

Bonitas annual results 2018 - Good vital signs

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Bonitas announce healthy annual results



*Lee R. Callakoppen, Principal Officer
of Bonitas Medical Fund*

Bonitas Medical Fund (the Scheme) reported its financial results for 2018 announcing bolstered reserves from R4.0bn in 2017 to R4.13bn in 2018, despite difficult trading conditions. As at 31 December 2018, the Scheme had 330,993 Principal members with a total of 710,206 beneficiaries.

"The surplus achieved in 2018 will be invested back into the Scheme and contribute towards offering our members access to affordable healthcare of the highest quality," says Lee Callakoppen, Principal Officer of Bonitas. "Last year our financial results were the best in our history and, even though we could not duplicate this, we are satisfied with the 2018 financials, especially given our stagnant economy and other negative fiscal influences."

Callakoppen, who took over as Principal Officer in April, says the Scheme has been, and remains, proactive in a number of strategic areas to continue to curtail costs. "Some factors are beyond our control such as high healthcare inflation, the recession and increased claims, especially for lifestyle related diseases. But we can't sit back and blame everything on outside influences; we need to constantly be looking for innovative methods to reduce costs while continuing to offer our members maximum value for money. And we believe we are achieving our mandate and getting this balance right."

The big numbers:

Although we took a multi-pronged approach to cost-saving, here are some top line achievements:

- Reserves increased from R4bn to R4.13bn. We are in a robust financial position and are confident of our ability to meet member claims.
- Hospital negotiations delivered savings of R290m.
- Fraud, Waste and Abuse (FWA) initiatives delivered recoveries of R43.3m.
- R153m saved from positive change in claiming behaviour – making a total of R174m realised.
- Additional cost-saving initiatives of R59m (examples of this included the benefit adjustments).
- An investment return of R197.4m.
- A 25.2% solvency ratio, up from up from 24.5% in 2017.
- A surplus of R164.8m.

However, there was an 8.9% increase in claims, 44.9% of all claims were for hospital admissions and 11.7% for specialists – these remain the two highest cost-drivers.

Callakoppen says, "The net healthcare results demonstrate the Scheme's ability to implement strategies in order to remain resilient during difficult financial periods. This, not only to help limit contribution increases, but also deliver on our mandate of making healthcare affordable for all South Africans."

Membership - The impact of a poor economic climate

"It is not becoming any easier," he says. "Stagnant economic growth impacts the affordability of medical aid for members, resulting in the transfer to less expensive options, limited entry of new members and increased job losses reduce

membership numbers. For this reason we implemented a number of strategies to retain and attract new members.

"And although there was no membership growth during 2018, between January and May this year, we have already attracted 30,189 new principal members as a direct result of two new plans introduced. But, more importantly, the new member profile is around 10 years younger than the average age of the Scheme which is crucial for sustainability."

Cost containment strategies

1. Hospital negotiations

During the 2018 financial year, the Scheme experienced an increase in the utilisation of healthcare services, especially in terms of mental health admissions and oncology - which is a high cost driver. However Bonitas continues to negotiate robustly with hospitals in order to obtain the best possible rates. The savings, due to these negotiations, was R290m last year and R242m in 2017, which is a combined total of R532m over a two year period.

2. Fraud, waste and abuse (FWA)

Around 15% of claims in the healthcare industry contain an element of FWA. For a Scheme the size of Bonitas, this translates to a loss of R190m. During 2018, FWA amounted to R106.2m and was made up as follows:

- Facilities – R16.5m
- Pharmacies – R15.7m
- Medical professionals – R74m

The upside is that our fight against FWA is showing good returns.

- There have been seven convictions of healthcare practitioners.
- 28 ongoing criminal cases involving false claims.
- 54 active cases reported to the Professional Council of South Africa (HPCSA).
- 762 hotline reports on FWA.
- R297m quantified in fraud since 2016.
- R84m recovered to date, R43.3m of that during 2018.
- Total savings of R174m realised.

3. Managed Care initiatives

There is an increased prevalence of lifestyle diseases such as diabetes, hypertension and cardiovascular disease as well as HIV/AIDS, cancer, chronic medicine management, back and neck pain, hip and knee replacements and mental illness. The old adage that 'prevention is better than cure' cannot be more apt than in the healthcare industry.

For this reason Bonitas has a number of programmes aimed at predicting and preventing conditions before they become chronic and managing them in the most clinically appropriate way.

The road ahead

"There a number of issues facing South Africans: Governance failures at SOEs which limits the growth prospects and therefore prosperity in South Africa; uncertainty about NHI; the recession; taxation; healthcare inflation and the general high cost of living. However we have solid plans in place to help reduce the burden on our members, these include a renewed focus on prevention and our Managed Care programme, connecting with our customers digitally, expanding our distribution channels and adding value through negotiated discounts on GAP, Life, funeral and disability cover as well as income protection.

"As the second-largest open medical scheme we have a huge responsibility to find more affordable ways of providing quality healthcare. We are pleased that our strategy is providing us with solid financial stability to continue our innovation in terms of our offering going forward," concluded Callakoppen.

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