Bestmed Medical Scheme

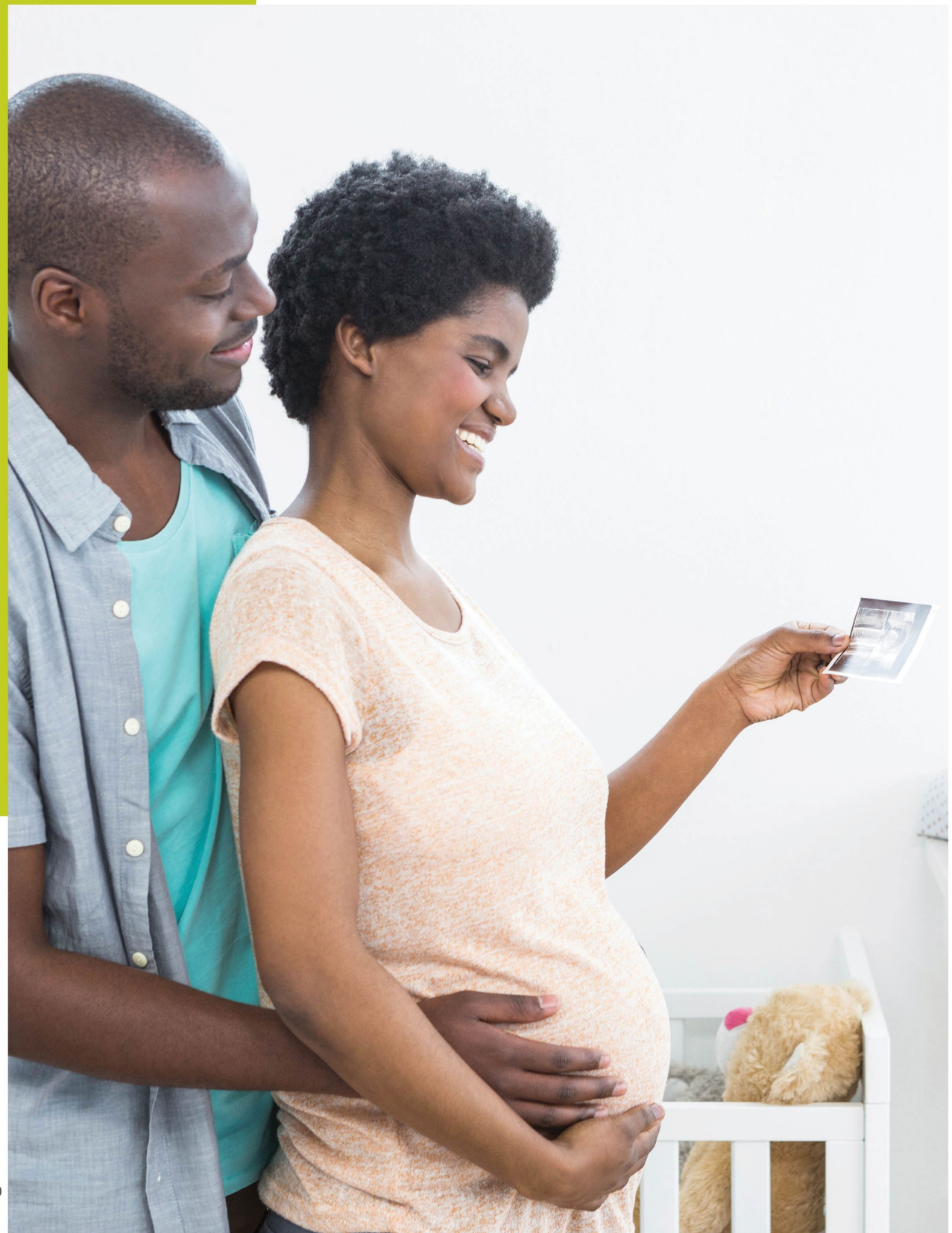
Highlights of the Annual Financial Statements

For the year ended 31 December 2019

bestMed

personally yours

Invitation



You are invited to attend Bestmed's 56th Annual General Meeting

The promise to deliver healthcare that is Personally Yours has never been as significant as in this, our 56th year of existence, during which we were faced with a national and global health pandemic. We are proud to have stayed true to our brand essence of being "by members, for members" during these challenging and uncertain times. We remain committed to ensuring that we are large enough to create value for our members; that we be personal enough to provide care for each one of them; and that we be humble enough to listen and to respond with agility to realign our service to our mutual vision of helping you live your best life today, tomorrow and beyond.

The safety of our members and employees remain a priority during the COVID-19 pandemic, therefore we will be hosting the Annual General Meeting (AGM) virtually. We cordially invite you to share in the operational and financial highlights of 2019 at our Annual General Meeting (AGM).

Date:	Wednesday, 23 September 2020
Time:	Online registration and log in - 08:45 AGM proceedings – 09:00 - 12:00
Virtual event:	https://bestmedvirtual.co.za/
RSVP:	Refer to your electronic invitation to RSVP by Friday, 11 September 2020
Enquiries:	Refilwe Moloisane bestmed-agm@bestmed.co.za

Members wishing to attend will be required to provide their membership- and identification numbers upon online registration. Only members in good standing will be allowed to attend and participate in the AGM.

Should you wish to submit a motion for the AGM, kindly e-mail bestmed-agm@bestmed.co.za by no later than Wednesday, 9 September 2020.

Programme

08:45 – 09:00	Online registration and log in
09:00 – 09:15	Opening
09:15 – 12:00	AGM

EVENT INFORMATION

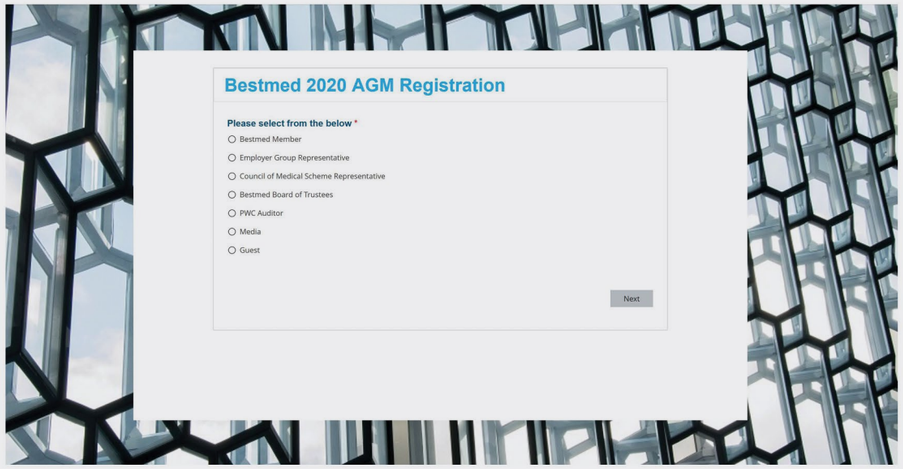
Contents

Instructions to connect to the virtual 56th AGM

Step 1

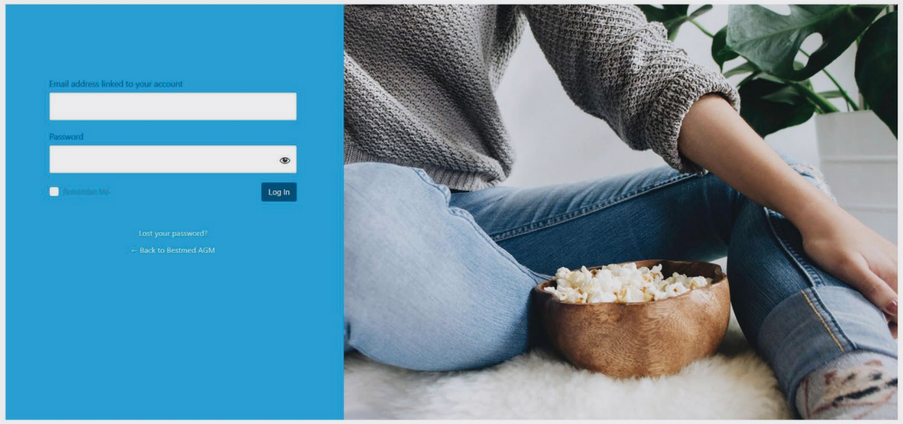
- To register to attend the 2020 Bestmed Virtual AGM, click on the accept or decline button located on the electronic invitation **OR** copy and paste the following link into your web browser **https://bestmedvirtual.co.za/**
- Complete the registration form with the correct information.

Please be sure to use a valid cellphone and email address, as this will be used for verification purposes.



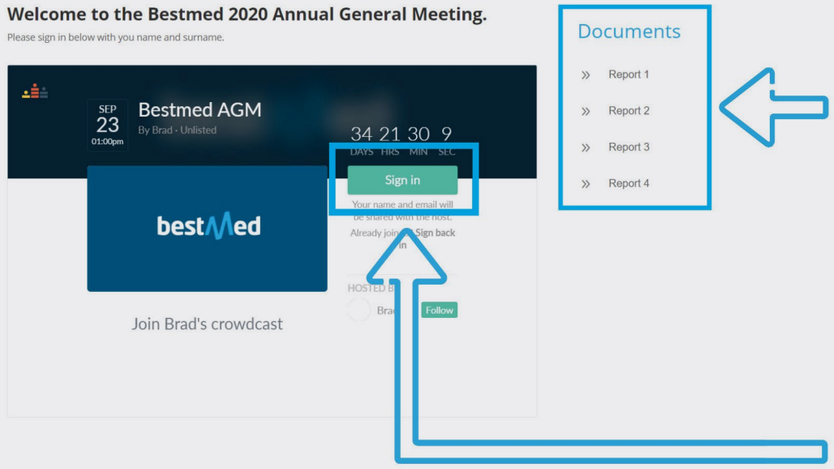
Step 2

Once your registration has been verified, you will receive an email with your access details to the Bestmed virtual AGM website.



Step 3

Non-voting members will be redirected to the page, as per below, where they will be able to watch the AGM stream.

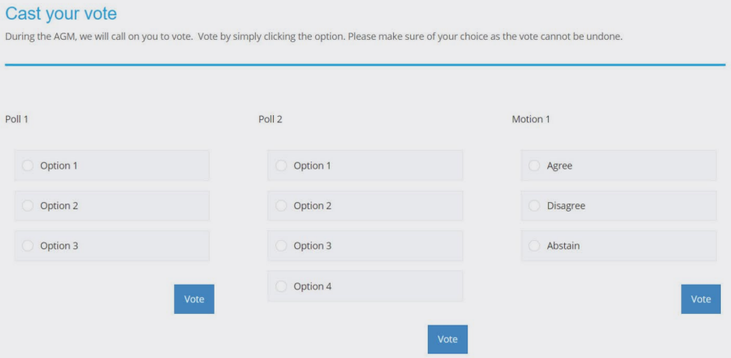


Important documentation will be available for download.

You will be prompted to join the stream. Please sign in using your full name.

Voting Members - continue

Members with voting rights, will have to insert an authorisation code before accessing the stream. This code will be sent to you on the day of the AGM.



HIGHLIGHTS OF THE 2019 FINANCIAL STATEMENTS

Agenda for the 56th Annual General Meeting

Notice is hereby given that the 56th Annual General Meeting of the members of Bestmed Medical Scheme will be held at 08:45 on Wednesday,

23 September 2020. The safety of our members and employees remain a priority during the COVID-19 pandemic, therefore we will be hosting the event virtually.

- Opening and Welcome
- House rules for the virtual event format
- Finalisation of Agenda
- Minutes of previous AGM held on 12 June 2019
- Matters arising from the Minutes
- Chairperson's Report
- Financial Statements and Auditors Report
- Appointment of Auditors for 2020
- Motions received in terms of Rule 26.1.4
- Approval of Trustee Remuneration
- Closure

PLEASE NOTE: Documents are printed in the language in which they were presented and submitted to the Registrar of Medical Schemes. A full set of the financial report is available electronically on request. For your copy, please send an e-mail to communications@bestmed.co.za.

Minutes of the 55th Annual General Meeting

Minutes of the 55th Annual General Meeting of representatives of employers, employees and members held at The Capital Hotel, Menlyn Maine, Pretoria on Wednesday, 12 June 2019 at 8:45.

1. OPENING BY CHAIRPERSON

The Master of Ceremonies, Ms Madelein Barkhuizen, opened the Annual General Meeting (AGM) and introduced herself to the meeting. She warmly welcomed all the attendees, including the Bestmed Board of Trustees, at the 55th AGM.

The Master of Ceremonies informed the attendees that the terms of office of the Chairperson and Vice-chairperson of the Board of Trustees, Mr Fred Camphor and Prof Piet Delport respectively, would expire at the end of the AGM. She thanked both the Chairperson and the Vice-chairperson for their guidance and dedication towards Bestmed during a challenging period in the Scheme's history.

In addition, the Master of Ceremonies indicated it was the last AGM which Mr Pieter van Zyl would attend in his capacity as acting Principal Officer and Chief Executive Officer (PO/CEO), since he had been appointed as Bestmed's Chief Operations Officer (COO).

The attendees were informed that Bestmed's Executive Management and the Board of Trustees would be available after the AGM to assist members with any personal enquiries they may have.

The Master of Ceremonies then welcomed the Chairperson of the Board of Trustees to the stage. The Chairperson took over the proceedings of the AGM and declared the meeting properly constituted, members and employers having been given adequate notice of the meeting in terms of Rule 26.1.1 and more than 25 members being present to constitute a quorum.

