



Highlights of the  
**Financial**  
Statements

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For the year ended 31 December 2021

2021



*Growth gains greater abundance when imbued with the spirit of generosity.*

**bestMed**  
personally yours

## Your personal invitation



*Companies that build scale for the benefit of their customers and shareholders more often succeed over time.*

*Jamie Dimon*

## You are invited to attend Bestmed's 58<sup>th</sup> Annual General Meeting

Bestmed Medical Scheme is proud of the growth it achieved during a period of economic difficulty in South Africa. Bestmed was the only large medical scheme in the country to grow in membership during 2020.

We are pleased to announce that the Scheme reached the milestone of 100 000 principal members in August 2021, and now covers over 209 000 lives (principal members and dependants) and aims to continue growing to become the third largest-open medical scheme in the country by 2023.

This success is because of you and your unwavering loyalty to the Scheme. Thank you for your continued support.

**You are cordially invited to share in the operational and financial highlights of 2021 at our Annual General Meeting (AGM).**

<b>Date:</b>	Thursday, 23 June 2022
<b>Time:</b>	08:00 - 11:30
<b>Virtual event link:</b>	Will be distributed by Thursday, 11 June 2022
<b>Register:</b>	via email at <a href="mailto:bestmed-agm@bestmed.co.za">bestmed-agm@bestmed.co.za</a>
<b>User guide:</b>	You will receive a user guide to navigate the virtual event platform prior to the AGM.
<b>Enquiries:</b>	Should you wish to submit a motion for the AGM, kindly email Ilana Verveen <a href="mailto:bestmed-agm@bestmed.co.za">bestmed-agm@bestmed.co.za</a> by no later than Thursday, 9 June 2022.

### Programme

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

# Contents



*In a balanced organisation, working towards a common objective, there is success.*

*Arthur Helps*

<b>Agenda for the 58<sup>th</sup> AGM</b>	<b>7</b>
<b>Minutes of the 57<sup>th</sup> AGM</b>	<b>9</b>
<b>Chairperson's report</b>	<b>23</b>
<b>Operational Highlights</b>	<b>27</b>
Report from the Chief Executive Officer	27
Operational Excellence report	28
Information and Communication Technology (ICT) report	29
Legal and Governance report	29
Managed Healthcare and Service Providers report	30
Human Resources (HR) report	30
Corporate Relations and Wellness report	31
Product Strategy and Benefit Design	31
Sales and Marketing report	32
Corporate Social Investment (CSI)	32
<b>Highlights of the 2021 Financial Statements</b>	<b>35</b>
Statement of Financial Position	36
Statement of Comprehensive Income	37
Statement of Changes in Members' Funds and Reserves	38
Solvency Ratio	39
Operational Statistics per Benefit Option	40
Operational Statistics for the Scheme	40
Personal Medical Savings Account Trust Monies	42
Matters of Non-Compliance with the Medical Schemes Act 131 of 1998	43



## Agenda for the 58<sup>th</sup> AGM



*Great works are  
performed not by  
strength, but by  
perseverance.*

*Samuel Johnson*

## Bestmed's 58<sup>th</sup> Annual General Meeting

Notice is hereby given that the 58<sup>th</sup> Annual General Meeting of the members of Bestmed Medical Scheme will be held at 08:45 on Thursday, 23 June 2022, virtually via the following link: <https://www.events.bestmed.co.za/>

- Opening and welcome
- House rules for the virtual event format
- Finalisation of agenda
- Minutes of the previous AGM held on 24 June 2021
- Matters arising from the minutes
- Chairperson's report
- Financial statements and auditor's report
- Appointment of auditors for 2022
- Motions received in terms of of rule 26.1.4
- Proposed increase in Trustee Remuneration for 2022/2023
- Closure

### PLEASE NOTE:

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

# Minutes of the 57<sup>th</sup> AGM



*Businesses  
that grow by  
development and  
improvement do  
not die.*

*Henry Ford*

## Minutes of the 57<sup>th</sup> virtual Annual General Meeting of members held at 09:00 on Thursday, 24 June 2021

### 1. OPENING

The Master of Ceremonies (MC), Ms Madelein Barkhuizen, opened the Annual General Meeting (AGM) and introduced herself to the meeting. She warmly welcomed all the attendees, including the Bestmed Board of Trustees, to the 57th AGM, which was a virtual meeting.

The agenda had been disseminated to the members with the invitation to the AGM and was also included in the Highlights of the Annual Financial Statements document, as published on Bestmed's website. For members' convenience, the agenda was also published on the virtual platform. Members' attention was drawn to agenda item 11, dealing with member voting, which had been added to ensure an effective flow of the meeting. Voting would take place at the end of the meeting after concluding all the agenda items. The rest of the agenda remained unchanged.

The Chairperson then declared the meeting properly constituted, members and employers having been given adequate notice of the meeting in terms of Rule 26.1.1 and more than 25 members being present to constitute a quorum.

### 2. HOUSE RULES

Next, the house rules for the virtual AGM were explained. Members were also requested to switch their microphones to mute and to use the Q&A functionality available on the screen to raise any comments or questions. Questions published on the platform would be visible for all attendees to read. Questions could also be directed via telephone by using any of the five numbers displayed on the screen. Members were advised to take down one or two numbers to facilitate the process. Furthermore, after each agenda item, members would be afforded the opportunity to phone in, should they have any questions, which would be audible to all attendees. Five questions, limited to 90 seconds per question, would be taken at that time. In addition, the AGM would be managed strictly according to the agenda provided for the AGM and, therefore, questions asked per the Q&A functionality should only relate to the matters relevant to the AGM. Questions pertaining to any other matters, for example, the Scheme's options or service delivery, could be directed using any of the available channels implemented for this purpose. Bestmed employees would answer all telephone calls and assist with resolving these enquiries.

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

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

Principal members, who had logged in with a one-time pin (OTP), would be allowed access to the voting functionality. Voting would take place after dealing with all the agenda items. In this regard, members' attention was drawn to the fact that they would only be allowed one opportunity to cast their vote on each matter and, after submitting a vote, members would not be able to amend or resubmit the vote.

After successfully submitting a vote, a message acknowledging receipt of the vote would be displayed on the screen. The member voting screen, explaining the actions required from members when voting on a matter, was then displayed and explained to the attendees. The Chairperson of the Board, Mr Colin Mowatt, would explain the voting functionality to members again when dealing with agenda item 11. Accessing full-screen mode during live streaming was also explained to the members.

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

The Chairperson took over the proceedings of the AGM. He declared the meeting properly constituted, members and employers affiliated to Bestmed having been given adequate notice of the meeting in terms of Rule 26.1.1, and 155 active voting members being virtually present, which was more than the stipulated 25 members required to constitute a quorum. He extended a special word of welcome to the members of Grintek Electronics Medical Aid Scheme (GEMAS), which Bestmed had acquired through amalgamation with GEMAS in 2020 and who were attending the Bestmed AGM for the first time. No apologies had been received for the AGM.

Next, he welcomed, in addition to the Scheme's members who were attending the virtual meeting, the members of the Bestmed Board of Trustees; Mr Gordon Nzalo, Independent Chairperson of the Bestmed Audit Committee; Mr Mfana Maswanganyi, Senior Investigator of the Council for Medical Schemes (CMS); Mr Johannes Grové and Ms Alke Biggs, the Scheme's External Auditors of PricewaterhouseCoopers (PwC); Executive Management and employees of Bestmed.

The Chairperson proceeded by indicating it was a virtual AGM broadcast from a media studio. The only persons physically present were the Bestmed presentation team, the Company Secretary, employees from the Internal Audit and Compliance departments, certain Executive Managers and support staff members of Bestmed as well as the two representatives of PwC. No members were physically attending the AGM on-site.

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

The Chairperson indicated that, due to technical difficulties which had arisen, members were requested to refresh their browser, as certain functionalities should become active for proposing and seconding the approval of the minutes.

The Chairperson proceeded by explaining the reason for conducting a virtual AGM. In view of the COVID-19 lockdown restrictions and the uncertainties pertaining to the progression of the pandemic in 2020, the CMS had authorised that Bestmed could host its first virtual AGM, which had taken place on 23 September 2020.

The Chairperson reiterated that the health and wellbeing of the Scheme's members, employees and other stakeholders remained a priority during the COVID-19 pandemic, and all the stakeholders present on-site complied with the relevant COVID-19 safety protocols.

On 16 June 2021, adjusted alert level 3 COVID-19 lockdown had come into effect. In terms of these regulations, the number of individuals allowed to attend gatherings was restricted and, as a result, prevented Bestmed from hosting an AGM which could be physically attended by members in 2021. Furthermore, the CMS had authorised Bestmed to conduct a virtual AGM in 2021, and the Scheme's Rules had been amended to make provision for virtual/physical/hybrid AGMs. The Chairperson assured the members all possible measures had been implemented to ensure the AGM would proceed as smoothly as possible and he thanked all members for attending the virtual AGM.

The Chairperson proceeded by expressing his heartfelt gratitude and appreciation to the South African frontline healthcare workers, who continued to risk their lives for their fellow citizens in fighting the COVID-19 pandemic. Furthermore, he requested a moment of silence in honour of the memory of the 595 Bestmed members who had lost their lives due to COVID-19, Mr Louis Heyl (retired Bestmed Trustee) and Mr Riaan du Plessis (retired Bestmed Executive) who had passed away in 2021 as well as two Bestmed employees, Mesdames Kathy Stapelberg and Tersea Maritz, who had passed away in January and June 2021 respectively. In addition, the Scheme had been advised that Mr Jan Boot, one of the former Chairpersons of the Bestmed Board of Trustees (1998-2002), had also recently passed away.

### 3. FINALISATION OF AGENDA

The meeting proceeded with the finalisation of the agenda. The Chairperson informed the meeting that agenda item 9 dealt with the motions on which members would be required to vote at the AGM. In terms of Rule 26.1.4 of the Bestmed Rules, one motion had been received from a member to be placed before the AGM, on which members would be required to vote.

In addition, members' attention was drawn to agenda items 8 and 10, dealing with the appointment of external auditors and the approval of the trustee remuneration respectively, on which members would also be required to vote.

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

### 4. MINUTES OF PREVIOUS ANNUAL GENERAL MEETING HELD ON 12 JUNE 2019

The Chairperson informed the members of a correction to the minutes of the 2020 AGM with regard to agenda item

4 (Matters arising from the previous AGM), dealing with the CMS Section 47 complaint lodged by Adv J Stanbury in December 2018 against rule 28.1 of the registered Bestmed Rules.

At the 2020 AGM, the Chairperson had reported that the CMS had ruled against Adv Stanbury's complaint, for the reasons outlined in the CMS report, which had been submitted to Bestmed. Adv Stanbury had indicated that the CMS ruling on his second complaint had been erroneously reported on at the 2020 AGM. As a result, the minutes were amended as follows to reflect this change:

"The Chairperson reported that –

- The CMS had ruled against Adv Stanbury in respect of his first complaint that the Trustees had been remunerated in contravention of rules 18.2 and 18.8 of the Scheme Rules.
- In respect of Adv Stanbury's second complaint that Mr P van Zyl had intentionally or negligently contravened the Rules of the Scheme by not referring the dispute to the Disputes Committee as required in rule 28.4 of the Scheme Rules, the CMS had ruled that Mr Van Zyl had attempted to resolve the complainant's concerns and that they were of the opinion that he should have referred the dispute via the Scheme's dispute resolution process sooner, before the matter had been referred to the Registrar's Office as a Section 47(1) complaint.
- This matter was now regarded finalised."

The Chairperson thanked Adv Stanbury for highlighting this oversight. Members were then requested to propose and second the approval of the amended minutes of the 2020 AGM. The Chairperson drew members' attention to the fact that the proposer and the seconder buttons would automatically disappear, once the relevant members proposing and seconding the approval of the minutes had clicked on these buttons.

After granting adequate time for input, the minutes of the 56<sup>th</sup> Annual General Meeting were unanimously approved as a fair and accurate record of the proceedings.\*

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

### 5. MATTERS ARISING FROM THE PREVIOUS ANNUAL GENERAL MEETING

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

- Report on the Section 44(4) investigation conducted by Ligwa Advisory Services
- "The newly appointed Board would need time to re-peruse and consider the contents of the report in order to take an informed decision on further action to be taken." (Minutes of the 2020 AGM, page 11 of

the Highlights of the Annual Financial Statements document)

- Action taken: The Board had noted the contents of the report and the matter was regarded finalised.
- Report of the Chairperson – Board of Trustees
- "After the AGM, the new Board would be duly constituted." (Minutes of the 2020 AGM, page 14 of the Highlights of the Annual Financial Statements document)
- Action taken: The five elected Trustees were as follows:
  - Ms A Hartzenberg (continuation/retired/widower representative)
  - Mr M Joubert and Ms E Marx (employee representatives)
  - Ms C Lombard and Mr D Smith (individual member representatives)
- The five appointed Trustees were as follows:
  - Mr GS du Plessis
  - Mr LD Jordaan
  - Dr BE Legobye
  - Mr CM Mowatt
  - Ms S Stevens

The Chairperson informed the members that no notification had been received of additional matters identified as arising from the minutes and it was assumed that all matters had been dealt with satisfactorily.

