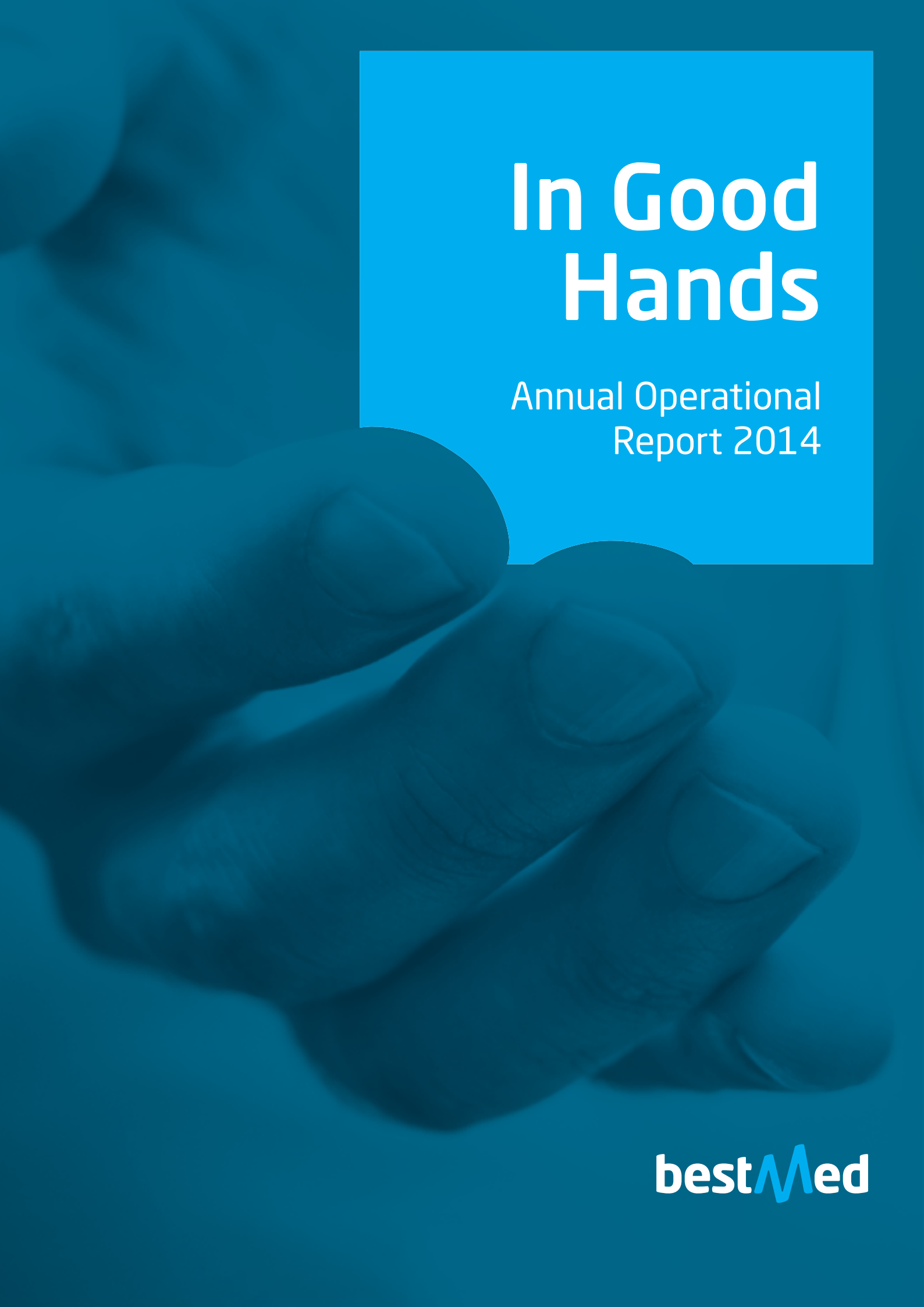


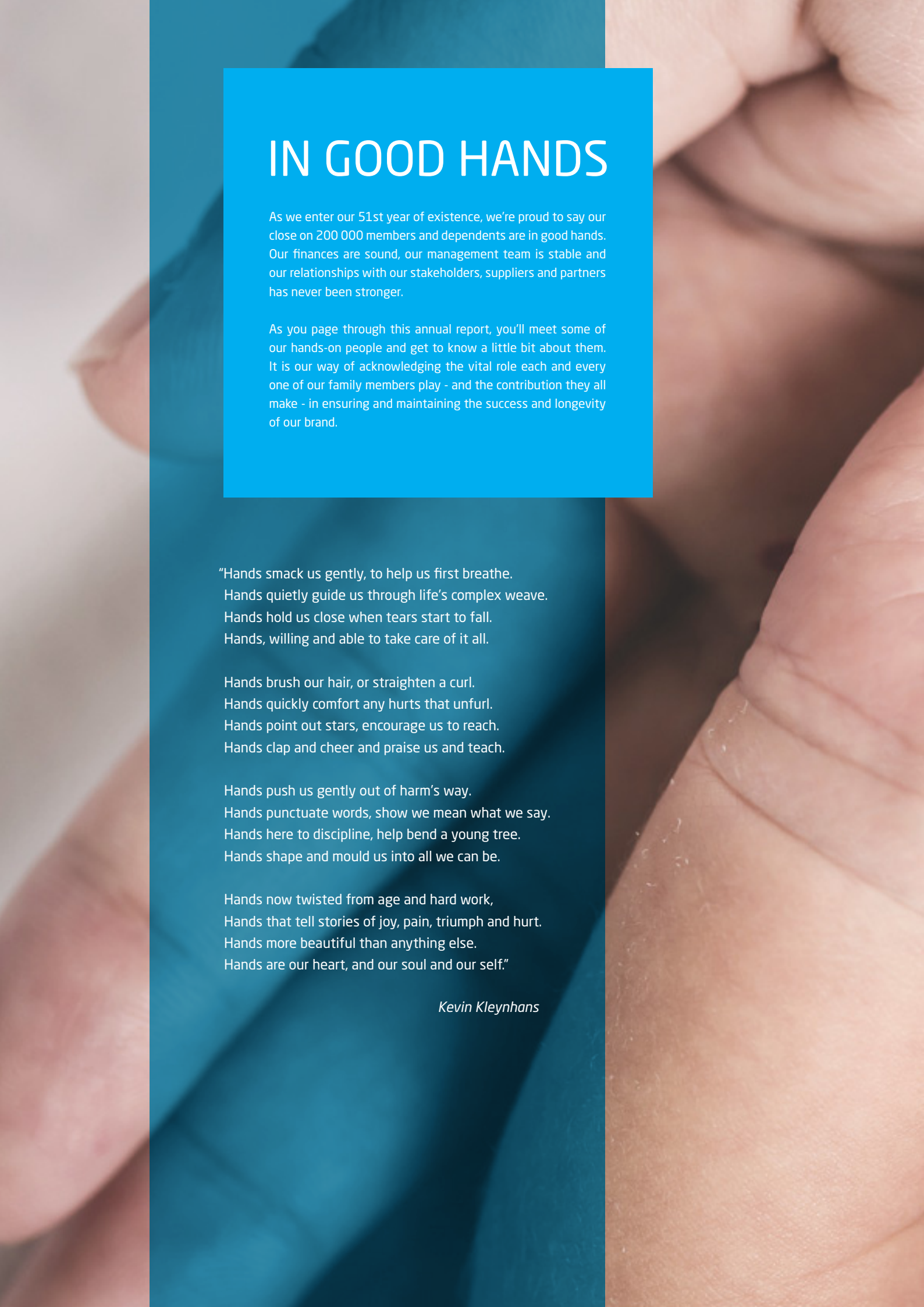
In Good Hands

Annual Operational Report 2014

bestMed

bestMed

Annual Operational Report 2014



IN GOOD HANDS

As we enter our 51st year of existence, we're proud to say our close on 200 000 members and dependents are in good hands. Our finances are sound, our management team is stable and our relationships with our stakeholders, suppliers and partners has never been stronger.

As you page through this annual report, you'll meet some of our hands-on people and get to know a little bit about them. It is our way of acknowledging the vital role each and every one of our family members play - and the contribution they all make - in ensuring and maintaining the success and longevity of our brand.

"Hands smack us gently, to help us first breathe.
Hands quietly guide us through life's complex weave.
Hands hold us close when tears start to fall.
Hands, willing and able to take care of it all.

Hands brush our hair, or straighten a curl.
Hands quickly comfort any hurts that unfurl.
Hands point out stars, encourage us to reach.
Hands clap and cheer and praise us and teach.

Hands push us gently out of harm's way.
Hands punctuate words, show we mean what we say.
Hands here to discipline, help bend a young tree.
Hands shape and mould us into all we can be.

Hands now twisted from age and hard work,
Hands that tell stories of joy, pain, triumph and hurt.
Hands more beautiful than anything else.
Hands are our heart, and our soul and our self."

Kevin Kleynhans

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BESTMED IN NUMBERS 2014

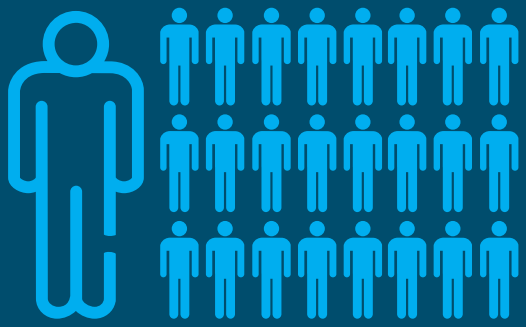
R 3 252 291 798
TOTAL RISK CONTRIBUTIONS FOR THE YEAR

R 85 459 161
NET SURPLUS FOR THE YEAR

12 SPORTS EVENTS
32 080 PARTICIPANTS

984
Babies born
542 GIRLS • 442 BOYS • 19 TWINS

DEPENDANTS
100 960
1.11 Dependants per member



372 Employees
(Including temps)
8 EXECUTIVES • 22 MANAGERS

R1 044 359 110
RESERVES
26.97%
SOLVENCY RATIO

1061
AVE NEW MEMBERS MONTHLY

4.4%
MEMBERSHIP GROWTH RATE PER YEAR

4 403
AVERAGE HOSPITAL
ADMISSIONS AUTHORISED PER MONTH (AMBULANCE)

PRINCIPAL MEMBERS
90 942
191 902 TOTAL LIVES COVERED

757 113
Calls received

14 560 Average amount of calls received by Call Centre per week

82% Call Centre service rate

37.75 YEARS OLD
AVERAGE AGE OF BENEFICIARIES
12.54% OLDER THAN 65 YEARS

26 Preferred Service Provider Network

89.4%
HEALTHCARE EXPENDITURE OF RISK CONTRIBUTIONS

1 373
Contracted brokers
389 Individual contracted brokers

11.41%
NON-HEALTHCARE EXPENDITURE OF RISK CONTRIBUTIONS

R 2 908 206 940
CLAIMS PAID
Paper submissions 1.76 days • Electronic submissions 1.05 days

4 019 566
E-mails received

2 870 469
E-mails sent

562 912
WEBSITE VISITS
AVG MONTHLY 46 909

9.6%
NON-HEALTHCARE COST

OUR EXECUTIVE LEADERSHIP

Riaan du Plessis

- Executive Manager: Managed Healthcare
- Joined Bestmed: 2002
- Previous experience: Medihelp
- Qualifications: BMill, BCom(Hons), CA(SA)
- Interests/Hobbies: Hunting and swimming

Elmarie Jooste

- Executive Manager: Client Relations
- Joined Bestmed: 2000
- Previous experience: Envirogreen (Pty) Ltd
- Qualifications: BA Political Science, BA(Hons) Political Science, BA(Hons) Public Administration, MBA
- Interests/Hobbies: Hiking and modern music

Wicus Kotzé

- Executive Manager: Finance
- Joined Bestmed: 1999
- Previous experience: Abakor Ltd
- Qualifications: BCom(Hons) Acc, CTA
- Interests/Hobbies: Mountain biking, backpacking and photography

Dries la Grange

- Chief Executive Officer
- Joined Bestmed: 1989
- Previous experience: Sanlam Pension Fund
- Qualifications: BCom (UP), IMD: Breakthrough Programme for Senior Executives, INSEAD: Advanced Management Programme
- Interests/Hobbies: Hunting, rugby and golf

Chris Luyt

- Executive Manager: Marketing, Communications & Distribution
- Joined Bestmed: 2014
- Previous experience: MEDSTRA, MAXVEST, MDC, Petros Business Solutions (PBS)
- Qualifications: BA Political Science, BIS(Hons), MBA, CM (SA)
- Interests/Hobbies: Travelling, mountain biking and horse riding

Prof Jan Meiring

- Executive Manager: Service Providers, Contracting & Research
- Joined Bestmed 2011
- Previous experience: Academic Teaching and Research, Private Medical Practice
- Qualifications: MBChB, MPraxMed (Pret), LAkad (SA)
- Interests/Hobbies: Hunting and model collecting

Rudolph Olivier

- Executive Manager: IT & Risk
- Joined Bestmed: 2010
- Previous experience: TeleMed
- Qualifications: BCompt
- Interests/Hobbies: Mountain biking, golf and koi keeping

Pieter van Zyl

- Executive Manager: Operations
- Joined Bestmed: 1990
- Previous experience: Sanlam Group Benefits
- Qualifications: BA Ed, BCom(Hons), MPhil, Member: Golden Key International Honor Society, Member: European Congress of Work and Organisational Psychology
- Interests/Hobbies: Motorcycling, karate and heavy metal music

ABOUT BESTMED

A golden milestone

In 2014, Bestmed celebrated an elusive milestone, its 50th year in operation. We took the opportunity to savour the moment and reflect upon its operations over the decades. 2014 presented a chance to review and appreciate both the challenges and victories encountered during the journey from the organisation's humble beginnings as a start-up, closed medical scheme to the hard-won feat of being one of the top five open schemes in South Africa. Facing the woes of political unrest, legislative changes, medical inflation and a rapidly evolving market, the Scheme and staff demonstrated unwavering loyalty to members, ensuring the delivery of an excellent service.

Two key drivers in the measurement of business success are sustainability and growth. Despite facing severe challenges and the near closing of its doors in 2000, Bestmed has endured with an attitude of positivity, never looking back and ever moving forward. With a keen external focus on our members and a revered internal focus on our staff, the Scheme has grown into a sustainable, successful business that strives to give of its very best at every interaction.

Over the years, Bestmed has pursued growth, sustainability and solvency, and has achieved these goals through perseverance, tenacity and an undying pioneering spirit.

The early years

In 1964, George Abrahams and Billy van Biljon registered the Statutory Organisations' Medical Scheme (SOMS) to cater for employees of statutory organisations. A closed medical scheme with JJ van Biljon as its first General Manager, SOMS signed up 9 450 principal members in its first four years and provided medical aid benefits to eight participating employer groups. Among these, the University of Pretoria remains one of Bestmed's longest serving employer groups.

Over the next two decades, the organisation nearly doubled its membership to 18 132 and grew its participating employer groups to 92. During the 1970s, the Scheme became the first medical aid to use computer systems in South Africa, giving it an edge over its competitors. This allowed the organisation to speed up administration and improve claims paying ability. JA Strydom became General Manager in 1980 and passed the baton to JD van Zyl for the period 1988 to 1995. Dries la Grange became CEO on 1 January 1996.

Seeking new territory

In 1990, the Scheme restructured into a more competitive organisation, registered as an open medical scheme and started to attract membership from the private sector. SOMS became Bestmed Medical Scheme, complete with a brand-new Board of Trustees, new logo and a new outlook for the future. In the same year, top management received their own computers and later that year all typewriters were replaced with computers.

During this period, however, the Scheme shed membership as pensioners were asked to start paying subscriptions. This tough decision was made as the Scheme could no longer afford to carry non-paying members. Despite the decline in membership, this decision helped the organisation to avoid bankruptcy in the years to come. In 1993 the Scheme paid out low claims bonuses to 15.4% of members, a reflection of the quality of Bestmed members.

Dynamic leadership

During 1996, Bestmed was placed on a path of profound transformation to match the political and social changes taking place in South Africa and the world at the time. The Scheme contracted brokers to market Bestmed products for the first time that year. In 2000, an amendment to the Medical Schemes Act required all schemes to build up reserves of 25% in only four years. Starting from zero, Bestmed achieved 32% solvency reserves in 2004 and principal membership of 29 708. This significant growth was assisted by the introduction of five benefit offerings in 2001.

By 2008, with solvency at 48.5% and a membership of 36 669, Sanlam Health acquired the administrative functions of Bestmed. In the same year, the Scheme amalgamated with the Council for Scientific and Industrial Research's medical scheme, contributing to its growth in member numbers. In 2010, with Bestmed benefit offerings increasing to ten options, the Scheme amalgamated with TeleMed, another medical scheme. By 2010, principal membership stood at 64 201 and was climbing steadily. By 2011, it reached 70 986 and solvency of 30.2% translated into over R750 million in reserves.

The pursuit of best value

On 1 July 2012, Bestmed returned to self-administration – a highly significant change in direction. With the Scheme's extensive experience

and exceptional expertise in the industry, Bestmed can negotiate with service providers to offer members benefits and services that, on a rand-for-rand basis, offer the best value compared to other large open medical schemes.

By 2013 Bestmed had become a major and vibrant player in the healthcare industry. We are now one of the top five open medical schemes in the country and are increasingly recognised by stakeholders as the pioneer of a number of innovations that seek to add value to its members as well as its service provider base.

The focus on brand equity continues and market research was conducted in 2013 to ensure that all service offerings drive brand equity to establish Bestmed as a hero brand. In 2014, with 10 products in its product range, Bestmed provided healthcare security to 191 902 beneficiaries, with a solvency ratio of 26.97%, a cash reserve of over R1 044 million and administration costs at a mere 7%.

Maintaining a competitive edge

Operationally, Bestmed is focused on continuous improvement and growth. It is important in the medical scheme environment to keep the average member age low so there is a constant need to bring in new members. Our strategy is to target organic growth through sales and broker expansion as well as to follow an amalgamation strategy.

Growth is not the primary aim, however, quality of service is considered our core focus. Another operational focus area is the improvement of technology to maintain a competitive edge.

Our goal is to be 100% electronic in 10 years while maintaining the human element and the Bestmed Touch. Bestmed's leadership is adamant that self-administration is a permanent feature of the organisation's future. We also maintain a strong operational focus on continuously driving costs down, as we are fully aware of our responsibility to contain increases in member contributions.

The next 50 years

Bestmed has come through many challenges and survived many threats, has made the most of many opportunities and became stronger in many areas. The organisation can now look forward to a wonderful future as one of the top open medical schemes in South Africa. As is the case with any organisation, Bestmed's management must operate in three areas: the micro-environment, the macro-environment and the market. Bestmed has proven through 50 years of growth that it can effectively manage and navigate these areas. Not only has Bestmed survived these changing environments, it has successfully demonstrated that it can achieve the four measures of business success: profitability (solvency), customer satisfaction, growth and sustainability.

Bestmed's growth and service strategies have expanded the Scheme's membership base so that it is now the fifth largest medical scheme in South Africa. Our solvency ratio is 26.97% and the average age of all beneficiaries is 37.75, a tribute to Bestmed's members and staff.

This perfectly positions the Scheme for continuously increasing sustainability in the decades to come.

That Bestmed has survived and grown its membership to over 90 000 principal members in its 50th year is a tribute to the ingenuity and perseverance of its Board, its management and its wider personnel corps. The power of its brand, the significant innovations that have been implemented and the clever use of IT as a competitive 'weapon' have cemented the Scheme's ability to grow. The high standard of service to – and the caring stance we apply in our dealings with – members and service providers alike has fostered strong relationships. In combination, these achievements position Bestmed in a unique space in the healthcare market.

SCOPE AND BOUNDARY

Bestmed Medical Scheme, previously known as SOMS, was established in 1964 as a closed medical scheme for statutory organisations such as universities and research councils. As a result of developments in both government and industry, SOMS changed its name to Bestmed and entered the open medical schemes market in 1990. The Scheme is governed by the Medical Schemes Act, No 131 of 1998 as amended. Our head office is in Pretoria and we serve our more than 190 000 beneficiaries from regional offices around the country.

The Scheme's Rules make provision for ten benefit options that address the full scope of our members' healthcare needs, ranging from capitation healthcare plans to executive benefit options. Benefit options are reviewed annually in a detailed product development process that includes thorough market analysis, input from intermediary groups and corporate group participation. This ensures that the Scheme's products stay relevant to our members. Bestmed's customer intimacy philosophy is specifically designed to ensure that the market receives accurate information, with transparency as the norm. Our customer touch-points include our contact centre and the self-help facilities on our website and mobi-site. These, combined with our brochures and product comparison tools, ensure that members and stakeholders have all the information they need to make effective decisions.

This report highlights the impact of the prevailing economic and social environment on our business model and our performance for the period 1 January 2014 to 31 December 2014.

Given the importance of good corporate governance in South Africa, it also aims to give Bestmed's stakeholders a holistic and integrated view of the Scheme's financial performance and overall sustainability. The report also provides an overview of Trustees' activities, management functions, risk management, and sponsorship and social investment activities. For us here at Bestmed, implementing and adhering to business practices that are conducive to good governance are

Veronica Hlatywayo
Membership Individual Consultant
Membership Individual Business

Member of the Bestmed family for 4 years.

My position requires a quick response and thoughtful alternatives to challenges, which suits me well. It helps that we have such a diverse culture here because we have learnt to understand one another, which has been a wonderful journey. We have joint prayers at work daily and that too has assisted us in developing an awareness of the different belief systems within our company.
I am determined to finish my studies and continue to make myself a better person.

fundamental goals, as these ensure a viable scheme for our members. The Scheme's leadership has established a strategic framework designed to identify the key risks arising from the prevailing business environment, strengthen strategic controls and enable the measurement of our performance. The purpose of the strategy is to ensure that we maintain a sustainable risk profile.

Our scope of operations is based on the value drivers of the strategic framework. We direct our business planning process to deliver results in the core areas of Sales, Marketing and Distribution; Operational Management; Key Accounts Management; Service Provider Management and Managed Healthcare. These are, in turn, supported by the key enablers of Human Resources Management and Financial Management. The role of Information Technology is of critical importance and we define it as a strategic imperative rather than as just an enabler. The Scheme's management identifies strategic customer value through setting objectives and implements strategic control in line with the principles of our strategic framework and business plan, which the Board of Trustees approves annually.

Our customer intimacy model, which is the backbone of our existence, is driven through a Key Accounts strategy.

The Scheme communicates with all its stakeholders through channels such as our membership communications, the Top Living Magazine and service provider communication throughout the year. This ensures a high degree of transparency. Our service levels have been good and our systems and processes are enhanced continuously to meet the demands of a growing scheme.

Finally, our lifestyle and preventative care philosophy remains a key theme at Bestmed and aims to achieve two goals – enhance the quality of life of our members and simultaneously reduce the burden on our risk pool.

OUR STRATEGY

Dinah Jaho

HIV & Dialysis Case Manager – Disease and Wellness

Member of the Bestmed family since 2014.

A nurse by profession, I like responsibility and Bestmed is the only company that has allowed me total control in planning and managing my department. I love my job, but running the 'ventilation room' would be tough without such diverse and supportive colleagues. Home is a blur of school, sport and sleepovers for my three children, but I make time to assist orphanages in rural areas through the church and really want to travel more.

We live our values

The success of Bestmed can be attributed to a number of important pillars on which we build a sustainable business. One of these pillars is composed of the critical brand values that aim to take Bestmed to new heights.

Our brand values express what drives our unique promise and proposition in the marketplace and encapsulates the way in which we communicate and innovate.

We are **Principled** in our approach

Family values are at the heart of everything we do. Warmth, care, openness and loyalty are the things we cherish. This means that when we make a promise, we honour it. Above all, we always act in the best interests of our more than 191 894 strong member family.

Interacting with all stakeholders in a **Mutual** spirit of partnership

We believe in a shared experience that includes our members. The spirit of partnership is evident in everything we do. We are proactive in our approach, we invest in the community, put people before profit and we are accountable for our actions. Simply put, we're all in this together.

We are **Passionate** in our drive to surpass client expectations

We are driven by a love of what we do. It gives us the energy to stay proactive, innovative, inspired and committed to exceeding the members' expectations. You see, it's not all about medical cover. It's about helping people. When you think about it like that, it's easy to believe in what you do.

Seamless in all our partnerships and ensuring tangible benefits to our members

Bestmed works closely with service providers to offer our members a seamless experience in which the members are never left wondering who they should ask. It's about closing gaps, never playing the blame game, and equipping our staff with comprehensive knowledge and an understanding of all our products. It all adds up to service excellence.

Bestmed's strategic pillars and the enablers that will drive us into the future

The Scheme again reviewed its strategic framework and business planning processes in 2014 and realigned the strategies in accordance with the changes in the external environment. We also revised the offerings in some of our strategic pillars in order to enrich our offerings to members. The management and Board of Trustees of the Scheme realise that to remain a top medical scheme we need to position ourselves favourably given the market in which we compete. Our strategy is supported by our brand presence and the Scheme's value proposition. This is embodied in our brand promise and driven by our customer intimacy philosophy, which we established three years ago.

STRATEGY 2014	ACHIEVEMENTS
1 Provide our members with a financially viable medical scheme and build a reserve level that meets statutory requirements.	The Scheme's reserve level is 26.97% of gross contributions (the statutory level is 25%), and we have exceeded the R1 billion mark in pure investments. This positions the Scheme well in terms of future growth.
2 Maintain a product portfolio that is competitive, has a logical progression in terms of benefit design and focuses on the needs of our target market.	The Scheme's end-to-end solution focuses on three distinct product ranges – Beat, Pace and Pulse. The Beat range has been extended with the introduction of Beat 4, which filled the gap in our product line-up.
3 Grow the Scheme's membership base while maintaining an average age similar to the existing average age to ensure effective management of our risk pool.	Bestmed is now the fifth largest scheme in the open scheme market. The average age of newly recruited beneficiaries for the year is 26, compared with an average of 37.75 years for the risk pool.
4 Implementation of King III where applicable to the medical scheme environment to uphold good corporate governance in Bestmed.	The Scheme has implemented a Board Charter and terms of reference for all subcommittees of the Board of Trustees, defined the roles and responsibilities of the Board and management, and introduced performance contracting. The management of the Scheme's inherent risks is now expedited by management with policy formulation approved by the Board. Board and management governance structures are reviewed annually to ensure continued relevance. All governance areas were analysed to ensure that the Board can obtain assurance from management in those areas.
5 Deliver high quality customer service through customer value management processes that underpin our philosophy of customer intimacy embodying the Bestmed Touch. This approach means that management and employees are committed to exceeding customers' expectations, not merely to satisfying their needs.	We closely monitor our customer satisfaction metrics and are proud to announce that the independent PHP Tracker Survey results for 2014 confirm that we have continued to exceed the industry standards. We are determined to remain on top of our game and will continue to explore innovative opportunities to ensure that our members remain delighted with our service.
6 Build and strengthen Bestmed's brand equity in the market to create greater awareness in our distribution environments.	Our brand continues to perform above our expectation in the marketplace. We are constantly attracting new members through our sponsorships of sporting events.
7 Develop and maintain an effective retail model for growth in our distribution environment.	The Scheme's distribution channels of tied agents, corporate brokerage houses, regional intermediaries and direct sales referral channels have now been extended to alternative distribution. Distribution channels play an important role in stimulating growth and creating and maintaining a healthy risk pool.
8 Position the Scheme to address the burden of disease on our risk pool through preventative care strategies that are aligned with our benefit design process.	All Bestmed's benefit options have preventative care benefits. These aim to help our members to be more aware of prominent lifestyle diseases and how best to prevent these through early detection and positive lifestyle choices. These are supported by Health Days at most corporate clients as part of our awareness strategies. The project on the systematic management of lifestyle and preventative care is progressing well and will now be expanded to include a bigger target group.
9 Integrate our service provider strategy to deliver access to quality healthcare.	The Bestmed GP network is now in place and good progress has been made with networks for other service providers, such as specialists and suppliers of medical devices. This augurs well for the Scheme as cost drivers are being managed through service provider strategies. Contracting with providers including medical practitioners, pharmacy groups and specialist optometrists allows Bestmed to drive costs down while maintaining members' access to quality healthcare.
10 Drive the use of our self-service online environment.	Use of our self-help online portals for members and intermediaries has continued to improve. This will ensure rapid turnaround and improve members' satisfaction levels.
11 Drive operational excellence through our customer intimacy model.	These innovations are directly linked to the capability of the IT system we use. This has been identified as one of the areas in which we will have to invest in order to meet growing future demands.

RULE AMENDMENTS 2014

Lorraine de Ronde

Communication Specialist
Corporate Communications

Member of the Bestmed family for 5 months.

Given my entrepreneurial spirit, Bestmed's management style is ideal for me: there is no micro-management and no boredom. Daily dynamics change constantly and I'm allowed to develop my own solutions and ideas. That means I really need the camping, quad-biking weekends our family enjoys to relax. Another way I like to relax is to cook up a storm in the kitchen. I love trying new recipes and baking delicious goodies for my kids. I am planning to be at Bestmed for a long time. One of my biggest achievements in life was obtaining my Northern Gauteng target shooting colours.

The following changes to Scheme Rules and Annexures were approved by the Council for Medical Schemes (CMS) in the 2014 financial year:

1. Adopted by the Board of Trustees on 15 November 2013 and approved by the Registrar of Medical Schemes on 21 January 2014

- Changes to the substantive rules
  - Definition of designated service provider.
  - Definition of network option.
  - Definition of preferred hospital provider network.
  - Suggestion to change Rule 4.35 sub-paragraph 4.35.1, by removing the 70% condition.

