



PRESENTATION TO THE HEALTH MARKET INQUIRY

19 May 2016

Bonitas

Bonitas Medical Fund | www.bonitas.co.za | 0860 002 108

Agenda

- **Presenters**
- Dr A Ramasia (Principal Officer)
- Mr R Cowlin (Trustee)
- Mr G van Emmenis (Chief Operations Officer)
- **Historical Overview and Scheme Profile**
- **Risk Management and Non-Healthcare Costs**
- **Market Forces**

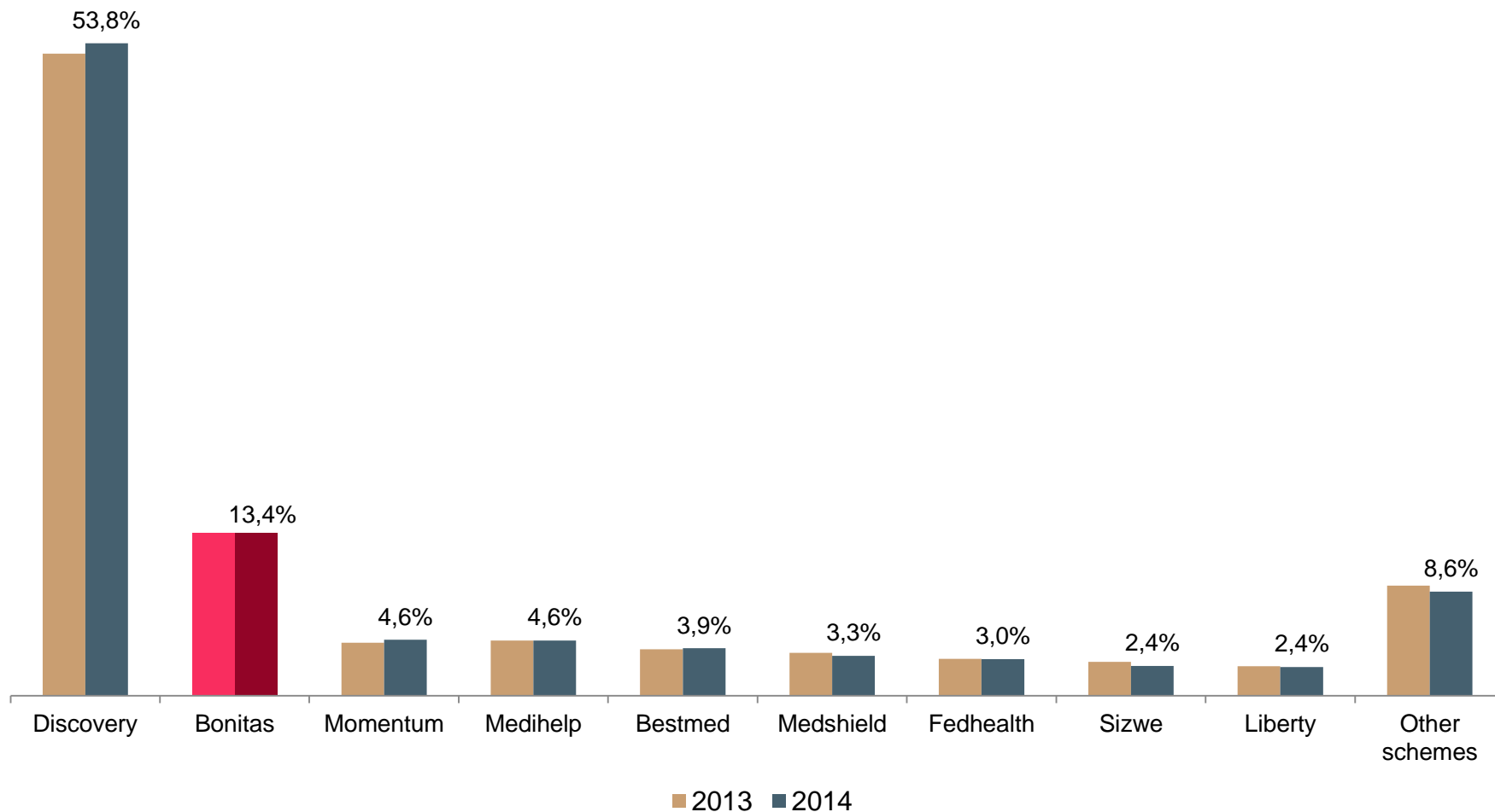
HISTORICAL OVERVIEW AND SCHEME PROFILE

Dr A Ramasia

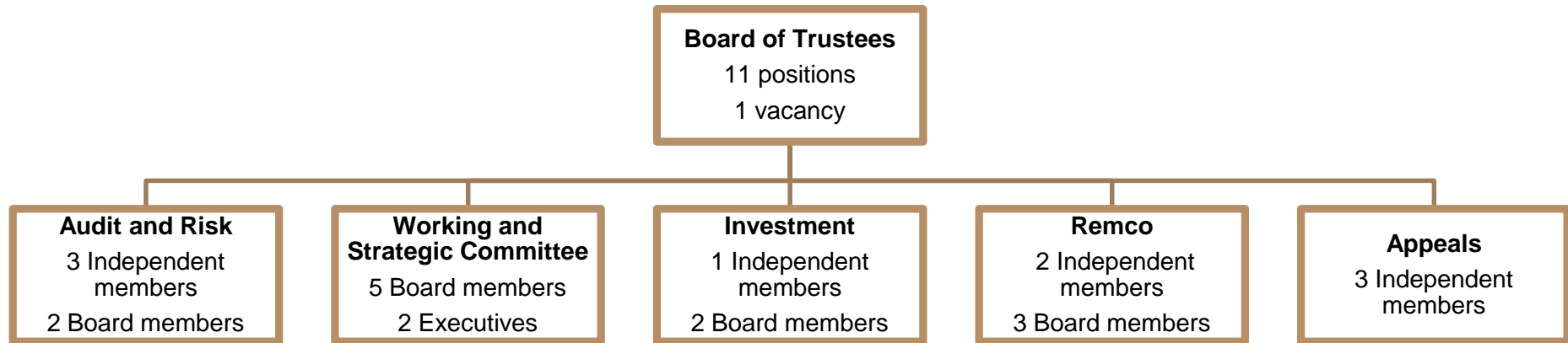
Historical Overview

- Founded in 1982 primarily as a scheme for the black civil servants, within the Medscheme stable
- 34 years old
- Second largest open medical scheme in South Africa
- Manages 650 000 lives
- R3.3 bn in reserves
- Solvency of 26%
- Largest general practitioner network in South Africa (6200 contracted GPs)
- Specialist network of 2600 practitioners
- Membership within Municipalities (SALGA), Eskom, Other large corporate entities

