

2020 ENERGY ACUMEN SURVEY EXECUTIVE SUMMARY



EPIC

Insurance Brokers & Consultants

ENERGY SERVICES

DRILLING

MIDSTREAM

DOWNSTREAM

EXPLORATION & PRODUCTION

On behalf of all of us at EPIC Brokers and Consultants, we want to thank all the dedicated employer plan sponsors for taking the time to participate in the 2020 Energy Acumen Survey. This year, we had over 90 companies participate in the survey, representing almost 120,000 employees and 290,000 members. Collectively, the participants had healthcare spending in excess of \$1.5 billion dollars. It has been an extraordinary start of the year in 2020. With oil prices beginning at over \$60 a barrel and dropping precipitously to below \$0 by late-April, the energy industry is facing an unprecedented challenge. Now, more than ever, employers are looking for innovative strategies and solutions to maximize the value of their benefits.

EPIC’s culture is driven by 12 core values that guide how we act with our clients, our employees, our communities and our key business partners. Each year, we select a core value as a theme for the survey. This year, given the state of the market, and the resilience and strength of the energy industry, we have selected, **“Adaptability.”** This value speaks to innovation and evolution in the midst of change. It represents our energy industry continually reinventing their business; and their people adapting and thriving in any market condition.

This is the 16th year the Energy Acumen Survey and our contribution to serving as the employee benefits benchmarking standard for the middle market energy sector. Our goal is to provide relevant, actionable benchmarking information to facilitate strategic decisions within the benefit plans and programs. This Executive Summary contains a summary of the key survey results and a preview of the detailed information contained in the industry-specific survey results booklets.

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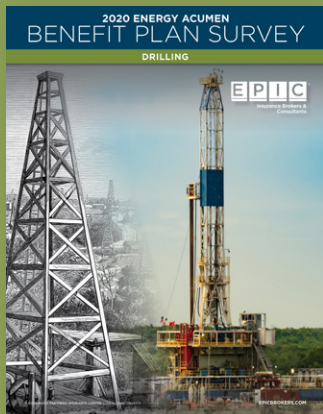
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ADAPTABILITY

Change is constant and life is often unpredictable. We anticipate, innovate and evolve as the needs of our clients and the marketplace change. This flexibility helps us to deliver unique, innovative results to our clients, to our partners and to each other.



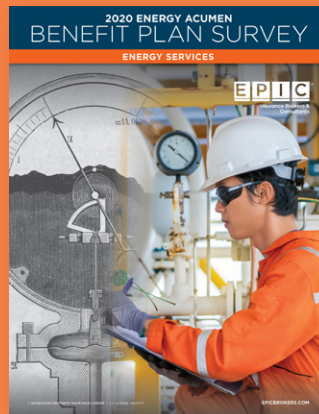
2020 SURVEY PARTICIPANTS



Drilling

16 Companies
Average Employees **1,414**
38.6 Average Age

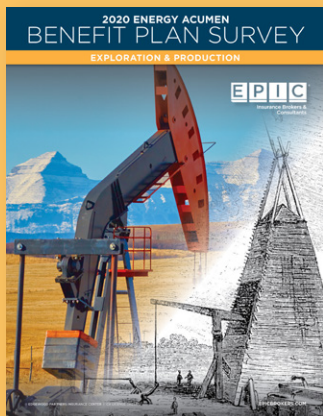
Drilling, includes both onshore and offshore drilling



Energy Services

44 Companies
Average Employees **1,286**
41.8 Average Age

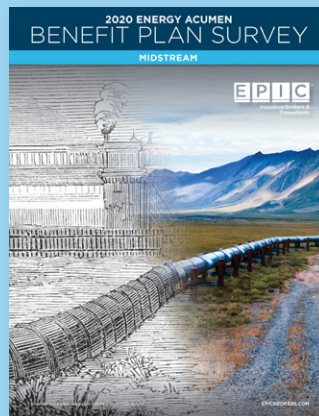
Energy Services (ES), includes equipment manufacturing and other services to support reservoir development and well site operations



