



Review of Health Insurance Costs

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LSO Budget & Policy Analysis

State Health & Dental Insurance

FY 2024 Expenditures

\$646.2 million

4.66% of FY 2024 Original Appropriation

\$389.3 million for K-12 schools

\$256.9 million for state agencies and institutions

\$111.1 million General Fund

FY 2024 Health & Dental
Appropriation

\$13,750 per FTP

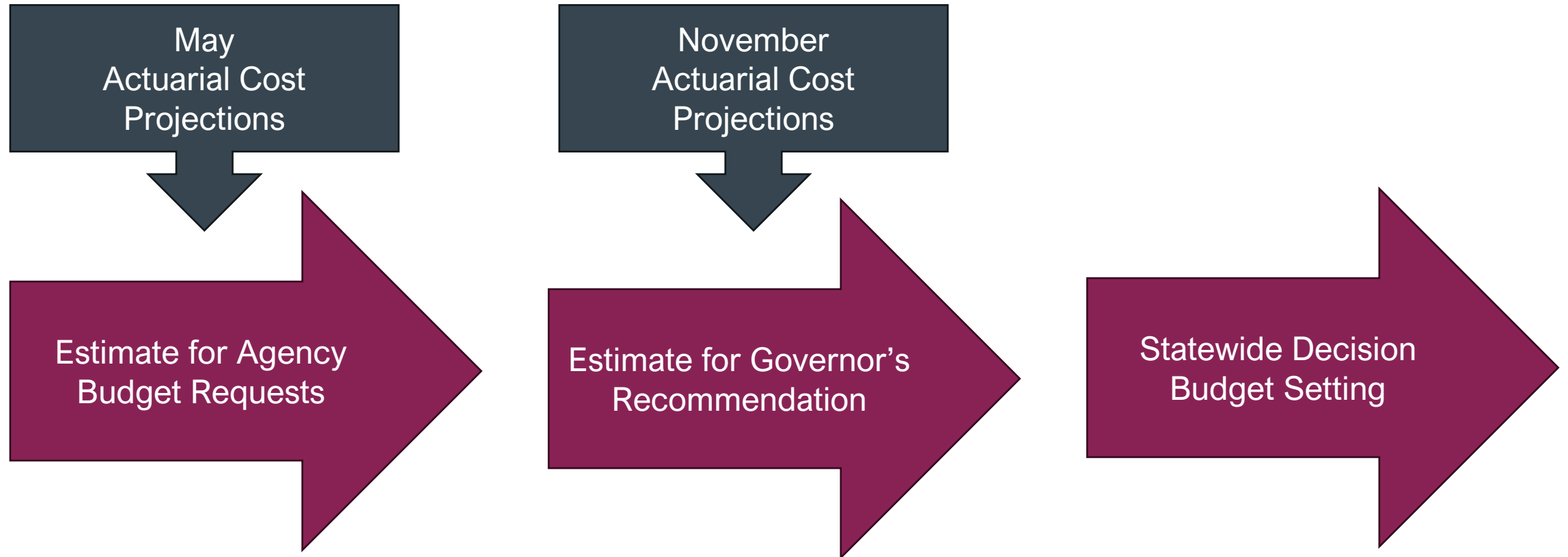
\$1,250 * FTP

FY 2024 Change in
Health Insurance
Appropriation

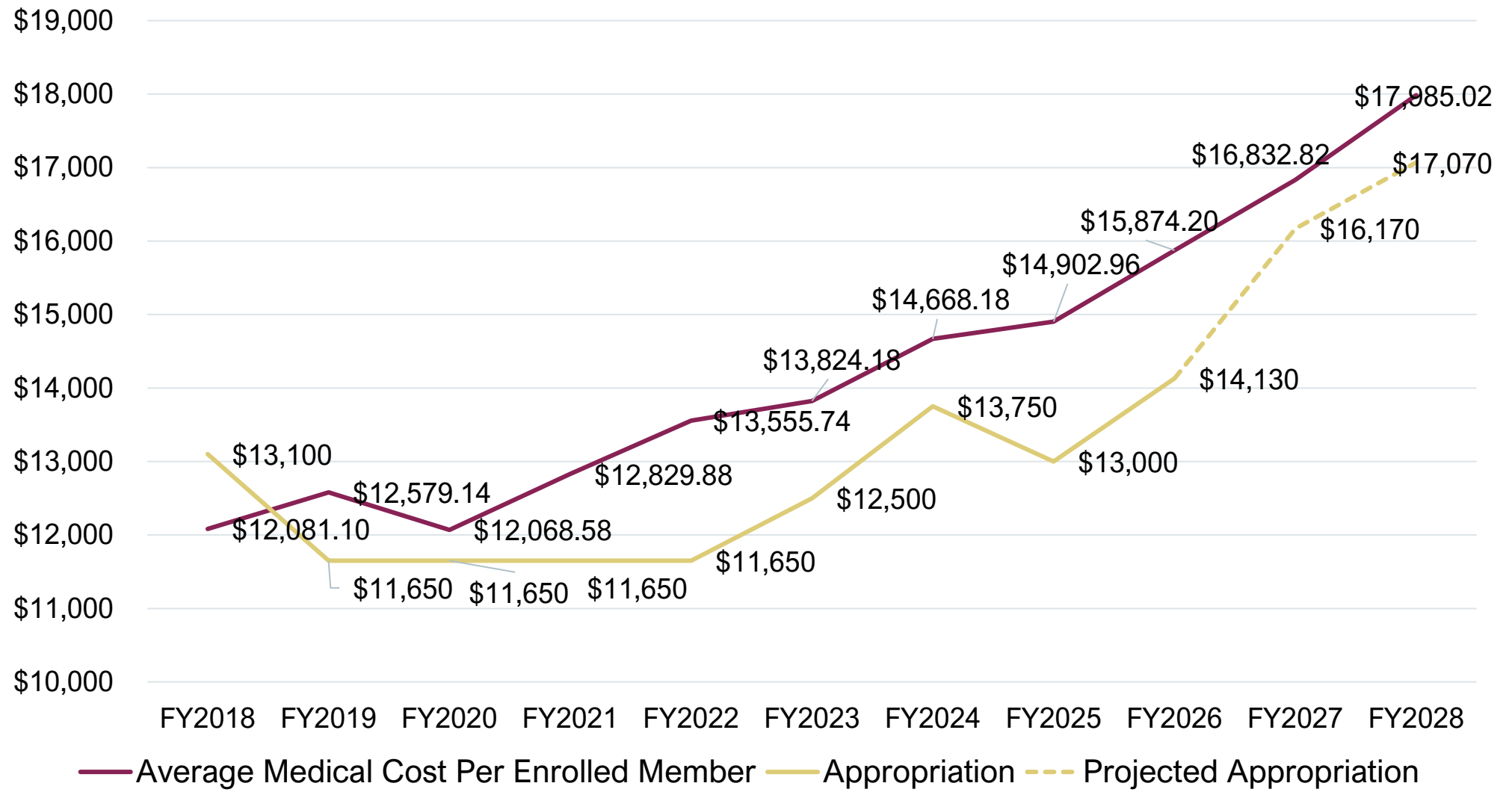
\$26,140,700



Funding Group Insurance



Medical Costs and Appropriation Trends



Structuring the Health Insurance Appropriation

Appropriation per FTP = Plan Costs – Funding Sources

