

Report To Nassau County Regarding Funding and Operation Of The  
New York State Health Insurance Program

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1. NYSHIP Statewide Quarterly Estimate of Annual Dividend.
2. Nassau County Calculation of Excess Premiums/Dividends
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## Preface

All levels of government are experiencing significant budgetary pressures, which require an in-depth examination of all programmatic expenditures, to ensure that scarce resources are managed wisely. This Report reflects such an examination, undertaken at the direction of Nassau County Executive Thomas R. Suozzi and Nassau County Comptroller Howard Weitzman.

Over the course of the past fifteen months, we have undertaken a detailed examination of the cost of healthcare benefits for active and retired Nassau County employees and their dependents. At the direction of the County, the analysis has been conducted consistent with the mandate that there be no change in the level of benefits or cost to employees and retirees.

As set forth in more detail in this Report, premiums charged to the State, Nassau County and other government entities are well beyond the amounts needed to cover the cost of providing benefits. Returning the accumulated excess premium immediately, and reducing premiums by 6% to avoid excess accumulations in the future, would result in substantial cash flow and budgetary benefits to the State, Nassau County and other governmental entities (“Participating Agencies”) that provide benefits to their employees, retirees and dependents through the New York State Insurance Program (“NYSHIP”).

Working cooperatively with the Governor’s Office, the Division of the Budget, and NYSHIP, we believe that the State, Nassau County and all other Participating Agencies can realize a significant ongoing budgetary benefit through the setting of Premiums at the appropriate level, and an immediate cash benefit through distribution of the accumulated Excess Premiums that have been paid into the NYSHIP Program.

## Acknowledgements

This Report has been prepared by George Kalkines, and Jeffrey Thrope of Manatt, Phelps & Phillips, LLP, with assistance from Charles Pendola of Hidden Assets, LLC.

We have worked closely with the Nassau County Office of Management and Budget, and the Nassau County Comptroller's Office. Specifically, we would like to acknowledge the following people, who have provided invaluable assistance:

County Executive Thomas R. Suozzi;  
County Comptroller Howard Weitzman;  
Deputy County Executive for Finance Thomas Stokes;  
Chief Deputy Comptroller Elizabeth Botwin;  
Director of Risk Management John Brooks;  
Director of Labor Relations Dan McCray;  
County Office of Management and Budget Staff; and  
County Comptroller's Office Staff.

## Executive Summary

The New York State Health Insurance Program (“NYSHIP”) was established under the New York State Civil Service Law as the mechanism through which the State provides health benefits to its employees and retirees. Many local government entities, including counties, cities, towns, public authorities, school boards and others provide health benefits to their employees and retirees through the NYSHIP Program as “Participating Agencies.” Benefits are provided in four programs: Hospital Benefits Program, Medical/Surgical Benefits Program, Mental Health and Substance Abuse Program and Prescription Drug Program. The NYSHIP Program enters into contracts with several insurance carriers to provide these benefits.

In recent years, the premiums paid by the State, Nassau County and the Participating Agencies for the benefits provided by the NYSHIP Program have been set at a level that has exceeded the amount necessary to cover the administrative and claims payment costs of the NYSHIP Program. The Excess Premiums paid in a given year are subsequently declared as Dividends and carried forward to be applied toward the next year’s premium. NYSHIP describes this as resulting in a Net Premium that is lower than the initially established Gross Premium.

Over the past several years, the amount of the Excess Premium/Dividend has increased substantially, so that, for example, NYSHIP stated in its July 31, 2008 Report to Participating Agencies that the “Empire Plan carriers declared a composite Dividend of \$450 Million (8.6% of premium) or \$316.9 Million more than the margin loaded in the 2007 rates.” Similarly, in materials circulated in October, 2008, NYSHIP increased its estimate of the 2008 dividend from the First Quarter estimate to \$372.8 Million. Based on prior years’ experience of increases in these estimates throughout each year, and in the final Dividend, we estimate that the final 2008 Dividend could be as high as \$540 Million.

