



MEDSHIELD MEDICAL SCHEME  
(Registration number 1140)

Financial Statements

for the year ended 31 December 2023

## **MEDSHIELD MEDICAL SCHEME**

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

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The reports and statements set out below comprise the financial statements presented to the members:

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## MEDSHIELD MEDICAL SCHEME

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### Statement of Corporate Governance by the Board of Trustees

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#### 1. Statement of Corporate Governance by the Board of Trustees

Medshield Medical Scheme (the Scheme) is committed to the principles and practices of fairness, transparency, independence, responsibility, integrity and accountability in its dealings with all stakeholders. The Board of Trustees (BOT) conducts its affairs according to the Scheme's values and within a recognised governance framework. The affairs of the Scheme are managed in accordance with the rules of the Scheme and adhere to all aspects of governance as required by the Medical Schemes Act 131 of 1998, as amended. The Board also acknowledge and is committed to the principles of good governance set out in the King IV Report on Corporate Governance.

##### 1.1 Board of Trustees

The BOT consists of member representatives who are nominated and elected by the members of the Scheme, and independent members who are appointed by the Board for their skills and expertise. The BOT meets at least once a quarter during the year and monitors the performance of the Scheme. The BOT's performance and that of its committees is appraised annually against agreed terms of reference. The Scheme is self-administered, and all administration matters are under the direct control of the BOT. The BOT has oversight over a range of key issues and ensures that discussions of policy, strategy and performance are critical, informed and constructive.

The BOT oversees the execution of the strategy in an ethical and effective manner and monitors performance, to this end, in accordance with the Board Charter and Terms of Reference directing the work of the various governance and management committees.

#### 2. Risk Management and Internal Controls

Risks are identified, placed on a risk register and regularly reviewed by management, with quarterly oversight by the Audit, Risk & Compliance Committee (ARC). The risks are rated, based on the likelihood of materialising and the likely impact on the Scheme. Specific strategies and/or mitigation processes are set in place to deal with these risks.

The Scheme's Management is accountable to the BOT for the design, implementation, monitoring and integration of risk management and risk assessment into the day-to-day operations of the Scheme, focusing on the efficiency and effectiveness of operations, safeguarding the Scheme's assets, legal and regulatory compliance, business sustainability and reliable reporting. The system of internal control is structured in such a manner that it provides reasonable assurance that the likelihood of a significant adverse impact on objectives arising from a future event or situation is maintained at an acceptable level to the Scheme.

The adequacy and effectiveness of internal controls are managed and monitored through structured processes to enable day-to-day operations to run efficiently and in a compliant manner. The BOT has appointed an ARC Committee which reports to the BOT independently and is responsible for oversight of the Scheme's risk management process.



**Mr Andries Labuscagne**

Chairperson:  
Board of Trustees



**Mr Seth Makhani**

Deputy Chairperson:  
Board of Trustees



**Mr Kevin Aron**

Principal Officer

14 June 2024

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### Statement of Responsibilities by the Board of Trustees

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The trustees are required in terms of the Medical Schemes Act no 131 of 1998 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Scheme as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial controls established by the Scheme and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Scheme and all employees are required to maintain the highest ethical standards in ensuring the Scheme's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Scheme is on identifying, assessing, managing and monitoring all known forms of risk across the Scheme. While operating risk cannot be fully eliminated, the Scheme endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The trustees are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The trustees have reviewed the Scheme's cash flow forecast for the year ending 31 December 2023 and, in light of this review and the current financial position, they are satisfied that the Scheme has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Scheme's financial statements. The financial statements have been examined by the Scheme's external auditors and their report is presented on pages 19 to 21.

The financial statements set out on pages 22 to 77, which have been prepared on the going concern basis, were approved by the Board of Trustees on 14 June 2024 and were signed on their behalf by:



**Mr Andries Labuscagne**

Chairperson:  
Board of Trustees



**Mr Seth Makhani**

Deputy Chairperson:  
Board of Trustees



**Mr Kevin Aron**

Principal Officer

14 June 2024

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### Board of Trustees' Report

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#### 1. Description of the Scheme

##### 1.1 Terms of Registration

Registration number: 1140

The Scheme is a not-for-profit open medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998 (MSA), as amended.

##### 1.2 Benefit options

The Scheme offers 11 benefit options to employers and members of the public, namely:

- a. MediValue Prime
- b. MediValue Compact (efficiency discount option)
- c. MediBonus
- d. MediPlus Prime
- e. MediPlus Compact (efficiency discount option)
- f. MediPhila
- g. MediSaver (includes the provision of a Personal Medical Savings Account)
- h. MediCore
- i. Premium Plus (includes the provision of a Personal Medical Savings Account)
- j. MediCurve
- k. MediSwift

##### 1.3 Personal Members' Savings Accounts (PMSA's)

Personal medical savings constitute trust monies and are managed on the members' behalf in terms of the Scheme rules. Savings contributions are refundable upon a member enrolling in another benefit option without a personal medical savings account or another option in another medical scheme without a personal medical savings account. In the event that a member does not enrol in another medical scheme, the accumulated unutilised personal medical savings account balance is transferred to the member in terms of the MSA.

Following the Constitutional Court ruling in the Genesis case, the Scheme changed the Scheme rules with regards to the treatment of savings monies. Effective 1 January 2018, the Scheme rules state that the savings monies shall be kept in a Scheme account as stipulated in the MSA and can be utilised to fund the general business activities of the Scheme. Interest earned will be credited to the Scheme and conversely, it will not be credited to members' savings accounts.

##### 1.4 Risk Management

###### 1.4.1 Risk Management Plan

Strategic risks are identified and placed on a risk register. The risks are rated, based on likelihood and impact on the Scheme and specific strategies or processes are put in place to deal with these risks. The Scheme's Executive Management team updates the risk management plan on an ongoing basis to ensure that it is in line with the current risks of the Scheme.

###### 1.4.2 Risk Transfer Arrangement

The Scheme had the following risk transfer arrangement during the year under review:

###### Netcare 911 Emergency Medical Services

Netcare provides services which include emergency telephonic assistance via health-on-line, emergency response by road or air ambulance to the scene of an accident, as well as transfer of the beneficiary by road or air to the most appropriate medical facility.

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#### 1.4.3. Managed Care

The Scheme had the following accredited managed care arrangements during the year under review:

Domain	Service Provider
Hospital Benefit Management	Medscheme Holdings (Pty) Ltd
Pharmacy Benefit Management	Mediscor PBM (Pty) Ltd
Dental Benefit Management	Dental Information Systems (Pty) Ltd ("DENIS")
HIV / AIDS Disease Management	HaloCare (Proprietary) Limited
Diabetes Management	Medshield Medical Scheme
Oncology Benefit and Network Management	Independent Clinical Oncology Network (Pty) Ltd ("ICON")

The Scheme had the following arrangements with other service providers during the year under review:

Domain	Service Provider
Optical Benefit Management	Isoleso Optics (Pty) Ltd
GP Network Management	The Independent Practitioners Association Foundation (IPAF)
HIV / AIDS Medicine Benefit Management	Pharmacy Direct (Pty) Ltd (Designated Pharmacy Provider)
Radiology and Pathology Claims Auditing	Verirad (Pty) Ltd

#### 1.4.4. Prescribed Minimum Benefits (PMBs)

The Scheme has a defined process in place whereby it analyses, verifies and adjudicates PMB claims prior to payment being affected in order to, as far as possible, prevent fraudulent and incorrectly coded claims from being paid.

