

John Otto  
Chairman



Sylvester Turner  
Vice-Chair

**TEXAS HOUSE OF REPRESENTATIVES  
COMMITTEE ON APPROPRIATIONS**

**AGENDA  
SUBCOMMITTEE ON ARTICLE III  
CHAIRMAN TRENT ASHBY**

TUESDAY, FEBRUARY 24, 2015  
7:30AM  
ROOM E1.030

- I. CALL TO ORDER**
- II. CHAIRMAN'S OPENING REMARKS**
- III. RESEARCH FUNDS**
  - Overview of Funds - Jeff Pool, Analyst, Legislative Budget Board
  - Texas Tech University - Robert Duncan, Chancellor, Texas Tech University System
  - The University of Texas at Dallas - Dr. David E. Daniel, President
  - University of Houston - Dr. Renu Khator, President and Chancellor, University of Houston System
  - University of North Texas - Lee Jackson, Chancellor, University of North Texas System
  - Texas State University - Dr. Denise Trauth, President
- IV. GRADUATE MEDICAL EDUCATION**
  - Greg Owens, Analyst - Legislative Budget Board
  - Dr. Stacey Silverman, Deputy Assistant Commissioner for Academic Quality - Texas Higher Education Coordinating Board
- V. INTEGRATION OF GENERAL ACADEMIC INSTITUTIONS AND HEALTH RELATED INSTITUTIONS**
  - Emily Hoffman, Analyst - Legislative Budget Board
- VI. FINANCIAL AID PROGRAMS**
  - Greg Owens, Analyst - Legislative Budget Board
- VII. TRS-CARE**
  - Pattie Featherston, Analyst - Legislative Budget Board
  - Brian Guthrie, Executive Director - Teacher Retirement System
- VIII. ADJOURN**



## LEGISLATIVE BUDGET BOARD

# Texas Public Higher Education Research Funding Overview

**PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE  
SUBCOMMITTEE ON ARTICLE III**

**LEGISLATIVE BUDGET BOARD STAFF**

**FEBRUARY 24, 2015**

# Background

- Sec. 62, Education Code, establishes the Texas Competitive Knowledge Fund, the Research Development Fund, and the Texas Research Incentive Program.
- The level of state support for these research programs is a funding decision for each Legislature.
- The Eighty-third Legislature, 2013, provided \$267.9 million in General Revenue for the Texas Competitive Knowledge Fund, the Research Development Fund, along with the Texas Research Incentive Program in the 2014-15 biennium.
- House Bill 1 as Introduced provides \$303.5 million in General Revenue for the 2016-17 biennium for the Texas Research University Fund, the Comprehensive Research Fund, and the Texas Research Incentive Program.

# Texas Competitive Knowledge Fund

- Sec. 62.052, Education Code, specifies the purpose of the Texas Competitive Knowledge Fund is to provide funding to eligible research universities and emerging research universities to support faculty to ensure excellence in instruction and research.
- The fund was originally authorized by the Eightieth Legislature in the 2008-09 General Appropriations Act. Support was provided to certain institutions in the strategy, “Competitive Knowledge Fund.” The Eighty-third Legislature enacted Senate Bill 215 establishing the Texas Competitive Knowledge Fund and setting eligibility requirements for research universities and emerging research universities.
- The Texas Competitive Knowledge Fund has been funded with General Revenue appropriated directly to eligible institutions in their respective bill patterns.

# Texas Competitive Knowledge Fund

- The Texas Competitive Knowledge Fund is currently allocated based on the three-year average of total research expenditures. In the 2014-15 biennium, the fund's appropriations support \$0.93 million per \$10 million of total research expenditures.
- Education Code specifies the following eligibility requirements:
  - A research institution is eligible if an institution reaches total annual research expenditures in an average amount of not less than \$450 million for three consecutive fiscal years.
  - An emerging research university is eligible if the institution reaches total annual research expenditures in an average annual amount of not less than \$50 million for three consecutive fiscal years.
- Sec. 62.052, Education Code, specifies the first biennium in which an eligible institution receives an appropriation from the Competitive Knowledge Fund, the institution's other General Revenue appropriations shall be reduced by \$5 million, or the amount of the appropriation received from the fund.

# Appropriations History: Texas Competitive Knowledge Fund

	2008-09	2010-11	2012-13	2014-15
The University of Texas at Austin	\$39,388,771	\$51,627,098	\$36,783,564	\$53,404,206
Texas A&M University	\$40,527,466	\$52,628,025	\$39,806,470	\$58,701,988
University of Houston	\$8,199,621	\$8,503,519	\$6,123,958	\$12,446,482
Texas Tech University	\$5,091,756	\$5,560,997	\$6,041,190	\$12,446,482
The University of Texas at Dallas	N/A	N/A	\$4,730,242	\$8,252,942
The University of Texas at Arlington	N/A	N/A	N/A	\$6,234,706
The University of Texas at El Paso	N/A	N/A	N/A	\$6,437,760
The University of Texas at San Antonio	N/A	N/A	N/A	\$5,000,000
<b>Total</b>	<b>\$93,207,614</b>	<b>\$118,319,639</b>	<b>\$93,485,424</b>	<b>\$159,242,726</b>

# Research Development Fund

---

- Sec. 62.091, Education Code, specifies the purpose of the Research Development Fund is to provide funding to promote increased research capacity at eligible general academic teaching institutions.
- Statute specifies that all general academic institutions other than The University of Texas at Austin and Texas A&M University are eligible for appropriations from the Research Development Fund.
- The Seventy-ninth Legislature, 2005, initially provided \$42.8 million in General Revenue for the Research Development Fund in the 2006-07 biennium.
- The Research Development Fund is funded with General Revenue appropriated directly to eligible institutions in their respective bill patterns.

# Research Development Fund

- The Research Development Fund is allocated based on the three-year average of restricted research expenditures. Each Legislature determines the funding level for the Research Development Fund. The appropriation is then allocated based on each eligible institution's proportional share of total restricted research expenditures.
- The Eighty-third Legislature, 2013, provided \$73.1 million in General Revenue for 32 eligible institutions in the 2014-15 biennium. Each institution's Research Development Fund appropriation can be found in Sec. 54 of Special Provisions Relating Only to State Agencies of Higher Education in the 2014-15 General Appropriations Act.

	2008-09	2010-11	2012-13	2014-15
Research Development Fund	\$80,862,828	\$80,862,828	\$65,296,738	\$73,079,780



# Texas Research Incentive Program

- The purpose of the Texas Research Incentive Program (TRIP) is to provide matching funds to assist eligible institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment.
- Unlike the Texas Competitive Knowledge and Research Development Funds which are appropriated directly to eligible institutions within their respective bill patterns, TRIP is funded with a General Revenue appropriation that is trustee to the Higher Education Coordinating Board (HECB).
- Institutions eligible to receive TRIP funding are those designated as emerging research universities by HECB's accountability system. Institutions currently eligible are:

Texas Tech University

The University of Texas at Arlington

University of Houston

The University of Texas at Dallas

University of North Texas

The University of Texas at El Paso

Texas State University

The University of Texas at San Antonio

# Texas Research Incentive Program

- Education Code specifies the eligible matching percentage based on the amount of the donation received by the institution:
  - If the total amount of gifts is \$100,000 or more, but less than \$999,999, 50 percent of the donation will be matched;
  - If the total amount of gifts and endowments is \$1,000,000 or more, but less than \$1,999,999, 75 percent of the donations will be matched; and
  - If the total amount of the gifts is \$2,000,000 or more, 100 percent of the donations will be matched.
- If funds appropriated for the TRIP program are insufficient to provide matching gifts for all qualifying donations, HECB will provide matching grants for the remaining unmatched donations in the following year to the extent appropriated funds are available.

# Texas Research Incentive Program

	2010-11	2012-13*	2014-15	2016-17 House Bill 1 as Introduced
Distribution of Texas Research Incentive Program Funds	\$47,600,000	\$70,000,000	\$35,625,000	\$177,736,409
*Includes supplemental appropriations made in HB 1025.				

- House Bill 1 provides an increase of \$142.1 million for the Texas Research Incentive Program above 2014-15 funding levels. Increased funding for the program is the result of \$35 million in additional General Revenue, as well as \$107.1 million in General Revenue that previously would have been allocated through the Research Development Fund and the Texas Competitive Knowledge Fund.

# Additional Research Support

- Norman Hackerman Advanced Research Program – consists of General Revenue that is trustee to the Texas Higher Education Coordinating Board. It is a competitive grant program that is open to public and private institutions of higher education for the purpose of the encouraging and providing support for basic research conducted by faculty members and students. House Bill 1 maintains 2014-15 levels of \$1 million.
- National Research University Fund – are estimated appropriations composed of Other Funds. In order to receive appropriations from the fund, an institution must be designated an emerging research university and meet certain eligibility criteria. Currently, the University of Houston and Texas Tech University are the only institutions receiving appropriations from the National Research University Fund. House Bill 1 provides \$61.1 million in a separate bill pattern.

# 2016-17 House Bill 1 as Introduced

- Texas Research University Fund – House Bill 1 as Introduced provides \$111.5 million in General Revenue to the state's research universities, Texas A&M University and The University of Texas at Austin. Funding is allocated based on a three-year average of total research expenditures at a rate of \$0.9 million per \$10 million.
- Texas Research Incentive Program – House Bill 1 as Introduced provides \$177.7 million to the state's eight emerging research universities. For the emerging research universities, research funding is trustee'd at the Coordinating Board and subject to an allocation methodology based on matching donations.
- Comprehensive Research Fund – House Bill 1 as Introduced provides \$14.3 million for General Academic Institutions not designated research or emerging research universities based on a three-year average of restricted research expenditures. Appropriations are provided directly to eligible institutions in their bill pattern.




## LEGISLATIVE BUDGET BOARD

**Contact the LBB**  
Legislative Budget Board  
[www.lbb.state.tx.us](http://www.lbb.state.tx.us)  
512.463.1200



84th Legislative Session:  
Texas State University  
Research Funds

House Appropriations Subcommittee  
on Article III  
February 24, 2015

TEXAS  STATE  
UNIVERSITY <sup>®</sup>

*The rising STAR of Texas*

MEMBER THE TEXAS STATE UNIVERSITY SYSTEM <sup>™</sup>



# A FOUR-PRONG APPROACH TO PROVIDE FUNDING TO SUPPORT HIGHER EDUCATION RESEARCH

## RESEARCH DEVELOPMENT FUND (RDF) CREATED IN 2003

- Available to all public institutions (except University of Texas-Austin and Texas A&M University)
- Established to support increased research capacity at eligible public universities, distributing funds by a set allocation formula to faculty for individual projects, such as laboratory and equipment upgrades

## TEXAS COMPETITIVE KNOWLEDGE FUND (TCKF) CREATED IN 2007

- Available to only The University of Texas-Austin, Texas A&M University, University of Houston, Texas Tech University, The University of Texas at Dallas, The University of Texas at Arlington, The University of Texas at El Paso, and The University of Texas at San Antonio, at this time. Eligibility is reserved for institutions with total research expenditures of more than \$50 million
- Established to enhance the support of faculty for the purpose of instructional excellence and research

## TEXAS RESEARCH INCENTIVE PROGRAM (TRIP) CREATED IN 2009

- Available to Emerging Research Universities
- Established to encourage gifts from private donors to support research including research facilities and graduate education

## NATIONAL RESEARCH UNIVERSITY FUND (NRUF) CREATED IN 2009

- Available to Emerging Research Universities that meet specific metrics
- Established to enable Emerging Research Universities to achieve national prominence as major research universities



## TEXAS STATE UNIVERSITY PARTICIPATION IN HIGHER EDUCATION FUNDING TO STRATEGICALLY ENHANCE UNIVERSITY RESEARCH PROFILE

### CURRENT PARTICIPATION IN HIGHER EDUCATION RESEARCH FUNDING

- RESEARCH DEVELOPMENT FUND (RDF) – Texas State University received \$2,041,615 from the RDF annually during the current biennium. Below are examples of how the research funding is being used:
  - Providing faculty start-up funds for research equipment and laboratories
  - Providing funding to establish research park (STAR Park), our small business incubator
  - Providing supplemental funding for grant sponsored research
  - Providing funds to pay for service, maintenance, and calibration of research equipment
- TEXAS RESEARCH INCENTIVE PROGRAM (TRIP) – Texas State University received \$1,865,582 from the TRIP funds during the current biennium. Below are examples of how the funding is being used:
  - Providing funding to support faculty and graduate student research
  - Providing funding for research facilities and infrastructure
  - Providing graduate fellowships to support research

### FUTURE PARTICIPATION IN HIGHER EDUCATION RESEARCH FUNDING

- TEXAS COMPETITIVE KNOWLEDGE FUND (TCKF)
  - In five years, Texas State University reasonably anticipates that it will have \$50 million dollars in total research expenditures. It currently has \$39 million in total research expenditures.
- NATIONAL RESEARCH UNIVERSITY FUND (NRUF)
  - In ten years, Texas State University reasonably anticipates that it will achieve metrics required to be eligible for funding from the National Research University Fund.

# **The Texas Research Incentive Program (TRIP) Has Provided Significant Benefits to Texas State University**

- As an Emerging Research University, we now compete for State TRIP matching funds for gifts that support research and graduate programs.
- As of February 23, 2015, we have submitted over \$11,443,544 in gift funds eligible for a State match of \$6,721,772.
- The 83<sup>rd</sup> Legislature's supplemental TRIP appropriation gave Texas State \$624,259 in matching funds in FY 2013.
- We also qualified for \$1,015,475 in matching funds in FY 2014, and have received \$225,848 in matching funds for FY 2015.
- We already anticipate being eligible for \$4,856,190 in TRIP funds in the next biennium, assuming positive peer review of the gifts we have submitted and Legislative funding in the 84<sup>th</sup> Session.



