



# Transnet Working Members and Pensioners

HR-Union Workshop Oct 2008



Fifth  
Quadrant

Actuaries & Consultants

# Agenda



- Industry Overview
- Scheme Overview
- 2009 Benefits Review

# Agenda



- Industry Overview

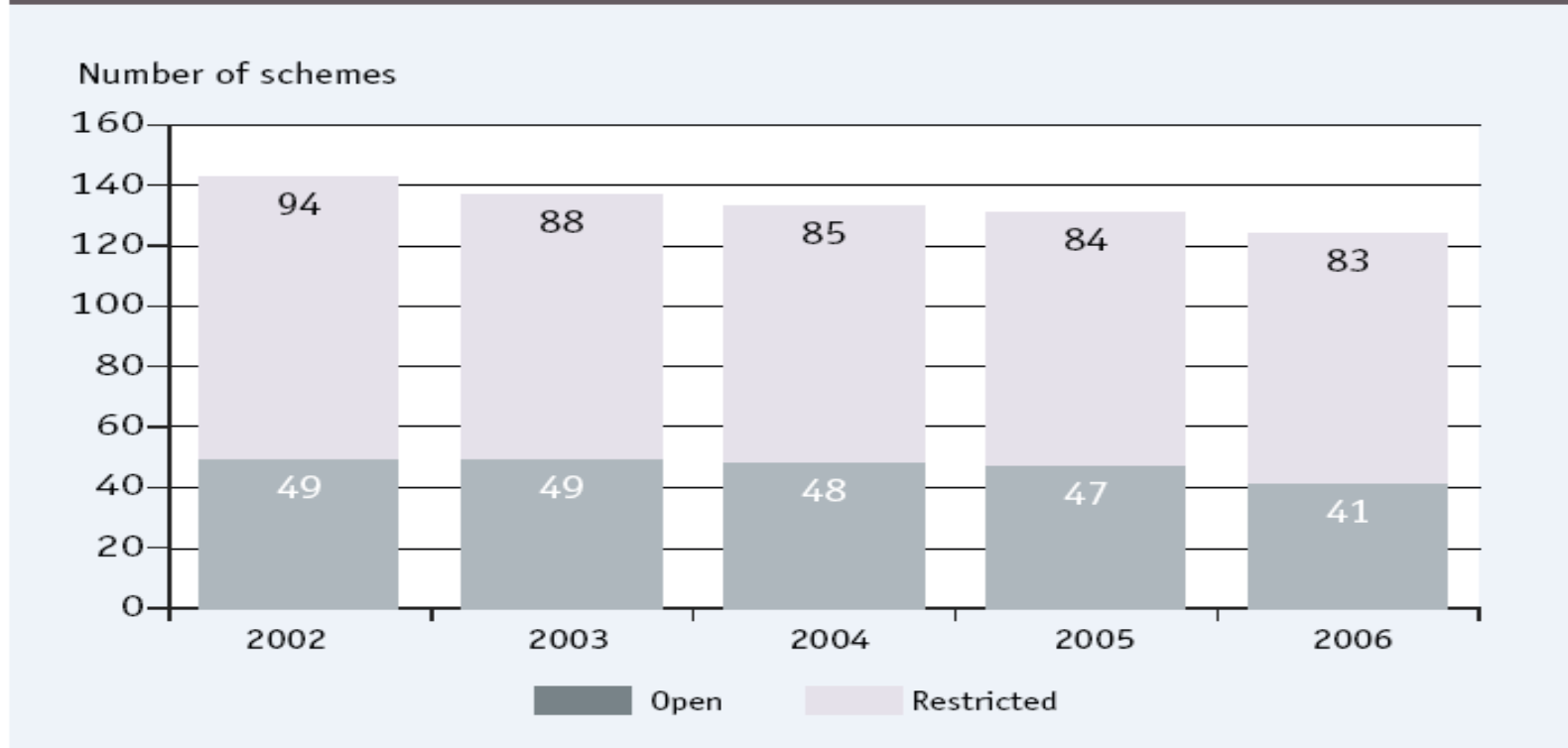
# CMS Annual Report



- Findings from Council of Medical Schemes Reports:
  - Annual Report 2007-8
  - Research Report # 2
  
