

2022

# Annual General Meeting

27 July 2022

# AGENDA



- 01** Overview
- 02** Board of Trustees report
- 03** Independent Auditor's report
- 04** 2021 Audited Financial Statements
- 05** Resolution 1: Appointment of Auditor for 2022
- 06** Questions
- 07** Closing



**Mr OJ Komane**  
Chairperson  
(Elected Trustee)



**Mr J Bagg**  
Vice-Chairperson  
(Elected Trustee)



**Mr R Cowlin**  
(Appointed Trustee)



**Dr PW Hill**  
(Elected Trustee)



**Adv L Koch**  
(Elected Trustee)  
term ended  
14 October 2021



**Ms M Lesunyane**  
(Elected Trustee)



**Mr MG Netshisaulu**  
(Elected Trustee)



**Mr JD Ngwane**  
(Elected Trustee)



**Mr PJ Ribbens**  
(Elected Trustee)



**Ms J Usher**  
(Elected Trustee)



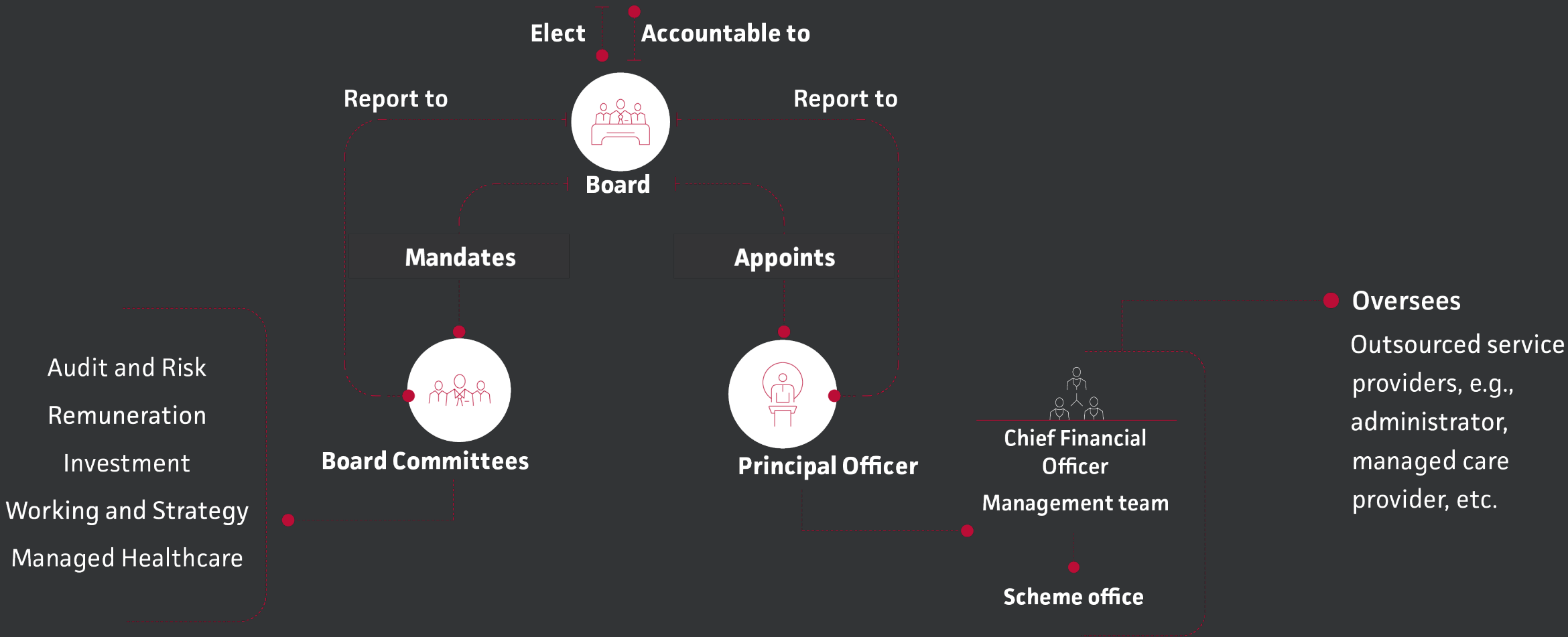
**Mr JR Venter**  
(Elected Trustee)

*Section 57(6) of the Medical Schemes Act requires the Board of Trustees to:*

- Take all ***reasonable steps*** to ensure that the ***interests of beneficiaries*** in terms of the rules of the medical scheme and the provisions of the Medical Schemes Act ***are protected at all times***
- Act with ***due care, diligence, skill*** and ***good faith***
- Take all reasonable steps to ***avoid conflicts of interest***, and ***act with impartiality*** in respect of all beneficiaries

# Bonitas

## BONITAS MEMBERS



# AGENDA



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**Est. 1982**  
for civil  
servants



Enters SALGA,  
mining and  
parastatals



Enters  
private  
sector



Becomes  
preferred split  
risk solution



Diversified  
product  
range



Rebrand as  
medical aid for  
South Africa



Multi-layered  
distribution  
channel  
established



Begins online  
distribution



**NEXT  
CHAPTER?**

## FOCUS AREAS

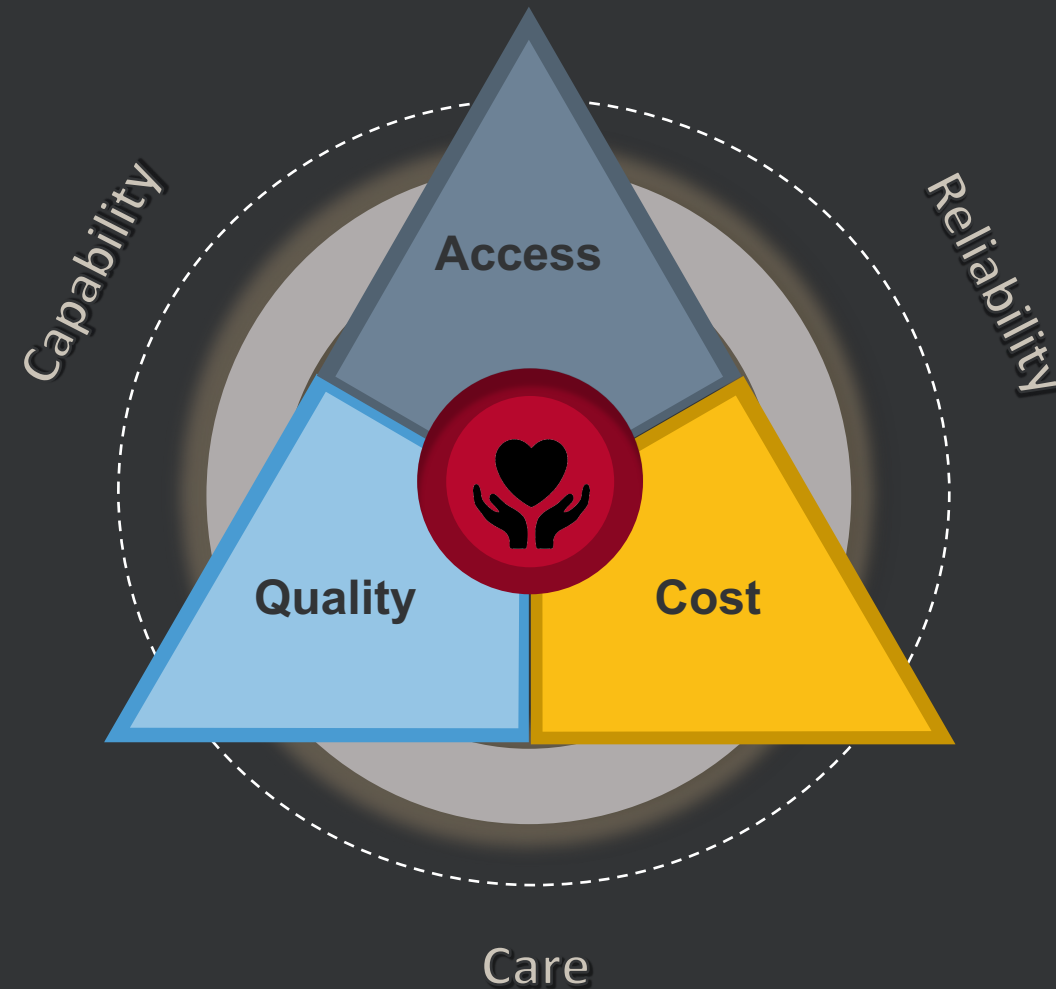


To *ensure the sustainability* of the Scheme while *meeting the needs of our members*



To *make quality healthcare more affordable and more accessible* to South Africans

## OUR APPROACH





## Long-term and financial sustainability



## Drive competitive offering and meeting member needs

Contributions increase in line with systemic medical inflation – lower than industry average year-on-year

