

## TRS Mission

Improving the retirement security of our members by prudently investing and managing trust assets and delivering benefits that make a positive difference in their lives.



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School Districts Outside of TRS-ActiveCare Typically Contribute More Funding to Reduce Employee Cost Sharing

## Another Transformative Year for TRS Health Benefits

TRS Health plans experienced another transformative year, thanks in part to legislation affecting both active and retiree plans.

### TRS-ActiveCare

TRS-ActiveCare is undergoing significant changes in administration and pricing structure due to the 87th Texas Legislature passing Senate Bill 1444 (SB 1444). This law gives public education employers more flexibility when choosing their health care plans while also protecting the stability of TRS-ActiveCare. Prior to enactment of SB 1444, state law did not allow employers to opt out of TRS-ActiveCare. **The new law means that an employer that participates in TRS-ActiveCare can routinely evaluate their options and decide to remain in the program or leave.** In its first year of enactment, **90% of participating employers chose TRS-ActiveCare, leaving our scale and stability unmatched in the market.**

While SB 1444 allows currently participating employers to leave TRS-ActiveCare, once an employer leaves, they must remain out of the program at least five years. It also allows non-participating employers to join for a minimum of five years.

As before, all TRS-ActiveCare employers can request their health care claims data to gain insight on their employees' total health care costs at any time in the year. TRS provides this data at no additional cost.

This law opened the door for employers to compare TRS-ActiveCare's statewide premiums to other market plans' regional premiums. Those premiums are based on unique regional factors such as risk, cost of care, historical utilization of care, age, and gender. To remain competitive, TRS is moving TRS-ActiveCare to a regional rating system divided by the 20 Education Service Centers (ESCs) in the 2023 plan year. The move will help TRS continue to keep health care costs growth lower than similar employers. We'll continue to design plan benefits that meet the needs of education employers and their employees.

### TRS-Care

The TRS-Care fund remains strong. As a result of its value to retirees and ability to fund the return of retirees who previously left the plan, the 87th Texas Legislature passed House Bill 2022 (HB 2022). This law provides a one-time re-enrollment opportunity for certain eligible TRS-Care retirees into the TRS-Care Medicare plan. The new law applies to **certain retirees who voluntarily disenrolled from TRS-Care between Jan. 1, 2017 and Dec. 31, 2019 and who opt to reenroll on or before Dec. 31, 2023.**

### TRS' Health Plans and COVID-19 Expenses

TRS continues to provide resources and coverage to participants affected by COVID-19. Between March 2020 and October 2020 alone, 31% of current TRS health plan participants have had a confirmed or suspected case of COVID-19.

To help participants cope with the impact of COVID-19, TRS eliminated out-of-pocket costs including diagnostic testing, telemedicine visits, and inpatient hospital stays to treat the virus. As a result, TRS paid \$286 million in COVID-19 related health care claims through August 2021. In its third special session, the 87th Texas Legislature passed Senate Bill 8 (SB 8) to appropriate \$286 million in federal funding to the TRS health plans to help offset COVID-19 expenses.

The money strengthens the TRS-Care health fund, putting it in a position to provide a one-time payment of \$448.12 to eligible TRS-Care policyholders in 2022. It will also offset COVID-19-related expenses in TRS-ActiveCare that could have equated to a 5% increase in premiums for the upcoming 2022-23 plan year.

TRS has provided health coverage to participants for more than three decades and is well positioned to meet their needs in 2022. In this report, you'll gain insight into the full picture of TRS' health plans.

Who We Serve: TRS-Care and TRS-ActiveCare

**OVER 650,000**  
PARTICIPANTS

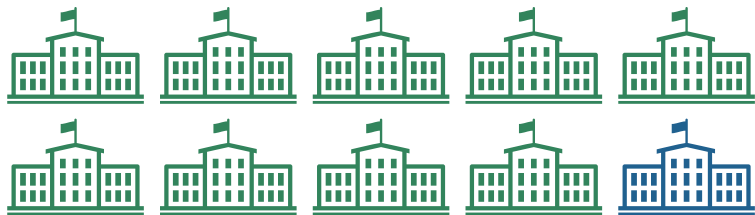


**1 IN 45**  
**TEXANS**



**OVER 23 MILLION**  
MEDICAL AND RX CLAIMS IN FY 2021

**+\$10 MILLION** PER DAY  
IN TOTAL CLAIMS PAID IN FY 2021



**90%** OF 1,237  
SCHOOL DISTRICTS

Claims related values exclude TRS-ActiveCare HMOs



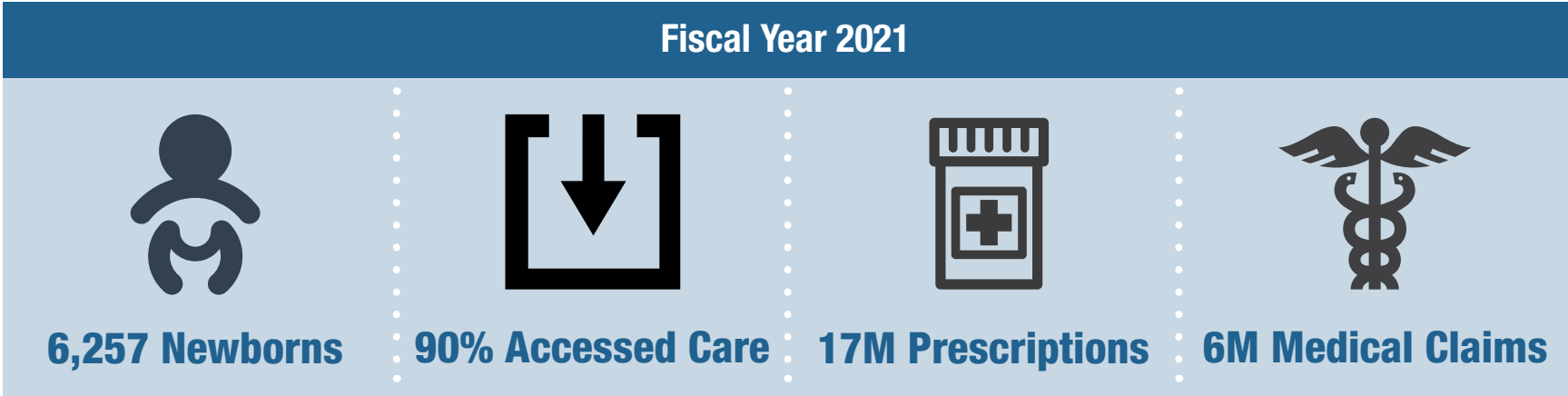
Providing High-Value Benefits



TRS recognizes that access to affordable, quality medical care is crucial to participants' quality of life.

Whether it's the birth of a new child, access to prescription drugs to manage a complex medical condition, or maintaining a long-term relationship with primary care providers, access to each benefit has a large impact on the daily lives of our participants.

That's why we engage with education employers, retirees, and active employees throughout the year. We do this through the TRS-Care Retirees Advisory Committee (RAC), in-person and virtual events, accessible complaint procedures, and customer service surveys. The information gathered from these efforts help inform plan changes each year.



FY 2021, Excludes TRS-ActiveCare HMOs

## Enhanced Customer Service During Unprecedented Changes

We know our participants rely on their health benefits. That's why TRS requires vendors to answer 90% of calls within 60 seconds and Blue Cross Blue Shield of Texas (BCBSTX) provides 24-hour support in helping finding providers and navigate benefits.

In fiscal year 2021, TRS and its vendors received more than 1 million phone calls and answered more than 90% within one minute.

Beyond responding to questions from participants, TRS deploys a variety of communication initiatives to ensure participants get the most from their health benefits.

This includes targeted clinical messages, monthly digital newsletters, in-person and virtual meetings, and online resources.

In fiscal year 2021, TRS and its vendors sent 2,795,842 care reminders to encourage our participants to maintain their health.

### Fiscal Year 2020 Activities



**1,104,334** *participant phone calls received by TRS and its vendors*



**94%** *answered within 1 minute*



**86%** *of new Sept. 2021 TRS-Care retirees previously enrolled in TRS-ActiveCare*



**15,241** *active participants in disease management in August 2021*



**2,795,842** *preventive care reminders sent*



**295,760** *preventive care visits conducted*

Figures exclude TRS-ActiveCare HMOs.

## Maintaining Low Administrative Costs Means More Funds Go to Health Care

In fiscal year 2021, more than 97% of health-related funds at TRS directly paid for medical and prescription drug claims. Only 2.87% of funds went to administrative costs. This included the costs of both TRS employee salaries and TRS vendor expenses. By managing the plans efficiently, TRS ensures that a vast majority of funds we receive go toward health care for our participants.

To ensure participants can access their benefits and get timely answers to their questions, TRS contracts with market-leading vendors to administer benefits and holds them to high standards for service.

This includes procuring and working with medical and pharmacy carriers, so claims are paid correctly and on time, suspicious claims are investigated, and benefits are cost-effective and high quality.

Employers with a smaller number of participants often need to purchase fully insured products to provide these services. The administrative costs for these can be as high as 15% of expenses.

By spreading risk across many employers and participants, TRS offers competitive, cost-efficient priced self-insured products. TRS pays claims directly and absorbs the cost of processing claims, providing customer service, and developing networks with the carriers for its TRS-ActiveCare HD, TRS-ActiveCare Primary, TRS-ActiveCare Primary+, and TRS-Care Standard products.

Even with fully insured products, TRS negotiates favorable terms and minimizes administrative costs. These cost savings are passed on to participants, ensuring more medical care can be provided for each premium dollar.

In addition to procuring medical administrators and pharmacy benefit managers, TRS shares data and insights with education employers and the Legislature about the plans. This data provides districts with insights on the health of their employees as well as the health of the program.

TRS uses best practices in customer service and communication resources for helping participants understand the plans and make cost-effective health care decisions.

By providing these health care services, TRS removes the burden from employers who participate in TRS-ActiveCare of having to procure these services on their own and deliver high-value benefits to participants enrolled in TRS plans.

### The Benefits of Efficiency



## Keeping Cost Growth Below Other Employers

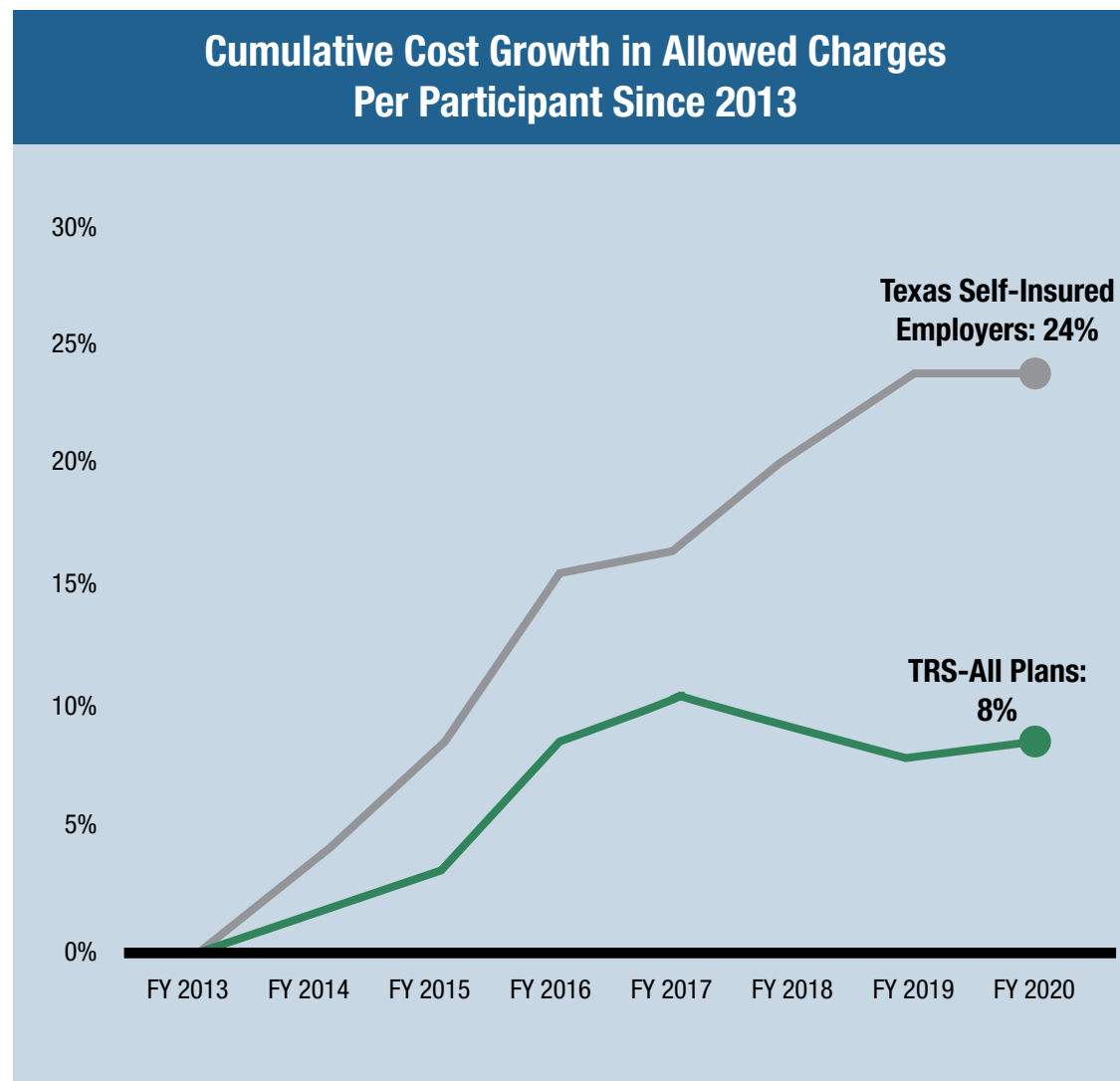
**TRS has kept costs steady since 2017 while other self-insured Texas employers continue to see costs rise.**

According to analysis from the Health Care Cost Institute, the vast majority of cost growth in Texas since 2013 is due to price inflation.

