



THE PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN AND THE TEACHERS' RETIREMENT SYSTEM

Presentation to the Joint Education Budget Committee

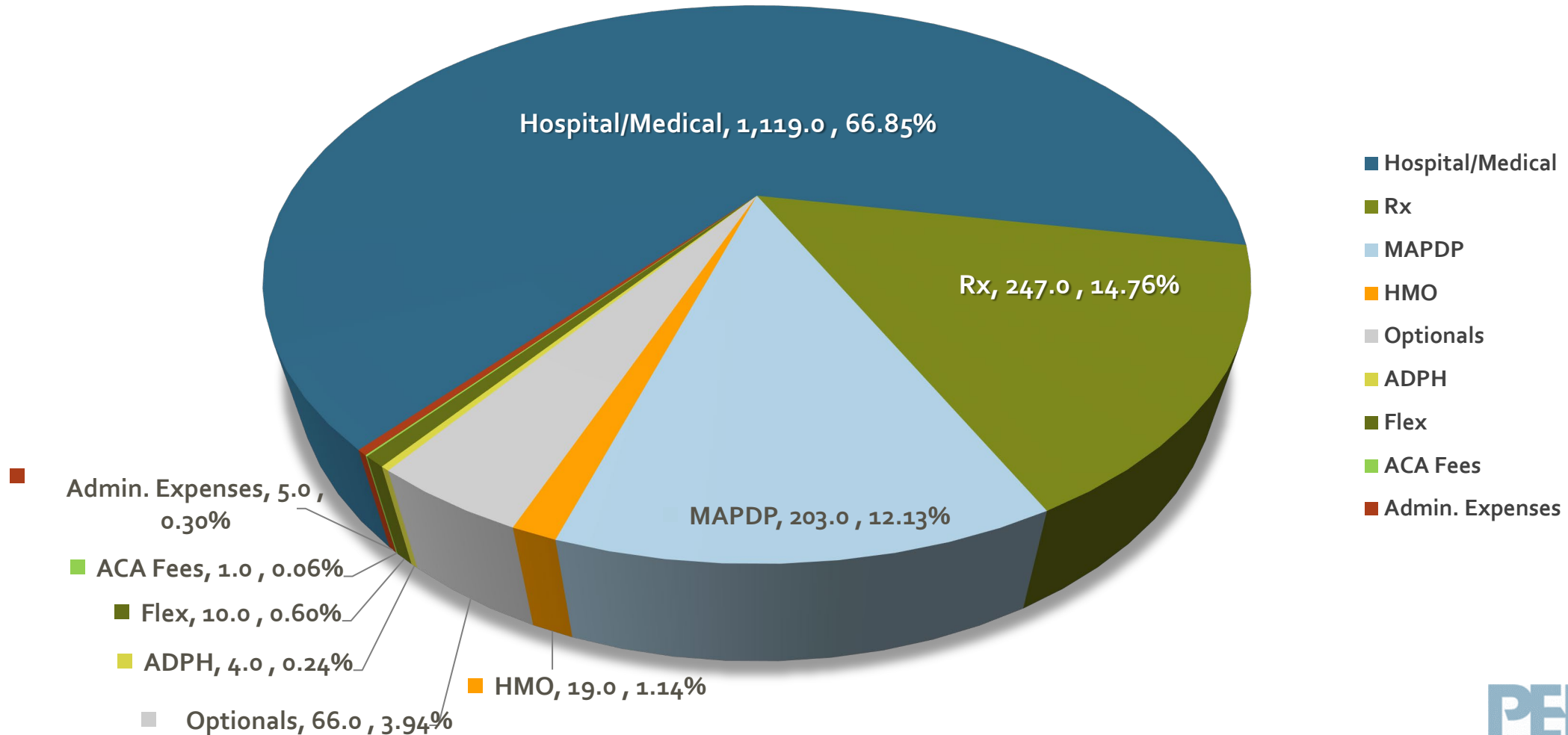
February 2, 2026



PEEHIP FY25 Program Costs

\$1.674 Billion

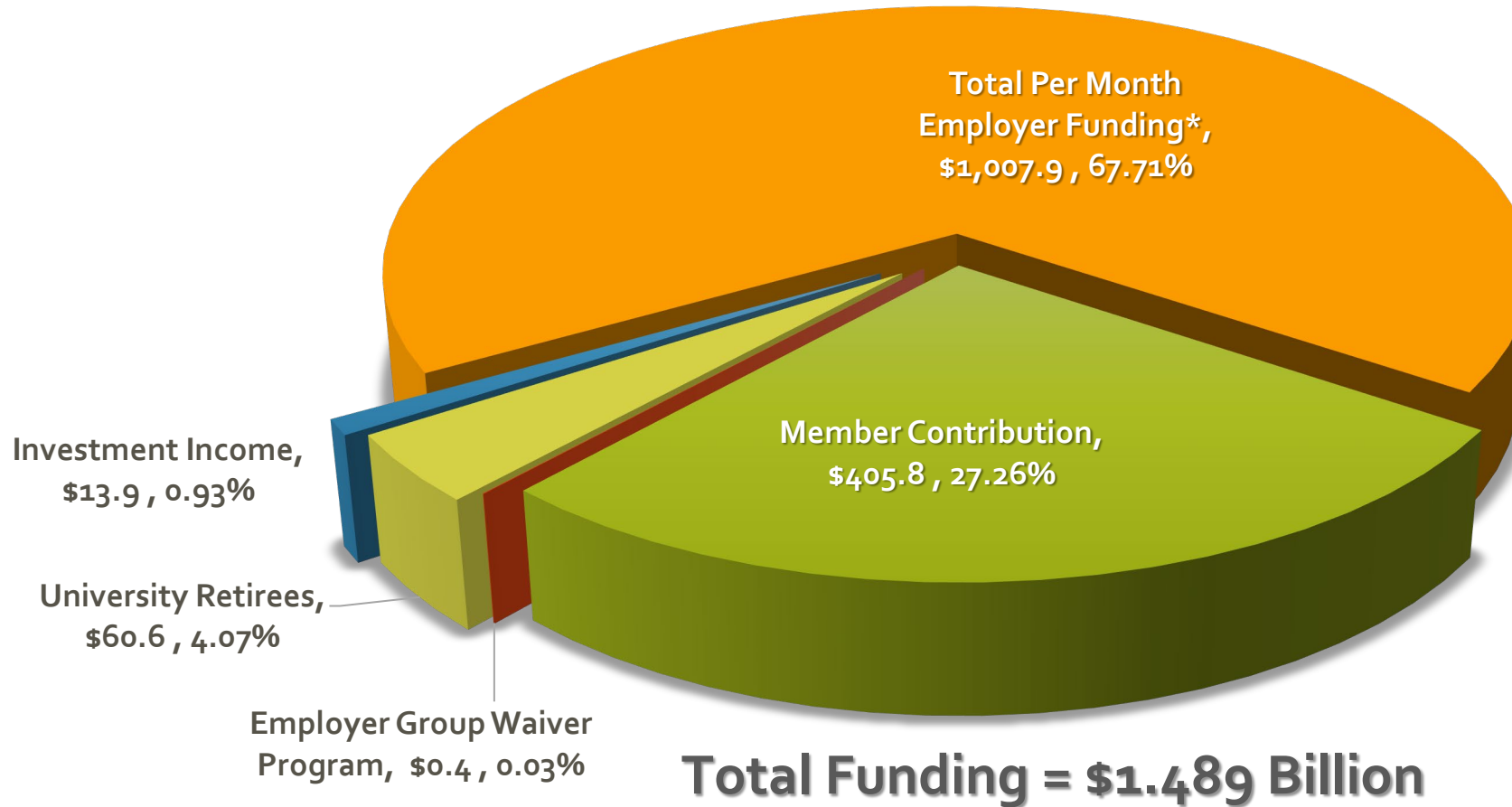
(amounts below in millions)





