SUBJECT: Allowing districts to withdraw from the teacher health care program

COMMITTEE: Pensions — favorable, without amendment

VOTE: 5 ayes — Flynn, Klick, Paul, J. Rodriguez, Stephenson

2 nays — Alonzo, Hernandez

WITNESSES: For — Arturo Almendarez, Calallen ISD; Paul Clore, Gregory-Portland ISD; Lynn Burton, Orange Grove ISD; Victor Contreras, Texas Association of School Boards and Marion ISD; (*Registered, but did not testify*: John Grey, Texas State Teachers Association, Arthur Granado)

Against — Ted Melina Raab, Texas American Federation of Teachers; Beaman Floyd, Texas Association of School Administrators; (*Registered, but did not testify*: Colby Nichols, Texas Association of Community Schools, Texas Rural Education Association)

On — Brian Guthrie, Teacher Retirement System; Ann Fickel, Texas Classroom Teachers Association

BACKGROUND: The Legislature in 2001 created a health insurance program for active teachers. Insurance Code, sec. 1579.151 requires school districts with 500 or fewer employees that were not individually self-funded on January 1, 2001, and regional education service centers to participate in the program. Sec. 1579.152, which went into effect September 1, 2005, allowed districts with more than 500 employees to participate in the program. Sec. 1579.153 allows districts that were members of a risk pool that existed on January 1, 2001, to elect to be treated as a single unit for purposes of determining the number of employees required or allowed to participate in the program.

The program is administered by the Teacher Retirement System of Texas (TRS) and is known as TRS-ActiveCare. It is funded by state contributions, district contributions, and employee premiums. The state contribution is distributed to districts through school finance formulas.

DIGEST: HB 3453 would allow school districts or risk pools to elect on September 1, 2015, to participate in the group health program for school employees. A district or risk pool could elect not to participate in the program, regardless of the district or risk pool's previous election or requirement to participate.

The bill would repeal Insurance Code, sec. 1579.151 and sec. 1579.153.

The bill would authorize TRS by rule to establish a rating method for determining premiums charged in different regions for health benefits provided under TRS-ActiveCare.

This bill would take effect September 1, 2015.

SUPPORTERS SAY: HB 3453 would allow school districts to withdraw from TRS-ActiveCare, the health insurance program for working teachers. This would give all districts, regardless of size, the flexibility to consider all options and choose health insurance that worked best for their employees.

When the state program began in 2002, districts with 500 or fewer employees were required to participate. Larger districts later were allowed to opt in, although about half the state's teachers currently work for large urban districts that do not participate in TRS-ActiveCare. The bill would allow smaller districts the option to shop around for more affordable and higher quality health coverage, just as larger districts can do. Market competition could force insurance companies to compete for districts' business.

As state contributions have remained flat, districts and employees have been forced to bear the higher insurance costs. About 36 percent of participating districts pay the $150 minimum monthly amount per employee required by state law. An additional 23 percent of districts contribute up to $50 more per month. Other districts pay substantially more in order to attract and keep teachers and support staff.

According to TRS, monthly premiums for an employee and family enrolled in a comprehensive plan were $1,323 for the 2014-15 plan year. As coverage has become more expensive, some teachers are declining coverage or moving to a high-deductible plan. School employees also have seen benefit reductions as the state no longer requires TRS to offer a plan comparable to the one offered to state employees. While the state pays the entire cost for state employees, school employees in fiscal 2015 pay 59 percent of the premium.

Increasing costs require districts to use more of their budgets to pay for health care or pass the costs along to their employees. Health insurance is an important benefit for districts to attract and keep teachers and support staff. The bill would allow districts local discretion to better manage their budgets.

The bill would allow TRS to develop a regional rating method for determining premiums. Regional rating is a fair mechanism to ensure that costs reflect the market in a given region.

Increasing the state's contributions to the current system, as some have urged, would not address the underlying lack of competition. Premiums will always rise in a market with no competition and a government subsidy.

The bill would not affect the health plan for retired teachers, known as TRS-Care.

OPPONENTS SAY:

HB 3453 could reduce the number of school employees covered by TRS-ActiveCare, leading to higher premiums for those who remained. Insurance affordability is determined in part of the size of a risk pool. If the pool shrinks too much for the risk to be spread among a large number of school employees, the costs could increase substantially.

Districts could find lower premiums when they initially purchased insurance only to see those costs rise when the policies were renewed. At this point, they could seek to re-enter TRS-ActiveCare. This could create volatility for the program.

The bill also could create added uncertainty for districts by allowing TRS to develop a regional rating system. While this could result in lower premiums for some regions, other regiosn likely would see higher premiums.

The bill would fail to address the real problem with the state's teacher health program, which is the failure of the state to increase its contributions since the program began in 2002. This has led to higher costs for districts and their employees. Instead of reducing the risk pool, the state should increase its contribution for insurance costs, which have remained at $75 per month per employee since the program began in 2002.