

Exposition Document

Amalgamation of CompCare Medical Scheme and Suremed Health with effect from 1 January 2024

August 2023

CompCare

Medical Scheme



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1 Introduction

1.1 Purpose of this document

The purpose of this document is to provide an exposition of the proposed amalgamation of CompCare Medical Scheme ('CompCare') and Suremed Health ('Suremed') as required in terms of Section 63 of the Medical Schemes Act 131 of 1998, as amended ("the Act").

Subject to regulatory approvals in terms of the Act and any other legislation, the proposed effective date of amalgamation shall be 1 January 2024, or the date on which all regulatory approvals for this amalgamation have been obtained, whichever is later.

1.2 Amalgamation overview

The South African healthcare industry has been exposed to several key events in the recent past with the objective of enforcing major changes in the industry. These include a review of the Prescribed Minimum Benefits package, the drive toward implementing National Health Insurance, the demarcation between medical aids and medical insurance products and the Competition Commission's inquiry into the high cost of private healthcare. There exists a general unrest amongst members and providers alike as these events are deliberated in the media that causes further uncertainty amongst stakeholders.

Medical schemes are forced to respond to this tumultuous, unpredictable environment by continually adapting and reviewing its long-term strategy to keep the scheme financially sustainable whilst providing members with the best possible medical cover. Scheme consolidation is an emerging trend which will see the number of medical schemes reduce drastically over the coming years.

Consolidation is a regulatory objective, whereby schemes and benefit options face pressure to reduce in numbers. By means of amalgamation, schemes are better enabled to respond to the challenges faced in the healthcare industry, protecting the longer term interests of its member by consolidating risk pools and assets, as well as improving the product suite. In particular, schemes with relatively small memberships are pressured to amalgamate despite being financially sustainable.

Suremed, an open scheme, currently has a membership of 1,034 principal members, the smallest scheme in the industry, with a solvency of approximately 117.6% in December 2022. The Scheme has a high reserve level which guards it against adverse events, especially those associated with systemic shocks and volatility, but it remains exposed to risk associated with a very small risk pool.

Suremed is currently considering an amalgamation with CompCare, whereby Suremed will merge in its entirety into CompCare. This merger will provide the Suremed members with greater choice in terms of benefits as well as security of joining a larger scheme, with currently over 18,000 members.

CompCare also benefits from the amalgamation through an increased membership size, and an increase in its reserves. A 3.7% increase in its reserves is projected for the end of the 2024 benefit year.

CompCare is administered by Universal Healthcare Administrators (Pty) Ltd ('Universal') and Suremed is administered by Momentum Thebe Ya Bophelo (Pty) Ltd. The Shuttle and Explorer benefit options' capitation provider is Kaelo Primecure (Pty) Ltd.

In order to assess the viability and attractiveness of the proposed amalgamation, the impact on members as well as the financial sustainability of the Amalgamated Scheme was considered. The following factors were taken into consideration when determining the feasibility of the proposed amalgamation:

- Suremed members will have a better variety of options to choose from in the Amalgamated Scheme, and although their existing options will fall away, they can select an alternative option from a range of 14 options in 2024 should they wish.
- The Amalgamated Scheme will enjoy increased reserves for member protection as well as additional funds to improve benefits and give back to members on both Schemes.
- Suremed members will benefit from the increased membership size and associated bargaining power and reduced volatility.
- The Amalgamated Scheme will maintain a projected solvency level which is significantly higher than the regulatory requirement of 25.0%.




Based on the above, an amalgamation between Suremed and CompCare is feasible.

1.3 Signatories

This document serves as an exposition and outlines key factors considered when determining if an amalgamation between Suremed into CompCare would be in the best interest of the members.

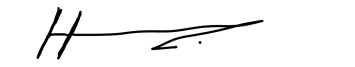
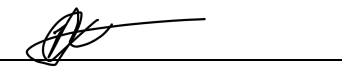

For CompCare Medical Scheme

Signed at: Honeydew on 17 August 2023

 _____ Chairman	 _____ Trustee	 _____ Principal Officer
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For Suremed Health

Signed at: BELLVILLE on 17 AUGUST 2023

 _____ Chairman	 _____ Trustee	 _____ Principal Officer
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2 Current scheme information

2.1 Scheme backgrounds

CompCare Medical Scheme (registered on 1 June 1978 with registration number 1491) was formed in January 2008 as a result of an amalgamation between CompCare Medical Scheme, CIMAS Wellness Medical Scheme and Lifemed Medical Scheme. Effective 1 September 2019, Selfmed Medical Scheme amalgamated into CompCare, placing the newly amalgamated Scheme in the Top 11 largest schemes in the open medical scheme industry.

CompCare offers eight main benefit options, as well as six efficiency discounted (ED) options for the 2022 benefit year.

Suremed Health (registration number 1464) is an open medical scheme registered in August 1976. Suremed currently offers four benefit options.

CompCare is administered by Universal Healthcare Administrators (Pty) Ltd. Universal Care (Pty) Ltd also provides managed care services to them.

Suremed is administered by Momentum Thebe Ya Bophelo (Pty) Ltd. Capitation agreements are in place with ER24 in respect of emergency and ambulance benefits, and Kaelo Primecure (Pty) Ltd in respect of primary care benefits on the Shuttle and Explorer options.

The table below provides registration information for both Schemes.

	CompCare	Suremed
Registration number	1491	1464
Registration date	1978/06/01	1976/08/01
Principal Officer	Mr Josua Joubert	Mr Johan Janse van Rensburg
Physical Address	Universal House 15 Tambach Road Sunninghill Park Sandton 2196	Momentum Thebe Ya Bophelo (Pty) Ltd 7 Lutman Street Richmond Hill Gqeberha 6001
Postal Address	CompCare Medical Scheme PO Box 1411 Rivonia 2128	Momentum Thebe Ya Bophelo (Pty) Ltd PO Box 1672 Gqeberha 6000

2.2 Third party providers

The following table provides information regarding the third-party providers to the respective Schemes.

	CompCare	Suremed
Administrator ¹	Universal Healthcare Administrators (Pty) Ltd	Momentum Thebe Ya Bophelo (Pty) Ltd
Managed Care Provider	Universal Care (Pty) Ltd	Lifesense Disease Management (Pty) Lt Momentum Thebe Ya Bophelo (Pty) Ltd
Auditors	KPMG Inc	PriceWaterhouseCoopers Inc.
Actuarial Services	3ONE Consulting Actuaries	Prognosys Actuaries and Consultants
Investment Consultants	Old Mutual Wealth Treasury and Advisory Services	None
Risk Transfer Arrangements	Netcare 911	ER24 EMS (Pty) Ltd Kaelo Primecure (Pty) Ltd
Other third party service providers	Universal Health Services (Pty) Ltd	

2.3 Reserves

The reserve positions of both CompCare and Suremed as at 31 December 2022 are shown below. The reserves and solvency of the combined Scheme is also shown. The combined scheme figures are obtained from summing the accumulated funds and membership numbers from the individual schemes, and is not to be confused with the amalgamated scheme, which is discussed in Section 3.

31 December 2022	CompCare	Suremed	Combined Scheme
Accumulated funds	R273,074,262	R62,749,072	R335,823,334
Solvency ratio	32.0%	117.6%	37.0%
Membership	18,404	994	19,398
Reserves per member	R14,838	R63,128	R17,312

As at 31 December 2022, were CompCare and Suremed amalgamated, the Amalgamated Scheme would have had a solvency ratio of 37.0%, far in excess of the statutory requirement of 25.0%.

Both CompCare's and Suremed's reserve levels are taken from their annual financial statements for the year ended 31 December 2022, and exclude unrealised gains. CompCare had R52.7 million unrealised gains as at 31 December 2022, not included in the solvency ratio.

¹ An organogram of Universal Healthcare Administrators (Pty) Ltd can be found in Appendix A.

2.4 Demographic information

CompCare and Suremed are both open schemes providing medical aid cover to private individuals or families, as well as employer groups across South Africa.

The following sub-sections provide demographic information by option for both Schemes. The membership information for both Schemes is effective July 2023.

2.4.1 CompCare demographic statistics

The table below provides a membership summary for CompCare by benefit option as at July 2023. The ED and non-ED options have been combined for this summary.

Benefit option	Number of members	Number of beneficiaries	Family size	Average member age	Average beneficiary age	Pensioner ratio
Pinnacle	1,190	2,179	1.8	67.7	56.2	47%
Dynamix	968	1,700	1.8	66.5	56.2	44%
Symmetry	1,148	2,169	1.9	64.0	52.6	36%
Selfsure	1,016	1,592	1.6	65.0	53.2	38%
Mumed	934	1,690	1.8	59.1	48.0	26%
Unisave	2,470	5,159	2.1	46.8	35.4	8%
MedX	2,292	3,775	1.6	65.0	56.8	45%
SelfNET	1,362	2,328	1.7	42.6	32.5	6%
NetworX	6,922	7,362	1.1	29.5	28.7	0%
Scheme	18,302	27,954	1.5	47.3	42.3	21%

NetworX and NetworX ED options are income-rated. The following table provides demographic information by income band combined for these two options.

