

## Teacher Retirement System of Texas



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

April 13, 2016





# History of TRS-ActiveCare

## Prior to 2001

- ❑ Coverage varied significantly from district to district.
- ❑ Many districts found it difficult to provide stable health care coverage.
- ❑ Most districts were unable to provide coverage comparable to ERS HealthSelect as required by law.
- ❑ In 1996, TRS administered elective district-participation health plan for public school employees:
  - Minimal district participation (peak of 3 districts participating, 327 covered lives)
  - No district participation after FY1999

## 2001-2002

- ❑ The Texas School Employees Uniform Group Health Coverage program (H.B. 3343) was passed by the 77<sup>th</sup> Texas Legislature.
  - TRS was given the authority to begin plan management of TRS-ActiveCare.
  - The bill required districts with less than 500 employees to participate in the health plan with coverage to be effective September 1, 2002. If on January 1, 2001 the school district was individually self-funded, it could elect not to participate in the program.
  - The State's annual contribution was set at \$900 per employee per year, or \$75 per employee per month.
  - The school district's annual contribution was set at \$1,800 per employee per year, or \$150 per employee per month.



# History of TRS-ActiveCare

## 2002 - 2014

- Medical benefits were offered through one high deductible health plan and two Preferred Provider Organization plans, each of which were administered by Blue Cross/Blue Shield of Texas (BCBS) on a self-funded basis.
- Pharmacy benefits were offered through self-funded plans administered by Medco/Express Scripts, Inc. (ESI).
- Regional Health Maintenance Organizations were allowed to offer a fully insured health plan to active employees.

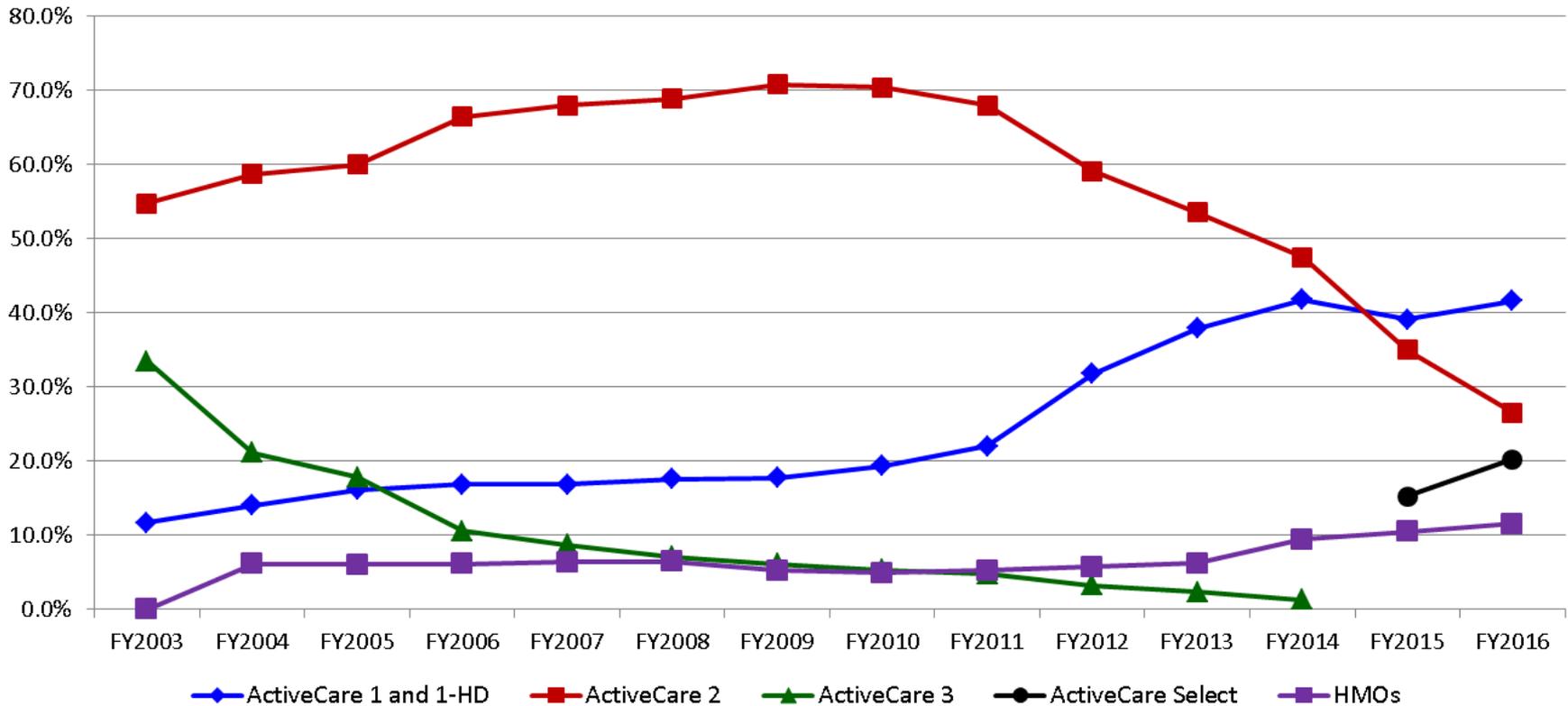
## 2015-2016

- Medical benefits are offered through one high deductible health plan, one self-funded Preferred Provider Organization plan and one Exclusive Provider Organization plan, each of which are administered by Aetna.
  - The Exclusive Provider Organization plan takes advantage of both Accountable Care Organizations and Patient Centered Medicare Home provider groups in certain urban/suburban areas of Texas.
- Pharmacy benefits are offered through self funded plans administered by Caremark.
- State and district funding requirements have not changed since program inception.



# History of TRS-ActiveCare

## Distribution of Participants by Plan



# TRS-ActiveCare Participation

Entity Type	# Eligible	#Participating	% Participation
Less than 500	816	801	98.2%
500-1,000	102	90	88.2%
More than 1,000	106	56	52.8%
Charter Schools	173	130	75.1%
Education Service Centers	20	20	100%
Other Ed	5	5	100%
<b>Total</b>	<b>1,222</b>	<b>1,102</b>	<b>90.2%</b>

- The largest school districts participating in TRS-ActiveCare are Dallas ISD, Cypress Fairbanks ISD, and Fort Worth ISD.
- The largest school districts that are not in the plan are Houston ISD, Austin ISD and San Antonio districts.

# FY2016 Benefit Structure

## In-Network Benefits

	TRS-ActiveCare 1-HD	TRS-ActiveCare Select	TRS-ActiveCare-2
Deductible	\$2,500/\$5,000	\$1,200/\$3,600	\$1,000/\$3,000
Maximum Out-of-Pocket <sup>1</sup>	\$6,450/\$12,900	\$6,600/\$13,200	\$6,600/\$13,200
Preventive Services	Plan pays 100%	Plan pays 100%	Plan pays 100%
Coinsurance	80%/20%	80%/20%	80%/20%
Hospital Facility	80%/20%	\$150 copay per day, plus 20% (\$750 max copay)	\$150 copay per day, plus 20% (\$750 max copay)
Physician Office Visits	80%/20%	\$30 Primary Care Physician copay \$60 Specialist copay	\$30 Primary Care Physician copay \$50 Specialist copay
Urgent Care Center	80%/20%	\$50 copay	\$50 copay
Teledoc	\$40 consult fee	Plan pays 100%	Plan pays 100%
Bariatric Surgery	\$5,000 copay plus 20% after deductible	Not covered	\$5,000 copay plus 20% after deductible
Prescription Drug	80%/20%	See Slide 9	See Slide 9

<sup>1</sup> Maximum Out-of-Pocket includes deductible, coinsurance and copayments for both medical and pharmacy benefits, excluding Bariatric surgery cost share.

# FY2016 Benefit Structure

## Out-of-Network Benefits

	TRS-ActiveCare 1-HD	TRS-ActiveCare Select	TRS-ActiveCare-2
Deductible	\$2,500/\$5,000	No out-of-network benefits	\$1,000/\$3,000
Maximum Out-of-Pocket <sup>1</sup>	\$6,450/\$12,900		\$6,600/\$13,200
Preventive Services	60%/40%		60%/40%
Coinsurance	60%/40%		60%/40%
Hospital Facility	60%/40%		\$150 copay per day, plus 40%
Physician Office Visits	60%/40%		60%/40%
Urgent Care Center	60%/40%		60%/40%
Bariatric Surgery	Not covered		Not covered

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

# FY2016 Benefit Structure

## Pharmacy Benefits

	TRS-ActiveCare Select	TRS-ActiveCare 2
Deductible for Brand Name Drugs	\$200 per individual	\$200 per individual
<u>Retail Short Term (1-31 days supply)<sup>1</sup></u>		
Generic	\$20 copay	\$20 copay
Preferred Brand	\$40 copay	\$40 copay
Non-Preferred Brand	50% coinsurance	\$65 copay
<u>Retail Plus (60-90 days supply)</u>		
Generic	\$45 copay	\$45 copay
Preferred Brand	\$105 copay	\$105 copay
Non-Preferred Brand	50% coinsurance	\$180 copay
<u>Mail Order</u>		
Generic	\$45 copay	\$45 copay
Preferred Brand	\$105 copay	\$105 copay
Non-Preferred Brand	\$50% coinsurance	\$180 copay
Specialty Drugs	20% coinsurance per fill	\$200 per fill (1-31 days supply) \$450 per fill (32-90 days supply)

<sup>1</sup> Retail Maintenance drugs copays are an additional \$5, \$10 or \$15 if the member continues to have the script filled at a retail pharmacy.

