

# Bonitas 2022: Annual results show steady growth and industry-leading financials

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Bonitas Medical Fund, in its 42nd year, announced its 2022 financial results today. The medical aid for South Africa, achieved a net surplus supported by positive membership growth, boosted reserves, an increased solvency ratio and a strong investment performance.



‘We know affordability pressures facing South Africans are overwhelming, which is why we strive to find the right balance between value for our members and long-term sustainability,’ says Luke Woodhouse, chief financial officer. ‘To this end, we are pleased to report a record high R8,8 billion in member reserves at year end 2022. We are also thrilled to confirm that we have exceeded industry benchmarks, particularly for value creation, achieving a R1.78 return for each R1.00 spent on administration and managed care – 12% higher than the industry average of R1.59.

‘Bonitas outperformed all expectations in 2022, in terms of all key indicators and we are poised to continue on this positive trajectory. This performance speaks to the strategy we’ve put in place as well as the Scheme’s overarching aim to make quality healthcare more affordable and more accessible.’

## *Increases*

One of the key cost drivers in medical aid contributions is healthcare inflation, typically around 4% higher than CPI. Rising consumer price inflation (which impacts healthcare inflation) has exacerbated the ongoing challenge of medical schemes to remain affordable. We addressed healthcare inflation through two pillars of our strategy: Strategic purchasing and integration of the value chain.

We were able to restrict the average increase in membership contributions for 2023 to 4.8%, compared to CPI of 7.2% as of December 2022. To demonstrate our commitment, we introduced our first contribution increase freeze, with increases

only applied from 1 April 2023, to create some financial respite for our members.

The number of principal members has exceeded 353,763, with 727,041 beneficiaries at an average age of 35.5. In a time when it is a challenge for schemes to acquire new members, Bonitas had a net membership growth of 4% with 47,446 gross membership acquisitions. This excludes the 14,585 acquired from the Nedgroup Medical Aid Scheme (NMAS) amalgamation – highlighting the attractiveness of the Bonitas offering and product range for corporates. We pride ourselves in providing one-on-one assistance to members and their beneficiaries, as well as access to care of the highest quality. To do so, we have partnered with best-in-class service providers.

Testimony to this is being awarded a Titanium Award from the Board of Healthcare Funders (BHF) for 'Operational Performance' in May 2023 for the second year running. The award benchmarks industry excellence and rewards medical schemes, administrators and managed care organisations which provide best value and service to their members. Earlier this year, Bonitas was also named 'Medical Scheme of the Year' at the News24 Business inaugural awards. The Scheme was also voted South Africa's number 1 medical aid in the Ask Afrika 2021/2022 Orange Index.

### *Investment*

We achieved a 7.2% return on investment for member's funds during a year which was marked by high volatility and uncertainty in the markets, both domestically and abroad. The investment portfolio value for 2022 reached R9.97bn. As a medical scheme we don't have shareholders or investors who receive dividends, we exist and spend our funds purely for the benefit of our members.

### *Cost-saving initiatives*

The Scheme's approach to realigning Managed Care initiatives, with a particular focus on hospital negotiations, resulted in a projected negotiated savings of R260m. Strategic purchasing yielded a value of at least R441m for our members.

Optimising and aligning networks is a key strategy to managing costs. We regularly evaluate the quality of all service providers to ensure there is a reduced healthcare risk for Bonitas (and for our members).

### *Amalgamations*

Our Board managed the successful amalgamation with NMAS which required close scrutiny of our governance and compliance.

### *Fraud, Waste and Abuse (FWA)*

In 2022, Bonitas spent R49m on its FWA programme with Medscheme and, for the first time we banked recoveries in excess of R55m. Banked recoveries represent a small portion of the actual savings emanating from successful FWA detection and preventions, as service providers who engage in FWA are likely to continue doing so if they are not held to account. We estimate a saving of R1.1 billion from changed behaviour since the commencement of our FWA programme in 2016.

### *Solvency levels*

Our solvency levels reached an all-time high of 41.3% - 16% above the legislated 25%. Our objective is to sustain solvency levels above 30% and to use our bolstered reserves to benefit our members.

### *Hospital costs*

Hospital costs again dominated claims, reaching R6.9 billion (2021: R6.45 billion).

## *Managed Care*

Active Disease Risk Management (ADRM) focusses on improving clinical outcomes, reducing admissions, readmissions and improving medicine adherence. The estimated value realisation of these interventions achieved savings in excess of R14 million.

## *Value for money above industry average*

Deloitte conducted a Transactional and Relational Governance Review of years 2020 and 2021 with the results received in November 2022. The Review found that Bonitas obtained significant value for money from its primary contracted service providers. For every R1.00 spent on administration and Managed Care, Bonitas derived R1.78 for 2021, an increase of 19%, demonstrating substantial improvement year on year.

## *Outlook for 2023*

Our agile approach to the execution of our strategy is likely to stand us in good stead in 2023, as we expect further volatility in local and international markets and an increase in disease burden such as mental health. For our members, affordability and quality remains top of mind. Private medical aid shifted from being a grudge purchase to a necessary monthly budget item during Covid-19. However, Bonitas remains committed to deliver benefit enrichment for members, which we can do through our value-added offerings, healthy reserves and high solvency level.

In terms of the NHI draft Bill, we have done extensive scenario planning to consider both best- and worst-case scenarios for Bonitas. We remain unequivocally in support of the principle of universal healthcare but believe that a collaborative and cohesive approach, between the private and public sector, is required to draft a Bill that is fit for purpose: For our country and all our citizens.

Serving approximately nine million South Africans, the private healthcare sector plays a significant role in alleviating pressure on the public sector. We remain firm in our conviction that an approach to universal healthcare, that exists in harmony with the private sector, will be the best way forward in providing access to quality healthcare for all South Africans.

IT, governance and management will continue to receive attention. The gathering and analysis of healthcare data is a powerful tool for managing healthcare risk and informing and educating our members. However, these activities must be undertaken with due consideration to data protection and cyber security, especially considering the sensitive nature of much of the data in our care.

Given the unpredictability of our operating environment, we will continue to prioritise sound corporate governance and risk management. Our risk universe is ever-changing and the regular scenario and sensitivity analyses Bonitas performs, help us set the direction for the road ahead.

## **2022 performance at a glance:**

- *R1.7 billion gross healthcare result (2021: R1.8 billion)*
- *Reserves reaching R8.8 billion (2021: R7.4 billion)*
- *A net surplus of R699 million (2021: R1.4 billion)*
- *R49 million spent on FWA programme with Medscheme - banked recoveries in excess of R55 million*
- *Solvency ratio of 41.3% (2021:36.5%)*
- *Strategic purchasing strategies yielded savings of at least R441 million*
- *Claims paid to the value of R15.8 billion*
- *99.47% of hospital claims paid within 10 days*
- *Projected negotiated hospital savings of R260 million (2021: R198 million)*
- *A 7.2% return on investment for members' funds*

- An investment income of R781 million (2021: R1.2 billion)
- R9.97 billion total investment portfolio value excluding cash (2021 R8.32 billion)
- Net claims incurred R17 billion (2021: R 15.8 billion)
- Healthcare cost savings initiatives realised savings of R487 million(2020: R221 million)
- 90.9% claims loss ratio (2021: 89.8%)

*\*The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRA Interpretations Committees as applicable in South Africa and in the manner required by the Act.*

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**Bonitas**



Bonitas aims to make quality healthcare accessible to South Africans. We offer a wide range of products that are simple to understand, easy to use and give our members more value for money.

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