Those who buy health care in Texas face a consolidated provider market in Texas where hospitals and key providers employ substantial market leverage to increase prices each year.

TRS self-funded plans use administrative service only (ASO) contracts for self-insured products. From fiscal year 2013 through fiscal year 2020, Texas employers using ASO contracts experienced 24% growth in participant costs.

During that same time, TRS cost growth per participant was limited to 8%. While health care inflation will continue to create challenges in affordability and funding sustainability, TRS works to limit cost growth while maintaining access to high-quality care.



Note: Allowed charges represent the cost to both the plan and participants. TRS plans include all self-insured plans. Milliman data for Texas-ASO does not include pharmacy rebates. Excluding rebates from TRS All Plans would increase cumulative growth to 13%. This comparison does not adjust for changes in plan design or demographics over time.



Keeping Cost Growth Below Other Employers (Continued)

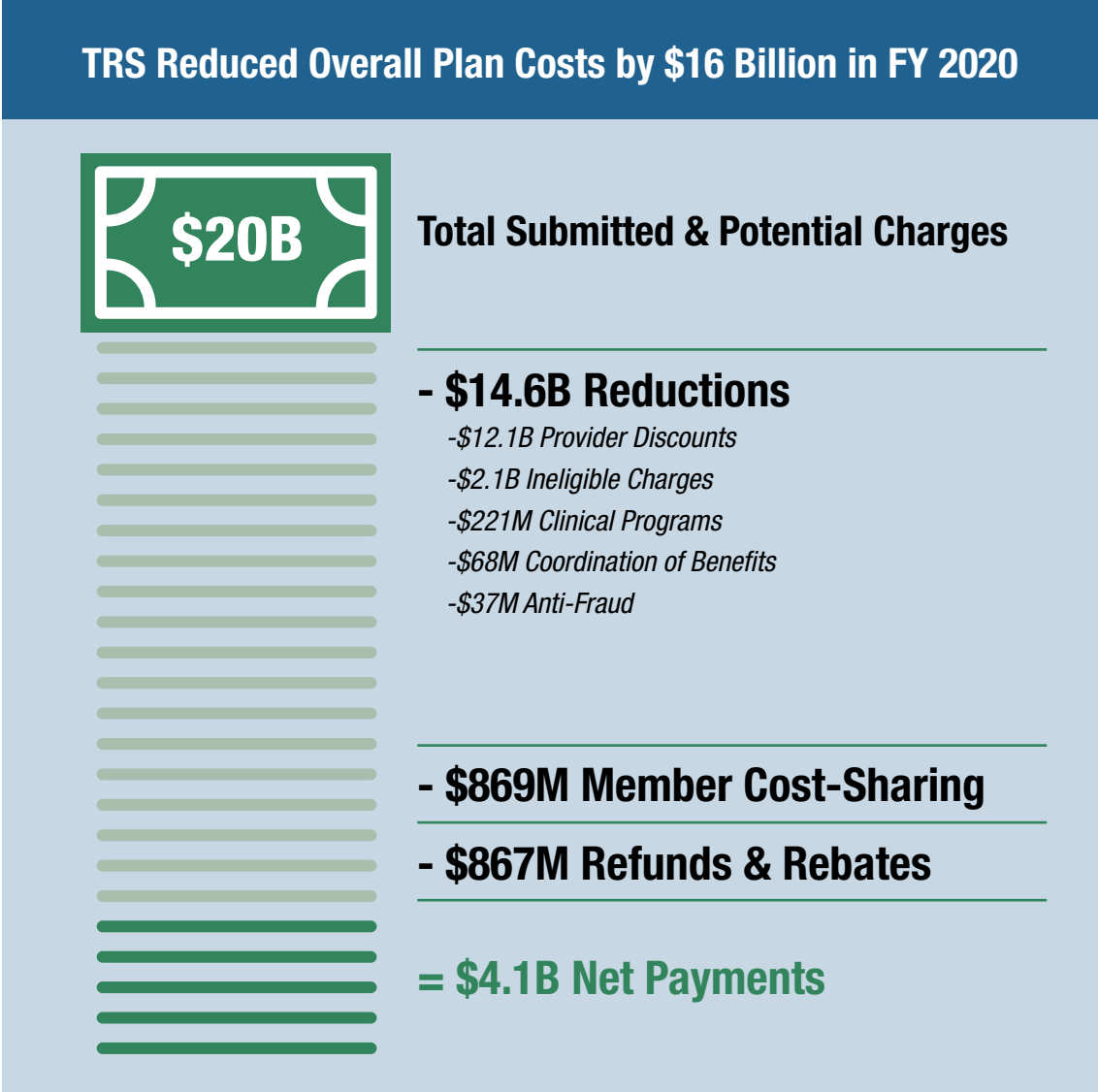
TRS reduced plan costs by \$16 billion in fiscal year 2020 through reductions to submitted charges, participant cost sharing, and refunds and rebates.

Provider discounts represented the single largest reduction in cost from charges submitted by providers, accounting for \$12.1 billion in savings.

Other reductions and savings accrued from clinical programs, avoidance of duplicative and ineligible charges, coordination with other sources of insurance, and anti-fraud activities.

Refunds and rebates are primarily due to rebates on drugs negotiated with pharmaceutical manufacturers.

In fiscal year 2020, participants paid a total of \$869 million out of pocket for care. Additional information on TRS-Care member cost sharing is available in Appendix M.



Note: Clinical programs and anti-fraud estimates are based on estimates provided by TRS vendors.

## Reducing Participants' Out-of-Pocket Costs During COVID-19

Educators have been on the front lines of the pandemic since the beginning. Since the onset of the pandemic, TRS has strived to improve affordability and support public educators as much as possible. Efforts included eliminating participants' out-of-pocket costs for care to treat COVID-19 and securing an appropriation of federal funds for the COVID-19 related expenses to limit the impact of the pandemic on premiums.

During the COVID-19 pandemic, before vaccines became widely available, TRS covered participants' out-of-pocket costs for care related to COVID-19.

At the start of the 87<sup>th</sup> Regular Legislative Session, TRS identified COVID-19 related claims eligible for federal funding and shared its impact on the health funds with the Legislature.

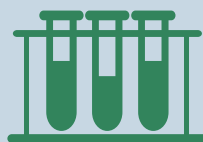
Impacts include the cost of covering participants' out-of-pocket costs, along with the much greater costs of general COVID-19 related testing, treatment, and vaccinations.

Senate Bill 8 passed during the third special session of the 87<sup>th</sup> Texas Legislature which provided an additional \$286M in funding to the TRS health plans to help offset the costs of COVID-19.

The additional funding will reduce premium increases TRS-ActiveCare plans would otherwise incur in the 2022-23 plan year for care related to COVID-19.

Although funding is helpful, TRS-ActiveCare premiums are still subject to change. Each year, the TRS Board of Trustees adjusts premiums to ensure there are adequate funds to pay for health care claims for participants enrolled in TRS-ActiveCare. However, the additional funding will reduce the extent of the premium adjustment needed in TRS-ActiveCare. The appropriation also enables a one-time payment for eligible TRS-Care policyholders in 2022.

### The Impact of COVID-19 on TRS-Care and TRS-ActiveCare



**31%**

Of current members had a confirmed or suspected case of COVID-19 since the start of the pandemic



**+200,000**

Members with office visits that included a COVID-19 related issue, including testing and diagnosis



**\$286M**

Paid claims related to COVID-19 through August 2021

### TRS COVID-19 Response

#### TRS-Care Medicare Advantage:

- No medical copays for all diagnostic testing
- No participant out-of-pocket cost for:
  - Telemedicine
  - COVID-19 related treatment
  - Specialized support and telemedicine assistance

#### TRS-Care Standard and TRS-ActiveCare:

- No participant out-of-pocket cost for:
  - Telemedicine
  - All COVID-19 related diagnostic testing
  - COVID-19 related inpatient treatment
  - Early refills for maintenance medications

Based on claims paid through October 2020. Excludes fully insured products, including TRS-ActiveCare HMO plans and TRS-Care Medicare Advantage. A participant is only counted once in this chart.

## TRS-ActiveCare: A New Era of Flexibility and Competition

**TRS made changes to the program in 2021 to improve access to data and promote more flexibility for employers.**

### The Background

In preparation for the 87<sup>th</sup> Regular Legislative Session, multiple legislative committees studied TRS-ActiveCare. The Texas Legislative Budget Board (LBB), for example, conducted a Strategic Fiscal Review of the TRS programs. This evaluation was required by statute to evaluate if TRS programs were still necessary.

LBB staff found that “discontinuing the program would make districts more likely to experience greater health care cost growth than if they were part of TRS-ActiveCare.” The Texas Sunset Advisory Commission also reviewed agency operations and statutes in depth. Most significantly, recommendations from the Texas House Committee on Pensions, Investments & Financial Services (PIFS) resulted in legislation bringing a new era of flexibility and competition.

Some employers that participate in TRS-ActiveCare are currently using the district of innovation (DOI) waiver process through the Texas Education Agency to exempt themselves from a statutory prohibition in Section 22.004(i) of the Texas Education Code. This statute prohibits employers from offering alternative health care coverage alongside TRS-ActiveCare. These employers are offering employees the choice of a non-TRS plan alongside TRS-ActiveCare.

As stated in the House PIFS committee Interim Report to the 87<sup>th</sup> Texas Legislature, these plans “sometimes result in lower costs compared to TRS-ActiveCare plans. The lower costs are a tradeoff for plans with fewer offerings or higher costs elsewhere for participants than what exists under TRS-ActiveCare.”

For example, competing plans may not cover specialty drugs or may come with a particularly narrow selection of in-network physicians. Alternative coverage attracts healthier employees, leaving TRS-ActiveCare with employees who spend more on health care, a dynamic that drives up premiums.

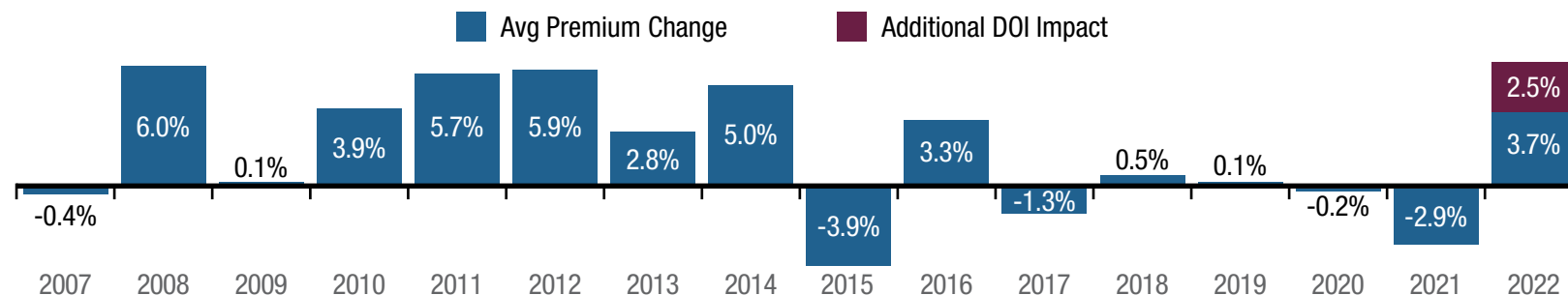
For the 2022 plan year starting Sept. 1, 2021, TRS estimated the adverse selection created by DOI coverage increased rates by 2.5%.

On Sept. 1, 2022, an additional 81 employers started offering alternative coverage as DOIs. This brought the total to 225 of the 1,094 participating employers.

Among these 81 employers, enrollment decreased by 49%, whereas in districts that did not offer alternative coverage alongside TRS-ActiveCare plans, enrollment increased by 3%. However, TRS-ActiveCare enrollment overall was down approximately 3% due to the impact of the new districts offering plans alongside TRS-ActiveCare. In those districts, the average cost of employees leaving for alternative plans was 19% lower than employees that remained in TRS’ plans, compounding the negative financial impact.

