ALLIANCE-MIDMED MEDICAL SCHEME

20 June 2023

To: Alliance-Midmed Medical Scheme Members

Dear Member,

2023 ANNUAL GENERAL MEETING CHAIRPERSON'S REPORT

It is my pleasure and privilege to submit this annual report to you. I highlight our goals and objectives and report on the Scheme's performance.

Firstly, COVID left an indelible mark – apart from lost loved ones, several members and their dependents suffer from COVID's long-term effects. And please be aware that although the official surveillance programme closed in March 2023, we are still experiencing COVID-related hospital admissions.

The financials

We are experiencing a return to pre-COVID claims and expense patterns.

In summary, our reserves were a healthy 50.3% in December 2022, reducing slightly to 47.78% in April 2023 – somewhat worse than the Board's 2023 budget. The financial highlights are as follows: (amounts in the bracket are the previous year's results):

Contribution income	Investment Income	Healthcare Expenses	Administration Expenses	Reserves	Membership
R112.42m (R105.36m)	R6.97m (R12.24m)	R109.30M (R99.95m)	R8.36m (R6.90m)	R79.80m (R78.76m)	1 654 (1 582)

The higher claims are primarily due to increased use of medical services (we spent R2m more than budget - R401 per member) and a lower return on our investments. We also continue to focus on fraud and losses due to wasteful practices. For monthly updates on the Scheme's financial position, please visit our website – www.alliancemidmed.co.za.

We had an exceptional 2021 when our investments returned 10.23%. In 2022, our returns were more subdued at 5.74% - in line with the expected medical scheme returns.

2021 and 2022 saw unqualified audits – the hard work of our team, even though we reverted to self-administration in 2020, which also saw an unqualified audit. Ransome Rossouw, our new auditor, completed the 2022 audit. I bring to your attention that at the 2022 AGM, we requested members to delay the auditor appointment due to a dispute regarding fee increases by BDO. As promised, we circulated an update and appointed Ransome Russouw, having not received any objections to the proposal. We will propose that Ransome Russouw be reappointed at the 2023 AGM.

After the cyber incident in 2022, we also strengthened our payment processes and banking verification details – and in some instances, we had to deal with highly irritated health professionals due to the additional requirements.

2022 Objectives

The team further consolidated governance and stabilised administration – making great strides towards achieving our operational targets. We answered 78% of calls the same day and processed and paid 95% of the average 28 080 claims we receive in any month in thirty days (and 97.7% in 60 days). This requires careful coordination and management, and we are proud to have achieved this with our dedicated and professional team.

During 2022 we also had the opportunity to focus on the **Know-Your Numbers (KYN)** Programme and had great results. Through the confidential KYN programme, we engage proactively with members to manage and address health risks – thereby avoiding or delaying high-costing events.

Change and improvements

Our Board of Trustees implemented several changes and improvements. It includes moving the Scheme office to the premises made available by the employers at the Family Wellness Centre - reducing rental by R18,000 a month. We increased the child-dependent age to 26, improved the optical benefit and removed the hassle factor (cancelling several co-payments and removing some authorisations, like crutches, where we implemented a simple refund rate instead). And our medical advisor spent much time guiding the team towards even better practices – notably the deprescribing guide on the website – please contact the nurses for assistance. Since 2021, we also pay for the flu vaccine for all dependants, available from most bigger pharmacies, which remains an important precaution. The Scheme covers the cost of the vaccine.

Plans

Expect more changes as we improve access to quality healthcare and optimise costs through the KYN programme. The programme's success depends on your and your health practitioner's participation, resulting in reduced costs. Our experience with members who participated to date shows that a 20% increase in participation in the 15 most expensive chronic programmes could result in an approximate 1.5% premium reduction.

Importantly, through the KYN programme, we identify and limit high-cost hospital admissions. We have also noticed that unexpected serious illness often relates to delayed medical treatment and a break in using chronic medicines, apparent during the COVID lockdown period. It is essential to please respond to the nurse's calls.

The KYN programme will be most effective when at least 80% of our families have completed the Health Risk Assessments (HRA). Please make an appointment – it takes 30 minutes and has been life-changing for members. Our medical team will help you with a personalised, proactive care plan based on the results.

We are also improving the process for referrals to out-of-area hospitals to secure access to the best care and services. Approximately 24% of hospitalisations occur outside the Middelburg area, mainly related to the more complicated and higher-cost admissions such as cancer and heart surgery. We want to ensure access to the best specialist and support services in the future.

The high levels of medicine non-adherence for several high-risk conditions (epilepsy, depression, heart failure, diabetes, etc. remains worrisome – in 2023, we experienced a 78.8% adherence. Because it is so expensive to manage these unused benefits, and after we have unsuccessfully reached out to resolve challenges with medicines over the past two years, registrations will be cancelled where members have failed to collect their medication for four months. A suspension is an expensive option, and we urge you to please connect with the nursing team to help resolve challenges you may experience with chronic medicines.

We highlight several challenges in the AGM presentation and will keep you informed as these unfold. It includes the National Health Insurance Scheme, which intends to limit Scheme funded benefits, scarce skills and the conclusion of the regulatory investigation into the scheme's governance. There remains an issue with certain hospitals confusing the Scheme with the Allianz International Insurance product, which we are addressing with the hospital groups continuously.

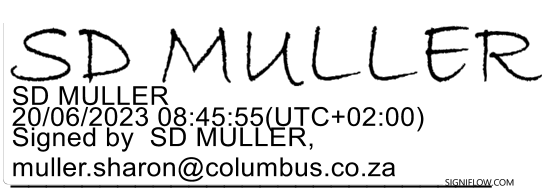
A few words on available benefits – we managed to contain cost increases and maintain a rich benefit over time. There are cost pressures, and we cannot provide all the benefits members would want access to – for example, specialised dentistry and cosmetic surgery. The Scheme, unfortunately, has to ration some expenses. Where management's decisions are questioned, members are invited to follow the ex-gratia or dispute processes.

Lastly, thank you to the Board for steady guidance during our transition to self-administration, which enabled us to become even more member-focused and the funding of healthcare, which is of better and more consistent quality. And thank you to the team for their dedication.

Connect

Please connect with us to address any concerns – use the web service or mobile app, email us at service@alliancemidmed.co.za, the "call me back" option, the WhatsApp service or call us on 0860 00 2101. These contact details are available at www.alliancemidmed.co.za.

Sincerely,



Sharon Muller