- Changes to the benefit options (Annexure B)
  - Conditions for Scheme benefit payment on all 10 benefit options to mention designated service providers and network option services.
  - Biometric screening wording change on all 10 benefit options.
  - Payment of Homeopathic remedies for Pace1 and Pace2 – if no nappi code is provided payment shall be made from the Bonus account and not the IMSA.
  - The hearing aid benefit on Pace2, Pace3, Pace4 and Pulse2 to provide for repair of the aid.
  - Acute medicine on Pace3 was previously approved by the BOT to pay at 90% of cost. This benefit must be 100% of cost.
  - Several changes for Pulse1 in section 8.2 of Annexure B8 to provide for conditions stipulated in the contract between the two parties.
  - Changes to Pulse2 in section 9.2 of Annexure B9 to align benefits with the conditions stipulated in the contract between the two parties.

- Changes to the general exclusions (Annexure C)
  - Exclusions were updated to make provision for the new CareCross contract.

2. Adopted by the Board of Trustees on 14 February 2014 and approved by the Registrar of Medical Schemes on 26 February 2014

- Changes to the benefit options (Annexure B)
  - Pulse1 Rule 8.2.2 "Out of network and emergency visits", and Rule 8.2.8 "Prescribed Minimum Benefits" wording changed to align with the provisions of Section 29(1)(p) of the Act in respect of PMBs.

3. Adopted by the Board of Trustees on 15 April 2014 and approved by the Registrar of Medical Schemes on 21 May 2014

- Changes to the substantive rules
  - Addition of a new rule which expands on the role of a Designated Service Provider (DSP), Rule 15.10 Designated Service Provider.
  - An enhancement on Rule 18.6 "Filling of vacancies of the Board."

- Changes to the subscriptions (Annexure A)
  - Cosmetic change to Table C, Pulse1 subscription table to correspond with the rest of the option's subscription tables.

- Changes to the benefit options (Annexure B)
  - Changes to the Optical benefits, to align benefits with the conditions stipulated in the contract between Bestmed and PPN, by the addition of the following stipulation:

*Notwithstanding the aforesaid, the following will apply: Optometry services relating specifically to contact lenses shall be dealt with as follows: Preferred Provider Network (PPN) shall pay a maximum amount of R**-** towards the cost for contact lenses per beneficiary every 24 months, irrespective if the beneficiary utilized the services of participating providers or non-participating providers:*

Note: R**-** - indicates that the amount will vary in accordance with the beneficiary's benefit option.

The aforementioned is applicable to the following benefit options rules:

- Rule 1.2.25 on Pace1
- Rule 2.2.26 on Pace2
- Rule 3.4.7 on Pace3
- Rule 4.2.21 on Pace4
- Rule 7.2.22 on Beat3
- Rule 10.2.24 on Beat4

4. Adopted by the Board of Trustees on 12 September 2014 and approved by the Registrar of Medical Schemes in accordance with Circular 59 of 2014 on 24 November 2014

Cosmetic changes to the format and numbering applied throughout the Rules. Changes to the substantive rules, with the relevant Rule number indicated for easy reference, are as follows:

- Additions and/or changes to definitions in Rule 4 in order to clarify their meaning:
  - Biological medicine or other high cost medicine
  - Business of a medical scheme
  - Bonus Account
  - Claims
  - Co-payment
  - Designated Service Provider
  - Financial Year
  - Late Joiner Penalty
  - Mediscor Reference Price (MRP)
  - Medical practitioner, dentist or medical auxiliary replaced by new definition on Rule 4.36 "Health Practitioner"
  - Medical Savings Account
  - Rule 4.46 Member
  - Rule 4.47 Network Option
  - Non-CDL Condition
  - Pre-Authorisation
  - Preferred Hospital Provider Network
  - Prescribed Minimum Benefits
  - Prescribed Minimum Condition
  - Preventative Care
  - Single Exit Price
- Addition of a new definition in Rule 4

  4.63 "Relevant Health Service" to mean any health care treatment of any person by a person registered in terms of any law, which treatment has as its object:

  4.63.1 the physical or mental examination of that person;

  4.63.2 the diagnosis, treatment or prevention of any physical or mental defect, illness or deficiency;

  4.63.3 the giving of advice in relation to any such defect, illness or deficiency;

  4.63.4 the giving of advice in relation to, or treatment of, any condition arising out of a pregnancy, including the termination thereof;

  4.63.5 the prescribing or supplying of any medicine, appliance or apparatus in relation to any such defect, illness or deficiency or a pregnancy, including the termination thereof; or

  4.63.6 nursing or midwifery,

  and includes an ambulance service, and the supply of accommodation in an institution established or registered in terms of any law as a hospital, maternity home, nursing home or similar institution where nursing is practised, or any other institution where surgical or other medical activities are performed, and such accommodation is necessitated by any physical or mental defect, illness or deficiency or by a pregnancy.
- Removal of Supplementary Services definition, since these are listed on the Benefit options.
- Amendments to Rules
  - Rule 6.2 "Retirees"
  - Rule 6.3 "Dependants of deceased members"
  - Rule 7.2 "De-registration of dependants"
  - Rule 8.3 "Application form and information required"
  - Rule 8.6 "Payment of subscriptions and accrual of benefits"
  - Rule 10 "Membership card and membership certificate"
  - Rule 12.2 "Voluntary termination of membership", and additions to the sub-rules which require prior

notification from a participating Employer when an employee voluntarily terminates Scheme membership, for a participating Employer to give a two months' calendar notice starting from on the first day of a calendar month.

- Rule 12.6 "Failure to pay amounts due to the Scheme" changed to stipulate actions the Scheme may take in order to address the said matter.
- Rule 12.7 "Contravention of the Rules of the Scheme" is changed to stipulate actions the Scheme may take as a result of the aforesaid as well as linking the rules relating to a dispute.
- Rule 13.2 "Due date for subscriptions", amendment includes addition of debit order dates, a condition for the Scheme to notify a member/employer with a suspension of the membership due to non-payment or partial payment on Rule 13.2.2, and Rule 13.2.3 to confirm time period for subscriptions to be up to date to avoid termination of membership.
- Rule 13.3 "Re-instatement of membership and benefits" added conditions to when a membership can be reinstated.
- Rule 16.2 "Change from one option to another", an added provision for option changes within three months of joining Scheme.
- Rule 16.10 "Clinical data required for recognition of new medicine, technology, procedures and interventions", new addition of Rule 16.10.5:

a Funding Guideline or Protocol has been drawn up. The Scheme may, at its discretion structure projects with specific providers around new technology, in order to gauge results and/or finalise its funding guidelines.

- Rule 18.8 "Reimbursement of expenses and remuneration of Board" changed to the following:

18.8.1 Members of the Board shall in respect of the execution of their official duties be entitled to remuneration as provided for in the Trustee remuneration policy or, where no such provision is made, to a reasonable remuneration.

18.8.2 Notwithstanding 18.8.1, Members of the Board are entitled to the following reasonable remuneration:

18.8.2.1 Disbursements, including but not limited to:

18.8.2.1.1 Travelling and other expenses for attendance of meetings or conferences;

18.8.2.1.2 Accommodation and meals; and

18.8.2.1.3 Telephone expenses for business purposes;

18.8.2.2 Fees for attendance of meetings of the board or committees of the board;

18.8.2.3 Fees due for holding particular office on the board or committees of the board;

- Rule 19 "Duties of the Board of Trustees", an addition to Rule 19.5 for Scheme to inform the CMS of the appointment of a Principal Officer within 30 days.
- Rule 19.7 changed by deleting "Provided further that the provisions of Rule 18.9.2(a) – (e) shall apply mutatis mutandis to the Principal Officer."

- Changes to the subscriptions (Annexure A) from 1 January 2015:
  - Pace1 = 6.14%
  - Pace2 = 9%
  - Pace3 = 9.5%
  - Pace4 = 10%
  - Beat1 = 9.5%
  - Beat2 = 11.85%
  - Beat3 = 9.5%
  - Beat4 = 10.5%
  - Pulse1 = 9.5%
  - Pulse2 = 9.5%

  Average increase = 9.5%

- Changes to the benefit options (Annexure B):
  - Cosmetic changes to the format, numbering and additions to the General conditions, conditions for Scheme benefit payment and conditions for medical savings account payments on all options.
  - Added a PMB payment provision on monetary limits on Scheme benefits as per CMS Circular 34 of 2014.

- Added "contracted fee" across all benefit options for PPN Optical benefits.
- Changed Individual Medical Savings Account to Personal Medical Savings.
- Bonus Account and Vested Savings to be referred as Bonus Account (Vested Medical Savings).
- The name of the service provider, ER24, added to Ambulance and emergency evacuation services and International emergency medical cover.
- Service provider for Biometric screening changed from Preferred Provider Pharmacies to Preferred Providers.

- Core changes to the benefit options

PACE1

- Medical Savings Account changed from a monthly savings to an annual savings.
- Medical Savings amount decreases from 22% to 21%.
- Pacemaker dual chamber added to benefit.
- Changes to Optometry benefits.
- Wound care benefit – Scheme benefit and no longer subject to day-to-day limit.
- Maternity benefits added as own benefit – Scheme benefit.
- HPV Vaccinations limit age change from 13 to 26 years.
- Speech appliances removed from the out of hospital Orthopaedic and medical appliances, funding will be from external prosthesis benefit after review.
- Increase maxima with the proportionate contribution increases.

PACE2

- Medical Savings Account changed from a monthly savings to an annual savings.
- Changes to Optometry benefits.
- Pacemaker dual chamber added to benefit.
- Removed wheel chair and hearing aid from Medical Aids, Apparatus and Appliances limit, each now with its own limit.
- Hearing aid benefit changed to per beneficiary per 24 months.
- Wound care benefit – Scheme benefit and no longer subject to day-to-day limit.
- Maternity benefits added as own benefit – Scheme benefit.
- HPV Vaccinations limit age change from 13 to 26 years.
- Dietician counselling added to Preventative Care.
- Speech appliances removed from the out of hospital Orthopaedic and medical appliances, funding will be from external prosthesis benefit after review.
- Increase maxima with the proportionate contribution increases.

PACE3

- Pacemaker dual chamber added to benefit.
- Basic and Specialised dentistry a combined limit subject to overall day-to-day.
- Changes to Optometry benefits.
- Removed wheel chair and hearing aid from Medical Aids, Apparatus and Appliances limit, each now with its own limit.
- Hearing aid benefit changed to per beneficiary per 24 months.
- Maternity benefits added as own benefit – Scheme benefit.
- HPV Vaccinations limit age change from 13 to 26 years.
- Dietician counselling added to Preventative Care.
- Speech appliances removed from the out of hospital Orthopaedic and medical appliances, funding will be from external prosthesis benefit after review.
- Increase maxima with the proportionate contribution increases.

PACE4

- Pacemaker dual chamber added to benefit.
- Changes to Optometry benefits.
- Removed wheel chair and hearing aid from Medical Aids, Apparatus and Appliances limit, each now with its own limit.

- Hearing aid benefit changed to per beneficiary per 24 months.
- Wound care benefit – Scheme benefit and no longer subject to day-to-day limit.
- Maternity benefits added as own benefit – Scheme benefit.
- HPV Vaccinations limit age changes from 13 to 26 years.
- Dietician counselling added to Preventative Care.
- Speech appliances removed from the out of hospital Orthopaedic and medical appliances, funding will be from external prosthesis benefit after review.
- Increase maxima with the proportionate contribution increases.

BEAT1

- Addition of Pacemaker dual chamber benefit.
- Increase maxima with the proportionate contribution increases.

BEAT2

- Increase the savings percentage from 17% to 18%.
- Addition of Pacemaker dual chamber benefit.
- Increase maxima with the proportionate contribution increases.

BEAT3

- Addition of Pacemaker dual chamber benefit.
- Changes to Optometry benefits.
- Increase contact lenses benefit.
- Speech appliances removed from the out of hospital Orthopaedic and medical appliances, funding will be from external prosthesis benefit after review.
- Increase maxima with the proportionate contribution increases.

BEAT4

- Addition of Pacemaker dual chamber benefit.
- Changes to Optometry benefits.
- Wound care benefit – Scheme benefit no longer subject to overall day-to-day limit.
- Dietician counselling added to Preventative Care.
- Increase maxima with the proportionate contribution increases.
- HPV Vaccinations limit age changes from 13 to 26 years.
- Speech appliances removed from the out of hospital Orthopaedic and medical appliances, funding will be from external prosthesis benefit after review.
- Increase maxima with the proportionate contribution increases.

PULSE1

- Addition of Pacemaker dual chamber benefit.
- Increase maxima with the proportionate contribution increases.

PULSE2

- Addition of Pacemaker dual chamber benefit.
- Introduce co-payment of R5 000 for non-DSP hospital.
- Removed wheel chair and hearing aid from Medical Aids, Apparatus and Appliances limit, each now with its own limit.
- Hearing aid benefit changed to per beneficiary per 24 months.
- Maternity benefits added as an own benefit.
- Contraceptives added on to Preventative Care.
- Increase maxima with the proportionate contribution increases.
- Speech appliances removed from the out of hospital Orthopaedic and medical appliances, funding will be from external prosthesis benefit after review.

• Changes to general exclusions (Annexure C.1)

Cosmetic changes to the format, numbering throughout the whole Annexure, addition and amendment of Rules:

- Rule 1.1.2 addition of "including any sub-benefit option registered" thus including the efficiency discount options, the Beat Network, in the general exclusions provisions.
- The Human Tissues Act, 1983 (Act 65 of 1983)

referral changed to the National Health Act (Act 61 of 2003) (NHA) and more specifically the Regulations.
  - Refractive surgery measurement on benefit options, except Pulse1, changed.
  - Addition to Rule 1.5 of includes the efficiency discount options, Beat Network, in respect of the R5 000 co-payment applicable for the use of a non-DSP hospital on certain benefit options.

- Changes to Prescribed Minimum Benefits (PMBs) (Annexure D)
  - Cosmetic changes to the format, numbering and additions throughout the whole Annexure.
  - Addition of proviso in respect of PMBs and medical savings accounts.

5. New Products/Benefit Options

In terms of Section 33 of the Medical Schemes Act, a medical scheme shall apply to the Registrar for the approval of any benefit option if such medical scheme provides members with more than one benefit option.

Bestmed, before applying for approval of any benefit option registration, conducts extensive research and viability studies and obtains specialist actuarial input to confirm, inter alia, the financial soundness and viability of such potential benefit option.

In September 2014, having performed the aforesaid due diligence studies, Bestmed submitted an application to obtain exemption from Section 29(1)(n) of the Medical Schemes Act, which is granted only by the Board of the CMS ("the Council"), in respect of Efficiency Discount Options (EDOs) for the Beat range.
In addition to the exemption, Bestmed applied, to the Registrar in terms of Section 33 of the Medical Schemes Act, for registration of the EDOs for the Beat range, i.e. Beat Network to take effect from 1 January 2015.

However, the Council did not approve an exemption for the EDOs, consequently the Beat range EDOs, i.e. Beat Network options could not operate.

Nonetheless, Bestmed again presented to the Council the viability, financial soundness et al of the EDOs and the Council approved a conditional exemption. The Registrar subsequently approved registration for the Beat1 Network, Beat2 Network and Beat3 Network options respectively. A network option is not registered for Beat4.

Owing to the fact that the Beat Network options were not approved as anticipated, Bestmed members who had selected these options had to choose an alternative benefit option while Bestmed awaited feedback from the CMS. This had a financial impact on such members.

REPORT OF THE CHAIRPERSON

The South African landscape

As in previous years, the country once again showed the signs of a struggling economy in 2014. These included increased unemployment and mounting state debt, which has now grown to over a trillion rand as a result of loans raised in the past to finance the ongoing budget deficits. The repayment of these loans and the interest on them has a severe negative impact on available income, and this is the one area where South Africa has been unable to effect any correction. The government desperately needs to increase its income in order to balance the books.

The medical scheme industry, similarly, made little progress on the big issues we struggled with in the past and that still haunt us today. The impact of prescribed minimum benefits (PMBs) was again a major factor in high contribution increases because medical schemes are obliged to pay whatever the healthcare provider charges for the treatment of PMB conditions. This drives medical inflation above the CPI level.

The Competition Commission's Inquiry into Private Healthcare started its work during 2014 and invited interested parties to make submissions. Public hearings on these submissions will be conducted at the end of the first quarter of 2015, at which the different stakeholders will be able to argue their points of view as to why healthcare costs are increasing at a rate above CPI.

Fred Camphor
Chairperson of the Board of Trustees

This is an important opportunity for stakeholders in the private health sector to try and address the critical issues and to steer the industry on a new course.

Bestmed's submissions aim to minimise the negative effect of PMBs on medical schemes and to create a more even playing field between administrators and self-administered schemes. Our submission also addresses the role of tariff negotiations with private hospital groups, which we perceive as being a flawed process that may well be playing a role in the high cost increases the industry faces each year. The Inquiry has advised that it will not be able to release its report and findings until 2015/2016 and it does not expect that it will be possible to implement any of its recommendations before 2018/2019.

Council for Medical Schemes

Those of you who attended Bestmed's 2012 and 2014 AGMs may recall that on both these occasions we informed our members that the Council for Medical Schemes (CMS) had conducted a routine inspection of the Scheme in November 2011.

We received the CMS's first "Observations report" on the inspection in April 2012 and replied in full to the matters dealt with before the AGM on 25 May 2012. We then heard nothing further from the CMS until 18 July 2013, when they issued a number of directives which the Scheme was instructed to carry out. The annexures containing the detailed requirements were, however, only delivered in late August 2013.

Once we had examined these annexures, we concluded that we did not agree with the substance of the findings and we registered an appeal before the Council for Medical Schemes against the Registrar's decision. At the same time, we launched a review application in the Gauteng North High Court.

However, in the interests of sound governance, and to comply as best we could with the regulator's requirements and maintain a good working relationship with that body, we decided to co-operate by adhering to the directives as far as possible.

We submitted regular progress reports to the CMS and as far as we and our legal team were concerned, we complied with the directives as far as we practically could.

We were therefore astonished when the Scheme received a communication from the CMS on 13 November 2014 that nine of the twelve members of our Board of Trustees had been removed with immediate effect.

This left the remaining members of the Board with the urgent task of filling the vacancies as soon as possible to ensure that the Scheme had a valid Board of Trustees. This Board was constituted in accordance with the provisions in our Rules, but in early February 2015 it decided that it would be in the best interests of our members to call a special election and to reconstitute the Board. At the time of writing this report, the aim is to finalise the elections and reconstitute the Board so that it can take full control of the governance of the Scheme before the Annual General Meeting.

Corporate governance

The former Board of Trustees continued with the process, on which it had embarked in 2010, of revising all its policies and practices and bringing its governance structures into line with the relevant provisions of the King III Report.

The last of these recommendations would have been discussed at the 14 November 2014 Board meeting, which was cancelled as a result of the notices received the previous day from the CMS.

These last recommendations dealt with the source of the information on which the Board should rely to obtain assurance of their governance duty. This will be tabled again for consideration by the newly reconstituted Board of Trustees. The interim Board has also requested management to carry out a Corporate Governance Audit to make doubly sure that all our policies, Board structures, charters and terms of reference are still applicable.

Dedicated to serve our members

I would like to thank the Trustees who served on Bestmed's Board for the interim period, and in particular for their willingness to attend meetings at short notice. We remain committed to our members, and I wish to assure them all that our aim continues to be to provide them with the best solutions to funding their healthcare needs.

RF Camphor
Chairperson

Dries la Grange
Chief Executive Officer

REPORT OF THE CEO

Celebrating half a century of assisting our members to cover their medical costs

Bestmed celebrated its 50th year in the medical scheme business on 1 July 2014. Surviving and prospering over five decades is an outstanding achievement for any organisation, and more so over a period commonly known as the 'decades of change' in terms of technology, service delivery and needs. That Bestmed has remained relevant over these turbulent years bears testimony to the commitment of all those involved in the Scheme to rise to the challenge of changing their attitudes, behaviours and routines.

As the 50th anniversary approached, we delved into the Board of Trustees' minutes of the seventies and eighties and were amazed to discover that our predecessors struggled with the same core problems that confront us today. One thing in particular has remained constant despite the dramatic changes that have taken place: the demand for the cost of medical services to be covered was one of the main reasons for high increases in contributions then, as it still is today.

Medical inflation in the late eighties and early nineties shot up to between 25% and 30%, and only decreased when managed healthcare was introduced. Although medical inflation remains somewhat higher than normal inflation, the value created for members of the Scheme by the implementation of managed healthcare has been significant.

Our members - the reason for our existence

The new Bestmed brand which was launched in 2011 emphasises our strong identification with our members and our commitment to their wellbeing.

This is why we place so much emphasis on service delivery. Every year, we make a commitment to give our members improved service, and we strive to fulfil that commitment every day. We make use of independent surveys to measure our performance, and in 2014 the PHP Tracker Survey found that members rated our service at 83.4%. The ratings of our participating employer organisations were at an all-time high, reaching 89.6% satisfaction levels, and both these levels are above the industry averages.

Members have indicated that self-service facilities are of great importance to them, and we are working on several innovative ways of giving them greater flexibility in this regard. Our IT capability will be central to empowering our members in this way and we hope, with the backing of the new Board, to invest the necessary resources in this endeavour.

Running out of office space

The Scheme has, over the past few years, enjoyed considerable growth in membership, and we have had to expand our staff complement to ensure that we are able to continue providing the service our members expect of us. Housing the additional personnel has, however, become problematic, and the Board of Trustees has therefore approved an extension of the lease over our office accommodation in Glenfield Office Park in Faerie Glen. We are looking forward to moving into the additional space early in 2015 and to the relief this will bring to the departments that have become overcrowded.

Healthcare results

Our healthcare results were in line with our budget during the first eight months of 2014. During the last quarter, however, there was a surge in the cost of claims, and we ended the year with a claims ratio that was two percent higher than the budgeted ratio. We carried out a thorough analysis, which revealed that this was attributable largely to increased hospital costs. In fact, in 2014 we spent more than twice as much as we did in 2013 on hospital accounts that exceeded R500 000 per case – and despite this high expenditure, most of these were, tragically, terminal cases.

Cost alone is, of course, not the only consideration, but if the number of such cases increases year after year, it will become difficult for other members to cross-subsidise these high costs. At that point, the interests of the group are bigger than the interests of the individual and the solution is to find the best balance between the two. We will therefore introduce an additional process for the management of high-cost cases, and will discuss them with the groups of specialists where the high claim amounts are commonly generated.

Non-healthcare costs

The Board of Trustees and management set some tough targets at the beginning of 2014 to reduce the Scheme's total non-healthcare costs to below 10% of gross contributions. In an environment where, according to the quarterly reports of the Council for Medical Schemes, the average non-healthcare costs of open schemes hover around 12.2% to 12.5%, this was a seriously daunting task. I am very pleased to report that we more than rose to the challenge. At year-end our non-healthcare costs were 9.6%.

This result, together with our high service levels in 2014, means that Bestmed's members got far more for their rand in terms of benefits than most other open schemes were able to provide.

Membership

The growth in Bestmed's membership has continued despite some negative publicity that appeared in the press in November 2014, and despite the country's ongoing economic woes. Our membership increased year on year by 2.4%, to 90 942 principal members (191 902 beneficiaries). I am satisfied that everything possible was done to be able to record these figures in the face of the many difficulties we encountered in 2014.

The average age of the newly recruited members was 25.6 years, which compares well with our overall average of 37.75 years.

Retention

Retention of members in a mature market is a vital ingredient to success and is high on our list of priorities. Our primary focus is to offer products that give members value for money and combine that with

a remarkable service experience. We are working on both these elements to ensure that our members stay with us because of the value we create for them.

Future prospects

The newly appointed Board decided early in 2015 to call an election to fill three vacancies for elected Trustees. The three new Trustees and the three Trustees who were elected in 2013 will now meet to appoint another six members. This decision was taken in the best interests of our members.

I wish to thank the former Board of Trustees for the professional way in which they governed the Scheme. Under their guidance Bestmed enjoyed tremendous growth, the reserves remained above 25% and non-healthcare costs were managed down to below 10%. They set the bar high for those who will follow in their footsteps.

I also wish to thank my fellow executive managers and all Bestmed's employees for their unwavering support. They made my task a lot easier. We will remain true to our vision of being the best medical scheme in the country.

Lastly and certainly not least, I want to express my sincere thanks to the members of Bestmed. The support they have given to me, to our management team and to our employees during the difficult times in the latter part of the year makes it a great privilege to work here at Bestmed, for them.

AM LA GRANGE
CHIEF EXECUTIVE OFFICER

LEGAL AND CORPORATE GOVERNANCE REPORT

Zunaid Ismail

Web Developer and Designer
Information Technology

Member of the Bestmed family for 3 years.

An artist at heart, my ability to sketch has allowed me greater insight and creativity in my position. I joined Bestmed just after school as a part-time student. They saw my potential and allowed me to grow within the company, assisting with whatever I needed. My family has also done a lot for me and I'm determined to make a success of my life so that I can give back some of what everyone has given.

"He who is false to present duty breaks a thread in the loom, and will find the flaw when he may have forgotten its cause." - Henry Ward Beecher

2014 overview

Bestmed's Board, executive and employees have a fiduciary duty to govern the Scheme in the best interests of our members. It is imperative that Bestmed ensures compliance to all applicable legislation including, but not limited to, the Medical Schemes Act. We constantly assess and ensure that good governance in all aspects of our business dealings are adhered to.

During the latter part of 2014, Bestmed, and its then constituted Board of Trustees, were faced with serious and potentially catastrophic challenges. On 13 November 2014, nine members of the Board received Section 46(1) Notices, effectively removing them from office. The basis on which the Section 46 (1) Notices were issued emanated from certain "alleged transactions" which were identified in an inspection report following a routine inspection during the latter part of 2011 into the affairs of Bestmed. Bestmed launched an urgent application to reinstate the removed members of the Board.

As a brief background, we wish to clarify the facts to our members. On receipt of the Inspection Report, the Board ("Previous Board") without undue delay obtained a legal opinion that clearly confirmed that these "alleged transactions" constituted legitimate and approved marketing expenditure. The legal opinion further confirmed that the marketing expenditure and the SHDS Marketing and Distribution Agreement were, at their core, lawful, aimed at achieving growth of Bestmed and improving its membership profile.

The Previous Board decided that it was important for Bestmed and its members to take a conservative approach and address the Registrar's concerns in respect of the expenditure (emanating from the "alleged transactions") in question. The Previous Board accordingly resolved that steps be taken to recover this expenditure. Furthermore the Previous Board agreed without hesitation, that Trustees who had participated in the activities mentioned in the Report, in their capacities as Trustees, should pay for themselves, which they did.

With regards to the Registrar's concerns relating to the SHDS Marketing and Distribution Agreement ("SHDS Agreement") the salient facts are that the SHDS Agreement was submitted to the Registrar of Medical Schemes for consideration *prior* to implementation and only became effective on 1 January 2009. Furthermore, the legality of the SHDS Agreement had been verified by legal counsel and Bestmed was at all material times under the bona fide impression that the SHDS Agreement was lawful and provided marketing and distribution services only. The SHDS Agreement contemplated a marked expansion of the distribution network of Bestmed, which ultimately transpired. The SHDS Agreement was terminated on 31 December 2011, prior to the issuing of the Inspection Report.

In view of these challenges, the remaining members of the Board duly acted in accordance with Bestmed's Rules, approved by the Council for Medical Schemes ("CMS"), and filled the vacancies ("Process") on the Board as a result of the Section 46(1) Removal Notices.

Simultaneously with Bestmed's urgent application to reinstate the removed members of the Board, the CMS lodged a counter application to place the Scheme under curatorship, notwithstanding Bestmed's best endeavours to act in accordance with our registered Rules and the Medical Schemes Act.

However, the stated counter application was duly dismissed with costs, and the Learned Judge, PM Mabuse in his Judgment confirmed the following:

The remaining three members of the board have, in my view, acted within the meaning of Rule 18.6. It will be recalled that Rule 18.6 imposed a duty on the remaining trustees to fill the vacancies. The Rule uses the word "must". Accordingly trustees that were elected or appointed to the board of trustees after 13 November 2014 were validly appointed or elected.

Bestmed's urgent application has been dismissed by Judge Mabuse. In lieu thereof the newly constituted Board ("New Board"), acting diligently and with due care, obtained a legal opinion and based on legal advice, instructed our legal team to lodge an appeal against the Judgment. The matter is therefore sub judice.

The New Board has already initiated a complete Governance Audit which will deal with all policies, procedures and the like, and to the extent necessary, revise and accordingly approve same. All governance

issues, including compliance issues or concerns within Bestmed are constantly monitored and regularly reported.

Board composition (up to 13 November 2014) (Previous Board)

The Medical Schemes Act stipulates in Section 57 (1) that at least 50% (in our case six members) of the Board must be elected from the members of the Scheme. During 2013/2014, Bestmed embarked on the prescribed election process and requested nominations for the vacancies on the Board in November 2013. In April and May 2014, Bestmed completed the voting process whereby PricewaterhouseCoopers ("PwC") oversaw the process and counted the votes. The results emanating from the voting process were communicated to our members at our Annual General Meeting in May 2014 as reported by PwC.

Board Members (appointed in the 2013/2014 election process)

As from the Annual General Meeting of 2014 the Board was constituted as follows:

Individual member representatives and terms of office

Adv GW Alberts SC: 2012-2016

EL Steenkamp: 2014-2018

Employees of participating employer organisations and terms of office

S Harmse: 2012-2016

WJ Myburgh: 2012-2016

P de v Swart: 2014-2018

Pensioner/continuation member and term of office

Dr J Moncrieff: 2014-2018

Appointed members and terms of office

B Albrecht: 2012-2016

DJ Fredericks: 2012-2016

AI Minnaar: 2012-2016

Dr BR Slabbert: 2014-2018

Prof MJ van der Merwe: 2014-2018

Prof S Vil-Nkomo: 2014-2018

Board of Trustees (up to 13 November 2014)

Advocate George Alberts SC

BCom LLB

Adv Alberts practised as a director of two prominent law firms in Pretoria until June 1987 and was then admitted as an advocate of the High Court of South Africa. He is a member of the Pretoria Society of Advocates and was appointed Senior Counsel in 2004. He has served as an acting judge in the High Court and was appointed to the Bestmed Board in 2008.