PEEHIP FY25 Funding Sources

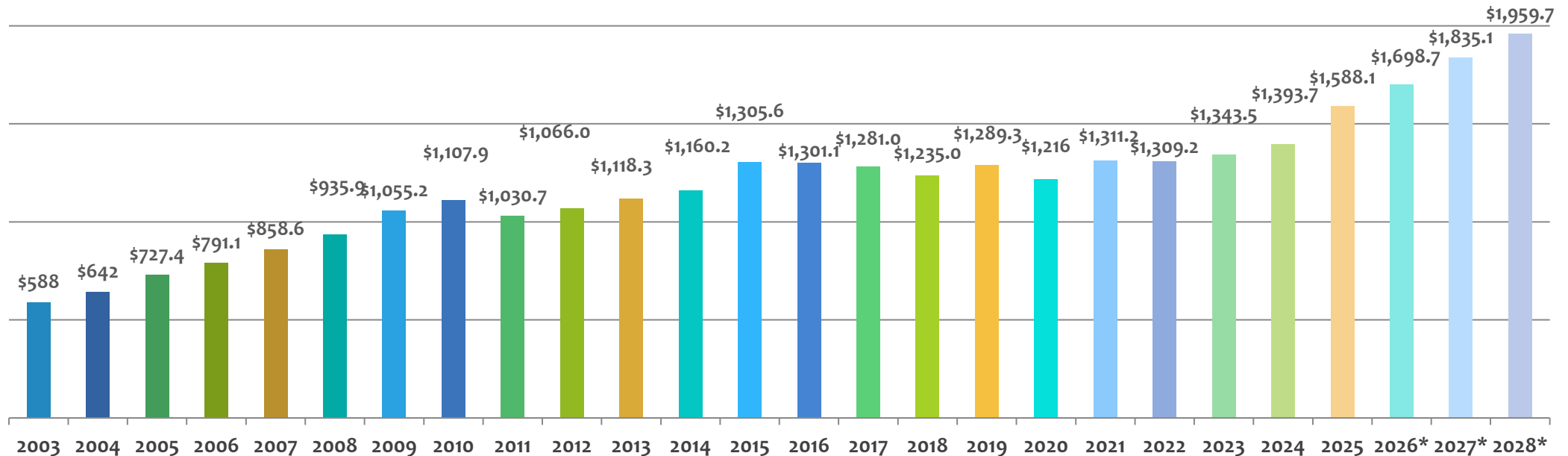
Amounts in Millions



* An additional \$4.8m in employer funding was recorded in the PEEHIP Expense Fund to cover administrative expenses bringing the total employer funding to \$1,012.7 million



Increasing Medical and Pharmaceutical Costs 2003-2028



*Amounts for 2026-2028 are estimated by Segal Consulting per projections using actual claims through 9/30/2025. Includes costs of BCBS, Retail Pharmacy, and MAPDP.

**Annual growth rate = 4.9% since 2003. FY24 and FY25 have been normalized due to timing of Rx payments in Sept 2024. Cash basis before normalization: FY24=\$1,388.4 and FY25=\$1,568.5.



Increasing Medical and Pharmaceutical Year over Year Trend 2020 - 2028

| amounts in millions | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|
| Cash Basis | | | | | |
| | Actual | Actual | Projected | | |
| Components of Medical Spend | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 |
| Hospital Medical | \$ 1,043.1 | \$ 1,118.7 | \$ 1,165.8 | \$ 1,238.1 | \$ 1,266.6 |
| Rx | 287.9 | 247.1 | 294 | 317 | 348 |
| Normalizaton of Rx | (19.6) | 19.6 | | | |
| Normalized Rx | 268.3 | 266.7 | 294.0 | 317.2 | 347.7 |
| MAPDP | 57.0 | 202.7 | 238.9 | 279.8 | 345.4 |
| Total | \$ 1,368.4 | \$ 1,588.1 | \$ 1,698.7 | \$ 1,835.1 | \$ 1,959.7 |
| Annual Increase in Costs | | \$ 219.7 | \$ 110.6 | \$ 136.4 | \$ 124.6 |
| % increase Year over Year | | 16.06% | 6.96% | 8.03% | 6.79% |
| Trend: | | | | | |
| Hospital Medical | | 7.25% | 4.21% | 6.20% | 2.30% |
| Rx | | -0.60% | 10.24% | 7.89% | 9.62% |
| MAPDP | | 255.61% | 17.86% | 17.12% | 23.45% |



