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Reg. No: 1446



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Registration Number: 1446

to be held on Saturday, 20 June 2015 at 11:00 (11am) at the Bell Rosen Guesthouse 116 Kommissaris Street, Welgemoed, Bellville, 7530

# Agenda

- 1. Notice of Meeting
- 2. Confirmation and Signing of Previous Minutes
- 3. Summary of Matters Arising from Previous Minutes
- 4. Adoption of the Report of the Board of Trustees
- 5. Adoption of Annual Financial Statements
- 6. Auditor's Report
- 7. Appointment of Auditors
- 8. Approval of Trustee Remuneration
- 9. Any Other Business (only those matters which the Scheme received notice of by 09 June 2015)

# Minutes of the Annual General Meeting of the Selfmed Medical Scheme

Registration Number: 1446

held on Saturday, 21 June 2014 at 10:00 (10am) at the Bell Rosen Guesthouse

116 Kommissaris Street, Welgemoed, Bellville, 7530

Present: Mr T Harris (Chairman)

Dr R Engelbrecht (Trustee)
Mr F de Wit (Trustee)
Mr D Albertyn (Trustee)

Mr B Kleinsmith (Acting Principal Officer)

A total of 22 members were present

In Attendance: Mr M Salee (Mazars Inc.)

Mr A Rohlandt (Mazars Inc.)

Mr J de Kock (Chairman, Selfmed Audit Committee)

Mr S Mmatli (CMS) Mr T Diniso (CMS)

# 1. Notice of Meeting

The Chairman welcomed all present and requested that all persons sign the attendance register and stated that as prior notice had been given, the notice could be taken as read.

The Chairman informed members of one change to the published agenda, this being the addition of The Chairman's Report which would be presented before presentation of the Board of Trustees Report.

Mr Kleinsmith informed members of this being the first Annual General Meeting taking place under the direction of the current Board of Trustees, and introduced the four trustees by name. Mr Kleinsmith further stated that at the 2013 Annual General Meeting two trustees namely Mr Trevor Harris and Dr Reg Engelbrecht had been elected to the Board. Following this two trustees were appointed, namely Mr Duncan Albertyn and Mr Francois de Wit with the first Board Meeting having taken place on 26 June 2013, at which the Chairman was elected. Mr Kleinsmith stated that these four trustees would comprise the Board of Trustees for the next two years.

# 2. Confirmation and Signing of Minutes of the Previous AGM held on 29 June 2013

With reference to the Minutes of the Annual General Meeting held on 29 June 2013, having been distributed to all members of the Scheme, Mr Kleinsmith noted one correction. Subject to the correction, the minutes were accepted and APPROVED at the meeting.

**Correction to Item 11** Mr Kleinsmith stated that Mr Dollman had incorrectly referred to revised rules of the Scheme being valid from 1 January 2013. Mr Dollman should have stated rules as valid from 2 May 2013.

**Proposed:** Ms T Bell **Seconded:** Ms N Williams



# 3. Summary of Matters Arising from Previous Minutes

The Board noted that there were no matters arising from the previous minutes.

# 4. Report by the Chairman of the Board of Trustees

The Chairman presented a verbal report to the members highlighting a number of key activities and decisions made by management and the Board of Trustees throughout the past year. The Chairman also expressed the Board's appreciation to Mr Kleinsmith and staff for their diligent work and focussed attention despite the undue negative attention experienced during the past two years.

# 5. Adoption of the Report of the Board of Trustees

The Chairman noted that the Board of Trustees' report had been distributed to members as part of the AGM notice, tabled same for members' consideration, and briefly highlighted points of particular interest relating to the report. The Chairman also expressed thanks to Mazars Inc. (Auditors) and Towers Watson (Actuary) for their good services to the Scheme.

The members present duly adopted the Board of Trustees Report.

Proposed: Mr J Love Seconded: Ms L Ceasar

# 6. Adoption of the Annual Financial Statements

The Chairman referred to the Annual Financial Statements which were included in the AGM packs/booklets and noted the presence of Mr M Salee and Mr A Rohlandt representing Mazars Inc.

The members present duly adopted the Annual Financial Statements.

**Proposed:** Mrs S February **Seconded:** Mrs C Sauer

# 7. Auditor's Report

The Chairman noted the Auditor's Report which indicated that the Financial Statements presented in the AGM Packs were a true reflection of the Scheme's financial health.

The members present duly adopted the Auditor's Report.

**Proposed:** Mr F le Roux **Seconded**: Ms T Bell

# 8. Introduction and Ratification of Auditors

Further to the Chairman's earlier appreciation expressed to the Auditors, Mr Kleinsmith stated that Mazars Inc. had been the Scheme's auditors during 2013/14 and expressed management's desire to renew the service agreement for the next financial year.

The Chairman requested a proposal for the appointment of the Mazars Inc. as the Scheme's auditors for 2014/2015

**Proposed:** Ms T Bell **Seconded:** Mr J de Gouveia



# 9. Approval of Trustee and Audit Committee Remuneration

Mr Kleinsmith tabled that remuneration to all trustees and audit committee members be increased by 6% for the year 2015.

Proposer: Ms N Williams

In lieu of a seconder, the Chairman requested a show of hands for all in favour of this proposal. No objections were expressed.

# 10. Any other business

Given that no further business was to be tabled, the Chairman thanked all members present for their attendance and participation. At 10h14 The Chairman declared the meeting closed.

# Selfmed Medical Scheme Report of the Board of Trustees

The Board of Trustees hereby presents its report for the year ended 31 December 2014 Registration Number: 1446

# 1. DESCRIPTION OF THE MEDICAL SCHEME

# 1.1 Terms of registration

The Selfmed Medical Scheme is a not for profit open enrolment medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

# 1.2 Benefit options within the Selfmed Medical Scheme

The medical scheme offers four benefit options to employers and members of the public. These are:

- Selfmed 80%
- Selfmed MEDXXI
- Selfmed MED ELITE; and
- Selfmed Selfsure

The Scheme's overall performance for the year under review resulted in Scheme reserves increasing from a solvency level of 111.18% at the end of 2013 to 118.16% at the end of 2014. The Scheme's overall solvency remains substantially higher than the statutory minimum solvency requirement set by the Council for Medical Schemes of 25%. During 2015, the Scheme will introduce a low cost network option, Selfnet to fill the gap in the current product range. The Network option will cater for members who are looking for essential cover at an affordable price, but who are willing to access care via tight DSP arrangements.

# 1.3 Savings plan

None of Selfmed's options make provision for savings plans. Selfmed Medical Scheme's savings plans were discontinued on 31 December 2005. Positive savings balances were refunded to members during early 2006, with the exception of a few members who resigned prior to 2002 and who could not be traced. The remaining savings balances of R83 436 were transferred during 2011, to the Guardians Fund, as per Circular 38 of 2011.

