



2026 PROPOSED BENEFIT CHANGES

Market trends and UofL healthcare experience



UofL Historical Experience

- UofL's budget increased above market trend in 2023 and 2024 driven by high cost claimant experience and in line with market trend in 2025.
- UofL's 2024 medical experience was favorable with only a small increase over 2023. Favorable trends appear to continue for UofL in 2025.
- Prescription drug costs continue to increase above expected trends, driven by increased utilization in GLP-1 medications for diabetes and weight loss.



Market Trends

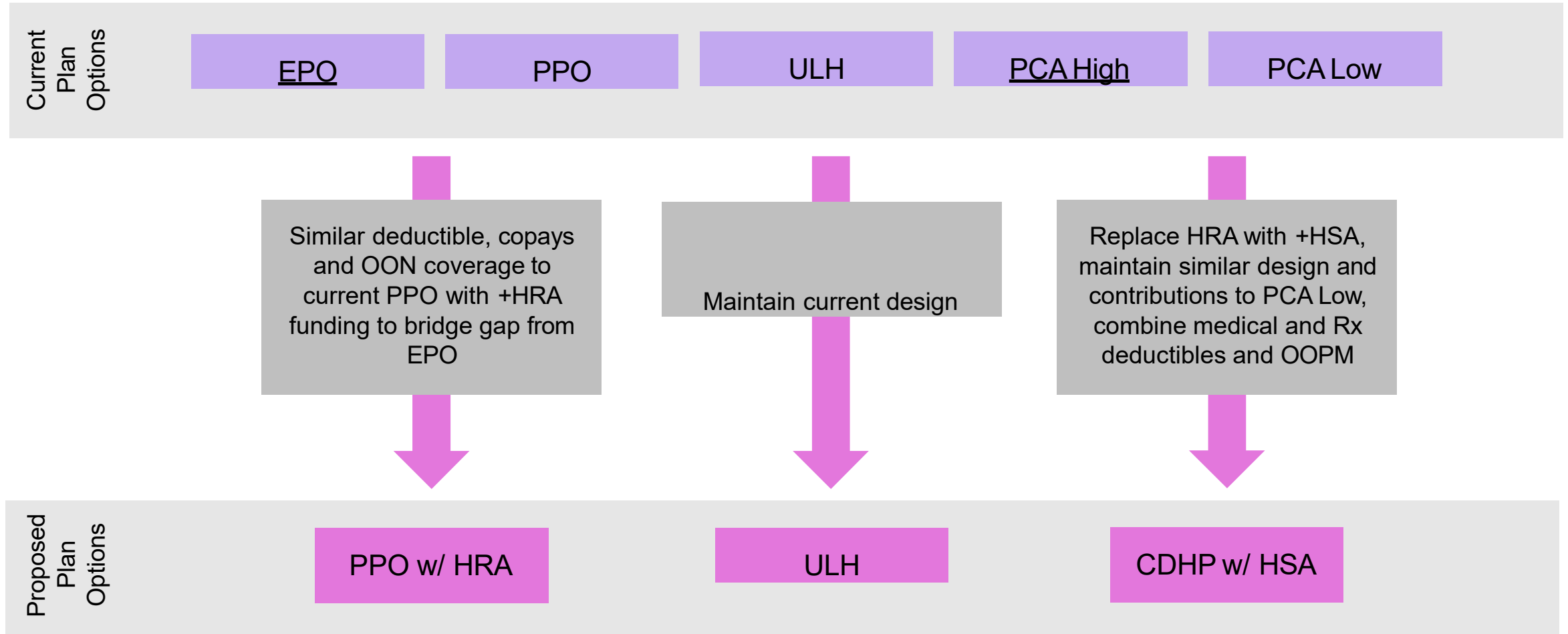
- High cost claimants have continued to drive higher trends and lead to large increase in stop loss fees.
- In addition to the increased GLP-1 utilization, specialty medications continue to drive double digit trends for prescription drug costs.
- Most employers provide employees with plan choices including a PPO option and a CDHP with HSA option.



Initial 2026 Projections

- While an increase is expected for 2026, UofL's budget increase is expected to be below trend, driven by favorable recent experience and contract improvements from vendor partners.
- UofL has received feedback from employees to offer a CDHP with HSA plan option.
- UofL values its employees and would like to offer healthcare plans that align with market and give employees an opportunity to elect a plan that matches their lifestyle.

