

State Employee Compensation & Benefits

*Joint Committee on Appropriations
Fiscal Year 2026 Budget Hearing
January 15, 2025*



Agenda

- Benefits
 - Benefits Overview
 - Plan Changes
 - FY2026 Projections
 - Financial Update
- Compensation
 - Compa Ratio Movement
 - FY2026 Salary Policy

Benefits

State Employee Benefits



Health Plan



Voluntary
Benefits

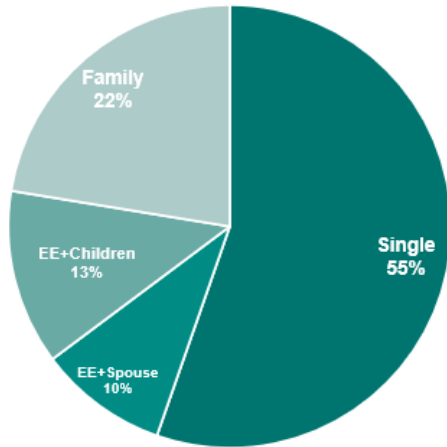


Other
Benefits



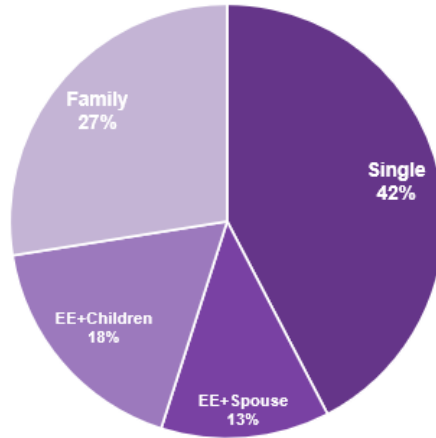
State Health Plan: Plan Enrollment by Tier

