



**EXPOSITION DOCUMENT  
IN RESPECT OF THE  
PROPOSED  
AMALGAMATION OF  
MINEMED MEDICAL  
SCHEME INTO BESTMED  
MEDICAL SCHEME IN  
TERMS OF SECTION 63  
OF THE MEDICAL  
SCHEMES ACT**

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# Section 1: Executive Summary

## 1.1 Objective of the Report

This is an exposition document prepared in support of the proposed amalgamation of the Minemed Medical Scheme (MINEMED) and Bestmed Medical Scheme (BESTMED) 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 the amalgamation shall be 1 SEPTEMBER 2013, or the date, on which all regulatory approvals for this amalgamation have been obtained, whichever is the later.

## 1.2 Executive Summary

The proposed amalgamation follows an extensive process embarked on by the MINEMED Board in an effort to ensure the future sustainability of the scheme in the light of its declining and ageing membership, claims volatility and deteriorating clinical and financial risk profile.

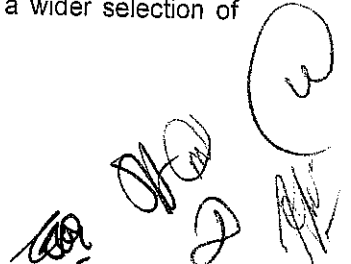
The competitiveness of a medical scheme depends largely on the size and demographic profile of its members. If a scheme fails to attract enough young members – as MINEMED has done in recent years - the average age of its beneficiaries will increase. This will have a negative impact on the members' claim profile, which in turn will lead to an increase and volatility in medical costs, and therefore, in members' and company contributions. The loss of members will also reduce the scheme's bargaining power for more competitive prices with hospital groups and other service providers.

In order to provide the best possible cover at the most affordable price, taking into account the factors above - and to increase option choice and flexibility for members on the scheme - the MINEMED Board decided that an amalgamation is in the best interest of the health care delivery needs of its members.

Harmony (the employer) is an important stakeholder as they subsidise member contributions and are actively involved in managing the scheme. Other factors which led the MINEMED Board to seek amalgamation are employer based issues such as:

- the increasing and volatile cost of subsidising the medical scheme in the current difficult business environment caused by the economic recession;
- complex medical scheme legislation requiring increasing management time and focus;
- increasing service delivery demands by members and the cost associated with it; and
- Members with different healthcare needs requiring a range of products that MINEMED cannot offer.

For MINEMED a critical decision point for going with BESTMED was best alignment in terms of benefits, contributions, membership profile, current and projected future financial and clinical risk profile, wellness, administration and service delivery. Furthermore, BESTMED structured the Beat4 option to align with the MINEMED Essential option as a suitable match for these members who make up the majority on MINEMED medical Scheme. MINEMED members will have a wider selection of



benefit options and will enjoy a number of value-added benefits associated with a big open medical scheme.

For BESTMED, amalgamating with MINEMED is an excellent opportunity to grow its membership so as to remain a major player in the competitive open scheme environment. MINEMED is a suitable amalgamating partner because of its similar age and risk profile.

As such, both Boards of Trustees are convinced that the proposed transaction is based on sound business principles and will be in the best interests of the schemes and their members.

The Rules of MINEMED determine that MINEMED members must vote on the amalgamation. The majority of members who return their ballot papers must be in favour of the amalgamation. The Rules of BESTMED determine that it is not necessary for members to vote on an amalgamation or transfer of less than 15 000 principal members.

It is envisaged that MINEMED will be merged into BESTMED and all rights, obligations, assets and liabilities of MINEMED would, upon regulatory approval being granted, vest in BESTMED. The amalgamated scheme would be known as BESTMED Medical Scheme and will be governed by the BESTMED rules.

MINEMED will cease to conduct the business of a medical scheme upon amalgamation and will be deregistered in terms of the Act as soon as is practically feasible after the amalgamation.

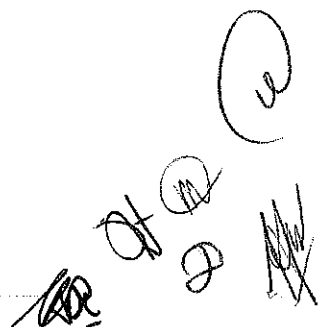
If approved by the CMS, the BESTMED Beat 4 option was chosen as the "default option" for the majority of the MINEMED members as it was considered the best fit for the majority of MINEMED members in terms of contributions and benefits. However all BESTMED options will be available to the new MINEMED members, who may buy up or down depending on benefits cover required and contributions affordability.

A thorough member impact analysis was undertaken by MINEMED, in particular with the view of protecting MINEMED members on low income bands (in terms of contributions affordability) and pensioners (in terms of contributions affordability and cover for chronic conditions) after joining BESTMED. Minemed officials were consulted in the process when the Beat4 option was developed.

This is an executive summary. Further details are provided in the rest of this report.

### **1.3 Independent Actuarial Review**

An independent actuarial analysis performed by the Health Monitor Company confirmed that the amalgamation was in the best interests of members of both schemes. Actuaries of both schemes were engaged to review the viability of the amalgamation and the impact on members of each scheme. The actuary to the MINEMED Medical Scheme, The Health Monitor Company, confirmed that an amalgamation was in the best interests of the majority of MINEMED members. The actuary to BESTMED, The Health Monitor Company, confirmed that an amalgamation with MINEMED would not negatively impact the sustainability of BESTMED into the future. Although both Schemes use the same actuaries the Boards of both schemes have full confidence and trust in the objectivity and correctness of the reports produced by the said actuaries.

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## 1.4 Concluding Remarks

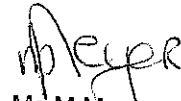
It is submitted that this exposition shows that it is in the best interests of members that MINEMED be amalgamated into BESTMED, and the parties therefore request that the Registrar accept this exposition and consent to the amalgamation, on the basis set out herein.

For MINEMED Medical Scheme: Signed at

Randfontein

on date 07/05/2013

  
Mr A van Vuuren  
Chairperson  
Minemed Medical Scheme


  
Ms M Meyer  
Vice-Chairperson/Trustee  
Minemed Medical Scheme


  
Mr W van der Merwe  
Principal Officer  
Minemed Medical Scheme

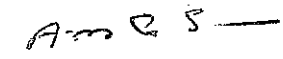
For BESTMED Medical Scheme: Signed at

PRETORIA

on date 9 MAY 2013

  
Adv GW Alberts  
Chairperson  
Bestmed Medical Scheme

  
Me S Harmse  
Trustee  
Bestmed Medical Scheme

  
Mr AM la Grange  
Principal Officer and CEO  
Bestmed Medical Scheme



# Section 2: Background Information of Schemes to be amalgamated

## 2.1 Registration, Governance and Provider Details

	MINEMED MEDICAL SCHEME	BESTMED MEDICAL SCHEME
Type	Restricted Medical Scheme	Open Medical Scheme
Registration Number	1569	1252
Registration Date	18 February 1997	1 July 1964
Participating Employer	Harmony Gold	n/a
Administrator	Providence Healthcare Pty Ltd	Bestmed Medical Scheme
Managed care providers	PROVIDENCE HEALTHCARE RISK MANAGERS PTY LTD	Bestmed Medical Scheme
Capitation providers	ER24 Harmony Health Lancet Laboratories PPN Prime cure	Prime cure OneCare ER24
Actuarial Services	The Health Monitor Company	The Health Monitor Company
Investment managers	None	Coronation Fund Managers Allan Gray Life Limited Investec Asset Management
Auditors	Price Waterhouse Coopers	Price Waterhouse Coopers

MINEMED has no guarantees in place with service providers and the administration contract with Providence Healthcare Risk Managers allows MINEMED to cancel their contract within a set period.

BESTMED is self-administered. Post amalgamation, all members of the amalgamated scheme will be self-administered by BESTMED.

