



**COUNCIL FOR MEDICAL SCHEMES**

**Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes as per Section 63 of the Medical Schemes Act 131 of 1998, as amended.**

**September 2009**

# Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

<b>1. INTRODUCTION .....</b>	<b>3</b>
<b>2. BUSINESS PLAN FORMAT.....</b>	<b>4</b>
<b>2.1 EXECUTIVE SUMMARY .....</b>	<b>4</b>
2.1.1 Objective.....	4
<b>2.2 MEDICAL SCHEME SUMMARY .....</b>	<b>4</b>
2.2.1 Background information of all schemes to be amalgamated.....	4
2.2.2 Operational comparison .....	5
2.2.3 Details regarding the amalgamated scheme .....	5
<b>2.3. STRATEGY AND IMPLEMENTATION .....</b>	<b>6</b>
2.3.1 SWOT analysis of the amalgamated scheme.....	6
<b>2.4 MARKET ANALYSIS .....</b>	<b>7</b>
2.4.1 Membership movement.....	7
<b>2.5 CONTRIBUTIONS .....</b>	<b>8</b>
2.5.1 Current contribution tables .....	8
2.5.2 Contribution comparison .....	11
2.5.3 Affordability of contributions.....	12
<b>2.6 BENEFIT OPTIONS .....</b>	<b>12</b>
2.6.1 Current benefit structures .....	12
2.6.2 Benefit design of amalgamated scheme .....	14
2.6.3 Benefit comparison – should all options not be incorporated into the amalgamated scheme .....	15
2.6.4 Non-health expenditure.....	16
2.6.5 Reserve building .....	17
<b>2.7 RISK MANAGEMENT .....</b>	<b>17</b>
<b>2.8 FINANCIAL PLAN .....</b>	<b>18</b>
<b>2.9 INDEPENDENT REVIEW .....</b>	<b>18</b>
<b>3. ANNEXURES TO THE BUSINESS PLAN .....</b>	<b>20</b>
<b>ANNEXURE A – SPECIMEN MONTHLY STATEMENT OF COMPREHENSIVE INCOME     (CONSOLIDATED AND PER OPTION).....</b>	<b>20</b>
<b>ANNEXURE B – SPECIMEN YEAR-TO-DATE STATEMENT OF COMPREHENSIVE     INCOME .....</b>	<b>22</b>

## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

### **1. Introduction**

Section 63(1) of the Medical Schemes Act 131 of 1998, as amended ("the Act") states:  
*"No transaction involving the amalgamation of the business of a medical scheme with any business of any other person (irrespective of whether that other person is or is not a medical scheme) or the transfer of any business from a medical scheme to any other medical scheme or the transfer of any business from any other person to a medical scheme, shall be of any force, unless such amalgamation or transfer is carried out in accordance with the provisions of this section."*

Section 63(7) of the Act furthermore states:

*"The Registrar shall not confirm the proposed exposition unless he or she is satisfied that the transaction concerned-*

- a) would not be detrimental to the interests of the majority of the beneficiaries of the medical scheme, or medical schemes concerned; and*
- b) would not render any of the medical schemes concerned which will continue to exist if the proposed exposition is completed, unable to meet the requirements of this Act or to remain in a sound financial condition, or, in the case of a medical scheme which is not in the sound financial condition, to attain such a condition within a period of time deemed by the Registrar to be satisfactory."*

A medical scheme or any other party should deposit the following information with the Registrar with regards to any amalgamation or transfer of business:

- A copy of the exposition of the proposed transaction.
- A copy of every actuarial or other statement taken into account for the purpose of the proposed transaction.
- The particulars of the voting at any meeting of its members at which the proposed transaction was considered.
- Any additional information as the Registrar may require.

