

MEDI BRIEF

SPECIAL EDITION: ANNUAL FINANCIAL RESULTS FOR 2021 – COMMENTARY

APRIL 2022

2021 the big picture

Average contribution

AMS **3.9%** | Estimated industry average **7.0%**

Solvency ratio

2021 **467.4%** | 2020 **450%**

Average accumulated funds per member

2021 **R375 719** | 2020 **R330 824**

Average beneficiary age

2021 **42.3** | 2020 **42.8**

Beneficiary pensioner ratio

2021 **25.2%** | 2020 **26.2%**

Interest earned on medical savings account

2021 **R8.29m** | 2020 **R9.92m**

Total medical savings account balance

2021 **R230.9m** | 2020 **R231.2m**

Number of beneficiaries

2021 **17 531** | 2020 **17 840**

Executive summary: a review of 2021

It is over two years since the World Health Organization first declared Covid-19 a pandemic, which has had a serious impact on the lives of billions of people worldwide. However, 2021 can be measured as a stable year for the Scheme when compared to the ill fortunes of 2020. Relatively few AMS members succumbed to the disease, treatments improved substantially, and vaccines became widely available. Largely due to the recovery in the financial markets in the latter part of 2021, the Scheme posted a net surplus of R347.6 million – a noticeable improvement on the R59 million achieved in 2020.

In reviewing the 2021 financials, it is difficult not to reflect on 2019 to draw meaningful conclusions about the Scheme's performance. By all measures, 2020 and 2021 were anomalous years that significantly distorted the two crucial drivers of the Scheme's results, namely the claims experience and the investment returns. Our members are only now regaining their confidence to seek

deferred medical care. This is reflected in the increased claims paid by the Scheme of R501 million for the period under review, up from R440 million paid in 2020. When measured over the 2019–2021 period, the 2021 average gross claim per member per month was R5 974, which was 1.8% below the 2019 figure of R6 081, despite the inflationary increase in tariffs of 3.8% from 2019 to 2020 and 3.4% from 2020 to 2021.

The KZN violence, which spread to parts of Gauteng, caused further loss of life and income; damaged investor confidence; and weakened the economy. Fortunately, the market rebound made up lost ground in the closing months of the year, and the Scheme's overall investment performance (net of fees), improved by 14.9% year-on-year (excl. the member savings account assets). Low claims and good investment returns largely accounted for the improved solvency ratio (total accumulated funds divided by gross annual contributions).

Snapshot of the Scheme in 2021

116 ▼ Fewer active members | Beneficiary age remained almost constant at **42.31** (from 42.79 years in 2020)
Managed Care Plan (MCP) membership ▼ **6%** | Standard Care Plan (SCP) membership **no change**
Value Care Plan (VCP) membership ▲ **12%**

The Scheme ended the period on a 467% solvency, significantly up on the 2020 ratio of 450% (2019: 466%). The average accumulated funds per member increased to R375 719 per member, up by R44 895 on the 2020 figure of R330 824 per member. The KZN violence disrupted many businesses, including the AMS call centre. Our administrator made every effort to ensure their employees were safe and could continue servicing their clients and all must be saluted for their achievements. Throughout this period, our members received the highest level of service almost uninterrupted. Practically all our Key Performance Indicator (KPI) measures were met or exceeded, and members rated the service with an excellent 9.5 out of 10. A feature of the AMS membership is the steady shrinkage of the Scheme. The number of members declined by 1% at the end of 2021, a slower rate than the 2% reported at the end of the 2020 period, with the pensioner ratio decreasing by 1% to 25.2% at the end of 2021.

In looking forward, 3ONE Consulting Actuaries were awarded the Scheme contract to take over from NMG who advised the Scheme on its long-term obligations over almost two decades.

The promulgation of the NHI Bill is becoming more of a reality. The Parliamentary Portfolio Committee on Health has completed its public hearings on the Bill and according to the Committee chair Dr Kenneth Jacobs, 340 000 written submissions were received, with around 85% indicating their support of NHI and 12% against it. Until the Bill is written into law and more detail becomes available, the industry at large is closely watching its progress, however it is likely to be a long, slow road ahead.

