

Exhibit to Agenda Item #3

Discuss authorization of the Chief Executive Officer and General Manager to negotiate and award a contract to **United Health Care Insurance Company (United HealthCare)** to provide administration of SMUD's medical benefits plan for an initial three-year period from January 1, 2025, to December 31, 2027, with two optional one-year extensions for a contract total not-to-exceed amount of \$275 million.

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

SMUD Headquarters Building, Auditorium

Medical benefits background

- Medical Insurance contract currently awarded to UnitedHealthcare (UHC) and set to expire Dec. 31, 2024.
 - 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 Jan. 1, 2025 for an initial 3-year period, and may be extended for an additional 2 years.
- Medical cost trends projected to increase to 8.0%*/8.5%** in 2025

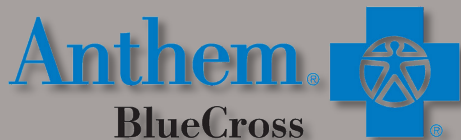
* ** Source: PwC Health Research & Aon Health Trend Study



Medical benefits plan – RFP process

People Services & Strategies released an RFQ in December 2023 to qualify proposers for the subsequent Medical Benefits Plan RFP

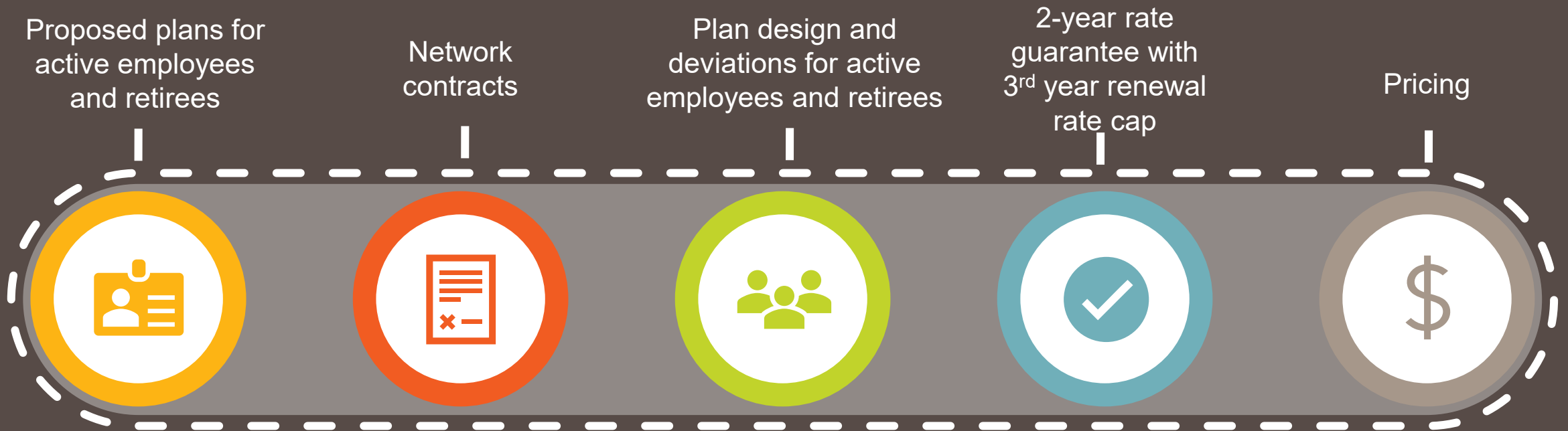
- A release notification email was sent to the following companies: Aetna, Anthem Blue Cross, Blue Shield of California, Cigna, HealthNet, Sutter Health, UnitedHealthcare and Western Health Advantage
- Received 3 responses for the RFQ



- Invited all 3 respondents to participate in the RFP

Evaluation process

Worked with Aon (benefits consultant) to develop appropriate evaluation criteria:



