Chief Executive Office.

COUNTY OF LOS ANGELES
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, CA 90012
(213) 973-1101 ceo.lacounty.gov

CHIEF EXECUTIVE OFFICER
Joseph M. Nicchitta

"To Enrich Lives Through Effective and Caring Service"

September 15, 2026

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

Dear Supervisors:

MEDICAL, DENTAL, LIFE INSURANCE, AND DISABILITY PLAN RATES FOR 2027 (ALL DISTRICTS) (3-VOTES)

SUBJECT

Recommendation to approve premium rates for the 2027 calendar year for the medical, dental, life insurance and disability benefit plans applicable to represented and non-represented employees.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve the proposed premium rates for County-sponsored plans as follows: (a) medical and dental rates for employees in the Choices and Options plans for the period of January 1, 2027 through December 31, 2027, as recommended in this letter and shown in Exhibit I; (b) medical and dental rates for employees in the Flexible (Flex) and MegaFlex plans for the period of January 1, 2027 through December 31, 2027, as recommended in this letter and shown in Exhibit II; (c) Basic Life and Accidental Death and Dismemberment (AD&D) insurance rates for represented and non-represented employees and, for Choices and Options employees only, Optional Group Term Life and Dependent Term Life Insurance rates, for the period of January 1, 2026 through December 31, 2030, as shown in Exhibit III; (d) Optional Group Variable Universal Life (GVUL) and Dependent Term Life Insurance for Flex and MegaFlex employees for the period January 1, 2027 through December 31, 2032, as shown in Exhibit III; (e) Survivor Income Benefit (SIB) rates for MegaFlex employees for the period January 1, 2027 through December 31, 2032, as shown in Exhibit III; and (f) rates for Short-Term Disability (STD), Long-Term Disability (LTD) and LTD Health Insurance plans, for the period January 1, 2027 through December 31, 2027, as shown in Exhibit IV.

2. Instruct County Counsel to review and approve as to form the appropriate agreements and/or amendments with Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company (Anthem Blue Cross); Cigna Healthcare of California, Inc. (Cigna); Kaiser Foundation Health Plan,

Inc. (Kaiser); Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Kaiser Mid-Atlantic); UnitedHealthcare of California and UnitedHealthcare Insurance Company (UnitedHealthcare); Delta Dental of California (Delta Dental Preferred Provider Organization (PPO); Delta Dental of California for DeltaCare USA (DeltaCare USA); SafeGuard Health Plans, Inc. (MetLife/SafeGuard); Metropolitan Life Insurance Company (MetLife); and Life Insurance of North America, a wholly owned subsidiary of New York Life; or their successors and affiliates, as necessary, for the period January 1, 2027 through December 31, 2027.

3. Instruct the Chair to sign the aforementioned agreements and/or amendments.

4. Approve the proposed premium rates for the health plans sponsored by the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS), the Los Angeles County Fire Fighters Local 1014 (Local 1014), and the proposed premium rates for the California Association of Professional Employees (CAPE), for the period January 1, 2027, through December 31, 2027, as shown in Exhibit V.

5. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 15, 2027.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

PURPOSE

The County maintains employee health, dental, group life and other insurance programs to provide benefits that promote the effectiveness, health, and welfare of its workforce. The current premium rates and/or agreements for all County and union-sponsored medical and dental insurance plans and Optional GVUL and Dependent Term Life insurance will end on December 31, 2026. The rates for Basic Life insurance, AD&D insurance, and Optional Group Term Life insurance for Choices and Options employees were previously approved, and are guaranteed through December 31, 2030.

The purpose of the recommendations contained in this letter is to implement negotiated agreements with carriers to continue existing medical and dental benefits, and to adopt changes for the 2027 calendar year.

JUSTIFICATION

Overall Premium Negotiation Process and Results:

County-Sponsored Plans in General --- The recommendations for County-sponsored plans (Exhibits I, II, III and IV) are the results of negotiations between the health, dental and life insurance carriers and the County negotiating team consisting of representatives of the Chief Executive Office (CEO), Department of Human Resources (DHR), and the County's group insurance consultant, Aon. The Unions' benefit consultants also provided input during the insurance carrier negotiation process for County-sponsored plans with benefits currently governed by the Fringe Benefits Memoranda of Understanding (MOUs) with Service Employees International Union Local 721 (SEIU Local 721) and the Coalition of County Unions (CCU).

Aon has concluded that the County-sponsored plans carriers' final negotiated overall rates are justified. Their opinion and supporting due diligence are outlined in Attachments A and B.

In general, County medical and dental plans are rated by carriers based on the cost of claims, claims trend, and administration costs. The annual rates also consider the health risk and the utilization of health care by County employees and their covered dependents.

The County-sponsored medical plan rates recommended in this letter will increase an average of 8.1 percent for Choices and Options employees and increase by 8.24 percent for Flex and MegaFlex employees, for an overall average increase of 8.17 percent over 2026 rates. For 2027, the rates for the County's Delta Dental PPO plan and DeltaCare USA plan, which covers most County's employees, will increase 0.62 percent for Choices and Options employees and increase 2.94 percent for Flex and MegaFlex employees. For 2027, the rates for MetLife (Safeguard) plan will increase 2.00 percent over 2026 for all plans. Overall, the County-sponsored dental plan rates will increase 1.01 percent over 2026 rates.

Aon's Health Care Trend Survey

The nationwide medical and pharmacy cost trend for 2027 is estimated by Aon to average an increase of 9.7 percent for medical and 12.3 percent for pharmacy. The nationwide dental cost trend for 2027 is estimated by Aon to average an increase of 3.7 to 4.9 percent, depending on the type of plan.

Aon's health care carrier survey collected responses from more than 45 national and regional carriers that offer medical, prescription drug, dental, and/or vision benefits. The survey responses reflect the carriers' predicted increase in claim costs for renewals issued during 2026 and are intended to assist in evaluating insurance premium renewals. The trend rates reflect increases in health plan costs that are anticipated to be required to address projected price inflation, technology advances, plan utilization patterns, drug mix changes, and cost shifting from public to commercial payers.

Medical trend increased relative to last year's trends reported for most major plan types, with 1.0 percent increase on average. Prescription drug trends increased 3.0 percent from last year, which is primarily driven by drug mix and specialty prescription drug trend among participating carriers.

County-Approved Union-Sponsored Plans --- The premium and benefit recommendations in Exhibit V for County-approved union-sponsored health plans were negotiated by the sponsoring unions and evaluated by the CEO and DHR.

Renewal Policy and Process --- In accordance with County policy, the County negotiating team requires all carriers to justify rates and support proposed contract terms for the upcoming plan year. The rate renewal process for 2027 (Attachments A and B) was designed to encourage full involvement and transparency among all County, union and carrier stakeholders. The process involved production of data by carriers as needed, identification, in-depth analysis, and evaluation of all material underwriting issues in carrier proposals, and documentation of due diligence and financial results. All parties complied with the process.

Overall Results --- Attachment C is a high-level summary of carrier negotiation results that compare the estimated actual total premiums from initial carrier premium quotes for 2027 with the final result after performance guarantee review, challenges to carrier underwriting, and negotiation. Total savings to the County from initial carrier proposals for 2027 will be $43 million.

Total 2027 premiums to be paid to health, dental, group life and other insurance plan carriers are

estimated to be $2.6 billion. Of this total, approximately $2.17 billion is for County-sponsored plans and $430 million for Union-sponsored plans. This is an increase of approximately $169 million (7.0 percent) over 2026.

Attachment C also reflects the percentage increase for each carrier by cafeteria plan and the total increase for County-sponsored health, dental, group life and other insurance programs. The increases in medical plan premiums estimated to be paid to health carriers during 2027, as shown on Attachment C, will range from 5.97 percent to 13.05 percent increase (8.17 percent increase weighted average). Basic Life Insurance rates and AD&D Insurance rates will remain unchanged for both represented and non-represented employees for 2027. For Choices and Options employees, Optional Life and Dependent Life Insurance rates will remain unchanged for 2027. Optional GVUL and Dependent Life rates for Flex and MegaFlex employees, and SIB rates for MegaFlex employees will also remain unchanged for 2027. The renewal for Optional GVUL and Dependent Term Life Insurance for Flex and MegaFlex employees, and SIB rates for MegaFlex employees, was offered at a six-year rate guarantee from January 1, 2027, through December 31, 2032.

The 2027 Delta PPO and DeltaCare USA rates, which cover the majority of employees, will increase approximately 1.54 percent for employees in the Options plan, will decrease 1.71 percent for employees in the Choices plan, and increase 2.94 percent for Flex and MegaFlex employees.

2027 Premium Rates Recommended for Approval:

Recommended Rates --- County and union-sponsored health, dental, group life and other insurance rates recommended for adoption are shown in Exhibits I through V. The rates support existing benefits consistent with the applicable Fringe Benefits MOUs and/or County Code provisions. The rates shown in these exhibits are the monthly prices that employees will pay from County cafeteria plan contributions after County subsidies are subtracted from negotiated premium rates paid to carriers. For this reason, percentage increases in premium rates to be charged to employees as shown in the Exhibits, in many cases, may differ from the negotiated increases in premium to be paid to carriers as noted in this letter and in Attachment C.

Union Concurrence

On July 08, 2026, and on July 30, 2026, by video conference, SEIU Local 721 and management representatives in the Labor-Management Benefits Administration Committee (BAC) voted unanimously to recommend the premium rates for the County-sponsored medical and dental plans applicable to employees in the Options plan.

On July 8, 2026, by video conference, the CCU and management representatives in the Labor-Management Employee Benefits Administration Committee (EBAC) voted unanimously to recommend the premium rates for the County-sponsored dental plans and Kaiser plan, applicable to employees in the Choices plan. The County and CCU did not reach consensus on the vote for premium rates for the County-sponsored Cigna medical plan, applicable to employees in the Choices plan.

The County’s position regarding Cigna has been provided in the enclosed letter from Aon in Attachment A, and is more fully described in the Facts and Provisions/Legal Requirements section below.

Impact of the Affordable Care Act (ACA)

In general, the ACA enacted reforms to provide affordable health insurance to uninsured Americans. The health coverage offered to County employees more than meets the standards of the ACA.

As required by the U.S. Department of Labor, the County will continue to deliver an informational notice about the health insurance marketplaces in the County's benefits enrollment packages.

The Patient-Centered Outcomes Research Institute (PCORI) fee is a temporary fee imposed on health insurers and self-funded group health plans. The PCORI fee has been extended through 2029 by the Further Consolidated Appropriations Act with final payments due in 2030. PCORI is an independent, non-profit research organization, established by the ACA, to fund research that helps patients, their caregivers, and clinicians make better-informed healthcare decisions by improving the quality and relevance of evidence available for various treatment and prevention options. The 2026 fee will be increased for inflation, as determined by the Department of Health and Human Services and will be payable in 2027.

Governor Gavin Newsom signed legislation to restructure California's Managed Care Organization (MCO) tax in response to new federal requirements governing Medicaid financing. The MCO tax is a funding mechanism that helps draw federal matching funds to support the Medi-Cal program and related healthcare investments. Under the revised structure, the tax burden will apply across Medi-Cal and commercial health plans to comply with federal rules that prohibit higher tax rates on Medicaid-focused plans. The State is seeking approval from the Centers for Medicare & Medicaid Services (CMS), which is required before the new tax can take effect. Aon has reached out to Anthem, Cigna, UnitedHealthcare, and Kaiser to determine the potential impact of the tax on the County's plans:

• Anthem has confirmed that the approval of the MCO Tax will not increase or decrease the 2027 rates.

