

August 2020

Texas House Committee on Pensions, Investments and Financial Services

Request for Information on Interim Charge #2: Monitor the Teacher Retirement System's (TRS) actions in implementing high deductible regional plans for certain school districts interested in providing alternatives to the current TRS-ActiveCare.

EXECUTIVE SUMMARY

TRS-ActiveCare provides health coverage for more than 440,000 participants, and it funds that coverage through a self-funded health plan model. The premiums paid by public school employees are combined with district funds (a minimum of 150 per employee per month) and state funds (\$75 per employee per month) into a pool that makes up TRS-ActiveCare.

TRS met with hundreds of school districts to identify improvements they wanted to see in TRS-ActiveCare. Based on feedback received by school districts, the TRS Board of Trustees approved changes to re-engineer TRS-ActiveCare. Effective September 1, 2020, Blue Cross Blue Shield of Texas (BCBSTX) will serve as the third-party administrator for TRS-ActiveCare. The re-procurement and change to BCBSTX generated more than \$90 million in savings per year for TRS-ActiveCare. This enabled the TRS Board to offer lower premiums for many participants, particularly those with children. TRS is also moving to a primary care focused model of care for two of the TRS-ActiveCare programs. A survey of school benefit staff indicates a majority anticipate a positive reception by public education employees.

As a result of changes made this year, the affordability of TRS plans improved. Long term, however, affordability will remain an issue for many public education employees due to district funding constraints.

Some plans being offered that compete with TRS-ActiveCare this year may appear less expensive, but they exclude key benefits and create risk to both employees and to TRS-ActiveCare. TRS continues to offer comprehensive medical coverage. This includes a commitment to offer financial protection against the impact of the COVID-19 epidemic.

While the employees' share of premiums varies across districts, the total cost of coverage for TRS is highly competitive against peers when compared to coverage offered to non TRS-ActiveCare districts in the Texas market. TRS is committed to a long-term partnership with schools and the Legislature to make continual improvements to TRS-ActiveCare.

TRS-ACTIVECARE REDESIGN

TRS held five meetings throughout the state to solicit input from school districts on potential changes to TRS-ActiveCare for September 1, 2020. These meetings culminated in a statewide summit where 239 districts attended, both in person and through virtual participation. TRS presented different options for plan changes and conducted live polling of participants. TRS consistently heard that districts were looking to improve the affordability of premiums and deductibles for employees, particularly for those with children.



Based on the feedback from school districts, the TRS Board of Trustees made a number of improvements to TRS-ActiveCare. TRS is providing improved pricing, more network choices, simplified coverage and a new plan with a lower premium and copays for doctor visits. These changes will take effect on September 1, 2020. *See Appendix, Exhibit 1*

District Feedback	TRS Solution
Limit premium increases	<ul style="list-style-type: none"> • New low-premium plan for employees with copays for primary care and specialists
Reduce premiums for child coverage	<ul style="list-style-type: none"> • Premium decreases in tiers with children
Improve family affordability	<ul style="list-style-type: none"> • Lower deductibles for employees in family tiers
Eliminate County Boundaries	<ul style="list-style-type: none"> • Statewide networks for all plans
Maintain Choice	<ul style="list-style-type: none"> • Enhanced existing plans and kept access to a broad network

Primary care physicians (PCPs) are important in helping members manage their health and wellness. They're able to help participants achieve health goals and coordinate care with their specialists and advocate for what treatment is best for them. Effective September 1st, TRS is introducing a new plan, **TRS-ActiveCare Primary**, and redesigning TRS-ActiveCare Select to now **TRS-ActiveCare**

Primary+. These two plans are centered on the relationship between members and their PCPs to improve the quality and affordability of care for members. TRS continues to offer **TRS-ActiveCare HD** for a broader network where members can see specialists without a PCP referral. Highlights of key changes to these plans include:

TRS-ActiveCare Primary:

- Reduced premiums compared to prior HD plan for employees with children;
- Copays allow participants to access care *before* meeting the deductible
 - \$30 copays for PCP visits and \$70 copays for specialists
 - Lab work and diagnostic imaging done in an office setting included in copay
 - \$30 copays for mental health visits;
- \$250 reduction of individual deductible and \$500 reduction for family deductible;
- Individuals only need to meet the individual deductible in child, spouse, & family tiers; and
- Requires PCP selection in a statewide network.

