OCTA

August 20, 2026

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Agreements for Health Insurance Services

Overview

The Orange County Transportation Authority currently maintains agreements with various companies to provide medical, dental, vision, life, accidental death and dismemberment, disability, and supplemental life insurance plans for administrative employees, Board Members, and employees represented by the Transportation Communications Union and by Teamsters Local 952. These agreements expire on December 31, 2026. Staff is presenting recommendations for medical, dental, vision, life, accidental death and dismemberment, disability, and supplemental life insurance, as well as leave administration for the calendar year 2027.

Recommendations

A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 11 to Agreement No. C-5-3649 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Kaiser Permanente Health Plan, Inc., on a cost-per-employee basis, for prepaid medical services through December 31, 2027. The annual 2027 Kaiser Permanente Health Plan, Inc. premium cost will vary in accordance with actual enrollment.

B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 11 to Agreement No. C-5-3650 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Anthem Blue Cross, on a cost-per-employee basis, for prepaid medical services through December 31, 2027. The annual 2027 Anthem Blue Cross health maintenance organization premium costs will vary in accordance with actual enrollment.

C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 11 to Agreement No. C-5-3651 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Anthem Blue Cross, on a cost-per-employee basis, for preferred provider organization medical services through December 31, 2027. The annual 2027 Anthem Blue Cross preferred provider organization premium costs will vary in accordance with actual enrollment.

D. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 11 to Agreement No. C-5-3652 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Anthem Blue Cross, on a cost-per-employee basis, for a high-deductible health plan through December 31, 2027. The annual 2027 Anthem Blue Cross consumer-driven health plan premium costs and health savings account expenses will vary in accordance with actual enrollment.

E. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 5 to Agreement No. C-1-3670 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Delta Dental, on a cost-per-employee basis, for preferred provider organization dental services through December 31, 2027. The annual 2027 Delta Dental preferred provider organization premium costs will vary in accordance with actual enrollment.

F. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 16 to Agreement No. C-1-2995 between the Orange County Transportation Authority and Delta Dental, on a cost-per-employee basis, for health maintenance organization dental services through December 31, 2027. The annual 2027 Delta Dental health maintenance organization premium costs will vary in accordance with actual enrollment.

G. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 5 to Agreement No. C-1-3672 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Delta Dental, on a cost-per-employee basis, for health maintenance organization dental services through December 31, 2027. The annual 2027 Delta Dental health maintenance organization premium costs will vary in accordance with actual enrollment.

H. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 5 to Agreement No. C-1-3671 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Vision Service Plan, on a cost-per-employee basis, for vision services through December 31, 2027. The annual 2027 vision services premium costs will vary in accordance with actual enrollment.

I. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 10 to Purchase Order No. C-7-1897 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Voya to provide life and accidental death and dismemberment insurance through December 31, 2027. The annual 2027 life and accidental death and dismemberment premium costs will vary in accordance with actual volume in the plan.

J. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 9 to Purchase Order No. C-7-1898 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Voya to provide supplemental life and accidental death and dismemberment insurance to employees at their own expense through December 31, 2027.

K. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 9 to Purchase Order No. C-7-1899 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Voya to provide short-term and long-term disability insurance through December 31, 2027. The annual 2027 short-term and long-term disability premium costs will vary in accordance with actual volume in the plan.

L. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 9 to Purchase Order No. C-7-1900 between the Orange County Transportation Authority and Public Risk Innovation, Solutions, and Management for Voya with ComPsych to provide employee leave administration through December 31, 2027.

Background

Staff continues to focus on developing and implementing a long-term strategy to manage rising healthcare costs while offering competitive benefits that support employee recruitment, retention, and satisfaction. As healthcare and pharmacy costs continue to outpace general inflation, the Orange County Transportation

Authority (OCTA) remains committed to balancing sustainable plan costs with comprehensive employee benefits through strategies that include:

1) Equitable cost-sharing,
2) Utilization management,
3) Employee health and benefits education, and
4) Health risk management initiatives.

Discussion

OCTA received proposals for medical and life insurance plans from Public Risk Innovation, Solutions, and Management (PRISM) and OCTA's broker, Alliant Insurance Services, for services effective January 1, 2027 through December 31, 2027.

