TRS ActiveCare
TEACHER RETIREMENT SYSTEM OF TEXAS

Teacher Retirement System of Texas
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You have more choices for the health benefits you offer employees. We created this self-funding guide to outline considerations as you navigate your future, your way.

SB 1444 HIGHLIGHTS:

- Employers currently in TRS-ActiveCare don't need to submit a formal notice TRS unless they plan to leave.
- An employer that participates in TRS-ActiveCare can routinely evaluate their options.
- Employers in TRS-ActiveCare that decide to remain in the plan next year can still decide to leave in future years.
- Employers not currently participating in TRS-ActiveCare that elect to join must remain in TRS-ActiveCare for at least five years. Employers who leave will need to remain out for at least five years.

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WHAT TRS PROVIDES FOR YOU

TRS-ActiveCare is self-funded, which means we pay the cost of medical claims out of the TRS-ActiveCare fund. Your contributions, which include money from the state and your employees' premiums go into this fund. **And the bigger the fund, the more leverage we have in the market.**

With over 430,000 participants, we're able to:

- Negotiate with pharmacy benefits managers for the lowest drug costs and best rebates and discounts
- Offer specialty drug coverage
- Procure medical plan administrators with comprehensive networks of doctors and hospitals
- Provide high-quality, personalized 24/7 customer service
- Secure some of the lowest medical service prices in the market

BENEFITS OF TRS-ACTIVECARE

- **Less expensive** than peers with similar coverage
- **18% less** than non-participating districts
- Total cost **$173/month less** than other employers

Our large size not only benefits the quality of coverage but how it's managed.

Almost every dollar goes directly to health care — over 97% of the health fund pays for medical and prescription drug claims. The remaining 3% goes to program staff, claims processing, anti-fraud activities, and customer service.

We can also manage risks and costs for participants. Take this for example: A district with 1,000 employees has one catastrophic claimant at $1.5 million per year. This situation would raise premiums for that district's employees by $125 per month per employee. **In TRS-ActiveCare, this exact scenario would only add $0.41 to monthly premiums.**

Results from one catastrophic claimant at $1.5 million per year

Other self-funded plans raise premiums by	TRS-ActiveCare raises premiums by
$125 PER MONTH per employee	**$0.41 PER MONTH** per participant

WHAT YOU'LL NEED TO DO

If a district chooses to self-fund their health plan, there are logistics and risks to consider.

Operational Costs

Providing the same services as TRS will require a new level of work, with many different layers.

You'll need to develop and budget for new administrative expenses, benefits, communications and financial staff, plus outside resources. You'll also need to manage the health plan. Since your district will now pay all health care costs, this budgeting will be crucial. **And these extra costs are dollars you could otherwise spend on teacher salaries, school supplies, and educational programs.**

You'll also need to negotiate with vendor partners on a stand-alone basis. This approach can incur greater costs if you're a smaller district with fewer participants. Provider networks will have less incentive to provide lower medical service fees. Pharmacy rebates and discounts are also based on the size of an employer.

Risks

Broker Risks

TRS does not pay broker commissions. Many brokers will approach districts with superficially low rates for the first contract year to "buy the business." These rates may not be based on claims data, and districts could see steep increases in future years, especially if the district has even one high-cost claimant.

Your budgeting will need to factor in broker commissions. Broker commissions for large employers in Texas exceeded $8 per member per month in 2018 (Kaiser Family Foundation). **If your district has 1,000 employees enrolled, that adds nearly $100,000 in expenses that don't focus on education.**

Employee Risks

When you insure a plan with less than 20,000 participants, you typically need to purchase stop-loss insurance. Stop-loss insurance is protection against significant losses on individual claimants. This insurance is an additional cost to consider when budgeting. You should also know it can be highly unfavorable to some employees.

With stop-loss insurance, an employee with high medical or pharmacy costs can be singled out. For a rare or expensive condition, stop-loss insurance may impose a higher deductible. For example, the stop-loss insurance may require your plan to pay the first $1 million for an employee who takes a drug with an annual cost of $1.5 million.

Your employees are also at risk of seeing unexpected rate increases. This risk could be due to a high-cost claimant, stop-loss insurance issues, or brokers undervaluing your first contract negotiations.

Who to Contact

If you have any questions, you can reach out to your District Ambassador.