



TRS-ActiveCare District Summit

February 5, 2020
Austin, Texas



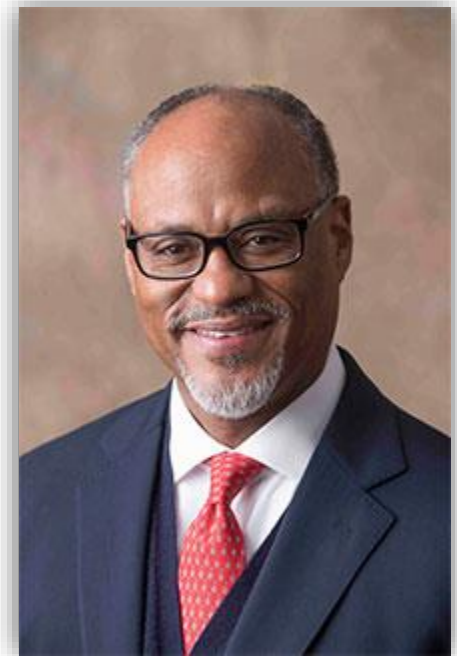
Welcome to Austin

Brian Guthrie, TRS Executive Director



Welcome from the Board of Trustees

Jarvis V. Hollingsworth, Chairman



Agenda

- Introductions
- What to Know about TRS-ActiveCare
- How TRS-ActiveCare Compares
- Affordability and Funding

15-Minute Break

- Continuing the Conversation: Strategies to Enhance TRS-ActiveCare
 - Re-procurement of Vendors
 - District Engagement
 - Family Coverage
 - Re-Engineering TRS-ActiveCare Plans
- Wrap Up and Next Steps

Today's Attendees (as of January 30)

Texas College Preparatory Academies Tomball ISD Two Dimensions Preparatory Academy
Region 13 Education Service Center Region 6 ESC White Settlement ISD
New Boston ISD Region 10 ESC Victoria ISD
Medina Valley ISD Lovejoy ISD Orenda Education Splendora ISD
Spring Branch ISD Harris County Department of Education
Richardson ISD Hardin Jefferson ISD Gregory Portland ISD Mesquite ISD
Fredericksburg ISD Floresville ISD McGregor ISD
Temple ISD Frisco ISD Humble ISD East Central ISD Arlington Classics Academy
Region 12 Center Point ISD Denton ISD Gause ISD Pawnee ISD
Van Vleck ISD Galena Park ISD Brock ISD Cypress Fairbanks ISD Liberty Hill ISD
New Caney ISD Bob Hope School Deer Park ISD Comfort ISD Navarro ISD
San Angelo ISD Llano ISD Clear Creek ISD Carthage ISD Brazosport ISD Louise ISD
Palestine ISD Kennedale ISD Elgin ISD Carrollton Farmers Branch ISD Edna ISD
Montgomery ISD Hays CISD Caldwell ISD Cuero ISD Beaumont ISD Dripping Springs ISD
Meridian World School Galveston ISD Coppell ISD Canton ISD Copperas Cove ISD Redwater ISD
Vidor ISD Goose Creek CISD Del Valle ISD Kenedy ISD Marble Falls ISD
Sealy ISD Boerne ISD College Station ISD Bastrop ISD Eanes ISD Mason ISD
Irving ISD Big Sandy ISD Upshur County Arlington ISD Hearne ISD Region 2 ESC
East Fort Worth Montessori Schools Dilley ISD Dr M L Garza Gonzalez Charter School
Plano ISD Eagle Mountain Saginaw ISD Moulton ISD Sheldon ISD
Lyford CISD Lewisville ISD NYOS Charter School
Region 17 ESC Red Oak ISD Southwest ISD
Weatherford ISD



What to Know about TRS-ActiveCare

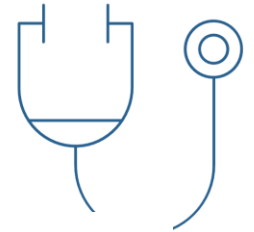
Who TRS-ActiveCare Serves



- **Average age of 34**
- **65% female**
- **483,113 participants**
- **~\$2 Billion in Claims**
- **90% of 1,213 School Districts**

What Does TRS Do?

- Procure medical administrator and pharmacy benefit manager to:
 - Ensure high-quality networks
 - Acquire drugs at low costs
- Protect plan resources by detecting fraud
- Offer high-quality customer service
- Share data with school districts and the legislature
- Provide communication materials



The Value of TRS-ActiveCare

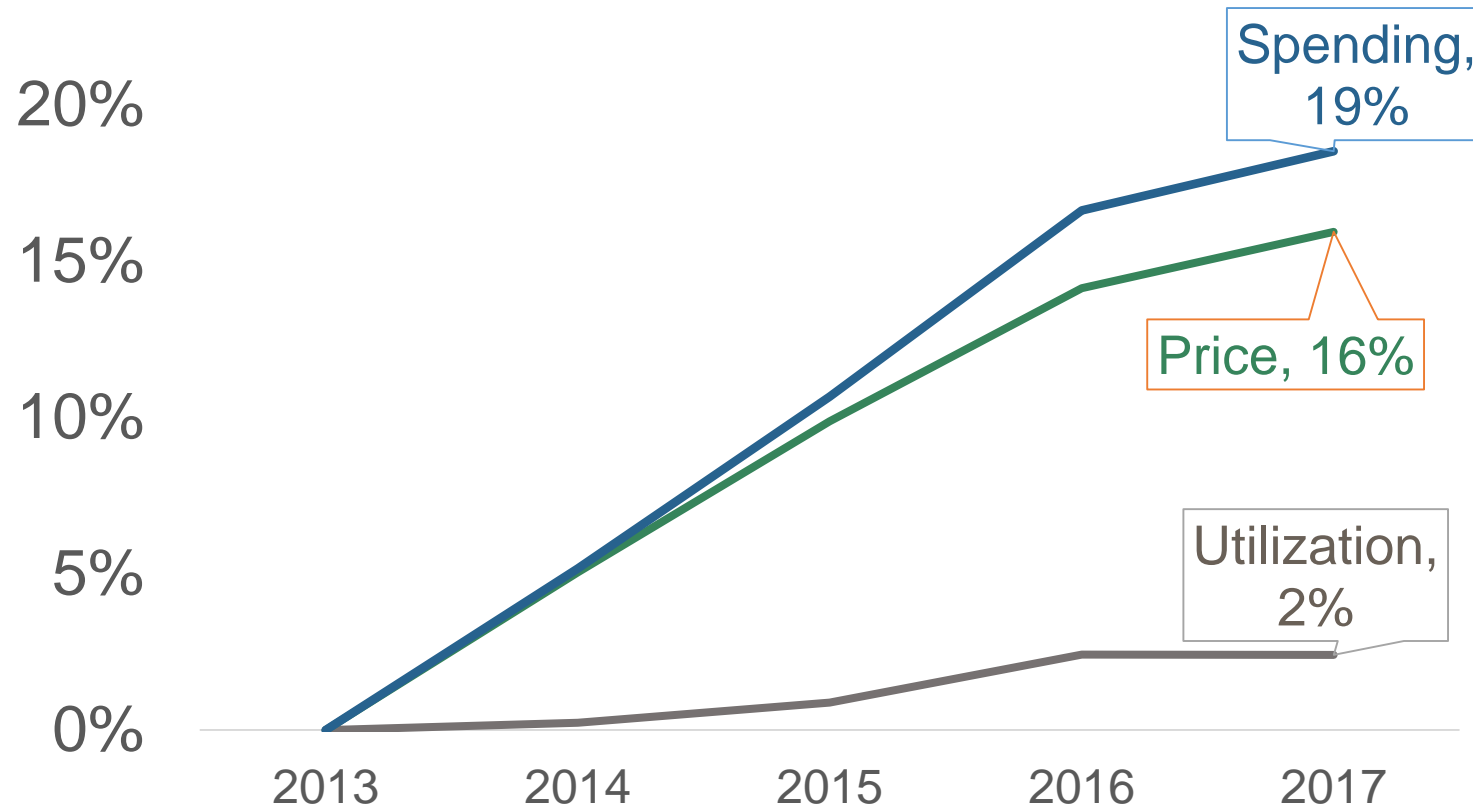
Our large size allows us to:

- Lower prices
- Keep administrative costs low
- Reduce risk
- Decrease volatility



Health Care Costs Are Rising

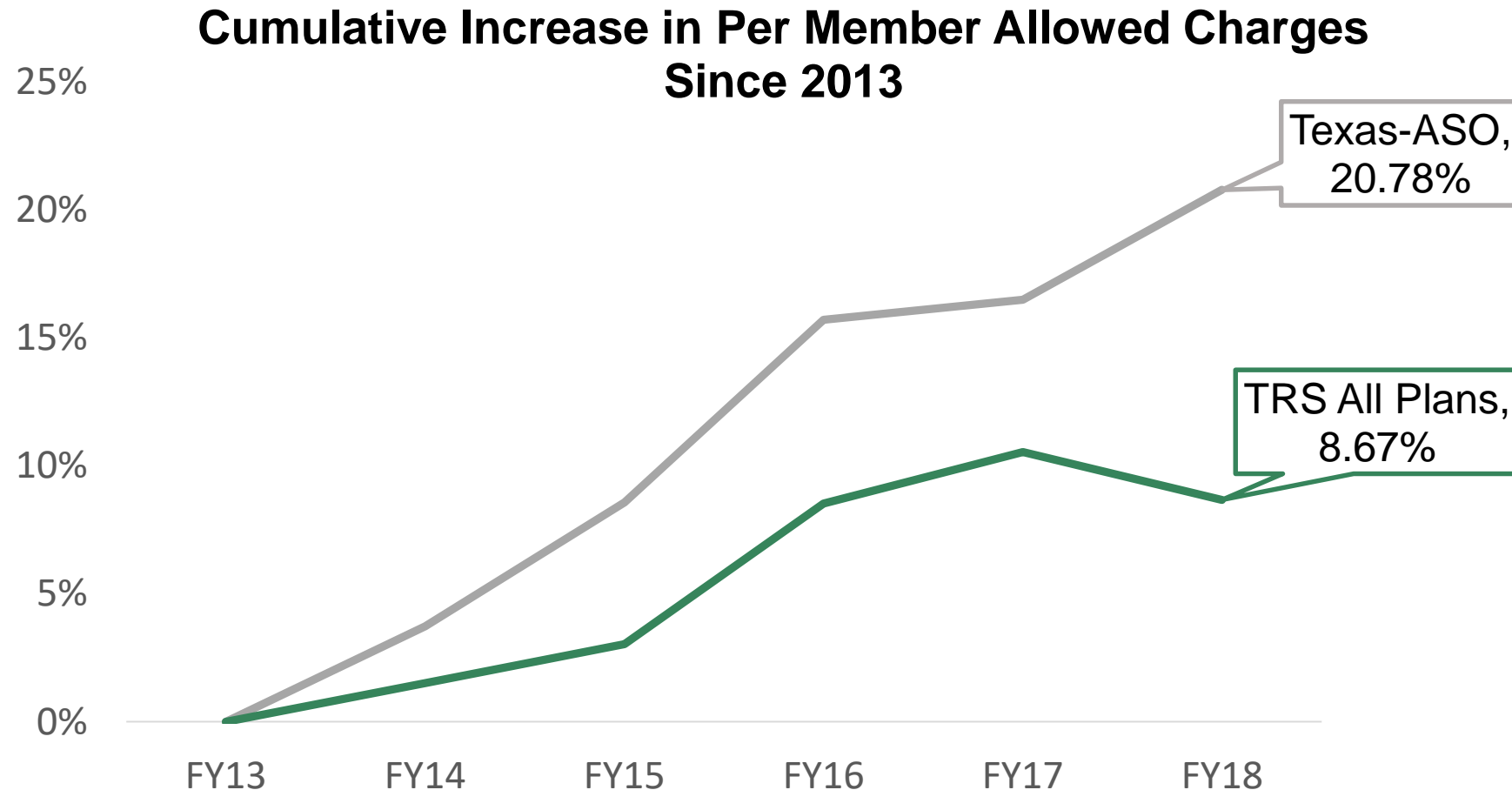
Cumulative Per Person Cost Growth in Texas
Employer-Based Coverage



Price inflation –
NOT increased
usage is driving
higher costs

Source: Health Care Cost Institute

TRS Has Unique Negotiating Power



Source: Milliman & GRS. ASO = Self-insured employers with administrative services only contracts. Texas-ASO data does not include rebates. Excluding rebates from TRS All Plans would increase cumulative growth to 12.81%.

