The Basics...

Health Savings Plans
and
Health Savings Accounts
Before you choose your Medical Plan coverage:

- Review your annual benefits enrollment materials
- Use the online decision tools located on the *Your Benefits Resources™ (YBR)* website, including:
  - Medical Expense Estimator
  - Health Care Cost Summary*
  - Health Plan Comparison Chart
- Review the 2018 Health Savings Account Information Booklet posted on the Duke Energy Portal’s *Employee Center – Annual Enrollment* page
- Discuss your coverage options with your family

*If you were paid through the Duke Energy payroll system during 2017 and enrolled in medical coverage administered by UnitedHealthcare during 2016 and/or 2017*
Generally, you have three options from which to choose:

- Health Savings Plan (HSP) 1
- Health Savings Plan (HSP) 2
- PPO

The HSP options...
- are high deductible health plans (HDHPs) as defined by the IRS
- offer the same coverage and exclusions for medical services as the PPO option
- have the same extensive network of providers as the PPO option
What are the advantages of the HSP options?

The HSP options
- have lower employee contributions
- allow you to establish and contribute to a triple tax advantaged Health Savings Account (HSA)*
- give you more control over how you spend your health care dollars
- encourage more informed decision-making

*Assumes additional eligibility requirements discussed later in this document are met
The **Health Savings Plan** options have these deductible, co-insurance and out-of-pocket features...

<table>
<thead>
<tr>
<th>Plan Provisions</th>
<th>Health Savings Plan 1</th>
<th></th>
<th>Health Savings Plan 2</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>In-Network</td>
<td>Out-of-Network</td>
<td>In-Network</td>
<td>Out-of-Network</td>
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<tr>
<td>Individual Deductible</td>
<td>$2,500</td>
<td>$5,000</td>
<td>$1,500</td>
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<tr>
<td>Family Deductible¹</td>
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<td>$10,000</td>
<td>$3,000</td>
<td>$6,000</td>
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<td>Individual Out-of-Pocket Maximum (includes deductible)</td>
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<td>$10,000</td>
<td>$3,500</td>
<td>$7,000</td>
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<tr>
<td>Family Out-of-Pocket Maximum (includes deductible)</td>
<td>$10,000²</td>
<td>$20,000</td>
<td>$7,000²</td>
<td>$14,000</td>
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<tr>
<td>Preventive care services³ (plan pays)</td>
<td>100%, no deductible</td>
<td>60%⁴ after deductible</td>
<td>100%, no deductible</td>
<td>60%⁴ after deductible</td>
</tr>
<tr>
<td>Preventive medications (plan pays)⁵</td>
<td>100%, no deductible</td>
<td>60%⁴ after deductible</td>
<td>100%, no deductible</td>
<td>60%⁴ after deductible</td>
</tr>
<tr>
<td>Office visits; Other prescriptions; Inpatient admission; Emergency room; Urgent care, etc. (plan pays)</td>
<td>Plan pays 80% after deductible</td>
<td>Plan pays 60%⁴ after deductible</td>
<td>Plan pays 80% after deductible</td>
<td>Plan pays 60%⁴ after deductible</td>
</tr>
</tbody>
</table>

¹ The deductible is a true family deductible meaning the full amount must be reached before the Medical Plan pays benefits for any covered individual.

² Out-of-pocket maximum not to exceed $6,850 for any one covered individual.

³ When provider submits the claim as Preventive

⁴ Subject to Reasonable and Customary limits

⁵ As included on the CVS Caremark Preventive Therapy Drug List

(See page 28 for a glossary of important terms)
What is a Preventive Medication?

- Under the HSP options, prescription medications on the CVS Caremark Preventive Therapy Drug List* are covered at 100% when purchased from a network pharmacy
  - A copy of this list can be found on the Duke Energy Portal’s Employee Center – Benefits-Health & Insurance page

- Some examples** of included preventive medications are:
  - Cholesterol medications for Coronary Artery Disease
  - Diabetes medications and testing supplies
  - Medications related to Hypertension/High Blood Pressure
  - Medications for respiratory disorders such as Asthma

* Included items are reviewed periodically and are subject to change.