- Report on activities of Council and Industry Trends
  - Schemes
  - Membership
  - Claims
  - Contributions

# Number of Schemes

Figure 1: Number of registered medical schemes 2002–2006



- Number of schemes declining – consolidation
- Smaller number of larger schemes – greater stability vs. reduction in choice

# Number of Lives Covered

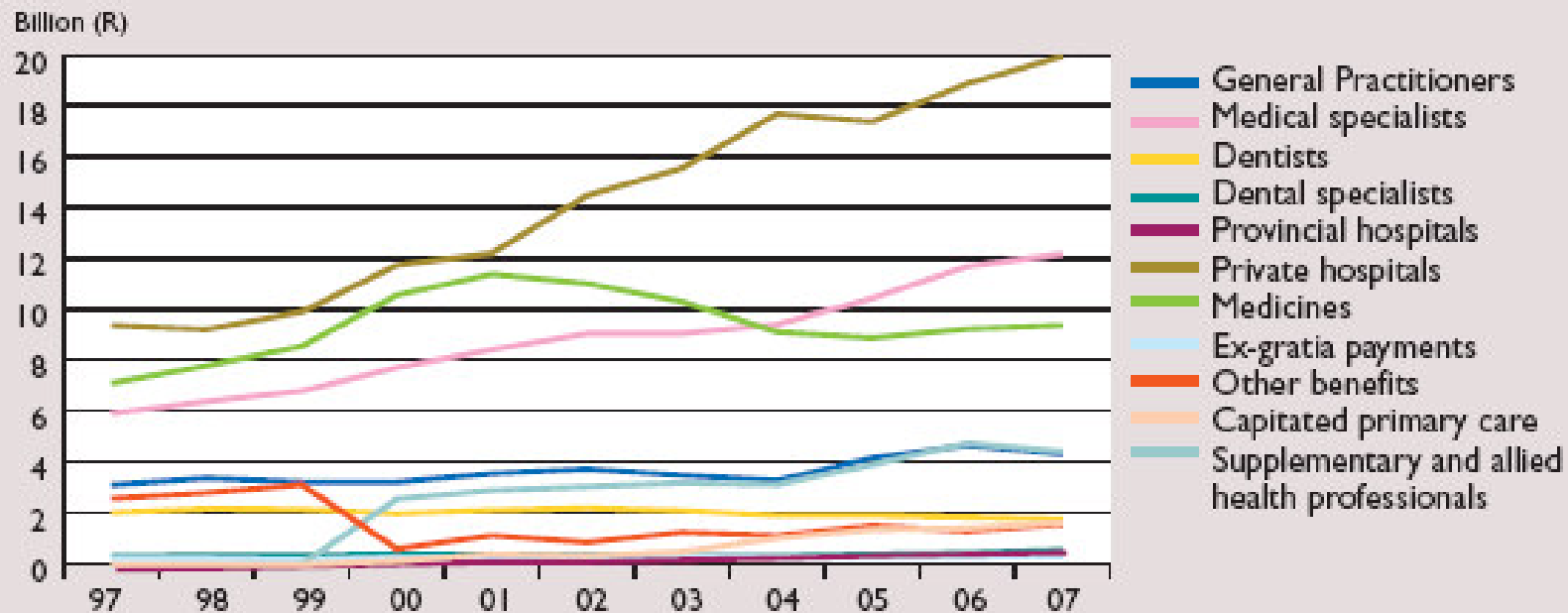
Figure 4: Average number of beneficiaries in registered schemes



