFP](#) for these programs was released on May 29, 2018 and proposals are due from vendors on July 13, 2018. The Department intends to award, execute and implement a contract associated with this RFP by January 1, 2019, when the contract with CVS Health expires.

#### **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. The Employee Benefits Division is updating the enrollees’ MBIs on NYBEAS as we receive them from CMS. 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 EBD Financial Services Unit 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.

## **Upcoming Publications**

The Empire Plan *Participating Provider Directories* Postcard for 2018, which enrollees must return if they would like a printed copy of the Plan's directory.

## **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 PE 11-08, dated May 2, 2011.

## **GASB 75/45 Assumptions Report 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 present assumptions and rationale used in the development of New York State and SUNY GASB 45 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-PE-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 the 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](mailto: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 PE 06-11 and PE 06-18.



### **Prompt Payment of NYSHIP Premium**

As a continuing reminder, NYSHIP premium payments from Participating Agencies are due the 25<sup>th</sup> 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/interested-in-joining/>

**FINAL 2017 EMPIRE PLAN EXPERIENCE**  
**In (000's)**

	EMPIRE	UNITED HEALTHCARE MEDICAL				BEACON HEALTH OPTIONS MHSA				CVS CAREMARK	TOTAL
	BLUE CROSS	NY		PA	Combined	NY		PA	DRUG		
		Core	Enhancement	Enhancement		Core	Enhancement	Enhancement		Combined	
A Premium (1)	2,993,369	2,457,006	352,015	367,290	3,176,311	176,079	23,672	20,579	220,330	1,944,618	8,334,628
B Incurred Claims (2)	2,895,459	2,262,732	323,442	342,300	2,928,474	183,647	36,359	27,066	247,072	1,693,433	7,764,438
C Administrative Expense (3)	94,065	150,669	16,439	17,409	184,517	11,499	2,195	1,640	15,334	29,903	323,819
D Gain/(Loss) (A-B-C)	3,845	43,605	12,134	7,581	63,320	(19,067)	(14,882)	(8,127)	(42,076)	221,282	246,371

(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' 2017 Annual Experience Reports

**PROJECTED 2018 EMPIRE PLAN EXPERIENCE**  
**In (000's)**

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				BEACON HEALTH OPTIONS MHSA				CVS CAREMARK DRUG	TOTAL
		Core	NY Enhancement	PA Enhancement	Combined	Core	NY Enhancement	PA Enhancement	Combined		
A Premium (1)	3,294,400	2,589,650	347,079	369,822	3,306,551	220,794	37,833	26,728	285,355	2,049,120	8,935,426
B Incurred Claims (2)	3,154,846	2,469,322	319,771	330,612	3,119,705	201,751	39,610	28,971	270,332	2,023,787	8,568,670
C Administrative Expense (3)	93,280	163,132	16,312	16,943	196,387	11,788	2,095	1,690	15,573	30,338	335,578
D Gain/(Loss) (A-B-C)	46,274	(42,804)	10,996	22,267	(9,541)	7,255	(3,872)	(3,933)	(550)	(5,005)	31,178

(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' 2018 1st Quarter Experience Reports.

## 2019 Premium Projections Empire Plan With Drug Coverage

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2018</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>2019</u>	<u>% Change</u>
<u>Optimistic Projections</u>						
Individual Plan Prime	785.91	837.95	6.6%	778.51	819.39	5.3%
Family Plan Prime	1,965.83	2,096.32	6.6%	1,948.61	2,054.58	5.4%
<b>Aggregate</b>			<b>6.6%</b>			<b>5.4%</b>
<u>Best Estimate Projections</u>						
Individual Plan Prime	785.91	855.37	8.8%	778.51	836.81	7.5%
Family Plan Prime	1,965.83	2,139.98	8.9%	1,948.61	2,098.24	7.7%
<b>Aggregate</b>			<b>8.9%</b>			<b>7.6%</b>
<u>Pessimistic Projections</u>						
Individual Plan Prime	785.91	872.77	11.1%	778.51	854.21	9.7%
Family Plan Prime	1,965.83	2,183.56	11.1%	1,948.61	2,141.82	9.9%
<b>Aggregate</b>			<b>11.1%</b>			<b>9.9%</b>

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

(2) Represents cost to a participating employer.

## 2019 Premium Projections Empire Plan Without Drug Coverage

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
	<u>2018</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>2019</u>	<u>% Change</u>
<u>Optimistic Projections</u>						
Individual Plan Prime	589.35	622.88	5.7%	584.56	618.44	5.8%
Family Plan Prime	1,541.62	1,630.36	5.8%	1,529.83	1,618.83	5.8%
<b>Aggregate</b>			<b>5.7%</b>			<b>5.8%</b>
<u>Best Estimate Projections</u>	<u>2018</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Individual Plan Prime	589.35	633.65	7.5%	584.56	629.21	7.6%
Family Plan Prime	1,541.62	1,659.61	7.7%	1,529.83	1,648.08	7.7%
<b>Aggregate</b>			<b>7.6%</b>			<b>7.7%</b>
<u>Pessimistic Projections</u>	<u>2018</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Individual Plan Prime	589.35	644.40	9.3%	584.56	639.96	9.5%
Family Plan Prime	1,541.62	1,688.78	9.5%	1,529.83	1,677.25	9.6%
<b>Aggregate</b>			<b>9.5%</b>			<b>9.6%</b>

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

(2) Represents cost to a participating employer.