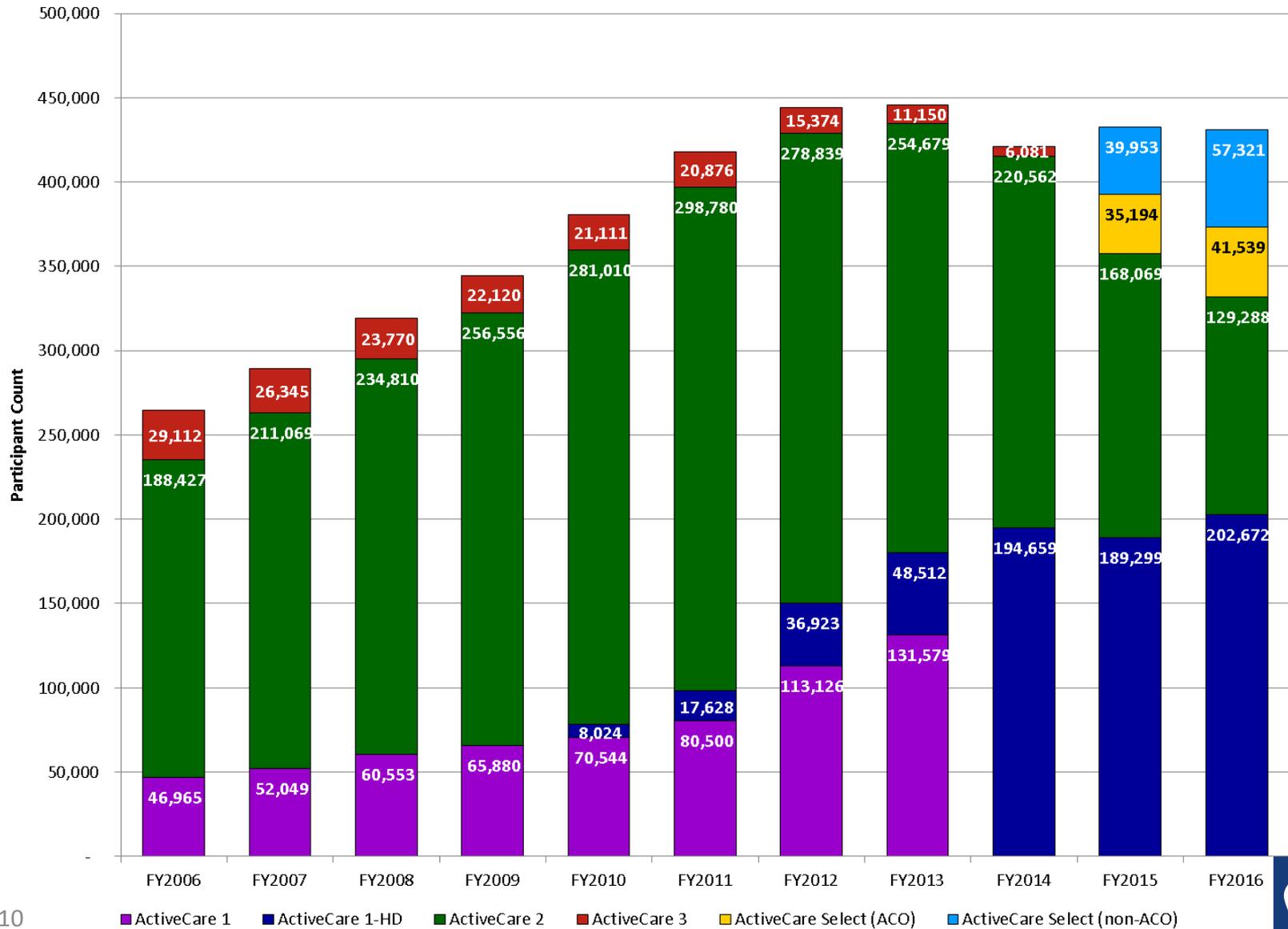
# FY2016 ActiveCare Gross Premiums

Coverage Tier	ActiveCare-1HD	ActiveCare-Select	ActiveCare-2
Employee Only	\$341	\$473	\$614
Employee & Spouse	\$914	\$1,122	\$1,478
Employee & Child(ren)	\$615	\$762	\$992
Employee & Family	\$1,231	\$1,331	\$1,521

- For Employee Only coverage, the employee share of premium would be \$116 per month for the ActiveCare-1HD plan for a district contributing the minimum \$150 per month with the State contributing \$75 per month.



# History of Participation by Plan

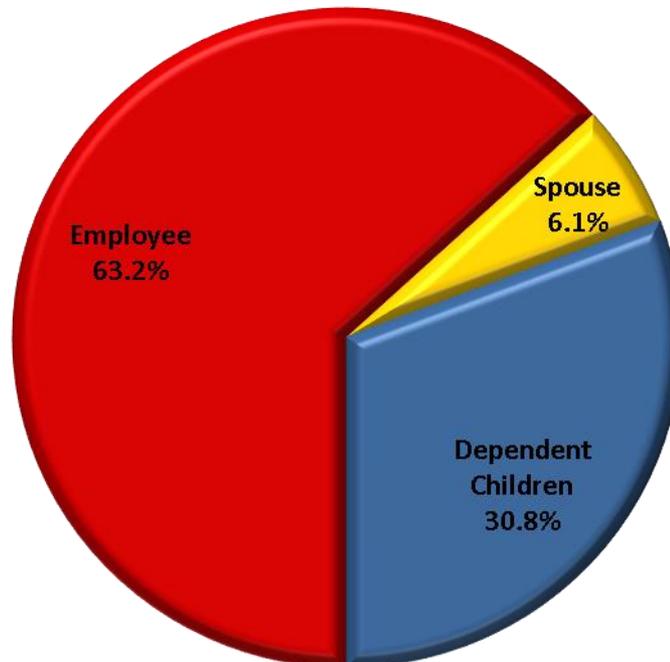




# Current Participation Coverage Tier

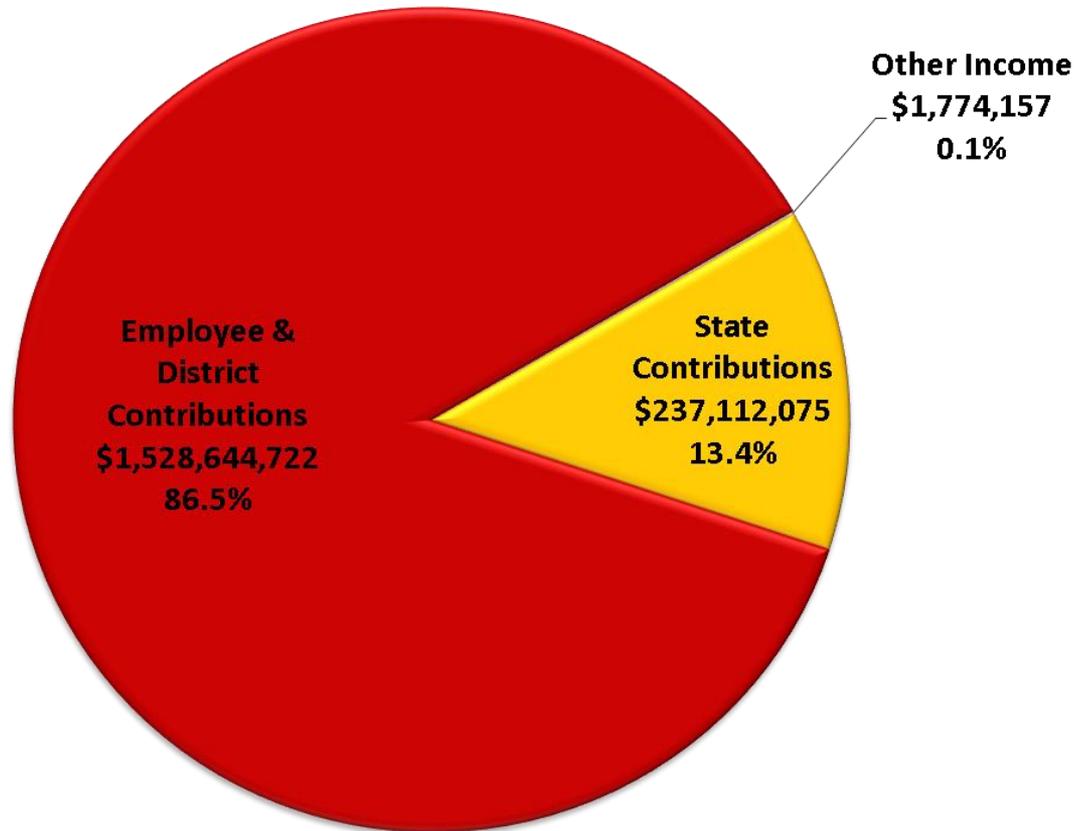
Participant Count as of December 2015

Coverage Tier	ActiveCare 1-HD	ActiveCare 2	ActiveCare Select (Open Access)	ActiveCare Select (ACO Area)	Total
Employee Only	110,547	45,989	22,271	17,614	196,421
Employee & Spouse	8,570	4,206	2,230	1,276	16,282
Employee & Child	66,172	38,415	24,131	17,077	145,795
Employee & Family	<u>17,001</u>	<u>39,472</u>	<u>9,027</u>	<u>5,407</u>	<u>70,907</u>
<b>Total</b>	<b>202,290</b>	<b>128,082</b>	<b>57,659</b>	<b>41,374</b>	<b>429,405</b>





# TRS-ActiveCare Funding Sources FY2015



**State Contributions:**  
\$75 per employee per month

**District Contributions:**  
Minimum of \$150 per employee per month

**Active Employees:**  
Active employees share of premium is equal to the balance of project costs.

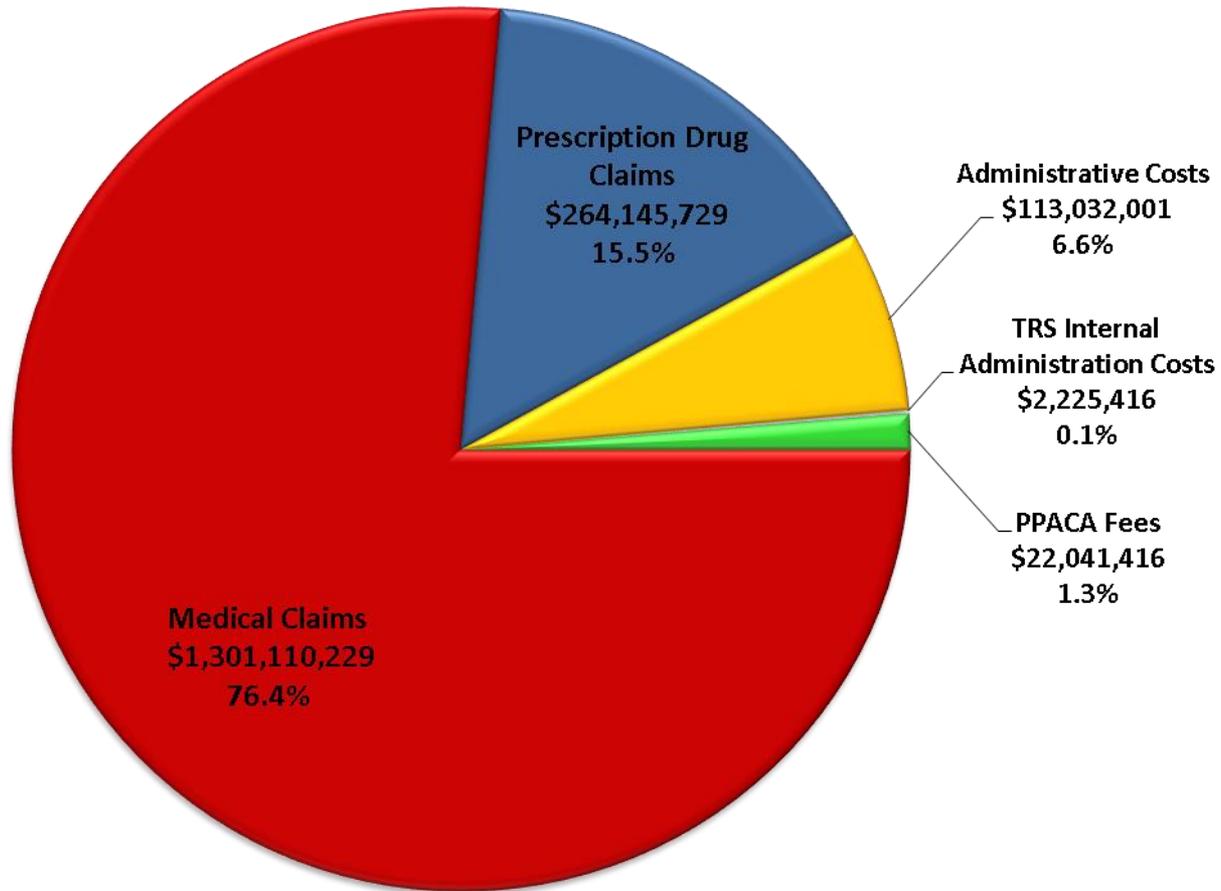
**Other Income:**  
Includes administrative income and investment income.

**Notes:**

- (1) State and District funding is based on a fixed dollar amount per employee rather than actual health care costs.
- (2) Minimum District contribution is \$150 per employee per month, however based on an informal survey, 67 percent of districts contribute more, estimated to be between \$474 and \$680 million.
- (4) In addition to employee premiums, members paid a total of \$516 million in out-of-pocket expenses (deductibles, copayments and coinsurance).



