

Our Operational Report

BESTMED ANNUAL REPORT 2016

20

0 512

LIVES WE HAVE A VESTED
INTEREST IN KEEPING
HEALTHY, SAFE, ACTIVE,
NUTRI-WISE AND FIN-FIT.

bestMed

personally yours

bestMed

personally yours

Annual Operational Report for the year
ended 31 December 2016



1021 - Average number of happy new members per month

1000

980

960

Bestmed in Numbers!

During our 53 years of operation, we have again realised that virtually everything we do in life is measured in numbers. Our age, our anniversaries, our personal best times, our weight, calorie intake, exam marks, and so much more.

Naturally, Bestmed measures itself on its numbers, but unlike other medical schemes, because we're self-administered and run by our members, for our members, we have a vested interest in doing our personal best for every one of our 200 512 beneficiaries.

We believe that even though numbers are important, it's what's behind them that really matters.

As you page through this report, we're sure you'll agree that once again, our numbers, as well as our Scheme, are extremely healthy.

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Executive and Management Leadership



Dries la Grange
Chief Executive Officer



Wicus Kotzé
Executive Manager:
Managed Healthcare



Chris Luyt
Executive Manager:
Marketing,
Communications
and Distribution



Elmarie Jooste
Executive Manager:
Client Relations



Prof Jan Meiring
Executive Manager:
Service Providers,
Contracting and Research



Rudolph Olivier
Executive Manager: IT



Jessogan Chetty
Executive Manager:
Finance



Pieter van Zyl
Executive Manager:
Operations and Human
Resources



Ntando Ndonga
Executive Manager:
Legal, Risk and
Corporate Governance



About
Bestmed

2718 bouncing
babies born to
delighted
Bestmed moms

'In this ever-changing society, the most powerful and enduring brands are built from the heart. They are real and sustainable. Their foundations are stronger because they are built with the strength of the human spirit, not an ad campaign. The companies that are lasting are those that are authentic.'

- Howard Schultz of Starbucks

Built from the heart, sustainable and authentic – this captures the essence of Bestmed's new brand promise – *Personally Yours*, unveiled at the end of 2016.

The new brand promise was launched to ensure that we meet the ever-evolving needs of our members. In 2015, Bestmed conducted a brand assessment. One of the pleasing outcomes of the assessment, was that it showed Bestmed's foundations are strong indeed, as attested to by the various milestones we achieved in 2016.

Our new brand promise reflects our commitment to our members – you are more than just a number, you are part of the Bestmed family and we are with you every step of the way on this incredible journey called life!

Personally Yours

Bestmed initiated the brand assessment because we believe that every great brand needs to be invested in and cared for. Although we have done wonderful things with our brand, especially these last few years, we wanted to make sure that our members and staff have a clear understanding of who Bestmed is and what we stand for.

What we stand for isn't just to ensure that members can cover authorised primary and tertiary medical costs when they need medical care, even though we are extremely good at that. Bestmed's core value is also our brand essence, which is 'By members. For members'.

This means that as a member of Bestmed, you own the organisation and everything we do is in the best interests of all the members of the Scheme. Because of this bond, our members are treated not only as partners, but as family. Hence our new brand promise – *Personally Yours*.

But what does this mean? It means that we offer caring, intimate and personalised products and services. We take the well-being of our members personally, because we deal with a very private and personal topic – an individual's health. We

are there throughout the special and personal experiences of our members – from birth to making their final moments as comfortable as possible.

Personally Yours also focuses on employee engagement to ensure that our Heartbeats – our valued employees – are committed to living up to our new brand promise. To create staff awareness and buy-in, a special launch was held on 26 September 2016 to showcase Bestmed's unique culture and to celebrate the value of each Bestmed Heartbeat.

Externally, *Personally Yours* was launched as our key differentiator in the mature medical scheme marketplace on 7 October 2016. The focus was on increasing brand awareness and broadening knowledge among new target members. Our vision for the future is to journey towards becoming an iconic brand by 2020.

"Our new brand promise *Personally Yours*, promises that we want to get to know our members better, understand their needs better, reach out to help and prosper together," says Chris Luyt, Executive Manager: Marketing, Communication and Distribution.

How We Prospered Together in 2016

These are just some of the highlights of 2016. More detail is provided in the operational reports.

- Bestmed prides itself on the fact that it is the largest self-administered, and fourth largest, open medical scheme in South Africa.
- Bestmed is also one of the few medical schemes that, despite recent tough economic conditions, consistently shows growth. In 2000, South Africa had 48 open medical schemes. At the end of 2015, this had dwindled down to 22. This figure is even more dramatic if one takes into consideration that 15 new open medical schemes have been registered since 2000. Bestmed has a rich history spanning more than 50 years, and demonstrated that it has the ability to withstand a very competitive environment. This supports the Scheme's narrative that members and brokers see value in Bestmed's product. Bestmed is one of only two open medical schemes that achieved positive membership growth between 2000 and 2015. Bestmed also continued this positive membership growth in 2016. In the period 2000 to 2015, Bestmed achieved double digit membership growth in most years. Since 2000 Bestmed has grown its membership by 436%, while the only other scheme that achieved positive membership growth since 2000 managed only 318%.

- As a self-administered scheme, efficiency is critical and Bestmed has again been successful in keeping its non-healthcare expenditure below 10%. According to figures released by the Council for Medical Schemes (CMS), average non-healthcare expenditure for open medical schemes is 12%. This means that the underwriting profits Bestmed makes are returned to our members in the form of lower increases or increased benefits.
- The 2016 Ask Afrika Orange Index showed that Bestmed is among the top 100 most recognised brands in South Africa and the second most recognised brand in the open medical scheme environment.
- For the past two consecutive years, Pretoria News readers voted Bestmed the best medical scheme.
- In 2016, Bestmed was a finalist in the Financial Intermediaries Association's (FIA) Awards. The FIA Awards recognise the quality of support services offered to members of an organisation.
- Figures released by the CMS showed that Bestmed did not feature on the top ten list of schemes against which complaints were lodged.
- In 2016, Bestmed once again exceeded the statutory 25% solvency level.
- Bestmed boasts the largest reserve provision per beneficiary among the largest open medical schemes in the country.
- Benefit richness can be defined as the benefits a member receives for every rand spent. According to Insight Actuaries, Bestmed's benefit options had the highest benefit richness in their sample.
- In terms of affordability, the GTC Healthcare Consulting Medical Aid Survey found that Bestmed offers some of the most affordable plans. Compared to other schemes, Bestmed's network hospital and savings options were shown to be the most affordable. The survey also showed that Bestmed was rated overall as the second most affordable of all the medical schemes sampled.
- Members' mental and physical health are Bestmed's top priority. To ensure that all our members' needs are addressed, Bestmed adopted a wellness philosophy that we encourage members to incorporate in their everyday lives. Our wellness philosophy is based on five basic pillars: Be Active, Be Safe, Be Nutri-wise, Be Happy and Be Fin-fit. A number of initiatives were undertaken during 2016 to entrench this philosophy with staff and members. Preliminary results show that the programme is yielding positive results.

- Bestmed firmly believes in giving back to the community. During 2016, the organisation was involved in several projects aimed at improving the general well-being of society, including the We Got the Power Schools Campaign and Partners for Possibility.
- In 2016, Bestmed hosted the Captains of Industry symposium to bring thought leaders together to discuss topics relating to corporate wellness in South Africa.

Our Voice in the Marketplace

Bestmed's new brand promise reflects our commitment to our members – it is how we choose to tell our story. A story that is a promise to our members that in all our dealings our core values will always be at the forefront – shared experiences, seamless service, family values, warmth, care, openness, loyalty and passion.

Why Members Continue to Choose Bestmed



WELLNESS IS ON US!

Our wellness programme is free for all members and employers.



Our contributions are affordable

- Single digit increases over 10 consecutive years
- Solvency ratio of >25%
- Rated 3rd in SA with a score of 86% on the GTC Macro Survey based on: *growth * average age *pensioner ratio.



We are self-administered

Our administration costs are between 3% - 5% cheaper than our competitors because we are self-administered. This means that our members save more by paying less towards their contributions.



We don't believe in self-payment gaps.



We provide value for money

- 9 Managed Care programmes
- Extended Preventative Care Benefit
- Supplementary day-to-day benefits paid from risk
- Preventative Dentistry paid from risk
- Students eligible for child dependant rates up to 26 years



Some of our plan options require no co-payments

Compared to our competitors, our plan options have 75% less co-payments.



The individual needs of our members' matter to us

- We take pride in our 13 tailor-made plans, designed to suit every life stage.



We have the most inclusive clinic and hospital network

- Our extended service provider and pharmacy network negotiations make for excellent sustainability
- New business underwriting relaxed for <45
- Up to 3200 GPs on our network
- Our non-healthcare expenditure is the lowest out of the top 10 medical schemes in SA.

Scope and Boundary

Over 11 million claims efficiently settled in

15 DAYS
OR LESS

20 DAYS
OR LESS

25 DAYS
OR LESS

Bestmed's Operational and Financial reports are published annually and provide an overview of our activities, practices and performance for the 12-month financial year from 1 January to 31 December 2016.

The reports follow the annual reports for the year 1 January to 31 December 2015 and provide a broad, contextual overview of the performance of the Scheme during the period under review. The aim of the reports is to empower our stakeholders to make informed decisions about their future engagements with us.

The reports provide an overview of the Board of Trustees' activities, management functions, stakeholder engagement, risk management, and sponsorship and social investment activities.

Bestmed Medical Scheme entered the open medical schemes market in 1990. Prior to that, the Scheme was known as Statutory Organisations Medical Scheme (SOMS). SOMS was established with 9 000 members in 1964 as a closed medical scheme for statutory organisations such as universities and research councils.

Bestmed is governed by the Medical Schemes Act, No 131 of 1998 as amended and is regulated by the Council for Medical Schemes (CMS). The Scheme's head office is based in Tshwane (Gauteng). Bestmed has satellite offices in Mbombela, formerly known as Nelspruit (Mpumalanga), Durban (KwaZulu-Natal), Cape Town (Western Cape) and Port Elizabeth (Eastern Cape). The Scheme also has three medical centres based in Welkom and Virginia (Free State) and Randfontein (Gauteng).

Bestmed's membership offerings include 13 unique plans. Each plan has been designed to suit the needs of our members at each phase of their lifecycles - from entry level plans for the young individual to those suited for families and our more senior members.

Benefit options are reviewed annually and are adapted based on the results of a detailed product development process. The development process includes thorough market analysis, input from intermediary groups and corporate group participation. In 2016, a decision was taken to bring the administration of the Pace1 and Pace2 options in-house.

Vision

Bestmed will be a medical scheme that South African members, with a healthy profile, will want to join because it stands out above all other schemes in offering innovative, easily accessible, high quality affordable healthcare benefits and options, in unique packages with individually-relevant preventative care and lifestyle plans, and related value-adding offerings that are delivered alongside a 'best-in-class' service experience.

Mission

Bestmed is a self-administered mutual medical scheme operated by members, for members and providing:

- Best value and highest quality, innovative, preventative and curative products combined in a 'one-stop-shop' location with other 'value-adds' that are readily accessible when needed by members and beneficiaries from a network of highly competent healthcare professionals and other appropriate sources.
- Service excellence of the highest order.
- A set of open service and communication channels to keep members informed and educated, and to deal with their queries and demands effectively and efficiently.

In giving effect to this we focus on:

- Balanced growth in membership that maintains a viable risk pool.
- A range of competitive curative options, and a preventative care and lifestyle programme, packaged with market-related value-adds of interest to our members.
- An accessible network of contracted service providers that deliver quality, affordable and cost-effective healthcare services.
- Effective managed healthcare to protect the interests of all members.
- Delivery through innovative, contemporary information and communication technology, and dedicated capable staff.

Our strategic plan is guided by our values. Our values include:

Commitment

We will take ownership and responsibility to add value through personal initiative and imaginative efforts.

Innovation

We will continuously seek to improve what we do through innovative, creative efforts with others.

Respect

We will respect all whom we encounter, continuously seeking a deep connection with them.

Integrity

We perceive trust as a fundamental requirement of life which emanates from a commitment to honesty and integrity in all relationships.

Passion

We will be passionate, dedicated, energetic and inspiring in what we do.

Caring

We will show genuine empathy and concern for the welfare of others across Bestmed and beyond.

Bestmed's Differentiators

Our differentiators place Bestmed in a unique position in the medical schemes' industry:

Self-Administered

Bestmed is the only large open scheme that is self-administered, which puts us in control of our own destiny across a critical range of drivers of competitive behaviours and sustainability.

Highly Personal and Approachable

Throughout its years of growth, Bestmed has managed to maintain a style of engagement with its members and corporate groups that is personal and individualised - truly living the brand promise, 'By Members, for Members'. This reality is not replicated in any other open scheme in South Africa.

Bestmed is the country's fourth largest scheme and still growing. Yet we hold firmly to the belief that the 'Bestmed Family' concept is all embracing, not limited by our organisational boundaries but extending to all our stakeholders.

We view each member and corporate as having special unique needs. Executive and first-line management at Bestmed remain accessible to anyone who needs their attention. We enjoy a good cultural fit with our clients - individuals and members. We are flexible and do not behave rigidly according to prescribed protocols. We do our best to give our members special treatment when they need it. We are often commended for being caring and fair.

It is hardly surprising then that Bestmed enjoys many

longstanding relationships with a great number of members and corporates. This is a unique feature in an industry where short-term considerations by consumers increasingly dominate relationships.

Our 2016 Strategic Initiatives

The Operational Report contains information on Bestmed's progress in achieving our 2016 strategic initiatives. Our strategic initiatives comprise five pillars:

Pillar 1: Growth in Membership

To grow our membership (75% from corporates and 25% from individuals by 2017) and our reserves (>25%), while maintaining an acceptable risk pool (beneficiaries average age <36 years). Despite the current difficult economic conditions, Bestmed's growth continues on an upward trajectory.

Pillar 2: Competitive Products and Managed Healthcare

Offer an innovative and competitive product range, which will support Bestmed's growth strategy and improve the demographic profile of our membership base while contributing, through innovative managed healthcare, to the long-term sustainability of Bestmed.

Pillar 3: Provider Networks

Ensure that members have access to quality, cost-effective healthcare services.

Pillar 4: Client Service and Preventative Care

Entrench a culture of service excellence and client intimacy across all Bestmed's client and 'touch points' in the Call Centre, Membership and Client Relations. Extend Preventative Care the Bestmed way across at least 20 corporates on the basis of proven results and benefits to members and their employers.

Pillar 5: Operational Excellence

Entrench operational excellence ('being the very best I can, in every way, every day') in Bestmed's core administration engine, thus delivering 'WOW Client Experience' levels, which are planned, executed, measure and recognised - human factors supported by slick business processes.

Our Strategic Objectives for 2017 - 2019

Pillar 1: Marketing, Brand Equity and Sustainable growth

To grow our membership to 100 000 members by 2020 (70% corporate employees, 30% individuals), while maintaining an acceptable risk pool (beneficiaries average age <36 years) and our reserves at >25%, using our marketing, communications, sponsorships and events capabilities in support of this challenge. With three years to go, we already have over 96 000 members.

Pillar 2: Competitive Products

Offer an innovative and competitive product range, which will support Bestmed's growth strategy as well as improving the demographic profile of the Scheme's membership base.

Pillar 3: Managed Healthcare

Contribute, through innovative managed healthcare, to the long-term sustainability of Bestmed.

Pillar 4: Wellness Initiative: Health Check

To expand the now proven Bestmed Wellness Programme across all employer groups, willing to engage, and offer this to individual members, thus entrenching this offering as a critical differentiator of Bestmed's brand proposition. Projects are underway to extend our brand awareness.

Pillar 5: Healthcare Service Provider Networks

Ensure that members have access to sustainable, affordable (including minimum co-payments), high quality healthcare by entrenching optimal relationships with designated healthcare providers who are geographically favourably located to ensure minimum member inconvenience.

Strategic Pillar 6: Continuous Improvement of Bestmed's Operational and Service Excellence

Entrench operation excellence ('We will be quicker than anybody else in the industry in satisfying client needs and expectations') in Bestmed's core administration engines (membership, reconciliation and claims processing). We will deliver on our service promise to provide consistent 'WOW Client Experiences' to end-users (members, employers and providers) which are planned, executed, measured and recognised - human factors supported by seamless and cost-efficient business processes.

Entrench a culture of service excellence and client intimacy across all Bestmed's member 'touchpoints' that is uniquely designed to meet all expectations of our different client audiences.

Rule
Amendments



5 HOURS
SHAVED
OUR AIG/ CALL CENTRE
RESPONSE TIME

A medical scheme shall apply to the Registrar of Medical Schemes in terms of Section 33 of the Medical Schemes Act (MSA) for the approval of any benefit option if such medical scheme provides members with more than one benefit option.

Before Bestmed applies for approval for any benefit option registration, an extensive research and viability study is conducted that includes specialist actuarial input to confirm, inter alia the financial soundness and viability of such potential benefit option.

The following changes to the Rules of Bestmed were approved by the Registrar of Medical Schemes for the 2016 financial year:

Substantive Rules (Main Rules)

- An amendment to the definition of bonus account/vested medical savings account - which removes references to the 'bonus account' to mention only the vested medical savings account. This change results in a cosmetic restructuring that changes the numbering of the definitions.
- Change to the definition of Scheme tariff to indicate the level of reimbursement at which benefits will be paid.
- Amendment to Rule 4.19 - the definition of co-payment to indicate the vested medical savings account.
- Amendment to Rule 4.25.5 by removing the provision 'has been recognised and accepted as such by the Board' that allowed for the Board to decide on whether certain categories of people qualify as dependants in order to support the eligibility criteria indicated in the definition of 'dependant' in Section 1 of the MSA.
- An amendment to Rule 16.14 deleting references to the 'bonus account' to mention only vested medical savings account.
- Deletion of Rule 16.12.4 that requests a certified copy and travelling tickets for foreign claims exceeding R5 000.
- Rule 16.6 on Scheme tariff changed to emphasise the Board's approval annually and that all benefits will be paid at Scheme tariff or contracted fees, as the case may be.

Changes to Annexure A of the Rules (Subscriptions)

- The average increase on subscriptions across all options is 9.8%.
- Amendment to the monthly income bands for Pulse1 to R0 - R6 000, R6 001 - R10 000 and >R10 001.

Changes to Annexure B of the Rules (Benefit Options)

Benefits introduced:

- Overall limit to the day-to-day benefits on Pace3.
- Out-of-hospital specialised radiology (magnetic resonance imaging and computed tomography scans) limited to R4 000 per family accompanied by a R2 400 co-payment if these are done in a hospital on Beat1 and Beat2.
- Refractive surgery in hospital limited to R6 500 on Beat1 up to Beat3 and the Beat Network options, R7 000 on Beat4, Pace1, Pace2 and Pulse2, and R7 500 on Pace3 and Pace4.
- Functional prosthesis benefit across all the benefit options, limit for the benefit is indicated on the respective options and is subject to the internal prosthesis limit.
- Dental benefits - separate limits for oral and dental surgery and maxillofacial surgery on Beat2, Beat3, Beat4, Pace1 to Pace4 and Beat Network options.
- Preventative care benefits - PAP smear benefit for females 18 years and older once every 24 months on Beat1 and Beat2.
- Preventative care benefits - prostate screening (PSA) for males 50 years and older once every 24 months on Beat4.
- Over-the-counter medicine benefits removed from the vested medical savings account to be paid from the personal medical savings account up to the limit of R500 on Pace1, Pace2, Pace3 and Beat4.

Other changes include:

- An increase on the chemical and substance abuse benefit to R24 000 across all options except Pulse1.
- Wound care benefit on Beat4 and all the Pace options is subject to the overall day-to-day limit.
- Medical apparatus and appliances benefit for Beat4 is subject to the overall day-to-day limit.
- Medical apparatus and appliances benefits (except for wheelchairs and hearing aid) for Pace2, Pace3 and Pace4 is subject to the overall day-to-day limit.
- Beneficiary age on PAP smear benefit changed to females 18 years and older, once every 24 months on Beat3 (and Beat3 Network), Beat4 and all Pace options.
- Beneficiary age on PSA for males changed to 50 years and older once every 24 months on Beat4, Pace2, Pace3 and Pace4.
- Cosmetic changes - restructuring rule numbering and addition of 'funding guideline' to the conditions of granting Scheme benefits. Changes also include clarification of benefit structure in the rules, specifically on Pace3 and Pace4.

- Decrease of the savings portion on Beat2 (from 18% to 17%), Beat4 (from 20% to 17%), Pace1 (from 21% to 20%) and Pace3 (from 18% to 15%).
- Increase to multifocal and/or contact lense limits on the Beat3, Beat4 and Pace options.
- Combined benefit for basic and specialised dentistry are subject to day-to-day overall limit on Pace3.
- Supplementary services subject to a day-to-day overall limit no longer limited to savings on Pace3.
- Removing the co-payment on isotope studies on Beat1 and Beat2 (including their respective Network options).
- Removing 'per condition' restriction on Beat1 and Beat1 Network for external prosthesis.
- Changes for benefits of the personal medical savings account to pay at cost and not Scheme tariff on Beat1, Beat2 and Beat3 (as well as the respective Network options).
- Removal of references to the 'bonus account' to mention only vested medical savings account across Pace1, Pace2, Pace3 and Beat4 benefit options.
- Changes to the preventative care benefits for the document-based care back rehabilitation programme relate to the reference to 'back and neck' and the 12 sessions of the plan. The changes are applicable to all benefit options, except Pulse1.
- Cosmetic change to the Pulse1 maternity benefits to include specification 'per pregnancy' for the ultrasound benefit.
- Limit increase in the case of the Pulse1 option for standard frame or contact lenses from R395 to R400.
- Co-payment amount for the voluntary use of a non-designated service provider hospital increased from R5 000 to R10 000 on Pulse options and the Beat Network options.

Changes to Annexure C: General Exclusions

- Deletion of rules that are no longer in effect as a result of prescribed minimum benefit requirements.
- Rule 1.2.7 which refers to the exclusion of orthopaedic appliances and surgical appliances during hospitalisation on Beat1 has been deleted. This amendment has resulted in cosmetic changes to the numbering of the subsequent rules.

Changes to Annexure D: Prescribed Minimum Benefits

- Amended the definition for 'emergency condition' so that it is in line with the definition provided in the Regulations of the MSA.
- Addition to the 'Designated Service Provider' (DSP) section explaining how information on DSPs can be accessed.

Report
from the
Chairperson



Overview

It is my privilege, once again, to table this report in which I highlight the activities of Bestmed Medical Scheme during the 2016 financial year to all stakeholders.

In South Africa, this was a period of extremely tough economic conditions. The third quarter of 2016 delivered a mere 0.2% growth with estimated growth for the full year dwindling to below 0.5%.

Protests at academic institutions remained a significant symptom of 2016 and this had a definite impact on Bestmed, since a meaningful proportion of our members are employed at academic institutions.

Despite this challenging environment, however, I am pleased to report that Bestmed achieved a robust performance. Reserves have strengthened and members will be happy to learn that we have maintained the reserve level above the prescribed statutory level of 25% of gross contributions. This performance is markedly better than the performance recorded by the vast majority of medical schemes during this period, many of which recorded losses for the year.

A significant advantage of Bestmed's strong reserve level is the stability it brings to the organisation and its increased capacity to meet members' needs. In addition, the Scheme earned investment returns on the reserves amounting to R86.8 million, no less than 53,8% of our total net surplus of R161.3 million for 2016.

Strategic Review

The Scheme's strategic framework is reviewed annually by its Executive Management and the Board, and annual business plans are then compiled based on the revised strategic framework.

Although our strategies for the year seemed to work well, the downward spiral in the economy brought about a higher loss of members than in previous years, and this necessitated a wide-ranging revision of member retention plans, as well

as certain benefit structures. The medical scheme industry functions in what is regarded as a very mature market, characterised by fierce competition and heavy regulation. In this environment, it is always essential to find ways to retain members. In 2016 this environment became even harsher than before.

As is commonly known, poor economic conditions lead to job losses, and insurance-related products of any kind are among the first items to be trimmed or abandoned when families are struggling, as they have been this past year. Fortunately, our prompt response to the loss of members enabled us to recruit new members with a reduced average age. Not only did this counteract the loss of members, who could no longer afford medical insurance, it also reinforced our ability to sustain a robust membership pool.

The core focus of Bestmed's strategic management is the wellness of members and their dependants. When the external environment requires it, we develop and implement supporting strategies to ensure that our business plans achieve our ultimate goal of enhancing beneficiaries' wellness.

I am pleased to report that Bestmed's Trustees are satisfied that the Scheme's current strategies are effective in fulfilling the needs of members and keeping the Scheme operating successfully.

