



AGENDA STAFF REPORT

Control: 26001592

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
Robin Gurien, 714-834-7114

SUBJECT: 2027 Medicare Eligible Retiree Insured Health Plan Rates and Amendments

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: ISF 290: 100%	County Audit in Last 3 years: No
Levine Act Review Completed? Yes		

Prior Board Action: 8/12/2025 #51, 7/23/2024 #48, 7/18/2023 #29, 5/9/2023 #36

RECOMMENDED ACTION(S):

1. Adopt the 2027 Medicare-eligible Retiree Insured HMO and PPO Health Plan Rates.
2. Authorize the County Procurement Officer or Deputized designee to execute the Administrative Service Agreements Amendment Number One with Humana Insurance Company, Kaiser Foundation Health Plan, Inc, and SCAN Health Plan for Medicare-eligible retiree health plans under the same terms and conditions for one additional year effective January 1, 2027, through December 31, 2027, subject to Board of Supervisors adoption of 2027 rates.
3. Authorize the Chief Human Resources Officer, or designee, to execute the 2027 Group Service/Benefit Policies with Humana Insurance Company, Kaiser Foundation Health Plan, Inc and SCAN Health Plan after approval by the State of California Department of Managed Care or the Centers for Medicare and Medicaid Services and report back to the Board of Supervisors if the California Department of Managed Care of the Centers for Medicare and Medicaid Services requires any material changes to the Policies.

SUMMARY:

Adoption of the Humana Insurance Company, Kaiser Foundation Health Plan, Inc, and SCAN Health Plan health plans rates and authorization of executing amendments and underlying documents will allow the County to continue to offer benefits as necessary to County of Orange Medicare-eligible retirees.

BACKGROUND INFORMATION:

Approval is requested for Amendment Number One to the Administrative Services Agreements with Humana Insurance Company (Humana), Kaiser Foundation Health Plan, Inc (Kaiser) and SCAN Health Plan (SCAN) for Medicare-eligible retiree health plans to renew the contract for the period January 1, 2027, through December 31, 2027, along with the Medicare-eligible Retiree 2027 health plan rates, for a total contract term of four years. On May 9, 2023, your honorable Board approved the initial contract term of three years (January 1, 2024, through December 31, 2026) with two one-year renewals.

An analysis was completed to verify that each contract provides County with specially trained, experienced, expert and competent staff to perform the special services in accordance with the law.

The Contractors' performance has been confirmed as satisfactory. Human Resource Services (HRS) has verified there are no concerns that must be addressed with respect to Contractor's ownership/name, litigation status or conflicts with County interests. The Orange County Preference Policy is not applicable to these contract renewals.

Rate Development

The 2027 rate changes for the insured Medicare retiree health plans vary from a decrease of 1.3 percent to an increase of 39.1 percent depending upon the specific health plan and coverage tier elected by the retirees. The rate changes and rationale are as follows:

Humana PPO Rates

Humana offers one PPO Medicare Advantage plan for Medicare Parts A and B eligible retirees and dependents and for Medicare Part B only eligible retirees and dependents. The rate increase is 39.1 percent for retirees with Parts A and B and 12.3 percent for retirees with Part B only. The key cost drivers are the Group Medicare Part D benefit designs which were enhanced in 2025 due to the requirements of the Inflation Reduction Act. The out of pocket spend for members in the Catastrophic Phase was significantly lower in 2025, resulting in significant rate increase. The medical loss ratio for the last 12 months has exceeded 100 percent.

For 2027, County has adopted Humana's Non-Integrated Sole Carrier Option, which affords lower monthly premiums to Medicare beneficiaries. This means that the Humana PPO will be separated into two different plan options (1) Medical Medicare Advantage and (2) Pharmacy Prescription Drug (coverage), thus allowing for higher reimbursements compared to traditional Medicare Advantage Prescription Drug Plans. Adopting this option after the plan has been designed and implemented requires new file exchange processes. As a result, County has agreed to amend the contract's Performance Guarantees for employer services. Amendment One to the Humana Contract includes the updated language (Attachment B).

Kaiser HMO Rates

Kaiser is a Medicare Advantage plan for retirees and dependents with Medicare Parts A and B and for retirees and dependents with Part B only. Kaiser rates for Medicare-eligible retirees will decrease 1.3 percent for retirees with Medicare Parts A and B and retirees with Part B only. Kaiser's decrease is due to the removal of the DeltaCare dental rider. DeltaCare utilization has been low and removing the dental rider results in notable savings for retirees. Without the removal, the rate could increase by 8.0 percent. In

addition, retirees have access to a separate Delta Dental PPO plan and a Cigna Dental HMO plan, through the Retired Employees Association of Orange County (REAOC). Removal of the DeltaCare dental rider provides cost savings to the retirees, with minimal impact to the benefits.

SCAN HMO Rates

SCAN is a Medicare Advantage plan for retirees and dependents with Medicare Parts A and B. SCAN does not have sufficient enrollment to base the renewal on the County retiree claim experience. Therefore, SCAN's rate is based on its overall medical and pharmacy trends of all their group plans. There is no rate increase for the 2027 plan year.

Performance Guarantees

Included with the contracts are Performance Guarantees (PGs), which set minimum standards for services provided under the Contract while also assisting the County in measuring the performance of each Contractor on a yearly basis. The 2024 and 2025 PG results for all carriers are shown in Attachments H, I and J. For calendar year 2024, each carrier met 100 percent of their measures. For calendar year 2025, Humana and SCAN met 100 percent of their measures and Kaiser will provide 2025 PG results later this year. PGs for all carriers for Contract Year 2026 are the same as prior years and are not yet available; however, HRS is satisfied with all Contractors' current performance.

If these proposed Amendments and 2027 rates are approved by the Board, all carriers will provide the updated Group Service Policies for 2027. See Attachments E, F, and G for Contract Summary Forms.

Prior Board Actions

On August 12, 2025, the Board approved the 2025 Retiree Insured HMO and PPO Health Plan rates effective January 1, 2025.

On July 23, 2024, the Board approved the 2025 Retiree Insured HMO and PPO Health Plan rates effective January 1, 2025.

On July 18, 2023, the Board approved the 2024 Retiree Insured HMO and PPO Health Plan rates effective January 1, 2024.

On May 9, 2023, and following a Request for Proposal (RFP), the Board approved the initial contract period of three years (January 1, 2024, through December 31, 2026) with two one-year renewals.

FINANCIAL IMPACT:

Retiree Health Plan costs are fully reimbursed by the participating retirees, but with contributions toward the premiums made pursuant to the Fourth Amended and Restated County of Orange 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 incorporated in Fund 290 Insured Health Plans ISF FY 2026-27 Budget and will be included in future fiscal year budgets.

STAFFING IMPACT:

N/A

REVIEWING AGENCIES/DEPARTMENTS:

N/A

ATTACHMENTS:

Attachment A - 2027 Retiree Medicare Insured Health Plan Rate Table
Attachment B - Humana Administrative Services Agreement Amendment One
Attachment C - Kaiser Administrative Services Agreement Amendment One
Attachment D - SCAN Administrative Services Agreement Amendment One
Attachment E - Contract Summary Form - Humana
Attachment F - Contract Summary Form - Kaiser
Attachment G - Contract Summary Form - SCAN
Attachment H - Humana Performance Guarantees Plan Years 2024 & 2025
Attachment I - Kaiser Performance Guarantees Plan Years 2024 & 2025
Attachment J - SCAN Performance Guarantees Plan Years 2024 & 2025