



**MEDIMED MEDICAL SCHEME**  
(Registration Number 1506)

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2019**



## **Independent Auditor's Report on Summary Financial Statements**

### **To the Members of Medimed Medical Scheme**

#### **Opinion**

The summary financial statements, as set out on pages 5 to 8, which comprise the summarised statement of financial position as at 31 December 2019, the summarised statement of comprehensive income, the summarised statement of changes in funds and reserves, the summarised statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of Medimed Medical Scheme (the Scheme) for the year ended 31 December 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

#### **Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

#### **The Audited Financial Statements and Our Report Thereon**

We expressed an unmodified audit opinion on the audited financial statements in our report dated 12 May 2020.

#### **Trustees' Responsibility for the Summary Financial Statements**

The trustees are responsible for the preparation of the summary financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

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Chief Executive Officer: L S Machaba  
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.



### **Report on Other Legal and Regulatory Requirements**

As required by the Council for Medical Schemes' Circular 38 of 2018, *Audit Tenure*, we report that PricewaterhouseCoopers Inc. has been the auditor of Medimed Medical Scheme for 21 years.

The engagement partner, AF Puggia, has been responsible for Medimed Medical Scheme's audit for 2 years.

A handwritten signature in black ink, appearing to read 'AF Puggia'.

**PricewaterhouseCoopers Inc.**  
**Director: AF Puggia**  
**Registered Auditor**  
**12 May 2020**  
**Port Elizabeth**

# MEDIMED MEDICAL SCHEME

## SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

### REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2019

Registration number 1506

#### 1. DESCRIPTION OF THE MEDICAL SCHEME

##### 1.1. Terms of registration

The Medimed Medical Scheme is a Medical Scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended. Although the scheme is registered as an open scheme, it is focused on providing health care benefits to members in the Eastern Cape.

##### 1.2. Benefit options with Medimed Medical Scheme

In 2019 the Medical Scheme offered 4 benefit options to its members. These were:

- Medisave Max
- Medisave Standard
- Medisave Essential
- Alpha

##### 1.3. Personal medical savings account monies managed by the scheme on behalf of its members

In order to provide a facility for medical scheme members to set funds aside to meet future healthcare costs not covered in the benefit options, the Trustees have made the savings plan option available to meet this objective.

The Medisave Max and Standard options both provide comprehensive cover for hospital and in-hospital cost as well as chronic medication. Out of hospital costs are covered through a savings account and an elective benefit. Members are responsible to manage their savings and elective benefit.

The Medisave Essential Option provides comprehensive cover for hospital and in-hospital costs and benefits for the full year are provided through contracted providers who are paid a capitation fee for the beneficiaries covered. The contracted doctors manage the services to ensure cost effective care is provided to the members and their dependants.

Unexpended savings amounts are accumulated for the long-term benefit of the member and interest is paid on balances at a rate determined by the Trustees from time to time.

The liability to the members in respect of the savings plan is reflected as a current liability in the financial statements, repayable in terms of Regulation 10 of the Act.

With effect from December 2012, the scheme has implemented circular 38 of 2011. The effect of this is that credits due to members are kept in a separate trust account, and do not form part of the assets of the scheme. All interest earned on these funds, is credited in full to members.

##### 1.4. Risk transfer arrangements

On the Medisave Essential option risk for all out-of-hospital services and some of the in-hospital services is transferred to the contracted IPA's (Independent Practitioner Associations).

The scheme has entered into a capitation agreement with ER 24 for the provision of emergency transport for all options.

#### 2. MANAGEMENT AND KEY THIRD PARTY CONTRACTORS

<b>2.1</b>	Board of Trustees in office during the year under review:	<b>2.2</b>	Principal officer
	L. Penrose – resigned 31 December 2019		G.J. Roberts
	A. Higgs		Trustee
	L. Dobell		Trustee
	S. Wynne		Trustee
	K. Turro		Trustee
	V. Daweti		Trustee
	Z. Nonqulo		Trustee
	L. Hyman – resigned 1 January 2019		Trustee
	Y. Camagu – resigned 14 June 2019		Trustee
	G. Zamisa		Trustee/Acting chairperson
	S. Syphus		Trustee
	S. Jobela		Trustee
<b>2.3</b>	Registered office address:	<b>2.4</b>	Registered postal address:
	Momentum Thebe Ya Bophelo (Pty) Ltd		Momentum Thebe Ya Bophelo (Pty) Ltd
	7 Lutman Street		P O Box 1672
	Richmond Hill		Port Elizabeth
	Port Elizabeth		6000
	6001		
<b>2.5</b>	Medical Scheme Administrators during the year:	<b>2.6</b>	Auditors
	Momentum Thebe Ya Bophelo (Pty) Ltd (previously known as		
	PROVIDENCE Healthcare Risk Managers (Pty) Ltd)		PricewaterhouseCoopers Inc.
	(Accreditation number: Admin 22)		Ascot Office Park
	7 Lutman Street		Greenacres
	Richmond Hill		Port Elizabeth
	Port Elizabeth		6045
	6001		