Active and Non-Medicare Retiree Hospital Medical Analysis

| Service Category Group | FY2024 | FY2025 | % Change | |
|-----------------------------|-------------------|-------------------|--------------------|------------------|
| | Paid Amount | Paid Amount | Difference in Paid | % Change in Paid |
| Facility Outpatient | \$ 219,630,569.70 | \$ 238,781,765.00 | \$ 19,151,195.30 | 8.7% |
| Facility Inpatient | \$ 224,115,808.10 | \$ 233,712,920.00 | \$ 9,597,111.90 | 4.3% |
| MHSA | \$ 37,553,220.90 | \$ 44,983,641.20 | \$ 7,430,420.30 | 19.8% |
| Other Professional Services | \$ 130,047,057.70 | \$ 137,154,529.20 | \$ 7,107,471.50 | 5.5% |
| Total | \$ 611,346,656.40 | \$ 654,632,855.40 | \$ 43,286,199.00 | 7.1% |

| Category | FY2024 | | | FY2025 | | |
|---------------------------------|------------------|------------|----------|------------------|------------|----------|
| | Paid Amount | Procedures | Patients | Paid Amount | Procedures | Patients |
| Knee Replacements and Revisions | \$ 7,948,393.81 | 952 | 763 | \$ 8,935,256.10 | 997 | 751 |
| Hip Replacements and Revisions | \$ 3,345,482.84 | 419 | 337 | \$ 3,742,874.16 | 438 | 333 |
| Cervical Spinal Fusion | \$ 3,439,972.81 | 477 | 415 | \$ 4,002,472.20 | 493 | 428 |
| Lumbar Spinal Fusion | \$ 1,724,849.87 | 385 | 346 | \$ 1,984,477.91 | 393 | 347 |
| Other Spine Procedures | \$ 11,754,859.05 | 1428 | 1209 | \$ 12,337,070.95 | 1398 | 1196 |
| Total | \$ 28,213,558.38 | 3661 | 3070 | \$ 31,002,151.32 | 3719 | 3055 |

| Provider Specialty Category | FY2024 Visits | FY2025 Visits | Change |
|-----------------------------|------------------|------------------|--------|
| Specialty | 898,477 | 908,300 | 1.09% |
| Primary Care | 465,205 | 453,112 | -2.60% |
| Physician Extender | 422,766 | 452,862 | 7.12% |
| Independent Lab | 292,164 | 308,569 | 5.61% |
| Emergent/Urgent | 33,919 | 33,856 | -0.19% |
| Total | 2,112,531 | 2,156,699 | 2.09% |

| Fiscal Year | Admits Per 1000 Acute | Days Per 1000 Adm Acute | Days Admit Acute | Admits Acute | 30 Day Readmits Acute | 30 Day Readmits Acute Rate |
|-------------|-----------------------------|-------------------------------|------------------|--------------|-----------------------------|----------------------------------|
| FY2024 | 40.9 | 184.7 | 40,981 | 9,077 | 630 | 6.9% |
| FY2025 | 41.6 | 188.2 | 41,899 | 9,268 | 695 | 7.5% |
| Difference | 0.7 | 3.6 | 918 | 191 | 65 | 0.6% |