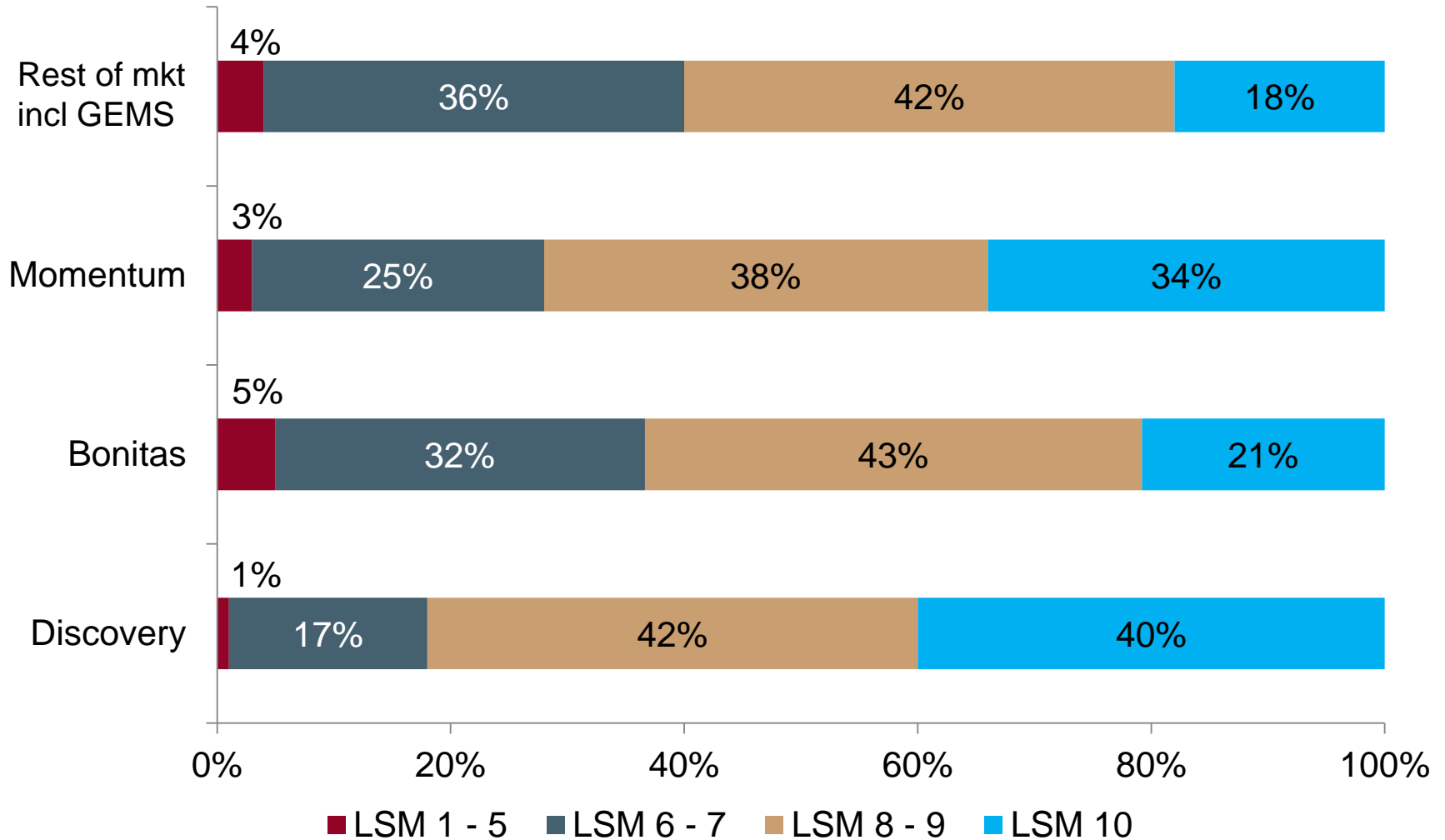
Bonitas open scheme market share



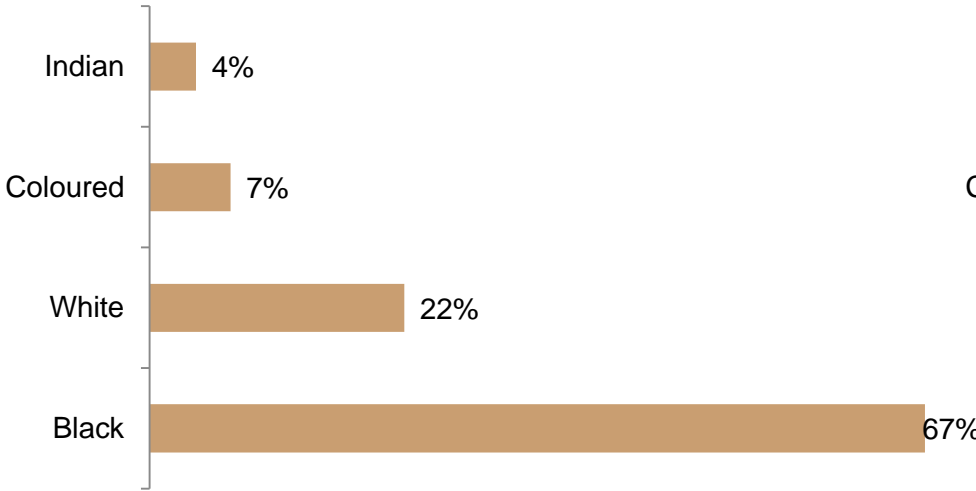
Source: CMS Annual Reports



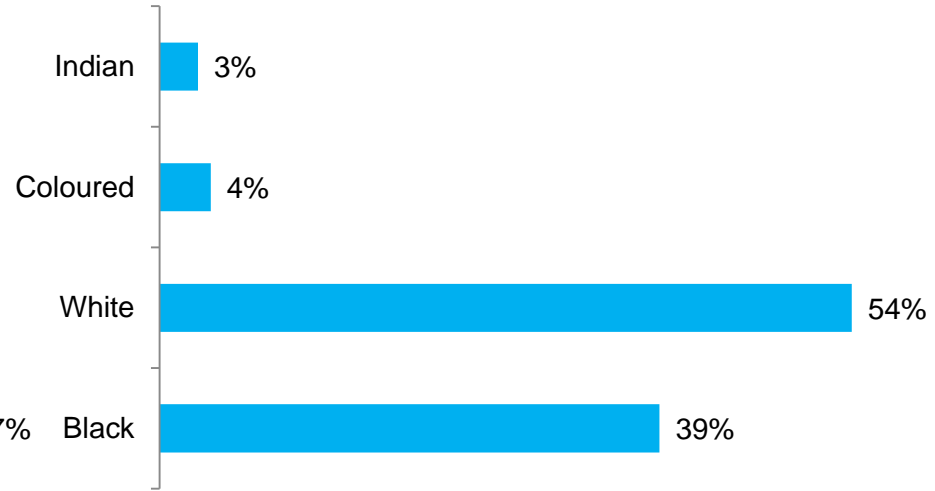
LSM distribution relative to market



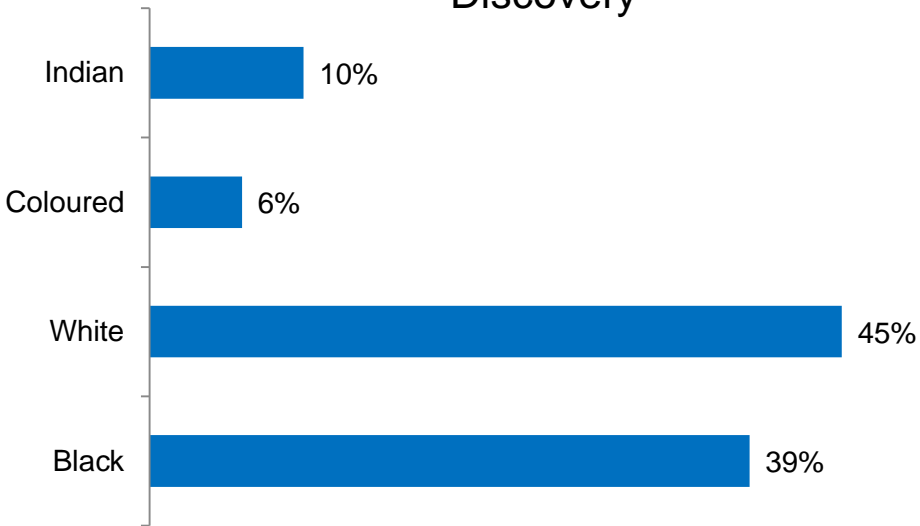
Bonitas



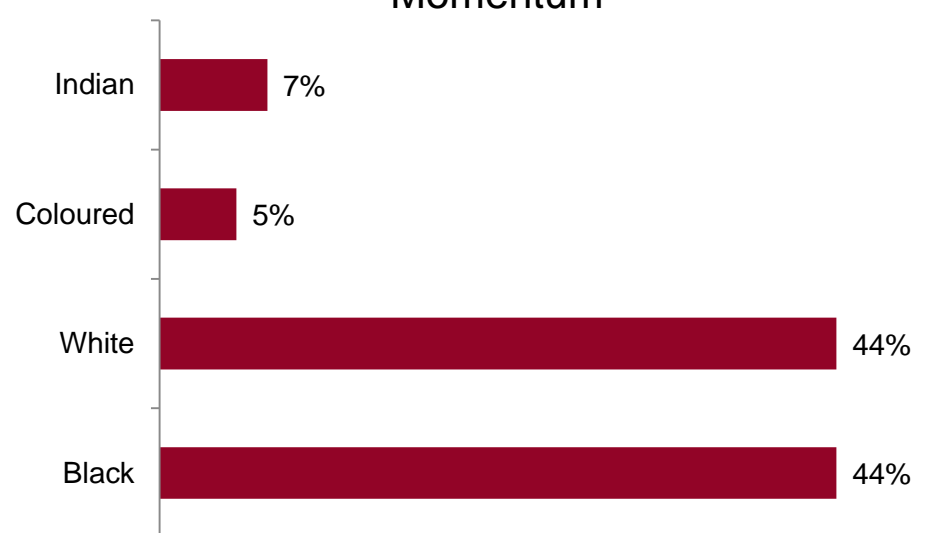
Fedhealth



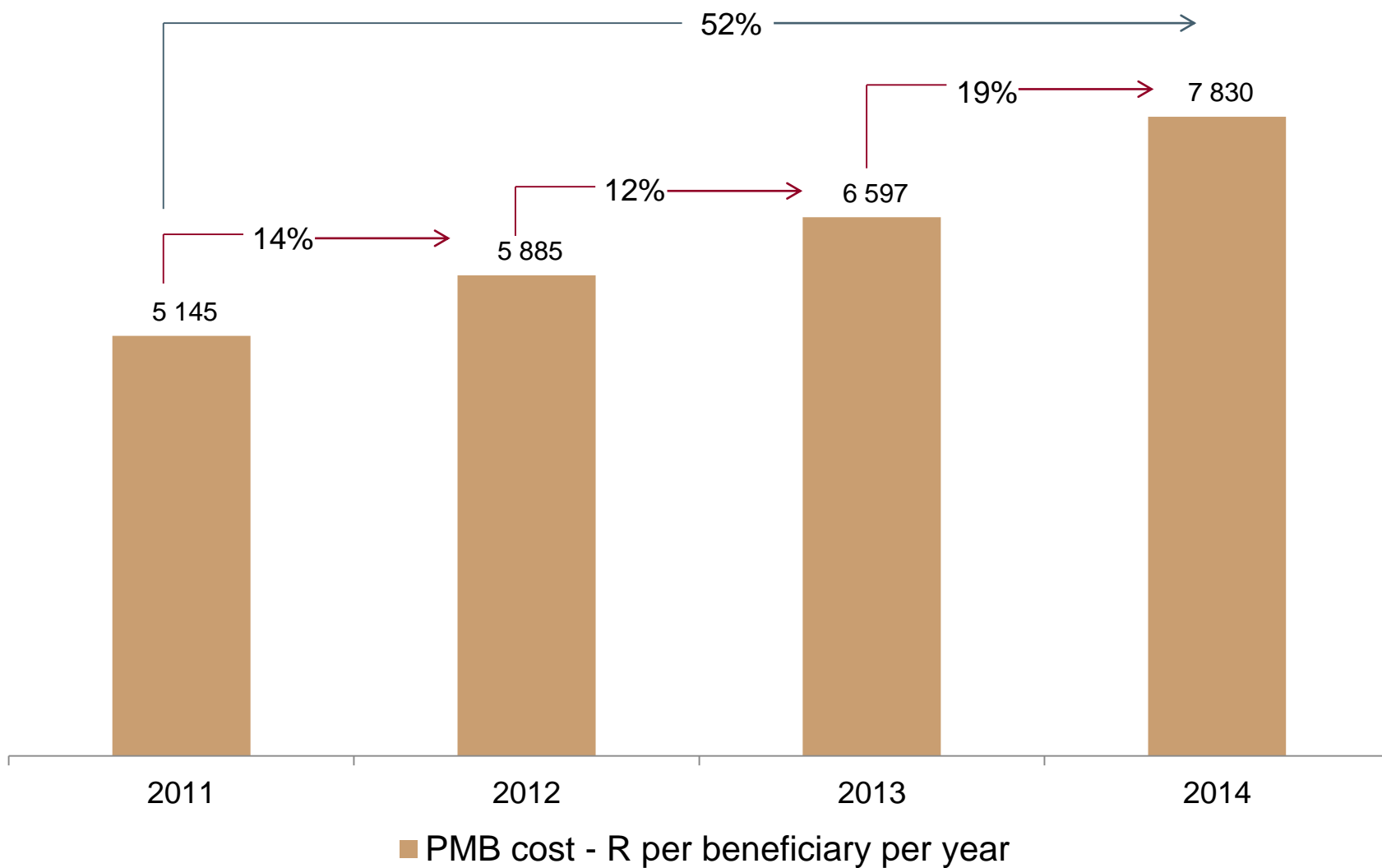
Discovery



Momentum

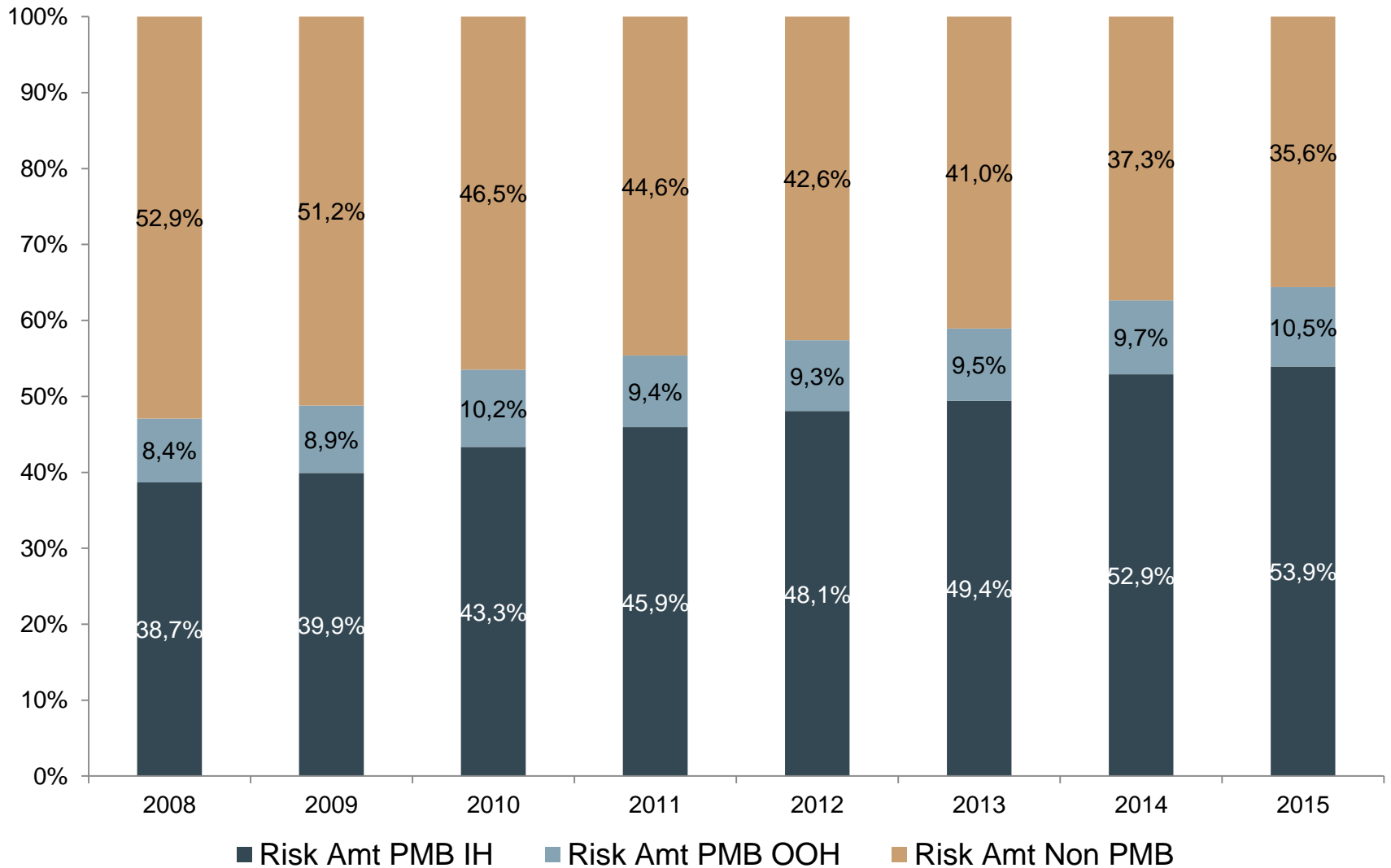


PMB cost graphs

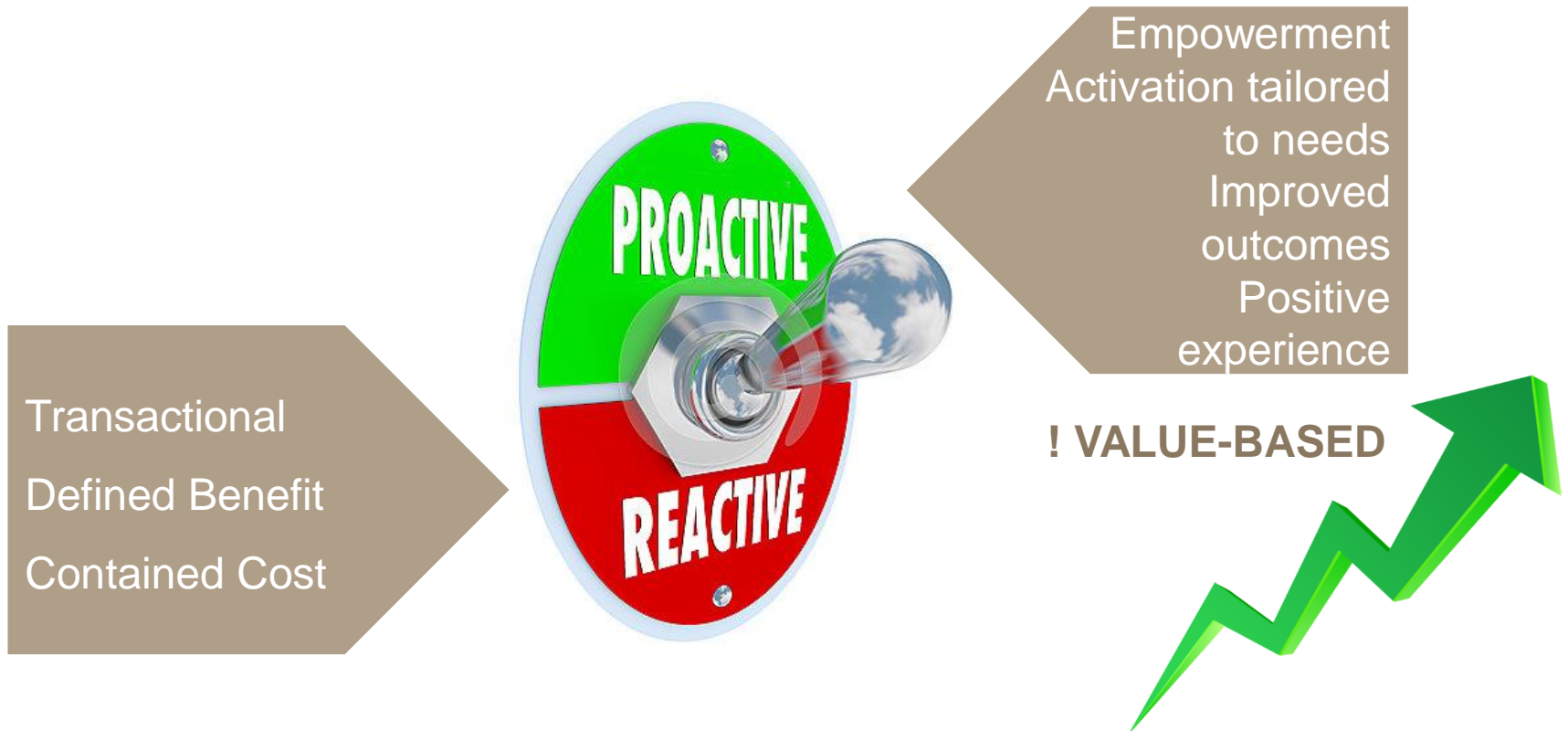




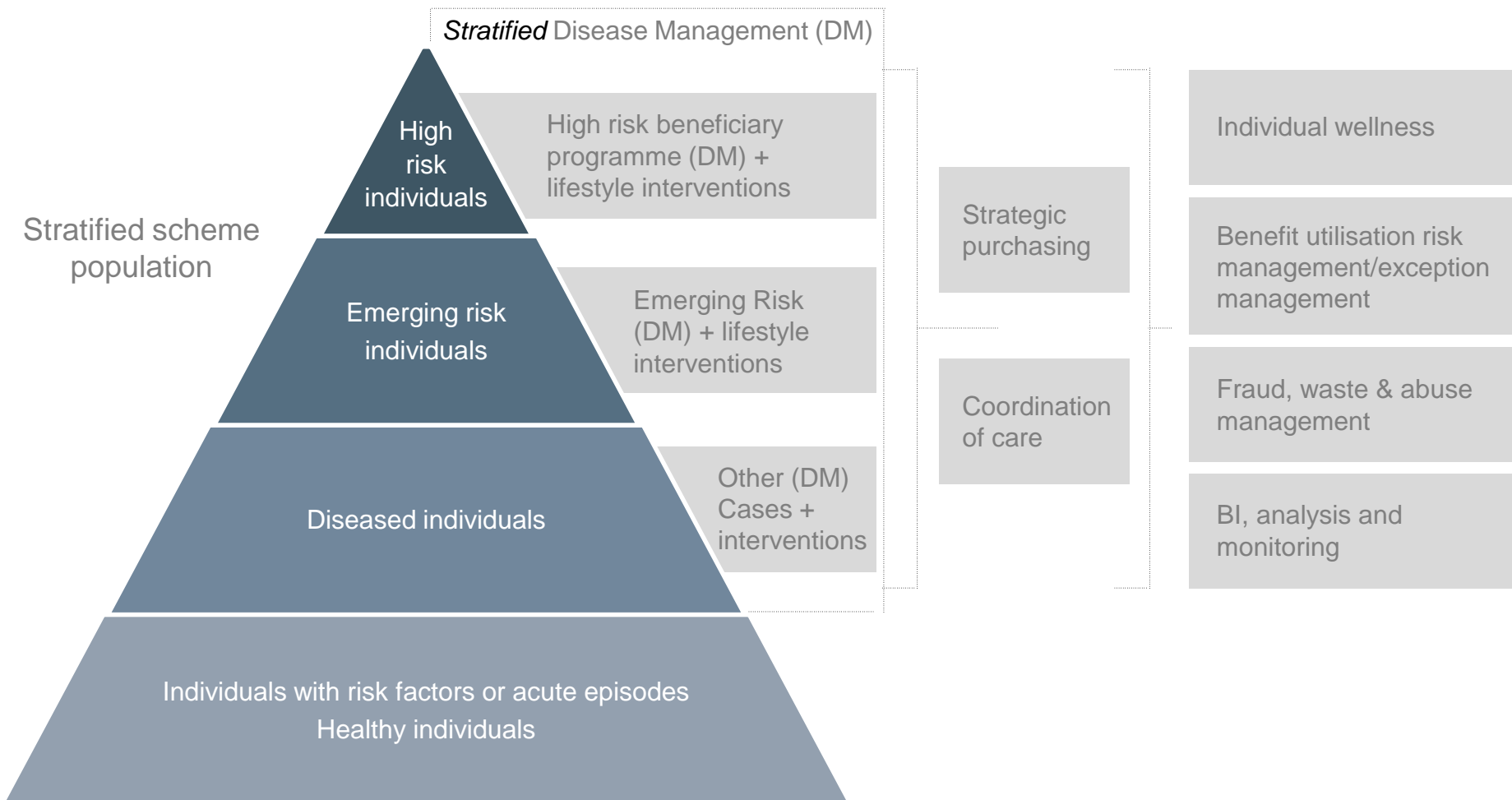
Bonitas PMB claims as a proportion of total risk claims



Managed care moving from rules based to member-centric initiatives with providers playing a key role



Managed care moving from rules based to member-centric initiatives with providers playing a key role





	2015 Savings
Total Estimated (net) Reduction in Claims	R158.30 pmpm
Total Estimated (net) Reduction in Claims	R559.1 million
Reduction as a % of 2015 Risk Claims	6.3%
Reduction as a % of 2015 Risk Contributions	5.3%

Based on directly measurable savings only and does not take in to account behaviour change as a result of managed care interventions (“halo” effect) and direct savings which cannot currently be quantified.

RISK MANAGEMENT AND NON-HEALTHCARE COSTS

Gerhard van Emmenis

Independent relationship between Scheme and Administrator - Managing the risk

- As seen from the Historical overview, the Scheme commenced operating as such within the Medscheme stable.
- Due to the change in the legislative environment, the Scheme had to be re-structured and exist in its current form
- The Scheme separated completely from Medscheme, which it retains as a strategic service provider.
- The Scheme is the dominant partner in the relationship
- Branding of the Scheme and Medscheme remains completely separate – there is a concerted effort to ensure that both the **corporate identities** and the **branding** of the Scheme remains distinct from that of its administrator.
- Also, the Scheme ensures its independence by ensuring that the following elements remains fully within its control

Tariffs Negotiations

- Tariffs negotiations with Service Providers are done by the Fund
- With managed care agreements, the Schemes MHO only facilitates the negotiation process
- Final decisions and contracts concluded solely by the Scheme

Procurement

- Procurement is done by the Scheme strictly in line with its own procurement process
- Independently managed internally by the Scheme

Banking & Investments

- Opening and closing of bank accounts are only done on instruction of the Board of Trustees
- Control is maintained over these bank accounts as is required in terms of section 26(1)(c) of the Medical Schemes Act
- The Scheme's investments are independently maintained by the Scheme's duly appointed investment advisors

- The administrator of any scheme is a strategic partner
- While there is an aligned interest and relationship, the Scheme must maintain its independence, while ensuring that the Administrator renders quality services.