#### 3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

The Trustees continue to invest in line with the requirements of the Medical Schemes Act. There has been no change in the policy during the current accounting period. The investment strategy adopted for the current year, has aimed to increase returns on investments, whilst maintaining an acceptable level of risk across a more diverse portfolio. The scheme's investment objectives continue to be: to maximise the return on its investments on a long term basis at minimal to moderate risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. To achieve this, the funds are invested on call, short-term deposits and money market instruments with major banking institutions, as well as bonds and equity instruments with recognised institutions.

#### 4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

##### 4.1 Operational statistics – Current year

2019	Alpha	Medisave Essential	Medisave Max	Medisave Standard	Total
Average number of members during the accounting period	1 760	925	178	3 390	6 252
Number of members at the end of the accounting period	1 726	878	173	3 303	6 080
Average number of beneficiaries during the accounting period	4 343	2 231	388	8 297	15 260
Number of beneficiaries at 31 December	4 244	2 116	375	8 158	14 893
Number of dependants at 31 December	2 518	1 238	202	4 855	8 813
Average number of dependants	2 583	1 306	211	4 907	9 008
Dependant ratio at 31 December	1.46	1.41	1.17	1.47	1.45
Net contributions per average beneficiary per month (R)	889.87	999.88	2 025.33	1 124.99	1 062.69
Relevant healthcare expenditure per average beneficiary per month (R)	894.13	891.37	2 466.38	946.48	962.19
Non-healthcare expenditure per average beneficiary per month (R)	82.81	47.27	115.59	105.36	90.71
Relevant healthcare expenditure as a percentage of gross contributions (%)	100.48	80.23	91.33	63.10	74.01
Non-healthcare expenditure as a percentage of gross contributions (%)	9.31	4.25	4.28	7.02	6.98
Average age per beneficiary	31.08	29.00	44.34	28.76	29.85
Pensioner ratio at 31 December (beneficiaries > 65 years)	5.53	3.08	18.45	2.97	4.11
Average accumulated funds per member at 31 December (R)	-	-	-	-	36 274
Return on investments as a percentage of investments (%)	-	-	-	-	8.74

##### 4.2 Results of operations

The results of the scheme are set out in the Annual Financial Statements, and the Trustees believe that no further clarification is required.

##### 4.3 Accumulated funds ratio

	2019 R	2018 R
The accumulated funds ratio is calculated on the following basis:		
Accumulated funds	220 547 603	202 035 529
Fair value adjustment reserve	1 886 352	812 032
Total member's funds per Statement of Financial Position	222 433 955	202 847 561
Accumulated funds per regulation 29	220 547 603	202 035 529
Gross contributions	238 049 489	229 900 187
Ratio of accumulated funds to gross annual contribution income	92.65%	87.88%
NOTE: There are no adjustments required to the reserves as per the Statement of Financial Position in order to arrive at the reserves as per Regulation 29.		

##### 4.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves included in the Annual Financial Statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Medical Scheme.

##### 4.5 Outstanding risk claims

Movements on the outstanding risk claims provision are set out in Note 7 to the annual financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Medical Scheme.

#### 5. ADMINISTRATION SERVICES

Momentum Thebe Ya Bophelo (Pty) Ltd, the administrator provides key management information to the scheme. Momentum Thebe Ya Bophelo (Pty) Ltd participates in the financial and operational activities of the scheme, but does not control the scheme.

