



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

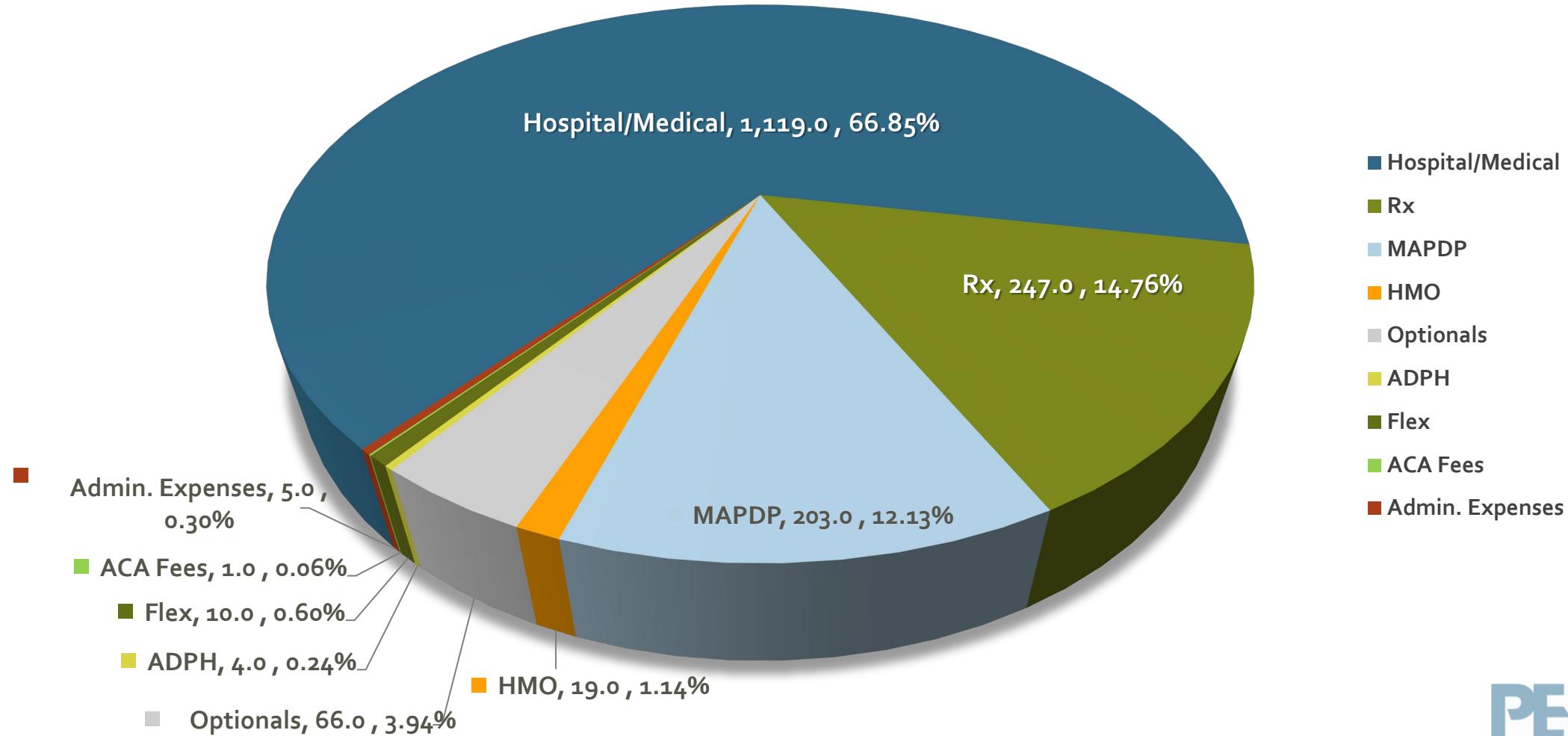
Presentation to the Joint Education Budget Committee

