

An Audit Report on

# The Teacher Retirement System's Implementation of TRS-ActiveCare, the Health Care Plan for Active School District Employees

March 2004

Report No. 04-025



# The Teacher Retirement System's Implementation of TRS-ActiveCare, the Health Care Plan for Active School District Employees

## Overall Conclusion

The Teacher Retirement System (System) implemented TRS-ActiveCare, the health insurance program covering active school district employees and their dependents, as required by statute. As the Texas Insurance Code requires, TRS-ActiveCare offers a catastrophic coverage health plan and a health plan (ActiveCare 3) with benefits that are comparable to the benefits offered to state employees through HealthSelect. TRS-ActiveCare is funded solely through employees' premium payments and state and school district contributions.

To further evaluate the System's implementation of TRS-ActiveCare, we surveyed school district and other participating entity administrators. We found that most of them were satisfied with the System's implementation of TRS-ActiveCare.

We also identified related supplemental information and potential risks regarding the coverage resulting from having multiple TRS-ActiveCare plans. For example, it appears that supplemental insurance compensation levels and the existence of other less costly TRS-ActiveCare plans have contributed to employees' moving away from enrollment in TRS-ActiveCare 3 (referred to as adverse selection). This movement away from TRS-ActiveCare 3 may significantly increase the cost for those individuals who remain in the plan and reduce the health care coverage levels of active school district employees in general.

Our review of the System's procedures and controls also indicated that the System generally implemented TRS-ActiveCare in a manner that adequately protects program resources. The provisions of the System's contracts with TRS-ActiveCare contractors appear adequate. The System's routine business operations include frequent interactions with its contractors and reviewing and responding to information in various contractor reports. However, the System has not formalized a comprehensive plan to monitor contractor performance.

### Background Information

The Teacher Retirement System (System) implemented TRS-ActiveCare in fiscal year 2003. TRS-ActiveCare covers approximately 130,000 active school district employees and their dependents. As of December 2003, a total of 998 out of 1,245 districts and qualifying entities were enrolled in TRS-ActiveCare. Districts with fewer than 500 employees were required to join TRS-ActiveCare, but enrollment is optional for districts with more than 500 employees.

TRS-ActiveCare offers three health plans:

- ActiveCare 3, which provides coverage comparable to the coverage state employees receive through the Employees Retirement System's HealthSelect plan.
- ActiveCare 2, an intermediate plan.
- ActiveCare 1, a catastrophic coverage plan.

Beginning in fiscal year 2004, TRS-ActiveCare also began offering enrollment in three health maintenance organizations.

### The State's and School Districts' Contributions

The State's contribution for full-time active school district employees is \$116.66 per month. Of that amount, \$75.00 is paid through the Foundation School Program, while \$41.66 is in the form of employee supplemental compensation. The minimum that school districts must contribute is \$150.00 per month. All other premium costs are paid by the employee or district.



## ***Key Points***

### **The TRS-ActiveCare program meets statutory requirements.**

As the Texas Insurance Code requires, one of the three TRS-ActiveCare health plans that the System implemented (ActiveCare 3) offers health insurance benefits that are comparable to the benefits offered to state employees through the Employees Retirement System's HealthSelect plan. Another TRS-ActiveCare health plan (ActiveCare 1) offers catastrophic coverage as required by statute. As statute allows, the System has elected to provide an intermediate plan (ActiveCare 2). In addition, our survey results indicated that most school district and other participating entity administrators are satisfied with TRS-ActiveCare. Most of them also responded favorably to questions concerning the System's implementation of TRS-ActiveCare.

### **Our audit of the System's implementation of TRS-ActiveCare identified related supplemental information and potential risks.**

We found that most active school district employees have not enrolled in the TRS-ActiveCare plan that is comparable to the plan offered to state employees. In addition, the premium costs of ActiveCare 3 coverage options are from 20 to 48 percent higher than those of HealthSelect. In addition, 27 percent of the participants who were enrolled in ActiveCare 3 in fiscal year 2003 enrolled in less costly TRS-ActiveCare plans in fiscal year 2004. This coincided with a reduction in active school employee supplemental compensation. The existence of less costly plans within the program has caused an adverse selection of ActiveCare 3 that may significantly increase the cost for those individuals who remain in the plan.

We also found that additional school district premium contributions cause employees to capitalize on their increased compensation by selecting plans that provide more benefits than the catastrophic coverage plan.

### **The System's procedures for protecting program resources appear adequate.**

While its contract provisions and procedures appear adequate, the System initially focused primarily on implementation of the program and has not formalized a comprehensive plan to monitor TRS-ActiveCare contractors. Formalizing a comprehensive monitoring plan will become more important in minimizing the risk of substandard contractor performance.

It appears reasonable for the System to rely on school districts to determine employees' eligibility for TRS-ActiveCare, but there are certain measures the System could implement to strengthen eligibility controls. Controls over the distribution of supplemental compensation for active school district employees also appear to be reasonable.

## ***Summary of Management's Response***

The System generally agrees with our recommendations; however, it disagrees with our recommendation to consider periodically checking eligibility files for invalid Social Security numbers.

## ***Summary of Information Technology Review***

Our review of information technology included analysis and research on fiscal year 2003 health care claims data, pharmacy claims data, and member eligibility data to determine its accuracy. This data is maintained by the TRS-ActiveCare third-party administrator and pharmacy benefits manager and is provided to the System's actuarial consultant on a monthly basis. While we found some discrepancies in the data, the number of discrepancies was less than 1 percent of the total population of data that we analyzed. We did not review the internal controls of systems on which the third-party administrator and pharmacy benefits manager store data, but we did review other independent auditors' assessments of those controls. Those auditors found no weaknesses in controls.

## ***Summary of Objective, Scope, and Methodology***

Our objective was to determine whether the System implemented the TRS-ActiveCare program as the Legislature intended and in a manner that adequately protects program resources.

The scope of the audit included reviewing the System's TRS-ActiveCare requests for proposals and contracts, conducting a survey of school district administrators, and analyzing insurance costs and membership. The scope also included reviewing and analyzing claims and eligibility databases and the Texas Education Agency's Public Education Information Management System (PEIMS). We tested information from September 2002 to December 2003.

The audit methodology consisted of collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with the System's management and staff.

<b>Table of Results and Recommendations</b>
The TRS-ActiveCare program meets statutory requirements. (Page 1)
(No recommendations.)
Most school district administrators are generally satisfied with TRS-ActiveCare. (Page 2)
(No recommendations.)
Supplemental information for future consideration. (Page 5)
(No recommendations.)
The System should comprehensively monitor TRS-ActiveCare plan administrators' compliance with the terms of their contracts. (Page 11)
The System should develop and implement a formal TRS-ActiveCare contract monitoring plan to comprehensively monitor its contracts with the TRS-ActiveCare third-party administrator and pharmaceutical benefits manager. At a minimum, the plan should include:
<ul style="list-style-type: none"> <li>▪ A list of the compliance requirements each contractor has agreed to follow. These requirements are the deliverables the contractors agreed to provide when the contracts were executed.</li> <li>▪ A risk assessment process for identifying contract provisions with the highest risk of contractor noncompliance and the greatest impact of noncompliance.</li> <li>▪ Documentation of intended processes such as reviews of supporting documentation relating to payment requests, desk reviews (using analytic procedures) of reports submitted by the contractors, limited scope site visits, and independent audits of contractor operations.</li> </ul>

### Table of Results and Recommendations

Controls over TRS-ActiveCare eligibility appear reasonable but could be strengthened; controls over the distribution of supplemental compensation appear reasonable. (Page 13)

The System should consider strengthening eligibility controls by:

- Routinely reconciling TRS-ActiveCare claims payments with the eligibility file.
- Periodically checking the TRS-ActiveCare eligibility file for invalid Social Security numbers.