Washington Plan
Higher deductible HSA compatible HDHP



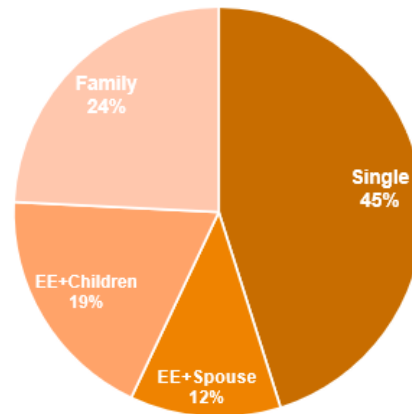
5,815
Employees

Lincoln Plan
Lower deductible HSA compatible HDHP



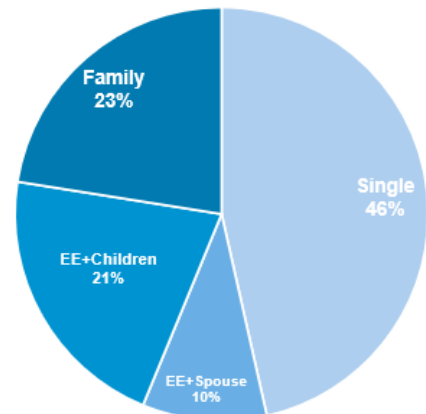
2,236
Employees

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



2,420
Employees

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



1,818
Employees

State Health Plan: Claims Over Time

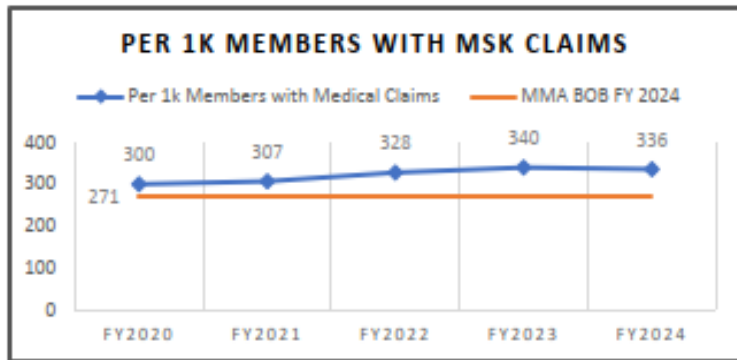
	FY19	FY20	FY21	FY22	FY23	FY24
Medical Incurred	\$97,522,896	\$94,266,907	\$104,171,837	\$98,233,698	\$103,469,600	\$116,996,748
Rx Incurred	\$31,965,410	\$33,464,526	\$36,901,389	\$36,348,323	\$39,274,117	\$41,174,007
Total	\$129,488,306	\$127,731,433	\$141,073,226	\$134,582,020	\$142,743,716	\$158,170,755
Medical Trend		-2.7%	11.9%	-2.6%	6.3%	11.3%
RX Trend		5.4%	11.7%	1.7%	9.0%	3.2%
Total Trend		-0.7%	11.9%	-1.5%	7.0%	9.0%

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

State Health Plan: Disease Management Programs

Musculoskeletal Trend

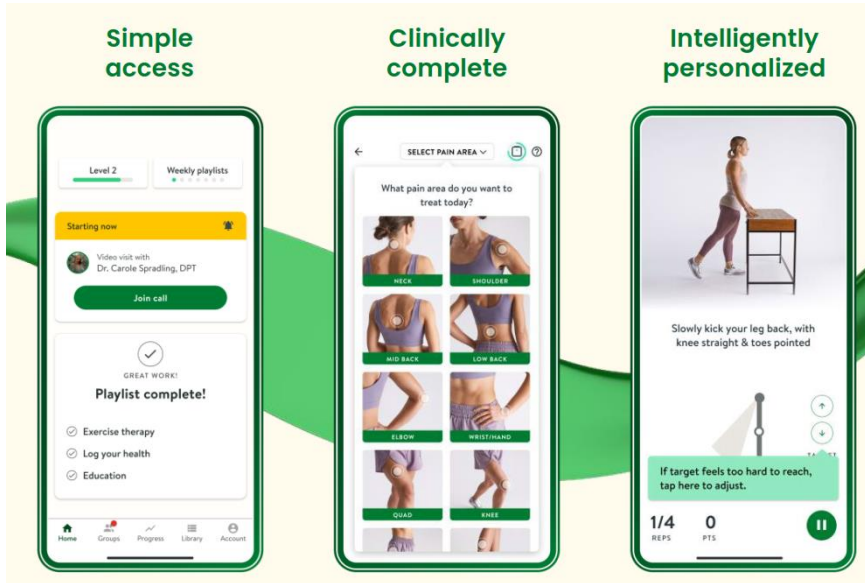
- **Members w claim:** 34% of all members, **+23%**
- **Chronic MSK:** 38% chronic
- **MSK sum medical paid** \$12.5M **+29%**
- **Outpatient MSK:** 486 members **+9%**.
 - **Cost** up 37% at \$4.6M
 - 74 knee and 36 hip replacements
- **Inpt MSK surgery:** 41 admits, cost **+10%**
 - spinal fusions, joint replacements
- **Physical Therapy:** 3123 members. Avg 5 visits per member, \$1.1M, **+20%**,
- **Chiropractic:** 4886 members. Avg 5 visits per member



Condition	Members	Cost to plan
Osteoarthritis	907 +4%	\$3.7M +30%
Back/neck/spine	2703 same	\$2.3M +23%
Shoulder	821 +1%	\$1.3M +18%
Knee	1158 +4%	\$2.27M +26%
Hip	589 +5%	\$1.32M +33%

Site of Service	Cost Trend	Per 1k visit
IP	+10%	2
OP	+37%	18

State Health Plan: Hinge Health



"I am feeling really good about my progress. I am so happy with the routines as they are **short and very easy to fit into my schedule."**