Medical benefits plan RFP – Comparison summary

	United Healthcare (Incumbent)	Anthem	Blue Shield
Proposed Plans for Active Employees and Retirees	No change (current provider)	Similar HMO, PPO and HDHP plans for active employees and pre-65 retirees, with deviations; No Medicare deviations listed	Similar HMO, PPO and HDHP plans for active employees and pre-65 retirees, with deviations; Not able to replicate Medicare plan exactly
Network contracts	Sutter, Brown & Toland, Dignity Health/Mercy, UC Davis, Hill's Physicians	Sutter, Brown & Toland, Dignity Health/Mercy, UC Davis, Hill's Physicians	Sutter, Brown & Toland, Dignity Health/Mercy, UC Davis, Hill's Physicians
Plan Design and any Deviations	No plan design change or deviation (current provider)	Did not offer Medicare Advantage Plan	Deviations to all plan designs
Provider Disruption	3.70%	No data provided	4.09%
2-Year Rate Guarantee with a 3rd Year Renewal Rate Cap	No, however, provided an option that is close; 2-year rate cap with a 3 rd year Benefit Care Ratio (BCR)	None provided	No, however, provided a 1-year rate cap with no additional renewal guarantees
Price	\$31,277,000 (active/pre-65) \$ 5,134,000 (Medicare) Total: \$36,411,000	\$35,904,000 (active/pre-65) \$3,901,000 (Medicare) Total: \$39,805,000	\$32,348,000 (active/pre-65) \$5,692,000 (Medicare) Total: \$38,076,000

2025 Active Employee Monthly Medical Premium Rates

Active Employees	Basic		
	Carrier	Employee Only	Employee +1
United Healthcare Signature Value HMO - High Plan	\$1,260.72	\$2,660.11	\$3,807.36
United Healthcare Signature Value HMO - Low Plan	\$1,133.29	\$2,391.22	\$3,422.59
United Healthcare Signature Alliance HMO - High Plan	\$1,059.73	\$2,236.03	\$3,200.38
United Healthcare Signature Alliance HMO - Low Plan	\$952.62	\$2,010.01	\$2,876.94
United Healthcare High Deductible Health Plan	\$982.76	\$2,073.63	\$2,967.93
United Healthcare PPO Plan	\$1,899.89	\$4,008.77	\$5,737.67

2025 Retiree Monthly Medical Premium Rates

Retiree	Basic			Medicare	
Carrier	Retiree Only	Retiree +1	Retiree +1 Family	Retiree	Retiree+1
United Healthcare Signature Value HMO	\$1260.72	\$2260.11	\$3807.36	N/A	N/A
United Healthcare Signature Alliance HMO	\$1059.73	\$2236.03	\$3200.39	N/A	N/A
United Healthcare PPO - In CA	\$1,767.47	\$3729.36	\$5337.75	N/A	N/A
United Healthcare PPO - Out Of CA	\$1,767.47	\$3729.36	\$5337.75	N/A	N/A
United Healthcare Medicare Advantage	N/A	N/A	N/A	\$447.08	\$894.16

Recommendation to accept United Healthcare proposal

- Favorable technical/quality scores
- No network disruption for active employees and retirees (Pre- and Post-65)
- Offered a 2nd year, 2026, rate cap of 8.9% for HMO plans, 13.4% for PPO/HDHP plans
- Offered a Benefit Care Ratio (BRC) for 3rd year, 2027: Benefit Care Ratio cap for HMO plans based on utilization. No rate cap for PPO/ HDHP Benefit Care Ratio (loss ratio)
- Offered Jan. 1, 2026 and Jan. 1, 2027 maximum rate increase of \$75 PMPM (per member per month) for **Medicare Advantage Plans**
- Providing a \$200K renewable implementation credit with no restrictions of use (Wellness and other health & benefit programs)
- Best and Final Offer, an overall decrease of \$165,000, or -0.45% for combined Active, Retiree, and Medicare plans. (down from an increase of 2.76%)
- **Total savings for this award is \$1,173,000.**

Board action

Approve and award Medical Insurance contract to UnitedHealthcare for active employees, retirees (pre-65 and post-65) and any eligible dependents for an initial 3-year period, with the option for 2 additional 1-year extensions. This contract will begin Jan. 1, 2025.