Because Your Health Matters

ALLIANCE-MIDMED MEDICAL SCHEME

MINUTES OF THE ANNUAL GENERAL MEETING OF ALLIANCE- MIDMED MEDICAL SCHEME HELD AT CARROLL'S CAFÉ, COLUMBUS STAINLESS, 10 HENDRINA ROAD MIDDELBURG ON TUESDAY, 11 JUNE 2019 AT 10H00

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1. Notice Convening the Meeting

The Chairperson, Mrs Sharon Muller, welcomed everyone present and thanked them for attending the Alliance-Midmed Medical Scheme AGM. She extended a special welcome to the Trustees and the PHA contingent.

The Chairman confirmed that due notice had been served in terms of Rule 25.1.3 of the Scheme Rules and noted that with the presence of 64 members establishing a quorum, the meeting was duly constituted.

2. Apologies

S Bankies
E Erasmus
M Janse van Rensburg

3. Attendance: Refer to attendance register for member attendance (64 members)

Trustees Present

J Mabhena	Trustee
S Muller	Chairperson
C Kritzinger	Trustee
R v Coller	Trustee
D Martin	Trustee
J Tharakan	Co-Opted Trustee
H Fourie	Co-Opted Trustee
N Harris	Co-Opted Trustee

Principal Officer

J Hartzenberg

Private Health Administrators

E Bloem	Fund Manager
L Hayes	Scheme Secretary
P Prithilall	Fund Accountant

4. Confirmation of the Minutes of the Annual General Meeting held on 14 June 2018

The minutes of the Annual General Meeting held on 14 June 2018 were circulated. No amendments were proposed. The minutes were agreed and signed as a true record of the proceedings.

Proposed by Glynn le Roux
Seconded by Jan Snyman

5. Address by the Chair Person

The 2019 Chairperson's Report was taken as read (a copy is attached for ease of reference). The Chairperson presented the AGM Presentation, highlighting the following salient issues:

a. The Chairperson introduced the new Board of Trustees, Audit Risk and Compliance Committee members and Disputes Committee members to the attendees.
b. The high-level overview of the 2018 financial results reflected that:
   - The contribution income increased by 4.3% to R90.82m.
   - Net investment income of R3.03m was 36.6% lower than the prior year due to the adverse investment markets.
   - The healthcare expenses increased by 6.8% to R91.39m.
   - The administration expenses decreased by 0.9% to R5.57m.
   - The accumulated funds decreased by 0.5% to R84.3m.
   - The Scheme's membership decreased by 5.86% to 1 748.
c. The 2019 year-to-date financial results as at April 2019 shows that the Scheme ended on a surplus of R2.514m for this period, which is substantially better than the actual loss of R3.121m in 2018 and the budgeted year-to-date loss for 2019 of R575k.
d. As at December 2018 the Scheme's solvency ratio decreased to 37.89% from 40.14% in 2017. Even though there was a reduction in the solvency ratio, it is still well above the legal requirement of 25%.
e. The Trustees reviewed the Scheme's reserve levels and decided that the minimum members' funds should be R44m. This minimum will ensure that the Scheme is better equipped to meet its liabilities. The total net member's funds as at December 2018 were R37.379m.
f. The relevant healthcare expenditure as a percentage of gross contributions for 2018 was 92.66%, which is slighting higher than the 90.52% recorded for 2017.
g. The investments only yielded a 3.77% return which was substantially less than the 2017 yield of 8.20%.
h. There are 1 343 beneficiaries (31.9%) registered for chronic conditions. The registration for chronic conditions are beneficial to the Scheme as these members are managed appropriately which prevents hospital admissions.
i. The high costing cases amounted to R6.776m for 2018, which was substantially lower than the R9.161m which was paid in 2017.
j. A total number of 319 384 transactions were processed during 2018.
k. The medical professionals' charge out rate is inflation plus 5% to 7.25%.
l. The average expenses per member per month, categorized per discipline group is:
   - Hospital – R1 476;
   - Pharmacy – R659;
   - Pathology – R550;
   - Specialists – R483;
   - GPs – R332;
   - Dental – R188;
   - Clinical Technology – R41;
   - Opticians – R81;
   - Other – R227.
m. The Scheme's age profile shows that:
   - 15.8% falls in the < 10 years age category;
   - 17.2% in the 10 to 20 years age category;
   - 12.7% in the 20 to 30 years age category;
   - 15.3% in the 30 to 40 years age category;
   - 16.3% in the 40 to 50 years age category;
   - 12.1% in the 50 to 60 years age category;
   - 6.3% in the 60 to 70 years age category;
   - 3.7% in the 70 to 80 years age category; and
   - 0.7% in the >80 years age category.
n. From January to December 2018, the total medication spend was R16,493m. The spend per category was:
   - Acute – R6,635m;
   - Chronic – R1,311m;
   - Oncology – R843k;
   - Prescribed Minimum Benefits (PMB) – R6,146m; and
   - Over the Counter (OTC) – R938k.

