



**2019**



**BONITAS MEDICAL FUND**

# ANNUAL PERFORMANCE HIGHLIGHTS REPORT

REGISTRATION NUMBER 1512



*Bonitas*

Medical Aid for South Africa

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# ABBREVIATIONS AND DEFINITIONS

the administrator or Medscheme	Medscheme Holdings Proprietary Limited
ADS	AfroCentric Distribution Services Proprietary Limited
AGM	Annual general meeting
App	Application
Board	Board of Trustees
Bonitas or the Scheme	Bonitas Medical Fund
Bryte	Bryte Insurance Company Limited
CAGR	Compound annual growth rate
COFI Bill or the Bill	Conduct of Financial Institutions Bill
COVID-19	Coronavirus disease (COVID-19) is an infectious disease causing respiratory illness (like the flu) with symptoms such as a cough, fever, and in more severe cases, difficulty breathing
CMS	Council for Medical Schemes
CPI	Consumer Price Index
CSI	Corporate social investment
DEF	Demarcation Exempt Framework
Deloitte	Deloitte & Touche
DENIS	Dental Information Systems Proprietary Limited
DESTEP	Demographic, Economic, Socio-cultural, Technological, Ecological and Politics
DoA	Delegation of Authority
DoL	Department of Labour
EDO	Efficiency discounted option
ER24	ER24 EMS Proprietary Limited
Europ Assistance	Europ Assistance Worldwide (South Africa) Services Proprietary Limited
FWA	Fraud, waste and abuse
GDP	Gross domestic product
GP	General practitioner
HMI	Health Market Inquiry
HPCSA	Health Professions Council of South Africa
IBNR	Incurred but not reported
ICPS	Improved Clinical Pathway Services
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
IPS	Investment Policy Statement
ISO LESO	Iso Leso Optics Proprietary Limited
IT	Information technology
King IV	King Report on Corporate Governance™ for South Africa, 2016*
LPHH	Louis Pasteur Hospital Holdings Proprietary Limited
LTI	Long-term incentive
MSA or the Act	Medical Schemes Act of South Africa, No 131 of 1998, as amended
NCD	Non-communicable disease
NHI	National Health Insurance
PMSA	Personal medical savings account
POPIA	Protection of Personal Information Act
PPN	Preferred Providers Negotiators Proprietary Limited
the report	2019 Annual Report
SACsi	South African Customer Satisfaction Index
SAPC	South African Pharmacy Council
SAPS	South African Police Service
SCCU	Specialised Commercial Crime Unit
Scriptpharm	Scriptpharm Risk Management Proprietary Limited
SGM	Special general meeting
SLA	Service level agreement
WHO	World Health Organization
the year	Financial year ended 31 December 2019

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# OUR REPORT

## AUDIENCE AND PURPOSE

This report is for our key stakeholders, namely our members, brokers and the regulator. We aim to simply explain the performance of Bonitas and the value we bring to our members.

## SCOPE AND BOUNDARY

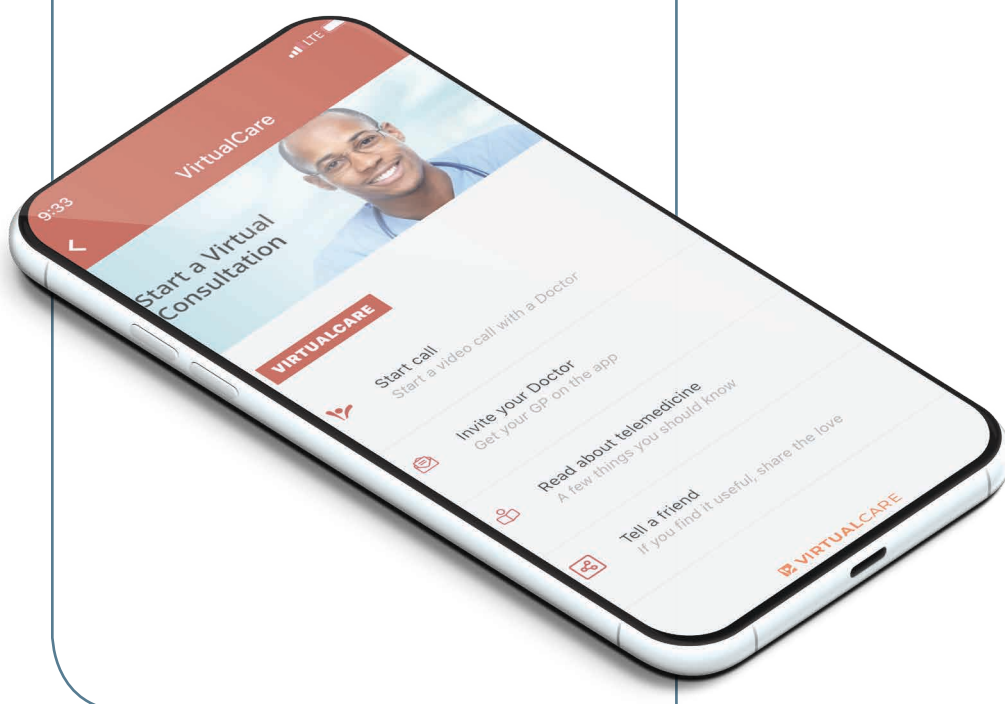
The report covers our financial and operational performance for the period 1 January 2019 to 31 December 2019 with outlook commentary regarding strategic aspirations. We believe the report covers all material information to enable our members to determine whether the Scheme's resources were applied efficiently and effectively. The financial information was extracted from and agrees with the annual financial statements audited by Deloitte. Non-financial information underwent management review to ensure its accuracy.

## A NEW APP FOR OUR MEMBERS

We've moved into a new digital era with the launch of a brand new Bonitas app. This app will enrich the lives of our members as it's packed with functionality and allows you to do so much more, all from the palm of your hand. In addition, it gives us another way to stay connected and communicate with you, our members.

You can also expect regular in-app updates to access the latest features and improve stability.

### Download at:



## CONNECT WITH US



0860 002 108



@BonitasMedical



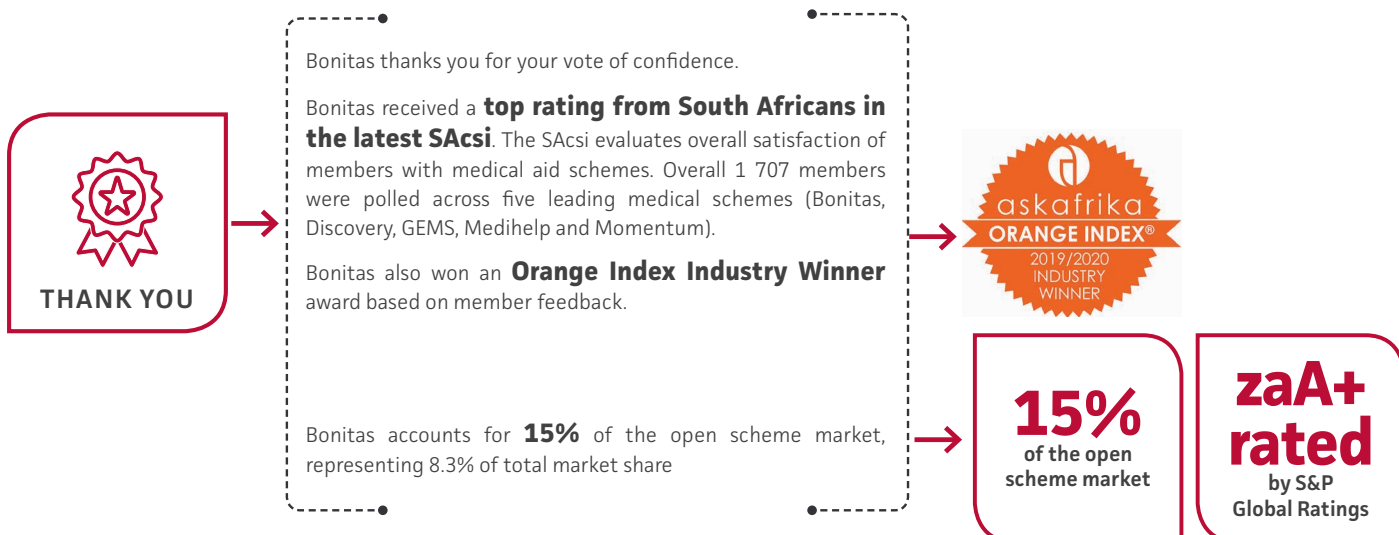
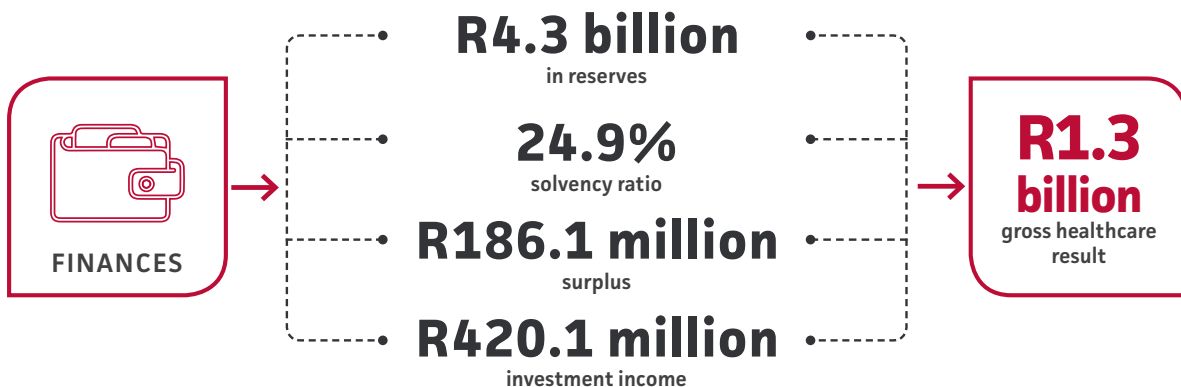
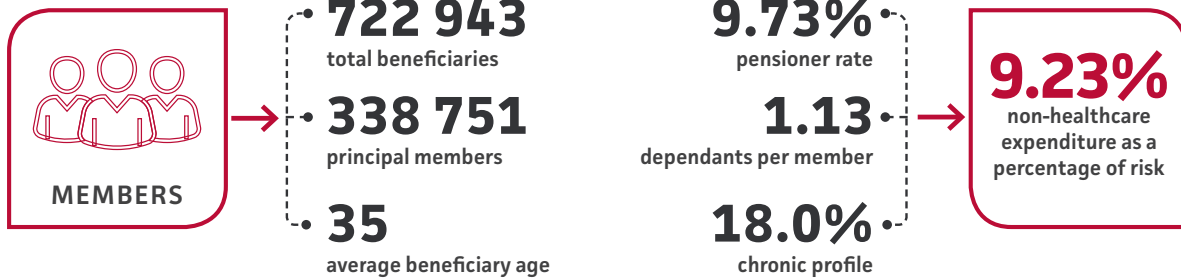
<https://www.facebook.com/BonitasMedical/>



[www.bonitas.co.za](http://www.bonitas.co.za)

- **Mental Health Programme** – call 0860 106 155 or email [mentalhealth@bonitas.co.za](mailto:mentalhealth@bonitas.co.za)
- **HIV/AIDS Programme** – call 0860 100 646 or email [afa@afadm.co.za](mailto:afa@afadm.co.za)
- **Hip and Knee Replacement Programme** – visit [www.icpservices.co.za](http://www.icpservices.co.za)
- **Diabetes Management Programme** – call 0860 002 108 or email [diabeticcare@bonitas.co.za](mailto:diabeticcare@bonitas.co.za)
- **Dental Wellness Programme** – call 0860 336 346 or email [bonitas@denis.co.za](mailto:bonitas@denis.co.za)
- **Cancer Programme** – call 0860 002 108 or email [oncology@bonitas.co.za](mailto:oncology@bonitas.co.za)
- **Back and Neck Programme** – call 0860 105 104

# 2019 PERFORMANCE AT A GLANCE





# ABOUT BONITAS

## WHAT WE DO TERMS OF REGISTRATION

Bonitas is an open medical scheme registered in terms of the MSA under registration number 1512. 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 incorporated and domiciled in the Republic of South Africa and administered by Medscheme.