Governance

Before turning to governance issues per se, I wish to report on a few changes to the Board of Trustees that have taken place during this period.

It is with great personal sadness that I must record the passing away of Dr Joan Moncrieff. Those of us who knew her during her term of office as a Trustee will remember her as an exceptionally loyal member of both the Scheme and the Board – so much so that she was already terminally ill when she attended her last Board of Trustees meeting.

She is sorely missed by Board members, Executive Managers and employees. We wish to also in this way bring tribute to her and offer our condolences to her family.

Mr Etienne Steenkamp resigned from the Board of Trustees during the year, and I wish to thank him for his contributions and wish him well in his new endeavours.

Two new members, Prof Kobus van Rooyen and Mr Johannes Lachmann, were appointed and Ms Elmarie Marx was elected to the Board in accordance with the Rules of the Scheme to fill the vacancies that had arisen. We look forward to working with Prof van Rooyen and Ms Marx and utilising their expertise in our members' interests.

The King IV Report on Corporate Governance was released on 1 November 2016 and replaces King III in its entirety. Whereas the King III guidelines were based on an underlying principle of 'apply **or** explain', the guiding principle of King IV is for organisations to 'apply **and** explain'. This seemingly insignificant change of one small word actually represents a major shift in philosophy, so much so that the new guidelines cannot, in our view, all be implemented at once. The Board is approaching the matter by aligning the Scheme's policies to the new approach, which will be implemented over a period of time.

The Board has over the past year discussed and scrutinised the control and governance of the business and it remains one of our priorities to ensure the Scheme is managed in accordance with the highest standards of governance for the benefit of members and participating employers.

I am satisfied that the Board collectively possesses the desired qualifications, experience and resolve to govern the Scheme successfully in the closely regulated environment in which Bestmed operates.

The Board took the decision to formally assess its performance over the past year. At the time of drafting this report the assessment had been undertaken and the results will be utilised in the process of planning the objectives to be achieved during the year ahead. The results of this

assessment will also serve as a departure point for improving the functioning of the Board of Trustees in fulfilling its role going forward.

Council for Medical Schemes

We reported in 2016 that the Council for Medical Schemes (CMS) had informed the Board in 2015 of possible transgressions by Bestmed of the Medical Schemes Act (MSA). The Board of Trustees serving at the time, appointed KPMG to investigate the allegations and report back to the Board.

KPMG submitted its report setting out the findings of their forensic routine inspection to the Board of Trustees in early 2016. This report was then forwarded to the CMS. During the 2016 Annual General Meeting (AGM), the current Chairperson made a detailed presentation of the findings presented in the KPMG report, the resultant recommendations and subsequent actions taken by the Board to all members present at the AGM. At this meeting, a duly appointed representative of the CMS' Compliance Department was also present.

The CMS had, however, informed the Board just prior to the 2016 AGM that it had ordered its own routine inspection into the allegations. Such an allegation would be instituted on the basis of Section 44 of the MSA. It was further communicated to Bestmed that this routine inspection would again focus on the same allegations already investigated by KPMG in 2015. The CMS anticipates that this routine inspection will be finalised during 2017 and advised that a draft report would then be provided to Bestmed and its Board for comment. At the time of drafting this report to members, the CMS routine inspection is still in progress and there is little I can report other than the fact that the Board took the decision to fully cooperate with the routine inspection by the CMS.

In January 2015, Bestmed launched an appeal in terms of Section 50 of the MSA to verify the legality of the decision of the CMS, taken on 29 October 2014, to remove nine of its Trustees in terms of Section 46 of the MSA. The appeal was dismissed on technical points in limine raised by the CMS and the decision of the CMS (removing Bestmed's former Trustees) was confirmed. The Board of Trustees has decided

not to proceed with a High Court review and, this process is now concluded.

The Competition Commission Inquiry Into the Cost of Private Healthcare

While Bestmed participated in this public debate in 2015 and 2016, the process has not yet been concluded and the final report is still to be delivered. The objective of the inquiry is to identify the drivers of cost in private healthcare. For the average member it is of the utmost importance that, once this has been done, the inquiry should also recommend remedial actions in this regard. Bestmed remains committed to offering affordable private healthcare to members and we will do everything in our power to continue doing so.

The future

In his 2017 budget speech, the Minister of Finance announced that some progress will be made this year with the implementation of a National Health Insurance (NHI) System. We are acutely aware of the budgetary constraints and, in our view, even the reduction of the current medical scheme tax subsidies in favour of an increased national health budget, will not be adequate to make any impact on the huge need for funding the successful implementation of the NHI.

The removal of the tax subsidies will, however, focus the debate on the current regulation of private health and the way it should be done going forward. We look forward to contributing to that debate.

My appreciation

I wish to convey my most sincere appreciation to my colleagues as Trustees on Bestmed's Board for their cooperation and support during a difficult year. Without your commitment, drive and support, Bestmed would not have been in the strong position it is now. I thank each one of you for your continued support and dedication.

I also wish to express my heartfelt gratitude to Bestmed's Management and employees for their loyalty and dedicated hard work. You are indeed delivering on the Scheme's promise of *Personally Yours*. I am confident that your hard work and dedication is appreciated by all members.

Bestmed's CEO of the past 21 years, Dries la Grange left the employment of Bestmed earlier than his planned retirement at the end of 2018. Although this happened after the end of the financial year, to which this report relates, I believe this event needs to be reported to stakeholders as it happened at the time of drafting the Board report.

The Board has the highest appreciation for the way in which Dries guided the growth and success of Bestmed over time. The legacy he leaves is clearly visible and we would like to thank him for his contribution to Bestmed and wish him well.

The Board decided that it was better to manage the impact of Dries' departure before the implementation of the new system rather than after it. Once we push the 'go' button on the new IT system, we will require the full attention and effort of all employees to make this work well for Bestmed. Any distraction that affects attention or disrupts the process immediately, or shortly after implementation, risks impacting service delivery. The Board is of the opinion that this risk is not acceptable, hence our decision to accept the departure of Dries at the earlier date.

Dries' last day of office was 31 March 2017. Having regard to Bestmed's operational imperatives, the Board of Trustees and Dries concluded a mutual separation agreement.

The process of finding a new CEO has started and will run its course as a normal recruitment process to find the best candidate available for the vacant position. In the meantime the Board requested Pieter van Zyl to act in the role of CEO and Principal Officer. Because he will be taking this on in addition to his normal responsibilities, the Board designated a few specific Board members to assist Pieter and the Executive Management in fulfilling their roles for the interim period. We believe the management of Bestmed will continue in good hands until a new CEO and Principal Officer is

employed. The CMS and the Acting Registrar were informed of these changes in the required and appropriate way.

The Board has full confidence in Pieter and the Executive Management team to continue with business as usual in delivering the high-quality service all Bestmed Stakeholders have become accustomed to and to even improve thereon. He joined Bestmed in 1990, and has an outstanding record of success and introduced many innovations that have led to continuous improvement in the administration of the Scheme. Pieter has strong support from all Bestmed's staff members, with whom he has a very close personal and working relationship.



RF Camphor (Mr)
Chairperson
Bestmed Board of Trustees

Report from the CEO

A number of external challenges, both national and global, confronted South African enterprises during 2016. The economic outlook was bleaker than it has been for many years and the situation was further depressed by pervasive political uncertainties that led to volatility in our national currency against all major currencies. Average household income came under severe pressure and this in turn led to a surge in the demand for medical scheme benefits and, at the same time, substantially higher losses of members.

The higher utilisation of benefits had to be managed with extreme care to ensure that we did not end up with the 'unexpected increase in claims' experienced by many of the big medical schemes, especially in the first half of the year. Some schemes came close to depleting their reserves in order to remain viable.

It is with immense satisfaction that I can report that we were able to weather this formidable storm. In fact we thrived - and for that remarkable outcome I have to thank Bestmed's employees for their innovative responses in a time of considerable adversity as well as for their determination over a period of years. The majority of the structural changes we had to make to the 2016 product range proved successful and we did not experience the same escalating trends in claims expenditure as in the three years preceding the changes.

I will elaborate more on specific challenges under separate headings.

Results for 2016

No matter what setbacks we have to contend with at Bestmed, our highest priority is always to ensure that we maintain a sustainable scheme that can be trusted by our members and providers. Thus, when I look at the 2016 results of medical schemes that are similar to Bestmed, I am intensely thankful for what we have achieved and deeply grateful for the contributions of all our employees and Board members.



#1

OUR MEMBERS ARE OUR PRIORITY



We budgeted for a net health surplus of R82.6 million and recorded a result of R84.998 million. This is particularly good news because it means that we were able to record a surplus from operations for the first time in many years. We have relied on income on our investments for some years to achieve a net surplus result, but as we have repeatedly acknowledged at Annual General Meetings and on other platforms, it is not advisable to rely on investment income in the long term since that would eventually impact on the pricing of our option range.

Our satisfaction with the 2016 results also derives from the well-known fact that in the medical scheme industry deviations from benefit expenditure budgets are commonplace, despite the utilisation of actuarial models that, in our case, are extremely sophisticated and detailed. I have often pointed out, and it is an example that is worth repeating, that a one percent deviation in our claims budget has an impact of approximately R40 million on our bottom line, and if one considers how difficult it is to forecast the claiming patterns of more than 200 000 beneficiaries, it becomes patently obvious how easy it is, in our business, to deviate from the benefit expenditure budget.

After adding interest on investments the Scheme recorded a net surplus of R161.3 million in 2016. This surplus has been transferred to reserves, increasing our solvency level to 26.88% and providing us with a cushion above the statutory compliance level of 25%. While this is a pleasing result, we have, since the implementation of the 25% minimum reserve level by the Council for Medical Schemes (CMS), always maintained that this is an unnecessarily broad margin, particularly if medical schemes are going to be required to build a 25% minimum reserve on savings account contributions as well. If implemented, this will undoubtedly have an impact on members' annual contributions.

We are currently participating in the CMS investigations into solvency adequacy levels. We sincerely hope that the legislator will take members' interests to heart and move to a more acceptable, risk-rated solvency level in the near future. Non-healthcare costs consist of administration expenditure, managed healthcare expenditure and brokers' commission. These were again well controlled at 8.31% of gross contributions, which is lower than the industry average for open schemes. From a member's perspective, this means that more of their funds are available for benefits.

Given the state of the South African economy and the fluctuations in the value of the rand during this financial year, it was inevitable that the return on investments would be more difficult than usual to manage, especially in our equity portfolios where the markets were, for the most part, flat. Nevertheless, the average return relative to inflation since the Board created

our strategic investment portfolio is 9.5% per annum, which compares well against the consumer price index of 6.2% per annum, measured over the 132 months since inception. Total investment now amounts to R1.6 billion, providing our members with good protection, stability and security.

Information Technology

After painstaking investigations early in 2016 it was decided to rent the HIP system developed by 2Cana while our system customisation project continued during the remainder of the year. Our aim is to develop a system that will meet the requirements of Bestmed's product range and operations, and the intention is to migrate to the customised system in May 2017. The new system will allow better integration with other technologies such as mobile phones and will place us in a much better position to embrace new technologies as they unfold in the future.

Our own employees were, and are still, involved in ensuring that the new system will be able to fulfil all our vital functions and they have carried out this responsibility in addition to attending to the demands of their daily jobs. We appreciate their willing co-operation in creating a better operating system that will greatly increase the Scheme's operational effectiveness.

Membership

Bestmed maintained its position as the fourth largest medical scheme in the open market in South Africa, with total membership standing at 94 941 principal members.

Membership growth was, however, hampered by a number of factors during this period. Terminations of membership, for example, were inflated by retrenchments of employees at participating employer organisations and by resignations due to financial constraints, which accounted for the biggest proportion of exits from the Scheme despite valiant attempts to retain those members.

Our loyal brokers recruited potential members with good profiles and those who were enrolled were on average younger than those who terminated their membership. Management of the ageing of the risk pool is an important consideration for any medical scheme, given that an increase of one year in members' collective average age will eventually increase a medical scheme's claims expenditure by approximately 2.5% per annum.

Best Client Service

Client satisfaction is extremely important to any business that renders a service and particularly so in the medical scheme industry. For Bestmed, however, striving to give our members

enduring experiences of satisfaction in their interactions with us is, as it were, built into our DNA: it is an essential part of who we are. We have therefore continued on our journey to keep on improving our service since we reverted to self-administration in mid-2012.

Every year, we participate in independent surveys in order to gain information about areas where we can improve our services, areas where members are not entirely satisfied with what we do. We use this information to take practical steps that will enhance members' experience when they engage with us.

The Ask Afrika Orange Index carries out a widely used and well-respected annual survey of medical schemes, and I am pleased to quote the following extract from their 2016/2017 report: "Bestmed has shown remarkable improvement since 2015 with a massive decline in dissatisfaction and improvement in delight. The challenge now is to continue improving delight scores and keep driving down the dissatisfaction scores."

"The [Bestmed] call centre performs the best out of all the brands in the industry on satisfaction with 89%. This channel, combined with information technology channels, can really differentiate Bestmed's service performance from all the other brands."

The comment about technology channels highlights the central role that information technology plays in the rendering of high quality service, and we are excited about moving to the new system and being in a position to smoothly link with other technologies. It is our aim to integrate the new technology with our service models so that Bestmed's members experience even higher levels of client satisfaction.

Members' Wellness

As I indicated in my 2015 report, the wellness of each and every Bestmed member can be improved to ensure a richer quality of life. Our initial pilot studies demonstrated that lifestyle changes can make a considerable difference to the wellness of a member. In particular, they indicated that moderate exercise and following a healthy diet could have a positive impact on members' health.

The Wellness Programme has already been considerably extended since we carried out these studies and we are striving to reach a point where all our members embrace a healthy living attitude.

Conclusion

In the difficult environment in which we had to operate in 2016, everyone had to put in a bigger effort in order to ensure that we

made progress. I wish to thank the following stakeholders for their respective contributions:

- To the Board of Trustees: Thank you on behalf of all of us for the support and guidance you gave us, and for your relentless efforts to ensure good governance.
- To our employees: Thank you for the immense sacrifices you made. I am extremely proud to lead Bestmed with you to assist me.
- To our brokers: Thank you for your loyal support and your collaboration with us in serving our members.
- To our participating employer organisations and members: We value that you chose us as your medical scheme. We promise that you will not regret that decision.

Gratitude

It is with mixed emotions that I wish to announce that this will be the last Annual Report that I table as the CEO of Bestmed. It has been a great honour for me to lead Bestmed for more than 21 years and the time has now come for me to pass the baton to new leadership that will, I have no doubt, take the Scheme to new levels of achievement.

During my time as Bestmed's CEO I have received wonderful support from the different Boards of Trustees to which I reported. Throughout those years there were exceptional people who really inspired us all and who contributed to creating a deep-seated culture of excellence within the organisation.

The dedicated employees and executives who served with me have given me a rich treasure of memories that I will savour for the rest of my life.

In closing, I wish to express my profound gratitude to all those who contributed to my career by challenging me, supporting me, inspiring me and believing in me.

Ames

AM LA GRANGE
CHIEF EXECUTIVE OFFICER

Legal and
Corporate
Governance
Report

26.88%
Solvency
ratio

ONE
THE HEALTHIEST
THE INDUSTRY

26.88%
Solvency
ratio

ONE
OF THE HEALTHIEST
IN THE INDUSTRY

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IN THE INDUSTRY



During the 2016 financial year, the Bestmed Board of Trustees, Executive Management and employees alike have, despite the sometimes challenging environment, continued to discharge their fiduciary duty to govern the Scheme in the best interests of the Scheme and our members. To this end, compliance to all applicable legislation, including but not limited to the Medical Schemes Act (MSA), has become the focal point to which much effort has been dedicated.

Following the Council for Medical Schemes' (CMS) inspection carried out by KPMG in 2015, the Scheme was informed in 2016 that the CMS had decided to initiate a further inspection in terms of Section 44 of the MSA against Bestmed. The inspection would be primarily based on the same aspects as the 2015 inspection.

At the end of the 2016 reporting period, the inspection by the CMS-appointed inspector was still underway and no date has been provided for its finalisation and/or conclusion. Beyond the 2016 inspection, it is worthwhile to note that the Scheme has in the meantime received confirmation that the appeal lodged against the 2011 inspection will now be heard by the CMS Appeal Board in 2017.

Despite the unfortunate events highlighted above, there are nevertheless many successes and achievements by the Scheme worthy of celebration. The Scheme continues to grow and improve the health of our members' lives. As discussed later in the report, the financial performance and sustainability of the Scheme during the year under review is an accomplishment we particularly take pride in sharing with all stakeholders, but more importantly with our members.

Board of Trustees

The Followings Individuals Serve as Bestmed Board of Trustee Members

Roelof Frederick Camphor (Chairperson)

B.A. (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. Mr Camphor is currently the Chairperson of the Bestmed Board of Trustees.

Etienne Steenkamp

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

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 in 2000 was appointed as Executive Principal Officer for the Sappi Pension Fund, Provident Fund and Sappi Medical Aid Scheme. 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. Mr Steenkamp 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. He also served on the Scheme's Investment Committee.

Mr Steenkamp resigned from the Board effective 24 March 2016

Willem Myburg

MBA, BCom, 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. Mr Myburg's term expired at the AGM on 3 June 2016.

Collin Mowatt

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

Mr Mowatt was the previous Chairman of the Sappi Medical Aid Fund until its amalgamation with Bestmed and is currently employed by Sappi Southern Africa as Financial Director. 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 Paper Manufacturers Association of South Africa Executive Committee and serves as trustee on the Sappi Employee B-BBEE Sefate Share Trust. During his career, he was also responsible for various commercial functions, including merger and acquisition investigations, implementation of new management reporting systems and participation in new business opportunities. He also serves on the Scheme's Audit, Investment and Risk Management Committees.

Dr Joan Moncrieff

B.Sc Chemistry and Biochemistry, B.Sc Physiology and Human Biochemistry, MSc Physiology and Human Biochemistry, Ph.D Medicine (pharmacology)

For many years, Dr Moncrieff was the only female council member of the South African Chemical Institute. She was the founding member and Chairperson of the South African Chromatographic Society. Her specialities include pharmacokinetics, pharmacogenetics, pharmacology,

physiology, chemical pathology (body fluid and tissue analysis) and chromatographic analysis. Dr Moncrieff had over 90 international publications and presentations on physical chemistry, physiology, pharmacology and chemical analysis in her repertoire. Dr Moncrieff was elected as the pensioner/continuation member representative on the Board in 2014.

Dr Moncrieff sadly passed away on 13 June 2016.

Peter Murray Kennedy

Dip. Datamatrix

Mr Kennedy has extensive experience in cost accounting and began a career at IGI Life Assurance Company as an application programmer, where he 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) that multi-million-rand business specialising in electronic data interchange claims and personal health records. Peter still serves as a consultant in a Managing Director 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). Mr Kennedy also serves on the Scheme's Risk Management Committee.

Prof PA Delpport (Vice Chairperson)

HDip Tax, LLD

Prof Delpport held positions on numerous highly recognisable boards over a period of 26 years. His influence in various institutions speaks towards his extensive knowledge and experience. These include various major universities, 1 Military Hospital, Eskom, Momentum, Investec, Nedbank and other banks, SENWES, Advertising Standards Authority (ASA), Law Society of South Africa and the South African Institute of Professional Accountants, to name a few. Some of his submissions led to the amendment to the ASA Code of Advertising Practice, the Companies Amendment Act 35 of 1998 and Companies Amendment Act 37 of 1999. Prof Delpport has contributed to over 60 publications and addressed more than 20 conferences at universities, banking institutions and various government bodies. Prof Delpport wrote the New Companies Act Manual and is a specialist in the field of Commercial Law, which includes 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, South African Corporate Business Administration and Freedom of Commercial Speech. Prof Delpport is currently Vice-Chairperson of the Bestmed Board of Trustees and also serves as Chairman of the Scheme's Remuneration Committee.

Suzanne Stevens

BA (Hons), HDE

Ms Stevens is a co-founder of BrightRock, the Executive Director: Marketing, and the creator and custodian of the BrightRock Brand. Under her leadership, BrightRock has established a small but skilled multidisciplinary integrated marketing and communications team delivering in the key disciplines of brand strategy and brand management, content and digital marketing, below-the-line communication and point-of-sale, direct-to-consumer marketing media and public relations, above-the-line advertising and promotions, sponsorships, merchandising, event management, and reputation management. Before leaving to start BrightRock in February 2011, Mss Stevens headed up the Discovery South Africa Marketing division, where she was responsible for 70 people and an annual marketing spend of approximately R250 million. Ms Stevens is a Chartered Marketer registered with the Marketing Association of South Africa and serves on the National Council of the Vega Brand School. She also serves on the Scheme's Risk Management Committee.

Gerrit Steyn du Plessis

CA (SA), BCom (Accountancy), BCom (Hons) Accountancy & CTA, MCom Computing Auditing

Mr du Plessis is the Chief Executive Officer of ASG Sport Solutions. He is also a Director of SERA and a Director of SERA Fund Managers, which was the vehicle through which SERA invested in the SA Intellectual Property (SAIP) Fund. Mr du Plessis serves as a trustee of the SAIP Fund, a venture fund created for the commercialisation of early stage South African technologies. He also represents the Council for Scientific and Industrial Research on various boards of start-up companies and ventures. Mr du Plessis also serves on the Scheme's Audit and Investment Committees.

Leo Banele Dlamini

BCom (Accounting and Finance), Masters of Business Leadership (MBL), Global Executive Development programme

Mr Dlamini started his career as Manager: Corporate Business Planning with Eskom and after four years, he assumed the position of General Manager: Corporate Strategy and Planning. Mr Dlamini currently occupies the position of Senior General Manager: Office of the Chairman with Eskom. He is responsible for providing an overarching tactical advisory service to the non-Executive Chairman of the Board of Eskom and to provide support to the board members on substance and content pertaining to Eskom's strategic and operational functions. Mr Dlamini served as Energy Sector Co-Chair on the New Partnership for Africa's Development Business Foundation (NBF) from 2008 to 2010, and as board member nominee on the NBF in 2011. He is currently a board member of Pebble Bed Modular

Reactor (Pty) Ltd. Mr Dlamini also serves on the Scheme's Remuneration Committee.

Johannes Hendrik Windell

BA, BA (Hons) Greek, BD

The Reverend Windell serves as a Minister in the Dutch Reformed Church Sonhoogte, Germiston. He is responsible for all pastoral care and ministry in the congregation, the general administration and financial management of the congregation with members of the Church Council. He also serves on the board of the local old age home, Solheim Home for the Aged. He has been serving on the Synodal Commission in various capacities since 1995 and is Chairman of the Board of Directors of Metro Evangelical Services, a non-governmental organisation working in Johannesburg, Port Elizabeth, Cape Town and Kempton Park. He also serves on the Scheme's Investment Committee.

During the period under review the following new Trustees were appointed/elected:

Johan Lachmann

CA (SA)

Mr Lachmann completed his articles at PricewaterhouseCoopers and continued as a manager, whose list of clients included Bestmed and Discovery Health Medical Scheme (2005 - 2010). He also held positions as Financial Director at Viva Afrika Sound and Light, Head of Finance at Cartrack and Chief Financial Officer at Cellfind, a subsidiary of JSE-listed Blue Label Telecoms. Mr Lachmann also served as a member of the Bestmed Audit Committee. Mr Lachmann obtained the second highest votes representing Individual members. He joined the Board in May 2016 and his membership on the Board is for the remainder of Mr Steenkamp's term, who resigned on 24 March 2016.

Elmarie Marx (elected)

BCom Hons Industrial Psychology, UNISA and B.Com. Personnel Management from the University of Pretoria

Previously employed at SASOL Oil, Oilseeds Board and the Department of Trade and Industry as an HR consultant, Ms Marx is currently the manager of HR, payroll and benefits at Telkom. She has extensive experience and background in HR generalist affairs, which includes recruitment, benefits, policies, compensation, payroll and compliance. Part of her role is to ensure compliance to legislation and to oversee the necessary projects for system changes. She further reviews, researches, recommends and maintains conditions of employment, service benefits and HR policies. She also deals with consultation and queries on benefits and policies including medical scheme

and pensioners' subsidies. Ms Marx (representing employee members) joined the Board in September 2016 as a newly elected member after the term of Mr WJ Myburgh expired during the 2016 AGM.

