

## Teacher Retirement System of Texas



# Joint Committee on TRS Health Benefit Plans: TRS-Care

March 30, 2016





# **TRS-Care**

## **Health Care Coverage for Retired Public Educators and their Families**



# History of TRS-Care

1981

- ❑ The Texas Public School Employees Group Benefits Program was passed by the legislature but vetoed due to lack of funding.

1983

- ❑ A survey of Texas school districts found that only 429 of the 1,100 school districts offered some sort of retiree health coverage.
- ❑ 14 of the 429 districts also provided contributions to the premium costs.

1985

- ❑ Every school district endorsed and lobbied the legislature for a group health insurance program.
- ❑ Districts agreed to payroll deduct a percentage of active teacher salaries to help fund the program.
- ❑ S.B.387 provided that 1985-86 school year was to be used by TRS to "design, build and implement" the new program to be effective September 1, 1986.



# History of TRS-Care

## 1985 to 1986

- Created in 1985, the program is now in its 31<sup>st</sup> year. It was redesigned in 2004 to provide an additional decade of solvency.
- Catastrophic coverage was to be offered to all retirees at no cost, with the Board given the option of offering a more comprehensive plan that would be paid for by the retiree. Coverage for dependents was to be paid for by retirees.
- The State initially contributed 0.35% and active employees 0.25% of the active employee payroll to fund TRS-Care.

## 1986 to 2009

- Several increases were made over the years to State and active employee contributions.
- School districts began contributing 0.40% of active employee payroll in the 2003-04 school year.



# History of TRS-Care

## 2010 - 2014

- ❑ The State contributes 1.00%, districts contribute 0.55% and active employees 0.65% of the active employee payroll to fund TRS-Care.
- ❑ Medical benefits are offered through three self-funded PPO plans and two fully insured Medicare Advantage plans, each of which are administered by Aetna.
- ❑ Pharmacy benefits are offered through self-funded plans administered by Express-Scripts, including a Medicare Part D plan.

## 2014 - 2016

- ❑ 83<sup>rd</sup> Legislative Session passed S.B. 1458, which changed eligibility rules effective September 1, 2014.
  - Individuals who retire before age 62 are eligible for TRS-Care 1 only.
  - At age 62, a retiree may upgrade from TRS-Care 1 to either TRS-Care 2 or TRS-Care 3.
  - Grandfathering provision if, on or before August 31, 2014, Age + Years of Service of the retiree is greater than or equal to 70 or the retiree has a minimum of 25 years of service.



# Current Medical Plan Design

	TRS-Care 1	TRS-Care 2	TRS-Care 3	Medicare Advantage for TRS-Care 2	Medicare Advantage for TRS-Care 3
Eligibility	All members			Members with both Medicare Part A & B	
Deductible	\$1,800 Parts A&B \$3,000 Part B Only \$4,000 Non-Medicare	\$1,000/\$2,000	\$300/\$600	\$500	\$150
Maximum Out-of-Pocket <sup>1,2</sup>	\$4,800/\$9,600 Parts A&B \$6,000/\$12,000 Part B Only \$6,350/\$12,700 Non-Medicare	\$4,400/\$8,800	\$3,700/\$7,400	\$3,500	\$3,150
Coinsurance	80%/20% (after Medicare payment)	80%/20% (after Medicare payment)	80%/20% (after Medicare payment)	95%/5%	95%/5%
Inpatient Hospital Facility				\$500 copay per stay	\$250 copay per stay
Outpatient Hospital Facility				\$250 copay	\$75 copay
Emergency Room				\$65 copay	\$50 copay
Urgent Care				\$35 copay	\$35 copay
Office Visits				Non-Medicare: \$35 copay Medicare: 80%/20% (after Medicare payment)	Non-Medicare: \$25 copay Medicare: 80%/20% (after Medicare payment)

<sup>1</sup> Maximum Out-of-Pocket includes medical and pharmacy deductible, coinsurance and copayments for TRS-Care 1.

<sup>2</sup> Maximum Out-of-Pocket includes medical deductible, coinsurance and copayments for TRS-Care 2 and TRS-Care-3.





# Current Prescription Drug Plan Design

	TRS-Care 2	TRS-Care 3	Medicare Part D for TRS-Care 2	Medicare Part D for TRS-Care 3
Eligibility	All members		Members with either Medicare Part A or B	
<u>Retail Copays</u>				
Generic	\$10	\$10	\$5	\$5
Preferred Brand	\$30	\$25	\$25	\$20
Non-Preferred Brand	\$50	\$40	\$50	\$40
<u>Mail Order Copays</u>				
Generic	\$20	\$20	\$15	\$15
Preferred Brand	\$75	\$50	\$70	\$45
Non-Preferred Brand	\$125	\$80	\$125	\$80

# Retiree Premiums

- Premiums are based on years of service (“Years”), Medicare status and plan election.
- Medicare Advantage enrollees receive a \$15 per month premium reduction.
- Retiree premiums have not increased since FY2005.

	TRS-Care 1	TRS-Care 2			TRS-Care 3		
		<20 Years	20-29 Years	30+ Years	<20 Years	20-29 Years	30+ Years
<b>Retiree or Surviving Spouse</b>							
With Medicare Part A & B	\$0	\$80	\$70	\$60	\$110	\$100	\$90
With Medicare Part B Only	\$0	\$165	\$155	\$145	\$245	\$230	\$215
Non-Medicare	\$0	\$210	\$200	\$190	\$310	\$295	\$280
<b>+ Spouse</b>							
With Medicare Part A & B	\$20	\$110	\$105	\$100	\$165	\$155	\$145
With Medicare Part B Only	\$75	\$195	\$185	\$175	\$290	\$275	\$260
Non-Medicare	\$140	\$240	\$230	\$220	\$355	\$340	\$325
<b>+ Child(ren)/Surviving Child(ren)</b>							
Child(ren) of Retiree with Part A&B	\$41	\$62	\$62	\$62	\$82	\$82	\$82
Child(ren) of Retiree with Part B Only	\$34	\$62	\$62	\$62	\$82	\$82	\$82
Child(ren) of Non-Medicare Retiree	\$28	\$62	\$62	\$62	\$82	\$82	\$82

Example: TRS-Care 3

- ❑ Retiree (30+ Years, Medicare Parts A&B):
- ❑ Retiree (20-29 Years, Medicare Part A&B) and Spouse (non-Medicare):
- ❑ Retiree (<20 Years, Non-Medicare); Spouse (Medicare Part B Only); and child:

\$90/month  
 $\$100 + \$340 = \$440/\text{month}$   
 $\$310 + \$290 + \$82 = \$682/\text{month}$





# Current Participation by Medicare Status

## Retiree Count as of January 2016

Medicare Status	Care-1	Care-2	Care-3	Medicare Advantage for Care-2	Medicare Advantage for Care-3	Total
Medicare A&B	12,969	4,284	32,893	9,901	72,393	132,440
Medicare B Only	8,844	1,528	7,087	0	0	17,459
<u>Non-Medicare</u>	<u>4,814</u>	<u>31,635</u>	<u>19,879</u>	<u>0</u>	<u>0</u>	<u>56,328</u>
Total	26,627	37,447	59,859	9,901	72,393	206,227

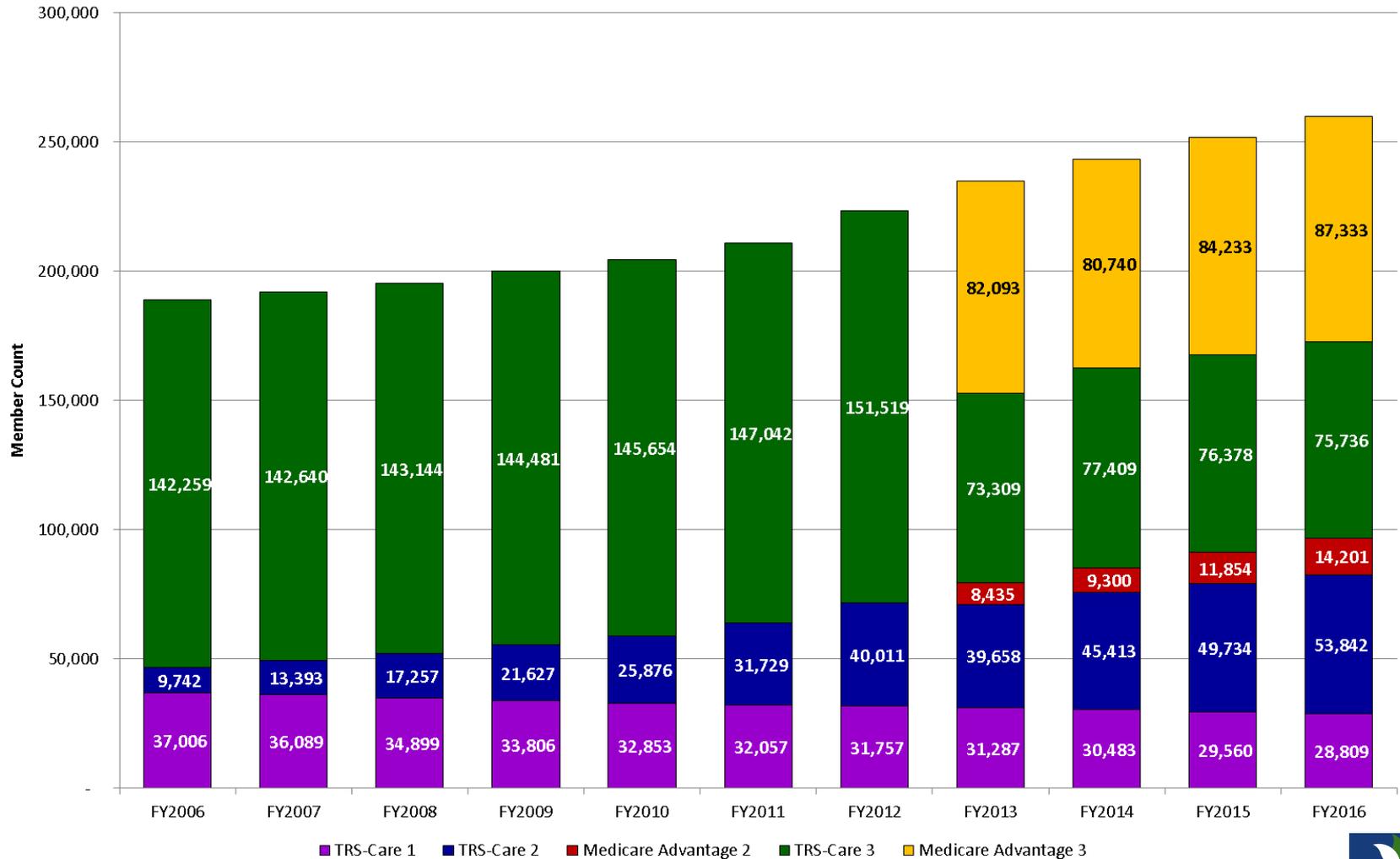
## Participant Count as of January 2016

Medicare Status	Care-1	Care-2	Care-3	Medicare Advantage for Care-2	Medicare Advantage for Care-3	Total
Medicare A&B	14,012	5,987	40,385	14,410	88,125	162,919
Medicare B Only	9,005	1,722	7,353	0	0	18,080
<u>Non-Medicare</u>	<u>5,947</u>	<u>45,386</u>	<u>27,370</u>	<u>0</u>	<u>0</u>	<u>78,703</u>
Total	28,964	53,095	75,108	14,410	88,125	259,702



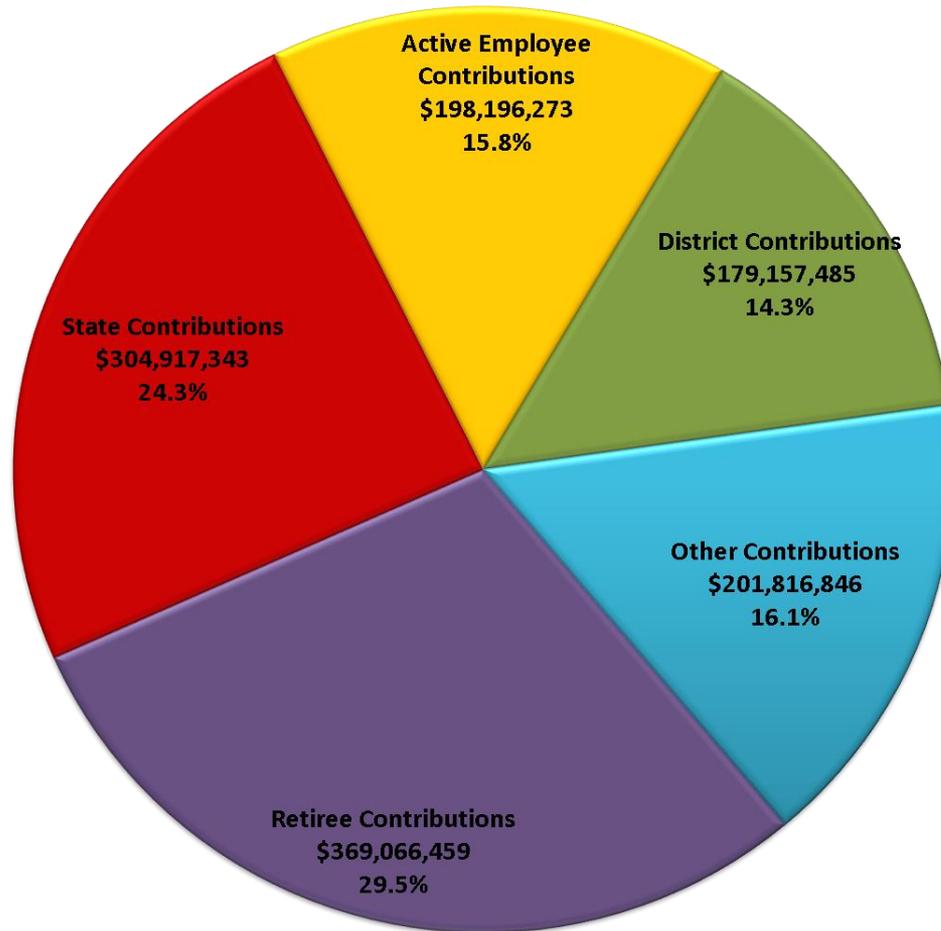
# History of Participation by Plan

All Participants





# TRS-Care FY2015 Distribution of Revenues



**State Contributions:**  
1.0% of active employee payroll by law.

**Active Employees:**  
0.65% of active employee payroll.

**District Contributions:**  
0.55% of active employee payroll.

**Other Contributions:**  
Includes Retiree Drug Subsidy, Medicare Part D subsidies and Investment Income.

**Retiree Contributions:**  
Retirees pay premiums for any plan option other than TRS Care-1.

**Notes:**

(1) Retiree premium contributions and Retiree cost sharing (deductibles, copayments and coinsurance) accounted for 35.0% of TRS-Care's expenses in FY2015.

(2) Funding is based on active employee payroll rather than actual health care costs.