### Recent SAO Work

Number	Product Name	Release Date
04-017	A Report on the Teacher Retirement System's Pension and Retiree Health Insurance Plans	December 2003
03-019	A Report Comparing Texas's Five Largest Long-Term Investment Funds	February 2003

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# Detailed Results

## Chapter 1

### ***The System Implemented TRS-ActiveCare as Required by Statute***

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The Teacher Retirement System (System) implemented TRS-ActiveCare, the health insurance program covering approximately 130,000 active school district employees and their dependents, as statute requires. As the Texas Insurance Code requires, one of the System's three TRS-ActiveCare health care plans (ActiveCare 3) offers benefits that are comparable to the coverage offered to state employees.

To further evaluate the System's implementation of TRS-ActiveCare, we also surveyed school district and other participating entity administrators to gauge their overall satisfaction with TRS-ActiveCare. Results of our on-line survey indicate that most administrators are satisfied with TRS-ActiveCare, and most of them responded favorably to questions concerning the System's implementation of TRS-ActiveCare.

We also identified related supplemental information and potential risks regarding the coverage resulting from having multiple TRS-ActiveCare plans.

#### Chapter 1-A

### **The TRS-ActiveCare Program Meets Statutory Requirements**

The System implemented TRS-ActiveCare as required by statute (see text box for additional details on statutory requirements). ActiveCare 3 offers health insurance

#### **Excerpts from the Texas Insurance Code Article 3.50-7, Section 4**

Subsection (a) The trustee by rule shall establish plans of group coverages for employees participating in the program and their dependents. The plans must include at least two tiers of group coverage, with coverage at different levels in each tier, ranging from the catastrophic care coverage plan to the primary care coverage plan. Each tier must contain a health coverage plan.

(b) ... The coverage provided under the primary care coverage plan must be comparable in scope and, to the greatest extent possible, in cost to the coverage provided under the Texas Employees Uniform Group Insurance Benefits Act (Article 3.50-2, Vernon's Texas Insurance Code).

(e) The trustee may offer optional coverages to employees participating in the program. The trustee by rule may define the types of optional coverages offered under this subsection.

benefits that are comparable to the benefits offered to state employees through the Employees Retirement System's HealthSelect plan. Appendix 2 presents a full comparison of these plans.

TRS-ActiveCare is funded solely through employees' premium payments and state and school district contributions. The State's financial liability for health insurance for active school district employees is limited by statutory caps on state contributions for employee supplemental compensation and payments to school districts made through the Foundation School Program. School districts and/or their employees pay any additional premium costs.

The amounts of school district and state contributions for TRS-ActiveCare are established in statute:

- Texas Insurance Code, Article 3.50-7, specifies plan coverage levels and sets the annual state insurance

premium contribution for active employees at \$900. Those funds are paid to the districts through the Foundation School Program.

- In fiscal year 2003, Texas Insurance Code, Article 3.50-8, required the State to pay all active school district employees an annual supplemental compensation of

\$1,000. Appropriations for active employee supplemental compensation in fiscal year 2003 was \$589 million. The General Appropriations Act (78th Legislature) changed the fiscal year 2004 supplemental compensation amount to \$500 for full-time employees, \$250 for part-time employees, and \$0 for administrators. Appropriations were \$254 million for fiscal year 2004 and \$240 million for fiscal year 2005.

- House Bill 3257 (78th Legislature, Regular Session) moves supplemental compensation into a health reimbursement account beginning in fiscal year 2005.
- Texas Insurance Code, Article 3.50-9, requires school districts to contribute an annual employer premium of at least \$1,800 for each active employee.

Chapter 1-B

### **Most School District Administrators Are Generally Satisfied with TRS-ActiveCare**

To further evaluate the System's implementation of TRS-ActiveCare, we also surveyed school district and other participating entity administrators to gauge their overall satisfaction with TRS-ActiveCare. Because our audit focused on the implementation of TRS-ActiveCare, we did not survey individual plan participants.

#### **Summary of Our Survey of School District and Other Participating Entity Administrators**

The on-line survey consisted of 37 questions divided into the following areas:

- Coverage/Cost
- Administration
- Communication
- Supplemental compensation

Each section listed above also contained a comments box. A fifth section provided respondents with the opportunity to make comments about any aspect of TRS-ActiveCare.

Results of our on-line survey indicate that most administrators are satisfied with TRS-ActiveCare. In addition, the majority of administrators responded favorably to questions concerning the System's implementation of TRS-ActiveCare. (Appendix 3 contains the survey questions and a summary of the responses to each selection choice.)

Not all respondents completed the optional comments in each survey section. The respondents that did enter optional comments entered more negative comments than positive comments. However, the responses to the questions in each section of the survey were positive overall.

Responses to survey questions ranged from "strongly agree" to "strongly disagree" with additional options for "neutral" and "don't know." Table 1 summarizes selected responses from each of the survey sections.



Table 1

Summary of School District and Other Participating Entity Administrators' Responses to Survey Questions Regarding TRS-ActiveCare *		
Agree	Disagree	Neutral or Don't Know
Coverage under TRS-ActiveCare is better than under previous independent district plans:		
54%	23%	24%
I am aware of another plan with better coverage at lower cost:		
12%	40%	48%
Benefits under TRS-ActiveCare are comparable to those offered to other public sector employees:		
54%	24%	23%
Enrollment process is efficient:		
81%	11%	8%
Eliminating contractor selection process for insurance providers has saved district staff time:		
75%	7%	18%
Sufficient tools are provided to benefit administrators to explain plan to employees:		
91%	3%	7%
The System's Web site contains useful information about ActiveCare benefits:		
89%	1%	10%
The telephone support that the third-party administrator provides is helpful in the administration of the plan:		
87%	3%	11%
I am satisfied with TRS-ActiveCare customer service:		
89%	3%	9%
TRS sufficiently explained the changes in supplemental compensation to active employees:		
66%	21%	14%
Supplemental compensation amounts should be included in regular school finance funding received through the Texas Education Agency:		
52%	26%	22%
* The percentages in this table do not always total 100 percent because of rounding.		

Source: State Auditor's Office survey of school district and other participating entity administrators' responses to survey questions regarding TRS-ActiveCare