TRS-ActiveCare Primary+:

- Lower premiums compared to 2019-20 plan year for every tier;
- Eliminated many copays, including outpatient surgery and ER (coinsurance after deductible only);
- \$30 copay on therapies (↓from \$70);
- Decreased out-of-pocket max by \$1,000 for individuals and \$2,000 for families; and
- Requires PCP selection in a statewide network.

TRS-ActiveCare HD:

- Features a national network;
- Individuals now only need to meet individual deductible in child, spouse, & family tiers; and,
- Reduced premiums for employees with children.



73%

**Of district benefit staff
anticipate positive
reception by
employees to changes**

Additional details are available at: https://www.trs.texas.gov/Pages/healthcare_trs_activecare.aspx.

TRS-ActiveCare 2 remains open to members already enrolled in the plan but is closed to new members.

In a May 2020 survey, most districts indicated they felt TRS heard their concerns after learning of these changes. TRS will continue to meet with districts on an ongoing basis to solicit their feedback for continuous improvements.

DISTRICTS OF INNOVATION AND COMPETING COVERAGE

Some school districts are currently using the district of innovation waiver process through the Texas Education Agency to exempt themselves from statutory TRS-ActiveCare participation requirements. These districts are offering employees the choice of a non-TRS plan alongside the choice of TRS-ActiveCare plans. This competing coverage is often presented as cheaper, but it excludes important benefits such as specialty drug coverage, potentially putting members at financial risk. If the competing plans disproportionately attract healthier employees (adverse selection), this could also create financial risk to TRS-ActiveCare.

Common Features of Competing Coverage

- Transfers financial risk to employees
- No contracts with hospitals to define network or protect members from balance billing
- Potentially burdensome authorization process
- Excludes specialty drug coverage
- High cost of specialty drugs may impair access to potentially life-saving treatment
- Potentially narrow network of physicians



The Legislature created current statutes to prevent adverse selection. In a report dated November 28, 2000, the Texas House Select Committee on Teacher Health Insurance stated *“The Committee recommends that the plan be structured in such a way to avoid adverse selection by the school districts.”* In 2001, the Legislature created TRS-ActiveCare and mandated participation for districts with less than 500 employees, permitting larger districts to opt-in. There is no provision in state law to allow districts to opt-out. Current statute prohibits a district participating in TRS-ActiveCare from making other group health coverage available to its employees.

TRS OUTPERFORMS PEERS

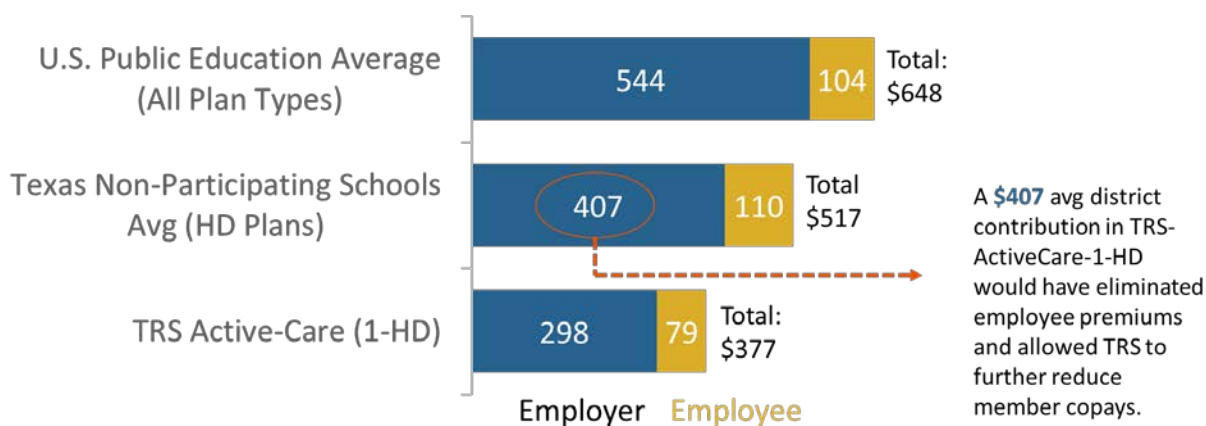
Employees and other stakeholders may confuse the amount the employee pays with the total premium cost. The total premium cost for the TRS-ActiveCare-HD plan in the 2019-20 plan year was \$377 per month. For an employee in a district that contributes the minimum \$225 towards the total premium, the employee would be required to contribute at least \$152 per month for employee-only coverage. If, hypothetically, a non-participating district had a similar total premium and contributed

