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KEY PERFORMANCE INDICATORS FROM THE 2004 SURVEY OF MEDICAL SCHEMES IN SOUTHERN AFRICA

A joint survey by BHF and Alexander Forbes Health Care Consultants

Alexander Forbes
FINANCIAL SERVICES

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OVERVIEW 2004

The main developments in the medical scheme industry in 2004 are set out below:

• With effect from 1 January 2004, all medical schemes must provide cover for conditions listed in the Chronic Disease List (CDL) in terms of changes to the Prescribed Minimum Benefits gazetted in 2003. The impact on medical schemes will only be fully appreciated in 2005, when comprehensive industry data for 2004 are available. Following the announcement early in 2004 of the planned rollout of anti-retroviral therapy for HIV/AIDS in the public sector, the Department of Health (DOH) has also proposed the inclusion thereof in the CDL.

• Changes in medicine pricing legislation are expected to reduce the costs of medicines.

- From 2 August 2004, the consumer will be charged a Single Exit Price (SEP) plus a fixed dispensing fee regulated by the DOH. The new transparent pricing system replaces a complex system of variable mark-ups, sampling, and discounts. The level of the SEP and the dispensing fee has been the subject of intense debate and controversy, with manufacturers and retailers resisting a reduction in their profit margins.
- Since 2 July 2004 all healthcare professionals wishing to dispense or compound medicines are required to obtain a licence for this practice. Dispensing doctors have resisted changes requiring them to obtain a licence in order to continue dispensing medicines.

• The consultative task teams on medical scheme risk equalisation and tax subsidy reforms set up by the DOH, as well as an International Review Panel, issued their reports early in 2004. The DOH is expected to release a final report late in 2004. Changes in legislation in this regard will not be implemented before 2006.

• Following an investigation by the Competition Commission, the various industry bodies are no longer able to recommend fees or benefits for service providers. The National Reference Price List, issued by the Council for Medical Schemes with effect from 1 January 2004, has replaced the "Scale of Benefits" previously issued by BHF.

• In 2004, the Broad-Based Black Economic Empowerment Act, the Financial Sector Charter, and the proposed single medical scheme for public service employees catalyzed the industry to transform. Medscheme concluded a BEE transaction with a consortium led by Africa Vanguard Capital, and sold its 49% shareholding in Sizwe Medical Services which is now 100% black-owned; Metropolitan concluded a deal with Kagiso Trust Investments that sees the latter own 10% equity of Metropolitan Holdings; and Mx Health announced its plans to increase its BEE stake to 50%.

Both the Board of Healthcare Funders and Alexander Forbes Health Care Consultants recognise the need to provide an objective industry performance monitoring service. Cooperation in this regard has resulted in this report.

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When selecting which schemes to include in our survey, the most recent publicly available membership figures for all schemes were as at 31 December 2002. We included 16 open medical schemes with more than 30,000 principal members each as at 31 December 2002 and 15 restricted membership schemes with more than 10,000 principal members each as at 31 December 2002. Two schemes meeting these criteria were not willing to participate in the survey, namely, Food Workers Medical Benefit Fund and Platinum Health.

The survey could be considered to be of "large" schemes, and represents a significant proportion of medical scheme members overall. Based on the membership figures for registered medical schemes contained in the 2002-3 Annual Report of the Registrar of Medical Schemes, the sample represents 83% of open scheme membership, 61% of restricted membership scheme membership, and 76% of total medical scheme membership as at 31 December 2002. This is a statistically relevant sample.

This survey is based primarily on the 2003 financial period.

In order to analyse trends, we have compared the 2003 results for all schemes included in this survey with the 2002 results for all schemes included in the previous survey (both samples were based on the same selection criteria).

For the first time this year, we will be including the latest credit ratings by Global Credit Ratings for those schemes that gave their permission.

MEMBERSHIP 2002/2003

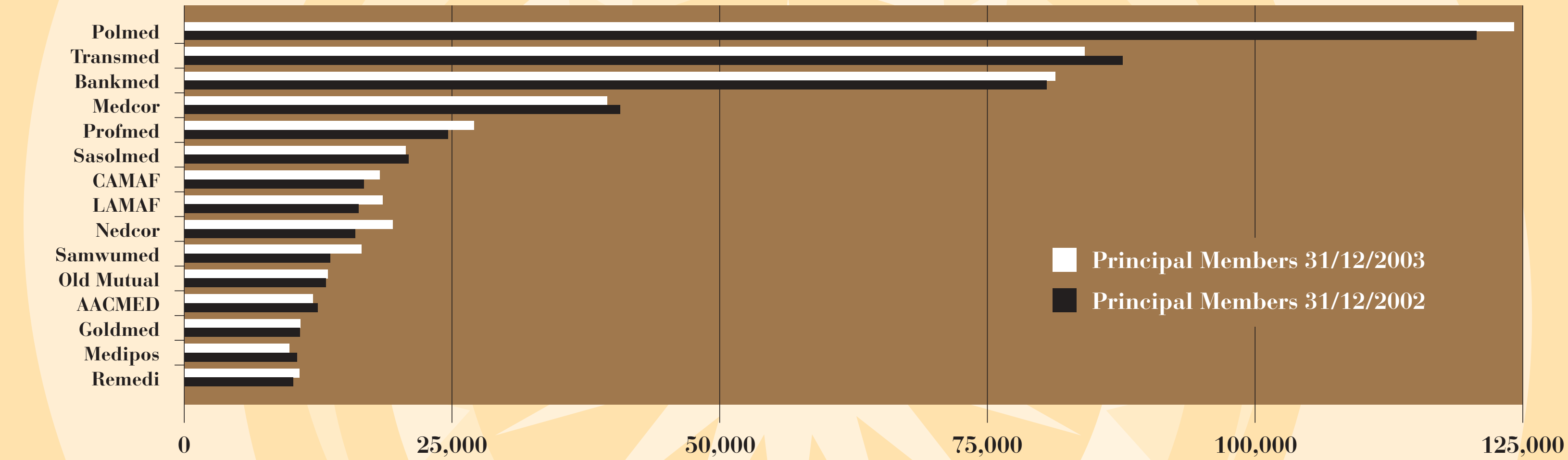
While restricted membership schemes are typically smaller than open schemes, both the open scheme sample and the restricted membership scheme sample exhibit a skewed membership distribution with a few very large schemes and several moderately-sized schemes.

Some open schemes experienced a significant reduction in membership in 2003 (Fedhealth, Omnihealth, OpenPlan and Oxygen) while a few increased their membership markedly in the same period (Discovery Health, Munimed and Spectramed). Discovery Health has continued to experience significant growth, strengthening its position as the largest open medical scheme (principal members grew by 20% to 596,302 at 31 December 2003).

