

# Bonitas on a growth trajectory

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Covid-19, which completely discombobulated the world -not only in terms of human lives and suffering, but entire economies - had an unexpectedly positive effect on the fiscal health of Bonitas Medical Fund. Luke Woodhouse, chief financial officer says: "The Fund, which celebrates its 40th birthday this year, announced R7.4bn in reserves at year end 2021."



Luke Woodhouse, CFO of Bonitas Medical Fund

Bonitas outperformed all expectations in 2021 in terms of all key indicators: Positive membership growth, a strong investment performance and boosted reserves. This despite the pervasive uncertainty and loss caused by the continuing Covid-19 pandemic. "One area that has seen a particularly healthy growth is within the innovative Edge offering, called BonStart," says Woodhouse. "Introduced in 2021 at an affordable price point, with virtual care as its base and aimed at young, urban South Africans, it exceeded membership targets by 41.3%. But, more important, is the age profile: 33.9 average age. With this in mind, we introduced a second option for 2022 called BonStart Plus.

"We are pleased to announce that the number of principal members has exceeded 340,000 with over 700,000 beneficiaries and look forward to continued growth in 2022. The value of quality healthcare became even more important during the pandemic and, as the world starts to recover, members are holding on to the security of private healthcare.

"Covid-19 still impacted the healthcare industry as a whole in 2021 and we had to be agile in our response to the dynamic changes within our operating landscape. However, we had the advantage of learnings from the previous year to guide us when facing difficult decisions. The so-called 'crystal ball' now reflects a clearer claims landscape and, together with our organisational culture and management style that had evolved over the past two years, we were in a better position to make confident and swift decisions in the interest of members.

"Despite these challenges, our strategic focus on connecting with customers also ensured that we successfully retained members. In fact, there was an exceptional start to the 2021 financial year when 28,500 new members joined the Fund in January. Importantly, 60% of new members were younger than 35."

## Investment

Bonitas reported an average return of 16.2% CPI +11.5%. (2020: 4.16%) on its investment portfolio, well above the target of 8.1% (CPI+3.5%). We continued to track performance closely to determine the best strategic assets. We remained

committed to our long-term investment strategy and consistently outperformed the industry.

Bonitas also used derivatives to hedge against high levels of volatility in equity markets. Excellent yields, with our equity strategy and investment in bonds paying off.

### **Cost-saving initiatives**

There was significant impact on savings following the collective hospital tariff negotiations in 2020. Bonitas' pro-active approach to realigning Managed Care initiatives, with a particular focus on hospital negotiations, resulted in a savings of R198m.

### **Amalgamations**

The selection of Bonitas as the preferred amalgamation partner for Nedbank Medical Aid Scheme (NMAS) – a restricted membership medical scheme for Nedbank and Old Mutual employees with 26,283 principal members – was a highlight for 2021. This followed a robust process that included membership and regulatory approvals. The NMAS amalgamation, contributed R613m to reserves following the transfer on 1 January 2022.

### **Increases**

Given the significant build-up of reserves in 2020 and the challenging economic circumstances facing our members, Bonitas set historically low premium increases in 2021 without jeopardising the sustainability of the Fund. There was a competitive weighted average contribution increase of only 1,3% higher than CPI whereas, under normal circumstances, these are set at a minimum of CPI +3,5%.

### **Solvency levels**

Our medium-term objective is to sustain solvency levels above 30% and to use our bolstered reserves to benefit our members, for example by limiting annual contribution increases and enhancing benefits. As suggested by CMS, we reinvested R600m of our reserves to reduce the contributions increases for 2022.

### **Hospital costs and vaccinations**

Hospital costs dominated claims, reaching R6.45bn, up 9.52% against 2020. This is in line with the moratorium on elective surgeries being lifted.

### **Home-based care and day hospitals**

Our hospital negotiations including day hospitals and home-based care – in partnership with Quro Medical to offer members acute level care in their own homes – resulted in a saving of R9.5m.

### **Managed Care – prevention is better than cure**

Active Disease Risk Management (ADRM) – focuses on outcomes-based frameworks to improve clinical outcomes, reduce admissions and readmissions, and improve medicine adherence. These interventions achieved savings in excess of R14m.

### **Outlook for 2022**

We expect the pandemic challenges to remain, whether in new waves or new variants. The potential impact is unsure, but we remain committed to promoting vaccination as an effective counter measure. We are confident that Bonitas will continue growing its membership, fostering retention, and retaining the momentum gained over the past two years. However, we are mindful of the macroeconomic factors that still stifle consumer spending.

In terms of regulatory reform, we look forward to positive change that will ensure the scheme's sustainability while meeting

members' needs. Our intent remains to provide quality healthcare that is more accessible and affordable to even more South Africans in 2022.

### 2021 performance at a glance:

- R1.8bn gross healthcare result (2020: R3bn gross healthcare result)
- Reserves reaching R7.4bn (2020: R6.1bn)
- A net surplus of R1.4bn (2020: R1.7bn)
- Solvency ratio of 36.5% (2020: 32.7%)
- Projected negotiated hospital savings of R198m (2020: R346m)
- An average return of 16.2% equating to investment income of R1.2bn (2020: 4.16% equating to R316.6m)
- R8.32bn total investment portfolio value, excluding cash (2020: R7.22bn)
- Net claims increased by 10.5% to R15.8bn (2020: R14.3bn)
- Healthcare cost savings initiatives realised savings of R487m (2020: R221m)
- 89.8% claims loss ratio (2020: 83.0%)

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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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