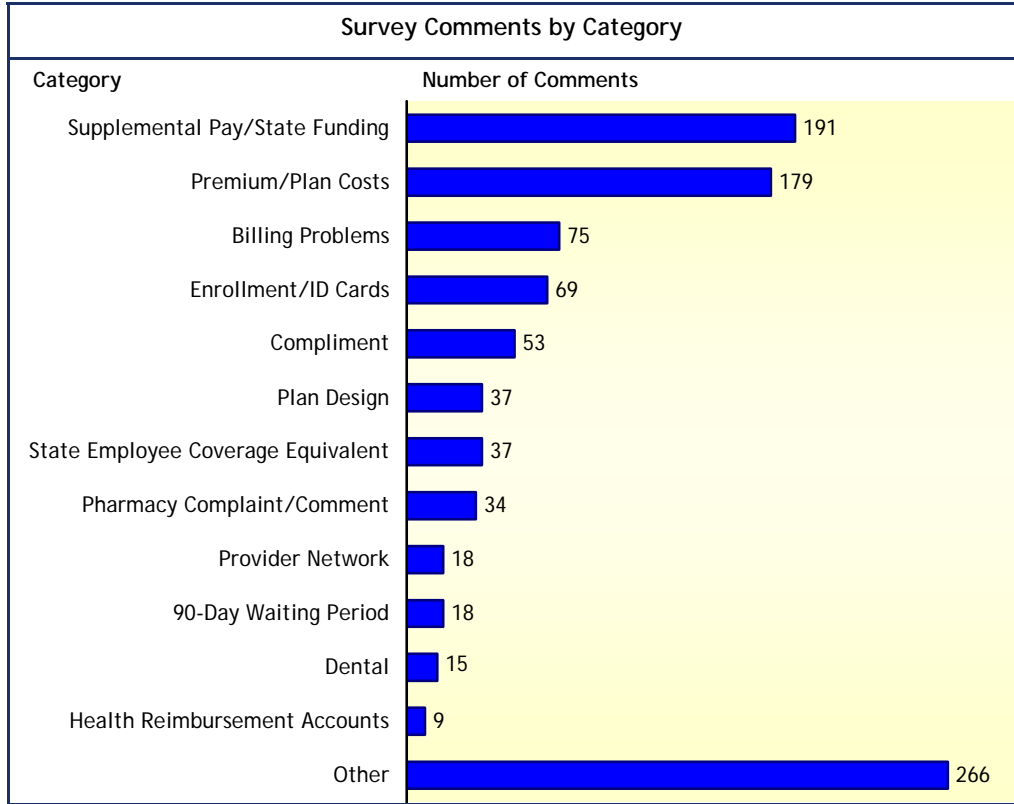
When asked if their school districts increased employees' salaries or employer contributions to offset the fiscal year 2004 reduction in state supplemental compensation, 43 percent of respondents answered yes, while 57 percent responded no. Similarly, 40 percent of respondents reported that their districts provided more than the minimum \$150 monthly contribution to all or some of their employees. We used this data and the district enrollment data maintained by the System's third-party administrator to analyze employees' plan selections when they received additional employer contributions (see Chapter 1-C for this analysis).

Respondents' survey comments spanned a wide range of categories.

Our survey also gave respondents the opportunity to provide comments on each survey section, as well as general comments on any topic related to TRS-ActiveCare.

We provided all comments that respondents made to the System for its analysis and use. The comments are grouped into the general categories shown in Figure 1.

Figure 1



Source: State Auditor’s Office survey of school district and other participating entity administrators

The large number of “other” comments in Figure 1 is the result of combining comments that were unique or unspecified or for which the subject could not be determined. Most comments were negative, but 53 comments were considered complimentary. Although certain categories had higher numbers of negative comments, the corresponding sections of the survey showed that administrators’ overall responses to specific survey questions in those categories were either “Agree” or “Strongly Agree.”

Our analysis of respondents’ general comments about TRS-ActiveCare showed similar results. The single greatest area of complaint was the “high” cost of premiums. The subject receiving the most comments was funding; however, most of the comments in that category addressed the fiscal year 2004 reduction in supplemental compensation, not TRS-ActiveCare administration. (The survey specifically cautioned respondents against confusing the cost of TRS-ActiveCare with supplemental compensation issues. The survey questions about supplemental compensation focused on distribution methods, not dollar amounts. The System distributes supplemental compensation, but it does not determine compensation amounts.)

## Supplemental Information for Future Consideration

We also identified related supplemental information and potential risks regarding the coverage resulting from having multiple TRS-ActiveCare plans.

Most active school district employees have enrolled in TRS-ActiveCare plans that are less expensive than the TRS-ActiveCare plan that is comparable to the plan offered to state employees.

As Table 2 shows, the insurance premiums for ActiveCare 3 are higher than those for HealthSelect. The System, as required by statute, also provides a catastrophic coverage plan (ActiveCare 1) with low-cost premiums and has elected to provide an intermediate plan (ActiveCare 2) with reduced premium costs. The System also added the option of health maintenance organization coverage at the beginning of fiscal year 2004.

Table 2

Comparison of HealthSelect Premiums with TRS-ActiveCare Premiums Fiscal Year 2004							
Individual(s) Covered	HealthSelect	TRS-ActiveCare Health Plans			TRS-ActiveCare Health Maintenance Organizations		
		ActiveCare 3	ActiveCare 2	ActiveCare 1	FIRSTCARE	Mercy Health Plans	Scott & White Health Plan
Member only	\$300.27	\$419.00	\$331.00	\$249.00	\$325.00	\$366.06	\$275.30
Member and spouse	\$643.02	\$952.00	\$753.00	\$566.00	\$773.00	\$727.11	\$655.34
Member and child	\$529.76	\$667.00	\$527.00	\$396.00	\$517.00	\$687.40	\$480.56
Member and family	\$872.51	\$1,047.00	\$828.00	\$623.00	\$805.00	\$1,182.04	\$813.78

Sources: Employees Retirement System and Teacher Retirement System benefit guide books

As Table 3 shows, 74 percent of covered active school district employees not enrolled in health maintenance organizations have elected to participate in the two least costly TRS-ActiveCare health plans whose benefits do not compare as favorably with Health Select. See Appendix 2 for a complete comparison of the TRS-ActiveCare health plans.

Table 3

Number of School District Employees Enrolled in TRS-ActiveCare <sup>*</sup> Fiscal Year 2004						
Individual(s) Covered	TRS-ActiveCare Health Plans			TRS-ActiveCare Health Maintenance Organization		
	ActiveCare 3	ActiveCare 2	ActiveCare 1	FIRSTCARE	Mercy Health Plans	Scott & White Health Plan
Member only	25,285	51,237	9,921	1,608	109	3,982
Member and spouse	1,105	3,828	1,393	119	15	321
Member and child	3,462	10,466	1,996	431	8	1,024
Member and family	2,061	8,584	2,603	360	1	477
<b>Totals</b>	<b>31,913</b>	<b>74,115</b>	<b>15,913</b>	<b>2,518</b>	<b>133</b>	<b>5,804</b>

<sup>\*</sup>This information does not include COBRA or split-district enrollments.

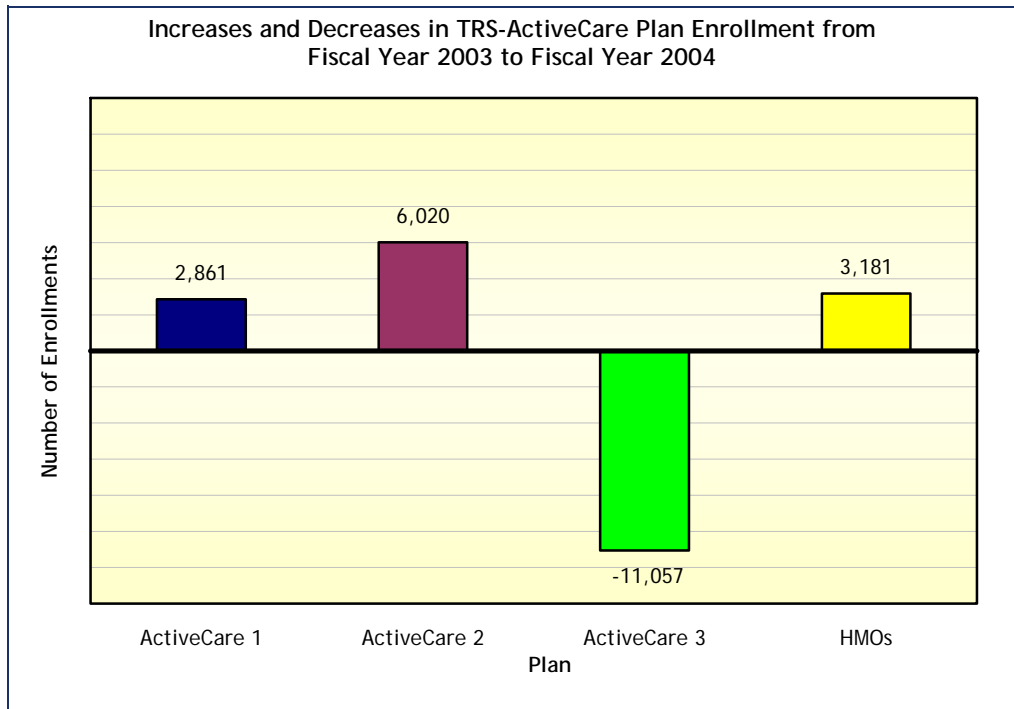
Source: Blue Cross/Blue Shield (BCBS) Bluestar report for December 2003

The cost of ActiveCare 3 is higher than HealthSelect because of the availability of less costly coverage options within TRS-ActiveCare, which leads to adverse plan selection.