• Cigna has confirmed that the approval of the MCO Tax will not increase the 2027 rates.

• Kaiser did not include the MCO Tax on the 2027 rates.

• United Healthcare (UHC) has confirmed the removal of the MCO tax in the 2027 rates.

If any ACA-related State or federal fees or taxes, including, but not limited to, the PCORI taxes or fees, are changed, reinstated, suspended or imposed in 2027 due to changes in State or federal law or regulation after the date of the Board's approval of this letter, the 2027 rates shown in the attached rate exhibits will be equitably adjusted between the carriers and the County.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the County of Los Angeles' Strategic Plan North Star 1 - Make Investments That Transform Lives – Focus Area Goal: Healthy Individuals and Families.

FISCAL IMPACT/FINANCING

Each cafeteria plan provides for a County contribution and, in most cases, an additional subsidy to

help pay the cost of insurance benefits. Employees pay for benefit costs that exceed the County contributions through payroll deductions.

For employees in the Choices and Options plans, the County contributions and subsidies to the cafeteria plans are determined through the collective bargaining process. The negotiated contribution and subsidy amounts currently in effect through the end of 2028 are set out in the 2026-2028 Fringe Benefits MOUs with CCU and SEIU. Any increase in 2027 premium costs for group insurance recommended herein will be borne entirely by the affected employees.

To preserve internal equity, similar treatment will be extended to Flex and MegaFlex employees.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The general facts concerning 2027 premium rates for County-sponsored plans affecting both represented and non-represented employees are outlined below. The details of each carriers' County-sponsored medical, dental, and other insurance plan proposal, and Aon's evaluation and opinion concerning their justifications and terms of offer, are provided in Attachments A and B.

MEDICAL PLAN RATES UNDER CHOICES AND OPTIONS

Cigna Rates for 2027:

Based on Aon's recommendation at the July EBAC meeting, the management EBAC committee members moved and voted unanimously in favor of "standard" rates for Cigna in 2027, where the Point of Service (POS) and two Health Maintenance Organization (HMO) plans' rates are blended together. Under the "standard" rates, the Cigna HMO Full Network (which is the most populous of the three offerings) will increase 12.48 percent with no plan design changes, the Cigna HMO Select Network will increase 12.38 percent with no plan design changes, and the Cigna POS plan will increase 12.75 percent with no plan design changes.

The CCU EBAC committee members voted unanimously in favor of "alternative" rates, where the percentage increase would vary by each of the Cigna plans for 2027. Under the "alternative" rates, the Cigna full network HMO plan will increase by 14.21 percent with no plan design changes, the HMO Select plan will increase by 8.94 percent with no plan design changes and the POS plan will increase by 12.75 percent with no plan design changes.

The overall weighted increase will be 12.45 percent regardless of which rating method is chosen. Both votes failed due to not reaching consensus on the rates. In instances where consensus is not reached, it becomes a decision for the Board of Supervisors (Board). In this case, the Board's determination regarding the Cigna pricing model is requested: "Standard," which is recommended by the County and its consultant, Aon, or "Alternative," which is recommended by CCU EBAC committee members.

County Management and Aon recommend that the Board adopt the 2027 negotiated "standard" contract rates for the Cigna HMO Full Network, HMO Select Network, and POS plans, as doing so would keep all plan rates more affordable for employees. The same difference of opinion occurred last year regarding which methodology to use for the 2026 Cigna plans' rates, where the County and CCU could not come to an accord on using blended rates ("standard") or varied ("alternative") rates. The Board approved the recommended blended rates for the Cigna plans for the 2026 plan year.

Additionally, Aon believes that the “alternative” rate approach is not supported as Cigna has historically rated their plans with a blended methodology which typically uses experience from all plans to develop the rates. However, over the last two years Cigna has proffered an alternative methodology which, instead used proprietary internal underwriting factors which would have resulted in higher premium increases to the full network HMO plan and could drive membership from the full network into the select network HMO, causing concern for the sustainability of the full network HMO plan.

Aon’s analysis and recommendation regarding the Cigna plans are provided within Attachment A. The rates for the Cigna plans in Exhibit I reflect the “standard” contract rates. If the Board so orders, the “standard” contract rates will be effective January 1, 2027, with an overall weighted increase of 12.45 percent.

Kaiser Rates for 2027:

Kaiser’s 2027 rates will increase 6.99 percent with no plan design changes for the Choices plan and 5.97 percent with no plan design changes for the Options plan. The final Kaiser renewal includes increasing the current $675,000 wellness budget to $1,000,000 across the Choices, Options, and Flex/MegaFlex plans. The 2027 rates include an upward premium adjustment of 1.5 percent that was applied pursuant to the two-way Risk Sharing Agreement (RSA) with Kaiser. The RSA enables the County to share in any savings based on their group’s performance on future renewals, while limiting its risk of deficits. The reconciliation of the 2024 plan year resulted in a deficit capped at 3.0 percent of 2024 premium collected. There was also a deficit carried forward from the prior reconciliation. Kaiser released the reconciliation of premiums, claims, and expenses associated with the plan for the 2025 plan year on August 15, 2026. Our actuary is reviewing the data provided. If the reconciliation results in any surpluses, they will be applied to the 2028 renewal rates to reduce the premium owed to Kaiser while shortfalls will increase the 2028 renewal rates.

UnitedHealthcare Benefit Plan Rates for 2027:

The 2027 negotiated contract rates for the UHC Signature Value HMO will increase 12.04 percent with no plan design changes. The UHC Harmony Network HMO will increase 15.29 percent with no plan design changes. The UHC PPO plan will increase 19.69 percent with no plan design changes. The total overall weighted increase for the UHC plans is 13.05 percent for 2027.

Aon certifies the 2027 rates for Cigna, Kaiser, and UnitedHealthcare as justified in Attachment A.

Union-Sponsored Benefits Plan Rates for 2027:

Premiums for County-approved union-sponsored plans will increase for 2027 by an average of 4.1 percent over 2026. The estimated increase in overall premiums paid to carriers in 2027, on behalf of the union-sponsored plans, is approximately $16.8 million. Proposed 2027 premium changes are summarized below:

1. ALADS Anthem Blue Cross plans, a 4.4 percent increase with the following plan design change:

• CaliforniaCare HMO
  o Increase the VSP Vision Retail Frame and Elective Contact Lens Allowance from $175 to $185 (In-Network)

• Prudent Buyer PPO
  o Increase the VSP Vision Retail Frame and Elective Contact Lens Allowance from $175 to $185 (In-Network)

2. CAPE Blue Shield plans, a 3.6 percent increase.

3. Local 1014 plan, a 4.3 percent increase, with the following plan updates received from Local 1014 on July 7, 2026:
• Lowering the annual deductible from $200/individual and $600/family to $0;
• Lowering the annual out of pocket max from $1,000-$1,500 to $0 in-network and $500 out-of-network;
• Changing from 10 percent after deductible to $0 in-network and $500 out-of-network for the following: ambulance, doctor office visit, hospital care, maternity, surgery, X-Ray & lab tests, behavioral/mental health outpatient, behavioral/mental health inpatient, chiropractic care, in-home health care, physical therapy, and skilled nursing facility;
• Changing the copay for emergency care from $50 to $0 in-network and $500 out-of-network.

The subsidized rates to be paid by employees enrolled in union-sponsored plans are summarized in Exhibit V. Union-sponsored plans' 2027 rates are documented in the Union request letters attached to Exhibit V.

DENTAL PLAN RATES FOR CHOICES AND OPTIONS

The recommended employee contribution rates for County-sponsored employee dental plans under Choices and Options are summarized in Exhibit I. The employee contribution rates shown for the Delta Dental PPO plan are Delta Dental's proposed rates for 2027, less current County subsidies included in the Fringe Benefits MOUs with CCU and SEIU Local 721. The rates for HMO-style dental plans (DeltaCare USA and MetLife/SafeGuard) are the negotiated rates.

The Delta Dental PPO rates will decrease 1.80 percent with no plan design changes for employees in the Choices plan and increase 1.50 percent with plan design changes for employees in the Options plan. Plan design changes for employees in the Options plan include increasing the orthodontia lifetime max from $1,200 to $1,500 and increasing the denture frequency from once every five years to once every two years. Delta Dental PPO's negotiated rates include 4.0 percent rate caps for both the Choices and the Options plans for 2028. Delta Dental PPO's negotiated rates also include 5.0 percent rate caps above the 2028 rates for both the Choices and the Options plans for 2029.

DeltaCare USA rates will increase 4.0 percent with no plan design changes for both Choices and Options for 2027. DeltaCare USA's negotiated rates include a 5.0 percent rate cap for 2028.

MetLife/SafeGuard contract rates will increase 2.00 percent with no plan design changes for both Choices and Options for 2027. MetLife/SafeGuard's negotiated contract rates include a 2.0 percent rate cap for 2028. Due to 2025 MetLife/SafeGuard's Performance Guarantee penalties, MetLife/SafeGuard's billed rates that employees pay will be 0.45 percent less than the contract rates for 2027.

Aon certifies the 2027 dental rates as justified in Attachment A.

OPTIONAL LIFE INSURANCE, DEPENDENT LIFE AND AD&D INSURANCE RATES UNDER CHOICES AND OPTIONS

AD&D and Optional Life and Dependent Life insurance rates for Choices and Options employees in 2027 will remain unchanged from 2026.

BASIC TERM LIFE INSURANCE AND LONG-TERM DISABILITY HEALTH INSURANCE FOR CHOICES, OPTIONS, AND FLEX EMPLOYEES

For 2027, Basic Term Life and LTD Health Insurance for employees in the Choices, Options and Flex plans will remain unchanged from 2026.

MEDICAL PLAN RATES UNDER FLEX AND MEGAFLEX

Employees who participate in the Flex and MegaFlex Benefit plans have a choice between Kaiser and four Anthem Blue Cross health plans: an HMO; a POS; a PPO; and a Catastrophic Plan.

Kaiser's 2027 rates will increase 11.29 percent from the 2026 rates for Flex and MegaFlex employees. The negotiated Kaiser rates for the Flex and MegaFlex plans include increasing the current $675,000 wellness budget to $1,000,000 across the Choices, Options, and Flex/MegaFlex plans. The negotiated Kaiser rates for the Flex and MegaFlex plans also include the addition of a hearing aid benefit of $5,000 per year ($10,000 total) every three years.

The 2027 negotiated contract rates for the Kaiser Mid-Atlantic plan, available to CEO employees working in the Washington, DC area, are community rated and will increase 8.00 percent with no plan design changes for 2027. There are currently three employees enrolled in this plan.