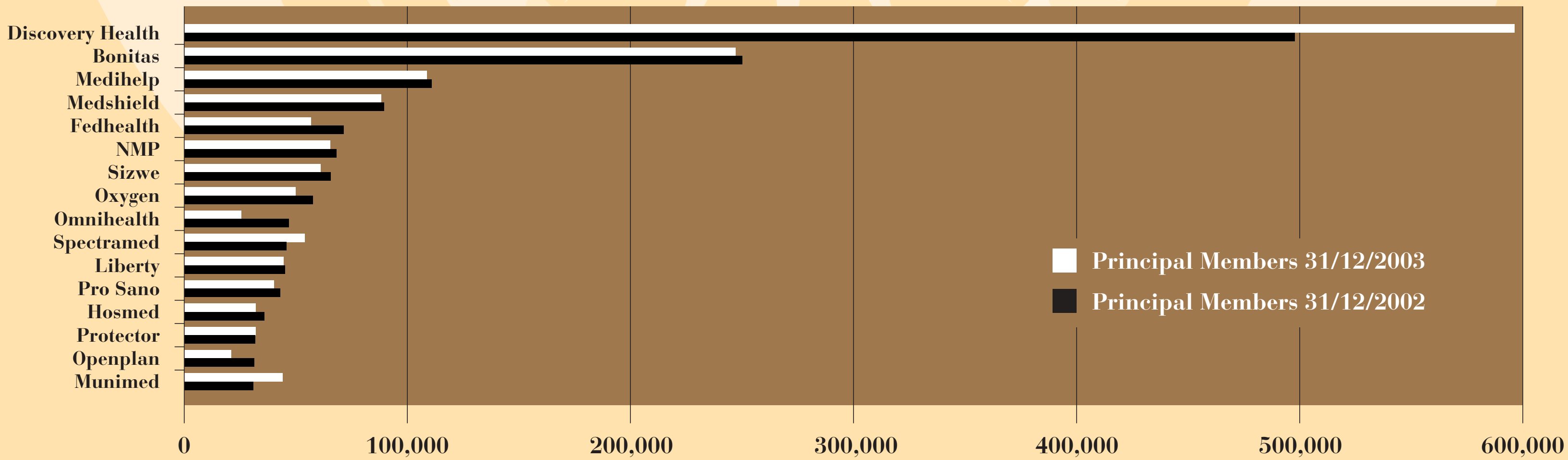
The average age of restricted membership scheme beneficiaries is marginally higher than that of open schemes (31.9 versus 31.7 for all beneficiaries at 31 December 2003) and the corresponding family size is smaller (2.47 versus 2.51), consistent with the older membership profile. The corresponding average ages of adult beneficiaries were 43.5 and 42.9, respectively.

The average age of all beneficiaries within the sample increased by 0.9 years from 30.9 as at 31 December 2002 to 31.8 as at 31 December 2003. This ageing was driven by an average increase of 1.1 years within the open scheme sample. This was partly the result of a change in legislation allowing employer groups to change medical schemes on 1 January without any restrictions, resulting in older members of small schemes moving into the sample from schemes outside the sample. The average family size reduced from 2.56 to 2.50 over the same period, consistent with the increase in average age. These changes reinforce trends identified in previous years.

Large Restricted Membership Schemes Membership 2003 vs 2002



Large Open Schemes Membership 2003 vs 2002



Membership

Scheme	Type	Ranking by Membership 31/12/2003	Principal Members 31/12/2003	Dependants: Principal Members 31/12/2003	% Beneficiaries 20+ 31/12/2003	% Beneficiaries 60+ 31/12/2003	% Beneficiaries 65+ 31/12/2003	Average Age All Beneficiaries 31/12/2003	Average Age Adult Beneficiaries 31/12/2003
AACMED	Restricted	12r	12 018	1.56	68.2%	18.6%	13.0%	35.7	47.5
Bankmed	Restricted	3r	81 321	1.12	69.5%	9.1%	6.0%	31.0	40.5
Bonitas	Open	2o	247 149	1.64	59.6%	4.6%	2.6%	28.4	40.8
CAMAF	Restricted	9r	18 262	0.81	76.4%	7.4%	4.9%	30.1	36.9
Discovery Health	Open	1o	596 302	1.39	70.8%	8.8%	5.2%	32.4	41.7
Fedhealth	Open	7o	56 818	1.51	66.7%	10.2%	6.3%	33.2	44.6
Goldmed	Restricted	13r	10 840	1.40	71.1%	19.1%	13.4%	36.9	47.7
Hosmed	Open	13o	32 066	2.92	50.6%	2.5%	1.0%	25.7	40.5
LAMAF	Restricted	8r	18 535	1.05	79.4%	34.2%	25.6%	46.1	55.1
Liberty	Open	10o	44 423	1.33	71.5%	10.0%	5.7%	33.6	43.1
Medcor	Restricted	4r	39 500	1.74	58.6%	3.7%	2.2%	27.0	39.5
[1] Medihelp	Open	3o	108 714	0.86	81.9%	33.4%	25.2%	46.1	53.9
Medipos	Restricted	15r	9 833	1.21	68.3%	18.5%	12.2%	35.6	47.5
Medshield	Open	4o	88 276	1.84	53.9%	1.7%	0.7%	26.1	39.5
Munimed	Open	11o	44 131	1.62	65.7%	10.1%	6.7%	32.2	43.7
Nedcor	Restricted	7r	19 462	1.26	69.4%	9.6%	6.1%	31.5	41.3
NMP	Open	5o	65 513	1.29	70.8%	15.0%	10.2%	35.5	46.0
Old Mutual	Restricted	11r	13 410	1.29	65.8%	9.1%	6.0%	30.6	41.6
Omnihealth	Open	15o	25 560	1.85	60.9%	10.0%	6.6%	31.5	44.8
Openplan	Open	16o	21 100	1.34	72.5%	17.8%	12.3%	37.4	47.6
Oxygen	Open	9o	49 916	1.39	64.8%	9.1%	6.0%	31.2	42.7
Polmed	Restricted	1r	124 191	1.87	56.9%	3.9%	2.6%	26.2	39.3
Profmed	Restricted	5r	27 038	1.67	69.7%	10.2%	6.6%	33.2	43.3
Pro Sano	Open	12o	40 124	1.70	65.7%	11.3%	6.9%	33.5	45.2
Protector	Open	14o	31 929	1.88	62.0%	10.1%	7.0%	31.0	43.8
Remedi	Restricted	14r	10 767	1.42	65.8%	7.4%	4.7%	30.6	41.4
Samwumed	Restricted	10r	16 550	1.93	59.2%	9.2%	6.2%	30.6	44.5
Sasolmed	Restricted	6r	20 695	1.94	61.8%	6.2%	3.7%	29.6	41.3
Sizwe	Open	6o	61 173	1.68	61.4%	7.6%	5.1%	30.5	43.3
Spectramed	Open	8o	54 094	1.92	54.8%	3.9%	2.1%	26.9	40.6
Transmed	Restricted	2r	84 072	1.16	78.0%	28.4%	21.6%	43.7	52.6
All 2003			**2 073 782**	**1.50**	**65.8%**	**9.6%**	**6.3%**	**31.8**	**43.1**
Open 2003			**1 567 288**	**1.51**	**65.8%**	**9.1%**	**5.8%**	**31.7**	**42.9**
Restricted 2003			**506 494**	**1.47**	**65.7%**	**11.2%**	**7.9%**	**31.9**	**43.5**
All 2002			**1 941 368**	**1.56**	**64.9%**	**8.9%**	**5.7%**	**30.9**	**42.3**
Open 2002			**1 446 347**	**1.58**	**64.4%**	**8.1%**	**5.0%**	**30.6**	**42.1**
Restricted 2002			**495 021**	**1.49**	**66.1%**	**11.5%**	**7.7%**	**31.7**	**43.1**

[1] Includes special government subsidised pensioner group. Medihelp has advised that without this group average age is 39.7 (all beneficiaries) and 43.0 (adult beneficiaries) and the % beneficiaries 20+, 60+ and 65+ is 78.0%, 17.6% and 9.2% respectively

FINANCIAL RESULTS 2002/2003

As medical schemes are mutual not-for-profit entities, any surplus generated remains in the scheme and belongs to members.

