

# TRS-CARE FACT SHEET

## BACKGROUND

The TRS-Care retiree health insurance program began in 1986 and has grown to over 240,000 participants. It is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding sources include retiree premiums, state funding, and school district and active personnel contributions. TRS-Care 1 offers a high deductible plan at no cost for employee only coverage with different deductibles based on Medicare status. TRS-Care 2 and 3 offer comprehensive benefits with a carve out prescription drug benefit. TRS-Care 2 and 3 Medicare Advantage and Medicare Part D plans have richer benefits and lower premiums.

### TRS-Care 243,100\* Participants:

Care 1 - 30,100

Care 2 - 55,000

Care 3 - 158,000

\*Includes approximately 48,100 dependents (spouses & children)

### Distribution by Medicare Status:

Medicare A & B - 60%

Medicare B Only - 8%

Non-Medicare - 32%

Medicare Advantage Participation - 68%

Medicare Part D Participation - 81%

Retirees need your help and they need it now. **Work with TRTA to be a part of the solution!**



For over 60 years, the Texas Retired Teachers Association (TRTA) has been working to protect and improve the retirement benefits of all Texas public school retirees. Our collaborative efforts with the Texas Legislature and active educator groups have helped ensure retirement security for over 300,000 retirees and nearly 1,000,000 active employees.

In 2013, TRTA helped to pass Senate Bill 1458, which made the Teacher Retirement System of Texas (TRS) pension fund

actuarially sound and provided the first cost-of-living increase for some retirees in over 12 years. This also safeguarded the fund for future retirees, most of whom will not receive Social Security benefits and rely upon TRS as their sole source of retirement income.

Now, our retirees are faced with the harsh reality of an impending shortfall to their health care plan, putting the affordability and accessibility of this very necessary insurance in jeopardy! We need your help!



CONTACT OUR GOVERNMENT RELATIONS DEPARTMENT AT 1.800.880.1650 OR EMAIL US AT [INFO@TRTA.ORG](mailto:INFO@TRTA.ORG).  
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# THE HEALTH CARE OF OUR TRS RETIREES IS AT RISK.

## WHAT WE KNOW: THE CRISIS IS HERE!

- ▶ TRS-Care is facing a \$1 billion funding shortfall.
- ▶ This crisis is not a surprise. TRTA and other education organizations have known that this was coming, and agree that now is the time to deal with it.
- ▶ TRS retirees consistently have paid the highest portion of costs for the TRS-Care program since its inception in 1986.
- ▶ TRS-Care has multiple other funding sources including contributions from the state, school districts and active employees. These appropriations are based on active school employee payroll, not health care costs!
- ▶ Basing appropriations on how much active school employees are being paid is inadequate and does not keep pace with the inflation of health care costs!
- ▶ The Legislature must resolve this funding crisis this coming legislative session. Doing nothing will force the program to drastically reduce benefits, increase retiree premiums or both!
- ▶ Just raising premiums is not a solution! If the Legislature fails to act, premiums would need to increase by as much as 135% (more than double) to cover the shortfall. Retirees, who have received only one permanent cost-of-living increase in 12 years, cannot afford this!
- ▶ The average monthly annuity of a TRS retiree is \$1,981.

### EXPENDITURES FOR FISCAL YEAR 2013:

**Medical**  
\$686,321,002  
56%

**Drug**  
\$496,229,923  
40%

**Medicare Advantage**  
\$1,075,388  
0%

**Administrative**  
\$47,048,587  
4%

**Total Expenses**  
\$1,230,674,900  
100%

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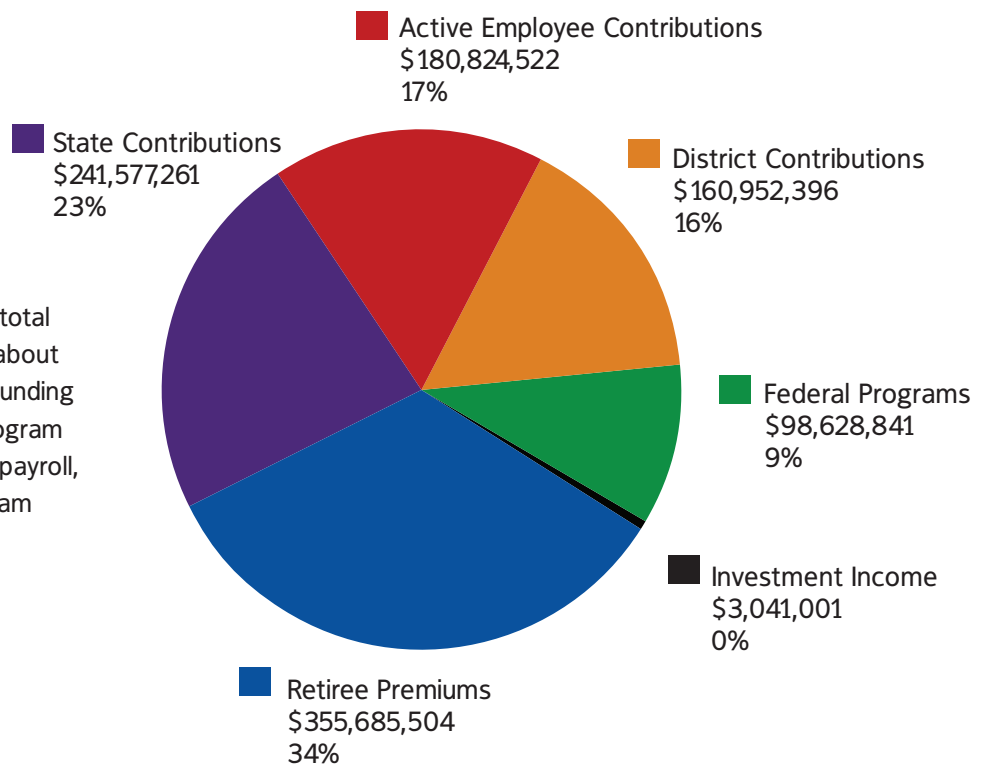
**Expenses in Excess of Income**  
\$189,965,375