## LEGISLATIVE BUDGET BOARD

# Overview of Higher Education Graduate Medical Education Funding

**PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE**

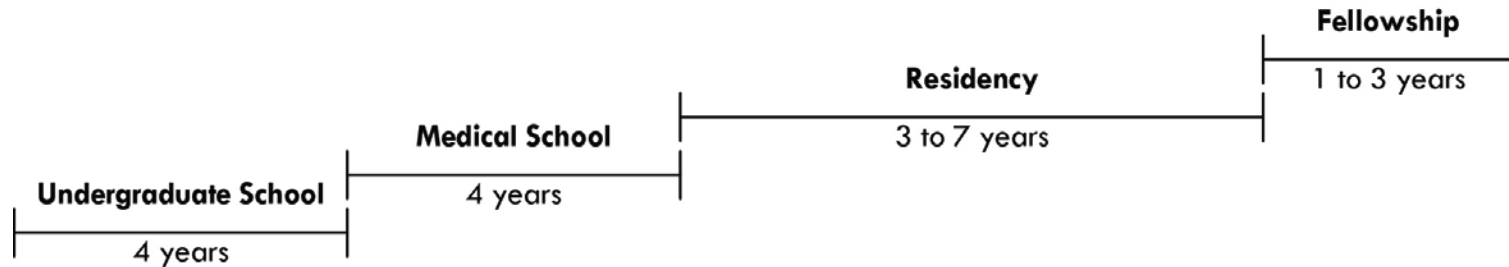
**SUBCOMMITTEE ON ARTICLE III**

**February 2015**

**LEGISLATIVE BUDGER BOARD STAFF**



# Overview of Graduate Medical Education



- Graduate Medical Education (GME), also known as residency, is the supervised training medical school graduates enter to gain clinical and practical experience in a specific field of medicine before becoming licensed doctors.
- The length of residency varies by medical specialty and ranges from 3 to 7 years.
- To be licensed, doctors must complete a minimum one year of residency training.
- Most doctors complete the full residency program to become board certified in their specialty.

# Graduate Medical Education

GME training occurs mostly in hospitals but may occur in out-patient sites such as community health clinics, hospital clinics, and federally qualified health centers.

- Residency programs are accredited through the Accreditation Council for Graduate Medical Education (ACGME) and/or the American Osteopath Association (AOA).

GME funding included in Article III of Recommendations for 2016-17 in House Bill 1.

- General Revenue Funds trusted to Higher Education Coordinating Board (THECB)
- General Revenue Funds allocated to Health-Related Institutions through GME Formula

# Article III GME General Revenue Funding

	2004-05 Appropriations	2006-07 Appropriations	2008-09 Appropriations	2010-11 Appropriations <sup>6</sup>	2012-13 Appropriations	2014-15 Appropriations	2016-17 House Bill 1 as Introduced
<b>Higher Education Coordinating Board</b>							
Family Practice Residency Program <sup>1</sup>	\$18.4	\$17.5	\$17.5	\$21.2	\$5.6	\$12.8	\$12.8
Primary Care Residency	\$5.3	\$5.0	\$5.0	\$5.0	\$0.0	\$0.0	\$0.0
Graduate Medical Education <sup>2</sup>	\$3.8	\$3.6	\$0.6	\$0.6	\$0.0	\$0.0	\$0.0
Preceptorship Program	\$1.0	\$0.9	\$0.9	\$0.9	\$0.0	\$0.0	\$0.0
Trauma Care Program <sup>3</sup>	NA	NA	NA	NA	\$4.5	\$4.5	\$4.5
Graduate Medical Education Expansion <sup>4</sup>	NA	NA	NA	NA	NA	\$14.3	\$28.6
Primary Care Innovation Grants	NA	NA	NA	NA	NA	\$2.1	\$2.1
<b>Health Related Institutions</b>							
GME Formula Funding <sup>5</sup>	NA	\$25.0	\$62.8	\$79.1	\$56.9	\$65.7	\$70.2
<b>Total:</b>	<b>\$28.5</b>	<b>\$52.0</b>	<b>\$86.8</b>	<b>\$106.8</b>	<b>\$67.0</b>	<b>\$99.4</b>	<b>\$118.2</b>

<sup>1</sup>The 2014-15 appropriations for the Family Practice Residency Program includes an additional \$7.8 million in General Revenue appropriations included in House Bill 1025, 83rd Legislative Session, 2013.

<sup>2</sup>The 80th Legislature, 2007, transferred \$3 million to the Health Related Institutions' Graduate Medical Education Formula from the Texas Higher Education Coordinating Board's Graduate Medical Education strategy. The strategy's remaining funding was intended for independent primary care residency programs that are not affiliated with a Texas medical school.

<sup>3</sup>In 2012-13, the Department of State Health Services transferred \$4.5 million in Trauma and Medical Services Account 5111 to the Higher Education Coordinating Board through an inter-agency contract. A portion of the funding is used to support partnerships between hospitals and graduate medical education programs to increase the number of emergency medicine and trauma care residents and fellows. These amounts have been included above.

<sup>4</sup>The 2014-15 appropriations for Graduate Medical Education Expansion includes an additional \$9.3 million in General Revenue appropriations included in House Bill 1025, 83rd Legislative Session, 2013.

<sup>5</sup>The Graduate Medical Education Formula was first appropriated in 2006-07. Amounts include funds appropriated for graduate medical education at Baylor College of Medicine through the Higher Education Coordinating Board's bill pattern. Amounts also include funds appropriated in House Bill 4, 82nd Legislative Session, 2011 for the Graduate Medical Education formula in 2012-13.

<sup>6</sup>The 2010-11 appropriations include formula ARRA funds and funds that were reduced during the 2010-11 biennium for the 5 percent and 2.5 percent reduction.

SOURCE: Legislative Budget Board.

# Graduate Medical Education Expansion

House Bill 2550, enacted by the 83<sup>rd</sup> Legislature, Regular Session, created several new programs to support GME. Funding for these programs was appropriated to THECB in House Bill 1025 and the 2014-15 General Appropriations Act, 83<sup>rd</sup> Legislature. These programs include:

- **Planning Grants.** Planning grants are intended to promote an increase in available first-year residency positions by providing support to entities that do not operate a GME program to investigate the feasibility of establishing such a program. The 2016-17 Recommendations in House Bill 1 do not include funding for planning grants.
- **Unfilled Position Grants.** The program provides support for existing, accredited GME programs that have currently approved, but unfilled first-year positions. The grants are intended to provide funding for direct resident costs, including stipends and benefits. The 2016-17 Recommendations in House Bill 1 include \$12.7 million for unfilled position grants.

# GME Expansion-Continued

- **New and Expanded Grants.** The program provides support for expansion of the number of accreditor-approved first-year residency positions in existing GME programs, and the establishment of new GME programs with first-year residency positions. The grants are intended to provide funding for direct resident costs, including stipends and benefits. The 2016-17 Recommendations in House Bill 1 include \$15.9 million for these grants.
- **Grants for Additional Years of Residency.** House Bill 2550 restricts the award of these grants to the fiscal year beginning September 1, 2016 or subsequent years, contingent on the appropriation of funds. The intent of the program is to support residents who have completed at least three years of residency and whose residency program is in a field which the state has less than 80 percent of the national average of physicians per 100,000 population. Awards must be used to support the direct resident costs to the program, including resident stipends and benefits. The 2016-17 Recommendations in House Bill 1 do not include funding for grants for additional years of residency.



# GME Expansion-Continued

- **Resident Physician Expansion Program.** The program will provide awards, on a competitive basis, to encourage the creation of new GME positions through community collaboration. The awards will be provided to physician residency programs at teaching hospitals and other health care entities according to program criteria developed by the agency in cooperation with various stakeholders, including the Health and Human Services Commission, physicians, teaching hospitals and medical schools. In November 2014, the agency released the Request for Applications for the Program and grant awards will be announced soon. The 2016-17 Recommendations in House Bill 1 do not include funding for the resident physician expansion program.
- **Primary Care Innovation Program.** The program will provide awards, on a competitive basis to medical schools that administer innovative programs designed to increase the number of primary care physicians in the state. In September 2014, the agency released the Request for Application for the program and grant awards will be announced soon. The 2016-17 Recommendations in House Bill 1 include \$2.1 million for the program.

# Family Practice Residency Program

The THECB is appropriated funding for the Family Medicine Residency Program (FMRP). This program was established in 1977 by the Texas Legislature to increase the numbers of physicians selecting family medicine as their medical specialty and to encourage those physicians to establish their practices in rural and underserved communities in Texas. Since its inception, the program has provided funding support for 8,940 family practice residents.

The FMRP provides grants to Texas's 26 nationally accredited family medicine residency programs. Funds are allocated based on the certified number of residents training in approved family practice residency programs. The strategy also supports rural and public health rotations.

The 2016-17 Recommendations in House Bill 1 include \$12.8 million for this program.

# Emergency and Trauma Care Education Program

This program was established by Senate Bill 7, 82<sup>nd</sup> Legislature, First Called Session, and directs the THECB to administer the program and make grants to emergency and trauma care education partnerships. The program provides funding to support partnerships between hospitals and graduate medical education programs that increase the number of emergency medicine and trauma care physician residents and fellows. The program provides similar support for partnerships between hospitals and graduate nursing programs to increase the educational experiences in emergency and trauma care for registered nurses pursuing a graduate degree or certificate.

In 2012-13, \$4.5 million from the General Revenue – Dedicated Account No. 5111, Designated Trauma Facility and Emergency Medical Services Account was appropriated to the Department of State Health Services and transferred to the THECB through an interagency contract. House Bill 7, 83<sup>rd</sup> Legislature, Regular Session, permitted funds in Account No. 5111 to be directly appropriated to THECB.

The 2016-17 Recommendations in House Bill1 include \$4.5 million for this program.

# Graduate Medical Education Formula

---

The Graduate Medical Education Formula provides funding to the Health Related Institutions and Baylor College of Medicine.

- This formula allocates funding on a per medical resident basis in an accredited program.
- Upon establishing this formula, the 79th Legislature, 2005, directed institutions to use these funds to increase the total number of residency slots in Texas and support faculty costs relating to graduate medical education.
- The 2016-17 recommendations in House Bill 1 include \$70.2 million for the GME formula.

# GEER Report Recommendations

The report, Align New GME Funding to Meet the Healthcare Needs of the State, in the Government Effectiveness and Efficiency Report (GEER), includes 10 recommendations that, together, would do the following:

- Improve the mix and geographic distribution of doctors by identifying the types of doctors that are in critical supply and fund residency programs in these disciplines;
- Add more residency slots, with a focus on rural and underserved areas;
- Bring together established residency programs with new and developing residency programs so the established programs can mentor the new programs during the accreditation process which can be difficult to navigate; and
- Ensure well-trained faculty are available to teach residents.

Biennial fiscal impact to implement the report's recommendations is a cost of \$59.3 million and would require statutory changes.



## LEGISLATIVE BUDGET BOARD

### **Contact the LBB**

Legislative Budget Board

[www.lbb.state.tx.us](http://www.lbb.state.tx.us)

512.463.1200



## Graduate Medical Education Programs Administered by the Coordinating Board

**Stacey Silverman, Ph.D.**

Deputy Assistant Commissioner for  
Academic Quality and Workforce

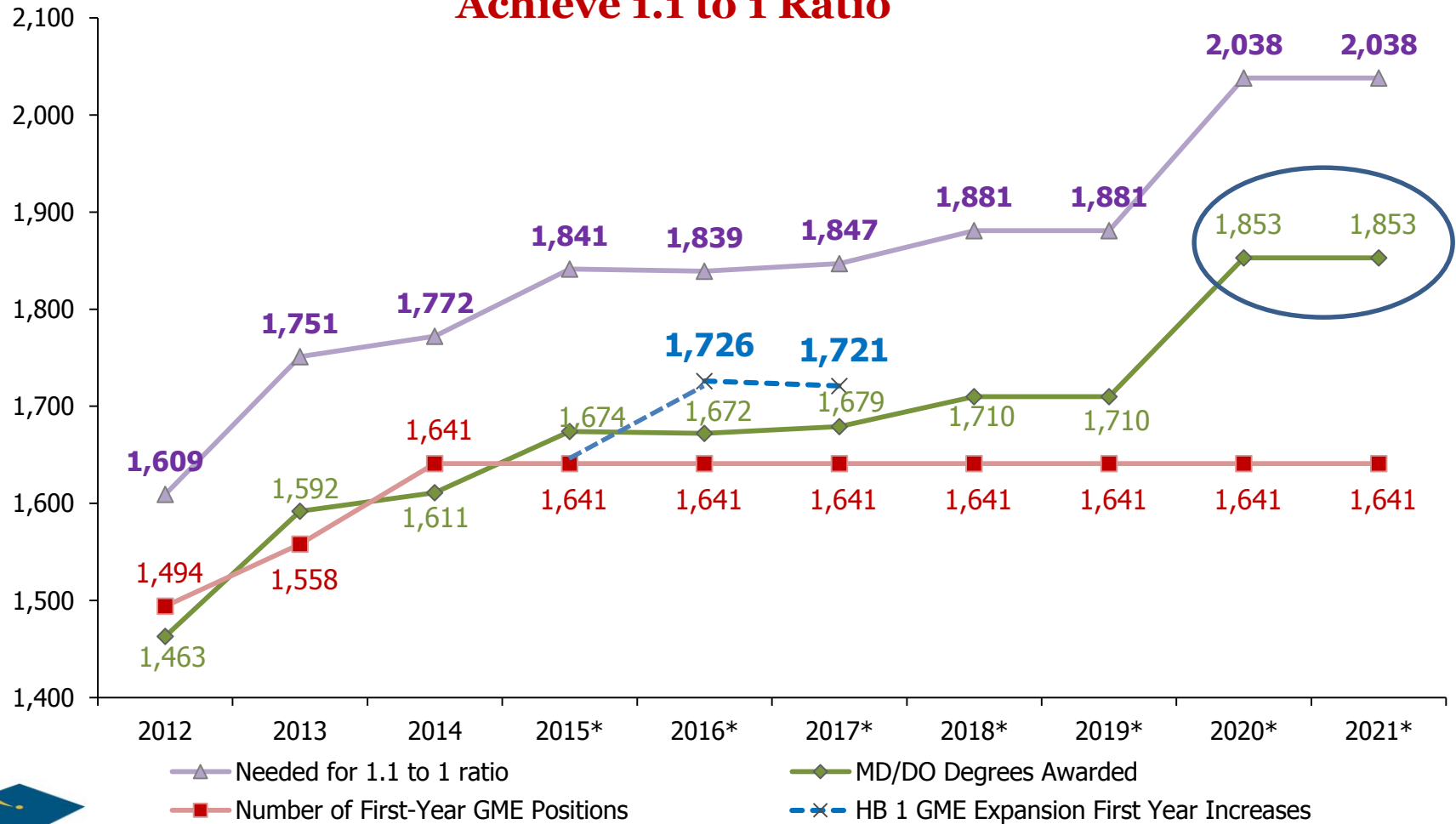
Presentation to the  
House Appropriations Committee  
Subcommittee on Article III  
February 24, 2015

## What is Graduate Medical Education?

- Final formal education required to become a licensed physician and begin medical practice
- GME programs range from 3 to 7 years in length, depending on specialty
- Residency programs are primarily located in hospitals and residents rotate in clinic and community settings
- Often residents will practice medicine near the community in which they completed residency training
- Obtaining a residency position is done through a national matching process



## GME 1st Year Residency Positions Needed to Achieve 1.1 to 1 Ratio



Source: Coordinating Board.