The medical, dental, and vision plans provide employees with a variety of coverage options that balance competitive benefits with long-term financial sustainability. The recommended plans maintain comprehensive coverage while supporting OCTA's strategy to effectively manage rising healthcare costs.

The Anthem Blue Cross (Anthem) high-deductible health plan (HDHP), paired with a health savings account, encourages employees to become more engaged healthcare consumers while providing lower premium costs. Continued migration to the HDHP plan has helped reduce overall healthcare costs, with the plan premium remaining approximately 26 percent lower than the preferred provider organization (PPO) plan.

Staff recommends the following medical, dental, vision, life, accidental death and dismemberment (AD&D), disability, administrative services for protected leaves, and supplemental life insurance for calendar year 2027.

Medical

Since 2015, the OCTA Board of Directors (Board) has authorized participation in the PRISM health program because it has consistently provided competitive pricing and long-term value for OCTA's medical plans. Over the past ten years, PRISM has helped OCTA maintain renewal increases below prevailing California market trends while providing stable and comprehensive benefit options.

OCTA's participation in the PRISM program for administrative employees, coach operators, facilities technicians, and parts clerks' health plans has resulted in medical renewal increases that have consistently compared favorably to

California market trends. In 2024, OCTA experienced a 12.3 percent renewal increase compared to 15 percent market trends. In 2025, OCTA experienced a 4.8 percent renewal increase compared to 12 percent market trends. In 2026, OCTA experienced a 14.1 percent renewal increase compared to 16 percent market trends. Over the last ten years, OCTA's average annual medical renewal increase has been approximately 5.7 percent, continuing to outperform broader California market trends.

For the 2027 medical renewal, PRISM proposes a 10.8 percent renewal increase for the Kaiser Permanente Health Plan, Inc. (Kaiser Permanente) and Anthem medical plans. This renewal increase remains substantially below the estimated Southern California medical market trend of approximately 18 percent.

As part of the annual renewal process, OCTA's broker, Alliant Insurance Services, conducted a comprehensive market evaluation of available medical insurance options. Six major medical carriers were evaluated. Kaiser Permanente submitted a direct proposal, while the remaining carriers either declined to quote or were unable to provide competitive alternatives due to OCTA's enrollment profile and current market conditions. The evaluation also included benchmarking against the California Public Employees' Retirement System's medical plans, which demonstrated comparable overall renewal increases, but would require mandatory employer contributions toward retiree health benefits, creating additional long-term financial obligations for OCTA. Based on the market evaluation, staff determined that the PRISM program continues to provide the best overall value by offering competitive pricing, comprehensive benefits, flexibility in plan design, and long-term cost stability.

The premium increase is primarily driven by significant increases in medical and pharmacy costs. Medical inflation has reached its highest level in approximately ten years and is expected to remain elevated. Pharmaceutical costs continue to increase as manufacturers introduce new high-cost specialty medications and increase prices on existing drugs. In addition, higher-than-expected catastrophic claims, including claims exceeding $1 million, contributed to the overall renewal increase.

Increased utilization of glucagon-like peptide-1 (GLP-1) medications has become a significant driver of pharmacy costs within the PRISM plan. In 2025, GLP-1 medications represented approximately 28 percent of total pharmacy spending, while approximately five percent of members accounted for nearly 30 percent of total pharmacy costs. To improve the long-term sustainability of the PRISM plan, GLP-1 medications prescribed solely for non-diabetic weight loss will no longer be covered in the plan effective January 1, 2027, in the Anthem PPO and HDHP plans. Coverage for GLP-1 medications used to treat

Type 2 diabetes will continue. This change is expected to reduce projected costs by approximately $44 million in 2027 and aligns with actions taken by other large California public-sector purchasing pools.

The PRISM program continues to provide significant value through its risk-sharing model, lower administrative costs, and long-term rate stability. These features allow OCTA to continue offering multiple medical plan options while helping moderate year-to-year premium volatility. Based on the market evaluation conducted by OCTA's broker and the continued value of the PRISM program, staff recommends continuing the PRISM, Kaiser Permanente, and Anthem Health Maintenance Organization (HMO), PPO, and HDHP medical plans for calendar year 2027.

