



2022
Annual
Report



A Message From Our Chair

Even though the disruption of the COVID pandemic is mostly behind us, the Pool continues to deal with both the clinical & financial fallout. As of the end of 2022, the Pool has paid over \$29 million in direct costs for testing, treatment, and vaccine administration, but that is only the tip of the iceberg.

The indirect costs are proving to be just as high, if not higher, in the long run. For the 2021-2022 fiscal year, the Pool had a 99% loss ratio (for each dollar of contribution received, the Pool paid \$0.99 in actual medical and pharmacy costs). In addition to the claims paid, the Pool had operating expenses totaling roughly 15% of total contributions. As a result, the Pool had a net loss of almost \$43 million in the fiscal year.

Clinically, our members are also less healthy than before COVID. We saw a dip in cancer screenings during the pandemic and now, as predicted, we've seen a dramatic 47% rise in cancer costs. Thankfully, we did not see a significant increase in the prevalence of cancer, but there is a significant increase in the severity of cancer (more cases being diagnosed at stage 3 or 4). While the cancer survival rate is higher than ever, so is the cost of treatment, with some care as much as 10X higher than pre-pandemic levels.

The Pool is also grappling with how to cover needed drugs while still offering affordable coverage to our members. During the last plan year, the Pool has seen a significant increase in the number of members on high-cost diabetes medication, a key driver behind the 17% increase in drug costs this year. In addition to higher utilization, drug manufacturers are also ramping up prices at an alarming rate. The average annual cost of new drugs approved in 2022 was over \$200,000.

The investment market downturn also impacted the Pool. The Pool maintains a conservative investment policy designed to preserve capital, but with the dramatic decline in the fixed income market, the Pool sustained roughly \$9 million in unrealized investment losses.

To meet these challenges head on, the Board has approved several new programs that are designed to help manage healthcare costs:

- **Member Rewards** is a voluntary program that helps our members understand costs before they seek treatment and even shares 25% of the savings when members select care from a lower-cost provider.
- Partnerships with **Direct Primary Care** providers in several areas of the state help our members better manage their chronic conditions and avoid costly emergency room visits. Members can see their doctor as often as they need without ever pulling out their wallet.
- **SurgeryPlus** features a "center of excellence" network of top surgeons that have agreed to bundled pricing. With fewer complications and lower costs, the Pool can offer SurgeryPlus to most members for \$0 out-of-pocket costs.

Although these are challenging times, the Pool continually strives to manage costs while delivering excellent service to our members. The Pool was founded in 1979 during challenging times exactly like these and over the past 40+ years, we have proven that by working together, Texas cities can overcome any challenge. And with last year's growth of 35% in Pool membership, there are more of us working together than ever before.

TML Health has historically performed better than the commercial market during difficult times, and this year will be no different.

Your partnership with TML Health is deeply appreciated. I look forward to working with you all this coming year to make healthcare even better for Texas.

Mike Stelly
Chair of the Board

2021-2022 FY Performance

\$42.2M NET LOSS TO POOL

\$32.2M
Total Equity

99%
Loss Ratio

15%
of Contributions Go Towards
Operational Expenses

BIGGEST COST DRIVERS



\$29M+ in Direct COVID Costs



Up to 30% Rate Increases in Hospital Fees

Hospitals & health systems are asking us to pay up to 30% more for medical services.



\$9M in Investment Losses



17% Increase in Drug Costs

- The average annual cost of newly approved drugs in 2022 was \$200K.
- Weight loss trend caused spike in high-cost diabetes medication utilization.



47% Increase in Cancer Costs

The cost of certain cancer treatments are 10X higher than they were pre-pandemic!

35% INCREASE IN MEMBERSHIP 

NEXT STEPS

Promoting New Programs

The Health has always been a leader in innovative solutions to combating rising healthcare costs. Now, we have several new programs initiated for the coming year including DPC programs, member incentives, and a network of high-performing surgery centers, all focused on saving members and the Pool money.