Income band (R)	Number of members	Number of beneficiaries	Family size	Average member age	Average beneficiary age	Pensioner ratio
0 – 500	4,412	4,415	1.0	23.6	23.6	0%
501 – 4,000	283	302	1.1	38.4	38.0	5%
4,001 – 5,000	127	142	1.1	38.2	35.4	1%
5,001 – 6,000	283	350	1.2	39.6	34.7	0%
6,001 – 8,000	1,328	1,544	1.2	40.5	37.0	0%
8,001 – 9,000	109	129	1.2	39.4	35.9	1%
9,001 – 10,000	106	117	1.1	39.5	37.7	1%
10,001 - 12,000	83	112	1.3	39.7	34.3	0%
12,001 - 14,000	36	47	1.3	38.2	35.5	2%
14,001 - 16,000	40	50	1.3	39.0	34.0	0%
16,001 - 18,000	79	110	1.4	40.8	34.0	1%
18,001 - 20,000	8	11	1.4	39.7	36.0	0%
20,001 +	28	33	1.2	35.8	33.3	0%
Total	6,922	7,362	1.1	29.5	28.7	0%

2.4.2 Suremed demographic statistics

The table below provides a membership summary for Suremed by benefit option as at July 2023. The split by income band was not available at the time of analysis.

Benefit option	Number of members	Number of beneficiaries	Family size	Average member age	Average beneficiary age	Pensioner ratio
Challenger	136	286	2.1	64.9	51.0	31.8%
Navigator	436	931	2.1	56.4	43.7	19.1%
Shuttle	241	369	1.5	37.7	31.8	5.1%
Explorer	221	310	1.4	42.0	37.2	16.1%
Total	1,034	1,896	1.8	50.1	41.4	17.8%

The split by income band for members participating on Explorer is as follows:

Income band (R)	Number of members	Number of beneficiaries	Family size	Average member age	Average beneficiary age	Pensioner ratio
0 – 500	54	56	1.0	22.7	22.3	0.0%
501 – 4,000	42	48	1.1	58.8	57.0	54.2%
4,001 – 5,000	5	5	1.0	34.7	34.7	20.0%
5,001 – 6,000	15	21	1.4	58.5	52.3	38.1%
6,001 – 8,000	23	40	1.7	41.8	32.2	5.0%
8,001 – 9,000	17	31	1.8	40.3	33.2	16.1%
9,001 – 10,000	11	20	1.8	54.3	41.3	20.0%
10,001 - 12,000	29	46	1.6	41.2	34.2	6.5%
12,001 - 14,000	9	17	1.9	44.4	37.6	5.9%
14,001 - 16,000	2	4	2.0	58.4	49.0	0.0%
16,001 - 18,000	10	12	1.2	41.5	39.6	0.0%
18,001 - 20,000	1	3	3.0	46.6	26.3	0.0%
20,001 +	3	7	2.3	37.9	25.1	0.0%
Total	221	310	1.4	42.0	37.2	16.1%

The split by income band for members participating on Shuttle is as follows:

Income band (R)	Number of members	Number of beneficiaries	Family size	Average member age	Average beneficiary age	Pensioner ratio
0 – 500	12	17	1.4	39.1	29.7	5.9%
501 – 4,000	7	13	1.9	49.8	43.5	38.5%
4001 – 5,000	1	2	2.0	69.7	67.0	50.0%
5,001 – 6,000	8	11	1.4	48.5	43.1	27.3%
6,001 – 8,000	20	26	1.3	33.3	28.1	0.0%
8,001 – 9,000	8	9	1.1	31.0	27.6	11.1%
9,001 – 10,000	22	33	1.5	37.1	34.8	6.1%
10,001 - 12,000	27	48	1.8	33.0	25.9	4.2%
12,001 - 14,000	20	36	1.8	40.1	30.4	2.8%
14,001 - 16,000	23	31	1.3	34.1	28.9	0.0%
16,001 - 18,000	24	30	1.3	36.3	32.8	0.0%
18,001 - 20,000	10	14	1.4	39.0	32.4	7.1%
20,001 +	59	99	1.7	39.6	32.7	2.0%
Total	241	369	1.5	37.7	31.8	5.1%

3 The Amalgamated Scheme

The Board of Trustees of both Schemes have agreed that an amalgamation between the two Schemes, with Suremed amalgamating into CompCare, be effective on 1 January 2024.

The Amalgamated Scheme will retain the CompCare name and run with the current CompCare benefit options. The benefit options offered by Suremed have been mapped to comparable CompCare benefit options. We recommend members move to the mapped options to experience similar contribution and benefit limits. Members are, however, free to change to different CompCare options, based on their affordability constraints and specific healthcare needs. High level benefit summaries of the Suremed option and comparable CompCare options are provided in Section 5.

Universal Healthcare Administrators (Pty) Ltd will be the administrator of the Amalgamated Scheme.

3.1 Operational information

The table below provides operational information of the Amalgamated Scheme.

	Amalgamated Scheme: CompCare
Registration number	1491
Registration date	1978/06/01
Principal Officer	Mr Josua Joubert
Physical Address	Universal House 15 Tambach Road Sunninghill Park Sandton 2191
Postal Address	PO Box 1411 Rivonia 2128
Administrator	Universal Healthcare Administrators (Pty) Ltd
Managed Care Provider	Universal Care (Pty) Ltd
Auditors	KPMG
Actuarial services	3ONE Consulting Actuaries
Investment Consultants	Old Mutual Wealth Treasury and Advisory Services
Risk transfer arrangements	Netcare 911
Third party service providers to the Scheme	Universal Health Services (Pty) Ltd

3.2 Demographic information

We have assumed the following demographic information in the projection of financial results for the amalgamated scheme. Both the CompCare and Suremed information is as at July 2023.

Scheme	CompCare	Suremed	Amalgamated Scheme
Number of members	18,302	1,034	19,336
Number of beneficiaries	27,954	1,896	29,850
Family size	1.5	1.8	1.5
Average member age	47.3	50.1	47.4
Average beneficiary age	42.3	41.4	42.2
Pensioner ratio	21%	18%	21%

3.3 Scheme rules and Board composition

Suremed's benefit options will be collapsed into comparable or best-match CompCare benefit options. Members will have the option to change to different benefit options, with guidance on which options will be similar to what they currently utilise should they seek similar replacements.

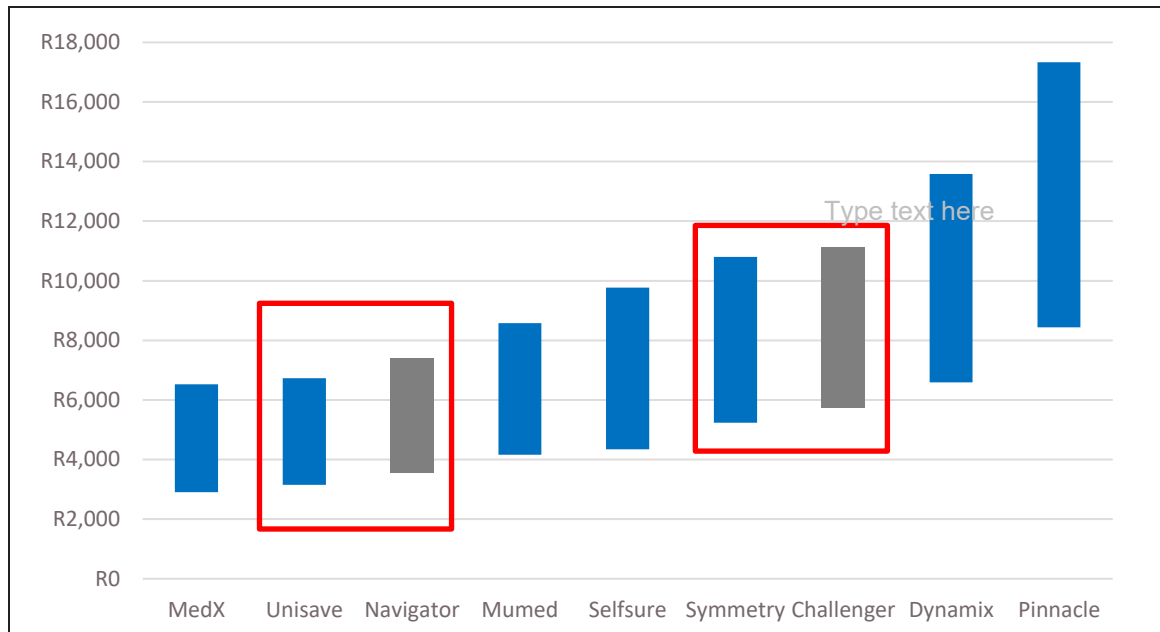
The Scheme rules of CompCare will be applied, unless there is a specific feature related to Suremed, in which case that rule will be considered for inclusion.

Following its amalgamation with Suremed, CompCare will continue with the current board of eight Trustees. This Board of Trustees will be in place until the CompCare Medical Scheme AGM in June 2025, where after a new Board of eight Trustees will be elected by the Scheme's members.