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### Board of Trustees' Report

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#### 1.5 Management

##### 1.5.1 Board of Trustees

Attendance by Elected Trustees during the financial year 2023:

Member Elected Trustees	Date of Appointment	Area of Expertise	30 Jan* - 1 Feb*	29 Mar	26 Apr	12 Jul	4 Aug*	16 Aug*	13 Sep	30 Nov* - 1 Dec *
Mr Andries Labuscagne (Chairperson)	30 Sep 2020	Finance, Legal & Management	Y	Y	Y	Y	Y	Y	Y	Y
Ms Elizabeth Botha	30 Sep 20 - 11 Aug 23	Finance & Human Capital	Y	Y	Y	Y	Y	N/A	N/A	N/A
Dr Zaheera Soni	30 Sep 20 - 11 Aug 23	Medical	Y	Y	Y	Y	Y	N/A	N/A	N/A
Mr Trevor Wiblin	30 Sep 2020	Finance & Management	Y	Y	Y	Y	Y	Y	Y	Y
Mr Seth Makhani	11 Aug 2023	Audit & Finance	N/A	N/A	N/A	N/A	N/A	Y	Y	Y
Mr Leon de Lange	11 Aug 2023	Legal	N/A	N/A	N/A	N/A	N/A	Y	Y	Y

Attendance by Co-opted Trustees during the financial year 2023:

Co-opted Trustees	Date of Appointment	Area of Expertise	30 Jan* - 1 Feb*	29 Mar	26 Apr	12 Jul	4 Aug*	16 Aug*	13 Sep	30 Nov - 1 Dec*
Dr Ritesh Nandkoomar	12 Feb 2021	Human Capital & Medical	Y	Y	Y	Y	Y	Y	Y	Y
Ms Katlego Majola	12 Feb 21 - 12 Sep 23	Audit Risk & Compliance	Y	Y	Y	Y	Y	Y	N/A	N/A
Mr M Chidi	30 Nov 20 - 29 Nov 23	Legal	Y	Y	Y	N	Y	Y	Y	Y
Mrs Antea Fourie van Zyl	30 Nov 2023	Finance & Audit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y

\* *Special Board meeting*      Y - Yes    N/A - Not applicable as the member was not appointed yet or their term had expired    N - No

#### Scheme Secretariat

The Scheme has a Secretariat responsible for providing support and advice in relation to good governance to the Scheme and its committees.

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**1.5.2 Principal Officer**

The Principal Officer for the Scheme is Mr Kevin Aron

**1.5.3 The Registered Office of the Scheme is:**

192 Bram Fischer Drive  
Ferndale  
Randburg  
2194

PO Box 4346  
Randburg  
2125

**Country of registration and domicile:** South Africa

**1.5.4 Investment Consultants during the year:**

**1.5.4.1 Investec Wealth & Management - a division of Investec Securities (Pty) Ltd**

100 Grayston Drive  
Sandown  
Sandton  
2196

PO Box 78055  
Sandton  
2146

**1.5.4.2 Motswedi Economic Transformation Specialists**

Block D  
Country Club Estate Office  
Park 21 Woodland Drive  
Woodmead  
Sandton  
2080

**1.5.5 Actuaries**

**Insight Actuaries & Consultants (Pty) Ltd**

Ground Floor, Block J  
Central Park  
400, 16th Road  
Midrand  
1682

Private Bag X17  
Halfway House  
1685

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**1.5.6 Investment Fund Managers during the year:****Sanlam Investment Manager (Pty) Ltd**

55 Willie Van Schoor Avenue  
Bellville  
7530  
FSP number: 579

Private Bag X8  
Tyger Valley  
7536

**Allan Gray Life Limited**

1 Silo Square  
V&A Waterfront, Cape Town  
8001  
FSP number: 6663

P O Box 51318  
Cape Town  
8002

**Argon Asset Management (Pty) Ltd**

1st Floor, Colinton House, The Oval  
1 Oakdale Road, Newlands, Cape Town  
7700  
FSP number: 835

P O Box 23254  
Claremont  
7735

**M & G Investments Managers (Pty) Ltd**

5th Floor, Protea Place  
40 Dreyer Street, Claremont, Cape Town  
7700  
FSP number: 45199

P O Box 44813  
Claremont  
7735

**Stanlib Collective investments (RF) (Pty) Ltd**

17 Melrose Boulevard  
Melrose Arch  
2196  
FSP number: 719

P O Box 202  
Melrose Arch  
2076

**Mergence Investment Managers (Pty) Ltd**

2nd Floor, Cape Town Cruise Terminal  
Duncan Road, V&A Waterfront, Cape Town  
8001  
FSP number: 16134

P O Box 8275  
Roggebaai  
8012

**1.5.7 Internal Auditors:****BDO Advisory Services (Pty) Ltd**

1st Floor, Wanderers Office Park  
52 Corlett Drive, Illovo  
2196

Private Bag X5  
Northlands  
2116

**1.5.8 External Auditors:****Deloitte & Touche Registered Auditors**

5 Magwa Crescent  
Waterfall City, Gauteng  
2090

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#### 2. Investment Strategy of the Scheme

The Scheme's long-term investments are spread across six portfolio managers. These portfolio managers complement each other in terms of the structure and nature of instruments held. The Scheme is invested in bonds, equities and cash instruments as well as linked insurance policies and pooled funds in diversified portfolios with a target return of CPI+4% over a three-year rolling period, consistent with the Scheme's investment strategy. This policy is reviewed annually, taking into consideration market conditions and compliance with the MSA. The Scheme uses Stanlib Collective Investments to maximize the short-term funds with the view of maintaining liquidity and to meet the day-to-day cash requirements of the Scheme.

#### 3. Committees

##### 3.1 Audit, Risk & Compliance Committee

The ARC Committee is mandated by the Scheme by means of Board approved terms of reference as to its membership, authority and duties. The Committee consists of six (6) members, four (4) of whom are independent and not officers of the Scheme.

ARC Committee Composition and Meeting attendance:

Members	Date of Appointment	22 Mar	13 Apr	27 Jul	16 Nov
J Maboja (Chairperson)	1 Jul 20 - 30 Jun 23	Y	Y	N/A	N/A
L Mothae	7 Aug 2022	Y	Y	Y	Y
M Matlwa	7 Aug 2020	Y	Y	Y	Y
T Wiblin	30 Sep 2020	Y	Y	Y	N
R Gajjar	20 Oct 2020	Y	Y	Y	Y
K Majola	12 Feb 21 - 12 Sep 23	Y	Y	Y	N/A
S Makhani	11 Aug 2023	N/A	N/A	N/A	Y
P Desai	1 Jul 2023	N/A	N/A	Y	Y

##### 3.2 Clinical Governance Committee

The Clinical Governance Committee is accountable to the BOT for ensuring that there are effective governance systems to safeguard and improve the quality and safety of clinical care provided to the members.

Clinical Governance Committee Composition and Meeting attendance:

Members	Date of Appointment	23 Feb	11 May	2 Aug **	22 Aug	22 Nov
Dr A Good (Chairperson)	30 Sep 2020	Y	Y	Y	Y	N
M Arnold	1 Jan 2023	Y	Y	Y	Y	Y
Dr Zaheera Soni	20 Oct 2020 - 11 Aug 2023	Y	Y	Y	N/A	N/A
M Chidi	1 Apr 2021 - 29 Nov 2023	Y	Y	Y	Y	N
L de Lange	11 Aug 2023	N/A	N/A	N/A	Y	Y
Dr R Nandkoomar	16 Aug 2023	N/A	N/A	N/A	Y	Y

\*\*The meeting of 2 August 2023 was a joint Marketing and Clinical Governance meeting

Y - Yes      N/A - Not applicable as the member was not appointed yet or their term had expired

N - No

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#### 3.3 Human Capital & Remuneration Committee

The Human Capital & Remuneration Committee (REMCO) is accountable to the BOT; and authorised to take such steps as are in its opinion appropriate and reasonable to give effect to the Scheme's remuneration policies (including trustee remuneration) and strategies determined by the BOT, subject to such conditions as may be imposed by the BOT from time to time.