Both the open scheme sample and the restricted membership scheme sample experienced an overall operating surplus in 2003. Nevertheless, eleven schemes out of the total sample of 31 schemes experienced an operating deficit. Overall operating results were better for restricted membership schemes than open schemes.

The average contribution per member per month (pmpm) was marginally higher for open schemes than restricted membership schemes in 2003 (R1,561 versus R1,450). Excluding Goldmed from the calculations, the comparative figures are R1,561 for open schemes and R1,443 for restricted membership schemes (the Goldmed admin fee is not borne by the scheme thus distorting results).

Higher claims as well as higher scheme expenses other than claims, offset by a lower operating surplus, explain the higher average contribution for open schemes versus restricted membership schemes as follows:

Item	Open	Restricted Membership	Differential
Net claims incurred plus savings contributions	R1,244	R1,212	R32
Other expenses	R 242	R 142	R100
Operating surplus/(deficit)	R 75	R 89	(R14)
Gross contributions pmpm	**R1,561**	**R1,443**	**R118**

The average gross contribution (including savings) per member per month for all schemes increased by 11.1% from R1,381 in 2002 to R1,534 in 2003, compared with average CPIX inflation of 6.8% over the same period. The expenditure changed as follows in 2003:

• The average gross claims paid (including claims from savings) per member per month increased by 7.1%. The largest claims increases were in respect of hospitals (15.3%). Such a detailed breakdown by service provider category is only available in respect of claims paid and not claims incurred.

• The average net claims incurred (excluding claims from savings) plus savings contributions per member per month increased by 7.8%, representing actual claims inflation in 2003. This is considerably lower than claims inflation experienced in 2002.

• The average expenses other than claims per member per month increased by 11.7% overall.

  • The average administration expenses increased by 9.9% and the average health care management expenses increased by 13.3%.

We have analysed the 11.1% contribution increase further in Rands and as a percentage of base contributions:

Item	2002	2003	Change	% of Base Contributions
Net claims incurred plus savings contributions	R1,150	R1,239	R89	6.4%
Other expenses	R194	R217	R23	1.7%
Operating surplus/deficit	R37	R78	R41	3.0%
Gross contributions pmpm	**R1,381**	**R1,534**	**R153**	**11.1%**

There is still scope for increasing the use of savings to manage routine claims as the average savings contribution amounted to only 10.9% of the average gross contribution in 2003 (significantly less than the 25% maximum allowable). Open schemes make greater use of savings accounts than restricted membership schemes (the corresponding percentages are 12.1% and 6.8% respectively).

Expenditure items were analysed as a proportion of operating expenses (net claims incurred plus other expenses) and savings contributions combined, instead of gross contributions, as contributions may be underpriced or include margins to build reserves, thus distorting the picture. The combined proportion in respect of net claims and savings was 85.0% in 2003 (83.7% for open schemes and 89.5% for restricted membership schemes). Conversely, the average proportion in respect of expenses other than claims was 15.0% (16.3% for open schemes and 10.5% for restricted membership schemes).

A statutory minimum solvency ratio of 25% of gross annual contributions is required by the end of 2004.

The average statutory solvency ratio was higher for restricted membership schemes than for open schemes, namely 47.9% versus 17.9% of gross annual contributions at 31 December 2003 (25.1% overall). This represents a considerable improvement from the previous year-end (overall solvency ratio 18.8%).

Ten out of 16 open schemes and three out of 15 restricted membership schemes did not meet the interim statutory solvency ratio requirement of 22.0% at the end of 2003.

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Financial Results Overview

Note	Scheme	Gross Contributions 2003 Rm	Gross Contributions pmpm 2003	Operating Surplus/(Deficit) 2003 Rm	Operating Expenditure: Operating Income 2003	Operating Surplus/(Deficit) pmpm 2003	Net Increase/(Decrease) in Accumulated Funds 2003 Rm	Total Expenditure: Total Income 2003	Net Increase/(Decrease) in Accumulated Funds pmpm 2003	Net Assets per Reg 29 31/12/2003 Rm	Statutory Solvency Ratio 31/12/2003	Net Assets ppm 31/12/2003
	AACMED	266.6	1 865	(3.5)	101.7%	(25)	135.4	61.2%	947	605.5	227.1%	50 384
	Bankmed	1 249.9	1 289	(110.1)	111.0%	(114)	(39.4)	103.7%	(41)	457.7	36.6%	5 628
	Bonitas	4 517.9	1 508	285.3	93.7%	95	335.4	92.6%	112	718.7	15.9%	2 908
1	CAMAF	303.7	1 358	15.4	94.5%	69	22.8	92.1%	102	96.2	31.7%	5 267
	Discovery Health	10 999.0	1 600	886.3	90.0%	129	1 079.9	88.1%	157	1 682.6	15.3%	2 822
	Fedhealth	1 123.2	1 563	6.0	99.3%	8	68.1	92.9%	95	253.2	22.5%	4 456
2	Goldmed	235.1	1 804	(1.8)	100.8%	(14)	0.0	100.0%	0	7.6	3.2%	700
	Hosmed	550.8	1 426	40.1	92.7%	104	61.2	89.3%	158	172.7	31.4%	5 387
3	LAMAF	389.0	1 997	16.6	94.7%	85	81.3	78.5%	417	101.0	26.0%	5 452
	Liberty	720.9	1 309	18.4	96.9%	33	29.2	95.2%	53	72.5	10.1%	1 631
	Medcor	693.6	1 450	57.6	91.7%	120	62.8	91.0%	131	44.7	6.4%	1 132
4	Medihelp	2 546.4	1 922	37.1	98.5%	28	81.0	96.8%	61	418.0	24.1%	3 845
	Medipos	181.4	1 510	(12.1)	108.5%	(101)	(4.9)	103.3%	(41)	360.7	198.8%	36 684
5	Medshield	1 537.8	1 437	166.9	87.2%	156	199.9	85.1%	187	316.7	20.6%	3 588
	Munimed	793.9	1 739	(28.5)	103.7%	(62)	(2.0)	100.3%	(4)	110.7	13.9%	2 508
	Nedcor	289.7	1 218	(0.6)	100.2%	(2)	25.7	91.8%	108	134.1	46.3%	6 891
	NMP	1 216.4	1 540	(38.0)	103.9%	(48)	7.8	99.2%	10	260.8	21.4%	3 981
	Old Mutual	173.4	1 083	1.5	99.0%	10	16.0	90.7%	100	120.6	69.6%	8 994
6	Omnihealth	646.3	1 788	(90.1)	115.0%	(249)	(78.3)	112.8%	(217)	11.7	1.8%	459
	Openplan	396.5	1 453	17.9	95.0%	66	38.3	89.9%	140	148.1	37.3%	7 018
7	Oxygen	606.8	1 044	27.6	95.3%	47	50.8	91.7%	87	155.6	25.6%	3 118
	Polmed	2 514.1	1 718	263.2	89.5%	180	389.2	85.3%	266	986.4	39.2%	7 942
8	Profmed	414.8	1 294	(14.7)	103.6%	(46)	(3.7)	100.9%	(11)	36.6	8.8%	1 354
	Pro Sano	744.5	1 508	(18.2)	103.2%	(37)	45.9	92.8%	93	359.2	48.3%	8 953
9	Protector	533.5	1 506	(25.9)	105.3%	(73)	(9.6)	101.9%	(27)	20.6	3.9%	645
	Remedi	215.7	1 708	30.9	83.0%	244	40.8	78.8%	323	84.5	39.2%	7 846
	Samwumed	115.5	640	18.2	84.3%	101	28.8	77.2%	159	128.7	111.4%	7 775
	Sasolmed	469.0	1 887	54.5	88.3%	219	69.7	85.5%	280	141.3	30.1%	6 828
	Sizwe	1 114.4	1 476	70.9	93.6%	94	85.0	92.5%	113	209.3	18.8%	3 421
	Spectramed	699.8	1 648	23.8	96.2%	56	36.1	94.3%	85	97.7	14.0%	1 807
	Transmed	1 220.5	1 193	207.9	81.9%	203	334.2	73.8%	327	876.4	71.8%	10 424
	All 2003	**37 480.0**	**1 534**	**1 902.5**	**94.3%**	**78**	**3 187.3**	**90.8%**	**130**	**9 190.2**	**25.1%**	**4 432**
	Open 2003	**28 748.0**	**1 561**	**1 379.7**	**94.5%**	**75**	**2 028.8**	**92.2%**	**110**	**5 008.2**	**17.9%**	**3 195**
	Restricted 2003	**8 732.0**	**1 450**	**522.8**	**93.6%**	**87**	**1 158.5**	**86.8%**	**192**	**4 182.0**	**47.9%**	**8 257**
	All 2002	**32 110.4**	**1 381**	**863.3**	**97.0%**	**37**	**1 728.5**	**94.2%**	**74**	**5 877.3**	**18.8%**	**3 027**
	Open 2002	**24 253.6**	**1 401**	**407.0**	**98.1%**	**24**	**759.9**	**96.5%**	**44**	**2 849.9**	**12.1%**	**1 970**
	Restricted 2002	**7 856.7**	**1 321**	**456.3**	**93.8%**	**77**	**968.6**	**87.6%**	**163**	**3 027.4**	**38.5%**	**6 116**
	Increase/(decrease) 2003											
	All		**11.1%**									
	Open		**11.4%**									
	Restricted		**9.8%**									

