

BONITAS MEDICAL FUND

ANNUAL PERFORMANCE
HIGHLIGHTS REPORT '18

REGISTRATION NUMBER 1512

**CONSOLIDATION
AND INVESTMENT**
IN FUTURE
GROWTH

Bonitas

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This document contains highlights of the Scheme's performance for the year ended 31 December 2018, extracted from the 2018 Annual Report. The financial information has been extracted and is in agreement with the Annual Financial Statements audited by Deloitte & Touche.

The full 2018 Annual Report is available at www.bonitas.co.za or on request from the Scheme office.



OUR REPORT

AUDIENCE AND PURPOSE

This Annual Performance Highlights Report for 2018 ("the report") is intended for our key stakeholders, namely our members, brokers and the regulator.

Our aim is to explain the performance of Bonitas to our key stakeholders and highlight the value we bring to our members in an understandable manner.

SCOPE AND BOUNDARY

The report covers our financial and operational performance for the period 1 January 2018 to 31 December 2018 with forward looking statements on key strategic aspirations.

We believe the report is a descriptive report covering information material to the affairs of Bonitas to enable our members to determine whether the Scheme's resources were applied economically, efficiently and effectively.

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2018 PERFORMANCE AT A GLANCE

MEMBERS

Total beneficiaries

710 206

Principal members

330 993

Average beneficiary age

35

Pensioner rate of

9.45%

1.15

dependants per member

Chronic profile

17.64%

CLAIMS

95.29%

of hospital claims paid within five days

1 298

hospital claims processed per day

669

hospital authorisations per day

R39.9 million

recovered from fraud, waste and abuse

FINANCES

R4.1 billion

in reserves

25.2%

solvency ratio

Surplus of

R164.8 million

Investment income of

R197.4 million

9.33%
non-healthcare expenditure as % of risk

R290 million
in negotiated hospital savings

Net healthcare result
(R72 million)

ABOUT BONITAS

WHAT WE DO

Terms of registration

Bonitas Medical Fund (“the Scheme” or “Bonitas”) is an open medical scheme registered in terms of the Medical Schemes Act of South Africa, No 131 of 1998, as amended (“the Act” or “MSA”) under registration number 1512. The Scheme is incorporated and domiciled in the Republic of South Africa. Bonitas is one of the top three medical schemes registered in South Africa and one of the top two open medical schemes in the country. The Scheme is administered by Medscheme Holdings Proprietary Limited (“the administrator”).

About us

We have been in operation for 37 years – long enough to have developed a rich heritage and a solid understanding of the private healthcare industry in South Africa. Our team of experts is always looking for innovative ways to reduce rising costs, whether it is keeping our fingers on the pulse of technology, managing your care to ensure lifestyle diseases are identified before they become chronic, or negotiating better rates for you. If you are one of our 710 206 beneficiaries, then you will know we are always on your side – negotiating better rates and sourcing reputable service providers to help keep you healthy and limit rising healthcare costs.

We do not believe in one-size-fits-all; our wide range of benefit options ensures that you and your family will find a snug fit for your particular needs. We also believe there is beauty in simplicity and have made our benefit options user-friendly while helping to stretch your benefits as far as possible. Whether you are a go-getting entrepreneur, a chief executive officer, newlyweds, a couple with a new family, someone nearing retirement, or a minimum wage earner who needs peace of mind when it comes to healthcare, Bonitas is there for you.

Benefit options

We offered the following benefit options to employers and members of the public during the year:

BENEFIT OPTIONS ¹	
BonComprehensive	A first-class savings plan offering ample savings, an above-threshold benefit and extensive hospital cover
BonClassic	A generous savings option offering a wide range of medical benefits, in and out of hospital
BonComplete	A savings option offering generous savings, an above-threshold benefit and rich hospital cover
BonSave	A savings option offering savings to use as members choose for medical expenses and extensive hospital cover
BonFit	A savings plan offering basic cover for day-to-day medical needs and essential hospital cover
Standard	A traditional option offering rich day-to-day benefits and comprehensive hospital cover
Standard Select (efficiency discounted option)	A traditional option using a quality provider network to offer rich day-to-day benefits and hospital cover
Primary	A traditional option offering simple day-to-day benefits and hospital cover
Hospital Plus²	A hospital plan offering comprehensive hospital benefits with some value-added out-of-hospital benefits
Hospital Standard	A hospital plan offering extensive hospital benefits with some value-added benefits
BonEssential	A hospital plan offering rich hospital benefits with some value-added benefits
BonCap	An income-based entry-level plan offering basic day-to-day benefits and hospital cover using a network of doctors, providers and hospitals

¹ Two new efficiency discounted options (“EDOs”), Primary Select and BonEssential Select, were launched effective 1 January 2019.

² The Hospital Plus benefit option was discontinued on 31 December 2018 as it was unsustainable. Members were offered a planned transfer to other options and 97% accepted the offer.

ABOUT BONITAS CONTINUED

Personal medical savings options

Personal medical savings options are available for members to set aside funds to meet healthcare costs that are not covered in the benefit options.

PERSONAL MEDICAL SAVINGS OPTIONS	
BonComprehensive	These options enable members to pay an agreed sum into a personal medical savings account ("PMSA") to help pay their portion of healthcare costs up to a prescribed limit.
BonClassic	Unused savings amounts are accumulated for the long-term benefit of the member. Interest is allocated monthly on the cumulative balances.
BonComplete	Members' liability for the personal medical savings option is reflected as a financial liability in the financial statements ³ . The average interest earned on these funds in 2018 was 7.7% (2017: 8.1%) and 6.2% was allocated to PMSA balances in 2018.
BonSave	Credit balances of savings contributions are refunded to members if they enrol in another benefit option or another medical scheme without a PMSA, or if they do not enrol in another medical scheme. These refunds comply with the Scheme Rules.
BonFit	Since June 2017, medical schemes have been entitled to treat all savings contributions paid by members as assets. This means that medical schemes can retain the interest, and if a medical scheme is liquidated, the money in a member's medical savings account will not be protected from creditors. Bonitas members continue earning a return on cumulative positive savings balances.

³ Repayable in terms of Regulation 10 of the Act.



ABOUT BONITAS CONTINUED





HOW WE CREATE VALUE

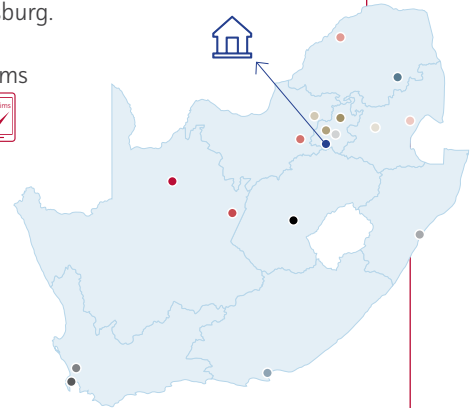
INPUTS⁴


Manufactured capital


Bonitas is an **open medical aid scheme** with our Scheme office based in Johannesburg.

We make use of an Information Technology system (Nexus) and digital platforms to take the hassle out of member and broker interactions with the Scheme.

Broker portal	Chatbot	Member portal	Lead forms
 1 237 broker registrations	 319 681 interactions with potential members	 3 984 member activations from web	 40 143 forms completed



 Visit one of our **17** walk-in centres to get one-on-one assistance for all your medical aid queries.

