

November 2, 2015

Mr. Bob Jordan
Director, Health and Insurance Benefits
Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701

Dear Bob:

**Subject: Minimum Value Calculation for TRS-ActiveCare
Minimum Essential Coverage Qualification**

The Affordable Care Act (ACA) requires that large employers must provide health coverage to their full-time employees (and dependents) that is affordable and provides minimum value. The purpose of this letter is to provide you with the results of the analysis performed by Gabriel Roeder Smith & Company in determining whether the three TRS-ActiveCare plans, which are offered by the Teacher Retirement System (TRS) to its active employee population, meets the minimum value requirements.

Based on guidance issued by the Department of Health and Human Services (HHS) on February 25, 2013 (amended on February 27, 2015), an employer sponsored plan provides minimum value under the ACA if the percentage of total allowable costs of benefits provided under the plan is no less than 60% and the benefits under the plan include substantial coverage of inpatient hospital services and physician services¹. Further, the employer may use one of the following three methods to determine whether its health plan(s) meets the minimum value requirements:

- 1) Minimum Value Calculator – a model released by the HHS that permits an employer to enter information about its health plan's benefits, coverage of services and cost sharing terms.
- 2) Safe Harbor Checklists – an array of design-based safe harbors in the form of checklists that employers can use to compare to their health plans' coverage.
- 3) Actuarial Certification – a certification by an actuary who is a member of the American Academy of Actuaries to determine the health plan's minimum value if the plan contains non-standard features that preclude the use of either method 1) or 2) described above.

Based on the above guidance, we have used the Minimum Value Calculator (mv-calculator-final-4-11-2013.xlsm) released by HHS in April 2013 in order to calculate the minimum value the TRS-ActiveCare plans for Fiscal Year 2016. Based on the model, the minimum value for each plan is shown below:

Plan	Minimum Value
TRSAActiveCare 1-HD	68.9%
TRSAActiveCare Select	72.8%
TRSAActiveCare 2	74.7%

¹ Neither the regulation, preamble to the rule, or the Notice upon which the rule was based (Notice 2014-69) expand upon what it means to "include substantial coverage of inpatient hospital services and physician services."

Therefore, Gabriel Roeder Smith & Company believes that for the fiscal year beginning September 1, 2015 the TRS-ActiveCare plans meet the minimum value requirements of the ACA.

The individual shared responsibility provision of the Affordable Care Act requires that individuals be enrolled in a health insurance plan that qualifies as minimum essential coverage. The IRS has indicated that self-insured group health plans offered to employees qualifies as minimum essential coverage.² Therefore, active public education employees in Texas who enroll in either TRS-ActiveCare 1-HD, TRS-ActiveCare Select or TRS-ActiveCare 2 will have met the minimum essential coverage requirements. In addition, the retiree health care plans offered under TRS-Care also meet the minimum essential coverage requirement since it is employer-sponsored coverage.

Please contact us with any questions that you may have with regard to this report.

Sincerely,



William J. Hickman
Senior Consultant



Amy Cohen, ASA, MAAA
Consultant

² <https://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Minimum-Essential-Coverage>