Payments made in terms of the administration agreement during the 2019 financial year, were as follows:

Administration fees for Medical Scheme	R 14 646 567 (2018: R 13 402 476)
Managed care management service fee	R 5 552 692 (2018: R 4 514 867)

#### 6. EVENTS AFTER THE REPORTING PERIOD

On 11 March 2020, the World Health Organisation declared the Covid-19 virus (more commonly referred to as the Corona virus) to be a worldwide pandemic and on 24 March 2020, President Cyril Ramaphosa ordered a 21 day nationwide lockdown which was subsequently extended. As a result of the lockdown most businesses were required to close, which of course has had a significant financial impact on employers, their employees and ultimately the members of Medimed. In order to assist the members in these trying times, the Board of Trustees approved the reduction of both the April and May 2020 contributions by 50%.

The possible increase in claims due to Covid-19 claims together with the reduction in contributions for April and May 2020 is likely to decrease the forecast scheme reserves at 31 December 2020 by approximately 1.25%. which will still leave the scheme with an accumulated funds ratio of more than 90%.

The full future financial impact of the Covid-19 virus on the scheme is as yet unknown, but based on the strong financial position of the scheme as well as the risk assessments and financial forecasts done, it is likely to be insignificant. No adjustment to the financial statements for the year ended 31 December 2019 is deemed necessary.

#### 7. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL SCHEME AND TO OTHER RELATED PARTIES

The Medical Scheme holds no investments in participating employers of medical scheme members, or other related parties.

## 8. NON-COMPLIANCE MATTERS

### Section 59(2)

Certain claims were paid in excess of 30 days after receipt by the administrator as a result of queries to be investigated/ audited in relation thereto. Non-compliance could impact on the relationship with members and providers. Procedures and policies are in place to manage late payment of claims including a weekly report of claims held for investigation which is checked and signed by management to ensure that the 30 day limit is not exceeded. This practice ensures accurate claims processing and is in the interest of the risk management of the scheme.

### Section 26(7)

Certain contributions were not received within three days of becoming due. Non-compliance could affect the cash flow of the scheme and lead to member benefits being suspended. Due to the short duration of the contributions being outstanding, this is not significant. A credit control process is in place to address this matter.

### Section 33(2)

Each benefit option should be financially sound and self supporting. In respect of this scheme the Alpha and Medisave Max options incurred net healthcare deficits. Non-compliance results in benefit options making a surplus subsidising benefit options making a deficit. The Alpha option had significantly higher healthcare expenses than anticipated. The trustees will be looking at the option design for 2021.

As the Medisave Max option is the highest benefit option and is selected by the higher risk/utilising members, the costs of the members on this option are higher than on the Medisave Standard option. The contributions of this option are higher than the Medisave Standard option and should the Medisave Max option be closed, the members would move to the Medisave Standard option, which will result in the scheme receiving less contribution income in respect of these members, but the costs would not reduce to the same extent. The result would therefore be that the loss for the scheme would be higher if the Medisave Max option were closed.

### Section 35(8)(a)

In terms of this section of the Medical Schemes Act 131 of 1998, as amended, a medical scheme shall not invest any of its assets in the business of or grant loans to an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme. The Scheme has an investment in a pooled fund which may invest in the shares and bonds of the ultimate holding companies of certain medical scheme administrators from time to time, at the discretion of the Fund Manager. The scheme has been granted exemption from section 35(8)(a) by the Council for Medical Schemes.

### Regulation 10(4)

For one member on the Medisave Essential option, notification of savings due was not given on the death of the principal member. This matter was specifically related to a deceased member. Non-compliance could result in savings payouts to deceased estates not taking place. This was an isolated instance, as savings payouts for deceased members are made once the relevant documentation is received from the beneficiaries of the estate.

The trustees do not consider that these non-compliance matters have had a significant impact on the operations of the scheme or on the Annual Financial Statements.

## 9. AUDIT COMMITTEE

During 2019 the Committee comprised: D. Middleton (chairperson), C. Baling, W. Tapson – resigned 26 March 2019, S. Wynne, B. Mntoninzi and L. Dobell.

The Committee met on 29 March 2019, 26 July 2019 and 29 November 2019.

The CEO of the administrator, the scheme Principal Officer and the external auditors attend all Audit Committee meetings and have unrestricted access to the chairperson of the Committee.

In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the scheme's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the Committee on critical findings arising from audit activities.

The Audit Committee is pleased to report that:

- It has carried out its duties in terms of the Medical Schemes Act;
- The external auditors have confirmed their independence;
- The assurances provided by management, external auditors and the internal auditors have satisfied the Committee that the controls are adequate and effective;
- It has had oversight of the financial reporting process; and
- It has reviewed the Annual Financial Statements and the audit report thereon and recommended the acceptance thereof by the Board of Trustees.

