

May 2026

# CUSTOMER CARE

## Benefits Committee Meeting



**Teacher Retirement System of  
Texas**

4655 Mueller Blvd.  
Austin, Texas 78723

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING  
BOARD OF TRUSTEES  
AND  
BENEFITS COMMITTEE  
May 1, 2026 – 9:00 a.m.**

*All or part of the May 1, 2026, meeting of the TRS Benefits Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: **4655 Mueller Blvd, 2nd Floor, Boardroom.***

*The open portions of the May 1, 2026, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at [www.trs.texas.gov](http://www.trs.texas.gov). A recording of the meeting will be available at [www.trs.texas.gov](http://www.trs.texas.gov).*

**AGENDA**

1. Call roll of Committee members.
2. Consent Agenda: Consider the following items that may be taken up by consent without discussion– Committee Chair:
  - A. Approval of the proposed December 2025 committee meeting minutes (Agenda Item 3);
  - B. Recommending to the Board acceptance of the Medical Board meeting minutes of November 2025 and January 2026 (Agenda Item 4A);
  - C. Recommending to the Board approval of Benefit Payments for December 2025 through February 2026 (Agenda Item 4B)
3. Consider the approval of the proposed December 2025 committee meeting minutes – Committee Chair. (*Proposed Consent Agenda 2A*)
4. Receive updates and consider the following regarding TRS pension benefits program:
  - A. Consider recommending to the Board acceptance of the Medical Board meeting minutes of November 2025 and January 2026 (*Proposed Consent Agenda 2B*);
  - B. Consider recommending to the Board approval of Benefit Payments for December 2025 through February 2026 (*Proposed Consent Agenda 2C*); and

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Benefits Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

- C. Operational update on activities and performances including Member Education and Counseling Overview – Barbie Pearson, Adam Fambrough and Yvette Carter.
5. Receive updates health plans and consider the following regarding TRS-Care and TRS-ActiveCare plans:
- A. Receive a presentation on the Impact of Hospital Consolidation on Affordability of Health Care – Vivian Ho, PhD, Baker Institute for Public Policy, Professor, Rice University;
  - B. Consider and recommend to the Board approval of the FY 2027 Rates and Benefits for the TRS-ActiveCare Plans, including two TRS-ActiveCare Primary Innovation Plans and rates for early-returning entities under HB 3126 – Katrina Daniel, Kirsten Schatten, and Matt Pasyk;
  - C. Consider and recommend to the Board approval of the Special Transitional Plan rates for Amarillo ISD – Katrina Daniel, Kirsten Schatten, and Matt Pasyk

## **Minutes of the Benefits Committee**

**December 4, 2025**

The Benefits Committee of the Board of Trustees of the Teacher Retirement System of Texas met on December 4, 2025, at TRS Headquarters located at 4655 Mueller Blvd, 2nd Floor, Boardroom, Austin, Texas.

### **Committee members:**

Mr. Elvis Williams, Chair  
Ms. Brittany Allred  
Mr. Michael Ball  
Ms. Laronda Graf  
Mr. John Rutherford

### **Other TRS Board Members Present:**

Mr. David Corpus  
Mr. John Elliott  
Mr. Robert H. Walls, Jr.

### **Others present:**

Brian Guthrie, TRS  
Caasi Lamb, TRS  
Heather Traeger, TRS  
Amanda Jenami, TRS  
Barbie Pearson, TRS  
Adam Fambrough, TRS  
Alejandro Martinez, TRS  
Jennifer Gasior, TRS  
Katrina Daniel, TRS  
Cristina Juarez, TRS  
Meaghan Bludau, TRS  
Chris Herrick, TRS  
Cindy Wright, TRS  
Sunitha Downing, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Milstein

Nancy Byler, RAC (virtual)  
Dr. Rene Paulson, Elite Research  
Steve Alexander, BCBSTX

Mr. Elvis Williams called the meeting to order at 10:08 a.m.

### **1. Call roll of Committee members.**

Ms. Farrell called the roll. A quorum was present.

**2. Consider the approval of the proposed minutes of the September 2025 committee meeting.**

On a motion by Mr. Rutherford, seconded by Ms. Graf, the Committee unanimously voted to approve the proposed minutes for the September 2025 Benefits Committee meeting as presented.

**3. Receive an update and consider the following regarding TRS pension services:  
A. Consider recommending to the Board acceptance of the Medical Board Meeting minutes for the September 2025 meeting;**

Ms. Pearson recommended to the Committee acceptance of the Medical Board meeting minutes for the September 2025 meeting.

On a motion by Ms. Graf, seconded by Mr. Rutherford, the committee unanimously voted to recommend to the Board acceptance of the medical board meeting minutes for September 2025.

**B. Consider recommending to the Board approval of Benefit Payments for September through November 2025; and**

Ms. Pearson requested that the Committee recommend to the Board approval of the Benefit Payments for September through November 2025 as presented by staff.

On a motion by Mr. Ball, seconded by Ms. Allred, the committee voted unanimously to recommend to the Board approval of the Benefit Payments for September through November 2025, as presented by staff.

**C. Fiscal Year 2025 Annual Operational Update including the annual inactive accounts report – Barbie Pearson, Adam Fambrough and Jennifer Gaisor.**

Ms. Pearson provided an update on Pension Services, including staffing, member transactions, and interactions for fiscal year 2025. She noted all the performance objectives for fiscal year 2025 were achieved or exceeded. She reported for transactions and interactions her division performed almost a million transactions and almost a million interactions with members.

Mr. Fambrough provided an update on Member Services activities, including contact center and counseling operations. He reported over 673,000 calls answered for fiscal year 2025, a 3.1 percent decrease from the prior fiscal year. He said the goal of answering calls within three minutes 90 percent of the time was exceeded by 97 percent. He noted though that as of the first quarter of the current fiscal year the service level is at 88 percent. He reported a three percent increase in secure messaging. He shared efforts on

member education and counseling. He said 61 percent of the available in-person member appointments were conducted. He also noted the one-on-one appointments for benefit presentations, where members learn the retirement process, are 100 percent attended. He reported on initiatives being undertaken to engage employers and new members at the beginning of their careers.

Mr. Fambrough introduced the new director, Alejandro Martinez, for the new regional office in the Rio Grande Valley. Mr. Martinez joined TRS in 2020 as a counselor and most recently served as a manager. He said the next steps for that office is to hire the eight counselors and start their training.

Ms. Gasior provided an update on Account Services activities and the annual inactive accounts report. She reported that all areas saw an increase in workload for fiscal year 2025, except retirements. She said the retirements team processed over 26,000 retirements which was a two percent decrease from the previous year. She noted the estimate team processed over 100,000 estimates for a twelve percent increase and on average mailing the estimate packages within two days from the request. While refunds experienced a six percent increase, she said that eight percent of the refunds were from inactive account outreach. She reported the total amount of annuity payments issued for fiscal year 25 was \$13.6 billion, over a billion dollars issued monthly over 6.1 million payments.

Ms. Gasior reported Benefit Processing exceeded four of the five performance objectives with the fifth area, retirements, met expectations. She noted this was the first time for retirements to meet service levels for all four quarters since fiscal year 2020. She concluded her report by reviewing the outreach efforts regarding inactive accounts. For this year's outreach resulted in close to \$22 million in refunds.

Ms. Pearson concluded with a review of Benefit Operations Support which includes Training staff, Quality Assurance and Workforce Management group.

#### **4. Receive update and consider the following regarding TRS health insurance benefits program:**

##### **A. An update on the Retirees Advisory Committee for TRS-Care (RAC) meeting held on October 13, 2025 – Nancy Byler;**

Ms. Byler provided an update from the RAC meeting held on October 13, 2025.

##### **B. Consider recommending to the Board approval of the appointments of members to positions on the RAC – Cristina Juarez; and**

Ms. Juarez provided information regarding four members whose terms end on January 31, 2026, which included the Committee Chair and Vice Chair.

On a motion by Mr. Ball, seconded by Ms. Allred, the Committee unanimously moved to recommend to the Board adoption of the following resolution appointing members to the RAC as presented by staff:

#### REAPPOINTING MEMBERS TO THE RETIREES ADVISORY COMMITTEE

**Whereas**, Chapter 1575, Insurance Code (the “Texas Public School Retired Employees Group Benefits Act”), governs the Texas Public School Retired Employees Group Benefits Program, hereinafter referred to as TRS-Care, and authorizes the Teacher Retirement System of Texas (“TRS”), as trustee, to take actions necessary to devise, implement, and administer TRS-Care, as described in the statute;

**Whereas**, Chapter 1575, Insurance Code defines “Trustee” to mean TRS; Chapter 821, Government Code defines the Board of trustees (“Board”) to be the board appointed to administer TRS;

**Whereas**, Subchapter I of Chapter 1575 (Sections 1575.401 through 1575.408) of the Insurance Code creates the Retirees Advisory Committee (“RAC”), whose duties include holding public hearings on group coverage, and recommending to the trustee minimum standards and features for TRS-Care and desirable changes in rules and legislation affecting TRS-Care;

**Whereas**, Section 1575.402 of the Insurance Code mandates the RAC be composed of seven members appointed by the trustee: one member who is an active school administrator, one member who is a retired school administrator, two members who are active teachers, and three members who are retired teachers;

**Whereas**, Section 1575.403 of the Insurance Code establishes that RAC members serve staggered four-year terms. The terms of the active school administrator, active teacher, and two retired teachers expire on February 1, 2002, and every fourth year after that date; and the remaining three members’ terms expire February 1, 2004, and every fourth year after that date;

**Whereas**, Section 1575.404 of the Insurance Code requires the trustee to fill vacancies on the RAC by appointing a person who meets the qualifications applicable to the vacated position;

**Whereas**, Nancy Byler, who currently fills the role of a retired teacher RAC member and continues to qualify as a retired teacher, has agreed to serve another four-year term on the RAC after her current term expires on January 31, 2026;

**Whereas**, Dr. Mary Widmier, who currently fills the role of a retired teacher RAC member and continues to qualify as a retired teacher, has agreed to serve another four-year term on the RAC after her current term expires on January 31, 2026;

**Whereas**, Anita Kay Young, who currently fills the role of an active teacher RAC member continues to qualify as an active teacher, has agreed to serve another four-year term on the RAC after her current term expires on January 31, 2026;

**Whereas**, Pete Pape, who currently fills the role of an active school administrator RAC member and continues to qualify as an active school administrator, has agreed to serve another four-year term on the RAC after his current term expires on January 31, 2026;

**Whereas**, the Board desires to reappoint Nancy Byler, Dr. Mary Widmier, Anita Kay Young, and Pete Pape to the RAC upon the expiration of their current term on January 31, 2026, and who will serve another four-year term from February 1, 2026 through January 31, 2030, effective immediately upon approval of this resolution; now, therefore, be it

**Resolved**, That the Board reappoints to the RAC Nancy Byler as a retired teacher, Dr. Mary Widmier as a retired teacher, Anita Kay Young as an active teacher, and Pete Pape as an active school administrator, whose reappointments will take effect immediately upon the expiration of their current terms on January 31, 2026, and who will serve the another four year term from February 1, 2026 through January 31, 2030.

**C. TRS-ActiveCare annual enrollment and TRS-Care retiree engagement, including an update on Health Engagement – Katrina Daniel, Meaghan Bludau and Chris Herrick.**

Ms. Bludau presented an update on TRS-ActiveCare, including performance benchmarks, enrollment trends, and procurement strategy. She reported on the increase of employer interest in returning to ActiveCare due to the cost-efficient product for employers. However, she said the overall membership in ActiveCare experienced a decrease in overall membership largely due to the cost that employees pay for the health coverage. She concluded by discussing the innovative strategy of allowing companies to bid on regions of the state for the upcoming procurement.

Mr. Herrick provided an update on dental and vision programs and highlighted health engagement communications. He said after the initial enrollment and launch of the dental and vision programs there continues to be demand with enrollment numbers of about 900 each month for both programs. He reviewed activity of member engagement including participation in the rewards program.

**5. Receive the 2025 Member Satisfaction Survey Results – Sunitha Downing and Dr. Rene Paulson, Elite Research.**

Ms. Sunitha Downing provided an overview and background of the Member Satisfaction Survey. She said the survey was sent out to over 155,000 active members and 72,000 retirees with a five percent increase in the response rate compared to last year, the highest response rate to date.

Dr. Rene Paulson reviewed the results of the survey. She said overall satisfaction with TRS remains consistent compared with previous years. She reported members are more satisfied with the TRS health care services compared to 2024. She said active members and retirees have increased combined satisfaction with facilities from 2024 to 2025. She reported combined satisfaction increased for all communication methods for active members and retirees in 2025 when compared to 2024. She concluded by noting that there was opportunity to increase communication on retirement planning topics for active members and the overall availability and benefits of the TRS email subscription service.

There being no more business before the Benefits Committee, the Committee adjourned at 11:50 a.m.

Approved by the Benefits Committee of the Board of Trustees of the Teacher Retirement System of Texas on April \_\_\_\_\_, 2026.