In addition, the Registrar may require a medical scheme to comply with any of the following provisions regarding the proposed amalgamation:

- A report on the proposed transaction to be drawn up by an independent valuator or other competent person nominated by the Registrar at the expense of the scheme concerned.
- A copy of the exposition of the proposed transaction and of the report, if any, referred to in the previous bullet point to be forwarded by the parties concerned to every member and creditor of those medical schemes.
- The publication of the proposed transactions of the parties concerned in a form approved by the Registrar in the *Gazette* and in such newspaper or newspapers as the Registrar may direct.

The purpose of this document is to guide and assist medical schemes in submitting the relevant information/business plans that will expedite the process of amalgamations of medical schemes, and ensure that it is in line with the provisions of section 63 of the Act.

## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

Trustees should submit the relevant documentation timeously to the Office, in order to not only allow for the Registrar to review the contract and for the trustees to respond to any issues that may be raised, but also taking into account the 42 days requirement in terms of Sections 63(4) and 63(5).

### **2. Business plan format**

#### **2.1 Executive summary**

##### **2.1.1 Objective**

The report should describe in detail the reasons and objectives of the proposed amalgamation, as well as the main advantages and disadvantages for both schemes as a result of the proposed amalgamation. The scheme should also provide a summary of the impact of the amalgamation on the members of the different schemes.

### **2.2 Medical Scheme Summary**

#### **2.2.1 Background information of all schemes to be amalgamated**

The report should provide a brief history/background information of all the schemes involved prior to the amalgamation, which should include at least the following information:

- Name, type and registration date of the medical scheme(s).
- In the case of restricted medical schemes, the name of any participating employer groups.
- Name of administrator and managed care providers, including an organogram of the administrator/managed care providers and its related parties.
- Disclosure of any interests that any board of trustee member may have in any of the parties mentioned above.
- Names and relationships of all related parties to the scheme, as well as the details of services delivered by these related parties to the medical scheme. The provision of an organogram might be necessary.
- Details regarding any penalties as well as the termination process of any current contracts.
- Developments within the schemes over the past few years (e.g. previous amalgamations).
- Summary of the membership profile per option, for example:
  - Number of members.
  - Number of beneficiaries.
  - Average age of beneficiaries.
  - Pensioner ratio (65+ years).
  - Number of chronic patients.
  - Family size.
  - Membership mix on different income bands.
- A brief description of the current benefit options.
- A summary of the financial position of the schemes, including reserve levels before and after amalgamation at a scheme and member level.
- A full list of guarantees that the scheme has in place.

## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

### **2.2.2 Operational comparison**

The scheme should submit the following operational comparison as well as the reasons for choosing the third parties of the amalgamated scheme (should there be different third parties for the individual schemes):

	<b>Scheme A</b>	<b>Scheme B</b>	<b>Amalgamated scheme</b>
Administrator			
Managed care: healthcare service providers			
Managed care: management service providers			
Actuarial Services			
Distribution channels			
Investment managers			
Commercial reinsurance			
Auditors			

### **2.2.3 Details regarding the amalgamated scheme**

General information of the amalgamated scheme should be included in the report, which includes at least the following information:

- The full name of the amalgamated scheme.
- The date on which the proposed amalgamation will be effective.
- The physical and postal address of the registered office of the amalgamated scheme.
- The full names, physical and postal addresses of the principal officer and board of trustees of the amalgamated scheme.
- The name and address of the entity who will administer the amalgamated scheme, including an organogram of the administrator and its related parties.
- The name and address of all managed care provider(s) of the amalgamated scheme, including an organogram of the managed care provider(s) and its related parties.
- The name and address of the auditors of the amalgamated scheme.
- Names and relationships of all related parties to the amalgamated scheme, as well as details regarding the delivery of any service by these related parties to the amalgamated scheme. The provision of an organogram might be necessary.
- Details of other possible amalgamations considered, including the reasons for selecting a specific medical scheme(s) to amalgamate with.
- Summary of the membership profile, for example:
  - Number of members.
  - Number of beneficiaries.
  - Average age of beneficiaries.
  - Pensioner ratio (65+ years).
  - Number of chronic patients.
  - Family size.
- Details regarding the registered rules of the amalgamated scheme.

## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

- The mission and objectives of the amalgamated scheme.
- Details regarding the benefit options available to the members of the scheme which will transfer its assets; as well as details regarding any default option(s), should the member not choose a specific benefit option by the effective date of the amalgamation.
- Details regarding the personnel strategy of the scheme that will transfer its assets.
- In addition, should the individual schemes which will amalgamate have different administrators than the amalgamated scheme, the scheme should clearly indicate to what extent the IT systems of the different administrators are compatible, to ensure a smooth transfer of data. The full details of the transfer of data should be provided; that is the manner in which the transfer will be dealt with both to the scheme or to the members.

### **2.3. Strategy and implementation**

#### **2.3.1 SWOT analysis of the amalgamated scheme**

##### **2.3.1.1 Strength and opportunities**

The report must give a brief overview of factors considered strengths and those being opportunities for the amalgamated scheme, as well as the reasons why the scheme considers these factors as such, and the manner in which such factors will assist the amalgamated scheme to perform satisfactorily.

Possible strength factors could include but are not limited to the following:

- Financial stability due to larger risk pool.
- Economies of scale.
- Stable risk pool due to younger, healthier members.
- A competitive product offering which will give members a choice of benefit options.
- Reduced administration expenditure per member, compared to the industry average.
- Improved age profile; thus lower claims ratio compared to the industry average.

Possible opportunity factors could include but are not limited to the following:

- Member communication (distribution channels).
- Advertising / branding.
- Stronger bargaining power due to bigger risk pool.

The factors listed above and throughout this report merely serve as an example of what could affect the amalgamated scheme. Each scheme's circumstances will be different and schemes should not feel obliged to concentrate on or limit their analysis to only the listed factors.

## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

### **2.3.1.2 Weaknesses and threats**

Similarly, an overview of factors considered being weaknesses and threats to the amalgamated scheme should be provided. In such cases, the scheme should indicate how they plan to deal with those weaknesses and threats (i.e. mitigation plan).

Factors that could be a threat or even a weakness could include but are not limited the following:

- Poor risk pool as a result of a higher age profile for the combined membership.
- Membership loss due to the amalgamation.
- Dissatisfied members due to lack of communication.
- Statutory regulations/ amendments.
- Threat of HIV/Aids and other chronic diseases.
- Fraud and corruption.

## **2.4 Market analysis**

### **2.4.1 Membership movement**

The report should include the membership movement projections from the scheme that will transfer its assets to the amalgamated scheme. In circumstances where the benefit design of the individual scheme(s) is not incorporated in the amalgamated scheme, the report should illustrate the restructuring, for example:

<b>Before amalgamation – Scheme A</b>				<b>Before Amalgamation – Scheme B</b>				<b>After amalgamation</b>			
	<b>Number of members</b>	<b>Ave. age</b>	<b>Pens. ratio</b>		<b>Number of members</b>	<b>Ave. age</b>	<b>Pens. ratio</b>		<b>Number of members</b>	<b>Ave. age</b>	<b>Pens. ratio</b>
Option A				Option 1				Option X			
Option B				Option 2				Option Y			
Option C				Option 3							
Option D								Option Z			

Ave. age = Average Age

Pens. Ratio = Pensioner ratio

Please note that the above table merely serves as an example and should be adjusted relevant to the amalgamation.

In addition, the scheme should submit at least the following information per option for the amalgamated scheme:

- Geographical area of the members, if applicable.
- Summary of the membership profile per option, for example:
  - Number of members.
  - Number of beneficiaries.
  - Average age of beneficiaries.
  - Pensioner ratio (65+ years).
  - Number of chronic patients.
  - Family size.

## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

- If the contribution tables differentiate between income bands, the scheme should indicate the number of members per income band.
- Probability of movement of members between options, and the impact thereof on the self-sustainability of the options.
- The assumed movement of members between options from old schemes into the amalgamated scheme.
- Methods to ensure that actual experience reflects the expected movements assumed in the point above, including the mitigating options identified by the scheme to address the adverse movement of members.
- Detailed communication strategy to assist members with the amalgamation as well as the call centre operations (especially where the schemes have different administrators.)

