ALLIANCE-MIDMED MEDICAL SCHEME

Because Your Health Matters

17 August 2020

To: Alliance-Midmed Medical Scheme Members

Dear Member,

2020 CHAIRPERSON'S REPORT

Every year we submit a State-of-the-Scheme update at this meeting. I find this 2020 event difficult as we deal with the Novel Coronavirus (SARS-CoV-2) devastation. The respiratory illness that it causes (Coronavirus Disease of 2019 (COVID-19)) is deadly for the elderly and persons suffering from serious chronic illness and has resulted in economic and financial chaos everywhere.

The Scheme's 2019 audited financial position included:

Membership	Contribution income	Investment income	Healthcare expenses	Administration expenses	Reserves
1,680 *(1,749 in 2018)*	R102.56M	R5.57M	R94.92M	R5.41M	37.29% *(37.89% in 2018)*

Since the emergence of COVID-19 and the lockdown, the claims experienced by the scheme has dropped dramatically resulting in an improved reserve of 42.8% as of end July 2020; exceeding the targeted 40% that is deemed safe for a scheme of our size. Provision for delayed claims, a return to the usual claim patterns and COVID-19 treatment costs are included in the reserve calculation. However, the 2020 results are tentative as medical professionals and hospitals have reported billing delays due to staff shortages as a result of the impact COVID-19 on their operations. The Scheme continues to work closely with our actuary and legal consultant to monitor and manage this situation and forecasts, as the treatment costs we have incurred for the few COVID-19 cases we have had to date have been very expensive.

2020 saw the Scheme change to become self-administered. This change was deemed necessary to contain costs and to maintain the Scheme's unique benefits and character. Initially it was challenging, but we have managed to iron out most of the issues. Some which still need to be finalised include the telephone issues, the last arrears accounts, membership changes, and dental issues which should be resolved by mid-September. I am also happy to announce that as from I June the dental administration has also been moved in-house resulting in further cost savings for the Scheme.

During the year we have also successfully implemented a new financial system, appointed two staff members, integrated the back office and support functions, and moved to a more affordable office at 21 Dolerite Crescent. Administration costs are below 5%, and within this time frame we have also reviewed our processes and claims as well as the third-party and Motor Vehicle Accident (MVA) claims. One improvement is with regards to the call response time, which averaged 80% at the beginning of the year and now stands at 92%. Another example concerns resolution of queries, as of end of June, 87% of all queries were resolved within 24-hours and 99% within 40-hours. Please take note that should you or your beneficiary be involved in a MVA that resulted in injury that was caused by a third party you are obliged to inform the Scheme and actively claim for the medical costs incurred and refund to the Scheme accordingly.

Some other good news is that the flu vaccine programme that we initiated at the start of winter proved to be a good investment with more than 200 beneficiaries receiving the vaccination. Research clearly shows that the vaccine reduces one's chances of contracting COVID-19 – especially for the at-risk beneficiaries.

The Board avoided major changes to benefits in 2019 and 2020, as their main priority was to stabilise the scheme's finances. The most significant change was to dental benefits, including limitations to in-hospital procedures.

We continue to experience challenges with anaesthetists and optical services who charge higher co-payments than industry and scheme rates. Members have options though and we encourage you to please speak to the team at 0860-00-2101 and obtain quotations beforehand. Here is an example of similar glasses at three different providers in Middelburg (around June 2020):

Provider 1	Provider 2	Provider 3
R5,166.00	R8,344.00	R9,284.00

The regulator kept us busy during 2020, with a routine three-yearly audit, an investigation into the use of member savings accounts, as well as the accreditation process to function as a self-administered scheme.

The remainder of 2020 and 2021 will present different challenges, due to the many unknowns and uncertainties which lie ahead. We will, however, communicate frequently through the website and the Mobile App. An immediate issue is the finances and budgets for 2021, which will also be impacted by the degree to which claim levels return and exceed the first half of 2020 as well as by the type of claims experience.

Unfortunately, during the lockdown we had to place our outreach and home visit initiatives on hold and the team worked from home, helping to ensure that our at-risk dependents maintained their chronic medicine compliance. Hospitals shut down and the deferral of elective care kept our medical advisory team busy. They work in consultation with various specialists and the Donald Gordan Medical Centre (a world-renowned medical advisory group). We are however, concerned about medicine usage – on average only 63% of our dependents fetch their chronic medicines according to their prescription. The table below lists some of the conditions and the typical compliance we see:

	% Compliance
Bipolar Mood Disorder	55.40
Cardiac Failure	78.57
Epilepsy	61.68
HIV/AIDS	76.67

	% Compliance
Hypertension	73.99
Depression	64.26
Diabetes Mellitus 1	73.33
Diabetes Mellitus 2	78.63

We appeal to our members to monitor their own compliance and take their medicines as prescribed.

Since BDO's appointment as the Scheme's auditor in 2018, we have experienced them as tough, fair and competent, and as such we recommend their re-appointment for 2020. The 2019 Scheme audit reaffirming the Scheme's high standards of governance and financial controls and we confirm that the Scheme remains a healthy going concern.

As the lockdown eases and life returns to some form of normality we will refocus on lifestyle-related costs, technology, overuse, abuse and fraud. Prevention, early detection and optimal treatment of medical events will also form part of this as prevention remains more cost-effective than treatment – notably for illnesses like diabetes, high blood pressure and cholesterol. When Sister Katie and her team make contact to help you ***"KNOW AND MANAGE YOUR NUMBERS",*** *please respond*. We are mindful of the sensitivities and assure your confidentiality – and will only share your personal information with your consent. *Remember that our efforts are aimed at our slogan -* ***"BECAUSE YOUR HEALTH MATTERS".***

Fraud continues to escalate costs and we estimate that up to 5% of claims can be prevented. The team continues to make good progress in managing this but we need your help to contain the effect. Call the fraud tipoff line anonymously at **0860 040 040** if you are aware of any fraudulent activities.

How can you preserve your benefits and reduce higher increases?

- Use your benefits with care, consult our Nurses and call the Europ Assist line (confidential and free).
- Report fraud and abuse. We risk the message being ignored because we raise it every year. The cost impact is severe – in 2019, we estimate that up to R2,589 per member was wasted because of overuse and fraud. Please contact the Principal Officer or call **0860 040 040** anonymously.
- Make use of generics. In most cases, we incur unnecessary costs by using brand name medicines instead of generics. Please note the SMS that is sent when you are at the pharmacy. The pharmacist receives the same message, which makes it easier to discuss the alternatives.

- Use the comprehensive life-stages benefit (i.e. immunization, etc.) and the extended in-room procedure's benefits - ask our nursing team if you are unsure.

We are continuing discussions regarding the impact of the planned National Health Insurance (NHI) on the Scheme and we will keep you informed of any significant events or changes.

Lastly, a sincere word of thanks to the Board of Trustees, members of the Audit Committee as well as the administration team, Rx Health Group (who provide the support and back-office services), and Sister Katie and her team who continuously strive to help improve our health and handle all matters of the Scheme with diligence and commitment.

In conclusion, I would like to thank you, the Scheme members for your patience during this time of change and renewal.

We wish you all the best and hope that you will be safe and well.

Sharon Muller
Chairperson