



**PE 18-02**

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 18, 2018

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

For the 2017 Plan Year, the Empire Plan vendors project a net surplus of \$258.1 million, or 3.1% of premium. The underlying causes for the projected surplus are discussed in the report.

Exhibit II presents the projected 2019 Empire Plan premium rates. These projections include a tentative dividend application amount of \$175 million, which represents an application of \$105 million more than the dividend credit included in the 2018 rates. The “best estimate” projected net premium increase for 2019 is 7.5%, in aggregate, for The Empire Plan. These projections are based on a number of assumptions made by the vendors and the Department, and include a projected aggregate claims trend of approximately 9.0%. 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 the NYSHIP participating employers, 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 don't hesitate to contact me.



**Department of  
Civil Service**

**PARTICIPATING EMPLOYERS**

**EMPIRE PLAN  
2017 Fourth Quarter  
Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**FOURTH QUARTER 2017**

**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**

- IA.** Projected 2017 Empire Plan Experience at 12/31/2017
- IB.** Projected 2017 Empire Plan Experience at 9/30/2017
- II.** Projected 2019 Empire Plan Premium Rates
- III.** Monthly Rate History (2010-2019)

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**NEW YORK STATE HEALTH INSURANCE PROGRAM  
PARTICIPATING EMPLOYER GROUP  
EMPIRE PLAN EXPERIENCE REPORT  
FOURTH QUARTER 2017**

**PROJECTED 2017 EMPIRE PLAN EXPERIENCE**

The Empire Plan vendors project an aggregate 2017 surplus of \$258.1 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 2017 trend as compared to the trend assumed during the 2017 premium rate development:

	<b><u>% of Paid Claims to Projected Incurred Claims</u></b>		<b><u>Projected 2017 Trend</u></b>	
	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>At Renewal</u></b>	<b><u>At 4th Quarter</u></b>
Blue Cross Hospital	99.7%	89.0%	6.9%	6.8%
UHC Medical	99.9%	91.3%	7.1%	6.4%
Beacon Health MHSA	99.4%	82.3%	7.5%	20.3%
CVS Caremark Rx	100.0%	100.0%	10.6%	7.3%

The 2017 premium equivalent rates were developed by the Department based on projections from the vendors and Aon Hewitt. The premium rates established for the 2017 plan year reflected an aggregate net increase of 8.4% over the 2016 plan year rates. The 2017 net rates include the application of \$150 million in available dividend and accrued interest, but exclude any margin factor. The projected 2017 gain/(loss) by program as compared to the margin is as follows:

	<b><u>Margin</u></b>	<b><u>Projected 2017 Dividend/(Loss)</u></b>	<b><u>Projected Experience Change</u></b>
Blue Cross Hospital	\$0	\$4.7	\$4.7
UHC Medical	\$0	\$79.1	\$79.1
Beacon Health MHSA	\$0	(\$40.8)	(\$40.8)
CVS Caremark Rx	\$0	\$215.0	\$215.0
<b>Total</b>	<b>\$0</b>	<b>\$258.1</b>	<b>\$258.1</b>

(In millions)

The overall projected 2017 experience has improved by \$258.1 million (3.10% of premium) from the projections made at the time the premium was developed. The projected 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 \$4.7 million. Approximately \$69.0 million of the aggregate \$79.1 million projected gain reported by the Medical Program vendor, UnitedHealthcare (UHC), is due to a reduction in the projected trend for the 2017 plan year. The remainder of the projected gain, approximately \$10 million, represents savings expected from UHC's efforts to recruit out-of-network providers into the Empire Plan Participating Provider network. Under the Prescription Drug Program, approximately \$93.0 million of the \$215.0 million projected gain reported by CVS Caremark is attributable to lower trends projected for generic and brand drugs.

The projected 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.

### **2019 PROJECTED PREMIUM RATES**

Similar to 2018, the 2019 premium rates for all four self-funded Empire Plan contracts will be developed by the Department 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 7.5% 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 9.0%; and
- A projected \$105 million increase in dividend application against the 2019 rates.

While \$421.6 million in dividend is anticipated to be available on December 31, 2018, the projected 2019 premium rates include the tentative use of \$175 million in dividend, or \$105 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.