### TRS-CARE FUNDING FY 2013 PIE CHART

**Retiree premiums (for retiree only) range from \$60 to \$310 for Care 2 and 3. Care 1 is free for retirees only.**

Retiree premiums accounted for 34% of the total funding of TRS-Care. The State contributes about \$100 per month per TRS-Care participant. Funding for TRS-Care and the cost of running the program are not aligned. Contributions are based on payroll, which is not correlated to increases in program participation or increasing medical costs.

**Funding contribution rates:**  
**State of Texas 1%,**  
**Active Member .65%,**  
**School Districts .55%.**



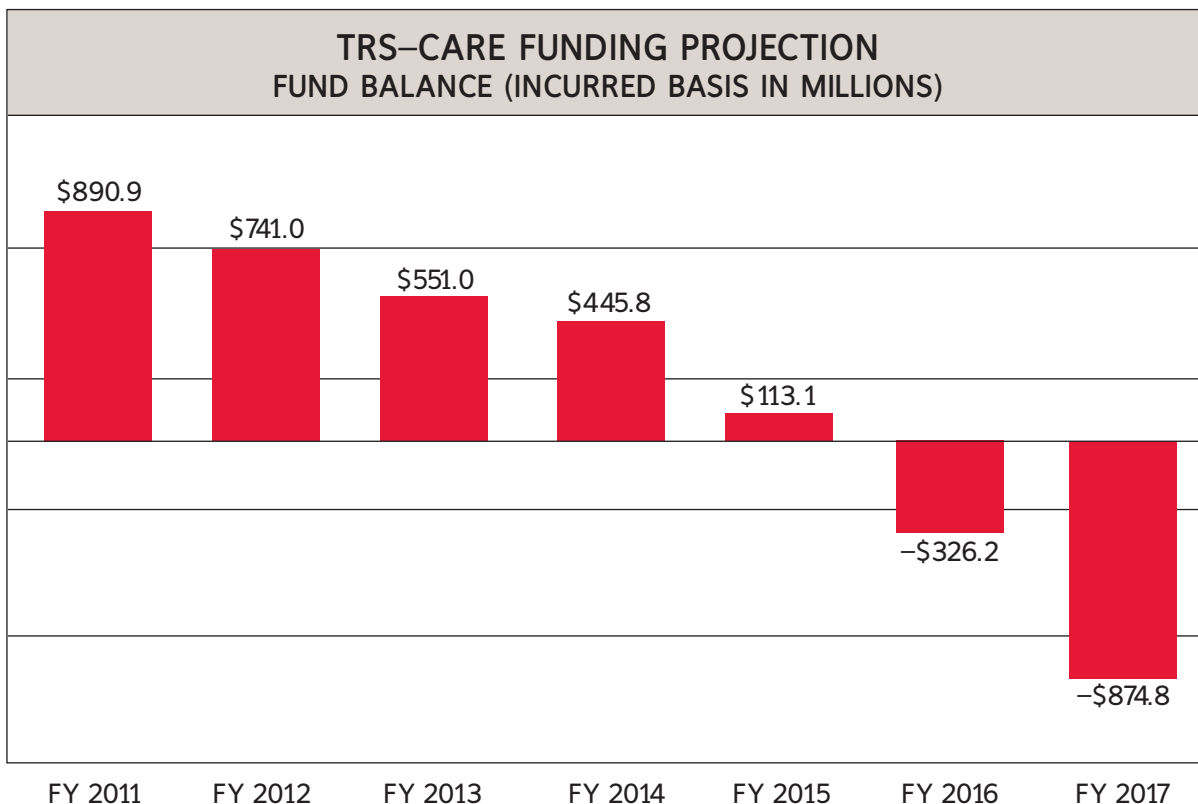
# WHAT WE NEED:

## QUALITY HEALTH CARE AT AN AFFORDABLE COST, HIGHER STATE APPROPRIATION FOR TRS-CARE

- ▶ TRS-Care needs more money. TRTA is calling on the Legislature to increase its appropriation to the retiree health insurance program.
- ▶ Retirees, active school employees, the state and school districts must all be engaged early in the 84th Legislative Session to develop a funding plan for TRS-Care.
- ▶ A funding plan that focuses on the long-term sustainability of TRS-Care must be developed so that retirees and future retirees are not faced with a funding crisis every session.
- ▶ TRS-Care needs a solution that does not drastically cut health care benefits, but instead provides quality health care options at reasonable costs very similar to what already is offered to participants.

