

Exhibit to Agenda Item #2

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors' Meeting

Tuesday, July 17, 2018

Immediately following the Energy Resources & Customer Services Committee Meeting scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

Medical Insurance – RFP Overview

- Medical Insurance:
 - Active employees and eligible dependents -offering HMO (High and Low), PPO and HDHP plans
 - Retirees (Pre-65 and Medicare) – offering HMO, PPO and Medicare Advantage plans
- Medical Insurance contract is an annual renewal contract beginning January 1, 2019 for an initial 3-year period, and may be extended for an additional two years
- Medical Insurance contract currently awarded to United HealthCare. This RFP does not affect the Medical Insurance contract with Kaiser Permanente

Medical Insurance – RFP Overview

- RFP Process:
 - Human Resources, Diversity & Inclusion released an RFP for Medical Insurance on February 26, 2018
 - A release notification email was sent to the following companies: Aetna, Anthem Blue Cross, Blue Shield of California, Cigna, HealthNet, Sutter Health, United HealthCare and Western Health Advantage
 - Pre-bid meeting was held on March 6, 2018
 - Final proposals were initially due on April 17, 2018
 - Extended to May 11, 2018
- Received four proposals: Aetna, Anthem Blue Cross, Sutter Health and United HealthCare
- HealthNet and Western Health Advantage withdrew their interest

Evaluation Process

- Worked with AON (benefits consultant) to develop appropriate criteria
- Criteria included:
 - Proposed Plans for Active Employees and Retirees
 - Network Contracts
 - Plan Design and Deviations for Active Employees and Retirees
 - 2-year Rate Guarantee
 - Pricing

Medical Insurance RFP - Comparison Summary

	Anthem Blue Cross	Aetna	Sutter Health	United Healthcare
Proposed Plans for Active Employees and Retirees	Similar HMO, PPO and HDHP plans for active employees and pre-65 retirees; HMO and PPO network for Medicare Advantage plan	Similar HMO, PPO and HDHP plans for active employees and pre-65 retirees; no Medicare Advantage Plan	Narrow network HMO plan; no PPO or HDHP plan for active employees and pre-65 retirees; no Medicare Advantage plan	No change (current provider)
Network contracts	Contracts with Sutter, Brown & Toland, Dignity Health/Mercy, UC Davis, Hill's Physicians (no contract with Sutter for Medicare Advantage Plan)	Contracts with Sutter, Brown & Toland, Dignity Health/Mercy, UC Davis, Hill's Physicians	Contracts with Sutter and Brown & Toland No Contract with Dignity Health/Mercy, UC Davis, Hill's Physicians	Contracts with Sutter, Brown & Toland, Dignity Health/Mercy, UC Davis, Hill's Physicians
Plan Design and any Deviations	No plan design change or deviations	Did not offer Medicare Advantage Plan	Did not offer PPO, HDHP or Medicare Advantage Plan	No plan design change or deviation
Premium Calculation methodology	Actual claims/utilization for both active, early retiree and Post-65 retirees	Actual claims/utilization for both active, early retiree and Post-65 retirees	Actual claims/utilization for both active, early retiree and Post-65 retirees	Actual claims/utilization for active, early retiree and Post-65 retirees
2-Year Rate Guarantee (2019 and 2020)	Yes	No	Yes	Yes
Price	Non-responsive (active/pre-65) \$4,950,942 (Medicare) Total: non-responsive	\$33,398,849 (active/pre-65) Non-responsive (Medicare) Total: non-responsive	\$20,728,408 (active/pre-65) Non-responsive (Medicare) Total: non-responsive	\$31,547,293 (active/pre-65) \$ 4,605,859 (Medicare) Total: \$ 36,153,152

Recommend Accepting United Healthcare Proposal

Rationale:

- No change in medical plans offered
- No network disruption for active employees and retirees (Pre and Post-65)
- Two-year premium rate guarantee for Active Employee and Early Retiree Plans
 - 2019: rate decrease
 - 2020: no rate increase however any new regulatory fees as part of ACA will be passed through to SMUD
 - 2021: rate cap guarantee not to exceed 12% so long as loss ration is no more than 93%
- Proposal for 2019 resulted in:
 - 1.5% decrease in HMO plans
 - 5.0% decrease in HDHP plan
 - 12.6% decrease in PPO plan
 - 12.1% decrease in Medicare Advantage Plan*
- Annual wellness budget of \$50,000

* No Health Insurance Tax (HIT) for 2019 (approximately 3%-4%)

Board Action

- Approve and award Medical Insurance contract to United HealthCare for both active employees, retirees (pre-65 and post-65) and any eligible dependents for an initial 3-year period, with the option for two additional one-year extensions. This contract will commence on January 1, 2019.
- Projected savings to SMUD by awarding this contract is approximately \$2.7M in 2019 and \$5.2M in 2020

2019 Active Employees Medical Rates

Active Employees Carrier	Basic		
	Employee Only	Employee + 1	Employee + Family
Kaiser HMO – High Plan	622.33	1,244.66	1,866.99
Kaiser HMO – Low Plan	591.07	1,182.14	1,773.21
United Healthcare HMO – High Plan	963.92	2,033.86	2,911.03
United Healthcare HMO – Low Plan	866.49	1,828.29	2,616.83
United Healthcare High Deductible Health Plan	796.01	1,679.58	2,403.95
United Healthcare PPO Plan	1,538.94	3,247.16	4,647.60

2019 - Retiree Medical Rates

Retiree	Basic			Medicare	
Carrier	Retiree Only	Retiree + 1	Retiree + Family	Retiree	Retiree + 1
Kaiser HMO	622.33	1,244.66	1,866.99	296.59	593.18
Kaiser Medicare Unassigned*	N/A	N/A	N/A	1,935.28	3,870.56
Kaiser Medicare Part A or B Only*	N/A	N/A	N/A	606.59	1,213.18
United Healthcare HMO	963.92	2,033.86	2,911.03	N/A	N/A
United Healthcare PPO – In CA*	1,672.63	3,529.25	5,051.35	N/A	N/A
United Healthcare PPO – Out Of CA	1,672.63	3,529.25	5,051.35	N/A	N/A
United Healthcare Medicare Advantage	N/A	N/A	N/A	399.66	799.32

* Age 65+ retiree – not enrolled in Medicare