These confirmed overpayments by the State, Nassau County and the Participating Agencies are in addition to contingency and other reserves maintained in the NYSHIP Program, are well in excess of the cost of providing benefits under the program, and are in excess of any reasonable margin that might have been incorporated in the original NYSHIP rates toward unanticipated increases in claims costs. Such margin clearly was not needed, and, as documented in detail in this Report, has not been needed over the past several years. None of these overpayments can be justified in these difficult economic times.

As set forth in more detail in this Report, two steps should be taken to provide a significant, immediate financial and budgetary benefit to the State, Nassau County and the other Participating Agencies, without making any change in the benefits program provided to employees, retirees and their dependents. NYSHIP should incorporate into the currently pending rate negotiations with the carriers the following two critical, immediate reforms:

- The accumulated Excess Premiums previously paid into the NYSHIP Program should be immediately distributed to the State, Nassau County and all other Participating Agencies in cash.

- Beginning in 2009, the NYSHIP Premiums paid by the State, Nassau County and all other Participating Agencies should be based on the cost of providing benefits to their employees, retirees and their dependents. NYSHIP Premiums should be set closer to the historic Net Rate, without the excessive margins that have resulted in accumulation of large Dividends. This will provide ongoing budgetary savings estimated at a reduction in Premium from the current 8.61% rate of overpayment to a margin of 2.61%, for a 6% savings, based on the 2007 Excess Premium/Dividend.

Once these immediate, major benefits are achieved, additional reviews and analysis of the NYSHIP Program should be pursued, in order to increase transparency and improve its operation. An outside review of the program will help NYSHIP reformulate its program and its rate negotiations. The distribution of data, evaluation of existing programs and development of new cost containment programs, should be mandated, in order to permit the State, Nassau County and the Participating Agencies to evaluate the Program, to develop demonstration projects to test new ideas for improving employee health and for improving the efficacy of management of employees' health needs, and to implement wellness, disease management and other programs.

## I. Introduction

Manatt, Phelps & Phillips, LLP was selected by Nassau County through an RFP process, to provide assistance in evaluating the mechanisms and costs of providing health benefits to County employees, retirees and dependents. Nassau County has sought over the past fifteen months to better understand the cost and operation of the NYSHIP Program, and to determine if there are ways to reduce the cost of the NYSHIP Program, without reducing the benefits provided to County employees. Although we have been able to identify significant financial improvements, as discussed in this Report, more in-depth analysis will continue, and would benefit from greater access to detailed utilization, claims and other data.

## II. The NYSHIP Program

The NYSHIP Program is established under the New York State Civil Service Law as the mechanism through which the State provides health benefits to its employees and retirees. Many local government entities, including counties, cities, towns, public authorities, school districts provide health benefits to their employees and retirees through the NYSHIP Program as “Participating Agencies.” The NYSHIP Program is administered by the New York State Department of Civil Service, which, in turn, contracts with several insurance carriers, which provide the health insurance benefits to the State’s and the Participating Agencies’ employees, retirees and dependents. The Department of Civil Service negotiates Premium rates each year with the carriers that provide the Hospital Benefits Program, the Medical/Surgical Benefits Program, Mental Health and Substance Abuse Program and Prescription Drug Program.

## III. Elimination of Excess Premiums/Dividends Through Immediate Payment of Accumulated Dividends and Reduction In Future Premiums By 6%

Over the past several years, the premiums in the NYSHIP Program have been set at a level that has exceeded the amount necessary to cover the administrative and claims payment costs of the Program. The excess premiums paid in a given year are subsequently declared as Dividends and carried forward to be applied toward the next year’s Premium. NYSHIP describes this as resulting in a Net Premium that is lower than the initially established Gross Premium. However, as will be seen below and in the attached Exhibits, the subsequent years’ Premiums also have been overstated, resulting in an escalating overpayment by the State, Nassau County and the Participating Agencies each year. In this Report, we refer to these overpayments as “Excess Premiums/Dividends.”