According to the House PIFS Committee Report, this “adverse selection is a problem recognized by all parties who offered responses to this charge, with the Texas Classroom Teachers Association stating that this is ‘hardly the type of innovation that was intended when DOIs were authorized in 2015.’” As a result of the potentially de-stabilizing impact of alternative coverage, the Committee recommended the Legislature “explicitly prohibit independent school districts from using District of Innovation status [as] a method for opting out of TRS-ActiveCare.”

### Effective Change in Avg Total Premium from Prior Fiscal Year



Note: This chart shows the change in the average premium per employee based on actual enrollment. FY2022 is estimated.

DOI = Districts of Innovation offering competing coverage alongside TRS-ActiveCare.

<sup>1</sup>[https://house.texas.gov/\\_media/pdf/committees/reports/86interim/Pension-Committee-Interim-Report-2020.pdf](https://house.texas.gov/_media/pdf/committees/reports/86interim/Pension-Committee-Interim-Report-2020.pdf)

## TRS-ActiveCare: A New Era of Flexibility and Competition (Continued)

### *SB 1444 Brings a New Era of Competition*

In response, the 87<sup>th</sup> Texas Legislature enacted Senate Bill 1444 (SB 1444). The new statute prohibits coverage alongside TRS-ActiveCare. However, the law also provides employers with more flexibility in options for employee health benefits. For the first time since the creation of TRS-ActiveCare, participating employers can now decide to shop for coverage outside TRS-ActiveCare and leave if they find an option more suited to their employee benefit strategy.

#### Key provisions include:

- Employers may choose to leave TRS-ActiveCare but districts must notify TRS by Dec. 31 of the year before the plan year they intend to exit;
- They may only re-enter TRS-ActiveCare after a period of five years;
- They must stay in TRS-ActiveCare for a minimum of five years if they choose to enter; and
- Employers participating in TRS-ActiveCare cannot offer alternative plans starting on Sept. 1, 2022.

Employers that currently participate are not required to remain in TRS-ActiveCare for five years starting Sept. 1, 2022. A participating employer can choose to leave in future years and evaluate their options annually. Employers not currently in TRS-ActiveCare that elect to join are required to remain TRS-ActiveCare for five years. The five-year commitment and exclusion periods protect TRS-ActiveCare from the impact of employers leaving TRS-ActiveCare to seek low-cost coverage and then returning to TRS-ActiveCare only when they experience high claims. That dynamic, called adverse selection, would increase costs for all employers in TRS-ActiveCare.

### *Providing Unprecedented Support for Employers*

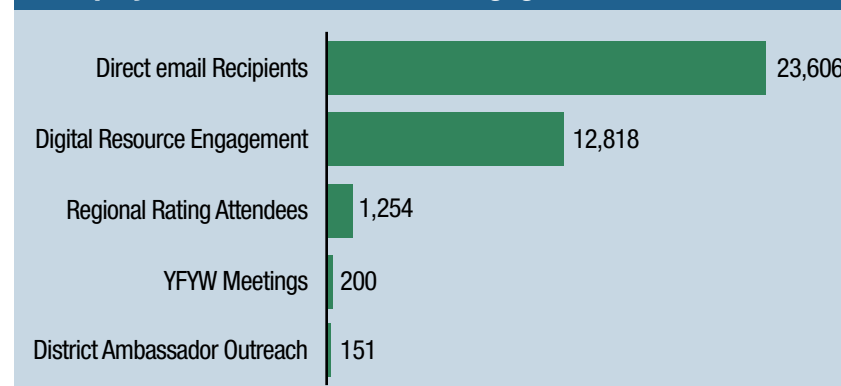
To ensure employers were empowered to make the best decision for their district, TRS worked quickly to promote access to claims data for employers seeking bids outside of TRS-ActiveCare. The new claims data reporting has been available to districts since Aug. 16, 2021. The reporting provides information to employers at no cost up to two times per year. As of Dec. 31, 2021, 163 districts had requested claims data. All requests were fulfilled within 10 business days.

The flexibility created by SB 1444 brings a new era of competition. With the participation statute changed, carriers and brokers now compete directly with TRS-ActiveCare. Their pricing is based on the local cost of care in each region. Employers can take the claims history provided by TRS and compare the TRS premiums to their own cost of care and bids from third parties.

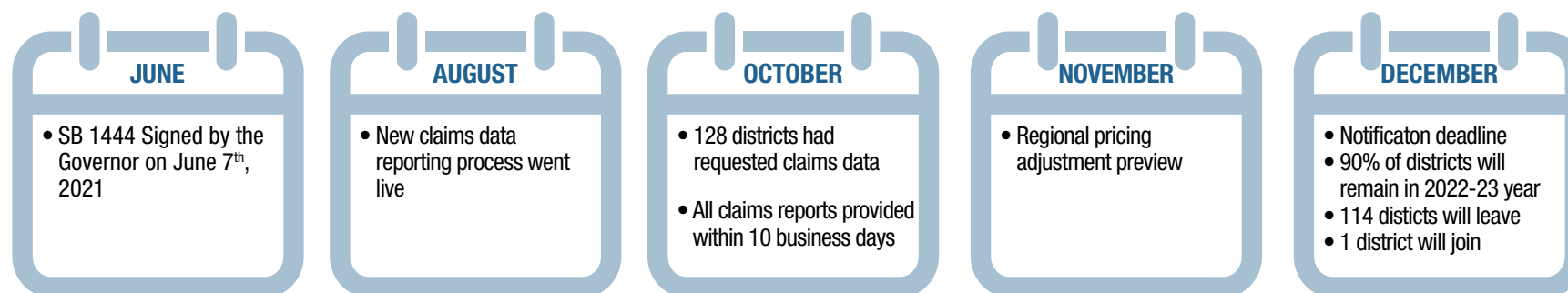
To promote the competitiveness and stability of TRS-ActiveCare, TRS will set rates on a regional basis starting on Sept. 1, 2022. Without adopting the industry standard of setting rates by region, TRS-ActiveCare would offer less competitive pricing in lower-cost areas, providing incentive for employers in those regions to leave. The departure of employers with lower-than-average costs would increase costs across TRS-ActiveCare and decrease the benefits it offers to educators. By moving to regional rating, TRS:

- Ensures TRS continues to protect districts from claims volatility
- Produces savings by eliminating the need for stop loss insurance and/or claims reserves for employers
- Continues to provide market leading provider discounts to employers
- Maintains low administrative costs
- Provides more stability in rates across years.

#### Employer Communications and Engagement Before Dec. 31<sup>st</sup>

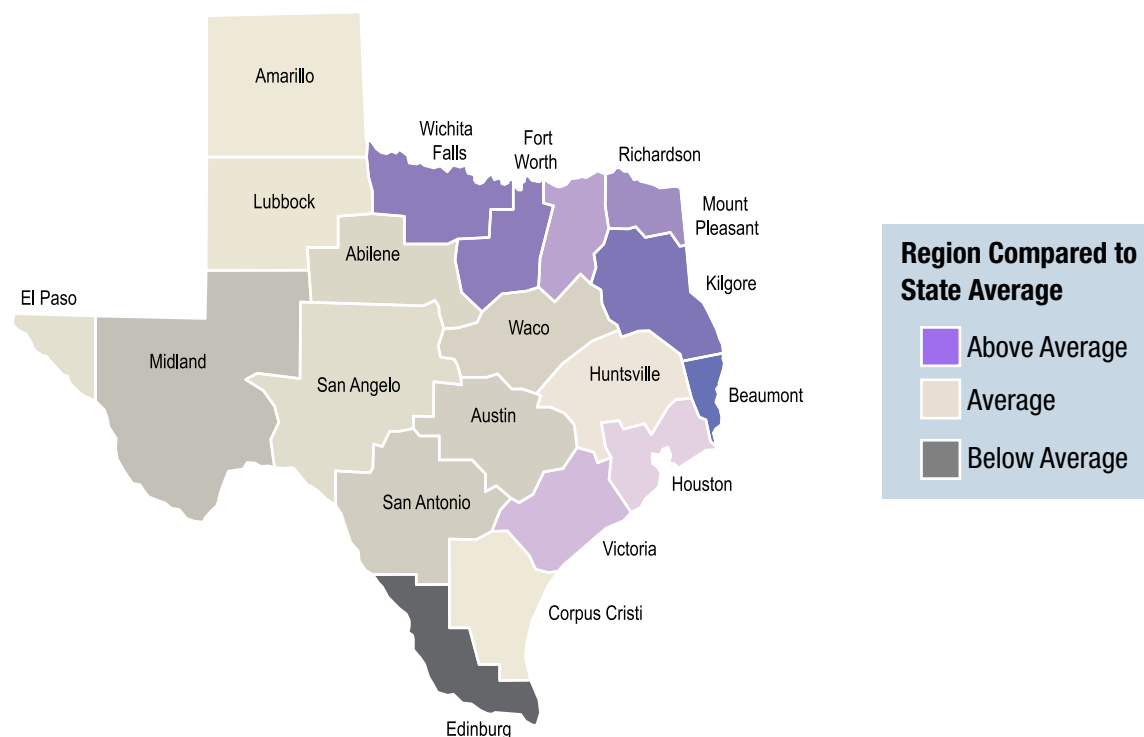


## TRS-ActiveCare: A New Era of Flexibility and Competition (Continued)



TRS staff finalized regional rating methodology in November and then conducted meetings throughout the state to share preliminary regional factors. These preliminary factors show how each region compares to the statewide average based on current data. The final regional factors will change as more data is collected and employers make participation decisions. Additionally, fiscal year 2023 rates will be based on medical trend and regional factors.

This preview helps districts understand how their rates compare to the statewide average using existing data. The map shown at right is based on Educational Service Center (ESC) regions, which is how districts will be grouped for making regional adjustments to rates.



Note: This comparison provided is based on current data and actual regional factors will change until April 2022. Regional factors will change based on shifts in demographics, network discounts, experience and the addition or elimination of participating entities. This comparison is not intended to reflect rate changes for FY2023, only the relative difference between regions based on current data. Regions that are below the average cost on this map may still receive a rate increase after medical trend.

## TRS-ActiveCare: A New Era of Flexibility and Competition (Continued)

The regional rating methodology was developed by TRS actuaries in collaboration with consulting actuaries.

The model takes into consideration:

- Demographics (Age + gender)
- Risk scores (Predictive forecast of costs based on clinical history)
- Regional cost of care (average cost per unit of service based on provider contracts for region)
- Experience (historical claims cost for region)

### ***Regional rating for TRS-ActiveCare will take effect Sept. 1, 2022***

The actual differences by region will change as TRS receives additional data until rates are set in April 2022. Regional factors will change based on shifts in demographics, network discounts, experience, and the joining or leaving of participating employers.

This comparison is not intended to reflect rate changes for FY2023, only the relative difference between regions based on current data. Any general increase in costs (medical trend) will be applied across the state and then regional factors will be applied. As a result, regions below the average cost on this map may still receive a rate increase after medical trend.

TRS continues to provide a significant value to the majority of school districts in Texas. Based on notifications provided through Dec.31, 90% of employers in TRS-ActiveCare elected to stay for the 2022-23 plan year.



## TRS-ActiveCare: Funding Comes Through Schools

Employees' ability to afford health care depends in large part on their share of the premium after the employer contribution.

Funding for TRS-ActiveCare has historically been distributed almost exclusively through the school finance formulas. The Legislature, therefore, appropriates funding for schools through the Texas Education Agency. For TRS-ActiveCare, TRS only receives money transferred by school districts to TRS with the exception of the recent supplemental appropriation for COVID-19 expense.

*Minimum funding is based on a 2001 law — not the cost of health care.*

As a result, TRS has no direct control over how much money is available to ensure employee premiums are affordable.

Instead, each year TRS sets the total premiums to ensure adequate funding for benefits. Education employers then determine how much they will contribute. Employers are required to contribute at least \$225 per employee per month in addition to the employee contribution. Education employers use a mix of state and local funding to make this minimum contribution of \$225 to TRS.

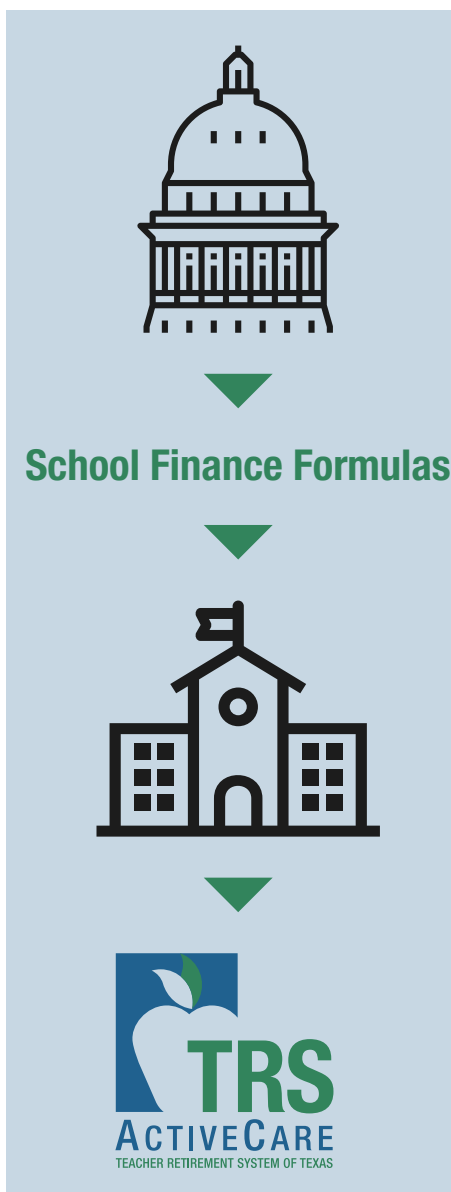
When TRS-ActiveCare was created, \$225 per employee was equivalent to 90% of the cost of the state employee health plan administered by the Employees Retirement System of Texas (ERS).