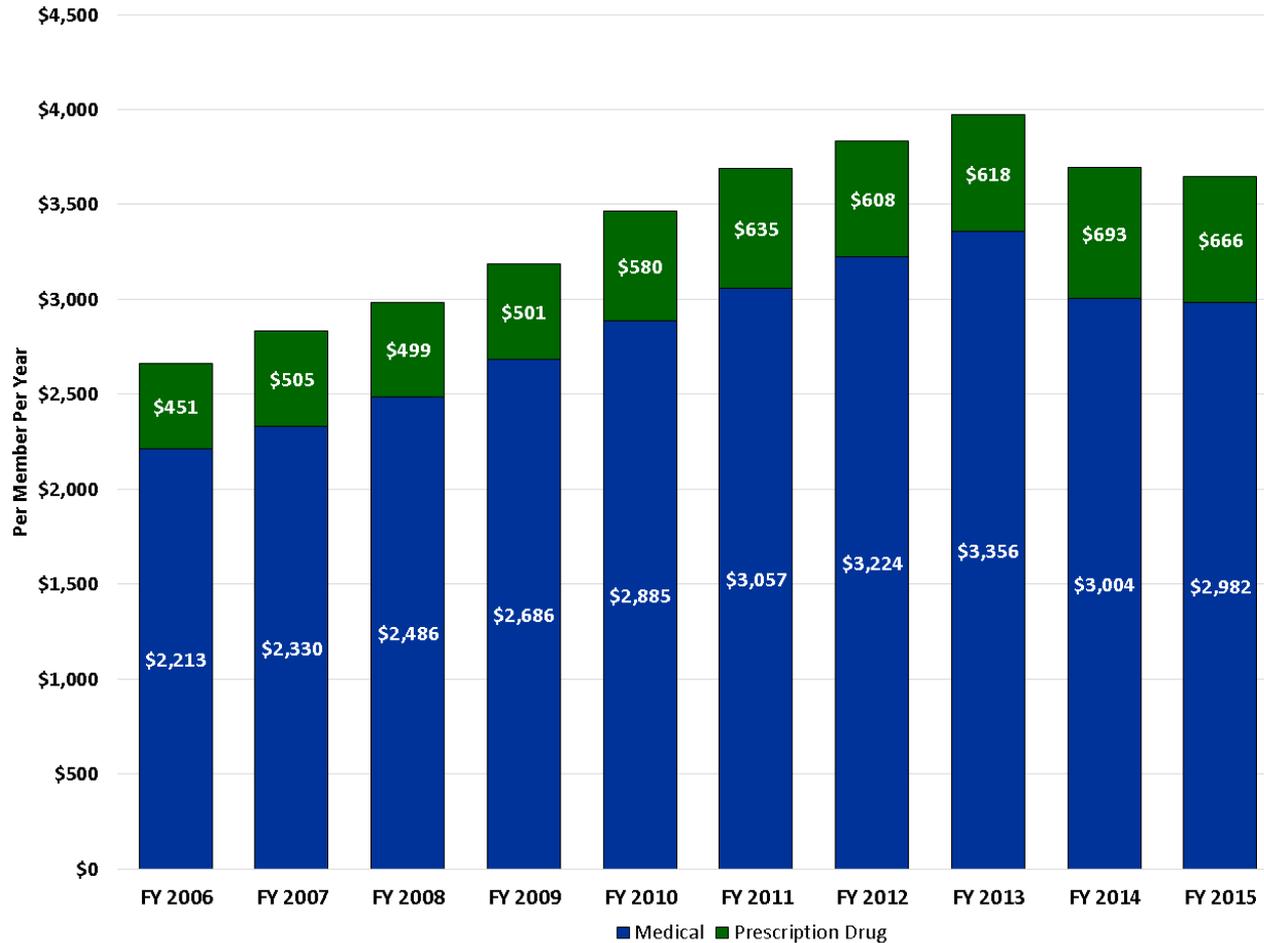
# TRS-ActiveCare FY2015 Expenses





# TRS-ActiveCare

## Average Per Member Per Year Plan Cost



- ❑ For FY2015, the plan has paid about \$3,648 per member per year in claims.
- ❑ In addition, members paid about \$1,195 per member per year in out-of-pocket costs (deductible, copay and coinsurance).

# TRS-ActiveCare Funding

## Financial History Through FY 2015

- Because State and District minimum contributions have not changed since the inception of TRS-ActiveCare, active employee contributions are raised each year to cover the projected expenses.

Fiscal Year	Revenue					Expenses					Ending Balance (Incurred Basis)
	State Contributions	Employee & District Contributions	HMO Premiums	Investment Income	Total Revenue	Medical Incurred	Drug Incurred (includes Rebates)	HMO Premium Payments	Administrative Costs	Total Expenses	
FY 2003	\$210,234,158	\$374,338,694	\$0	\$2,456,654	\$587,029,506	\$473,450,544			\$44,140,954	\$517,591,498	\$136,293,600
FY 2004	\$121,389,184	\$596,462,829	\$0	(\$38,041,707)	\$679,810,306	\$520,998,423			\$54,734,179	\$575,732,602	\$240,371,304
FY 2005	\$133,958,840	\$647,192,860	\$0	\$8,949,525	\$790,101,225	\$663,361,138			\$55,264,847	\$718,625,985	\$311,846,543
FY 2006	\$140,306,296	\$671,691,759	\$0	\$18,650,516	\$830,648,571	\$708,972,484			\$54,587,233	\$763,559,716	\$379,198,205
FY 2007	\$152,715,758	\$727,581,192	\$59,397,078	\$26,016,380	\$965,710,409	\$659,478,760	\$141,670,202	\$58,742,363	\$49,722,225	\$909,613,550	\$435,295,063
FY 2008	\$167,969,604	\$859,647,820	\$68,919,598	\$21,164,640	\$1,117,701,662	\$788,240,087	\$163,916,252	\$68,204,743	\$56,165,020	\$1,076,526,102	\$476,470,624
FY 2009	\$180,685,094	\$926,046,048	\$65,450,125	\$11,597,992	\$1,183,779,259	\$934,733,927	\$187,913,031	\$64,820,440	\$62,543,593	\$1,250,010,991	\$410,238,892
FY 2010	\$199,429,983	\$1,065,796,644	\$65,169,943	\$6,421,269	\$1,336,817,839	\$1,092,107,916	\$221,006,281	\$64,532,253	\$69,600,153	\$1,447,246,603	\$299,810,127
FY 2011	\$219,054,635	\$1,250,884,807	\$77,011,976	\$3,387,062	\$1,550,338,480	\$1,242,673,156	\$267,417,825	\$76,270,706	\$75,717,493	\$1,662,079,180	\$188,069,427
FY 2012	\$231,988,092	\$1,427,352,724	\$90,594,006	\$1,697,553	\$1,751,632,375	\$1,450,574,875	\$268,328,770	\$89,706,406	\$85,314,414	\$1,893,924,465	\$45,777,337
FY 2013	\$232,288,848	\$1,474,353,638	\$101,879,198	\$746,936	\$1,809,268,619	\$1,512,262,090	\$272,807,678	\$100,905,703	\$87,041,609	\$1,973,017,079	(\$117,971,123)
FY 2014	\$230,047,826	\$1,542,510,549	\$156,337,090	\$940,021	\$1,929,835,486	\$1,242,335,376	\$279,499,612	\$154,913,860	\$112,276,403	\$1,789,025,250	\$22,839,113
FY 2015	\$237,112,075	\$1,526,254,615	\$180,582,576	\$1,537,408	\$1,945,486,674	\$1,301,110,229	\$264,145,730	\$178,192,468	\$137,062,084	\$1,880,510,511	\$87,815,276

# TRS-ActiveCare-2 Premium Increase History

Increase in Gross Premiums					
Fiscal Year	ActiveCare-1	ActiveCare-1HD	ActiveCare - Select	ActiveCare-2	ActiveCare-3
FY2004	5.0%	-	-	5.0%	5.0%
FY2006	0.0%	-	-	0.0%	6.5%
FY2008	7.0%	-	-	7.0%	7.0%
FY2010	4.5%	Initial Rates	-	4.5%	4.5%
FY2011	7.0%	7.0%	-	7.0%	7.0%
FY2012	9.5%	9.5%	-	9.5%	9.5%
FY2013	4.0%	4.0%	-	6.0%	9.0%
FY2014	Discontinued	9.1 - 22.7%	-	15.0%	25.0% (Closed to new enrollees)
FY2015	-	0 - 8.0%	Initial Rates	0 - 7.0%	Discontinued
FY2016	-	4.9 - 7.5%	5.1 - 7.5%	10.6 - 15.0%	-

- Employee contributions for TRS-ActiveCare-2 have increased 332% since the inception of the plan.



# TRS-ActiveCare Funding

Assuming current benefit and funding levels, the table below shows the necessary rate increase, based on experience through December 2015, in order to remain solvent through the end of each fiscal year.

Fiscal Year	Gross Premium Increase	Increase to Employee Contributions
2017	6% – 14%	17%
2018	2% – 5%	5%
2019	5% – 11%	12%
2020	5% – 10%	11%
2021	5% – 10%	11%



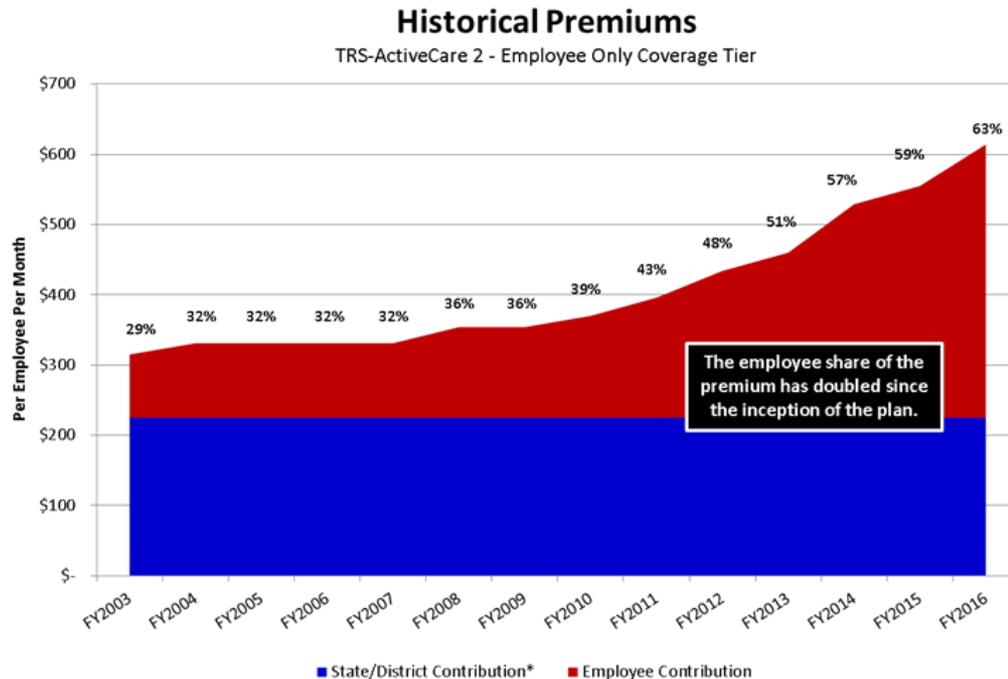
# 2014 Affordability Study Key Findings

- During the 2014 interim, TRS conducted a study on the affordability of TRS-ActiveCare.
- TRS-ActiveCare has an affordability issue.
- State and minimum district contributions have not changed since the inception of the program in 2002.
- The employee's share of the total premium cost has increased significantly. As premiums have increased, employees are selecting lower benefit plans.
- Districts that do not participate in TRS-ActiveCare and administer their own plans may feel more accountable for the affordability of coverage.
- There is a disparity between TRS-ActiveCare benefits and premiums in comparison to what is available to Texas state employees (under ERS).



# TRS-ActiveCare Contribution Rates

- Funding is based on a fixed dollar amount per employee per month rather than actual health care costs.
- Minimum State (\$75 per employee per month) and district contributions (\$150 per employee per month) have not changed since plan inception in FY2002.
- The employee share of premiums have increased from 30% to more than 60% over the last 12 years.