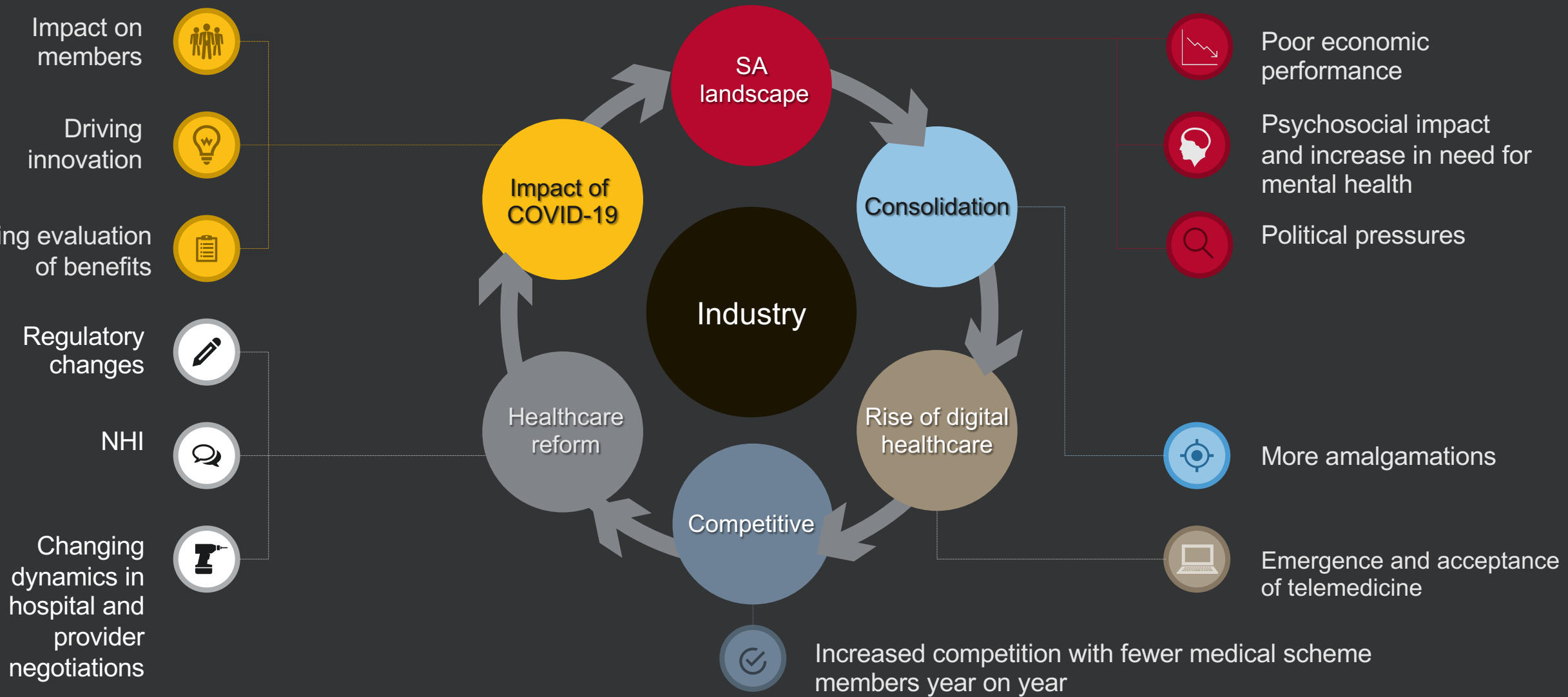
(prudent, dependable approach)

Protects members from future price “shocks” and higher increases in the long-term

Improved solvency and use of reserves to ensure affordability while driving innovation to meet changing customer needs

(virtual care, new BonStart/BonStart Plus, Benefit Booster etc)

Supports affordability and business development



As the medical aid for South Africa, we:





**Providing risk assessments** to allow for early intervention for chronic conditions



**Quality care in and out of hospital** through extended benefits and innovations such as Hospital at Home



**Leveraging technology to extend care** through initiatives such as virtual care and online wellness assessments



**Extended emergency medical services** to a greater pool of providers with a dedicated line through Bonitas SOS



**Broader access to preventative care benefits** paid from risk, to proactively support members at all life stages (incl. childhood vaccines and vaccines for the elderly)



We use an outcomes based model for disease management to ensure help members manage their health, while we negotiate the best rates to provide them with additional value

### Hip and knee

93% of members are discharged in 1 day with 81% not needing follow-up home care

### Hypertension

130 000 members are actively monitored – which has lead to a 20% improvement in adherence rates

### Diabetes

63% of members with uncontrolled diabetes lowered their HbA1c results



### Anaesthetic network

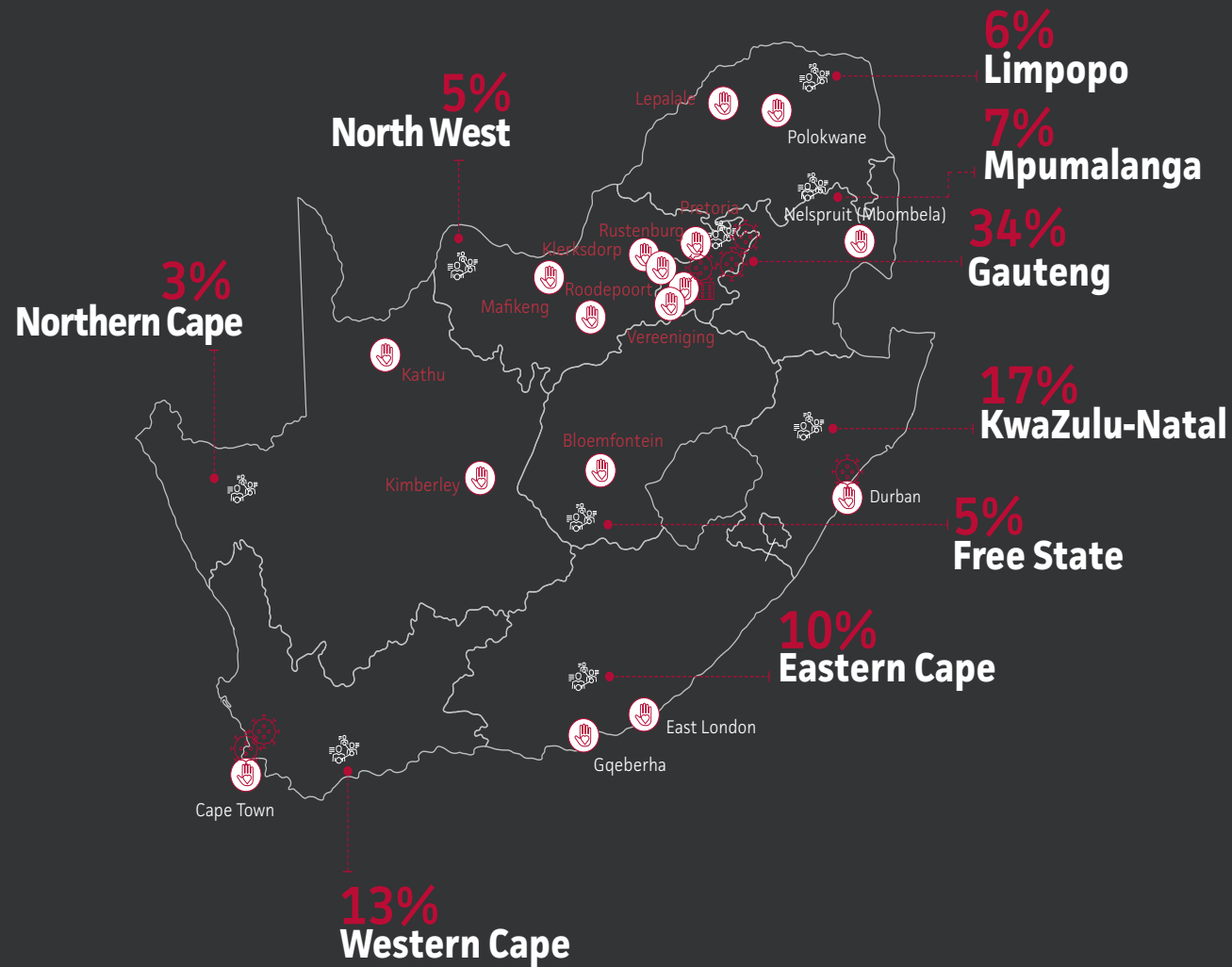
Members collectively realised value of R12.2million by using the anaesthetist network

### Mental health

63% of members with depression currently adhere to their treatment plans, with less than 4% of them requiring re-admission to hospital

### Palliative care

We noted R145 971 in value realised over 3 months, per beneficiary using the palliative care benefit



Principal members



340 119

Lives covered



709 881

New members



51 395

Average beneficiary age



35

2.1%

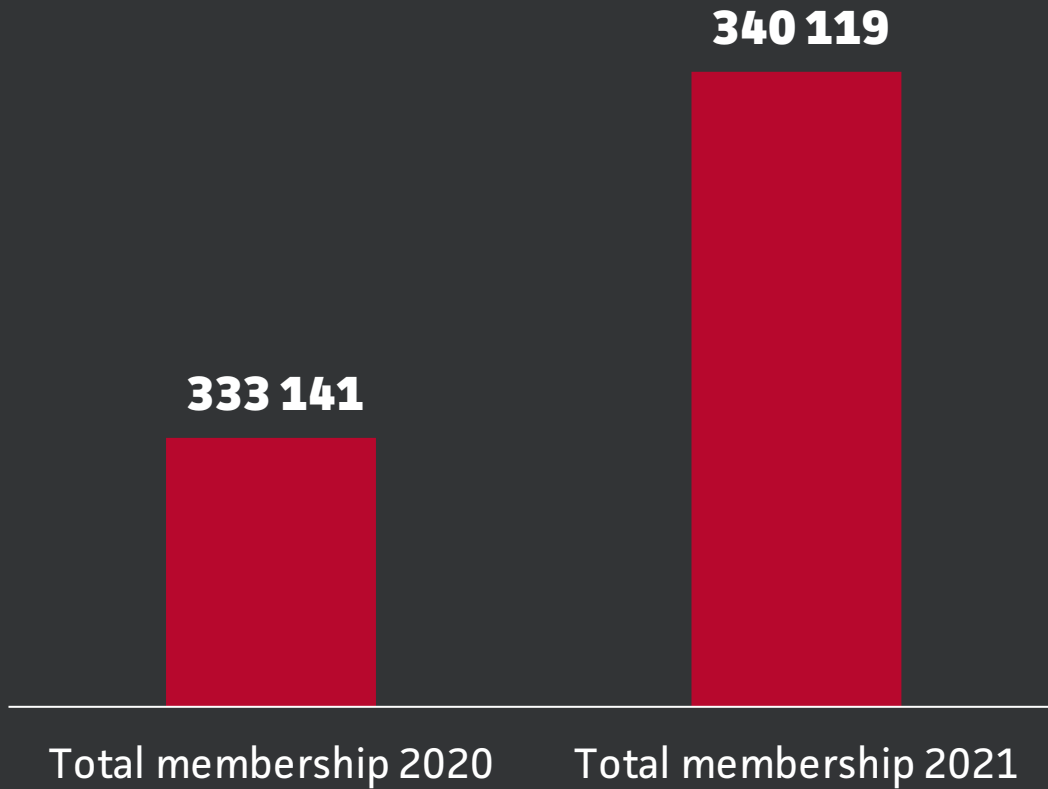
Net growth

Chronic profile



18.7

### Membership figures (comparison 31 Dec year-on-year)



# 39 166

new members  
acquired as at  
30 June 2022



Outperforming the  
industry & previous years

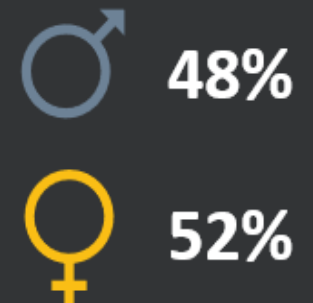
### New membership demographic



Average main member age



Average family size



Demographic





## Applying best practice governance

- Governance across all interactions
- Implemented FWA strategy to significantly reduce illegitimate claims, waste and abuse of benefits
- Continuously improved frequency and scope of claims and experience