## 2.2 Details Regarding the Amalgamated Scheme

	BESTMED Medical Scheme
Full name	Bestmed Medical Scheme
Registration Number	1252
Registration Date	1 July 1964
Type	Open medical scheme
Amalgamation date	1 SEPTEMBER 2013
Address	Block A, Glenfield Office Park, 361 Oberon Avenue, Faerie Glen, Pretoria.
Principal Officer	Andries M La Grange

## 2.3 Summary of Membership Profile

Table - Demographic characteristics of Bestmed members per option

	Pace 4	Pace 3	Pace 2	Pace 1	Beat 3	Beat 2	Beat 1	Pulse 2	Pulse 1
Number of principal members	4 729	7 321	11 173	19 947	6 778	12 883	3 391	1 464	7 705
% of all principal members	6.27%	9.71%	14.82%	26.46%	8.99%	17.09%	4.50%	1.94%	10.22%
Average age	61.88	57.39	59.88	47.17	46.26	36.86	41.32	73.71	41.45
% Male	61.68%	54.05%	58.52%	53.52%	56.96%	53.65%	61.28%	46.04%	50.98%
% Chronic users	72.89%	52.74%	57.84%	26.44%	21.17%	7.75%	7.43%	6.22%	2.47%
% Over age 65	39.86%	31.14%	38.53%	8.49%	16.30%	3.20%	7.61%	81.28%	10.16%
% Urban	53.27%	70.26%	54.02%	42.40%	53.50%	53.40%	48.01%	37.91%	46.52%
Number of beneficiaries	8 684	16 116	21 975	48 690	13 947	25 686	6 663	2 104	14 015
% of all beneficiaries	5.50%	10.21%	13.92%	30.84%	8.83%	16.27%	4.22%	1.33%	8.88%
Beneficiary ratio	1.84	2.20	1.97	2.44	2.06	1.99	1.96	1.44	1.82
Average age	51.94	44.93	48.28	33.85	35.87	28.92	33.90	69.60	32.93
% Adult beneficiaries	26.44%	26.92%	25.51%	20.98%	22.92%	18.87%	22.75%	25.24%	16.17%
% Chronic users	60.44%	39.09%	45.63%	17.19%	15.21%	5.86%	5.99%	5.13%	1.68%
% Over age 65	29.12%	21.28%	26.84%	5.41%	10.93%	2.60%	5.72%	74.38%	7.75%
% Urban	54.25%	71.04%	54.66%	42.95%	52.99%	52.25%	47.68%	37.64%	45.65%

Table - Demographic characteristics of Minemed members per option

	Affordable	Essential	Optimum
Number of principal members	1 182	4 751	134
% of all principal members	19.48%	78.31%	2.21%
Average age	43.75	52.29	59.58
% Male	71.32%	80.24%	73.13%
% Chronic users	4.50%	46.33%	64.18%
% Over age 65	7.95%	18.56%	35.82%
% Urban	3.89%	6.08%	22.39%
Number of beneficiaries	2 216	10 231	239
% of all beneficiaries	17.47%	80.65%	1.88%
Beneficiary ratio	1.87	2.15	1.78
Average age	33.28	40.30	49.64
% Adult beneficiaries	16.65%	25.55%	25.94%
% Chronic users	3.34%	35.57%	51.05%
% Over age 65	5.73%	11.63%	23.85%
% Urban	2.98%	4.74%	21.76%

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The table below summarises the demographic characteristics of each scheme and the amalgamated scheme.

**Table - Demographic characteristics of the amalgamated scheme**

	Bestmed	Minemed	Amalgamated scheme
Number of principal members	75 391	6 067	81 458
Average age	48.79	50.78	48.94
% Male	55.10%	78.34%	56.83%
% Chronic users	29.19%	38.57%	29.89%
% Over age 65	18.45%	16.88%	18.33%
% Urban	50.97%	6.02%	47.62%
Number of beneficiaries	157 880	12 686	170 566
Beneficiary ratio	2.09	2.09	2.09
Average age	37.76	39.25	37.87
% Adult beneficiaries	22.05%	24.00%	22.19%
% Chronic users	21.74%	30.23%	22.37%
% Over age 65	12.48%	10.83%	12.36%
% Urban	50.84%	4.75%	47.41%

Note:

- The amalgamated scheme is marginally older than Bestmed and 1.84 years younger than Minemed.
- Bestmed has a higher proportion of pensioner members (12.48%). An amalgamation with Minemed will decrease this to 12.36%.
- Minemed's chronic prevalence is significantly higher than that of Bestmed.
- Minemed's family size is in line with that of Bestmed and the change will therefore be marginal after an amalgamation.

Minemed's average age is significantly higher than Bestmed. This is not due to a higher pensioner ratio, but rather due to a higher prevalence of 35 to 60 year-olds.

## 2.4 Brief Description of Current Options

Minemed offers three (3) benefit options.

1. Optimum plan - The Optimum option provides unlimited hospitalisation at twice the medical scheme rates. It also offers extended chronic medication benefits. The plan offers out-of-hospital benefits through a Savings account with no benefit limits. Once the Savings is depleted, members have an additional Elective benefit for out-of-hospital cover.
2. Essential plan - The Essential option provides unlimited hospitalisation at medical scheme rates, extended chronic medication benefits and significant out-of-hospital benefits at Minemed's medical centres.
3. Affordable plan - The Affordable option provides unlimited hospital cover and unlimited primary healthcare benefits through a network of health care providers

BESTMED offers ten benefit options split between the Beat, Pace and Pulse ranges.

- The Beat range offers full hospital benefits with limited savings to pay for out-of-hospital expenses. The options in this category are Beat1, Beat2 Beat3 and Beat4.
- The Pace range offers full hospital benefits, with the funds from the Scheme and more savings to cover extensive out-of-hospital expenses. The options in this category are Pace1, Pace2, Pace3 and Pace4.
- The Pulse range offers full hospital benefits with out-of-hospital benefits provided by designated network providers only. The options in this category are Pulse1 and Pulse2.

## 2.5 Summary of Financial Positions of the Schemes

A summary of the projected financial position of the schemes as at 31 December 2013 is shown below, including reserve levels before and after amalgamation at a scheme and member level.

The "amalgamated scheme" column is a simple summation of both schemes' projections for 2012. This provides an estimated projected illustration of what an amalgamated scheme would have performed like, had the amalgamation taken place on 1 January 2013 and both schemes kept their respective options during 2013.

This projection is provided in 2013 money terms based on 2013 contributions and benefits of both schemes.

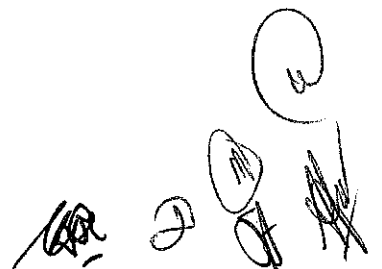
### Budgeted financial results for 2013

	Bestmed	Minemed	Amalgamated Scheme
Number of principal member-months	878,736	72,372	951,108
Average members during the year	73,228	6,031	79,259
Gross contribution income	2,981,073,752	239,039,280	3,220,113,032
Saving contribution income	426,904,449	2,235,300	429,139,749
Risk contribution income	2,554,169,303	236,803,980	2,790,973,283
Incurred claims	2,062,880,082	184,456,600	2,247,336,682
Own facility fees	0	12,661,469	12,661,469
Capitation fees	126,331,199	15,317,029	141,648,228
<b>Gross Underwriting Result</b>	<b>364,958,022</b>	<b>24,368,882</b>	<b>389,326,904</b>
Management expenses	344,766,178	15,861,066	360,627,244
<b>Surplus/(Deficit) from operations</b>	<b>20,191,844</b>	<b>8,507,816</b>	<b>28,699,660</b>
Investment income	49,963,552	3,153,141	53,106,694
<b>Net surplus/(deficit) for the period</b>	<b>70,145,396</b>	<b>11,660,958</b>	<b>81,806,354</b>
Total members' funds	987,159,237	59,959,405	1,047,118,643
Available-for-sale revaluation reserve	94,550,554	0	94,550,554
Accumulated funds (for solvency calculation)	892,608,683	59,959,405	952,568,088
Solvency margin	29.94%	25.08%	29.58%

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- Bestmed budgeted for a surplus of R20.2 million before investment income, and a net surplus of R70.1 million after investment income;
- Minemed are projected to make significant surpluses. They are projected to yield a surplus of R11.7 million after investment income;
- Minemed has proportionally lower management expenses than Bestmed, but for the purposes of this projection it was assumed that Minemed members will continue to experience the lower per member per month expenses.

The amalgamated scheme, based on this projection, is expected to make surpluses before investment income and have a statutory solvency margin of 29.6%.

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# Section 3: Strategic Rationale for Amalgamation and Member Impact Analysis - MINEMED

## 3.1 Member, Financial and Claims Profile

Minemed's membership profile has declined considerably over the last 4 years which has resulted in the increasing average age of the membership base, more chronic users, increasing number of pensioners and higher claims. A summary of the demographics of the scheme is provided in the table below to illustrate this concerning trend.