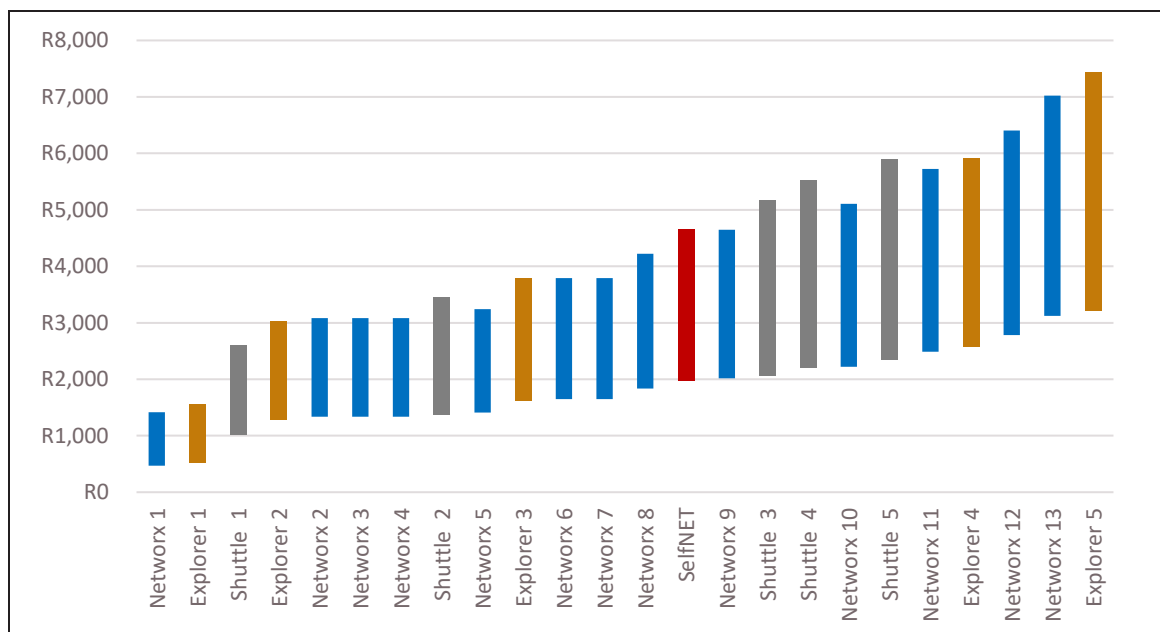
The term of the Suremed Board of Trustees will end upon amalgamation of Suremed into CompCare on 1 January 2024, unless specific need for input and continuity is agreed.

3.4 Potential 2024 option mapping

The following graph shows the range of contributions which will be paid for a family which size consists of one (only a principal member- shown by the lower bound of each bar) and a family consisting of a principal member, adult dependant and child dependant (shown by the upper part of each bar).



NetworkX is the only income-rated option offered by CompCare which is a suitable alternative for both Suremed Shuttle and Suremed Explorer. The below graph shows how the contributions on NetworkX, Shuttle and Explorer compare, varied by the income bands.



The number accompanying the option name is related to the income band as shown below.

Income band number	NetworX	Shuttle	Explorer
1	R0 - R500	R0 – R9,000	R0 – R499
2	R501 - R6,000	R9,001 – R13,000	R500-R8,500
3	R6,001 - R8,000	R13,001 – R17,000	R8,501 – R13,000
4	R8,000 - R10,000	R17,001 – R30,000	R13,001 – R17,000
5	R10,001 - R12,000	R30,000+	R17,001 +
6	R12,001 – R14,000		
7	R14,001 - R16,000		
8	R16,001 - R18,000		
9	R18,001 - R20,000		
10	R20,000+		

Below we propose a 2024 strategy to collapse the Suremed options into existing CompCare options. The following benefit option mappings are suggested based on benefits, contributions and overall option structures. It is important to note that members will have the option of moving to any CompCare benefit options which suit their specific needs and preferences, and will not be restricted to the below suggested options.

Suremed option	Mapped CompCare option
Challenger	Symmetry
Navigator	Unisave
Shuttle (earning up to R10,000 per month)	NetworX
Shuttle (earning more than R10,000 per month)	SelfNET
Explorer (earning up to R10,000 per month)	NetworX
Explorer (earning more than R10,000 per month)	SelfNET

Benefit and contribution comparisons, as well as member impact analyses are shown in **Section 4**.

4 Option mapping

This section provides a benefit and contribution comparison between the Suremed options and CompCare options with similar contribution levels and benefit structures. We have also analysed the expected member impact.

4.1 Challenger to Symmetry

The tables below provide a comparison of the 2023 contributions for both Schemes. The CompCare figures shown below do not include beneficiaries participating on the efficiency discount ("ED") options.

Scheme	Option	Number of members	P	A	C	PAC contribution
Suremed	Challenger	136	R5,730	R4,270	R1,130	R11,130
CompCare	Symmetry	1,011	R5,238	R4,084	R1,478	R10,800
<i>Difference (member savings)</i>			<i>+R492</i>	<i>+R186</i>	<i>-R348</i>	<i>+R330</i>

The table below provides a high level benefit summary of the benefit options considered above. The benefits are in 2023 terms.

Benefit	CompCare option	Suremed option
	Symmetry	Challenger
Option type	Hybrid - Savings and Traditional combined	Traditional
Specialist reimbursement rate	100% Scheme rate	150% of Scheme rate
Hospitalisation limit	Unlimited	Unlimited
Oncology limit	Unlimited, pre-auth. DSP and protocols apply. R170 000 pf for Biological agents (25% co-pay)	PMB unlimited at DSP subject to pre-auth. Non-PMBs limited to R300 000 p/f DSP is ICON
Chronic medication	21 non-CDL Conditions – M: R5,200, M1+: R8,000. CDL initially paid from here. Subject to MSA and AFB 25% co-payment for non-formulary medication	19 non-CDL conditions Subject to acute medication benefit (R7,055 pb; R22,500 pf).
Day to day benefit	Savings : 10% of contribution P: R6,264; A: 4,884; C: R1,764 AFB: P: R5,136; A: R3,960; C: R1,380	Sublimit per benefit category

4.2 Navigator to Unisave

Scheme	Option	Number of members	P	A	C	PAC contribution
Suremed	Navigator	436	R3,560	R2,795	R1,055	R7,410
CompCare	Unisave	2,470	R3,154	R2,634	R945	R6,733
<i>Difference (member savings)</i>			<i>+R406</i>	<i>+R161</i>	<i>+R110</i>	<i>+R677</i>

The table below provides a high level benefit summary of the benefit options considered above. The benefits are in 2023 terms.

Benefit	CompCare option	Suremed option
	Unisave	Navigator
Option type	Savings	Traditional with savings
Specialist reimbursement rate	100% of Scheme Rate	100% of Scheme negotiated Tariff, 125% Specialist cover
Hospitalisation limit	Unlimited	Unlimited
Oncology limit	Unlimited, pre-auth. Protocols and DSP apply. R170 000 pf for Biological agents (25% co-pay)	Limited to R250 000 p/f, Pre-auth. required, DSP is ICON
Chronic medication	Subject to PMBs 25% co-payment for non-formulary medication	Subject to PMBs
Day to day benefit	Savings: 25% of contribution P: R9,444 A: R7,884 C: R2,820	Savings: 13% of contributions P: R5,760 A: R4,500 C: R1,860 Day-to-day limit: R12,015 pb R23,570 pf

4.3 Shuttle to NetworX and SelfNET

We have assumed the following distributions for the purpose of the exposition document. The assumed distribution is obtained from the latest membership data:

Income band	Proportion of members	Monthly contributions		
		P	A	C
R0 - R9,000	21%	R1,029	R1,029	R549
R9,001 - R13,000	28%	R1,371	R1,371	R714
R13,001 - R17,000	18%	R2,057	R2,057	R1,057
R17,001 - R30,000	18%	R2,200	R2,200	R1,114
R30,000+	15%	R2,343	R2,343	R1,200

We have assumed that the current Shuttle members are distributed amongst the NetworX bands as follows.

Income band R	Number of members	P	A	C
0 - 500	12	R472	R472	R472
501 - 4,000	7	R1,339	R1,273	R469
4,001 - 5,001	1	R1,339	R1,273	R469
5,001 - 6,000	8	R1,339	R1,273	R469
6,001 - 8000	20	R1,408	R1,339	R495
8,001 - 9,000	8	R1,647	R1,567	R579
9,001 - 10,000	22	R1,647	R1,567	R579

We have assumed that the remaining 163 members will move onto the SelfNET option. Their contributions will be as follows:

	P	A	C
SelfNET	R1,977	R1,977	R699

Benefit	CompCare option		Suremed option
	NetworX	SelfNET	Shuttle
Option type	Designated Service Providers	Savings	Capitation (Designated service providers)
Specialist reimbursement rate	100% of Agreed Tariff	100% of Scheme Rate	100% of Scheme Rate
Hospitalisation limit	Unlimited at network hospitals	Unlimited at any Netcare hospital (30% co-payment for non-DSP)	Unlimited
Oncology limit	PMBs only, subject to protocols	Unlimited, pre-auth, DSP and protocols apply. R170 000 pf for Biological agents (25% co-pay)	Subject to PMBs at DSP
Chronic medication	Subject to PMBs Subject to formulary, prescription and dispensing by network providers	Subject to PMBs 25% co-payment for non-formulary medication	Subject to PMBs
Day-to-day benefit	Limits per category	Savings: 18% of contribution P: R4,260 A: R4,260 C: R1,500	Limits per category

4.4 Explorer to NetworX and SelfNET

We have assumed the following distributions for the purpose of the exposition document. The assumed distributions are based on the latest available Suremed membership.

Income band R	Proportion of members	Contributions		
		P	A	C
0 – 499	24%	R520	R520	R520
500 - 8,500	43%	R1,290	R1,145	R595
8,501 – 13,000	25%	R1,630	R1,440	R725
13,001 - 17,000	3%	R2,580	R2,580	R750
17,001+	5%	R3,220	R3,220	R1,000

We have assumed that the current Explorer members are distributed amongst the NetworX bands as follows.