TRS Keeps Administrative Costs Low

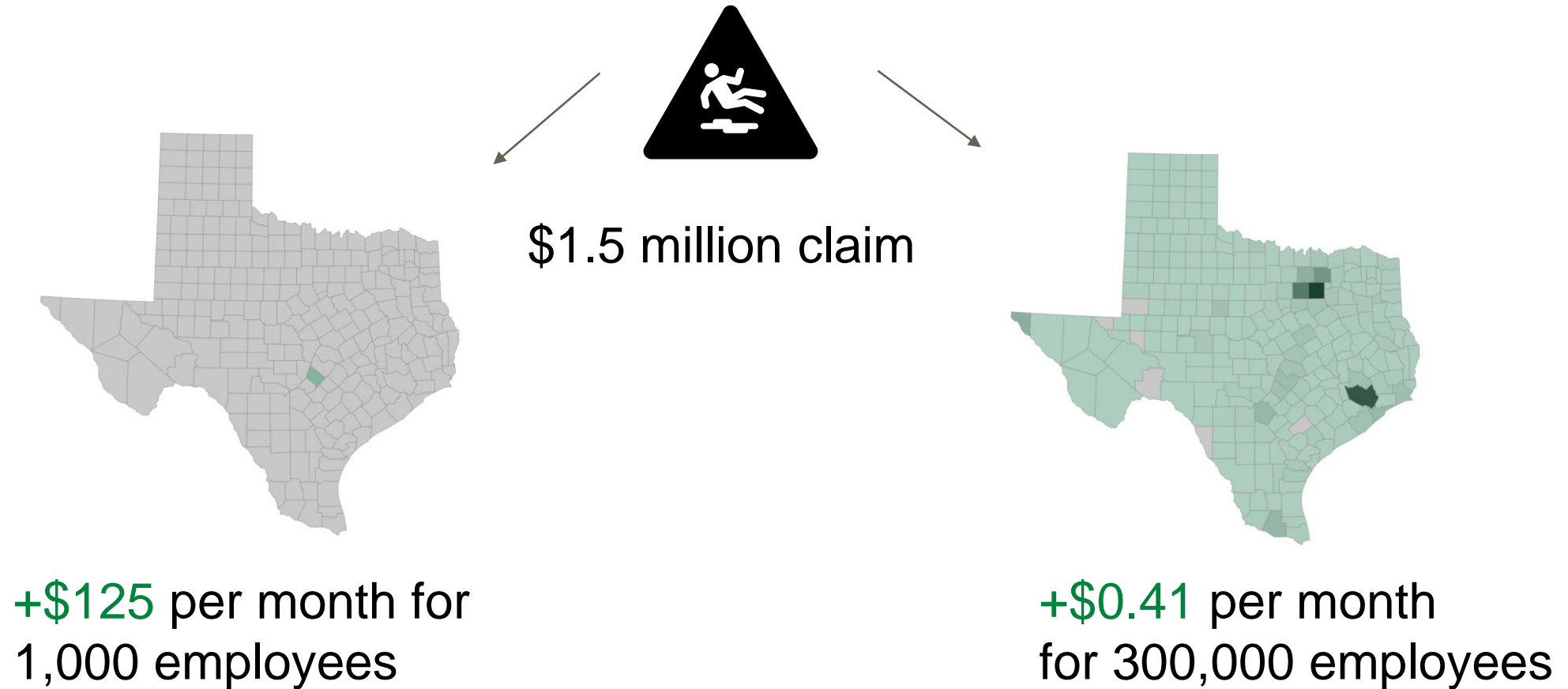
95%
goes to you for
your
medical and
prescription
drug claims



5%
pays for
administration
and claims
processing

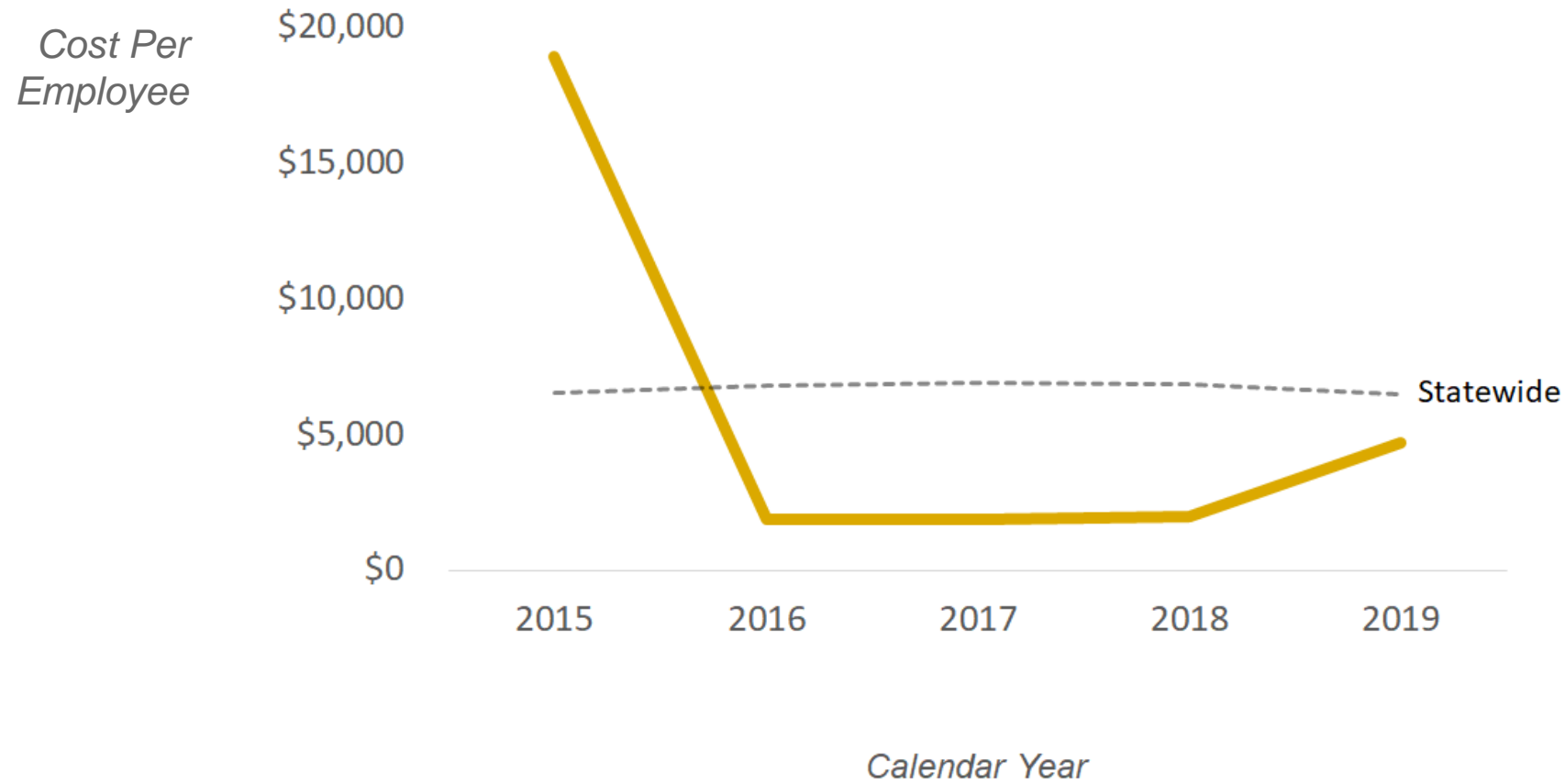


Reduce Risk & Cost to Districts



Volatility Can Be Significant

Medical Claims Vary Significantly Each Year At Individual Districts



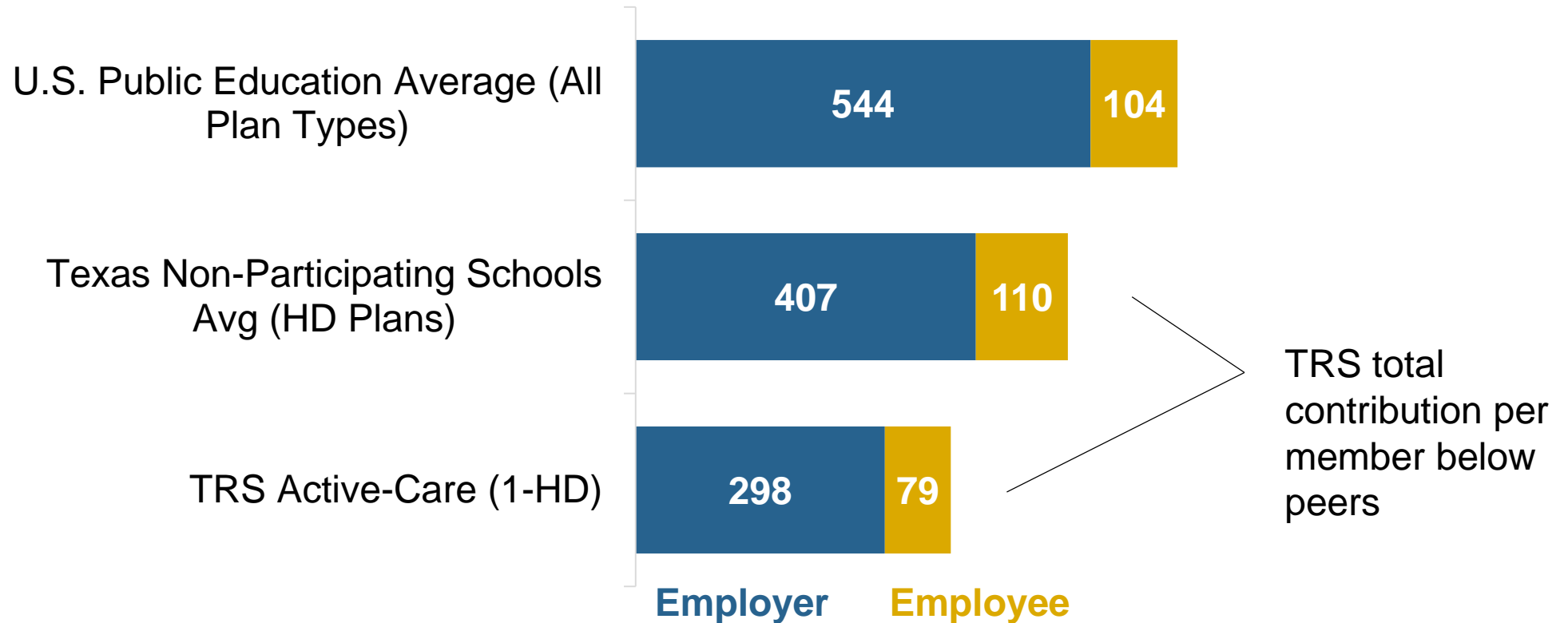
Medical only, excludes HMO enrollment, 2019 does not include December medical claims, 68 districts randomly sampled among those with data for all five years. Based on allowed amounts.