**PARTICIPATING EMPLOYER RATES  
2010-2019 MONTHLY RATES**

**REPRESENTS ENROLLEES WITH RX DRUG COVERAGE**

<b>Individual</b>	<b>Gross Rate (1)</b>	<b>% Change</b>	<b>Net Rate (2)</b>	<b>% Change</b>
2010	536.22	5.6%	499.07	3.6%
2011	599.25	11.8%	561.83	12.6%
2012 (3)	646.04	7.8%	612.26	9.0%
2013	622.25	-3.7%	609.56	-0.4%
2014	633.04	1.7%	617.51	1.3%
2015	656.23	3.7%	641.39	3.9%
2016	695.47	6.0%	680.91	6.2%
2017	737.16	6.0%	722.61	6.1%
2018	785.91	6.6%	778.51	7.7%
2019 Projected	855.37	8.8%	836.81	7.5%
<b><u>Average Percent Increase</u></b>				
From Inception (1985)		6.9%		6.9%
Most Recent 10 Years		5.4%		5.7%
Most Recent 5 Years		6.2%		6.3%
<b>Family</b>				
2010	1,248.31	4.8%	1,165.06	2.9%
2011	1,390.76	11.4%	1,308.84	12.3%
2012 (3)	1,500.45	7.9%	1,423.94	8.8%
2013	1,499.54	-0.1%	1,470.65	3.3%
2014	1,534.36	2.3%	1,499.61	2.0%
2015	1,595.52	4.0%	1,559.83	4.0%
2016	1,719.56	7.8%	1,682.33	7.9%
2017	1,846.14	7.4%	1,813.90	7.8%
2018	1,965.83	6.5%	1,948.61	7.4%
2019 Projected	2,139.98	8.9%	2,098.24	7.7%
<b><u>Average Percent Increase</u></b>				
From Inception (1985)		7.5%		7.5%
Most Recent 10 Years		6.1%		6.4%
Most Recent 5 Years		6.9%		7.0%

(1) Represents premiums charged by the carriers (2010-2013) and premiums set to fund all self insured costs (2014-2019).

(2) Represents the premium charged to a participating employer.

(3) Reflects rates effective 7/1/2012.

**PARTICIPATING EMPLOYER RATES  
2010-2019 MONTHLY RATES**

**REPRESENTS ENROLLEES WITHOUT RX DRUG COVERAGE**

<b>Individual</b>	<b>Gross Rate (1)</b>	<b>% Change</b>	<b>Net Rate (2)</b>	<b>% Change</b>
2010	383.85	6.7%	361.11	4.4%
2011	422.70	10.1%	407.98	13.0%
2012 (3)	470.89	11.4%	450.01	10.3%
2013	473.37	0.5%	466.99	3.8%
2014	472.25	-0.2%	464.40	-0.6%
2015	493.41	4.5%	481.69	3.7%
2016	506.79	2.7%	492.32	2.2%
2017	548.57	8.2%	545.24	10.7%
2018	589.35	7.4%	584.56	7.2%
2019 Projected	633.65	7.5%	629.21	7.6%
<b><u>Average Percent Increase</u></b>				
From Inception (1985)		6.5%		6.6%
Most Recent 10 Years		5.9%		6.2%
Most Recent 5 Years		6.1%		6.3%
<b>Family</b>				
2010	938.53	6.2%	884.48	4.0%
2011	1,034.74	10.3%	999.11	13.0%
2012 (3)	1,142.72	10.4%	1,092.47	9.3%
2013	1,190.63	4.2%	1,174.47	7.5%
2014	1,198.84	0.7%	1,179.71	0.4%
2015	1,257.61	4.9%	1,228.40	4.1%
2016	1,318.09	4.8%	1,281.05	4.3%
2017	1,442.64	9.4%	1,434.09	11.9%
2018	1,541.62	6.9%	1,529.83	6.7%
2019 Projected	1,659.61	7.7%	1,648.08	7.7%
<b><u>Average Percent Increase</u></b>				
From Inception (1985)		7.2%		7.3%
Most Recent 10 Years		6.5%		6.9%
Most Recent 5 Years		6.7%		7.0%

(1) Represents premiums charged by the carriers (2010-2013) and premiums set to fund all self insured costs (2014-2019).

(2) Represents the premium charged to a participating employer.

(3) Reflects rates effective 7/1/2012.