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September 26, 2005

Mr. Robert DuBois
 Director, Employee Benefits Division
 New York State Department of Civil Service
 The W. Averell Harriman
 State Office Building Campus
 Albany, New York 12239

Re: NYS Hospitalization and BMP Program

Dear Mr. DuBois:

This letter summarizes the agreement reached between the NYS Department of Civil Service, the NYS Division of Budget and Empire Blue Cross Blue Shield with regard to the hospitalization and BMP Program renewal and administrative fees for the period 1/1/2006 – 12/31/2008. Premium rates will be agreed upon separately.

The following is the administrative fee portion of retention:

Year	PCPM Fee*	Percentage Increase
2006		
2007		
2008		

Should enrollment increase to more than 499,999 contracts, the administrative fees will be reduced by [redacted] per contract per month for *only* the incremental enrollment growth over 499,999 for the months NYSHIP enrollment is greater than the new threshold.

There will be no year-end settlement of these administrative fees to actual costs. Any difference between the guaranteed administrative fee and projected or actual cost will represent profit or loss to Empire BCBS. Settlement charges for the administrative component of retention will be the above pcpm fees times the average monthly contracts for each applicable year. Notwithstanding this paragraph, [redacted]

The administrative fees set forth above do not include the following, which shall be charged separately to the NYSHIP: [redacted]

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We look forward to continuing to work with you in the future.

Sincerely,



Ethel Graber
Vice President, Sales

Cc: Michael A. Stocker, M.D. – Chief Executive Officer, Empire
John Remshard – SVP & Chief Financial Officer, Empire
Linda Tiano – SVP & General Counsel, Empire
Kathryn McKinnon – VP & Chief Underwriter, Empire
William Corrigan – VP Underwriting

AGREED TO AND ACCEPTED

New York State Department of Civil Service



Print Name Daniel E. Wall
Title President
Date 9/26/05

APPROVED BY THE

New York State Division of the Budget



Print Name John E Burke
Title Chief Budget Examiner
Date 9/26/05