REMCO Composition and Meeting attendance:

Members	Date of Appointment	8 Feb	2 May	25 Jul	31 Oct
P Maphoshe (Chairperson)	14 Mar 2022	Y	Y	Y	Y
N Nanabhay	1 Jun 2020	Y	Y	Y	Y
R Nandkoomar	12 Feb 2021	Y	Y	Y	Y
E Botha	20 Oct 2020 - 11 Aug 2023	Y	Y	Y	N/A
T Wiblin	16 Aug 2023	N/A	N/A	N/A	Y

#### 3.4 Marketing, Product Review & Pricing Committee

The Marketing, Product Review & Pricing Committee (MARKOM) is tasked with assisting the BOT in discharging its duties specifically on issues related to product design, pricing, marketing and new business.

MARKOM Committee Composition and Meeting attendance:

Members	Date of Appointment	21 Feb	8 May	2 Aug**	21 Aug	14 Nov
E Botha (Chairperson)	20 Oct 20 - 11 Aug 23	Y	Y	Y	N/A	N/A
R Nandkoomar	12 Feb 2021	Y	Y	Y	Y	Y
S Burger	5 Feb 2021	Y	Y	Y	Y	Y
J Mosetlhi	29 Apr 2022	Y	Y	Y	Y	Y
T Wiblin	16 Aug 2023	N/A	N/A	N/A	Y	Y

#### 3.5 Finance, Investment & Operations Committee

The Finance, Investments & Operations Committee (FINCOM) is a Committee of the BOT, accountable to the BOT, tasked with assisting the BOT in fulfilling its oversight responsibility in matters relating to the Scheme's finances, investments and operations, including operational arrangements with third party service providers.

FINCOM Committee Composition and Meeting attendance:

Members	Date of Appointment	28 Feb	23 May	29 Aug	21 Nov
K Majola (Chairperson)	12 Feb 21 - 12 Sep 23	Y	Y	Y	N/A
T Wiblin	20 Oct 2020	Y	Y	Y	Y
Z Samsam	1 Feb 2021	Y	N	Y	Y
S Makhani	11 Aug 2023	N/A	N/A	Y	Y
L Kamanga	29 Apr 2022	Y	N	Y	N

Y - Yes

N/A - Not applicable as the member was not appointed yet or their term had expired

N - No

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### Board of Trustees' Report

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#### 3.6 Social, Legal, Ethics, Disputes & Governance Committee

The Social, Legal, Ethics, Disputes & Governance Committee (SLEDG) has, amongst its purposes, to serve as an adjudication body over cases that would have been referred to it by the Executive Committee or its Committee tasked with receiving and adjudicating complaints, grievances and disputes brought to its attention by members of the Scheme, the Council for Medical Schemes (CMS) or any other person or body aggrieved in its dealings with the Scheme or its service providers.

SLEDG Committee Composition and Meeting attendance:

Members	Date of Appointment	15 Feb	4 May	19 Jul	6 Nov
J Mosetlhi (Chairperson)	1 Feb 2021	N	Y	Y	Y
M Arnold	1 Jan 2023	Y	Y	Y	Y
Dr Z Soni	20 Oct 20 - 11 Aug 23	Y	Y	Y	N/A
L de Lange	11 Aug 2023	N/A	N/A	N/A	Y
M Chidi	30 Nov 2020	Y	Y	Y	Y

Y - Yes

N - No

N/A - Not applicable as the member was not appointed yet or their term had expired

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**Board of Trustees' Report**

**4. Quantitative review of activities**

<b>2023</b>	<b>MediPlus Prime</b>	<b>MediPlus Compact*</b>	<b>MediValue Prime</b>	<b>MediValue Compact*</b>	<b>Medi Bonus</b>	<b>Medi Phila</b>	<b>Medi Core</b>	<b>Medi Saver</b>	<b>Premium Plus</b>	<b>Medi Curve</b>	<b>Medi Swift</b>	<b>Total</b>
Number of members at end of accounting year	14 353	851	27 411	6 275	1 861	10 320	2 821	3 737	1 318	674	43	69 664
Pensioner ratio (beneficiaries >65 years)	19.76%	31.93%	7.27%	6.58%	37.46%	3.81%	42.54%	35.89%	55.02%	10.31%	19.15%	13.83%
Number of beneficiaries	28 834	1 758	53 745	13 899	3 143	20 629	5 344	6 594	2 077	786	94	136 903
Average age of members	59	60	47	44	65	41	68	66	72	40	56	52
Average net contributions per member per month	6 277	5 784	3 687	3 409	9 732	2 369	5 448	5 357	8 390	1 718	3 047	5 020
Average net contributions per beneficiary per month	3 125	2 800	1 880	1 539	5 762	1 185	2 876	3 037	5 324	1 474	1 394	2 763
Average net claims incurred per member per month	6 216	8 011	3 273	3 614	9 843	2 019	5 324	5 336	9 242	1 769	2 070	5 156
Average net claims incurred per beneficiary per month	3 094	3 873	1 669	1 632	5 827	1 010	2 810	3 024	5 865	1 517	947	2 843
Average non-healthcare expenses per beneficiary per month	262	246	253	214	310	227	259	286	310	351	195	265
Dependent per member at 31 December	1.01	1.07	0.96	1.21	0.69	1.00	0.89	0.76	0.58	0.17	1.19	0.96
Net claims as percentage of net contribution	99 %	138 %	89 %	106 %	101 %	85 %	98 %	100 %	110 %	103 %	68 %	100 %
Non-healthcare expenses as percentage of net contributions	8 %	9 %	13 %	14 %	5 %	19 %	9 %	9 %	6 %	24 %	14 %	12 %
Average accumulated funds per member at 31 December	-	-	-	-	-	-	-	-	-	-	-	33 254
Return on Investments as a percentage of investment	-	-	-	-	-	-	-	-	-	-	-	8

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2022	MediPlus Prime	MediPlus Compact*	MediValue Prime	MediValue Compact*	Medi Bonus	Medi Phila	Medi Core	Medi Saver	Premium Plus	Medi Curve	Medi Swift	Total
Number of members at end of accounting year	15 946	726	28 020	5 565	2 086	10 154	3 235	4 110	1 476	582	17	71 917
Average number of members for the accounting year	16 509	727	28 473	5 392	2 174	9 837	3 357	4 263	1 529	541	6	6 619
Pensioner ratio (beneficiaries >65 years)	17 %	32 %	7 %	7 %	35 %	4 %	41 %	34 %	52 %	11 %	6 %	13 %
Number of beneficiaries	32 786	1 531	56 186	12 304	3 594	20 242	6 237	7 381	2 360	683	34	143 338
Average age of members	58	60	46	43	64	41	67	65	71	39	47	51
Average net contributions per member per month	5 901	5 503	3 508	3 221	9 177	2 227	5 124	5 060	7 819	1 639	727	4 537
Average net contributions per beneficiary per month	2 870	2 610	1 749	1 457	5 326	1 117	2 658	2 818	4 890	1 397	363	2 478
Average net claims incurred per member per month	5 242	6 410	2 945	2 849	9 157	1 831	4 645	5 104	8 714	1 708	173	4 434
Average net claims incurred per beneficiary per month	2 550	3 039	1 469	1 289	5 315	919	2 409	2 842	5 450	1 455	86	2 438
Average non-healthcare expenses per beneficiary per month	256	245	250	219	301	231	254	278	282	368	87	252
Dependent per member at 31 December	1.06	1.11	1.01	1.21	0.72	0.99	0.93	0.80	0.60	0.17	1.00	0.99
Net claims as percentage of net contribution	89 %	116 %	84 %	88 %	100 %	82 %	91 %	101 %	111 %	104 %	24 %	90 %
Non-healthcare expenses as percentage of net contributions	9 %	9 %	14 %	15 %	6 %	21 %	10 %	10 %	6 %	26 %	24 %	14 %
Average accumulated funds per member at 31 December	-	-	-	-	-	-	-	-	-	-	-	32 567
Return on Investments as a percentage of investment	-	-	-	-	-	-	-	-	-	-	-	6

## MEDSHIELD MEDICAL SCHEME

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### Board of Trustees' Report

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#### 5. Result of Operations

The results of the Scheme are set out in the Annual Financial Statements (AFS). The Scheme is in a sound financial position and during the year there were no changes to operations in terms of the raising and collection of contributions and the assessment and payment of claims.