February 2, 2026



PEEHIP FY25 Program Costs \$1.674 Billion

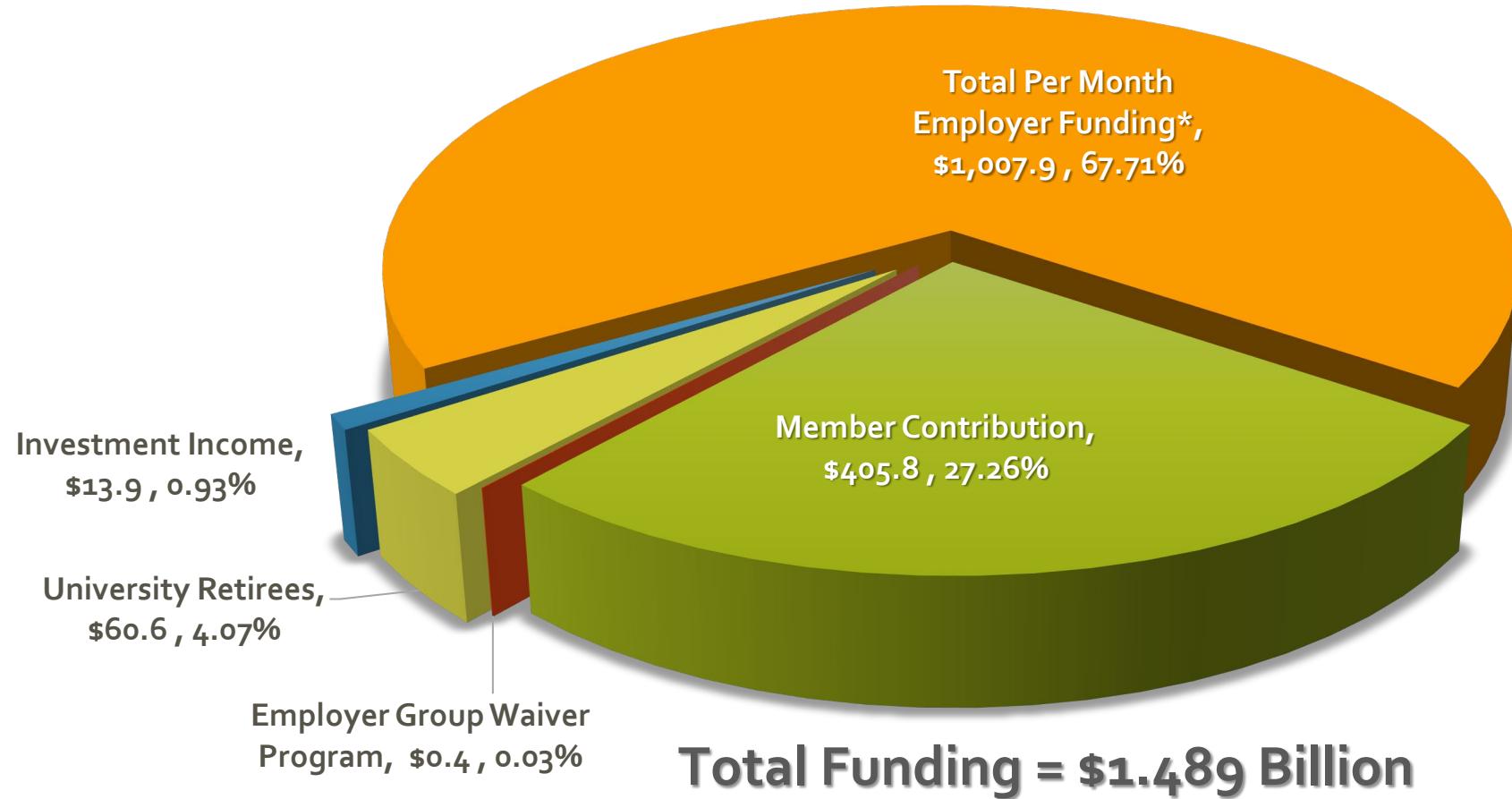
(amounts below in millions)