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Katherine H. Farrell  
Secretary to Board of Trustees

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Date

**TAB 4**



# Pension Services

Presentation Date  
May 1, 2026

Presented By  
**Barbie Pearson, Adam Fambrough  
and Yvette Carter**

# Pension Services at a Glance



## Key Updates

FY 26 Performance Objectives	CY 25 Year End	CBO Update
Achieving 11 out of 12 metrics	<b>Tax Forms Processed</b> 1099R – 626,857 1042S - 284	Regional Office Retirements

## Transactions and Interactions

Member Transactions  
420,759



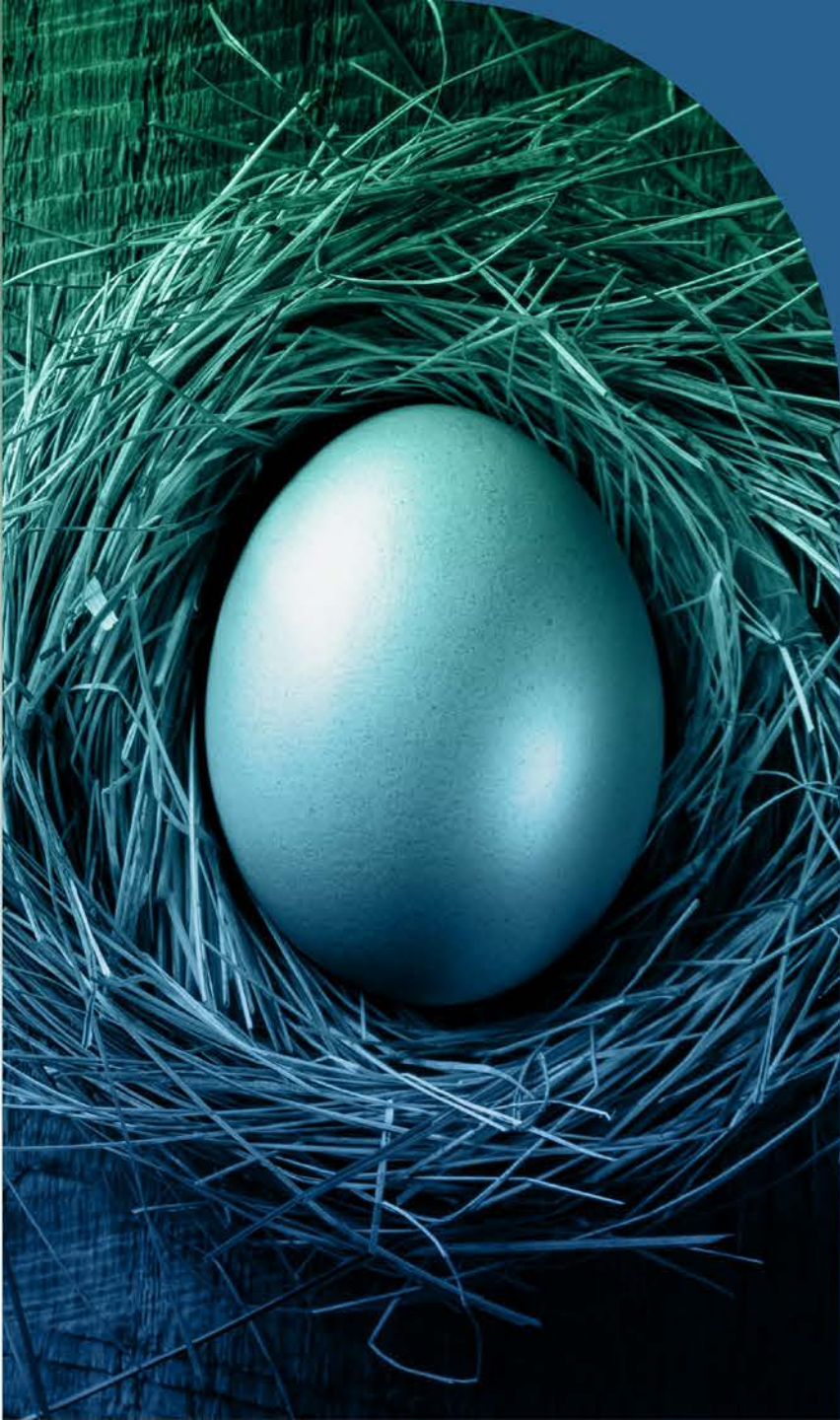
59 valid complaints  
(0.0066%)

Member Interactions  
467,931

## PBT Update

- Activity Since Go-Live**

  - Issued 6,187 Benefit Payments
  - Processed 1,342 Retirements
  - Processed 1,958 Death Claims
- Processed March monthly payroll out of TRUST and issued 534,191 payments
- Members can now see 24 months of payment history
- New post-go-live workarounds, when combined with existing ones, may impact service levels



# Member Education and Counseling (MEC) Overview

# MEC – Services and Impact



## Helping Members Prepare for Retirement

### Services Provided



### Benefit Presentations

#### Ready to Retire – Most Popular

Intro to TRS

Mid-Career

Retirement Forms

#### TRS Essentials Webinars

### Member Counseling

One-on-One Retirement  
Counseling Sessions

#### Goals

Austin – 20,000 available  
appointments

El Paso – 7,500 available  
appointments



### Impact

#### Presentations

Through Feb 2026

#### Conducted

#### Attendance

TRS In-Person

16

305

TRS Virtual

20

814

3<sup>rd</sup> Party Requested

37

3488

#### Appointments

Through Feb 2026

#### Offered

#### Conducted

Austin

9,299

5,969

El Paso

4,288

2,752

Field Office Visits

316

266

#### In-Person

#### Virtual

#### Phone

41%

34%

25%

# MEC – Locations, Team, Initiatives



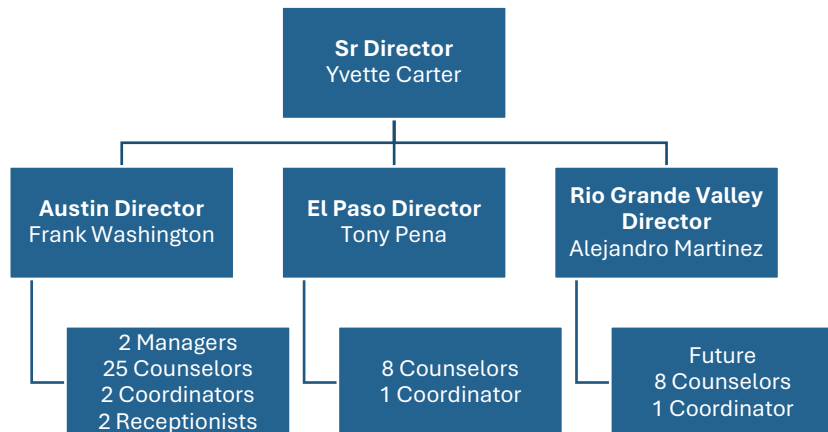
## Helping Members Prepare for Retirement

### Locations



Austin HQ  
El Paso Regional Office  
Field Office Visits Across Texas

### Our Team



### Initiatives

#### UPCOMING INITIATIVES



Expanded Topics  
for TRS Essentials



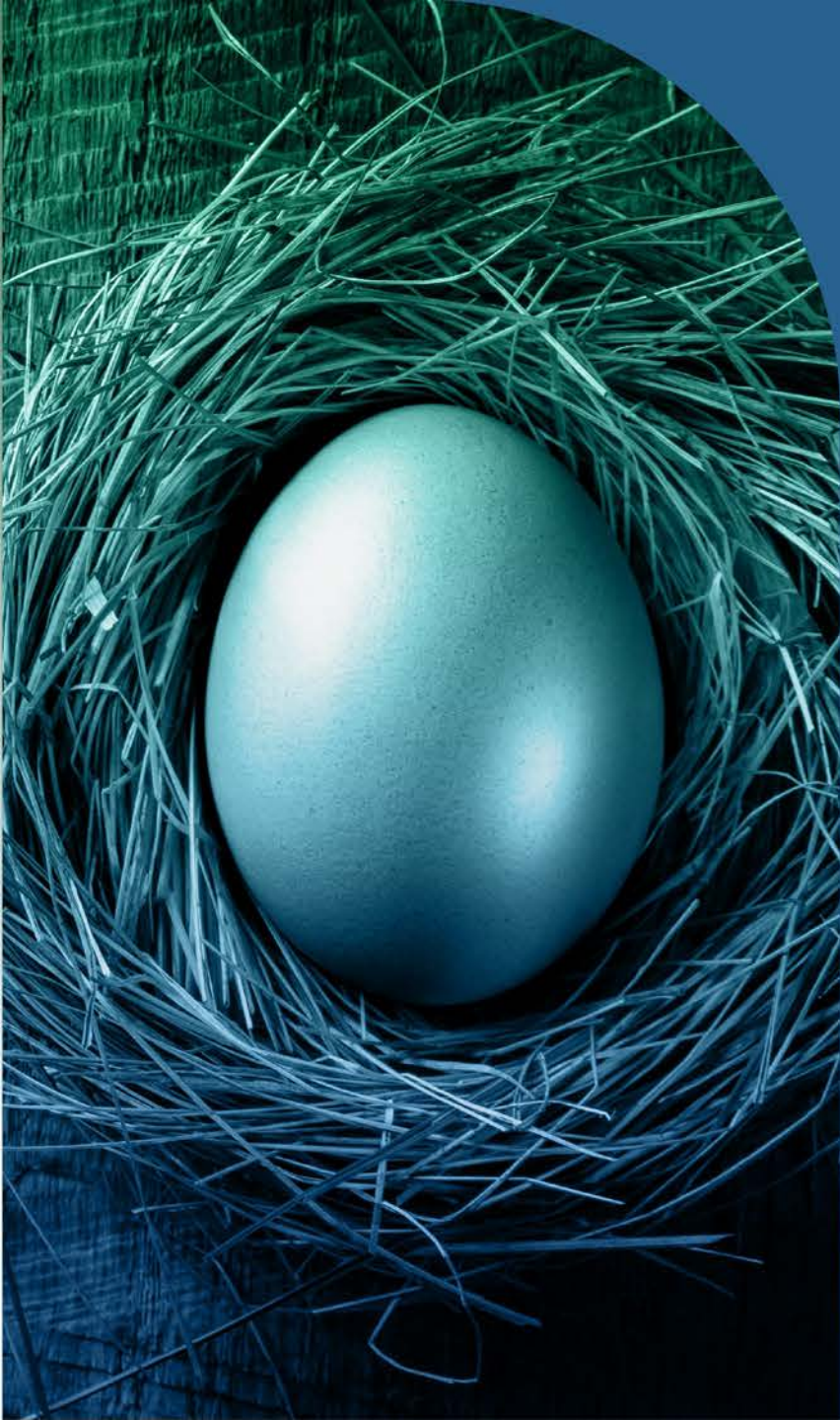
Boost Member  
Attendance



Employer  
Engagement Plan

# Any Questions?





# Appendix

# Member Services Objectives



Business Activity	Objectives	FY Target	FY25	FY26 Sept-Feb
Telephone Calls	Calls answered within three minutes	90%	97%	82%
	Average speed of answer (minutes/seconds)		0:17	1:31
Office Visits (Austin)	Number of office visits available annually	20,000	20,312	9,299
Conducted	In-Person		5,321	2,532
	Live Video		4,191	1,945
	Telephone		2,933	1,492
	Walk-Ins		1,429	616
Office Visits (El Paso)	Number of office visits available annually	7,500	7,822	4,288
Conducted	In-Person		1,855	851
	Live Video		1,722	1,160
	Telephone		1,086	741
	Walk-Ins		845	168

# Account Services Objectives



Business Activity	Objectives	FY Target	FY25	FY26 Sept-Feb
Refunds	Refunds validated within five business days of receiving final deposit and all paperwork	95%	100%	100%
Benefit Estimates	Benefit estimates mailed within 31 days of request	95%	100%	100%
Retirements	Retirees received first annuity payment on time	98%	99%	99%
Death Claims (acknowledged)	Claims acknowledged within 14 days of receipt of death notification	95%	99%	99%
Death Claims (payments)	Claims payments issued within 31 days of receipt of all required paperwork	95%	99%	98%
Reporting Employer	Regular payroll reports completed by the end of each quarter (cumulative for fiscal year)	90%	99%	99%

# Benefit Operations Support Objectives



Business Activity	Objectives	FY Target	FY25	FY26 Sept-Feb
Foundational Training	Provided pension benefits foundational classroom training for all new hires (cumulative)	100%	100%	98%
Quality Assurance	Number of telephone interactions evaluated	11,500	11,623	3,840
	Number of virtual office visits evaluated	1,200	1,518	631



# Member Feedback



**01**

I was pleasantly impressed with the place and its cleanliness, all perfectly well maintained, including the restrooms. I was flattered to see such a nice place exclusively kept for us teachers. Muchas gracias!

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**02**

Everything was great. The office staff was friendly and courteous. Parking garage was nice and the restrooms were immaculate.

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**03**

It was amazing from the parking to departing the meeting and leaving the building.

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**04**

The new building is beautiful. The officer and receptionist received me with kindness.

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**05**

Excellent. Staff courtesy, speed in seeing me although I came early for my appointment. The place is so nice. The giant screen TV in the waiting area provides information that clarifies expectations. There's even a photo wall that provides a backdrop in taking pictures to pre- celebrate the retirement.... Thank you TRS!