(2) For the FY2016-17 biennium, the State contributed an additional \$768 million



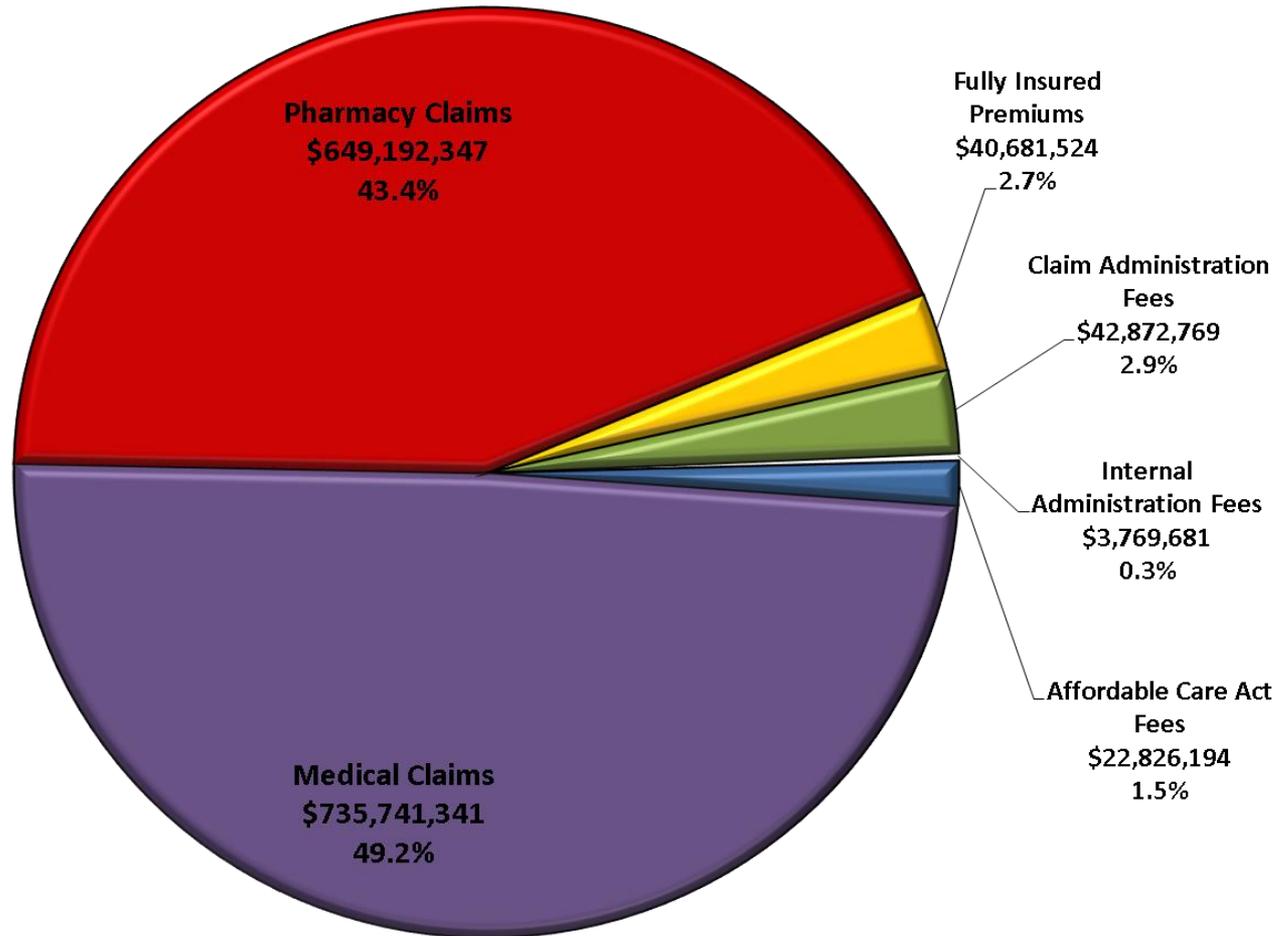


# TRS-Care Funding Sources

Contribution Source	FY2014 Revenue		FY2015 Revenue	
	Revenue	Percentage	Revenue	Percentage
1. Retirees	\$363,631,292	30.6%	\$369,066,459	18.3%
2. State				
i. 1% of Payroll	\$290,775,235	24.5%	\$304,917,343	15.1%
ii. Supplemental	\$36,058,148	3.0%	\$768,100,754	38.0%
3. School Districts (0.55%)	\$169,847,447	14.3%	\$179,157,485	8.9%
4. Active Employees (0.65%)	\$189,003,903	15.9%	\$198,196,273	9.8%
5. Other	\$137,597,766	11.6%	\$201,816,846	9.9%
Total	\$1,186,913,792	100.0%	\$2,021,255,160	100.0%



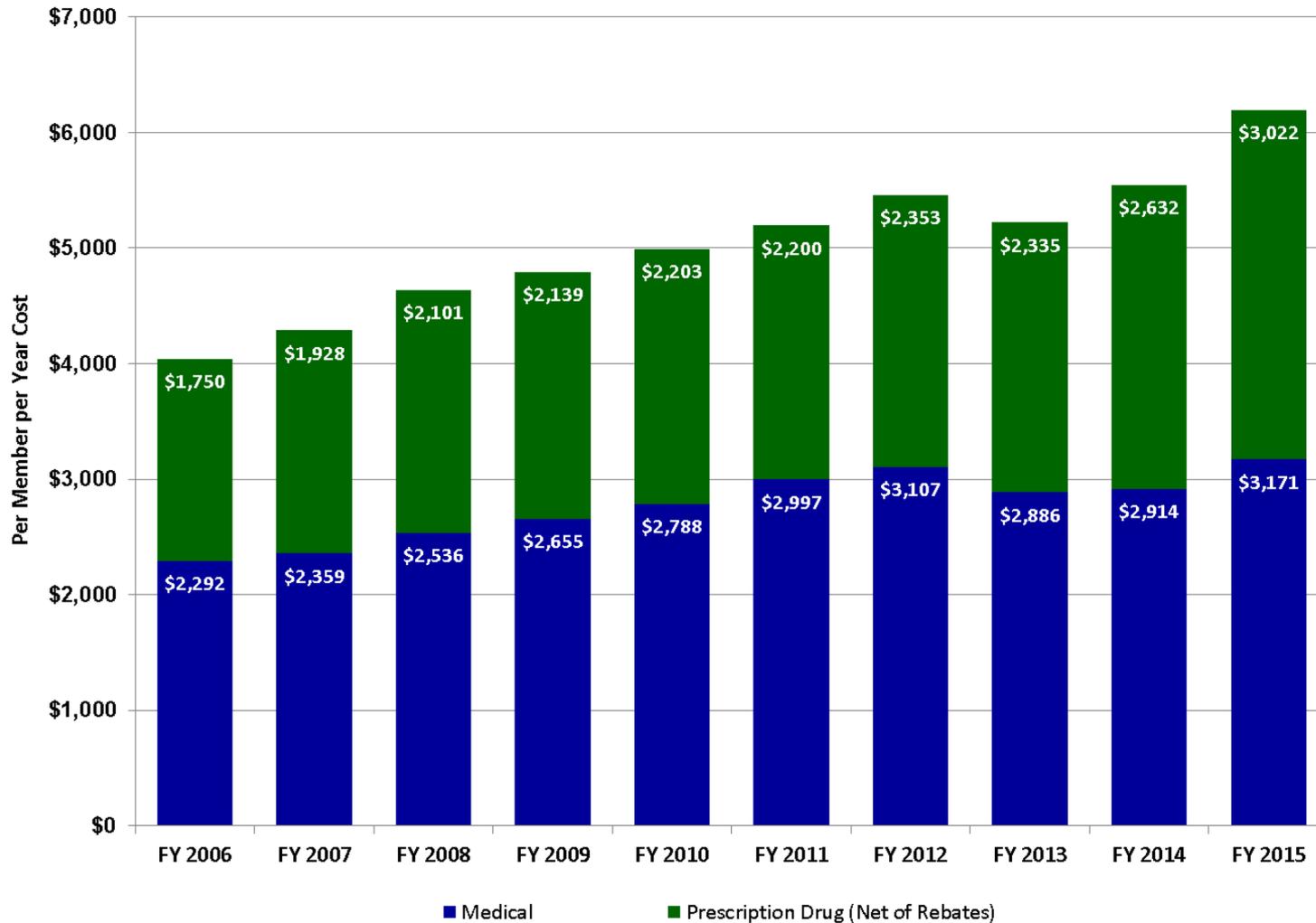
# TRS-Care FY2015 Expenses





# TRS-Care Average Per Member Per Year Cost

as of December 2015





# TRS-Care Funding

## Financial History & Projection Through FY2021 with Data Through December 2015

Fiscal Year	Contributions								Expenditures				Ending Balance (Incurred Basis)
	Retiree Contributions	State Contributions	Supplemental Appropriations	Active Employee Contributions	District Contributions	Investment Income	CMS & Part D Subsidies	ERRP Subsidy	Medical Incurred	Drug Incurred	Medicare Advantage Premiums	Administrative Costs	
FY 1986	\$0	\$0	\$250,000	\$17,625,194	\$0	\$572,153	\$0	\$0	\$0	\$0	\$0	\$362,371	\$18,084,976
FY 1987	\$22,617,624	\$25,931,680	\$0	\$18,522,629	\$0	\$2,568,998	\$0	\$0	\$50,988,845	\$7,044,825	\$0	\$3,941,936	\$25,750,301
FY 1988	\$23,948,600	\$31,357,632	\$0	\$19,598,520	\$0	\$5,703,832	\$0	\$0	\$16,157,649	\$12,441,672	\$0	\$4,614,755	\$73,144,809
FY 1989	\$25,428,632	\$37,420,711	\$0	\$20,789,215	\$0	\$8,802,914	\$0	\$0	\$32,926,324	\$15,458,710	\$0	\$5,212,073	\$111,989,174
FY 1990	\$37,556,561	\$44,369,915	\$0	\$22,184,958	\$0	\$13,098,835	\$0	\$0	\$50,171,919	\$19,835,965	\$0	\$7,186,851	\$152,004,708
FY 1991	\$46,563,787	\$47,277,743	\$0	\$23,638,871	\$0	\$15,801,047	\$0	\$0	\$82,697,189	\$28,683,081	\$0	\$8,258,029	\$165,647,857
FY 1992	\$56,395,797	\$50,392,512	\$0	\$25,196,592	\$0	\$17,314,372	\$0	\$0	\$74,307,953	\$33,829,694	\$0	\$8,862,560	\$197,946,923
FY 1993	\$65,154,653	\$54,029,406	\$0	\$27,014,703	\$0	\$17,181,190	\$0	\$0	\$101,627,864	\$40,700,513	\$0	\$10,067,359	\$208,931,140
FY 1994	\$80,128,944	\$56,912,083	\$0	\$28,456,041	\$0	\$16,467,438	\$0	\$0	\$108,284,693	\$45,712,060	\$0	\$11,668,828	\$225,230,065
FY 1995	\$89,006,331	\$59,849,850	\$0	\$29,924,925	\$0	\$16,841,673	\$0	\$0	\$122,054,551	\$50,782,093	\$0	\$12,219,847	\$235,796,353
FY 1996	\$82,622,236	\$63,634,087	\$0	\$31,817,043	\$0	\$16,818,747	\$0	\$0	\$135,982,304	\$57,074,921	\$0	\$13,593,578	\$224,037,663
FY 1997	\$87,657,784	\$67,616,395	\$0	\$33,808,197	\$0	\$16,202,440	\$0	\$0	\$148,823,489	\$62,530,982	\$0	\$14,097,454	\$203,870,554
FY 1998	\$91,390,173	\$72,210,190	\$0	\$36,105,095	\$0	\$15,260,517	\$0	\$0	\$156,537,913	\$76,256,158	\$0	\$14,616,678	\$171,425,780
FY 1999	\$96,474,107	\$76,488,424	\$0	\$38,244,213	\$0	\$9,762,741	\$0	\$0	\$184,398,533	\$93,459,890	\$0	\$14,905,196	\$99,631,646
FY 2000	\$120,227,960	\$85,505,637	\$0	\$42,738,069	\$0	\$6,923,485	\$0	\$0	\$203,029,971	\$110,903,247	\$0	\$16,837,127	\$24,256,451
FY 2001	\$131,213,445	\$90,118,787	\$76,281,781	\$45,059,394	\$0	\$5,824,134	\$0	\$0	\$250,691,898	\$139,774,848	\$0	\$18,237,767	(\$35,950,521)
FY 2002	\$143,797,748	\$94,792,026	\$285,515,036	\$47,378,092	\$0	\$7,140,560	\$0	\$0	\$287,729,918	\$163,979,754	\$0	\$19,017,292	\$71,945,978
FY 2003	\$162,954,010	\$98,340,798	\$124,661,063	\$49,170,399	\$0	\$3,394,956	\$0	\$0	\$368,462,963	\$203,281,400	\$0	\$21,690,329	(\$82,967,487)
FY 2004	\$248,552,679	\$198,594,194	\$298,197,463	\$99,297,097	\$79,457,387	\$4,840,982	\$0	\$0	\$366,840,457	\$214,514,500	\$0	\$26,332,200	\$238,285,158
FY 2005	\$322,780,191	\$202,397,566	\$64,172,167	\$101,198,783	\$80,914,228	\$11,300,868	\$0	\$0	\$431,036,095	\$229,522,988	\$0	\$33,333,010	\$327,156,868
FY 2006	\$326,844,982	\$215,666,940	\$0	\$140,183,511	\$118,607,527	\$21,435,792	\$34,611,607	\$0	\$427,553,404	\$259,532,887	\$0	\$34,434,969	\$462,985,967
FY 2007	\$323,957,945	\$238,190,720	\$0	\$154,823,968	\$136,008,512	\$32,671,539	\$52,329,617	\$0	\$437,519,747	\$304,773,401	\$0	\$35,878,194	\$622,796,927
FY 2008	\$328,505,433	\$254,722,174	\$0	\$165,569,413	\$141,672,630	\$29,252,347	\$59,486,239	\$0	\$498,767,038	\$334,742,500	\$0	\$39,656,301	\$728,839,324
FY 2009	\$329,723,191	\$267,471,299	\$0	\$173,856,344	\$149,562,613	\$17,482,143	\$61,530,735	\$0	\$531,239,020	\$353,893,845	\$0	\$43,184,393	\$800,148,391
FY 2010	\$332,481,933	\$279,250,547	\$0	\$181,512,856	\$155,918,241	\$11,679,229	\$70,795,686	\$0	\$575,539,788	\$395,817,017	\$0	\$45,465,776	\$814,964,302
FY 2011	\$345,164,271	\$282,782,431	\$0	\$183,808,580	\$158,724,010	\$8,168,640	\$66,258,008	\$70,629,797	\$608,461,321	\$384,017,059	\$0	\$47,151,354	\$890,870,304
FY 2012	\$363,348,030	\$271,925,242	\$0	\$176,751,407	\$154,607,926	\$5,189,934	\$71,575,942	(\$2,941,996)	\$687,987,585	\$454,143,825	\$0	\$48,181,723	\$741,013,656
FY 2013	\$355,685,504	\$139,213,557	\$102,363,704	\$180,824,522	\$160,952,396	\$3,041,001	\$98,628,841	\$0	\$686,321,003	\$496,229,923	\$1,075,388	\$47,048,587	\$551,048,281
FY 2014	\$363,631,292	\$290,775,235	\$36,058,148	\$189,003,903	\$169,847,447	\$2,061,745	\$135,536,021	\$0	\$663,776,623	\$539,842,962	\$27,507,107	\$48,894,894	\$457,940,487
FY 2015	\$369,066,459	\$304,917,343	\$768,100,754	\$198,196,273	\$179,157,485	\$1,495,680	\$200,321,166	\$0	\$746,668,738	\$649,457,501	\$59,000,080	\$51,150,088	\$972,919,239
FY 2016	\$378,925,832	\$311,015,690	\$0	\$202,160,198	\$182,517,320	\$3,627,510	\$191,559,959	\$0	\$783,976,030	\$756,263,941	\$75,526,661	\$52,802,296	\$574,156,819
FY 2017	\$385,447,966	\$317,236,004	\$0	\$206,203,402	\$185,938,492	\$1,763,771	\$221,173,145	\$0	\$843,877,136	\$901,348,099	\$68,721,732	\$53,235,667	\$24,736,966
FY 2018	\$390,579,790	\$323,580,724	\$0	\$210,327,470	\$189,428,089	\$86,441	\$255,464,056	\$0	\$888,730,578	\$1,065,630,829	\$82,016,715	\$53,397,729	(\$695,572,315)
FY 2019	\$396,004,003	\$330,052,338	\$0	\$214,534,020	\$192,987,476	\$0	\$293,228,100	\$0	\$938,527,726	\$1,248,642,443	\$116,236,950	\$54,287,921	(\$1,626,461,418)
FY 2020	\$400,730,377	\$336,653,385	\$0	\$218,824,700	\$196,618,052	\$0	\$334,681,191	\$0	\$990,024,307	\$1,449,758,916	\$133,653,301	\$54,649,326	(\$2,767,039,563)
FY 2021	\$402,524,205	\$343,386,453	\$0	\$223,201,194	\$200,321,239	\$0	\$379,875,793	\$0	\$1,039,774,619	\$1,664,160,040	\$153,211,720	\$55,501,530	(\$4,130,378,589)