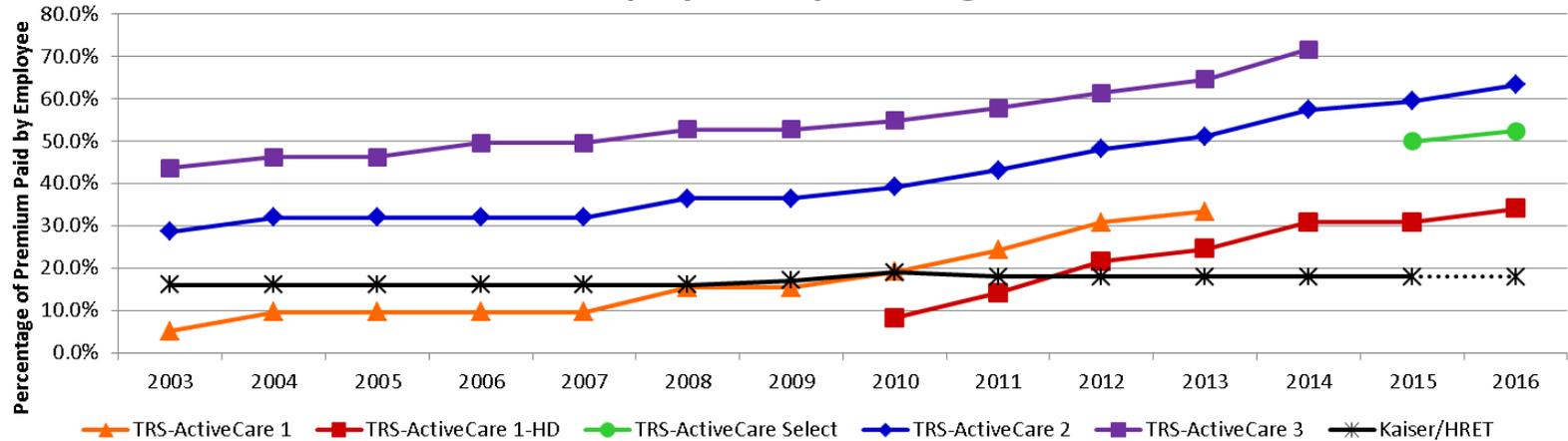


\*Assumes a \$75 state and \$150 minimum district contribution per month toward the cost of coverage.

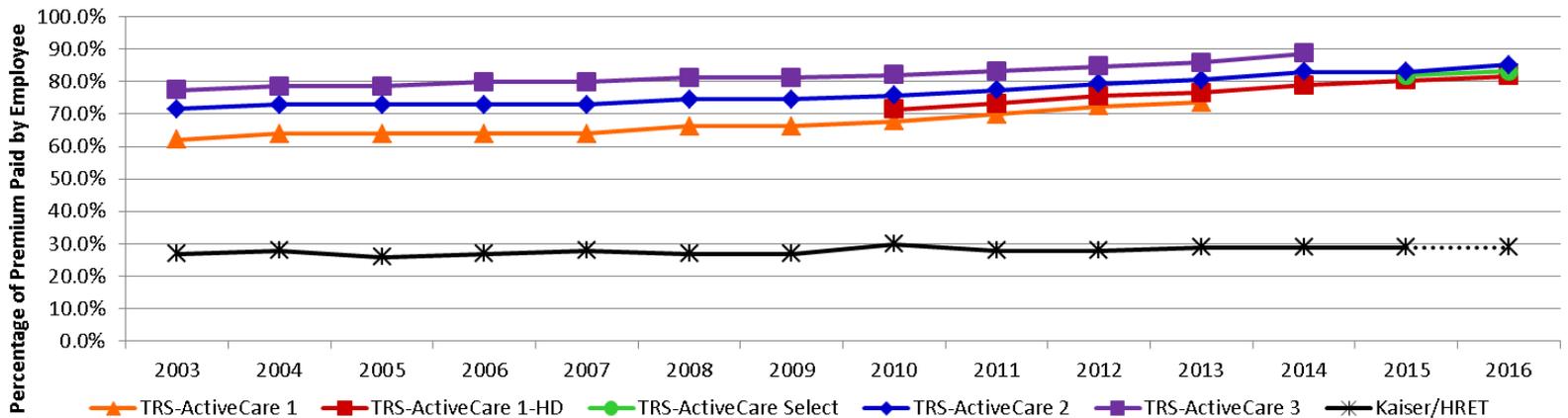


# TRS-ActiveCare Contribution Rates

## Employee Only Coverage



## Employee & Family Coverage





# TRS-ActiveCare Contribution Rates

FY2016 State and District Contributions by Participating Entities for TRS-ActiveCare Enrollees				
Monthly Contributions	Number of Districts	Number of Employees	Percent of Districts	Percent of Employees
\$225 Minimum contribution (State = \$75, District = \$150 min)	325	43,920	32.73%	17.29%
\$226 - \$275	239	67,903	24.07%	26.73%
\$276 - \$325	200	64,940	20.14%	25.57%
\$326 - \$400	159	57,199	16.01%	22.52%
\$401 - \$425	14	12,982	1.41%	5.11%
\$426 - \$450	7	2,513	0.70%	0.99%
\$451 - \$475	9	926	0.91%	0.36%
\$476 - \$500	9	955	0.91%	0.38%
\$501 - \$614 (\$614 is the max)	31	2,648	3.12%	1.04%
<b>Total Respondents</b>	<b>993</b>	<b>253,986</b>	<b>100.00%</b>	<b>100.00%</b>
Weighted Average Contribution	TRS-ActiveCare-1HD = \$283 TRS-ActiveCare-Select = \$307 TRS-ActiveCare-2 = \$314			

- ❑ Results shown in the table are based on state and district contributions to TRS-ActiveCare.
- ❑ The percentage of districts contributing only the minimum required contribution for TRS-ActiveCare is 33%.
- ❑ An additional 24% of the districts contribute up to \$50 per employee per month for TRS-ActiveCare.
- ❑ Number of entities providing Employee Only coverage at no cost:
  - TRS-ActiveCare-1HD – 196
  - TRS-ActiveCare-Select – 49
  - TRS-ActiveCare-2 – 28

Source: FY2015 survey conducted by TRS. Out of 1,100 participating districts, 993, or 90%, responded as of April 6, 2016.



# 2016 Affordability Study

Option	Description
Option 1	Increase funding 1(a) Increase State and District funding to achieve a 70% contribution rate 1(b) Increase actuarial value (AV) to achieve FY2003 AV level
Option 2	Offer a single plan: High Deductible Health Plan with an Health Savings Account
Option 3	Offer a single plan: Exclusive Provider Organization plan with high performance networks
Option 4	Establish premiums based on age and/or geographic area
Option 5	Eliminate coverage for spouses
Committee Charge	Allow districts to opt-out of TRS-ActiveCare



# Option 1(a) Restore funding ratios to FY2003 level

## Option 1(a) Restore funding ratios to FY2003 level

### □ Assumptions:

- In FY2003, employees paid 28.6% of the cost of ActiveCare 2 Employee Only premium. The combined State and minimum District contribution was 71.4%.
- In FY2016, that ratio is 63.4% for employees and 36.6% for the State and District.

TRS-ActiveCare-2 Employee Only Coverage				
Funding Source	FY2003		FY2016	
State Contribution	\$75	23.8%	\$75	12.2%
Minimum District Contribution	\$150	47.6%	\$150*	24.4%
<u>Employee Contribution</u>	<u>\$90</u>	<u>28.6%</u>	<u>\$389</u>	<u>63.4%</u>
Total Gross Premium	\$315	100.0%	\$614	100.0%

\*Responses to an informal survey of districts indicate that 325 districts contribute the minimum of \$150 while 668 districts contribute more towards the cost of coverage.

- The average district contribution is approximately \$221 per month.



# Option 1(a)

## Return funding ratios to FY2003 level

- ❑ The tables below show the impact of restoring the FY2003 funding ratios each plan year based on the following assumptions:
  - Annual increase in gross premiums of 8.0%;
  - State and District contribution of 71% (or 23.7% and 47.3% of gross premium, respectively);
  - Employee contribution of 29.0% of gross premium.

		Projected Additional Cost over Current Funding Levels		
Fiscal Year	Contribution Assumptions	State	District	Active Employees
FY2017	\$75 State + \$150 District = \$225	\$0	\$0	\$0
FY2018	\$158 State + \$318 District = \$476	\$272,506,224	\$546,226,392	(\$506,839,980)
FY2019	\$171 State + \$343 District = \$514	\$314,349,636	\$627,885,000	(\$455,649,900)
FY2020	\$185 State + \$370 District = \$555	\$359,033,688	\$716,721,204	(\$400,721,556)
FY2021	\$200 State + \$400 District = \$600	\$407,559,792	\$813,526,500	(\$341,983,788)

Total Funding Projection			
Fiscal Year	State	District	Active Employees
FY2017	\$244,190,700	\$488,381,400	\$1,139,974,812
FY2018	\$516,696,924	\$1,034,607,792	\$633,134,832
FY2019	\$558,540,336	\$1,116,266,400	\$684,324,912
FY2020	\$603,224,388	\$1,205,102,604	\$739,253,256
FY2021	\$651,750,492	\$1,301,907,900	\$797,991,024



# Option 1(b)

## Restore benefits to FY2003 level

### Option 1(b) Restore benefits to FY2003 level

- ❑ In FY2003, districts with 500 or less active employees were required to participate in the TRS-ActiveCare program in which three benefit plans were offered.
- ❑ TRS-ActiveCare 3 was originally designed to be comparable to the ERS plan offered to State employees.

FY2003 In-Network Benefits			
Benefit Provision	TRS-ActiveCare 1	TRS-ActiveCare 2	TRS-ActiveCare 3
Individual/Family Deductible	\$1,000/\$3,000	\$500/\$1,500	\$0
Coinsurance	80%/20%	80%/20%	90%/10%
Maximum Out-of-Pocket	\$2,000/\$6,000	\$2,000/\$6,000	\$500
Inpatient Hospital Admit	80%/20%	Deductible & Coinsurance	\$0
Emergency Room Visit	80%/20%	Deductible & Coinsurance	\$50 copay
Physician Office Visit	80%/20%	\$25 copay	\$15 copay
Prescription Drug	Integrated with medical benefit	Retail \$5/\$25/\$45 Mail \$10/\$50/\$90	Retail \$5/\$25/\$45 Mail \$10/\$50/\$90

<sup>1</sup> Generic/Preferred Brand/Non-Preferred Brand



# Option 1(b)

## Restore benefits to FY2003 level

- ❑ Both the original TRS-ActiveCare 1 and TRS-ActiveCare 3 plans were discontinued effective 8/31/2013 and 8/31/2014 respectively.
- ❑ Benefits have decreased for TRS-ActiveCare 2, the only original plan still offered to public education employees.