Based on the information available in the form of reports provided by NYSHIP to the County,<sup>1</sup> and as more fully described in Exhibits 1 and 2, the escalating amount of Excess

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<sup>1</sup> Most recently, the “Empire Plan Quarterly Experience Report” dated July 31, 2008 and distributed by Robert W. DuBois, Director of the Employee Benefits Division to Participating Agency Health Benefit Administrators (the “NYSHIP July 31, 2008 Report”). We also have drawn information from prior Quarterly Experience Reports, and from materials distributed in October, 2008 at Quarterly NYSHIP Meetings with Participating Agencies.

Premiums/Dividends State-wide and for Nassau County is summarized below. The State-wide numbers are based on NYSHIP Reports, and the County calculations for 2002-2007 are based on multiplication of the rates published by NYSHIP by the number of County employees and retirees in the various categories (individual, family, etc.) provided by the County for each year, except 2008, for which we used the 2007 employee counts.

Year	Total State-Wide Excess Premium	Total State-Wide Excess Premium As a Percentage of Total Premium	Nassau County Excess Premium/Dividend Carried Forward Into the Following Year's NYSHIP Net Premiums
2002	\$47,091,000	1.57%	\$5,973,873.84
2003	\$143,296,000	4.10%	\$4,184,261.64
2004	\$163,800,000	4.15%	\$4,884,919.92
2005	\$298,968,000	6.94%	\$8,686,699.44
2006	\$401,961,000	8.39%	\$15,430,982.76
2007	\$450,047,000	8.61%	\$19,142,254.56
2008	\$540,000,000*	9.2%*	\$21,600,000**

\*Estimated, based on historic trends.

\*\*Proposed to be repaid to Nassau County.

The escalating pattern of over collection of Excess Premiums/Dividends is apparent from this chart, which shows that the Excess Premiums/Dividends applicable to the entire NYSHIP Program grew from \$47 Million in 2002 to \$450 Million in 2007, while the Nassau County Excess Premiums/Dividends carried forward in the NYSHIP Net Premiums grew from approximately \$4.1 Million in 2003 to \$19.1 Million in 2007. Based on the history to date, and absent improved negotiations between the NYSHIP Program and the carriers, the actual Excess Premiums/Dividends carried over from 2008 to 2009, and in subsequent years, are likely to be even greater. For example, the 2007 Excess Premium/Dividend was first estimated in NYSHIP's First Quarter Estimate to be \$204.9 Million; by July 2008, the final 2007 dividend was established to be \$450 Million, or 8.61% of Premium.

Exhibit 2 shows the detailed calculations on which the Nassau County figures are based, using Gross and Net Rates issued by NYSHIP, and employee and retiree counts provided by the County. However, based on our review of the NYSHIP July 31, 2008 Report, we learned that there may be additional dividends, excess premiums, funds held for run-out of claims, or other



items due to the State, Nassau County and the Participating Agencies that could contribute to further reductions in the cost of the Program that are not included in these calculations.

For example, in the Quarterly Regional Meetings held by NYSHIP in October, 2008, an additional \$27-30.4 Million benefit was identified related to the CIGNA contract that ended December 31, 2005. An earlier NYSHIP July 31, 2008 Report states that a “dividend” of \$3.5 Million was declared by CIGNA to NYSHIP, described as follows: “represent[ing] favorable 2007 activity pertaining to the prescription drug contract that terminated effective 12/31/05.” That Report also indicated that there may be further dividends due to NYSHIP related to this terminated contract. There is no explanation provided for the delay in crediting these funds to the NYSHIP Program, and no mention of the disposition of the interest earnings on the funds retained by the carrier for multiple years.

With the foregoing analysis as background, we reviewed materials circulated by NYSHIP in October, 2008. In those materials, NYSHIP increased its estimate of the 2008 dividend to \$372.8 Million. Based on the prior years’ pattern, in which the estimates increase during the course of the year, and the final Dividend is an even higher amount, we estimate that the final 2008 Dividend could be as high as \$540 Million.