For 2027, the contract rates for the Anthem Blue Cross HMO and Anthem Blue Cross indemnity plans (POS, PPO and Catastrophic) will increase 6.10 percent from 2026, with the following vision plan design changes for the HMO, PPO, and POS:

• Change from Vision Service Plan (VSP) Signature Network to VSP Choice Network (all current in-network providers are included)

• Reset frequency for examination, frames, and lenses from every 12 months to each calendar year (resets each January 1)

•Decrease in-network retinal screening copay from $39 to $20

•Increase in-network retail frame allowance from $100 to $190

•Increase in-network featured frame brand allowance from $120 to $210

•Increase in-network Costco equivalent frame allowance from $70 to $115

•Increase in-network elective contact lenses allowance (in lieu of lenses or frames) from $100 to $190

•Increase out-of-network elective contact lenses allowance from $100 to $105

•Increase in-network anti-reflective lens coating copay from $37-$75 to $41-$85

•Increase in-network custom/premium progressives lens copay from $80-$160 to $95-$175

•Increase in-network lens scratch coating copay from $15 to $17

•Increase polycarbonate lenses copay from $33 to $35

•Discounted lens enhancements with average savings of up to 30 percent

Aon has reviewed the proposed increases and recommends that the County accept the final 2027 renewals offered by Anthem Blue Cross and Kaiser. See Attachment B for their review and opinion.

We recommend that the Board continue the historical County practice of funding the difference between the negotiated contract cost of these plans and the contribution paid by the employees. The recommended employee contribution rates for Flex and MegaFlex employees are summarized in Exhibit II.

DENTAL PLAN RATES UNDER FLEX AND MEGAFLEX

The recommended employee contribution rates for County-sponsored Flex and MegaFlex employee dental plans are summarized in Exhibit II. The Delta Dental PPO rates have been reduced by the County subsidies previously approved by the Board. The rates for HMO-style dental plans (DeltaCare USA and MetLife/SafeGuard) are the rates negotiated with the carriers.

The Delta Dental PPO rates will increase 2.93 percent with no plan design changes for 2027. Delta Dental PPO's negotiated rates include a 4.0 percent rate cap for 2028.

DeltaCare USA rates will increase 3.99 percent with no plan design changes for 2027. DeltaCare USA's negotiated rates include a 5.0 percent rate cap for 2028.

MetLife/SafeGuard contract rates will increase 2.00 percent with no plan design changes for 2027. MetLife/SafeGuard's negotiated contract rates include a 2.0 percent not to exceed rate cap for 2028. MetLife/SafeGuard's billed rates (the rates paid by employees), will be 0.46 percent less than the full renewal rates for 2027 due to missed performance guarantees in previous years.

Aon certifies the dental rates as justified in Attachment B.

OPTIONAL LIFE INSURANCE, DEPENDENT LIFE AND DISABILITY INSURANCE, SHORT TERM DISABILITY, AND LTD RATES UNDER FLEX AND MEGAFLEX

The 2027 GVUL Life Insurance and Dependent Term Life rates for Flex and MegaFlex employees and SIB rates for MegaFlex employees will remain unchanged from the 2026 rates.

AD&D Insurance rates and LTD rates for 2027 will also remain unchanged for Flex and MegaFlex employees. In addition, the STD rate for MegaFlex employees will remain unchanged.

All life insurance rates for Flex and MegaFlex employees are shown in Exhibit III. The disability rates for Flex and MegaFlex employees are shown in Exhibit IV.

Changes to the Minimum County Contribution under the MegaFlex Benefit Plan

Currently, non-represented employees covered by the MegaFlex Benefit Plan receive a County

contribution expressed as a percentage of salary, but not less than a minimum “floor” contribution of $1,300 per month. For 2027, we recommend that the minimum contribution be increased to $1,391 per month. The minimum floor contribution has not been changed since 2023 and as a result has not kept pace with annual benefit increases. This adjustment would be initially reflected on the impacted employees’ pay warrants issued on January 15, 2027.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

No impact on current services.

Respectfully submitted,

Joseph M. Nicchitta
Chief Executive Officer

JMN:JG:KLW:SRM
DC:TTP:rfm

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Human Resources
Aon
Coalition of County Unions
SEIU Local 721

COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR CHOICES AND OPTIONS PLAN EMPLOYEES
CURRENT 2026 RATES AND PROPOSED 2027 RATES

Plan	Option	Coverage Category[a]	Current 2026 Rates[b]	Proposed 2027 Rates[b]	Percentage Change
CIGNA Choices	Select Network HMO	1	$ 1,016.42	$ 1,143.42	12.5%
		2	$ 2,027.11	$ 2,281.08	12.5%
		3	$ 2,333.66	$ 2,622.82	12.4%
	Full Network HMO	1	$ 1,403.58	$ 1,579.93	12.6%
		2	$ 2,805.80	$ 3,159.04	12.6%
		3	$ 3,230.25	$ 3,633.70	12.5%
	Network POS	1	$ 2,522.41	$ 2,844.04	12.8%
		2	$ 4,491.09	$ 5,065.76	12.8%
		3	$ 4,711.67	$ 5,314.47	12.8%
CIGNA Options	Full Network HMO	1	$ 1,397.58	$ 1,573.93	12.6%
		2	$ 2,812.60	$ 3,165.84	12.6%
		3	$ 3,235.05	$ 3,638.50	12.5%
	Network POS	1	$ 2,516.41	$ 2,838.04	12.8%
		2	$ 4,497.89	$ 5,072.56	12.8%
		3	$ 4,716.47	$ 5,319.27	12.8%
KAISER Choices		1	$ 1,066.11	$ 1,140.59	7.0%
		2	$ 2,116.42	$ 2,265.38	7.0%
		3	$ 2,457.57	$ 2,630.37	7.0%
KAISER Options		1	$ 1,015.09	$ 1,076.01	6.0%
		2	$ 2,033.18	$ 2,155.02	6.0%
		3	$ 2,357.93	$ 2,499.26	6.0%
UNITEDHEALTHCARE Options	Signature Value HMO	1	$ 1,123.39	$1,259.35	12.1%
		2	$ 2,273.04	$2,547.76	12.1%
		3	$ 2,632.88	$2,951.17	12.1%
	Harmony HMO	1	$ 878.74	$ 1,014.04	15.4%
		2	$ 1,778.77	$ 2,052.14	15.4%
		3	$ 2,060.32	$ 2,377.06	15.4%
	PPO	1	$ 1,701.65	$ 2,037.91	19.8%
		2	$ 3,439.56	$ 4,118.64	19.7%
		3	$ 3,984.77	$ 4,771.60	19.7%

[a] 1 = Employee only
2 = Employee + 1 Dependent
3 = Employee + 2 or more Dependents

[b] Rates reflect current negotiated County subsidies for Options and Choices. Cigna, Kaiser, and UnitedHealthCare rates include current mandatory Federal healthcare reform taxes and fees.

COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR CHOICES AND OPTIONS PLAN EMPLOYEES
CURRENT 2026 RATES AND PROPOSED 2027 RATES

Plan	Option	Coverage Category[a]	Current 2026 Rates[b]	Proposed 2027 Rates[b]	Percentage Change
DELTA DENTAL[b]		1	$ 26.45	$ 25.60	-3.2%
Choices		2	$ 44.36	$ 42.91	-3.3%
		3	$ 66.67	$ 64.45	-3.3%
DELTA DENTAL[b]		1	$ 32.72	$ 33.52	2.4%
Options		2	$ 54.65	$ 56.01	2.5%
		3	$ 82.10	$ 84.18	2.5%
DELTACARE USA		1	$ 13.57	$ 14.11	4.0%
Choices & Options		2	$ 22.39	$ 23.29	4.0%
		3	$ 33.19	$ 34.52	4.0%
METLIFE/SAFEGUARD[c]		1	$ 10.33	$ 10.63	2.9%
Choices & Options		2	$ 20.07	$ 20.56	2.4%
		3	$ 26.12	$ 26.74	2.4%

[a] 1 = Employee only
2 = Employee + 1 Dependent
3 = Employee + 2 or more Dependents

[b] Delta Dental rates reflect negotiated County subsidies.

[c] MetLife/SafeGuard's 2027 renewal "billed" rates include a $0.08 reduction of the negotiated 2027 rates due to the County for missed 2025 performance results.

COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR FLEX AND MEGAFLEX EMPLOYEES
CURRENT 2026 RATES AND PROPOSED 2027 RATES

Plan	Option	Coverage Category[a]	Current 2026 Rates[b]	Proposed 2027 Rates[b]	Percentage Change
ANTHEM BLUE CROSS	CaliforniaCare HMO	1	$ 417.00	$ 453.00	8.6%
		2	$ 816.00	$ 887.00	8.7%
		3	$ 857.00	$ 931.00	8.6%
		4	$ 967.00	$ 1,051.00	8.7%
	PLUS POS	1	$ 628.00	$ 683.00	8.8%
		2	$ 1,267.00	$ 1,377.00	8.7%
		3	$ 1,425.00	$ 1,549.00	8.7%
		4	$ 1,443.00	$ 1,568.00	8.7%
	Catastrophic	1	$ 105.00	$ 105.00	0.0%
		2	$ 649.00	$ 705.00	8.6%
		3	$ 659.00	$ 716.00	8.6%
		4	$ 761.00	$ 827.00	8.7%
	Prudent Buyer PPO	1	$ 806.00	$ 876.00	8.7%
		2	$ 1,479.00	$ 1,607.00	8.7%
		3	$ 1,533.00	$ 1,666.00	8.7%
		4	$ 1,780.00	$ 1,935.00	8.7%
KAISER Flex/Megaflex		1	$ 417.00	$ 453.00	8.6%
		2	$ 816.00	$ 887.00	8.7%
		3	$ 857.00	$ 931.00	8.6%
		4	$ 967.00	$ 1,051.00	8.7%
KAISER - MID-ATLANTIC		1	$ 445.00	$ 484.00	8.8%
		2	$ 867.00	$ 942.00	8.7%
		3	$ 935.00	$ 1,016.00	8.7%
		4	$ 1,324.00	$ 1,439.00	8.7%
DELTA DENTAL Flex/Megaflex		1	$ 29.53	$ 31.01	5.0%
		2	$ 46.81	$ 49.58	5.9%
		3	$ 50.41	$ 53.07	5.3%
		4	$ 75.46	$ 79.47	5.3%
DELTACARE USA Flex/Megaflex		1	$ 13.57	$ 14.11	4.0%
		2	$ 23.46	$ 24.40	4.0%
		3	$ 23.28	$ 24.21	4.0%
		4	$ 33.81	$ 35.16	4.0%
METLIFE/SAFEGUARD[c] Flex/Megaflex		1	$ 10.33	$ 10.63	2.9%
		2	$ 19.48	$ 19.96	2.5%
		3	$ 21.98	$ 22.51	2.4%
		4	$ 28.74	$ 29.41	2.3%

[a] 1 = Employee only
2 = Employee + Child(ren)
3 = Employee + Spouse
4 = Employee + Spouse + Chil(ren)

[b] Rates, where applicable, are net of County subsidy; except that the premium charged to an employee whose benefits are subject to COBRA is the carrier quoted rate plus an administrative charge as prescribed by COBRA.
Anthem Blue Cross rates include the cost of the 360° health programs and the cost of the vision benefit for the HMO, POS, and PPO.
Anthem Blue Cross and Kaiser rates include current mandatory Federal healthcare reform taxes and fees.