Discussion

How TRS-ActiveCare Compares

Education: Contribution Comparison

2019-20 Contribution Comparison Employee-Only Coverage

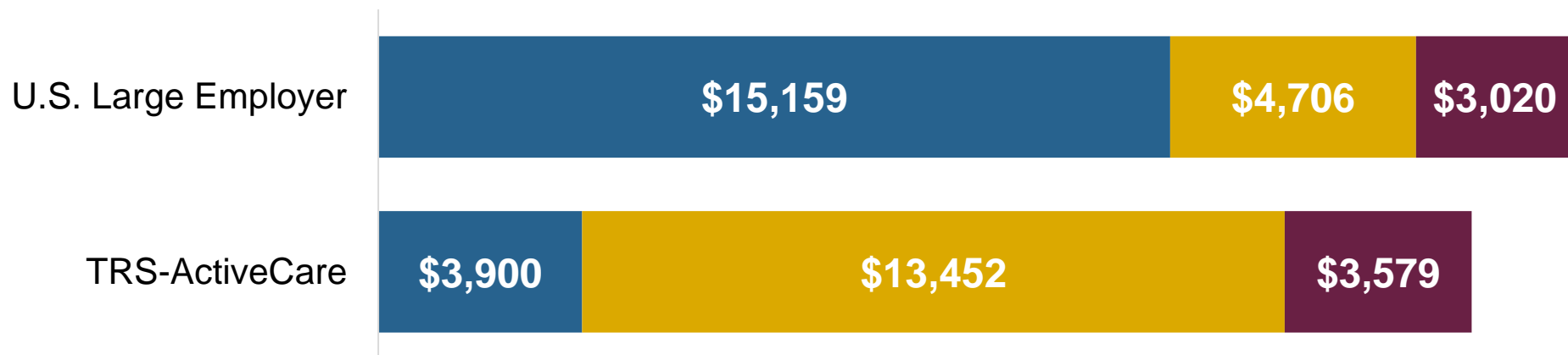


HD=High Deductible. U.S. Public education is from U.S. Bureau of Labor Statistics 2019 data. Texas non-participating is based on 27 plans primarily from Houston, Dallas, Austin, and San Antonio regions using plan most comparable to TRS-ActiveCare-1-HD. Texas data represents average of each district.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

Large Employers: Contribution Comparison

**On average, TRS-ActiveCare employees paid
\$9,305 more per year for family coverage**

■ Employer premium contribution ■ Family premium contribution ■ Family out-of-pocket spending



U.S. Large Employer is based on calendar year 2018 averages in Kaiser Family Foundation analysis (Rae, Copeland, and Cox, 2019). TRS premium data is from the 2018-19 plan year and cost sharing is based on claims analysis of data from fiscal year 2018. Costs are before any drug rebates.

A Real Life Example

Lance Nauman, Director of Risk Management, Katy ISD

- Benefits eligible: 10,924
- Employees enrolled: 7,924
- Total plan participants: 13,568
- Total instructional: 68
 - High schools 9
 - Junior high schools 16
 - Elementary schools 83
- Total district locations: 83
- Total students: 83,000

What Lies Beneath?

- 1) Long-term commitment
- 2) Monthly financial monitoring
- 3) Perpetual marketing of the plan
- 4) Promote consumerism
- 5) Maintain adequate contribution rates by the District and employees
- 6) Change the vocabulary to change the culture. Eliminate “Premium” and “Insurance Company”. Implement “Contribution” and “Katy ISD”.



**Your entire District
owns the risk.**

Self Insurance: What Are the True Expenses?

| | Jan | Feb | March | Total |
|---------------------------|-----|-----|-------|-------|
| Enrollment | 0 | 0 | 0 | |
| Contributions | | | | |
| Katy ISD | 0 | 0 | 0 | 0 |
| Employee | 0 | 0 | 0 | 0 |
| Earned Int – Health Fund | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| Expenses | | | | |
| Claims | | | | |
| Medical/HRA | 0 | 0 | 0 | 0 |
| Pharmacy | 0 | 0 | 0 | 0 |
| Save-On | 0 | 0 | 0 | 0 |
| RediMD | 0 | 0 | 0 | 0 |
| Beacon Health Subrogation | 0 | 0 | 0 | 0 |
| Recovery | 0 | 0 | 0 | 0 |
| Pharmacy | | | | |
| Rebates | 0 | 0 | 0 | 0 |
| Other Rebates | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

| | Jan | Feb | March | Total |
|----------------------------|-----|-----|-------|-------|
| Administration | | | | |
| AETNA | 0 | 0 | 0 | 0 |
| Stop Loss | 0 | 0 | 0 | 0 |
| Gallagher | 0 | 0 | 0 | 0 |
| ADP | 0 | 0 | 0 | 0 |
| Wageworks(Cobra) | 0 | 0 | 0 | 0 |
| Communications | 0 | 0 | 0 | 0 |
| ACA Fees(1095C/PICORI) | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| Operating Gain/Loss | 0 | 0 | 0 | 0 |
| HRA Balance | 0 | 0 | 0 | 0 |
| Loss Projection | | | | |
| Contributions | 0 | 0 | 0 | 0 |
| Expenses | 0 | 0 | 0 | 0 |
| Budget Gain/Loss | 0 | 0 | 0 | 0 |

Contributions Aren't the Only Costs

To offer the same level of benefits as TRS-ActiveCare, consider:

- Broker commissions
- Stop loss coverage or reinsurance
- Negotiating medical and pharmacy discounts
- Increased staff or consultants to take ownership of the plans

Discussion



Affordability and Funding

The Challenge of Affordability

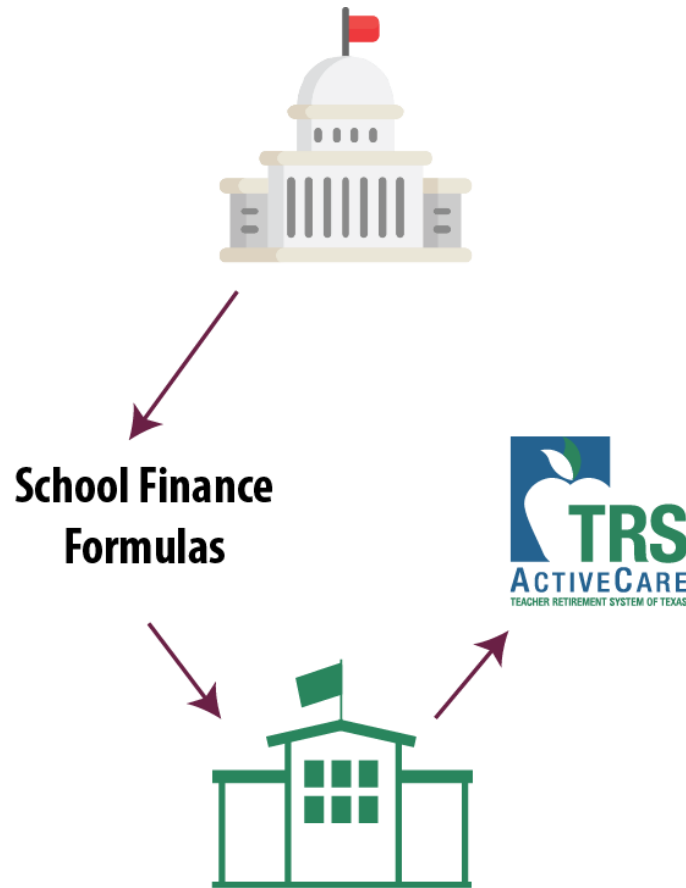
Members' Top Priorities for Improving TRS-ActiveCare Health Benefits

70% lower cost sharing

69% lower premiums

TRS 2019 Member Survey

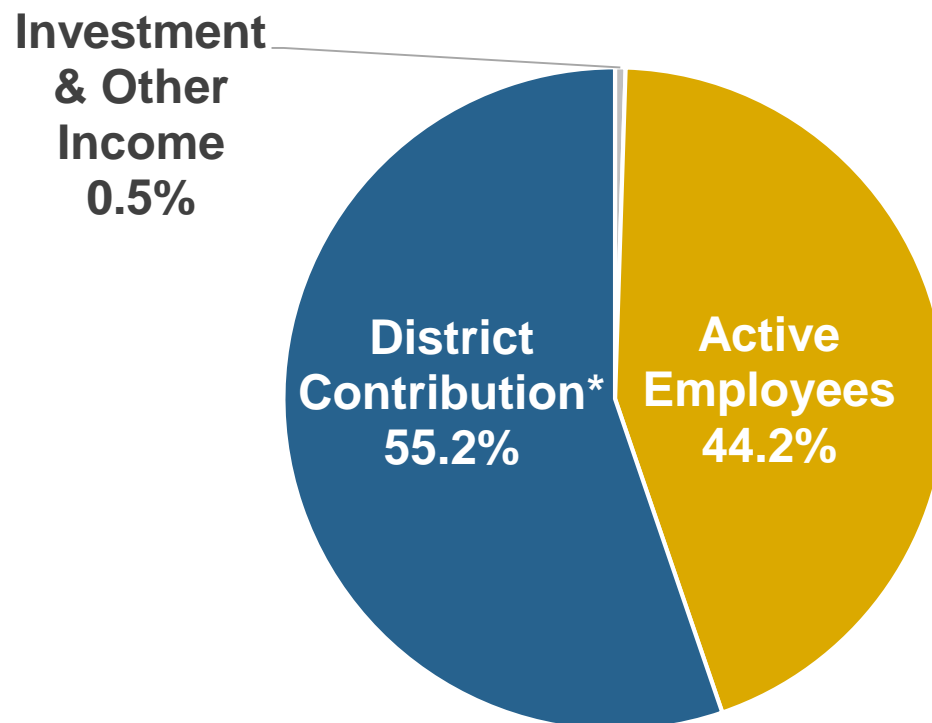
How is TRS-ActiveCare Funded?