Instead of permitting the insurance companies to hold the already collected Excess Premiums/Dividends for repayment over time in 2009 and 2010, the Excess Premiums/Dividends could be immediately repaid, thereby providing a tangible and important budgetary and financial benefit to the State, Nassau County and the Participating Agencies in this difficult budget period. Although we cannot state with certainty what the final distribution amount would be, based on the reports distributed to date by NYSHIP, we estimate that the return of the Excess Premiums/Dividends would result in a total State-wide payment of approximately \$540 Million to the State, Nassau County and the other Participating Agencies. Nassau County’s estimated share of that payment would be in the range of approximately \$18-21 Million.

Returning the Excess Premium/Dividend now instead of applying it to the 2009 and 2010 Premiums would not result in an increase in future health benefit premiums. Because each succeeding year’s premium has been set at a level in excess of what is needed to cover the costs of the Program, the Excess Premiums/Dividends represent more than a simple cash flow or one year issue. The exponential overstatement of the premiums is illustrated by the escalating value of the Excess Premiums/Dividends over the past several years. If the Excess Premium were eliminated as new rates are set, substantial recurring savings would be achieved by the State, Nassau County and the Participating Agencies, without any change in the benefits provided through the NYSHIP Program.

Based on our analysis of the percentage of Excess Premiums/Dividends to the Gross Premium charged, NYSHIP should be able to negotiate a permanent reduction in premiums so that the margin is closer to the margin level collected in 2002, which was 1.57%. For purposes of this Report, we have assumed that NYSHIP can negotiate a reduction in Premium from the current 8.61% rate of overpayment to a margin of 2.61%, for a 6% savings. Based on the Premiums announced for 2009, this would effect an estimated savings State-wide of approximately \$350-375 million and \$14-15 Million for Nassau County.

#### IV. Independent Outside Reviews Of The NYSHIP Program

Health benefit expense for all governments, including the State, is a significant component of personnel costs. In Nassau County, health benefits will be 9% of the County's 2009 operating budget. An independent, fresh review of the operation of the NYSHIP Program, of the insurance carriers' contracts with NYSHIP and of the assumptions underlying the rate negotiation process, would benefit all State taxpayers. We recommend that the State accelerate its current plan to audit the NYSHIP Program, and urge that such review also seek to identify operational improvements (including increased use of electronic medical records and other technology) and other steps that will help reduce future costs.

Over the past 15 months, Nassau County has sought to identify other items that could result in reduction in the cost of the NYSHIP Program. However, the available information has not been sufficient to fully address or resolve these issues. It therefore is recommended that the independent, outside review address the following issues, which likely would provide the basis for further premium reductions:

- Identifying any and all excess payments, carry-forwards, dividends and other items, however characterized, that represent excess funds that could be used to reduce the cost of the NYSHIP Program to the State, Nassau County and the Participating Agencies.
- Identifying and applying excess contingency and other Reserves toward Premiums and/or release Reserves to the State, Nassau County and the Participating Agencies.
- Reviewing and confirming that interest is being credited to the NYSHIP Program for all funds that remain with the carriers, including the float on claims that have been incurred but not reported ("IBNR").

#### V. Transparency/Data

In order to effectively understand and manage their benefits programs, each Participating Agency should be provided with in-depth analysis of the cost and utilization data for primary care, acute care, pharmaceuticals, and other elements of the NYSHIP Program. This data would permit better understanding of the full range of items that, if fully analyzed, could lead to the development of additional cost-saving measures. These include information concerning:

- Detailed claims and utilization, by policy year, broken into appropriate categories.
- Provider Network arrangements, including economics.
- Contingency and other Reserves.

- Adjustments of Contingency and other Reserves.
- Stop Loss.
- Coordination of Benefits, Subrogation and Other Third Party Recovery Programs.
- Investment Income Allocations.
- Other detailed financial information relating to the NYSHIP Program and to the contracts with health insurance carriers and Third Party Administrators.

A summary of the data requests that have been made by Nassau County is attached as Exhibit 3.

## VI. Cost Reduction Demonstration Projects

The County has begun discussions with NYSHIP regarding the possibility of establishing Demonstration Projects that are designed to improve employee health and to reduce claims costs in the NYSHIP Program. The County is seeking to establish a mechanism through which those cost savings can be passed through to the County. These proposals are briefly summarized below.