Exploration & Production

21 Companies
Average Employees **373**
43.1 Average Age

Exploration and Production (E&P), includes companies focused on finding, exploiting and producing oil and gas



Midstream

15 Companies
Average Employees **1,814**
45.0 Average Age

Midstream, includes transportation, storage and distribution of refined and unrefined petroleum products, natural gas and natural gas liquids

2020 SURVEY HIGHLIGHTS

93 PARTICIPATING COMPANIES

119,419 EMPLOYEES REPRESENTED

290,000 APPROXIMATE MEMBERS REPRESENTED

\$1,512,313,858 TOTAL ANNUAL HEALTHCARE DOLLARS SPENT

199 MEDICAL PLANS REPRESENTED

1,284 EMPLOYEES AVERAGE COMPANY SIZE



Downstream

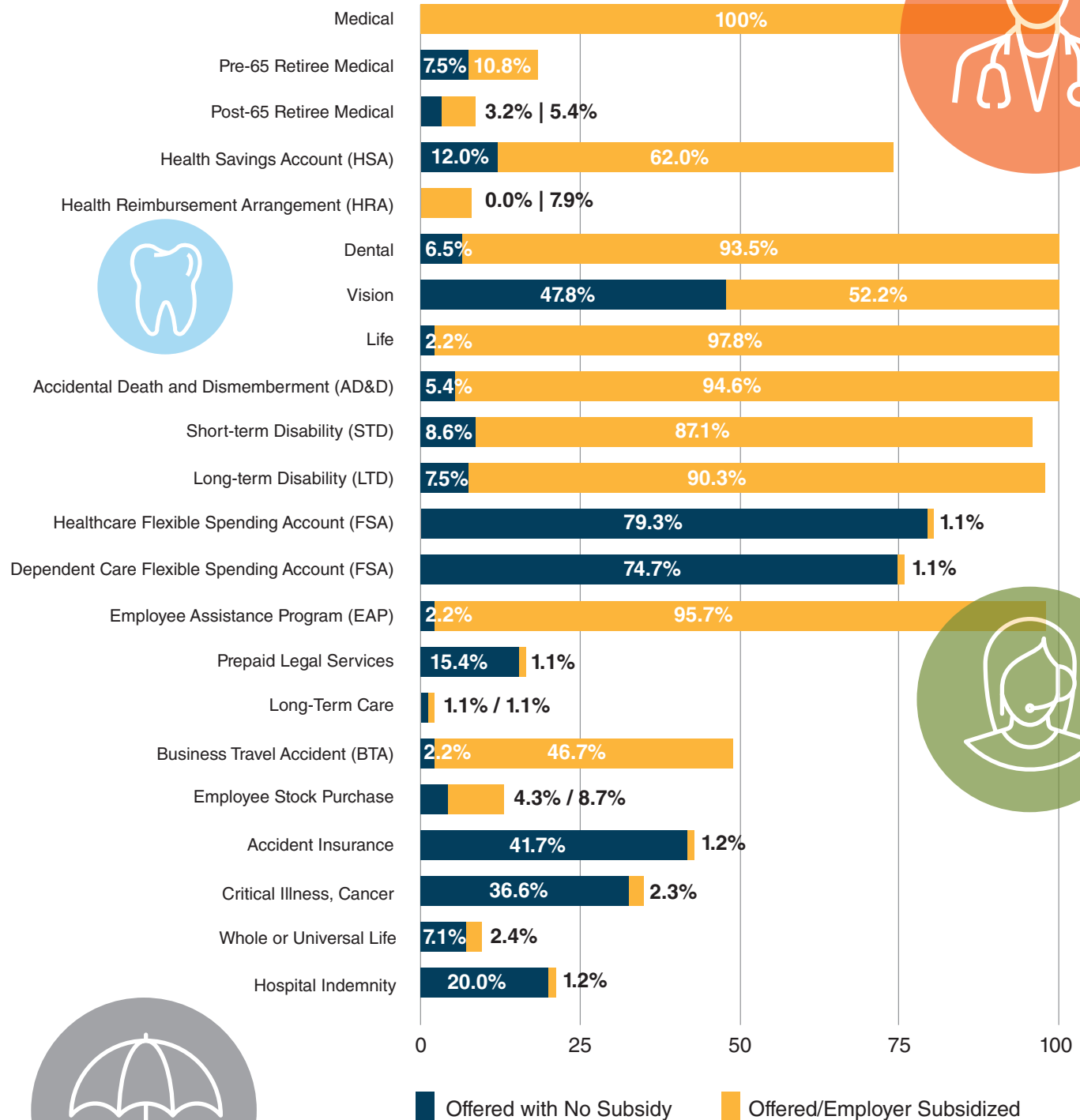
2020 represents the first year to include employers associated with the downstream sector. Given the size and composition of the group, results will not be broken out for this sector but participants are included in the overall survey results. Custom benchmarking will be provided to each participant in this sector.

