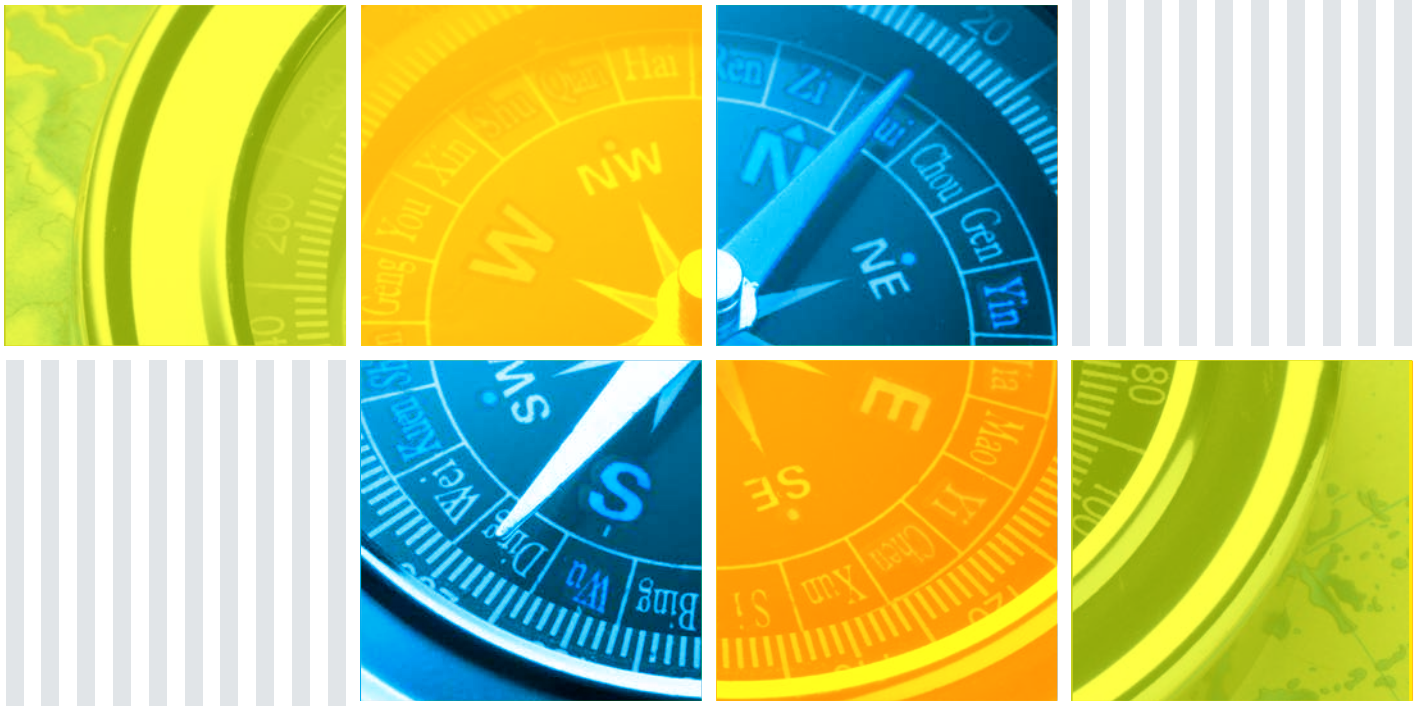
Highlights of the

Financial Statements

for the year ended 31 December 2023



60 YEARS ANNIVERSARY

bestMed

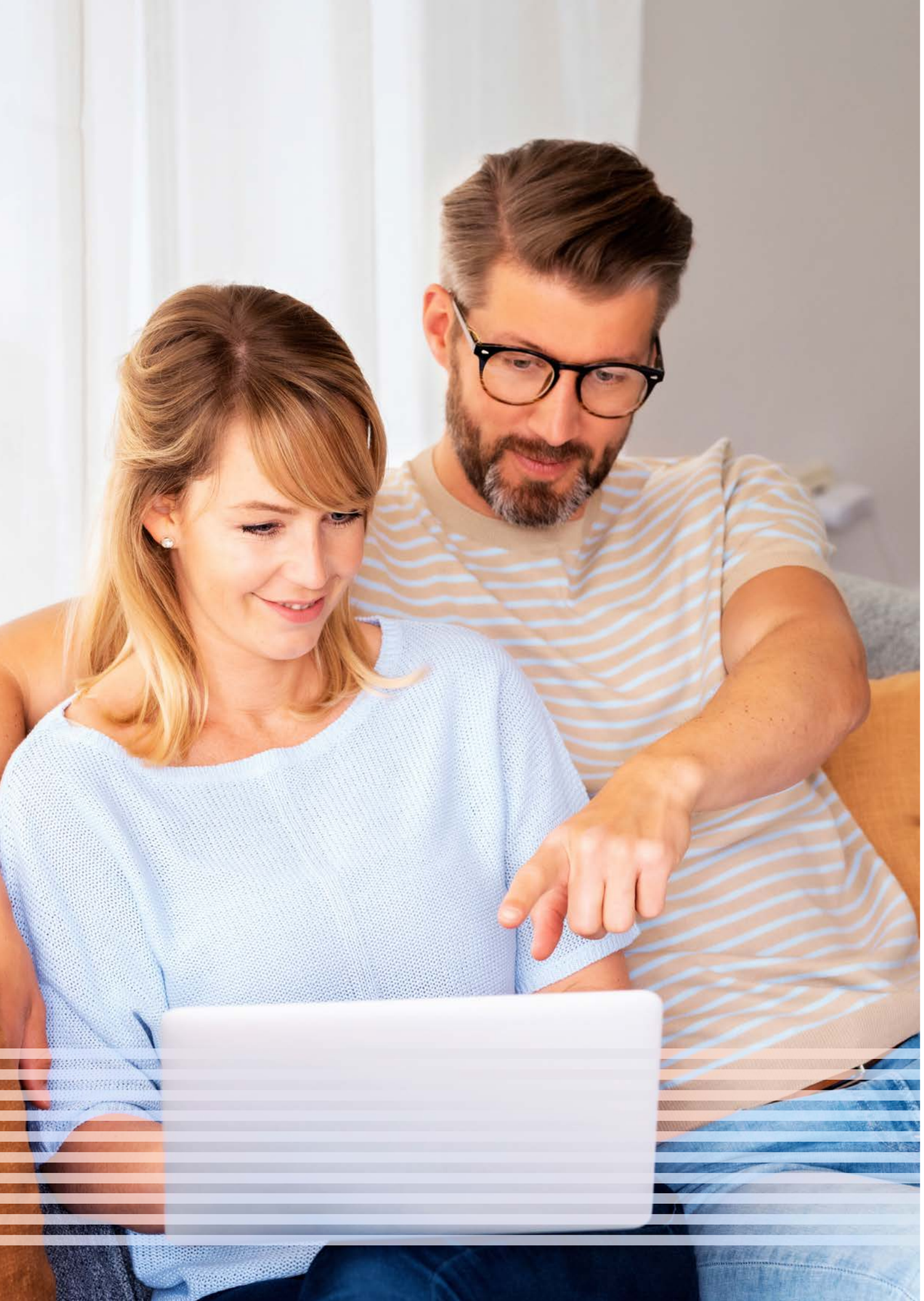
personally yours

CONTENT

In the journey of life, resilience acts as our internal compass, guiding us through storms and guiding us back to calm waters.

- Anonymous

60 YEARS ANNIVERSARY



YOU ARE INVITED TO ATTEND BESTMED'S 60TH ANNUAL GENERAL MEETING

Please join us as we reflect on our achievements, acknowledge the hurdles we have overcome, and chart a course forward that continues to uphold the values of excellence, integrity, and teamwork that define Bestmed.

The global landscape, marked by economic uncertainties, regulatory changes, and unprecedented health crises, has placed immense pressure on industries across the board. Particularly for medical schemes, these challenges demand a keen ability to navigate turbulent waters with prudence and foresight.

However, amidst this turbulence, we are pleased to report that Bestmed has demonstrated resilience and fortitude, and maintained a solid financial position while achieving sustainable growth in our membership base.

Throughout the past year, Bestmed has faced a multitude of obstacles stemming from the dynamic external environment. Despite these hurdles, our unwavering commitment to our members and our strategic foresight have allowed us to not only weather the storm but also emerge stronger than before. Bestmed has experienced positive growth in our membership numbers, a testament to the trust and confidence placed in us by our valued members.

You are cordially invited to share in the operational and financial highlights of 2023 at the Annual General Meeting (AGM).

Date:	Wednesday, 26 June 2024
Time:	09:00 - 11:30
Virtual event link:	**https://www.events.bestmed.co.za/**
Register by:	Monday, 17 June 2024
Enquiries:	Ronel Bouwer via email at **bestmed-agm@bestmed.co.za**

You will receive a user guide to navigate the virtual event platform prior to the AGM. Should you wish to submit a motion for the AGM, kindly email Ronel Bouwer **bestmed-agm@bestmed.co.za** by no later than Wednesday, 12 June 2024.

Programme

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

AGENDA FOR THE 60TH ANNUAL GENERAL MEETING

Bestmed's 60th Annual General Meeting (AGM)

Notice is hereby given that the 60th AGM of the members of Bestmed Medical Scheme will be held at 09:00 on Wednesday, 26 June 2024, virtually via the following link: **https://www.events.bestmed.co.za/**

- Opening and welcome
- Presentation by the Chairperson
- Minutes of the previous AGM held on 22 June 2023
- Chairperson's report
- Financial statements and auditor's report
- Appointment of external auditors for 2024
- Motions received in terms of rule 26.1.4
- Approval of the proposed increase in Trustee Remuneration for 2024-2025
- Member voting
- Closure

PLEASE NOTE:

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

MINUTES OF THE 59TH ANNUAL GENERAL MEETING

Minutes of the 59th virtual Annual General Meeting of members held at 9:00 on Thursday, 22 June 2023

1. OPENING

The Master of Ceremonies (MC), Mrs Madelein O'Connell, 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 59th AGM, which was a virtual meeting.

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

The MC indicated that, during the past few years, Bestmed had solidified its *Personally Yours* service in the market. The Scheme was now becoming one of the fastest growing and most financially sustainable medical schemes in South Africa. She informed the attendees that, as would be discussed at the AGM, the past year had presented various challenges, since the Scheme had to navigate through a post-COVID-19 environment in which a change in claims profiles had been experienced, while members had become under financial pressure. However, as a team, Bestmed had a positive story to tell, and employees felt blessed for working for an organisation that was growing during very challenging times. Consequently, the MC expressed her sincere appreciation towards the members for their support to ensure the continued viability of the Scheme.

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

House rules for the virtual event

Next, the house rules for the virtual AGM were explained. Members were also informed that their microphones were muted and were requested to use the Q&A functionality available on the screen to raise any comments or questions. Bestmed employees were available to answer any questions raised during the meeting. Questions could also be directed by telephone, and an indication would be given to the members when they could phone in to ask any questions. Questions, limited to 90 seconds per question, would be taken at that time. Members could also direct any questions which they may have had during the presentations, and these questions would be recorded and displayed to the presenters during the Q&A sessions. The available telephone numbers were then displayed on the screen. In addition, the AGM would be managed strictly according to the agenda provided for the AGM and, therefore, questions made per the Q&A functionality were restricted to the matters relevant to the AGM. Questions pertaining to any other matters, for example, the Scheme's options or service delivery, could be directed using any of the available channels implemented for this purpose. Bestmed employees would answer all telephone calls and assist with resolving these enquiries.

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

- The 2023 AGM agenda
- Guideline document for streaming and voting
- Highlights of the Annual Financial Statements (HAFS) 2022 booklet
- Trustee Remuneration Policy – including proposed amendments reflected in track changes to Annexure A
- Trustee Remuneration Policy – final copy
- Explanatory note on the annual increase in Trustee remuneration for 2023/2024
- 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. Members' attention was drawn to the fact that they would only be allowed one opportunity to cast their vote on each matter, and after submitting a vote, members would not be able to amend or resubmit the vote. After successfully submitting a vote, a message acknowledging receipt of the vote would be displayed on the screen. The member voting screen, explaining the actions required from members when voting on a matter was then displayed and explained to the attendees. The voting functionality would be explained to members again when dealing with agenda item 8. Accessing full-screen mode during live streaming was also explained to the members. Members were also requested to click on the **Refresh** button, should they experience any difficulties viewing the screen.

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

2. PRESENTATION BY THE CHAIRPERSON

The Chairperson took over the proceedings of the AGM. He declared the meeting properly constituted, members and employers affiliated to Bestmed having been given adequate notice of the meeting in terms of Rule 26.1.1. A total of 148 active voting members were attending the meeting virtually, which was more than the stipulated number of 30 members required to constitute a quorum in terms of Rule 26.1.3.

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

Next, he welcomed the following stakeholders to the AGM:

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

No apologies were made for the meeting.

The Chairperson indicated that the CMS had approved amendments to the Bestmed Rules in terms of which the Scheme was authorised to host a virtual, physical or hybrid AGM. These rule amendments had been approved in view of the COVID-19 lockdown restrictions implemented in 2020 and which had remained in place in 2021 due to the uncertainties pertaining to the progression of the pandemic. The AGMs in 2020, 2021 and 2022 had been successfully hosted as virtual meetings. In addition, the hosting of the AGM by means of a virtual meeting platform had also become the industry norm. The Chairperson reiterated that the opportunity to include members nationally by means of the virtual platform remained a priority for the Scheme, particularly in view of the fact that more than 50% of the Scheme's members were now residing outside the Gauteng region. In addition, the Scheme noted the recently published CMS Circular 21 of 2023 and supported their request for hosting the AGM via a virtual platform in order to attract a larger audience. For these reasons, the 2023 AGM was also presented as a virtual meeting.

The Chairperson proceeded by thanking all the Bestmed members present for joining the virtual AGM, and assured the members all possible measures had been implemented to ensure the AGM would proceed as smoothly as possible.

