



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Submitted on:**  
**(COB Stamp)**

**Department Name:** Human Resources  
**Department No.:** 064  
**Agenda Date:** September 23, 2025  
**Placement:** Administrative Agenda  
**Estimated Time:**  
**Continued Item:** No  
**If Yes, date from:** <Insert Date>  
**Vote Required:** 4/5

**TO:** Board of Supervisors  
**FROM:** Department Director(s): Kristine Schmidt, Human Resources Director  
Contact: Katie Torres, Benefits and Wellness Division Chief  
**SUBJECT:** Employee Benefit Insurance Program Renewals for Calendar Year 2026

DocuSigned by:  
*Yvonne Torres*  
Assistant HR Director  
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**County Counsel Concurrence**

As to form: Yes

**Other Concurrence:** CEO Budget

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Approve the following 2026 employee benefit insurance program renewals, each for 12-month period beginning January 1, 2026:
  - i) PRISM Health Blue Shield Health Plans  
Renewal of the Public Risk Innovation, Solutions, and Management (PRISM) Blue Shield Tandem Narrow Network, Blue Shield Exclusive Provider Organization (EPO) High, Blue Shield EPO Low, Preferred Provider Organization (PPO), and High-Deductible Health Plan (HDHP) at the existing benefit levels with a 13.92% premium increase for all active employees and retirees;
  - ii) Kaiser Permanente HMO Health Plans  
Renewal of the Kaiser Permanente High and Low Health Maintenance Organization (HMO) plans for active employees and early retirees at the existing benefit levels with a 13.92% increase in premiums, and renewal of the Kaiser Senior Advantage Plans for all Medicare-eligible retirees at the existing benefit levels, with a 9.8 % increase in premiums;
  - iii) Retiree United Healthcare Medicare Risk HMO Health Plans

Renewal of the United Healthcare Medicare Advantage Plans for retirees, with a change from the current Medicare HMO Advantage Plan to a Medicare PPO Advantage Plan with a 33.78% increase for the Low Plan and a 27.02% increase for the High Plan;

iv) County Self-Funded Delta Dental PPO Plan

Renewal of the County's self-funded Delta Dental Preferred Provider Organization (PPO) Plan at existing benefit levels, except removing the congenitally missing tooth exclusion, and with a 2.8% increase in premiums for active employees and retirees;

v) DeltaCare USA - Dental HMO Plan

Renewal of the DeltaCare USA Dental Health Maintenance Organization (DHMO) plan at existing benefit levels for active employees and retirees with no rate increase due to an existing rate guarantee;

vi) Vision Service Provider - Choice Vision Plan

Renewal of the Vision Service Provider (VSP) Choice Plan for active employees and retirees with no change in premiums due to an existing rate guarantee; and

vii) Empathia Life Matters - Employee Assistance Program

Renewal of the LifeMatters Employee Assistance Program (EAP) at existing benefit levels with no change in rates for all active employees and retirees,

- b) Delegate authority to the Human Resources Director, or designee, to execute all necessary agreements and documents, e.g. renewal letters, amendments, or plan change acknowledgements, required to manage the plans listed in Recommendations a.(i) through a.(vii) in a form approved by County Counsel, Auditor, and Risk Management; and
- c) Delegate authority to the Human Resources Director, or designee, to accept revenue from Public Risk Innovation, Solutions, and Management (PRISM) in the amount of \$11,910.00 to support Countywide employee wellness initiatives, such as physical activity challenges and programs promoting mental health and overall wellbeing; and
- d) Approve Budget Revision Request No. 0010802, as shown in Attachment D, to establish one-time appropriations of \$11,910.00 in the Human Resources Department's Wellness Fund to accept revenue from PRISM; and
- e) Determine that these activities are not a "Project" under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4) because the actions are the creation of a government funding mechanism or other government fiscal activity, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

**Summary Text:**

The Board of Supervisors is being asked to approve the renewal of the County of Santa Barbara's employee and retiree benefit insurance plans for the 2026 calendar year as outlined in Attachment A. These benefit plans provide essential health, dental, vision, and employee support services to County employees and their eligible dependents. The recommended renewals and rates were

reviewed in partnership with the County's Health Oversight Committee (HOC), which includes representatives from various employee groups as outlined in Attachment E. The HOC explored options for plan design changes and premium reduction strategies but ultimately recommended maintaining current benefit levels for 2026 while continuing long-term cost containment discussions.