	2009	2010	2011	2012
Number of principal members	6 602	6 559	6 021	6 067
Average age	49.89	49.48	50.76	50.78
% Male	80.34%	78.73%	77.76%	78.34%
% Chronic users	37.76%	36.42%	38.60%	38.57%
% Over age 65	15.31%	19.89%	17.09%	16.88%
% Urban	5.91%	6.48%	5.95%	6.02%
Number of beneficiaries	14 589	14 152	12 594	12 686
Beneficiary ratio	2.21	2.16	2.09	2.09
Average age	38.09	37.92	39.26	39.25
% Adult beneficiaries	25.72%	24.24%	24.05%	24.00%
% Chronic users	29.27%	28.60%	30.39%	30.23%
% Over age 65	9.58%	13.28%	10.97%	10.83%
% Urban	4.31%	5.11%	4.59%	4.75%

Below, is a summary of the Statement of Financial position for the year ending 31 December 2012.

	2012 R	2011 R
<b>ASSETS</b>		
Non Current Assets		
Property, plant and equipment	293 079	393 148
	293 079	393 148
Current assets		
Investments	78 522 809	54 361 685
Trade and other receivables	37 027 339	21 000 000
Cash and cash equivalents	1 067 754	1 232 307
Savings trust assets	39 437 716	32 129 578
	990 000	-
<b>Total assets</b>	<b>78 815 888</b>	<b>54 755 033</b>
<b>FUNDS AND LIABILITIES</b>		
Members' funds	62 484 166	39 215 940
Accumulated funds	62 484 166	39 215 940
Current liabilities	16 331 721	15 539 093
Trade and other payables	5 341 721	4 637 967
Outstanding risk claims provision		
Personal medical savings account monies managed by the scheme on behalf of its members	10 000 000	10 500 000
	990 000	901 126
<b>Total funds and liabilities</b>	<b>78 815 888</b>	<b>54 755 033</b>

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	2009	2010	2011	2012
Gross Contribution Income	R174 486 728	R178 540 564	R219 312 982	R219 312 982
Relevant Healthcare Expenditure	(R168 461 523)	(R208 891 655)	(R185 701 626)	(R180 375 149)
Gross Healthcare Result	R6 025 209	R27 665 351	R19 494 008	R36 974 238
% of Contribution Income	97%	117%	85%	82%

Due to the small size of the scheme, the impact of high cost, catastrophic claims is detrimental as experienced during May 2010 when the scheme paid an amount of R7 352 616 in respect of a single admission for a beneficiary on the Essential option. This demonstrated the volatility of claims against the scheme. Although the scheme has initiated legal action to recover the amounts paid as a consequence of the probable negligence on the health care provider's service, the recovery thereof is not guaranteed.

### 3.2 Process to Identify Amalgamation Partner

In February 2010, the Council for Medical Schemes suggested that Minemed seek an amalgamation partner due to the deteriorating financial position of the scheme and the diminishing membership. The Health Monitor Company prepared an analysis of the medical scheme market and identified possible amalgamation partners which the Board accepted in June 2010. Two open schemes declined the offer to amalgamate and three schemes agreed to consider.

The Minemed amalgamation task team pursued negotiations with the three schemes and by September 2011, only two schemes remained due to non-responsiveness from the third scheme. Furthermore, an additional scheme was added as a possibility by Health Monitor in September 2011 due to the change in the Scheme's governance.

The process continued into 2012 between the three schemes and guidance was sought from the Council for Medical Schemes on the alternatives available to Minemed. The Council suggested that due to governance concerns, Minemed exercise caution whilst pursuing an amalgamation with either of these two schemes. The task team then resumed and finalised discussions with Bestmed medical scheme in April 2013.

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### 3.3 Member Impact Analysis - Benefits

A cryptic, broad summary of the MINEMED and BESTMED benefits is set out in section 2.4 above.

Given that BESTMED has ten options, it is not practical to compare all its options to MINEMED.

**Minemed Affordable** option's members (lower income members) should be defaulted to Bestmed Pulse 1 option unless they elect to join a different option in Bestmed. Both options are currently offering benefits through a capitation arrangement with Prime cure. The members in the high income band are assumed to default to the Bestmed Beat 4 option.

**Minemed Optimum** members should be defaulted to the Bestmed Pace 4 option unless they elect to join a different option in Bestmed. Pace 4 is regarded as the best suitable / most similar option or best comparable option for those currently registered on the Optimum option with Minemed.

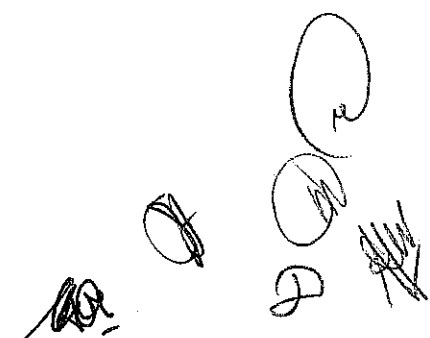
**Minemed Essential** should be defaulted into a new "Beat 4" to be developed by Bestmed in consultation with Minemed specifically for the purposes of this amalgamation. This option is designed to allow minimal changes to contributions and benefits.

We can summarise the above in that:

- Minemed and comparable Bestmed options generally offers similar levels of benefits and freedom of choice.
- Minemed's contributions are broadly in line with that of Bestmed. This is because
  - Minemed has a similar profile to Bestmed, and
  - Minemed had to make surpluses to increase solvency while Bestmed has a higher non-health expenditure on a per member per month basis.
- The combination of each scheme's two top options and retention of the lowest options on each scheme could broaden the choice of options available to members of both schemes. Care should however be taken to discourage option choice that is not in line with the health care needs of a member or which would adversely affect the financial position of the scheme.

### RECOMMENDED DEFAULT OPTIONS

MINEMED OPTION	INCOME BAND	DEFAULT BESTMED OPTION
Affordable	Low Income ( <R11 600)	Pulse1
Affordable	High Income ( >R11 600)	Beat4
Essential	Low Income ( <R14 600)	Beat4
Essential	High Income ( >R14 600)	Beat4
Optimum	Not Applicable	Pace4



**Comparison with Pulse 1 for Affordable members earning less than R11 600 per month**

	<b>Benefit</b>	<b>Affordable, less than R11 600</b>	<b>Pulse 1</b>
<b>In-hospital benefits</b>	Hospitalisation	100% Tariff at preferred provider	100% Bestmed tariff at any private hospital
	Consultations and Procedures	100% Minemed tariff	100% Bestmed tariff
	Treatment in Mental Health clinics	Prescribed Minimum Benefits only	100% Bestmed tariff Limited to 21 days per beneficiary
	Prosthesis	R18 000 per family	100% of cost Limited to R35 000 per family
	Orthopaedic and Surgical appliances	R3 200 per family	100% of cost Limited to R4 300 per family
	Auxiliary /Supplementary Services	R1 800 per beneficiary; R3 000 per family	100% Bestmed tariff
	Pathology	R12 000 per family combined with specialised radiology	100% Bestmed tariff
	Radiology/Diagnostic Imaging	100% Minemed Tariff	100% Bestmed tariff
	Advanced Radiology	2 scans up to R12 000 per family combined with Pathology	100% Bestmed tariff (out of hospital – no benefit)
Exclusions	Unionectomy, Removal of varicose veins, Arthroscopies, Joint replacements (unless PMB), Spinal back surgery (unless PMB), Surgery for oesophageal reflux, Cataract Surgery (unless PMB)	Joint Replacements (except PMB) Co-payments: R2500 laparoscopic procedures, R 2500 prostate procedures, R 2500 procedures for prolapse/incontinence, R 2500 arthroscopy, R 2000 endoscopic investigations done in hospital	
<b>Day- to- day benefits</b>		<b>Provided by Prime Cure</b>	<b>Provided by Prime Cure</b>
<b>Out of Hospital benefits</b>	Consultations GP (normal consulting hours)	Unlimited at Minemed medical centre or nominated GP; pre- authorisation from the 7 <sup>th</sup> visit	7 visits per beneficiary; thereafter only PMB visits; pre- authorisation required
	Consultations out of Network	2 visits per family up to max of R735 per visit	2 visits per family max of R735 per visit; 20% co-payment
	Specialists	7 visits per family per annum Pre- authorisation required	3 visits per family to a max of R1 000 per visit. Pre- authorisation required
	Acute medication and OTC/PAT	Unlimited in accordance with Prime Cure formulary OTC- R195 per beneficiary up to max of R60 per script	Limited to the 7 GP visits. Subject to Provider Network Formulary and reference price
	Basic Dentistry (Fillings, cleaning, extractions; preventative care, fluoride treatment)	Unlimited at Minemed Medical Centre or Prime Cure dentist	Subject to Provider Network
	Specialised Dentistry	1 set of dentures every 2 years	No benefit
	Optometry	Prime Cure Optometrist only available every 2 years	Subject to Provider Network
	Pathology	Unlimited subject to Prime Cure approved tests	Subject to Provider Network
	Radiology Basic	Unlimited subject to Prime Cure approved tests	Subject to Provider Network
	Auxiliary/Supplementary Services	2 visits to a Physiotherapist per year	No benefit
	Chronic Medication	Unlimited subject to Prime Cure formulary and approval	Unlimited. Subject to Provider Network Formulary and reference price. CDL chronic medicine only