**TAB 5**



# TRS Health

Presentation Date  
May 1, 2026

Presented By

**Katrina Daniel, Chief Health Care Officer**

**Matt Pasyk, Associate Actuary, TRS**

**Dr. Vivian Ho, Baker Institute for Public  
Policy, Professor, Rice University**

**Kirsten R. Schatten, Sr. Vice President,  
The Segal Group**

# Health Agenda



- Impact of Hospital Consolidation on Health Care Affordability
  - Guest Speaker: Dr. Vivian Ho, PhD, Baker Institute for Public Policy, Professor, Rice University
- 2026-27 TRS-ActiveCare Rates & Benefits



# Impact of Hospital Consolidation on Health Care Affordability

**Dr. Vivian Ho, PhD**

James A. Baker III Institute Chair in Health Economics  
Professor, Department of Economics at Rice University  
Professor, Department of Medicine at Baylor College of Medicine  
Nonresident Senior Scholar, USC Schaeffer Center for Health Policy  
and Economics, University of Southern California

# Outline

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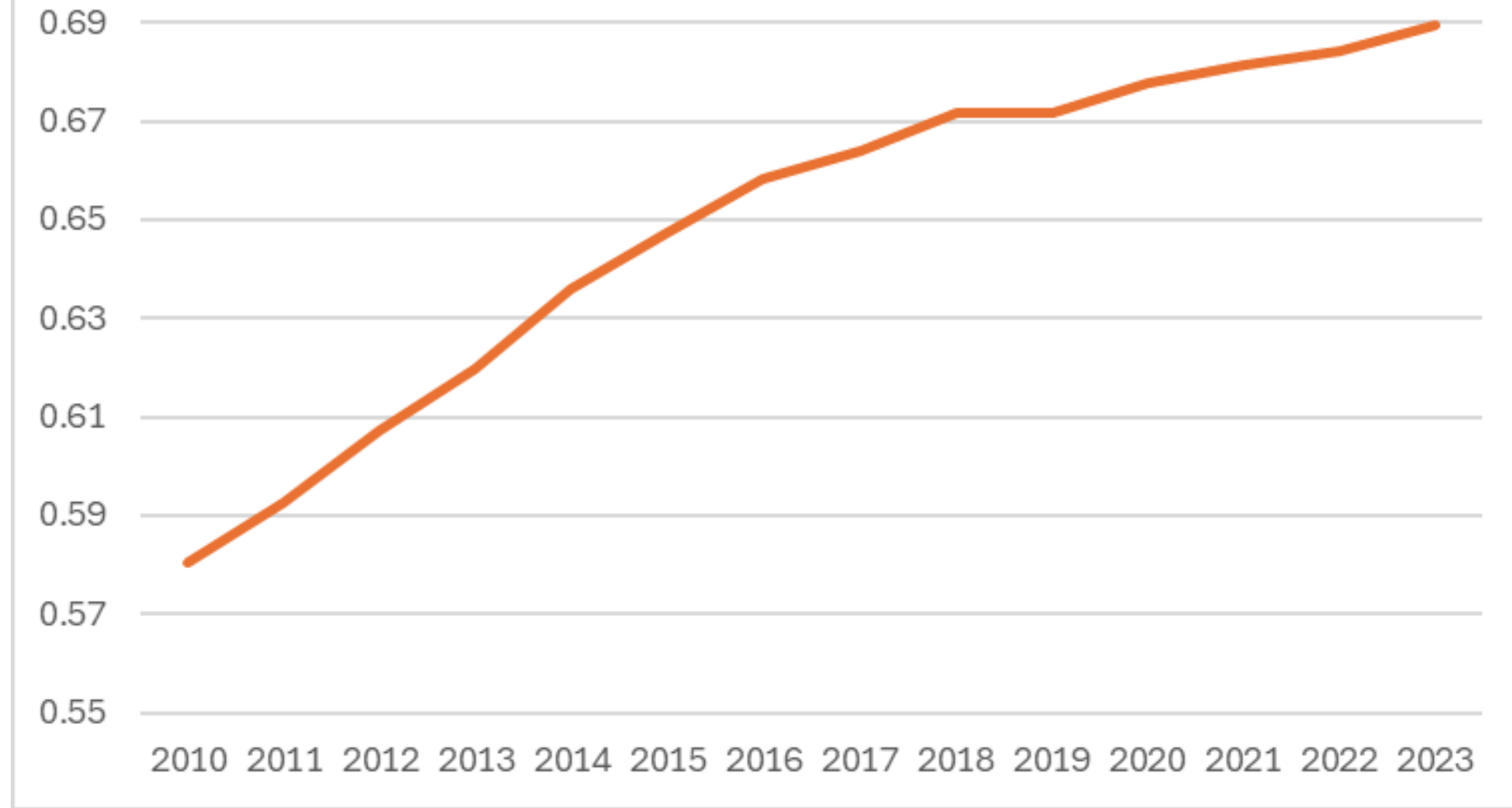
- The rise of big med
- Why is “this” happening?
- Recommendations for employers

# Why is U.S. Healthcare So Expensive?

5

- 1) Overly generous insurance coverage leads many patients to have inelastic demand at the point of care.
- 2) Fee-for-service reimbursement rewards providers for higher quantity, but not better quality.
- 3) **Providers are consolidating into mega-healthcare systems, raising their bargaining power vs. insurers.**

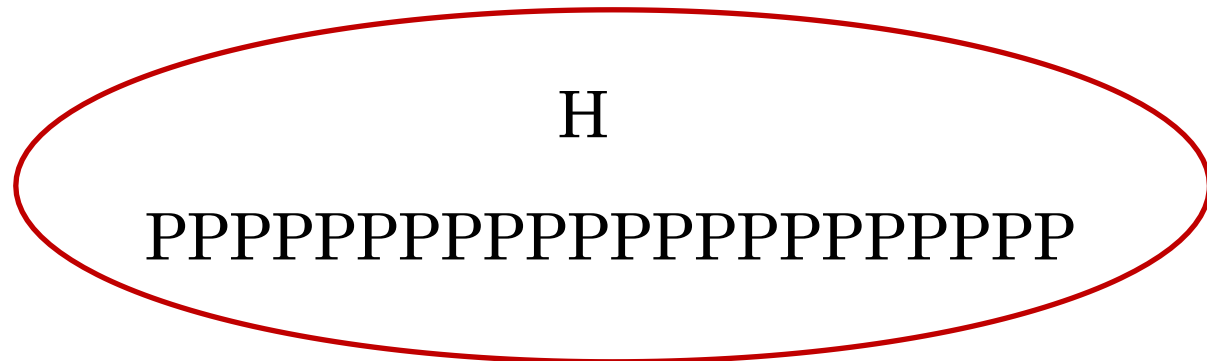
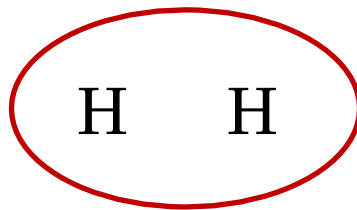
## Share of US Hospitals Affiliated with Systems



# Merger Definitions

- **Horizontal:** combinations in the same product and geographic market and part of the value chain
- **Vertical:** combinations up or down the value chain

Hospital acquisition of physicians has vertical and horizontal components



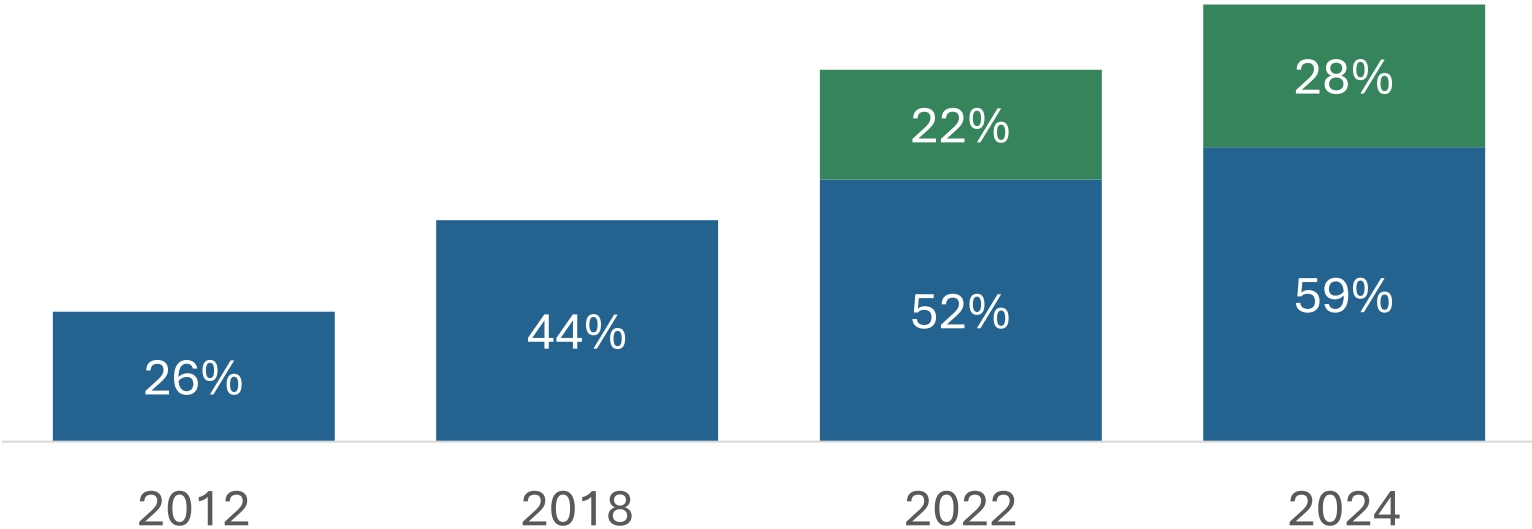
# Motives for Mergers

- Good for consumers – reduces costs, improves quality
  - Economies of scale
  - Improved communication, eliminate duplication
- Bad for consumers
  - Less competition raises prices
  - Facility fees attached to physician visits
  - Limit referrals to in-network providers

# Physicians Increasingly Employed by Larger Entities, Raising Costs for Members



## Hospital and Corporate Employment of U.S. Physicians



*Hospital owned is based on integrated delivery network (IDN) in IQVIA One-Key and includes at least one acute care hospital and one non-acute entity. Corporate owned includes health insurers, private equity firms, umbrella corporate entities that own multiple physician practices, etc.*

Source: <https://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/PAI-Research/PAI-Avalere%20Physician%20Employment%20Trends%20Study%202019-2023%20Final.pdf>

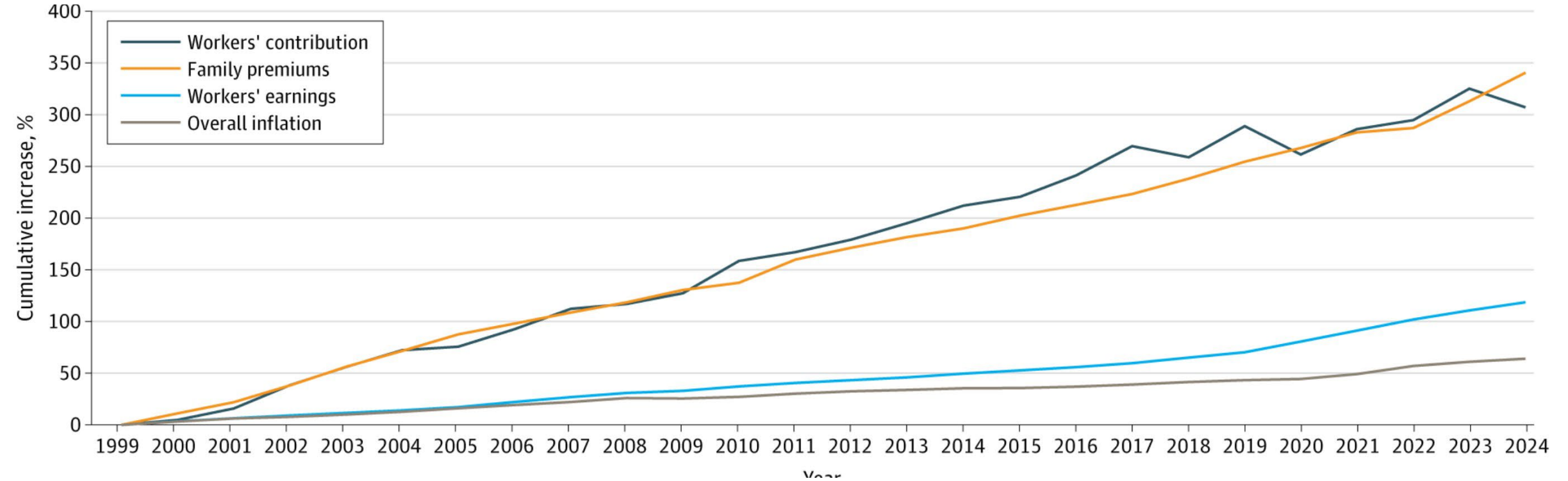
# So what? Bigger could be better

- Little evidence this is true for horizontal combinations
  - For 366 hospital mergers between 2007 & 2011, prices ↑ 6% if hospitals w/in 5m. (Cooper et.al. QJE 2019)
  - For 558 mergers b/w 2009 & 2016, prices ↑ 5%.
    - Mergers identified by FTC for further review had 8% price ↑  
(Brand et. al. JLE 2023)
  - Insurance mergers lead to higher premiums even though providers may be paid less (Dafny, et.al. AER 2012; Trish & Herring JHE 2014)

