



**Department of
Civil Service**

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PE 18-12

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: October 3, 2018

Attached is the Empire Plan Second Quarter Experience Report for 2018. This report presents the projected 2018 experience, based on claims paid through June 30, 2018, and the projected 2019 premium rates.

For the 2018 Plan Year, the Empire Plan vendors project a net surplus of \$28.0 million, or 0.3% of premium. Since the 2018 experience projections are based on 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 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 7.3%, 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 9.2%. 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 Second Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

SECOND 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.** Projected 2018 Empire Plan Experience
- II.** Projected 2019 Empire Plan Premium Rates
- III.** Monthly Rate History (2010-2019)

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

PROJECTED 2018 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2018 surplus of \$28.0 million (0.3% 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 2018 trends as compared to the trends assumed during the 2018 premium rate development:

	<u>% of Paid Claims to Projected Incurred Claims</u>		<u>Projected 2018 Trend</u>	
	<u>2017</u>	<u>2018</u>	<u>At Renewal</u>	<u>At 2nd Quarter</u>
Blue Cross Hospital	99.3%	38.6%	7.9%	8.4%
UHC Medical	99.5%	41.0%	6.8%	6.7%
Beacon Health MHSA	98.1%	33.3%	10.0%	9.0%
CVS Caremark Rx	100.0%	48.0%	9.6%	13.1%

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 8.2% 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:

	<u>Margin</u>	<u>Projected 2018 Dividend/(Loss)</u>	<u>Projected Experience Change</u>
Blue Cross Hospital	\$0.0	\$61.3	\$61.3
UHC Medical	\$0.0	(\$15.8)	(\$15.8)
Beacon Health MHSA	\$0.0	\$5.6	\$5.6
CVS Caremark Rx	\$0.0	(\$23.1)	(\$23.1)
Total	\$0.0	\$28.0	\$28.0

(In millions)

The projected \$28.0 million gain is primarily attributable to lower 2018 incurred claim projections for the Hospital and Mental Health and Substance Abuse (MHSA) programs as compared to the claim projections used in developing the 2018 rates for the respective programs. Incurred claim trends for the MHSA Program have declined from 20.9% observed for the 2017 plan year to 9.0% projected for the 2018 plan year. The decreased trend is primarily due to lower in-network and out-of-network inpatient utilization. The projected 2018 Hospital Program gain is largely the result of lower 2017 base claim projections, as compared to the projections assumed at the time of rate development.

The projected gains reported by the Hospital and MHSA program vendors are partially offset by modest losses projected for the Medical and Prescription Drug programs. While the 2018 incurred claim projections for the Medical program are only slightly below the 2018 premium projections for the program, the 2018 aggregate claim trend projections for the Prescription Drug Program are approximately 3.5% higher than the trend projections used in developing the 2018 rates. The increased 2018 prescription drug claim projections are partially offset by higher than anticipated pharma rebates for the 2018 plan year as reported by CVS Caremark.

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. The projected 2019 increase in net premium as presented in Exhibit II, is 7.3% 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 9.2%;
- 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 III presents The Empire Plan individual and family billing rate history since 2010 for groups with and without drug coverage.



Information for NYSHIP Participating Employers

PE Second Quarter Experience Report 2018

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Availability of the Empire Plan Quarterly Experience Reports – Transition to Online Postings

Please note that beginning with the 2018 Fourth Quarter Experience Report Memo, we will no longer be mailing a hard copy of this memo, but they will continue to be available online.

As a reminder, all new HBA memos are posted to HBA Online, with a notification sent through NYBEAS. For those without access to NYBEAS and HBA online, the Empire Plan Quarterly Experience Reports for both Participating Agencies and Participating Employers are posted on the Department of Civil Service (DCS) public website at the following direct link: <https://www.cs.ny.gov/employee-benefits/pa-market/interested-in-joining/>.

Additionally, for anyone who wishes to receive an email containing an electronic copy of DCS HBA memos; including the Empire Plan Quarterly Experience Report memo, you may do so by signing up for an email notification (Listserv) at the following link: <https://www.cs.ny.gov/nyship/nyshipnews/>

2018 Participating Employer Annual Webinar

The Annual PE Webinar meetings will be scheduled this fall. Agency staff will be invited to participate in one session that will be offered. An HBA memo will be issued in September that will provide the Webinar date and registration information.