Prof JCW van Rooyen

B.A.(Law), LLB, LLD, Senior Counsel from the University of Pretoria

Prof van Rooyen held positions in the Faculty of Law at University of Pretoria from 1966 to 1998, during which time he became Head of the Department of Criminal Law, was appointed as Professor in Law and served as a Deputy Dean of the Faculty of Law. He served as Chair of the Publications Appeal Board (1980-1990), the Media Council (1991-1997), the Ministerial Task Group that drafted the new Films and Publications Act 1996 (1994 - 1996), and chaired the Banks Appeal Board (1992-2000). In 2006 he was appointed as Councillor to the Independent Communications Authority of South Africa (ICASA), with his portfolio being the Complaints and Compliance Committee (CCC). He chaired the Council Committee that drafted the CCC Procedural Regulations and, at the request of the Chair of the CCC, wrote more than twenty of the CCC judgments from 2007-2010. He served as the Co-Chair of ICASA (2007-2010) and also chaired the Broadcasting Complaints Commission of South Africa (BCCSA) (1993 - 2015). More than 500 of his judgments as BCCSA Chair have been published by Lexisnexis online and two in the Butterworth Constitutional Reports. He has also published more than 40 articles and five books on Law, specialising in Contract, Media and Constitutional Law. He was Humboldt Fellow for Research in Germany (1974, 1992, 1997, 2000), an Acting Judge (2003- 2009) for effectively 12 court terms, 27 of his judgments have been published in formal law reports (Juta and Butterworths' All South Africa Reports) and 90 judgments have been published online by Lexisnexis. He currently holds the Chair of the CCC at ICASA. Prof van Rooyen obtained the second highest votes representing continuation/retired/widowed members. He joined the Board in September 2016 and his membership on the Board is for the remainder of Dr Moncrieff's term, after she sadly passed away.

Board Committees

The existing Board Committees during the 2016 financial period were:

- Audit Committee.
- Risk Management Committee.
- Investment Committee.
- Remuneration Committee.

- Disciplinary Committee (ad hoc committee).
- Nominations Committee (ad hoc committee.)
- Disputes Committee (ad hoc committee).
- IT Subcommittee (will have specific terms of reference and will be active during the period of the strategic decisions on the migration of the Scheme's IT platforms).

As a principle, Committees neither assume the functions of management nor possess decision-making authority. Committees meet at pre-determined times during the financial year and make recommendations to the Board of Trustees, which ultimately make the final decision(s).

Audit Committee

Subject to the provisions of Section 36(10) of the MSA, the Board of Trustees must appoint an Audit Committee of at least five members, at least two of whom 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 Committee.

During 2016, the Audit Committee met on four occasions. The members of the Committee were:

Members	Status
JFJ Scheepers (Chairperson)	Independent member
J Lachmann (Resigned 20 April 2016)	Trustee member
G Nzalo (Appointed 23 June 2016)	Independent member
CM Mowatt	Trustee member
H Wolmarans	Independent member
GS du Plessis	Trustee member

In compliance with the aforesaid section 36(10), three of the five Committee members, including the Chairperson, are not employees and/or appointed by the Scheme. The Principal Officer, the internal and external auditors, and other invited officials of the Scheme attend all Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

The Committee is mandated by the Board of Trustees by means of formally approved terms of reference, which define aspects relating to inter alia membership, authority and duties.

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 MSA, 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 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 the Committee believes may enhance the credibility of the financial statements and reports concerning the affairs of the Scheme, including the safeguarding of assets.
- Advice 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 the annual financial statements, read with the audit report of the external auditor to the Board of Trustees for approval.

Risk Management Committee

The role of the Committee is to ensure that the Scheme has implemented an effective policy and plan for risk identification and management in order to enhance the Scheme's ability to achieve its strategic objectives and ensure that disclosure regarding risks is comprehensive, timely and relevant. The Committee is mandated by the Board of Trustees by means of formally approved terms of reference, which defines aspects relating to membership, authority, duties etc. The Principal Officer, Chairperson of the Audit Committee, Internal Audit and the Executive Manager: Legal, Risk and Corporate Governance attend meetings of the committee.

The Committee met three times during the year and comprised the following members:

Members	Status
PM Kennedy (Chairperson)	Trustee member
CM Mowatt	Trustee member
S Stevens	Trustee member
JFJ Scheepers	Independent member

In 2016, the Committee processed and recommended the Board approval of the Bestmed Strategic and Operational Risk registers. The internal audit plan is then predominantly based on the approved strategic risk register in terms of its focus and subsequent reporting.

Bestmed has and continues to mitigate the identified risks through the allocation of risks to dedicated risk owners at Executive level. This is to ensure integration, effective management and that the tone is set from the top.

Investment Committee

The Committee met four times during the year. The Principal Officer, external investment advisors and Senior Management attend meetings of the Committee. The members of the Committee are as follows:

Members	Status
C M Mowatt (Chairperson)	Trustee member
GS du Plessis	Trustee member
CC van der Breggen	Consultant (Willis Towers Watson)
JH Windell	Trustee member

The role of the Committee is to advise the Board of Trustees and Management on the best possible investment strategy for the Scheme's available resources. The recommendation on whether to amend, re-investment or disinvest on a portfolio is inter alia the responsibility of this Committee. The Committee is mandated by the Board of Trustees by means of formally approved terms of reference which inter alia define its membership, authority, duties etc. The Principal Officer, external investment advisors and Senior anagement attend meetings of the Committee.

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

- The best possible investment strategy for the Scheme's

available resources over the short, medium and long term.

- 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 three times during the year. The members of the Committee were the following:

Members	Status
PA Delpport (Chairperson)	Trustee member
RF Camphor	Trustee member
LB Dlamini	Trustee member

The Committee is mandated by the Board of Trustees through formally tabled and approved terms of reference.

The role of the Committee is to ensure that:

- The Scheme's remuneration policy and practices are regularly reviewed for suitability and relevance.
- The Scheme remunerates the Board of Trustees, senior management and its employees fairly and responsibly.
- Disclosure of trustee and senior management remuneration is accurate, complete and transparent.

Disciplinary Committee

The Committee did not meet during the year as there were no complaints lodged via this structure.

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 is responsible for overseeing a fair disciplinary process and makes recommendations to the Board for its consideration and final approval. The role of the Committee is to assist the Board in the handling of disciplinary complaints against a Trustee(s).

Nominations Committee

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 convenes, deliberates and provides submissions to the Board on the recommended Board appointments where vacancies exist.

Disputes Committee

The Board has established a Disputes Committee, which exists 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 2016. The members of the Committee are:

Members	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.

Ad Hoc IT Advisory Committee

This Committee was constituted by the Board to assist the project to acquire a new member administration IT system for Bestmed. The Committee only acts in an advisory capacity for a temporary period until the acquisition of the new member administration IT system has been finalised.

Members of the Committee are as follows:

Members	Status
Prof PA Delpport	Trustee member
GS du Plessis	Trustee member
PM Kennedy	Trustee member

Board Performance Assessment

In compliance with the principles of the King Code on Corporate Governance, the Board has committed itself to conducting ongoing performance assessments of the Board and its effectiveness in order to identify areas of improvement.

Some of the focus areas include, but are not limited to:

- The relevance of discussions during Board meetings (focus must be on strategic rather than operational issues).
- Ensuring sufficient time is spent on matters which have a significant impact on the Scheme during Board meetings.

- Ensuring that Board members have proper oversight over strategy formulation, implementation and feedback.
- Continuous communication and feedback regarding Board member's duties as these specifically relate to inter alia critical governance issues within and outside the Scheme.
- During 2016, a Board assessment was conducted to inter alia assess the Board's level of compliance to the aspects outlined above. In addition, the assessment was aimed at reviewing the extent to which the Board meets its good governance responsibilities as well as maintaining good relations between itself and Bestmed Executive management. The results of the assessments including the recommendations therein are to form part of the actions to be taken during 2017 and beyond.

Bestmed Trustee Remuneration Policy

In recognition of the expert services provided and time dedicated by each Board member as a fit and proper person, Bestmed remunerates its Board of Trustees members in accordance with the applicable laws and the rules of a medical scheme.

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.

The Board:

- Ensures that the scheme subscribes to approved national salary surveys and that positions are appropriately aligned with the market.
- At all times ensures that the best interests of members are served in the consideration of remuneration levels of Trustees and other Board Committee members.
- Ensures that any amendments to the Trustee Remuneration Policy is tabled and approved by our members at the Scheme's Annual General Meeting, prior to the implementation thereof.
- Ensures that members and the CMS are provided with all information relating to the proposed principles and remuneration of our Trustees, with ample notice prior to our Annual General Meeting.

The annual financial statements of Bestmed contain complete information about our Trustees' current remuneration.

Code of Conduct and Ethics Performance

The Board is satisfied that the officers (Trustees and staff) continue to aspire to comply with the values espoused in the Bestmed Codes of Conduct and Ethics. No contraventions of the Code were reported during 2016.

Other Governance Functions

Internal Audit

Bestmed maintains an effective risk-based internal audit function. The Audit Committee is responsible for ensuring that the internal audit function is independent and functions in terms of an approved Internal Audit Charter. The aforesaid Committee also has the responsibility to ensure 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 Committee and administratively to the CEO. Internal audit's annual audit plan is recommended for approval by the Audit Committee to the Board of Trustees. During the 2016 reporting period, the internal audit function furnished the Audit Committee with various reports on the adequacy and effectiveness of the Scheme's internal audit control environment.

Litigation

The Minemed Medical Scheme, which amalgamated with Bestmed Medical Scheme with effect from 1 September 2013, paid an amount of R7 352 616 in respect of a single admission for a beneficiary. Minemed Medical Scheme has obtained an independent expert opinion on the cause of the admission and the treatment provided and has been advised that there was probable negligence on the part of the service providers.

Bestmed, on behalf of Minemed Medical Scheme, has therefore instituted legal action against various service providers to recover the costs incurred as a result of probable negligence. Although litigation proceedings had previously commenced, the passing of the member concerned brought the action to a halt as he was key in Bestmed's ability to prove its case. Owing to this unfortunate incident, Bestmed has had to re-assess its prospects of success and its approach to the matter. This entails consulting with the remaining relatives of the late member and other experts with a view to collect further information and assessing the merits and the possibility of a successful court action.

Safeguards/Systems/Governance/Compliance Measures

The Bestmed Ethics Hotline, operated by KPMG, aims to enhance an honest work ethic and simultaneously provide our employees and members of the public with a mechanism to bring to the attention of Scheme management any unlawful and/or unethical business practices.

All information is treated confidentially and the anonymity of callers is continuously protected. The hotline operates 24 hours a day, 365 days a year. We receive regular analysis of the calls and investigations are launched where necessary.

A total of nine hotline complaints were lodged during 2016 and these included reports of fraudulent claims submitted by service providers and incorrect benefit payments. Investigations revealed numerous submission errors by service providers. Of these, only three were deemed valid. These were resolved internally and posed no risk to the Scheme. Even though these errors were addressed during the investigation process, Bestmed strives to monitor the submissions of service providers.

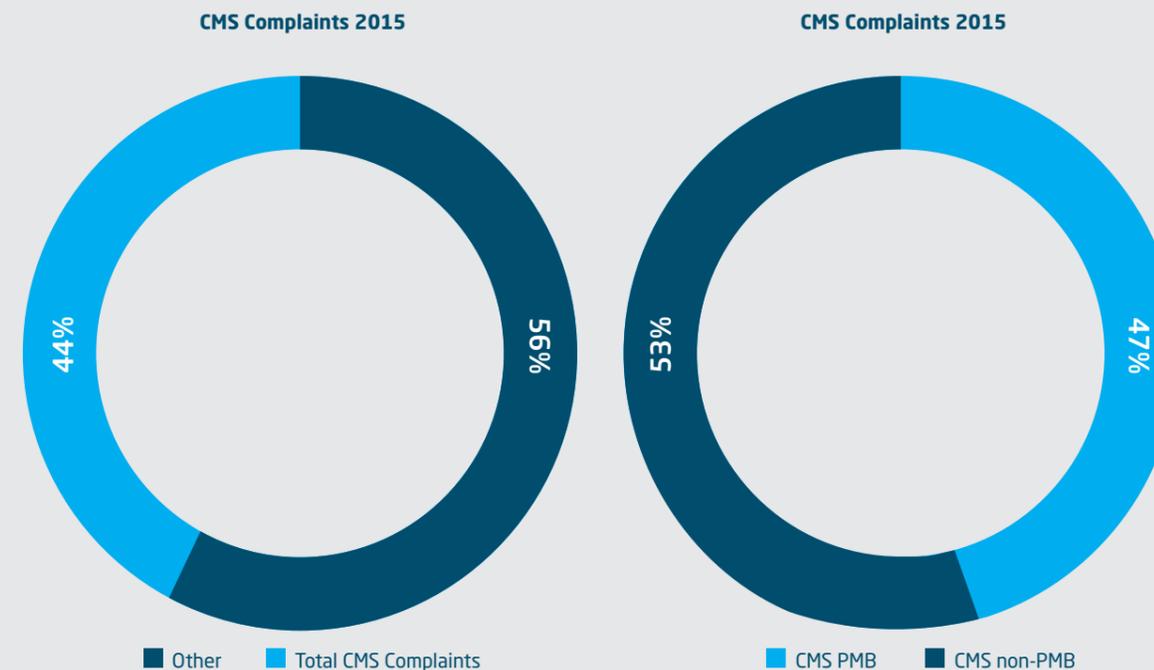
Complaints: 2016

The table below illustrates the number of complaints received during 2016. A total of 188 CMS complaints were received during this period, of which 88 relate to prescribed minimum benefits (PMB). The table also indicates the rulings and appeal directives received during this period.

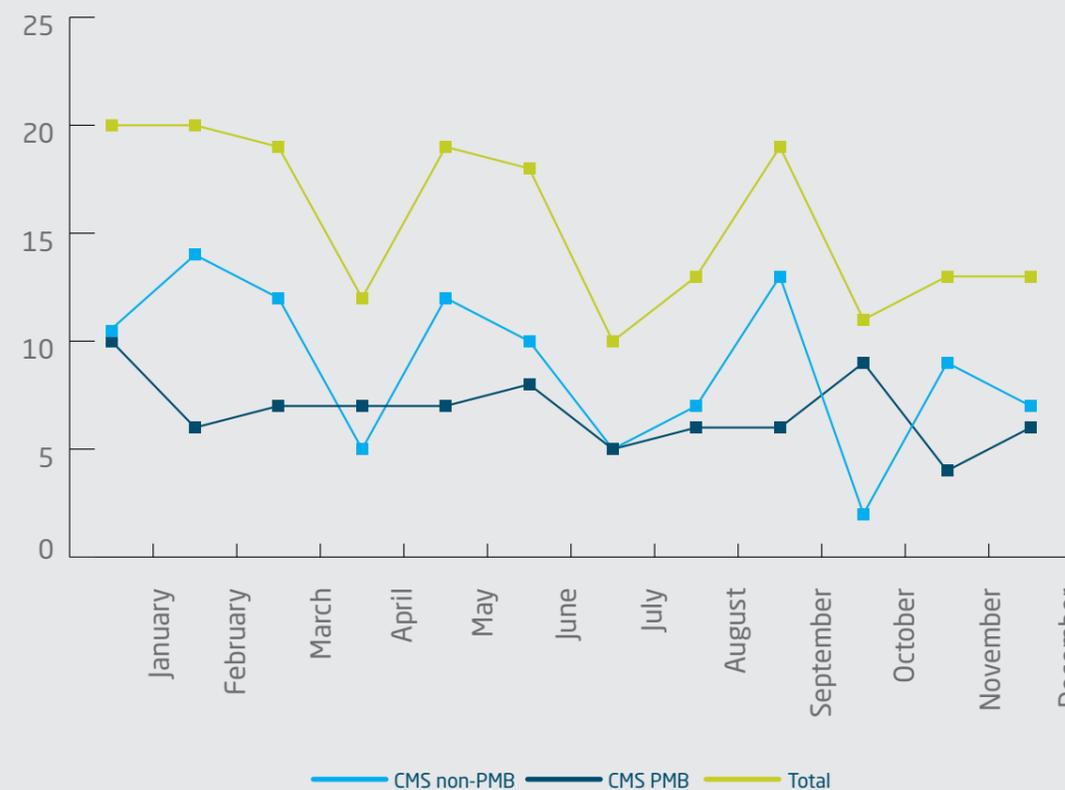
Department	Number of Complaints	Rulings	Directive from Appeal Committee to Compensate	Complaints Relating to PMB
CLM	13	1	0	3
DIS	9	0	0	5
MBR	12	3	0	0
MED	13	0	0	5
PMB	28	1	0	27
PRE	110	13	2	48
GOV	3	0	0	0
Grand Total	188	18	2	88

CLM = Claims Dept. | DIS = Disease Management Dept. | GOV = Corporate Governance | MBR = Membership Dept. MED = Medicine Dept. | PMB = PMB Dept. | PRE = Pre-Authorisation Dept.

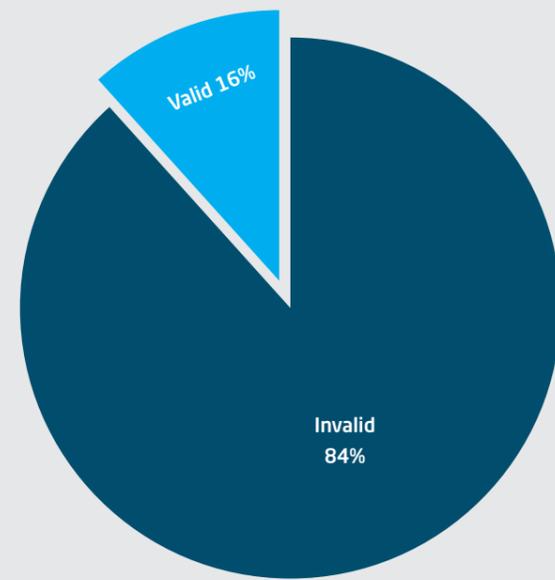
The PMB-related complaints are not restricted to the PMB department only, but include complaints arising from decisions made by other departments. These decisions affect how the CMS may perceive the Scheme's payment of PMB conditions.



Trend: CMS Complaints 2016



CMS Complaint Validity 2016



Invalid complaints are deemed complaints submitted to the CMS, disputing benefits where the Scheme was correct in its decision.

Valid complaints relate to instances where the Scheme erred.

The table below provides a comparison of complaints received during the last two years. The table also distinguishes between CMS complaints, PMB-related complaints and other complaints.

Comparison of Complaints

Year	CMS	CMS PMB- Related	Total CMS Complaints	Other	Total Complaints
2016	100	88	188	239	427
2017	149	40	189	186	375

2016: 31 of the CMS complaints were deemed valid, 157 were deemed invalid.

2015: 30 of the CMS complaints were deemed valid, 159 were deemed invalid.

Financial Advisory and Intermediary Services Compliance Report

75%
FEWER CO-PAYMENTS
THAN OUR
COMPETITORS



Bestmed, as a Financial Services Provider (FSP), faces several new and upcoming regulatory changes.

Financial Sector Regulation Bill (FSR)

The Twin Peaks Initiative

This Bill includes recommendations to improve National Treasury's legal enforcement and clarifies the role of regulators. The proposed implementation of the Twin Peaks model in South Africa is contained in the Financial Sector Regulation (FSR) Bill. Under the Twin Peaks approach, two separate regulators are established:

- The Prudential Authority (within the South African Reserve Bank) oversees the financial stability and soundness of financial institutions.
- The Financial Sector Conduct Authority is responsible for matters relating to market conduct, and aims to ensure that financial services clients are treated fairly by financial institutions.

National Treasury also released a draft market conduct policy framework discussion document, providing a comprehensive framework for how the market conduct regulator will operate, with its mandate being to make sure that the market conduct of financial institutions achieves fair outcomes for their customers.

Retail Distribution Review

The Retail Distribution Review (RDR) has, as its primary purpose, to ensure that insurance distribution models are aligned to the Treating Customers Fairly (TCF) Outcomes. In so doing, it promotes appropriate, affordable and fair advice, and supports a sustainable business model for financial advisers.

The RDR put forward a range of regulatory proposals to be implemented in three broad phases.

RDR Phase 1 is being given effect through proposed amendments to the following regulatory instruments (all issued under the Financial Advisory and Intermediary Services Act [FAIS Act]). Amendments that will impact Bestmed are:

- The General Code of Conduct for FSPs and representatives.
- Fit and Proper Requirements for FSPs were published for comment at the end of 2016.

RDR Phase 1 regulatory reforms are scheduled to take effect in the first half of 2017, with transition periods provided for where appropriate.

Additional technical work is to be carried out to complete the details of RDR Phase 2 and 3 proposals. Where required, technical work will not only inform the final regulatory position, but also the transition or phasing-in measures. This technical work will be carried out in consultation with the medical aid industry.

The FSB's intention is to align the implementation of Phases 2 and 3 of the RDR reforms with broader changes to the financial sector legislative changes under the Twin Peaks model as well as other overarching market conduct regulatory reforms. This means that aspects of the RDR implementation timeline are dependent on timelines of these broader processes that are outside of the Financial Services Board's control.

Treating Customers Fairly

Treating customers fairly is a regulatory approach that seeks to ensure that specific, clearly articulated fairness outcomes are delivered by financial firms such as Bestmed.

The six fairness outcomes (as prescribed by the FSB) as they apply to our operations are:

1. The fair treatment of customers is central to Bestmed's culture.
2. Products and services are designed, marketed and sold to meet the needs of targeted customer groups.
3. Customers are kept informed before, during and after the time of becoming a member of Bestmed.
4. Advice is suitable and takes customer needs into account.
5. Customers are provided with products that meet the expectations created by Bestmed.
6. Customers do not face unreasonable post-sale barriers.

Bestmed will ensure that business remains informed and prepared for the implementation of all phases of Regulatory development.

Business Process Management and Contract Management

As one of its strategic objectives, the Scheme has embarked on a Business Process Management Project. The project aims to map and improve business processes as well as to identify and rectify potential gaps in existing processes. The project also aims to introduce processes that will enhance inter-departmental efficiency as well as the Scheme's dealings with different stakeholders. For the 2016 financial period, the project focused on three critical areas, namely contract management, complaints and supply chain. The project commenced in 2016 and is due to be completed during the 2017 financial year.

Regulatory Universe

In order to monitor and improve the culture of compliance within the Scheme, a legal firm has been appointed to conduct a compliance audit. The primary aim is to ensure that the Scheme is compliant with all relevant legislation and regulations. The audit comprises the following:

- Identification of key legislation that directly or indirectly impacts on Bestmed.
- Designing and populating a compliance checklist for each identified piece of legislation.
- Populating each checklist with relevant sections of each relevant Act and/or Regulation as the case may be.
- Conducting an audit with the relevant personnel and units within Bestmed with regards to their compliance or non-compliance with the identified Act and/or Regulation as the case may be.
- Providing a report with action plans, which the Scheme would be required to respond to.

The audit was planned to span over a six months period, however due to varying priorities within Bestmed, which have led to delays, the project is due to now be completed in the middle of 2017.

Conclusion

Bestmed has made much progress in a number of areas, including notably its governance capability. Much work lies ahead to ensure that we progressively realise the milestones we have set with minimum disruption to operations and the areas we are responsible to provide support to. We are excited about the full implementation of our new IT platform during 2017 and expect that it will improve efficiencies and the ease of doing business, ultimately enabling the Scheme to provide a quality offering to our members. The uncertainty with regards to external factors such as the impact of the economy on the health sector, the imminent implementation of the National Health Insurance scheme present the Scheme with challenges and opportunities alike. It is our considered view that Bestmed continues to be a sound and sustainable scheme. We are confident that our culture and values will continue to provide our stakeholders with the assurance that we will continue to act in the best interests of the Scheme and our members as a good corporate citizen.

Human
Resources
Report



As Bestmed enters the new digital world of work with a new and enhanced administration system, so too is our work force becoming increasingly diverse. The result is that we have to adapt the way that we manage, lead and organise ourselves to ultimately deliver maximum value to our members. We believe in strategic utilisation of our employees to serve business goals.

To this end, we endeavour to create a work environment in which people will choose to be motivated, contribute and happy. By fostering effective methods of goal setting, communication and empowerment through responsibility, we build employee ownership of the Scheme. The HR Department together with our leadership team, helps to establish an organisational culture and climate in which people have the competency, concern and commitment to serve our members well.

Overview

In 2016, the HR Department focused on ensuring good corporate governance and compliance within the Department as well as across the organisation. Areas of possible risk were identified with control mechanisms being the focus for 2017. The year under review presented numerous challenges that were dealt with effectively while maintaining our service delivery to our internal client base.

We plan to streamline current processes by optimising our automated systems. Our biggest priority remains providing strategic support to the operational areas as we finalise the new administration system implementation in the form of personnel training and development. We will continue to build on staff's resilience to adapt to change and to successfully deal with challenges.

Attracting the right talent that promotes diversity while possessing the required skills remains a challenge. This year we endeavoured to promote awareness of the strategic benefits of reaching our employment equity targets. Considering all that has been achieved, our staff to member ratio remains significantly lower than those of some of our direct competitors.