State of SD member, chronic neck

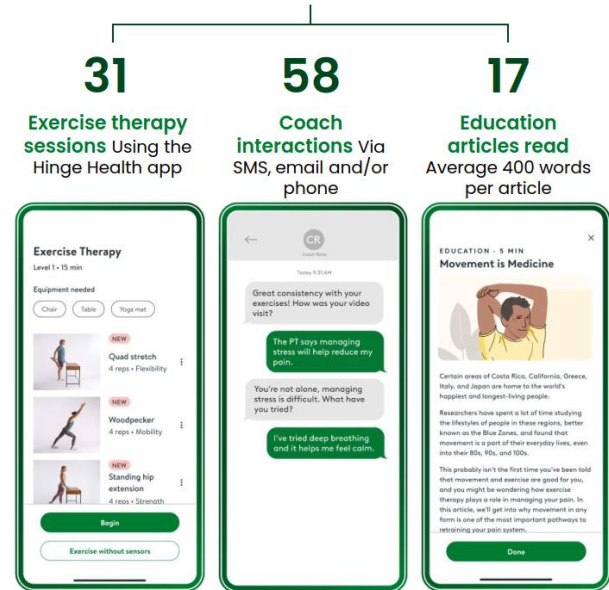
977

currently enrolled in either chronic or acute programs

State Health Plan: Hinge Health

Expected Outcomes	
Annual Participation (3% Chronic, 0.75% Acute)	977
Expected Cost Avoidance	\$2,518,000
Per Participant Avoidance	\$2,606 / year

Expected Engagement



State Health Plan: Pharmacy Benefit Manager

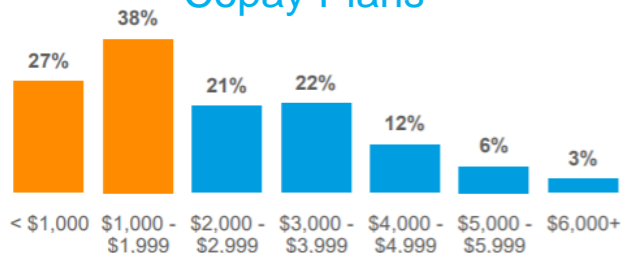
	FY2025 Budgeted Jul - Jun	FY 2025* Projected Jul-Jun	FY 2026 Projected Jul - Jun
Rx Claims	\$47,816,484	\$47,896,522	\$51,899,852
Rx Rebates	(\$14,904,528)	(\$14,904,528)	(\$20,629,888)
Net Pharmacy Expense	\$32,911,956	\$32,991,994	\$31,269,964

- Wellmark renegotiated their pharmacy benefit manager contract with CVS effective 1/1/25 with increased pharmacy rebates and deeper discounts.
- As a result, the state has also renegotiated their pharmacy guarantees.

State Health Plan: Industry Benchmarking

Individual Deductible

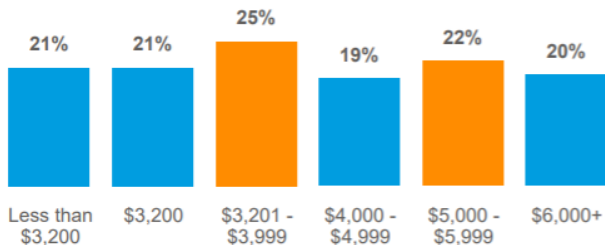
Copay Plans



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: Recommended Plan Changes

Plan	Change to EE Only	Change to All Other Levels
Jefferson	Deductible from \$1,750 to \$2,000	Deductible from \$3,500 to \$4,000
	Prescription Copay: <ul style="list-style-type: none"> • from \$15/\$55/\$75/\$85 • to \$25/\$65/\$150/\$300 	
Roosevelt	Office Visit Copay: \$30 to \$40 Specialty Copay: \$60 to \$75	
	Out-of-Pocket Max: \$5,000 to \$6,000	Out-of-Pocket Max: \$10,000 to \$12,000
Washington/ Lincoln	No change to high deductible plans to maintain competitiveness and actuarial value difference	