Tools used to manage the administrator

Delegations

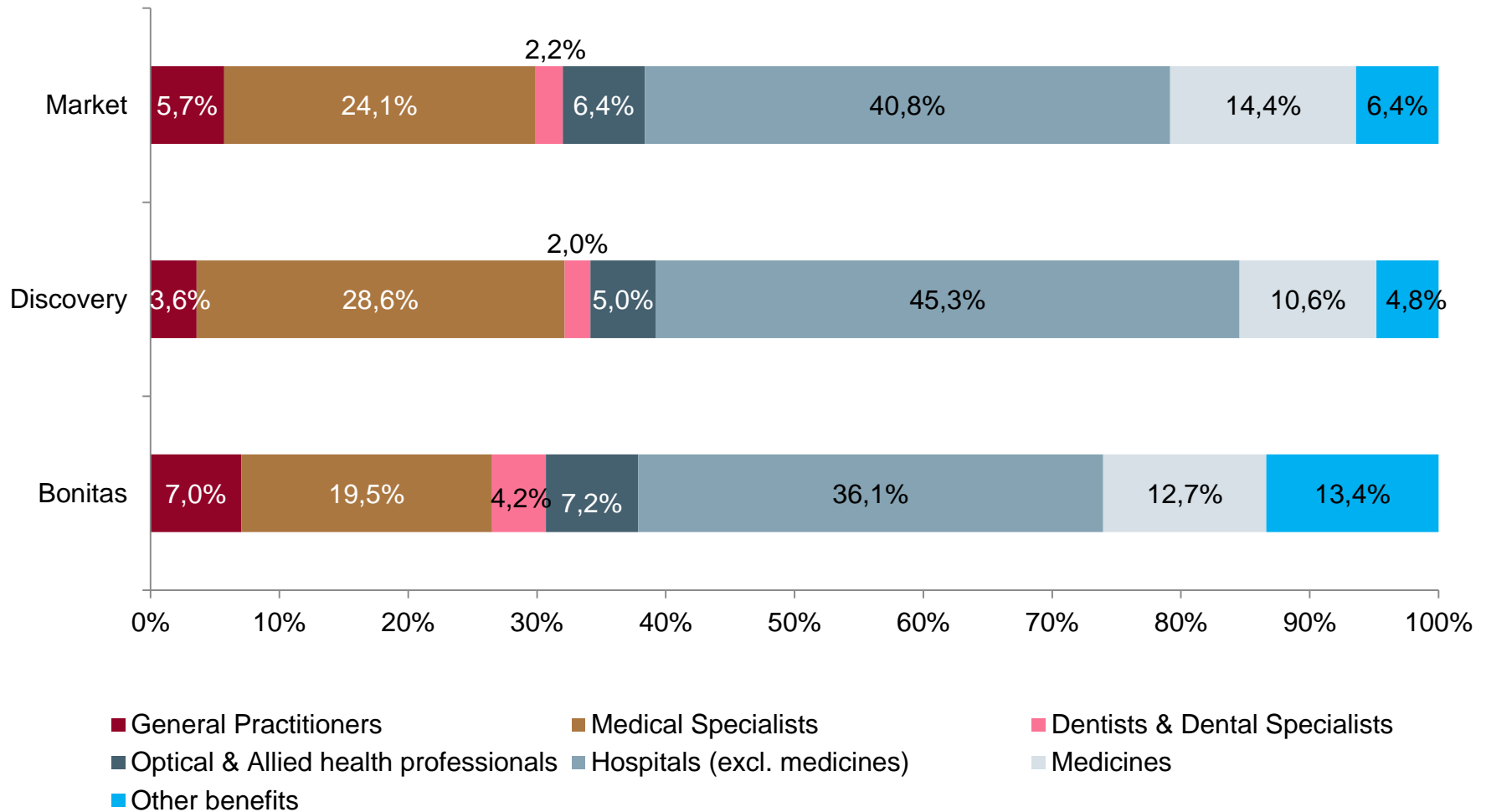
- Administrator restricted in terms of authority to bind the scheme by a series of delegations

Oversight

- Regular reports are submitted by the Administrator, and are monitored by the Scheme with the assistance of the Scheme's own internal auditors
- Penalties are levied against the Administrator in the event of mal- or under-performance



Risk claims expenditure relative to market

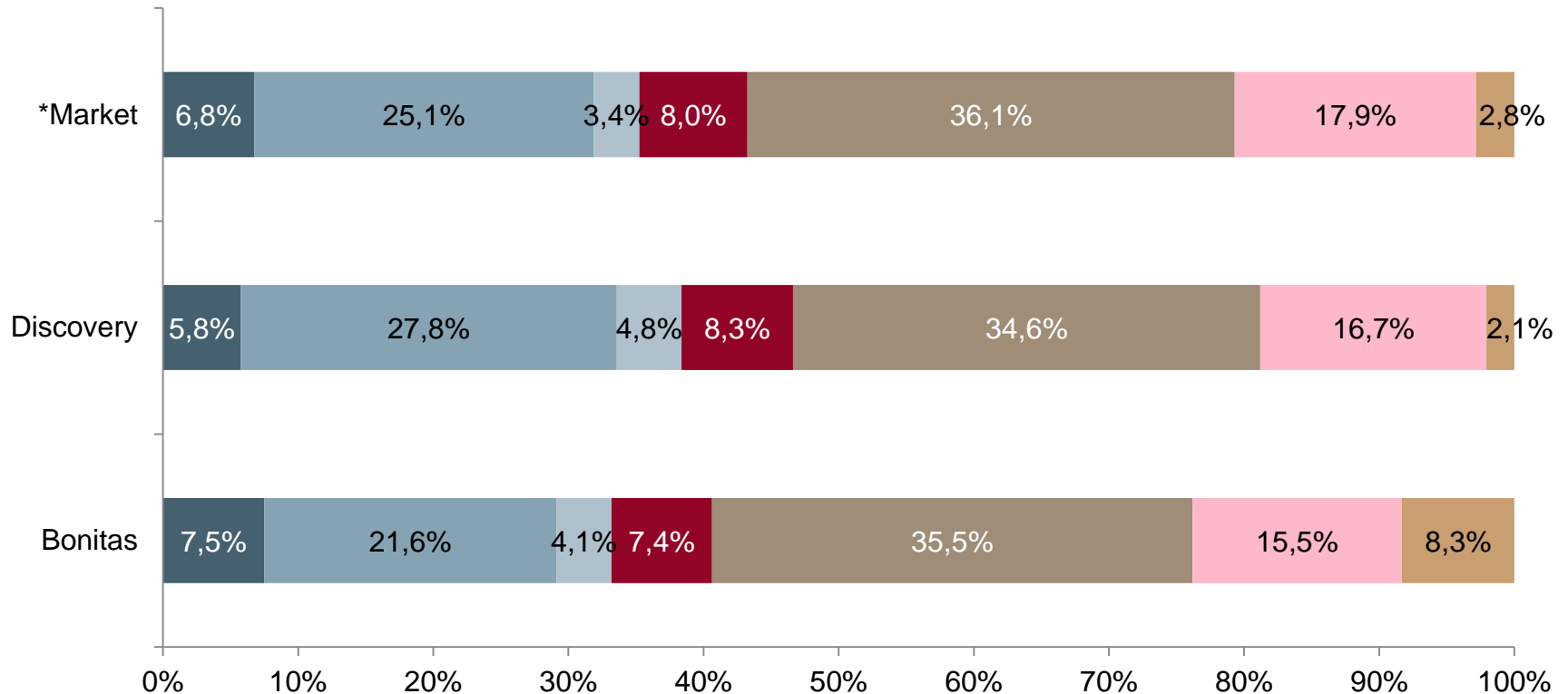


South Africa Medical Schemes Statistical Bulletin September 2015 (2014 expenditure)

* Market refers to 15 open medical schemes representative of over 90% of the open medical scheme membership. 5 large restricted schemes (including GEMS, Polmed and Bankmed) were also included in this representation of the market

** Other benefits include Blood transfusion, Ambulance services, Foreign services, Special benefits, etc.

Risk+Savings claims expenditure relative to market



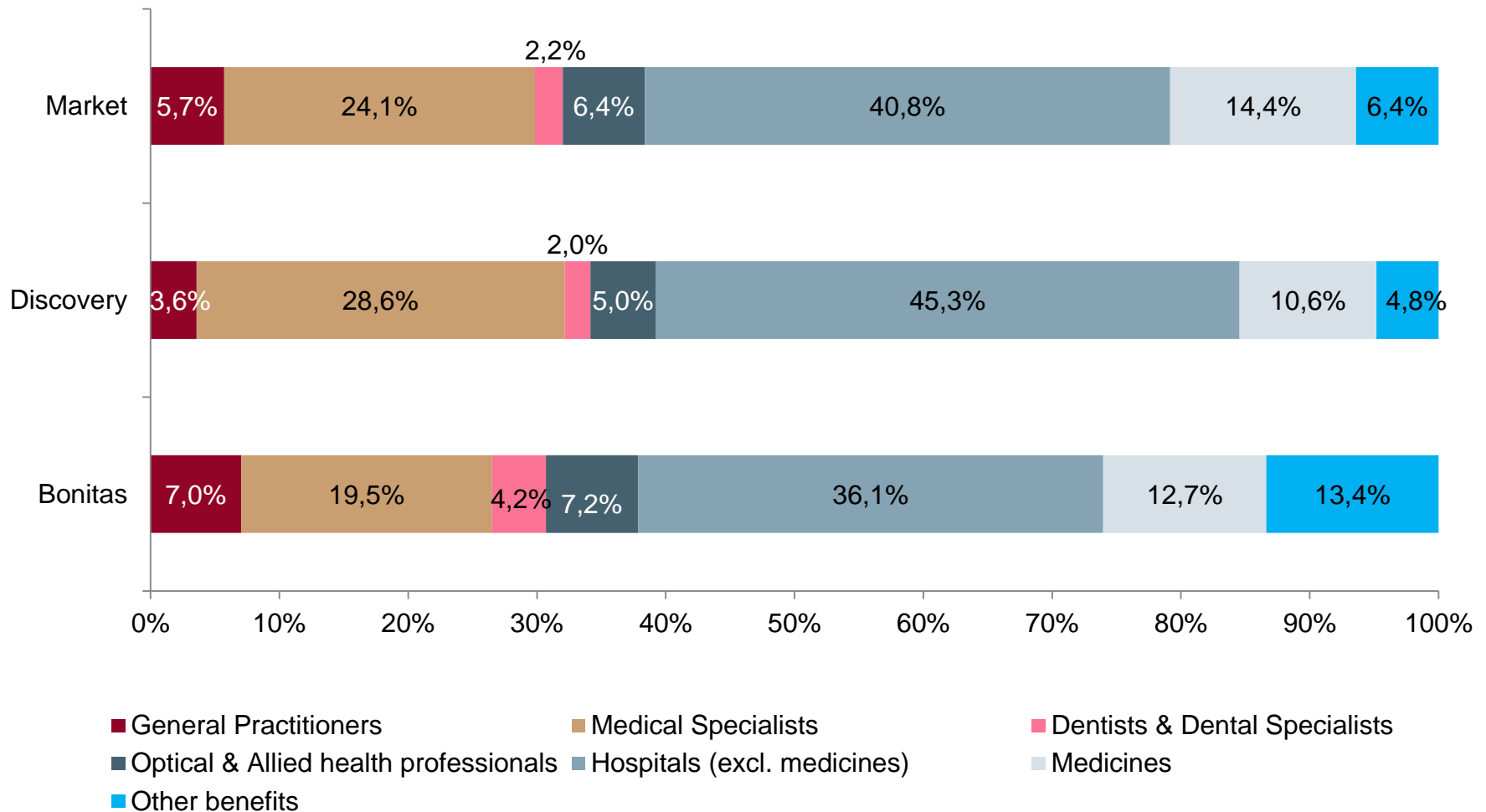
- General Practitioner
- Specialists, Pathology & Radiology
- Dentists & Dental Specialists
- Optical & Allied Health Professionals
- Hospital
- Medicines
- ** Other benefits