## 6. REPORT OF THE CHAIRPERSON

### 6.1 Operational and financial highlights

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

### 6.2 2020 Overview

The year 2020 would be remembered as the year when the COVID-19 pandemic had arrived in the world and the challenges the pandemic had brought with it. Despite unfavourable economic conditions and having to compete in the challenging open medical schemes market that had not seen real growth in recent years, Bestmed had continued to increase its membership by 2.4% in 2020, compared to a 1.8% increase in membership in 2019. Bestmed had retained its position as the fourth-largest open medical scheme in South Africa, rendering healthcare cover services to more than 204 000 lives and approximately 97 000 principal members. Bestmed was also the largest self-administered scheme in South Africa. This was indicative of the good work the Bestmed employees were doing in looking after and growing the Scheme.

\*Proposed: Mr Louw (membership number: 196229652); seconded: Mr CF Marais (membership number: 1910159)

In addition, the Scheme's level of customer satisfaction, as validated by external market research, had increased, backed by a solid financial performance.

The Chairperson thanked Bestmed management, the PO/CEO, Mr Leo Dlamini, and the employees for their sterling work and exceptional service delivery, and for the effort taken to ensure all employees were equipped to work from home effectively within a short period of time. Service levels had been maintained during the national lockdown, despite the challenges experienced while working remotely.

The Chairperson proceeded by emphasising certain operational highlights in 2020 from the report. Bestmed had concluded the year with good results. As already indicated, membership had grown by 2.4% in 2020, while the average age of the Scheme's beneficiaries was 37.3 years in 2020 versus an average age of 37.4 years in 2019. The average age of beneficiaries of all open schemes was 34.9 years. The Scheme was making a concerted effort to lower the average age of beneficiaries and to attract younger, healthier members.

Next, the Chairperson gave an overview of the results of the Organisational Human Factor Benchmark (OHFB) survey – a workplace evaluation system undertaken annually by an external agency. Bestmed employees had rated the Scheme in the "as an employer" category significantly higher across a number of parameters when compared to other organisations.



**Furthermore, Bestmed had achieved excellent results in the South African Customer Satisfaction Index (SA-csi), which would be discussed in more detail later during the meeting.**

The Bestmed product range was very favourably positioned in the medical schemes industry. A total of 97.8% of members had not interchanged benefit options in 2020, which was indicative of Bestmed members' satisfaction with the Scheme's products. This figure should also be considered in the context of the pressures brought about by the COVID-19 pandemic. In addition, the number of principal members, who had cancelled their membership in 2020, had decreased.

The year 2020 and the first half on 2021 had not been business as usual, with the Scheme operating during the national lockdown implemented by Government to combat the novel coronavirus (COVID-19) pandemic. During this period, Bestmed had fulfilled its most critical role by offering members peace of mind in trying times. Bestmed had partnered with the South African Depression and Anxiety Group, which provided a dedicated 24-hour helpline to assist members and employees suffering from a mental condition during these trying times. A further example of Bestmed's dedication towards its members was the fact that Bestmed had arranged a mercy flight for a member,

who had contracted COVID-19, to be admitted to a hospital in Durban, since all hospitals in Johannesburg and surrounding areas had already been filled to capacity due to the third wave of COVID-19. During each phase of the lockdown, Bestmed, including its Call Centre and Pre-authorisation Centre, remained fully operational, while continuing to measure and monitor service levels, ensuring IT connectivity and rendering the same level of Personally Yours service to which members had become accustomed, despite the numerous challenges the Scheme's employees were facing while working remotely. The Chairperson thanked all employees for maintaining the service levels during these challenging times.

Next, an overview was given of the impact of the COVID-19 pandemic on the Scheme and its members, as at 11 June 2021. Weekly reports were prepared by the Scheme, which were submitted to the Board and other regulatory authorities. Since the diagnosis of the first COVID-19 case in March 2020, a total of 12 099 beneficiaries had tested positive for the novel coronavirus, while 2 865 beneficiaries had been admitted to hospital at an average cost of R117 900 per admission. A total of 595 beneficiaries had passed away. Since the outbreak of the coronavirus, 92 860 tests had been performed on Bestmed members and the total COVID-19-related costs incurred by the Scheme year to date amounted to R451.1 million.

The Chairperson then continued by giving an overview of the Scheme's financial performance. In 2021, members across the top eight medical schemes had experienced a weighted average risk contribution increase of 5.2%. Bestmed's risk contributions for 2021 had increased by 4.0%, which was aligned with the CMS' directive for contribution increases in 2021. This was one of the lowest increases in the Scheme's history, and the third lowest in the industry. Furthermore, it was important to note that the correct balance between the contribution increase and the benefits offered to members should be achieved. With the 4.0% contribution increase, the Board had approved a 5% increase in benefits for 2021.



**In 2020, 74.4% of risk contributions had been used for the payment of members' healthcare claims, while 6.9% and 2.4% had been used towards the payment of administration costs and managed healthcare fees, respectively. It was pointed out that in 2019 and historically, the Scheme had recorded a claims ratio of approximately 85%.**

Contrary to what had been initially anticipated, the claims ratio had not increased due to COVID-19. Since the beginning of the COVID-19 pandemic, medical schemes' reserve levels had increased, since delayed discretionary or elective medical procedures had been deferred to make way for COVID-19 admissions. The lower claims ratio was in line with the industry trend.

The financial impact of medical procedures deferred in 2020 due to restrictions or other COVID-19-related reasons had amounted to approximately R4.0 billion.

A breakdown of the R4.0 billion healthcare claims was given. Claims related mainly to in-hospital expenses (approximately 41% of the total number of claims), followed by pharmacies (18%) and specialist services (15%). To manage the increases in healthcare costs and to ensure the Scheme's members derived value for money from service providers, Bestmed had entered into more than 16 000 agreements with service providers in 36 established healthcare networks. The benefits of this increased in-network spend across all healthcare networks had contributed significantly to lower co-payments and the increase in the net healthcare result for 2020. Approximately 80% of all healthcare claims for 2020 related to services rendered by network providers. To put this in context, for every R100 paid to a healthcare provider, approximately R80 was paid to a healthcare provider in a network. The managed healthcare function could be regarded as the engine room of the Scheme.

### 6.3 Financial performance

Compared to the financial results achieved during the previous financial year, Bestmed's balance sheet had strengthened from R3.3 billion in 2019 to R4.3 billion in 2020, and the net healthcare result achieved in 2020 was R767.8 million, compared to R203.7 million in 2019. Bestmed's solvency ratio had improved from 35.4% at 31 December 2019 to 47.3% in 2020, exceeding the statutory required solvency level of 25%. Maintaining a strong and stable financial position had become increasingly important, specifically in view of the impact of COVID-19. The Scheme would consider the requirements for remaining a sustainable and competitive role-player in the industry, while maintaining its current excellent service levels.

Bestmed had achieved a net surplus of R878.0 million in 2020, compared to R349.7 million in 2019.

With regard to administration costs as a percentage of gross income, it was pointed out the members were benefiting through continuously reducing administration expenditure that was among the lowest in the industry. The lower a scheme's administration cost, the higher the amount available for payment towards members' medical expenses. Bestmed's administration costs as a percentage of gross contributions had amounted to 7.3% in 2020, which was the lowest among the open medical schemes.

### 6.4 Other achievements

#### SA-csi medical insurance results 2021

The South African Customer Satisfaction Index (SA-csi) was an independent national benchmark of customer satisfaction of products and services available to household consumers in South Africa. The SA-csi, which had been founded in association with the University of Pretoria, and was supported by both academia and

industry, was the first independent, comprehensive national customer satisfaction index with international comparability in South Africa.

In addition to tracking customer complaints and indications of likelihood to repurchase in the future, the SA-csi used a combination of weighted indices across perceived quality, perceived value and customer expectations. Bestmed, plus five other medical schemes, had participated in the survey (Bonitas, Discovery, GEMS, Medihelp and Momentum). Bestmed had obtained first place in most of the categories among the medical schemes that had participated in the survey. With regard to customer satisfaction, all medical schemes included in the survey, except Bestmed, had consistently recorded a rise in complaints over a five-year period. This negative trend was further compounded by highly inconsistent complaints handling on an industry level. The most prevalent complaints related to slow payments, declined benefits or total non-payment.

#### Accolades in 2020

Other accolades achieved in 2020 included the following:

- Bestmed had achieved the highest ratings in employee morale, and workplace support and management in the OHFB employee culture and climate survey.
- Bestmed had achieved first place in the Ask Afrika Orange Index® benchmark in the medical schemes industry.
- As indicated, Bestmed had achieved the highest ratings overall in customer service, loyalty, value and quality, and the lowest number of complaints in the SA-csi survey.
- Bestmed had received the 2020 Titanium Excellence Award for creating access to quality healthcare.
- Bestmed's Share of Voice (SOV), which was a measure of the market the brand owned, compared to its competitors, had increased to 14%, which was marginally higher compared to 2019.
- Bestmed's employment value proposition, as each employee contributed to these achievements.

Achieving these accolades was exceptional, given the difficult circumstances in 2020 due to the COVID-19 pandemic.

### 6.5 Corporate Governance

The term of office of two elected Board members, scheduled to come to an end in 2020, had expired at the 2020 AGM on 23 September 2020. Following CMS approval, the Board elections had been postponed to August 2020, due to the COVID-19 outbreak. The Electoral Institute for Sustainable Democracy in Africa had been appointed as the independent electoral body to conduct and oversee these elections.

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

- Ms Elmarie Marx (Employee member representative)
- Ms Clarette Lombard (Individual member representative)

In July 2020, Mr Louis Heyl (individual member representative, 2018 – 2022) had resigned from the Board due to health reasons. As already mentioned, he had sadly passed away in April 2021.

In terms of the Scheme Rules, Mr Desmond Smith had joined the Board (individual member representative) to serve the remainder of Mr Heyl's term of office as a Board member.

The term of office of the following two appointed Trustees, scheduled to come to an end in June 2020, had expired at the September 2020 AGM.

- Mr Colin Mowatt
- Mr Peter Kennedy

Mr Mowatt had been reappointed to the Board of Trustees for a second term of office.

After reviewing the expertise/skill set required by the Scheme, the Board had appointed Mr Leon Jordaan to replace Mr Kennedy.

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

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

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

- Ms Annelise Hartzberg – first term – 2018-2022 (continuation/retired/widowed member category)
- Mr Martin Joubert – first term – 2018-2022 (employee member category)
- Ms Clarette Lombard – first term – 2020-2024 (individual member category)
- Ms Elmarie Marx – second term – 2020-2024 (employee member category)
- Mr Desmond Smith – first term (serving remainder of Mr Heyl's term) – 2020-2022 (individual member category)

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

- Mr Steyn du Plessis (Vice-chairperson) – second term – 2018-2022
- Mr Leon Jordaan – first term – 2020-2024
- Dr Boitumelo Emily Legobye – first term – 2018-2022

- Mr Colin Mowatt – second term – 2020-2024
- Ms Suzanne Stevens – second term – 2018-2022

The term of office of six Trustees would expire at the 2022 AGM:

- Three elected Trustees (1x employee, 1x individual and 1x continuation/retired/widowed member representatives)
- Three appointed Trustees

The Scheme would procure the services of an independent electoral body to manage the 2022 election process. Members would be invited to participate in the nomination process for the elected Trustees in accordance with the registered Bestmed Rules.

## 6.6 Rule amendments

During the year, the following amendments to the Bestmed Rules had been approved and registered by the CMS:

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

Members had been advised of these amendments by email earlier in the month.

## 6.7 Member complaints against Bestmed

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

CMS Complaint March 2021: Member Dr DC Luyt, as quoted below:

- "Bestmed is muzzling members to avoid member driven rule
- changes by holding the view that Rule 32.2 cannot be invoked for the submission of ballots", and
- "The 2020 AGM was handled unacceptably and thus should be declared null and void and that any increase in fees payable to the BoT must be paid back immediately."

CMS Complaint April 2021: Member Mr AM la Grange, as quoted below:

- "Against Bestmed for the way they conducted the 2020 virtual AGM and the handling of the 10 motions submitted to the Scheme. As a result of the above, it is requested that all decisions taken at the AGM should be declared null and void."

Bestmed had responded to the CMS in respect of both complaints and awaited the CMS' ruling.

## 6.8 Strategic review

The healthcare industry was experiencing several challenges pertaining to intense competition, new legislation, increasing compliance requirements and uncertainty regarding the implementation of National Health Insurance (NHI). In a strained economic climate, with many priorities competing for a share of a household's disposable income, the cost of medical cover would remain a focus. These issues, together with various other factors, were considered by Management when refining the Scheme's strategy, which was approved annually by the Board. The outcome of the strategic review for 2020 was to keep the focus on membership growth, member experience, affordability, product enhancement and taking care of our members during COVID-19. This had resulted in a 2.4% membership growth, a 4% average increase in contributions, increased benefits and an overall improvement in customer satisfaction.

In 2020, stakeholder engagements had been primarily hosted virtually to ensure the safety of our stakeholders during the pandemic, with the purpose of increasing brand awareness, gaining insight into stakeholders' concerns, identifying opportunities to strengthen relationships, and ensuring transparency and inclusivity in stakeholder relationships.