\*Estimated. Note: Projections of medical school graduates are based on a 95 percent graduation rate and include three new medical schools projected

## Graduate Medical Education Programs

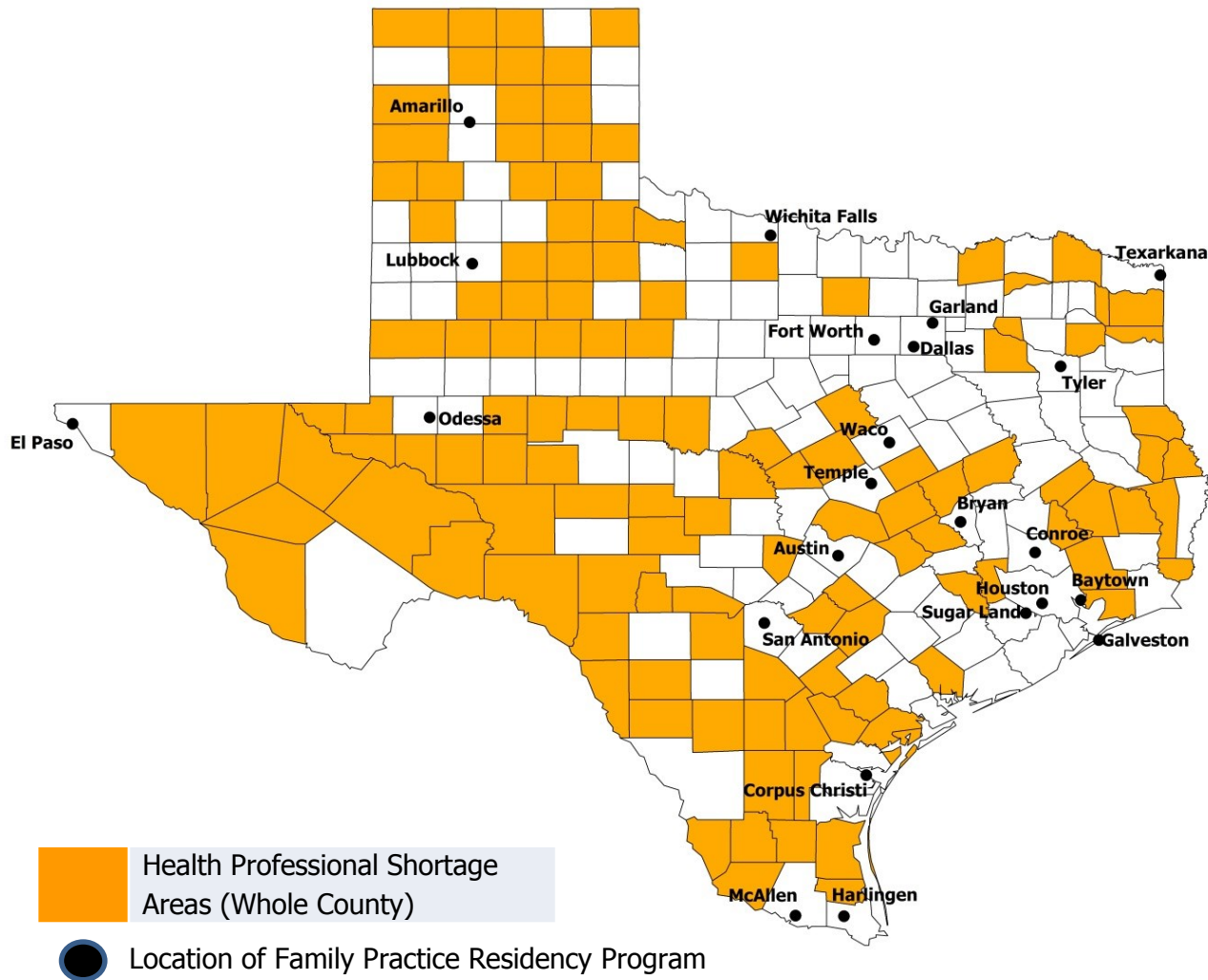
### History of Programs Established and Funded

Family Practice Residency Program	1977 – present
Resident Physician Compensation Program	1981 – 2003
Family Practice Residency Program – Pilot Projects	1993 – 2003
Primary Care Residency Program	1995 – 2011
Graduate Medical Education Program	1997—2010
HRI GME Formula Funding (not trustee to THECB)	2006 – present
Emergency and Trauma Care Education Partnership	2011 – present
GME Expansion Program: Planning Grants	2013 – present
GME Expansion Program: Unfilled Positions Residency Program	2013 – present
GME Expansion Program: Expansion and New Positions Residency Program	2013 – present
GME Expansion Program: Resident Physician Expansion Program	2013 – present
GME Expansion Program: Grants for Additional Years of Residency Training	Not funded

## Family Practice Residency Program

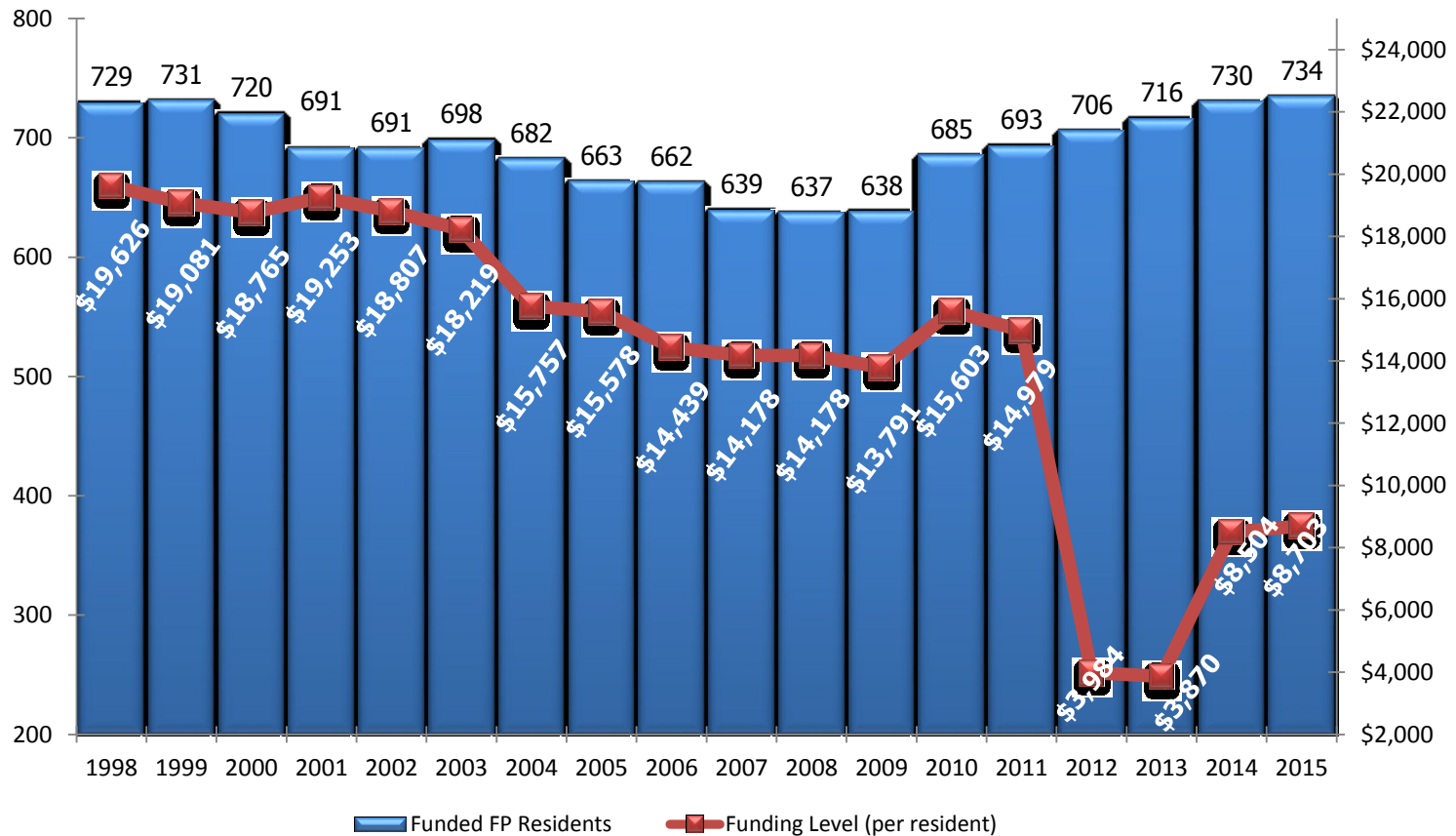
- Established in 1977 to increase the number of physicians selecting family practice as their medical specialty, especially in rural and underserved communities
- Since its inception, the program has provided funding support for almost 9,700 family practice residents
- Provides grants to 29 nationally-accredited family practice residency programs located in every region of the state

# Family Practice Residency Program



## Family Practice Residency Program

Funding Level and Residents Funded (current dollars)



## Family Practice Residency Program

**House Bill 1, Introduced: Level funding of \$12,780,000.**

Could support 750 family medicine residents at \$8,500 per resident, a decrease per resident from the current biennium.

**Exceptional Item Request: The Coordinating Board requested an additional \$14 million above the current biennial funding of \$12.78 million.**

Could increase the per resident funding level and restore per resident funding level to the 2002-2003 biennium in adjusted current dollars.

## Emergency and Trauma Education Partnership Program

### FY 2012 and FY 2013

#### **13 GME programs funded:**

- 7 Emergency Medicine Residency Programs
  - (41 residents)
- 1 Pediatric Emergency Medicine Fellowship Program
  - (2 residents)
- 4 Surgical Critical Care Fellowship Programs
  - (12 residents/fellows)

### FY 2014 and FY 2015

#### **12 GME programs funded:**

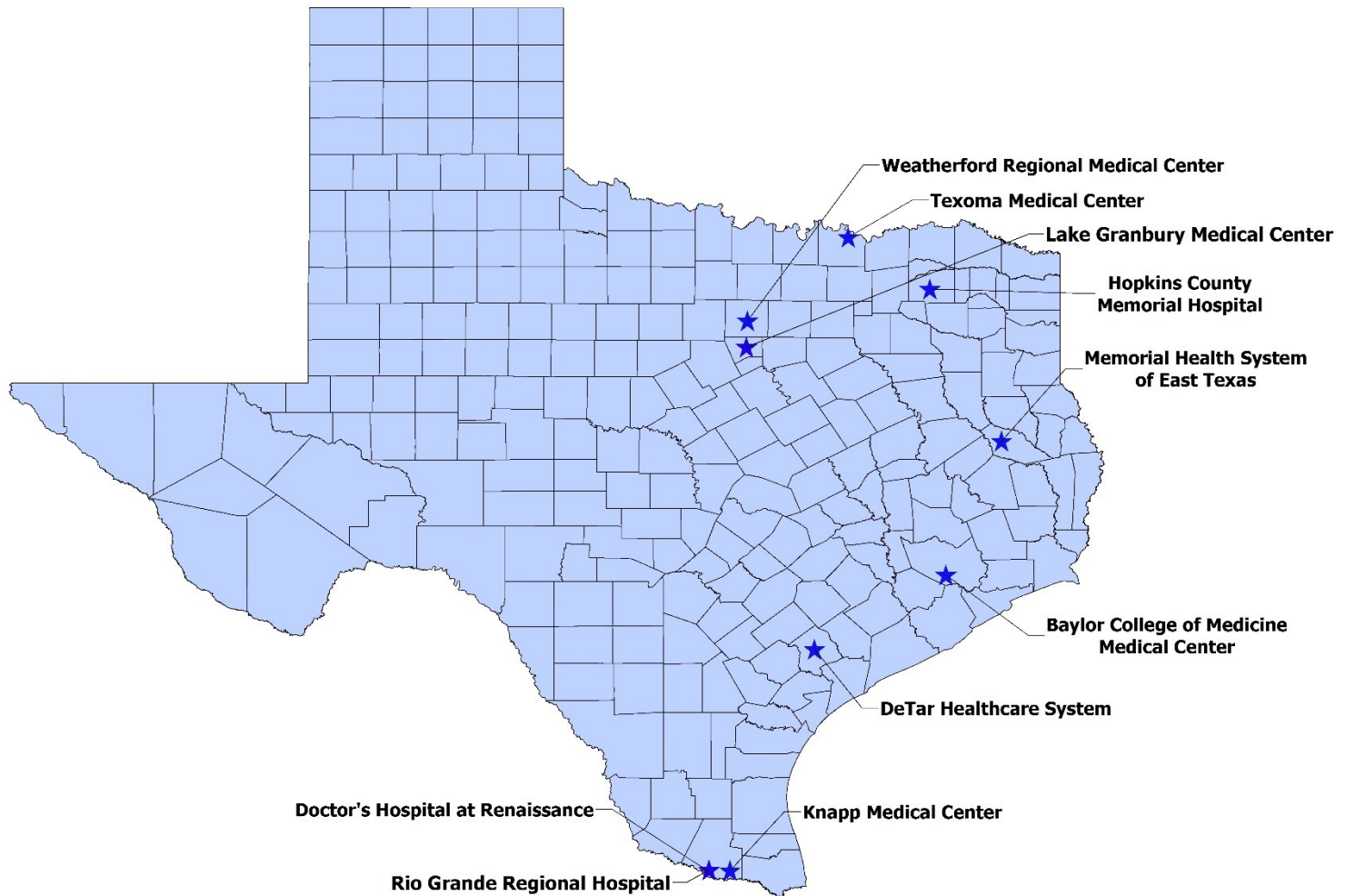
- 6 Emergency Medicine Residency Programs
  - (65 residents)
- 2 Pediatric Emergency Medicine Fellowship Programs
  - (8 residents)
- 4 Surgical Critical Care Fellowship Programs
  - (17 residents/fellows)

## **GME Expansion: Planning Grants**

- Created and funded under HB 1025, 83rd Legislature
- Designed to allow entities that do not currently operate a GME program to investigate the feasibility of establishing a program
- Maximum of 12 awards of \$150,000
- Coordinating Board developed rules, published Request for Application and announced awards in December 2013
- A total of 10 grants were awarded