Important 2016 Indicators

Category	2015	2016
Current employment equity ratio (%PDI)	54%	59%
Resignation rate	10.9%	8.9%
Separation rate	14.0%	11.8%
Average number of employees	386	381
Number of training interventions		423
- External	942	305
- Internal		118
Average performance rating	3.5/5	3.6/5

PDI - Previously disadvantaged individuals

2016 Highlights

Talent Acquisition

Achievements 2016

- 79.9% of all appointments for 2016 were employment equity (EE) appointments in line with Bestmed's EE targets.
- Further streamlining of the automated recruitment and selection process through the SCubed module, including all document flows and administration.
- Full embedding of job profile information on SCubed for every position within the Scheme for use in the recruitment and performance management value chain.
- Increased use of psychometric assessment data to inform appointment decisions and identify developmental requirements.
- The Bestmed Integration programme has been reconfigured to fully integrate new personnel into the Bestmed way. The integration programme commences on the first of every month for all new appointments. During this daylong session, new staff are introduced to the Bestmed mission and vision, the different Bestmed departments, internal operational and HR processes and procedures.
- Successful identification of high potential individuals to form part of Bestmed's succession planning programme.
- Selection of high potential EE candidates to partake in the international leadership development programme.

Talent Development

Achievements 2016

- Successful submission of Bestmed's WSP/ATR Report to ensure compliance.
- Adult Education and Training programme implemented with many learners successfully completing the levels in which they were enrolled.
- Successful completion of the 2016 learnerships within the Medical Claims Assessing space, with six out of the nine learners being employed permanently, representing a 66.7% absorbance rate.
- The internship programme 2016/2017 is ongoing with measurable value being added to the organisation. One intern has been appointed permanently.
- The talent optimisation programme was completed successfully and areas for optimisation were identified for the next phase.
- Successful roll-out of Phase 3 of the team growth strategy with the Team Building Institute.
- Our trainers have successfully equipped themselves with the necessary knowledge to facilitate training of personnel in the new administration system.

Talent Wellness

Achievements 2016

- Continued support provided to staff via ICAS and IEMAS.
- Stress management training was rolled-out and well attended.
- Change management sessions in anticipation of the new administration system implementation were conducted with great success and valuable feedback was obtained from staff.

Talent Platform

Achievements 2016

- We have optimised the automated recruitment and performance management process, which has been fully adopted by the management team.
- Automated acceptance of Bestmed policy and procedure documentation.
- Successful implementation of the Organisational Human Factor Benchmark (OHFB) survey results used during the performance assessments of managers.

Talent Performance

Achievements 2016

- Revision of contribution appraisal components and getting buy-in from stakeholders.
- Revised performance contracts incorporated into SCubed and the automated evaluation process successfully conducted in November 2016.
- The management of compulsory components and the management incentive components were reviewed to incorporate elements of importance such as B-BBEE, SCubed management and the OHFB survey. This is to ensure the implementation of these important processes within the Scheme.
- An organisational redesign project was successfully conducted within the HR, Legal and Marketing Departments to optimise value delivery to the organisation.

Talent Reward and Recognition

Achievements 2016

- Successful transfer of Bestmed's pension fund and group life benefits to Momentum as the chosen provider as from 1 January 2016.
- Salary survey data being readily available to assist with increase decisions.
- All 38 requests for job evaluations were conducted in-house. This process saves costs and ensures quick response and support to business. It also ensures sound remuneration practices and compliance to legislation regarding equal pay for equal work.
- Three rounds of quarter winners for the Best Pacesetter programme were identified and rewarded.
- Incorporated line management input into the Excellence Award winner nomination process to enhance buy-in.

Talent Relations

Achievements 2016

- Valuable contribution by the EE Forum in consultation on policies and legislative requirements.
- Successful submission of Bestmed's EE Report to ensure compliance.
- Employee relations training presented to the management team to ensure fair and consistent application of discipline.
- Increased control mechanisms put in place to ensure compliance with policies and procedures.
- We are showing marked progress towards achieving the EE targets set in our EE Plan for 2018.



Operations Report

We are pleased to report that 2016 represents by far the best processing performance of Bestmed that we have been able to communicate to our stakeholders.

Our Membership (New Business, Corporate and Individual business units) and Claims Department rendered services relevant to the membership/reconciliation and claims database to the following member profile as at 31 December 2016:

Category	Number of Principal Members				Beneficiaries
	2015		2016		
Corporate	62 179	(67%)	62 447	(66%)	132 332
Individual	29 272	(30%)	30 093	(32%)	62 906
Government	2 815	(3%)	2 401	(3%)	5 274
Total	94 266	(100%)	94 941	(100%)	200 512

The Operations Department managed to exceed all of its enhanced 2016 targets/organisational goals. This performance can be attributed to a very stable IT processing system and goal orientated strategy where daily turnaround and quality measurement, followed by reporting are business imperatives. No major incidents/disruptions occurred in these operational spaces in 2016.

2016 Operational Performance Dashboard

Key Performance Area	Target	2016 Actual	% Variance	2015 Actual
Claims				
Paper claims: receipt to assessed (hours)	< 29hrs	24.7hrs	-14.8%	28.3hrs
EDI claims: receipt to assessed (hours)	< 25hrs	24.5hrs	-2%	25.2hrs
Claims error (%)	0.06%	0.03%	-50%	0.04%
Membership				
Changes to membership status and new applications (hours)	< 48hrs	42hrs	-12.5%	42hrs
Reconciliation management number of discrepancies (Sept 2016)	< 800	120	-85%	360

Claims Processing

We have to a large extent ascertained our exposure to possible fraudulent claim transactions and conducted an investigation into the claim patterns of providers. We continue to participate in the Board of Healthcare Funders of Southern Africa's Healthcare Forensic Management Unit (HFMU) which has made significant progress in both raising awareness of, and tracking fraud. In 2016 we increased our involvement and participation in this industry platform. The HFMU is an information and resource sharing group that enjoys participation by medical schemes, administrators and some insurers. Their core focus is to facilitate a unified approach with regards to fraud in the medical schemes environment. The benefits of participating in this forum include working within a strict legal framework to ensure a fair and

transparent approach, no duplication of effort, collaboration with professional bodies and a more streamlined process with criminal matters due to relationships with the likes of the South Africa Police Service, National Prosecuting Authority and other prosecuting authorities.

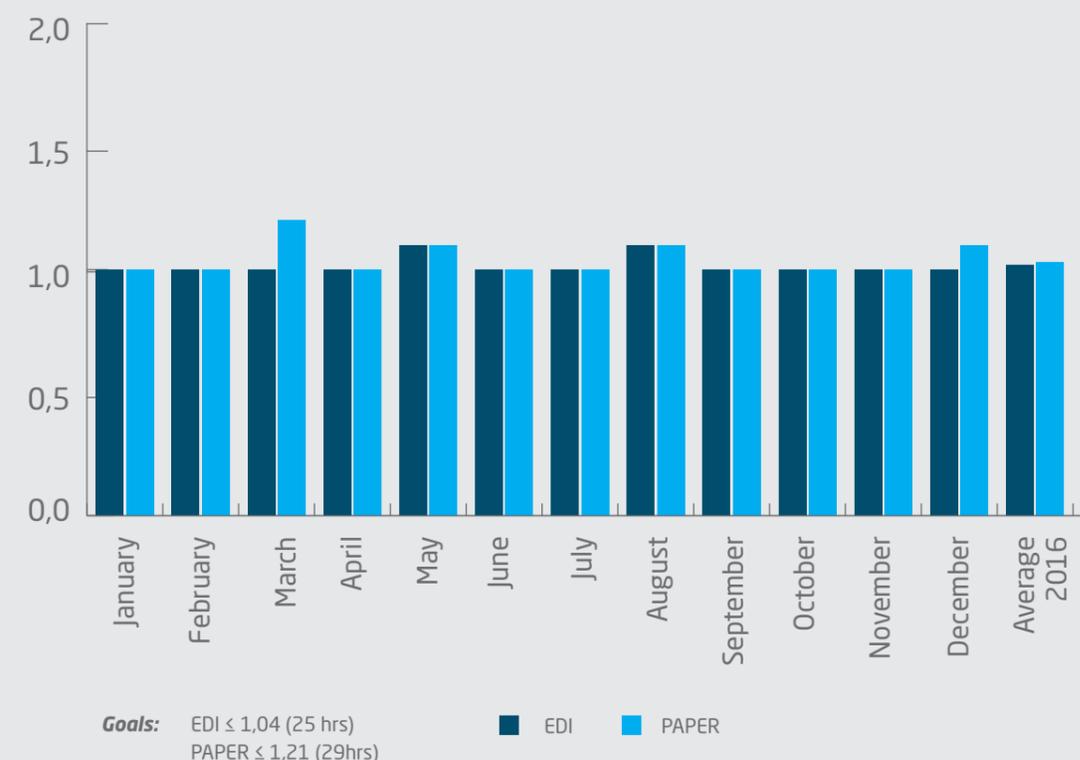
Unethical behaviours can be reported through the independent KPMG 24-hour Ethics Hotline, which is available to all Bestmed staff, members, and members of the public and/or service providers. KPMG manages all aspects of the day-to-day operations of the Ethics Hotline. Communication mediums with KPMG include a toll-free telephone number, a toll-free fax number, a secure email address, a free-post address and a web-based address. Callers may remain anonymous and all calls

are recorded and safely stored at an offsite location. Information is evaluated and the course and level of sharing decided upon. However, in most cases the information is shared directly with our Legal and Corporate Governance Department. They will then ascertain the level of action to take and whether the report necessitates further investigation with regards to the whistleblowing information received. Further investigation and action do not reside with KPMG.

Bestmed participated in a fraud awareness campaign and for six weeks sensitised members to report fraudulent behaviour by means of a statement message.

The performance indicators confirm that we have consistently processed electronic and paper claims on a same-day basis, meaning on the day that they were received in the Department. Measurement across all the operational spaces was done in increments of 24 hours, which equals one working day of eight hours. Our 2016 general claims processing turnaround represents by far the best operational performance in the history of the Scheme. We issued daily electronic mini-statements and formal weekly claims statements to members and providers, and every weekly claims payment run was executed on target.

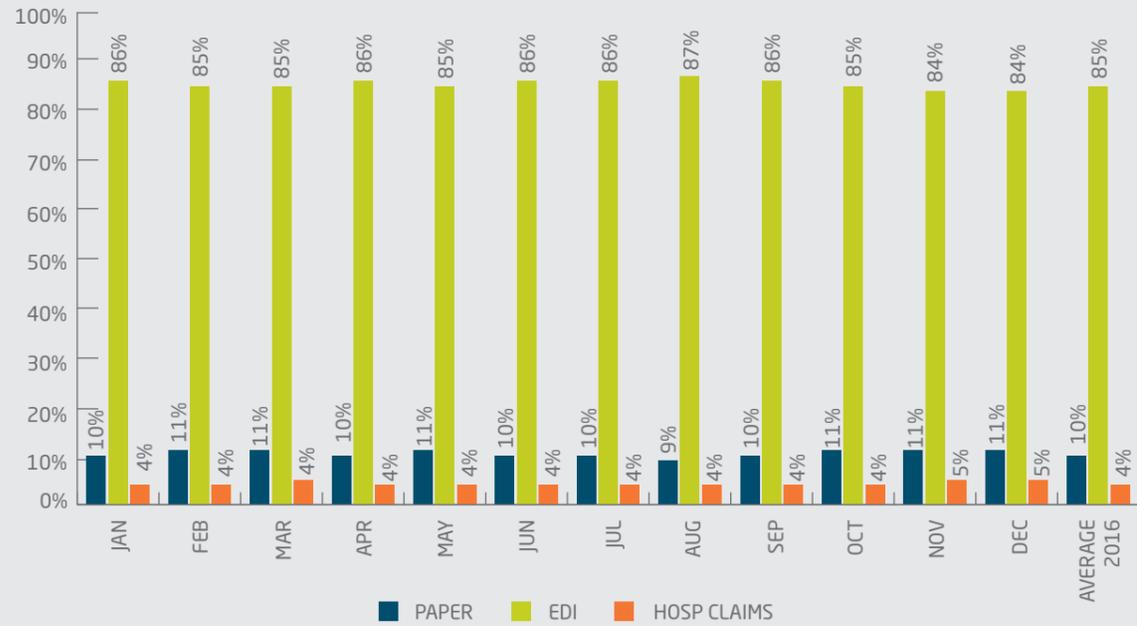
Claims Processing Turnaround Times



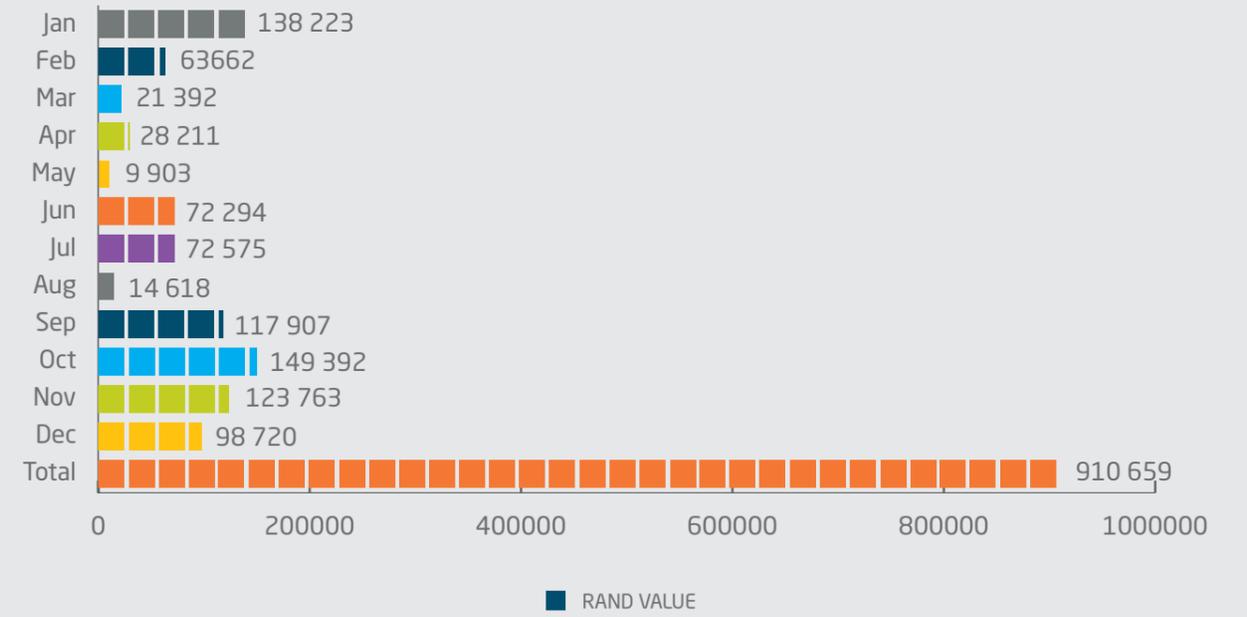
Claims Processing Error Rate



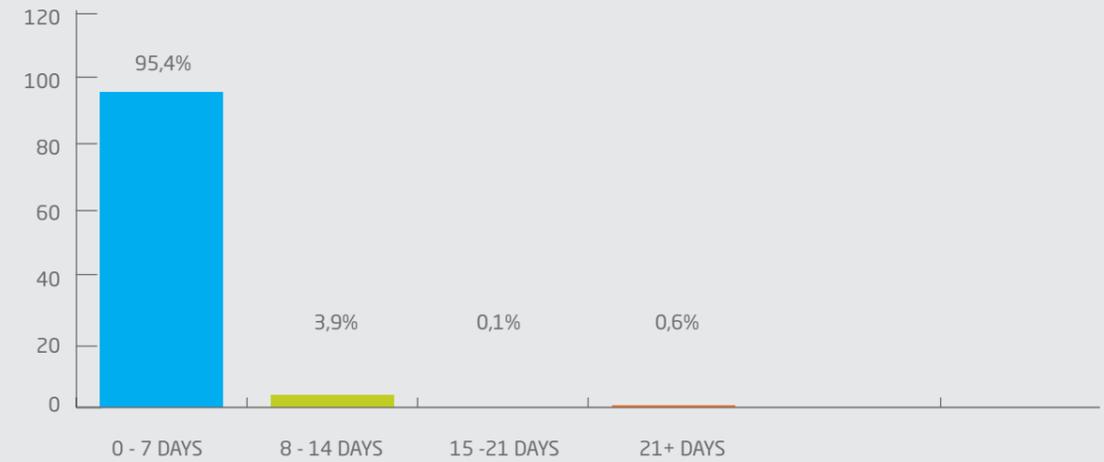
Breakdown of Claim Types



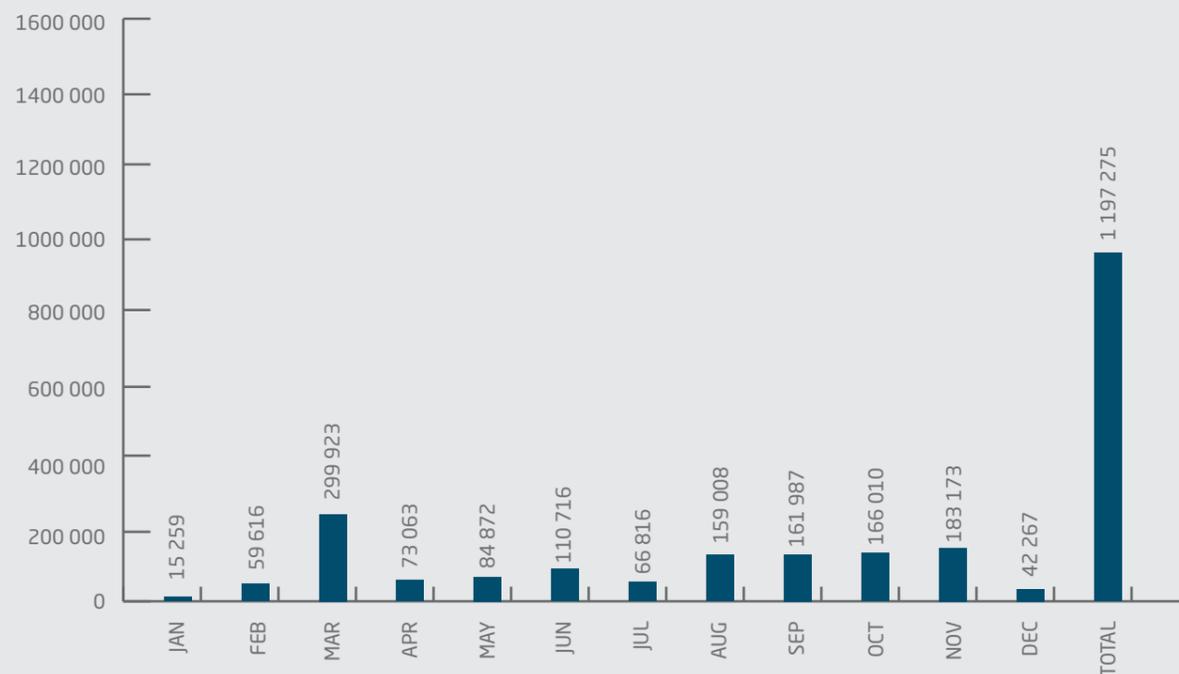
Ex-Gratia Payments



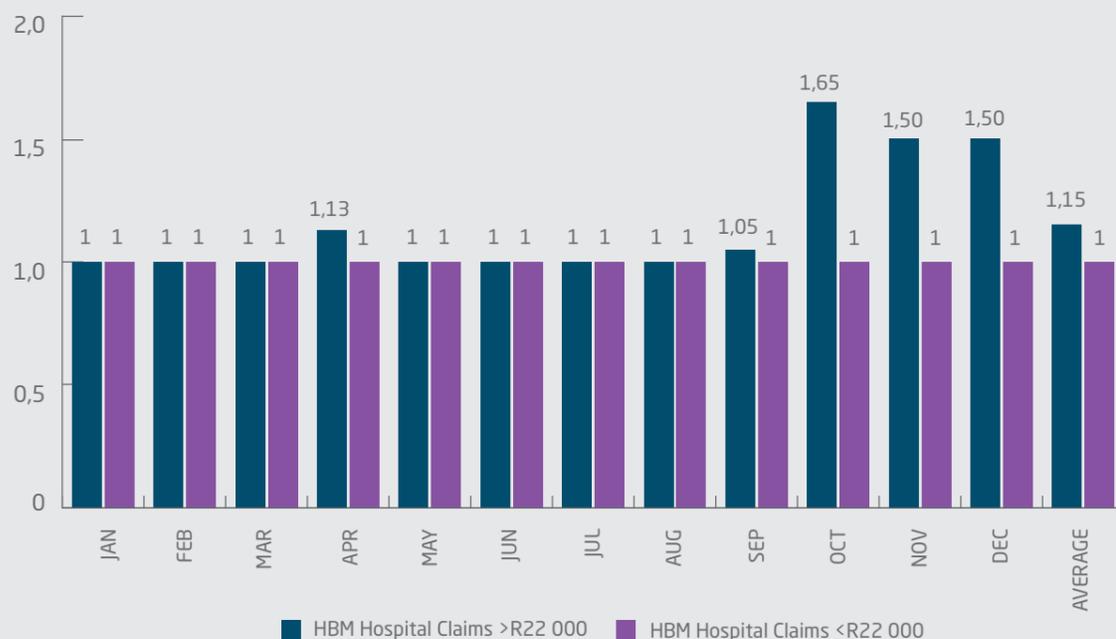
Claims Age Analysis (Payments)



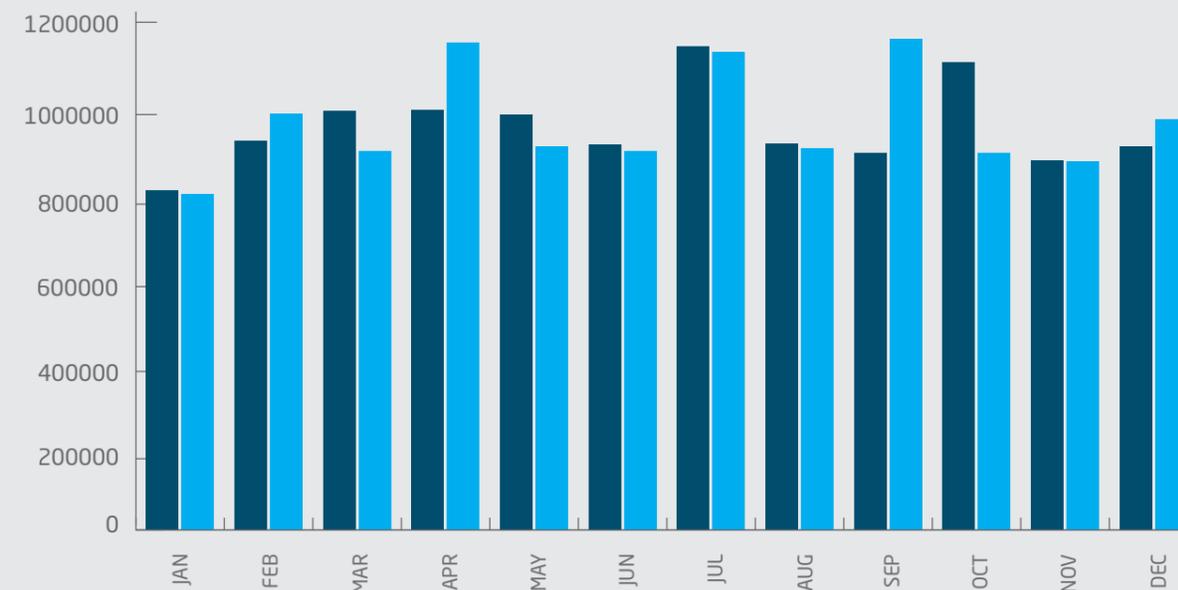
Claims Stale Payments



Hospital Claims Turnaround



Claims Items Per Month



Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2015	827 832	947 653	1 020 989	1 023 608	1 011 994	938 692	1 179 777	941 688	920 069	1 140 255	900 410	934 715
2016	818 552	1 014 342	922 874	1 186 979	934 585	923 664	1 165 178	930 616	1 197 157	920 015	897 756	1 001 894

Membership

The Membership Department comprises three focused business units, namely Membership Corporate Business (responsible for 66% of the total member base), Membership Individual Business (responsible for the remaining 34% of the member base) and Membership New Business and Underwriting. This innovative new business unit, responsible for loading new applications only, was rolled out in 2016 and we are confident that intermediaries have experienced and appreciated the excellent turnaround times and even more personalised and focussed service delivery.