## Strategic purchasing

- Value realised through managed care initiatives



## Boost business development

- 2.1% net growth target achieved
- Net business of 51 936 new members achieved v target of 47 500



## Optimise investment returns

- Targeted return of CPI + 3,5% exceeded



## Connect with the customer

- Improved connections with all stakeholders through all touchpoints



## Integrate the value chain

- Improved member health status



## Create value through innovation

- Improved virtual interaction and engagement and enhanced offerings

Claims payout**R16 billion**paid in claims during 2021  
(2020:15.5 billion)Processing**1 300**hospital claims processed per  
day

(2020:1 498)

**1 118**

hospital authorisations per day

(2020:1 164)

Hospital claims**88.22%**of hospital claims were paid  
within 7 daysValue realised**R198 million**in projected negotiated hospital  
savings

(2020:R346 million)

**R26.6 million**

gross recoveries from FWA

(2020:R51.7 million)



**194 199**

Beneficiaries registered for chronic medicine

↑ **27.4%**



**41 977**

Beneficiaries on the HIV/AIDS programme

↑ **0.03%**



**13 562**

Beneficiaries on the cancer programme

↑ **1.08%**



**63 780**

Beneficiaries on the diabetes programme

↑ **0.4%**



**5 022**

Beneficiaries completed the back & neck programme

↑ **19.9%**

Hospital

**R6 450**  
billion



COVID-19

**R2 600**  
billion



Chronic

**R781**  
million



Day-to-day

**R977**  
million



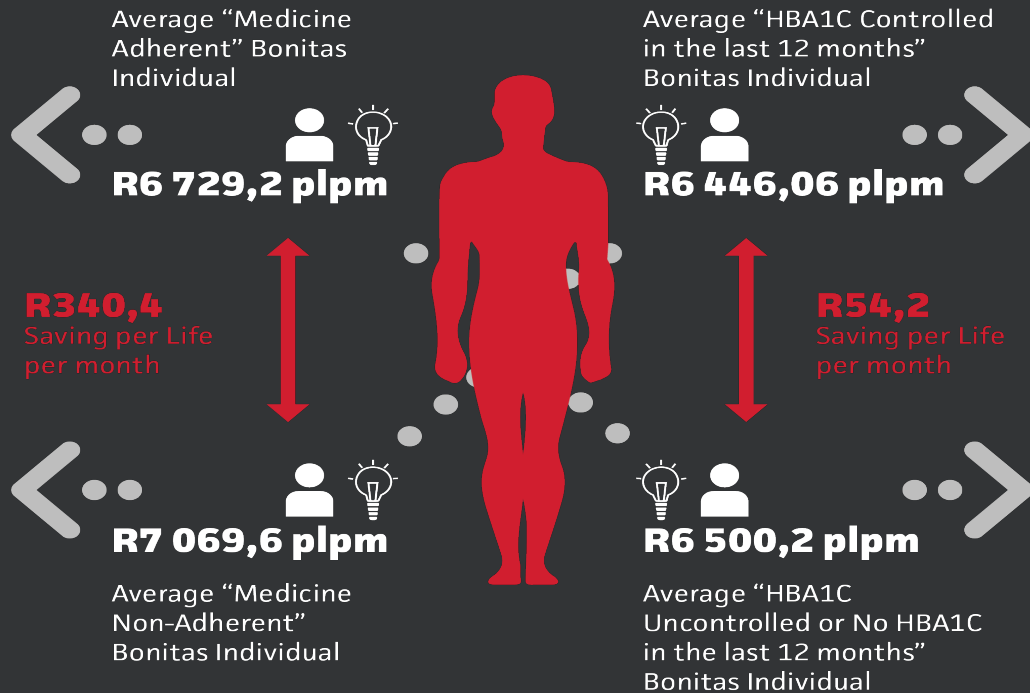
Cancers, cardio, pneumonia hip  
knee replacement

**R1 425**  
billion



Members with claims costs of above R500k for the year

## Additional value through diabetes programme



## Access to more benefits through Benefit Booster



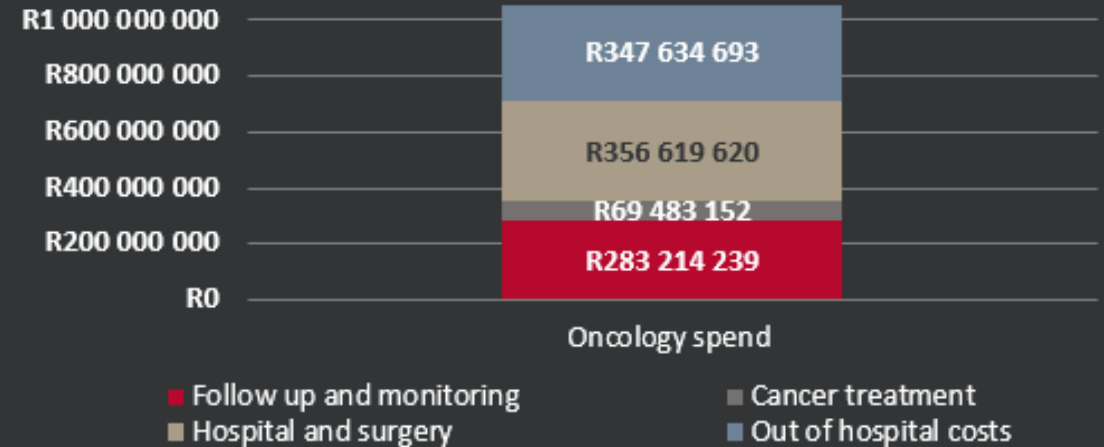
**R446 million**  
in MORE benefits for members



**9 800**

members have accessed the benefit

## R1.06 billion paid for oncology in 2021



## Successes of back and neck programme



**R70 million+**  
paid from risk in 2021

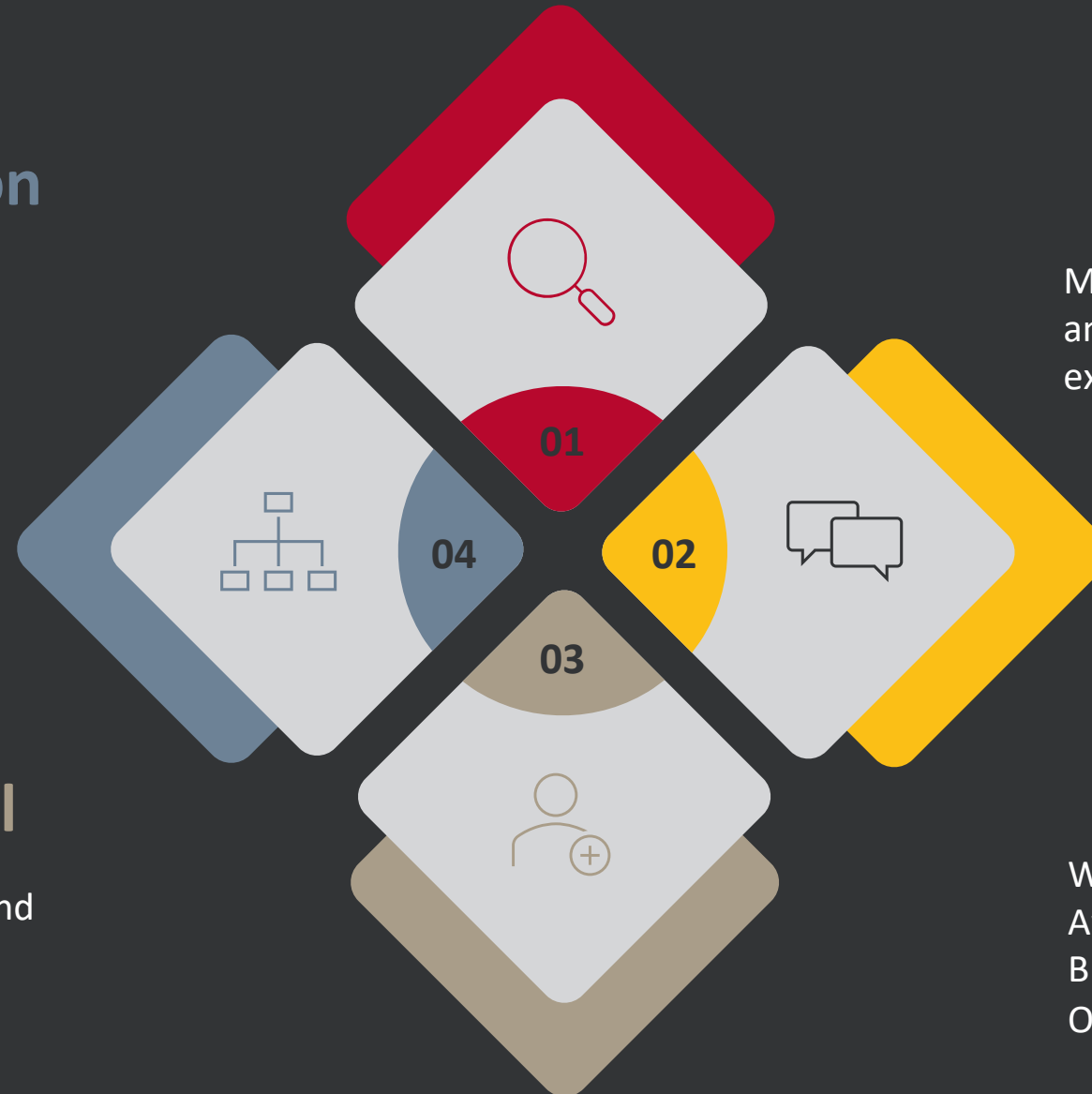
**93%**  
success rate

## Improved communication

Enhanced communication with diverse platform engagement strategy

## Enhanced support

Multi-channel engagement and self-service channels with extended hours



## Optimised service model

Faster turnaround times and improved customer satisfaction scores

## Industry benchmarking

Winner of Ask Afrika Orange Index Award for Service Excellence and BHF Titanium Award for Operational Performance



2021/2022 ASK AFRIKA ORANGE INDEX AWARD FOR SERVICE EXCELLENCE!