### STRATEGIC POSITION STATEMENT

**Reinvent and actively reposition Bestmed as the new-generation healthcare business through innovation to achieve high growth and exceptional service.**

## 6.9 The future

### COVID-19 vaccine procurement and distribution

The National Department of Health (NDoH) was responsible for sourcing, distributing and overseeing the rollout of the vaccine to providers (pharmacies, hospitals and general practitioners). The Government, as the sole purchaser of vaccines, would distribute these to provincial governments and the private sector so that healthcare providers could administer the vaccines to the public. A medical scheme such as Bestmed may not procure vaccines directly from suppliers.

### Administering of vaccines

Healthcare providers were required to be accredited by the NDoH to administer the vaccines, which was an extensive and costly process. Bestmed would utilise its extensive network of more than 1 000 corporate pharmacies, with a national footprint on the Bestmed pharmacy network, to administer the COVID-19 vaccines to its members (as is the case with the flu vaccines). Bestmed would fund the vaccination cost at any of the accredited healthcare providers.

COVID-19 and related matters continued to be a

dominant feature in 2021. The Board supported the view that the Scheme's strong financial position and reserve levels would allow Bestmed to absorb the potential direct and indirect negative impact of COVID-19 on the Scheme.

The uncertainties and complexities of the third wave of COVID-19 would have an impact on Bestmed's financial position for the remainder of 2021 in the following ways:

- Lower member utilisation of medical benefits
- Increased COVID-19 costs, including vaccination costs
- A demand for previously delayed discretionary or elective medical procedures

The status of the COVID-19 pandemic would be key when the Scheme's strategy would be considered and updated later in the year, including member contributions and benefit options for 2022. Continuously enhancing Bestmed's product offering to improve its value proposition to members in terms of value for money, quality, flexibility and affordability of medical cover on a sustainable basis remained a high priority.

The Board recognised that NHI or Universal Health Cover would remain part of our future, and that such a massive undertaking would require much more collaboration among all stakeholders across the healthcare spectrum, including the two industry bodies. According to predictions of industry analysts, a handful of medical schemes would survive and operate alongside NHI. As a result, Bestmed would be required to position itself strategically to increase its membership and remain a key industry player until such time that the NHI would be implemented. However, it was acknowledged that organic growth of membership on its own would not achieve the Scheme's growth strategy. Therefore, as part of its strategy to increase membership, Bestmed would continue to explore possible opportunities for amalgamation, while sustaining its service levels and product quality.

## ACKNOWLEDGEMENTS

The Chairperson conveyed his sincere appreciation towards his colleagues on the Board for their input, guidance and support during the year. He also expressed his heartfelt gratitude to Bestmed's Management and employees for their loyalty and dedication to increase the membership base, and for realising the Personally Yours brand promise. He expressed the Board's confidence in their ability to keep Bestmed at the forefront of developments in the medical schemes industry and to render exceptional client service. In addition, he thanked the members of Bestmed for their continued support, especially during difficult economic times exacerbated by the COVID-19 pandemic.

After dealing with the Chairperson's report, the attendees were afforded the opportunity to ask questions through the relevant Q&A functionality. Mr La Grange indicated that he wanted to address several matters arising from the minutes.

**Firstly**, he enquired whether the report on the findings by Ligwa Advisory Services (Ligwa report) had been finalised and what the reasons were for not informing members of the investigation. This raised the question how many other investigations were not disclosed to members.

**Secondly**, Mr La Grange indicated that the amount charged for the Ligwa report had totalled R2.3 million, which the Scheme had paid. Had there been a final report, this should have been submitted to the Scheme as well. The final report should have been signed off by Ligwa, as the investigators of the case. At the previous AGM, the Chairperson had informed the members present at the virtual meeting that the Board would scrutinise the report and decide on further action to be taken.

**Thirdly**, Mr La Grange indicated that a motion had been submitted at the 2020 AGM, regarding the composition of the Board, proposing that the Board should comprise elected members only. Ms Stevens, an appointed Board member, and therefore conflicted in a way, had presented the motions and implied only non-members possessed the required skills and experience for serving as a Board member. Mr La Grange enquired what research had been conducted to determine there were no Bestmed members with the required skills and experience.

**Fourthly**, Mr La Grange indicated his disagreement with the way in which the voting results were recorded in the minutes. According to an opinion obtained, the exact number of members who had voted against or in favour of a motion should be recorded in the minutes.

**Lastly**, Mr La Grange indicated that the Scheme had obtained a legal opinion on the bonus amount paid to Mr Van Zyl in 2019, and he enquired whether the opinion had been obtained from an external or internal legal expert. If an external legal opinion had been obtained, he requested that the details be provided, as Mr Van Zyl had repaid the amount to the Scheme, according to the directive of the CMS.

The Chairperson responded to the first question by referring Mr La Grange to page 17 of the 2020 Annual Report, indicating that in September 2020, the Scheme had received confirmation from the Regulator that the Ligwa report had been finalised. The matter had been dealt with extensively in the minutes of the 2020 AGM. The members had also been informed at a number of prior years' AGMs that the CMS had contracted Ligwa Advisory Services to investigate certain irregularities. Furthermore, the Chairperson indicated that the Ligwa report was the property of the Regulator, and not that of the Scheme. The Chairperson confirmed there were no other investigations not disclosed to members.

In response to Mr La Grange's second question on the action taken with regard to the Ligwa report, the Chairperson indicated it had been recorded in the minutes of the 2020 AGM that the matter was regarded as finalised by the Board. As indicated in the Annual Financial Statements, certain actions had been taken in respect of the Ligwa report. Since the nature of the

actions were confidential, these could not be disclosed to the members.

Regarding the motion tabled at the 2020 AGM on the composition of the Board, research had been done and the motion had been voted on by the members. The motion would be tabled again at the present AGM, and Bestmed maintained its opinion that the Board should comprise elected as well as appointed members.

With regard to the manner in which the voting results were reflected in the minutes of the 2020 AGM, the Chairperson indicated Mr La Grange had raised this matter in his official complaint to the CMS and the matter was, therefore, sub judice and could not be commented on at the AGM.

The Chairperson confirmed that an external legal opinion had been obtained on the bonus amount paid to Mr Van Zyl in 2019, although he could not remember the name of the external legal firm. The Chairperson undertook to obtain the information from Management and provide this to Mr La Grange.

A question was then received from Mr D Botha, enquiring how COVID-19 would affect the subscription fees in future. The Chairperson responded by indicating that a portion of the presentation delivered at the AGM had dealt with this matter. He assured the member all available information in relation to the COVID-19 pandemic would be taken into consideration when designing the benefits and determining the subscription fees for the next year. The Scheme had a strong balance sheet position with reserves of R4.3 billion, which the Scheme could utilise to look after members' healthcare needs, specifically costs associated with COVID-19 as well as elective surgery cases which were anticipated to increase in the near future. The Scheme would do everything in its power to ensure premiums for 2022 would be competitive in the industry and offer value to the Scheme's members.

## 7. FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Chief Financial Officer (CFO) expressed his sincere appreciation to PwC for their professional work, excellent service and support over the years. In addition, he thanked the rest of Bestmed's Executive Management team, employees and the members for their dedication, hard work and support during a very difficult year due to the COVID-19 pandemic. He also thanked the Chairperson of the Audit Committee and its members for their expert guidance.

Members' attention was drawn to the full set of financial statements for 31 December 2020 provided in the Annual Report and the accompanying comprehensive notes.

### 7.1 Auditor's report

The auditors advised that, in their opinion, the 31 December 2020 Annual Financial Statements presented fairly, in all material respects, the financial position of Bestmed Medical Scheme, and its financial

performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended, section 33(2).

In 2020, the country had faced a number of issues, including unemployment, weakening rand, increasing fuel prices and reduced return on investments, subdued growth and the COVID-19 pandemic. Despite these challenges, 2020 had been a stellar year for Bestmed, and the Scheme's sound financial performance could be largely attributed to the continued support of the Bestmed members. The Scheme had recorded a net healthcare result of R767.8 million together with a solvency ratio of 47.3%, compared to 35.4% in 2019. Risk contribution income had increased by 8.0%, with an 8.9% contribution increase for 2020 (9.5% open scheme average) which, on an increased membership basis, suggested that more members had switched to less comprehensive benefit options. The claims ratio was 76.7%, compared to 86.8% in 2019, and the non-healthcare cost year on year as a percentage of risk contributions was 8.6%, versus 8.9% in 2019. Management remained conscious that healthcare costs were effectively managed.

### 7.2 Financial results for the year ended 31 December 2020

Highlights from the statement of comprehensive income

The financial statements reflected a total risk contribution income of R5.2 billion for 2020, compared to R4.8 billion for 2019.

Relevant healthcare expenditure had decreased from R4.2 billion in 2019 to R4.0 billion in 2020, representing a decrease of 4.6%. The gross healthcare result had increased from R637.7 million in 2019 to R1.2 billion in 2020. The Scheme had recorded a net healthcare result of R767.8 million in 2020, compared to R203.8 million in 2020, while the net surplus had increased from R349.7 million in 2019 to R877.9 million in 2020. The total comprehensive income for the year after accounting for fair value adjustments was R865.9 million in 2020, compared to R350.8 million in 2019.



**The "Other Income and Expenses" largely represented the Scheme's investment income, which had performed well. As a result of the volatility of the market due to the COVID-19 pandemic, the Investment Committee had taken the strategic decision to invest almost 60% of the Scheme's reserves in cash and cash equivalents.**

### Highlights from the statement of financial position

Total assets had increased from R3.3 billion in 2019 to R4.3 billion in 2020. This amount included non-current assets at R1.9 billion and current assets at R2.4 billion,

which then equated to the member funds of R3.0 billion, non-current liabilities of R79.1 million and current liabilities of R1.2 billion, the majority of that made up of member savings.

The Scheme's liabilities included R928.3 million in respect of the personal medical savings accounts of members, on which members earned interest and which were used to pay for their day-to-day benefits. The Scheme had opted not to incorporate members' funds in the Scheme's funds as per the ruling in the Genesis court case. Instead, the Scheme had taken the conscious decision to ringfence those funds, and, as a result, those funds still belonged to the members, and not the Scheme. This was, once again, indicative of the responsible financial management by the Executive team and the Board.

Members' funds had increased from R2.1 billion in 2019 to R3.0 billion in 2020, while investments had amounted to R3.1 billion in 2020, compared to R2.3 billion in 2019. A return on investments of 7.0% had been achieved in 2020, which represented a slight decrease from the 7.5% return achieved in 2019 over a 10-year period. In addition, over the longer term, a real return of 2.9% ahead of inflation had been achieved since inception of the portfolio 15 years ago.

Cash and cash equivalents in 2020 had amounted to R82.6 million, compared to R117.9 million the previous year.

### Comparative analysis

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

Bestmed's non-healthcare cost as a percentage of contributions was 8.61% in 2020, compared to Bonitas with the next lowest of 8.90%, followed by Fedhealth (11.0%), Discovery (11.52%) and Momentum (14.80%). This was indicative of the responsible manner in which the Scheme's finances were managed.

An increase in the solvency level could be observed across all four large competitors included in the comparative analysis.

### Solvency

The statutory calculated solvency ratio at 31 December 2020 was 47.3% versus 35.4% in 2019, compared to the statutory requirement of 25%. This was a clear message that the Scheme was financially strong with adequate cash reserves. Should the Scheme not generate any revenue, it would be able to pay members' claims for a period of almost nine and a half months.

### Adoption of the 2020 Annual Financial Statements

The CFO informed the members that they would be required to vote on the adoption of the Annual Financial Statements for the year ended 31 December 2020 inclusive of the Auditor's Report.

The CFO then addressed a question raised by Mr La Grange. Firstly, Mr La Grange congratulated the CFO on an excellent set of financial results and remarked that the Scheme's investments were properly managed. Mr La Grange proceeded by referring to page 67 of the full set of Annual Financial Statements, specifically the bonus amount of R2.4 million paid to the PO/CEO. He indicated that although he was in favour of bonus payments, the quantum of the bonus payment during difficult times, as experienced in 2020 with the COVID-19 pandemic, should be carefully considered. He enquired whether there was a baseline from which bonus payments were calculated, comprising the actuarial forecast for the year and a net healthcare result between R700 million and R767.8 million. Mr La Grange pointed out that, in the past, bonus payments had been calculated on a weighted average basis, using a financial weighted average calculation of 67%.

The CFO responded to Mr La Grange's enquiry, indicating that the 67% financial weighting referred to by Mr La Grange was 11% in 2020. The CFO proceeded by explaining that the net healthcare result of R767.8 million had largely been achieved in light of COVID-19 and the resulting lower claims. Since it would be unfair for the PO/CEO to benefit from the lower claims, the net healthcare result of R767.8 million had not been used as the benchmark. Instead, an assessment and sensitivity on normalised earnings had been done, resulting in a reduced benchmark of R230 million. The bonus payments had been calculated, using the R230 million benchmark and applying a claims ratio of 86.8% given the fact that significant savings on non-healthcare costs had been made. In addition, annual bonus payments were approved by Bestmed's Remuneration and Human Resources Committee, with the Board of Trustees applying and stress testing the outcome of the calculations.

In response to a question received from Adv Stanbury on the solvency level and whether existing members were required to subsidise newly enrolled members, the CFO responded by explaining that the solvency level was a calculation of accumulated funds over gross contribution income. This was a calculated equation, which was by no means a risk-adjusted calculation. As a result, the Scheme could not discriminate against existing members by funding newer entrants.

No further questions were raised, and the members proceeded with the next agenda item.