 Alternatively, contact one of our customer service agents on **0860 002 108**.

Financial capital

We receive members' contributions as our primary income source.

Our main cost drivers are hospital, specialist and medicine claims.



Intellectual capital





Bonitas has **37** years' medical fund experience  and our management team has **107** years' combined management experience.

Human capital

We use an outsourced model and partner with the best service providers to ensure our members get access to care of the highest quality.

Social and relationship capital

To **deliver high-quality care**, we rely on many key stakeholders, including:

-  Administrator and managed care providers
- DENIS • Bryte • PPN • ER24 
- General Practitioner ("GP") network 
- Pharmacy Direct. 



⁴ We do not rely on natural capital to contribute to value creation.

ACTIVITIES


We keep people healthy and assist when they are ill by removing healthcare-related stresses.

We do this by arranging administration of members' funds  and

paying 95.29% hospital claims within five days.

We negotiate the best value and access to benefits for members by selecting the best service providers.  In addition, Bonitas monitors the quality of your care and the treatment plans designed for you by your medical service provider. We also ensure effective beneficiary risk management. 

As members, you have access to **discounted gap cover and value added products.**



Cumulative positive saving balances are invested to earn a **financial return for the member.** 


OUTPUT


The results are medical aid options to suit your needs (page 30) and access to discounted

financial service products and  **lifestyle vouchers.**

OUTCOME

We want to simplify healthcare, improve the quality of life of our members  and create a productive society. 

Everything we do is in the best interest of our members, saving them money by making their benefits last longer and making Bonitas sustainable. 

That is why we focus on continuously  improving the healthcare value chain.

Our ultimate aim is to make **quality healthcare** more **accessible** and **affordable.**

ABOUT BONITAS CONTINUED

STAKEHOLDERS

Stakeholder engagement process

The stakeholder engagement process varies throughout Bonitas. Our business is based on an outsourced model that includes stakeholders such as the Scheme administrator and network partners. Different partners and service providers are tasked with managing various stakeholders. The aim is to resolve member queries or concerns at the first point of contact. Where this is not possible, a matter is escalated to Bonitas through the relevant channels. Service providers submit monthly reports to Bonitas highlighting the engagement taking place based on service levels and raising matters of concern. Thereafter, escalation processes allow for matters to be communicated to the Bonitas Chief Operations Officer and Principal Officer and, in turn, quarterly reports to the Board of Trustees ("Board") highlight material stakeholder concerns for the Board's attention.

Engagements with stakeholders via the outsourced model are governed through the specific Service Level Agreement ("SLA") in place with each service provider stipulating their responsibilities. Their interactions with members are then managed by their standard operating procedures and business practices.



Engagements with our members

**Member survey comment:**

"Bonitas has trained its employees well. I'm very happy with my scheme and would spread the word to friends and family."

**Member survey comment:**

"This lady gave me service I never expected from her; she is very sure what she is doing, and knows how to do it."

**Member survey comment:**

"Thank you so much for sending claim report within five minutes."

**Value of our benefits. Tweet:**

"Been on BonSave for 12 years. Always helpful. No complaints at all."

**Value of our benefits. Tweet:**

"We are on Bonitas Standard. I had a triple bypass. My wife and daughter had surgeries. Never paid a cent since I have been with Bonitas since 2009. Never had a problem. I highly recommend this medical aid. Thanks Bonitas."

**Voice of customer survey:**

"Affordable price and good service has kept me and my family with Bonitas for many years. People are complaining and crying in other medical aids which tells me how bad things are out there."

**Voice of customer survey:**

"Very good and professional service. Thank you!"

**Voice of customer survey:**

"Excellent service. I won't choose any other medical fund."



REPORT OF THE PRINCIPAL OFFICER

Our members are the cornerstone of our business and we are committed to acting in their best interest at all times.

Mr G van Emmenis
Principal Officer

Resigned with effect from 30 April 2019.

SCHEME PERFORMANCE

REPORT OF THE PRINCIPAL OFFICER

Performance overview

In 2018, Bonitas focused on consolidating and investing in its future growth. We implemented new initiatives in support of our strategy to provide quality and affordable healthcare, and to position our business as a reliable and sustainable participant in a rapidly evolving healthcare environment.

Bonitas reported a surplus of R164.8 million (2017: R730.2 million) in difficult operating conditions but underperformed relative to our expectations. This was primarily due to disappointing returns on our investment portfolio and higher-than-anticipated claims. Furthermore, our current performance was hindered by an underprovision of the 2017 outstanding claims reserve which was understated by R100.8 million primarily due to slower run-off periods as a result of slower hospital submissions and the implementation of a new claims adjudication system by the administrator. These impacts were mitigated by disciplined management of our healthcare and non-healthcare costs and effective implementation of our strategy.

Notably, our hospital negotiations initiative yielded further savings of R290 million, bringing the total saved over the past two years to R532 million. Robust management of fraud, waste and abuse of our members' benefits resulted in the gross recovery of R39.9 million, part of a total of R68 million in third-party recoveries returned to our risk contribution income for the benefit of our members. Our managed healthcare programmes identified members at risk of chronic diseases and enabled them to manage their healthcare proactively, reducing hospital admissions of diabetes patients and contributing to cost containment in the management of other chronic conditions.

Rising healthcare costs were also mitigated by transferring healthcare risk to third-party partners through risk transfer arrangements. We re-visited the disclosure relating to our risk transfer arrangements in 2018. The Scheme determined that the recoveries reported on the risk transfer arrangements were previously understated as they were calculated at the cost incurred by the third party which is incomplete. In terms of International Financial Reporting Standard ("IFRS") 4, the Scheme should rather report the recoveries at the cost the Scheme would have incurred had it not entered into the contract with the insurer. The Scheme corrected these disclosures in the annual financial statements and we are pleased to report that, on aggregate, these arrangements are now reported as a net income to the Scheme as opposed to a net expense as previously disclosed. Comparatives were also re-stated but did not impact the surplus reported in 2017.

Effective implementation of the Bonitas strategy

These initiatives were introduced to address significant challenges to the healthcare industry. An increasing trend in the use of healthcare services, largely driven by a higher prevalence of lifestyle diseases such as diabetes and hypertension, and an increase in hospital admissions for mental health and cancer patients contributes to increasing healthcare costs. Ageing membership profiles also increase utilisation, while an oversupply of private healthcare facilities in South Africa's urban areas – in stark contrast to underserved rural areas – exacerbates the trend.

The management of utilisation is one of the main levers that can be used to contain spiralling healthcare costs and make medical aid cover more affordable. Therefore, we use our size in the market to create partnerships with defined networks of hospitals and specialist service providers who can help us limit utilisation and contain costs, without compromising members' access to quality healthcare. It also explains why we emphasise our managed care programmes: by early intervention and ensuring compliance with recommended care regimes, we can prevent or delay the onset of costly chronic diseases, such as diabetes, hypertension, HIV/AIDS, cancer, and back and neck injuries. In 2018, we implemented a managed care programme for mental health, which is one of the fastest growing chronic conditions and one of the top five contributors to hospital admissions in South Africa.