TITANIUM AWARDS

2022 BHF TITANIUM AWARD FOR OPERATIONAL PERFORMANCE

## Medical Aid Industry 2021



The operational performance category required the Scheme to show how we had fared across the following criteria:

- Growth over the past three years
- Proof of average increases
- Health governance measures
- Preventative healthcare benefits
- Risk benefits

# Deloitte.



**Commissioned to  
provide transactional  
and governance review**



**Benchmarking value  
derived from service  
providers and  
administrator**



## Governance findings



There is a strong governance structure in the Scheme, where the Board is supported by various Committees and Forums



## Value creation



For every R 1 spent on administration, Bonitas derived R 1,49 value for 2020 and R 1,55 for 2021 – showing exceptional improvement



There has been an increase of 17 cents in value since the 2018 value for money calculation – indicating that the value Bonitas generates for members steadily increases



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Scope of our audit



Independence

Financial statement  
and regulatory audit

Key audit matters

Other key areas of  
focusFY 22 Partner  
rotation

## TO THE MEMBERS OF BONITAS MEDICAL FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Bonitas Medical Fund (the Scheme) set out on pages 81 to 140, which comprise the statements of financial position as at 31 December 2021, and the statements of comprehensive income, the statements of changes in members' funds and reserves and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

#### Independence

We confirm that we provided the trustees with a statement that we complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Key audit matter

### Outstanding claims provision:

As disclosed in Note 10, the carrying amount of the Outstanding Claims Provision ("IBNR") at year end was R904.4 million (2020: R976.3 million). The determination of the IBNR requires the Scheme's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date.

- The IBNR calculation is based on a number of factors which include:
- Previous experience in claims patterns,
- Claims settlement patterns,
- Changes in the nature and number of members according to gender and age,
- Trends in claims frequency,
- Changes in the claims processing cycle,
- Variations in the nature and average cost per claim, and
- Other factors such as expectations of future events that are believed to be reasonable to be taken into account in the valuation of the IBNR at year end.

Certain of the above mentioned factors require judgement and assumptions to be made by the Scheme's Trustees and therefore accordingly, for the purposes of our audit, we identified the valuation of the IBNR as representing a key audit matter.

## Key audit matter

### How the matter was addressed in our audit

In evaluating the valuation of the IBNR, we audited the calculations approved by the Board of Trustees and performed various procedures which included:

- Considering the design and implementation of the Scheme's controls relating to the preparation of the IBNR calculation,
- Testing the integrity of the information used in the calculation of the IBNR by performing substantive procedures to test the accuracy and completeness of data used in the valuation of IBNR,
- With the assistance of our internal actuarial specialists, performed an independent calculation of the estimate of the provision using historical claims data and trends, and using this estimate as a basis of assessing the reasonableness of the Board of Trustees' estimate of the provision,
- Testing a sample of claims paid in the current year against the related IBNR reserve held to assess the reasonability of assumptions used to calculate the IBNR estimate,
- Performing tests of detail on the current year IBNR including testing actual claims paid subsequent to year end to determine if these have been appropriately reserved for at balance sheet date, and
- Assessing the presentation and disclosure in respect of the IBNR and considered the adequacy of these disclosures.
- Considering the validity and completeness of any out of model adjustments made to adjust the IBNR for matters not included in the historical data set and therefore not incorporated in the actuarially determined reserve.

The assumptions applied in the IBNR calculation are appropriate and we are satisfied that the movement of the IBNR in the Statement of Comprehensive Income and the related disclosure of the IBNR balance and assumptions are appropriate.

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## Fuel Price Increases with **7,2%** from February – March 2022

### WATCH | Fuel price hike to take effect from Wednesday

Tuesday 5 April 2022 - 12:00pm



Fuel Increases

Both grades of 93 petrol will go up by 28 cents a litre.

Customers at the pump will pay 36 cents more for 95 octane petrol

Diesel users will have to fork out up to R1.68 more.

## Market Conditions



## BRACE YOURSELVES: ESKOM 9.61% TARIFF HIKE TO KICK IN ON FRIDAY



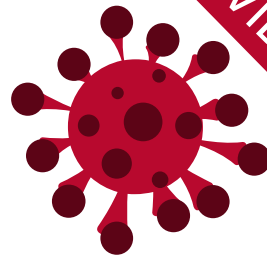
Eskom

“People will see a change from 1 April, in accordance with the NERSA decision, of their tariffs and then it would be an average increase of 9.61% more than what it was previously,” said Hasha Tlhothlalemaje, Eskom's general manager for Regulation.

## State of Disaster has been ended on **4 April 2022**

### WATCH | SA terminates National State of Disaster

Tuesday 5 April 2022 - 7:30am



COVID-19

“Since the requirements for the National State of Disaster to be declared in terms of the Disaster Management Act are no longer met, Cabinet has decided to terminate the National State of Disaster with effect from midnight tonight.”

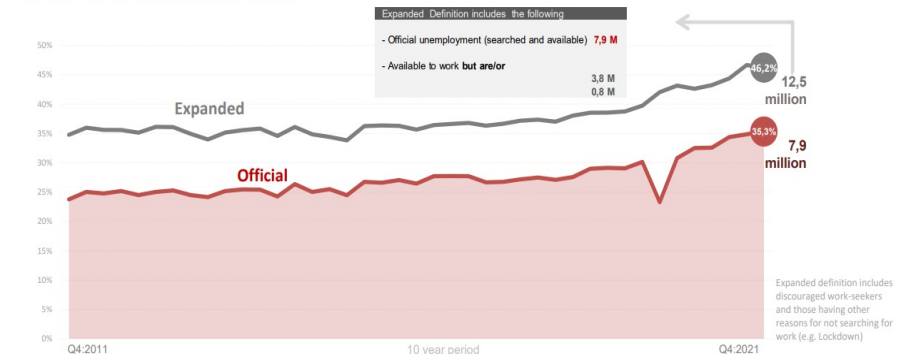
Unemployment



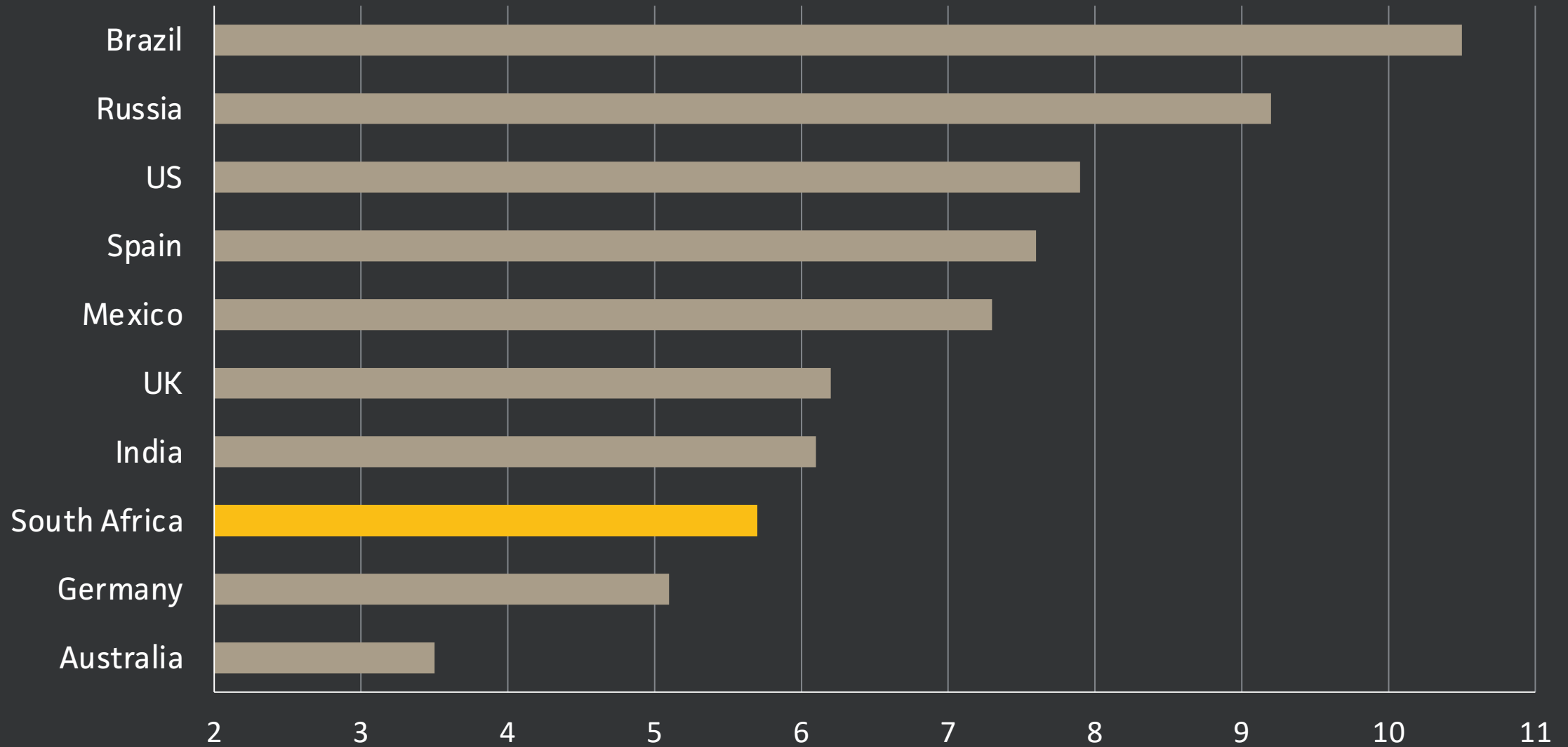
## Expanded Unemployment Rate **46,2%**

Expanded unemployment decreased by 0,4 of a percentage point to 46,2% in Q4:2021 compared to Q3:2021.