#### 6. Solvency Ratio

	2023 R'000	2022 R'000
Amounts attributable to current and future members	2 482 565	2 479 658
Less: Unrealised non-distributable reserve	(67 802)	(97 960)
Less: Cumulative net unrealised non-distributable reserve recognised in P&L	(33 838)	(25 755)
Specific assets encumbered for 3rd party	(1988)	(1 988)
	<b>2 378 937</b>	<b>2 353 955</b>
Accumulated funds per Regulation 30	<b>2 378 937</b>	<b>2 353 955</b>
Gross Contributions	<b>3 767 055</b>	<b>3 748 289</b>
Accumulated funds ratio (including savings contributions)	63.2%	62.8%
Accumulated funds ratio (excluding savings contributions)	64.4%	64.1%

#### 7. Outstanding Claims

Movements in the outstanding claims provision are set out in the AFS as part of Liability for Incurred Claims (LIC) in note 9.

#### 8. Actuarial Services

The Scheme's actuaries have been consulted and their inputs relied upon in the determination of the contribution and benefit levels and in the calculation of the Liability for Incurred Claims (LIC) the previous outstanding claims provision of the Scheme ("IBNR"), Loss Component or Onerous Contract losses and Liability for present and future members.

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### Board of Trustees' Report

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#### 9. Non-Compliance with the Medical Schemes Act and Regulations

##### 9.1 Contributions Not Received Within the Time Stipulated By The Act

###### Nature of the non-compliance

Section 26(7) of the Act states that: All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becomes due.

###### Impact

Risk of paying claims where no contributions were received or possible bad debts as a result of not collecting the contributions on time.

###### Cause of the non-compliance

There were some instances noted where the contributions were not received within three days of becoming due.

###### Corrective course of action

Strict credit control procedures are in place to prevent loss to the Scheme. Members and employers are continuously reminded via Short Message Service (SMS) and email to submit payment. Non-payment of contributions results in the suspension of the account and claims related to the specific member(s) are not paid until the account is brought up to date.

##### 9.2 Loss Making Options

###### Nature of the non-compliance

Section 33(2) of the Act states: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option:

- includes the prescribed benefits;
- shall be self-supporting in terms of membership and financial performance;
- is financially sound; and
- Will not jeopardize the financial soundness of any existing benefit option within the medical scheme.

Ten of the Scheme's options incurred a net healthcare result deficit.

###### Impact

Benefit options will not be self-sustainable.

###### Cause of the non-compliance

The Scheme budgeted for the following benefit options to make a loss at the net healthcare result level as a way to share some of its accumulated reserves with the members. These options were: MediValue Compact; MediCore; MediPlus Prime; MediPlus Compact; MediPhila; MediCurve; MediSwift.

MediBonus, Premium Plus, and MediValue Prime were budgeted to have a surplus however due to the loss of membership and an increase in claims, the options ended up with a deficit.

As of 31 December 2023, MediSwift was in a surplus-making position at the net healthcare results level.

###### Corrective course of action

The Scheme, in conjunction with the Scheme's actuaries, constantly reviews the performance of these options, and after taking all factors into consideration, contributions and benefits are adjusted accordingly on an annual basis in the normal course of business. The Scheme intends to achieve option self-sustainability in the medium term as per the Scheme's 5-year sustainability plan. The Scheme through the actuaries had already planned the deficit on certain benefit options to reduce the impact of contribution increases.

## MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

### Board of Trustees' Report

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#### 9. Non-Compliance with the Medical Schemes Act and Regulations – continued

##### 9.3 Direct Or Indirect Investments In Other Medical Scheme Administration Companies & Participating Employers

###### Nature of the non-compliance

Section 35(8) of the Act states that a Medical Scheme shall not invest any of its assets in the business of any other medical scheme or administrator or employer who participates in the medical scheme.

###### Impact

Direct equity investment holdings in holding companies of medical scheme administrators.

###### Cause of the non-compliance

This is a result of the mandate given to the asset managers by the Scheme, who have the discretion to invest in any approved instrument, in terms of Regulation 30.

###### Corrective course of action

The Scheme has obtained an exemption from the Council for Medical Schemes for this non-compliance. This exemption expires on 30 November 2025.

##### 9.4 Claims payments made in excess of 30 days since receipt thereof

###### Nature of the non-compliance

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

###### Impact

Members might be charged interest on the late payment of accounts by healthcare professionals.

###### Cause of the non-compliance

These instances mainly arise due to queries on the accounts submitted and further investigation is required before claims are processed. In these exceptional cases claims were paid later than 30 days after the date of submission. However, two main process issues will arise every year; firstly, PMB claim reversals and corrections will always breach 30 days because of the nature of the claim and secondly, there are technical system issues that result in development. This leads to claims being put on hold until the development is implemented, leading to certain claims breaching the 30-day payment requirement.

###### Corrective course of action

The Scheme has an adequate process in place to ensure adequate assessment and authorisation of these claims.

## MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

### Board of Trustees' Report

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#### 9. Non-Compliance with the Medical Schemes Act and Regulations – continued

##### 9.5 Netcare 911 capitation agreement for the provision of emergency medical services

###### Nature of the non-compliance

Regulation 7 defines a Designated Service Provider (DSP) and PMBs:

- DSP means a health care provider or a group of providers selected by the medical scheme concerned as the provider or providers, to provide its members' diagnosis, treatment and care in respect of one or more prescribed benefit conditions;
- PMB condition means a condition contemplated in the Diagnosis and Treatment Pairs listed in Annexure A or any emergency medical condition;
- Section 15A (1) If a medical scheme provides benefits to its beneficiaries by means of a managed health care arrangement with another person -
- the terms of that arrangement must be clearly set out in a written contract between parties;
- With effect from 1 January 2004, such arrangement must be with an entity who has been granted accreditation as a managed health care organisation by the CMS; and
- Such arrangement must not absolve a medical scheme from its responsibility towards its members if any other party to the arrangement is in default with regard to the provisions of any service in terms of such agreement.

###### Impact

In June 2015, the Scheme entered into a contract with Netcare 911 for the provision of emergency medical services based on a capitated arrangement, and in terms of the agreement Netcare was appointed as a DSP of the Scheme. The initial contract expired on 31 December 2017 and has subsequently been renewed. The CMS ruled on 22 December 2017 that the agreement is sanctioned (not valid) in terms of Regulations 8 and 15F of the Act.

###### Cause of the non-compliance

At the time of the CMS Ruling, Netcare 911 was not accredited as an Administrator or a Managed Care Organisation, therefore could not be appointed as a DSP under a capitation agreement. The capitation agreement transfers the risk to the service provider which should only occur with a managed healthcare organisation accredited by the CMS.