Material developments / Notes

1. Administration outsourced to Eternity Private Health in 2003
2. Scheme merged with Discovery Health with effect from 1 June 2004, employer subsidy included in gross contributions, admin costs not borne by scheme
3. Amalgamation with Jomed in 2003, administrator to change to Discovery Health with effect from 1 January 2005
4. Solvency ratio restated removing special government subsidised pensioner group contributions from denominator, Medihelp has advised that without this group the reserves per member amounts to R5234
5. Administrator changed to Exclusive Health in 2003
6. Administrator changed to MHG in 2003
7. Previously known as Caremed, scheme merged with MyHealth with effect from 1 July 2004
8. Claims administration outsourced to Eternity Health in 2003
9. Administrator changed to Medscheme with effect from 1 July 2004

Detailed Expenditure Rm

Scheme	Savings Contributions 2003	Net Claims Incurred plus Own Facility Loss/(Profit) 2003	Administration Expenses 2003	Health Care Management Expenses 2003	Broker Fees 2003	Net Cost of Reinsurance 2003	Bad Debts 2003	Operating Expenditure plus Savings Contributions 2003
AACMED	56.7	192.7	20.5	0.3	0.0	0.0	(0.1)	**270.2**
Bankmed	249.4	979.4	84.6	46.2	0.0	0.0	0.5	**1 360.1**
Bonitas	12.8	3 766.4	255.6	113.0	62.5	0.0	22.1	**4 232.5**
CAMAF	22.7	224.9	35.9	4.7	0.0	0.0	0.0	**288.2**
Discovery Health	2 155.4	6 069.8	1 278.3	272.5	225.0	140.5	(28.7)	**10 112.7**
Fedhealth	228.0	698.2	160.7	5.2	24.0	3.1	(2.0)	**1 117.1**
Goldmed	0.0	235.8	1.2	0.0	0.0	0.0	(0.0)	**236.9**
Hosmed	0.0	426.9	49.2	31.3	2.2	1.6	(0.6)	**510.7**
LAMAF	76.3	262.7	25.3	7.7	0.0	0.0	0.3	**372.4**
Liberty	120.0	476.0	76.6	25.1	9.2	(11.6)	7.2	**702.5**
Medcor	0.0	577.3	40.4	10.9	0.0	0.0	7.5	**636.0**
Medihelp	67.9	2 205.0	184.0	37.2	10.6	0.0	4.5	**2 509.3**
Medipos	39.2	144.3	10.8	1.6	0.0	0.0	(2.4)	**193.5**
Medshield	229.8	747.4	241.7	64.9	50.0	(1.9)	39.1	**1 370.9**
Munimed	26.6	664.3	81.2	20.7	21.3	0.0	8.3	**822.4**
Nedcor	1.7	262.6	24.0	3.0	0.0	0.0	(0.9)	**290.3**
NMP	242.8	841.2	96.5	58.2	17.3	0.0	(1.6)	**1 254.4**
Old Mutual	16.7	137.1	13.8	3.9	0.0	0.0	0.4	**171.9**
Omnihealth	44.8	483.4	76.0	21.1	24.9	(0.5)	86.7	**736.4**
Openplan	38.1	282.7	41.3	9.2	8.3	0.0	(0.9)	**378.7**
Oxygen	21.0	449.3	79.3	14.1	16.9	(0.9)	(0.4)	**579.3**
Polmed	0.0	2 018.8	155.6	66.0	0.0	0.0	10.4	**2 250.9**
Profmed	10.4	353.3	54.7	6.7	0.2	0.0	4.2	**429.5**
Pro Sano	170.3	498.2	80.9	10.9	0.6	0.0	1.7	**762.7**
Protector	47.3	434.2	57.4	13.1	5.6	0.0	1.8	**559.4**
Remedi	33.5	135.7	12.2	2.6	0.0	0.9	0.0	**184.8**
Samwumed	0.0	85.1	11.5	0.1	0.0	0.0	0.6	**97.3**
Sasolmed	4.6	369.3	27.6	13.9	0.0	0.0	(1.0)	**414.6**
Sizwe	1.8	874.2	125.2	33.4	7.4	(3.8)	5.2	**1 043.5**
Spectramed	77.0	502.6	68.7	12.2	18.9	0.0	(3.5)	**675.9**
Transmed	69.4	811.7	104.0	26.5	0.0	0.0	1.0	**1 012.6**
All 2003	**4 064.3**	**26 210.6**	**3 574.6**	**936.3**	**504.9**	**127.3**	**159.4**	**35 577.5**
Open 2003	**3 483.6**	**19 419.8**	**2 952.6**	**742.1**	**504.7**	**126.4**	**139.0**	**27 368.3**
Restricted 2003	**580.7**	**6 790.8**	**622.1**	**194.1**	**0.2**	**0.9**	**20.4**	**8 209.2**
All 2002	**3 309.7**	**23 424.1**	**3 094.8**	**786.3**	**279.2**	**253.0**	**99.9**	**31 247.1**
Open 2002	**2 781.9**	**17 308.9**	**2 508.6**	**624.8**	**278.5**	**255.2**	**88.8**	**23 846.6**
Restricted 2002	**527.8**	**6 115.3**	**586.2**	**161.5**	**0.8**	**(2.1)**	**11.1**	**7 400.5**