Note: A Preventive Therapy Drug List is a list of drugs that has been approved by the Food and Drug Administration to be used in the prevention of various medical conditions. CVS Caremark follows IRS guidelines in identifying drugs to be placed on this list.
A Health Savings Account *is*...
- a personal bank account that allows you to save money for current or future health care expenses (e.g., deductibles/co-insurance)
- sometimes referred to as a “medical IRA”

A Health Savings Account *is not*...
- available to employees who do not choose a Health Savings Plan option
- the same as the Health Care Spending Account (HCSA)
- subject to the HCSA “use it or lose it” each year rules – balances can be carried over year over year (and invested)
- the same as a Health Reimbursement Account (HRA)
What are the advantages of a Health Savings Account?

- You can make **pre-tax contributions** and Duke Energy will match a portion of your contributions if you contribute through payroll deduction.
- You can enjoy **tax-free interest and investment earnings**.
- You can take **tax-free withdrawals** for eligible health care expenses now or in the future (including retirement) – no “use it or lose it” rule.
- Your entire account balance, including company contributions, is always yours—even if you leave Duke Energy, similar to contributions to a 401(k) plan.
IRS rules state that Health Savings Account contributions *cannot* be made by individuals:

- claimed or eligible to be claimed as a dependent on anyone else’s tax return
- covered in any manner by a plan that is not an HDHP (even as secondary coverage)
- contributing to or eligible for benefits (i.e., access to use funds) from most Health Care Spending Accounts and Health Reimbursement Accounts, including those of your spouse
- receiving Medicare Part A and B benefits
How the Health Savings Account works

- After choosing an HSP option during Annual Enrollment, you can establish an HSA with Optum BankSM as you enroll in your 2018 benefits
  - Activate the account during annual enrollment on the YBR website (or later, via the Duke Energy myHR™ Service Center or the YBR website)

- Contribute to your account on a pre-tax basis through payroll deductions
  - You can change your contribution amount at any time throughout the year

- Receive matching contributions from Duke Energy
  - For individual HSP coverage:
    - Up to $600 in matching contributions during the year*
  - For family HSP coverage:
    - Up to $1,200 in matching contributions during the year*

NOTE: Matching contributions for employees represented by IBEW SCU-8 are up to $500 for individual HSP coverage and up to $1,000 for family HSP coverage

myHR™ is a trademark of Alight Solutions LLC
The IRS limits the amount you may contribute to your Health Savings Account each year

IRS total contribution limits for 2018*
- For individual HDHP coverage: $3,450
- For family HDHP coverage: $6,900

Since the company will also make contributions, your payroll contributions for 2018 will be limited to:
- For individual HDHP coverage: $2,850**
- For family HDHP coverage: $5,700**

*If you are age 55 or over at any point during the year, you may make additional “catch up” contributions of up to $1,000

**The limits for employees represented by IBEW SCU-8 are $2,950 for individual coverage and $5,900 for family coverage
You can invest your Health Savings Account balance*

- Your HSA earns interest at a modest rate similar to any interest-bearing checking account
- Once your HSA balance reaches a minimum threshold, you can elect to invest amounts in excess of the minimum in your choice of more than 20 mutual funds
- Minimum required investment is $100
- Interest and other investment earnings accumulate tax-free

*See the 2018 Health Savings Account Information Booklet for additional information about interest rates and the investment process. It is available on the Duke Energy Portal’s Employee Center – Benefits-Health & Insurance page.
You decide if / when you will use your HSA funds...use them now or in the future

- Distributions for eligible health care expenses are not taxed
  - Expenses must have been incurred by you or your spouse/qualified dependent
  - Keep all your health care-related receipts!
    - The IRS may request receipts for audit purposes
    - Amounts not reimbursed initially may be reimbursed any time in the future

- Distributions for any other reason are generally taxed as income
  - Subject to an additional 20% penalty tax if distributed before you reach age 65, become disabled, or die
You can access the funds in your Health Savings Account by

- Using your Optum Bank HSA debit MasterCard®
- Writing checks that you can order after your account is activated
- Accessing and using the Pay Online feature through the Claims Summary page on [www.myUHC.com](http://www.myUHC.com)

**Key Points**

- Funds are available for use as they are deposited
  - Payroll deduction amounts are typically available within 48 hours
  - The Health Savings Account is **not** like the Health Care Spending Account where the entire elected amount is available in January