With 2020 and 2021 being low-claiming years there was, and still is, a reasonable expectation that there is a 'pent-up demand' for healthcare services. The severity and frequency of future Covid-19 'waves' is unpredictable, the South African economy remains fragile and investment returns are not guaranteed.

These considerations, together with the significantly lower than market AMS contribution increase in 2021, were factored into the 2022 contribution increase. Benefits remained largely unchanged due to the utilisation uncertainty. Moving forward, the additional impact of the Ukrainian war has yet to be measured but will be closely monitored in the months leading up to the 2023 budget discussions to assess its effects on the cost of imported healthcare products and the rand exchange rates to mention a few.

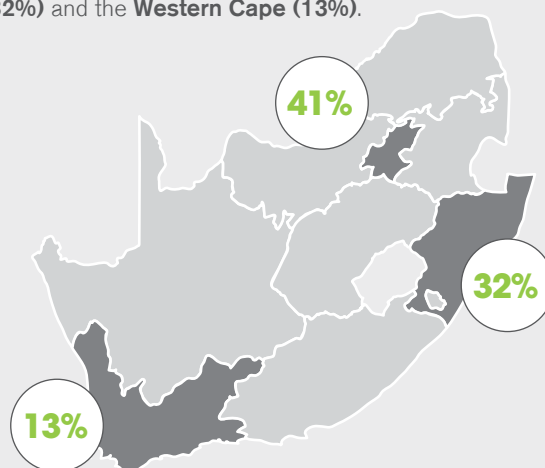
While we all want our old lives back, if I recall the intense fear that gripped our country in the early stages of the pandemic and compare it to our almost nonchalant behaviour towards the disease today, I am heartened by how far we have come. In part, thanks to the millions who have chosen to be vaccinated, the realisation that Covid-19 is yet another disease that we will have to be continually aware of, take precautions against and learn to live with is closer to becoming a reality.

I have no doubt, behavioural shifts and medical advances will meet the challenge and our lives and the Scheme business will return to a 'new normal'.

Our 2021 membership make-up

LOCATION

Our members are spread across South Africa, the majority of whom are located in **Gauteng (41%)**, **KwaZulu-Natal (32%)** and the **Western Cape (13%)**.