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Detailed Expenditure %

	Scheme	Savings Contributions 2003	Net Claims Incurred plus Own Facility Loss/(Profit) 2003	Administration Expenses 2003	Health Care Management Expenses 2003	Broker Fees 2003	Net Cost of Reinsurance 2003	Bad Debts 2003	Operating Expenditure plus Savings Contributions 2003
	AACMED	21.0%	71.3%	7.6%	0.1%	0.0%	0.0%	0.0%	**100.0%**
	Bankmed	18.3%	72.0%	6.2%	3.4%	0.0%	0.0%	0.0%	**100.0%**
	Bonitas	0.3%	89.0%	6.0%	2.7%	1.5%	0.0%	0.5%	**100.0%**
	CAMAF	7.9%	78.0%	12.4%	1.6%	0.0%	0.0%	0.0%	**100.0%**
	Discovery Health	21.3%	60.0%	12.6%	2.7%	2.2%	1.4%	-0.3%	**100.0%**
	Fedhealth	20.4%	62.5%	14.4%	0.5%	2.1%	0.3%	-0.2%	**100.0%**
	Goldmed	0.0%	99.5%	0.5%	0.0%	0.0%	0.0%	0.0%	**100.0%**
	Hosmed	0.0%	83.6%	9.6%	6.1%	0.4%	0.3%	-0.1%	**100.0%**
	LAMAF	20.5%	70.6%	6.8%	2.1%	0.0%	0.0%	0.1%	**100.0%**
	Liberty	17.1%	67.8%	10.9%	3.6%	1.3%	-1.6%	1.0%	**100.0%**
	Medcor	0.0%	90.8%	6.3%	1.7%	0.0%	0.0%	1.2%	**100.0%**
	Medihelp	2.7%	87.9%	7.3%	1.5%	0.4%	0.0%	0.2%	**100.0%**
	Medipos	20.3%	74.6%	5.6%	0.8%	0.0%	0.0%	-1.3%	**100.0%**
	Medshield	16.8%	54.5%	17.6%	4.7%	3.6%	-0.1%	2.9%	**100.0%**
	Munimed	3.2%	80.8%	9.9%	2.5%	2.6%	0.0%	1.0%	**100.0%**
	Nedcor	0.6%	90.5%	8.3%	1.0%	0.0%	0.0%	-0.3%	**100.0%**
	NMP	19.4%	67.1%	7.7%	4.6%	1.4%	0.0%	-0.1%	**100.0%**
	Old Mutual	9.7%	79.8%	8.0%	2.3%	0.0%	0.0%	0.2%	**100.0%**
	Omnihealth	6.1%	65.6%	10.3%	2.9%	3.4%	-0.1%	11.8%	**100.0%**
	Openplan	10.1%	74.7%	10.9%	2.4%	2.2%	0.0%	-0.2%	**100.0%**
	Oxygen	3.6%	77.6%	13.7%	2.4%	2.9%	-0.2%	-0.1%	**100.0%**
	Polmed	0.0%	89.7%	6.9%	2.9%	0.0%	0.0%	0.5%	**100.0%**
	Profmed	2.4%	82.3%	12.7%	1.6%	0.1%	0.0%	1.0%	**100.0%**
	Pro Sano	22.3%	65.3%	10.6%	1.4%	0.1%	0.0%	0.2%	**100.0%**
	Protector	8.5%	77.6%	10.3%	2.3%	1.0%	0.0%	0.3%	**100.0%**
	Remedi	18.1%	73.4%	6.6%	1.4%	0.0%	0.5%	0.0%	**100.0%**
	Samwumed	0.0%	87.5%	11.8%	0.1%	0.0%	0.0%	0.6%	**100.0%**
	Sasolmed	1.1%	89.1%	6.7%	3.4%	0.0%	0.0%	-0.2%	**100.0%**
	Sizwe	0.2%	83.8%	12.0%	3.2%	0.7%	-0.4%	0.5%	**100.0%**
	Spectramed	11.4%	74.4%	10.2%	1.8%	2.8%	0.0%	-0.5%	**100.0%**
	Transmed	6.9%	80.2%	10.3%	2.6%	0.0%	0.0%	0.1%	**100.0%**
1	**All 2003**	**11.5%**	**73.5%**	**10.1%**	**2.6%**	**1.4%**	**0.4%**	**0.5%**	**100.0%**
	Open 2003	**12.7%**	**71.0%**	**10.8%**	**2.7%**	**1.8%**	**0.5%**	**0.5%**	**100.0%**
1	**Restricted 2003**	**7.3%**	**82.2%**	**7.8%**	**2.4%**	**0.0%**	**0.0%**	**0.3%**	**100.0%**
1	**All 2002**	**10.7%**	**74.8%**	**10.0%**	**2.5%**	**0.9%**	**0.8%**	**0.3%**	**100.0%**
	Open 2002	**11.7%**	**72.6%**	**10.5%**	**2.6%**	**1.2%**	**1.1%**	**0.4%**	**100.0%**
1	**Restricted 2002**	**7.3%**	**82.1%**	**8.1%**	**2.2%**	**0.0%**	**0.0%**	**0.2%**	**100.0%**