# 1.4 Risk transfer arrangements

The Scheme has entered into a risk transfer arrangement with ER24 EMS (Pty) Ltd to provide emergency medical primary response and hospital transport services for the duration of the year. Please refer to note 13 in the Annual Financial Statements for detail

# 2. MANAGEMENT

# 2.1 Board of Trustees in office during the year under review

T Harris Member trustee (Chairman)

Dr R Engelbrecht Member trustee
F de Wit Appointed trustee
D Albertyn Appointed trustee

# 2.2 Principal Officer during the year

# Mr Brian Kleinsmith (Acting) - Contract expired 31 July 2014

Unit 9, Canal Edge 2PO Box 5543Tyger WaterfrontTygervalleyCarl Cronjé Drive, Bellville7536

7530

# Mr Christo van Wyk Becker - Appointed 1 September 2014

Unit 9, Canal Edge 2PO Box 5543Tyger WaterfrontTygervalleyCarl Cronjé Drive, Bellville7536

7530

# 2.3 Registered office address and postal address

# Selfmed Medical Scheme

Unit 9, Canal Edge 2PO Box 5543Carl Cronjé DriveTygervalleyTyger Waterfront7536

Bellville 7530

# 2.4 Investment Managers during the year

# Allan Gray Life Limited

Granger Bay Court PO Box 51318
Beach Road V & A Waterfront
V & A Waterfront Cape Town
8002

8001 Financial Service Provider number: 6663

# Coronation Fund Managers

Seventh Floor PO Box 44684
MontClare Place Claremont
Cnr Campground and Main Roads 7735

Claremont Financial Service Provider number: 548

Cape Town 7708

# 2.4 Investment Managers during the year (continues)

# Prudential Portfolio Managers

Seventh Floor PO Box 44813
Protea Place Claremont
40 Dreyer Street 7735

Claremont Financial Service Provider number: 615

Cape Town 7708

### Acsis Limited

Block A, 1st Floor, Left Wing PO Box 650140
2 Cullinan Close Benmore Gardens

Morningside 2010

South Africa Financial Service Provider number:588

2010

# 2.5 Actuaries during the year

**Towers Watson** 

Great Westerford Building Private Bag X30
240 Main Road Rondebosch
Rondebosch 7701

7700

# 2.6 Auditors for the year

Mazars Inc. P 0 Box 134
Mazars House Century City 7446

7441

# 3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

The Scheme's investment objectives are to maximise the return on its investments on a long term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. All investment decisions are approved by the Board of Trustees.

The Board of Trustees are responsible for all investments. These responsibilities include that:

- the Scheme remains liquid;
- investments are placed at minimum risk and the best possible rate of return;
- investments made are in compliance with the regulations of the Act; and
- a risk assessment is performed.

# Summary of main investment categories

|  | Cash and<br>Deposits | Bonds and<br>Debentures | Property   | Equities   | Other   |
|--|----------------------|-------------------------|------------|------------|---------|
| Allan Gray Domestic Stable<br>Medical Scheme Portfolio | 50 550 827           | 15 404 716              | 5 859 194  | 22 777 448 | 362 007 |
| Coronation Medical Aid Money Market Fund               | 34 066 897           | 3 697 892               | _          | _          | _       |
| Coronation Medical Absolute Portfolio                  | 30 314 435           | 29 967 539              | 11 105 337 | 42 111 891 | _       |
| Prudential Life Inflation<br>plus 5% Medical Aid Fund  | 25 121 199           | 45 683 849              | 11 623 136 | 34 666 209 | _       |
|  | 140 053 358          | 94 753 996              | 28 587 667 | 99 555 548 | 362 007 |

# 4. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. This risk relates to the health of the Scheme's members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements, and the monitoring of emerging issues. The Scheme used several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Scheme's cash flows.





# 5.1 Operational statistics per benefit option

| 2014   | Selfmed 80% | Selfmed<br>MEDXXI | Selfmed<br>Selfsure | Selfmed<br>Med Elite | Total    |
|--|-------------|-------------------|---------------------|----------------------|----------|
| Average number of members during the accounting period                 | 578         | 3 647             | 2 882               | 752                  | 7 859    |
| Number of members at 31 December                                       | 560         | 3 673             | 2 831               | 722                  | 7 786    |
| Average number of beneficiaries during the accounting period           | 896         | 6 571             | 4 947               | 1 177                | 13 590   |
| Number of beneficiaries at 31 December                                 | 885         | 6 652             | 4 946               | 1 146                | 13 629   |
| Dependant ratio at 31 December   | 0,58        | 0,81              | 0,75                | 0,59                 | 0,75     |
| Net contributions per average beneficiary per month                    | R 4 499     | R 1 171           | R 2 747             | R 4 613              | R 1 700  |
| Relevant healthcare expenditure per average beneficiary per month      | R 3 977     | R 1 034           | R 1 458             | R 3 143              | R 1 565  |
| Non-healthcare expenditure per average beneficiary per month #         | R 256       | R 226             | R 239               | R 259                | R 235    |
| Relevant healthcare expenditure as a percentage of gross contributions | 88,39%      | 88,29%            | 91,13%              | 106,62%              | 92,03%   |
| Non-healthcare expenditure as a percentage of gross contributions #    | 5,69%       | 19,28%            | 14,94%              | 8,78%                | 13,85%   |
| Average age per beneficiary  | 61,89       | 48,44             | 40,82               | 63.55                | 47,82    |
| 65 years+ ratio at 31 December   | 57,85%      | 26,80%            | 18,03%              | 57,94%               | 26,37%   |
| Average accumulated funds per member at year end                       | n/a         | n/a               | n/a                 | n/a                  | R 43 249 |
| Return on investments as a percentage of investments                   | n/c         | n/c               | n/c                 | n/c                  | 6,84%    |

| 2013   | Selfmed 80% | Selfmed<br>MEDXXI | Selfmed<br>Selfsure | Selfmed<br>Med Elite | Total   |
|--|-------------|-------------------|---------------------|----------------------|---------|
| Average number of members during the accounting period       | 639         | 3 797             | 2 989               | 865                  | 8 290   |
| Number of members at 31 December                             | 621         | 3 737             | 2 928               | 829                  | 8 115   |
| Average number of beneficiaries during the accounting period | 1 045       | 7 295             | 5 413               | 1 415                | 15 169  |
| Number of beneficiaries at 31 December                       | 1 007       | 7 087             | 5 256               | 1 338                | 14 688  |
| Dependant ratio at 31 December                               | 0.62        | 0.90              | 0.80                | 0.61                 | 0.81    |
| Net contributions per average beneficiary per month          | R 4 020     | R 1 013           | R 1 403             | R 2 477              | R 1 496 |

| Relevant healthcare expenditure per average beneficiary per month      | R 3 754 | R 909  | R 1 168 | R 3 057 | R 1 398  |
|--|---------|--------|---------|---------|----------|
| Non-healthcare expenditure per average beneficiary per month #         | R 231   | R 201  | R 215   | R 236   | R 212    |
| Relevant healthcare expenditure as a percentage of gross contributions | 93.38%  | 89.73% | 83.24%  | 123.39% | 93.43%   |
| Non-healthcare expenditure as a percentage of gross contributions #    | 5.75%   | 19.88% | 15.34%  | 9.54%   | 14.15%   |
| Average age per beneficiary  | 60.84   | 47.15  | 39.27   | 61.69   | 45.43    |
| 65 years+ ratio at 31 December   | 54.02%  | 25.02% | 15.53%  | 55.31%  | 26.37%   |
| Average accumulated funds per member at year end                       | n/a     | n/a    | n/a     | n/a     | R 38 821 |
| Return on investments as a percentage of investments                   | n/c     | n/c    | n/c     | n/c     | 6.92%    |

