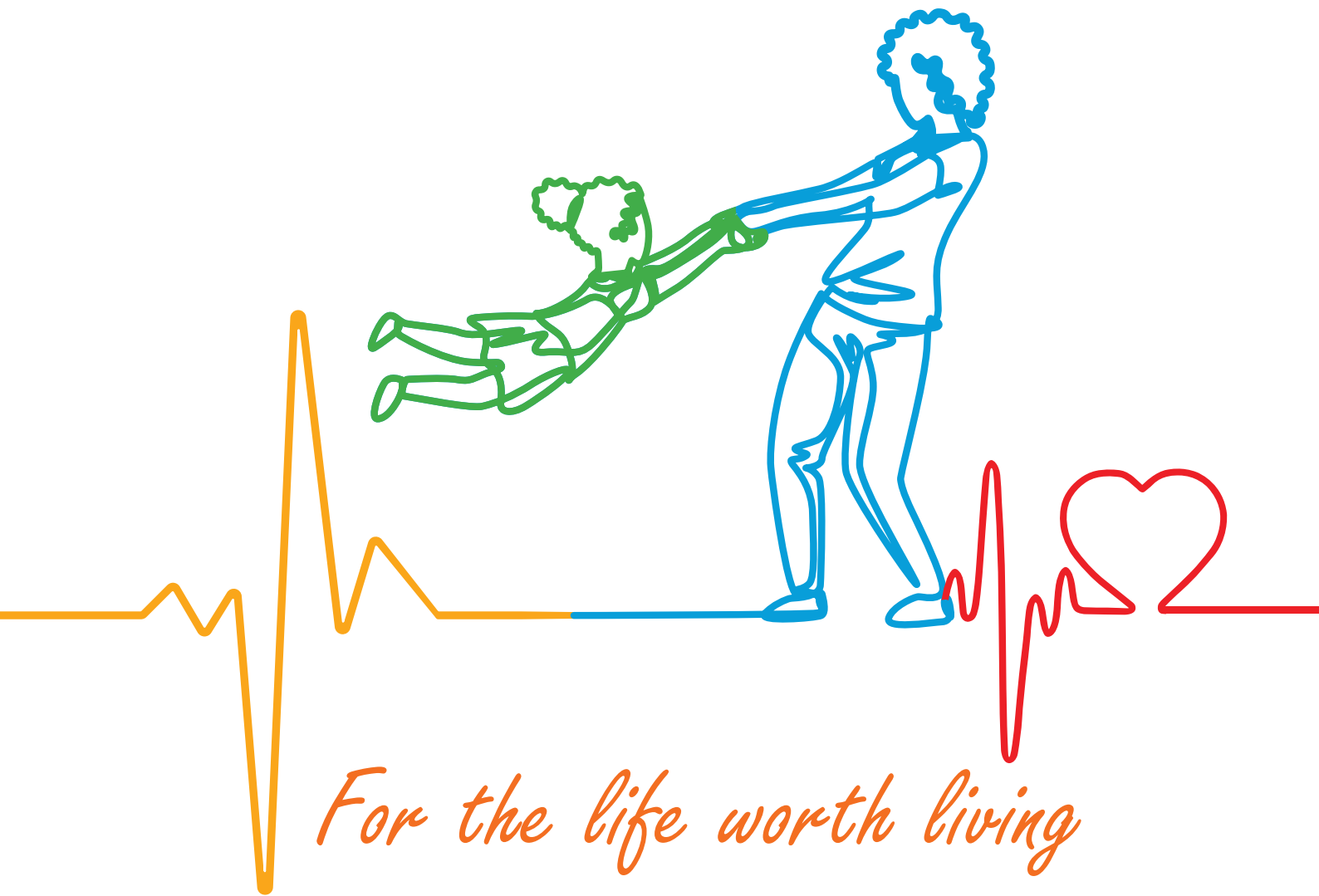


hosmed⁺
medical scheme
care for life



TOGETHER THROUGH LIFE

ABRIDGED ANNUAL REPORT 2019



For the life worth living

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NOTICE OF THE HOSMED MEDICAL SCHEME ANNUAL GENERAL MEETING TO BE HELD ON 26 NOVEMBER 2020

All members of Hosmed are invited to the Hosmed Annual General Meeting (AGM) to be held at Dolphins Leap Conference & Events Centre 35 Humewood Rd, Humewood, Port Elizabeth, 6013

Registration will start at 08h30 and the AGM proceedings will commence at 10h00.

All members are advised to bring their AGM pack with them when attending the meeting.

Please note: Members must identify themselves on registration using their Hosmed Membership Card as well as their valid Identity Document, Passport or Driver's license.

Notice of motions to be placed before the Annual General Meeting must reach the Hosmed offices at 3 Victoria Link, Route 21 Corporate Park, Irene 0178 to PO Box 16148, Doornfontein, 2028 or be e-mailed to malema@hosmed.co.za, 14 (fourteen) days prior to the meeting. Proxy Forms to be submitted, 1 (one) week prior to the meeting. Proxy Forms to be obtained from the Scheme on request from members.

AGENDA

08h30 - 10h00 Registration of Members

- 1 Opening & Welcome
- 2 Confirmation of Proper Notice Given
- 3 Attendance & Apologies
- 4 Quorum
- 5 Adoption of the agenda
- 6 Adoption of the minutes of previous meeting
 - 6.1 - Matters arising
- 7 Chairperson's Report
- 8 Principal Officer's Report
- 9 Presentation and Adoption of the Annual Financial Statements and Auditor's Report
- 10 Confirmation of appointment of the external auditors for the ensuing year
- 11 Presentation and approval of the trustee remuneration for 2021
- 12 Motions for which notice had been given – (Notice of Motions must be received 14 days prior to the AGM)
- 13 Other matters dealt with at an Annual General Meeting
- 14 Closure



Minutes of the Hosmed Annual General Meeting Held on 10th July 2019 at 10h00, at Hans Marenski, Phalaborwa

MEMBER REGISTRATION:

The Registration of Members took place from 08h30 to 10h00

1. OPENING & WELCOME

The Chairperson opened the meeting at 10h00 and welcomed all attendees.

2. CONFIRMATION OF PROPER NOTICE GIVEN

The Chairperson requested the Compliance Executive to confirm whether proper notice had been given to members for the AGM as provided in the Scheme Rules.

Compliance confirmed that proper notice was given in terms of the Scheme Rules.

3. QUORUM

The Compliance Executive confirmed that the meeting formed a quorum as 61 members were present at the meeting and the Scheme rules required only 30 members

4. ATTENDANCE & APOLOGIES FROM THE SCHEME

- | | |
|---|--|
| 1. Members as per the signed attendance registers | 13. Milford Chuene (Compliance Executive) |
| 2. Songandaba D Langa (Chairperson) | 14. Dr Lebogang Maroo (Clinical Executive) |
| 3. Pieter Schutte (Vice Chairperson) | 15. Khethie Phooko (Medscheme – CFO) |
| 4. Nicolaas J Erasmus (Trustee) | 16. Ruvaan Meintjies (Public Relations Officer) |
| 5. Pieter Schutte (Trustee) | 17. Lebogang Maifadi (Communications Specialist) |
| 6. Priscilla Dumelagosi (Trustee) | 18. Samantha Preston (Compliance Administration Support: Scribe) |
| 7. Ngwako Monyela (Trustee) | 19. Sibonelo Cele (CMS) |
| 8. Tony Mazza (Trustee) | 20. Jan van Staden (Deloitte – External Auditor) |
| 9. Ndidinwangani Netili (Siwelani) (Trustee) | 21. Thobile Thomas (KDBS – Electoral Officer) |
| 10. Dr Albert Nhlanhla (Trustee) | 22. Vusimuzi Sobekwa (Nexia SAB&T – Electoral Auditor) |
| 11. Martin G Hennig (Trustee) | |
| 12. Dr Arthur Vusimuzi Memela (Principal Officer) | |

There were no formal apologies.

5. ADOPTION OF THE AGENDA

The Compliance Executive confirmed that the meeting formed a quorum as 61 members were present at the meeting and the Scheme rules required only 30 members

- 5.1 The Chair referred to the agenda of the day and requested adoption thereof.
- 5.2 Member # 90618358 proposed that section B be included in the agenda.
- 5.3 The Chair requested the PO to elaborate on Section B.
- 5.4 The PO indicated that the items on the agenda were items ordinarily transacted on at an AGM. He explained that after the AGM closed there would be a separate process where the Electoral Officer would come in to explain the election process and announce the elections results.
- 5.5 Member # 90618358 requested that the electoral process form part of the agenda and the election process be outlined prior to the agenda being adopted.
- 5.6 Member # 91161332 indicated that he had made a submission to the Principal Officer and asked if the item would be included on the agenda
- 5.7 The Compliance Executive addressed the meeting and indicated that it would not be proper to rearrange the agenda in the manner being requested.
- 5.8 The PO responded to the question raised by Member # 91161332 and indicated to the member that the issues he had raised will be addressed in the operations report as they related to the financials of 2018 and further indicated that the proxy received was not in accordance with the rules.
- 5.9 The Chair indicated that in light of the explanation received the agenda was proper and proposed the adoption of the agenda. He explained that the voting was still open to members and the Electoral Officer was engaged with the election process as the AGM was ongoing. He further indicated that member would have the right to pose any questions to the Electoral Officer under Section B of the agenda.
- 5.10 Member # 90372373 opposed the proposal to adopt the agenda and requested the Electoral Officer be called in to explain the process prior to the adoption of the agenda.
- 5.11 The Chairperson responded that the meeting would be adjourned to allow management to engage the Electoral Officer on the matter.

5. ADOPTION OF THE AGENDA (Continued)

The meeting was adjourned for 5min.

- 5.12 The Chairperson indicated to the meeting that the Electoral Officer indicated that the voting was still ongoing and would be closed at 11h00 and therefore he could not address the members until the process was closed. The Chairperson proposed that Section B be added to the agenda as item number 14 and then closure as item number 15.
- 5.13 Member # 90055430 suggested the agenda be adopted with the proviso that the Electoral Officer come in to address the members at 11h00 when the electoral process had ended.
- 5.14 Member # 90372373 opposed the adoption of the agenda
- 5.15 Member # 90886334 indicated that the agenda could not be adopted with the items wrongly structured and urged the Chair to call the Electoral Officer to outline the process to the members.
- 5.16 The Electoral Officer (Thobile Thomas) joined the meeting and introduced himself. He informed the house that he was from KDBS consulting and was the Chief Electoral Officer for the 2019 Hosmed Trustee elections.
- 5.17 The Electoral Officer indicated that they were in the process of conducting the last leg of the elections which was the AGM voting for members who had not had the opportunity to vote online, by post or at an election site and the voting process would close at 11h00. He further explained that the Electoral Officer would then consolidate the results and hand it over to the Electoral Auditors to validate where after the results would be brought back to the AGM for announcement of the results.
- 5.18 Member # 90618358 moved for adoption of the agenda
- 5.19 Member # 90372373 seconded the adoption.

