Bestmed

Medical Scheme HFS 2022

Highlights of the **Financial** Statements
for the year ended 31 December 2022

CONTENTS

Our awards speak for themselves

Personally Yours

You are invited to attend Bestmed's 59th Annual General Meeting

INVITATION

Navigating through a challenging economic and operational environment, Bestmed has once again produced strong results. The Scheme received numerous industry awards in 2022 and was also ranked the leader in customer service via the two most prominent research surveys in the industry. These accolades are testaments to our commitment to delivering exceptional and *Personally Yours* experiences to you, our valued members. We thank you for your support and loyalty, and we are committed to remain at the forefront of customer satisfaction in the South African medical aid industry.

We are humbled by the fact that, despite the changing and uncertain economic landscape, the Scheme's membership increased in the past year, and that we now have over 220 000 lives under our care.

Despite increasing healthcare claims post-pandemic, a trend seen industry wide, Bestmed achieved a solid solvency ratio, sustainable growth and remained operationally stable and agile to respond to our members' healthcare needs.

You are cordially invited to share in the operational and financial highlights of 2022 at the Annual General Meeting (AGM).

Date:	Thursday, 22 June 2023
Time:	08:00 – 11:30
Virtual event link:	https://www.events.bestmed.co.za/
Register by:	Tuesday, 13 June 2023
Enquiries:	Ilana Verveen (Brand and Events Team Leader) via email at bestmed-agm@bestmed.co.za

You will receive a user guide to navigate the virtual event platform prior to the AGM. Should you wish to submit a motion for the AGM, kindly email Ilana Verveen bestmed-agm@bestmed.co.za by no later than Thursday, 8 June 2023.

Programme

08:00 – 08:45	Online registration and log in
08:45 – 09:00	Opening
09:00 – 11:30	AGM

AGENDA

> *Excellence in Creating Access to Quality Healthcare*
>
> *Titanium Awards*

Bestmed's 59th Annual General Meeting

Notice is hereby given that the 59th Annual General Meeting of the members of Bestmed Medical Scheme will be held at 08:45 on Thursday, 22 June 2023, virtually via the following link: https://www.events.bestmed.co.za/

- Opening and welcome
- House rules for the virtual event
- Finalisation of agenda
- Minutes of the previous AGM held on 23 June 2022
- Chairperson's report
- Financial statements and auditor's report
- Appointment of auditors for 2023
- Motions received in terms of rule 26.1.4
- Proposed increase in Trustee Remuneration for 2023/2024
- Member voting
- Closure

PLEASE NOTE:

Documents are printed in the same language that they were presented in and submitted to the Registrar of the Medical Schemes. A full set of the financial report is available electronically on request. For your copy, please send an email to bestmed-agm@bestmed.co.za.

MINUTES

> *Rated 1st in customer satisfaction*
>
> SA-csi

Minutes of the 58th virtual Annual General Meeting of members held at 9:00 on Thursday 23 June 2022

1. OPENING

The Master of Ceremonies (MC), 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, to the 58th AGM, which was a virtual meeting.

She then welcomed the three presenters at the AGM – the Board's Chairperson, Mr Colin Mowatt, the PO/CEO, Mr Leo Dlamini, and the Chief Financial Officer (CFO), Mr Jessogan Chetty.

During the past few years, Bestmed had solidified its *Personally Yours* service in the market. The Scheme was now becoming one of the fastest growing and most sustainable medical schemes in South Africa. The MC expressed her gratitude for working for an organisation that was growing during very challenging economic times, which was in contrast with the trend experienced in the rest of the medical schemes industry. In addition, she expressed her sincere appreciation towards the members for their support to ensure the continued viability of the Scheme.

The agenda had been disseminated to the members with the invitation to the AGM and was also included in the Highlights of the Annual Financial Statements document, as published on Bestmed's website. For members' convenience, the agenda was also published on the virtual platform. No requests for additional agenda items had been received and, therefore, the agenda had remained unchanged. An overview of the agenda was given. Voting would take place at the end of the meeting after concluding all the agenda items.

2. HOUSE RULES FOR THE VIRTUAL EVENT

Next, the house rules for the virtual AGM were explained. Members were also requested to switch their microphones to mute and to use the Q&A functionality available on the screen to raise any comments or questions. Bestmed employees were available to answer any questions raised during the meeting. Questions could also be directed by telephone, and an indication

would be given to the members when they could phone in to ask any questions. Questions, limited to 90 seconds per question, would be taken at that time. The available telephone numbers were then displayed on the screen. In addition, the AGM would be managed strictly according to the agenda provided for the AGM and, therefore, questions made per the Q&A functionality should only relate to the matters relevant to the AGM. Questions pertaining to any other matters, for example, the Scheme's options or service delivery could be directed using any of the available channels implemented for this purpose. Bestmed employees would answer all telephone calls and assist with resolving these enquiries.

The attendees were informed that copies of the following documents had been made available for download on the platform:

- The 2022 AGM agenda
- Guideline document for streaming and voting
- Highlights of the Annual Financial Statements (HAFS) 2021 booklet
- Trustee Remuneration Policy – with track changes to Annexure A
- Trustee Remuneration Policy – final copy
- Motivation for the annual increase in Trustee remuneration for 2022/2023
- Substantive Bestmed Rules

Principal members who had logged in with a one-time pin (OTP) would be allowed access to the voting functionality. Voting would take place after dealing with all the agenda items. For members' convenience, this information would be repeated during the meeting. Members' attention was drawn to the fact that they would only be allowed one opportunity to cast their vote on each matter, and after submitting a vote, members would not be able to amend or resubmit the vote. After successfully submitting a vote, a message acknowledging receipt of the vote would be displayed on the screen. The member voting screen, explaining the actions required from members when voting on a matter was then displayed and explained to the attendees. The voting functionality would be explained to members again when dealing with agenda item 9. Accessing full-screen mode during live streaming was also explained to the members.

The MC then welcomed the Chairperson of the Board of Trustees, Mr Colin Mowatt, to the stage.

Presentation by the Chairperson

The Chairperson took over the proceedings of the AGM. He declared the meeting properly constituted, members and employers affiliated to Bestmed having been given adequate notice of the meeting in terms of Rule 26.1.1 and 143 active voting members being virtually present, which was more than the stipulated 25 members required to constitute a quorum.

The Chairperson proceeded by indicating it was a virtual AGM broadcast from a media studio. No members were physically attending the AGM.

It was noted that all the relevant administrative matters, including the issuing of electronic ballot papers, had been finalised. The Chairperson reiterated that only matters pertaining to the AGM, as reflected on the agenda, would be dealt with at the meeting. Any personal matters on benefits, service delivery and claims would be dealt with by the Scheme's support staff.

Next, he welcomed the following stakeholders to the AGM:

- The Scheme's members who were attending the virtual meeting, in particular new members who were attending the AGM for the first time as well as those who would not have been able to attend the AGM at a physical venue, due to geographical location or for any other reason
- Employers affiliated to Bestmed
- The members of the Bestmed Board of Trustees, former Trustees and former Chairpersons of the Board
- Mr Gordon Nzalo, independent Chairperson of the Bestmed Audit Committee
- Mrs Avril Jacobs, the representative of the Council for Medical Schemes (CMS)
- Mr Jan van Staden and Ms Sade Robinson of Deloitte, the Scheme's External Auditors
- Representatives of PricewaterhouseCoopers (PwC), the Scheme's Independent Electoral Body (IEB)
- Executive Management and support employees of Bestmed

No apologies were made for the meeting.

The Chairperson indicated that the CMS had approved amendments to the Bestmed Rules in terms of which the Scheme was authorised to host a virtual, physical or hybrid AGM. These rule amendments had been approved in view of the COVID-19 lockdown restrictions implemented in 2020 and which had remained in place in 2021 due to the uncertainties pertaining to the progression of the pandemic. Both the 2020 and 2021 AGMs had been successfully hosted as virtual meetings. The Chairperson reiterated that the health and wellbeing of the Scheme's members, employees and other stakeholders remained a priority, as well as the opportunity to include members nationally by means of the virtual platform. The number of attendees at social gatherings was still limited to 50% capacity, although it had been indicated in the media earlier the morning that this restriction would be uplifted during the day.

Virtual meetings had become the norm in the medical schemes industry. In addition, technological advancements over the past two years enabled organisations to host virtual meetings. By hosting AGMs virtually, there was an increased exposure in participation by members residing outside Gauteng. These members, who had previously not been able to readily attend an AGM, could now attend these meetings and participate in voting on important Scheme matters.

For these reasons, the 2022 AGM was also presented as a virtual meeting. The Chairperson assured the members all possible measures had been implemented to ensure the AGM would proceed as smoothly as possible and he thanked all members for attending the virtual AGM.

The Chairperson proceeded by expressing his heartfelt gratitude and appreciation to the South African frontline healthcare workers who had risked their lives for their fellow citizens, since the start of the COVID-19 pandemic. Furthermore, he requested a moment of silence in honour of the memory of the Bestmed members and Bestmed employees who had sadly lost their lives due to COVID-19.

3. FINALISATION OF AGENDA

The meeting proceeded with the finalisation of the agenda. The Chairperson indicated that the MC had already provided an overview of the meeting's agenda. In terms of Rule 26.1.4 of the Bestmed Rules, no motions had been received from members to be placed before the AGM, which members would be required to vote on.

The meeting then proceeded with the approval of the minutes of the previous AGM held on 23 September 2020, as published in the Highlights of the Annual Financial Statements document. A copy of this document was also available on members' dashboard.

4. MINUTES OF PREVIOUS ANNUAL GENERAL MEETING HELD ON 24 JUNE 2021

The minutes of the previous AGM, held on 24 June 2021, were available in the HAFS booklet, as published from pages 9 to 21. The HAFS booklet had been included in the meeting pack disseminated to the members.

The following matter arising from the minutes was tabled at the meeting. The subsequent action taken was also indicated:

Report of the Chairperson – Board of Trustees

- "Obtain the name of the external legal firm consulted on the bonus amount paid to Mr Van Zyl in 2019, and provide these details to Mr La Grange."

Action taken

- The name of the external legal firm had been provided via email to Mr La Grange.

The Chairperson informed the members that no notification had been received of additional matters identified as arising from the minutes and it was assumed that all matters had been dealt with satisfactorily. In addition, no proposed amendments to the minutes of the 57th Annual General Meeting had been received.

Members were then requested to propose and second the approval of the minutes of the 2021 AGM. The Chairperson drew members' attention to the fact that the **proposer** and the **seconder** buttons would automatically disappear, once the relevant members proposing and seconding the approval of the minutes had clicked on these buttons. In addition, members were requested to click on the Refresh button prior to proposing or seconding the approval of the minutes.

The minutes of the 57th Annual General Meeting were then unanimously approved as a fair and accurate record of the proceedings.

Proposed: Mr ID Smith (membership number: 3416265); **seconded:** Mr GM van Aarde (membership number: 12002224)

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

5. REPORT OF THE CHAIRPERSON

Operational and financial highlights

The report of the Chairperson, which was included in full in the HAFS document, had been disseminated to the members prior to the meeting. A copy of the document was also available on Bestmed's website. The following matters were highlighted from the Chairperson's report:

2021 Overview

Bestmed had continued to increase its membership by 3.5% in 2021, compared to a 2.4% increase in membership in 2020. This remarkable membership growth had been achieved despite unfavourable economic conditions and having to compete in the challenging open medical schemes market that had not seen real growth in recent years. Bestmed had retained its position as the fourth-largest open medical scheme in South Africa, rendering healthcare cover services to more than 209 000 lives. Bestmed's position as the largest self-administered scheme in South Africa was indicative of the good work the Bestmed employees were doing in looking after and growing the Scheme. In addition, the Scheme's level of customer satisfaction, as validated by external market research, had increased, backed by solid financial performance.

The Chairperson continued by giving an overview of the Scheme's financial performance. In 2022, members across the top eight medical schemes had experienced a weighted average risk contribution increase of 5.1%. More detailed information on the financial performance of the large competitors would be presented by the CFO, Mr Jessogan Chetty, when dealing with agenda item 6 (Annual Financial Statements and Auditor's Report). Bestmed's risk contributions for 2021 had increased by 3.9%. With the 3.9% contribution increase, the Board had approved a 5% increase in benefits for 2021. Furthermore, Bestmed's risk contribution increase of 3.9% for 2021 was one of the lowest in the industry and below the Consumer Price Index (CPI). Since Bestmed was not indifferent to members' needs during the difficult economic climate, a 4% contribution increase had been implemented in 2022. In addition, benefits had increased by 4.2%, which included a

significant increase in benefits for optometry and palliative care services, while co-payments on certain benefits had been reduced. Furthermore, as from 2022, subscriptions were charged for a maximum of three child dependants.