# So what? Bigger could be better, *continued*

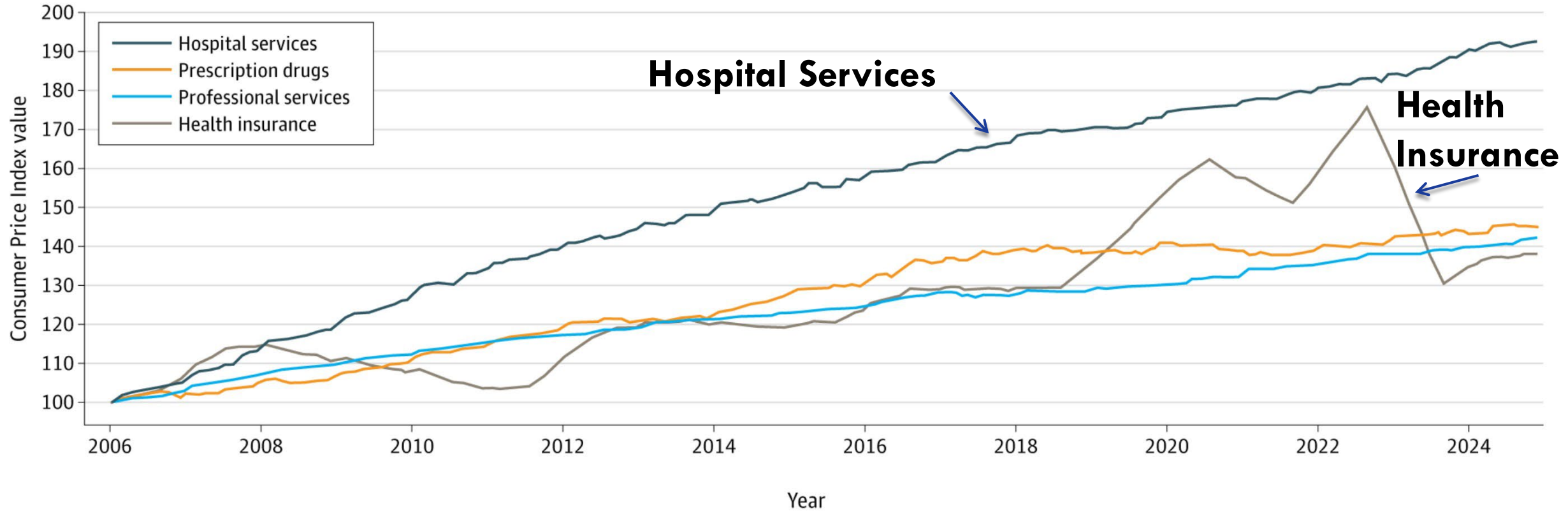
- Discouraging evidence for other merger types
  - Independent hospitals acquired by systems OUTSIDE their market raise prices 14-18% (Lewis and Pflum RAND 2014)
  - Hospitals gaining a system member in the same state (but not same geo market) raise prices 7-9% (Dafny et. al. RAND 2019)
  - VI of PCPs w/ large health systems had 23% more specialist visits and 6% more spending per year (Sinaiko et. al. JAMA HF 2023)
  - Patients in PPOs owned by hospitals vs. physicians have 5.8% higher annual spending (Ho et. al. JGIM 2019)

# Cumulative Increases (%) in Workers' Contribution, Family Premiums, Overall Inflation and Workers' Earnings, 1999-2024



Source: Figure 1, Kanimian S, Ho V. "U.S. Medical Prices and Health Insurance Premiums, 1999-2024" JAMA Network Open, 2025, 8 (12). Dec 8, 2025. doi:10.1001/jamanetworkopen.2025.47462

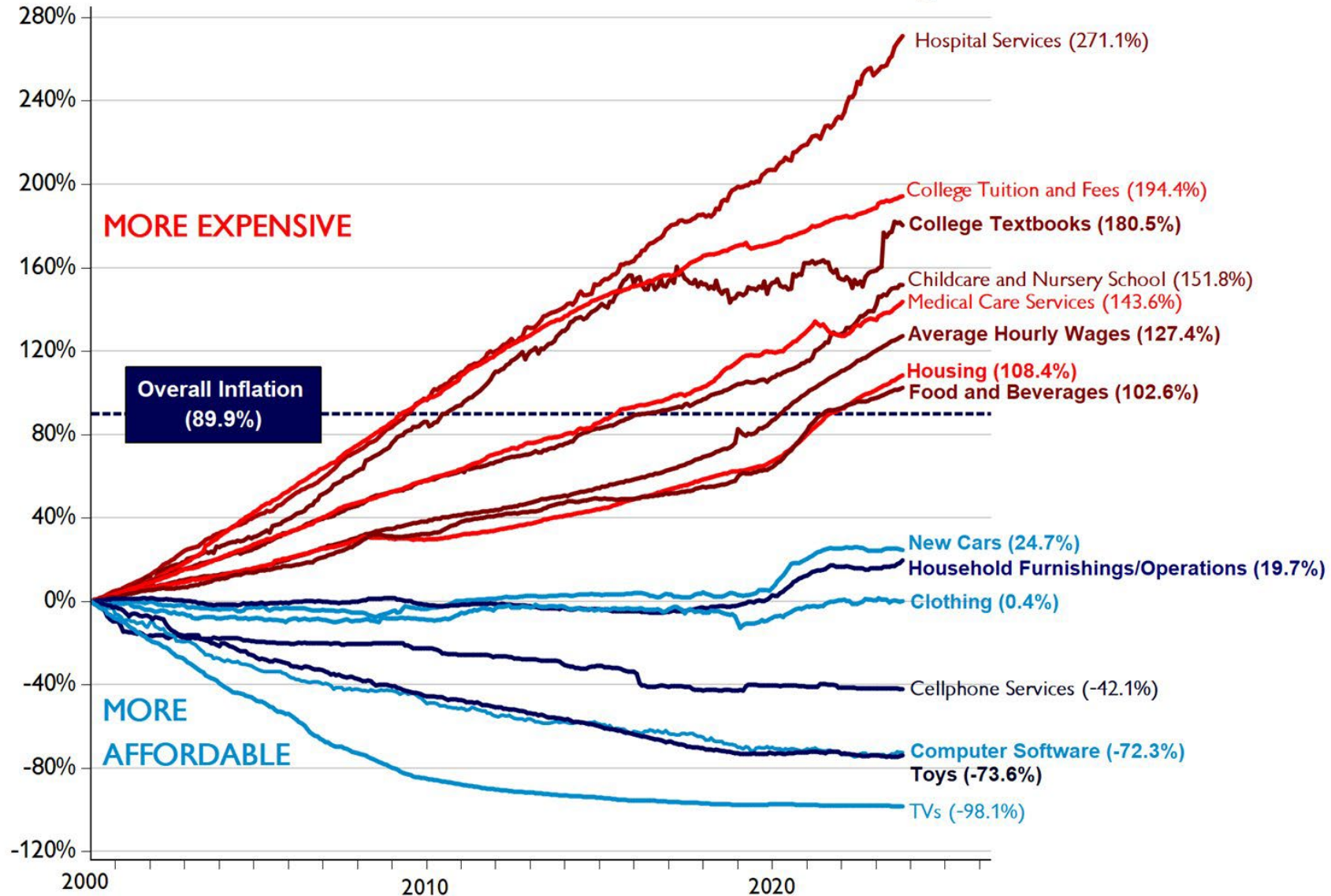
# Consumer Price Index: Medical Care, by Component 2006-2023



Source: Figure 2, Kanimian S, Ho V. "U.S. Medical Prices and Health Insurance Premiums, 1999-2024" JAMA Network Open, 2025, 8 (12). Dec 8, 2025. doi:10.1001/jamanetworkopen.2025.47462

# Price Changes: January 2000 to June 2025

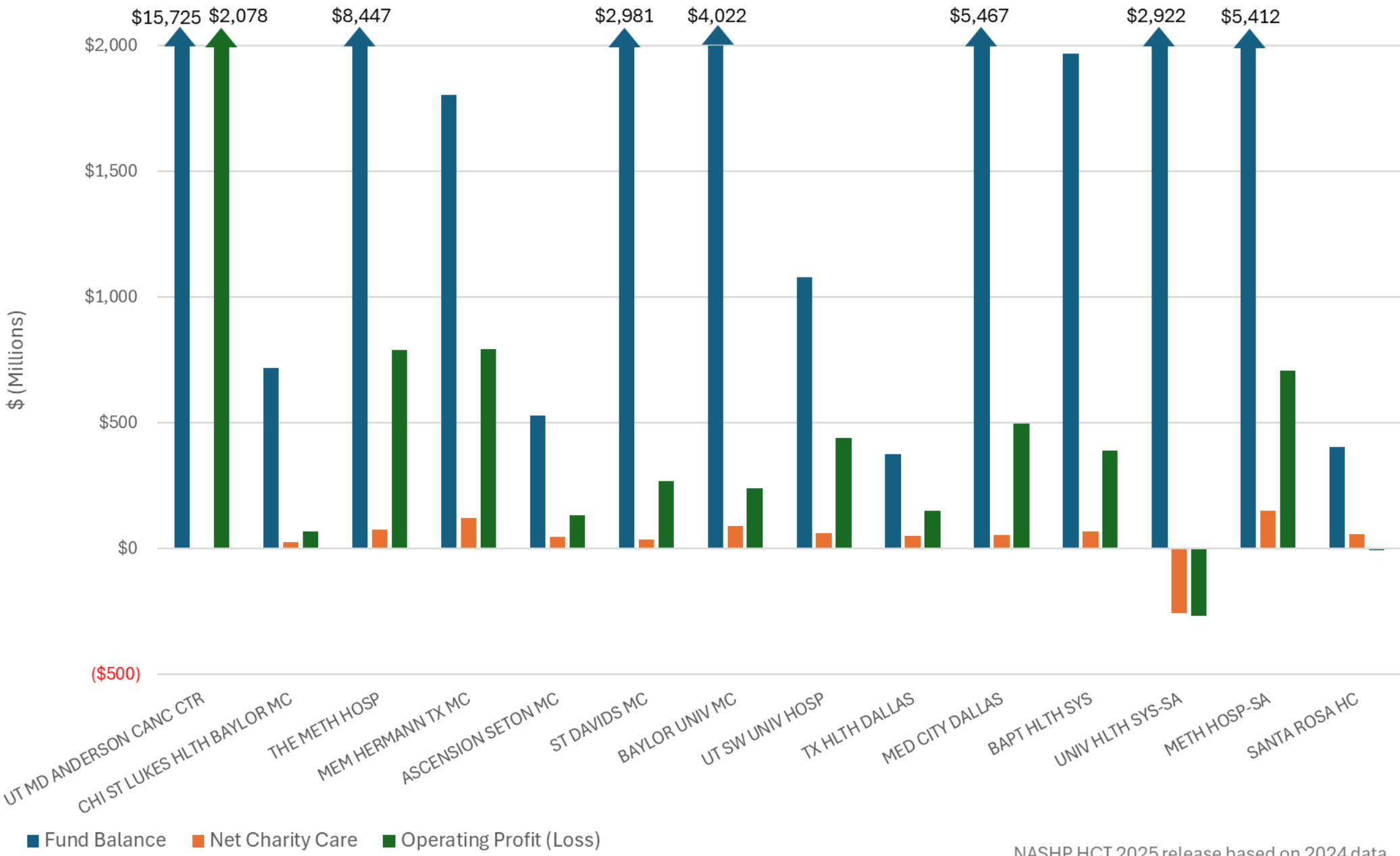
## Selected US Consumer Goods and Services, Wages



Source: Bureau of Labor Statistics

Mark J. Perry

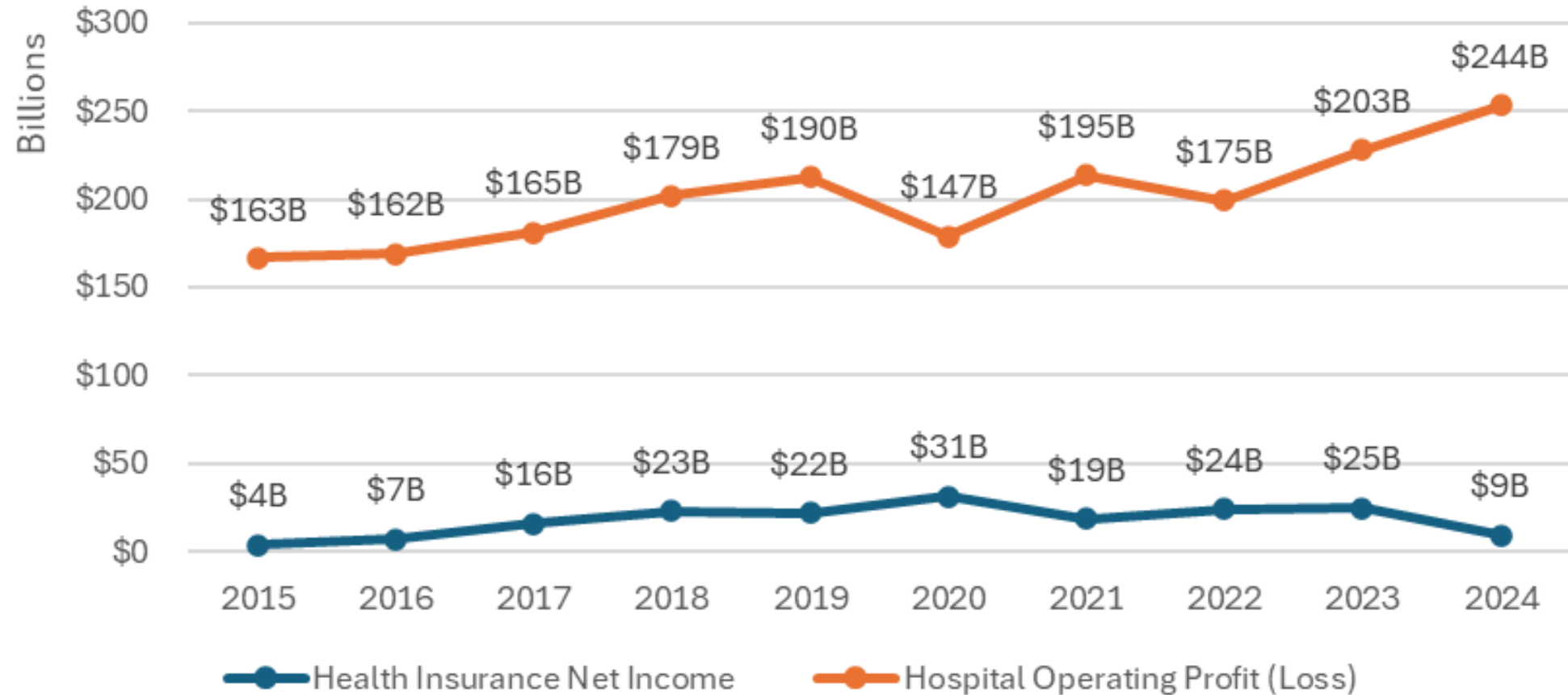
# Fund Balance, Charity Cost, & Operating Profits by Hospital/System, 2024