The agenda was adopted as amended.

Moved by Member # 90618358

Seconded by Member # 90372373

6. MINUTES OF THE PREVIOUS MEETING

- 6.1 The Chair went through the minutes page by page.
- 6.2 Member # 90886334 requested guidance on how to deal with omissions on the minutes.
- 6.3 The Chair responded that if there were any omissions identified they could be raised.
- 6.4 Member # 90886334 proceeded to state that at the previous AGM in Bloemfontein an issue was raised on the Scheme rules in particular regarding the elections to be conducted through ballot voting only and said this was not reflected in the minutes.
- 6.5 The Compliance Executive responded that the only issue raised on the Scheme rules related to the constitution of the nomination committee and confirmed that the nomination committee was constituted with professional Trustees who could not stand for elections. He further indicated that the issue regarding the ballot voting had been raised at the AGM held in Witbank and assured the members that the rules were written to allow the Electoral Officer to conduct the elections in line with best practice.
- 6.6 Member # 90886334 thanked the Compliance Executive for dealing with the nomination committee but asserted that the ballot voting was an omission in the minutes.
- 6.7 Member # 90697773 said that the omission in the minutes may have been due to the language barrier and the fact that the minutes were recorded in English.
- 6.8 The Chair proposed adoption of the minutes subject to Compliance Executive revisiting the AGM record with a view to confirm whether there was an omission.

The minutes were adopted subject to the confirmation of the omission.

Member # 90618358 moved for the adoption of the minutes.

Member # 90886334 seconded the adoption.

7. MATTERS ARISING

- 7.1 The Chair handed over to the PO to take the meeting through the matters arising.
- 7.2 The PO informed the meeting that the only matter arising from the previous meeting was the provision of translation services. The PO confirmed that the Scheme had appointed interpreters who were seated at the back of the hall. He explained that the Scheme was engaging the process of possible translation of Scheme documentation and the process of implementation over a period of 3 to 5 years depending on the costs.
- 7.3 Member # 90886334 expressed dissatisfaction in respect of the possible omission in the previous minutes in respect to concern regarding online voting and indicated that there would be a formal complaint lodged to the Board after obtaining legal advice and interpretation of the Scheme rules on the matter.

RESOLUTION:

The AGM resolved to note the feedback on the translation services.



8. CHAIRPERSON'S REPORT

8.1 The Chairperson reported that the past 4 years had been good for the Scheme with good governance and financial stability. The Scheme also worked well with the CMS and thanked the CMS for their guidance over the years. The Chair proceeded to thank management and fellow Board Members for their diligence, staff and members for the positive contribution towards the overall success of the Scheme. He indicated that the Board had tried to shape the Scheme through members' shared ideas and wished the new board success in taking the scheme forward.

RESOLUTION:

The AGM resolved to note the chairperson's report.

9. PRINCIPAL OFFICER'S REPORT

9.1 The PO informed the meeting that he would be presenting the highlights for 2017 and 2018 and reported the following:

9.1.1 The Scheme demographics for the period and solvency ratio for 2017 stood at 28.24% and for 2018 at 33.75%

9.1.2 The Scheme's performance was In line with the 2016 Scheme strategy

9.1.3 The accumulated reserve was R488 mil compared to R403mil the previous year

9.1.4 There was a steady improvement in the Scheme's solvency ratio from 2013-2018. The Solvency ratio improved to 33.75% in 2018 compared to 28.24 in 2017

9.1.5 In terms of healthcare expenditure there had been a decrease in utilization as a result of the 7.33% membership reduction year-on-year.

The overall 2018 claims expenditure reported was R1 204 597 068, compared to 2017 expenditure of R1 256 849 342, which translated to an expenditure decrease of 4.14% year-on-year

9.1.6 The chronic registration ratio increased in 2018 which meant the scheme was able to contain and maintain downstream costs.

9.1.7 The 2018 strategic goals were achieved, one of which was presenting minimal increases for 2019 by passing the surplus back to the members.

9.1.8 The Strategic Goals for the period 2019 – 2021 were as follows:

- To ensure operational excellence while promoting Scheme-wide innovation
- To maintain a strong corporate organization
- To grow the Scheme's membership in an innovative and sustainable way
- To maintain strong relationships that maximize value for all stakeholders
- To remain a financially viable, responsible and transparent Scheme
- To promote member wellness and enable member access to quality healthcare

9.2 The PO indicated that the Scheme valued the input from the governance structures post curatorship and confirmed that the monitoring by the CMS continued.

9.3 The PO concluded by thanking members for their loyalty to the Scheme and echoing the Scheme's mission to Care for Life.

9.4 Member # 90372373 requested clarity on the membership figures which had decreased to 21 000 and also regarding the members of Hosmed that were ageing (pensioners) and asked if there was a plan in place to address these issues.

9.5 The PO responded that there was an 8% loss of membership from the previous year to the current year.

9.6 Member # 90618358 indicated that there was a marketing manager appointed and it was expected there would be at least 3-4% membership growth and asked what the challenges were.

9.7 The PO responded that one of the strategic outcomes of the previous strategy was to achieve 95% retention of existing membership which was realized. He explained that the migration from previous to current administrator revealed certain operational inefficiencies, for example the contributions being charged in for a child dependant as defined in the rules and adult dependant as defined in the rules were not applied correctly. The Scheme embarked on a membership project to correct the issue to enable the Scheme to collect the correct contributions and this led to some members not being able to afford the corrected contributions and resulted in some members opting out of the Scheme.

9.8 Member # 90618353 mentioned that the Scheme conducted a marketing campaigns across the country and expected that this should have resulted in gaining new members, but seemingly it was a futile exercise.

9.9 The PO responded that there was some stigma in previous years regarding the Hosmed brand not being visible and that implied the Scheme not having money. The brand awareness campaign was for this purpose and an impact was made although the Scheme could not immediately unlock the inherent value. The PO indicated that it was important to note that no marketing initiative was for nothing and in terms of the Net Promoter Score(NPS) the Scheme had made some strides and going forward in the next three years the Scheme planned on capitalising on this and put Hosmed on a growth path.

9.10 Member # 90831806 stated that there were issues with brokers not servicing the members at certain employers and this led to members leaving the scheme.

9.11 Member # 91161332 indicated that the broker system was sometimes not effective as there were issues with claims pending for several months and also issues where members were investigated after being hospitalized. The member was of the opinion that the Scheme needed new methods as the current methods were ineffective.

9.12 Several members raised queries in respect of the administration of the Scheme, claims payment, authorisations etc.

9.13 The PO noted all the queries raised and urged the affected members to provide the details to the Scheme to ensure the matters were resolved.



9. PRINCIPAL OFFICER'S REPORT (Continued)

- 9.14 The PO welcomed members to submit input into the growth strategy of the Scheme and said this could be included in the growth strategy for the new board.
- 9.15 The PO advised that the administration contract with Medscheme would also be looked at by the Board and scrutinized to strengthen certain areas.

RESOLUTION:

The Principal Officer's report was noted.

10. ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS

- 10.1 The Chair called upon Khethie Phooko (KP) to report on the 2017 and 2018 financial results.

2017 Financial Statements

- 10.2 KP referred to the 2017 annual report and reported the following:
- 10.2.1 The membership was at 23981
- 10.2.2 The Pensioner ratio increased by 4.8% but remained less than the industry benchmark;
- 10.2.3 Solvency ratio showed an improvement from 25% to 28%
- 10.2.4 The Net contributions collected were 1.4billion higher than 2016
- 10.2.5 The scheme had a surplus of 68mil for 217 versus the loss of 2mil the previous year
- 10.2.6 The admin expenses increased in 2017
- 10.2.7 Overall options performed well.

RESOLUTION:

The 2017 Financial statements were adopted.

Moved Member # 90372373

Seconded by # 90055430

2018 Financial Statements

- 10.3 KP referred to the 2018 annual report and reported the following:
- 10.3.1 The Membership was at 22 221
- 10.3.2 The Pensioner ratio increase from 2017 to 2018 but remained below industry benchmark
- 10.3.3 The solvency improved from 28% to 33%
- 10.3.4 The Reserves increased from 402mil to 406mil
- 10.3.5 The Scheme made a surplus of 81mil for 2018
- 10.3.6 The Administration expenses dropped for 2018 versus 2017 attributed to tighter controls
- 10.3.7 There was 1.4billion contributions collected vs 1.427billion in 2017
- 10.3.8 There was a progressive improvement on all options for the year with all options presenting a surplus.
- 10.4 Member # 90886334 referred to page 17 advertising and promotions and noted that the Scheme used at least 7mil + 750k + 782k for the period. He asked for asked for breakdown of the cost of the 7mil for the previous year's AGM and indicated that it was wasteful expenditure. He further noted R12mil advertising expenditure and stated that the scheme was going down despite these expenses. The member believed the scheme had been looted and requested a justification.
- 10.5 Member # 91161332 wanted to know in addition to what the member had just said he asked what the reason for the spike in conference venue and catering of 573k as well as for legal fees, printing, postage, courier, travelling and accommodation.
- 10.6 The PO responded that the financials provided were abridged versions and members had been referred to the complete set of financial statements which were available on the Scheme's website and these financials would include the detailed ledger points. He further explained that should there be any items of concern the new board could investigate them to determine whether there were any undue expenses. He indicated that nonetheless the financials were a true reflection of the expense that were incurred by the Scheme.
- 10.7 The Chair requested that the financials be adopted.
- 10.8 Member # 91161332 opposed the adoption.
- 10.9 The Chair proceeded to say that the PO had explained that the full versions of the financials were available on the website. He further explained that the difference in cost between the 2017 and 2018 AGM was because 2017 was a normal AGM while 2018 was an elective AGM which was unfortunately postponed at the last minute upon instruction from the CMS and the high court. He said the board always prided itself with good governance. He further indicated that the financials were audited by Deloitte and there were no material statements on the financial statements.



10. ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS (Continued)

- 10.10 Member # 90064411 indicated that the information should have been before the AGM and not placed only on the Scheme's website.
- 10.11 The chair asked if it was the feeling of the house not to adopt the 2018 financial statements
- 10.12 Member # 91161332 said that it seemed that at each AGM the members were running short of the proper documentation. He said that the members should even be provided with the Scheme rules at the AGM. He suggested that CMS be called upon to provide guidance on what happens when financials are not adopted by the AGM.
- 10.13 The Compliance executive advised that the Scheme was entitled to provide abridged versions of documents in terms of clause 27.1.2.1 of the scheme rules
- 10.14 Mr. Sibonelo Cele (CMS representative) addressed the house. He informed the members that the financials had been submitted to CMS and at face value they met all the requirements. If there was an allegation that there was a misappropriation of funds it would not be detected by CMS just by looking at them. Should a member have such a claim the CMS would be willing to investigate those claims. He explained that with regard to the adoption of the financial statements, should the Scheme be unable to adopt the financial statements the Registrar had in terms of the Act the powers to adopt such financials. He advised that even if the financials were adopted CMS could still be engaged on any further investigations.
- 10.15 Member # 90701752 said what he understood from Mr. Cele's explanation was that the financials could be adopted and could still be investigated in future.

RESOLUTION:

The 2018 Financial statements were adopted.

Member # 90701752 moved for adoption

Member # 90372373 seconded.

11. APPOINTMENT OF EXTERNAL AUDITOR FOR ENSUING YEAR

Deloitte & Touche was excused from the meeting whilst the matter was deliberated on.

- 11.1 The Chair informed the meeting that Deloitte was appointed as the Scheme's external auditor through a tender process for a period of three years, and the Scheme Rules required confirmation by the members on an annual basis to authorize the appointment for the ensuing year.
- 11.2 #90886334 stated that the new board would appoint the auditors for the ensuing year.
- 11.3 The Chair explained that the appointment must be done by the AGM as it was a member decision. He explained that from a Procurement point of view Deloitte had been appointed for three years.
- 11.4 Member #90886334 said there may be a new mandate from the new elected board which could lead to a new appointment and then a special AGM could be held.
- 11.5 The Chair indicated that this was a governance issues and handed over to the Compliance Executive to explain.
- 11.6 The Compliance Executive explained that the members at the AGM were required to ratify the appointment by the Board of the auditors for the ensuing year. He explained that in the event the AGM failed to appoint an auditor, the Board would have 30day thereafter to make the appointment and should the Scheme still fail to make an appointment the Registrar would make the appointment for the Scheme.
- 11.7 The Chair stressed the importance of the matter and indicated that should the AGM fail to appoint an auditor, then the Scheme ran the risk of then having other administrative burdens which the Scheme would then have to resolve in order to regularize the Scheme and ensure the Scheme has an auditor.
- 11.8 #90886334 said he took serious exception with the Compliance Executive's statement. He was of the opinion that the AGM was being forced to take decisions and said that CMS must then be allowed to step in and make the appointment.
- 11.9 #90055430 asked if the requirements in terms of the auditors was outlined in the Scheme rules. He further indicated that in terms of good governance the Scheme must have an auditor. He asked if the AGM could make an expression of a third auditor.
- 11.10 #91308955 stated that it seemed the Scheme had already sought a new auditor and what was required was a formal approval to continue using the auditor, but the Scheme had already sealed the deal with the auditor.
- 11.11 The Chairperson responded that the Board did run the procurement search for an auditor as this process could not be run at the AGM and the rules of the Scheme or Companies Act in the case of a company would require the members of the AGM to approve the auditor. He further confirmed that Deloitte had conducted the 2018 Audit and the 2018 Annual Financial Statements which were approved .
- 11.12 #90372373 suggested that they could not support the appointment when they had concerns.

RESOLUTION:

The AGM could not ratify the appointment of Deloitte for the ensuing year.



12. APPROVAL OF TRUSTEE REMUNERATION FOR 2019 / 2020

- 12.1 The PO informed the AGM that the adopted Trustee Remuneration Policy provided for an inflationary increase of trustee remuneration annually.
- 12.2 The PO indicated that the 2019 and 2020 Trustee remuneration was before the AGM for approval given that the 2018 AGM was postponed.
- 12.3 The PO confirmed that the inflationary increase would be applied as published by the Statistics South Africa each year.

RESOLUTION:

The AGM resolved to approve a CPI linked Trustee Remuneration increase for 2019 and 2020.

Moved By: #90618358

Seconded By: #90055430

13. OTHER MATTERS

- 13.1 #90886334 stated that the motions had not been discussed.
- 13.2 The PO responded that there was one motion received which did not comply with the requirements, however the matter was addressed in the PO's operations report.
- 13.3 #90831806 asked for clarity on the term of office of Trustees.
- 13.4 The Compliance Executive confirmed that the term of office in terms of the Scheme rules for elected Trustees was three years and for appointed Trustees was two years.

RESOLUTION:

The AGM resolved to note the matters.

14. ELECTORAL PROCEEDINGS

- 14.1 The PO called upon the independent Electoral Officer, Mr. Thobile Thomas to address the AGM on the electoral process.
- 14.2 The Electoral Officer addressed the AGM and indicated that since the start of the electoral process the Scheme had been kept up to date with reports after each and every important milestone and a detailed report of all the activities undertaken by the Electoral Officer had also been provided to the Independent Electoral Auditor in order for them to verify that the correct processes had been followed up to and including the pre-AGM voting and AGM voting.
- 14.3 The Electoral Officer informed the AGM that the election process started with notices to the members coupled with an invitation for members to nominate trustee candidates of their choice. The notices were published in the Sunday Times and City Press to ensure maximum visibility.
- 14.4 The member packs were also posted and e-mailed to members and walk-in centres/election sites were opened up across the country.
- 14.5 Furthermore, there was a dedicated website for the elections, a dedicated telephone line and SMS notices were sent to all members.
- 14.6 Once the nominations were closed the candidates were validated and screened in accordance with the requirements of the Scheme rules as well as the requirements prescribed by the CMS. Candidates who did not meet the criteria were informed accordingly.
- 14.7 The process then moved on to the pre-AGM voting phase and the CV's of candidates and their ballot papers were posted to all members. There was a security feature included that made it impossible for anybody to abuse the process. Members were afforded the opportunity to post back the ballot forms or deposit their votes at any of the election sites. There was also an online voting option using your unique ID number.
- 14.8 The AGM voting was opened, and members were depositing their votes during the course of the morning.
- 14.9 #91161332 indicated that members had a challenge in respect of literacy and others had not received the AMG pack or voters roll. He indicated that the KZN area only had two areas that catered for the voters and so the members options were limited and therefore did not get the opportunity to vote. He then questioned whether the elections were in fact free and fair.
- 14.10 The Electoral Officer responded that a medical scheme's elections were unlike the government elections who had the budget to provide for numerous election stations. The costs would be too high for members. He explained that the number of stations were representative of the number of members in each area and was based on a determined threshold.
- 14.11 #91161332 asked the Electoral Officer to confirm how many votes were received in relation to the total number eligible members on the member card holder file. He further indicated that that areas such as Newcastle and Ulundi had a large membership, but no voting stations had been allocated in these areas.
- 14.12 The Electoral Officer responded that the allocation of the election stations was based on the figures provided by the Scheme and was decided long before the start of the Pre-AGM voting. Furthermore, he indicated that the process was opened up to anyone to participate and members may have opted not to participate out of choice and therefore the number of people that voted could not be determinant of whether the process was free and fair.
- 14.13 The Electoral Officer confirmed that all the processes that were agreed upon were in line with best practice and nobody was unfairly disadvantaged. He indicated that the total number of people who voted would be announced with the elections results.
- 14.14 The Electoral Officer handed over to the Electoral Auditor (Vusi Sobekwa from Nexia SAB & T)



14. ELECTORAL PROCEEDINGS (Continued)

- 14.15 The Electoral Auditor confirmed that they performed the work in terms of the agreed upon procedures as agreed upon with the Scheme management and nominations committee.
- 14.16 He confirmed that each and every stage of the elections were audited and verified, and progress reports were shared with the Nominations Committee and Steering Committee.
- 14.17 The Electoral Auditor confirmed that the final results had been verified using general computer controls to ensure that the online voting was correct.
- 14.18 The Electoral Auditor further confirmed that the results to be announced had been verified and accurately represents the voting that was received by the members of the Scheme. He also confirmed that the members who voted were on the card holder file obtained from Medscheme.
- 14.19 The Electoral Officer proceeded to indicate that the voting results were ordered from highest to lowest for each of announcement of the results. Before proceeding he indicated that there was one candidate on the list who had been disqualified due to having a criminal record. The candidate was provided an opportunity to respond on the matter but failed to provide information to the contrary.
- 14.20 The Electoral Officer proceeded to announce the results as follows:
1. Priscilla Dumelakgosi 679 votes
 2. Antonio Frederick Mazza 669 votes
 3. Songandaba Derryl Langa 659 votes
 4. Busisiwe Zinhle Maseko 642 votes
 5. Pogiso Patrick Shikwane 558 votes
 6. William Mpho Monei 520 votes
 7. Nicolaas Johannes Erasmus 475 votes
- 14.21 For the record the Electoral Officer announced the subsequent votes as follows:
8. Ndidinwangani Netili 415 votes
 9. Pieter Gerhardus Schutte 386 votes
 10. Velaphi Wilson Khubheka 306 votes
 11. Joseph Molema 303 votes
 12. Hilda Maple Fochikane 300 votes
 13. Nonhlanhla Gumede 210 votes
 14. Gabriel Pontsho Chauke 208 votes
 15. Enoch Noko Nong 207 votes
 16. Imran Sadath 198 votes
 17. Rajesh Anirudt 181 votes
 18. Vusimuzi Ruben Nkosi 168 votes
 19. Ngwako William Monyela 152 votes
 20. Sandile Blessing Mtetwa 134 votes
 21. Lusha Dren Perumal 104 votes
 22. Machaba Phala 101 votes
 23. Kedibone Kubyane 83 votes (disqualified)
- 14.22 The Electoral Officer confirmed that a total of 1340 people voted and reported that there was a higher interest and appetite for on-line voting
- 14.23 The Electoral Officer thanked Hosmed for the opportunity to play this role in the election.

RESOLUTION:

The AGM resolved to note the election results.

15. CLOSURE

The PO took over as Chair and thanked the Interdependent Electoral Officer and Electoral Auditor for their service. He further informed the meeting that the election reports would serve before the upcoming meeting Board and extended an invitation to the newly elected Board members to attend an inaugural meeting on the Monday the 15th of July 2019.

The Chair thanked all the voters for their participation and assured the AGM that all the matters discussed would be taken up by management and will ensure that all matters receive immediate attention.

The Chair invited the members to lunch and adjourned the meeting at 15h45.