The years 2020 and 2021 had not been business as usual, with the Scheme operating during the national lockdown implemented by Government to combat the novel coronavirus (COVID-19) pandemic. The Scheme had reinvented its business model in order to maintain its exceptional service levels. During this period, Bestmed had fulfilled its most critical role, by offering members peace of mind in trying times. During each phase of the lockdown, Bestmed, including its Call Centre and Pre-authorisation Centre, had remained fully operational, while continuing to measure and monitor service levels, ensuring IT connectivity and rendering the same level of *Personally Yours* service to which members had become accustomed. Considering the operational challenges brought about by COVID-19 and loadshedding in 2021, the Scheme was proud of how the Bestmed employees had adjusted to these challenges while working remotely and in a hybrid environment.

Next, an overview was given of the impact of the COVID-19 pandemic on the Scheme and its members, as at 31 December 2021. Since the diagnosis of the first COVID-19 case in March 2020, a total of 26 978 beneficiaries had tested positive for the novel coronavirus, while 5 578 beneficiaries had been admitted to hospital. A total of 1 192 beneficiaries had passed away. Since the outbreak of the coronavirus, 155 035 tests had been performed on Bestmed members, an average cost per admission was R135 600, and the total COVID-19-related costs incurred by the Scheme up to 31 December 2021 had amounted to R1.0 billion. A total of 110 413 vaccines had been administered.

Compared to the financial results achieved during the previous financial year, Bestmed's balance sheet had increased from R4.3 billion in 2020 to R4.8 billion, indicating the Scheme's strong financial position with adequate cash reserves to fund members' claims. Maintaining a strong reserve level had become even more important after the COVID-19 pandemic.

The net healthcare result of R52 million achieved in 2021 was lower compared to 2020, although still within the net healthcare result budgeted for 2021. The reasons for the decline in the net healthcare result would be explained by the CFO when dealing with agenda item 6 (Annual Financial statements and Auditor's Report). Bestmed had achieved a net surplus of R288.9 million in 2021. Although this figure represented a decline, compared to the net surplus of R877.9 million in 2020, it was still within the budgeted amount for 2021. This decline had primarily resulted from the Scheme's initiative to give back to the members in the form of lower subscription increases, while increasing the benefits offered. Bestmed's solvency ratio had improved from 44.23% at 31 December 2020 to 45.68% in 2021, exceeding the statutory required solvency level of 25%. The "Other Income and Expenses" largely represented the Scheme's investment income, which had performed well.

Other Income had amounted to R300.3 million in 2021, compared to R175.9 million in 2020. Furthermore, Other Expenses had totalled R63.4 million in 2021, representing a decrease from the R65.7 million recorded in 2020.

In 2021, 88% of risk contributions had been used for the payment of members' healthcare claims, while 7% and 3% had been used towards the payment of administration costs and managed healthcare fees, respectively. This apportionment of funds clearly indicated that the largest portion of contribution income was used for the payment of medical benefits.

Next, a breakdown of the R4.9 billion healthcare claims across healthcare networks was given. Claims related mainly to in-hospital expenses (approximately 46% of the total number of claims), followed by specialist services (17%) and other medical services (16%). Approximately 80% of all healthcare claims for 2021 related to services rendered by network providers. The benefits of this increased in-network spend across all healthcare networks had contributed significantly to lower co-payments.

With regard to administration costs as a percentage of gross income, it was pointed out that the members were benefiting through continuously reducing this ratio. Bestmed's administration costs as a percentage of gross income had amounted to 7.1% in 2021, compared to 7.3% in 2020, which was the lowest among the open medical schemes. The Chairperson commended Bestmed Management and employees for managing these running costs, while maintaining exceptional service levels.

Managed Healthcare interventions in 2021

Bestmed had implemented various Managed Healthcare interventions over the years, indicating a need to keep abreast of advancements in modern technology to retain the Scheme's competitive edge in the industry. For example, supporting virtual platforms such as in-pharmacy clinic and virtual doctors' consultations had become particularly relevant. In addition, Bestmed was investigating the role of artificial intelligence in the medical schemes industry, which was particularly helpful in identifying certain medical conditions, as it could eradicate the associated human interpretation from a diagnosis. More than 1 500 Bestmed network providers were currently participating in the artificial intelligence pilot project.

Fraud, Waste and Abuse (FWA)

The Scheme had a responsibility to its members to ensure that member funds were managed in a financially responsible manner for the defrayal of healthcare expenditure.

The FWA environment had changed and reached a stage where Bestmed actively engaged and followed up each case of suspected fraudulent and/or unprofessional conduct.

The Scheme had also appointed a third party (specialist forensic investigator) to investigate the more material anomalies requiring urgent and in-depth attention. A formal, prescribed process was followed, which could result in sanctions, including criminal procedure and/or disciplinary procedure and/or implementing Section 59(2) and/or Section 59(3) of the Medical Schemes Act, 1998 (Act No 131 of 1998). Progress was monitored by the Fraud Risk Committee.

Members were advised to report any suspected fraud to the KPMG Hotline fraud@kpmg.co.za or +27(0) 80 111 0210. This information was also available on Bestmed's website.

From 1 January to 30 March 2022, 24 cases of alleged fraudulent activities had been reported by members via the KPMG Hotline.

Other achievements

SA-csi medical insurance results 2021

Bestmed was at the forefront of customer service in the medical schemes industry, as was evident from the results of independent external research conducted by the South African Customer Satisfaction Index (SA-csi).

The SA-csi, an independent national benchmark of customer satisfaction of products and services available to household consumers in South Africa, had been founded in association with the University of Pretoria. The SA-csi was the first independent, comprehensive national customer satisfaction index with international comparability in South Africa and was supported by both academia and the consumer industry.

In addition to tracking customer complaints and indications of their likelihood to repurchase in the future, the SA-csi used a combination of weighted indices across perceived quality, perceived value, and customer expectations. In addition, it tracked customer complaints.

Bestmed had obtained first place in all the categories among the medical schemes included in the survey, including customer expectations, perceived quality, customer satisfaction, customer loyalty, perceived value (price), and perceived value (quality). All medical schemes included in the survey, except Bestmed, had recorded a consistent increase in complaints over a five-year period. This negative trend was further compounded by highly inconsistent complaints-handling on an industry level. The most prevalent complaints related to slow payments, declined benefits, or total non-payment. The overall research results confirmed Bestmed's position as industry leader in customer satisfaction.

Accolades in 2021 and 2022

Other accolades achieved in 2021 included the following:

- Bestmed had received the 2020 and 2022 Board of Healthcare Funders' (BHF's) Titanium Excellence Awards for its significant contribution to the healthcare landscape by creating access to quality healthcare.
- Bestmed had also received the 2022 BHF's Titanium Excellence Award for service to members.
- Bestmed had ranked the highest in employee morale and workplace support and management for the Organisational Human Factor Benchmark (OHFB) employee culture and climate survey.

These accolades were indicative of the Bestmed employment value proposition, as every Bestmed Heartbeat had contributed to these achievements.

Corporate Social Investment (CSI)

An overview was given of the three CSI initiatives in which the Scheme was involved.

Operation Hunger

Bestmed's partnership with Operation Hunger had commenced in 2020 by means of a campaign #FeedAFamily with a contribution of 2 352 food parcels.

The second campaign had commenced in April 2021, involving the establishment of vegetable gardens in certain communities located in Limpopo, KwaZulu-Natal and Gauteng. These local communities were taught how to grow vegetable gardens so they could benefit from the produce.

Partners for Possibilities (PfP) – Mamelodi East Prevocational School

Bestmed had been participating in the PfP project for the past six years. The PfP project connected business leaders with school principals from under-resourced schools. The Scheme had partnered with Mamelodi East Prevocational School (vocational school for children with mild intellectual disabilities) in view of its close proximity to Bestmed's offices. Contributions made to the school included boreholes for water provision, computer equipment, and sports equipment.

Period Poverty

Period poverty prevented girls from going to school and participating in sports. Since July 2020, Bestmed had distributed a total of 2 668 sanitary pad kits. In addition, the Scheme had partnered with SuperSport Let's Play and Sekunjalo Clinics to do a handover at Cosmo City Junior Primary School in 2021.

Corporate Governance

The term of office of six Board members, comprising three elected and three appointed Board members, expired at the 2022 AGM on 23 June 2022.

As stipulated in the registered Bestmed Rules, the nomination forms for the election of three Trustees had been disseminated to Bestmed members on 1 November 2021. The 2022 Board election had commenced on 20 April and closed on 27 May.

PricewaterhouseCoopers (PwC) had been appointed as the independent electoral body to conduct and oversee the election.

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

- Prof Magda Slabbert (Employee member representative) – lecturer at Unisa and advocate of

the High Court of South Africa

- Ms Louise de Vries (Individual member representative) – optometrist in private practice for 20 years
- Ms Annelise Hartzenberg (continuation/retired/widowed member category)

The first term of office of the following three appointed Trustees also expired at the 2022 AGM:

- Mr Steyn du Plessis
- Ms Suzanne Stevens
- Dr Tumi Legobye

After reviewing the expertise/skill set required by the Scheme, the Board of Trustees had re-appointed the following individuals to the Board:

- Mr Steyn du Plessis
- Dr Tumi Legobye
- Mr Desmond Smith (individual member representative from 2020 to 2022)

On behalf of the Board of Trustees, the Chairperson expressed his sincere appreciation towards the Trustees leaving the Board, Ms Suzanne Stevens (appointed Board member) and Mr Martin Joubert (elected Board member), for their valuable inputs and contributions to the Board.

The Board was now duly constituted in accordance with Bestmed Rules and comprised 10 Trustees:

- Five elected Trustees (2x Employee, 2x Individual and 1x Continuation/Retired/Widowed member representatives); and
- Five appointed Trustees (skills/expertise specific).

The five elected Trustees and their term of office were as follows:

- Ms Louise de Vries – first term – 2022-2026 (individual member category)
- Ms Annelise Hartzenberg – second term – 2022-2026 (continuation/retired/widowed member category)
- Ms Clarette Lombard – first term – 2020-2024 (individual member category)
- Ms Elmarie Marx – second term – 2020-2024 (employee member category)
- Prof Magda Slabbert – first term – 2022-2026 (employee member category)

The five appointed Trustees and their term of office were as follows:

- Mr Steyn du Plessis (Vice-chairperson) – second term – 2022-2026
- Mr Leon Jordaan – first term – 2020-2024
- Dr Tumi Legobye – second term – 2022-2026
- Mr Colin Mowatt – second term – 2020-2024
- Mr Desmond Smith – second term – 2022-2026

The Chairperson and Vice-Chairperson for the next 12 months (up to the 2023 AGM) would be elected at a Board meeting to be held directly after the 2022 AGM.

Rule amendments

The following amendments to the Bestmed Rules had been approved and registered by the CMS in 2021:

- Changes to the Substantive Rules had been made in compliance with Circular 20 of 2021 issued by the CMS in terms of which the Scheme was allowed to conduct a virtual Annual General Meeting and/or a virtual Special General Meeting.
- Amendments had been made to the Benefit Options (Annexure B1 – B3).

The amended Rules were available on Bestmed's website.

Member complaints against Bestmed

In March and April 2021, the CMS had advised Bestmed that complaints had been received from two members against the Scheme.

- **CMS Complaint March 2021: Member Dr DC Luyt, as quoted below:**
  - "Bestmed is muzzling members to avoid member-driven rule changes by holding the view that Rule 32.2 cannot be invoked for the submission of ballots", and
  - "The 2020 AGM was handled unacceptably and thus should be declared null and void and that any increase in fees payable to the BoT must be paid back immediately."
- **CMS Complaint April 2021: Member Mr AM la Grange, as quoted below:**
  - "Against Bestmed for the way they conducted the 2020 virtual AGM and the handling of the 10 motions submitted to the Scheme. As a result of the above, it is requested that all decisions taken at the AGM should be declared null and void."

After responding to the CMS in respect of both complaints, the CMS had ruled on the complaints, which was largely in favour of Bestmed.

Subsequently, both Mr La Grange and Dr Luyt had submitted appeals in terms of Section 48 of the Medical Schemes Act, 1998, to the Council against the CMS rulings.