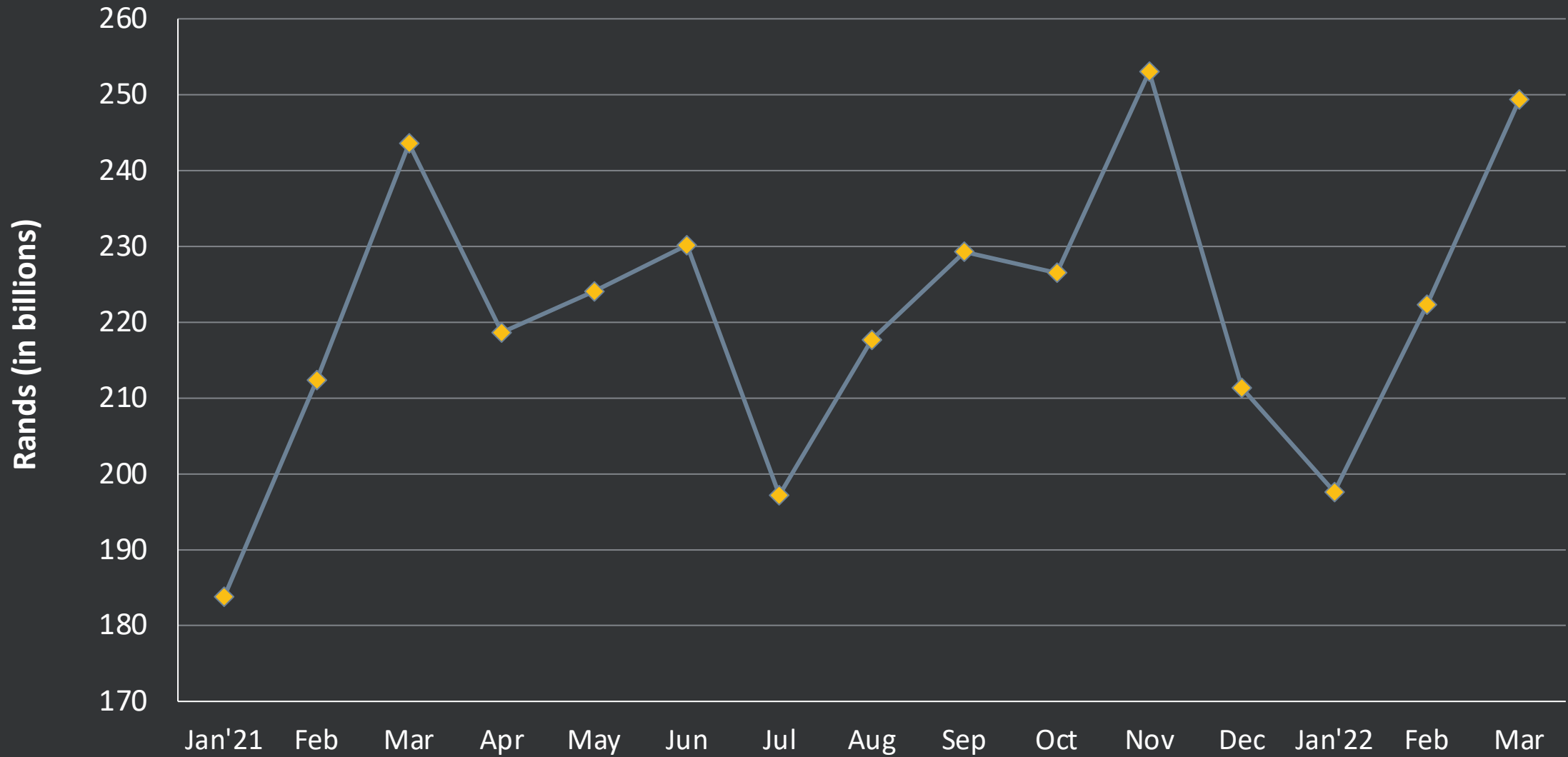
Official vs Expanded unemployment: Q4:2011-Q4:2021



