

Exhibit to Agenda Item #4

Discuss approval of contract change to Contract No. 4500043215 with **Kaiser Permanente** approving 2025 medical insurance premium rates and extending the contract by one year for the period January 1, 2025, through December 31, 2025; 2025 cost estimated at \$34.5 million.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, September 17, 2024, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Kaiser Medical benefits background

- Medical cost trends projected to increase 8.0 – 8.5%*
- Utilization/Claims primary influencer of premiums. Other factors now include:
 - Inflationary Impacts on Healthcare Provider Costs
 - Increasing cost of pharmaceuticals
 - Residual increase of services and treatments from pandemic
- Offering an HMO Low and HMO High
- Each year Kaiser establishes a not to exceed/not below percentage amount for their client groups. For 2025 that amount has been set at -5% to 20% (cap).
- Utilization is the primary factor Kaiser uses to determine rates.
- Kaiser uses a 12-month utilization period for rate calculations (other insurers use 18-24 months)

* Source: PwC Health Research & Aon Health Trend Study



Kaiser 12-month utilization summary

Rate renewals driven by an overall increase in utilization



- Paid Claims PMPM (Price per Member per Month) increased 32.7% from prior 12 months
 - Inpatient claims PMPM increased 51.1%
 - Outpatient claims PMPM increased 32.6%
 - Pharmacy claims PMPM increased 24.1%
- Large claimant reporting:
 - 15 large claimants over Paid Claims PMPM (Price per Member per Month) increased 32.7%
 - Prior 2 years 5-6 large dollar claimants

2025 Kaiser renewals

Kaiser Plan	Renewal	Cost	Change
HMO Plans – Active Employees	20%	\$28.9M (\$24.1M current)	\$4.8M increase
Early Retiree HMO	20%	\$2.9M	\$692k increase
Medicare Advantage Plan	8.6%	\$2.6M	
Total Cost Kaiser		\$34.5M	

Addressing rising health care costs:

- First six months of utilization data is trending down
- Anticipate 2026 renewals to be more in line with past trends
- Exploring strategies & approaches to purchasing medical to address rising cost
- Consumerism Campaigns

2025 SMUD Medical plans summary

Plan	Renewal	Cost	Change
UHC Active Plans	-1.1%	\$24.9M (\$25.1M current)	\$515K (\$234K decrease)
UHC Retiree Plans	1.1%	\$11.5M (\$11.4M current)	\$658k (\$126k increase)
Kaiser Active Plans	20%	\$28.9M (\$24.1M current)	\$4.8M increase
Kaiser Retiree Plans	20.0/8.6	\$5.5M (\$4.8M current)	\$692k increase
All SMUD Plans	8.2%	\$70.8M (\$65.4M current)	\$5.4M

Recommendation

Authorize the General Manager and CEO to:

Approve the medical insurance premiums and extend the contract with Kaiser Permanente for the period of Jan. 1, 2025 through Dec. 31, 2025.

The total estimated cost for 2025, based on the current enrollment population, is \$34.5 million.