All 2020 survey results are based on information in effect as of January 1, 2020.

BENEFIT PLANS OFFERED

Survey participants were asked to specify the benefit plans they offer and whether the employer subsidizes a portion of the cost. Results are shown below.

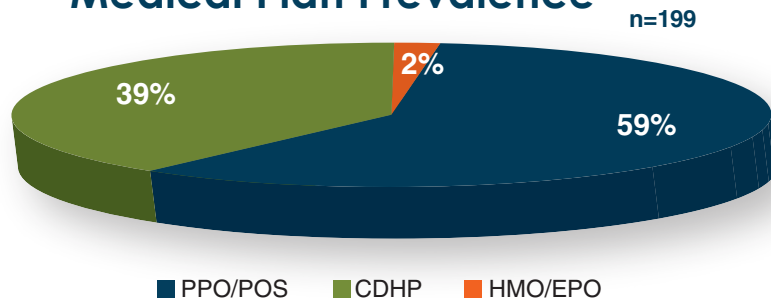
Employee Benefits Offered and Subsidized



MEDICAL PLAN DESIGN

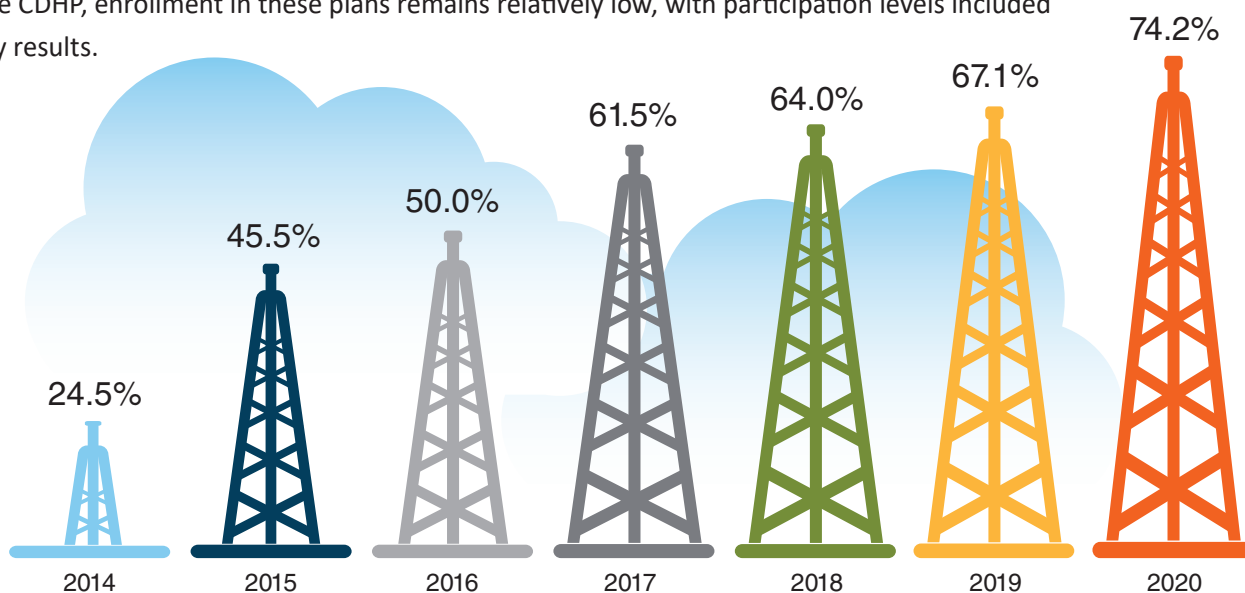
The majority of participating companies offer at least two medical plan options. While Preferred Provider Organization (PPO) plans are still the most popular plan option, consumer driven health plans (i.e., Consumer Driven Health Plans (CDHP) with HSAs or HRAs) are showing increased prevalence.