The growing incidence of fraud, wasteful expenditure and abuse of members' benefits is another factor that impacts the cost of medical aid. In partnership with our administrator, we have been meticulous in our zero-tolerance response to these unethical practices, deploying forensic software and other resources to identify and address wrongdoing. Over the past three years, our deterrent measures have yielded savings of R174 million. Significantly, R153 million of this amount is attributable to a positive change in the claiming behaviour of wrongdoers after they were investigated and sanctioned. The Scheme actively engages with its healthcare stakeholders to manage the complexity of forensic monitoring and investigation. Bearing in mind that only about 5% of healthcare providers behave unethically and the balance renders professional services, we involve our doctor and specialist networks in seeking solutions that serve the interests of our members.

Repositioning Bonitas for future growth

During the past two years, Bonitas has consolidated its financial and market position, growing income to R15.7 billion in 2018, exceeding the required solvency ratio of 25% and shoring up reserves of R4.1 billion, while continually responding to the evolving needs of its members. This has created a sound foundation for Bonitas to be repositioned for future growth; however, it will not be an easy task. In an environment of sustained economic weakness and policy uncertainty, most medical aid schemes are impacted by diminishing customer affordability, job losses and a lack of clarity about the impact of the National Health Insurance ("NHI") on the private healthcare industry. This has resulted in marginal growth in the number of lives covered by our industry.

With a proven track record of effective implementation of our strategy to manage cost inflation, we have embarked on a range of new initiatives to retain existing members and attract new members, by improving our distribution and communication channels and enhancing benefit options for target member groups, while continuing to curtail healthcare costs. A key focus is the mitigation of the impact of chronic conditions and an ageing membership profile on the Scheme's longer-term sustainability by attracting younger, healthier members.

SCHEME PERFORMANCE CONTINUED

Technology is central to these initiatives and is likely to be a key determinant of future competitiveness in the healthcare sector, particularly regarding ideas, regulation of patent rights and intellectual property. Technologically driven disruption will play a role in the development of new inventions to improve quality of life and reduce healthcare costs over time. More importantly, it will make these inventions accessible to more people, improving the prospect of achieving integrated healthcare that serves the rich and the poor.

Technology is changing the way we interact with our members, particularly younger members, and real-time access to information and service is fast becoming the norm.

To ensure we adequately respond to the opportunities presented by this changing environment, Bonitas has implemented a digital plan with enhanced platforms to transform the way we connect with our members. This forms part of a broader brand repositioning and marketing strategy that Bonitas will implement during 2019 to position us for future growth. While these developments will improve the experience of many of our members, we recognise that some still favour personal interaction and we will maintain our open-door approach to communication.

In partnership with our administrator, we have also applied measures to manage risks associated with digital transformation, such as cyber crime and breaches of data integrity. Protection of our systems and the personal information of our members is included in the SLAs of service providers and we are in the process of formulating an IT governance framework.

Bonitas is favourably positioned with a broad range of benefit options that appeal to South Africans. We assess our options annually, restructuring them where necessary to ensure they remain responsive to our members' evolving needs. Following the introduction of the BonFit option for younger members in 2017, the Board approved the new Primary Select and BonEssential Select options, which were launched with effect from 1 January 2019 to provide a cost-effective alternative to members. The Scheme also introduced a range of new benefits across its options. One unsustainable option was terminated and members were transferred to other options in a carefully managed process.

Our members are the cornerstone of our business and we are committed to acting in their best interest at all times. Finding innovative ways to connect with our customers to ensure we better service them is critical to achieving this aim. We therefore continue to improve our servicing model, call centre and digital platforms on an ongoing basis.

Revisions to our broker distribution model have broadened our distribution channel, resulting in some growth in membership numbers early in 2019. We expect the impact of introducing Sanlam and Liberty brokers into our distribution channel to improve as their relationships with existing and potential new members mature.

Acknowledgement

Our membership base is an asset of great value and our primary function is to serve our members to the best of our ability. In doing so, we depend on a range of partners and service providers to achieve our strategy of providing quality and affordable healthcare. This requires constant engagement and negotiation to ensure we act in the best interests of our members, while ensuring that our partners and the Bonitas business remain sustainable in the long term.

I wish to thank my Executive Management team and employees, the Board and our partners for their support in achieving sound performance in challenging conditions. I am confident that Bonitas has the necessary financial and human capacity to implement our new strategic initiatives, while continuing to create value from our cost containment and managed care programmes in 2019.

Mr G van Emmenis

Principal Officer

15 April 2019

FINANCIAL RESULTS

Presentation of financial information

The financial information presented in this Annual Performance Highlights Report was extracted from the audited Bonitas signed statutory Annual Financial Statements for the year ended 31 December 2018, which have been filed with the Council for Medical Schemes (“CMS”).

Statement of financial position

AS AT 31 DECEMBER 2018

	2018 R'000	2017 R'000
ASSETS		
Property and equipment	5 439	6 019
Investment properties	72 700	70 000
Financial assets held at fair value through profit or loss	2 467 694	2 192 102
Non-current assets	2 545 833	2 268 121
Investment property held for sale	9 000	18 000
Financial assets held at fair value through profit or loss	1 708 316	1 662 616
Insurance, trade and other receivables	688 016	761 665
Cash and cash equivalents	1 230 818	1 306 002
Scheme cash and cash equivalents	1 230 818	714 712
Personal medical savings account investment	–	591 290
Current assets	3 636 150	3 748 283
Total assets	6 181 983	6 016 404
MEMBERS' FUNDS AND LIABILITIES		
Accumulated funds	4 134 028	3 969 191
Members' funds	4 134 028	3 969 191
Outstanding risk claims provision	813 831	690 319
Personal medical savings accounts liability	592 504	603 812
Insurance, trade and other payables	641 620	753 082
Current liabilities	2 047 955	2 047 213
Total members' funds and liabilities	6 181 983	6 016 404

SCHEME PERFORMANCE CONTINUED

Statement of profit or loss and other comprehensive income FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 R'000	Restated 2017 R'000
Risk contribution income	15 661 125	14 906 405
Relevant healthcare expenditure	(14 270 896)	(13 124 594)
Net claims incurred	(13 892 297)	(12 751 091)
Risk claims incurred	(13 960 337)	(12 802 103)
Third-party claim recoveries	68 040	51 012
Accredited managed healthcare services	(479 375)	(447 771)
Net income on risk transfer arrangements	100 776	74 268
Risk transfer arrangement fees/premiums paid	(776 019)	(780 249)
Recoveries from risk transfer arrangements	876 795	854 517
Gross healthcare result	1 390 229	1 781 811
Broker service fees	(295 629)	(281 235)
Administrative expenditure	(1 151 945)	(1 139 228)
Net impairment losses on healthcare receivables	(14 316)	(15 493)
Net healthcare result	(71 661)	345 855
Other income	293 213	443 650
Investment income – Scheme	197 382	394 323
Investment income – personal medical savings account	-	42 365
Change in fair value of investment property	(6 300)	1 400
Sundry income	102 131	5 562
Other expenditure	(56 715)	(59 345)
Asset management fees	(15 695)	(11 326)
Interest expense	(35 161)	(42 365)
Operating expenses on rental of investment property	(5 859)	(5 654)
Surplus for the year	164 837	730 160
Total comprehensive income for the year	164 837	730 160

Statement of changes in members' funds and reserves
FOR THE YEAR ENDED 31 DECEMBER 2018