o. When comparing the Scheme's contribution increase trends since 1999 against the average industry contribution increases and CPI, it was noted that the Scheme's contribution increases were consistently lower than the industry average. This resulted in a savings to the members of between 32% and 70%, depending on the income category.
p. Of the R79,647m healthcare spend in 2018, 37% was paid to hospitals, 17% to pharmacies, 14% to specialists, 7% to pathology, 5% to diagnostic radiology, 2% to aneasthetists, 9% to GPs, 5% to dentists, 2% to opticians and 2% to other disciplines.
q. Of the R5.572m that was spent on non-healthcare expenditure in 2018, 4.07% was spent on administrator's fees. It was noted that the Scheme's administration fees are one of the three lowest in the industry. The average in the industry is between 11.5% and 18% of contributions.
r. The Scheme implemented the Seven Peaks managed healthcare strategy. The outcomes of this strategy are to predict health and cost outcomes, and it forms the basis for prioritising resource focus. Health Risk Assessments are done where after all the beneficiaries is categorized into three broad groups that determine the level of intervention and engagement. The objective of the strategy at implementation date in 2014 was to save R3.2m annually which equates to R148.56 per member per month.
s. The Chairperson highlighted the cost comparisons between ethical and generic drugs and reiterated that the use of generic drugs has a substantial positive financial impact on the Scheme.
t. The Scheme continuously faces the following risks, challenges and opportunities:
    - Legislation requirements and the impact of the National Health Insurance;
    - High costing cases;
    - Wastage in the form of fraud, abuse and over-utilisation which results approximately 5% of all claims;
    - Unhealthy lifestyle choices which results in approximately 25% of all claims;
    - Cost management;
    - Prescribed Minimum Benefits which are costs that the Scheme must fund in full as per the relevant legislative requirements;
    - Costs of new procedures, technology and drugs; and
    - Disaster risk which could result in costs escalating to R3.25m per doctors visit and medication.
u. The members can assist the Scheme in its efforts to contain costs by:
    - Following doctor's instructions;
    - Obtaining quotations for expensive procedures;
    - Utilising the Middelburg office for pre-authorisations and referrals to the Donald Gordon Institute;
    - Utilising the Lifestyle benefits, especially the flu vaccination this time of year;
    - Improving on lifestyle choices and exercising regularly;
    - Adhering to the managed healthcare programmes;
    - Utilisation generic medication where possible;
    - Registering any chronic conditions to ensure that the condition is managed appropriately;
    - Utilising the in-rooms surgical procedures benefit;
    - Reporting fraud and abuse.
v. Through effective management of the Scheme's funds and benefits, the Scheme is able to provide its members with five-star benefits at a three-star cost.
w. The Chairperson urged the members to download the Mobile App as it provides convenient, easy access to the benefits, claims, authorisation, client contact centre and membership details.
x. The Chairperson reminded the members that all the relevant Scheme details are available on the Scheme website.

No questions were raised and no comments noted.

