

September 22, 2023

Dear Colleagues:

This upcoming Open Enrollment is significant. For the first time in decades, Pepperdine is transitioning to a new medical carrier – replacing Anthem with Aetna. Beginning in 2024, the University will continue to offer an HMO plan through Kaiser Permanente, as well as two HMO plans and a high-deductible plan through Aetna. While this transition was necessary for the University to continue offering comprehensive and affordable healthcare benefits, we understand change in medical coverage can cause concern. Pepperdine will continue to enjoy competitive benefits and is well positioned to help you select the plan that is best for you and your family.

I am glad to share additional details about this year's medical insurance renewal process that led to this change in carriers.

Current Challenges

The University recently faced a number of challenges with its current carrier, Anthem, that challenged the quality of healthcare expected for faculty and staff, including:

- **A large rate increase.** Anthem proposed a 22% increase, negotiated down to 17%, for the 2024 calendar year. After taking into account all the money the University allocated for benefits increases, employees would have been left with millions of dollars in premium increases.
- **Changed rate calculations and reduced transparency.** Whereas Pepperdine's healthcare plan rate increases have historically been based on actual loss history, Anthem implemented new predictive modeling to calculate rate increases. Not only were answers unclear about what would happen if the predictive modeling was incorrect, but Pepperdine's request to understand the calculations for rate increases was denied.
- **Diminished customer service.** Over the past year, the University has been made aware of multiple issues with Anthem's responsiveness and service. Unreasonable time was taken for acute medical concerns, and insurance errors, coupled with aggressive communication, decreased confidence in acceptable healthcare coverage.

- **Reduced services.** Anthem notified Pepperdine of plans to take away important coverage on which members of the Pepperdine community rely. Though Anthem offered to reinstate this coverage during renewal negotiations, the University seeks a partner that desires mutually beneficial healthcare outcomes.

Request for Proposal (RFP)

These significant challenges led the University to conduct an RFP to hold insurance companies accountable for good service and coverage. Five insurance carriers participated, including Anthem. As it considered these proposals, the Benefits Committee considered what aspects of healthcare are most important to you (coverage, cost, disruption in doctors/facilities/pharmacy if the University changed providers, the administrative ease of transitioning insurance, customer service, and more) and followed the University's guiding principles related to benefits decisions:

- Do not burden employees in any one year with astronomical increases that would have an abrupt, material impact to household budgets.
- Offer competitive, but not extreme, benefits compared to other employers.
- Create transparency for plan participants to know the true costs of healthcare.

Selecting Aetna

After a thorough review, the Benefits Committee determined to offer Kaiser Permanente and Aetna plans for the 2024 calendar year. Highlights from Aetna's proposal and review include:

- **A competitive bid.** Aetna proposed reasonable rates for coverage comparable to Anthem's current plans.
- **Limited coverage disruption.** While Aetna's coverage is not the same as Anthem's, it is both comparable and comprehensive. With a 1-3% disruption rate, the vast majority of employees will continue to have coverage with their preferred doctors, facilities, pharmacies, and medications.
- **Positive benchmarking.** Pepperdine spoke with other universities and organizations about their experience with Aetna. The feedback was overwhelmingly positive, with notable mentions of superior customer service, and there were no expressed concerns about a transition to Aetna.

2024 Open Enrollment and Beyond

A new line-up of insurance carriers provides an opportunity to reassess your healthcare needs and choose the best medical plan. Actively selecting a healthcare plan during Open Enrollment (October 30 - November

13) is required to have medical insurance in 2024. Those who do not participate in Open Enrollment will default to waived medical insurance. Previously selected plans will not carry forward to the next year.

Pepperdine is committed to making this transition as smooth as possible and is pleased to offer further assistance:

- *Please visit the 2024 Open Enrollment webpage* to find FAQs, a Step-by-Step Guide to Open Enrollment, which providers are covered with Aetna, virtual and in-person information sessions, and personalized one-on-one support consultations.
- To help with the transition and to further invest in employees' healthcare, *the University will cover 100% of all medical premiums* – whether employees elect single or family coverage – for the month of January 2024. For this month, employees will not have any money deducted from their paychecks to cover the employee portion of healthcare costs.

The University recognizes that, though we will still enjoy competitive and comprehensive medical coverage, no change is easy. Human Resources is thankful for your participation and remains ready to assist you.

Sean Michael Phillips

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