1.1 Present

1.1.1 138 active voting members
1.1.2 11 members of the Board of Trustees
1.1.3 1 guest from the Council for Medical Schemes (CMS)
1.1.4 31 delegates from employer groups

The Chairperson then requested the attendees to observe a moment of silent contemplation to seek guidance and strength prior to proceeding with the meeting.

Next, he welcomed, in addition to the Scheme's members, representatives of the corporate employers affiliated to Bestmed, the members of the Board of Trustees, Management and employees of Bestmed. He also welcomed Mr Jan Boot and Adv Lappies Labuschagne, former Chairpersons of the Board, as well as a number of former Board members.

In addition, the Chairperson extended a word of welcome to an esteemed guest, Mr Mfana Maswanganyi, representative of the CMS and thanked him for attending Bestmed's AGM. Finally, he welcomed Mr Johannes Grové and Mrs Alke Biggs, the representatives of the Scheme's external auditors, PricewaterhouseCoopers (PwC).

Next, all the relevant administrative matters, including the issuing of ballot papers prior to the AGM, were finalised.

1.2 Apologies

Apologies had been received from Mr Leo Dlamini and Prof Kobus van Rooyen, former Bestmed Board members. No further apologies were noted.

2. FINALISATION OF AGENDA

The meeting proceeded with the finalisation of the agenda. The Chairperson informed the meeting that no valid motions which members would be required to vote on at the AGM had been received in terms of Rule 26.1.4 of the registered Bestmed Rules. However, two proposals for motions had been received. In both instances, discussions had been held with the members who had submitted the proposals, and they had withdrawn the proposals in writing, after the required information had been provided to them.

After finalising the agenda, the Chairperson reminded the attendees that, as indicated at the AGM in 2018, the Board had decided to adopt a different format for the AGM as a measure to reduce the cost significantly. As a result of the amended format of the AGM, no conference had been presented prior to the AGM. In addition, the majority of the communication material, for example the Annual Report, had been disseminated in an abridged format to members, while the catering requirements had been reviewed.

> Furthermore, in view of the amended format of the AGM, only the matters relevant to the AGM would be attended to at the meeting. Any enquiries on personal matters and difficulties experienced with service delivery or claims would not be addressed at the meeting. After the conclusion of the AGM, Management and certain key operational employees would be available to assist members with personal enquiries and difficulties experienced with service delivery.

In this regard, the Chairperson informed the attendees that member engagement sessions had been hosted in the various provinces in the course of the year to assist members with solving enquiries regarding benefits. Positive feedback on the success of these sessions had been received from members. Therefore, the AGM would be managed strictly according to the agenda provided for the AGM. However, Management would be available after the AGM to attend to any matters with which assistance might be required.

In addition, the Chairperson informed the Board members that, after conclusion of the AGM, a Board meeting would be held in the dedicated venue for the purpose of constituting the Board and electing a new Chairperson and Vice-chairperson as well as members to the various Board committees in instances where vacancies had arisen.

Finally, the Chairperson congratulated Dr Zweli Mkhize, newly appointed Minister of Health, and Dr Sipho Kabane, who had been formally appointed as CEO and Registrar of the CMS after acting in the position for a year.

The meeting then proceeded with the approval of the minutes of the previous AGM held on 15 June 2018.

3. MINUTES OF PREVIOUS ANNUAL GENERAL MEETING HELD ON 15 JUNE 2018

The minutes of the 54th Annual General Meeting were unanimously approved as a fair and accurate record of the proceedings, subject to the following amendments to the two sentences quoted from the minutes:

- Page 5 of the minutes (page 13 of the document distributed to members)

  The cost of the forensic audit conducted by KPMG had amounted to R560 000.

  Amended version: The cost of the forensic audit conducted by KPMG had amounted to R1 040 523.

- Page 10 (page 18 of the document distributed to members), first paragraph, sentence 10

  In this regard, he requested the Board to ensure the annual subscription increases were completely justifiable and not used to fund high staff performance bonuses.

  Amended version: In this regard, he requested the Board to ensure the annual subscription increases were completely justifiable and not used to fund high performance bonuses for executives.

The required amendments would be made, and the amended minutes would be signed by the Chairperson.

Proposed: Ms C (Clarette) Lombard (membership number: 11641288);

Seconded: Mr PM (Petrus) Bessie (membership number: 1585258)

The Chairperson indicated that the minutes would be published and made available to the CMS.

4. MATTERS ARISING FROM THE PREVIOUS ANNUAL GENERAL MEETING

Next, the following matters arising from the minutes were tabled at the meeting:

- Dr Daan Luyt (membership number 788627) requested that the following be added to matters arising from the previous AGM:
  - Possible amalgamation, as raised by Prof Gert Louw (membership number 322571) at the 2018 AGM
  - Dr Luyt's enquiry at the AGM in 2018 on how the Scheme had dealt with the demand of the CMS for a forensic investigation, in particular the total cost of the forensic audit conducted by KPMG, had not been correctly recorded in the minutes, which the Chairperson had since rectified
  - The forensic investigation conducted in terms of Section 44(4) of the Medical Schemes Act, 1998 (Act No 131 of 1998) and the rights bestowed on the CMS

The Chairperson responded by indicating that the cost of the forensic audit conducted by KPMG as reflected in the minutes had already been corrected. He proceeded by informing Dr Luyt that he would be given the opportunity to discuss the Section 44(4) investigation, which he had just raised as a matter arising from the previous AGM.

The Chairperson then indicated that he would like to address the three matters identified in the documentation disseminated to members prior to the AGM as follows:

- The enquiry made at the AGM in 2018 regarding the surplus as at May 2018 would be addressed as part of the presentation on the audited financial statements which the Chief Financial Officer (CFO) would deliver.
- The enquiry made at the AGM in 2018 regarding the expenditure on brand development would be addressed in the CFO's presentation on the audited financial statements.
- The enquiry made at the AGM in 2018 regarding the requirements for the vetting process used for Trustee elections would be addressed in the documentation that would be distributed to members together with the call for nominations for Trustee elections towards the end of 2019.

With regard to the enquiry on amalgamation raised by Prof Gert Louw (membership number 322571) at the 2018 AGM, the Chairperson explained that the Board had considered possible amalgamation with a scheme in 2018. After carefully considering all the relevant information, the Board had taken the decision not to proceed with discussions on possible amalgamation with the particular scheme, for a number of reasons. However, amalgamation with other identified schemes would still be pursued.

There was a deliberate intention to reduce the number of schemes in South Africa and the number of benefit options, in addition to creating larger risk pools to reduce risk. However, the Chairperson pointed out that care should be taken to ensure that the member profile in terms of age and health status of the scheme considered for possible amalgamation was appropriate. He reminded the members that in terms of the stipulations of the Medical Schemes Act, 1998, and the registered Bestmed Rules, amalgamation with a scheme comprising more than 15 000 members was subject to a formal vote by members at an AGM or special AGM.

Dr Luyt (membership number 788627) introduced himself to the attendees as the former Vice-President of the South African Bureau of Standards (SABS) and former Trustee of the Bestmed Board. He indicated that the cost of the KPMG forensic audit was reflected as R560 000 in the minutes of the 2018 AGM, but the Chairperson had now with the approval of the minutes of the previous meeting corrected the figure. Secondly, the Chairperson, in his response, had relied on Section 44(4) of the Medical Schemes Act, 1998, to support the CMS's right to call for a forensic audit. The CMS was, indeed, entitled to this. KPMG had been appointed to conduct a forensic investigation and had submitted a report, explaining the findings of the investigation. According to Dr Luyt's interpretation of Section 44(4), the CMS may not discard the findings of a forensic report and appoint their own forensic auditors, apparently ad infinitum, to obtain the findings they wanted without providing a well-substantiated motivation. Furthermore, the CMS had insisted that Ligwa Advisory Services be appointed to conduct the Section 44(4) investigation. After completing the forensic investigation, Ligwa Advisory Services had delivered a draft report to Bestmed. The findings of the investigation as explained in the report had, however, not been divulged to members. Dr Luyt had also previously questioned the cost of the audit report, which had amounted to more than R2 million, and the prompt settlement of the account submitted by Ligwa Advisory Services was also questionable. According to rumours and even the print media, the CMS employee associated with the appointment of Ligwa Advisory Services was being investigated for possible fraud, possibly indicating other questionable appointments of Ligwa Advisory Services. Dr Luyt proceeded by indicating he was not making any allegations in this regard but was pleading for the right to be properly informed by Bestmed. Lastly, if KPMG had failed to produce a report with meaningful findings, the Scheme should be entitled to demand a refund for the cost paid in respect of the forensic audit. He requested the Chairperson to support and respect all members' rights to be properly informed. In addition, he instructed Bestmed officials to be open

and fair about any enquiries received in this regard, since being properly informed, might lead to a change of opinion, or it can result in an objective presentation of proposals to correct unacceptable business practice.

The Chairperson replied to Dr Luyt's account of the forensic audit by explaining that alleged transgressions of the Medical Schemes Act, 1998 by Bestmed had been reported to the CMS, which, in turn had referred these to the Board in 2015. Consequently, the Board had appointed KPMG to conduct a forensic audit in 2015/2016. At the 2016 AGM, the Chairperson had delivered a detailed presentation on the investigation of each of the allegations and the findings in the KPMG report as well as the resultant recommendations made in the KPMG report and subsequent actions taken by the Board. The Board had also provided a copy of the KPMG forensic report to the CMS in an attempt to respond to the alleged transgressions levelled against Bestmed.

The CMS had then informed Bestmed that the contents of the KPMG report were inadequate in their opinion. As a result, the CMS had appointed Ligwa Advisory Services to conduct a routine inspection in terms of Section 44(4) of the Medical Schemes Act, 1998, on the same allegations investigated by KPMG in 2015/2016. The Chairperson had delivered a follow-up presentation to the members who had been attending the AGM in 2017.

The Section 44(4) investigation conducted by Ligwa Advisory Services had been finalised in 2017. The CMS had provided a draft report on the findings of the investigation to the Bestmed Board for comment in November 2017.

In response to the findings in the draft report issued by Ligwa Advisory Services, the Board had submitted a written response to the CMS in February 2018, as reported at the AGM last year. To date, no feedback on the Board's response had been received from the CMS. As explained by the Chairperson at the 2018 AGM, it was possible that the CMS could still issue a final report to which Bestmed would be required to respond, as stipulated in the Medical Schemes Act, 1998. The CMS may then issue directives following the final report and Bestmed would be required to comply to such directives.

The Chairperson proceeded by explaining that the forensic audit report on the Section 44(4) investigation conducted by Ligwa Advisory Services was the property of the CMS and, as a result, had not been made available to members of the Scheme. As stipulated in the Medical Schemes Act, 1998, a draft report on the findings of the Section 44(4) investigation had been provided to the Scheme for comment. An invoice for the costs pertaining to the forensic investigation had been submitted to the Scheme on 11 October 2017 with a directive stipulating a deadline of seven days for the payment of the invoice. As explained at the AGM in 2018, Bestmed had settled the account in full within the specified deadline, since the CMS was entitled to recover the cost pertaining to the investigation, as stipulated in the Medical Schemes Act, 1998.

Mr Dries la Grange (membership number 360384) responded by supporting the fact that the CMS was entitled to recover the cost pertaining to the Section 44(4) investigation from Bestmed. However, this requirement was stipulated in the Financial Institutions Act, 1998 (Act No 80 of 1998), which had been repealed and replaced. In his opinion, the institution under investigation was, however, only liable for payment of the account after being afforded adequate time to consider the results of the draft report. In this regard, the Chairperson indicated that the Board had decided to settle the amount without entering into an argument with the CMS about the provisions for payment of the account.

Adv John Stanbury (membership number 1834711) addressed the meeting and indicated that he wanted to congratulate the employees on their professional and efficient service delivery. Furthermore, he indicated that none of the comments he was about to make should be interpreted as comments directed against any particular employee. He proceeded by stating that the Scheme voluntarily agreed to comply to the stipulations of the King IV Code of Good Corporate Governance. As a result, his first enquiry dealt with the fees paid in respect of the forensic audit conducted by KPMG. If the amount had been incorrectly stated as R560 000.00, instead of R1 040 523 at the 2018 AGM, it should be dealt with as an amendment when discussing the matters arising from the previous meeting. Secondly, he enquired whether the response to the report on the forensic investigation conducted by Ligwa Advisory Services was the property of the CMS or the Scheme.

The Chairperson responded to Adv Stanbury's two enquiries, stating that he had indeed corrected the amount prior to the approval of the minutes of the 2018 AGM. With regard to the second question, the Chairperson indicated that Ligwa Advisory Services had presented the report to the CMS and the report was the property of the CMS. Bestmed had been afforded the opportunity to respond to the findings in the report. Although the comments made were Bestmed's response, they dealt with the contents of the report, which were confidential. Only after issuing the final report to Bestmed, could it be claimed as the Scheme's property and the Scheme would be allowed to disclose the contents of the report as well as the Scheme's comments on the report. The matters identified in the report provided by Ligwa Advisory Services addressed, to a large extent, the same matters included in the KPMG forensic audit report, which had been instructed by the Board. The Chairperson had reported on these in detail at the AGM in 2016 and 2017. The matters identified in the KPMG forensic audit report had been addressed. The Chairperson gave members the assurance that there were no major problems, because the Board assumed that if there were any major problems, the CMS would have informed the Scheme of these in the meantime.