[c] MetLife/SafeGuard's 2027 renewal "billed rates" include a $0.08 reduction of the negotiated 2027 rates due to the County for missed 2025 performance results.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS CURRENT 2026 RATES AND PROPOSED 2027 RATES

	Monthly Cost per $1,000 of Insurance	
	2026[a]	**2027**[a]
COUNTY-PAID BASIC GROUP TERM-LIFE INSURANCE	$0.221	$0.221

OPTIONAL GROUP TERM LIFE INSURANCE
FOR CHOICES AND OPTIONS EMPLOYEES

Employee: The monthly premium per $1,000 of insurance is based on the employee's age as shown in the following table:

Age	**2026**[a]	**2027**[a]
Less than 30	$0.0347	$0.0347
30-34	$0.0588	$0.0588
35-39	$0.0662	$0.0662
40-44	$0.0746	$0.0746
45-49	$0.1103	$0.1103
50-54	$0.1701	$0.1701
55-59	$0.3192	$0.3192
60-64	$0.4893	$0.4893
65-69	$0.6972	$0.6972
70 and over	$1.3419	$1.3419

Dependent Term Life Insurance:	**2026**	**2027**
Cost per month per $5,000 of coverage, no matter how many eligible dependents employee may have. Coverage is offered in increments of $5,000 up to $20,000. Dependent coverage cost is charged to the employee.	$0.8736	$0.8736

[a] The County subsidizes 15% of the monthly premium.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS CURRENT 2026 RATES AND PROPOSED 2027 RATES

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE - Cost per Month

Employee Coverage	Current 2026 Rates		Approved 2027 Rates	
	Employee Only	Employee & Dependents	Employee Only	Employee & Dependents
$ 10,000	$0.124	$0.238	$0.124	$0.238
$ 25,000	$0.310	$0.595	$0.310	$0.595
$ 50,000	$0.620	$1.190	$0.620	$1.190
$100,000	$1.240	$2.380	$1.240	$2.380
$150,000	$1.860	$3.570	$1.860	$3.570
$200,000	$2.480	$4.760	$2.480	$4.760
$250,000	$3.100	$5.950	$3.100	$5.950
$300,000	$3.720	$7.140	$3.720	$7.140
$350,000	$4.340	$8.330	$4.340	$8.330

These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.
The maximum insurance coverage amount for represented participants is $250,000.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS CURRENT 2026 RATES AND PROPOSED 2027 RATES

OPTIONAL GROUP VARIABLE UNIVERSAL LIFE INSURANCE FOR FLEX AND MEGAFLEX PARTICIPANTS

Employee: The monthly premium per $1,000 of insurance is based on the employee's age as shown in the following table:

Age	2027 Rate*	Age	2027 Rate*	Age	2027 Rate*
20-24	$0.037	57	$0.268	77**	$2.003
25-29	$0.045	58	$0.301	78**	$2.262
30-34	$0.054	59	$0.337	79**	$2.548
35-39	$0.055	60	$0.386	80**	$3.290
40	$0.063	61	$0.436	81**	$3.797
41-42	$0.064	62	$0.481	82**	$4.141
43	$0.071	63	$0.517	83**	$4.515
44	$0.081	64	$0.573	84**	$4.919
45	$0.090	65	$0.595	85**	$5.368
46	$0.099	66	$0.669	86**	$5.837
47	$0.106	67	$0.711	87**	$6.350
48	$0.125	68	$0.792	88**	$6.901
49	$0.133	69	$0.880	89**	$7.468
50	$0.142	70	$0.969	90**	$8.046
51	$0.160	71	$1.071	91**	$8.655
52	$0.168	72	$1.190	92**	$9.280
53	$0.185	73	$1.306	93**	$9.926
54	$0.203	74	$1.445	94**	$10.581
55	$0.230	75	$1.593		
56	$0.248	76**	$1.769		

* Employee cost for MegaFlex employees is half of actual premium. The County pays the other 50%.

** For employees age 76-94 who remain in County service and who now participate in the MetLife GVUL Plan, County will subsidize the difference between the employee's cost of coverage using the premiums for the employee's actual age and cost of coverage using age 75 rate.

LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT AND SURVIVOR INCOME BENEFIT PROGRAMS CURRENT 2026 RATES AND PROPOSED 2027 RATES

Dependent Term Life Insurance for Flex and MegaFlex Participants

	2027 Rate
Cost per month per $5,000 of dependent life coverage, up to $20,000.	$1.03

SURVIVOR INCOME BENEFIT - For MegaFlex participants enrolled in Retirement Plan E

Employee Age	**2027 Rates** Employee Cost* (10% Option)	(15% Option)	(25% Option)	(35% Option)	(50% Option)
Under 30	0.050%	0.080%	0.135%	0.185%	0.260%
30 to 34	0.070%	0.105%	0.170%	0.240%	0.345%
35 to 39	0.090%	0.135%	0.220%	0.315%	0.450%
40 to 44	0.125%	0.185%	0.315%	0.435%	0.620%
45 to 49	0.170%	0.250%	0.420%	0.585%	0.840%
50 to 54	0.220%	0.335%	0.555%	0.780%	1.110%
55 to 59	0.320%	0.480%	0.795%	1.125%	1.605%
60 to 64	0.435%	0.655%	1.090%	1.530%	2.185%
65 to 69	0.600%	0.900%	1.500%	2.100%	3.000%
70 and over	1.065%	1.600%	2.665%	3.730%	5.330%

* Employee cost for MegaFlex is half of the actual premium. The County pays the other 50%.

SHORT-TERM DISABILITY, LONG-TERM DISABILITY AND LONG-TERM DISABILITY HEALTH INSURANCE CURRENT 2026 RATES AND PROPOSED 2027 RATES

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

Current 2026 Rates			Proposed 2027 Rates		
Income Replacement	Waiting Period	Cost	Income Replacement	Waiting Period	Cost
70%	14 Days	0.000%	70%	14 Days	0.000%
100%*	7 Days	0.309%	100%*	7 Days	0.309%

* Reduced to 80% after 21 days

[a] Rates also apply to non-MegaFlex employees in Bargaining Unit 324

MEGAFLEX LONG-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

	Current 2026 Rates		Proposed 2027 Rates	
Income Replacement	Plan E + * Retirement Plan	All Other Plans	Plan E + * Retirement Plan	All Other Plans
40%	0.000%	0.056%	0.000%	0.056%
60%	0.125%	0.182%	0.125%	0.182%

* Plan E plus 5 or more years of continuous service

SHORT-TERM DISABILITY, LONG-TERM DISABILITY AND LONG-TERM DISABILITY HEALTH INSURANCE CURRENT 2026 RATES AND PROPOSED 2027 RATES

LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month

For Flex and MegaFlex Employees

Current 2026 Rate		Proposed 2027 Rate	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
$0.00	$4.75	$0.00	$4.75

For Choices and Options Employees

Current 2026 Rate		Proposed 2027 Rate	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
$0.00	$4.75	$0.00	$4.75

UNION-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
CURRENT 2026 RATES AND PROPOSED 2027 RATES

Plan	Option	Coverage Category[a]	Current 2026 Rates[b]	Proposed 2027 Rates[b]	Percentage Change
ALADS	Prudent Buyer Plan	1	$ 1,324.09	$ 1,424.23	7.6%
Blue Cross	Under Age 50	2	$ 2,573.90	$ 2,756.51	7.1%
		3	$ 3,078.63	$ 3,294.85	7.0%
	Prudent Buyer Plan	1	$ 1,324.09	$ 1,424.23	7.6%
	Age 50 and Over	2	$ 2,573.90	$ 2,756.51	7.1%
		3	$ 3,078.63	$ 3,294.85	7.0%
	CaliforniaCare	1	$ 1,013.15	$ 1,070.84	5.7%
	Basic Plan	2	$ 2,084.93	$ 2,158.73	3.5%
	(All Ages)	3	$ 2,505.54	$ 2,580.60	3.0%
	Prudent Buyer Plan	1	$ 1,350.54	$ 1,449.83	7.4%
	Premier Plan	2	$ 2,612.82	$ 2,799.42	7.1%
	Under Age 50	3	$ 3,139.86	$ 3,359.30	7.0%
	Prudent Buyer Plan	1	$ 1,350.54	$ 1,449.83	7.4%
	Premier Plan	2	$ 2,612.82	$ 2,799.42	7.1%
	Age 50 and Over	3	$ 3,139.86	$ 3,359.30	7.0%
	CaliforniaCare	1	$ 1,039.60	$ 1,096.44	5.5%
	Premier Plan	2	$ 2,123.85	$ 2,201.64	3.7%
	(All Ages)	3	$ 2,566.77	$ 2,645.05	3.0%
CAPE (Choices)	Classic	1	$ 2,292.71	$ 2,449.51	6.8%
Blue Shield		2	$ 4,432.96	$ 4,723.34	6.6%
		3	$ 5,266.34	$ 5,615.90	6.6%
	Lite	1	$ 1,017.88	$ 1,025.86	0.8%
		2	$ 1,987.92	$ 2,046.00	2.9%
		3	$ 2,457.52	$ 2,573.07	4.7%
	PPO	1	$ 2,292.71	$ 2,449.51	6.8%
	(Out-of-state only)	2	$ 4,432.96	$ 4,723.34	6.6%
		3	$ 5,266.34	$ 5,615.90	6.6%
CAPE (Options)	Classic	1	$ 2,286.71	$ 2,443.51	6.9%
Blue Shield		2	$ 4,439.76	$ 4,730.14	6.5%
		3	$ 5,271.14	$ 5,620.70	6.6%
	Lite	1	$ 1,011.88	$ 1,019.86	0.8%
		2	$ 1,994.72	$ 2,052.80	2.9%
		3	$ 2,462.32	$ 2,577.87	4.7%
	PPO	1	$ 2,286.71	$ 2,443.51	6.9%
	(Out-of-state only)	2	$ 4,439.76	$ 4,730.14	6.5%
		3	$ 5,271.14	$ 5,620.70	6.6%
FIREFIGHTERS LOCAL 1014		1	$ 1,168.00	$ 1,218.00	4.3%
		2	$ 2,211.20	$ 2,306.20	4.3%
		3	$ 2,632.20	$ 2,745.20	4.3%

[a] 1 = Employee only
2 = Employee + 1 Dependent
3 = Employee + 2 or more Dependents

[b] The 2027 rates reflect 2027 Choices subsidies.The 2026 rates reflect current 2026 negotiated County subsidies.