South Africa Medical Schemes Statistical Bulletin September 2015 (2014 expenditure)

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Risk claims expenditure relative to market



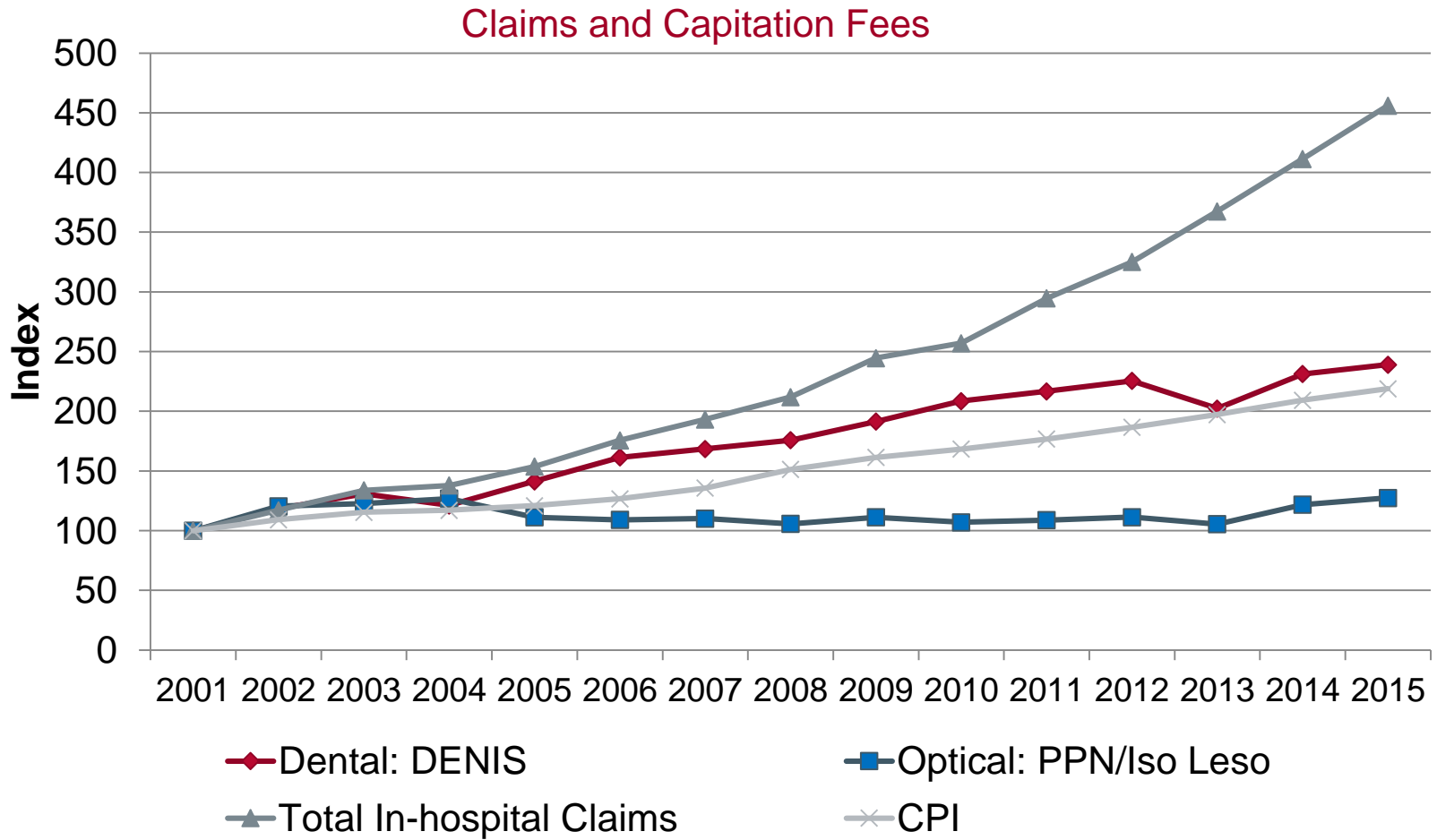
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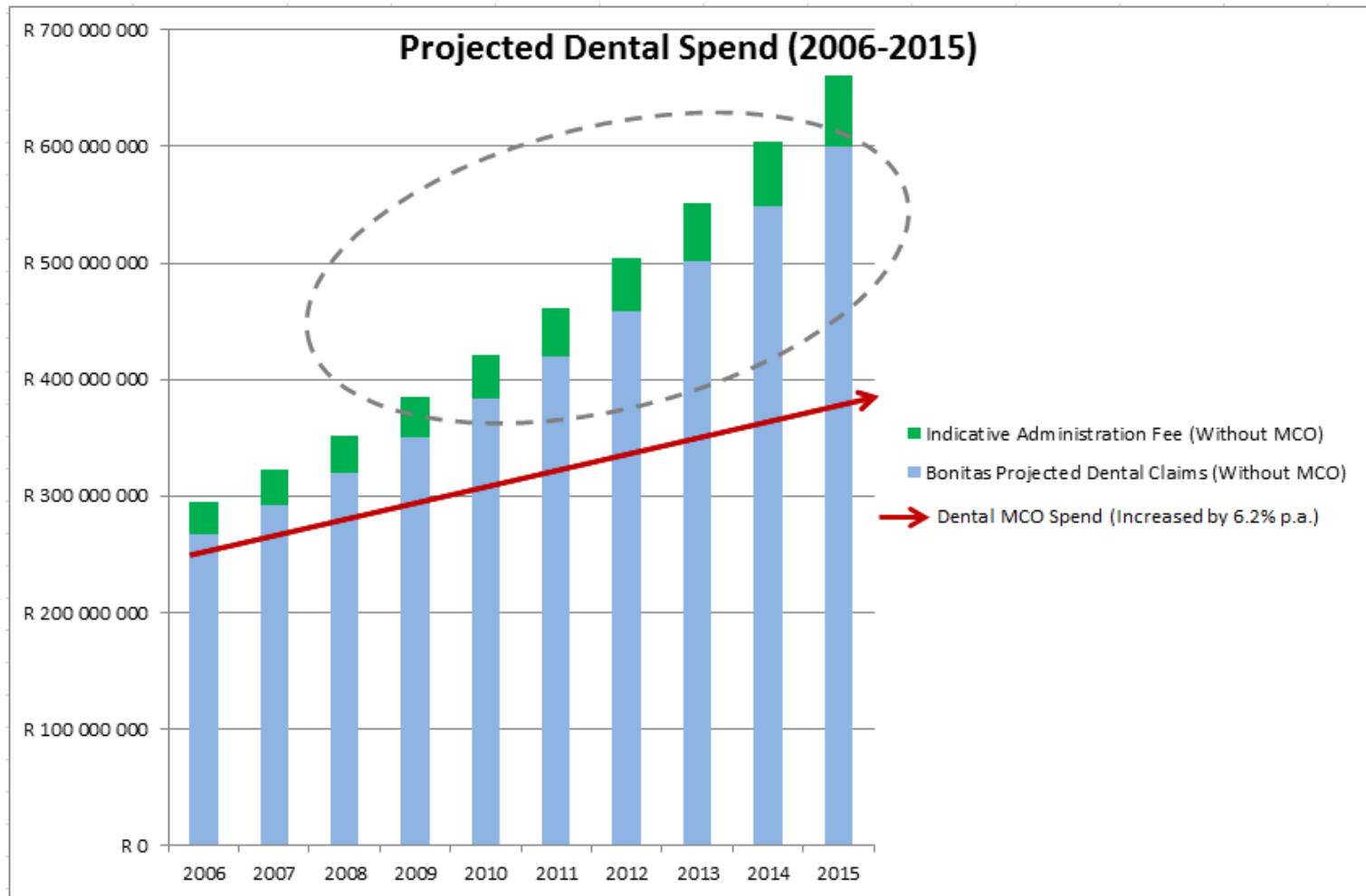
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Risk Transfer Arrangements: Costs maintained at or near CPI since inception in 2004



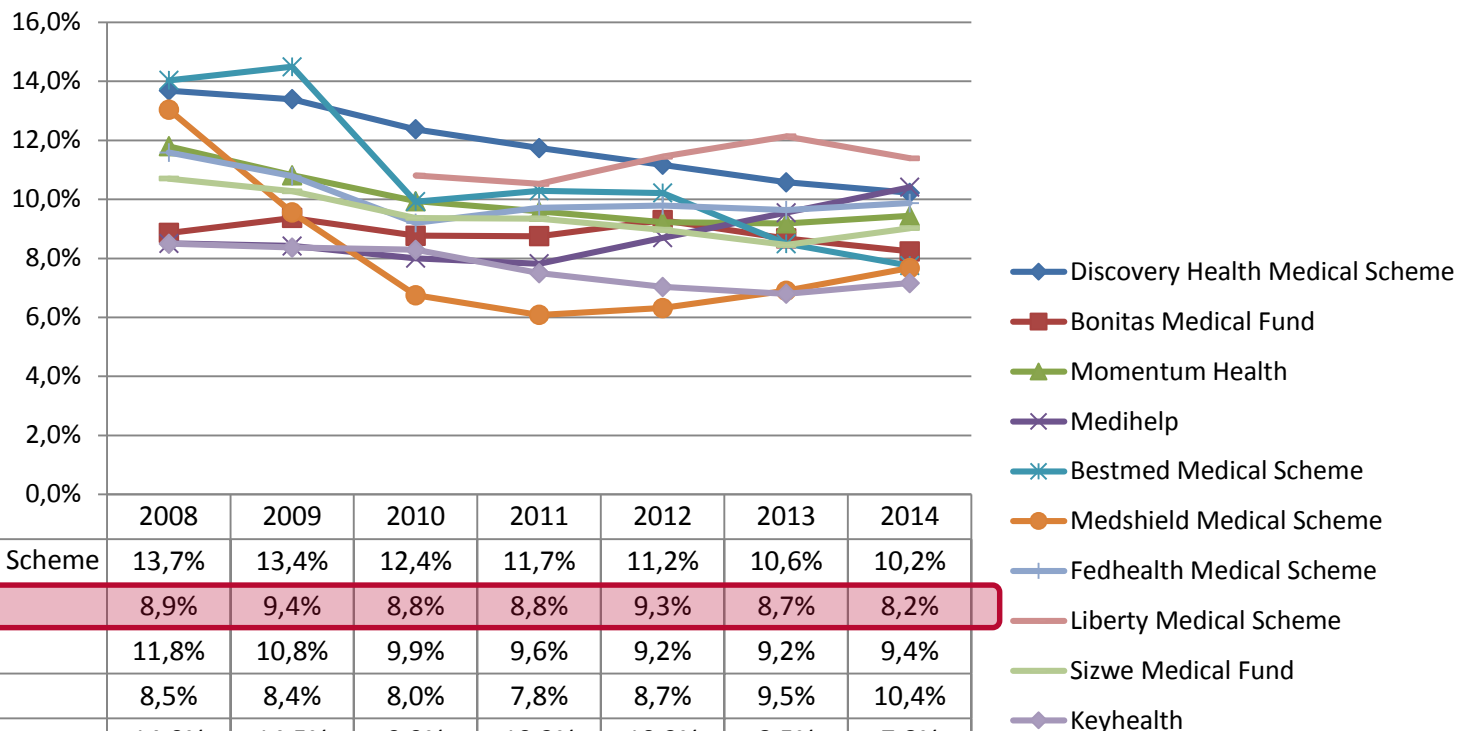
Dental costs contained in risk transfer arrangement