Proposed 2026 plan designs



HRA: UofL Contributions can be used for Med Copay & Deductibles, Pharm Copay & Deductibles. **Limited to 1x annual contribution**

FSA: Employee Contribution for Med Copay & Deductibles, Pharm Copay & Deductibles, Dental, Vision. **Limited Annual Carryover**

HSA: UofL & Employee Contributions for Med & Pharm Copay & Deductibles, Dental, Vision. **No Limits on Annual Carryover,**

Proposed 2026 plan designs and contributions

Current medical plan design		EPO	PPO	ULH		PCA High	PCA Low
		In network	In network	UofL provider	In network	In network	In network
HRA/HSA seed (Employee Only/ Employee plus Spouse or QA/ Employee plus Child/Family)		N/A	N/A	N/A	N/A	\$500/\$1,000/\$2,000	\$500/\$1,000/\$2,000
Medical deductible	Individual	\$0	\$250	\$0	\$500	\$1,000	\$2,000
	Family	\$0	\$750	\$0	\$1,000	\$3,000	\$4,000
	Embedded/ Aggregate	Embedded	Embedded	Embedded	Embedded	Embedded	Embedded
Medical out-of-pocket Maximum (Inc. Ded.)	Individual	\$2,000	\$2,250	\$2,000	\$4,500	\$4,000	\$5,000
	Family	\$4,000	\$4,750	\$4,000	\$9,000	\$9,000	\$10,000
Coinsurance		90%	90%	90%	70%	90%	80%

Proposed medical plan design		PPO w/ HRA	ULH		CDHP w/ HSA
		In network	UofL provider	In network	In network
HRA/HSA seed (Employee Only/ Employee plus Spouse or QA/ Employee plus Child/Family)		\$250/\$500/\$750	N/A		\$500/\$1,000/\$2,000
Medical deductible	Individual	\$250	\$0	\$500	\$2,000
	Family	\$750	\$0	\$1,000	\$4,000
	Embedded/ Aggregate	Embedded	Embedded	Aggregate	
Medical out-of-pocket maximum (Inc. Ded.)	Individual	\$2,250	\$2,000	\$4,500	\$4,600
	Family	\$4,750	\$4,000	\$9,000	\$9,200
Coinsurance		90%	90%	70%	80%

2026 Contributions (before Get Healthy Now reduction)	PPO w/ HRA	ULH	CDHP w/ HSA
EE Only	\$192.00	\$181.00	\$93.00
EE plus Spouse/Qualified Adult	\$508.00	\$479.00	\$246.00
EE plus Child(ren)	\$346.00	\$326.00	\$106.00
EE plus Family	\$660.00	\$623.00	\$271.00

The above plan designs are simplified plan designs and proposed options are subject to change pending approval and regulatory requirements to HSA. These designs represent in-network benefits. The PPO w/ HRA and CDHP w/ HSA plans will offer out-of-network benefits. Employees will continue to have ability to participate in Get Healthy Now program and earn \$40/month premium reduction.

Active 2025 and 2026 CY contributions

- Employee contributions assume the following cost share:
 - PPO w/ HRA at 22%, compared to 24% for EPO and 22% for PPO
 - ULH at 21%, consistent with current cost share
 - CDHP w/ HSA at 12%, compared to 12% for PCA high and 11% for PCA low
- Ultimate tier ratios are used with increases for the EE+Child(ren) and EE+Family for CDHP w/ HSA capped at 10% from PCA low

2025 Contributions	EPO	PPO	ULH	PCA High	PCA Low	Total
EE Only	\$201.00	\$175.00	\$166.00	\$97.00	\$87.00	
EE+Spouse	\$536.00	\$476.00	\$439.00	\$331.00	\$230.00	
EE+Child(ren)	\$362.00	\$315.00	\$299.00	\$175.00	\$96.00	
EE+Family	\$691.00	\$602.00	\$571.00	\$363.00	\$246.00	
Total Annual Cost	\$3,094,000	\$10,388,000	\$2,457,000	\$2,042,000	\$1,088,000	\$19,069,000
2026 Contributions	PPO w/ HRA		ULH	CDHP w/ HSA		Total
EE Only	\$192.00		\$181.00	\$93.00		
EE+Spouse	\$508.00		\$479.00	\$246.00		
EE+Child(ren)	\$346.00		\$326.00	\$106.00		
EE+Family	\$660.00		\$623.00	\$271.00		
Total Annual Cost	\$13,998,000		\$2,680,000	\$2,943,000		\$19,621,000
\$ Change from 2025	\$516,000		\$223,000	-\$187,000		\$552,000
% Change from 2025	3.8%		9.1%	-6.0%		2.9%
Contribution Increase (%)	EPO	PPO	ULH	PCA High	PCA Low	
EE Only	-4.5%	9.7%	9.0%	-4.1%	6.9%	
EE+Spouse	-5.2%	6.7%	9.1%	-25.7%	7.0%	
EE+Child(ren)	-4.4%	9.8%	9.0%	-39.4%	10.4%	
EE+Family	-4.5%	9.6%	9.1%	-25.3%	10.2%	
Contribution Increase (\$)	EPO	PPO	ULH	PCA High	PCA Low	
EE Only	(\$9)	\$17	\$15	(\$4)	\$6	
EE+Spouse	(\$28)	\$32	\$40	(\$85)	\$16	
EE+Child(ren)	(\$16)	\$31	\$27	(\$69)	\$10	
EE+Family	(\$31)	\$58	\$52	(\$92)	\$25	