ENCLOSURES TO EXHIBIT V

1. Association for Los Angeles Deputy Sheriffs Request
2. California Association of Professional Employees Request
3. Los Angeles County Fire Fighters local 1014 request

ALADS Insurance Trust

9500 Topanga Canyon Blvd. Chatsworth, CA 91311
Tel (818) 678-0040 (800) 842-6635 Fax (818)678-0030

VIA U.S. MAIL AND E-MAIL: BKemper@hr.lacounty.gov

July 20, 2026

Ms. Lisa M. Garrett, Director of Personnel
County of Los Angeles
Hall of Administration, Room 579
500 West Temple Street
Los Angeles, California 90012

Attention: Mr. Ben Kemper, Senior Human Resources Manager
Employee Benefits Division
510 South Vermont Avenue, 12th Floor
Los Angeles, California 90020

RE: ALADS/ANTHEM BLUE CROSS 2027 HEALTHCARE PLAN PREMIUMS

Dear Mr. Kemper:

The following are the monthly premium rates for the ALADS Anthem Blue Cross Prudent Buyer and CaliforniaCare medical and dental plans for the 2027 plan year:

Plan	Employee	Employee + 1	Employee + 2
Prudent Buyer Basic	$1,424.23	$2,772.31	$3,310.65
Prudent Buyer Premier	$1,449.83	$2,815.22	$3,375.10
CaliforniaCare Basic	$1,070.84	$2,174.53	$2,596.40
CaliforniaCare Premier	$1,096.44	$2,217.44	$2,660.85

As previously communicated, the following are the plan change(s) for the ALADS Anthem Blue Cross Prudent Buyer and CaliforniaCare medical plans for the 2027 plan year:

- Increase the VSP Vision Retail Frame and Elective Contact Lens Allowance from $175 to **$185** (In-Network)

Please let me know if you have any questions

Sincerely,

Derek Hsieh
ALADS Trust Administrator

cc: Julieanna Garcia-Jimenez JGarcia-Jimenez@Hr.LACounty.gov

CAPE AFL-CIO
California Association of Professional Employees
Benefit Trust

August 25, 2026

Mr. Ben Kemper
County of Los Angeles, DHR – Employee Benefits Division
bkemper@hr.lacounty.gov

RE: **REVISED** 2027 RENEWAL – CAPE/BLUE SHIELD MEDICAL PLANS

The Trust was just informed by Blue Shield that they have decided to make an important change to their previous communication to the Trust regarding the California's Managed Care Organization (MCO) tax and the CAPE Trust 2027 renewal. They are now stating that they need Federal and CMS approval and regulatory guidance in order to implement the MCO tax at this time. As a result, Blue Shield will not include the anticipated $8.85 per member per month MCO tax in CAPE's 01/01/2027 renewal. If approvals and sufficient regulatory guidance are received, Blue Shield of CA has stated they will determine any necessary future pricing adjustments and communicate those updates as early as possible. They may retroactively adjust rates to recover applicable tax costs, including costs attributable to earlier periods in 2027 if final regulatory approval and guidance come after 01/01/2027. Any adjustment would be based on final regulatory guidance, timing and applicable contract terms. The way the current legislation reads, every insurance plan in CA is to be charged this tax if passed.

As a result, the Trust is requesting that the County allow the Trust to change the overall increase from 8.11% to 6.93%. The revised rates are listed below without any County subsidies included:

	LITE	CLASSIC
Single:	$1,025.86	$2,449.51
Two-Party:	$2,061.80	$4,739.14
Family:	$2,588.87	$5,631.70

The out-of-state COBRA PPO rates are the same as Classic. There are no other core benefit changes other than adding any mandated regulatory changes. We appreciate you forwarding the revised 2027 CAPE/Blue Shield medical plans' information to the Board of Supervisors for their timely approval. We also want to explore removing the Classic plan for 2028 since it is no longer competitive with only 102 members, and the Blue Shield decrement for doing this could help us sustain the affordability of our plans and perhaps help offset the MCO tax if necessary.

Sincerely,

Nelson Manabat

Nelson Manabat
Chairperson
CAPE Benefit Trust Board of Trustees

California Association of
Professional Employees
Benefit Trust

July 23, 2026

Sent via email
JGarcia-Jimenez@hr.lacounty.gov

Ben Kemper
Senior Human Resources
County of Los Angeles
Department of Human Resources, Employee Benefits Division

RE: 2027 RENEWAL - CAPE/BLUE SHIELD MEDICAL PLANS

Mr. Ben Kemper:

This letter is to advise you of the CAPE Benefit Trust Board of Trustees' approval of the renewal of Blue Shield's contracts for the year 2027 for the CAPE/Blue Shield Point of Service Lite, Classic and the out-of-state PPO COBRA medical plans. The average increase across all three tiers is 8.11% for the Lite, Classic and PPO COBRA plans. As requested in previous years since approximately 98% of our membership is in the Lite plan, we are requesting that the County list the Lite plan above the Classic in all the County's Annual Enrollment materials. These rates include the mandated SB125 MCO $8.85PMPM Tax, a 1.16 load on top of our best and final offer from Blue Shield of 6.95% effective 1/1/27. There was very little advanced warning on this tax. Will the County be factoring this in by increasing the employees' monthly contributions since this is a three-year tax.

The CAPE Trust attorney has reviewed the legislation and culled out that the legislative intent was to impose the tax on a health plan. The bill clearly imposes taxes on the organizations, not on the individuals covered by the organizations. Furthermore, there is no language in the bill authorizing MCOs to pass the tax onto its members. Absent this pass-through language, Blue Shield is improperly and unlawfully taxing individual members.

Furthermore, the tax takes effect on January 1, 2027, or the date of approval by the Center for Medicare and Medicaid Services ("CMS"), whichever is later. Accordingly, January is not a certain date of implementation but simply represents the earliest possible implementation date. This also assumes that CMS will approve the tax, which is not guaranteed. The approval will be a game of political theater, where any estimate as to the outcome is speculative at best. Given this uncertainty, passing along the cost to members and promising reimbursement on the backend is improper, and not how businesses respond to speculation. We are grateful that Blue Shield is also against this unfair tax, and hopefully using their influence to fight it.

Below are the 2027 CAPE Benefit Trust premiums:

	LITE	**CLASSIC**
Single:	$ 1,036.68	$ 2,476.37
Two-party:	$ 2,084.09	$ 4,791.49
Family:	$ 2,618.94	$ 5,694.24

The out-of-state COBRA PPO rates are the same as Classic. There are no other core benefit changes other than adding any mandated regulatory changes. We would appreciate your forwarding the 2027 CAPE/Blue Shield medical plans' information to the Board of Supervisors for their timely approval. We would also want to explore removing the Classic plan for 2028 since it is no longer competitive with only 102 members, and the Blue Shield decrement for doing this could help us sustain the affordability of our plans.

Sincerely,

Nelson Manabat

Nelson Manabat
Chairperson
CAPE Benefit Trust Board of Trustees

ENCLOSURE 3

LOS ANGELES COUNTY FIRE FIGHTERS
LOCAL 1014 HEALTH AND WELFARE PLAN
3460 FLETCHER AVENUE• EL MONTE, CALIFORNIA 91731
(310) 639-1014 (800) 660-1014 (within California)

HEALTH PLAN
Protecting Firefighters & Their Families... FOR LIFE

August 7, 2026

Mr. Ben Kemper
Department of Human Resources
Employee Benefits Division
510 S. Vermont Ave., 12th Floor
Los Angeles, CA 90020

Plan Year 2027 Employee Insurance Information
Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan

Dear Mr. Kemper:

Below you will find the plan year 2027 premium changes that were approved by the Board of Trustees.

After conferring with Mercer, the Plan's consultant, the Board of Trustees approved a 4.27% premium increase for 2027. Our monthly rates for 2027, rounded to the nearest dollar area as follows:

Member Only	$ 1,218.00
Member + 1 Dependent	$ 2,322.00
Family	$2,761.00

Should you have any questions, please contact feel free to contact me directly dmcintyre@local1014.org.

Sincerely,

Diana McIntyre, BSN, RN, PHN
President of Health Plan Operations

August 11, 2026

Mr. Ben Kemper
Senior HR Manager
County of Los Angeles
510 South Vermont Avenue, 12th Floor
Los Angeles, CA 90020

Delivered via email.

Subject: Summary of 2027 Renewal Results and Recommendations (Choices and Options Plans)

Dear Mr. Kemper:

The following letter summarizes the **2027** renewal proposals for medical, dental, life and accidental death & dismemberment (AD&D) plans offered to the Choices and Options employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process are outlined in the attached Addendum.

Renewal costs include the Patient-Centered Outreach Research Institute (PCORI) Fee imposed under the Affordable Care Act (ACA). The PCORI fees for the 2027 renewal had a minimal impact on the renewal. The PCORI fees increased the rates for each carrier as listed below:

- Kaiser's rates increased by approximately **0.04%**
- CIGNA rates increased by approximately **0.03%**
- UHC rates increased by approximately **0.03%**

Fees imposed under the Affordable Care Act (ACA) have changed over time. The Health Insurance Industry Fee was repealed effective January 1, 2021. The final payment for the PCORI fee was expected to be in 2020 however it was extended through 2029 with final payments due in 2030. The PCORI fee is $3.84 per covered life for 2025 and was $3.47 per covered life for 2024. The 2025 $3.84 fee will be increased for inflation for 2026, as determined by the Department of Health and Human Services (HHS) and payable in 2027.

Governor Gavin Newsom signed legislation to restructure California's Managed Care Organization (MCO) tax in response to new federal requirements governing Medicaid financing. The MCO tax is a funding mechanism that helps draw federal matching funds to support the Medi-Cal program and related healthcare investments. Under the revised structure, the tax burden will apply across Medi-Cal and commercial health plans to comply with federal rules that prohibit higher tax rates on Medicaid-focused plans. The state is seeking approval from the Centers for Medicare & Medicaid Services (CMS), which is required before the new tax can take effect. Aon has reached out to Cigna, UnitedHealthcare and Kaiser to determine the potential impact of the Tax on the County's plans:

- Cigna has confirmed that the approval of the MCO Tax will not increase the 2027 rates
- UHC included the MCO Tax in their initial renewal response but have since removed it and confirmed that if the MCO Tax is approved, it will not increase the 2027 rates

- Kaiser did not include the MCO Tax in their renewal response and has confirmed that if approved, it will not increase the 2027 rates

Delta Dental does not have an additional cost increase to account for the Managed Care Assessment Tax. For the MetLife dental plan, the additional cost increase to account for the Managed Care Assessment Tax is 0.90%.

Medical Plans

Overview

For all Choices and Options medical plans, the final premium increase for 2027 is **8.1%,** or about **$121.6 million** over 2026 premiums, projected based on January 2026 enrollment. The initial proposed renewal increase for the Choices and Options medical plans was **10.9%**. Negotiated reductions to the medical renewals and agreed upon plan design changes, equate to approximately **$41.1 million** in savings. For more details on final rate increases, please refer to Attachment C.

The 2027 renewals offered by Cigna, Kaiser Permanente, and UHC are outlined in the table below.

	Cigna (Choices & Options)	**Kaiser Permanente Choices**	**Kaiser Permanente Options**	**UHC Options**
Initial 2027 Renewal Action	17.66%	+6.96%	5.94%	+23.21%
Negotiated 2027 Renewal Action	+12.46%	+6.96%	+5.94%	+13.05%
Final 2027 Renewal Action after Plan Design Changes	+12.46%	+6.99%	+5.97%	+13.05%

A summary of key issues, proposal terms, and negotiation results are outlined by carrier on the following pages.

Cigna

Cigna initially proposed a **17.66%** increase to the combined HMO and POS rates for 2027, representing an increase over 2026 premiums of approximately **$7.5 million; $6.3 million** for Choices and **$1.2 million** for Options. Cigna had $52,020 in performance guarantee penalties for the 2025 plan year which will be credited to the Premium Stabilization Reserve (PSR) balance.

Renewal discussions with Cigna targeted the following issues:

- Medical and pharmacy trend methodology
- Demographic adjustment
- Additional margin for claims fluctuation

- Analysis of expense calculation
- High per member per month retention charges
- Increase in access fees
- Not-to-exceed rate caps for future years
- GLP-1 weight loss drug class coverage impact

The County's financial arrangement with Cigna provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the PSR, and any shortfall is withdrawn from the PSR, to the extent that funds are available. The PSR had grown to a significant level by 2008, and a premium subsidy was applied to the 2009 renewal. No subsidy was applied to the 2010 rates. As the claims experience deteriorated, the annual accounting resulted in a deficit, and the stabilization reserve was exhausted. Therefore, there has been no premium offset from the PSR for renewals from 2011 to 2026, and again there is no premium offset for 2027.The chart below summarizes the most recent five years of the PSR (updated based on annual reconciliations provided by Cigna). The reconciliation for 2025 experience was not available as of the writing of this letter.