PEEHIP FY25 Funding Sources

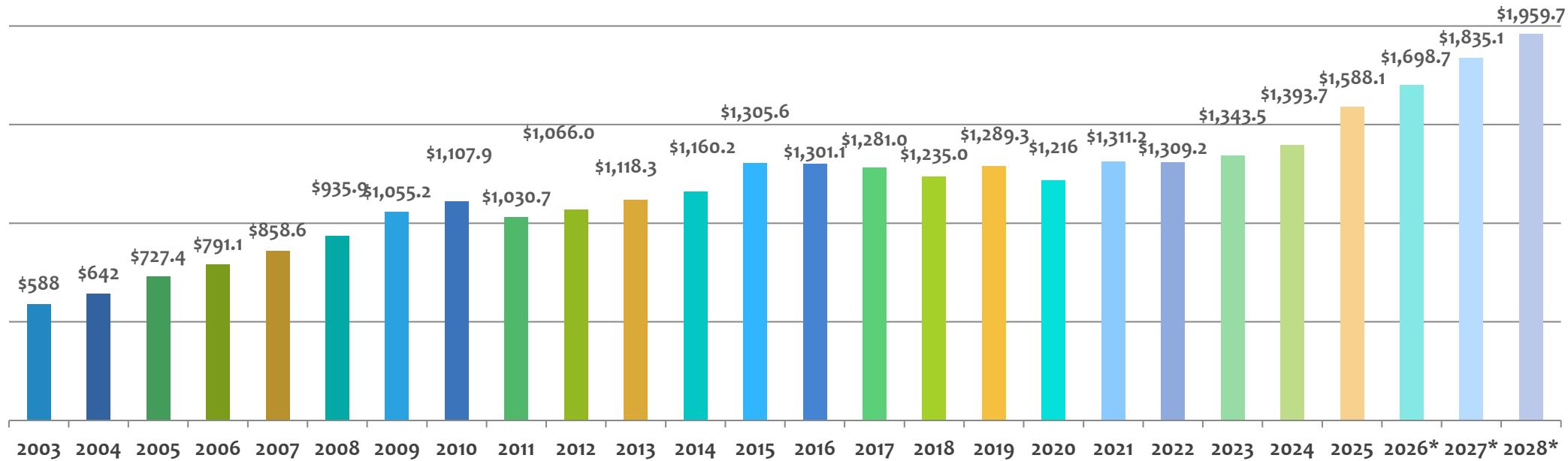
Amounts in Millions



* 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						
Components of Medical Spend	Actual		Actual		Projected	
	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 Readmit s Acute	30 Day Readmit s 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