Bertus Albrecht

Nat. Diploma Human Resources, BTech Human Resources

Mr Albrecht is an experienced HR specialist and is responsible for Human Resources, planning, projects and operations. He has extensive experience in the field of remuneration and has been a member of the Bestmed Board since 2009.

Deon Fredericks

BCom(Hons) Business Management, CA(SA)

Mr Fredericks finished his articles at one of the biggest audit firms and now serves in the executive management of Telkom SA. He is experienced in financial management, risk and investments and has been a member of the Bestmed Board since 2010.

Suzette Harmse

BCom (Economic Sciences)

Ms Harmse started her career in internal auditing and gained experience in payroll, insured risk benefits and strategic management. She served on a number of projects including the implementation of various systems. She now serves as Group Finance Manager and is responsible for governance, compliance, risk and financial management. She was elected to the Bestmed Board in 2008.

Anton Minnaar

BA(Hons), HED

Mr Minnaar started his career with Eskom with a specific focus on business performance optimization/business process re-engineering and organisational effectiveness. He is currently employed in the office of the Chief Executive and is responsible for executive and Board remuneration and performance management, and provides advice to the executive team. He was appointed to the Bestmed Board in 2010.

Dr Bernard Slabbert

BSc, DEd

Dr Slabbert worked at the Medical Research Council (MRC) and gained broad exposure in the academic health training of medical doctors. He has extensive knowledge of strategic management, leadership, change

Maria Jiyane
Service Worker
Finance

Member of the Bestmed family for 9 years.

I was unemployed when I was offered this position at Bestmed and was very surprised by the welcome I received when I joined in 2006. I went from being really stressed to completely relaxed as I was introduced to everyone and made to feel a part of the family. My job keeps me extremely busy and I look forward to going to church with my son at the weekend.

and group dynamics. He was Vice-Chairperson and Chairperson of Bestmed between 2001 and 2008. Dr Slabbert has served on the Bestmed Board since 1997, and was reappointed in 2014.

Phillip Swart

BA(Hons), Master's Certificate in Labour Relations

Mr Swart is an experienced human capital management professional specialising in human resources strategies, diversity management, reward and employee relations. He has been involved with medical schemes and other wellness programmes for many years and has a passion for the industry and its challenges. He has served on the Bestmed Board since 2004, and was re-elected in 2014 as an Employees of participating employer organisations representative.

Prof Maynard van der Merwe

BEd (Ter), BCom(Hons), MCompt, CTA, CA(SA)

Prof Van der Merwe was the Dean of the Faculty of Management Sciences of the Tshwane University of Technology (Pretoria Technikon). He is currently employed at the University of Pretoria where he is responsible for internal audit and risk management. He was initially appointed to the Bestmed Board in 2010, and reappointed in 2014.

Prof Sibusiso Vil-Nkomo

BA, MA, PhD

Prof Vil-Nkomo served on the executive management at the University of Pretoria and is a fellow of the World Economic Forum. He served as advisor to the World Bank, United Nations Development Programme, Rockefeller Foundation and the government of South Africa. He has served on the Bestmed Board since 2001, and was reappointed in 2014.

Willem Myburg

BCom, MBA, HBA

Mr Myburg is the Principal Officer of the Telkom Pension Fund, Telkom Retirement Fund and the Telkom Management Provident Fund. He was appointed to the Board of Trustees in 2012 and also serves on the Scheme's Investment Committee.

Etienne Steenkamp

BCom(Hons), CMA, MBA (Herriot Watt), CFP, CA(SA)

After completing his articles with Deloitte, Mr Steenkamp joined Dorbyl and served in various positions from internal auditor to Divisional Financial Manager. He joined Sappi in 1999 and was appointed as Executive Principal Officer for the Sappi Pension Fund, Provident Fund and Medical Aid Scheme in 2000. Following various legislative changes in 2010, he left the full-time employment of Sappi and became the Independent Principal Officer for the three benefit funds listed above. He joined the Bestmed Board of Trustees in 2013 when Sappi's Medical Scheme amalgamated with Bestmed, and was elected as an Individual member representative on the Board in 2014.

Dr Joan Moncrieff

BSc Chemistry and Biochemistry, BSc Physiology and Human Biochemistry, MSc Physiology and Human Biochemistry, PhD Medicine (Pharmacology)

For many years, Dr Moncrieff was the only female council member of the South African Chemical Institute (SACI). She was the founding member and chairperson of the South African Chromatographic Society (ChromSA). Her specialities include pharmacokinetics, pharmacogenetics, pharmacology, physiology, chemical pathology (body fluid and tissue analysis) and chromatographic analysis. Dr Moncrieff has over 90 international publications and presentations on physical chemistry, physiology, pharmacology and chemical analysis in her résumé. Dr Moncrieff was elected as the Pensioner/Continuation member representative on the Board in 2014.

Board composition (after 13 November 2014)

As set out above and as a result of the Section 46(1) Notices which effectively removed nine members of the Board from office on 13 November 2014, the remaining members of the Board acted duly and diligently, and in accordance with our registered Rules, in filling the stated vacancies as soon as possible.

The three remaining members of the Board met on 14 November 2014, since the last Board meeting for 2014 had been scheduled for that date prior to the issue of the Section 46(1) notices. The meeting was adjourned until 18 November 2014, and an agenda point dealing with the reconstitution of the Board was added for the meeting of 18 November 2014.

On 18 November 2014, after the meeting was declared to be properly constituted, the remaining members of the Board confirmed that the main purpose of the meeting was the reconstitution of the Board.

The remaining members of the Board deliberated on the manner in which to give best effect to the letter and spirit of the Bestmed Rules in filling the vacancies in accordance with Bestmed's Rule 18.6 (which is fully quoted on the next page for ease of reference). The members were in favour, for inter alia the following reasons, of using the most recent results of the voting process overseen by PwC, to fill the vacancies. The remaining members of the Board were of the opinion that it would be in the best interests of our members to fill the vacancies as soon as possible in order to enable Bestmed, the Board and Bestmed's employees to serve our members to the best of our ability.

As a result of the South African Post Office strike, and the costs and the time constraints involved in holding an election to fill the elected member vacancies, there were concerns that such time-consuming and costly avenues were not an option in the circumstances. Bestmed had recently held elections to fill vacancies on the Board in April 2014, and the 2013/2014 voting process and the ensuing 2014 voting results had been completed in accordance with our registered Rules. The stated voting results had been reported on by PwC.

The remaining members of the Board deliberated and, by majority vote, decided to fill the vacancies of the elected seats on the Board by identifying the candidates in the 2014 election process, who, through the votes cast by our members, obtained the second most votes (after the respective removed trustees) in each category in which vacancies were present. Once these candidates where identified, it was considered whether there was any reason why they should be disqualified from appointment, based inter alia on the consideration that their appointment might be challenged by the CMS for the same reasons proffered by the CMS in the Section 46(1) Notices. Mr Francois Marais was duly identified in this category and thus removed from consideration for appointment. As a result, Mr Roelof Camphor was identified as the candidate who obtained the most votes in the 'Individual member' category.

Mr Colin Mowatt and Dr Weitz Botes were identified as the candidates who obtained the second and third most votes in the 2014 elections in the 'Employer Group' category. Through majority vote, and after deliberation, the remaining members of the Board, voted to fill the vacancies of the three elected members with Mr Roelof Camphor, Mr Colin Mowatt and Dr Weitz Botes in each of the required categories. The three candidates were informed of the outcome of the process and they accepted their respective appointments. The process was cost- and time-effective as elected members of the Board were replaced in a short time, allowing the proper management of Bestmed's affairs in the best interests of our members. There nevertheless remained certain vacancies which were to be filled by the members of the Board.

A Special Meeting was scheduled for 19 November 2014, with the sole purpose of filling the remaining appointed member vacancies. No matters except those for which the Special Meeting was called were dealt with at the Special Meeting. The Special Meeting was attended by the three members of the Board remaining after the issuing of Section 46(1) Notices, as well as two of the new members. Owing to the short notice, Mr Colin Mowatt was unable to attend the meeting. The members of the Board present at the Special Meeting proceeded to deliberate on suitable candidates to be appointed. Once the deliberations were finalised, and with the approval of the acting Chairperson, voting commenced. Decisions at the Special Meeting were taken by majority vote, and in the event of a tied vote, the Chairperson had a casting vote (in accordance with our registered Rules), in addition to his deliberative vote.

The members of the Board voted to fill the vacancies by way of closed ballot and as soon as the voting was completed, the ballot papers were collected in a sealed box, counted, and the outcome was announced at the Special Meeting of 19 November 2014. The successful candidates were informed of their appointment and appointment letters were duly distributed to them.

However, as a result of one late withdrawal and one resignation, the Board still had two vacancies left to fill. Bestmed duly informed CMS of the identity of the newly appointed trustees on 21 November 2014. The Legal and Corporate Governance Department managed the process aimed at filling vacancies on the Board in accordance with Rule 18.6 of our registered Rules, which reads as follows:

Rule 18.6
Filling of vacancies of the Board

When a member of the Board resigns, is disqualified from service or dies, the Board must, by majority vote of the remaining members of the Board, fill such vacancy for the unexpired period of office of the vacant seat of the Board; or in the event of the vacancy arising from an elected seat on the Board, at the sole discretion of the Board, have an election.

Board members (after 18/19 November 2014 appointments)

As from 20 November 2014 the Board was constituted as follows:

Individual member representatives with the members' appointment date/terms of office

RF Camphor (Chairperson): From 18 November 2014

EL Steenkamp: 2014-2018

Employees of participating employer organisations with the members' appointment date/terms of office

CM Mowatt: From 18 November 2014

WJ Myburgh: 2012-2016

Dr WJ Botes: From 18 November 2014

Pensioner/continuation member and term of office

Dr J Moncrieff: 2014-2018

Appointed members and appointment date

PM Kennedy: From 19 November 2014

Prof PA Delport (Vice-Chairperson): From 19 November 2014

WJ du Plessis: From 19 November 2014. Resigned on 31 March 2015

H Kruger: From 19 November 2014. Resigned on 18 March 2015

Dr M Serfontein: From 19 November 2014. Resigned on 6 February 2015

Board of Trustees (after 13 November 2014)

Fred Camphor (Chairperson - Elected member)

BA(Hons) Psychology

Mr Camphor has his own consulting practice and specialises in the fields of industrial psychology, Human Resources and strategic change management. He served on the Bestmed Board of Trustees as Vice-Chairman for a considerable period and is thus well known to Bestmed.

Etienne Steenkamp (Elected member)

BCom(Hons), CMA, MBA (Herriot Watt), CFP, CA(SA)

After completing his articles with Deloitte, Mr Steenkamp joined Dorbyl and served in various positions from internal auditor to Divisional Financial Manager. He joined Sappi in 1999 and was appointed as Executive Principal Officer for the Sappi Pension Fund, Provident Fund and Medical Aid Scheme in 2000. Following various legislative changes in 2010, he left the full-time employment of Sappi and became the Independent Principal Officer for the three benefit funds listed above. Etienne joined the Bestmed Board of Trustees in 2013 when Sappi's Medical Scheme amalgamated with Bestmed, and was elected as an Individual member representative on the Board in 2014.

Willem Myburg (Elected member)

BCom, MBA, HBA

Mr Myburg is the Principal Officer of the Telkom Pension Fund, Telkom Retirement Fund and the Telkom Management Provident Fund. He was elected to the Board of Trustees in 2012 and also serves on the Scheme's Investment Committee.

Colin Mowatt (Elected member)

BAcc, CA(SA), MBL, Global Executive Development Programme (EDP)

Mr Mowatt, previous Chairman of the Sappi Medical Aid Fund until its amalgamation with Bestmed, is currently employed by Sappi Southern Africa as Financial Director - Sappi Southern Africa. His responsibilities include acting as Chief Financial Officer for Sappi Southern Africa and he is a member of the Regional Executive Committee, responsible for the region's financial and tax functions. He also represents Sappi on the PAMSA Executive Committee and serves as trustee on the Sappi Employee B-BBEE Sefate Share Trust. During his career he has been responsible for various commercial functions, including merger and acquisition investigations, implementation of new management reporting systems and participation in new business opportunities. He was elected as an Employer representative on the Board in 2014.

Dr Weitz Botes (Elected member)

BSc, MBA, PhD

Dr Botes is the Health Care Manager – SA Operations – at Harmony Gold Mine. He is a specialist in health care transformation, including managed care, hospital, occupational health, pharmacy, clinic and mine emergency health care delivery in four South African provinces. He was a member of the Minemed Board of Trustees serving on the Audit, Amalgamation and Management Committees until its amalgamation with Bestmed. He is responsible for the comprehensive health care services of some 38 000 employees. Dr Botes is also a Director of Harmony Pharmacies and was a trustee of the Sentinel Pension and Mineworkers Provident Funds.

Dr Joan Moncrieff (Elected member)

BSc Chemistry and Biochemistry, BSc Physiology and Human Biochemistry, MSc Physiology and Human Biochemistry, PhD Medicine (Pharmacology)

For many years, Dr Moncrieff was the only female council member of South African Chemical Institute (SACI). She was the founding member and chairperson of the South African Chromatographic Society (ChromSA). Her specialities include pharmacokinetics, pharmacogenetics, pharmacology, physiology, chemical pathology (body fluid and tissue analysis) and chromatographic analysis. Dr Moncrieff has over 90 international publications and presentations on physical chemistry, physiology, pharmacology and chemical analysis in her résumé. Dr Moncrieff was elected as the Pensioner/Continuation member representative on the Board in 2014.

Wimpie du Plessis (Appointed member - resigned 31 March 2015)

BSc (Pharm)

Ms Du Plessis' career traces back to Eli Lilly (SA) (Pty) Ltd where she eventually served as Director of the Pharmaceutical Division and from where she was seconded to MediKredit to fill the position of CEO. Here she changed the strategic focus of MediKredit to become an IT company focusing on on-line real-time claims adjudication and secured a US patent for real-time claims submission. Her combined experience stretches over a 37-year-period. Ms Du Plessis has gained Board experience on the American Chamber of Commerce, the Pharmaceutical Manufacturers Association, the Board of Healthcare Funders, and the Board of Trustees for CAMAF and the NAPPI Advisory Board. Her expertise includes healthcare legislation knowledge and medicine benefit design. We wish Ms Du Plessis all the best for her future endeavours, and extend our gratitude to her for assisting Bestmed during the latter part of 2014.

Helen Kruger (Appointed member - resigned 18 March 2015)

BSc Chemistry and Physiology, BSc(Hons) Pharmacology, MBA, Cert. Leadership Coaching, Dip. Project Management

Ms Kruger's distinguished career includes clinical and market research positions at Eli Lilly SA (Pty) Ltd where she later became a product manager. At MediKredit Integrated Healthcare Solutions (Pty) Ltd she

served as operations director and then as chief operating officer. She was responsible for the Maximum Medical Aid Pricing (MMAP) Listing compilation and reference price setting (Private Healthcare Industry Standard Reference Pricing), maintaining operational relationships with various companies including Old Mutual, Discovery and Momentum and representing MediKredit at industry forums. Some of her achievements at MediKredit included the establishment of operational stability and SLA compliance, establishment of an ISO 9001 certification of a quality policy, IT strategising, design of a highly effective on-line claims processing and chronic benefit management system of world standard involving multiple projects in excess of R12 million per annum. Currently Ms Kruger is an independent consultant with active clients including Helios IT Solutions, MediKredit and PwC. We wish Ms Kruger all the best for her future endeavours, and extend our gratitude to her for assisting Bestmed during the latter part of 2014.

Peter Kennedy (Appointed member)

Dip. Datametrix

Mr Kennedy has extensive experience in cost accounting and began his career at IGI Life Assurance Company as an application programmer and later became the General IT Manager. Thereafter he moved to MediSwitch, serving as Managing Director for 18 years, where he played an instrumental role in developing (from concept stage) the organisation into a multi-million Rand business that specialises in EDI (electronic data interchange) claims and Personal Health Records. Mr Kennedy is still serving as a consultant in an MD capacity. He also developed a pharmacy management and dispensing system for Link retail pharmacies and served as IT Director of the Drug Distribution Division of SA Druggists (SAD).

Prof Piet Delport (Vice-Chairperson - Appointed member)

HDip Tax, LLD

Prof Delport has held positions on numerous high profile boards over a period of 26 years. His influence in institutions including various major universities, 1 Military Hospital, ESKOM, Momentum, Investec, Nedbank and other banks, SENWES, the Advertising Standards Authority, the Law Society of South Africa and the South African Institute of Professional Accountants, speaks volumes for his extensive knowledge and experience. Some of his submissions led to the amendment of the ASA Code of Advertising Practice, the Companies Amendment Act 35 of 1998 and Companies Amendment Act 37 of 1999. Prof Delport has contributed to over 60 publications and addressed more than 20 conferences at universities, banking institutions and various governmental bodies. Prof Delport wrote the New Companies Act Manual and is an expert in the field of Commercial Law, which include specialities such as Law of Contract, Labour Law, Tax Law, Law regarding Financial Institutions, Corporate Law as well as its development, Company Law, South African Business Law, SA Corporate Business Administration and Freedom of Commercial Speech. Prof Delport is currently Vice-Chairperson of the Bestmed Board of Trustees.

Dr Michele Serfontein (Appointed member - resigned 6 February 2015)

PhD Consumer Science

Dr Serfontein is currently employed by the Institute of Directors for South Africa and holds the position of Senior Manager: Director Development and Events. She oversees the training and development of directors and is an educational specialist with specific focus on professionalisation of industries, which include Governance, Business Management, Marketing, Labour Recruitment, Real Estate and Hiring. In her management role, she measures director training and events against the requirements of King III and the IoDSA Director Competence Framework. She also consults to organisations including the Services SETA, Estate Agents Affairs Board (EAAB) and other professional bodies aiming for SAQA recognition under the NQF Act of 2008. We wish Dr Serfontein all the best for her future endeavours and extend our gratitude to her for assisting Bestmed during the latter part of 2014.

Ethics performance

The Board is satisfied that officers (Trustees and all staff) apply the standards prescribed in Bestmed's Code of Ethics. No contraventions of the Code were reported during 2014.

Board performance assessment

The Board Performance Assessment is an ongoing process with its main purpose being the identification of areas of improvement. The following main areas for improvement of the functioning of the Board are continuously addressed:

- The relevance of discussion during Board meetings (focus must be on strategic rather than operational issues).
- Ensuring sufficient time is spent on the significant matters that the Scheme faces during Board meetings.
- Ensuring that Board members are satisfied with the strategy development process and feedback.
- Ensuring that Board members are of the opinion that the sub-committee system is efficient.

Juan-Henning Venter

Clinical Investigating Officer
Legal and Corporate Governance

Member of the Bestmed family for 1 year.

I'm a trained basic life support paramedic who once worked for a Saudi Arabian prince in Egypt, but there the exotica ends. I'm really a farm boy at heart. I play the guitar to relax, am engaged to be married, and am studying towards a degree in Theology. I am truly fortunate that Bestmed allows me the freedom to develop within my position, contributing to not only the Scheme, but also its employees and its members.

The Board constantly monitors performance, analyses any shortcomings, deliberates and addresses these as necessary. Continuous feedback *inter partes* is provided between parties, upon which the Board implements actions to address any possible deficiencies timeously.

Remuneration policies (Staff and Trustees)

The purpose of the Staff and Trustee remuneration policies are to enable Bestmed to attract, retain and motivate suitably qualified and experienced employees in support of the Scheme's strategic objectives. Furthermore, it remains imperative that Bestmed remunerates its Trustees and other Board committee members in a fair and responsible manner to attract suitably qualified and experienced individuals with the appropriate level of skills, competencies and experience.

Bestmed members were requested at our annual general meeting held in 2014 to vote on the principles of Bestmed's policies on the remuneration of staff and trustees. Our members duly approved the stated principles contained therein.

During 2014, Bestmed proactively mandated PwC to conduct a review of both the Staff and Trustee Remuneration Policies. PwC concluded that the Staff Remuneration Policy aligns with market best practice and made some recommendations, which have been included in our revised Staff Remuneration Policy. The Trustee Remuneration Policy also required certain amendments to realign it with the CMS recommendations as contained in the CMS's Circular 41 of 2014 published on 11 September 2014. The revised Trustee Remuneration Policy will be submitted for our members' approval at our Annual General Meeting in 2015, as required by CMS, prior to implementation. The policies apply to all permanent Bestmed employees and to Trustees.

Bestmed Trustee Remuneration Policy

Every medical scheme must have a Board of Trustees consisting of persons who are fit and proper to manage the business contemplated by the scheme in accordance with the applicable laws and the rules of a medical scheme.

The Board of Trustees must take all reasonable steps to ensure that the interests of beneficiaries in terms of the rules of the Scheme and the provisions of the Medical Schemes Act are protected at all times, act with due care, diligence, skill and good faith, take all reasonable steps to avoid conflicts of interest, and act with impartiality in respect of all members.

- Remuneration may consist of:
  - A retainer fee for holding specific office or being tasked with specific responsibilities;
  - A fee or fees per Board or committee meeting attended; or
  - Attendance and accommodation costs of conferences and training events.
- It is Bestmed's policy to remunerate its Trustees and Board committee members fairly, responsibly and competitively taking affordability and the Scheme's ability to pay into consideration.
- Competitiveness will be maintained by inter alia:
  - Participating in or obtaining information from approved national remuneration surveys to determine the appropriate levels of pay applicable to the position of Trustee, Board committee member, Chairperson and Vice-Chairperson of the Board and committees; and
  - Following a lead-lag strategy whereby market values will be aged so that Bestmed will lead the market for approximately six months and then lag behind the market for six months.
- The Board will:
  - Ensure that the Scheme subscribes to approved national salary surveys and that positions are appropriately aligned with the market;
  - At all times ensure that the best interests of the members are served in the consideration of remuneration levels of Trustees and other Board committee members;
  - Ensure that any amendments to the Trustee Remuneration Policy be tabled and approved by our members at the Scheme's Annual General Meeting, prior to the implementation thereof; and
  - Ensure that members and the CMS be provided with all information relating to the proposed principles and remuneration of our Trustees, with ample notice prior to our Annual General Meeting.

Please refer to Bestmed's Annual Financial Statements enclosed in this package, which contains complete information regarding Trustees' current reimbursement.

Board Committees

Board Committees for the 2014 period were:

- Strategic Committee
- Investment Committee
- Audit and Risk Committee
- Disputes Committee
- Nominations Committee (ad hoc committee)
- Remuneration Committee

The Committees do not assume the functions of management nor do they have any decision-making authority. These committees meet during the year and make recommendations to the Board of Trustees, which is ultimately responsible for decision-making and providing instructions for implementation.

In this section only the names of the Committee members are disclosed. Trustee names and qualifications are disclosed in the earlier section dealing with Board composition.

Audit and Risk Committee

The Scheme has an Audit and Risk Committee in accordance with the provisions of the Medical Schemes Act, 131 of 1998, as amended. Subject to the provisions of Section 36(13) of the Medical Schemes Act, the Board of Trustees must appoint an audit committee of at least five members of which at least two shall be members of the Board of Trustees. This is to ensure that there is consistency between the functioning of the Board of Trustees and the functioning of the Audit and Risk Committee. The Committee met on three occasions during the course of the year, the last being 29 October 2014. The members of the Committee were:

MEMBER	STATUS
JFJ Scheepers (Chairperson)	Independent member
Dr WJ Botes	Trustee member (Effective: 28 November 2014)
S du Plessis	Independent member (Effective: 30 May 2014)
DJ Fredericks	Trustee member (Removed: 13 November 2014)
CM Mowatt	Trustee member (Effective: 28 November 2014)
KT Rapoo	Independent member (End of term: 30 May 2014)
Prof MJ van der Merwe	Trustee member (Removed: 13 November 2014)
Prof Q Vorster	Independent member

** WJ Myburgh and EL Steenkamp served on the Committee for an interim period of 10 days. No meetings were held during this period.*

As prescribed by the Medical Schemes Act, three of the five committee members, including the Chairperson, are not officers of the Scheme. The Principal Officer, the external auditor and the internal auditor attend all meetings of the Committee and have unrestricted access to the Chairperson.

The Committee is mandated by the Board of Trustees by means of a formal Terms of Reference as to its membership, authority and duties. The internal and external auditors formally report to the Committee.

The Committee has an independent role and is accountable to the Board. The role of the Committee is to:

- Ensure accurate, complete and timely financial reporting and oversee the integrated reporting of the Scheme.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.
- Provide the Board of Trustees with advice on compliance with financial matters relating to:
  - The Medical Schemes Act 131 of 1998, as amended.
  - The Regulations promulgated by the Minister in terms of the Act.
- Monitor compliance with relevant laws, regulations and the Bestmed Trustee Guidelines.
- Assist the Board in its evaluation of the adequacy of the internal control systems, accounting practices, information systems and auditing processes applied by the Scheme in the day-to-day management of its business.
- Facilitate and promote communication and liaison regarding the matters referred to in the preceding paragraph or related matters between the Board, the Principal Officer, and, where applicable, the internal audit division.
- Recommend the introduction of measures which the Committee believes may enhance the credibility of the financial statements and reports concerning the affairs of the Scheme, including the safeguarding of assets.

- Advise on any matter referred to the Committee by the Board.
- Institute and oversee special investigations as needed.
- Review and discuss the audited annual financial statements with the external auditor and management.
- Recommend to the Board of Trustees for the annual financial statement to be approved and read with the audit report of the external auditor.

The Committee has a formalised policy in respect of integrated and sustainability reporting. Apart from these two aspects, the Committee has satisfied its responsibilities for the year in accordance with the formal Terms of Reference, including providing the Board with:

- Assurance that internal controls are appropriate and effective and the Committee is satisfied that internal audit has assisted management to identify the risk areas in their scope of audit in order to enhance effective management.
- The recommendation that PricewaterhouseCoopers (PwC) be re-appointed as auditors, subject to approval at the Annual General Meeting and by the Council for Medical Schemes.
- The terms of the external auditor's engagement and remuneration, and ensuing results emanating from the review process pertaining to the quality and effectiveness of the external audit process.
- Assurance that Bestmed has implemented an effective policy and plan for risk management that will enhance the Scheme's ability to achieve its strategic objectives.
- Assurance that disclosure regarding risk is comprehensive, timely and relevant.
- Assurance that the external auditor is independent of the Scheme.
- Assurance that the expertise, resources and experience of the finance staff in our employment is appropriate for the Scheme's size and nature.

Strategic Committee

The Committee met on seven occasions during the year. The Principal Officer and senior management attend meetings of the Committee. The Committee is mandated by the Board of Trustees by means of formal Terms of Reference as to its membership, authority and duties. The Committee has an independent role, operating as an overseer and a proposer of recommendations to the Board for its consideration and final approval.

The Committee is, however, empowered:

- To deal with urgent decisions not of a policy nature and not in conflict with a prior decision of the Board without further consultation with the Board.
- To deal with any issues the Board specifically tasks it with.
- To act in accordance with the authority as defined in the Delegation of Authority.

The role of the Committee is to support the Board by:

- Acting as the custodian of the strategic planning and implementation processes.
- Ensuring the effective functioning of the Board.
- Dealing with urgent governance and fiduciary matters between Board meetings.
- Providing guidance regarding corporate governance.
- Acting as custodian of the Annual Report.

Investment Committee

The Committee met on three occasions during the year. The Principal Officer and senior management attend meetings of the Committee.

The Committee is mandated by the Board of Trustees by means of formal Terms of Reference as to its membership, authority and duties.

The role of the Committee is to advise the Board of Trustees and management on:

- The best possible investments of a long-, medium- and short-term nature for the Scheme's resources available for that purpose.
- Amendments to, or the reinvestment of, existing investments.
- Possible steps that may be considered in respect of the investment of available funds.

Remuneration Committee

The Committee met on two occasions during the year, the last being on 7 November 2014.

The Committee is mandated by the Board of Trustees by means of formal Terms of Reference as to its membership, authority and duties.

The Committee has an independent role, operating as an overseer and a proposer of recommendations to the Board for its consideration and final approval.

The role of the Committee is to assist the Board to ensure that:

- The Scheme remunerates Trustees and senior management fairly and responsibly.
- Disclosure of Trustee and senior management remuneration is accurate, complete and transparent.
- Remuneration policy and practices are regularly reviewed.
- Salary survey information is interpreted in a responsible and sound manner.

Nominations Committee

The Committee met once during the course of the year. The duties of this Committee are only required if and when there are appointed Board member vacancies to be filled in accordance with the provisions of our registered Rules.

The Committee has an independent role, operating as an overseer and a proposer of recommendations to the Board for its consideration and final approval.

The Committee convened, deliberated and provided submissions to the Board. Accordingly, the appointed Board vacancies were duly filled, and the results conveyed to our members at our Annual General Meeting during 2014.

Disputes Committee

The Board has a Disputes Committee whose role it is to adjudicate disputes that may arise between a member, former member or person claiming against the Scheme. It was not necessary for the Committee to meet during 2014. The members of the Committee are:

MEMBER	STATUS
Dr D Kapp	Independent member
Adv JJ Labuschagne	Independent member
F Vorster	Independent member

The Committee is mandated by the Board of Trustees by means of formal Terms of Reference as to its membership, authority and duties.

Internal Audit

Bestmed maintains an effective risk-based internal audit function which was fully outsourced for the duration of 2014. The Audit and Risk Committee is responsible for ensuring that the internal audit function is independent and functions in terms of an approved Internal Audit Charter and also ensures that the internal audit function has the necessary resources, standing and authority within the Scheme to discharge its responsibilities.

The internal audit function reports functionally to the Audit and Risk Committee. Internal audit's annual audit plan is approved by the Audit and Risk Committee and during the reporting period the internal audit function furnished the Audit and Risk Committee with various reports on the adequacy and effectiveness of the Scheme's internal audit control environment.