### A. On-Site Health Clinics

Nassau County has issued an RFP and is in the process of selecting a vendor to provide an On-Site Health Program, through which routine primary care, wellness and other programs designed to improve the health of County employees will be provided on a low-cost, convenient basis. The lower cost of providing care on-site will represent a savings, as will the expected reduction in complex treatments and hospitalizations due to the improvement in the County employees' health.

It is expected that this program will reduce the cost of health benefits provided to the NYSHIP Program with respect to the Nassau County employees, and the County therefore has sought approval of a Demonstration Project, in which NYSHIP would fund the creation of the program and/or pass through the savings would be credited against the County's Premium.

In recent discussions with the County, NYSHIP has indicated that it does not believe it can fund the creation of this program or share the savings from reduced claims with the County, since the NYSHIP Program is administered and premiums are set on a Program-wide basis. NYSHIP indicated a willingness to conduct further review of the possibility that the on-site health care program might become a participating provider in the NYSHIP Program, and, in that way, NYSHIP would contribute toward the cost of operation of the On-Site Health Program. The County plans to pursue this possibility with NYSHIP, while at the same time pressing NYSHIP to work with the County to identify a mechanism for funding demonstration projects and sharing the resulting savings with the County.

## B. Improved Management of Employee Health

The County also has sought to establish Demonstration Projects through which the County would share in the savings generated from other programs that, if implemented by the County, are likely to result in significant cost savings to the NYSHIP Program. These include Fall Prevention and Disease Management Programs, which can be documented to result in significant cost savings.

## VII. Conclusion

In view of the significant budgetary and financial benefit to the State, Nassau County and the other Participating Providers, two steps should be taken in the currently pending rate negotiations with the carriers, to provide a significant, immediate financial and budgetary benefit to the State, Nassau County and the other Participating Agencies, without making any change in the benefits program provided to their employees:

- The accumulated Excess Premiums previously paid into the NYSHIP Program should be immediately distributed to the State, Nassau County and all other Participating Agencies in cash.
- Beginning in 2009, the NYSHIP Premiums paid by the State, Nassau County and all other Participating Agencies should be based on the cost of providing benefits to their employees, retirees and their dependents. NYSHIP Premiums should be set closer to the historic Net Rate, without the excessive margins that have resulted in accumulation of large Dividends. This will provide ongoing budgetary savings estimated at a reduction in premium of 6%, based on the 2007 Excess Premium/Dividend.

Once these immediate, major benefits are achieved, additional reviews and analysis of the NYSHIP Program should be pursued, in order to increase transparency and improve its operation. An outside review of the NYSHIP Program, distribution of data, evaluation of existing programs and development of new cost containment programs, should be mandated, in order to permit the State, Nassau County and the Participating Agencies to evaluate the Program, and to address issues with their employees, and to develop demonstration projects to test new ideas for improving employee health and for improving the efficacy of management of employees' health needs, and related wellness, disease management and other programs designed to improve employee health.