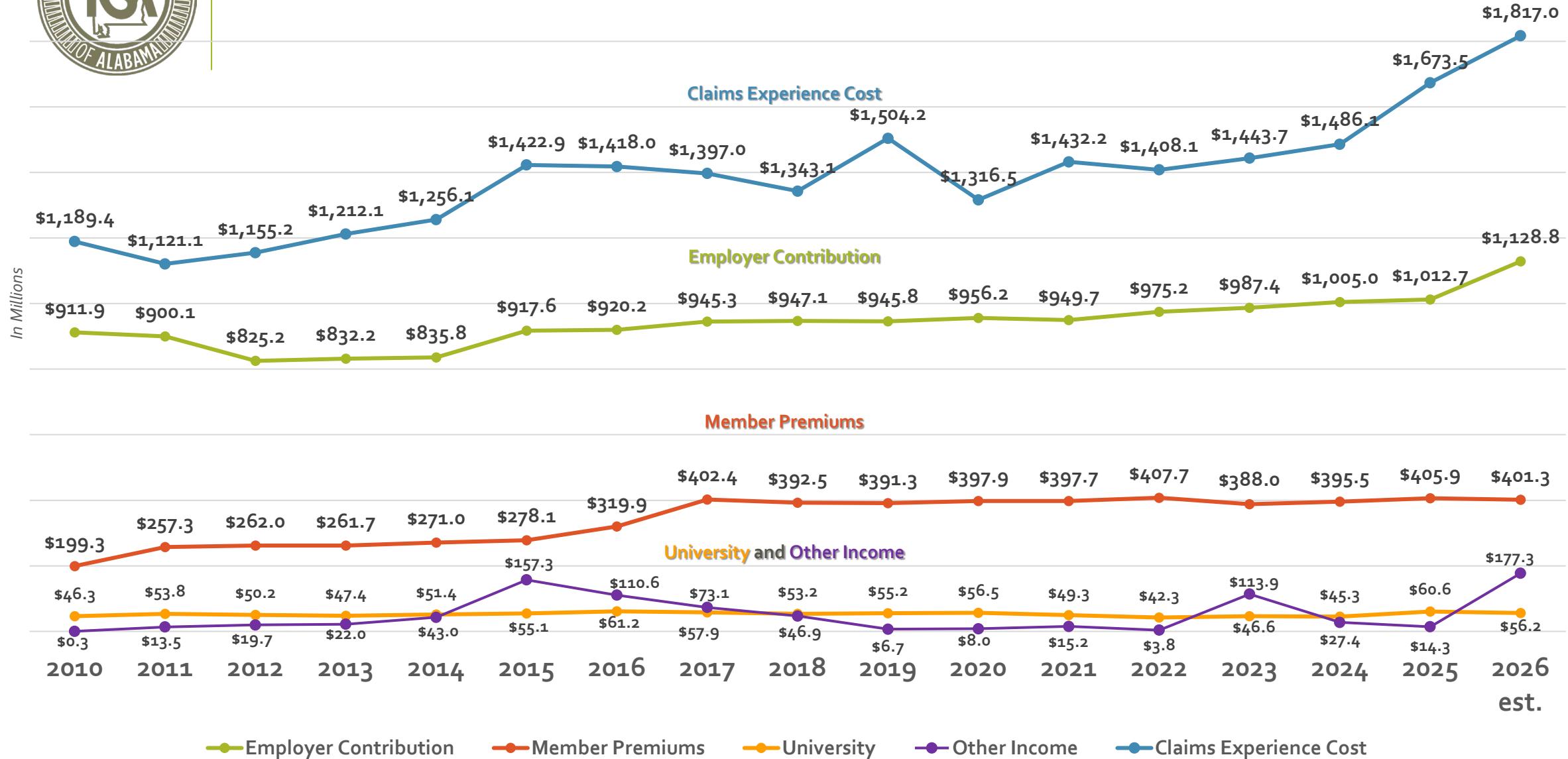
	FY25	FY26 (Current)	FY27 (Requested)	FY27 (Governor's Budget)	Increase (Decrease) from FY26
Per Active Member Per Month	\$800	\$904	\$1209	\$1073	\$169
Total Employer Cost*	\$1,012M	\$1,129M	\$1,509M	\$1,339M	\$210M
Est. Amt. from ETF**	\$730.4M	\$814.8M	\$1,089M	\$966.4M	\$151.6M