FY2026 Premium Increases

Washington Plan- \$5,750 Deductible w/HSA

Plan/Level	Current Premium	Inc %	Inc \$	New Premium
Employee Only	\$0.00	0%	\$0.00	\$0.00
Employee + Spouse	\$108.92	10%	\$10.90	\$119.82
Employee + Children	\$45.22	5%	\$2.26	\$47.48
Employee + Family	\$131.94	7%	\$9.24	\$141.18

Jefferson Plan - \$2,000 Deductible

Plan/Level	Current Premium	Inc %	Inc \$	New Premium
Employee Only	\$103.72	5%	\$5.20	\$108.92
Employee + Spouse	\$335.22	20%	\$67.04	\$402.26
Employee + Children	\$199.08	10%	\$19.92	\$219.00
Employee + Family	\$410.12	15%	\$61.52	\$471.64

Lincoln Plan - \$3,500 Deductible w/ HSA

Plan/Level	Current Premium	Inc %	Inc \$	New Premium
Employee Only	\$27.52	5%	\$1.38	\$28.90
Employee + Spouse	\$170.54	10%	\$17.06	\$187.60
Employee + Children	\$86.80	5%	\$4.34	\$91.14
Employee + Family	\$206.64	7%	\$14.46	\$221.10

Roosevelt Plan - \$0 Deductible

Plan/Level	Current Premium	Inc %	Inc \$	New Premium
Employee Only	\$134.40	5%	\$6.72	\$141.12
Employee + Spouse	\$403.60	20%	\$80.72	\$484.32
Employee + Children	\$245.14	10%	\$24.52	\$269.66
Employee + Family	\$493.92	15%	\$74.10	\$568.02

Note: Premium rate per month

Summary of Health Plan Recommendations

Recommendation	Employee	State	Total
Claims Expense Increase	\$0	\$6,921,930	\$6,921,930
Plan Design Changes	\$1,745,000	\$0	\$1,745,000
Premium Changes	\$1,950,400	\$0	\$1,950,400
Total	\$3,695,400	\$6,921,930	\$10,617,330
Share of Cost	35%	65%	100%