## **EXHIBIT 1**

NYSHIP STATEWIDE QUARTERLY ESTIMATE OF ANNUAL DIVIDEND

<u>YEAR</u>	<u>FIRST</u> <u>QUARTER</u> <u>ESTIMATE</u>	<u>SECOND</u> <u>QUARTER</u> <u>ESTIMATE</u>	<u>THIRD</u> <u>QUARTER</u> <u>ESTIMATE</u>	<u>FOURTH</u> <u>QUARTER</u> <u>ESTIMATE</u>	<u>FINAL</u> <u>DIVIDEND</u>	<u>\$ VARIANCE</u> <u>1ST Q EST TO</u> <u>FINAL</u>	<u>FINAL</u> <u>DIVIDEND AS A</u> <u>MULTIPLE OF</u> <u>1ST Q EST</u>	<u>NYSHIP</u> <u>AS % OF</u> <u>PREMIUM</u>
2002	N/A	N/A	N/A	N/A	\$47,091,000	N/A	N/A	1.57%
2003	\$43,385,000	\$55,767,000	\$99,918,000	\$136,466,000	\$143,246,000	\$99,861,000	3.30	4.10%
2004	\$104,702,000	\$116,540,000	\$131,239,000	\$162,974,000	\$163,800,000	\$59,098,000	1.56	4.15%
2005	\$135,720,000	\$198,008,000	\$239,694,000	\$259,974,000	\$298,968,000	\$163,248,000	2.20	6.94%
2006	\$159,959,000	\$182,539,000	\$332,981,000	\$378,030,000	\$401,961,000	\$242,002,000	2.51	8.39%
2007	\$204,856,000	\$280,837,000	\$372,303,000	\$429,049,000	\$450,047,000	\$245,191,000	2.20	8.61%

## **EXHIBIT 2**

Nassau County  
Calculation Of Excess Premiums/Dividends Carried Forward Into Net Rates,  
Based on Comparison of Gross and Net Premium Rates  
2003-2008

The defined terms and methodology used in the preparation of the following analysis of Excess Premiums/Dividends applicable to Nassau County's participation in the NYSHIP Program is summarized below.

- Type of Coverage and Number of Policies

There are several types of coverage for which the NYSHIP Program establishes a discrete Premium: Individual; Family; Medprime Individual >65; Medprime Family, 1>65; and Medprime Family, 2 > 65. These categories are referred to in the analysis as "Types of Coverage."

The number of employees and retirees in each of the categories is entered in the column titled "Number of Policies."

For the years 2003-2007, the listing of the Types of Coverage and the "Number of Policies" in each category were provided by Nassau County.

For 2008, the Types of Coverage data and the Number of Policies were based on 2007 amounts.

- Gross Rate

The Gross Rate reflects the Premium established by NYSHIP in negotiation with the carriers for each Type of Coverage, prior to application of any carryover of Excess Premiums/Dividends from prior years.

For all years, the Gross Rate information was provided by NYSHIP to the County, based on data provided to NYSHIP by the Empire Plan.

- Net Rate

The Net Rate for each Type of Coverage is equal to the Gross Rate for that Type of Coverage, less any Excess Premium/Dividend carried forward from the prior year.

For all years, the Net Rate information was provided by NYSHIP to the County, based on data provided to NYSHIP by the Empire Plan.

- Gross less Net Rate Calculation

For each year, the Gross Rate was compared to the Net Rate, to determine the per Policy amount of the Excess Premium/Dividend carried forward from the prior year for each Type of Coverage.

- Number of Policies times Yearly Dividend Applied

The difference between each year's Gross versus Net Rate was multiplied by the number of Policies in each Type of Coverage, to determine the total amount of the prior year's dividend applied to that Type of Coverage in each year.

At the end of each of these columns, the amounts are totaled, showing the full amount of Excess Premium/Dividend carried over from the prior year into each year.



2003

<u>Type of Coverage:</u>	<u># of Policies</u>	<u>Gross Rate</u>	<u>Net Rate</u>	<u>Gross less Net Rate = 2002 Div. Applied</u>	<u># of Policies x 2002 Div. App.</u>
Individual	3,443	\$400.00	\$384.89	\$15.11	\$52,023.73
Family	9,441	\$842.38	\$811.41	\$30.97	\$292,387.77
Medprime Ind > 65	4,676	\$307.02	\$297.50	\$9.52	\$44,515.52
Medprime Fam, 1 > 65	1,318	\$749.40	\$724.05	\$25.35	\$33,411.30
Medprime Fam, 2 > 65	<u>3,822</u>	\$656.42	\$636.67	\$19.75	<u>\$75,484.50</u>
MONTHLY	<u>22,700</u>				<u>\$497,822.82</u>
ANNUALLY					<u>\$5,973,873.84</u>