School district employee enrollment in ActiveCare 3 decreased significantly in fiscal year 2004. Figure 2 shows the increases and decreases in enrollment for the various TRS-ActiveCare plans for the same set of school districts from fiscal year 2003 to fiscal year 2004. The movement away from ActiveCare 3, which is referred to as adverse selection, coincided with a 5 percent increase in premium costs and a reduction in the supplemental compensation the State provided to all active school district employees.

In fiscal year 2004, the annual state supplemental compensation for all school district employees was reduced from \$1,000 for all employees to \$500 for full-time employees and \$250 for part-time employees. The supplemental compensation was eliminated for school district administrators.

Figure 2



Sources: BCBS Bluestar reports for August 2003 (fiscal year 2003) and December 2003 (fiscal year 2004)

Adverse selection away from a particular plan causes the price of that plan to increase. Generally, as healthier employees leave a plan for less expensive alternatives, the employees remaining in that plan stay because they tend to have higher utilization needs, thereby increasing the actuarial cost of that plan. This, in turn, leads to subsequent premium increases that continue to drive members from that plan.

In contrast, HealthSelect does not experience adverse selection because it has only one plan option for state employees and retirees. This has the effect of combining all utilization levels into one large risk pool and spreading the cost over the entire pool.

According to data from the System’s actuarial consultant, the fiscal year 2003 loss ratio (claims paid divided by premiums) for TRS-ActiveCare was 66 percent. Table 4 shows the percentage of enrollment and the loss ratio for each individual plan.<sup>1</sup>

<sup>1</sup> Because “loss ratio” is defined as claims paid divided by premiums, a loss ratio of less than 100 percent has a positive effect on fund balance, while a loss ratio that exceeds 100 percent has a negative effect on fund balance.

Table 4

Percentage of Enrollees in Each TRS-ActiveCare Health Plans and Associated Loss Ratio		
Health Care Plan	Percentage Enrolled in Fiscal Year 2003	Fiscal Year 2003 Loss Ratio
ActiveCare 1	10.2%	30%
ActiveCare 2	52.4%	50%
ActiveCare 3	37.4%	92%

Sources: Teacher Retirement System actuarial report and BCBS Bluestar reports

Table 4 shows that the fiscal year 2003 loss ratios for ActiveCare 2 and ActiveCare 3

**Excerpt from House Research Organization Conclusion Regarding Adverse Selection**

"Adverse selection also can occur at an individual level—for example, when employees with expensive claims histories or those with very sick children or spouses buy up to the richest level of coverage, while healthier employees buy into less comprehensive coverage, thus burdening [ActiveCare 3] with the greatest number of expensive claims."

Source: *Interim News*, House Research Organization, October 2, 2002.

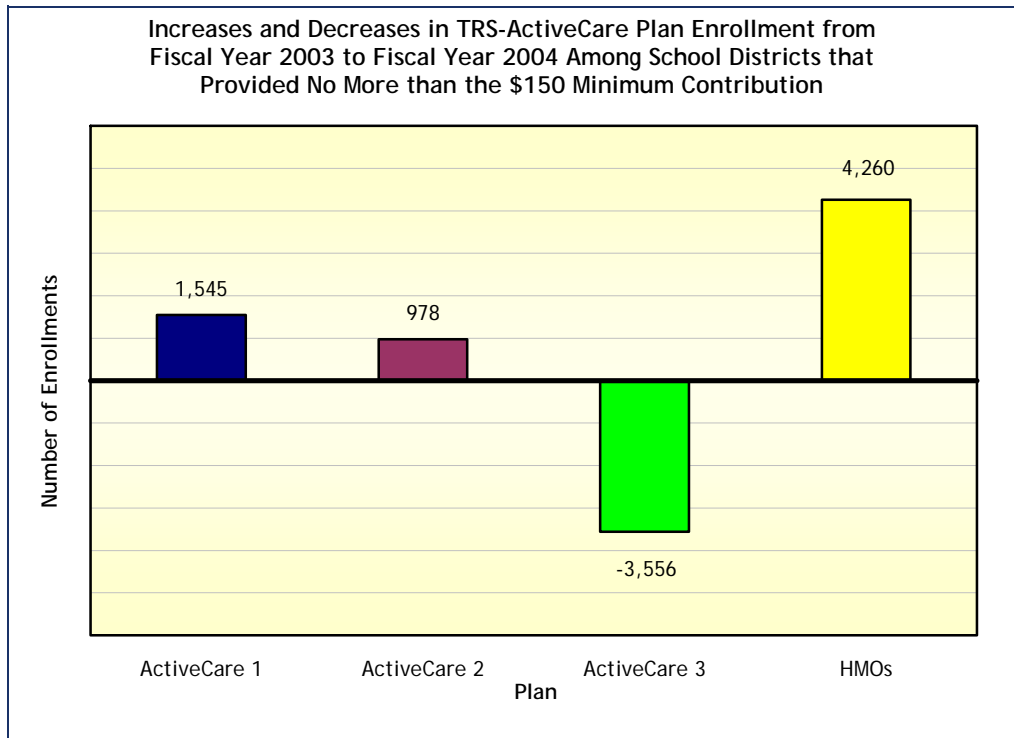
were significantly different. Theoretically, if ActiveCare 2 and ActiveCare 3 were combined into a single plan, the loss ratio for the combined plan would be lower than the loss ratio for ActiveCare 3 alone. Ultimately, the premiums for the combined plan would be cheaper than the premiums for ActiveCare 3. The House Research Organization reported similar conclusions in 2002 (see text box).

Because TRS-ActiveCare has been in existence for just over one year, the changes in actuarial costs (loss ratios) resulting from the decrease in ActiveCare 3 enrollment have not yet been determined. Additionally, sustained low loss ratios for ActiveCare 1 and 2 in future year(s) could indicate that the premiums for those plans are too high.

**Additional school district premium contributions cause employees to capitalize on their increased compensation by selecting plans that provide more benefits.**