Dr Luyt (membership number 788627) indicated it was not his intention to enter into detailed discussions on this matter at the AGM, as this was not the appropriate forum for these discussions. However, he was of the opinion that, as a member of the Scheme, he was entitled to be notified of important developments. The Chairperson replied, indicating that he was indeed entitled to be kept informed to the extent deemed appropriate by the Board and to the extent the Board was required to provide information. He then invited Dr Luyt to direct any enquiries he might have to the Board for a response.

The Chairperson indicated that, in the Board's opinion, all the matters dealt with in the minutes had been attended to appropriately. No matters for further attention were identified from the minutes and the meeting proceeded with the discussion of the Chairperson's report.

5. REPORT OF THE CHAIRPERSON

The report of the Chairperson was noted. The Chairperson thanked the Board members and Bestmed's employees for their dedication and exceptional service delivery over the past year. The following matters were highlighted from the Chairperson's report:

5.1 Overview

Although Bestmed had experienced 2017 as an eventful year, 2018 could be best described as a year of consolidation. Once again, 2018 had turned out a successful year and Bestmed had concluded the year with unexpectedly good financial results. To substantiate this statement, the Chairperson gave an overview of the financial results achieved the previous financial year.

5.2 Financial performance

Bestmed's balance sheet had strengthened from R2.6 billion to R2.9 billion during the past year. The net healthcare result had amounted to R87.6 million in 2018 and the Scheme had concluded the 2018 financial year with a R187.6 million net surplus. In addition to the Scheme's sound financial performance, Bestmed's solvency ratio had improved from 29.37% at 31 December 2017 to 31.94% at 31 December 2018, exceeding the statutory required solvency level of 25%. In addition, the Scheme had earned investment returns amounting to R156.8 million on its reserve funds.

Although these figures were significant, particularly in view of the increased solvency ratio, the context within which this exceptional performance had been achieved, should be taken into account. At the AGM in 2018, members had enquired how they were benefiting from the increased solvency ratio and Bestmed's accumulated reserves. In essence, Bestmed was only entitled to reward members for maintaining a reserve level exceeding the statutory required solvency level of 25% and for achieving a lower than anticipated claims ratio. In this regard, Bestmed could reward members for using their medical scheme benefits sensibly by either increasing the annual subscription fees by a slightly lower percentage than the average increase in the industry, or by offering enhanced benefits to members, or a combination of these.

The budget for the next financial year was calculated annually in September. When calculating the budget, members' claims data were taken into account to determine the estimated benefit expenditure for the next financial year.

In 2018, Bestmed's average increase in subscription fees had totalled 8.4%, which was lower than the average subscription increase of 8.6% in the market. As from January 2019, Bestmed's subscription fees had increased by 8.94%, which was approximately half a percent lower than the average subscription increase of 9.3% in the open medical schemes industry this year. Although the claims ratio had declined slightly over the past two years, Bestmed's financial performance of R188 million could be largely attributed to sensible investment decisions to ensure better returns on the accumulated reserve funds than would normally be expected in the current economic climate.

The Chairperson continued by referring to an article published by Ms Brand-Jonker in the morning edition of Beeld regarding the incentives paid to Bestmed Executive Management, in particular the acting PO/CEO. He indicated that the CMS Annual Report issued in 2018 was based on the 2017 reported financial statements of schemes. As reflected in the CMS report, a salary of R11.9 million had been paid to Bestmed's PO/CEO, which was approximately the third highest in the industry. However, the figures reflected in the CMS Annual Report were distorted and not put in context, since this amount constituted the remuneration of two persons in this role for the year under review. Should the remuneration of the acting

PO/CEO not be taken into account, the remuneration of the PO/CEO would only have amounted to the sixth highest in the industry.

During the past year, Bestmed Management had focused on consolidation and on improving the services and efficiencies of the Scheme. One of the focus areas involved keeping the cost of healthcare cover as low as possible, which was accomplished in a number of ways, the most significant of which was concluding agreements with hospital groups and network service providers.

In terms of these agreements, the accounts of hospitals and service providers were settled within a specific period of time, and services were rendered at a negotiated tariff, effecting a saving of approximately R37 million per annum. The Scheme had entered into similar agreements with general practitioners and pharmacies, which had resulted in an additional saving of R40 million in 2018. Similarly, savings on the non-healthcare costs had amounted to approximately R51 million in 2018, when compared to budget. The total cost savings resulting from the network agreements and managing the business of the Scheme had amounted to approximately R85 million in 2018. The Chairperson commended the employees on this remarkable achievement. In addition, Bestmed had taken the lead in 2018 by being the first scheme to announce that it would not impose an interim increase in subscription fees to absorb the difference in cost resulting from the 1% VAT increase. This had resulted in an additional saving of R21 million for members. This decision was a reflection of the Scheme's endeavour to act in members' best interests, and in line with the recommendation of the CMS in this regard.

The Chairperson continued by explaining that, in the context of the savings effected in 2018, the incentive bonus paid to the acting PO/CEO was not unreasonable. To provide further perspective, he indicated that the previous Board of Trustees had approved an incentive scheme for all employees a few years ago. In terms of the approved incentive scheme, a defined amount was made available for bonus payments each year, and performance objectives were set which all employees, including Executive Management, were required to meet in order to qualify for a bonus payment. Bonuses were paid proportionally to employees, according to their individual performance, as contracted at the beginning of the year. The current Board had considered the incentive scheme and was of the opinion that it was a fair and reasonable system.

Bestmed's membership had declined by 1 363 members in 2018. A reduction in membership had been anticipated, in view of the nature of the business of medical schemes and the highly regulated environment in which they were operating. In addition, the difficult economic climate also impacted on membership growth. Retrenchments at large corporate groups had impacted significantly on Bestmed, as a substantial portion of the Scheme's members were employed at corporate groups. Although the membership had declined in 2018, the Scheme had managed to enrol new members, including younger members, which would decrease the age profile of members.

5.3 Governance

The Board elections took place in the first semester of 2018 and the following members had been elected and appointed to the Board of Trustees:

- **Newly elected Board members**

  The following members had been elected to the Board of Trustees:

  - Ms Annelise Hartzenberg
  - Mr Martin Joubert
  - Mr Louis Heyl

- **Newly appointed Board members**

  The following members had been appointed to the Board of Trustees:

  - Dr Tumi Legobye
  - Ms Suzanne Stevens (reappointed)
  - Mr Steyn du Plessis (reappointed)

In addition, Mr Leo Dlamini had resigned from the Board in May 2019.

The terms of office of at least four Board members would expire at the AGM in 2020. As a result, members would be required to nominate new Trustees for the Board elections in 2020. Certain existing Board members would be available for re-election. The Scheme would call for nominations towards the end of this year and the relevant communication, including the vetting requirements for nominees, would be disseminated with the nomination form to members prior to 1 November 2019.

5.4 Council for Medical Schemes (CMS)

As already discussed in detail when dealing with the matters arising from the previous AGM, possible transgressions of the Medical Schemes Act, 1998 by Bestmed had been reported to the Board in 2015, resulting in the KPMG forensic investigation conducted in 2015/2016.

However, soon after the AGM in 2016, the CMS had informed the Scheme that it had ordered its own routine inspection in terms of Section 44(4) of the Medical Schemes Act, 1998 on the same allegations investigated by KPMG in 2015.

The Section 44(4) investigation had been finalised in 2017. After finalisation, a draft report had been provided to Bestmed and its Board for comment in November 2017. A written Board response to the findings on the investigation explained in the draft report had been submitted to the CMS in February 2018. To date, no further feedback had been received from the CMS.

5.5 Management of Bestmed in 2018

With regard to Management's focus on enhancing the Scheme's efficiencies in 2018, a concerted effort had been made to stabilise the new IT platform to which the Scheme had switched in 2017, known as the BIT (Beat Inspired Technology) system. In addition, a large number of agreements with the network service providers had been revised and updated, and the number of participating network providers had been increased.

These had been achieved, whilst improving the quality of service rendered to members. In this regard, it was pointed out that in 2018, 88% of claims submitted to Bestmed, the majority of which had been submitted electronically, had been processed and paid within 24 hours. This was a commendable achievement, taking into consideration the complexity of claims for certain disciplines, in particular claims in respect of services qualifying for Prescribed Minimum Benefits (PMBs).

In addition, approximately 85% of telephone calls received in the respective Contact Centres towards the end of 2018 had been answered within 20 seconds. In the case of approximately 80% of the telephone calls received, the enquiries had been resolved during the first telephone call. Rendering this kind of exceptional customer service was what Bestmed was endeavouring to do.

In 2018, significant emphasis had been placed on curbing fraud and the inappropriate use of medical scheme benefits. It had been reported in the medical schemes industry that fraudulent claims amounted to approximately R22 billion per annum. Bestmed were not exempt from this and, as a result, the Scheme was collaborating with various other role-players in the industry to take the appropriate action against service providers suspected of fraudulent activities.

5.6 The future

Next, the Chairperson informed the meeting that it was anticipated that the intended implementation of National Health Insurance (NHI) would remain one of the South African Government's objectives. However, the format of the NHI and the timeframe for implementation were not clear. The Scheme viewed exceptional customer service as key in ensuring its continued viability after the implementation of the NHI.

The Chairperson explained that, in the case of health insurance systems, large risk pools would normally benefit from economies of scale in instances where high-risk members were often cross-subsidised by a large number of low-risk members. This form of pooling in a community-rated environment allowed equalisation of risk and contributions across all members of the pool.

As members might be aware, the CMS was developing a framework for benefit option classification and standardisation. It was anticipated that, once implemented, the CMS would require medical schemes to reduce the number of benefit options offered to members. In addition, implementation of the framework would result in more uniform product offerings in the medical schemes industry. As a result, the only factors differentiating a scheme from its competitors would be the size of the scheme, resulting in the economy of scale, the popularity of the brand amongst members, and the level and quality of service rendered to members. If this information was considered, it was evident that the larger the risk pool in a scheme, the better the possibility of utilising economies of scale, which, in turn, would enhance the long-term survival of the scheme. The Chairperson explained that, against this background, the Board of Trustees was of the opinion that Bestmed should focus on maintaining and improving the exceptionally high level of service delivery which members had become accustomed to after the implementation of the new administration system.

5.7 Acknowledgements

The Chairperson continued by conveying his sincere appreciation towards his colleagues on the Board for their cooperation and support during the year. He also expressed his heartfelt gratitude to Bestmed's Management and employees for their loyalty and dedication to increase the membership base. They were indeed delivering on the Scheme's Personally Yours brand promise. He expressed the Board's confidence in their ability to keep Bestmed at the forefront of developments in the medical schemes industry and to render exceptional client service. In addition, he thanked the members of Bestmed for their continued support over the past year.

After dealing with the Chairperson's report, the attendees were afforded the opportunity to ask questions.

A member commented that, as a Bestmed specialist, he observed that the Scheme gave members peace of mind that their claims for medical services would be paid.

> Mr Boot supported this viewpoint and indicated that he had served on Bestmed's Board of Trustees for 33 years. He regarded the AGM as an appropriate platform to congratulate the Board on the remarkable work done. He also expressed his sincere gratitude towards all stakeholders who had been working towards the success of Bestmed for many years.

A member proposed that it be considered to offer disease management benefits for certain chronic conditions to ensure effective control of these conditions. The Chairperson responded by indicating that specific disease management programmes were offered on all benefit options, including HIV/AIDS disease management, oncology management and diabetes management programmes. Members suffering from one or more of these conditions could register on the appropriate programmes to qualify for optimal benefits. The Chairperson advised the member to discuss these programmes with the Service Providers, Contracting and Research Executive Manager after the AGM.