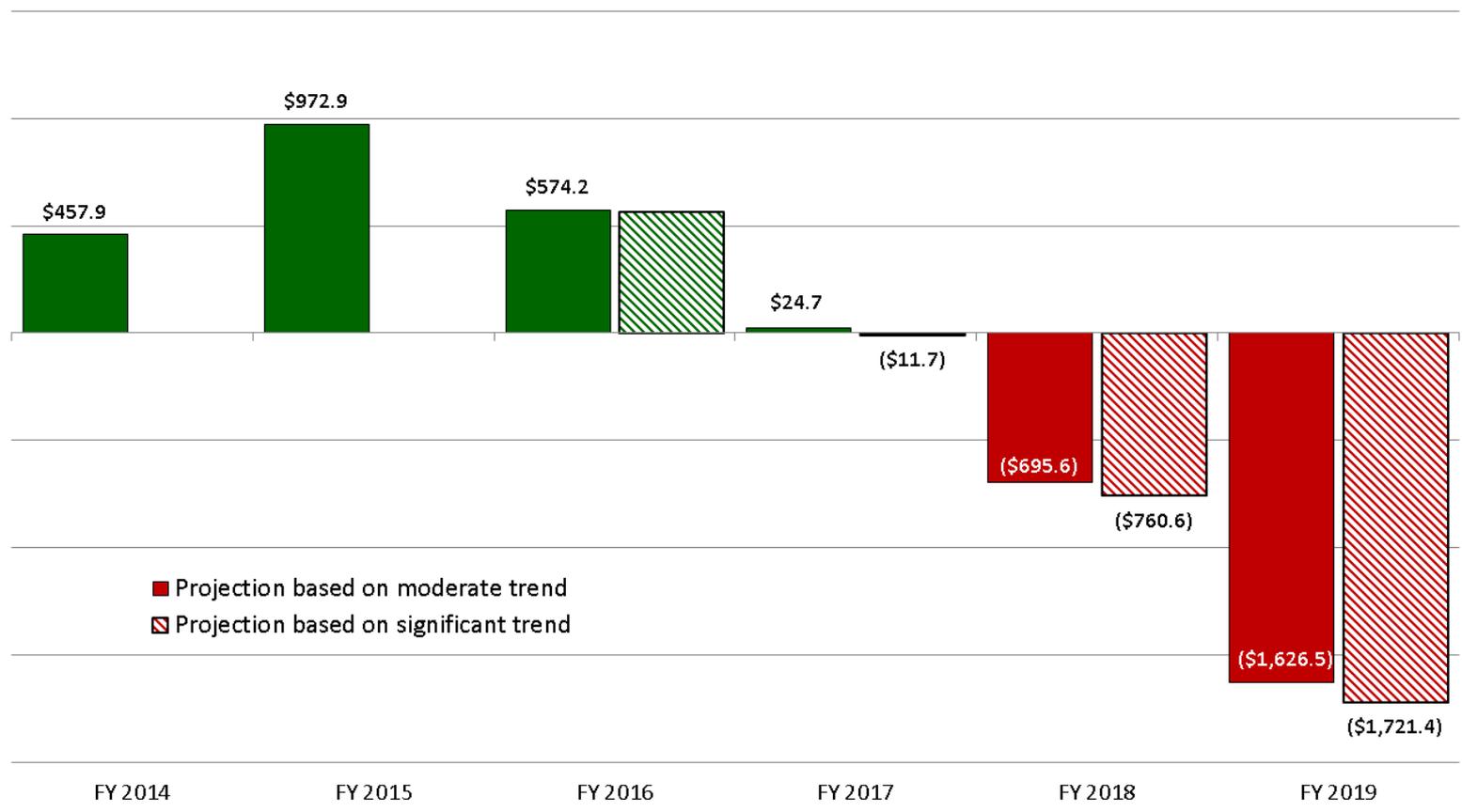
**NOTES**

- Invoice data through December 31, 2015
- This purpose of this report is to project revenue and expenses on an incurred basis and should not be used as a projection of cash flow.
- 68% participation in Medicare Advantage and 80% participation in Part D plan, which was effective 1/1/2013.
- State Contribution rate of 1%; District Contribution rate of 0.55%; and Active Contribution rate of 0.65%.
- Enrollment assumptions based on headcounts assumed in annual Other Post Employment Benefits (OPEB) valuation report.
- 4% increase in payroll growth for FY2014; 2% increase in payroll growth thereafter.
- Medical trends: 7.5% for Care 1; 7.5% for Care 2; 7.5% for Care 3 through FY2017; reduced by 0.25 each year thereafter.
- Pharmacy trends: 13% for Care 2; 13% for Care 3; 13% for Medicare Part D plans, reduced by 0.50 each year thereafter.
- Interest Rate = 0.4%



# TRS-Care Projected Fund Balance

**Projected Fund Balance as of December 31, 2015**  
(Incurred Basis in Millions)



■ Projection based on moderate trend  
 ▨ Projection based on significant trend

\*Due to the volatility of future health care costs, projected fiscal years are also shown assuming actual medical and pharmacy trends exceed current trend levels by 2 percentage points.

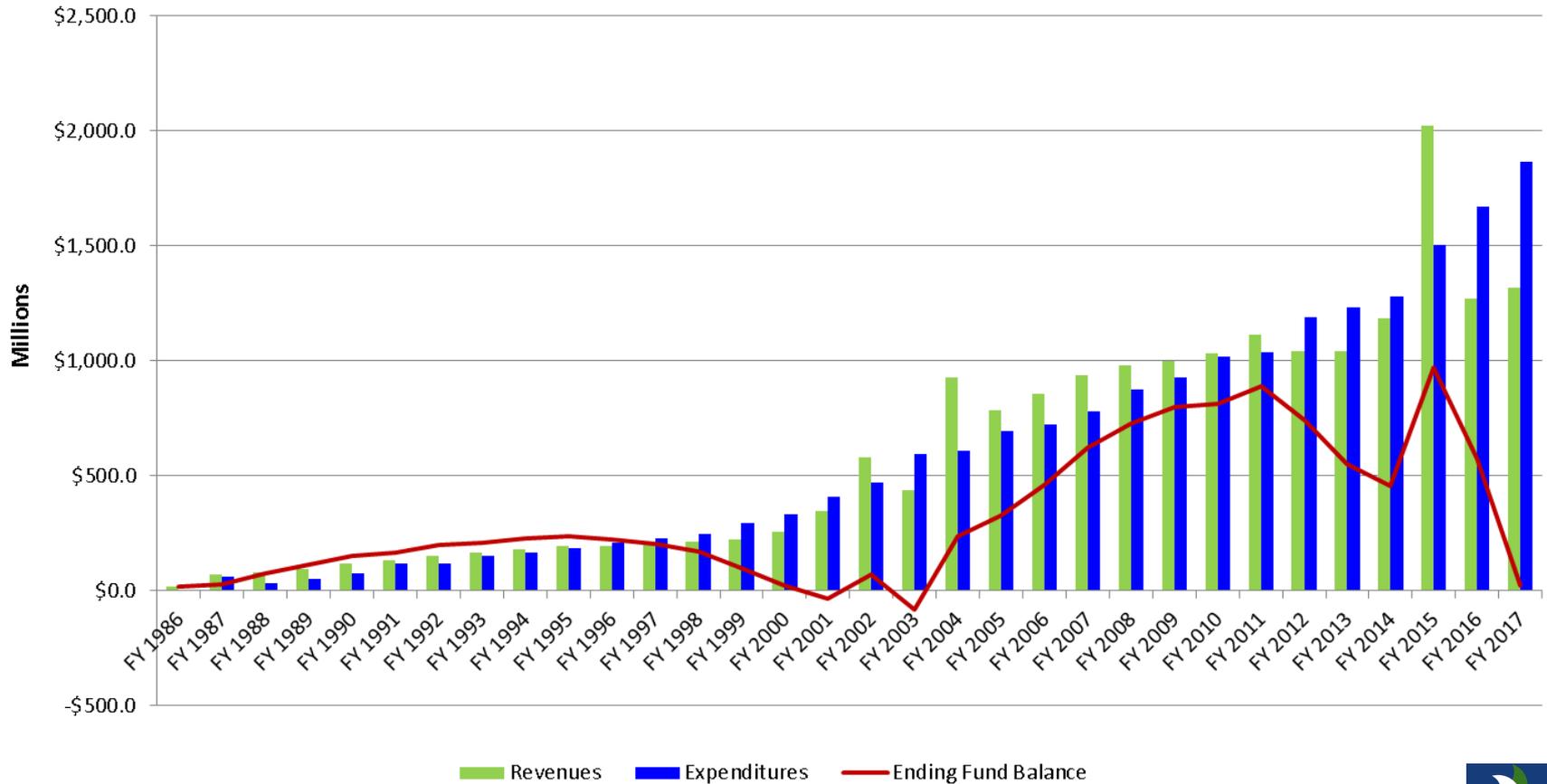




# TRS-Care Projected Fund Balance

## TRS-Care Projected Fund Balance

Actual Data Through December 31, 2015





# Cost Drivers

- ❑ Increase in medical costs
- ❑ Increase in prescription drug costs
- ❑ Maintaining access and choice in managing providers
- ❑ Increased utilization due to aging population
- ❑ Changes in the number of retirees in the group, particularly Non-Medicare
- ❑ Changes in Medicare programs
  - Medicare primary benefits for members enrolled in the self-funded plans
  - CMS reimbursements for fully-insured Medicare Advantage and Medicare Part D plans
- ❑ Advances in technology for medical testing/equipment
- ❑ Development of new specialty and biogenetic drugs
- ❑ Federal and state legislation



# Previous Revenue Increases and Cost Containment Initiatives

## ☐ FY2001 – FY2005

- Supplemental appropriations by the State in each fiscal year;
- Required district contributions introduced in FY2004; and
- FY2003 “10-Year Solvency” Legislation
  - Increased State contribution from 0.5% to 1.0% of active payroll
  - Increased active employee contribution from 0.25% to 0.5% of their payroll
  - Created school district contribution to 0.25%-0.75%, determined by General Appropriations Act. For 2004-2005 it was 0.4% of active payroll.
  - Retiree premiums and plans restructure.

## ☐ FY2005

- Plan design changes;
- Tightened eligibility rules;
  - Adopted the Rule of 80
- Retiree premium restructured based on Years of Service and Medicare Status; and
- Introduction of Employer Surcharge for “Return to Work” retirees.

## ☐ FY2013

- Introduction of the Medicare Advantage plans for participants with Part A and B; and
- Introduction of Medicare Part D plans for participants with Part A or B.



# Previous Revenue Increases and Cost Containment Initiatives

## ❑ FY2014

- Tightened criteria for which compound drugs would be covered.

## ❑ FY2015 “Actuarial Soundness” Legislation

- Tightened eligibility rules
  - Set a minimum age of 62 in order to be eligible for TRS-Care 2 or TRS-Care 3.
  - Grandfathering provision for retirees if as of August 31, 2014
    - the sum of the retiree's age and amount of service credit in the retirement system is greater than or equal to 70; or
    - the retiree had at least 25 years of service credit in the retirement system.
  - All non-grandfathered individuals will only be eligible to receive TRS-Care 1 until they reach age 62. No impact until FY2020.



# Average Costs Per Member Per Year

- Non-Medicare retirees are the biggest cost driver to the program; costs for non-Medicare retirees are over 3 times the costs of retirees with Medicare Parts A & B.

FY2015 PMPY Costs for TRS-Care 3 as of December 2015			
Plan	Medicare Parts A & B	Medicare Part B Only	Non-Medicare
Retiree enrolled in both Medicare Advantage and Medicare Part D Plans	\$2,855	\$6,795	---
Retiree NOT enrolled in either the Medicare Advantage or Medicare Part D Plans	\$4,422	\$7,219	\$13,640

- With provider and benefit level choice, comes additional cost.
- There is a disparity between TRS-Care benefits and premiums in comparison to what is available to Texas state employee retirees under the Employee Retirement System of Texas. For example, the premium for Retiree Only coverage under the Employee Retirement System of Texas is 100% funded by the state.
- Approximately 31% of TRS-Care members in FY2015 were non-Medicare.