## Graduate Medical Education Expansion Planning Grants



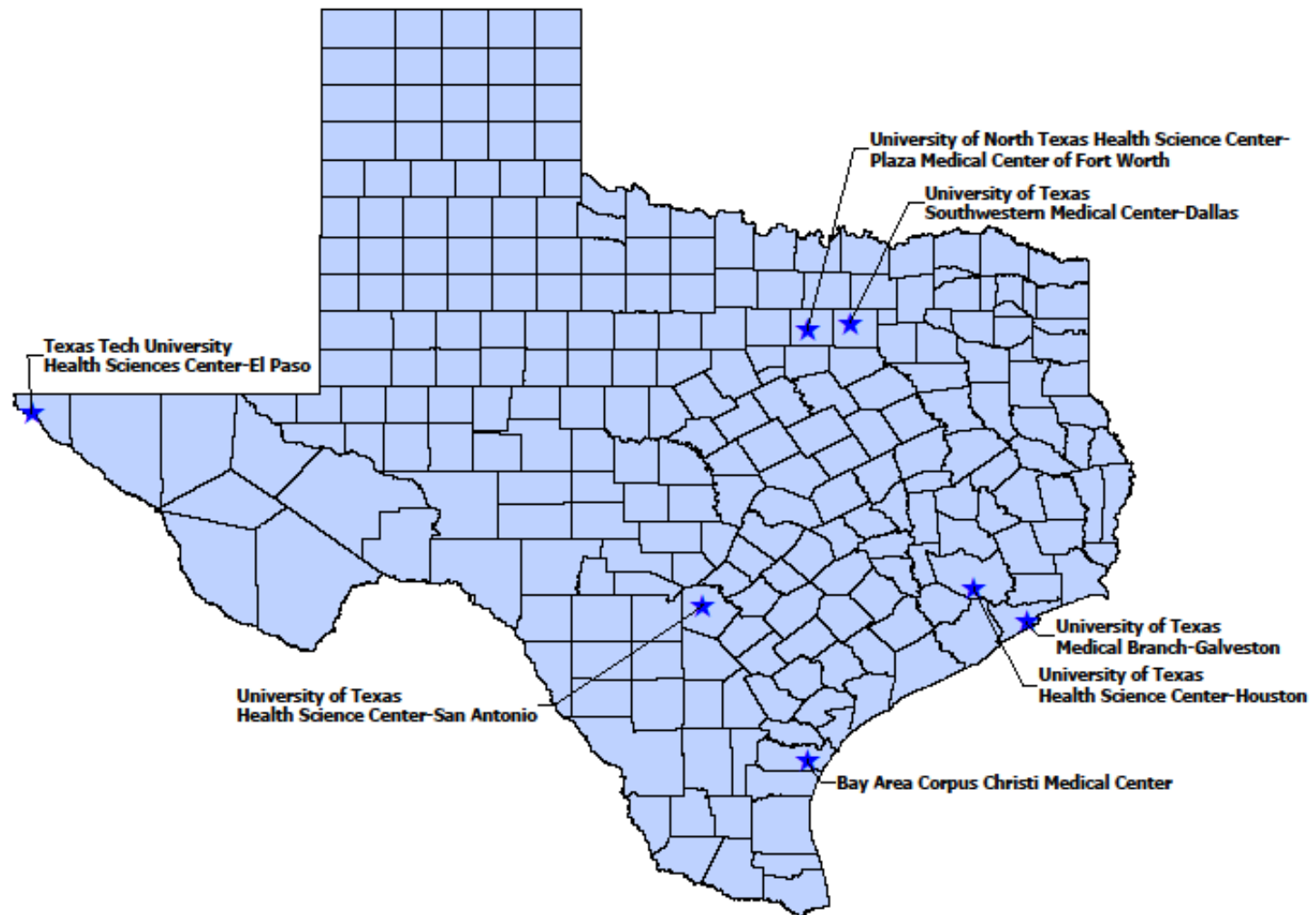
## GME Expansion: Unfilled Positions (HB 1025, 83rd Legislature)

### Summary of Awards

	<b><u>Award Year 2014-2015</u></b>	<b><u>Award Year 2015</u></b>	<b><u>Total</u></b>
Number of Awardees	7	7	
Number of Programs Awarded	9	9	
Funds Awarded	\$3,250,000	\$1,625,000	\$4,875,000
Number of Positions Funded	50	25	75
Total Number of New First-Year Residency Positions Created			<b>25</b>

<b>Unfilled Residency Position Grants</b>		
<b>Year of Resident</b>	<b>FY 2014</b>	<b>FY 2015</b>
First Year	25	25
Second Year		25
Third Year		
Fourth Year		
Total Positions by Year	25	50
Total \$	1,625,000	3,250,000
Total-Biennium \$	<b>4,875,000</b>	
Total Positions -- Biennium	75	

## Graduate Medical Education Expansion Unfilled Position Grants



## **GME Expansion: New and Expanded Program (HB 1025, 83rd Legislature)**

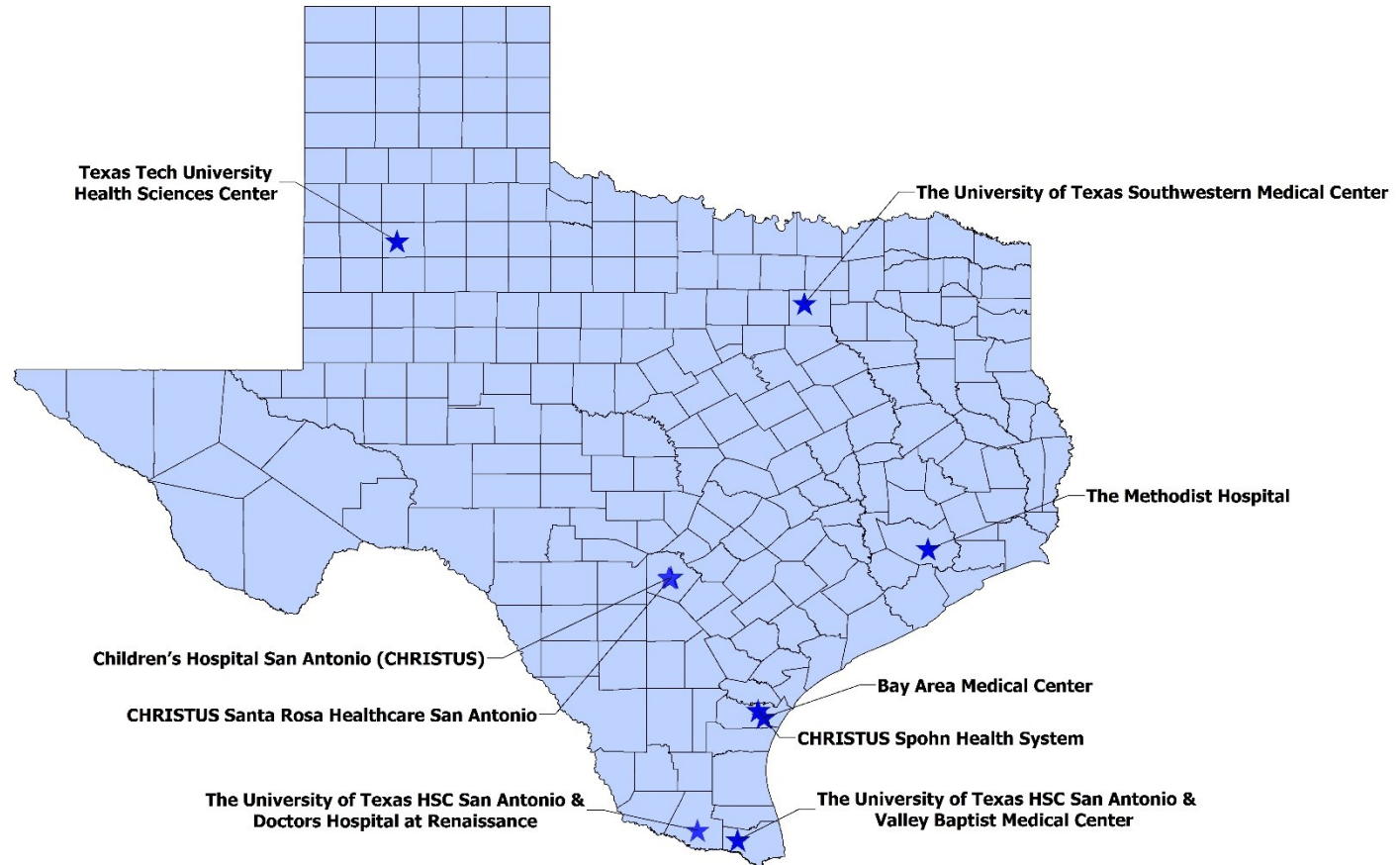
### **Summary of Awards**

#### **Awards in FY 2015**

Number of Awardees	9
Number of Programs Awarded	12
Funds Awarded	\$2,845,000
Number of New First-Year Residency Positions Funded	53

<b>New and Expanded Residency Position Grants</b>	
<b>Year of Resident</b>	<b>FY 2015</b>
8 programs funded at \$65,000 per resident	33
4 programs funded at \$35,000	20
Number of New First Year Residents Funded	53

## Graduate Medical Education New and Expanded Program Grants



## **GME Expansion: Resident Physician Expansion Program**

- Created by SB 2550, 83rd Legislature to increase the number of residency positions in GME programs
- Provide awards on a competitive basis to encourage the creation of new GME positions through community collaboration and innovative funding
- \$5 million provided in SB 1 (THECB Rider 54), 83rd Legislature to support the program in Fiscal Years 2014-2015
- Rules established through negotiated rulemaking process to establish program (consensus rules submitted to the *Texas Register* April 14, 2014)
- Received eight applications, currently under review

## **GME Expansion: Grants for Additional Residency Years**

- Established by the 83rd Texas Legislature, Regular Session to fund residents who have completed at least three years of residency training and whose residency program is in a field in which the state has less than 80 percent of the national average of physicians per 100,000 population.
- SB 2550, 83rd Legislature restricted the award of these grants to the fiscal year beginning September 1, 2016 or subsequent years, contingent on appropriation of funds.

## GME Expansion Programs – HB 1, Introduced

Total Unfilled/New/Expanded (Actual FY 2014 and FY 2015 & Projected FY 2016 and FY 2017)								
Resident Positions	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
First Year	25	78	85	80	105	105	180	180
Second Year		25	78	85	80	105	105	180
Third Year			25	78	85	80	105	105
Fourth Year				9	24	41	41	59
Fifth Year						4	7	10
Total Positions	25	103	188	252	294	335	438	539
Total \$	\$1,625,000	\$6,095,000	\$12,220,000	\$16,380,000	\$19,110,000	\$21,775,000	\$28,470,000	\$35,035,000
Total-Biennium \$	\$7,720,000		\$28,600,000		\$40,885,000		\$63,505,000	

### Notes:

1. The number of grants awarded depend on the number of Unfilled Position and New/Expanded Program awards applied for by eligible applicants. FY 2015 includes anticipated funding for 25 Unfilled first year positions and 53 New and Expanded first year residency positions.
2. TEC 58A.023 and 58A.024 established the Unfilled Position Grants and the New/Expanded Program Grants. Supplemental appropriation legislation, House Bill 1025, set a per resident funding level of \$65,000 for each position award, with the exception of Planning Grant-supported new positions, which must be funded at \$35,000 per year. Residency programs may be awarded multiple grants of \$65,000 or \$35,000 each.
3. For eligible GME programs with first-year positions, July 2013 served as the base year to measure the number of unfilled approved positions.



## GME Expansion Programs

**Exceptional Item Request: The Coordinating Board requested an additional \$40 million above the current biennial base funding of \$14.25 million.**



## LEGISLATIVE BUDGET BOARD

# Integration of General Academic Institutions and Health Related Institutions

**PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE  
SUBCOMMITTEE ON ARTICLE III  
LEGISLATIVE BUDGET BOARD STAFF**

**FEBRUARY 24, 2015**

# Overview of GAI and HRI Funding

General Academic Institutions (GAIs) and Health Related Institutions (HRIs) are both provided appropriations primarily through formula funding.

There are two formulas for the GAIs:

- Instruction & Operations (I&O) Formula
- Infrastructure Formula

There are six formulas for the HRIs:

- Instruction & Operations (I&O) Formula
- Infrastructure Formula
- Research Enhancement Formula
- Graduate Medical Education Formula
- Cancer Center Operations Formula (*mission specific formula*)
- Chest Disease Center Operations Formula (*mission specific formula*)

# I&O Formulas for GAls and HRIs

The primary funding for academic programs at GAls and HRIs flows through the I&O formula for the general academic institutions and a separate I&O formula for the health related institutions. Both formulas use the same base period (summer, fall, spring) for formula funding.

## General Academic Institutions

- I&O formula is based on weighted semester credit hours (SCHs)

## Health Related Institutions

- I&O formula is based on weighted full time student equivalents (FTSEs)

# I&O Funding by Weights and Discipline

## General Academic Institutions

The I&O formula multiplies the semester credit hours generated at an institution by the weight assigned to the discipline (e.g., pharmacy and nursing) and the level. In House Bill 1, the weights by level for each of these disciplines are shown in the table below. The Legislature may choose to update these weights based on the new cost matrix provided by the Texas Higher Education Coordinating Board (THECB) in the spring data update.

Discipline	Lower Division	Upper Division	Masters	Doctoral	Professional
Nursing	1.81	2.08	3.49	8.85	
Pharmacy	1.63	5.85	25.82	37.34	4.25

# General Academic Institutions I&O Pharmacy Example

---

For example, a general academic institution generates 24 semester credit hours in the professional pharmacy program.

The I&O formula first weights the semester credit hours generated by the general academic institution:

$$24 \times 4.25 = 102.0 \text{ wsch}$$

After calculating the weighted semester credit hours generated, these hours will be multiplied by the I&O rate to determine the annual funding an institution will receive for those hours.

$$102.0 \text{ wsch} \times \$54.86 = \$5,595.72$$

---

# I&O Funding by Weights and Discipline

## Health Related Institutions

The I&O formula multiplies the number of full time student equivalents (FTSEs) generated at an institution by a weight assigned to the program, regardless of level. In House Bill 1, the weights for each of these disciplines are shown in the table below. These weights are not based on a cost study and have not changed since the inception of the formulas in 2000-01.

Program	Weight
Nursing	1.138
Pharmacy	1.670



# Health Related Institutions I&O Pharmacy Example

---

For example, a health related institution generates 1 FTSE in the pharmacy program.

