



**Department of
Civil Service**

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PE 19-05

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: April 4, 2019

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

For the 2018 Plan Year, the Empire Plan vendors project a net surplus of \$277.9 million, or 3.1% of premium. The underlying causes for the projected surplus are discussed in the report.

Exhibit II presents the projected 2020 Empire Plan premium rates. These projections include a tentative dividend application amount of \$180 million, which represents an application of \$30 million more than the dividend credit included in the 2019 rates. The “best estimate” projected net premium increase for 2020 is 6.0%, 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 6.5%. These assumptions are likely to change prior to the development of the final 2020 premium rates.

In 2019, the Empire Plan rate increase for participating employers was limited to 0.9%, largely as the result of the successful prescription drug procurement and the extension of certain benefit design changes. 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.



**Department of
Civil Service**

PARTICIPATING EMPLOYERS

**EMPIRE PLAN
2018 Fourth Quarter
Experience Report**

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

EMPIRE PLAN EXPERIENCE REPORT

FOURTH 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

- Projected 2018 Empire Plan Experience; and
- Projected 2020 Premium Rates Pages 1-2
- NYSHIP News Pages 3-6

EXHIBITS

- I.** Projected 2018 Empire Plan Experience at 12/31/2018
- II.** Projected 2020 Empire Plan Premium Rates
- III.** Monthly Rate History (2011-2020)

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

PROJECTED 2018 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2018 surplus of \$277.9 million (3.1% 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 4th Quarter</u>
Blue Cross Hospital	99.8%	88.9%	7.9%	6.2%
UHC Medical	99.9%	91.0%	6.8%	5.5%
Beacon Health MHSA	99.4%	79.9%	10.0%	6.0%
CVS Caremark Rx	100.0%	100.0%	9.6%	10.0%

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	\$146.3	\$146.3
UHC Medical	\$0.0	\$44.7	\$44.7
Beacon Health MHSA	\$0.0	\$17.3	\$17.3
CVS Caremark Rx	\$0.0	\$69.7	\$69.7
Total	\$0.0	\$277.9	\$277.9

(In millions)

The projected \$277.9 million gain is primarily attributable to lower 2018 incurred claim projections 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 claim projections for the Hospital and MHSA programs are largely due to improved trend projections for inpatient services, as compared to the trend projections assumed in developing the 2018 rates.

The aggregate 2018 incurred claim trend projection for the Medical Program has declined by 1.3% from the aggregate trend percentage assumed at the time of rate development. The decreased Medical Program trend projection is a combination of lower in-network and lower out-of-network projected claim experience as observed by UnitedHealthCare, the Medical Program vendor. Although the 2018 Prescription Drug Program claim projections are slightly higher (0.30%) than the projections assumed in developing the 2018 rate, the claim increase is offset by higher than anticipated pharma rebates for the 2018 plan year as reported by CVS Caremark.

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 II, is 6.0% for the Empire Plan. The underlying assumptions/factors contributing to this increase include:

- A 2020 projected aggregate trend of 6.5%;
- A projected \$30 million increase in dividend application against the 2019 rates;
- A 2019 premium that is expected to result in a marginal surplus; and
- Continued high prescription drug cost and utilization trends for specialty drugs and non-specialty brand name drugs.

While \$551.5 million in dividend is anticipated to be available on December 31, 2019, the projected 2020 premium rates include the tentative use of \$180 million in dividend, or \$30 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 billing rate history since 2011 for groups with and without drug coverage.



Information for NYSHIP Participating Employers

PE Fourth Quarter Experience Report 2018

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Employer Responsibility 1095-B 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, refer to NYSHIP memo PE 16-02.

Annual Health Cost Report for 2018 Available for Download

In accordance with the Patient Protection and Affordable Care Act (PPACA), the Annual W-2 Health Cost Report for NYSHIP Participating Agencies and Participating Employers for 2018 is available in NYBEAS to download. The report will provide a list of all enrollees who had active benefits for any period of time during the listed plan year, as well as the aggregate (full share) cost for those active benefits. The information will be downloadable as a Microsoft Excel spreadsheet and will include the following fields: Name, Social Security Number, Alternate ID, Benefit Program, Benefit Plan, Coverage Type, Year and Aggregate Cost. Keep in mind that if an employee had a change in benefit program, benefit plan or coverage type they will have multiple lines. This report will be accessible in NYBEAS until May 31, 2019.

For additional information, including instructions on how to access the report in NYBEAS, please refer to HBA Memo PA12-26 / PA-EX12-23 / PE12-33. If you have any questions concerning the W-2 Reporting requirement, please contact your attorney, accountant or tax professional. If you need assistance accessing the report or need information concerning NYBEAS access for your agency, please call the Employee Benefits Division at (518) 474-2780.

Empire Plan Prescription Drug Program

On January 8, 2019, the Office of the State Comptroller provided final approval to the Department of Civil Service's contract with CVS Caremark to provide Pharmacy Benefit Services to Empire Plan and Excelsior Plan members. The contract runs through December 31, 2023.

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

- Special *Empire Plan Reports* detailing the January 1, 2019 Empire Plan changes will be mailed to enrollee homes and shipped to agencies in early April. The Retiree version will also include the publication, *Welcome to EBD*, but the Active version will not. The 2019 copayment cards were included with the At A Glance publication, which was mailed to enrollees and agencies in December.
- An updated version of *Medicare & NYSHIP* for NY/PE Retirees will be shipped to agencies and available in April to order. This publication is included in the monthly 65th birthday mailing and retiree quick order packages.

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 31st 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.