Adv Stanbury (membership number 1834711) indicated that he would want to make a comment on the Chairperson's written report, included in the documents disseminated to members prior to the AGM. He referred to the last paragraph on page 26 of the report, stating as follows: "Following certain matters, a dispute was declared by a member who did not attend the AGM. In the opinion of the Board, this dispute had to be referred to the CMS, which was duly done. At the date of drafting the report, no formal feedback on the matter has yet been received." Adv Stanbury indicated that he believed the member referred to in the report was him. He proceeded by stating that the Rules did not stipulate that a member was required to attend the AGM in order to lodge a complaint. The dispute referred to in the Chairperson's report dealt with the payment of consultation fees to two Trustees, amounting to R136 800 and R42 775 respectively. The identities of the two Board members had been disclosed in the report. This information was reflected in the year-on-year comparison in note 29 on page 67-68 of the current year's financial statements and had also been disclosed in note 32 of the 2017 audited financial statements. In terms of rule 18.2.1.2 of the Bestmed Rules, an employee, director, officer, consultant or contractor of any administrator of the Scheme or of any holding company, subsidiary, joint venture or associate of that administrator was not eligible to serve as members of the Board. Adv Stanbury's complaint was based on the fact that a consultation fee had been paid to persons serving as Trustees, as disclosed in the audited annual financial statements. The annual financial statements and the registered Bestmed Rules were available in the public domain, and, as a result, he did not have to attend the AGM to gain access to this information. Consequently, Adv Stanbury had lodged a complaint in terms of rule 28 of the Bestmed Rules. As stipulated in rule 28.1, a member may lodge a complaint to the Scheme in writing. According to the stipulations of rule 28.2, the Principal Officer of the Scheme was required to respond to the complaint in writing within 30 days of receipt thereof. Furthermore, rule 28.3 provided for the appointment of a Disputes Committee, comprising three members, who may not serve as Trustees. Rule 28.4 stipulated that the complainant was entitled to declare a dispute, based on the ruling of the Principal Officer in accordance with rule 28.2. Consequently, Adv Stanbury had lodged a complaint dealing with the payment of consultation fees to Trustees, which constituted a contravention of the stipulations of the registered Bestmed Rules. The Principal Officer had responded in writing to his complaint within 30 days, stating that the payment of the remuneration did not contravene the stipulations of rule 18.2. Furthermore, he stated that the payments had been disclosed in the Scheme's annual financial statements as "consultation fees". Adv Stanbury was of the opinion that the explanation provided by the Principal Officer deviated from the information recorded in the minutes of the 2018 AGM, which had just been approved by the meeting, and was also inconsistent with the information reflected in the approved annual financial statements. The Principal Officer had indicated that these two Trustees had been remunerated in accordance with the provisions of the Trustee Remuneration Policy and rules 18.8.1 and 18.8.2 of the Bestmed Rules, stipulating the remuneration to which Trustees were entitled. The payment of consultation fees was not included in the remuneration stipulated in rules 18.8.1 and 18.8.2, since Trustees were not allowed to act as consultants in terms of the stipulations of rule 18.1 of the registered Bestmed Rules. Prior to declaring a dispute, Adv Stanbury had replied to the Principal Officer's response, requesting him to provide him with copies of the Trustee Remuneration Policy, the Bestmed Rules that had been put to vote at the general meeting, and the minutes of the Board meetings where the payment of the consultation fees had been approved to enable him to take an informed decision whether or not to declare a dispute. Adv Stanbury also informed the meeting that the Principal Officer had indicated that the Trustee remuneration had been presented, discussed and approved by members present at the 2018 AGM. Adv Stanbury indicated that, as recorded in the minutes, the matter had only been discussed in response to an enquiry made by Mr David Murray (membership number 196070916) on the process followed in the case of contracting Board members for consultation services, including obtaining competitive quotations from different service providers. As recorded in the minutes, the Chairperson had concluded his explanation by admitting that the process followed might not have been completely transparent, and he had invited Mr Murray to suggest a process for consideration by the Board. Since Management had failed to provide copies of the requested documents to Adv Stanbury, he had proceeded with declaring a dispute, and he had advised Management that, according to the stipulations of the Rules, the dispute should be referred to the Disputes Committee for adjudication. Since no response had been received, he had proceeded with lodging a complaint with the CMS. The note in the Chairperson's report stated that, in the opinion of the Board, this dispute had to be referred to the CMS, which had been duly done. Adv Stanbury expressed the opinion that the Board's decision not to refer the complaint to the Disputes Committee in itself was a contravention of the Bestmed Rules. The Board was required to comply with the provisions of the Rules, and, as a result, complaints should be referred to the Disputes Committee. The CMS had advised Adv Stanbury that the matter would be finalised within approximately 120 working days. To date, 140 working days had lapsed, and no feedback had been received, despite three emails which had been sent requesting progress reports. Lastly, Adv Stanbury congratulated the employees of Bestmed on their dedication and hard work, whilst simultaneously appealing to the Trustees and Executive Management to set an example and comply to the stipulations of the Bestmed Rules.

The Chairperson thanked Adv Stanbury for the explanation and responded that he was entitled to his view on compliance to the Rules. The remuneration paid to the two Board members had been disclosed in the annual financial statements of 2017. These, as well as the disclosures, such as the payments to Trustees, had been approved by members at the AGM the previous year. In terms of the Disputes Committee's charter, only matters pertaining to membership and the payment of benefits were dealt with by the Committee. As a result, Adv Stanbury had been advised to refer his dispute to the CMS. Since the CMS had not finalised the complaint, the matter was sub judice and could not be dealt with at the AGM. He advised Adv Stanbury that if he was of the opinion that either the Board or Management had failed to comply to the Rules, he was entitled to calling a special general meeting and presenting a motion to dismiss the Board.

Mr La Grange (membership number 360384) remarked that, according to his knowledge, members present at the AGM were only required to approve the annual financial statements as a fair representation of the Scheme's financial position at 31 December of a specific financial year. They were not entitled to approve any additional information pertaining to the annual financial statements. In response to Mr La Grange's question to Mr Johannes Grové of PwC whether he agreed with this perspective, he confirmed that members indeed approved the annual financial statements as presented to the AGM.

6. FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Members' attention was drawn to the full set of financial statements provided in the Annual Report and the accompanying comprehensive notes. The CFO expressed his appreciation for the dedication and hard work of his employees in preparing the documentation relating to the AGM. He thanked the auditors for their professional work, and the Chairperson of the Audit Committee and his team for their expert guidance.

6.1 Auditor's report

The auditors advised that, in their opinion, the annual financial statements presented fairly, in all material respects, the financial position of Bestmed Medical Scheme as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act, 1998, (Act No 131 of 1998) as amended, section 33(2).

The Investment Committee had made a concerted effort to disinvest from equities and put more funds in cash, to offset the impact of events such as Steinhoff, as members would have heard of recently.

6.2 Expenses incurred in respect of brand development

An overview of brand awareness expenses was given

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to address a question raised at the AGM in 2018 on this matter. In 2017, a total of R15 million had been budgeted for brand-related expenses, of which a total of R6.5 million had been spent. In 2018, a total of R12.5 million had been budgeted for brand-related expenses, of which a total of R7.8 million had been spent. The budget for brand-related expenses in 2019 amounted to R13.3 million, of which R5.6 million had already been spent.

6.3 Comparative analysis

Next, an overview of Bestmed's performance relative to two large competitors in the industry, namely Medihelp and Discovery, was given in terms of the net healthcare result, solvency level, claims ratio and non-healthcare cost as a percentage of risk contributions. These two competitors had been included in the comparative analysis, since access could only be obtained to these two schemes' information at this stage.

Bestmed's net healthcare result had amounted to R87.6 million in 2018. This was R47.9 million less than the previous year, which could be largely attributed to the effect of the 1% VAT increase. Discovery and Medihelp had recorded a loss of -R352.5 million and -R99.2 million respectively in 2018.

Bestmed's solvency level had improved from 29.37% to 31.94% in 2018, constituting an increase of 2.5%, while the solvency level of Discovery and Medihelp had decreased by -0.14% and -0.91% respectively the previous year.

> In addition to the net healthcare result of R88 million, Bestmed had effected a saving of R51.9 million on non-healthcare cost. This was indicative of the responsible manner in which the Scheme's finances were managed.

6.4 Highlights from the statement of comprehensive income

The financial statements reflected a total risk contribution income of R4.5 billion for 2018, compared to R4.3 billion for 2017. Risk contribution had increased by 5.2%, which, on a lower membership basis, suggested that more members had interchanged to cheaper, less comprehensive benefit options. Relevant healthcare expenditure had increased from R3.7 billion in 2017 to R3.9 billion in 2018, representing an increase of 5.4%. The gross healthcare result had declined from R543.9 million in 2017 to R489.8 million, representing a decrease of 10%. The Scheme had recorded a net surplus of R187.7 million for the year. The total comprehensive income for the year after accounting for fair value adjustments was R159.1 million in 2018, compared to R279.1 million in 2017.

The claims ratio of 89.1% in 2018 slightly exceeded the claims ratio of 87.2% in 2017. However, it was pointed out that a 1% increase in claims equalled R40 million. This implied that the amount paid in respect of benefits in 2018 had exceeded the expenses incurred in 2017 by approximately R80 million.

The net surplus had decreased from R233.6 billion in 2017 to R187.7 million in 2018.

Members' funds had increased from R1.6 billion in 2017 to R1.8 billion in 2018, while investments had amounted to R1.8 billion in 2018. The Scheme had opted not to incorporate members' funds in the Scheme's funds as per the ruling in the Genesis court case. Instead, the Scheme had taken the conscious decision to ringfence those funds, and, as a result, those funds still belonged to the members, and not the Scheme. This was, once again, indicative of the responsible financial management by the Executive team and the Board.

Cash and cash equivalents in 2018 had amounted to R16.8 million, compared to R160.4 million the previous year. On 31 December 2018, an amount had been transferred from the current account to the investment account, which was reflected as trade and other receivables, due to cut-off on interbank transfers.

In view of the poor performance of the stock markets in 2018, members were given the assurance that the Investment Committee was working tirelessly to ensure members' funds were invested responsibly.

The bulk of the Scheme's liabilities consisted of members' savings account funds, on which they received interest and which were used to pay for their day-to-day benefits.

> In contrast with companies that paid their dividends to their shareholders, Bestmed, as a mutual, not-for-profit organisation, returned most of its income to members in the form of benefits.

Costs were, of course, involved, but it was pointed out that since returning to self-administration in 2012, significant cost reductions had been made.

Should no subscription fees be recovered, the Scheme would have sufficient cash to cover claims for 6.69 months, suggesting the Scheme had adequate cash reserves.

6.5 Highlights from the statement of financial position

Total assets had increased from R2.6 billion in 2017 to R2.9 billion in 2018.

The Scheme's liabilities included R736 million in respect of the personal medical savings accounts of members.

The total assets on investment had totalled R1.8 billion in 2018, compared to R1.7 billion in 2017. With regard to the real return over 156 months, since inception, the Scheme had still achieved 3% ahead of inflation. Although the markets were still not performing well, it was anticipated that the Scheme's amended investment mandate would result in better returns.

6.6 Solvency

The solvency ratio at 31 December 2018 was 31.94%, compared to the statutory requirement of 25%. The solvency ratio equalled the ratio of the net asset value of total members' funds of R1.7 billion to the gross contributions of R5.3 billion. This was a clear message that the Scheme was financially strong and well able to pay its dues on behalf of its members.

After the presentation delivered by the CFO, the members were granted the opportunity to ask questions.

Mr Ayanda Simelane (membership number 11961673) enquired why the amount of R171.7 million reflected as investments on transfers on page 53 of the annual financial statements had been transferred on 31 December 2018 so it could not be reflected as actual in the annual financial statements. The CFO replied that the Investment Committee had granted him an investment mandate that any cash in the ABSA current account should be transferred to the money market fund. As a result, an operational management decision had been taken to transfer the cash from risk contributions recovered to the Investec Money Market fund to earn higher interest.

Mr Simelane thanked the CFO and then proceeded by referring to note 7 and note 36 on page 86 of the full annual financial statements. In note 7, an amount of R171.7 million had been included in the total of R186.4 million for the current year. He enquired whether the decision to provide 100% for the impaired financial assets in respect of the amount of R186.4 million reflected in note 36 had been taken by the CFO. The CFO replied that the amount of R12 million only was in respect of defaulting trade debtors.

6.7 Approval and adoption of the financial statements

No further questions were raised and the annual financial statements presented to the meeting were unanimously adopted and approved.

Proposed: Mr AM (Dries) la Grange (membership number: 360384);

Seconded: Adv JJ (Lappies) Labuschagne (membership number: 52140)

The annual financial statements for 2018 were then unanimously approved.

7. APPOINTMENT OF AUDITORS FOR 2019/2020

The meeting was informed that the members present at the AGM should appoint the external auditors for the next financial year. PwC had served as the Scheme's auditors for the financial year ending 31 December 2018. The Board of Trustees and the Audit Committee had recommended that PwC be reappointed as auditors for the Scheme for the financial year ending 31 December 2019.

A motion was tabled that PwC be retained as the Scheme's external auditors for the financial year ending 31 December 2019. No objections were raised, and the motion was unanimously accepted.

Proposed: Adv JS (John) Stanbury (membership number: 1834711);

Seconded: Mr AM (Dries) la Grange (membership number: 360384)

8. MOTIONS RECEIVED IN TERMS OF RULE 26.1.4

As already indicated by the Chairperson, no valid motions had been received in terms of Rule 26.1.4 of the registered Bestmed Rules. As a result, the meeting proceeded with the discussion of the Trustee remuneration for 2019-2020.

9. APPROVAL OF AMENDED TRUSTEE REMUNERATION FOR 2019-2020

The Chairperson informed the attendees that PwC Consulting had been appointed as an independent party to conduct an investigation on Trustee remuneration, following a request made in this regard at the 2018 AGM. He informed the members that the COO, Mr Pieter van Zyl would deliver a presentation to provide feedback on the recommendation made by PwC on Trustee remuneration.

The COO referred to the Trustee Remuneration Policy, including Annexure A to the Policy, reflecting the Trustee remuneration. He indicated that amendments to both the Policy and Annexure A

would be proposed. In terms of the stipulations of the Trustee Remuneration Policy, an increase in Trustee remuneration should be approved by members at an AGM. As a result, members would be required to vote on the matter.

The COO then proceeded with delivering the presentation. First, he provided an overview of the roles and responsibilities of Boards of Trustees of medical schemes. Trustee responsibilities included a high level of professional and even personal risk, which could result in Trustees being held personally liable for the actions taken on behalf of the Scheme. In terms of Section 46 of the Medical Schemes Act, 1998, Trustees could be removed, should the CMS be of the view that a Trustee was not "fit and proper". As a result, it was imperative to align the Trustee remuneration to the level of risk assumed in fulfilling this important responsibility.