FY2016 In-Network Benefits			
Benefit Provision	TRS-ActiveCare 1-HD	TRS-ActiveCare Select	TRS-ActiveCare 2
Individual/Family Deductible	\$2,500/\$5,000	\$1,200/\$3,600	\$1,000/\$3,000
Coinsurance	80%/20%	80%/20%	80%/20%
Maximum Out-of-Pocket	\$6,450/\$12,900	\$6,600/\$13,200 (includes medical and pharmacy benefits)	\$6,600/\$13,200 (includes medical and pharmacy benefits)
Inpatient Hospital Admit	80%/20%	\$150 copay per day plus 20% after deductible (\$750 max copay)	\$150 copay per day plus 20% after deductible (\$750 max copay)
Emergency Room Visit	80%/20%	\$150 copay plus 20% after deductible	\$150 copay plus 20% after deductible
Physician Office Visit	80%/20%	\$30 Primary Care Physician copay \$60 Specialist copay	\$30 Primary Care Physician copay \$50 Specialist copay
Prescription Drug <sup>1</sup>	Integrated with medical benefit	\$200 brand drug deductible	\$200 brand drug deductible
		Retail (1-31) \$20/\$40/50%/20% Mail (32-90) \$45/\$105/50%/20%	Retail (1-31) \$20/\$40/\$65/\$200 Mail (32-90) \$45/\$105/\$180/\$450

<sup>1</sup> Generic/Preferred Brand/Non-Preferred Brand/Specialty



# Option 1(b)

## Restore benefits to FY2003 level

TRS-ActiveCare-2		
Benefit Provision	FY2003 Benefits	FY2016 Benefits
Individual/Family Deductible	\$500/\$1,000	\$1,000/\$3,000
Coinsurance	80%/20%	80%/20%
Maximum Out-of-Pocket	\$2,000/\$6,000 (includes medical benefits only)	\$6,600/\$13,200 (includes medical and pharmacy benefits)
Inpatient Hospital Admit	80%/20% after deductible	\$150 copay per day plus 20% after deductible (\$750 max copay)
Emergency Room Visit	80%/20% after deductible	\$150 copay plus 20% after deductible
Physician Office Visit	\$25 copay	\$30 Primary Care Physician copay \$50 Specialist copay
Prescription Drug <sup>1</sup>	N/A	\$200 brand drug deductible
	Retail \$5/\$25/\$45 Mail \$10/\$50/\$90	Retail (1-31) \$20/\$40/\$65/\$200 Mail (32-90) \$45/\$105/\$180/\$450
Gross Premium		
Employee Only	\$315	\$614
Employee & Spouse	\$717	\$1,478
Employee & Child	\$502	\$992
Employee & Family	\$789	\$1,521

- ❑ If TRS had continued to offer the original FY2003 benefits, the current premium would increase from \$614 to \$711 for Employee Only coverage, or 15.8%.
- ❑ If the State and District contributed 71% of the \$711 premium, the employer share would increase to \$505 per employee month.

<sup>1</sup> Generic/Preferred Brand/Non-Preferred Brand/Specialty





# Option 1(b)

## Restore benefits to FY2003 level

### □ Assumptions:

- TRS-ActiveCare-1HD enrollees are moved to original TRS-ActiveCare-1;
- TRS-ActiveCare-2 enrollees remain in original TRS-ActiveCare-2;
- TRS-ActiveCare-Select enrollees are moved to original TRS-ActiveCare-1;
- Because TRS-ActiveCare-3 was discontinued, it has not been included in this option;
- Original plan designs have been modified to maintain compliance with the Affordable Care Act (preventive benefits covered at 100%, integrated maximum out-of-pocket limit).

### □ Results:

- With no change in the minimum State and District contribution levels, gross premiums would increase by about 6.3%.

	Annual Cost Impact for Restoring Benefits to FY2003 Level		
	State	District	Active Employees
<b>Current Funding Levels</b> (\$75 State + \$150 District = \$225) <sup>1</sup>	\$244,190,700	\$488,381,400	\$1,139,974,812
<b>Funding Level Assumptions</b> (\$75 State + \$150 District = \$225) <sup>1</sup>	\$244,190,700	\$488,381,400	\$1,258,189,680
Change	\$0	\$0	\$118,241,868

<sup>1</sup> Assumes a minimum District contribution of \$150 per employee per month.



## Preface to Options 2 & 3 Offer a Single Health Plan

- ❑ By offering multiple health plan options for employees, along with an annual open enrollment opportunity, the opportunity for adverse selection exists.
  - Adverse selection is the case in which employees/families with the most complex medical conditions enroll in the plan offering the richest benefits. Each year as the premiums increase for that plan, the healthier participants migrate back to a less expensive plan causing the premium for the richest benefits to increase significantly.
  - TRS-ActiveCare 3 experienced this increase and was discontinued effective 8/31/2014 as a result.
- ❑ Options 2 & 3 are based on single plan offering to all employees of districts participating in TRS-ActiveCare.
- ❑ Assumes that the fully insured HMO's are discontinued as well.
  - In the areas in which these plans are offered alongside the TRS-ActiveCare plans, the HMO's attract the healthier employees. The premiums paid to the HMOs for coverage leave the TRS-ActiveCare fund and are, therefore, not part of the pool to pay claims for the less healthy remaining population.



## Option 2

### High Deductible Health Plan with a Health Savings Account

## Option 2 Offer a single plan: High Deductible Health Plan with Health Savings Account

- Assumes that TRS-ActiveCare 1-HD is the only plan option available.
  - This plan meets the IRS requirements for an HSA qualified High Deductible Health plan.
- Assumes employer contribution of \$400 per month (\$350 for the premium and \$50 for the Health Savings Account).
  - The employer may contribute more to the Health Savings Account.
  - Employees may contribute to the Health Savings Account up to a maximum total contribution of \$3,350 for individual or \$6,750 for family coverage.<sup>1</sup>
- Eliminates adverse selection between plan options.
- Retains premiums that would have been paid to HMOs.



# Option 2

## High Deductible Health Plan with a Health Savings Account

Coverage Tier	Current FY2016 Gross Premiums			Single Plan Option in FY2016
	TRS-ActiveCare 1-HD	TRS-ActiveCare Select	TRS-ActiveCare 2	TRS-ActiveCare 1-HD
Employee Only	\$341	\$473	\$614	\$435
Employee & Spouse	\$914	\$1,122	\$1,478	\$1,106
Employee & Child(ren)	\$615	\$762	\$992	\$739
Employee & Family	\$1,231	\$1,331	\$1,521	\$1,224

- ❑ If this single plan had been offered for FY2016, the average gross premium would have been \$562 per employee per month, which is 5.2% less than the projected average of \$593.
  - If the State and District contribution increased to \$350 per month toward the premiums shown above, then employees would contribute between \$85 and \$874 per month depending on the coverage tier selected.
  - If the State and District contributed \$50 per month to the Health Savings Account, then employees could contribute up to \$2,750 per year for individual coverage or \$6,150 per year for family coverage.<sup>1</sup> These funds can be used to pay for medical and pharmacy out-of-pocket costs.
  - While for some plans the single option premium would represent a decrease from the current premiums, the money that would have been paid in premiums will now go to pay out of pocket expenses due to increased member cost share requirements.



# Option 2

## High Deductible Health Plan with a Health Savings Account

	Annual Cost Impact for TRS-ActiveCare 1-HD <sup>1</sup>		
	State	District	Active Employees
<b>Current Funding Levels</b>			
Premium (\$75 State + \$150 District = \$225) <sup>2</sup>	\$270,853,200	\$541,706,400	\$1,314,424,295
<u>Health Savings Account (\$0 State + \$0 District = \$0)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$270,853,200	\$541,706,400	\$1,314,424,295
<b>Funding Level Assumptions</b>			
Premium (\$117 State + \$233 District = \$350)	\$422,530,992	\$841,450,608	\$790,092,948
<u>Health Savings Account (\$17 State + \$33 District = \$50)<sup>3</sup></u>	<u>\$61,393,392</u>	<u>\$119,175,408</u>	<u>Determined by each employee</u>
Total	\$483,924,384	\$960,626,016	\$790,092,948
Change	\$213,071,184	\$418,919,616	<b>(\$524,331,347)</b>

<sup>1</sup> Estimates are based on 300,948 currently enrolled TRS-ActiveCare and HMO employees.

<sup>2</sup> Assumes a minimum District contribution of \$150 per employee per month.

<sup>3</sup> Assumes a minimum District contribution of \$33 per employee per month.

- ❑ With this option, employee contributions to the plan would decrease due to the transition to TRS-ActiveCare-1HD and an increase in State and District funding.
- ❑ Employees will be able to use their premium contribution savings to pay for the corresponding increase in out-of-pockets costs. Employees could make contributions to their Health Savings Account, subject to the maximum permitted by law.



# Option 3

## TRS-ActiveCare Select with High Performance Networks

### Option 3 Offer a single plan: Exclusive Provider Organization Plan with high performance networks

- ❑ Assumes that TRS-ActiveCare Select is the only plan option available.
  - This plan has been offered since 9/1/2014 to active employees.
  - This plan includes limited networks in the areas where Accountable Care Organizations are available, broad network remainder of the state. There are no out-of-network benefits.
- ❑ Eliminates adverse selection between plan options.
- ❑ Retains premiums that would have been paid to HMOs.

TRS-ActiveCare Select Plan	
Individual/Family Deductible	\$1,200/\$3,600
Coinsurance	80%/20%
Maximum Out-of-Pocket	\$6,600/\$13,200 (includes medical and pharmacy benefits)
Inpatient Hospital Admit	\$150 copay per day plus 20% after deductible (\$750 max copay)
Emergency Room Visit	\$150 copay plus 20% after deductible
Physician Office Visit	\$30 Primary Care Physician copay \$60 Specialist copay
Prescription Drug <sup>1</sup>	\$200 brand drug deductible
	Retail (1-31) \$20/\$40/50%/20% Mail (32-90) \$45/\$105/50%/20%





# Option 3

## TRS-ActiveCare Select with High Performance Networks

Coverage Tier	Current FY2016 Gross Premiums			Single Plan Option
	TRS-ActiveCare 1-HD	TRS-ActiveCare Select	TRS-ActiveCare 2	TRS-ActiveCare Select
Employee Only	\$341	\$473	\$614	\$469
Employee & Spouse	\$914	\$1,122	\$1,478	\$1,193
Employee & Child(ren)	\$615	\$762	\$992	\$797
Employee & Family	\$1,231	\$1,331	\$1,521	\$1,320

- ❑ If this single plan had been offered for FY2016, the average gross premium would have been \$606 per employee per month, which is 2.2% more than the projected average of \$593).
  - If the State and District minimum contribution remained at \$225 per employee per month, then the employee contribution would range from \$244 to \$1,095 based on coverage tier.
  - If the FY2003 contribution rates were reinstated, then the State and District contribution would be \$141 and \$283, respectively; the employee contribution would range from \$45 to \$896 based on coverage tier.



# Option 3

## TRS-ActiveCare Select with High Performance Networks

Annual Cost Impact for TRS-ActiveCare Select <sup>1</sup>			
	State	District	Active Employees
<b>Current Funding Levels</b> (\$75 State + \$150 District = \$225) <sup>2</sup>	\$270,853,200	\$541,706,400	\$1,314,424,295
<b>Funding Level Assumptions</b> (\$75 State + \$150 District = \$225) <sup>2</sup>	\$270,853,200	\$541,706,400	\$1,402,363,368
Change	\$0	\$0	\$87,939,073

<sup>1</sup> Estimates are based on 300,948 currently enrolled TRS-ActiveCare and HMO employees.

<sup>2</sup> Assumes a minimum District contribution of \$150 per employee per month.

If FY2003 funding ratios are restored, then the State and District contributions would increase by 88%.

Annual Cost Impact for TRS-ActiveCare Select <sup>1</sup>			
	State	District	Active Employees
<b>Current Funding Levels</b> (\$75 State + \$150 District = \$225) <sup>2</sup>	\$270,853,200	\$541,706,400	\$1,314,424,295
<b>Funding Level Assumptions</b> (\$141 State + \$283 District = \$424) <sup>3</sup>	\$509,204,016	\$1,022,019,408	\$683,706,708
Change	\$238,350,816	\$480,313,008	(\$630,717,587)

<sup>1</sup> Estimates are based on 300,948 currently enrolled TRS-ActiveCare and HMO employees.

<sup>2</sup> Assumes a minimum District contribution of \$150 per employee per month.

<sup>3</sup> Assumes a minimum District contribution of \$283 per employee per month.