## 10. INVESTMENT COMMITTEE

The Board of Trustees has delegated the implementation of the scheme's investment policy to the Investment Committee. The overall objective of the Investment Committee is to assist the Trustees to discharge their duties and responsibilities in so far as investments of the Scheme are concerned.

In performing its duties, the Investment Committee will maintain effective working-relationships with the Board of Trustees, as well as with the appointed Financial Consultant and any other external service providers.

The Committee and Chairperson shall be appointed by the Board of Trustees. The Committee shall consist of at least four members, one of whom must be the Principal Officer. The maximum number of members is six. The Board of Trustees may appoint two trustees as members of the Committee. To avoid impairment of judgement, members of the Committee must be free of any business relationship or any other relationship with any of the Financial Institutions or Service Providers which the Scheme utilises for placing its investments.

The committee during the year under review was:

G. Roberts (Chairperson) B.Com (Hons); B. Compt  
D. Middleton CA (SA)  
M. Neubert CA (SA)  
M. Volker B.Com (Law); LLB  
L. Dobell (Trustee) B.Com  
G. Zamisa (Trustee) MBA (Human Resources)

The committee met on three occasions during the year:

29 March 2019;  
26 July 2019; and  
22 November 2019.

# 11. MEETING ATTENDANCE AND REMUNERATION

The following schedule sets out Board of Trustees meeting attendances, attendances by members of Board sub-committees. The Trustees were not remunerated.

Trustee/Sub-Committee Member	Board Meetings		Audit Committee Meetings		Investment Committee Meetings	
	A	B	A	B	A	B
Ms. S. Wynne *	6	6	3	2	-	-
Mr. A. Higgs *	6	3	-	-	-	-
Ms. L. Penrose – resigned 31 December 2019 *	6	6	-	-	-	-
Ms. K. Turro*	6	3	-	-	-	-
Mr. L. Dobell *	6	6	3	1	3	1
Mr. Z. Nonqulo *	6	5	-	-	-	-
Mr. V. Daweti *	6	4	-	-	-	-
Ms. L. Hyman – resigned 1 January 2019 *	-	-	-	-	-	-
Ms. Y. Camagu – resigned 14 June 2019 *	2	2	-	-	-	-
Mr. G. Zamisa *	6	3	-	-	3	1
Mr. S. Syphus *	6	5	-	-	-	-
Mr. S. Jobela *	6	5	-	-	-	-
Mr. G. Roberts	6	6	3	3	3	3
Ms. C. Baling	-	-	3	1	-	-
Mr. W. Tapson – resigned 26 March 2019	-	-	-	-	-	-
Ms. B. Mntoninzi	-	-	3	1	-	-
Mr. D. Middleton	-	-	3	3	3	3
Mr. M. Neubert	-	-	-	-	3	3
Mr. M. Volker	-	-	-	-	3	3

\* - Trustee

A – total possible number of meetings could have attended  
B – actual number of meetings attended

## 12. INTERNAL AUDIT COMMITTEE

Momentum Thebe Ya Bophelo (Pty) Ltd (the administrator) has an internal audit committee which is chaired by an independent chairperson. The committee meets on a quarterly basis to discuss the findings from the internal audits performed during that quarter. The internal audit process covers a wide range of areas, which include systems related and operational tests. The CEO of the administrator does not form part of the committee, however, the internal auditor has direct access to him regarding any audit findings.

The internal auditor reports to the Chief Risk Officer of Momentum Metropolitan Health.

G. Zamisa  
Acting Chairperson

Date: 2020/05/08

## SUMMARISED FINANCIAL STATEMENTS

### SUMMARISED STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2019

	2019 R	2018 R
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>75 923 854</b>	<b>76 032 661</b>
Property, plant and equipment	-	-
Investments	75 923 854	76 032 661
<b>Current assets</b>	<b>203 729 882</b>	<b>178 989 314</b>
Investments	116 000 000	100 000 000
Trade and other receivables	14 837 752	15 782 765
Cash and cash equivalents	28 992 130	25 806 549
Savings trust assets	43 900 000	37 400 000
<b>Total assets</b>	<b>279 653 736</b>	<b>255 021 975</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Members' funds</b>	<b>222 433 955</b>	<b>202 847 561</b>
Accumulated funds	220 547 603	202 035 529
Fair value adjustment reserve	1 886 352	812 032
<b>Current liabilities</b>	<b>57 219 781</b>	<b>52 174 414</b>
Trade and other payables	3 835 938	3 646 901
Outstanding risk claims provision	12 625 000	11 000 000
Personal medical savings account monies managed by the scheme on behalf of its members	40 758 843	37 527 513
<b>Total funds and liabilities</b>	<b>279 653 736</b>	<b>255 021 975</b>