QUESTIONS?



Proposed 2026 plan designs

Current Plans and Benefits	Proposed Plans and Benefits
The PPO and EPO plans do not have an HRA	The PPO w/ HRA plan will offer employer funded seed money that can be used on medical and prescription drug expenses including your deductible and copays
The EPO plan does not have a deductible	The PPO w/ HRA plan does have a deductible, but the HRA seed money will cover the deductible amount. The CDHP w/ HSA plan does have a deductible, but the HSA seed money and employee seed money can help contribute to the deductible amount.
The EPO plan does not have out-of-network benefits	The PPO w/ HRA and CDHP w/ HSA plans will offer out-of-network benefits
The PCA High and PCA Low plans offer HRA seed money	The PPO w/ HRA will offer employer funded seed money and the CDHP w/ HSA will offer employer and employee funded seed money
The ULH plan offers UofL provider and in-network benefits	The ULH plan will continue to offer UofL provide and in-network benefits
All plans have an embedded deductible	The PPO w/ HRA and ULH plan will have an embedded deductible. The CDHP w/ HSA will have an aggregate deductible.

CDHP w/ HSA and HSA notes

- HSA can be funded by both the employee and employer up to the annual maximum
- HSA money rolls over year to year with no maximum amount limit
- HSA money can be used for qualified expenses for medical, dental, vision, and prescription drugs. For non-qualified expenses, the money spent is subject to taxes.
- HSA money is your money to keep and if you leave UofL, your funds are not forfeited
- If you have a Health Care FSA with a balance with the University, but move to the CDHP with HSA plan, the Health Care FSA's balance will move to a Limited Purpose FSA where your funds can be spent on qualified dental and vision expenses

PPO w/ HRA and HRA notes

- HRA money can be funded by the employer only
- HRA money can be rolled over each year up to 1x annual contribution amount
- HRA money can be used for qualified medical and prescription drug expenses, and deductibles and copays
- HRA money is not portable and is forfeited when you leave UofL

Health Care FSA notes

- Health Care FSA money can be funded by the employee only
- Health Care FSA money can carryover each year up to the IRS limit
- Health Care FSA money can be used for qualified medical and prescription drug expenses
- HRA money is not portable and is forfeited when you leave UofL
- If you have a Health Care FSA with a balance with the University, but move to the CDHP with HSA plan, the Health Care FSA's balance will move to a Limited Purpose FSA where your funds can be spent on qualified dental and vision expenses. You cannot have an HSA and Health Care FSA, per the IRS.

Comparing HSAs to HRAs and health care FSAs

	Health Savings Accounts (HSAs)	Health Reimbursement Arrangements (HRAs)	Health Care Flexible Spending Accounts (FSAs)
Eligibility	The University of Louisville's proposed CDHP with HSA plan offering is a qualified HDHP and those enrolled in this plan can open and contribute to the HSA. Employees, retirees or self-employed individuals who are (1) covered under a qualified high deductible health plan (HDHP)* as of the first day of the month, and (2) not covered under any other non-HDHP, with certain exceptions Medicare-entitled individuals cannot make HSA contributions, but can draw down HSA balance tax-free for qualified medical expenses *A HDHP must have an annual deductible of at least \$1,650 for single coverage, \$3,300 for family coverage in 2025 *A HDHP out-of-pocket maximum cannot exceed \$8,300 for single coverage, \$16,600 for family coverage in 2025	Those enrolled in the University of Louisville's proposed PPO plan offering is qualified to have the HRA. Employees and retirees	Those who are benefits-eligible at the University of Louisville are qualified to have the Health Care FSA. You do not need to be enrolled in a health plan with the University in order to have the Health Care FSA. Per the IRS, you cannot have a Health Care FSA and an HSA at the same time. If you have a Health Care FSA with a balance with the University, but move to the CDHP with HSA plan, the Health Care FSA's balance will move to a Limited Purpose FSA where your funds can be spent on qualified dental and vision expenses. Employees
Reimbursable Expenses	May reimburse for IRC §213(d) medical care expenses, which includes OTC drugs, menstrual care products, and long-term care services See IRS Publication 502 for a list of IRC §213(d) qualified medical and dental expenses. Also see IRS Publication 969	May reimburse for IRC §213(d) medical care expenses, which includes OTC drugs, menstrual care products, and amounts paid for health plan premiums, e.g., employer- sponsored retiree health coverage, Medicare premiums, COBRA, long-term care insurance premiums See IRS Publication 502 for a list of IRC §213(d) qualified medical and dental expenses. Also see IRS Publication 969	May reimburse for IRC §213(d) medical expenses, which includes OTC drugs and menstrual care products. See IRS Publication 502 for a list of IRC §213(d) qualified medical and dental expenses. Also see IRS Publication 969
Carryover of Unused Balances	Unlimited carryover required	Unlimited carryover permitted, up to University of Louisville's annual contribution	Carryover up to \$640 permitted (in 2024)