## 8. APPOINTMENT OF AUDITORS FOR 2021/2022

The meeting was informed that the members present at the AGM should appoint the external auditors for the next financial year. PwC had served as the Scheme's auditors for the financial year ending 31 December 2020. In terms of the South African Institute of Chartered Accountants (SAICA) provisions in respect of mandatory auditor rotation, and after following a stringent tender process, the Board of Trustees and the Audit Committee had recommended that Deloitte be appointed as the Scheme's auditors for the financial year ending 31 December 2021.

A motion was tabled that Deloitte be appointed as the Scheme's external auditors for the financial year ending 31 December 2021. The members would be required to vote on the appointment of Deloitte as the Scheme's external auditors for the financial year ending 31 December 2021 in accordance with Rule 25.1.

The CFO expressed his sincere appreciation to PwC for their professional work, excellent service and support over the years.

The meeting then proceeded with the next agenda item, dealing with the motions received in terms of Rule 26.1.4.

## 9. MOTION RECEIVED IN TERMS OF RULE 26.1.4

The MC, Ms Barkhuizen, was welcomed to the stage to present the motion. She took over the proceedings of the meeting and informed the members that, as already indicated by the Chairperson, one valid motion had been received in terms of Rule 26.1.4 of the registered Bestmed Rules. The members would be required to vote on this motion when dealing with agenda item 11.

### Motion 1: Proposed amendment/motion submitted by Dr DC Luyt

The member proposed that the Rules of Bestmed be amended to provide that all 10 (ten) members of the Bestmed Board of Trustees be nominated and elected from only registered Bestmed members and that any person who was not a member of Bestmed be excluded. Accordingly, the member proposed that there be 4 (four) Employee member representatives from participating employers, 4 (four) Individual member representatives, and 2 (two) Continuation/Retired/Widowed members, to be elected by all members.

### Motivation of the proposed change/motion submitted by Dr DC Luyt

The Scheme Rules provided that 50% of Board members or five (5) out of ten (10) Board members be elected from and by members, to serve as members of the Bestmed Board of Trustees. The member argued there were no criteria or defined requirements for the appointment of the remaining 50% to the Board of Trustees. He was of the opinion that the current status could lead to a risk of specific individuals being possibly favoured by existing Board members. The main requirement of Trustees, in his opinion, was wisdom and loyalty, and that it would be unnecessary to co-opt more knowledgeable persons to the Board.

### Bestmed's Response

The Scheme did not support the motion for the following reasons:

- The content of this motion was a repetition of a motion tabled at the 2020 AGM, where members had not supported the motion.
- The motion disregarded the role of the existing five (5) elected members on the Board and their decision-making power.

- The member failed to consider the additional financial implication of procuring specialised knowledge over and above the existing Trustee remuneration, which was funded by members.
- The proposed motion contradicted current provisions of the CMS Model Rules, registered Bestmed Rules and Principle 7 of the King IV Code (relevant industry-related skills and a balanced mix of expertise).
- Although the point about "wisdom" was noted, it could not be the sole basis upon which individuals were entrusted with the responsibility and accountability to provide strategic oversight and to ensure the long-term viability and good governance of any entity and/or a large medical scheme such as Bestmed.
- Since Bestmed members had a vested interest in the Scheme, this limited their ability to act independently. The exclusion of external independent Trustees disregarded a widely recognised industry practice and compromised the independence of appointed Trustees, which entrenched diverse decision-making as outlined in the King Code.
- The basis of the motion emanated from the Companies Act. Medical schemes were regulated in accordance with the Medical Schemes Act (MSA), 1998 (Act No 131 of 1998) and the King Code on Corporate Governance, and not the Companies Act. The requirement submitted by the member did not exist in the Medical Schemes Act, 1998.

For reference purposes, the motion as submitted by the member, together with Bestmed's response, were available on the Bestmed website and the virtual platform.

Members would be required to vote on the motion: Composition of the Bestmed Board of Trustees. It was explained to the members that a vote in favour (for the motion) would represent a member's support of the proposed motion, while a vote against the motion would represent a member's support of the Scheme's recommendation and not support of the proposed motion. This information was also reflected on the voting platform.

In response to a question received from Mr CJ Joubert that it was unfair towards members to expect them to vote on motions without providing the necessary explanation to them, Ms Barkhuizen replied that an email had been sent to all members two days prior to the AGM, advising members of the motion received and Bestmed's response thereto, together with a link to the Scheme's website where the motion had been published.

A question was received from Mr C Luyt, enquiring on the process followed for electing the appointed Board members. The Chairperson responded by confirming that a document had been published with the motion received on the Scheme's website two days prior to the AGM. The document provided a detailed explanation of

the appointment of Board members. It was explained that Board members were appointed, based on certain identified criteria, including the integrity of the individual, the fit and proper status of the individual, passing of the prescribed vetting process, the skills and capacity of the individual to discharge their duties on the Board, the competency of the individual, and the collective knowledge and skills of the existing Board members. The elected Trustees serving on the Board at the time when the appointment process was due would determine the skill set required from the appointed Trustees and request curricula vitae of possible candidates through the Board members and the office of the PO/CEO. The Board then voted by ballot on the most suitable candidate/s for the appointed member vacancies on the Board at a special Board meeting. The voting was administered by Bestmed's Internal Audit Department.

No further questions were raised, and the members proceeded with the next agenda item.

## 10. APPROVAL OF AMENDED TRUSTEE REMUNERATION FOR 2020-2021

### Trustee Remuneration

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

### Amendments to Trustee Remuneration Policy Purpose of submission

In terms of clause 4.2(c) of the Trustee Remuneration Policy, any amendments to this Policy should be approved by the Board and, thereafter, by members at the AGM. Furthermore, it was stipulated in clause 4.2(d) of the Trustee Remuneration Policy that the Scheme should ensure that the members and the CMS be provided with all information relating to proposed principles and remuneration of Trustees, at least 21 days prior to the mentioned AGM. The PO/CEO assured the members that this information had been sent timeously to the CMS and the members and thus, to facilitate the discussion, only certain aspects would be highlighted in his presentation.

On 21 April 2021, the Board had approved amendments to the Trustee Remuneration Policy for approval by members at 57th AGM on 24 June 2021. In terms of clause 4.3 of the Trustee Remuneration Policy, the members at the AGM were required to approve any amendments to the approved fees payable as set out in Annexure A of the Policy and the amended clauses to the main body of the Policy. For this purpose, the PO/CEO provided a high-level overview of the voting process.

From 28 May to 3 June 2021, the following documents, relating to the amendments, had been sent to the members:

- Trustee Remuneration Policy (track changes reflecting the amendments)

- Trustee Remuneration Policy (track changes accepted)
- Rationale for proposed adjustment of Trustee fees

Trustee remuneration may consist of the following (clause 3.2 of the Remuneration Policy) (proposed addition of clause d reflected in italics):

- A retainer fee for holding specific office or position on the Board of Trustees or being tasked with specific responsibilities
- A fee or fees per Board, special task group or committee meeting attended
- Any financial or material benefit paid to the Trustee in the capacity as Trustee
- Fees in respect of the attendance and accommodation costs of internal training events/workshops

In addition, clause 3.3 of the Policy had been amended to provide for the payment of fees in respect of the attendance and accommodation costs of external conferences and training events, subject to the approval of the Chairperson and Vice-chairperson of the Board. The amount paid would be limited to the costs charged by the external provider for the conference and training event as well as accommodation.

The PO/CEO indicated it was one of Management's functions to ensure the Trustee remuneration remained fair. In addition, he emphasised that medical schemes functioned in a highly competitive and regulated environment. In this context, discharging the Board's responsibility of oversight, governance, compliance, and implementing strategic objectives and risk management presented risks to both the Scheme and Trustees. Trustees could be held personally liable for the actions taken on behalf of the Scheme. These should all be complied with, whilst ensuring positive member experiences and the sustainability of the medical scheme. Consequently, the level of Trustee remuneration should take into account the expertise, responsibility, risk and time devoted to the Scheme, which extends far beyond preparing and attending Board meetings as well as the level of Trustee remuneration relative to similar schemes.

To compare Bestmed's Trustee remuneration relative to that of other schemes, the following information had been considered:

- 2019 CMS Annual Report, published on 8 December 2020
- 2020 information, including assumption on the increase of Trustee remuneration for other schemes as well as the applied increase for Bestmed Trustees approved at the previous year's AGM
- A comparative analysis of 14 open schemes had been conducted, with the largest and smallest schemes excluded to prevent distortion of data

The following two variables had been considered in the analysis:

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

With regard to the total amount paid in respect of remuneration to Trustees as a collective in 2020, with a 10% increase applied to Bestmed and an assumed 5% increase applied to the remaining 13 schemes included in the comparative analysis, Bestmed was positioned in the middle with an average total amount of R2 553 932. However, this was not the best measure, as the number of Trustees serving on each scheme's Board may differ vastly. In the case of the average annual remuneration per individual Trustee, where the total amount paid in respect of remuneration to Trustees as a collective was divided by the number of Trustees serving on the Board, Bestmed's average remuneration of R205 700 paid per individual Trustee in 2020 was the second lowest of the 14 medical schemes included in the comparative analysis. This information had been obtained from the CMS. However, this amount was based on 14 Trustees, as calculated by the CMS, while the Bestmed Board had comprised 13 Trustees in 2020. Of these, only eight Trustees had served a full term on Bestmed's Board in 2020. The total remuneration paid to these Trustees had been divided by eight, totalling R234 687. As a result, the normalised 2019 and 2020 comparison highlighted that fees paid to Bestmed Board and subcommittee members were still positioned far below the average.

Other considerations that should be taken into account when considering Trustee remuneration were as follows:

- The Consumer Price Index (CPI)

The South African Reserve Bank average over the past three years was 4% and it was anticipated that this figure would not change significantly in the near future. In addition, market commentators predicted averages of 3.9% to 4% for 2021.

- The average contribution increase of 4% in 2021

In view of the economic impact of COVID-19 in 2020 and the reduced disposable income, the Board had approved an average contribution increase of 4% for 2021. Consequently, the Board had decided that the proposed increase in Trustee remuneration for 2021/2022 should not exceed 4%.

In view of the information provided in the presentation, members would be required to vote on the following resolutions:

- Amendments to the Trustee Remuneration Policy
- Internal training (paid on an hourly basis)
- External training (cost of training paid to provider and accommodation)
- Proposed increase of 3.9% in the fees payable to Trustees

Immediately after the presentation, Adv Stanbury, via the Q&A portal, pointed out that only seven Trustees had served a full year and, as such, the average Trustee remuneration was R268 214 and not R234 687. The

Scheme responded on the portal that the annual average equivalent number of Trustees and the commensurate remuneration as calculated by Adv Stanbury was correct. It was also pointed out that the relative position of the Scheme had remained unchanged.

## 11. MEMBER VOTING

The Chairperson took over the proceedings of the meeting and thanked the PO/CEO for the presentation. He indicated that members would now be given the opportunity to cast their votes on the relevant matters.

After explaining the online voting process in detail, the Chairperson announced that the meeting would be adjourned for 30 minutes to allow members sufficient time to vote on the following resolutions:

### Resolutions

- Adoption of the Annual Financial Statements for the year ended 31 December 2020 inclusive of Auditor's Report
- Appointment of External Auditors in accordance with Rule 25.1
- Motion: Composition of the Bestmed Board of Trustees
- Approval of the amended Trustee Remuneration Policy and proposed increase in Trustee remuneration for 2021/2022:
  - Amendments to the Trustee Remuneration Policy
  - Proposed increase of 3.9% in the fees payable to Trustees

## 12. CLOSURE

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

The 57<sup>th</sup> AGM was adjourned at 12:52.

Signed in Pretoria on this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_

**CM Mowatt**  
Chairperson  
Bestmed Board of Trustees

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

### Voting results

- Adoption of the Annual Financial Statements for the year ended 31 December 2020 inclusive of Auditor's Report  
**For: 98%; against: 2%**
- Appointment of Deloitte as External Auditors in accordance with Rule 25.1  
**For: 94%; against: 6%**
- Motion: Composition of the Bestmed Board of Trustees  
**For: 30%; against: 70%; the motion was, therefore, rejected**

Approval of the amended Trustee Remuneration Policy and proposed increase in Trustee remuneration for 2021/2022:

- Amendments to the Trustee Remuneration Policy  
**For: 83%; against: 17%**
- Proposed increase of 3.9% in the fees payable to Trustees  
**For: 81%; against: 19%**

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



## Chairperson's Report



*If your business is to grow and prosper, as a leader, you need to focus on people development*

*Robert T. Kiyosaki*

### OVERVIEW

I am proud to present the highlights of Bestmed Medical Scheme's 2021 financial year to you.

During 2021, Bestmed continued to build on the membership growth achieved in 2020, despite the challenges caused by the novel coronavirus (COVID-19) pandemic and the economic challenges that many South Africans face. The important role of medical schemes in our country was, therefore, once again amplified.

Throughout 2021, the Scheme continued to operate mostly remotely, while still maintaining high service standards and remaining committed to the brand promise of providing "Personally Yours" service to more than 200 000 beneficiaries.

Bestmed's financial position has remained strong with a solvency ratio of 45.68% and net assets of R3.4 billion as at 31 December 2021.