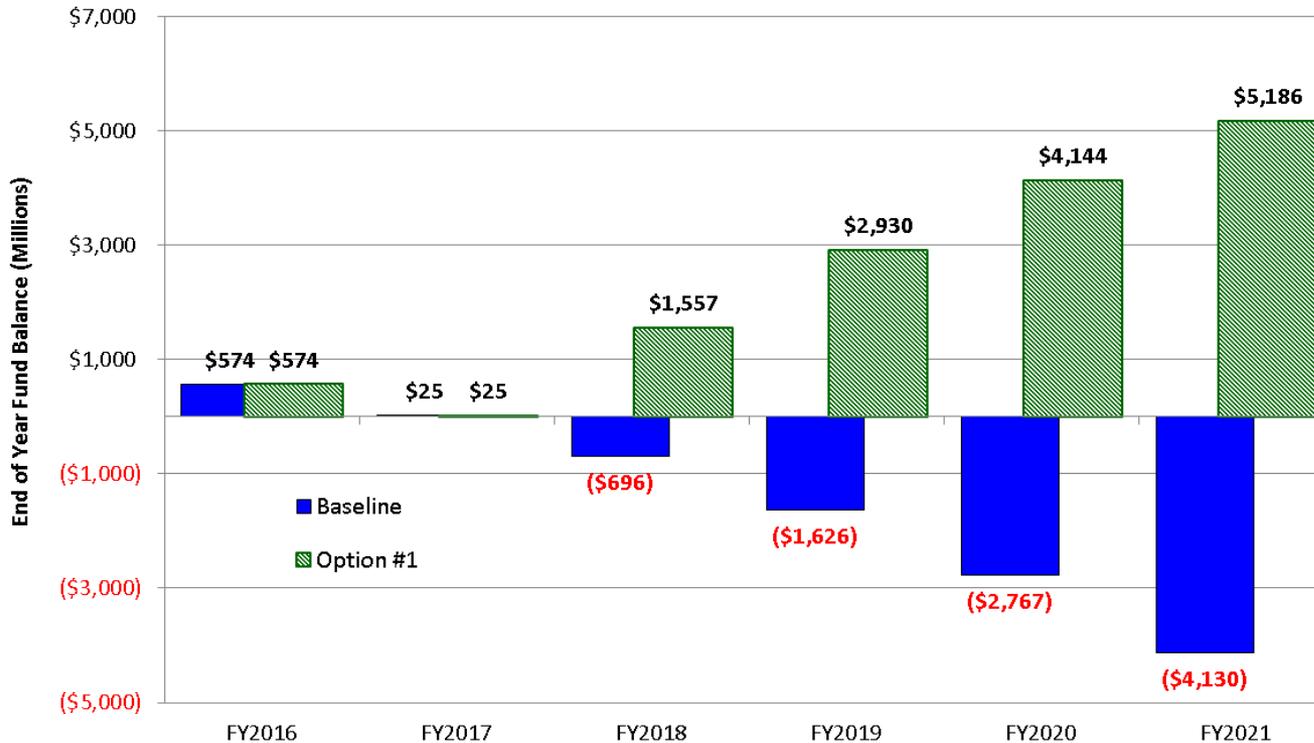
# 2016 Sustainability Study

Option	Description
Option 1	Pre-fund the long-term liability
Option 2	Fund on a pay-as-you-go basis through FY2021 2(a) Increase State contribution only 2(b) Increase State, District and Active Employee contributions 2(c) Increase State, District, Active Employee and Retiree contributions 2(d) Increase State, District, Active Employee and Retiree contributions; plan design changes
Option 3	Fund on a pay-as-you-go basis through FY2027 3(a) Increase State contribution only 3(b) Increase State, District and Active Employee contributions 3(c) Increase State, District, Active Employee and Retiree contributions
Option 4	Retiree pays the full cost for optional coverage
Option 5	Require purchase of Medicare Part B; mandatory participation in Medicare Advantage and Medicare part D plans; otherwise, TRS-Care 1
Option 6	Fixed Contribution or Care-1 for Non-Medicare retirees
Option 7	Create a single consumer directed plan design for non-Medicare enrollees



# Option 1

## Pre-Fund the Long-Term Liability



Fiscal Year	Change in Ending Fund Balance
2016	\$0
2017	\$0
2018	\$2,252,604,579
2019	\$2,303,486,813
2020	\$2,354,574,146
2021	\$2,405,920,465

### Option 1

- Currently, the State, Districts and Active Employees contribute a total of 2.20% of active employee payroll to TRS-Care.
- To pre-fund the long-term liability, the total contribution rate would need to increase to 9.15%, which is an increase of 316%.



# Option 1 Pre-Fund the Long-Term Liability

Currently, the State, Districts and Active Employees contribute a total of 2.20% of active employee payroll to TRS-Care. To pre-fund the long-term liability, the total contribution rate would need to increase to 9.15%, which is an increase of 316%.

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2019	4.16%	2.70%	2.29%	0%
2020 - 2021	4.16%	2.70%	2.29%	0%

Biennium	Projected Additional Cost over Current Funding Levels			
	State <sup>1</sup>	District	Active Employees	Retirees
2016 – 2017	\$0	\$0	\$0	\$0
2018 – 2019	\$1,899,695,362	\$1,135,687,445	\$1,342,176,071	\$0
2020 – 2021	\$1,976,443,055	\$1,181,569,218	\$1,396,399,985	\$0

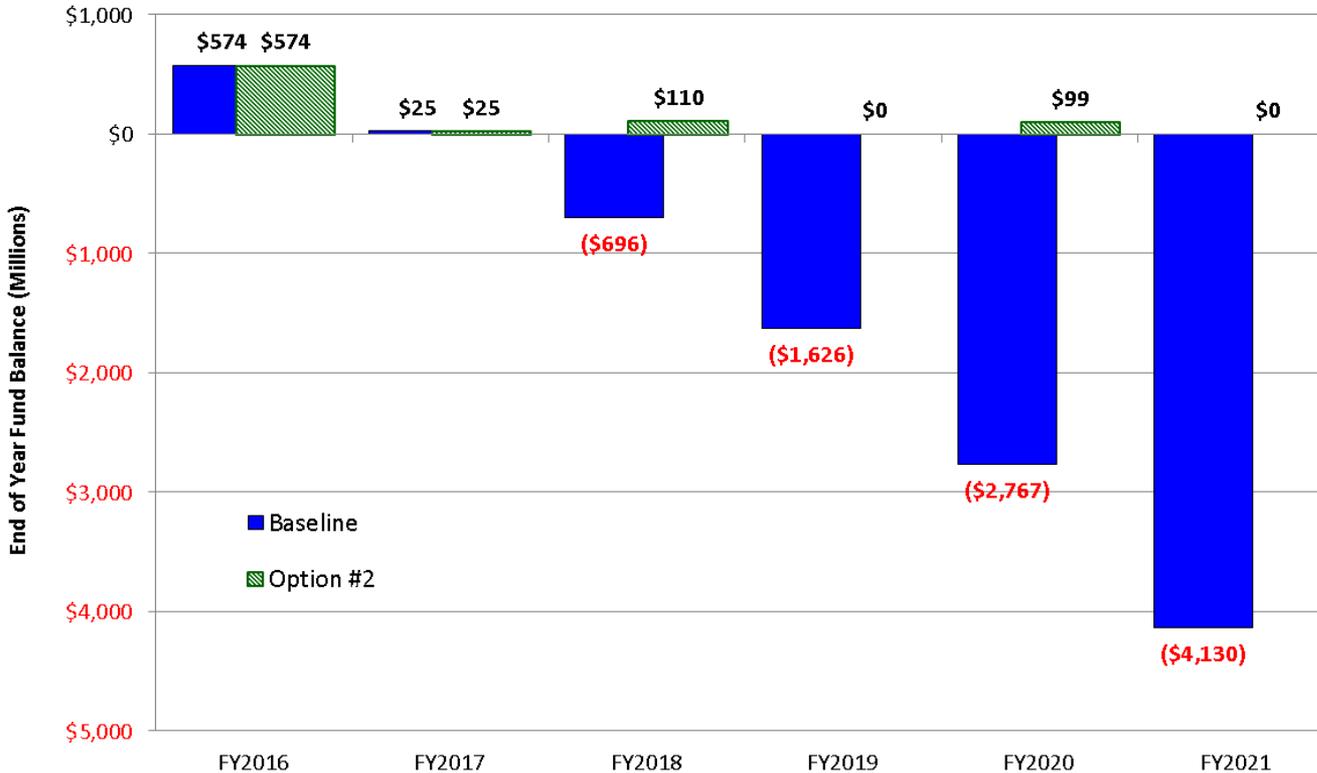
<sup>1</sup> The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$2,718,519,325	\$1,518,103,010	\$1,767,037,561	\$786,583,793
2020 – 2021	\$2,828,347,506	\$1,578,508,509	\$1,838,425,879	\$803,254,581



# Option 2

## Fund on a Pay-As-You-Go Basis



Fiscal Year	Change in Ending Fund Balance
2016	\$0
2017	\$0
2018	\$805,158,940
2019	\$821,302,478
2020	\$1,239,548,548
2021	\$1,264,368,623

### Option 2

- This option projects the increase in funding from the State, District, Active employees and retirees in order for the fund to be solvent at the end of both FY2019 and FY2021.
- Each of options 2(a) through 2(d) achieve the ending fund balances shown above by increasing contributions a variety of ways.



# Option 2(a) Fund on a Pay-As-You-Go Basis

Option #2(a) assumes that the State contribution rate – as a percent of active employee payroll – would increase in each of the next two biennia in order for the TRS-Care fund to maintain solvency through FY2021. In this option, the State contribution would need to increase by 249% in FY2018 and then again by 34% in FY2020.

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2019	3.49%	0.55%	0.65%	0%
2020 – 2021	4.68%	0.55%	0.65%	0%

Biennium	Projected Additional Cost over Current Funding Levels			
	State <sup>1</sup>	District	Active Employees	Retirees
2016 – 2017	\$0	\$0	\$0	\$0
2018 – 2019	\$1,494,762,408	\$0	\$0	\$0
2020 – 2021	\$2,301,878,735	\$0	\$0	\$0

<sup>1</sup> The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$2,278,374,810	\$382,415,565	\$424,861,490	\$786,583,793
2020 – 2021	\$3,182,081,941	\$396,939,292	\$442,025,894	\$803,254,581



# Option 2(b)

## Fund on a Pay-As-You-Go Basis

Option #2(b) assumes that the State, District and Active Employee contribution rates – as a percent of active employee payroll – would increase in each of the next two biennia in order for the TRS-Care fund to maintain solvency through FY2021. In this option, the contribution rates would need to increase by 113% in FY2018 and then again by 25.5% in FY2020.

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2019	2.13%	1.17%	1.38%	0%
2020 – 2021	2.67%	1.47%	1.74%	0%

Biennium	Projected Additional Cost over Current Funding Levels			
	State <sup>1</sup>	District	Active Employees	Retirees
2016 – 2017	\$0	\$0	\$0	\$0
2018 – 2019	\$679,437,458	\$406,185,437	\$480,037,335	\$0
2020 – 2021	\$1,046,308,516	\$625,510,526	\$739,239,712	\$0

<sup>1</sup> The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$1,392,152,038	\$788,601,002	\$904,898,825	\$786,583,793
2020 – 2021	\$1,817,331,703	\$1,022,449,818	\$1,181,265,607	\$803,254,581



# Option 2(c) Fund on a Pay-As-You-Go Basis

Option #2(c) assumes that the contribution rates from all funding sources would increase in each of the next two biennia in order for the TRS-Care fund to maintain solvency through FY2021. In this option, contribution rates would need to increase by 71.7% in FY2018 and then again by 20.4% in FY2020. **Please note these changes may result in loss of grandfathered status.**

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2019	1.72%	0.94%	1.12%	+71.7%
2020 – 2021	2.07%	1.14%	1.34%	+20.4%

Biennium	Projected Additional Cost over Current Funding Levels			
	State <sup>1</sup>	District	Active Employees	Retirees
2016 – 2017	\$0	\$0	\$0	\$0
2018 – 2019	\$431,155,555	\$257,756,038	\$304,620,773	\$593,713,392
2020 – 2021	\$667,628,849	\$399,125,942	\$471,694,296	\$905,525,232

<sup>1</sup> The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$1,122,280,404	\$640,171,603	\$729,482,263	\$1,380,297,185
2020 – 2021	\$1,405,723,369	\$796,065,234	\$913,720,190	\$1,708,779,813



# Option 2(c) Fund on a Pay-As-You-Go Basis

The following table shows the resulting Retiree Only monthly premiums for 20-29 Years of Service under Option #2(c).

Fiscal Year	Projected Retiree Premiums			
	TRS-Care 2		TRS-Care 3	
	Medicare A&B	Non-Medicare	Medicare A&B	Non-Medicare
FY2017	\$70	\$200	\$100	\$295
FY2018	\$120	\$343	\$172	\$507
FY2019	\$120	\$343	\$172	\$507
FY2020	\$145	\$413	\$207	\$610
FY2021	\$145	\$413	\$207	\$610



# Option 2(d) Fund on a Pay-As-You-Go Basis

Option #2(d) assumes that the State, District and Active Employee contribution rates required in Option #2(c) while retirees would receive a smaller increase in premiums along with benefit reductions in order for the TRS-Care fund to maintain solvency through FY2021. **Please note these changes may result in loss of grandfathered status.**

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2019	1.72%	0.94%	1.12%	+30.5%
2020 – 2021	2.07%	1.14%	1.34%	+23.6%

Biennium	Projected Additional Cost over Current Funding Levels			
	State <sup>1</sup>	District	Active Employees	Retirees <sup>2</sup>
2016 – 2017	\$0	\$0	\$0	\$0
2018 – 2019	\$431,155,555	\$257,756,038	\$304,620,773	\$596,092,153
2020 – 2021	\$667,628,849	\$399,125,942	\$471,694,296	\$909,061,605

<sup>1</sup> The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.

<sup>2</sup> Increased costs projected for retirees includes both Retiree premium contributions and increased out-of-pocket expenses.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$1,122,280,404	\$640,171,603	\$729,482,263	\$1,039,352,058
2020 – 2021	\$1,405,723,369	\$796,065,234	\$913,720,190	\$1,323,624,694



# Option 2(d) Fund on a Pay-As-You-Go Basis

The following table shows the resulting Retiree Only monthly premiums for 20-29 Years of Service under Option #2(d).

Fiscal Year	Projected Retiree Premiums			
	TRS-Care 2		TRS-Care 3	
	Medicare A&B	Non-Medicare	Medicare A&B	Non-Medicare
FY2017	\$70	\$200	\$100	\$295
FY2018	\$91	\$261	\$131	\$385
FY2019	\$91	\$261	\$131	\$385
FY2020	\$113	\$323	\$161	\$476
FY2021	\$113	\$323	\$161	\$476



# Option 2(d) Fund on a Pay-As-You-Go Basis

The plan design modeled in Option #2(d) maintains the plan's current grandfathered status for the self-funded plans. As allowed by the Affordable Care Act, fixed dollar deductibles and copays were increased by 15% plus Consumer Price Index since March 2010, or 40%. Coinsurance levels for each plan option remained at 80/20% cost sharing. A summary of the plan designs are shown below.