### SUMMARISED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 R	Notes	2018 R
Risk contribution income	194 593 612	5	188 598 580
Relevant healthcare expenditure			
Net claims incurred	(169 982 486)		(161 712 956)
Net expense of risk transfer arrangements	(656 300)	9	(983 793)
Managed care services (accredited organisations)	(5 552 692)		(4 514 867)
Gross healthcare result	18 402 134		21 386 964
Administration expenditure	(16 669 900)		(16 056 304)
Net movement on impairment of healthcare receivables	115 232		(53 452)
Movement on impairment on advance payments on savings accounts	(55 825)		(225 559)
Net healthcare result	1 791 641		5 051 649
Other income	19 933 421		18 892 122
Investment income	19 314 051		17 699 104
Prescribed savings balances written off	355 244		-
Realised gain on investment	-		936 458
Sundry income	264 146		256 560
Other expenditure	(3 212 988)		(2 802 244)
Interest paid on savings accounts	(2 976 346)		(2 674 303)
Investment consulting fees	(236 642)		(127 941)
Net surplus for the year	18 512 074		21 141 527
Other comprehensive income			
Items that may be reclassified to profit or loss	1 074 320		(521 912)
Fair value adjustments on available-for-sale investments	1 074 320		414 546
Realised gain on investment	-		(936 458)
Total comprehensive income for the year	19 586 394		20 619 615

### SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2019

	Accumulated funds R	Fair value adjustment reserve R	Total Members' Funds R
<b>Balance as at 1 January 2018</b>	180 894 002	1 333 944	182 227 946
Net surplus for the year	21 141 527	-	21 141 527
Fair value adjustments of available-for-sale investments	-	414 546	414 546
Realised gain on investment	-	(936 458)	(936 458)
<b>Balance as at 31 December 2018</b>	202 035 529	812 032	202 847 561
Net surplus for the year	18 512 074	-	18 512 074
Fair value adjustments of available-for-sale investments	-	1 074 320	1 074 320
<b>Balance as at 31 December 2019</b>	220 547 603	1 886 352	222 433 955

### SUMMARISED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 R	2018 R
Net cash inflow from operating activities	5 303 835	6 612 986
Net cash inflow/(outflow) from investing activities	4 381 746	(5 704 563)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>9 685 581</b>	<b>908 423</b>
Cash equivalents at beginning of year	63 206 549	62 298 126
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>72 892 130</b>	<b>63 206 549</b>
Comprising of:		
Cash and cash equivalents	28 992 130	25 806 549
Savings trust assets	43 900 000	37 400 000
	72 892 130	63 206 549



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. Basis of preparation**

The summarised financial statements have been extracted from the statutory financial statements prepared in accordance with IFRS for the year ended 31 December 2019. The same accounting policies and methods of computation have been used in preparing the summarised financial statements as in the previous annual financial statements.

**2. Financial assets**

Financial assets are recognised on the scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument.

**3. Provisions**

Provisions are recognised when the scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The outstanding risk claims provision is a provision made for the estimated cost of healthcare benefits that have occurred before the year end, but have not been reported to the scheme by that date.

**3.1 Outstanding risk claims provision**

	2019 R		2018 R
Balance at beginning of year	11 000 000		10 000 000
Payments in respect of prior year	(11 518 340)		(10 453 187)
Underprovision in prior year	(518 340)		(453 187)
Adjustment for current year	13 143 340		11 453 187
Balance at end of year	12 625 000		11 000 000

**4. Medical insurance Contracts**

Contracts under which the scheme accepts significant medical insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary, are classified as insurance contracts. The contracts issued compensate the scheme's members for healthcare expenses incurred.

**5. Risk contribution income**

Contribution income is received monthly and recognised as income over the period of indemnity. Risk contribution income represents gross contributions after deduction of savings plan contributions.

