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PROPOSED PRESS RELEASE

RESOLUTION HEALTH IS ON THE MEND

Resolution Health Medical Scheme has signalled its improving financials with a R15m operating surplus for February year-to-date and its solvency levels have improved by 2% to 18%.

The statutory solvency requirement of 25% is expected to be achieved soon and Gross Premium Income (GPI) is forecast to increase by 6% to R653m in the current financial year while other key numbers are also be expected to improve going forward.

Moreover, the scheme's A-minus rating by the Global Credit Rating Agency has been re-affirmed.

The authoritative Global rating, which, among other factors, reflects the claims paying ability of the Scheme, taken together with the other indicators, will come as good news to members after the Scheme's patchy operational performance in recent years, although Principal Officer Mark Arnold remains cautious in his outlook.

"Clearly the Scheme will have to show it's capable of breaking the pattern of net deficits posted in past years. But the foundations are in place for a full blown recovery and we have budgeted for a much improved operating surplus for the current financial year," he adds.

Arnold has reason to be optimistic. Some brave decisions have been taken to nurse the Scheme back to health. Key in this respect was the appointment last year of Agility Global Health Solutions Africa (AGHS-Africa) as the Schemes' administrator.

The appointment of the highly rated Agility with its strong systems base, risk management ethos, hands on involvement and multinational track record, is seen by the healthcare sector as a good move.

Prof Jacques Snyman, Product Development Director of AGHS-Africa says one of the first tasks of Agility was to integrate the existing service delivery model and ensure risk management was done on a "one version of the truth" integrated system and process.

Unnecessarily outsourced processes were brought back into the integrated process to improve margins.

The AGHS-Africa Patient Driven Care programme is being implemented in phases, ensuring that patients receive more user-friendly, focused and scientifically substantiated assistance with regards to their chronic diseases, pre-authorisation and other clinical assistance.

Going forward, Resolution's focus will centre on improving quality of service and stabilising membership levels – membership attrition has been a major concern for the Scheme, as well of for much of the medical schemes' sector in general it must be said.

The Scheme is also mending fences with brokers to increase the corporate membership base which took a knock in the past eighteen months or so. Moreover, there's a new focus on promoting brand awareness.

The challenging economic climate is still of concern Global's report says.
However management remains confident it can recoup a portion of its lost members notwithstanding continuing tough economic conditions and associated affordability constraints.

Scheme health is very much a numbers game and possible mergers are being investigated. No doubt more about this will unfold in due course but it does signify that growth by acquisition is part of the recovery strategy. "The Scheme remains receptive to further potential merger opportunities," the Global report adds cryptically.

Moreover the claims ratio is expected to subside slightly and further savings are expected in terms of non healthcare expenditure (for which read administrators' costs) as a result of favourable rates negotiated with Agility.

More good news is that the delivery cost ratio (basically the cost per member) is expected to reduce by 21% of Gross Premium Income, accumulated reserves are expected to increase and investment income will be up.

Solvency margins of 21% are projected for the current financial year, in line with the CMS approved strategy for achieving the 25% statutory ratio. Overall things are looking distinctly more encouraging for the Scheme and it's stakeholders says Arnold.

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