- Funding, per statute, comes through school districts. There is no other source of revenue for TRS-ActiveCare
- Based on a 2001 law, minimum funding is \$225 per person
- Districts can contribute more than minimum. The current average contribution per employee is \$324 for employee-only coverage

Employees Pay Majority of Health Expenses

TRS-ActiveCare Revenues FY 2019

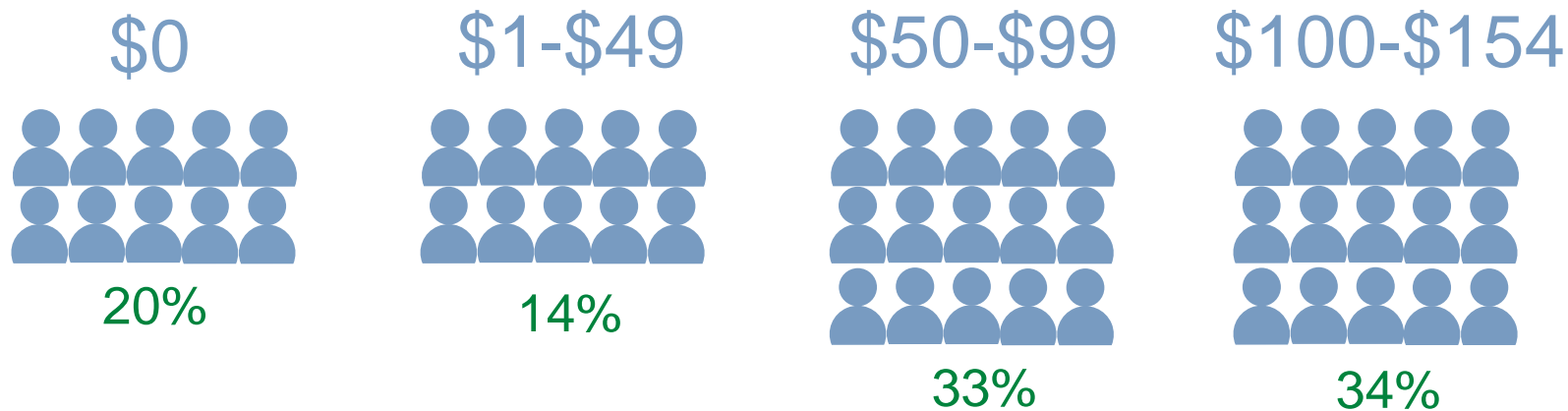


After cost sharing, TRS-ActiveCare employees paid ~**60%** of their total cost across all tiers and programs.

* Includes State and Local Funding

Employee Contributions Vary by District

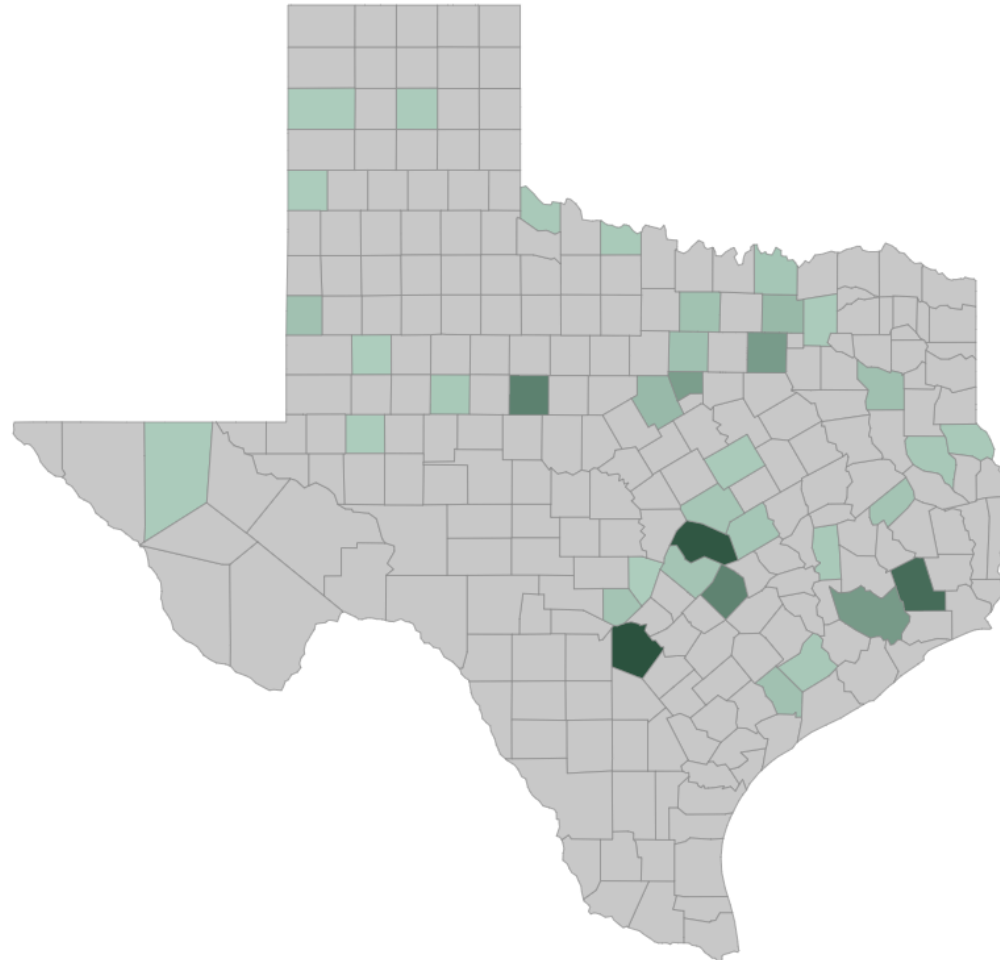
Only 20% of Full-Time Employees Have a \$0 Contribution for Employee-Only Coverage in the 2019-20 Plan Year



Estimated Percentage of Full-Time Employees Enrolled in High-Deductible Plan

37 Districts “Moved to \$0”

~6,000 employees in 37 counties saw their employee-contribution decrease to \$0



Discussion

Break



We'll resume in 15 minutes.



Part II: Continuing the Conversation

Strategies to Enhance TRS-ActiveCare

Ways to Enhance Value

- Re-procurement of Vendors
- District Engagement
- Family Coverage
- Re-engineering TRS-ActiveCare
 - Network Strategies
 - Potential Benefit Enhancements
- Other Services

District Engagement Efforts

District Summits

Houston

July 15, 2019

Dallas-Fort Worth

August 9, 2019

Central Texas

September 23, 2019

Dallas Fort-Worth

November 14, 2019

Houston

November 21, 2019

All-TRS-ActiveCare (Austin)

February 5, 2020

Conference Presentations

Alamo Area SBO

December 4, 2019

TASPA

December 13, 2019

TASA Midwinter

January 28, 2020

TASBO Engage

March 5, 2020

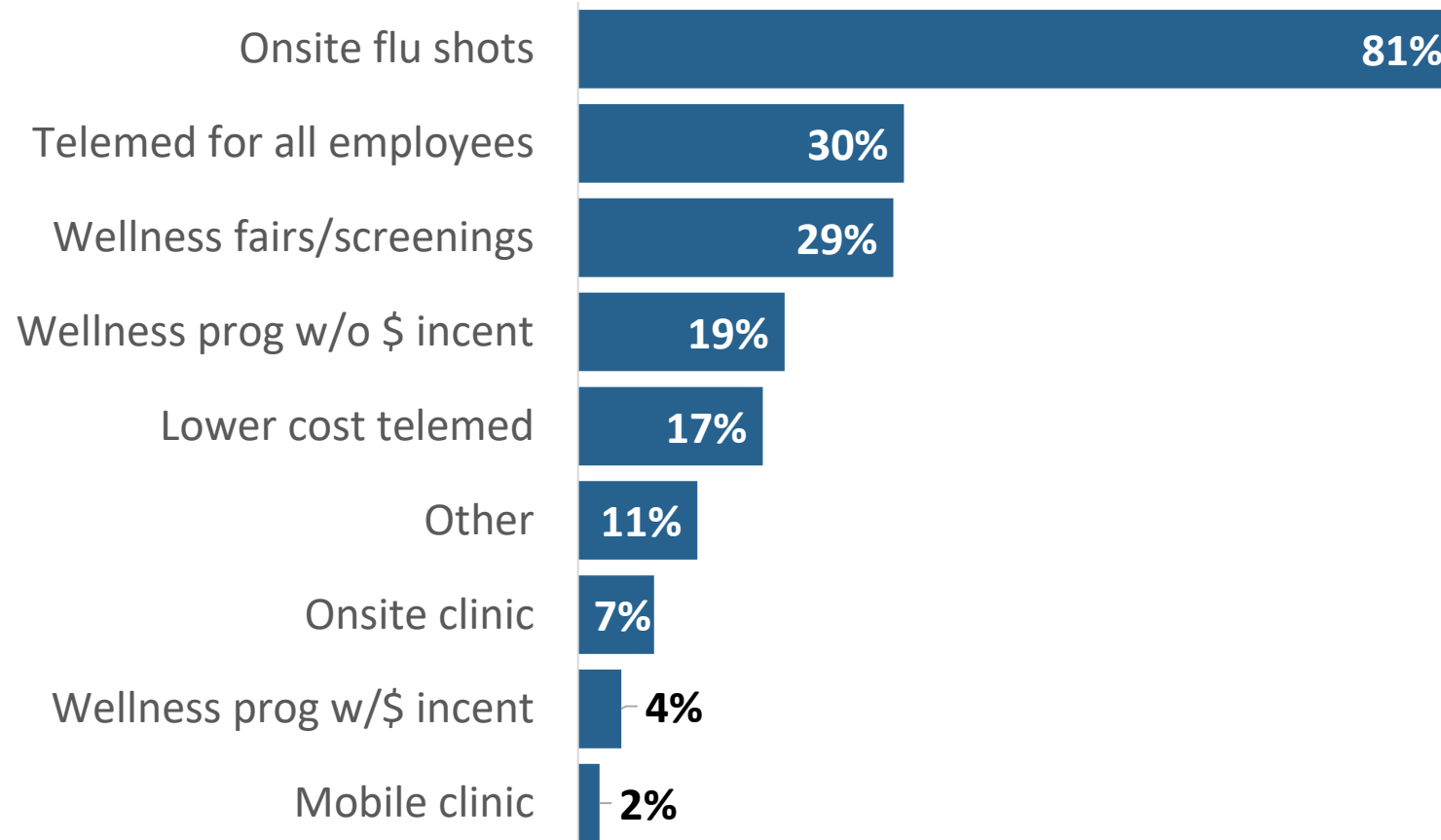


What We've Heard From Districts

- There is confusion about what “self-funded” means.
- There's opportunity to increase awareness about how health care decisions affect TRS-ActiveCare costs.
- The impact of TRS-ActiveCare benefits on staff recruitment and retention varies within and between regions.
- Many schools are procuring additional products to augment their health benefits.

Services Outside TRS-ActiveCare

Percentage of Districts Offering Additional Services



What We've Heard From Districts

- The cost of health care is top of mind.
- Employees look at premium first, then at costs to see a provider. Once enrolled, many try not to use coverage due to fear of high out-of-pocket expenses. School faculty are more inclined to consider benefits (lower deductible, copays) rather than premium alone.
- Family coverage is expensive. Most enroll in employee-only coverage.
- Some districts expressed interest in a more select network option if it would increase TRS' purchasing power to reduce prices while still offering access to quality providers.
- While the majority of districts offer a HSA, the vast majority do not contribute to it.



