



ADMINISTRATION COMMITTEE

Agenda Report

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Agenda Item No: 19.

FROM: Robert Thompson, General Manager
Originator: Laura Maravilla, Director of Human Resources

SUBJECT:

2026 BENEFITS INSURANCE RENEWAL

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

- A. Approve the Orange County Sanitation District 2026 Benefits Insurance Renewal with the carriers listed below for an overall not-to-exceed amount of \$18,101,586, as specified below:
1. Benefit coordinators Company (BCC) (medical, dental, vision plans, and Employee Assistance Program [EAP]) - Not to Exceed \$16,608,082;
 2. Lincoln Financial (basic life, short- and long-term disability) - Not to Exceed \$540,038;
 3. Lincoln Financial (EMT & Manager disability) - Not to Exceed \$40,000;
 4. HealthEquity (Health Savings Accounts [HSA]) - Not to Exceed \$51,263;
 5. Voya (Health Reimbursement Arrangement [HRA]) - Not to Exceed \$207,900;
 6. WEX (Flexible Spending Accounts [FSA]) - Not to Exceed \$10,015;
 7. BCC (retiree-paid health premiums, recouped from retirees through monthly payments) - Not to Exceed \$644,288;
 8. Approve a contingency of \$905,079 (5%); and
- B. Authorize the General Manager to revise the carriers within the not-to-exceed amounts listed above for operational efficiency and/or to better meet the needs of the Orange County Sanitation District and participants.

BACKGROUND

The Orange County Sanitation District (OC San) provides healthcare and welfare insurance benefits (plans) to employees and eligible dependents in accordance with collective bargaining agreements, personnel policies and adopted resolutions.

The renewal date for OC San's plans is January 1 of each year, with preparations starting as early as April of the prior year and insurance contracts being finalized in August. Human Resources (HR) staff works closely with our broker of record, Alliant, to market our plans as needed, negotiate with insurance carriers, and obtain the most cost-effective coverage for participants.

The total cost of insurance coverage for the 2026 Plan Year will be \$18,101,586, which reflects an overall increase from the previous year of 12.8% or \$2,058,600 across all plans. This is compared to an increase of 4.4% for Plan Year 2025, and 10.5% for Plan Year 2024.

There are several key factors driving this year's increased renewal rates, including provider cost increases, regulatory changes, and increased use of specialty drugs in autoimmune, oncology and diabetes. There is also a prevalence of chronic diseases and an overall deterioration of public health, demand for mental health and substance abuse disorder services, and higher cost treatments due to advances in technology.

For the 2026 plan year, employers will be impacted by the new California Senate Bill 729 (SB729) that was signed into law on September 29, 2024 and applies to plans issued or renewed on or after July 1, 2025. The new law mandates expanded insurance coverage for infertility treatments, including invitro fertilization (IVF), aiming to enhance reproductive healthcare access across the state, and is expected to lead to a 55% increase in pregnancies resulting from infertility treatments, translating into close to \$1 billion in additional claims over a 2-year period.

Over the years, HR has implemented ongoing cost-containment measures to include, joining a risk-sharing pool under Public Risk Innovation, Solutions, and Management (PRISM), evaluating utilization trends and making plan design changes, bundling insurance coverages, and competitively shopping options and negotiating rate guarantees.

Membership with PRISM, which was approved by OC San's Board of Directors in 2015, has resulted in favorable insurance renewals since joining. The average increase for overall PRISM risk pool is 5.64% from 2017 to date.

Employees share in the cost of medical and dental insurance in accordance with current collective bargaining agreements. For medical insurance coverage, employees contribute 20% of the premium costs, with the exception of those enrolled in employee only HMO coverage who contribute 10% of the premium cost. OC San covers the cost of all other lines of coverage including vision, basic life, disability, EAP, HSA and HRA.

OC San retirees have the option to remain on OC San's medical and/or dental insurance and pay 100% of their premiums. OC San incorporates the cost of this item in our insurance renewal as we pay in advance and are reimbursed by the retiree through monthly payments.

A legacy benefit, stemming from previous labor contracts, provides employees hired before July 1, 1988, with 2.5 months of OC San-paid medical insurance for each year of continuous service upon retirement. A total of 7 retirees are currently receiving this benefit, and no current employees will qualify for this benefit in the future.

RELEVANT STANDARDS

- Offer competitive compensation and benefits
- Comply with OC San Policy 4.1 - Insurance

PROBLEM

OC San has a contractual obligation to provide healthcare and welfare insurance benefits to employees and eligible dependents. The timeline to meet OC San's insurance renewal date of January 1 includes obtaining Board approval in July, finalizing insurance contracts in August and holding the required benefits open enrollment period in October to provide employees and eligible dependents the opportunity to make changes to their benefit elections.