The table below depicts the scheme's membership mix after amalgamation:

<b>Membership mix Year Start</b>	<b>Average members</b>	<b>Ratio</b>	<b>Average beneficiaries</b>	<b>Ratio</b>
<b>Option X</b>				
R0 – R1 000				
R1 001 – R3 000				
R3 001 – R5 000				
R5 000 plus				
<b>Option Y</b>				
<b>Option Z</b>				
<b>Total</b>				

## **2.5 Contributions**

### **2.5.1 Current contribution tables**

The contribution tables of the current individual schemes which will be amalgamated should be provided. The scheme should also indicate the extent of the savings contributions, if applicable.



**Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

For example:

Income category	Scheme A		
	Member	Adult dependent	Child dependant
<b>Option A</b>			
R0 – R1 000			
R0 – R1 000 (savings)			
R1 001 – R3 000			
R1 001 – R3 000 (savings)			
R3 001 – R5 000			
R3 001 – R5 000 (savings)			
R5 000 plus			
R5 000 plus (savings)			
<b>Option B</b>			
<b>Option B</b> (savings)			
<b>Option C</b>			
<b>Option D</b>			

Income category	Scheme B		
	Member	Adult dependent	Child dependant
<b>Option 1</b>			
R0 – R1 000			
R0 – R1 000 (savings)			
R1 001 – R3 000			
R3 001 – R5 000			
R3 001 – R5 000 (savings)			
R5 000 plus			
R5 000 plus (savings)			
<b>Option 2</b>			
<b>Option 2</b> (savings)			
<b>Option 3</b>			

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

The contribution table for the amalgamated scheme should also be provided. For example:

Income category	Amalgamated Scheme		
	Member	Adult dependent	Child dependant
<b>Option X</b>			
R0 – R1 000			
R0 – R1 000 (savings)			
R1 001 – R3 000			
R1 001 – R3 000 (savings)			
R3 001 – R5 000			
R3 001 – R5 000 (savings)			
R5 000 plus			
R5 000 plus (savings)			
<b>Option Y</b>			
<b>Option Y</b> (savings)			
<b>Option Z</b>			

In the case where contributions for the amalgamated scheme will be changed, it is very important to note the basis for arriving at the monthly contribution rate charged. The breakdown of the monthly contribution should be on a per member/beneficiary per month basis.

The following table depicts the minimum information to be disclosed:

Description	Option X				Option Y				Option Z		
	pmpm	% of GCI	pbpm	% of GCI	pmpm	% of GCI	pbpm	% of GCI	pmpm	% of GCI	pmpm
Risk portion – Health related											
Risk portion – Non-health related											
Savings portion											
Contribution to Reserves/Investment income											
<b>Total proposed premium per month</b>											

pmpm = per member per month  
 pbpm = per beneficiary per month  
 GCI = Gross Contribution Income

## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

The assumptions to the above figures should be provided per benefit option; the following are the minimum assumptions to be documented but are merely a guide and not exhaustive:

- Description of data used.
- Price inflation.
- Age adjustments.
- Benefit changes.
- Utilisation adjustments.
- Non-health expenditure.
- Investment return.
- Reserve loading.
- Demographic profile of members:
  - Average age.
  - Pensioner ratio (65+ years).
  - Average family size per option.
  - Chronic profile.
  - Income profile.
- Buy-downs (ups).
- Subsidy (if any) assumptions and the impact on the proposed contributions table.

As mentioned above the table and assumptions merely serve as a guide and is not in any way exhaustive of the assumptions that may be used. They are however considered the minimum information required. A detailed explanation of both the assumptions and the basis or impact these will have on the financial position must be submitted; this to be supported further by the actual figures and calculations.

### **2.5.2 Contribution comparison**

The contribution tables for the amalgamated scheme should be compared with the current individual schemes' contribution tables to establish the increase in contributions for all members. For example:

The following table depicts a comparison of average contributions level (taking member profiles into account).