Addressing Family Coverage Cost

More premium revenue
has been directed to
keep employee-only
coverage lower

This has increased costs
for family coverage

We could adjust the
relativities between
tiers

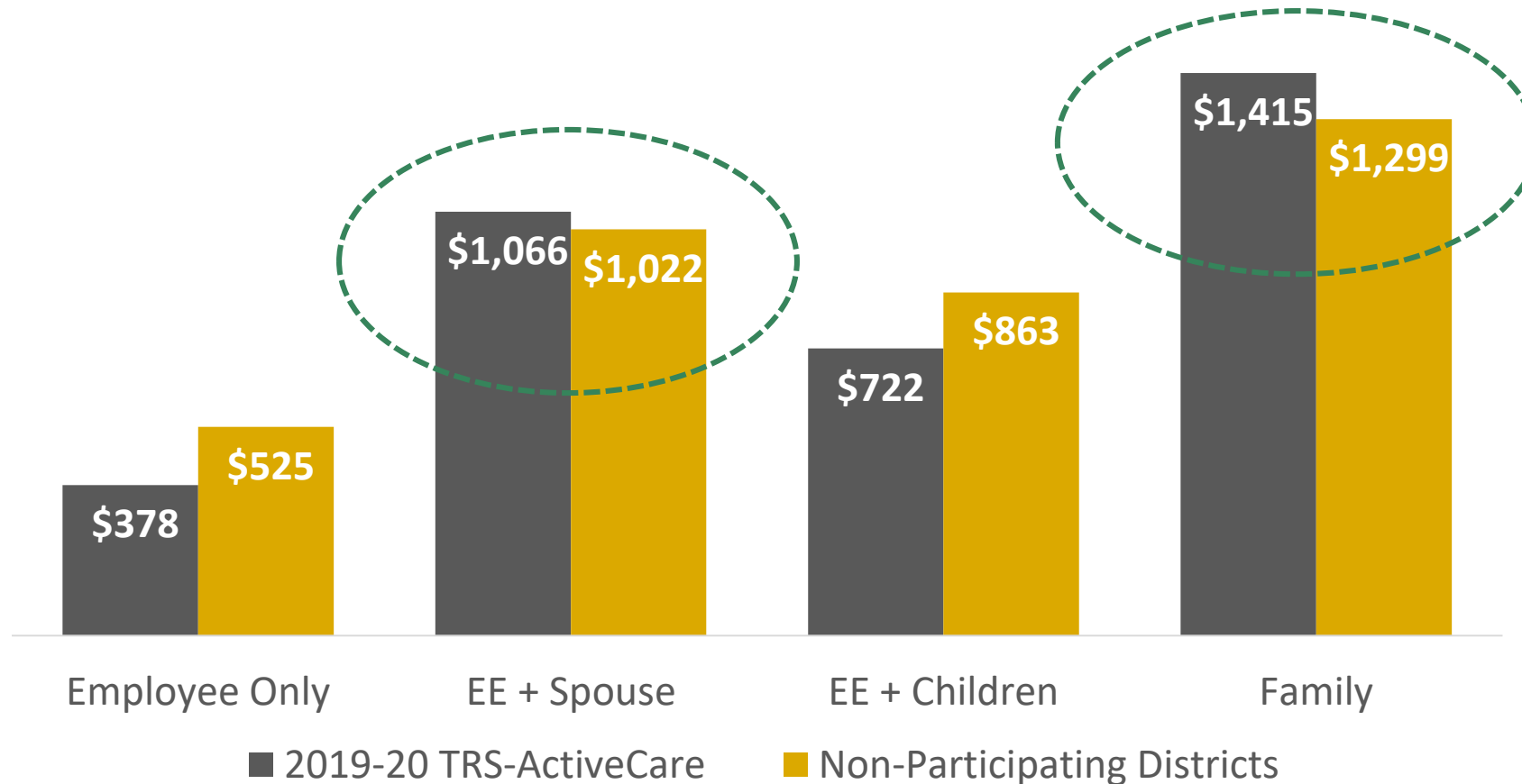
Addressing Family Coverage Cost

| | Median 1-HD Employee Contribution | Support Staff Annual Salary | Contribution % of Salary | Contribution + Deductible % of Salary |
|---|---|--------------------------------|-----------------------------|--|
|  Employee Only | \$756 | \$28,432 | 2.7% | 12.3% |
|  Employee + Family | \$12,900 | \$28,432 | 45.4% | 64.7% |

All figures are shown on a 12 month basis. Deductibles are based on in-network deductible for TRS-ActiveCare 1-HD using current plan designs.

Premium Tiering

Current TRS-ActiveCare 1-HD Total Premiums Compared to Non-participating Districts



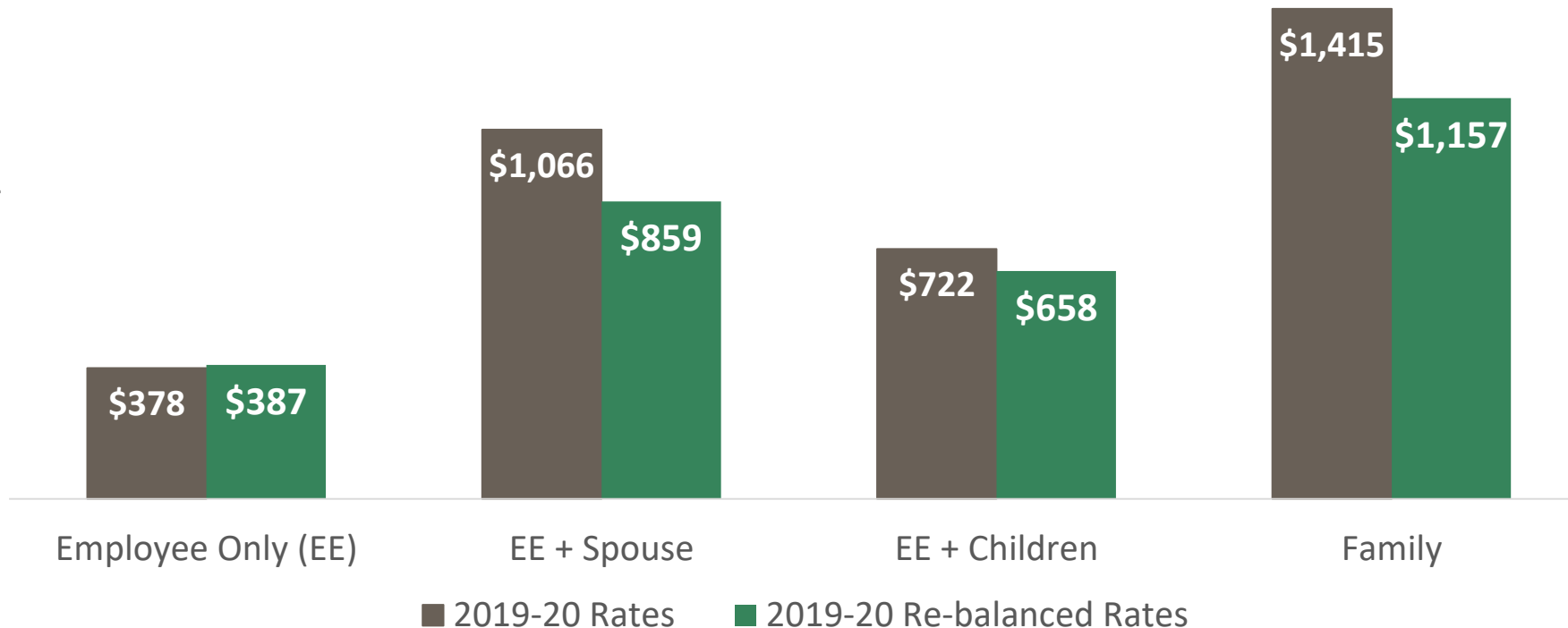
TRS-ActiveCare has higher total premium for spouse and family tiers due to current weighting.

Non-participating districts is based on data from 33 non-participating independent school districts in Texas.

Premium Tiering

**A \$9 Increase In Employee Only Total Premium Would
Have Decreased Family Premium By More Than \$200 per month**

This is not an
estimate of
future rates.

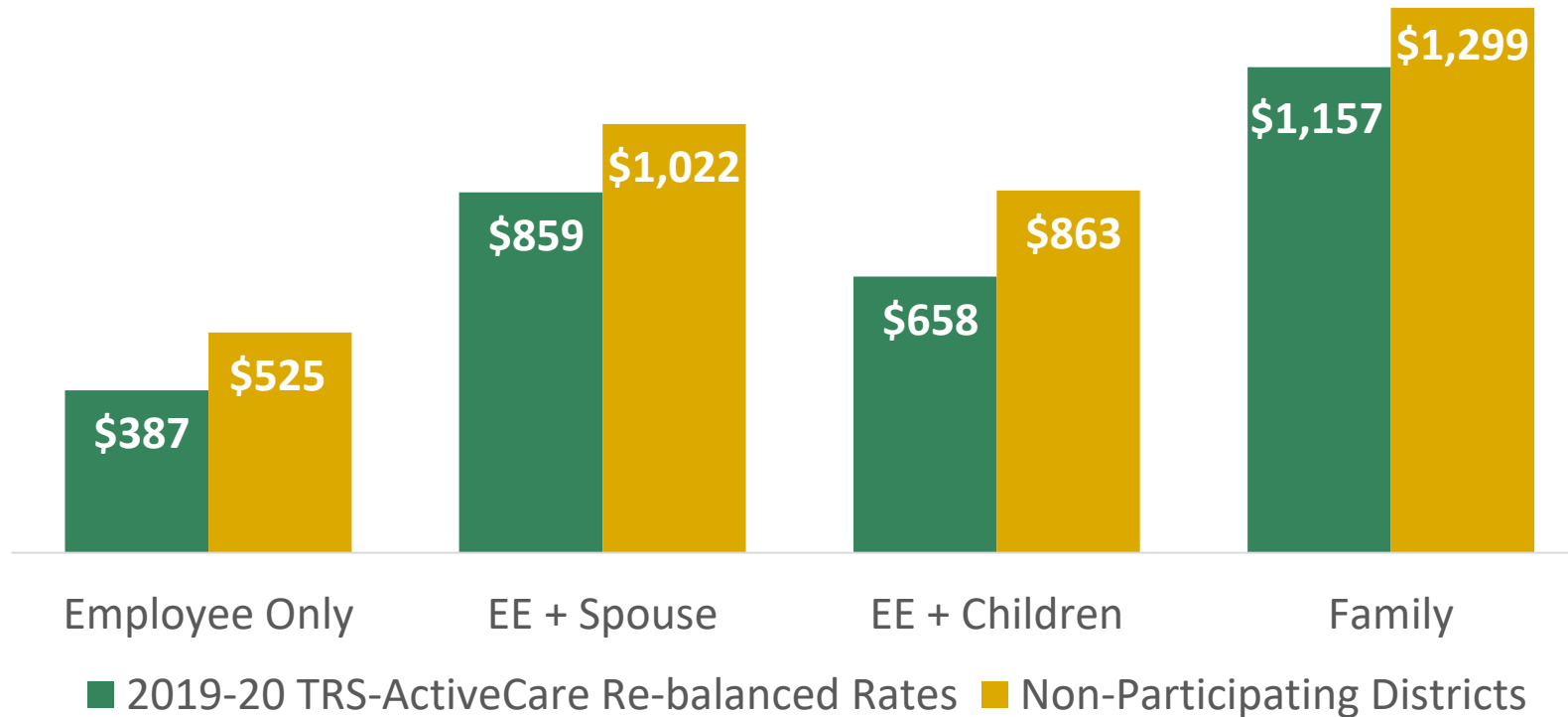


This example does not include full actuarial modeling, final rates would vary. This is intended as an illustration of the general magnitude and direction of changes. Example for 2019-20 rate year.