Bestmed had submitted notices of its intention to defend both appeals to the CMS.

The Scheme was awaiting confirmation of the dates when the matters would be set down, including documents to be submitted in preparation of the appeal hearings.

Dr Luyt raised a question enquiring why his appeal hearing had been postponed without this being discussed with him and no alternative date given. In addition, he would appreciate commitment from Bestmed to get a date for his appeal from the CMS.

Strategic review

Medical schemes were faced with the challenge to adapt dynamically in a highly regulated, competitive industry, which functioned under stagnant economic growth conditions.

Executive Management undertook an annual strategic planning process to review and update the Scheme's strategy, which the Board was required to approve.

The 2021 strategic focus had emphasised increasing value for money for members through competitively priced options, releasing some reserves to the membership and improving member experience. This had resulted in –

- a 3.5% membership growth in 2021,
- a 3.9% average increase in contributions across all options,
- increased benefits by an overall 4.2% for 2022,
- increased optometry benefits for 2022 by approximately 20%, and
- eliminated co-payments on several benefits.

In 2021, stakeholder engagements had been hosted in both physical and online formats, depending on the requirements of the relevant stakeholders, the safety of employees and operational efficiency.

The main objectives of these engagements were to:

- gain an awareness and understanding of any concerns or opportunities which the stakeholders might have, and
- identify any measures needed to manage these effectively, while building mutually rewarding relationships.

Stakeholder engagements also ensured the Scheme could reach its goals of greater transparency and good corporate governance, as well as affording an opportunity for stakeholder involvement.

The future

Commitment to member growth, excellent service and sustainable financial performance

Bestmed would continue to –

- evaluate potential opportunities for amalgamations with suitable (financially healthy and good membership profile) schemes,
- enhance its product offering, increase its service provider network, increase brand awareness, and remain a preferred choice for members and healthcare advisers (Brokers),
- focus on looking after our Heartbeats (employees).

The Scheme had identified the need for a benefit option that could compete in the lower end of the medical schemes market. The CMS had approved Bestmed's application for introducing this lower cost option. For this reason, Pulse2 had been discontinued, and Rhythm1 had been launched in March, and the Pulse1 option had been rebranded to Rhythm2.

In addition, the Scheme would support and build resilience in the ranks through health and wellbeing initiatives in order to continue to render excellent service to its members.

National Health Insurance (NHI)

The Scheme remained abreast of developments pertaining to the implementation of the NHI by Government. Following the COVID-19 pandemic, Government appeared more determined to follow through with the process of implementing NHI. Although the implementation of NHI was progressing slowly, with minimal information provided to schemes about the future sustainability of the sector, Bestmed remained part of this process and participated in the working groups established by the CMS to give effect to objectives and targets which had been set. In addition, Bestmed participated in the process via the industry body, BHF.

The Scheme would monitor this process and, while in support of the aspiration of universal quality healthcare, Bestmed would continue to protect the interests of its members.

Acknowledgements

The Chairperson conveyed his sincere appreciation towards his colleagues on the Board and the independent members of the Board subcommittees for their input, guidance 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, and for realising the *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, cooperation and commitment to Bestmed.

After dealing with the Chairperson's report, the MC took over the proceedings of the meeting. She thanked the Chairperson for his efforts and leadership of the Board.

The attendees were then afforded the opportunity to ask questions through the relevant Q&A functionality. The MC indicated that two questions had been received from Mr AM la Grange. The first question dealt with the reasons for hosting a virtual AGM, whether approval for hosting a virtual AGM had been obtained from the CMS and the CMS' requirements in this regard, as well as the number of members that had logged into the AGM and their breakdown by geographical area. The MC indicated that the Chairperson had referred to this matter in his presentation and she enquired from the Chairperson whether he would want to add any information for clarification purposes. The Chairperson responded by indicating that the planning for the AGM had commenced early in the year and the

MINUTES OF THE 58TH ANNUAL GENERAL MEETING

matter had been discussed at a number of Board meetings. The Board had taken the unanimous decision to host a virtual AGM for the reasons given in the introduction of his presentation. Hosting a virtual AGM was compliant with CMS Circular 20 of 2021, which explained the requirements for hosting a virtual AGM. It was also confirmed that there were 284 members logged into the AGM, but the Scheme was unable to give a breakdown of their respective geographical location. The second question received from Mr La Grange would be addressed after the presentation delivered by the CFO.

The MC thanked the Chairperson and indicated that no telephone enquiries had been received.

6. ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Chief Financial Officer (CFO) expressed his sincere appreciation to Deloitte for their professional work, excellent service, and support over the past year. In addition, he thanked the rest of Bestmed's Executive Management team, employees and the members for their dedication, hard work and support. He also thanked the Chairperson of the Audit Committee and its members for their expert guidance.

Members' attention was drawn to the full set of financial statements for 31 December 2021 provided in the Annual Report and the accompanying comprehensive notes.

Auditor's report

The auditors advised that, in their opinion, the 31 December 2021 Annual Financial Statements presented fairly, in all material respects, the financial position of Bestmed Medical Scheme 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).

In 2021, the country had faced a number of issues, including unemployment, weakening rand, increasing fuel prices and reduced return on investments, subdued growth, and the COVID-19 pandemic. These factors had continued in the current financial year. Despite these challenges, 2021 had been a stellar year for Bestmed, and the Scheme's sound financial performance could be largely attributed to the continued support of the Bestmed members.

Financial results for the year ended 31 December 2021

Absolute Terms Comparison

Risk contribution income had increased by 3.9%, against the backdrop of the 4% increase in contributions. The relevant healthcare expenditure had increased by 22.79%, which was represented by the claims ratio of 90.7% in 2021, versus 76.7% in 2020. The increase in claims had resulted from the COVID-19 pandemic as well as the increase in hospital admissions due to elective surgeries.

Highlights from the statement of financial position

Total assets had increased from R4.3 billion in 2020 to R4.8 billion in 2021. This amount included non-current assets at R2.7 billion and current assets at R2.1 billion, which then equated to the member funds of R3.4 billion, non-current liability of R62.6 million and current liability of R1.4 billion, the majority of that made up of member savings.

Highlights from the statement of comprehensive income

The financial statements reflected a total risk contribution income of R5.4 billion for 2021, compared to R5.2 billion for 2020, representing an increase of 3.9%.

Relevant healthcare expenditure had increased from R4.0 billion in 2020 to R4.9 billion in 2021, representing an increase of 22.79%. The non-healthcare cost year on year as a percentage of risk contributions had decreased from 8.6% in 2020 to 8.4% in 2021, resulting in a net healthcare result of R52 million in 2021 compared to R767.8 million in 2020. As previously stated, the increase in claims had resulted from the COVID-19 pandemic as well as the increase in hospital admissions due to elective surgeries.

The gross healthcare result had decreased from R1.2 billion in 2020 to R506 million, while the net surplus had decreased from R877.9 million in 2020 to R288.8 million in 2021. The total comprehensive income for the year after accounting for fair value adjustments was R357.7 million in 2021, compared to R865.9 million in 2020.

Members' funds had increased from R3.0 billion in 2020 to R3.4 billion in 2021, made up as follows:

- Investments of R3.5 billion in 2021, compared to R3.1 billion in 2020
- An increase in medical savings accounts from R895 million to R965 million
- A slight decrease in cash and cash equivalents in 2021 from R82.6 million in 2020 to R65.7 million in 2021, due to the increase in claims
- An increase in other assets from R223 million in 2020 to R256 million in 2021
- An increase in liabilities, including medical savings accounts, from R1.3 billion in 2020 to R1.4 billion in 2021

Solvency

The statutory calculated solvency ratio at 31 December 2021 was 45.68%, compared to the statutory requirement of 25%. The 2020 solvency had been restated to 44.23% from 47.29%, representing a difference of 3.06%. This had resulted from an unrealised gains adjustment in terms of the IFRS9 accounting adjustment on the Scheme's investments. However, the total member funds had not decreased. This was a clear message that the Scheme was financially strong with adequate cash reserves. Should the Scheme not generate any revenue, it would be able to pay members' claims for a period of almost eight and a half months, compared to nine and a half months the previous year.

Investments performance

A return on investments of 7.5% had been achieved in 2021, which represented an increase from the 7.0% return achieved in 2020. In addition, a real return of 2.5% ahead of inflation had been achieved over a 10-year period. Although this was slightly below the investment mandate for the year, a real return of 3.1% had been achieved over 16 years (since inception) ahead of inflation, which was in line with the investment expectations. These results were representative of the markets' performance following the COVID-19 pandemic. In addition, the increase in investments in total was representative of the intelligence in the investment strategy adopted by the Scheme.

Industry comparative analysis

Next, an overview of Bestmed's performance in terms of membership growth, claims ratio, non-healthcare cost as a percentage of risk contributions and solvency level relative to five large competitors in the industry, namely Discovery, Medihelp, Momentum, Medshield and Fedhealth was given.

Bestmed's membership growth of 3.5% in 2021 was the highest in the industry, followed by Momentum (3.0%) and Discovery (2.0%). The remaining three large competitors had recorded a decline in membership in 2021.

Bestmed's non-healthcare cost as a percentage of risk contributions was 8.4% in 2021, compared to Medihelp with the next lowest of 9.4%, followed by Medshield (10.4%), Discovery (11.6%) and Momentum (14.4%). This was indicative of the responsible manner in which the Scheme's finances were managed.

All five large competitors had experienced an increase in the claims ratio, while an increase in the solvency level could be observed across two of the five large competitors included in the comparative analysis.

Adoption of the 2021 Annual Financial Statements

The CFO informed the members that they would be required to vote on the adoption of the Annual Financial Statements for the year ended 31 December 2021 inclusive of the Auditor's Report. Members would be given the opportunity to vote on the adoption of the Annual Financial Statements during the voting session at the end of the AGM.

7. APPOINTMENT OF AUDITORS FOR 2021/2022

The meeting was informed that the members present at the AGM should appoint the external auditors for the next financial year. Deloitte had served as the Scheme's auditors for the financial year ending 31 December 2021.

The Board of Trustees and the Audit Committee recommended that Deloitte be reappointed as the Scheme's external auditors for the financial year ending 31 December 2021. The members would be required to vote on the reappointment of Deloitte as the Scheme's external auditors for the financial year ending 31 December 2021 in accordance with Rule 25.1.

The MC took over the proceedings of the meeting and informed the members that, as stated previously, a second question had been received from Mr La Grange. The question dealt with the fact that, at a previous AGM, Ms Stevens had presented the Scheme's decision not to include the remuneration report for Executive Management. In view of this, Mr La Grange requested the Chairperson, Mr Mowatt, and the Vice-Chairperson, Mr Du Plessis, to each answer what their perspective was and whether or not this information should be included. The Chairperson responded that neither his view, nor that of Mr Du Plessis, on whether this was a correct decision was pertinent to the AGM. What was pertinent to the AGM was that the Scheme could provide assurance of its compliance with the external reporting standards. The Chairperson confirmed that the Scheme complied with the South African Institute of Chartered Accountants (SAICA) Guidelines, as approved by the CMS, on the information which a medical scheme was required to disclose in its Annual Financial Statements. These had been reviewed and confirmed by the External Auditors, Deloitte. Should the disclosure of this information be required, Deloitte would have insisted that these numbers be included in the Annual Financial Statements. The CMS had reviewed the Annual Financial Statements with no requests for amendments.

The MC then informed the meeting that questions on the Annual Financial Statements received from Mr DM Maleka would be addressed directly with him after the AGM to ensure that a comprehensive response would be provided.

No further questions were raised, and the meeting proceeded with the next agenda item, dealing with the approval of the Trustee remuneration for 2022-2023.

8. APPROVAL OF AMENDED TRUSTEE REMUNERATION FOR 2022-2023

Trustee Remuneration

The PO/CEO took over the proceedings of the meeting to discuss the proposed amendments to the Trustee Remuneration Policy, specifically the proposed increase in Trustee remuneration.

Amendments to Trustee Remuneration Policy

Purpose of submission

In terms of clause 4.2(c) of the Trustee Remuneration Policy, any amendments to this Policy should be approved by the Board and thereafter by members at the AGM. On 21 April 2022, the Board had approved amendments to the Trustee Remuneration Policy, specifically the proposed increase to fees payable as per Annexure A.

Furthermore, it was stipulated in clause 4.2(d) of the Trustee Remuneration Policy that the Scheme should ensure that the members and the CMS be provided with all information pertaining to proposed principles and remuneration of Trustees, at least 21 days prior to the AGM.