It is also a privilege to report that Bestmed's 2021 results in the South African Customer Satisfaction Index (SA-csi), once again placed the Scheme at the forefront of customer experience in the South African medical scheme industry. The SA-csi is an independent international benchmark of customer satisfaction. Bestmed was measured alongside five other large medical schemes using a multi-variate model. Weighted indices include perceived quality and value, customer expectations and satisfaction, customer complaint incidence and handling, and customer loyalty. Bestmed had the lowest number of complaints in the industry and ranked first in the other categories.

A sustainable increase in membership and a growing risk pool are important aspects that ensure the long-term strength and survival of the Scheme. One of the Scheme's main objectives is to grow its membership by retaining existing beneficiaries and attracting new ones. This was achieved during 2021 with growth of 3.45% – making it the third consecutive year of net principal growth.

## FINANCIAL PERFORMANCE

Bestmed achieved good financial results in 2021, and its financial performance remains steadfast, not only in comparison to previous financial years, but also against the industry averages. Important highlights are detailed in the table below (unaudited).

	BESTMED (31/12/2021)
Solvency Ratio	45.68%
Principal Member Growth	3.45%
Average Age	37.28 years
Risk Contribution per average beneficiary per month	R2 170
Healthcare Expenditure per average beneficiary per month	R1 968
Claims Ratio	90.7%
Net Healthcare result (R million)	R52
Net Assests (R million)	R3 363

The Council for Medical Schemes (CMS) requires all medical schemes in South Africa to have a minimum reserve level of 25% to ensure solvency in the event of a sudden and/or unexpected increase in claims. For 2021, Bestmed has exceeded this requirement with a solvency ratio of 45.68% (2020: 44.23%\*) and has improved its balance sheet from R4.3 billion to R4.8 billion at 31 December 2021. The importance of a stable financial position has become even more significant, considering the impact of the COVID-19 pandemic.

As at 1 January 2022, the Scheme had cumulatively paid over R1 billion in total for COVID-19-related claims. This cost mainly comprises hospitalisation, testing, out-of-hospital and more recently vaccination costs. The average claims ratio for 2021 was 90.7%, which is much higher than the previous year's ratio of 76.7% and more aligned to the pre-COVID-19 levels.

Bestmed is extremely proud of its healthcare provider network growth, which included almost 17 000 service providers towards the end of 2021, with an average in-network spend of over 80.1%. Bestmed continues to invite non-network healthcare service providers to join its network. During 2021, Bestmed paid R4.9 billion (2020: R4.0 billion) in healthcare costs aimed at improving the health of its members. The net healthcare result for the year under review was R52 million (2020: R767.8 million).

Bestmed's investment objective of maximising the return on its investments on a long-term basis at limited risk, resulted in the Scheme achieving an annual return on investments of 6.5% (2020: 4.1%), which equates to investment income for the year (net of related expenses) of R249.0 million (2020: R116.8 million). Taking all income and expenditure into account, the net surplus for the year was R288.9 million (2020: R878 million).

\*Restated

## STRATEGIC FOCUS

Medical schemes need to adapt dynamically in an industry which is highly regulated, competitive, and which functions under stagnant economic growth conditions. Executive Management, therefore, undertakes an annual strategic planning process, whereby the Scheme's strategy is reviewed and updated, and ultimately presented to the Board. This strategic framework is then reviewed and approved by the Board of Trustees. Bestmed's annual business plan is developed and compiled therefrom.

The Scheme's key strategic goals are operational excellence, membership growth and innovation. The 2021 strategic focus was on increasing value for money for members through competitively priced options, releasing some reserves to the membership and improving the member experience. We increased contribution by a modest 3.9% across all options, while enriching benefits by an overall 4%. We also increased the optometry benefits by about 20% and eliminated co-payments on many of our offerings.

## STAKEHOLDER ENGAGEMENTS

To continue the Scheme's commitment to quality "Personally Yours" service, stakeholder engagements with members, the healthcare advisor network, healthcare providers and employees were held both physically and online, depending on the requirements of the relevant stakeholders, as well as the safety of employees and operational efficiency. The main objective of these engagements is to gain an awareness and understanding of any concerns or opportunities that the stakeholders have and to identify any measures needed to manage these effectively, while building mutually rewarding relationships. Stakeholder engagements also ensure that the Scheme reaches its goals of greater transparency and good corporate governance, as well as affording an opportunity for stakeholder involvement.

## GOVERNANCE

On 1 November 2021, the Scheme commenced with the Board of Trustee election process intended to fill the vacancies of three elected Board of Trustee members, which expire at the 2022 Annual General Meeting. The vacancies are in the Individual, Employee and Continuation/Retired/Widowed member categories. To ensure a free, fair and transparent election, PricewaterhouseCoopers Advisory Services (Pty) Ltd (PwC) was appointed as the Independent Electoral Body (IEB) in respect of the following electoral processes and voting activities

- The call for trustee nominations
- Receiving and vetting of nominations received from members
- Overseeing the election processes

The nomination process has been finalised and the outcome of the election, including the announcement of the successful candidates will be announced at the 2022 Annual General Meeting.

For the year under review, there have been no changes in the

membership and constitution of the Board. The members in both the elected and appointed categories are listed below:

### Member Representative Trustees:

Mr MJ Joubert	Employee Member Representative
Ms E Marx	Employee Member Representative
Ms C Lombard	Individual Member Representative
Mr DK Smith	Individual Member Representative
Ms A Hartzenberg	Continuation Member Representative

### Appointed Trustees:

Mr CM Mowatt (Chairperson)
Mr GS du Plessis (Vice-chairperson)
Ms S Stevens
Dr BE Legobye
Mr L Jordaan

The term of office of three of the appointed trustees, Mr G.S. du Plessis, Ms S. Stevens and Dr B.E. Legobye comes to an end at the 2022 Annual General Meeting. Three trustees will be appointed once the 2022 elections have been finalised. Their appointment will be based on certain identified criteria, including the skills set required, by the Board.

In order to introduce flexibility to the format in which AGMs are held, the CMS approved an amendment in 2021 to the registered rules of the Scheme to accommodate virtual meetings subject to certain conditions. The hosting of virtual AGMs has expanded the participation of members, who would ordinarily not be able to attend physical meetings due to their geographic location. This is a consideration the Scheme has and will in future balance with hosting physical meetings in its determination of the most representative and safest method adopted for each year. Also to be noted are the changes of the quorum from 25 to a minimum of 30 members at an annual general meeting on Rule 26.1.3 and a minimum of 50 members in respect of special general meetings on Rules 26.2.2 and 26.2.4, as instructed by the CMS, to be consistent with the provisions of the latest CMS Model Rules, published on 23 June 2016.

## Recognition

Although 2021, like 2020, was challenging in many aspects, it is again never more difficult than when one loses a loved one. I would like to take a moment to remember the Bestmed members who lost their lives due to COVID-19. May their families and friends be comforted. Bestmed was not immune to the losses that many of our beneficiaries suffered. Our condolences to the family, friends and colleagues of our Heartbeats, Ms Kathy Stapelberg, Ms Tersea Maritz and Ms Esther Maasdorp, who sadly passed away in 2021.

I would like to express my gratitude to our loyal members for their continued support. You are the reason that Bestmed strives to continue to deliver good value and personal service.

I would also like to thank our ever-growing network of

professional healthcare advisors, who continue to entrust their clients to our care, as well as Bestmed's management and employees (Heartbeats). Your exceptional hard work and dedication to deliver our "Personally Yours" promise to our members, despite difficult work circumstances over the past two years, are greatly appreciated. The Board is confident in your ability to continue rendering exception service to our members.

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

## THE FUTURE

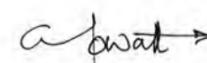
The National Health Insurance (NHI) Bill virtual public hearings to the Parliamentary Portfolio Committee on Health were concluded on 23 February 2022. The next step in the legislative process will see the Portfolio Committee engage the National Department of Health (NDoH) for response to the submissions received through the public hearings. Thereafter, deliberation between the Portfolio Committee and NDoH on each clause of the Bill will ensue. It is unclear how long this process will take, especially given that there were divergent views in the public hearings and submission to the Portfolio Committee.

Bestmed is carefully monitoring the developments in the private healthcare industry in response to the planned implementation of NHI. We believe that attaining government's aspiration of universal access to primary health for the country cannot be achieved without private healthcare players, including medical schemes. The management of the impact of COVID-19 demonstrated that both public and private health sectors need to work together for the benefit of the people of South Africa. It is also unclear how NHI will be funded. We do not believe that, constitutionally, government can utilise the reserves accumulated by medical schemes, on behalf of members, to fund NHI.

Bestmed will continue its focus on sustainable member growth, commitment to excellent service and sustainable financial performance. The Scheme will also continue to evaluate potential opportunities for amalgamations with suitable (financially healthy and good membership profile) schemes. The Scheme will continue to enhance its product offering, increase its service provider network, increase brand awareness, and remain a preferred choice for members and healthcare advisors (brokers).

We continue to focus on looking after our Heartbeats (employees). We will support and build resilience in the ranks through health and wellbeing initiatives. We will do this because we know that a strong workforce translates into a strong scheme that provides excellent service to its members.

As of January 2022, all employees have returned to the office for a minimum of two days per week. This slow reintegration back to the office has proven successful in that there have been minimal interruptions to operations and service levels.



CM Mowatt  
Chairperson

## Operational Highlights



*Building a world where we meet our own needs without denying future generations a healthy society is not impossible.*

*Christopher Flavin*

## Report from the Chief Executive Officer

### GOING FAR TOGETHER

2021 – what a year! After the challenges of navigating the uncertainties of the COVID-19 virus in 2020, 2021 presented a few amazing highlights. That does not mean that 2021 was smooth sailing, as we hit the third COVID-19 wave during the winter months. This wave proved to be the most devastating of all, with the highest number of hospitalisations and members' lives lost. We saw claim volumes returning to normal towards the end of 2021, as members resumed with their elective surgeries.

We know that COVID-19 is far from over, but we stand strong. We feel like we've weathered the storm. Vaccines became available, and many of our members and employees took the opportunity to protect themselves and their loved ones against the virus.

We are, therefore, proud to share a few of our important achievements of 2021.

### SCHEME GROWTH

Bestmed is 58 years old, and if we include dependants, we now have over 220 000 beneficiaries, who all receive our "Personally Yours" service. Principle members grew by 3.45%, which was 1.05% higher than the 2.4% growth for 2020. The average age of members who joined Bestmed was 38.46 years, while the average of all beneficiaries was 37.28 years. According to the Council for Medical Schemes' (CMS') annual report, the average age for all open schemes during 2020 was 35.5 years, higher than the 34.9 of 2019. The gap continues to narrow between the Scheme's average age (37.28) and that of the industry average for open schemes year on year. We are grateful that we could grow over the past two years, as according to the CMS' 2020/2021 report, a large number of medical schemes have experienced a decline in their membership over the past two years.

We have retained our position as the fourth largest open medical scheme in South Africa and we are still the largest self-administered medical scheme in the country. Further to being the largest self-administered Scheme, Bestmed also saw a decline of 0.3% in administration costs, compared to the industry average of 0.13% (CMS report 2020/2021).

Our healthcare networks continue to grow, and we currently have close to 17 000 providers on our network. This ensures that our members have easy access to network providers within their area of work or residence.

### SUSTAINABILITY

With growth comes the responsibility to ensure that service delivery and financial stability do not falter. We've kept that promise. The CMS requires a solvency of 25%. For 2021, Bestmed has exceeded this requirement with a solvency ratio of 45.68% (2020: 44.23%\*) and has improved its net assets from R3.0 billion to R3.4 billion as at 31 December 2021.

\*Restated

The importance of a stable financial position has become even more significant, considering the impact of the COVID-19 pandemic.

As at 1 January 2022, the Scheme paid R994 million in total for COVID-19-related claims since the start of the pandemic, comprising mainly COVID-19 testing, COVID-19 vaccinations (R44 million), in- and out-of-hospital costs and PMB costs. Contrary to 2020, the Scheme's claims ratio regressed to pre-COVID-19 levels and was 90.7% as at 31 December 2021 (2020: 76.7%). The 2021 net surplus of R289 million, compared to the R878 million end of 2020, shows Bestmed's commitment to honour claims, as well as the impact COVID-19 had when claim ratios returned to normal.

### MEMBERSHIP EXPERIENCE

Bestmed's brand promise, which is at the core of how we interact with our stakeholders, especially members, is "Personally Yours". This approach permeates across the Scheme from client-facing employees to back-office processing employees. Given the importance of this brand promise and the need to understand how to improve the member experience continuously, we participated in a customer satisfaction survey alongside the other large schemes in the industry.

Measured alongside five other large medical schemes, Bestmed was rated the highest in the South African Customer Satisfaction Index (SA-csi) survey for 2021. This survey, rated Bestmed number one for customer service in the South African medical aid industry. We also had the least number of complaints versus our competitors.

The industry has seen an increase in the number of complaints, given the prevailing challenges that members face. Bestmed has not been exempt from this, however, we continue to work on this. According to the CMS' report on complaints, Bestmed also had the lowest number of complaints in the industry. This attests to our unwavering commitment to positive member experiences.

Bestmed is committed towards excellent service delivery. This is especially important during a period when our members are vulnerable due to the pandemic and prevailing economic conditions in the country.