Costs = Premiums + Retiree Subsidy + HSA
Contribution + State Admin

Funding Sources = Sweep + Excess Reserves

The “Sweep”

- Employers are charged premiums for every benefit-eligible employee
- Payments for employees who are benefit-eligible, but not enrolled

Pay for All Employees

FY2026 MONTHLY MEDICAL AND DENTAL RATES

For the plan year that runs July 1, 2025 - June 30, 2026

Medical	\$1,148.76
Dental	\$28.74
Monthly Premium Rate	<u>\$1,177.50</u>
* 12 Months	\$14,130.00

Full-time Employee (30 - 40 hours per week)

Employer Medical (No HSA): \$1,148.76

Employer Dental: \$28.74

Employer Medical (HSA Single): \$1,107.10 and \$41.66 HSA Contribution

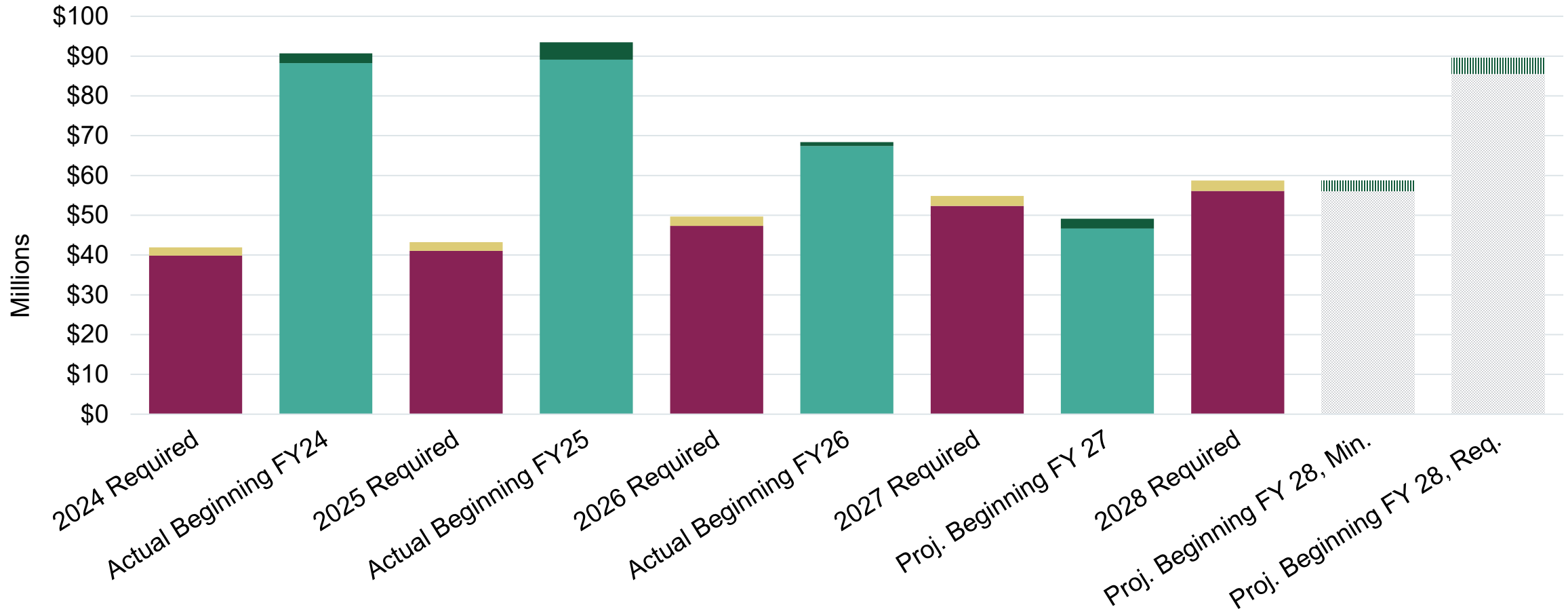
Employer Medical (HSA Family): \$1065.44 and \$83.32 HSA Contribution