###### Corrective course of action

The Scheme appealed the Directives issued by the CMS, which appeal is still pending adjudication. The Scheme engaged with the CMS about the matter and a way forward is being determined on how the Scheme will implement business process changes to ensure compliance with the Act going forward. The Scheme is currently contracted with Netcare 911 on a month-to-month basis, while a new arrangement is being formulated. Netcare has subsequently received limited administration accreditation from the CMS.

##### 9.6 Encumbered Assets

###### Nature of the non-compliance

Section 35(6) of the Act states: A Medical Scheme shall not encumber its assets.

###### Impact

A portion of the Scheme's cash and cash equivalents are encumbered as a guarantee to Investec Property Fund Ltd ("Landlord") as part of the Scheme entering into a lease agreement in respect of the premises situated at 192 Bram Fischer Drive, Ferndale, Randburg. In addition, the Scheme has issued a deposit to the South African Post Office.

## MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

### Board of Trustees' Report

---

#### 9. Non-Compliance with the Medical Schemes Act and Regulations – continued

##### 9.6 Encumbered Assets – continued

###### Cause of the non-compliance

In terms of the lease agreement, the Landlord requires the Scheme to furnish a letter of guarantee in respect of the Scheme's rental obligation to the Landlord in terms of the Lease. The Scheme has furnished the Landlord with the required guarantee in the amount of R1 988 000. The South African Post Office deposit of R500 000 was required to conduct business with it and in terms of its standard contract.

###### Corrective course of action

The Scheme is in the process of applying for an exemption from the CMS for this non-compliance. The contract with the South African Post Office is no longer active and the Scheme is attempting to retrieve the deposit.

#### 10. Council for Medical Schemes: Annual Financial Statements and Annual Return Submission

In accordance with the provisions of the Act, the Scheme is required to furnish the Registrar of Medical Schemes with an Annual Statutory Return comprising information from the financial statements and additional historical financial information extracted from the underlying accounting records within four months of the Scheme's financial year end. The CMS issued Circular 21 of 2024 on 30 April 2024 advising that their online submission portal was expected to go live only in June 2024 and that Schemes would be provided a six-week period to complete their submissions. At the date of this report, the Scheme was in the process of completing its submission and is confident that it would be able to submit all required documentation to CMS on/before the deadline date as per Circular 21 of 2024.

#### 11. Events after the reporting period

There are no material matters that have occurred after the financial year-end that the BOT believes should be brought to the attention of the members of the Scheme.

On the 15th of May 2024, President Cyril Ramaphosa signed the National Health Insurance (NHI) Bill into law but it is not expected to have any impact on the Scheme in the short to medium term.

The financial statements set out on pages 22 to 77, which have been prepared on the going concern basis, were approved by the Board of Trustees on 14 June 2024, and were signed on its behalf by:



**Mr Andries Labuscagne**

Chairperson:  
Board of Trustees



**Mr Seth Makhani**

Deputy Chairperson:  
Board of Trustees



**Mr Kevin Aron**

Principal Officer

14 June 2024

## Independent Auditor's Report

Tel: +27 (0)11 806 5200  
[www.deloitte.com](http://www.deloitte.com)

To the Members of the Medshield Medical Scheme

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Medshield Medical Scheme (the Scheme), set out on pages 22 to 77, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Medshield Medical Scheme as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Outstanding claim provision component of the Liability for Incurred Claims (LIC)	
IFRS requires the Scheme to make provision for all future cash flows for which the past event has occurred. In doing so the Scheme calculates a best estimate of claims payments for claim events occurring prior to year-end but for which the scheme has not been notified by year end.	<ul style="list-style-type: none"> <li>We assessed the competence, capabilities and objectivity of the Trustee's specialist performing the calculation of the provision;</li> <li>Performed a review of the provision raised in relation to the 2022 financial year with the assistance of Deloitte Actuarial specialists to ensure that the opening balance is not materially misstated;</li> <li>We tested the integrity of the data used in the calculation of the provision by performing substantive procedures.</li> </ul>



National Executive: \*R Redfearn Chief Executive Officer \*GM Berry Chief Operating Officer JW Eshun Managing Director Businesses LN Mahluza Chief People Officer \*N Sing Chief Risk Officer AP Theophanides Chief Sustainability Officer \*NA le Riche Chief Growth Officer \*ML Tshabalala Audit & Assurance AM Babu Consulting TA Odukoya Financial Advisory G Rammego Risk Advisory DI Kubeka Tax & Legal DP Ndlovu Chair of the Board

A full list of partners and directors is available on request

\* Partner and Registered Auditor

**B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice**

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matter	How the matter was addressed in the audit
<p>Note 9 in the annual financial statements shows the present value of future cash flows under the Liability for Incurred Claims of R225 million (2022: R200.6 million).</p> <p>This matter is considered significant as the underlying calculation requires the use of significant assumptions, estimates and judgement by management. The risk adjustment component of the LIC is not linked to this Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>• With the assistance of Deloitte Actuarial specialists, reviewed the key assumptions and methodology applied in determining the LIC and ensured that these are consistent with the requirements of IFRS and actuarial best practice.</li> <li>• The actuarial specialists also performed an independent recalculation of the claims provision component of the LIC and compared the outcome to the amount raised by the scheme; and</li> <li>• Assessed the presentation and disclosure in respect of the LIC and considered whether the disclosures reflected the risks inherent in the accounting for the provision.</li> </ul>

## Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the Statement of responsibility by the Board of Trustees, the Statement of corporate governance by the Board of Trustees and the Report of the Board of Trustees as required by Medical Schemes Act of South Africa which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Scheme's trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Scheme's trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.

- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Scheme's trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

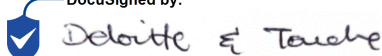
### *Non-compliance with the Medical Schemes Act of South Africa*

As required by the Council for Medical Schemes (CMS), we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, that have come to our attention during the course of our audit.

### *Audit tenure*

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Deloitte has been the auditor of Medshield Medical Scheme for 3 years.

The engagement partner, Kelby Moothoosamy, has been responsible for the Medshield Medical Scheme audit for 2 years.

DocuSigned by:  
  
EF3312C19A464FF...

**Deloitte & Touche**

Registered Auditor

Per: Kelby Moothoosamy

Partner

18 June 2024

MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

**Statement of Financial Position as at 31 December 2023**

		2023	2022	2021
	Note (s)	R'000	Restated *	Restated *
			R'000	R'000
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	3	4 193	6 923	2 435
Right-of-use assets	4	17 695	22 800	16 158
Investments at fair value	5	1 252 196	1 392 914	581 029
		<b>1 274 084</b>	<b>1 422 637</b>	<b>599 622</b>
<b>Current Assets</b>				
Investments at fair value	5	1 502 511	1 504 525	2 135 071
Other receivables *	6	778	579	-
Cash and cash equivalents	7	177 688	90 566	155 016
		<b>1 680 977</b>	<b>1 595 670</b>	<b>2 290 087</b>
<b>Total Assets</b>		<b>2 955 061</b>	<b>3 018 307</b>	<b>2 889 709</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Lease liabilities	4	15 602	17 540	543
Liabilities for future members	8	2 468 337	2 465 493	2 196 363
		<b>2 483 939</b>	<b>2 483 033</b>	<b>2 196 906</b>
<b>Current Liabilities</b>				
Lease liabilities	4	4 708	5 731	19 662
Insurance contract liabilities	8	396 411	427 877	434 552
Reinsurance contract liabilities	8	1 711	1 574	2 370
Trade and other payables	11	54 064	85 927	82 674
Liabilities for future members	8	14 228	14 165	153 545
		<b>471 122</b>	<b>535 274</b>	<b>692 803</b>
<b>Total Liabilities</b>		<b>2 955 061</b>	<b>3 018 307</b>	<b>2 889 709</b>