## ABOUT US

We have been operating for 38 years – long enough to have developed a rich heritage and a solid understanding of the South African private healthcare industry. Our team of experts is constantly looking for innovative ways to reduce rising costs. Some of these include 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 722 943 beneficiaries, you know we are on your side. We negotiate better rates and source 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 you and your family will find a snug fit for your particular needs. We also believe there is beauty in simplicity and made our benefit options user-friendly which helps stretch your benefits as far as possible. Bonitas is there for you 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.

This is how we fulfil our aim of providing affordable, quality healthcare for all South Africans.

## Benefit options

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

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

## Personal medical savings options

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

<b>BonComprehensive</b>	These options enable members to pay an agreed sum into a PMSA to help pay their portion of healthcare costs up to a prescribed limit.  Unused savings amounts are accumulated for the long-term benefit of the member. Interest is allocated monthly on the cumulative balances.  Members' liabilities for the personal medical savings option are reflected as a financial liability in the financial statements <sup>1</sup> . The average interest earned on these funds was 7.8% in 2019 (2018: 7.7%). Of this percentage, 6.3% was allocated to PMSA balances in 2019.  Credit balances of savings contributions are refunded to members. Refunds are granted if they enrol in another benefit option, another medical scheme without a PMSA, or if they do not enrol in another medical scheme. These refunds comply with the Scheme Rules.
<b>BonClassic</b>	
<b>BonComplete</b>	
<b>BonSave</b>	
<b>BonFit Select</b>	

<sup>1</sup> Repayable in terms of Regulation 10 of the Act.

# ABOUT BONITAS CONTINUED





## HOW WE CREATE VALUE

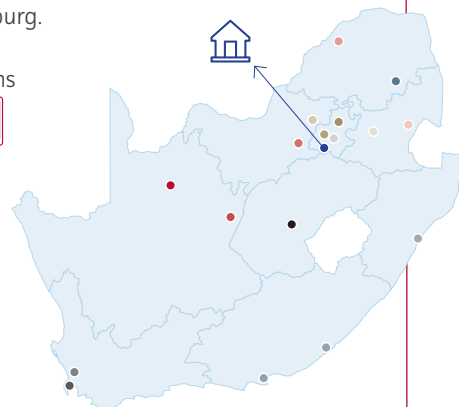
### INPUTS<sup>1</sup>

#### 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
 <b>867</b> broker registrations	 <b>334 461</b> interactions with potential members	 <b>6 261</b> member activations from website	 <b>63 869</b> forms completed



Visit one of our **18** 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 **38** years' medical fund experience and our management team has **95** 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.

#### Key stakeholders


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

-  Administrator and managed care providers (Medscheme) ● ADS ● Wellness Odyssey ● DENIS
- Bryte (Europ Assistance appointed 1 January 2020)
- PPN ● ER24 
- General Practitioner ("GP") network 
- Pharmacy Direct. 



<sup>1</sup> 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 94.69% hospital claims within seven 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 11) 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.**




# THE WORLD OF HEALTHCARE

## STAKEHOLDERS STAKEHOLDER ENGAGEMENT PROCESS

The stakeholder engagement process differs within Bonitas as the aim is to resolve a query at the first point of contact. Our business is based on an outsourced model that includes stakeholders such as our administrator, brokers and network partners. Different partners and service providers are tasked with managing various stakeholders as and when a query arises. These operating procedures are governed by SLAs with partners and service providers. Escalating a matter to Bonitas is defined in SLAs. Service providers send monthly reports to Bonitas to highlight engagement interactions and matters of concern.

Thereafter, escalation processes allow for matters to be communicated to the relevant executives. In turn, quarterly reports to the Board highlight material stakeholder concerns for its attention.

### ENGAGEMENT TOPICS

KEY STAKEHOLDER	TYPICAL FREQUENCY OF INTERACTION	METHODS OF ENGAGEMENT	SUMMARY OF CONCERNS AND NEEDS ARISING FROM INTERACTIONS	BONITAS RESPONSE
Scheme partners 	Medscheme: Weekly/ Monthly/Quarterly	<ul style="list-style-type: none"> <li>Management Committee/Forum meetings</li> <li>Ad hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>Healthcare expenditure</li> <li>FWA exposure</li> <li>Member interactions via call centre or social media</li> <li>Managed healthcare value realisation initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Regular reviews against the budget and market trends</li> <li>Profile of membership and reviews to ensure members are on relevant managed care programmes</li> <li>Review of funds network geographically</li> <li>FWA – process controls, detection methods, reviews</li> </ul>
	ADS: Weekly/Monthly	<ul style="list-style-type: none"> <li>Management Committee/Forum meetings</li> <li>Ad hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>Market trends</li> <li>Growth of Bonitas at option level</li> <li>Product comparisons</li> <li>Broker concerns on company closures</li> <li>Stagnant economy</li> </ul>	<ul style="list-style-type: none"> <li>Competitor reviews</li> <li>Broker engagement strategies</li> <li>Macro environment analysis using DESTEP</li> </ul>
Members 	Daily/Weekly/Monthly	<ul style="list-style-type: none"> <li>Email</li> <li>SMS</li> <li>Survey</li> </ul>	<ul style="list-style-type: none"> <li>Understanding of benefits</li> <li>Finding a network provider</li> <li>Claims not paid</li> </ul>	<ul style="list-style-type: none"> <li>Brochure redesigned to assist members and brokers</li> <li>Continuous training of employees who engage members</li> <li>Enhancement on website to assist members to find a network provider</li> <li>Communication on reasons for short or non-payment of claims</li> </ul>
Regulators and government 	CMS: Ad hoc	<ul style="list-style-type: none"> <li>Email</li> <li>Circulars</li> </ul>	<ul style="list-style-type: none"> <li>Requests for data/information</li> <li>Changes in processes</li> </ul>	<ul style="list-style-type: none"> <li>Compliance and adherence</li> </ul>





**80.44%** of members surveyed during 2019 provided Bonitas with a **good** or **excellent** rating

*Dear Sir/Madam,*

*I would hereby like to convey my sincere appreciation and gratitude for the excellent service received from one of your call centre agents. She is conversant with your services and very accommodating, patient and kind and made me feel welcome and empowered me with knowledge about my medical aid benefits. Now I can make better informed decisions on Managing my medical resources more effectively.*

*With much appreciation and peace of mind.*

*Kind regards*

*Member compliment*




During 2019 our call centre agents had

**106 922**  
broker engagements,

**2 115 853**  
member engagements and

**511 371**  
vendor engagements.

Result of interacting with call centre agents:

	<b>89.3%</b>	Listening and understanding of my needs
	<b>88.8%</b>	Knowledge of my Scheme Rules and benefits
	<b>89.6%</b>	Their attitude showed they care about me/ wanted to help me

**“** Very helpful and knowledgeable. Very kind and reassuring in the scary situation we found our child to be in. **”**

*Member compliment*

**CMS matters**

**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. After legally challenging the ordering of the inspection on procedural grounds, Bonitas resolved to co-operate with the inspection.

Bonitas was informed late in 2018 that the then inspector’s mandate was terminated and subsequently received an interim report in January 2019 which had been produced by the then inspector, based on incomplete information. Bonitas has queried a number of fundamental inaccuracies in that interim report and was informed in March 2019 that the registrar intends appointing another inspector to finalise the inspection.

The registrar appointed a new inspector in July 2019. The understanding is that the inspection would have been finalised by end March 2020, but at the time of preparing this report, this had not been confirmed. The inspection does not impact members directly but may result in the Scheme incurring costs for remedial action where appropriate.

**Section 59 Panel**

The CMS received complaints that certain service providers and medical schemes were racially profiling practitioners which exposed them to a higher probability of being the subject of investigations related to FWA. As a result, the CMS convened a panel (Section 59 Panel) to investigate these claims. At the outset, Bonitas strongly denies that it has engaged in any racial profiling or any racist behaviour, and nor would it condone any such behaviour on the part of any service provider.

Bonitas has co-operated with the Section 59 Panel and its processes and has made submissions as to how it employs strategies to ensure that members’ funds are protected, particularly funds which may be lost to FWA.

We await the Panel’s findings and will consider any recommendations which would enhance our combat of fraudulent, wasteful and abusive practices.

# THE WORLD OF HEALTHCARE CONTINUED

## EXTERNAL INFLUENCES

The healthcare industry's biggest concern remains making healthcare more affordable and accessible for all South Africans. More importantly, it is to encourage South Africans to be more mindful of their holistic wellness.

### GENERAL OVERVIEW OF THE BOARD

Factors from our operating environment influence our ability to create and sustain value. We respond to these factors with our risk and opportunity management process. We also respond by understanding the healthcare industry and wider socio, regulatory, technological and economic conditions.

#### What is the impact on Bonitas?

##### Social environment



Source: Forensic report Medscheme

- Rising healthcare costs are driven by higher utilisation of healthcare services largely because of ageing medical aid membership profiles and increased deaths related to NCDs. The rise in NCDs – most prominently cancer, heart disease and diabetes – is fuelled by urbanisation, sedentary lifestyles, changing diets and rising obesity levels. This is according to a recent global healthcare study<sup>1</sup>
- Increased supply of healthcare service providers, including new hospitals, results in an oversupply of hospital beds in urban areas. This creates further potential to increase utilisation
- Large-scale fraud and abuse of members' benefits adversely impact the financial position of medical aids. This may result in higher costs for members. FWA cost the industry more than R22 billion<sup>2</sup> per year. Trends include lack of practice number vetting; HPCSA sanctioning; Pharmacy Council sanctioning; emergency service vehicles are used for general transport; appliances mark-ups; falsified invoices; syndicate-related fraud; and falsified wellness claims
- In December 2019 an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. On 11 March 2020, the WHO declared the outbreak a pandemic prompting countries, governments and industries across the world to take necessary action to limit the impact of the virus across the globe.

The first cases of COVID-19 were reported in South Africa in early March 2020. On 15 March 2020 President Cyril Ramaphosa addressed the country and declared a national state of disaster in terms of the Disaster Management Act and instituted a nationwide lockdown effective 27 March 2020 until 30 April 2020 to curb the spread of the virus. Subsequently government has implemented risk adjusted strategy regulations to open the economy while curbing the spread of the virus.

International incidence and hospitalisation rates are not necessarily representative of local incidence rates and will depend on various local factors, such as:

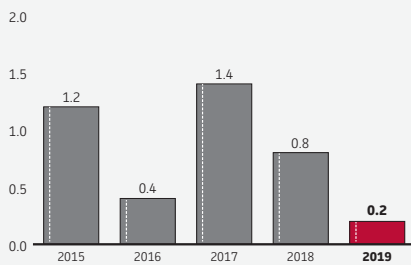
- Response measures implemented in South Africa, e.g. political system
- Cultural differences
- Demographic and family composition
- Climate.

<sup>1</sup> Deloitte 2019 Global Health Care Outlook. [www2.deloitte.com/global/en/pages/life-sciences-and-healthcare/articles/global-health-care-sector-outlook.html](http://www2.deloitte.com/global/en/pages/life-sciences-and-healthcare/articles/global-health-care-sector-outlook.html).

<sup>2</sup> CMS press release 1 of 2019, statement by Dr Siphon Kabane, acting Chief Executive and CMS Registrar.

## Economic and political environment

South African contributions to growth in GDP (%)

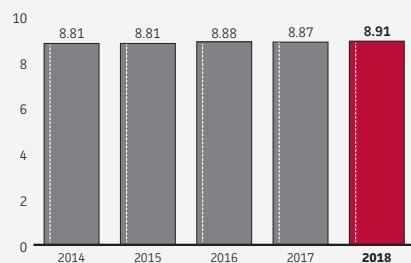


Source: StatsSA

- Poor economic growth impacts medical aid affordability for members. Members either transfer to less expensive options or terminate membership. Similarly, fewer new members join medical aid schemes. Increased job losses also reduce membership numbers
- Return on our investment income is reduced by economic distress in investment markets
- Policy uncertainty and governance failures in both the private and state-owned sectors limit South Africa’s growth prospects
- Geopolitical issues such as COVID-19, trade wars and Brexit create perceived threats of recession.