	Accumulated funds R'000	Available-for- sale fair value reserve R'000	Total R'000
Balance as at 31 December 2016	3 137 771	97 229	3 235 000
Total comprehensive income/(loss)	831 420	(97 229)	734 191
Surplus for the year	730 160	–	730 160
IFRS 9 expected credit loss model – opening balance adjustment	4 031	–	4 031
Transfer of available-for-sale reserve to accumulated funds	97 229	(97 229)	–
Balance as at 31 December 2017	3 969 191	–	3 969 191
Total comprehensive income	164 837	–	164 837
Surplus for the year	164 837	–	164 837
Balance as at 31 December 2018	4 134 028	–	4 134 028

SCHEME PERFORMANCE CONTINUED

Statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 R'000	2017 R'000
Cash flows from operating activities		
Cash generated by operations before working capital changes	69 698	519 562
Working capital changes		
Decrease/(increase) in insurance, trade and other receivables	66 878	(150 520)
(Decrease)/increase in insurance, trade and other payables	(111 844)	84 030
Increase in personal medical savings account liability	75 914	66 172
Cash generated by operating activities	100 646	519 244
Interest paid	(35 161)	(42 365)
Interest received	6 056	49 641
Net cash inflow from operating activities	71 541	526 520
Cash flows from investing activities		
Acquisition of property and equipment	(1 225)	(5 162)
Proceeds on disposal of property and equipment	10	16
Acquisition of financial assets held at fair value through profit or loss	(13 540 225)	(9 623 750)
Disposal of financial assets held at fair value through profit or loss	13 322 609	9 221 532
Interest received	229 272	153 814
Dividends received	45 215	25 563
Asset management fees	(15 317)	(11 095)
Rentals received	7 820	7 745
Net cash inflow/(outflow) from investing activities	48 159	(231 337)
Net increase in cash and cash equivalents	119 700	295 183
Cash and cash equivalents at beginning of the year	1 111 118	1 010 819
Analysed as follows:		
Cash and cash equivalents at beginning of the year	1 306 002	1 010 819
Transfer of personal medical savings account to investments	(194 884)	-
Cash and cash equivalents at end of the year	1 230 818	1 306 002
Analysed as follows:		
Scheme cash and cash equivalents	1 230 818	714 712
Personal medical savings account investment	-	591 290
	1 230 818	1 306 002

Financial commentary

Key financial statistics – 31 December 2018

<p>Net surplus (R'million)</p> <p>164.8</p> <p>(2017: 730.1)</p>	<p>Solvency ratio (%)</p> <p>25.2</p> <p>(2017: 24.5)</p>	<p>Administrative expense as % gross contributions</p> <p>7.1</p> <p>(2017: 7.4)</p>	<p>Claims loss ratio (%)</p> <p>91.1</p> <p>(2017: 88.0)</p>	<p>Loss-making options</p> <p>9</p> <p>(2017: 7)</p>
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The Scheme’s financial performance for the year was below expectations. This was largely due to the deterioration in gross healthcare results and investment performance as a consequence of:

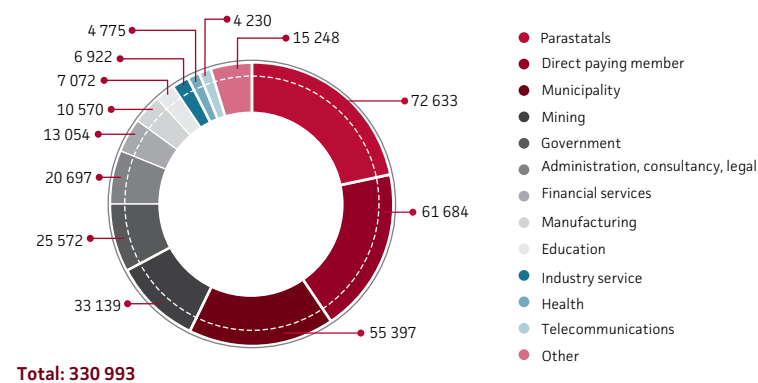
- Membership losses, which restricted the growth of risk contribution income to 5%
- An 8.9% increase in net claims incurred
- The 1% increase in VAT from 1 April 2018, which resulted in an increase in service providers’ fees that the Scheme absorbed
- A disappointing 55% decline in investment performance.

Risk contribution income increases marginally

The Scheme experienced a 2.3% decline in membership to 330 993 at 31 December 2018. This was marginally lower than the 2.7% decline in the prior year. However, this reduced the number of lives covered by 2.6% and restricted growth of the risk contribution income, resulting in a marginal 5% increase in risk contribution income to R15.7 billion (2017: R14.9 billion).

Of the Scheme’s beneficiaries (total lives covered), 9.45% are 65 years and older. This is a 1.24 percentage point increase since December 2017. Bonitas has implemented strategic interventions to attract and retain younger members.

Bonitas membership – 31 December 2018 (number)



Net claims loss ratio increases

Net claims increased by R1.1 billion (8.9%) to R13.9 billion (2017: R12.8 billion). Rising healthcare costs, which typically exceed inflation, are largely driven by tariff increases and higher utilisation of healthcare services. Higher utilisation mainly occurs as a result of higher prevalence of lifestyle diseases (such as diabetes and hypertension) and an increase in the disease burden (notably in-hospital mental health admissions and rising oncology prevalence). The impact of an ageing membership profile also leads to higher utilisation. Of the risk contributions, 91.1% (2017: 88.0%) were used to fund healthcare expenditure.

Positively, the net claims included an amount of R68 million (2017: R51 million) recovered from third parties.

SCHEME PERFORMANCE CONTINUED

Risk transfer arrangements

Bonitas has entered into risk transfer arrangements with the following service providers:

Service provider	Risk transfer arrangements and options affected
Dental Information Systems Proprietary Limited ("DENIS")	Dental benefits, including dental-related hospitalisation Standard, BonSave, Primary, BonClassic, BonComplete and Standard Select
ER24 EMS Proprietary Limited ("ER24")	Emergency and evacuation services and emergency medical care All options
Iso Leso Optics Limited ("ISO LESO") Service provider terminated on 31 December 2018	Optical benefits Standard, Primary, BonCap and BonClassic
Bryte Insurance Company Limited ("Bryte")	International travel benefits All options

In 2018, Bonitas re-visited the accounting disclosure relevant to its risk transfer arrangements. Large net expenses or losses, particularly relating to DENIS, have been reported in previous years in the Scheme's financial statements pertaining to its risk transfer arrangements. Hence it was critical to ensure that these arrangements are disclosed in accordance with the relevant accounting standard IFRS 4 Insurance Contracts. Bonitas also benchmarked against other schemes' disclosures with similar risk transfer arrangements.

Although these disclosures do not impact the bottom line of the Scheme's reported surplus, it is important that the Scheme reports the correct net expense or income on the risk transfer arrangements to prevent any misconceptions surrounding the commercial business rationale for transferring the risk on these insured benefits to third parties.

Following an investigation into the appropriate disclosures, the Scheme determined that the recoveries reported on the three major risk transfer arrangements, being DENIS, ISO LESO and ER24, were previously understated as they were calculated at the cost incurred by the third party. In terms of IFRS 4, the Scheme should rather report the recoveries at the **cost the Scheme would have incurred** had it not entered into the contract with the insurer.