- Number of lives covered steady
- Small increase 2006 – due mainly to GEMS

# Benefits Costs

Figure 5: Benefits paid: 2007 prices\*

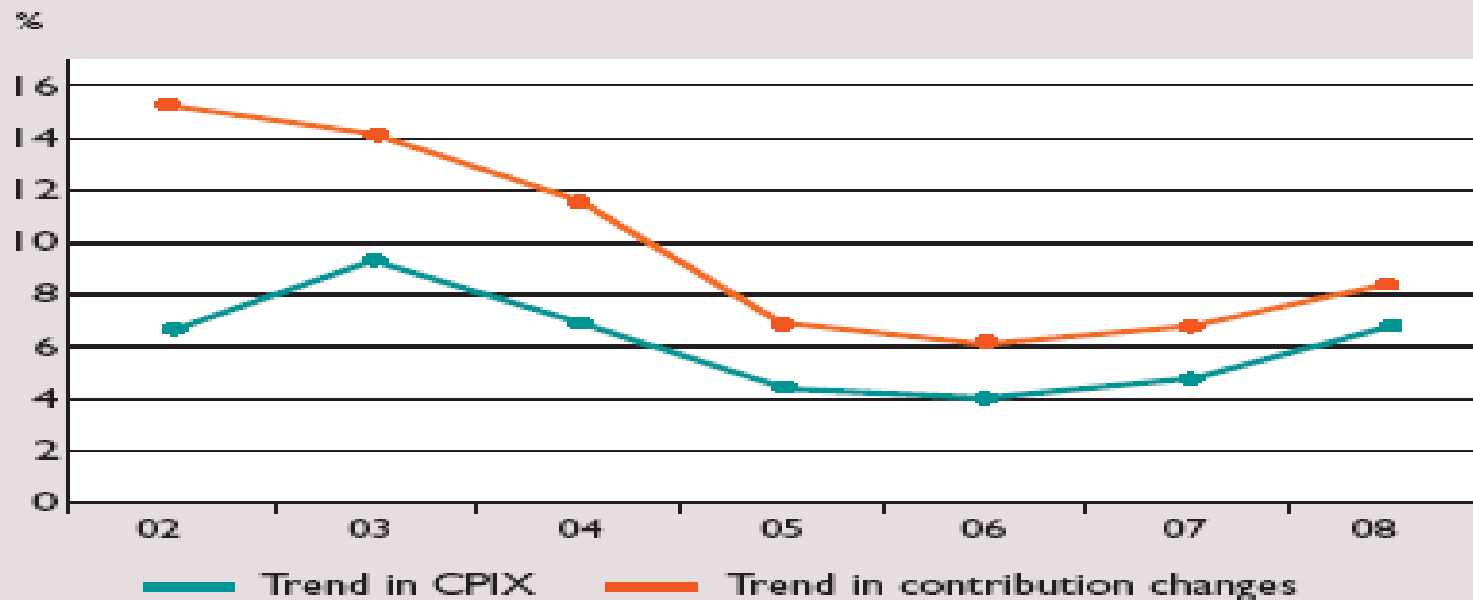


\* The values were adjusted for CPIX for 1997-2007

- Hospital and Medicines key cost drivers, other providers increases in line with inflation
- Medicine costs increases being controlled via regulation
- Hospital costs?

# Contribution vs. CPIX

Figure 4: Contribution rate changes and CPIX



*The CPIX trend line in the time plot is based on CPIX at the time of scheme rule assessments (at the end of September of the previous year)*

- Medical costs increases +/-3% higher than CPIX
- After a period of declining increases, cost increase are edging upwards again

# Transmed vs. Industry



	TWMP	All Schemes
<b>Membership Ranking (Tmed)</b>		14
<b>Financial (Rpbpm)</b>		
Contributions	533	737
Benefits	509	642
Non Health Care Expenses	65	102
<b>Operating Position</b>	-41	-7
<b>Reserve Ratio</b>	29%	38%