Reserves

- The state is required to carry a contingency reserve balance equivalent to 10% of estimated annual premiums
- Any collected premiums not needed to cover claims become reserves
- Excess reserves stabilize premium costs

Premium Stabilization Reserves	Balance
Medical Reserve	46,939,955
Medical Reserve/Retirees	25,183,703
Medical Sweep	14,803,052
Dental Reserve	1,272,591
Dental Sweep	416,441
Reserve Balance as of 12/31/2025	\$88,615,743
Inactive Reserve Accounts	Balance
Self-Insured Waiver Reserve	7,459,645
Principal Long-term Disability Reserve	7,589,607

Health Ins. Reserve Balances



FY 2027 Funding Levels

FY27 Projected Appropriation for Group Health & Dental Insurance

Plan Cost or Fund Source	Funding Levels	
	Gov's Rec (10% Min. Reserve)	90th Percentile
Premiums	\$17,061	\$16,716
Retiree Subsidy	\$31	\$31
State HSA Contribution	\$62	\$62
State Administrative Costs	\$55	\$55
From Sweep	(\$1,048)	(\$1,048)
Reserve Buildup (Drawdown)	\$0	\$1,483
Appropriation Per FTP	\$16,170	\$17,350

Source: FY2027 Milliman Projection (Dec 19, 2025)

FY 2027 Funding Levels

Gov's Rec: 10% Minimum Reserve

Change in Health Insurance Costs				
	General	Dedicated	Federal	Total
State Agencies	\$22,170,800	\$15,937,800	\$6,401,800	\$44,510,400
Public Schools	\$41,064,600			\$41,064,600
	\$63,235,400	\$15,937,800	\$6,401,800	\$85,575,000

90th Percentile

Change in Health Insurance Costs				
	General	Dedicated	Federal	Total
State Agencies	\$34,995,086	\$25,156,724	\$10,104,802	\$70,256,612
Public Schools	\$64,817,653			\$64,817,653
	\$99,812,739	\$25,156,724	\$10,104,802	\$135,074,265

Employee Cost Sharing & Premiums

- FY 2027 premiums are expected to increase 7.3%
- Employee cost sharing is 20.5% of plan costs
 - Premium share + deductible + copays

Percent Change in Employee Plan Premiums from FY 2026 to FY 2027

Plan Type	Employee	Employee & Spouse	Employee & Child	Employee & Children	Employee, Spouse & Child	Employee, Spouse & Children
PPO	8.4%	8.3%	7.7%	7.4%	8.0%	7.7%
Traditional	8.7%	8.7%	8.2%	8.0%	8.5%	8.2%
High Deductible	(0.4%)	6.3%	4.4%	4.7%	5.9%	5.6%

Dollar Change in Employee Plan Premiums from FY 2026 to FY 2027

Plan Type	Employee	Employee & Spouse	Employee & Child	Employee & Children	Employee, Spouse & Child	Employee, Spouse & Children
PPO	\$83.28	\$254.16	\$147.36	\$236.64	\$315.36	\$427.44
Traditional	\$125.76	\$390.72	\$220.80	\$358.56	\$483.60	\$654.24
High Deductible	(\$0.60)	\$68.40	\$29.04	\$67.20	\$94.08	\$141.12

Overview

Funding Process

- The appropriation for changes in health insurance costs is set during statewide decisions as part of the maintenance budget
- The sweep and excess reserves are used to stabilize costs from year to year

Projected Costs

- Medical claims are anticipated to increase **7.5%** annually starting in FY 2026
- FY 2027 health insurance appropriation expected to increase **14%**
- FY 2027 employee premiums are expected to increase **7.3%**

Contact Information



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