HOSMED STRATEGIC GOALS



Goal 1: Strong Corporate Organisation

Hosmed requires strong organisational governance, and management with the capabilities, skills, experience, and commitment to implement its strategy with the support of the Board of Trustees.



Goal 2: Growing Scheme Membership

For an open Scheme, steady membership growth is vital to sustainability. Hosmed needs to retain and aggressively grow its year-on-year membership.



Goal 3: Strong Stakeholders Relationships

Hosmed will strengthen its stakeholder relationships, as this is crucial to its long-term survival and growth. Thus, Hosmed will develop these relationships with its members, employers, vendors and medical service providers.



Goal 5: Members have Access to Quality Healthcare

Hosmed Medical Scheme will continue to focus on providing its members with excellent value through real access to quality healthcare.



Goal 4: Maintain Financial Sustainability

Hosmed will fund quality, cost-effective healthcare cover for its members while meeting or exceeding the required Scheme solvency ratio. This requires maintenance of financial stability over time.

MESSAGE FROM THE BOARD CHAIRPERSON



Songandaba Derryl Langa
Chairperson: Hosmed Medical Scheme

Throughout this year, South Africans have all become familiar with the phrase “Fellow South Africans”. As a Nation, we have grappled with guessing and anticipating what was to follow those three words. The country was in a grim state, and we are still reeling from the effects of a pandemic which caused panic on a global scale and continues to do so.

We are still engaged in an ongoing battle with an invisible enemy, but live to appreciate the efforts taken by the government, our frontline workers, and all our stakeholders who threw themselves into the monumental task of ensuring that each and every staff member stays safe. This task is not over; the pandemic is still with us and, according to expert predictions, will be for some time to come.

I urge that we remain vigilant and observe the prescribed safety protocols, lest we lose important ground in the battle against the COVID-19 threat.

Reports indicate that the Scheme is also on the frontline of the battlefield, daily combatting the pandemic, and we are engaging in public awareness and driving consciousness to keep flattening the curve. We would also like to extend our sympathies and condolences to the families and friends of those who were lost to the pandemic.

“On behalf of the Board, I wish to thank you all for the role you continue to play and your contribution towards making our business a SUCCESS.”



THE SCHEME OVERVIEW

The Board continues to appreciate the Scheme’s performance and all efforts made by staff, management, and our stakeholders during these challenging times.

- “Living the organisational values project” initiated in line with our strategic goal – **To ensure operational EXCELLENCE.**
- We continue to maintain strong corporate **GOVERNANCE.**
- Activities are strongly directed towards the consolidation of **RISK management.**
- Net relevant healthcare expenditure remains within budget.
- **SOLVENCY** remains above the legislated requirement.
- Amidst market volatility, investments continue to produce **POSITIVE** returns.
- Membership attrition is displaying a downward **POSITIVE** trajectory.
- The Scheme continues to enhance service delivery **OPTIMISATION** through the monitoring of Managed Care Organisation, and Administration and Provider Networks.

And lastly ...

- We continue with the principle of contracting for value.

In general, the outlook looks positive, which is most satisfying.

MERGER TRANSACTION WITH SIZWE MEDICAL FUND

It is our responsibility to put this transaction into perspective after having received a number of comments and objections from our members, in particular.

It is worth noting, however, that the consultation process (as required by CMS guidelines) produced positive feedback from our members voting in support of the amalgamation.

The motivation for Board’s decision to engage in mergers and acquisition is primarily driven by strategic business objectives focussed on the need for growth, the gaining of financial strength, the building of a sound risk pool, and creation of capacity for critical mass, which is a cost contained enabler relating to (amongst others) provider negotiations and pricing settlements.



The primary drive in terms of this amalgamation would be to grow in new grounds and create business and sector diversity coming the combined Scheme, if and when approved.

It is not abnormal for Hosmed Medical Scheme to become involved with transactions of this nature. I am speaking to the converted when I say that amalgamations are a common occurrence in the industry, and we should remain cautious of becoming too complacent, and should be actively engaged in such matters and open to these possibilities.

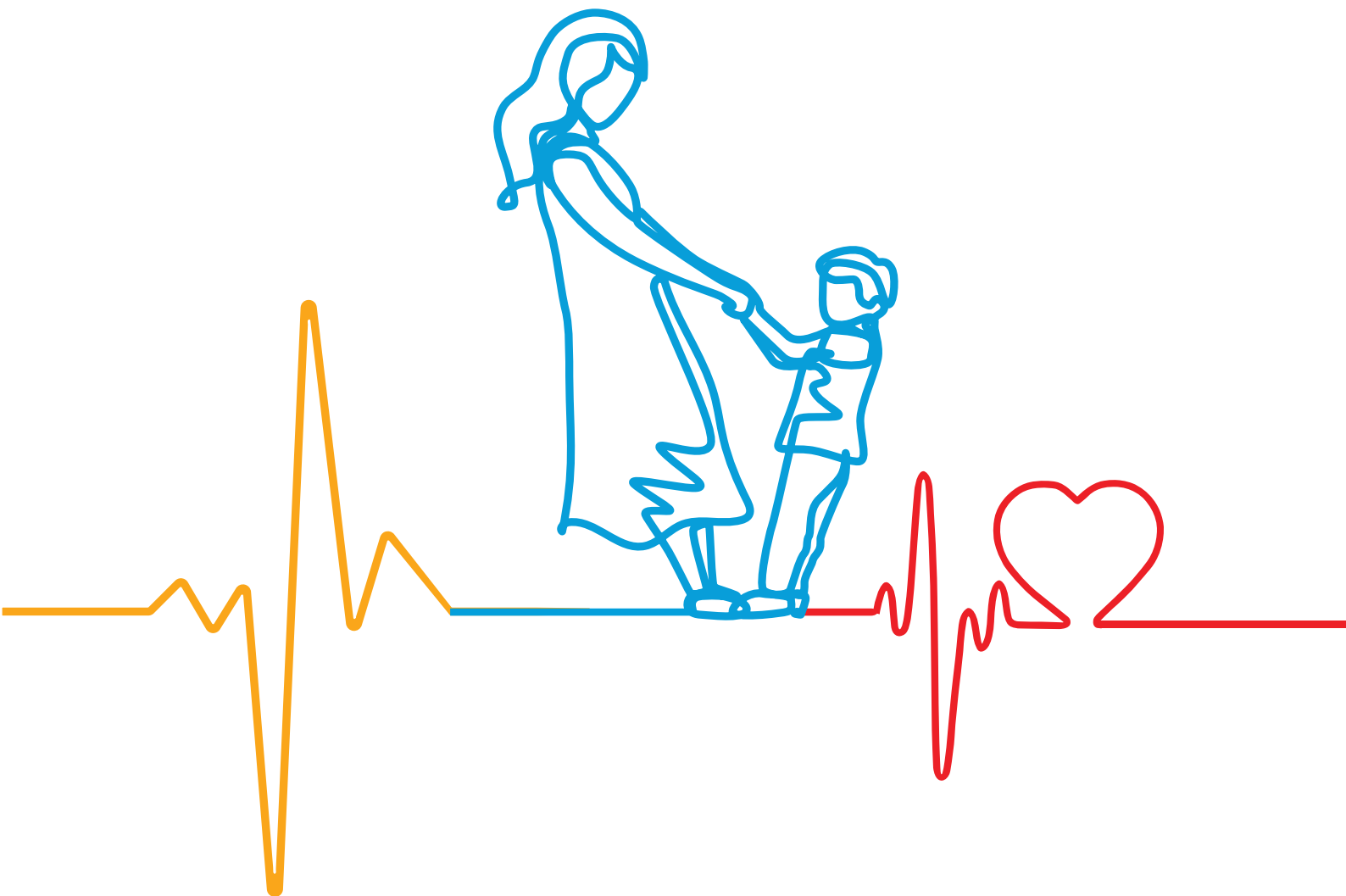
It will always be the Board's prerogative to take note of member concerns, regulatory directives, and industry bodies involved in guiding business as related to the Scheme.

IN CLOSING

On behalf of the Board, I wish to thank you all for the role you continue to play and your contribution towards making our Scheme a SUCCESS.



Songandaba Derryl Langa
Chairperson: Hosmed Medical Scheme



MESSAGE FROM THE PRINCIPAL OFFICER



Malema Pitsoane
Acting Principal Officer:
Hosmed Medical Scheme

INTRODUCTION

2020 has been a tumultuous year, one in which a number of industries have had to deal with hitherto unknown challenges. This is no less true for the medical aid industry, which has seen its own share of new challenges and developments. As the Hosmed Medical Aid Scheme continues to thrive, we are constantly seeking out new avenues of exploration and further growth opportunities.

Some of the ways in which we will be doing this is through initiatives focussed on:

- Achieving membership growth in the South African Local Government Association (SALGA);
- Attracting young membership; and
- Identifying pockets of competitiveness upon which to build marketing strategies.

The Council for Medical Schemes (CMS) issued circular 52 of 2020 encouraging medical schemes to freeze contribution adjustments for 2021, or to cap increases at 3.9%. The Hosmed Board has approved the benefit and contribution adjustments for the 2021 benefit year for submission to the CMS. Management is intending to use the CMS submissions as a basis to promote the Scheme's 2021 products.

“ As the Hosmed Medical Aid Scheme continues to thrive, we are constantly seeking out new avenues of exploration and further growth opportunities. ”



Our marketing strategy in terms of this will consider the difficult economic outlook and future predictions, with a focus on encouraging single parent families to switch to the Scheme. This will be done via a number of campaigns geared towards illustrating the potential savings to be had when joining the Access and Value Core plans, specifically. It is here that we have found that members can save between R400 and R900 per month when compared to other schemes in the market.

Our key strategies will centre around emphasising the following:

- The out-hospital benefits offered by our Access plan, with optical benefits from the risk pool.
- Free gynaecological and paediatric consults if Medical Savings are depleted for young, single parent families on the Access plan. The plan also includes up to four free GP consultations, as well as unlimited oncology treatment. Since it is not a Prescribed Minimum Benefits plan only, there is also non-PMB treatment provided in and out of hospital.

- Members on competing schemes are paying significantly more for similar or lesser plans to that of our Value Core plan (almost R11 000 per annum), which will be a contributing factor to the ways in which this plan is marketed.
- When it comes to our Value Core plan, there are unlimited GP consults and higher out-hospital benefits, which has the potential to attract a younger target demographic if marketed in that fashion.
- It is particularly important that we seize the available opportunity to highlight the fact that a significant majority of members belonging to comparator schemes would financially benefit from our Value Core plan.

