

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING  
BOARD OF TRUSTEES**

**AGENDA**

**October 22, 2015 – 8:30 a.m.**

**TRS East Building, 4<sup>th</sup> Floor, Cafeteria**

*NOTE: The Board may take up the items posted on the agenda in any order during its meeting on Thursday, October 22, 2015.*

*The open portions of the October 22, 2015 Board meeting are being broadcast over the Internet. Access to the Internet broadcast of the Board meeting is provided on TRS' website at [www.trs.state.tx.us](http://www.trs.state.tx.us).*

1. Call roll of Board members.
2. Consider the following administrative matters:
  - A. Approval of the September 24-25, 2015 Board meeting minutes – David Kelly.
  - B. Excuse Board member absences from the September 24-25, 2015 Board meeting.
  - C. Consider the election of the Board Vice-Chair.
  - D. Consider consenting to the Board Chair's appointment of committee members, and receive the Board Chair's announcement of committee chairs.
  - E. Setting, rescheduling, or canceling future Board meetings.
3. Provide opportunity for public comments – David Kelly.
4. Overview of the agenda, including an introduction of issues and instructions for participating in the health care question and answer sessions with morning and afternoon panelists – Brian Guthrie and Katrina Daniel.
5. Panel discussion on the health care environment, including the health care market and the context in which plans such as TRS operate – Ken Shine, MD and Len Nichols, PhD.
6. Panel discussion on strategies for cost containment in health care – Carl King, Aetna; David Ellis, MD, United Health Care; Dan McCoy, MD, Blue Cross Blue Shield; Glen Stettin, MD, Express Scripts; and Jane F. Barlow, MD, Caremark.
7. Question and answer session with morning panelists about the health care environment and strategies for cost containment in health care – Ken Shine, MD; Len Nichols, PhD; Carl King, Aetna; David Ellis, MD, United Health Care; Dan McCoy, MD, Blue Cross Blue Shield; Glen Stettin, MD, Express Scripts; and Jane F. Barlow, MD, Caremark.

8. Panel discussion on TRS-Care, including the program's history and structure, its financial status, past recommendations for sustainability, and current strategies for cost containment, such as consumer outreach – Carl King, Aetna; Glen Stettin, MD, Express Scripts; Bill Hickman and Amy Cohen, Gabriel, Roeder, Smith and Co; and Katrina Daniel, Edward Esquivel, and Yimei Zhao, TRS.
9. Panel discussion on TRS-ActiveCare, including the program's history and structure, its financial status, and current strategies for cost containment, such as consumer outreach – Carl King, Aetna; Jane F. Barlow, MD, Caremark; Bill Hickman and Amy Cohen, Gabriel, Roeder, Smith and Co; and Katrina Daniel, Edward Esquivel, and Yimei Zhao, TRS.
10. Receive and discuss invited testimony on healthcare matters from stakeholder associations – Brian Guthrie.
11. Question and answer session with afternoon panelists about TRS-Care and TRS-ActiveCare – Carl King, Aetna; Glen Stettin, MD, Express Scripts; Jane F. Barlow, MD, Caremark; Bill Hickman and Amy Cohen, Gabriel, Roeder, Smith and Co; and Katrina Daniel, Edward Esquivel, and Yimei Zhao, TRS.
12. Discuss looking forward and next steps regarding health care matters – Brian Guthrie and Katrina Daniel.
13. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive – David Kelly.
14. Consult with the Board's attorney(s) in executive session on any item listed above on this meeting agenda as authorized by section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.

## Minutes of the Board of Trustees

October 22, 2015

The Board of Trustees of the Teacher Retirement System of Texas met on October 22, 2015 in the cafeteria located on the fourth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following board members were present:

David Kelly, Chair  
Nanette Sissney, Vice-Chair  
Todd Barth  
Karen Charleston  
Joe Colonna  
David Corpus  
Christopher Moss  
Anita Palmer  
Dolores Ramirez