1 Goldmed excluded from calculations as admin fee not borne by scheme

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Detailed Expenditure pmpm

Scheme	Savings Contributions 2003	Net Claims Incurred plus Own Facility Loss/(Profit) 2003	Administration Expenses 2003	Health Care Management Expenses 2003	Broker Fees 2003	Net Cost of Reinsurance 2003	Bad Debts 2003	Operating Expenditure plus Savings Contributions 2003
AACMED	397	1 347	144	2	0	0	(0)	**1 889**
Bankmed	257	1 010	87	48	0	0	1	**1 402**
Bonitas	4	1 257	85	38	21	0	7	**1 413**
CAMAF	102	1 006	160	21	0	0	0	**1 289**
Discovery Health	313	883	186	40	33	20	(4)	**1 471**
Fedhealth	317	972	224	7	33	4	(3)	**1 555**
Goldmed	0	1 809	9	0	0	0	(0)	**1 818**
Hosmed	0	1 105	127	81	6	4	(1)	**1 322**
LAMAF	392	1 349	130	40	0	0	1	**1 912**
Liberty	218	864	139	46	17	(21)	13	**1 275**
Medcor	0	1 207	84	23	0	0	16	**1 329**
Medihelp	51	1 664	139	28	8	0	3	**1 894**
Medipos	326	1 202	90	14	0	0	(20)	**1 611**
Medshield	215	698	226	61	47	(2)	37	**1 281**
Munimed	58	1 455	178	45	47	0	18	**1 801**
Nedcor	7	1 104	101	13	0	0	(4)	**1 220**
NMP	307	1 065	122	74	22	0	(2)	**1 588**
Old Mutual	105	856	86	24	0	0	2	**1 073**
Omnihealth	124	1 337	210	58	69	(1)	240	**2 037**
Openplan	140	1 036	151	34	30	0	(3)	**1 388**
Oxygen	36	773	136	24	29	(2)	(1)	**996**
Polmed	0	1 379	106	45	0	0	7	**1 538**
Profmed	32	1 102	171	21	1	0	13	**1 340**
Pro Sano	345	1 009	164	22	1	0	3	**1 545**
Protector	134	1 226	162	37	16	0	5	**1 580**
Remedi	265	1 074	97	20	0	7	0	**1 463**
Samwumed	0	472	64	1	0	0	3	**540**
Sasolmed	19	1 486	111	56	0	0	(4)	**1 668**
Sizwe	2	1 158	166	44	10	(5)	7	**1 382**
Spectramed	181	1 184	162	29	44	0	(8)	**1 592**
Transmed	68	794	102	26	0	0	1	**990**
[1] **All 2003**	**167**	**1 069**	**147**	**39**	**21**	**5**	**7**	1 454
Open 2003	**189**	**1 055**	**160**	**40**	**27**	**7**	**8**	1 486
[1] **Restricted 2003**	**99**	**1 113**	**105**	**33**	**0**	**0**	**3**	1 354
[1] **All 2002**	**143**	**1 004**	**134**	**34**	**12**	**11**	**4**	1 343
Open 2002	**161**	**1 000**	**145**	**36**	**16**	**15**	**5**	1 378
[1] **Restricted 2002**	**91**	**1 017**	**101**	**28**	**0**	**(0)**	**2**	1 238
Increase/(decrease) 2003								
[1] **All**	**16.8%**	**6.4%**	**9.9%**	**13.3%**	**72.0%**	**-52.2%**	**51.7%**	8.3%
Open	**17.7%**	**5.5%**	**10.6%**	**11.7%**	**70.4%**	**-53.4%**	**47.1%**	7.9%
[1] **Restricted**	**8.4%**	**9.5%**	**4.5%**	**18.5%**	**-72.3%**	**-140.5%**	**80.8%**	9.3%

[1] Goldmed excluded from calculations as admin fee not borne by scheme

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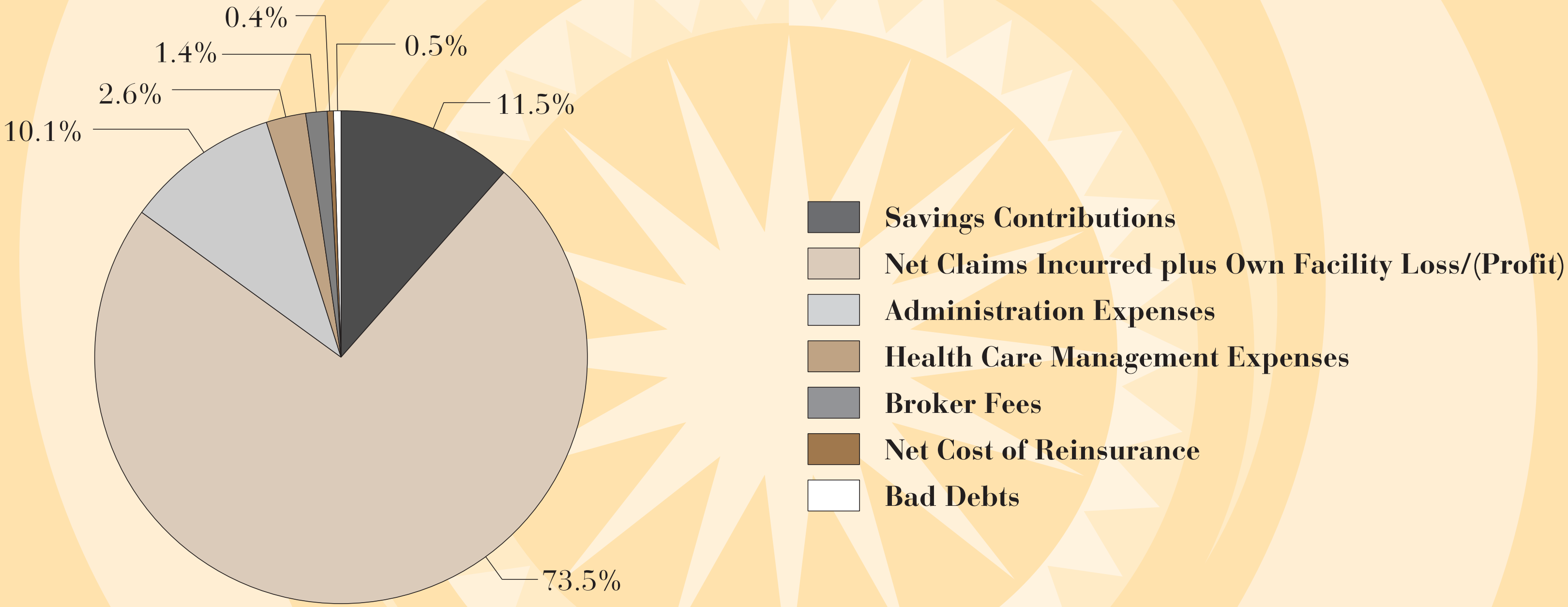
Administration Expenses