The internal audit function additionally provides an annual written assessment of the effectiveness of the Scheme's system of internal control and risk management to the Board of Trustees. The performance of the internal audit function is evaluated annually by the Audit and Risk Committee.

Information requests

There were no requests lodged with Bestmed for information regarding the Promotion of Access to Information Act 2000 during 2014.

Safeguards and compliance measures

The Bestmed Hotline, operated by KPMG and established in 2013, aims to enhance an honest work ethic and simultaneously provide our employees with a mechanism to bring any unethical business practices to the attention of the Scheme's management.

The Bestmed Hotline serves as an independent conduit between management and employees. All information is treated as confidential and the anonymity of callers is continuously protected. The hotline operates 24 hours a day for 365 days a year. We receive regular analyses of the calls and investigations are launched when required.

There were four complaints lodged and investigated during 2014. These include a request for contact details of a service provider (which could have also been resolved at Scheme level), reports of fraudulent claims submitted by service providers and incorrect benefit payments. While three of the cases have been resolved, one remains open as a result of the severity thereof which, in turn, affects a large number of our other members. Therefore, the matter is being investigated further and appropriate action will follow, once the investigation has been completed.

Complaints: 2014

A total of 186 CMS communiqués (which include complaints, refer backs, rulings and appeals hearing outcomes) were received from 1 January 2014 up to 31 December 2014. The table below indicates the complaints, rulings, appeals and directives from the Appeal Committee that were received during this period:

Health and safety

The Legal and Corporate Governance Department oversees the significant risks that the Scheme faces in the areas of safety, health and the environment. The matters we consider and pro-actively manage are a mixture of legal obligations arising from the South African legislative or regulatory environment as well as other actions we believe are necessary as good corporate citizens and a responsible employer.

The Bestmed Health and Safety group's primary purposes are:

- To assist management and the Board by ensuring that the Scheme is compliant in all matters relating to health and safety related legal and regulatory requirements in the workplace, using aspirational standards and implementing a culture in which these standards are promoted and enforced;
- To provide feedback to management on health and safety matters (including, where relevant, public safety);
- To report to management on recent developments, trends and/or forthcoming significant legislation in relation to Health and Safety matters which may be relevant to the Scheme's operations, its members or employees;
- To ensure a robust and independent assurance and/or audit process is implemented by management; and
- To provide management with the Scheme's external Health and Safety reporting and regulatory disclosures.

Health and safety group members and activities

The members of the Health and Safety internal work group as at the date of this report consist of representatives from throughout the Scheme, giving the group a broad and balanced blend of skills, experience and bringing detailed knowledge of the Scheme and its operations.

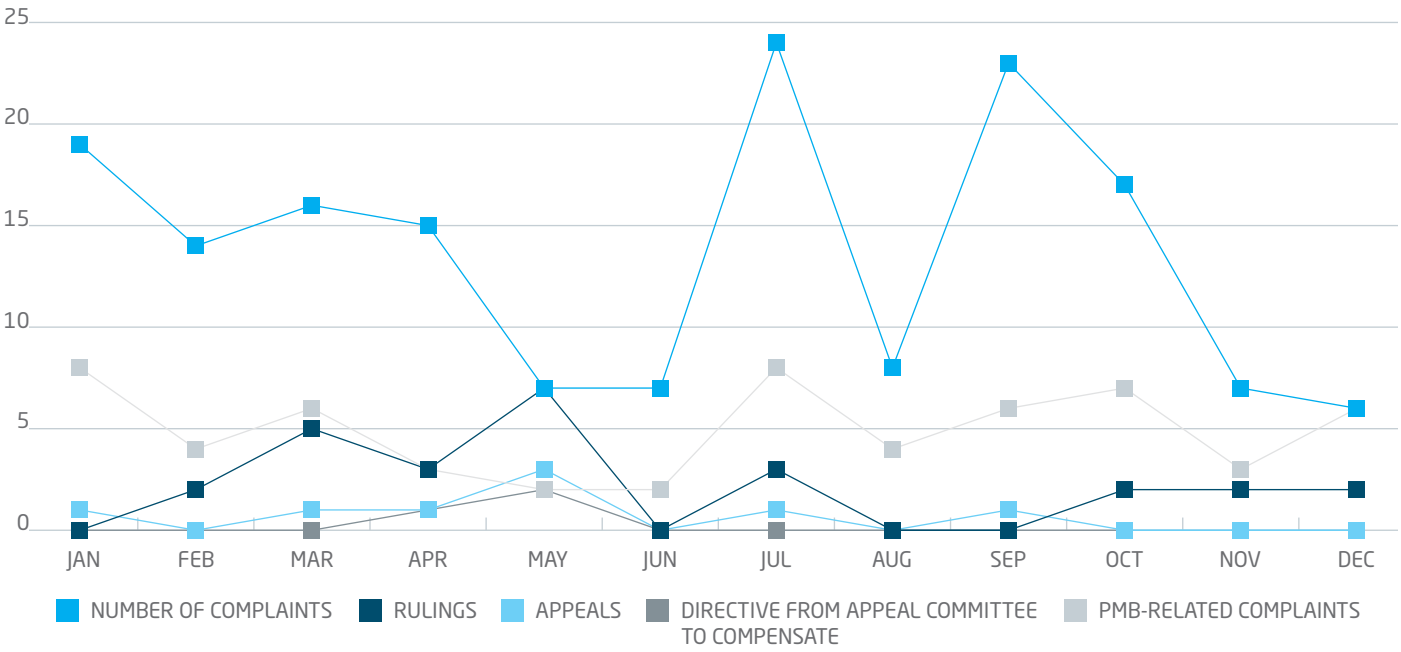
The group met 11 times during the year, at which meetings Safety, Health, Environment, Governance, regulatory and reporting matters were discussed.

We are happy to report that no major incidences, accidents or the like occurred during the year. While we are proud of this clean record, we nevertheless constantly monitor and pro-actively implement measures to secure the safety and health of our employees and visitors.

New products or benefit options

A medical scheme shall apply to the Registrar in terms of Section 33 of the Medical Schemes Act for the approval of any benefit option if such

Complaints



medical scheme provides members with more than one benefit option. Prior to Bestmed applying for approval for any benefit option registration, it conducts extensive research and viability studies and obtains specialist actuarial input to confirm, inter alia, the financial soundness and viability of the potential benefit option.

During 2014, and after performing due diligence studies, Bestmed submitted an application to register our Beat Network Options (Efficiency Discount Options) with the Registrar in terms of Section 33 of the Medical Schemes Act. The application was not timeously approved by the CMS for implementation on 1 January 2015. The CMS requested further information, which was duly provided by the Scheme.

Unfortunately, the time lapse resulted in Bestmed (and therefore our members) incurring a substantial loss, seeing as some of our members could not transfer to our Beat Efficiency Discount Options. We trust that our Beat Efficiency Discount Options will be approved at the beginning of 2015.

New legislation which impacts or may impact on the Scheme

The Protection of Personal Information Act (POPI) was enacted on 19 November 2013. This effectively means that the POPI Bill has been signed into Law, thereby making the Bill an Act.

Notwithstanding the enactment date, only certain sections of the Act have been "activated". A complete list of activated sections are listed in the Government Gazette No. 37544, dated 11 April 2014. The said Government Gazette confirms the commencement date of the activated parts of POPI to be 11 April 2014.

Bestmed nevertheless remains cognizant of various other types of applicable legislation, especially the Electronic Communications and Transactions Act 25 of 2002, in particular Section 50 thereof.

Bestmed also has a statutory duty, contained in Section 57(4) (i) of the Medical Schemes Act, to take all reasonable steps to protect the confidentiality of medical records concerning any of our members' state of health.

Bestmed will not share any medical history information or banking details with any third party, unless authorised by the respective member. We assure our members that their confidential information will be handled in a manner that is accountable, lawful, reasonable and with minimal intrusion on their rights. We also confirm that any and all personal information will be treated in the strictest confidence. Bestmed is currently implementing measures to secure complete compliance with POPI.

Private Healthcare Inquiry

On 29 November 2013 the Competition Commission ("the Commission") announced that it would conduct a private healthcare inquiry ("the PHI").

The PHI terms of reference include:

- An analysis of the interrelationship between various markets in the private healthcare sector;
- An inquiry into the nature of price determination;
- Establishing of a factual basis for recommendations that support the achievement of accessible, affordable, high quality and innovative private healthcare;
- Evaluating the nature of price determination in relation to competition between different categories of providers and funders, bargaining power between the different providers and funders and the level and structure of process of key services including an assessment of profitability and costs;
- Evaluating and determining the factors influencing the increase in private healthcare prices and expenditure;
- Evaluating how consumers access and assess information regarding private healthcare providers and how they exercise choice; and
- Conducting a regulatory impact assessment that reviews the current regulatory framework and identifies gaps that may exist, including the interpretation of Prescribed Minimum Benefits and the introduction of risk equalisation funds.

The deadline for written submissions by interested parties was 31 October 2014. Bestmed made a comprehensive submission that outlined Bestmed's position and recommendations on:

- The regulatory environment;
- Contributors to increases in medical scheme contributions;
- Efforts at controlling the price of private healthcare; and
- Competition issues arising from the regulatory environment pertaining to administrators and brokers.

Teboho Kosi

Client Service Consultant: Call Centre Client Service

Member of the Bestmed family for 1 year.

I tend to talk too much when I'm embarrassed and even more when I'm having fun, which doesn't leave much of a gap for my colleagues. But our department encourages opinions and humour and everyone is outspoken, which makes for a dynamic environment. Home is equally dynamic with three small children and I have to be Superwoman to get everything done, which makes weekend getaways with my husband a number one priority.

The Commission received 66 submissions from, inter alia, certain medical schemes, hospitals, medical practitioners, trade unions and independent healthcare associations as well as the Department of Health.

Bestmed is presently considering the submissions with the assistance of our legal team from Adams and Adams Attorneys.

The written submissions will be followed by public hearings, which are scheduled to take place from 1 May 2015 to 31 July 2015. Bestmed will register its intention to make submissions at the public hearings.

We will provide a comprehensive report to our members after finalisation of the proceedings.

Governance in terms of the Medical Schemes Act - CMS

During the latter part of 2014, Bestmed, and its then constituted Board of Trustees, were faced with serious and potentially catastrophic challenges. On 13 November 2014, nine members of the Board received a Section 46(1) Notice, effectively removing them from office. The full background has been reported earlier in this section.

The remaining three members of the Board acted duly and diligently, in accordance with Rule 18.6 of the registered Scheme Rules, to fill these vacancies. The Court ordered that the Trustees that were elected or appointed to the Board of Trustees after 13 November 2014, were validly appointed or elected.

Notwithstanding the aforesaid, Bestmed will always engage our Regulator, the CMS, in addressing any concerns that it may raise.

The heavily regulated environment in which we operate remains challenging from a governance and regulatory perspective. Despite the constant challenges that we face, we are confident that our culture and values will continue, as ever, to provide our members, our Regulator and the public, with peace of mind that our strong foundation will enable Bestmed, as the Scheme of choice, to meet these challenges head on, going forward.

Bestmed is an authorised Financial Services Provider (FSP number 44058), first registered on 17 July 2012. Bestmed complies with the FAIS Act, Code of Conduct and Fit and Proper requirements as well as FICA. Our annual compliance report, compiled by Bestmed's Key Individual and independent Compliance Officer, was submitted to the Financial Services Board (FSB). The audited financial statements were also delivered to the FSB as required.

Bestmed as an FSP was audited by the Supervision Department of the FSB in 2013 and found to be compliant.

Our focus

The establishment of a TCF policy for the fair treatment of customers

Implementation of a Treating Customers Fairly (TCF) policy and framework is ongoing. The focus will be on the TCF framework and the enhancement of the Complaints Management Process in line with the six TCF outcomes.

Retail Distribution Review

We are closely monitoring the possible impact of the Retail Distribution Review conducted by the Financial Services Board.

Twin Peaks (Financial Sector Regulation Bill)

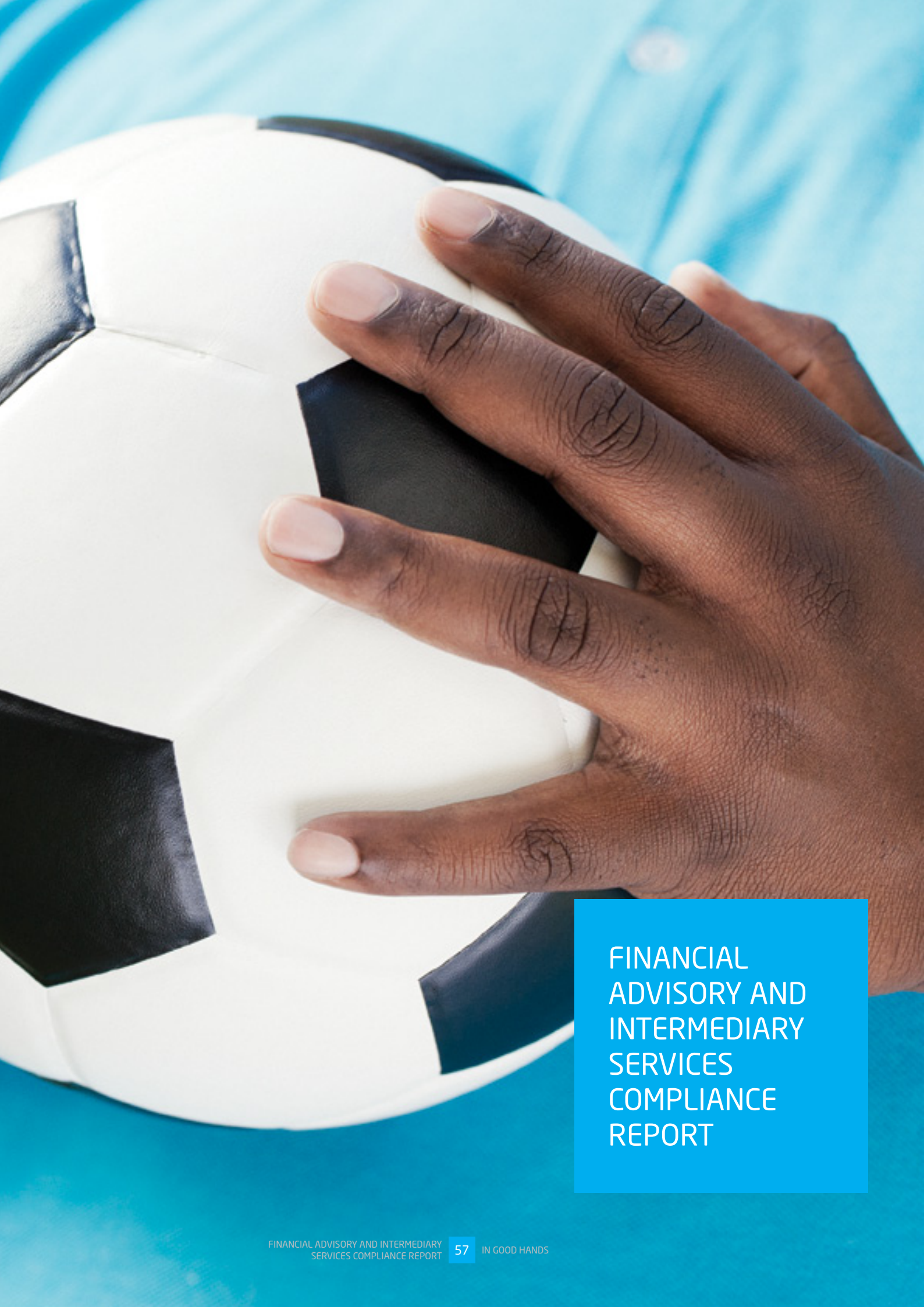
National Treasury published a revised draft of the Financial Sector Regulation Bill for public comment on 11 December 2014. The first draft was published in 2013. Two Regulators will be established: the Prudential Authority (within the South African Reserve Bank) and the Financial Sector Conduct Authority (the current Financial Services Board). National Treasury also published a discussion document: *TCF in the Financial Sector – A Market Conduct Policy Framework for SA*. This is the first attempt to develop a comprehensive framework for how the Market Conduct Regulator will operate to ensure that financial institutions treat their customers fairly. Bestmed will ensure that as an FSP it is at all times prepared for the introduction of new legislation or changes to current legislation.

Sipho Boya

Membership Corporate Consultant
Membership Corporate Business

Member of the Bestmed family for 1 year.

It's important for me to make a member feel that he or she is the one and only client. I ensure interaction at a personal level. Bestmed has really provided me with the space to improve and grow. It's a unique environment. I love soccer, rugby and cricket. At weekends I spend time spreading the word of God and then return home to my mom's house where she is the queen, surrounded by the mischievousness and laughter of her four boys.



FINANCIAL ADVISORY AND INTERMEDIARY SERVICES COMPLIANCE REPORT

Nickel Phetla
Driver
Finance

Member of the Bestmed family for 3 years.

I used to be the driver of a Putco Ticket Mobile vehicle. The team building and support we receive means we can improve what we do every day. Weekends mean time for washing my Nissan bakkie, my "baby", and gardening with my youngest son, teaching him to appreciate nature. It's also the time that I get to enjoy my wife's wonderful cooking. She deserves 10/10 for her roast lunch on Sundays.

HUMAN RESOURCES REPORT

Our philosophy is all about engaging people mentally, emotionally and intellectually to increase awareness and improve value-adding at the point where it matters most – with the end-users, our members. We believe that organisations differ with regard to the focus of their energy, so we endeavour to create a consistent sense of urgency to unleash organisational energy in support of change initiatives, whether these are incremental or radical innovations. This requires consistent building and maintenance of reward and recognition programmes, specifically related to our three-tier recognition programme. Human Resources is integrally involved in the process of unlocking the ability of our staff to act and execute the Scheme's strategic intent and to understand the effect of the work climate on employee and organisational outcomes. This means that we influence the culture of the organisation by investing in and supporting intrinsic motivation initiatives, rather than extrinsic motivation.

Strategic intent

- Measure, improve and maintain organisational climate and culture.
- Invest in and develop leadership capabilities.
- Attract, develop and retain talent, especially specialist positions or critical skills.
- Embrace diversity and manage the employment equity profile of the Scheme.
- Embed corporate values and behaviours via Reward and Recognition Programme/Training Initiatives/Performance Management.
- Align organisational design to support corporate strategy.
- Develop organisational change or innovation competence: stimulate and navigate incremental and radical change initiatives.
- Communicate with focus, intent and transparency.

Important 2014 human resources indicators

Category	Outcome
Current employment equity ratio	56%
Empowerdex BEE rating	BB-Level 6 Contributor
Resignation rate	11,55%
Separation rate	15,31%
Average number of employees	372
Number of training interventions	1 110
Training performance rating	3,38/5
Best employer to work for	Standard of Excellence Award

2014 highlights

The Bestmed HR team has achieved many victories in the past two years since returning to self-administration. A few of these are highlighted below:

- Implementation of S|Cubed as our new Human Resources Information System Platform including the automation of the most important business processes.
- Alignment achieved in all job profiles per role, revised roles evaluated and broad-banding implemented to facilitate easier talent movement and remuneration flexibility.
- Participation in PwC Research Services' Salary Benchmarking and Salary and Wage Movement surveys to enable more informed and justifiable decisions regarding remuneration.
- Most policies including the Conditions of Service have been reviewed and rolled-out.
- Incorporation of psychometric assessments as part of our refined recruitment process.
- Culture development programme led to the development and rolling out of Bestmed behaviours and these are being integrated into key aspects of talent management.
- Recognition programmes have been launched and rolled-out: Jump Star, Pace Setter and Excellence awards.
- Our Contribution Appraisals have been re-designed to incorporate high performance culture elements.
- Dedicated employee wellness programmes with our partners are running smoothly.
- Communication process to employees has been streamlined and is adding value.
- Centralising the development team with a staggered approach for business adaptation.
- The orientation programme for new Bestmed employees has been reviewed and rolled-out.
- Administration issues have mostly been resolved with the Retirement Fund Administrators and benefits have been aligned with policy documents.
- Changing structure within Human Resources to facilitate greater specialisation and service delivery to our end-users i.e our staff.
- Research, development and start-up of an Innovation Pipeline.

OPERATIONAL REPORT

Lucille Le Goabe
Admin Assistant
Pharmaceutical Benefit Management

Member of the Bestmed family for 9 years.

My claim to fame? I can read anything - and that means doctor's prescriptions too. Bestmed handed me the three most indecipherable scripts they had and I got the job after reading them. Oh, and I was the Face of the 80s when I modelled. But that was before motherhood. I love baking and cooking and walking with my children because I have so much energy. I also enjoy making people laugh so I guess my title 'office mimic' is correct.

Principal member distribution

Bestmed realised marginal member growth in the 2014 financial year compared to 2013. Our Corporate and Individual member profiles increased by the following margins:

Member category	2012		2013		2014		Growth in 2014
Corporate	47 251	65%	60 176	68%	61 740	68%	4.3%
Individual	25 620	35%	28 009	32%	29 202	32%	4.7%
Total members	72 871		88 185		90 942		4.4%

The growth in membership towards the end of 2013 impacted heavily on the different business units in 2014 from an operational perspective. Despite the two amalgamations in the previous year and resulting pressure on manpower and resources, operations managed to exceed all but one of the enhanced 2014 targets or organisational goals. The stretch goal in respect of the processing turnaround time for paper claims, however, proved a bit beyond our reach (42,24 hours actual versus our target of 41 hours).

Summarised operational performance dashboard

Our efforts and inputs have and are still being closely measured and reported. The enhanced organisational and departmental goals represent tougher targets than in the past, resulting in many forced changes to reach and surpass these contracted milestones.

Key performance area	Target	Jan - Dec 2014 performance	% Variance	Change
Claims				
Paper claims: receipt to assessed	< 41 hours	42.24 hours	- 3%	▼
EDI claims: receipt to assessed	<26 hours	25.2 hours	3%	▲
Claims error %	0.08%	0.07%	12.5%	▲
Hospital claims: receipt to assessed in MHC	< 60 hours	40.2 hours	33%	▲
Membership				
Changes to membership status	48 hours	42 hours	12.5%	▲
New applications: processing	48 hours	42 hours	12.5%	▲
Number of reconciliation management discrepancies	<1 000	479	52%	▲
Rand-value of discrepancies	R3.6 mil	R86 799	97.5%	▲

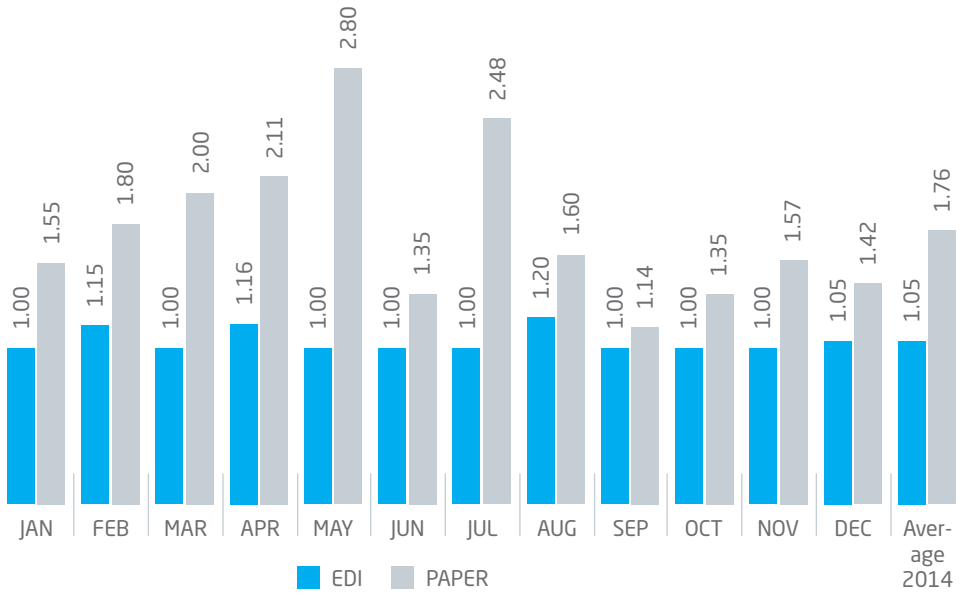
*EDI: Electronic Data Interchange

Claims assessment

Notwithstanding a number of system challenges, our claims processing performance in 2014 was still characterised by a consistent and quicker than industry turnaround.

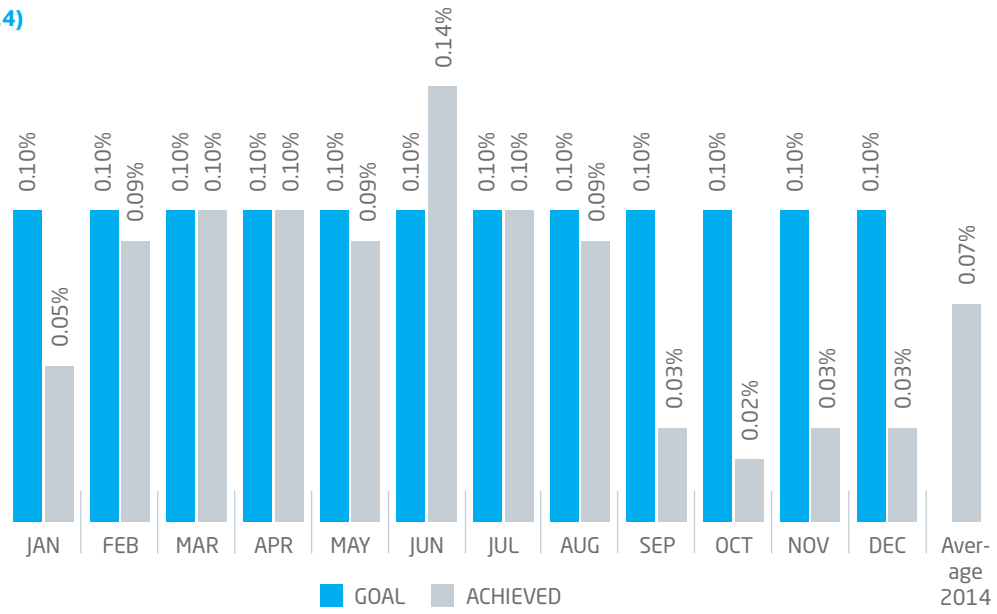
Claims turnaround times (Jan-Dec 2014)

MONTH	EDI	PAPER
JAN	1.00	1.55
FEB	1.15	1.80
MAR	1.00	2.00
APR	1.16	2.11
MAY	1.00	2.80
JUN	1.00	1.35
JUL	1.00	2.48
AUG	1.20	1.60
SEP	1.00	1.14
OCT	1.00	1.35
NOV	1.00	1.57
DEC	1.05	1.42
AVERAGE 2014	1.05	1.76



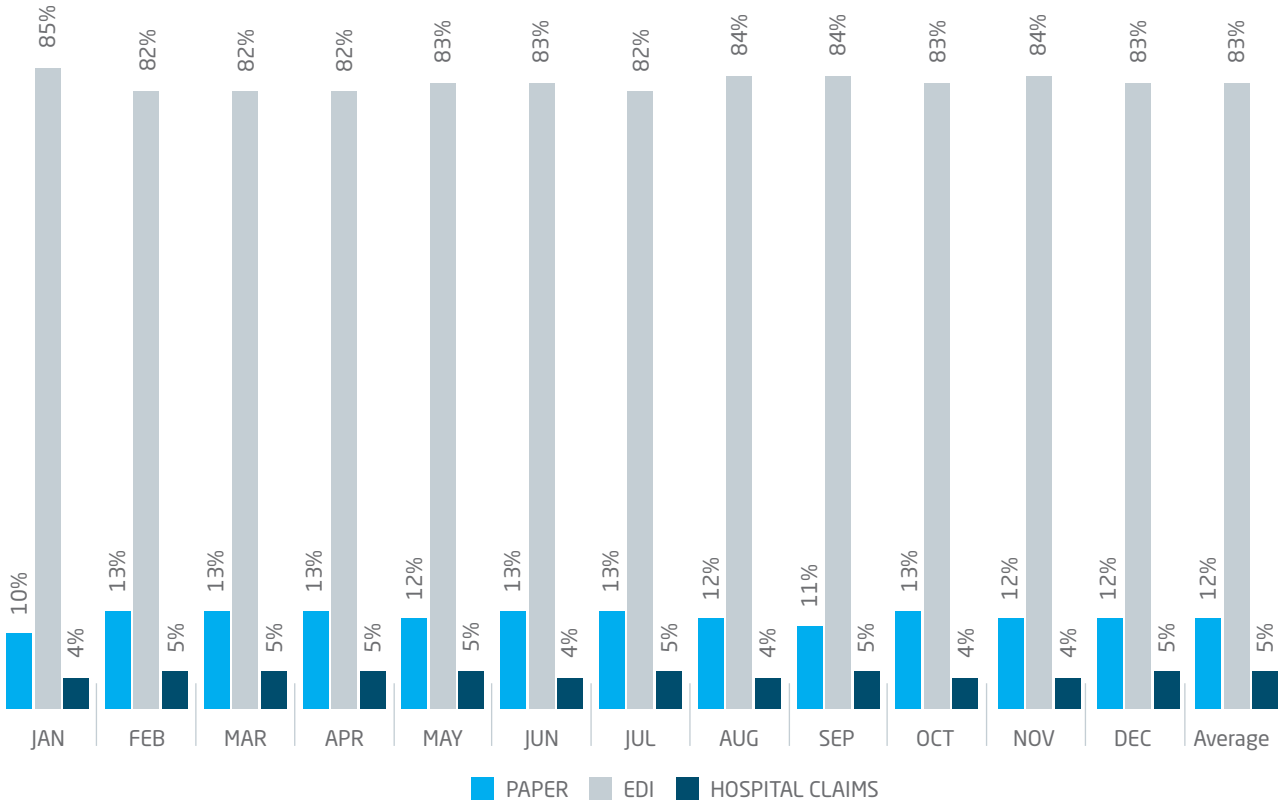
Claims processing error rate (Jan-Dec 2014)

MONTH	GOAL	ACHIEVED %
JAN	0.10%	0.05%
FEB	0.10%	0.09%
MAR	0.10%	0.10%
APR	0.10%	0.10%
MAY	0.10%	0.09%
JUN	0.10%	0.14%
JUL	0.10%	0.10%
AUG	0.10%	0.09%
SEP	0.10%	0.03%
OCT	0.10%	0.02%
NOV	0.10%	0.03%
DEC	0.10%	0.03%
AVERAGE		0.07%



Breakdown of claim types received (Jan-Dec 2014)

Note: Refers to the actual number of claims received.