## Competitive environment

Number of beneficiaries (consolidated schemes) (millions)



Source: CMS Annual Report 2018/2019

- Bonitas is the second largest open medical aid scheme in a market where the largest open scheme has a 55% market share. Sizeable market share enables us to negotiate preferential hospital tariffs
- CMS reports marginal membership growth which increases the pressure on medical aids to invest in retaining and growing their memberships
- The Health Market Inquiry report describes the overall healthcare industry as highly uncompetitive due to several factors. These include a lack of regulation at all levels, scheme rewards structures, levels of consumer education oversupply and concentration, etc. “These factors clearly do not foster an environment conducive to competition on metrics which would result in positive consumer welfare outcomes.”<sup>1</sup>

## Regulatory environment



*“The market is characterised by highly concentrated funders and facilities markets, disempowered and uninformed consumers, a general absence of value-based purchasing, practitioners who are subject to little regulation and failures of accountability at many levels.”*  
**Health Market Inquiry, 2019, Competition Commission<sup>1</sup>**

- Bonitas welcomes the NHI’s efforts as it aims to improve access to healthcare for all South Africans. Bonitas is in full support of the intent towards universal healthcare. However, medical schemes have a vital role to play in the rollout of NHI and should not be sidelined. It is in the interests of the greater good of everyone – not only the 16% of the population who belong to medical schemes – that South Africa moves towards universal healthcare. For NHI to be a success, collaboration between medical schemes and government is essential
- The demarcation between insurance products and medical aid products changes the landscape for medical schemes. Circular 82 released by the CMS poses further risk in its suggested disallowance of low-cost benefit options and closing of products falling under the Demarcation Exempt Framework (DEF)
- The COFI Bill published by the Minister of Finance for comment aims to create and enforce regulation, deter misconduct and protect consumers of financial products and services. However, the general opinion is medical schemes and financial services are vastly different from one another and should not be considered subject to this Bill.

## Technology advances



*“Twenty years from now, the life sciences and healthcare industry will be transformed – consumers will own their journey of health, and traditional and non-traditional organisations will work together seamlessly to focus on health and well-being.”*  
**The future of health 2040, Deloitte<sup>2</sup>**

- Technology advances are enabling the healthcare industry to be more innovative and efficient. This should improve affordability over time
- Digital advances enable more cost-effective member engagement and increase accessibility to younger members
- Technology facilitates cybercrime. Therefore, the integrity of our systems and members’ information are at risk. It may also facilitate competitive disruption.

<sup>1</sup> [www.compcom.co.za/wp-content/uploads/2020/01/Final-Findings-and-recommendations-report-Health-Market-Inquiry.pdf](http://www.compcom.co.za/wp-content/uploads/2020/01/Final-Findings-and-recommendations-report-Health-Market-Inquiry.pdf)  
<sup>2</sup> [The future of health 2040, Deloitte. www2.deloitte.com/global/en/insights/multimedia/videos/future-of-health-care.html](http://www2.deloitte.com/global/en/insights/multimedia/videos/future-of-health-care.html)

# THE WORLD OF HEALTHCARE CONTINUED

## THE BONITAS STRATEGY

Bonitas employs a long-term strategy to achieve its core objective of providing quality and affordable healthcare. The strategy was revised in July 2019 to allow Bonitas to achieve next level milestones within the defined strategic pillars between now and 2022. The strategy is implemented through the pillars of strategic purchasing, business development, connecting with the member, value chain integration, value innovation, optimising investment returns and focusing on best practice governance.



### WHAT THIS MEANS



#### BE A STRATEGIC PURCHASER

Over the past two decades, healthcare costs have outpaced inflation. The trend of rising healthcare costs is a key concern of the medical aid industry. It is exacerbated by the non-regulation of other costs and FWA.

To be a strategic purchaser requires a focus on how to maintain costs, ensure quality of service and minimising risk.

- Bonitas continuously monitors international healthcare models to determine whether it is feasible for a South African market based on cost and quality
- We focus on initiatives to enhance the quality of clinical outcomes and minimise hospitalisation or the use of specialists
- We focus on medicine management, e.g. using generic medicines
- We ensure effective reimbursement models for service providers supporting value-based care
- We focus on introducing more managed care options
- Our FWA initiative has expanded to include hospital groups and pharmacies
- Bonitas addresses this risk by continually exploring and acting on opportunities to reduce supplier costs, minimise wastage and improve the efficiency of healthcare services.

#### DELIVERY 2019

We proactively review contracts in strategic areas to contain costs. Some factors are beyond our control such as high healthcare inflation, recession, poor returns on investment and increased claims, especially for lifestyle-related diseases. However, we are constantly looking for innovative ways to reduce costs.

Strategic purchasing yielded savings of R370.4 million in 2019 (2018: R290 million), bringing the total savings over the four-year period to R902 million through mutually beneficial hospital and specialist service provider negotiations.

## WHAT THIS MEANS



## BOOST BUSINESS DEVELOPMENT

Growing the membership base is critical to our sustainability. The primary focus is on defining and understanding our target market to retain the existing membership base and attract new members. We specifically want to attract members entering the healthcare market. Secondly, a clear value proposition to members will enhance membership growth. Key initiatives to achieve the business development strategy are:

- Actively building more distribution channels
- Identifying complementary products to supplement our healthcare cover
- Building the Bonitas brand
- Realigning the options of Bonitas to address the specific needs of different target groups
- Ensuring meaningful communication relative to specific stakeholder groups
- Improved membership retention
- Implementation and measurement of return on marketing initiatives.

## DELIVERY 2019

**Realign service offerings – new EDOs**

Bonitas decided that no additional benefit options will be offered for 2019. However, restructured discounted benefit options were added to more closely align with members' needs. The Primary Select and BonEssential Select options were launched with effect from 1 January 2019. They provide a more cost-effective alternative to members.

We determined members require additional out-of-hospital benefits for daily medical and day-to-day expenses such as acute medicine, blood tests and x-rays. Day-to-day benefits were increased on some plans, and on others the savings portion was increased. The dental benefit was also restructured on other options and in some cases, GP visits were increased.

An enhanced Wellness Extender benefit on all options, except BonCap, is one of our key initiatives for 2020. This benefit can be accessed after completing a wellness screening test. It can be used across a range of services from GP consultations to physiotherapy. The benefit will be extended to include blood tests and x-rays in 2020.

Claims for these will first be paid from the Wellness Extender benefit, without impacting day-to-day benefits or savings. This will result in members' savings being stretched even further.

**Managed care programmes**

One of the leading health trends observed worldwide is the steady increase in NCDs such as diabetes, high blood pressure and various cancers. Around 80% of these conditions are caused by four main lifestyle risk factors, namely smoking, poor diet, lack of exercise and obesity.

**Diabetes Programme** – The Bonitas Diabetes Programme continues achieving success. The programme has 17 031 beneficiaries. 60.2% of these beneficiaries are enrolled for telephonic coaching and 63.5% completed an HbA1c test.

**Mental Health Programme** – There are 28 278 unique registered beneficiaries with mental illnesses. The programme has 1 834 members enrolled. 91.2% of these members adhere to chronic medicine requirements.

**HIV/AIDS Programme** – HIV/AIDS contraction rates are decreasing in South Africa. More people know their status and 62% of patients are on treatment. However, an estimated 4.94% new contractions occur annually. This is among the uninfected population according to UNAIDS statistics.<sup>1</sup> This program has 38 451 beneficiaries registered aged between 40 to 49 years and of which 61% is female. Of patients on antiretroviral therapy, 89% have submitted viral load results of which 90% are suppressed (2018: 89%). Early registration is key to ongoing clinical success and health. The average post-registration treatment cost decreased from R 3 191 to R3 174.

**Chronic Medicine Programme** – Beneficiaries can update chronic medication quickly and easily. We partner with the pharmaceutical industry through Pharmacy Direct to ensure medicines are available at the regulated price. We also negotiate dispensing fees and keep track of new medicines. Of our membership, 26.1% are enrolled on our Chronic Medicine Programme. 77.3% of these beneficiaries adhere to their chronic medicine regimens. We have partnered with Scriptpharm on oncology medicine management.

**Cancer Programme** – According to CANSA, 115 000 South Africans are diagnosed with cancer each year. One out of every eight women is affected in her lifetime, and one out of seven men are at risk. Common types of cancers among women include breast, cervical colorectal and cancer of the uterus. Men are more prone to have prostate, colorectal, lung and Kaposi Sarcoma cancer.<sup>2</sup> Bonitas cancer prevalence is currently at 6.43 per 1000 lives, mostly related to prostate, bladder and breast cancer. Beneficiaries are supported through out-of-hospital tests designed to assist with managing and monitoring their health throughout the duration of their treatment. ICON is contracted to manage the Oncology protocols and guidelines through ICON specialists.

<sup>1</sup> [www.unaids.org/en/regionscountries/countries/southafrica](http://www.unaids.org/en/regionscountries/countries/southafrica).

<sup>2</sup> [www.cansa.org.za/cancer-statistics/](http://www.cansa.org.za/cancer-statistics/).



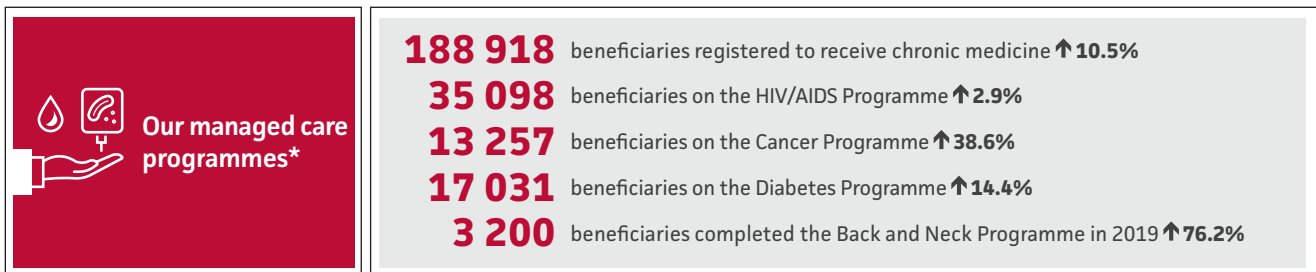
# THE WORLD OF HEALTHCARE CONTINUED

**Back and Neck Programme** – The admission rate for spinal fusion surgery increased by 4% from 2018 to 2019. Only 6% of the cases are treated by the Back and Neck Programme before surgery. Therefore, we are actively driving uptake of the programme to improve clinical outcomes for our beneficiaries. The programme has a 91% success rate. Of the 3 200 beneficiaries who completed the programme, only 5% required surgery.

**Dental Wellness Programme** – All beneficiaries are automatically added to the Dental Wellness Programme offered by DENIS. Part of the services include dental wellness activities specific for dental preventative services to enhance oral health. This includes wellness days where oral screening on members with an intra-oral camera and discussing good oral health practices.

**Hip and Knee Replacement Programme** – The programme specialises in performing hip and knee replacements through ICPS. It is based on the latest international standardised clinical care pathways to ensure beneficiaries get the best possible care. 67% of knee replacements are for females, average age 70 years. Hip replacement profile is leaning 61% towards females aged 74. The programme continues to produce high quality services at an affordable cost, and significant improvement in member experience, cost reduction, length of stay, level of care and less complications or re-admissions.

**Maternity Programme** – We are busy establishing a comprehensive Maternity Programme for 2020. We cover the birth of around 9 000 babies every year of which, 20% involve some kind of complication. For this reason, this programme will offer pregnant women a range of benefits with support and education. The new maternity benefit will allow one of the post-natal consultations to be used for a consultation with a lactation specialist. Pregnant women will also have access to a voucher platform. The platform will offer up to 70% discount on baby products and further discounts at Baby City.



\* As at 31 December 2019.

## Broadening the distribution channel and introducing complementary products

We ran several initiatives during the year to improve the range and appropriateness of complementary products to members.