**Total contributions per month excluding company subsidy**

	<b>Affordable less than R11 600</b>	<b>Pulse 1 &gt;R69 601 pa</b>	<b>Difference</b>
Principal	R 780	R1 218	R438
Adult Dependand	R 780	R 932	R152
Child Dependand	R 420	R 517	R97

**Comparison with Beat 4 for Affordable members earning more than R11 600 per month**

Benefit	Affordable	Beat 4	
<b>In-hospital benefits</b>	Hospitalisation	100% Tariff at preferred provider	100% Bestmed tariff at any private hospital
	Consultations and Procedures	100% Minemed tariff	100% Bestmed tariff
	Treatment in Mental Health clinics	Prescribed Minimum Benefits only	100% Bestmed tariff. Limited to 21 days per beneficiary
	Prosthesis	R18 000 per family	100% of cost. Limited to R58 000 per family
	Orthopaedic and Surgical appliances	R3 200 per family	100% of cost. Limited to R4 300 per family
	Auxiliary /Supplementary Services	R1 800 per beneficiary; R3 000 per family	100% Bestmed tariff
	Pathology	R12 000 per family combined with specialised radiology	100% Bestmed tariff
	Radiology/Diagnostic Imaging	100% Minemed Tariff	100% Bestmed tariff
	Advanced Radiology	2 scans up to R12 000 per family combined with Pathology	100% Bestmed tariff (Out of Hospital R10 000)
	Exclusions	Bunionectomy, Removal of varicose veins, Arthroscopies, Joint replacements (unless PMB), Spinal back surgery (unless PMB), Surgery for oesophageal reflux, Cataract Surgery (unless PMB)	Joint Replacements (except for PMBs) PMBs subject to prosthesis limits: Hip replacement and other major joints R19 500; Knee replacement R26 000; Other minor joints R8000
<b>Day-to-day benefits</b>	<b>Provided by Prime Cure</b>	<b>20% medical savings account + day-to-day benefits of M1 = R8 000 M1+ = R16 000</b>	
<b>Out of Hospital benefits</b>	Consultations GP (normal consulting hours)	Unlimited at Minemed medical centre or nominated GP; pre-authorization from the 7 <sup>th</sup> visit	Medical savings account thereafter M1 = R2 000 M1+ = R3 500 Subject to day-to-day benefits Combined limit for GP & Specialist consultations
	Consultations out of Network	2 visits per family up to max of R735 per visit	Medical savings account thereafter M1 = R2 000 M1+ = R3 500 Subject to day-to-day benefits
	Specialists	7 visits per family per annum Pre-authorization required	Medical savings account thereafter M1 = R2 000 M1+ = R3 500 Subject to day-to-day benefits Combined limit for GP & Specialist consultations
	Acute medication and OTC/PAT	Unlimited in accordance with Prime Cure formulary. OTC- R195 per beneficiary up to max of R60 per script	Acute & OTC medicines first paid from Medical savings account thereafter Acute medicine limited to: M1 = R2 000 M1+ = R4000 Subject to day-to-day benefits and thereafter reference pricing
	Basic Dentistry (Fillings; cleaning; extractions; preventative care, fluoride treatment)	Unlimited at Minemed Medical Centre or Prime Cure dentist	Medical savings account thereafter M1 = R3 000 M1+ = R6 000 Subject to day-to-day benefits Combined limits for Basic & Specialised dentistry
	Specialised Dentistry	1 set of dentures every 2 years	Medical savings account thereafter M1 = R3 000 M1+ = R6 000 Subject to day-to-day benefits Combined limits for Basic & Specialised dentistry
	Optometry	Prime Cure Optometrist only available every 2 years	Provided by PPN Network
	Pathology	Unlimited subject to Prime Cure approved tests	Medical savings account thereafter M1 = R2 000 M1+ = R4000 Subject to day-to-day benefits Combined limit for radiology and pathology
	Radiology Basic	Unlimited subject to Prime Cure approved tests	Medical savings account thereafter M1 = R2 000 M1+ = R4000 Subject to day-to-day benefits Combined limit for radiology and pathology
	Auxiliary/Supplementary Services	2 visits to a Physiotherapist per year	Medical savings account thereafter M1 = R3 000 M1+ = R6 000 Subject to day-to-day benefits

Chronic Medication

Unlimited subject to Prime Cure formulary and approval

26 CDL conditions covered unlimited at 100% Bestmed tariff, subject to Bestmed Formulary + 16 non-CDL conditions. Covered at 85% of Scheme tariff. Limited to M1 = R5 900 M1+ = R11 800. 35% co-payment for non-formulary medicines

**Total contributions per month excluding company subsidy**

	Affordable more than R11600	Beat 4	Difference
Principal	R 2 050	R 2 425	R375
Adult Dependand	R 2 050	R 2 002	R48
Child Dependand	R 520	R 600	R80

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**Comparison with Beat 4 for Essential**

	Benefit	Essential lower and higher income	Beat 4
<b>In-hospital benefits</b>	Hospitalisation	100% Tariff at preferred provider. 80% tariff at any private hospital	100% Bestmed tariff at any private hospital
	Consultations and Procedures	100% Minemed tariff	100% Bestmed tariff
	Treatment in Mental Health clinics	R7 400 per beneficiary Pre-authorization required	100% Bestmed tariff Limited to 21 days per beneficiary
	Prosthesis	R32 000 per family 25% co-payment if not sourced from preferred provider	100% of cost limited to R58 000 per family
	Orthopaedic and Surgical appliances	R5 600 per family	100% Bestmed tariff
	Auxiliary /Supplementary Services	R2 200 per beneficiary; R4 250 per family	100% Bestmed tariff
	Pathology	100% at DSP	100% Bestmed tariff
	Radiology/Diagnostic Imaging	100% Minemed Tariff	100% Bestmed tariff
	Advanced Radiology	3 per family to a max of R17 000 per family combined In and Out of Hospital Limit	100% Bestmed tariff (Out-of-hospital R10 000)
	Exclusions and Co-payments	20% for non-Preferred Provider hospitals Elective procedures (Spinal procedures = R5 000; Joint replacements = R5 000; Cataract surgery = R1 000; Third elective admission in year = R1 000) Limit on scopes: R3 200 Per family, thereafter 80% up to R10 500 per family	Joint Replacements (except PMB) No co-payments
<b>Out of hospital benefits</b>	Day- to-day benefits	Traditional limited benefits	20% medical savings account + day-to-day benefits of M1 = R8 000 M1+ = R16 000
	Consultations GP	GO's Annual limit of R1800 per beneficiary limited to R7 000 per family at GP of your choice. Thereafter, unlimited at Minemed medical centre with R20 levy per visit.	Medical savings account thereafter M1 = R2 000 M1+ = R3 500 Subject to day-to-day benefits
	Specialists	100% of Minemed Tariff up to R1 700 per beneficiary Thereafter 80% up to R5 500 per family	Medical savings account thereafter M1 = R2 000 M1+ = R3 500 Subject to day-to-day benefits
	Acute medication and OTC/PAT	R2 500 per beneficiary up to R7 000 per family including OTC limited to R800 per family - max of R80 per script Subject to MMAP and formularies	Medical savings account thereafter M1 = R2 000 M1+ = R4 000 Subject to day-to-day benefits
	Basic and Specialised Dentistry	Basic: M1 = R1 700 M1+ = R3 500 Specialised: M1 = R3 400 M1+ = R7 400 One set of dentures every 3 years	Medical savings account thereafter M1 = R3 000 M1+ = R6 000 Subject to day-to-day benefits
	Optometry	Provided by PPN Network	Provided by PPN Network
	Pathology	100% at DSP (Lancet/Pathcare)	Medical savings account thereafter M1 = R2 000 M1+ = R4 000 Subject to day to day benefits
	Radiology Basic Auxiliary/Supplementary Services	Limited to R4 500 per family per annum; 2 ultrasounds Combined with in hospital R2 200 per beneficiary up to a max of R4 500 per family	Medical savings account thereafter M1 = R3 000 M1+ = R6 000 Subject to day-to-day benefits
	Chronic Medication	26 CDL unlimited subject to Minemed Formulary + 45 non CDL conditions Non-CDL limited to R2 500 per beneficiary up to a max of R7 000 per family 40% co pay on non-formulary medication	26 CDL unlimited, subject to Bestmed Formulary + 16 non-CDL conditions 85% of Scheme tariff applies. Limited to M1 = R5 900 M1+ = R11 800

