



**Department of  
Civil Service**

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PE 19-11

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 12, 2019

Attached is the Empire Plan First Quarter Experience Report for 2019. This report presents the final 2018 experience, the projected 2019 experience based on claims paid through March 31, 2019, and the projected 2020 premium rates.

For the 2018 Plan Year, the Department of Civil Service (Department) declared a net dividend of \$312.2 million for the Empire Plan, representing 3.5% of premium. The underlying causes for this amount are discussed in the report.

For the 2019 Plan Year, the Empire Plan vendors project a net surplus of \$92.3 million, or 1.0% of premium. Since the 2019 experience projections are based on only three months of paid claims data, the projections are expected to change as actual claims materialize throughout the remainder of the year.

Exhibit III 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 5.7%, 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 8.8%. 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 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  
2019 First Quarter  
Experience Report**

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

# **EMPIRE PLAN EXPERIENCE REPORT**

**FIRST QUARTER 2019**

**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**

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- III.** Projected 2020 Empire Plan Premium Rates
- IV.** Monthly Rate History (2011-2020)

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**NEW YORK STATE HEALTH INSURANCE PROGRAM  
PARTICIPATING EMPLOYER GROUP  
EMPIRE PLAN EXPERIENCE REPORT  
FIRST QUARTER 2019**

**FINAL 2018 EMPIRE PLAN EXPERIENCE**

As presented in Exhibit I, the Department declared an aggregate dividend of \$312.2 million (3.5% of premium). This represents an increase of \$34.2 million from the 2018 experience projected at the end of the fourth quarter. The actual dividend/(loss) as compared to the margin level included in the 2018 premium are as follows:

	<b>Margin</b>	<b>2018 Dividend/(Loss)</b>	<b>Experience Change</b>
Blue Cross Hospital	\$0.0	\$146.3	\$146.3
UHC Medical	\$0.0	\$73.7	\$73.7
Beacon Health MHSA	\$0.0	\$21.3	\$21.3
CVS Caremark Rx	\$0.0	\$70.9	\$70.9
<b>Total</b>	<b>\$0.0</b>	<b>\$312.2</b>	<b>\$312.2</b>

(In millions)

The final \$312.2 million dividend is primarily attributable to lower 2018 incurred claims 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 claims for the Medical and MHSA programs are largely due to lower overall 2018 trends, 2% and 4% lower, respectively, as compared to the trend projections assumed in developing the 2018 rates. The final dividend for the Hospital Program is the combination of improved 2017 incurred claims (base claims) and improved 2018 plan year trend, as compared to the projections used in developing the 2018 rates. Lower 2018 utilization and pricing trends for inpatient services was the largest contributing factor to the improved 2018 Hospital Program experience. Although the reported 2018 Prescription Drug Program claims experience was slightly higher (0.30%) than the projections assumed in developing the 2018 rates, the increase in claim spend is more than offset by pharma rebates for the 2018 plan year which exceeded the projection assumed at the time of rate development by \$74 million.

## PROJECTED 2019 EMPIRE PLAN EXPERIENCE

The Empire Plan vendors project an aggregate 2019 surplus of \$92.3 million (1.0% 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 2019 trend as compared to the trend assumed during the 2019 premium rate development:

	<b>% of Paid Claims to Projected Incurred Claims</b>		<b>Projected 2019 Trend</b>	
	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>At Renewal</u></b>	<b><u>At 1st Quarter</u></b>
Blue Cross Hospital	98.8%	15.2%	7.4%	6.7%
UHC Medical	98.8%	17.0%	7.0%	7.1%
Beacon Health MHSA	94.7%	10.9%	8.0%	5.6%
CVS Caremark Rx	100.0%	24.2%	1.2%	0.0%

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 as compared to the margin is as follows:

	<b><u>Margin</u></b>	<b><u>Projected 2019 Dividend/(Loss)</u></b>	<b><u>Projected Experience Change</u></b>
Blue Cross Hospital	\$0.0	(\$3.9)	(\$3.9)
UHC Medical	\$0.0	\$28.0	\$28.0
Beacon Health MHSA	\$0.0	\$11.8	\$11.8
CVS Caremark Rx	\$0.0	\$56.4	\$56.4
<b>Total</b>	<b>\$0.0</b>	<b>\$92.3</b>	<b>\$92.3</b>

(In millions)

The overall 2019 experience, based on only three months of 2019 paid claim data, is projected to improve by \$92.3 million from the projections assumed at the time the 2019 premium rates were developed. The projected dividends reported for the MHSA and Prescription Drug programs are primarily reflective of lower 2019 trend estimates, while the projected dividend reported for the Medical Program is largely due to a decrease in the 2018 claim base, as compared to the projections assumed at the time of rate development. The projected experience reported for the Hospital Program remains relatively unchanged from the claim and expense projections assumed in developing the 2019 program rates.