Income band R	Number of members	P	A	C
0 - 500	54	R472	R472	R472
501 - 4,000	42	R1,339	R1,273	R469
4,001 - 5,001	5	R1,339	R1,273	R469
5,001 - 6,000	15	R1,339	R1,273	R469
6,001 - 8,000	23	R1,408	R1,339	R495
8,001 - 9,000	17	R1,647	R1,567	R579
9,001 - 10,000	11	R1,647	R1,567	R579

We have assumed that the remaining 54 members will participate on the SelfNET option. Their contributions will be as follows:

	P	A	C
SelfNET	R1,977	R1,977	R699

The following table shows a high-level benefit comparison of the CompCare NetworX, SelfNET and the Suremed Explorer options.

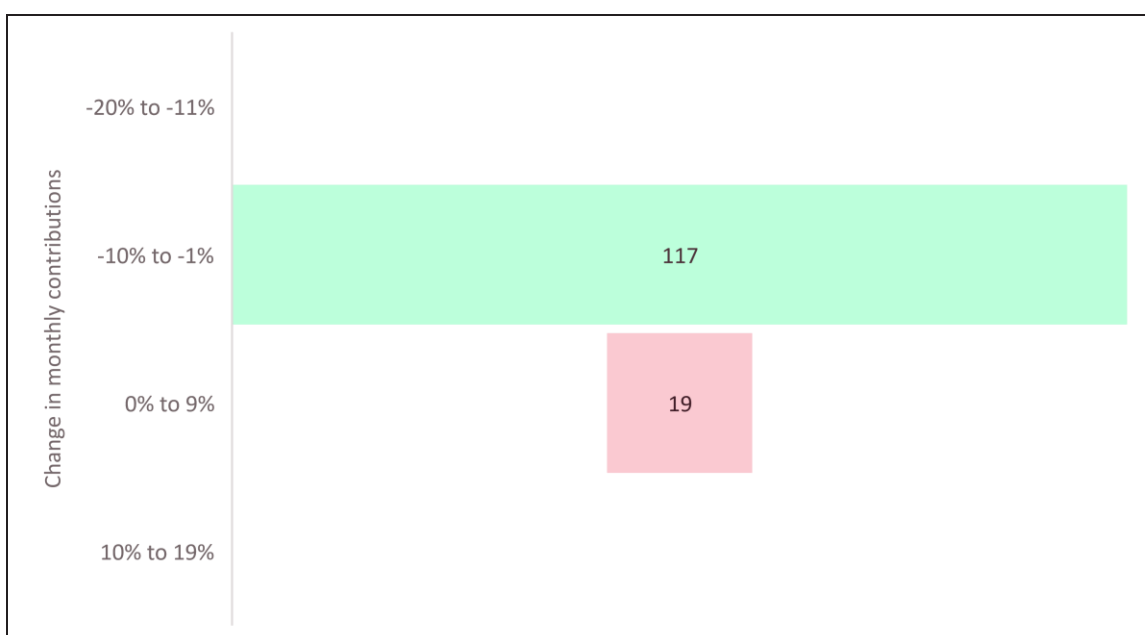
Benefit	CompCare option		Suremed option
	NetworX	SelfNET	Explorer
Option type	Designated Service Providers	Savings	Capitation (Designated service providers)
Specialist reimbursement rate	100% of Agreed Tariff	100% of Scheme Rate	100% of Scheme negotiated Tariff
Hospitalisation limit	Unlimited at network hospitals	Unlimited at any Netcare hospital (30% co-payment for non-DSP)	Unlimited at preferred provider Intensive care / High care limited to 15 days
Oncology limit	PMBs only, subject to protocols	Unlimited, pre-auth, DSP and protocols apply. R170 000 pf for Biological agents (25% co-pay)	Limited to PMBs at DSP
Chronic medication	Subject to PMBs Subject to formulary, prescription and dispensing by network providers	Subject to PMBs 25% co-payment for non-formulary medication	Subject to PMBs and pre-authorisation through Prime Cure formulary
Day-to-day benefit	Limits per category apply	Savings: 18% of contribution P: R4,260 A: R4,260 C: R1,500	Limits per category apply

5 Member impacts

This Section considers the member impacts of transferring to new options, considering actual family sizes and income bands. We will analyse the number of families who will be paying higher and lower contributions on their mapped CompCare options. These impacts are in 2023 terms and exclude the impact of 2024 contribution increases.

5.1 Challenger to Symmetry

86% of members currently participating on Suremed’s Challenger option will experience a decrease of between 1% and 10% when they move to CompCare’s Symmetry option.



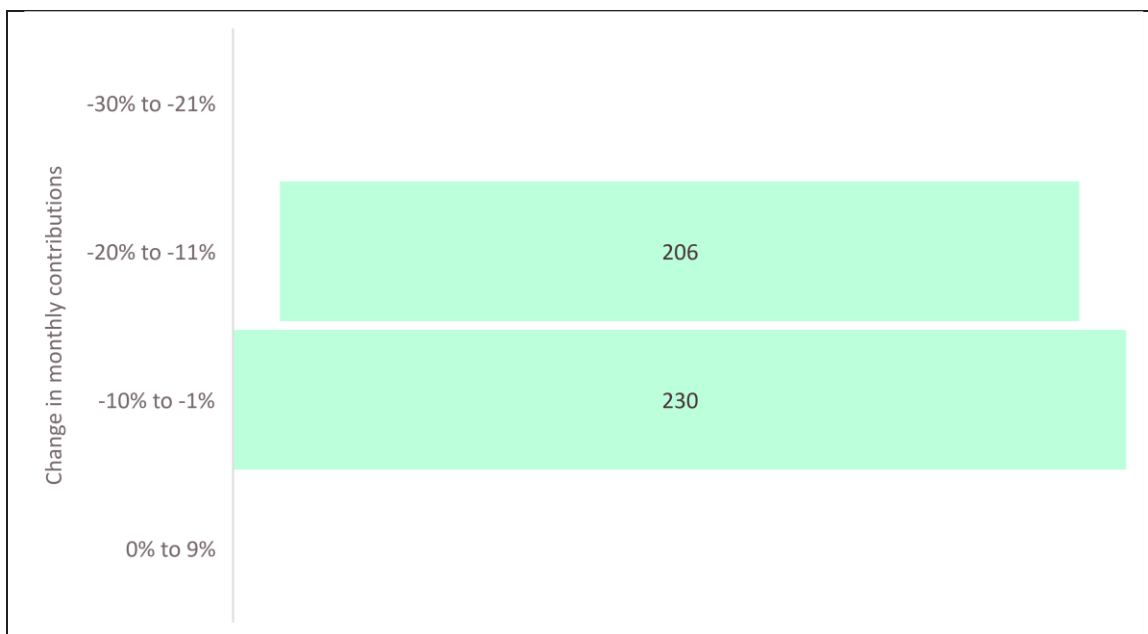
The following table shows the average increase and decrease in monthly contributions which will be experienced by members when moving from Suremed Challenger to CompCare Symmetry.

	Range	Number of members	Average amount
Increase	0% to 9%	19	R178
Decrease	1% to 10%	117	R547

On average, Challenger members are expected to experience a decrease in contributions of 5.6% when they move to CompCare’s Symmetry option.

5.2 Navigator to UniSave

All current Navigator members are expected to experience a decrease in contributions when moving from Suremed’s Navigator option to CompCare’s Unisave option. This decrease is expected to be between 1% and 20%



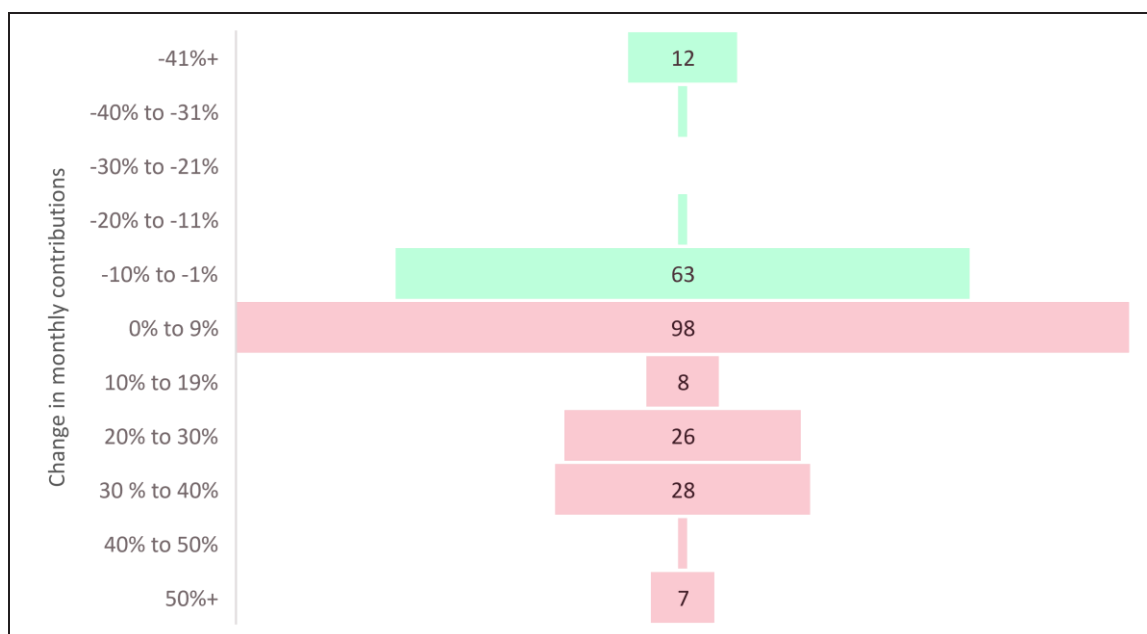
The following table shows the average increase and decrease in monthly contributions which will be experienced by members when moving from Suremed Navigator to CompCare UniSave.