The total cost of TRS-ActiveCare is highly competitive across a variety of benchmarks.

\$377, the employee would pay nothing for comparable coverage. For the employees, it might appear that the non-participating school district would be obtaining a better value in procuring health care due to the lower employee contribution. However, the only difference in this example would be due to the district contribution.

Texas school districts outside of TRS-ActiveCare contribute more than districts inside of TRS-ActiveCare. In the 2019-20 plan year, TRS collected data for more than two dozen plans. For plans like TRS-ActiveCare-1-HD, we found that school districts outside TRS-ActiveCare contribute on average \$407 per employee per month compared to \$298 for districts inside of TRS-ActiveCare. In many districts the employee contribution is lower than TRS-ActiveCare as a result.

2019-20 Contribution comparison for Employee-Only Coverage

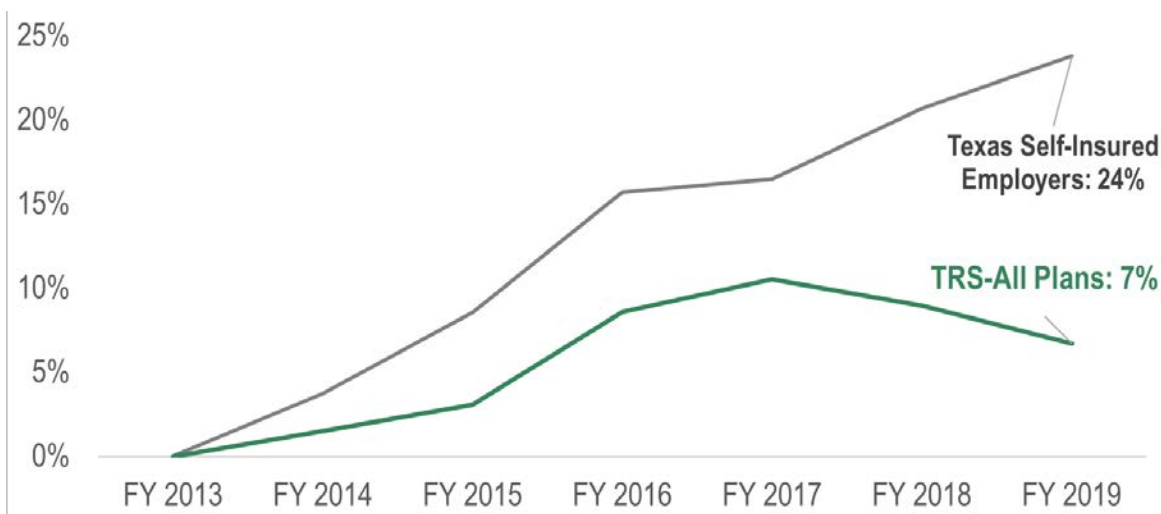


HD=High Deductible. U.S. Public education is from U.S. Bureau of Labor Statistics 2019 data. Texas non-participating is based on 27 plans primarily from Houston, Dallas, Austin, and San Antonio regions using plan most comparable to TRS-ActiveCare-1-HD. Texas data represents average of each district. Plans outside of TRS-ActiveCare may offer different plan designs which impact premiums.

However, we have also found that TRS-ActiveCare offers employers greater value than coverage offered by districts outside the program. For example, the TRS-ActiveCare HD plan that will be offered on September 1, 2020 will be approximately 14% below the median total cost of similar plans offered by non-participating school districts in Texas. As a result, districts could eliminate the employee contribution with a smaller contribution inside of TRS-ActiveCare or make the same contribution and have a larger total impact on members' cost sharing.