Finalisation of Agenda

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

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

3. MINUTES OF PREVIOUS ANNUAL GENERAL MEETING HELD ON 23 JUNE 2022

The minutes of the previous AGM, held on 23 June 2022, were available in the HAFS booklet, as published from pages 11 to 21. The HAFS booklet had been included in the meeting pack disseminated to the members.

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

Report of the Chairperson – Board of Trustees

- 'Obtain a date for Dr Luyt's appeal from the CMS, since his appeal hearing was postponed without this being discussed with him and no alternative date given to him.'

Action taken

- The complaint had been raised via the CMS and thus the terms and process were determined by the CMS.
- On 28 June 2022, both Dr Luyt and Bestmed had been advised via email that the appeal hearing would take place on 18 August 2022.

Item 7 (Appointment of auditors 2021/22)

- 'Respond to Mr DM Maleka's questions on the annual financial statements raised at the AGM.'

Action taken

- The CFO had answered Mr Maleka's questions on the annual financial statements telephonically directly after the AGM.

Item 5 (Approval of amended Trustee Remuneration for 2022-23)

- 'Consider a differentiated payment based on the professional expertise of each Trustee.'

Action taken

- Research in this regard indicated the following:

- The Medical Schemes Act, 1998 (Act No 131 of 1998), the King IV Code on Corporate Governance, and guidelines set by the CMS for Trustee Remuneration provided no guidance in specific reference to a variable remuneration model for Trustees.
- Board member remuneration was left with schemes to determine guidelines in this regard, which should pass the test of transparency and fairness to justify discrimination in remuneration between Board members.
- Although it was acknowledged that skills and competencies may vary between Board members, there was a common tendency to identify certain skills across the board. This was not intended to justify the differentiation in fees.
- Further considerations:
  - The Board constituted both elected and appointed members. There was no qualification requirement in respect of elected members and, therefore, there would be no justification in discriminating on this ground.
  - Boards by their nature were expected to work and take decisions as a collective and share any legal consequences which flow from decisions taken.
- Taking all of this into account, any decision to apply differentiated payment would, in Bestmed's view, be confronted with several challenges, and may fall short of justification and stand to be successfully challenged.

The Chairperson informed the members that no notification had been received of additional matters identified as arising from the minutes and it was assumed that all matters had been dealt with satisfactorily. In addition, no proposed amendments to the minutes of the 58th Annual General Meeting had been received by the deadline, as indicated in the Scheme's communication.

Members were then requested to propose and second the approval of the minutes as a fair and true reflection of the 2022 AGM. The Chairperson drew members' attention to the fact that the **proposer** and the **seconder** buttons would automatically disappear, once the relevant members proposing and seconding the approval of the minutes had clicked on these buttons. In addition, members were requested to click on the **Refresh** button prior to proposing or seconding the approval of the minutes.

The minutes of the 58th Annual General Meeting were then unanimously approved as a fair and accurate record of the proceedings.

Proposed: Mr Van Zyl (membership number: 386111); seconded: Mr Varma (membership number: 15785101)

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

4. REPORT OF THE CHAIRPERSON

Operational and financial highlights

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

2022 Overview

In addition to rendering exceptional customer service, Bestmed had continued to grow its membership for the fourth consecutive year by increasing its membership by 10.6% in 2022, compared to 3.5% in 2021. This remarkable membership growth had been achieved despite unfavourable economic conditions, an industry-wide increase in claims following the COVID-19 pandemic

and having to compete in the challenging open medical schemes market that had not seen real growth in recent years. The sustainable increase in membership and a growing risk pool were important aspects ensuring the long-term survival of a medical scheme. Bestmed had retained its position as the fourth-largest open medical scheme in South Africa, rendering healthcare cover services to more than 220 000 lives. Bestmed's position as the largest open self-administered scheme in South Africa was indicative of the good work the Bestmed employees were doing in looking after and growing the Scheme and maintaining exceptional service levels. The Scheme's level of customer satisfaction, as validated by external market research, including the Board of Healthcare Funders (BHF) Titanium Awards, the South African Customer Satisfaction Index (SA-csi) and the Ask Afrika Orange Index® had increased, which would be dealt with at a later stage during the AGM. In addition, the Scheme had achieved solid financial performance.

The Chairperson continued by giving an overview of the Scheme's financial performance. In 2020, Bestmed had adopted an industry-wide trend by purposefully budgeting for a low-contribution increase to give back a portion of the reserves which the Scheme had accumulated during the COVID-19 pandemic to its members. This decision, combined with various benefit enhancements and increased claims, had resulted in a portion of the Scheme's reserves being utilised for the payment of member healthcare claims in 2022. Total healthcare costs of R5.5 billion had contributed substantially to the resultant net healthcare deficit of -R173.8 million, compared to the net healthcare result of R51.9 million recorded in 2021. Bestmed had achieved a 5.4% annual return resulting from the Scheme's investment objective of maximising its return on investments on a long-term basis at limited risk. Taking all income and expenditure into account, the Scheme had made a small net deficit of R3.4 million for the year. The Chairperson indicated that the balance sheet had improved marginally to R4.9 billion, and the Scheme had achieved its budget objective by reducing its solvency ratio by 4% to a respectable 41.7%, compared to the statutory requirement of 25%. The importance of a stable financial position had become even more significant, considering the current economic conditions.

The "Other Income and Expenses" largely represented the Scheme's investment income, which had performed well. Other Income had amounted to R254.3 million, while Other Expenses had totalled R64.7 million in 2022.

Healthcare expenditure included all payments made in respect of claims for medical expenses incurred by members. The claims ratio was defined as the ratio of claims to the contributions received. In 2022, for every R100 received from members' contributions, R94 had been paid to service providers for members' healthcare costs. In 2020, the industry-wide claims ratio was the lowest it had been the past 16 years, which could be largely attributed to the COVID-19 pandemic. The unprecedented increase in claims in 2021, which was an industry-wide trend, following the easing of the COVID-19 restrictions, had continued into 2022, which had impacted negatively on the Scheme's net healthcare result. A combination of factors had contributed to the increase in claims in 2022, which had all directly impacted healthcare costs. These included increased utilisation of medical services, costs exceeding medical inflation, increased diagnostic testing, increased registration of chronic conditions, and an increase in oncology claims.

Medical scheme contributions were priced according to risk pooling. Consequently, various factors determined members' contributions charged, including the projected healthcare costs, administration costs, and investment income. The costs associated with member healthcare claims and managing the business affairs of the Scheme were paid from these funds. Should a lower contribution increase be granted for a year in view of a claims change resulting from an external factor, for example, a national lockdown, contributions were expected to increase in future after the returning of claims to the normal level, resulting in the weighted average contribution increase of 8.5% for 2023.

In 2022, 94% of risk contributions had been used for the payment of members' healthcare claims, while the balance had been used towards the payment of administration costs and broker fees, respectively. A net healthcare result of -3% had been recorded due to a small portion of healthcare claims funded from the Scheme's reserves. With regard to administration costs as a percentage of gross income, it was pointed out that the members were benefiting through continuously reducing this ratio. Bestmed's administration costs as a percentage of gross income had amounted to 7% in 2022, compared to 7.1% in 2021, which was one of the lowest among the open medical schemes. The Chairperson commended Bestmed Management and employees for managing these running costs, while maintaining exceptional service levels. This apportionment of funds clearly indicated that the largest portion of contribution income was used for the payment of medical benefits.

Next, a breakdown of the R5.5 billion healthcare claims across healthcare networks was given. Claims related mainly to in-hospital expenses (approximately 46% of the total number of claims), followed by specialist services (19% - compared to 17% in 2021) and other medical services (16%). Approximately 80% of all healthcare claims for 2022 related to services rendered by network providers. The benefits of this increased in-network spend across all healthcare networks had contributed significantly to lower co-payments. The claims ratio of 94.3% in 2022 reflected the increased claims after the COVID-19 pandemic, which exceeded the average claims ratio prior to COVID-19. The weighted average contribution increase of 8.5% for 2023 was aligned to the pre-COVID annual increases.

Managed Healthcare interventions in 2022

In terms of the stipulations of the Medical Schemes Act, 1998, medical schemes were allowed to implement certain measures to curb medical expenses, particularly those pertaining to the diagnosis and treatment of medical conditions qualifying for Prescribed Minimum Benefits (PMB). One of these measures included implementing a Designated Service Providers (DSP) network, enabling the Scheme to negotiate a lower tariff for rendering medical services to Bestmed members. The Scheme had made significant progress in establishing healthcare provider networks, with approximately 83% of claims paid to network service providers, resulting in a saving of more than R10 million a month. More information on Bestmed's network providers was available on the Scheme's website. Alternatively, more information could be obtained by contacting the Scheme's contact centre, or by referring to the email that had been distributed to all members earlier this month.

In addition, Bestmed had implemented various Managed Healthcare interventions over the years as a measure to manage its healthcare costs. Bestmed's Managed Healthcare initiatives maintained the balance between clinical and financial risks by providing Bestmed members access to the best medical care within the parameters of the Scheme's Rules. Managed Healthcare aimed to provide clinically appropriate and necessary care, while maintaining cost efficiencies. Through these initiatives, the focus had been reset on managing the care, and not managing the cost only. Bestmed believed that the attending service provider should coordinate the members' care, and thus the Scheme was committed to building strong relationships with the service providers.

Bestmed's reserves reflected a balance of R4.9 billion to fund members' claims. As at 31 December 2022, investments or financial assets had made up R4.6 billion of the total assets. These investments were managed by the Scheme's Investment Committee and needed to comply with the restrictions imposed by Annexure B of Regulation 30 of the Medical Schemes Act, 1998.

Fraud, Waste and Abuse (FWA)

According to a report published in January 2023, fraud, waste and abuse continued to plague the South African medical schemes industry, costing up to R28 billion per year. The Scheme had a responsibility towards its members to ensure that member funds were managed in a financially responsible manner for the defrayal of healthcare expenditure.

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

The Scheme had also appointed a third party (specialist forensic investigator) to investigate the more material anomalies requiring urgent and in-depth attention. A formal, prescribed process was followed, which could result in sanctions, including criminal procedure and/or disciplinary procedure and/or implementing Section 59(2) and/or Section 59(3) of the Medical Schemes Act, 1998. Progress was monitored by the Fraud Risk Committee.

Since January 2022, 312 cases of alleged fraudulent behaviour had been investigated internally, with 79 cases of proven fraud, waste, and abuse. In view of the number of ongoing investigations, fraud, waste and abuse investigations had become key in the Scheme's daily operations.

It was estimated that savings of more than R7 million had been made since the introduction of a more stringent FWA strategy by the Scheme.

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

In addition, members were advised to keep track of their medical scheme statements to ensure healthcare claims were valid, and to ensure the services rendered were reflected on the healthcare claim. Furthermore, the importance of having sufficient knowledge of the benefits covered by a specific benefit option was emphasised, to ensure that services not covered were accepted.

Other achievements

Accolades in 2022 and 2023

Bestmed had achieved the following accolades in 2022 and 2023:

- Bestmed had achieved first place in the medical schemes category in the Ask Afrika Orange Index survey in 2022.
- The Board of Healthcare Funders' (BHF's) Titanium Excellence Awards acknowledged the persons in the sector working tirelessly to render exceptional service and honoured those organisations who had made an impact in various sectors of healthcare. Bestmed had received two BHF Titanium Excellence Awards in 2022 – one for service to members, and the second for excellence in creating access to quality healthcare.
- Bestmed had won the 2022 Financial Intermediaries Association (FIA) Intermediary Experience Award for Healthcare Product Supplier of the Year. This was the most prestigious and well-recognised award in the South African services industry.
- Bestmed had also received the 2023 BHF's Titanium Excellence Award for its significant contribution to the healthcare landscape by creating access to quality healthcare.

SA-csi medical insurance results 2022

- Bestmed was at the forefront of customer service in the medical schemes industry, as was evident from the results of independent external research conducted by the South African Customer Satisfaction Index (SA-csi). The SA-csi, founded in association with the University of Pretoria and supported by both academia and the industry, was the most referenced, comprehensive national customer satisfaction index with international comparability in South Africa.

MINUTES OF THE 59TH ANNUAL GENERAL MEETING

- Bestmed was one of six medical schemes who had participated in the research, using a multi-varied model comprising a combination of weighted indices across perceived quality; perceived value; customer expectations and satisfaction; customer complaints incidence and handling; and customer loyalty.
- Bestmed had obtained first place in all the categories among the medical schemes included in the survey. Although Bestmed did not have the lowest complaint incidence, as measured across the six schemes included in the survey, the manner in which the complaints were dealt with was significantly compared to the competitor schemes.

Corporate Social Investment (CSI)

An overview was given of the CSI initiatives in which the Scheme was involved. Bestmed's approach to CSI initiatives was to implement initiatives that would have both internal and external impact. In this manner, employees were given the opportunity to participate in upliftment initiatives in their communities.

Partners for Possibility

Bestmed was continuing its relationship with the Partners for Possibility project. This initiative matched organisations with school principals from local under-resourced schools. Bestmed had been associated with Partners for Possibility for the past seven years, and had partnered with the Matseke Primary School in Atteridgeville in 2022.

Unjani Clinic Health Pod

Bestmed had invested in a Health Pod in 2022 to provide access to primary healthcare in underdeveloped and vulnerable communities in and around George and parts of the Garden Route.

Hockey programme at underprivileged schools

Bestmed had partnered with SuperSport Let's Play to donate hockey kits to schools in SuperSport Let's Play's school-modified hockey programme initiatives. Players from 10 different schools in Tembisa, Mpumalanga and portions of the Northern Cape had taken part in a SuperSport interschool festival. The Bestmed Cup had been awarded to the winners.

Young cycling development team

The Scheme had sponsored 25 Bestmed-branded cycling shirts to a young cycling development team in the Eastern Cape.

Transporting medical students to rural areas

The Scheme had donated a Bestmed-branded 22-seater bus to the Faculty of Health Sciences at Nelson Mandela University in the Eastern Cape.

