

Diagnosing

MOTO Health Care

BACKGROUND:

Moto Health Care Medical Scheme is registered with the Council for Medical Schemes and came into being as the end result of four years of negotiations between employer and employee organisations within the motor industry.

The Scheme was designed to cater exclusively for the needs of those employed in the motor industry. This is entrenched in the mission statement of the scheme, which reads: "To provide a sustainable health care solution to the motor industry, offering excellent benefits, efficient administration and healthcare peace of mind."

The Scheme is governed by an elected board of trustees, comprised of representatives from both employer and employee organisations within the motor industry, and is administered by Momentum Medical Scheme Administrators.

As at the end of December 2010, Moto Health had 31,158 members (families) and 70,419 beneficiaries, with an average age of 34. Moto Health is one of the largest restricted medical schemes in South Africa. The average size of the 77 restricted schemes in 2009 was 16 846 members.

Moto Health Care has a wide variety of options to cater for anyone's individual healthcare needs. Options range from the Essential and Custom options, which focus on providing primary healthcare cover through networks at an affordable price, to the Optimum option, which provides comprehensive in- and out-of-hospital cover. The Hospicare option provides secure cover for those members who seek mainly hospital cover, whilst the Classic option provides hospital cover with the added flexibility of a medical savings account for out-of-hospital expenses.

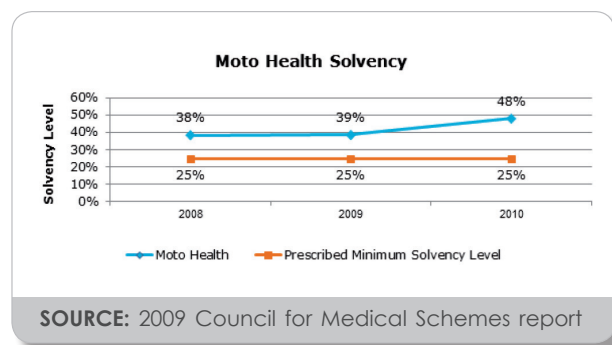
SOLVENCY:

The Council for Medical Schemes stipulates that each medical scheme keeps a minimum amount of funds aside to ensure that it is able to pay all

its claims and expenses. This required minimum accumulated funds as established by Regulation 29 of the Medical Schemes Act, is set at 25% of total contributions. These minimum accumulated funds are more commonly referred to as the "reserves" of a scheme. When expressed as a percentage of total contributions, they reflect the solvency level (or "solvency ratio") of the scheme.

The accumulated reserves belong to the members of the scheme. This figure at the end of December 2010 was R361 million. This is well above the required value of R190 million, based on 25% of the total contributions (R762 million) for 2010.

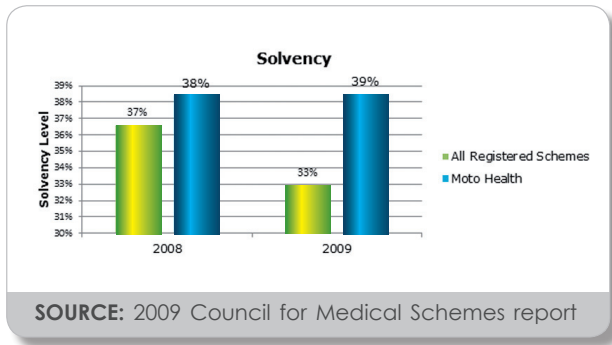
As can be seen in the graph below, with figures from the 2008 & 2009 Council reports and the unaudited December 2010 Moto Health financial statements, Moto Health's solvency level has been increasing since 2008 and is well above the Council for Medical Schemes' minimum required level of 25%.



Furthermore, as can be seen from the Council for Medical Schemes reports for 2008 and 2009, Moto Health's solvency level has remained well above the industry average (shown in the graph below as the solvency level of "All Registered Schemes").