Average age: **42.3** Members: **8 597**
 Dependants: **8 934**

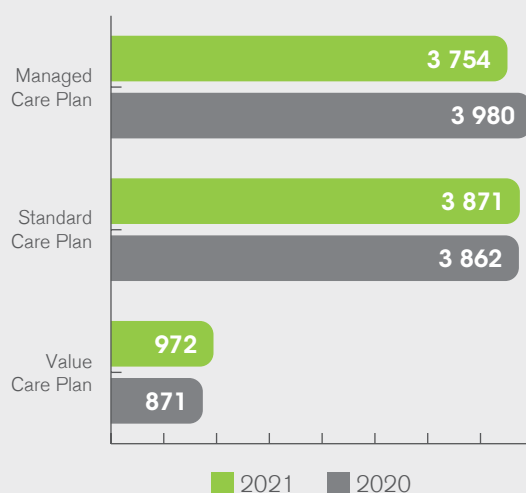
GENDER

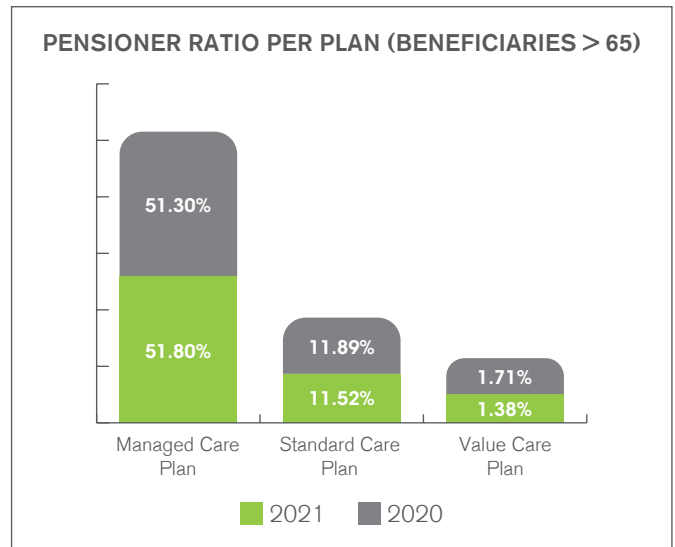
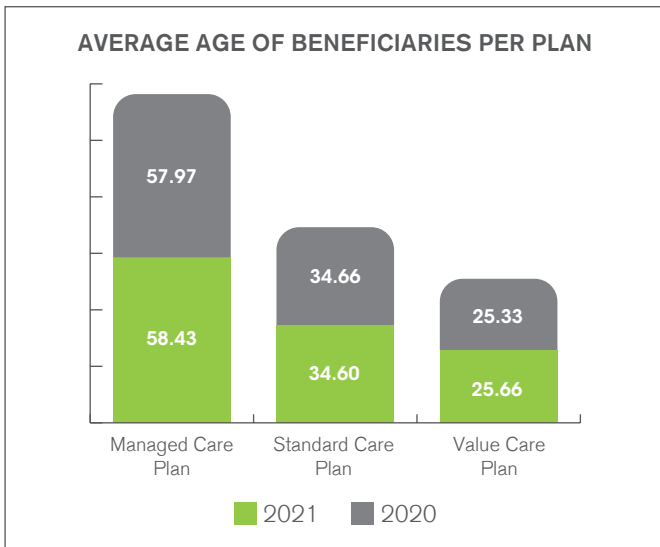


MAKE-UP AND PERFORMANCE OF AMS's PLAN

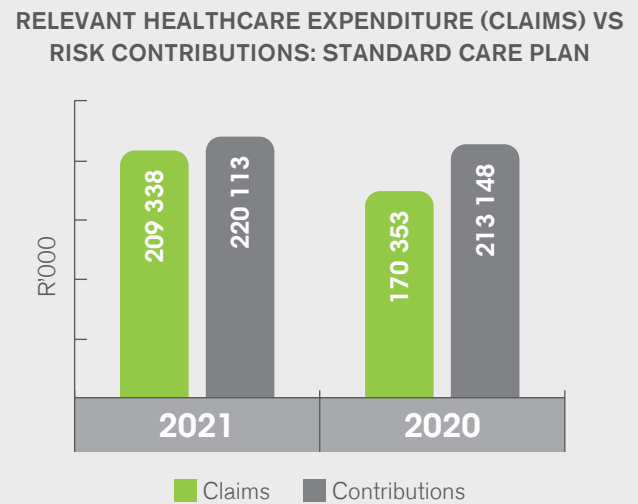
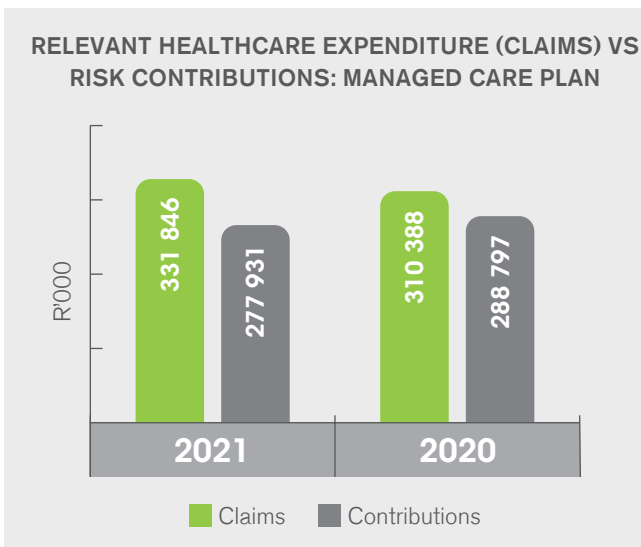
Anglo Medical Scheme provides its members with a choice of three plans: Managed Care, Standard Care and Value Care. Each plan offers various benefits with Managed Care being the most comprehensive.