On 2 June 2021, the following documents pertaining to the amendments had been sent to the members:

- The Trustee Remuneration Policy (track changes reflecting the amendments)
- The Trustee Remuneration Policy (track changes accepted to represent the final Policy, should the amendments be approved at the AGM)
- The rationale for the proposed increase in Trustee remuneration

As stipulated in clause 4.3 of the Trustee Remuneration Policy, the members at the AGM were required to approve any amendments to the fees set out in Annexure A of the Policy by means of voting.

The PO/CEO continued by explaining that discharging the Board's responsibility of oversight, governance, compliance, implementing strategic objectives and risk management in a highly regulated industry presented risks to both the Scheme and the Trustees. Trustees could be held personally liable for the actions taken on behalf of the Scheme. These should all be complied with, whilst ensuring positive member experiences and the sustainability of the medical scheme. Consequently, the level of Trustee remuneration should take into account the expertise, responsibility, risk and time devoted to the Scheme, which extended far beyond preparing and attending Board meetings, as well as the level of Trustee remuneration relative to similar schemes, and the Scheme's exceptional performance in 2021.

Benchmark Analysis Trustee Remuneration

To compare Bestmed's Trustee remuneration relative to that of the industry, the Scheme consulted information from resources that were recent, publicly available, and easily accessible by members, should they want to verify the information provided at the AGM. The only available source of information that met these requirements was the 2020 CMS Annual Report, published on 8 October 2021. Since the information included in the CMS Annual Report related to 2020, a comparative analysis of Trustee remuneration in 2021 had been conducted among 13 open schemes, with the largest and smallest schemes excluded to prevent distortion of data.

The following two variables had been considered in the analysis:

- Total Trustee remuneration
- Average Trustee remuneration (average fee per Trustee)

It was explained that the 2021 data was based on 2020 CMS information adjusted with the following variable:

- Actual increase (3.9%) approved at Bestmed's AGM the previous year
- Assumed 4.2% (CPI) increase for other schemes

In view of these variables, Bestmed had reported the lowest average Trustee remuneration in 2020, based on 13 Trustees. In 2021, Bestmed's average Trustee remuneration was the second lowest in the industry, based on the Scheme's actual increase in Trustee remuneration (3.9%), compared to the 4.2% increase assumed for other schemes.

It was pointed out that the CMS reported average Trustee remuneration based on the total number of Trustees who had served on the Board during a given year and not based on tenure. However, the Trustees' tenure had an impact on the calculation of the average Trustee remuneration. No recalculation of the tenures of other schemes' Trustees could be performed, due to the limited access to this information. However, a recalculation of Bestmed's Trustees who had served 12 months had been done, since this information was available to the Scheme. In 2020, only eight Trustees had served a full term on Bestmed's Board in 2020 in view of resignations and new members joining the Board. The total remuneration paid to these Trustees had been divided by eight, totalling an average fee of R264 500 per Trustee in 2021. As a result, the normalised 2020 and 2021 comparison highlighted that fees paid to the Bestmed Board and subcommittee members were still positioned far below the average, with Bestmed's average Trustee remuneration positioned as the second lowest in the industry.

Increase in employee remuneration

Bestmed had granted employees a 5% on average remuneration increase for 2022. As a result, a 5% increase in Trustee remuneration, as reflected in Annexure A of the Policy, was proposed. This increase was proposed, since it was important to ensure the relative position of the Bestmed's Trustee remuneration would not deteriorate, resulting in an increasing disparity between Bestmed and the industry.

In view of the information provided in the presentation, members would be required to vote on the proposed increase of 5% in the fees payable to Trustees.

The MC took over the proceedings of the meeting and indicated that a third question had been received from Mr La Grange. Mr La Grange congratulated the CFO on an excellent set of financial results. He proceeded by stating that the Scheme's positive underwriting results were only the result of the large surplus of approximately R139 million on Pace1. The members of this option carried the claims propensity of other benefit options. Other net healthcare result options were R8 million on Pace3 and R7 million on Beat4. Membership of the Beat2 option had grown by 12.6% year on year, and it was evident that the incentives paid to Executives were based on incorrect criteria. The CFO responded that this enquiry had been addressed with Mr La Grange at the AGM in 2021. The financial outcomes were not the only criteria for defining incentive payments. The CFO referred him to the minutes of the previous year's AGM where the actual numbers had been articulated to Mr La Grange.

Next, the MC informed the meeting that a statement had been received from Ms BE Mosoane-Pambo regarding the presentation on the proposed 5% increase in Trustee remuneration. Ms Mosoane-Pambo was of the opinion that the proposed 5% increase in Trustee remuneration was too high, as not all members had received salary increases the previous year. The PO/CEO responded to the statement, indicating that the Scheme was not indifferent to the effect of the difficult economic climate on members. However, Trustees devoted their time, assumed risk and offered their expertise to the Scheme in executing their duties and responsibilities as Trustees and, therefore, should be remunerated at some level. It could be argued what the appropriate level of remuneration should be. The presentation delivered by the PO/CEO reflected the relative position of the remuneration paid to Bestmed Trustees versus peers in the industry. In the ideal environment, implementing a double-digit increase would be required to achieve the appropriate level of remuneration in order to address the Scheme's relative position in the industry. Therefore, the proposed 5% increase took into account the economic hardship experienced in the country. However, members were respectfully encouraged to exercise their right when voting on the proposed 5% increase in Trustee remuneration.

A suggestion on Trustee remuneration was received from Mr CF Marais proposing that the Board should consider a differentiated payment based on the professional expertise of each Trustee.

No further questions had been received and the attendees proceeded with voting on the required resolutions.

9. MEMBER VOTING

The MC indicated that members would now be given the opportunity to cast their votes on the relevant matters. After explaining the online voting process in detail, the MC indicated that the number of members attending the virtual AGM had increased from 143 to 320 since the start of the AGM and, therefore, constituted a quorum.

The MC informed the members that they would be required to vote on the following resolutions:

- Adoption of the Annual Financial Statements for the year ended 31 December 2021 inclusive of the Auditor's Report
- Appointment of External Auditors in accordance with Rule 25.1
- Approval of the proposed 5% increase in Trustee Remuneration for 2022/2023

The MC requested the members to click on the Refresh button, should they be unable to access the voting page. She announced that the meeting would adjourn for 25 minutes to allow members sufficient time to vote on the resolutions.

The meeting reconvened after the Internal Audit Department had audited the voting results. The Chairperson then announced the voting results. He indicated that, should any member require the voting results, they may contact the PO/CEO in writing.

Voting results

- Adoption of the Annual Financial Statements for the year ended 31 December 2021 inclusive of Auditor's Report
  - For: 74 votes (96.1%); against: 3 votes (3.9%) The Annual Financial Statements for the year ended 31 December 2021 inclusive of Auditor's Report were therefore approved.
- Reappointment of Deloitte as External Auditors in accordance with Rule 25.1
  - For: 76 votes (96.2%); against: 3 votes (3.8%) The reappointment of Deloitte as External Auditors in accordance with Rule 25.1 was therefore approved.
- Approval of the proposed 5% increase in Trustee remuneration for 2022/2023:
  - For: 57 votes (75%); against: 19 votes (25%) The proposed 5% increase in Trustee remuneration for 2022/2023 was therefore approved.

The Chairperson thanked the members on behalf of the Board of Trustees for the confidence placed in the Board. He also thanked the Technical Team and the Internal Audit Department for finalising the numbers.

10. CLOSURE

The Chairperson thanked the members for attending the virtual AGM and their patience with any technical difficulties experienced. In addition, he thanked the Sales and Marketing Executive and her team as well as the external providers for the effort and assistance.

The 58th AGM was adjourned at 10:58.

Signed in Pretoria on this _____ day of _____ 2023.

_____

CM Mowatt
Chairperson
Bestmed Board of Trustees

MINUTES OF THE 58TH ANNUAL GENERAL MEETING

CHAIRPERSON'S REPORT

Personally Yours service to members

Titanium Awards

TITANIUM AWARDS
Recognising Excellence in Healthcare

OVERVIEW

I am proud to present the highlights of Bestmed Medical Scheme's 2022 financial year to you. Despite increasing economic pressures and an industry-wide increase in claims post the COVID-19 pandemic, Bestmed continued to build on the sustainable membership growth and service excellence achieved in the previous financial year. The net healthcare deficit incurred for the year, due to largely to an increase in claims, was absorbed by the Scheme's healthy reserves. Investment income, whilst lower than budgeted, contributed positively to the finances of the Scheme. The Scheme's financial position has remained strong with a solvency ratio of 41.7 % and net assets of R3.4 million as at 31 December 2022.

It is also a privilege to report that Bestmed's 2022 results in the Ask Afrika Orange Index and South African Customer Satisfaction Index (SA-csi), once again placed the Scheme at the forefront of customer satisfaction and experience in the South African medical scheme industry. The Ask Afrika Orange Index, one of the most referenced customer experience benchmarks in South Africa, revealed that customer satisfaction in general has improved, with strong-performing brands like Bestmed benefiting from a focus on fairness, overall service, emotion, channel satisfaction and reputation. The SA-csi is an independent international benchmark of customer satisfaction. Bestmed was measured alongside five other large medical schemes using a multi-variate model. Weighted indices include perceived quality and value, customer expectations and satisfaction, customer complaint incidence and handling, and customer loyalty. Bestmed was the leader in this index for a third consecutive year.

A sustainable increase in membership and a growing risk pool are important aspects that ensure the long-term strength and survival of the Scheme. One of the Scheme's main objectives is to grow its membership by retaining existing beneficiaries and attracting new ones. This was once again achieved during 2022 with growth of 10.6% making it the fourth consecutive year of net principal member growth. This growth was achieved whilst providing exceptional service to members as reflected in the market surveys referred to above.

FINANCIAL PERFORMANCE

The unprecedented increase in claims, which was an industry-wide trend since 2021 following the easing of COVID-19 restrictions, continued in 2022 and had a negative impact on the Scheme's net healthcare result. However, Bestmed's financial position remains strong and, in most cases, better than the industry averages.

Important highlights are detailed in the table below.

BESTMED (31/12/2022)	
Solvency Ratio	41.73%
Risk Contribution per average beneficiary per month	R2 141
Healthcare Expenditure per average beneficiary per month	R2 018
Claims Ratio	94.3%
Net Healthcare result (R million)	-R173.8
Member's funds (R million)	R3 367

The Council for Medical Schemes (CMS) requires all medical schemes in South Africa to have a minimum solvency ratio of 25% to ensure financial sustainability in the event of a sudden and/ or unexpected increase in claims. At 41.7% (2021: 45.7%) at the end of the financial year, Bestmed is higher than the regulatory minimum. The Scheme's balance sheet improved marginally from R4.8 billion to R4.9 billion as at 31 December 2022. The importance of a stable financial position has become even more significant, considering the current economic climate.

The average claims ratio for 2022 was 94.3%, which is higher than the previous year's ratio of 90.7%. The increase can, among other factors, be attributed to an increase in elective procedures that were postponed during 2020 and 2021. We have also seen an increase in complicated medical cases mainly from a reduction in the number of routine health checks undertaken during 2020 and 2021. A total of R5.5 billion (2021: R4.9 billion) in healthcare costs was paid during the year under review. This was higher than budgeted and expected healthcare cost had a significant impact on the net healthcare result of -R173.8 million (2021: R52 million surplus) recorded for the year.

The Scheme's average in-network spend of over 81.7% (2021: 80.1%) had a positive impact on the bottom-line.

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 5.4% (2021: 6.1%), which equates to investment income for the year (net of related expenses) of R191.7 million (2021: R249.0 million). Taking all income and expenditure into account, the net deficit for the year was -R3.4 million (2021: R288.9 million surplus).

STRATEGIC FOCUS

According to the Council for Medical Scheme Annual report 2021, the industry continues to consolidate with the number of schemes decreasing over the past decade. The report also states that the industry has remained below 8 million lives covered in recent years. This stagnation is made worse by the prevailing economic climate experienced during 2022.

It is therefore important for the Scheme to navigate its future in this environment which is also highly regulated. The Board and Executive Management undertake an annual strategic planning process, which ensures that Scheme's strategy is reviewed and updated.

The Scheme's key strategic goals remain operational excellence, sustainable membership growth, healthcare sector leadership and innovation. The 2022 strategic focus was on increasing value for money for members through competitively priced options, releasing reserves to the membership via low contribution increases and enhanced benefits whilst also improving the member-experience. The Scheme announced an average weighted contribution increase of 3.9% across all options, coupled with benefit limit enrichments of 4%, an increase in optometry benefits of approximately 20% and the elimination of co-payments on many of the benefit options.

