

BENEFITS COMMITTEE
MINUTES

June 12, 2023

Attendees: Phil Phillips, Greg Ramirez, Jim Gash, Maretno Agus Harjoto, Nicolle Taylor, Sean Burnett, Danny DeWalt, Connie Horton, Michael Feltner, Thomas Knudsen, Lee Kats, Gary Hanson, Jay Brewster, Pete Peterson, Joseph Fritsch, Robert Lee

Absent: Lauren Cosentino, Donna Nofziger Plank

Together, the University Management Committee and the Retirement Plan Committee form the Benefits Committee.

I. BENEFITS COMMITTEE CALL TO ORDER

Executive Vice President Chief Operating Officer Phil Phillips called the Benefits Committee meeting to order. Lee Kats opened in prayer. The meeting was held via Zoom on Monday, June 12, 2023.

II. BENEFITS RENEWAL

Vice President and Chief Business Officer Nicolle Taylor invited Associate Vice President for Human Resources and Business Services Sean Michael Phillips, and Director of Human Resources Kyle Stiemsma to present on the current benefits market and describe the action steps taken to provide a recommendation to the Benefits Committee. Associate Vice President for Human Resources and Business Services Sean Michael Phillips highlighted healthcare-related challenges facing the University, including rising costs and increased premiums, and shared the University initiated a Request for Proposal (RFP) due to difficulties with the current medical benefits provider, Anthem.

Director of Human Resources Kyle Stiemsma described the four medical benefits providers that were considered and explained the rationale of Anthem and Aetna being selected as finalists. If Pepperdine remains with Kaiser and Anthem as its medical carriers in 2024, the University and its employees would face a \$3.96 million increase in premiums based on the final renewals. If Pepperdine remains with Kaiser and switches to Aetna, the University and its employees would face a \$1.625 million increase to premiums based on the final renewals. Aetna offered attractive incentives, such as a \$1 million signing bonus, a \$125,000 wellness credit, a \$125,000 communications credit, and a 12.5% rate cap through 2025. The two providers were compared based on plans offered, local contracted healthcare facilities, in-network physicians, and pharmacy partnerships, along with relevant data of our employees' usage of these services. Notably, less than 3% of current

providers and facilities utilized by employees would be impacted by moving to Aetna. Aetna coverage includes Los Robles Hospital, but does not include UCLA Health and Cedar Sinai on its basic HMO plan, so the Human Resources department anticipates some employees on the lowest cost plan would choose a more expensive plan with Aetna.

Director Stiemsma shared various unfavorable scenarios and considerations if the University stays with Anthem as its medical benefits provider. To avoid a negative impact to employees, the Human Resources department proposed switching to Aetna along with reducing Health Savings Account (HSA) seeding by 50% or eliminating it altogether, along with a nominal increase in employee premiums. The Committee weighed the various options presented, reviewed historical data, and discussed the impact to the community at length.

After thorough deliberation, a motion was made to:

- 1) switch the University's medical benefits provider to Aetna;
- 2) raise employee premiums outlined in proposal 1a;
- 3) eliminate Health Savings Account (HSA) seeding in full;
- 4) allocate a portion of the Aetna \$1 million signing bonus to a “January premium holiday” wherein all employees’ medical benefits premiums would be covered in full by the University for the month of January 2024.

The motion was seconded, and approved with two members abstaining from the vote.

After voting, the Committee discussed voluntary health benefits, including dental and oral hygiene coverage provided by Delta Dental. A motion was made to implement a 1.12% pass-through premium increase to employees that would allow employees enrolled in the PPO plan to access major services such as orthodontics and oral surgeries without a waiting period. Upon the motion duly made and seconded, the dental premium rate increase was approved.

A brief history of the retiree health plan was shared with the Committee and a recommendation was made for a University contribution of \$100 to be made to the retiree health plan accounts in FY24 funded by forfeitures. Upon the motion duly made and seconded, the lump sum contribution of \$100 into retiree health accounts in FY24 was approved.

III. ADJOURNMENT

Executive Vice President and Chief Operating Officer Phil Phillips closed in prayer. There being no further business, the meeting was adjourned.