The bus provided students doing their practical training at clinics and hospitals in the province with much-needed transport to these facilities.

Corporate Governance

Mr Desmond Smith, an appointed Trustee and actuary by profession, had sadly passed away on 30 January 2023. Mr Smith had served on a number of Boards with extensive knowledge of the insurance industry and corporate governance matters. He had joined the Bestmed Board in October 2020, and his term had concluded in June 2022. He had then been appointed for a further term as appointed Board member at the 2022 AGM. He had been struggling with ill health since late 2022, which had not prevented him from executing his duties as Trustee. He had always discharged his fiduciary duties conscientiously, and his invaluable contribution and dry sense of humour would be sorely missed.

The Board had initiated a process of appointing a candidate with a suitable skill set to replace him. Following a fair and transparent recruitment process, it had been recommended at the Board meeting on 20 April 2023 that Dr Leshni Shah be appointed as an appointed Trustee to replace the late Mr Smith. This appointment was based on her extensive practical medical, wellness, asset management and business knowledge and experience. Dr Shah would be serving the remainder of the late Mr Smith's term of office, which was three years. The Chairperson then welcomed Dr Shah to the Bestmed Board of Trustees.

The Board would be duly constituted in accordance with Bestmed Rules and comprised 10 Trustees:

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

The terms of the current Chairperson and Vice-Chairperson would end after the AGM. The Chairperson and Vice-Chairperson for the next 12 months (up to the 2024 AGM) would be elected at a Board meeting to be held directly after the 2023 AGM.

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

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

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

- Mr Steyn du Plessis (Vice-Chairperson) – second term – 2022-2026
- Mr Leon Jordaan – first term – 2020-2024
- Dr Tumi Legobye – second term – 2022-2026
- Mr Colin Mowatt (Chairperson) – second term – 2020-2024
- Dr Leshni Shah – first term – 2023-2026

The terms of office of the following two elected Board members would lapse at the AGM in 2024:

- Ms Clarette Lombard (Individual Member Representative) – first term
- Ms Elmarie Marx (Employee Member Representative) – second term

The terms of office of the following two appointed Trustees would also come to an end at the 2024 AGM:

- Mr Leon Jordaan (first term)
- Mr Colin Mowatt (second term)

In terms of the registered Bestmed Rules, the nomination forms for the two elected Trustees would be disseminated to Bestmed members on or before 1 November 2023.

Rule amendments

The following amendments to the Bestmed Rules had been approved and registered by the CMS in 2022. The various rule changes had been communicated to members and published on the Scheme's website.

- Changes to the Substantive Rules
  - Children were covered at child dependent contribution rates until the age of 24 years (previously 21 years) and registered students up to 26 years.
  - Addition of provisions relating to the Protection of Personal Information Act, 2013 (Act No 4 of 2013 ("POPIA")) in the Scheme Rules.
  - Change 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.

Member complaints against Bestmed

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

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

After responding to the CMS in respect of both complaints, the CMS had ruled on the complaints and both rulings were largely in favour of Bestmed. Subsequently, both Mr La Grange and Dr Luyt had submitted appeals in terms of Section 48 of the Medical Schemes Act, 1998 to the Council against the CMS rulings. In February 2023, the CMS ruled in favour of Bestmed in the appeals of both Dr Luyt and Mr La Grange:

- According to the CMS Appeals Committee, Dr Luyt had not interpreted Rule 32.2 of the Bestmed Rules correctly.
- The CMS Appeals Committee had dismissed Mr La Grange's grounds of appeal.

Strategy and the way forward

The CMS Circular 7 of 2023 reported that, at the end of 2022, there were only 71 registered medical schemes, comprising 16 open schemes and 55 closed schemes. Consequently, it was evident that the medical aid industry continued to consolidate with the number of schemes decreasing over the past years.

The number of beneficiaries covered by medical schemes had remained stagnant at approximately nine million over the years. To ensure continued sustainability, the Scheme should remain competitive and successfully navigate through a highly regulated environment. The Scheme's key strategic goals remained operational excellence, sustainable membership growth, healthcare sector leadership and innovation.

The 2022 strategic focus had emphasised increasing value for money for members through competitively priced options, releasing some reserves to the membership and improving member experience. This had resulted in 10.6% membership growth in 2022.

To continue the Scheme's commitment to quality *Personally Yours* service, engagement with our stakeholders was central to the Scheme's operations and business.

The main objectives of the stakeholder engagements were aimed at:

- gaining an awareness and understanding of any concerns or opportunities in the stakeholder community, and
- identifying any measures needed to manage these effectively, while building mutually rewarding relationships.

In addition, significant progress had been made with

building relationships in the industry, including hospital groups, the healthcare advisor community, corporates, industry and governing bodies (including the CMS and BHF), and service providers.

Stakeholder engagements also ensured enhanced transparency and good corporate governance, as well as creating opportunities for stakeholder involvement.

The future

National Health Insurance (NHI)

Bestmed continued to monitor the developments in the private healthcare industry in response to the planned implementation of NHI. The Scheme was participating in the NHI process through the BHF. It was the Scheme's opinion that attaining Government's aspiration of universal access to primary health for the country could not be achieved without the support and consultation of private healthcare players, including medical schemes.

At the second presidential Health Summit held recently, the President had affirmed that NHI would be implemented and tasked the Summit with reviewing the implementation of the interventions agreed to during the 2018 Summit, as well as evaluating the readiness to implement NHI. Various stakeholders were of the view that limited progress had been made with implementing NHI due to the impact of COVID-19 on the country's health system. Recently, the NHI Bill, which had been originally introduced to Parliament in 2019, had been debated and approved by the National Assembly. The Bill would now be considered by the National Council of Provinces.

Although the Scheme had every interest in seeing national health cover in South Africa, the need for a sustainable system, optimally using the scarce resources of the State, was emphasised. NHI, as conceived and approved in the NHI Bill, was not a viable system.

The COVID-19 pandemic had emphasised the need for collaboration between the public and private health sectors for the greater good of all South Africans.

The funding model of the NHI was still unclear, and further information was awaited.

Bestmed would continue to –

- actively reposition the Scheme as a new-generation healthcare business through innovation to achieve increased membership growth and render excellent service, while maintaining sustainable financial performance;
- enhance its product offering, increase its service provider network, increase brand awareness, and remain a preferred choice for members and healthcare advisors (brokers); and
- care for our Heartbeats (employees) remained critical, by supporting and building resilience in the ranks through health and wellbeing initiatives to continue to provide a stellar member experience.

The reintegration of employees to the office, which had commenced in January 2022, had proven successful in that minimal interruptions to operations and service levels had been experienced, while increased opportunities for in-person engagements among Heartbeats were offered.

The South African private healthcare industry had undergone significant change during the past few years. Escalating healthcare inflation and costs, a declining and ageing membership, the impact of the global pandemic and a growing disease burden were impacting the medical schemes industry. NHI was dominating conversations about best meeting the needs of the healthcare consumers with new insights and fresh perspectives.

The coming year would be increasingly challenging, and constructive and practical solutions would have to be implemented to ensure the future sustainability of the industry.

Acknowledgements

The Chairperson conveyed his sincere appreciation towards the Scheme's members for their continued support, loyalty and commitment to Bestmed. In addition, he thanked the Advisors of healthcare cover for continuing to entrust their clients to Bestmed's care. Furthermore, the Chairperson 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, despite challenging and changing work circumstances over the past three years. Finally, he thanked his colleagues on the Board and the independent members of the Board subcommittees for their input, guidance and support during the year.

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

The attendees were then afforded the opportunity to ask questions through the relevant Q&A functionality. The MC also informed the attendees that questions could still be directed after commencement with the next agenda item.

A telephone enquiry was received from a member, asking whether the co-payments imposed on members for certain medical services could be reduced, in view of the Scheme's financial performance and reserve level, which was well above the statutory requirement of 25%. The PO/CEO responded by indicating that the Scheme was a cost taker, taking cost from what service providers charged, as well as members' utilisation of medical services. These two elements determined the cost requirement for funding the Scheme. The Scheme obtained its funding from contributions recovered from members. Should the contributions received be adequate to meet the cost base, a balance could be achieved. However, should the available contributions be lower than the actual cost, the accumulated reserve funds were used to fund the difference. The latter approach had been followed the past two years, and the reserve funds accumulated during the COVID-19 pandemic had been used to fund the lower subscription increases implemented in 2021 and 2022. The subscription increases implemented by the Scheme the past two years were 2% on average lower than the subscription increases implemented in the industry in order to reduce the Scheme's reserve level. In addition, accumulated reserve funds could be used to fund benefit enhancements, which had been done in 2021 and 2022, and which had not necessarily been applied in the industry. In the Scheme's product design, areas for benefit enhancements had been identified which would add to the member value proposition. One of these was reducing member co-payments, and co-payments on various services had been reduced or deleted in 2021 and 2022. During the Scheme's annual benefit design process, a portion of the Scheme's surplus funds had been earmarked for utilisation to the benefit of the Scheme's members, either through reduced co-payments, benefit enhancements and increased limits.

The MC took over from the PO/CEO and indicated that a member, Mr Gideon van Aarde, had posted a remark on the Q&A functionality, indicating that he would like to applaud the PO/CEO, the Management Team and the Board of Trustees of Bestmed for yet another set of excellent results and a well-managed medical scheme. This was evident from the presentation delivered at the AGM and the results of the various surveys conducted and accolades achieved.

The MC then indicated that no further telephone enquiries had been received and that the CFO would now present the Annual Financial Statements and the Auditor's Report for the year ending 31 December 2022.

5. ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORT

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

Members' attention was drawn to the full set of financial statements for 31 December 2022 provided in the Annual Report and the accompanying comprehensive notes.

Auditor's report

The auditors advised that, in their opinion, the 31 December 2022 Annual Financial Statements presented fairly, in all material respects, the financial position of Bestmed Medical Scheme and its financial performance and 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 as amended, section 33(2).

In 2022, the country had faced a number of issues, including unemployment, fluctuating fuel prices resulting in subdued growth, loadshedding, COVID-19 catch-up, the weakening rand, and the Ukrainian and Russian war. To a large extent, these factors had continued into the current financial year.

Financial results for the year ended 31 December 2022

Absolute Terms Comparison

Risk contribution income had increased by 8.3%, against the backdrop of the 3.9% increase in contributions and the 10% growth in membership. The increase in risk contribution income was not reflective of the membership growth, since a larger number of members had opted to interchange to less expensive benefit options due to economic difficulties. The relevant healthcare expenditure had increased by 12.6%, which was represented by the increased claims ratio of 94.3% in 2022, versus 90.7% in 2021. Non-healthcare cost year on year as a percentage of risk contributions was 8.7%, compared to 8.4% in 2021. The CFO explained that this information should be considered against the better-than-expected membership growth.

Highlights from the statement of financial position

Total assets had increased from R4.8 billion in 2021 to R4.9 billion in 2022. This amount included non-current assets at R2.1 billion and current assets at R2.7 billion, which then equated to the member funds of R3.4 billion, non-current liability of R40.2 million and current liability of R1.5 billion, the majority of that made up of member savings. These figures were representative of a healthy solvency of 41.73%, which was significantly higher than the statutory requirement of 25%. The reduction in the solvency from 45.68% in 2021 had resulted from the Board's decision to apportion accumulated reserves to relieve economic pressure on members.

Highlights from the statement of comprehensive income

The financial statements reflected a total risk contribution income of R5.9 billion for 2022, compared to R5.4 billion for 2021. Relevant healthcare expenditure had increased from R4.9 billion in 2021 to R5.5 billion in 2022, while the gross healthcare result had decreased from R506 million in 2021 to R336 million in 2022. The non-healthcare cost year on year had increased from R454 million in 2021 to R509 million in 2022, resulting in a net healthcare loss of -R174 million in 2022, compared to a net healthcare result of R52 million in 2021. It was explained that, as previously indicated, the net healthcare loss was a consequence of the lower subscription increases implemented in 2021 and 2022.

Other income and expenses amounting to R170 million had still been better than expected, given the volatility in the markets, resulting in an almost break-even point of -R3.4 million on the net loss line. Taking other comprehensive income of R7.2 million into consideration, the total comprehensive income for the year after accounting for fair value adjustments was R3.8 million in 2022, compared to R357.8 million in 2021.

Members' funds had remained relatively stable at R3.4 billion in 2022, compared to 2021, and were made up as follows:

- Investments of R3.53 billion in 2022, compared to R3.49 billion in 2021

- An increase in medical savings accounts from R965 million in 2021 to R1.0 billion in 2022, which were funds managed by the Scheme on members' behalf
- A slight decrease in cash and cash equivalents from R66 million in 2021 to R51 million in 2022, due to the increase in claims
- A decrease in other assets from R256 million in 2021 to R244 million in 2022
- An increase in liabilities, including medical savings accounts, from R1.4 billion in 2021 to R1.5 billion in 2022, resulting in total member funds of R3.4 billion in 2022

Solvency

As already indicated, the statutory calculated solvency ratio at 31 December 2022 was 41.73%, compared to 45.68% in 2021, against the statutory requirement of 25%. This was a clear message that the Scheme was financially strong with adequate cash reserves or cash cover of risk benefits. Should the Scheme not generate any revenue, it would be able to pay members' claims for a period of 7.8 months, compared to 8.7 months the previous year.

Investments performance

The total assets on investment had amounted to R3.53 billion in 2022, compared to R3.49 billion in 2021. The Scheme had achieved a return on investments of 7.1% over 10 years in 2022. In addition, a real return of 1.9% ahead of inflation had been achieved over a 10-year period, compared to 2.5% in 2021. The consumer price inflation over 10 years was 5.2% in 2022, compared to 5.0% in 2021. Although this was slightly below the investment mandate for the year, a real return of 2.8% had been achieved over 17 years (since inception) ahead of inflation, which was in line with the investment expectations. These results were representative of the turbulence of the investment markets in 2022, continuing into 2023. It was anticipated that the Scheme would achieve an investment return of 3% ahead of inflation after improvement of the investment market. In addition, the increase in investments in total was representative of the intelligence in the investment strategy adopted by the Scheme.