CHANGE IN MEMBERSHIP BY PLAN





Performance per plan



How we measured our performance

- ✔ **Sufficient reserves:** The Scheme needs sufficient reserves to cover the liability of the cost of providing for the healthcare needs of members over their lifetime. The Accumulated Funds, as at 31 December 2021, were R2 758 billion, a 3.2% increase on the R2 670 billion reported at the end of 2020. The current actuarially determined long-term funding liability was determined to be R2 788 billion, indicating adequate funding until 2045 and a long-term funding ratio of 120.5%. In the Trustees' assessment, they have no reason to believe the Scheme will not continue as a going concern in 2022.
- ✔ **Reasonable contribution increases:** We aim to maintain contribution increases and their aligned benefits close to the industry average and the generally accepted medical inflation rate of CPI plus 3%. In 2021, the average annual contribution per member was 3.9%. Contribution increases were kept abnormally low to soften economic pressures on our employers and members caused by the pandemic.
- ✔ **Value for money:** We want to provide better value for money than members would be able to find from our competitors. Our plans are independently evaluated every year, and in 2021 our benefits scored higher than average across all three plans and were all offered at lower-than-average contribution rates, indicating better value for money than could be purchased in the market.
- ✔ **Service excellence:** We assess service excellence by measuring first-call resolution, today's work being completed today, our service level, length of time to pay a claim, and surveying member happiness. Our administrator, Discovery Health, achieved above average service on almost all the contracted service level metrics.
- ✔ **Non-healthcare costs are below 10% of gross contribution income:** We strive to keep our non-healthcare costs below 10%, as required by the Council for Medical Schemes. In 2021, these costs were at 5.8%.

AMS's investments and capital management

What's our investment strategy?

The Scheme's investment strategy is to maximise the annual return at an acceptable level of risk within the constraints of the Act. The Scheme believes that this risk should be managed in part by holding a conservative yet diversified portfolio with a significant proportion of the assets providing returns that offer protection against inflation over the longer term. The investment objective is to earn a return net of fees which exceeds the Consumer Price Index (CPI) by at least 3.5% p.a. over a rolling five-year period.

Period	Portfolio Performance	Consumer Price Index	CPI plus 3.5% p.a.
1 January to 31 December 2021 (p.a.)	14.1%	5.9%	9.4%
5 Years (p.a.)	6.0%	4.4%	7.9%
21 Years (p.a.) – since inception	10.6%	5.4%	8.9%

How our investments performed

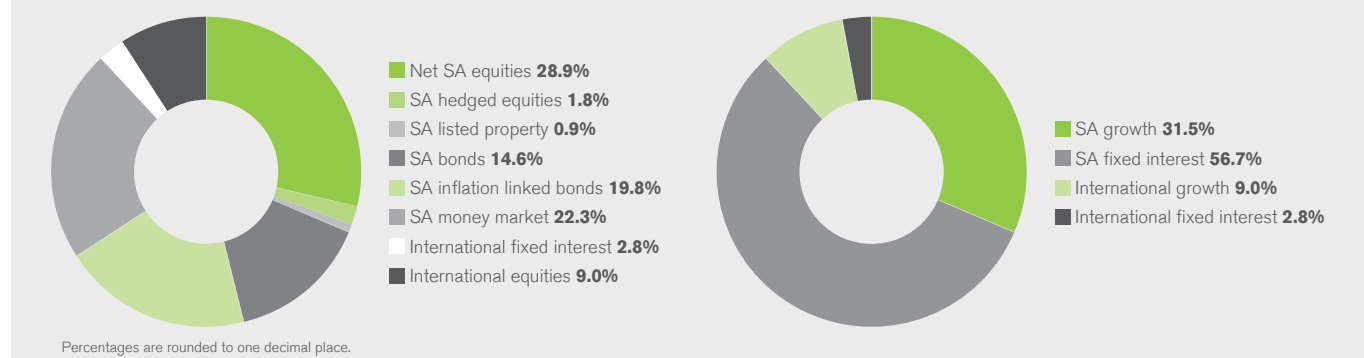
The Investment Committee thoroughly scrutinised the strategy, incumbent investment advisors and the asset managers during the period under review as well as the portfolio's ongoing performance. The exemption from the Council for Medical Schemes to invest up to 15% of the excess assets (assets in excess of the regulatory 25% minimum reserving) in global equities was extended for a further period, allowing the Scheme to maintain the diversification, as shown in the pie charts below. The asset allocation, on a look-through basis, includes the Member Savings and is compliant with the requirement that the Scheme maintains a minimum 20% cash holding at all times. The Trustees remain confident that the overall long-term strategy will provide for the healthcare needs of the Scheme members into the foreseeable future.