Membership Administration

The performance of our membership administration, which processes new applications and changes to membership status, remained highly satisfactory and it would not have been possible to execute these administration functions faster without compromising quality. The fact that we have managed to create an almost completely paperless environment in all three membership divisions is something we are very proud of. Efficient membership administration and quick processing turnaround represent one of the most important business differentiators. Regardless of the many manual interventions required, credit should be given to a very stable operating system, which is the foundation of our administration and reconciliation performance. The year ahead will without a doubt be overshadowed by the migration to our new IT platform. Regardless of the immense challenges on human resources, the

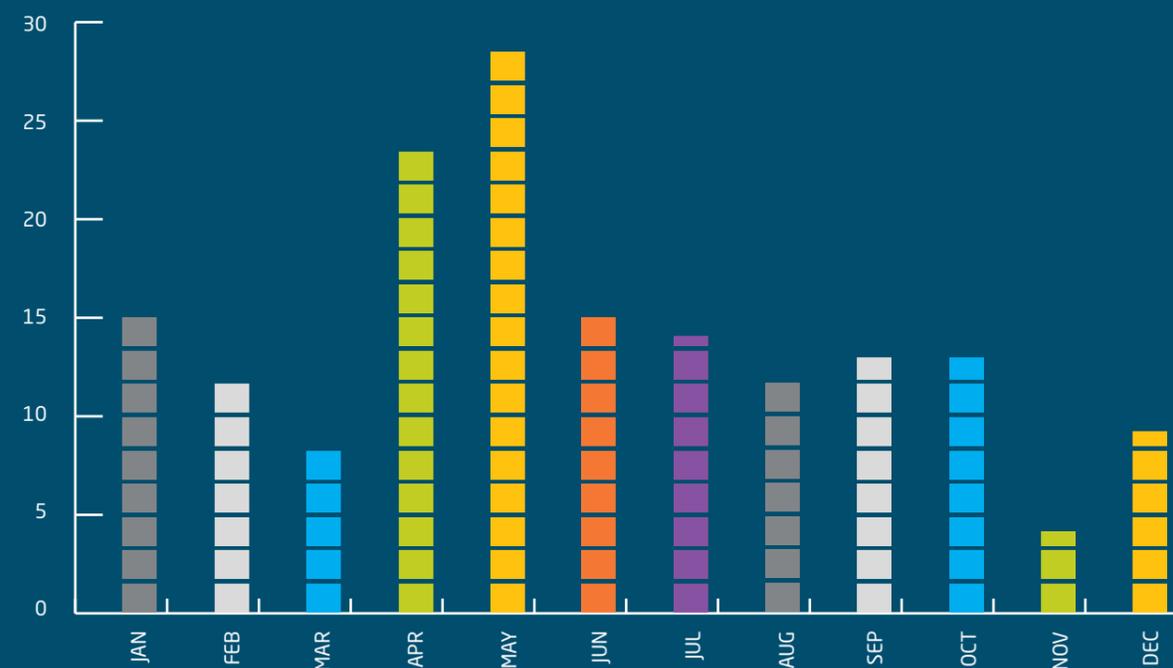
new functionalities and value additions will elevate the Scheme to new heights in service delivery and competitiveness.

Reconciliation Management

Subscriptions are payable monthly in advance or in arrears as negotiated with the Scheme, and three days' grace is allowed in terms of the provisions of the Act and registered Rules. Participating employers pay via electronic funds transfer (EFT) and we are therefore totally reliant on them to do on-time payments. However, circumstances differ and we do find it difficult to always receive payments on time. We can report that our lenient philosophy of cooperation and support make this a very challenging compliance issue. Nonetheless, reconciliation management is dealt with in the most efficient way without exposing the Scheme and its members to unnecessary risk and without compromising the employer-scheme relationship.

Bestmed receives EFT payments from 185 participating employers, some of whom have more than one pay point, and we facilitate direct payments as per organisational structure/preference. This carefully monitored process provides that we notify all late- and non-payers in writing on the sixth of a month that they have contravened the registered Rules. The consultants and team leaders then follow up with their respective groups. On the tenth of the month, the line manager reports to the Executive Manager on all remaining late- and non-payments and further escalation/action is then determined.

Number of Late Payers



Different methods are used to collect subscriptions in the two different business units, which pose different challenges in both units. Membership Corporate Business is fully reliant on the cooperation and support of participating employers to manage and correct the discrepancies at member level. In the case of Membership Individual Business, we collect subscriptions electronically via ACB (debit order). The reduced number of discrepancies in the current year is evidence that corrections have been effective. Bestmed's philosophy is not to summarily suspend benefits in the case of short payments or no payments, which is the case with other schemes and administrators.

Number of Reconciliation Discrepancies per Category		
Category	Number of Discrepancies within three Month Mandate	
	2015	2016
Corporate	349	115
Individual	11	5
Total	360	120

The reconciliation management process applicable to our corporate clients allows membership a 90-day period to ensure that corrections/inputs are done by all stakeholders (human resources, payroll and consultants), meaning that suspension of benefits/membership becomes relevant once this period has lapsed. The results of all inputs are reflected on a monthly age analysis summary. Payment balances for individual members are automatically adjusted and rectified with the next ACB debit order run, which improves the process.

We are confident that the manner in which we contract this business - using number of discrepancies of all beneficiaries - contributes to the highly satisfactory status of the subscriptions profile.

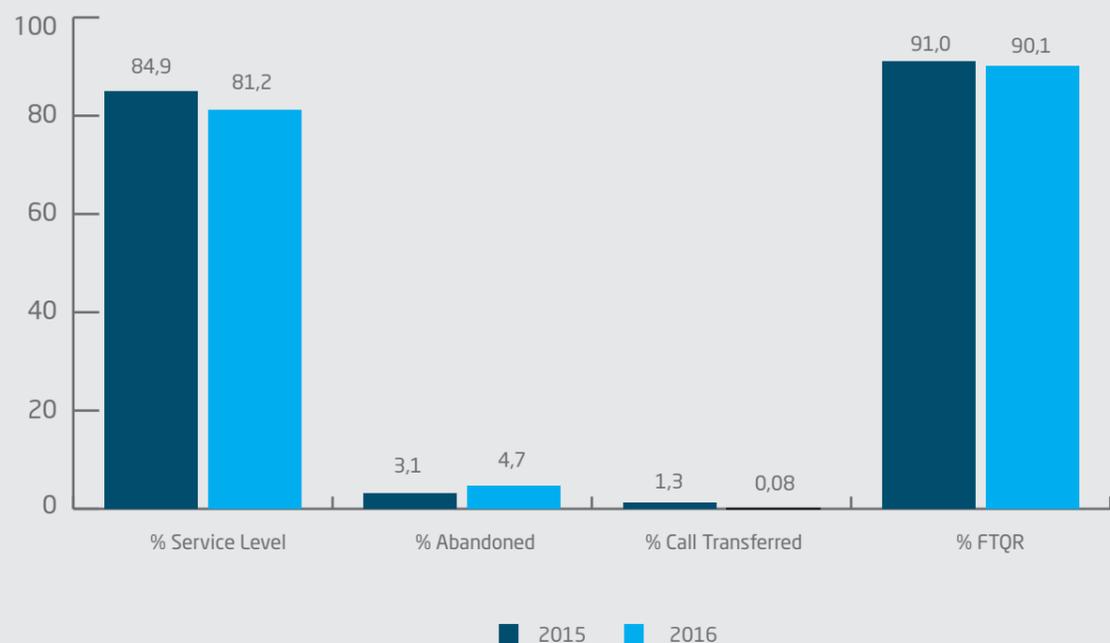
Conclusion

We are more than satisfied with our operational performance in all four business units in 2016. The consistency in our performance and the non-debatable daily, weekly and monthly monitoring of measurable results in every operational space are evidence of our commitment to delivering excellent service to our clients. The risk factors from an operational perspective have been further reduced in 2016. We will continue to face challenges, but we are nonetheless confident in our ability to overcome these and know our planning, forecasting and coordinated action will culminate in a client experiences second to none in the industry. Our main challenge in 2017 will centre around the IT system migration and our ability to ensure a smooth transition without negatively impacting on members, providers and participating employers and intermediaries. We will remain committed to our operational target to be quicker than anybody else in the industry.



Client Relations Report

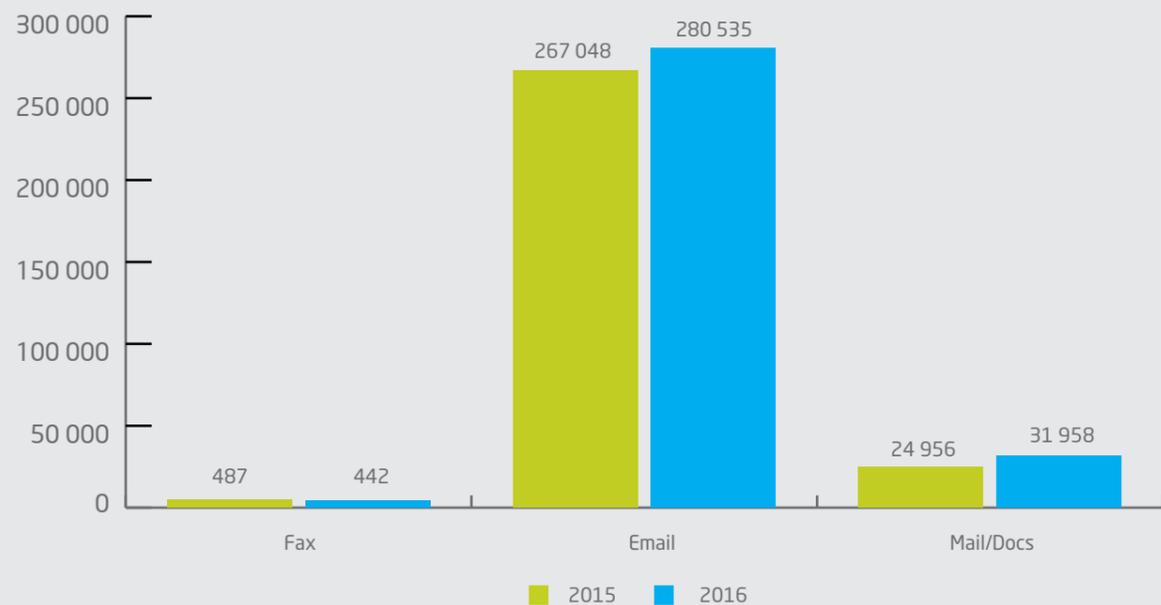
The Section that Follows Discusses the Performance in 2016 of the Client Service Centre.



Client Contact Centre Performance

FTQR - First time query resolution

Call Centre	2015	2016
% Service Level	84.9%	81.2%
% Abandoned	3.1%	4.7%
% Call Transferred	1.3%	.08%
% FTQR	91.0%	90.09%
Service Level Agreement	80%	80%



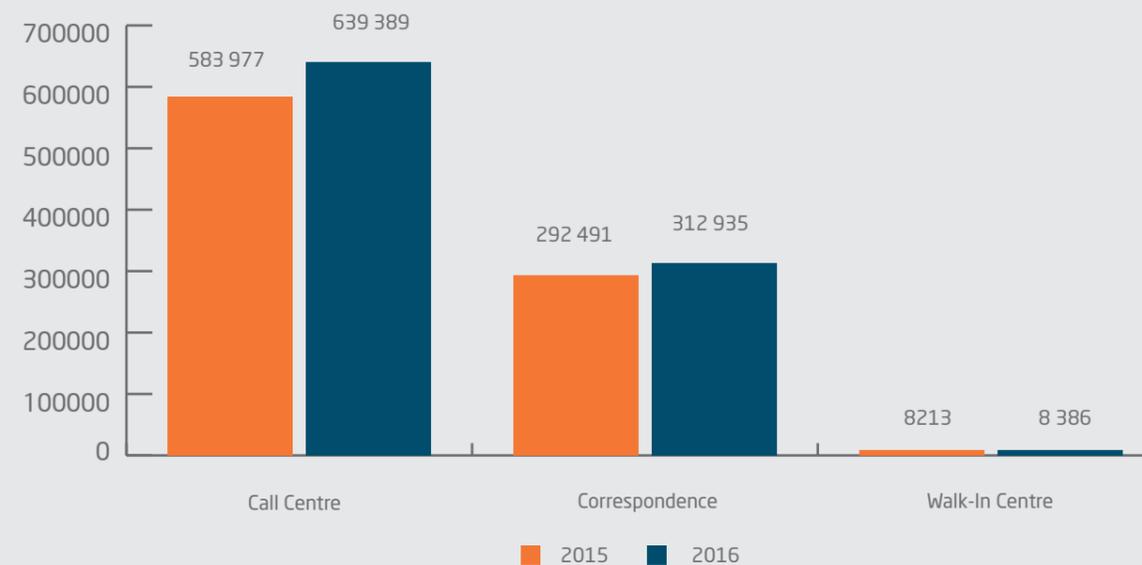
Correspondence Performance

Correspondence	2015	2016
Faxes Received	487	442
Emails Received	267 048	280 535
Mail/Documents Received	24 956	31 958
Average Answer Time (hours)	18	12
Service Level Agreement (hours)	48	24

Queries Handled

Contact Centre Unit	Queries handled 2015	Queries handled 2016
Call Centre	583 977	639 489
Correspondence	292 491	312 935
Walk-in Centre	8 213	8 386

Queries Received



Queries Handled

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AGU	SEP	OCT	NOV	DEC
2015	83	83	83	85	84	84	81	84	85	83	84	83
2016	84	84	83	83	82	83	84	84	84	90	92	91

Specialist Research and Consulting

Specialist Research and Consulting conducted a satisfaction survey of members on medical schemes.

The survey adopted a multi-method approach that included telephonic interviews (conducted from June to September 2016) and web-based surveys (September 2016). Those interviewed came from various demographic profiles, across age groups, regions and genders.

Net Promoter Score (NPS) Rating

- Likelihood to Recommend Bestmed Medical Scheme**

The 2016 score improved from 17 in 2015 to 20, although there was a slight drop in the promoters by two.

- Likelihood to Recommend Bestmed Benefit Option**

The score improved from 17 in 2015 to 20 this year, although there was a slight drop in the promoters by two.

- Member Perceptions of Bestmed Compared with Other Schemes**

The scores improved in 2016 compared to 2015. The category 'Better than other schemes' dropped by one, while 'On par with other schemes' increased by four and 'The worst compared to other schemes' decreased by three.

Rating of Phase Association

The score for service delivery in terms of professionalism, integrity, and query resolution increased.

- Feelings about Medical Scheme Benefits**

Members have selected Pace and Pulse options for 2016 as better than they expected, but was not impressed with Beat options. Although members rating on 'worse than I expected' dropped from 28 in 2015 to 12 this year.

- Feelings about Individual Member Benefits**

Health examinations that promote wellness clearly showed the members' delight, scoring 8.8. The ordinary day-to-day medicine benefits also improved to 8.0, while the other categories stayed more or less the same.

- Interaction with Bestmed**

There was no significant movement with regards to rating the different service touchpoint areas.

- Website Evaluation**

Members indicate satisfaction with the use of the Bestmed website.

Ask Afrika Orange Index 2016/2017

Bestmed was ranked 152nd in the 2015 Ask Afrika Orange Index in the medical scheme category, but moved up to 62nd in 2016. Ask Afrika's feedback ranked Bestmed in second place in the industry for performance.

Q: Which one channel is used to communicate the most with the Scheme and rate your satisfaction with this channel?

Channel Interaction	Channel (highest score was 35)	Satisfaction (highest score was 100)
Call Centre	14	89
Email	13	56
Internet/Online	38	77
Fax	4	60
Scheme Representative/ Broker	14	78

Q: How did the service interaction make you feel? (Scored out of 100)

Service Interaction	Disappointed	Disgusted	Didn't feel anything	Happy	Delighted
Scheme Representative/ Broker	0	0	7	50	43
Call Centre	0	0	19	55	23
Internet/Online	3	0	6	18	74
Email	0	0	8	25	67
Fax	0	0	0	0	0

Bestmed's Overall Performance for 2016

- The Ask Afrika Orange Index[®] Benchmark (67.03).
- Industry Average (67.56).
- Bestmed rating (70).

Ask Afrika Benchmarks	Medical Aid Industry	Bestmed Medical Scheme	Comment
Effort	38	41	We strive to do more than is expected.
Fairness	32	32	We stand by the Scheme Rules and Protocols, which are applied to all members.
First Call Resolution	21	15	The focus for 2017 is on skilling employees to take ownership for the resolution of queries on first contact.
Service	46	44	Our objective is to exceed the industry's service norm.
Emotion	28	43	Living the Bestmed Brand.
Reputation	36	28	Over eagerness to please sometimes results in an error.
Trust	34	31	Promoting peace of mind for our members.
Net Promoter Score	7	16	Determine customer loyalty and predict growth.

Summary

- Bestmed's performance has gradually increased from 40% to 70% in just four years.
- We ranked highest in delighting members/providers with a percentage of 42.74%.
- We lagged on first call resolution with an overall score of 38%.
- We need to ensure that we keep members/providers informed about the progress of their query as well as letting them know that we are aware of the urgency/complexity of the issue.
- Bestmed's improvement on the NPS Score in 2016 was outstanding (from 16% to 26%).
- Satisfaction with Bestmed's call centre was the highest out of all the brands in the industry with a score of 89%, according to the Ask Afrika Orange Index.
- Our email channel needs to improve to reach industry levels.
- Brand reputation is the second lowest in the industry. It is extremely important to note that certain factors such as service and brand strategies cannot exist in isolation.
- First call resolution ranks the lowest in importance for Bestmed (5%).

New Functionalities/Facilities Implemented

The new ChatNOW live chat facility on our website is an extremely dynamic method of connecting with our members and providers. We are already seeing the benefits of the growing popularity of the ChatNOW channel, including:

- Reduced volumes of queries via other communication channels.
- Improved client service.
- Faster query resolution.
- Client convenience.
- Greatly reduced language barriers.

Changes for 2017

The Contact Centre has streamlined the interactive voice response system to cut down the time a client waits before speaking to an agent. We have created specialised units in the Call Centre with the necessary expertise relating to specific queries to attend to resolve these faster, more accurately and professionally. This process aims to resolve 90% of all queries on first contact.

A direct contact line has been created for broker support and the ChatNOW facility delivers real-time communication. Brokers in the field can now have direct access to a consultant for the necessary assistance.

A new escalation process has been put in place to improve the quality of service and decrease the number of complaints received. Specialists are manning this unit to provide efficient and effective query resolution and improve client satisfaction.

Corporate
Services
Report



Overview

In 2016, our goal was to improve our relationships with key corporate clients and brokers. The increase in our satisfaction score as rated by corporate clients increased from 8.3 in 2015 to 8.7 in 2016 – a clear indication that we have achieved this goal. We believe our success can be attributed to the fact that we offer them extraordinary value and service through the Wellness programme.

Human Resource Overview

Provincial Offices

Bestmed has offices in Cape Town, Port Elizabeth, Durban and Mbombela (Nelspruit), each of which consists of a key account consultant and/or client service consultants.

Office	Key Account Consultant	Client Service / Support
Cape Town	Stephanie Haasbroek	Susan Dauth
Port Elizabeth	Arthur Adams	Charmaine Adams
Durban	Nonhlanhla Mngoma	Lizelle Anderson
Mbombela (Nelspruit)	Adelaide Shongwe	Romelia Botha

Key Accounts Consultants

At present, we have 15 key account consultants who are managed by two managers, Loretha Mohamed and Refiloe Latha.

Each of the key account consultants are assigned to a number of corporate clients based on their language capabilities, which align with those of the clients they serve. Employer organisations are assigned to these key account consultants as shown in the table below.

	No of Corporate Groups	No of Active Members	Percentage	No of Key Accounts
Loretha	74	43 370	59.15%	7
Refiloe	49	29 950	40.85%	8
		73 320		

Corporate Service Programme Offering

Wellness Programme

Although the Wellness Department coordinates wellness-related activities, it is the responsibility of the key accounts consultants and their managers to be the liaison between the Wellness team and the corporate client and/or broker.

At present, we offer the complete wellness programme to any corporate client and broker who wishes to take part in it.

The following services are offered:

1. Screenings (health risk assessment).
2. Individual consultations with a biokineticist and dietician.
3. Group interventions, for example Pilates classes and disease management sessions.
4. Support groups that are smaller groups of participants with a common goal such as weight gain, loss or running a 10 kilometre race in less than a day.
5. Other screenings such as eye tests, mammoscans, hearing tests and other diagnostic tests. These are scheduled according to the national health calendar.
6. Onsite flu vaccines.

Onsite Service

Bestmed's 'Visit with a Purpose' initiative involves more focused and specialised on-site visits. In the past, consultants visited employer groups without a specific purpose determined in advance. The new 'Visit with a Purpose' strategy ensures that an objective and outcomes are determined for each visit prior to the meeting/appointment. These outcomes include the following:

1. Induction sessions presented to newly appointed employees.
2. Enquiry resolution sessions.
3. Management meetings with corporate brokers and client management.
4. Information sessions – training of members in processes or Bestmed-related procedures.
5. Year-end information sessions.

It is important to note that in some situations, the corporate broker fulfils the above roles, in which instance Bestmed merely supports the broker.

Satisfaction Ratings

An external client satisfaction survey is completed by corporate brokers and corporate managers to measure their experience of the key account consultant and manager assigned to them.

We obtained an average score of 8.7 out of a possible 10 from the 57 employer groups that took part in the survey.

Strategy for 2017

What We Aim to Achieve in 2017

Our goal for 2017 is to promote the Bestmed brand and products among our corporate clients, strengthen existing relationships and ensure maximum member attendance at activities.

Why Do We Want to do This?

To deliver on our *Personally Yours* brand promise. To know the heartbeat of our clients, their needs and how they want the Scheme to meet their needs. To make sure our existing clients are satisfied and will choose Bestmed over and over again as their preferred medical scheme of choice.

How Are We Going to Achieve This Goal?

Our main focus for 2017 will be to promote monthly brand and product awareness, improved quality of our services and response times.

Conclusion

We have succeeded in establishing the Wellness Programme at most of our clients in 2016. We know this is a key differentiator for corporate clients that helps us to stand out from other medical schemes.

In 2017, we will further expand and develop this offering to be the best available in the industry.

Another key project in 2017 is to improve on our effectiveness by ensuring that we start using the customer relationship management system we developed in 2016. This system will provide us with the tools to not only monitor and control our activities better, but we will also be able to measure its success better.

Service Provider, Contracting and Research Report



Establishing the Healthcare Service Provider, Product Supplier and Service Networks have been a priority for Bestmed. These networks provide members with access to high quality, a suitable quantity (availability) and cost-effective healthcare services, which are sustainable (cost containment) and do not discomfort the members.

Bestmed is delighted to have established 29 provider networks over the past five years, with the number of contracted individuals in place reaching five figures. The following healthcare providers are on board:

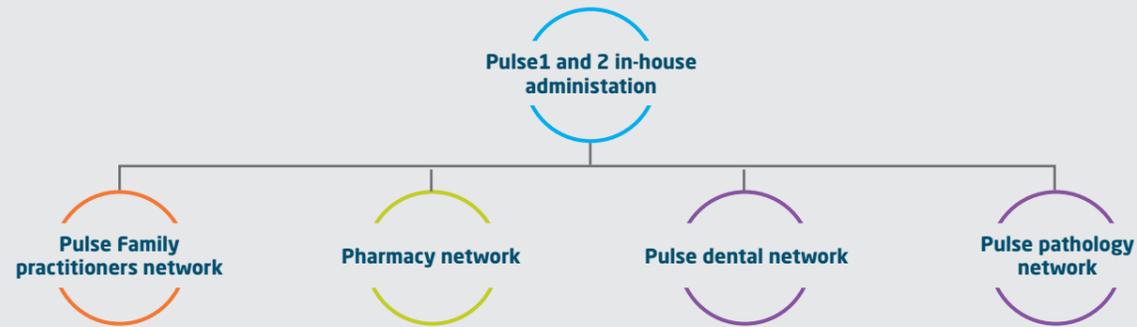
Healthcare Service Provider Networks			Ancillary Networks		
Family Practitioners	Pharmacies	Specialists	Midwives	Dieticians	Biokineticists
Oncologists	Dentists	Orthodontists	Psychologists	Physiotherapists	
Dental Therapists	Dental Technicians	Pathologists	Occupational Therapists	Audiologists and Speech 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

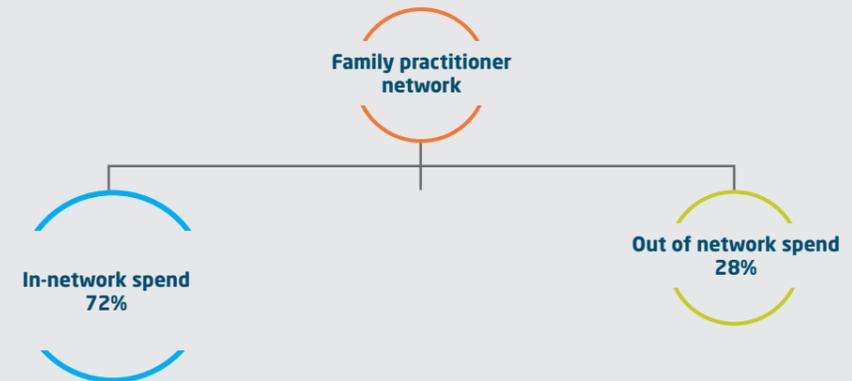
The year under review has been an extremely busy year for the Department, and the successes include the implementation of a specialist designated service provider (DSP) network:



As well as the preparation for the in-house administration of Pulse1 and 2:



Bestmed is proud of the growth in our healthcare service provider network over the years, as well as the number of members joining the networks and making use of the Bestmed designated and preferred provider networks. Utilisation of the networks has increased rapidly over the past five years, showing that, on average across networks, 75% of healthcare provider spend is made within the Bestmed designated or preferred provider networks.