The I&O formula first weights the FTSEs generated by the health related institution:

$$1 \times 1.670 = 1.670 \text{ weighted FTSE}$$

After calculating the weighted FTSEs, these FTSEs will be multiplied by the I&O rate to determine the annual funding an institution will receive for those FTSEs.

$$1.670 \text{ weighted FTSE} \times \$9,527 = \$15,910.09$$

---

# Other Programs Funded at Both GAls and HRIs

Many other programs are taught at GAls and HRIs. The following is a sampling of the different programs that are found at both institution types:

- Clinical Psychology
- Biomedical Science
- Biochemistry
- Pathology
- Bioengineering and Biomedical Engineering
- Audiology
- Clinical Laboratory Science/Medical Technology/Technologist
- Respiratory Care Therapy/Therapist

# Background of HRI/GAI Integration

Prior to the 83<sup>rd</sup> Legislative session, all public medical schools were located at a HRI and not directly associated with a GAI. During the current biennium, the following has occurred:

- Texas A&M University Health Sciences Center (TAMUHSC) and Texas A&M University (TAMU)
  - TAMUHSC was realigned as an academic unit under TAMU in July 2013.
- The University of Texas Rio Grande Valley (UTRGV) and UTRGV School of Medicine
  - Senate Bill 24, 83<sup>rd</sup> Legislature, 2013, created UTRGV as a general academic institution comprised of components including a medical school and the Regional Academic Health Center (RAHC).
  - Scheduled to admit first class in fall 2016.
- The University of Texas (UT) at Austin and the Dell Medical School
  - UT Austin notified THECB of the establishment of a new medical program in February 2013.
  - Scheduled to admit first class in fall 2016.

# Issues for Legislative Consideration

---

The main legislative decision points relating to the integration of GAIs and HRIs are the following:

- Budget Structure
- Formula Funding
- Research Funding

# Budget Structure for Integrated Institutions

House Bill 1 as Introduced includes the following budget structures:

- TAMUHSC and TAMU continue to maintain separate bill patterns and agency codes.
- UTRGV and UTRGV School of Medicine were both created with separate bill patterns and agency codes.
- UT Austin: There are currently no appropriations provided for the Dell Medical School within House Bill 1 as Introduced.
  - If the Legislature chose to appropriate funds for the medical school in the 2016-17 biennium, it could decide whether to treat the budget structure as separate or combined.

# Formula Funding for Integrated Institutions

House Bill 1 as Introduced includes the following:

- TAMUHSC and TAMU each receive funding from the HRI and GAI formulas, respectively.
  - When TAMUHSC and TAMU begin a new program, the institution chooses whether it will be done through TAMUHSC or TAMU and receives the corresponding formula funding.
- UTRGV School of Medicine and Dell Medical School do not have medical students during the base period so they do not receive formula funding in House Bill 1 as Introduced.
  - Formula funding for these medical programs will begin through the HRI I&O formula in the 2018-19 biennium.

# Research Program Considerations

- The **Available National Research University Fund (NRUF)** and **Texas Research Incentive Program (TRIP)** are provided to general academic institutions classified as emerging research universities by the Higher Education Coordinating Board.
  - ☐ TAMU and UT are both research universities and ineligible for these funds.
  - ☐ Unless there is statutory change, UTRGV may use research funding generated by the medical school to reach emerging research status and subsequently receive appropriations from NRUF or TRIP, assuming other eligibility criteria is reached.
- The **Texas Research University Fund (TRUF)** is provided only to UT Austin and TAMU in House Bill 1 as Introduced.
  - ☐ Currently, research expenditures for TAMUHSC are not included in the allocation of the TRUF.
  - ☐ The Legislature can choose whether to include the research funds generated by the Dell Medical School and/or TAMUHSC in the allocation of the TRUF.



# Research Program Considerations, Continued

- The **Comprehensive Research Fund** (CRF) is provided to general academic institutions not classified as a research or emerging research university by THECB in House Bill 1 as Introduced.
  - ☐ Currently, UTRGV receives funding through the CRF.
  - ☐ The Legislature can choose whether to include the research funds generated by the UTRGV School of Medicine in the allocation of the CRF.
- The **Research Enhancement Formula** is provided to all HRIs. HRIs receive a base amount of \$1,412,500 and then funding for a percentage of actual research expenditures as reported to THECB. This percentage is set at 1.22 percent in House Bill 1.
  - ☐ TAMUHSC receives funding through the formula based on research conducted through the health science center.
  - ☐ The Legislature can choose whether to include all research generated by UT Austin or UTRGV or just through the medical schools in the allocation of the research enhancement formula.
- House Bill 1 includes a reporting requirement for UTRGV and UT Austin to report research expenditures at the medical schools separate from the academic institution to the LBB and Governor's office.



## LEGISLATIVE BUDGET BOARD

### **Contact the LBB**

Legislative Budget Board

[www.lbb.state.tx.us](http://www.lbb.state.tx.us)

512.463.1200



## LEGISLATIVE BUDGET BOARD

# Overview of Financial Aid

**PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE**

**SUBCOMMITTEE ON ARTICLE III**

**LEGISLATIVE BUDGET BOARD STAFF**

**February 24, 2015**

# Financial Aid Overview

The Higher Education Coordinating Board administers several financial aid programs. These include programs found in the agency's bill pattern in Goal B, Close the Gaps in Affordability. House Bill 1 as Introduced includes \$1.1 billion in All Funds to this goal which represents 67 percent of the total funding to the agency.

The programs discussed in this overview include:

- Strategy B.1.1, TEXAS Grants
- Strategy B.1.2, B-On-Time-Public
- Strategy B.1.3, B-On-Private
- Strategy B.1.4, Tuition Equalization Grants
- Strategy B.1.5, Texas Educational Opportunity Grants
- Strategy B.1.6, Texas College Work Study
- Strategy B.1.8, Teach for Texas Loan Repayment Program
- Strategy B.1.11, Top Ten Percent Scholarships
- Strategy B.1.12, Texas Armed Services Scholarship Program

# TEXAS Grant Program

- Assistance to eligible financially-needy high school graduates (or recent recipients of associate's degrees) who enroll at a Texas public university on at least a three quarter time basis, and maintain at least a 2.5 college GPA
- The TEXAS Grants program prioritizes initial awards for students who have completed certain academic requirements
- Senate Bill 215, enacted in the 83rd Legislative Session, made the program a university-only program beginning in Fall 2014. Students at two-year institutions who otherwise would have been eligible for a TEXAS Grant are now served through the Texas Educational Opportunity Grant (TEOG) Program
- House Bill 1 as Introduced includes \$693.9 million in General Revenue
  - Increase of \$41.3 million compared to 2014-15 amounts
  - Supports approximately 69,000 students per year.
- The agency's exceptional item, \$96.3 million increase over House Bill 1 as Introduced, would fully fund the program at the \$5,300 award amount

# B-On-Time Program

- Allows universities to offer students zero interest loans with provisions for forgiveness should the student meet certain academic and time-to degree benchmarks
- Requires students to have graduated from high school under a college preparatory curriculum and to meet continuing academic requirements to continue to receive the loans
- Students must graduate on time, as defined, with a 3.0 or higher GPA to qualify for loan forgiveness
- While those who do not qualify for loan forgiveness must make monthly payments toward loan principal, there are no interest costs for the life of the loan
- B-On-Time loans to public university students are funded through a 5 percent designated tuition set-aside collected by institutions
- Senate Bill 215, 83<sup>rd</sup> Legislature, allows public universities to receive B-On-Time funding equivalent to the amount of tuition set-asides they collect, subject to available appropriations
- Because private institutions are not subject to tuition set-aside requirements, the Legislature has used General Revenue funds to make B-On-Time loans to students at these universities

# B-On-Time Program - Appropriations

House Bill 1 as Introduced includes funding at the Texas Higher Education Coordinating Board for B-On-Time in two strategies:

- Strategy B.1.2, B-On-Time-Public,
  - \$55.2 million, which is a decrease of \$23.0 million compared to 2014-15 amounts in General Revenue-Dedicated Texas B-On-Time Student Loan Account No. 5103
  - Supports approximately 6,500 renewal students at public universities during the biennium
- Strategy B.1.3., B-On-Time-Private
  - \$19.2 million, which is a decrease of \$12.2 million in General Revenue compared to 2014-15 amounts
  - House Bill 1 re-allocates this reduction amount, \$12.2 million, to TEXAS Grants
  - Supports approximately 2,300 renewal students at private institutions during the biennium



# B-On-Time Program General Revenue Dedicated Balances

- House Bill 1 as Introduced includes a contingency appropriation in Special Provisions Relating Only To State Agencies of Higher Education relating to the elimination of the tuition set aside for the B-On-Time Program.
- Under provisions of the contingency rider, the remaining balances in account, other than amounts required to cover renewals in 2016-2018, would be returned to institutions of higher education.

# Tuition Equalization Grants

- Provides grants to eligible, financially-needy students attending independent institutions in Texas
- To qualify, recipients must be Texas residents, or National Merit Finalists, and enroll on at least a three-quarter basis
- To remain eligible, a student must complete at least 75 percent of his/her coursework, complete at least 24 semester credit hours per year (18 if the recipient is a graduate student) and maintain at least a 2.5 college GPA
- House Bill 1 as Introduced includes \$180.1 million in General Revenue
  - Level funding compared to 2014-15 amounts
  - Supports approximately 27,700 students per year
- The agency's exceptional item, a \$18.0 million increase over House Bill 1 as Introduced, would support 30,000 students each year

# Texas Educational Opportunity Grants

- Awards grants to students attending public community, technical, or state colleges, with the highest priority given to students with the greatest financial need
- To be eligible, a student must be a Texas resident, enroll at least half-time, show financial need, and be working towards an associate's degree or certificate
- To remain eligible, a student must complete at least 75 percent of his/her coursework and maintain a 2.5 GPA
- A student cannot receive a TEOG award for more than 75 hours, or four years
- The grant amount for each term shall not exceed the statewide average of tuition and fees at the type of public institution the student is attending
- House Bill 1 as Introduced includes \$65.1 million in General Revenue
  - Level funding compared to 2014-15 amounts
  - Supports approximately 19,500 students per year, or 8.5 percent of eligible entering undergraduates
- The agency's exceptional item, \$37.3 million increase over House Bill 1 as Introduced, would serve approximately 22 percent of eligible students.

# Texas College Work Study

- Allows students to earn money to pay for at least part of their educational expenses
- Pays up to 75 percent of salaries for students working for nonprofit employers and up to 50 percent of salaries for students working for profit-making employers
- Employers pay the balance of the students' salaries and all other benefits
- House Bill 1 as Introduced includes \$18.8 million in General Revenue,
  - Level funding compared to 2014-15 amounts
  - Supports approximately 4,100 students per year at an average award amount of \$1,680
- The agency's exceptional item, a \$5.3 million increase over House Bill 1 as Introduced, would allow institutions to award 1,577 additional students an average award amount of \$1,680
- The exceptional item reflects the approximate amount of additional Texas College Work Study funds requested by institutions in the last biennium, which the Higher Education Coordinating Board was unable to meet due to insufficient funding

# Teach for Texas Loan Repayment Program

- Provides student loan repayment assistance to Texas public school teachers who provide full-time instruction in a subject area that has a critical shortage of teachers or at a school experiencing a critical shortage of teachers
- Statute prohibits a person from receiving loan repayment assistance for more than five years
- The agency has indicated that the number of qualified applicants for the program has exceeded available funding every year since fiscal year 2004
- House Bill 1 as Introduced includes \$4.4 million in General Revenue
  - Level funding compared to 2014-15 amounts
  - Supports loan repayment awards of \$2,500 to 885 teachers
- The agency's exceptional item of \$4.2 million would allow approximately 846 additional teachers to receive awards in each year of the biennium if the award is maintained at \$2,500

# Top Ten Percent Scholarship Program

- Established by rider in the Higher Education Coordinating Board bill pattern and implemented by agency rules
  - Need-plus-merit program
  - Scholarships are awarded to high school graduates with financial need who graduate in the top 10 percent of their high school graduating class and enroll full-time
  - To be eligible for a continuation award, students must complete 30 semester credit hours each year, maintain a cumulative GPA of 3.25, and complete at least 75 percent of the hours attempted
- House Bill 1 as Introduced includes \$18.2 million in General Revenue
  - Decrease of \$21.4 million compared to 2014-15 amounts
  - Supports estimated 15,185 students each year of the biennium at a \$600 award amount
  - House Bill 1 re-allocates this reduction amount, \$21.4 million, to TEXAS Grants
- Different Top 10 Percent Scholarship Program established in statute but never funded

# Texas Armed Services Scholarship Program

- Purpose of the program is to encourage students to become members of the Texas Army National Guard, the Texas Air Force National Guard, or commissioned officers in any branch of the armed services of the United States
- Eligibility requirements:
  - Enrolled in a public or private institution of higher education
  - Member in good standing of a Reserve Officers' Training Corps (ROTC) program
  - Appointed to receive a scholarship by the governor, the lieutenant governor, state senator, or state representative
  - Entered into an agreement with the Higher Education Coordinating Board to satisfy ROTC training and service requirements
  - If the student fails to meet the conditions of the scholarship, the scholarship will become a loan.

# Texas Armed Services Scholarship Program - Appropriations

- House Bill 1 as Introduced includes \$5.3 million in General Revenue
  - Decrease of \$1.8 million compared to 2014-15 amounts
  - Supports all renewal awards and newly appointed students, estimated to be approximately 335 in fiscal year 2016 and 375 in fiscal year 2017, at an award amount of \$7,000
  - House Bill 1 as Introduced re-allocates this reduction amount, \$1.8 million, to TEXAS Grants



	Higher Education Coordinating Board	2014-15 Approp.	2014-15 Est/Bud	Diff. of 2014-15 Est/Bud to Approp.	2016-17 HB 1	Diff. of HB1 to 2014-15 Est/Bud	Explanation
B.1.1	TEXAS Grants – General Revenue	\$694.6	\$652.3	(\$42.3)	\$693.6	\$41.3	The 2014-15 appropriated amount included an estimated \$5 million in unexpended balances. The agency did not UB any funding into 2014. The agency transferred \$37.3 million to the TEOG program in FY 2015. House Bill 1 as Introduced includes \$693.6 million and supports approximately 69,000 students per year. The agency's exceptional item of \$137.9 million would fully fund the program at a \$5,300 award amount.
B.1.2	B-On-Time Program-Public – General Revenue Dedicated	\$80.6	\$78.2	(\$2.4)	\$55.2	(\$23.0)	House Bill 1 as Introduced supports renewal awards only, which is approximately 6,500 students.
B.1.3	B-On-Time Program-Private – General Revenue	\$31.4	\$31.4	\$0.0	\$19.2	(\$12.2)	House Bill 1 as Introduced supports renewal awards only, which is approximately 2,300 students. The reduction of \$12.2 million was reallocated to the TEXAS Grant Program.
B.1.4	Tuition Equalization Grants	\$180.1	\$180.1	\$0.0	\$180.1	\$0.0	House Bill 1 as Introduced supports an estimated 27,700 students each year at an average award amount of \$3,250.
B.1.5	Texas Educational Opportunity Grants (TEOG)	\$27.8	\$65.1	\$37.3	\$65.1	\$0.0	House Bill 1 as Introduced supports approximately 19,500 students per year, which equals all renewal students and 8.5 percent of eligible entering students.
B.1.6	Texas College Work Study	\$18.8	\$18.8	\$0.0	\$18.8	\$0.0	House Bill 1 as Introduced supports approximately 4,100 students each year of the biennium.
B.1.8	Teach for Texas Loan Repayment Program	\$4.4	\$4.4	\$0.0	\$4.4	\$0.0	House Bill 1 as Introduced would allow the agency to make annual loan repayment awards in the amount of \$2,500 to 885 teachers in each year of the biennium.
B.1.11	Top Ten Percent Program	\$39.6	\$39.6	\$0.0	\$18.2	(\$21.4)	House Bill 1 as Introduced supports renewal awards only, estimated to be 15,185 students per year. The reduction of \$21.4 million was reallocated to the TEXAS Grant Program.
B.1.12	Texas Armed Forces Scholarships	\$7.1	\$7.1	\$0.0	\$5.3	(\$1.8)	House Bill 1 as Introduced reduces funding for the program by 25 percent. The reduction of \$1.8 million was reallocated to the TEXAS Grant Program.