<sup>#</sup> Non-health expenses = managed care expenses + broker service fees + administration expenditure + net impairment losses

n/a - not applicable

n/c - not calculated

# 5.2 Results of operations

The results of the Scheme are set out in the Annual Financial Statements. The Scheme achieved a surplus of R18 065 021(2013: R2 388 725), increasing the accumulated funds to R339 892 195 (2013: R321 827 174), representing 118.16% (2013: 111.18%) solvency.

| 5.3 Solvency ratio  | 2014<br>R    | 2013<br>R    |
|---|--------------|--------------|
| Total members' funds per statement of financial position  | 339 892 195  | 321 827 174  |
| Less:   |              |              |
| Cumulative net gains on re-measurement to fair value of financial instruments included in the accumulated funds       | (12 265 600) | (19 045 935) |
| Accumulated funds per Regulation 29   | 327 626 595  | 302 781 239  |
| Gross contributions   | 277 284 444  | 272 343 654  |
| Solvency ratio at year end (accumulated funds/gross contributions)  | 118.16%      | 111.18%      |
| Minimum solvency requirement from Council   | 25%          | 25%          |
| Accumulated funds required to meet minimum solvency requirement from Council  | 69 321 111   | 68 085 914   |
| Scheme surplus resulting from difference between scheme accumulated funds and Council's accumulated funds requirement | 270 571 084  | 204 257 740  |

### 5.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Members' Funds. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Scheme.

# 5.5 Outstanding claims

The basis of calculation of the outstanding claims provision is discussed in note 8 of the annual financial statements. Movements on the outstanding claims provision are set out in note 8 of the annual financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the medical scheme.

# 6. ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels.

# 7. SUBSEQUENT EVENTS AFTER ACCOUNTING DATE

There were no material events after the reporting date, that would require any adjustment to the stated results, or any additional disclosures.

# 8. TRANSACTIONS WITH RELATED PARTIES

The Medical Scheme holds no investments in participating employers of medical scheme members. All contributions and claims relating to the Board of Trustees and Management Committee were on the same terms as applicable to other Scheme members.

All transactions with related parties have been fully disclosed in note 28 to the Annual Financial Statements and the trustees believe that no further clarification is required.

# 9. AUDIT COMMITTEE

An Audit Committee was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the chairperson, are not officers of the medical scheme. The Committee met on three occasions during the course of the year.

The members of the audit committee, two nominated trustees, external auditors, principal officer and financial manager attended audit committee meetings. All members have unrestricted access to the chairperson of the Committee.

In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the medical scheme's accounting policies, internal control systems and financial reporting practices.

The external auditors formally report to the Committee on critical findings arising from audit activities.

The Audit Committee has satisfied its responsibilities under its terms of reference for the period under review.



The principle that has been established for recommending the external auditor for non-audit services is that the independence of the auditor should never be compromised and before each assignment this is tested.

Disclosure of amounts paid to extenal auditors for non-audit services have been separately disclosed under note 16 of the annual financial statements.

# **Composition of the Audit Committee**

| Name                            | Date of Appointment |
|---------------------------------|---------------------|
| J de Kock (Independent member)  | 25 November 2010    |
| F de Wit (Trustee)              | 29 June 2013        |
| D Albertyn (Trustee)            | 29 June 2013        |
| S Lapoorta (Independent member) | 26 November 2013    |
| C Schwab (Independent member)   | 26 November 2013    |

# 10. BOARD OF TRUSTEES AND SUB-COMMITTEE MEETING ATTENDANCE

The following schedule sets out meeting attendances by members of the Board of Trustees and Board sub-committees.

Trustee remuneration is disclosed in note 16 to the annual financial statements.

|     | Trustee/<br>sub-committee<br>member | Board m | neetings | Benefit & Contribution<br>Review meetings |     |     |     |     |     | Audit Committee<br>meetings |  |
|-----|-------------------------------------|---------|----------|---|-----|-----|-----|-----|-----|-----------------------------|--|
|     |                                     | Α       | В        | Α   | В   | Α   | В   | Α   | В   |                             |  |
| 1   | T Harris                            | 4       | 4        | 1   | 1   | n/a | n/a | n/a | n/a |                             |  |
| 1   | Dr R Engelbrecht                    | 4       | 4        | 1   | 1   | n/a | n/a | n/a | n/a |                             |  |
| 1&2 | F de Wit                            | 4       | 4        | 1   | 1   | n/a | n/a | 3   | 3   |                             |  |
| 1&2 | D Albertyn                          | 4       | 4        | 1   | 1   | n/a | n/a | 3   | 3   |                             |  |
| 2   | J de Kock                           | n/a     | n/a      | n/a                                       | n/a | n/a | n/a | 3   | 3   |                             |  |
| 2   | S Lapoorta                          | n/a     | n/a      | n/a                                       | n/a | n/a | n/a | 3   | 3   |                             |  |
| 2   | C Schwab                            | n/a     | n/a      | n/a                                       | n/a | n/a | n/a | 3   | 3   |                             |  |

- A total possible number of meetings could have attended
- B actual number of meetings attended
- 1 Trustee
- 2 Current audit committee member

# 11. NON-COMPLIANCE WITH THE ACT

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

# Sustainability of benefit options

In terms of section 33(2) of the Medical Schemes Act 131 of 1998, as amended, each option shall be self-supporting in terms of membership and financial performance and shall be financially sound. At 31 December 2014, the following option did not comply with section 33(2), after investment income:

| Net surplus for the year including investment and other operating income: |             |  |  |  |
|---|-------------|--|--|--|
| Selfmed 80%   | 8 789 036   |  |  |  |
| Selfmed MEDXXI  | 4 430 079   |  |  |  |
| Selfmed Selfsure  | 6 131 695   |  |  |  |
| Selfmed Med Elite   | (1 285 789) |  |  |  |
|   | 18 065 021  |  |  |  |

To improve the performance of Med Elite option going forward, the Scheme has implemented various benefit changes for 2015. The Board relied on expert actuarial opinion in arriving at the most appropriate benefit and contribution decisions for 2015.

In addition, the Scheme applies legislated underwriting criteria to safe-guard against a worsening risk profile. All the above coupled with the on-going monitoring, pro-active management and consideration of various enhanced managed care solutions are utilised to enable an improved financial performance in the following financial year.

# Contributions not received within three days of becoming due

In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, all contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due. There were a number of instances where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement. According to debt management policy, members are suspended when the contributions have not been received, members and groups are also notified of the late payments and pointed to the rules of the Scheme governing contributions. The total contributions outstanding for more than three days after year-end equates to 0.21% (2013: 0.31%) of gross contributions for the year. This is being monitored by management.

# 12. CORPORATE GOVERNANCE

Selfmed Medical Scheme is committed to the principles and practice of fairness, independence, openness, integrity and accountability in all dealings with its stakeholders.

The Scheme is in the process of implementing the principles of King III and Cobit 5 (IT governance). The performance of management is reviewed annually.

# 12.1 Risk Management and Control Framework

The Board of Trustees is accountable for communicating appropriate risk and control policies throughout the organisation and a process for identifying, evaluating and managing significant risks was in place throughout the year under review.