- Your HSA is like a checking account... don’t overdraw your account
  - Check your account balance anytime at myUHC.com or via the Health4Me mobile app
  - Optum Bank provides reporting of your account activity to you at year-end for tax purposes
The HSP and HSA work together

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<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HSP Option Pays</td>
<td>You Pay</td>
<td>Then HSP Option Pays &amp; You Pay</td>
<td>The Most You Will Pay</td>
</tr>
<tr>
<td></td>
<td>In-network preventive care services and preventive medications: covered at 100% with no deductible</td>
<td>Deductible: You pay for other services out-of-pocket or from your HSA</td>
<td>Co-insurance: You and the HSP option share the cost of covered services; you pay your share out-of-pocket or from your HSA</td>
<td>Out-of-pocket maximum: The maximum amount you will pay during the calendar year for covered services</td>
</tr>
</tbody>
</table>
Regardless your stage in life, don’t pay more than necessary for health care

I’m healthy

Hi, I’m Erin and I chose the HSP 1 option. I live an active life and I’m in pretty good health, so my health care is definitely not top of mind. I don’t have many medical expenses or foresee any health problems in the near future. So I don’t see a need to put a lot of money towards my health plan right now.

I like that I have more money in my paycheck because of the lower contributions. In fact, I put my contribution savings into my HSA. That way, I have money if I need it, and the HSA is saving me on taxes. Plus, my preventive care is covered 100% if I see a network provider. The way I see it, I have coverage that will save me money, provide the basics and protect me financially if I need it.

I have health issues

Hi, I’m Sarah and I chose the HSP 2 option. I have a chronic condition and managing it can be expensive. When I first enrolled in this option, I was nervous. But I have all the coverage I need — plus I’m saving more in contributions.

I’m also in a special program that helps me to better manage my condition. Nurses call me, offer support and help me to keep my costs down. I’m grateful for them because I feel like I can live more independently.

Although the money in my HSA doesn’t last long, I’m protected financially by the out-of-pocket maximum. I like knowing that there is a point where I am covered 100%.
Regardless your stage in life, don’t pay more than necessary for health care

I need affordable care for my family

Hi, I’m Nathan and I chose the HSP 2 option. Having children doesn’t come without a few visits to the doctor’s office. UnitedHealthcare® gives me great tools to help me understand how much a doctor’s visit or a treatment might cost. I especially like that I can call a registered nurse at any hour of the day for help, which could save me time and a costly trip to the doctor.

When I use the services that come with my medical coverage, I can see that my family gets the quality care they need without overpaying for it. That way, we can make the most of our HSA and tax savings.

I’m planning for retirement

Hi, I’m Mike and I chose the HSP 1 option. I’m hoping to retire in about 10 years. But to do that, I need to save even more money. I’m saving as much as I can through my 401(k) Plan, but I’m also taking advantage of the savings and tax benefits of my HSA.

My wife and I are both pretty healthy, so as we save for future health care bills, we’re also investing some of our HSA money to grow our balance even further.

UnitedHealthcare® is a registered mark of UnitedHealth Group Inc.
What happens when I go to the doctor?

1. Confirm that your doctor is in the provider network
   - Take advantage of in-network discounts & higher benefit levels
   - Research where you can access the most cost-effective care based on services needed – the UnitedHealthcare® website is a good source

2. At the doctor’s office, show your medical ID card to ensure you receive the network discount
   - You don’t typically pay for services the day of your visit

3. After your visit, the doctor’s office sends a claim to UnitedHealthcare
   - Watch for an Explanation of Benefits (EOB) from UnitedHealthcare if co-insurance is applicable. The EOB is not a bill, but keep it for your records

4. The doctor’s office bills you for any amount you owe after the HSP option benefit payments have been applied
   - You pay 100% of the cost up to your annual deductible
   - Applicable co-insurance and annual out-of-pocket maximums apply thereafter

5. Decide how to pay any amount due
   - From your Health Savings Account, or
   - Out-of-pocket so you save the money in your account for the future
What happens when I fill a prescription?