# Consumer price inflation: South Africa and selected trading partners



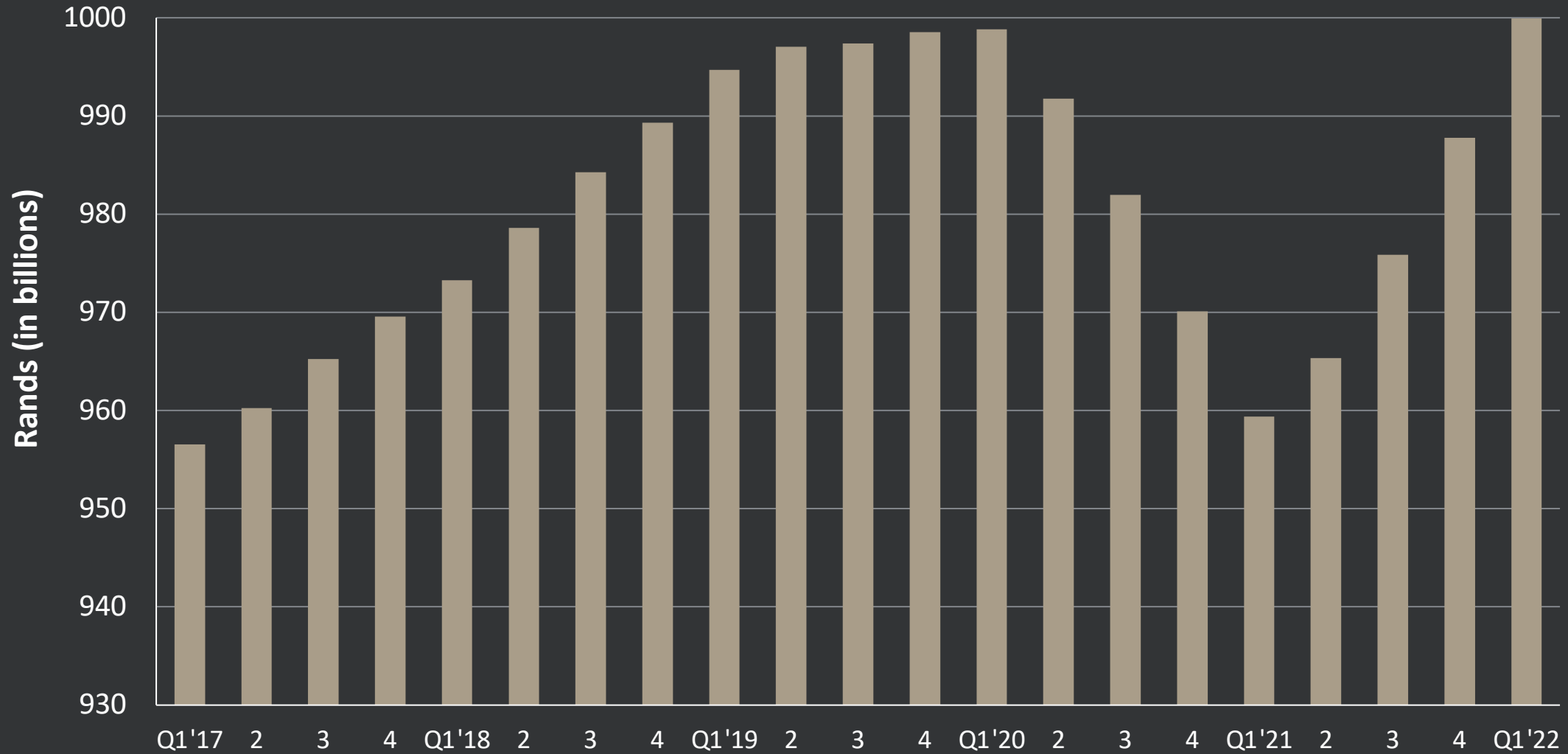
Source: Trading Economics



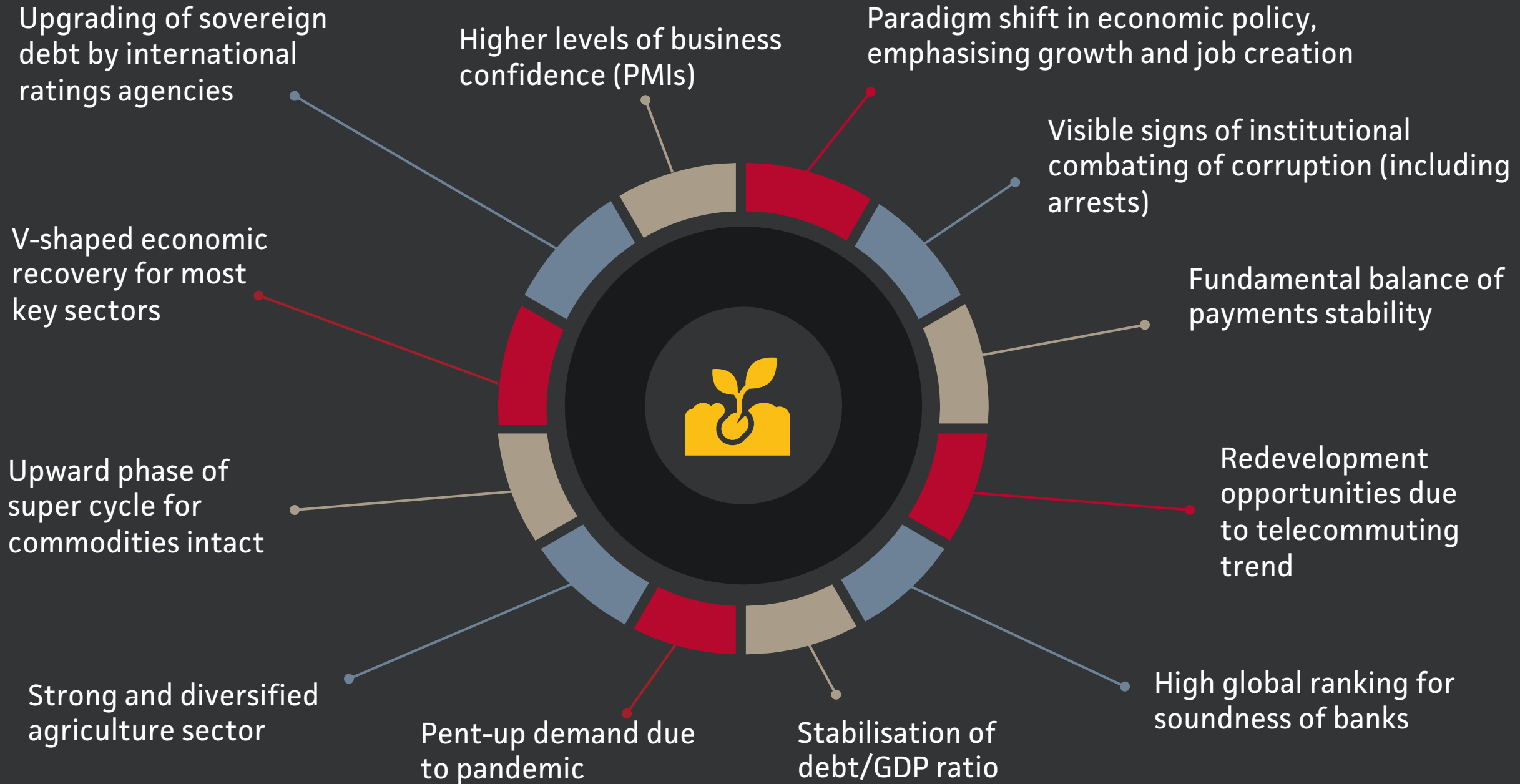
Source: Stats SA



# Disposable income of households at constant 2022 prices



Note: 4-quarter average. Sources: SARB; own calculations





Major structural shift in disease burden in recent times due to Covid-19



Move towards value-based care payment arrangements



Shifts in place of care



Digitisation



Equitable healthcare access



Increase in mental health challenges





### Membership growth and contributions

We met our target exceeding 340 000 for the first time



### Fraud, waste and abuse

Lower recoveries due to the claims mix featuring reduced specialist claims compared to hospital claims



### Investment performance

Excellent yields with our equity strategy and investment bonds paying off



### Claims trends

Higher claims with an anticipated uptake in elective surgeries to come



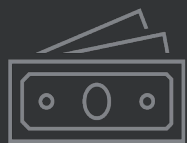
### Cost-saving initiatives

Significant savings impact following collective hospital negotiations in 2020



### Reserves

Members funds remain healthy, enabling Bonitas to limit contribution increases



**R1.39 bn**

surplus achieved

(2020: R1.7 billion)

**R1.2 bn**  
in investment income

(2020: R313.6 million)



**9.0%**

non-healthcare  
expenditure as % of  
risk contribution

(2020: 8.9%)



**R26.6 mn**

gross recoveries from  
fraud, waste and abuse

(2020: R51.7 million)



**R18.14 bn**

in risk contribution income

(2020: R17.8 billion)



**16.15%**  
aggregate investment return

(2020: 4.16%)



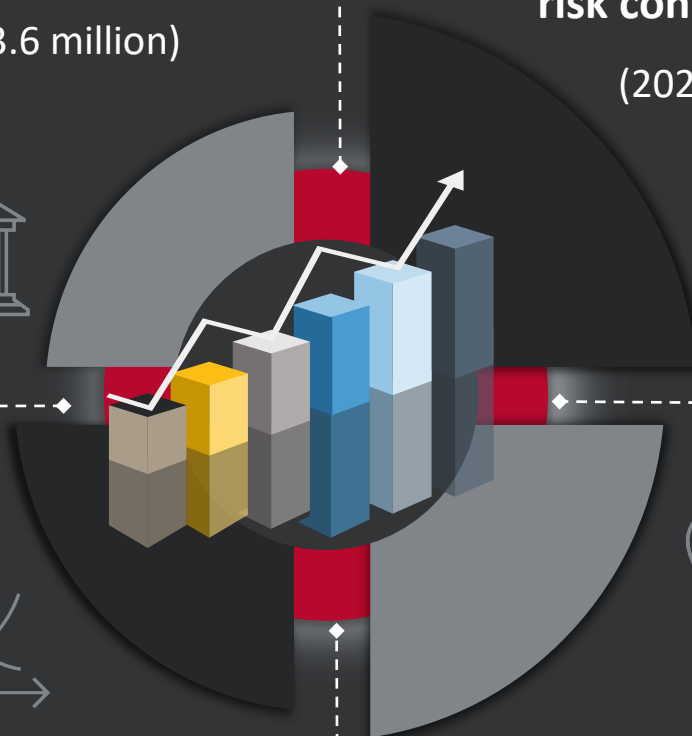
**36.5%**

risk-based solvency  
of 21.4% (May 2022)

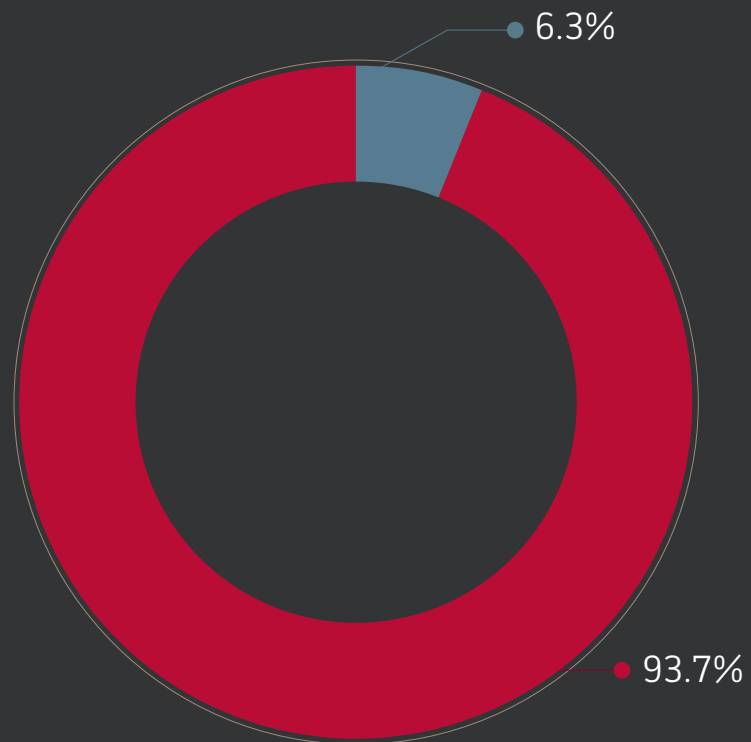


**AA**  
with positive  
outlook  
credit rating

(2020: AA-)

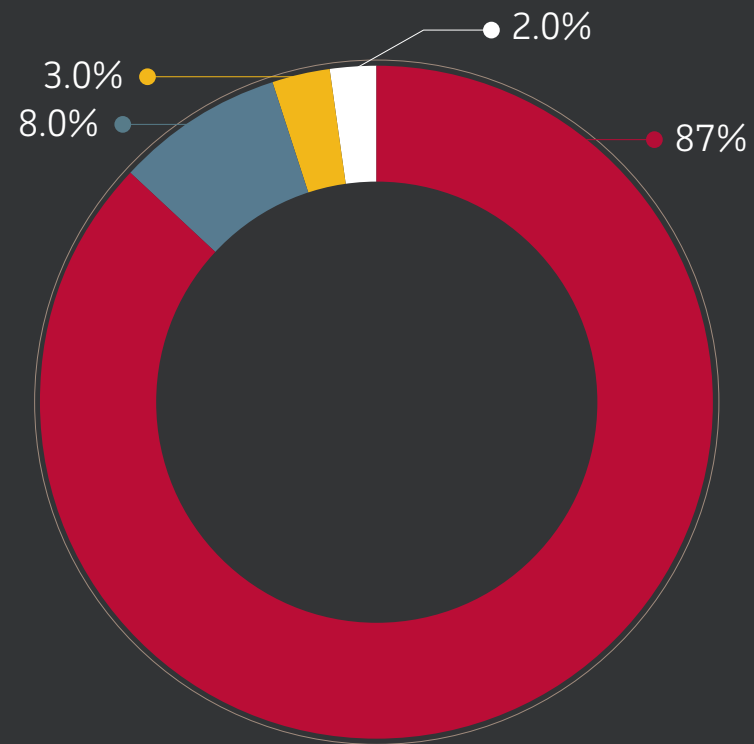


### Where our funding comes from



- Risk contribution income
- Investment income

### How we spent these funds



- Claims
- Administration and other
- Managed care
- Brokers

## Solvency trends in the industry

- i** The open scheme industry's solvency level has been stable over the past 10 years
- i** The open scheme industry had a collective solvency level of 29,35% at the end of 2019 and 38,71% at the end of 2020
- i** These changes were largely due to the impact of COVID-19 – we anticipate that the 2021 financials will show a similar trend