Total investments held at end 2021 (R'000) 3 349 525 | 2020: 2 908 962

Investments per investment manager

	2021 R'000	2020 R'000
Coronation Asset Management (Pty) Ltd	602 928	478 506
Allan Gray South Africa (Pty) Ltd	467 137	380 312
Ninety One SA (Pty) Ltd	1 721 350	1 565 380
Abax Investments (Pty) Ltd	558 110	484 764

Look-through asset allocation – Scheme (incl member savings) as at 31 December 2021



How we managed our capital

According to Regulation 29(2) of the Act, the Scheme needs a minimum solvency ratio of accumulated funds (as a percentage of gross contributions) to be 25%. This is how the capital requirement is calculated:

	2021 R'000	2020 R'000
Total Members' Funds per the Statement of Financial Position	3 230 062	2 882 468
Less: cumulative unrealised net gain on measurement of investments to fair value	(478 050)	(211 852)
Accumulated funds per Regulation 29	2 752 012	2 670 617
Gross contribution income	588 792	593 438
Solvency margin = Accumulated funds/gross contribution income x 100	467.40%	450.02%

Outstanding claims provision

The outstanding risk claims provision is a provision for the estimated cost of healthcare benefits that have occurred before the reporting date but have not been reported to the Scheme by that date. We use various assumptions, which are regularly reviewed to ensure their applicability, to determine this provision. In 2021, provision was made for R30.6 million compared to R23.07 million for the previous year. The increase was in part due to the Covid-19 vaccination claims expected to be submitted by the Department of Health.

Statement of Comprehensive Income for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Risk contribution income	8	515 425	516 851
Relevant healthcare expenditure		(557 166)	(493 926)
Net claims incurred		(546 201)	(480 757)
Risk claims incurred	9	(547 268)	(481 924)
Third party claims recoveries		1 067	1 167
Net income/(expense) on risk transfer arrangements	10	396	(1 985)
Risk transfer arrangement fees/premiums paid		(45 485)	(43 897)
Recoveries from risk transfer arrangements		45 881	41 912
Managed care: management services	11	(11 361)	(11 184)
Gross healthcare result		(41 741)	22 925
Administration fees	13	(20 919)	(20 683)
Administration expenses	12	(12 843)	(12 779)
Net impairment losses	14	(245)	(301)
Net healthcare results		(75 748)	(10 838)
Investment and other income		445 042	93 317
Investment income	15	442 668	90 147
Sundry income	16	2 374	3 170
Other expenditure		(21 700)	(23 189)
Expenses for asset management services rendered		(13 407)	(13 267)
Interest paid on Medical Savings Accounts		(8 293)	(9 922)
Total comprehensive income for the year		347 594	59 290

Statement of Financial Position as at 31 December 2021

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets			
Investments held at fair value through profit or loss	2	1 134 702	1 028 897
Current assets			
Investments held at fair value through profit or loss	2	2 214 823	1 880 065
Trade and other receivables	3	8 496	8 679
Cash and cash equivalents	4	147 123	229 465
Total assets		3 505 144	3 147 106
FUNDS AND LIABILITIES			
Accumulated funds		3 230 062	2 882 468
Current liabilities		275 082	264 638
Outstanding risk claims provision	5	30 592	23 074
Medical Savings Account liability	6	230 875	231 229
Trade and other payables	7	13 615	10 335
Total funds and liabilities		3 505 144	3 147 106

Statement of Changes in Funds and Reserves as at 31 December 2021

	Accumulated funds R'000
Balance as at 1 January 2020	2 823 178
Total comprehensive income for the year	59 290
Balance as at 31 December 2020	2 882 468
Total comprehensive income for the year	347 594
Balance as at 31 December 2021	3 230 062

Related-party transactions

The Scheme is governed by the Board of Trustees who are appointed by the participating employers and/or elected by the members of the Scheme. The Scheme's appointed administrator, Discovery Health (Pty) Ltd has significant influence over the Scheme as it administers and manages the financial and operating policies determined by the Board. Discovery Health (Pty) Ltd provides administration and managed care services.