One such demographic we would like to foster an interest in is the South African Local Government Association (or SALGA), where there is huge growth potential. This potential is largely due to familiarity with the Hosmed brand, particularly by former members. It is within this space that we hope to attract membership to our new Value Core plan, predominantly, which has the potential of appealing to and recruiting a new, young membership.



TARGETED MARKETING

Access Plan

The Access Plan is most suited to attracting a young demographic from two competitor schemes. When examined in relation to these competitor medical aid schemes, research has indicated that Access contributions are significantly cheaper for single parent families. The savings increase with the number of children, and here initiatives undertaken will focus on marketing the plan by referring to young families in order to attract young principal members.

Our research indicates that our Access plan offers a saving of R399 when considered in relation to competing schemes with the same level of allocation to MSA. In 2021, this would equate to a saving of R4 788 which -- I'm sure we can all agree -- is a significant amount.

Value Core Plan

There are similar savings potentials that can be leveraged to attract new members in our Value Core plan where contributions are cheaper than comparator schemes for single parent families. The saving for a single parent with two children is R375 per month, which is an equivalent of R4,500 per annum.

Based on the assumption that competitors will adjust contributions by 3.9%, savings for single parents will be considerably more if they were to change to Value Core. Since it is a traditional plan, newer members may prefer MSA plans on the basis that unutilised funds are carried forward to future benefit years. It should, however, be demonstrated that lower contributions on a traditional plan may also provide such savings whilst providing better coverage of out-hospital benefits.

IN CONCLUSION

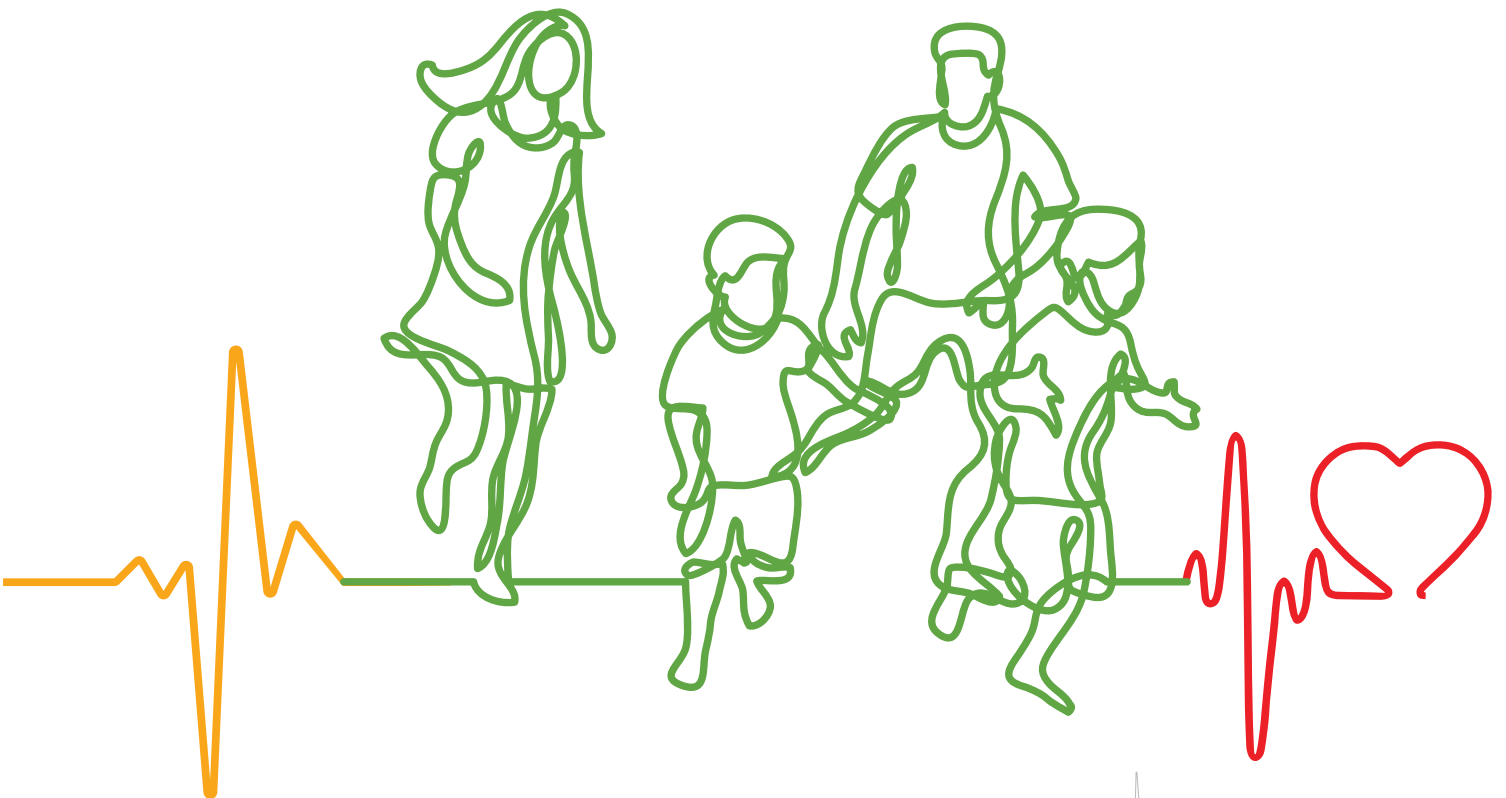
With budgetary constraints being a concern in so many South Africans households, we plan to demonstrate how our plans are competitively priced, offering better or similar benefits to other schemes on the market. We believe that the growth potential in the Access and Value Core schemes is significant and stands to attract younger beneficiaries, particularly because of their suitability to sustainable plans for young, single parent families.

When coupled with our continued dedication to care for lives, and our collective values of compassion, integrity, service excellence, transparency, accountability and innovation, we have faith in the future prosperity of Hosmed, and the continued growth and development of not only our existing plans, but the ones still to come as our membership expands.



Malema Pitsoane

Acting Principal Officer: Hosmed Medical Scheme



HOSMED, HERE FOR YOU...



Our Vision



Our Mission



Our Values

Care for Life

To be the medical scheme of choice by offering affordable, innovative and quality healthcare benefits, tailored to optimise the wellbeing of our members

- Compassion
- Accountability
- Excellence
- Integrity
- Innovation
- Transparency

Our Value Proposition

- Value for money benefits
- Unique options to cater for a variety of medical needs
- Providing sustained excellence and personalised services on a national basis to members
- A scheme that is accepted by all service providers
- A professional and pro-active management approach
- We always act in the best interest of our members



SCHEME PERFORMANCE 2019

Table 1: Operational statistics per benefit option

	Plus		Value		Essential		Access		Scheme	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Number of members at 31 December	3 616	4 167	14 834	15 144	1 909	2 255	663	655	21 022	22 221
Average number of members during the accounting period	3 702	4 370	15 076	15 596	2 004	2 413	661	674	21 444	23 052
Average number of beneficiaries during the accounting period**	8 980	11 193	41 815	44 430	3 727	4 568	1 524	1 548	56 046	61 739
Number of beneficiaries at 31 December	8 640	10 379	40 807	42 422	3 537	4 216	1 518	1 513	54 502	58 530
Dependant ratio at 31 December	1.39	1.49	1.75	1.80	0.85	0.87	1.29	1.31	1.59	1.63
Pensioner ratio at 31 December	8.15%	6.93%	4.31%	3.83%	11.45%	10.37%	6.72%	6.21%	5.45%	4.91%
Average age	38.91	37.65	31.69	30.96	36.46	35.72	31.92	31.3	33.15	32.44
Average family size	2.48	2.69	2.82	2.93	1.95	2.03	2.3	2.36	2.67	2.78
Risk contributions per average beneficiary per month	3 193	R 2 905	1 871	R 1 893	1 301	R 1 198	1 531	R 1 459	1 707	R 1 804
Relevant healthcare expenditure per average beneficiary per month	3 192	R 2 595	1 772	R 1 584	1 165	R 895	1 713	R 1 251	1 628	R 1 567
Non-healthcare expenditure per average beneficiary per month	243	R 228	174	R 156	180	R 159	168	R 148	185	R 169
Average accumulated funds per member at year end *	-	-	-	-	-	-	-	-	21 939	R 21 973
Return on investments as a percentage of investments *	-	-	-	-	-	-	-	-	7.86%	8.16%
Relevant healthcare expenditure as a percentage of gross contributions	100%	89%	95%	88%	90%	75%	73%	55%	95%	87%
Non-healthcare expenditure as a percentage of gross contributions	8%	8%	9%	9%	14%	13%	11%	10%	9%	9%

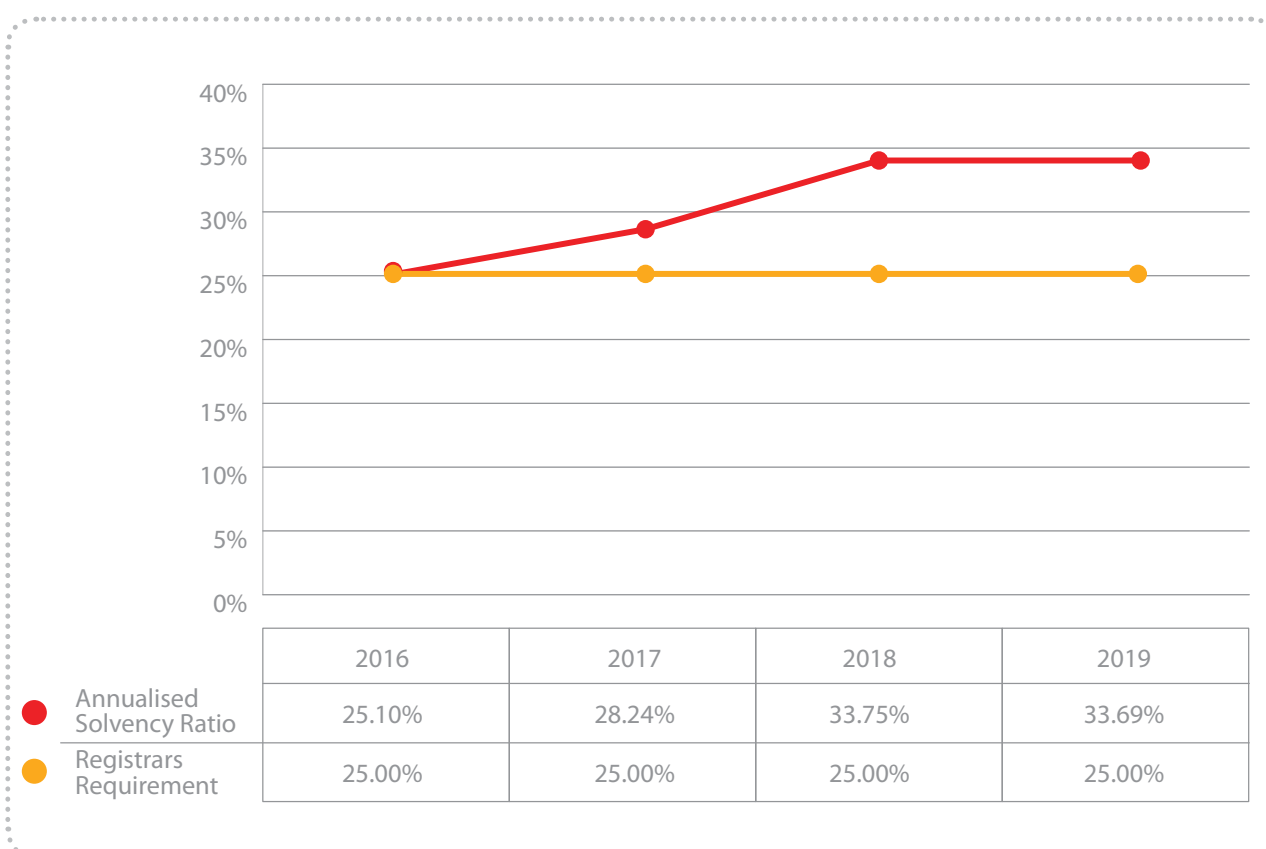
* This is dealt with on a per member basis only and at the consolidated level because the accumulated funds and return on investments are not split per Option.