Comparing HSAs to HRAs and health care FSAs (continued)

	Health Savings Accounts (HSAs)	Health Reimbursement Arrangements (HRAs)	Health Care Flexible Spending Accounts (FSAs)
Annual Contribution Limits	For single coverage in 2025: \$4,300 For family coverage in 2025: \$8,550 Pro-rata contributions not required; entire maximum annual contribution may be made on first day of the year Increased “catch-up” contributions of up to \$1,000 permitted for those who are age 55+ by the end of the calendar year, and who are not enrolled in Medicare Limits apply to combined contributions from employer and individual(s)	Determined by employer (no limit under the IRC)	\$3,300 limit on employee pre-tax salary reductions effective 2025 (indexed for inflation) The \$3,300 limit does not apply to employer contributions (e.g., seed, matching, incentive contributions) to the health FSA if such employer contributions cannot be taken by the employee in cash
Employee Contributions	Both the employee and employer can contribute to the HSA up to the annual contribution limit Pre-tax (under a cafeteria plan) or post-tax contributions permitted	Only the employer contributes to the HRA Employee contributions prohibited (pre- or post-tax)	Only the employee contributes to the FSA Pre-tax (under a cafeteria plan) or post-tax contributions (e.g., COBRA) permitted
Portability	HSAs are portable (e.g., when an employee changes jobs)	HRAs are not portable	Health FSAs are not portable ; account balance is forfeited when participation terminates (unless COBRA is elected)
Claim Substantiation Requirements	Employers and HSA trustees or custodians are not required to determine whether HSA distributions are used exclusively for qualified medical expenses; instead, individual HSA account holders must make that determination and are required to maintain supporting records	Medical expenses must be substantiated; IRS has indicated that the claim substantiation requirements applicable to health FSAs also are applicable to HRAs	Participant required to submit a written statement (1) from a third party (e.g., a health care provider) stating that the medical expense has been incurred and the amount of such expense and (2) that the medical expense has not been reimbursed and that the participant will not seek reimbursement under any other health plan covering that expense (including an HSA)
Tax Benefits and Investment Earnings	HSA contributions are tax-deductible. Interest and capital gains on HSA investments and qualified withdrawals are tax-free Interest may accrue on HSA funds if invested	HRA reimbursements are all federal income tax-free HRA funds are not invested and do not earn interest	FSA contributions are pre-tax through payroll deductions FSA funds are not invested and do not earn interest

Transition to Health Savings Account Plan

HRA eligible plan in 2025 to HSA eligible plan in 2026

- UofL's HRA only allows for carryover when a member enrolls in an HRA for the following plan year
 - If a member has funds remaining in their 2025 HRA, but they do not enroll in the HRA for 2026, they will not receive the rollover funds
 - HRA rollover is determined by the future plan's seed amount so any member with remaining funds in their 2025 HRA will receive up to the annual seed amount of the 2026 plan if they enroll in the HRA for 2026

Healthcare FSA eligible plan in 2025 to HSA eligible plan in 2026

- UofL will offer a **limited purpose FSA** to members currently enrolled in a health care FSA and have remaining 2025 funds, but then move to the HSA plan
- **Why is this important?**
 - This prevents members from forfeiting their money
 - Benefits "super savers" because it allows for members to save through an HSA, but also have access to funds with the limited purpose FSA to spend on dental and vision claims
- The limited purpose FSA funds would continue to roll over year over year
 - Optum's system is able to track an active HSA enrollment in the new plan year to determine if the funds should roll into a health care FSA or limited purpose FSA