**Total contributions per month excluding company subsidy**

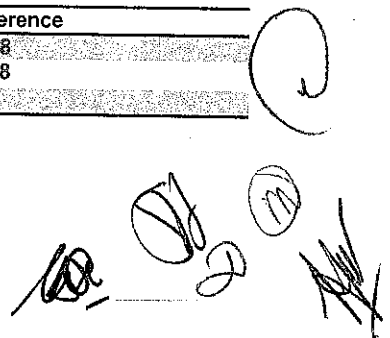
	Essential less than R14 600	Beat 4	Difference	Essential more than R14 600	Beat 4	Difference
Principal	R2 050	R 2 425	R375	R2 210	R 2 425	R215
Adult Dependand	R2 050	R 2 002	R48	R2 210	R 2 002	R208
Child Dependand	R 520	R 600	R80	R 560	R 600	R40

## Comparison with Pace4 for Optimum

	Benefit	Optimum	Pace 4
<b>In hospital benefits</b>	Hospitalisation	200% Tariff at any private hospital	100% Bestmed tariff at any private hospital
	Consultations and Procedures	200% Minemed tariff	100% Bestmed tariff
	Treatment in Mental Health clinics	R22 000 per beneficiary Pre-authorization required	100% Bestmed tariff Limited to 21 days per beneficiary
	Prosthesis	R45 000 per family per annum	100% of cost limited to R82 000 per family
	Auxiliary/Supplementary Services	100% Minemed Tariff	100% Bestmed tariff
	Pathology	100% Minemed Tariff	100% Bestmed tariff
	Radiology/Diagnostic Imaging	100% Minemed Tariff	100% Bestmed tariff
	Advanced Radiology	CT, MRI or Gallium Scans and Isotopes 4 per annum up to a max of R18 000 per family In and Out of Hospital Limit	100% Bestmed tariff
	Alternatives to Hospitalisation	Limited to R10 000 per family	100% Bestmed tariff if authorised
	Oncology	Limited to R210 000 per beneficiary	Oncology programme 100% Bestmed tariff Subject to pre-authorization
Dentistry	R10 000 per family; restricted to impacted wisdom teeth or children under 12 years old	100% Bestmed tariff	
<b>Out of hospital benefits</b>	Day-to-day benefits	25% medical savings account + Elective Benefit R3 700 per beneficiary up to max R7 500 per family	Traditional benefits – overall day-to-day limit M1 = R23 000 M1+ = R37 000
	Consultations GP and Specialists	Subject to savings and Elective Benefit at GP of your choice. Thereafter, unlimited at Minemed medical centre with R20 levy per visit.	M1 = R3 400 M1+ = R5 500 Subject to overall day to day limit
	Acute medication and OTC/PAT	Subject to savings and Elective Benefit	Acute Medicine limited to: M1 = R5 400 M1+ = R8 500 OTC medicine limited to R1000 per family Subject to overall day-to-day limit
	Basic and Specialised Dentistry	Subject to savings and Elective Benefit Thereafter, unlimited conservative dentistry at Minemed medical centre with R50 levy per visit.	Combined benefit & limit to: M1 = R6 800 M1+ = R11 500 Subject to overall day to day limit
	Optometry	Subject to savings and Elective Benefit every two years	Provided by PPN network Every two years
	Pathology	Subject to savings and Elective Benefit	M1 = R3 400 M1+ = R6 800 Subject to overall day-to-day limit Combined benefit for radiology & pathology
	Radiology Basic	Subject to savings and Elective Benefit	M1=R3 400 M1+ R6800 Subject to overall day to day limit. Combined benefit for radiology & pathology
	Auxiliary/Supplementary Services	Subject to savings and Elective Benefit	M1 = R3 400 M1+ = R6 800 Subject to overall day-to-day limit
	Advanced Radiology	CT, MRI or Gallium Scans and Isotopes 4 per annum up to a max of R18 000 per family In and Out of Hospital Limit	Out of Hospital MRI/CT – 3 scans per beneficiary per annum. PET – 1 scan per beneficiary per annum
	Chronic Medication	26 CDL unlimited subject to Minemed Formulary + 45 non-CDL conditions Non-CDL limited to R3 500 per beneficiary up to a max of R8 000 per family 25% co pay on non-formulary medication	26 CDL conditions at 100% of Bestmed tariff. Unlimited subject to Bestmed Formulary + 45 non-CDL at 85% of Bestmed tariff. limited M1 = R16000 M1+= R32000 20% co-pay on non-formulary medication
Preventative benefits	Flu vaccine; immunisations, contraceptives, preventative dentistry, pap smear at the Minemed medical centres. DBC programme.	Flu vaccine; pneumonia programme; paediatric immunisations; female contraceptive – R1300 per family per annum; PSA; DBC programme; preventative dentistry; mammogram; PAP smear; Bone densitometry	

### Total contributions per month excluding company subsidy

	Optimum	Pace 4	Difference
Principal	R3 510	R3 978	R468
Adult Dependand	R3 510	R3 978	R468
Child Dependand	R 880	R 932	R52



### 3.4 Member Impact Analysis - Contributions

#### Projected contributions

In the table below we will show the expected contributions of the Minemed members before and after the amalgamation. All members are assumed to follow the defaulting strategy described in section 3.3

#### Projected contributions raised in 2013

Option	Income band	Current contributions	Proposed contributions	Difference
Affordable	< R11 600	15 413 040	19 946 568	4 533 528
Affordable	> R11 600	5 655 960	5 526 168	-129 792
Essential	< R14 600	56 501 760	63 556 644	7 054 884
Essential	> R14 600	153 670 680	158 131 392	4 460 712
Optimum		8 709 600	9 837 168	1 127 568
Total		239 951 040	256 997 940	17 046 900

It is important to note that even though the gross contributions on the Optimum option is higher (by R1.2 million) these members currently have a 25% medical saving account which will be removed.

#### Family structure impact

In the next session we analyse the impact on different families based on the assumptions described above.

#### Financial Impact on different family structures

Family structure	Affordable		Essential		Optimum	Total
	Low	High	Low	High		
P1A0C00	40.4%	5.5%	18.3%	9.7%	13.3%	15.7%
P1A0C01	31.3%	5.3%	17.7%	9.2%	11.8%	15.1%
P1A0C02	27.0%	5.2%	17.3%	8.9%	10.9%	12.7%
P1A0C03	24.4%	5.1%	17.0%	8.6%		12.6%
P1A0C04	22.7%		16.8%	8.4%		13.7%
P1A1C00	23.8%	10.2%	8.0%	0.2%	13.3%	4.0%
P1A1C01	21.8%	8.6%	8.8%	0.9%	12.5%	3.2%
P1A1C02	20.5%	7.2%	9.5%	1.6%	11.8%	3.1%
P1A1C03	19.6%	6.1%	10.0%	2.1%	11.3%	3.4%
P1A1C04	19.0%	5.2%	10.5%	2.5%	10.9%	4.1%
P1A1C05	18.5%		10.9%	2.9%		6.3%
P1A2C00	18.2%	15.5%	4.5%	3.0%	13.3%	-1.9%
P1A2C01	17.7%	13.0%	5.4%	2.2%	12.8%	-1.1%
P1A2C02		12.6%	6.1%	1.6%		-1.4%
P1A2C03				1.0%		-1.0%
P1A2C04				0.5%		-0.5%
P1A3C00				4.6%		-4.6%
P1A3C01						
P1A3C02						
Total	29.3%	-2.6%	12.4%	2.5%	13.0%	6.7%

It is clear that larger families with more children are less severely impacted financially than the single member or smaller families.

The next table shows the number of families with each structure.

**Number of families in each structure**

Family structure	Affordable		Essential		Optimum
	Low	High	Low	High	
P1A0C00	488	65	812	889	61
P1A0C01	143	14	73	177	5
P1A0C02	50	7	31	109	3
P1A0C03	15	2	5	25	
P1A0C04	2		2	3	
P1A1C00	154	10	469	851	45
P1A1C01	81	14	63	368	4
P1A1C02	42	14	63	416	6
P1A1C03	11	6	13	102	2
P1A1C04	5	2	1	22	1
P1A1C05	1		1	3	
P1A2C00	3	1	10	101	2
P1A2C01	5	3	7	56	1
P1A2C02		1	2	22	
P1A2C03				3	
P1A2C04				1	
P1A3C00				8	
<b>Total</b>	<b>1 000</b>	<b>139</b>	<b>1 552</b>	<b>3 156</b>	<b>130</b>

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# Section 4: Strategic Rationale for Amalgamation - BESTMED

## 4.1 Competitive Landscape

BESTMED competes against other open medical schemes for members, the total pool of which has not shown any significant increase in new entrants in the recent past. The 2011 annual report of the Council for Medical Schemes (CMS) for 2011 gives the following information about the current size of the market.