Working with Legislation

TML Health is actively seeking reimbursement for the \$29+ million in COVID claims that the Pool has paid since the pandemic began. The Pool was left out of the first round of distributions, so we are requesting that some of the available \$5 billion in remaining federal COVID relief funds be allocated to the Pool as a reimbursement for our costs.

Mid-Month Billing Policy Update

If an employee's benefit effective date falls on any day other than the 1st of the month, TML Health has historically waived the cost of coverage for the first partial month. However, with rising claims costs, the policy is no longer sustainable and will be ended to negate the annual \$9M in waived contributions.

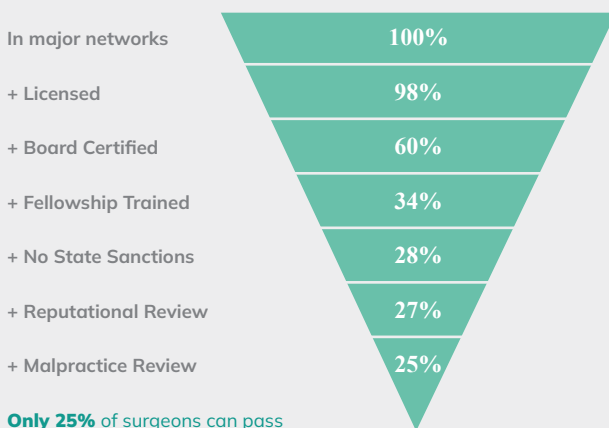
Innovative Solutions to Rising Healthcare Costs



SurgeryPlus® connects our members with a network of the nation's top surgeons and outpatient surgery centers that have demonstrated high quality and lower complication rates. This both reduces claims to the Pool and provides exceptional results, often for as low as \$0 out-of-pocket costs for our members.

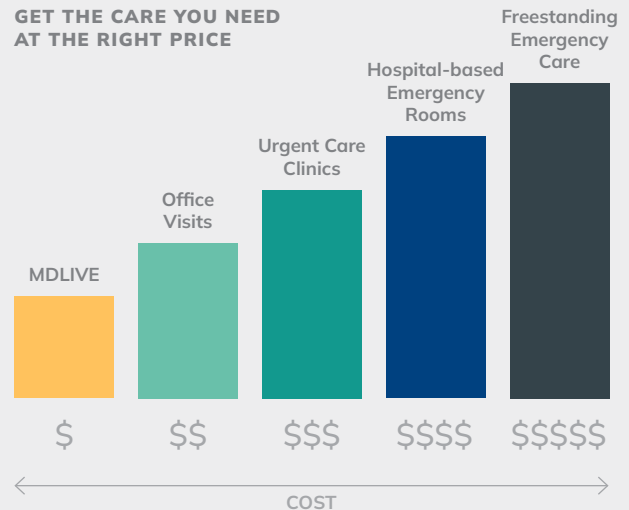
Only 25% of surgeons qualify for our exceptional network!

WHO MAKES IT INTO OUR SURGERYPLUS® NETWORK?



Where you go for medical care can drastically affect the cost of your bill, even if you are receiving the same level of treatment. That's why we offer MD Live. You can talk to a Board-certified doctor 24/7 to diagnose common illnesses like flu, strep throat, UTIs, and more. They will even call in a prescription if needed so you can start feeling better fast.

GET THE CARE YOU NEED AT THE RIGHT PRICE



Member Rewards

With Member Rewards, the Pool is incentivizing our members to choose more cost-effective treatments. By simply calling their dedicated Benefit Value Advisor, patients can shop for care and compare prices, earning a check in the mail for 25% of the savings.

\$45.5K savings in claims for the Pool in just the first few months!

Direct Primary Care

Our **Classic+** program offers members unlimited access to 100%-covered healthcare essentials. We do this through narrow, regional partnerships with trusted healthcare networks like Next Level Urgent Care and MyMD Connect.