Administration Costs pmpm							
Year	2008	2009	2010	2011	2012	2013	2014
Discovery Health Medical Scheme	223	238	232	233	236	245	254
Bonitas Medical Fund	150	173	183	193	214	223	230
Momentum Health	182	187	183	169	170	173	184
Medihelp	212	204	209	216	234	266	311
Bestmed Medical Scheme	236	263	244	269	274	240	233
Medshield Medical Scheme	208	162	130	131	151	174	204
Fedhealth Medical Scheme	210	217	213	248	261	271	288
Liberty Medical Scheme			201	227	272	315	316
Sizwe Medical Fund	203	214	214	246	264	272	314
Keyhealth	201	222	240	245	251	254	283

MHC Costs pmpm							
Year	2008	2009	2010	2011	2012	2013	2014
Discovery Health Medical Scheme	49	53	67	70	74	79	83
Bonitas Medical Fund	56	61	67	74	71	81	80
Momentum Health	48	50	51	49	46	45	47
Medihelp	37	40	40	46	54	56	63
Bestmed Medical Scheme	45	53	55	56	50	53	48
Medshield Medical Scheme	47	46	40	43	47	51	57
Fedhealth Medical Scheme	40	45	49	58	56	70	74
Liberty Medical Scheme			55	60	64	77	75
Sizwe Medical Fund	50	45	48	53	58	70	75
Keyhealth	43	51	52	56	62	65	70

Comparison of Admin Fees: % of Contributions

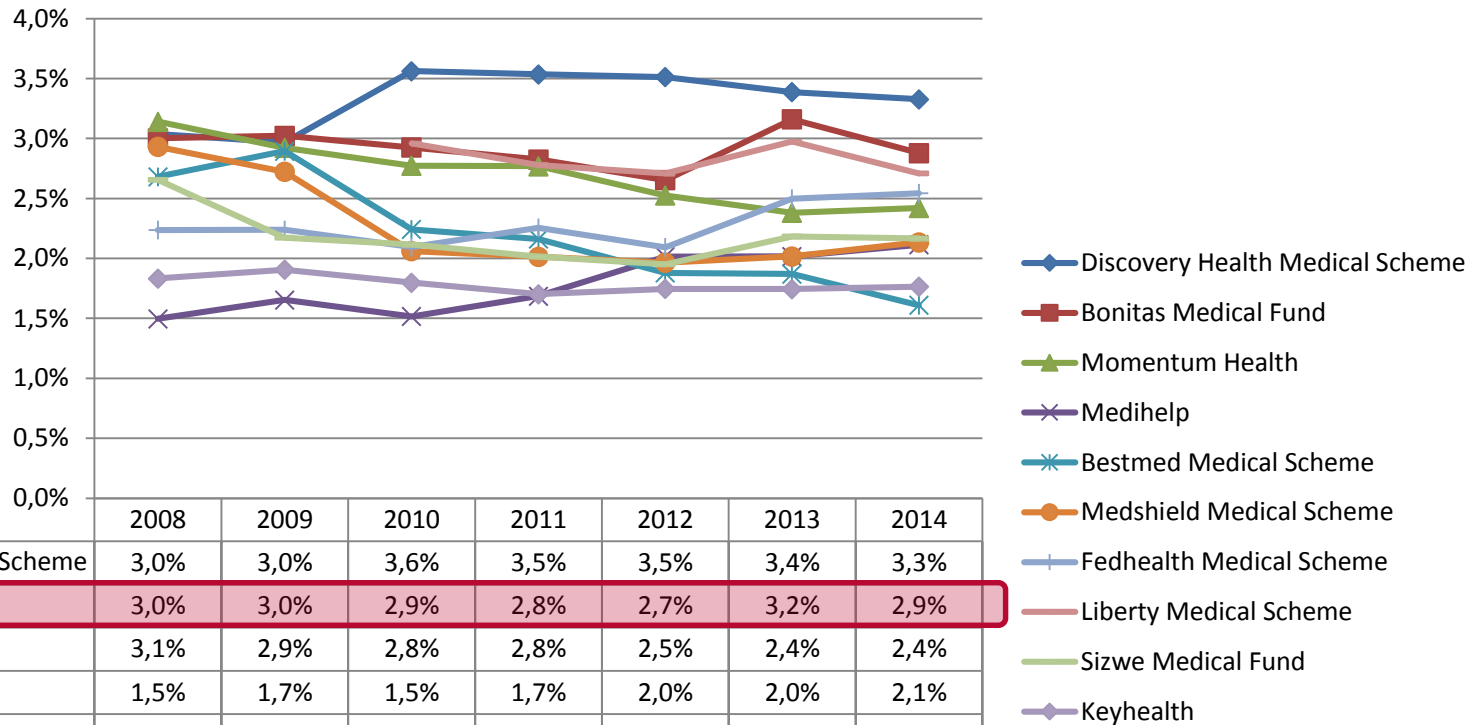


	2008	2009	2010	2011	2012	2013	2014
Discovery Health Medical Scheme	13,7%	13,4%	12,4%	11,7%	11,2%	10,6%	10,2%
Bonitas Medical Fund	8,9%	9,4%	8,8%	8,8%	9,3%	8,7%	8,2%
Momentum Health	11,8%	10,8%	9,9%	9,6%	9,2%	9,2%	9,4%
Medihelp	8,5%	8,4%	8,0%	7,8%	8,7%	9,5%	10,4%
Bestmed Medical Scheme	14,0%	14,5%	9,9%	10,3%	10,2%	8,5%	7,8%
Medshield Medical Scheme	13,0%	9,6%	6,8%	6,1%	6,3%	6,9%	7,7%
Fedhealth Medical Scheme	11,6%	10,8%	9,2%	9,7%	9,8%	9,6%	9,9%
Liberty Medical Scheme			10,8%	10,5%	11,4%	12,1%	11,4%
Sizwe Medical Fund	10,7%	10,3%	9,4%	9,3%	9,0%	8,5%	9,0%
Keyhealth	8,5%	8,4%	8,3%	7,5%	7,0%	6,8%	7,2%

Source: CMS Annual Reports



Comparison of Managed Care Fees: % of Contributions

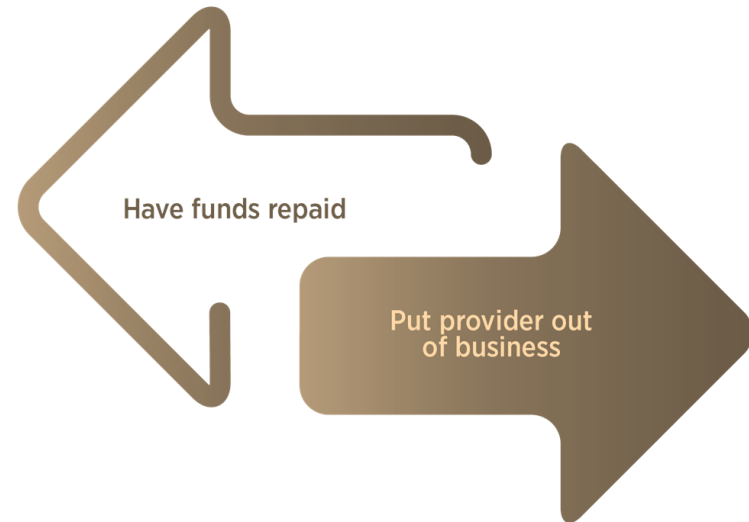


	2008	2009	2010	2011	2012	2013	2014
Discovery Health Medical Scheme	3,0%	3,0%	3,6%	3,5%	3,5%	3,4%	3,3%
Bonitas Medical Fund	3,0%	3,0%	2,9%	2,8%	2,7%	3,2%	2,9%
Momentum Health	3,1%	2,9%	2,8%	2,8%	2,5%	2,4%	2,4%
Medihelp	1,5%	1,7%	1,5%	1,7%	2,0%	2,0%	2,1%
Bestmed Medical Scheme	2,7%	2,9%	2,2%	2,2%	1,9%	1,9%	1,6%
Medshield Medical Scheme	2,9%	2,7%	2,1%	2,0%	2,0%	2,0%	2,1%
Fedhealth Medical Scheme	2,2%	2,2%	2,1%	2,3%	2,1%	2,5%	2,5%
Liberty Medical Scheme			3,0%	2,8%	2,7%	3,0%	2,7%
Sizwe Medical Fund	2,7%	2,2%	2,1%	2,0%	2,0%	2,2%	2,2%
Keyhealth	1,8%	1,9%	1,8%	1,7%	1,7%	1,7%	1,8%