	2020	**2021**	**2022**	**2023**	**2024**
Premium	$48,275,845	$46,308,873	$44,966,131	$43,744,829	$43,560,487
Year-end (PSR)	($5,789,470)	($4,545,309)	($3,429,563)	($4,369,455)	($4,435,884)
PSR % of Premium	-11.99%	-9.82%	-7.63%	-9.99%	-10.18%

Negotiations with Cigna resulted in a final overall **12.46%** increase (12.45% for Choices only). This amounts to an increase of approximately **$4.4 million** for Choices, and approximately **$0.9 million** for Options over projected 2026 costs, and negotiated savings of approximately **$2.2 million** from Cigna's original proposal.

While the 2027 increase is above general medical and pharmacy trend of 9.5%, considering recent claims experience, Aon believes Cigna has justified their overall renewal position and recommends the County accept the renewal rates.

During the renewal discussions regarding the Cigna plans offered to 1,415 Choices employees and 237 grandfathered Options employees as of January 2026, Cigna proposed two rate options that resulted in the same overall premium increase across all Cigna plans. The "standard" renewal approach, where all plans would receive the same blended percentage increase and an "alternative" renewal approach where the percentage increase would vary by plan. The rates for the alternative renewal approach are developed using Cigna's proprietary internal underwriting factors which deviate from Cigna's historical pricing methodology which uses the standard approach (where underwriting is based on all plans' experience). The alternative approach aims to lower the cost of the Select HMO Plan and raises concerns about the sustainability of the Broad HMO plan. County Management and Aon believe the standard renewal approach, which maintains the same methodology used for the 2026 renewal, allows for long-term stability of the Cigna plan offerings.

Key Underwriting Considerations:

- **Medical plans are designed to pool risk.** In a scenario where a member can select from multiple plan options (e.g., POS, Broad HMO, Select HMO), the claims cost across all plans is shared and the difference in premiums between plan options should be established based on actuarial factors that determine plan design differentials (i.e., deductibles, copays, coinsurance, etc.) and network efficiency (i.e., network size and in-network only vs. in/out-of-network plans).
    - Additional factors, in particular member age and illness burden, may also impact claim costs. However, it is not recommended to rate plans in a pool based on member age or illness burden if the desired outcome is plan stability. Historically, Cigna has relied on the standard approach with **flat percentage plan increases to promote plan stability**.
- **Minimizing migration risk.** Migration risk occurs when a significant number of members move between plan offerings with plan premium differentials that cannot be supported by plan design differentials or network efficiency.
    - When the premium costs of plans in a pool are established based on plan design differentials and network efficiency, it provides budget security (minimizes financial impact) to the County in the event that significant members move between plan offerings.
    - If the premium cost difference between available plans is greater than what can be supported by the plan design differential or network efficiency, claim costs for members with advanced age or greater illness burden moving into the Select HMO may exceed premium amounts. While this may provide short-term benefits for 2027, the County will likely be hit with a large increase in 2028 and beyond to make up for past shortfalls which would negatively impact the premium members pay.
        - Based on demographic information, we see that the average age for a member enrolled in the Select HMO is 7.1 years younger than the Broad HMO and 14.5 years younger than the POS plan. Due to the younger age of the group, the claims cost experience on the Select HMO plan is lower than the Broad HMO and POS plans.
        - The joint labor management committee requested additional information from Cigna around the proposed alternative methodology aimed at determining if increases for each plan were rooted in purely plan design differential and network efficiency without considering health burden or age distribution across each plan. Cigna declined to provide the requested information.
        - Moving members from the POS plan and Broad HMO to **the Select HMO, which may be priced beyond what's sustainable due to network efficiency, would likely result in a budget shortfall.** The County would pay the price of the shortfall in 2028. At the same time, the Broad Network HMO and POS plans would become more expensive, further eliminating viable choice for members.
- **Ensuring plan choice**. Using the alternative approach results in higher premium increases to the Broad HMO than under the standard approach. This could also drive

membership from the Broad HMO to the Select HMO as member payroll contributions will increase, **causing concern for the sustainability of the Broad HMO as well**.

		Negotiated 2027			
	Final 2026	**Alternative - CCU**	**$ Increase**	**Standard - County**	**$ Increase**
Cigna HMO					
Employee	$1,403.58	$1,604.20	**$200.62**	$1,579.93	**$176.35**
Employee + 1	$2,821.60	$3,223.56	**$401.96**	$3,174.84	**$353.24**
Employee + 2 or more	$3,246.05	$3,705.40	**$459.35**	$3,649.50	**$403.45**
Cigna POS					
Employee	$2,522.41	$2,844.04	$321.63	$2,844.04	$321.63
Employee + 1	$4,506.89	$5,081.56	$574.67	$5,081.56	$574.67
Employee + 2 or more	$4,727.47	$5,330.27	$602.80	$5,330.27	$602.80
Cigna Select HMO					
Employee	$1,016.42	$1,108.32	**$91.90**	$1,143.42	**$127.00**
Employee + 1	$2,042.91	$2,226.46	**$183.55**	$2,296.88	**$253.97**
Employee + 2 or more	$2,349.46	$2,557.95	**$208.49**	$2,638.62	**$289.16**

Continuing to use the standard approach and applying a flat increase percentage has been the historical approach given the reasons described above and because there have not been plan design changes (e.g., increasing copays, decreasing coinsurance, etc.) or evidence of changes to HMO network efficiency to justify rating the plans by different amounts. As explained above, while cross subsidization does occur between plans, it's done intentionally, based on the fundamentals of insurance and risk pooling, and responsibly to ensure sustainability.

Because of this, Aon supports the County's recommendation for the standard renewal approach where all plans receive the same blended increase percentage that is consistent across all three Cigna Plans. Employees and their family members with high care needs tend to select into the least restrictive plan, in terms of plan design (e.g., lower deductibles and copays) and network (broader choices via in-network and out-of-network) to enable choice when it's time for care decisions and provider access. The standard increase option helps keep member choice between plans more accessible. Further, Aon recommends consideration of a future request for proposal for all three Cigna plans (to include at least one network-only plan and at least one in/out-of-network plan) to ensure ongoing financial sustainability of the plans and as part of ongoing due diligence.

Kaiser Permanente

Kaiser Permanente's (Kaiser's) initial renewal proposal was a **6.96%** increase for the Choices plan, representing an increase from 2026 premiums of approximately **$17.0 million**. Kaiser's renewal proposal for Options was a **5.94%** increase, representing an increase from 2026 premiums of approximately **$48.7 million.** Combined, Kaiser's initial weighted renewal proposal for the Choices and Options population is a **6.17%** increase, representing an increase from 2026 premiums of approximately **$65.7 million**.

Kaiser had $463,095 in performance guarantee penalties, $356,788 from Options and $106,307 from Choices, from 2024 applied to the 2027 renewal.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Kaiser's rating methodology changes introduced for 2027 and operating margin assumptions
- Large claims pooling charge and pooling point
- Incurred claims adjustments
- Medical and pharmacy claims trend
- Demographic Adjustment Factor
- Administration fees and Retention charges
- GLP-1 weight loss drug class coverage impact

Aon worked closely with Kaiser on the 2027 renewal; the final renewal increase with no plan changes is 6.96% for Choices and 5.94% for Options above 2026 costs.

Choices and Options reviewed adding an additional $325,000 to the current $675,000 wellness budget to increase the total wellness budget to $1,000,000 starting in 2027 across the Choices, Options, and Flex/MegaFlex cafeteria plans. A change to the Kaiser Wellness Budget must be approved by the County, CCU and SEIU and unanimous approval was received by all parties. The wellness budget has not been increased in many years. The increase in budget was considered to combat inflation and continue to allow for impactful wellness events for County employees. The final renewal increase with the wellness budget increase to $1,000,000 is 6.99% for Choices and 5.97% for Options above 2026 costs, representing an increase of $68,913 to Choices and $232,443 to Options.

To mitigate variation in renewal rate actions, the County entered into a two-way Risk Sharing Arrangement (RSA) with Kaiser effective January 1, 2022. The two-way RSA enables the County to share in any savings based on their group's performance on future renewals, while limiting its risk of deficits. The reconciliation of the 2024 plan year resulted in a deficit capped at 3.0% of 2024 premium collected. There was also a deficit carryforward from the prior reconciliation. Per the RSA contract, a premium adjustment of +1.5% was applied to the 2027 renewal for the Choices and Options population. Kaiser will release the reconciliation of premiums, claims, and expenses associated with the plan for the 2025 plan year in August 2026. This information was not available as of the writing of this letter, however, there is no impact to the 2027 renewal. Future surpluses will be applied to future renewal rates to reduce the premium owed to Kaiser while future shortfalls will increase the future renewal rates.

The requested rate increase for the Kaiser Choices and Options plans is below market trend and Aon recommends that the County accept the renewal rates.

United Healthcare

UHC's initial renewal proposal was a **23.21%** overall increase representing a total increase of approximately **$89.5 million** over current premiums. The initial renewal was a **23.26%** increase for the Signature Value and Harmony HMO plans. The renewal for the PPO plan was a **19.69%** increase for 2027. Discussions with UHC targeted the following key areas:

- Medical & pharmacy claims trend
- Pooling charges
- Demographic adjustments
- Retention
- Changes in reserves
- Not-to-exceed rate caps for future years
- UHC business decisions around underwriting adjustments

- GLP-1 weight loss drug class coverage impact

Negotiations with UHC resulted in an 8.0% reduction on the Harmony HMO and an 11.2% reduction on the Signature Value HMO, totaling $39.2 million from the initial renewal and reflecting a revised distribution of the increase of 12.04% to the Signature Value HMO and 15.29% increase to the Harmony HMO. This was proposed to ease the increase from a dollar perspective on UHC members in the Signature Value HMO. UHC's final renewal was a combined weighted increase of 13.05% representing a total increase of $50.3 million over 2026. UHC had $400,000 in performance guarantee penalties from 2025 applied to the 2027 Signature Value and Harmony HMO renewals, split by enrollment.

The County's financial arrangement with UHC provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the PSR, and any shortfall is withdrawn from the PSR, to the extent that funds are available. UHC's 2025 year-end reconciliation resulted in no reduction to the 2027 renewal.

UHC's initial and negotiated 2027 increase is above general medical and pharmacy trend of 9.5%. Aon believes that UHC has not fully substantiated the magnitude of the initial and final proposed renewal increase. Nevertheless, following extensive negotiations with UHC's Executive, UHC has maintained its final position and will not provide additional opportunities for rate reduction for the 2027 plan year. UHC stated that further reducing the rate would threaten the County's long-term financial sustainability. Accordingly, Aon recommends the County accept the renewal rates.

Additionally, Aon asked UHC to quote a not-to-exceed rate for 2028 which UHC's Executive declined without providing an alternative not-to-exceed rate. Aon is disappointed by this position; however, an excessive not-to-exceed rate could encourage UHC to provide the 2028 renewal at the maximum not-to-exceed.

Further, Aon recommends consideration of a future request for proposal for all three UHC plans (to include at least one network-only plan and at least one in/out-of-network plan) to ensure ongoing financial sustainability of the plans and as part of ongoing due diligence.