Industry comparative analysis

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

Bestmed's membership growth of 10.6% in 2022 was the highest in the industry, followed by Discovery (1.7%) and Momentum (1.3%). These three medical schemes, including Bestmed, had recorded an increase in the claims ratio and a resultant decline in their solvency level. An increase in the solvency level could be observed in one of the three large competitors included in the comparative analysis.

Bestmed's non-healthcare cost as a percentage of risk contributions was 8.7% in 2022, compared to Discovery with the next lowest of 11.9%, followed by Fedhealth (12.2%), and Momentum (15%). This was indicative of the responsible manner in which the Scheme's finances were managed. In addition, all four large medical schemes included in the comparative analysis had experienced a net healthcare loss in 2022, with the lowest recorded by Bestmed (-R174 million), followed by Fedhealth (-R232 million), Momentum (-R388 million) and Discovery (-R3.3 billion).

Adoption of the 2022 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 2022, inclusive of the Auditor's Report. Members would be given the opportunity to vote on the adoption of the Annual Financial Statements during the voting session at the end of the AGM.

6. APPOINTMENT OF AUDITORS FOR 2023/2024

The meeting was informed that the members present at the AGM should appoint the external auditors for the next financial year. Deloitte had served as the Scheme's auditors for the financial year ending 31 December 2022.

The Board of Trustees and the Audit Committee recommended that Deloitte be reappointed as the Scheme's external auditors for the financial year ending 31 December 2023. The members would be required to vote on the reappointment of Deloitte as the Scheme's external auditors for the financial year ending 31 December 2023 in accordance with Rule 25.1.

The MC took over the proceedings of the meeting and informed the members that no further questions had been received. She read a comment posted by a member, Ms Ferreira, on the Q&A functionality, expressing her gratitude for the apportionment of reserve funds to effect lower subscription increases and benefit enhancements from which all members could benefit. The MC also informed the attendees that questions could still be directed after commencement with the next agenda item, as a final opportunity for a Q&A session would be given after the next presentation.

The MC then welcomed the PO/CEO to the stage to deliver a presentation on the proposed Trustee remuneration for 2023-2024.

7. APPROVAL OF AMENDED TRUSTEE REMUNERATION FOR 2022-2023

Trustee Remuneration

The PO/CEO took over the proceedings of the meeting and extended a word of welcome to the Scheme's members, the Board of Trustees and External Auditors, as well as representatives of the CMS at the Scheme's AGM. He then proceeded with discussing the proposed amendments to the Trustee Remuneration Policy, specifically the proposed increase in Trustee remuneration.

Amendments to Trustee Remuneration Policy

Purpose of submission

In terms of clause 4.2(c) of the Trustee Remuneration Policy, any amendments to this Policy should be approved by the Board and thereafter by members at the AGM. On 18 May 2023, the Board had approved amendments to the Trustee Remuneration Policy, specifically the proposed increase to fees payable as per Annexure A.

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

On 1 June 2023, the following documents pertaining to the amendments had been sent to the members:

- The Trustee Remuneration Policy (track changes reflecting the amendments)
- The Trustee Remuneration Policy (track changes accepted to represent the final Policy, should the amendments be approved at the AGM)
- An explanatory note on the proposed increase in the annual Trustee remuneration

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

The PO/CEO continued by explaining that discharging the Board's responsibility of oversight, governance, compliance, implementing strategic objectives and risk management in a highly regulated industry presented risks to both the Scheme and the Trustees. Trustees could be held personally liable for the actions taken on behalf of the Scheme. These should all be complied with, whilst ensuring positive member experiences and the sustainability of the Scheme. Consequently, the level of Trustee remuneration should take into account the expertise, responsibility, risk and time devoted to the Scheme, which extended far beyond preparing and attending Board meetings, as well as the level of Trustee remuneration relative to similar schemes, and the Scheme's exceptional performance in 2022.

Benchmark Analysis Trustee Remuneration

To compare Bestmed's Trustee remuneration relative to that of the industry, the Scheme consulted information from resources that were recent, publicly available, and easily accessible by members, should they want to verify the information provided at the AGM. The only available source of information that met these requirements was the 2021 CMS Annual Report, published on 13 October 2022. Since the information included in the CMS Annual Report related to 2021, Willis Towers Watson (WTW) had conducted a comparative analysis on Board of Trustees remuneration guidelines in 2022. The benchmark analysis conducted by Bestmed included eight open schemes, to be aligned with the schemes who had participated in the WTW research.

The following variables had been considered in the analysis:

- Total Trustee remuneration
- Average Trustee remuneration (average fee per Trustee)
- Chairperson remuneration
- Vice-chairperson remuneration

It was explained that the 2022 data was based on 2021 CMS information adjusted with the following variables:

- Actual increase (5.0%) approved at Bestmed's AGM the previous year
- Assumed 5.0% (below CPI) increase for other schemes and which Bestmed members had approved at the 2022 AGM

Of the eight medical schemes included in the WTW research, Bestmed's relative position in terms of Trustee remuneration in 2021 and 2022, based on the above variables, was among the lowest in the industry.

It was pointed out that the CMS reported average Trustee remuneration based on the total number of Trustees who had served on the Board during a given year and not based on tenure. However, the Trustees' tenure had an impact on the calculation of the average Trustee remuneration. No recalculation of the tenures of other schemes' Trustees could be performed, due to the limited access to this information. However, a recalculation of Bestmed's Trustees who had served 12 months had been done, since this information was available to the Scheme. In 2022, only 10 Trustees had served a full term on Bestmed's Board in view of resignations and new members joining the Board. This figure could be higher than published in the CMS Annual Report. The total remuneration paid to these Trustees had been divided by 10, totalling an average fee of R231 505 per Trustee, excluding the fees for the Chairperson and Vice-Chairperson, in 2022, compared to an average total fee of R272 856, as indicated in the WTW report. As a result, the normalised 2021 and 2022 comparison highlighted that fees paid to the Bestmed Board and subcommittee members as well as the Board's Chairperson were still positioned far below the average, with Bestmed's average Trustee remuneration positioned as the second lowest in the industry, based on Bestmed's 5% increase in Trustee remuneration and a 5% increase assumed for other medical schemes. The remuneration paid to the Bestmed's Vice-chairperson was slightly higher than the industry average, but lower than the upper quartile reflected in the WTW report.

In addition, the average four-year (2019-2022) increase of 4.73% in Bestmed's Trustee remuneration, as approved by members, was the same as the average CPI of 4.7% during this period, resulting in no correction of the relative position. Consequently, the increase that would be proposed at the AGM would be aimed at achieving the following:

- Preventing deterioration of the relative position of

MINUTES OF THE 59TH ANNUAL GENERAL MEETING

the Bestmed Trustee remuneration

- Correcting the increasing disparity between Bestmed and the industry

Increase in 2023 subscription fees

Bestmed's average increase in subscription fees for 2023 was 8.9%. As a result, an 8.9% increase in Trustee remuneration, as reflected in Annexure A of the Policy, was proposed.

In view of the information provided in the presentation, members would be required to vote on the proposed increase of 8.9% in the fees payable to Trustees.

The MC took over the proceedings of the meeting and indicated that a member, Mr Fredericks, had posted a statement on the Q&A functionality, indicating that the proposed increase in Trustee remuneration was significant and unacceptable in view of the current challenging economic environment and current increases by organisations for their Board members and even unions in the different sectors. The PO/CEO responded by indicating that Mr Fredericks' comment was valid. Although it was acknowledged that the proposed increase of 8.9% was high, given the current economic environment and the CPI slightly exceeding 7%. However, as indicated during the presentation, the relative position of the Bestmed Trustee remuneration was lower than that of medical schemes of a similar size. To address this effectively, an increase slightly higher than what would have normally been applied was necessary to keep up with inflation. As a result, the proposed increase could not be lower than 7%. In addition, an increase exceeding 7% was required to correct the increasing disparity between the Trustee remuneration paid by Bestmed and the industry. Furthermore, as already explained, the level of Trustee remuneration should take into account the expertise, responsibility, risk and time devoted to the Scheme.

A telephone call was then received from two members, stating their support for Mr Fredericks' viewpoint by indicating that the proposed increase should ideally be in line with inflation, and, therefore, be positioned between 4% and 6%. The PO/CEO responded by indicating that the Scheme was not indifferent to members' perspective. Although a specific Trustee remuneration increase could be proposed to the members, based on the results of Trustee remuneration benchmarks, it remained the members' prerogative to exercise their right when voting on the proposed increase in Trustee remuneration. In response to the PO/CEO's explanation, a member conveyed his appreciation to the PO/CEO for his high-level systematic explanation of benefit optimisation. In addition, the member requested that, at the next AGM, a comprehensive explanation be provided on benefits, reserves and how these were structured, similar to the presentation on the increase in Trustee remuneration delivered at the AGM.

Since no further enquiries were raised, the attendees proceeded with voting on the required resolutions.

8. MEMBER VOTING

The MC indicated that members would now be given the opportunity to cast their votes on the relevant matters. After explaining the online voting process in detail, the MC informed the members that they would be required to vote on the following resolutions:

- Adoption of the Annual Financial Statements for the year ended 31 December 2022 inclusive of the Auditor's Report
- Appointment of External Auditors in accordance with Rule 25.1
- Approval of the proposed 8.9% increase in Trustee Remuneration for 2023/2024

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

After the Internal Audit Department had audited the voting results, the meeting reconvened and the Chairperson 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 2022 inclusive of Auditor's Report

  - or: 62 votes (100%); against: 0 votes (0%)

  The Annual Financial Statements for the year ended 31 December 2022 inclusive of Auditor's Report were therefore approved.

- Reappointment of Deloitte as External Auditors in accordance with Rule 25.1

  - For: 61 votes (98%); against: 0 votes (0%)

  The reappointment of Deloitte as External Auditors in accordance with Rule 25.1 was therefore approved.

- Approval of the proposed 8.9% increase in Trustee remuneration for 2023/2024:

  - For: 38 votes (61%); against: 19 votes (33%)

  The proposed 8.9% increase in Trustee remuneration for 2023/2024 was therefore approved.

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

9. CLOSURE

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

The 59th AGM was adjourned at 10:46.

Signed in Pretoria on this _____ day of _____ 2024.

_____

CM Mowatt
Chairperson
Bestmed Board of Trustees

MINUTES OF THE 59TH ANNUAL GENERAL MEETING

CHAIRPERSON'S REPORT

OVERVIEW

In 2024, Bestmed celebrates its 60th year of providing health cover to its members. This milestone coincides with challenges in the healthcare industry, including higher claims ratios, high costs and declining reserves accumulated in the financial years of 2020 and 2021. These challenges are largely attributed to the tough economic conditions affecting the country in recent years. The economic outlook for 2024 is expected to remain challenging, with a marginal improvement anticipated in 2025. This ongoing economic pressure is likely to impact household disposable income, directly affecting all South African medical schemes and their members.

Despite these challenges, Bestmed's financial performance in 2023 met expectations, with a higher claims to contributions income ratio. The focus on non-healthcare expenditure while maintaining a positive member experience demonstrates the Scheme's resilience. This is evident in the sustained membership growth and service excellence achieved in the past year. Bestmed's recognition in the Ask Afrika Orange Index®, the Financial Intermediaries Association (FIA) Product Supplier of the Year Award, and the Board of Healthcare Funders (BHF) Titanium Awards in 2023 highlights the Scheme's commitment to customer satisfaction and stakeholder experience through product and service excellence in the South African medical scheme industry.

Sustainable growth in membership and an expanding risk pool are crucial for the long-term strength and survival of the Scheme. Bestmed's primary objective remains to increase its membership by retaining existing beneficiaries and attracting new members, particularly those in younger age categories. In 2023, the Scheme achieved a growth rate of 4.55%, marking the fifth consecutive year of net membership growth. This growth was achieved while maintaining exceptional service to members, as attested by market surveys and awards received.

FINANCIAL PERFORMANCE

Bestmed once again recorded a sound set of financial results. In 2023, the claims ratio remained high when compared to pre-pandemic levels, which has been an industry-wide trend since 2021. This negatively impacted the Scheme's net healthcare result. The negative insurance result (previously referred to as net healthcare deficit) incurred for the year, due largely to an increase in claims, was absorbed by the Scheme's healthy reserves. Investment income contributed positively to the finances of the Scheme. The Scheme's financial position has remained strong with a solvency ratio of 36.89% (2022: 41.60%*) and total assets of R4.9 billion (2022: R4.8 billion) as at 31 December 2023. The Scheme remains in a strong financial position and, in most instances, reflects better results than the industry averages. Important highlights are detailed in the table on the table below.

BESTMED (31/12/2023)

Solvency ratio	36.89%
Insurance Revenue per average beneficiary per month	R2 259
Relevant healthcare expenditure per average beneficiary per month	R2 189
Relevant healthcare expenditure as a percentage of insurance revenue	96%
Amounts attribuatble to future members (Previously Net Surplus - R million)	R38.8
Insurance contract liability attributable to future members (Previously Member funds - R billion)	R3.4

*Previously reported at 41.73%, restated due to the implementation of IFRS17

The Council for Medical Schemes (CMS) requires all medical schemes in South Africa to have a minimum solvency ratio of 25% to ensure financial sustainability in the event of a sudden and/or unexpected increase in claims. Achieving 36.89% (2022: 41.0%) at the end of the financial year, Bestmed's solvency position is healthy and exceeds the regulatory minimum. The Scheme's balance sheet improved from R4.8 billion to R4.9 billion as at 31 December 2023. The importance of a stable financial position has become even more significant, considering the prevailing economic climate.

The average claims ratio for 2023 was 96% (2022: 94%). The relatively high claims can, among other factors, be attributed the residue catch-up in post pandemic claims as well as an increase in specialist care and treatment. A total of R6.2 billion (2022: R5.5 billion) in healthcare costs was paid during the year under review. This was higher than budgeted and had a significant impact on the insurance service result deficit of -R80.6 million (2022: R33.8 million surplus) recorded for the year.