**NYSHIP**  
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## Information for NYSHIP Participating Employers

### *Fourth Quarter Experience Report 2017*

#### **Participating Employer Annual Webinar**

Approximately 50 registrants attended the Annual PE Webinar meeting held on November 2, 2017. Department of Civil Service staff updated the participants on the 2017 financial experience and projected 2018 rates, federal health care reform, benefits administration and upcoming communications. The webinar was recorded live and is available through HBA Online for PE representatives who were unable to attend the webinars on the scheduled dates. Responses to the questions submitted by the attendees during the webinar have also been posted to HBA online.

#### **Medicare Beneficiary ID**

Beginning in April 2018, the Centers for Medicare and Medicaid Services (CMS) will begin mailing new Medicare identification cards containing a Medicare Beneficiary Identifier (MBI) to all Medicare enrollees. The MBI is replacing the Social Security Number-based Health Insurance Claim Number (HICN) to prevent 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 will begin no earlier than April 1, 2018 and will run through December 31, 2019. Effective January 1, 2020, CMS will no longer accept HICNs to submit or process claims.

The Employee Benefits Division is already coordinating efforts with our NYSHIP partners to assure a smooth transition for our Medicare enrollees. We will continue to keep you informed of our progress as we migrate through the CMS transition.

#### **Empire Plan Centers of Excellence for Infertility**

Effective November 11, 2017, Reproductive Specialists of New York, located in Mineola, was designated as a Centers of Excellence (COE) facility. Paid-in-full benefits are available, subject to the lifetime maximum of \$50,000 per covered person, when an Empire Plan enrollee or covered dependent chooses a COE for Infertility for qualified procedures. Prior-authorization is required. There are COE facilities located throughout NYS; to request a list of facilities or for more information, call the Medical/Surgical Program at 1-877-7-NYSHIP (1-877-769-7447).

**Role of the Data Access Officer: HBA Online and NYBEAS System Access**

As a reminder, Participating Agencies are required to have a designated Data Access Officer (DAO) to add or remove user access to Department of Civil Service systems (e.g., NYBEAS, HBA Online). DAOs are required to submit changes to permissions through the Online Civil Service Permission Request System (OCSPR) located at [www.cs.ny.gov](http://www.cs.ny.gov).

If an agency needs to establish or change their DAO, send the following information to the Public Employer Liaison Unit (PELU) on agency letterhead:

- Agency Name
- Agency Code
- Data Access Officer Name
- Data Access Officer Title
- Social Security Number
- E-mail Address(s)
- Phone Number(s)

This DAO change/update must be signed by an authorized signatory of the Agency (e.g., a CEO or CEO's designee). Once a DAO is established (if one has not already been established), the agency DAO can add or remove NYBEAS access for a user as appropriate.

All NYBEAS users should have their own individual sign-on to NYBEAS and passwords/access should not be shared by multiple users. NYBEAS access misuse may result in suspension or termination of NYBEAS privileges.

**(NOTE:** The DAO should not be the HBA or NYBEAS user.)

**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.

### **Recent and Upcoming Publications**

- 2018 Empire Plan *At A Glance*, see HBA memo PE 17-18;
- 2018 Summary of Benefits and Coverage (SBC), see HBA memo PE 17-19; and
- 2018 *Empire Plan Certificate* for PEs, scheduled for publication third quarter 2018.

### **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, please submit an official written request on your agency letterhead and indicate the calendar years for the reports you are requesting. All requests for reports should be directed to the NYS Department of Civil Service, Employee Benefits Division - Director's Office, Albany, NY 12239.

### **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 included in memos 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 75/45. 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 Employers are due the 31<sup>st</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/>

**PROJECTED 2017 EMPIRE PLAN EXPERIENCE AT 12/31/2017**

**In (000's)**

	EMPIRE BLUE CROSS	UNITED HEALTHCARE MEDICAL				BEACON HEALTH OPTIONS MHSA				CVS CAREMARK DRUG	TOTAL
		Core	Enhancement	Enhancement	Combined	Core	Enhancement	Enhancement	Combined		
A Premium (1)	2,993,369	2,457,006	352,015	367,290	3,176,311	176,079	23,671	20,579	220,329	1,944,618	8,334,627
B Incurred Claims (2)	2,894,593	2,250,868	320,602	339,233	2,910,703	183,771	35,587	26,438	245,796	1,699,684	7,750,776
C Administrative Expense (3)	94,076	152,383	16,553	17,529	186,465	11,566	2,159	1,608	15,333	29,921	325,795
D Gain/(Loss) (A-B-C)	4,700	53,755	14,860	10,528	79,143	(19,258)	(14,075)	(7,467)	(40,800)	215,013	258,056

(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: Vendor 2017 4th Quarter Reports