A lot of changes were introduced in the past to achieve this. The economic downturn which affected the motor industry also impacted Moto Health Care, but Moto Health can now focus

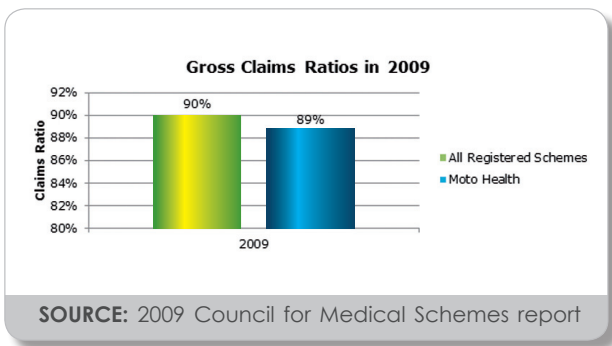
on improving benefits and supporting products. Schemes with lower solvency levels will have to increase contributions and/or cut benefits.



CLAIMS RATIOS:

The claims ratio of a medical scheme is the proportion of total claims costs as a percentage of gross (or total) contributions. A lower claims ratio is preferred as schemes with high claims ratios could face difficulty in maintaining their solvency levels.

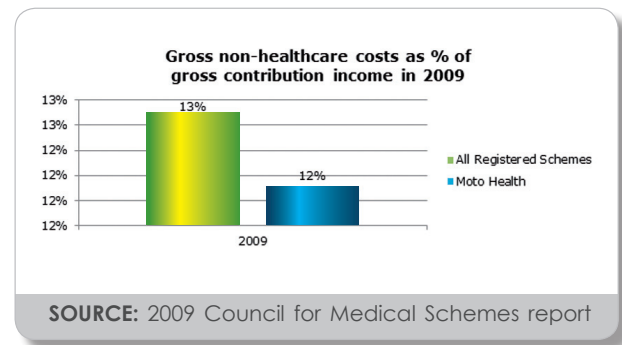
From the graph below it can be seen that Moto Health's gross claims ratio is below the industry average level.



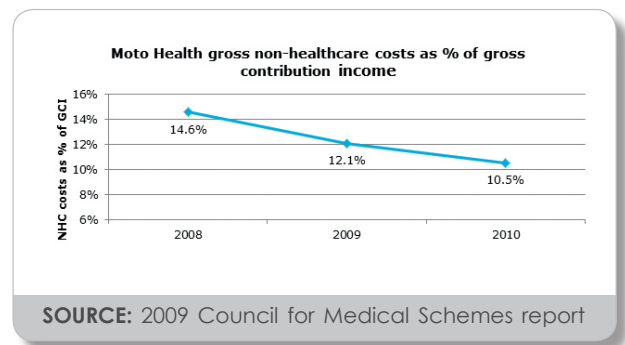
NON-HEALTHCARE EXPENDITURE:

The Council for Medical Schemes also monitors the non-healthcare costs of medical schemes. It is desirable for the ratio of non-healthcare costs to gross contributions to be lower, as this means a lower proportion of each contribution is being used to cover non-healthcare costs, and therefore a larger part is being used to cover healthcare costs. A key feature of Moto Health is that it does not pay commission to brokers. This enables the scheme to contain its non-healthcare expenditure, which results in greater savings and better value for its members. Based on data from the 2009 Council for Medical

Schemes report it can be seen that Moto Health's non-healthcare expenditure compares favourably with that of the industry as a whole.



From the below graph it can be seen that Moto Health's non-healthcare expenditure as a percentage of gross contributions has been steadily declining.



CONCLUSION:

The diagnosis for Moto Health Care is positive. It is one of the biggest schemes with restricted membership and is focused on the needs of people in the motor industry. It also offers the full range of products available in the market. The accumulated reserve percentage (solvency ratio) is nearly twice the required level, which gives Moto Health Care a clean bill of health.



Taking care of our own