Next, an overview of the Trustee remuneration benchmark methodology followed by PwC was given, indicating that the analysis was benchmarked to the median, which was the middle of the range, as this was regarded the ideal remuneration.

The fees paid to Bestmed Board and subcommittee members were positioned far below the average, compared to the median, as was clearly evident from the comparative figures. The Board had indicated that Management should not propose an increase exceeding the 2019 increase in member subscriptions, irrespective of the backlog and anomalies to the industry.

No increase in Trustee remuneration had been recommended in 2016, and a 10% increase had been approved at the AGM in 2017 and 2018. Management recommended that the AGM approve an increase of 8.9% for all the Trustees and subcommittee members with effect from 12 June 2019, in accordance with the stipulations of the Trustee Remuneration Policy and in line with the 2019 increase in member subscriptions.

Next, the proposed amendments to the Trustee Remuneration Policy and the amended Trustee remuneration after the proposed 8.9% adjustment, as reflected in Annexure A of the Policy, were discussed for approval.

The COO then requested members to vote on the approval, or otherwise, of the proposed amendments by the show of hands. Adv Stanbury (membership number 1834711) requested that, prior to proceeding with voting on the matter, it be indicated when the Trustee Remuneration Policy had been made available to the members. The COO indicated that the Policy had been provided to members at the AGM. Adv Stanbury drew the meeting's attention to the fact that the Trustee Remuneration Policy should be provided to the members three weeks prior to the AGM for approval, as stipulated in the Policy. In terms of the stipulations of the Company's Act, to waive the notice, every member to vote should be present at the AGM and each of these members should agree to waive the notice. Since this was not possible, he advised that this item be withdrawn from the agenda.

The Chairperson apologised for the oversight and the proceedings were then concluded.

10. CLOSURE

The proceedings concluded at 14:55.

Signed in Pretoria on this _____ day of _____ 2020.

RF Camphor
Former Chairperson
Bestmed Board of Trustees

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Chairperson's Report

OVERVIEW

It is my privilege to present the highlights of Bestmed Medical Scheme's 2019 financial year to you, our valued stakeholders. I would also like to use this opportunity to welcome Mr Leo Dlamini who assumed the position as Chief Executive Officer and Principal Officer of the Scheme in July 2019.

At the time of writing this report, South Africa is in the midst of a national lockdown to combat the novel coronavirus (COVID-19) pandemic, and it is most definitely not 'business as usual'. As a key role player in the healthcare industry Bestmed has been called upon to fulfil its most critical role in its long history, namely to ensure that those who have entrusted their lives in Bestmed's capable care can now more, than ever, rest assured that Bestmed is here for them in their time of need. Bestmed has taken all the necessary steps to ensure that its role as the funder of all the members' healthcare needs remains intact. The Scheme has also implemented strict measures to ensure the health and safety of its employees. The Scheme will remain operational during the lockdown and it will continue to provide the excellent service offering that its members are accustomed to. The Bestmed team is committed to their brand promise of being "Personally Yours" during these trying times which affect each and every one of us.

FINANCIAL PERFORMANCE

This being my first Chairman's Report, I am happy to report that, despite a challenging economic and socio-political environment, Bestmed achieved satisfactory financial performance in 2019. One of the Scheme's main objectives is to retain existing members and to attract new members. This was achieved in 2019 with principal member growth of 1.8%. A scheme that grows, especially with younger members, is a healthy scheme.

Bestmed's performance continues to be solid, not only in comparison to previous financial years but also against the industry averages.

	BESTMED (31/12/2019)
Solvency Ratio	35.4%
Principal Member Growth	+1.8%
Beneficiary Growth	+1.4%
Average Age	37.4 years
Pensioner Ratio	13.5%
Healthcare Expenditure per average beneficiary per month	R1 770
Risk Contribution per average beneficiary per month	R2 038

The CMS requires all medical schemes in South Africa to have a minimum reserve of 25% to ensure solvency in the event of a sudden and/or unexpected increase in claims. Bestmed has managed to exceed this requirement with a solvency ratio of 35.4% as at 31 December 2019 (2018: 31.9%). While industry trends suggest that medical schemes' inability to settle claims without relying on investment income is increasing, Bestmed has remained financially stable with a claims ratio of 86.8%, and its balance sheet has improved from R2.9 billion in 2018 to R3.3 billion for the year ended 31 December 2019. The importance of a stable financial position has become even more significant, considering the expected impact of the widespread COVID-19 pandemic.

During 2019, Bestmed paid R4.2 billion (2018: R3.9 billion) in healthcare costs aimed at improving the health of its members. The Scheme has also increased claims payment runs to twice a week to the benefit of its members and service providers. In line with the Scheme's long-standing track record of managing cost, including managing PMBs funded 'at cost', the structuring of provider networks also contributed to the cost management approach. Bestmed's healthcare service provider networks have reached maturity in both numbers as well as percentage claims, with an average in-network spend of over 80%. The Scheme is extremely proud of its healthcare service provider networks with growth resulting in more than 15 000 service providers towards the end of 2019. While numbers are important, Bestmed takes cognisance of the fact that members have preferred providers they feel comfortable with that may not be part of the network. Therefore, Bestmed actively and continuously invites all healthcare practitioners to join its network.

> The benefit of the increased in-network spend across all healthcare networks contributed significantly to the increase in the net healthcare result for the year under review of R203.8 million (2018: R87.6 million).

Bestmed's investment objective of maximising the return on its investments on a long-term basis at limited risk resulted in the Scheme achieving an annual return on investments of 6.72% (2018: 6.10%), which equates to investment income for the year (net of related expenses) of R145.9 million (2018: R100.1 million).

Taking all of the income and expenditure into account results in a net surplus for the year of R349.7 million (2018: R187.7 million), while the total comprehensive income for the year amounts to R350.8 million (2018: R159.1 million).

In addition to being financially sound, the latest annual Organisational Human Factor Benchmark (OHFB) results confirm the internal organisational health of Bestmed. In comparison to the average South African employer, the Scheme's employees rated their employer significantly higher across various parameters. This healthy organisational culture is a significant advantage in the current competitive environment where growth is of essence and can only be achieved through a team of employees that continuously focus on efficiency, quality, and member-centricity.

> Despite a challenging economic and socio-political environment, the Scheme's 2019 performance and the latest CMS Report confirm that Bestmed is currently one of the healthiest open medical schemes in South Africa, and the Board of Trustees is thankful to be able to report this financial performance to its members.

STRATEGIC REVIEW

In an industry such as ours which is highly regulated and functioning in an economy under severe pressure, it becomes increasingly crucial for schemes to adapt dynamically. Executive Management undertake an annual strategic planning process whereby the Scheme's strategy is reviewed and updated, and their buy-in to the updated strategic framework is confirmed. This strategic framework is then reviewed and approved by the Board of Trustees, and the Scheme's annual business plan is developed and compiled therefrom.

The 2019 strategic framework is a continuation from the foundation created in 2018, and it focuses on the refinement and implementation of the Scheme's strategic goals. The annual review of the strategic framework also resulted in the realignment of Bestmed's organisational structure. This consultative process was approached with rigour to deliver an integrated structure that is effective and sustainable. Most importantly, the revised structure ensures alignment with its key strategic goals, namely growth, service excellence and innovation.

The medical scheme industry operates in a mature market characterised by no real growth in the overall size of the market, fierce competition, and strict regulation. One of the Scheme's main objectives is to retain existing members and to attract new members, and I am happy to report that this was achieved in 2019 with 1.8% growth in principal members.

In line with its growth objective, Bestmed also believes that the strategy of an amalgamation of medical schemes should continue to be pursued. This should result in a scheme with more members and more importantly a bigger risk pool, which is crucially important to secure the long-term survival of our Scheme. In this regard an amalgamation process with Grintek Electronics Medical Aid Scheme (GEMAS) is currently underway. The process is expected to be completed, subject to mandatory approvals, by mid-year 2020. Going forward, Bestmed will continue to explore possible amalgamation opportunities with identified medical schemes, while taking cognisance of the fact that it should not allow any reduction in service levels.

During 2019, the Scheme further entrenched its excellent service levels to members and its commitment to Bestmed's brand promise of being "Personally Yours." Stakeholder engagements with employees, broker networks, service providers and members were held throughout the country. The main objective of these engagements was to get an understanding of any issues or opportunities the stakeholders had, and to allow Bestmed to identify any measures that are required to manage these effectively, with the goal of building mutually rewarding relationships. Through teamwork, focus and staying true to its "Personally Yours" brand promise, Bestmed is well positioned to be part of the solution to the current challenges in the healthcare industry.

In May 2017, the Scheme implemented a new integrated administration IT system called BIT. The focus in 2018 was on stabilising the new BIT system, ensuring that service levels to members were retained, and that Bestmed got value from the new IT platform via the implementation of several system enhancements.

> I am happy to report that the implementation of the IT system and the continuous improvements thereof is proving to be a sound business decision. Both internal and external stakeholders are experiencing improved service delivery.

The BIT system remains relevant in the medical schemes industry and the additional enhancements completed during 2019, have enabled Bestmed to improve member experience at minimal cost.

Bestmed's digital transformation strategy provides for the incorporation of machine-learning models to improve decision-making and value-add in certain identified areas. The Scheme will continue to enhance its IT infrastructure during 2020 to provide even better member service and experience.

GOVERNANCE

I wish to report on a few changes to the structure of the Board of Trustees that have taken place over the past year. Mr Leo Dlamini was appointed as Bestmed's Chief Executive Officer and Principal Officer (CEO/PO). His appointment was effective from 1 July 2019 following his appointment to the Board in 2015, a role he had to vacate following his appointment as the CEO/PO of the Scheme.

Professor Piet Delport's retirement from the University of Pretoria with effect from 31 December 2019 terminated his tenure as an elected Trustee. Prof Piet, as he is affectionately known, was appointed to the Board in June 2015 and has served as the Chairman of the Remuneration and Human Resources Committee since August 2015. On 12 November 2019, the Board appointed him as an independent member and Chairperson of the Remuneration and Human Resources Committee, ensuring continuity and retention of his expertise. On behalf of the Board, I would like to thank him for his invaluable contribution to the benefit of all Bestmed stakeholders.

With the resignation of Leo Dlamini and the retirement of Prof Piet Delport from the Board, the number of remaining Bestmed Trustee members is ten. Given that the Medical Schemes Amendment Bill stipulates that the number of Board members should be 'a minimum of five and a maximum of ten', it was decided that the Bestmed Board of Trustees should consist of a maximum of ten members – five elected members (one pensioner member, two individual members, two employee representatives) and five appointed members (dependent on the expertise required in the Board).

Out of the ten remaining members of the Board, the term of office of two member elected Trustees, (i.e. an "Employee member representative" and an "Individual member representative") will come to an end at the 2020 Annual General Meeting (AGM). The election process for the two vacancies commenced in November 2019 with the request for nominations. The voting was originally scheduled to take place in May 2020 prior to the 2020 AGM. As a consequence of the COVID-19 outbreak, including the subsequent national lockdown announced by the President, the CMS encouraged medical schemes to apply for the postponement of their AGMs and Trustee elections until such time as the impact and spread of the COVID-19 pandemic has been contained. Bestmed, in considering the safety of its employees and members, duly applied for the postponement of both the AGM and Trustee elections until a date to be advised in the future. It would therefore follow that the term of office of the two Trustees which was scheduled to come to an end in June 2020, will now only come to an end on the date of the 2020 AGM – which is still to be confirmed. Further to this and in order to ensure fairness and transparency of the election process, Bestmed has appointed the Electoral Institute for Sustainable Democracy in Africa (EISA) as the independent electoral body to conduct and oversee the 2020 Board of Trustees elections.

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

As is common practice, the Board of Trustees again formally assessed its performance over the past year. The results of this assessment, while satisfactory, will serve as a starting point to improve the functioning of the Board of Trustees going forward.

The Board of Trustees is committed to the principles of fairness, ethical conduct, integrity, accountability and good governance, and over the past year we have, together with Executive Management, discussed and scrutinised the governance of the Scheme in order to ensure that Bestmed is managed in accordance with the highest governance standards. The Board and Executive Management have also continued the process of reviewing a number of Scheme policies in order to ensure compliance with good governance principles.

In April 2020, a member submitted four complaints in terms of rule 28.1 of the registered Bestmed Rules for alleged non-compliances with various rules. One of these complaints was the same dispute that he had previously declared in November 2017, which has already been referred to the CMS.

Also, late in April 2020, Mr Dries la Grange, the Scheme's previous PO/CEO, issued a summons against Bestmed in the North Gauteng High Court in respect of the 2017 mutual separation agreement he entered into with Bestmed. The Scheme is taking the appropriate legal action to defend this claim.

COUNCIL FOR MEDICAL SCHEMES

Over the past year, the CMS has been hard at work regulating the industry and laying the foundations for more equal access to quality healthcare.

(i) Over the last financial year, various complaints were lodged with the CMS by healthcare practitioners accusing medical schemes of racial profiling against black healthcare professionals and this culminated into the establishment of a Section 59 inquiry. The public hearings by the CMS on the allegations of racial profiling commenced in 2019 and continued into the 2020 financial year. During the hearings, a number of professionals and service providers gave testimony on what they consider racially biased treatment by schemes. Schemes and administrators were then given an opportunity to respond to the allegations. Although Bestmed was not implicated in any of the complaints and consequently did not appear before the panel, the Scheme is patently aware that the outcome of this process will largely impact the entire medical schemes industry and not only the schemes that have been implicated.