STAKEHOLDER ENGAGEMENTS

To continue the Scheme's commitment to quality *Personally Yours* service, engagement with our stakeholders is central to how the Scheme does business. At the centre of our stakeholder management plans is the aspiration to extract value for the Scheme and its members whilst also having a positive impact in the various spaces in which the Scheme operates. We achieve this by gaining awareness and understanding of any concerns or opportunities that the stakeholders have and identify measures needed to manage these effectively, while building mutually rewarding relationships.

We continue to build relationships in the industry and have made great progress with hospital groups, the healthcare advisor community, corporates, industry bodies, service providers, etc. We have also continued to foster a transparent and independent (arms-length) relationship with the Council for Medical Schemes (CMS). Establishing a relationship with the National Department of Health (NDoH), which we hope will assist us in gaining access and understanding of details regarding the implementation of the National Health Insurance (NHI), remains a priority for the Scheme.

Ultimately, Bestmed's stakeholder engagements ensure that the Scheme reaches its goals of greater transparency and good corporate governance, as well as ensuring the Scheme's sustainability.

GOVERNANCE

The term of office of six Board Trustees, comprising three elected and three appointed Trustees, expired at the 2022 AGM. The 2022 Board election process was concluded on 27 May 2022, and the newly appointed Board Trustees were announced at the 2022 AGM.

Following the 2022 AGM, the Board was duly constituted in accordance with Bestmed Rules and comprised 10 Trustees (refer to section 5. of the Minutes of the 58th AGM of the HAFS 2022).

Sadly, Mr Desmond Smith, an appointed Trustee, passed away on 30 January 2023. We are grateful for his significant contributions and commitment to the Bestmed Board of Trustees and wish his family our deepest sympathies.

Due process for the selection of an appointed Trustee to fill the vacant position following Mr Smith's passing has commenced.

RECOGNITION

Like previous reporting periods, 2022 brought with it challenges that the Scheme had to contend with. We are encouraged that the Scheme remains strong and in a healthy and sustainable position.

I would like to express my gratitude to our loyal members for their continued support. You are the driving force behind our commitment to continue delivering personal, exceptional service and being there to see to your healthcare cover needs when you need it most.

I would also like to thank our ever-growing network of professional healthcare advisors, who continue to entrust their clients to our care, as well as Bestmed's management and employees (Heartbeats). Your exceptional hard work and dedication to deliver our *Personally Yours* promise to our members, despite the challenging and changing work circumstances these past three years, are greatly appreciated. The Board is confident in your ability to continue rendering unparalleled service to our members.

Finally, I would like to convey my sincere appreciation to my colleagues and fellow Trustees for your continued support, co-operation and commitment to Bestmed.

THE FUTURE

Bestmed continues to monitor the developments in the private healthcare industry in response to the planned implementation of NHI. We believe that attaining government's aspiration of universal access to primary health for the country cannot be achieved without the support and consultation of private healthcare players, including medical schemes. The COVID-19 pandemic emphasised the need for collaboration between the public and private health sectors for the greater good of all South Africans. The funding model of the NHI is still unclear, and we do not believe that, constitutionally, government can utilise the reserves accumulated by medical schemes, on behalf of members to fund NHI.

We will continue to actively reposition Bestmed as a new-generation healthcare business through innovation to achieve high growth and exceptional service, while maintaining sustainable financial performance. The Scheme will continue to enhance its product offering, increase its service provider network, increase brand awareness, and remain a preferred choice for members and healthcare advisors (brokers).

Caring for our Heartbeats (employees) remains critical. We will support and build resilience in the ranks through health and wellbeing initiatives. We will do this because we know that a strong workforce translates into a strong Scheme that provides stellar member experience.

As of September 2022, all employees have returned to the office for a minimum of three days per week. The reintegration back to the office, which commenced in January 2022, has proven successful in that there have been minimal interruptions to operations and service levels, and increased opportunities for in-person engagements among Heartbeats.

CM Mowatt
Chairperson

CHAIRPERSONS REPORT

OPERATIONAL HIGHLIGHTS

> *Product Supplier of the Year: Healthcare*
>
> *FIA Awards*

Report from the Chief Executive Officer

CHARTERING UNFAMILIAR TERRITORIES

The past few years have been full of surprises. No one could predict the COVID-19 pandemic taking the world by storm in 2020 and 2021, and the aftermaths which in 2022 caught schemes unaware. Prescribed Minimum Benefits (PMB) claims related to non-COVID-19 expenditure, that reduced during the pandemic, are rapidly returning to pre-pandemic levels.

Although these increases may appear alarming when short-term (year-on-year) comparisons are made, the claims levels signal a return to pre-pandemic normality, rather than a cause for concern.

Increases in the Scheme's reserves since the onset of the COVID-19 pandemic, meant that we could give back to our members via a low average weighted contribution increase in 2022. This, coupled with the enrichment of benefit options, reduction in member co-payments and the increase in claims resulted in Scheme reserves being used to pay member healthcare claims, which was the goal – to give back to our members. The reserves remain healthy and are monitored together with claims to ensure that the Scheme maintains its strong financial position.

ACCOLADES AWARDED TO BESTMED IN 2022

Bestmed's *Personally Yours* approach to its stakeholders, especially members, continued to yield good results during 2022. The elements embedded in the *Personally Yours* approach include attentiveness, responsiveness, follow–through and an overall service delivery focus. This has proven to be the winning formula that is made possible by our committed employees. Our unwavering focus on excellent service culminated in the Scheme being a recipient of the following accolades:

- Ranked highest in overall customer satisfaction in the 2022 South African Customer Satisfaction Index (SA-csi) for medical aids for a third consecutive year.
- First place in the Ask Afrika Orange Index's ® Medical Aid Companies category.
- The Financial Intermediaries Association (FIA) of Southern Africa award for Healthcare Product Supplier of the Year.
- Two Board of Health Funders' (BHF) Titanium Awards for:
  - Service to Membership, and

- Excellence in Creating Access to Quality Healthcare.

- Ogilvy South Africa, our website development supplier, won the Assegai Award for Bestmed's website development.

SCHEME GROWTH

Bestmed continues to grow its membership at a time when the industry shows little to no growth. The Scheme currently boasts over 220 000 beneficiaries. According to a Council for Medical Schemes' (CMS') 2021 report (ended 31 March 2022) the number of beneficiaries covered by medical schemes has remained stagnant below 9 million in the past decade. According to the report medical schemes served 8.94 million beneficiaries in 2021, up slightly from 8.9 million in 2020, but down from the high of 8.99 million in 2019. Bestmed's principal members grew by 10.6%, which was 7.15% higher than the 3.45% growth for 2021.

The average age of members who joined Bestmed was 49.6 years, while the average of all beneficiaries was 36.93 years. According to the Council for Medical Schemes' (CMS') annual report, the average age for all open schemes during 2021 was 35.51 years, higher than the 35.50 of 2020. The gap continues to narrow between the Scheme's average age (36.93) and that of the industry average for open schemes year on year.

It is worth noting that members continued to downgrade to cheaper options in 2022. There were 2 872 option changes at the end of 2022, of which 1 591 (55%) were downgrades to lower options. We believe that this is resultant of members experiencing financial strain given the prevailing economic climate.

We have retained our position as the fourth largest open medical scheme in South Africa and we are still the largest self-administered medical scheme in the country.

Our healthcare networks continue to grow, and we currently have more than to 17 700 providers on our network. This ensures that our members have access to quality network providers within their area of work or residence.

While the Scheme's membership growth remains strong, it presented challenges in terms of resources. An increase in membership created the need for additional resources including human and other overheads-generating resources. We needed to balance the need for additional resources with growth in expenditure whilst maintaining our service levels which could not be comprised given our *Personally Yours* brand promise. We needed to find ways to increase productivity and improve effectiveness whilst monitoring claims to prevent fraud, waste and abuse to ensure that our financial stability did not falter.

ENROLMENT OF FORMER HEALTH SQUARED MEMBERS

Health Squared Medical Scheme applied for voluntary liquidation in August 2022. The Scheme had approximately 23 000 principal members. A total of 468 principal members and 869 beneficiaries enrolled with Bestmed. The average age of Health Squared's principal members is 61.4 years, while that of the Scheme beneficiaries is 51.2 years.

At the time of writing this report Health Squared was under curatorship. It is anticipated that within a few weeks the curator will file a final report in the High Court, after which it is presumed that Health Squared will wind up or liquidate.

HEALTH INSURANCE PRODUCTS VS. MEDICAL SCHEME OPTIONS

Given the tough economic times we find ourselves in, it has become more difficult for the South African population to afford private healthcare cover, and for existing medical scheme members to continue with their current cover as a priority need.

Innovative health insurance products are rapidly gaining popularity in the South Africa and those who cannot afford medical aid are mistakenly assuming that these products are substitutes for private medical scheme cover. Making this common mistake can be a costly exercise for policy holders as they run the risk of not having the appropriate healthcare cover when they need it most.

Whilst medical schemes are regulated by the Medical Schemes Act, (Act No 131 of 1998) and governed by the Council for Medical Schemes (CMS); health insurance products are regulated by the Short-term Insurance Act (Act 53) and the Long-term Insurance (Act 52) of 1998 and are governed by the Financial Services Board.

The major difference between the two products is that medical schemes provide comprehensive private healthcare cover in- and out-of-hospital including primary, acute and preventative care and minimum benefits otherwise known as PMBs (27 chronic conditions, 271 diseases and medical emergencies); whereas health insurance offers limited private cover mainly for day-to-day healthcare needs or optional hospital cover.

Health insurance policies are, therefore, more a safety net for day-to-day healthcare costs and are not substitutes for comprehensive private medical cover.

Due to the vast differences in benefits, health insurance products are offered at a lower rate (ranging from R250 to R600 per month) whilst basic medical scheme products offering minimum PMB benefits can attract a contribution of R900 per month or more.

In terms of affordability, medical schemes are unable to compete against health insurance products due to the wider range of benefits and cover provided that are lacking in health insurance products, which come at a higher premium.

Medical schemes operate on the principle of social solidarity where members' contributions (irrespective of age and health status) are pooled together and used to defray healthcare costs.

Health insurance premiums are determined by the policy holder's age and health status and with majority of the policies, the healthcare bill needs to be settled by the policy holder directly with the service provider and thereafter a lump sum may be paid out. One of the primary issues that those that sign up for health insurance often experience is the unexpected cost of treatment which makes claiming challenging.

It is of utmost importance that consumers equip themselves with appropriate information to make informed decisions in choosing products to adequately cater for their healthcare needs.

CONCLUSION

The industry has fully reset to pre-COVID-19 activity levels. It is expected that the higher claims experienced in 2022 will continue henceforth. We will continue to diligently manage cost, productivity, and operational excellence while ensuring that we constantly improve member experience. We believe that with this we will continue to grow the Scheme while maintaining sustainability imperatives.

The performance and results that Bestmed has achieved are once again affirmation of the collaborative and strong partnerships that we have with our members, healthcare advisors, service providers and employees. We believe that our stakeholders also share in our success.

All indicators show that we are achieving our performance objectives and that we remain aligned with our strategy.

Operational Excellence

The Scheme's operational business units are at the forefront of operational efficiency and ensure that operational efficiencies and system functionalities align with the expectations of stakeholders. In 2022, we continued to measure, report, and improve the speed and efficiency of the Scheme's operations. We received positive external confirmation of our improvements in service delivery and operational excellence via the various industry awards that the Scheme received.

The Board of Trustees annually approves operational Key Performance Areas (KPAs) and Key Performance Indicators (KPIs). These form the foundation of the approach behind our goal setting and are directed towards the Scheme's strategic position statement, namely:

Reinventing and actively re-positioning Bestmed as a new-generation healthcare business through innovation to achieve high growth and exceptional service.

We continuously need to ensure that organisational behaviour is aligned with the Scheme's strategic agenda and remuneration strategy, which includes embodying our identified behaviours and being *Personally Yours*. As we continue to pursue healthy growth in 2023, there will be increased pressure on the already strained resources. Therefore, it is critical that the targets we set for the business are realistic and that it provides enough stretch for the teams to strive for excellence, but that it remains attainable and do not become debilitating or demoralising.