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 were due from vendors on July 13, 2018. The Department made a tentative award to the incumbent, CVS Health, on August 21, 2018, and will, execute a new contract by January 1, 2019, when the current contract with CVS Health expires. The Department intends to make 2019 formulary decisions in October and send disruption letters regarding 2019 prescription drug coverage changes to affected enrollees by mid-November.

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 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.

Current and Upcoming Publications

- The 2018 Participating Provider Directories (PPDs) for NYS and out-of-state versions are nearly complete and have been mailed to enrollees who requested them by returning their PPD postcard since late-August. All versions should be available by mid-October.
- The 2019 Option Transfer publications, including Choices, the PE Retiree rate flyer and 2019 Option Transfer Information flyer for Active PEs are under development and on schedule to be completed per the normal timeline.
- The 2019 Empire Plan at a Glance publications are also under development and are scheduled to mail to enrollees in December. This mailing will also include the 2019 Flexible Formulary, the 2019 Preventive Care Coverage Chart, the 2019 Out-of-Network Disclosure and the mandatory Notice of Non-Discrimination Policy.

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, PEs 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 Participating Employers 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: Pel@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 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. 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.

PROJECTED 2018 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)	3,278,277	2,575,123	343,978	369,645	3,288,746	219,444	37,595	26,664	283,703	2,041,482	8,892,208
B Incurred Claims (2)	3,123,605	2,455,820	322,410	332,151	3,110,381	199,535	32,453	30,536	262,524	2,034,378	8,530,888
C Administrative Expense (3)	93,333	161,229	16,206	16,775	194,210	11,789	1,951	1,827	15,567	30,171	333,281
D Gain/(Loss) (A-B-C)	61,339	(41,926)	5,362	20,719	(15,845)	8,120	3,191	(5,699)	5,612	(23,067)	28,039

(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 2nd Quarter Experience Reports.

2019 Premium Projections Empire Plan With Drug Coverage

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
<u>Optimistic Projections</u>	<u>2018</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Individual Plan Prime	785.91	836.56	6.4%	778.51	817.98	5.1%
Family Plan Prime	1,965.83	2,090.27	6.3%	1,948.61	2,048.46	5.1%
Aggregate			6.3%			5.1%
<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	785.91	853.98	8.7%	778.51	835.40	7.3%
Family Plan Prime	1,965.83	2,133.82	8.5%	1,948.61	2,092.01	7.4%
Aggregate			8.6%			7.3%
<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	785.91	871.38	10.9%	778.51	852.80	9.5%
Family Plan Prime	1,965.83	2,177.31	10.8%	1,948.61	2,135.50	9.6%
Aggregate			10.8%			9.6%

(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>Optimistic 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	621.59	5.5%	584.56	617.14	5.6%
Family Plan Prime	1,541.62	1,624.22	5.4%	1,529.83	1,612.63	5.4%
Aggregate			5.4%			5.4%
<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	632.36	7.3%	584.56	627.91	7.4%
Family Plan Prime	1,541.62	1,653.36	7.2%	1,529.83	1,641.77	7.3%
Aggregate			7.3%			7.3%
<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	643.11	9.1%	584.56	638.66	9.3%
Family Plan Prime	1,541.62	1,682.44	9.1%	1,529.83	1,670.85	9.2%
Aggregate			9.1%			9.2%

(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					
Individual		Gross Rate (1)	% Change	Net Rate (2)	% Change
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	853.98	8.7%	835.40	7.3%
<u>Average Percent Increase</u>					
From Inception (1985)			6.9%	6.9%	
Most Recent 10 Years			5.4%	5.7%	
Most Recent 5 Years			6.2%	6.2%	
Family					
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	2,133.82	8.5%	2,092.01	7.4%
<u>Average Percent Increase</u>					
From Inception (1985)			7.4%	7.5%	
Most Recent 10 Years			6.1%	6.4%	
Most Recent 5 Years			6.8%	6.9%	

(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				
Individual	Gross Rate (1)	% Change	Net Rate (2)	% Change
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	632.36	7.3%	627.91	7.4%
<u>Average Percent Increase</u>				
From Inception (1985)		6.5%		6.6%
Most Recent 10 Years		5.9%		6.2%
Most Recent 5 Years		6.0%		6.3%
Family				
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	1,653.36	7.2%	1,641.77	7.3%
<u>Average Percent Increase</u>				
From Inception (1985)		7.2%		7.3%
Most Recent 10 Years		6.5%		6.9%
Most Recent 5 Years		6.7%		6.9%

(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.