   The final report of the investigation will be submitted to the Minister of Health, who will communicate its contents at a date to be communicated given the cancellation of the Fraud, Waste and Abuse Seminar due to the COVID-19 pandemic.

(ii) The NHI Bill continues to dominate news headlines in the healthcare sector. The two most significant and controversial areas of debate pertaining to the Bill are the potential fiscal impact and the role of the private sector. The Parliament's Portfolio Committee on Health called for written submissions from the public on the NHI Bill during 2019. The closing date for the submissions was 29 November 2019. The Committee has started with the second round of public hearings.

(iii) Following CMS' Circular 28 of 2019, the industry was hopeful that Low-cost Benefit Options (LCBOs) may become a reality. With the knowledge that there exists a need in specific market segments, Bestmed submitted exemption applications in an effort to register LCBO. Towards the end of 2019, the Registrar announced a blanket rejection of all LCBO as per Circulars 80 and 82 of 2019, respectively. Circular 5 of 2020 cited several reasons for the rejection. The Registrar contends that, by 31 March 2021, all insurers currently offering low-cost primary care packages will have to discontinue these products. Various organisations and associations are engaging with the CMS and the Scheme continues to monitor the developments in this regard.

THE FUTURE

The outbreak of the COVID-19 pandemic and the associated national lockdown has significantly affected economic activity around the world. In considering the sustainability of Bestmed, the impacts of COVID-19 on the Scheme's solvency ratio and investments returns have been considered using data from the scenario models on the possible financial impact of COVID-19 on Bestmed prepared by the Scheme's Actuary.

> The Board supports the view that the Scheme's strong financial position and reserve levels will allow Bestmed to absorb the potential direct and indirect negative impact of COVID-19 on the Scheme.

The ability to help restrict the impact of COVID-19 hinges on the Scheme operating responsibly and effectively amidst the adversities it faces.

Besides the impact of the COVID-19 pandemic, the healthcare industry is experiencing a number of challenges related to intense competition, new legislation, increasing compliance requirements and uncertainty regarding NHI. The prevailing narrative is that NHI is for the benefit of South Africans, in reality however, such a massive undertaking will require much more collaboration among all stakeholders across the healthcare spectrum. While all this is unfolding, Bestmed is aware of the fact that its members are experiencing numerous pressures, especially economically.

This said, I am confident that this environment also offers a few opportunities for Bestmed and that the Scheme is well positioned to utilise the opportunities presented. I have come to know the Bestmed team as one that is committed to its brand promise of being "Personally Yours". They are focused on what the Scheme needs to achieve, including product development, maintaining a strong service provider network, remaining a preferred choice for members and brokers, retaining existing members and ultimately growing the principal membership.

APPRECIATION

2019 however was not without its lows. In August Bestmed was left reeling after the sad news of Wicus Kotze's passing following a tragic cycling accident. At the time Wicus served as the Executive: Managed Healthcare and had been with the Scheme for 20 years. His dedication to Bestmed formed an integral part of its growth and financial success, and his passing has truly left a void in our Bestmed family. One of the sentiments that he lived by was constantly to ask, "Why do we do things in a particular way?" He believed that it was important for us to understand the logic and purpose of our actions, and to stimulate creative thinking to make us the best.

Firstly, I wish to express my personal gratitude in thanking the loyal members of Bestmed for their continued support. The fact that you remain members of the Scheme illustrates that you believe that you receive good value and personal service from Bestmed. This is greatly appreciated, and I thank you.

Secondly, I wish to thank Bestmed's management and employees for their loyalty and dedication over the past year. You are indeed delivering on the Scheme's promise of "Personally Yours" and your hard work is greatly appreciated. The Board has full confidence in your ability to keep Bestmed at the forefront of developments in the healthcare industry while continuing to render exceptional service to members.

Finally, to my colleagues and fellow Board members, I wish to convey my sincere appreciation for your wisdom, knowledge, support, and co-operation during the past year. Without your commitment Bestmed would not be in the position that it is now, namely one of the leading and respected 'open medical schemes' in the country. I thank each one of you for your continued dedication and support from what at times can be a difficult and complex task.

CM Mowatt
Chairperson

CHAIRPERSONS REPORT

Operational Highlights

Report from the Chief Executive Officer

My first year as PO/CEO of Bestmed has, thus far, been both challenging and enormously satisfying. In addition to the Scheme's long-standing track record of managing cost inflation and pursuing sustainable business practices, our main objectives in 2019 were to retain existing members by truly embodying our Personally Yours brand promise, and to attract new members by offering a competitive product range that would satisfy the diverse healthcare needs of a broad spectrum of individuals and families.

We succeeded in this, and I am especially pleased that I can report on a number of high-level goals that we attained in the process.

1. GROWTH IN MEMBERSHIP

First and foremost, we managed to grow our membership – in a notoriously saturated market – with 1.8%. The average age of the new principal members who joined us in 2019 was 39.22 years, with a pensioner ratio of 4.88%. Including dependants, the average age of new entrants was 26.1 years. We are pleased with this result although the average age of our principal members, is still higher than what we are aiming for. The average age of all beneficiaries was 37.4 years compared to the industry average of 34.4 years for open schemes like ours. Next year we will, therefore, put even more energy into developing a product structure that will appeal to a younger millennial market.

Overall, we have retained our position as the fourth largest open medical scheme in South Africa and the largest self-administered medical scheme. We aim to make full use of our current position in the market to build the Scheme to even greater heights in 2020, simultaneously warranting that the Personally Yours experience will not be compromised.

2. SUSTAINABILITY

The Scheme continues, despite tough economic conditions, to ensure excellence in service provision, whilst maintaining healthy financial reserves.

This is evident in the financial performance where the solvency ratio for the year ended 31 December 2019 stood at 35.4% up from 31.9% as at the end of 2018. This represents the highest solvency ratio amongst the five largest open medical schemes in South Africa. We can give our members a confident assurance that their Scheme is financially strong. The 2019 net surplus of R349.7 million is equally reassuring and signals the Scheme's ability to meet large, unexpected variations in members' claims. Approximately R155.5 million of the net surplus was derived from effective investment strategies. Bestmed is a mutual medical scheme which means that it is owned by the members and therefore financial gains (reserves solvency and net surplus) belong to the members.

Business efficiency will remain the focus in the ensuing years coupled with continuous efforts to enhance the product and service offering. We aim to enable our members to continue to live their best lives. To this end the healthy reserves will be effectively channelled to ensure members' funds will translate into enhanced benefit disbursement.

3. CONTRIBUTIONS AND BENEFIT SATISFACTION

Bestmed contained the average contribution increase for 2020 to 8.9%. This was the third lowest increase in the open medical schemes industry and was well received by our overall membership base. Satisfaction with benefits is another key indicator of astute management within a medical scheme.

For 2020 there were 3 025 option changes that will result in a drop of R16.77 million in contributions for the year. To put this into perspective: 96.8% of our members did not change their 2020 option, testament to how satisfied our members are with our benefit options, that our benefit design is stable and that the options are appropriately priced.

4. VALUE AND COMPETITIVE ADVANTAGE

To retain members' satisfaction with its products, a medical scheme must offer value and a competitive advantage within the market. We are favourably positioned in the market, with a comprehensive range of 13 benefit options. As we always do, we reviewed and assessed our 2019 options and restructured them where necessary to ensure they remain competitive and responsive to our members' evolving needs into 2020.

5. RISK MANAGEMENT

An important priority of the Scheme's Risk Management Committee is to regularly review our Risk Register, and to ensure that action plans are in place to mitigate the effect of these risks so that the people who place their trust in us have the security and protection they deserve.

The impetus behind the development of our service provider networks is an important risk management strategy to the benefit of stakeholders. When the Scheme enters into network or preferred provider arrangements with healthcare practitioners, it can secure better rates for the services these practitioners render and implement improved quality assurance.

6. ORGANISATIONAL HUMAN FACTOR BENCHMARK (OHFB) SURVEY

The Scheme annually participates in the OHFB – a workplace evaluation system which is a standardised and culturally sensitive Human Resources (HR) risk management instrument. It identifies employee and workplace functioning risks that might impede the ability of Bestmed employees to act on strategic intent. In 2019, the Scheme obtained the highest corporate citizenship score of all participants and the highest ever since introducing the instrument. The main corporate citizenship employee responses measured via the instrument are how much "I love my organisation" and that "I will walk the extra mile". It is incredible to note that we have increased our employee outcomes by 16% and workplace management by 32% over the past six years.

This is a matter of pride for all of us at Bestmed. But more than that, a healthy organisational climate such as ours assures our members that they can rely on us to respond to their needs efficiently, with empathy in a Personally Yours manner.

Legal and Governance

In keeping with its commitment to act with integrity, in a fair, ethical and accountable manner, Bestmed continuously reviews and improves all our stakeholder engagement processes. We continue to aspire to fully comply with all aspects of good governance as espoused in the Medical Schemes Act, its regulations and the King Code. To this end, several of our efforts in 2019 were focused on aligning the Scheme's Rules to the principles of the Medical Schemes Amendment Bill – read with the CMS model rules and the King Code principles.

As part of the Regulatory Universe project which seeks to ensure the Scheme's compliance with various pieces of legislation, we have progressed in our compliance to the Protection of Personal Information Act (POPI) and aligned our internal processes and documents to the provisions of this important piece of legislation. There has been equal focus on cyber security to ensure the protection of our members' information.

During the year under review, the Scheme has participated in a number of initiatives which include the release of the Healthcare Market Inquiry report by the Competition Commission, the release of the Medical Schemes and National Health Amendment Bills released by the Minister of Health and more recently the Section 59 inquiry on racial profiling which has attracted much attention and debate. Bestmed continues to engage with the CMS in the Council's efforts to establish a roadmap toward LCBOs, as it is also a priority of us to extend our reach and the number of lives we cover.

Bestmed's efforts towards B-BBEE compliance has also been an important priority on the strategic agenda. Progress has been made in this regard, and we can report that the Scheme has embarked on structured journey towards achieving a B-BBEE rating that ensures continuous improvement towards the transformation and the sustainability of the business.

2020 promises to be an exciting yet challenging year. With the imminent changes in the regulatory landscape, it is crucial that we remain agile and able to identify and capitalise on opportunities as we navigate our path into the future.

Operational Excellence

In 2019, the Operations Departments achieved their most stellar performance to date. The turnaround times in all areas were exceptional and monitored daily.

An electronic membership application process was implemented in the Sales Division. Members can now join the Scheme without any paperwork and with shorter turnaround times – in support of our business strategy to make healthcare cover seamless and Personally Yours.

We are particularly proud of our achievement in reconciliation management as every discrepancy requires manual investigation and third-party involvement. We are pleased to report that the number of discrepancies has drastically reduced and is marginal compared to the number of principal members. The 2019 contracted outcome is the lowest in our history.

The Claims Department managed to maintain a 24-hour turnaround time throughout the year. We have also introduced an additional claim run, resulting in two claim runs, to both members and providers, per week. This is a unique offering within the industry and has enhanced both our member and provider value propositions.

Fraud, waste and abuse will remain a concern for the industry, and the Scheme has (in addition to our current control measures) appointed a provider to assist us with a once-off process to analyse ("wash") our claims. This will further enable us to identify possible fraudulent activities and to reduce our exposure to waste and abuse in particular. Our rules-based system configuration, provider networks, 24-hour whistle blowing hotline and zero tolerance towards fraudulent activities assist in reducing our exposure to undesirable behaviour and contribute to the financial soundness of the Scheme.

Client Relations

Member engagement and year-end revision sessions

In line with our Personally Yours brand promise, seven engagement sessions were hosted in 2019 aimed at engaging with members on a personal level and addressing some of the concerns and/or service-related issues that members had on a face-to-face basis. Bestmed employees

and executives attended these sessions across the country. Members were also introduced to service providers in their area and were empowered with tools to help members live with diseases that are most prevalent in their region. The attendance of these sessions improved significantly year on year, confirming that members find value in this Personally Yours approach.

During 2019, the Scheme also hosted year-end revision sessions in a similar format as the member engagements in five regions during October and November 2019. We will continue with these sessions in 2020 and beyond due to the good attendance numbers and positive feedback we have received from members.

Client Contact Centre

The Scheme continuously strives to improve our service to our stakeholders and the Client Contact Centre is at the core of these efforts. As such, we have introduced a Chat live functionality on our website through which members, service providers, brokers and partners can chat directly to our Contact Centre agents in real time. We promoted this function to the relevant stakeholders during 2019, and the utilisation of the channel has since been increasing.

During the year under review, we extended the Client Contact Centre's operational hours to accommodate our members' needs. Contact Centre agents were also equipped to better manage the increase in emails since it remained members' preferred channel of communication.

Corporate Service Programme

Strong and mutually beneficial relationships with our employer groups remain an important priority for the Scheme. We focused on creating different and dynamic ways to nurture and enhance these relationships.

Previously, key account consultants primarily focused on resolving queries when calling on employer groups. However, since 2019 corporate clients have access to self-help facilities, including the App, to resolve the majority of their queries more efficiently. This has allowed our key account consultants to shift their focus to the implementation of Tempo Workplace Wellness activities and strengthen relationships with key role-players at the corporate clients.