NASHP HCT 2025 release based on 2024 data

Hospital	Fund Balance	Net Charity Care	Operating Profit (Loss)
UT MD ANDERSON CANC CTR	\$15,725,084,962		\$2,077,846,804
CHI ST LUKES HLTH BAYLOR MC	\$717,283,357	\$26,944,020	\$69,086,328
THE METH HOSP	\$8,447,296,499	\$76,642,693	\$790,994,188
MEM HERMANN TX MC	\$1,802,687,061	\$123,347,767	\$793,311,324
ASCENSION SETON MC	\$527,708,591	\$48,025,553	\$133,853,176
ST DAVIDS MC	\$2,981,236,266	\$38,057,134	\$269,630,317
BAYLOR UNIV MC	\$4,021,853,963	\$88,673,877	\$238,528,975
UT SW UNIV HOSP	\$1,079,239,626	\$62,750,721	\$438,283,558
TX HLTH DALLAS	\$377,148,283	\$49,604,739	\$151,421,287
MED CITY DALLAS	\$5,466,629,696	\$53,714,369	\$497,344,783
BAPT HLTH SYS	\$1,967,458,547	\$67,075,483	\$389,906,098
UNIV HLTH SYS-SA	\$2,921,656,976	(\$257,102,373)	(\$266,957,301)
METH HOSP-SA	\$5,412,324,756	\$150,191,482	\$706,332,540
SANTA ROSA HC	\$404,262,755	\$59,312,114	(\$4,731,323)

## U.S. Health Insurance Net Income & Hospital Operating Profit (Loss)

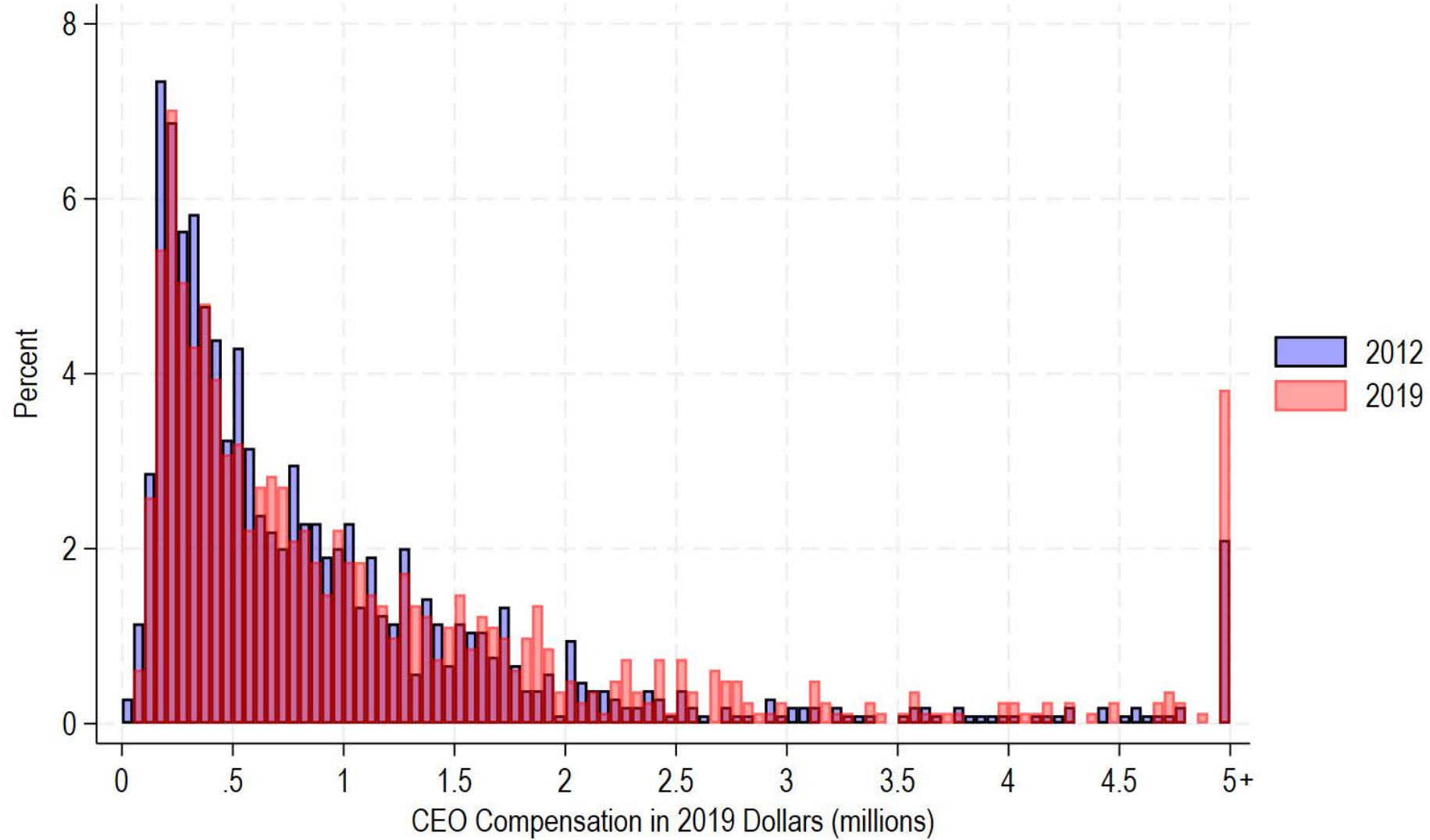


**Preliminary Calculations**

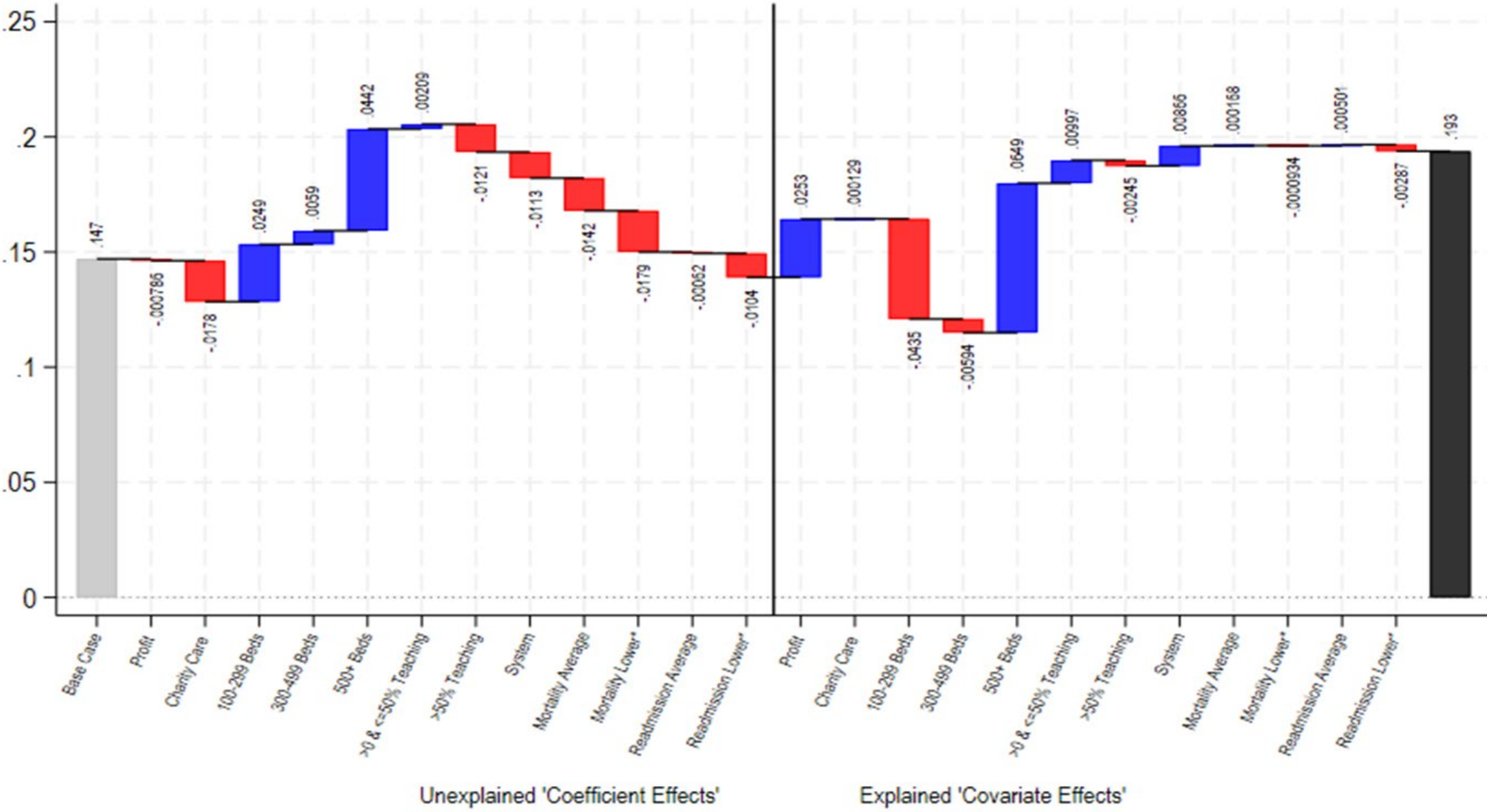
# What explains nonprofit (NFP) behavior?

- NFP hospitals are controlled by a board that sets compensation for the CEO based on desired goals.
- Hospital board members could care about:
  - Quality (patient outcomes)
  - Financial strength (drives future growth)
  - System size (market expansion)
  - Charity care (nonprofit mission)

# Exhibit 1: Distribution of CEO Compensation Levels in 2012 and 2019



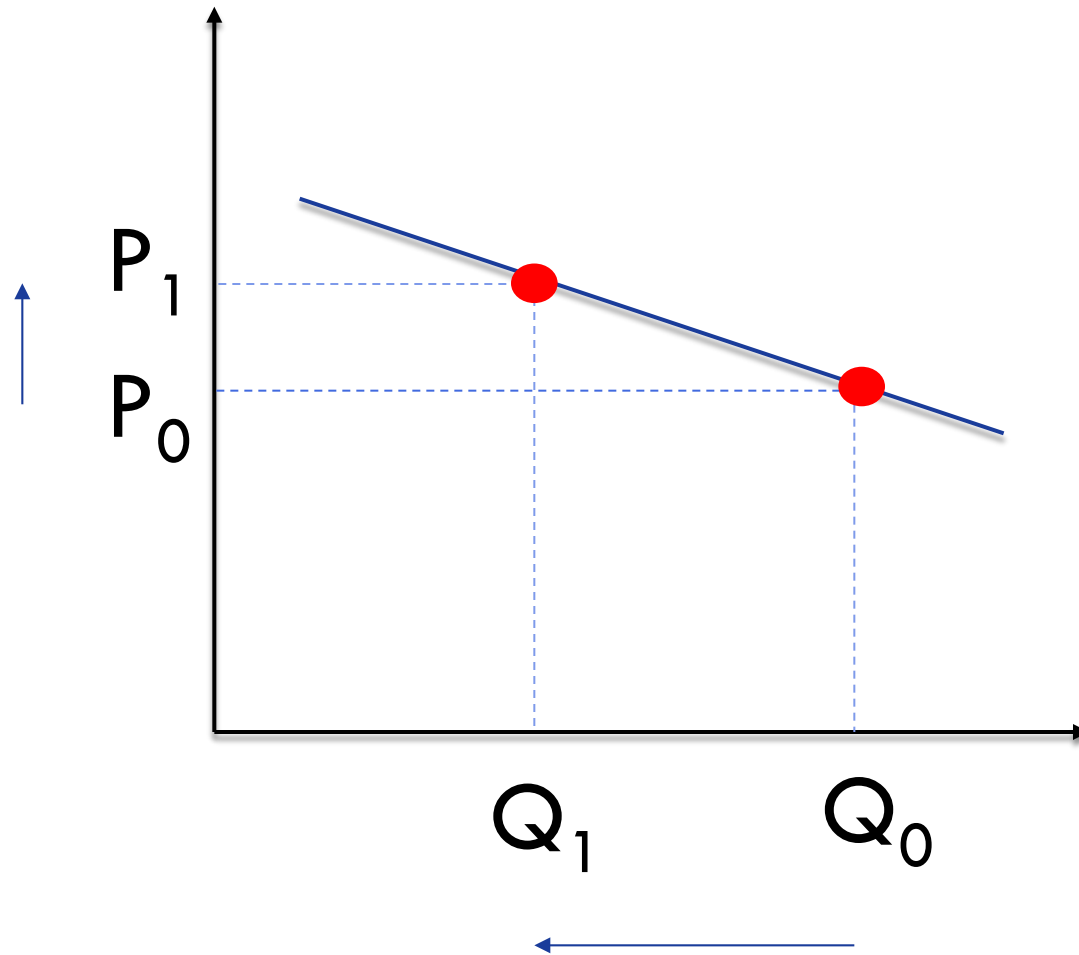
Supplemental Digital Content, Exhibit 6: Waterfall Representation of the Oaxaca Decomposition



# Among Nonprofit Healthcare Systems:

- The largest pay increases b/w 2012 and 2019 went to CEOs who raised the profits and number of beds the most.
- Boards are incentivizing CEOs to consolidate and raise prices.

# Standard Demand Curve



# Insurance Alters the Demand Curve



Employers pay an insurance company to negotiate prices with healthcare providers.

Administrative Services Only (ASO) contract.



Insurance companies can use volume of business from multiple employers to negotiate lower prices for a network of providers.