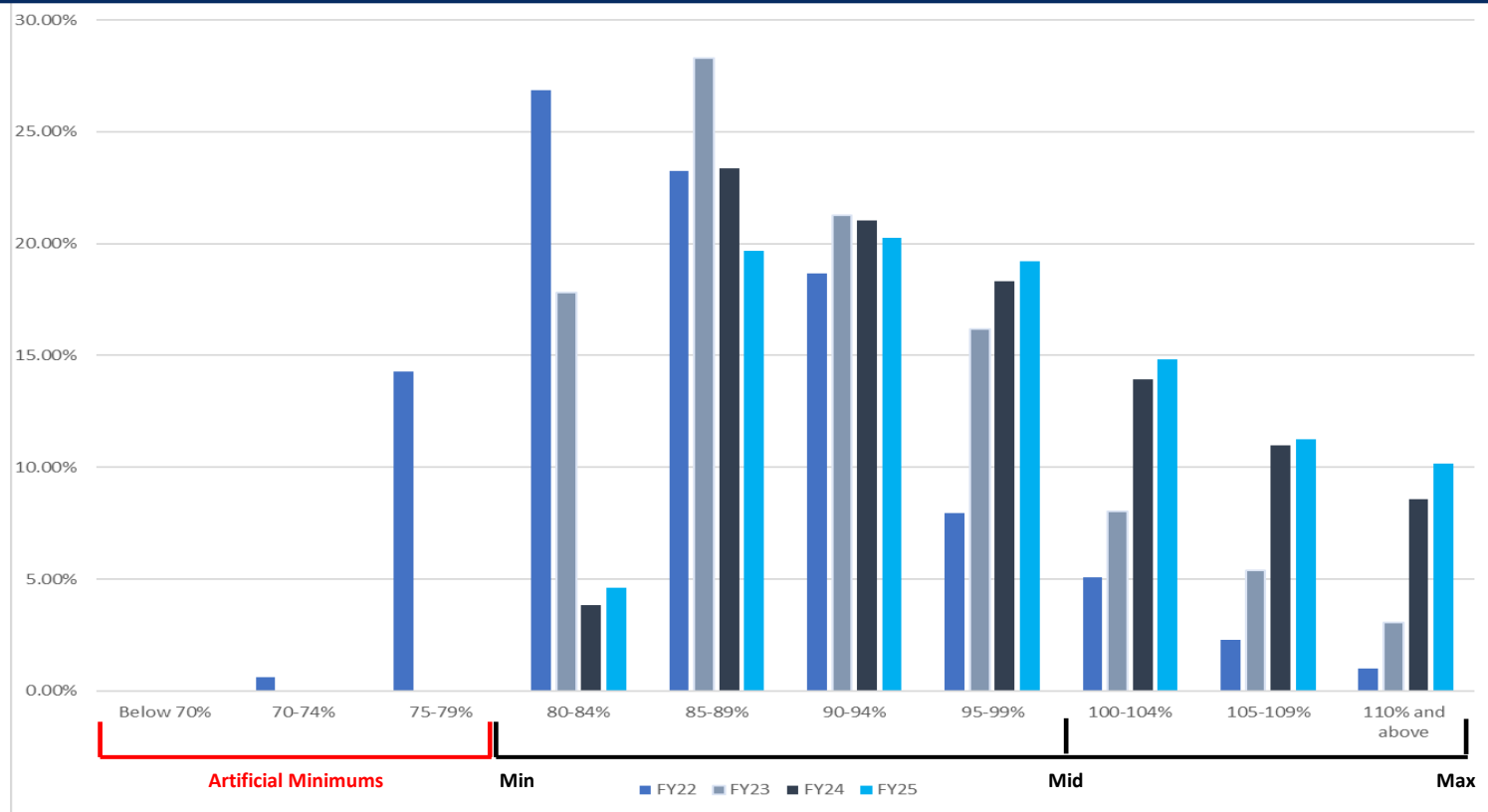
State Health Plan: FY2025 and FY2026 Projection

	Actual FY2024	Projected FY2025	Projected FY2026
Employer Rate per Benefitted Employee	\$10,842	\$11,851	\$12,388
EMPLOYER	\$138,532,718	\$152,759,390	\$152,759,390
EMPLOYER INCREASE			\$6,921,930
COBRA	\$542,594	\$564,000	\$564,000
EMPLOYEE	\$17,155,406	\$18,518,500	\$18,518,500
EMPLOYEE INCREASE			\$1,950,400
REBATES/SUBROGATION	\$16,507,208	\$16,000,000	\$21,000,000
ADMINISTRATIVE FEE	\$129,192	\$129,000	\$129,000
INTEREST	\$1,695,363	\$1,300,000	\$1,300,000
TOTAL REVENUE	\$174,562,481	\$189,270,890	\$203,143,220
MEDICAL/RX CLAIMS	\$159,705,148	\$172,364,697	\$183,724,370
PLAN DESIGN CHANGES			(\$1,745,000)
ADMINISTRATION	\$17,232,536	\$19,828,855	\$20,525,840
TOTAL EXPENSES	\$176,937,684	\$192,193,552	\$202,505,210
Current Year Over/(Underrecovery)	(\$2,375,203)	(\$2,922,662)	\$638,010
Reserve	\$23,803,500	\$20,880,838	\$21,518,848

Compensation



Compensation: Compa Ratio Shift



Compensation: FY2026 Salary Policy

- Governor's Recommendation
 - 1.25% Salary Increase
 - 1.25% Movement in Paygrades

