

Exhibit to Agenda Item #2

Discuss approving contract change to Contract No. 4500043215 with **Kaiser Permanente** approving 2026 medical insurance premium rates and extending the contract by one year for the period January 1, 2026, through December 31, 2026; 2026 cost estimated at \$38.4 million.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, September 16, 2025, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

2026 Medical Benefits Renewals Background

- SMUD provides medical benefits to approximately 8,884 employees, retirees and their eligible dependents
 - Active members: 2,014
 - Retiree members: 3,170
- Industry trend projects Total Medical Premiums to increase 8% – 13% in 2026*
- Employees and Retirees generally are offered five plans to select based on their needs and location
- Average employee cost sharing 16% employee only / 25% family coverage **
 - SMUD employee only plan: 9%-16% depending on the plan
 - SMUD family plan: 11% - 18% depending on plan



*PwC Health Research & Aon Health Trend Study

** Kaiser Family Foundation

2026 Kaiser Medical Premiums Background

- Utilization/Claims primary influencer of premiums. Other factors now include:
 - High dollar claims
 - Inflationary Impacts on Healthcare Provider Costs
 - Addition of SB-729 coverage for diagnosis of infertility and fertility services
 - Increasing cost of pharmaceuticals
 - Significant increase in GLP-1 drug utilization
- SMUD offers an HMO Low and HMO High
- Each year Kaiser establishes a not to exceed/not below percentage amount for their client groups. For 2026 that amount has been set at 0% to 20% (cap).
- Utilization is the primary factor Kaiser uses to determine rates.
- Kaiser uses a 12-month utilization period for rate calculations.

Active



~4,777
lives



Retirees

Kaiser 12-month Utilization Summary

Rate renewals driven by an overall increase in utilization

- Paid Claims PMPM (Price per Member per Month) increased 10.9% from prior 12 months
 - Inpatient claims PMPM increased 15.7%
 - Outpatient claims PMPM increased 9.1%
 - Pharmacy claims PMPM increased 7.5%
- Large claimant reporting:
 - Large claimant reporting shows 5 claimants over \$400K totaling \$4.0M from April 2024 through March 2025
 - Large claims trending down from prior 12-month period

2026 Kaiser Renewals

Kaiser Plan	Renewal	Contract	Change
HMO Plans – Active Employees	10.2%	\$32.6 million (\$29.6 million for 2025)	\$3.0 million increase
Early Retiree HMO	10.1%	\$5.6 million	\$529K increase
Medicare Advantage Plan	9.1%	\$2.8 million	\$237K increase
Total Cost	9.8%	\$38.4 million	\$3.7 million increase

2026 Kaiser Active Employee & Retiree Monthly Medical Premium Rates

Active	Basic		
Carrier	Employee Only/Retiree Only	Employee + 1/Retiree + 1	Employee + Family/Retiree + Family
Kaiser HMO – High Plan	\$986.07	\$1,972.14	\$2,958.21
Kaiser HMO – Low Plan	\$934.89	\$1,869.78	\$2,804.67
Retiree Kaiser HMO Plan	\$986.07	\$1,972.14	\$2,958.21

SMUD pays between 85% and 100% depending on employee status, plan, dependent coverage and rep group