Type of Scheme	Total Principal Membership	Total Beneficiaries
Open medical schemes	2 141 506	4 799 915
Closed schemes (in-house)	1 439 339	3 515 803
Total all schemes	3 612 062	8 315 718

The CMS annual reports for 2002 and 2011 give the following statistics for those years:

Type of Scheme	Number of schemes 2002	Number of schemes 2011
Open medical schemes	48	28
Closed schemes (in-house)	94	71
Total all schemes	142*	99

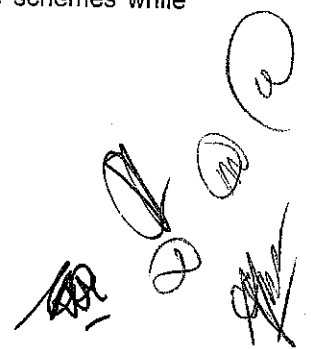
\*Excludes 14 bargaining council schemes.

It is evident that the Industry is in a consolidation phase and that in order to offer value for money products in difficult economic conditions it is better to amalgamate medical schemes in order to gain economies of scale. Open medical schemes' membership has reduced over the last number of years as a result of the establishment of GEMS (Government Employees Medical Scheme). The future size of the open medical schemes market will reduce even further if the more favourable subsidies offered to government employees lure them to join GEMS.

## 4.2 The need to grow BESTMED Membership

BESTMED has so far managed to survive through difficult times. In order to survive and grow in future one must consider the drivers of change in the industry.

- As indicated above, the open medical scheme market might continue to shrink over the next few years as government employees join GEMS. The competition between open schemes will thus become fiercer in a smaller market. Schemes that have access to good distribution channels will have an advantage over competitors that do not.
- In the past there were standard industry medical tariffs that specified how much service providers should be paid. The ruling by the Competition Commission has, however, brought that to an end. Each medical scheme or administrator must now negotiate its own tariff structure with each provider or provider group. In this process, bargaining power will benefit some schemes while others will come under greater pressure in trying to remain competitive.



- The effects of the hardship being caused by the local and worldwide economic recession should not be underestimated, with medical insurance becoming a "luxurious item", and buy-downs in options becomes a trend.
- The ever increasing cost of technology and new advanced medication (biological medicine). To fund this, there must be cross subsidisation of many other members.
- Members have different healthcare needs and it is essential that a range of products must be offered. This is only possible if the risk pool is large enough.
- Increased service delivery demands by members and the cost associated with it.

#### **4.3 Post-Amalgamation – Board of Trustees and Governance**

BESTMED is self-administered and has its own management and administrative staff whose function it is to ensure good client relationships and an efficient administration. These employees are responsible for carrying on the business of a medical scheme in accordance with the requirements of the Medical Schemes Act.

BESTMED's Board will continue to govern the amalgamated Scheme as a separate legal entity on behalf of its participating members and employers

The present MINEMED Board of Trustees, including the members of the Audit Committee, the External Auditors and MINEMED's Principal Officer, will remain legally accountable for the conclusion and signing off of MINEMED's annual financial statements for 2013.

The prevailing BESTMED Rules will continue post-amalgamation. The amalgamated entity will continue along the same lines with the following fully chartered subcommittees:

- Strategic Committee
- Audit and Risk Committee

#### **4.4 Post-Amalgamation – Strategic Positioning of BESTMED**

BESTMED has, for some time, been debating how best to reposition itself so as to remain a competitive force in the new environment. During 2007 the BESTMED Board included the strategic goal "To ensure a sustainable risk pool" in its 2007 strategic plan, and decided that the best way to address this challenge despite fierce competition was to amalgamate with other medical schemes; and/or to commercialise the administration of the Scheme with the aim of securing future membership growth through the distribution capacity

BESTMED concluded three successful amalgamations with Telemed, CSIR and Sappi Medical Aid Schemes since 2007.

#### **4.5 Advantages/Disadvantages of the Amalgamation**

The advantages and disadvantages of the amalgamation to BESTMED are set out in Appendix A.

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# Section 5: Impact of Transaction on Role Players

## 5.1 Statutory requirements

MINEMED and BESTMED are governed by individual Boards of Trustees in accordance with their registered Rules, which stipulate, among other things, that:

- The Board shall to the best of its ability apply sound business principles and endeavour to ensure the financial soundness of the Scheme.
- The Board shall take steps to ensure that the interests of beneficiaries are protected.
- The Board shall ensure that adequate and appropriate information is communicated to the members regarding their rights, benefits, contributions and responsibilities in terms of the Rules.

Both Boards of Trustees are convinced that the proposed transaction is based on sound business principles and will be in the interests of the schemes and their members and that the critical risks of an amalgamation have been identified and strategically adequately dealt with. Both Boards are thus satisfied that the amalgamation will be in the interests of both the schemes and their members.

The purpose of this document is to communicate appropriate and adequate information to the members.

## 5.2 MINEMED AMALGAMATION RULES

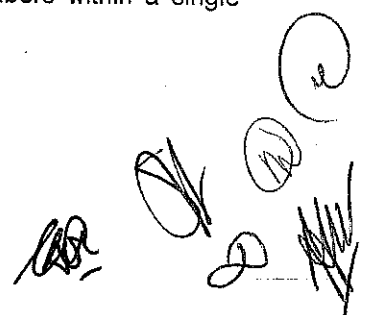
- Rule 30.1: "The Scheme may, subject to the provisions of section 63 of the Act, amalgamate with, transfer its assets and liabilities to, or take transfer of assets from and assume liabilities of any other medical scheme or person. The Board must arrange for Members to be furnished with an exposition of the proposed transaction for consideration and to decide by ballot whether the proposed amalgamation should be proceeded with or not."
- Rule 30.2: "If the majority of the members, who return their ballot papers, are in favour of the amalgamation or transfer then, subject to section 63 of the Act, the amalgamation or transfer may be concluded."
- Rule 30.3: "The Registrar may, on good cause shown, ratify a lower percentage than that specified in 30.2."

## 5.3 BESTMED AMALGAMATION RULES

- Rule 30.1 The Scheme may, subject to the provisions of section 63 of the Act, amalgamate with, transfer its assets and liabilities to, or take transfer of assets and liabilities of any other medical Scheme or person.

30.1.1 The Board of Trustees shall investigate and may approve a proposed amalgamation or transfer of up to 15 000 members within a single transaction.

30.1.2 The Board shall arrange for all existing members to decide by ballot whether a proposed amalgamation or transfer of more than 15 000 members within a single transaction should be proceeded with or not.



30.1.3 If at least 50 percent plus one of the returned ballots of the members are in favour of the amalgamation or transfer as indicated in paragraph 30.1.2 then, subject to section 63 of the Act, the amalgamation or transfer may be concluded.

#### **5.4 Participating Employer Groups**

BESTMED employer groups will continue to participate in BESTMED Medical Scheme and will qualify for the same benefits as before. They will therefore not be negatively affected by the transaction.

MINEMED members would not be disadvantaged (see 5.5 below) as the amalgamated scheme will secure the future sustainability of the medical scheme options and ensure the members continue to receive cover.

#### **5.5 Participating Members**

BESTMED members will continue to participate in BESTMED Medical Scheme and will qualify for the same benefits as before. There will be a minimal impact on reserves after the merger. They will therefore not be negatively affected by the transaction.

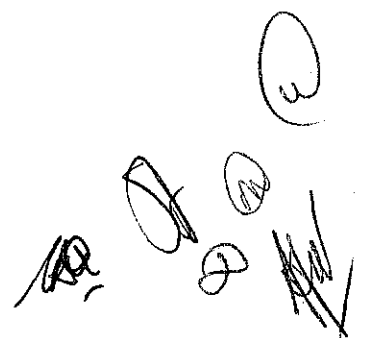
For MINEMED, a critical decision point for choosing BESTMED was the larger risk pool, future financial stability and ability to customise and option for the majority of the MINEMED membership base.

#### **5.6 Medical facilities operated by Minemed**

Currently Minemed operates Medical facilities (doctors consulting rooms, dentistry and other medical services ) at three of their mining shafts namely Randfontein, Welkom and Virginia. These facilities ensure that members have access to quality medical services close to their homes .The intention is not to take these facilities over as part of the proposed amalgamation. The facilities will be "privatised" to operate as a group practise and Bestmed will conclude preferred provider agreements in those areas with these practises. . Access to and service delivery standards of these facilities to the members of Minemed will be maintained

The assets of these practises belong to the Scheme and it will be transferred to Bestmed as part of the amalgamation. Bestmed will conclude rental agreements with the group practise in order to ensure that they have the operating equipment they need to perform their work.