In 2020, significant focus will be placed on further development of the important elements that contribute to a compelling value proposition for employer groups. These include the Tempo Workplace Wellness Programme, the integration of human resources and finance systems and disease management programmes offered by the Scheme.

Bestmed Tempo Wellness Programme

The Scheme's wellness programme was rebranded as Bestmed Tempo during 2019. Approximately 8 500 individual members registered on the programme allowing them access to the individual, family, child and group wellness interventions. A total of 150 child dependants underwent the health assessments designed for beneficiaries younger than 18 years and group interventions were well attended by members.

Service Providers, Contracting and Research

During the year under review, the Service Providers Department exceeded the target of onboarding over 15 000 registered network providers. This resulted in increased access for members to healthcare providers that are within convenient proximity to their home and place of work while simultaneously expanding members' choice. A larger network also supports significantly reduced member co-payments at providers, evidenced by a 73% reduction in average co-payments per visit from 2016 to 2019.

To ensure mutually beneficial relationships and brand visibility with the healthcare providers, we have visited 758 practices during 2019 to assist with any queries that they may have. We also hosted two providers' breakfasts for the administrative employees at our network practices. This ensures that we build and maintain strong, long-term relationships, and provide the service providers direct access to our consultants as and when they need it.

Managed Healthcare

Bestmed's managed healthcare maintains the balance between clinical and financial risk by providing the best medical care to our members within the parameters of our Scheme Rules, affordability and sustainability. The Managed Healthcare Department consists of Hospital Benefit Management, Prescribed Minimum Benefit (PMB) and Pharmacy Benefit Management, Medical Advisory and Disease Management.

Hospital Management

The average length of hospitalisation (length of stay) decreased on average by 0.28 days from 2018 to 2019. The average hospital cost per admission, however, increased by approximately R500.

PMB & Medicine Management

As a result of the specialist designated service provider (DSP) growth, and the management of PMBs and medicine by the PMB & Pharmacy Benefit Management Department, costs for both the out of network PMBs and average medicine benefit per beneficiary were showing no outliers and stayed within expectation. The medicine cost per beneficiary increased with a manageable 5% in line with the Consumer Price Index (CPI).

We are extremely proud of the PMB turnaround time of 62 hours at the end of 2019, this shows employees' dedication and commitment to rendering a Personally Yours service.

Disease Management

Bestmed introduced a Diabetes Management Programme in 2019, and registered close to 7 000 diabetes members onto the programme. The programme offers support and guidance to members regarding regular visits to healthcare providers, medicine and lifestyle. The oncology, HIV/AIDS and dialysis management programmes are also performing well, with members actively utilising the benefits.

Sales and Marketing

Following an extended period of positive membership growth, the Scheme reported a slight decline in membership for the 2017 and 2018 financial years. For the year under review, Bestmed once again achieved positive net membership growth. The growth culminated from various intentional plans and strategies implemented across the organisation to increase growth and limit membership terminations. The initiatives encompassed efforts to increase brand awareness, improvements in engagements with key stakeholders, enhancements in product options and benefits, establishment and improvement of Sales and Marketing processes, improved turnaround times and excellent member service.

An extensive brand awareness campaign was launched towards the end of 2018 and continued throughout 2019. The campaign focused on above-the-line media channels supplemented by digital channels. The Scheme's sponsorship entities were reduced from previous years to support a focused and targeted approach intend on maximising the returns of the selected sponsorship investments. The flagship sponsorship events included the Bestmed TuksRace in February, the Bestmed Cycle4Cansa in August and the Bestmed Tshwane Classic cycle race that took place in November.

The distribution channel consists mainly of a Direct Sales team and a team of Broker Consultants that service our broker business partners. Through the efforts of the two teams, the combined number of new member registrations has increased. The focus for 2020 will remain on growing business via these distribution channels and various initiatives have already been identified to achieve this, including improvements in information technology and targeted stakeholder engagements.

Corporate Social Responsibility

Bestmed operates as part of wider communities and remains passionate about making a difference in the lives of others, not only through the provision of healthcare benefits to our members but also by giving back to the community. Corporate social investment initiatives included the continuation of Bestmed's relationship with Partners for Possibility (PfP). PfP is the flagship programme of Symphonia for South Africa (SSA) whose organisational vision is quality education for all children in South Africa by 2025. Over the 2019 period, Bestmed's PfP beneficiary, where we sought to make an impact in the lives of the teachers and learners, was the Mamelodi East Pre-Vocational School. Initiatives included donating the Scheme's unused office furniture to the teachers. The school was the beneficiary of the annual Bestmed Golf Day and 25 learners were invited to participate at the Talent Market Day at Bestmed's offices. The Scheme funded training, certificates for the school's prize giving event as well as Christmas gift parcels for the learners.

Bestmed is also committed to contributing to skills upliftment in South Africa and offered 12 unemployed and 6 employed learnerships in the previous skills year. Upon completion of the programme, learners receive a National Qualification Framework (NQF) certificate recognising their level of achievement. The NQF qualification is nationally recognised and will better position them to find employment opportunities or further their education in their chosen field. Bestmed also offered 20 Internships, each spanning 12 months. The primary aim of an internship is to address the gap between individuals' tertiary education and training and the needs of the labour market. We believe that the Bestmed internship programme has been mutually beneficial in that it has contributed to culture change and transformation within the organisation and added immense value to the learners who have completed the programme.

Human Resources (HR)

The HR Department, also known as the Talent Team, led the recruitment and selection process of the PO/CEO position. This naturally also involved internal restructuring to ensure our organisation and internal systems are optimally aligned for sustainability and success.

We realigned and rebranded our service offerings to our incredibly talented Heartbeats (employees), including improvements to the internal Talent software system. We also embarked on a process to illuminate the strategic importance of cross-functional teamwork. This included Heartbeats having to work together to escape from a Bestmed Escape Room. This was the first ever Escape Room in South Africa specifically designed for an organisation and with a specific learning outcome.

The Talent Team continued their efforts in supporting the business to ensure that ethics and governance are institutionalised. During 2019, all Heartbeats completed three online Ethics modules specifically designed for Bestmed. A new 'gift disclosure' workflow was developed and implemented on Beatzone (internal Talent software system), a comprehensive Ethics awareness campaign was launched in October 2019 and concluded in May 2020 and the disclosure of interest (DOI) workflow was enhanced.

The Talent Team introduced a refined Performance Management Enablement Procedure together with a major overhaul and enhancement of the Performance Appraisal workflow on Beatzone. Other major developments on Beatzone include the Bestmed Recruitment Portal upgrade, travel and travel advance workflow that replaced a manual

process entirely, and a full system upgrade to accommodate smaller developments that were completed and deployed in January 2020.

Bestmed introduced a Disability Awareness campaign in 2019. This is a further enhancement to Bestmed's value proposition to current and potential talent. Of our 464 staff complement, 66% represent previously disadvantaged individuals and the Employment Equity Plan for 2019 to 2021, drafted in collaboration with our Employment Equity Forum, was successfully submitted to the Department of Labour. The employee turnover in the measurement period was 6.07% which is significantly lower than the industry average of 10% to 13%.

Important 2019 Indicators

CATEGORY	2017	2018	2019
Employment equity ratio (%PDI)	62%	66%	66%
Resignation rate	5.1%	6.4%	6.1%
Separation rate	10.7%	10.3%	12.1%
Average number of employees	412	435	445
Number of training interventions	1380 (13 522.50 N/Hrs)	1594 (39 420 N/Hrs)	1420 (16208 N/Hrs)
- External	438 (5040 N/Hrs)	657 (13665 N/Hrs)	726 (6983 N/Hrs)
- Internal	942 (13522.50 N/Hrs)	937 (25755 N/Hrs)	694 (9225 N/Hrs)
- eLearning	-	2563 lessons	4459 lessons
Average performance rating	3.4/5	3.5/5	3.7/5

PDI - Previously disadvantaged individuals
N/Hrs - Notional hours

Information and Communication Technology (ICT)

Our strategic objective is to continually upgrade Bestmed's ICT infrastructure and systems to benefit the end-user, to remain competitive in the industry and to improve the efficiency of the Scheme. ICT continues to be a critical enabler of business transformation and growth. And, as such, it needs to be agile to adapt to diverse stakeholder needs. IT-enabled business advances service delivery and innovation and fosters customer-led growth.

The recent implementation of Bestmed's new administration system proved to be a sound business decision resulting in improved service delivery and efficiency across the organisation. The system remains relevant in the industry, and with additional enhancements and projects completed during 2019, it has empowered the organisation to improve the member experience without incurring additional cost. In fact, the Scheme has realised cost savings resulting directly from the synergy and competences achieved across departments thus far. Furthermore, we have seen a reduction in non-healthcare cost as the Scheme becomes more efficient within the digital landscape.

Our digital transformation strategy continues to provide us with rich data from which we can make informed decisions. And, with the incorporation of machine-learning models for decision-making and value adds, we will continue to enhance our infrastructure during 2020 to render an even better service to our members.

LB DLAMINI
Principal Officer

OPERATIONAL HIGHLIGHTS

Highlights of the 2019 Financial Statements

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Notes	2019	2018
		R	R
ASSETS			
Non-current assets		**1 792 180 460**	**1 510 164 279**
Property and equipment	2; 6	27 079 029	24 598 586
Intangible assets	4	9 358 781	9 791 025
Financial assets at fair value through profit or loss	5(a)	1 579 164 179	1 308 339 644
Financial assets at fair value through Other comprehensive income	5(b)	176 578 471	167 435 024
Current assets		**1 517 845 260**	**1 361 352 162**
Financial assets at fair value through profit or loss		1 164 476 599	878 348 268
Scheme	5(a)	496 496 269	358 313 714
Personal medical savings account trust monies invested	5(a)	667 980 330	520 034 554
Financial assets at fair value through Other comprehensive income	5(b)	-	133 498
Trade and other receivables	7	121 955 698	265 762 863
Cash and cash equivalents		231 412 963	217 107 533
Scheme	9	117 911 183	16 775 115
Personal medical savings account trust monies invested	9	113 501 780	200 332 418
Total assets		**3 310 025 720**	**2 871 516 441**
FUNDS AND LIABILITIES			
Members' Funds		**2 122 148 396**	**1 771 305 337**
Accumulated funds		2 132 167 526	1 775 599 276
Revaluation Reserve - Financial assets at fair value through Other comprehensive income		(10 019 130)	(4 293 939)
Non-current liabilities		**16 736 925**	**11 712 158**
Retirement benefit obligations	10	11 903 903	11 712 158
Lease liability	6	4 833 022	-
Current liabilities		**1 171 140 399**	**1 088 498 946**
Personal medical savings account trust liability	11	805 552 798	736 004 819
Outstanding claims provision	12	150 072 214	165 676 037
Lease liability	6	10 349 063	-
Trade and other payables	13	205 166 323	186 818 090
Total funds and liabilities		**3 310 025 720**	**2 871 516 441**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		R	R
RISK CONTRIBUTION INCOME	14	**4 842 034 239**	**4 479 138 426**
Relevant healthcare expenditure		**(4 204 344 791)**	**(3 989 323 832)**
Net claims incurred	15	(4 216 406 669)	(4 001 437 392)
Risk claims incurred	15	(4 104 189 506)	(3 903 152 564)
Third party claims recoveries	15	7 230 154	8 603 947
Accredited managed healthcare services	15	(119 447 317)	(106 888 775)
Net income/(expense) on risk transfer arrangements		12 061 878	12 113 560
Risk transfer arrangement premiums paid	16	(89 392 049)	(86 467 640)
Recoveries from risk transfer arrangements	16	101 453 928	98 581 199
Gross healthcare result		**637 689 448**	**489 814 594**
Broker service fees and other distribution fees	17	(80 578 114)	(74 831 727)
Administration and other operative expenses	18	(345 624 050)	(321 011 058)
Net impairment losses on healthcare receivables	19	(7 725 965)	(6 392 567)
Net healthcare result		**203 761 319**	**87 579 243**
Other income		**212 516 932**	**158 060 867**
Investment income		211 756 335	156 759 887
Scheme	20	160 744 582	112 889 958
Personal medical savings account trust monies invested	20;22	51 011 753	43 869 929
Sundry income	21	760 597	1 300 980
Other expenditure		**(66 585 184)**	**(57 948 920)**
Interest paid on personal medical savings trust accounts	22	(51 011 753)	(43 869 929)
Interest expense	23	(1 556 048)	-
Asset management fees	24	(5 245 262)	(5 903 824)
Own facility net expenditure	25	(8 772 121)	(8 061 316)
Other losses	26	-	(113 852)
NET SURPLUS FOR THE YEAR		**349 693 067**	**187 691 190**
Other comprehensive income		**1 149 992**	**(28 556 455)**
Fair value adjustment on financial assets through other comprehensive income		1 149 992	(28 556 455)
Realised gains on financial assets at fair value through other comprehensive income	20	(6 875 183)	(23 317 540)
Reclassification adjustment on realised gains/(loss)	20	6 875 183	23 317 540
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**350 843 059**	**159 134 735**