MONTH	PAPER	EDI	HOSPITAL CLAIMS
JAN	11%	85%	4%
FEB	13%	82%	5%
MAR	13%	82%	5%
APR	13%	82%	5%
MAY	12%	83%	5%
JUN	13%	83%	4%
JUL	13%	82%	5%
AUG	12%	84%	4%
SEP	11%	84%	5%
OCT	13%	83%	4%
NOV	12%	84%	4%
DEC	12%	83%	5%
AVERAGE	12%	83%	5%

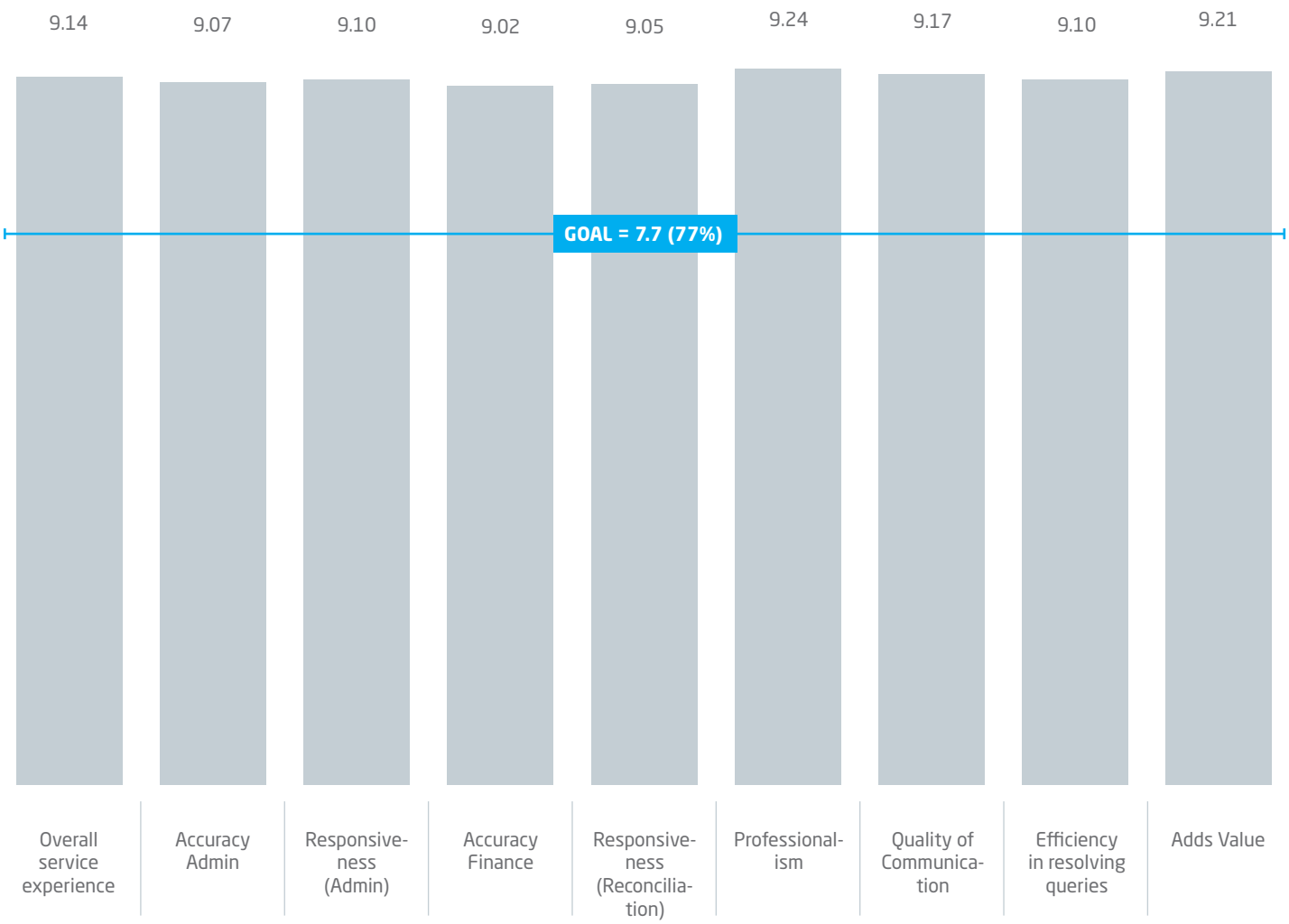
Membership database and reconciliation management

The status of our reconciliation management tends to attract significant attention on the occasions when it fails. The manner in which reconciliation management was contracted with the Board in 2014 in terms of number and Rand-value of discrepancies, led to a totally different approach to managing this issue. We had to make some harsh decisions and exert more pressure on participating employers and their administration structures. Nonetheless, the outcomes of the new process are self-explanatory and it is widely acknowledged that Bestmed is more hands-on than other schemes and more prepared to invest in this business priority.

Our IT partner delivered on our request to develop a fully automated split-billing configuration. This new initiative represents one of the most important system changes in 2014. Extensive User Acceptance Testing (UAT) resulted in a smooth and seamless "going-live" with not one discrepancy or member query, which supported the move from a manual or risk exposure situation to an automated system where all 300 plus subsidy scenarios have been configured.

2014 employer satisfaction ratings

The results of our employer satisfaction surveys show that we exceeded our target in all areas surveyed.



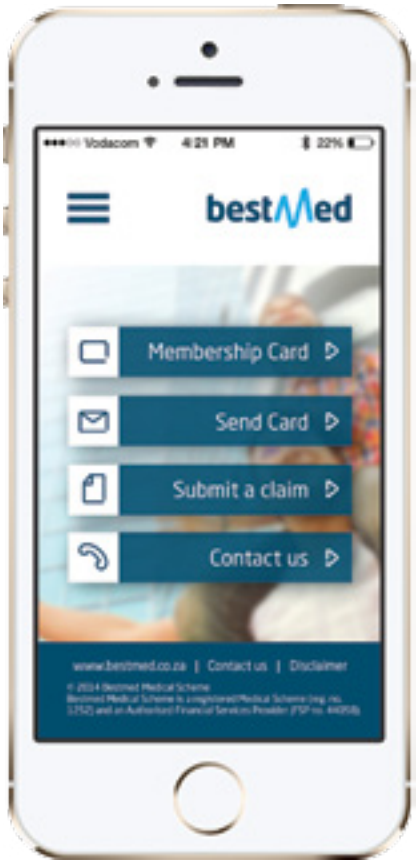
Achievements and challenges going forward

ACHIEVEMENTS AND SUCCESSES	CHALLENGES
• Reconciliation Management a) Goal <1 000 discrepancies Result = 479 b) Goal R3.6 million Result = R86 799.50 • Membership Processing Turnaround Goal <48 hours Result = 42-48 hours • Claims Turnaround EDI goal <26 hours Results <26.2 hours • Employer Satisfaction Survey Goal >77% Result = 91% (Membership Department only) • Jump Star Initiative • Split-billing configuration solution • Bestmed APP Phase 1 • Electronic Claims Interface (ECI) • Client Satisfaction Survey (Health Monitor) results in all three spaces (91% vs 77%) • One unified operational command	• IT development on current platform - Communications solutions • Creating continued down-stream value • Unleash organisational energy behind change initiatives • Cross-functional support and buy-in • Budget and resources • Maintaining current turnaround amidst interface issues • Fraud/forensic space solutions • System agility and responsiveness • Retention of staff and succession planning • Bestmed APP Phase 2 • Automated age communication • Card delivery - tracking solution

The Bestmed App

Operations recently launched Phase 1 of its latest change initiative to members – "Bestmed goes APP-solutely mobile!" The functionalities that are encompassed in Phase 1 are set out in the illustration below. We have already initiated Phase 2. In our opinion, this will be a real game-changer.

Illustration Phase 1



- Exact, daily updated digital replica of your membership card.
- Membership card replica can be presented at the point of service via e-mail or fax.
- Submit a claim directly to Bestmed via your smartphone by taking a photo or uploading a file.
- Contact us easily as all numbers and e-mail addresses are linked. You may also chat to one of our friendly consultants via Live Chat from your smartphone.

The operational performance of all three business units was more than satisfactory in 2014. The consistency in our performance and the non-debatable monitoring of measurable results in every operational space are evidence of our commitment to delivering excellent service to our clients. The operational risk factors have been reduced substantially, though there remains room for innovation and consistent roll-out of new value propositions to our clients.

We will continue to face challenges and inevitably experience surprises. We are nonetheless confident in our ability to overcome these and know our planning, forecasting and coordinated action will culminate in client experiences second to none in the industry. Our challenges going forward are to pay increasing attention to our clients' needs and to find solutions for that which is wrong and difficult – in principle to remove the "pain" from our clients' lives and to continue with our drive to automate and change processes. The past is behind us and we need to continue to develop and establish a whole new client perception as clients do not just compare us to other schemes, but rather to every service provider they come into contact with. We need to leverage the outcomes and the vote of confidence in our operational ability while always bearing in mind the following maxim:

It is not what you do better than your competitors that matters most, it is what they do better than you and how you respond to that!

CLIENT RELATIONS REPORT

Structural changes

In January 2014 we made some structural changes by changing the executive management portfolio to create a position for an executive to manage all key member relationships with a mandate to focus on establishing a culture of consistent service delivery to all members. This change meant that the Key Account Division, which was previously part of the Marketing Department, moved back to the Client Relations Department.

This change in structure means that the Client Relations Department now manages all contacts with all types of members, irrespective of whether these are individual members or corporate members.

Building the structure to fit the client base

The first step in the restructuring was to identify the key member or client types and especially those who deal with the Scheme on a regular basis.

The traditional contact centre was revisited and units were established within the existing structure to service each of the client types that deal with the Scheme.

The new structure was built around the various client types by focusing on the different relationships that are regarded as key to the success of Bestmed. These key stakeholders are corporate clients, members, brokers and service providers.

Key relationships

Once the structure was finalised, the second major milestone of 2014 was to create a culture of quality service as the shared goal between all the units within the department.

Establishing a culture of quality service

One of the goals for 2014 was to establish a culture of service excellence, with a focus on quality service as the first step. In order to ensure that this reached all contacts made through any of the service channels an in-depth training programme had to be developed.

In cooperation with the Human Resource and Talent Development Department an induction programme was developed and implemented in March 2014. The purpose of the new induction programme is to ensure that newly appointed employees in the Client Relations Department are properly trained and equipped prior to starting their role in either the call centre, walk-in-centre or as key account

Bertha Kana

Membership Individual Consultant
Membership Individual

Member of the Bestmed family for 2 years.

My biggest strength is harmony within. At Bestmed I also find harmony without, among a great team of encouraging colleagues. I feel at home here. Having just become a lay minister in the Anglican Church means I am focused on further studying to fulfil my dream of youth counselling for the church. I'm committed to improving myself to be the best mom I can be to our kids.

consultants. The induction training programme lasts three months and was developed to fully train and educate new staff in all operational and strategic aspects of the medical scheme industry and Bestmed as a medical scheme. During 2014, 14 employees were trained in the four induction training programme presented.

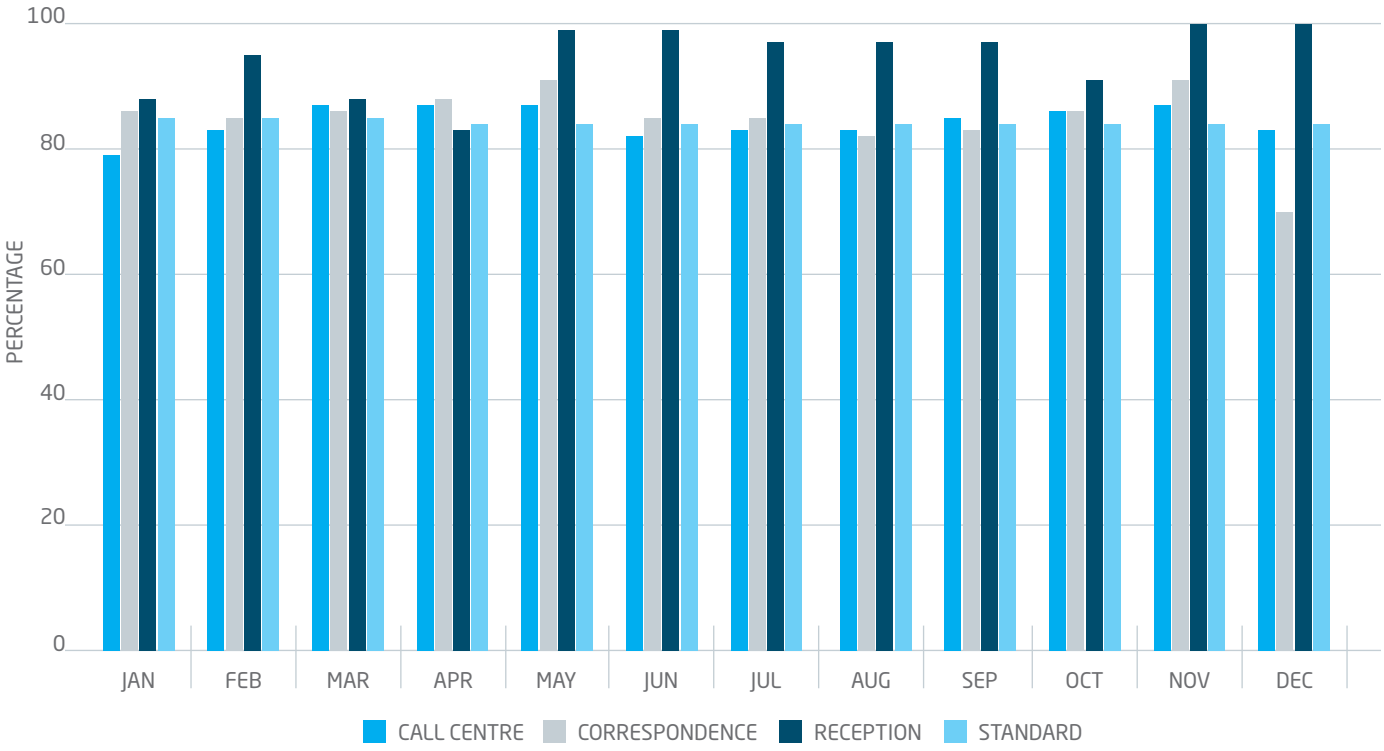
Focusing on quality

The second step in establishing the culture of quality service was to revisit the quality assessment processes in the department. New targets and goals were set to ensure that all clients receive the correct (quality) answer when liaising with any of the different units within the department. This meant that we had to revisit the internal training programme of all employees and reassess how we were measuring quality in the department. In order for employees to start focusing on providing quality answers, we had to measure service quality on a daily basis. The initial goal of 80% measured per individual was set and at least ten calls from each consultant were assessed on a weekly basis. Immediate corrective training was done by the team of eight quality assessors. We also appointed a coach to assist us in establishing a quality orientated service culture.

Key relationships structure

BROKERS	PROVIDERS	MEMBERS	EMPLOYER GROUPS
• Broker support - Call Centre • Provincial offices - support staff • Key Account Consultants (existing clients) • Broker Consultants (marketing - new business)	• Call Centre Agents • Provincial offices - support staff • Key Accounts Consultants (provinces) • Relationship Managers	• Provincial offices support staff • Call Centre Agents • Key Accounts Consultants	• Key Account Consultants • Health Check Unit

Quality measures

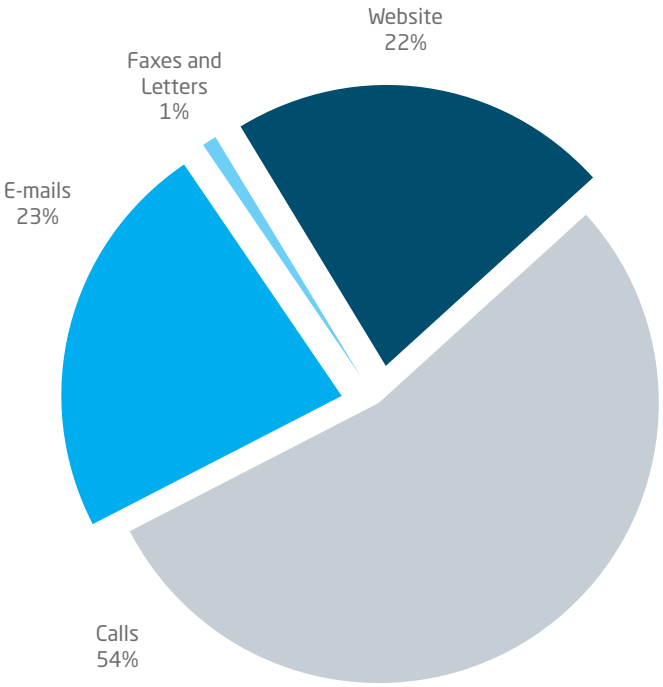


Communication channels

As a modern scheme operating in modern times we need to be able to handle all types of queries and communication types without neglecting any of the "older" types of communications.

The queries or contacts we received through the various channels are summarised in the chart below.

The Live Chat as contact channel was launched in December and at least six hours a day are spent on conversations via this facility.

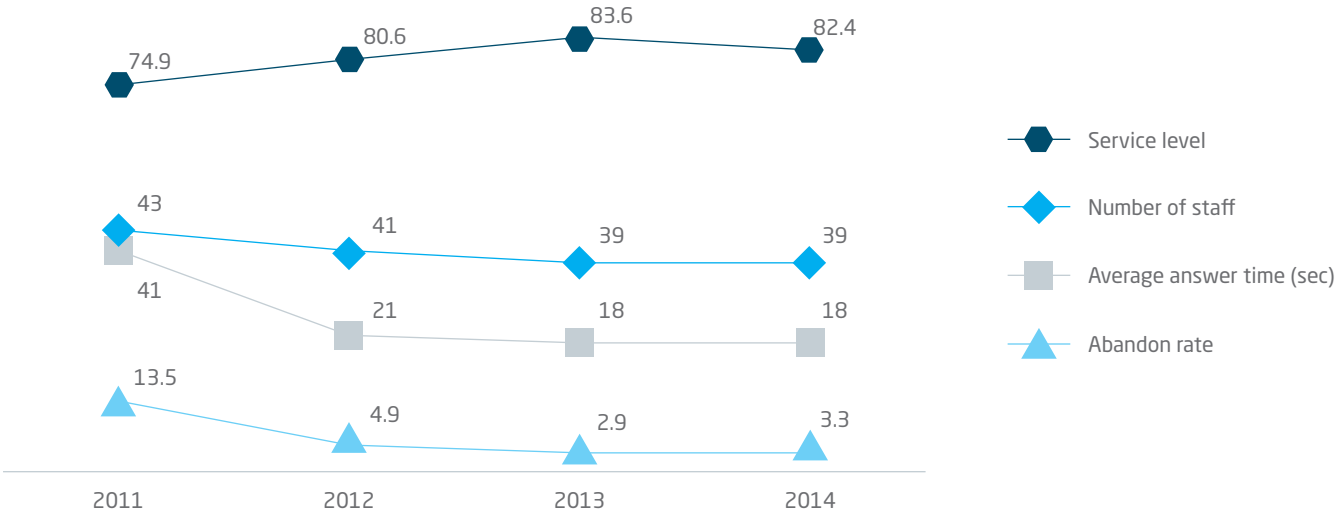


Performance indicators

Contact Centres: Overall Performance

Call Centre	SLA	Year end: 2014
Calls received		571 970
Calls answered		552 516
% service level	80%	82%
Average answer time (sec)	20	18
% abandoned	5%	3%
% calls transferred	5%	2%
Quality score call centre	85%	85%
Correspondence		
Fax		987
E-mail		248 389
Mail/Documents		7 702
Average wait to answer (hours)	48	±20
Quality score correspondence	85%	88%
Reception		
Number of walk-ins		10 016
Quality score correspondence	85%	95%
Managed Health Care Centre		
Calls received		185 143
Calls answered		177 543
% service level	80%	82%
Average answer time (sec)	20	20
% abandoned	5%	4%
Combined Call Centre		
Calls received		757 113
Calls answered		730 059
% service level	80%	82%
Average answer time (sec)	20	18
% abandoned	5%	4%
Hello Peter Complaints		
Received		118
Web Online Service		
Web usage		91 440
Members registered		29 570
Providers registered		18 238
Brokers registered		497

Call Centre Performance: 2011-2014

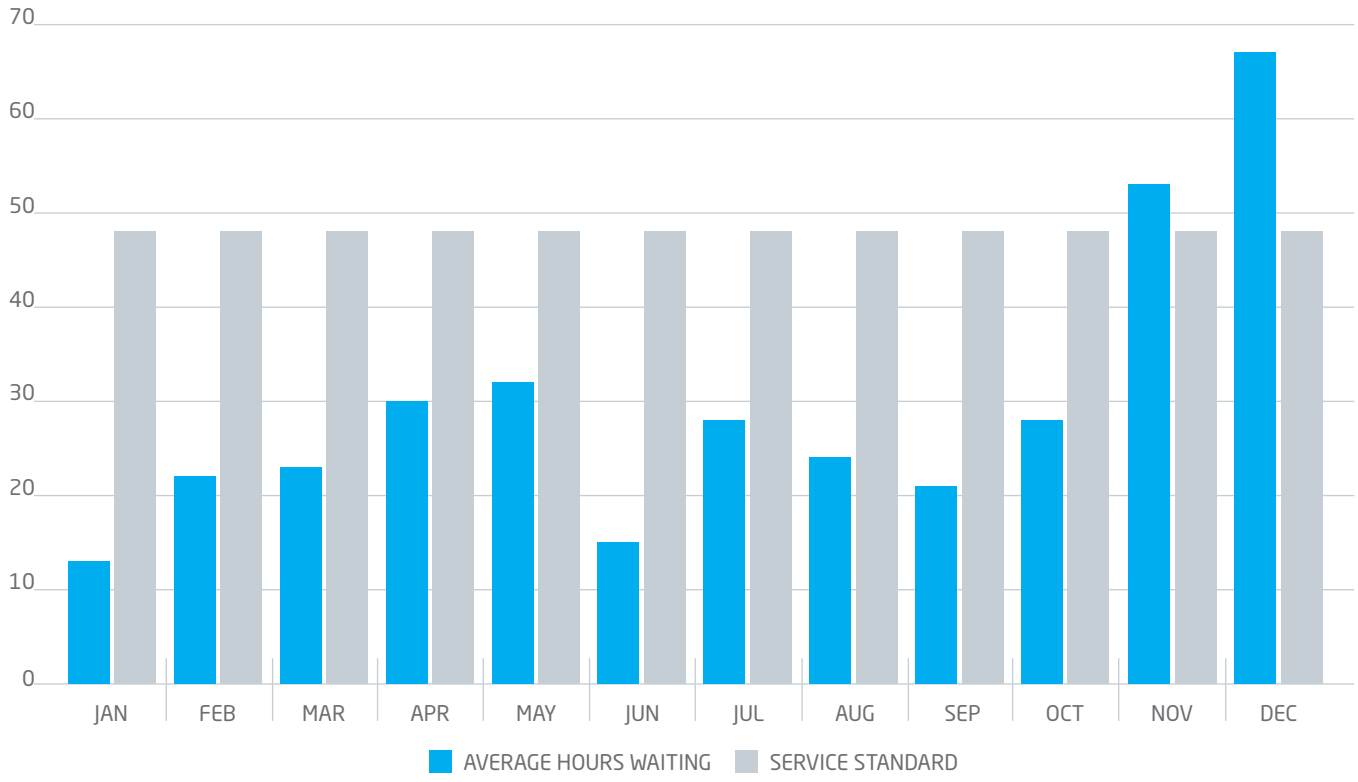


The average service level obtained in 2013 was 83.6% and 82.4% for 2014. The reason for the slight drop in service level was because we focused on improving the quality score during 2014. This meant that there was less emphasis on the speed of answering calls and more focus on providing the correct answer or information. The standard service level for 2014 was 82%, which we managed to achieve.

Correspondence Unit

E-mail enquiries

The correspondence unit managed to exceed its service standard during the year, although average hours waiting increased in November and December due to increased volumes of e-mails.



One-stop service

Another strategic objective the department had for 2014 was to establish a "one-stop service" model in the unit. This project aims at improving member and broker experience when liaising with staff in the call centre. The project required knowledge levels to be improved in order to provide a guarantee to members, providers and brokers that staff will be able to answer their questions regardless of who receives the call. At present 40% of our staff are able to answer all types of queries. We aim to improve this level to a point where at least 75% of our call centre staff can answer all types of queries.

CORPORATE SERVICES REPORT

Saajida Morris
ETD Practitioner
Human Resources

Member of the Bestmed family for 7 years.

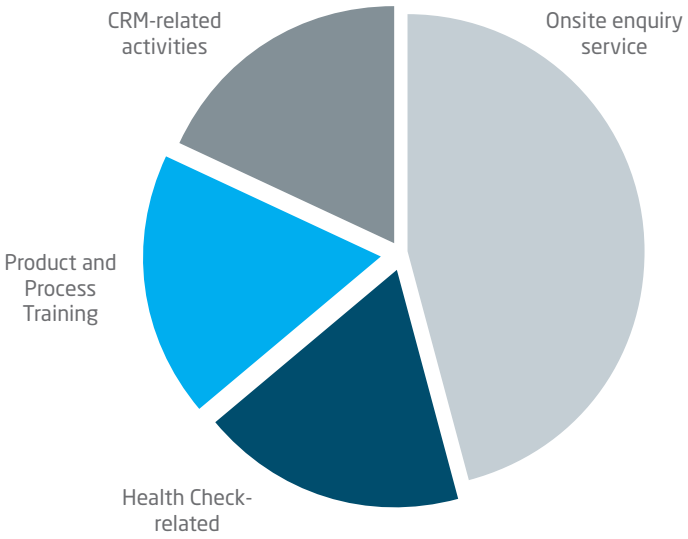
Raised by my grandmother in the North-West, I now have my own very loving family and we do everything together, from gym to nature walks. Bestmed literally took my blinkers off when I joined. I stopped thinking there was only one way to do things and realised I could be creative and add value through positive changes. There is nothing better than what I do. When you teach someone a skill, it is a gift for life.

Key Account Consultants

The main activities that make up the role of the Key Account Consultants can be summarised as follows:

The overall role of the Key Account Managers and Key Account Consultants is to establish and improve the relationship that Bestmed has with its key employer groups. This team of individuals is passionate about their clients and aims to build their knowledge of their clients to design a service model and service programme around their unique characteristics. For this reason the services we offer as part of the Corporate Service Programme differ from corporate to corporate. We avoid a one-size-fits all approach and instead present a unique set of offerings that meet the individual needs and unique requirements of each of our clients.

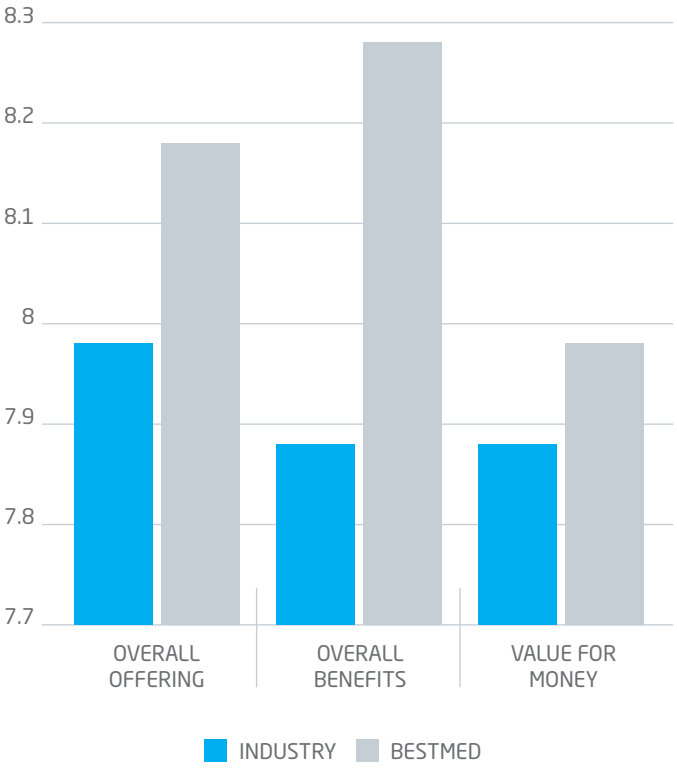
Key Activities



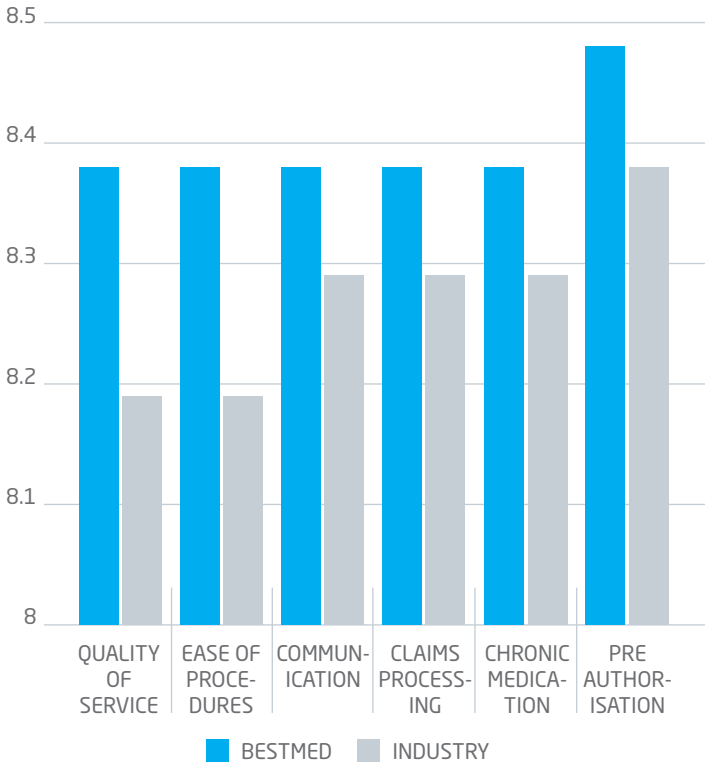
Satisfaction survey results

We measure the quality of our service through external surveys conducted by Specialist Research and Consulting. We were extremely pleased that the 2014 survey results showed that Bestmed once again scored ahead of our industry peers on both overall ratings and service ratings.