The County participates in the PRISMHealth Program shared risk pool, a program offered through the Public Risk Innovation, Solutions, and Management (PRISM) joint powers authority. The proposed renewals will continue the County's partnerships with Blue Shield and Kaiser Permanente for medical coverage, United Healthcare for Medicare Advantage plans for retirees, Delta Dental for dental benefits, Vision Service Plan for vision coverage, and LifeMatters for the Employee Assistance Program. Most plans will remain at current benefit levels, with premium increases ranging from 2.8% to 13.92% depending on the plan, which are consistent with trends in the insurance market. While premium increases for the United Health Care retiree plans were significant, at a 33.78% increase for the Low Plan and a 27.02% increase for the High Plan, the County was able to switch to a Medicare PPO Advantage plan for similar premium rates as were quoted for the Medicare HMO to allow greater flexibility in provider choice. Under the County's self-funded dental plan, the renewal rates include removing a congenitally missing tooth coverage exclusion to improve access to implant procedures.

Additionally, the Board is being asked to approve acceptance of wellness program funding in the amount of \$11,910.00 from PRISM. These funds will be used to support employee wellness initiatives such as physical activity challenges and programs that promote mental health and overall wellbeing.

Approval of these benefit plan renewals is necessary to ensure continued healthcare and wellness coverage for County employees starting January 1, 2026. These programs improve employee recruitment, retention, and the overall health and wellbeing of the County's workforce and retiree population.

### **Discussion:**

#### **Medical Plans**

Staff recommend that the Board approve a 13.92% increase in medical insurance premiums with no changes to existing benefit levels for the County's Blue Shield of California and Kaiser Permanente employee medical plans for the 2026 plan year, consistent with the renewal rates established through the PRISMHealth pooled risk program. This action will ensure the continuation of essential healthcare coverage while maintaining the County's partnership with PRISMHealth, which provides risk-sharing and cost management benefits.

The recommended increase aligns with current statewide trends impacting public sector 2026 healthcare renewals in California. For comparison:

- PRISMHealth program renewal increase (all employers): **14.24%**
- Self-Insured Schools of California (over 404,000 members): **8.5%**
- CalPERS (approximately 239,000 members): **12.08%** average renewal across PPO plans
- Large California University (around 40,000 employees): **18%** PPO plan renewal
- California Valued Trust (160,000 members statewide): **16%** renewal, with some counties facing **20%** increases

This data reflects a broadly challenging market environment affecting nearly all public sector health plans. The healthcare industry continues to face significant cost pressures driven by factors such as

rising provider expenses, expensive specialty medications, increased demand for mental health services, and a general deterioration in public health. Labor shortages, post-pandemic operational disruptions, and aggressive reimbursement negotiations by providers have further escalated costs, with healthcare systems passing these increases to insurers and ultimately to employers.

Specialty drugs, including gene therapies costing up to \$5 million per dose, and the rapid adoption of GLP-1 medications for diabetes and weight management, are contributing to sharp increases in pharmacy claims. Additionally, chronic diseases and obesity rates are at historic highs, creating long-term strain on healthcare systems.

PRISM has taken proactive steps to contain costs, including a recent competitive bid for its Pharmacy Benefit Manager (PBM), resulting in the selection of Navitus effective January 1, 2026. This change is expected to improve pricing, rebate structures, and clinical management of prescription drug utilization.