**PROJECTED 2017 EMPIRE PLAN EXPERIENCE AT 9/30/2017**

**In (000's)**

	EMPIRE	UNITED HEALTHCARE MEDICAL				BEACON HEALTH OPTIONS MHSA				CVS CAREMARK	TOTAL
	BLUE CROSS	NY	PA			NY	PA		DRUG		
		Core	Enhancement	Enhancement	Combined	Core	Enhancement	Enhancement	Combined		
A Premium (1)	2,989,379	2,453,452	351,566	366,660	3,171,678	175,841	23,634	20,556	220,031	1,941,247	8,322,335
B Incurred Claims (2)	2,948,449	2,256,356	319,274	343,770	2,919,400	190,946	34,434	24,313	249,693	1,771,174	7,888,716
C Administrative Expense (3)	93,870	157,965	16,297	17,510	191,772	11,687	2,151	1,513	15,351	29,994	330,987
D Gain/(Loss) (A-B-C)	(52,940)	39,131	15,995	5,380	60,506	(26,792)	(12,951)	(5,270)	(45,013)	140,079	102,632

(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: Vendor 2017 3rd Quarter 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 (3)</u>	<u>% Change</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>
Individual Coverage	785.91	833.06	6.0%	778.51	815.90	4.8%
Family Coverage	1,965.83	2,092.21	6.4%	1,948.61	2,053.63	5.4%
<b>Aggregate</b>			<b>6.3%</b>			<b>5.3%</b>
<u>Best Estimate Projections</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>
Individual Coverage	785.91	850.36	8.2%	778.51	833.20	7.0%
Family Coverage	1,965.83	2,135.80	8.6%	1,948.61	2,097.22	7.6%
<b>Aggregate</b>			<b>8.6%</b>			<b>7.5%</b>
<u>Pessimistic Projections</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>
Individual Coverage	785.91	867.61	10.4%	778.51	850.45	9.2%
Family Coverage	1,965.83	2,179.25	10.9%	1,948.61	2,140.67	9.9%
<b>Aggregate</b>			<b>10.8%</b>			<b>9.7%</b>

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

(2) Represents cost to a participating employer.

(3) Projected Rates.

## 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 (3)</u>	<u>% Change</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>
Individual Coverage	589.35	622.99	5.7%	584.56	618.98	5.9%
Family Coverage	1,541.62	1,631.25	5.8%	1,529.83	1,620.81	5.9%
<b>Aggregate</b>			<b>5.8%</b>			<b>5.9%</b>
<u>Best Estimate Projections</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>
Individual Coverage	589.35	633.79	7.5%	584.56	629.78	7.7%
Family Coverage	1,541.62	1,660.58	7.7%	1,529.83	1,650.14	7.9%
<b>Aggregate</b>			<b>7.7%</b>			<b>7.8%</b>
<u>Pessimistic Projections</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>	<u>2018</u>	<u>2019 (3)</u>	<u>% Change</u>
Individual Coverage	589.35	644.54	9.4%	584.56	640.53	9.6%
Family Coverage	1,541.62	1,689.77	9.6%	1,529.83	1,679.33	9.8%
<b>Aggregate</b>			<b>9.6%</b>			<b>9.7%</b>

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

(2) Represents cost to a participating employer.

(3) Projected Rates.

<b>PARTICIPATING EMPLOYER RATES</b>				
<b>2010-2019 MONTHLY RATES</b>				
<b>REPRESENTS ENROLLEES WITH RX DRUG COVERAGE</b>				
	<b>Gross Rate (1)</b>	<b>% Change</b>	<b>Net Rate (2)</b>	<b>% Change</b>
<b>Individual</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	850.36	8.2%	833.20	7.0%
<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		6.1%		6.2%
<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	2,135.80	8.6%	2,097.22	7.6%
<b><u>Average Percent Increase</u></b>				
From Inception (1985)		7.4%		7.5%
Most Recent 10 Years		6.1%		6.4%
Most Recent 5 Years		6.9%		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.

<b>PARTICIPATING EMPLOYER RATES</b>				
<b>2010-2019 MONTHLY RATES</b>				
<b>REPRESENTS ENROLLEES WITHOUT RX DRUG COVERAGE</b>				
	<b>Gross Rate (1)</b>	<b>% Change</b>	<b>Net Rate (2)</b>	<b>% Change</b>
<b>Individual</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	633.79	7.5%	629.78	7.7%
<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	1,660.58	7.7%	1,650.14	7.9%
<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.