New Remittance Page and Scanline for Agency Billing Statements

A change was made to the billing statement starting with the December 2018 bill (for January 2019 coverage). The monthly billing statement has been updated with a new remittance page that includes an agency specific scanline.

The new scanline will improve payment processing speed and accuracy. The remittance slip is to be detached from the top portion of the new remittance page (first billing page) and mailed with the agency's monthly payment in the blue envelope provided.

(Please note: This change does not affect agencies that pay by electronic transfer.)

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 2018 EMPIRE PLAN EXPERIENCE AT 12/31/2018

In (000's)

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				BEACON HEALTH OPTIONS MHSA				CVS CAREMARK DRUG	TOTAL
		NY	PA			NY	PA				
		Core	Enhancement	Enhancement	Combined	Core	Enhancement	Enhancement	Combined		
A Premium (1)	3,279,048	2,582,734	345,643	369,584	3,297,961	219,452	37,625	26,621	283,698	2,043,871	8,904,578
B Incurred Claims (2)	3,038,648	2,401,396	320,866	339,106	3,061,368	188,183	32,704	30,018	250,905	1,943,933	8,294,854
C Administrative Expense (3)	94,148	132,354	28,407	31,096	191,857	11,594	2,051	1,869	15,514	30,273	331,792
D Gain/(Loss) (A-B-C)	146,252	48,984	(3,630)	(618)	44,736	19,675	2,870	(5,266)	17,279	69,665	277,932

(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 4th Quarter Experience Reports.

2020 Premium Projections Empire Plan With Drug Coverage

	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	797.30	825.32	3.5%	781.81	808.75	3.4%
Family Plan Prime	1,999.47	2,084.19	4.2%	1,964.44	2,042.16	4.0%
Aggregate			4.1%			3.9%
<u>Best Estimate Projections</u>						
Individual Plan Prime	797.30	842.09	5.6%	781.81	825.52	5.6%
Family Plan Prime	1,999.47	2,126.68	6.4%	1,964.44	2,084.65	6.1%
Aggregate			6.2%			6.0%
<u>Pessimistic Projections</u>						
Individual Plan Prime	797.30	859.12	7.8%	781.81	842.55	7.8%
Family Plan Prime	1,999.47	2,169.91	8.5%	1,964.44	2,127.88	8.3%
Aggregate			8.4%			8.2%

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

(2) Represents cost to a participating employer.

(3) Projected Rates.

2020 Premium Projections Empire Plan Without Drug Coverage

	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	615.93	640.81	4.0%	611.88	630.31	3.0%
Family Plan Prime	1,606.04	1,683.48	4.8%	1,595.48	1,654.54	3.7%
Aggregate			4.7%			3.6%
<u>Best Estimate Projections</u>	<u>2019</u>	<u>2020 (3)</u>	<u>% Change</u>	<u>2019</u>	<u>2020 (3)</u>	<u>% Change</u>
Individual Plan Prime	615.93	651.87	5.8%	611.88	641.37	4.8%
Family Plan Prime	1,606.04	1,713.58	6.7%	1,595.48	1,684.64	5.6%
Aggregate			6.5%			5.4%
<u>Pessimistic Projections</u>	<u>2019</u>	<u>2020 (3)</u>	<u>% Change</u>	<u>2019</u>	<u>2020 (3)</u>	<u>% Change</u>
Individual Plan Prime	615.93	663.19	7.7%	611.88	652.69	6.7%
Family Plan Prime	1,606.04	1,744.42	8.6%	1,595.48	1,715.48	7.5%
Aggregate			8.4%			7.4%

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

(2) Represents cost to a participating employer.

(3) Projected Rates.

PARTICIPATING EMPLOYER RATES					
2011-2020 MONTHLY RATES					
REPRESENTS ENROLLEES WITH RX DRUG COVERAGE					
Individual	Gross Rate (1)	% Change	Net Rate (2)	% Change	
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	797.30	1.4%	781.81	0.4%	
2020 Projected	842.09	5.6%	825.52	5.6%	
<u>Average Percent Increase</u>					
From Inception (1985)		6.7%		6.7%	
Most Recent 10 Years		4.7%		5.2%	
Most Recent 5 Years		5.1%		5.2%	
Family					
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	1,999.47	1.7%	1,964.44	0.8%	
2020 Projected	2,126.68	6.4%	2,084.65	6.1%	
<u>Average Percent Increase</u>					
From Inception (1985)		7.2%		7.3%	
Most Recent 10 Years		5.5%		6.0%	
Most Recent 5 Years		5.9%		6.0%	

(1) Represents premiums charged by the carriers (2011-2013) and premiums set to fund all self insured costs (2014-2020).

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

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

PARTICIPATING EMPLOYER RATES				
2011-2020 MONTHLY RATES				
REPRESENTS ENROLLEES WITHOUT RX DRUG COVERAGE				
Individual	Gross Rate (1)	% Change	Net Rate (2)	% Change
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	615.93	4.5%	611.88	4.7%
2020 Projected	651.87	5.8%	641.37	4.8%
<u>Average Percent Increase</u>				
From Inception (1985)		6.4%		6.5%
Most Recent 10 Years		5.5%		6.0%
Most Recent 5 Years		5.7%		5.9%
Family				
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	1,606.04	4.2%	1,595.48	4.3%
2020 Projected	1,713.58	6.7%	1,684.64	5.6%
<u>Average Percent Increase</u>				
From Inception (1985)		7.1%		7.2%
Most Recent 10 Years		6.2%		6.7%
Most Recent 5 Years		6.4%		6.6%

(1) Represents premiums charged by the carriers (2011-2013) and premiums set to fund all self insured costs (2014-2020).

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

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