Overall Ratings (Out of 10)

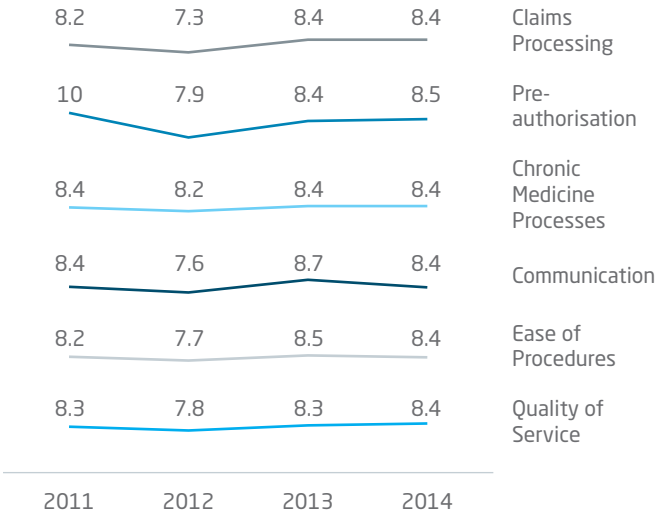


Service Ratings (Out of 10)

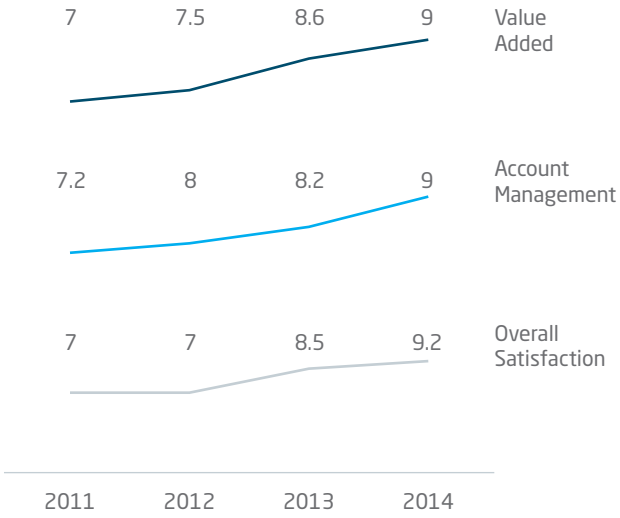


Service ratings remained level or improved slightly measured against 2013 in all categories except Communication and Ease of Procedures, which declined marginally. Corporate client satisfaction ratings saw strong improvement in 2014 across all three categories.

Service Ratings (Out of 10)

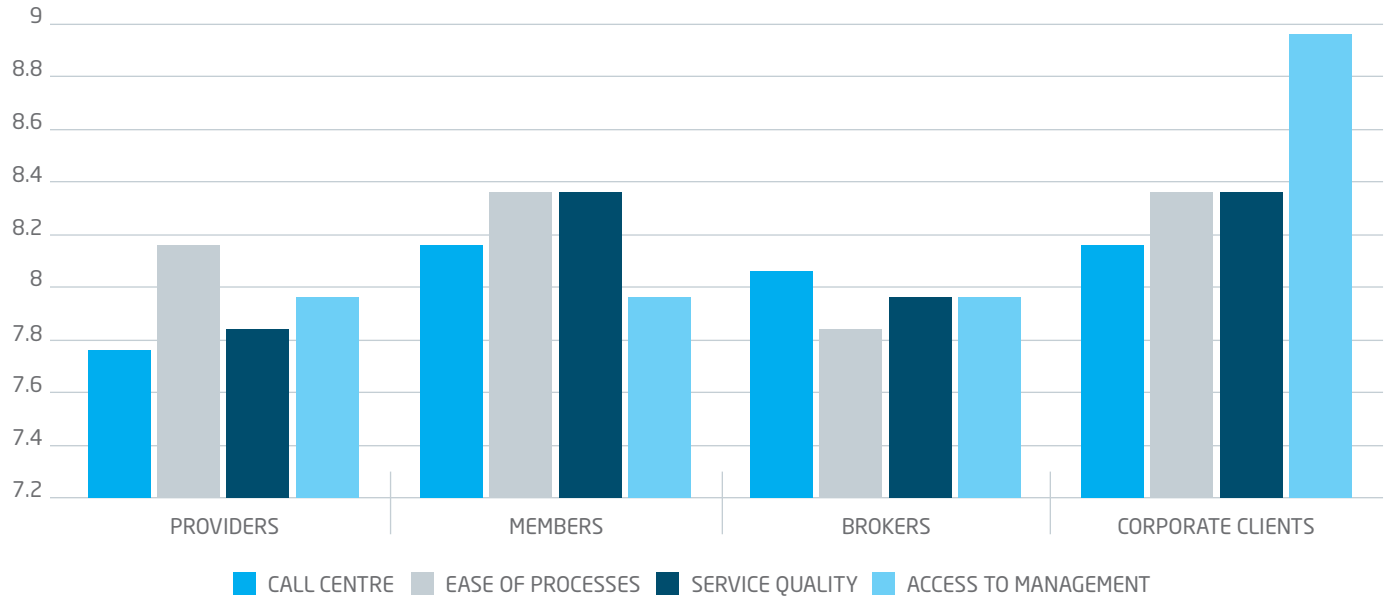


Corporate Client Satisfaction Ratings (Out of 10)



Ratings per client base

Corporate clients and members showed the highest satisfaction levels with corporate clients particularly appreciating the level of access to management available to them.



Service level standards and goals - 2015

Overall

The service emphasis for 2015 for all contacts or channels will be on:

- Professional service delivery.
- Ensuring that quality answers and information are provided.
- Improving the member (client) experience by enhancing self-service facilities, 24/7 access to client information and improving response time.
- Improving the knowledge levels and capabilities of our employees in order to reach the target of 75% of all staff able to answer all types of queries.

Specific targets

Contact Centre

INDICATOR	2014	2015
Service levels % of calls answered within 20 seconds, measured per month	82.5%	83.5%
Quality % of calls answered 100% correctly and professionally, measured individually	85%	90%
Transferred calls % of calls transferred out of the call centre	5%	5%
Abandon rate % of calls abandoned (Not answered)	5%	5%
E-mail response time 80% of enquiries received to be answered within time period	48 hours	24 hours

Key Account Consultants - Corporate Service Programme

INDICATOR	2015
Satisfaction score per corporate - all members	7.8/10
Satisfaction score per corporate - corporate management and HR departments	8.0/10
Satisfaction score per corporate - key account management	8.5/10
Satisfaction score per key account - rated by brokers	8.5/10

SERVICE PROVIDERS, CONTRACTING AND RESEARCH REPORT

Alet van der Merwe
Financial Assistant
Finance

Member of the Bestmed family for 14 years.

I'm a loving gran who lives with my daughter and her family in Pretoria. My passion for numbers ensures that the finance department is where I am most happy. I'll always be loyal to Bestmed because they were such an incredible support when my husband was sick and passed away. In the evenings I cook for my granddaughters who love to sit with me while I download music on my mobile for us to listen to. After that, its off to bed with a good book.

Healthcare service providers, contracting and research

Establishing Healthcare Service Provider, Product Supplier and Service Networks has been a key focus for Bestmed over the past three years. These networks ensure that members have access to high quality, suitable quantity (availability), cost-effective healthcare services which are sustainable (cost containment) and do not cause discomfort to members. Bestmed is delighted to have established 26 provider networks over the past three years, with over 8 000 contracted individuals in place. The following healthcare providers are on board:

HEALTHCARE SERVICE PROVIDER NETWORKS			ANCILLARY NETWORKS		
General Practitioners	Pharmacies	Specialists	Midwives	Dieticians	Biokineticists
Oncologists	Dentists	Orthodontists	Psychologists		Physiotherapists
Dental Therapists	Dental Technicians	Pathologists	Occupational Therapists		Audiologists and Speech Therapists
PRODUCT SUPPLY NETWORKS			**SERVICE NETWORKS**		
Stents and Pacemakers			Drug and Alcohol Rehabilitation		
Orthopaedic Prostheses			Renal Dialysis		
Oxygen Suppliers			Wound Therapy		
Stoma Suppliers			Home Nursing		

In an article published in the *Medical Chronical*, May 2013, Dr Andrew Good writes that there are three likely scenarios for managed care (with general practitioner involvement) in South Africa in the years ahead:

a) The current model provided by insurers (medical funders) with healthcare contact centres (through call centres and e-mail) that are staffed by clinically trained expertise will become more electronically sophisticated.
b) Medical networks managed by insurers (medical funders), hospital groups or pharmaceutical chains.
c) Medical networks owned by the doctors in the network that deliver provider-driven managed care.

The increased focus by the private medical scheme industry on using doctors within networks to manage healthcare shows a realisation that doctors are vital to the process and are needed to improve the management of care.

Bestmed's General Practitioner Network is doing just that, and more focus will be placed on empowering general practitioners to continue providing quality healthcare to Bestmed's members. In collaboration with the Independent Practitioner's Association and a number of medical schemes, doctors should have easier access to members' information and the management of their patients through the National Sign-On initiative.

It is extremely important to provide members with access to their preferred healthcare provider.

Bestmed is therefore targeting providers who currently consult to our members, a sector which grew significantly over the past two years, with the average in-network spend growing by 65%.

As the pharmacy network matured, dispensing fees also increased for 2015. We introduced Performance Based Reimbursement (PBR), an initiative that rewards pharmacies that focus on reducing out-of-pocket payments, provide quality service and are loyal to Bestmed and its members.

An established, mature network ensures the delivery of quality and cost-effective healthcare services without causing discomfort to members. Service provider relationships based on mutual respect, benefits and advantages to both parties, and seamless interaction with the Scheme, became the priority and even the norm. Our dedicated provider consultation service provides a direct line of communication to contracted providers and assists greatly in solving difficult, multiple and lengthy enquiries, with a satisfaction score of 9/10.

New networks implemented in 2014 and the beginning of 2015 included specialists, dental services (dentists, dental therapists, dental technicians), hearing aid acousticians and stoma suppliers.

With the number of networks growing, we are focused on managing the quality of these networks, ensuring Bestmed members have access to the best quality care with minimal or no co-payments.

An important tool in this process is patient feedback. This is supported by a literature review by the University of New South Wales, where positive evaluations have been identified in gynaecology, general practice, and general surgery. This indicated that doctors felt that peer review was a useful tool in their development. The review found that two thirds of the doctors who had participated in peer review were either considering or had implemented changes in their practice. Other research has shown that peer review has resulted in either perceived or measured positive changes in test ordering behaviour in interns, adherence to clinical guidelines and management of acute respiratory infections. DocAdvisor also reported that patient reviews of their doctor and hospital experiences lead to better care. These reviews are mostly positive, and patients do not judge a hospital by its décor instead of its healthcare.

Through intense media monitoring and attending symposiums and conferences, Bestmed keeps a close eye on healthcare industry trends, making sure we address all new developments and opportunities. As 56% of CMS complaints are related to Prescribed Minimum Benefits, the cost and quality of specialist networks will receive much more focus in 2015, together with more intense monitoring and measurement of designated service providers (DSPs), preferred providers (PPs) and service level agreements (SLAs). New provider payment models are receiving attention with intended implementation in 2015. More creative solutions are key to successful healthcare service provider management.

Our future objectives and strategy will continue to revolve around the healthcare provider environment in which Bestmed currently excels.

We are committed to improving the quality of healthcare offered and to harnessing member feedback on their healthcare experiences to ensure Bestmed members receive top quality healthcare that is accessible and affordable.

MANAGED HEALTHCARE REPORT

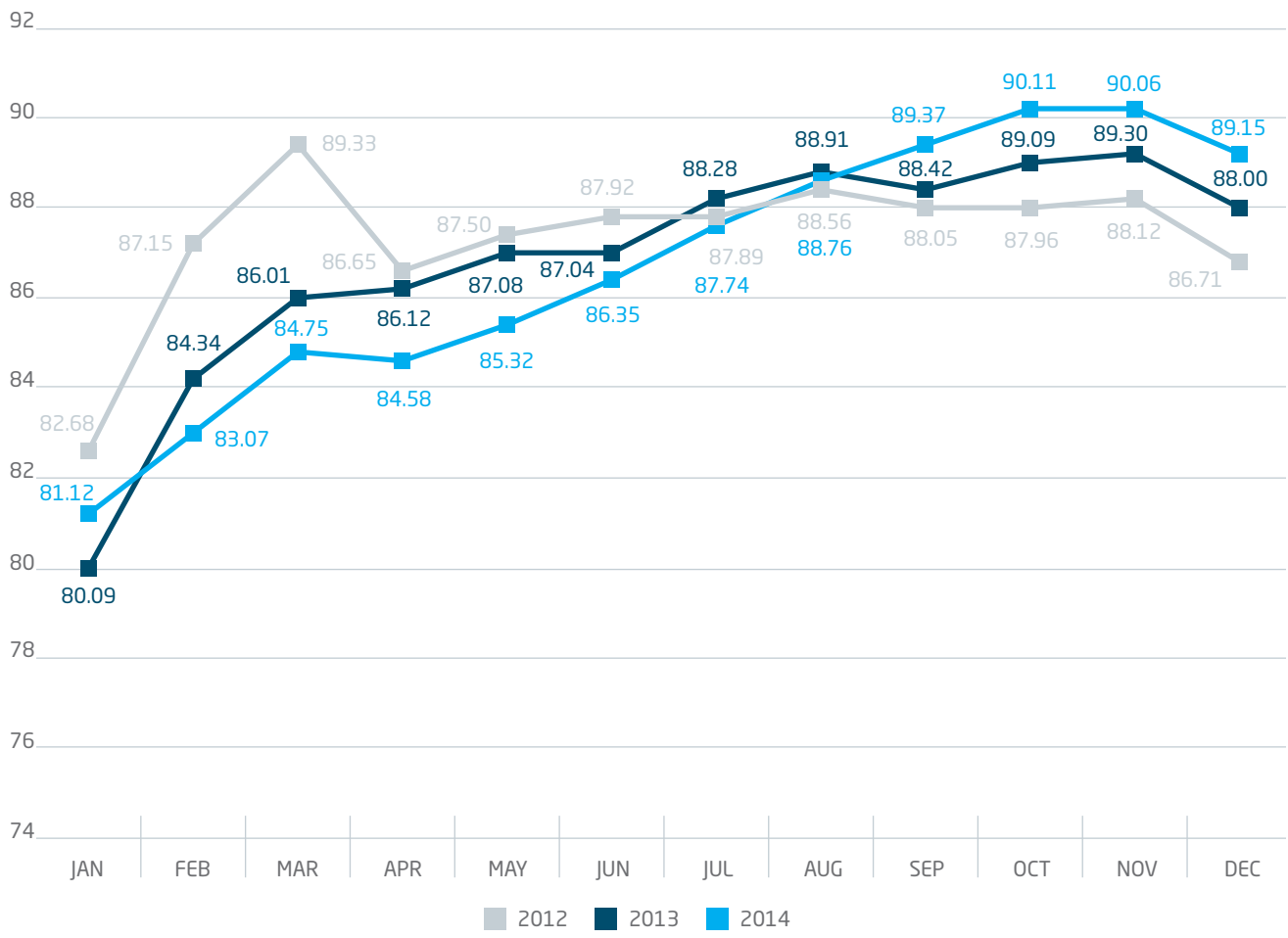
The Scheme applies a holistic approach in order to keep medical cover affordable over the long term and to promote client satisfaction. The benefit options of the Scheme must remain competitive in terms of both pricing and in fulfilling members' healthcare needs.

Average claims ratio

In 2014 Bestmed experienced a similar claim trend as that of the previous year, albeit lower than 2013 until August 2014. Owing to an unexpectedly high increase in hospitalisation in August, September and October the Scheme's total claims for 2014 were much higher than budgeted.

Bestmed's average claims ratio for 2014 of 89.15% represents an increase of 1.3% compared to 2013 (88.00%), which resulted in a net underwriting loss.

Average Claims Ratio: All Options (Service Date Statistics)



Hospital benefit management

Hospitalisation constitutes the most critical element in the healthcare system and is clearly the most expensive. Owing to the high cost associated with hospitalisation, it significantly influences subscription increases and therefore requires the application of effective managed healthcare measures. These clinical and financial initiatives focus on ensuring appropriate admission, levels of care and duration of stay in accordance with best practice protocols, and is effected by skilled clinical personnel.

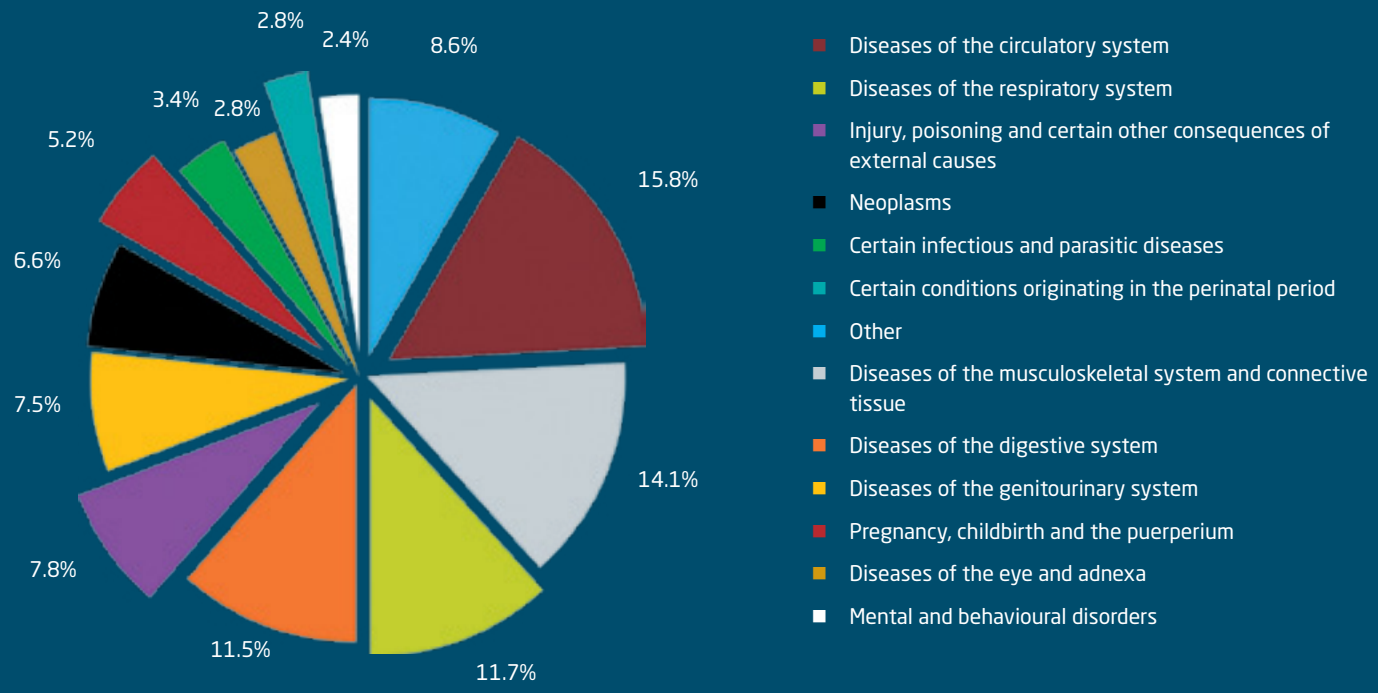
The benefit cost for hospitalisation increased by 18.2% from R1 112 million in 2013 to R1 314 million in 2014. An analysis of the percentage of hospital expenditure per diagnosis is shown in the graph below.

Riaan Graaf
Technology Technician
Information Technology

Member of the Bestmed family for 9 years.

They call me Mr Muscle. I guess that's because I spend a lot of time in the gym and playing soccer. But I also love spending time with my wonderful family, including my Staffordshire terrier and a "brak" called Spotty. The Bestmed culture suits my personality well: they allow for different growth paths and really support anyone wanting to make change.

Hospital Benefit Expenditure per ICD10 Chapter - January to December 2014



The average hospital cost per beneficiary is an indicator of all risk factors associated with hospitalisation and includes the incidence of hospital events, the cost per admission as well as the length of stay per hospital event. As reflected in the table below, the average cost per 1 000 lives has increased by 9.7% for 2014. A breakdown of the increase is shown in the following table.

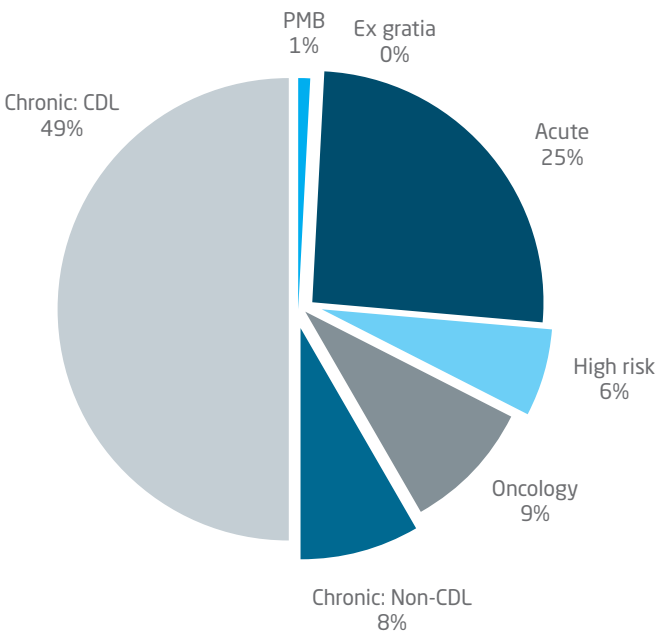
	2013	2014	% INCREASE/ (DECREASE)
Average cost per admission	R19 832	R17 628	(11.1)%
Number of admissions per 1 000 lives	26.62	32.85	23.4%
Average cost per 1 000 lives	R527 846	R579 110	9.7%
Average number of bed days per admission	3.17	2.67	(15.8)%

Pharmaceutical benefit management

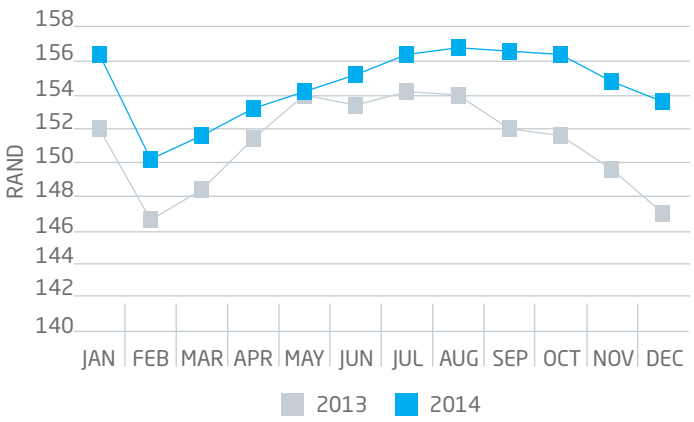
The total medicine cost for the year under review amounted to approximately R346 million. This was distributed as indicated in the graph to the right.

The average benefit expenditure per beneficiary per month increased by approximately 4.3%. This is mainly due to an increase in utilisation. Prevalence (the percentage of claiming beneficiaries) increased by 2.4%, and intensity (the number of items claimed per patient) increased by 1.1%. These trends are depicted in the graphs below.

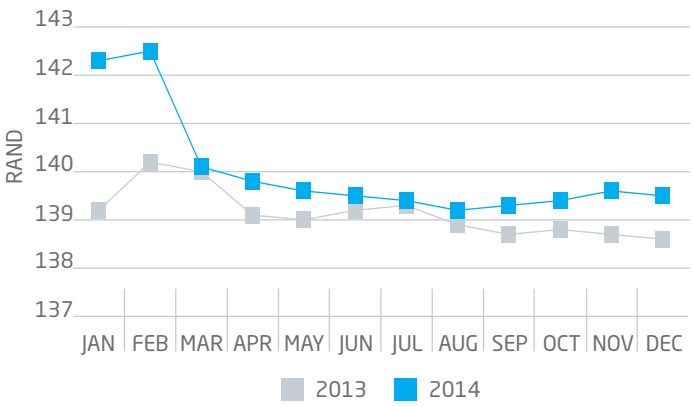
Distribution of Medicine Benefit Expenditure



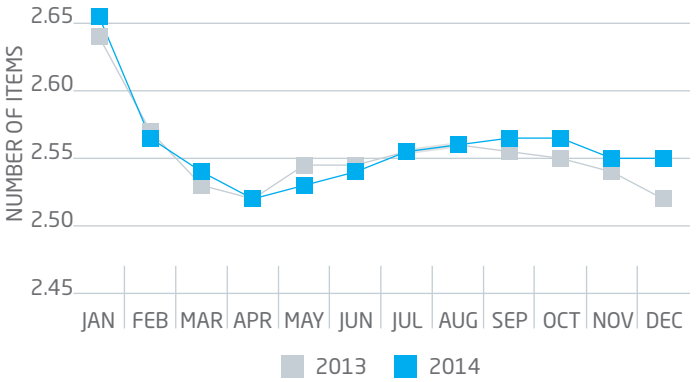
Expenditure Trend: Average cost per beneficiary



