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
- Discuss your coverage options with your family
Generally, you have three options from which to choose:

- Catastrophic
- Health Savings Plan (HSP) 1
- Standard PPO

The HSP option
- is a high deductible health plan (HDHP) as defined by the IRS
- offers the same coverage and exclusions for medical services as the other Medical Plan options
- has the same extensive network of providers as the Standard PPO option
What are the advantages of the HSP option?

The HSA option

- allows you to establish and contribute to a triple tax advantaged Health Savings Account (HSA)*
- gives you more control over how you spend your health care dollars
- encourages more informed decision-making

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

<table>
<thead>
<tr>
<th>Plan Provisions</th>
<th>In-Network</th>
<th>Out-of-Network</th>
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</thead>
<tbody>
<tr>
<td>Individual Deductible</td>
<td>$2,500</td>
<td>$5,000</td>
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<tr>
<td>Family Deductible&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$5,000</td>
<td>$10,000</td>
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<tr>
<td>Individual Out-of-Pocket Maximum (includes deductible)</td>
<td>$5,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Family Out-of-Pocket Maximum (includes deductible)</td>
<td>$10,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Preventive care services (plan pays)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>100%, no deductible</td>
<td>60%&lt;sup&gt;3&lt;/sup&gt; after deductible</td>
</tr>
<tr>
<td>Preventive medications (plan pays)&lt;sup&gt;4&lt;/sup&gt;</td>
<td>100%, no deductible</td>
<td>60%&lt;sup&gt;3&lt;/sup&gt; after deductible</td>
</tr>
<tr>
<td>Office visits; Other prescriptions; Inpatient admission; Emergency room; Urgent care, etc. (plan pays)</td>
<td>80% after deductible</td>
<td>60%&lt;sup&gt;3&lt;/sup&gt; after deductible</td>
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<sup>1</sup> The deductible is a true family deductible meaning the full amount must be reached before the Medical Plan pays benefits for any covered individual.

<sup>2</sup> When provider submits the claim as Preventive

<sup>3</sup> Subject to Reasonable and Customary limits

<sup>4</sup> As included on the CVS Caremark Preventive Therapy Drug List

(See page 19 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.

- 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, tax-advantaged, 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 retirees who do not choose the Health Savings Plan option
- the same as a Health Reimbursement Account (HRA) such as the Subsidy HRA or Cinergy HRA
- the same as the Health Care Spending Account (HCSA)
What are the advantages of a Health Savings Account?

- You can make **pre-tax contributions**
- 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 – no “use it or lose it” rule

These features add up to provide a **triple tax advantage**!
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 or B benefits
How the Health Savings Account Works

- After choosing the HSP option during Annual Enrollment, establish a Health Savings Account at the financial institution of your choice
  - Talk to your local bank, credit union or financial advisor for guidance
- Make tax-deductible contributions to your account, similar to IRA contributions
  - Similar to IRAs, the IRS limits the amount of money you may contribute to your Health Savings Account each year
- **2018 IRS total contribution limits**
  - For individual HDHP coverage: $3,450
  - For family HDHP coverage: $6,900
  - If you are age 55 or over at any point during the year, you can make an additional “catch up” contribution of up to $1,000 annually
Typically, you can invest your Health Savings Account balance…

- Your HSA may earn interest at a modest rate, similar to an interest-bearing checking account
- Once your HSA balance reaches a minimum threshold, you may be able to elect to invest amounts in excess of the minimum
- Interest and other investment earnings accumulate tax-free

Talk with your HSA provider to obtain additional information on interest and investment options for account
You decide if and 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
The HSP and HSA work together

<table>
<thead>
<tr>
<th></th>
<th>HSP Option Pays</th>
<th>You Pay</th>
<th>Then HSP Option Pays &amp; You Pay</th>
<th>The Most You Will Pay</th>
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</thead>
<tbody>
<tr>
<td>1</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 Health Savings Account</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 Health Savings Account</td>
<td>Out-of-pocket maximum: The maximum amount you will pay during the calendar year for covered services</td>
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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 (combined with non-preventive medication expenses)
   - Applicable co-insurance and annual out-of-pocket maximums (combined with non-preventive medication expenses) apply thereafter

5. Decide how to pay 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 (again combined with medical expenses) apply thereafter
   - Refer to CVS Caremark’s Preventive Therapy Drug List for preventive medications 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?

- You normally use your current medical coverage minimally or mainly for preventive services
  - In-network preventive care and certain preventive medications are covered at 100%, so the deductible doesn’t apply
- You can enjoy a **triple-tax advantage** by establishing a Health Savings Account
- You can use your account balance now or you can save it for the future
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 option

- Focuses on wellness and prevention
- Works like a PPO with a network, deductible, co-insurance & out-of-pocket maximum
- Allows 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,
  - No “use-it-or-lose-it” rule – your account balance carries over from year to year
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 90% of covered expenses, and you pay 10% 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. Flat-dollar co-pays, 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 option 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 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.