# AGENDA STAFF REPORT

**Control:** 26001602

**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
Sean Sonza, 714-834-2766

**SUBJECT:** 2027 Employee and Non Medicare Retiree HMO Health Plan Rates & Amendment

| CEO CONCUR | COUNTY COUNSEL REVIEW | CLERK OF THE BOARD |
|---|---|---|
| Concur | Approve agreement to form | DISCUSSION<br>3 Votes Board Majority |

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|---|---|---|
| **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 #48, 7/23/2024 # 46, 7/18/2023 #28, 5/9/2023 #37

**RECOMMENDED ACTION(S):**

1. Adopt the 2027 Cigna Healthcare of California and Kaiser Foundation Health Plan, Inc. Employee and Non-Medicare Retiree HMO Health Plan Rates.

2. Authorize the County Procurement Officer or Deputized designee to execute the Administrative Services Agreements Amendment One with Cigna HealthCare of California and Amendment One with Kaiser Foundation Health Plan, Inc. for the active health plans, under the same terms and conditions for one additional year effective January 1, 2027, through December 31, 2027, subject to Board of Supervisor adoption of 2027 rates.

3. Authorize the Chief Human Resources Officer or designee to execute the 2027 Group Service/Benefit Policies with Cigna HealthCare of California and Kaiser Foundation Health Plan, Inc. after approval by the State of California Department of Managed Care and report back to the Board of Supervisors if the California Department of Managed Care requires any material changes to the Policies.

4. Authorize the Chief Human Resources Officer or designee to amend and execute the underlying agreements with Cigna HealthCare of California and Kaiser Foundation Health Plan, Inc. as

necessary in order to continue wellness programs and services for employees at no additional cost to the County.

## SUMMARY:

Adoption of the Cigna HealthCare of California and Kaiser Foundation Health Plan, Inc. Employee and Non-Medicare Retiree 2027 HMO health plan rates and authorization of executing amendments and underlying documents will allow the County to continue to offer benefits as necessary to eligible County of Orange employees and non-Medicare retirees.

## BACKGROUND INFORMATION:

Approval is requested for Amendment Number One with Cigna HealthCare of California, Inc. (Cigna) and Kaiser Foundation Health Plan, Inc. (Kaiser) Employee HMO health plans to renew the contracts for the term of January 1, 2027, through December 31, 2027, along with the Employee and Non-Medicare Retiree 2027 HMO 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 the contracts provide County with persons specially trained, experienced, expert and competent to perform the special services in accordance with the law.

The Contractors' performance has been confirmed as satisfactory. Human Resource Services 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 this contract renewal.

<u>Rate Development</u>

Human Resource Services (HRS) administers two Cigna insured HMO health plans and one Kaiser insured HMO health plan for Active employees and non-Medicare retirees.

Effective January 1, 2024, the County restructured health plans to offer both active County employees and non-Medicare retirees the same plan options, with the requirement that retiree health plan insurance premiums for non-Medicare retirees exceed the active employees' premiums by 20 percent.

Attachment A contains the recommended rates for active employees and non-Medicare retirees Cigna and Kaiser health plans for the 2027 Plan Year.

The County contribution for employees who participate in the Wellness Credit Program by completing the required activities is an additional five percent of total health plan premium. The amount of the credit ranges from \$20.58 to \$81.36 per pay period based on plan and enrollment. The County and employee rates for employees who choose to participate in the Wellness Credit Program are identified in the rate table as "With Wellness Participation."

<u>Cigna HMO Rates</u>

The proposed overall premium rate increase for Cigna in 2027 is 10.6 percent. Non-Medicare retiree final proposed rates are 20 percent higher than active employee premium rates, which are set based on the active employee claims pool. Trend of 8.7 percent was used for the renewal. One of the primary drivers of the

County's 2027 increase includes overall increases in medical and pharmacy trend due to higher costs per service, more utilization of care, higher cost treatments and more catastrophic claims. Medical trend for Cigna is 8.5 percent for medical and 11.0 percent for pharmacy. For the County specifically, there was a rise in catastrophic medical claims and significant growth in pharmacy costs, particularly for specialty medications and glucagon-like peptide-1 drugs used for diabetes management. Cigna has also agreed to add acupuncture coverage at no additional cost, mirroring chiropractic benefits with a separate annual maximum of 30 visits at the standard physician office visit copay.

Cigna continues to be a valued long-term partner to the County. Based on current utilization patterns, the 2027 premium increase would have been 19.2 percent. However, consistent with prior years, Cigna reduced the rate to 10.6 percent.

The proposed changes in rates for Cigna Choice and Cigna Select for 2027 are set forth below.

- Cigna Active Employee Choice HMO Plan: increase of 10.6 percent from 2026 premium
- Cigna Active Employee Select HMO Plan: increase of 10.6 percent from 2026 premium
- Cigna Non-Medicare Retiree Choice HMO Plan: increase of 10.6 percent from 2026 premium
- Cigna Non-Medicare Retiree HMO Plans: increase of 10.6 percent from 2026 premium

The Kaiser HMO Rates

The proposed 2027 premium rates for Kaiser Choice HMO plan increased 9.5 percent from the 2026 rates. Non-Medicare final proposed rates are 20 percent higher than the active premium rates. Active employee premiums are set based on the pool of active claims experience. Southern California medical trend for Kaiser is 3.7 percent and pharmacy is 8.0 percent.