### Others present:

Brian Guthrie, TRS	Bill Hickman, Gabriel, Roeder, Smith & Company
Ken Welch, TRS	Amy Cohen, Gabriel, Roeder, Smith & Company
Amy Barrett, TRS	Edward St. Pierre, Gabriel, Roeder, Smith & Company
Katrina Daniel, TRS	Dr. Len Nichols, George Mason University
Carolina de Onís, TRS	Dr. Ken Shine, University of Texas
Howard Goldman, TRS	Charles Richardson, Forth Worth ISD
T. Britton Harris IV, TRS	Max Ates, Forth Worth ISD
Rebecca Merrill, TRS	Noel Candelaria, Texas State Teachers Association
Yimei Zhao, TRS	Bill Barnes, Texas Retired Teachers Association
Ronnie Bounds, TRS	Ann Fickel, Texas Classroom Teachers Association
Edward Esquivel, TRS	Tim Lee, Texas Retired Teachers Association
Clarke Howard, TRS	Ted Melina Raab, Texas American Federation of Teachers
Bob Jordan, TRS	Josh Sanderson, Association of Texas Professional Educator
Dan Junell, TRS	Carole Buchanan, Texas Retired Teachers Association
Lynn Lau, TRS	Paula Stone, Texas Retired Teachers Association
Rebecca Smith, TRS	Larry Yawn, Texas Retired Teachers Association
Steve Huff, Reinhart Boerner Van Deuren	Mary Lou Clayton, Austin Retired Teachers Association
Steve Voss, Aon Hewitt	Lloy Lizcano, Austin Retired Teachers Association
Philip Mullins, Texas Retired Teachers Association	Fran Plemmons, Texas Retired Teachers Association
Dannee Hefner, Texas Retired Teachers Association	Beaman Floyd, Texas Association of School Personnel Administrators
Georgia McGlasson, Texas Retired Teachers Association/Houston Agency Retirement Trust	Leroy DeHaven, Texas Retired Teachers Association
Joel McGlasson, Texas Retired Teachers Association/Houston Agency Retirement Trust	Linda DeHaven, Texas Retired Teachers Association
Sheila D. Sargent, Texas Retired Teachers Association/Austin Retired Teachers Association	Mark Terry, Texas Elementary Principals & Supervisors Association
Hope Osborn Texas Retired Teachers Association	Dr. Verne Fitch, Fayette County Retired Teachers Association
Sally Link, Texas Retired Teachers Association	Karen Fitch, Fayette County Retired Teachers Association
ML Harris, Austin Retired Teachers Association	Greg Linh, Texas Retired Teachers Association
John Grey, Texas State Teachers Association	Adriana Lichtenberger, Austin Retired Teachers Association
Shereen Ahmad, Texas House of Representatives	Elizabeth J. Moby
Clay Robison, Texas State Teachers Association	Levonne Rogers, Austin Retired Teachers Association
Carl King, Aetna	Tom Rogers, Austin Retired Teachers Association
	Barbara Franklin, Texas State Teachers Association

Sally Imig, Aetna  
Becky Chmielewski, Aetna  
Joel Pardue, Aetna  
Marc Reece, Aetna  
Patricia Del Rio, Aetna  
Kiah Collier, Texas Tribune  
Patricia Budak, UT  
Jane Barlow, CUSH  
David Tolliver, Express Scripts  
Mark Wermes, Express Scripts  
Glen Stettin, Express Scripts  
Lindsey Niwsia, Express Scripts  
David Ellis, UHC

Ed Pezella, Aetna  
Maggie Parker, Aetna  
Richard Edwards, CVS Health  
Adriana Garza, Caremark  
Joni Lozano, Caremark  
Diane Galo, Caremark  
Tom Rehkopf, Caremark  
Michael Petryna, Aetna  
Carol Riley, BlueCross BlueShield  
Dr. Dan McCoy, BlueCross BlueShield  
John Bass, United Healthcare  
Jeremy Marzor, Office of Senator Van Taylor  
Cindy Walsh, Humana

Mr. Kelly called the meeting to order at 9:00 a.m.

**1. Call roll of Board members.**

Ms. Lau called the roll. A quorum was present. Mr. Colonna arrived shortly after the roll call.

**2. Consider the following administrative matters:**

**A. Approval of the September 24-25, 2015 Board meeting minutes – David Kelly.**

On a motion by Mr. Kelly, the board unanimously approved the proposed minutes of the September 24-25, 2015 board meeting, as presented.

**B. Excuse Board member absences from the September 24-25, 2015 Board meeting.**

On a motion by Ms. Sissney, seconded by Mr. Corpus, the board unanimously excused the absences of Mr. Barth and Mr. Colonna from the September 25, 2015 meeting.

**C. Consider the election of the Board Vice-Chair.**

**D. Consider consenting to the Board Chair's appointment of committee members, and receive the Board Chair's announcement of committee chairs.**

**E. Setting, rescheduling, or canceling future Board meetings.**

The board did not take up agenda items 2C through 2E.