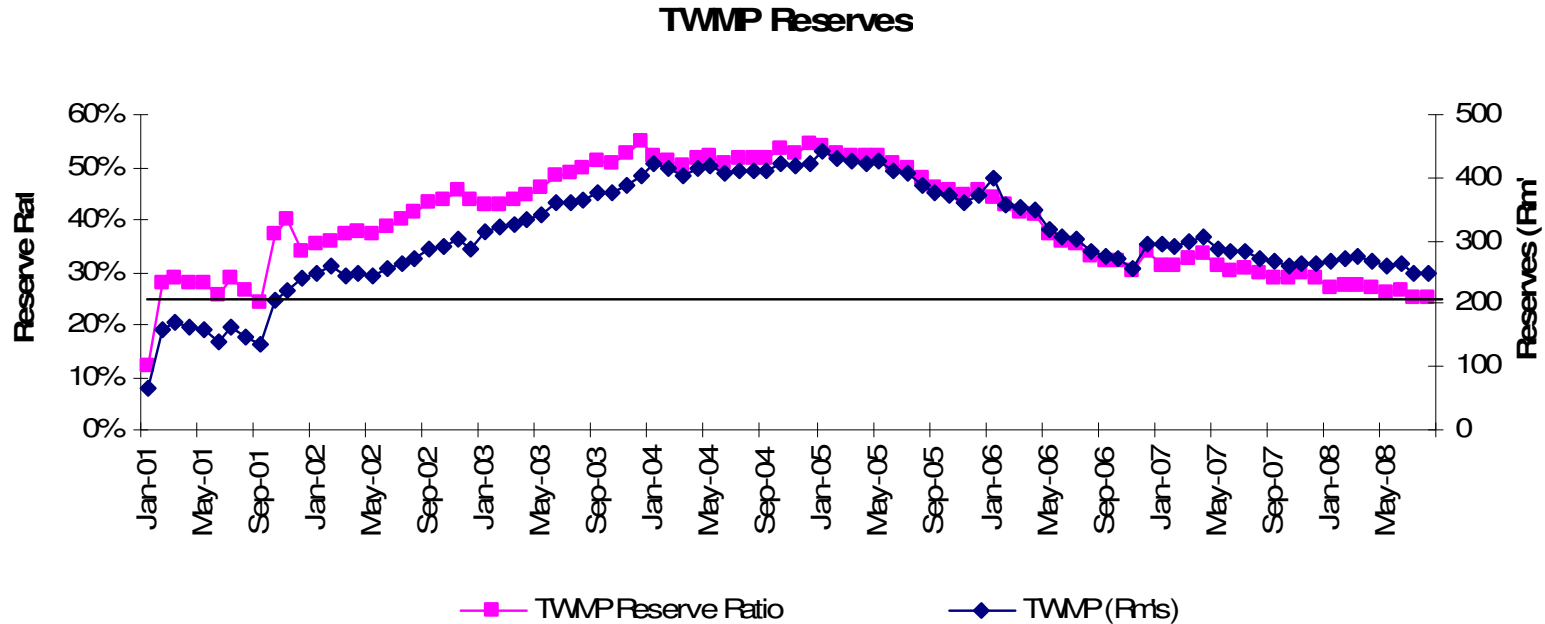
- Transmed positioned at lower costs lower benefit end of spectrum
- Non health care costs are substantially lower than all scheme average
- Reserve ratio currently below industry average