Source: CMS Annual Reports

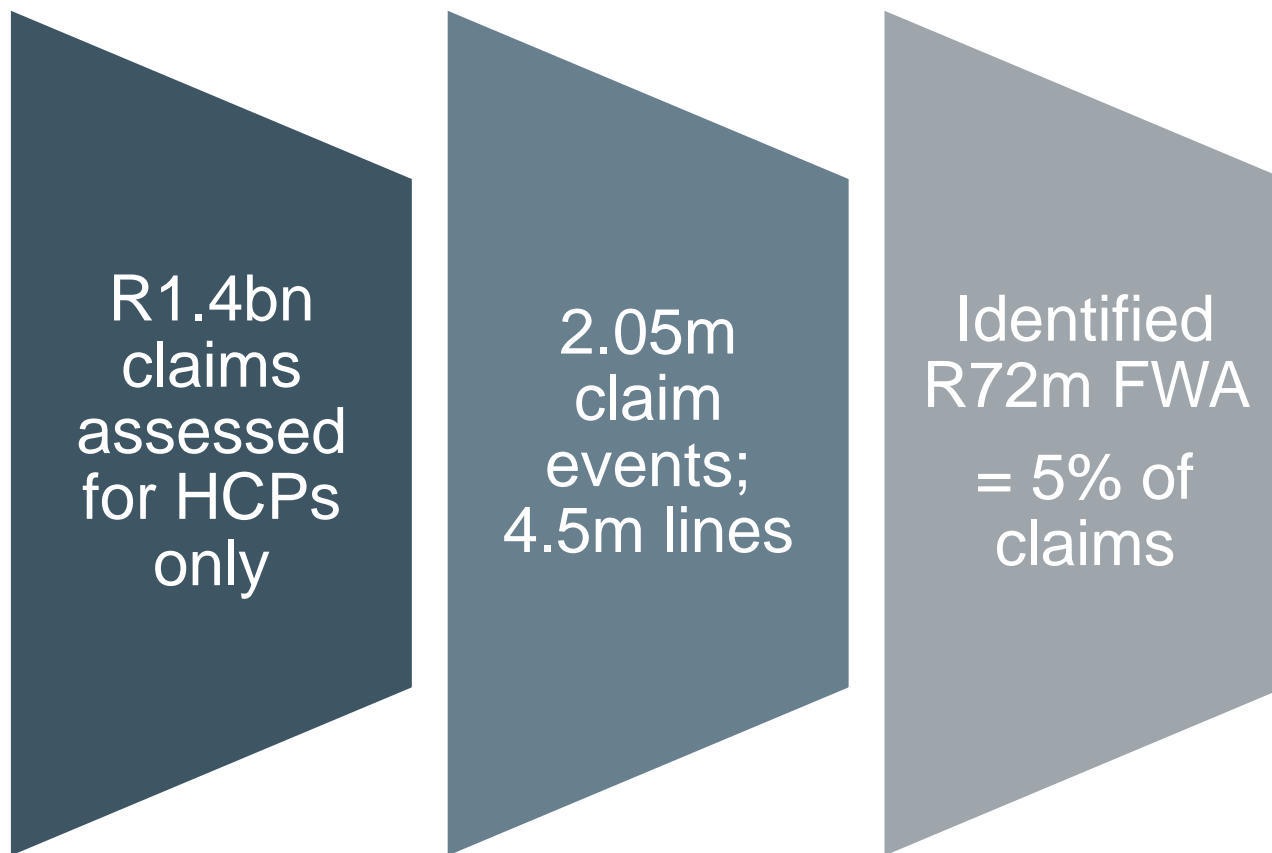
Tax Matters

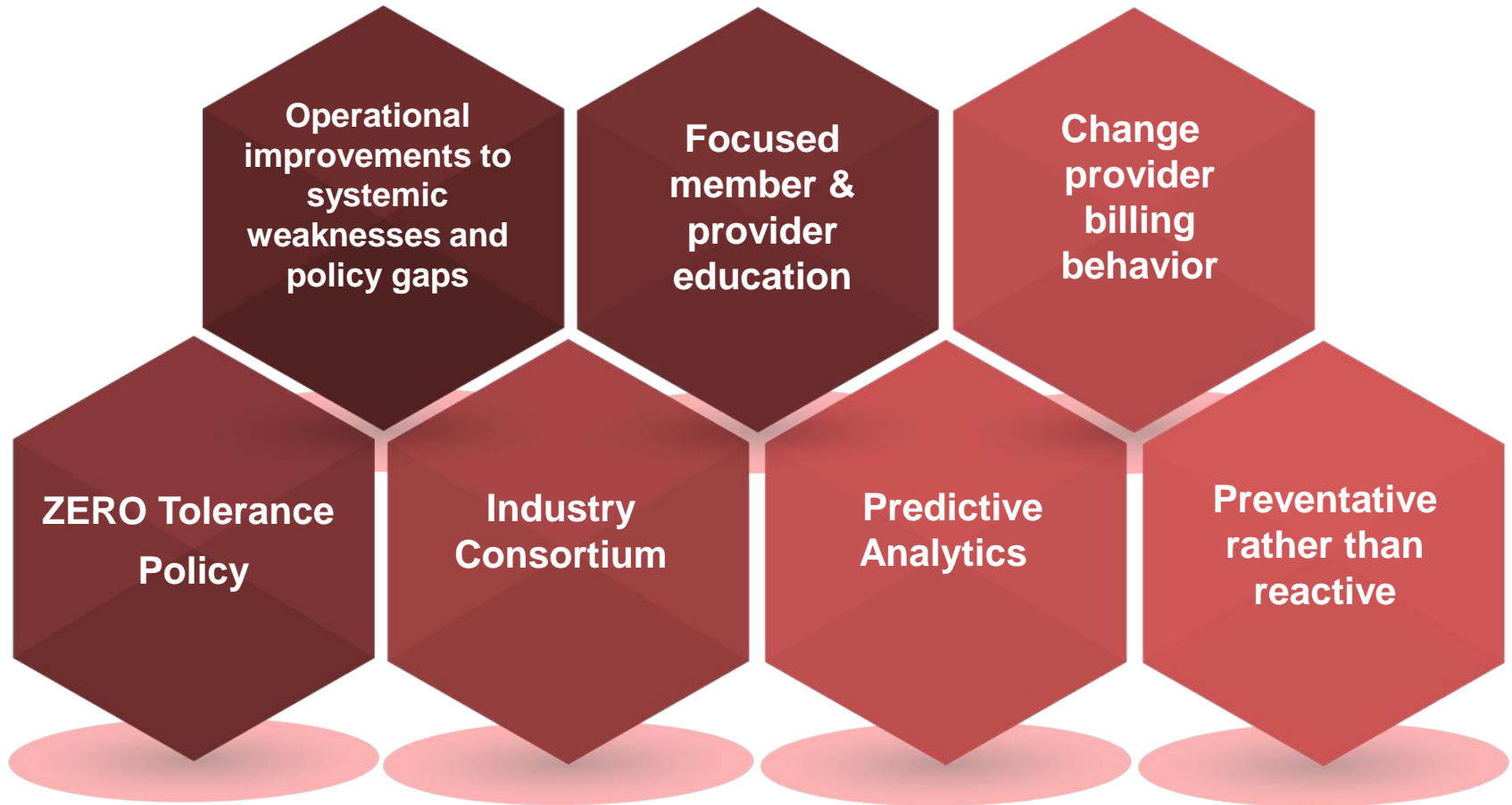
- Tax contributions treated less favourably
- Largest impact in change in tax dispensation felt by higher LSM groups which traditionally can afford medical aid
- Many buying down
- Unintended consequence may be to add to the burden of public health care
- Misconception that self administered schemes save 14% VAT on administration fee – saving is much less as VAT would be paid on the components necessary for self administration





5-month analysis (medical professionals only)