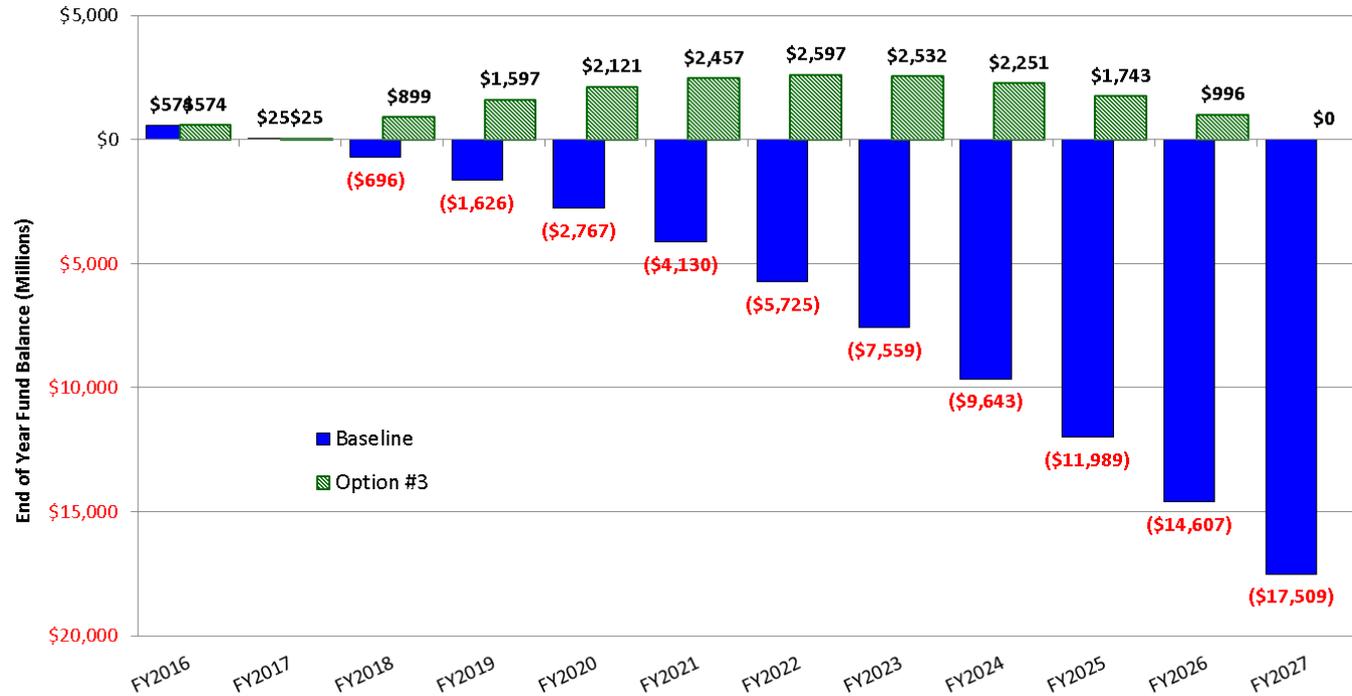
	TRS-Care 1	TRS-Care 2	TRS-Care 3
Individual/Family Deductible	\$2,500/\$5,000 Parts A&B \$4,100/\$8,300 Part B Only \$5,500/\$11,100 Non-Medicare	\$1,300/\$2,700	\$400/\$800
Maximum Out-of-Pocket <sup>1</sup>	\$5,500/\$11,000 Parts A&B \$6,700/\$13,400 Part B Only \$6,700/\$13,400 Non-Medicare	\$6,100/\$12,300	\$5,100/\$10,300
Coinsurance	80%/20% (after Medicare payment)	80%/20% (after Medicare payment)	80%/20% (after Medicare payment)
Office Visits	80%/20% (after Medicare payment)	\$48	\$34
Prescription Drug (Traditional)	80%/20% (after Medicare payment)	Retail: \$13/\$41/\$69 Mail: \$27/\$104/\$174	Retail: \$13/\$34/\$55 Mail: \$27/\$69/\$111
Prescription Drug (Medicare Part D)	N/A	Retail: \$8/\$36/\$69 Mail: \$22/\$99/\$174	Retail: \$8/\$29/\$55 Mail: \$22/\$64/\$111

<sup>1</sup> Assumes Individual/Family Maximum Out-of-Pocket limits of \$6,700/\$13,400 in calendar year 2017.



# Option 3

# Fund for a 10-Year Solvency



Fiscal Year	Change in Ending Fund Balance
2016	\$0
2017	\$0
2018	\$1,594,424,848
2019	\$1,629,510,768
2020	\$1,664,475,331
2021	\$1,699,365,850
2022	\$1,734,150,857
2023	\$1,768,809,876
2024	\$1,803,319,157
2025	\$1,837,649,482
2026	\$1,871,770,926
2027	\$1,905,651,501

### □ Option 3

- This option projects the increase in funding from the State, District, Active employees and retirees in order to for the fund to be solvent through the end of FY2027, or 10 years.
- Each of options 3(a) through 3(c) achieve the ending fund balances shown above by increasing contributions a variety of ways.



# Option 3(a) Fund for a 10-Year Solvency

Option #3(a) assumes that the State contribution rate – as a percent of active employee payroll – would increase once by 492% on 9/1/2017 in order for the TRS-Care fund to maintain solvency through FY2027.

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2027	5.92%	0.55%	0.65%	0%

Biennium	Projected Additional Cost over Current Funding Levels			
	State <sup>1</sup>	District	Active Employees	Retirees
2016 – 2017	\$0	\$0	\$0	\$0
2018 – 2019	\$2,958,608,414	\$0	\$0	\$0
2020 – 2021	\$3,078,136,194	\$0	\$0	\$0
2022 – 2023	\$3,202,492,896	\$0	\$0	\$0
2024 – 2025	\$3,331,873,609	\$0	\$0	\$0
2026 – 2027	\$3,466,481,303	\$0	\$0	\$0

<sup>1</sup> The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$3,869,511,773	\$382,415,565	\$424,861,490	\$786,583,793
2020 – 2021	\$4,025,840,048	\$396,939,292	\$442,025,894	\$803,254,581
2022 – 2023	\$4,188,483,986	\$412,049,777	\$459,883,741	\$798,961,498
2024 – 2025	\$4,357,698,740	\$427,770,726	\$478,463,044	\$781,204,380
2026 – 2027	\$4,533,749,769	\$444,126,801	\$497,792,951	\$762,188,870





# Option 3(b) Fund for a 10-Year Solvency

Option #3(b) assumes that the State, District and Active Employee contribution rates – as a percent of active employee payroll – would increase once by 224% on 9/1/2017 in order for the TRS-Care fund to maintain solvency through FY2027.

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2027	3.24%	1.78%	2.10%	0%

Biennium	Projected Additional Cost over Current Funding Levels			
	State <sup>1</sup>	District	Active Employees	Retirees
2016 – 2017	\$0	\$0	\$0	\$0
2018 – 2019	\$1,344,822,006	\$803,969,678	\$950,145,983	\$0
2020 – 2021	\$1,399,152,815	\$836,450,053	\$988,531,881	\$0
2022 – 2023	\$1,455,678,589	\$870,242,635	\$1,028,468,568	\$0
2024 – 2025	\$1,514,488,004	\$905,400,437	\$1,070,018,699	\$0
2026 – 2027	\$1,575,673,320	\$941,978,615	\$1,113,247,454	\$0

<sup>1</sup> The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$2,115,396,112	\$1,186,385,243	\$1,375,007,473	\$786,583,793
2020 – 2021	\$2,200,858,115	\$1,233,389,344	\$1,430,557,775	\$803,254,581
2022 – 2023	\$2,289,772,783	\$1,282,292,412	\$1,488,352,309	\$798,961,498
2024 – 2025	\$2,382,279,604	\$1,333,171,163	\$1,548,481,742	\$781,204,380
2026 – 2027	\$2,478,523,700	\$1,386,105,416	\$1,611,040,405	\$762,188,870





# Option 3(c) Fund for a 10-Year Solvency

Option #3(c) assumes that the State, District and Active Employee contribution rates – as a percent of active employee payroll – as well as Retiree premium contributions would increase once by 145.6% on 9/1/2017 in order for the TRS-Care fund to maintain solvency through FY2027. **Please note these changes may result in loss of grandfathered status.**

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2027	2.46%	1.35%	1.60%	+145.6%

Projected Additional Cost over Current Funding Levels				
Biennium	State <sup>1</sup>	District	Active Employees	Retirees
2016 – 2017	\$0	\$0	\$0	\$0
2018 – 2019	\$875,443,354	\$523,362,875	\$618,519,761	\$1,205,510,255
2020 – 2021	\$910,811,266	\$544,506,735	\$643,507,959	\$1,235,360,911
2022 – 2023	\$947,608,041	\$566,504,807	\$669,505,681	\$1,234,498,655
2024 – 2025	\$985,891,406	\$589,391,601	\$696,553,711	\$1,213,834,791
2026 – 2027	\$1,025,721,419	\$613,203,022	\$724,694,480	\$1,190,718,936

<sup>1</sup> The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.

Total Funding				
Biennium	State	District	Active Employees	Retirees
2018 – 2019	\$1,605,201,925	\$905,778,440	\$1,043,381,251	\$1,992,094,048
2020 – 2021	\$1,670,052,083	\$941,446,027	\$1,085,533,854	\$2,038,615,492
2022 – 2023	\$1,737,522,187	\$978,554,584	\$1,129,389,422	\$2,033,460,153
2024 – 2025	\$1,807,718,083	\$1,017,162,327	\$1,175,016,754	\$1,995,039,171
2026 – 2027	\$1,880,749,894	\$1,057,329,823	\$1,222,487,431	\$1,952,907,806





# Option 3(c) Fund for a 10-Year Solvency

The following table shows the resulting Retiree Only monthly premiums for 20-29 Years of Service under Option #3(c).

Fiscal Year	Projected Retiree Premiums			
	TRS-Care 2		TRS-Care 3	
	Medicare A&B	Non-Medicare	Medicare A&B	Non-Medicare
FY2017	\$70	\$200	\$100	\$295
FY2018+	\$172	\$491	\$246	\$724



## Option 4 Retiree Pays the Full Cost of Optional Coverage

### **Option 4 Retiree pays full cost for optional coverage\***

- The law requires that TRS-Care 1, catastrophic coverage be offered at no premium cost to the retiree.
- Currently, the optional coverages are being subsidized.
- Significant reduction in benefits for TRS-Care 1 retiree.
  - Deductibles and out-of-pocket maximums would at least double.
- Increase premium for a TRS-Care 3 retiree with 25 years of service from \$295 to \$785 per month for FY2016.
- Increase premium for TRS-Care 3 retiree and spouse, both non-Medicare from \$635 to \$1,989 per month for FY2016.
- Please note these changes may result in loss of grandfathered status.**

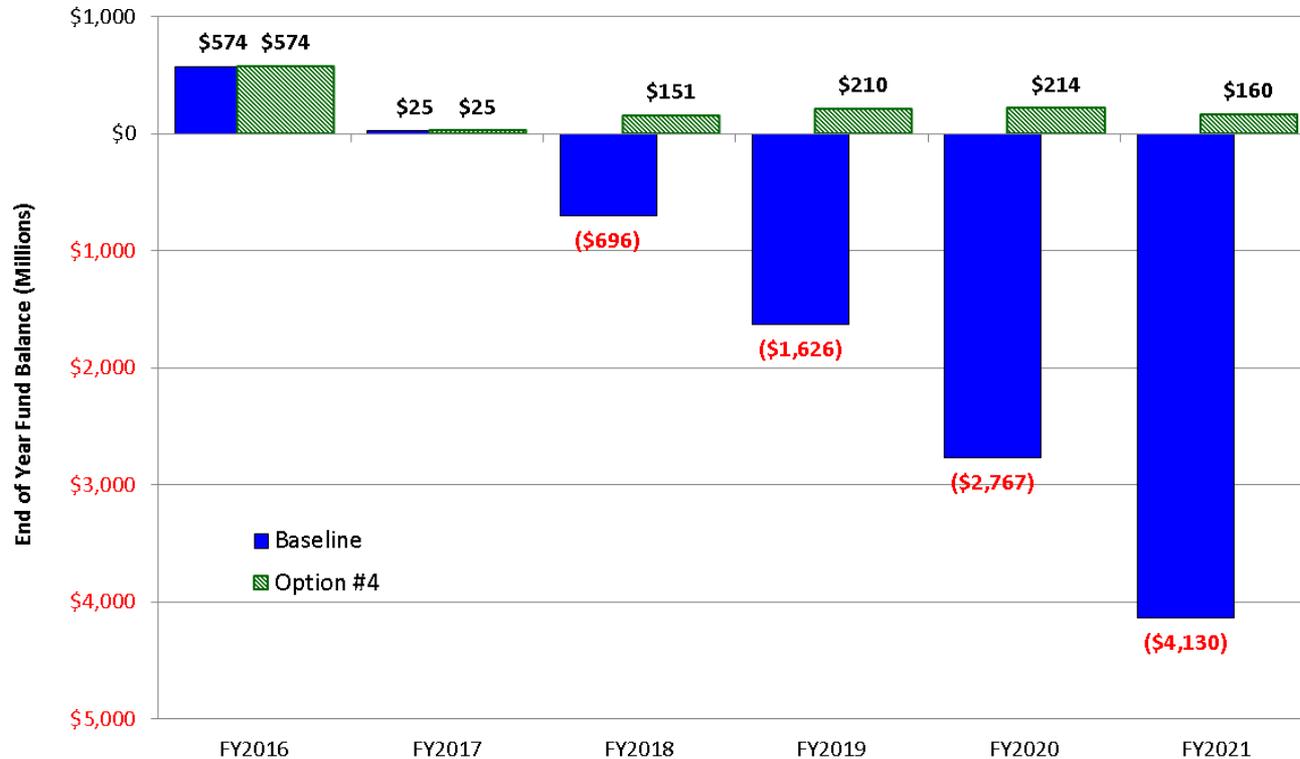
38 \* Optional coverages include dependent coverage as well as TRS-Care 2 and TRS-Care 3 for retirees.





# Option 4

## Retiree Pays the Full Cost of Optional Coverage



Fiscal Year	Change in Ending Fund Balance
2016	\$0
2017	\$0
2018	\$846,723,023
2019	\$990,214,651
2020	\$1,144,276,636
2021	\$1,308,676,052

### Option 4

- This option sets the retiree premium contributions for optional coverages to reflect the full cost of the optional coverage, increasing each year with trend.
- A subsequent reduction in TRS-Care 1 benefits would be required in order for the State, District and Active Employee contributions to cover the cost of TRS-Care 1 for retirees.



# Option 4

## Retiree Pays the Full Cost of Optional Coverage

Option #4 assumes that current retirees remain enrolled in the same level of coverage he/she has today and that future retirees continue to elect TRS-Care 2 and TRS-Care 3. If this option were to be implemented, both current and future retirees will elect to enroll in TRS-Care 1 causing retiree contributions into the fund to decrease significantly. In addition, the average cost of members remaining in TRS-Care 2 and TRS-Care 3 will rise due to adverse selection.

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution	
	State	District	Active Employees	Retirees <sup>1</sup>	
2016 – 2017	1.00%	0.55%	0.65%	0%	
2018 – 2019	1.00%	0.55%	0.65%	Retiree Only	+41 – 210%
2020 – 2021	1.00%	0.55%	0.65%	Retiree & Spouse	+125 – 318%
				Retiree & Child(ren)	+132 – 303%
				Retiree & Family	+170 – 330%

<sup>1</sup> The percent changes shown in the table reflect the range of increases in premium for TRS-Care 2 and TRS-Care 3 participants. The percent change in retiree premium contributions for TRS-Care 1 ranges between 0% and 1,070%.