The Board of Trustees performs an annual business risk assessment that is monitored by the Management Committee and progress on actions is reported at each Board meeting.

The system of internal control is designed to manage, rather than eliminate, risk of failure and a comprehensive Disaster Recovery Plan (DRP) and site has been established to ensure continuity of business critical activities and all change-over procedures function as planned.

# 12.2 Social and transformation policies and practices

The Scheme employed 42 permanent staff as at 31 December 2014. The staff complement is made up as follows:

32 female staff members

10 male staff members

In terms of ongoing transformation, only 3 of the males listed above form part of management.

The Scheme is committed to on-going training and development and the training expenses are listed under note 16 in the Annual Financial Statements. There have also been no occupational safety and health incidents during the year under review.

# 13. CONCLUSION

Service excellence and proactive communication with members have remained a priority of the Scheme. The back and front office will continue to maintain unsurpassed service levels and render efficient, quality service to the Scheme's members.

The Board of Trustees are confident that the amendments made to existing benefit options and the registration of the new network option for 2015 benefit year, will ensure the Scheme's long-term sustainability. All Selfmed options' benefits and contributions have been approved and registered for 2015.

All legislative changes are thoroughly researched to ensure that the Scheme promptly reacts to the changing market.

de Wit

Chairman

Trustee

Principal Officer

# Independent Auditor's Report To the members of Selfmed Medical Scheme



# Report on the summarised Financial Statements

The summarised financial statements, which comprise the summarised statement of financial position as at 31 December 2014, the summarised statement of comprehensive income, summarised statement of changes in members' funds and reserves and summarised statement of cash flows for the year then ended, and related notes, as set out on pages 18 to 33, are derived from the audited financial statements of Selfmed Medical Scheme for the year ended 31 December 2014. We expressed an unmodified opinion on those annual financial statements in our report dated 13 April 2015.

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Medical Scheme's Act of South Africa. Reading the summarised financial statements, therefore, is not a substitute for reading the audited annual financial statements of Selfmed Medical Scheme.

# Trustees' Responsibility for the Summarised Financial Statements

The scheme's trustees are responsible for the preparation of a summarised version of the audited annual financial statements in accordance with the requirements of the scheme rules.

# Auditor's Responsibility

Our responsibility is to express an opinion on the summarised financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

# **Opinion**

In our opinion, the summarised financial statements derived from the audited annual financial statements of Selfmed Medical Scheme for the year ended 31 December 2014 are consistent, in all material respects, with those annual financial statements, in accordance with the requirements of the scheme rules.



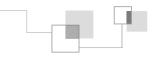
Mazers

Partner: Mansoor Salee Registered Auditor 6 May 2015 Cape Town

# Selfmed Medical Scheme Statement of Financial Position as at 31 December 2014

|                               | Notes | 2014        | 2013        |
|-------------------------------|-------|-------------|-------------|
|                               | Notes | R           | R           |
| ASSETS                        |       |             |             |
| Non-current assets            |       |             |             |
| Property, plant and equipment | 2     | 1 833 585   | 1 548 262   |
| Financial assets              | 3     | 363 312 576 | 345 121 975 |
| Current assets                |       | 5 216 096   | 3 906 570   |
| Trade and other receivables   | 5     | 1 565 921   | 930 881     |
| Cash and cash equivalents     | 6     | 3 650 175   | 2 975 689   |
| Total assets                  |       | 370 362 257 | 350 576 807 |
| FUNDS AND LIABILITIES         |       |             |             |
| Members' funds                |       |             |             |
| Accumulated funds             |       | 339 892 195 | 321 827 174 |
| Non-current liabilities       |       |             |             |
| Operating Lease liabilities   | 7     | 35 759      | 80 475      |
| Current liabilities           |       | 30 434 303  | 28 669 158  |
| Outstanding claims provision  | 8     | 11 807 101  | 12 549 088  |
| Trade and other payables      | 9     | 18 627 202  | 16 120 070  |
| Total funds and liabilities   |       | 370 362 257 | 350 576 807 |

# Selfmed Medical Scheme Statement of Comprehensive Income for the year ended 31 December 2014



|   | Notes | 2014<br>R     | 2013<br>R     |
|---|-------|---------------|---------------|
| Contribution income                                     | 10    | 277 284 444   | 272 343 654   |
| Relevant healthcare expenditure                         |       | (255 189 312) | (254 460 983) |
| Net claims incurred                                     |       | (255 002 574) | (254 369 865) |
| Claims incurred   | 11    | (256 392 799) | (255 573 357) |
| Third party claim recoveries                            | 12    | 1 390 225     | 1 203 492     |
| Net expense on risk transfer arrangement                |       | ( 186 739)    | (91 118)      |
| Risk transfer arrangement fees/premiums paid            | 13    | (1 635 431)   | (1 451 614)   |
| Recoveries from risk transfer arrangement               | 13    | 1 448 692     | 1 360 496     |
| Gross healthcare result                                 |       | 22 095 132    | 17 882 671    |
| Managed care: management services                       | 14    | (4 421 346)   | (4 323 094)   |
| Broker service fees                                     | 15    | (1 014 141)   | (1 148 412)   |
| Administration expenditure                              | 16    | (32 921 724)  | (33 115 652)  |
| Net impairment gains/(losses) on healthcare receivables | 17    | 65 930        | 50 628        |
| Net healthcare result                                   |       | (16 196 149)  | (20 653 859)  |
| Other income  |       | 36 967 683    | 24 563 710    |
| Investment income                                       | 18    | 13 674 854    | 17 807 593    |
| Net gain on financial instruments at fair value         | 19    | 23 108 713    | 6 397 046     |
| Sundry income   | 20    | 184 116       | 359 071       |
| Other expenditure                                       |       | (2 706 513)   | (1 521 126)   |
| Asset management fees                                   | 21    | (2 704 013)   | (1 515 276)   |
| Sundry expenses   | 22    | ( 2 500)      | (5 850)       |
| Net surplus for the year                                |       | 18 065 021    | 2 388 725     |
| Other comprehensive income                              |       | _             |               |
| Total comprehensive income                              |       | 18 065 021    | 2 388 725     |

# Selfmed Medical Scheme Statement of Changes in Members' Funds for the year ended 31 December 2014

|                                | Accumulated funds<br>R |
|--------------------------------|------------------------|
| Balance at 1 January 2013      | 319 438 449            |
| Surplus for the year           | 2 388 725              |
| Balance as at 31 December 2013 | 321 827 174            |
| Surplus for the year           | 18 065 021             |
| Balance as at 31 December 2014 | 339 892 195            |

| Scheme Solvency   | 2014         | 2013         |
|---|--------------|--------------|
| Gross annual contributions                                      | 277 284 444  | 272 343 654  |
| Total member's funds as per the statement of financial position | 339 892 195  | 321 827 174  |
| Less: Unrealised gains on investments                           | (12 265 600) | (19 045 935) |
| Accumulated funds per Regulation 29                             | 327 626 595  | 302 781 239  |
| Statutory minimum solvency requirement                          | 25%          | 25%          |
| Solvency ratio at year-end                                      | 118.16%      | 111.18%      |

