

State Employee Compensation & Benefits

*Joint Committee on Appropriations
Fiscal Year 2027 Budget Hearing
January 14, 2026*

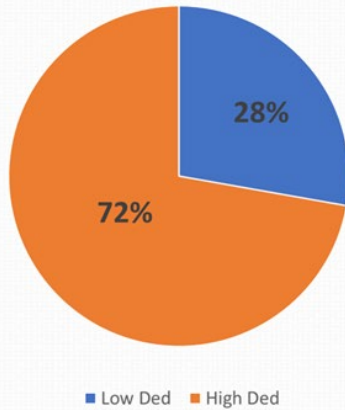


Agenda

- Total Rewards Review
- Position Today
- FY27 Recommendations

Health Plan History

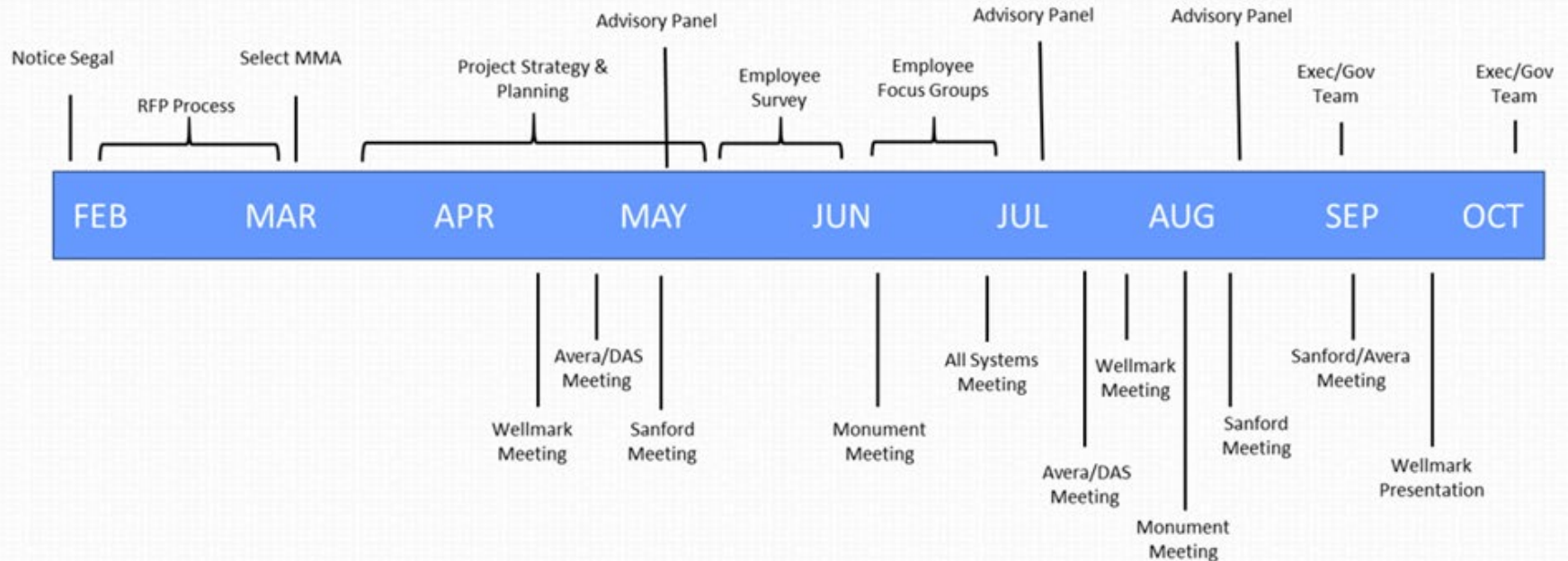
Health Plan Enrollment



SEHP FY20 Financial

	ORIGINAL ESTIMATE	UPDATED ESTIMATE	ACTUAL
	RECOMMENDED ONE-TIME INCREASE OF \$232	AMENDED ONE- TIME INCREASE OF \$2,053	LEGISLATIVE ADOPTED ONE- TIME INCREASE OF \$2,053
Employer Rate	\$10,071+\$232 \$10,303	\$10,071+\$2,053 \$12,124	\$10,071+\$2,053 \$12,124
	FY 2020	FY 2020	FY 2020
Total Revenue	\$149,455,937	\$173,101,622	\$174,980,961
Total Expenses	\$159,960,694	\$159,960,694	\$150,804,500
Current Year Over/(Underrecovery)	<u>(\$10,504,757)</u>	<u>\$13,140,928</u>	<u>\$24,176,461</u>

Market Competitive-Simplified-Sustainable



Meet Diverse Needs – Maintain Market Advantage

High Deductible Median South Dakota

	Premium	OoP Max
Employee	\$ 83.04	\$5300
Employee + Child	\$313.94	\$9000
Employee + Spouse	\$408.54	\$9000
Family	\$539.31	\$9000