**38,71%**

Average solvency for open schemes

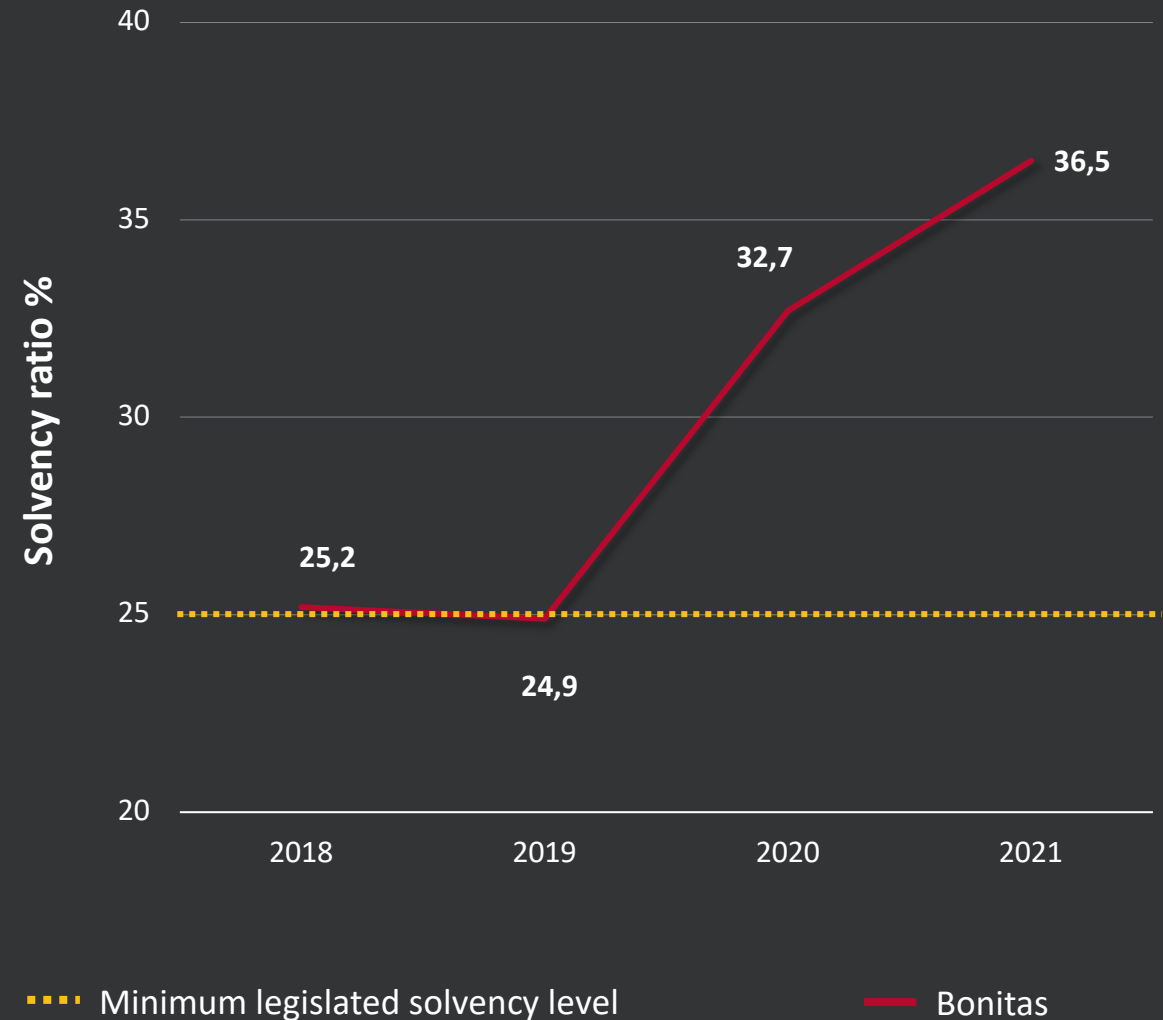
**52,51%**

Average solvency for closed schemes

**44,55%**

Average solvency for overall industry

## Changes in solvency levels



## Accumulated reserve trends in the industry



A pandemic without lockdown measures curbing the spread would have been detrimental to scheme reserves, as the cost per hospitalisation event increased drastically in 2020



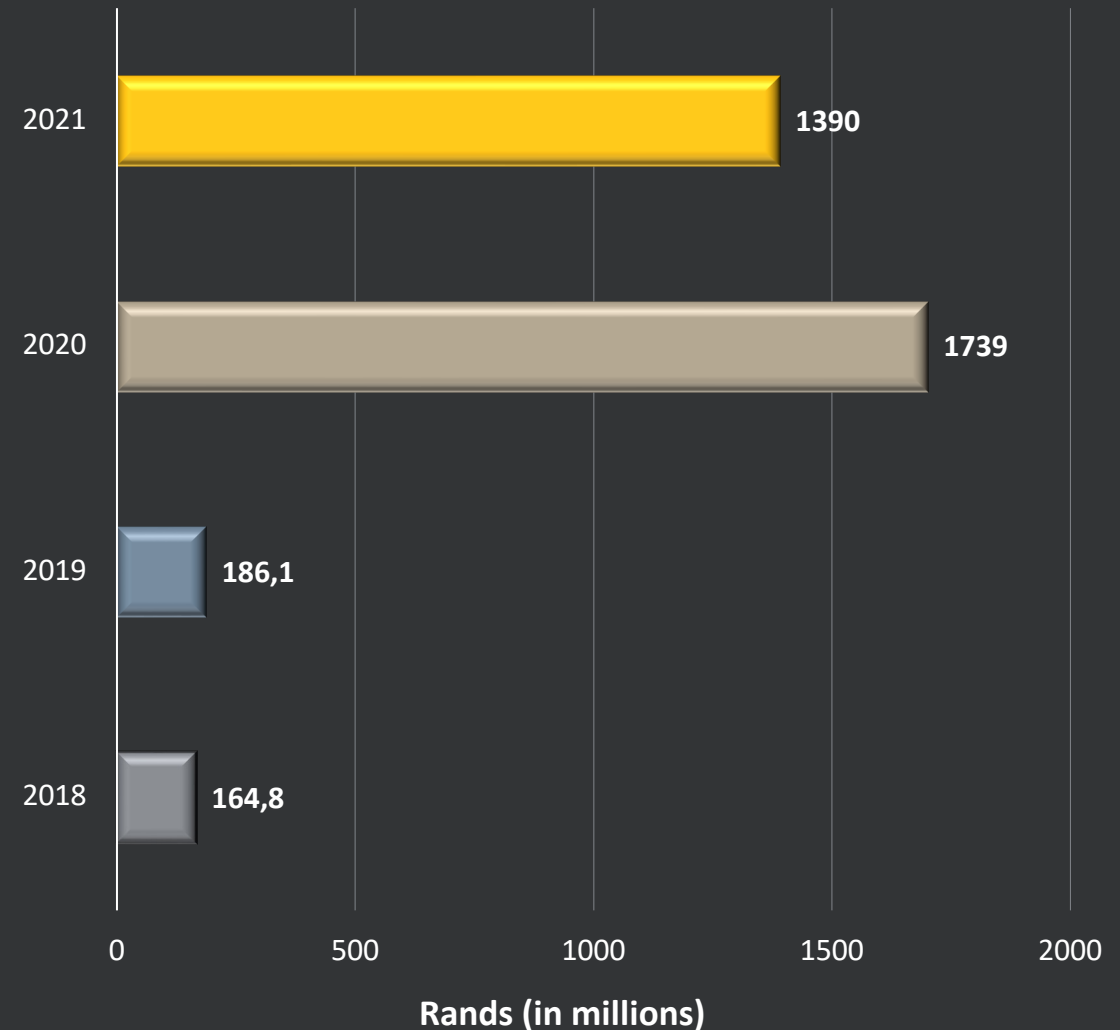
It is envisaged that scheme reserves will be utilised when the pent-up demand is released in coming years – thus it is critical for Schemes to balance affordability and long-term sustainability



The decrease in screening activities during 2020 would also affect downstream costs as early detection normally results in lower costs and better clinical outcomes. The full impact of the pandemic is therefore not confined to COVID-related claims.