Premium Tiering

Re-balancing Would Result In Lower Total Premium Than **Non-participating Districts for Every Tier**



This is not an estimate of future rates.



This example does not include full actuarial modeling, final rates would vary. This is intended as an illustration of the general magnitude and direction of changes. Example for 2019-20 rate year. Non-participating districts is based on data from 33 non-participating independent school districts in Texas.

Addressing Family Coverage Cost

After re-tiering

| | Median 1-HD Employee Contribution | Support Staff Annual Salary | Premium % of Salary | Premium + Deductible % of Salary |
|---|---|--------------------------------|------------------------|-------------------------------------|
|  Employee Only | \$864 (+\$108) | \$28,432 | 3.0% (+0.4%) | 14.0% (+0.4%) |
|  Employee + Family | \$10,488 (-\$3,096) | \$28,432 | 34.5% (-10.9%) | 53.8% (-10.9%) |

All figures are shown on a 12 month basis. Deductibles are based on in-network deductible for TRS-ActiveCare 1-HD using current plan designs.

Kahoot

- How many districts would be interested in rebalancing the relativities between the employee-only and family tiers?
- [Kahoot options:](#)

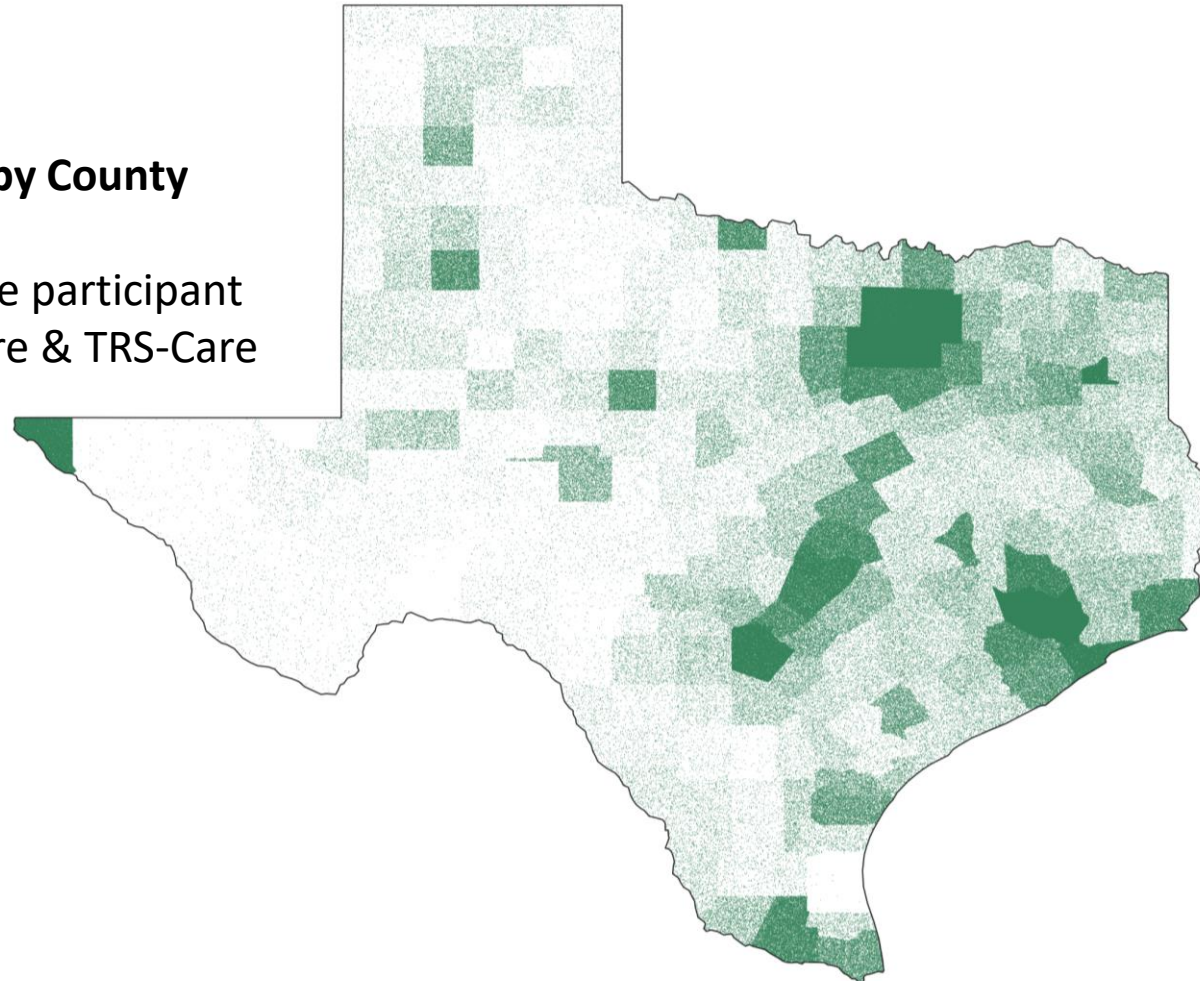
In favor
Neutral
Against

Re-engineering TRS-ActiveCare Plans

Large, Diverse Membership

Participants by County

One dot = one participant
TRS-Activecare & TRS-Care



The Challenge of Affordability

Members' Top Priorities for Improving TRS-ActiveCare Health Benefits

70% lower cost sharing

69% lower premiums

TRS 2019 Member Survey

Plan Design Fundamentals

↓ premium = members pay more when accessing care

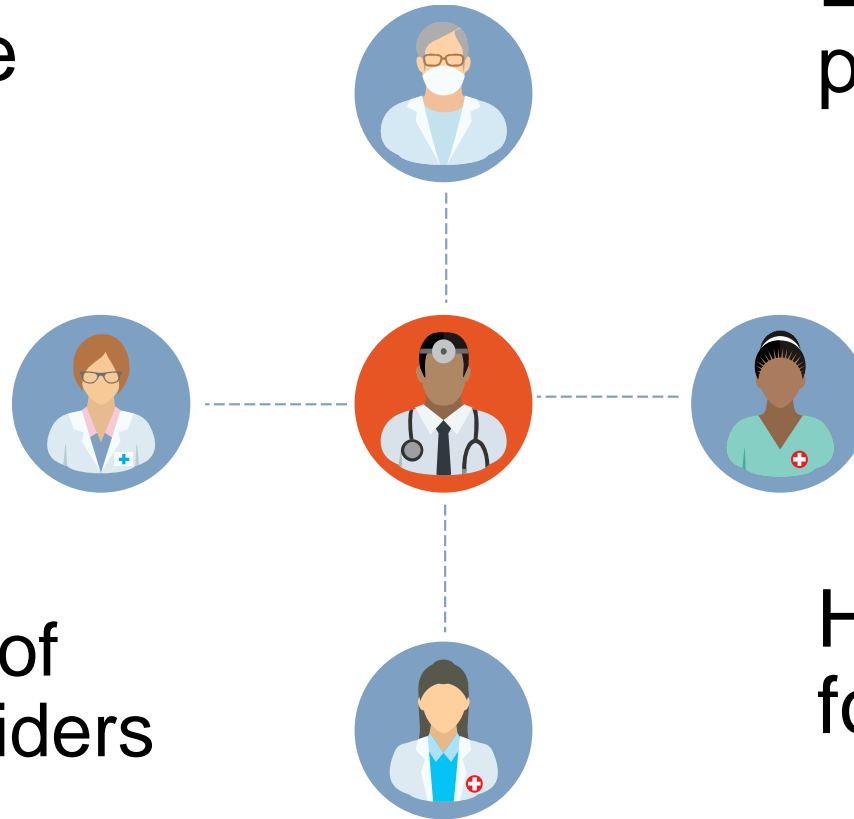
OR

↑ premium = plan pays more when members access care

Plan Design and Network Strategies

Plan design that encourages use of high-quality services

Emphasize primary care



Supported by a curated network of high-quality providers for each region

High-value formulary design

Kahoot: Network Strategy

How many districts would be interested in a curated network of quality providers?

Kahoot options:

In favor

Neutral

Against

Current Plan Designs

| Current In-Network Benefits | TRS-ActiveCare 1-HD | TRS-ActiveCare Select |
|-----------------------------|--|--|
| Deductible | \$2,750 employee only \$5,500 family | \$1,200 employee only \$3,600 family |
| Maximum out-of-pocket | \$6,750 employee only \$13,500 family | \$7,900 employee only \$15,800 family |
| Primary Care Physician | 20% coinsurance after deductible | \$30 copay |
| Specialist | 20% coinsurance after deductible | \$70 copay |

Re-engineering Design Considerations

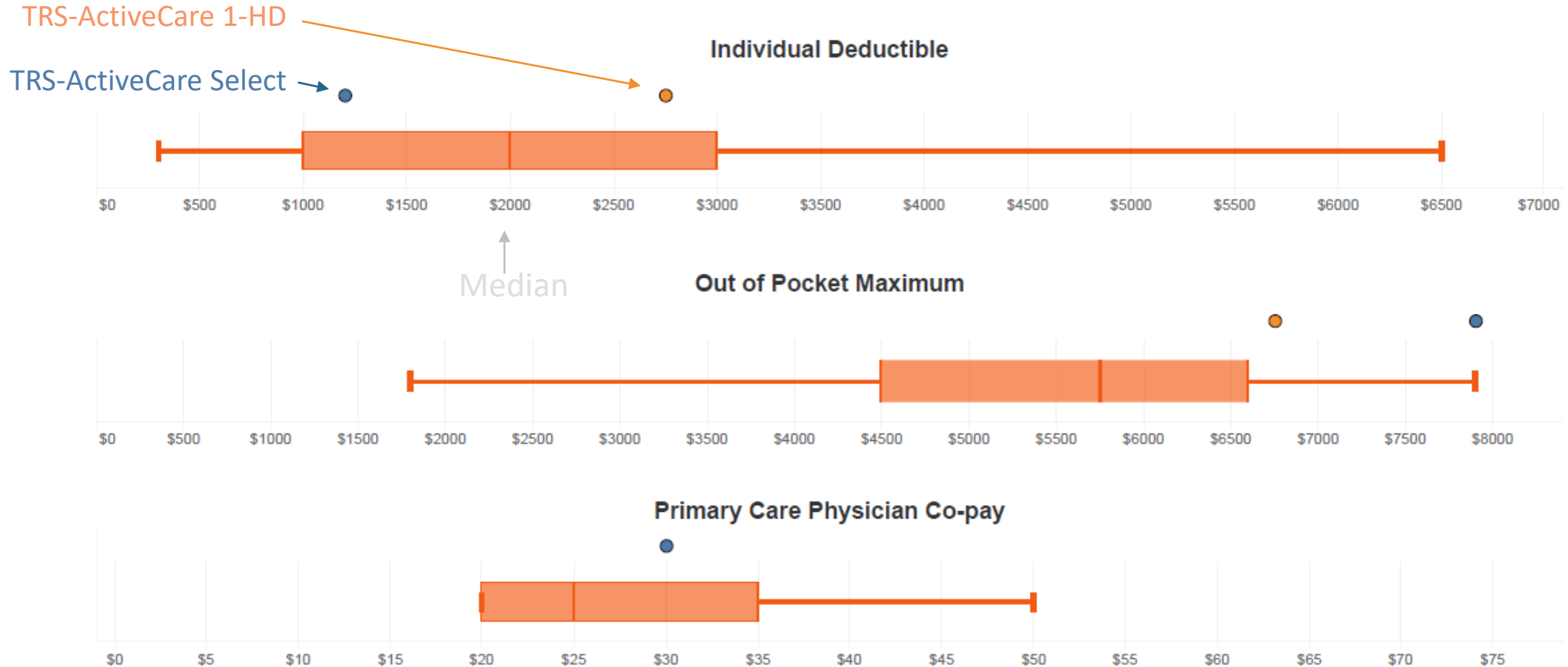


Cannot offer first-dollar coverage on TRS-ActiveCare 1-HD and retain HSA

TRS-ActiveCare 1-HD appears to be in line with what other large districts are offering in terms of high deductible plans