Bonitas therefore requested DENIS, ISO LESO and ER24 and the Scheme's actuaries to re-calculate the recoveries relating to the three major risk transfer arrangements in accordance with IFRS 4. Recoveries relating to the CDE Holdings Proprietary Limited ("CDE") risk transfer arrangement have not been re-stated in the figures below due to the fact that the net expense comprised less than 5% of the total reported "net expense on risk transfer arrangements" and therefore considered immaterial.

Bonitas therefore revised its disclosure in the annual financial statements and re-stated the 2017 comparative figures accordingly.

The impact of the re-statement on the 2014 to 2017 financial statement disclosure is as follows:

	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Net income/(expense) on risk transfer arrangements				
– As reported on previously	(154 034)	(160 450)	(115 304)	(111 799)
Net income/(expense) on risk transfer arrangements				
– Revised in accordance with IFRS 4	74 268	24 728	92 836	40 296
Difference	228 302	185 178	208 139	152 095

Bonitas is confident that the revised disclosure now accurately reflects the commercial reality of the risk transfer arrangements.

Bonitas will continue utilising risk transfer arrangements where beneficial to members to reduce the impact of rising healthcare costs and downstream costs such as hospital admissions. It is not always in the interest of members for Bonitas to manage certain healthcare risks in-house as the costs of procurement, infrastructure and intellectual property would be disproportionate.

Accredited managed care service cost increases

Bonitas offers the following managed care services through its managed care service providers:

- Active risk disease management
- HIV/AIDS management
- Chronic benefits management
- Diabetes management
- Hospital benefits management
- Mental health management (since 1 March 2018).

Costs incurred by managed care services increased by 7.1% in 2018 as part of Bonitas’s strategic investment in long-term prevention. We are confident that the managed care expenses will not only result in retention and growth in membership, but also deliver savings in benefit utilisation in the longer term.

Administration expenses increased by 1.1%

Administration expenses comprise operational expenses and the fee paid to the administrator. Administration fees increased by 3.8%, from R778.9 million to R808.6 million which was below the average reported Consumer Price Index (“CPI”) for the same period. Other fees such as forensic, marketing and wellness decreased over the financial period which also contributed to the low increase in administration expenditure over the 2018 period.

Dedicated non-healthcare and cost-saving initiatives realised savings in excess of R50 million, largely as a result of a reduction in marketing and other Scheme overheads. Membership-related cost reductions were attributable to lower-than-anticipated membership numbers; and the administrator provided Bonitas with a R5.0 million discount on administration and managed care fees.

Administration fees accounted for 5.0% of gross contributions (2017: 5.0%).

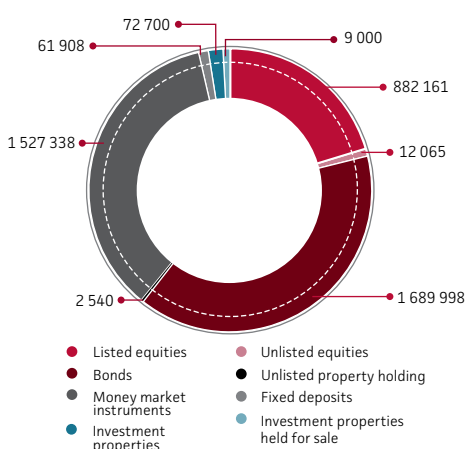
Investment market value of R4.3 billion despite weak returns

In 2018 the Scheme reported an average return on its investment portfolio of 4.3% (2017: 10.9%). Sustained weakness in the South African economy and underperformance in domestic equity and property investment markets heavily impacted the Scheme’s investment portfolio, resulting in many asset classes recording returns below the targeted return of CPI +4%.

The JSE All Bond Composite Index returned 7.7% (2017: 10.2%), the Cash STeFi Composite Index returned 7.3% (2017: 6.9%), and the FTSE/JSE All Share Index returned -8.5% (2017: 21.0%). This underperformance resulted in a net fair value loss of R111.9 million compared to a profit of R129.7 million in the prior year. Investment income declined by 55.0% to R197.4 million (2017: R394.3 million).

The market value of the Scheme’s investment portfolio at 31 December 2018 was R4.2 billion (2017: R3.9 billion), excluding cash and cash equivalents and investment properties.

Market value (R'000)



Total: R4 257 710

Reported surplus of R164.8 million

Bonitas reported a surplus of R164.8 million for the year (2017: R730.2 million). In difficult operating conditions, this financial performance was achieved mainly as a result of cost-saving initiatives implemented during the year and strategic purchasing. Fraud, waste and abuse interventions are encouraging behaviour change. Disciplined management of relevant healthcare costs, which account for 91.1% of risk contributions, resulted in a saving of R309 million due to the strategic purchasing plan and other partner interventions.

Solvency ratio achieved

Bonitas improved its solvency ratio from 24.5% in 2017 to 25.2% in 2018. In doing so Bonitas achieved the regulatory target two years ahead of schedule which is testament to our commitment to meeting the required solvency level. Strategic initiatives to improve member experience by enhancing benefit options and reducing healthcare costs contributed to the strengthening of the solvency ratio over the past two years.

Bonitas solvency

	2018 R'000	2017 R'000
Members' funds per the statements of financial position	4 134 028	3 969 191
Adjusted for:		
Regulation 29 exclusion of unrealised gains on investments	(23 397)	(156 341)
Cumulative net gains on re-measurement to fair value of investment properties included in the accumulated funds*	(15 474)	(21 774)
Accumulated funds per Regulation 29	4 095 157	3 791 076
Gross contributions	16 276 305	15 497 049
Solvency ratio (%)	25.2	24.5
* Cumulative net gains/(losses) on re-measurement to fair value of investment properties included in the accumulated funds are calculated as follows:		
At beginning of the year	21 774	20 374
Movement in unrealised gains/(losses) on re-measurement to fair value of investment properties included in accumulated funds	(6 300)	1 400
At end of the year	15 474	21 774

Reserves of R4.1 billion

Members' funds and reserves increased from R4.0 billion in the prior year to R4.1 billion. Reserves per beneficiary of R5 821 (2017: R5 445).

Outstanding claims provision

Bonitas reported an underprovision of R100.8 million relating to the 2017 December incurred but not reported ("IBNR") provision, which negatively impacted the 2018 financial results.

The underprovision was as a result of slower run-off speeds observed for 2017 treatments, notably for November and December 2017, compared to prior year trends and assumptions. This mainly impacted hospitals and specialists.

Bonitas investigated the underprovision that revealed the following major contributing factors:

- The administrator implemented a new claims adjudication module in November 2017, resulting in numerous claims being rejected erroneously. The administrator rectified the system issues early in 2018, but providers and hospitals had to re-submit claims in 2018, which resulted in a slower-than-expected run-off of claims
- Certain hospital groups centralised their billing departments in 2017, resulting in large inefficiencies in claims administration. Claims updates and other outstanding information required from the hospitals were not provided timeously, which contributed to the longer and slower run-off periods. Special task teams were formed by the administrator and the relevant hospital groups to finalise these long-outstanding claims.

Bonitas is confident that these anomalies have been adequately addressed by both the administrator and the hospital groups and that claim run-off periods have stabilised.