We revamped the **voucher platform** to include over 300 retail discount vouchers every month. Members will have the option to download discounted gift vouchers from a range of partners. They can share these with friends and family.

**Medgap** is the gap cover product of choice for Bonitas members offering an exclusive 26% discount. This is supported by a seamless claims process to ensure members have peace of mind. The overall limit will increase to R165 000, further supported by an increase of three times the reimbursement rate of members' Bonitas option.

**Sanlam Indie** is offering life cover worth R150 000 for free for three months to all new Bonitas members who join the Scheme and give consent. This is to encourage our members to ensure their families' best interests are taken care of. Existing Bonitas members also have access to this cover with exclusive benefits.

**Funeral cover** is one of the key needs of the Bonitas membership base. Sanlam Indie revamped its funeral cover to offer the best value for money heading into 2020. It provides up to R50 000 cover per family member which doubles after two years at no additional cost. Premiums also do not increase, and members get a free wealth bonus investment. Claims are paid within hours and up to 20 family members can be covered.

**MiWay** will join the platform in 2020. It is offering a discount of 8% on all new MiWay personal insurance quotes which applies to all car, home and household insurance. Bonitas members can extend their discounts to short-term insurance.

The **Medgap Millennial Product** will be launched to appeal to a younger target market. The product caters for single members between 18 and 29 from R157 a month. Medgap will also offer a trauma benefit for children under five, allowing members to take their little ones to the ER in cases of emergency. The newly introduced baby bump benefit will pay out R2 000 to members on confirmation of pregnancy.

## Repositioning the Bonitas brand

A new branding and marketing strategy was implemented during 2019. This will position Bonitas for future growth.

We took a more direct approach to creating brand awareness where we identified specific target groups. We also increased general brand awareness through our website, television and radio commercials, *B-Living* member magazine and wellness vouchers.

Our communications were aimed around the theme *Bonitas – medical aid for South Africa*.



[www.youtube.com/watch?v=7oJoPAG\\_zXk](http://www.youtube.com/watch?v=7oJoPAG_zXk)

[www.youtube.com/watch?v=bb6zYcVRj9Y](http://www.youtube.com/watch?v=bb6zYcVRj9Y)

## WHAT THIS MEANS

OPTIMISE  
INVESTMENT  
RETURNS

Bonitas optimises the return on investments within its risk appetite. Our investment strategy considers regulations and the constraints imposed by the Board.

The investment portfolio is appropriately diversified, in line with the Bonitas IPS. Asset allocation is managed by considering our asset liability matching to ensure sufficient liquid funds exist to meet claims and other liabilities as they fall due.

Our liabilities are short term in nature. Because of this, a significant portion of the investment portfolio is invested in cash instruments.

## DELIVERY 2019

The Board approved the updated IPS on 16 November 2019. It is in line with our strategy and will target a real return of CPI +3.5% net of asset management fees. Refer to page 23 for further financial commentary. The market value of Bonitas' investment portfolio was R5 billion at 31 December 2019 (2018: R4.2 billion). This excludes cash and cash equivalents and investment properties. We believe the carefully considered, long-term investment strategy will achieve the results we aim for. The current economic climate affected the short-term investment return. It lagged R88 million behind our investment income target.

## WHAT THIS MEANS

CONNECT WITH  
THE CUSTOMER

Bonitas focuses on providing quality and affordable healthcare to meet members' evolving needs. Communication is key to engaging with members and ensuring they get full value for their purchased medical aid cover.

The focus of the strategy to connect with the member is to:

- Implement a comprehensive member relationship management programme
- Educate and engage patients to take responsibility for their health and conditions and to manage their medical care in partnership with Bonitas and their healthcare practitioners
- Ensure alignment of broker and Bonitas processes when engaging with members
- Actively promote openness and approachability
- Using technology to enhance engagement.

## DELIVERY 2019

The latest SAcSi looks at overall member satisfaction levels. In total, 1 707 members from different medical aids were polled in 2019. The results revealed Bonitas is leading the pack. Bonitas also received the Orange Index Industry Winner Award based on our member feedback during 2019.

Attendance at our Wellness Odyssey days remains a challenge. Bonitas engaged an external party to assess the process of informing members of these events. The participation at these events showed an average of 43% attendance for 2019.

## WHAT THIS MEANS

CREATE VALUE  
THROUGH  
INNOVATION

Technology is central to developing and continuously improving processes enabling members to take responsibility for managing their healthcare and that of their dependants. As such, technology will be an increasingly important determinant of competitive advantage.

We are responding to this opportunity by:

- Leveraging technology such as data analytics to balance affordability, quality and cost-efficiency
- Supporting disruptive strategies to increase the availability of healthcare technology to more people
- Actively positioning Bonitas as a key participant in South Africa's future healthcare market
- Implementing quality measurement systems to monitor performance against strategy.

## DELIVERY 2019

Bonitas offers a range of options to meet a broad spectrum of members' requirements. We assess and adapt our options to changing needs. An affordable, market-related and single-digit gross contribution increase of 9.9% was implemented for 2020. The average increase on risk contributions is 9.4%.

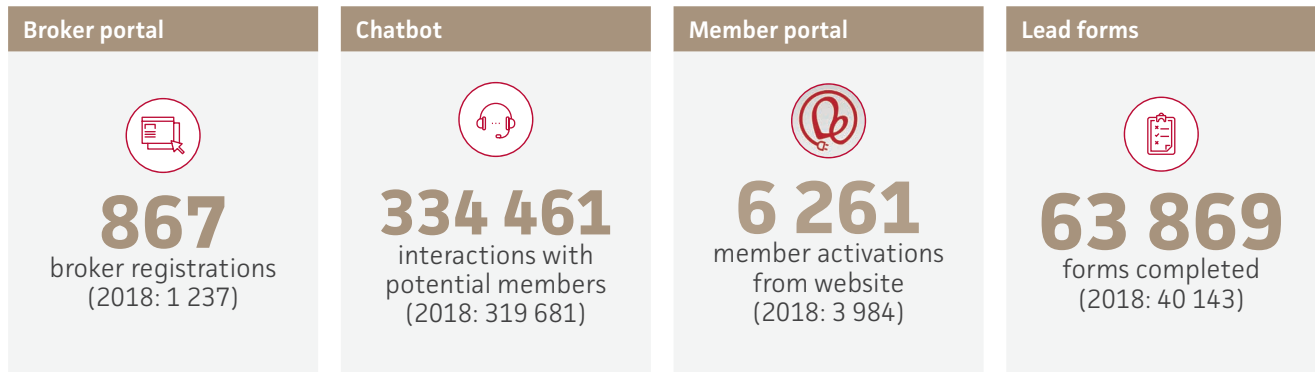
Bonitas leverages technology to create internal efficiencies. These help curb increases in risk contributions. Electronic health records are used to improve quality and co-ordination of care through sharing information between provider, member and managed care organisations.

# THE WORLD OF HEALTHCARE CONTINUED

Bonitas focused on developing an IT Governance Framework and IT Strategy to ensure efficiencies in IT operations, increased uptime and maintaining infrastructure to leverage technology for improved efficiencies.

We implemented a digital plan in July 2018. The aim was to improve its engagement with members who favour the convenience, immediacy and cost-effectiveness of online communication. The upgraded Bonitas app, chatbot implementation and new multi-insurer platform yielded positive results.

Within 48 hours after the launch of the upgraded app in April 2020, Bonitas had over 12 000 activations. Due to the COVID-19 restrictions in place, many members opted for an online GP consultation using the app. The benefits of virtual healthcare are far reaching in a time of technology and rising healthcare needs.



## WHAT THIS MEANS



### INTEGRATE THE VALUE CHAIN

Bonitas believes the key to successful value chain integration is quality inter-organisation relationships. To achieve value chain integration, we are focusing on the following key areas:

- Actively shifting the nature of our partnerships from a member and service provider relationship to partnerships based on investment in a shared future
- Defining and implementing common goals to help us optimise efficiency and create value
- Ensuring system integration between collaboration partners to deliver seamless processes that improve the experience of our members.

## DELIVERY 2019

We do not believe in charging our members' subscription fees for value-added benefits. Members do not have to earn points to be rewarded. Bonitas issued 12 582 vouchers as added lifestyle benefits to members. This offering is available to all active Bonitas members who can choose how they wish to participate. The 2020 value-added programme was substantially upgraded with richer benefits and discounts. This enables members to stretch their hard-earned money even further.

Our screening partner will be expanding screening locations in 2020 to ensure easy access to the Wellness Extender benefit. These locations include Dis-Chem and Clicks clinics. Various activations and family wellness days in remote areas will also be offered.

The Bonitas Pharmacy Network will be rolled out in 2020. Our members will be able to access chronic, acute, over the counter and oncology medicine from a strong network of providers.

Engagement with Medscheme related to the SLA for oncology management resulted in a new understanding of the requirements by Bonitas and members. As a result, our service levels improved.

## WHAT THIS MEANS


**APPLY BEST  
PRACTICE  
GOVERNANCE**

The key focus of this pillar is to ensure we adopt a holistic integrated governance approach to achieve value for Bonitas. However, there are several initiatives for us to consider before we can unlock this value. These include:

- Integration between various service providers like the administrator and managed care provider
- Considering outcomes-based contracting and exploring alternative models such as risk sharing models
- Ensuring all transactional and relational aspects conform to governance standards
- Ensuring the fiduciary duties of the Board are fulfilled.

Our new governance strategic pillar was adopted to effectively execute these initiatives. We also aim to comply with King IV where applicable and rolled out various enhanced governance, risk management and compliance processes. They are described as follows:

- Governance is the overall system of rules, practices and standards guiding Bonitas
- Risk management is the process of identifying potential hazards to or opportunities for Bonitas and acting to reduce or enhance their financial impact
- Compliance is the set of processes and procedures in place to ensure Bonitas and its employees are conducting business legally and ethically.

## DELIVERY 2019

There is an estimated R22 billion<sup>1</sup> in FWA within the health industry according to the CMS. The impact of FWA is speculative because medical schemes only recently started quantifying FWA.

However, the repercussions of fraud are widespread and directly impact every Bonitas member and members of other medical schemes. Medical schemes are not-for-profit and owned by their members. This means when a scheme is defrauded or money is wastefully spent, it impacts the funds available to pay for member claims. It also has a direct link to increased membership contributions.

FWA management is not only a crucial part of risk management but directly related to compliance and ethics within the industry. Bonitas maintains a zero-tolerance approach to FWA. As a result of this approach, we have 34 active criminal cases. These cases are at various stages and are being processed at SAPS and the courts. There are several challenges in the progress on cases reported to the regulatory bodies. However, we are constantly engaging with SAPS and SCCU to provide the necessary assistance to ensure progress on these cases.

These criminal cases include healthcare practitioners from various disciplines. During the period under review, Bonitas further applied other sanctions against healthcare practitioners. This included reporting them to HPCSA, SAPC and application of section 59(3) of the MSA to recover the losses.

**7** convictions of healthcare practitioners

**9** civil FWA cases (R19.4 million)

**R383 million** quantified in FWA since 2016

**58** active cases reported to HPCSA

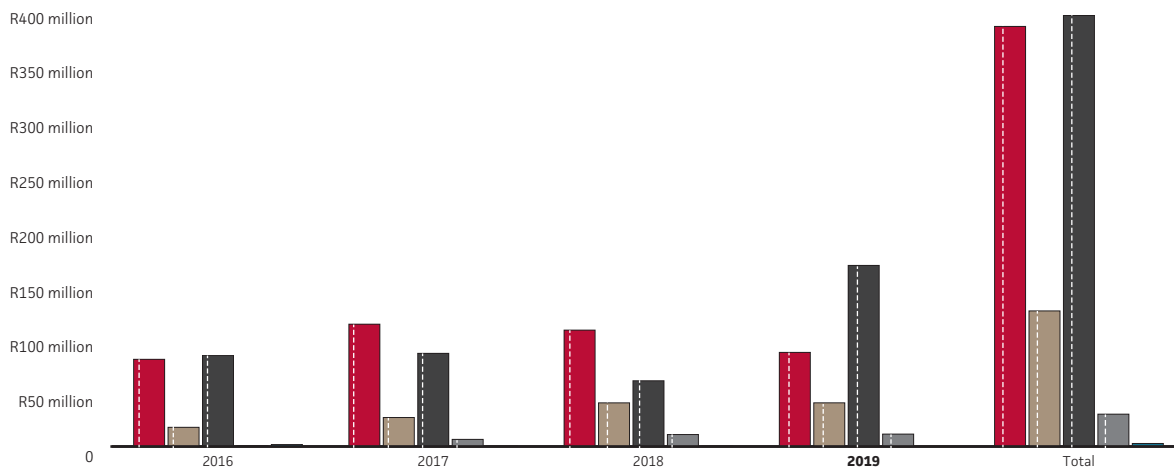
**836** hotline reports on FWA

**R124 million** recovered thus far

<sup>1</sup> CMS press release 1 of 2019, statement by Dr Siphon Kabane, acting Chief Executive and CMS Registrar.