# Selfmed Medical Scheme Statement of Cash Flows for the year ended 31 December 2014



|  | Notes | 2014<br>R     | 2013<br>R    |
|--|-------|---------------|--------------|
| Cash flows from operating activities                   |       |               |              |
| Cash flows from operations                             | 23    | (14 849 012)  | (17 535 900) |
| Purchase of investments                                |       | (127 000 000) | (37 500 000) |
| Sale of investments                                    |       | 142 600 000   | 53 350 000   |
| Interest received                                      |       | 652 432       | 556 969      |
| Net cash flows from operating activities               |       | 1 403 420     | (1 128 931)  |
| Cash flows from investing activities                   |       |               |              |
| Purchase of fixed assets                               |       | (748 388)     | (1 459 329)  |
| Sale of fixed assets                                   |       | 19 454        | _            |
| Net cash flows from investing activities               |       | ( 728 934)    | (1 459 329)  |
| Net decrease in cash and cash equivalents              |       | 674 486       | (2 588 260)  |
| Cash and cash equivalents at the beginning of the year |       | 2 975 689     | 5 563 949    |
| Cash and cash equivalents at the end of the year       | 6     | 3 650 175     | 2 975 689    |

# Selfmed Medical Scheme Notes to the Annual Financial Statements for the year ended 31 December 2014

# GENERAL INFORMATION

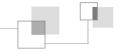
Selfmed Medical Scheme is an open enrolment Medical Scheme registered in South Africa under the Medical Schemes. Act 131 of 1998, as amended. The Scheme offers four benefit options to its members as further expanded under note 24.

The Schemes' registered office address is Unit 9, Canal Edge 2, Carl Cronje Drive, Tyger Waterfront, Bellville, South Africa, 7530.

# 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies comply with International Financial Reporting Standards (IFRS) and have been consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Scheme's financial statements, are disclosed in note 1.15.



# 8. OUTSTANDING CLAIMS PROVISION

2014 2013 Provision for outstanding claims 11 807 101 12 549 088

# Analysis of movements in outstanding claims not covered by risk transfer arrangement

| Balance at beginning of year           | 12 440 963   | 11 900 000   |
|--|--------------|--------------|
| Payments in respect of prior year      | (12 471 095) | (11 905 999) |
| (Under) / over provision in prior year | (30 132)     | (5 999)      |
| Adjustment for current year (Note 11)  | 11 710 132   | 12 446 962   |
| Balance at end of year                 | 11 680 000   | 12 440 963   |

# Covered by risk transfer arrangement

| Balance at beginning of year           | 108 125    | 111 759   |
|--|------------|-----------|
| Payments in respect of prior year      | ( 108 125) | (111 759) |
| Over / (under) provision in prior year | _          | _         |
| Adjustment for current year (Note 11)  | 127 101    | 108 125   |
| Balance at end of year                 | 127 101    | 108 125   |

### Analysis of outstanding claims provision

| Estimated net claims                  | 11 680 000 | 12 440 963 |
|---------------------------------------|------------|------------|
| Relating to risk transfer arrangement | 127 101    | 108 125    |
| Balance at end of year                | 11 807 101 | 12 549 088 |

# Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, and involve detailed studies that are carried out annually.

The outstanding claims provision is assessed using the Bornhuetter-Ferguson method, which is an adaptation of the basic Chain Ladder method. The assumption underlying the chain ladder method is that historical claim settlement patterns can be used to forecast future claim settlement patterns. The chain ladder is the most popular approach for calculating IBNR reserves for medical schemes in South Africa. This method was originally developed for insurance losses where the period from occurrence to settlement was measured in years. The method has been adapted by South African medical schemes by using monthly claim development factors rather than annual development factors.

The Scheme has further adapted the Bornhuetter-Ferguson methodology by applying it to weekly claim development factors rather than monthly development factors. The provision estimation is applied separately for the following five healthcare provider groupings; hospitals, pharmacies, doctors, pathologists and other. The claim settlement patterns were found to be materially different across the five provider groupings.

The Bornhuetter-Ferguson methodology is considered to provide more stable outcomes for the most recent weeks when compared to the basic Chain Ladder. However, the final provision is compared to the basic Chain Ladder provision estimate as well as the budget projections in order to check for reasonability.

To the extent that the method uses historical claims development information it assumes that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods.

# Such reasons include:

- Changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures);
- Economic, legal, political and social trends (resulting in different-than-expected levels of inflation and/or minimum medical benefits to be provided);
- Changes in composition of members and their dependants;
- Random fluctuations, including the impact of large losses; and
- Efficiency of claims processing department.

# **Assumptions**

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the ultimate claims for the last six months of 2014 for the hospital, pathology, doctors, pharmacies and other providers. The separation of the calculation into specifically these five provider types is due to the fact that these providers exhibit fundamentally different claims development patterns. These ultimate claims are projected through use of Towers Watson's projection model and are used for assessing the outstanding claims provisions for the 2014 year.

The expected ultimate claims projected for the last six months for the benefit year 2014 is R63 987 273 (2013: R64 707 187) for hospital, R6 913 613 (2013: R6 180 385) for pathology, R12 556 511 (2013: R11 659 712) for pharmacy, R2 939 934 (2013: R2 432 474) for doctors, and R42 163 594 (2013: R36 044 104) for Other providers.

In projecting claims inflation during 2014, the key assumptions for medical cost inflation was 7.4% (2013: 7.7%) for the non-tariff items that exhibit continuous inflationary increases during the year. Increase in utilisation was assumed to be 2% (2013: 1%) and the impact of aging is adjusted in the model as the demographic profile ages monthly.



# Sensitivity of provision estimate

The table below outlines the sensitivity of insured liability estimates for reasonable possible movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme's estimation process. The scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions which could differ when claims arise.

| Impact on surplus reported caused by reasonable possible changes in key variables |           |           |           |
|---|-----------|-----------|-----------|
|   | % changes | 2014      | 2013      |
| Hospital ultimate claims  | 5%        | 3 199 364 | 3 235 359 |
| Pathology ultimate claims   | 5%        | 345 681   | 309 019   |
| Pharmacy ultimate claims  | 5%        | 627 826   | 582 986   |
| Doctors ultimate claims   | 5%        | 146 997   | 121 624   |
| Other providers ultimate claims   | 5%        | 2 108 180 | 1 802 205 |

The change in liability above represents the absolute change in (deficit) / surplus for the period if the ultimate claims for the last 6 months are 5% higher. It should be noted that increases in liabilities will result in decreases in surplus and vice versa.

| 10. CONTRIBUTION INCOME | 2014<br>R   | 2013<br>R   |
|-------------------------|-------------|-------------|
| Gross contributions     | 277 284 444 | 272 343 654 |
|                         | 277 284 444 | 272 343 654 |

| 13. NET EXPENSE ON RISK TRANSFER ARRANGEMENT | 2014<br>R   | 2013<br>R   |
|--|-------------|-------------|
| Risk transfer arrangement fees/premiums paid | (1 635 431) | (1 451 614) |
| Recoveries from risk transfer arrangement    | 1 448 692   | 1 360 496   |
| Claims settled - recoveries                  | 1 321 591   | 1 252 371   |
| Outstanding claims provision - recoveries    | 127 101     | 108 125     |
|  | (186 739)   | (91 118)    |

ER24 EMS (Pty) Ltd trading as ER24 operates a 24-hour call centre for the members of the Scheme for all emergency medical advice, emergency response and medical transportation, as well as inter hospital transfers.