Actuarial valuation

The actuary reports monthly to Bonitas on the risk status and performs an annual actuarial evaluation. Contributions and benefit levels are re-designed based on the actuary's recommendations.



Did you know?

A difference of 0.5 years in the average age of a Bonitas member can have as much as a **R62 MILLION** effect on total hospital claims in a year. Similarly, if general hospital tariff increases are only 1% higher than expected, the effort can be as high as **R60 MILLION** on total hospital claims.



SCHEME PERFORMANCE CONTINUED

Operational statistics

Bonitas Medical Fund 2018	THE BONITAS FAMILY			
	Consolidated total	Standard	BonSave	Primary
Average number of members during the year (n)	331 955	122 028	35 282	74 323
Number of members at 31 December (n)	330 993	119 945	35 257	74 475
Average number of beneficiaries during the year (n)	713 190	274 668	81 882	176 714
Number of beneficiaries at 31 December (n)	710 206	269 831	82 115	177 390
Proportion of dependants at end of the year (n)	1.15	1.25	1.33	1.38
Risk contributions per average member per month (R)	3 932	5 223	3 141	3 354
Risk contributions per average beneficiary per month (R)	1 830	2 320	1 353	1 411
Healthcare expenditure per average beneficiary per month (R)	1 667	2 050	1 189	1 219
Non-healthcare expenditure per average beneficiary per month (R)	171	177	170	168
Relevant healthcare expenditure as a percentage of gross contributions (%)	87.7	88.4	74.0	86.4
Relevant healthcare expenditure as a percentage of risk contributions (%)	91.1	88.4	87.9	86.4
Non-healthcare expenditure as a percentage of gross contributions (%)	9.0	7.6	10.6	11.9
Non-healthcare expenditure as a percentage of risk contributions (%)	9.3	7.6	12.6	11.9
Average beneficiary age (n)	35	36	31	30
Pensioner ratio at 31 December (%)	9.5	10.4	5.8	4.0
Chronic profile at 31 December (%)	17.6	23.1	11.4	9.6

Bonitas Medical Fund 2017	THE BONITAS FAMILY			
	Consolidated total	Standard	BonSave	Primary
Average number of members during the year (n)	339 003	128 299	35 661	72 687
Number of members at 31 December (n)	338 649	127 332	35 364	72 529
Average number of beneficiaries during the year (n)	731 494	292 199	82 144	172 948
Number of beneficiaries at 31 December (n)	728 943	289 391	81 908	172 796
Proportion of dependants at end of the year (n)	1.15	1.27	1.32	1.38
Risk contributions per average member per month (R)	3 664	4 835	2 894	3 117
Risk contributions per average beneficiary per month (R)	1 698	2 123	1 256	1 310
Healthcare expenditure per average beneficiary per month (R)	1 495	1 840	1 037	1 076
Non-healthcare expenditure per average beneficiary per month (R)	164	170	164	161
Relevant healthcare expenditure as a percentage of gross contributions (%)	84.7	86.7	69.4	82.2
Relevant healthcare expenditure as a percentage of risk contributions (%)	88.0	86.7	82.5	82.2
Non-healthcare expenditure as a percentage of gross contributions (%)	9.3	8.0	11.0	12.3
Non-healthcare expenditure as a percentage of risk contributions (%)	9.6	8.0	13.1	12.3
Average beneficiary age (n)	33	35	29	28
Pensioner ratio at 31 December (%)	8.3	8.5	4.8	3.5
Chronic profile at 31 December (%)	16.7	21.7	10.5	8.8

THE BONITAS FAMILY

BonCap	BonClassic	BonComp	BonEssential	Standard Select	BonFit	Hospital Standard*	Hospital Plus	Bon-Complete
43 844	11 035	6 604	7 877	4 875	4 092	6 749	3 534	11 712
45 857	10 788	6 449	7 848	4 870	4 252	6 502	3 409	11 341
67 091	20 525	12 102	17 283	10 709	8 355	12 895	6 575	24 391
70 286	19 980	11 768	17 255	10 672	8 723	12 407	6 261	23 518
0.53	0.85	0.82	1.20	1.19	1.05	0.91	0.84	1.07
1 447	5 132	7 499	2 685	4 546	2 442	3 097	4 790	4 228
946	2 759	4 092	1 224	2 069	1 196	1 621	3 179	2 030
1 045	2 750	4 421	1 066	2 126	891	1 509	2 680	7 236
115	199	213	170	184	187	199	213	193
110.5	85.6	92.7	87.1	102.7	63.5	93.1	104.1	81.9
110.5	99.7	114.0	87.1	102.7	74.5	93.1	104.1	96.1
12.1	6.2	4.5	13.9	8.9	13.4	12.3	8.3	8.1
12.1	7.2	5.5	13.9	8.9	15.7	12.3	8.3	9.5
33	50	52	36	37	30	46	55	41
7.6	28.7	35.7	10.9	13.4	5.2	22.3	39.6	15.7
9.2	42.5	46.1	10.2	29.5	8.0	17.0	25.9	24.4

THE BONITAS FAMILY

BonCap	BonClassic	BonComp	BonEssential	Standard Select	BonFit	Hospital Standard*	Hospital Plus	Bon-Complete
42 942	11 704	6 928	8 229	4 045	3 440	7 718	4 049	13 301
45 233	11 522	7 123	8 269	4 038	3 550	7 216	3 836	12 637
64 707	22 118	13 097	17 890	8 846	6 812	14 780	7 744	28 210
68 496	21 649	13 239	17 944	8 782	7 040	13 825	7 279	26 594
0.51	0.88	0.86	1.17	1.17	0.98	0.92	0.90	1.10
1 321	4 697	6 586	2 401	4 122	2 156	2 788	4 455	3 866
877	2 485	3 484	1 104	1 885	1 088	1 456	2 330	1 823
883	2 457	3 909	837	2 000	734	1 324	2 286	1 667
106	188	195	163	178	183	188	195	179
100.7	84.9	91.2	75.8	106.1	57.3	91.0	98.1	77.9
100.7	98.9	112.2	75.8	106.1	67.4	91.0	98.1	91.4
12.1	6.5	4.5	14.8	9.4	14.3	12.9	8.4	8.4
12.1	7.6	5.6	14.8	9.4	16.8	12.9	8.4	9.8
32	48	50	34	37	29	43	52	39
6.6	25.2	31.3	8.9	11.7	5.0	18.9	34.1	13.4
8.4	40.3	43.2	8.7	27.2	6.3	15.0	24.8	22.1

GOVERNANCE

BOARD AND GOVERNANCE STRUCTURE



S Claassen (52) *Chairperson*

Mr Claassen has more than 21 years' successful proven experience in the pharmaceutical and medical industry and extensive knowledge of the total healthcare industry, including medical aids. He is skilled in strategic growth and business development and is highly competent in corporate governance and financial management.



1 September 2012 and re-elected on 1 September 2017. Appointed 4 April 2017 as acting Chairperson and 27 May 2017 as Chairperson. **Resigned with effect from 1 March 2019**



O Komane (53) *Vice-Chairperson*

Mr Komane holds an MSc in Engineering Business Management from the University of Warwick. He is the founder and chairman of Bambatha Engineers and Mining Services. Prior to this, he served as the Deputy General Secretary of the National Union of Mineworkers. He brings experience in strategic corporate management and negotiations, has served on numerous boards in various capacities and acquired extensive knowledge as a non-executive director and Trustee.