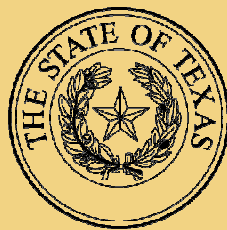
## LEGISLATIVE BUDGET BOARD

### **Contact the LBB**

Legislative Budget Board

[www.lbb.state.tx.us](http://www.lbb.state.tx.us)

512.463.1200



## LEGISLATIVE BUDGET BOARD

# TRS-Care Overview

**PRESENTED TO THE HOUSE APPROPRIATIONS COMMITTEE  
SUBCOMMITTEE ON ARTICLE III**

**LEGISLATIVE BUDGET BOARD**

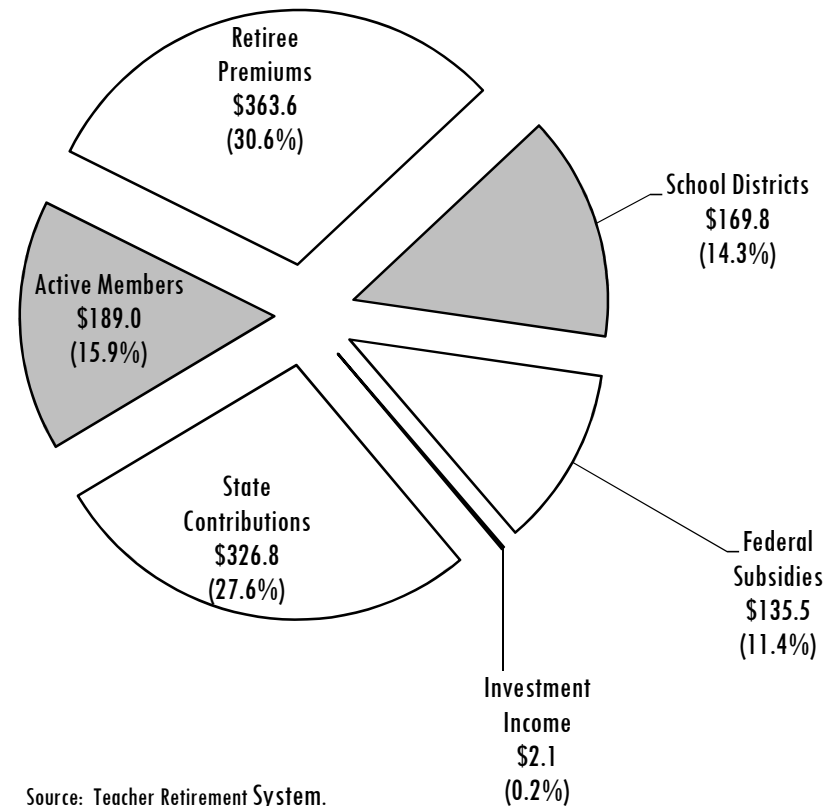
**FEBRUARY 24, 2015**

# TRS-Care Overview

- Self-funded statewide health benefit program for public school retirees.
- In 1985, the Legislature enacted the Texas Public School Retired Employees Group Benefits Act.
- Third-party administration of medical and pharmaceutical benefits
- Plan design has separate plans with varying deductibles, co-pays, and premium costs.
- 244,784 participants as of August 2014
- \$1.2 billion total plan costs paid for health benefits in Fiscal Year 2014
- State contribution: 1.0% of active member payroll
- Active member contribution: 0.65% of payroll
- School district contribution: 0.55% of payroll
- **Estimated shortfall in 2016-17: \$768.1 million**

TRS-CARE TRUST FUND CONTRIBUTIONS  
FISCAL YEAR 2014  
(IN MILLIONS)

TOTAL = \$1,186.8 MILLION



Source: Teacher Retirement System.

# TRS-Care Estimated Shortfall

Fiscal Year	Ending Fund Balance	Fiscal Year Shortfall
FY 2015	\$167.0 million	\$0.0
FY 2016	(\$235.1 million)	(\$235.1 million)
FY 2017	(\$768.1 million)	(\$533.0 million)
FY 2018	(\$1,445.6 million)	(\$677.5 million)
FY 2019	(\$2,288.0 million)	(\$842.4 million)
Source: Teacher Retirement System		

# LBB GEER Recommendations

## TRS-Care Solvency

1.	<p>Allocate the cost to maintain TRS-Care solvency across the following funding sources:</p> <ul style="list-style-type: none"><li>a) 50.0 percent of the shortfall funded by a State contribution increase;</li><li>b) 12.5 percent of the shortfall funded by an active member contribution increase;</li><li>c) 12.5 percent of the shortfall funded by a school district contribution increase; and</li></ul> <p>Remaining 25.0 percent to be addressed by the TRS Board. (See #4. below)</p>
2.	<ul style="list-style-type: none"><li>• Add contingency rider appropriating GR associated with the increase in State contribution rate (per #1. above).</li><li>• Delete the school district contribution rate in the 2016-17 General Appropriations Bill, deferring instead to the amended statutory rate (per #1. above).</li></ul>
3.	Delete the rider expressing legislative intent that TRS not increase retiree premiums.
4.	<ul style="list-style-type: none"><li>• Add contingency rider requiring TRS take appropriate action, such as plan design changes and premiums increases, to offset at least 25 percent of the TRS-Care shortfall.</li><li>• Require TRS to report changes to LBB and the Governor prior to implementation.</li></ul>
5.	Amend statute to require TRS to annually report cost containment features and the savings generated.

These recommendations are not included in House Bill 1, as Introduced.

SOURCE: Legislative Budget Board.

# Options Presented in the TRS November 2014 TRS-Care Sustainability Study

Based on a 2016-17 Shortfall of \$748 million as reflected in the Study

Each of the following options may be considered independently.  
However, not all of the options are mutually exclusive, and certain options may be combined.

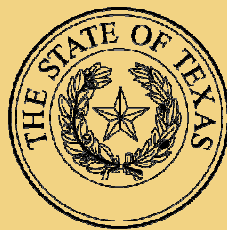
1.	<b>Pre-fund the long-term liability</b>	Increase all contribution rates 2.7 times. Extends solvency indefinitely. Estimated additional General Revenue of \$990 million per biennium above the current 1.0 percent contribution rate.
2.	<b>Biennial funding</b> Contribution increases needed each biennium to continue solvency.	<p>(a) Increase the 1.0 percent state contribution sufficient to cover the projected shortfall, estimated increase to 2.23 percent in 2016-17 and to 3.19 percent in the 2018-19 biennium.</p> <p>(b) Increase the state, active member, and district contribution rates proportionally to: 1.56 percent, 1.01 percent, and 0.86 percent, respectively, in 2016-17; and 1.99 percent, 1.30 percent, and 1.10 percent in 2018-19.</p> <p>(c) Increase all contribution rates proportionally and increase retiree premiums by 34.8 percent in 2016-17 and 20.2 percent in 2018-19. Reduces contribution rates from (b) to: 1.35 percent, 0.88 percent, and 0.74 percent in 2016-17; and 1.62 percent, 1.05 percent, and 0.89 percent in 2018-19.</p> <p>(d) Reduce benefits to offset part of the retiree premium increase in (c).</p>
3.	<b>10-Year Funding</b>	<p>(a) Increase the state contribution to 3.87 percent.</p> <p>(b) Increase the state, active member, and district contribution rates proportionally to: 2.31 percent, 1.50 percent, and 1.27 percent for the ten-year period from 2016-25.</p> <p>(c) Increase all contribution rates proportionally and increase retiree premiums by 14.9 percent each biennium. Reduces contribution rates from (b) to: 2.01 percent, 1.30 percent, and 1.10 percent.</p>

# Options Presented in the TRS November 2014 TRS-Care Sustainability Study

Based on a 2016-17 Shortfall of \$748 million as reflected in the Study

4.	<b>Eliminate Subsidy</b>	Require retirees to pay the full cost for optional coverage, which includes plans better than the basic catastrophic coverage and all dependent care coverage. Involves significant increases in premiums and benefit reductions.
5.	<b>Mandatory Medicare</b>	Require purchase of Medicare Part B and mandatory participation in Medicare Advantage and Medicare Part D plans. Current participation of eligible retirees is 68.0 percent in Medicare Advantage and 80.0 percent in Medicare Part D. This option would not mitigate the deficit but projections indicate a reduction of the deficit in the 2016-17 biennium by 21.2 percent.
6.	<b>Defined Contribution Plan</b>	Establish Health Reimbursement Account (HRA) for non-Medicare retirees, who must obtain coverage in the federal public exchange. Medicare Advantage and Part D plans available at age 65. This option would not mitigate the deficit but projections indicate a reduction of the deficit in the 2016-17 biennium by 63.6 percent.
7.	<b>Consumer Directed Health Care Plan</b>	Eliminate TRS-Care 2 and TRS-Care 3 and implement Accountable Care Organizations (ACOs) and high performance networks. This option would not mitigate the deficit but projections indicate a reduction of the deficit in the 2016-17 biennium by 26.4 percent.





## LEGISLATIVE BUDGET BOARD

### **Contact the LBB**

Legislative Budget Board

[www.lbb.state.tx.us](http://www.lbb.state.tx.us)

512.463.1200

## Teacher Retirement System of Texas



# House Appropriations Committee Subcommittee on Article III TRS-Care

February 24, 2015





# TRS-Care

- TRS-Care currently offers three plan options and is administered by Aetna.
  - TRS-Care 1, the basic plan, provides catastrophic coverage.
  - TRS-Care 2 and TRS-Care 3 offer more comprehensive benefits, including a carve-out prescription drug benefit.
  - TRS-Care 2 and TRS-Care 3 Medicare Advantage and Medicare Part D plans provide richer benefits and lower premiums.

TRS-Care participants across plans: *(as of December 2014)*

December 2014 Enrollment:

Care-1	Care-2	Care-3	Total
29,705	60,784	160,460	250,949

Distribution by Medicare status:

Medicare Status	Care-1	Care-2	Care-3	Total
Medicare A&B	48%	26%	76%	61%
Medicare B only	32%	3%	5%	8%
Non-Medicare	20%	71%	19%	31%



# TRS-Care Funding Sources

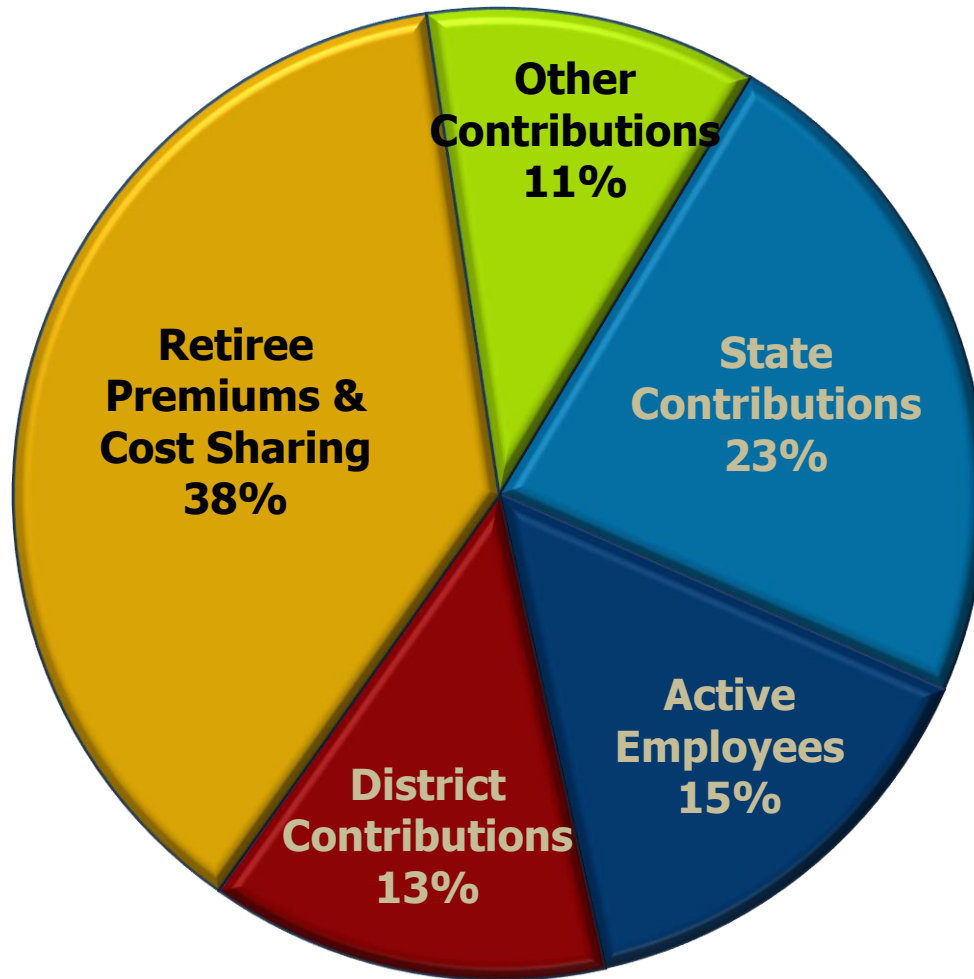
## Funding sources

- The law provides that the state contributes 1.0% of active member payroll. The General Appropriations Act reduced this contribution to 0.5% for FY 2013 but fully restored to 1.0% for FY 2014.
- School districts contribute between 0.25% and 0.75% of active member payroll. The current contribution rate is 0.55%.
- Active school employees contribute 0.65% of payroll.
- Retirees pay premiums for any plan option other than TRS-Care 1 retiree-only coverage.
- Medicare Part D retiree drug subsidy.
- Investment income.