The term of the agreement is one year and will continue for further 12 month periods until 90 days written notice of termination is given by either party. The fee is based on the number of beneficiaries enrolled within the Scheme and is payable in arrears, by the 14th of the following month.

# Exposure to members vs. recovery in kind from provider

During the year under review the Scheme members utilised the following services:

|   | 2014<br>Cases | 2013<br>Cases |
|---|---------------|---------------|
| Ground ambulance cases - primary response and transfers | 455           | 466           |
| Air ambulance cases - primary response and transfers    | 1             | 1             |
|   | 456           | 467           |

The cost of providing above services outside the agreement is estimated based on private rates. The risk transfer arrangement asset under **(Note 5)** was R 127 101 ( 2013: R 108 125).

| 18. INVESTMENT INCOME  | 2014<br>R  | 2013<br>R  |
|--|------------|------------|
| Interest income on investment portfolio held at fair value   | 10 232 253 | 16 111 218 |
| Dividend income held at fair value                           | 3 311 108  | 1 598 490  |
| Amortised cost: Interest received on operating bank accounts | 131 493    | 97 885     |
|  | 13 674 854 | 17 807 593 |

# 19. NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE

|                                       | 2014<br>R   | 2013<br>R |
|---------------------------------------|-------------|-----------|
| - fair value gain - realised          | 29 889 049  | 320 988   |
| - fair value gain/(loss) - unrealised | (6 780 336) | 6 076 058 |
|                                       | 23 108 713  | 6 397 046 |

| 20. 9 | SUNDRY INCOME                               | 2014<br>R | 2013<br>R |
|-------|---|-----------|-----------|
|       | Write Backs: Member Debt Older than 3 years | 120 266   | 314 133   |
|       | Gain on insurance claim                     | -         | 44 092    |
|       | Sundry income                               | 51 456    | 846       |
|       | Gain on sale of asset                       | 12 394    | _         |
|       |   | 184 116   | 359 071   |

# 24. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

| Basis of allocation<br>consistent with prior year | Actual raisings  |                     | Actual expenditure | Actual recoveries            |   | Based on membership                          | Based on average claims                   |                         | Actual billed per option          | Actual expenditure  | Actual billed / membership | Actual experience                               |                       |              | Based on contribution income | Based on average membership |                   | Based on contribution income | Based on average membership |                                    |                            |                            |                        |
|---|--|---------------------|--------------------|------------------------------|---|--|---|-------------------------|-----------------------------------|---------------------|----------------------------|---|-----------------------|--------------|------------------------------|-----------------------------|-------------------|------------------------------|-----------------------------|------------------------------------|----------------------------|----------------------------|------------------------|
| TOTAL<br>R  | 277 284 444 (255 189 312)                                  | (255 002 574)       | (256 392 799)      | 1 390 225                    | (186 739)   | (1 635 431)                                  | 1 448 692                                 | 22 095 132              | (4 421 346)                       | (1 014 141)         | (32 921 724)               | 65 930  | (16 196 149)          | 36 967 683   | 36 783 567                   | 184 116                     | (2 706 513)       | (2 704 013)                  | (2 500)                     | 18 065 021                         | 1                          | 18 065 021                 | 7 786                  |
| Selfmed<br>Med Elite<br>R                         | 41 616 400<br>(44 371 406)                                 | (44 351 572)        | (44 351 572)       | ı                            | (19 834)  | (159 240)                                    | 139 406                                   | (2 755 006)             | (424 352)                         | (115 398)           | (3 130 335)                | 15 949  | (6 409 142)           | 5 529 639    | 5 523 477                    | 6 162                       | (406 287)         | (406 045)                    | ( 242)                      | (1 285 789)                        | 1                          | (1 285 789)                | 722                    |
| Selfmed<br>Selfsure<br>R                          | 95 001 814<br>(86 575 820)                                 | (86 509 241)        | (87 100 894)       | 591 653                      | ( 66 581)   | (508 705)                                    | 532 124                                   | 8 425 993               | (1 662 600)                       | (268 660)           | (12 112 868)               | (47 866)  | (5 666 001)           | 12 724 584   | 12 608 037                   | 116 547                     | (926 888)         | (925 962)                    | (986)                       | 6 131 695                          | 1                          | 6 131 695                  | 2 831                  |
| Selfmed<br>MEDXXI<br>R                            | 92 310 238<br>(81 501 404)                                 | (81 416 055)        | (82 214 627)       | 798 572                      | (85 349)  | (755 442)                                    | 670 093                                   | 10 808 834              | (2 000 192)                       | (595 499)           | (15 277 950)               | 87 774  | (6 986 033)           | 12 317 472   | 12 269 212                   | 48 260                      | (901 360)         | (900 214)                    | (1146)                      | 4 430 079                          | 1                          | 4 430 079                  | 3 673                  |
| Selfmed<br>80%<br>R                               | 48 355 992<br>(42 740 681)                                 | (42 725 706)        | (42 725 706)       | I                            | (14 975)  | (122 044)                                    | 107 069                                   | 5 615 311               | (325 203)                         | (34 583)            | (2 400 571)                | 10 073  | 2 865 027             | 6 395 988    | 6 382 841                    | 13147                       | (471 978)         | (471 792)                    | (186)                       | 8 789 036                          | 1                          | 8 789 036                  | 290                    |
| 2014  | Net contribution income<br>Relevant healthcare expenditure | Net claims incurred | Claims incurred    | Third Party claim recoveries | Net income/(expense) on risk transfer arrangement | Risk transfer arrangement fees/premiums paid | Recoveries from risk transfer arrangement | Gross healthcare result | Managed care: management services | Broker service fees | Administration expenditure | Net impairment losses on healthcare receivables | Net healthcare result | Other income | Investment income            | Sundry income               | Other expenditure | Asset management fees        | Sundry Expenses             | Net surplus/(deficit) for the year | Other comprehensive income | Total comprehensive income | Membership at year end |