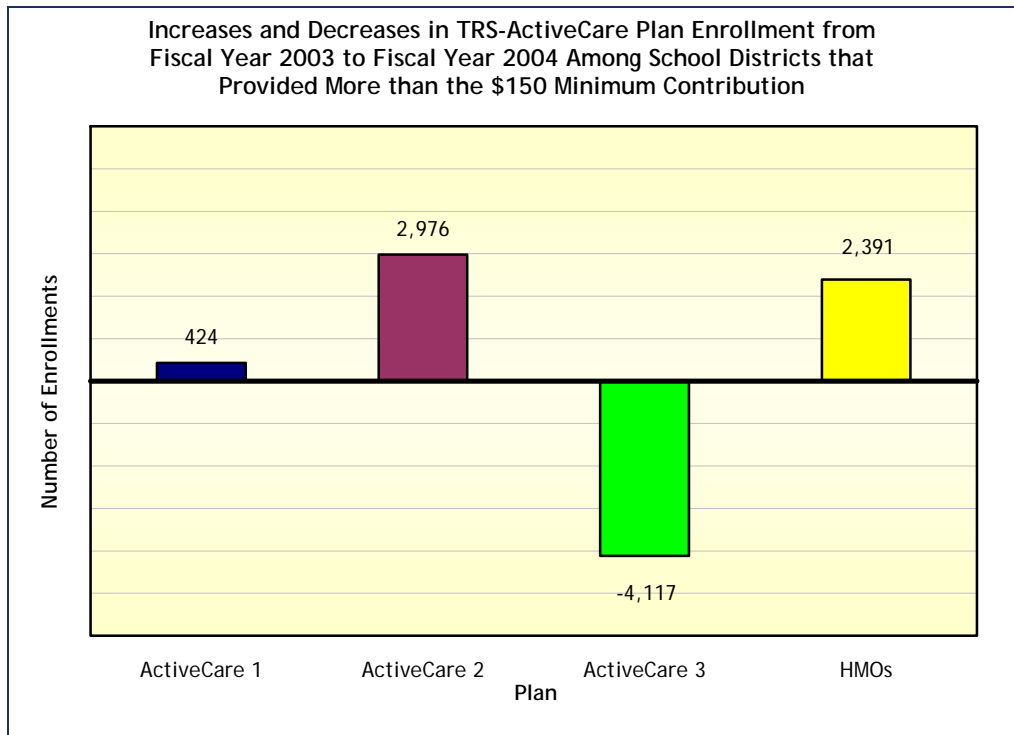
Through an on-line survey, we identified certain school districts that provided no more than the \$150 minimum employer contribution and districts that provided more than the minimum. (Chapter 1-B contains additional details on the results of our survey.) As both Figures 3 and 4 show, there was a substantial adverse selection of ActiveCare 3 from fiscal year 2003 to fiscal year 2004. However, employee plan selections differed greatly depending on whether the employee received an additional premium contribution. Specifically, school districts that provided no more than the minimum contribution experienced a 31 percent increase in enrollment in the cheapest plan (ActiveCare 1), while school districts that provided more than the minimum contribution experienced only a 16 percent increase in enrollment in the cheapest plan. In addition, school districts that provided more than the minimum experienced a 20 percent increase in enrollment in the intermediate plan (ActiveCare 2), while school districts that provided no more than the minimum experienced only a 4 percent increase in enrollment in the intermediate plan.

Figure 3



Source: Derived from data in BCBS Bluestar reports for August and December 2003

Figure 4



Source: Derived from data in BCBS Bluestar reports for August and December 2003

This suggests that how school district employees react to directed changes in supplemental compensation could have future plan utilization implications for TRS-ActiveCare. Specifically, statutory changes that take effect in fiscal year 2005 will require that supplemental compensation be deposited to employees' individual health reimbursement accounts (HRA), which may be used only for qualified medical expenses. As in the case where districts provide additional premium contributions, the change in supplemental compensation use could have an effect on the enrollment in the various TRS-ActiveCare plans.

**Most states do not cover school district employees in their health plans for state employees.**

We identified only one state (South Carolina) where district employees were covered under a state employee insurance plan. At the current ActiveCare 3 premium cost, an additional \$355 million per year of school district or state funding would be necessary to (1) provide ActiveCare 3 coverage to the approximately 130,000 active school district employees currently enrolled in TRS-ActiveCare and (2) ensure that those employees paid the same premiums as state employees who are enrolled in HealthSelect.



## ***The System's Procedures for Protecting Program Resources Appear Adequate***

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Our review of the System's procedures and controls indicated that the System generally implemented TRS-ActiveCare in a manner that adequately protects program resources. The System initially focused primarily on the implementation of the program. Its routine business operations include frequent interactions with its contractors and reviewing and responding to information in various contractor reports. However, the System has not formalized a comprehensive plan to monitor contractor performance. Formalizing a comprehensive monitoring plan will become more important in minimizing the risk of substandard contractor performance.

It appears reasonable for the System to rely on school districts to determine employees' eligibility for TRS-ActiveCare, but there are certain measures the System could implement to strengthen eligibility controls. Controls over the distribution of TRS-ActiveCare state supplemental compensation appear to be reasonable.

### Chapter 2-A

## **The System Should Comprehensively Monitor TRS-ActiveCare Plan Contractors' Compliance with the Terms of Their Contracts**

In the first year of TRS-ActiveCare, the System focused primarily on the development of contract provisions and program implementation. In addition, the System's routine business operations include frequent interactions with its contractors and reviewing and responding to information in various contractor reports. However, the System has not formalized a comprehensive plan to monitor the provisions and performance requirements in its contract with the TRS-ActiveCare third-party administrator or its contract with the TRS-ActiveCare pharmaceutical benefits manager. In addition, it has not yet begun to independently verify those contractors' self-reported performance data. As TRS-ActiveCare matures, contract monitoring will become more important so that the risk of substandard contractor performance can be minimized.

### **Summary of TRS-ActiveCare Contract Performance Provisions**

- The System's contract with the third-party administrator contains eight performance provisions with sanctions for noncompliance. One provision allows for a noncompliance sanction of \$222,000, and seven provisions allow for sanctions of up to 2 percent of the base administrative charge for each instance of noncompliance. The base administrative charge for fiscal year 2003 was \$42 million. The third-party administrator contract also has nine administrative provisions that do not specify noncompliance sanctions.
- The System's contract with the pharmaceutical benefits manager contains 11 contract performance requirements with total potential sanctions of \$1.5 million for noncompliance. The pharmaceutical benefits manager contract also has seven administrative contract provisions that do not specify sanction amounts.

The System's contracts with the third-party administrator and pharmaceutical benefits manager contain several performance provisions that allow the System to impose sanctions for noncompliance (see text box for additional details). However, the System has not performed a risk assessment on those provisions to identify how to monitor them, nor has it determined which contract standards should be measured, who will measure them, or how they should be measured.

The System plans to contract with an independent auditor to conduct a biennial audit of the TRS-ActiveCare program (as it does with the TRS-Care program, the health insurance plan for retired teachers). While this audit is an essential part of a contract monitoring function, a biennial audit will not be sufficiently timely or be broad enough in scope to

supplant the System's ongoing management responsibilities.

For example, we identified one type of monitoring that the System could conduct for its pharmaceutical benefits manager contract. This contract contains an administrative provision for the System to receive a rebate for each formulary drug prescription filled. At the time of our audit, however, the System had not been independently recalculating rebate amounts to verify that it was receiving the proper rebate amounts it was owed. The System could have been doing this on a monthly or quarterly basis by reviewing the claims payment records provided to the System's actuarial consultant. After we brought this matter to the System's attention, it began recalculating rebate amounts and has determined that the \$4,543,210.60 rebate it received in fiscal year 2003 was the correct amount.

Although we identified weaknesses in the System's contract monitoring, we found that the implementation phase (plan design and contract development) of the System's contract process for TRS-ActiveCare was good and that the System generally employed best practices during that process.

## Recommendations

The System should develop and implement a formal TRS-ActiveCare contract monitoring plan to comprehensively monitor its contracts with the TRS-ActiveCare third-party administrator and pharmaceutical benefits manager. At a minimum, the plan should include:

- A list of the compliance requirements each contractor has agreed to follow. These requirements are the deliverables the contractors agreed to provide when the contracts were executed.
- A risk assessment process for identifying contract provisions with the highest risk of contractor noncompliance and the greatest impact of noncompliance.
- Documentation of intended processes such as reviews of supporting documentation relating to payment requests, desk reviews (using analytic procedures) of reports submitted by the contractors, limited scope site visits, and independent audits of contractor operations.