2004

<u>Type of Coverage:</u>	<u># of Policies</u>	<u>Gross Rate</u>	<u>Net Rate</u>	<u>Gross less Net Rate = 2003 Div. Applied</u>	<u># of Policies x 2003 Div. App.</u>
Individual	3,399	\$448.00	\$438.15	\$9.85	\$33,480.15
Family	9,433	\$945.29	\$924.74	\$20.55	\$193,848.15
Medprime Ind > 65	4,715	\$341.87	\$334.22	\$7.65	\$36,069.75
Medprime Fam, 1 > 65	1,304	\$839.18	\$820.82	\$18.36	\$23,941.44
Medprime Fam, 2 > 65	<u>3,794</u>	\$733.05	\$716.88	\$16.17	<u>\$61,348.98</u>
MONTHLY	<u>22,645</u>				<u>\$348,688.47</u>
ANNUALLY					<u>\$4,184,261.64</u>

<u>Type of Coverage:</u>	<u># of Policies</u>	<u>Gross Rate</u>	<u>Net Rate</u>	<u>2005</u> <u>Gross less</u> <u>Net Rate =</u> <u>2004 Div.</u> <u>Applied</u>	<u># of Policies x</u> <u>2004 Div. App.</u>
Individual	3,198	\$490.41	\$478.49	\$11.92	\$38,120.16
Family	9,312	\$1,038.64	\$1,013.68	\$24.96	\$232,427.52
Medprime Ind > 65	4,712	\$340.50	\$331.93	\$8.57	\$40,381.84
Medprime Fam, 1 > 65	1,285	\$888.71	\$867.09	\$21.62	\$27,781.70
Medprime Fam, 2 > 65	<u>3,744</u>	\$738.79	\$720.53	\$18.26	<u>\$68,365.44</u>
<b>MONTHLY</b>	<b><u>22,251</u></b>				<b><u>\$407,076.66</u></b>
<b>ANNUALLY</b>					<b><u>\$4,884,919.92</u></b>

<u>Type of Coverage:</u>	<u># of Policies</u>	<u>Gross Rate</u>	<u>Net Rate</u>	<u>2006</u> <u>Gross less</u> <u>Net Rate =</u> <u>2005 Div.</u> <u>Applied</u>	<u># of Policies x</u> <u>2005 Div. App.</u>
Individual	3,343	\$547.86	\$529.76	\$18.10	\$60,508.30
Family	9,343	\$1,164.16	\$1,126.19	\$37.97	\$354,753.71
Medprime Ind > 65	4,755	\$359.35	\$338.88	\$20.47	\$97,334.85
Medprime Fam, 1 > 65	1,312	\$975.66	\$935.32	\$40.34	\$52,926.08
Medprime Fam, 2 > 65	<u>3,708</u>	\$787.16	\$744.45	\$42.71	<u>\$158,368.68</u>
<b>MONTHLY</b>	<b><u>22,461</u></b>				<b><u>\$723,891.62</u></b>
<b>ANNUALLY</b>					<b><u>\$8,686,699.44</u></b>

<u>Type of Coverage:</u>	<u># of Policies</u>	<u>Gross Rate</u>	<u>Net Rate</u>	<u>2007</u>	<u># of Policies x 2006 Div. App.</u>
				<u>Gross less Net Rate = 2006 Div. Applied</u>	
Individual	3,375	\$600.69	\$564.84	\$35.85	\$120,993.75
Family	9,259	\$1,273.69	\$1,198.07	\$75.62	\$700,165.58
Medprime Ind > 65	4,795	\$363.02	\$333.18	\$29.84	\$143,082.80
Medprime Fam, 1 > 65	1,291	\$1,036.30	\$966.44	\$69.86	\$90,189.26
Medprime Fam, 2 > 65	<u>3,626</u>	\$798.65	\$734.81	\$63.84	<u>\$231,483.84</u>
MONTHLY	<u>22,346</u>				<u>\$1,285,915.23</u>
ANNUALLY					<u>\$15,430,982.76</u>