## Option 4

### Establish Premiums Based on Age and/or Geographic Area

#### **Option 4 Establish premiums based on age and/or geographic area**

- Under current law, TRS-ActiveCare is required to offer uniform statewide coverage. Premium contributions do not vary by age or geographic area.
- Because of the statewide uniform rating, employees who reside in lower cost geographic areas are subsidizing those in the higher cost areas. Additionally, lower cost employees (younger and/or healthier) are subsidizing the higher cost employees.
- In 2014, carriers began marketing health care plans to individuals on the federal public exchange. In addition to the benefits, premiums for these plans vary by age and geographic area.
- Younger, healthier employees and those in areas where medical costs are lower than the statewide average may find coverage comparable to TRS-ActiveCare plans on the federal public exchange at a lower cost.
- As more lower cost employees exit the plan, TRS-ActiveCare is left with a larger concentration of enrollees with higher claim costs and fewer low cost enrollees to offset those costs.

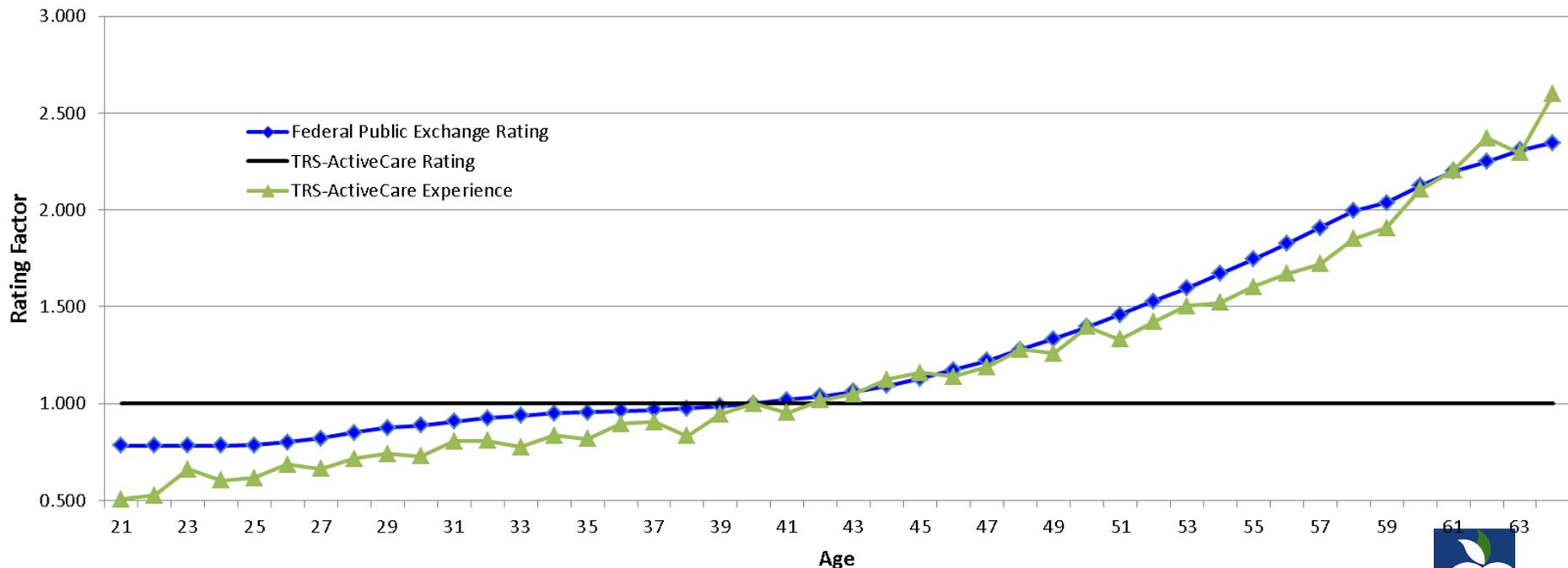


# Option 4

## Establish Premiums Based on Age and/or Geographic Area

### Age Rating

- ❑ The age rating factors used by health plans on the public exchange in Texas include a 3:1 slope, which is similar to the FY2015 TRS-ActiveCare experience.
- ❑ Normalizing the factors to an individual age 40, younger, healthier employees and spouses may look to the federal public exchange to try and find a comparable plan at a lower cost based on their geographic area.





# Option 4

## Establish Premiums Based on Age and/or Geographic Area

Rating by geographic area could be performed a number of ways:

### County

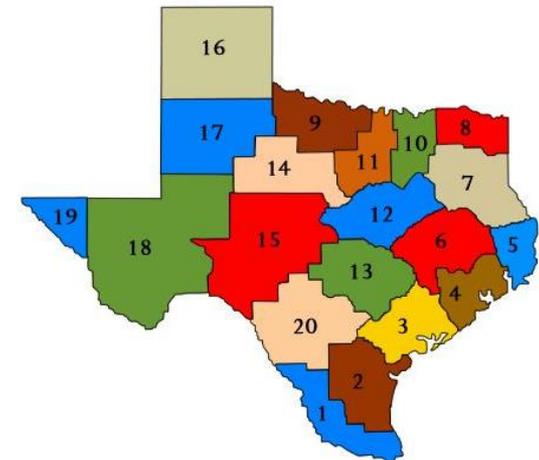
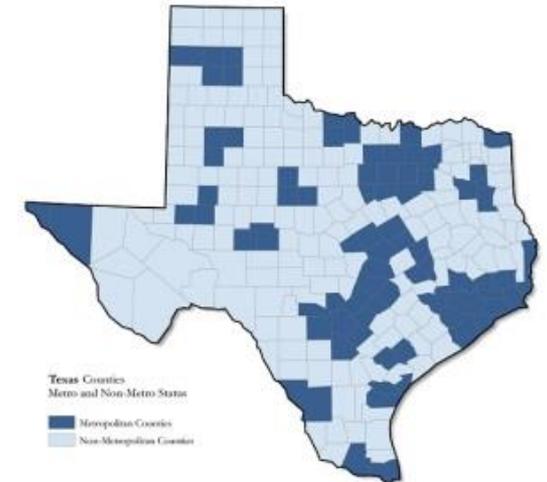
- Texas has 254 counties and would be administratively burdensome.
- Districts can span multiple counties.

### Metropolitan Statistical Area (MSA)

- Groups counties with large population densities.
- Rating area used for the public exchange.
- Districts can span multiple Metropolitan Statistical Areas.
- Non-metropolitan counties span a large geographical area with varying costs.

### Education Service Center

- School districts are divided into twenty regions.
- One-to-one correlation between district and Education Service Center.
- May be easier to administer than a more granular approach.





# Option 4

## Establish Premiums Based on Age and/or Geographic Area

Number of Carriers by Plan Type							
Rating Area	Metropolitan Statistical Area (MSA)	2014		2015		2016	
		HMO	PPO	HMO	PPO	HMO	PPO
1	Abilene	2	1	2	2	2	0
2	Amarillo	2	1	2	2	3	0
3	Austin-Round Rock	5	3	5	3	4	1
4	Beaumont-Port Arthur	4	2	4	2	5	0
5	Brownsville-Harlingen	3	1	4	2	3	0
6	College Station-Bryan	3	2	3	3	3	1
7	Corpus Christi	2	1	2	3	3	0
8	Dallas-Ft. Worth-Arlington	3	3	3	3	3	1
9	El Paso	3	1	3	3	3	1
10	Houston-Baytown-Sgr Land	5	3	5	3	6	1
11	Killeen-Temple-Fort Hood	4	2	4	2	3	1
12	Laredo	2	1	2	2	2	0
13	Longview	1	1	1	2	1	0
14	Lubbock	2	1	2	2	2	0
15	McAllen-Edinburg-Pharr	2	1	4	2	4	0
16	Midland	2	1	2	2	2	0
17	Odessa	2	1	2	2	2	0
18	San Angelo	2	1	2	2	2	1
19	San Antonio	4	2	4	4	4	1
20	Sherman-Denison	1	2	1	3	2	0
21	Texarkana	1	1	1	2	2	0
22	Tyler	1	1	1	2	1	0
23	Victoria	1	1	1	2	2	0
24	Waco	5	2	5	2	4	1
25	Wichita Falls	1	1	1	2	1	0
26	Non-Metropolitan Areas	7	3	8	3	9	2

- Availability of plan options on the public exchange varies significantly by Rating Area and plan type.
- Plan option availability also varies by county within each Rating Area.
- With the exception of the non-Metropolitan areas, PPO plans are currently only available in select Rating Areas through a single carrier.



# Option 4

## Sample CY2016 Exchange Rates – HMO Plans

**CY2016 Blue Cross Blue Shield of Texas Blue Advantage HMO Individual Rates**

Rating Area	Metropolitan Statistical Area (MSA)	Bronze			Silver			Gold		
		Age 25	Age 40	Age 55	Age 25	Age 40	Age 55	Age 25	Age 40	Age 55
1	Abilene	\$176	\$244	\$283	\$224	\$311	\$360	\$391	\$543	\$629
2	Amarillo	\$174	\$242	\$280	\$222	\$308	\$357	\$387	\$538	\$623
3	Austin-Round Rock	\$185	\$257	\$297	\$235	\$327	\$379	\$410	\$570	\$661
4	Beaumont-Port Arthur	\$195	\$271	\$314	\$248	\$345	\$399	\$433	\$601	\$697
5	Brownsville-Harlingen	\$141	\$196	\$227	\$179	\$249	\$288	\$313	\$434	\$503
6	College Station-Bryan	\$170	\$237	\$274	\$217	\$302	\$349	\$379	\$526	\$609
7	Corpus Christi	\$161	\$224	\$259	\$205	\$285	\$330	\$358	\$498	\$576
8	Dallas-Ft. Worth-Arlington	\$200	\$277	\$321	\$254	\$353	\$409	\$443	\$616	\$713
9	El Paso	\$152	\$212	\$245	\$194	\$269	\$312	\$338	\$470	\$545
10	Houston-Baytown-Sgr Land	\$174	\$242	\$281	\$222	\$309	\$358	\$388	\$539	\$624
11	Killeen-Temple-Fort Hood	\$166	\$231	\$267	\$211	\$294	\$340	\$369	\$513	\$594
12	Laredo	\$148	\$205	\$238	\$188	\$261	\$303	\$328	\$456	\$528
13	Longview	\$172	\$239	\$277	\$219	\$304	\$352	\$382	\$530	\$614
14	Lubbock	\$171	\$238	\$276	\$218	\$303	\$351	\$381	\$529	\$613
15	McAllen-Edinburg-Pharr	\$142	\$198	\$229	\$181	\$252	\$292	\$316	\$440	\$509
16	Midland	\$165	\$229	\$266	\$210	\$292	\$338	\$367	\$510	\$590
17	Odessa	\$167	\$232	\$269	\$213	\$296	\$342	\$371	\$516	\$597
18	San Angelo	\$183	\$255	\$295	\$234	\$325	\$376	\$407	\$566	\$656
19	San Antonio	\$180	\$250	\$289	\$229	\$318	\$368	\$399	\$555	\$643
20	Sherman-Denison	\$206	\$286	\$331	\$262	\$364	\$422	\$457	\$636	\$736
21	Texarkana	\$164	\$228	\$265	\$209	\$291	\$337	\$365	\$507	\$588
22	Tyler	\$174	\$242	\$280	\$221	\$308	\$356	\$386	\$537	\$622
23	Victoria	\$170	\$236	\$274	\$216	\$301	\$348	\$378	\$525	\$608
24	Waco	\$169	\$234	\$271	\$215	\$298	\$345	\$374	\$520	\$603
25	Wichita Falls	\$211	\$293	\$340	\$269	\$373	\$432	\$469	\$651	\$754
26	Non-Metropolitan Areas	\$169	\$235	\$272	\$215	\$299	\$347	\$376	\$522	\$605
<b>Deductible (Individual / Family)</b>		\$6,750 / \$13,700			\$2,000 / \$6,000			\$500 / \$1,500		
<b>Office Visit (Primary Care / Specialist)</b>		\$40 copay / 30% coinsurance			\$40 copay / \$60 copay			\$20 copay / \$40 copay		
<b>Prescription Drug</b> (Generics / Preferred Brand / Non-Preferred Brand / Specialty)		20% / 30% / 40% / 50% coinsurance after deductible			\$0 copay / \$50 copay / \$100 copay / 30% coinsurance after deductible			\$0 copay / \$50 copay / \$100 copay / 30% coinsurance after deductible		





# Option 4

## Establish Premiums Based on Age and/or Geographic Area

- ❑ The average rating area is represented by Region 6 – Huntsville, whose adjusted premium is equal to the current TRS-ActiveCare 2 premium for Employee Only coverage.
- ❑ There is an 92% cost differential between the highest cost area (Region 17 – Lubbock) and the lowest cost area (Region 20 – San Antonio).
- ❑ Premium differentials will vary by plan and coverage tier.