	Range	Number of members	Average amount
Decrease	1% to 10%	230	R449
	11% to 20%	206	R660

On average, current Navigator members are expected to experience a decrease in contributions of 10.1% when they move to CompCare’s Unisave option.

5.3 Shuttle and Explorer to NetworX

65.7% of current Shuttle and Explorer members earning below R10,000 per month are expected to pay contributions which are within 10% range of their current contributions. The below graph shows the number of members and their expected change in contributions.



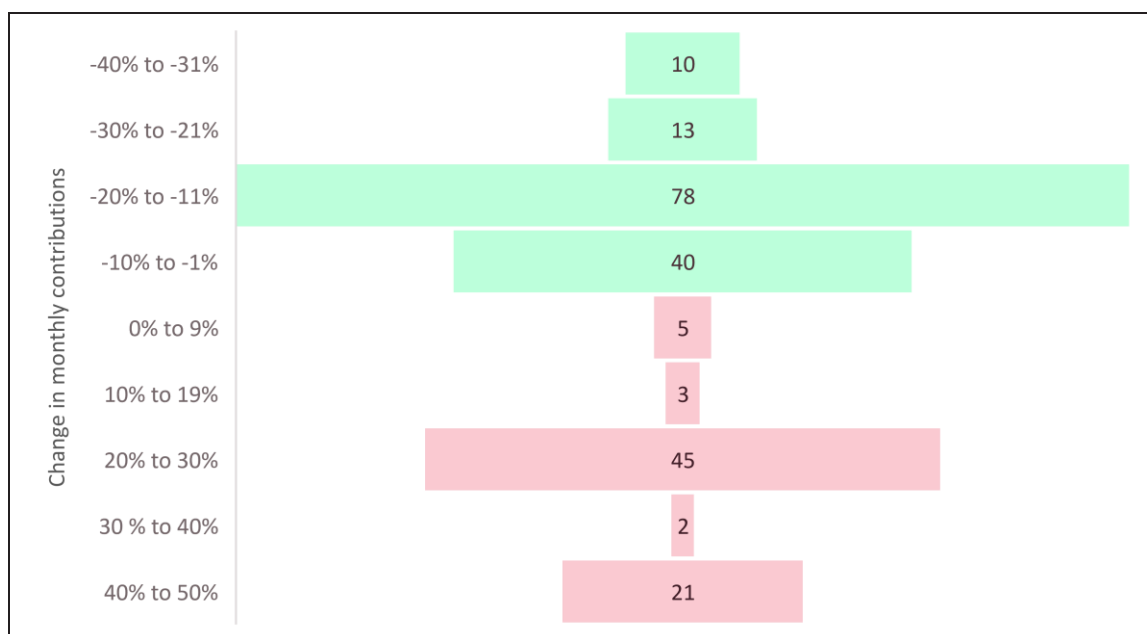
The following table shows the average increase and decrease in monthly contributions which will be experienced by members when moving from Suremed Explorer and Shuttle to CompCare NetworX.

	Range	Number of members	Average amount
Increase	0% to 9%	98	R82
	10% to 19%	8	R333
	20% to 29%	26	R353
	30% to 39%	28	R408
	40% to 50%	1	R648
	50%+	7	R618
Decrease	1% to 10%	63	R64
	11% to 20%	1	R421
	31% to 40%	1	R711
	41%+	12	R598

Overall, current Explorer and Shuttle members earning up to R10,000 per month will experience an average contribution increase of 5.6% when moving to CompCare's NetworX option.

5.4 Shuttle and Explorer to SelfNET

Only 20.7% of current Explorer and Shuttle members earning above R10,000 per month are expected to pay contributions which are within 10% range of their current contributions. The below graph shows the number of members and their expected change in contributions.



The following table shows the average increase and decrease in monthly contributions which will be experienced by members when moving from Suremed Explorer and Shuttle to CompCare SelfNET.

	Range	Number of members	Average amount
Increase	0% to 9%	5	R290
	10% to 19%	3	R401
	20% to 29%	45	R522
	30% to 39%	2	R1,309
	40% to 49%	21	R866
Decrease	1% to 10%	40	R84
	11% to 20%	78	R426
	21% to 30%	13	R1,195
	31% to 40%	10	R1,518

Members currently earning above R10,000 per month and participating on Suremed’s Explorer and Shuttle options are expected to experience a slight contribution increase of 1.1% when moving to CompCare’s SelfNET option.

Overall, Suremed members are expected to experience a 3.4% decrease in contributions when moving to the mapped CompCare options.

6 Non-healthcare expenses

The table below shows the projected full-year 2023 non-healthcare expenses of each individual Scheme. The expenses for the Amalgamated Scheme shown are the projected 2024 expenses.

We have used the projected 2023 year-end position to obtain the values for CompCare and Suremed shown below. We have mapped the Suremed options according to the following table to analyse the effect of the amalgamation in 2024. CompCare contributions were inflated by 12.6% to put them in 2024 terms.

Suremed option	Mapped CompCare option
Challenger	Symmetry
Navigator	Unisave
Shuttle (earning up to R10,000 per month)	NetworX
Shuttle (earning above R10,000 per month)	SelfNET
Explorer (earning up to R10,000 per month)	NetworX
Explorer (earning above R10,000 per month)	SelfNET

(R'000)	Projected 2023		Projected 2024
	CompCare	Suremed	Amalgamated Scheme
<i>Average number of members</i>	17,997	1,001	19,031
Gross contribution income (GCI)	904,972	57,295	1,076,615
Risk contribution income (RCI)	798,422	53,040	946,284
Total non-healthcare expenditure (NHE)	94,904	6,520	105,825
<i>Per member per month NHE</i>	<i>439.45</i>	<i>542.79</i>	<i>463.39</i>
<i>NHE as % of GCI</i>	<i>10.49%</i>	<i>11.38%</i>	<i>9.83%</i>
<i>NHE as % of RCI</i>	<i>11.89%</i>	<i>12.29%</i>	<i>11.18%</i>

Upon amalgamation the Suremed scheme expenses will fall away, and only administrative, managed care and broker expenses will be incurred. The 2024 projection is based on assumptions that were applicable to the 2024 contribution increase, admin and managed care expenses, etc. These assumptions are detailed in Section 9.2, which also provides the full 2024 year-end income statement.

7 Financial projections

7.1 2023 financial projection for CompCare and Suremed

The table below shows the 2023 forecasted financial results for CompCare and Suremed, immediately prior to amalgamation on 1 January 2024. The combined results reflect a straight combination of the two income statements. The CompCare projected 2023 results were estimated using information available up until June 2023. The Suremed projection was done using the 2023 budget as provided by Suremed.

2023 Full Year	CompCare (R'000)	Suremed (R'000)	Combined (R'000)
<i>Average number of members</i>	17,997	1,001	18,998
Gross Contributions	904,972	57,295	962,267
Savings	(106,550)	(4,256)	(110,806)
Net Contributions	798,422	53,040	851,462
Healthcare expenditure	(735,839)	(49,832)	(785,671)
Managed care	(27,067)	(879)	(27,946)
Underwriting result	35,516	2,329	37,845
Administration fees	(68,362)	(3,007)	(71,369)
Scheme expenses	(16,521)	(3,139)	(19,660)
Broker fees	(10,021)	(374)	(10,395)
Operating result	(59,388)	(4,191)	(63,579)
Investment income	31,154	4,803	35,957
Net surplus/(deficit)	(28,234)	612	(27,622)
Solvency ¹	32.9%	109.3%	37.4%
NHE ratio	11.9%	11.4%	10.5%
Accumulated funds	297,527	62,749	360,276

CompCare is expected to make a **R28 million** loss at the end of 2023. Suremed is expected to make a small profit.

The Schemes are projected to have a combined solvency of 37.4% just before 2024, a 4.5% improvement from CompCare's projected 2023 year-end solvency position.

Suremed is expected to achieve a solvency level of approximately 109.3% at the end of 2023.

¹ Includes unrealised gains

7.2 2024 financial projections for Amalgamated Scheme

The 2024 year-end projections for CompCare, as well as Suremed, was done by using the budget for 2023, and allowing for the following assumptions from 2023 to 2024. These are initial high-level assumptions and will be refined in the 2023 benefit design and pricing exercise currently under way. The results shown in this section will therefore be updated in the CompCare 2024 benefit design and pricing report.

Assumption	2024 benefit year
1. Contribution increase	12.40%
2. Claims inflation	7.00%
3. Administration expenses	As per mapped CompCare option, adjusted for expense inflation
4. Managed care fees	As per mapped CompCare option, adjusted for expense inflation
5. Investment return	8.50%
6. Expense inflation	6.00%
7. Membership growth	0.00%

* As per updated forecast provided to CompCare in June 2023

The table below provides the 2024 year-end financial projections for CompCare and Suremed (post-amalgamation) as well as the combined results for the Amalgamated Scheme. The 2024 year-end results per option are shown in Appendix B.

