



Agenda Report

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

SUBJECT:

2025 BENEFITS INSURANCE RENEWAL

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Approve the Orange County Sanitation District 2025 Benefits Insurance Renewal with the carriers listed below for an overall not-to-exceed amount of \$15,746,317, as specified below:
1. Benefit Coordinators Company (BCC) (medical, dental, and vision plans, Flexible Spending Accounts, and Employee Assistance Program [EAP]) - Not to Exceed \$14,507,996;
 2. Lincoln Financial (basic life, short- and long-term disability) - Not to Exceed \$537,054;
 3. The Standard (EMT & Manager disability) - Not to Exceed \$30,000;
 4. HealthEquity (Health Savings Accounts [HSA]) - Not to Exceed \$50,400;
 5. Voya (Health Reimbursement Arrangement [HRA]) - Not to Exceed \$189,000;
 6. BCC/Workterra (administration/transition costs, includes ACA Fees, Reporting & File Fees) - Not to Exceed \$28,267;
 7. BCC (retiree-paid health premiums, recouped from retirees through monthly payments) - Not to Exceed \$403,600;
 8. Approve a contingency of \$787,316 (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) offers 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 OC San's broker of record, Alliant, to market the plans as needed, negotiate with insurance carriers, and obtain the most cost-effective coverage for participants.

The total cost of insurance coverage for the 2025 Plan Year is \$15,746,317, which reflects an overall increase from the previous year of 4.4% or \$666,527 across all plans.

In prior years, the overall increase to insurance was 4.1% for Plan Year 2019, 0.1% for Plan Year 2020, -1.4% for Plan Year 2021, -8.8% for Plan Year 2022, 8.4% for Plan Year 2023, and 10.5% for Plan Year 2024.

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.

The membership with PRISM, which was approved by the Board of Directors in 2015, has resulted in favorable insurance renewals since joining, in conjunction with OC San's low health insurance utilization rates and claims history in the pool.

Employees share in the cost of medical and dental insurance in accordance with the current labor agreements. Employees contribute 20% of the premium costs for these plans, with the exception of those enrolled in employee only Health Maintenance Organization (HMO) coverage who contribute 10% of the premium cost. OC San covers the cost of all other lines of coverage including vision, 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 the insurance renewal as payment is made in advance and is reimbursed by the retiree through monthly payments.

There are also a small number of retirees hired prior to July 1, 1988 who are eligible for OC San-paid medical insurance for a limited duration upon retirement as a result of a labor agreement during their time of employment. Retirees falling within this group receive 2.5 months of OC San-paid medical insurance for each year of continuous service. The number of retirees eligible for this benefit continues to diminish through attrition, with the final 12 eligible retirees currently receiving it.

For the 2025 Plan Year, OC San will be transitioning its Life and Disability Insurance coverages from The Standard to Lincoln Financial. This change is based on the ability of the new carrier to closely match OC San's current plan design and provide potential future enhancements to meet OC San's needs. Additionally, Lincoln Financial is an approved provider within PRISM, which will provide OC San with additional service guarantees and a consolidated billing process.

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. 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.

TIMING CONCERNS

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

RAMIFICATIONS OF NOT TAKING ACTION

Insurance would lapse resulting in the interruption of medical, dental, vision, EAP, life, and 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

In May 2015, the Board of Directors approved moving OC San's medical insurance from direct contracts with the carriers to joining the insurance risk sharing pool under PRISM. The association with PRISM resulted in immediate and future cost savings to OC San in medical insurance premiums and dictated a change from fiscal to calendar-based plan year, from January through December. Staff typically presents the benefits renewal information to the Board of Directors annually every July, for an effective date of January 1 of the year thereafter.

Benefits Administration System (Transition from Workterra to BCC)

OC San has utilized the third-party administrator, Workterra, as its benefits administration system and retiree administrator since 2011. Beginning January 1, 2026, Workterra will no longer be an approved carrier and PRISM has recommended that member agencies begin transitioning away from Workterra as soon as possible. In anticipation of the change, staff requested proposals and evaluated the service packages available through the two alternative providers approved by PRISM: BCC and Benefit & Risk Management Services (BRMS).

PRISM has service and pricing agreements with each provider, and there is little-to-no cost difference between the available providers. The base administration fee per employee is equal across Workterra and BCC.

Following a comprehensive evaluation process, which included system demonstrations and reference checks, HR staff identified BCC as the provider that will best fit OC San's business needs at this time.

Medical Insurance

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

HMO plans offer comprehensive coverage. Employees have a choice between the Anthem Blue Cross HMO or the Kaiser HMO plan. The Preferred Provider Organization (PPO) 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.

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 \$50,000 for employees, and three times salary for managers and executives. Coverage is currently offered by The Standard and will transition to Lincoln Financial in 2025, pending Board approval.

Short-Term Disability Insurance

The short-term disability insurance plan protects employees when non-work related illness or injury makes it impossible for them to work for a short period of time. Under the plan, income may be continued 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 The Standard and will transition to Lincoln Financial in 2025, pending Board approval.

Long-Term Disability Insurance

The long-term disability insurance plan protects employees when a non-work related illness or injury makes it impossible for them to work for an extended period of time. 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 The Standard and will transition to Lincoln Financial in 2025, pending Board approval.

Executive Disability

This additional long-term disability insurance plan 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 an HSA which provides a method for the employee to save for 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

HRA enrollment is based on employee group, and only a subset of OC San's employee groups participate. This plan provides individual accounts for reimbursing participants and their eligible dependents for 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 MOU and/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 EAP protects employees and family members when they need help with personal problems such as marital and relationship problems; stress, anxiety, 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 FY 2024-25 and FY 2025-26, Section 5, Page 5, 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