Education Service Center	Geographic Area Factor	Area Adjusted TRS-ActiveCare 2 Employee Only Premium	Difference in Current Gross Premium
Region 1 – Edinburg	0.89	\$549	(\$65)
Region 2 – Corpus Christi	0.77	\$474	(\$140)
Region 3 – Victoria	0.93	\$573	(\$41)
Region 4 – Houston	0.91	\$557	(\$57)
Region 5 – Beaumont	1.06	\$650	\$36
Region 6 – Huntsville	1.00	\$614	\$0
Region 7 – Kilgore	1.10	\$673	\$59
Region 8 – Mount Pleasant	0.95	\$584	(\$30)
Region 9 – Wichita Falls	0.97	\$594	(\$20)
Region 10 – Richardson	1.04	\$638	\$24
Region 11 – Fort Worth	1.07	\$655	\$41
Region 12 – Waco	1.09	\$672	\$58
Region 13 – Austin	0.89	\$546	(\$68)
Region 14 – Abilene	1.38	\$846	\$232
Region 15 – San Angelo	1.07	\$655	\$41
Region 16 – Amarillo	1.36	\$838	\$224
Region 17 – Lubbock	1.45	\$892	\$278
Region 18 – Midland	0.99	\$608	(\$6)
Region 19 – El Paso	0.88	\$538	(\$76)
Region 20 – San Antonio	0.76	\$464	(\$150)



# Option 4

## Establish Premiums Based on Age and/or Geographic Area

	Annual Cost Impact for Geographic Rating		
	State	District	Active Employees
<b>Uniform Statewide Premium</b> (\$75 State + \$150 District = \$225) <sup>1</sup>	\$244,190,700	\$488,381,400	\$1,139,974,812
<b>Geographic Premiums</b> (\$75 State + \$150 District = \$225) <sup>1</sup>	\$244,190,700	\$488,381,400	\$1,139,974,812
Change	\$0	\$0	\$0

<sup>1</sup> Assumes a minimum District contribution of \$150 per employee per month.

- Assuming that there is no change to the State or District funding ratio requirements, this option does not increase the employer costs.
- By moving to a premium schedule that varies by geographic area, the Active Employee contributions will decrease in some areas and increase in others; however, the aggregate employee contributions will stay the same as well.
- For example, based on slide 43, employees in the Corpus Christi, Austin and El Paso areas would be among those who receive a reduction in premiums while employees in higher cost areas such as Abilene, Fort Worth and Lubbock would receive an increase in premiums.



# Option 5

## Eliminate Coverage for Spouses

### Option 5 Eliminate Coverage for Spouses

- ❑ Based on a February 2016 survey of districts, 6.2% of all districts provide a contribution towards dependent coverage. Therefore, it does not appear to be an important recruitment or retention consideration.
- ❑ While the Affordable Care Act does require employers to offer coverage to dependent children up to age 26, it does not require that employers offer spousal coverage.
  - Spouses can obtain coverage either through his/her own employer or through the federal public exchange.
  - Low income spouses may qualify for a federal subsidy on the exchange only if the employer does not offer spousal coverage.
- ❑ TRS-ActiveCare spousal coverage is subsidized by other tiers. As healthier spouses leave the program for less expensive options, the Employee Only tier takes on more of the costs for the spouses remaining in the program.



# Option 5

## Eliminate Coverage for Spouses

Gross Premiums						
Coverage Tier	Current FY2016			Adjusted FY2016 Premiums		
	TRS-ActiveCare 1-HD	TRS-ActiveCare Select	TRS-ActiveCare 2	TRS-ActiveCare 1-HD	TRS-ActiveCare Select	TRS-ActiveCare 2
Employee Only	\$341	\$473	\$614	\$332	\$460	\$598
Employee & Spouse	\$914	\$1,122	\$1,478	--	--	--
Employee & Child(ren)	\$615	\$762	\$992	\$599	\$742	\$965
Employee & Family	\$1,231	\$1,331	\$1,521	--	--	--

- ❑ Elimination of spousal coverage for the FY2016 plan year, premiums for the following tiers would have been reduced by 2.7%.
- ❑ If the State and District minimum contribution remained at \$225 per employee per month, then the employee contribution would range from \$107 to \$740 based on plan and coverage tier election.
- ❑ If the FY2003 contribution rates were reinstated, then the State and District contribution would be \$123 and \$245 respectively for Employee Only coverage in TRS-ActiveCare-2.



# Option 5

## Eliminate Coverage for Spouses

Annual Cost Impact for Elimination of Spousal Coverage			
	State	District	Active Employees
<b>Including Spousal Coverage</b> (\$75 State + \$150 District = \$225) <sup>1</sup>	\$244,190,700	\$488,381,400	\$1,139,974,812
<b>Excluding Spousal Coverage</b> (\$75 State + \$150 District = \$225) <sup>1</sup>	\$244,190,700	\$488,381,400	\$911,463,732
<b>Change</b>	\$0	\$0	<b>(\$228,511,080)</b>

<sup>1</sup> Assumes a minimum District contribution of \$150 per employee per month.



# Committee Charge

## Allow School Districts to Opt Out of TRS-ActiveCare

### **Allow School Districts to Opt Out of TRS-ActiveCare**

#### Cautions:

If districts were allowed to opt out of TRS-ActiveCare, the restrictions such as the following would be necessary for the sustainability and affordability of the plan.

#### **Deadline for notification**

A district must notify TRS in writing no later than March 1<sup>st</sup> that it will not be participating in TRS-ActiveCare for the upcoming plan year. This will ensure that the premiums for the upcoming plan year can be set appropriately for the remaining districts. (If districts were allowed to opt out after premium rates have been announced at the June TRS Board meeting, the premiums would not be adequate to cover the costs.)

#### **10-Year Lock-in period**

Districts opting into TRS-ActiveCare must commit to a minimum number of years of participation in the plan in order to minimize the impact of adverse selection.

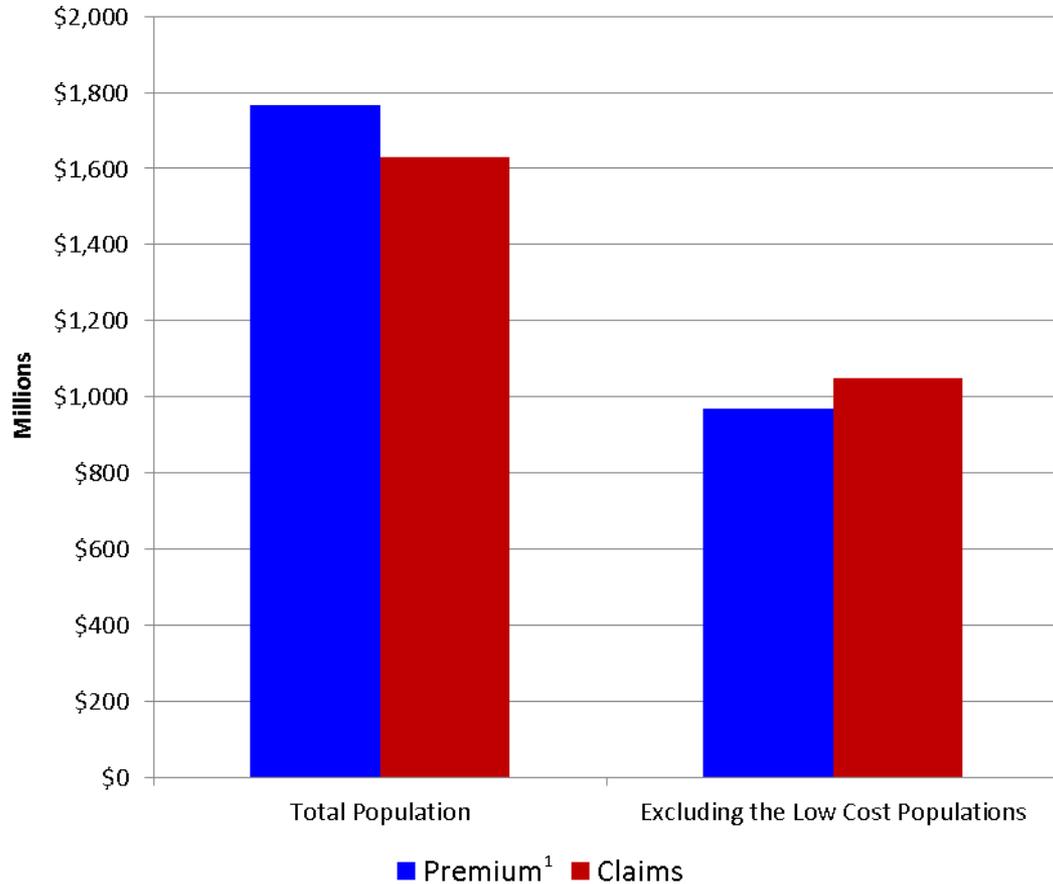
#### **10-Year Lock-out period**

Districts opting out of TRS-ActiveCare are restricted from opting back into the plan for a period of time in order to minimize the impact of adverse selection.



# Committee Charge

## Allow School Districts to Opt Out of TRS-ActiveCare



- ❑ The chart illustrates in aggregate dollars the impact of low cost groups opting out of the plan.
  - With all groups participating, premium rates are set such that claim expenses are covered.
  - As groups with low costs opt out of the plan, the aggregate premium dollars are reduced to levels below aggregate claims.
- ❑ Low cost groups currently enrolled in TRS-ActiveCare generate more premium revenue than claims expense. This excess revenue subsidizes the high cost populations.
- ❑ If low cost employees/families opt-out of TRS-ActiveCare at each open enrollment period, the average cost of the remaining population increases. This is a result of anti-selection on an individual level.
- ❑ If low cost districts were permitted to opt-out of TRS-ActiveCare, the impact of anti-selection would magnify.



# Committee Charge

## Allow School Districts to Opt Out of TRS-ActiveCare

### Example: 10-Year Lock-out

#### □ Assumptions

- In FY2016, it is announced that any participating entity – regardless of employee size – may opt out of the TRS-ActiveCare health plan beginning with FY2017.
- Assume that each entity's FY2016 experience was similar to its FY2015 experience.
  - Medical and pharmacy annual trend rates are 7.5% and 13.0% respectively; and
  - Employees and covered dependents remain in the plan as long as the district remains in the plan.
- Assuming a worse case scenario in which 100% of healthiest participating entities elect to opt out of the plan based on finding less expensive coverage.

#### □ Results

- In the first year, almost half of the 1,106 participating entities opted-out of the plan causing gross premiums to increase by 20.1%.
- After five years, only 116 of the sickest participating entities covering 12,000 individuals remained in the plan. Premiums had increased 20-30% each year.
- By the end of the 10-year period, only four districts remained in the plan covering less than 100 individuals.



