AGENDA STAFF REPORT

Control: 26001616

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 Self-Funded Employee and Non-Medicare Retiree 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 #49, 7/23/2024 #47, 7/18/2023 #26, 7/19/2022 #23

RECOMMENDED ACTION(S):

1. Adopt the 2027 Employee and Non-Medicare Retiree Preferred Provider Organization (PPO) Health Plan Rates for the self-funded Wellwise and Sharewell PPO health plans.

2. Authorize the Chief Human Resources Officer or designee to approve changes in County contribution to Sharewell Choice employee only rate, only if necessary for the County to meet the requirement to provide affordable health benefits for all eligible County employees as required under the Affordable Care Act.

3. Authorize the Chief Human Resources Officer or designee to execute any agreements or underlying documents necessary for the implementation of the Health Savings Account for the Sharewell Choice PPO plan.

SUMMARY:

Adoption of the 2027 Employee and Non-Medicare Retiree PPO Health Plan Rates for the self-funded Wellwise and Sharewell PPO health plans will allow the County to continue to provide health benefits for eligible employees and non-Medicare retirees and comply with the Affordable Care Act.

BACKGROUND INFORMATION:

Human Resource Services (HRS) administers two self-funded employee PPO health plans: Wellwise Choice and Sharewell Choice, and two self-funded retiree health plans: Wellwise Retiree and Sharewell Retiree. Effective January 1, 2024, the County restructured the health plans to include both active County employees and non-Medicare retirees, with the requirement that retiree health plan insurance premiums for non-Medicare retirees exceed the active employee premiums by 20 percent.

Attachment A contains the recommended rates for the Active Employees and Non-Medicare retirees PPO Health Plans 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 Active Employees and Non-Medicare Retires Report.

<u>Rate Development</u>

In developing the 2027 PPO rates, HRS, in coordination with Mercer, reviewed medical and prescription claims data from April 2025 through March 2026, taking into consideration plan enrollment and adjusting it based on future projected claims. Standalone active medical and pharmacy trend factors are 7.0 percent and 12.0 percent, respectively. Standalone non-Medicare medical and pharmacy trend factors are 7.5 percent and 12.0 percent, respectively. The current active trend for other Mercer clients for 2027 ranges from 6.75 percent to 11.25 percent for medical and 9.75 percent to 15.25 percent for pharmacy.

The Active Wellwise and Sharewell PPO rate increase is slightly higher than trend primarily due to 2025 claims cost exceeding premiums. Active inpatient hospital claims increased 47.3 percent, outpatient claims decreased 1.1 percent, and professional services increased 12.3 percent for an overall increase of 15.2 percent. The non-Medicare Wellwise and Sharewell PPO plans experienced a total 28.8 percent increase due to both outpatient services, which increased 55.8 percent as well as professional services which increased 24.4 percent while inpatient only increased 5.4 percent. The current non-Medicare retiree population represents 430 subscribers, compared to active headcount of 3,317.

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 incorporate an estimated stop loss renewal of 50 percent with a deductible of 1.5 million dollars. The stop loss insurance has benefited the County as there was a large claim in 2025, and the County received a total of $3.2 million stop loss reimbursement for this claimant.

Therefore, HRS and Mercer recommend changes in the total premium to the 2027 PPO health plans as shown below.

- Wellwise Choice: increase of 11.2 percent from 2026 premium
- Sharewell Choice: increase of 11.2 percent from 2026 premium
- Wellwise non-Medicare: increase of 11.2 percent from 2026 premium
- Sharewell non-Medicare: increase of 11.2 percent from 2026 premium

Active employee contributions are based upon the employee pool. The claims from the active employee pool increased 10 percent, mainly due to increases in catastrophic claims as well as inpatient claims. Therefore, the employee cost for Wellwise will increase 7 percent while Sharewell payroll credits will remain the same as 2026.

HRS and Mercer recommend changes to the 2027 PPO rates used for employee costs as shown below.

- Wellwise Choice: increase of 7.0 percent from 2026 contributions
- Sharewell Choice: payroll credits stay the same from 2026 contributions

Projections are made based on currently available information and adverse fluctuations may arise as further experience emerges. HRS and Mercer will continue to monitor claims and trends on a monthly basis.

The County contribution for employees who complete the required activities to earn the Wellness Credit is an additional 5 percent of total health plan premium for Wellwise Choice. The biweekly amount of the Wellness Credit ranges from $30.53 to $76.32 per pay period based on plan and enrollment. The County and employee rates for employees who choose to participate are identified in the rate table as "With Wellness Participation."

<u>Wellness Program Impact</u>

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.

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.

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.

<u>Affordable Care Act (ACA) – County Provided Minimum Value Health Care Coverage</u>

Under the ACA, Internal Revenue Code §4980H (see Attachment C), an employer with at least 50 full-time employees must offer health care coverage that meets certain minimum-value and affordability standards to at least 95 percent of full-time employees as defined by the ACA. While most employees qualify for County-provided coverage through existing contracts with labor organizations, there are some employees who do not qualify for these negotiated County benefits but should be offered minimum value coverage under the ACA.

In 2026, to meet the ACA's minimum-value and affordability standard, Sharewell Choice was offered to this group of employees at $129.90 per month for employee-only coverage. Dependent coverage was offered with 100 percent of the premium paid by the employees. A total of twelve eligible employees elected this coverage. The County will continue this option for 2027. The County contribution is based upon the 2026 affordability safe harbor and ACA benchmark. If the Internal Revenue Service (IRS) releases any changes to the benchmark for 2027, HRS requests that your Honorable Board authorize the Chief Human Resource Officer or designee to adjust the County contribution for the Sharewell Choice employee only rate for the purpose of meeting the IRS requirements.

Attachment A contains the 2027 recommended Sharewell Choice rates for ACA coverage.

Health Savings Account (HSA)

For plan year 2027, a Health Savings Account (HSA) will be offered with the Sharewell high-deductible health plan (HDHP). County employees enrolled in the Sharewell Choice PPO plan will be able to set money aside in a tax-free HSA, and use it to pay for the HDHP deductible, plus other qualified medical expenses, like copayments and coinsurances. The HSA balance rolls over year to year to build up reserves to pay for health care items and services the participant may need at a later date. Employees contribute to their HSA using payroll deductions up to the IRS annual maximum limits of $4,500 for employees enrolled in single coverage and $9,000 for employees who enroll one or more dependents in 2027. There is $1,000 catch-up contribution for employees aged 55 or older. The administrative cost will be $2.95 per account per month and will be deducted from the employee's HSA account balance.

Prior Board Actions

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

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

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

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

FINANCIAL IMPACT:

The estimated FY 2026-2027 County cost for employees is $25.9 million (January 1, 2027 – June 30, 2027).

The estimated annual 2027 County cost for the employee Wellwise Choice PPO plan is $39.3 million. The actual amount will vary based on actual enrollment.

The estimated annual 2027 County cost for the employee Sharewell Choice PPO Plan is $12.4 million. The actual amount will vary based on actual enrollment.

Non-Medicare Retiree Health Plan costs are fully reimbursed by the participating retiree 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 PPO health plan rates are brought to the Board annually for approval and appropriations 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 Employee and Non Medicare Retiree PPO Health Plan Rate Tables
Attachment B - 2027 Mercer Self-Funded PPO Health Plan Rate Requirements - Active Employees and Non-Medicare Retirees Report
Attachment C - Internal Revenue Code Section 4980H