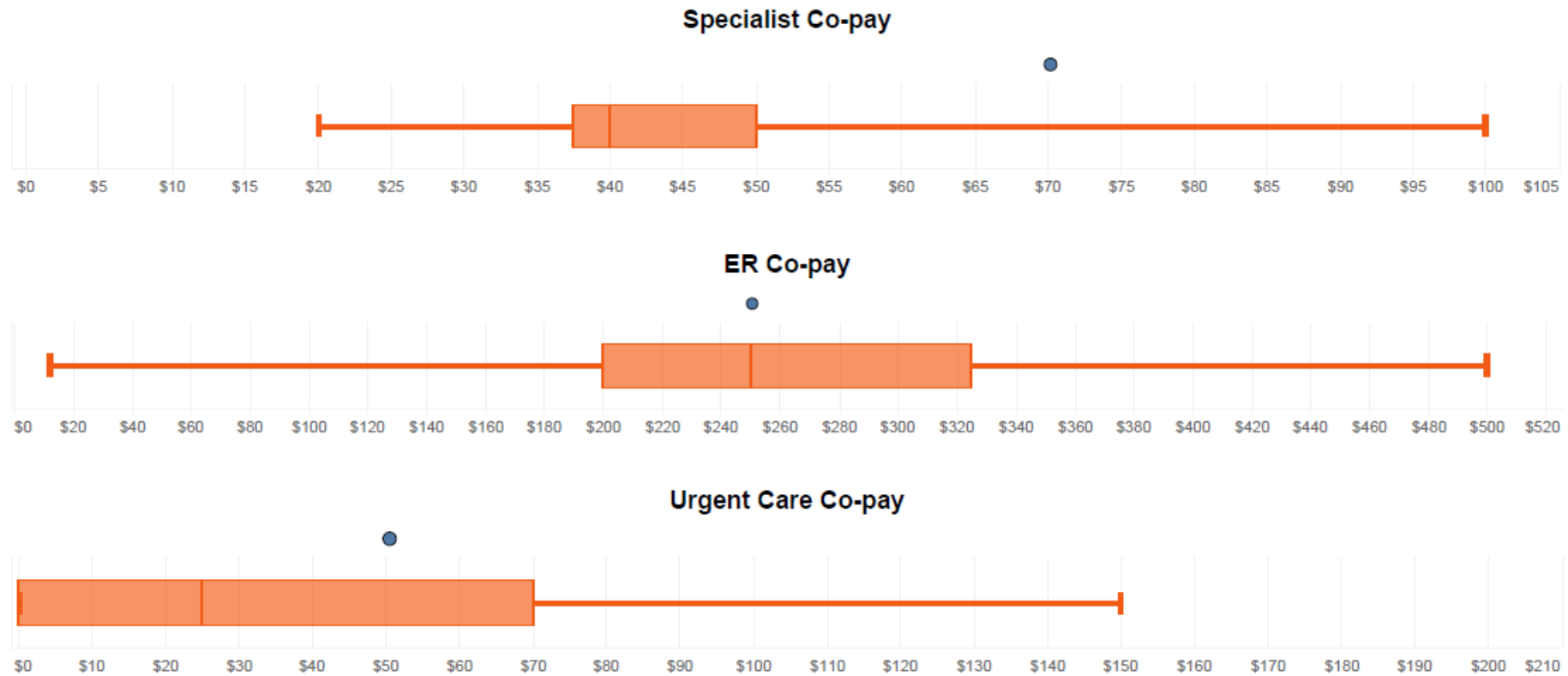
TRS-ActiveCare Select has a few areas where we could make changes to make it more competitive

TRS Benchmark Comparison



Source: Gallagher, January 2020. Benchmark is based on 19 school districts outside of TRS-ActiveCare in Texas.

TRS Benchmark Comparison



Source: Gallagher, January 2020. Benchmark is based on 19 school districts outside of TRS-ActiveCare in Texas.

Kahoot: Benefit Priorities

Do you feel like you have enough information to recommend to TRS what changes you would prioritize for medical benefits?

[Kahoot options:](#)

- I have enough information
- I don't have enough information

Kahoot: Benefit Priorities

Which of the following benefit changes would be your first choice:

Kahoot options:

- Implement a per person deductible cap for 1-HD and Select (“embedded” deductible)
- Reduce maximum out of pocket for Select
- Copays on Select for physical therapy, occupational therapy, and speech and therapy

Discussion

Partnering with Districts

- Holding the first of what we hope will be many **District Summits** like the one we are holding today
- **District (or regional) profiles** with 2018 data were provided in December along with FAQ to help you understand the data
- More detailed **District claims data** for the last 3 years is being offered to districts who request (and pay for) it
- A **District Toolkit** will be available later this month to give you the tools and resources you need to educate others about TRS-ActiveCare

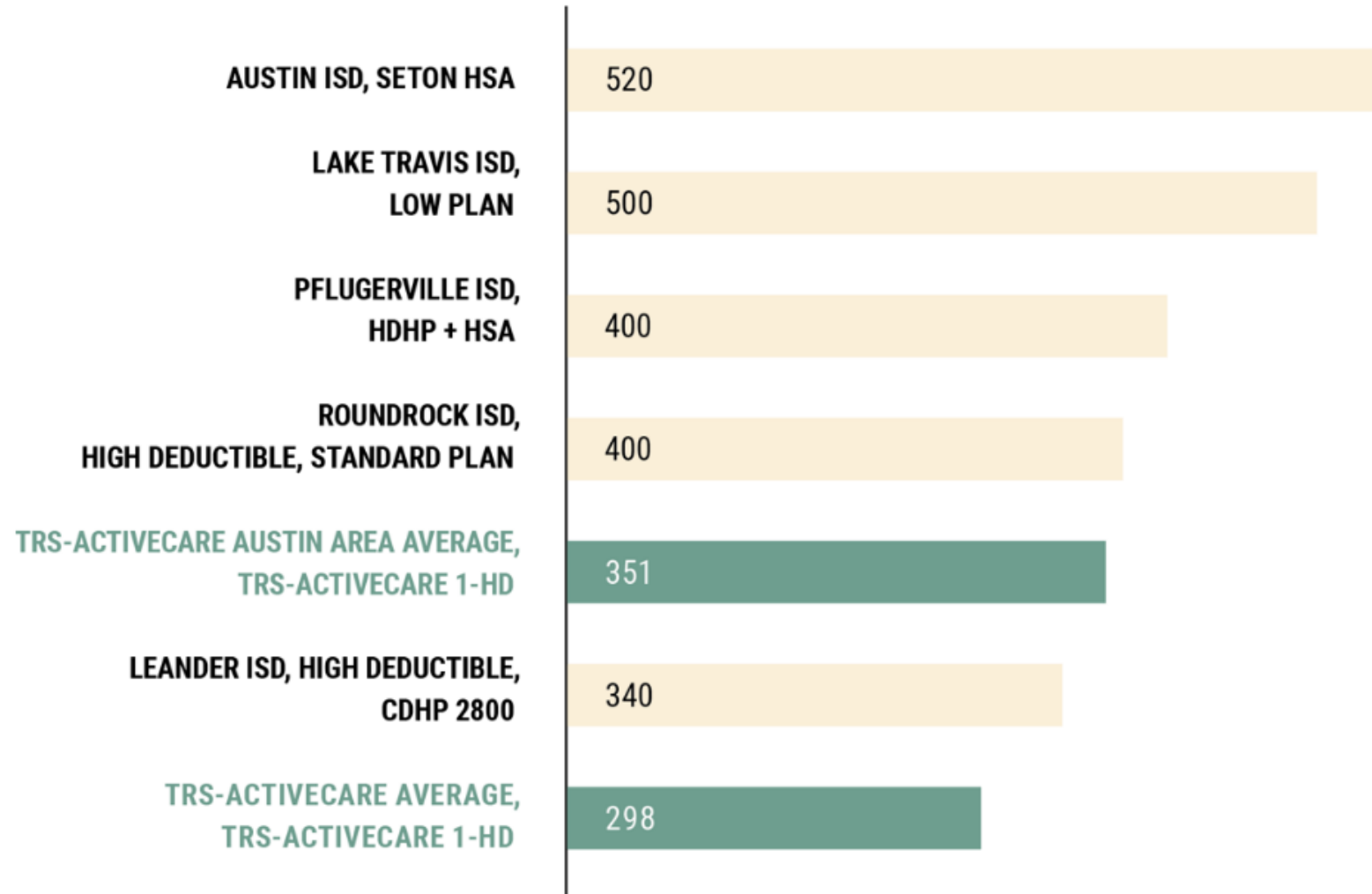
Wrap Up and Next Steps

- Late February:
 - Update all stakeholders about vendor re-procurement decision after February 21 board meeting
 - Distribute District Leader Toolkit
- Late April:
 - Update all stakeholders about plan designs and rates after April 17 board meeting
- May:
 - Train benefits administrators for annual enrollment
- July/August:
 - Annual enrollment
- September 1: New plan year begins