\* See Note 18

**MEDSHIELD MEDICAL SCHEME**

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

**Statement of Profit or Loss and Other Comprehensive Income**

	Note (s)	2023 R'000	2022 Restated * R'000
Insurance revenue	12	3 692 968	3 671 213
Insurance service expenses	12	(3 823 968)	(3 661 328)
Net expenses from reinsurance contracts	12	4 623	3 749
<b>Insurance service result</b>		<b>(126 377)</b>	<b>13 634</b>
Net investment income	13	213 103	185 801
<b>Net insurance and investment result</b>		<b>86 726</b>	<b>199 435</b>
Other finance costs	4	(3 413)	(3 155)
Administration and other operating expenses	15	(117 303)	(156 566)
Other operating income	14	39 463	5 099
Fair Value Adjustments:			
Realised profit	5	16 602	9 841
Unrealised profit/(loss)	5	8 083	(33 215)
<b>Surplus for the year</b>		<b>30 158</b>	<b>21 439</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Loss on fair value hedge of investments in equity instruments at fair value through other comprehensive income		(30 158)	(21 439)
<b>Other comprehensive loss for the year net of taxation</b>	17	<b>(30 158)</b>	<b>(21 439)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>

The accounting policies on pages 26 to 39 and the notes on pages 40 to 77 form an integral part of the financial statements.

\* See Note 18

**MEDSHIELD MEDICAL SCHEME**

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

**Statement of Changes in Reserves**

	<b>Reserve for valuation of investments R '000</b>	<b>Retained income R '000</b>	<b>Total equity R '000</b>
Opening balance as previously reported	119 399	2 231 085	2 350 484
Adjustments due to IFRS17 Transition Impact (Note 18)	(119 399)	(2 231 085)	(2 350 484)
<b>Restated* Balance at 01 January 2022 as restated</b>	-	-	-
Surplus for the year – 2022 *	-	-	-
<b>Balance at 31 December 2022</b>	-	-	-
Surplus for the year - 2023	-	-	-
<b>Balance at 31 December 2023</b>	-	-	-

The accounting policies on pages 26 to 39 and the notes on pages 40 to 77 form an integral part of the financial statements.

\* See Note 18

**MEDSHIELD MEDICAL SCHEME**

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

**Statement of Cash Flows**

	Note (s)	2023 R'000	2022 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from members and providers		3 692 769	3 673 815
- Cash receipts from members – contributions		3 687 629	3 669 050
- Cash receipts from members and providers – other		5 140	4 765
Cash paid to providers, employees and members		(3 979 523)	(3 679 838)
- Cash paid to providers and members – claims		(3 533 654)	(3 254 892)
- Cash paid to providers and employees – expenditure		(429 845)	(414 643)
-Cash paid to members – savings plan refunds		(16 024)	(10 303)
Cash used in operations		(286 754)	(6 023)
Interest received		4 363	2 136
Finance costs paid	4	(3 413)	(3 155)
<b>Net cash from operating activities</b>		<b>(285 804)</b>	<b>(7 042)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	-	(6 122)
Investment deposits from the Scheme bank account	5	(3 063 607)	(2 939 590)
Investment withdrawals into the Scheme bank account	5	3 442 907	2 914 310
<b>Net cash from investing activities</b>		<b>379 300</b>	<b>(31 402)</b>
<b>Cash flows from financing activities</b>			
Cash repayments on lease liabilities	4	(6 374)	(26 006)
<b>Total cash movement for the year</b>		<b>87 122</b>	<b>(64 450)</b>
Cash and cash equivalents at the beginning of the year		90 566	155 016
<b>Cash and cash equivalents at the end of the year</b>	7	<b>177 688</b>	<b>90 566</b>

\* See Note 18

## Accounting Policies

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### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies comply with IFRS.

#### 1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, IFRS, the IFRS Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the MSA Act no 131 of 1998 as amended.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Scheme's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.6

#### 1.2 Property, plant and equipment

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Scheme, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the medical scheme and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life on a straight-line basis.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	4 years
Computer software	Straight line	3 years
Leasehold improvements	Straight line	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. Maintenance and repairs which neither materially add to the value of the assets nor appreciably prolong their useful lives are charged against profit or loss.

## Accounting Policies

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### 1.2 Property, plant and equipment – continued

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### 1.3 Value Added Taxation

In terms of Section 10 (1) (d) of the Income Tax Act 58 of 1962, as amended, receipts and accruals of a benefit fund are exempt from normal tax. A medical scheme is included in the definition of a benefit fund and consequently the Scheme is exempt from income tax. The scheme is also not a registered VAT Vendor.

### 1.4 Financial instruments

Financial Assets held by the Scheme are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the Scheme, as applicable, are as follows:

Financial assets which are equity instruments:

- Designated as at fair value through other comprehensive income.

Financial assets which are debt instruments:

- Designated at fair value through profit or loss.

Financial liabilities:

- Amortised cost

Note 23 Financial instruments and risk management presents the financial instruments held by the Scheme based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Scheme are presented below:

#### Other receivables

##### Classification

Other receivables, excluding, when prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

##### Recognition and measurement

Other receivables are recognised when the Scheme becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

## Accounting Policies

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### 1.3 Financial instruments – continued

#### **Impairment**

The Scheme recognises a loss allowance for expected credit losses on other receivables, and prepayments. The amount of expected credit losses is updated at each reporting date.

The Scheme measures the loss allowance for other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

#### **Investments in equity instruments**

##### **Classification**

Investments in equity instruments are presented in note 5. They are classified at fair value through other comprehensive income.

##### **Recognition and measurement**

Investments in equity instruments are recognised when the Scheme becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated at fair value through other comprehensive income.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (and accumulated in equity in the reserve for valuation of investments). Details of the valuation policies and processes are presented in note 25.

#### **Investments in debt instruments at fair value through profit or loss**

##### **Classification**

Investments in debt instruments are classified as mandatory at fair value through profit or loss.

The Scheme hold investments in debentures and corporate bonds (note 5) which are mandatory at fair value through profit or loss.

##### **Recognition and measurement**

Investments in debt instruments at fair value through profit or loss are recognised when the Scheme becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition and subsequently, at fair value.

Transaction costs are recognised in profit or loss.

## Accounting Policies

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### 1.3 Financial instruments – continued

#### Trade and other payables

##### Classification

Trade and other payables (note 11), and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

##### Recognition and measurement

They are recognised when the Scheme becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Trade and other payables expose the Scheme to liquidity risk and possibly to interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term liquid investments that are readily convertible to cash and are subject to an insignificant risk of change in value. Short term liquid investments have maturities of 3 months or less. Cash and cash equivalents are classified as loans and receivables and subsequently measured at amortized cost using the effective interest method.

### 1.4 Leases

The Scheme assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgments, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

#### Scheme as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Scheme is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Scheme recognises the lease payments as an administration or operating expense (note 15) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Details of leasing arrangements where the Scheme is a lessee are presented in note 4 Leases (Scheme as lessee).

## Accounting Policies

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### 1.4 Leases – continued

#### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Scheme uses what would have been its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Scheme under residual value guarantees;
- the exercise price of purchase options, if the Scheme is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Scheme is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs paid (note 4).