The Scheme's average in-network spend of over 81.7% (2022: 81.7%) continues to have a positive impact on the bottom-line.

Bestmed's investment objective of maximising the return on its investments on a long-term basis at limited risk, resulted in the Scheme achieving an annual return on investments of 7.4% (2022: 6.1%), which equates to investment income for the year (net of related expenses) of R286.9 million (2022: R191.7 million). Taking all income and expenditure into account, the amount attributable to future members for the year was R38.7 million (2022: R4.4 million deficit).

STRATEGIC FOCUS

According to the CMS Annual report 2022, the industry continues to consolidate with the number of schemes decreasing to 71 (17 open medical schemes) in just over two decades (2000–2022). The report also states that the industry experienced a slight increase to 9.04 million total lives covered.

In 2022, the number of principal members in open schemes grew by 1.25% and the number of beneficiaries grew by 0.51%. During the same period, Bestmed grew by 10.55% and 10.19% respectively and achieved the highest growth in the industry. This growth has continued into 2023.

It is important for the Scheme to continue growing its membership sustainably, while complying with strict governance principles and requirements. The Board and Executive Management undertake an annual strategic planning process, which ensures that Scheme's strategy is reviewed and updated in alignment with the envisioned goals.

The Scheme's key strategic goals remain operational excellence, sustainable membership growth, healthcare sector leadership and innovation. The 2023 strategic focus was on continuing to deliver value for money for members while remaining competitive in the medical aid industry.

STAKEHOLDER ENGAGEMENTS

Stakeholder engagement is critical to how Bestmed operates and a key catalyst in ensuring that we continue to deliver on our *Personally Yours* commitment. The aspiration to extract value for the Scheme and its members whilst also having a positive impact in the various spaces in which the Scheme operates, remain central to the stakeholder management approach. We achieve this by gaining awareness and understanding of any concerns or opportunities with stakeholders and identify measures needed to manage these effectively, while building mutually rewarding relationships.

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

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

GOVERNANCE

Sadly, Mr Desmond Smith, an appointed Trustee, passed away on 30 January 2023. At the time, Bestmed expressed its sincere gratitude for are grateful for his significant contributions and commitment to the Board of Trustees and extended its deepest sympathies to his loved ones.

Due process for the selection of an appointed Trustee to fill the vacant position was followed, and Dr Leshni Shah was recommended for appointment as a Board member at a Board meeting held on 20 April 2023. Dr Shah would be serving the remainder of the late Mr Smith's term of office, which was three years.

Following the 2023 AGM, the Board was duly constituted in accordance with Bestmed Rules and comprised 10 Trustees (refer to section 4 of the Minutes of the 59th AGM of the HFS 2023).

On 1 November 2023, the Scheme commenced with the Board of Trustee election process intended to fill the positions of two elected Board of Trustee members, for who the terms of office expire at the 2024 Annual General Meeting. The vacancies are in the Individual and Employee member representative 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 communicated at the 2024 AGM.

RECOGNITION

The year 2023 brought with it, much like previous reporting periods, familiar and unknown challenges that the Scheme had to contend with. We are encouraged that the Scheme remains strong and in a healthy and sustainable financial position.

First and foremost, we thank you, our loyal members, for your continued support. For the past six decades and beyond, you remain at the pinnacle of our commitment to continue resiliently delivering personal, exceptional service to meet your healthcare cover needs.

I would also like to express my gratitude to our ever-growing network of professional healthcare advisors, who continue to entrust their clients to us, as well as to Bestmed's management and Heartbeats (employees). Your unwavering dedication to deliver our *Personally Yours* promise to our members, despite the challenging socio-economic and a changing work environment these past four years, is truly appreciated. The Board is confident in your ability to continue rendering unparalleled member service and experience.

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

THE FUTURE

Bestmed continues to support the government's aspiration of universal access to primary health via National Health Insurance (NHI). More specifically, the Scheme supports the public-private alliances that would be required to attain this goal. Even though the NHI Bill was signed into law on Wednesday, 15 May 2024, clarity regarding the funding, operational model, implementation plan and the role of the private healthcare sector remains important in order to resolve the uncertainties and concerns around the viability of the NHI. Bestmed's primary focus will remain finding a way to ensure the sustainability of the Scheme, within the regulatory framework of the Medical Schemes Act, parallel to the planned implementation of NHI.

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

Caring for our Heartbeats (employees) remains essential. We will support and build resilience in the ranks through continuing to implement health and wellbeing initiatives. We realise that strong and motivated Heartbeats translates into a sustainable Scheme that provides award-worthy member experience.

CM Mowatt
Chairperson

OPERATIONAL HIGHLIGHTS

REPORT FROM THE CHIEF EXECUTIVE OFFICER

ECONOMIC OUTLOOK

2023 portrayed significant macroeconomic challenges with inflationary pressures, increased interest rates, and a cost-of-living crisis among thousands of South Africans. These pressures have slumped economic growth; and together with the severe energy crisis across the country; the economic outlook is considerably bleak.

South Africa's Gross Domestic Product (GDP) contracted by 0.7% in the third quarter of 2023 with household consumption expenditure decreasing by 0.3%. The GDP annual growth rate was expected to be 0.8% for 2023 and is projected to trend at around 1.2% in 2024 and 1.3% in 2025. The unemployment rate in South Africa increased to 32.1% in the fourth quarter of 2023 from 31.9% in the third quarter.

This low level of economic growth continues to hamper the private healthcare industry in that households deprioritise medical aid cover against other expenses like housing, food, and utilities.

The prime interest rate at 11.75% remains high and continues to put consumers under pressure. The South African Reserve Bank (SARB) is only expected to cut interest rates in the second half of 2024.

The household debt to income ratio in South Africa was expected to reach 67% by the end of 2023 and is projected to reach around 65% in 2024 and 63% in 2025. The high level of household debt together with the elevated interest rates continue to challenge medical scheme members' ability to live within their disposable income.

Given the current economic environment it is expected that the private healthcare industry will be under significant financial pressure during most of 2024 leading into 2025. Stabilisation of inflation within the SARB's target is expected to prompt a decrease in interest rates, however, the uncertainties and various external factors both locally and globally, will continue to challenge medical schemes and consumers alike.

The low economic growth expectations remain a key concern for the Scheme's growth strategy and retention of membership in the appropriate benefit options. South Africa's poor economic performance has augmented the trend of members downgrading their benefit options without readjusting expectations, or simply buying out of the Scheme.

A YEAR IN REVIEW

During 2023, the private healthcare industry experienced higher than expected healthcare services utilisation by members, resulting in most schemes reporting higher than budgeted claims ratios. Bestmed was no exception with an almost 2% higher than budgeted claims ratio.

In addition, non-healthcare costs were under severe pressure resulting in the Scheme having to manage costs prudently in an effort to minimise the overall impact on the net result. The Scheme introduced various cost saving interventions within the Managed Healthcare environment. This included alternative funding models with service providers – a process that will continue in 2024.

The Scheme also implemented the pathology and radiology claims intervention and have already experienced significant returns in this space. The cost management interventions were explored and executed whilst ensuring the service experience of members was not compromised.

These interventions (cost management) as well as the 8.5% weighted average contribution increase for the year contributed to maintaining the Scheme's financial sustainability, which (while showing a net healthcare deficit) was positive after accounting for investment income.

Regardless of the prevailing financial challenges within the industry and country, Bestmed achieved a net growth of more than 5 283 principal members and 10 574 beneficiaries bringing the total number of principal members and beneficiaries to 116 599 and 242 988 respectively.

The growth achieved is predominantly via younger adults with a healthier risk profile. The average age of new members that joined the Scheme was 38.84 years and that of the dependants were 27.33 years. The Chronic prevalence decreased from 32.33% to 30.41% in January 2024. This healthy growth will ensure the Scheme's sustainability.

The Scheme also experienced 3.3% option changes from 2023 to 2024. This low movement between options indicates member satisfaction with their chosen product and appropriate product pricing and benefit design. Bestmed's percentage of individual members (vs. corporate members) have increased over the past few years. Individual members tend to require more processing support from frontline employees. Despite this, the Scheme continued to successfully deliver on Service Level Agreements (SLAs) captured in our organisational goals. This contributed to the Scheme featuring in independent customer service survey rankings during 2023:

- Ranked in the top 3 in the Financial Intermediaries Association (FIA) of South Africa's Product Supplier of the Year Award.
- Achieved 2nd place in the Ask Afrika Orange Index® medical aid category.
- Won the Board of Healthcare Funders (BHF) Titanium Award for *Excellence in Creating Access to Quality Healthcare* for a third consecutive time.

According to the CMS' 2022/3 report (ended 31 March 2023) medical schemes served 9.04 million beneficiaries in 2022, up (1%) from 8.94 million in 2021. Bestmed's principal members grew by 4.75% from 2022 to 2023. At the end of 2022, the Scheme had a market share of 4.8% of the open medical schemes industry and 2.5% of all medical schemes in South Africa.

The average age of principal members on Bestmed is 38.84 years, while the average of all beneficiaries is 36.81 years, slightly higher than the industry average for open schemes. The gap continues to narrow between the Scheme's average age (36.81 years) and that of the industry average for open schemes year on year.

The Scheme's continuous growth of younger beneficiaries improves the risk pooling and reflects Bestmed's attractiveness and competitiveness through cross-subsidisation principles.

The average weighted 2024 contribution increase of 9.6% was competitive and intended to balance affordability with expected claims for 2024, while still maintaining the required solvency level and value proposition for members.

Bestmed retained its position as the fourth largest open medical scheme in South Africa and remains still the largest self-administered medical scheme in the country.

Healthcare networks continue to grow, and the Scheme currently has close to 19 000 providers on the network. This ensures that members have access to quality network providers within their area of work or residence.

While the Scheme's membership growth remains strong, it presented challenges in terms of resources. The increase in membership created the need for additional resources including human and other overheads-generating resources. It remains a challenge to balance the need for additional resources, in line with the Scheme's growth strategy, with the increase in expenditure whilst maintaining award winning service levels. We are exploring initiatives to ensure efficiencies in operations and other Managed Healthcare (MHC) areas to curb rising healthcare costs further; whilst closely monitoring claims and trends to mitigate fraud, waste and abuse.

INDUSTRY MATTERS

National Health Insurance (NHI)

Bestmed supports the vision toward implementing NHI, and particularly the public-private collaboration needed to ensure equitable access to healthcare for all South Africans. Despite the Constitutional concerns, the NHI Bill was signed into law on Wednesday, 15 May 2024. Though it is most likely only to be fully implemented in the next few years, it remains a real threat to the sustainability of medical schemes and other funds, such as the Workmen's Compensation Fund, the Road Accident Fund, and the medical insurance industry. Bestmed needs to be agile in creating innovative solutions on how to survive as a Scheme alongside NHI, within the provisions of the Medical Schemes Act.

Demarcation and Health Insurance Products

On 23 December 2016, the Minister of Finance published the Demarcation Regulations with the concurrence of the Minister of Health. The Demarcation Regulations provide that certain insurance policies have elements of the business of a medical scheme and are classified as "health policies" and/or "accident and health policies", whilst excluding primary healthcare products and hospital indemnity products. The Demarcation Regulations became effective on 1 April 2017. As a result, any provider of primary healthcare products and hospital indemnity products is deemed to be conducting the business of a medical scheme, as defined in Section 1 of the Medical Schemes Act (No. 131 of 1998) [MSA].

The CMS, in consultation with the National Department of Health (NdoH), National Treasury and the then Financial Services Board (FSB), engaged and concluded an Exemption Framework. The Exemption Framework served as a guideline to providers of indemnity products that conduct the business of a medical scheme, and who wished to apply for exemption in terms of Section 8(h) of the MSA, from compliance with the provision of Section 20(1).

The Exemption Framework was a transitional arrangement, whilst the NDoH was busy developing a Low-Cost Benefit Option (LCBO) Guideline for medical schemes, valid for two years, from 1 April 2017 to 31 March 2019. The exemption framework protected existing policyholders that were on these insurance products from 31 March 2017, which would be affected by the Demarcation Regulations.

Due to delays in finalising the LCBO Guideline, the CMS issued a Renewal Exemption Framework, with the relevant input from the NDoH, National Treasury, Financial Sector Conduct Authority (FSCA), and the Prudential Authority (PA). The Renewal Framework, which set the same exemption criteria for the insurers conducting the business of a medical scheme, was effective from 1 April 2019 to 31 March 2021. However, due to the impact of COVID-19 and the inability to hold relevant workshops, the CMS extended the exemption period by another year to 31 March 2022.

During 2020, the CMS established an Advisory Committee to develop a framework for LCBO options. Although the need for these products was clear, an apparent reluctance by the CMS to move forward in a decisive manner drew widespread criticism at the time. The LCBO Advisory Committee produced a marketing and affordability analysis, a benefit design and costing, as well as a legal and risk review, which were presented to CMS stakeholders towards the end of 2021. Although it was expected that this would have brought the LCBO deliberations much closer to conclusion, the industry was shocked learn that the Registrar, after considering the input of the CMS Advisory Committees as well as the relevant workstreams flowing from the Advisory Committees, and with input from the NDoH, National Treasury, FSCA, and the PA, agreed on the extension of the exemption period by a further two years, from 1 April 2022 to 31 March 2024. At the time of writing this report the CMS had not communicated its intention regarding the imminent expiry of the exemption. It is alleged that there are about a million active policies in the market, and that these primary care products are currently being offered at discounted rates. Medical schemes are unable to compete against these health insurance products due to legislation. In terms of the MSA, schemes are required to cover Prescribed Minimum Benefit (PMB) conditions. The PMB cost alone amounts to a minimum contribution requirement of R1 000 per member per month, while insurance products are offered from R250 to R500 per month.