# THE WORLD OF HEALTHCARE CONTINUED

The following graph demonstrates the amounts quantified, recovered and saved because of the FWA Prevention Programme:



	2016 R'000	2017 R'000	2018 R'000	<b>2019 R'000</b>	TOTAL R'000
Quantified	79 559	111 612	106 208	<b>85 881</b>	383 260
Recoveries	17 529	26 469	39 847	<b>39 875</b>	123 720
Change in behaviour	83 000	85 000	60 000	<b>165 219</b>	393 219
Prepayment intervention	729	6 521	10 942	<b>11 338</b>	29 530
Reversals	1 804	371	424	<b>182</b>	2 781

Changing the behaviour of healthcare practitioners who transgress, and comparing their historical claims, resulted in estimated savings of over R400 million (for the period January 2016 to September 2019). This calculation is based on a conservative forecast of an 8% year-on-year increase. However, the forecast is substantially higher for many disciplines and healthcare services. This amount excludes the reversals and the prepayment by the analytical tool.

Medscheme Forensics recovered R39.9 million and Qhubeka Forensics Services recovered R1.3 million on behalf of Bonitas in 2019.







FOR VALUE FOR MONEY FOR SOUTH AFRICA FOR LIFE





# SCHEME PERFORMANCE

## REPORT OF THE PRINCIPAL OFFICER

*Bonitas sees itself as a significant role player in the healthcare sector during these unprecedented times as we seek to provide the necessary care and comfort to our members during this time of need.*

**Mr LR Callakoppen**  
Principal Officer

### OPERATING ENVIRONMENT

2019 was a trying year for the South African economy. Business confidence was low given the challenges faced by many state-owned entities. Financial institutions estimate future growth rates at 0.1% and unemployment exceeding 30%. Shortly after year-end, the coronavirus outbreak led to increased risk as scenario planning for this is challenging. This is because a vaccine is unavailable and the industry can at most provide cautionary communications to the public. These factors contribute to a weak socio-economic environment.

Given the uncertainty and the immediate impact of COVID-19 to Bonitas' reserves, we have implemented critical risk management mitigations to protect and safeguard the sustainability of the Scheme and to ensure that members who do contract the virus have access to quality and affordable care.

The current situation has placed emphasis on the need for adequate healthcare in South Africa and the rest of the world. In the corporate space, we have seen several companies scrambling to ensure that their employees are covered, which has resulted in a spike in membership.

Conversely, we anticipate that the current economic crisis, which is compounded by the announcement of the lockdown, will no doubt see South Africans struggling to make ends meet. This could result in a loss in membership as affordability becomes a factor. We must also take cognisance of the fact that in the worst case scenario, non-recovery from the virus will see membership numbers decrease particularly in groups that are more vulnerable such as the older population. Management therefore anticipates opportunities and risks to both membership growth and retention with regards to the current economic climate.

The annual financial statements sets out the details of the financial consequences in various scenarios.

We are dedicated to the wellbeing of our members, and we will be vigilant in our pursuit to continue uninterrupted service delivery across all platforms of Bonitas.

The CMS published various circulars during March and December 2019. These circulars noted the CMS's intention to close down all products falling under the DEF by March 2021. It further stated that

low-cost benefit options for the lower-income population will not be allowed. This news has serious consequences for the health insurance and medical scheme industries. The CMS has invited comment and input from medical schemes for consideration by the relevant advisory committees. The NHI public engagement process continues and the recent Health Market report by the Competition Commission outlined significant improvement opportunities within the industry.

Read more on factors influencing our operating environment on pages 8 and 9.

### PERFORMANCE OVERVIEW

Bonitas membership achieved positive results during the year. Membership increased from 330 993 in 2018 to 338 751 as at 31 December 2019, under very challenging market conditions as alluded to in my opening statement. The increase in membership was counterbalanced by contribution income because members opted for more affordable options. In turn, this had an impact on the solvency ratio. Our overarching future focus will be to achieve our solvency targets and turn around loss-making options. This will be in line with our business plan which was submitted to the CMS.

The marketing and sales focus yielded positive membership growth. We have 50 680 new members who joined Bonitas. However, 44 681 membership losses were recorded for the period due the socio-economic conditions in South Africa with members citing affordability. It is also with great sadness that we have recorded close to 3 086 deaths.

Initiatives to connect with our members were a resounding success. Bonitas received the Ask Africa Orange Index Winner Award for service excellence and moved up to second place in the 2019 Sunday Times Top Brands Awards.

We focused on consolidating and building on sustainability within Bonitas in 2019. However, this was met with some challenges during the second half of the year. Even though Bonitas implemented a new investment strategy, investments did not perform to expectation. Similar to 2018, we saw a disappointing return on investment and higher than expected claims. We are positive that the investment strategy will deliver better results over the medium to long term. The Investment Committee and investment consultants are keeping a close eye on the performance of the investment portfolio.

# SCHEME PERFORMANCE CONTINUED

Claims management and the associated risk management remain a key focus. The increase in higher hospital admissions resulted in higher utilisation which negatively impacted Bonitas. Bonitas also actively engaged hospital groups on tariff negotiations and areas of improving member experience during the latter part of 2019. We expect that these negotiations will yield positive financial and healthcare outcomes for Bonitas 2020.

Medicine management is an important aspect in ensuring quality, affordable healthcare is provided to members. Bonitas have explored various alternative models. One such area of focus has been oncology medicines, and this was well received by both providers and members and have started to yield positive financial results for Bonitas and its members. Bonitas still experience lower than expected performance in terms of its turnaround strategy on some of its options that produces deficits and although a lot of focus and time was given to the turnaround, the results were pedestrian at best. The focus on loss making options will attract a more rigorous approach in the coming years.

Read more financial commentary on pages 23 to 31 of this report.

## PROGRESSING STRATEGY

We enhanced our communication with members, focused on improving each part of the medical value chain, and applied technology and governance fundamentals. This is how we aim to progress our strategy.

The recent Health Market Inquiry<sup>1</sup> shows us the public at large, members, providers and even brokers are not sufficiently informed and empowered regarding value-based purchasing. The inquiry describes a market with little regulation and accountability. We strive to change this trend at Bonitas. We achieve this through connecting with our members and providers on different levels and through different mediums. The better we understand the needs of members, the better we can structure care.

Bonitas aims to boost business development and carefully manage the optimal benefit mix considering solvency and regulatory change. To deliver quality, affordable options, Bonitas focuses on improving each part of the medical value chain.

- *Quality:* Managed care programmes, such as the Diabetes or Back and Neck Programmes, offer members a support system to manage their condition and associated costs. This maximises the quality of care for members and benefits Bonitas through cost containment.
- *Affordability:* Agreements between Bonitas and designated service providers secure quality and affordable care for members. Bonitas negotiates optimal rates for members and creates value-based purchasing.

We apply technology and governance fundamentals to support the flow between parties. This creates efficiencies and sets the tone for conduct and accountability.

More information about the progress made against our strategy can be found on pages 10 to 16.

## THE FUTURE OF BONITAS

The Bonitas Board set strategy milestones for the medium term at a recent strategy review session. These milestones will improve the sustainability of Bonitas and include:



- Stability within the solvency ratio
- Contracting outcomes-based managed care programmes
- Collective bargaining for hospitals (HMI recommendation)
- Conducting research into current and available radiology and pathology reimbursement models and enhancing these based on research outcomes
- Further enhancing FWA models
- Improving member retention
- Growing corporate membership
- Increasing marketing initiatives and measuring value of such initiatives
- Sales focus aligned to product offering and target markets
- Considering potential for amalgamation, where appropriate
- Continuously monitoring and updating IPS and asset management performance
- Using technology to engage patients to educate and empower them
- Further enhancing engagement of brokers through technology

<sup>1</sup> [www.compcom.co.za/wp-content/uploads/2020/01/Final-Findings-and-recommendations-report-Health-Market-Inquiry.pdf](http://www.compcom.co.za/wp-content/uploads/2020/01/Final-Findings-and-recommendations-report-Health-Market-Inquiry.pdf)

## STEWARDSHIP

Our focus is naturally turned to the challenges experienced by South Africans. Bonitas is a primary steward of social wellbeing and we believe in improving the lives of all South Africans. It is for this reason that our revised CSI plan for 2019/2020 supports the DoH and government's strategic plan for sustainable health solutions. This was achieved by Bonitas partnering with the DoH to:

- Refurbish local government hospital wards/clinics
- Improve healthcare infrastructure in disadvantaged communities
- Establish partnerships with private/public entities to solve challenges in identified development areas


After engaging with the DoH and taking various criteria and factors into consideration, five hospitals across four provinces were identified as those in need, namely:

- Dr George Mukhari Academic Hospital (Gauteng)
- Thembisa Hospital (Gauteng)
- RK Khan Hospital (KwaZulu-Natal)
- Blouberg Hospital/Community Health Centre (Limpopo)
- Job Shimankana Tabane Provincial Hospital (North West)

Through the Bonitas Academy we further support medical practitioners to assist them in providing quality care by hosting seminars on topical medical developments.

Those affected by the floods in KwaZulu-Natal benefitted from a R190 000 donation through Gift of the Givers when Bonitas reached out to ease the challenges faced by displaced families. We also sponsored the Comrades Marathon in 2019 in our "We're with you from #starttofinish" campaign. We promoted healthy living and ran competitions to encourage as many of our members to become active.



Bonitas spent R1.2 million in 2019 reaching out to people in need. Our 2020 focus will be on furthering black empowerment through B-BBEE initiatives. Read more at [www.bonitas.co.za/about-us](http://www.bonitas.co.za/about-us). 

## ACKNOWLEDGEMENTS

My primary focus will be to ensure Bonitas remains sustainable. However, my immediate focus areas are driving product leadership, connecting with members and ensuring operational excellence.

I want to express my unquestionable commitment to strong governance and ethics. These will remain our moral compass as we build on the mandate of making quality and affordable healthcare accessible to all South Africans.

To the Board, independent trustees, management, employees and partners who share this vision with me, I thank you for your unwavering passion.

**Mr LR Callakoppen**

*Principal Officer*

21 April 2020



FOR **HEALTH** FOR SOUTH AFRICA FOR LIFE





# SCHEME PERFORMANCE CONTINUED

## FINANCIAL AND OPERATIONAL 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 2019, which have been filed with the Council for Medical Schemes ("CMS").

#### Key financial statistics

Net surplus (R'million) <b>186.1</b> (2018: 164.8)	Solvency ratio (%) <b>24.9</b> (2018: 25.2)	Administrative expense as a % of risk contribution <b>7.3</b> (2018: 7.4)	Claims loss ratio (%) <b>92.3</b> (2018: 91.1)	<b>9.2</b> non-healthcare expenditure as a % of risk contribution (2018: 9.3)	Loss-making options <b>8</b> (2018: 8)
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Bonitas' reported a surplus of R186.1 million (2018: R164.8 million) for the 2019 financial period. The performance fell below budgeted expectations due to several critical factors. Buy-downs and increased terminations due to affordability and economic downturn made it a challenging year for medical schemes. Some members sought to stay on private healthcare but rather opted for more affordable benefit options. Additionally, volatile stock markets and lack of investor confidence contributed to lacklustre investment returns. Bonitas reported a surplus despite these challenges but was unable to retain the regulatory minimum solvency level of 25%.