**TRS retirees need legislative champions who will carry these issues in 2015!**

MONTHLY FUNDING PER RETIREE & SURVIVING SPOUSES		
	Without Dependents	With Dependents
Retiree Contribution	\$152	\$122
State (0.5%)	\$59	\$48
State Settleup	\$44	\$35
Active Members (0.65%)	\$77	\$62
District Contributions (0.55%)	\$69	\$55
Investment Income	\$1	\$1
Medicare Part D Subsidy	\$42	\$34
<b>Total Monthly Income Per Retiree</b>	<b>\$445</b>	<b>\$357</b>



# WHAT WE BELIEVE:

## PUBLIC EDUCATION RETIREES AND FUTURE RETIREES DESERVE A QUALITY HEALTH CARE BENEFIT AS PART OF THEIR RETIREMENT SECURITY.



TRS–Care is a vital part of school employees’ retirement security. This assurance makes Texas schools attractive to the best and brightest educators, and fulfills a promise made for a lifetime of public service. TRS–Care is also financially supported by active school employees. Their contribution should allow them access to TRS–Care when they retire.

**TRS–Care is well–managed and cost-efficient. It is not a free ride! TRS–Care offers reasonable coverage at an affordable price for hundreds of thousands of retirees and has done so for 30 years.** The solution to the funding shortfall is not a mix of complicated benefit formulas or hurdles to accessibility. It simply is a matter of funding. **It is unreasonable to pass all of the cost onto retirees.**

TRTA and the Texas Legislature have solved big challenges together for over 60 years. Last session we passed vital legislation protecting our defined benefit plan. We cannot sacrifice this work! Pension and health care funding are two separate issues. We **MUST** address the health care funding shortfall in 2015!

## TRS–CARE SUSTAINABILITY STUDY OPTIONS

The final study will be completed this coming September. The nine options being reviewed are:

- 1. Pre-fund the long-term liability:** This would be similar to funding the program the way the TRS pension trust is funded. This requires a significant amount of funding from the Legislature, school districts and active employees and would likely include increased premiums for retirees.
- 2. Fund on a pay-as-you-go basis for the biennium:** This is the current method for funding TRS–Care. Because TRS–Care is facing a funding shortfall of approximately \$1 billion, changes would need to be made to this methodology to pay for the shortfall itself and for the costs associated with the program for the next funding cycle. This means that every legislative session, the Legislature would have to revisit the issue.
- 3. Fund for 10-year solvency:** This option is similar to Option 1. The major difference between these two options is that in Option 1, we would amortize the unfunded liability over 30 years (much like a mortgage). In Option 3, TRS–Care would be pre-funded for only 10 years.
- 4. Retiree pays full cost for optional coverage:** If Option 4 were to be put into place, all TRS–Care participants using TRS–Care 2 or 3 would have to pay for the full cost of their insurance above the actual cost for TRS–Care 1. This means that benefits for TRS–Care 1 would be reduced, although the coverage for TRS–Care 1 would still be free (no premiums) to the participants.
- 5. Mandatory participation in the Medicare Advantage and Medicare Part D plans:** In Option 5, the mandatory participation in the Medicare Advantage and Medicare Part D plans for Medicare-eligible TRS–Care participants includes a caveat that non-participation would provide the insured with TRS–Care 1 only. This option includes an appeal process, allowing participants to opt out if there is inadequate access to providers that accept Medicare Advantage plans.
- 6. Defined contribution: Establish a Health Reimbursement Account (HRA) for non-Medicare retirees.** Retirees would shop for coverage in either the public exchange or a private exchange provided by TRS. Retirees eligible for subsidies may decide to refuse the HRA funds and participate in the federal ACA with subsidy arrangement.
- 7. Modify eligibility for TRS–Care 3 standard plan:** This option would grandfather current enrollees, and allow new enrollees over age 65 who do not have Medicare Part A. A hybrid TRS–Care 2/TRS–Care 3 plan for non-Medicare new enrollees under age 65 would be created.
- 8. Steerage plan design for the non-Medicare population:** Steerage means encouraging participants to use the most cost-effective plan for them. This option could require mandatory participation in a disease management program.
- 9. Combine TRS–Care and TRS–ActiveCare:** One option is to combine both the Medicare and non-Medicare retirees with ActiveCare. Another is to combine only the non-Medicare retirees with ActiveCare.