6. Comment on the Annual Report and Financial Statements

PP introduced himself to the attendees. He presented the 2018 Annual Financial Statements, noting the following salient points:

a. The Scheme's accumulated funds decreased from R49,026m in 2017 to R45,905m in 2018.

b. The relevant healthcare expenditure increased from R85,605m in 2017 to R91,398m in 2018.
c. The net investment income decreased from R4,779m in 2017 to R3,028m in 2018.
d. The Scheme ended the 2018 year on a comprehensive loss of R3,121m compared to the R614k surplus in 2017.
e. The Scheme's membership decreased from 1 855 in 2017 to 1 748 in 2018.
f. The average accumulated funds (excluding savings) per member at year end decreased from R26 429 in 2017 to R25 804 ion 2018.
g. The average beneficiary age increased from 31.24 years in 2017 to 32.76 years in 2018.
h. The average non-healthcare expenditure per beneficiary decreased from R113 in 2017 to R110 in 2018.
i. The non-healthcare expenditure as a percentage of gross contributions decreased from 6.33% in 2017 to 5.65% in 2018.
j. The average net contributions per member per month increased from R3 928 in 2017 to R4 254 in 2018.

The Scheme 2019 April year-to-date results reflected that:

k. The accumulated funds increased from R45,905m in December 2018 to R48,419m in April 2019;
l. The relevant healthcare expenditure was R31,741m compared to the budgeted healthcare expenditure of R34,060m.
m. The net investment income of R3,609m in substantially higher than the budgeted income of R1,048m.
n. Year-to-date the Scheme ended on comprehensive surplus of R2,514m against a budgeted loss of R575k.

The audited Annual Financial Statements were laid before the meeting and had also been made available for inspection by members at the site offices and the Scheme website: **www.alliancemidmed.co.za**. The AFS was taken as read. The Chairperson announced that the AFS had been duly audited, signed off and submitted to the Council for the Medical Schemes.

The following comments and queries were noted:

1. A member (Mr Charles Sibasa) enquired why the membership declined by almost 1000 members. JH explained that the decrease can be attributed to members that resigned from the Scheme to join Sizwe Medical Scheme and members that resigned from the Scheme to access their positive savings. JH noted that some of the members have returned the Scheme after receiving their positive savings.
2. A member (Mr Tony Bagnall) referred to the members' personal savings accounts, noting that he is aware of the Constitutional Court ruling that allows the Scheme not to pay any interest on positive savings, to the members. He enquired why the Scheme decided to implement the non-payment of interest. JH explained that the Board had to make the decision not to pay the interest as it had a direct impact on the contribution increase. He stated that most the Scheme's benefits are covered by the portion of the contributions and that the savings are more beneficial to the members that have small children. Mr Bagnall enquired whether the savings portion of the contributions are subsidised by the Employer and JH confirmed that the total contribution is subsidised and therefore the employer does subsidise the savings portion of the contributions.
3. A member (Mr Tony Bagnall) referred to the poor investment returns and the Scheme's asset distribution, noting that 16% in cash is quite high as the returns from cash is quite low. He enquired why the Scheme has such a substantial amount of funds invested in bonds. JH explained that the Scheme is bound by legislation regarding the distribution of its assets across the various asset classes.

7. Appointment of Auditors

The Principal Officer noted that, following the 2018 AGM, the Board conducted a review of the Auditors in accordance with good governance practices. Based on this review and the consideration of the fee proposals from the various auditing firms, the Board terminated the services and Deloitte and appointed BDO as the Scheme Auditors. A notice was sent to the members confirming that the termination of Deloitte and the appointment of BDO. The Principal Officer confirmed that BDO performed the Scheme audit for 2018 and no problems or concerns were noted.

The Principal Officer stated that, in terms of the Scheme Rules, the annual reappointment of the Auditors was required. He requested that the members confirm the reappointment of BDO as the Scheme auditors for 2019 and the member unanimously agreed.

Proposed by Harry Muller
Seconded by Tony Bagnall

8. Trustee Elections

The 2018 Trustee election results were confirmed.

9. Motions

In terms of the Rules of the Scheme, Notices of Motion are to be placed before the AGM and should reach the Principal Officer no later than 14 days before the AGM. The Chairperson confirmed that no motions had been received.

10. General

The Chairperson thanked the Trustees, the Committee Members, the Administrator, the Managed Care Organisations and the Professional Nurses for their valued service to the Scheme. She reminded the members to sign the attendance register and thanked the members for their continuous support.

With no further business at hand, the Chairperson thanked everyone for their attendance and closed the meeting at 10h49.

Certified a true record.

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Chairman **Date**