



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** AUGUST 19, 2025

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** LAURA GIANNETTI-MERCER, ACTING DIRECTOR OF HUMAN RESOURCES

**PREPARED BY:** CHRISTINE PILAPIL, HUMAN RESOURCES MANAGER I

**SUBJECT:** 2026 GROUP INSURANCE PLAN RATES REVIEW

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### **SUMMARY**

This report provides the 2026 renewal rates for City employee group insurance and benefits programs. Staff reviews the program annually to assess plan options and renewal rates and to manage overall employer and employee costs. The plans in the program do not require signatures and renew automatically on January 1, 2026.

### **PROPOSED MOTION**

1. Receive and file 2026 Group Insurance Plan Renewal.
2. Approve and authorize Interim City Manager, or designee, to execute and administer actions to implement and administer agreements.

### **ALTERNATIVE OPTIONS**

- Approve the Proposed Motion
- Provide direction to staff
- Other options brought by City Council.

### **STAFF RECOMMENDATION**

Staff recommends the proposed motion.

### **CITY MANAGER REMARKS**

None.

### **PRIORITY POLICY STATEMENT**

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability

## FISCAL IMPACT

The City budgeted the employee group insurance and benefits programs in an internal service fund in the Group Insurance Fund (Fund 66) supported by cost allocations from all departments and contributing City funds. Staff allocated sufficient funds in the Fiscal Year 2025-26 Adopted Budget.

## BACKGROUND AND DISCUSSION

The City of Fullerton offers a comprehensive benefits package to eligible active employees including medical, dental, vision, life and disability coverage. Eligible retirees have access to group medical, dental and vision plans. The collective bargaining process establishes City contributions toward these benefits.

Human Resources in collaboration with the City's benefits broker, the Baldwin Group (formerly Burnham Benefits), and the Medical Advisory Committee comprised of employees from various bargaining units reviews benefit offerings each year to ensure the most effective plan options, competitive rates and a balanced approach to managing employee and employer costs. The City evaluates health plans and benefit design changes during this period.

The City conducts a medical market review to explore potential alternative carriers as part of the City's due diligence. However, the City received non-competitive quotes that would have resulted in higher premium rates due to the City's high loss ratio. The carriers reviewed included Aetna, Anthem, Blue Shield, UnitedHealthcare and VEBA.

### *City Sponsored Programs*

Cigna initially proposed a 14.5% premium increase for the upcoming plan year which the Baldwin Group negotiated down to 5.0%. Cigna based the renewal on a review of medical and prescription drug claims and premiums incurred between April 2024 and March 2025. City loss ratios during this period consistently hovered near or above 100%, indicating claim costs closely matched or exceeded premiums paid signaling sustained high utilization. The Kaiser renewal reflects a 7.6% increase largely driven by an overall rise in utilization, including high-cost claimants within the City population.

Premium rates for the Delta Dental HMO and PPO plans will remain flat. Vision coverage through VSP, Basic and Supplemental Life Insurance, Long-Term Disability and the City Employee Assistance Program administered by Cigna Behavioral Health have no increases. COBRA and Flexible Spending Account administration fees through IGOE Administrative Services will also remain unchanged.

The following table reflects initially proposed rates and the final negotiated increase or decrease for 2026 group insurance rates:

Plan	2026 Initial <u>Proposed</u> Renewal	2026 Final <u>Negotiated</u> Renewal
Cigna	14.5%	5.0%
Kaiser	7.6%	7.6%
Delta Dental HMO	0%	0%

Delta Dental PPO	0%	0%
VSP	0%	0%
LTD	0%	0%
Life / AD&D	0%	0%
FSA and COBRA Administration	3%	0%

Attachment 1 includes monthly premiums for all City sponsored benefit plans for 2026. Collective bargaining determines City contributions which vary by bargaining group or employee unit.

Employees represented by the Fullerton Management Association, Fullerton Municipal Employees Federation, Fullerton Police Management Association, Fullerton Police Association-Police Safety, Fullerton Police Association-Dispatchers, Confidential Unit and Executive Employees are eligible for health coverage through a City-sponsored program.

#### *Minimum Value Plan for Non-Regular Employees*

The City provides the Cigna Minimum Value HMO plan to eligible non-regular employees in compliance with the Affordable Care Act. Eligible non-regular employees are temporary employees that work 30 or more hours per week on average. The plan meets the ACA test for affordability and minimum essential coverage. The monthly employee contribution for this plan is approximately \$129.90 in accordance with Resolution No. 2024-031.

#### *Dental Insurance*

The City provides two dental plan options to all regular employees through Delta Dental. The City contribution is limited to the maximum of the employee-only premium or \$25 per month for either plan for most employees as determined by collective bargaining agreements.

#### *Life / AD&D Insurance*

The City contracts with The Standard Insurance Company for Life / AD&D coverage. Basic life insurance coverage amounts vary based collective bargaining agreements.

#### *Long Term Disability (LTD) and Short Term Disability (STD)*

The City contracts with The Standard Insurance Company for LTD and STD coverage. The LTD plan covers non-safety employees only. Collective bargaining agreements determine eligibility for coverage limits.

Voluntary STD is available to employees at their own expense.

#### *Vision Insurance*

Collective bargaining agreements determine eligibility for benefits under this plan.

#### *Public Employees' Medical & Hospital Care Act (PEMHCA) / California Public Employees Retirement System (CalPERS) Health Program*

Employees represented by the Fullerton Fire Management Association (FFMA) and Fullerton Firefighters' Association (FFA) may receive health coverage through benefit plans offered by PEMHCA which governs the CalPERS Health Program. The CalPERS Board of Administration negotiates rates for this program. They approved the 2026 rates

at an overall 8.21% premium increase. The rising costs in the healthcare landscape, particularly due to increased pharmacy costs and utilization of medical services, have significantly impacted the CalPERS premium rates.

FFMA and FFA employees may participate in City sponsored programs other than health as required by their bargaining unit agreements.

Attachments:

- Attachment 1 – City Sponsored Program Premiums

cc: Interim City Manager Eddie Manfro