## Management's Response

*TRS has made a reasonable effort at instituting contract monitoring procedures and controls given the demands and constraints on a newly implemented system serving more than 1,000 school districts and other reporting entities. We believe our close and continuous involvement with the plan administrators in daily business operations has helped assure the best health care plan possible under the terms and conditions of the contract.*

*TRS is committed to developing a formal plan that provides a more comprehensive approach to monitoring contract provisions by August 31, 2004. TRS also agrees to develop a risk assessment process and to document monitoring review processes and procedures by August 31, 2004.*

## **Controls over TRS-ActiveCare Eligibility Appear Reasonable but Could Be Strengthened; Controls over the Distribution of Supplemental Compensation Appear Reasonable**

While it appears reasonable for the System to rely on school districts to determine employees' eligibility for TRS-ActiveCare, there are certain measures the System could implement to strengthen eligibility controls. The controls in place over the distribution of state supplemental compensation for TRS-ActiveCare appear to be reasonable.

### **Additional measures could strengthen controls over TRS-ActiveCare eligibility.**

The contracted third-party administrator maintains eligibility files for TRS-ActiveCare, and the System relies on the integrity of school district personnel and systems in the determination of employee eligibility for TRS-ActiveCare. The school districts and other participating entities enroll their employees in TRS-ActiveCare and forward the enrollment forms to the third-party administrator, which has a contractual responsibility to maintain a consolidated eligibility file. The third-party administrator also shares the eligibility file with the contracted pharmaceutical benefits manager for its use. The System does not review the eligibility file.

While the process described above appears reasonable, we identified additional measures that the System could implement to strengthen controls over eligibility. Specifically:

- We identified 654 insurance claim payments (for 96 individuals) and 1,763 pharmacy claim payments (for 527 individuals) that did not match with individuals in the third-party administrator's eligibility file. While these claims represented less than 0.1 percent of claims filed and appeared to be caused primarily by data entry errors, this is an issue that the System could have detected. We provided the potentially erroneous claims to the System for adjudication.
- We determined that 516 (0.35 percent) of the Social Security numbers in the third-party administrator's eligibility file were invalid numbers. Most of these were determined to be caused by data entry errors; however, 216 claims were paid against those invalid numbers. This indicates that routinely checking the accuracy of Social Security numbers in the eligibility file could be a valuable method of detecting ineligible claimants.

### **Controls over the distribution of state supplemental compensation for TRS-ActiveCare appear reasonable.**

The controls in place over the State's distribution of supplemental compensation for TRS-ActiveCare to school districts appear reasonable. While there is no statewide database identifying those individuals who are eligible to receive monthly supplemental compensation, the System and the Texas Education Agency (Agency) have developed the following procedure to help ensure the proper distribution of these funds:

- On a monthly basis, school districts report the number of employees eligible for TRS-ActiveCare to the Agency through the Public Education Information Management System (PEIMS).
- The Agency then forwards data on the number of employees eligible for TRS-ActiveCare to the System for its review and approval.
- After approving the eligibility data, the System returns it to the Agency. The Agency then issues warrants for supplemental compensation to the school districts on the System's behalf.

In its monthly reviews of district-reported eligibility data, the System attempts to identify significant deviations by comparing current data with data that school districts previously submitted. When it finds a significant deviation in a school district's data, the System contacts the school district to obtain an explanation for the deviation. If necessary, the System instructs the school district to make correcting entries to its data the following month. In addition, the System periodically compares information in its membership files with average numbers that school districts report, and it asks school districts to explain significant deviations. Most deviations are the result of timing differences in reporting of personnel actions and school consolidations and closures.

Statutory changes will strengthen controls over supplemental compensation distribution in fiscal year 2005, when supplemental compensation will be deposited into employees' individual health reimbursement accounts at the Office of the Comptroller of Public Accounts. When that change is implemented, school districts will no longer be involved in the distribution process for supplemental compensation.

## Recommendations

The System should consider strengthening eligibility controls by:

- Routinely reconciling TRS-ActiveCare claims payments with the eligibility file.
- Periodically checking the TRS-ActiveCare eligibility file for invalid Social Security numbers.

## Management's Response

*TRS agrees to evaluate the feasibility and cost effectiveness of routinely reconciling the TRS-ActiveCare claims payments with the eligibility file by October 31, 2004.*

*TRS disagrees with the recommendation to check the TRS-ActiveCare eligibility file for invalid Social Security numbers. TRS believes current controls are sufficient to protect the plan and that verifying the validity of Social Security numbers would not significantly reduce risk. TRS relies on the districts and other reporting entities to enroll only those individuals who are employed and eligible for TRS-ActiveCare. TRS does not have jurisdiction over employment practices at school districts. In many cases, invalid Social Security numbers match district records.*

### **Auditor's Follow-up Comment**

The State Auditor's Office agrees that it is the responsibility of the employer (school district) to ensure the eligibility and subsequent enrollment of its employees. However, we believe that with minimal effort and cost, the System could provide additional assurance that only eligible employees are enrolled in TRS-ActiveCare.

# Appendices

Appendix 1

## **Objective, Scope, and Methodology**

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### **Objective**

Our objective was to determine whether the Teacher Retirement System (System) implemented the TRS-ActiveCare program as the Legislature intended and in a manner that adequately protects program resources. To achieve that objective, we answered the following questions:

- Is the TRS-ActiveCare program comparable to other Texas health insurance programs and other states' health insurance programs?
- Does the System have the necessary monitoring procedures in place to ensure third-party administrator and pharmaceutical benefits manager contract performance?
- Does the System have adequate controls in place to ensure that school district employees' supplemental compensation is properly distributed?
- Does the System have adequate controls in place to ensure that only eligible employees are covered by TRS-ActiveCare?
- What administrative advantages/disadvantages were created for school districts by the implementation of TRS-ActiveCare?

### **Scope**

The scope of the audit included reviewing requests for proposals and contracts for the prescription drug benefit program, health plan administrator, and health maintenance organization; developing surveys and analyzing survey results; and analyzing insurance costs and membership. The scope also included reviewing and analyzing the third-party administrator's claims database and eligibility database, the pharmaceutical benefits manager's claims database, the System's member records database, and the Texas Education Agency's (TEA) Public Education Information Management System (PEIMS). We tested information from September 2002 to December 2003.

### **Methodology**

The audit methodology consisted of collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with the System's management and staff.

Procedures, tests, and analyses performed included the following:

- Compared Employees Retirement System (ERS) HealthSelect health plan to ActiveCare 1, ActiveCare 2, and ActiveCare 3 health plans

- Compared ActiveCare 1, ActiveCare 2, and ActiveCare 3 to other states' health plans
- Compared premiums of ActiveCare 1, ActiveCare 2, and ActiveCare 3 for fiscal years 2003 and 2004
- Compared premiums of ERS HealthSelect for fiscal years 2003 and 2004
- Identified the number of individuals who moved among ActiveCare 1, ActiveCare 2, and ActiveCare 3 after fiscal year 2003
- Reviewed the third-party administrator's 2002–2003 annual report and quarterly reports
- Reviewed the pharmaceutical benefits manager's 2002–2003 annual report
- Reviewed the System's prescription drug benefit program request for proposal (RFP) and its contract with the pharmaceutical benefits manager
- Reviewed the System's health plan administrator RFP and its contract with the third-party administrator
- Reviewed the System's health maintenance organization RFP
- Tested providers' Web sites against identified RFP requirements and contract requirements
- Reviewed the System's monitoring and management of the implementation of TRS-ActiveCare that occurred prior to September 1, 2002
- Reviewed the monitoring of contracts between the System and the TRS-ActiveCare third-party administrator and between the System and the TRS-ActiveCare pharmaceutical benefits manager
- Reviewed the System's Web site
- Reviewed TEA's Web site
- Analyzed the PEIMS database maintained by TEA
- Analyzed TEA's reported numbers of System members and the number of individuals covered by TRS-ActiveCare
- Reconciled the supplemental compensation amount reported on the System's financial statements for fiscal year 2003 with the number of individuals eligible for TRS-ActiveCare that school districts reported to TEA
- Compared self-reported school district information with that in other state databases
- Analyzed and compared the TRS-ActiveCare third-party administrator's and the pharmaceutical benefits manager's participant data against TRS-ActiveCare

eligibility data using source data from the System, TEA, and the Social Security Administration