# Committee Charge

## Allow School Districts to Opt Out of TRS-ActiveCare

### **Example: No Lock-out Period**

- ❑ Without a lock-out period, anti-selection against the plan would speed up the deterioration of the program.
  - Districts that had once left TRS-ActiveCare due to their better than average experience would return to the plan when they are no longer able to get lower premiums on their own.
  - Districts that had once opted-in to TRS-ActiveCare due to their poor experience would opt back out of the plan when they are able to get lower premiums on their own.

# Summary

Option		Impacted Parties			Impact on State Appropriations		Projected Annual Impact on Total Costs
		State	District	Active Employees	State	District	
Option 1(a)	Reinstate FY2003 funding ratios ◆ FY2018 – FY2019 ◆ FY2020 – FY2021	✓ ✓	✓ ✓		\$586,855,860 \$766,593,480	\$1,174,111,392 \$1,530,247,704	\$0
Option 1(b)	Reinstate FY2003 benefits			✓	\$0	\$0	6.3% increase in costs
Option 2	Single plan offering: TRS-ActiveCare-1HD			✓	\$0	\$0	5.2% decrease in costs
Option 3	Single plan offering: TRS-ActiveCare-Select			✓	\$0	\$0	2.2% increase in costs
Option 4	Establish premiums based on age/geographic area			✓	\$0	\$0	0% change in aggregate costs <sup>1</sup> ;
Option 5	Eliminate spousal coverage			✓	\$0	\$0	2.7% decrease in costs
Committee Charge	Allow participating entities to opt out of the Plan			✓	\$0	\$0	N/A

<sup>1</sup> Each district would experience either increase or decrease in costs based on geographic area.



# Combine TRS-Care & TRS-ActiveCare

# Combine TRS-Care and TRS-ActiveCare

## 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.
- ❑ A combined program includes many decision points that affect overall funding needs.
- ❑ Offering a single plan option to all active and retired education employees with benefits similar to ERS' Health Select plan would offer a richer benefit than currently offered at a cost of approximately \$10 billion in new funds for the FY18-FY19 biennium.

Current Funding Levels				
	State/District Contributions		Employee/Retiree Contributions <sup>5</sup>	
Entity	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>	\$152	\$1,824
TRS-ActiveCare	\$225.00 <sup>4</sup>	\$2,700 <sup>4</sup>	\$352	\$4,224

<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.

<sup>5</sup> Average per employee/retiree contributions shown. Actual premiums vary by plan, coverage tier, Medicare status and years of service.



# Combine TRS-Care and TRS-ActiveCare

## ❑ **Decision points:**

- Should plan design and contributions mirror ERS Health Select?
- Should funding reflect a fixed contribution or coverage for a certain benefit level? Should funding include health care cost trend consideration?
- How should costs be allocated across funding entities? State? Districts? Active and retired members?
- Should all districts participate?
- What plan design should be implemented?
  - Mandatory Medicare Advantage and Part D for Medicare eligible retirees?
  - Should early retirees, pre-Medicare age, have a different plan design than active employees?
  - Consumer-driven and high-value plan designs?
  - Health Savings Accounts or Health Reimbursement Accounts?
- Should the plans consider age and/or geography in pricing?
- Would need changes to the Texas Insurance Code and other statutes, including school finance contributions to ActiveCare.



# Combine TRS-Care and TRS-ActiveCare

## ❑ **Implementation Issues:**

- Need a minimum of two years for program design and procurement
- Implementation timeline would necessitate two-year funding for current structure of both programs
- Communication strategy to membership for significant plan changes
- Design plans based on legislative direction
- Establish premium levels and member cost-sharing based on state and district contributions



# **TRS-ActiveCare**

## **Appendices**



# TRS-ActiveCare Affordable Care Act Provisions

Category	TRS-ActiveCare Plans	Grandfathered Plans	Non-Grandfathered Plans
<b>PREMIUM CONTRIBUTIONS</b>			
Premium Contributions	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	Coverage of dependent children up to age 26	Coverage of dependent children up to age 26
Pre-Existing Conditions	TRS-ActiveCare does not deny enrollment based on pre-existing conditions.	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-ActiveCare does not discriminate based on the health status of the retiree or dependent.	Exempt	No discrimination based on the health status of the employee/retiree or dependent.



# TRS-ActiveCare Affordable Care Act Provisions

Category	TRS-ActiveCare Plans	Grandfathered Plans	Non-Grandfathered Plans
<b>Benefit Design Features</b>			
Preventive Care Services	Covered at 100%	Exempt	Covered at 100%
Annual Limits	No annual limits	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	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 are integrated for medical and pharmacy benefits and include deductible, copays, and coinsurance.	Not required	Out-of-pocket maximum limits are integrated for medical and pharmacy benefits and include deductible, copays, and coinsurance.
Fixed Dollar Deductibles	For TRS-ActiveCare-1HD, the deductibles are currently \$2,500 for self-only and \$5,000 for family coverage.	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.	For High Deductible Health plans, the deductibles cannot be less than \$1,300 for self-only or \$2,600 for family coverage in CY2016.  For all other plans, deductibles cannot be greater than the out-of-pocket maximum.



# TRS-ActiveCare Affordable Care Act Provisions

Category	TRS-ActiveCare Plans	Grandfathered Plans	Non-Grandfathered Plans
<b>Benefit Design Features (continued)</b>			
Fixed Dollar Copays	No restrictions	Increases in fixed dollar cost sharing benefits are limited to medical inflation plus 15%.	No restrictions
Coinsurance	No restrictions	Increases to coinsurance percentages are not allowed.	No restrictions
<b>Covered Services</b>			
Waiting Period Restrictions	No waiting period.	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	Certain trials covered.	Exempt	A plan may not deny coverage for routine costs in connection with clinical trials.



# TRS-ActiveCare Affordable Care Act Provisions

Category	TRS-ActiveCare Plans	Grandfathered Plans	Non-Grandfathered Plans
<b>Fees &amp; Taxes</b>			
Reinsurance Assessment Fee (eff. CY2014 – CY2016)	Fee is applicable to all participants.	Fee is applicable to both Medicare and non-Medicare participants.	Fee is applicable to both Medicare and non-Medicare participants.
Patient Centered Outreach Research Institute Fee (eff. FY2013 – FY2019)	Fee is applicable to all participants.	Fee is applicable to non-Medicare participants only.	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.

# Market Comparison

## Premium and Contribution Benchmarking for Active Employees

Metric	Employee Only Total Premium <sup>1</sup>	Employee Contribution <sup>2</sup> to Employee Only Premium	Employee & Family Total Premium <sup>1</sup>	Employee Contribution <sup>2</sup> to Employee & Family Premium
TRS-ActiveCare 1-HD	\$341.00	34.0%	\$1,231.00	81.7%
TRS-ActiveCare Select	\$473.00	52.4%	\$1,331.00	83.1%
TRS-ActiveCare 2	\$614.00	63.4%	\$1,521.00	85.2%
Employee Retirement System of Texas <sup>3</sup> (HealthSelect)	\$537.66	0%	\$1,565.70	32.8%
Texas A&M University (A&M Care)	\$553.48	1.8%	\$1,312.89	29.7%
University of Texas (UT Select)	\$566.96	0%	\$1,536.81	31.3%
ARBenefits (Arkansas Public School Employees) <sup>4</sup>	\$665.40	38.2%	\$1,870.58	47.6%
	\$345.02	34.8%	\$835.74	50.9%
	\$240.48	35.8%	\$498.98	69.0%
Louisiana Office of Group Benefits <sup>5</sup>	\$653.38	25.0%	\$1,463.74	38.8%
State Health Plan of South Carolina (PEBA)	\$457.78	21.3%	\$1,199.60	25.6%

<sup>1</sup> Premium and contribution amounts are based on the health plan offered to active employees for the 2016 plan year, if available.

<sup>2</sup> For TRS-ActiveCare, employee contributions are based on the minimum employer contribution of \$225 PEPM.

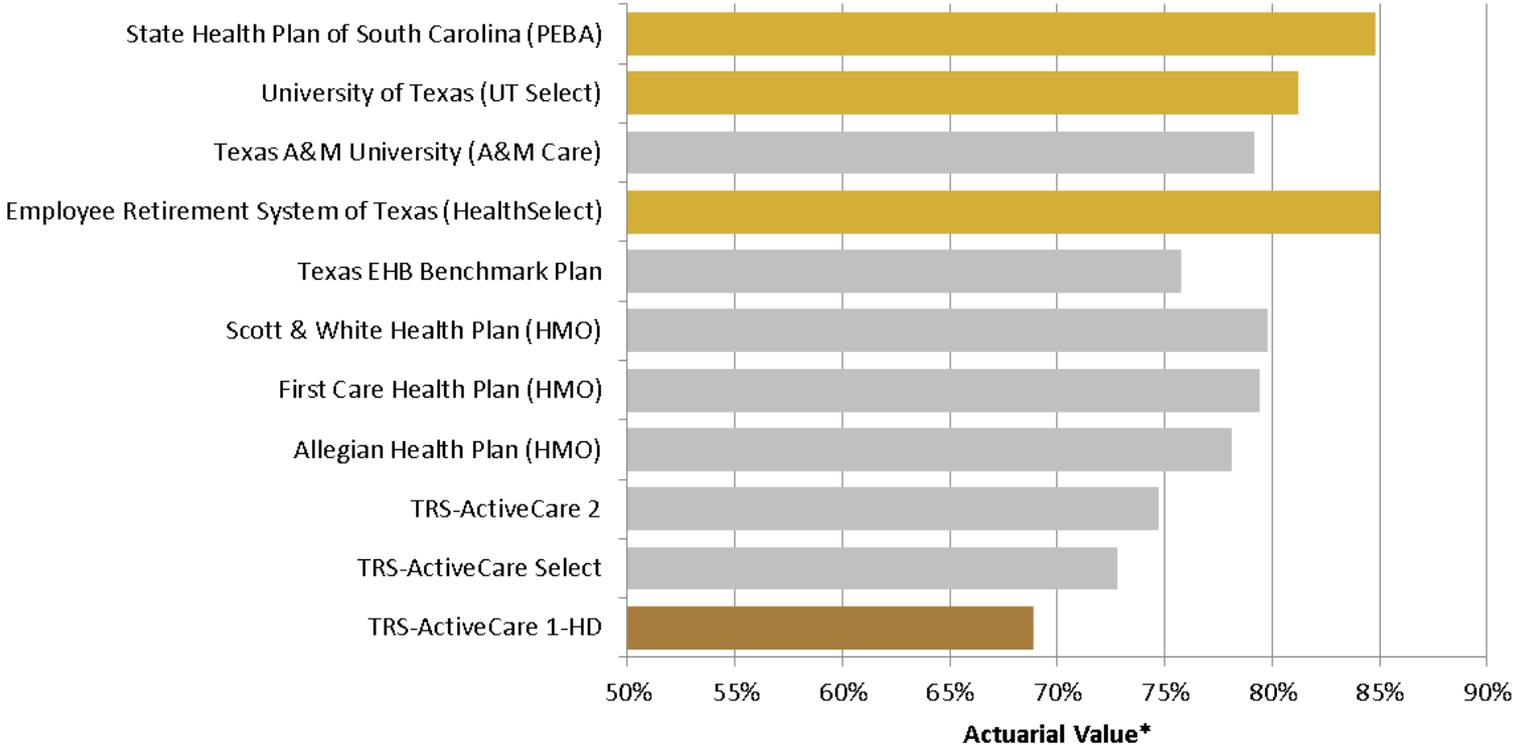
<sup>3</sup> Premiums include coverage for Basic Term Life Insurance.

<sup>4</sup> School districts in Arkansas contribute \$154.48 PEPM for all plans and coverage tiers; the State and plan contribution to coverage varies between \$0 - \$826.18 by plan and coverage tier.

<sup>5</sup> Premiums shown are based on the Magnolia Open Access Plan.

# Market Comparison

## Actuarial Value of 2016 Active Employee Plans



The Actuarial Value of a plan represents the average benefit amount 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.