To purchase the basic plan offered by TRS, it was anticipated that \$225 would allow TRS to offer a \$0 premium for employee-only coverage. Public education employees also received pay raises so they could purchase a more comprehensive plan equivalent to state employee coverage.

*TRS does not fund our health programs, rather we pay claims through employee's monthly contribution and district and state contributions.*

However, this \$225 minimum has not changed since the creation of TRS-ActiveCare in 2001.

If adjusted for general economy wide inflation, this minimum would be \$335 in 2021 (GDP price deflator). This means the current average employer contribution for employees is equivalent to the original minimum contribution amount. If the minimum district contribution in 2021 were \$335, then 61% of employees in TRS-ActiveCare would see an average reduction of \$600 per year in their premiums.



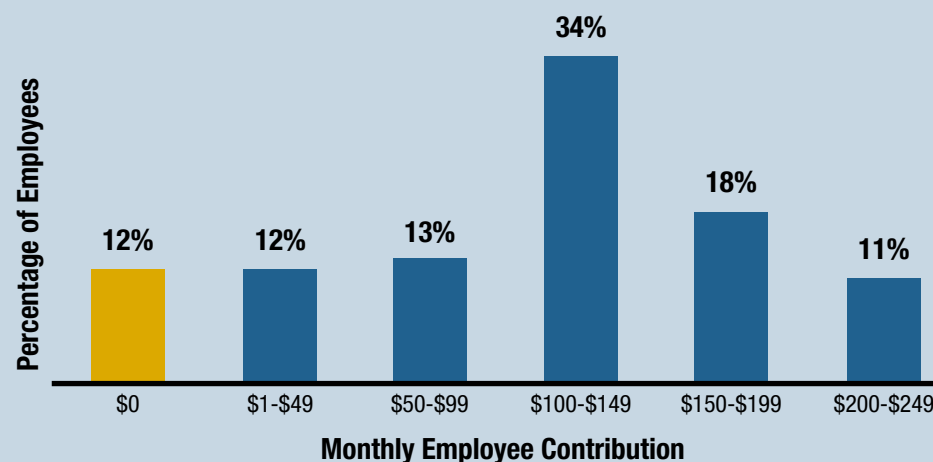
## TRS-ActiveCare: Funding Comes Through Schools (Continued)

While most districts contribute more than the \$225 minimum to their employees' premiums, the percentage of employers who offered \$0 employee-only premiums decreased from 13% to 12% in the high-deductible plans (TRS-ActiveCare HD and TRS-ActiveCare Primary).

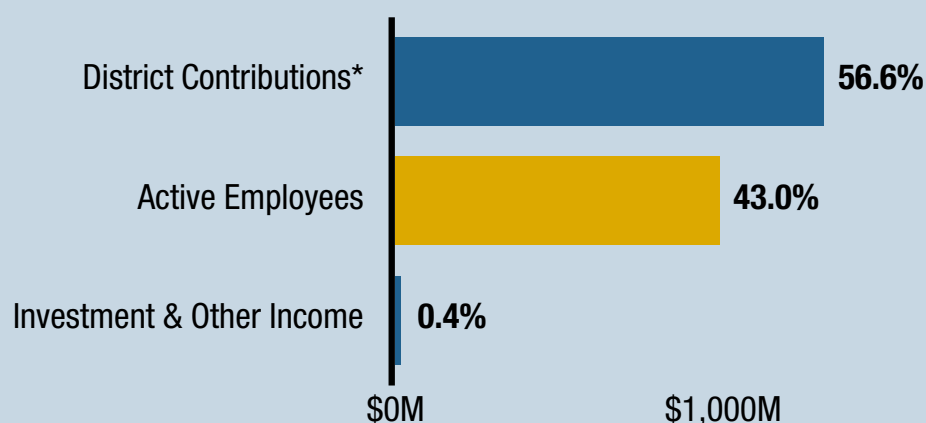
As a result, in FY2021, TRS estimates that employees paid for 43% of the total premium. After including cost sharing, employees paid for approximately 55% of their medical and pharmacy costs in fiscal year 2021.

We recognize employers balance many budget constraints, including those related to COVID-19, that may have an effect on decisions related to employee benefits. TRS sets total premiums reflecting the total cost of coverage for TRS-ActiveCare, resulting in competitive prices when compared across multiple benchmarks.

### Only 12% of Full-Time Employees Still Have a \$0 Employee Contribution for Employee-Only Coverage



### Employees Pay for Nearly Half of the Total Premium



Note: Fiscal year 2021 TRS Revenues for TRS-ActiveCare.

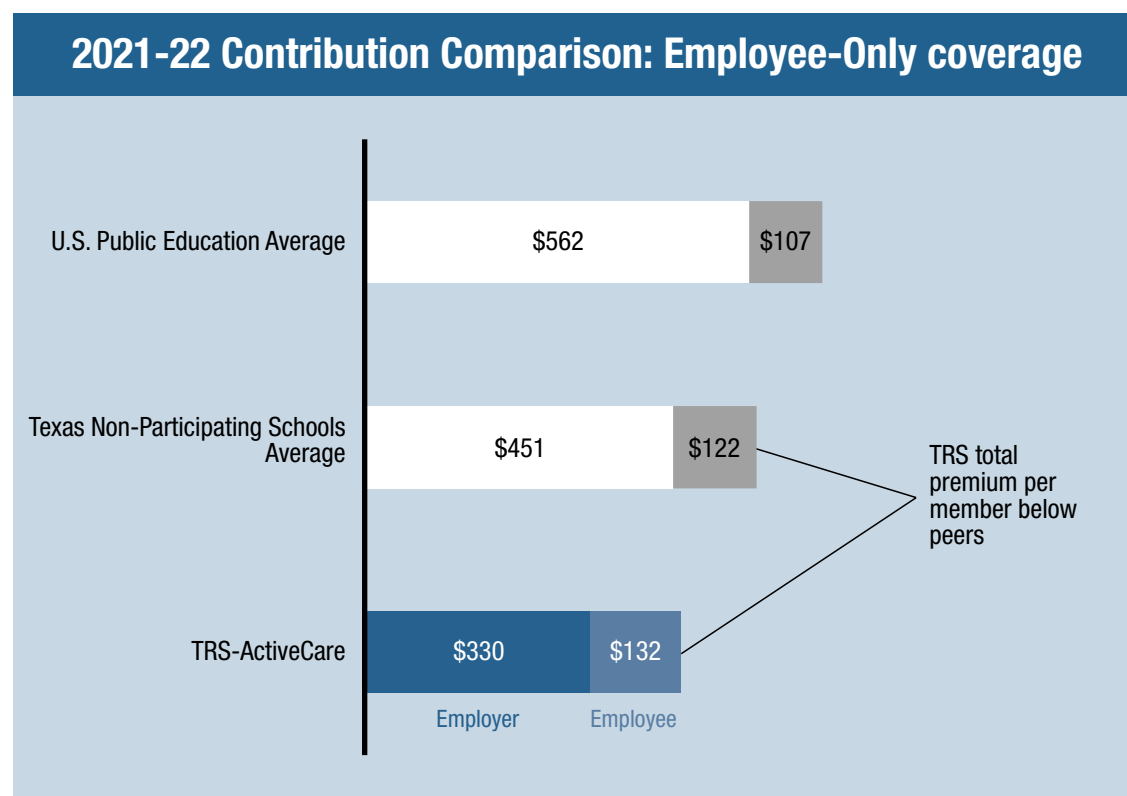
## School Districts Outside of TRS-ActiveCare Typically Contribute More Funding to Reduce Employee Cost Sharing

Based on the claims experience of the prior year the TRS Board determines premiums for the plan year starting in September. Rates are typically set by the TRS Board in April for each upcoming September.

After TRS sets the rates, education employers decide whether to increase their contribution amounts. Any increases in total premiums made by the TRS Board not covered by employer contributions are paid by employees.

Employer contributions per employee in TRS-ActiveCare are approximately half of the U.S. average for employer contributions to employee-only coverage. They are also 27% below the average for public education employers in Texas who do not participate in TRS-ActiveCare.

As a result, for employee-only coverage, TRS-ActiveCare employees contribute a greater share of the total premium (29% in TRS-ActiveCare compared to 16% nationally). TRS-ActiveCare participants are also largely enrolled in a high-deductible plan. Nationally, public education employees may be enrolled in other plan types with lower deductibles like what TRS- covered employees pay due to larger employer contributions.



Note: Per-employee per month revenues based on the mean contribution for employees across school districts. TRS data is from the 2021-22 plan year and

U.S. Public education is from U.S. Bureau of Labor Statistics 2021 data. Texas non-participating is based on 141 plans with data for 2021-22 or 2021 plan years. Texas non-participating data represents average of each district. Plans outside of TRS-ActiveCare may offer different plan designs which impact premiums.

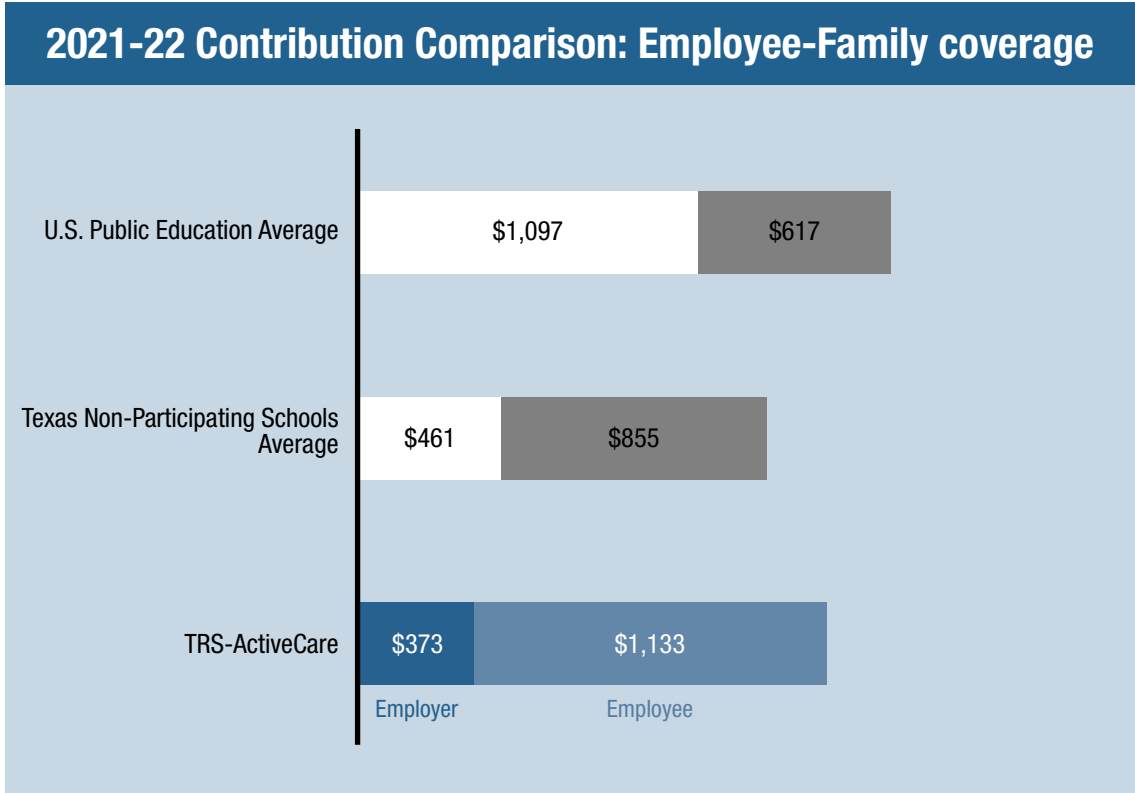
## Government-Based Funding Remains Below Average for Active Employees

When employees elect to cover their children and/or spouses, there is an additional cost for the claims of their dependents. Education employers participating in TRS-ActiveCare do not typically increase the amount they contribute for family coverage by a significant amount.

Consequently, the difference between the national average and TRS funding is even larger for family coverage. For family coverage, due to the gap in funding from employers, employees in TRS-ActiveCare contribute more than double the U.S. average.

TRS-ActiveCare employees also pay more in cost-sharing after premiums than is typical for state employees in Texas.