Bonitas exceeded organic growth targets, ultimately growing by 7 758 members over the 12-month period. Unfortunately, this growth did have a negative short-term impact on solvency as reserves on new members are built over the medium to long term but are immediately factored into the solvency calculation.

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### INDEPENDENT AUDITOR'S REPORT

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 55 to 115 of the integrated annual report, which comprise the statements of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity 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 2019, 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.



Full audit report on the Annual Financial Statements

# SCHEME PERFORMANCE CONTINUED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

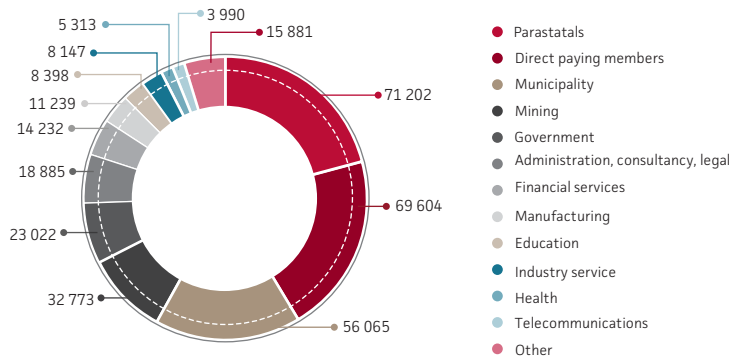
	2019 R'000	2018 R'000
<b>Risk contribution income</b>	<b>16 738 384</b>	15 661 125
<b>Relevant healthcare expenditure</b>	<b>(15 442 640)</b>	(14 270 896)
Net claims incurred	<b>(15 030 529)</b>	(13 892 297)
Risk claims incurred	<b>(15 098 893)</b>	(13 960 337)
Third party claim recoveries	<b>68 364</b>	68 040
Accredited managed healthcare services	<b>(517 478)</b>	(479 375)
Net income on risk transfer arrangements	<b>105 367</b>	100 776
Risk transfer arrangement fees/premiums paid	<b>(857 139)</b>	(776 019)
Recoveries from risk transfer arrangements	<b>959 019</b>	876 795
Profit share arising from risk transfer arrangements	<b>3 487</b>	–
<b>Gross healthcare result</b>	<b>1 295 744</b>	1 390 229
Broker service fees	<b>(318 857)</b>	(295 629)
Administrative expenditure	<b>(1 217 814)</b>	(1 151 945)
Net impairment losses on healthcare receivables	<b>(8 566)</b>	(14 316)
<b>Net healthcare result</b>	<b>(249 493)</b>	(71 661)
<b>Other income</b>	<b>494 953</b>	293 213
Investment income – Scheme	<b>420 087</b>	197 382
Change in fair value of investment property	<b>2 100</b>	(6 300)
Sundry income	<b>72 766</b>	102 131
<b>Other expenditure</b>	<b>(59 409)</b>	(56 715)
Asset management fees	<b>(16 609)</b>	(15 695)
Interest expense	<b>(36 903)</b>	(35 161)
Operating expenses on rental of investment property	<b>(5 897)</b>	(5 859)
<b>Surplus for the year</b>	<b>186 051</b>	164 837
<b>Total comprehensive income for the year</b>	<b>186 051</b>	164 837

## Risk contribution income

Bonitas experienced a 2.3% increase in membership to 338 751 at 31 December 2019. This was a turnaround from the 2.3% decline in the prior year. This increased the number of lives covered by 1.8% and boosted growth of risk contribution income, resulting in a marginal 7% increase in risk contribution income to R16.7 billion (2018: R15.7 billion).

Of the total lives covered by Bonitas, 9.73% are 65 years and older. This is a 0.3% increase since December 2018. Bonitas implemented strategic interventions to attract and retain members entering the healthcare market.

**Bonitas membership – 31 December 2019 (number)**



**Total: 338 751**

## Net claims loss ratio

Net claims increased by R1.1 billion (8.9%) to R15.0 billion (2018: R13.9 billion). Rising healthcare costs, which typically exceed inflation, are largely driven by tariff increases and higher utilisation of healthcare services.

Higher utilisation mainly occurs due to 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). An ageing membership profile also lead to higher utilisation. The length of in-hospital stay by members is aligned to previous years. Total claims cost was R3 823 per member per month.

Bonitas' claims loss ratio exceeded budgeted levels by 1.3% as hospital costs and utilisation continued to place pressure on reserves. This is despite an increased focus on managed care programmes, hospital negotiated pricing and loss-making option initiatives.

Of the risk contributions, 92.3% (2018: 91.1%) was used to fund healthcare expenditure.

Positively, the net claims included an amount of R68.4 million (2018: R68 million) recovered from third parties.

## Managed care service cost

Costs incurred by managed care services increased by 7.9% in 2019 (2018: 7.1%) as part of Bonitas' strategic investment in long-term prevention. We are confident the managed care expenses will not only result in retention and growth in membership, but also deliver savings in benefit utilisation over the longer term.

## Administration expenses

Administration expenses comprise operational expenses and the fee paid to the administrator. Administration fees increased by 5.0%, from R808.6 million to R848.7 million. This was aligned to the average reported CPI for the same period. Other fees such as forensic, marketing printing and postages decreased over the financial period. Trustee election fees resulted in an increase in expenditure. With the exclusion of Trustee election fees, there was a marginal increase in administration expenditure in 2019.

Administration fees accounted for 4.9% of gross contributions (2018: 5.0%).

Dedicated non-healthcare cost-saving initiatives realised savings in excess of R20 million. This is largely due to a reduction in marketing and other overheads such as printing and postage where Bonitas is moving to digital communication methods.

Cost-saving initiatives and thorough financial discipline helped contain non-healthcare spend. Bonitas managed to maintain non-healthcare spend at 9.2% of risk contributions and well within budgeted thresholds.

## Reported surplus of R186.1 million

Bonitas reported a surplus of R186.1 million for the year (2018: R164.8 million).

In difficult operating conditions, this financial performance was achieved mainly due to cost-saving initiatives implemented during the year and strategic purchasing. FWA interventions are also encouraging behaviour change. Disciplined management of relevant healthcare costs, which account for 92.3% of risk contributions, resulted in savings of R370.4 million due to the strategic purchasing plan and other partner interventions.

# SCHEME PERFORMANCE CONTINUED

## STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	2019 R'000	2018 R'000
<b>ASSETS</b>		
Property and equipment	14 223	5 439
Investment properties	74 800	72 700
Financial assets held at fair value through profit or loss	2 951 402	2 467 694
<b>Non-current assets</b>	<b>3 040 425</b>	2 545 833
Investment property held-for-sale	–	9 000
Financial assets held at fair value through profit or loss	2 057 524	1 708 316
Insurance, trade and other receivables	849 440	688 016
Cash and cash equivalents	613 040	1 230 818
<b>Current assets</b>	<b>3 520 004</b>	3 636 150
<b>Total assets</b>	<b>6 560 429</b>	6 181 983
<b>MEMBERS' FUNDS AND LIABILITIES</b>		
Accumulated funds	4 320 079	4 134 028
<b>Members' funds</b>	<b>4 320 079</b>	4 134 028
Lease liability	7 094	–
<b>Non-current liabilities</b>	<b>7 094</b>	–
Outstanding risk claims provision	769 108	813 831
Personal medical savings accounts liability	678 857	592 504
Insurance, trade and other payables	782 072	641 620
Lease liability	3 219	–
<b>Current liabilities</b>	<b>2 233 256</b>	2 047 955
<b>Total Members' funds and liabilities</b>	<b>6 560 429</b>	6 181 983

### Investment market value

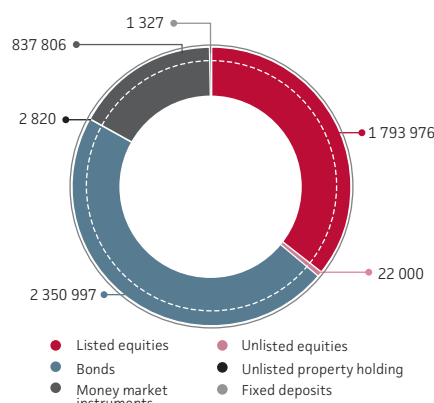
Bonitas reported an average return on its investment portfolio of 6.7% in 2019 (2018: 4.3%). Globally, a low interest rate environment and accommodative central bank policies have continued to structurally drive markets. The uncertainty and volatility caused by geopolitical instability has continued to impede market returns. US-China trade concerns remain firmly in investors' minds amid a slowing Chinese economy. Locally, the domestic environment was unfavourable due to the volatile local economy. Sentiment is negative as political infighting, economic growth obstacles, indebted parastatals and a potential downgrade remain apparent. These market conditions resulted in some asset classes recording undesirable returns, i.e. listed property. Local equity as an asset benefited from local currency depreciation and this cautioned Bonitas' overall performance to a degree.

This resulted in many asset classes recording returns below the targeted return of CPI +3.5% (net of asset management fees).

For the year ended December 2019, the JSE All Property Index returned -11.13% (2018: -24.98%), the Shareholder Weighted Index returned 4.15% (2018: -11.67%), and the Cash STeFi Composite Index returned 7.29% (2018: 7.27%). This resulted in a net fair value gain of R47.3 million compared to a loss of R111.9 million in the prior year. In addition to this investment income was bolstered by interest on the

LPPH debt claim of R35.8 million which resulted in investment income increasing to R420 million from R197 million in the prior. The market value of Bonitas' investment portfolio, excluding cash and cash equivalents and investment properties, was R5.1 billion at 31 December 2019 (2018: R4.2 billion).

#### Market value (R'000)



**Total: R5 008 926**

## Solvency ratio

	2019 R'000	2018 R'000
Members' funds per the statement of financial position	4 320 079	4 134 028
Adjusted for:		
Regulation 29 exclusion of unrealised gains on investments*	–	(23 397)
Cumulative net gain on re-measurement to fair value of investment properties included in the accumulated funds <sup>#</sup>	–	(15 474)
Accumulated funds per Regulation 29	4 320 079	4 095 157
Gross contributions	17 384 459	16 276 305
<b>Solvency ratio (%)</b>	<b>24.9%</b>	25.2%

\* Cumulative net (losses)/gains on re-measurement to fair value of investments are calculated as follows:

At beginning of year	23 397	156 341
Net losses on re-measurement to fair value of financial instruments included in accumulated funds	(58 473)	(132 944)
<b>At end of year</b>	<b>(35 076)</b>	23 397

# Cumulative net gains on re-measurement to fair value of investment properties are calculated as follows:

At beginning of year	15 474	21 774
Movement in unrealised (losses)/gains on re-measurement to fair value of investment properties included in accumulated funds	2 100	(6 300)
<b>At end of year</b>	<b>17 574</b>	15 474
<b>Cumulative net (losses)/gains on re-measurement of investments and investment property at the end of the year</b>	<b>(17 502)</b>	38 871

Cumulative net unrealised losses on re-measurement to fair value of investments and investment properties are excluded from the solvency calculation according to Regulation 29.

Bonitas' solvency ratio decreased to 24.9% in 2019 (2018: 25.2%) largely due to increasing claim costs and lower than budgeted investment performance.

## Outstanding claims provision

The outstanding claims reserve for 2019 is R769 million which represents 5.0% of relevant healthcare expenditure. This has reduced from 5.7% in the prior period as a result of slightly faster run-off periods.

## Actuarial valuation

The actuary reports monthly to Bonitas on the risk status and performs an annual actuarial evaluation. Contributions and benefit levels are redesigned 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 **R67 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 **R65 MILLION** on total hospital claims.

## Cessation of debt claim/exceptional item

Bonitas was also successful in recovering a long-outstanding debt claim of R80 million. The debt claim in LPPH was ceded to RH Managers in December 2019. Of the R80 million proceeds, R44 million related to the original debt claim and R36 million to interest. This helped bolster the reserves and the surplus of Bonitas.