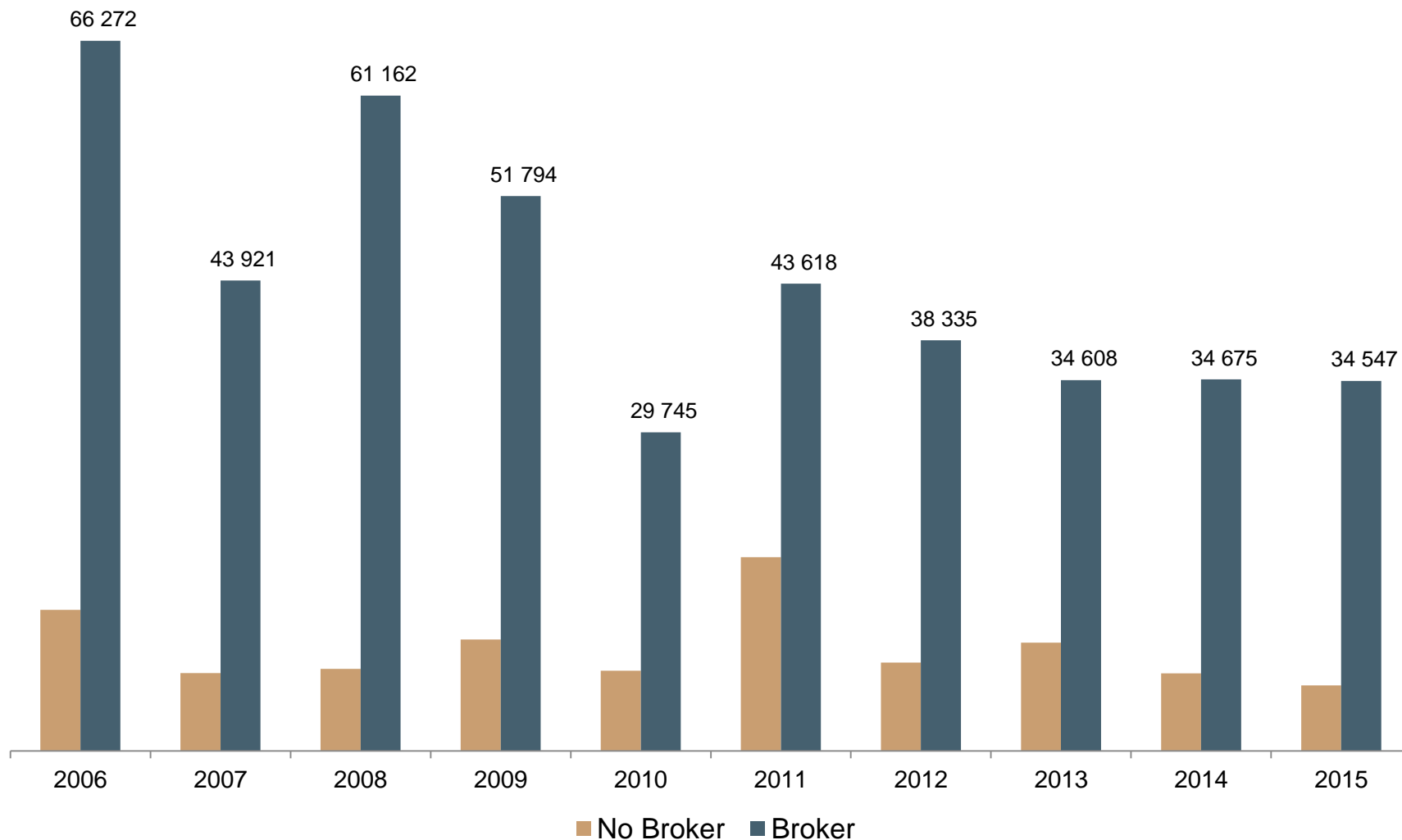




MARKET FORCES

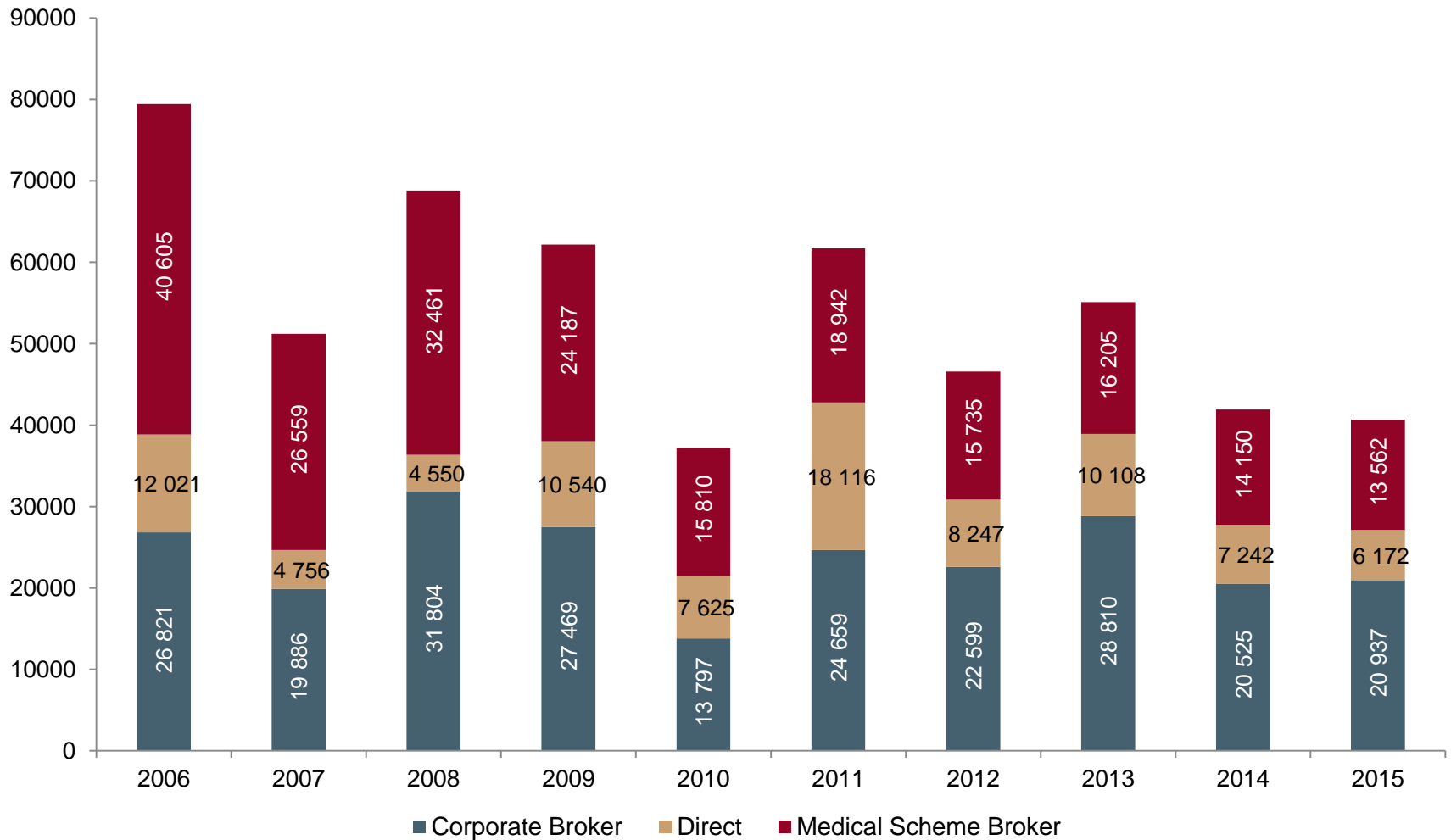
Rodney Cowlin

No of new members brought on by brokers



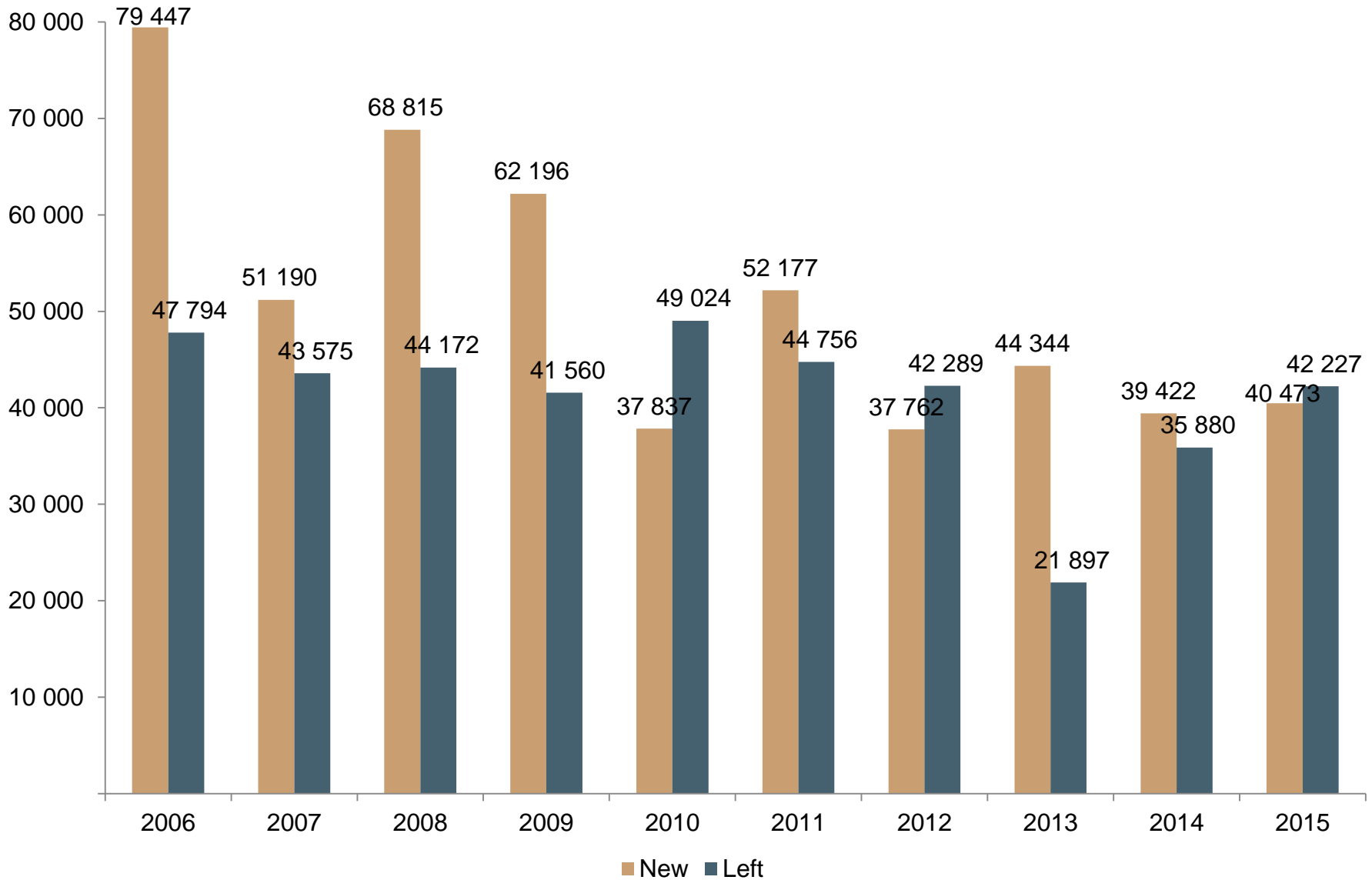
Note: The Prosano amalgamation impact has been removed in the 2013 figure

No of new members by type of broker



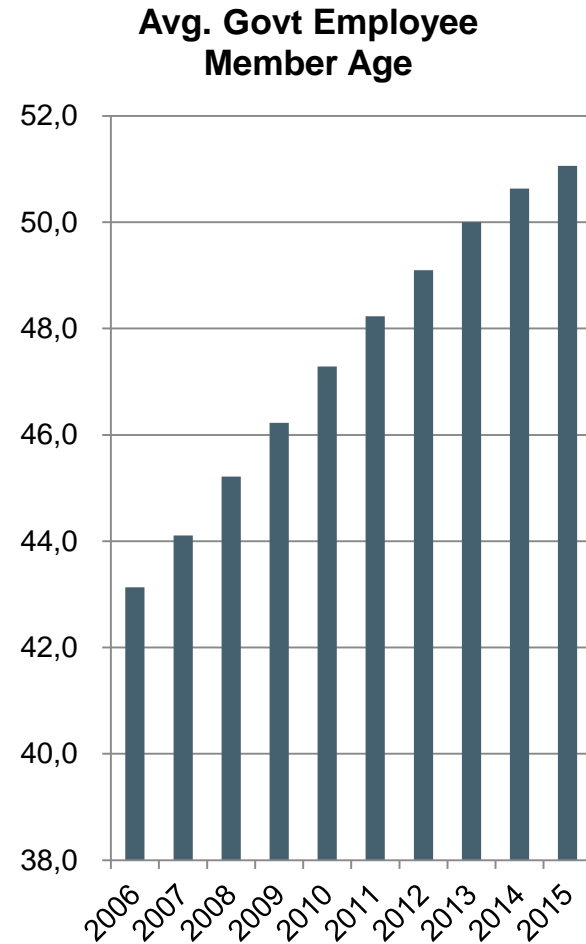
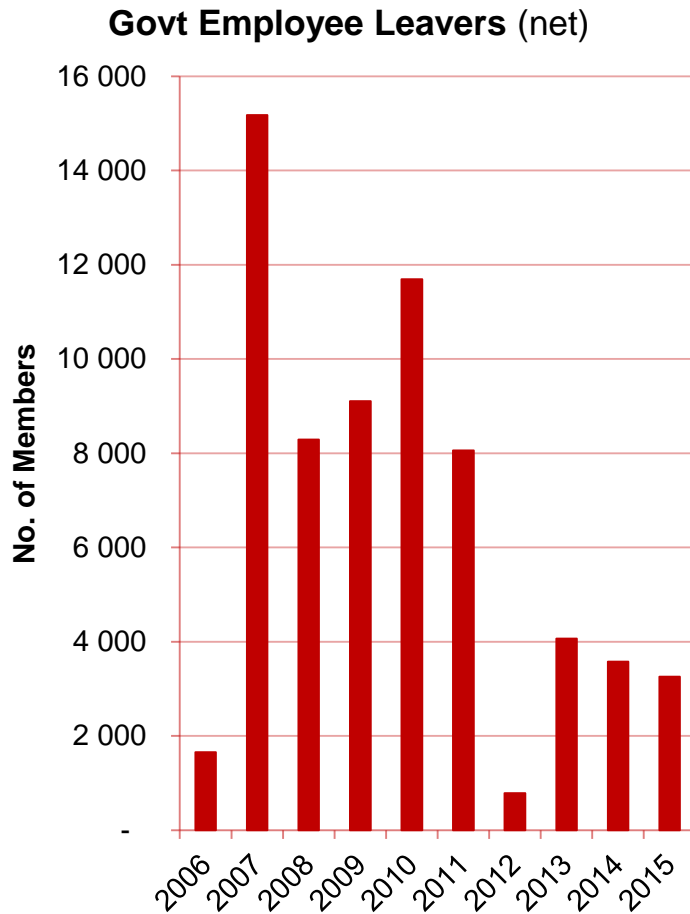
Note: The Prosano amalgamation impact has been removed in the 2013 figure

Bonitas NEW VS LEFT MEMBERS



Note: The Prosano amalgamation impact has been removed in the 2013 figure

65 600 Govt employees have left Bonitas since 2006, with remaining members showing a deteriorating profile



Note: Prosano amalgamation lowered the impact in the 2012 figure

Summary

- Governance structures
- The impact of PMBs
- The impact of GEMS
- Brokers
- Risk share models
- Value based services
- Fraud, waste and abuse

THANK YOU