2024 Full Year	CompCare (R'000)	Suremed (R'000)	Amalgamated Scheme (R'000)
Average number of members	17,997	1,034	19,031
Gross Contributions	1,017,189	58,882	1,076,070
Savings	(119,762)	(10,583)	(130,345)
Net Contributions	897,426	48,299	945,725
Healthcare expenditure	(787,348)	(51,494)	(838,842)
Managed care	(28,691)	(1,740)	(30,431)
Underwriting result	81,388	(4,935)	76,453
Administration fees	(72,464)	(4,422)	(76,886)
Scheme expenses	(17,512)	-	(17,512)
Broker fees	(10,623)	(805)	(11,427)
Operating result	(19,211)	(10,161)	(29,372)
Investment income	24,473	4,902	29,375
Net surplus/(deficit)	5,262	(5,259)	3
Solvency	29.77%	97.64%	33.48%
NHE ratio	9.89%	8.88%	9.83%
Accumulated funds	302,789	57,490	360,279

The Amalgamated Scheme is expected to break even at the end of 2024, with a projected reserving level of 33.48% as a proportion of gross contributions.

7.3 Long-term assumptions

The table below shows the assumptions used in the long-term projections subsequent to 2024.

Assumption	Subsequent to 2024
1. Contribution increases	9.50%
2. Claims inflation	7.00%
3. Ageing and utilisation	1.50%
4. Expense increase	6.00%
5. Investment return	8.50%
6. Membership growth	0.00%

1. The contribution increases were set at a level to ensure future claims are covered.
2. Claims inflation has been set at 7.00%. This represents a level of approximately CPI + 1%.
3. We have assumed that the impact of a deteriorating profile and increased utilisation will result in an additional claims increase of 1.5%.
4. We have allowed for a 6.0% increase in non-healthcare expenses, in line with assumed future CPI.
5. We have allowed for 8.5% annual investment return.
6. We have allowed for net membership growth of 0.0%, where the profile is that of an average scheme member.

7.4 Long-term financial projections

The table below shows the projected income statement for the Amalgamated Scheme following the amalgamation over the next five years.

Amalgamated Scheme (R'000)	2024	2025	2026	2027	2028	2029
<i>Number of members</i>	19,031	19,031	19,031	19,031	19,031	19,031
Gross Contributions	1,076,070	1,178,297	1,290,235	1,412,808	1,547,024	1,693,992
Savings	(130,345)	(142,728)	(156,287)	(171,134)	(187,392)	(205,194)
Net Contributions	945,725	1,035,569	1,133,948	1,241,674	1,359,632	1,488,798
Healthcare expenditure	(838,842)	(911,024)	(989,418)	(1,074,557)	(1,167,023)	(1,267,445)
Managed care	(30,431)	(32,257)	(34,192)	(36,244)	(38,418)	(40,723)
Underwriting result	76,453	92,289	110,339	130,873	154,192	180,629
Administration fees	(76,886)	(81,499)	(86,389)	(91,572)	(97,066)	(102,890)
Scheme expenses	(17,512)	(18,563)	(19,677)	(20,857)	(22,109)	(23,435)
Broker fees	(11,427)	(12,113)	(12,840)	(13,610)	(14,427)	(15,292)
Operating result	(29,372)	(19,886)	(8,566)	4,833	20,590	39,011
Investment income	29,375	29,779	31,101	33,585	37,521	43,243
Net surplus/(deficit)	3	9,893	22,534	38,419	58,111	82,254
<i>Solvency</i>	33.48%	31.42%	30.44%	30.52%	31.62%	33.74%
<i>NHE ratio</i>	9.83%	9.52%	9.22%	8.92%	8.64%	8.36%
<i>Accumulated funds</i>	360,279	370,172	392,706	431,125	489,236	571,490

8 SWOT analysis of the Amalgamated Scheme

This Section provides a strengths and weaknesses, opportunities and threats ('SWOT') analysis for the proposed amalgamation.

8.1 Strengths

- A greater variety of competitive products available to members of Suremed
- Strong combined reserve position, with a solvency ratio well above the minimum requirement
- CompCare offers benefit options very similar to those offered by Suremed. Members will therefore be largely unaffected by the merger. In addition to this, members on the Navigator option (Suremed's most popular benefit option) will be enabled to enjoy similar benefits on the Unisave option, with reduced contributions.
- Possibility of members paying lower contributions for similar benefits.
- Similar age profiles on both Schemes, therefore the risk profile of the Amalgamated Scheme is minimally impacted
- Inorganic growth as a result of the amalgamation leads to a positive solvency impact for CompCare.
- CompCare has recently concluded a successful merger with Selfmed, which was significantly larger and more complex. The experience gained will ensure a smooth and well executed amalgamation.
- Amalgamated Scheme will form part of the Top 10 open schemes based on membership size.
- High richness for Suremed's Navigator members who move to CompCare's Unisave option.

8.2 Weaknesses

- A largely poorer demographic profile than the Top 10 schemes (based on size and average age profile)

8.3 Opportunities

- The Suremed membership may experience greater retention, attracted by the inclusion of alternative CompCare products, covering a wider range of healthcare benefits and affordability levels.
- Slightly improved reserving position for CompCare in the short- and long run.
- Greater member retention possibilities resulting from the improved solvency position.

8.4 Threats

- A clear member communication strategy is required to ensure that members understand the change and their different possible courses of action following the amalgamation.
- The combined Scheme still remains susceptible to high cost claim events, as experienced by CompCare over the past 3 years.
- The timing of 1 January 2024 would require that amalgamation procedures commence immediately.
- Both schemes are currently subject to membership losses and ageing profiles.

9 Communication and amalgamation timelines

Communication to the members of Suremed will be distributed by the end of September 2023 together with voting forms. The document will provide information and details regarding the amalgamation.

Members will be able to contact their respective Schemes with any questions and queries regarding the amalgamation and their individual impact as a result thereof.

The voting forms from members will be required to be returned to their respective Schemes by no later than 15 October 2023.

The table below provides a proposed timeline for the amalgamation process.

Task	Date of implementation/completion
Voting forms to be sent along with member communication document	30 September 2023
Member voting deadline	15 October 2023
Count and audit of votes	18 October 2023
Submit to CMS the exposition, actuarial statements and voting results	23 October 2023
Publish notice of amalgamation in Gazette and three newspapers (Johannesburg, Durban, Cape Town)	24 October 2023
Exposition made available for review and comment as per Section 63(4) of the Act	3 November 2023 (date will be provided by CMS)
Complaints period as per Section 63(5) of the Act	25 November 2023 to 18 December 2023
Final Approval of Amalgamation	19 December 2023
Effective date of Amalgamation	1 January 2024

10 Governance

10.1 CompCare Medical Scheme structure

The table below provides the details of the Principal Officer and Trustee members of CompCare.

Name	Position held
Mr J Joubert	Principal Officer
Mr H Odendaal	Chairperson
Mr S Ireton	Vice-Chairperson
Dr A Carlston	Trustee
Mr F de Wit	Resigned 31 July 2023
Mr K Mnisi	Trustee
Dr S Nkosi	Trustee
Mr N Landman	Trustee
Mr R van der Merwe	Trustee
Ms M Conradie	Fund manager

10.2 Suremed Health structure

The table below provides the details of the Principal Officer and Trustee members of Suremed.

Name	Position held
Mr J Janse van Rensburg	Principal Officer
Mr AB Vermeulen	Chairperson
Mr JLO Fernandes	Trustee
Dr N Louw	Trustee

11 Voting results

The table below shows the results of the member vote that was undertaken by both Schemes.

	CompCare	SUREMED	Total
Number of member voting forms sent			
Number of responses received			
Response rate			
Number of votes for the amalgamation			
Number of votes against the amalgamation			
Number of invalid votes received			
% of valid votes for the amalgamation			
% of valid votes against the amalgamation			

To be completed

12 Confirmation of Independent Review

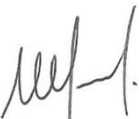
3ONE Consulting Actuaries (“3ONE”), hereby confirm that:

- 1.1 The actuarial review has been conducted in accordance with the professional guidelines set out by the Actuarial Society of South Africa in their Code of Professional Conduct.
- 1.2 The actuarial review has been conducted in accordance with the 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 Scheme Act 131 of 1998, as amended, set out by the Council for Medical Schemes, CMS.
- 1.3 This review has been prepared for, and is addressed to, the Trustees of CompCare and Suremed, and **3ONE** does not accept any liability to any person other than the addressee in connection with this review or its related enquiries.
- 1.4 **3ONE** considered the proposed amalgamation and the impact on the members of both Schemes.
- 1.5 **3ONE** is an independent entity with no direct or indirect financial interest in the operations of either medical scheme, other than the independent actuarial retainer agreement, which is unaffected by this merger.

Based on the information contained in this document, we find the amalgamation to be in the best interests of both membership groups. The amalgamation stands to benefit members from both medical schemes, improving both the current and projected financial position, and ultimately creating a more sustainable and valuable medical scheme.

The product offering provides Suremed members with access to a wide variety of available benefit options which offer members freedom to choose an option suitable for their needs, both in terms of healthcare and affordability.