PROPOSED SOLUTION

Approve the benefits insurance renewal with the respective carriers and the contingency, as described above, to ensure continued coverage for employees and eligible dependents.

TIMING CONCERNS

Approval will ensure OC San meets the associated deadlines to finalize insurance contracts in August for continued health insurance coverage for OC San employees and eligible dependents.

RAMIFICATIONS OF NOT TAKING ACTION

Health insurance benefits would lapse resulting in the interruption of medical, dental, vision, EAP, life, disability, HSA and HRA coverage and services to employees and eligible dependents; and OC San would not be meeting its obligation to provide these benefits as provided for in collective bargaining agreements, personnel policies, and adopted resolutions.

PRIOR COMMITTEE/BOARD ACTIONS

N/A

ADDITIONAL INFORMATION**PRISM Risk Sharing Pool**

The membership with PRISM, which was approved by the Board of Directors in May 2015, has resulted in cost-effective health insurance coverage for OC San by leveraging volume as we are part of a risk-sharing pool comprised of public entities.

Medical Insurance

OC San offers a choice of medical plans through Anthem Blue Cross and Kaiser Permanente.

HMO (Health Maintenance Organization) plans offer comprehensive coverage. Employees have a choice between the Anthem Blue Cross HMO or the Kaiser HMO plan. The PPO (Preferred Provider Organization) plan through Anthem Blue Cross offers a network of doctors and healthcare facilities

that provide services to plan members at special discounted rates. OC San also offers two high-deductible plans to eligible employees: a high-deductible HMO plan through Kaiser and a high-deductible PPO plan through Anthem Blue Cross.

Dental Insurance

OC San provides the Delta Dental plan to all benefit eligible employees.

Vision Insurance

OC San provides vision insurance to all benefit eligible employees through Vision Service Plan (VSP).

Basic Life Insurance

Life insurance provides protection for an employee's beneficiary in the event of death. All benefit eligible full-time and part-time employees automatically receive Basic Life and Accidental Death & Dismemberment insurance coverage. The benefit amount is up to \$50,000 for employees, and three times the salary for managers and executives. Coverage is currently offered by Lincoln Financial.

Short-Term Disability Insurance

The short-term disability insurance plan provides income protection on a temporary basis for employees who are unable to work due to a non-work related illness or injury. Under the plan, income benefits may be received for up to 26 weeks. OC San pays the entire cost of coverage for regular full-time and part-time employees. Coverage is currently offered by Lincoln Financial.

Long-Term Disability Insurance

The long-term disability insurance plan provides income protection for an extended period for employees who are unable to work due to a non-work related illness or injury. Under the plan, employees who are disabled for more than 90 days are eligible to receive a benefit of 67% of their basic monthly pay, up to \$5,000/month. OC San pays the entire cost of coverage for regular full-time and part-time employees with five or more years of service. Coverage is currently offered by Lincoln Financial.

Executive Disability

This is a supplemental long-term disability insurance plan, which provides increased income protection for executives and managers. Under the plan, eligible employees who are disabled for more than 90 days due to a non-work related illness or injury are eligible to receive an additional benefit of \$3,100/month. The first \$5,000/month is covered by the OC San group long-term disability plan benefit. Coverage is offered through The Standard.

Health Savings Account

Eligible employees who elect the Anthem High-Deductible Health Plan (HDHP) are simultaneously enrolled in a Health Savings Account (HSA) which is governed by IRS rules and provides a tax-favorable method for employees to contribute and withdraw funds for qualified health-related expenses. In accordance with collective bargaining agreements, OC San currently makes an annual contribution to the HSA based on the increased deductible and the savings generated by employees electing the HDHP plan compared to the PPO plan.

Health Reimbursement Arrangement

Eligibility for enrollment in a Health Reimbursement Arrangement (HRA) is based on employee group affiliation, and only a subset of OC San's employee groups participate. This plan provides participants and eligible dependents with individual accounts for reimbursement of qualified medical expenses during retirement or following separation from OC San. OC San covers administrative costs up to \$30 per participant per year and makes a monthly contribution to employee accounts based on the agreed upon terms outlined in a collective bargaining agreement or Resolution. Coverage is offered through BPAS/Voya.

Flexible Spending Accounts

Flexible Spending Accounts (FSAs) allow employees to set aside funds on a pre-tax basis to pay for qualified healthcare and/or dependent care expenses during a particular plan year. OC San offers Healthcare, Dependent Care, and Limited Purpose FSA accounts.

Employee Assistance Program

The Employee Assistance Program (EAP) protects employees and family members when they need help with personal problems such as marital and relationship problems; stress, anxiety, and depression; grief and loss; or substance abuse. Coverage is offered through ComPsych.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with the authority levels of OC San's Purchasing Ordinance. This item has been budgeted (Budget Update FY2025-26, Page 15, Operating Budget) and the budget is sufficient for the recommended action.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

N/A