Medical Plan Prevalence



Employers Offering CDHP

Almost 75% of employers offer at least one CDHP, up 7% from 2019 and 50% from 2014. While the majority of employers offer at least one CDHP, enrollment in these plans remains relatively low, with participation levels included in the full survey results.



2018 – 2020 Median Plan Design – All Companies

Plan design in PPO and CDHP plans have stayed relatively constant over the past three year period as employers have focused on other cost management strategies.

Overall Energy Median PPO (In-Network)	2018	2019	2020
Deductible (individual/family)	\$750 / \$1,750	\$925 / \$2,000	\$1,000 / \$2,000
Plan coinsurance	80%	80%	80%
Out-of-pocket maximum (individual/family)	\$4,000 / \$8,250	\$4,000 / \$8,000	\$4,000 / \$8,000
Office visits (primary care physicians/specialists)	\$25 / \$40	\$25 / \$40	\$25 / \$40
Emergency room	\$200	\$200	\$250

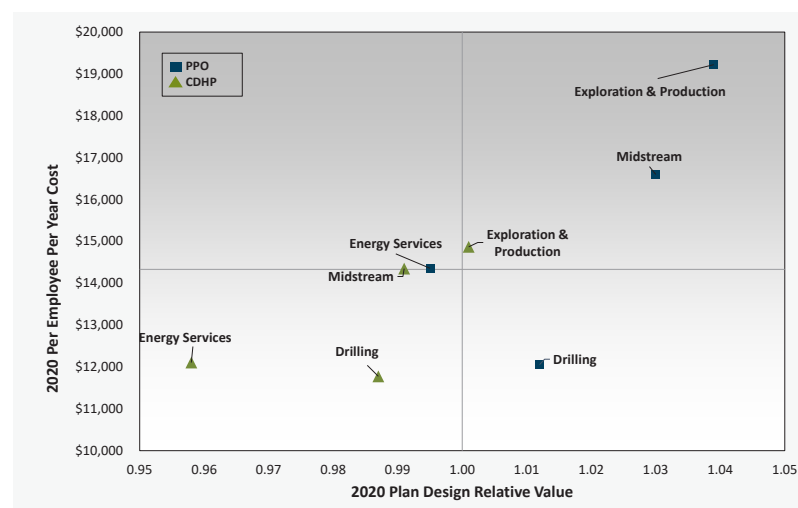
Overall Energy Median CDHP (In-Network)	2018	2019	2020
Deductible (individual/family)	\$2,000 / \$4,000	\$2,000 / \$4,000	\$2,000 / \$4,000
Plan coinsurance	80%	80%	80%
Out-of-pocket maximum (individual/family)	\$4,250 / \$8,000	\$4,000 / \$8,000	\$4,000 / \$8,000
Employer HSA contribution (individual/family)	\$500 / \$1,000	\$500 / \$1,100	\$500 / \$1,000