## Event after statement of financial position date – coronavirus (COVID-19)

The Scheme implemented measures in early March as Bonitas anticipated the need to reduce the spread of the virus across its employees, stakeholders and the general population. Bonitas as a healthcare funder is deemed an essential service and has continued to operate since funders remain a vital cog within the healthcare sector to assist in fighting COVID-19. The Scheme has been fortunate enough to successfully institute a work from home ethic in line with recommendations made by the President and the WHO.

# SCHEME PERFORMANCE CONTINUED

Operationally the Scheme and its critical service providers have been successful in operating throughout the lock-down mandate despite logistical challenges. Various representations and commitments have been submitted to the Scheme from its service providers. These critical service providers are also deemed 'essential services' and have where necessary been able to implement work from home policies. As at 31 March 2020 no critical service failures have been reported. The Scheme is confident that it is well prepared to continue servicing members during these challenging times.

The spread of the disease across the world and other geopolitical issues such as BREXIT and international trade wars have however led to a market crash during February and March 2020. Bonitas has as a result reported losses on its investment portfolio subsequent to year-end to the value of R765 million. However there are other areas such as claims utilisation that are likely to impact the Scheme.

Management have assessed the financial impact of the market crash on its reserves and profitability and have determined that on a worst case scenario basis the Scheme could be impacted by as much as R1.1 billion, equating to a reduction in solvency of 5.6%. Similarly on a best case scenario the Scheme could be impacted by R101 million (0.6% solvency).

The annual financial statements sets out the details in terms of the financial consequences as a result of the COVID-19 pandemic.

The scheme and its board of trustees are of the view that this is a once in 100 year's shock event and that the scheme will continue to have the financial reserves to pay claims as they fall due despite the decline in investment performance and the possible increase in claims experience as a result of the virus. Post these stress scenarios the scheme estimates that it will have adequate reserves to recover from this event given that the Scheme currently has a solvency of 24.9% and has healthy reserves exceeding R4 billion. Management are therefore of the opinion that the Fund is well positioned to navigate successfully through these uncertain times.

## STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2019

	Accumulated funds R'000	Total R'000
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
<b>Total comprehensive income</b>	<b>186 051</b>	<b>186 051</b>
Surplus for the year	<b>186 051</b>	<b>186 051</b>
<b>Balance as at 31 December 2019</b>	<b>4 320 079</b>	<b>4 320 079</b>



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 R'000	2018 R'000
<b>Cash flows from operating activities</b>		
Cash (utilised)/generated by operations before working capital changes	<b>(207 815)</b>	69 698
Working capital changes		
(Increase)/decrease in insurance, trade and other receivables	<b>(181 143)</b>	66 878
Increase/(decrease) in insurance, trade and other payables	<b>140 951</b>	(111 844)
Increase in personal medical savings account liability	<b>92 008</b>	75 914
<b>Cash (utilised)/generated by operating activities</b>	<b>(155 999)</b>	100 646
Interest paid	<b>(36 045)</b>	(35 161)
Interest received	<b>42 450</b>	6 056
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(149 594)</b>	71 541
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	<b>(1 353)</b>	(1 225)
Proceeds on disposal of property and equipment	<b>15</b>	10
Proceeds on disposal of investment property	<b>9 000</b>	–
Acquisition of financial assets held at fair value through profit or loss	<b>(2 088 547)</b>	(1 233 523)
Disposal of financial assets held at fair value through profit or loss	<b>1 362 309</b>	1 015 907
Interest received	<b>211 621</b>	229 272
Dividends received	<b>49 830</b>	45 215
Asset management fees	<b>(16 089)</b>	(15 317)
Rentals received	<b>8 664</b>	7 820
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(464 550)</b>	48 159
<b>Cash flows from financing activities</b>		
Lease payments	<b>(3 634)</b>	–
<b>Net cash outflow from financing activities</b>	<b>(3 634)</b>	–
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(617 778)</b>	119 700
Cash and cash equivalents at beginning of the year	<b>1 230 818</b>	1 111 118
Analysed as follows:		
Cash and cash equivalents at beginning of the year	<b>1 230 818</b>	1 306 002
Transfer of personal medical savings account to investments	<b>–</b>	(194 884)
<b>Cash and cash equivalents at end of the year</b>	<b>613 040</b>	1 230 818
Analysed as follows:		
Cash and cash equivalents	<b>613 040</b>	1 230 818
	<b>613 040</b>	1 230 818

The prior year amounts for the cash flows between the acquisition and disposal of financial assets held at fair value through profit or loss have been reclassified, for consistency with the current year presentation. These reclassification had no effect on the reported results of investing activities. An adjustment has been made to exclude operational activities where assets were designated as cash and cash equivalents.

Mr L Woodhouse

Chief Financial Officer

21 April 2020

# SCHEME PERFORMANCE CONTINUED

## OPERATIONAL STATISTICS

Bonitas Medical Fund 2019	THE BONITAS FAMILY			
	Consolidated total	Standard	BonSave	Primary
Average number of members during the year (n)	336 651	123 823	35 738	81 155
Number of members at 31 December (n)	338 751	121 960	35 782	83 096
Average number of beneficiaries during the year (n)	718 919	274 503	83 246	192 611
Number of beneficiaries at 31 December (n)	722 943	270 195	83 540	197 026
Proportion of dependants at end of the year (n)	1.13	1.22	1.33	1.37
Risk contributions per average member per month (R)	4 143	5 614	3 386	3 552
Risk contributions per average beneficiary per month (R)	1 940	2 532	1 454	1 497
Healthcare expenditure per average beneficiary per month (R)	1 790	2 265	1 277	1 338
Non-healthcare expenditure per average beneficiary per month (R)	179	191	180	175
Relevant healthcare expenditure as a percentage of gross contributions (%)	88.8	89.5	74.0	89.4
Relevant healthcare expenditure as a percentage of risk contributions (%)	92.3	89.5	87.9	89.4
Non-healthcare expenditure as a percentage of gross contributions (%)	8.9	7.5	10.4	11.7
Average beneficiary age (n)	35	37	31	30
Pensioner ratio at 31 December (%)	9.7	13.2	6.2	4.5
Chronic profile at 31 December (%)	18.0	28.1	12.1	11.1

Bonitas Medical Fund 2018	THE BONITAS FAMILY			
	Consolidated total	Standard	BonSave	Primary
Average number of members during the year (n)	331 955	126 903	35 282	74 323
Number of members at 31 December (n)	330 993	124 815	35 257	74 475
Average number of beneficiaries during the year (n)	713 190	285 377	81 882	176 714
Number of beneficiaries at 31 December (n)	710 206	280 503	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	5 197	3 141	3 354
Risk contributions per average beneficiary per month (R)	1 830	2 311	1 353	1 411
Healthcare expenditure per average beneficiary per month (R)	1 667	2 053	1 189	1 219
Non-healthcare expenditure per average beneficiary per month (R)	171	178	170	168
Relevant healthcare expenditure as a percentage of gross contributions (%)	87.7	88.8	74.0	86.4
Relevant healthcare expenditure as a percentage of risk contributions (%)	91.1	88.8	87.9	86.4
Non-healthcare expenditure as a percentage of gross contributions (%)	9.0	8.0	10.6	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

## THE BONITAS FAMILY

BonCap	BonClassic	BonComp	BonEssential	BonFit	Hospital Standard	Bon-Complete
49 308	10 291	5 936	8 731	4 861	6 157	10 650
51 320	10 093	5 584	9 263	5 060	5 966	10 357
76 039	18 779	10 670	19 268	10 355	11 662	21 786
79 782	18 347	10 474	20 405	10 864	11 277	21 033
0.55	0.82	0.70	1.20	1.15	0.89	1.03
1 567	5 674	7 839	2 811	2 619	3 433	4 681
1 016	3 109	4 361	1 274	1 230	1 813	2 289
1 142	3 124	5 002	1 203	1 000	1 809	2 177
115	213	230	179	192	216	208
112.4	86.3	93.2	94.4	69.3	99.8	81.1
112.4	100.5	114.7	94.4	81.4	99.8	95.1
11.3	5.9	4.3	14.1	13.3	11.9	7.8
33	50	53	35	29	47	42
7.8	31.0	37.7	10.6	4.7	25.0	17.5
9.5	44.5	47.9	10.9	8.2	18.9	26.0

## THE BONITAS FAMILY

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

# GOVERNANCE

## BOARD AND GOVERNANCE STRUCTURE GOVERNANCE STRUCTURE AND FRAMEWORK

The Board is accountable for governance and oversight at Bonitas. The Board is ultimately responsible for decision-making and management of Bonitas including having an oversight responsibility over strategy implementation. In executing its duties, the Board developed a governance framework that includes structures in line with the requirements of the MSA, Scheme Rules and good corporate governance principles as defined in the King IV Report.

The King IV Report defines corporate governance as the exercise of ethical and effective leadership by Boards to achieve the following governance outcomes:

- An ethical culture
- Good performance
- Effective control
- Legitimacy

The Board is driven by the objective of ensuring Bonitas acts in the best interests of members while ensuring the Scheme's long-term sustainability. Therefore, the Board is committed to lead ethically and effectively and promote the characteristics of integrity, competence, responsibility, accountability, fairness and transparency in line with the Scheme's code of conduct for Trustees.



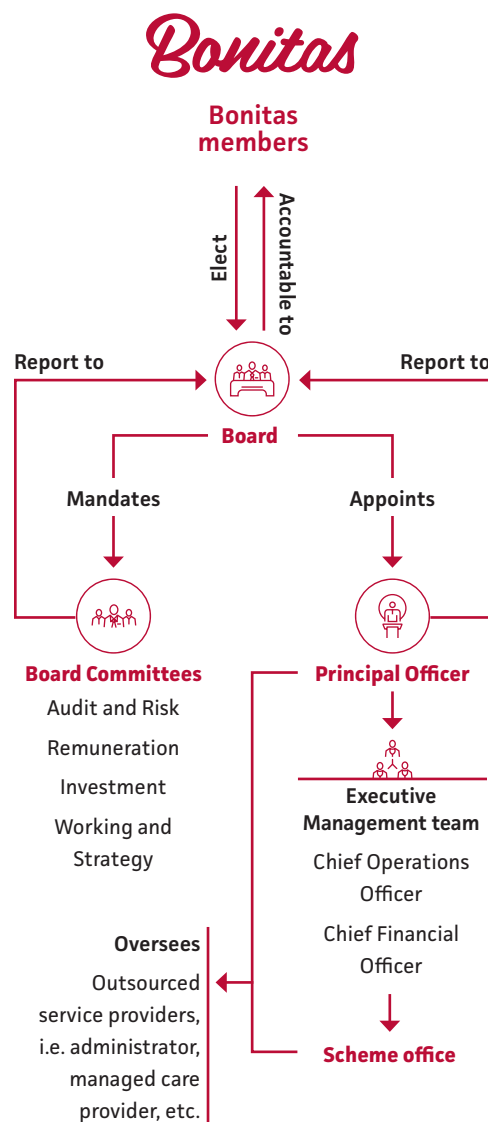
### Governing legislation and regulation

**The Act** and regulations (including proposed Amendment Bill) – all medical schemes in South Africa are governed by the Act.

**Scheme Rules** – developed and maintained in accordance with the Act and approved by the CMS.

**Corporate governance principles** – although voluntary for medical schemes, Bonitas is committed to subscribing to King IV for additional governance guidance and leading practice on good governance.

**Common law** – relevant common law principles such as Fit and Proper, Public Funds, Position of Trust, etc.



### Board

- Scheme governed by an independent Board
- Trustees duly elected by members of the scheme for a five-year term, as stipulated in the Scheme Rules
- Fit and Proper
- Accountable to Bonitas members.

### Board Committees

- Board supported by four Board committees to effectively fulfil its duties and responsibilities
- Consist of both Trustees and independent members
- Mandated through defined terms of reference/charters.

### Principal Officer

- Board appointed
- Accountable for implementing strategy and any other decisions made by the Board
- Responsible for the day-to-day management of Bonitas
- Fit and Proper
- Supported by an Executive Management team.