**3. Provide opportunity for public comments – David Kelly.**

Mr. Ates of Fort Worth ISD addressed concerns regarding recent data transfer and billing issues that arose during the active, open enrollment period for the TRS-ActiveCare program. He stated that some members who changed their level of coverage for this benefit year may experience issues as a result of the systematic errors when they visit health care providers, including incorrect deductibles and coverage level amounts being provided to the health care providers and incorrect

dependent coverage information being printed on insurance identification cards. He stated that Aetna assured the district that new identification cards would be mailed this week and had assigned a coordinator to work with the district to ensure accurate billing. He stated that Fort Worth ISD staff was currently awaiting resolution of issues for employees enrolled in the Scott & White plan. He stated that Fort Worth ISD had not been informed of the root cause of any of the issues. He stated that those issues needed to be resolved and their root cause documented. He noted that there were outstanding issues with split premiums and billing reconciliation. In summary, he said that Fort Worth ISD would like to work with all the entities involved, so that employees and their families could be assured that they were receiving the coverage that they enrolled in and paid for. He stated that he would like to see the reconciliation process initiated, so that overpayments dating back to 2014 could be recouped. Mr. Ates confirmed for Mr. Kelly that TRS staff had been supportive and aware of the issues. Mr. Charles Richardson of Fort Worth ISD also made a brief remark and requested assistance with resolving the data issues.

Mr. Tom Rogers of Texas Retired Teachers Association spoke about the legislative history of TRS retirement contribution rates. He also discussed the growth of TRS-Care premiums and how they affected retirees' annuities. He stated that health care plans should be financially sound, affordable, accessible, and sustainable. He recommended prefunding plans and stated that such an effort would facilitate financial solvency and operation and planning efficiencies, produce revenues, attract quality educators, and expand health care facilities and job opportunities.

**4. Overview of the agenda, including an introduction of issues and instructions for participating in the health care question and answer sessions with morning and afternoon panelists – Brian Guthrie and Katrina Daniel.**

Mr. Guthrie provided an overview of the meeting agenda and instructions for participating in the health care town hall meeting. Mr. Guthrie also noted that the legislature had formed the Joint Select Committee on TRS-Care and TRS-ActiveCare earlier this year.

**5. Panel discussion on the health care environment, including the health care market and the context in which plans such as TRS operate – Ken Shine, MD and Len Nichols, PhD.**

Ms. Daniel introduced Dr. Ken Shine and Dr. Len Nichols and summarized their professional backgrounds and credentials.

Dr. Nichols provided a presentation regarding the background and historical development of health cost growth.

Dr. Shine provided a presentation regarding the concept of value-based purchasing in the health care market for controlling costs, maintaining quality, and obtaining the best outcomes.

Mr. Guthrie asked the panelists for their opinions about offering various tiers of coverage within a health care plan. Dr. Nichols stated that providing one high deductible plan would lower usage, but costs would remain. He suggested providing coverage tailored to individual conditions, which he believed would achieve higher quality care, better outcomes, and lower costs. In response to further questions by Mr. Guthrie, Dr. Nichols stated that a large enrollment size would usually be

an advantage because it provides for a more even distribution of risk and greater bargaining power. Dr. Shine opined that home health care could be effective in controlling costs.

**6. Panel discussion on strategies for cost containment in health care – Carl King, Aetna; David Ellis, MD, United Health Care; Dan McCoy, MD, Blue Cross Blue Shield; Glen Stettin, MD, Express Scripts; and Jane F. Barlow, MD, Caremark.**

Ms. Daniel introduced the panelists. The panelists discussed strategies on medical and pharmaceutical cost containment and public health management. They also discussed the following subtopics: value-based insurance models, the concept of health ownership, medical homes, consumer engagement, drug costs, and specialty drugs.

**7. Question and answer session with morning panelists about the health care environment and strategies for cost containment in health care – Ken Shine, MD; Len Nichols, PhD; Carl King, Aetna; David Ellis, MD, United Health Care; Dan McCoy, MD, Blue Cross Blue Shield; Glen Stettin, MD, Express Scripts; and Jane F. Barlow, MD, Caremark.**

The panelists answered questions from the audience and submitted online or through social media relating to a wide spectrum of topics, including value-based purchasing and its benefits, medical homes, patient health ownership, technology improvement, patient engagement, team-based health care, consumerism in health care, health care systems in other countries, medical tourism, life decisions about high-cost procedures, telemedicine, Minute Clinics, preventative care, wellness programs, and health care in rural areas.

