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3/26/2026

Re: Medical Plan Comparability Analysis

Dear Cedar Hill ISD

Gallagher has performed an actuarial comparability analysis of the District's medical plan designs for the 2025–2026 plan year. This analysis was conducted to support the District's compliance efforts under Section 22.004(b) of the Texas Education Code, which applies to school districts that do not participate in the Teacher Retirement System (TRS) ActiveCare group health plan program.

Purpose and Scope

The purpose of this letter is to document the actuarial methodology, assumptions, and results used to assess whether the District's medical plan designs are comparable, based on the statutory factors outlined in Section 22.004(b) of the Texas Education Code. This analysis is intended for administrative and regulatory support purposes and is not intended to constitute a formal actuarial certification or opinion.

Statutory Framework

Section 22.004(b) of the Texas Education Code requires a school district that does not participate in TRS ActiveCare to make available group health coverage to its employees that, among other requirements:

- Includes major medical coverage (but may exclude experimental procedures);
- Is comparable to the basic health coverage provided under Chapter 1551 of the Texas Insurance Code (the Texas Employees Group Benefit Act), with comparability considered based on the following factors:
    - In-network and out-of-network deductible amounts
    - In-network and out-of-network coinsurance provisions
    - Maximum coinsurance (out-of-pocket) exposure for a covered individual
    - Office visit copayment requirements
    - Schedule of benefits and overall scope of coverage
    - Lifetime maximum benefit amounts
- Is provided through:
    - A risk pool established under Chapter 172 of the Local Government Code, or
    - A policy or group contract issued by an insurer or health maintenance organization authorized under applicable provisions of the Texas Insurance Code; and
- Meets the substantive coverage requirements of Chapters 1251, 1364, and 1366 of the Texas Insurance Code, and any other applicable state laws governing group health insurance.

This actuarial analysis addresses the comparability factors listed above and does not independently evaluate carrier licensure, policy form compliance, or statutory reporting requirements.

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Benchmark Used for Comparability

While the statute references comparability to basic health coverage under the Texas Employees Group Benefit Act, Gallagher used the TRS ActiveCare High Deductible (HD) Plan as an actuarial benchmark for this analysis. The TRS ActiveCare HD Plan is widely recognized as a public-sector plan design that reflects benefit levels similar to those associated with basic major medical coverage offered to Texas public employees and is therefore a reasonable actuarial proxy for purposes of evaluating relative plan richness under the statutory comparability factors.

Methodology

Gallagher estimated the actuarial value (AV) of each of the District's medical plans using Gallagher's proprietary actuarial value modeling tool. The model applies standard actuarial techniques and evaluates key plan design features, including:

- Deductibles
- Coinsurance provisions
- Copayments
- Out-of-pocket maximums
- Lifetime maximum benefits
- Schedule and scope of covered services

Actuarial value represents the expected percentage of total allowed medical costs paid by the plan for a standardized population and utilization pattern. It is a commonly accepted metric for comparing the relative richness of health plan designs on a normalized basis, independent of premium levels, provider reimbursement arrangements, or employer contribution strategies.

The actuarial values of the District's medical plans were compared to the estimated actuarial value of the TRS ActiveCare HD Plan.

Comparability Standard

Section 22.004(b) does not prescribe a quantitative threshold for determining comparability. For purposes of this assessment, Gallagher applied a reasonable actuarial interpretation whereby a plan is considered comparable if its actuarial value is not more than five (5) percentage points lower than the benchmark plan's actuarial value. This standard is intended to recognize reasonable modeling variation while maintaining substantive equivalence in overall benefit value.

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Resuts and Conclusion

Based on the actuarial value analysis described above, the actuarial values of the District's evaluated medical plans exceed the estimated actuarial value of the TRS ActiveCare HD Plan. A summary of results is provided below.

	Actuarial Value	Difference from TRS ActiveCare HD Plan
TRS ActiveCare HD Plan	69.60%	
PPO	78.91%	+9.31%
HSA	75.02%	+5.42%
HMO	82.38%	+12.78%

Based on this assessment, and under the stated methodology and assumptions, Gallagher's analysis indicates that the District's evaluated medical plans satisfy the medical plan comparability considerations set forth in Section 22.004(b) of the Texas Education Code for the 2025–2026 plan year, relative to basic health coverage as contemplated under the Texas Employees Group Benefit Act.

Reliance and Limitations

This letter documents the actuarial methods, assumptions, and results associated with the medical plan comparability analysis. It does not constitute an actuarial certification or formal actuarial opinion under applicable Actuarial Standards of Practice.

This analysis relies on plan design information provided by the District. Gallagher has not audited or independently verified this information and has assumed it to be complete and accurate. Actual plan experience may differ from modeled results due to differences in utilization, demographics, provider contracting, or other factors not reflected in the actuarial value model.

This letter is intended solely for the purpose described herein. Any other use or reliance is not appropriate without Gallagher's prior written consent.

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