### CONTRIBUTIONS

Bestmed continues to provide benefit options that are good value for money. We actively work to ensure that Bestmed's offering remains competitive. Our healthy reserves enable us to release value to our members continuously. In 2021, our annual increase was the lowest in recent history, with a modest 3.9% across all options. We also increased members' benefits by 4.2%. The benefit increases (enrichment) exceeded the annual increase, which translates to enhanced value for money. Furthermore, there are other significant benefit enhancements for 2022, which include paying for only three child dependants (except on Rhythm1), while the rest are covered at no additional cost, as well as a significant increase in optometry and palliative care benefits.

### CONCLUSION

The great performance and results that Bestmed has achieved is once again affirmation of the collaborative and strong

partnerships that we have with our members, healthcare advisors (brokers), service providers and employees. We believe that our stakeholders also share in our success.

Our employees continue to work hard to ensure that the Scheme achieves growth, while providing great member experience through excellent operational performance. Bestmed once again received excellent results in the Organisational Human Factor Benchmark (OHFB) survey, confirming that our employees care greatly about Bestmed and our members, and are committed to giving their best every day.

With our members' support, Bestmed will continue to grow and retain its financial sustainability long into the future.

## Operational Excellence

The Scheme needs to be agile enough to adapt to the diverse and ever-changing member needs and expectations, while maintaining high levels of service delivery. In 2021, we continued to measure, report and improve the speed and efficiency of the Scheme's operations.

COVID-19 and load shedding once again presented unique capacity and connectivity challenges to all operational divisions during the year under review. Our workforce mobilisation in 2020 proved successful and continued during 2021. Careful planning within a hybrid work environment ensured that service levels were managed optimally. Bestmed's employees remained equipped and motivated to deliver high levels of service, regardless of where they were working from. Our contracted turnaround times again improved, which is a very important priority for us.

The Claims division maintained fast and consistent processing turnaround times. The two claims payment runs per week remain a unique value proposition for members and healthcare providers alike, and ensure that members receive information regarding transactional movements and claims on their profiles, regularly.

In terms of member retention, the Scheme did not experience significant fluctuations in membership numbers, and the number of corporate clients also remained stable during the period under review. The subscription and reconciliation processes were managed well, resulting in the contracted outcomes being achieved. The turnaround times for member registrations and changes to membership statuses are essential, and the Scheme managed to maintain its service promise to members and corporate clients.

The Scheme continues to invest in the identification, data analysis and appropriate action concerning Fraud, Waste and Abuse (FWA). Our rules-based system, internal identification processes, management processes, and approach to alleged irregular practices and unwanted behaviour, limited the Scheme's exposure in this area of risk. During 2021, we

continued to build capacity, experience and expertise on our journey of combatting FWA.

We are confident that our stakeholders are satisfied with the overall performance in the client service and processing spaces as was confirmed by Bestmed receiving the highest rating in the South African Customer Satisfaction Index's (SA-csi's) medical scheme industry research, mentioned earlier in this report.

## Information and Communication Technology (ICT)

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

An IT-enabled business advances service delivery and innovation, and fosters customer-led growth in the information age in which we find ourselves. It continued to be a critical enabler of business transformation and growth for the Scheme in 2021.

The year under review brought about unique challenges, particularly in continuing to enable the workforce to work from home and serve members without interruption. This required the technology and infrastructure to facilitate and support a productive remote work environment, while maintaining the high service levels to which our stakeholders are accustomed.

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

Our digital transformation strategy continues to provide us with rich data that enables us to make informed decisions. Moreover, with the incorporation of machine-learning models for decision-making and other value adds, we will continue to enhance our infrastructure during 2022 with the aim of rendering an even better service to our members and other stakeholders.

## Legal and Governance

Business operations under the "new norm" in 2021 continued to demand agility and readiness for change. Businesses that are able to adapt will continue to thrive and remain sustainable. Part of this agility is vested in the ability to reconfigure and align our offering to the changing requirements and demands of our members and, in so doing, remain relevant and competitive.

The Legal, Risk and Governance Department has been instrumental in enabling the Scheme to achieve a number of initiatives, which are focused on creating an enabling environment for the Scheme to remain compliant and also to set the benchmark for other medical schemes in the sector. The vulnerabilities mitigated via interventions, such as business continuity management, risk management and workforce management, identified in the past year, have largely been institutionalised and continue to mature within the Scheme.

The Scheme continues to fulfil its responsibilities as a good and legally compliant corporate citizen. During the year under review, and following the Protection of Personal Information (POPI) Act 4 of 2013 coming into full effect in July 2021, the Scheme embarked on a comprehensive implementation and review of its processes to ensure its compliance with the POPI Act. While this is an ongoing process, with regular interaction with the Information Regulatory (IR), Bestmed is satisfied with its level of compliance and the progress made in the past financial year.

The Scheme has also made progress on several other fronts. Notably and for the first time in its 58-year history, and since the promulgation of the BBBEE Act, Bestmed was accredited as a level 8 BBBEE contributor. The year 2022 presents an opportunity for the Scheme to improve on this and measures are already in motion to achieve this target.

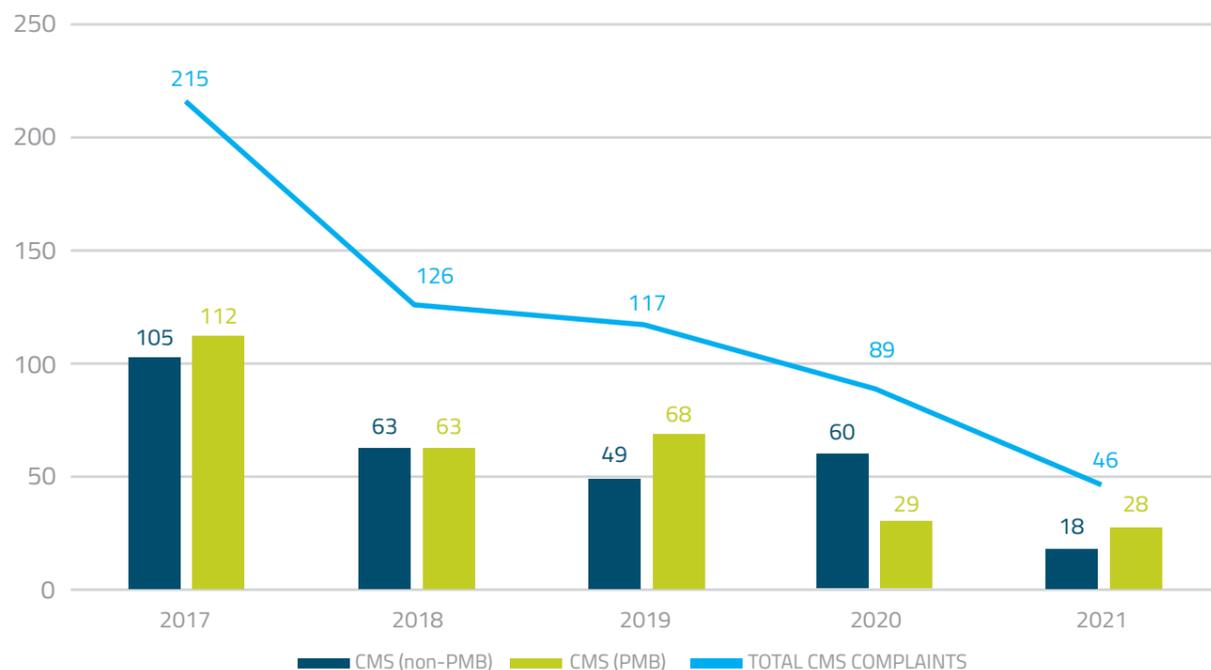
As part of the Scheme's drive to automate processes critical to its operations, Bestmed invested in resources to automate the contract management process to ensure seamless and efficient processing and managing of legal requests and relevant documentation. The process was successfully deployed in 2021 and will improve the filing, retrieval and traceability of all relevant legal documents within the Scheme. The project is intended to expand into other areas and types of documents going forward.

Aspects related to cyber security and its associated risk mitigation measures have remained an important focus area for the Board and the entire Scheme. Cyber security is an integral part of the enterprise-wide risk management framework, which Bestmed has embedded throughout its operations over the years. During the year under review, the Scheme made progress in the area of combined assurance and commenced with a process to automate risk assessments and evaluations, thereby bolstering internal capacity. This is intended to improve fraud prevention interventions and business continuity activities in the event of an unforeseen incident, crisis or disaster.

In conclusion, part of the department's mandate is to oversee the complaints handling process. This particularly relates to complaints lodged against the Scheme via Council for Medical Schemes (CMS) over a financial year. The Scheme is pleased to report the progressive and consistent improvement made over the years to reduce the number of complaints. The notable progress made in reducing complaints is illustrated in the graph on page 30.

The graph illustrates the reduction in the number of complaints year on year, from 2017. It illustrates the overall decline in the number of both PMB- and non-PMB-related complaints during a five-year period. There has been a significant reduction in

### CMS COMPLAINTS



complaints, translating into a 78.6% percent decrease over the period. This again confirms the commitment the Scheme to its brand promise of being “Personally Yours”.

We are committed to ensure that the Scheme remains one which is customer centric and exists for the benefit of all its stakeholders, while we operate within the sphere of the applicable legislation and other legal prescripts intended to safeguard the interests of all our stakeholders.

## Managed Healthcare and Service Providers

### GROWING OUR NETWORK

Managed healthcare aims to provide appropriate and necessary care, while maintaining cost efficiencies. Through continuous initiatives, these interventions are no longer only based on retrospective interventions, but are focused on acting proactively. The Department for Managed Healthcare and Service Providers consists of Hospital Benefit Management, Pharmaceutical Benefit Management and Prescribed Minimum Benefit (PMB), Clinical Advisory, Risk and Quality Management, Disease Management, Service Providers, and Contracting and Research.

The Scheme’s healthcare networks continued growing with over 1 000 new providers joining the network. This ensures that members have access to a large, country-wide network.

Furthermore, initiatives started in 2020, such as providing members with access to virtual care, were expanded and will be offered at certain pharmacy clinics during 2022.

The Scheme’s out-of-hospital procedure protocols were updated and expanded upon. This ensured that members and providers, who prefer smaller procedures performed out-of-hospital, could easily obtain authorisation and members were able to avoid hospitalisation during the COVID-19 waves.

To further ensure smooth, proactive service delivery, pathology results for all managed chronic conditions were automatically integrated into ChroniLine, and automatically created cases where none existed. This information is used to register new conditions and manage existing conditions without having to request information from members or providers. This sped up the registration process. Other efficiencies include removal of bottlenecks for PMB registrations, organ transplants and COVID-19 out-of-hospital patient management, where protocols can guide employees during the decision-making process, therefore, eliminating the need for supervisor referrals.

These initiatives all culminate in a better member and provider experience as a result of faster turnaround times and fewer motivations.

## Human Resources (HR)

### Our Employees – the Heartbeat of Bestmed

The performance of the Scheme is a good indication that our ongoing efforts to support our valuable talent during the COVID-19 pandemic continues to reap the rewards that we work towards. The Talent Team continuously seeks opportunities to adapt the Scheme’s employee value proposition, such as benefit and system enhancements, to ensure that we can attract and retain the best talent in a changing world of work. This ensures that the Scheme’s

talent is enabled to provide a “Personally Yours” service to our members and that we remain an employer of choice. Bestmed continues to act in a responsible manner, concerning the COVID-19 pandemic, to ensure a safe and healthy work environment for our Heartbeats.

The Scheme embarked on a comprehensive research and consultation programme to develop a flexible work model to accommodate remote and on-site work. This resulted in a work model that includes dual IT resources and flexible operational schedules to empower heartbeats to be productive in the office, as well as from home. We are confident that our Heartbeats and business have the resilience and ability to adapt as we progress towards a work model that will facilitate operational success within the Bestmed context.

The Scheme continued its organisation-wide performance management process by conducting the mid-year and year-end performance reviews remotely, with interactions focused on giving employees the deserved recognition, support and guidance.

The Scheme received a record number of applications for the various positions advertised. Talent acquisition and onboarding processes were adapted to cater to a hybrid work environment by leveraging from the advantages of remote engagement, supplemented by in-person interaction. Bestmed’s attrition rate at 8.72% remains below the national average of 14% to 19%.

Bestmed is also proud to be considered again as compliant in terms of our EE reporting to the Department of Employment and Labour, and with the Insurance Seta from a skills compliance perspective.

Nine out of the 10 learners successfully completed their learnerships and most of our interns remained in service until March 2022. We can also report that a number of our learners were also absorbed into permanent roles within the Scheme. We are proud of our 27 bursary candidates, all of whom studied mostly online during 2021, and completed their programmes successfully. A record number of eLearning interventions were facilitated, while internal and external training increased compared to 2020. Our leadership development programme also commenced again.

The Talent Team continued to roll out wellness initiatives electronically. Our Financial and Employee Assistance providers adapted well and ensured that all the services that our Heartbeats required were available virtually. Long service, birthday and other spoils were included into winter gift packs sent to the Heartbeats’ homes and were welcomed.

The Organisational Human Factor Benchmark (OHFB) workplace analytics system is a standardised and culturally sensitive human resources risk management instrument that identifies employee and workplace functioning risks that might impede the ability of employees to act on strategic intent. In 2021, the Scheme yet again obtained the highest corporate citizenship score of all participating organisations and achieved the highest score since the introduction of the initiative.

