Questions and Answers – 2017:
Proposed Amalgamation between Metropolitan Medical Scheme and Momentum Health

1. **What is an amalgamation?**

   Amalgamation is the legal term for the merging of two medical schemes. The legal process is provided for in Section 63 of the Medical Schemes Act.

2. **What does ‘to amalgamate’ mean in practical terms?**

   What happens in practical terms when a smaller medical scheme amalgamates with a larger medical scheme is that the larger scheme takes over the assets and liabilities of the smaller scheme on the amalgamation date and the members of the smaller scheme gain access to the benefits offered by the larger scheme.

3. **Why has it become necessary to consider an amalgamation?**

   MMI decided to offer all new staff membership of Momentum Health, while the Metropolitan Medical Scheme was closed to new members. Without an inflow of new members, the average age of Metropolitan Scheme members is increasing at a faster rate than on other schemes. This happens because younger members that leave the Scheme are not being replaced by joiners. An increase in average age results in an increase in expected claims costs, which requires contribution increases to the order of 15% or more each year to cover the increasing claims costs. These contribution increases will eventually make the Scheme unaffordable to members. The Trustees have thus decided to rather pursue amalgamation.

4. **Why is amalgamation with Momentum Health our best option?**

   MMI has selected Momentum Health as the medical scheme for its employees. New employees have to join Momentum Health if they are not covered on their spouse’s medical scheme. It will be very difficult to find another scheme willing to amalgamate, as the Metropolitan Medical Scheme would not be an attractive amalgamation partner without a flow of new employees as members. This makes Momentum Health the obvious choice for amalgamation.

5. **Why do we have to amalgamate now if the funding levels of the Scheme look healthy?**

   Momentum Health has made it clear that it will not accept the Metropolitan Medical Scheme as an amalgamation partner if our risk profile (age & chronic status) deteriorates further. By delaying amalgamation, we run the risk that there will be no amalgamation partner for the Metropolitan Medical Scheme and since the Scheme is not viable in the long term, this could result in a liquidation that may leave members without medical scheme cover.

6. **Was the option to amalgamate with other schemes considered? If not, why not?**

   The option to amalgamate with Bankmed was considered when Bankmed was still covering MMI employees. No other schemes were considered, given that MMI employees could not be accommodated.
7. If we do not amalgamate, what other options are available?

The two options that are available are: (1) voluntary liquidation of the Metropolitan Medical Scheme; or (2) continuing to operate until the reserves run out and then applying to the courts for forced liquidation.

8. What is voluntary liquidation?

The rules of the Metropolitan Scheme make provision for the Trustees to ballot the members for a voluntary liquidation. If the members vote for voluntary liquidation, a liquidator is appointed and the Scheme is wound up with effect from the liquidation date. Benefits will cease from this date and members will need to find another medical scheme for continued cover. The reserves of the liquidated Scheme are used to pay for the claims related to treatment that occurred before the liquidation date and the costs of closing the Scheme.

9. What does ‘to liquidate’ mean in practical terms?

A liquidator must be approved by the Council for Medical Schemes and appointed to close the medical scheme. Where there are insufficient reserves to pay for the benefits and costs incurred in closing, the liquidator must decide how much each of the creditors is paid out. If the reserves are sufficient to cover the benefits and costs, any remaining reserves are paid to members as a liquidation dividend. You have to be a member of the Scheme on the liquidation date to qualify for a liquidation dividend. The liquidation process will take a long time before completion and before these dividends are paid out.

10. What are the risks for our members if we are liquidated?

If the Scheme is liquidated, each member will have to apply individually for membership of a new medical scheme. MMI employees can either join Momentum Health or their spouse’s medical scheme. Continuation members, who are mainly our pensioner members and orphans, can join any medical scheme of their choice. The main risk is that not all members will find a medical scheme that will ensure uninterrupted cover. The new medical scheme can apply waiting periods and underwriting.

Once the liquidator is appointed, the trustees have no further involvement or control over the process, and the liquidator will decide on the distribution of funds and payment of creditors.

The Council of Medical Schemes is opposed to voluntary liquidation, as it is seen as a leakage of funds that were allocated for medical expenses and it will be difficult to get their approval for a liquidator.

11. Will the voting be only a yes or no vote or will there be other options?

There will not be other options. Section 63 of the Medical Schemes Act and the rules of the Metropolitan Medical Scheme make provision for a yes or no vote. The Trustees have considered the various other options on behalf of members and decided that amalgamation is the best option available in the interest of the majority of members.