The total cost for family coverage is higher than Texas non-participating schools based on how the TRS Board sets the relative cost of coverage for employee only coverage relative to employees with families. TRS is closer to standard ratios in the insurance market. After adjusting for enrollment across different tiers (employee-only, employee + child, employee + spouse, employee + family), the total cost for TRS-ActiveCare Primary is highly competitive.



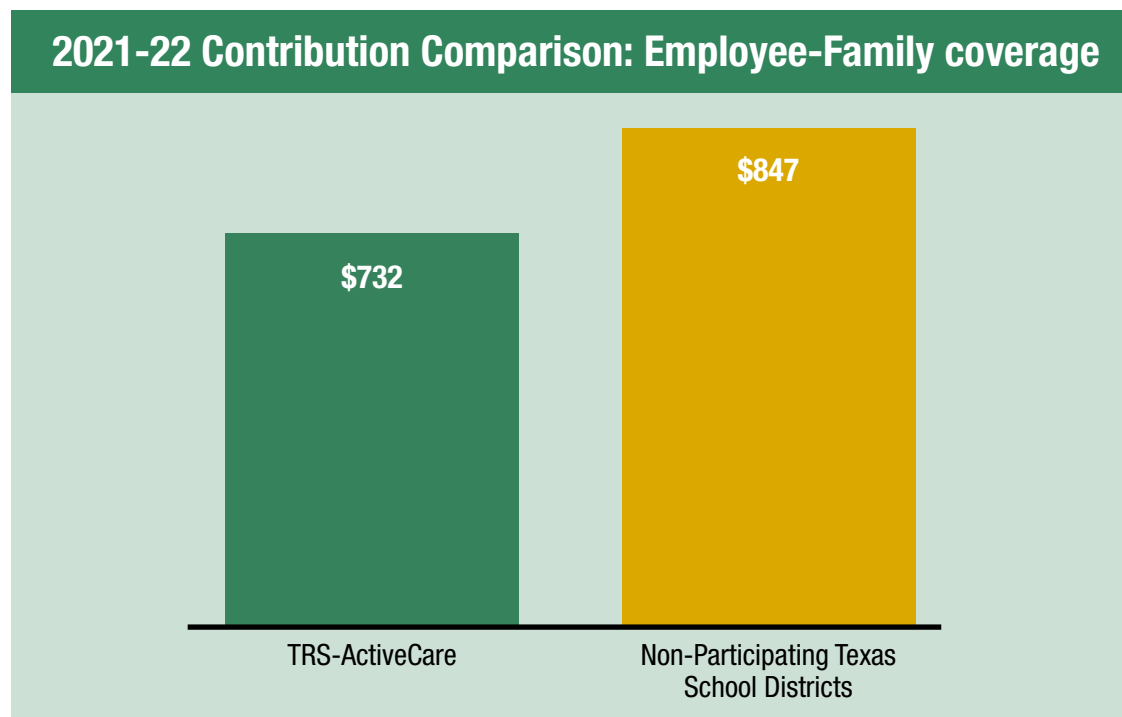
Note: Per-employee per month contributions based on the mean contribution for employees across school districts. TRS data is from the 2020-21 plan year and U.S. Public education data is from U.S. Bureau of Labor Statistics 2021 data. Texas non-participating is based on 141 plans with data for 2021-22 or 2021 plan years. Texas non-participating data represents average of each district. Plans outside of TRS-ActiveCare may offer different plan designs which impact premiums.

## TRS-ActiveCare is Highly Competitive Across Texas

The total cost for TRS-ActiveCare Primary is approximately 14% below the median total cost of similar plans offered by Texas public education employers outside of TRS-ActiveCare.

This comparison includes adjustments for the differences in deductibles, maximum out-of-pocket costs, and several other plan features.

After employee premiums, employer contributions, and employee cost sharing, TRS-ActiveCare is \$115 less per month per employee compared to the total median cost at non-participating employers.



Note: This comparison is based on the average total cost of an employee per month for the TRS-ActiveCare 2021-22 plan year. The comparison includes the cost of employee premiums, district contributions, and employee cost sharing. Employee cost sharing is estimated based on the actuarial value of plans and is an estimate based on the experience of a typical employee in each plan. The total cost is weighted using TRS average 2020-21 enrollment in each tier, such as Employee Only or Employee + Spouse, to control for differences in rate setting preferences across these tiers and plans. Based on a comparison to 43 plans with an actuarial value no more than 3% different from TRS-ActiveCare-Primary offered by Texas public education employers that do not participate in TRS-ActiveCare. Non-participating information is based on publicly available information including school board budgets and benefit coverage documents.

## TRS-Care Enrollment Trends

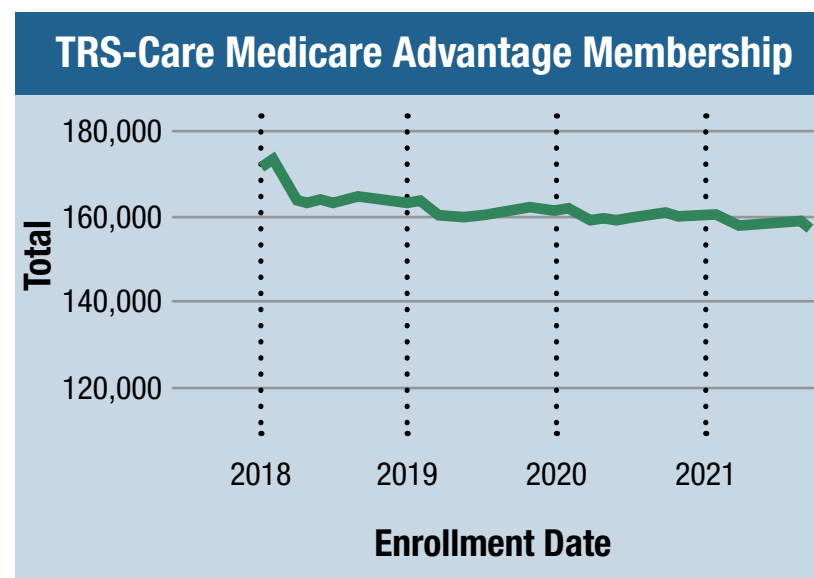
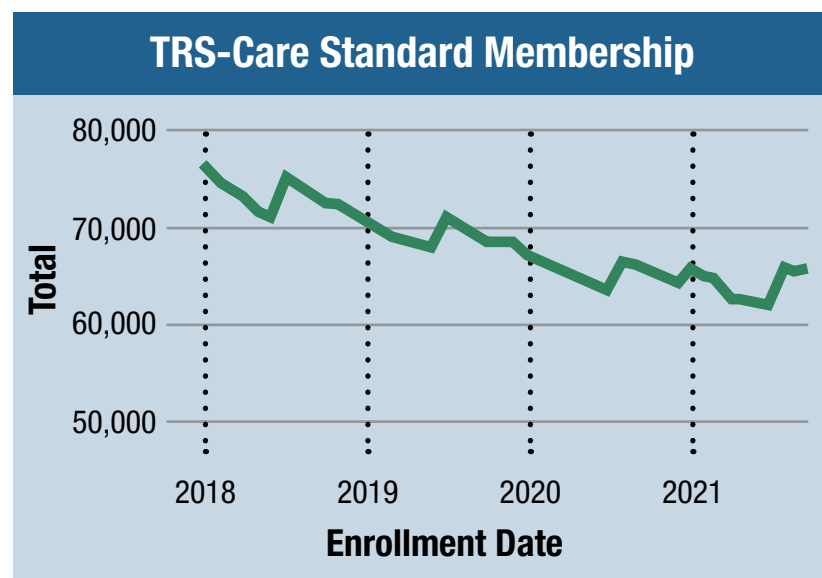
House Bill 2022 (87<sup>th</sup> Regular Session) amended Texas Insurance Code 1575.161 to provide a one-time re-enrollment opportunity for TRS-Care retirees. The statute provides a one-time reenrollment opportunity for former TRS-Care retirees eligible for Medicare who voluntarily terminated their coverage between Jan. 1, 2017 and Dec. 31, 2019. Returning retirees can also add eligible dependents when they re-enroll.

TRS mailed enrollment packets to around 35,000 participants in the Fall of 2021, informing them

of the one-time opportunity. TRS also held three “Returning to TRS-Care” sessions and created a special webpage for participants to get more information about the plan.

As of Jan. 1, 2022, 644 re-enrollment applications have been sent to eligible retirees and 324 were successfully enrolled in the TRS-Care Medicare plans. Members can re-enroll for coverage with an effective date as early as Jan. 1, 2022. The deadline to re-enroll in the plan is December 31, 2023. TRS will continue to inform members about this option.

For FY2021, approximately 160,000 participants were enrolled in TRS-Care Medicare Advantage and 66,000 participants were in TRS-Care Standard. Enrollment in TRS-Care Standard typically increases in July and August each year. Enrollment increased by 2% between July and August of 2021 with much of this enrollment (86%) coming from individuals transitioning from TRS-ActiveCare. Enrollment in TRS-Medicare Advantage decreased by 11,983 participants between January 2018 and May 2019. Since then, TRS-Care Medicare Advantage has stayed stable at close to 160,000 members.





## TRS' Strategic Plan for Health Care

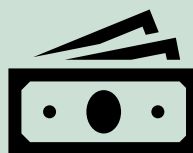
TRS' goal is to promote access to competitive, reliable health care benefits for our participants. We strive to achieve this in three primary ways:

### Communicate Funding Needs



- *Communicate affordability and sustainability issues in legislative briefings*
- *Serve as a trusted resource and engage with policymakers on health care funding*

### Increase the Value of Health Care



- *Identify opportunities to increase the use of high quality, highly efficient medical providers*
- *Educate primary care providers about ways to use high-value specialists*
- *Continue to put contracts out to bid when market conditions suggest potential improvements in pricing*

### Improve Participant Health



- *Increase engagement with high-quality primary care providers*
- *Continue outreach to participants about availability of no-cost preventive care*
- *Increase the use of value-based contracts that focus on provider quality for key conditions such as low back pain and bariatric surgery*

## Appendix

## A: Prevalence of Certain Chronic Health Conditions

	TRS-ActiveCare		TRS-Care		Total	
Chronic Condition	Population	Prevalence (%)	Population	Prevalence (%)	Population	Prevalence (%)
Hypertension	59,790	14.0%	98,137	44.0%	157,927	24.3%
Diabetes	38,129	8.9%	65,567	29.4%	103,693	15.9%
Depression	22,583	5.3%	11,730	5.3%	34,313	5.3%
Asthma	19,687	4.6%	8,769	3.9%	28,456	4.4%
Coronary artery disease	4,547	1.1%	20,676	9.3%	25,223	3.9%
COPD	1,424	0.3%	7,856	3.5%	9,280	1.4%
Heart Conditions	24,667	5.8%	18,318	8.2%	42,985	6.6%

Note: Estimates are based on data from TRS internal data warehouse. Excludes TRS-ActiveCare HMO enrollment. Prevalence estimates based on August 2021 enrollment.

## B: 2020-21 TRS-ActiveCare Rate Changes

### TRS-ActiveCare Offers Three Comprehensive Plans

TRS-ActiveCare offers three plans for participants to choose from. TRS-ActiveCare Primary, Primary+, or HD. There is a fourth plan called TRS-ActiveCare 2, which is closed to new enrollees.

TRS-ActiveCare Primary and Primary+ are physician directed plans with low copays that can be utilized before a participant reaches their deductible. Participants can access Blue Cross and Blue Shield of Texas' (BCBSTX) statewide network. BCBSTX is the largest provider in Texas and has 90% of hospitals and 79% of physicians within their network.

TRS-ActiveCare HD is a high deductible plan where participants must meet their deductible before the plan begins to pay for their health care. The deductible is integrated, which means medical and pharmaceutical expenses from the policyholder and any dependents pay into the same deductible. Participants can access BCBSTX's nationwide network, which means they have in-network options even if they seek care outside of Texas.

All of TRS' health plans include \$0 preventive care and comprehensive add-on benefits. Participants can access services such as one-on-one wellness coaches, chronic condition support, nutrition programs, case managers, and more. They are also provided customized, 24/7 health advocacy through BCBSTX's Personal Health Guides. These representatives are trained specifically on the benefits and details of TRS health plans.

For more specifics about TRS health plans in the

2021-22 plan year, please refer to [TRS-ActiveCare Plan Highlights](#) on TRS' website.

### Physician Directed Plans Are The Most Popular Among Participants

As of Oct. 1, 2021 49% of TRS-ActiveCare participants are enrolled in TRS-ActiveCare Primary or Primary+. For the 2020-21 plan year, we saw 9.7% participants leave the TRS-ActiveCare HD plan and migrate to a Primary plan. A recent study by BCBSTX showed that the Primary plans have the highest amount of satisfaction.

### 2020-21 TRS-ActiveCare Benefit Changes

For the 2020-21 plan year, Each year, TRS adjusts premiums based on revenue needed to pay for projected claims. We also continued to incur

COVID- 19-related medical costs as we covered out-of-pocket expenses for services such as hospitalizations, treatment, and testing. Another contributing factor is that Districts of Innovation offering alternative coverage from TRS-ActiveCare took healthier, lower-cost participants previously in ActiveCare out of the plan.