The Operational processing business units are fully aware of the exact turnround and quality expectations to maintain our leading industry position and reputation. The Scheme received the Managed Healthcare (MHC) accreditation feedback from the Council for Medical Schemes (CMS) in the latter part of 2022. This was an unconditional renewal of the accreditation certificate, which is an excellent achievement. The administration accreditation process, relating specifically to Bestmed's administration condition compliance, commenced in September 2021. The CMS has resumed the evaluation process, however, they have provided us with the necessary accreditation certificate in this area of business.

The Claims Department maintained quick and consistent processing turnaround times. The two claims payment runs per week remain a unique value proposition in the industry for members and healthcare providers. Members instantly receive claims information regarding transactional movements on claims on their profiles, which also supports our actions to limit possible fraud, waste and abuse. The Scheme engages and follows up on each of the cases of fraudulent and unprofessional conduct. These activities are continuously monitored and discussed during formal internal Fraud Risk Committee meetings to ensure defendable outcomes and easy retrieval of information. The Scheme continues to conduct Acknowledgment of Debt (AoD) agreements with providers, and all possible efforts are made to recover payments made in respect of fraudulent claims in conjunction with our external forensic specialist provider. We are continuously expanding on our internal capacity and knowledge in this challenging field of expertise while addressing each case of possible fraudulent and wasteful behaviour.

The subscription and reconciliation management processes were managed successfully, resulting in us exceeding the contracted targets. The turnaround times for member registrations and changes to membership statuses are essential, and the Scheme managed to maintain its service promise to members and corporate clients.

It becomes increasingly challenging to constantly exceed our client service targets as members expect immediate gratification. However, this represents what Bestmed is all about and *Personally Yours* service delivery will remain our most important business driver. We will execute on our service promise to maintain our position as the leader in the industry.

Legal and Governance

In supporting the Scheme to fulfill its obligations to stakeholders in a legally compliant manner and in line with good governance principles, the Legal, Risk and Governance Department continues to provide assurance to all stakeholders that Bestmed remains grounded and capable of operating as a good and compliant corporate citizen. The Scheme remains compliant with the legislative prescripts applicable to financial service providers and insurers.

During the year under review and building on the successes achieved with previous milestones such as achieving B-BBEE accreditation for the first time in the history in 2021, the Scheme continues to set higher targets to ensure that it continues to improve. The Scheme worked at achieving a level

7 B-BBEE Accreditation status for the 2022 financial year. Despite awaiting final confirmation, all indications are that this next milestone has been achieved.

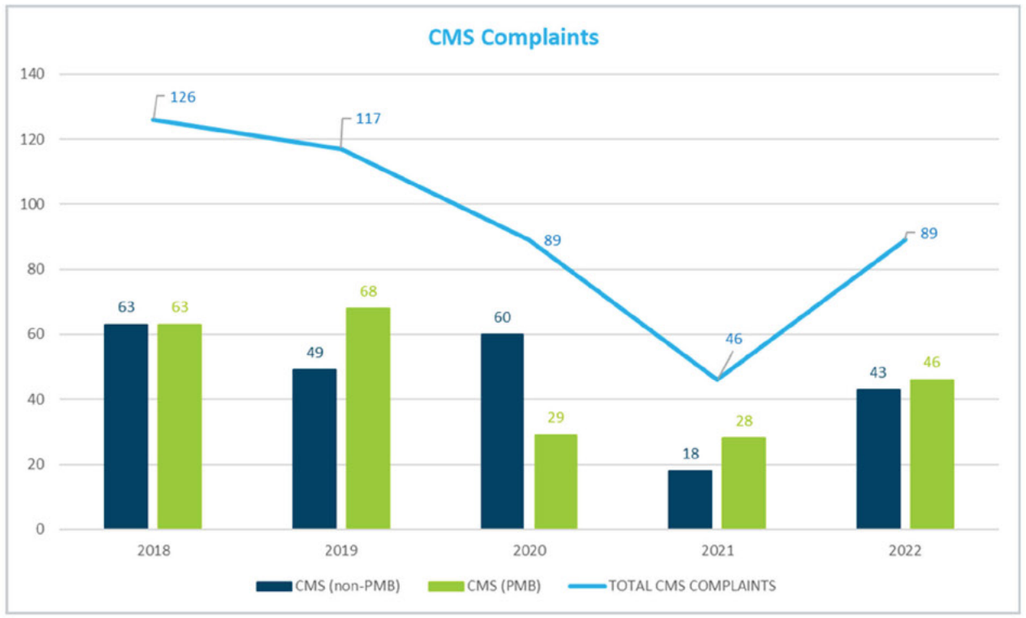
The impact of fraud, waste and abuse on medical schemes has been a subject of much debate and contestation. Following the section 59 enquiry on racial profiling initiated by the CMS a few years ago, Bestmed also invested time and resources in introducing controls intended to mitigate the risk related to racial profiling within Bestmed.

The introduction of the Enterprise Content Management project in 2022, originated from the successful implementation of the contract management process automation in 2021. Enabling the automation of critical processes introduces efficiencies which ultimately enhance member experience when interacting with the Scheme. This is a particular focus area going forward and Bestmed continues to identify areas of improvement in the system to allow for agility and ease of doing business with the Scheme.

Risk management and cyber security continue to feature prominently on the Scheme's agenda. In addition to maintaining an updated cyber insurance portfolio, Bestmed continually reviews its cyber security features and capability to ensure that it maintains fit for purpose IT infrastructure and systems to protect the Scheme and member information.

In 2022, further enhancements in risk management were introduced. These include a review of the Risk Tolerance Framework and implementation plan, and closer alignment between risk management and combined assurance. The relationship between Internal Audit and Risk Management as inter alia internal assurance providers has been defined and enhanced further. The Board and its sub-committees continue to operate within the scope as defined by Terms of Refence documents approved by the Board. These are continuously reviewed for relevance and suitability. The performance of these governance structures is also measured regularly.

One of the indicators used to assess member satisfaction is the complaints handling process, and more specifically complaints lodged against the Scheme via the CMS over a financial year. As illustrated in the graph below, and despite noting the member growth achieved over the years, the Scheme has been able to maintain relatively lower complaints ratios year-on-year from 2018 to 2021. The Scheme has, however, noted an increase in complaints during 2022, which can be attributed to the post COVID-19 "claims catch up" period of unprecedented claims propensity, as well as the significant member growth experienced in the prior years. Although our complaints ratio remains substantially low at 0.39 per 1 000 beneficiaries during 2022, the Scheme will continue to monitor this aspect and ensure that members' experience remains reflective of the *Personally Yours* brand promise.



Information and Communication Technology (ICT)

One of the Scheme's strategic objectives is to continually improve its ICT infrastructure and systems to benefit the end-user, remain relevant and competitive in the industry, and enhance the efficiency of the Scheme's operations. As such, ICT needs to be agile enough to adapt to the diverse range of stakeholder needs.

In line with the strategic objectives and need for agility, we have successfully refreshed the Scheme's BIT administration system hardware in 2022. We have seen an overall improvement in business processing to the end user and in member experience. The hardware refresh enabled enhanced business intelligence features, providing enriched stakeholder experiences on the various platforms.

Bestmed's IT-enabled business continues to be a critical enabler of business transformation and growth for the Scheme. We continued our hybrid approach, enabling the workforce to work from home and serve members without interruption, while maintaining the high service levels to which our stakeholders are accustomed.

The Scheme's BIT administration system remains relevant in the industry, and the additional enhancements and projects that were completed during 2022, continue to add value to the organisation and the overall member experience. The Scheme achieved cost savings, resulting directly from the synergy and competences achieved across departments.

During 2022, we reviewed our overall Information Technology Governance posture, and continued to mature our internal policies and procedures while aligning to industry best practices and recommended frameworks. This enabled us to invest in technologies that protect the Scheme's data from potential cybercrimes.

In conclusion, businesses need to be agile, flexible, and willing to embrace new ideas and technologies. We will continue to enhance our infrastructure during 2023 with the aim of rendering an even better service to our members and other stakeholders.

Managed Healthcare and Service Providers

ENHANCING OUR NETWORK

Managed healthcare aims to provide clinically appropriate and necessary care, while maintaining cost efficiencies. Through these initiatives, the focus has been reset on managing the care and not only managing the cost. Managing care is a process of proactively intervening to ensure the best clinical outcome for our members.

The Managed Healthcare and Service Providers Departments consist of Hospital Benefit Management, Pharmaceutical Benefit Management and Prescribed Minimum Benefit (PMB), Clinical Advisory, Risk and Quality Management, Disease Management, Service Providers, and Contracting and Research.

Bestmed's Healthcare Provider Network has grown to over 17 700 providers, which ensures our network has nation-wide coverage. Bestmed is continuously focusing on improving the networks for our members' benefit.

We believe that the treating provider should coordinate the members' care and we are therefore committed to building an excellent relationship with the providers and providing *Personally Yours* support that is quick, efficient and excellent.

2022 was the first "post COVID-19 year", and it brought about a unique claims experience. The pandemic also resulted in a very different approach to providing appropriate healthcare and important lessons learnt, for example new processes that can be used to ensure better service and better provision for care.

Bestmed is in the process of implementing significant enhancements in remunerating healthcare services allowing for operational efficiencies and measuring clinical outcomes.

Human Resources (HR)

OUR EMPLOYEES – THE HEARTBEAT OF BESTMED

In 2022 Bestmed stood head and shoulders above our competitors in operational and member growth performance, thanks to our committed team of employees, also called our Heartbeats. This is a result of constant engagement and a healthy working environment that the Scheme strives to cultivate through genuine care for our valuable talent, in all spheres of wellbeing. The Scheme continuously seeks opportunities to adapt and enhance the Scheme's employee value proposition through benefit and system enhancements, training and personal development initiatives, remuneration management and the like, to ensure that we can attract and retain the best talent in a changing world of work.

The Scheme has a hybrid working model and Heartbeats' commitment have led to continuous operational success despite unforeseen challenges with load shedding and connectivity during the year.

Performance enablement together with various recognition initiatives drives the organisational culture of being *Personally Yours* and instilling our identified behaviours of "I lead the way, I do the right thing, I go the extra mile, I am upbeat, and I play for the team".

The Scheme recruited for a record number of positions totaling 106 in 2022 and it becomes even more important and challenging to recruit and maintain our scarce, critical and clinical skills to deliver on our service promise.

Bestmed is proud to report that we remain compliant in terms of our EE reporting to the Department of Employment and Labour together with the Insurance Seta from a skills compliance perspective. The Scheme performs well on the B-BBEE scorecard from an EE and skills view.

The 2022/23 Internship programme proved to be successful, and we absorbed nine out of the 16 interns into our business environment. We are extremely proud of our 38 bursary candidates of whom most completed their programmes successfully. A record number of eLearning interventions were facilitated (2 145) for the year under review, while internal and external training increased compared to 2021. Our revised Leadership Development Programme also commenced with four individuals having been exposed to high-level strategic learning and development.

The Talent Team rolled out various wellness initiatives and our Financial and Employee Assistance support services continued to add value.

The Organisational Human Factor Benchmark (OHFB) workplace analytics system is a standardised and culturally sensitive human resources risk management instrument that identifies employee and workplace functioning risks that might impede the ability of employees to act on strategic intent. In 2022, the Scheme yet again obtained the highest corporate citizenship score of all participating organisations.

Corporate Relations and Wellness

BENEFIT OPTIONS

The Rhythm1 option was created for members in lower income categories who primarily need out-of-hospital care as opposed to hospital care. This product was launched in April 2022. Some of the key differentiators of the Rhythm1 option are that its beneficiaries have access to unlimited nursing consultations (at pharmacy clinics), unlimited consultations at Family Practitioners, and acute medicine is provided without a limit subject to the Scheme's medicine formulary and restricted to network pharmacies.

INCLUSIVE TEMPO (WELLNESS) PROGRAMME

Bestmed's wellness benefits and wellness programme are included across all our benefit options and cost thereof is covered as Scheme benefits.

Beneficiaries complete Health Assessments (HAs) at a network pharmacy and then enjoy access to a Get Active (fitness) Journey and/or the Nutritional Health Journey, or both.

In total, 5 697 individuals completed their HAs during 2022. The results of these assessments confirmed that the highest risk areas for Bestmed beneficiaries until 31 December 2022 were diabetes, inactivity, and being overweight.

Since 2020, the Scheme noticed an increasing need for member education and skills development regarding mental health issues. For this reason, a third wellness journey, the Emotional Wellbeing Journey, was launched in September 2022 and is available to all beneficiaries via the Bestmed App or Member portal on our website.