- Recalculated the fiscal year 2003 third quarter rebate calculated by the TRS-ActiveCare pharmaceutical benefits manager
- Prepared, conducted, and analyzed results of a survey of all entities participating in TRS-ActiveCare
- Interviewed TRS-ActiveCare directors and staff
- Interviewed TEA's Assistant Commissioner for School Finance and Fiscal Analysis
- Interviewed the Dripping Springs Independent School District Director of Human Resources
- Interviewed the System's actuary

Criteria used included the following:

- House Bill 3257 (78th Legislature, Regular Session)
- Texas Administrative Code
- Texas Education Code
- Texas Insurance Code
- General Appropriations Act (77th and 78th Legislatures)
- TRS-ActiveCare Policy and Procedures Manual
- *TRS-ActiveCare Enrollment Guide*, Health Benefits, Fiscal Years 2002–2003 and 2003–2004
- *TRS-ActiveCare Benefits Booklet*, Fiscal Years 2002–2003 and 2003–2004

## **Project Information**

We conducted fieldwork between September 2003 and December 2003. This audit was conducted in accordance with standards applicable to performance audits contained in generally accepted government auditing standards.

The following members of the State Auditor's Staff conducted the review:

- Dave Gerber, MBA (Project Manager)
- Michelle A. Feller (Assistant Project Manager)
- Michael Clayton, CPA
- Bruce Dempsey, MBA



- Joe Fralin, MBA
- Jon Nelson, MBA, CISA
- Terry Nickel, CFE
- Worth Ferguson, CPA (Quality Control Reviewer)
- Carol Smith, CPA (Audit Manager)
- Frank Vito, CPA (Audit Director)

## Comparison of the Three TRS-ActiveCare Health Plans

Table 5 below compares the benefits of the TRS-ActiveCare plans with the Employees Retirement System's HealthSelect plan. Table 6 presents detailed information on the health maintenance organization (HMO) options that TRS-ActiveCare began offering in fiscal year 2004.

Table 5

Comparison of Employee Retirement System HealthSelect Health Plan with TRS-ActiveCare Health Plans (Fiscal Year 2004)								
Health Plan Feature	Health Plans							
	ERS HealthSelect		TRS-ActiveCare 3		TRS-ActiveCare 2		TRS-ActiveCare 1	
<b>CO-PAYS</b>								
	Network	Non- Network	Network	Non- Network	Network	Non- Network	Network	Non- Network
Per PPO visit	\$20	40%	\$20	35%	\$25	40% (B)	20% (B)	40% (B)
Specialist	\$30	40%	\$30	35%	\$35	40% (B)	20% (B)	40% (B)
Emergency room	\$100 + 20% remaining charges	40%	\$50 (A) + 15%	\$50 (A) + 15%	20% (B)	20% (B)	20% (B)	20% (B)
<b>DEDUCTIBLES</b>								
	Network	Non- Network	Network	Non- Network	Network	Non- Network	Network	Non- Network
Individual (per plan year)	None	\$500	None	\$500	\$500	\$500	\$1,000	\$1,000
Family (per plan year)	None	\$1,500	None	\$1,500	\$1,500	\$1,500	\$3,000	\$3,000
<b>OUT-OF-POCKET MAXIMUMS</b>								
	Network	Non- Network	Network	Non- Network	Network	Non- Network	Network	Non- Network
Individual	\$1,000	\$3,000	\$1,000 + co-pay	\$3,000 + co-pay & deductible	\$2,000 + co-pay & deductible	\$2,000 + co-pay & deductible	\$2,000 + co-pay & deductible	\$2,000 + co-pay & deductible
Family	None	None	None	None	\$6,000 + co-pay & deductible	\$6,000 + co-pay & deductible	\$6,000 + co-pay & deductible	\$6,000 + co-pay & deductible
<b>PHARMACY CO-PAYS</b>								
	Preferred	Non- Preferred	Preferred	Non- Preferred	Preferred	Non- Preferred	Preferred	Non- Preferred
Retail (30 days)	\$35 (E)	\$55	\$25 (C)	\$40 (C)	\$25 (C)	\$45 (C)	80% (D)	80% (D)
Mail (90 days)	\$75	\$120	\$50 (C)	\$80 (C)	\$50 (C)	\$90 (C)	80% (D)	80% (D)

**Comparison of Employee Retirement System HealthSelect Health Plan  
with TRS-ActiveCare Health Plans  
(Fiscal Year 2004)**

Health Plan Feature	Health Plans							
	ERS HealthSelect		TRS-ActiveCare 3		TRS-ActiveCare 2		TRS-ActiveCare 1	
COINSURANCE								
	Network	Non-Network	Network	Non-Network	Network	Non-Network	Network	Non-Network
Plan pays	80%	60%	85%	65%	80%	60%	80%	60%
Participant pays	20%	40%	15%	35%	20%	40%	20%	40%
Notes:								
A - Co-pay waived if admitted to hospital								
B - After deductible								
C - If a member obtains a brand-name drug when a generic equivalent is available, the member is responsible for the general co-pay plus the cost difference between the brand-name drug and the generic drug.								
D - Employee will pay 100 percent of discounted cost at the time of purchase; 80 percent will be reimbursed after the deductible.								
E - Cost of maintenance drugs (effective July 1, 2003)								
F - School district contributes a minimum of \$150.00 per month.								

Sources: Employees Retirement System of Texas *Health Select Benefits Book*, 2003-2004  
 Employees Retirement System of Texas *Making Your Benefits Work for You*, effective May 1, 2003  
 Teacher Retirement System *ActiveCare Enrollment Guide*, Health Benefits, 2003-2004  
 Teacher Retirement System *ActiveCare Benefits Booklet*, Health Benefits, 2003-2004

Table 6

Comparison of Health Maintenance Organizations' Health Plans* (Fiscal Year 2004)			
Health Plan Feature	Health Maintenance Organization		
	FIRSTCARE	Mercy Health Plans	Scott & White Health Plan
CO-PAYS			
Per PCP visit	\$15	\$10	\$25
Specialist	\$30	\$10	\$25
Emergency room	\$75 (waived if admitted)	\$50 (waived if admitted for same condition within 24 hours)	\$100 (waived if admitted for same condition within 24 hours)
DEDUCTIBLES			
Individual (per plan year)	None	None	None
Family (per plan year)	None	None	None
OUT-OF-POCKET MAXIMUMS			
Individual	2x total plan year cost of coverage (A) (does not include pharmacy)	\$1,000 (does not include pharmacy)	\$2,000 per individual (does not include pharmacy)
Family	2x total plan year cost of coverage (A) (does not include pharmacy)	\$2,000 (does not include pharmacy)	\$2,000 per individual (does not include pharmacy)

