



Office of the City Manager

INFORMATION CALENDAR

June 30, 2026

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Janelle Rodrigues, Director of Human Resources

Subject: 2026 Health Plan Changes

INTRODUCTION

The following are rate changes for the Kaiser Health Maintenance Organization (HMO) health plans:

- (a) 0.28% increase for Kaiser S1 Group #60 (Active Group);
- (b) 5.31% increase for the HSA-Qualified Deductible HMO Plan (Active Group)
- (c) 16.53% increase for Pre-Medicare Eligible Retirees (Retiree Group); and
- (d) 5.56% increase for Post-65 Senior Advantage (Retiree Group)

The following are rate changes for the Sutter Health Plus health plan:

- (a) 12.42% increase for the Active HMO ML 26 group; and
- (b) 12.37% increase for the Pre-Medicare retiree group.

The health plan premium rates are effective for the period of January 1, 2026 through December 31, 2026.

FINANCIAL IMPLICATIONS

Health care premiums are quoted on a calendar year based on standard industry practices. However, when the City adopts its budget, which is on a fiscal year basis, half of the premium cost is known at the time the budget is adopted and the remainder is estimated based on assumptions and trends in medical premium costs.

Funding for the health plan premium increases are included in the Fiscal Year (FY) 2026 adopted budget. Premiums are paid one (1) month in advance; e.g., the January 2026 premium is paid in December 2025. Sutter Health Plus increased its rates higher than expected, which resulted in a higher monthly premium for both the employees enrolled in the plan and the City.

Active Employees: As outlined in the table below, in FY 2026, actual health insurance premium costs totaled \$33,803,050.83 (\$29,922,207.37 for Kaiser and \$3,880,843.46 for Sutter Health Plus).

	Fiscal Year 2026 First Half (July 1, 2025 to December 31, 2025)	Fiscal Year 2026 Second Half (January 1, 2026 to June 30, 2026)	Fiscal Year 2026 Total
Kaiser	\$14,687,699.99*	\$15,234,507.38	\$29,922,207.37
Sutter Health Plus	\$1,885,676.00*	\$1,995,167.46	\$3,880,843.46
Totals	\$16,573,375.99*	\$17,229,674.84	\$33,803,050.83

Funding for the health premium increases for Active Employees from January 1 to June 30, 2026, was included as part of the Council authorized expenditures included in the FY 2026 adopted budget.

The estimated cost for the first half of fiscal year 2026 (July 1 to December 31, 2025) total approximately **\$16,573,375.99** (\$14,687,699.99 for Kaiser and \$1,885,676.00 for Sutter Health Plus). The total for the second half of fiscal year 2026 (January 1, 2026 to June 30, 2026), is **\$17,229,674.84** (\$15,234,507.38 for Kaiser and \$1,995,167.46 for Sutter Health Plus).

The Payroll Deduction Trust Fund, budget code 013-99-900-900-0000-000-000-201501- , provides for these premiums.

Retired Employees: The City’s Retiree Health Premium Assistance Plan benefit contribution is capped at an annual increase of 4.5% for Miscellaneous and Berkeley Fire Fighters Association retirees, and 6% for Berkeley Police Association (BPA) retirees. Any premium increase above the City’s premium assistance cap is borne by the retirees as an out-of-pocket expense.

Retirees represented by the Berkeley Police Association who retired prior to September 19, 2012 and have a minimum of 10 years of City service (up to a maximum of 20 years of City service) are paid a pro-rated amount equal to the Active two-party Kaiser Plan rate (Police Cash Pay Plan). Currently there are 142 participants receiving this benefit at a cost to the City of \$272,082.72 per month, or \$3,264,992.64 per year. The rate increase of 0.28% for the Kaiser Health Plan Active Employee group will result in an increase of approximately \$2,225.20 per month, or \$3,274,157.28 per year. The Berkeley Police Supplemental Retirement Plan is a closed group; members retiring on or after September 19, 2012 are eligible for the Retiree Health Premium Assistance Plan as noted above.

Funding for retiree health premium assistance plan benefits comes from trust funds established for this purpose. The City has established separate retiree health premium

assistance plans and trust agreements for the various Unions and unrepresented employees. The City has established a practice to pre-fund each of these trust funds for the purpose of having assets available to pay for the benefit.

The City has contracts with Kaiser and Sutter Health Plus to provide health benefits for all benefited employees. As of January 1, 2026, there are 1,251 employees in the Kaiser HMO plan and 126 employees in the Sutter Health Plus plan and there are 101 employees receiving cash in lieu benefits.

In October 2025, Kaiser and Sutter Health Plus provided the City with insurance premium rate quotes for calendar year 2026. Kaiser quoted an increase of 0.28% for the Kaiser S1 Group. The increase was primarily due to high utilization of medical services by plan members. The City is required to pay up to the Kaiser S1 Group plan for all active benefitted City employees.

The final rates for all the Kaiser plans are as follows:

- (a) 0.28% increase for Kaiser S1 Group #60 (Active Group);
- (b) 5.31% increase for the HSA-Qualified Deductible HMO Plan (Active Group)
- (c) 16.53% increase for Pre-Medicare Eligible Retirees (Retiree Group); and
- (d) 5.56% increase for Post-65 Senior Advantage (Retiree Group)

The final rates for the Sutter Health Plus plans are as follows:

- (a) 12.42% increase for the Active HMO ML 26 group; and
- (b) 12.37% increase for the Pre-Medicare retiree group.

