
File #: 2026-5016

Agenda Date: 7/22/2026

Agenda Item No: 11.

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

SUBJECT:

2027 BENEFITS INSURANCE RENEWAL

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

- A. Approve the Orange County Sanitation District 2027 Benefits Insurance Renewal with the carriers listed below for an overall not-to-exceed amount of \$21,321,535 as specified below:
1. Benefit Coordinators Company (BCC) (medical, dental, vision plans, and Employee Assistance Program [EAP]) - Not to Exceed \$18,721,669;
 2. Lincoln Financial (basic life, short- and long-term disability) - Not to Exceed \$551,619;
 3. Lincoln Financial (EMT & Manager disability) - Not to Exceed \$36,000;
 4. HealthEquity (Health Savings Accounts [HSA]) - Not to Exceed \$55,386;
 5. Voya (Health Reimbursement Arrangement [HRA]) - Not to Exceed \$217,980;
 6. WEX (Flexible Spending Accounts [FSA]) - Not to Exceed \$11,606;
 7. BCC (retiree-paid health premiums, recouped from retirees through monthly payments) - Not to Exceed \$711,964;
 8. Approve a contingency of \$1,015,311 (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.

OC San's benefit plans are renewed annually on January 1. Human Resources (HR) manages OC San's benefits program. OC San's benefits broker, Alliant, evaluates market conditions, negotiates with insurance carriers, and secures the most cost-effective coverage for participants. The planning

process starts in April and insurance contracts are finalized and signed in August.

The total cost of insurance coverage for the 2027 Plan Year will be \$20,306,224, an overall increase of \$1,850,634 or 10%. By comparison, annual increases were 10.5% in 2024, 4.4% in 2025, and 12.8% in 2026.

This year's renewal costs are being driven by several industry-wide factors, including:

- Increased use of advanced medical technologies and treatment options
- Growth in specialty pharmaceuticals, including cancer therapies and GLP-1 medications
- Rising rates of chronic health conditions and obesity, resulting in greater healthcare utilization
- Increasing high-cost claims and medical inflation

Despite these market pressures, OC San continues to implement strategies to manage healthcare costs. These efforts include participation in the Public Risk Innovation, Solutions, and Management (PRISM) insurance risk pool, ongoing review of utilization trends, plan design changes, bundled insurance coverages, and competitively shopping options and negotiating rate guarantees. In response to rising medical costs, PRISM's Board has explored and proactively examined multiple cost-containment strategies and remains committed to monitoring evolving research, market trends, and best practices to support long-term sustainability of member agencies' health plans.

Since joining PRISM in 2015, OC San has benefited from favorable insurance renewal results. From 2017 through 2026, average annual renewal increases were 4.33% for Kaiser plans, 4.36% for Anthem HMO plans, and 3.52% for Anthem PPO/HDHP plans. The overall average increase for the PRISM pool during this period was 5.64%.

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, HAS, and HRA.

Retirees may continue OC San medical and/or dental coverage by paying 100% of applicable premiums. OC San incorporates the cost of this item in the insurance renewal costs, as it is paid in advance, and reimbursed by the retiree through monthly payments.

A legacy retiree medical benefit remains in place for employees hired before July 1, 1988, providing 2.5 months of OC San-paid medical insurance for each year of continuous service upon retirement. Currently, 5 retirees receive this benefit, and no active employees are eligible to qualify 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 health and welfare benefits to employees and eligible

dependents. Current insurance coverage expires December 31, 2026.

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

Board approval will ensure OC San meets the associated deadlines to finalize insurance contracts in August for continued health insurance coverage.

RAMIFICATIONS OF NOT TAKING ACTION

Without Board approval, OC San cannot finalize insurance contracts, resulting in a lapse of health and welfare benefits for employees and eligible dependents, and noncompliance with 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 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. Coverage is offered through HealthEquity.

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 participates. 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 FY 2026-27 and FY 2027-28, Section 5, Page 4, 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