12. What will happen if fewer than 50% of the members vote?

The amalgamation application will still be submitted to the Registrar of Medical Schemes and the Registrar must decide whether to approve the amalgamation or not.

13. What will happen if 50% of members vote, but the majority vote against amalgamation?

The amalgamation will not proceed, as the Registrar of Medical Schemes is unlikely to approve the amalgamation request. The Metropolitan Medical Scheme will continue to operate in the interim and members will continue to pay contributions to, and receive benefits from, the Scheme.

The Board will review options to ensure the financial stability of the Scheme in the short term. This could result in mid-year contribution increases to cover claims and expenses and further reductions to member
benefits to contain costs. Even with contribution increases/benefit changes in the short term, the Scheme will not be sustainable in the medium term. Therefore either a speedy decision and engagement with CMS on voluntary liquidation or running down of the reserves within two or three years and then a forced liquidation – both with a risk of interruption in medical cover.

14. **What do I have to do if we amalgamate?**

You will have the opportunity to complete an option selection form for Momentum Health indicating which of its options you would like to join. If an option selection form is not completed, you will be automatically registered on the default Momentum Health option, as outlined in question 17. If you receive chronic medication, you will need to complete a form to register for this benefit on Momentum Health.

15. **Will waiting periods or underwriting be applied to your membership if we amalgamate?**

No waiting periods or underwriting would apply if amalgamation is approved. All members will automatically become members of Momentum Health. Members can select the benefit option of their choice. If Metropolitan Medical Scheme receives no feedback from a member, the member will automatically be transferred to the default option on Momentum Health.

16. **Will someone be able to give me advice on which option I can afford that will also meet my needs?**

Momentum Consult has been appointed to assist and advise members on the available benefit options on Momentum Health. In addition, Momentum Digital has been appointed to provide telephonic advice to assist our pensioner members.

Due to the tight timelines, advice and guidance will be provided via group presentations during March and April 2017. These group sessions will be held nationally to ensure that as many members as possible are reached. Communication about the dates, times and venues have been communicated.

17. **What will happen if I do not choose a specific Momentum Medical Scheme option?**

Members who do not select an option will be automatically registered on one of the following options:

<table>
<thead>
<tr>
<th>Metropolitan Medical Scheme option</th>
<th>Members’ monthly income</th>
<th>Momentum Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premier</td>
<td>All members</td>
<td>Incentive Option, Any hospital, Associated out-of-hospital providers</td>
</tr>
<tr>
<td>Classic</td>
<td>Income under R11 000</td>
<td>Ingwe Option, Network hospital, Network out-of-hospital providers</td>
</tr>
<tr>
<td></td>
<td>Income over R11 000</td>
<td>Custom Option, Associated hospitals, Associated out-of-hospital providers</td>
</tr>
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18. **When will the amalgamation be effective – in other words, when will I automatically become a member of Momentum Health?**

The effective date of the amalgamation is 1 July 2017.

19. **What will happen if I change my mind about the Momentum Health option I have chosen before the effective date of the amalgamation?**

There will be an opportunity to resubmit your application form, provided this occurs before the cut-off date.
20. **What will happen if I change my mind about the Momentum Health option I have chosen after the effective date of the amalgamation?**

In special circumstances, members will be permitted to change their options after the cut-off date within 30 days.

21. **What happens if the amalgamation is approved, but the effective date is delayed?**

You will pay contributions to and be covered on the Metropolitan Medical Scheme until the amalgamation date.

22. **Where can I get a copy of the Momentum Health benefits and contributions?**

You can visit www.momentumhealth.co.za for more information.
You can also contact Momentum Consult on 0861 234 296

23. **What if the amalgamation goes ahead, but I do not want to join Momentum Health? What are my other options? What are the consequences of choosing these options?**

You can join your spouse’s medical scheme or any open membership medical scheme remembering the scheme can apply waiting periods and underwriting. A concession has been made by the employer to allow employees (active members) to join any scheme.

24. **Can I, as an individual, choose to join Momentum Health before the amalgamation takes place? What will be the consequences?**

As Momentum Health is an open membership medical scheme, it cannot refuse you membership, but waiting periods and underwriting can be applied. These will not apply if you join Momentum Health as part of the amalgamation on 1 July 2017.

25. **Can I, as an individual, choose to join any other medical scheme before the amalgamation takes place? What will be the consequences?**

You can join any open membership medical scheme and that scheme can apply their waiting periods and underwriting.

26. **Who can help me with questions about post-retirement medical scheme subsidy questions?**

You can speak to Nicolette Hendricks at nicolette.hendricks@mmiholdings.co.za.