2020 MEDICAL PLAN FUNDING

2020 Medical Plan Average Total Gross and Net Cost Per Employee Per Year (PEPY)

	Overall	Exploration & Production	Drilling	Energy Services	Midstream
PPO					
Total Plan Cost	\$14,753	\$19,257	\$12,057	\$14,358	\$16,599
Employer Subsidy	76.0%	90.1%	74.8%	73.5%	76.7%
Net Employer Cost	\$11,219	\$17,348	\$9,014	\$10,554	\$12,735
CDHP					
Total Plan Cost	\$13,202	\$14,870	\$11,775	\$12,105	\$14,349
Employer Subsidy	80.2%	87.7%	77.6%	80.6%	75.8%
Net Employer Cost	\$10,588	\$13,042	\$9,141	\$9,758	\$10,880
All Plans					
Total Plan Cost	\$14,314	\$17,163	\$11,972	\$13,725	\$15,788
Employer Subsidy	77.3%	89.1%	75.6%	75.3%	77.0%
Net Employer Cost	\$11,070	\$15,293	\$9,052	\$10,339	\$12,155

Energy Sector Relative Value Matrix – Total Gross Cost

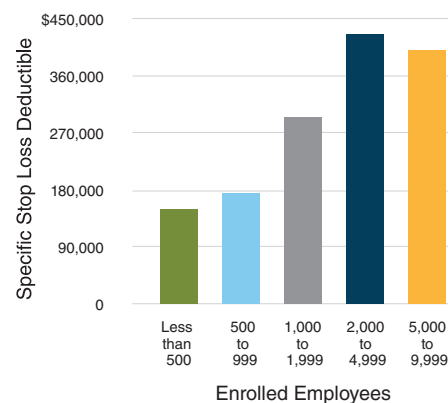


Relative Value Matrix

This chart shows the relative plan design value (i.e., the relative “richness” of the plan design) in the PPO and CDHP plans within each industry (x-axis) versus the total annual per employee cost. E&P and Midstream continue to have higher value and high costing plans. The variance in cost is attributable to higher ages and richer benefits in these industries.

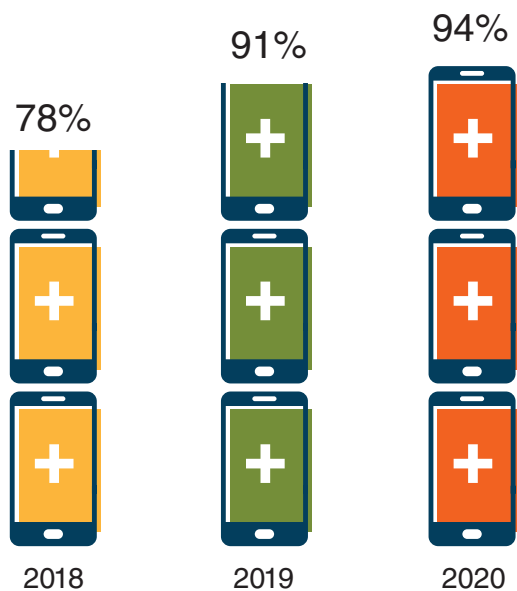
Stop Loss Insurance

Approximately 60% of the employers in the survey offer self-funded health plans. 39% of self-funded employers purchase aggregate coverage. Virtually all employers purchase specific stop loss coverage. The specific deductible generally increases in larger plans as larger employers can tolerate more risk and variability in their claims costs. The chart to the right shows specific stop deductible by the enrolled employee count.