# 24. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

| 2013  | Selfmed<br>80%<br>R | Selfmed<br>MEDXXI<br>R | Selfmed<br>Selfsure<br>R | Selfmed<br>Med Elite<br>R | TOTAL<br>R    | Basis of allocation<br>consistent with prior year |
|---|---------------------|------------------------|--------------------------|---------------------------|---------------|---|
| Net contribution income                           | 50 400 451          | 88 698 605             | 91 163 706               | 42 080 892                | 272 343 654   | Actual raisings                                   |
| Relevant healthcare expenditure                   | (47 063 986)        | (79 588 195)           | (75 884 067)             | (51 924 735)              | (254 460 983) |   |
| Net claims incurred                               | (47 054 427)        | (79 550 778)           | (75 854 033)             | (51 910 627)              | (254 369 865) |   |
| Claims incurred                                   | (47 054 427)        | (79 764 249)           | (76 844 054)             | (51 910 627)              | (255 573 357) | Actual expenditure                                |
| Third Party claim recoveries                      | I                   | 213 471                | 990 021                  | I                         | 1 203 492     | Actual recoveries                                 |
| Net income/(expense) on risk transfer arrangement | (6 22 6)            | (37 417)               | (30 034)                 | (14 108)                  | (91 118)      |   |
| Risk transfer arrangement fees/premiums paid      | (113 925)           | (662 892)              | (520 958)                | (153 839)                 | (1 451 614)   | Based on membership                               |
| Recoveries from risk transfer arrangement         | 104 366             | 625 475                | 490 924                  | 139 731                   | 1 360 496     | Based on average claims                           |
|   |                     |                        |                          |                           |               |   |
| Gross healthcare result                           | 3 336 465           | 9110410                | 15 279 639               | (9 843 843)               | 17 882 671    |   |
| Managed care: management services                 | (333 781)           | (1 946 466)            | (1 589 912)              | (452 935)                 | (4 323 094)   | Actual billed per option                          |
| Broker service fees                               | (38 440)            | (655 624)              | (317 026)                | (137 322)                 | (1 148 412)   | Actual expenditure                                |
| Administration expenditure                        | (2 532 210)         | (15 049 263)           | (12 103 322)             | (3 430 857)               | (33 115 652)  | Actual billed / membership                        |
| Net impairment losses on healthcare receivables   | 4 746               | 17 643                 | 21 906                   | 6 333                     | 50 628        | Actual experience                                 |
| Net healthcare result                             | 436 780             | (8 523 300)            | 1 291 285                | (13 858 624)              | (20 653 859)  |   |
| Other income                                      | 4 458 498           | 7 970 903              | 8 397 260                | 3 737 049                 | 24 563 710    |   |
| Investment income                                 | 4 455 039           | 7 911 230              | 8 117 178                | 3 721 192                 | 24 204 639    | Based on contribution income                      |
| Sundry income                                     | 3 459               | 59 673                 | 280 082                  | 15 857                    | 359 071       | Based on average membership                       |
| Other expenditure                                 | (289 055)           | (493 731)              | (502 700)                | (235 640)                 | (1 521 126)   |   |
| Asset management fees                             | (283 205)           | (493 731)              | (502 700)                | (235 640)                 | (1 515 276)   | Based on contribution income                      |
| Sundry Expenses                                   | (2 850)             | I                      | I                        | 1                         | (5 850)       | Based on average membership                       |
| Net surplus/(deficit) for the year                | 4 606 223           | (1 046 128)            | 9 185 845                | (10 357 215)              | 2 388 725     |   |
| Other comprehensive income                        | I                   | ı                      | I                        | ı                         | 1             |   |
| Total comprehensive income                        | 4 606 223           | (1 046 128)            | 9 185 845                | (10 357 215)              | 2 388 725     |   |
|   |                     |                        |                          |                           |               |   |
| Membership at year end                            | 621                 | 3 737                  | 2 928                    | 829                       | 8 115         |   |



# 24. SURPLUS /(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

The Scheme offered the following four benefit options to members:

- Selfmed 80%
- Selfmed MFDXXI
- Selfmed Selfsure
- Selfmed Med Elite

Principal features of the benefit options are as follows:

### Selfmed 80%

This option offers benefits from the following two benefit pools:

- 1. Major Medical (e.g. hospitalisation and in-hospital procedures)
- 2. Day-to-day (e.g. visits to your doctor, dentist, optometrist, etc.)

It is best suited to members who prefer having their day-to-day expenses managed on their behalf, whilst being comfortable contributing a 20% co-payment towards day-to-day expenses. Most benefits are paid at cost.

# Selfmed MEDXXI

This option offers major medical benefits in respect of hospitalisation, in-hospital procedures, etc. It is particularly suited to younger, healthier members with smaller families, who prefer to manage their own day-to-day expenses and who are in the position to carry the full risk associated with payment of such services. Certain benefits in hospital are paid at 100% (2013: 100%) of the Medical Scheme Rate.

# Selfmed Selfsure

This option offers benefits from the following two benefit pools:

- Major Medical (e.g. hospitalisation and in-hospital procedures) payable at 100% (2013: 100%) of Medical Scheme Rate.
- Day-to-day (e.g. visits to your doctor, dentist, optometrist, etc.) mostly paid at 100% (2013: 100%) of Medical Scheme Rate. This option is made attractive by the good combination of both major medical and day-to-day benefits offered.

### Selfmed Med Flite

This option offers benefits from the following two benefit pools:

- Major Medical (e.g. hospitalisation and in-hospital procedures) payable at 100% (2013: 200%) of Medical Scheme Rate.
- 2. Day-to-day (e.g. visits to your doctor, dentist, optometrist, etc.) is self-funded. This option is particularly suited to families who prefer to manage their own day-to-day expenses and who are in the position to carry the full risk associated with payment of such services.

# 25. CONTINGENCIES

It is reported that the Scheme had the following legal cases pending as at 31 December 2014:

# 25.1 Contingent ASSETS

(i) During 2014, legal action against an individual was instituted to reclaim funds that is believed to have been paid in contravention of the Medical Schemes Act 131 of 1998 and payments that are seen as in excess of contractual obligations. The case has been lodged with the Cape High Court and the expected date of conclusion is unclear at this stage.

### 25.2 CONTINGENT LIABILITIES

(i) Court Order dated, 16 April 2013 - Disciplinary Hearings

On the 16 April 2013, the High Court issued a court order, appointing an acting Principal Officer to investigate the findings that arose from the CMS section 44 investigation. This led to the suspension of two employees pending the outcome of a disciplinary enquiry. All related costs are being provided for. The disciplinary enquiry is still ongoing.

Both employees lodged applications at the Labour Court for the following:

The first employee is requesting the court to review a CCMA ruling, in which the commissioner ruled in favour of the Scheme in terms of an expectation to renew a contract.

The second employee has filed a claim against the Scheme for leave that is believed, by the employee, to be owed to them. In addition to the above, the claim includes performance bonus on a period whilst the person was absent from work as well as several claims regarding interest accruing from aforementioned payments.

Dates for the court hearings are still awaited.

# 26. PROFESSIONAL INDEMNITY AND FIDELITY INSURANCE

In terms of section 33(3) of the Medical Schemes Act, Stalker Hutchison Admiral (Pty) Ltd has provided bankers blanket bond and professional indemnity insurance of R25m (2013: R25m) to the Scheme.

# 27. SUBSEQUENT EVENTS AFTER REPORTING DATE

There were no material events after the reporting date, that would require any adjustment to the stated results, or any additional disclosures.

### 28. RELATED PARTY TRANSACTIONS

# Parties with significant influence over the Scheme

Medical Services Organisation South Africa (Pty) Ltd has provided hospital benefit management and preauthorisation managed care services to the Scheme since 1 January 2008.

Towers Watson has provided actuarial services to the Scheme since 1 July 2013, at which date the contract with The Health Monitor Company for actuarial services was terminated.

Mediscor PBM (Pty) Ltd provides pharmacy benefit management services to the Scheme since 1 July 2010.



Uno Healthcare (Pty) Ltd provides HIV/ Aids management services to the Scheme since 1 January 2010.

Independent Clinical Oncology Network has provided Oncology benefit management to the Scheme since 1 January 2010.

# Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and members of the Management Committee. The disclosure deals with full time personnel who are compensated on a salary basis, and part time personnel who are compensated on a fee basis (Board of Trustees).

Close family members include close family members of the Board of Trustees, Principal Officer and members of the Mangement Committee.

