AGENDA STAFF REPORT

Control: 26001615

MEETING DATE:	08/11/2026
LEGAL ENTITY TAKING ACTION:	Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S):	All Districts
SUBMITTING AGENCY/DEPARTMENT:	County Executive Office
DEPARTMENT CONTACT PERSON(S):	Kim Derrick, 714-834-2564 Ivy Fang, 714-834-2756

SUBJECT: 2027 Medicare Retiree Self-Funded Health Plan Rates

CEO CONCUR	**COUNTY COUNSEL REVIEW**	**CLERK OF THE BOARD**
Concur	Approve agreement to form	DISCUSSION 3 Votes Board Majority

Budgeted: Yes	**Current Year Cost:** See Financial Impact Section	**Annual Cost:** See Financial Impact Section
Staffing Impact: No		**Sole Source:** No
Current Fiscal Year Revenue: N/A	**Funding Source:** 292: 100%	**County Audit in Last 3 years:** No
Levine Act Review Completed? N/A		

Prior Board Action: 8/12/2025 #50, 7/23/2024 #49, 7/18/2023 #29, 7/19/2022 #27

RECOMMENDED ACTION(S):

1. Adopt the 2027 Medicare Retiree Preferred Provider Organization (PPO) Health Plan Rates for the self-funded Wellwise Medicare Retiree Health Plan.

2. Sunset the Sharewell Medicare Retiree Health Plan effective January 1, 2027.

SUMMARY:

Adoption of the Medicare retiree health plan rates for 2027 will allow the County to continue to offer Medicare health benefits to eligible County of Orange Medicare-eligible retirees.

BACKGROUND INFORMATION:

Human Resource Services (HRS) administers two self-funded retiree PPO health plans in 2026: Wellwise Medicare Retiree and Sharewell Medicare Retiree. In 2027, Sharewell Medicare Retiree PPO health plan will be terminated because the premium is no longer appropriately aligned with the high-deductible health plan design.

Attachment A contains the recommended rates for the Wellwise Medicare Retiree Health Plan for the 2027 plan year.

The County's health and welfare benefits consultant, Mercer Health and Benefits, LLC (Mercer), has provided the analysis and assumptions used in calculating the 2027 rates in Attachment B - the 2027 Mercer Self-Funded PPO Health Plan Rate Requirements for Medicare Retirees report.

Rate Development

In developing the 2027 Plan Year Medicare Retiree PPO rates, HRS, in coordination with Mercer, reviewed medical and prescription claims data from April 2025 through March 2026. The rates took into consideration plan enrollment, and Medicare eligibility and reimbursement. The 2027 Medicare Retiree PPO rate calculations were adjusted based on future projected claims applying medical and pharmacy trend factors of 7.5 percent and 12.0 percent, respectively. Pharmacy claims represent approximately 56 percent of total gross healthcare claims. The 12.0 percent trend factor reflects the rising industry costs for both traditional and specialty prescriptions. The current retiree health plan rate trend for other Mercer clients, for 2027, ranges from 4.5 percent to 9.5 percent for medical and 7.25 percent to 12.75 percent for pharmacy.

The 2027 Medicare Retiree PPO rate calculations were also adjusted to ensure consistency and reasonability between coverage tiers (Retiree only, Retiree plus one-dependent, and Retiree plus two or more dependents) aligning the differences in value including Medicare offsets. The rate calculations vary by enrollment tier and Medicare status.

The current PPO fund reserves were also evaluated. A standard margin of 3.0 percent was included for adverse claim deviation, expected inflationary pressures on medical services and for the increase of target fund balance.

Rates are generally set to fund projected future claims and expenses and maintain the Board of Supervisors (Board) approved 30 percent target reserve of $24 million, which includes a 15 percent Incurred But Not Reported Medical Claim Reserve and a 15 percent Premium Stabilization Reserve. The current reserve level is estimated at approximately $16 million.

Stop loss renewal rates will be released in Fall 2026. The calculated health plan rates incorporated an estimated stop loss renewal of 50 percent with a deductible of $1.5 million dollars.

Sunsetting Sharewell Medicare Retiree Health Plan

If the Sharewell Medicare Retiree health plan was to be continued in 2027, the estimated premium increase would have been 41 percent. The Sharewell Medicare plan was originally designed as a high-deductible, lower-premium option for retirees. However, higher claims experience and utilization have narrowed the projected cost advantage to the point that the plan no longer provides a meaningful financial benefit to retirees as the monthly premium rates are close to the rates for the Wellwise Medicare Retiree Health Plan. Therefore, we recommend sunsetting the Sharewell Medicare Retiree Health Plan and consolidating it into the Wellwise Medicare Retiree Health Plan.

There are currently 455 retirees in the Sharewell Medicare Retiree Health Plan. Retirees in the Sharewell Medicare Retiree Health Plan will be defaulted into the Wellwise Medicare Retiree Health Plan during Open Enrollment. In exchange for a slightly higher premium rate increase of $85 per month (5.5 percent), for the group of Medicare A and B eligible retirees, these former Sharewell Medicare retirees will see a significant increase in benefit coverage as the deductibles and out-of-pocket maximums are much lower in Wellwise compared to Sharewell.

Wellwise Medicare Retiree Health Plan Rates

The overall Wellwise Medicare Retiree Health Plan 2027 rates will increase 25.5 percent from 2026 rates, given that the Sharewell Medicare Retiree Health Plan will be sunset. The self-funded Medicare Retiree Health Plan 2027 total budget will increase 32.0 percent from 2026 total budget assuming current Sharewell Medicare retirees migrate into the Wellwise Medicare plan. The rate reflects an estimated $3.5 million in Employer Group Waiver Plan revenue credit and $1.7 million in coverage gap discount payments offsetting the increase.

Overall, Wellwise Medicare is driven by higher costs for prescription drugs and medical claims. Wellwise prescription drug costs are more than $3 million higher over the last 12 months. Wellwise Medicare PPO specialty trend is up 33.2 percent - with Specialty accounting for 59 percent of pharmacy spend in 2025. Inpatient hospital costs are up 55.4 percent while outpatient medical trend is up 19.9 percent, and professional trend is down 6.4 percent.

Prior Board Actions

On August 12, 2025, the Board approved the 2026 Retiree Health Plan Rate Tables for the Wellwise Retiree and Sharewell Retiree Health Plans.

On July 23, 2024, the Board approved the 2025 Retiree Health Plan Rate Tables for the Wellwise Retiree and Sharewell Retiree Health Plans.

On July 18, 2023, the Board approved the 2024 Retiree Health Plan Rate Tables for the Wellwise Retiree and Sharewell Retiree Health Plans.

On July 19, 2022, the Board approved the 2023 Retiree Health Plan Rate Tables for the Wellwise Retiree and Sharewell Retiree Health Plans.

FINANCIAL IMPACT:

Retiree Health Plan costs are fully reimbursed by the participating retirees with contributions toward the premium made pursuant to the Retiree Medical Plan (which provides a "grant amount" based on years of service and other eligibility criteria and plan terms) adopted in 1993, as amended.

Appropriations for the retiree plans are included in Fund 292 Self-Insured PPO Health Plans ISF FY 2026-27 Budget and will be included in the budgeting process for future years.

STAFFING IMPACT:

N/A

REVIEWING AGENCIES/DEPARTMENTS:

N/A

ATTACHMENTS:

Attachment A - 2027 Retiree Medicare PPO Health Plan Rate Table

Attachment B - 2027 Mercer Self-Funded PPO Health Plan Rate Requirements - Medicare Retirees Report