**Risk contribution income**

	2019 R		2018 R
Gross contributions per registered rules	238 049 489		229 900 187
Less: Savings contributions received	(43 455 877)		(41 301 607)
Risk contribution income per statement of comprehensive income	194 593 612		188 598 580

**6. Claims**

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the scheme is responsible, whether or not reported by year-end.

**7. Managed care: management services**

These expenses represent internal expenditure and the amounts paid or payable to third party administrators, related parties and other third parties for managing the utilization, costs and quality of healthcare services to the scheme.

**8. Investment income**

Interest is recognised as it accrues according to the effective interest method.

**9. Risk transfer arrangements**

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. Risk transfer premiums and benefits reimbursed are presented in the Statement of Comprehensive Income on a net basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Claims recoveries relating to risk transfer arrangements are calculated based on claims settled in terms of risk transfer arrangements.

**Net expense of risk transfer arrangements**

The scheme entered into the following risk transfer arrangements during the respective years.

	2019 R	2018 R
<b>AMBULANCE SERVICE FESS</b>		
Premiums/fees paid	(2 039 713)	(1 879 942)
Claims incurred in respect of related risk transfer arrangements	2 791 512	2 633 279
Net income	751 799	753 337
<b>UDIPA RISK TRANSFER ARRANGEMENT</b>		
Premiums/fees paid	(1 271 103)	(1 223 171)
Claims incurred in respect of related risk transfer arrangements	1 257 837	1 153 829
Net income/(expense)	(13 266)	(69 342)
<b>ECIPA RISK TRANSFER ARRANGEMENT</b>		
Premiums/fees paid	(4 259 692)	(4 276 066)
Claims incurred in respect of related risk transfer arrangements	2 793 351	2 646 717
Net expense	(1 466 341)	(1 629 349)
<b>PEGP RISK TRANSFER ARRANGEMENT</b>		
Premiums/fees paid	(327 470)	(343 645)
Claims incurred in respect of related risk transfer arrangements	257 459	279 607
Net expense	(70 011)	(64 038)
<b>PREFERRED PROVIDER NEGOTIATORS RISK TRANSFER ARRANGEMENT</b>		
Premiums/fees paid	(457 106)	(453 376)
Claims incurred in respect of related risk transfer arrangements	496 082	497 141
Net income	38 976	43 765
<b>BAY RADIOLOGY RISK TRANSFER ARRANGEMENT</b>		
Premiums/fees paid	(875 964)	(877 191)
Claims incurred in respect of related risk transfer arrangements	978 507	859 025
Net income/(expense)	102 543	(18 166)
<b>SUMMARY</b>		
Premiums/fees paid	(9 231 048)	(9 053 391)
Claims incurred in respect of related risk transfer arrangements	8 574 748	8 069 598
Net expense	(656 300)	(983 793)

**10. Impairment losses**

The carrying amounts of the scheme's assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

**11. Personal medical savings accounts**

The personal medical savings account liability (2019: R 40 758 843 and 2018: R 37 527 513) is the net balance due to members in respect of the savings contributions received and claims paid.

**12. Related party transactions**

Momentum Thebe Ya Bophelo (Pty) Ltd, the administrator, provides key management information to the scheme. Momentum Thebe Ya Bophelo (Pty) Ltd participates in the financial and operational activities of the scheme, but does not control the scheme.

Administration fees for the year ended 31 December 2019 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 14 646 567 (2018: R 13 402 476).

Managed care fees for the year ended 31 December 2019 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 5 552 692 (2018: R 4 514 867).

Systems administration fees for the year ended 31 December 2019 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R nil (2018: R 420 408).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the scheme. Key management personnel include the Board of Trustees, Principal Officer and members of the audit committee. The amounts include close family members of the Board of Trustees and the Principal Officer.

Transactions with key management personnel were:

	2019 R		2018 R
Contributions received	537 200		558 860
Claims paid	208 916		373 468
Principal Officer fees	166 500		139 500
Audit committee meeting fees	33 075		15 750
Savings due to members	107 831		124 605

These transactions were all concluded in terms of the rules of the scheme.