1. Go to any pharmacy in the CVS Caremark retail pharmacy network or use the CVS Caremark Mail Service Pharmacy
   - Research potential prescription costs on www.Caremark.com
   - Using the CVS Caremark Mail Service Pharmacy may maximize your savings on long-term (maintenance) medications

2. Show your CVS Caremark prescription drug ID card (not your medical ID card) at a retail pharmacy to ensure the correct deductible and co-insurance are applied

3. You pay 100% of the non-preventive medication cost up to your annual deductible (combined with medical expenses)
   - Applicable co-insurance and annual out-of-pocket maximums apply thereafter
   - Refer to CVS Caremark’s Preventive Therapy Drug List for preventive medications that are covered at 100%

4. Decide how to pay amount due
   - From your Health Savings Account, or
   - Pay out-of-pocket so you save the money in your account for the future
Why should I consider one of the HSP options?

- Your per pay period premium contributions are significantly lower than with the PPO option
- You can enjoy a **triple-tax advantage** by establishing a Health Savings Account, so money saved on lower premium contributions can be used to fund your account
- In-network preventive care and certain preventive medications are covered at 100%, so the deductible doesn’t apply
- You can use your account balance now or you can save it for the future
Case Study – Single, 50 year-old male
Knee surgery

Lester is 50 years old and is single.
Lester decides to have an outpatient arthroscopic knee surgery. Lester will need pre-surgery visits, physical therapy, and check-up visits in addition to the surgery. Lester will also visit his PCP for Preventive services (colonoscopy, prostate exam, wellness exam).

### Lester’s Total Annual Cost

<table>
<thead>
<tr>
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<th>PPO</th>
<th>HSP1</th>
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</thead>
<tbody>
<tr>
<td>Deductible/Coincurrence*</td>
<td>$2,000</td>
<td>$3,500</td>
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<tr>
<td>Rx Deductible/Coincurrence*</td>
<td>$944</td>
<td>Incl. above ↑</td>
</tr>
<tr>
<td>A. Member Plan Cost Share</td>
<td>$2,944</td>
<td>$3,500</td>
</tr>
<tr>
<td>B. Annual Payroll Contributions**</td>
<td>$2,048</td>
<td>$116</td>
</tr>
<tr>
<td>Total Subscriber OOP Cost (A+B)</td>
<td>$4,992</td>
<td>$3,616</td>
</tr>
</tbody>
</table>

*For illustrative purposes only
**Assumes employee qualifies for non-tobacco user discount and earns maximum *Live Well* rewards

Lester’s plan cost share is **$556 more** under the HSP1.

Lester’s total cost is **$1,376 less** under the HSP1.
Case Study – Mature man
Diabetes and Heart Disease

Sam is 58 years old and has diabetes and heart disease. Sam takes Insulin injections to manage his diabetes and also uses a generic statin and generic anti-hypertensive to manage his heart disease. A visit to Sam’s cardiologist and subsequent testing indicates three blocked arteries in his heart. Sam has heart bypass surgery. Sam also visits his PCP twice during the year for sinus infections and is prescribed two antibiotics. He will also complete his Preventive services (colonoscopy, prostate exam, wellness exam).

Sam’s Total Annual Cost

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**Assumes employee qualifies for non-tobacco user discount and earns maximum Live Well rewards

Sam’s plan cost share is $556 more under the HSP1.

Sam’s total cost is $1,376 less under the HSP1.
The Smiths have two young children, one of which has asthma. Their annual health care services, in total, include annual wellness visits for each family member, 6 sick visits to the PCP, 2 office visits to the asthma specialist, 1 ER visit, 1 urgent care visit, maintenance asthma medication and 4 other generic prescriptions.

The Smiths’ Total Annual Cost

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<tbody>
<tr>
<td>Deductible/Coinsurance*</td>
<td>$822</td>
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<td>Rx Deductible/Coinsurance*</td>
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<td>A. Member Plan Cost Share</td>
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<td>B. Annual Payroll Contributions**</td>
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<tr>
<td>Total Subscriber OOP Cost (A+B)</td>
<td>$8,721</td>
<td>$2,848</td>
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</tbody>
</table>

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**Assumes employee & spouse qualify for non-tobacco user discount and earn maximum Live Well rewards

The Smith's cost share is $631 more under the HSP1.