## **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 5.7% for the Empire Plan. 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 8.8%;
- 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 IV presents The Empire Plan individual and family billing rate history since 2011 for groups with and without drug coverage.



**Information for NYSHIP Participating Employers**

*First Quarter PE Experience Report 2019*

**NYSHIP Benefit Changes for the Emblem Dental and Vision Plans**

The following enhancements effective June 1<sup>st</sup> were made to the NYS Dental plan administered by EmblemHealth and the NYS Vision Plan, administered by Davis Vision. These changes were administratively extended to PE’s that participate in the State plans. An HBA memo will be sent announcing the changes and a brochure was mailed to enrollee homes on July 5, 2019. Please refer to HBA memo PE 19-07.

**EmblemHealth Preferred Premier Dental Plan**

<u>Benefit</u>	<u>Old Coverage</u>	<u>New Coverage</u>
Annual Maximum (PP/PY)	\$2,300	\$3,000
Composite Fillings	Paid at Amalgam Rate	Covered
Dental Implant	Not Covered	Covered, subject to a \$600 Limitation per Implant
Lifetime Orthodontic Limit	\$1,998	\$3,000

**New Enrollee Waiting Period:** The waiting period for dental coverage has been reduced from six months to 56 days for eligible employees who are hired on or after June 1, 2019. Employees who were hired prior to June 1, 2019 will still need to complete the six-month waiting period.

**Davis Vision**

- Ultra/Digital Progressive Lenses are covered at a Participating Provider, subject to a \$90 copayment.
- A yearly contact lens exam will be available to enrollees whose last contact lenses were purchased through the NYS Vision Plan. This does not apply to enrollees who received eyeglasses or an exam only during their 24-month eligibility cycle.

If enrollees have any questions about the benefit changes, please direct them to contact EmblemHealth Dental at 1-800-947-0101 or Davis Vision at 1-888-588-4823.

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**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**

- An updated version of *Medicare & NYSHIP* for NY/PE Retirees (April 2019, AL1649) was shipped to agencies and is available to order. This publication is included in the monthly 65<sup>th</sup> birthday mailing and retiree quick order packages.
- Postcards for the 2019 Participating Provider Directories were mailed to enrollee homes on June 26-July 3, 2019. Enrollees who would like a printed copy based on their zip code and/or another region or state may return the postcard or call The Empire Plan toll free and select option 1 to request a copy.



**NYSHIP News**  
**First Quarter PE Experience Report 2019**

- New pre-retirement publications for PEs will be posted online and available to order in July. A small supply of *Planning for Retirement for Employees of Participating Employers* (June 2019, PE 0159) and the *Planning for Retirement Benefits Checklist for Employees of Participating Employers* (June 2019, PE 0160) will also be shipped to agencies. See HBA memo PE 19-08 for additional information.

**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.

**NYSHIP News**  
**First Quarter PE Experience Report 2019**

To request a copy of your agency's census information, please send an e-mail to: [Pel@cs.ny.gov](mailto: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.

**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>

**FINAL 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)	3,279,048	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)	3,038,649	2,375,354	320,481	338,843	3,034,678	182,430	33,325	31,143	246,898	1,942,864	8,263,089
C Administrative Expense (3)	94,120	130,412	28,229	30,908	189,549	11,534	2,072	1,908	15,514	30,148	329,331
D Gain/(Loss) (A-B-C)	146,279	76,968	(3,067)	(167)	73,734	25,488	2,228	(6,430)	21,286	70,859	312,158

(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 Annual Experience Reports

**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)	3,391,222	2,723,756	357,328	371,894	3,452,978	221,683	37,328	35,089	294,100	1,886,562	9,024,862
B Incurred Claims (2)	3,300,245	2,514,890	350,675	361,303	3,226,868	208,465	31,717	26,456	266,638	1,802,242	8,595,993
C Administrative Expense (3)	94,909	164,058	16,735	17,287	198,080	12,198	1,878	1,583	15,659	27,872	336,520
D Gain/(Loss) (A-B-C)	(3,932)	44,808	(10,082)	(6,696)	28,030	1,020	3,733	7,050	11,803	56,448	92,349

(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 1st Quarter Experience Reports.