Bestmed enquired from the Health Profession Council of South Africa if it will be allowed that Bestmed as Medical Scheme employs the medical staff (doctors and dentists) and the opinion we received indicated that it will not be allowed. As a result thereof it will be in the interest of current members of Minemed to retain the facilities but under a different dispensation. Bestmed must ensure that they don't lose the cost effectiveness which the facilities have proven over time.

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# Appendix A: Advantages/Disadvantages of the Merger

DESCRIPTION	DISADVANTAGES	ADVANTAGES
Membership profile	There are only slight differences in the average age of beneficiaries of the schemes.	The combined scheme with a much bigger membership will have greater bargaining power.
Distribution network	None.	The large dedicated network of brokers together with the extensive BESTMED distribution network will ensure sustainable membership growth.
Benefit design and product range	Initially there will be in the region of 9 - 10 options in the amalgamated scheme.	Geographical distribution of members will make it possible to conclude better agreements.
Size of membership	None.	A better risk pool in terms of size ensures effective cross-subsidisation.
Reserves	MINEMED's reserve per member levels will be diluted immediately on merger, but will benefit from BESTMED reserves sustainability in the long term.	MINEMED's members will benefit because they will become members of a combined and bigger scheme with an estimated 28% reserves, which are expected to increase due to the anticipated growth.
Claims propensity	None.	Members will benefit from the increase in membership which will create a bigger risk pool with a larger cross-subsidisation base.
Long-term sustainability	The shrinkage of the market poses a serious risk to both schemes.	Both schemes can benefit from access to the Bestmed distribution channels.
Communication	The deadline of 1 SEPTEMBER 2013 within which the amalgamation must be concluded is a tight one, and achieving this will depend heavily on effective communication.	Strategies for communicating with members will be considerably enhanced within the combined environment.
MINEMED's assets	The assets of MINEMED need to be transferred to BESTMED.	MINEMED assets are invested in the money market so easier to be determined, identified and transferred to BESTMED.
Service levels	None	MINEMED will share in the benefits of being associated with the large in-house service management capability of BESTMED
Employees	HPCSA approval needs to be obtained before employing Doctors, Dentists etc. The Bestmed Board decided to rather contract the providers as a network than to employ them.	Cost advantages

# Appendix B: Amalgamated Plan – Projected Financial Results

The long-term projection provided below is a high-level projection based on the long-term assumptions outlined in the Actuarial Analysis. For the purpose of this analysis it is assumed that no option movements are to take place (other than the assumed movements to take place on the day of amalgamation).

## Assumptions used in long term projection

CPI	5.50%
Contribution increases	8.50%
Healthcare cost inflation	8.00%
Expenses inflation	5.50%
Investment income	7.00%

Based on these assumptions the following long term projection is calculated.

## Long term projection

	2012	2013	2014	2015	2016
Number of principal member-months	878 172	916 596	952 248	952 248	952 248
Average members during the year	73 181	79 354	79 354	79 354	79 354
Gross contribution income	2 735 716 091	3 117 057 766	3 521 429 058	3 820 750 528	4 145 514 323
Saving contribution income	384 520 026	462 792 436	527 532 083	572 372 310	621 023 956
Risk contribution income	2 351 196 065	2 654 265 330	2 993 896 976	3 248 378 219	3 524 490 367
Incurred claims	1 953 460 963	2 170 349 862	2 438 582 468	2 633 669 065	2 844 362 590
Other Claims	84 650 899	119 775 443	134 928 985	145 723 303	157 381 168
<b>Gross Underwriting Result</b>	<b>313 084 203</b>	<b>364 140 025</b>	<b>420 385 523</b>	<b>468 985 850</b>	<b>522 746 609</b>
Management expenses	334 132 784	351 102 101	376 035 087	396 717 016	418 536 452
<b>Surplus/(Deficit) from operations</b>	<b>-21 048 581</b>	<b>13 037 924</b>	<b>44 350 437</b>	<b>72 268 834</b>	<b>104 210 157</b>
Investment income	51 481 754	51 559 617	74 651 639	82 456 690	94 405 423
<b>Net surplus/(deficit) for the period</b>	<b>30 433 173</b>	<b>64 597 541</b>	<b>119 002 076</b>	<b>154 725 523</b>	<b>198 615 580</b>
Total members' funds	882 446 059	1 044 276 764	1 141 818 293	1 296 543 816	1 495 159 396
Available-for-sale revaluation reserve	101 109 778	101 109 778	101 109 778	101 109 778	101 109 778
Accumulated funds (for solvency calculation)	781 336 281	909 930 296	1 028 932 371	1 183 657 895	1 382 273 474
Solvency margin	28.56%	28.13%	29.22%	30.98%	33.34%

Important from this table is that the amalgamated scheme's solvency is projected to remain significantly above the statutory minimum 25% level.

# Appendix C: Amalgamation Project Plan

MINEMED/BESTMED AMALGAMATION	
Consolidated Project Plan	Target date
Minemed and Bestmed discuss a potential amalgamation	Sept/Oct 2012
Preliminary evaluation of potential amalgamation between Bestmed and Minemed High level feasibility	30 November 2012
Minemed Board agree that process of amalgamation with Bestmed must continue	17 April 2013
Bestmed conducts onsite visits to Minemed Medical Centre in the Free State to gain insight of value proposition	21 January 2013
Bestmed Board of Trustees consider new Option (Beat 4) for approval	21 February 2013
Bestmed Executive Committee considers the proposed transaction Actuarial impact study based on 31.12.2012 figures and recommend to BoT for approval	26 March 2013
New Beat4 Option proposal together with a Marketing Plan and Actuarial opinion presented to CMS for approval	Submitted 15 April 2013
Minemed Board of Trustees gives its approval of the amalgamation	17 April 2013
Bestmed Board of Trustees approve amalgamation with Minemed	18 April 2013
Bestmed communicates the conditions of the amalgamation to Minemed for consideration	22 April 2013
Minemed to develop the following member communication tools: <ul style="list-style-type: none"> <li>• Member communication letter for notification of the amalgamation</li> <li>• Voting ballot</li> <li>• Posters for sites</li> <li>• Benefit and Contribution comparison (based on info supplied by the scheme)</li> <li>• Member slide presentation</li> <li>• Script for call centre agents and presenters (to be confirmed)</li> </ul>	26 April – 09 May 2013
Draft Exposition finalised	01 May 2013

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<p>Bestmed to provide the following information to Minemed:</p> <ul style="list-style-type: none"> <li>• Copy of the Exposition</li> <li>• Feasibility and financial impact assessment based on Bestmed's default options</li> <li>• Benefit and Contribution comparison</li> </ul> <p>Minemed to provide the following information to Bestmed:</p> <ul style="list-style-type: none"> <li>• Information on company subsidy</li> <li>• Membership data base (contact and address details - specification to be provided on acceptance of the proposal) for communication distribution</li> <li>• Schedule of regional presentations and contact details</li> </ul>	<p>2 May 2013</p> <p>6 May 2013</p> <p>13 – 24 May 2013</p>
<p>In-principal approved exposition of the transaction and ballot papers are disseminated to members of Minemed. Members have 3 weeks to vote on the transaction.</p>	<p>3 May 2013</p>
<p>High level Due diligence (Bestmed and Minemed) is finalised</p> <p>Minemed negotiates continuous participation of Rand Uranium Gold as participating employer</p>	<p>6 – 7 May 2013</p>
<p>Visit by Bestmed Executives to get a better understanding of the Minemed facilities' cost structures and ascertain HR implications of the proposed merger</p>	<p>13 May 2013</p>
<p>Minemed Member Presentations</p> <ul style="list-style-type: none"> <li>• A team of consultants will be trained on the proposed amalgamation and the processes to be followed.</li> <li>• Initial presentations will be facilitated at sites/pay points as per the schedule provided by the Scheme.</li> <li>• Detailed presentations and road shows will be facilitated at sites/pay points as per the schedule provided by the Scheme</li> </ul>	<p>10 May 2013</p> <p>13 – 24 May 2013</p> <p>1 – 12 July 2013</p>
<p>Minemed Call Centre processes</p> <ul style="list-style-type: none"> <li>• The following site visits to be conducted: <ul style="list-style-type: none"> <li>○ Medical Centres (Welkom)</li> <li>○ Call centre (PE)</li> <li>○ HR and Payroll (Randfontein)</li> </ul> </li> <li>• Centre agents will be trained on the project to handle member queries</li> <li>• Members can contact the Call Centre in the following ways: <ul style="list-style-type: none"> <li>○ PHONE 0860 434 650 during office hours (07:30 – 17:00)</li> <li>○ EMAIL <a href="mailto:minemed@providence.co.za">minemed@providence.co.za</a> with the subject heading "Minemed"</li> </ul> </li> <li>• Every interaction with the member will be logged and recorded</li> <li>• Escalated member queries which cannot be answered by the agent will be</li> </ul>	<p>10 May 2013</p> <p>07 May 2013</p> <p>09 May 2013</p>