# Transactions with related parties

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

| Key management personnel (Board of Irus<br>and their close family me |           |           |
|--|-----------|-----------|
|  | 2014<br>R | 2013<br>R |
| Compensation   |           |           |
| Short-term employee benefits - Management Committee                  | 3 305 634 | 4 433 510 |
| Part time fee basis - Board of Trustees                              | 844 733   | 737 589   |
| Total compensation paid to key management personnel                  | 4 150 367 | 5 171 099 |

Total compensation paid to key management personnel excludes Principal Officer fees.

### Contributions and claims

### Statement of Comprehensive Income

| Gross contributions received * | 148 818 | 235 356 |
|--------------------------------|---------|---------|
| Claims incurred *              | 173 622 | 122 269 |

# Statement of Financial Position

| Contributions debtor         | _ | _ |
|------------------------------|---|---|
| Claims reported not yet paid | _ | _ |

<sup>\*</sup>All contributions and claims were on the same terms as applicable to other Scheme members.



| Transactions with entities that have significant influence over the | he Scheme |
|---|-----------|
|---|-----------|

| Statement of Comprehensive Income  | 2014<br>R | 2013<br>R |
|--|-----------|-----------|
| Managed care fees: Medical Services Organisation (Pty) Ltd                 | 2 456 852 | 2 427 678 |
| Managed care fees: Mediscor PBM (Pty) Ltd                                  | 1 856 231 | 1 817 139 |
| Administration license fees: MIP Holdings (Pty) Ltd & PBT Holdings Pty Ltd | 2 742 855 | 1 778 799 |
| (i) Acting Principal Officer's fees & Principal Officer's Fees             | 2 122 552 | 1 706 274 |
| Actuarial consulting fees: Towers Watson                                   | 967 927   | 414 960   |
| Actuarial consulting fees: The Health Monitor (Pty) Ltd                    | -         | 355 344   |
| Managed care fees: Uno Healthcare (Pty) Ltd                                | 77 195    | 78 277    |
| Managed care fees: Independent Clinical Oncology Network                   | 31 068    |           |

# Statement of Financial Position

| Managed care fees due         | 177 209 | 158 072 |
|-------------------------------|---------|---------|
| Actuarial consulting fees due | 294 506 | 59 280  |

(i) The acting Principal Officer was appointed during April 2013, as per court order dated 16 April 2013. In the course of 2014, the Scheme appointed a permanent Principal Officer.

# Terms and conditions of the administration license agreement

The PBTIT agreement commenced on the 1 August 2013 and was for an initial period of 3 years. The Scheme has the right to terminate the agreement on giving 90 days notice prior to the end of the initial period. After expiry of the initial period the agreement shall continue indefinitely until it is terminated by either party giving not less than 6 calendar months written notice of termination.

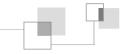
# Terms and conditions of the managed care agreements

The Medical Services Organisation South Africa (Pty) Ltd agreement was for an initial period of two years starting on 1 January 2008. The Scheme has the right to terminate the agreement on giving 90 days written notice. Amounts owing are payable before or on the 18th business day of the relevant month.

The Mediscor (Pty) Ltd agreement commenced on 1 July 2010 for a one year period and renews annually. The Scheme has the right to terminate the agreement on giving 90 days written notice. Amounts owing are payable by the 17th day of the following month.

### Terms and conditions of the actuarial services

Towers Watson agreement commenced on the 1 July 2013. The services are retained for a twelve month period and either party can serve one month's written notice to terminate the agreement.



# Terms and conditions of the principal officer services

The Principal Officer performs the duties of the chief accounting officer in accordance with the Rules of the Scheme. The acting Principal Officer was appointed during April 2013, as per court order dated 16 April 2013. The acting Principal Officer contract expired on the 31st July 2014. On the 1st September 2014, the Scheme appointed a permanent Principal Officer.

# 31. NON-COMPLIANCE

# Sustainability of benefit options

In terms of section 33(2) of the Medical Schemes Act 131 of 1998, as amended, each option shall be self-supporting in terms of membership and financial performance and shall be financially sound. At 31 December 2014, the following option did not comply with section 33(2), after investment income:

|                   | or the year including investment ome and expenditure: |              |
|-------------------|---|--------------|
|                   | 2014<br>R   | 2013<br>R    |
| Selfmed 80%       | 8 789 036   | 4 606 223    |
| Selfmed MEDXXI    | 4 430 079   | (1 046 128)  |
| Selfmed Selfsure  | 6 131 695   | 9 185 845    |
| Selfmed Med Elite | (1 285 789)   | (10 357 215) |
|                   | 18 065 021  | 2 388 725    |

To improve the performance of Med Elite option going forward, the Scheme has implemented various benefit changes for 2015. The Board relied on expert actuarial opinion in arriving at the most appropriate benefit and contribution decisions for 2015.

In addition, the Scheme applies all legislated underwriting criteria to safe-guard against a deteriorating risk profile. All the above coupled with the ongoing monitoring, pro-active management and consideration of various enhanced managed care solutions are utilised to enable an improved financial performance in the following financial year.

# Contributions not received within three days of becoming due

In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, all contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due. There were a number of instances where the scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement. The total contributions oustanding for more than three days after year-end equates to 0.21% (2013: 0.31%) of gross contributions for the year. This is being monitored by management.

# Selfmed Medical Scheme Annual General Meeting 2015

| Proxy:   |
|--|
| Complete in full if you cannot attend the meeting in person  |
| I, (full names)  |
| of (full address)  |
|  |
| Being a member of the SELFMED MEDICAL SCHEME with membership number  |
| 4 9 0 hereby appoint   |
| (full names)   |
| of (full address)  |
|  |
| as my proxy to vote for me and on my behalf at the Annual General Meeting of the Scheme to be held on 20 June 2015, and at any resumption of an adjournment thereof, as he/she sees fit. |
| signed at on D D M M Y Y Y   |
|  |
| Signature of Principal Member Witness  |
|  |
| Signature of Proxy   |

# Note:

The proxy form must be returned to SELFMED MEDICAL SCHEME, P.O. Box 5543, Tyger Valley, 7536 or faxed to 021 943 2301 **no later than 17 June 2015.** 

# Selfmed Medical Scheme Annual General Meeting 2015



| (Completion of this form is requested for catering purposes only.) |                 |
|--|-----------------|
| Complete in full ONLY if you are going to attend the meeting       |                 |
| Surname:   |                 |
| First names:   |                 |
| Date of birth:   | D D M M Y Y Y Y |
| Full current address:  |                 |
|  |                 |
|  |                 |
| Membership number  | 4 9 0           |
|  |                 |
| Declaration:   |                 |

I Declare that the above particulars apply to me, that I am entitled to vote in terms of my membership of SELFMED, and or by proxy of a member of SELFMED and that I will attend this meeting.

Signature

# Note:

The proxy form must be returned to SELFMED MEDICAL SCHEME, P.O. Box 5543, Tyger Valley, 7536 or faxed to 021 943 2301 no later than 17 June 2015.

# ANY OTHER BUSINESS FOR DISCUSSION AT THE AGM

Should members have any other matters that they would like to address at the AGM, such matters must be submitted to the Scheme in writing. Written notice of such matters must reach the Scheme no later than **Tuesday 9 June 2015**.





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