After a recess at 12:45 p.m., the board reconvened at 1:05 p.m.

**8. Panel discussion on TRS-Care, including the program’s history and structure, its financial status, past recommendations for sustainability, and current strategies for cost containment, such as consumer outreach – Carl King, Aetna; Glen Stettin, MD, Express Scripts; Bill Hickman and Amy Cohen, Gabriel, Roeder, Smith and Co; and Katrina Daniel, Edward Esquivel, and Yimei Zhao, TRS.**

Mr. Esquivel discussed the history of the TRS-Care program and changes to its contribution and benefits structure. Ms. Cohen described the program’s current plan designs and benchmarking. She also spoke about the history of program contributions and expenses and current projected fund balances under two different claim assumptions. Ms. Zhao discussed the program’s enrollment history since 2006 and the financial structure of the TRS-Care fund. Mr. Hickman recapped two sustainability studies conducted in 2012 and 2014 and the options that resulted from those studies. Ms. Daniel summarized action taken during the 84<sup>th</sup> legislative session regarding TRS-Care funding. She recapped that \$768 million was appropriated to the TRS-Care fund. Mr. St. Pierre described cost drivers for the plan, the history of plan cost containment and quality initiatives, savings attributable to the implementation of Medicare Advantage and Medicare Part plans, and efforts on establishing best practices for compound drugs. Responding to a question from Mr. Guthrie regarding the effect of the new practice for compound drugs, Mr. Hickman stated that usage had dropped below pre-influx levels. Mr. Jordan noted that compound drug utilization for the standard plan had dropped by 87 percent from 2014 to 2015. Ms. Cohen stated that a lot of

compounding pharmacies were no longer in the network. Ms. Zhao also noted that the amendments approved by the board last October regarding Medicare Part D contracts would save \$157 million over fiscal years 2015 through 2017 and that 79 percent of the savings would be from manufacturer rebates. Mr. St. Pierre concluded the presentation by describing the cost avoidance measures implemented in fiscal year 2014, including clinical advocacy programs, prepayment claim editing, benefits savings subrogation coordination.

The panelists also addressed questions relating to TRS-Care, some of which concerned premium tier design, Medicare Advantage plans, Medicare Part B coverage, and member contributions. Mr. Esquivel confirmed for Ms. Sissney that retirees from the Employee Retirement System do not pay a premium for their health care coverage.

**9. Panel discussion on TRS-ActiveCare, including the program's history and structure, its financial status, and current strategies for cost containment, such as consumer outreach – Carl King, Aetna; Jane F. Barlow, MD, Caremark; Bill Hickman and Amy Cohen, Gabriel, Roeder, Smith and Co; and Katrina Daniel, Edward Esquivel, and Yimei Zhao, TRS.**

Mr. Esquivel discussed the history of the TRS-ActiveCare program and its current plan structure. Ms. Cohen described the program's current plan designs and benchmarking. Ms. Zhao spoke about the program's enrollment history since inception, provided preliminary enrollment information for early 2016, and explained the financial structure of the TRS-ActiveCare fund. She also highlighted that employee contributions under TRS-ActiveCare were much higher than the market average, particularly for employee and family coverage, based on a survey conducted by the Kaiser Foundation. Mr. Hickman recapped the TRS-ActiveCare affordability study conducted in 2014 and options that resulted from the study. Mr. Hickman confirmed for Ms. Sissney that spousal coverage was eliminated because it required heavy subsidy. Ms. Daniel summarized the TRS-ActiveCare interim study completed during the 84<sup>th</sup> Legislature. Mr. St. Pierre described cost drivers for the plan and the history of plan cost containment and quality initiatives. Ms. Zhao also noted that a new medical channel management program had been established which generated significant plan savings by carving out certain specialty drugs.