Dental Plans

Delta Dental of California

Delta Dental of California's (Delta's) initial increase to the DPPO was **2.12%** for Choices and **4.29%** for Options. However, Delta was limited to increasing the PPO renewal to no greater than 4.00% for Options based on terms negotiated during the 2026 renewal. The 2027 DPPO not-to-exceed percentage increases applied for Options only because the Choices renewal was below the negotiated 2027 not-to-exceed percentage previously negotiated. Delta's initial increase to the DHMO was **13.57%** for Choices and Options; however, Delta was limited to increasing the DHMO renewal to no greater than 4.00% for Choices and Options based on terms negotiated during the 2026 renewal. Overall, with the not-to-exceed provisions, Delta initially proposed a combined **3.48%** increase to the rates for 2027, representing an increase over the 2026 premiums of approximately **$2,805,000:** an increase of **$488,000** for Choices and an increase of **$2,317,000** for Options.

Negotiations with Delta resulted in a concession to the Choices DPPO, reducing the increase from **2.12%** to **-1.80%** and concessions on the Options DPPO, reducing the increase from

4.00% to 0.00%. The Benefits Administration Committee (BAC) agreed upon plan design changes to the Delta Dental DPPO to increase the orthodontia lifetime maximum from $1,200 to $1,500 and to increase the frequency of denture coverage from every 5 years to every 2 years. This results in an increase of 1.50% from the negotiated increase of 0.00%, resulting in a final DPPO increase of 1.50% from 2026 premiums. Delta did not agree to any concessions that would lower the DHMO increase from the original offer of 4.00%. Combined negotiations with Delta on all plans resulted in total savings of **$2,303,000** over the initial renewal position after plan design changes.

Overall, the final combined results are an increase of **0.62%** or an increase of approximately **$501,000** from the 2026 rates. Delta offered Choices a **4.0%** not-to-exceed renewal for the DPPO and a **5.0%** not-to-exceed renewal for the DHMO for the 2028 plan year. Additionally, Delta offered Choices a not-to-exceed renewal of 5.0% to the DPPO for 2029. Delta offered Options a **4.0%** not-to-exceed renewal for the DPPO and a **5.0%** not-to-exceed renewal for the DHMO for the 2028 plan year. Additionally, Delta offered Options a not-to-exceed renewal of 5.0% to the DPPO for 2029.

The County's financial arrangement with Delta provides for a year-end reconciliation of premiums, claims, reserves for incurred but unreported claims, and expenses associated with the plan. Surpluses are deposited to the Premium Stabilization Reserve (PSR), and any shortfall is withdrawn from the PSR, to the extent that funds are available. After the end of each contract term, Delta Dental calculates any positive amount ("plus stabilization") which may be reflected in the calculation of the renewal rate for the succeeding contract term, and which may be used as a monthly premium holiday for the succeeding contract term and/or may be used to offset the additional cost of increased benefits for the succeeding contract term. Aon recommends that the PSR balance be maintained at 1-1.5 months of premium to cover incurred but not reported claims. Options subsidized the renewal contract rate by 3% in 2021 and 6% for 2020 by withdrawing from the PSR balance. Due to COVID, the DPPO plan experienced reduced utilization and the PSR balance increased for both Options and Choices. In 2022, the Choices plan subsidized approximately $4.7 million for a three-month premium holiday, and the Options plan subsidized approximately $4.3 million for a one-month premium holiday. There were no premium holidays for 2023 through 2026 and no proposed premium holidays for 2027.

The Delta DHMO had no missed performance guarantee penalties in 2025. The Delta PPO has missed performance guarantee penalties of $10,070 for Choices and $27,527 for Options in 2025. The payments will be applied to each respective group's PSR. Aon recommends the County accept the revised Delta renewal for Choices and for Options for the DPPO and DHMO.

MetLife (Safeguard) Prepaid Dental

MetLife (Safeguard) initially calculated a 15.21% increase but was limited to the not-to-exceed limit negotiated in the 2026 renewal of a **2.00%** increase to the 2027 rates, representing a $14,280 change over the 2026 premiums. MetLife did not agree to any concessions to the increase from the original offer of 2.00%. The County and MetLife agreed to a not-to-exceed renewal increase of **2.0%** for 2028 during the 2026 renewal.

Due to 2025 performance guarantee penalties of $1,081 for Choices and of $2,228 for Options, MetLife's (Safeguard's) billed rates will be 0.45% less than the full renewal contract rates for 2027.

Life and AD&D

Life Insurance of North America, a wholly owned subsidiary of New York Life (New York Life)

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. There was no surplus from 2020 through 2025. The results for 2026 will be available in 2027. These results do not impact the 2027 rates.

The current five-year rate guarantee is set from January 1, 2026, through December 31, 2030. There are no changes to any plan designs.

If you have any questions about the above information, please give me a call at 503-306-2838 to discuss.

Sincerely,

Anne E. Thompson
Senior Vice President
Aon, Los Angeles

CC:

Maggie Martinez– County of Los Angeles
Keisha Lakey-Wright – County of Los Angeles
Susan Moomjean – County of Los Angeles
Jennifer Paterno – County of Los Angeles
Daniel Cho – County of Los Angeles
Thien-Thu Pham – County of Los Angeles
Sandra Santana – County of Los Angeles
John Quach – County of Los Angeles
Mingming Li – County of Los Angeles

Chloe Bancroft (Watson) – Aon
Stephanie Chow – Aon
Dylan Tollett – Aon
Brett Benson - Aon

Addendum

Process

The renewal request, analysis, and negotiations are multi-step processes, conducted over a period of several months. Requests for Renewal (RFRs) are drafted and reviewed by the Aon and County stakeholders, which includes the unions and their respective benefits consultants.

The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer of the bidding carrier with the authority to bind the carrier
- Questionnaire targeting key County objectives and issues, including rate development, utilization, and legislative issues such as health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development, and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to Aon who reviews the materials for reasonableness, accuracy and completeness. Aon then releases the responses to all stakeholders at the same time. Following a review and analysis period, Aon meets with the County, the Unions and their respective consultants to solicit input and comments on the renewal proposals. The comments and inputs are summarized and communicated to the various carriers. Conference calls and meetings are held between Aon and the County stakeholders as needed to discuss the renewal results, negotiation process, and any open issues.

Responses from the carriers are due prior to the renewal meetings and the responses are delivered to all stakeholders concurrently following Aon's review for reasonableness, accuracy, and completeness. Final issues are reviewed in preparation for the renewal meetings.

The joint labor management committees identify which carriers to meet with for renewal negotiations. Carrier negotiation discussions are done in Executive (Closed) session to preserve confidentiality. Attendees include representatives from the County of Los Angeles DHR and CEO offices, Union consultants, BAC and Employee Benefits Administration Committee (EBAC) committees, and Aon, as well as the carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues, requests for reduced rates (when justified) and not-to-exceed rate caps for subsequent years are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to Aon, who upon their review for reasonableness, accuracy, and completeness will deliver concurrently to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented its final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

After finishing negotiations, BAC and EBAC committees will vote on each plan's renewal individually to approve. If applicable, potential plan design changes will also be voted on to approve.

AON

August 11, 2026

Mr. Ben Kemper
Senior HR Manager
County of Los Angeles
510 South Vermont Avenue, 12th Floor
Los Angeles, CA 90020

Delivered via email

Subject: Summary of 2027 Renewal Results and Recommendations (Flex and MegaFlex Plans)

Dear Mr. Kemper:

The following letter summarizes the 2027 renewal proposals for medical, dental, life, survivor income benefit (SIB) and accidental death & dismemberment (AD&D) plans offered to the Flex and MegaFlex employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process are outlined in the attached Addendum.

Renewal costs include the Patient-Centered Outreach Research Institute (PCORI) Fee imposed under the Affordable Care Act (ACA). The PCORI fees for the 2027 renewal had a minimal impact on the renewal. The PCORI fees increased the rates for each carrier as listed below:

- Kaiser's rates increased by approximately 0.04%
- The Anthem minimum premium funding arrangement is treated as a self-insured plan according to IRS guidelines. The PCORI fee is paid directly by the County.

Fees imposed under the Affordable Care Act (ACA) have changed over time. The Health Insurer Fee was repealed effective January 1, 2021. The final payment for the PCORI fee was expected to be in 2020; however, it was extended through 2029 with final payments due in 2030. The PCORI fee was $3.84 per covered life for 2025 and was $3.47 for 2024. The 2025 $3.84 fee will be increased for inflation for 2026, as determined by the Department of Health and Human Services (HHS) and payable in 2027.

Governor Gavin Newsom signed legislation to restructure California's Managed Care Organization (MCO) tax in response to new federal requirements governing Medicaid financing. The MCO tax is a funding mechanism that helps draw federal matching funds to support the Medi-Cal program and related healthcare investments. Under the revised structure, the tax burden will apply across Medi-Cal and commercial health plans to comply with federal rules that prohibit higher tax rates on Medicaid-focused plans. The state is seeking approval from the Centers for Medicare & Medicaid Services (CMS), which is required before the new tax can take effect. Aon has reached out to Anthem and Kaiser to determine the potential impact of the Tax on the County's plans:

- Anthem has confirmed that the approval of the MCO Tax will not increase or decrease the 2027 rates
- Kaiser did not include the MCO Tax in their renewal response and has confirmed that if approved, it will not increase the 2027 rates

Delta Dental does not have an additional cost increase to account for the Managed Care Assessment Tax. For the MetLife dental plan, the additional cost increase to account for the Managed Care Assessment Tax is 0.90%.

Medical Plans

Overview

For all Flex and MegaFlex medical plans, the final premium for 2027 is an increase of **8.24%**, which is approximately **$29.5 million** above 2026 premiums projected based on January 2026 enrollment. The initial proposed renewal increase for the Flex and MegaFlex medical plans was **8.08%**. The final increase to the medical renewals, including plan adjustments, equate to approximately **$0.6 million.** For more details on final rate increases, please refer to Attachment C.

A summary of key issues, renewal proposal terms and negotiation results are outlined by carrier on the following pages.

	Anthem Blue Cross	Kaiser Permanente
Initial 2027 Renewal Action	**+6.12%**	**+10.85%**
Negotiated 2027 Renewal Action	**+6.12%**	**+10.85%**
Negotiated 2027 Renewal Action after Plan Design Changes	**+6.10%**	**+11.29%**

Anthem Blue Cross

The Anthem Blue Cross (Anthem) program is a minimum premium arrangement, where expected and maximum liability costs are projected based on prior claims experience and the fixed costs associated with administration of the plan. The expected liability costs for Anthem are the basis for the renewals outlined in this letter. Anthem's initial renewal proposal was a **6.12%** increase across all plans, or about **$12.9 million** over projected 2026 costs. All plans include specific stop loss of $400,000 per individual. Aggregate stop loss continues at 110% of projected claims for all Anthem lines of coverage.

Renewal discussions with Anthem targeted the following key areas:

- Retention increase
- Pooling charges
- Medical and pharmacy trends by product
- Capitation rates
- Pharmacy rebates
- Paid claims experience and large claims
- Not-to-exceed rate caps for future years

Additionally, plan design enhancements and a network modification (with no reduction in in-network providers) were agreed upon for Vision, affecting the rates of all Anthem plans, except for the Catastrophic PPO plan which does not cover vision. These plan design enhancements and network

modification reduced the overall Anthem increase by 0.02%. The final renewal resulted in an overall increase of **6.10%** across all plans and a reduction of approximately **$47,300** from the initial renewal.