For example:

<b>Benefit option name</b>	<b>Amalgamated scheme</b>	<b>Old Scheme A</b>		<b>Old Scheme B</b>	
		<b>Average contribution</b>	<b>% increase</b>	<b>Average contribution</b>	<b>% increase</b>
<b>Option X</b> - Previous Option A - Previous Option 1					
<b>Option Y</b> - Previous Option B - Previous Option C - Previous Option 2					

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

Benefit option name	Amalgamated scheme	Old Scheme A		Old Scheme B	
	Average contribution	Average contribution	% increase	Average contribution	% increase
<b>Option Z</b> - Previous Option D - Previous Option 3					

### 2.5.3 Affordability of contributions

The scheme should further comment on the affordability of the new amalgamated scheme's options in relation to the household income. (e.g. 22.5% of a member's household income (monthly) will go to the medical aid contribution). The scheme must also give an indication of how many members receive employer subsidies.

	Option X	
		% of salary
Contribution per member per month	<b>R400</b>	
Salary bands	R1 000	40.0%
	R3 000	13.3%
	R5 000 +	8.0%
Contribution per beneficiary per month	<b>R300</b>	
Salary bands	R1 000	30.0%
	R3 000	10.0%
	R5 000 +	6.0%

## 2.6 Benefit options

### 2.6.1 Current benefit structures

A detailed description of the benefit options (benefit structure) before the amalgamation, in respect of the individual schemes which will be amalgamated, should be submitted.

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

For example:

	Scheme A				Scheme B		
	Option A	Option B	Option C	Option D	Option 1	Option 2	Option 3
Type	Traditional – Fee for service	New generation – negotiated fee for service	New generation – fee for service	Capitated – low cost option	Traditional – Fee for service	New generation – negotiated fee for service	Capitated – low cost option
In-hospital benefits (overall limits & Rate) - PMB - Non-PMB	Unlimited Rate: 300% of NRPL	Unlimited Rate: 150% of NRPL	Unlimited R1m limited per family per annum Rate: 100% of NRPL	Unlimited R500 000 per family per annum Rate: 100% of NRPL	Unlimited Rate: 300% of NRPL	Unlimited Rate: 150% of NRPL	Unlimited R750 000 per family per annum Rate: 100% of NRPL
Out-hospital benefits (overall limits & Rate) - PMB - Non-PMB	Unlimited Limited to 200% of NRPL	Unlimited Limited to 150% of NRPL	Unlimited From savings only	Unlimited Unlimited capitated	Unlimited Limited to 200% of NRPL	Unlimited Limited to 150% of NRPL	Unlimited Unlimited capitated
Chronic conditions - PMB - Non-PMB	PMB + R50 000 per family per annum	Formulary PMB + R20 000 per family per annum	Formulary PMB	Formulary PMB	PMB + R50 000 per family per annum	Formulary PMB + R20 000 per family per annum	Formulary PMB – capitated
Contributions - pmpm - pbpm	R3 000 R2 000	R2 200 R1 100	R1 100 R650	R500 R250	R2 500 R1 300	R1 800 R900	R1 000 R450
Income bands per current membership	< R 1000 R 1 000 – R3 000 R3 001 – R5 000 > R5 000	No income bands	No income bands	No income bands	< R 1000 R 1 000 – R3 000 R3 001 – R5 000 > R5 000	No income bands	No income bands
Personal Medical Savings Accounts (PMSA)	No PMSA	15% of total contributions	20% of total contributions	No PMSA	No PMSA	15% of total contributions	25% of total contributions
Average family size	3.4	2.7	2.1	2.6	2.6	2.3	2.1
Average age	34.8 years	32.5 years	28.0 years	29.3 years	31.8 years	29.3 years	28.1 years
Ave. pensioner ratio (65+ yrs)	7.4%	3.2%	2.2%	1.9%	8.4%	2.7%	3.4%

Please note that the above table merely serves as an example and should be adjusted relevant to the schemes to be amalgamated.