Additionally, TRS has experienced per-member cost growth well below the market with a cumulative increase since fiscal year 2013 of 7% compared to 24% for self-insured employers in Texas.

Cumulative Per Member Cost Growth



TRS recognizes that access to affordable, quality medical care is crucial to participants' quality of life. Whether it is the birth of a new child, access to drugs that help 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 is why we collaborate with school districts, retirees, and participants through advisory committees, in-person & virtual events, and customer service surveys to inform plan changes each year. TRS has provided health coverage to members for more than three decades and remains committed to a long-term partnership with employees, schools, and Texas Legislature.

AFFORDABILITY OF HEALTH CARE FOR MEMBERS

State statute requires that state funding for TRS-ActiveCare be distributed through the school finance formulas, and the Texas Legislature appropriates funding for schools through the Texas Education Agency. For TRS-ActiveCare, TRS only receives money transferred by school districts to TRS. As a result, TRS has no direct control over how much money is available to ensure that employee premiums are affordable.

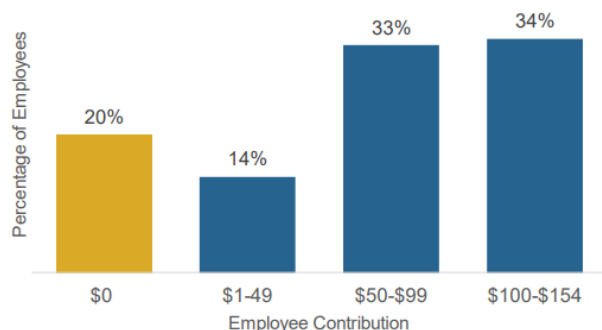
Instead, TRS sets the total premiums to ensure adequate funding for benefits. School districts then determine how much they can contribute. School districts are required to contribute at least \$150 per employee per month in addition to the state contribution of \$75 per employee per month. School districts use a mix of state and local funding to make this contribution to TRS. When TRS-ActiveCare was



19% of Full-Time Employees Had a \$0 Premium for Employee-Only Coverage in the 2018-19 Plan Year

(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.

However, this \$225 minimum has not changed since the creation of TRS-ActiveCare in 2002. School districts can contribute more than \$225. Most districts do, and this additional contribution reduces the employees' share of the total premium. However, based on data collected for the 2019-20 plan



Note: Estimate for full-time employees in the 2019-20 plan year.

year, only 20% of employees have a \$0 employee contribution for employee-only coverage in the high deductible plan.

As a result, in fiscal year 2020, TRS estimates that employees paid for 46.2% of the total premium. After including cost sharing, employees paid for approximately 60% of their medical and pharmacy costs in fiscal year 2020.

The TRS Board of Trustees strives to maximize the affordability of care within the revenue available. This includes re-procuring services when appropriate to encourage strong market competition and developing benefits that promote the use of high-quality, in-network providers. During these challenging times, TRS has also reduced cost-sharing for certain benefits so that members can be tested and treated for COVID-19 while accessing routine care through telemedicine when appropriate. TRS remains committed to ensuring public education employees continue to have high-value health care.

Appendix

Exhibit 1: TRS-ActiveCare Premiums

		Total Premium Before Your District Contribution		
		Current 2019-20 Total Premium	New 2020-21 Total Premium	Change in Dollar Amount
TRS-ActiveCare Primary (New!)	Employee Only		\$386.00	
	Employee and Spouse		\$1,089.00	
	Employee and Children		\$695.00	
	Employee and Family		\$1,301.00	
TRS-ActiveCare HD (formerly 1-HD)	Employee Only	\$378.00	\$397.00	\$19.00
	Employee and Spouse	\$1,066.00	\$1,120.00	\$54.00
	Employee and Children	\$722.00	\$715.00	– \$7.00
	Employee and Family	\$1,415.00	\$1,338.00	– \$77.00
TRS-ActiveCare Primary+ (formerly Select)	Employee Only	\$556.00	\$514.00	– \$42.00
	Employee and Spouse	\$1,367.00	\$1,264.00	– \$103.00
	Employee and Children	\$902.00	\$834.00	– \$68.00
	Employee and Family	\$1,718.00	\$1,588.00	– \$130.00