Low Deductible Median South Dakota

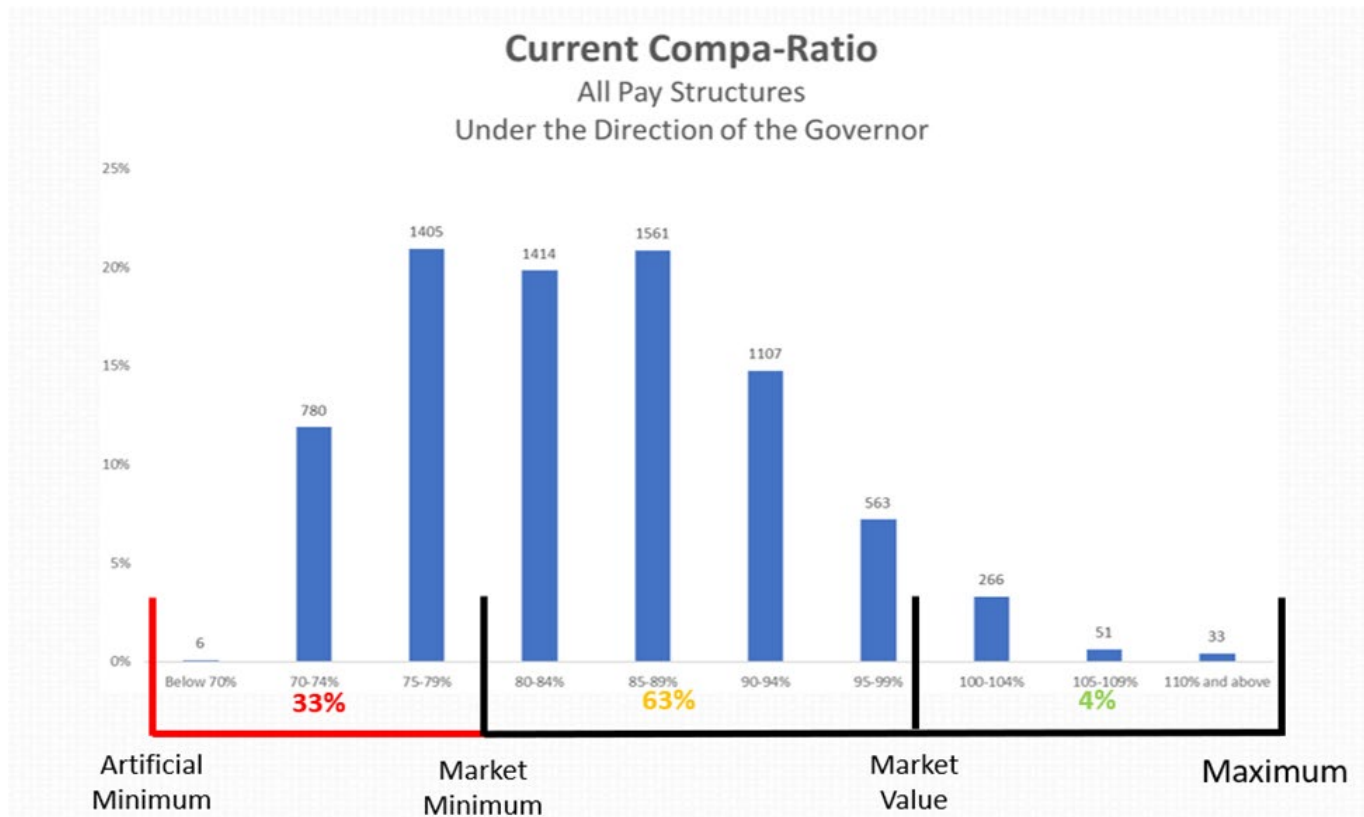
	Premium	OoP Max
Employee	\$146.77	\$5000
Employee + Child	\$444.84	\$12,000
Employee + Spouse	\$494.22	\$12,000
Family	\$709.40	\$12,000

	Tier	Washington	Lincoln	Jefferson	Roosevelt
Deductible	Single	\$5500	\$3000	\$1750	\$0
	All Other	\$11,000	\$6000	\$3500	\$0
Out of Pocket Maximum	Single	\$5500	\$6000	\$4000	\$4500
	All Other	\$11,000	\$12,000	\$8000	\$9000
Estimated Monthly Employee Premium					
Employee Only		\$0	\$24.49	\$89.79	\$114.28
Employee + Child		\$42.63	\$80.25	\$180.57	\$218.19
Employee + Spouse		\$96.04	\$149.00	\$290.24	\$343.20
Family		\$119.67	\$185.66	\$361.64	\$427.64

Budget Reinvested Plan Savings

	General	Federal	Other	Total
Market Adjustment	\$9,572,887	\$4,381,984	\$11,363,347	\$25,318,218
Health Insurance	(\$5,178,162)	(\$2,281,620)	(\$5,097,814)	(\$12,557,596)
Artificial Minimums and Equity Adjustments	\$5,178,162	\$2,281,620	\$5,097,814	\$12,557,596
Total Increase	\$9,572,887	\$4,381,984	\$11,363,347	\$25,318,218