# Agenda



- ✓ Industry Overview
- Scheme Overview

# Reserve Position



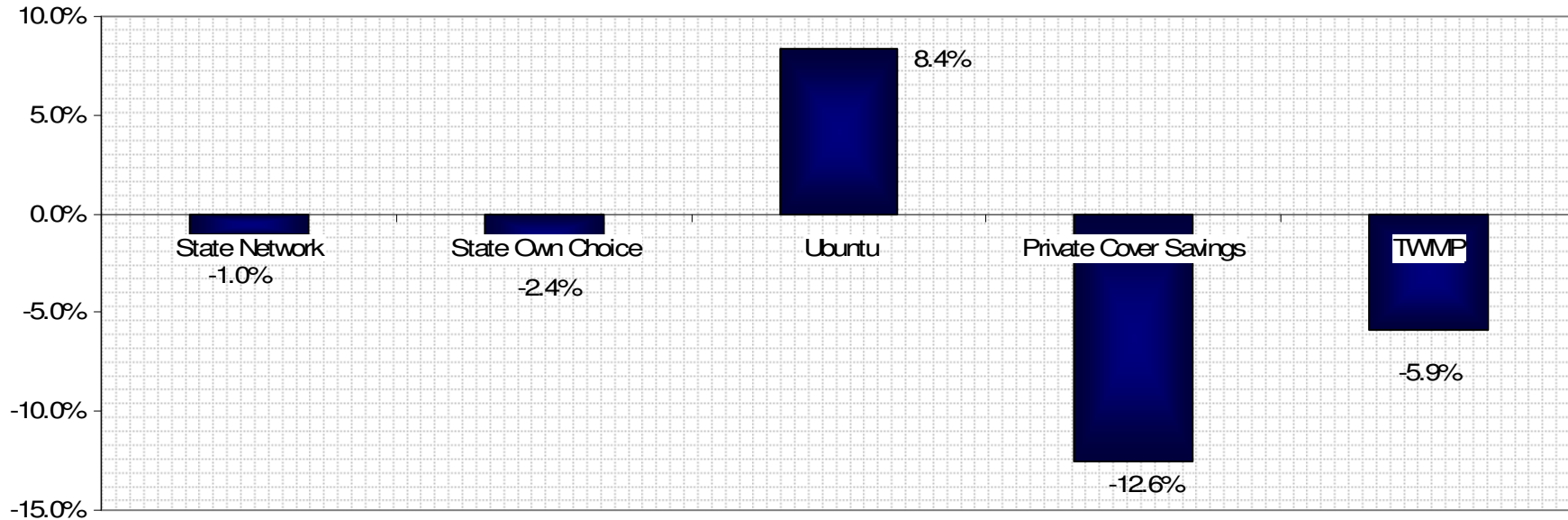
To August:	2006	2007	2008
Operating Losses (Rm's)	-113	-50	-37
Net Losses (Rm's)	-89	-20	-13

- Operating losses declining
- Hope to move towards operating break-even position in 2009

# Reserve Position



Operating Profit/Loss (%)



- State Plan close to operating break-even
- Ubuntu – generating profits as part of efforts to recover past losses
- Private Savings – operating at substantial losses