Transactions with parties with significant influence over the Scheme	2021 R'000	2020 R'000
Statement of Comprehensive Income transactions		
Discovery Health (Pty) Ltd		
• Administration fees	20 919	20 683
• Managed Care: management services fees	10 157	10 078
Medikredit (Pty) Ltd – electronic checking fees	1 276	1 154
Kaelo Prime Cure (Pty) Ltd – risk transfer arrangement fees	14 814	12 605
Anglo Corporate Services South Africa (Pty) Limited		
• Head office rental and management fees	336	283
Statement of Financial Position		
Balance due to Discovery Health (Pty) Ltd	2 519	2 544
Balance due to Medikredit (Pty) Ltd	105	104
Balance due to Kaelo Prime Cure (Pty) Ltd	1 266	1 103
Anglo Corporate Services South Africa (Pty) Limited	51	27
Investment in employers	84 256	58 346

- The Scheme paid rental to Anglo Operations (Pty) Ltd for the head office premises of R336k (2020: R283k).
- Key management personnel paid membership contributions in the amount of R2.10 million (2020 R1.82 million) and claimed an amount of R1.68 million (2020: R953k) from the Scheme.
- All claims were paid in accordance with the rules of the Scheme and at the end of 2020, the Trustees had Medical Savings Account balances of R289k (2020: R225k).
- Trustees and management were paid a total of R7.14 million (2020: R7.29 million) for the attendance of meetings, holding office and management of the Scheme.

A sound system of risk management

The Scheme's risk strategy and policies – based upon the Scheme's risk tolerance – are in line with the governance framework stipulated by the King Report. The Scheme maintains a sound system of risk management and internal control providing reasonable assurance in the achievement of the organisational objectives. Several methods are employed to assess and monitor risk exposure. These methods include the use of internal risk measurement models, sensitivity analyses and scenario analyses all of which are subject to strict audit criteria. In addition to the Scheme's other compliance and enforcement activities, the Board has implemented a whistleblowing process.

How we share our risk

The Scheme has risk-sharing agreements with third-party service providers to ensure cost-effective services. This provides the Scheme with the ability to mitigate an identified risk by agreement with a third-party service provider. The principle is based on the sharing of predefined potential claims loss in return for exclusivity of delivering the service.

Organisation	Services capitated	Plan
Kaelo Prime Cure (Pty) Ltd	Provides primary healthcare services at Healthcare centres and contracted network service providers, including a limited hospital benefit.	Value Care Plan
Netcare 911 (Pty) Ltd	Provides emergency transport services and other ambulance services.	Managed Care Plan Standard Care Plan
Centre for Diabetes and Endocrinology (CDE)	Provides diabetes related medical services including related hospitalisation expenses.	Managed Care Plan Standard Care Plan
Dental Risk Company	Provides a network of dentists performing dental related medical services.	Standard Care Plan

Non-compliance with the Medical Schemes Act – exemptions

The Trustees believe that there are no material deviations from the Act as the Scheme has obtained the necessary exemptions from the Council for Medical Schemes to achieve compliance.

Outstanding contributions

In terms of Section 26(7) of the Act, contributions should be received within three days of their due date, but instances were noted where contributions were received late. This may result in discrepancies between the participating employer and Scheme's balances. Suspension policies are in place and applied where contributions are outstanding for individual paying members outside the participating employers' obligation.

Investment in participating employer

Section 35(8) (a) of the Medical Schemes Act states that a medical scheme shall not invest any of its assets in a participating employer. The Scheme invests in pooled investment vehicles, which allow investment managers discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark. Given this approach, the Scheme was exposed to participating employer shares.