### 2020-21 Self-Insured Rate Changes:

- 6.2% increase across all plans
- The TRS Board increased rates by no more than \$32 for employee-only coverage in plans open to enrollment.

Participant premiums shown here are based on a minimum \$225 contribution.

	FY 2022 Premium	Increase from 2021	Participant Premium*
<b>TRS-ActiveCare-Primary</b>			
Employee Only	\$417	+\$31	\$192
Employee & Spouse	\$1,176	+\$87	\$951
Employee & Children	\$751	+\$56	\$526
Employee & Family	\$1,405	+\$104	\$1,180
<b>TRS-ActiveCare -HD (formerly 1-HD)</b>			
Employee Only	\$429	+\$32	\$204
Employee & Spouse	\$1,209	+\$89	\$984
Employee & Children	\$772	+\$57	\$547
Employee & Family	\$1,445	+\$107	\$1,220

\*After minimum \$225 contribution by school district.

## B: 2020-21 TRS-ActiveCare Rate Changes (Continued)

On average, participants are receiving a \$335 contribution from their employer in the 2021-22 plan year, so most participants will pay a lower premium than shown in the graph on the right.

School districts adopt their budgets after rates are announced in April (or June for 2021) of each year. Therefore, school districts may increase their contributions to reduce or eliminate the gross premium increases the TRS Board adopts every April.

Full coverage details are available at [www.trs.texas.gov/Pages/healthcare\\_benefits.aspx](http://www.trs.texas.gov/Pages/healthcare_benefits.aspx).

	FY 2022 Premium	Increase from 2021	Participant Premium*
<b>TRS-ActiveCare-Primary+</b>			
Employee Only	\$542	+\$28	\$317
Employee & Spouse	\$1,334	+\$70	\$1,109
Employee & Children	\$879	+\$45	\$654
Employee & Family	\$1,675	+\$87	\$1,450
<b>TRS-ActiveCare -2</b>			
Employee Only	\$1,013	+\$76	\$788
Employee & Spouse	\$2,402	+\$180	\$2,177
Employee & Children	\$1,507	+\$114	\$1,282
Employee & Family	\$2,841	+\$214	\$2,616

\*After minimum \$225 contribution by school district.

## C: 2020-21 TRS-ActiveCare Benefit Changes

The only benefit changes made to self-insured plans were in the TRS-ActiveCare-HD plan.

No benefit changes were made to TRS-ActiveCare Primary, TRS-ActiveCare-Primary+, or TRS-ActiveCare-2 (which is only open to previously enrolled participants).

Full coverage details are available at [www.trs.texas.gov/Pages/healthcare\\_benefits.aspx](http://www.trs.texas.gov/Pages/healthcare_benefits.aspx).

	Individual	Family
<b>TRS-ActiveCare-HD (formerly 1-HD)</b>		
In-Network MOOP	\$7,000 (↑\$100)	\$14,000 (↑\$200)
Deductible	\$3,000 (↑\$200)	\$6,000 (↑\$400)
In Network Coinsurance	\$30 (↑10%)	
Out-of-Network Coinsurance	\$50 (↑10%)	



## D: TRS-ActiveCare Fund Balance Projection

Financial History and Projection through FY 2023 as of Aug. 31, 2020

Revenue								Expenses					Ending Balance (Incurred Basis)
Fiscal Year	State & District Contr.	Employee Contr.	HMO Contr.	LTC	Investment Income	Other Income	Total Revenue	Medical Incurred	Drug Incurred (after rebates)	HMO Premium Payments	Admin Costs	Total Expenses	
2016	719.5M	1,124.3M	217.2M	0.2M	3.1M	0.2M	2,064.5M	1430.3M	325.5M	214.5M	128.4M	2,098.7M	53.6M
2017	754.0M	1,141.9M	230.6M	0.1M	4.7M	0.2M	2,131.6M	1,426.4M	306.7M	227.1M	127.1M	2,087.3M	97.8M
2018	934.6M	1,003.2M	240.7M	0.1M	6.9M	0.1M	2,185.6M	1,589.2M	275.7M	237.4M	124.8M	2,227.2M	56.3M
2019	1,049.2M	882.0M	246.5M	0.1M	10.6M	0.5M	2,189.1M	1,459.5M	254.2M	243.2M	123.5M	2,080.4M	165.0M
2020	1,035.2M	870.2M	260.4M	0.1M	7.9M	0.3M	2,174.0M	1,522.5M	271.5M	256.9M	119.8M	2,170.6M	168.3M
2021	1,011.5M	850.3M	177.0M	0.1M	2.1M	0.3M	2,040.8M	1,615.8M	285.1M	173.3M	78.6M	2,152.9M	56.2M
2022	1,047.7M	880.7M	151.6M	0.0M	1.3M	0.0M	2,081.2M	1,556.2M	292.8M	148.5M	75.7M	2,073.2M	64.3M

### Notes:

- Actual data through Aug. 31, 2021
- Medical trend: 5% through FY 2022; reduced by 0.25% each year thereafter with a 4% minimum
- Pharmacy trend: 8% through FY 2022; reduced by 0.25% each year thereafter with a 6% minimum
- Prior to FY 2018: State contributions are equal to \$75 PEPM. District contributions are equal to \$150 PEPM
- FY 2018 and Forward: State/District Contributions are based on September actual contributions
- Current Interest rate is assumed to be 0.695% based on comptroller rates. Rate decreases by a factor of 25% each year with a minimum of 0.5%
- Rate increase of 3% assumed for all years after FY 2021
- The TRS-ActiveCare Fund balance is managed to prevent a deficit through premium and benefit adjustments
- Fund balance statement here does not reflect supplemental appropriation made by TX 87<sup>th</sup> (3rd Special) of Federal funding for COVID-19 related expenses.

## E: TRS-ActiveCare Employee Contributions Increased in 2021-22

Percent of Active Employees Paying Less Than Stated Contribution Per Month

	25%		50% (Median)		75%		90%	
Tier	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Employee	\$57	\$67	\$101	\$117	\$162	\$179	\$234	\$229
Employee + Child	\$370	\$401	\$429	\$466	\$490	\$526	\$578	\$592
Employee + Spouse	\$742	\$796	\$820	\$896	\$895	\$959	\$1,013	\$1,059
Employee + Family	\$952	\$1,028	\$1,038	\$1,128	\$1,113	\$1,195	\$1,268	\$1,340

Note: Estimates are based on full-time employees receiving the maximum district contribution among various professional, tenure, and/or income categories offered by a participating entity. Does not include the value of any HSA contributions or wellness incentives offered by a district.

## F: TRS-ActiveCare District Contributions Largely Remained Constant in 2021-22

Change in Minimum District Contribution Received by Employees

Change in Minimum District Contribution*	2019-20 to 2020-21 Change		2020-21 to 2021-22 Change	
	Number of Districts	Employees Impacted	Number of Districts	Employees Impacted
Decrease: \$160 - \$99	16	5,856	1	17
Decrease: \$100 - \$49	19	2,018	5	821
Decrease: \$50 - \$3	34	10,140	8	1,416
No Change	767	207,615	619	168,616
Increase: \$2 - \$8	156	52,122	11	2,071
Increase: \$9 - \$24	28	12,207	46	20,185
Increase: \$25 - \$49	15	3,308	224	64,141
Increase: \$50 - \$99	12	4,817	70	18,712
Increase: \$100 - \$199	8	833	43	9,099
Not Available**	36	3,011	4	1,781

\*Based on the minimum contribution received by any employee in each school district using September enrollment each year. No change includes changes of \$2 or less to account for rounding and minor changes in report.

\*\*Data is not available from school district for both plan years needed to make comparison.

## G: TRS-Care Fund Balance Projection

Financial History and Projection through FY 2025 as of Aug. 31, 2021

Revenue								Expenses			Ending Balance (Incurred Basis)
Fiscal Year	Retiree Contr.	State Contr.	Supplemental Contr.	Active Employee Contr.	District Contr.	Investment Income	CMS, Part D and ERRP Subsidies	Medical Incurred	Drug Incurred (after rebates)	Admin Costs	
2017*	373.2M	328.1M	15.6M	213.2M	191.1M	5.2M	195.4M	807.8M	734.8M	51.9M	368.7M
2018	488.1M	425.6M	394.6M	221.3M	266.1M	10.9M	183.2M	840.4M	669.1M	50.4M	798.6M
2019	518.0M	437.2M	73.6M	227.3M	273.1M	25.0M	321.1M	688.1M	648.7M	45.1M	1,292.0M
2020	499.1M	468.3M	230.8M	243.5M	292.4M	25.4M	317.4M	659.7M	668.3M	44.7M	1,996.3M
2021	533.6M	477.5M	5.5M	228.5M	272.1M	9.2M	311.8M	604.9M	705.2M	38.8M	2,485.5M
2022	483.7M	487.0M	0.0M	253.3M	292.2M	14.0M	388.6M	630.1M	779.8M	35.5M	2,958.9M
2023	503.4M	496.8M	0.0M	258.3M	298.1M	16.1M	396.6M	644.7M	909.5M	36.8M	3,337.2M
2024	510.8M	506.7M	0.0M	263.5M	304.0M	17.8M	420.3M	675.8M	1,008.8M	37.5M	3,638.1M
2025	518.9M	516.8M	0.0M	268.8M	310.1M	19.1M	443.4M	714.0M	1,111.9M	38.4M	3,850.9M

### Notes:

- Invoice data through Aug. 31, 2021
- 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
- Reduction in pharmacy spend as a result of the implementation of CVS/Caremark as the new PBM effective 9/1/2017
- State contribution rate of 1.25%; district contribution rate of 0.75%; and active contribution rate of 0.65% beginning 9/1/2017
- Medical trends: 7% through FY 2022; reduced by 0.25% each year thereafter
- Pharmacy trends: 9% through FY 2022; reduced by 0.25% each year thereafter
- 2% increase in payroll growth
- Interest rate is assumed to be 0.5% for FY22 and forward
- Fund balance statement here does not reflect supplemental appropriation made by TX 87th (3rd Special) of Federal funding for COVID-19 related expenses.

\*Note that there was a prior period adjustment to retiree contributions in FY2017. This number will not tie to the Annual Comprehensive Financial Report (ACFR) as the adjustment is reflected here.

## H: 2021 TRS-Care Benefits

On Jan. 1, 2021, Blue Cross Blue Shield of Texas (BCBSTX) became the medical plan administrator for TRS-Care Standard plan participants. Similarly, UnitedHealthcare became the insurer for TRS-Care Medicare Advantage plan participants.

Additionally, TRS-Care Standard participants who turned 65 and transitioned to the TRS-Care Medicare Advantage plan in 2021 no longer had a deductible through the end of the plan year (i.e. Dec. 31, 2021). Their deductible was reset to \$500 on Jan. 1, 2022.

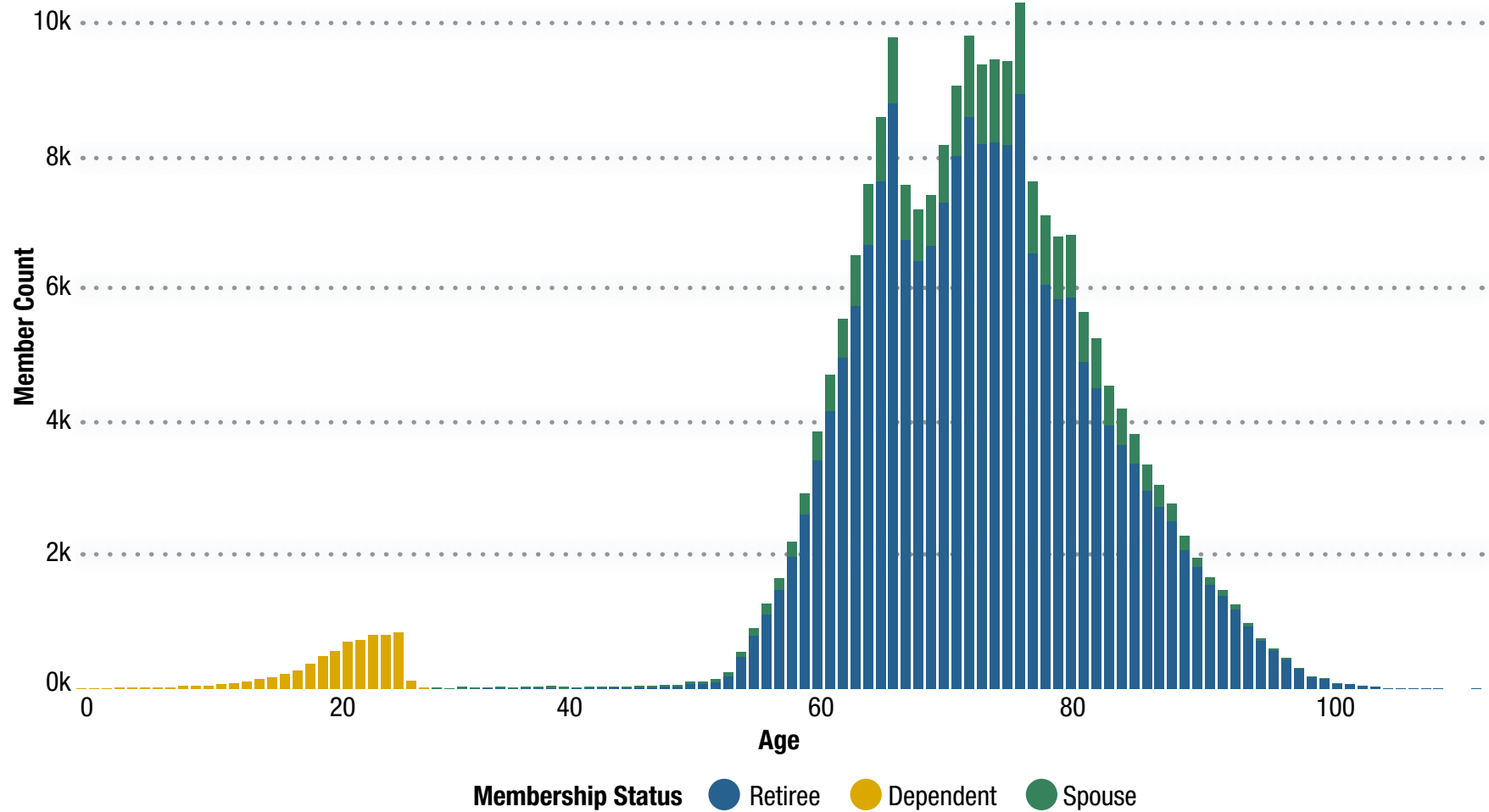
There were no changes in plan design or premium rates for the TRS-Care programs in 2021. However, TRS' new medical vendors offer exciting new programs for participants to manage their health conditions and reach their wellness goals. For example, with BCBSTX, TRS-Care Standard participants have access to one-on-one coaching and discounts for gyms and fitness centers.