Low-Cost Benefit Options (LCBOs)

The implementation of the much-needed LCBOs to enhance private healthcare accessibility is still a viable option for medical schemes. Bestmed remains keen to introduce a LCBO to close the gap in the lower end of our product range and we will continue to explore this possibility to ensure we remain competitive and retain our market share.

During 2023 the Board of Healthcare Funders (BHF) filed litigation against the CMS and the NdoH as well as the Minister of Health, to compel them to enable medical schemes to participate in the provision of primary healthcare products. This process has evolved over the last few months with the BHF persisting in its litigation to get the court to compel the CMS to enable a LCBO dispensation for medical schemes. Such a dispensation will allow medical schemes to compete against primary healthcare insurers.

Prescribed Minimum Benefits

The rising costs of emerging technology and PMBs remain a crucial challenge for medical schemes. Whilst the regulated PMBs define unlimited cover for a set of defined conditions and emergencies; it remains flawed in that the concept "minimum benefit" is not always clearly defined and is left open for interpretation. This often leaves the Scheme with funding hundreds of thousands of rands in claims for cases that end up being escalated to the CMS as a complaint or an appeal. This remains an ongoing challenge, and the Scheme continues to secure and strengthen relationships with a range of healthcare providers at competitive reimbursement rates (usually higher than Scheme tariff), to control these costs in a managed space.

CONCLUSION

Bestmed has reported high claims ratios during 2023 and expect these to continue during 2024. The Scheme will continue implementing carefully planned Managed Healthcare interventions such as Alternative Reimbursement Models (ARMs) which will allow the Scheme to share some financial risk with healthcare partners such as hospital groups.

We will leverage from innovation to fund quality care for our members while protecting long-term affordability. We will continue to maintain a strong focus on governance, risk management and regulatory compliance. Our strategic Product Development and Benefit Design processes will ensure we invest in and cater for the health of our members, as well as entrench our financial strength and ability to pay claims to ensure long-term sustainability.

We will continue providing the best possible care to our members in a fair, consistent and sustainable way. Our success in the past 60 years of providing trusted medial aid is indicative of the collaborative and resilient partnerships that we have with our members, healthcare advisors, service providers, key stakeholders, and employees.

Operational Excellence

Bestmed's operational business units remain dedicated to achieving operational efficiency and ensuring alignment between operational processes and member expectations. Throughout 2023, we diligently measured, reported, and enhanced the speed and effectiveness of operations, garnering recognition through industry awards for our commitment to service delivery and operational excellence.

Maintaining alignment with our strategic position statement and remuneration strategy remains paramount. We emphasise embodying identified behaviours and fostering a culture that is *Personally Yours*. As we pursued consistent, but sustainable growth in 2023, there was increased pressure on our resources.

Annually, the Board of Trustees approves key performance areas (KPAs) and indicators (KPIs), forming the basis for our

goal-setting approach. These are in line with our strategic directive to remain relevant in the private healthcare industry and influence actual client interactions. It was imperative that our business targets strike a balance between challenging our teams to strive for excellence while remaining fair and achievable.

Operational units are acutely aware of the turnaround times and quality benchmarks required to uphold the Scheme's industry-leading position and reputation. The renewal of Bestmed's administration accreditation by the CMS was important, underscoring our commitment and dedication to compliance and quality assurance as South Africa's largest self-administered medical scheme.

The Claims Department continues to excel in processing claims promptly and consistently. Member transparency and protection of personal information is prioritised, with instant access to claims information.

Fraud, Waste and Abuse (FWA) forensic investigations are continuously being addressed by the internal FWA business unit and reported to the Fraud Risk Committee in conjunction with our external forensic business partner. They have since inception of the agreement attended to 108 matters on behalf of the Scheme. Our proactive approach to addressing fraudulent behaviour, waste and abuse includes direct engagement, follow-up, and collaboration with forensic specialists to recover misappropriated funds.

Successful management of subscriptions and reconciliation processes led to the Scheme exceeding contracted targets once again. Despite the growing challenge of meeting member expectations for immediate service, our dedication to *Personally Yours* service remains unwavering, solidifying our position as industry leaders.

In conclusion, as Bestmed enters its 60th year of existence in 2024, the Scheme continues its pursuit of operational excellence. Through strategic alignment, proactive risk management, and unwavering commitment to service, we continue to make an impact in our members' lives and set maintain a high standard in the healthcare industry.

Human Resources (HR)

OUR EMPLOYEES – THE HEARTBEAT OF BESTMED

Our Heartbeats will contest that we are the best employer to work for by various measures. This is the reason why the Scheme performed above industry standards during the period under review. Bestmed Heartbeats are willing and able to Go the extra mile, Lead the way, Play for the Team, Be upbeat and Do the right thing, whilst we endeavour to deliver a consistent *Personally Yours* service to all our stakeholders.

Despite numerous challenges during 2023, teams remained engaged and committed to the Scheme's high-performance culture, and the results of the performance enablement process speak volumes. Bestmed remained focused on the wellbeing of Heartbeats throughout the year, with various wellness initiatives at individual and group level, complemented by Financial and Employee Assistance programmes.

The Bestmed Employment Value Proposition (EVP) is an important priority for the Scheme and consistent initiatives are implemented to ensure that it remains relevant and inclusive to our diverse talent pool. This is pivotal to ensure the Scheme is able to procure and retain the talent needed to deliver on our goals.

Bestmed is proud to report that it remains compliant in terms of Employment Equity (EE) reporting to the Department of Employment and Labour together with the Insurance Sector Education and Training Authority (INSETA) from a skills compliance perspective. The Scheme performs well on the B-BBEE scorecard, which directly correlates with our EE and skills management and goals.

As over the past few years, the 2023/24 Internship programme proved successful. The Scheme absorbed 10/10 interns into the business environment. We are also proud of our 32 bursary candidates, most of whom completed their programmes successfully. A total of 3 012 e-Learning interventions were completed for the year under review with 1 476 e-assessments. Other internal and external training initiatives also reflected an upward trend.

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 2023, the Scheme recorded the highest corporate citizenship score of all participating organisations.

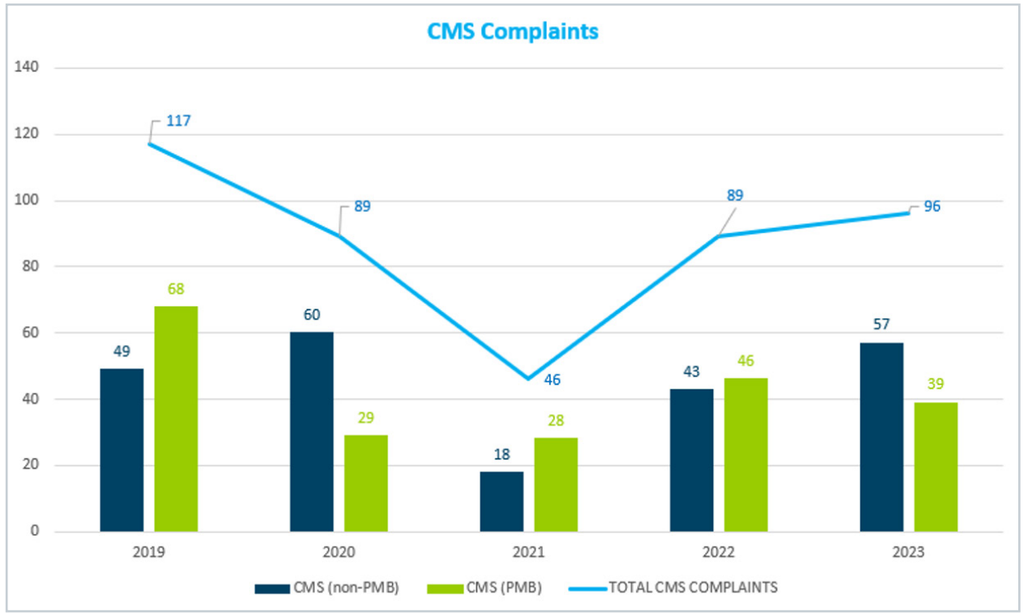
Legal and Governance

The Scheme continues to operate sustainably, in a challenging post COVID-era for the healthcare industry. The sustained pressure experienced as a result of a high claims ratio over the past financial year was felt both on the frontline, or member facing part of our business, and the rest of the organisation.

Considering the year under review, a few highlights are worth mentioning. The Scheme has and continues to set its sights on its maiden Level 6 Broad-Based Black Economic Empowerment (B-BBEE) accreditation. This is a continuation from the year-on-year progress made over the past three years, with the Scheme achieving Level 8 accreditation for the first time.

Efforts to curb the impact of Fraud, Waste and Abuse (FWA) on the Scheme continue to be a focal point. The Scheme has embarked on several initiatives aimed at managing the adverse effect that this phenomenon has on the cost of funding healthcare expenses for our members. These include partnerships with entities which dedicate resources to focusing on both preventative and responsive measures where providers have been found to be involved in FWA practices.

The expansion of the Legal, Risk & Governance Department has become necessary to adequately respond to the increasing demands of stakeholders. The process of automating critical processes is an ongoing endeavour with several additional projects planned for the next two to three years. This includes the addition of the Procurement module into the contract management process implemented in 2021.



The department has further been part of the introduction and institutionalisation of governance structures such as the Combined Assurance Committee, aimed at strengthening, among others, the Scheme's Risk Management and Business Continuity capabilities.

The processes of streamlining the effectiveness of the Board and its Committees remains an important priority. In 2024, we will see members participating in the voting and election of new Board of Trustee members. This is a necessary process to ensure continuity within the Board and the introduction of new and vibrant ideas that may contribute to the ongoing improvement of the Scheme. The election process will be followed by the appointment of two additional Board members (one Individual member representative and one Corporate member representative). This process will culminate in the 2024 Annual General Meeting (AGM) in respect of the 2023 financial year. The Scheme continues to review the functioning of the Board to ensure its compliance with good governance principles.

As part of our continued transparency related to the key indicators the Scheme is measured on, we continue to report on complaints handling. The graph above illustrates the movement of complaints year-on-year. While 2021 has, over the period under review, seen the lowest levels in complaints, it is worth noting that the upward trajectory is attributable to a number of factors. These include, but are not limited to, the post-COVID increase in claims and the increase in total membership. Bestmed continues to review its process to ensure that it addresses the sources of complaints.

Information and Communication Technology (ICT)

The Information Technology Governance Framework and Policies play a crucial role in facilitating the effective and efficient management of Information Technology (IT) resources, which ultimately supports the achievement of the Scheme's strategic objectives. These guiding documents are strategically aligned with the principles of King IV™, as well as international best practices and standards in Information Technology.

One of the pivotal strategic objectives of the Scheme is the continual enhancement of its ICT infrastructure and systems, directed towards delivering benefits to stakeholders, ensuring industry relevance and competitiveness, and enhancing overall operational efficiency.

In 2023, significant steps were taken to strengthen overall Information Technology security measures. This involved advancing internal policies and procedures to align with industry best practices and recommended frameworks.

Boosting the robust cybersecurity measures to protect the Scheme's data requires a proactive and comprehensive strategy. Throughout 2023, the IT department has upheld its commitment to sustaining a mature security posture. This includes continuous risk assessments, a well-developed user awareness training plan, and vigorous identity and access controls to prevent unauthorised access to sensitive information. Encryption protocols have been strengthened to protect data both in transit and at rest.

Security audits and assessments, including penetration testing, were conducted regularly in 2023 to identify and

address vulnerabilities. Advanced threat detection tools are employed daily to promptly respond to emerging threats. An incident response plan is in place to effectively manage the impact of any cyber incidents.

To ensure data availability, the IT Department has an effective data recovery plan, that was regularly tested for efficiency throughout 2023. In alignment with data protection and privacy regulations, the IT department remains vigilant about changes in regulations and adjusts security measures accordingly.

In conclusion, the IT Department remains committed to its primary focus on reviewing implemented strategies, ensuring a proactive cybersecurity approach, and making strategic investments in cutting-edge technologies to fortify the Scheme's and its members' data against potential cybercrimes.

Managed Healthcare and Service Providers

Bestmed strives to ensure that its members have access to high quality care across a wide range of medical specialties and services. The Scheme boasts a diverse Designated Service Provider (DSP) network of healthcare providers, including hospitals, doctors, specialists, pharmacies, and allied healthcare professionals across South Africa, ensuring nationwide coverage and accessibility for its members.

The quality and accessibility of Bestmed's healthcare provider networks play a crucial role in driving member satisfaction and engagement. By offering a broad and diverse network of nearly 19 000 healthcare providers. Moreover, Bestmed regularly solicits feedback from members regarding their experiences with providers, to continuously evaluate the networks. By fostering collaborative partnerships with providers, we aim to drive innovation, efficiency, and excellence in healthcare delivery while ensuring optimal outcomes for members.

Bestmed is implementing new processes to further improve efficiencies, especially in the Hospital Benefit Management (HBM) Department. This Department is large, and it is critical to ensure that it remains agile to ensure timeous responses to members and service providers, in keeping with our *Personally Yours* service brand promise. For example, Dental benefit management was expanded to ensure cost containment and fair and consistent treatment for all members of the Scheme.

Bestmed has a comprehensive pharmacy network, allowing for ease of access for members. Both acute medication as well as chronic medication can be accessed. The network pharmacies assist in the dispensing of cost-effective medication and limiting co-payments as far as possible.

The Disease Management Department assists with access to comprehensive oncology management, spinal rehabilitation, and HIV/AIDS management.

The Managed Healthcare (MHC) and Service Providers (SPs) teams' strategic priorities are to drive value-based healthcare, and to reimburse healthcare providers based on health outcomes and not only the volume of services they deliver. This gives members access to quality Managed Care programmes (Oncology, Dialysis, HIV, Spinal Rehabilitation, Chronic Medicine management etc.), and healthcare providers that are committed to continuous improvement in quality care.

The healthcare market does not self-regulate pricing, thus, the Scheme's role in negotiating prices is vital in mitigating healthcare inflation in an environment of mostly unregulated healthcare prices (except for Single Exit Price [SEP] of medicines pricing). Therefore, it continuously endeavours to negotiate the best pricing with healthcare providers on behalf of our members.