Dental

OCTA offers employees a dental PPO plan and a dental HMO plan. The dental PPO plan, provided through Delta Dental and contracted through PRISM for administrative employees, facilities technicians, parts clerks, and coach operators, is proposed to increase by 3.9 percent for 2027 based on utilization and service cost trends.

The Delta Dental HMO plan for administrative employees, facilities technicians, and parts clerks, contracted through PRISM, has no proposed rate increase for 2027. The Delta Dental HMO plan for coach operators, contracted directly with Delta Dental, also has no proposed rate increase for 2027.

Vision

The PRISM Vision Service Plan has no proposed rate increase for 2027.

Life and Supplemental Life Insurance

OCTA provides employer-paid life insurance and AD&D insurance for eligible employees, as well as voluntary supplemental life and AD&D insurance through Voya. PRISM for Voya has proposed no rate increases for 2027.

Disability Insurance

OCTA provides eligible employees with short-term and long-term disability insurance, as applicable by employee group. PRISM for Voya has proposed no rate increases for 2027.

Protected Leave Management

PRISM for Voya provides protected leave administration services. No rate increase is proposed for 2027.

Fiscal Impact

Based on staff recommendations, the cost for health and life insurance benefits for the administrative employees, facilities technicians, parts clerks, and coach operators is projected to increase by approximately 10.2 percent on a calendar year-over-calendar year basis, compared to the previous calendar year.

The budgetary impact, however, spans two fiscal years. OCTA's Fiscal Year (FY) 2026-27 Budget includes funding for healthcare benefits with an assumed 14.1 percent rate increase effective January 1, 2027.

Since the benefit renewals are on a calendar year basis, OCTA will address the second half of the calendar year 2027 costs, along with the other assumptions utilized in the budget, during the FY 2027-28 budgeting cycle.

Summary

Staff is recommending that the Board authorize the Chief Executive Officer to negotiate and execute amendments to the existing agreements with PRISM for medical, dental, vision, life, AD&D, supplemental life and AD&D, short-term disability, long-term disability, and protected leave management services, and with Delta Dental for the coach operator dental HMO plan, through December 31, 2027.

Attachments

A. Public Risk Innovation, Solutions, and Management, Kaiser Permanente Health Plan, Inc., Agreement No. C-5-3649 Fact Sheet
B. Public Risk Innovation, Solutions, and Management, Anthem Blue Cross Health Maintenance Organization, Agreement No. C-5-3650 Fact Sheet
C. Public Risk Innovation, Solutions, and Management, Anthem Blue Cross Preferred Provider Organization, Agreement No. C-5-3651 Fact Sheet
D. Public Risk Innovation, Solutions, and Management, Anthem Blue Cross Consumer Driven Health Plan, Agreement No. C-5-3652 Fact Sheet
E. Public Risk Innovation, Solutions, and Management, Delta Dental Preferred Provider Organization, Agreement No. C-1-3670 Fact Sheet
F. Delta Dental Health Maintenance Organization for Coach Operators, Agreement No. C-1-2995 Fact Sheet

G. Public Risk Innovation, Solutions, and Management, Delta Dental Health Maintenance Organization, Agreement No. C-1-3672 Fact Sheet
H. Public Risk Innovation, Solutions, and Management Vision Service Plan, Agreement No. C-1-3671 Fact Sheet
I. Public Risk Innovation, Solutions, and Management, Voya, Purchase Order No. C-7-1897 Fact Sheet
J. Public Risk Innovation, Solutions, and Management, Voya, Purchase Order No. C-7-1898 Fact Sheet
K. Public Risk Innovation, Solutions, and Management, Voya, Purchase Order No. C-7-1899 Fact Sheet
L. Public Risk Innovation, Solutions, and Management, Voya, Purchase Order No. C-7-1900 Fact Sheet
M. Orange County Transportation Authority, Financial Overview, Effective January 1, 2027
N. Orange County Transportation Authority, Monthly Rate Comparison – 2027 vs. 2026
O. Orange County Transportation Authority, Administrative and TCU Monthly Employee Cost for 2027
P. Orange County Transportation Authority, Coach Operators Monthly Employee Cost for 2027

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