Market Competitive-Simplified-Sustainable



Compensation Movement in FY22

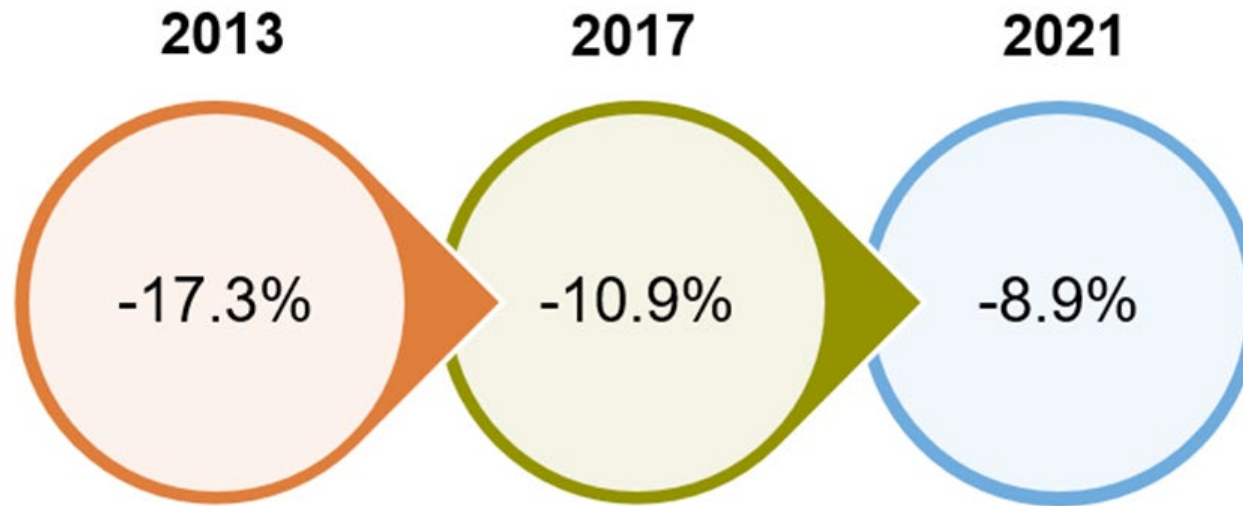
MINIMUM MOVEMENT TOWARD TRUE MINIMUM			
GRADE	Current Min % of Market	New Min % of Market	Target Min % of Market
B	0.8000	0.8000	0.85
C	0.7797	0.8000	0.85
D	0.7509	0.8000	0.85
E	0.7501	0.8000	0.85
F	0.7501	0.8000	0.85
G	0.7507	0.8000	0.85
H	0.7063	0.7800	0.80
I	0.7063	0.7800	0.80
J	0.7060	0.7800	0.80
K	0.7194	0.7800	0.80
L	0.7192	0.7800	0.80
M	0.7591	0.7800	0.80
N	0.7998	0.7998	0.80
O	0.8000	0.8000	0.80
P	0.7998	0.7998	0.80

Decompression Pay	
Time in Grade	Flat Increase
Less than 1 year	\$ -
1 – 1.99 years	\$ 200.00
2 – 2.99 years	\$ 325.00
3 – 3.99 years	\$ 450.00
4 – 4.99 years	\$ 522.00
5 – 6.99 years	\$ 835.20
7 – 9.99 years	\$ 1,044.00
10 – 14.99 years	\$ 1,252.80
15 – 19.99 years	\$ 1,566.00
20 – 29.99 years	\$ 1,875.00
30 or more years	\$ 2,088.00

1,713 employees move to the new minimum.

10,584 receive flat decompression pay.