Benefit Options and 2024 Contribution Increases

With regard to the benefit option changes for 2024, the Scheme endeavoured to maintain the richness of its benefit options. Bestmed introduced significant enhancements over the past few years which included that members only pay for the first 3 children and the rest are covered at no cost as well as the child beneficiary age that was changed to 24 years of age, with students paying child dependant rates up until the age of 26. The Scheme also enriched the preventative care benefits significantly and added additional maternity benefits. We believe that Bestmed will, once again, be offering members excellent value for money in 2024.

Increasing contributions beyond inflation is a necessity for medical schemes when faced with rising claims and an increase in chronic and other health conditions. Healthcare costs are influenced by factors beyond inflation, such as advances in medical technology, increased demand for healthcare services, and an ageing population. By increasing contributions in line with the actual cost trends, schemes can ensure their financial sustainability, continue to offer comprehensive and effective healthcare coverage, and prevent the risk of underfunding and potential service reductions. The average weighted contribution increase for 2024 was 9.6%.

It is important to note that the Scheme has increased the benefit limits very competitively over the past few years. For 2021 and 2022, the benefit limit increases exceeded the contribution increases. Over the same time, there were very few reductions/cuts in benefits. This is testament to the Scheme's commitment to provide transparent, value for money options to its members.

A new option, Beat3 Plus was approved for launch on 1 January 2024. Beat3 Plus offers a 25% annual medical savings account. It is ideal for members who want comprehensive cover in hospital, and preventative care but who also prefer more savings to spend on whatever their healthcare needs are. If they do not utilise their savings, they earn interest and it carries over to the next year. It is a simple-to-understand-option with a competitive range of out-of-hospital benefits.

Providing maternity benefits is essential for medical schemes to promote maternal and infant wellbeing. Pregnancy and childbirth are critical life events that require comprehensive medical care and support. Maternity benefits ensure that expecting mothers have access to quality prenatal, delivery, and postnatal care, reducing risks to both mothers and babies. Ultimately, the benefits also reduce maternal and neonatal mortality rates, and underscore Bestmed's commitment to comprehensive care for all its members.

Preventative care benefits are covered by the Scheme's risk cover and not day-to-day benefits and therefore, do not come at any additional cost to the member. Bestmed offers a highly competitive range of complimentary preventative care benefits, including Flu, Pneumonia and Travel vaccines as well as female contraceptives and pap smears. By also offering, for example, preventative screenings, the Scheme supports members to take a proactive approach towards managing their health. Enhancements for 2024 included the inclusion of Glaucoma Screenings for beneficiaries 50 years and older at a contracted optometrist once per year on a number of the Pace options. The Scheme will also cover the consultation fee and insertion of intrauterine devices on certain options.

Bestmed offers managed healthcare interventions to ensure efficient, cost-effective, and high-quality healthcare services for our members. These interventions also focus on preventative measures and early intervention as well as evidence-based treatments, reducing the risk of complications and long-term healthcare costs. The managed healthcare or disease management interventions include, inter alia, Oncology care, HIV/AIDS care, Renal care and maternity care.

As from 1 January 2024, Bestmed's preferred ambulance service provider is Netcare 911 and no longer ER24 ambulance services.

The network of hospitals for Beat1 Network, Beat2 Network and Beat3 Network as well as Rhythm1 and Rhythm2, changed effective January 2024. These options will now have the same hospital network with the anchor hospitals being MediClinic and National Hospital Network (NHN). Where there is no anchor hospital, the Scheme contracted with alternative private hospitals to form part of the network. This change impacted members on the network options only.

TEMPO WELLNESS PROGRAMME

Bestmed's wellness benefits and wellness programme are included across the benefit options and cost thereof is covered as Scheme benefits. In essence, members have access to Tempo benefits at no additional cost to them. The programme consists of three journeys namely Fitness, Nutrition and Emotional Wellbeing as well as access to various wellness webinars throughout the year. The journeys provide members with the tools and support they need to improve their health and wellness. During the year under review there was positive improvement in the number of members who accessed support via the online platforms as well as the number of members who attended the wellness webinars.

Sales, Relationships and Marketing

OUTGROWING THE INDUSTRY

The Scheme has once again, for a fifth consecutive year, been able to grow its principal membership and is steadily increasing its market share. For the year under review, the Scheme's principal membership increased by 4.8% (2022: 10.6%). The increase was the net effect of an increase in new member registrations combined with strong membership retention numbers.

It is also important to note that positive relationships with the Scheme's healthcare advisor community, which is effectively an extension of the Sales division, is an important contributor to its growth since the majority of sales are generated via this channel. For the year under review, many interactions and engagements with healthcare advisors during the year have been in person vs. the previous online engagements that were necessitated by the COVID lockdown periods. Where it made economic sense, online meetings were maintained, for example healthcare advisor webinars, the annual product launch, and meetings with brokerages in remote areas. During 2023, a healthy number of new healthcare advisors contracted with the Scheme and are now selling Bestmed's range of benefit options.

In the Direct Sales environment, further enhancements of existing processes and procedures and concerted efforts to generate leads via the Marketing and Communication Department, have again yielded positive results. Compliance with the Financial Advisory and Intermediary Services (FAIS) Act is very important in this environment. Compliance audits are completed quarterly, and the Scheme achieved 100% on the audits conducted by the external compliance organisation for the year under review.

A large number of South African organisations have introduced Bestmed as one of the preferred medical schemes for their employees. The corporate relations team is responsible for building and nurturing relationships with these organisations. Engagements with the corporates and their employees include scheduled visits, regular service points as well as participation in the wellness days. Engagements are done virtually and in-person, depending on the size and the needs of the corporate. For the year under review, membership at the Scheme's material groups has either remained stable or increased.

Bestmed's retention numbers are also positive. Members are engaged via regular communication, the Scheme's website and the Bestmed App, social media, the Annual General Meeting, year-end information sessions as well as other information sessions during the year. Retention initiatives are implemented both on individual and corporate level.

External stakeholder satisfaction survey results over the last few years confirm that Bestmed has been able to maintain its service excellence. The Scheme ranked in the top three in the Financial Intermediaries Association of Southern Africa (FIA) Intermediary Experience Award 2023 for Product Supplier

of the Year in the Healthcare category and second in the Ask Afrika Orange Index® Medical Aid Companies category.

STRIVING FOR MARKETING EXCELLENCE

Sales initiatives are supported by an extensive marketing plan and relationship management activities coupled with an organisation-wide effort to render excellent service and improve efficiencies. The main objectives of the Marketing and Communication Department are to increase brand awareness in the target market and to implement initiatives and campaigns to support the Sales departments to grow the Scheme's membership sustainably. The Scheme's Marketing strategy included above-the-line as well as digital channels, complemented by Public Relations and various sponsorship and Corporate Social Investment (CSI) projects.

Several concerted plans and strategies were implemented 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 2023, including channels such as television, radio, billboard, influencer and YouTube advertising. The main goal of the brand awareness campaign is to ensure that the creative messaging produced reaches Bestmed's target audience effectively and achieves the maximum impact utilising the available budget. This includes market and competitor research as well as tracking of campaign performance to access its effectiveness.

The Scheme has been able to grow its digital presence via an increase in social media following and engagement as well as increased activity via the corporate website.

Sponsorships are selected carefully with the intent to maximise the returns of the sponsorship investments and to ensure access to audiences that reflect the Scheme's target market. Material sponsorships included SuperSport Let's Play, MamaMagic and the University of Pretoria's TuksSport.

The sponsorship contract with SuperSport Let's Play includes that Bestmed is the official partner in their Let's Play school modified Hockey Programme initiatives. SA Hockey skilled coordinators are assisting schools with training and coaching and project management. Physical education teachers undergo the necessary training to ensure sustainability. The two best performing schools in the league play in the Bestmed Cup final.

The Scheme's flagship sporting event, the Bestmed TuksRace, resumed in 2023 with more than 3 500 runners attempting various distances through the streets of Tshwane.

Corporate Social Investment (CSI)

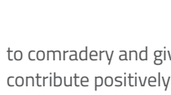
BEING A RESPONSIBLE CORPORATE CITIZEN

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

In 2023, Bestmed won the Titanium Award for *Excellence in Creating Access to Quality Healthcare*, presented by the Board of Healthcare Funders (BHF) for a third consecutive time. The award seeks to honour organisations from across the healthcare industry driving programmes, initiatives and campaigns that create access to quality healthcare for communities.

Bestmed continued its relationship with Partners for Possibility (PfP) and for 2022/2023, the selected Bestmed Manager for the PfP programme partnered with the Matseke Primary School in Atteridgeville.

Bestmed's partnership with Unjani Clinic commenced in 2020 and continued into 2023. During the year, re-usable sanitary pad kits were distributed to young ladies, ensuring that they will be able to attend school and stay committed to their sporting commitments. Unjani Clinic launched their Health Pods in 2021. It is a small mobile trailer clinic that serves as an extension of existing clinic services in travels to rural and undeveloped communities. The mobile 'Health Pods' are equipped with the necessary medical supplies and equipment needed to provide quality, easily accessible and affordable private healthcare to underprivileged communities. In 2023, Bestmed sponsored a second health pod that will be used in the Dewetsdorp and Wepener and surrounding areas to offer primary healthcare services to members of the community who would otherwise not have access to these services.



LB DLAMINI
Chief Executive Officer and Principal Officer

HIGHLIGHTS OF THE 2023 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

	2023	*Restated 2022	Restated 1 January 2022
	R	R	R
ASSETS			
Non-current assets	**2 635 839 275**	**2 144 300 153**	**2 678 394 103**
Property and equipment	35 982 344	37 181 190	15 291 959
Intangible assets	20 660 929	17 976 543	12 512 107
Lease assets	27 633 373	45 028 588	63 226 538
Financial assets at fair value through profit or loss	1 997 347 299	1 431 151 546	1 977 505 329
Financial assets at fair value through other comprehensive income	554 215 330	612 962 286	609 858 170
Current assets	**2 260 943 451**	**2 610 468 276**	**1 961 185 291**
Financial assets at fair value through profit or loss	1 894 651 110	2 273 122 262	1 645 116 869
Scheme	1 039 880 047	1 489 568 872	905 024 214
Personal medical savings account trust monies invested	854 771 063	783 553 390	740 092 654
Trade and other receivables	24 890 910	25 268 104	20 159 649
Reinsurance contract assets	4 943 259	4 298 998	5 071 320
Cash and cash equivalents	336 458 172	307 778 912	290 837 454
Scheme	39 516 976	50 631 122	65 723 285
Personal medical savings account trust monies invested	296 941 196	257 147 790	225 114 169
Total assets	**4 896 782 727**	**4 754 768 429**	**4 639 579 395**
FUNDS AND LIABILITIES			
Non-current liabilities	**3 263 084 141**	**3 280 246 903**	**3 418 555 516**
Insurance liability to future members	3 243 176 180	3 240 009 441	3 355 980 055
Retirement benefit obligations	7 781 824	7 852 102	9 751 370
Lease liability	12 126 137	32 385 361	52 824 091
Current liabilities	**1 633 698 586**	**1 474 521 525**	**1 221 023 879**
Insurance liability due to future members	170 293 692	118 753 919	-
Insurance liability for current members	1 382 105 766	1 272 253 184	1 148 224 204
Reinsurance contract liabilities	4 433 733	9 996 300	8 195 524
Lease liability	21 635 457	19 722 085	15 935 791
Trade and other payables	55 229 939	53 796 039	48 668 359
Total funds and liabilities	**4 896 782 727**	**4 754 768 429**	**4 639 579 395**

*The financial statements have been restated due to the implementation of IFRS 17.

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	*Restated 2022
	R	R
INSURANCE REVENUE	**6 481 967 730**	**5 881 742 620**
Insurance service expense	(6 557 020 024)	(5 848 746 734)
Net income/(expenses) from reinsurance contracts held	(5 535 478)	762 008
Reinsurance expenses from reinsurance contracts held	(125 670 583)	(119 064 734)
Reinsurance income from reinsurance contracts held	120 135 105	119 826 742
Insurance service result	**(80 587 772)**	**33 757 894**
Net finance expenses from insurance contracts issued - PMSA	(91 761 734)	(53 057 645)
Other income	**386 697 748**	**254 257 666**
Investment income	385 482 367	250 667 879
Scheme	293 720 633	197 610 234
Personal medical savings account trust monies invested	91 761 734	53 057 645
Sundry income	1 215 381	3 589 787
Other expenditure	**(214 348 242)**	**(234 957 916)**
Non-attributable expenses	(204 299 718)	(204 118 905)
Interest expense	(3 264 279)	(5 707 253)
Asset management fees	(6 784 245)	(5 884 163)
Discontinued Operations - own facilities	**-**	**(19 247 595)**
Own facility Income	-	3 665 863
Own facility expenditure	-	(22 913 458)
NET (DEFICIT)/SURPLUS FOR THE YEAR	**-**	**-**
Other comprehensive income	**15 968 965**	**7 209 828**
Items that will not be reclassified to profit and loss	**15 968 965**	**7 209 828**
Unrealised (losses)/gains on equity instruments designated at FVOCI	(11 454 069)	(8 886 577)
Cumulative gains upon disposal of equity instruments designated at FVOCI	27 423 034	16 096 405
Items that will be reclassified to profit or loss	**-**	**-**
Amounts attributable to future members	**(15 968 965)**	**(7 209 828)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**

*The financial statements have been restated due to the implementation of IFRS 17. Refer to Note 29.

HIGHLIGHTS OF THE 2023 FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2023

	Restated* Accumulated Funds	Revaluation Reserve - OCI	Reserves
	R	R	R
Balance as at 1 January 2022	**3 308 226 747**	**55 172 422**	**3 363 399 169**
Transition restatement**	(7 419 114)	-	(7 419 114)
Balance as at 1 January 2022 (restated)	**3 300 807 633**	**55 172 422**	**3 355 980 055**
Transfer of accumulated funds to insurance liability attributable to future members*	(3 300 807 633)	(55 172 422)	(3 355 980 055)
Balance as at 31 December 2023	**-**	**-**	**-**

*Based on the requirements of IFRS 17, the Scheme was identified as a mutual entity which is different to the accounting under IFRS 4. It is expected that the remaining assets of the Scheme will be used to pay current and future policyholders. As the Scheme is in a surplus position, it recognised a liability in its statement of financial position to provide coverage to future members.