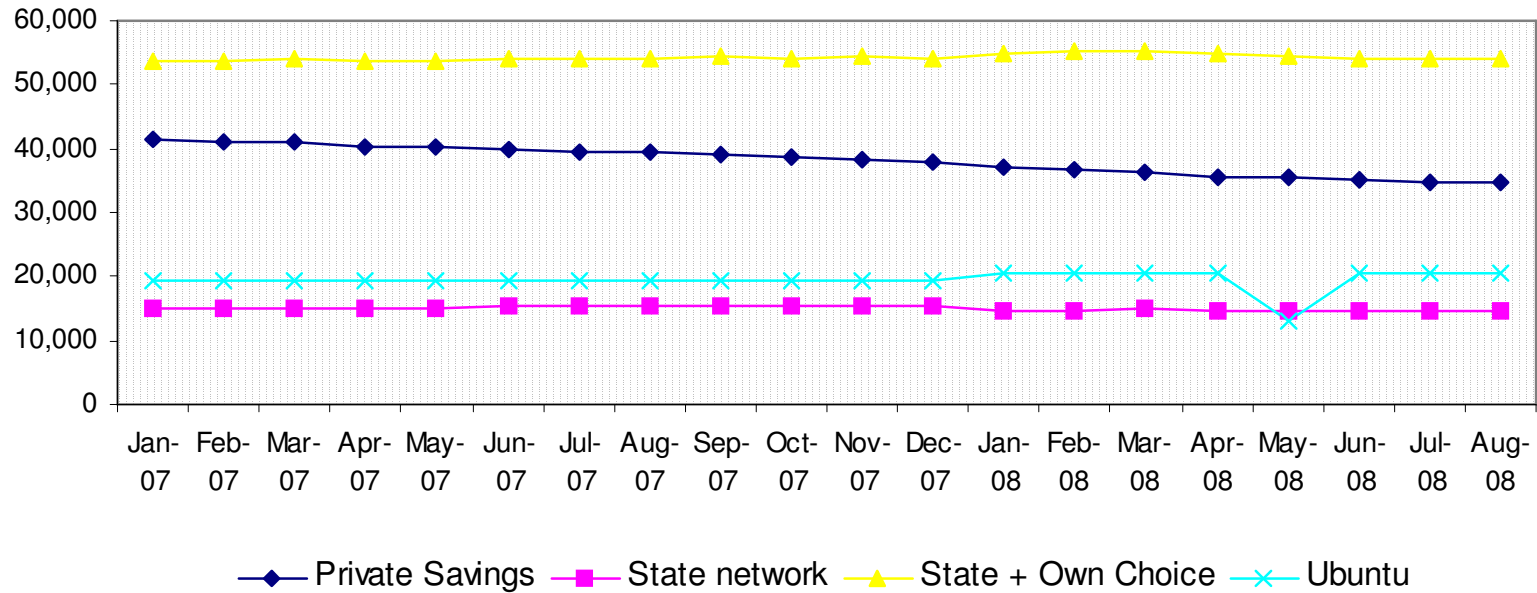
# Expenses Analysis



	<b>Rpbpm</b>	<b>% Contributions</b>
<b>Adminstration</b>	40	6.7%
<b>Managed Care</b>	29	4.8%
<b>Board</b>	10	1.7%
<b>Other</b>	0	0.0%
<b>Total</b>	79	13.2%

- Transmed expenses substantially below industry norms
- Above 10% of contributions – due mainly to lower levels of contributions

# Number of Lives



- Overall number of lives stable
- Decrease in lives on Private + Savings vs. increase in State Own Choice and Ubuntu Plans

# Conclusions



## ■ Financial Position

- Turnaround strategy succeeding
- Operational Expenses – within/below industry norms