## 2020 Premium Projections Empire Plan With Drug Coverage

	Monthly Gross Premium Rates (1)			Monthly Net Premium Rates (2)		
<u>Optimistic 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	797.30	830.34	4.1%	781.81	809.41	3.5%
Family Plan Prime	1,999.47	2,084.62	4.3%	1,964.44	2,033.31	3.5%
<b>Aggregate</b>			<b>4.2%</b>			<b>3.5%</b>
<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	797.30	847.20	6.3%	781.81	826.27	5.7%
Family Plan Prime	1,999.47	2,127.03	6.4%	1,964.44	2,075.72	5.7%
<b>Aggregate</b>			<b>6.4%</b>			<b>5.7%</b>
<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	797.30	864.34	8.4%	781.81	843.41	7.9%
Family Plan Prime	1,999.47	2,170.18	8.5%	1,964.44	2,118.87	7.9%
<b>Aggregate</b>			<b>8.5%</b>			<b>7.9%</b>

(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	645.76	4.8%	611.88	634.24	3.7%
Family Plan Prime	1,606.04	1,682.41	4.8%	1,595.48	1,651.44	3.5%
<b>Aggregate</b>			<b>4.8%</b>			<b>3.5%</b>
<u>Best Estimate Projections</u>						
Individual Plan Prime	615.93	656.91	6.7%	611.88	645.39	5.5%
Family Plan Prime	1,606.04	1,712.38	6.6%	1,595.48	1,681.41	5.4%
<b>Aggregate</b>			<b>6.6%</b>			<b>5.4%</b>
<u>Pessimistic Projections</u>						
Individual Plan Prime	615.93	668.34	8.5%	611.88	656.82	7.3%
Family Plan Prime	1,606.04	1,743.09	8.5%	1,595.48	1,712.12	7.3%
<b>Aggregate</b>			<b>8.5%</b>			<b>7.3%</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>2011-2020 MONTHLY RATES</b>					
<b>REPRESENTS ENROLLEES WITH RX DRUG COVERAGE</b>					
<b>Individual</b>		<b>Gross Rate (1)</b>	<b>% Change</b>	<b>Net Rate (2)</b>	<b>% Change</b>
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	847.20	6.3%	826.27	5.7%
<b><u>Average Percent Increase</u></b>					
From Inception (1985)			6.7%		6.7%
Most Recent 10 Years			4.8%		5.2%
Most Recent 5 Years			5.3%		5.2%
<b>Family</b>					
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	2,127.03	6.4%	2,075.72	5.7%
<b><u>Average Percent Increase</u></b>					
From Inception (1985)			7.2%		7.2%
Most Recent 10 Years			5.5%		6.0%
Most Recent 5 Years			5.9%		5.9%

(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.

<b>PARTICIPATING EMPLOYER RATES</b>				
<b>2011-2020 MONTHLY RATES</b>				
<b>REPRESENTS ENROLLEES WITHOUT RX DRUG COVERAGE</b>				
<b>Individual</b>	<b>Gross Rate (1)</b>	<b>% Change</b>	<b>Net Rate (2)</b>	<b>% Change</b>
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	656.91	6.7%	645.39	5.5%
<b><u>Average Percent Increase</u></b>				
From Inception (1985)		6.5%		6.5%
Most Recent 10 Years		5.6%		6.1%
Most Recent 5 Years		5.9%		6.1%
<b>Family</b>				
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	1,712.38	6.6%	1,681.41	5.4%
<b><u>Average Percent Increase</u></b>				
From Inception (1985)		7.1%		7.1%
Most Recent 10 Years		6.2%		6.7%
Most Recent 5 Years		6.4%		6.5%

(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.