# GOVERNANCE CONTINUED



## Mr O Komane (54) Chairperson<sup>1</sup>

Mr O 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. Before this, he served as the Deputy General Secretary of the National Union of Mineworkers. He brings experience in strategic corporate management and negotiations, served on numerous boards in various capacities and acquired extensive knowledge as a non-executive director and Trustee. He also served as a Trustee in the MWPf (Mine Workers Provident Fund) from 2005 to 2011. He introduced a Self-Administration model which was successfully implemented until today.

**2016** 2 January 2016; appointed Vice-Chairperson with effect from 1 October 2017; appointed Chairperson with effect from 13 March 2019



## Mr R Cowlin (65) Vice-Chairperson

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

**2016** 2 January 2016; appointed Vice-Chairperson with effect from 13 March 2019



## Mr J Bagg (67)

Mr J Bagg is a qualified actuary with over 40 years' actuarial, financial management and consulting experience. He served as Statutory Actuary for numerous life insurance companies and is a Trustee of various retirement funds. He also holds directorships at life insurance and reinsurance companies.

**2016** 15 October 2016 (previous Trustee of LMS. Appointed to the Bonitas Board pursuant to the amalgamation with LMS); re-appointed by the Board as a Trustee with effect from 1 April 2019 as part of a casual vacancy (permanent appointment was approved by the members at the AGM held on 19 August 2019).



## Adv L Koch (55)

Adv L Koch holds a BLC and LLB. She is an admitted Advocate of the High Court and is employed as a senior at the Specialised Commercial Crimes Unit where she worked since 2001. She has over 20 years' experience in the investigation and prosecution of complex commercial crimes; including medical aid fraud, money laundering and financial crimes. She further has sound knowledge of corporate governance principles, frameworks and guidelines.

**2017** 1 October 2017



## Mr MG Netshisaulu (43)

Mr MG 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 employed as a Financial Strategic Analyst at the University of South Africa and is studying towards an LLB.

**2017** 1 September 2017



## Ms M Lesunyane (67)

Ms M Lesunyane holds a BA from the University of South Africa. She is the co-founder of Lesunyane Enterprises, with over 30 years of business experience. She worked at RAF until 2017.

**2012** 1 September 2012 and re-elected on 1 September 2017



## Ms J Usher (60)

Ms J Usher is a qualified Chartered Accountant with 36 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, legal contracting, commerce, strategic growth and skills development. She is Chief Financial Officer of Great Plans Conservation Limited.

**2015** 7 July 2015 and re-elected on 1 September 2017



## Mr JR Venter (38)

Mr JR Venter holds a BCom from the University of Pretoria. He has extensive experience in business development, corporate governance, strategic member relationship, retention management and financial management. He is employed by the largest technology service provider in Africa with more than 15 years' ICT experience. Mr Venter, being a member-focused individual, drives SLA adherence from service providers, thorough due diligence for contracts as well as value creation for members.

**2019** 1 July 2019



## Mr JD Ngwane (64)

Mr JD Ngwane is employed by the National Union of Mineworkers as Unit Head: Social Benefits. He assisted union negotiated retirement funds with a process involving harmonising of benefits, resulting in consolidation of funds. His self-insurance experience on retirement funds helped in reducing repudiated permanent disability claims, thus resulting in savings in premiums paid to the insurer and these reverting to the members fund credit. He assisted with medical aid comparisons across the mining industry thus resulting in that the chosen option, benefits and costs are favourable to the members and its families during hard financial times.

**2019** 1 July 2019



## Mr PJ Ribbens (48)

Mr PJ Ribbens started his business in 1997 and has been running it for the past 22 years. He has vast experience in marketing and sales and is a director of Ribbens Office National. His responsibilities include overseeing assigned accounts, monitoring and evaluating project activities. He provides guidance to the marketing department by evaluating and developing marketing strategies, planning and coordinating marketing efforts. He positions the company's brand and also develops pricing strategies with the sales department.

**2019** 1 July 2019

**0000** Trustee appointment/election date

<sup>1</sup> S Claassen resigned with effect from 1 March 2019. The term for Dr Nematswerani ended with effect from 31 March 2019.



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**



**Mr LR Callakoppen** (43)  
*Principal Officer*<sup>1</sup>

Mr LR Callakoppen holds a Master HR Professional (SA Board for People Practices) and MPhil from the University of Johannesburg. He has a wealth of experience in operational management in various sectors. Over the past 12 years he has been involved with Medscheme and the AfroCentric Group in various functions including heading up the Bonitas Business Unit.

**2019** 1 May 2019



**Mr L Woodhouse** (39)  
*Chief Financial Officer*<sup>2</sup>

Mr L Woodhouse is a qualified Chartered Accountant (CA)SA and holds a BCompt (Hons) Accounting Science. He has over 10 years' experience in the healthcare sector, previously heading up finance and operational roles within the AfroCentric Group. He has a wealth of practical experience when managing technical finance matters relating to the medical scheme environment.

**2019** 1 October 2019

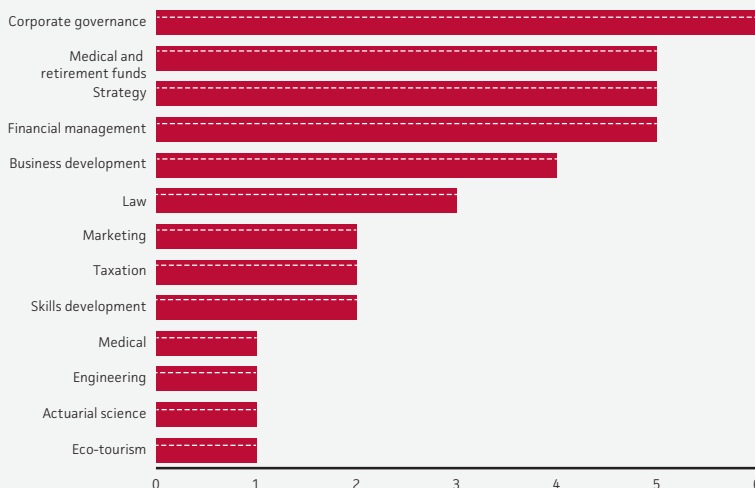


**Mr K Marion** (50)  
*Chief Operations Officer*

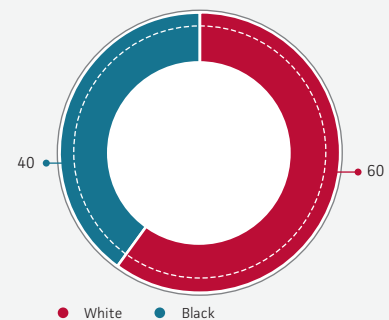
Mr K Marion joined Bonitas in July 2014 as the General Manager responsible for operations. Before this, he served as the Bonitas Senior Fund Manager responsible for administrative management. He managed numerous closed schemes and has over 20 years' experience in medical scheme operational management.

**2017** 1 August 2017. Resigned with effect from 31 January 2020.

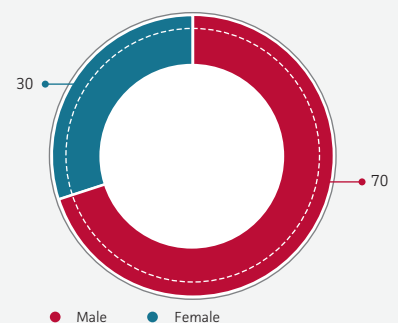
**Skills**



**Race diversity (%)**



**Gender diversity (%)**



<sup>1</sup> G van Emmenis resigned with effect from 30 April 2019.





<sup>2</sup> GC Sanqela resigned with effect from 28 February 2019.



# GOVERNANCE CONTINUED

## NON-COMPLIANCE WITH THE MSA

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

Which part of the Act?	Section 33(2)	Section 26(7)																														
 <p><b>What does it say?</b></p>	<p>The registrar may withdraw the approval of such benefit options that in his opinion are not financially sound.</p>	<p>Requires all subscriptions and contributions be paid directly to a medical scheme not later than three days after payment becomes due.</p>																														
 <p><b>Nature and cause</b></p>	<p>For the year, Bonitas reported a net healthcare deficit on eight (2018: eight) of its benefit options:</p> <table border="1"> <thead> <tr> <th></th> <th>2019 R'000</th> <th>2018 R'000</th> </tr> </thead> <tbody> <tr> <td>BonCap</td> <td>219 646</td> <td>172 651</td> </tr> <tr> <td>BonClassic</td> <td>51 334</td> <td>46 570</td> </tr> <tr> <td>BonComp</td> <td>111 665</td> <td>109 992</td> </tr> <tr> <td>BonEssential</td> <td>24 981</td> <td>2 396</td> </tr> <tr> <td>BonComplete</td> <td>25 294</td> <td>33 265</td> </tr> <tr> <td>BonSave</td> <td>4 210</td> <td>6 051</td> </tr> <tr> <td>Hospital Standard</td> <td>29 807</td> <td>13 548</td> </tr> <tr> <td>Hospital Plus</td> <td>–</td> <td>25 116</td> </tr> <tr> <td>Primary</td> <td>37 668</td> <td>–</td> </tr> </tbody> </table>		2019 R'000	2018 R'000	BonCap	219 646	172 651	BonClassic	51 334	46 570	BonComp	111 665	109 992	BonEssential	24 981	2 396	BonComplete	25 294	33 265	BonSave	4 210	6 051	Hospital Standard	29 807	13 548	Hospital Plus	–	25 116	Primary	37 668	–	<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>
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 <p><b>Possible impact</b></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 can absorb these losses.</p>	<p>Bonitas incurred bad debt write-offs of R13.4 million During 2019, (2018: R17.4 million), which equals 0.08% (2018: 0.11%) 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><b>Corrective course of action</b></p>	<p>Bonitas experienced positive performance on its largest options. In 2019, Standard and BonFit reported a net healthcare surplus of R250.5 million and R4.6 million respectively. The positive performance is mainly attributed to successful hospital negotiations, benefit design and the realignment of membership into the correct options.</p> <p>Bonitas continues to monitor the performance of the eight benefit options monthly. There are also quarterly operational meetings with the regulator to advise on the performance of these options. Bonitas adopted a long-term strategy to correct the loss making options in future, particularly the BonCap and BonComprehensive options.</p> <p>Bonitas also appointed a task team to drive initiatives to 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 preventing 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)	Section 29
<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"> <li>• An employer group participating in the medical scheme or any administrator or any arrangement associated with the medical scheme</li> <li>• Any other medical scheme</li> <li>• Any administrator</li> <li>• Any person associated with any of the above.</li> </ul>	<p>A medical scheme shall, in the case where an account was 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>A medical scheme must maintain accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review of 25%.</p>
<p>Due to 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 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. Other exceptions included situations where claims were delayed where providers exceeded their monthly limit. These providers are first screened by the forensic team, before the limit is lifted, resulting in claims being paid after 30 days.</p>	<p>Bonitas' solvency ratio was 24.9% at 31 December 2019.</p>
<p>There is a limited negative impact on members as Bonitas is honouring its obligation to the three members affected by these amalgamations.</p>	<p>Bonitas 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. No fraud risks were identified.</p>	<p>Possible insolvency and non-compliance to the Act.</p>
<p>Bonitas obtained an exemption notice on 1 June 2010 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>	<p>Bonitas submitted a business plan to the CMS. The business plan provides that Bonitas will increase the statutory reserves to the required level of 25%. The solvency recovery initiatives included in the business plan have already proven to have a positive impact on Bonitas' solvency.</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](http://www.bonitas.co.za) for the full membership brochure 2020 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 Select	♥♥	♥♥	♥♥♥♥	♥
Standard	♥♥♥	♥♥♥	♥♥♥♥	
Standard Select	♥♥	♥♥♥	♥♥♥♥	
Primary	♥♥♥	♥♥♥	♥♥♥♥	
Primary Select	♥♥	♥♥	♥♥♥♥	
Hospital Standard	♥♥	♥♥	♥♥♥	
BonEssential	♥♥	♥♥	♥♥	
BonEssential Select	♥	♥♥	♥♥	
BonCap	♥♥♥	♥♥♥	♥♥♥	





# Bonitas

Medical Aid for South Africa



[www.bonitas.co.za](http://www.bonitas.co.za)

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