# Insurance Alters the Demand Curve

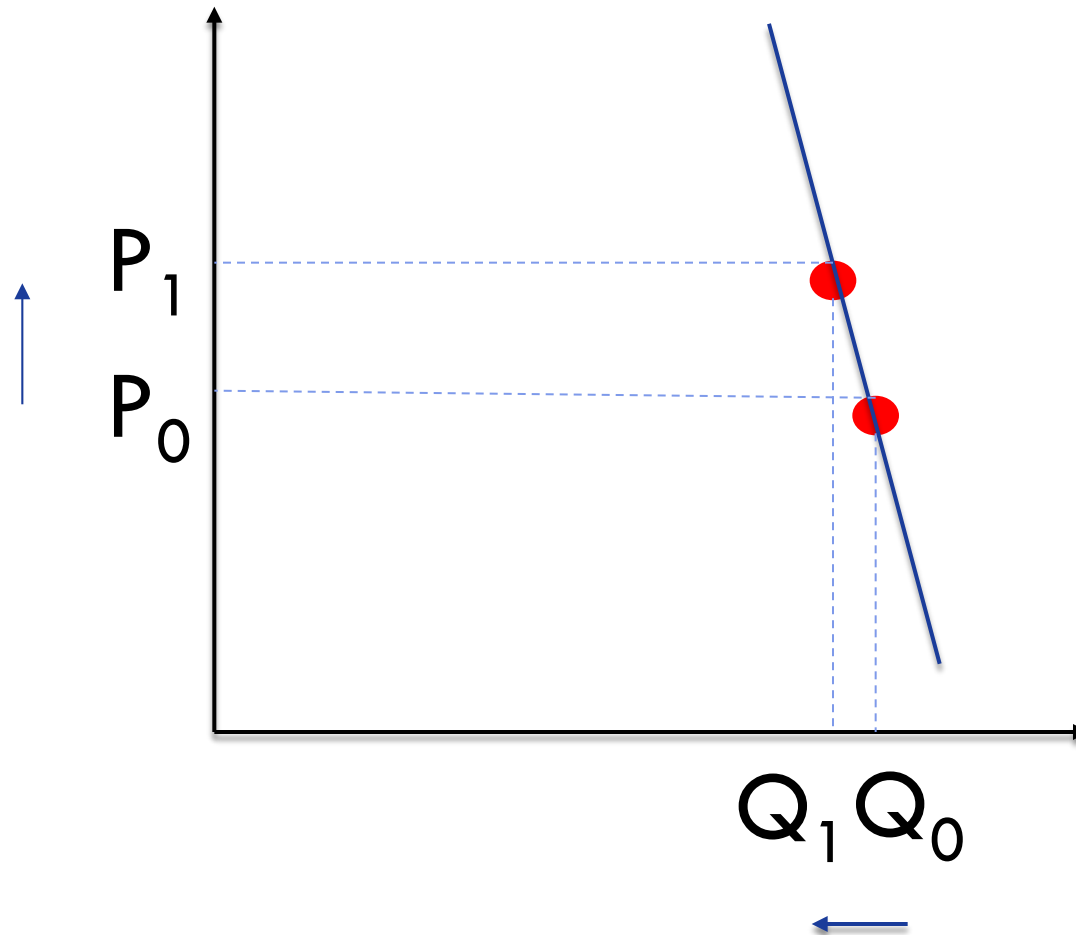
Employers are in a  
“war for talent.”

- Firms are worried they will lose workers, so they offer generous benefits.

Insurers will threaten  
to remove a hospital  
from their network if  
prices are too high.

- But if the employer disagrees, the insurer will give in.

# Demand Curve with Generous Insurance



# Insurance Alters the Demand Curve

Hospitals can raise their prices and expect little decline in demand.

- Higher prices generate even more profits.

Because employers self-insure, higher hospital spending translates into higher insurance premiums the following year.

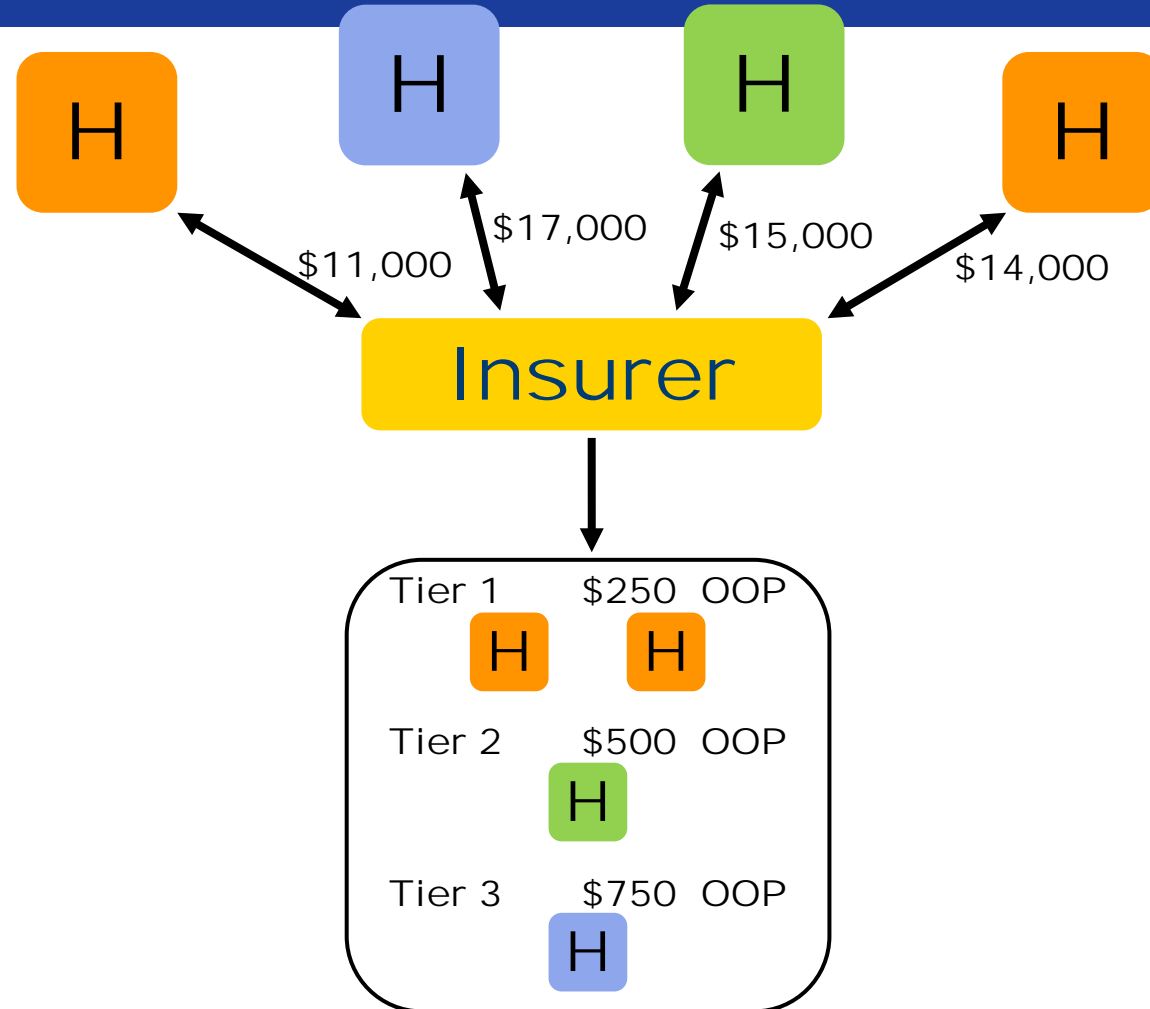
# Hospital Price Transparency

Empowering patients with the necessary information to make informed health care decisions.

Key Provisions



# What is a tiered network?



# How patients choose in a tiered network

29

## Participating hospitals and their tiers

### Massachusetts

Hospital	Tier
Addison Gilbert Hospital	2
Anna Jaques Hospital	1
Athol Memorial Hospital	2
Baystate Franklin Medical Center	3
Baystate Mary Lane Hospital	2

### ■ Inpatient Hospital Care – Medical

*Harvard Pilgrim Health Care tiers its hospitals based on quality and cost:*

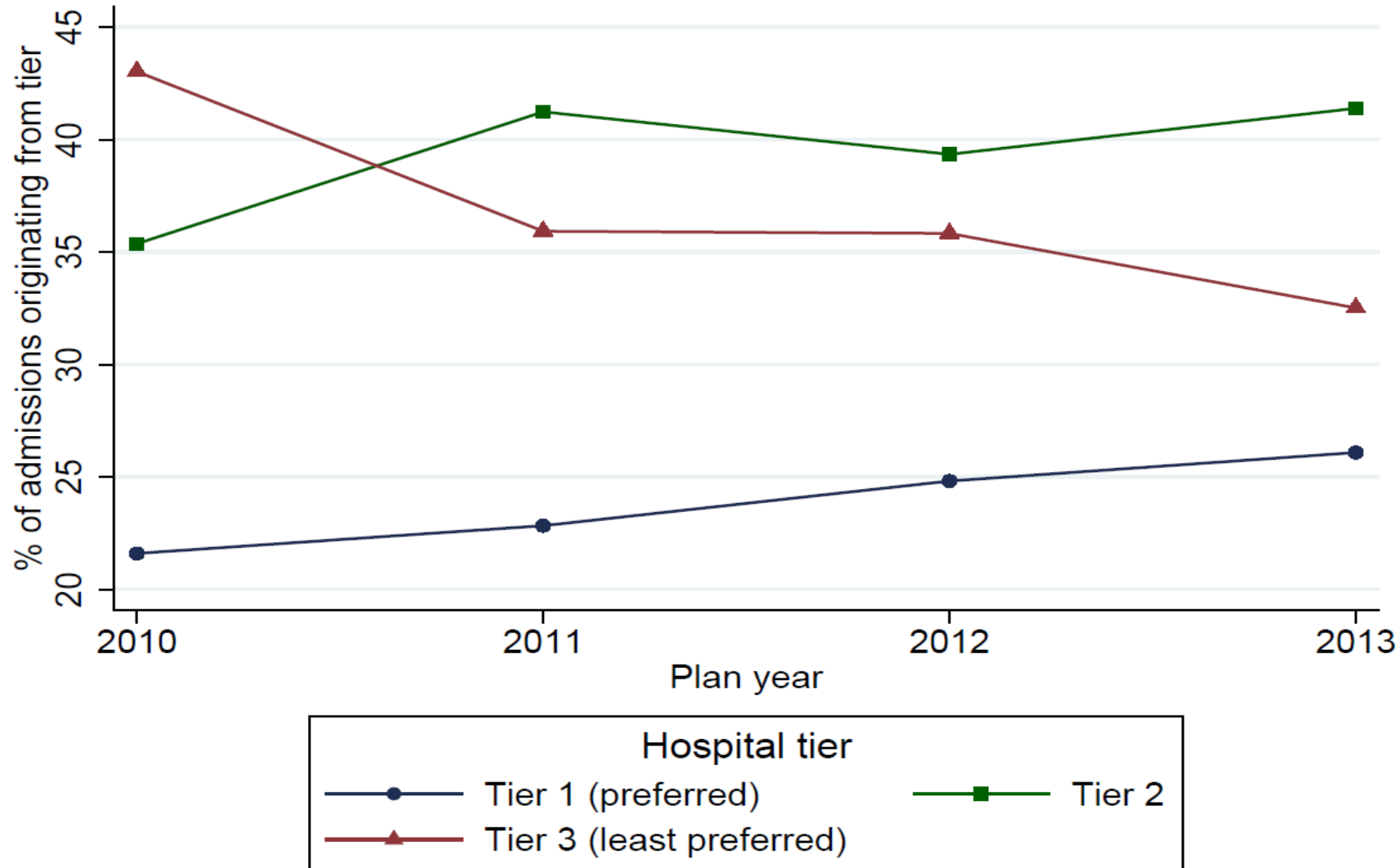
Tier 1: 100% after \$250 per admission

Tier 2: 100% after \$500 per admission

Tier 3: 100% after \$750 per admission

(Elena Prager, AEJ Applied Econ 2020)

# What a tiered network does



After 3 yrs,  
spending falls 8.4%  
(\$1,500) If tier 3 is  
\$1,500 copay,  
spending falls  
17.4% (\$3,700)

# Conclusions

- Provider consolidation is driving up healthcare prices.
- Rising hospital prices are the main reason premiums are rising.
- Hospital prices are becoming more transparent.
- To stop rising prices, employer sponsored plans must demonstrate they are price sensitive, or states must regulate prices.



# **Impact of Hospital & Corporate Consolidation on TRS Health Plans**

Katrina Daniel

Chief Health Care Officer, TRS

# Significant Provider Consolidation in Texas



## TRS-ActiveCare Claims Concentration

**39%** of preventive visits at large groups

**41%** of anesthesia encounters at one group

**53%** of NICU admissions at one group



## National Consolidation Trends

**87%**

of physicians employed by hospital or corporate entities



**81%**

of hospital beds owned by multi-hospital systems

Source: National consolidation evidence citations available in appendix. TRS-ActiveCare Impact is based on TRS analysis of self-insured claims data to validate general trends.

# Provider Consolidation Increases Prices



## Examples of Consolidation Costs to TRS-ActiveCare

Consolidation Area	Market Price Increases*	TRS-ActiveCare Impact
Anesthesia	+100%	+\$11M / yr (0.4% of premiums)
PCP acquisition	+10%	+\$1.6M / yr preventive visits alone
Hospital mergers	+6% to +65%	+\$1.0M / yr (+3.5% premiums in ESC Region 15)

\*Price increase is based on external evidence citations available in appendix. TRS-ActiveCare Impact is based on TRS analysis of self-insured claims data to validate general trends.