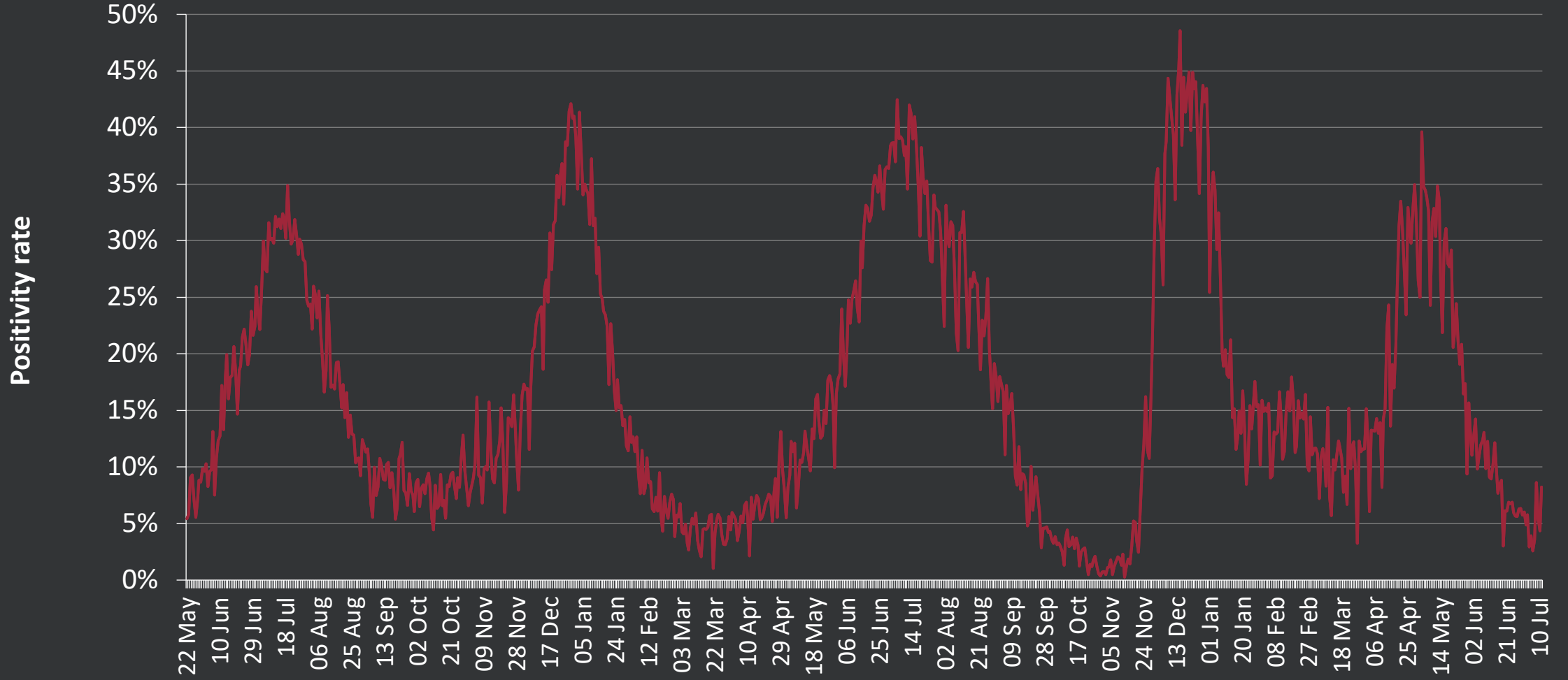


## Changes in reserves





# Covid prevalence for Bonitas membership: May 2020 to July 2022



## STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

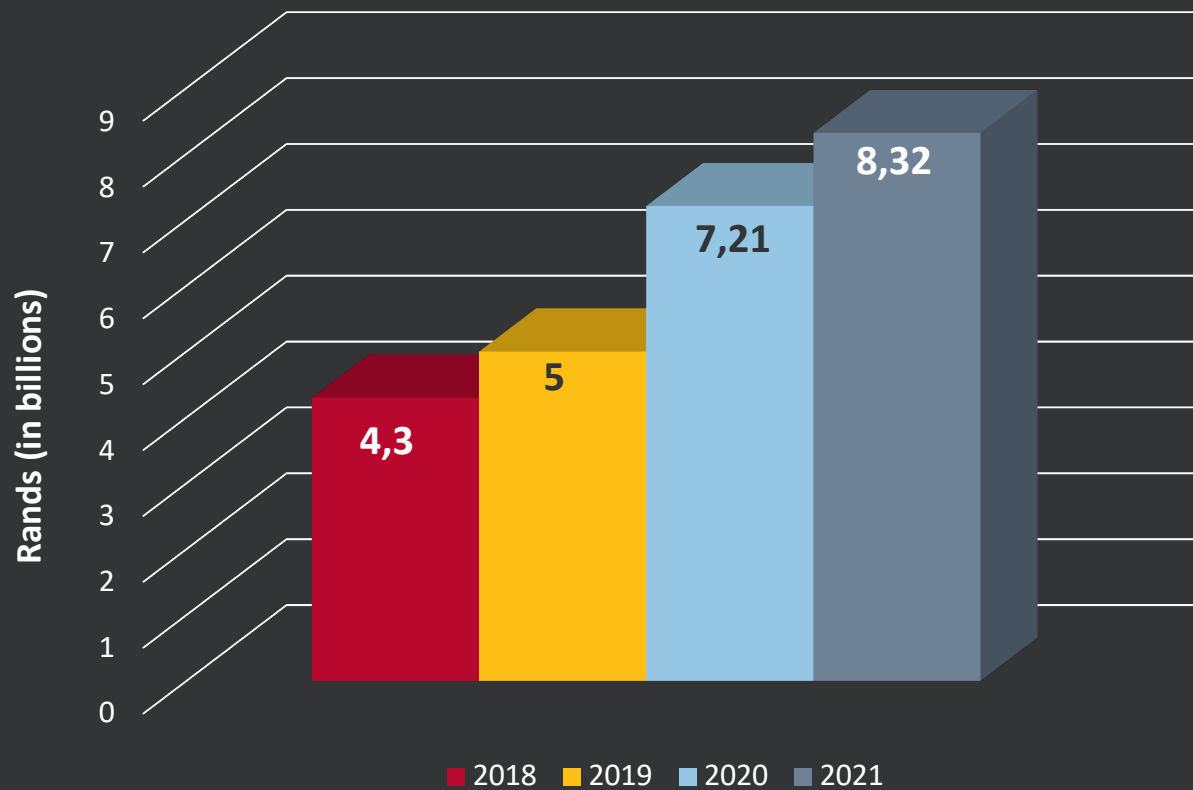
	Notes	2021 R'000	2020 R'000
<b>ASSETS</b>			
Property and equipment	4	4 231	9 125
Investment properties	5	77 000	77 700
Financial assets held at fair value through profit or loss	6	4 784 072	4 279 785
<b>Non-current assets</b>		<b>4 865 303</b>	4 366 610
Financial assets held at fair value through profit or loss	6	3 461 898	2 859 688
Insurance, trade and other receivables	8	706 417	719 066
Cash and cash equivalents	9	766 465	611 090
<b>Current assets</b>		<b>4 934 780</b>	4 189 844
<b>Total assets</b>		<b>9 800 083</b>	8 556 454
<b>MEMBERS' FUNDS AND LIABILITIES</b>			
Accumulated funds		7 447 331	6 059 840
<b>Members' funds</b>		<b>7 447 331</b>	6 059 840
Lease liability	4.2	–	3 047
<b>Non-current liabilities</b>		<b>–</b>	3 047
Outstanding risk claims provision	10	904 350	976 275
Personal medical savings accounts liability	11.1	894 037	812 078
Insurance, trade and other payables	12	551 318	669 731
Lease liability	4.2	3 047	3 605
Derivative financial instruments	7	–	31 878
<b>Current liabilities</b>		<b>2 352 752</b>	2 493 567
<b>Total Members' funds and liabilities</b>		<b>9 800 083</b>	8 556 454

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 R'000	2020 R'000
<i>Risk contribution income</i>	13	18 138 159	17 797 746
<i>Relevant healthcare expenditure</i>	14	(16 289 636)	(14 771 240)
Net claims incurred	14	(15 851 053)	(14 346 005)
Risk claims incurred		(15 913 500)	(14 405 261)
Third party claim recoveries		62 447	59 256
Accredited managed healthcare services	14	(549 251)	(551 530)
Net income on risk transfer arrangements	14	110 668	126 295
Risk transfer arrangement fees/premiums paid		(1 531 348)	(1 360 518)
Recoveries from risk transfer arrangements		1 642 016	1 486 813
<b>Gross healthcare result</b>		<b>1 848 523</b>	3 026 506
Broker service fees		(360 620)	(334 827)
Administrative expenditure	15	(1 276 920)	(1 221 891)
Net impairment losses on healthcare receivables	16	(63)	(20 281)
<b>Net healthcare result</b>		<b>210 920</b>	1 449 507
<i>Investment and other income</i>		<b>1 243 833</b>	347 039
<i>Other expenditure</i>		<b>(67 262)</b>	(56 785)
<b>Surplus for the year</b>		<b>1 387 491</b>	1 739 761
<b>Total comprehensive income for the year</b>		<b>1 387 491</b>	1 739 761

## Investment portfolio movement



	2018	2019	2020	2021
Investment return %	4,2	3,7	4,16	16,15

(excl cash)

## Investment strategy optimisation

Targeted investment return  
**8,1%**  
(CPI+3,5% per annum)

Actual investment return  
**16,15%**  
(CPI+11,5% per annum)



Success of our strategic allocation approach  
(portfolio split into categories managed by asset management specialists per category)

&amp;

Consistent outperformance of industry  
(regular industry benchmarking, analysis and comparison)



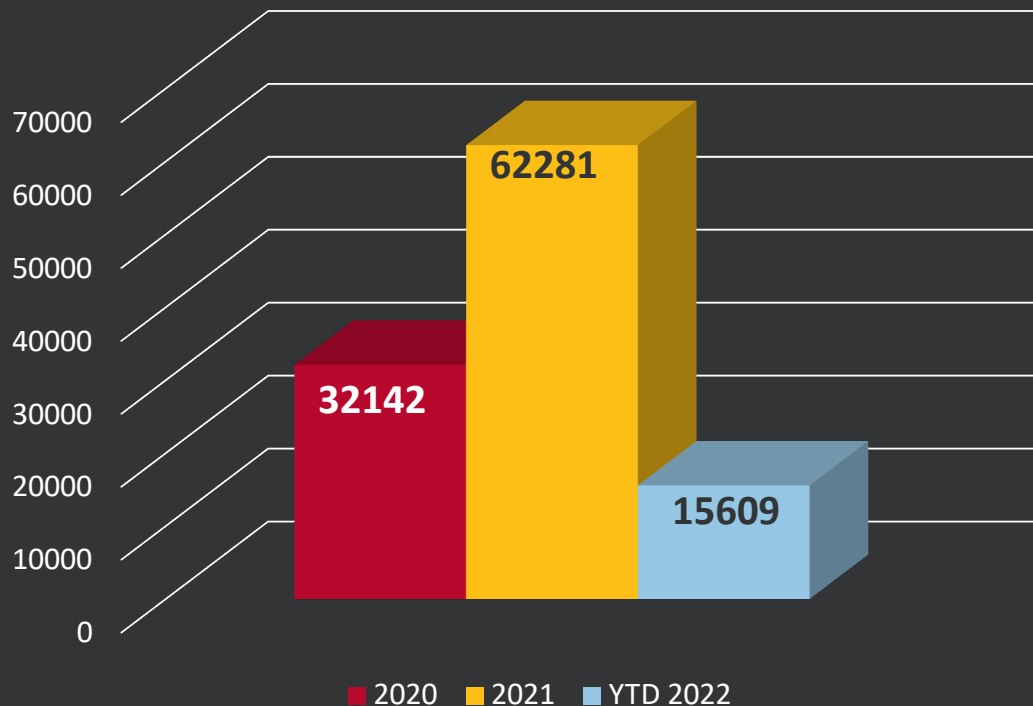
## Amalgamation impact

Bonitas absorbed R613 million of NMAS reserves upon completion of the amalgamation on 1 January 2022



## COVID-19 impact

Decline in number of positive cases for Bonitas



### Claims categories that have normalised



\*Pathology claims inflated due to COVID-19 tests

### Claims categories that have not normalised



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# Appointment of Deloitte as the Auditor for 2022

# Deloitte.

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# Q & A

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*Bonitas*

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**Thank you.**