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Appendix Slides

Acronyms/Definitions

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

EE – Enrolled Employee

EAP – Employee Assistance Program

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

MSK – Musculoskeletal

PBM – Pharmacy Benefit Manager

PPO – Preferred Provider Organization

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

RX – Prescription

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

State Health Plan: Wondr Health



Total Pounds Lost

549



Achieved 3% Weight Loss

25%

% of Established participants



Total Sessions Engaged

1,053

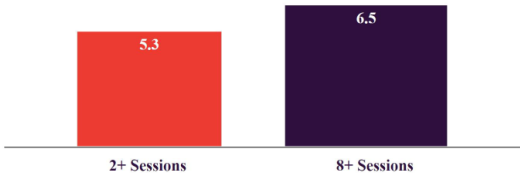


Established Participants

Age (average)	45
Starting Weight (average)	222.5
Starting BMI (average)	33.5
Female	65%
Male	35%

Weight Loss

WEIGHT LOSS (LBS)

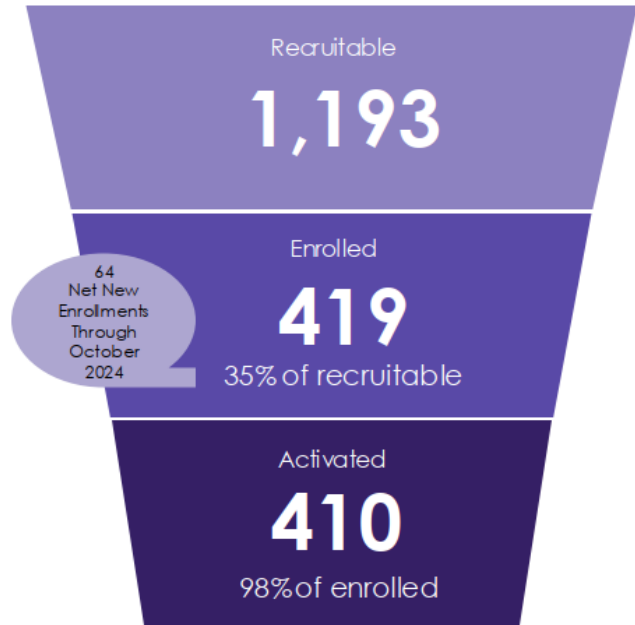


8+ Sessions

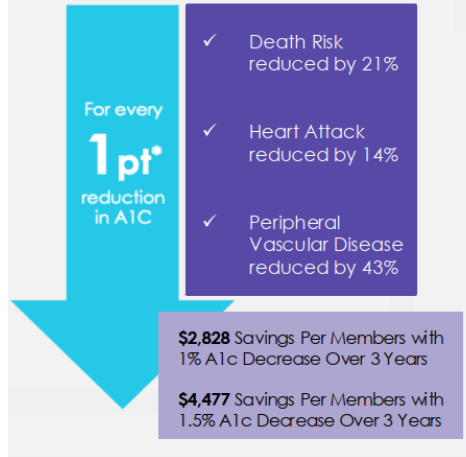
- ✓ Average Weight Loss
3.1%
(Benchmark: 3.9% - 6.2%)
- ✓ Achieved 3%
39%
(Benchmark: 45% - 65%)
- ✓ Achieved 5%
22%
(Benchmark: 27% - 41%)



State Health Plan: Livongo



Members enrolled at least 6M who started uncontrolled (HbA1c $\geq 7\%$) have achieved a 1.5% decrease in estimated HbA1c from their self-reported values at registration.



For members enrolled at least 6M, the share of members with controlled diabetes (HbA1c $< 7\%$) has increased from 48.5% at baseline to 67.8%.

The share of members with HbA1c > 8 , which indicates an above normal BG, has decreased from 22.3% at baseline to 15.5%.