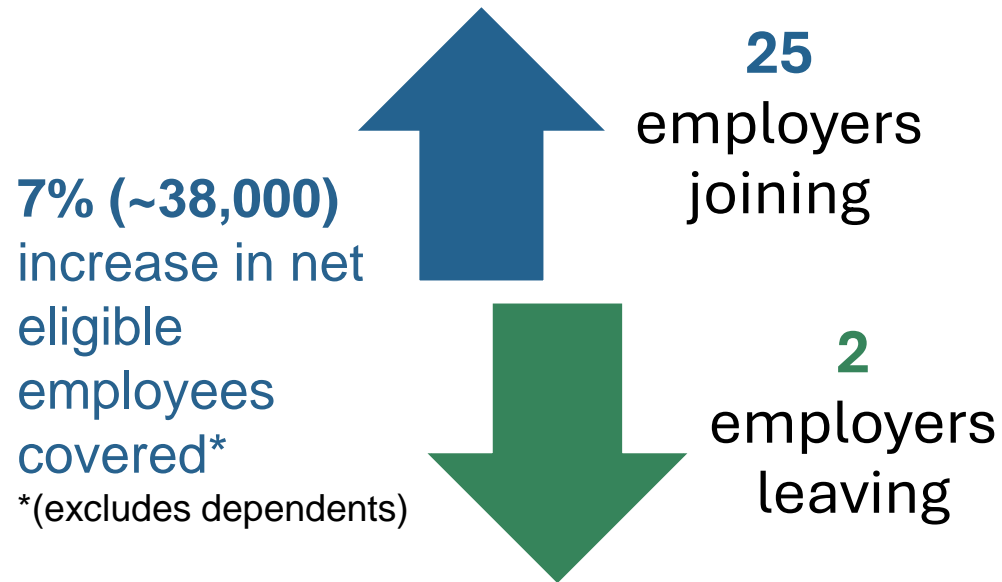
# TRS-ActiveCare Rates and Benefits

Plan Year 2026-27

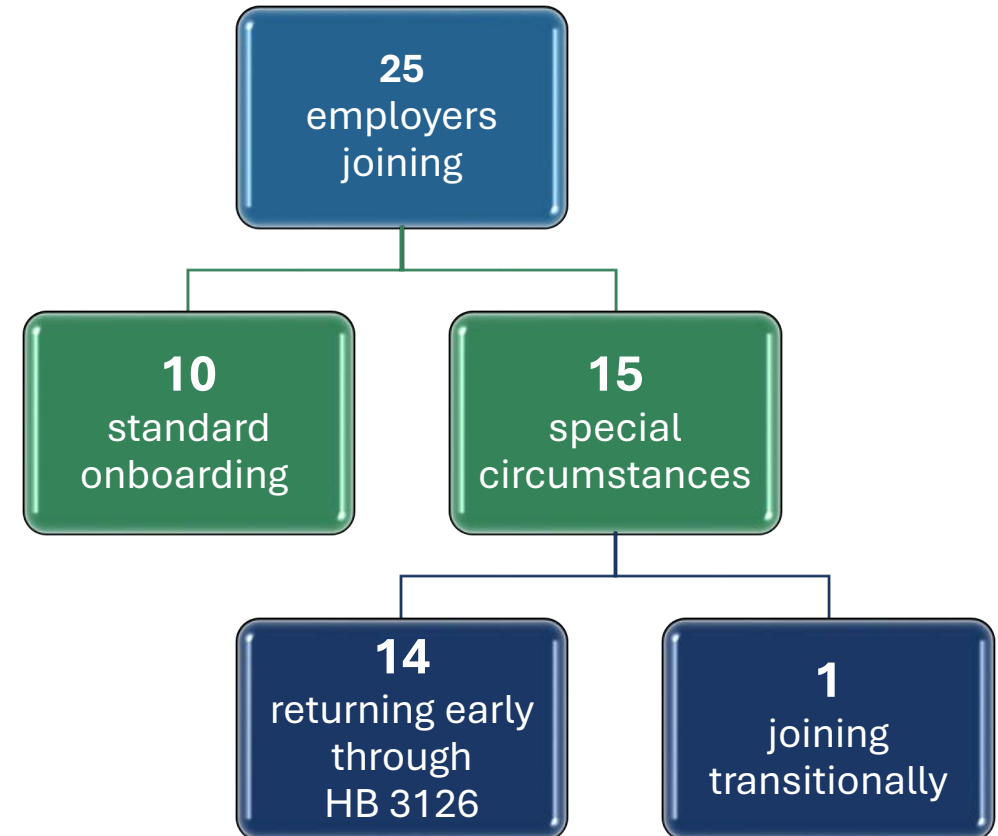
# TRS-ActiveCare Remains Plan of Choice



**Record number of employers joining for PY27, highlighting growing interest**



**Breakdown of the 25 districts joining for PY27**



# Returning Premiums to Fully Cover Claims Cost



The 2026–27 TRS-ActiveCare rates reflect year four of a five-year strategy to realign premium revenue with plan expenses.

State supplemental funds mean:

## Employers



Maintain premium increases under 10% on average



Supplemental funding **covers 6% of total premium cost**

## Employees



Employees **save \$52 per month**—about **\$625 annually**—in lower premiums

Even without state supplemental funding, TRS-ActiveCare remains a competitive option for public school employers.

# Proposed FY 27 TRS-ActiveCare Gross Premiums

*(Before Employer Contribution)*

		Lowest Cost Region (Region 18 - Midland)			Mid-Point Region (Region 12 - Waco)			Highest Cost Region (Region 10 -Richardson)		
Plan	Tier	FY26 Rate	FY27 Rate	Dollar & Percent Change	FY26 Rate	FY27 Rate	Dollar & Percent Change	FY26 Rate	FY27 Rate	Dollar & Percent Change
Primary	EMP	\$418	\$429	\$11 (2.6%)	\$509	\$555	\$46 (9.0%)	\$556	\$614	\$58 (10.4%)
	ESP	\$1,129	\$1,159	\$30 (2.7%)	\$1,375	\$1,499	\$124 (9.0%)	\$1,502	\$1,658	\$156 (10.4%)
	ECH	\$711	\$730	\$19 (2.7%)	\$866	\$944	\$78 (9.0%)	\$946	\$1,044	\$98 (10.4%)
	FAM	\$1,422	\$1,459	\$37 (2.6%)	\$1,731	\$1,887	\$156 (9.0%)	\$1,891	\$2,088	\$197 (10.4%)
Primary+	EMP	\$490	\$504	\$14 (2.9%)	\$598	\$654	\$56 (9.4%)	\$653	\$722	\$69 (10.6%)
	ESP	\$1,274	\$1,311	\$37 (2.9%)	\$1,555	\$1,701	\$146 (9.4%)	\$1,698	\$1,878	\$180 (10.6%)
	ECH	\$833	\$857	\$24 (2.9%)	\$1,017	\$1,112	\$95 (9.3%)	\$1,111	\$1,228	\$117 (10.5%)
	FAM	\$1,617	\$1,664	\$47 (2.9%)	\$1,974	\$2,159	\$185 (9.4%)	\$2,155	\$2,383	\$228 (10.6%)
HD	EMP	\$430	\$441	\$11 (2.6%)	\$521	\$570	\$49 (9.4%)	\$570	\$628	\$58 (10.2%)
	ESP	\$1,161	\$1,191	\$30 (2.6%)	\$1,407	\$1,539	\$132 (9.4%)	\$1,539	\$1,696	\$157 (10.2%)
	ECH	\$731	\$750	\$19 (2.6%)	\$886	\$969	\$83 (9.4%)	\$969	\$1,068	\$99 (10.2%)
	FAM	\$1,462	\$1,500	\$38 (2.6%)	\$1,772	\$1,938	\$166 (9.4%)	\$1,938	\$2,136	\$198 (10.2%)
AC2	EMP	\$1,013	\$1,013	\$0 (0.0%)	\$1,013	\$1,013	\$0 (0.0%)	\$1,013	\$1,013	\$0 (0.0%)
	ESP	\$2,402	\$2,402	\$0 (0.0%)	\$2,402	\$2,402	\$0 (0.0%)	\$2,402	\$2,402	\$0 (0.0%)
	ECH	\$1,507	\$1,507	\$0 (0.0%)	\$1,507	\$1,507	\$0 (0.0%)	\$1,507	\$1,507	\$0 (0.0%)
	FAM	\$2,841	\$2,841	\$0 (0.0%)	\$2,841	\$2,841	\$0 (0.0%)	\$2,841	\$2,841	\$0 (0.0%)

# Employer-Specific Premium Adjustments

## HB 3126 Districts

- **14 districts** re-entering TRS-ActiveCare earlier under HB 3126 will have premiums approximately **20–40% higher** to reflect the required risk stabilization fee.

## Transitional Year

- Amarillo ISD will have separate premiums for a **two-month period** effective July 1, 2026 through Aug. 31, 2026, since they are joining in a transitional year.

## Physician Tiering

- Arlington ISD's premiums for the TRS-ActiveCare Primary x Arlington plan are about **two percent lower** than Region 11 as a result of partnering with TRS to implement physician-tiering.



# Proposed FY 27 TRS-ActiveCare Benefit Changes



**Maintaining benefits** for the TRS-ActiveCare Primary and Primary+ plans that cover 75% of members

	Benefit Changes	Current FY 26	Proposed FY 27
<b>TRS-ActiveCare Primary+</b>	Specialty drug cap	30% coinsurance	20% coinsurance; \$500 cap per month
<b>TRS-ActiveCare HD</b>	In-network deductibles <i>(IRS requirement)</i>	\$3,300 (individual) / \$6,600 (family)	\$3,400 (individual) / \$6,800 (family)
	Out-of-network deductibles	\$6,600 (individual) / \$13,200 (family)	\$6,800 (individual) / \$13,600 (family)
<b>TRS-ActiveCare 2</b> <i>(closed for new enrollment)</i>	PCP copay	\$30	<b>Tier 1: \$20</b> <b>Tier 2: \$40</b>
	Specialist copay	\$70	<b>Tier 1: \$55</b> <b>Tier 2: \$85</b>
	Outpatient mental health – Office setting	\$30	\$20

# Innovative Strategies to Increase Value and Manage Cost Growth



## Facility Tiering: Region 4 (Houston area)

- For TRS-ActiveCare Primary x Region 4 only
- Two-tiered plan option
- Inpatient and outpatient facility tiering
- No premium differential

	Current	Proposed
Inpatient and outpatient facilities	30% coinsurance after ded.	<b>Tier 1:</b> 30% after ded. <b>Tier 2:</b> 40% after ded.

## Physician Tiering: Arlington ISD

- For TRS-ActiveCare Primary x Arlington ISD plan only
- Physician tiered plan
- High-tech imaging shopping requirement for non-emergency services
- Lower premium option

	Current	Proposed
PCP copay	\$30	<b>Tier 1:</b> \$20 <b>Tier 2:</b> \$40
Specialist copay	\$70	<b>Tier 1:</b> \$55 <b>Tier 2:</b> \$85

# Member Rewards Enhancements

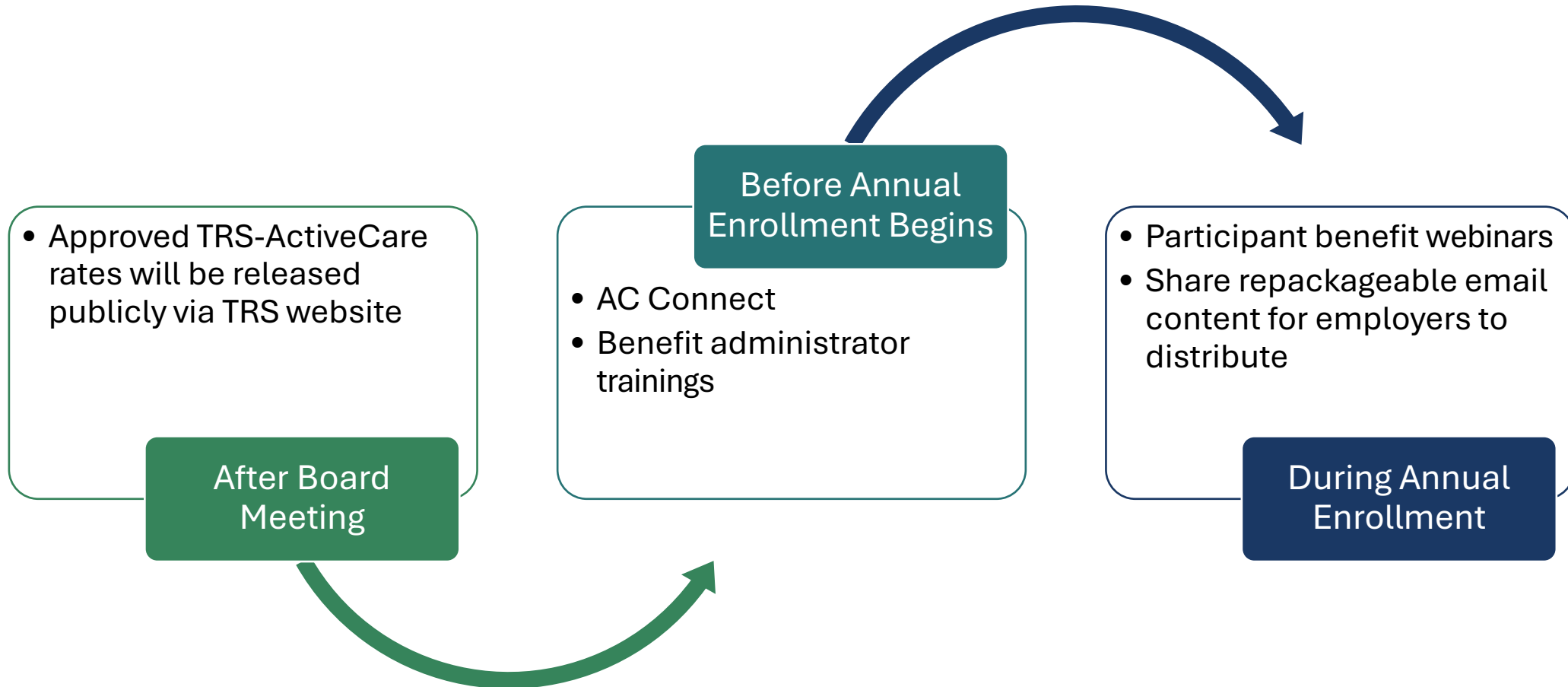
~20K households sought high-quality, lower-cost care through Member Rewards, earning **\$114** on average in rewards!