For the year under review, a total of 30 005 beneficiaries made use of this additional service and health related journey offered as part of the Tempo wellness programme.

PERSONALISED SERVICE OFFERING

Initially, participating employer groups indicated that they would prefer that the Scheme's representatives return to the onsite service delivery model. However, many employers have adopted a hybrid working model and the Scheme had to align its corporate service offering to this development.

Onsite information sessions at employer groups during year-end were not attended well, yet those arranged by the Scheme for individual beneficiaries after hours, had a high attendance and were well received.

A satisfaction survey was distributed to all decision makers and/or management teams at the corporate groups being serviced by the Key Account team, and the final average rating obtained for the following elements were as follows:

SATISFACTION WITH SERVICE RENDERED BY KEY ACCOUNT CONSULTANT	SATISFACTION WITH TEMPO OFFERING AND IMPLEMENTATION	OVERALL SATISFACTION AS PARTICIPATING EMPLOYER (RECONCILIATIONS, ADMINISTRATION, ENQUIRIES ETC.)
9 out of 10	8.75 out of 10	9.4 out of 10

Member satisfaction surveys conducted to measure members' satisfaction with the service delivered by the regional offices highlighted the need for further service improvements and therefore the improvement of regional service delivery is one of the key projects for 2023.

RETENTION STRATEGY

Two years ago, the Scheme changed its retention strategy from being reactive to being proactive. This means that we created opportunities to listen to the concerns raised by existing members and did our best to address these issues to prevent members from resigning. The issues raised at member engagement and training sessions, emails sent to escalations and other complaints are collected and result in projects to improve the overall experience of our members.

Sales and Marketing

GROWING THE BESTMED FOOTPRINT AND BRAND

The main objectives of the Sales and Marketing Department are to increase brand awareness in the target market and to grow the Scheme's membership sustainably via both its Direct Sales and Advisor Sales distribution channels. For 2022, the department achieved its objectives via the successful execution of an extensive brand awareness campaign that included above-the-line, as well as digital channels. Sales for the year also exceeded the 2021 sales achieved.

Bestmed has experienced four successive years of positive principal membership growth. For the year under review, the Scheme's principal membership increased by 10.6% (2021: 3.45%). The increase was the net effect of an increase in new member registrations combined with strong membership retention numbers. Sales initiatives are supported by an extensive marketing plan and relationship activities coupled with an organisation-wide effort to render excellent service and improve efficiencies.

After a series of lockdown periods resulting from the COVID-19 pandemic, many interactions and engagements with healthcare advisors have been in person vs. the previous online engagements. Where it made economic sense, online meetings were maintained, for example healthcare advisor webinars, the annual product launch, and meetings with brokerages in outlying areas. The Scheme's extensive healthcare advisor network, which is effectively an extension of the Sales division, continues to support the Scheme and contribute to the Scheme's positive and sustainable growth.

In 2022, a healthy number of new healthcare advisors contracted with the Scheme and are now selling Bestmed's range of options. An online application functionality for individual member applications was implemented during 2021 and refined during the year under review with a good take-up by the advisor network.

In the Direct Sales environment, further enhancements of existing processes and procedures and concerted efforts to generate leads via the Marketing and Communication Department, have yielded positive results. Compliance with the Financial Advisory and Intermediary Services (FAIS) Act is very important in this environment. To ensure continuity and mitigate compliance risk, a third Key Individual was registered during the year. A new compliance partner was also appointed during 2021 that resulted in a comprehensive compliance gap analysis and on-boarding process. Compliance audits are completed quarterly and there were no material issues reported for the year.

Several concerted plans and strategies were implemented in the Marketing and Communication Department to increase brand awareness, improve engagements with key stakeholders, enhance stakeholder communication and improve the Scheme's digital presence. A brand awareness campaign continued throughout 2022 and the addition of television as a marketing channel in 2021 proved to be successful for the Scheme. Generic television advertising is complemented by the Scheme's sponsorship partnership with SuperSport Let's Play.

Sponsorships are selected carefully with the intent to maximise the returns of the sponsorship investments. Sponsorships are selected to ensure access to audiences that reflect the Scheme's target market. Two important sponsorships included SuperSport Let's Play and a sponsorship arrangement with MamaMagic. The sponsorship contract with SuperSport Let's Play includes that Bestmed is the official partner in their Let's Play school modified Hockey Programme initiatives. SA Hockey skilled coordinators are assisting schools with training and coaching and project management. Physical education teachers undergo the necessary training to ensure sustainability. The two best performing schools in the league will play in the Bestmed Cup final.

The Scheme's flagship sporting event, the Bestmed TuksRace, could not be hosted in 2021 and 2022 due to the uncertainty around the COVID-19 pandemic and periods of lockdown, but resumed in 2023.

Corporate Social Investment (CSI)

MAKING SENSE OF CENTS FOR CSI

The Scheme's CSI approach is to implement initiatives that will have both an internal and external impact. The involvement of the Scheme's employees in some initiatives also contribute to comradery and gives the employees an opportunity to contribute towards something positive within the communities that need it most. Partnerships with external organisations and/or non-government organisations (NGOs) are focused on making a sustainable difference.

In 2022, Bestmed once again won the Titanium Award for Excellence in Creating Access to Quality Healthcare, presented by the Board of Healthcare Funders (BHF). The award seeks to honour organisations from across the healthcare industry driving programmes, initiatives and campaigns that create access to quality healthcare for communities.

During the year, Bestmed donated 25 branded cycling shirts to a young cycling development team in Gqeberha. The team trains on a weekly basis and participates in local cycling and mountain bike competitions proudly wearing their Bestmed branded cycling shirts.

Bestmed continued its relationship with Partners for Possibility (PfP) and for 2022/2023, the selected Bestmed Manager for the PfP programme partnered with the Matseke Primary School in Atteridgeville. Activities for the year included a wellness day with Health Assessments, eye tests and a wellness talk on self-confidence (I am enough) and hygiene. Nelson Mandela Day was celebrated on 18 July with a school clean-up and paint project. Teambuilding for teachers was also arranged.

Bestmed's partnership with Unjani Clinic commenced in 2020 and continued into 2022. During the year, re-usable sanitary pad kits were distributed to young ladies, ensuring that they will be able to attend school.

Unjani Clinic launched their Health Pods in 2021. It is a small mobile trailer clinic that serves as an extension of existing clinic services in travels to rural and undeveloped communities. The mobile 'Health Pods' are equipped to assist community members with their health needs. In 2022, Bestmed sponsored a health pod that will be used in George and the surrounding areas to offer primary healthcare services to members of the community who would otherwise not have access to these services.

LB DLAMINI

Chief Executive Officer and Principal Officer

HIGHLIGHTS OF THE 2022 FINANCIAL STATEMENTS

Ask Afrika

"Ranked 1st in the Medical Aid category

Orange Index

askafrika
ORANGE INDEX
2022 | 2023
INDUSTRY WINNER

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	2022	2021
	R	R
ASSETS		
Non-current assets	**2 144 300 153**	**2 678 394 103**
Property and equipment	37 181 190	15 291 959
Intangible assets	17 976 543	12 512 107
Lease assets	45 028 588	63 226 538
Financial assets at fair value through profit or loss	1 431 151 546	1 977 505 329
Financial assets at fair value through other comprehensive income	612 962 286	609 858 170
Current assets	**2 724 804 773**	**2 100 478 638**
Financial assets at fair value through profit or loss	2 273 122 262	1 645 116 869
Scheme	1 489 568 872	905 024 214
Personal medical savings account trust monies invested	783 553 390	740 092 654
Trade and other receivables	143 903 598	164 524 315
Cash and cash equivalents	307 778 912	290 837 454
Scheme	50 631 122	65 723 285
Personal medical savings account trust monies invested	257 147 790	225 114 169
Total assets	**4 869 104 926**	**4 778 872 741**
FUNDS AND LIABILITIES		
Members' Funds	**3 367 221 745**	**3 363 399 169**
Accumulated funds	3 320 935 899	3 308 226 747
Revaluation Reserve - Financial assets at fair value through other comprehensive income	46 285 846	55 172 422
Non-current liabilities	**40 237 463**	**62 575 461**
Retirement benefit obligations	7 852 102	9 751 370
Lease liability	32 385 361	52 824 091
Current liabilities	**1 461 645 719**	**1 352 898 111**
Personal medical savings account trust liability	1 073 125 166	997 188 196
Outstanding claims provision	217 280 895	198 713 885
Lease liability	19 722 085	15 935 791
Trade and other payables	151 517 572	141 060 237
Total funds and liabilities	**4 869 104 926**	**4 778 872 741**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	R	R
RISK CONTRIBUTION INCOME	**5 881 742 620**	**5 432 003 474**
Relevant healthcare expenditure	**(5 545 995 440)**	**(4 926 304 945)**
Net claims incurred	(5 546 771 496)	(4 942 481 619)
Risk claims incurred	(5 407 727 021)	(4 806 496 443)
Third party claims recoveries	5 391 115	3 407 348
Accredited managed healthcare services	(144 435 590)	(139 392 523)
Net income on risk transfer arrangements	776 056	16 176 674
Risk transfer arrangement premiums paid	(119 064 734)	(98 914 697)
Recoveries from risk transfer arrangements	119 840 790	115 091 371
Gross healthcare result	**335 747 180**	**505 698 529**
Broker service fees and other distribution fees	(103 842 313)	(90 008 584)
Administration and other operative expenses	(400 911 796)	(358 247 024)
Net impairment losses on healthcare receivables	(4 741 334)	(5 481 014)
Net healthcare result	**(173 748 263)**	**51 961 908**
Other income	**254 257 666**	**296 933 958**
Investment income	250 667 879	294 342 667
Scheme	197 610 234	256 015 278
Personal medical savings account trust monies invested	53 057 645	38 327 389
Sundry income	3 589 787	2 591 290
Other expenditure	**(64 649 061)**	**(50 435 716)**
Interest paid on personal medical savings trust accounts	(53 057 645)	(38 327 389)
Interest expense	(5 707 253)	(5 110 423)
Asset management fees	(5 884 163)	(6 997 904)
Discontinued Operations - own facilities	**(19 247 595)**	**(9 582 674)**
Own facility Income	3 665 863	3 397 491
Own facility expenditure	(22 913 458)	(12 980 165)
NET (DEFICIT)/SURPLUS FOR THE YEAR	**(3 387 253)**	**288 877 476**
Other comprehensive income	**7 209 828**	**68 912 819**
Items that will not be reclassified to profit and loss	**7 209 828**	**68 912 819**
Unrealised (losses)/gains on equity instruments designated at FVTOCI	(8 886 577)	68 912 819
Cumulative gains upon disposal of equity instruments designated at FVTOCI	16 096 405	-
Items that will be reclassified to profit or loss	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3 822 575**	**357 790 295**

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2022

	Accumulated Funds	Revaluation Reserve - OCI	Total Members' Funds
	R	R	R
Balance as at 31 December 2020	**3 019 349 271**	**(13 740 397)**	**3 005 608 874**
Net surplus for the year	288 877 476	-	288 877 476
Other comprehensive income	-	68 912 819	68 912 819
Equity investments at fair value through other comprehensive income	-	68 912 819	68 912 819
Balance as at 31 December 2021	**3 308 226 747**	**55 172 422**	**3 363 399 169**
Net deficit for the year	(3 387 253)	-	(3 387 253)
Other comprehensive income	16 096 405	(8 886 577)	7 209 828
Unrealised (losses)/gains on equity instruments designated at FVTOCI	-	(8 886 577)	(8 886 577)
Cumulative gains/(losses) upon disposal of equity instruments designated at FVTOCI	-	16 096 405	16 096 405
Cumulative gains/(losses) on equity instruments designated at FVTOCI transferred to accumulated funds upon disposal	16 096 405	(16 096 405)	-
Balance as at 31 December 2022	**3 320 935 899**	**46 285 846**	**3 367 221 745**

SOLVENCY RATIO

The accumulated funds ratio is calculated as follows:

	2022	2021
	R'000	R'000
Total members' funds per statement of financial position	3 367 222	3 363 399
Less: Cumulative unrealised investment gains	(478 060)	(444 310)
Accumulated funds as per Regulation 29	2 889 161	2 919 089
Gross annual contribution income	6 924 200	6 389 833
Accumulated funds ratio calculated as the ratio of Accumulated funds/Gross annual contributions x 100	**41.73%**	**45.68%**