To address chronic conditions that drive long-term healthcare costs, PRISM selected Digbi Health as its new Chronic Condition and Weight Management vendor, starting January 1, 2026. Digbi's approach combines genetic and microbiome testing with personalized coaching to target conditions such as diabetes, hypertension, and obesity. The program is projected to deliver significant health improvements and up to \$23 million in first-year savings across the PRISM pool.

### **Dental Plans**

It is recommended that the Board approve a 2.8% premium increase for the County's self-funded Delta Dental PPO Plan, alongside a plan design change to cover congenitally missing teeth as outlined in Attachments B and C. This change ensures broader dental coverage for employees who require implants or bridgework for teeth that have never developed. The DeltaCare USA DHMO Plan will be renewed with no premium or plan design changes.

### **Vision and Employee Assistance Programs**

The County's Vision Service Plan and LifeMatters Employee Assistance Program will renew with no changes in benefits or premiums as outlined in Attachment B. The County pays the full premium for the Employee Assistance Program, while employees pay the full premium for vision coverage.

### **Retiree Plans**

Retirees are eligible to participate in County health plans at their own expense, though some retirees receive a retiree medical contribution, which has since been grandfathered. Retirees and dependents under age 65 can generally be covered under County plans at the employee rate. Rates vary over age 65, and the County offers certain Medicare coordinated and/or supplemental plans. Renewal of the Kaiser Senior Advantage Plans for all Medicare-eligible retirees is recommended at the existing benefit levels, with an average 9.8 % increase in premiums. While premium increases for the United Health Care retiree plans were significant, at a 33.78% increase for the Low Plan and a 27.02% increase for the High Plan, the County was able to switch to a Medicare PPO Advantage plan for similar premium rates as was quoted for the Medicare HMO to allow greater flexibility in provider choice.

Leading up to 2025, Centers for Medicare & Medicaid Services subsidies and revenue increases had generally been consistent with claims trends. This allowed plan sponsors to maintain plan designs and premiums consistent over the last 5 years. The Inflation Reduction Act of 2022 (IRA) set out to 1) reduce prescriptions drug costs for Medicare individuals, and 2) reduce the federal government's drug spend. In turn, it shifts a significant portion of these costs to health plans and some to drug manufacturers. These regulatory changes are both medical and prescription medication coverage are resulting in larger premium increases for 2026 than we have typically seen with Medicare plans.

**Background:****County-Paid Medical Contributions**

Under the County's current labor agreements and governing policies, the County contributes an amount equal to the full cost of employee-only coverage under the Blue Shield Exclusive Provider Organization (EPO) low plan, which will increase by 13.92% to \$1,205 per employee per month in 2026. Employees selecting a higher-priced employee-only plan will pay the additional cost.

To assist employees who choose to cover dependents, the County has agreements with labor groups for additional contributions toward dependent medical coverage. This amount has been gradually increasing through negotiations with labor groups in recent years. The additional dependent coverage subsidy amounts for 2026 include:

- **Units 12 and 13** (Firefighters Local 2046) will continue to receive the premium **subsidy** amounts in 2026 as outlined in their negotiated labor agreements: \$50 additional per month for employee-plus-one and \$310 per month for employee-plus-family coverage.
- **Units 10, 11, 18, 19, and 44** (UAPD, PPOA, and SMA) will receive premium **subsidy** amounts in 2026 as outlined in their negotiated labor agreements: \$125 additional per month for employee-plus-one and \$440 per month for employee-plus-family coverage.
- **Units 14 and 15** (Deputy Sheriffs' Association) will receive their negotiated **2026 annual lump** sum contribution of \$3,159,365 in additional dependent premium assistance as outlined in their labor agreements.
- **All remaining bargaining units, unrepresented employees, managers, executives, and elected officials** will receive the **subsidy** amounts as outlined in their recently negotiated labor agreements or other governing documents: \$276 additional per month for employee-plus-one and up to \$1,106 per month for employee-plus-family coverage.

While the majority of employees select coverage at the employee-only level, there was an 8.6% increase in the number of employees covering families in the 2025 Plan Year.

