



Memo:

TO: Executive Board and Council Leaders
FROM: Lorraine Simpkins, Health Benefits Specialist
Deborah Stayman, Health Benefits Specialist
DATE: August 2, 2010
RE: **Cost of Reimbursing Medicare Part B Premiums to be Included as NYSHIP Premium Component – REVISION TO 7/23/10 MEMO**

In our memo dated 6/11/10, we advised you that the Assembly and Senate had passed emergency budget legislation mandating that the cost of reimbursing Medicare Part B premiums be included as a component of the New York State Health Insurance Program (NYSHIP) premiums. Prior to this change in law, the State paid the full cost of reimbursing Medicare Part B premiums to Medicare-primary NYSHIP enrollees. The law now requires that, retroactive to 4/1/10, the cost of Medicare Part B premium reimbursement be shared by the State and NYSHIP enrollees. Although this change does not modify the percentage enrollees pay for individual coverage (10%) and family coverage (25%), it will result in NYSHIP rate changes effective 10/1/10.

Special Option Transfer Period

As a result of these rate changes, there will be a Special Option Transfer Period from 8/2-8/31/10. A flyer announcing the Special Option Transfer Period and notifying NYSHIP enrollees of the rate changes will be mailed to enrollees' homes no later than 8/4/10. The flyer will be posted today on the Department of Civil Service website at www.cs.state.ny.us. Unlike the annual Option Transfer Period at the end of the year, online option changes using *MyNYSHIP* will **not** be available during the Special Option Transfer Period.

Employees enrolled in the Pre-Tax Contribution Program may only change options under certain circumstances. For example, if an employee's premium cost is increasing, s/he may change to a lower cost option. Other option changes that are allowed will be identified in the flyer.

The new premium deductions will begin on 9/29/10 for Administration Lag Payroll employees and 10/7/10 for Institution Lag Payroll employees.

NYSHIP Rate Changes

For PEF-represented employees enrolled in the Empire Plan, the rates will change as indicated below.

Empire Plan Coverage	1/1/10 Rate	10/1/10 Rate	\$ Change	% Change
Individual	\$22.97	\$27.38	\$4.41	19.2%
Family	\$99.60	\$110.57	\$10.97	11.0%

The new rates include the retroactive premium owed for the six-month period 4/1 through 10/1/10 making the rates higher than they would have been had the change been implemented on the effective date of 4/1/10. In other words, the 10/1/10 increases of \$4.41 and \$10.97 reflect nine (9) months of the employee's share of the Medicare Part B component compressed into the monthly rates for the remaining 3 months in plan year 2010. Had the Medicare Part B component been added to the NYSHIP rates on the effective date of 4/1/10, the increases in the biweekly deductions would have been one-third less as indicated below.

Empire Plan Coverage	1/1/10 Rate	4/1/10 Rate (If premium deductions had changed effective 4/1/10)	\$ Change	% Change
Individual	\$22.97	\$24.44	\$1.47	6.4%
Family	\$99.60	\$103.26	\$3.66	3.4%

When the new plan year for 2011 begins on the closest pay date to January 1st, the employee premium deduction for the cost of the Medicare Part B component will decrease from the \$4.41 and \$10.97 amounts (which includes the retroactive premium owed) and be closer to the \$1.47 and \$3.66 amounts (which does not include any retroactive premium owed). The exact amounts won't be known until the premium rates for plan year 2011 are developed later this year.

For PEF-represented employees enrolled in an HMO option, the rates will change as indicated on the attached page. The rates for individual coverage will be decreasing for all but three (3) HMO options and the rates for family coverage will be decreasing for all but one (1) HMO option.

The rate decreases are a result of the method the State uses to: 1) calculate the employer share of the HMO premium rates; and 2) calculate the premium cost of reimbursing Medicare Part B.

- Employer Share of HMO Premium - For HMO enrollees, the State's dollar contribution for the non-prescription drug components of the HMO premium does not exceed its dollar contribution for the non-prescription drug components of the Empire Plan premium. We refer to this as the HMO Employer Premium Cap. An HMO enrollee pays 100% of the amount exceeding the HMO Employer Premium Cap. The addition of the cost of reimbursing Medicare Part B in the Empire Plan premium raised the State's dollar contribution for the non-prescription drug components of the Empire Plan premium. As a result, the amount an HMO's premium exceeds the cap is decreasing thereby reducing the employee's premium cost.
- Medicare Part B – In calculating the cost of reimbursing Medicare Part B premiums, the State uses separate rating pools for the Empire Plan and all of the HMO options combined. There are far fewer Medicare-primary individuals enrolled in the HMO options than in the Empire Plan. The result of this is that the State's cost for reimbursing Medicare Part B is lower for the HMO options. The premium cost to HMO enrollees for this component of the rate is, therefore, lower.

PEF has already filed contract grievances challenging in its entirety the change in law allowing the State to include the cost of reimbursing Medicare Part B in the NYSHIP premiums. In

addition, we are also reviewing the method the State has chosen for calculating the premium adjustments necessary to implement this change and whether there are contractual and/or legal justifications for challenging the State's methodology.

If you have any questions, please contact Lorraine Simpkins or Deborah Stayman at PEF headquarters, ext. 283.

cc: Robert Carrothers, Director of Labor Relations
Elizabeth Hough, Director of Contract Administration