HIGHLIGHTS OF THE 2022 FINANCIAL STATEMENTS

OPERATIONAL STATISTICS PER BENEFIT OPTION

2022	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Ryhthm1	Ryhthm2	Total Scheme
Members at 31 December	9 997	44 145	7 953	2 798	29 106	8 605	4 912	1 828	183	1 789	**111 316**
Average number of members for the accounting period	9 541	42 831	7 872	2 898	29 240	8 723	4 928	1 871	81	1 823	**109 806**
Dependants at 31 December	9 934	45 401	8 168	2 943	42 886	5 638	4 266	779	118	965	**121 098**
Average number of dependants for the accounting period	9 502	43 753	8 040	3 051	42 932	5 719	4 317	806	52	990	**119 162**
Average beneficiaries for the accounting period	19 043	86 584	15 912	5 949	72 171	14 441	9 245	2 677	133	2 814	**228 968**
Ratio of average dependants at 31 December	1.00	1.02	1.02	1.05	1.47	0.66	0.88	0.43	0.65	0.54	**1.09**
Average age of beneficiaries for the accounting period	36.69	31.09	38.00	46.31	35.13	57.64	56.71	66.92	29.47	49.35	**36.93**
Ratio of beneficiaries older than 65 years	9.52%	4.09%	13.06%	23.39%	10.70%	46.07%	44.43%	64.98%	7.64%	31.70%	**12.88%**
Risk contribution per average member per month	2 731	2 719	4 133	6 778	5 468	7 391	8 889	11 345	1 672	3 259	**4 464**
Risk contribution per average beneficiary per month	1 368	1 345	2 044	3 302	2 215	4 464	4 739	7 929	1 014	2 112	**2 141**
Healthcare expenditure per average member per month	2 428	2 446	3 841	6 630	4 746	7 738	9 495	12 969	1 187	4 042	**4 209**
Healthcare expenditure per average beneficiary per month	1 216	1 210	1 900	3 229	1 923	4 674	5 061	9 064	720	2 619	**2 018**
Relevant healthcare expenditure as a percentage of risk contributions	88.9%	89.9%	92.9%	97.8%	86.8%	104.7%	106.8%	114.3%	71.0%	124.0%	**94.3%**
Non-healthcare expenditure per average member per month	369	379	393	359	403	384	416	375	336	363	**387**
Non-healthcare expenditure per average beneficiary per month	185	187	194	175	163	232	222	262	204	235	**185**
Non-healthcare expenditure as a percentage of risk contributions	13.50%	13.93%	9.51%	5.30%	7.37%	5.19%	4.68%	3.31%	20.08%	11.13%	**8.66%**

2021	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	8 088	35 611	7 493	3 043	28 789	8 439	4 935	1 940	1 896	455	**100 689**
Average number of members for the accounting period	7 616	34 143	7 448	3 138	29 096	8 587	5 001	1 999	1 960	490	**99 478**
Dependants at 31 December	8 393	36 821	7 666	3 214	42 053	5 811	4 320	854	1 039	69	**110 240**
Average number of dependants for the accounting period	8 016	35 146	7 619	3 332	42 482	5 981	4 445	897	1 084	81	**109 082**
Average beneficiaries for the accounting period	15 631	69 290	15 067	6 470	71 577	14 568	9 446	2 896	3 044	571	**208 559**
Ratio of average dependants at 31 December	1.05	1.03	1.02	1.06	1.46	0.70	0.89	0.45	0.55	0.16	**1.10**
Average age of beneficiaries for the accounting period	36.24	31.03	37.62	45.90	34.82	56.35	56.08	66.37	49.03	78.95	**37.28**
Ratio of beneficiaries older than 65 years	9.31%	3.97%	12.81%	22.57%	10.13%	43.26%	42.47%	63.56%	30.80%	90.08%	**13.36%**
Risk contribution per average member per month	2 720	2 655	4 005	6 576	5 291	7 252	8 593	11 043	3 173	6 872	**4 550**
Risk contribution per average beneficiary per month	1 325	1 308	1 980	3 189	2 151	4 275	4 550	7 621	2 043	5 902	**2 170**
Healthcare expenditure per average member per month	2 380	2 370	3 598	6 038	4 494	7 179	8 051	11 486	3 619	6 146	**4 127**
Healthcare expenditure per average beneficiary per month	1 160	1 168	1 779	2 929	1 827	4 232	4 263	7 927	2 330	5 278	**1 968**
Relevant healthcare expenditure as a percentage of risk contributions	87.5%	89.3%	89.8%	91.8%	84.9%	99.0%	93.7%	104.0%	114.1%	89.4%	**90.7%**
Non-healthcare expenditure per average member per month	364	371	383	351	396	378	409	369	357	311	**380**
Non-healthcare expenditure per average beneficiary per month	177	183	189	170	161	223	216	254	230	268	**181**
Non-healthcare expenditure as a percentage of risk contributions	13.38%	13.99%	9.57%	5.33%	7.48%	5.22%	4.75%	3.34%	11.26%	4.53%	**8.35%**

HIGHLIGHTS OF THE 2022 FINANCIAL STATEMENTS

OPERATIONAL STATISTICS FOR THE SCHEME

	2022	2021
Average accumulated funds per average member at 31 December	30 244	33 256
Average accumulated funds per average beneficiary at 31 December	14 504	15 862
Return on investments as a percentage of investments	5.42%	6.51%
Administration and other operative expenses as a percentage of gross contributions	5.79%	5.61%

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.

The difference between the personal medical savings account trust liability and the personal savings trust account assets, is attributable to the timing of the collection of savings contributions versus the transfer of funds from the Scheme's bank account to the Personal medical savings account.

FAIR VALUE AS AT 31 DECEMBER 2022

	2022
	R
Cash and Cash Equivalents	
Current accounts	257 147 790
Financial assets at fair value through profit or loss represent investments in:	
Personal medical savings investments:	
Money market instruments	346 690 346
Linked insurance policies	436 863 044
	1 040 701 180

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

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-Compliance with S26(7) of the Medical Schemes Act & Scheme Rule 13.2.1	Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due. Furthermore Scheme rule 13.2.1 stated that Subscriptions shall be due monthly in advance, or in arrears as shall be determined and approved by the Scheme, on the following dates: 13.2.1.1 On the 20th (twentieth); or 13.2.1.2 On the 25th (twenty-fifth); or 13.2.1.3 On the 1st (first); or 13.2.1.4 As agreed upon between the Scheme and an Employer, and be payable by not later than the 3rd (third) day after each respective due date of each month. There were instances whereby the Scheme, in absence of any agreement or understanding received contributions more than 3 days after due date."	Employer group discrepancies are actively monitored and rectified on a monthly basis.
Non-compliance with Regulation 6 of the Medical Schemes Act and Scheme Rule 15.3.1	Per Regulation 6 of the Medical Schemes Act, a medical scheme must not in its rules or in any other manner in respect of any benefit to which a member or former member of such medical scheme or a dependant of such member is entitled, limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission or late re-submission of an account or statement, before the end of the fourth month— (a) from the last date of the service rendered as stated on the account, statement or claim; or (b) during which such account, statement or claim was returned for correction. Instances were identified where Covid-19 claims were received more than 120 days after treatment date and subsequently processed and paid by the Scheme. The Council for Medical Schemes (CMS) via Circular 56 of 2022 appraised the industry that it has granted an extended exemption to the National Department of Health (NDOH) to ensure that all COVID-19 vaccine claims are eventually paid despite these claims being submitted outside the ambit of Regulation 6 of the Medical Schemes Act (131 of 1998) (MSA). Medical schemes were therefore authorised to process claims received on or before 210 days. "The exemption will be valid for a period of three years or will expire once the NDOH has recovered all vaccine-related costs on all insured members of medical schemes. The Scheme has complied with the Circular.	The Scheme has complied with Circular 56 of 2022.

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Regulation 8 of the Medical Scheme Act & Scheme Rule 13.5.4	Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, 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 Dependants: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits". Instances were identified where certain prescribed minimum benefit "PMB's" claims were incorrectly paid from savings.	Reversals to savings were subsequently effected.
Non-compliance with Section 59(2) of the Medical Schemes Act & Scheme Rule 16.3	Section 59(2) of the Medical Schemes Act states the following: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme". Furthermore Scheme rule 16.3 states the following: Subject to the respective provisions of Rules 12.7, 17.2 and 17.4, the Scheme shall, where an account has been correctly rendered, pay any benefit that is due to a Member, either to that Member or to the supplier of the relevant health service who rendered the account, within 30 (thirty) days after the date of receipt of the claim pertaining to such benefit Instances were identified where claims were paid 30 Days after the day on which the claim was received by the scheme.	Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification.
Non-compliance with Section 33(2)(b) of the Medical Schemes Act	Section 33(2)(b) of the Medical Schemes Act states the following: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option— (a) includes the prescribed benefits; (b) shall be self-supporting in terms of membership and financial performance; (c) is financially sound; and will not jeopardise the financial soundness of any existing benefit option within the medical scheme. During the year under review eight benefit options of the Scheme, namely Beat 1, Beat 2, Beat 3, Beat 4, Rhythm 2, Pace 2, Pace 3 and Pace 4 incurred a net healthcare deficit.	The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must 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	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with S65 of the Medical Schemes Act	Section 65 of the Medical Schemes Act states the following: A medical scheme may compensate any person, in cash or otherwise, in accordance with its rules, for the introduction or admission of a member to that medical scheme. (2) The Minister may prescribe the amount of the compensation which, the category of persons to whom, the conditions upon which, and any other circumstances under which, a medical scheme may compensate any person in terms of subsection(1). Circular 19 of 2022, provides that the maximum amount payable in terms of s65 of the Medical Scheme Act is R122.19 plus VAT. Instances were identified, where Brokers were paid more than the regulated R122.19 plus VAT, as per Circular 19 of 2022 in accordance with S65 of the Medical Schemes Act.	This was an isolated incident and the amount was clawed back immediately after detection.
Non-compliance with Section 28(5) of the Medical Schemes Act	Section 28 (5) of the Medical Schemes Act indicates that "Payment by a medical scheme to a broker in terms of sub regulation (2) shall be made on a monthly basis and upon receipt by the scheme of the relevant monthly contribution in respect of that member." Instances were identified where Scheme members were not linked to the correct Brokerage resulting in commission being paid incorrectly.	All instances were noted and corrections were made, where relevant, and the correct brokers will be paid going forward.
Non-compliance with Regulation 28 & 28A of the Medical Schemes Act	Section 28 and 28A of the Medical Schemes Act states the following: S28: A medical scheme shall immediately discontinue payment to a broker in respect of services rendered to a particular member if the medical scheme receives notice from that member (or the relevant employer, in the case of an employer group), that the member or employer no longer requires the services of that broker. S28A: A medical scheme must not prevent a person from applying for membership of a medical scheme for the reason that that person is not using a broker to apply for such membership. Press release 17 of 2015, further reiterates that only scheme members are allowed to appoint Healthcare brokers of their choice. Instances were identified where a broker appointment letter, corporate broker appointment letter was not in place or it was outdated. Instances were identified where members were assigned to corporate appointed brokerages instead of selected brokers.	The exception has been noted and system enhancements have been implemented
Non-compliance with Regulation 28(1)	Regulation 28(1) of the Medical Schemes Act states the following: No person may be compensated by a medical scheme in terms of section 65 for acting as a broker unless such person enters into a prior written agreement with the medical scheme concerned. Instances were identified, where Brokerage Agreement could not be obtained or agreements were outdated and POPIA Addendum could not be obtained. Instances were identified where the BIT contract start date did not align with the Contract signature date.	The exception has been noted and processes and system enhancements have been implemented
Non-compliance with Section 35(6)(a) of the Medical Schemes Act	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. The terms of the Scheme building lease agreement required a guarantee to an amount of R2 523 036.	The Scheme obtained CMS exemption for guarantees in respect of the building lease (until 31 December 2025) and FSCA (until 28 February 2025) respectively.

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act	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 a certain number 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 groups.	The CMS has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act until November 2025.
Non-compliance with Section 32 of the Medical Schemes Act and Scheme Rule 16.1	Section 32 of the Medical Schemes Act, Binding force of rules, states that "The rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming." Internal audit identified eighteen claims incorrectly paid from risk (acute medicine) with a total value of R1 259.72, however, this medication was not on the acute medication formulatory list. This is in contravention of Scheme Rule 16.1, as members would have been paid for amounts in excess of their benefit entitlement as per Annexure B of the Scheme rules.	This was an isolated instance based on a formulary change.

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