** The averages are calculated by capturing the membership numbers and beneficiaries numbers monthly and dividing the total by 12 months.

SOLVENCY RATIO

	2019 R	2018 R
Total members' funds per statement of financial position	461 206 402	488 260 361
Less: Cumulative unrealised gains included in accumulated funds	-	-
Accumulated funds per Regulation	461 206 402	488 260 361
Gross contributions	1 368 917 128	1 446 809 680
Solvency ratio	33.69%	33.75%

HOSMED MEDICAL SCHEME - SOLVENCY RATIO

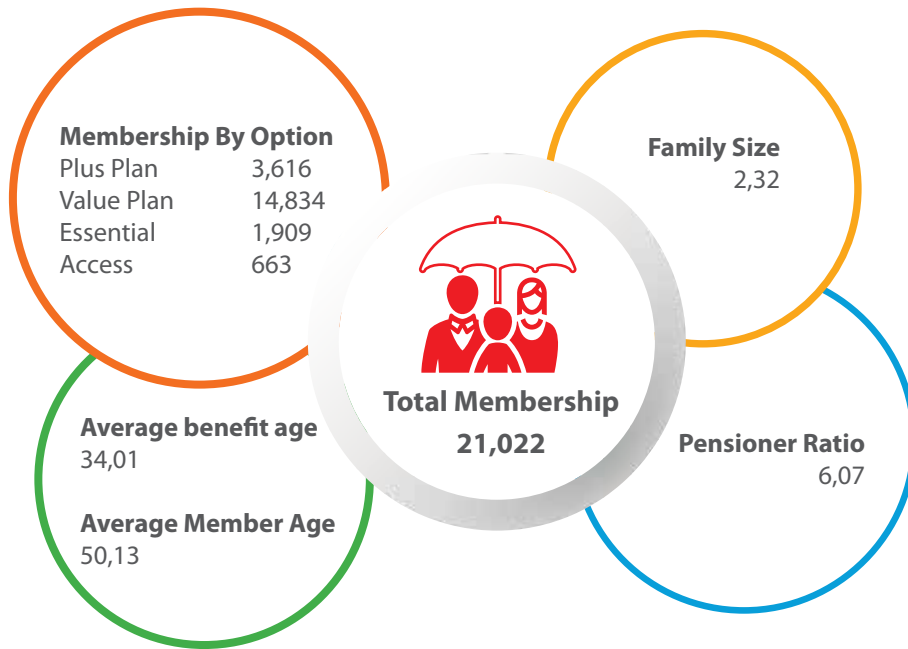


SCHEME PERFORMANCE 2019

Membership	2019	Medscheme Admin
Membership Profile	31 December 2019	Medscheme Admin
Contributions Received	December 2019	Medscheme Finance
Solvency	2016 – 2019	Medscheme Finance
Review of claims for 2019		Medscheme Admin
Claims ratio per Provider Category		Medscheme Admin
Hospital Expenditure		PHA
Chronic Conditions		PHA
Chronic ratio per Option		PHA
Non-Healthcare Expenditure	2017/2018/2019	Medscheme Finance
Scheme Operational Changes		
Scheme's Management		



MEMBERSHIP AND MEMBERSHIP PROFILE



CONTRIBUTIONS RECEIVED

Option Name: Option Number

Consolidated Check

	All												Total YTD
	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec	
Gross contribution income	118,368,496	117,962,528	115,750,657	114,320,174	113,358,619	114,302,253	114,447,513	110,579,014	112,655,115	113,167,009	111,934,132	112,106,577	1,368,952,086
Less: Savings contribution	(435,405)	(490,405)	(455,107)	(451,345)	(467,660)	(478,117)	(474,623)	(462,189)	(471,486)	(471,275)	(446,788)	(467,166)	5,571,566
Net contribution income	117,933,091	117,472,123	115,295,550	113,868,829	112,890,959	113,824,136	113,972,890	110,116,825	112,183,629	112,696,734	111,487,344	111,639,411	1,363,380,520



REVIEW OF CLAIMS

Category condition	Jan-20	Feb-20	20-Mar	Average Q1 2020	Average 2019	Average 2018
Number of EDI lines received	530,801	430,149	608,835	523 262	1 137 475	511 937
Number of EDI lines processed	530,801	430,149	608,835	523 262	1 137 475	511 937
Number of Paper claims received	4,598	6,731	5,447	5 592	10 195	6 134
Number of Paper claims processed	4,598	6,731	5,447	5 592	10 195	6 134
Turn-around time: percentage (%) of claims processed within 10 working days (Target = 2 days at 95%)	99.99%	99.99%	99.97%	99.98%	99.20%	99.76%
Turn-around time: received to assessed	0.03 days	0.03 days	0.06 days	0.04 days	0.17	0.24
Turn-around time: treatment to received	9.76 days	6.23 days	8.97 days	8.32 days	33.07	23.20
Turn-around time: received to paid	2.31 days	4.14 days	3.13 days	3.19 days	2.46	4.92
Turn-around time: percentage (%) of claims processed within 30 days from date of receipt	100.00%	99.99%	99.92%	99.97%	99.76%	98.19%
Turn-around time: percentage (%) of claims paid within 10 working days	95.26%	93.04%	96.72%	95%	93.07%	90.54%
Turn-around time: percentage (%) of claims paid within 30 days from date of receipt	99.00%	99%	100%	99.33%	96.96%	94.92%
Paper % per lines	0.87%%	1.56%	0.89%	1.11%	1.09%	1.18%
EDI % per lines	99.13%	98.44%	99.11%	98.89%	98.91%	98.82%
Quality	97%	98%	98%	98%	96.01%	97.12%

CLAIMS RATIO PER PROVIDER CATEGORY

	2019 cost distribution	2018 cost distribution	Cost Variance	CMS 2017/2018
Hospital	40.81%	42.23%	40.42%	37.63%
Meds	13.93%	12.73%	13.07%	14.70%
Specialist	13.91%	13.57%	-30.38%	26%
GP	8.20%	8.43%	-0.80%	4.94%
Pathology	7.44%	7.22%	-1.41%	
Aux	6.23%	5.62%	11.60%	7.20%
Radiology	5.31%	5.10%	-12.51%	
Dental	1.83%	2.68%	5.09%	2.68%
Optometry	1.65%	1.92%	6.27%	
Ambulance	0.70%	0.51%	4.57%	2.04%



EXTRACT OF THE ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Notes	2019 R	2018 R
ASSETS			
Non-current assets		331 576 838	239 736 922
Property, plant and equipment	2	2 788 514	3 584 301
Right of use assets	3	4 964 357	-
Financial assets measured at fair value through profit or loss	5	323 823 967	236 152 621
Current assets		267 558 301	375 656 922
Financial assets measured at fair value through profit or loss	5	177 716 298	242 602 874
Trade and other receivables	6	47 579 563	34 225 903
Cash and cash equivalents	7	42 262 440	98 828 145
Total assets		599 135 139	615 393 844
FUNDS AND LIABILITIES			
Members' funds		461 206 402	488 260 361
Accumulated funds		461 206 402	488 260 361
Current Liabilities		133 804 843	127 133 483
Trade and other payables	8	49 424 207	33 813 733
Outstanding claims provision (IBNR)	9	79 037 356	90 886 699
PMSA liabilities	10	4 123 166	2 433 051
Lease liability	12	1 220 114	-
Non-current liabilities		4 123 894	-
Lease liability	12	4 123 894	-
Total funds and liabilities		599 135 139	615 393 844

STATEMENT OF COMPREHENSIVE INCOME
as at 31 December 2019

	Notes	2019 R	2018 R
Risk contribution income	13	1 363 380 520	1 441 340 805
Relevant healthcare expenditure		(1 305 656 407)	(1 256 948 672)
Net claims incurred		(1 278 177 147)	(1 231 159 905)
Claims incurred	14	(1 280 002 650)	(1 232 164 358)
Third party recoveries		1 825 503	1 004 453
Accredited managed healthcare services	16	(22 199 032)	(23 907 605)
Net loss on risk transfer arrangement	15	(5 280 228)	(1 881 162)
Risk transfer arrangement premiums paid		(25 776 427)	(28 769 339)
Recoveries from risk transfer arrangements	15	20 496 199	26 888 177
Gross healthcare result		57 724 113	184 392 133
Broker service fees	17	(25 280 752)	(24 450 452)
Administration and other operating expenses	18	(99 296 780)	(100 627 321)
Net impairment losses on healthcare receivables	20	(2 235 742)	(10 587 181)
Net healthcare result		(69 089 161)	48 727 179
Sundry Income			
Investment income	21	42 318 461	41 218 380
Unrealised loss on fair value adjustment of the investments		(2 920 168)	(6 676 615)
Other Income	22	4 854 369	183 019
Other expenditure			
Finance costs	23	(479 438)	(24 090)
Asset management fees		(1 738 023)	(2 131 439)
(Deficit) / surplus for the year		(27 053 959)	81 296 434
Total net comprehensive (loss)/income for the year		(27 053 959)	81 295 434