*\* The funding is based on active member payroll and not actual health care costs.*



# TRS-Care for retirees Funding Sources



**State Contributions:**  
1.0% of active member payroll by law.

**Active Employees:**  
Contribute 0.65% of payroll.

**District Contributions:**  
Contribute 0.55% of active member payroll.

**Retiree Contributions:**  
Retirees pay premiums for any plan option other than TRS Care-1.

**Other Contributions:**  
Includes Medicare Part D subsidy and investment income.

\*The funding is based on active member payroll and not actual health care costs.



## History

- The program was created in 1985 as an interim solution but has endured for more than 30 years. The State initially contributed 0.35% and active employees 0.25% of the active employee payroll to fund TRS-Care.
- Under state law, catastrophic coverage is offered to all retirees at no cost, with the Board given the option of offering a more comprehensive option that would be paid for by the retiree. Coverage for dependents is paid for by retirees.
- The TRS Board is authorized to make plan design decisions and set premiums.
- Retirees selecting an optional plan pay a premium based on the plan selected, years of service, and Medicare status.

## Legislative History

- 2003 “10-Year Solvency” Legislation:
  - Increased State contribution from 0.5% to 1.0% of active payroll
  - Increased active employee contribution from 0.25% to 0.5% of their payroll
  - Created school district contribution to 0.25%-0.75%, determined by GAA. For 2004-2005 it was 0.4% of active payroll
  - Retiree premiums and plans restructure
- 2013 “Actuarial Soundness” Legislation:
  - Set a minimum age of 62 in order to be eligible for TRS-Care 2 or TRS-Care 3. Members were grandfathered if the sum of the person's age and amount of service credit in the retirement system equals 70 or greater; or the person had at least 25 years of service credit in the retirement system as of August 31, 2014. All non-grandfathered individuals will only be eligible to receive TRS-Care 1 until they reach age 62. No impact until FY 2020.



# Previous Sustainability Initiatives

- FY2001 – FY2005
  - Supplemental appropriations by the State.
- FY2004
  - Required district contributions were introduced.
- FY2005
  - Plan design changes.
  - Tightened eligibility rules.
  - Retiree premium restructured based on Years of Service and Medicare Status.
- FY2013
  - Introduction of the Medicare Advantage and Medicare Part D plans.
- FY2015
  - Move to minimum age 62 for TRS-Care 2 or TRS-Care 3 with a five-year grandfather.





# TRS-Care Funding

Financial History & Projection Through FY 2019 with Data Through December 2014

Fiscal Year	Contributions								Expenditures				Ending Balance (Incurred Basis)
	Retiree Contributions	State Contributions	Supplemental Appropriations	Active Employee Contributions	District Contributions	Investment Income	CMS& Part D Subsidies	ERRP Subsidy	Medical Incurred	Drug Incurred	Medicare Advantage Premiums	Administrative Costs	
FY 1986	\$0	\$0	\$250,000	\$17,625,194	\$0	\$572,153	\$0	\$0	\$0	\$0	\$0	\$362,371	\$18,084,976
FY 1987	\$22,617,624	\$25,931,680	\$0	\$18,522,629	\$0	\$2,568,998	\$0	\$0	\$50,988,845	\$7,044,825	\$0	\$3,941,936	\$25,750,301
FY 1988	\$23,948,600	\$31,357,632	\$0	\$19,596,520	\$0	\$5,703,832	\$0	\$0	\$16,157,649	\$12,441,672	\$0	\$4,614,755	\$73,144,809
FY 1989	\$25,428,632	\$37,420,711	\$0	\$20,789,215	\$0	\$8,802,914	\$0	\$0	\$32,926,324	\$15,458,710	\$0	\$5,212,073	\$111,989,174
FY 1990	\$37,556,561	\$44,369,915	\$0	\$22,184,958	\$0	\$13,098,835	\$0	\$0	\$50,171,919	\$19,835,965	\$0	\$7,186,851	\$152,004,708
FY 1991	\$46,563,787	\$47,277,743	\$0	\$23,638,871	\$0	\$15,801,047	\$0	\$0	\$82,697,189	\$28,683,081	\$0	\$8,258,029	\$165,647,857
FY 1992	\$56,395,797	\$50,392,512	\$0	\$25,196,592	\$0	\$17,314,372	\$0	\$0	\$74,307,953	\$33,829,694	\$0	\$8,862,560	\$197,946,923
FY 1993	\$65,154,653	\$54,029,406	\$0	\$27,014,703	\$0	\$17,181,190	\$0	\$0	\$101,627,864	\$40,700,513	\$0	\$10,067,359	\$208,931,140
FY 1994	\$80,128,944	\$56,912,083	\$0	\$28,456,041	\$0	\$16,467,438	\$0	\$0	\$108,284,693	\$45,712,060	\$0	\$11,668,828	\$225,230,065
FY 1995	\$89,006,331	\$59,849,850	\$0	\$29,924,925	\$0	\$16,841,673	\$0	\$0	\$122,054,551	\$50,782,093	\$0	\$12,219,847	\$235,796,353
FY 1996	\$82,622,236	\$63,634,087	\$0	\$31,817,043	\$0	\$16,818,747	\$0	\$0	\$135,982,304	\$57,074,921	\$0	\$13,593,578	\$224,037,663
FY 1997	\$87,657,784	\$67,616,395	\$0	\$33,808,197	\$0	\$16,202,440	\$0	\$0	\$148,823,489	\$62,530,982	\$0	\$14,097,454	\$203,870,554
FY 1998	\$91,390,173	\$72,210,190	\$0	\$36,105,095	\$0	\$15,260,517	\$0	\$0	\$156,537,913	\$76,256,158	\$0	\$14,616,678	\$171,425,780
FY 1999	\$96,474,107	\$76,488,424	\$0	\$38,244,213	\$0	\$9,762,741	\$0	\$0	\$184,398,533	\$93,459,890	\$0	\$14,905,196	\$99,631,646
FY 2000	\$120,227,960	\$85,505,637	\$0	\$42,738,069	\$0	\$6,923,485	\$0	\$0	\$203,029,971	\$110,903,247	\$0	\$16,837,127	\$24,256,451
FY 2001	\$131,213,445	\$90,118,787	\$76,281,781	\$45,059,394	\$0	\$5,824,134	\$0	\$0	\$250,691,898	\$139,774,848	\$0	\$18,237,767	(\$35,950,521)
FY 2002	\$143,797,748	\$94,792,026	\$285,515,036	\$47,378,092	\$0	\$7,140,560	\$0	\$0	\$287,729,918	\$163,979,754	\$0	\$19,017,292	\$71,945,978
FY 2003	\$162,954,010	\$98,340,798	\$124,661,063	\$49,170,399	\$0	\$3,394,956	\$0	\$0	\$368,462,963	\$203,281,400	\$0	\$21,690,329	(\$82,967,487)
FY 2004	\$248,552,679	\$198,594,194	\$298,197,463	\$99,297,097	\$79,457,387	\$4,840,982	\$0	\$0	\$366,840,457	\$214,514,500	\$0	\$26,332,200	\$238,285,158
FY 2005	\$322,780,191	\$202,397,566	\$64,172,167	\$101,198,783	\$80,914,228	\$11,300,868	\$0	\$0	\$431,036,095	\$229,522,988	\$0	\$33,333,010	\$327,156,868
FY 2006	\$326,844,982	\$215,666,940	\$0	\$140,183,511	\$118,607,527	\$21,435,792	\$34,611,607	\$0	\$427,553,404	\$259,532,887	\$0	\$34,434,969	\$462,985,967
FY 2007	\$323,957,945	\$238,190,720	\$0	\$154,823,968	\$136,008,512	\$32,671,539	\$52,329,617	\$0	\$437,519,747	\$304,773,401	\$0	\$35,878,194	\$622,796,927
FY 2008	\$328,505,433	\$254,722,174	\$0	\$165,569,413	\$141,672,630	\$29,252,347	\$59,486,239	\$0	\$498,767,038	\$334,742,500	\$0	\$39,656,301	\$728,839,324
FY 2009	\$329,723,191	\$267,471,299	\$0	\$173,856,344	\$149,562,613	\$17,482,143	\$61,530,735	\$0	\$531,239,020	\$353,893,845	\$0	\$43,184,393	\$800,148,391
FY 2010	\$332,481,933	\$279,250,547	\$0	\$181,512,856	\$155,918,241	\$11,679,229	\$70,795,686	\$0	\$575,539,788	\$395,817,017	\$0	\$45,465,776	\$814,964,302
FY 2011	\$345,164,271	\$282,782,431	\$0	\$183,808,580	\$158,724,010	\$8,168,640	\$66,258,008	\$70,629,797	\$608,461,321	\$384,017,059	\$0	\$47,151,354	\$890,870,304
FY 2012	\$363,348,090	\$271,925,242	\$0	\$176,751,407	\$154,607,926	\$5,189,934	\$71,575,942	(\$2,941,996)	\$687,987,585	\$454,143,825	\$0	\$48,181,723	\$741,013,656
FY 2013	\$355,685,504	\$139,213,557	\$102,363,704	\$180,824,522	\$160,952,396	\$3,041,001	\$98,628,841	\$0	\$686,321,003	\$496,229,923	\$1,075,388	\$47,048,587	\$551,048,281
FY 2014	\$363,631,292	\$290,775,235	\$36,058,148	\$189,003,903	\$169,847,447	\$2,061,745	\$135,536,021	\$0	\$663,776,623	\$539,842,962	\$27,507,107	\$48,894,894	\$457,940,487
FY 2015	\$374,428,080	\$296,590,741	\$0	\$192,783,981	\$173,034,641	\$1,678,119	\$183,708,809	\$0	\$735,910,022	\$660,871,143	\$64,493,043	\$51,841,683	\$167,048,967
FY 2016	\$382,265,628	\$302,522,555	\$0	\$196,639,661	\$176,297,139	\$413,829	\$175,379,817	\$0	\$759,108,906	\$740,314,886	\$84,577,049	\$51,708,284	(\$235,141,529)
FY 2017	\$388,173,551	\$308,573,006	\$0	\$200,572,454	\$179,624,887	\$0	\$186,661,286	\$0	\$805,494,708	\$842,528,250	\$97,723,716	\$50,817,734	(\$768,100,754)
FY 2018	\$393,869,327	\$314,744,467	\$0	\$204,583,903	\$183,019,190	\$0	\$198,197,844	\$0	\$852,005,380	\$956,321,470	\$112,580,063	\$51,042,235	(\$1,445,635,171)
FY 2019	\$399,787,253	\$321,039,356	\$0	\$208,675,581	\$186,481,379	\$0	\$209,737,829	\$0	\$904,269,638	\$1,082,681,753	\$129,173,300	\$51,983,660	(\$2,288,022,125)

## NOTES

- \* Invoice data through December 31, 2014
- \* 70% participation in Medicare Advantage and 83% participation in Part D plan, which was effective 1/1/2013; CY2015 CMS Subsidy values assumed for Part D Revenue.
- \* State Contribution rate of 1%; District Contribution rate of 0.55%; and Active Contribution rate of 0.65%.
- \* Enrollment assumptions based on GASB headcounts
- \* 4% increase in payroll growth for FY2014; 2% increase in payroll growth thereafter.
- \* Medical trends: 7% for Care 1; 7% for Care 2; 7% for Care 3.
- \* Pharmacy trends: 9% for Care 2; 9% for Care 3; 9% for EGWP plans.
- \* Interest Rate = 0.4%



# TRS-Care Funding

## History

- **State** From FY 2001-FY 2005, the state granted supplemental appropriations of \$849 million. From FY 2013-2014: \$138 million.
- **Active Members** Since TRS-Care's inception, active members have contributed approximately \$2.3 billion for retiree healthcare. In FY 2014, active members contributed approximately \$189 million to fund TRS-Care.
- **Districts** Since FY 2004, districts have contributed approximately \$1.5 billion to TRS-Care. In FY 2014, districts contributed approximately \$170 million.



# TRS-Care Cost Drivers

- Increase in medical costs
- Increase in prescription costs
- Maintaining access and choice in managing providers
- Increased utilization due to aging population
- Potential increase in number of retirees (Non-Medicare)
- Potential plan changes in Medicare program
- Technology increases and development of new biogenetic drugs
- CMS reimbursements for Medicare Advantage and Medicare Part D Plans



# TRS-Care Study

## Key Findings

- TRS-Care is facing a severe projected funding shortage for 2016-2017 of \$768 million (as of December 2014). Without additional funding, the sustainability of the program in its current structure is at significant risk.
- There is no correlation between funding streams and health care claims costs.
- TRS extended the life of TRS-Care by offering the Medicare Advantage and Medicare Part D plans, and competitive vendor management.