Signed at Bryanston on 14 August 2023


.....
|
Signature

for **3ONE Consulting Actuaries**

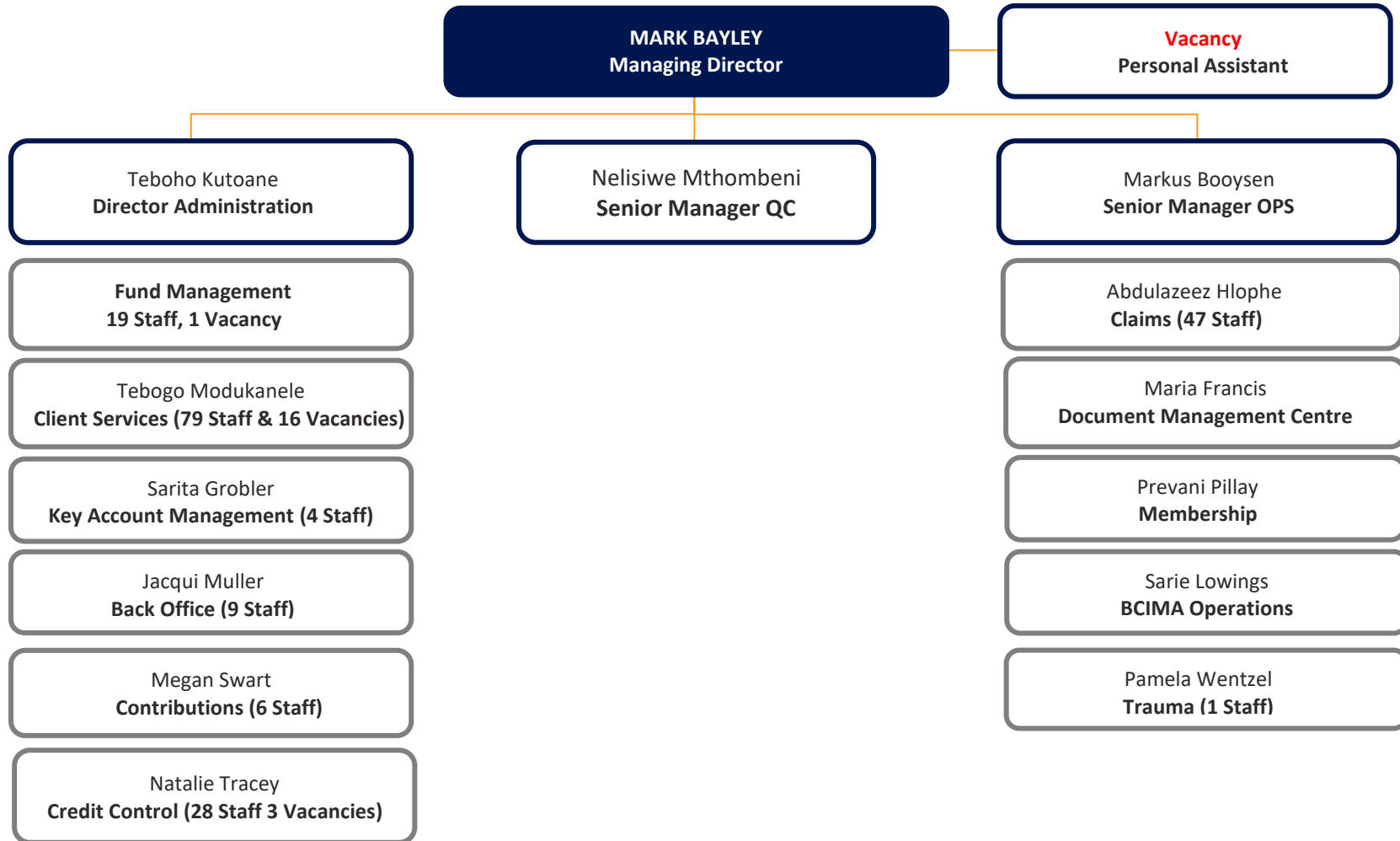
duly authorised and warranting such authority

Carl Yssel

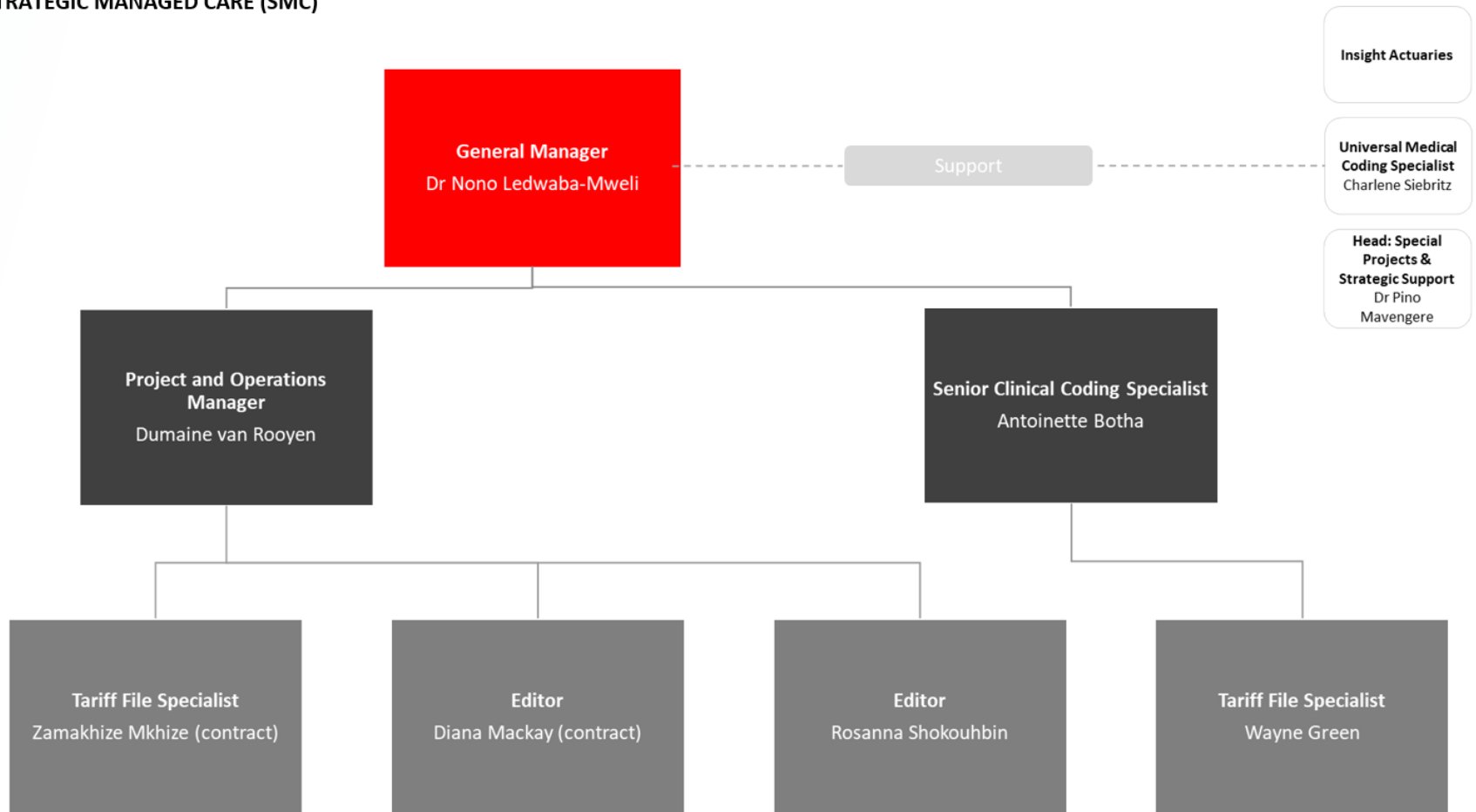
*Fellow of the Actuarial Society of South Africa
Certified Enterprise Risk Actuary
Healthcare Practising Certificate*

A Administrator organogram

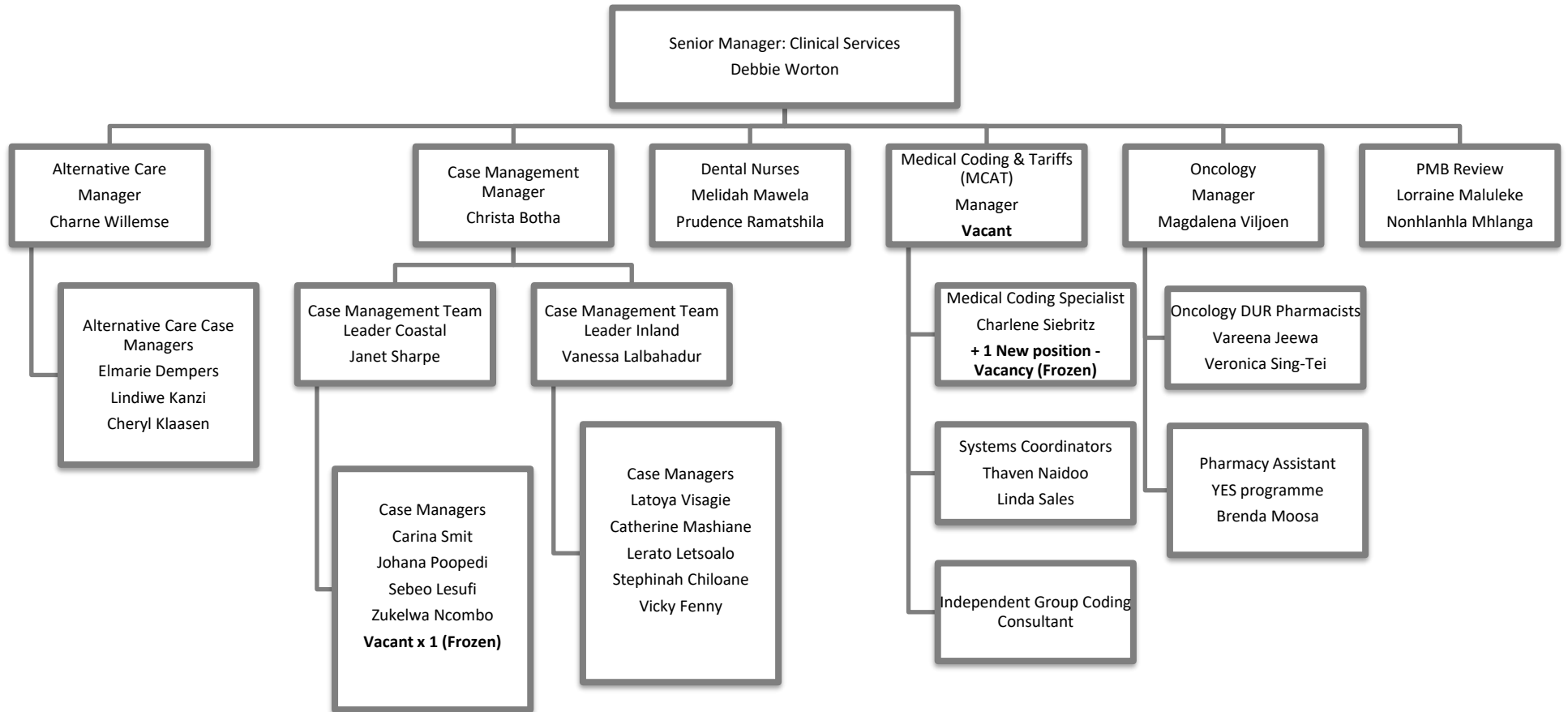
A1. Universal Healthcare Administrators (Pty) Ltd