The increase in utilisation indicates that more members are using network providers, which results in lower co-payments, longer lasting savings and benefits, and better relationships as providers receive direct payments on a weekly basis.

excels. Our aim is to continue to improve the quality of healthcare offered, harnessing member feedback on healthcare experiences, and ensuring Bestmed members receive top quality healthcare that is accessible and affordable.

For the Service Providers Department, service provider interaction with mutual respect, benefits and advantages to both parties, as well as seamless interaction with the Scheme, have become the priority and norm. Our dedicated provider consultation service provides a direct line of communication to contracted providers and proved to be a great asset to solve difficult, multiple and lengthy enquiries, with a satisfaction score of 8/10.

Our future objectives and strategy will continue to focus on the healthcare provider environment in which Bestmed currently

Managed
Healthcare
Report



Approach and Objective

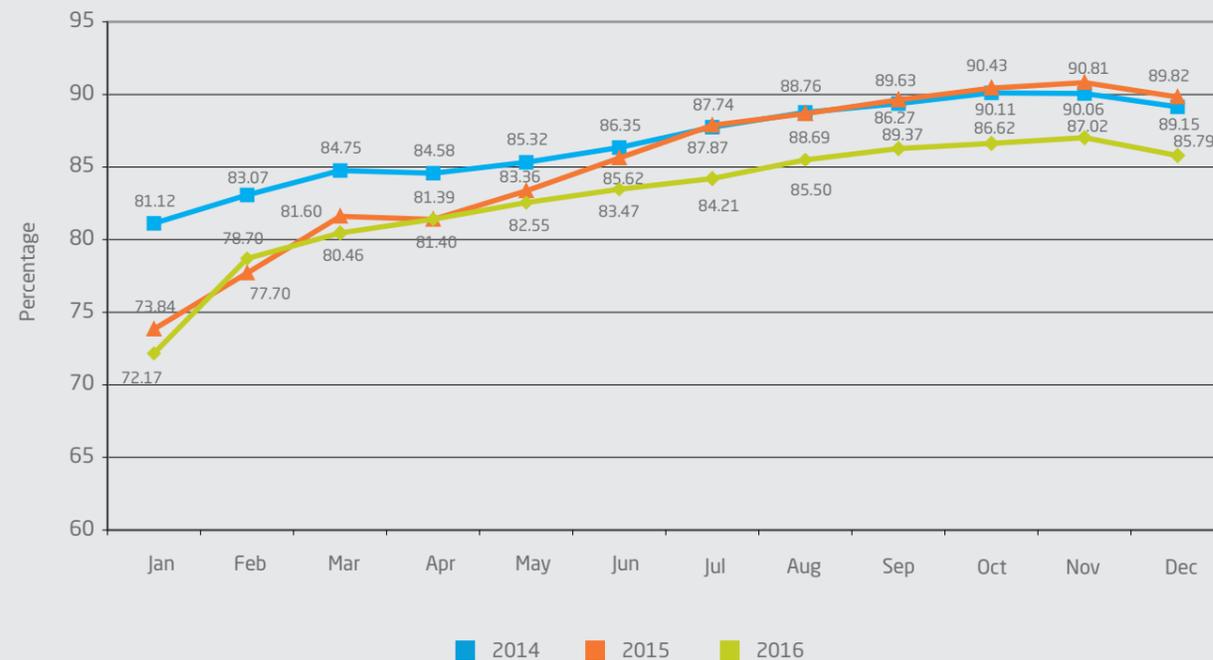
Bestmed applies a holistic approach to keep medical cover affordable over the long term and to promote client satisfaction. The benefit options of the Scheme must remain competitive in terms of both pricing and effectively fulfilling members' healthcare needs.

Average Claims Ratio

The average claims ratio for 2016 was 85.97%, which is 3.84% better than the average claims ratio of 89.63% in 2015 and

3.31% better than the ratio of 89.15% in 2014. The decrease in the claims ratio is due to an increase of 8.05% in the average risk contribution income received, while the average benefits paid per beneficiary increased by only 3.97%. The low increase in average benefits paid is due to a combination of positive outcomes in cost of hospitalisation and medicine on the one hand, and a change in benefits, which resulted in savings accounts being depleted at a slower rate during 2016 that led to less demand on the risk pool fund for day-to-day benefits. Bestmed also introduced a designated service provider (DSP) network of specialists during 2016 in an effort to curb the ever increasing cost of prescribed minimum benefits.

Average Claims Ratio: All Options (Service Date Statistics)



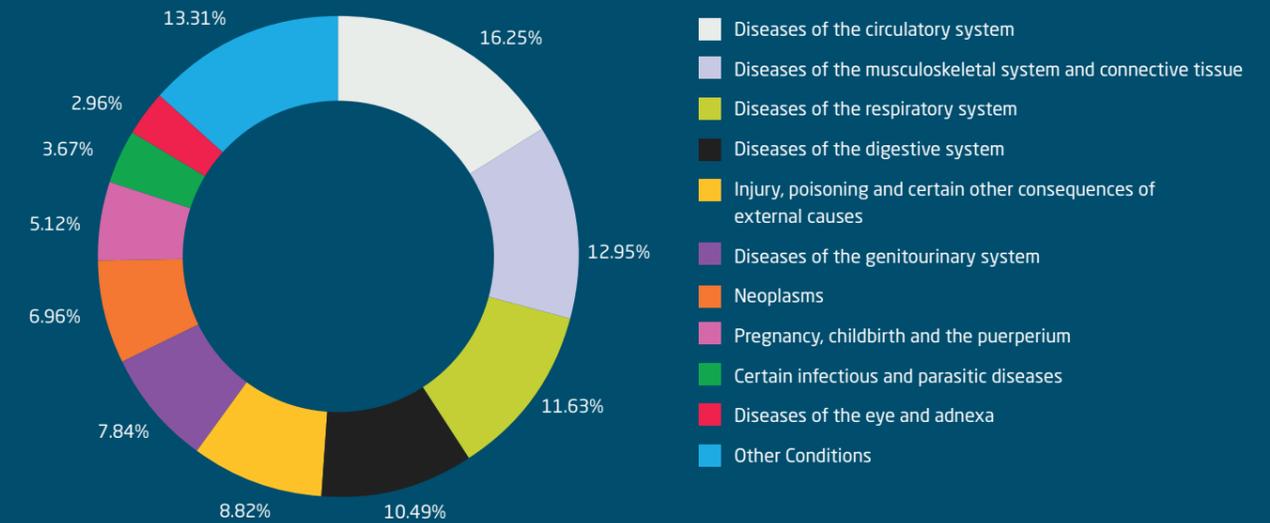
Hospital Benefit Management

Hospitalisation constitutes the most critical element in the healthcare system and is clearly the most expensive. Due 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 6.5% from R1 473 million in 2015 to R1 571 million in 2016. This is significantly less than the 12.1% increase experienced in 2015.

An analysis of the percentage of hospital expenditure per diagnosis is shown in the graph below.

Distribution of Hospital Cost



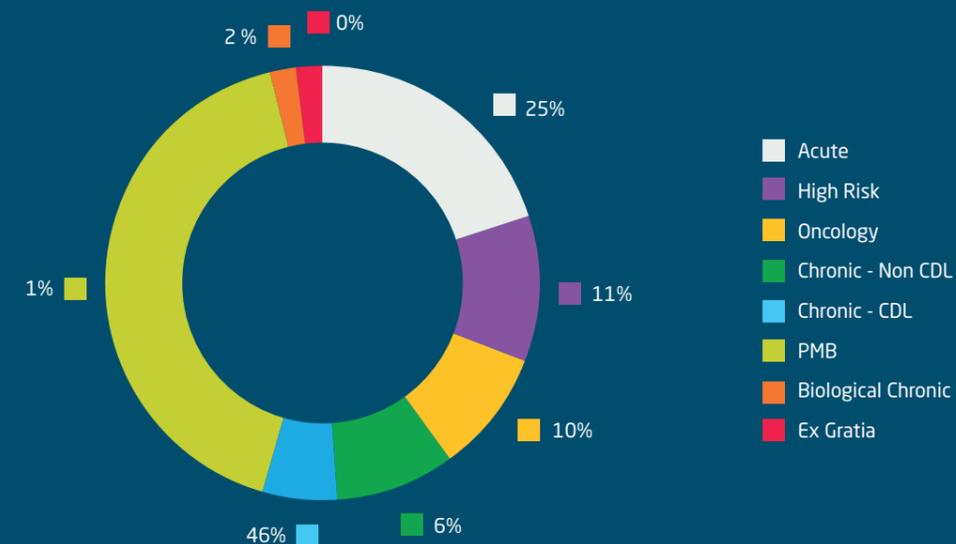
The average hospital cost per beneficiary is an indicator of all risk factors associated with hospitalisation, and includes the incidence of hospital events, the cost per admission as well as the length of stay per hospital event. As shown in the table below, the average cost per 1 000 lives increased by 3.89% for 2016 compared to 8.4% in 2015. Length of stay decreased by 2.13%.

	2015	2016	%Increase (decrease)
Average cost per admission	R18 431	R19 136	3.35%
Number of admissions per 1 000 lives	34.48	34.71	0.52%
Average cost per 1 000 lives	R635 544	R664 225	3.89%
Average number of bed days per admission	2.61	2.58	(2.13%)

Pharmaceutical Benefit Management

The total medicine cost for the year under review amounted to R376 million. This was distributed as indicated in the graph below.

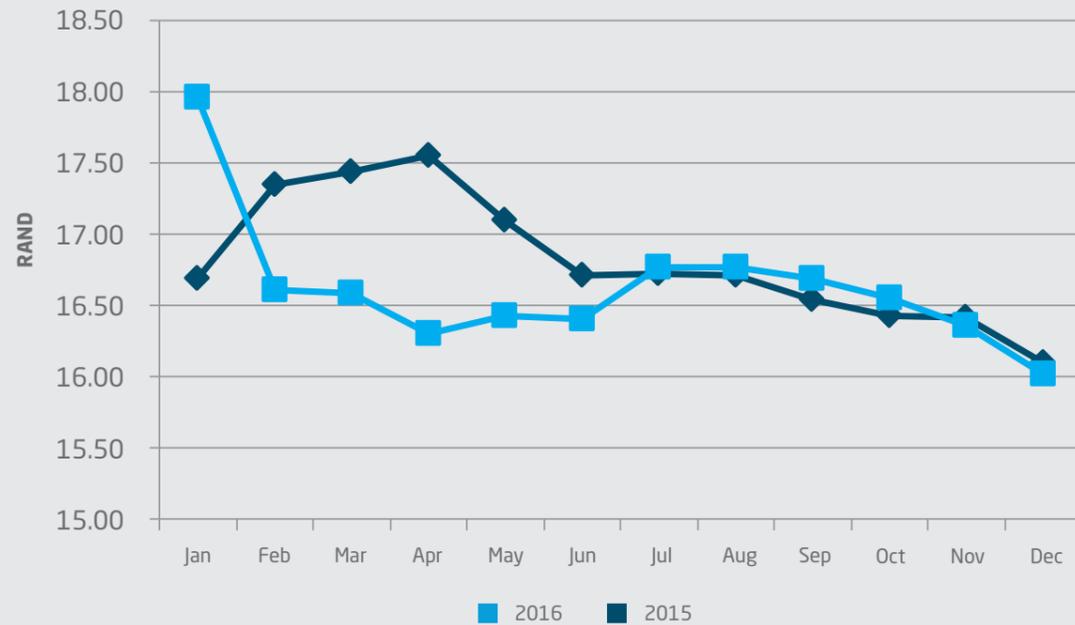
Distribution of Medicine Benefit Expenditure



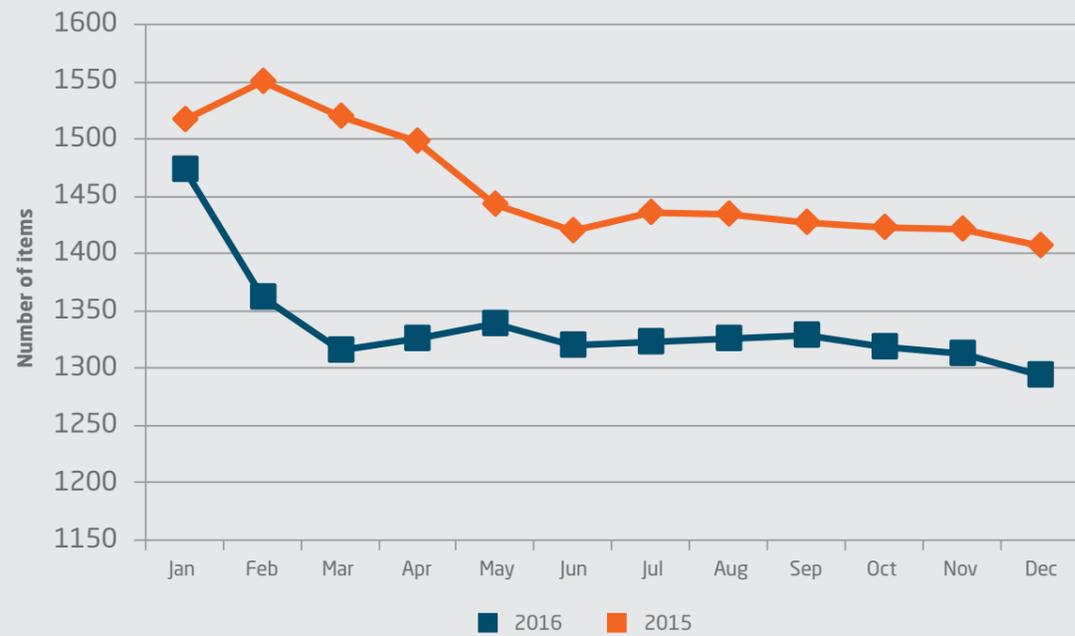
The average benefit expenditure per beneficiary per month decreased by approximately 1.2% compared to an increase of 9.4% in 2015. This is mainly due to a decrease in prevalence and intensity.

Prevalence (the percentage of claiming beneficiaries) decreased by 4.8%, and intensity (the number of items claimed per patient) decreased by 3.87%. These trends are depicted in the graphs below.

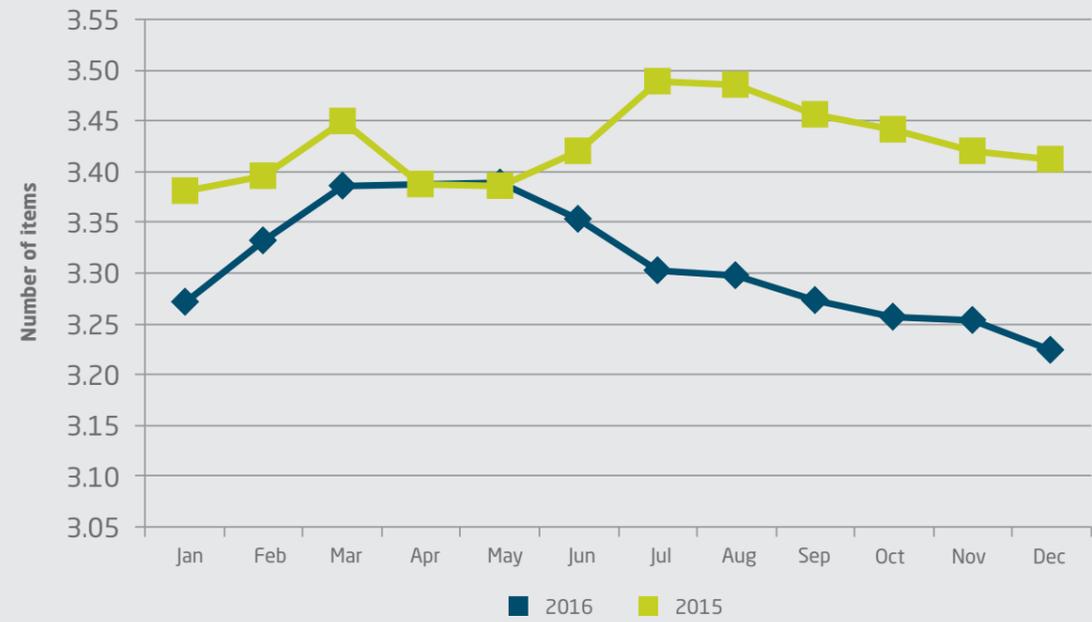
Expenditure Trend: Average Cost Per Beneficiary YTD



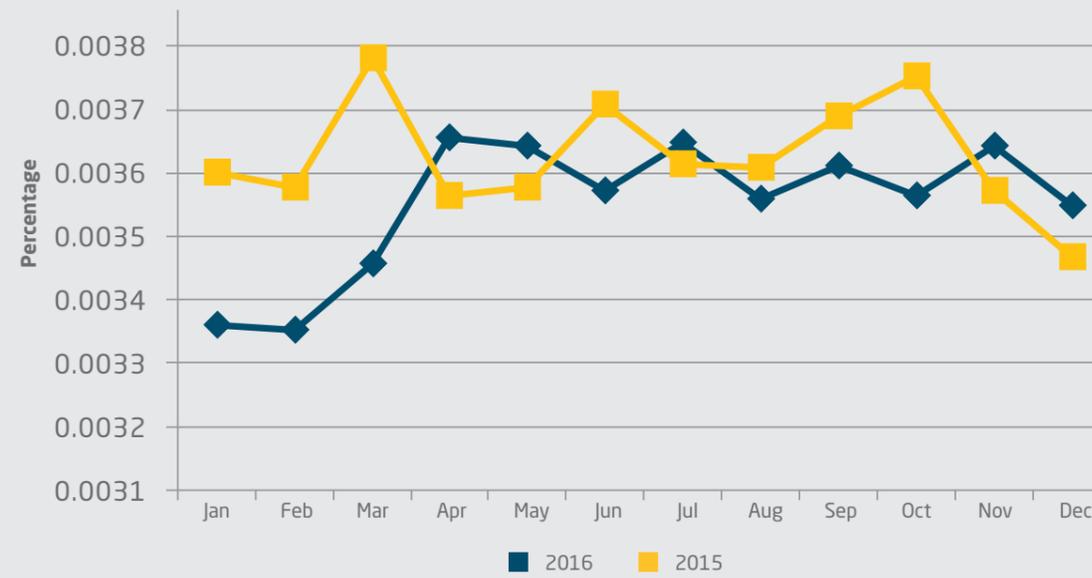
Cost Trend: Average Cost Per Item YTD



Intensity Trend: Average # Items Per Utilising Beneficiary YTD



Pervence Trend: Utilising Beneficiaries Per Total Beneficiaries YTD

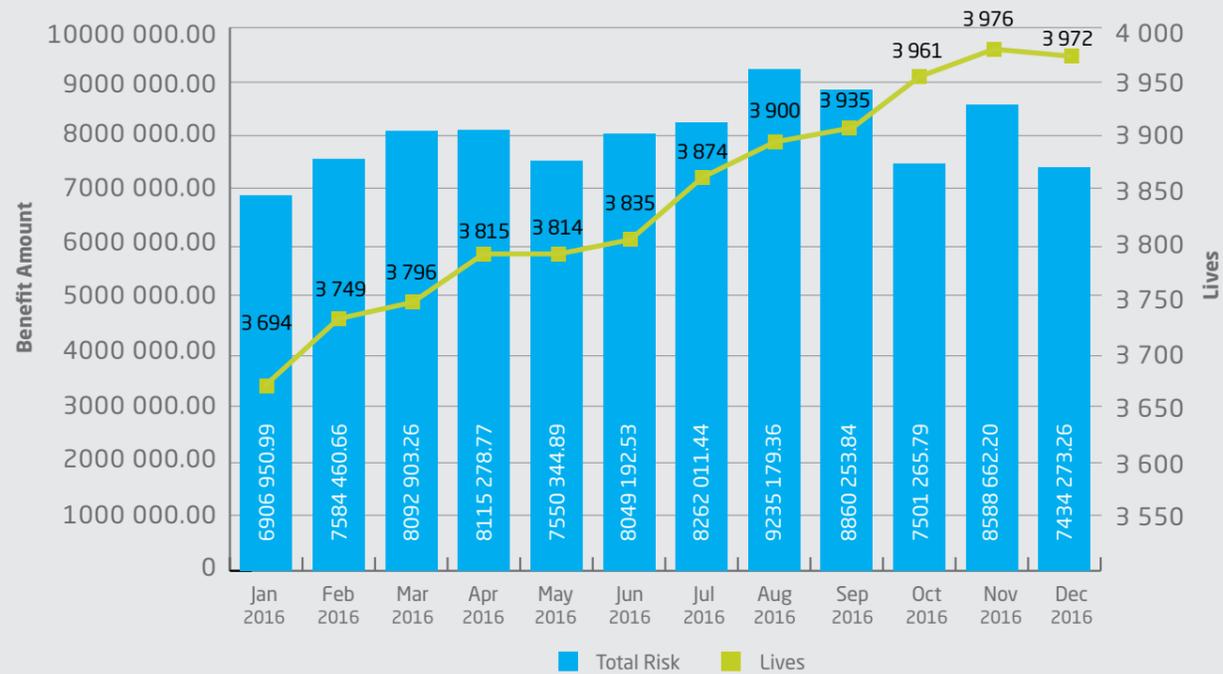


Disease Management

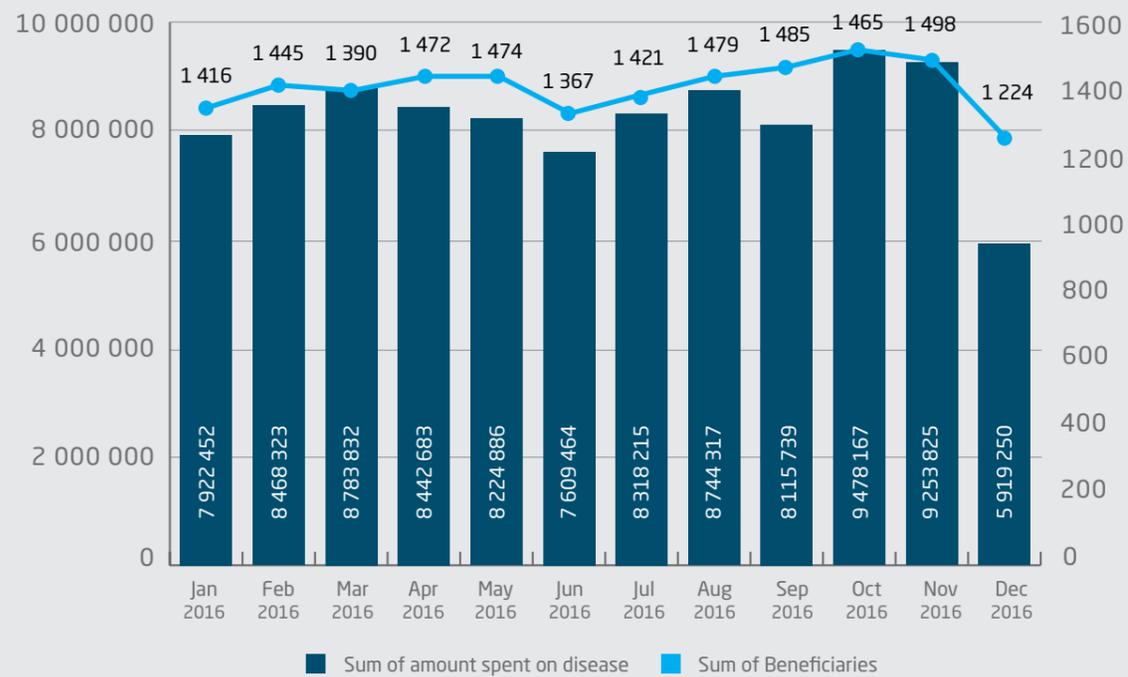
The results of the most prominent disease programmes, namely HIV/Aids and oncology, indicate that increases in prevalence rates are the main reasons for the increase in the benefit expenditure of the treatment of HIV/Aids and cancer.