Through UnitedHealthcare, TRS-Care Medicare Advantage participants have access to many new programs and value-added services. This includes in-home care through HouseCalls visits and CareLinx caregivers, health and wellness programs like Renew and Real Appeal, and vision and hearing aid allowances.

Additionally, virtual visits with some doctors are covered at \$0 when using UnitedHealthcare's preferred vendors (i.e. Amwell and Doctors on Demand). Certain diabetic testing and monitoring supplies are also covered at no additional cost. There were no changes to pharmacy benefits for TRS-Care programs in the 2021 plan year.

## I: September 2021 TRS-Care Membership is Primarily Retiree-Only

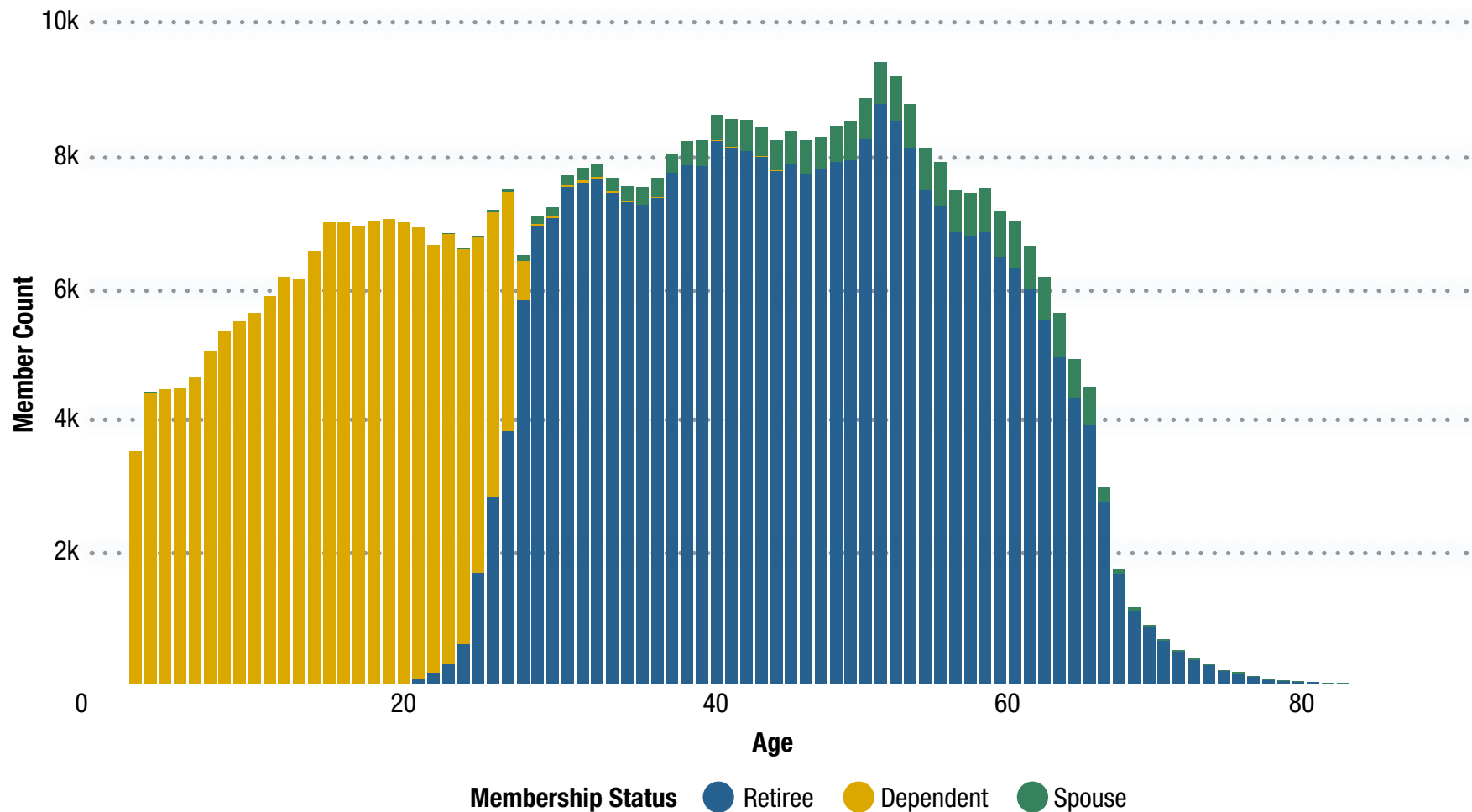
### TRS-Care Members by Age and Membership Status





## J: September 2021 TRS-ActiveCare Membership Includes Many Children

### TRS-ActiveCare Members by Age and Membership Status



## K: TRS-ActiveCare Per Member Per Year Costs

Fiscal Year	Medical Cost	Medical Trend	Prescription Drug Cost	Prescription Drug Trend	Total Cost	Total Trend
2008	\$2,485.90		\$498.82		\$2,984.72	
2009	\$2,685.94	8.0%	\$500.58	0.4%	\$3,186.52	6.8%
2010	\$2,884.61	7.4%	\$580.06	15.9%	\$3,464.67	8.7%
2011	\$3,056.66	6.0%	\$635.15	9.5%	\$3,691.81	6.6%
2012	\$3,223.90	5.5%	\$607.91	-4.3%	\$3,831.81	3.8%
2013	\$3,355.69	4.1%	\$617.99	1.7%	\$3,973.68	3.7%
2014	\$3,003.44	-10.5%	\$692.13	12.0%	\$3,695.57	-7.0%
2015	\$3,033.65	1.0%	\$649.22	-6.2%	\$3,682.87	-0.3%
2016	\$3,209.11	5.8%	\$750.27	15.6%	\$3,959.39	7.5%
2017	\$3,347.08	4.3%	\$766.67	2.2%	\$4,113.74	3.9%
2018	\$3,414.24	2.0%	\$665.88	-13.1%	\$4,080.11	-0.8%
2019	\$3,459.23	1.3%	\$588.49	-11.6%	\$4,047.72	-0.8%
2020	\$3,531.73	2.1%	\$685.73	16.5%	\$4,217.46	4.2%
2021	\$3,769.44	6.7%	\$692.64	1.0%	\$4,462.08	5.8%

Medical and pharmacy costs are shown based on claims incurred during the fiscal year and paid through Aug. 31, 2021. FY2020 figures include an estimate of IBNR.

Pharmacy costs are shown net of incurred rebates.

## L: TRS-Care Per Member Per Year Costs

Fiscal Year	Medical Cost	Medical Trend	Prescription Drug Cost	Prescription Drug Trend	Total Cost	Total Trend
2009	\$2,654.88		\$2,138.52		\$4,793.40	
2010	\$2,788.40	5.0%	\$2,203.12	3.0%	\$4,991.52	4.1%
2011	\$2,996.72	7.5%	\$2,199.66	-0.2%	\$5,196.38	4.1%
2012	\$3,108.95	3.7%	\$2,353.04	7.0%	\$5,461.99	5.1%
2013	\$2,889.97	-7.0%	\$2,334.75	-0.8%	\$5,224.72	-4.3%
2014	\$2,916.43	0.9%	\$2,642.60	13.2%	\$5,559.03	6.4%
2015	\$3,183.20	9.1%	\$2,986.01	13.0%	\$6,169.21	11.0%
2016	\$3,285.90	3.2%	\$3,061.24	2.5%	\$6,347.14	2.9%
2017	\$3,150.79	-4.1%	\$3,144.21	2.7%	\$6,295.00	-0.8%
2018	\$3,276.93	4.0%	\$2,758.24	-12.3%	\$6,035.17	-4.1%
2019	\$2,895.99	-11.6%	\$2,734.19	-0.9%	\$5,630.18	-6.7%
2020	\$2,928.21	1.1%	\$3,121.96	14.2%	\$6,050.17	7.5%
2021	\$2,686.37	-8.2%	\$3,330.44	1.1%	\$6,016.81	-0.6%

Medical and pharmacy costs are shown based on claims incurred during the fiscal year and paid through Aug. 31, 2021. FY2020 figures include an estimate of IBNR.

Pharmacy costs are shown net of incurred rebates.

## M: TRS-Care Member Cost Sharing

In both TRS-Care programs the plan paid for more than 83% of participants medical expenses in FY2021. During this period, participants on average spent \$1,073 towards cost sharing in the TRS-Care Medicare Advantage plan and \$2,035 in TRS-Care Standard. In TRS-Care Standard, 9% of people hit the maximum out-of-pocket of \$5,650. In TRS-Care Medicare Advantage only 1% hit the maximum of \$3,500.

TRS-Care covers medically necessary services and supplies that are needed for the prevention, diagnosis, or treatment of a medical condition, and meet accepted standards of medical practice. Preventive services such as annual wellness visits, cancer screenings, and shots, are covered at 100%. The health plan does not cover supplies and services deemed not medically necessary. You can find a list of what the plans do not cover in the benefits documents below.

[2021 TRS-Care Standard Benefits Booklet](#)

[2021 TRS-Care Medicare Advantage Evidence Of Coverage](#)

Plan Summary	TRS-Medicare Advantage & Rx	TRS-Care Standard
Total Members	159,098	64,417
Deductible	\$500	\$1,500
Maximum out-of-pocket	\$3,500	\$5,650
PCP Sick Copay	\$5	20% (after deductible)
Urgent Care Copay	\$35	20% (after deductible)
ER Copay	\$65	20% (after deductible)
Virtual Sick Visit Copay	\$0	\$30
Prescription Copays	\$5/\$15 Generics \$25/\$70 Preferred Brand \$50/\$125 Non-Preferred Brand	20% (after deductible); \$0 for certain generics
Percentage of people that met deductible	52%	40%
Percentage of people that hit maximum out-of-pocket	1%	9%
Total average member out-of-pocket cost sharing	\$1,073	\$2,035

For FY2021, the average cost for participants not exceeding the deductible was \$346 for TRS-Care Standard and \$468 for TRS-Care Medicare Advantage. The average cost for participants exceeding the deductible but not meeting maximum out-of-pocket is \$962 for TRS-Care Standard and \$3,050 for TRS-Care Medicare Advantage.

The TRS-Care plans operate on a calendar basis but statistics here are for a **12-month period ending August 2021**. The statistics would be similar if reported on a calendar year basis, however, complete 2021 data would not be available in time for publication of this report.

*This appendix is intended to fulfill the management directive issued by the Sunset Commission review for the 87th Regular Session. As recorded in the June 2021 report, the Sunset Commission directed TRS to provide "more comprehensive information on TRS-Care healthcare costs to the Legislature and the Texas Department of Insurance in the consolidated TRS-Care report, including out-of-pocket costs for retirees such as co-payments, deductibles, and non-covered services."*

Plan Summary	TRS-Medicare Advantage	TRS-Care Standard
Total Average Member Costs	\$1,073	\$2,035
Average member cost		
• < Deductible	\$346	\$468
• > Deductible and < Maximum out-of-pocket	\$962	\$3,050
• Maximum out-of-pocket	\$3,500	\$5,650
Average member cost for Medicare Prescription Drug Plan	\$386	NA
Percentage of members with medical or Rx claim	98%	95%
Percentage of total expenses paid by members	7%	16%

## N: TRS-Care Funding by Source

TRS receives direct appropriation from the Legislature for TRS-Care. This appropriation is based on a percentage of state public education payroll. Additionally, employees and employers contribute a percentage of payroll through transfers made by education employers to TRS.