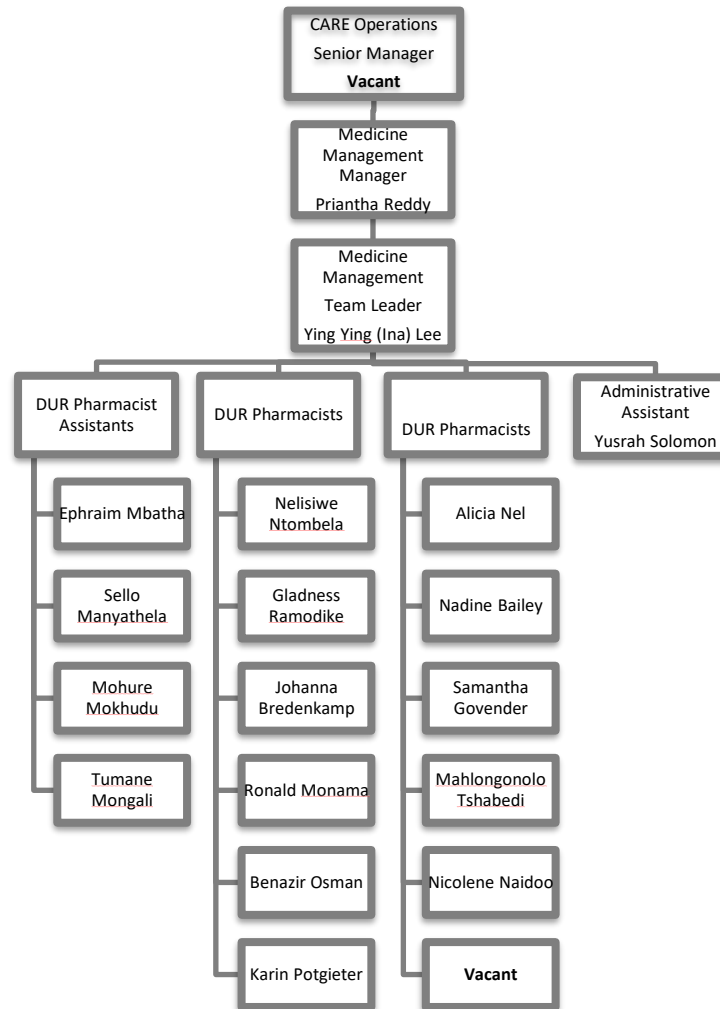
UNIVERSAL CARE: STRATEGIC MANAGED CARE (SMC)
June 2023



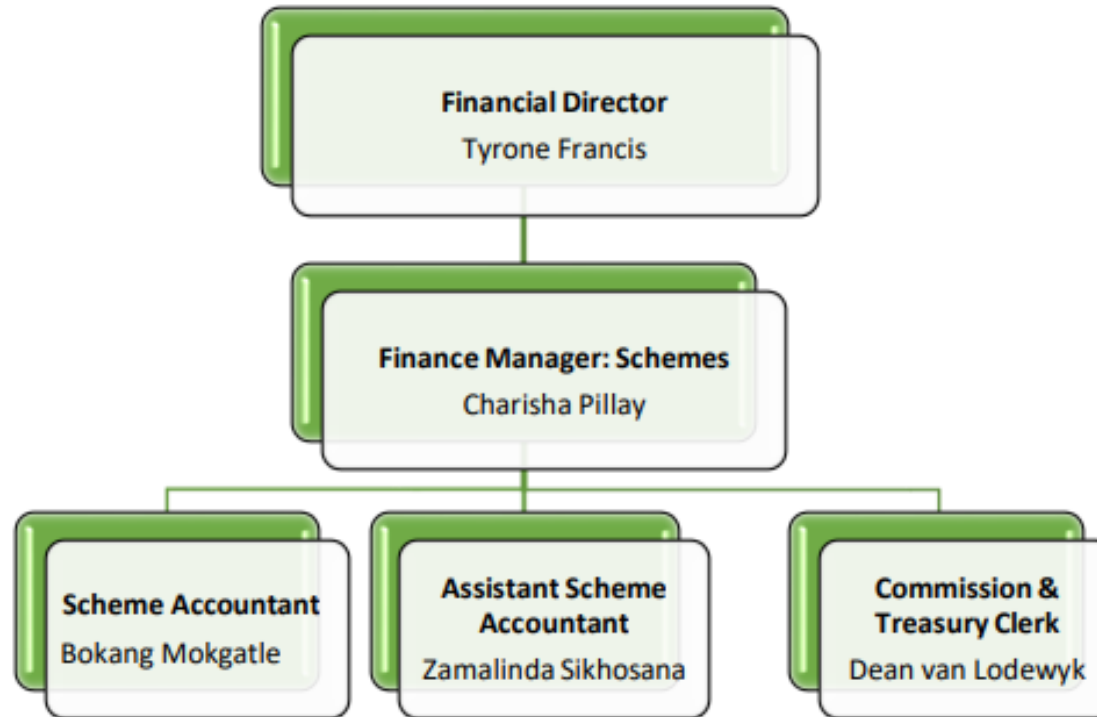
UNIVERSAL CARE: CLINICAL SERVICES



UNIVERSAL CARE: MEDICINE MANAGEMENT



Finance department for CompCare



B 2024 year-end income statement per option

This appendix provides 2024 year-end projected income statement for each of the benefit options.

2024 income statement of Amalgamated Scheme

(R'000)	Pinnacle	Pinnacle ED	Dynamix	Dynamix ED	Symmetry	Symmetry ED	Selfsure	Mumed	Mumed ED	Unisave	MedX	MedX ED	SelfNet	NetworX	NetworX ED	Scheme
<i>Number of members</i>	999	195	854	116	1,152	137	1,019	656	279	2,916	1,970	330	1,568	4,828	2,013	19,031
Gross Contributions	174,084	25,748	111,355	12,867	126,371	12,439	81,357	52,652	19,022	196,239	115,648	13,781	57,239	53,855	23,413	1,076,070
Savings	(34,810)	(5,148)	(15,546)	(1,796)	(12,592)	(1,237)	-	-	-	(48,942)	-	-	(10,273)	-	-	(130,345)
Net Contributions	139,274	20,600	95,809	11,070	113,779	11,202	81,357	52,652	19,022	147,297	115,648	13,781	46,967	53,855	23,413	945,725
Healthcare expenditure	(114,336)	(19,421)	(84,493)	(7,290)	(115,882)	(10,423)	(74,392)	(41,108)	(21,998)	(136,555)	(111,128)	(12,019)	(45,126)	(33,597)	(11,074)	(838,842)
Managed care	(1,728)	(338)	(1,477)	(201)	(1,993)	(238)	(1,763)	(1,135)	(483)	(4,513)	(3,049)	(511)	(3,717)	(6,209)	(3,075)	(30,431)
Underwriting result	23,209	841	9,839	3,580	(4,096)	541	5,202	10,409	(3,458)	6,229	1,471	1,252	(1,877)	14,048	9,264	76,453
Administration fees	(5,747)	(1,123)	(4,912)	(669)	(6,629)	(791)	(5,864)	(3,774)	(1,605)	(16,297)	(11,012)	(1,844)	(6,045)	(7,203)	(3,372)	(76,886)
Scheme expenses	(2,717)	(402)	(1,870)	(216)	(1,946)	(219)	(1,588)	(1,028)	(371)	(2,424)	(2,257)	(269)	(792)	(956)	(458)	(17,512)
Broker fees	(919)	(179)	(892)	(121)	(1,307)	(156)	(188)	(788)	(335)	(3,359)	(738)	(124)	(614)	(1,244)	(464)	(11,427)
Operating result	13,827	(864)	2,165	2,574	(13,978)	(624)	(2,438)	4,820	(5,769)	(15,852)	(12,536)	(985)	(9,327)	4,645	4,971	(29,372)
Investment income	3,798	562	2,613	302	4,147	305	2,219	1,436	519	5,721	3,154	376	1,754	1,832	638	29,375
Net surplus/(deficit)	17,625	(302)	4,778	2,875	(9,831)	(319)	(220)	6,256	(5,250)	(10,131)	(9,382)	(609)	(7,573)	6,477	5,609	3