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COUNTY OF LOS ANGELES

Kenneth Hahn Hall of Administration
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ACTING CHIEF EXECUTIVE OFFICER

Joseph M. Nicchitta

"To Enrich Lives Through Effective and Caring Service"

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

December 02, 2025

22 December 2, 2025

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

A handwritten signature in black ink that reads "Edward Yen".

EDWARD YEN
EXECUTIVE OFFICER

Dear Supervisors:

**INCREASING THE LIFETIME MAXIMUM BENEFIT FOR THE ANTHEM BLUE CROSS PLANS
PROVIDED BY THE LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
(ALL DISTRICTS) (3-VOTES)**

SUBJECT

The Chief Executive Office (CEO) is seeking the Board of Supervisors' approval to allow the Los Angeles County Employees Retirement Association (LACERA) to negotiate with Anthem Blue Cross to increase the Lifetime Maximum Benefit (LMB) for Anthem Blue Cross I, II, and Prudent Buyer Plans.

IT IS RECOMMENDED THAT THE BOARD:

Authorize the CEO to allow LACERA to begin negotiating with Anthem Blue Cross of California to increase the LMB from \$1.5 million to \$2.25 million effective July 1, 2026, for the LACERA-administered Anthem Blue Cross I, II, and Prudent Buyer Plans.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Background

The LACERA Board of Retirement (BOR) created the Retiree Healthcare Program in 1971. The BOR controlled the program's benefit structure and administration and was responsible for funding the retiree health plans' premium subsidies.

In 1982, the Los Angeles County (County) and LACERA entered into an agreement, where LACERA relinquished control over the Retiree Healthcare Program structure and reduced the County's 1982

retirement benefit contribution. In return the County agreed to fund the retiree health plans' premium subsidies, up to the benchmark plans' premiums. LACERA continued administering the Retiree Healthcare Program and was responsible for selecting insurance carriers and negotiating coverage terms and premium rates.

LACERA-Administered Health Plans and LMB

LACERA administers different healthcare plans for retired LACERA-eligible County employees. Retirees have the option of choosing between Health Maintenance Organizations (HMOs) plans and Indemnity Medical (also known as Preferred Provider Organization) plans.

The HMO plans do not have a LMB limit. There is one Medicare supplemental plan offered by LACERA, which is the Anthem Blue Cross III, which also has no LMB.

The Indemnity Medical plans that currently have a LMB cap of \$1.5 million per member, are as follows:

- Anthem Blue Cross I,
- Anthem Blue Cross II, and
- Anthem Blue Cross Prudent Buyer

Once a LACERA member reaches the LMB cap under these plans, the member has three options for continued healthcare coverage: 1) move to a LACERA-administered HMO plan; 2) move to Anthem Blue Cross III, the Medicare supplemental plan; or 3) purchase a health plan not offered by LACERA.

Historically, the LMB cap has increased incrementally and until recently held steady at \$1 million since 1992. Because the LMB was not increased since then, we went before the Board of Supervisors (Board) on November 26, 2024, to increase the LMB for the Anthem Indemnity plans to \$1.5 million, which was approved and went into effect July 1, 2025.

On July 11, 2025, LACERA requested that the County eliminate the LMB, or in the alternative, increase the LMB to \$3 million or \$5 million. Given the County's financial pressures, a prudent approach to addressing concerns over the LMB includes a graduated increase, followed by a period of tracking and assessing costs. Therefore, we recommend that the LMB be incrementally increased to \$3 million in order to account for medical inflation.

We request your Board's approval to increase the LMB from \$1.5 million to \$2.25 million for the Anthem Blue Cross I, II and Prudent Buyer plans effective July 1, 2026.

We will return to your Board with another request for approval to increase the LMB from \$2.25 million to \$3 million to be effective July 1, 2027, subject to the following conditions:

- Retirees' healthcare claims continue to approach and exceed the new LMB cap, and
- Migration trend remains low. Migration refers to retirees and their dependent shifting from other LACERA-administered medical plans into the Anthem Blue Cross plans, due to the LMB increases. A low migration trend reflects stable and predictable costs to the County, whereas a high migration trend would increase the County's Other Post Employee Benefits liability.

Implementation of Strategic Plan Goals

The recommended action in this Board letter supports the County of Los Angeles' Strategic Plan: North Star 1: Make investments that Transform Lives, Focus Area Goal A: Healthy Individuals and Families.

FISCAL IMPACT/FINANCING

Increasing the LMB from \$1.5 million to \$2.25 million will result in premium increases for Anthem Blue Cross I, II, and Prudent Buyer Plans. The estimated premium increase will be 0.4%. The Fiscal Year 2026-27 Budget will increase to \$976,000, Net County Cost \$370,000, to account for the increased costs that the County will pay towards the Retiree Healthcare Program. Funding for the increase will be included in the FY 2026-27 Recommended Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Once your Board approves the request to increase the LMB, our office will request LACERA to begin negotiating with Anthem Blue Cross during their rate renewal process for the Fiscal Year 2026-27. The LMB will increase from \$1.5 million to \$2.25 million, effective July 1, 2026, when LACERA's new healthcare plan year begins.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

Respectfully submitted,



Joseph M. Nicchitta

Acting Chief Executive Officer

JMN:JG:KLW

SRM:LR:TTP:rfm

c: Executive Office, Board of Supervisors
County Counsel
Los Angeles County Employees Retirement
Association