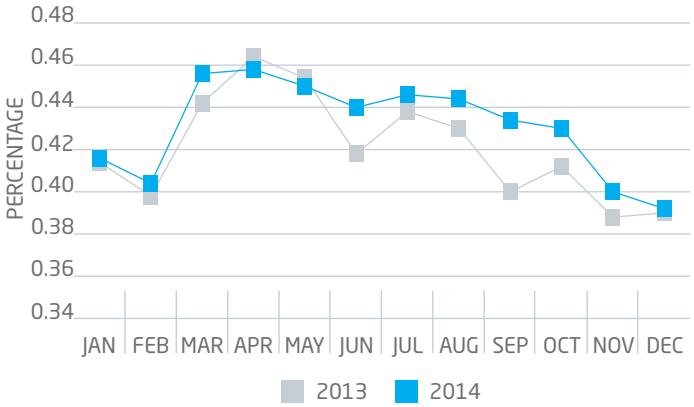
Cost Trend: Average cost per item



Intensity Trend: Average no. items per utilising beneficiary



Prevalence Trend: Utilising beneficiaries per total beneficiaries

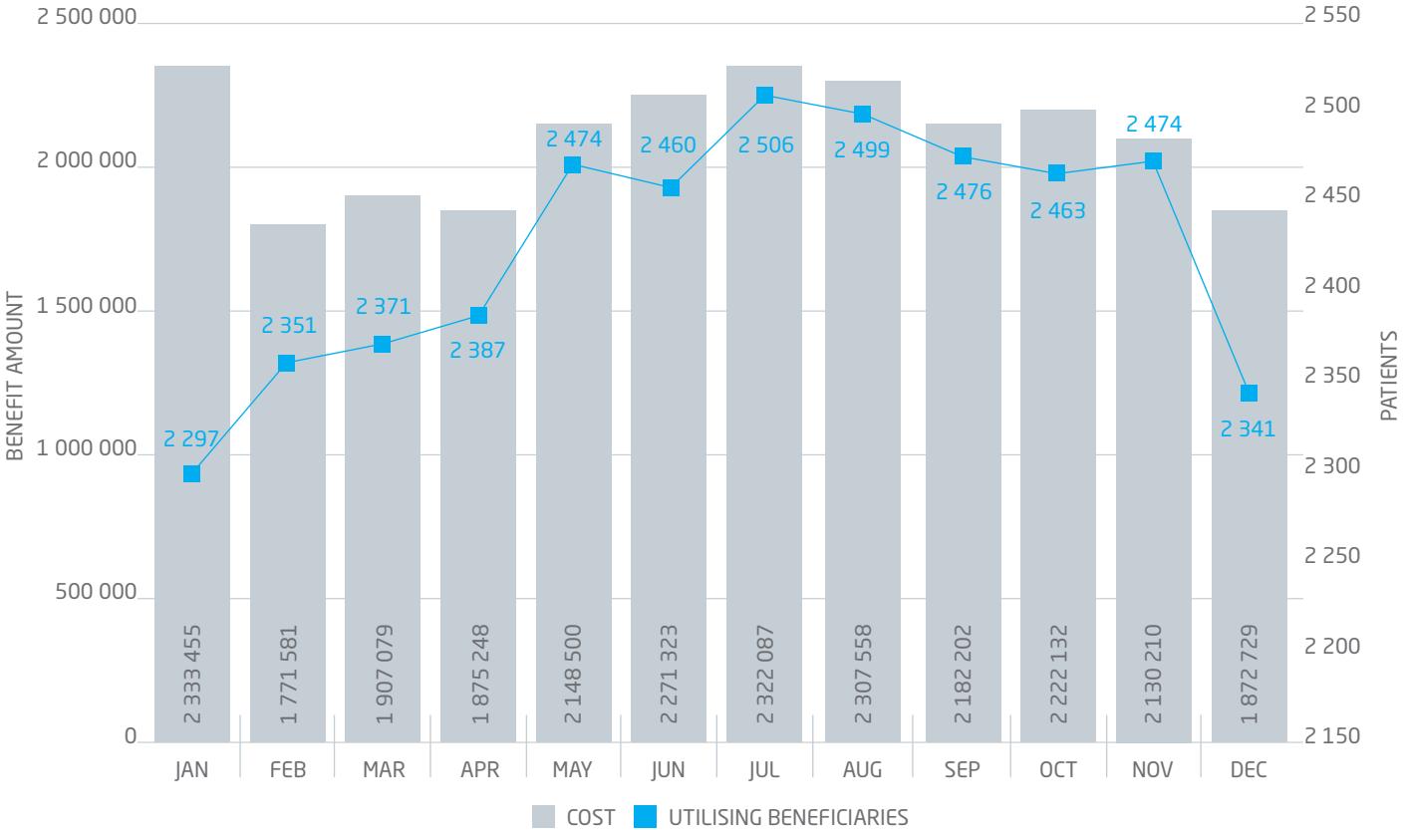


Disease management

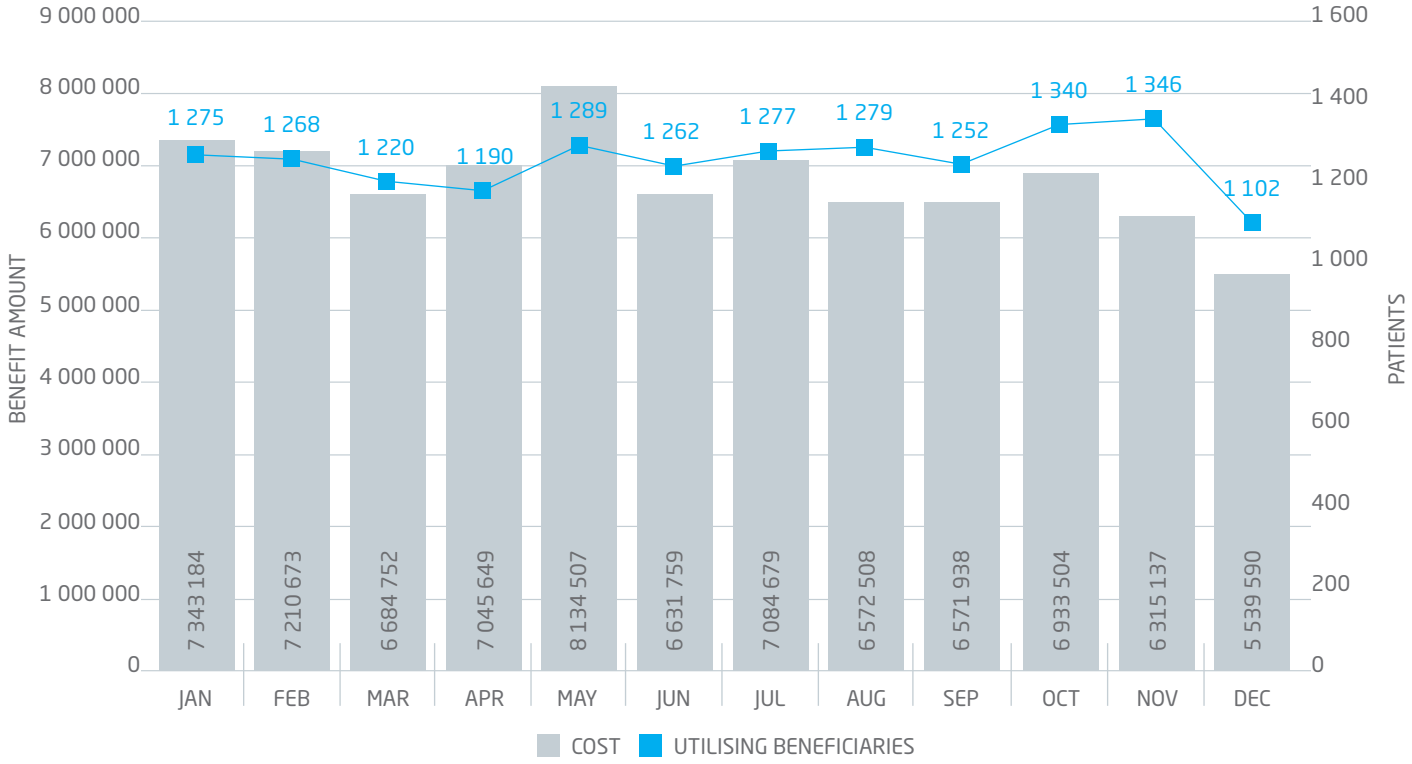
The results of the most prominent disease programmes, namely HIV/Aids and oncology, indicate that increases in prevalence rates are the main reasons for the increase in the benefit expenditure of the treatment of HIV/Aids and cancer.

The total benefit expenditure relating to the treatment of HIV/Aids and cancer amounted to approximately R25 million and R82 million respectively. The following graphs show these trends.

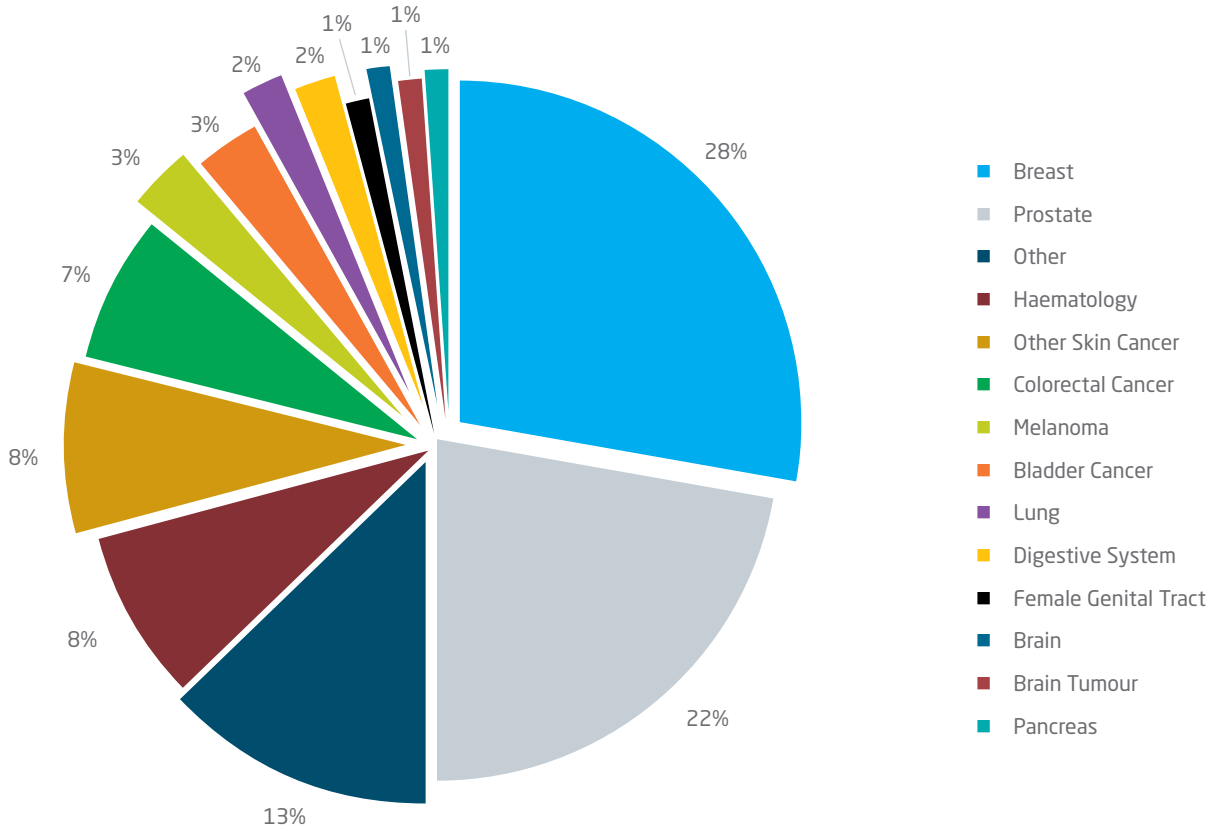
2014 - HIV Programme: Total HIV Patients and HIV Benefit Cost per Month



2014 - Oncology Programme: Total Oncology Patients and Oncology Benefit Cost per Month



The following graph indicates the percentage benefit expenditure for the various cancer types:

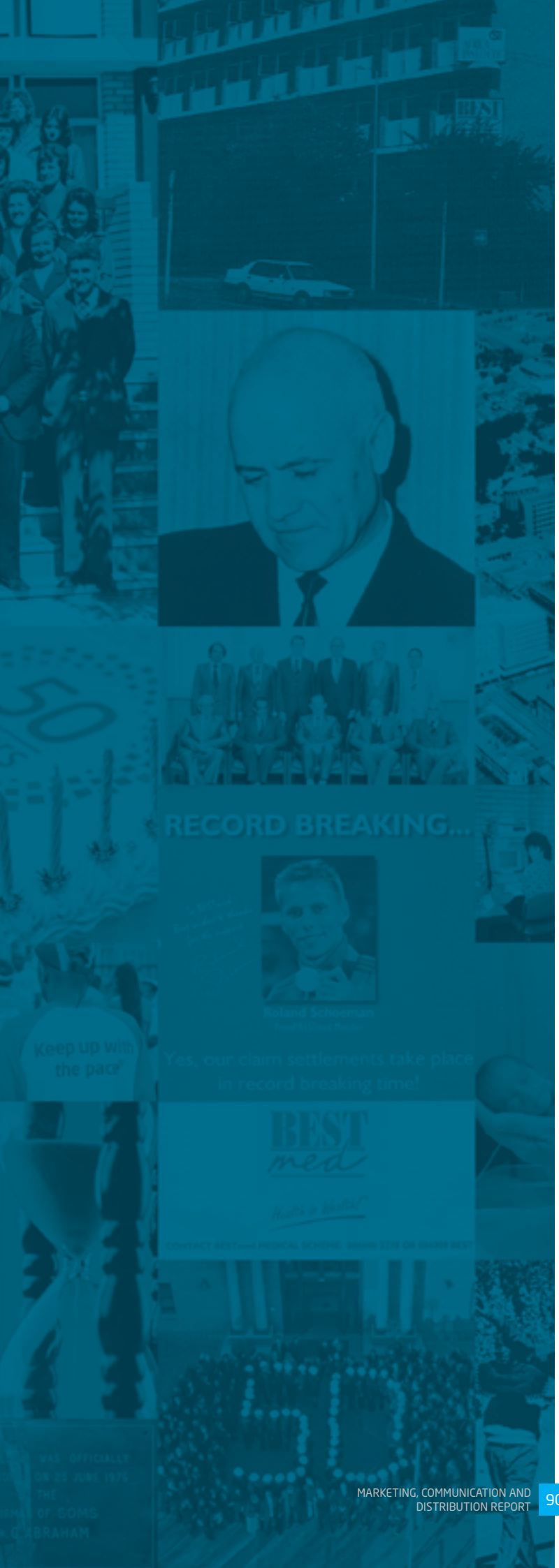


MARKETING, COMMUNICATION AND DISTRIBUTION REPORT

Cindy Mitchell
Financial Control
Finance

Member of the Bestmed family for 27 years.

I love to learn; even the books I read must teach me something. Every day at Bestmed is a new challenge. I'm a workaholic but I always stop by the gym and go dancing with my friends to keep a balance. Racing on my motorbike gives my two sons grey hair, so I tend to curl up with my pet parrot at night and read.



The Bestmed brand - reflecting the evolvement of the Scheme

The beginning

On 1 July 1964 the Statutory Organisations' Medical Scheme (SOMS) was registered as a closed medical scheme by George Abraham of the Council of Scientific and Industrial Research (the CSIR) under the Friendly Society Act and conformed to the standards and rules set by the Snyman Commission of Enquiry into the high costs of medical services. SOMS was later to become known as Bestmed Medical Scheme.

The SOMS logo was designed by the management of the Scheme and consisted of the letters S.O.M.S. arranged as a three-dimensional block in shades of cobalt blue and grey. At the time, SOMS had its roots in the strong semi-government environment and therefore no additional marketing drives were required to garner membership.

In the 1970s SOMS experienced an immense administrative improvement and innovation, resulting mainly from the crises experienced because of growing claims. This focus on improved service delivery to members and opening up membership opportunities to all South Africans continued throughout and, in 1980, SOMS was finally able to announce that government had allowed it to open up its membership to Black employees. The Scheme could now compete more effectively with private medical schemes.

During the 1980s the market changed rapidly and medical costs were spiralling higher; however, SOMS membership continued to grow year-on-year, building a strong platform for expansion.

The birth of Bestmed

The SOMS management had tasted victory and fought many battles to overcome defeat. In order to remain relevant while improving its position in the market, management focused its attention on associating SOMS with the best and most highly accredited organisations in the country.

A major shift in operations was executed in 1990. At the 26th AGM, held at the CSIR Conference Centre, an announcement was made that the Scheme would be opening up its membership to include private members and that the name of the Scheme was to be changed.

The decision to change the name of the Scheme was not taken lightly. After extensive research it was established – and confirmed by general consensus – that the name "SOMS" was not a marketable brand for an open scheme. Various naming options were considered, including Supermed, Plusmed and Bestmed. In July 1990, SOMS officially changed its name to Bestmed Medical Scheme, and a new era had begun for the Scheme as an open scheme, with the promise of great strategies and changes.

Along with the new name, a modernised, refreshed and rebranded corporate identity was required. Bestmed's first logo, designed by Mignon van Vuuren, a student at the then Pretoria Technikon, consisted of a bright blue "BEST" featuring a lower case, cursive "med" below it.

Over the years, several minor changes were made to the logo in order for it to remain relevant. When partnerships required it, a by-line was added to the logo to indicate the collaboration. With every update to the look and feel of the logo and the Scheme's corporate identity, trademarks were filed and Bestmed owned the intellectual property.

After 1994

In the period after 1994 the political landscape changed dramatically when the first democratic elections enabled previously disadvantaged South Africans to participate in all dimensions of society. The macro-environmental forces, the Medical Schemes Act amendment in 2000, which prescribed that 25% of annual contributions should be reserved by all schemes, as well as extremely high medical inflation, posed severe challenges which had to be managed through sheer hard work and sound business decisions. The end result was that when the first Annual Report was produced in 2003, it showed a wonderful

achievement of sustainability, growth, profitability and customer satisfaction.

The advent of democracy and the concomitant changes in the environment also necessitated the implementation of a marketing strategy and establishment of an Internal Marketing Department at Bestmed to facilitate the development of the Scheme's brand identity in the marketplace and to strengthen relationships with existing distribution channels.

As a result of the adjustments to legislation governing medical schemes, strategies had to be put in place to foster growth for the renamed Bestmed Medical Scheme. A fundamental element of the new strategy was defined as the "Bestmed Touch" and Customer Intimacy Policy. These policies formed the roadmap according to which the Scheme began servicing its customers by presenting them with solutions that exceeded their expectations.

In 2003 a noticeable change was made to the Bestmed logo by adding colour to the word "med". It was believed that this would enhance Bestmed's image as a modern, strong, focused and future-centred organisation. In the same year, the first Corporate Identity (CI) Manual was developed and the Scheme's pay-off line was confirmed as: "Health is Wealth – Welvaart in Gesondheid".

The last decade

In 2004 Bestmed celebrated its 40th birthday and broadened the scope of its branding by enhancing its brand equity. The Scheme made a strategic decision to drive even greater growth and sustainability during its fifth decade.

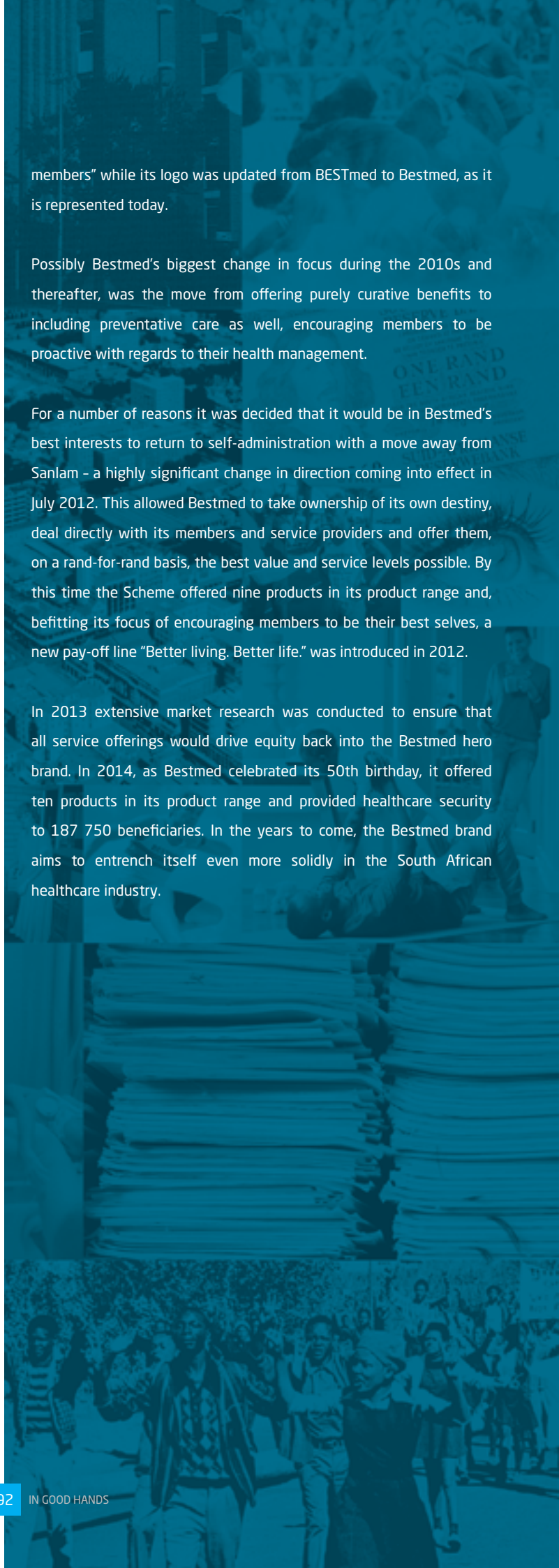
At the 38th Annual General Meeting, held at the ABSA Conference Centre in 2008, another change to Bestmed Medical Scheme's administration was announced. Sanlam acquired the administration functions of Bestmed and formed Sanlam Healthcare Management.

In 2008 a radical update to the Scheme's Corporate Identity (CI) was embarked upon to keep up with the marketing trends at the time. This resulted in a major rebranding project with the Scheme's CI being officially and completely re-engineered by 2011, allowing the Scheme to remain relevant to the community it serves. The Scheme's brand essence was also updated to its current form, namely "by members, for members" while its logo was updated from BESTmed to Bestmed, as it is represented today.

Possibly Bestmed's biggest change in focus during the 2010s and thereafter, was the move from offering purely curative benefits to including preventative care as well, encouraging members to be proactive with regards to their health management.

For a number of reasons it was decided that it would be in Bestmed's best interests to return to self-administration with a move away from Sanlam – a highly significant change in direction coming into effect in July 2012. This allowed Bestmed to take ownership of its own destiny, deal directly with its members and service providers and offer them, on a rand-for-rand basis, the best value and service levels possible. By this time the Scheme offered nine products in its product range and, befitting its focus of encouraging members to be their best selves, a new pay-off line "Better living. Better life." was introduced in 2012.

In 2013 extensive market research was conducted to ensure that all service offerings would drive equity back into the Bestmed hero brand. In 2014, as Bestmed celebrated its 50th birthday, it offered ten products in its product range and provided healthcare security to 187 750 beneficiaries. In the years to come, the Bestmed brand aims to entrench itself even more solidly in the South African healthcare industry.



1964

1990

2000

2002

2008

2011

2012

2014

The Bestmed Story - celebrating 50 years

As part of Bestmed's 50-year birthday celebrations, a historic coffee table book was created to capture and showcase the history of Bestmed's existence, the perseverance and team work of the staff and the successes achieved over five challenging decades.

Part of Bestmed's continuing success can be attributed to the fact that we are constantly inspired by our corporate vision which states:

"Bestmed shall be trusted as the medical scheme of first choice to access value-for-money lifestyle and preventative care benefits, and a healthcare offering that is unique in the market we serve."

The University of Pretoria, Curemed Healthcare Consultants, Telkom, Alexander Forbes and AON Hewitt – all loyal and longstanding partners of Bestmed – were treated to a piece of delectable Bestmed birthday cake and a personal visit from our CEO, who thanked them for their continuous support.

As our CEO, Dries la Grange has said before, "Employees are the sparks required to ignite excellence". As a token of appreciation to every staff member for their priceless contribution to the success of Bestmed, an elegant 50-year staff lunch was hosted at Utopia in Pretoria. It was a festive occasion and served as an excellent opportunity for staff to interact and build even stronger bonds on an already solid relationship foundation.

The achievements of the past 50 years are truly something that each and every Bestmed member, stakeholder and staff member can be proud of. Our thanks go to each and every individual who played an integral part in our fruitful journey over the last half century. The journey ahead promises another 50 years of continuous improvement, growth, sustainability, financial stability and satisfied members and service providers.

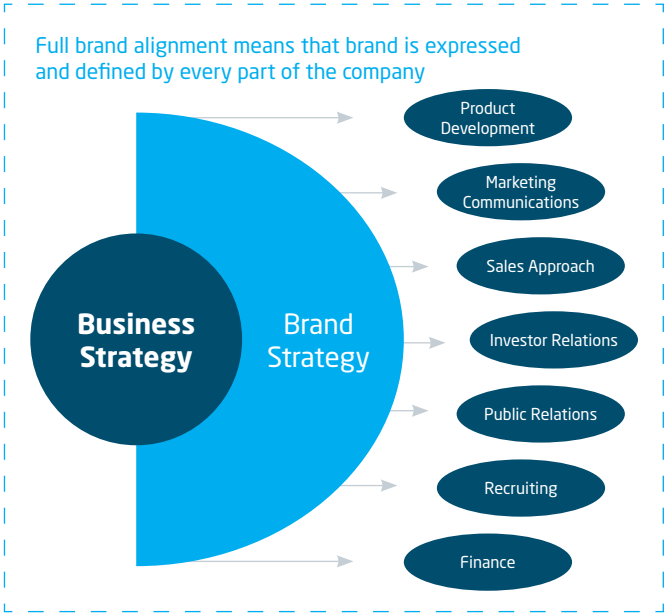

bestmed


50
years

Brand and corporate identity

Business objective

Our business objective is to ensure that Bestmed's key internal and external stakeholders perceive the Scheme clearly and accurately, see it as relevant and ensure that we stay true to our brand promise to build brand equity. Brand equity is the value the Bestmed brand holds for its personnel, members, the medical scheme industry and the public at large and determines successful growth, amalgamations and the viability of the organisation. We aim to manage the brand holistically – the Bestmed brand is the emotional relationship that instils reliability and trust between the Scheme and its employees, and between Bestmed and its members, whereas the identity is how our members and the public at large view us.



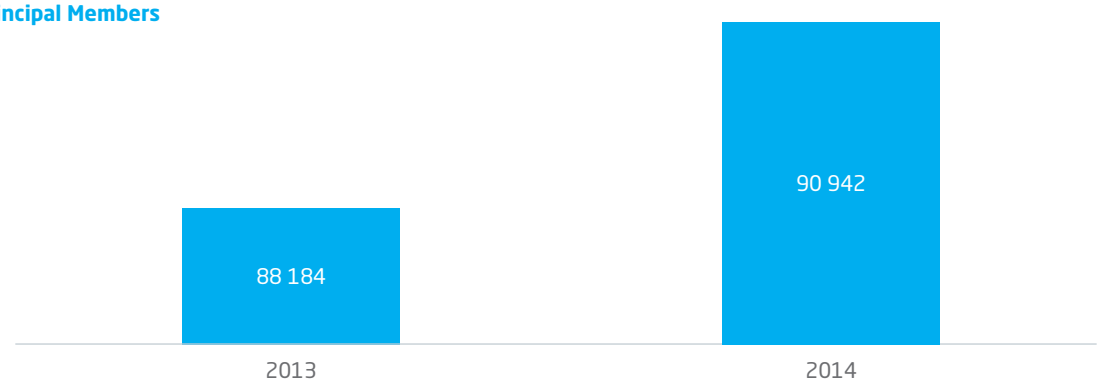
Distribution

The distribution team is focused on increasing Bestmed's membership by expanding our broker network. This is achieved by providing excellent service and by being subject matter experts. Engagements with brokers aim to implement measures to retain members pro-actively, thereby growing their business.

The distribution network increased by 151 brokers (54 brokerages) during 2014. The majority of the brokers/brokerages have activated their contracts by placing new business with Bestmed within two months of contracting with the Scheme. The distribution broker consultant team has also grown over the last year to 11 consultants. Cape Town now has two broker consultants; Eastern Cape one; KZN one and Gauteng seven (servicing the rest of the country from Gauteng).

The distribution network registered 12 736 new principal members (31 292 beneficiaries) with an average beneficiary age of 26. Our strategy for 2014 focused on organic growth and this was achieved with great success. The Scheme's membership grew by 4.4% in 2014 to 90 942 principal members.

Number of Principal Members

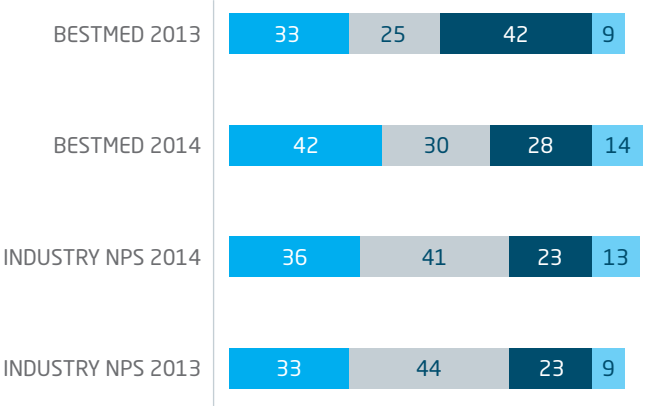


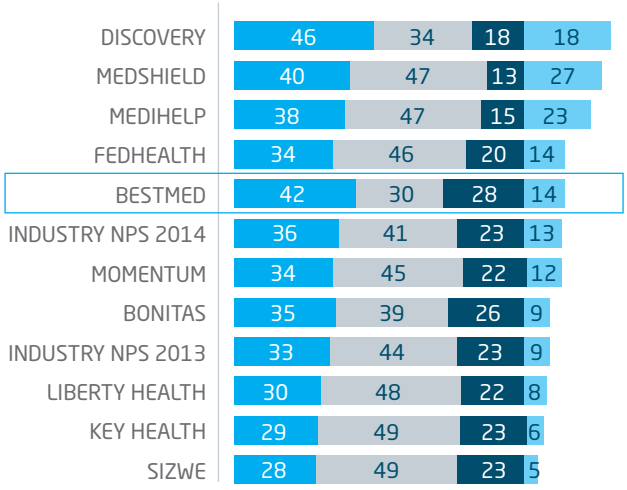
Broker research

Independent broker research was conducted by Specialist Research and Consulting. The results illustrated that Bestmed has moved from a negative net promoter score (NPS) in 2012 to a positive 14 in 2014, indicating that brokers are likely to recommend the Scheme. This score is just above the industry average. The overall improvement in ratings indicates that Bestmed's strategy is working for brokers.

Net Promoter Score

Bestmed has seen an improvement in Brokers' willingness to recommend the Scheme and is now just above the industry average





Advertising

Traditional above-the-line advertising

Bestmed's advertising campaign in 2014 included special packages bought at good rates for flighting during the FIFA Soccer World Cup and PSL Soccer package. The focused spend on these events aimed to tap into the emerging market. Bestmed also ran a radio campaign for its birthday in July 2014. The print media campaign for the year focused on health-related magazines and articles – Prevention: Outsmart Diabetes, Prevention: Walking for Weight loss and Two Oceans. There were also business-focused articles placed in *HR Future* and *Risk SA*. A special corporate profile was commissioned in the *Financial Mail* in July covering Bestmed's progress over 50 years.

The Orchid Award

Bestmed's Baby Benchpress commercial was recognised with an Orchid in the *Argus* newspaper in June 2014.

Bestmed advertising

Bestmed's budget allocation to media in 2014 was R 4.4 million and the placement schedule delivered a value of R12.1 million, creating an additional 174% in exposure.

Bestmed's television advertising campaign reached 64% of our LSM 7 – 10, age 25 to 49 target market. Our advertising campaign also extended into radio and print. The radio communication message endorsed the credentials of our 50th birthday. The radio campaign ran in Gauteng and the Western Cape on Jacaranda, 702, Highveld, Cape Talk and KFM, reaching 1.2 million people. Overall, the campaign reached nearly 13 million people.

Online marketing

2014 was the final year of a three-year online marketing strategy and the key objectives for 2014 were to:

- Increase Scheme brand awareness in the online space.
- Support sales objectives through highly effective lead generation activities.
- Assist business in reducing total non-healthcare expenditure.

Creating brand awareness

The key metrics for brand awareness are:

- Visitors to the Bestmed website.
- Ad impressions – the number of times an ad is viewed.
- Social media community growth.