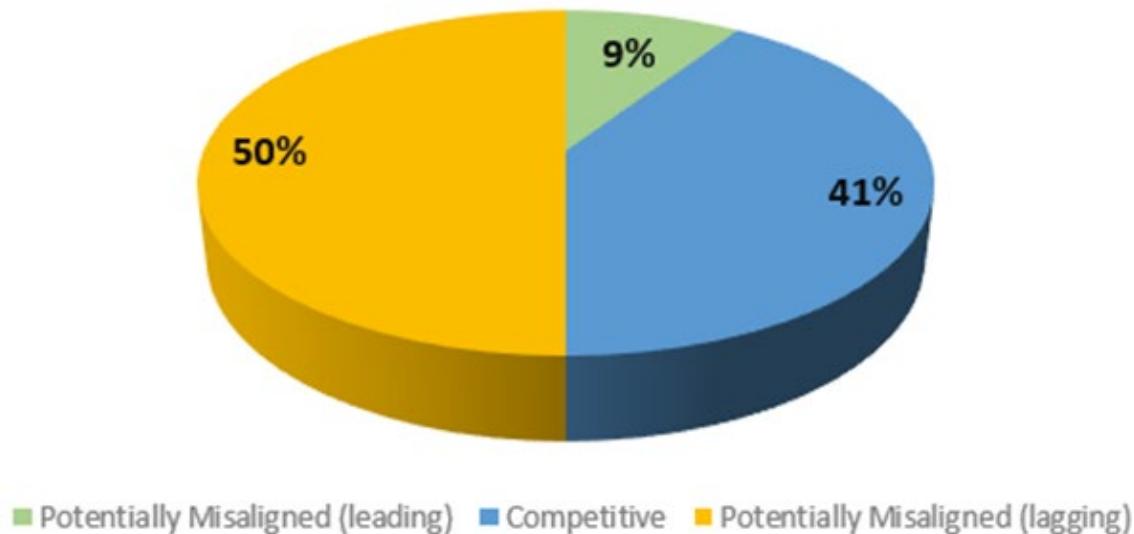
Historic Base Compensation Compare



Gallagher Total Remuneration Studies – 182 benchmark jobs

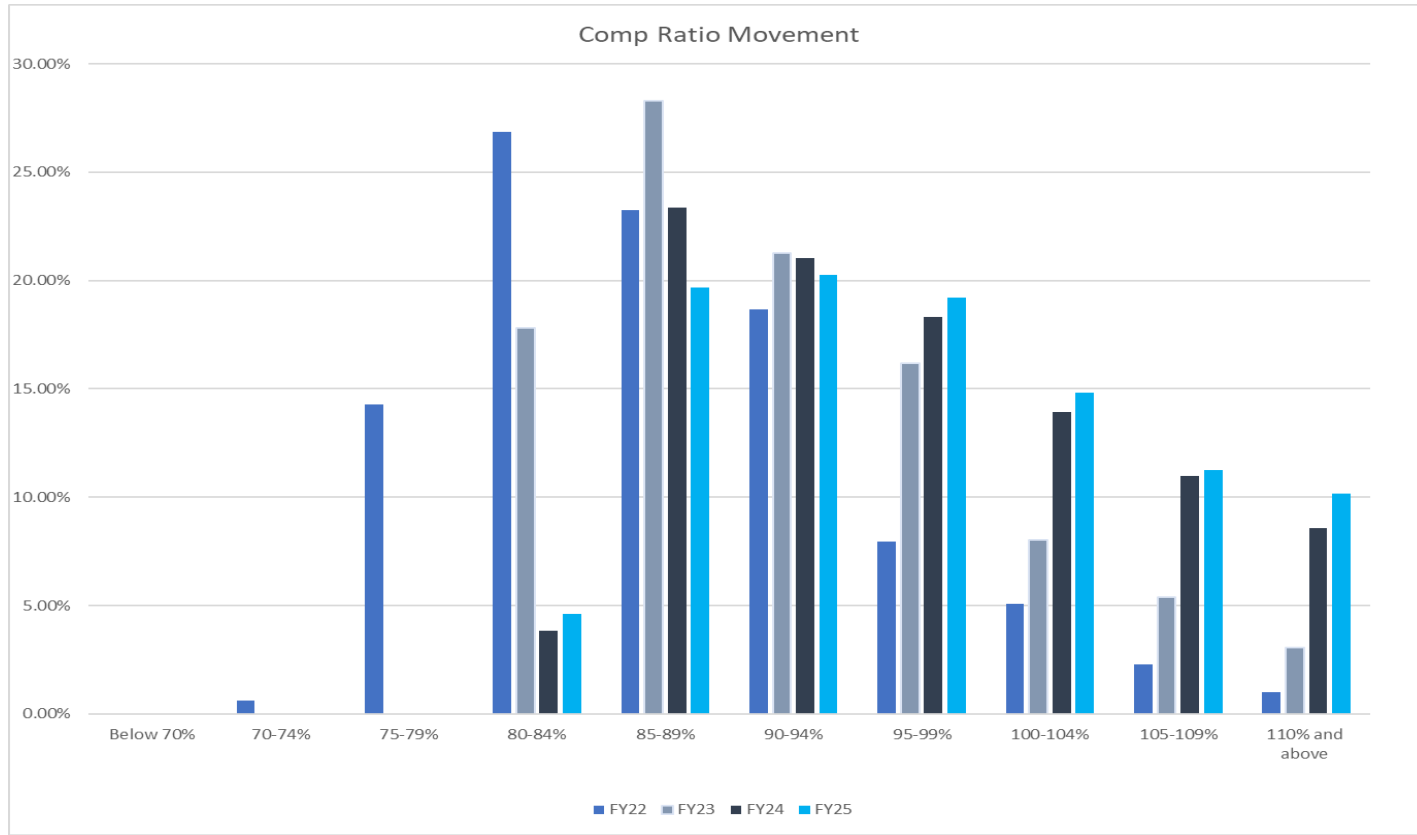
2021 Remuneration Alignment to Market

Job Salary Competitiveness Level Dispersion

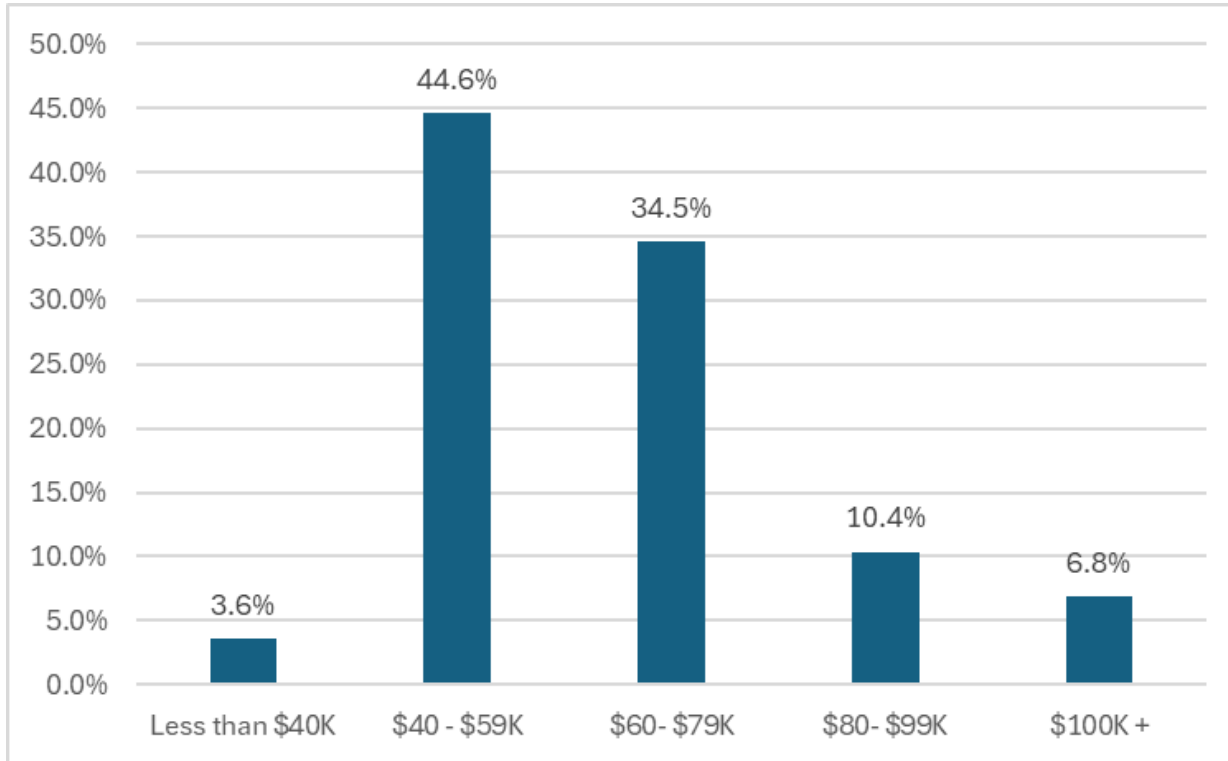