- Active employee population: Cost increased in all categories resulting in a per member per month increase of 8.6 percent in total.
  - Inpatient claims increased by 19.9 percent year over year.
  - Four claimants exceed $725,000 in claims each totaling $4.2 million dollars.
- Non-Medicare retiree population: Costs decreased in all categories by 8.9 percent in total. The Non-Medicare retiree population represents a much smaller portion of the population relative to the active employee population (591 members vs 13,107 members).

Acupuncture coverage has been added to the renewal which has the 30-visit annual max combined with chiropractic benefits.

The proposed changes in rates for 2027 are set forth below:

- Kaiser Active Employee Choice HMO Plan: increase of 9.5 percent from 2026 premium
- Kaiser Non-Medicare Retiree HMO Plan: increase of 9.5 percent from 2026 premium

Wellness Program Impact

Extensive research shows that well-designed corporate wellness programs focused on sustained lifestyle change and preventive care can deliver a positive return on investment over three to five years. The Your Pathway to Wellness Program aligns with these practices by providing cost-effective tools that promote long-term health, wellbeing, and employee productivity.

Employee engagement in the Your Pathway to Wellness Program remains strong. In 2025, 81.1 percent of employees completed the required activities to earn the 2026 Wellness Credit—far exceeding the 47 percent industry average. Among employees who completed Health Assessments in both 2024 and 2025, average health risks per participant declined by 1.3 percent. In a three-year cohort of 8,157 employees, mental health risks improved by 8.8 percent for depression, 2.7 percent for stress, and 2.4 percent for anxiety. Additionally, there was a 4.7 percent increase in employees who are current on more than two-thirds of age- and gender-appropriate preventive screenings.

Cigna continues to be a strong partner in supporting the County's wellness initiatives by providing funding that supports key program expenses, including programming in the Employee Wellness Center and the Wellness on Wheels initiative. Beyond the annual funding provided, their dedicated health coach engaged 119 employees in 2025, with 87.1 percent making progress or meeting their goals. The onsite behavioral health therapist funded by Cigna has delivered 509 confidential counseling sessions to 79 employees, with consistently positive participant feedback.

Kaiser also continues to be a strong partner in advancing employee wellness by providing funding that supports key program expenses, including programming in the Employee Wellness Center and the Wellness on Wheels initiative. Their contributions also made it possible to host three onsite Farmers Markets, offering fresh produce to more than 340 employees and retirees. Additionally, Kaiser has facilitated seven wellness webinars and health education classes to date, with four more scheduled before the year-end. They also partnered with the County to develop a wellness walking path, launched in July 2026, featuring a device-friendly map, retractable banners, and convenient wallet-sized guide cards—further expanding accessible and sustainable wellness opportunities for employees.

As medical inflation and advances in care continue to drive healthcare costs upward, the County's investment in preventive health and lifestyle-focused programs remains essential. By emphasizing early intervention and supporting healthier habits, these initiatives help moderate rising costs while improving employee health outcomes.

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 both carriers are shown in Attachment F and G. For calendar years 2024 and 2025, Cigna met 100 percent of their measures. For calendar year 2024, Kaiser met 100 percent of the measures and will provide 2025 PG results later this year. PGs for both carriers for Contract year 2026 are the same as prior years and are not yet available; however, HRS is satisfied with both Contractors' current performance.

The Cigna contract does not currently include subcontractors or pass through to other providers.  The Kaiser contract includes subcontractors. See Attachments D and E for Contract Summary Forms.

Prior Board Actions

On August 12, 2025, the Board approved the 2025 Employee Insured (HMO) Health Plan rates effective January 1, 2026.

On July 23, 2024, the Board approved the 2025 Employee Insured (HMO) Health Plan Rates effective January 1, 2025.

On July 18, 2023, the Board approved the 2024 Employee Insured (HMO) Health Plan Rates effective January 1, 2024.

On May 9, 2023, the Board approved the 2024 Employee Insured (HMO) Health Plan agreements effective January 1, 2024.

**FINANCIAL IMPACT:**
The estimated total current FY 2026-27 County cost for this action is $86.6 million (January 1, 2027 - June 30, 2027).

The estimated annual 2027 County cost for the employee Cigna Choice plan is $46.43 million. The actual cost will vary based on enrollment.

The estimated annual 2027 County cost for the employee Cigna Select plan is $27.1 million. The actual cost will vary based on enrollment.

The estimated annual 2027 County cost for the employee Kaiser plan is $99.6 million. The actual cost will vary based on enrollment.

Non-Medicare Retiree Health Plan costs are fully reimbursed by the participating retirees, but 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.

The insured health plan rates are brought to the Board annually for approval and appropriations are included in Fund 290 Insured Health Plan 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 Employee and Non Medicare Retiree HMO Health Plan Rate Tables
Attachment B - MA-017-23011287_Cigna_Amendment No. 1
Attachment C - MA-017-23011286_Kaiser_Amendment No. 1
Attachment D - Cigna Contract Summary Form
Attachment E - Kaiser Contract Summary Form
Attachment F - Cigna Performance Guarantees Plan Years 2024 & 2025
Attachment G - Kaiser Performance Guarantees Plan Years 2024 & 2025