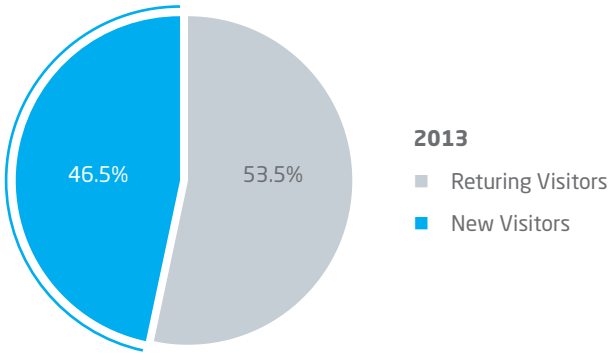
Orchid Award

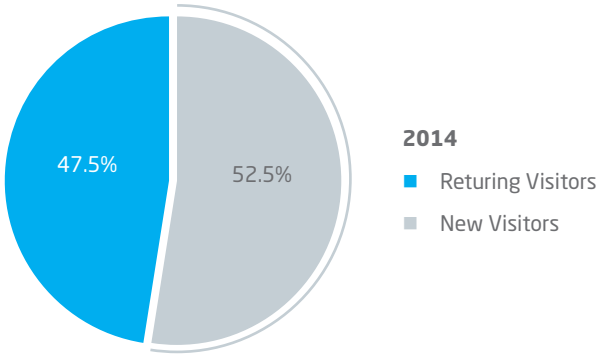
Insurer's digital ad got this cynic's attention

Orchids & Onions

Website visitors

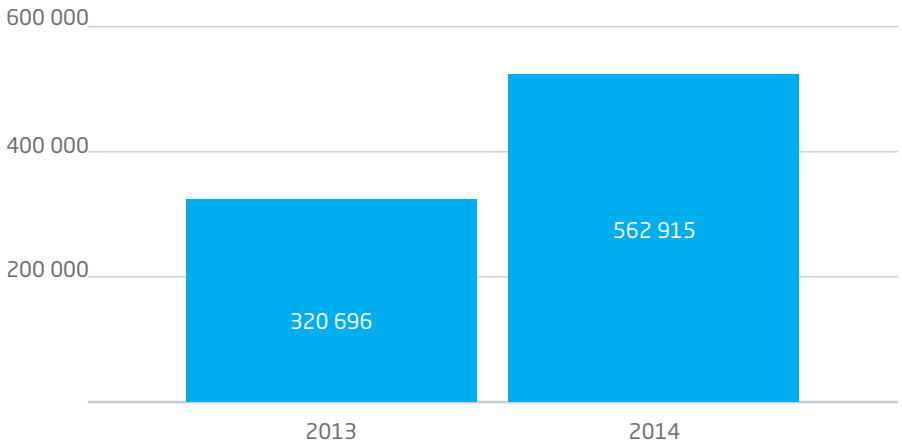
Brand awareness is the primary objective in our online strategy, thus a key metric is to ensure that we achieve a higher rate of new visitors to the Bestmed website compared to returning visitors.





A comparison between the 2013 and 2014 page visits to the Bestmed website indicates that new visitors increased by 6%.

Bestmed Website Visitors



Visitors to our website increased by 75.5% to 562 915 in 2014, with an average of 3.5 pages viewed per visit (a 22% increase), and an average duration of 3 minutes 26 seconds (a 9% increase).

Ad impressions

The majority of Bestmed's online advertising took place on three platforms – Google, Microsoft Network and Yahoo. This report focuses on Google advertising.

YEAR	CLICKS	AD VIEWS	CTR*	AVG. CPC**	COST
2014	70 470	20 928 528	0.34%	R4.59	R323 315
% Change	+101%	+134%		-21%	+60%
2013	35 018	8 942 751	0.39%	R5.79	R202 766

*CTR - Click through rate

** CPC - Cost per click

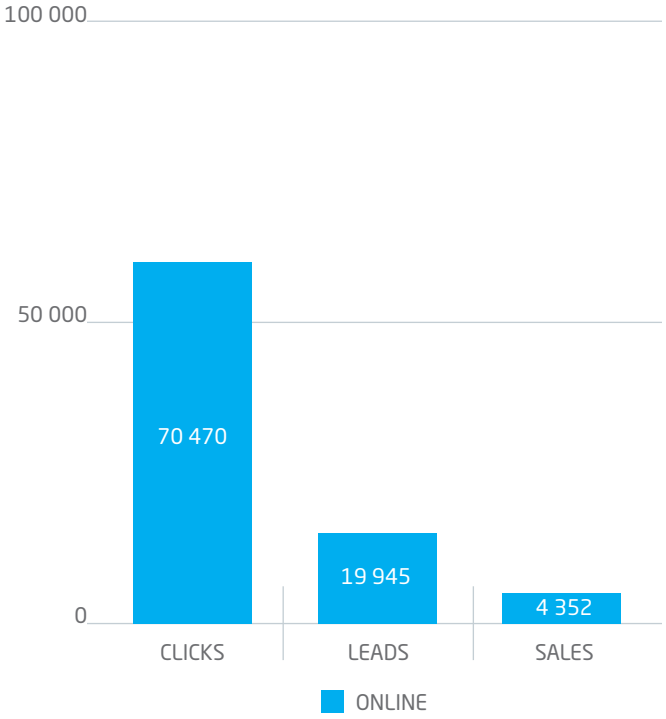
Bestmed's TV commercials

BUDGET	IMPRESSIONS	VIEWS	AVG. CPV	TOTAL COST	CLICKS
R450.00/day	500.449	36.920	R1.22	R44 917.62	3.299

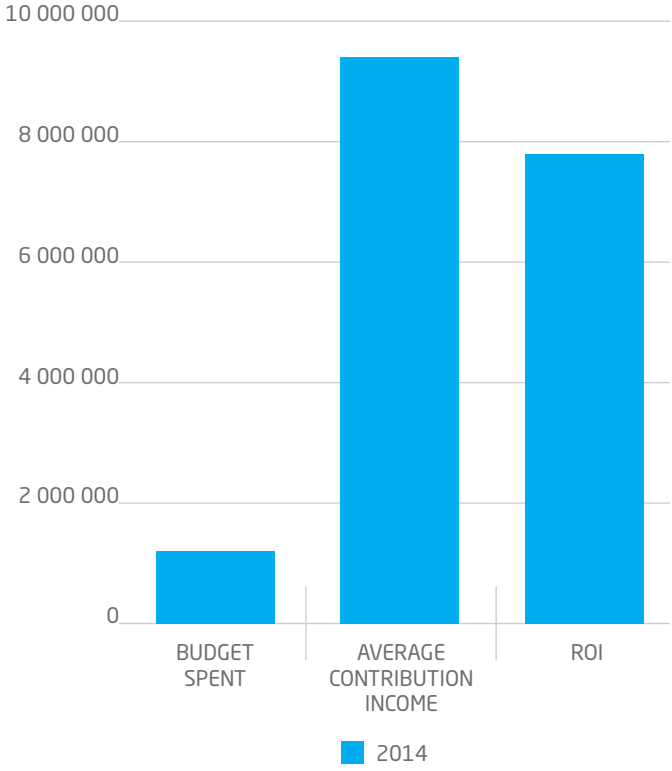
Sales support

One of the strategic objectives our online initiatives is to provide high quality lead support to our internal sales and tied agents. In 2014, there were 21 million ad views, 70 000 clicks, 20 000 online leads generated and 4 000 sales. Of the sales arising, 65% were to customers under the age of 39, 81% comprised Beat1 and Beat2 options, and 53% occurred in Gauteng.

Online Lead and Sales Performance



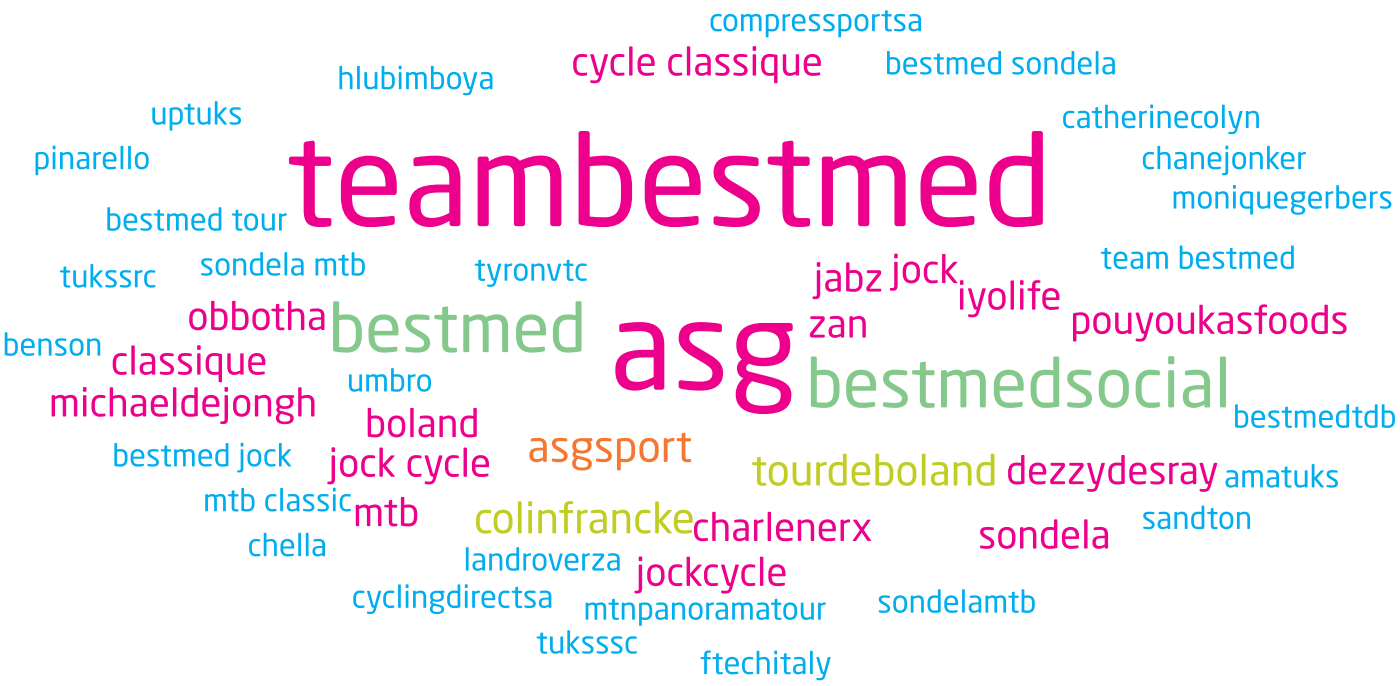
2014 Online Return on Investment (ROI) Analysis



Social media

Bestmed's social media communities include Facebook, Twitter, LinkedIn and YouTube. In order to rapidly increase communities and simultaneously deepen engagement with a niche target audience, a social media research project was initiated in March. The project assessed the hobbies and interests of Bestmed's member base. An analysis from the research was conducted and the online team refined our social media strategy to align with the feedback from the research. Sponsorship of various cycling events and the pro cycling team continue to add great value to the social community.

Bestmed Conversation Cloud - January 2014



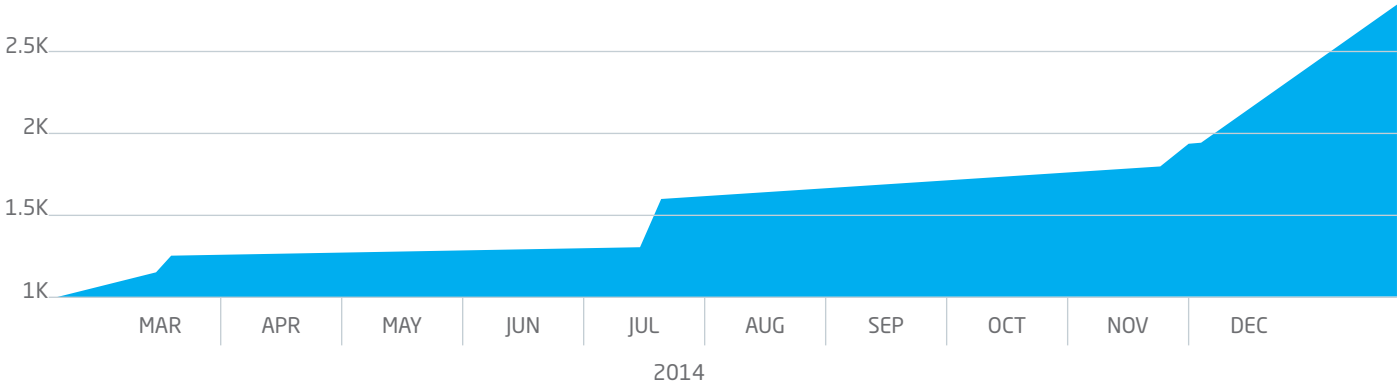
Bestmed Conversation Cloud - July to December 2014

Conversation clouds visually represent what is being said about Bestmed at a specific point in time. The cloud for July to December 2014 covers the period of the Bestmed J9 Public Service Announcement and the Bestmed/CMS case.

Other social media highlights for 2014 include:

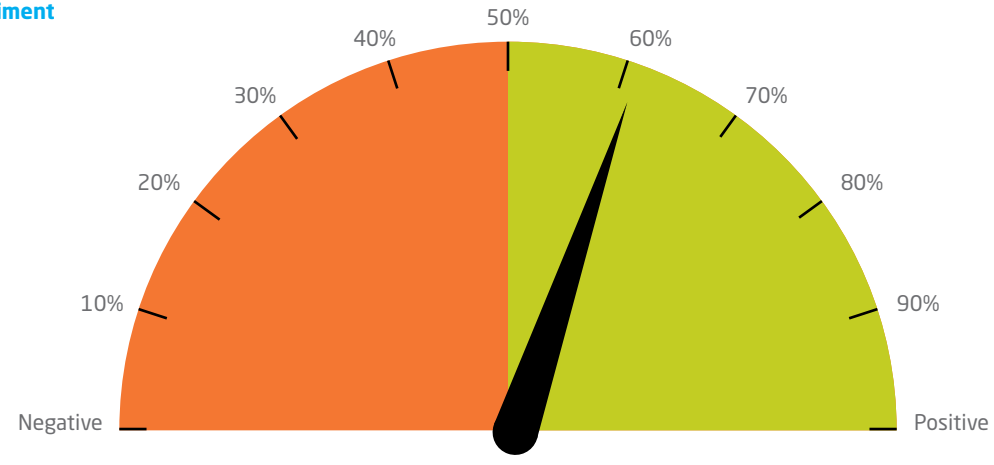
- A 284% increase in Bestmed's holistic social media community, including a 280% increase in Twitter followers and 284% increase in Facebook friends. Social following across all platforms has now surpassed the 3 000 mark.

Total Page Likes



- Bestmed's social media following is skewed towards females, confirming that women are the decision makers with regards to family healthcare, especially in the individual market.
- There was a 2% reduction in followers between the ages of 55 and 64 and a 1% reduction in the 65+ age group.
- 48% of the Bestmed social media community fall between the ages of 13 and 34, while 70% fall between the ages of 18 and 44.
- The conversation sentiment in 2014 was more than 60% positive.

Conversation Sentiment



Sponsorships and activations

Cycling

Bestmed has been involved in creating a national footprint of cycling races for several years. During 2014, we sponsored nine races around the country. In 2015, sponsorship will increase to 12 races well positioned with our target market and nationally represented. The aim of all events is to create brand exposure and convey the message of a healthy lifestyle.

CYCLING EVENTS 2014	NUMBER OF PARTICIPANTS
Bestmed Sondela MTB Classic	1 300
Bestmed Jock Cycle Classic	1 300
Bestmed Walkerville MTB Classic	1 000
Bestmed Campus to Campus	650
Bestmed Lost City MTB Classic	1 300
Bestmed Lost City Road Classic	2 400
Bestmed Makro Cycle Tour	1 900
Bestmed Ballito Expedition	200
Bestmed Satellite Classic	3 500
Paarl MTB	400

Professional Cycling Team

Bestmed is a proud sponsor of a female professional cycling team whereas some of our peers only sponsor male cycling teams.

The team competed in the South African Cycling Championships in Durban at the beginning of February 2014. The team kicked off the championships with a bang. Lynette Benson won the U16 Girls Trial Gold Medal. The next race was the Junior Women's Time Trial. This was a nail-biting race between teams mates, Michelle Benson and Monique Gerber. Michelle ended up winning the gold medal and Monique winning silver. Next was Juanita Venter and Desray Sebregts in the Vets Time Trial event. Again, the team rocked with Juanita winning gold and Desray winning silver.

We also experienced massive success in the road cycling events. In the U16 Girls, Lynette and Jessica Brown were just too good for their competitors winning gold and silver. Monique and Michelle had to work very hard during the Junior Women's race. In a photo finish, Monique was beaten into second place. Michelle missed a medal and was placed fourth. Charlene Roux finished a gutsy fifth, beating more illustrious opponents. The Vets Women's race was the cherry on the cake for us. Juanita dominated the race. With one lap to go she put the hammer down and simply rode away from the chasing bunch, finishing more than two minutes ahead of them. Desray fought her way into third after experiencing a mechanical problem with her brakes.

A very successful South African Championship indeed.

Bestmed also has a "social" team that consists of male and female cyclists who promote our brand at events.


START makro bestMed FINISH

Run/Walk road races

The Bestmed Tuks race was once again a major success as the 2014 race celebrated Bestmed's 50th year of existence. The race was well attended by sports and cultural celebrities. The race attracted 8 500 runners/walkers and the stadium was packed with families and friends supporting competitors. Celebrities taking part included Teresa Benade, Stefan Terblanch, Johan Roets, Okkert Brits, Caster Semenya and many more.

Corporate social investment (CSI)

Bestmed's CSI strategy focuses on three pillars:

1. Education
2. Development (socioeconomic, sporting etc.)
3. Health

Bestmed embarked on a collective drive with CANSA to educate children about a healthy lifestyle. A school play called Healthy Habits was written and performed at primary schools during 2013 and early 2014. The play was a huge success, but unfortunately the third party service provider that performed at the schools proved to be unsatisfactory. Bestmed has terminated the relationship and taken legal action to secure copyright on the script. As soon as a new production company and co-sponsors have been identified, the school plays will resume.

Other CSI initiatives

Wellington against Drugs

Bestmed assisted in a youth outreach programme in April 2014 at the Bergrivier High School auditorium. The programme was aimed at increasing the awareness and effects of drug abuse, such as tik and alcohol, among youth and also involved parents, government and rehabilitation centres.

Topics discussed included the increase in drugs abuse and prostitution, youth and sport careers, and healthy eating habits. The programme included testimonials from drug addicts, including how they turned their lives around. Afterwards refreshments and health food parcels were provided for all attendees.

Santa Shoe Box

The Santa Shoe Box initiative gives disadvantaged children a gift to celebrate Christmas. Bestmed gave a total of 1 200 shoe boxes, each containing an item of clothing, toiletries, school stationery and something sweet to eat. The children were very grateful for the gifts and the majority of Bestmed staff and management participated in packing, labelling, wrapping and handing out the presents.

Bestmed Support J9 Foundation

Bestmed Medical Scheme in association with the J9 Foundation aims to improve the lives of people living with motor neuron disease (MND) by driving an awareness campaign. The initiative includes a call to action to raise funds to enable the first MND research centre in Africa. Legendary Springbok rugby player Joost van der Westhuizen was diagnosed with this debilitating disease in 2011. He has since dedicated his life to improving the quality of life of other people living with MND in South Africa. One of the biggest challenges worldwide is a lack of research on the disease. There is currently no specific known cause for the illness and no cure.

The "#Whynotme" Campaign

In our combined endeavours to raise awareness and funds for MND research, we established a campaign consisting of the following elements:

1. A Public Service Announcement (PSA) showcasing sports personalities including: Gary Player, Paul Harris, Francois Pienaar, Joost van der Westhuizen, Penny Heyns, Natalie du Toit, LJ van Zyl, Joël Stransky, Flip van der Merwe and Louis Oosthuizen. The campaign was launched on SuperSport on 15 November 2014 before the game between South Africa and England. The presenters also talked about the campaign in the build up to the match. The sports personalities volunteered their time at no cost.
2. A social media campaign on Twitter and Facebook, supported by these celebrities.
3. Billboards and print media to an estimated value of R2 million which was not paid for but sponsored by media owners.

Bestmed held a media launch for the initiative in November 2014 at Montecasino and the media, corporate clients and Bestmed brokers were invited. The launch helped to raise awareness of MND and kick-started the fundraising initiative for a research centre in Cape Town solely devoted to research on the disease. This will be the only centre for MND research in Africa.

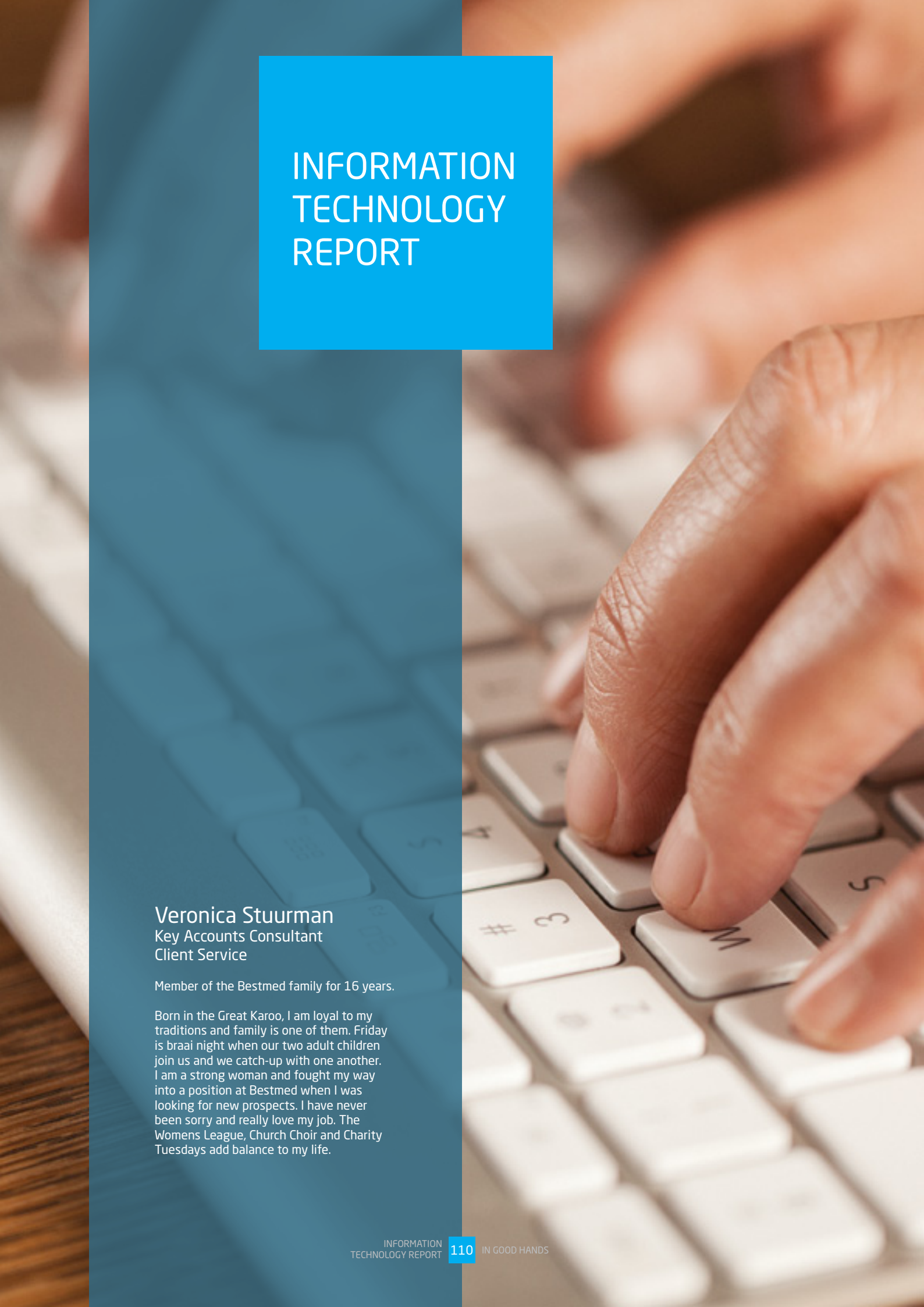
Badanisile Home

Bestmed funded R5 000 to Rock da Shades Entertainment who have adopted Badanisile Home of Safety. Badanisile is based in Daveyton in Gauteng and houses neglected children and children from abusive households.

Public relations

The Advertising Value Estimate (AVE) values in public relations increased by R1.6 million, although the media tracking company we used was unable to track television coverage as well as some radio coverage. This meant that the value of the public relations (PR) created through the J9 initiative could not be tracked. We have subsequently engaged a new tracking company that will be able to track all media coverage, including online coverage. The increase in business to business (b2b) or business to consumer (b2c) PR can be attributed to the 50-year birthday celebrations and the media interest in the Bestmed/CMS case. Sport remains one of the key media interests for Bestmed due to our well-positioned national events calendar, as well as our professional female and social cycling teams.

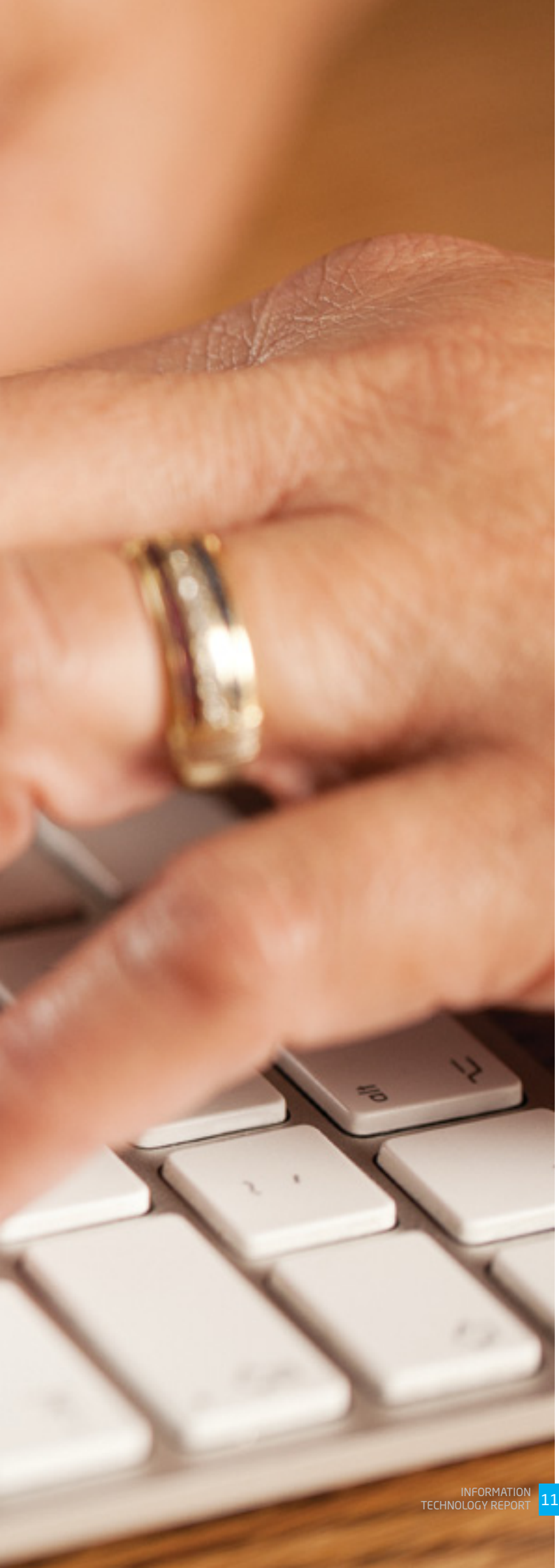
INFORMATION TECHNOLOGY REPORT



Veronica Stuurman
Key Accounts Consultant
Client Service

Member of the Bestmed family for 16 years.

Born in the Great Karoo, I am loyal to my traditions and family is one of them. Friday is braai night when our two adult children join us and we catch-up with one another. I am a strong woman and fought my way into a position at Bestmed when I was looking for new prospects. I have never been sorry and really love my job. The Womens League, Church Choir and Charity Tuesdays add balance to my life.



An appropriate IT platform is probably the single most essential investment made by a Scheme and one without which it cannot function effectively and efficiently. Fast, accurate collection of member, provider and financial data, as well as good, fast and penetrating communication to all parties involved, create a critical competitive advantage to a provider of medical cover that has these capabilities. This is particularly true when combined with strong skills, management and innovation.

It is a critical challenge and an absolute necessity that Bestmed tracks global ICT developments and embraces those that will improve both our effectiveness and efficiency in all areas of the Scheme's business. This will become an increasingly important imperative as Bestmed seeks a sustainable competitive advantage in the space in the market it seeks to dominate - the positioning described in our envisioned future.

As the general population becomes more technically literate, the demand for web-interfacing capabilities also increases. This functionality will be developed further and aligned with the needs of the "modern" member/provider/broker to establish efficiencies. To achieve this, interfacing will have to be created on the administration platform.

In addition, our ICT Department will support all innovative ideas requiring either infrastructure or ICT-specific development. These projects will be managed throughout implementation and then supported from an IT perspective.

The current hardware and software solutions presented to staff by ICT are of high standing quality. These include support to business and we have experienced immense progress in this area since returning to self-administration.

Our medium-term strategy remains to establish the Scheme's own, appropriate and superior ICT platform that will support all of the Scheme's strategic initiatives.

Roelene Uys

Service Provider Coordinator
Service Providers, Contracting and Research

Member of the Bestmed family for 8 months.

A Free State farm girl who joined the military for 12 years as a project manager, Criminal Investigations, and a physical training instructor. I am detail-oriented and sports focused. Bestmed has given me the opportunity to grow my experience and to really build networks while working with leaders who have taught me completely new skills. Swimming, underwater hockey and triathlon training are our family's favourite pastimes and now I've joined Mad Swimmer to swim 18.2km in an effort to raise funds for local charities. Sheer madness.


POLAR

Disclaimer:
Whilst Bestmed has taken all reasonable care in compiling the Highlights of Bestmed's Financial Statements, we cannot accept liability for any errors or omissions contained herein. Please note that should a dispute arise, the audited Financial Statements in Bestmed's Annual Report 2014 which will be available on our website shall prevail. Please visit www.bestmed.co.za for the complete liability and responsibility disclaimer for the Bestmed Medical Scheme Annual Report as well as our terms and conditions.

Bestmed is a registered medical scheme (Reg. no. 1252) and an Authorised Financial Services Provider (FSP no. 44058).
www.bestmed.co.za