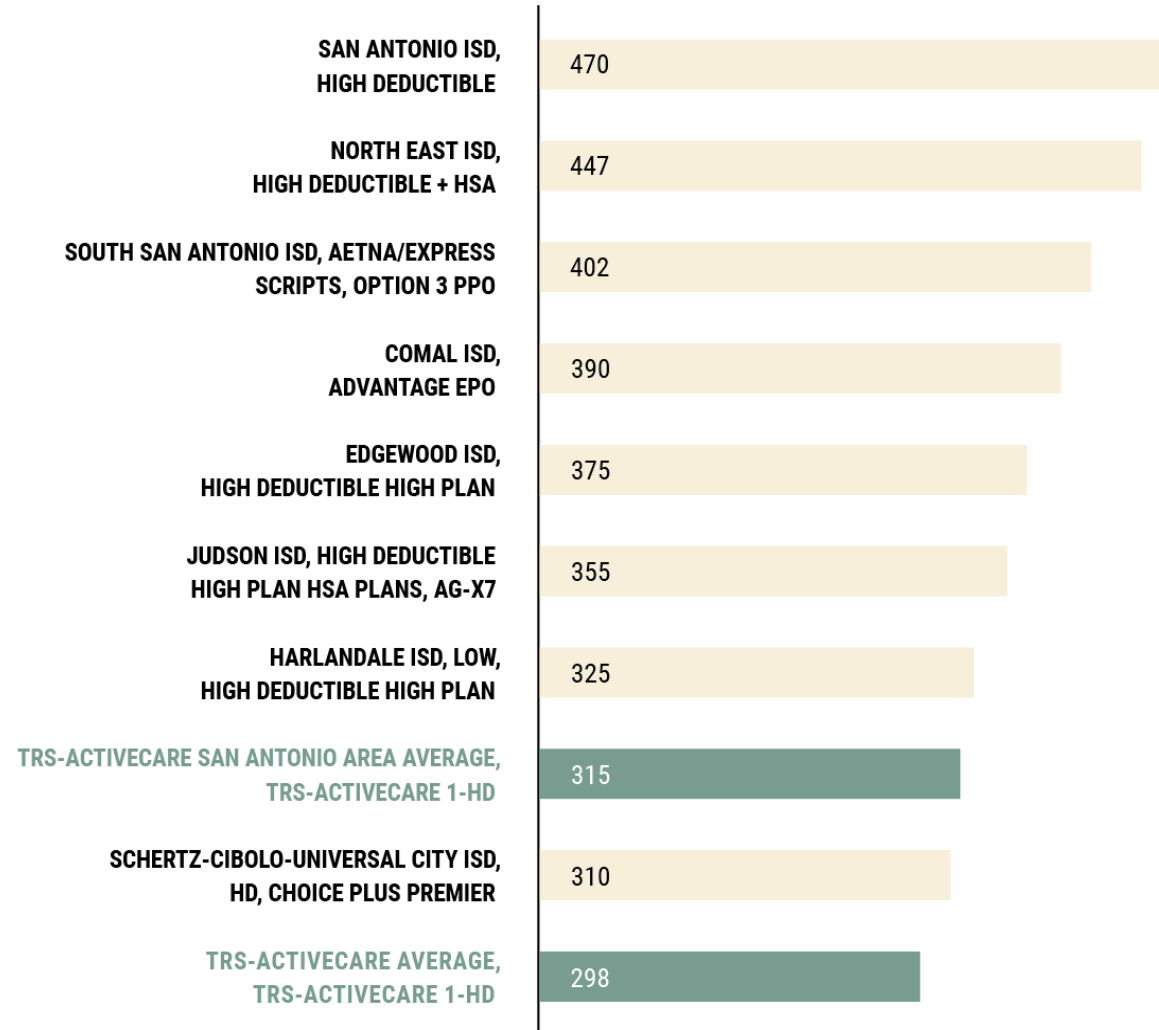
Thank you

Appendix

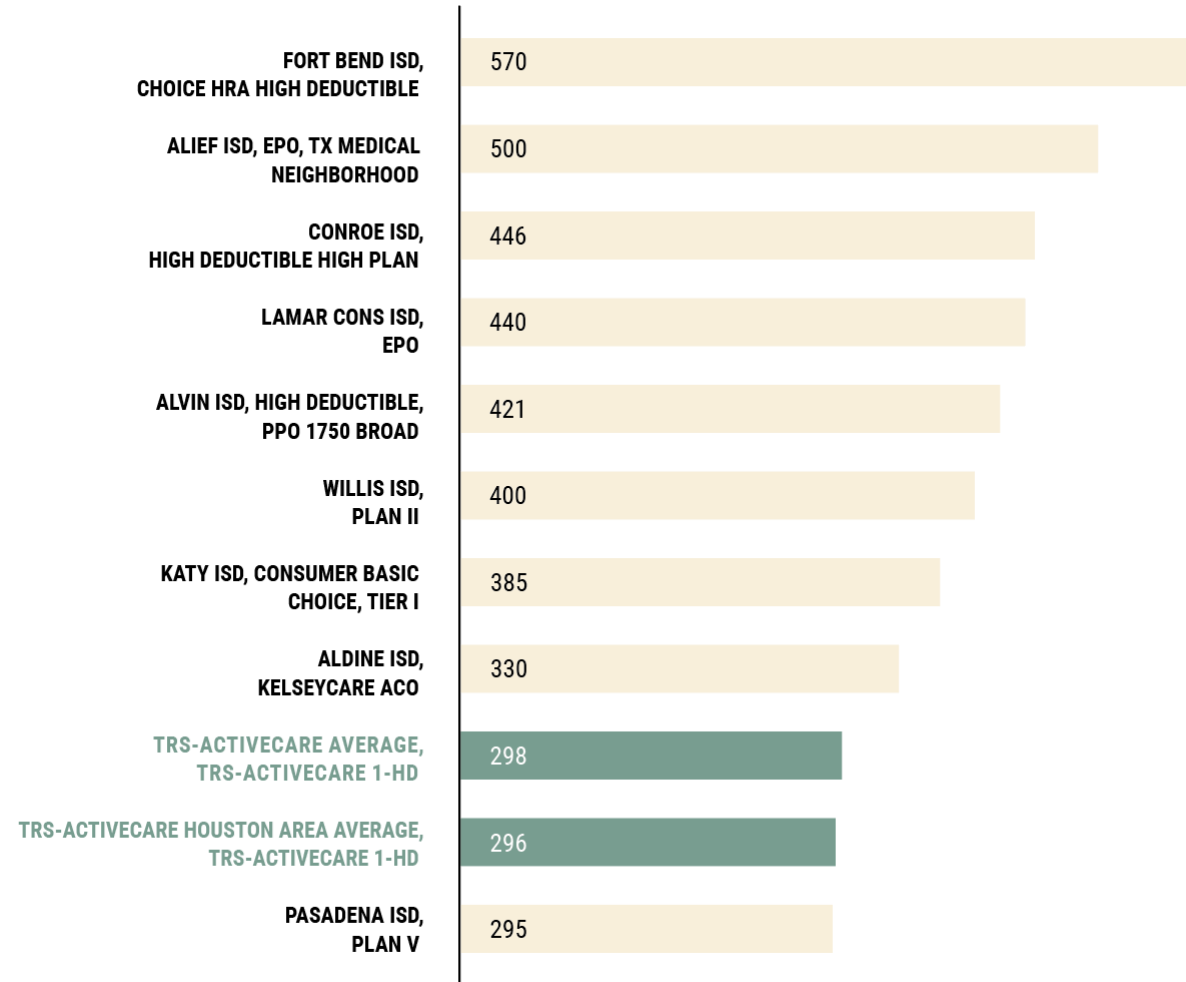
Austin District Contributions



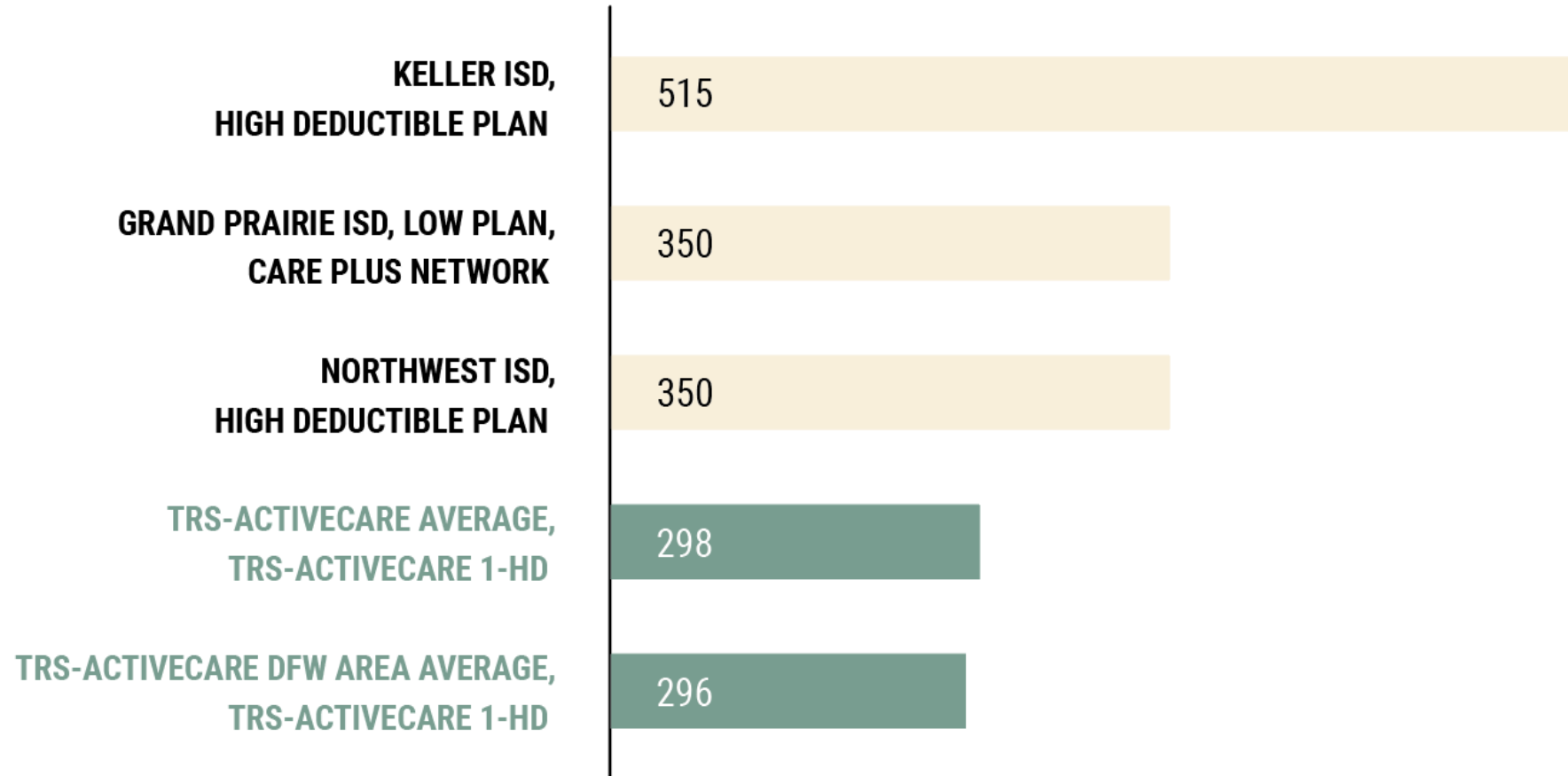
San Antonio District Contributions



Houston District Contributions



Dallas District Contributions



Key Legislation

Legislative Update

Appropriations: Maintains TRS-Care premiums and benefits

SB 1264: Prohibits balance billing for certain types of care

Art 2 Sec 10.06: Creates cross agency comparison of health data

SB 619: Set TRS Sunset review for 2021