**13. Surplus from operations per benefit option**

	2019 R Alpha	2019 R Medisave Essential	2019 R Medisave Max	2019 R Medisave Standard	2019 R Total
Gross contribution income	46 377 441	29 747 570	12 581 334	149 343 144	238 049 489
Savings plan contributions	-	(2 974 757)	(3 145 334)	(37 335 786)	(43 455 877)
<b>Net contribution income</b>	46 377 441	26 772 813	9 436 000	112 007 358	194 593 612
<b>Relevant healthcare expenditure</b>	(46 599 168)	(23 867 385)	(11 490 885)	(94 234 040)	(176 191 478)
Net claims incurred	(45 599 303)	(21 690 898)	(11 377 473)	(91 354 812)	(169 982 486)
Premiums/fees paid	(577 178)	(7 491 656)	(58 860)	(1 103 354)	(9 231 048)
Claims incurred in respect of related risk transfer arrangements	789 054	6 194 736	80 474	1 510 484	8 574 748
Managed care services (accredited organisations)	(1 211 741)	(879 567)	(175 026)	(3 286 358)	(5 552 692)
<b>Gross healthcare result</b>	(221 727)	2 905 428	(2 054 885)	17 773 318	18 402 134
Administration expenses	(4 299 192)	(1 296 768)	(560 049)	(10 513 891)	(16 669 900)
Net impairment on healthcare receivables	(16 864)	46 252	15 817	70 027	115 232
Net impairment on advance payments on savings accounts	-	(15 192)	5 701	(46 334)	(55 825)
<b>Net healthcare result</b>	(4 537 783)	1 639 720	(2 593 416)	7 283 120	1 791 641
<b>Members as at 31 December 2019</b>	<b>1 726</b>	<b>878</b>	<b>173</b>	<b>3 303</b>	<b>6 080</b>
	2018 R Alpha	2018 R Medisave Essential	2018 R Medisave Max	2018 R Medisave Standard	2018 R Total
Gross contribution income	46 596 676	30 161 801	13 014 314	140 127 396	229 900 187
Savings plan contributions	-	(3 016 180)	(3 253 578)	(35 031 849)	(41 301 607)
<b>Net contribution income</b>	46 596 676	27 145 621	9 760 736	105 095 547	188 598 580
<b>Relevant healthcare expenditure</b>	(47 571 231)	(22 945 404)	(9 977 667)	(86 717 313)	(167 211 617)
Net claims incurred	(46 950 995)	(20 540 206)	(9 842 479)	(84 379 275)	(161 712 956)
Premiums/fees paid	(553 447)	(7 459 966)	(56 891)	(983 086)	(9 053 391)
Claims incurred in respect of related risk transfer arrangements	775 227	5 837 649	79 689	1 377 033	8 069 598
Managed care services (accredited organisations)	(842 017)	(782 880)	(157 986)	(2 791 984)	(4 514 867)
<b>Gross healthcare result</b>	(974 555)	4 200 217	(216 931)	18 378 234	21 386 964
Administration expenses	(4 469 724)	(1 292 371)	(562 800)	(9 731 409)	(16 056 304)
Net impairment on healthcare receivables	18 078	(9 581)	17 970	(79 919)	(53 452)
Net impairment on advance payments on savings accounts	-	(12 036)	(21 726)	(191 797)	(225 559)
<b>Net healthcare result</b>	(5 426 201)	2 886 230	(783 487)	8 375 109	5 051 649
<b>Members as at 31 December 2018</b>	<b>1 870</b>	<b>983</b>	<b>192</b>	<b>3 351</b>	<b>6 396</b>

**13. Surplus from operations per benefit option - continued**

**Allocation of income and expenditure to benefit options**

The following items are directly allocated to benefit options:

- contribution income
- claims incurred
- managed care management services
- administration fees paid to the administrator, forming part of administration costs
- risk transfer arrangement fees
- net impairment losses on healthcare receivables

The following items are apportioned based on the total members for the period:

- sundry income
- administration expenses, excluding administration fees paid to the administrator
- net investment income
- fees paid for services rendered

**14. There are no contingent assets or liabilities.**

**APPROVAL OF THE STATUTORY ANNUAL FINANCIAL STATEMENTS**

The Annual Financial Statements were approved by the board on 8 May 2020 and signed on its behalf by Messrs G. Zamisa (Acting Chairperson), L. Dobell (Trustee) and G.J. Roberts (Principal Officer).

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The full audited annual financial statements, including the report of the auditors, will be available at the Annual General Meeting. Further copies may be obtained from the Fund Manager at (041) 395-4400.