The Smith's total cost is $5,873 less under the HSP1, because of lower payroll contributions.
The Wilsons are a young married couple without children. Their annual health care services, in total, include annual wellness visits, 1 sick visit to the PCP, 1 urgent care visit, 2 generic prescriptions, and 1 mail order prescription.

The Wilsons’ Total Annual Cost

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<td>B. Annual Payroll Contributions**</td>
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**Assumes employee & spouse qualify for non-tobacco user discount and earn maximum Live Well rewards

The Wilsons’ cost share is $631 more under the HSP1.

The Wilsons’ total cost is $5,333 less under the HSP1, because of lower payroll contributions.
Case Study – Older family with two children
Heart Bypass

The Millers are an older healthy family with children aged 16 and 11.
Their annual health care services, in total, include annual wellness visits for each family member, 4 visits to the PCP, and 1 mail order prescriptions. Their youngest child gets appendicitis and needs to have her appendix removed. Joe (father) visits his cardiologist and subsequent testing indicates three blocked arteries in his heart. Joe has heart bypass surgery.

The Millers’ Total Annual Cost

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The Millers’ cost share is $631 more under the HSP1.
The Millers’ total cost is $5,873 less under the HSP1, because of lower payroll contributions.
**Additional Key Information**

**After you reach age 65**
- You can contribute to your Health Savings Account as long as you’re enrolled in an HSP option and **not** enrolled in any Medicare benefit or other disqualifying coverage.
- You can continue to use your account tax-free to pay for eligible health care expenses, including:
  - Most premiums (excluding pre-tax contributions)
  - Deductibles
  - Co-pays and co-insurance
- You can also use your account to pay for things other than health care expenses; however
  - Such distributions are taxable as income
  - Such distributions are not subject to any other penalties (e.g., the 20% penalty applicable to amounts withdrawn before age 65)

**When you enroll in Medicare**
- You can no longer **contribute** to your Health Savings Account.
- You can continue to use funds available in your account as described above.
Summary

Health Savings Plan options
- Focus on wellness and prevention
- Work like a PPO with a network, deductible, co-insurance & out-of-pocket maximum
- Allow participants to contribute to a Health Savings Account

Health Savings Account
- Offers a triple tax advantage with
  - Pre-tax contributions
  - Tax-free interest and investment earnings
  - Tax-free withdrawals for eligible health care expenses
- In addition,
  - Duke Energy contributes to your Health Savings Account via matching contributions
  - No “use-it-or-lose-it” rule – your account balance carries over from year to year and goes with you if you change employers or retire
Glossary of important terms

- **Co-insurance**: The percentage of total costs paid by a Medical Plan option and by you after you satisfy the annual deductible. For example, when you receive in-network services under the PPO option, the Medical Plan pays 80% of covered expenses, and you pay 20% of covered expenses, after you satisfy the annual deductible.

- **Co-payment or Co-pay**: The dollar amount you pay for a health care service (such as an office visit under the PPO option) or for a Generic prescription purchase (except under a Health Savings Plan option). With flat-dollar co-pays, you pay the same amount each time for comparable services, regardless of the actual cost of the service.

- **Deductible**: An amount you must pay each calendar year for covered services before a Medical Plan option begins paying benefits in the form of co-insurance. Charges in excess of reasonable and customary, employee contributions for coverage, prescription drug co-pays and co-insurance under the PPO options, and ineligible expenses do not apply toward satisfying your annual deductible.

- **Out-of-Pocket Costs**: Expenses you pay for receiving care, such as co-insurance. This does not include your employee contributions for coverage through payroll deductions.

- **Out-of-Pocket Maximum**: The maximum total dollar amount you must pay for covered expenses during a calendar year. After your out-of-pocket expenses reach the annual maximum, the Medical plan pays 100% of most covered expenses for the remainder of that calendar year. Charges in excess of reasonable and customary, employee contributions for coverage, and ineligible expenses do not apply to the out-of-pocket maximum.
The information provided in this presentation about the Health Savings Plan options and Health Savings Account for 2018 is not intended to provide tax advice. Please consult your tax advisor to discuss what is best for your situation.

This presentation contains selected highlights of the Duke Energy Active Medical Plan. If any statement herein, or in any other communication, conflicts with the applicable plan documents, the plan documents will govern. Duke Energy retains the right to amend, modify or terminate its benefit plans in any respect and at any time.