The total expenditure relating to the treatment of HIV/AIDS and Oncology(cancer) amounted to R31.3 million and R99.3 million respectively. For 2015, the total spent on these programmes was R31 million and R92.8 million respectively.

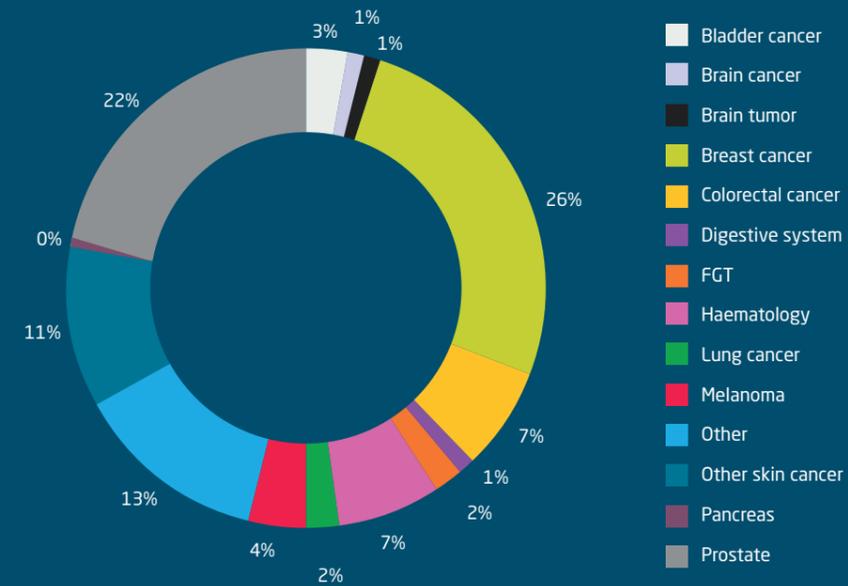
HIV Programme: Total HIV Patient's and Benefit Cost Per Month



Oncology Programme: Oncology Patients and Benefit Cost Per Month



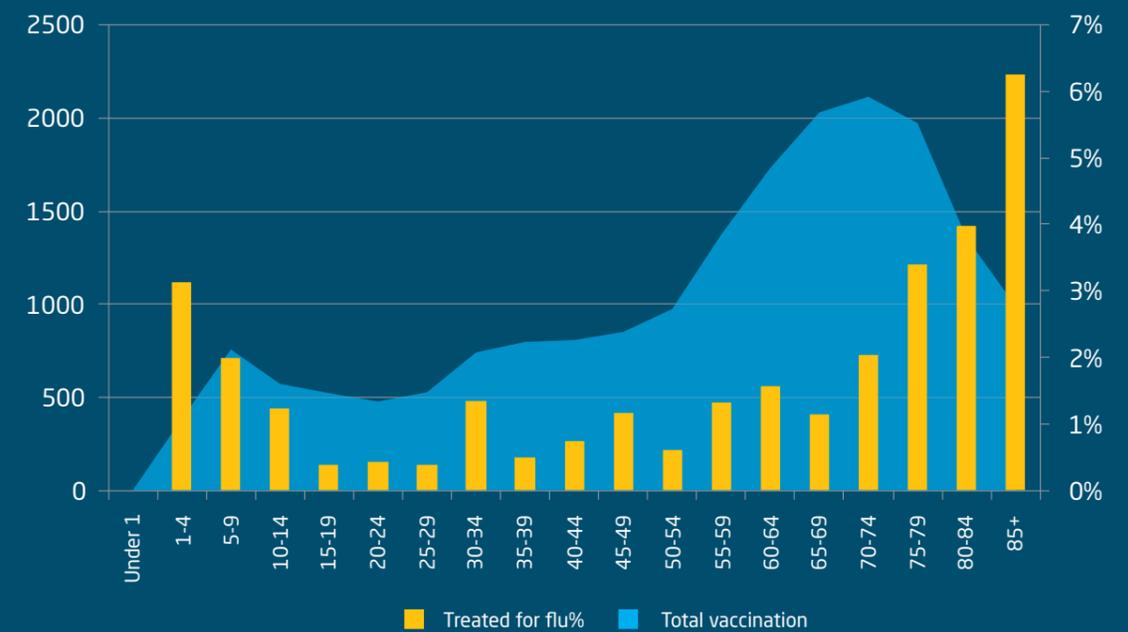
Prevalence of Cancer Type



Preventative Care Programmes

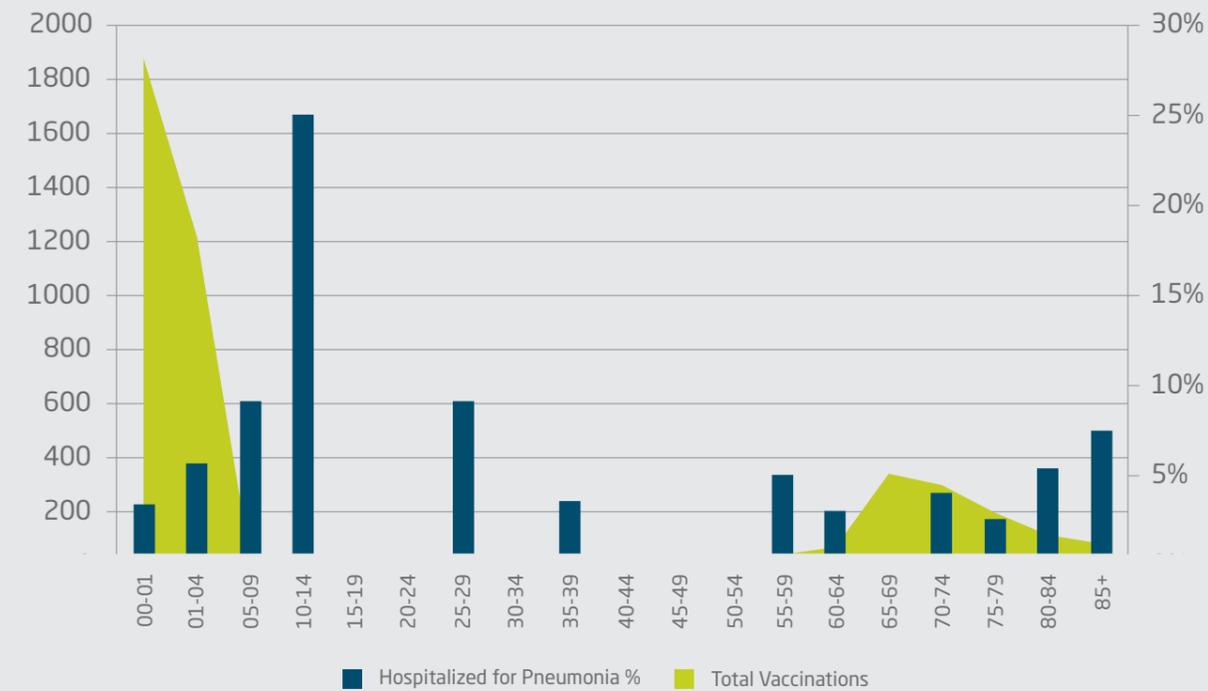
Bestmed makes provision annually for members and their beneficiaries to receive flu vaccinations. An analysis of the data indicates that flu vaccinations are most effective for the age group 10 to 80, as the percentage of lives that contracted flu following vaccination was far lower than the average.

Effectiveness of Flu Vaccinations



Bestmed also provides a vaccination programme in accordance with an internationally accepted guideline developed to prevent the occurrence of pneumonia. These vaccines remain effective for a five-year period, and as such have a cumulative effect on the prevalence of pneumonia in the targeted population. The results of the 2015 vaccination programme indicate that it is most effective for the age group 65 to 80.

Effectiveness of Pneumonia Vaccinations



Wellness Report

It usually takes time for health risks and chronic disease to develop. Current research shows that the vast majority of chronic disease development can be arrested if caught early enough. The World Health Organization states that 80% of all heart disease, stroke and type 2 diabetes, and 40% of cancers, can be prevented by making better lifestyle choices.

Bestmed is already feeling the burden of existing disease. The only way to effectively reduce the future illness load is to prevent new disease and to proactively manage existing risk factors.

As part of our infant care initiative, the flu vaccination programme was also promoted for infants during 2016. The effectiveness of this programme will be known in future years when one would expect a decline in the number of hospital cases compared to current data.

The fundamentals of our wellness approach rest on the following principles:

- Identify potential risks.
- Educate and Inform.
- Drive member engagement and behaviour change.
- Measure impact.

Identifying health risks means that we are looking for the presence of factors that have the potential to impact a person's health and wellbeing. The more of these factors present, the higher the possibility that the end result will lean towards sub-optimal health and chronic disease.

We compile risk profiles for individual members through questionnaires and by performing certain biometric screenings. The questionnaires solicit information on a variety of lifestyle and behaviour choices, and includes other factors such as family history of disease, nutritional intake, daily activity and stress-associated symptoms.

The biometric screenings record the individual's weight, height, blood pressure, cholesterol and blood sugar. The finger prick tests represent random samples and are interpreted according to the values assigned to random testing as followed internationally. We apply algorithms constructed from clinical outcomes data, combining questionnaire answers and screening results in the process and reflecting the results in an individual risk report.

A number of risk categories are built into the report and although they show as separate risk areas, we follow a holistic approach by realising that the whole risk profile is bigger than the mere sum of its parts. Many risk areas overlap and cross influence one another, for example, diabetes and hypertension risks impact heart disease risk. Risk factors are stratified in accordance with the risk report results as either high (red), medium (orange) or low (green).

Although our immediate focus has been to prioritise intervening in the case of individuals with high risks, we are very much aware that medium risks can either improve and become low risk or deteriorate and become high risk. Our green sub-group of low risk members must similarly be encouraged to remain in the green zone.

We learned a lot from the first years of implementing wellness risk screening and evaluation. The process taught us what worked well and what to discard as possibilities, however promising these may have appeared on paper. It also confirmed that across the employers we tested, across geographical areas, age and gender sub-groups, two major risk areas were evident: nutrition-related risks and inactivity-related risks.

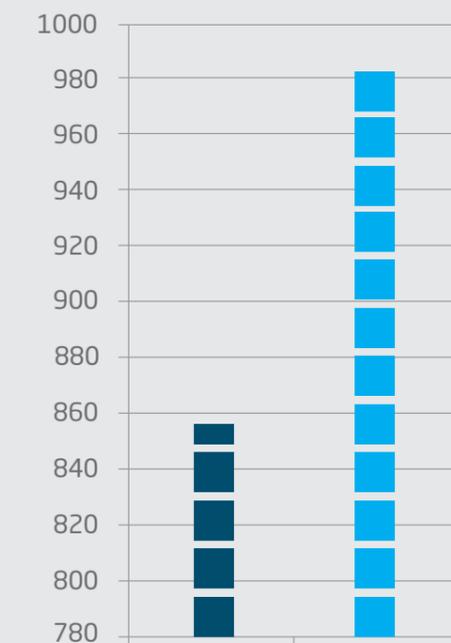
In addition to the logistical challenges a wellness programme brings, there are also its financial implications. We needed to find ways to implement wellness interventions down clinical

avenues where expenses can be defrayed as healthcare costs. Wellness programmes can easily get stuck in the non-healthcare cost space with resulting constraints. Given the internationally accepted fact that the impact of a wellness programme takes time to be fully evident, costs become a crucial component to manage.

The two biggest hurdles faced by wellness programmes the world over is participation and engagement. Participation in this sense refers to getting sufficient numbers of members to complete the questionnaire and undergo the biometric testing. This is the only phase in a wellness programme where tangible incentives could conceivably play a role for example by offering a free gift for completing the screening process.

One of the strategies we tried was to close the gap between employees and the location where screenings are done - in other words, to take the screening to people instead of waiting for people to come to the screening.

Initially we decided to launch our wellness programme at employer groups. We targeted a university as the first employer to implement a wellness strategy. Previously held health days at this university had never been particularly well-attended. We changed our approach by dividing the various buildings and departments on main campus into groups and then physically going from door to door in each building with custom made trolleys complete with scales, height measuring devices and biometric testing kits. The graph below shows the number of people screened at the university as a result of this proactive approach.



Unfortunately, due to a number of logistical challenges, it has not been possible to repeat the door-to-door approach at most of our employers. A practical factor to keep in mind is the fact that employees often belong to more than one medical scheme and many companies have operations spread across the country, which makes it difficult to orchestrate an intensive approach. We screened a total of 4641 individuals onsite during 2016.

Each member screened received a personal risk report. We developed our own wellness software module to help to produce reports quickly and effectively, and to consolidate all our wellness data. This system belongs to Bestmed, as does the contents of the customised questionnaire, algorithms and report parameters we developed.

A second challenge that presented itself was that of engagement. Informing members of their potential wellness risks is one thing, but getting members to engage in improving their health and commit to behaviour changes proved to be an even bigger challenge. We focused first on high risk members, since these represent members where the urgency for change is highest.

Given that nutrition- and inactivity-related risks dominate and our desire to involve healthcare providers in managing wellness (to utilise healthcare costs within wellness and build a wellness awareness platform among our providers), we started to set up a wellness provider network to contract dietitians and biokineticists. These contracted providers were trained in Bestmed's wellness approach and on how to use our software to capture referral visits. Healthcare providers in general are well trained to diagnose and treat patients with existing problems, but less so to drive preventive programmes where risks for developing diseases are present.

The data captured by network providers forms part of our wellness database. Visits at network providers are termed individual interventions. Even when invited, many members opt not to partake in individual intervention offerings.

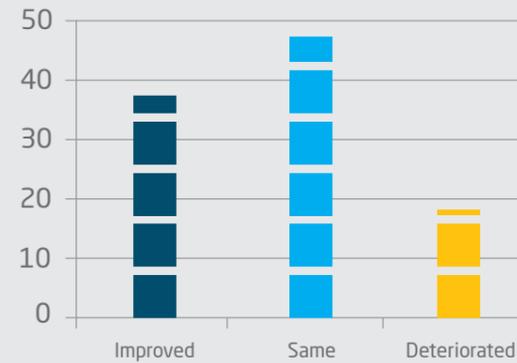
There is a saying in wellness: if you have seen one wellness programme, you have seen one wellness programme. The fundamentals of these programmes are relatively standard, but the way they are applied varies tremendously due to a myriad of factors, not least being cultural differences. It is vital to continue the re-engineering process to optimise results within a given setting. Bestmed is no exception to this rule and subsequent testing helps us gauge the progress we have made.

Outcomes

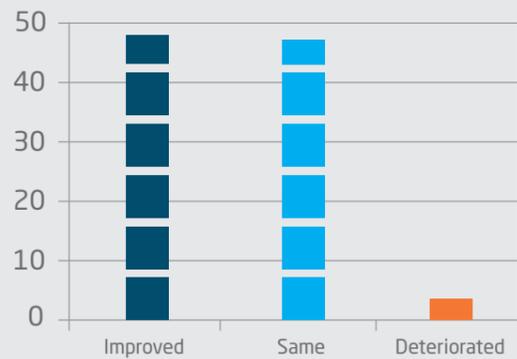
In the same way health risks develop over time under the influence of sub-optimal lifestyle choices, so they take time to improve when lifestyle choices improve. The data presented in the section that follows shows results for those members who underwent at least four retesting screens, the majority of whom span the four-year period between 2013 to 2016.

The graphs show results for our two most prominent risks - Risk due to inactivity and Risk due to poor nutrition. Results were calculated by comparing the latest or last screen result to the member's first result.

Impact of Wellness Programme on Risk Due to Poor Nutrition

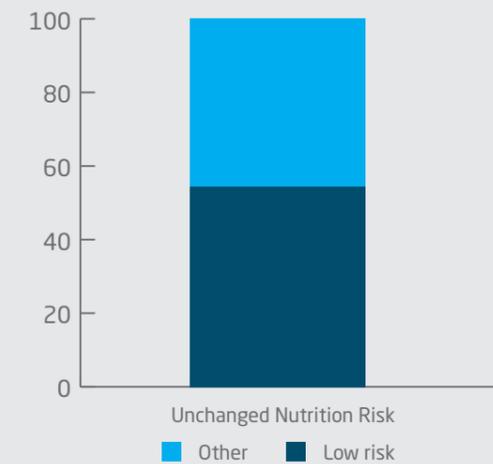


Impact of Wellness Programme on Risk Due to Inactivity

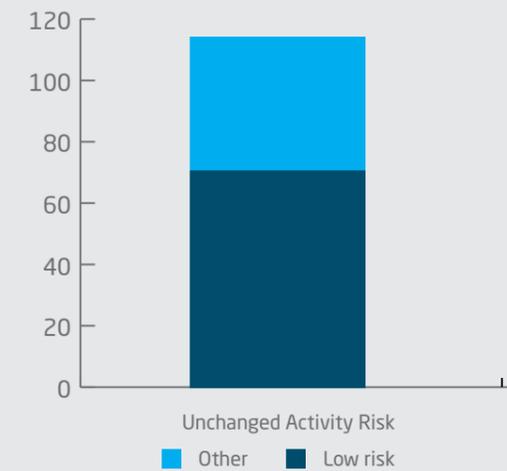


To clarify the sub-group of members with unchanged risk further, the graphs below show how many of the unchanged members originally recorded a 'low risk' result. This is important because keeping a low risk unchanged means the healthy attitude of the member have been maintained and sustained over the four-year period. It is as important to maintain good lifestyle choices as it is to drive positive behaviour change.

Of the participants who recorded an unchanged risk over the four years for nutrition risk, 45% recorded a low risk reading during the first assessment and maintained this low risk profile over the period.



Of the participants who recorded an unchanged risk over the four years for activity, 43% recorded a low risk reading during the first assessment and maintained this low risk profile over the period.



The retested members referred to above were given the opportunity to attend individual interventions, either with a biokineticist or a dietician or both.

A total of 43% of members elected to undergo individual sessions with a biokineticist. Of these, 54% improved their risk score over time. Of the 57% who did not attend individual sessions, 43% demonstrated improved risk over time.

A total of 63% of members elected to undergo individual sessions with a dietician. Of these 38% improved their nutrition risk score over time. Of the 37% who did not attend individual sessions, 20% demonstrated improved risk over time.

We live in a world where social media and socialising patterns play an increasingly important role. The studies by Dr Nicholas Christakis at Harvard University highlighted the role social networks play in lifestyle and behaviour choices. He found that measurable behaviour-linked entities such as weight gain and smoking spread in social networks in the same way a virus would.

The closer the association between individuals and the bigger the burden of a behaviour within the network, the higher the chances are that the behaviour will spread or 'rub off.' Network examples include employees working together, family members under one roof, friends and friendship circles.

Close friends and co-workers exhibit some of the strongest links in the spread of behaviour choices and their effects. It has similarly been shown that reverse influencing spreads in the same way. Losing weight and quitting smoking can be channelled through social networks in the same way bad behaviour choices flows.

To achieve this reverse effect, both individual education and group participation is necessary.

Close ties and relationships must be utilised and the burden of good behaviour and its message increased and emphasised. We embarked on a number of these strategies to evaluate their impact.

Group activity events such as Boot Camps, Walks, Fun Runs and Zumba Dancing were structured at various employers. Educational material such as newsletter articles are generated. We pioneered wellness champion cultivation, which has shown great promise for expansion.

A series of educational talks were held at select employers with great success, something we are expanding on in the immediate future.

Although we have a number of challenges in registering all participants who attend group activities, we are collecting data on attendance and are seeing very encouraging results with group participation.

Our experience has allowed us to refine our approach. It is crucial to extend the wellness evaluation to as many Bestmed members as possible and to offer opportunities and assistance around behaviour change.

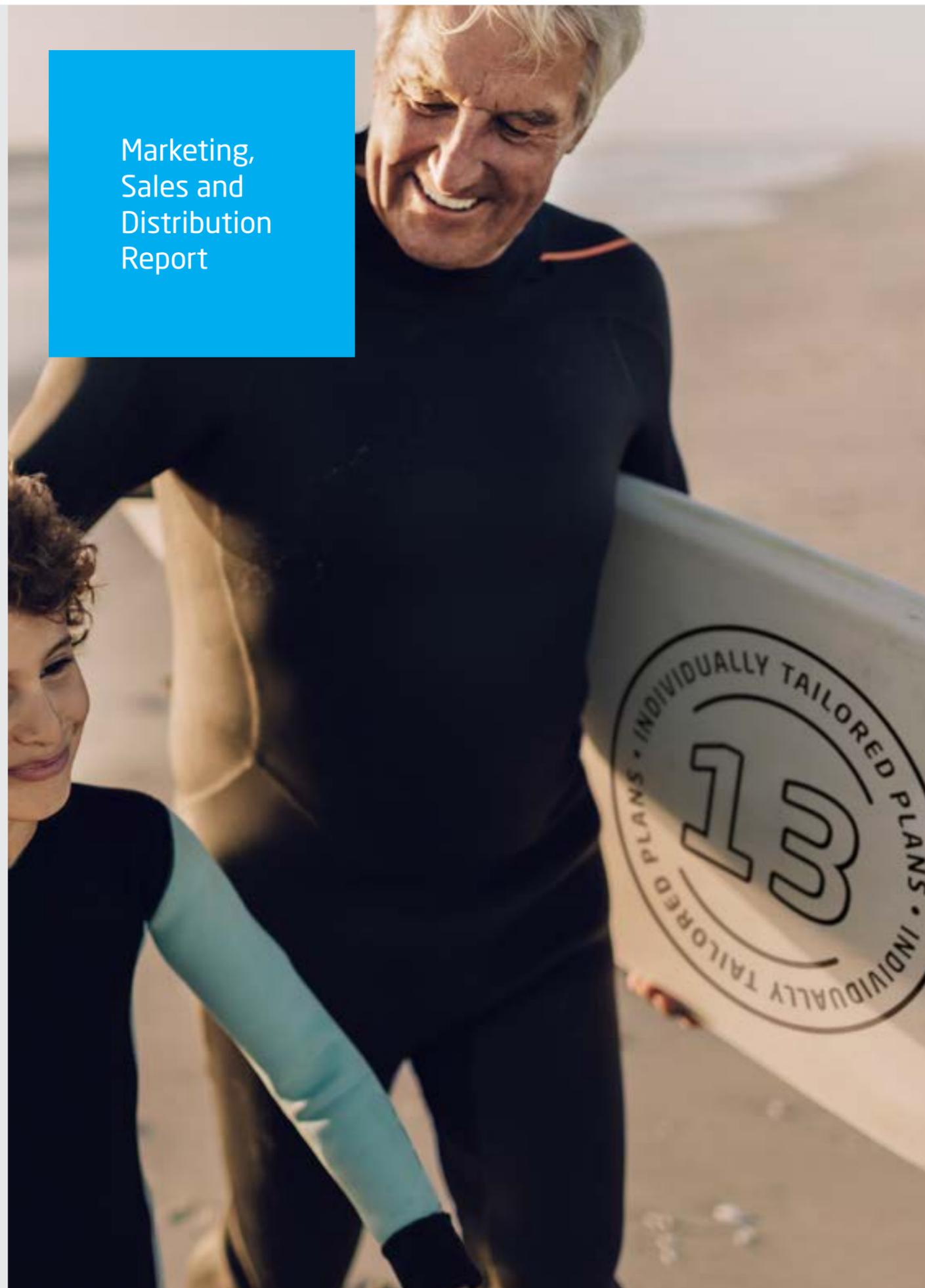
Logistically it is not possible to reach the majority of members one on one at their individual addresses. It is also not logistically or financially feasible to give the majority of members a number of sessions with dieticians and biokineticists.

We have expanded our strategy by offering a network of service points where members can undergo their screening, including at Dischem and Clicks pharmacies.

We are making information on these service points and on general wellness topics available on our website. Learning from the experience of international wellness strategies, we are aware that a smartphone application will boost our member participation significantly.

Such an app puts the ability to support an improved lifestyle in the member's pocket and could assist in alerting members to activities and help us record participation. Where structured cleverly, it will not only improve uptake but also drive engagement.

Marketing, Sales and Distribution Report



Our brand is our face and voice in the marketplace. At its core, a brand is a promise that is made to the people who use a service. It also includes the feelings that people get when they use our products and services, and reflects the perceptions and expectations that people have of our company.

During the period under review, Bestmed's Marketing Department, comprising the Brand, Events and Communication teams, performed exemplary and ticked all the boxes.