**PRISM Navigator and Wellness Initiatives**

The PRISM Navigator (Accolade) care navigation service will continue at no cost to employees in the Blue Shield Plans. Additionally, the County will receive \$11,910 in revenue from PRISM to support ongoing wellness initiatives, including programs like the Countywide Walking Challenge. These initiatives are part of the County's broader efforts to promote employee wellbeing and reduce long-term healthcare costs.

**Strategic Review of PRISMHealth Participation**

Within a challenging environment, PRISMHealth continues to engage in managing healthcare costs. As a pooled risk program, PRISMHealth leverages the combined purchasing power of participating public agencies (representing over 42,000 employees and retirees) to reduce premium volatility and secure administrative efficiencies.

Although PRISMHealth was selected to provide valuable cost containment and purchasing power, the Benefits & Wellness Division will conduct a comprehensive benefits audit during Fiscal Year 2025-26. This review will evaluate whether continuing participation in PRISMHealth remains the most cost-effective and quality option for the County or if alternatives such as transitioning to CalPERS or a fully self-insured model should be pursued.

**Open Enrollment for 2026**

Upon Board approval, the County's Open Enrollment period for the 2026 Benefits Plan Year will run from October 8, 2025, through October 29, 2025. During this time, employees will have the opportunity to review their benefit options, compare plans, and make coverage elections for the upcoming year. The Benefits & Wellness Division will host two in-person Open Enrollment Benefits Fairs: the first on Wednesday, September 24, 2025, in Santa Maria at the Board of Supervisors Hearing Room parking lot, and the second on Thursday, September 25, 2025, in Santa Barbara in the parking lot behind the HR building.

**Fiscal Analysis:**

The County contributes to the cost of eligible employees' medical and dental coverage as described above (as well as group life and long-term disability insurance). In addition, the County offers employees other benefits including the County's Employee Health & Wellness Centers, a benefits advocacy program, an employee assistance program, and an employee discount program.

When developing the FY 2025-26 budget, staff assumed a 10% increase in medical plan premiums at the employee-only level effective January 2026 and a 4% increase in the cost of the onsite healthcare clinics effective July 1, 2025; staff assumed no change in the cost of all other plans and benefits. The proposed 13.9% increase to medical insurance premiums is greater than estimated medical insurance premium used to develop the Fiscal Year 2025-26 budget, which may result in a shortfall of up to \$985K in Salary and Benefit appropriations across all departments for the current fiscal year. However, lower-than-anticipated migration of employees from employee-only coverage to employee + one or employee+ family coverage may offset the difference in budgeted vs. actual premium costs. If approved, staff will work with the County Executive Office to monitor departmental budgets and will return to the Board with adjustment requests, if necessary, during the fiscal year.

Every renewal season, PRISM negotiates a set dollar amount from carrier partners (Blue Shield, Kaiser) for wellness funds. That amount is then divided among all member groups (employers) that are insured with that particular carrier based on their average life enrollment count over the last policy period as a way to give the member group an equal share of the funds. PRISM members have flexibility regarding how funds are used. This year the County's share of those funds is \$11,910.00. The Human Resources Department is requesting a budget revision to recognize the additional revenue in FY 2025-26 and will use these funds to support employee wellness initiatives such as physical activity challenges and programs that promote mental health and overall wellbeing.

**Attachments:**

**Attachment A** – Active Employees Blue Shield and Kaiser Health Plans Monthly Premium Rates, Non-Medicare Retirees Blue Shield and Kaiser Health Plans Monthly Premium Rates, Medicare Retirees Blue Shield, Kaiser, and UHC Health Plans Monthly Premium Rates

**Attachment B** – Active Employee and Retiree Ancillary (Delta Dental, VSP and EAP) Health Plans Monthly Premium Rates

**Attachment C** – County Self-Funded Dental Actuarial Report

**Attachment D** – PRISM Wellness Funds BJE – 0010802

**Attachment E** – Health Oversight Committee Member List

**Contact Information:**

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