## ■ Membership

- Steady despite on-going company re-structuring

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# 2009 Benefits Review



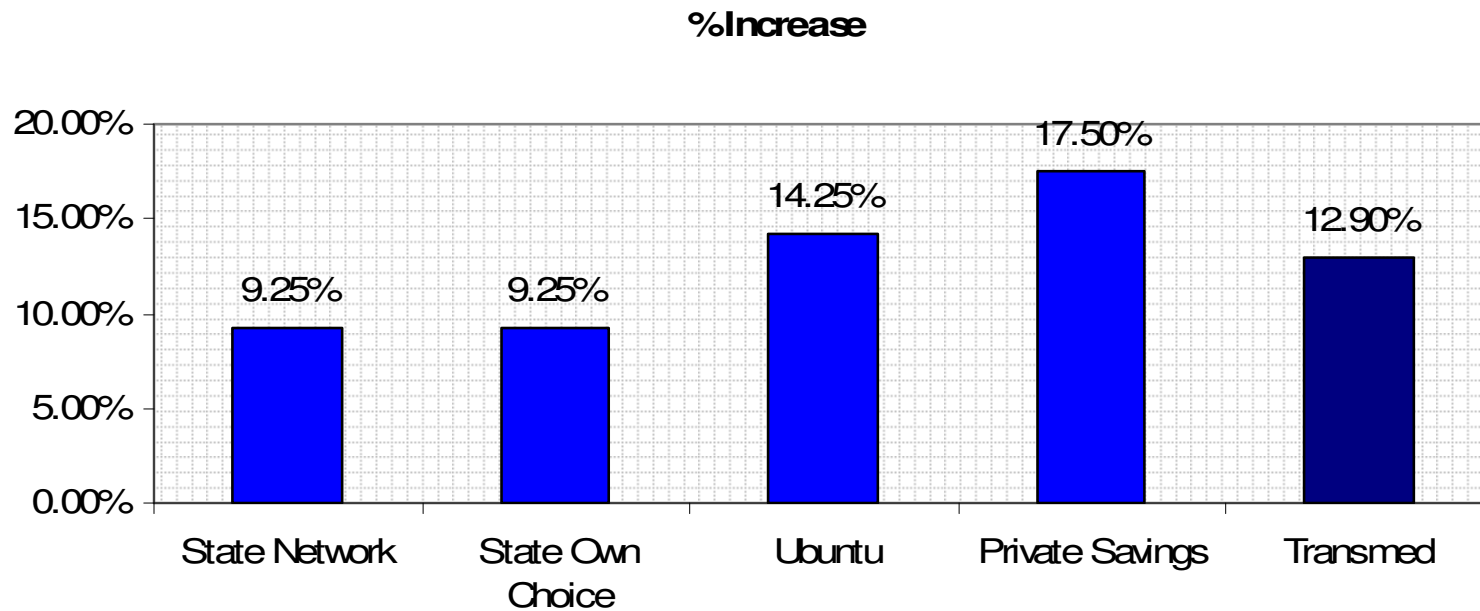
## ■ Contribution Increase

- Financial Position of Risk Pool – need to build reserves
- Inflation outlook deteriorating
- Member affordability

## ■ Benefits

- Hospital Benefits – no change
- Chronic – DSP arrangement
- Day to Day
  - Inflation increase in limits
  - No change in savings on Private + Savings

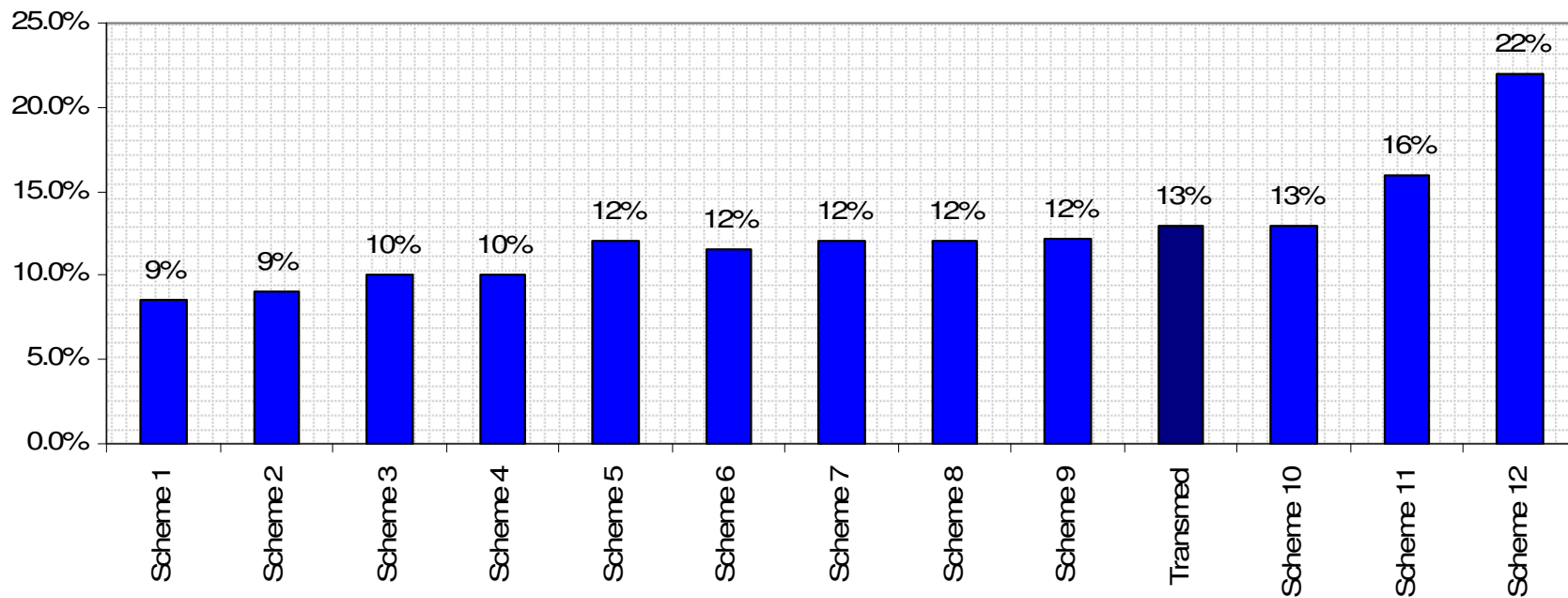
# 2009 Contribution Increases: Transmed



# 2009 Contribution Increases: Industry



Overall Increase



**Thank You**