# Supporting Employers and Participants Through Annual Enrollment



## Onboarding record number of employers for PY 2026-27





# Appendix

# TRS-ActiveCare Fund Balance Projection



Fiscal Year	Contributions							Expenditures					Ending Balance (Incurred Basis)
	State/District Contributions	Supplemental Appropriations	Employee Contributions	HMO Contributions	LTC	Other Income	Total Revenue	Medical Incurred	Drug Incurred (includes Rebates)	HMO Premium Payments	Administrative Costs	Total Expenses	
FY 2017	\$754,034,435		\$1,141,916,735	\$230,628,896	\$145,792	\$4,844,126	\$2,131,569,985	\$1,426,394,600	\$306,703,364	\$227,088,896	\$127,129,189	\$2,087,316,049	\$97,804,829
FY 2018	\$934,605,313		\$1,003,203,754	\$240,692,840	\$110,090	\$7,033,199	\$2,185,645,196	\$1,589,245,112	\$275,730,514	\$237,386,929	\$124,795,087	\$2,227,157,640	\$56,292,384
FY 2019	\$1,049,243,657		\$881,998,119	\$246,513,026	\$146,090	\$11,162,989	\$2,189,063,880	\$1,459,520,631	\$254,168,852	\$243,198,667	\$123,514,885	\$2,080,403,035	\$164,953,230
FY 2020	\$1,035,176,542		\$870,173,250	\$260,364,669	\$145,265	\$8,121,853	\$2,173,981,579	\$1,522,489,616	\$271,480,529	\$256,850,839	\$119,814,483	\$2,170,635,466	\$168,299,343
FY 2021	\$1,011,525,120		\$850,291,777	\$176,981,437	\$142,718	\$1,853,676	\$2,040,794,727	\$1,615,822,471	\$285,092,897	\$173,297,782	\$78,637,967	\$2,152,851,116	\$56,242,954
FY 2022	\$1,033,743,705	\$638,337,761	\$868,968,802	\$149,833,847	\$0	\$1,656,095	\$2,692,540,210	\$1,690,700,579	\$293,845,034	\$146,752,232	\$69,945,345	\$2,201,243,189	\$547,539,975
FY 2023	\$952,097,761		\$800,336,918	\$85,603,456	\$0	\$27,739,322	\$1,865,777,457	\$1,683,988,310	\$288,020,255	\$83,782,801	\$73,689,100	\$2,129,480,467	\$283,836,966
FY 2024	\$1,088,669,143	\$588,518,000	\$757,221,705	\$67,899,516	\$0	\$48,200,848	\$2,550,509,213	\$1,741,530,426	\$251,690,274	\$72,524,931	\$80,123,736	\$2,145,869,368	\$688,476,811
FY 2025	\$1,205,306,611	\$369,224,574	\$838,348,669	\$7,653,508	\$0	\$39,982,705	\$2,460,516,067	\$1,961,981,400	\$275,892,828	\$7,555,813	\$84,806,577	\$2,330,236,617	\$818,756,260
FY 2026	\$1,303,655,064		\$906,754,744	\$2,123,862	\$0	\$33,736,173	\$2,246,269,844	\$2,024,964,882	\$332,525,686	\$2,103,612	\$86,422,619	\$2,446,016,799	\$619,009,305
FY 2027	\$1,508,466,037		\$1,049,210,618	\$0	\$0	\$20,213,979	\$2,577,890,635	\$2,296,384,016	\$395,954,538	\$0	\$97,338,268	\$2,789,676,822	\$407,223,118

## Notes:

- Invoice data through Dec. 31, 2025.
- Medical trend: 5.5% trend in FY26, 6.2% trend assumed in FY27 to account for new districts.
- Pharmacy trend: 9.0% trend in FY26, 9.7% trend assumed in FY27 to account for new districts.
- Prior to FY2018: State contributions are equal to \$75 PEPM. District contributions are equal to \$150 PEPM. FY2018 and Forward: State/District Contributions are based on September actual contributions.
- Interest rate assumed in FY26 is 3.8%. Rate decreases by a factor of 25% each year with a minimum of 0.5%.
- Average premium rate increase of 9.7% is assumed for FY27.
- The ActiveCare Fund balance is managed to prevent a deficit through premium and benefit adjustments.

# TRS-Care Fund Balance Projection



Fiscal Year	Contributions						
	Retiree Contributions	State Contributions	Supplemental Appropriations	Active Employee Contributions	District Contributions	Investment Income	CMS, Part D and EGWP Subsidies
FY 2017*	\$373,229,610	\$328,063,352	\$15,559,552	\$213,241,179	\$191,057,800	\$5,225,993	\$195,396,219
FY 2018	\$488,069,004	\$425,625,726	\$394,600,000	\$221,325,377	\$266,061,322	\$10,930,281	\$183,159,406
FY 2019	\$517,965,033	\$437,189,334	\$73,641,562	\$227,338,454	\$273,110,251	\$25,046,771	\$321,106,153
FY 2020	\$499,057,861	\$468,330,999	\$230,756,971	\$243,532,120	\$292,411,364	\$25,396,789	\$317,440,892
FY 2021	\$533,592,849	\$481,564,562	\$5,520,343	\$250,413,572	\$299,803,511	\$9,226,940	\$311,771,512
FY 2022	\$399,788,260	\$506,388,630	\$83,000,000	\$263,328,449	\$315,688,282	\$13,499,534	\$288,606,867
FY 2023	\$477,018,666	\$533,605,088	\$0	\$277,468,284	\$334,703,238	\$151,354,211	\$354,575,016
FY 2024	\$469,319,251	\$558,086,044	\$0	\$290,204,743	\$351,169,597	\$202,197,475	\$395,494,793
FY 2025	\$376,630,174	\$567,207,577	\$0	\$294,947,940	\$357,176,773	\$220,852,534	\$507,069,348
FY 2026	\$332,941,143	\$599,047,394	\$0	\$311,504,645	\$359,428,436	\$237,547,612	\$581,439,757
FY 2027	\$335,824,151	\$614,848,593	\$0	\$319,721,268	\$368,909,156	\$198,265,311	\$627,742,641

Fiscal Year	Expenditures			Ending Balance (Incurred Basis)
	Medical Expenses	Drug Expenses	Administrative Costs	
FY 2017*	\$807,831,048	\$734,805,874	\$51,885,051	\$368,737,886
FY 2018	\$840,420,584	\$669,082,906	\$50,430,879	\$798,574,633
FY 2019	\$688,148,611	\$648,749,351	\$45,051,884	\$1,292,022,346
FY 2020	\$659,668,989	\$668,307,637	\$44,654,785	\$1,996,317,930
FY 2021	\$604,926,549	\$705,239,916	\$38,802,284	\$2,539,242,470
FY 2022	\$551,595,432	\$694,534,457	\$45,475,384	\$3,117,937,219
FY 2023	\$590,029,372	\$714,251,845	\$52,615,305	\$3,889,765,200
FY 2024	\$607,212,304	\$690,449,243	\$41,929,243	\$4,816,646,313
FY 2025	\$649,683,033	\$872,609,166	\$48,447,996	\$5,569,790,466
FY 2026	\$701,362,917	\$993,678,141	\$56,325,887	\$6,240,332,507
FY 2027	\$779,842,139	\$1,067,528,570	\$58,448,206	\$6,799,824,712

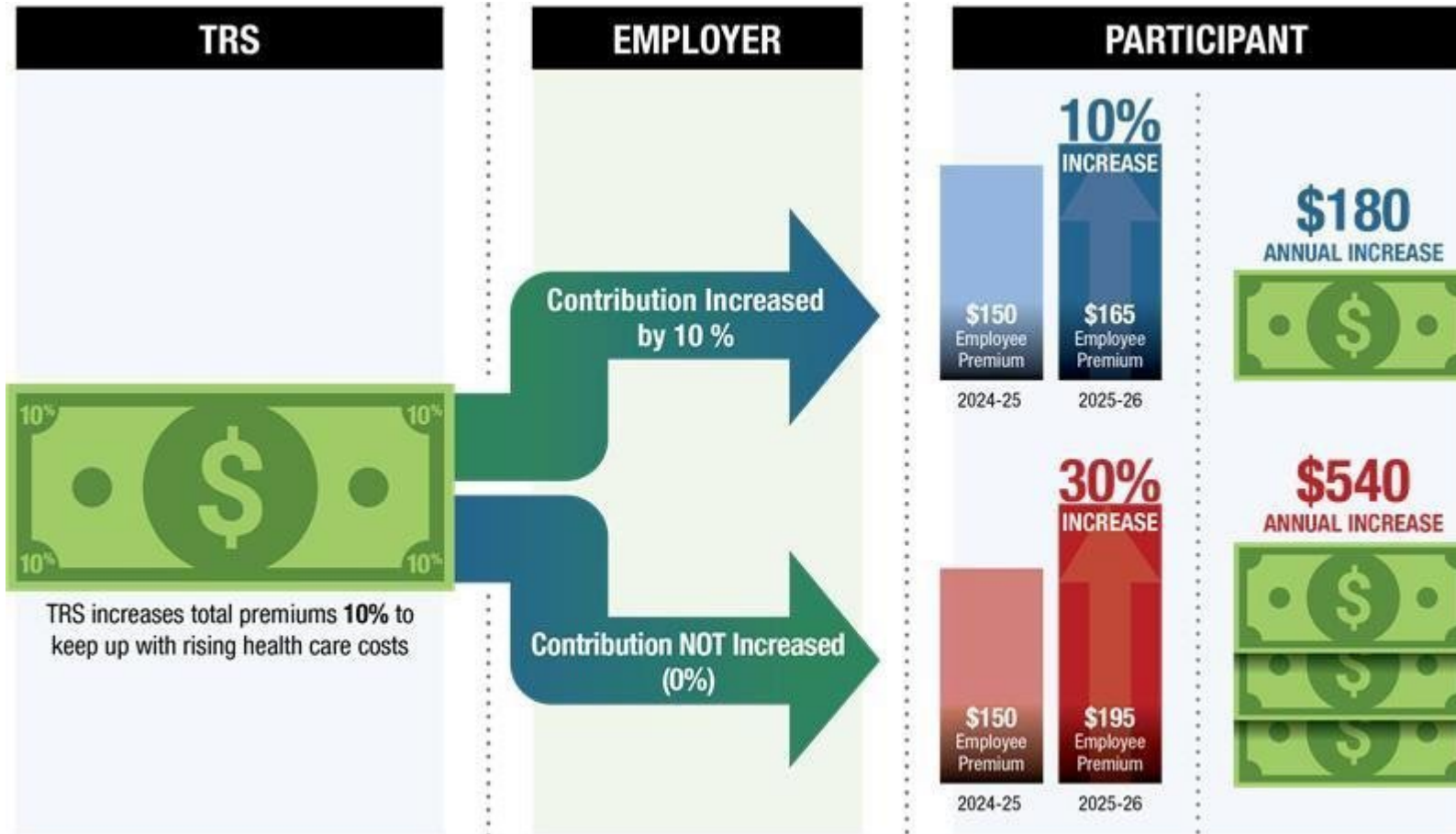
## Notes:

- Invoice data through Nov. 30, 2025.
- The 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. Cash flow projections are usually less than incurred primarily due to a delay in receipt of federal subsidies.
- State Contribution rate of 1.25%; District Contribution rate of 0.75%; and Active Contribution rate of 0.65% beginning Sept. 1, 2017.
- Medical trends: 7% through FY2025; reduced by 0.25% each year thereafter.
- Pharmacy trends, Non-Part D: 7% through 2025; 12% in 2026 and reduced by 0.25% each year thereafter.
- Pharmacy trends, Part D: 7% through 2025; -1.4% in 2026 and 6% in 2027.
- Interest rate is set to match current returns and reduced by 25% a year with a floor of 0.5%.
- Increase in payroll from Texas House Bill 2 (HB 2) from 89th Legislative Session is accounted for in FY 2026 and FY 2027 projections.

\*Note that there was a prior period adjustment to retiree contributions FY2017. This number will not tie to the ACFR as the adjustment is reflected here.

# Impact of Employer Contributions

Contribution decisions are a key lever for supporting members and ensuring plan stability.



If employer contribution is **increased**:

- Lower employee costs
- Higher enrollment
- Healthier risk pool
- Plan stability

If employer contribution **remains flat**:

- Higher employee costs
- Declining family enrollment
- Risk pool worsens

*The numbers used are an example only based on assumed premium amounts. Participant increases will vary by region, plan and tier.*

# Provider Consolidation



- Anesthesia: [https://www.ftc.gov/system/files/ftc\\_gov/pdf/2010031usapcomplaintpublic.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/2010031usapcomplaintpublic.pdf)
- Hospital acquisition of PCPs: <https://jamanetwork.com/journals/jama-health-forum/fullarticle/2829224>
- Hospital mergers: <https://www.hhs.gov/sites/default/files/hhs-consolidation-health-care-markets-rfi-response-report.pdf>
- NICU: [Physician Management Companies and Neonatology Prices, Utilization, and Clinical Outcomes | Pediatrics | American Academy of Pediatrics](#)
- Hospital acquisition of labor and delivery: <https://www.nber.org/digest/202511/hospital-acquisitions-physician-practices-generate-price-increases-without-evidence-quality?page=1&perPage=50>