COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 11/4/2025

To: Board of Supervisors

Department or Agency Name(s): Human Resources Department

Staff Name and Phone Number: Janell Crane, 707-565-2885

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Elimination of the self-funded County Health Plan

Recommended Action:

Authorize Human Resources to eliminate the self-funded County Health Plan by December 31, 2029.

Executive Summary:

The County Health Plan is a self-insurance medical plan available to currently enrolled active employees, and retirees who are not yet eligible for Medicare. Effective June 2024, this plan was closed to new employees as part of negotiated changes to health care provisions and the County's long-term strategy to eventually sunset the plan as the cost to the County and plan members make the self-funded plan fiscally unsustainable.

Financial activities of this plan are recorded in an internal services fund (ISF). In a Field Review Report from the State Controller's Office dated May 5, 2025, to the County Auditor-Controller-Treasurer-Tax Collector (ACTTC; Auditor-Controller), the State recommended your Board formally authorize the transition from offering the self-insured County Health Plan to offering only fully-insured medical plans, and approve a wind-down plan for the closure of the County Health Plan with a set end date (Attachment 1).

Based on current participant demographics, fund balance projections, historical experience and reasonable actuarial assumptions, the County Health Plan will no longer be fiscally viable after December 31, 2029. As such, the proposed end date of the County Health Plan is December 31, 2029. There are currently several affordable, high-quality health plan options available to employees currently covered by the County Health

Plan, and active employees will have the choice to migrate to one of these plans. Prior to the elimination of the plan in 2029, the Human Resources Department (HR) will develop an alternative option for the small number of remaining plan subscribers, estimated to be fewer than 15 retired individuals who are not yet Medicare eligible and live outside the area covered by existing plan offerings.

In its Field Review Report, the State also requested the County demonstrate all procurement processes associated with the Human Resource Department's August 2023 Request for Proposal for employee and retiree medical plans complied with relevant government standards. This is being addressed, and records will be reviewed by the Auditor-Controller and submitted to the State Controller by the December 2025 deadline. No Board action is required for the second recommendation. See attached letter from the Auditor-Controller to the State Controller for details (Attachment 2).

Discussion:

The County of Sonoma established a self-insured County Health Plan in July 1976. Over the years, the covered benefits and administrative processes have changed and controlling documents have been amended to reflect these changes and comply with legislative requirements. As new medical plan options have become available to employees, retirees, and their eligible dependents, enrollment in County Health Plan declined steadily and significantly. In June 2012 there were 355 employees and 1,486 retirees enrolled; June 2016 there were 85 employees and 1,037 retirees enrolled; June 2020 there were 27 employees and 767 retirees enrolled, and in June 2025 there were 32 employees and 59 retirees enrolled.

The County Health Plan has become unsustainable for multiple reasons including an overall decline in participation due to the availability of lower cost fully insured medical plan offerings beginning in June 2016 when Sutter Health Plus (now known as Sutter Health Plan) and Western Health Advantage were offered to employees, retirees, and their eligible dependents. The Board has already taken steps leading toward the dissolution of the County Health Plan:

- Reducing excess reserves by absorbing the premium cost increases since Plan Year 2022/2023
- No longer accepting new employee enrollments into the County Health Plan effective June 2024, as negotiated through collective bargaining
- Approving the Anthem Medicare Advantage plan in 2024 which provided a less expensive plan for Medicare retirees, resulting in a large population of members to exit the County Health Plan

As enrollment declined, the cost of the plan including medical services, pharmacy, and administrative costs are spread out over fewer and fewer subscribers. The burden of premium increases for the County Health Plan is carried by the subscribers. The table below illustrates the actuarially recommended premium increase to subscribers and what the County actually implemented for the following plan years. The County is using excess County Health Plan reserves to subsidize the difference between the actuarially determined premium increase and the actual implemented increase.

Plan Year	Actuarial Recommended Premium Increase (1)	Implemented Premium Increase (2)	Difference Absorbed by Excess CHP Reserves (1) - (2)
2023/2024	16.7%	7.7%	10%
2024/2025	23.2%	15%	8.2%
2025/2026	95.6%	0%	95.6%

HR's intent is to maintain the County Health Plan until December 2029, keeping premiums level year over year by drawing down County Health Plan reserves to offset rate increases for subscribers. Taking this approach should provide stability for existing plan members until a suitable replacement is identified.

HR will continue to work with our benefits consultant, the Auditor-Controller, and the County Administrator's Office (CAO) to monitor the fiscal health of the County Health Plan until its eventual elimination in 2029 when medical services will no longer be offered. HR will also work on developing a medical benefit option for those retirees that are still enrolled at the plan's elimination, including working with the Joint Labor Management Benefits Committee to develop and vet proposals for different products and funding strategies, and will proactively communicate with affected retirees. The Department will return to the Board with any actions necessary to implement new plans or programs prior to the December 2029 elimination date. As noted above, active employees will have access to a variety of existing health plan options during the Open Enrollment period, or as a qualifying event when the County Health Plan is eliminated, to enable migrating themselves and any covered dependents to a replacement plan.

Strategic Plan:

N/A

Racial Equity:

Agenda Date: 11/4/2025

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

May 14, 2024 (item 16; File Number 2024-0281) - Employee and Retiree Medical Plan Agreements and Amendments

FISCAL SUMMARY

Expenditures	**FY25-26 Adopted**	**FY26-27 Projected**	**FY27-28 Projected**
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

The recommended action does not require any additional appropriations.

Prior to termination of the plan in 2029, the Human Resources Department will collaborate with ACTTC and the CAO's office to determine how to best manage the residual balances in the County Health Plan internal services fund which includes a $750,000 Bank of America bank account that was used to disburse funds to pay for medical claims. Preliminary actuarially-driven projections estimate the remaining County Health Plan reserves to be approximately $1.7 million in December 2029; however, variables such as claims volatility, utilization trends, changes to the regulatory environment and shifts in enrollment make projections less reliable. Human Resources and ACTTC will continue to monitor the fund closely, and revise projections at least annually.

Staffing Impacts:			
Position Title (Payroll Classification)	**Monthly Salary Range (A-I Step)**	**Additions (Number)**	**Deletions (Number)**
N/A			

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

1. State Controller's Office Field Review Report
2. County's Response to Field Review Report

Related Items "On File" with the Clerk of the Board:

None