	Scheme	Administrator 31/12/2003	Administration Fees 2003 Rm	Administration Fees pmpm 2003	Administration Expenses 2003 Rm	Administration Expenses pmpm 2003
	AACMED	Sovereign Health, a division of Medscheme Holdings (Pty) Ltd	16.6	116	20.5	144
	Bankmed	Metropolitan Health (Pty) Ltd (MHG)	67.3	69	84.6	87
	Bonitas	Medscheme (Pty) Ltd	219.9	73	255.6	85
	CAMAF	Eternity Private Health (Pty) Ltd	34.2	153	35.9	160
	Discovery Health	Discovery Health (Pty) Ltd	1 074.3	156	1 278.3	186
	Fedhealth	Medscheme (Pty) Ltd	142.2	198	160.7	224
	Goldmed	Igolide (Pty) Ltd	0.0	0	1.2	9
	Hosmed	Thebe ya Bophelo Healthcare Administration	40.9	106	49.2	127
	LAMAF	Self-administered	0.0	0	25.3	130
	Liberty	Medscheme (Pty) Ltd	72.2	131	76.6	139
	Medcor	Health Management Institute (Pty) Ltd (Mx Health)	33.0	69	40.4	84
	Medihelp	Self-administered	0.0	0	184.0	139
	Medipos	Old Mutual Healthcare (Pty) Ltd	9.2	77	10.8	90
	Medshield	Exclusive Health (Pty) Ltd	167.5	157	241.7	226
	Munimed	Multimed	59.5	130	81.2	178
	Nedcor	Old Mutual Healthcare (Pty) Ltd	17.4	73	24.0	101
	NMP	Sovereign Health, a division of Medscheme Holdings (Pty) Ltd	92.3	117	96.5	122
	Old Mutual	Old Mutual Healthcare (Pty) Ltd	12.8	80	13.8	86
	Omnihealth	Metropolitan Health (Pty) Ltd (MHG)	55.9	155	76.0	210
	Openplan	Metropolitan Health (Pty) Ltd (MHG)	31.3	115	41.3	151
	Oxygen	Old Mutual Healthcare (Pty) Ltd	70.4	121	79.3	136
	Polmed	Health Management Institute (Pty) Ltd (Mx Health)	137.1	94	155.6	106
	Profmed	PPS Insurance Company Ltd	50.8	159	54.7	171
	Pro Sano	Sigma Health Fund Managers (Pty) Ltd	31.3	63	80.9	164
	Protector	Protector Group Fund Managers (Pty) Ltd	53.4	151	57.4	162
	Remedi	Metropolitan Health (Pty) Ltd (MHG)	10.9	87	12.2	97
	Samwumed	Self-administered	0.0	0	11.5	64
	Sasolmed	Medscheme (Pty) Ltd	22.6	91	27.6	111
	Sizwe	Sizwe Medical Services (Pty) Ltd	102.7	136	125.2	166
	Spectramed	Rowan Angel (Pty) Ltd	60.8	143	68.7	162
	Transmed	Metropolitan Health (Pty) Ltd (MHG)	89.1	87	104.0	102
1	**All 2003**		**2 775.6**	**123**	**3 574.6**	**147**
1	**Open 2003**		**2 274.6**	**133**	**2 952.6**	**160**
1	**Restricted 2003**		**501.1**	**91**	**622.1**	**105**
1	**All 2002**		**2 349.0**	**111**	**3 094.8**	**134**
1	**Open 2002**		**1 894.2**	**119**	**2 508.6**	**145**
1	**Restricted 2002**		**454.8**	**87**	**586.2**	**101**
	Increase/(decrease) 2003					
1	**All**			**10.8%**		**9.9%**
1	**Open**			**12.2%**		**10.6%**
1	**Restricted**			**4.7%**		**4.5%**

1 Goldmed excluded from average expenses pmpm calculations, Goldmed and self-administered schemes excluded from average fee pmpm calculations

DISTRIBUTION OF SCHEME EXPENDITURE 2003



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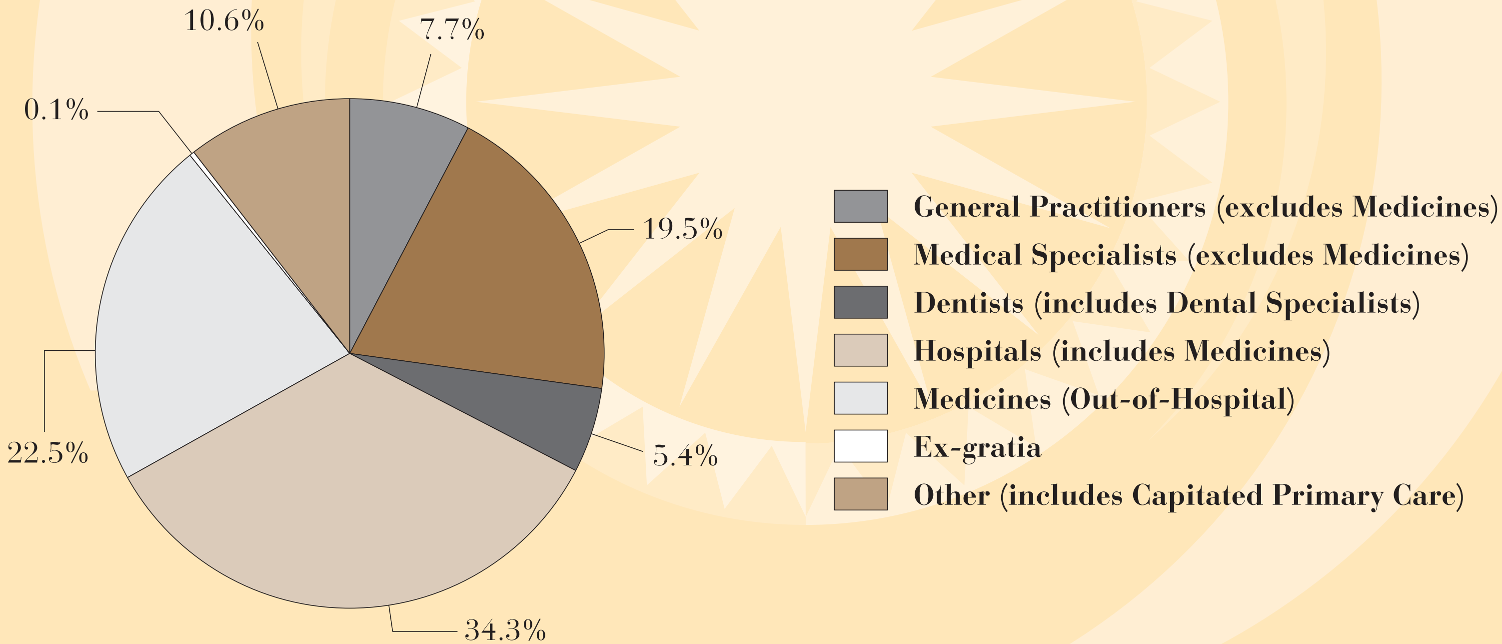
CLAIMS DISTRIBUTION 2002/2003

Hospital claims represented the largest portion of medical scheme claims expenditure in 2003 (34.3%). Excluding global/ per diem fees (12% of hospital claims), the hospital claims were made up of ward fees (40%), theatre fees (25%), and medicines and consumables (35% combined). Out-of-hospital medicines represented 22.5%, medical specialists 19.5%, and the other categories combined comprised the balance of 23.7% of claims.

The average proportions in respect of general practitioners, medical specialists, dentists and out-of-hospital medicines reduced, while the average proportions in respect of hospitals and other benefits increased. These changes in claims distribution reinforce trends identified in previous years.