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

### 2.6.2 Benefit design of amalgamated scheme

A detailed description of the benefit options (benefit structure) of the amalgamated scheme should be provided. For example:

Option X	Option Y	Option Z
<ul style="list-style-type: none"> <li>• No overall hospital limit</li> <li>• 200% of NRPL</li> <li>• sub limits applicable</li> </ul>	<ul style="list-style-type: none"> <li>• No overall hospital limit</li> <li>• 150% of NRPL</li> <li>• sub limits applicable</li> </ul>	<ul style="list-style-type: none"> <li>• R750 000 overall hospital limit per family</li> <li>• 100% NRPL within a network hospitals</li> <li>• R750 deductible is payable for certain procedures.</li> </ul>
No Threshold	Threshold: M = R5 300 AD = R3 800 CD = R1 700	No Threshold
Chronic conditions: PMB + R50 000 per family per annum	Chronic conditions: Formulary PMB + R20 000 per family per annum.	Chronic conditions: Formulary PMB – capitated
Personal medical savings account: N/A	Personal medical savings account: 15% of GCI	Personal medical savings account: 25% of GCI
General practitioners - Unlimited	General practitioners – Limited to 20 visits per beneficiary	General practitioners – limited to network of doctors
Specialist services - Unlimited	Specialist services – Limit of R50 000 per family	Specialist services - limited to network of doctors
Surgical procedures – limit of R20 000 per family	Surgical procedures – No benefit	Surgical procedures – limit of 1 procedure per dependant at network hospital

M = Member  
AD = Adult Dependent  
CD = Child Dependent

Please note that the above table merely serves as an example and should be adjusted relevant to the amalgamated scheme.

Should the benefit structure of the amalgamated scheme change totally from the benefit options that were offered in the individual schemes which will amalgamate, the following should be submitted:

The projected claims costs for each option should be listed on a per member / beneficiary per month basis.

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

The following is an example of the minimum information to be disclosed:

Pricing of contribution	Option X				Option Y				Option Z			
Year Start	pmpm	% of GCI	pbpm	% of GCI	pmpm	% of GCI	pbpm	% of GCI	pmpm	% of GCI	pbpm	% of GCI
In-hospital benefits												
Chronic benefits												
MRI & CT scans												
Oncology												
Internal prosthesis												
Dialysis												
Optical												
Dentistry												
Radiology												
Pathology												
GP's & Specialists												
ATB												
Threshold benefits												
Capitated benefits												
- PMB												
- Non-PMB												
<b>Total benefit</b>												

The level of any co-payments should also be disclosed.

Where a scheme enters into any capitation arrangements, the scheme should submit a copy of the proposed contract, as well as a detailed list of all services covered in the proposed agreement. The capitation fee paid should also be justified.

### 2.6.3 Benefit comparison – should all options not be incorporated into the amalgamated scheme

A detailed benefit comparison and gap analysis should be performed, between the options that were available to members on the individual schemes which will amalgamate, and the benefit options to be offered to members of the amalgamated scheme. For example:

**Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

Description	Scheme A – Option A	Amalgamated scheme – Option X	Difference
<b>In-hospital benefits</b>			
Rate of Cover	100% of NRPL	150% of NRPL	Extended benefit
Overall annual limit	R1 000 000 per family	Unlimited	Extended benefit
Deductible	No	No	No difference
Pathology & Radiology	2 sonar's per pregnancy, no limit on special radiology	150% of NRPL paid from savings thereafter unlimited from ATB	Decrease in benefit
Above Threshold	No	Yes	Increase in benefit
Savings	20% of total contributions	15% of total contributions	Decrease in benefit
<b>Out-of-hospital benefits</b>			
General practitioners	100% of NRPL paid from medical savings	Limited to 20 benefits per beneficiary	Increase in benefit
Specialist visits	100% of NRPL paid from savings	Limited to R50 000 per family	Increase in benefit
Surgical procedures	Limited to amount in savings	No benefit	Decrease in benefit

Please note that the above table merely serves as an example and should be adjusted relevant to the amalgamation.