Gallagher Total Remuneration Studies – 182 benchmark jobs

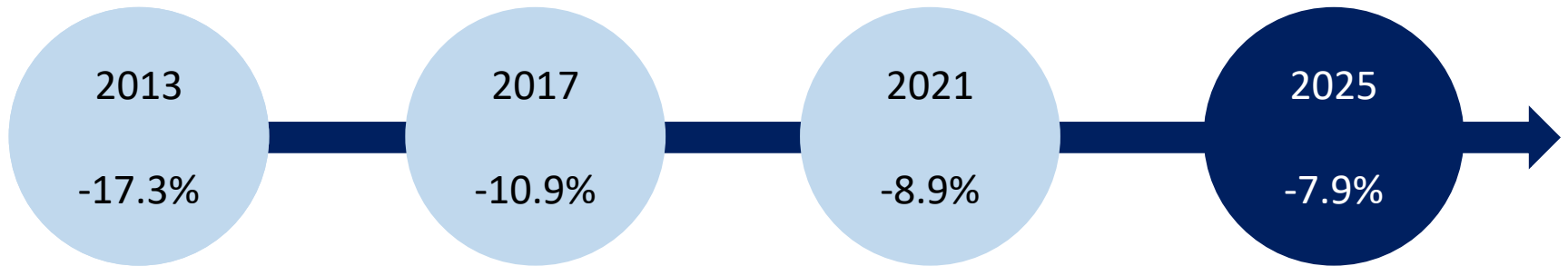
Compa Ratio Movement



FY26 Pay Rates

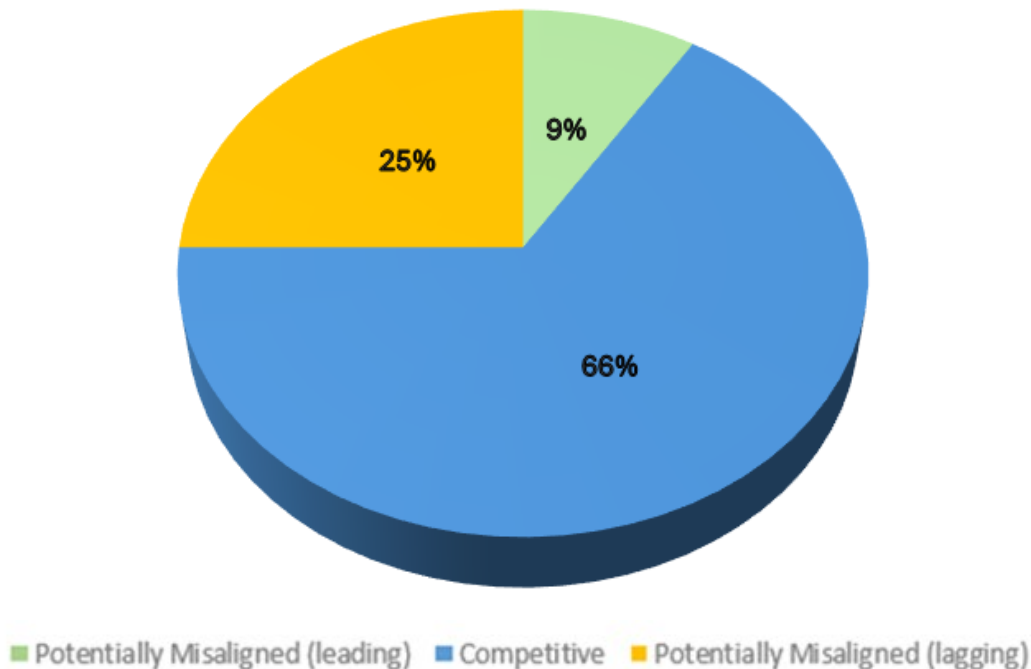


2025 Remuneration Study - Base Pay to Market



Mercer 2025

2025 Remuneration Alignment to Market

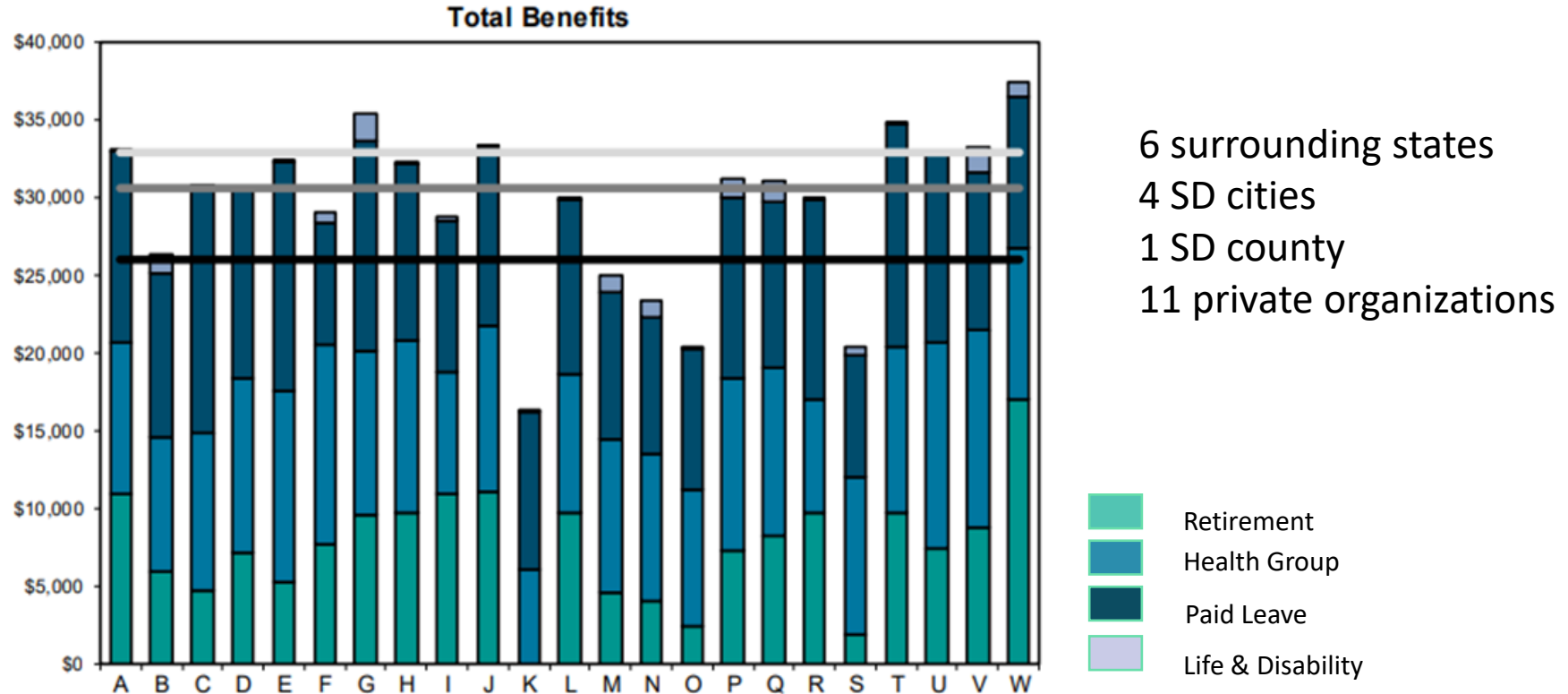


Mercer – 152 benchmark jobs match 2021

Compensation



2025 Remuneration Study - Benefits



State Employee Benefits



Health Plan



Voluntary
Benefits

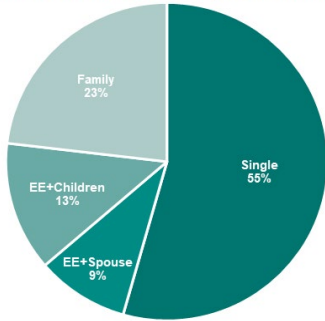


Other
Benefits



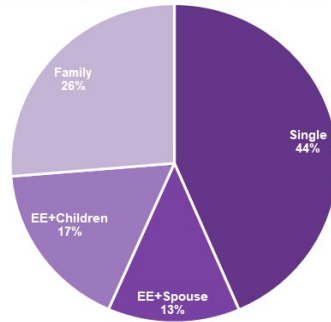
State Health Plan: Plan Enrollment by Tier