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<p>forwarded to a designated contact person at the Scheme for clarification and the agent will provide feedback to the member within 48 hours. Names and contact details of designated contact persons per department will be provided by Bestmed</p> <ul style="list-style-type: none"> <li>• Tailored sms's will be sent to members on a weekly basis during the voting period prompting them to vote and highlighting the percentage of votes cast (dependant on availability of voting statistics from the auditors)</li> </ul>	
Bestmed and Minemed to set-up task teams to be involved in the amalgamation project	03 May 2013
<p>Bestmed discuss and test data migration with the existing administrator (note – scope of data transfer to be determined and managed through a separate project plan)</p> <ul style="list-style-type: none"> <li>• Membership</li> <li>• Claims</li> <li>• Images and scanned documentation data</li> <li>• Chronic/CDL/PMB medicine authorisations</li> <li>• HIV program registrations</li> <li>• Orthodontic treatment plans</li> <li>• Oncology authorisations</li> <li>• Dialysis Authorisations</li> <li>• Preventative Care and Wellness registrations</li> <li>• Special/Exception authorisations/cases</li> <li>• Debtors</li> <li>• Ongoing 3<sup>rd</sup> Party interfaces</li> <li>• Ex-gratia</li> <li>• Data from Medical centres</li> </ul>	May 2013 after both BoT's have approved
Auditors receive returned ballots and count votes. Inform the Minemed Board of the outcome of the voting.	27 – 29 May 2013
<p>Bestmed submits the following to the Registrar:</p> <ul style="list-style-type: none"> <li>• Exposition of the proposed transaction</li> <li>• Confirmation of the voting of members</li> <li>• A copy of every actuarial or other statement taken into account for the purpose of the proposed transaction</li> </ul> <p>Bestmed submits the following to the Competition Commission:</p> <ul style="list-style-type: none"> <li>• Application and motivation to amalgamate Minemed into Bestmed</li> </ul>	<p>31 May 2013</p> <p>31 May 2013</p>
Advertisements of the proposed transaction are published in the Government Gazette and the appropriate newspapers.	3 June 2013
Forty two days are allowed in terms of sections 63(4) and 63(5) of the Medical Schemes Act for inspection and written representations by any member or creditor or any other party to the proposed transaction having an interest herein.	<p>31 May 2013 –</p> <p>31 July 2013</p>
Minemed gives notice of termination to contracted administrator and other service	1 July 2013

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providers (6 Months - Providence) and confirm the period to be allowed for claims run-off if stipulated in current Administration agreement	31 December 2013
The Registrar confirms/declines the proposed transaction.	2 July 2013
Initial data transfer onto live system and subsequent monthly updates	2 July 2013
Bestmed / Minemed road shows. Members choose between options	1 – 12 July 2013
Final Option selection: Contribution raising finalised	19 July 2013
Bestmed issues new membership packs to members	19 August 2013
Final amalgamation	1 September 2013
Monthly stats and payment information for run-off period September – December 2013	31 December 2013
Final audit of Minemed Medical Scheme	31 December 2013
PS. Former Minemed Board must approve these statements	

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# Appendix D: Notification to Members of Voting Process Results



Date 2013

Dear BESTMED/MINEMED Member

## **RESULTS OF THE VOTING PROCESS IN RESPECT OF THE PROPOSED AMALGAMATION OF MINEMED MEDICAL SCHEME INTO BESTMED MEDICAL SCHEME IN TERMS OF SECTION 63 OF THE MEDICAL SCHEMES ACT**

We are pleased to report that the voting process pertaining to the above transaction has been completed successfully and that the exposition documents have been submitted to the Council for Medical Schemes as required in terms of the provisions of the Medical Schemes Act, No 131 of 1998.

The Rules of BESTMED Medical Scheme and MINEMED Medical Scheme provide as follows: \_\_\_\_\_

The Rules of BESTMED Medical Scheme determine that it is not necessary for members to vote on an amalgamation or transfer of less than 15 000 principal members.

The Rules of MINEMED Medical Scheme determine that the majority of members who return their ballot papers must be in favour of the amalgamation or transfer. \_\_\_ of the MINEMED Medical Scheme members voted and \_\_\_ were in favour of the proposed transaction.

The exposition documents were submitted to the Council for Medical Schemes on \_\_\_\_\_ and in terms of section 63(4) these documents are now available for perusal and comment by members and creditors for a period of 21 days. Copies of these documents are also available at the registered offices of BESTMED Medical Scheme, MINEMED Medical Scheme and the Council for Medical Schemes for your perusal.

We trust that you will find this in order and thank you for your support.

PRINCIPAL AND CHIEF EXECUTIVE OFFICER  
BESTMED Medical Scheme

PRINCIPAL OFFICER  
MINEMED Medical Scheme

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# Appendix E: English National Newspaper Advertisement (Business Day)

## ENGLISH NATIONAL NEWSPAPER ADVERTISEMENT (*BUSINESS DAY*)

### AMALGAMATION / TRANSFER OF BUSINESS OF MINEMED MEDICAL SCHEME INTO BESTMED MEDICAL SCHEME IN TERMS OF THE MEDICAL SCHEMES ACT

In terms of section 63(3)(c) of the Medical Schemes Act, No. 131 of 1998, notice is hereby given of the intention to amalgamate MINEMED Medical Scheme (Registration No 1527) into BESTMED Medical Scheme (Registration No 1252) with effect from 1 September 2013. MINEMED Medical Scheme will cease to exist from this date and will be taken up in BESTMED Medical Scheme.

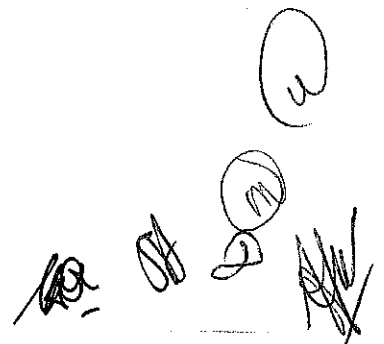
The exposition of the proposed amalgamation will be available for inspection for a period of 21 days as from \_\_\_\_\_ at the following premises:

1. The Registrar of Medical Schemes  
1267 Pretorius Street  
Hadefields, Block E  
Hatfield  
PRETORIA
2. BESTMED Medical Scheme  
Block A  
Glenfield Office Park  
361 Oberon Avenue  
Faerie Glen  
PRETORIA
3. MINEMED Medical Scheme  
7 Lutman Road  
Richmond Hill  
Port Elizabeth

Any person who has any objection to this amalgamation should submit such objection in writing to:

The Registrar of Medical Schemes  
Private Bag X34  
Hatfield 0028

within 21 days of the expiration of the period referred to above.



# Appendix F: Government Gazette Notification

<b>GOVERNMENT GAZETTE NOTIFICATION</b>
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## **AMALGAMATION/TRANSFER OF BUSINESS MINEMED MEDICAL SCHEME INTO BESTMED MEDICAL SCHEME IN TERMS OF THE MEDICAL SCHEMES ACT**

In terms of section 63 (3) (c) of the Medical Schemes Act, No. 131 of 1998, notice is hereby given of the intention to amalgamate **MINEMED Medical Scheme** (Reg. No. 1527) with **BESTMED Medical Scheme** (Reg. No. 1252) with effect from 1 September 2013. **MINEMED Medical Scheme** will cease to exist from this date and will be taken up in **BESTMED Medical Scheme**.

The exposition of the proposed amalgamation will be available for inspection for a period of 21 days as from \_\_\_\_\_ at the following premises:

1. The Registrar of Medical Schemes, 1267 Pretorius Street, Hadefields, Block E, Hatfield, Pretoria.
2. BESTMED Medical Scheme, Block A, Glenfield Office Park, 361 Oberon Avenue, Faerie Glen, Pretoria.
3. MINEMED Medical Scheme, 7 Lutman Road, Richmond Hill, Port Elizabeth.

Any person who has any objection to this amalgamation should submit such objection in writing to The Registrar of Medical Schemes, Private Bag X34, Hatfield, 0028, within 21 days of the expiration of the period referred to above.