**11. Question and answer session with afternoon panelists about TRS-Care and TRS-ActiveCare – Carl King, Aetna; Glen Stettin, MD, Express Scripts; Jane F. Barlow, MD, Caremark; Bill Hickman and Amy Cohen, Gabriel, Roeder, Smith and Co; and Katrina Daniel, Edward Esquivel, and Yimei Zhao, TRS.**

The panelists responded to questions from the audience and submitted online or through social media. Responding to the question as to why TRS switched from BlueCross BlueShield to Aetna, Mr. Guthrie stated that Aetna was selected as a result of a competitive bidding process that focused on obtaining the best potential premiums and cost structure. Responding to a question as to whether Kelsey-Seybold had become a preferred provider in the TRS-ActiveCare network, Mr. Jordan stated that Kelsey-Seybold was not willing to accept the reimbursement rates provided for network providers in the Houston area and, therefore, did not become a preferred provider. He noted that the company had submitted a proposal to be an HMO in the Houston area, but was not selected due to findings from an actuarial analysis showing that HMOs participation in the Houston area would result in the rest of the state subsidizing that area. Responding to questions relating to the

recent data errors with TRS-ActiveCare, Mr. Guthrie stated that staff was currently working closely with Aetna and WellSystems to resolve the issue and would provide members with information very soon. Responding to a question regarding adding providers in rural areas, Ms. Chmielewski stated that TRS-ActiveCare plans have protocols in place to ensure that appropriate care can be provided in areas where a provider is not available. She stated that Aetna seeks recruitment opportunities in areas with a deficiency. Responding to a question as to why TRS-ActiveCare premiums and deductibles continued to rise each year, Mr. Guthrie stated that it was because both state and employer contribution rates were fixed. Responding to a question relating to the proposal to move non-Medicare retirees into TRS-ActiveCare, Mr. Guthrie stated that staff had studied the proposal and determined that it would not be the best approach, given the challenges faced by the TRS-ActiveCare program. The panelists also responded to questions relating to cost control, wellness programs, rebates, and mail order prescriptions.

Mr. Guthrie invited Dr. Edmund Pezalla to discuss how Aetna managed drug costs. Dr. Pezalla discussed the process of choosing cost-effective and appropriate options for providing medications.

**10. Receive and discuss invited testimony on healthcare matters from stakeholder associations – Brian Guthrie.**

Mr. Guthrie invited representatives from the following associations to provide testimony to the board: Ann Fickel of Texas Classroom Teachers Association; Josh Sanderson of the Association of Texas Professional Educators; Beaman Floyd of the Texas Association of School Personnel Administrators; Ted Melina Raab of the Texas American Federation of Teachers; Noel Candelaria of the Texas State Teachers Association; and Tim Lee of the Texas Retired Teachers Association. The representatives provided remarks and suggestions concerning various health care issues. They addressed the need for legislative efforts to provide additional funding to employees for health insurance premiums and to involve the Texas Education Agency in the process of budgeting health care costs. They emphasized the negative impact of high health care costs on school education and public school employees' pay checks and lives and the importance of providing high quality and affordable health care for active members and retirees.

**12. Discuss looking forward and next steps regarding health care matters – Brian Guthrie and Katrina Daniel.**

Mr. Guthrie expressed his appreciation to the panelists and audience who contributed to the meeting for their suggestions, ideas, and information. He stated that TRS looked forward to working with the board, member associations, and legislature on issues relating to the TRS-Care and TRS-ActiveCare programs.

**13. Consider personnel matters, including the appointment, employment, evaluation, compensation, performance, duties, discipline, or dismissal of the Executive Director, Chief Investment Officer, or Chief Audit Executive – David Kelly.**

Whereupon, Mr. Kelly announced that the board would go into executive session on agenda item 13 under sections 551.074 and 551.071 of the Government Code to discuss personnel matters concerning the executive director and to seek the advice of legal counsel, as needed. He stated that

the board would convene the executive session in the boardroom.

Whereupon, the open session of the board meeting recessed at 4:04 p.m., so that the board could go into executive session in the boardroom.

At 5:07 p.m., Mr. Kelly announced that the board reconvened in open session in the cafeteria.

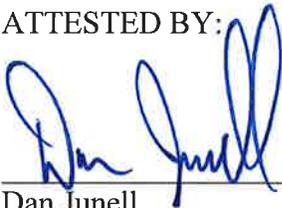
- 14. Consult with the Board's attorney(s) in executive session on any item listed above on this meeting agenda as authorized by section 551.071 of the Texas Open Meetings Act (Chapter 551 of the Texas Government Code) – David Kelly.**

The board took up no further business under agenda item 14.

The meeting was adjourned at 5:07 p.m.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE 19TH DAY OF NOVEMBER 2015.

ATTESTED BY:



Dan Junell  
Secretary to the TRS Board of Trustees

Nov. 23, 2015

Date