Washington Plan
Higher Deductible HSA Compatible HDHP



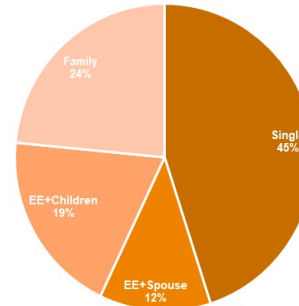
5,699
Employees

Lincoln Plan
Lower Deductible HSA Compatible HDHP



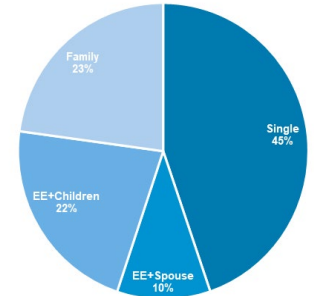
2,262
Employees

Jefferson Plan
Standard PPO option with fixed copays, deductible and coinsurance



2,343
Employees

Roosevelt Plan
\$0 Deductible Plan with fixed copays on all services



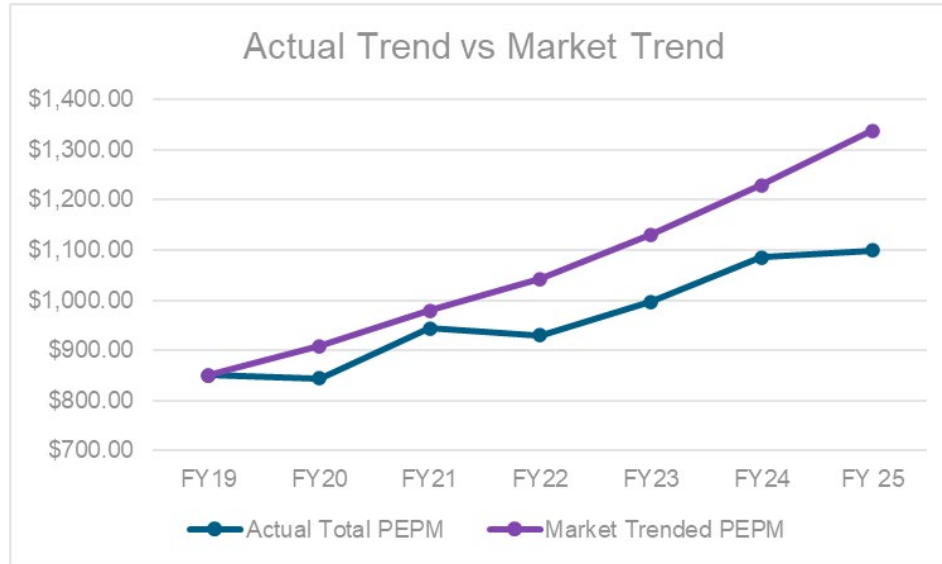
1,922
Employees

State Health Plan: Claims Over Time

	FY19	FY20	FY21	FY22	FY23	FY24	FY 25
Medical Incurred	\$97,522,896	\$94,266,907	\$104,171,837	\$98,233,698	\$103,666,450	\$116,943,256	\$118,329,982
Rx Incurred	\$31,965,410	\$33,464,526	\$36,901,389	\$36,348,323	\$39,274,272	\$41,175,483	\$43,355,684
Total	\$129,488,306	\$127,731,433	\$141,073,226	\$134,582,020	\$142,940,722	\$158,118,739	\$161,685,666
Medical PEPM	\$640.31	\$623.02	\$697.38	\$679.15	\$723.28	\$802.89	\$804.48
RX PEPM	\$209.88	\$221.17	\$247.04	\$251.30	\$274.02	\$282.70	\$294.76
Total PEPM	\$850.19	\$844.19	\$944.42	\$930.45	\$997.30	\$1,085.59	\$1,099.24
Medical Trend		-2.7%	11.9%	-2.6%	6.5%	11.0%	0.2%
RX Trend		5.4%	11.7%	1.7%	9.0%	3.2%	4.3%
Total Trend		-0.7%	11.9%	-1.5%	7.2%	8.9%	1.3%
EE Months	152,306	151,306	149,376	144,641	143,328	145,653	147,088

FY22 included changes to TPA vendor, plan design and premium contribution

State Health Plan: Claims Over Time



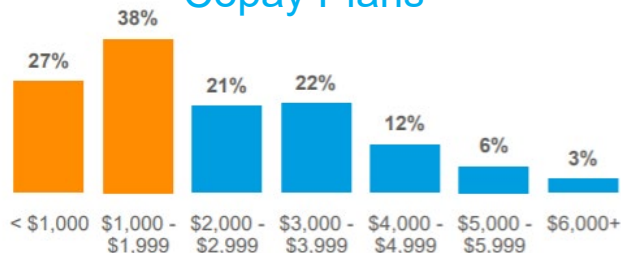
- Historic market comparable trends have been approximately 7-8% from FY 19 to FY 25
- Actual State trends have averaged 4.4% over the same time period.