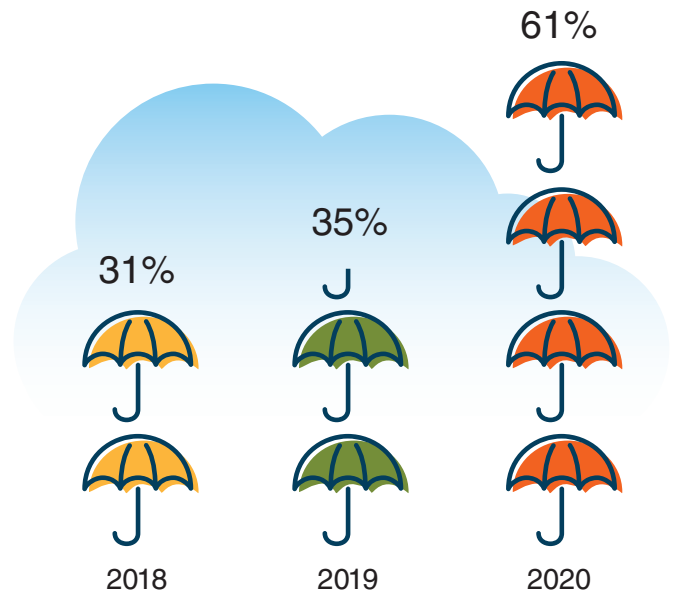


2020 EMPLOYER BENEFIT TRENDS

Percentage of Companies with Telemedicine Benefit



Percentage of Companies with Worksite Voluntary Benefits



2020 Employer Healthcare Trends



Health Plan Design

- Value-based insurance design (V-BID) drives patients and providers to high-value services such as telemedicine, centers of excellence and low cost drugs.
- Health plan designs developed to encourage chronically-ill patients to adhere to recommended preventative care and disease-specific treatment plans.
- Strategies related to capping in or out-of-network provider reimbursement limits tied to standardized reimbursement limits (e.g., % of Medicare reimbursement).



Healthcare Delivery

- Telemedicine continues to gain ground as a mainstream source for healthcare delivery.
- Facilitated telemedicine and technology is enabling an uptake in viable onsite employee "mini-clinics."
- Healthcare solutions are emphasizing the connection with primary care physicians as the key to improved health outcomes.



Pharmacy Solutions

- Innovative drug management strategies with a focus on high cost specialty medications, clinical programs, customized formularies, and lowest net cost therapies to promote "right drug; right place; right time."
- Proactive data intelligence and surveillance to address unnecessary spending, waste and abuse, and the isolation of key trend drivers.
- Strategic PBM oversight including performance guarantee audits, retail transparency validation, contractual rebate confirmations, and eligibility and claims adjudication audits.



Employee Advocacy/Engagement

- Technology and better access to information is creating an abundance of options to improve employee engagement.
- Concierge vendors and applications are directing participants to higher quality/ lower cost solutions.
- Mobile applications are providing instant access to eligibility, benefit design, employer programs, and other information designed to empower employees with information.

EPIC is a unique and innovative retail property and casualty and employee benefits insurance brokerage and consulting firm. EPIC has created a values-based, client-focused culture that attracts and retains top talent, fosters employee satisfaction and loyalty, and sustains a high level of customer service excellence. EPIC team members have consistently recognized their company as a “Best Place to Work” in multiple regions and as a “Best Place to Work in the Insurance Industry” nationally.

EPIC focuses on middle to large market clients and provides brokerage and consulting services through four principle business units:



Employee Benefits

Offers employee benefit consulting, brokerage and advisory services, with a specific emphasis on accounts with >100 employees on benefits



Property & Casualty

Specialties in multiple industries including International, Large & Complex Risk, Financial Services, Construction, Real Estate, Retail, Tech, Marine & Energy, Private Client, Public Entity, Hospitality, Transportation, Healthcare, Non-profits and Food/Agriculture



Private Client Services

Personal risk management consulting and insurance portfolio development and management for high net worth individuals



Specialty Practice & Program Group

Industry or practice specific specialty teams (e.g. Financial Institutions, Captives & Group Captives, Transportation, Entertainment & Sports) and Program groups (e.g. Pest Control, Rental Equipment, Auto Dealers, Gold, Cosmetics, Lawyer, Psychoanalysts, Moving & Storage, Yellow Bus)

WHO IS EPIC?



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INSURANCE JOURNAL



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Management



Benchmarking



Pharmacy



Voluntary Benefits



Executive Benefits



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