Biennium	Projected Additional Cost over Current Funding Levels		
	State/District/ Active Employees	Retiree Premium Contributions	Claims and Admin Expenses
2016 – 2017	\$0	\$0	\$0
2018 – 2019	\$0	\$1,775,448,305	(\$61,489,368)
2020 – 2021	\$0	\$2,376,400,886	(\$76,551,799)

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$653,633,062	\$382,415,565	\$424,861,490	\$2,562,032,098
2020 – 2021	\$680,039,838	\$396,939,292	\$442,025,894	\$3,179,655,470





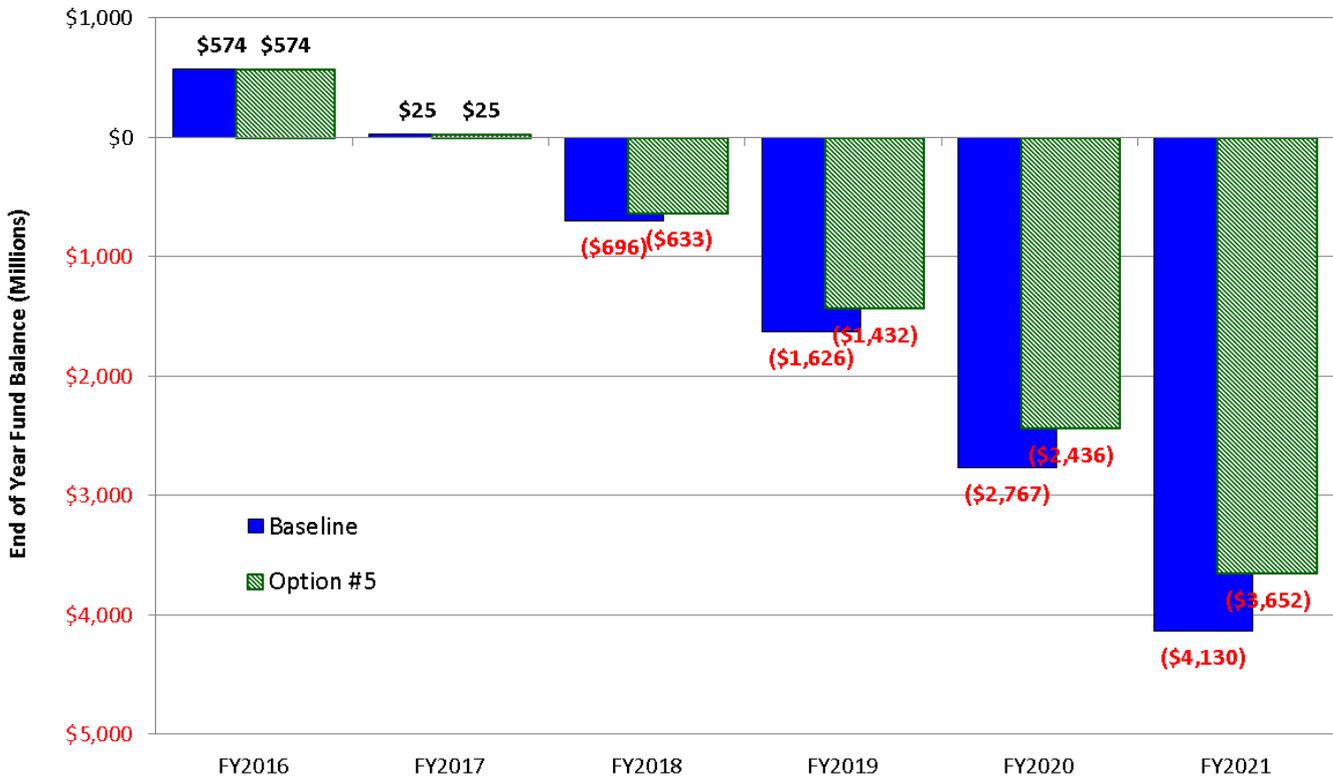
## Option 5 Mandatory Medicare Advantage and Part D Plan Participation

### **Option 5 Require purchase of Medicare Part B with mandatory participation in Medicare Advantage and Medicare Part D plans.**

- Current participation of eligible retirees.
  - Medicare Advantage 68%
  - Medicare Part D 80%
- Participants who do not purchase Medicare Part B, currently \$121.80 per month, would be enrolled in TRS-Care 1. Grandfather current Medicare enrollees because of the large penalty assessed by CMS for not enrolling in Part B when first eligible.
- Remove incentives currently offered to enroll in Medicare Advantage and Part D plans.
  - Lower deductibles and copays than the traditional plans
  - \$15 PMPM reduction in retiree premium contributions
- The cost for Medicare retirees enrolled in standard TRS-Care plans is almost 50% greater than for those enrolled in Medicare Advantage and Part D.



# Option 5 Mandatory Medicare Advantage and Part D Plan Participation



Fiscal Year	Change in Ending Fund Balance
2016	\$0
2017	\$0
2018	\$62,927,388
2019	\$131,450,288
2020	\$136,831,620
2021	\$147,335,574

- Option 5
- This option limits the plan options available to Medicare eligible participants to the Medicare Advantage and Medicare Part D plans upon attainment of age 65.
  - Participants will be required to purchase Medicare Part B, currently \$121.80 per month, when he/she is first eligible to do so.
  - Plan design and premium contribution incentives will be removed.





# Option 5 Mandatory Medicare Advantage and Part D Plan Participation

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2019	1.00%	0.55%	0.65%	0%
2020 – 2021	1.00%	0.55%	0.65%	0%

Biennium	Projected Additional Cost over Current Funding Levels		
	State/District/ Active Employees	Retiree Premium Contributions	Claims and Admin Expenses
2016 – 2017	\$0	\$0	\$0
2018 – 2019	\$0	\$34,792,816	(\$159,584,860)
2020 – 2021	\$0	\$45,287,688	(\$238,879,507)

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$653,633,062	\$382,415,565	\$424,861,490	\$821,376,609
2020 – 2021	\$680,039,838	\$396,939,292	\$442,025,894	\$848,542,269



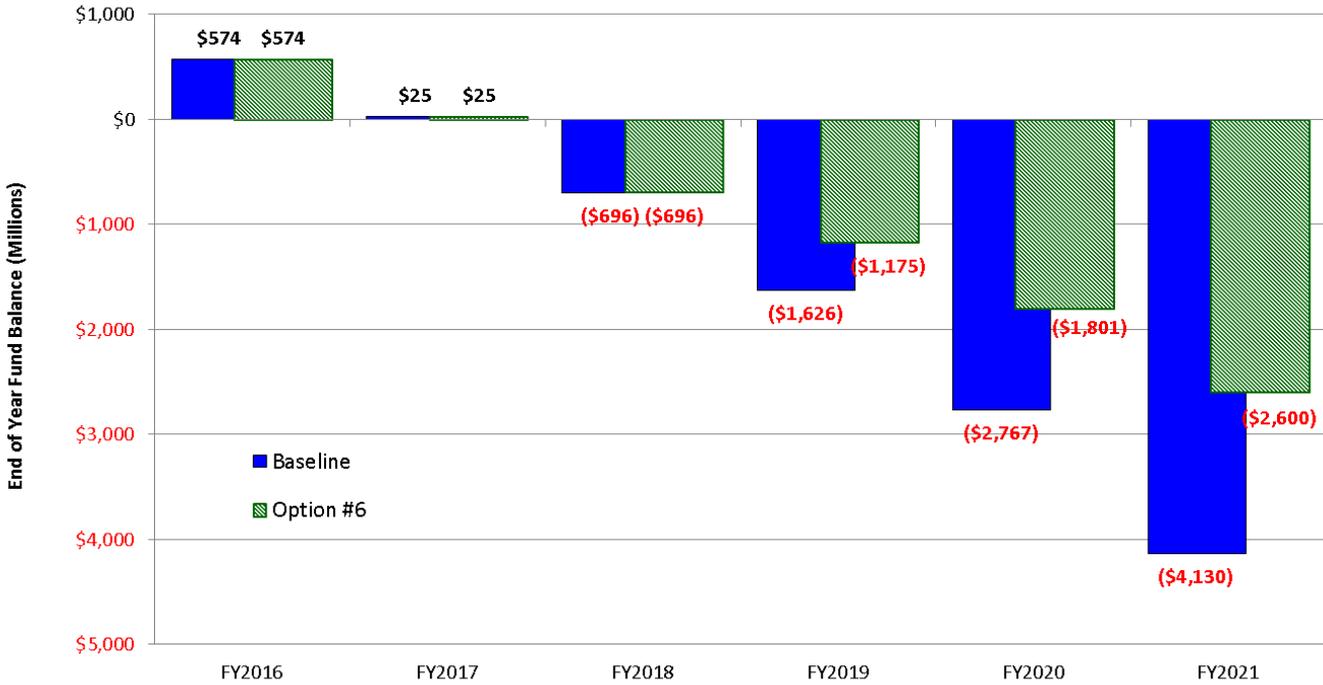
## Option 6 Fixed Contribution for non-Medicare retirees

- Health Reimbursement Account for current TRS-Care 2 and Care 3 non-Medicare retirees effective 9/1/2018.
- TRS would deposit a monthly stipend into retiree's Health Reimbursement Account.
  - a. \$400 per retiree per month in FY2019.
  - b. Option estimates assume monthly stipend increases by \$50 per biennium.
- Non-Medicare retirees would obtain coverage in the federal public exchange. Spouses and children will no longer be covered by TRS-Care
- At age 65, open enrollment opportunity for TRS-Care Medicare Advantage and Part D plans.
- Cautions
  - a. Retiree dissatisfaction;
  - b. Uncertainty with regard to the future federal changes, premium rates and provider access on the Federal exchange.
  - c. Impact on the group buying power and efficiencies of the current benefits.



# Option 6

## Fixed Contribution or Care-1 for Non-Medicare Retirees



Fiscal Year	Change in Ending Fund Balance
2016	\$0
2017	\$0
2018	(\$263,836)
2019	\$451,309,421
2020	\$514,803,781
2021	\$564,056,993

- Option 6
- This option provides a Health Reimbursement Account (HRA) for non-Medicare retirees currently enrolled in TRS-Care 2 and TRS-Care 3 effective 9/1/2018.
  - This option allows future retirees to select either the Health Reimbursement Account or enroll in TRS-Care 1.
  - Monthly stipend initially set at \$400 per retiree per month, increasing by \$50 each biennium.





# Option 6

## Fixed Contribution or Care-1 for Non-Medicare Retirees

- Including the monthly stipend and current retiree premiums saved, each retiree would shop on the exchange with between \$590 and \$1,147 depending on his/her family size in TRS-Care.

	TRS-Care 2			TRS-Care 3		
	<20 Years	20-29 Years	30+Years	<20 Years	20-29 Years	30+Years
Non-Medicare Retiree Premium	\$210	\$200	\$190	\$310	\$295	\$280
Spouse Premium	\$110 - \$240	\$105 - \$230	\$100 - \$220	\$165 - \$355	\$155 - \$340	\$145 - \$325
Child Premium	\$62	\$62	\$62	\$82	\$82	\$82
<u>Monthly Stipend</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>
Total	\$610 - \$912	\$600 - \$892	\$590 - \$872	\$710 - \$1,147	\$695 - \$1,117	\$680 - 1,087

- The cost of health care coverage on the Federal public exchange varies by age, geographic area, family size and plan options.

Calendar Year 2016 Preferred Provider Organization Plan Monthly Premiums for Individual Age 60				
County	Insurer	Bronze	Silver	Gold
Bexar	Allegian <sup>1</sup>	\$533	\$685	\$821
Dallas	Scott & White <sup>2</sup>	\$719	\$722	\$913
El Paso	Allegian <sup>1</sup>	\$482	\$620	\$743
Tarrant	Scott & White <sup>2</sup>	\$719	\$722	\$913
Travis	Scott & White <sup>2</sup>	\$614	\$617	\$781

<sup>1</sup> Allegian Insurance Company. Allegian Choice Bronze PPO plan, Allegian Choice Silver PPO 5500 plan and Allegian Choice Gold PPO plan.

<sup>2</sup> Insurance Company of Scott & White. PPO 5000 HDHP plan, PPO 5000 plan and PPO 1500 plan.





# Option 6

## Fixed Contribution or Care-1 for Non-Medicare Retirees

### Sample Claim Adjudication

- ❑ John Doe is a non-Medicare retiree who has purchased a bronze level health care plan on the Federal Exchange for himself.
- ❑ On January 1<sup>st</sup>, Mr. Doe has \$4,800 in his Health Reimbursement Account to use toward his out-of-pocket costs.
- ❑ Mr. Doe researches the cost of knee surgery at three local hospitals. He chooses to have his surgery at a facility whose negotiated rate with his health plan is \$20,000.
- ❑ After he uses his Health Reimbursement Account funds to pay the deductible and coinsurance, Mr. Doe is responsible for \$1,200 of the cost of his surgery.

	High Deductible Health Plan Purchased on the Federal Exchange	
	Individual	Family
Deductible	\$5,000	\$10,000
Maximum Out-of-Pocket	\$6,000	\$12,000
Coinsurance Limit	70%/30%	70%/30%

	Sample Claim Adjudication	
	Plan Payments	Member Out-of-Pocket Expense
Covered Charges <sup>1</sup>	\$20,000	
<u>Deductible</u>	<u>(\$5,000)</u>	\$5,000
Sub-total	\$15,000	
<u>30%Coinsurance<sup>2</sup></u>	<u>(\$1,000)</u>	<u>\$1,000</u>
Sub-total	\$11,000	\$6,000
HRA Funds		(\$4,800)
Total		\$1,200

<sup>1</sup> Covered Charge is an illustrative dollar amount only. It reflects the network discount agreement in place between the provider and the insurer.

<sup>2</sup> Coinsurance is based on 30% of \$15,000, or \$4,500. Since he has already paid \$5,000 towards his maximum out-of-pocket limit of \$6,000, his coinsurance in this example is capped at \$1,000.





# Option 6

## Fixed Contribution or Care-1 for Non-Medicare Retirees

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2019	1.00%	0.55%	0.65%	0%
2020 – 2021	1.00%	0.55%	0.65%	0%

Biennium	Projected Additional Cost over Current Levels		
	State/District/ Active Employees	Retiree Premium Contributions	Claims and Admin Expenses
2016 – 2017	\$0	\$0	\$0
2018 – 2019	\$0	(\$154,423,666)	(\$605,469,251)
2020 – 2021	\$0	(\$295,036,658)	(\$1,373,897,432)

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$653,633,062	\$382,415,565	\$424,861,490	\$632,160,127
2020 – 2021	\$680,039,838	\$396,939,292	\$442,025,894	\$508,217,923



## Option 7 Consumer Directed Health Plan for Non-Medicare Retirees

### Option 7 Consumer Directed Health Care Plan

- ❑ Eliminates TRS-Care 2 and TRS-Care 3 for non-Medicare retirees.
  - Implement value-based purchasing, including Accountable Care Organizations and high performance networks.
  - Includes reference-based pricing.
  - Requires participation in disease management as applicable.

#### Consumer-Directed and Value-based Purchasing

**Accountable Care Organization (ACO)** – a network of doctors and hospitals that share responsibility for providing care to patients. Provider reimbursements are a function of both quality, appropriateness and efficiency of care.

**Health Savings Account (HSA)** – a savings account used by individuals covered by a High Deductible Health plan to pay for current and future eligible medical expenses on a tax free basis.

