Exhibit to Agenda Item #1

Discuss approving contract change to Contract No. 4500043215 with **Kaiser Permanente** approving 2027 medical insurance premium rates and extending the contract by one year for the period January 1, 2027, through December 31, 2027; 2027 cost estimated at $43 million.

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

Tuesday, September 15, 2026, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

2027 Medical Benefits Renewals Background

- SMUD provides medical benefits to approximately 9,112 employees, retirees and their eligible dependents
  - Active members: 2,038
  - Retiree members: 2,078
- Industry trend projects Total Medical Premiums to increase 8.5% – 9% in 2027*
- 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

*PricewaterhouseCoopers Health Research & Aon Health Trend Study
** Kaiser Family Foundation

2027 Kaiser Medical Premiums Background

- SMUD offers an HMO Low and HMO High
- Starting 2027 Kaiser is changing from 12 month to a 24-month utilization period for rate calculations (other insurers use 18-24 months)
- Utilization/Claims are the primary factor Kaiser uses to determine rates.
- Other factors also include:
    - High dollar claims are going up
    - Medical inflation is outpacing general inflation due to higher supply and labor costs.
    - Increasing cost of specialty pharmaceuticals
        - Significant increase in cancer and GLP-1 drug utilization
        - Health systems are raising prices due to consolidation (reducing competition)

HMO: Health Maintenance Organization

Kaiser 12-month Utilization Summary

Rate renewals driven by an overall increase in utilization

- Paid Claims PMPM (Price per Member per Month) increased 4.7% from prior 24 months
    - Inpatient claims PMPM increased 3.7%
    - Outpatient claims PMPM increased 6.5%
    - Pharmacy claims PMPM increased 3.4%

- Large claimant reporting:
    - Large claimant reporting shows 6 claimants over $500K totaling $3.9M from April 2025 through March 2026
    - Large claims trending down from prior 12-month period, last year 5 claimants totaled $4.2M

2027 Kaiser Renewals

Kaiser Plan	Renewal	Cost	Change
HMO Plans – Active Employees	11.2%	$36.6M	$3.7M increase
Early Retiree HMO	11.2%	$3.0M	$296K increase
Medicare Advantage Plan	0.00%	$2.8M	$0K increase
Total Cost Kaiser	10.3%	**$43M**	$4M increase

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2027 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	$1,096.04	$2,192.08	$3,288.12
Kaiser HMO – Low Plan	$1,039.33	$2,078.66	$3,117.99
Retiree Kaiser HMO Plan	$1,096.04	$2,192.08	$3,288.12

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

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Board Action

Approve the change to Contract No. 4500043215 with Kaiser Permanente approving 2027 medical insurance premiums and extend the contract with Kaiser Permanente for the period of Jan. 1, 2027 through Dec. 31, 2027.

The total estimated cost for 2027, based on the current enrollment population, is $43 million.