



CITY OF SALINAS FINANCE COMMITTEE

DATE: AUGUST 12, 2025

DEPARTMENT: HUMAN RESOURCES

FROM: MARINA HORTA-GALLEGOS, HUMAN RESOURCES DIRECTOR

BY: PATRICIA PEÑALOZA, HUMAN RESOURCES MANAGER

TITLE: SALINAS PLAN – HEALTH CARE COST CONTAINMENT

RECOMMENDED MOTION:

No motion is required for this item. Comments and feedback from the Finance Committee on the ongoing implementation of this Salinas Plan initiative is requested.

DISCUSSION:

The Salinas Plan has 32 recommendations, four of which are categorized as “Workforce” strategies. Healthcare Cost Containment is one of four workforce recommendations that aims at achieving flat healthcare cost growth while still maintaining competitive benefits in the labor market. The Salinas Plan recommends an approach to health care cost containment that involves creativity and collaboration between the City and employee units to achieve sharing in benefits funding and promoting increased costs awareness. Consistent with this recommendation, over the past few years, the City negotiated modest employee contributions with all employee units.

The City contracts with the California Public Employees’ Retirement System (CalPERS) for health care benefits. Health plan availability, covered benefits, premiums, and co-payments are determined by CalPERS, not the City.

Historically, health care costs have been one of the primary cost drivers of the general fund budget with an expected cost of approximately \$14.9M in FY 25-26, inclusive of the increase in premiums. This represents an increase of \$2.1M over the past 3 years. Currently, the City pays 95% of the premium for the level and type of coverage selected by an employee, up to 90% of the CalPERS Platinum plan premium with variations by unit. Approximately 39% of the City’s workforce is covered under the PPO plans, 21% under the HMO plans, and a majority of the public safety members, approximately 34% of the City’s workforce, are in the Peace Officers Research Association of California (PORAC) plan with 6% of the workforce declining coverage.

On July 15, 2025, the CalPERS Board of Administration approved the rates for calendar year 2026, attached. The final basic PPO rates provide an overall increase of 12.08%, including a 13.15% increase in the Platinum plan and 10.54% increase in the Gold plan. Basic HMO rates provide an

overall increase of 6.48%, including a 5.03% increase in the Kaiser Permanente plan and a 6.34% increase in the Anthem Blue Cross Select plan. The PORAC plan premiums will increase by 9.03%. The Blue Shield Trio HMO plan is designed to be a lower-cost, narrow-network plan and Monterey County is adversely impacting its annual trend and sustainability. Trio in Monterey County will be replaced with Blue Shield Access+ HMO to promote sustainability and avoid significant premium increases to members. There will be no network disruption for members. Access+ plan premiums will increase by 11.26%. The Platinum and Blue Shield Access+ HMO plans experienced the highest increases. CalPERS attributes the overall increase in rates to the continued rise in costs across the health care landscape.

Additionally, CalPERS awarded a 5-year contract to CVS Caremark as the new pharmacy benefits manager (formerly OptumRx for nine years) for most plans, including Anthem Blue Cross Select, PERS Gold, and PERS Platinum. CVS will provide pharmacy benefits to approximately 40% of members who receive health care benefits through CalPERS. The contract includes financial terms with CVS putting \$250 million at-risk over the term of the contract for controlling drug costs and improving the health of CalPERS members. CalPERS chose CVS because of its strong commitment to performance guarantees in key areas such as managing pharmacy costs, ensuring clinical quality, and increasing transparency.

While there will be no disruption to most members, some will experience formulary changes. CVS and CalPERS will develop a range of options for impacted members, including a limited transition period and automatic transfer of approved prior authorizations. There is no action for members to take now. CalPERS and CVS have begun sending information to members to help them navigate the transition.

FISCAL AND SUSTAINABILITY IMPACT:

The City budgeted the increase in premiums at 8% for the entire year and does not anticipate impacts to the budget as a result of the new rates for calendar year 2026.

ATTACHMENTS:

1. 2026 Regional Health Premiums
2. 2026 Association Plan Health Premiums