**The impact on opening equity before transfer of accumulated funds to insurance liabilities of the Scheme as a result of the implementation of IFRS 17 was R7 419 114 on 1 January 2022.

SOLVENCY RATIO

The calculation of the regulatory capital requirement is set out below:

	2023	Restated * 2022
	R	R
Insurance liability attributable to future members	3 413 469 872	3 358 763 360
Less: Unrealised investment gains	(600 968 659)	(478 060 287)
Accumulated funds as per Regulation 29	2 812 501 213	2 880 703 073
Gross insurance revenue from contracts measured under the PAA	**7 624 600 182**	**6 924 200 409**
Solvency ratio calculated as the ratio of accumulated funds/Gross insurance revenue from contracts measured under the PAA x 100	**36.89%**	**41.60%**

*The financial statements have been restated due to the implementation of IFRS 17. The solvency ratio for 2022 was therefore restated - previously 41.73%

OPERATIONAL STATISTICS PER BENEFIT OPTION

2023	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Ryhthm1	Ryhthm2	Total Scheme
Members at 31 December	11 015	48 656	8 245	2 572	29 331	8 150	4 772	1 716	545	1 597	**116 599**
Average number of members for the accounting period	10 497	46 971	8 099	2 639	29 383	8 330	4 815	1 752	438	1 637	**114 560**
Dependants at 31 December	10 869	49 913	8 544	2 678	43 261	5 210	3 988	731	278	917	**126 389**
Average number of dependants for the accounting period	10 382	48 337	8 379	2 755	43 352	5 369	4 069	746	242	954	**124 585**
Average beneficiaries for the accounting period	20 879	95 307	16 479	5 393	72 735	13 700	8 883	2 498	679	2 591	**239 145**
Ratio of average dependants at 31 December	0.99	1.03	1,03	1.04	1.48	0.64	0,85	0.43	0.55	0.58	**1.09**
Average age of beneficiaries for the accounting period	36.75	31.26	38.39	46.88	35.28	57.79	57,36	66.48	34.52	48.46	**36.81**
Ratio of beneficiaries older than 65 years	9.73%	4.44%	13.57%	24.99%	11.22%	47.49%	46.64%	66.73%	14.95%	30.31%	**12.84%**
Insurance revenue per average member per month	2 961	2 957	4 347	7 353	5 936	8 002	9 588	12 307	1 901	3 624	**4 715**
Insurance revenue per average beneficiary per month	1 489	1 458	2 136	3 598	2 398	4 866	5 197	8 632	1 225	2 290	**2 259**
Insurance service expenses per average member per month	2 896	2 902	4 357	7 236	5 540	9 066	10 746	13 705	1 991	4 373	**4 742**
Insurance service expenses per average beneficiary per month	1 456	1 430	2 142	3 540	2 238	5 513	5 824	9 613	1 283	2 763	**2 271**
Insurance service expenses as a percentage of insurance revenue	97.8%	98.1%	100.2%	98.4%	93.3%	113.3%	112.1%	111.4%	104.8%	120.7%	**100,6%**
Relevant healthcare expenditure per average beneficiary per month	1 344	1 329	2 038	3 477	2 188	5 451	5 766	9 505	1 164	2 631	**2 189**
Relevant healthcare expenditure as a percentage of insurance revenue	91%	91%	94%	95%	89%	110%	109%	109%	95%	114%	**96%**
Directly attributable insurance service expenses per average beneficiary per month	112	111	133	114	103	144	146	160	121	137	**114**
Directly attributable insurance service expenses as a percentage of insurance revenue	7.55%	7.65%	6.23%	3.16%	4.28%	2.97%	2.81%	1.86%	9.91%	5.97%	**5.07%**

2022	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	9 997	44 145	7 953	2 798	29 106	8 605	4 912	1 828	183	1 789	**111 316**
Average number of members for the accounting period	9 541	42 831	7 872	2 898	29 240	8 723	4 928	1 871	81	1 823	**109 806**
Dependants at 31 December	9 934	45 401	8 168	2 943	42 886	5 638	4 266	779	118	965	**121 098**
Average number of dependants for the accounting period	9 502	43 753	8 040	3 051	42 932	5 719	4 317	806	52	990	**119 162**
Average beneficiaries for the accounting period	19 043	86 584	15 912	5 949	72 171	14 441	9 245	2 677	133	2 814	**228 968**
Ratio of average dependants at 31 December	1.00	1.02	1.02	1.05	1.47	0.66	0.88	0.43	0.65	0.54	**1.09**
Average age of beneficiaries for the accounting period	36.69	31.09	38.00	46.31	35.13	57.64	56.71	66.92	29.47	49.35	**36.93**
Ratio of beneficiaries older than 65 years	9.52%	4.09%	13.06%	23.39%	10.70%	46.07%	44.43%	64.98%	7.64%	31.70%	**12.88%**
Insurance revenue per average member per month	2 731	2 719	4 133	6 778	5 468	7 391	8 889	11 345	1 672	3 259	**4 464**
Insurance revenue per average beneficiary per month	1 368	1 368	2 044	3 302	2 215	4 464	4 739	7 929	1 014	2 112	**2 141**
Insurance service expenses per average member per month	2 628	2 659	4 093	6 853	5 003	7 984	9 767	13 230	1 428	4 276	**4 442**
Insurance service expenses per average beneficiary per month	1 317	1 315	2 025	3 338	2 027	4 823	5 207	9 246	866	2 771	**2 130**
Insurance service expenses as a percentage of insurance revenues	96.2%	97.8%	99.0%	101.1%	91.5%	108.0%	109.9%	116.6%	85.4%	131.2%	**99.5%**
Relevant healthcare expenditure per average beneficiary per month	1 217	1 210	1 901	3 230	1 923	4 675	5 062	9 065	724	2 620	**2 019**
Relevant healthcare expenditure as a percentage of insurance revenue	89%	90%	93%	98%	87%	105%	107%	114%	71%	124%	**94%**
Directly attributable insurance service expenses per average beneficiary per month	107	111	118	99	101	138	139	154	110	135	**111**
Directly attributable insurance service expenses as a percentage of insurance revenue	7.83%	8.24%	5.76%	3.01%	4.54%	3.10%	2.94%	1.94%	10.81%	6.37%	**5.19%**

HIGHLIGHTS OF THE 2023 FINANCIAL STATEMENTS

OPERATIONAL STATISTICS FOR THE SCHEME

	2023	2022
Average accumulated funds per average member at 31 December	24 550	26 234
Average accumulated funds per average beneficiary at 31 December	11 761	12 581
Return on investments as a percentage of investments	7.99%	5.43%
Directly attributable and non-attributable expenses as a percentage of gross insurance revenue	6.99%	7.36%

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 insurance contracts.

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

Fair value as at 31 December 2023

	2023
	R
Cash and Cash Equivalents	
Current accounts	296 941 196
Financial assets at fair value through profit or loss represent investments in:	
Personal medical savings investments:	
Money market instruments	377 316 992
Linked insurance policies	477 454 071
	1 151 712 259

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

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-Compliance with S26(7) of the Medical Schemes Act & Scheme Rule 13.2.1	Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due. Furthermore Scheme rule 13.2.1 stated that Subscriptions shall be due monthly in advance, or in arrears as shall be determined and approved by the Scheme, on the following dates: 13.2.1.1 On the 20th (twentieth); or 13.2.1.2 On the 25th (twenty-fifth); or 13.2.1.3 On the 1st (first); or 13.2.1.4 As agreed upon between the Scheme and an Employer, and be payable by not later than the 3rd (third) day after each respective due date of each month. There were instances whereby the Scheme, in absence of any agreement or understanding received contributions more than 3 days after due date.	Employer group discrepancies are actively monitored and rectified on a monthly basis.
Non-Compliance with Regulation 8 of the Medical Scheme Act & Scheme Rule 13.5.4	Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, states the following: "(1) Subject to the provisions of the regulation, any benefit option that is offered by a Medical Scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions". Furthermore Rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his Dependents: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits". Instances were identified where certain prescribed minimum benefit "PMB's" claims were incorrectly paid from savings.	Reversals to savings were subsequently effected.
Non-compliance with Section 59(2) of the Medical Schemes Act & Scheme Rule 16.3	Section 59(2) of the Medical Schemes Act states the following: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme". Furthermore Scheme rule 16.3 states the following: Subject to the respective provisions of Rules 12.7, 17.2 and 17.4, the Scheme shall, where an account has been correctly rendered, pay any benefit that is due to a Member, either to that Member or to the supplier of the relevant health service who rendered the account, within 30 (thirty) days after the date of receipt of the claim pertaining to such benefit Instances were identified where claims were paid 30 Days after the day on which the claim was received by the scheme.	Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification.

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Section 33(2)(b) of the Medical Schemes Act	Section 33(2)(b) of the Medical Schemes Act states the following: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option— (a) includes the prescribed benefits; (b) shall be self-supporting in terms of membership and financial performance; (c) is financially sound; and will not jeopardise the financial soundness of any existing benefit option within the medical scheme. During the year under review eight benefit options of the Scheme, namely Beat 1, Beat 2, Beat 3, Beat 4, Rhythm 1, Rhythm 2, Pace 2, Pace 3 and Pace 4 incurred a net healthcare deficit.	The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must balance short and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs. The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.
Non-Compliance with Section 28(5) & 28 (7)of the Medical Schemes Act	Section 28 (5) of the Medical Schemes Act indicates that "Payment by a medical scheme to a broker in terms of sub regulation (2) shall be made on a monthly basis and upon receipt by the scheme of the relevant monthly contribution in respect of that member. Section 28 (7) further states that "a medical scheme shall immediately discontinue payment to a broker in respect of services rendered to a particular member if the medical scheme receives notice from the member (or the relevant employer, in the case of an employer group), that the member or employer no longer requires the services of that broker." Instances were identified where the corporate member's application form was blank on the healthcare advisor name and code section. A brokerage appointment letter could not be obtained for the broker / brokerage assigned to these members, at the time of their review.	A letter for confirmation of corporate healthcare advisor was signed. No further action will be taken.
Non-compliance with Regulation 6 of the Medical Schemes Act and Scheme Rule 15.3.1	Per Regulation 6 of the Medical Schemes Act, a medical scheme must not in its rules or in any other manner in respect of any benefit to which a member or former member of such medical scheme or a dependant of such member is entitled, limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission or late re-submission of an account or statement, before the end of the fourth month — (a) from the last date of the service rendered as stated on the account, statement or claim; or (b) during which such account, statement or claim was returned for correction. Instances were identified where Covid-19 claims were received more than 120 days after treatment date and subsequently processed and paid by the Scheme. The CMS via Circular 56 of 2022 appraised the industry that it has granted an extended exemption to the National Department of Health (NDOH) to ensure that all COVID-19 vaccine claims are eventually paid despite these claims being submitted outside the ambit of Regulation 6 of the Medical Schemes Act (131 of 1998) (MSA). Medical schemes were therefore authorised to process claims received on or before 210 days. 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.	The Scheme has complied with Circular 56 of 2022.

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
Non-compliance with Regulation 28(1)	Regulation 28(1) of the Medical Schemes Act states the following: No person may be compensated by a medical scheme in terms of section 65 for acting as a broker unless such person enters into a prior written agreement with the medical scheme concerned. An instance was identified, where a Brokerage Agreement was not signed by the Scheme representative and a POPIA Addendum could not be obtained. Instances were identified where the BIT contract start date did not align with the contract signature date.	Management indicated that a new IT system was implemented resulting in difficulties locating and checking older contracts. A project was implemented to follow up on contracts, however, it is a manual process. A new contract was signed with the Brokerage and retained accordingly.
Non-compliance with Section 35(6)(a) of the Medical Schemes Act	Section 35(6)(a) states that "A medical scheme shall not encumber its assets. The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008. The terms of the Scheme building lease agreement required a guarantee to an amount of R2 523 036.	The Scheme obtained CMS exemption for guarantees in respect of the building lease (until 31 December 2025) and FSCA (until 28 February 2025) respectively.
Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act	Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to (a) An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme; (b) any other medical scheme; (c) any administrator and (d) any person associated with any of the above. Due to some of the Scheme's employer groups being listed on the JSE, investments were made in a certain number of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrators groups.	The CMS has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act until November 2025.
Non-compliance with Section 32 of the Medical Schemes Act and Scheme Rule 3.4.13	Section 32 of the Medical Schemes Act, Binding force of rules, states that "The rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming." Internal audit noted an isolated instance of non-compliance to scheme rules, where one (1) member's claim was paid twice within 2 days of each other, for different service dates and where the claim should have been limited to one post-natal consultation. This is in contravention to the Bestmed Scheme rules 3.4.13 Annexure B.3 - Rhythm Benefit Options. Benefits shall be at 100% of Scheme tariff at Network Providers only for the following: Consultations: 1 (one) post-natal consultation at either a GP/ gynecologist/midwife.	This was an isolated instance and system enhancements are being implemented to accurately record the maternity benefit entitlement.

Disclaimer: Whilst Bestmed has taken all reasonable care in compiling the Highlights of Bestmed's Financial Statements, we cannot accept liability for any errors or omissions contained herein. Please note that should a dispute arise, the audited Financial Statements in Bestmed's Annual Report 2023 which will be available on our website shall prevail. Please visit **www.bestmed.co.za** for the complete liability and responsibility disclaimer for the Bestmed Medical Scheme Annual Report as well as our terms and conditions.

Bestmed Medical Scheme is a registered medical scheme (Reg. no. 1252) and an Authorised Financial Services Provider. (FSP no. 44058).

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