DISTRIBUTION OF CLAIMS PAID IN 2003



Claims Distribution

Scheme	General Practitioners (excl Medicines) pmpm 2003	Medical Specialists (excl Medicines) pmpm 2003	Dentists (incl Dental Specialists) pmpm 2003	Hospitals (incl Medicines) pmpm 2003	Medicines (out-of-hospital) pmpm 2003	Ex-gratia pmpm 2002	Other (incl Capitated Primary Care) pmpm 2003	Total pmpm 2003
AACMED	94	315	65	543	484	0	149	**1 650**
Bankmed	60	235	69	444	312	2	91	**1 213**
Bonitas	138	228	79	381	333	0	119	**1 278**
CAMAF	48	247	67	307	283	1	125	**1 078**
Discovery Health	62	253	71	419	236	0	122	**1 164**
Fedhealth	67	249	51	449	294	0	92	**1 202**
Goldmed	35	256	35	525	462	0	471	**1 786**
Hosmed	138	175	88	319	292	0	120	**1 133**
LAMAF	67	318	64	569	371	0	148	**1 538**
Liberty	43	234	47	456	180	0	77	**1 038**
Medcor	132	207	64	406	350	2	65	**1 226**
Medihelp	76	381	56	669	387	0	115	**1 683**
Medipos	102	276	59	472	363	0	212	**1 484**
Medshield	72	121	28	252	367	0	54	**894**
Munimed	145	217	87	539	322	0	120	**1 431**
Nedcor	64	222	75	356	197	0	187	**1 100**
NMP	72	259	69	457	334	0	105	**1 296**
Old Mutual	55	202	58	296	194	0	133	**938**
Omnihealth	247	362	85	325	304	0	165	**1 489**
Openplan	50	251	37	551	228	0	92	**1 209**
Oxygen	48	155	28	276	96	0	203	**806**
Polmed	181	221	76	423	149	2	311	**1 362**
Profmed	24	251	73	390	275	0	91	**1 105**
Pro Sano	138	241	78	402	317	7	108	**1 291**
Protector	109	256	68	500	261	0	120	**1 314**
Remedi	67	268	75	622	135	0	103	**1 270**
Samwumed	121	82	40	116	58	0	35	**452**
Sasolmed	113	282	95	514	381	0	124	**1 510**
Sizwe	116	210	65	377	265	0	128	**1 161**
Spectramed	217	238	88	372	232	3	182	**1 331**
Transmed	66	119	16	328	255	2	79	**866**
All 2003	**93**	**237**	**65**	**417**	**274**	**1**	**128**	**1 214**
Open 2003	**92**	**244**	**67**	**420**	**279**	**0**	**118**	**1 219**
Restricted 2003	**99**	**214**	**61**	**406**	**257**	**1**	**160**	**1 198**
All 2002	**96**	**226**	**66**	**361**	**280**	**0**	**103**	**1 133**
Open 2002	**84**	**238**	**69**	**373**	**276**	**0**	**105**	**1 145**
Restricted 2002	**132**	**190**	**56**	**328**	**294**	**0**	**98**	**1 098**
Increase/(decrease) 2003								
All	**-3.1%**	**4.6%**	**-0.6%**	**15.3%**	**-2.4%**	**185.1%**	**24.2%**	**7.1%**
Open	**8.6%**	**2.3%**	**-3.2%**	**12.7%**	**1.2%**	**114.9%**	**11.9%**	**6.5%**
Restricted	**-24.6%**	**12.1%**	**8.5%**	**23.8%**	**-12.6%**	**294.6%**	**64.2%**	**9.1%**
Distribution:								
All 2003	**7.7%**	**19.5%**	**5.4%**	**34.3%**	**22.5%**	**0.1%**	**10.6%**	**100.0%**
Open 2003	**7.5%**	**20.0%**	**5.5%**	**34.4%**	**22.9%**	**0.0%**	**9.7%**	**100.0%**
Restricted 2003	**8.3%**	**17.8%**	**5.1%**	**33.9%**	**21.4%**	**0.1%**	**13.4%**	**100.0%**
All 2002	**8.5%**	**20.0%**	**5.8%**	**31.9%**	**24.7%**	**0.0%**	**9.1%**	**100.0%**
Open 2002	**7.4%**	**20.8%**	**6.0%**	**32.5%**	**24.1%**	**0.0%**	**9.2%**	**100.0%**
Restricted 2002	**12.0%**	**17.3%**	**5.1%**	**29.9%**	**26.8%**	**0.0%**	**8.9%**	**100.0%**

CREDIT RATINGS

It has become established market practice for medical schemes to be rated by Global Credit Rating, which now rates over 30 medical schemes in South Africa. A credit rating agency's role is to differentiate credit quality amongst market participants, by providing an independent opinion on the capacity of the organisation to pay claims.

The main reason for the rapid acceptance of ratings in the medical scheme sector is the growing appreciation of the fact that, by commissioning an independent rating, the scheme provides its members with a valuable service. Considering the fact that all schemes act as "custodians" of public funds, as well as other factors such as the evolution of increasing consumer awareness and the trend towards improved public disclosure, schemes are increasingly realising the benefits of communicating their financial standing via the independent ratings process.

The two major benefits of participating in the process are:

1. A formal rating provides members, employer bodies and brokers with an independent "comfort level" as to the financial strength of the medical scheme. Accordingly, a favourable rating can be utilised as a powerful marketing tool.

2. Furthermore, quite apart from the rating, the process provides members of the management committee with the benefit of a knowledgeable, independent, third-party opinion on the organisation and its operations (including an independent evaluation of the strengths and weaknesses within the internal control environment, risk management processes, and corporate governance procedures).

Medical schemes ratings - 30 June 2004

Name	Claims paying ability
CLOSED SCHEMES	
Anglo American Medical Scheme	AA
Bankmed	AA-*
CAMAF ▲	A+*
Transmed Medical Fund∞	AA-
OPEN SCHEMES	
Bonitas	A
Discovery Health	AA-
Fedhealth	A
Liberty	A
Medihelp∞	A+
Munimed∞	A*
National Medical Plan ▲	A
OmniHealth∞	BBB-*
Openplan	A-*
Oxygen Medical Scheme ▲	A*
Pro Sano Medical Aid Scheme ▲	A+*
Sizwe Medical Fund ▲	A-
Spectramed	BBB+

* = All of the ratings provided are current, however, ratings marked with a * were being reviewed at the time of completing the survey, and could possibly change.

∞= Rating watch (Rating watch implies that the scheme will be closely monitored pending the outcome of a specific occurrence, which may not be financially related)

▲ = Positive rating outlook

▼ = Adverse rating outlook

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Rating definitions - Medical Schemes

Rating	Definition
AAA	Highest claims paying ability. The risk factors are negligible.
AA AA -	Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to economic and/or underwriting conditions.
A+ A A -	High claims paying ability. Protection factors are above average although there is an expectation of variability in risk over time due to economic and/or underwriting conditions.
BBB + BBB BBB -	Adequate claims paying ability. Protection factors are considered adequate for the present, but there is considerable variability in risk over time due to economic and/or underwriting conditions.
BB + BB BB -	Uncertain claims paying ability and less than investment grade quality. The ability of these organisations to discharge obligations is considered moderate and thereby not well safeguarded in the future. Protection factors will vary widely with changes in economic and/or underwriting conditions.
B + B B -	Possessing risk that members and contract holders will not be paid when due. Judged to be speculative to a high degree.
CCC	There is a substantial risk that members and contract holders will not be paid when due. Judged to be extremely speculative. Company has been, or is likely to be, placed under an order of the Courts.
Note	Global Credit Ratings' local domestic currency claims paying ability ratings accorded are tiered against an assumed best possible rating of AAA. In view of the industry risk characteristics associated with the South African Medical Schemes operating environment, an industry risk ceiling of AA- (Double A Minus) for open schemes and AA (Double A) for closed schemes has been applied.

NOTES

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NOTES

For further details contact

Thiru Appasamy on +27 (0)11 537 0225
thirua@bhfglobal.com

Helen Riding on +27 (0)21 809 3752
ridingh@aforbes.co.za

Marc Joffe on +27 (0)11 784 1771
joffe@globalratings.net

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