2 January 2016. Appointed as Vice-Chairperson with effect from 1 October 2017. **Appointed as Chairperson with effect from 13 March 2019**



R Cowlin (64)

Mr Cowlin has 23 years' experience in the medical aid industry and has been involved in several aspects of the industry, including administration, marketing, product design and managed care. He has held various top management positions within Medscheme and was the Managing Director of Aid for AIDS for 10 years.



2 January 2016. **Appointed Vice-Chairperson with effect from 13 March 2019**



HE Nematswerani (52)

Dr Nematswerani is a medical practitioner and has a wealth of experience in the healthcare industry. He holds an MBChB from the University of Natal, a master's in Medical Science (Sports Medicine) and postgraduate diplomas in Occupational Health, Tropical Medicine and Hygiene.



15 October 2016 (previous Trustee of LMS. Appointed to the Bonitas Board pursuant to the amalgamation with LMS). **Term ended with effect from 31 March 2019**



J Bagg (66)

Mr Bagg is a qualified actuary with 41 years' actuarial, financial management and consulting experience. He has served as Statutory Actuary for numerous life insurance companies and is a Trustee of various retirement funds. In addition, he holds directorships at life insurance and re-insurance companies.



15 October 2016 (previous Trustee of LMS. Appointed to the Bonitas Board pursuant to the amalgamation with LMS). Re-appointed with effect from 1 April 2019



L Koch (54)

Adv Koch holds a BLC and LLB. She is an admitted Advocate of the High Court and is currently employed as a senior at the Specialised Commercial Crimes Unit where she has worked since 2001.



1 October 2017



MG Netshisaulu (42)

Mr Netshisaulu holds an MCom in Taxation. He is a registered tax practitioner with the South African Institute of Taxation Professionals and a member of the Compliance Institute of South Africa. He is currently employed as a Financial Strategic Analyst at the University of South Africa and is studying towards an LLB.



1 September 2017



M Lesunyane (66)

Ms Lesunyane holds a BA from the University of South Africa. She is the founder of Lesunyane Enterprises. She worked at RAF until 2017.



1 September 2012 and re-elected on 1 September 2017



J Usher (59)

Ms Usher is a qualified Chartered Accountant with 25 years' senior executive board experience across various industries, including medical schemes, fast goods, industrial manufacturing, conservation tourism and emerging economic empowerment. She is skilled in corporate governance, financial management, commerce, strategic growth and skills development. She is Chief Financial Officer of Great Plans Conservation Limited.



7 July 2015 and re-elected on 1 September 2017



Trustee appointment/election date

The Board believes that Bonitas has the appropriate mix of skills and experience and will aim to improve its gender diversity in future years.

AUDIT AND RISK COMMITTEE

INVESTMENT COMMITTEE

REMUNERATION COMMITTEE

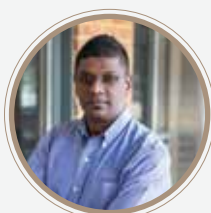
WORKING AND STRATEGY COMMITTEE

EXECUTIVE MANAGEMENT



G van Emmenis (56) Principal Officer
Mr van Emmenis has an MCom from the University of Pretoria and a Diploma in Healthcare Management from the University of Luton. He has extensive experience in the healthcare industry, human resources management, client services and managed care administration. He was Principal Officer of two other medical schemes before joining Bonitas.

1 July 2017. Resigned with effect from 30 April 2019



K Marion (49) Chief Operations Officer
Mr Marion joined Bonitas in July 2014 as the General Manager responsible for operations. Prior to this, he served as the Bonitas Senior Fund Manager responsible for administrative management. He has managed numerous closed schemes and has a total of 19 years' experience in medical scheme operational management.

1 August 2017



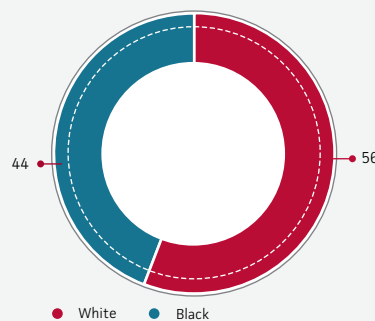
GC Sanqela (37) Chief Financial Officer
Ms Sanqela is a qualified Chartered Accountant, registered with the South African Institute of Chartered Accountants ("SAICA"), and holds a Senior Management Development Programme certificate from Stellenbosch University. She is enrolled for an MCom in Accounting and has experience in financial services and wealth management.

1 January 2017. Resigned with effect from 28 February 2019

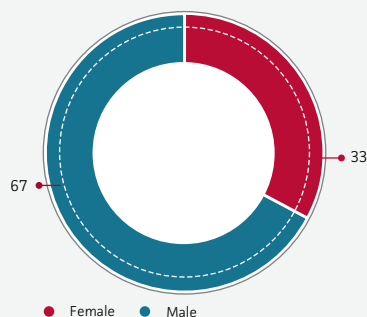
Skills



Race diversity (%)



Gender diversity (%)



GOVERNANCE CONTINUED

OTHER GOVERNANCE MATTERS

Claim for recovery of ceded policies

As previously reported, Bonitas instituted a claim to recover R44 million arising from historic policies ceded to Louis Pasteur Hospital Holdings ("Louis Pasteur"), related to shareholder funding requirements. Subsequent to a 2016 Court judgment in favour of Bonitas, for the full amount plus interest, and an unsuccessful appeal against the judgment by Louis Pasteur in the Supreme Court of Appeal, Louis Pasteur was placed into business rescue. We are now engaging with the business rescue practitioner to pursue our rights as a creditor of Louis Pasteur.

CMS inspection



Bonitas received a notice from the registrar of Medical Schemes in 2014 indicating an intention to inspect certain issues that arose primarily while Bonitas was under curatorship. Bonitas was unsuccessful in its legal challenge of this inspection and agreed to co-operate with the inspector.

Bonitas was informed late in 2018 that the inspector's mandate was terminated and subsequently received an interim final report in January 2019. Bonitas has queried a number of fundamental inaccuracies in the interim final report and was informed in March 2019 that the registrar intends appointing another inspector to finalise the inspection. Bonitas hopes that the inspection will soon be concluded. The inspection does not impact members directly but may result in the Scheme incurring costs for legal remedies where appropriate.

Resignation of the Chairperson of the Board and Principal Officer

The current Chairperson of the Board, Mr S Claassen, resigned from this position with effect from 1 March 2019. The Scheme has appointed a new Chairperson, Mr O Komane with effect from 13 March 2019.

The current Principal Officer of the Scheme, Mr GJ van Emmenis, resigned from this position with effect from 30 April 2019. The Scheme has appointed a new Principal Officer, Mr LR Callakoppen with effect from 1 May 2019.









GOVERNANCE CONTINUED

NON-COMPLIANCE WITH THE MSA

The following areas of non-compliance with the MSA were identified during the course of the financial year.