The medical scheme remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Scheme will exercise a purchase, termination or extension option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised payments using a revised discount rate.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero

## Accounting Policies

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### 1.4 Leases – continued

#### **Right-of-use assets**

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

The Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day, less any lease incentives received and initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Scheme expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

### 1.5 Impairment of assets

The Scheme assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Scheme estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

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### Accounting Policies

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#### 1.6 Insurance Contracts

Changes in accounting policies as a result of the adoption of IFRS 17 have been applied using the full retrospective approach, transitioning to IFRS 17 and mutual entity considerations.

Based on the requirements of IFRS 17, the scheme is identified as a mutual entity which is different to the accounting under IFRS4.

A mutual entity is an entity, other than an investor-owned entity, which provides dividends, lower costs or other economic benefits directly to its owners, members or participants. It has been established under the summarised scheme rules that the scheme is not investor owned, and that the members of the Scheme, who are the policyholders, enjoy the risks and benefits of ownership of the Scheme. This is demonstrated by the following powers vested in members

- Approval of the Annual Financial Statements
- Appointment of the external auditor
- Appointment of the majority of the members of the Board of Trustees
- Deciding on the liquidation of the Scheme and how the Scheme's assets should be distributed in the event of such liquidation.

The Scheme considers that the powers vested in members as outlined above, in addition to their contractual rights arising from their insurance policies with the Scheme, accords them the ownership entitlement to the Scheme. Although the Act does not specify that the Scheme is owned by members, the key decisions taken by members at general or special meetings suggest that they are entitled to the residual interest of the Scheme. The Scheme is therefore treated as a mutual entity for the purpose of IFRS application.

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 deficit position, it recognised a liability in its statement of financial position to provide coverage to future members.

This liability is in essence incurred because the Scheme is obliged to:

- provide coverage to that member;
- pay incurred claims of that member; or
- provide coverage to future members.

On measurement of the liability to future members, the fulfilment cash flows of this liability are measured incorporating information about the fair value of the other assets and liabilities of the Scheme.

There is an accounting mismatch between the measurement of this liability and the measurement of property and equipment which are measured at cost less accumulated depreciation and accumulated impairment. This resulted in a liability greater than recognised assets in the financial statements. Even though the Scheme is solvent for regulatory purposes it has negative equity. As a result of the recognition of the liability to future members, an additional onerous contract liability was not recognised.

#### Identification of insurance contracts

The contracts issued by medical schemes (the issuer) indemnify covered members (the policyholder) and their covered dependants against the risk of loss arising from the occurrence of a health event (insured event). The timing, frequency and severity of the health event covered is uncertain. These contracts fall under the scope of IFRS 17.

Whilst the timing, frequency, severity and type of health events are uncertain, the ultimate insurance risk covered by a medical scheme can be defined as a single risk – that of providing cover for a health event that the member may incur. The risk under the insurance contracts issued by medical schemes can be expressed as the probability that an insured event ("health event") occurs, multiplied by the expected amount of the resulting claim.

## Accounting Policies

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### 1.6 Insurance Contracts – continued

#### **Non distinct investment component accounted for in terms of IFRS17**

The Personal Medical Savings Accounts (PMSA) meets the definition of an investment component in IFRS 17 as it requires the medical scheme to repay a member in all circumstances, regardless of whether or not an insured event occurred. The investment component is not distinct and it is accounted for in terms of IFRS 17.

The PMSA contracts are non-distinct because the savings component cannot be sold separate from the main insurance contract. The cash flows relating to the PMSA are not recorded in the statement of profit or loss and other comprehensive income but are considered in assessing onerous contracts.

#### **Level of aggregation**

The Scheme as a whole was identified as a portfolio. All contracts issued by the Scheme are subject to similar risks and managed together. As the Act specifically constrains the entity's practical ability to set a different price or level of benefits for members with different characteristics the Scheme as a whole was also identified as the group. The Scheme assesses if the group as a whole is onerous or profitable. If the existing liability to future members is less than the onerous liability, there is an argument to recognise an additional liability to the extent the onerous liability exceeds the liability to future members.

#### **Reinsurance contracts**

Contracts entered into by the Scheme with third-party service providers under which the Scheme is compensated for losses/claims (through the provision of services to members) on one or more contracts issued by the Scheme and that meet the classification requirements of insurance contracts are classified as risk transfer arrangements (reinsurance contracts). Only contracts that give rise to a significant transfer of insurance risk are accounted for as risk transfer arrangements. Risk transfer premiums/fees are recognised as an expense over the indemnity period.

Risk transfer claims and benefits reimbursed are presented in the statement of profit or loss and other comprehensive income and statement of financial position on a gross basis. Similar to insurance contracts, risk transfer arrangements are also accounted for using the premium allocation approach as these contracts have a boundary of one year or less.

Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the insurance contracts.

Amounts recoverable under risk transfer arrangements are assessed for non-performance at each reporting date, however this is normally not significant.

#### **Recognition and derecognition**

Insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Scheme determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

## Accounting Policies

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### 1.6 Insurance Contracts – continued

#### Measurement

##### Fulfilment cash flows within contract boundary

##### Fulfilment cash flows

The Fulfilment Cash Flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums, the payout for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimate of future cash flows shall:

- a) incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. To do this, the probability weighted mean of the full range of possible outcomes shall be estimated;
- b) reflect the perspective of the medical scheme, provided that the estimates of any relevant market variables are consistent with observable market prices for those variables;
- c) be current – the estimates shall reflect conditions existing at the measurement date, including assumptions at that date about the future;
- d) be explicit – the medical scheme shall estimate the risk adjustment for non-financial risk separately from the other estimates
- e) An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the Premium Allocation Approach (PAA), unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the Liability form Incurred Claims (LIC).

##### Contract boundary

The Scheme uses the concept of contract boundary to determine what cash flows should be considered in the measurement of insurance contracts. This assessment is reviewed during every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Scheme has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

- a. the Scheme has the practical ability to re-price the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks;
- b. both of the following criteria are satisfied:
  - the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria. Cash flows that are not directly attributable to a portfolio of insurance contracts, are recognised as administration and other operating expenses as incurred. The contract boundary for contracts issued by the Scheme does not exceed 12 months and consequently, the Scheme elected to apply the PAA. Each year the Scheme embarks on a process to review and amend the benefit options available to members and re-price them accordingly. As this happens annually, the contract boundary for the policy is 12 months.

## Accounting Policies

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### 1.6 Insurance Contracts – continued

#### Insurance acquisition costs

The Scheme includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are costs directly attributable to individual contracts and groups of contracts.

#### Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Scheme fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Scheme to the reinsurer.

Under IFRS 17, the risk adjustment reflects the compensation that an entity requires for bearing the uncertainty, with respect to the amount and timing of the cashflows that arise from non-financial risks. The Premium Allocation Approach (a simplified measurement approach adopted by the Scheme) requires the calculation for risk adjustment for liability for incurred claims. The method for its calculation is not prescribed by IFRS 17 and is therefore the choice of the insurance entity. However, the standard states that the risk adjustment must have the following characteristics:

- Risks with low frequency and high severity must result in a higher risk adjustment than risks with high frequency and low severity.
- For similar risks, insurance contracts with longer duration result in higher risk adjustment for non-financial risk than contracts with a shorter duration.
- Risks with a wider probability distribution, thus subject to more uncertainty, resulting in higher risk adjustments for non-financial risk than risks with a narrower distribution.
- This risk adjustment should reflect the risk that the Scheme is bearing for the uncertainty of timing, severity and number of reported cashflows. The risk adjustment compensates a medical scheme for bearing non-financial risks such as claims risk, and the risk of uncertainty with respect to the severity, frequency and timing of claims.
- The IFRS 17 risk adjustment excludes the allowance for other types of risks, such as:
  - Operational risk, the risk failure of internal systems, procedures or controls.
  - Regulatory risk, the introduction of new rules or legislation.
  - Financial risk such as adverse movements in interest rates, bad debts or the risk that the Scheme incurs losses from the inability to meet its liabilities.