Anthem's 2025 performance guarantee report was not available as of the writing of this letter. However, there is no impact to the 2027 renewal.

Vision benefits for the Anthem HMO, POS and PPO plans are offered on a non-participating, fully insured basis through an arrangement between Anthem and VSP. There is also a portion of the vision benefit (coverage for laser eye surgery) that is self-insured by the County. The vision premium is guaranteed for 48 months from 1/1/2027 through 12/31/2030. The cost of the vision program is included in the Anthem renewals described above.

Anthem's final renewal rate increase proposal is **6.10%.** The renewal is slightly below medical trend, and Aon recommends accepting this renewal.

Kaiser Permanente and Kaiser Permanente Mid-Atlantic

Kaiser Permanente's (Kaiser's) initial renewal proposal was a **10.86%** increase or about **$16.1 million** above projected 2026 costs for the Flex and MegaFlex plans. The Kaiser Mid-Atlantic renewal proposal is an 8.0**5%** increase, or $4,000 over 2026.

Kaiser applied a credit of $64,354 to the 2027 renewal as a result of missed performance guarantees in 2024.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Kaiser's rating methodology changes introduced for 2027 and operating margin assumptions
- Large claims pooling charge and pooling point
- Incurred claims adjustment
- Medical and pharmacy claims trend
- Demographic adjustment factor
- Administration fees and retention charges
- GLP-1 coverage impact
- Not-to-exceed caps for future years

Flex/MegaFlex reviewed adding an additional $325,000 to the current $675,000 wellness budget to increase the total wellness budget to $1,000,000 across the Choices, Options, and Flex/MegaFlex cafeteria plans. A change to the Kaiser Wellness Budget must be approved by the County, CCU and SEIU and a unanimous approval was received by all parties. The wellness budget has not been increased in many years. The increase in budget was considered to combat inflation and continue to allow for impactful wellness events for County employees. Additionally, Flex/MegaFlex evaluated adding a hearing aid rider that brings the Kaiser California plan design into parity with the Anthem plan design. The final renewal increase with the wellness budget increase and the hearing aid rider is 11.29%, or **$16.7 million**, above 2026 costs.

To mitigate variation in renewal rate actions, the County entered into a two-way Risk Sharing Agreement (RSA) with Kaiser effective January 1, 2022. The two-way RSA enables the County to share in any savings based on the group's performance on future renewals, while limiting its risk of deficits. The

reconciliation of the 2024 plan year resulted in a deficit of 0.17% of 2024 premium collected. There was no deficit carryforward from the prior 2023 reconciliation. Per the RSA contract, a premium adjustment of +0.14%% was applied to the 2027 renewal for the Flex and MegaFlex population. Kaiser will release the reconciliation of premiums, claims and expenses associated with the plan for the 2025 plan year in August 2026. This information was not available as of the writing of this letter however, there is no impact to the 2027 renewal. Future surpluses will be applied to future renewal rates to reduce the premium owed to Kaiser while future shortfalls will increase the future renewal rates.

Kaiser's renewal rate increase proposal is **11.29% which includes the additional wellness budget and added hearing aid rider for the Kaiser California population.** The renewal is above medical trend; however, Aon recommends accepting this renewal.

Dental Plans

Delta Dental of California

Delta Dental of California (Delta) initially proposed a **4.00%** increase to the rates for 2027, representing an increase over 2026 premiums of approximately **$640,000**. By plan, this is a **4.00%** increase to the DPPO and a **4.00%** increase to the DHMO. Note, the initial quoted increase to the DPPO was 5.45% and the initial quoted DHMO increase was 13.57% however, Delta's initial DPPO and DHMO offers were limited to the 2027 not-to-exceed rate caps of 4.0% for both the DPPO and DHMO.

Negotiations with Delta resulted in a **2.94%** increase, representing a total savings of **$170,000** over the initial renewal position. The DPPO was reduced to a **2.93%** increase. Delta did not agree to any concessions that would lower the DHMO increase from the original offer of 4.00%. For the DPPO, Delta offered a 4.0% not-to-exceed rate guarantee for the 2028 plan year; for the DHMO, Delta offered a **5.0%** not-to-exceed rate guarantee for the 2028 plan year. Additionally, Delta offered Flex/MegaFlex a not-to-exceed renewal of 5.0% to the DPPO for 2029.

The County's financial arrangement with Delta provides for a year-end reconciliation of premiums, claims, reserves for incurred but unreported claims, and expenses associated with the plan. Surpluses are deposited to the Premium Stabilization Reserve (PSR), and any shortfall is withdrawn from the PSR, to the extent that funds are available. After the end of each contract term, Delta calculates any positive amount ("plus stabilization") which may be reflected in the calculation of the renewal rate for the succeeding contract term, may be used as a monthly premium holiday for the succeeding contract term and/or may be used to offset the additional cost of increased benefits for the succeeding contract term. Aon recommends that the PSR balance be maintained at 1-1.5 months of premium to cover incurred but not reported claims. There is not a proposed premium holiday for 2027.

The Delta DHMO had no missed performance guarantee penalties in 2025. The Delta DPPO had a missed performance metric that resulted in a payment of $7,345. The payment will be applied to the PSR.

Aon recommends the County accept the revised Delta 2027 renewal for the Flex and MegaFlex plans.

MetLife (Safeguard) Prepaid Dental

MetLife (Safeguard) initially calculated a 15.21% increase but was limited to the not-to-exceed limit negotiated in the 2026 renewal of a **2.00%** increase from the 2026 rates, representing a $2,000 increase over the 2026 premiums.

MetLife did not agree to any concessions to the increase from the original offer of 2.00%. The County and MetLife agreed to a **2.00%** not-to-exceed rate guarantee for 2028 during the 2026 renewal.

Due to 2025 performance guarantee penalties of $505 for Flex and MegaFlex, MetLife's (Safeguard's) billed rates will be 0.46% less than the Contract renewal rates for 2027.

Life and AD&D

Life Insurance of North America, a wholly owned subsidiary of New York Life (New York Life)

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. There was no surplus available from 2020 through 2025. The results for 2026 will be available in 2027. These results do not impact the 2027 rates.

The current five-year rate guarantee is set from January 1, 2026, through December 31, 2030. There are no changes to any plan designs.

MetLife GVUL

MetLife GVUL offered to extend all current 2026 rates for 2027 for supplemental life insurance, dependent life and SIB rates. MetLife offered a rate guarantee for 60 months from January 1, 2027 through December 31, 2032.

If you have any questions about the above information, please give me a call at 503-306-2838 to discuss.

Sincerely,

Anne E. Thompson
Senior Vice President
Aon, Los Angeles

CC:

Maggie Martinez– County of Los Angeles
Keisha Lakey-Wright – County of Los Angeles
Susan Moomjean – County of Los Angeles
Jennifer Paterno – County of Los Angeles
Daniel Cho – County of Los Angeles
Thien-Thu Pham – County of Los Angeles
Sandra Santana – County of Los Angeles
John Quach – County of Los Angeles
Mingming Li – County of Los Angeles
Stephanie Chow – Aon
Chloe Bancroft (Watson) – Aon
Dylan Tollett – Aon
Brett Benson - Aon

Addendum

Process

The renewal request, analysis and negotiation are multi-step processes, conducted over a period of several months. A planning meeting with the County begins the process in which objectives for the following plan year are established. This process was conducted by the County and Aon.

Based on the planning meeting discussions, a Request for Renewal (RFR) was drafted. The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer of the bidding carrier with the authority to bind their proposal
- Questionnaire targeting key County objectives and issues, including rate development, utilization, and federal and state legislative issues
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to Aon who reviews the materials for reasonableness, accuracy and completeness. Aon then releases the responses to all stakeholders at the same time. Following a review and analysis period, Aon solicits input and comments from the County, and their comments are incorporated into the communications to the various carriers. Conference calls and meetings are held between Aon and the County as needed to discuss the renewal results, negotiation process and any open issues.

Responses to the communications are due from the carriers prior to the renewal meetings. After Aon's review for reasonableness, accuracy and completeness, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.

The committee identifies which carriers to meet with for renewal negotiations. Attendees include representatives from the County of Los Angeles DHR and CEOs' offices, Aon, and carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues, requests for reduced rates, and not-to-exceed rate caps for subsequent years (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to Aon, who upon their review for reasonableness, accuracy and completeness will deliver to all stakeholders concurrently.

The review and negotiation process continues until all open issues are resolved or the carrier has presented its final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

County of Los Angeles
2027 Renewal Results

	2026 Current Plan	2027 Initial Renewal Current Plan	2027 Negotiated Renewal After Plan Design Changes	% Change from 2026	Negotiated After Plan Design (Savings)
Flex and MegaFlex					
Kaiser & Kaiser Mid-Atlantic	$148,018,606	$164,085,726	**$164,731,372**	**11.29%**	$645,646
Anthem[1]	$210,345,177	$223,223,870	**$223,176,530**	**6.10%**	($47,340)
Options					
Kaiser	$820,156,199	$868,854,915	**$869,087,358**	**5.97%**	$232,443
Cigna	$7,091,207	$8,346,019	**$7,976,609**	**12.49%**	($369,410)
UnitedHealthcare	$385,707,327	$475,216,363	**$436,038,146**	**13.05%**	($39,178,217)
Choices					
Kaiser	$244,095,228	$261,079,546	**$261,148,459**	**6.99%**	$68,913
Cigna	$35,435,526	$41,698,988	**$39,847,400**	**12.45%**	($1,851,588)
Total Medical[2]	$1,850,849,270	$2,042,505,427	**$2,002,005,874**	**8.17%**	($40,499,553)
Delta PPO & DeltaCare HMO[2]					
Flex and MegaFlex	$16,004,132	$16,644,617	**$16,474,761**	**2.94%**	($169,856)
Options	$57,904,981	$60,221,787	**$58,794,034**	**1.54%**	($1,427,753)
Choices	$22,701,491	$23,189,398	**$22,313,688**	**-1.71%**	($875,710)
MetLife/Safeguard[2]					
Flex and MegaFlex	$107,821	$109,976	**$109,976**	**2.00%**	$0
Options	$470,868	$480,289	**$480,289**	**2.00%**	$0
Choices	$242,503	$247,362	**$247,362**	**2.00%**	$0
Total Dental[2]	$97,431,796	$100,893,429	**$98,420,110**	**1.01%**	($2,473,319)
New York Life Basic Life	$1,327,240	$1,327,240	$1,327,240	**0.00%**	$0
New York Life AD&D	$5,226,356	$5,226,356	$5,226,356	**0.00%**	$0
New York Life Optional Employee Life	$58,632,766	$58,632,766	$58,632,766	**0.00%**	$0
New York Life Dependent Life	$1,783,515	$1,783,515	$1,783,515	**0.00%**	$0
Total Life & AD&D[3]	$66,969,877	$66,969,877	**$66,969,877**	**0.00%**	$0
TOTAL[4]	$2,015,250,943	$2,210,368,733	**$2,167,395,861**	**7.55%**	($42,972,872)

Footnotes:
1. Anthem rates are calculated based on an expected premium basis
2. Medical & dental premiums are calculated using January 2026 enrollment to project estimated annual cost
3. Life & AD&D premiums are calculated using July 2026 premium payments to project estimated annual cost and under a rate guarantee
4. Underlying rates are rounded to two decimal places