The health plan rates are based primarily on service utilization and claims experience. So, these factors, along with rising medical costs and demographic changes, are the reasons given for the premium increases.

The 2026 rates for Active Employees will be:

Active Employees	Coverage Level	2025 Monthly Premium Rate	2026 Monthly Premium Rate	City Pays	Employee Pays
Kaiser HMO S1 Group	Single	\$1,109.47	\$1,112.60	\$1,112.60	\$0
	Two Party	\$2,218.94	\$2,225.20	\$2,225.20	\$0
	Family	\$2,951.18	\$2,959.52	\$2,959.52	\$0
Sutter Health Plus	Single	\$1,209.00	\$1,359.10	\$1,112.60	\$246.50
	Two Party	\$2,418.00	\$2,718.40	\$2,225.20	\$493.20

Active Employees	Coverage Level	2025 Monthly Premium Rate	2026 Monthly Premium Rate	City Pays	Employee Pays
	Family	\$3,217.00	\$3,617.30	\$2,959.52	\$657.78

Employees enrolled in a health plan with premiums higher than Kaiser's rates must pay the difference in premium costs. Due to the increase in Sutter's monthly premiums, employees enrolled with Sutter Health Plus will have to pay the difference of the costs.

The Affordable Care Act (ACA) requires employers to offer health insurance that is affordable and provides minimum essential coverage to at least 95% of eligible employees. An eligible employee is anyone who works an average of 30 hours per week within a 12-month period (the City of Berkeley's 12-month period is November 1 through October 31). Employers are required to offer health coverage, regardless of whether the employee would normally not be eligible for health insurance benefits under the employer's own rules. These employees are considered full-time equivalent for the purpose of the ACA.

Although the ACA only requires employers to offer health coverage to 95% of eligible employees, the City offers health coverage to 100% of all ACA eligible employees. This ensures that all ACA eligible employees have the opportunity to receive health insurance coverage.

The plan offered by the City that meets the requirements under the ACA (affordable and provides minimum essential coverage) is the Kaiser HSA-Qualified Deductible HMO Plan. The 2026 monthly premium rates for this plan will be:

ACA Qualified Plan – Active Employees	Coverage Level	2026 Monthly Premium Rate
Kaiser HSA-Qualified Deductible HMO Plan	Single	\$761.14
	Two Party	\$1,522.27
	Family	\$2,154.02

The City is required to pay 50% of the employee single monthly premium and the difference is paid by the employee. Per the Affordable Care Act (ACA), part-time employee benefits are determined by hours worked between November 1st through October 31st of the previous year (for example, November 1, 2024-October 31, 2025). City staff completed a census on October 31, 2025 to determine which part-time employees are eligible for benefits based on ACA regulations for the 2026 calendar year.

Retiree Group Plans 2026 Rates:

Pre-Medicare Retirees	Coverage Level	2025 Monthly Premium Rate	2026 Monthly Premium Rate
Kaiser HMO	Single	\$1,701.26	\$2,067.50
	Two Party	\$3,402.53	\$4,135.00
	Family	\$4,814.58	\$5,851.02
Sutter Health Plus HMO	Single	\$1,486.70	\$1,827.00
	Two Party	\$2,973.40	\$3,654.20
	Family	\$3,956.10	\$4,862.50

Post 65 Retirees	Coverage Level	2025 Monthly Premium Rate	2026 Monthly Premium Rate
Kaiser Senior Advantage	Single	\$406.62	\$429.22
	Two Party	\$813.24	\$858.44

Currently, Sutter Health Plus does not offer a Medicare coordinated plan. Retirees bear most of the health plan rate increases as an out-of-pocket expense because the benefits from the City’s Retiree Health Premium Assistance Plan Trust is capped at a 4.5% annual increase (6% for BPA retirees).

BACKGROUND

The City has two (2) group health plans for employees: 1) a Kaiser HMO plan and 2) a Sutter Health Plus HMO plan. The City has a contractual obligation to pay the equivalent of the basic Kaiser rates, including eligible dependents, for all benefited employees. Employees enrolled in a health plan with premiums higher than Kaiser's rates must pay the difference in cost of the premium. Therefore, employees who enroll in the Sutter Health Plus HMO plan will be responsible for the difference.

Separately, the City offers two (2) group health plans for retirees: 1) a Kaiser HMO plan and 2) a Sutter Health Plus HMO plan. Employees who retired prior to July 1, 1998, pay the full cost of the health insurance premium. Employees who retired after July 1, 1998, who meet certain eligibility criteria, are eligible for benefits under the City’s Retiree Health Premium Assistance Plan.

Under the City’s Retiree Health Premium Assistance Plan, the City pays a portion of the employee’s health insurance premiums. The amount is prorated based on the employee’s

years of service. The City's annual contribution increase is capped at 4.5% (6% for BPA retirees). The retiree pays the difference between the City's monthly contribution and the actual monthly insurance premium charged by the health plan he or she has elected for retiree medical coverage.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with the subject of this report.

CONTACT PERSON

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