### 2.6.4 Non-health expenditure

The scheme should perform a detailed analysis of the non-health expenditure, expressed as a percentage of gross contribution and on a per member / beneficiary per month basis for all the individual schemes which will amalgamate as well as the amalgamated scheme. For example:

Total non-health costs	Scheme A				Scheme B				Amalgamated Scheme			
	pmpm	% of GCI	pbpm	% of GCI	pmpm	% of GCI	pbpm	% of GCI	pmpm	% of GCI	pbpm	% of GCI
Administration expenditure												
Administration fees												
Other administration expenditure												
Managed care :management services												
Broker fees												
Commercial reinsurance												
Impairment losses												
<b>Total</b>												

pmpm – per member per month  
pbpm – per beneficiary per month  
GCI – Gross Contribution Income



## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

The scheme should furthermore provide the full details of any non-health cost savings or alternatively non-health cost increases as a result of the amalgamation.

### **2.6.5 Reserve building**

Details of the amalgamated scheme's reserving policy should also be provided.

The submission should also include sensitivity analyses illustrating, for example the impact of buy-downs (ups) on the scheme's reserves.

The above-mentioned analysis could be summarized as follow:

<b>Scenario</b>	<b>% change in insured contributions required to sustain reserves</b>	<b>% change in the end-period reserves if contributions are unchanged</b>
A		
B		
C		
D		

A break-even analysis illustrating the minimum required income to cover all claims and non-health costs, and all assumptions used for the year on year increases should be included.

### **2.7 Risk management**

Risk management is a key component of scheme management. A clear policy on how the new scheme plans to minimize its exposure to risk can take countless forms that could include any of the following:

- Risk transfer arrangements with managed health care providers where an element of risk is transferred to the provider or is shared between the new scheme and the provider.
- Capping of claims payable to contracted providers in return for unlimited services to members, thus reducing exposure to high inherent claims risk.
- For schemes that do not have large membership, reinsurance can afford them an effective vehicle to manage and contain risk. It should be noted that it is the responsibility of the Board of Trustees to consider the need for such reinsurance and to comply with Section 20(3) of the Act, in this regard.

The applicant should provide full details of possible risk management tools to be implemented. Any proposed risk sharing arrangements should be supported by appropriate reasons for implementation thereof (i.e. need analysis).

## **Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

### **2.8 Financial plan**

The scheme should submit detailed projections for the amalgamated scheme on a consolidated level and on a per option level, for at least two full calendar years.

The financial projections for the amalgamated scheme should comprise of at least the following information (this should also be submitted electronically):

- a) A detailed consolidated statement of comprehensive income per month. Please refer to Annexure A.
- b) A detailed statement of comprehensive income per benefit option per month. Please refer to Annexure A.
- c) A detailed consolidated year to date statement of comprehensive income. Please refer to Annexure B.

It should be noted that until such time that the Risk Equalisation Fund (REF) legislation has been passed; no reference to it can/should be made by schemes in their business plan submission i.e. projections should not incorporate monies received/paid into REF.

### **2.9 Independent review**

The Registrar may require a medical scheme to submit a report on the proposed transaction to be drawn up by an independent valuator or other competent person nominated by the Registrar at the expense of the scheme concerned.

The person performing the evaluation needs to be independent with all potential conflicts of interest fully disclosed to the trustees. Such disclosure must be attached as part of the evaluation.

The person performing the review need not be an actuary but should have appropriate skills in statistics, health economics and actuarial sciences, etc.

The independent evaluation needs to provide an overall qualitative and quantitative evaluation of the amalgamation. The report should be provided in a manner and format consistent with the requirements of the Act. The information provided needs to be sufficient for decision-making purposes by the trustees and the Registrar.