STATEMENT OF CHANGES IN FUNDS AND RESERVES
as at 31 December 2019

	Accumulated funds R	Available-for sale reserve R	Total members' funds R
Balance as at 01 January 2018	403 231 767	5 100 330	408 332 097
Total comprehensive income	85 028 594	(5 100 330)	79 928 264
Surplus for the year	81 296 434	-	81 296 434
Transfer from available-for-sale reserve to the accumulated funds	5 100 330	(5 100 330)	-
Adjustment to provision for impairment on trade receivables due to IFRS 9	(1 368 170)	-	(1 368 170)
Balance as at 31 December 2018	488 260 361	-	488 260 361
Deficit for the year	(27 053 959)	-	(27 053 959)
Balance as at 31 December 2019	461 206 402	-	461 206 402

STATEMENT OF CASH FLOW
as at 31 December 2019

	Notes	2019 R	2018 R
Cash flows from operating activities			
Cash received from members		1 412 926 863	1 443 833 427
Cash paid to providers and members		(1 484 647 169)	(1 385 651 619)
Cash (utilised in)/ generated by operations	24	(71 720 306)	58 181 808
Finance cost	23	(40 823)	(24 090)
Net cash (outflow) / inflow from operating activities		(71 761 129)	58 157 718
Cash flows from investing activities			
Interest received	21	36 716 074	36 597 840
Dividends received	21	3 420 976	3 020 899
Proceeds from sale of investments	5	881 995 402	623 165 149
Acquisition of property, plant and equipment	2	(24 575)	(3 728 703)
Proceeds from sale of property, plant and equipment		-	1 498
Acquisition of investments	5	(905 518 929)	(695 610 199)
Net cash outflow from investing activities		16 588 948	(36 553 516)
Cash flow from financing activities			
Repayment of lease liabilities	12	(1 393 524)	-
Net cash (outflow) from financing activities		(1 393 524)	-
Net (decrease) / increase in cash and cash equivalents for year		(56 565 705)	21 604 202
Cash and cash equivalents at beginning of year		98 828 145	77 223 943
Cash and cash equivalents at the end of the year	7	42 262 440	98 828 145

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at 31 December 2019

2019	Plus Plan R	Value Plan R	Essential R	Access R	Scheme R
Risk contribution income	344 036 547	938 733 726	58 186 396	22 423 851	1 363 380 520
Gross contributions	344 036 547	938 733 726	58 186 396	27 960 459	1 368 917 128
Savings contributions	-	-	-	(5 536 608)	(5 536 608)
Relevant healthcare expenditure	(343 953 377)	(889 164 681)	(52 084 044)	(20 454 304)	(1 305 656 407)
Net claims incurred	(339 557 912)	(868 939 730)	(49 917 731)	(19 761 774)	(1 278 177 147)
Claims incurred	(339 888 818)	(870 333 501)	(50 018 557)	(19 761 774)	(1 280 002 650)
Third party recoveries	330 906	1 393 771	100 826	-	1 825 503
Accredited managed healthcare services	(3 826 538)	(15 856 631)	(1 879 565)	(636 298)	(22 199 032)
Net income on risk transfer arrangement	(568 927)	(4 368 320)	(286 749)	(56 232)	(5 280 228)
Risk transfer arrangement premiums paid	(5 748 036)	(18 541 689)	(1 004 253)	(482 449)	(25 776 427)
Recoveries from risk transfer arrangements	5 179 109	14 173 369	717 504	426 217	20 496 199
Gross healthcare result	83 170	49 569 045	6 102 351	1 969 547	57 724 113
Broker service fees	(4 554 525)	(18 719 151)	(1 381 551)	(625 525)	(25 280 752)
Administration expenses	(21 658 871)	(68 523 450)	(6 675 732)	(2 438 727)	(99 296 780)
Net impairment losses on healthcare receivables	(524 484)	(1 531 469)	(125 622)	(54 166)	(2 235 742)
Net healthcare result	(26 654 710)	(39 205 025)	(2 080 554)	(1 148 871)	(69 089 160)
Sundry income					
Investment income	10 702 346	28 949 640	1 809 736	856 739	42 318 461
Unrealised loss on fair value adjustment of financial assets	(726 994)	(2 008 435)	(122 619)	(62 120)	(2 920 168)
Other income	1 211 932	3 341 402	202 634	98 401	4 854 369
Other expenditure					
Finance costs	(109 304)	(300 970)	(19 110)	(50 054)	(479 438)
Asset management fees	(439 897)	(1 188 383)	(74 652)	(35 091)	(1 738 023)
Total deficit for the year	(16 016 627)	(10 411 771)	(284 564)	(340 996)	(27 053 959)
Number of members	3 616	14 834	1 909	663	21 022



2018	Plus Plan R	Value Plan R	Essential R	Access R	Scheme R
Risk contribution income	390 230 542	963 799 791	65 685 713	21 624 758	1 441 340 805
Gross contributions	390 230 542	963 799 791	65 685 713	27 093 634	1 446 809 680
Savings contributions	-	-	-	(5 468 876)	(5 468 876)
Relevant healthcare expenditure	(348 555 542)	(844 403 456)	(49 050 777)	(14 938 896)	(1 256 948 672)
Net claims incurred	(344 237 565)	(825 808 523)	(46 673 734)	(14 440 082)	(1 231 159 905)
Claims incurred	(344 386 350)	(826 597 941)	(46 739 985)	(14 440 082)	(1 232 164 358)
Third party recoveries	148 785	789 418	66 251	-	1 004 453
Accredited managed healthcare services	(4 554 096)	(16 475 306)	(2 239 795)	(638 408)	(23 907 605)
Net income on risk transfer arrangement	236 119	(2 119 627)	(137 248)	139 594	(1 881 162)
Risk transfer arrangement premiums paid	(7 151 027)	(19 798 874)	(1 314 579)	(504 859)	(28 769 339)
Recoveries from risk transfer arrangements	7 387 146	17 679 247	1 177 331	644 453	26 888 177
Gross healthcare result	41 675 000	119 396 335	16 634 936	6 685 862	184 392 133
Broker service fees	(6 654 916)	(16 211 958)	(1 137 190)	(446 388)	(24 450 452)
Administration expenses	(23 998 251)	(66 728 494)	(7 602 410)	(2 298 166)	(100 627 321)
Net impairment losses on healthcare receivables	(2 852 551)	(7 074 213)	(467 000)	(193 417)	(10 587 181)
Net healthcare result	8 169 282	29 381 670	7 428 336	3 747 891	48 727 179
Sundry income					
Investment income	(1 765 342)	(4 481 250)	(300 552)	(129 471)	(6 676 615)
Other income	41 267	129 960	8 826	2 966	183 019
Other expenditure					
Finance costs	-	-	-	(24 090)	(24 090)
Asset management fees	(580 625)	(1 412 623)	(99 370)	(38 821)	(2 131 439)
Total comprehensive surplus for the year	17 091 684	50 943 148	8 951 582	4 310 020	81 296 434
Number of members	4 167	15 144	2 255	655	22 221



INVESTMENT STRATEGY OF THE SCHEME

Investments included are current and present investment in:

	2019 R	2018 R
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Fair value at beginning of the year	-	411 345 427
Transfer to financial assets measured at fair value through profit or loss	-	(411 345 427)
Fair value at the end of the year	-	-
<p>Available-for-sale financial assets were reclassified to financial assets measured at fair value through profit or loss with the implementation of IFRS 9 (effective 1 January 2018).</p>		
5. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS		
Fair value at beginning of the year	478 755 495	-
Transfer from available-for-sale assets	-	411 345 427
Additions (including investment income)	905 518 929	695 610 199
Withdrawals (including asset management fees)	(881 995 402)	(623 165 149)
Realised gain on disposal (Note 21)	2 181 411	1 587 773
Unrealised loss on revaluation	(2 920 168)	(6 622 755)
Fair value at the end of the year	501 540 265	478 755 495
The investments included above represent investments in:		
Money market instruments	82 808 493	204 056 373
Listed equities	35 718 750	70 052 147
Bonds and debentures	341 199 246	130 252 546
Pooled investments	41 813 776	74 394 429
	501 540 265	478 755 495



ADMINISTRATION AND OTHER OPERATING EXPENSES

	2018 R	2017 R
Actuarial fees	1 673 958	1 814 053
Administrator's fees	38 435 980	41 182 759
- Medscheme Holdings Proprietary Limited	38 435 980	41 182 759
GP network fees	444 639	814 781
Advertising & promotions	11 441 060	5 516 382
AGM costs	4 798 796	7 652 782
Association fees	295 095	303 345
Audit committee fees (Note 19)	381 233	288 175
Audit fees	1 880 311	1 810 209
- Internal audit fees	378 436	260 209
- External audit fees	1 501 875	1 550 000
Bank charges	1 825 065	1 699 371
Computer and IT expenses	2 176 514	448 733
Conference, venue and catering	1 425 751	1 194 011
Consulting fees	3 091 303	900 962
Depreciation	2 154 922	544 757
Entertainment	63 362	92 516
ER 24 fees	538 624	361 586
Leasing expenses	-	1 473 416
Legal fees	841 405	3 008 265
Loss on sale of property, plant and equipment	-	296 360
Office expenses	69 006	81 445
Other expenses	528 504	4 036 040
Principal officers' fees	3 009 007	2 920 608
Printing, postage and courier	4 770 477	2 788 173
Professional indemnity insurance premium	576 443	557 646
Registrar's levies	1 078 149	652 135
Salaries	11 228 161	14 314 587
Storage	62 813	63 039
Telephone, fax & internet	241 246	281 269
Trustees' remuneration and consideration expense (Note 19)	4 953 466	4 394 406
Travelling and accommodation	1 311 490	1 135 510
Total	99 296 780	100 627 321

TRUSTEE'S REMUNERATION

	Fees for meeting attendance R	Fees for holding office R	Allowances R	Travel and Accommodation R	Total Remuneration R
31 December 2019					
A Nhlanhla	274 928	123 274	12 000	13 861	424 063
P Dumelakgosi	326 340	123 274	12 000	12 685	474 299
N J Erasmus	309 928	123 274	12 000	33 083	478 285
S D Langa	407 925	123 274	11 000	95 321	638 520
A F Mazza	384 269	123 274	12 000	42 199	561 742
N W Monyela	181 403	65 327	6 333	13 428	266 491
M G Hennig	435 120	123 274	12 000	44 328	614 722
N Netili	154 208	65 327	6 333	2 093	227 961
P E G Schutte	154 403	65 327	6 333	3 479	229 542
A R Greyling	253 820	123 274	12 000	45 133	434 227
B Z Maseko	135 210	58 949	5 667	17 837	217 663
P P Shikwane	99 175	58 949	5 667	11 331	175 122
M M Monei	126 910	58 949	5 667	19 303	210 828
Total	3 243 639	1 235 746	120 000	354 081	4 953 466
31 December 2018					
A Nhlanhla	231 995	116 848	12 000	33 540	394 383
P Dumelakgosi	325 988	116 848	12 000	13 551	468 387
N J Erasmus	274 957	116 848	12 000	74 074	477 879
T S Kekana	8 068	19 475	2 000	452	29 995
S D Langa	360 357	116 848	11 000	94 778	582 983
A F Mazza	292 142	116 848	12 000	34 925	455 915
N W Monyela	325 988	116 848	12 000	20 107	474 943
M G Hennig	231 995	97 525	10 000	33 412	372 932
N Netili	249 180	116 848	12 000	2 731	380 759
P E G Schutte	230 947	116 848	12 000	10 961	370 756
A R Greyling	231 281	116 848	12 000	25 345	385 474
Total	2 762 898	1 168 632	119 000	343 876	4 394 406



NON-COMPLIANCE MATTERS

The following areas of non-compliance with the Act were identified during the course of the financial year:

SECTION 26(7) - CONTRIBUTIONS NOT RECEIVED WITHIN THREE DAYS OF BECOMING DUE

Nature of non-compliance

Section 26(7) of the Act states that: "All subscriptions or contributions shall be paid directly to a Medical Scheme no later than three days after payment thereof becoming due." Certain contributions were paid to the Scheme more than three days after the payment thereof became due. The Scheme does not hold any special contracts with debtors authorising such late payments.