**Comparison of Health Maintenance Organizations' Health Plans\*  
(Fiscal Year 2004)**

Health Plan Feature	Health Maintenance Organization					
	FIRSTCARE		Mercy Health Plans		Scott & White Health Plan	
PHARMACY CO-PAYS						
	Preferred	Non-Preferred	Preferred	Non-Preferred	Preferred	Non-Preferred
Retail (30 days)	\$20 (B)	\$40 (B)	\$20	\$35	\$20 (C)	(D)
Mail (90 days)	\$40 (B)	\$80 (B)	\$40	\$70	\$40 (C)	(E)
<p>Notes:</p> <p>* Primary care physician is required to direct care for benefits to be paid.</p> <p>A - Maximum depends on coverage category: Employee Only - \$7,800; Employee and Spouse - \$18,552; Employee and Children - \$12,408; Employee and Family - \$19,320</p> <p>B - If a member obtains a brand-name drug when a generic is available, the member is responsible for the generic co-pay plus the cost difference between the brand-name drug and the generic drug.</p> <p>C - If a brand-name drug is dispensed when there is a generic available, the participant will pay 50% of charges.</p> <p>D - If on formulary, lesser of \$50 or 50% of charges; if not on formulary, 50% of the charges.</p> <p>E - If on formulary, lesser of \$100 or 50% of charges; if not on formulary, not available.</p>						

Source: *Teacher Retirement System ActiveCare Enrollment Guide*, Health Benefits, 2003-2004

## Results of TRS-ActiveCare Survey

Tables 7 through 12 summarize the responses we received to the TRS-ActiveCare survey we conducted in fall 2003. We sent 1,000 e-mails to administrators of the independent school districts, charter schools, and other entities participating in TRS-ActiveCare. Of those 1,000 e-mails, 104 were returned because of undeliverable addresses; for the remaining 896, we received 602 responses (including 6 incomplete responses), and 294 administrators did not respond. Of the 596 respondents who provided complete responses, 329 made optional comments.

Table 7

Plan Coverage/Cost						
(This section concerns the benefits coverage and costs of TRS-ActiveCare. It should not be confused with supplemental compensation issues.)						
Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know
1. Overall, public education employee health care coverage is generally better under TRS-ActiveCare than under previous district independent plans.	15.2%	38.4%	21.9%	17.0%	5.6%	1.9%
2. The access to providers (doctors, hospitals, pharmacies) under TRS-ActiveCare meets most employees' health care needs.	17.0%	72.3%	5.8%	3.5%	1.1%	0.4%
3. Under TRS-ActiveCare, benefits can be selected to meet individual needs.	18.4%	71.1%	6.8%	2.5%	1.1%	0.2%
4. I am aware of another health care plan currently available to my district that would provide the same benefit coverage as TRS-ActiveCare at a cheaper premium price.	4.6%	7.4%	14.9%	29.9%	10.5%	32.7%
5. The Teacher Retirement System's implementation of TRS-ActiveCare has resulted in an adequate health care program.	12.1%	64.8%	13.3%	7.7%	1.1%	1.1%
6. Benefits under TRS-ActiveCare are comparable to those offered in other public sector jobs.	8.8%	44.7%	12.3%	18.4%	5.3%	10.7%
7. Employees in my district are generally satisfied with their TRS-ActiveCare benefits.	9.5%	62.2%	14.2%	10.2%	2.5%	1.6%
8. My district/entity would be willing to contribute more toward employees' coverage to help offset any increase in TRS-ActiveCare premiums.	0.4%	3.7%	8.6%	34.9%	43.6%	8.9%

Table 8

Plan Administration						
Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know
1. The rules, policies, and procedures for TRS-ActiveCare have been communicated effectively to me.	12.4%	75.8%	6.3%	5.1%	0.2%	0.2%
2. Sufficient tools are provided to benefits administrators to adequately explain TRS-ActiveCare.	15.8%	75.1%	6.3%	2.5%	0.2%	0.2%
3. Within the timeframe that it had to work, TRS sufficiently explained changes in benefits to employees.	12.4%	69.0%	10.5%	6.3%	1.4%	0.4%
4. Overall, employees generally understand their benefit plan.	5.8%	67.3%	16.1%	9.1%	0.9%	0.9%
5. TRS-ActiveCare ID cards were distributed in a timely manner.	13.7%	61.5%	7.5%	12.4%	3.5%	1.4%
6. Eliminating the contract selection process for insurance providers has saved my district time.	29.2%	45.9%	13.5%	5.1%	2.3%	4.0%
7. TRS-ActiveCare has saved my district time with ongoing monthly administration (including problem resolution).	14.0%	46.9%	20.0%	11.9%	5.4%	1.8%
8. The TRS-ActiveCare enrollment process is efficient.	14.5%	66.5%	8.1%	8.8%	1.8%	0.4%

Table 9

Communication Methods						
Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know
1. The TRS Web site provides useful information about TRS-ActiveCare benefits.	18.4%	70.8%	7.7%	1.4%	0.0%	1.8%
2. The third-party administrator's Web site provides useful information about TRS-ActiveCare benefits.	16.1%	67.8%	9.8%	0.5%	0.0%	5.8%
3. The pharmaceutical benefits manager's Web site provides useful information about TRS-ActiveCare pharmacy benefits.	10.5%	59.0%	15.2%	1.6%	0.2%	13.5%
4. Use of video conference meetings and presentations (such as TETN or T-Star) is one effective way to communicate information on TRS-ActiveCare.	5.6%	33.8%	28.9%	10.2%	1.1%	20.5%
5. The telephone support that TRS provides to my district is helpful in the administration of TRS-ActiveCare.	22.1%	62.9%	10.7%	1.9%	1.4%	1.1%
6. The telephone support that the third-party administrator provides to my district is helpful in the administration of TRS-ActiveCare.	22.8%	63.7%	7.4%	1.6%	1.2%	3.3%

Communication Methods						
Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know
7. The telephone support that the pharmaceutical benefits manager provides to my district is helpful in the administration of TRS-ActiveCare.	10.5%	49.7%	18.6%	3.3%	1.6%	16.3%
8. Blue Access is an effective mechanism to submit enrollment changes.	24.0%	53.1%	9.5%	3.5%	1.6%	8.4%
9. I am satisfied with TRS-ActiveCare customer service.	21.4%	67.3%	8.6%	1.6%	1.1%	0.2%

Table 10

Level of Satisfaction with TRS-ActiveCare Communication Methods and Materials						
Method or Material	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied	N/A
1. Administrator training sessions	16.5%	70.8%	7.9%	2.8%	0.4%	1.8%
2. Administrative guide	18.7%	75.7%	3.9%	1.2%	0.0%	0.5%
3. Enrollment guide	17.7%	77.2%	3.3%	1.4%	0.0%	0.4%
4. Benefits booklet	17.9%	75.8%	4.6%	1.4%	0.2%	0.2%
5. Powerpoint enrollment presentation	13.5%	56.7%	18.6%	1.2%	0.0%	10.0%
6. <i>TRS Update</i> monthly newsletter	14.5%	71.6%	10.5%	1.9%	0.0%	1.4%
7. TRS-ActiveCare broadcast e-mails	15.1%	69.2%	11.4%	1.1%	0.0%	3.3%

Table 11

Supplemental Compensation - Part 1 of 2						
Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know
1. Within the timeframe that it had to work, TRS sufficiently explained changes in supplemental compensation to active employees.	6.1%	59.7%	12.4%	16.8%	3.9%	1.1%
2. The supplemental compensation should be included in the regular school finance formula funding received through TEA.	20.8%	31.2%	13.7%	13.7%	12.4%	8.2%

Table 12

Supplemental Compensation - Part 2 of 2		
Statement	Yes	No
3. My district/entity increased employees' salaries or increased our contribution toward health care coverage to offset the supplemental compensation reduction in 2003-04.	42.6%	57.4%
4. In FY 2002-03, my district provided more than the required \$150 monthly health coverage minimum for some or all employees.	40.3%	59.7%



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Mr. Ronnie G. Jung, Interim Executive Director



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