The report should contain at least the following:

- Details of the person who prepared the report (including qualification) and for whom it was prepared.
- Date of submission of the report.
- A declaration that the report was independent to the extent required by the Act.
- A description of the information reviewed.
- A general description of the amalgamation and the impact on the members of the individual schemes.

**Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes**

- Comments on the appropriateness of the amalgamation in respect of the following, based on the quantitative analysis:
  - Benefit structure of the amalgamated scheme.
  - Contribution table(s) of the amalgamated scheme.
- The report should conclude on whether the amalgamation will be in the interests of the majority of the beneficiaries of the medical scheme, or medical schemes concerned; and whether the amalgamated scheme will be in a financially sound position for a reasonable period after the amalgamation.

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

### 3. Annexures to the business plan

#### Annexure A – specimen monthly statement of comprehensive income (consolidated and per option)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Net contribution income</b>													
<b>Relevant healthcare expenditure</b>													
Net claims incurred													
Claims incurred													
Third party claims recoveries													
Net income / (expense) on risk transfer arrangements													
Risk transfer arrangement fees / premiums paid													
Recoveries from risk transfer arrangements													
Profit / (loss) share arising from risk transfer arrangements													
<b>Gross healthcare result</b>													
Net income/(expense) on commercial reinsurance													
Commercial reinsurance premiums paid													
Recoveries from commercial reinsurance													
Profit / (loss) share arising from commercial reinsurance													
Managed care: management services													
Broker service fees													
Administration expenses													
Net impairment losses on healthcare receivables													
<b>Net healthcare result</b>													
<b>Other income</b>													
Investment income													
Income from use of own facilities by external parties													
Grants													
Sundry income													

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

### Other expenditure

Asset management fees  
Cost incurred in provision of own facilities to external parties  
Interest paid on savings accounts  
Sundry expenses

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### Net surplus/(deficit) for the year

### Other comprehensive income

Fair value adjustment on available for sale investments  
Reclassification adjustment\*  
Land and buildings revaluation

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### Total comprehensive income for the year

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\*The reclassification adjustment relates to gain/loss on sale of available-for sale investments which is taken to the income statement within "investment income".

Projected accumulated funds  
Projected solvency ratio

Number of principal members  
Number of beneficiaries  
Pensioner ratio (65+ years)  
Average age per beneficiary

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

### Annexure B – specimen year-to-date statement of comprehensive income

	Year 1	Year 2	Year 3
<b>Net contribution income</b>			
<b>Relevant healthcare expenditure</b>			
Net claims incurred	<div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div>		
Claims incurred			
Third party claims recoveries			
Net income / (expenses) on risk transfer arrangements			
Risk transfer arrangement fees / premium paid			
Recoveries from risk transfer arrangements			
Profit / (loss) share arising from risk transfer arrangements			
<b>Gross healthcare result</b>			
Net income / (expenses) on commercial reinsurance	<div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div>		
Commercial reinsurance paid			
Recoveries from commercial reinsurance			
Profit / (loss) share arising from commercial reinsurance			
Managed care: management services			
Broker service fee			
Administration expenses			
Net impairment losses on healthcare receivables			
<b>Net healthcare result</b>			
<b>Other income</b>			
Investment income	<div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; height: 20px; margin-bottom: 5px;"></div>		
Income from use of own facilities by external parties			
Grants			
Sundry income			

## Guideline for the preparation of a business plan pursuant to an application for an amalgamation of medical schemes

### Other expenditure

Asset management fees  
Cost incurred in provision of own facilities to external parties  
Interest paid on savings accounts  
Sundry expenses

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### Net surplus/(deficit) for the year

### Other comprehensive income

Faire value adjustment on available for sale investments  
Reclassification adjustment\*  
Land and buildings revaluation

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### Total comprehensive income for the year

--

\*The reclassification adjustment relates to gain/loss on sale of available-for sale investments which is taken to the income statement within "investment income".

Projected accumulated funds  
Projected solvency ratio

Number of principal members  
Number of beneficiaries  
Pensioner ratio (65+ years)  
Average age per beneficiary