Defining and Managing the Brand

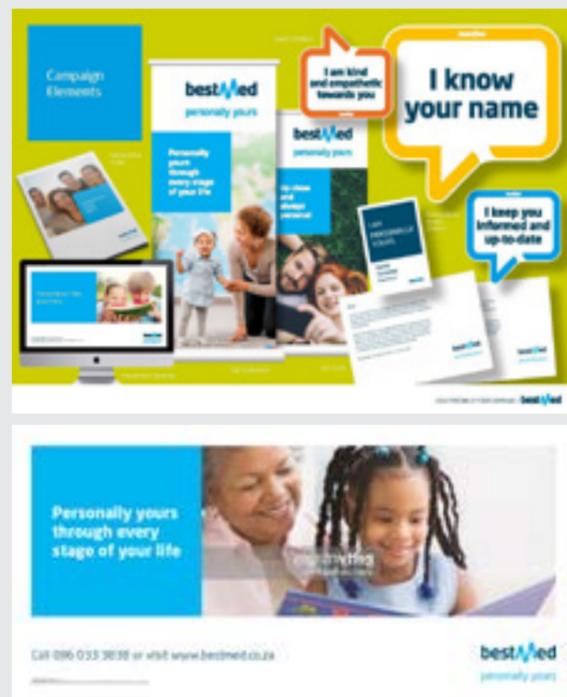
The highlight of 2016, was without doubt, the launch of Bestmed's new brand promise - *Personally Yours*. In 2015 Bestmed conducted a brand assessment, which culminated in the defining of our new brand promise. One of the main aims behind the revamping of our brand, was to attract new members in a competitive marketplace where product and price are relatively homogenous.

The Marketing Department managed the strategic and tactical direction of the project, and produced marketing and promotional material for internal and external use. The team managed the internal change management among the executives, managers and key stakeholders. Leading up to the launch of *Personally Yours*, the team also provided strategic and creative direction for the launch activities. *Personally Yours* was launched to the Bestmed Heartbeats - our employees - on 27 September. Externally, *Personally Yours* was launched as our key differentiator in the marketplace on 7 October 2016.

Personally Yours celebrates Bestmed's unique culture and recognises the value of each Bestmed Heartbeat. It expresses Bestmed's inherent culture and brand essence, which is 'By members. For members'. We are proud of the fact that we are members of an organisation that we believe in, and that we are owned by our members.

Brand Elements

Members are not just treated as partners, but as part of the Bestmed family.



Personally Yours further relates to the fact that we are the largest self-administered medical scheme in South Africa, but still maintain a personal relationship with our members and service providers. It means that we take our relationships with our stakeholders - and especially the health of our members - seriously. This brand promise is Bestmed's recommitment to do what we have always been doing - to render great personal service.

To strike the right balance between emotional and rational brand elements and to position Bestmed as high tech/high touch, the Marketing Department developed a creative strategy that capitalises on the human truth - that each and every one of us is constantly striving to be our personal best. This could be an achievement in a race, a new-born child and so on, that surpasses anything you have achieved before.

In order to reflect the new brand, all internal Bestmed brand collateral was updated, uploaded onto Sharepoint and communicated to the Heartbeats. This included email signatures and corporate stationery such as letterheads, presentation templates, agenda and minutes templates, reporting templates, corporate document templates and emailer templates.

Corporate Identity Management

In order to ensure that Bestmed's brand is protected, the corporate identity is closely monitored by the Marketing Department.



Figure: The Bestmed brand tree

Brand Exposure through Internal and External Programmes
Internal Programmes

New IT Platform - BIT

This large-scale internal project - the new information and communications technology platform - known as Beat-Inspired Technology (BIT) - was one of the main focus areas of the Marketing Department during the second half of 2016.

BIT Communication



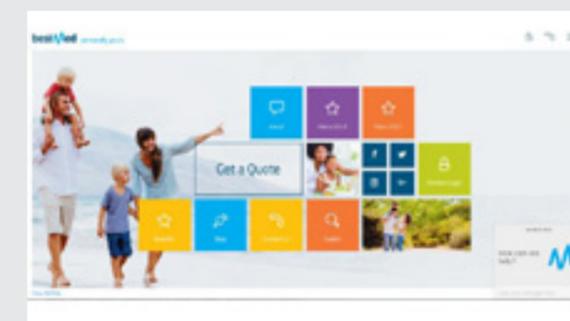
New Business Platform Change Management Campaign

To ensure that Bestmed continues to be innovative in a competitive environment and renders continued, excellent service, it was critical that Bestmed moved into the high tech/high touch environment. This strategic directive is embodied in the *Personally Yours* brand promise (high touch) and also the new business platform (high tech). To manage the dual initiatives through a combined vehicle, a change management committee was created.

Social Media

The new Bestmed website was launched on 7 October 2016. This has been a success thus far and we continue to expand the website to make it as comprehensive as possible. The content on the website is constantly being vetted and we continue to think up new and better ways to provide content. We have also been working on a content hub for the general public, which will house relevant health and medical information based on our five wellness pillars.

The aim of our new website is to create a nurturing environment to which we can drive our target audience from other social media platforms. The utilisation of the hub will allow us to engage more closely with our audience and help to direct them to relevant content that appeals to them. We also hope to use this platform to generate leads through the nurturing process. We are also busy generating content and developing new high tech/high touch initiatives with the Wellness Department. We continue to experience a steady growth in online activity.

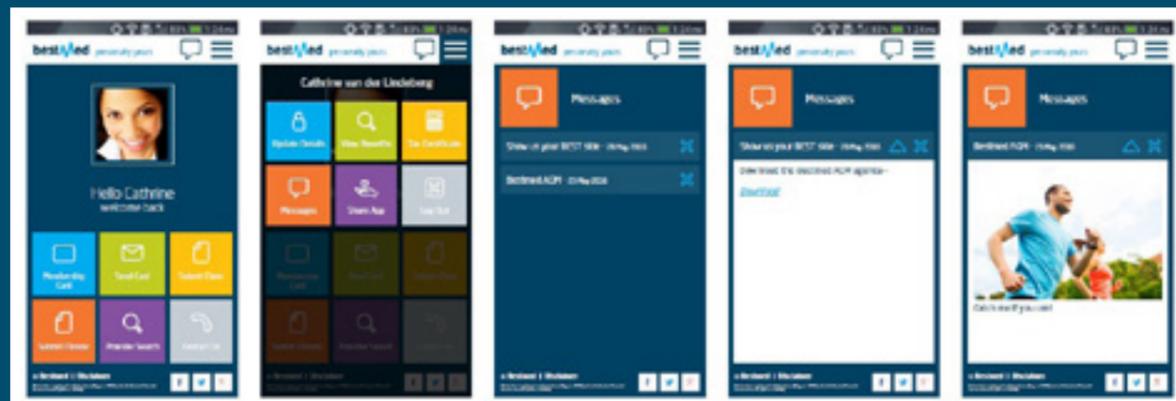


Facebook likes 34552	Twitter followers 1084
Instagram followers 799	LinkedIn followers 643

Bestmed App

During the latter part of 2016, the Bestmed app's corporate identity was reviewed to align it with the new brand promise and visual identity. The app remains a critical part of our communication strategy.

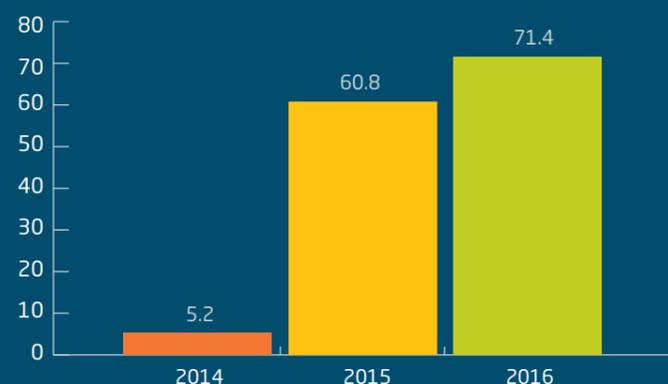
Early Draft of the New App Design



Public Relations

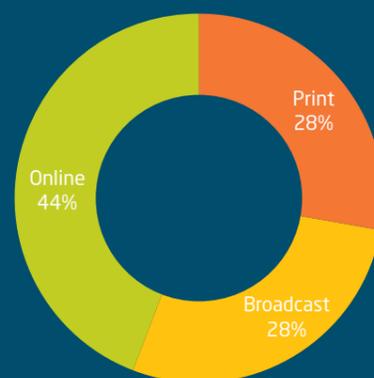
A further area where value added to Bestmed can be seen comes from the growth in advertising value equivalents (AVEs) in the public relations space. AVEs are generally used by the public relations industry as a device to measure the advantage to a client from media coverage of a public relations campaign. Compared to 2015, 2016 has shown a significant growth in AVEs. This can be due to our relationship strategy with mainline media and growth in our wellness and sports events. AVE's recorded for 2016 was R71 378 616.13

Advertising value equivalents (R million)



Source: Newsclip 2016

AVEs 2016



Events

Captains of Industry

Bestmed hosted two Captains of Industry symposiums in 2016. The first event was hosted on 4 March and the second on 19 November. Both events were hosted in Cape Town. The aim of the symposiums was to bring about a high-level exchange of ideas and information among selected speakers, corporate

entities, business executives and other thought leaders on the topic of corporate wellness in South Africa. The keynote speaker at the March event was Prof Shirley Zinn, CEO of Shirley Zinn consulting. Keynote speakers at the November event were Gustav Praekelt, founder of the Praekelt Group and Barry Vorster from PricewaterhouseCoopers.

Sport

Several events were hosted to promote the Bestmed brand. Bestmed's sponsored 14 road and cycling races. A total of 28 375 participants took part in the events.

During 2016 the following sporting events were sponsored by Bestmed:

- Kranskop Challenge
- Tuks Race
- Bestmed Tour of Good Hope
- Cape Town Cycle Tour
- Girls on the Go
- Over the Moon
- Jock Classique
- Jock Tour
- Bestmed Corporate Golf Day
- Cycle 4 Cancer Association of South Africa (CANSAs) mountain bike and road races
- Bestmed Makro Tour and mountain bike race
- The inaugural Bestmed Paul Roos XCO Interschools Invitational Race
- Bestmed Satellite Classic
- Bestmed Eden Street Mile
- Phil Liggett Tour

The Athletics Club

The Athletics Club has also been re-energised with new branding and collateral as part of Bestmed's renewed commitment to promoting health and wellness within and outside the organisation. A unique and striking programme identity was introduced, with event collateral and exciting gear and clothing for club members. Going forward, the club aims to continue featuring brand ambassadors for Bestmed, promoting brand awareness and the importance of healthy and active living.

The Bicycle Company

The Bicycle Company (TBC) is the original bicycle retailer in South Africa driven by passion and concentrating on providing exceptional service, quality products and sound advice in the local cycling community. Bestmed joined forces with TBC to offer the following benefits:

- A 5% discount on any purchase at a TBC retail store.
- Saturday club rides with support vehicles and marshals.
- A get-together after-club ride once a month with free coffee and muffins.
- Club hospitality tents at the Cape Town Cycle Tour, Momentum 947 Cycle Challenge and other selected races.

- Club Gazebos at selected races/events.
- Beginner clinics.
- Monthly social events with presentations on technical, nutrition, training, health, and other topics.
- Weekly newsletters.
- 15% discount on ICE ID.
- 10% off all Bestmed cycling races.
- A free goody bag for all Bestmed Medical Scheme members.

A Plan for Everyone

The Marketing Department was involved in the updating of all brochures for Bestmed's 13 unique plans as well as our value-added programmes such as the Maternity and Infant Care, and Managed Healthcare Programmes.

Each of our plans have been designed to suit the financial and healthcare needs of members at different stages in their life-cycles. To ensure affordability and curb member fees, Bestmed introduced network options on our Beat1, 2 and 3 plans.

Our plans include:

Beat

- **Beat1:** Suitable for young, ambitious individuals that like to stay healthy and fit but want the additional comfort of knowing that they have extensive hospital cover.
- **Beat2:** Suitable for young couples starting to take on the world who believe that prevention is better than cure, but know that life can be unpredictable. Beat 2 offers extensive hospital cover (at private hospitals) as well as savings account access for general day-to-day benefits.
- **Beat3:** Bestmed's value-for-money prime option for new and young families. This option offers generous maternity benefits, extensive in-hospital cover at private hospitals and chronic benefits. Some preventative care benefits are also available.
- **Beat4:** Bestmed's superior hybrid option for young to middle-aged families with specific healthcare needs. It offers comprehensive in-hospital benefits at private hospitals. Features generous day-to-day medical cover for consultations, dentistry, chronic medications and a range of preventative care benefits.

Pace

- **Pace1:** Suitable for healthy, growing families. This option offers excellent hospital benefits with extensive day-to-day cover. Pace1 is perfect for families who want quality benefits at affordable prices.
- **Pace2:** Suitable for established families in need of extensive day-to-day cover with freedom of choice when it comes to hospitals, doctors and specialists.

- **Pace3:** Suitable for mature families with a diverse range of medical needs. This option offers comprehensive chronic benefits and excellent hospital cover.
- **Pace4:** For the discerning family, who may have above-average medical costs or would like the maximum cover available. Includes extensive benefits and hospital coverage. It also has an individual medical savings account, which offers further payment flexibility.

Pulse

In 2016 a decision was taken to administer these plans in-house from 1 January 2017.

- **Pulse1:** For individuals looking for medical cover that is adaptable to their income and willing to make use of a set network of designated service providers. Primary health-care services and private hospital cover are included and some preventative care benefits.
- **Pulse2:** Is a comprehensive network option for mature families with advanced healthcare needs. It provides unlimited cover for hospitalisation at a network of hospitals (mainly Netcare) and primary care services at a network of providers. Members who require chronic treatment and day-to-day benefits need to first consult a network family practitioner for referral.

Value-Added Programmes

Bestmed also offers the following unique value-added programmes:

Maternity and Infant Care

Bestmed introduced its BestBaby programme in 2005, with 326 registrations. This programme monitors pregnancies in terms of high risk identification and to create an educational platform for both mom and dad to be. In 2014, 1 072 members registered, growing to 1 430 in 2015. Currently, 1 582 members are registered on the programme.

Infant care is a new programme, which was introduced to follow on from the maternity care programme that focuses on pre-birth benefits. Infant care provides benefits and education to parents from birth to two years old. The programme was launched in May 2016 and a total of 1 282 registrations were recorded to December 2016.

Managed Healthcare Programmes

Managed healthcare guides were compiled by the Marketing Department and distributed to relevant members. Bestmed's managed healthcare programme focuses on:

- **HIV/AIDS:** Bestmed implemented its HIV/AIDS disease management programme to help members and their

dependants living with HIV to remain healthy and to live a productive life. This is done by managing the disease as efficiently as possible. The aim of the programme is to improve the member's quality of life by ensuring that the correct drugs are prescribed (according to the stage of infection). The medication process is carefully managed by Optipharm, which is the designated service provider responsible for dispensing and delivering the medication to members each month. In order to obtain benefits relating to HIV/AIDS, members simply have to register with One Health by enrolling on the HIV programme.

- **Oncology:** The Independent Clinical Oncology Network is the designated service provider for all members with cancer for all Bestmed options, except for Beat1 and Beat1 (network), Beat2 and Beat2 (network) and Beat3 and Beat3 (network) and Pulse1. Members need to register to access the oncology programme and associated benefits. All services must be preauthorised by Bestmed. Services are rendered by the preferred providers appointed by Bestmed and services must fall within Bestmed's funding guidelines.

Bestmed Cares: We Give Back

Bestmed was involved in the following corporate social investment activities during 2016:

- **Bestmed Water Project**
In January 2016, Bestmed members and staff pulled their resources together to collect water donations for the drought-stricken Free State. A total of 11 925 litres of water was collected and transported to the areas where it was most needed.
- **We Got the Power Schools Campaign**
The project was implemented to effect a healthy living mind-set change within South African school children, by creating a platform from which they can discover the power of living a healthy balanced life. The challenge was launched at 63 schools around the country which in turn were encouraged to invite / challenge other schools to participate in the initiative.
- **Partners for Possibility**
The Partners for Possibility programme is recognised as an innovation in corporate social investment, leadership development, education reform and principal support because it is not a coaching or mentoring process. Business leaders partner with school principals so that they both support and learn from each other in a mutual development. Many of the business leaders involved report that they have learned more about leadership from being a partner to a principal than they have learned from attending a course at

a business school. The programme is structured as a leadership development programme and accredited as a NQF level 6 programme with the University of the Western Cape.

In 2016, Bestmed was partnered with the Esikhisini Primary School. Their motto is 'Renaissance in Education' and the Principal is Maud Langa. Esikhisini Primary School is located in Atteridgeville, Pretoria. Esikhisini means 'water well', which in literature often symbolises life, because wells are a source of water. Many have lived without love but none have lived without water.

Dhiresh Ramdeen represented Bestmed and formed a team to assist with this innovative project. They kicked off the programme with a meet and greet visit at Bestmed to introduce themselves to one another and get a feel of what was expected from both sides. A visit to the school was used to determine the needs and a fundraising campaign was discussed, planned and launched. The campaign accomplished the following:

- Six laptops were donated to the school.
- Bestmed hosted the third community of practice (COPs) meeting.
- For Mandela day, the team arrange a clean-up and painting at the school.
- Bestmed hosted a leadership course for students and teachers.
- Bestmed also contributed the first ever certificates awarded to the students.
- **Shavathon**
In solidarity with the Cancer Association of South Africa (Cansa) and cancer survivors, Bestmed ran a campaign and hosted a Shavathon. To support this great initiative, staff members sprayed their hair for a R20 donation towards Cansa. Staff members participated in the online campaign and stood a chance to win a Polar Loop. To enter the competition, staff members had to take a photo of their colourfully sprayed hair and post it on their Facebook, Twitter or Instagram timeline using the hashtag: #BestmedCares. Staff members also wore their best and brightest colours at the Shavathon. The most colourful outfit also won a special prize. A total of R2 410 was collected by staff members for the Cansa Shavathon.

Sales and Distribution

The focus for the Distribution team is to increase Bestmed's membership by expanding our broker network. This is done by providing excellent service and being positioned experts in our subject matter.

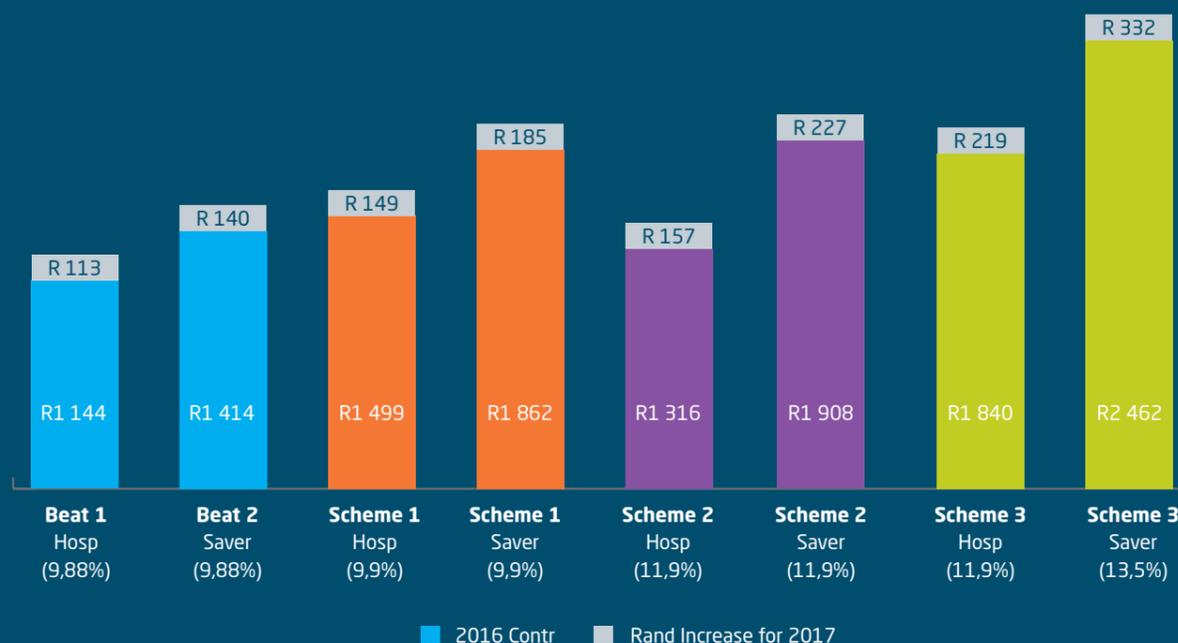
Engagement with brokers is essential to implement measures to proactively retain members and support growth of the brokers' book. Broker consultants play a vital relationship role in these initiatives. The Distribution team is also instrumental in ensuring

that the Scheme attracts members with the desired risk profile. Engagement with brokers involves implementing measures to proactively retain members in their portfolios, thereby growing their business.

Our efforts this year have led us to achieve a product offering that is not only market-related but also offers added benefits to our members. Despite a challenging environment, we have been able to offer limited copayments, continued to prove that our products are rich in benefits and affordable, and have proven that we are a trusted medical scheme.

	Bestmed	Scheme 1	Scheme 2
Standard Co-pay per Hospitalisation	0	0	P
Co-pay 17 Referral Procedures	0	P	P
Endoscopic	P	P	P
Procedures In-hospital			
Endoscopic Procedures Out of Hospital	0	P	0

We continued to illustrate that our increases are competitive. When compared to the top three medical schemes, it is clear that due to our lower contribution base, our members and the broker fraternity have access to products that are very well priced. When illustrated in Rand value our contribution increases reflect a far lower net impact on our members' pockets.



Bestmed continues to take a different approach to the rest of the market in terms of product and product design. We have not followed the trend of self-payment gaps, which have an increasing negative impact on members' out-of-pocket expenses.

We believe that brokers that do not recommend Bestmed are doing members a disservice – especially when members are exposed to significant financial pressures from self-payment gaps. In comparison to the top three schemes and products with self-payment gaps, the chart below shows how long members' benefits will last, the length of the self-payment period and the additional monthly expense.

Impact of Self Payment Gaps



Growth

Growth during the year has been flat, which can be largely attributed to the current negative economic conditions. Making allowance for the fact that the industry has remained stagnant for the last number of years, it is notable that economic circumstances have further contributed to the number of new members registered with the scheme.

Our competitive products however continue to attract members and brokers. During 2016, we contracted with 44 new brokers. Even though business was slower than anticipated, the average age of new beneficiaries continued to improve and ended at 24.47 years for 2016 compared to 25.4 years for 2015.

Net Growth per Option	
Option name	Registrations
Beat1	847
Beat1Network	342
Beat2	3 910
Beat2Network	965
Beat3	690
Beat3Network	160
Beat4	348
Pace1	2 999
Pace2	184
Pace3	71
Pace4	11
Pulse1	251
Pulse2	4

All the evidence reflects that member retention has been stable year on year, however new business has reduced significantly. Although the economic environment is a big contributor, the reduction of new business from our dedicated channels has also had a significant impact. The competitive environment in the healthcare sector also has an impact through other industry players offering financial incentives that incentivise them to promote competitor products.

Information and Communication Technology Report

Our strategic objective is to continually upgrade Bestmed's information and communications technology (ICT) infrastructure and over time, to establish it as a platform for creating a competitive advantage for all the Scheme's functionaries.

ICT is increasingly a critical enabler of business transformation and growth, and needs to play a fundamentally different role as it partners with business units. IT-enabled businesses advance service delivery and innovation, and foster customer-led growth.

Strategic technology trends are defined as those with the potential for significant impact on the organisation in the next three years. Factors that denote significant impact include a high potential for disruption to the business, end users or IT, the need for a major investment, or the risk of being late to adopt.

During 2016 Bestmed embarked on a strategic initiative to re-assess the insourcing of its ICT capabilities. Executive management was instructed to systematically and comprehensively evaluate the best option to support Bestmed's strategic objectives.

The review resulted in a decision to perform a due diligence and proof of concept on the HiP medical scheme administration system to potentially replace the current system. This system is built around leading edge technologies and is well proven in the medical scheme industry.

The following milestones had to be achieved:

- HiP proof of concept to evaluate functional capability against predetermined criteria.

- HiP test run where the HiP system was implemented in a pre-production environment with production data loaded. During this phase, Bestmed member policies were administered on the existing systems as well as the HiP system to test production readiness on a sample basis.
- Full production implementation to implement the HiP system as the new Bestmed medical scheme administration system, which is dependent on sign off on the test run results.
- Data warehouse implementation to implement changes on the data warehouse environment to ensure the required reports are available for the management of the Scheme.
- Sign-off by independent external auditors on the completeness of the data transfer from the previous administration system to the new HiP administration system

Should all milestones be achieved, implementation of this new system will happen during the second quarter of 2017 over a period when it will have the least impact on our members. A comprehensive implementation plan will be communicated well in advance, including the effect implementation will have on our members.



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