## Corporate Relations and Wellness

### HEIGHTENING AWARENESS

Bestmed continued with the member engagement sessions that we started in 2020 and focused on Scheme-related processes, and the explanation of specific programmes and benefit types during the first semester. These sessions were well attended and offer members the opportunity to engage with the Scheme. As a result of the session on optical benefits and PPN and the member feedback received, for example, the Scheme made changes to internal processes and improved the optical benefits for 2022.

A further 10 sessions were held in October 2021, during which the changes to the benefits for 2022 were explained to members. During these sessions, members requested more detailed product-related information sessions, which were then scheduled for November 2021. The 14 product-specific information sessions held during November had the best attendance of all member engagements to date, which confirmed the need to continue engaging with members in this manner.

Bestmed Tempo virtual group interventions, e.g. Pilates classes, became very popular and the participation in these required us to increase the number of events scheduled per week. Other virtual group events arranged by the Bestmed Tempo team included health-related information sessions or talks, which were also well attended. The feedback received from members was positive and the Scheme will continue to offer these activities in future.

Although the Bestmed Tempo virtual group interventions were supported well during 2021, the number of beneficiaries who benefitted from individual interventions via a biokineticist or dietitian, declined. Alternative offerings, which will replace these interventions, will be launched during the latter part of 2022.

The services offered to corporate clients during 2021 were again impacted by COVID-19 regulations and remained a virtual service programme. The majority of members at participating employer groups were still working from home, which meant that virtual access to the Key Accounts team at Bestmed remained extremely important and relevant.

## Product Strategy and Benefit Design

### ENSURING BENEFITS FIT

A significant number of benefit enhancements were implemented for 2022, including that principal members will now only pay for three child dependants and the rest are covered at no additional cost. Child dependant rates are now

applicable for children up to the age of 24 years (previously 21 years) and students up to the age of 26.

A new product was registered as part of the product range at the end of 2021, and was launched in March 2022. The previous Pulse range consisted of two options with Pulse1 being an income-based option and Pulse2 being a traditional plan with day-to-day limits. To allow for the introduction of a new income-based option for a lower income market, the Scheme made the decision to evolve and rebrand the Pulse range. This evolution meant that members on Pulse2 were offered the opportunity to move to other suitable options and allowed us to introduce the Rhythm range. The Pulse2 option was discontinued on 31 December 2021.

Rhythm1 and 2 are income-based options, which offer both in- and out-of-hospital benefits, as well as unlimited primary care benefits.

### Expansion of Footprint

Bestmed opened a regional office in Polokwane during 2021. This regional office services and takes care of the members in the Limpopo province, which amounts to approximately 10% of Bestmed members at present.

## Sales and Marketing

### NURTURING THE FLOURISHING THE BESTMED BRAND

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

Bestmed has also experienced three successive years of positive principal membership growth. For the year under review, the Scheme's principal membership increased by 3.45% (2020: 2.4%). This growth was the net effect of an increase in new member registrations combined with a decline in member terminations, as well as the result of increased sales, marketing and relationship activities coupled with an organisation-wide effort to render excellent service and improve efficiencies.

Although the onset of the COVID-19 pandemic had an impact on the Sales teams in 2020, the teams adapted to their new working conditions, enabling them to record good sales numbers in 2021. The Scheme's extensive financial advisor network, which is effectively an extension of the Sales division, has also adapted to the "new normal," enabling us to work together in both physical and virtual environments.

In 2021, the Advisor Sales team acquired a healthy number of new corporates, as well as additional financial advisors and brokerages. Although most engagements, including the 2021 Product Launch event, were hosted virtually, there was an increase in requests for physical presence towards the latter

part of the year. An online application functionality for individual member applications was implemented during the year and has been received positively by the advisor network.

In the Direct Sales environment, further enhancements to the Leads Management System, further refinement of leads generation campaigns and tools, and a different remuneration model have yielded positive results. Compliance with the Financial Advisory and Intermediary Services (FAIS) Act is very important in this environment. To ensure continuity and mitigate compliance risk, a second Key Individual was registered during the year.

Several concerted plans and strategies were implemented in the Marketing and Communication division to increase brand awareness, improve engagements with key stakeholders, enhance stakeholder communication and improve the Scheme's digital presence. A brand awareness campaign continued throughout 2021 and the addition of television as a marketing channel proved to be successful for the Scheme.

Sponsorships are selected carefully with the intent to maximise the returns of the sponsorship investments. New sponsorships were selected to ensure access to audiences that reflect the Scheme's target market. Two important sponsorships included SuperSport Let's Play and a sponsorship arrangement with MamaMagic. The Scheme's flagship sporting event, the Bestmed TuksRace, could unfortunately not be hosted due to the uncertainty around the COVID-19 pandemic and periods of lockdown. The indications are good that the event will be hosted again in 2023.

## Corporate Social Investment (CSI)

### MAKING SENSE OF CENTS FOR CSI

The Scheme's partnership with Operation Hunger started in 2020, after the onset of COVID-19. Although Bestmed has previously been involved in CSI projects, the Scheme wanted to make a difference in its communities during this difficult time and evaluated a few initiatives, of which Operation Hunger was one. Initially, Bestmed donated 2 352 food parcels via Operation Hunger. This campaign was part of a larger COVID-19 campaign that also included the distribution of masks and sanitary pad kits to local communities.

A second campaign commenced in April 2021 and included the implementation of three vegetable gardens in Limpopo, KwaZulu-Natal and Gauteng. As a medical scheme, Bestmed promotes a lifestyle of proactively managing your health, including regular exercise and healthy eating. However, in some areas, the simple availability of food is a challenge. The vegetable gardens are important because it forms part of sustainable food security projects that directly benefit approximately 250 people per area. Depending on the area, the aim of the project is for the communities to generate food, create an opportunity to generate income and, in the process, improve the lives of underprivileged families.



**LB DLAMINI**  
Principal Officer

Bestmed Medical Scheme and the University of Pretoria have a long, rich and positive history together. For the past two years, a part of the annual sponsorship was allocated towards bursaries for underprivileged students, who excel in various sports, to enable them to focus on both their studies and their sport. In 2020, Bestmed assisted 21 students and in 2021, 11 students were assisted. The students have the peace of mind that unexpected costs will be covered during the year, and they can focus on achieving their sporting and academic goals and dreams.

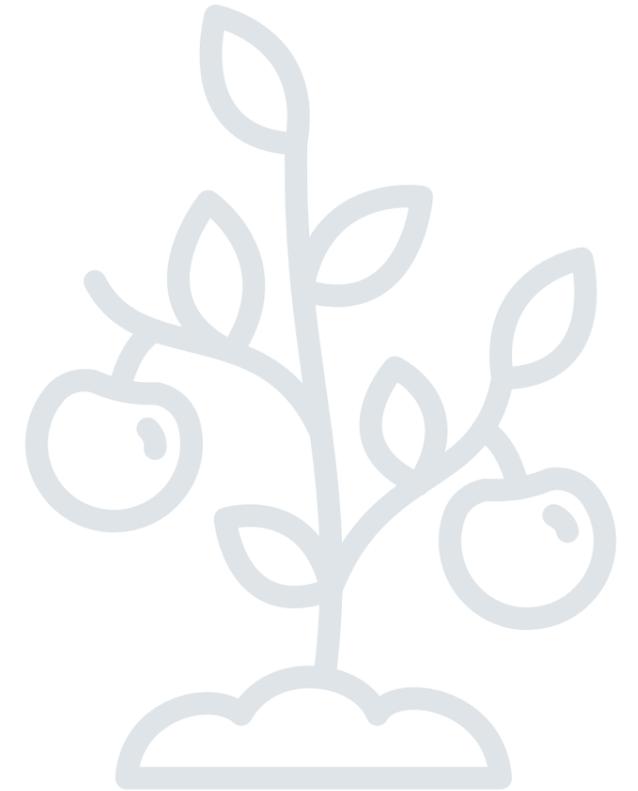


## Highlights of the 2021 Financial Statements

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*There are no great  
limits to growth  
because there  
are no limits of  
human intelligence,  
imagination, and  
wonder.*

*Ronald Reagan*



## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	2021	2020
	R	R
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>2 678 394 103</b>	<b>1 922 240 125</b>
Property and equipment	15 291 959	12 832 440
Intangible assets	12 512 107	11 040 516
Lease assets	63 226 538	80 981 300
Financial assets at fair value through profit or loss	1 977 505 329	1 645 210 895
Financial assets at fair value through other comprehensive income	609 858 170	172 174 974
<b>Current assets</b>	<b>2 100 478 638</b>	<b>2 389 304 884</b>
Financial assets at fair value through profit or loss	1 645 116 869	2 001 043 992
Scheme	905 024 214	1 292 763 870
Personal medical savings account trust monies invested	740 092 654	708 280 122
Trade and other receivables	164 524 315	118 005 284
Cash and cash equivalents	290 837 454	270 255 608
Scheme	65 723 285	82 551 499
Personal medical savings account trust monies invested	225 114 169	187 704 109
<b>Total assets</b>	<b>4 778 872 741</b>	<b>4 311 545 009</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Members' Funds</b>	<b>3 363 399 169</b>	<b>3 005 608 874</b>
Accumulated funds	3 308 226 747	3 019 349 271
Revaluation Reserve - Financial assets at fair value through other comprehensive income	55 172 422	(13 740 397)
<b>Non-current liabilities</b>	<b>62 575 461</b>	<b>79 135 608</b>
Retirement benefit obligations	9 751 370	11 540 087
Lease liability	52 824 091	67 595 521
<b>Current liabilities</b>	<b>1 352 898 111</b>	<b>1 226 800 527</b>
Personal medical savings account trust liability	997 188 196	928 285 868
Outstanding claims provision	198 713 885	139 574 345
Lease liability	15 935 791	15 745 333
Trade and other payables	141 060 237	143 194 981
<b>Total funds and liabilities</b>	<b>4 778 872 741</b>	<b>4 311 545 009</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	R	R
<b>RISK CONTRIBUTION INCOME</b>	<b>5 432 003 474</b>	<b>5 230 271 100</b>
<b>Relevant healthcare expenditure</b>	<b>(4 926 304 945)</b>	<b>(4 012 054 332)</b>
Net claims incurred	(4 942 481 619)	(4 014 211 928)
Risk claims incurred	(4 806 496 443)	(3 894 220 088)
Third party claims recoveries	3 407 348	7 859 760
Accredited managed healthcare services	(139 392 523)	(127 851 599)
Net income/(expense) on risk transfer arrangements	16 176 674	2 157 595
Risk transfer arrangement premiums paid	(98 914 697)	(93 366 725)
Recoveries from risk transfer arrangements	115 091 371	95 524 320
<b>Gross healthcare result</b>	<b>505 698 529</b>	<b>1 218 216 768</b>
Broker service fees and other distribution fees	(90 008 584)	(85 296 672)
Administration and other operative expenses	(358 247 024)	(363 202 226)
Net impairment losses on healthcare receivables	(5 481 014)	(1 937 887)
<b>Net healthcare result</b>	<b>51 961 908</b>	<b>767 779 983</b>
<b>Other income</b>	<b>300 331 448</b>	<b>175 879 814</b>
Investment income	294 342 667	166 772 580
Scheme	256 015 278	122 046 917
Personal medical savings account trust monies invested	38 327 389	44 725 663
Own facility income	3 397 491	3 050 868
Sundry income	2 591 290	6 056 366
<b>Other expenditure</b>	<b>(63 415 880)</b>	<b>(65 669 215)</b>
Interest paid on personal medical savings trust accounts	(38 327 389)	(44 725 663)
Interest expense	(5 110 423)	(3 079 452)
Asset management fees	(6 997 904)	(5 268 705)
Own facility expenditure	(12 980 165)	(12 575 115)
Other losses	-	(20 279)
<b>NET SURPLUS FOR THE YEAR</b>	<b>288 877 476</b>	<b>877 990 583</b>
<b>Other comprehensive income</b>	<b>68 912 819</b>	<b>(12 065 885)</b>
<b>Items that will not be reclassified to profit or loss</b>	<b>68 912 819</b>	<b>(12 065 885)</b>
Equity investments at fair value through other comprehensive income	68 912 819	(12 065 885)
Realised (gains)/loss on financial assets at fair value through other comprehensive income	-	8 344 618
Reclassification adjustment on realised gains/(loss)	-	(8 344 618)
<b>Items that will be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>357 790 295</b>	<b>865 924 698</b>

## STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2021

	Accumulated Funds	Revaluation Reserve - OCI	Total Members' Funds
	R	R	R
<b>Balance as at 31 December 2019</b>	<b>2 132 167 527</b>	<b>(10 019 130)</b>	<b>2 122 148 397</b>
Net surplus for the year	877 990 583	-	877 990 583
Additional amounts recognised from business combinations during the year	17 535 780	-	17 535 780
Other comprehensive income	(8 344 618)	(3 721 267)	(12 065 885)
Equity investments at fair value through other comprehensive income	-	(12 065 885)	(12 065 885)
Realised (losses)/gains on financial assets at fair value through other comprehensive income	(8 344 618)	8 344 618	-
<b>Balance as at 31 December 2020</b>	<b>3 019 349 271</b>	<b>(13 740 397)</b>	<b>3 005 608 874</b>
Net surplus for the year	288 877 476	-	288 877 476
Other comprehensive income	-	68 912 819	68 912 819
Equity investments at fair value through other comprehensive income	-	68 912 819	68 912 819
<b>Balance as at 31 December 2021</b>	<b>3 308 226 747</b>	<b>55 172 422</b>	<b>3 363 399 169</b>