However, because the funding in statute is based on payroll, it is not tied to actual health care costs or enrollment in TRS-Care. From 2005 to 2017, contribution rates and premiums for retirees remained the same.

As a result, funding failed to keep pace with health care expenses. A November 2016 report by the Texas Joint Interim Committee to Study

TRS Health Benefit Plans projected that TRS-Care would incur a \$1.3 to \$1.5 billion shortfall for the 2018-19 biennium and a \$4.1 billion shortfall by fiscal year 2021.

In response, the 2017 legislation directed TRS to eliminate the basic \$0 retiree premium contribution. In 2018, on average, the amount retirees paid for TRS-Care coverage increased by 47%.

Additionally, plan benefits were reduced for the majority of retirees through increased deductibles, copays and maximum out-of-pocket limits. State and district contributions also increased.

When the statutory funding amounts are not sufficient to cover estimated cost growth, TRS makes supplemental appropriations requests. The Legislature has made several supplemental appropriations for TRS-Care, including \$231 million to maintain 2019 premiums and benefits for the 2020-21 biennium.

In conjunction with the most recent supplemental appropriation, TRS was directed to establish a claims reserve adequate to pay for at least 60 days of claims.

After January 2018 rate increases in TRS-Care, enrollment in retiree plans declined.

TRS-Care Funding Formula			
Percent of Public Education Payroll			
Fiscal Year(s)	State	School Districts	Active Employees
2017	1.0%	0.55%	0.65%
2018-Present	1.25%	0.75%	0.65%

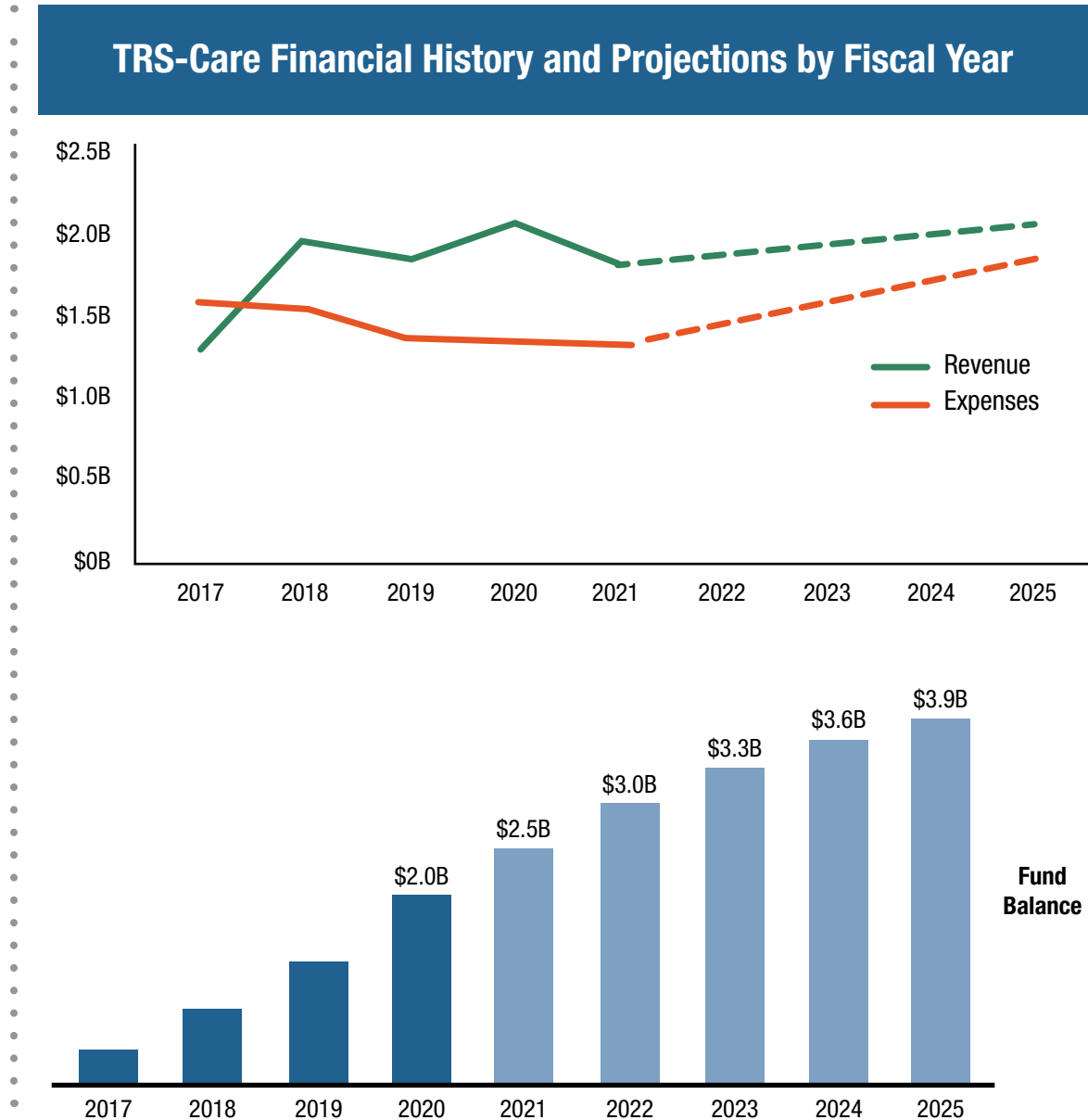
## N: TRS-Care Funding by Source (Continued)

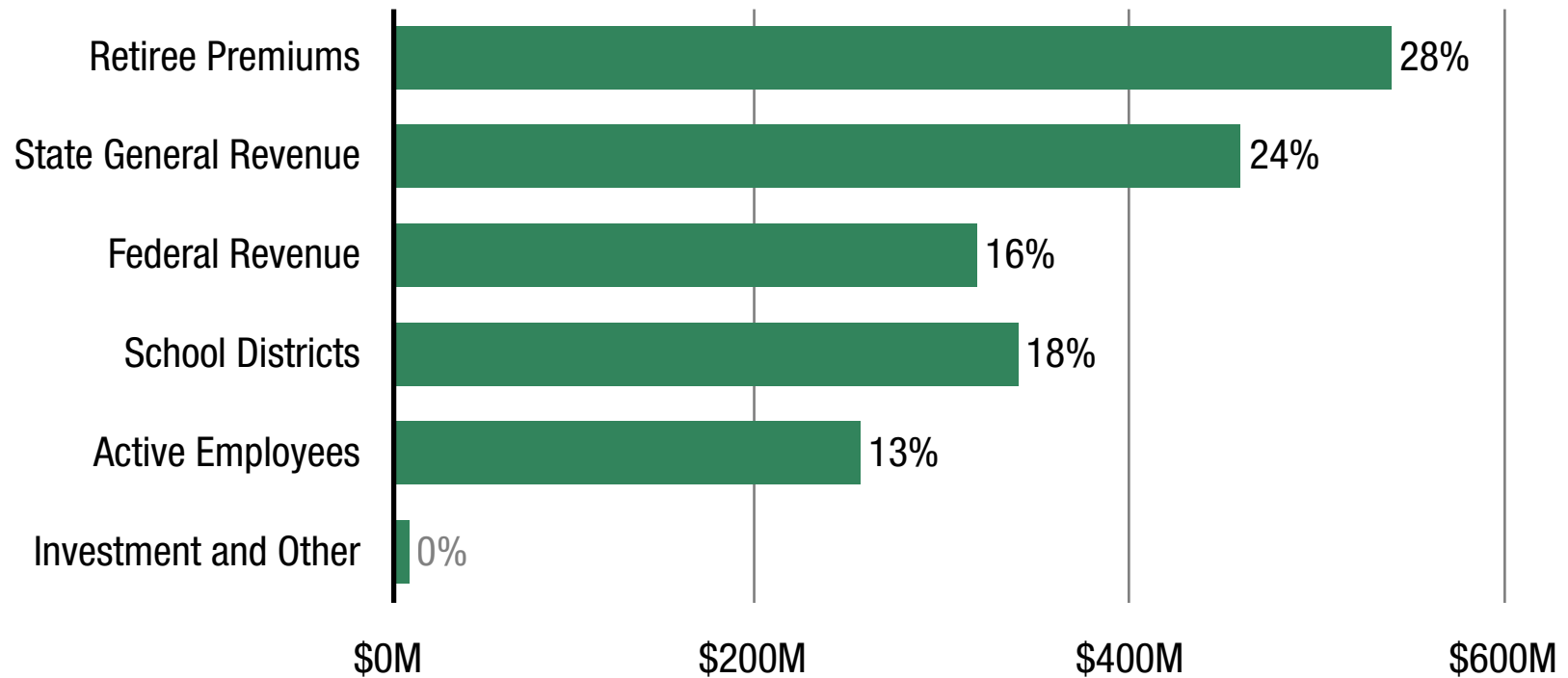
These decreases in enrollment increased the amount of funding available per person remaining in the program. In addition to the elimination of the health insurer fee, the supplemental appropriations for the 2019-20 biennium and savings from the procurement and vendor transitions, TRS-Care will have a positive fund balance in the near term.

The Legislature also appropriated \$286 million to TRS-Care and TRS-ActiveCare for COVID-19 related expenses. The fund balance information will be updated to reflect the appropriation once the money is received.

The TRS-Care trust fund balance is expected to increase to approximately \$3.9 billion by fiscal year 2025. Expenses are expected to grow faster than revenues, which means the fund balance will decrease in the future.

TRS spends \$1.5-\$2 billion a year on TRS-Care claims.



**N: TRS-Care Funding by Source** (Continued)**TRS-Care Funding by Source, FY 2021**

Note: Federal revenues include federal reinsurance and subsidies related to Medicare participants.



## O: Prior Authorization Cost Savings

TRS-ActiveCare has required prior authorization for multiple categories of prescription drugs since the inception of the program in 2001. This currently includes prior authorizations for more than 400 drugs. For FY2021, using this strategy saved the plan approximately \$55 million. This was saved through \$20.6 million for non-specialty drugs and \$34.7 million for prior authorizations and step therapy related controls of specialty drugs.

TRS-ActiveCare had extensive prior authorization requirements in place prior to the 78th legislative session which created the requirements in Texas Insurance Code 1579.106(b). Even with the requirements, TRS continues to investigate additional cost-saving opportunities for the plan.

Drugs Listed in Texas Insurance Code 159.106(b)	
Drug Category	TRS-ActiveCare Savings
Gastrointestinal drugs	\$2,412,326
Cholesterol-lowering drugs	\$1,237,793
Anti-inflammatory drugs	\$4,034,498
Antihistamine drugs	\$0
Antidepressant drugs	\$346,664
<b>Total Savings</b>	<b>\$8,031,281</b>

## O: Prior Authorization Cost Savings (Continued)

In addition, to the categories listed in Subsection (b), TRS has identified additional categories for which prior authorization is achieving cost savings:

Non-Specialty Drug Prior Authorization Related Savings	
Top Drug Category	TRS-ActiveCare Savings
Incretin Mimetic Agents	\$9,970,233
Anti-Obesity drugs	\$3,218,247
Androgens	\$319,245
Ophthalmic Agents	\$294,478
Amphetamines	\$243,374
<b>Total Net Savings for All Categories (Including Others Not Shown Here)</b>	<b>\$20,611,606</b>

Note: Non-Specialty drugs such as NSAID'S, Selective Serotonin Reuptake Inhibitors, Fibrin Acid Derivatives, Proton Pump Inhibitors, are also included in the drugs categories listed in 159.106(b)

Specialty Drug Prior Authorization Related Savings	
Top Drug Category	TRS-ActiveCare Savings
Psoriasis	\$7,124,419
Oncology	\$2,723,532
Multiple Sclerosis	\$2,891,547
Psoriatic Arthritis	\$1,525,103
Hereditary Angioedema	\$1,154,989
Infertility	\$1,192,302
Seizure Disorders	\$1,055,041
<b>Total Net Savings for All Categories (Including Others Not Shown Here)</b>	<b>\$34,748,510</b>

Note: Specialty drugs like Rheumatoid Arthritis, other Gastrointestinal Disorders are included in the drugs categories listed in 1579.106(b).

Appendix O fulfills the reporting requirements established in Texas Insurance Code 1579.106.

Appendix M fulfills the management directive issued by the Sunset Commission review for the 87<sup>th</sup> Regular Session. As recorded in the June 2021 report, the Sunset Commission directed TRS to provide “more comprehensive information on TRS-Care healthcare costs to the Legislature and the Texas Department of Insurance in the consolidated TRS-Care report, including out-of-pocket costs for retirees such as co-payments, deductibles, and non-covered services.”

TRS-Care related information in this report fulfills requirements in Texas Insurance Code 1575.453.



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