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Accumulated Funds	Available-for-sale Revaluation Reserve	Revaluation Reserve - OCI	Total members' funds
		R	R	R	R
Balance as at 31 December 2017		**1 477 874 327**	**134 296 275**	**-**	**1 612 170 602**
Change in accounting policy		86 716 219	(134 296 275)	47 580 056	-
Net surplus for the year		187 691 190	-	-	187 691 190
Other comprehensive income		23 317 540	-	(51 873 995)	(28 556 455)
Fair value adjustment on financial assets through other comprehensive income		-	-	(28 556 455)	(28 556 455)
Realised gains on financial assets at fair value through other comprehensive income	20	23 317 540	-	(23 317 540)	-
Balance as at 31 December 2018		**1 775 599 276**	**-**	**(4 293 939)**	**1 771 305 337**
Net surplus for the year		349 693 067	-	-	349 693 067
Other comprehensive income		6 875 183	-	(5 725 191)	1 149 992
Fair value adjustment on financial assets through other comprehensive income		-	-	1 149 992	1 149 992
Realised gains on financial assets at fair value through other comprehensive income	20	6 875 183	-	(6 875 183)	-
Balance as at 31 December 2019		**2 132 167 526**	**-**	**(10 019 130)**	**2 122 148 397**

SOLVENCY RATIO

The solvency ratio is calculated on the following basis:

	2019	2018
	R'000	R'000
Total members' funds per statement of financial position	2 122 148	1 771 305
Cumulative losses on remeasurement to fair value of financial instruments and property and equipment included in accumulated funds	-	-
Balance at beginning of year	-	500
Unrealised gain on revaluation of investment property in the statement of comprehensive income	-	(500)
Revaluation Reserves	(107 596)	(75 774)
Accumulated funds as per Regulation 29	2 014 552	1 695 531
Gross contributions	5 686 678	5 308 251
SOLVENCY RATIO	**35.43%**	**31.94%**

HIGHLIGHTS OF THE 2019 FINANCIAL STATEMENTS

OPERATIONAL STATISTICS PER BENEFIT OPTION

2019	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	6 146	28 651	7 279	3 794	29 065	9 399	5 349	2 360	2 409	592	**95 044**
Average number of members for the accounting period	5 942	27 751	7 227	3 894	29 298	9 509	5 393	2 413	2 480	620	**94 527**
Dependants at 31 December	6 404	28 914	7 728	4 084	42 485	6 941	5 025	1 179	1 380	113	**104 253**
Average number of dependants for the accounting period	6 188	27 887	7 569	4 199	42 571	7 090	5 137	1 223	1 445	120	**103 429**
Average beneficiaries for the accounting period	12 130	55 638	14 796	8 093	71 869	16 599	10 530	3 637	3 925	740	**197 956**
Ratio of average dependants at 31 December	1.04	1.00	1.05	1.08	1.45	0.75	0.95	0.51	0.58	0.19	**1.09**
Average age of beneficiaries for the accounting period	35.85	30.41	36.79	45.08	33.94	54.94	54.04	64.14	46.86	78.67	**37.40**
Ratio of beneficiaries older than 65 years	8.92%	3.47%	12.04%	21.06%	8.68%	39.82%	38.31%	57.02%	26.97%	90.64%	**13.53%**
Risk contribution per average member per month	2 433	2 340	3 584	5 862	4 671	6 534	7 694	9 980	2 808	6 229	**4 269**
Risk contribution per average beneficiary per month	1 192	1 167	1 750	2 821	1 904	3 743	3 940	6 622	1 774	5 221	**2 038**
Healthcare expenditure per average member per month	1 751	1 770	3 057	5 219	3 778	6 501	7 405	10 402	2 786	6 409	**3 706**
Healthcare expenditure per average beneficiary per month	858	883	1 493	2 511	1 540	3 724	3 792	6 902	1 761	5 372	**1 770**
Relevant healthcare expenditure as a percentage of risk contributions	72.0%	75.7%	85.3%	89.0%	80.9%	99.5%	96.2%	104.2%	99.2%	102.9%	**86.8%**
Non-healthcare expenditure per average member per month	367	373	382	356	400	378	406	370	361	317	**383**
Non-healthcare expenditure per average beneficiary per month	180	186	187	171	163	217	208	246	228	266	**183**
Non-healthcare expenditure as a percentage of risk contributions	15.10%	15.94%	10.66%	6.07%	8.56%	5.79%	5.27%	3.71%	12.86%	5.09%	**8.96%**

2018	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	5 685	25 735	7 157	4 290	29 091	9 829	5 554	2 606	2 731	664	**93 342**
Average number of members for the accounting period	5 687	25 202	7 144	4 421	29 405	9 977	5 613	2 662	2 818	705	**93 635**
Dependants at 31 December	5 923	26 469	7 514	4 730	42 317	7 643	5 417	1 395	1 629	134	**103 171**
Average number of dependants for the accounting period	5 960	25 958	7 455	4 890	42 517	7 830	5 546	1 446	1 708	145	**103 454**
Average beneficiaries for the accounting period	11 646	51 160	14 599	9 311	71 922	17 807	11 159	4 108	4 526	850	**197 088**
Ratio of average dependants at 31 December	1.05	1.03	1.04	1.11	1.45	0.78	0.99	0.54	0.61	0.21	**1.10**
Average age of beneficiaries for the accounting period	35.49	29.97	36.63	44.44	33.58	53.59	52.65	62.78	44.90	77.73	**37.33**
Ratio of beneficiaries older than 65 years	8.62%	3.32%	12.05%	19.97%	8.00%	37.28%	35.57%	53.04%	23.58%	89.10%	**13.38%**
Risk contribution per average member per month	2 246	2 172	3 285	5 328	4 226	5 983	6 995	9 142	2 583	5 520	**3 986**
Risk contribution per average beneficiary per month	1 097	1 070	1 607	2 530	1 728	3 352	3 519	5 924	1 608	4 578	**1 894**
Healthcare expenditure per average member per month	1 897	1 714	3 017	4 635	3 522	5 842	6 724	9 577	2 520	5 980	**3 550**
Healthcare expenditure per average beneficiary per month	926	844	1 477	2 201	1 440	3 273	3 382	6 206	1 569	4 959	**1 687**
Relevant healthcare expenditure as a percentage of risk contributions	84.4%	78.9%	91.9%	87.0%	83.4%	97.7%	96.1%	104.8%	97.6%	108.3%	**89.1%**
Non-healthcare expenditure per average member per month	345	350	357	331	374	353	381	344	337	296	**358**
Non-healthcare expenditure per average beneficiary per month	168	172	174	157	153	198	192	223	210	245	**170**
Non-healthcare expenditure as a percentage of risk contributions	15.35%	16.11%	10.85%	6.21%	8.85%	5.90%	5.45%	3.77%	13.06%	5.35%	**8.98%**

HIGHLIGHTS OF THE 2019 FINANCIAL STATEMENTS

OPERATIONAL STATISTICS FOR THE SCHEME

	2019	2018
Average accumulated funds per average member at 31 December	22 771	18 738
Average accumulated funds per average beneficiary at 31 December	10 771	8 895
Return on investments as a percentage of investments	6.72%	6.10%
Administration and other operative expenses as a percentage of gross contributions	6.08%	6.05%

PERSONAL MEDICAL SAVINGS ACCOUNT TRUST MONIES

In accordance with the Rules of the Scheme, the personal medical savings accounts are underwritten by the Scheme.

The personal medical savings account trust liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and then enrols in another benefit option or medical scheme without a personal medical savings account or does not enrol in another medical scheme.

The carrying amount of the personal medical savings account trust investments approximates their fair values due to the short-term nature of the investments. Interest earned on all personal medical savings account funds invested as cash and cash equivalents and financial assets investments are allocated to members' personal medical saving account balances, and are not recognised as income for the Scheme.

The Scheme does not charge interest on debit personal medical savings plan balances and advances on personal medical savings accounts are funded by the Scheme and are included and disclosed in trade and other receivables.

Fair value as at 31 December 2019

Cash and Cash Equivalents	
Current accounts	R113 501 780
Financial assests at fair value through profit or loss	
Money Market funds	R667 980 330
	R781 482 110

HIGHLIGHTS OF THE 2019 FINANCIAL STATEMENTS

MATTERS OF NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT 131 OF 1998

NON-COMPLIANCE WITH SECTION 26(4) OF THE MEDICAL SCHEMES ACT - EFFECT OF REGISTRATION (DUPLICATE PAYMENTS)

Section 26(4)(a) stipulates that no amount shall be debited against the bank account of the Scheme other than payments by a medical scheme of any benefit, payable under the rules of a medical scheme. There were instances where the Scheme paid claims in excess of the claimed amount.

The anomalies, which were limited to a few transactions of immaterial amounts, were acknowledged and as a consequence thereof the Scheme has, in conjunction with the IT Service provider, enhanced the claims assessment process. In addition the Claims Manager conducts additional quality assessments via an improved management control report. The transactions as identified have been re-assessed and the duplicate payments recouped. Management is confident that the risk of recurrence has been mitigated via these additional controls.

NON-COMPLIANCE WITH SECTION 26(7) OF THE MEDICAL SCHEMES ACT - CONTRIBUTIONS NOT RECEIVED WITHIN THREE DAYS OF BECOMING DUE

There were instances where the Scheme, in absence of any agreement or understanding, received contributions more than three days after due date. Contribution receivables are amounts receivable from individuals or employer groups and are collected by debit orders or cash payments. If not received within three days of due date, benefits of individuals are suspended and terminated if not received within 60 days. Employer group discrepancies are actively monitored and rectified on a monthly basis.

NON-COMPLIANCE WITH SECTION 33(2)(b) OF THE MEDICAL SCHEMES ACT - OPTION SELF-SUFFICIENCY IN TERMS OF MEMBERSHIP AND FINANCIAL PERFORMANCE BE FINANCIALLY SOUND

The Medical Schemes Act stipulates that a benefit option shall be self-supporting in terms of membership and financial performance. During the year under review five benefit options of the Scheme, namely Pace2, Pace3, Pace4, Pulse1 and Pulse2 made a net healthcare deficit.

After accounting for other income Pace2, Pace4, Pulse1 and Pulse2 options showed a net deficit.

The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The different financial results reflect the different disease burdens in each option, among many other factors.

The strategy on sustainability of options has to balance short- and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs.

The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.

NON-COMPLIANCE WITH SECTION 35(6)(a) OF THE MEDICAL SCHEMES ACT - BORROWINGS

Section 35(6)(a) states that "A medical scheme shall not encumber its assets."

The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of Section 8(7) of the FSCA Board notice 106 of 2008.

In addition, the terms of the Scheme building lease agreement required a guarantee to an amount of R2.3 million.

The Scheme's banker issued these guarantees as part of the Scheme's banking facilities.

The Scheme has obtained exemption from the CMS for Section 35(6)(a) effective until 1 April 2020, and has applied for re-exemption on 19 February 2020.

NON-COMPLIANCE WITH SECTION 35(8)(a), (c) AND (d) OF THE MEDICAL SCHEMES ACT - INVESTMENTS IN EMPLOYERS, ADMINISTRATORS EMPLOYER GROUPS

Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to
(a) An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme; (b) any other medical scheme; (c) any administrator and (d) any person associated with any of the above.

Due to some of the Scheme's employer groups being listed on the JSE, investments were made in certain of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrators and groups.

The CMS has granted the Scheme an exemption from Section 35(8)(a), (c) and (d) of the Medical Schemes Act effective until November 2022.

NON-COMPLIANCE WITH SECTION 65 (3) OF THE MEDICAL SCHEMES ACT - BROKER SERVICES AND COMMISSION

Section 65(3) of the Act states: "No person shall be compensated for providing services relating to the introduction or admission of a member to a medical scheme in terms of subsection (1) unless the Council has, in a particular case or in general, granted accreditation to such a person."

During Internal audits review in 2019, it was noted that two brokerages were paid on behalf of the broker, whose CMS accreditation expired during September 2019.

These exceptions have arisen as a result of a system enhancement that is yet to be implemented. The enhancement will distinguish the payment of commissions on a broker level and not on a brokerage level. Although the commission paid to the two brokerages were not material, management has requested that this development be prioritised and in the interim all exceptions are being monitored and addressed accordingly.

NON-COMPLIANCE WITH REGULATION 8 OF THE MEDICAL SCHEMES ACT AND SCHEME RULE 13.5.4 - PRESCRIBED MINIMUM BENEFITS CLAIMS PAID FROM SAVINGS

Regulation 8 of the Medical Schemes Act states the following:

"(1) Subject to the provisions of the regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions."

Furthermore rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his Dependents: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits".

Certain PMB claims. were incorrectly paid from members' medical savings accounts. The adjustments reversing the amounts into the members savings were subsequently effected.

GOVERNANCE IN TERMS OF THE MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED

COUNCIL FOR MEDICAL SCHEMES INVESTIGATION

During the 2016 financial period and following the forensic investigation carried out by KPMG in 2015 as per the instruction of the Board, the CMS ordered a further inspection in terms of Section 44 of the Medical Schemes Act against Bestmed. The CMS appointed Ligwa Advisory Services to carry out this inspection, which addressed materially the same subjects as the forensic investigation ordered by the Board of Trustees in 2015.

The Scheme still awaits a final report together with any directives from the CMS, after making its formal representation in February 2018 on the content of the draft report issued by Ligwa on behalf of the CMS. The final report will be dealt with upon receipt by Bestmed on a date to be advised by the CMS.

HIGHLIGHTS OF THE 2019 FINANCIAL STATEMENTS

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

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