**High Deductible Health Plan (HDHP)** - A health plan with an annual deductible of at least \$1,300 for individuals and \$2,600 for family coverage, and annual out-of-pocket expenses do not exceed \$6,600 for individuals and \$13,200 for family coverage.

**Reference-based pricing** – a price established by a payor that is based on market rates or a benchmark for a given service. For example, a payor may set a fixed amount to pay for knee replacement regardless of the price set by a facility or provider. If the provider does not accept the amount as full payment, the member may be responsible for the difference.



## Option 7 Consumer Directed Health Plan for Non-Medicare Retirees

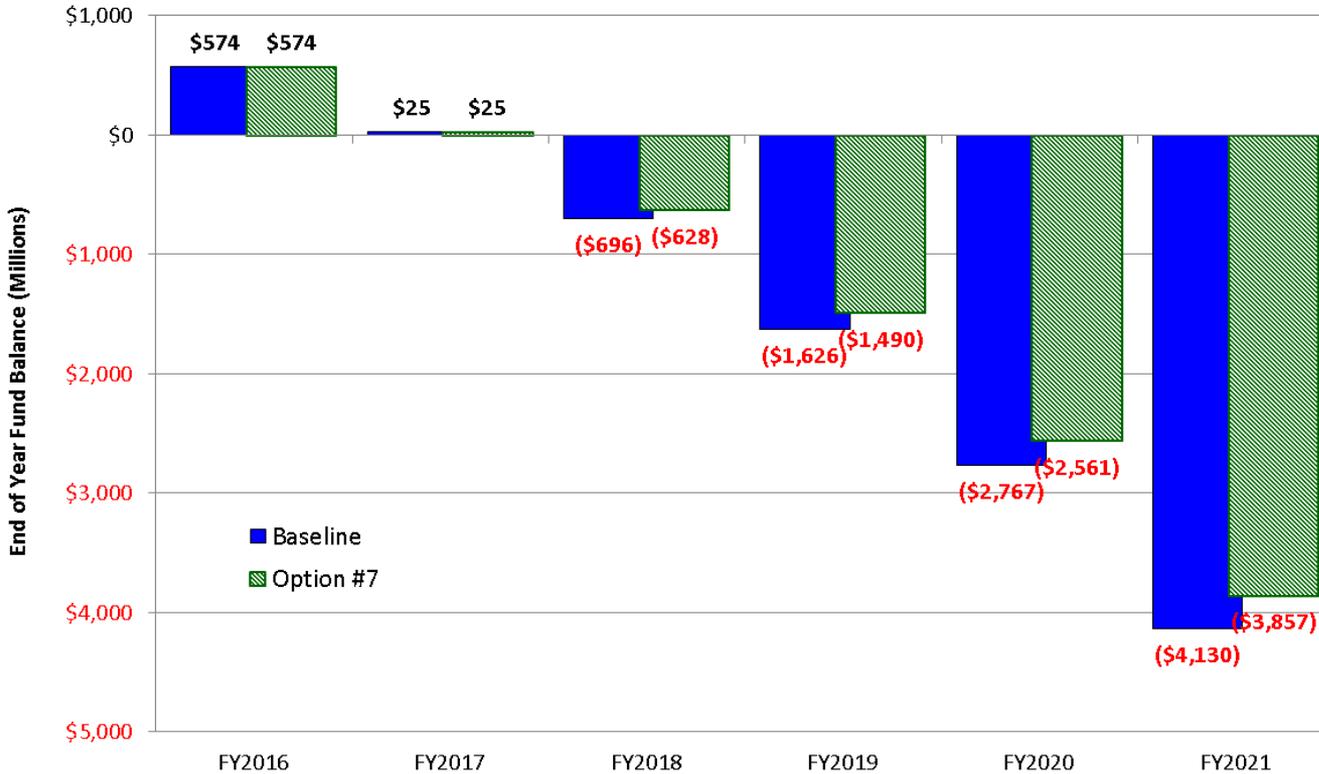
### **Option 7 Consumer Directed Health Care Plan**

- ❑ Non-Medicare retiree premium contributions for the plan are assumed to be equal to the current levels for a TRS-Care 3 participant with over 30 years of service.
  - Retiree premium contributions for current non-Medicare TRS-Care 2 participants will increase.
  - Retiree premium contributions for current non-Medicare TRS-Care 3 participants with less than 30 Years of Service will decrease.



# Option 7

## Consumer Directed Health Plan for Non-Medicare Retirees



Fiscal Year	Change in Ending Fund Balance
2016	\$0
2017	\$0
2018	\$67,822,371
2019	\$136,663,138
2020	\$205,546,545
2021	\$273,664,597

### Option 7

- This option provides a single consumer directed health plan for non-Medicare retirees and their families enrolled in TRS-Care 2 and TRS-Care 3.



# Option 7

## Consumer Directed Health Plan for Non-Medicare Retirees

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2016 – 2017	1.00%	0.55%	0.65%	0%
2018 – 2019	1.00%	0.55%	0.65%	0%
2020 – 2021	1.00%	0.55%	0.65%	0%

Biennium	Projected Additional Cost over Current Levels		
	State/District/ Active Employees	Retiree Premium Contributions	Claims and Admin Expenses
2016 – 2017	\$0	\$0	\$0
2018 – 2019	\$0	\$73,954,196	(\$62,708,942)
2020 – 2021	\$0	\$70,363,046	(\$66,638,413)

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2016 – 2017	\$628,251,693	\$368,455,812	\$408,363,601	\$764,373,798
2018 – 2019	\$653,633,062	\$382,415,565	\$424,861,490	\$860,536,989
2020 – 2021	\$680,039,838	\$396,939,292	\$442,025,894	\$873,617,628



# Option 7

## Consumer Directed Health Plan for Non-Medicare Retirees

The plan design modeled in Option #7 will not be a grandfathered plan with respect to the Affordable Care Act. Medical and prescription drug benefits must both accumulate towards the maximum out-of-pocket limits.

	<b>High Performance Network</b> (In-network for areas with an Accountable Care Organization)	<b>Broad Network</b> (In-Network for areas without an Accountable Care Organization)	<b>Out-of-Network</b>
Individual/Family Deductible	\$500/\$1,000	\$1,000/\$2,000	\$1,800/\$3,600
Maximum Out-of-Pocket	\$4,000/\$8,000	\$6,000/\$12,000	\$8,500/\$17,000
Coinsurance	80%/20%	70%/30%	60%/40%
Office Visits	\$30	\$30	60%/40%
Prescription Drug	Retail: \$15/\$35/\$55 Mail: \$30/\$70/\$110		No coverage



# Option 7

## Consumer Directed Health Plan for Non-Medicare Retirees

### Sample Claim Adjudication

- ❑ John Doe is a non-Medicare retiree with Retiree Only coverage with TRS. He is enrolled in a Consumer Directed Health Plan, such as an accountable care organization.
- ❑ Mr. Doe elects to go to an in-network facility, which has lower out-of-pocket requirements than out-of-network facilities and the providers and hospitals work together to control costs.
- ❑ Total covered charges for his procedure are expected to be \$20,000.
- ❑ After Mr. Doe pays the deductible and coinsurance, which total \$4,000 in this example, the plan's portion of the cost is \$16,000.

	Consumer Directed Health Plan	
	In-Network	Out-of-Network
Deductible	\$500/\$1000	\$1,800/\$3,600
Maximum Out-of-Pocket	\$4,000/\$8,000	\$8,500/\$17,000
Coinsurance Limit	80%/20%	60%/40%

	Sample Claim Adjudication	
	Plan Payments	Member Out-of-Pocket Expense
Covered Charges <sup>1</sup>	\$20,000	
<u>Deductible</u>	<u>(\$500)</u>	\$500
Sub-total	\$19,500	
<u>20% Coinsurance<sup>2</sup></u>	<u>(\$3,500)</u>	<u>\$3,500</u>
Total	\$16,000	\$4,000

<sup>1</sup> Covered Charge is an illustrative amount only. It reflects the network discount agreement in place between the provider and the insurer.

<sup>2</sup> Coinsurance is based on 20% of \$19,500, or \$3,900. Since he has already paid \$500 towards his maximum out-of-pocket limit of \$4,000, his coinsurance in this example is capped at \$3,500.

# Summary

Option		Impacted Parties					Impact on State Appropriations <sup>1</sup>	
		State	District	Active Employees	Non-Medicare Retirees	Medicare Retirees	2018-2019 Biennium	2020-2021 Biennium
Option 1	Pre-fund the long-term liability	✓					\$1,899,695,362	\$1,976,443,055
Option 2	Fund on a Pay-as-you-go basis	✓					\$1,494,762,408	\$2,301,878,735
	Option 2(a)	✓					\$679,437,458	\$1,046,308,516
	Option 2(b)	✓	✓	✓			\$431,155,555	\$667,628,849
	Option 2(c)	✓	✓	✓	✓	✓	\$431,155,555	\$667,628,849
	Option 2(d)	✓	✓	✓	✓	✓	\$431,155,555	\$667,628,849
Option 3	Fund for a 10-year solvency	✓					\$2,958,608,414	\$3,078,136,194
	Option 3(a)	✓					\$1,344,822,006	\$1,399,152,815
	Option 3(b)	✓	✓	✓			\$875,443,354	\$910,811,266
	Option 3(c)	✓	✓	✓	✓	✓		
Option 4	Retiree pays the full cost of optional coverage				✓	✓	\$0	\$0
Option 5	Mandatory Medicare Advantage and Medicare Part D Plans (requires retirees purchase Medicare Part B)					✓	\$0	\$0
Option 6	Fixed Contribution for Non-Medicare Retirees				✓		\$0	\$0
Option 7	Consumer directed health plan for TRS-Care 2 and TRS-Care 3 non-Medicare participants				✓		\$0	\$0

<sup>1</sup>The projected cost impact to the State has been reduced by 8% to remove contributions funded by the Federal Government.



# Combine TRS-Care & TRS-ActiveCare



# Option 1 HealthSelect

## Option 1 Offer a single plan to active and retired education employees

- Eliminates both the TRS-Care and TRS-ActiveCare programs in place today and replaces them with a single fund providing coverage for both active and retired education employees in Texas.
- Offer a single plan option to all active and retired education employees with benefits similar to ERS' HealthSelect plan.
- Increase the State and District contributions from the current levels to the amount provided to Employee Retirement System of Texas participants.

Fiscal Year 2018 Entity	State/District Contributions		Employee/Retiree Contributions	
	Monthly	Annual	Monthly	Annual
ERS <sup>1</sup>	\$657.54 <sup>2</sup>	\$7,890 <sup>2</sup>	\$0	\$0
TRS-Care	\$190.50 <sup>3</sup>	\$2,286 <sup>3</sup>	\$0	\$0
TRS-ActiveCare	\$225.00 <sup>4</sup>	\$2,700 <sup>4</sup>	\$0	\$0

<sup>1</sup> ERS Health Select 2016 Premium trended to FY2018.

<sup>2</sup> The State pays 100% of employee/retiree and 50% of dependent coverage in ERS.

<sup>3</sup> Based on 1% State and 0.55% District contributions as a percent of active employee payroll.

<sup>4</sup> Assumes \$75 State and \$150 District contributions. Some districts contribute more.



## Option 2 ActiveCare-2 and Medicare Advantage for Care-2

- ❑ Eliminates both the TRS-Care and TRS-ActiveCare programs in place today and replaces them with a single fund providing coverage for both active and retired education employees in Texas.
- ❑ Offer the current TRS-ActiveCare 2 plan to active education employees and non-Medicare retirees.
- ❑ Offer the current Medicare Advantage & Medicare Part D for TRS-Care 2 plan for Medicare retirees.

Biennium	Entity	Current Employer Contributions		Revised Employer Contributions	
		Monthly	Annual	Monthly <sup>3</sup>	Annual
FY2018 – FY2019	TRS-Care	\$190.50 <sup>1</sup>	\$2,286 <sup>1</sup>	\$400	\$4,800
	TRS-ActiveCare	\$225.00 <sup>2</sup>	\$2,700 <sup>2</sup>	\$400	\$4,800
FY2020 – FY2021	TRS-Care	\$190.50 <sup>1</sup>	\$2,286 <sup>1</sup>	\$475	\$5,700
	TRS-ActiveCare	\$225.00 <sup>2</sup>	\$2,700 <sup>2</sup>	\$475	\$5,700

<sup>1</sup> Based on 1% State and 0.55% District contributions as a percent of active employee payroll.

<sup>2</sup> Assumes \$75 State and \$150 District contributions. Some districts contribute more.

<sup>3</sup> Assumes a 7% annual growth in employer contributions.

# Options 1 & 2 Assumptions

- All districts would participate;
- Retirees who previously had declined coverage would have an open enrollment opportunity;
- No employee or retiree would decline coverage;
- Active employee contributions to TRS-Care would discontinue;
- Employer contributions for TRS-Care are projected to be \$190.50 for the 2018 biennium;
- Employer contributions for TRS-ActiveCare are the minimum \$225 per month per covered employee; and
- The figures below are based upon State/District funding for Employee Only and Retiree Only coverages. Funding provided by these sources for dependent coverage would be in addition to the amounts shown below.

Option		Biennium	Current State <sup>1</sup> & District Funding	Additional Funding	Total Funds Required
Option #1:	Offer ERS' Health Select plan options	FY2018 – FY2019	\$4,878,672,912	\$10,434,249,333	\$15,312,922,245
		FY2020 – FY2021	\$4,916,126,736	\$12,767,077,614	\$17,683,204,350
Option #2:	Offer ActiveCare-2 for Non-Medicare participants and Medicare Advantage Care-2 for Medicare participants	FY2018 – FY2019	\$4,265,540,712	\$3,643,832,088	\$7,909,372,800
		FY2020 – FY2021	\$4,314,957,175	\$4,699,819,026	\$9,014,776,200

<sup>1</sup> Includes funds from all sources.



# TRS-Care

## Appendices



## TRS-Care

# Affordable Care Act Provisions

- ❑ Currently, the self-funded TRS-Care plan options (TRS-Care 1, TRS-Care 2 and TRS-Care 3) are considered to be grandfathered with respect to the Affordable Care Act. There are five (5) ways that these plans can lose Grandfather status.
  - Raise employee/retiree contributions and/or reduce employer contributions such that the effective contribution rate changes by more than five percentage points;
  - Implement or reduce an annual limit;
  - Increase fixed dollar cost sharing levels in excess of medical inflation plus 15%;
  - Increase coinsurance levels; and/or
  - Eliminate all or the majority of all benefits to diagnose or treat a particular disease.
  
- ❑ The fully insured Medicare Advantage plan options are non-grandfathered.



