

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

**AGENDA ITEM: 7 – J
DATE: March 30-31, 2021**

SUBJECT

FY22 Employee Health Plan Updates

CONTROLLING STATUTE, RULE, OR POLICY

[SDCL § 3-6C](#)

BACKGROUND / DISCUSSION

The SD Bureau of Human Resources (BHR) is implementing significant changes to the employee health plans for FY22. These changes are a result of a holistic review of the state employee health plan and total compensation, this review included a survey of health plan members and focus group sessions to gain feedback from employees on their desired health plan changes. As you may know, the state employee health plan in recent years has experienced instability in claims experience, resulting in some significant increases in the agency cost for the health insurance premiums. These increases can have significant impact on tuition increases since approximately 55% of our personnel services costs are paid through tuition, fees and other funds.

Historically, state employees have not paid premiums for their individual coverage, and have only paid premiums for their covered dependents of the plan. In the 2021 legislative session, BHR introduced legislation to allow a premium charge for employee coverage. This legislation was passed, and BHR has provided employees information on the new health plan options that will be available to them for FY22, effective July 1, 2021.

Employees will have four (4) different health plan options to choose from in the upcoming annual enrollment period, each with varying levels of premium costs, deductibles, out-of-pocket maximums, and co-pay options. The state will continue to offer one health plan at no cost to the employee for individual coverage. Attachment I contains a summary of the premiums for the four health plan options.

The new plan designs, along with implementation of new employee premiums and dependent premium structures and securing Wellmark® Blue Cross® and Blue Shield® as the third party administrator of the plan resulted in some significant expected health plan savings. There is an approximate \$937 per benefit-eligible reduction in the employer premium.

(Continued)

INFORMATIONAL ITEM

The legislature supported appropriating the approximate \$12 million of health plan savings back into employee salaries to address salary competitiveness issues. At the time of the BOR mailing, Board staff has not yet received the total of the appropriated amount of health plan savings that BOR institutions will receive from the general fund.

The Board staff, with the support of COPS, is recommending that those savings be utilized to address total compensation in the following ways:

1. BHR is proposing adjustments to the minimums of pay grades that the BOR Civil Service Act (CSA) employees participate in. We will be required to make adjustments to ensure that all CSA employees are paid at the new minimums of the pay grade associated with their classification.
2. An enhancement to the NFE and Faculty salary policy pools at an estimated .5% to provide a 2.9% salary policy pool.
 - a. In FY21, the NFE and Faculty salary policy pools were reduced to .5% to 1.2% increase depending upon the institution due to the lack of a tuition increase, this additional pool will help address the shortage in the prior year. In addition, positions that were at the level of assistant dean or vice president and above did not receive any increase in FY21.
3. The use of one-time stipends to provide approximately \$300 to the lowest paid benefit-eligible employees (those employees making less than \$60,000) to help offset the increased cost of insurance. The use of a one-time stipend allows the Board to reward employees while also considering future health increase impacts on tuition.
 - a. The stipend would cover the annual cost of an employee premium for the new Lincoln (Health Savings Account compatible) health plan.

IMPACT AND RECOMMENDATION:





This is an informational item.

ATTACHMENTS

Attachment I – Health Plan Premiums Summary

Plan premiums

Please note these premium options are contingent upon the legislature approving the Governor's budget proposal during 2021 legislative session.

	 the washington plan <small>HIGH DEDUCTIBLE HEALTH PLAN</small>		 the lincoln plan <small>HIGH DEDUCTIBLE HEALTH PLAN</small>		 the jefferson plan <small>LOW DEDUCTIBLE HEALTH PLAN</small>		 the roosevelt plan <small>LOW DEDUCTIBLE HEALTH PLAN</small>	
	24 PAY PERIODS	12 PAY PERIODS	24 PAY PERIODS	12 PAY PERIODS	24 PAY PERIODS	12 PAY PERIODS	24 PAY PERIODS	12 PAY PERIODS
	Employee	\$0	\$0	\$12.25	\$24.49	\$44.89	\$89.79	\$57.14
Employee + child(ren)	\$21.32	\$42.63	\$40.13	\$80.25	\$90.29	\$180.57	\$109.60	\$218.19
Employee + spouse	\$48.02	\$96.04	\$47.50	\$149.00	\$145.12	\$290.24	\$171.60	\$343.20
Family	\$59.84	\$119.67	\$92.83	\$185.66	\$180.82	\$361.64	\$213.82	\$427.64