

Exhibit to Agenda Item #2

Discuss approving contract change to Contract No. 4500147540 with **UnitedHealthcare Insurance Company** approving 2027 medical insurance premium rates; 2027 cost estimated at \$48 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 UnitedHealthcare Medical Benefits Background

- UnitedHealthcare (UHC) plans offer employees & retirees HMO, HMO Alliance, and High Deductible Healthcare Plans (HDHP).
- HMO plan is currently operating at approximately 100% loss ratio, This indicates claims are now exceeding premium revenue.
- Utilization/Claims primary influencer of premiums. Other factors include:
 - Significant increase in GLP-1 drug utilization
 - Inflationary Impacts on Healthcare Provider Costs
 - Increasing cost of pharmaceuticals
 - Health systems are raising prices due to consolidation (reduces competition)



UHC Renewal Increases

- Increase is largely due to a concentration of high-cost members combined with sustained utilization levels
- Top 4 medical claimants exceeded \$1.9M in total
- Medical conditions are ongoing and expected to continue impacting future costs

2027 UHC Renewals

UHC Plan	Renewal	Cost	Change
HMO High/Low – Active & Retirees	20.1%	\$28M	\$4.7M increase
HMO Alliance	8.3%	\$6.5M	\$495K increase
PPO/HDHP	14.1%	\$6.0M	\$744K increase
Medicare Advantage Plan	11.6%	\$7.3M	\$760K increase
Total Cost UHC	16.25%	\$48M	\$6.7M increase

Addressing rising health care costs:

- Ongoing employee education
- Shift employee enrollments to lower cost plans
- Promote SMUD's wellness programs and Health Assessment Program (HAP)

2027 Active Employee Monthly Medical Premium Rates

Active Employees	Basic		
Carrier	Employee Only	Employee + 1	Employee + Family
UnitedHealthcare Signature Value HMO – High Plan	\$1,659.78	\$3,502.12	\$5,012.51
UnitedHealthcare Signature Value HMO – Low Plan	\$1,492.02	\$3,148.11	\$4,505.92
UnitedHealthcare Signature Alliance HMO – High Plan	\$1,257.70	\$2,653.75	\$3,798.25
UnitedHealthcare Signature Alliance HMO – Low Plan	\$1,130.58	\$2,385.50	\$3,414.39
UnitedHealthcare <u>High Deductible</u> Health Plan	\$1,193.41	\$2,518.11	\$3,604.11
UnitedHealthcare PPO Plan (plan closed to new participants based on high cost)	\$2,307.14	\$4,868.07	\$6,967.55

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

2027 Retiree Monthly Medical Premium Rates

Retiree	Basic		
Carrier	Retiree Only	<u>Retiree + 1</u>	Retiree + Family
UnitedHealthcare Signature Value HMO	\$1,659.78	\$3,502.12	\$5,012.51
UnitedHealthcare Signature Alliance	\$1,257.70	\$2,653.75	\$3,798.25
UnitedHealthcare PPO – in CA	\$2,307.14	\$4,868.07	\$6,967.55
UnitedHealthcare PPO – out of CA	\$2,307.14	\$4,868.07	\$6,967.55

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

Board Action

Approve the change to Contract No. 4500147540 with UnitedHealthcare Insurance Company approving 2027 medical insurance premiums and extend the contract with UnitedHealthcare Insurance Company for the period of Jan. 1, 2027 through Dec. 31, 2027.

The total estimated cost for 2027, based on the current enrollment population, is \$48 million.