# TRS-Care

## The Affordable Care Act Provisions

Category	TRS-Care Traditional Plans	Retiree Only Plans	Grandfathered Plans	Non-Grandfathered Plans
<b>PREMIUM CONTRIBUTIONS</b>				
Premium Contributions	The contribution rate varies by plan and by coverage tier. Analysis is needed in order to determine the effective FY2010 contribution rates since funding is not tied to projected costs each year.	No restrictions	The ratio of the retiree's premium contribution rate - as a percent of total cost PEPM - cannot increase by more than 5 percentage points as compared to the rate in place in March 2010.	No restrictions
<b>ELIGIBILITY RULES</b>				
Coverage of Dependent Children	Coverage of dependent children up to age 26	Exempt	Coverage of dependent children up to age 26	Coverage of dependent children up to age 26
Pre-Existing Conditions	TRS-Care does not deny enrollment based on pre-existing conditions.	Exempt	A plan may not deny enrollment or limit coverage based on a pre-existing condition.	A plan may not deny enrollment or limit coverage based on a pre-existing condition.
Health Status	TRS-Care does not discriminate based on the health status of the retiree or dependent.	Exempt	Exempt	No discrimination based on the health status of the employee/retiree or dependent.



# TRS-Care The Affordable Care Act Provisions

Category	TRS-Care Traditional Plans	Retiree Only Plans	Grandfathered Plans	Non-Grandfathered Plans
<b>Benefit Design Features</b>				
Preventive Care Services	Covered at 100%	Exempt	Exempt	Covered at 100%
Annual Limits	No annual limits	Exempt	An annual limit in place as of 3/23/2010 cannot be reduced.	Prohibits annual caps on benefits
Lifetime Maximum Limits	No lifetime maximum benefit	Exempt	A lifetime limit in place as of 3/23/2010 cannot be reduced.	Prohibits lifetime benefit limits
Out-of-Pocket Maximum	Out-of-pocket maximum limits include deductible, copays, coinsurance for medical benefits only.	Exempt	Not required	Out-of-pocket maximum limits are integrated for medical and pharmacy benefits and include deductible, copays, and coinsurance.
Fixed Dollar Deductibles	Fixed dollar deductibles have not changed for the self-funded plans since FY2005, when Affordable Care Act was passed. For FY2017, we estimate that deductibles may be increased by approximately 30%.	Exempt	Increases in fixed dollar cost sharing benefits are limited to medical inflation plus 15%.  Grandfathered plans are not subject to the maximum deductible limit prescribed by Affordable Care Act.	Subject to maximum deductible amounts (For 2014, the maximum deductible is \$2,000 for single coverage and \$4,000 for family coverage.)



# TRS-Care The Affordable Care Act Provisions

Category	TRS-Care Traditional Plans	Retiree Only Plans	Grandfathered Plans	Non-Grandfathered Plans
<b>Benefit Design Features (continued)</b>				
Fixed Dollar Copays	Fixed dollar copays have not changed for the self-funded plans since FY2010, when Affordable Care Act was passed. For FY2005, we estimate that deductibles may be increased by approximately 30%.	Exempt	Increases in fixed dollar cost sharing benefits are limited to medical inflation plus 15%.	No restrictions
Coinsurance	Coinsurance percentages have not changed for the self-funded plans since FY2005.	Exempt	Increases to coinsurance percentages are not allowed.	No restrictions
<b>Covered Services</b>				
Waiting Period Restrictions		Exempt	Any waiting period limitation shall not be in excess of 90 days.	Any waiting period limitation shall not be in excess of 90 days.
Clinical Trials		Exempt	Exempt	A plan may not deny coverage for routine costs in connection with clinical trials.



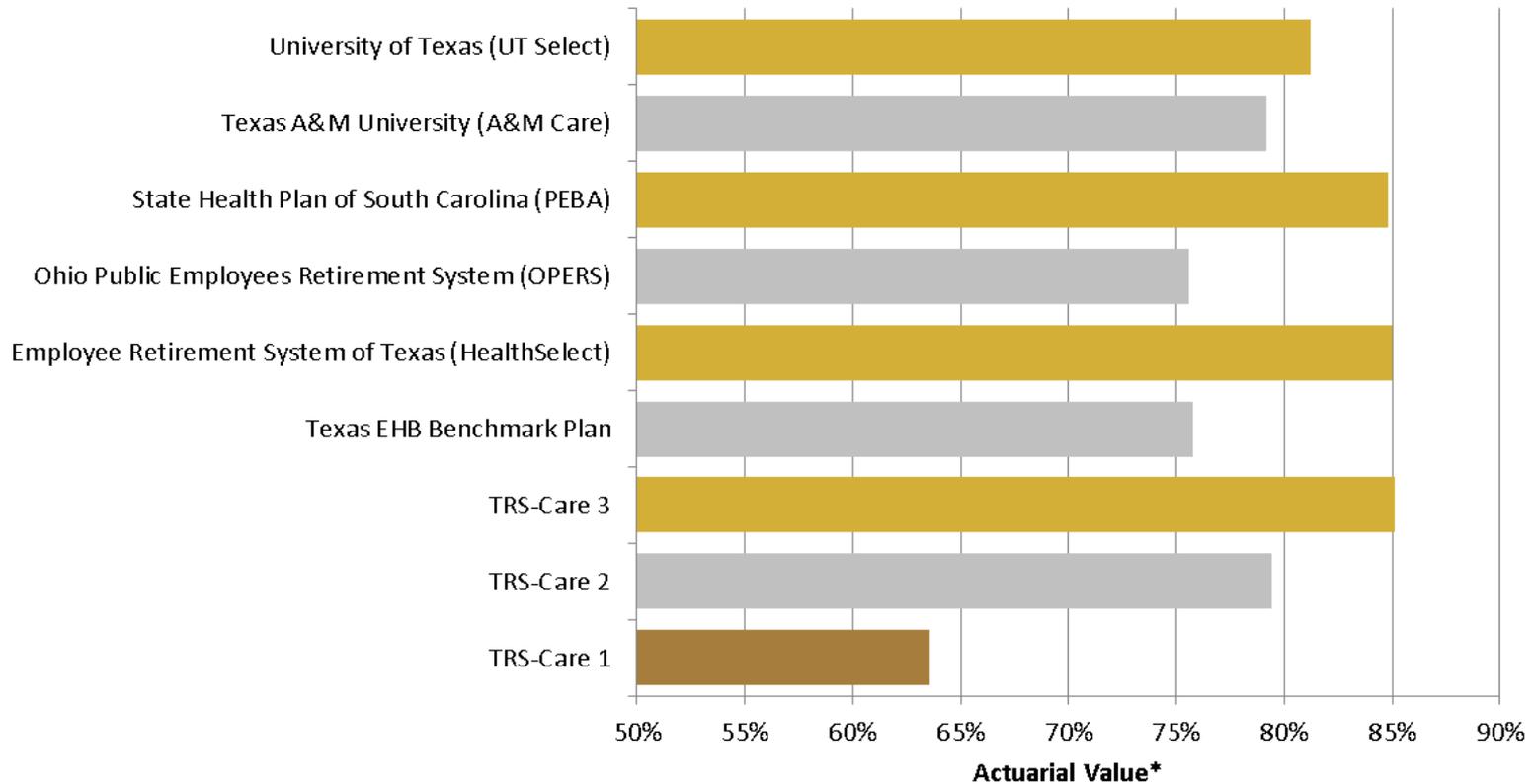
# TRS-Care Affordable Care Act Provisions

Category	TRS-Care Traditional Plans	Retiree Only Plans	Grandfathered Plans	Non-Grandfathered Plans
<b>Fees &amp; Taxes</b>				
Reinsurance Assessment Fee (eff. CY2014 – CY2016)	Fee is applicable to both Medicare and non-Medicare participants.	Fee is applicable to both Medicare and non-Medicare participants.	Fee is applicable to both Medicare and non-Medicare participants.	Fee is applicable to both Medicare and non-Medicare participants.
Patient Centered Outcomes Research Institute Fee (eff. FY2013 – FY2019)	Fee is applicable to non-Medicare participants only.			
Excise Tax on High-cost plans (eff. 1/1/2020)	40% tax assessed on the value of the plan in excess of pre-determined thresholds.	40% tax assessed on the value of the plan in excess of pre-determined thresholds.	40% tax assessed on the value of the plan in excess of pre-determined thresholds.	40% tax assessed on the value of the plan in excess of pre-determined thresholds.



# TRS-Care Plan Design Benchmarking

## Actuarial Value of 2016 Non-Medicare Retiree Plans



The Actuarial Value of a plan represents the average proportion of benefits paid by the plan as a percentage of total costs.



# Glossary



# Glossary

**Accountable Care Organization** – a network of doctors and hospitals that share responsibility for providing care to patients. Provider reimbursements are a function of both quality, appropriateness and efficiency of care.

**Ambulatory Surgical Center** – an outpatient surgical center that has the professional staff to perform minor operations that do not require prolonged confinement in a hospital.

**Brand Drug** – a medication sold by a single pharmaceutical company under a trademark protected name.

**Broad Network** - a large group of facilities and physicians from which plan participants may obtain in-network health care services.

**Coinsurance** - the percentage of costs paid by the member for covered expenses and services.

**Compound Drug** - a medication made by combining, mixing or altering ingredients of drugs to create a medication tailored to meet the needs of a patient.

**Copayment** - the fixed dollar costs paid by the member for covered expenses and services.

**Covered Expense** - An event or procedure that will be paid for either in full or in part by the health plan.

**Deductible** - The dollar amount required to be paid by the member before health plan begins to pay for covered expenses and services.

**Dependent** - A spouse or eligible child who meets the eligibility requirements set forth by the health plan.

**Emergency Room** – a facility that provides immediate, emergent care in a setting usually physically attached to a hospital.

**Employee/Retiree Contribution** - the amount paid to the health plan by an employee/retiree on a monthly basis in order to be covered under the health plan.

**Employer Contribution** - the amount paid to the health plan by the employer(s) on a monthly basis to fund the health plan.

**Employer Group Waiver Plan (EGWP)** - an employment based group plan which provides prescription drug benefits to Medicare eligible individuals. An EGWP plan replaces a Part D plan sponsored by Medicare.

**Exclusive Provider Organization Plan (EPO)** - A managed care health plan in which all covered services are rendered by in-network providers. A PCP is not required and referrals are not needed to see other providers for covered services.

**Formulary** - the list of brand and generic drugs covered by the prescription drug or health plan.

**Fully Insured Plan** - a health care plan in which the plan sponsor pays a per employee/retiree premium to an insurance company and the insurance company assumes all risk of providing the coverage for insured events



# Glossary

**Generic Drug** - a medication that is comparable to a brand drug in dosage form, strength, route of administration, quality, performance characteristics and intended use but is not protected by a trademark name.

**Grandfathered Plan** - a health care plan that was created before March 23, 2010; has not undergone such changes that reduce benefits to plan participants; and has not undergone such changes that significantly increase costs to plan participants.

**Health Maintenance Organization Plan (HMO)** - A managed care health plan in which all covered expenses are rendered by in-network providers, except in an emergency situation. A PCP is required under an HMO plan.

**Health Savings Account (HSA)** – a savings account used by individuals covered by a High Deductible Health plan to pay for current and future eligible medical expenses on a tax free basis.

**High Deductible Health Plan (HDHP)** - A health plan with an annual deductible of at least \$1,300 for individuals and \$2,600 for family coverage, and annual out-of-pocket expenses do not exceed \$6,600 for individuals and \$13,200 for family coverage.

**Hospital** – facilities that provide diagnosis, treatment and/or care for patients suffering from acute illness or injury.

**Imaging Center** – a freestanding facility with the equipment to produce various types of radiologic and electromagnetic images and the professional staff to interpret those images.

**In-Network Benefit** – a benefit for services performed by physicians, hospitals and other medical service providers who contract with the health plan to provide healthcare services at a discounted rate.

**Inpatient** – a patient who is admitted to a hospital for medical treatment that requires at least one overnight stay.

**Limited Network** - a small group of facilities and physicians from which plan participants may obtain in-network health care services.

**Maximum Out-of-Pocket (MOOP)** - the total dollar amount of paid by the member for covered expenses and services, including amounts paid toward a deductible, coinsurance and copayments.

**Member** - The individuals who are enrolled in the health plan (e.g. employees, retirees and eligible dependents).

**Medicare Eligible** - An individual who is eligible to participate in the Medicare program based upon either attainment of age 65 or disability status.

**Medicare Advantage Plan** - A private health plan that is approved by Medicare to provide medical benefits in place of Medicare Part A and Part B to Medicare eligible individuals who are enrolled in both Medicare Part A and Part B. (Also called Part C.)



# Glossary

**Medicare Part A** - the national health plan administered by the United States government covering inpatient hospital stays.

**Medicare Part B** - the national health plan administered by the United States government covering outpatient hospital services.

**Medicare Part D** - the national health plan administered by the United States government covering prescription drug benefits.

**Non-grandfathered plan** - a health care plan that does not qualify as a grandfathered plan, including any health care plan that was created on or after March 23, 2010.

**Non-Preferred Brand** – a brand drug that is not included on the PBM formulary

**Out-of-Network Benefit** – a benefit for services not performed by a network provider.

**Outpatient** – a patient who is receiving medical treatment without being admitted to the hospital.

**Patient Centered Medical Home (PCMH)** – a system of comprehensive coordinated healthcare for individuals facilitated by a PCP who is responsible for leading a team of professionals in providing both preventive and chronic care management.

**Patient Protection and Affordable Care Act (PPACA or ACA)** – federal health reform law of 2010

**Pharmaceutical Rebates** - the amount reimbursed to PBM by pharmaceutical manufacturers based on member utilization of certain brand drugs

**Pharmacy Benefits Manager (PBM)** - a company that administers drug benefit programs for individuals and/or groups.

**Point of Service Plan (POS)** - a managed care health plan that provides both in-network and out-of-network benefits. A PCP is required; however, the member may choose an out-of-network provider for an additional out-of-pocket cost.

**Preferred Brand** – a brand drug that is included on the PBM formulary

**Preferred Provider Organization (PPO)** - a managed care health plan provides both in-network and out-of-network benefits. A PCP is not required and referrals are not needed to see other providers for covered services.

**Primary Care Physician (PCP)** – a physician who is a patient’s first point of contact for an undiagnosed condition. This physician is usually a Pediatrician, General Practitioner, Family Practitioner, OB/GYN, or Internist.

**Retiree Drug Subsidy (RDS)** - a federally sponsored program which reimburses plan sponsors for a portion of paid prescription drug expenses for Medicare eligible individuals.

**Self-insured Plan** - a health care plan in which the plan sponsor pays a per employee/retiree administration fee to an insurance company to provide claims administration services; the plan sponsor assumes all risk of providing the coverage for insured events.





# Glossary

**Specialist** – a doctor who specializes in a certain type of medical care (e.g. cardiologist, podiatrist, eye doctor).

**Specialty Drug** - Generally, a high cost drug that is used to treat complex chronic or life-threatening conditions; require special storage, handling and administration; and require patient monitoring and management.

**Submitted Charge** - the dollar amount submitted to an insurance company or TPA by a provider for covered and uncovered services rendered.

**Subscriber** - the employee/retiree who is eligible to receive benefits through the health plan.

**Third Party Administrator (TPA)** - an organization that processes claims, maintains a provider network, utilization review and/or membership functions on behalf of the health plan.

**Tier** - the method by which drugs are grouped within the formulary to indicate the applicable copay (e.g. Tier 1 = generic – lowest cost alternative; Tier 2 = brand – higher cost alternative; Tier 3 = brand – highest cost alternative; etc.).

**Urgent Care Facility** – a facility that provides immediate, non-emergent primary health care.