* 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

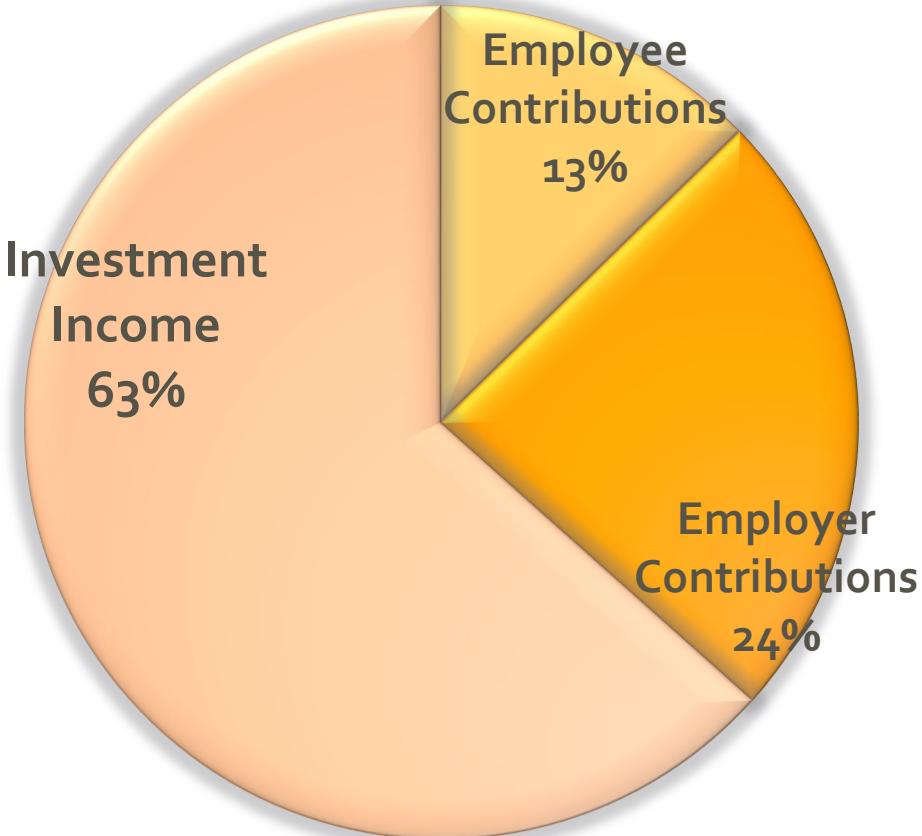
Employee Contributions:
\$636M

Employer Contributions*:
\$1.20B

Investment Income:
\$3.18B

Total Income:
\$5.02B

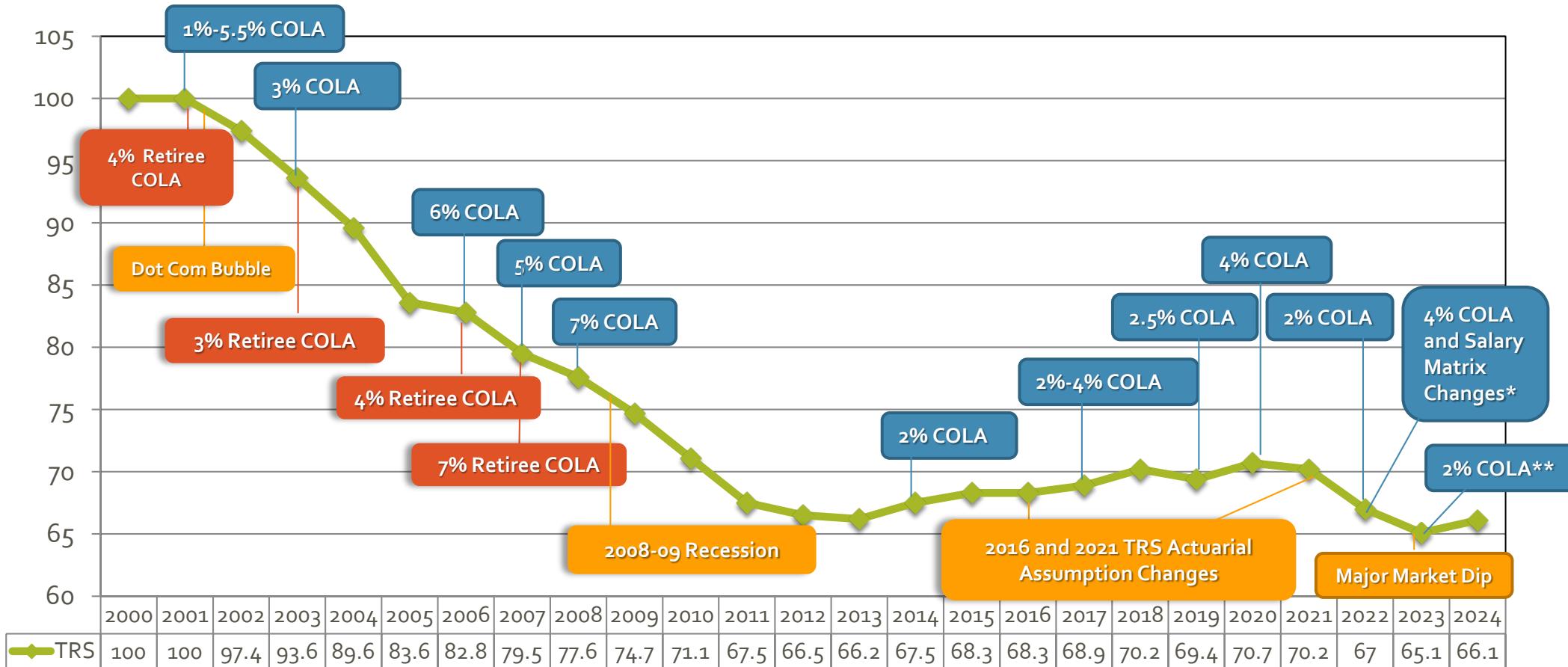
Benefits Paid:
\$2.75B



*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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