PEEHIP Employer Contribution Rates for the 2026 Legislative Session

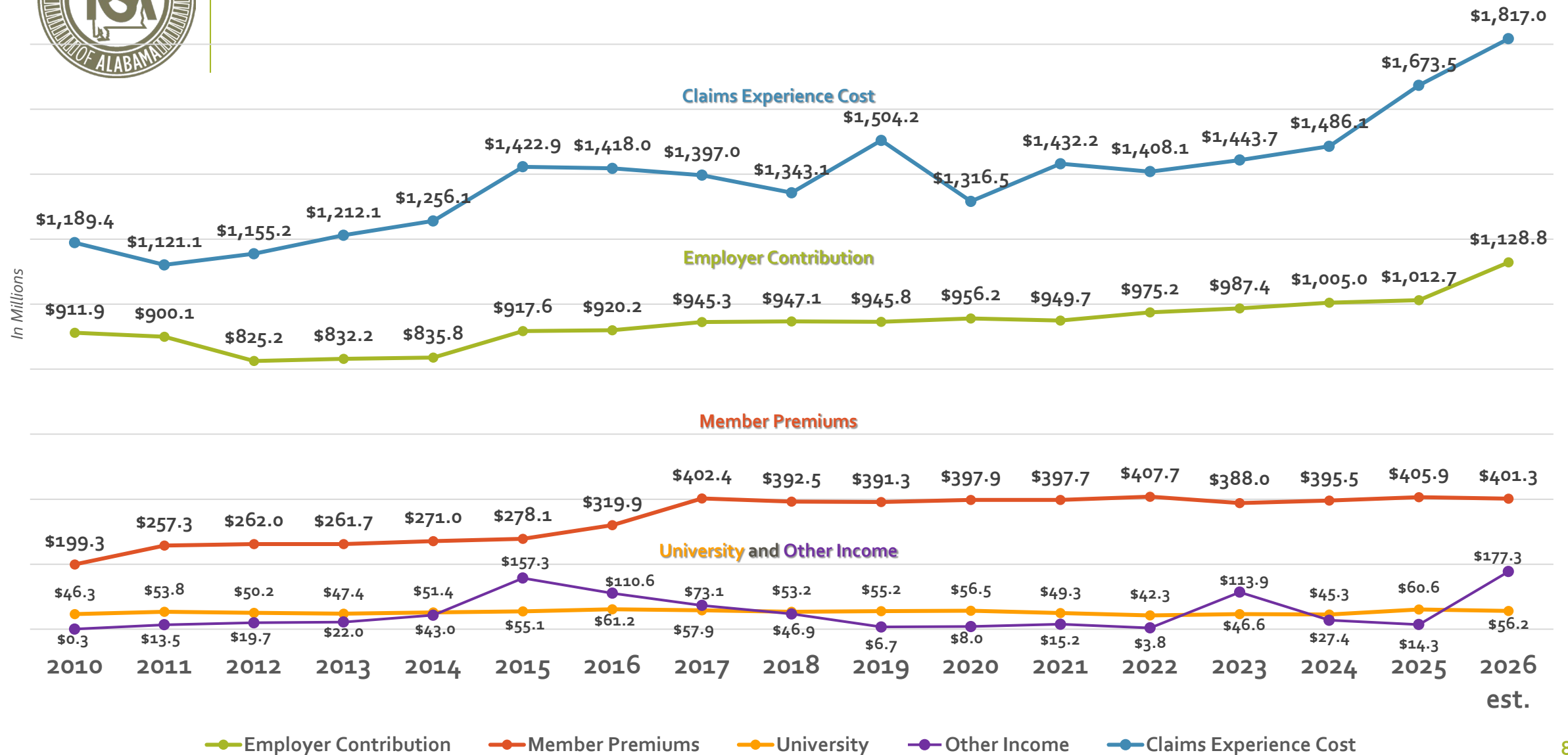
| | FY25 | FY26 (Current) | FY27 (Requested) | FY27 (Governor's Budget) | Increase (Decrease) from FY26 |
|-----------------------------------|----------|-------------------|---------------------|--------------------------------|-------------------------------------|
| Per Active Member Per Month | \$800 | \$904 | \$1209 | \$1073 | \$169 |
| Total Employer Cost* | \$1,012M | \$1,129M | \$1,509M | \$1,339M | \$210M |
| Est. Amt. from ETF** | \$730.4M | \$814.8M | \$1,089M | \$966.4M | \$151.6M |

* The estimated cost to universities for retiree healthcare coverage (\$56.2M for FY27) is not included in this amount. This estimated cost does include the administrative cost for PEEHIP that is paid from employer contributions. This administrative is listed as a separate line item in the budget spreadsheets that are submitted to the EBO.

** Based upon estimates from the EBO using FY23 data, approximately 72.17% of total employer cost is paid with ETF funds; the remainder is paid by PEEHIP participating employers from other funds (14.42% Federal, 4.21% Tuition, 0.79% Non-Government, and 8.42% Local).



PEEHIP Financial Trends 2010 - 2026





Alabama Retired Education Employees' Healthcare Trust Fund

The Retiree Trust was created by statute in 2007 to prefund healthcare costs for **PEEHIP** retirees and to help offset the unfunded liability for the plan.