# TRS-Care Study

## Key Findings

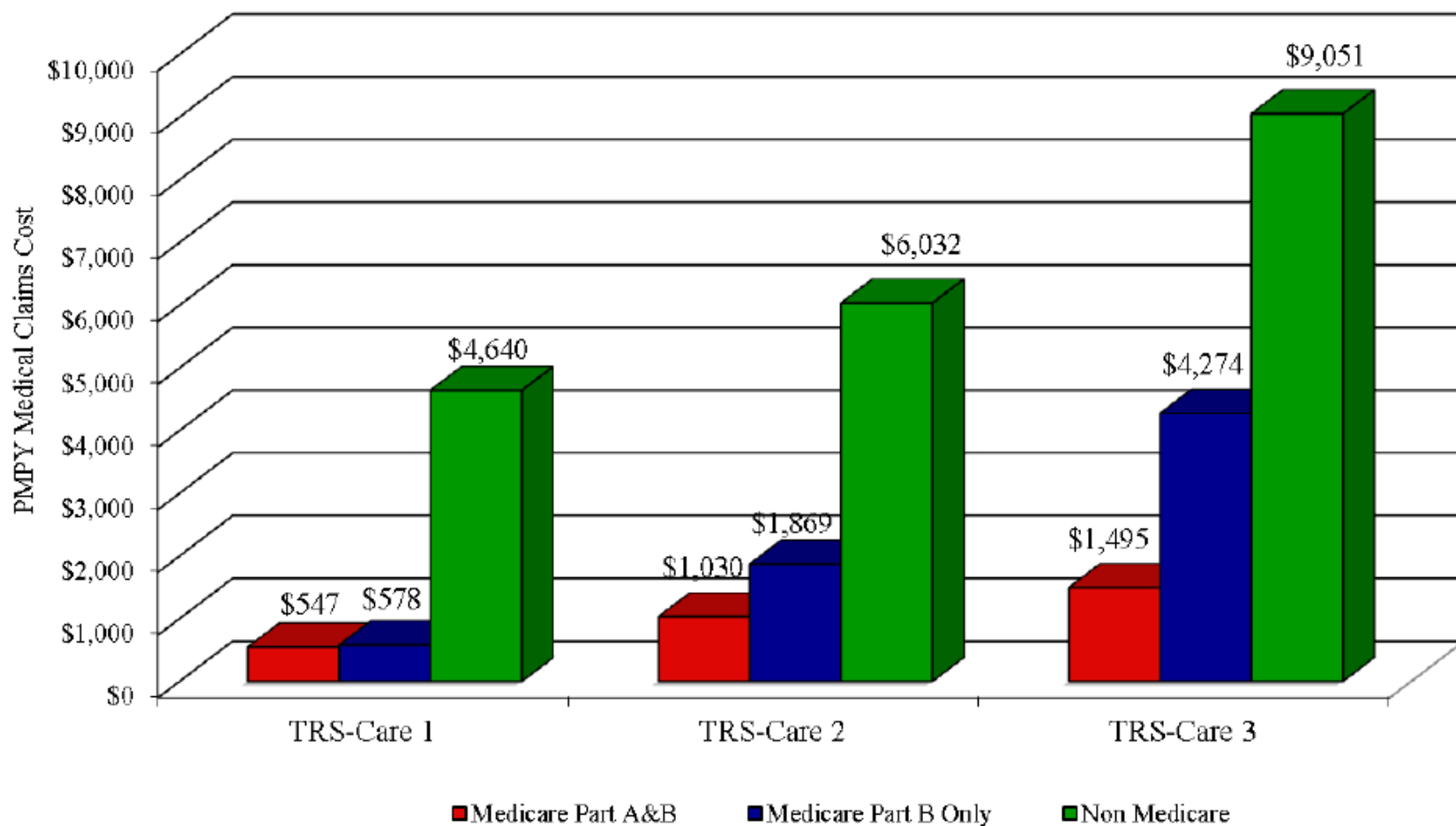
- Non-Medicare retirees are the biggest cost driver to the program; costs for non-Medicare retirees are 4 ½ times the costs of retirees with Medicare Parts A & B.

Projected TRS-Care-3 Per Member Per Year Costs			
FY 2015			
Plan	Medicare Part A and Part B	Medicare Part B Only	Non-Medicare
Retiree enrolled in both Medicare Advantage and Medicare Part D plans.	\$2,908	\$6,998	---
Retiree NOT enrolled in either the Medicare Advantage or Medicare Part D plans.	\$4,275	\$7,269	\$13,220

- With provider and benefit level choice, comes additional cost.
- There is a disparity between TRS-Care benefits and premiums in comparison to what is available to Texas state employee retirees under ERS. For example, the premium for Retiree Only coverage under ERS is 100% funded by the state.



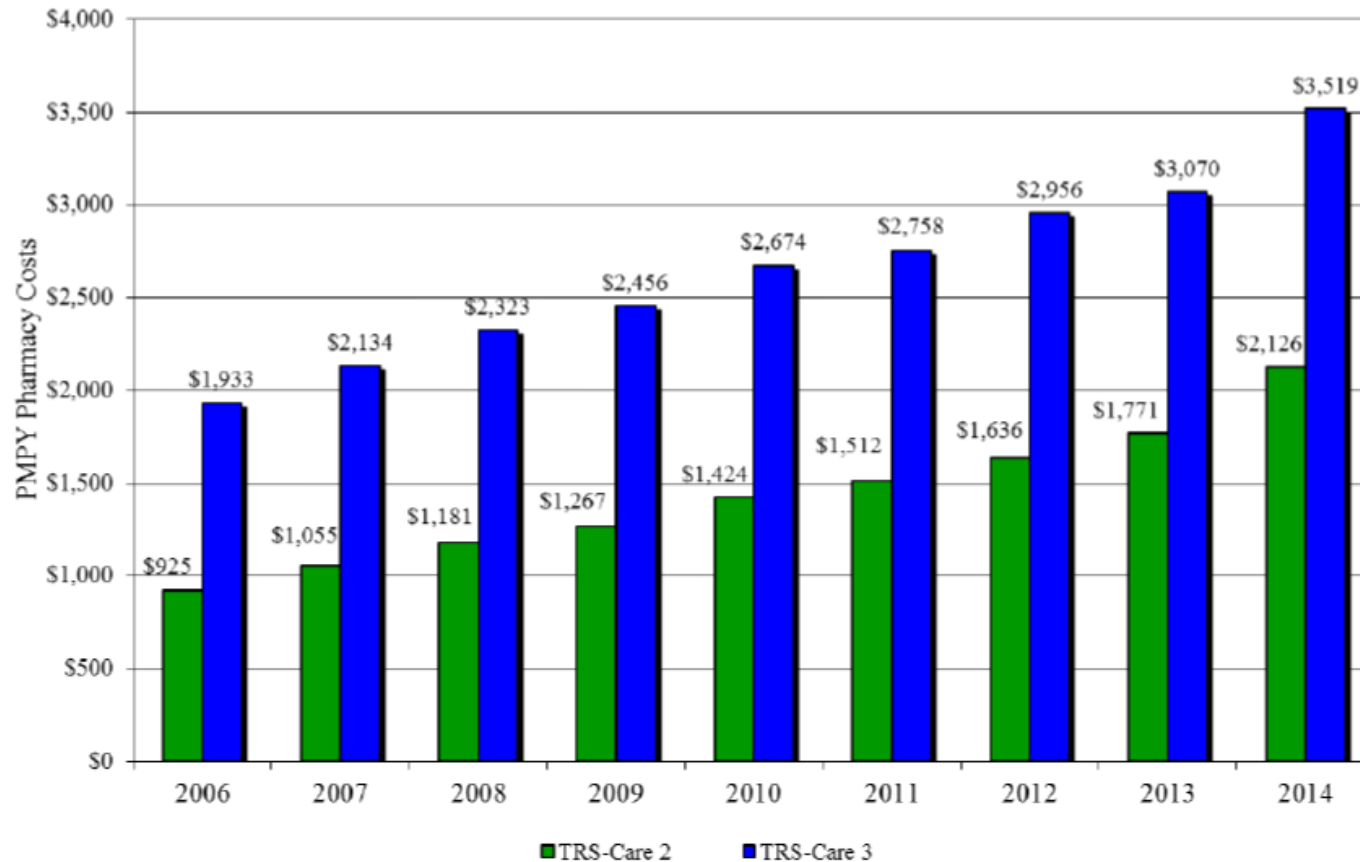
# FY 2014 Average Medical Claims







# Average Pharmacy Claims per Member



FY2013 and FY2014 costs include both the commercial Rx plan and the Medicare Part D Plans for TRS-Care 2 and TRS-Care 3.



# TRS-Care Premiums

**Premiums** are based on years of service, whether the retiree is in Medicare, and choice of TRS-Care 1, 2, or 3.

**Example:** TRS Care 3

- Retiree Only 30+ Years Service, Medicare \$90/month
- Retiree Only 30+ Years Service, Non-Medicare \$280/month
- With Spouse 30+ Years Service, Medicare \$235/month
- With Spouse 30+ Years Service, Non-Medicare \$605/month





# TRS-Care Study Options

1. Pre-fund the long-term liability
2. Fund on a pay-as-you-go basis for the biennium
3. Fund for a 10-year solvency
4. Retiree pays full cost for optional coverage
5. Require purchase of Medicare Part B; mandatory participation  
in Medicare Advantage and Medicare Part D plans
6. Fixed contribution
7. Consumer-directed plan for the non-Medicare population



# TRS-Care Option 1 Pre-funding

## **Option 1 Pre-fund the long-term liability**

- Current contribution is 2.2%\* of active member payroll from state, districts, and active employees. FY 2013 annual required contribution (ARC) to pre-fund would have been 5.86%.
- Advance funding would require contribution rates to increase by 2.7 times current rates. Estimated to be additional \$1 billion for FY 2013 from state, active members, and districts.
- Each 1% of payroll is equivalent to approximately \$280 million per fiscal year.

\*Contributions: State 1%; Districts 0.55%; Active Members 0.65%



# TRS-Care Option 2

## Fund on a pay-as-you-go basis

### **Option 2 Fund on a pay-as-you-go basis for the biennium**

(Same as ERS). Fund cost of program for the biennium.

- Option 2(a). Increase in state contribution only (2.23%)
- Option 2(b). Increase proportionally shared by the state, school districts, and employees
- Option 2(c). Increase proportionally shared by the state, school districts, employees, and retiree premiums
- Option 2(d). Includes increases in 2(c) with smaller retiree premium increase and benefit reductions



# TRS-Care Option 2

## Fund on a pay-as-you-go basis

- Option 2(c) – Proportionally shared by the state, school districts, employees, and retiree
  - Premiums would increase
    - 2016-2017 biennium 34.8%
    - 2018-2019 biennium 20.2%
  - Actual premium increases would vary by plan, Years of Service and Medicare status.
  - For example, premium for a TRS-Care 3 non-Medicare retiree with 25 years of service is currently \$295 per month.
    - Increase premium to \$398 per month for 2016-2017.
    - Increase premium to \$478 for 2018-2019.



# TRS-Care Option 2

## Fund on a pay-as-you-go basis

Option	Description	Impacted Parties					Impact on State Appropriations for the 2016-2017 Biennium
		State	District	Active Employees	Non-Medicare Retirees	Medicare Retirees	
<b>Option #2:</b>	Fund on a pay-as-you-go basis thru FY2019						
	Option 2(a)	✓					\$768,100,754
	Option 2(b)	✓	✓	✓			\$349,136,707
	Option 2(c)	✓	✓	✓	✓	✓	\$217,408,622
	Option 2(d)	✓	✓	✓	✓	✓	\$217,408,622



# TRS-Care Option 3 10-Year Funding

## **Option 3 Fund for 10-year solvency**

- Option 3(a). Increase in state contribution only (3.87%)
- Option 3(b). Increase proportionally shared by the state, school districts, and employees
- Option 3(c). Increase proportionally shared by the state, school districts, employees, and retirees



# TRS-Care Option 3 10-Year Funding

- Option 3(c) – Shares the increased contribution rate proportionally and includes retiree premium increases.
  - State, active employee and district contributions would double.

Required Contribution Rates			
Biennium	State	Active Employee	District
	(Current Rate 1%)	(Current Rate 0.65%)	(Current Rate 0.55%)
FY 2016-25	2.01%	1.30%	1.10%

- Premiums would increase 14.9% each biennium.
- For example, premium for a TRS-Care 3 non-Medicare retiree with 25 years of service is currently \$295 per month.
  - Increase premium to \$339 per month for 2016-2017.
  - Increase premium to \$592 for 2024-2025.



# TRS-Care Option 3

## 10-Year Funding

Option	Description	Impacted Parties					Impact on State Appropriations for the 2016-2017 Biennium
		State	District	Active Employees	Non-Medicare Retirees	Medicare Retirees	
Option #3:	Fund on a pay-as-you-go basis thru FY2025						
	Option 3(a)	✓					\$1,602,625,932
	Option 3(b)	✓	✓	✓			\$728,466,333
	Option 3(c)	✓	✓	✓	✓	✓	\$560,754,574





## TRS-Care Option 4

### Retiree pays full cost for optional coverage

#### **Option 4 Retiree pays full cost for optional coverage\***

- Significant reduction in benefits for TRS-Care 1 retiree.
  - Deductibles and out-of-pocket maximums would at least double.
- Increase premium for a TRS-Care 3 retiree with 25 years of service from \$295 to \$616 per month for FY 2016.
- Increase premium for TRS-Care 3 retiree and spouse, both non-Medicare from \$635 to \$1,811 per month for FY 2016.
- In FY2014, the average monthly annuity was \$1,995.

\* Optional coverages include dependent coverage as well as TRS-Care 2 and TRS-Care 3 for retirees.



# TRS-Care Option 5

## Mandatory Medicare Part B/MA

### **Option 5 Require purchase of Medicare Part B and mandatory participation in Medicare Advantage and Medicare Part D plans.**

- Current participation of eligible retirees.
  - Medicare Advantage 68%
  - Medicare Part D 80%
  - Retirees who do not purchase Medicare Part B would be enrolled in TRS-Care 1. Grandfather current Medicare enrollees (large penalty for not enrolling in Part B when first eligible).
- Remove incentives currently offered to enroll in Medicare Advantage and Part D plans.
- The cost for Medicare retirees enrolled in standard TRS-Care plans is almost 50% greater than for those enrolled in Medicare Advantage and Part D.
- Projected savings of \$159 million by FY 2017.



# TRS-Care Option 6 Fixed Contribution

## **Option 6 Fixed Contribution for non-Medicare retirees**

- Health Reimbursement Account (HRA) for current TRS-Care 2 and Care 3 non-Medicare retirees.
- Non-Medicare retiree would obtain coverage in the federal public exchange.
- At age 65, open enrollment opportunity for TRS-Care Medicare Advantage and Part D plans.
- TRS would deposit a monthly stipend into retiree's HRA.
  - For example, a retiree would pay current premium \$295/month and the stipend would be additional \$502. The potential savings per non-Medicare retiree currently enrolled in TRS-Care 3 are projected to be about \$4,500 per year.
- Cautions- a.) Retiree disruption b.) Federal exchange is in second year and there is still uncertainty with regard to rates in the future and political climate.
- Projects savings of \$475 million by FY 2017.



# TRS-Care Option 6 Fixed Contribution

- Affordable Care Act imposes limitation on risk adjustment due to age.
  - Plan cost to a 64-year old cannot exceed 3 times the cost to a 21-year old.
  - Many assumptions for this scenario.
    - Actuarially similar benefits.
    - Retiree is kept financially neutral for retiree only coverage.
    - Does not fund dependent coverage (retiree and spouse may need to downgrade to lower plan).
    - Public exchange rates would be fairly stable.



# TRS-Care Option 7

## Consumer Directed Plan

### **Option 7 Consumer Directed Health Care Plan**

- Eliminates TRS-Care 2 and TRS-Care 3 for non-Medicare retirees.
  - Implement Accountable Care Organizations (ACOs) and high performance networks.
  - Includes reference-based pricing.
  - Requires participation in disease management as applicable.
- Premium for the plan is assumed to be \$280 per month for non-Medicare retirees.
- Projected savings of \$197 million by FY 2017.