## SOLVENCY RATIO

The accumulated funds ratio is calculated as follows:

	2021	Restated* 2020
	R'000	R'000
Total members' funds per statement of financial position	3 363 399	3 005 609
Less: Cumulative unrealised investment gains.	(444 310)	(285 449)
Accumulated funds as per Regulation 29	2 919 089	2 720 160
Gross annual contribution income	6 389 833	6 150 430
<b>Accumulated funds ratio calculated as the ratio of Accumulated funds/gross annual contributions x 100</b>	<b>45.68%</b>	<b>44.23%</b>

## OPERATIONAL STATISTICS PER BENEFIT OPTION

2021	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	8 088	35 611	7 493	3 043	28 789	8 439	4 935	1 940	1 896	455	<b>100 689</b>
Average number of members for the accounting period	7 616	34 143	7 448	3 138	29 096	8 587	5 001	1 999	1 960	490	<b>99 478</b>
Dependants at 31 December	8 393	36 821	7 666	3 214	42 053	5 811	4 320	854	1 039	69	<b>110 240</b>
Average number of dependants for the accounting period	8 016	35 146	7 619	3 332	42 482	5 981	4 445	897	1 084	81	<b>109 082</b>
Average beneficiaries for the accounting period	15 631	69 290	15 067	6 470	71 577	14 568	9 446	2 896	3 044	571	<b>208 559</b>
Ratio of average dependants at 31 December	1,05	1,03	1,02	1,06	1,46	0,70	0,89	0,45	0,55	0,16	<b>1,10</b>
Average age of beneficiaries for the accounting period	36,24	31,03	37,62	45,90	34,82	56,35	56,08	66,37	49,03	78,95	<b>37,28</b>
Ratio of beneficiaries older than 65 years	9,31%	3,97%	12,81%	22,57%	10,13%	43,26%	42,47%	63,56%	30,80%	90,08%	<b>13,36%</b>
Risk contribution per average member per month	2 720	2 655	4 005	6 576	5 291	7 252	8 593	11 043	3 173	6 872	<b>4 550</b>
Risk contribution per average beneficiary per month	1 325	1 308	1 980	3 189	2 151	4 275	4 550	7 621	2 043	5 902	<b>2 170</b>
Healthcare expenditure per average member per month	2 380	2 370	3 598	6 038	4 494	7 179	8 051	11 486	3 619	6 146	<b>4 127</b>
Healthcare expenditure per average beneficiary per month	1 160	1 168	1 779	2 929	1 827	4 232	4 263	7 927	2 330	5 278	<b>1 968</b>
Relevant healthcare expenditure as a percentage of risk contributions	87,5%	89,3%	89,8%	91,8%	84,9%	99,0%	93,7%	104,0%	114,1%	89,4%	<b>90,7%</b>
Non-healthcare expenditure per average member per month	364	371	383	351	396	378	409	369	357	311	<b>380</b>
Non-healthcare expenditure per average beneficiary per month	177	183	189	170	161	223	216	254	230	268	<b>181</b>
Non-healthcare expenditure as a percentage of risk contributions	13.38%	13.99%	9.57%	5.33%	7.48%	5.22%	4.75%	3.34%	11.26%	4.53%	<b>8.35%</b>

2020	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	6 990	31 626	7 316	3 343	29 317	8 904	5 093	2 124	2 101	521	<b>97 335</b>
Average number of members for the accounting period	6 605	30 542	7 345	3 446	29 405	9 078	5 152	2 179	2 182	554	<b>96 489</b>
Dependants at 31 December	7 446	32 200	7 622	3 578	42 977	6 327	4 672	981	1 164	97	<b>107 064</b>
Average number of dependants for the accounting period	6 988	31 058	7 629	3 683	42 941	6 520	4 740	1 015	1 217	107	<b>105 898</b>
Average beneficiaries for the accounting period	13 592	61 600	14 974	7 129	72 346	15 598	9 892	3 194	3 399	661	<b>202 386</b>
Ratio of average dependants at 31 December	1.06	1.02	1.04	1.07	1.46	0.72	0.92	0.47	0.56	0.19	<b>1.10</b>
Average age of beneficiaries for the accounting period	35.26	30.46	37.52	45.30	34.39	55.37	54.79	65.13	48.41	76.72	<b>37.33</b>
Ratio of beneficiaries older than 65 years	8.32%	3.63%	13.32%	21.47%	9.52%	41.52%	40.63%	61.19%	29.40%	89.81%	<b>13.56%</b>
Risk contribution per average member per month	2 638	2 548	3 877	6 344	5 098	7 032	8 317	10 694	3 055	6 723	<b>4 517</b>
Risk contribution per average beneficiary per month	1 282	1 263	1 902	3 067	2 072	4 093	4 332	7 296	1 961	5 634	<b>2 154</b>
Healthcare expenditure per average member per month	1 944	1 824	2 846	4 839	3 550	6 234	6 985	9 623	2 982	6 809	<b>3 465</b>
Healthcare expenditure per average beneficiary per month	945	905	1 396	2 339	1 443	3 628	3 638	6 565	1 914	5 705	<b>1 652</b>
Relevant healthcare expenditure as a percentage of risk contributions	73.7%	71.6%	73.4%	76.3%	69.6%	88.7%	84.0%	90.0%	97.6%	101.3%	<b>76.7%</b>
Non-healthcare expenditure per average member per month	376	382	391	354	404	384	413	372	367	320	<b>389</b>
Non-healthcare expenditure per average beneficiary per month	183	189	192	171	164	223	215	253	236	268	<b>185</b>
Non-healthcare expenditure as a percentage of risk contributions	14.25%	15.00%	10.09%	5.58%	7.93%	5.46%	4.97%	3.47%	12.03%	4.76%	<b>8.61%</b>

## OPERATIONAL STATISTICS FOR THE SCHEME

	2021	2020
Average accumulated funds per average member at 31 December	33 256	31 292
Average accumulated funds per average beneficiary at 31 December	15 862	14 919
Return on investments as a percentage of investments	6.51%	4.08%
Administration and other operative expenses as a percentage of gross contributions	5.61%	5.91%

## PERSONAL MEDICAL SAVINGS ACCOUNT TRUST MONIES

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

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

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

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

### Fair value as at 31 December 2021

Cash and cash equivalents	
Current accounts	225 114 169
Financial assests at fair value through profit or loss	
Money market funds	740 092 654
	965 206 823

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

### CONTRIBUTIONS

**Non-compliance with Scheme rule 13.2.1 and Sections 26(7) and 32 of the Medical Schemes Act - , contributions to be due upon receipt of their pension grants from SASSA.**

#### Nature and cause:

Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due.

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

The SASSA grant payment dates changed as from May 2020 when it was published that disability and older persons grants will be paid from the fourth day of a month and all other grants on the sixth of a month.

The Scheme did not receive a section 8(h) exemption from the CMS to permit contributions owing from SASSA pension grant members to be due upon SASSA grant payment dates.

#### Management action:

Employer group discrepancies are actively monitored and rectified on a monthly basis.

From January to October 2021, the Scheme continued to submit separate debit order files on the 7th of each month (no changes in SASSA grant payment dates). As from November 2021, no further ACB files were effected separately for SASSA.

**Non-compliance with Scheme rules 4.43 and 13.5.1, rules 4.1.3, 4.1.7 and 4.2.2 of Annexure B.4 to the Scheme rules and Section 32 and Regulation 10(3) of the Medical Schemes Act - Utilization of accumulated savings to off-set contributions**

#### Nature and cause:

Section 32 of the Medical Schemes 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.

Regulation 10(3) of the Medical Schemes Act prohibits the utilisation of accumulated savings to off-set contributions.

Furthermore, Section 8(h) of the Medical Schemes Act states that a Medical Scheme may submit written application to the Council from complying with any provision of this Act.

The Scheme did not receive a section 8(h) exemption from the CMS, despite making an application for exemption, for the utilisation of accumulated savings to off-set contributions. The Scheme made monthly contributions deductions from the members accumulated savings for the period January to March 2021.

#### Management action:

The Scheme subsequently stopped this practice to ensure compliance with legislation.

### OPTION SELF-SUFFICIENCY

Non-compliance with Section 33(2)(b) of the Medical Schemes Act - Option self-sufficiency in terms of membership and financial performance be financially sound.

#### Nature and cause:

The Medical Schemes Act stipulates that a benefit option shall be self-supporting in terms of membership and financial performance. During the year under review five benefit options of the Scheme, namely Beat 1 and 2, Pulse1, Pace 2 and 4, incurred a net healthcare deficit. The different financial results reflect the different disease burdens in each option, amongst other factors.

#### Management action:

The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must balance short-and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs. The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.

### BORROWINGS

**Non-compliance with Section 35(6)(a) of the Medical Schemes Act - Borrowings**

#### Nature and cause:

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

- The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a

guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008.

- The terms of the Scheme building lease agreement required a guarantee to an amount of R2,3 million.
- One of the Scheme bank accounts (ABSA account number: 0610000061) was in an overdraft position of R270k as at 31 December 2021.

**Management action:**

The Scheme obtained CMS exemption for guarantees in respect of the building lease (until 31 December 2022) and FSCA (until 28 February 2025) respectively. The bank overdraft was as a consequence of timing differences and the bank account is no longer in an overdraft position. Measures have been put in place to avoid re-occurrence of any overdraft position.

**INVESTMENTS**

**Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act - Investments in employers, administrators employer groups.**

**Nature and cause:**

Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to

- An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;
- any other medical scheme;
- any administrator; and
- any person associated with any of the above.

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

**Management action:**

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

**BROKER SERVICES AND COMMISSION**

**Non-compliance with Section 65 (3) of the Medical Schemes Act - Broker services and commission**

**Nature and cause:**

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

Internal Audit noted an instance where a broker commission was paid to a broker whose CMS accreditation expired.

**Management action:**

The exception has been noted and system enhancements have been implemented (effective 01 April 2021).

**Non-compliance with Regulation 28(1) to the Medical Schemes Act**

**Nature and cause:**

Regulation 28 (1) to the Medical Schemes Act states that "No person may be compensated by a medical scheme in terms of section 65 for acting as a broker unless such person enters into a prior written agreement with the medical scheme concerned.

Internal Audit noted two instances where brokerage agreements were signed by the Brokerage Representative, however, at the time were not signed by the Scheme.

**Management action:**

These were isolated instances and were signed by the Scheme by 31 August 2021.

**Non-compliance with Regulation 28(5) to the Medical Schemes Act**

**Nature and cause:**

Section 28 (5) of the Medical Schemes Act indicates that "Payment by a medical scheme to a broker in terms of sub regulation (2) shall be made on a monthly basis and upon receipt by the Scheme of the relevant monthly contribution in respect of that member."

Internal Audit noted the following:

- A member was not linked to a broker resulting in commission not being paid; and
- A member was linked to an incorrect broker as a result of an incorrect broker code (payments to incorrect broker).

**Management action:**

All instances were noted and broker codes were corrected.

**NATIONAL DEPARTMENT OF HEALTH (NDOH) CLAIMS**

**Non-compliance with Regulation 6(1) and (2) to the Medical Schemes Act**

**Nature and cause:**

The Council for Medical Schemes (CMS) via Circular 55 of 2021 appraised the industry that it has granted an exemption to the National Department of Health (NDOH) to ensure that all COVID-19 vaccine claims are eventually paid despite these claims being submitted outside the ambit of Regulation 6 of the Medical Schemes Act (131 of 1998) (MSA).

Medical schemes were therefore authorised to process claims received on or before 210 days. Furthermore, the

NDOH is allowed to submit claims after 120 days as required by regulation 6(1) and (2) but must do so within 210 days.

The exemption will be valid for a period of three years or will expire once the NDOH has recovered all vaccine-related costs on all insured members of medical schemes.

**Management action:**

The Scheme has complied with Circular 55 of 2021.

**CLAIMS**

**Non-compliance with the CMS guidelines 7.1.3 and 7.1.4 – COVID 19 claims paid from savings**

**Nature and cause:**

The Council for Medical Schemes (CMS) published funding guidelines (dated 5 May 2020) on 8 May 2020 which stated the following:

7.1.3 Testing for COVID-19 is PMB level of care upon referral from a health care worker who has screened a patient. Patients to be tested include individuals who meet the criteria for a person under investigation and those classified as high risk.

7.1.4 The test should be funded from the risk benefit irrespective of the RT-PCR result.

There were instances where COVID-19 (PMB) claims were paid from savings.

**Management action:**

The detected claims were reassessed to ensure alignment to the CMS PMB Guidelines. Corrections were made and manual interventions implemented to ensure that claims are paid in accordance with the CMS published funding guidelines.

**Non-compliance with Section 59(2) of the Medical Schemes Act - Claims not paid within 30 days**

**Nature and cause:**

Section 59 (2) of the Act states: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

An instance was identified where a portion of a claim was paid after 30 days.

**Management action:**

Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification.

**PMB**

**Non-compliance with Regulation 8 of the Medical Schemes Act and Scheme Rule 13.5.4 – Prescribed Minimum Benefits claims paid from savings**

**Nature and cause:**

Regulation 8 to the Medical Schemes Act No 31 of 1998, as amended, states the following:

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

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

It was noted that certain PMB claims were incorrectly paid from savings.

**Management action:**

Reversals to savings were subsequently effected.



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