Investment in administrator

Section 35(8) (c) of the Medical Schemes Act states that a medical scheme shall not invest any of its assets in any administrator. The Scheme invests in pooled investment vehicles, which allow investment managers the discretion to invest in a combination of equities and bonds that will best achieve their stipulated benchmark. Given this approach, the Scheme was exposed to administrator shares.

Sustainability of benefit options

In terms of section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance. The Managed Care plan incurred deficits before investment income.

Anglo American South Africa sold numerous subsidiaries over a period of time resulting in the loss of active employees and retention of pensioners. To compensate the Scheme for the resultant high pensioner ratio and expected deterioration of the claiming profile, the participating employers pre-funded the additional liability to the extent that the Scheme could maintain market-related benefits and contribution increases into the future. The Scheme meets its responsibility to the members by subsidising the expected claims excess over contributions from the reserves. The Trustees will continue to review the investment returns to align with the strategy ensuring sustainability.

Payment of claims within 30 days

In terms of section 59(2) of the Act, a claim should be settled within 30 days of submission, but there were instances of payments taking longer than 30 days. Delays can occur when accounts are referred for clinical audit or other investigations and the Scheme makes every effort to comply.

Board of Trustees

- Elliott CC (Chairman) Member Elected
- McCallum DR (Vice-Chairman) Member Elected (resigned 5 January 2022)
- Fox Dr FH (Vice Chairman) Member Elected (appointed as Vice Chairman on 6 January 2022)
- Abramowitz DE Member Elected (resigned 31 August 2021)
- Ameer KN Employer Appointed (A)
- Coetzer JP Employer Appointed
- Farrell MR Member Elected (A)
- Hosking S Member Elected (appointed 1 October 2021)
- Liston JB Employer Appointed
- Mamabolo NM Employer Appointed
- Mason-Gordon NJ Member Elected
- Matemera TS Employer Appointed (A)
- Mhlongo PQ Member Elected
- Moodley R Employer Appointed
- Ragolane NS Member Elected (A)
- Thompson HM Employer Appointed
- Van der Bijl BD Employer Appointed
- Van Vugt TD Employer Appointed (A)

(A) Alternate Trustee

2021



524 670 claims processed



95.19%* of calls answered within 30 seconds



51 506 emails answered



9.5/10 average service rating by members



31 141 calls handled

* Decrease in service level caused by disruption of Call Centre services in the July unrest and complexity of Covid-19 queries.

PRINCIPLE PARTICIPATING EMPLOYERS

Anglo Corporate Services South Africa (Pty) Limited | Mondi South Africa (Pty) Limited | Mpact Limited

Basis of preparation

The 2021 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), set by the International Accounting Standards Board (IASB). The financial statements are also prepared in accordance with the Medical Schemes Act, which requires additional disclosures for registered medical schemes.

Statement of responsibility

The Trustees are responsible for the preparation and fair presentation of the annual financial statements of the Anglo Medical Scheme, set out on pages 30 to 81 of the annual report, comprising the statement of financial position at 31 December 2021, the statements of comprehensive income, statement of changes in funds and reserves, statement of cashflows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. The Trustees have reviewed the Scheme's budget for the year ending 31 December 2022. The Trustees have assessed the Scheme's ability to

continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead. On the basis of this review and in light of the current financial position and available resources, the Trustees have no reason to believe that the Scheme will not be a going concern for the foreseeable future.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements:

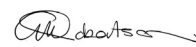
The annual financial statements of Anglo Medical Scheme, as identified in the first paragraph, were approved and authorised for issue by the Trustees on 5 April 2022 and are signed on their behalf by:



Mrs CC Elliott
Chairman



Dr FH Fox
Vice-Chairman




Ms FK Robertson
Principal Officer

Auditor's approval

In accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, the external auditors, PricewaterhouseCoopers, certified that the AFS fairly presented the financial position of the Anglo Medical Scheme at 31 December 2021.

Find out more

This special edition of MediBrief is a summary of the key information in our 2021 Annual Financial Statements. If you would like the full set of financials with their corresponding detailed notes on our annual financial statements, please get in touch with us.

 Call us: 011 638 2939

 Email us: Yvonne.Landsberg@angloamerican.com

 Download: www.angloms.co.za > My Scheme > Annual Financial Statements