FY22 included changes to TPA vendor, plan design and premium contribution

State Health Plan: Industry Benchmarking

Individual Deductible

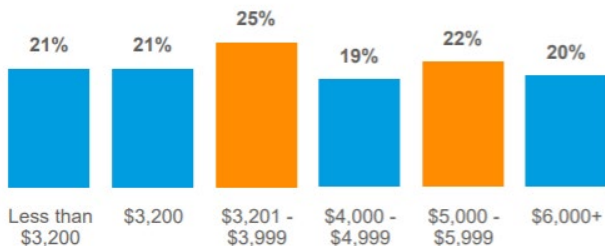
Copay Plans



On average:

- Employers offer between 2 and 3 plan designs
- The individual deductible for a copay plan is \$2,250
- The coinsurance layer is 75 % after the deductible
- The out of pocket maximum for a copay plan is \$5,500
- An office visit copay is \$30, and a specialist copay is \$45
- Emergency room copays are \$250
- Tier 1 formulary copays are \$12; the difference between Tier 1 and Tier 2 is 2.9x

HDHP Plans



On average:

- Employers offer at least 1 HDHP in their benefit portfolio.
- The individual deductible for a HDHP is \$4,250.
- 64 % of plans have the same deductible and out-of-pocket maximum.
- The coinsurance layer is 80 % for plans with a separate out of pocket maximum
- An out of pocket maximum is 1.5x and 2x the deductible

Orange bar: State of South Dakota Benefits Offered
Blue bar: All other commercial plans offered

State Health Plan: FY2027 Premiums

Current FY26 Premiums	Washington (\$5,750 Deductible w/ HSA)	Lincoln (\$3,500 Deductible w/ HSA)	Jefferson (\$2,000 Deductible)	Roosevelt (\$0 Deductible)
EE Only	\$0.00	\$28.90	\$108.92	\$141.12
EE + Spouse	\$119.82	\$187.60	\$402.26	\$484.32
EE + Child(ren)	\$47.48	\$91.14	\$219.00	\$269.66
Family	\$141.18	\$221.10	\$471.64	\$568.02

Note: Premium rate per month

Recommending no changes to premiums for FY2027.

State Health Plan: Recommended Plan Changes

Plan	Change to Employee Only	Change to All Other Levels
Washington	Deductible and Out-of-Pocket Max: \$5,750 to \$6,000	Deductible and Out-of-Pocket Max: \$11,500 to \$12,000
Lincoln	Deductible: \$3,500 to \$4,000 Out-of-Pocket Max: \$6,500 to \$7,000	Deductible: \$7,000 to \$8,000 Out-of-Pocket Max: \$13,000 to \$14,000
Jefferson	Deductible: \$2,000 to \$2,250 Out-of-Pocket Max: \$4,500 to \$5,000	Deductible: \$4,000 to \$4,500 Out-of-Pocket Max: \$9,000 to \$10,000
Roosevelt	Office Visit Copay: \$40 to \$50 Specialty Copay: \$75 to \$100	

State Health Plan: FY2026 and FY2027 Projection

	Actual FY2025	Projected FY2026	Projected FY2027
Employer Rate	\$11,851	\$12,388	\$12,388
EMPLOYER	\$153,572,943	\$160,139,676	\$160,139,676
EMPLOYER INCREASE			\$0
COBRA	\$493,669	\$520,000	\$520,000
EMPLOYEE	\$18,736,864	\$20,882,462	\$20,882,462
EMPLOYEE INCREASE			\$0
REBATES/SUBROGATION	\$18,593,716	\$17,000,000	\$17,800,000
ADMINISTRATIVE FEE	\$131,313	\$130,000	\$130,000
INTEREST	\$1,817,748	\$1,900,000	\$1,900,000
TOTAL REVENUE	<u>\$193,346,253</u>	<u>\$200,572,138</u>	<u>\$201,372,138</u>
MEDICAL/RX CLAIMS	\$164,577,351	\$181,979,370	\$188,363,025
PLAN DESIGN CHANGES			(\$2,988,831)
ADMINISTRATION	\$19,777,020	\$20,308,518	\$20,683,543
TOTAL EXPENSES	<u>\$184,354,371</u>	<u>\$202,287,888</u>	<u>\$206,057,737</u>
Current Year Over/(Underrecovery)	<u>\$8,991,882</u>	<u>(\$1,715,750)</u>	<u>(\$4,685,599)</u>
Reserve	\$32,795,382	\$31,079,632	\$26,394,033

State Employee Compensation & Benefits

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Acronyms/Definitions

Compa Ratio – Employee's salary divided by mid-point of the pay grade

EE – Enrolled Employee

HDHP – High Deductible Health Plan

HSA – Health Savings Account – A tax free savings vehicle for those enrolled in a HDHP

Jefferson Plan – Standard PPO option with fixed copays, deductible and coinsurance

Lincoln Plan – HSA-compatible HDHP

PEPM – Per Employee Per Month

PPO – Preferred Provider Organization

Roosevelt Plan – \$0 deductible plan with fixed copays on all services

RX – Prescription drugs

SEHP – State Employee Health Plan

TPA – Third-Party Administrator - an administrative services provider that delivers support for self-insured health plans

Washington Plan – HSA-compatible HDHP with \$0 premium with employee coverage