The Retiree Trust had a market balance of \$2.626 billion as of 9/30/25. The assets of the Trust help to offset **PEEHIP's** unfunded liability, which was \$7.6 billion as of 9/30/24. The FY24 funded ratio is 23.6%.

The Retiree Trust has been funded by two transfers from **PEEHIP** in 2007 and 2008 (totaling \$631M), by monies from federal programs between 2007-2014, and by investment income.

Monies were transferred from the Trust to **PEEHIP** in 2015 (\$92M) and 2016 (\$32M) to address funding shortfalls. The Retiree Trust Board has authorized the withdrawal of \$118.9M for FY26. PEEHIP projects that it will need to withdraw between \$31M and \$74M in additional funds for FY26.

The Legislature created but does not appropriate money to this Trust.



TRS Income Sources: for FY25

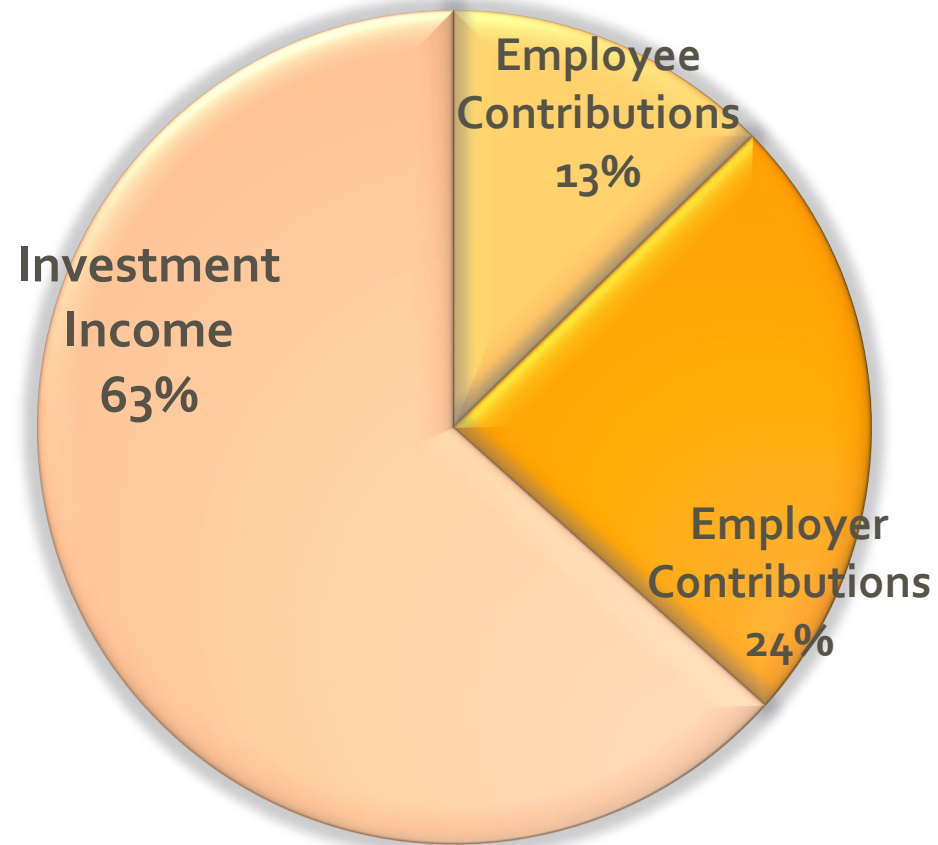
Employee Contributions:
\$636M

Employer Contributions*:
\$1.20B

Investment Income:
\$3.18B

Total Income:
\$5.02B

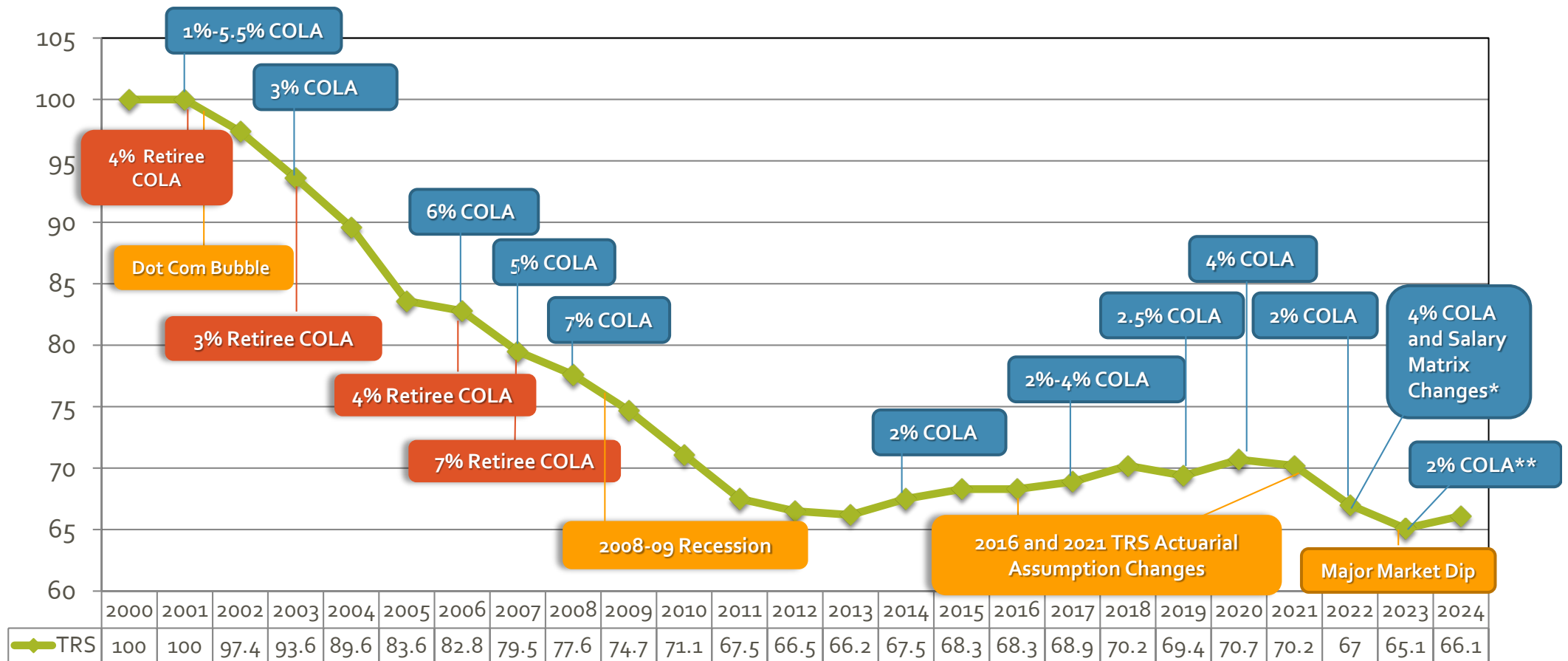
Benefits Paid:
\$2.75B



*This includes contributions from all sources for TRS and excludes transfers from ERS and internal service funds.



TRS Funded Ratio 2000-2024



* The 4% COLA and salary matrix changes were effective for FY23 but were reflected in the FY22 actuarial valuation.

** The 2% COLA was effective for FY24 but was reflected in the FY23 actuarial valuation.



TRS Employer Contribution Rates

for 2026 Legislative Session

| | FY25 | FY26 (Current) | FY27 (Requested) | Increase (Decrease) from FY26 |
|-----------------------------|------------|-------------------|---------------------|-------------------------------------|
| Tier 1 | 13.57% | 14.57% | 14.66% | 0.09% |
| Tier 2 | 12.60% | 13.61% | 13.70% | 0.09% |
| Est. Total Employer Cost | \$1,189.0M | \$1,301.0M | \$1,306.0M | \$5M |
| Est. Amt. from ETF* | \$708.2M | \$774.9M | \$777.9M | \$3M |

*Based upon estimates from the EBO using FY23 data, approximately 59.56% of the total employer cost is paid with ETF funds; the remainder is paid by TRS participating employers from other funds (9.15% Federal, 16.78% Tuition, 0.66% Non-Government, 9.22% Local, and 4.6% Other State Funds).



QUESTIONS?

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