

Bonitas announces best financial results in 35-year history

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Bonitas Medical Fund (the Scheme) reported a solid surplus of R730.20m for 2017, recouping the R16.9m deficit from 2016. Gerhard van Emmenis, Principal Officer of Bonitas, says, "2017 was an exceptional year for us in terms of financial results. This was largely due to several key cost-saving strategies and initiatives implemented during the 2016-2017 period."

This bolstered Bonitas reserves from R3.2bn to R4bn. "This surplus will be invested back into the Scheme and will allow us to offer our members access to healthcare of the highest quality."

Van Emmenis says, "Medical schemes need to be proactive in curtailing costs. Even though healthcare inflation continues to outpace general inflation by about 5% (12.5% in 2017), we cannot simply say, 'It's not our fault or our problem.' We need to constantly be looking for different methods to contain costs and offer our members maximum value for money."

Quick overview:

"Although we took a multi-pronged approach to cost-saving, our main focus was on:

- Hospital negotiations, which delivered savings of R242m.
- Fraud, waste and abuse (FWA) initiatives were also a significant focus and delivered recoveries of R31.2m, with a potential preventative savings of R75m.
- Other cost-savings initiatives of R59m (examples of this included the benefit adjustments).
- A return on investments of 8.9% also contributed to the healthy fiscal outlook for Bonitas Medical Fund.

"The net healthcare results of R345.9m and investment income of R394.3m, underpin the Scheme's ability to implement strategies in order to remain resilient during difficult financial periods. This, not only to help limit contribution increases, but also deliver on our mandate of making healthcare affordable for all South Africans."

Reserves increase

"From R3.2bn in 2016, this has increased to R4bn for 2017, which places us in a stronger, more robust financial position where we are confident of our ability to meet member claims."

Public healthcare in South Africa continues to operate far below optimum levels

"The current public health systems' ability to provide the foundation for an NHI in the near future is questionable. The reasons include lack of economic growth, increasing unemployment, a large gap between rich and poor and a stark contrast between first- and third-world elements. It therefore stands to reason that the public healthcare system cannot carry any more of the burden. While public health gets its house in order, it is essential that private medical aids keep private healthcare costs as low as possible to make it affordable for as many people in South Africa as possible."

Hospital negotiations

During the 2016 financial year, the Scheme experienced an increase in the utilisation of healthcare services, particularly hospital admissions and related benefits. "We embarked on a hospital negotiations strategy at the end of 2016, which resulted in a savings of R242m in 2017, without compromising members' access to quality healthcare."

"We will continue to negotiate robustly with healthcare providers based on our size, to contain costs as far as possible, and negotiate the best possible rates for members," says Van Emmenis.

Fraud, waste and abuse (FWA)

It is estimated that 15% of claims in the healthcare industry contain an element of FWA. For a scheme of Bonitas' size, this translates to a loss of R190m. "To address this, we implemented initiatives against FWA including hospital and pharmacy claim analytics. The result was the identification of FWA of R129m, with R31.2m recovered in 2017."

The Scheme further benefitted from R75m in potential savings. Five imprisonment sentences have been handed down by the judiciary – clearly indicating a zero tolerance approach to this white-collar crime.

Preventative care initiatives

There is an increased prevalence of lifestyle diseases such as diabetes, hypertension and cardiovascular disease as well as HIV/AIDS, cancer, chronic medicine management, back and neck pain, hip and knee replacements and mental illness. The old adage that "prevention is better than cure" cannot be more apt than in the healthcare industry.

For this reason Bonitas has a number of programmes aimed at predicting and preventing conditions before they become chronic and managing them in the most clinically appropriate way.

The Scheme bolstered its Managed Care initiatives in 2017, with the introduction of the Diabetes Management Programme.

The success of the diabetes programme is underpinned by the Scheme's ability to identify potential diabetic patients and enrol them on the programme as well as actively manage them through support, testing and education. The Scheme and its partners have worked tirelessly to improve actively managed diabetes patients by 31% between May and December 2017.

The way forward

"In 2018, we will carry out a secondary initiative to identify hospitals on our networks that are not cost-effective and work towards improving their efficiency," says Van Emmenis. "We have introduced a Managed Care programme focussed on mental health and will explore other options to introduce alternative reimbursement models for procedures such as knee and hip surgery.

"During the year ahead we will seek to identify other opportunities to grow Bonitas and retain our existing membership base. This will include the possibility of amalgamations as well as developing new distribution models and channels.

"Connecting with our customers remains a key focus area as we seek to improve our digital capabilities to improve our members' experience and communicate effectively to keep them informed and engaged. We will use the best technology available to make things simpler and more efficient.

"Attracting younger and healthier members is vital to ensuring the sustainability of the Scheme. To assist in this regard, we introduced BonFit in 2016 as well as several benefits to appeal to younger individuals and families in 2017.

"As rising healthcare costs continue to be a prohibitive factor in making quality healthcare affordable, we will continue finding innovative and sustainable ways of reducing expenditure," concluded Van Emmenis.

Topline points of interest:

- A solid surplus of R730.20m for 2017, recouping the R16.9m deficit from 2016.
- 8.6% increase in claims in 2016.
- Net healthcare results of R345.9m and investment income of R394.3m.

- Robust reserves of R4bn.
- 44.9% of all claims were for hospital admissions and 11.7% for specialists – these were the two highest cost-drivers.
- Savings from fraud, waste and abuse (FWA) amounted to R31.2m with a potential savings of R75m.
- A savings of R242m for 2017 from strategic negotiating strategy.
- 348,0088 principal members and 753,514 beneficiaries.

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