Which part of the Act?	Section 33(2)	Section 26(7)																														
<p>What does it say?</p> 	<p>The registrar may withdraw the approval of such benefit options that in his opinion are not financially sound.</p>	<p>Requires that all subscriptions and contributions be paid directly to a medical scheme not later than three days after payment becomes due.</p>																														
<p>Nature and cause</p> 	<p>For the year ended 31 December 2018, the Scheme reported a net healthcare deficit on nine (2017: seven) of its benefit options:</p> <table border="1" data-bbox="427 929 1038 1317"> <thead> <tr> <th></th> <th style="text-align: right;">2018 R'000</th> <th style="text-align: right;">2017 R'000</th> </tr> </thead> <tbody> <tr> <td>Standard Select</td> <td style="text-align: right;">30 830</td> <td style="text-align: right;">31 049</td> </tr> <tr> <td>BonCap</td> <td style="text-align: right;">172 651</td> <td style="text-align: right;">87 216</td> </tr> <tr> <td>BonClassic</td> <td style="text-align: right;">46 570</td> <td style="text-align: right;">42 483</td> </tr> <tr> <td>BonComp</td> <td style="text-align: right;">109 992</td> <td style="text-align: right;">97 405</td> </tr> <tr> <td>BonEssential</td> <td style="text-align: right;">2 396</td> <td style="text-align: right;">–</td> </tr> <tr> <td>BonComplete</td> <td style="text-align: right;">33 266</td> <td style="text-align: right;">7 764</td> </tr> <tr> <td>BonSave</td> <td style="text-align: right;">6 052</td> <td style="text-align: right;">–</td> </tr> <tr> <td>Hospital Standard</td> <td style="text-align: right;">13 548</td> <td style="text-align: right;">10 028</td> </tr> <tr> <td>Hospital Plus</td> <td style="text-align: right;">25 116</td> <td style="text-align: right;">14 030</td> </tr> </tbody> </table>		2018 R'000	2017 R'000	Standard Select	30 830	31 049	BonCap	172 651	87 216	BonClassic	46 570	42 483	BonComp	109 992	97 405	BonEssential	2 396	–	BonComplete	33 266	7 764	BonSave	6 052	–	Hospital Standard	13 548	10 028	Hospital Plus	25 116	14 030	<p>Bonitas has aged debtors of up to 120 days for both group and direct-paying members and is thus in breach of the three-day rule.</p>
	2018 R'000	2017 R'000																														
Standard Select	30 830	31 049																														
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<p>Possible impact</p> 	<p>Loss-making benefit options erode the solvency margin of the Scheme. However, due to historical member reserves coupled with an efficient return on investments, Bonitas is able to absorb these losses.</p>	<p>During 2018, Bonitas incurred bad debt write-offs of R17.4 million (2017: R20.9 million), which equals 0.11% (2017: 0.14%) of risk contribution income. Significant members' debt could affect the liquidity of Bonitas and its ability to service members and potential non-recoverability of such debtors.</p>																														
<p>Corrective course of action</p> 	<p>Bonitas experienced positive performance on its largest options. In 2018, Standard and Primary reported a net healthcare surplus of R304.6 million and R52.4 million respectively. Much of the positive performance is attributed to successful hospital negotiations, benefit design and the re-alignment of membership into the correct options. Bonitas continues to monitor the performance of the nine benefit options monthly. There are also quarterly operational meetings with the regulator to advise on the performance of these options. Bonitas has adopted a long-term strategy to correct the loss-making options in future, particularly the BonCap and BonComprehensive options. Bonitas has also appointed a task team to drive initiatives that will reduce both healthcare and non-healthcare costs over the next 12 months. These cost-saving measures should have a positive impact on all options.</p>	<p>It is not possible to receive all contributions within three days of the due date, as there may be reasons that prevent payments. In such instances members are notified of the breach. In addition, Bonitas applies mitigating controls to address non-payment of contributions. These include the enforcement of the Scheme's Credit Control Policy. Other interventions include direct management engagement with affected groups to resolve such concerns.</p>																														

Section 26(11)	Section 35(8)	Section 59(2)
<p>Retirement funding of any sort is not considered to be the business of a medical scheme and is prohibited.</p>	<p>A medical scheme may not invest any of its assets in the business of or grant loans to:</p> <ul style="list-style-type: none"> • An employer group that participates in the medical scheme or any administrator or any arrangement associated with the medical scheme • Any other medical scheme • Any administrator • Any person associated with any of the above. 	<p>A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service any benefit owing to that member or supplier of service within 30 days after the day on which the claim for such benefit was received by the medical scheme.</p>
<p>As a result of the amalgamation of Bonitas and Protector Health on 1 January 2006, a post-retirement health obligation arose with reference to the provisions stipulated in Protector Health's prior amalgamation agreement with Vaalmed. This resulted in an unavoidable contravention.</p>	<p>Bonitas invested in various entities associated with its administrator and the Scheme's employer groups during the financial year.</p>	<p>Exceptions were found at the beginning of the financial year when claims were put on hold, to ensure that the approved tariff and benefit limits were loaded correctly on the administration platform. This process resulted in a delay in the processing of payments due to the backlog in claims, but only for a few days.</p> <p>Other exceptions included situations where claims were delayed where providers exceeded their monthly limit. These providers are first screened by the forensic team, prior to the limit being lifted, resulting in claims being paid after 30 days.</p>
<p>There is a limited negative impact on members as Bonitas is currently honouring its obligation to the three members affected by these amalgamations.</p>	<p>The Scheme has invested with various entities associated with its administrator and the Scheme's employer groups during the financial year.</p>	<p>Bonitas is not compliant with the Act and/or its rules. Valid claims could be rejected or amounts due on valid claims could be short-paid.</p> <p>No fraud risks were identified.</p>
<p>Bonitas obtained an exemption notice on 1 June 2010 in terms of section 8(h) of the Act from the CMS, in respect of this non-compliance.</p>	<p>Bonitas obtained an exemption from the CMS in respect of this non-compliance.</p>	<p>This is not considered to be significant due to the members and providers conforming to the annual practice. The practice above ensures accurate claims processing for the new benefit year and is a risk management measure.</p> <p>The administrator will introduce a special claims run and increase payment runs to reduce these claims being paid after 30 days.</p>

OTHER INFORMATION

MEMBERSHIP OPTIONS QUICK SUMMARY



Does your heart skip a beat for our membership options?

Find our quick summary rating card below to help you choose the right option. Please visit our website www.bonitas.co.za for the full membership brochure 2019 and our Scheme Rules for the full details of each option and the applicable limits.

RATING CARD				
Benefit options	In-hospital benefits	Out-of-hospital benefits	Additional benefits	Medical savings
BonComprehensive	♥♥♥♥	♥♥♥♥	♥♥♥♥	♥
BonClassic	♥♥♥	♥♥♥	♥♥♥	♥
BonComplete	♥♥♥	♥♥♥	♥♥♥♥	♥
BonSave	♥♥	♥♥	♥♥♥♥	♥
BonFit	♥♥	♥♥	♥♥♥♥	♥
Standard	♥♥♥	♥♥♥	♥♥♥♥	
Standard Select	♥♥	♥♥♥	♥♥♥♥	
Primary	♥♥♥	♥♥♥	♥♥♥♥	
Primary Select	♥♥	♥♥	♥♥♥♥	
Hospital Standard	♥♥	♥♥	♥♥♥	
BonEssential	♥♥	♥♥♥	♥♥	
BonCap	♥♥♥	♥♥♥	♥♥♥	



Bonitas

 www.bonitas.co.za

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