Cause of non-compliance

Some of the employer groups, mainly within SALGA environment, pay for member's monthly contributions after three days of them becoming due. This however does not significantly affect the Scheme because these late contributions do not impact the "Individual" member category and the three days rule is mainly missed by a day or so.

Corrective course of action

The Scheme constantly communicates with members including suspension and termination of benefits in respect of outstanding contributions.

SECTION 59(2) – CLAIMS NOT PAID WITHIN THIRTY DAYS OF BECOMING DUE

Nature of non-compliance

Section 59 (2) requires a medical scheme in the case where an account has been rendered, subject to the provisions of the Act and the rules of the medical scheme, to pay to a member or a supplier of service, any benefit owing to that members 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.

Cause of non-compliance

During the period under review, the Scheme had claims not paid within 30 days. These are isolated cases caused by queries on claims and the use of the new system delayed the payment of the January claims. These were paid in February. Once approved, payment is made within 30 days and thus do not have a material effect on the Scheme.

Corrective course of action

The necessary assistance is given to the members and healthcare providers to ensure that these isolated incidences are minimised.

SECTION 35(8) – INVESTMENTS IN EMPLOYERS, ADMINISTRATORS

Nature of non-compliance

Section 35(8)(a) and (c) of the Act states that a medical scheme shall not invest any of its assets in the business of an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme or any administrator.

Cause of non-compliance

The Scheme has investments in certain employer groups and companies associated with Medical Scheme administration (MMI Health (Pty) Ltd and Discovery Health (Pty) Ltd). Employer groups which the Scheme has invested in are City of Johannesburg, Ekurhuleni and City of Cape Town. The investment activities of the Scheme are outsourced to an independent third party asset manager. The Scheme does not control the investing activities of the asset manager.

Corrective course of action

The Scheme obtained exemption in terms of Section 8 (h) from Section 35 (8) of the Act from the Council of Medical Schemes, which expires on 28 February 2019. The exemption had been granted with the proviso that the Scheme does not make any direct investments in these entities. The Scheme intends applying for this exemption annually.



NON-COMPLIANCE WITH SECTION 32 AND SCHEME RULES IN RESPECT OF THE TIMEOUS SUSPENSION AND TERMINATION OF MEMBERS

Nature of non-compliance

Non-compliance with section 32 and Scheme rules in respect of the timeous suspension and termination of members. Section 32 of the Act 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.

Scheme Rule 12.2 states that: Contributions shall be due monthly in advance and be payable by not later than the third day of each month. Where contributions or any other debt owing to the Scheme, have not been paid within three (3) days of the due date, the Scheme shall inform the member concerned and the employer in writing of such failure. If the arrears are not paid within a period of grace of fourteen (14) days after notification, membership shall be suspended forthwith. If the arrear contributions are not paid within thirty (30) days of suspension, membership of the relevant member shall terminate. Such membership shall only be reinstated after the payment of the contributions in arrears. No benefits shall be payable from the date of suspension until the date of reinstatement.

Cause of non-compliance

The Scheme changed its administrator effective 1 November 2017. In order to deal with the inefficiencies between administrators, a three-phased data migration project was initiated and resulted in membership corrections.

Corrective course of action

The Scheme exercised its discretion not to suspend the members as it was not the member's fault that the Scheme could not collect contributions. This was an isolated incident which the Scheme doesn't expect to re-occur.

REMUNERATION POLICY EXTRACT

Rule 18.6 of the Scheme's Rules provides for remuneration of the Board of Trustees as follows: "Members of the Board are entitled to remuneration, honorarium, reimbursement of expense or any other fee in respect of services rendered in their capacity as members of the Board in accordance with such policy as may be approved by the Board from time to time and subject to member's approval at an Annual General Meeting, for attending meetings of the Board, and Committees of the Board. Any other costs/expenses incurred by a member of the Board on the instruction of the Board shall be payable in accordance with the policy as determined by the Board from time to time".

The process of determining the level of trustee remuneration is transparent: incorporates checks and balances, clearly identifies the work components in respect of which remuneration is made, i.e. preparation for and attendance of meetings, is based on an acceptable benchmark, and enables full disclosure to members in the Scheme's Annual Report. No differentiation is made between elected trustees and professional trustees. No fees are paid for consulting services rendered by trustees to mitigate the risk of impairing the trustees' independence. Such services, if necessary, are delegated to management and/or an independent resource.

Trustees are remunerated for pre-scheduled meetings and provision is made for the payment of a fixed monthly fee (also referred to as a retainer/base/holding of office fee) to, inter alia, compensate trustees for incidental costs.

Trustees are remunerated for attendance of Board and Committee meetings.

Trustees are not remunerated for the attendance of industry workshops/seminars and trustee training sessions over and above the accommodation costs.

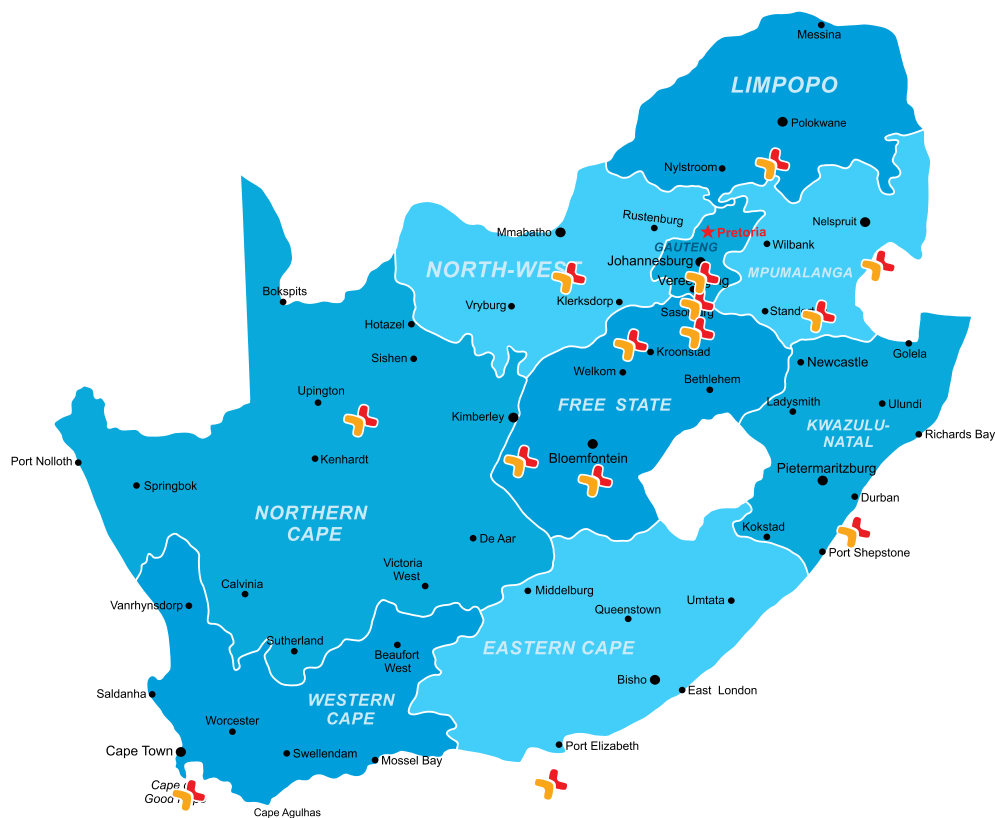
Trustees' participation in sub-committees is limited to two committees to ensure effective participation.



MEDSCHEME\HOSMED BRANCH NETWORKS

Visit a Walk-In-Centre near you to have your queries resolved as follows:

Region	Physical Address
Bloemfontein	Medical Suites 4 and 5, Middestad Medical Suites, 1st Floor, Middestad Centre, c/o Charles & West Burger Street
Cape Town	Icon Building, Ground Floor, c/o Lower Long Street and Hans Strijdom Avenue
Durban	102 Stephen Dlamini Road, Musgrave
Florida	Flora Centre – Entrance 2, Shop 21 & 22, Cnr Ontdekkers and Conrad Road, Florida North, Roodepoort
Kathu	Shop 18D, Kameeldoring Plein Building, Cnr Frikkie Meyer and Rooisand Road, Kameeldoring Plein, Kathu
Klerksdorp	Medicover Building, Shop 11, 22 Knowles street, Witkoppies
Kimberley	Shop no 17, Southey Street
Lephalale	Bosveld Boulevard Park, Shop 6, Cnr of Chris Hani and Joe Slovo street, Onverwacht
Mafikeng	Mega City, Office 101A, 1st Floor, East Gallery
Nelspruit	Union Square Unit G2, 44 Mostert Street
Polokwane	Shopleft Checkers Centre, Shop 2 Ground Floor, Cnr Hans van Rensburg Street & Grobler Street
Port Elizabeth	Block 6, Greenacres, Office Park, 2nd Avenue, Newton Park
Pretoria	Nedbank Plaza, Ground Floor, Shop 17, 361 Steve Biko Street, Arcadia
Rustenburg	Lifestyle Square, Shop No 23, Beyers Naude Drive
Vereeniging	36 Merriman Avenue, Ground Floor



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