

Protecting Teacher Pay from the Rising Price of Healthcare

KEY TAKEAWAYS

- Rising health insurance premiums in TRS-ActiveCare are impacting the pay raises that the Legislature provided teachers under House Bill 2 (2025). The result is creating a teacher retention issue as real teacher take-home pay has not kept pace with the Legislature's intended investment.
- The primary driver of the increased spending is the rising price of healthcare services, which are outpacing both inflation and wage growth, including teacher salaries.
- Real, lasting protection for teacher pay comes from using the state's purchasing power leverage to lower what TRS pays for care.

BACKGROUND

House Bill 2 created the Teacher Retention Allotment to keep experienced teachers in the classroom. Rising TRS-ActiveCare premiums and out-of-pocket costs are widening the gap between what was allocated and what teachers actually take home. Since 2012, teacher pay has increased 41%, while the increase in individual coverage tiers ranged from 75% (employee-only) to 92% (employee + spouse), depending on a teacher's selected plan.

This is not an issue with TRS, the state, or school districts. The primary driver of rising health insurance premiums facing teachers is the rising price of healthcare services, which continue to outpace inflation and wage growth.

80%

How much the enrollment-weighted average TRS-ActiveCare premiums paid by Texas teachers has increased since 2012, roughly twice the pace of teacher pay.

Texas 2036 analysis of TRS Data Request

PROPOSED ACTION

Texas 2036 supports the adoption of the \$110 million TRS is requesting for the 2028-2029 biennium which would maintain premium increases below 10% on average in FY 2028. Texas 2036 also supports going after the root cause of the problem, addressing the prices the state is paying for healthcare services, and improving TRS-ActiveCare's health benefit plan. This includes adopting value-based and market-competitive payment models within TRS-ActiveCare to lower prices and reward high-quality care, protecting both the plan's efficiency and teachers' take-home pay.

PUBLIC POLICY IMPACT

Protecting teacher compensation requires controlling what is taken out of teachers' paychecks, not just what goes into them. TRS' \$110 million request holds premium growth below an average of 10% in FY 28, but covering rising prices biennium after biennium is not a lasting fix, since it treats the symptom rather than the cause.

Texas is one of the largest healthcare purchasers in the state, covering over 1 million lives and 420,000+ TRS-ActiveCare enrollees, which gives it real leverage to demand better value from providers. Improving the health benefit plan by shifting toward value-based, market-competitive payment models uses that leverage to reward high-quality, efficient care instead of paying whatever providers charge. If the state's own plan can lower what it pays for care, it offers a working model to the counties, cities, and employers facing the same pressures. Slower premium growth from that shift compounds over time, letting more of any future pay raise reach teacher pockets.

FOR ADDITIONAL INFORMATION, PLEASE CONTACT

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