<u>Type of Coverage:</u>	<u># of Policies</u>	<u>Gross Rate</u>	<u>Net Rate</u>	<u>2008</u>	<u># of Policies x 2007 Div. App.</u>
				<u>Gross less Net Rate = 2007 Div. Applied</u>	
Individual	3,375	\$633.79	\$592.38	\$41.41	\$139,758.75
Family	9,259	\$1,346.27	\$1,258.78	\$87.49	\$810,069.91
Medprime Ind > 65	4,795	\$397.23	\$360.41	\$36.82	\$176,551.90
Medprime Fam, 1 > 65	1,291	\$1,109.74	\$966.44	\$143.30	\$185,000.30
Medprime Fam, 2 > 65	<u>3,626</u>	\$873.21	\$794.94	\$78.27	<u>\$283,807.02</u>
MONTHLY	<u>22,346</u>				<u>\$1,595,187.88</u>
ANNUALLY					<u>\$19,142,254.56</u>

## **EXHIBIT 3**

## Summary of Data Requests By Nassau County and Related Entities

This Outline summarizes data requests that have been made to NYSHIP over a period of time, in various forms, including written requests, conference calls and meetings.

### A. Profile of existing program participants

#### 1. Develop Meaningful Cohorts for all participants, which may include:

##### a. Type of Employee

- (i) Exempt/Non Exempt
- (ii) Full Time/Part Time
- (iii) Retirees
- (iv) COBRA
- (v) Opt Outs

##### b. Gender

##### c. Coverage Status

- (i) Employee
- (ii) Employee/Spouse
- (iii) Employee/Child
- (iv) Family

##### d. Zip Code/Geographic Area

#### 2. Process for enrollment and disenrollment.

### B. NYSHIP Program Issues – Develop a cost profile and analysis of the exiting program

#### 1. Plan descriptions

##### a. NYSHIP Materials

##### b. Participating Insurers' Materials

#### 2. Analysis of Utilization Data, using detailed rather than summary data

##### a. Detailed Cost Data

##### (i) By Provider, by unit of measure:

- (a) Patient day
- (b) Discharge
- (c) Visit

- (d) Other applicable unit of measure
- (ii) By enrollee, by:
  - (a) Gender
  - (b) Age
  - (c) Zip Code
- b. Stratify Utilization Data by
  - (i) Major Diagnostic Category
  - (ii) In-Patient Provider
  - (iii) Outpatient Provider
  - (iv) Other Provider
- c. Stratify Costs By
  - (i) General Type
    - (a) Service
    - (b) Administration
    - (c) Reserves
  - (ii) Define and review cost elements listed in NYSHIP Summary Report
    - (a) "Paid BDC & GME"
    - (b) "Estimated Reserves Change"
    - (c) "Rebates and Credits"
    - (d) "Estimated Retention"
  - (iii) Program
    - (a) Medical
      - (1) Inpatient
      - (2) Outpatient
    - (b) Pharmacy
    - (c) Mental Health
    - (d) Drug Dependency

- d. Detailed Description and Data Runs Concerning Other Elements of the Existing Program, including
  - (i) Coordination of Benefits
  - (ii) Reserves and Reserve Adjustments
  - (iii) Stop Loss
  - (iv) Subrogation Process and Accounting, including amount of open claims and expected recovery percentages
  - (v) Credits for Workers Compensation recoveries
  - (vi) Investment Income Allocations
  - (vii) Payments toward Bad Debt and Charity Care and Graduate Medical Education Pools
  - (viii) Anti-fraud efforts
  - (ix) All other aspects of the NYSHIP Program.
- 3. Detailed data concerning pharmacy plan costs and utilization, in similar detail related to:
  - a. Enrollees
  - b. Pharmacy Providers
  - c. Name brand vs. Generics
- 4. Financial and budgetary issues
  - a. NYSHIP financial results, including the impact of any subsidies.
  - b. Reimbursement rates, major contracts, subsidies, grants, and other financial issues.
  - c. Nature and status of reserves in the NYSHIP program.
  - d. Premium Setting Process.
  - e. Expense Allocation Process.
  - f. Computation of Credits to County for Medicare Part D Employer Subsidy.
  - g. Other material financial issues.
- C. Care Management Programs
- D. Wellness programs