Since insurance contracts will be grouped at a Scheme level for the Scheme, the risk adjustment for non-financial risk is calculated at an option level and aggregated to a Scheme level. The confidence level used in this technique is set at 75% to reflect the risk tolerance of the IBNR provision.

The Scheme chose to include the entire change in the risk adjustment for non-financial risk as part of the insurance service result in the statement of profit or loss.

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### Accounting Policies

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#### 1.6 Insurance Contracts – continued

##### **Initial and subsequent measurement - Groups of contracts measured under the PAA**

The Scheme elected to apply the PAA for measuring contracts since the contract boundary does not exceed 12 months.

The classification of medical schemes as mutual entities does not impact the extent of insurance cover/ insurance contract services to be provided by the medical scheme in terms of the member contracts and therefore the PAA is still applicable.

In applying the PAA, the medical scheme chose to recognise any insurance acquisition cash flows as expenses when it incurs those costs.

The Scheme measures the liability for incurred claims as the fulfilment of cash flows relating to incurred claims. The future cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.

##### **Liability for remaining coverage (LRC) and Liability for Incurred Claims (LIC)**

For insurance contracts issued, on initial recognition, the Scheme measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a) the LRC; and
- b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The LRC balance comprises of the PMSA component, liability for future members and loss component from onerous contracts.

The estimate of the future cash flows in terms of the liability for incurred claims is adjusted to reflect the compensation that the medical scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Scheme fulfils insurance contracts.

The Scheme presents insurance service expenses in profit or loss. Insurance service expenses comprise incurred claims (excluding repayments of investment components) and other incurred insurance service expenses.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a) the remaining coverage; and
- b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the General Measurement Model (GMM). Under the GMM at initial recognition, an entity measures a group of insurance contracts as the total of the fulfilment cash flows which comprise the estimated future cash flows, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows, and a risk adjustment for non-financial risk.

## Accounting Policies

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### 1.6 Insurance Contracts – continued

#### **Initial and subsequent measurement - Groups of contracts measured under the PAA – continued**

If a group of contracts becomes onerous, the Scheme increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses. Subsequently, the Scheme amortises the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Scheme remeasures the FCF by applying the GMM and reflects changes in the FCF by adjusting the loss component as required until the loss component is reduced to zero.

#### **Amounts recognised in comprehensive income**

##### **Insurance service result from insurance contracts issued**

###### **Insurance revenue**

As the Scheme provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the amount of expected premium receipts (excluding the PMSA) allocated to the period. The Scheme allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

For groups of insurance contracts measured under the PAA, the Scheme recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

###### **Insurance service expenses**

Insurance service expenses include the following:

- a) incurred claims and benefits excluding investment components;
- b) other incurred directly attributable insurance service expenses;
- c) amortisation of insurance acquisition cash flows;
- d) changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
- e) changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

##### **Insurance service result from reinsurance contracts held**

###### **Net income (expenses) from reinsurance contracts held**

The Scheme presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Scheme expects to pay in exchange for those services. For groups of reinsurance contracts held measured under the PAA, the Scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

## Accounting Policies

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### 1.6 Insurance Contracts – continued

#### **Managed healthcare expenditure**

Managed healthcare expenditure consists of expenses incurred for services rendered by managed healthcare providers. They are classified under insurance service expenses and included in the insurance services results.

### 1.7 Employee benefits

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of short-term incentive (bonus) payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

The Scheme participates in a defined contribution plan via a managed umbrella fund. The Scheme has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

### 1.8 Provisions and contingencies

Provisions are recognised when:

- a) the Scheme has a present obligation as a result of a past event;
- b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

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#### 1.8 Provisions and contingencies – continued

A constructive obligation to restructure arises only when an entity:

- a) has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- b) has raised a valid expectation in those affected that it would carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- c) the amount that would be recognised as a provision; and
- d) the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

#### 1.9 Road Accident Fund recoveries

Normally receivables are recognised once the medical scheme is notified of the amount to be paid over and the Road Accident Fund (RAF) has indicated that the claim is ready for payment because it is only at this time that the asset can be reliably measured. Receivables from the RAF should still be tested for possible impairment despite their notification of payment of the claim.

#### 1.10 Allocation of income and expenditure to benefit options

The following items are directly allocated to the benefit options:

- Risk contribution; Risk claims incurred; Net income/(expense) on risk transfer arrangement fees; Accredited managed healthcare services; and Broker fees.

The remaining items are apportioned based on the number of members on each option (or other suitable basis):

- Operating Administration expenses; Net impairment losses; Investment income; and Other income

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**Notes to the Financial Statements****2. New Standards and Interpretations****2.1 Standards and interpretations effective and adopted in the current year**

In the current year, the Scheme has adopted the following standards and interpretations that are effective for the current financial year and relevant to its operations:

<b>Standard. interpretation or amendment</b>	<b>Effective date</b>	<b>Expected impact</b>
Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards	1 January 2023	No impact
Classification of Liabilities as Current or Non-Current	1 January 2023	No impact
IFRS 17 Insurance Contracts	1 January 2023	Material impact
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Unlikely to have material impact
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Unlikely to have material impact
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	No impact
Initial Application of IFRS 17 and IFRS 9 —Comparative Information (Amendment to IFRS 17)	1 January 2023	Material impact
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) — other disclosure requirements	1 January 2023	No impact

**2.2 Standards and interpretations not yet effective**

The Scheme has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Scheme's accounting periods beginning on or after 1 January 2024 or later periods:

<b>Standard. interpretation or amendment</b>	<b>Effective date</b>	<b>Expected impact</b>
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) —Application of the exception and disclosure of that fact	1 May 2023	No impact
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024	Unlikely to have impact
Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024	Unlikely to have impact
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024	Unlikely to have material impact
Lack of Exchangeability (Amendments to IAS 21)	1 January 2025	Unlikely to have material impact

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**Notes to the Financial Statements****3. Property, plant and equipment**

	2023			2022		
	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying Value R'000
Furniture and fixtures	9 446	(9 301)	145	9 446	(8 666)	780
Motor vehicles	1 716	(1 716)	-	1 716	(1 716)	-
Office equipment	4 554	(4 428)	126	4 554	(4 307)	247
Leasehold improvements	9 449	(5 527)	3 922	9 449	(3 553)	5 896
<b>Total</b>	<b>25 165</b>	<b>(20 972)</b>	<b>4 193</b>	<b>25 165</b>	<b>(18 242)</b>	<b>6 923</b>

**Reconciliation of property, plant and equipment – 2023**

	Opening Balance R'000	Depreciation R'000	Total R'000
Furniture and fixtures	780	(635)	145
Office equipment	247	(121)	126
Leasehold improvements	5 896	(1 974)	3 922
	<b>6 923</b>	<b>(2 730)</b>	<b>4 193</b>

**Reconciliation of property, plant and equipment – 2022**

	Opening Balance R'000	Additions R'000	Depreciation R'000	Total R'000
Furniture and fixtures	2 015	97	(1 332)	780
Office equipment	408	20	(181)	247
Leasehold improvements	12	6 007	(123)	5 896
	<b>2 435</b>	<b>6 124</b>	<b>(1 636)</b>	<b>6 923</b>

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**Notes to the Financial Statements****4. Leases (Scheme as lessee)**

The Scheme leases several assets, including buildings, and IT equipment. The average lease term is 3 to 5 years.

The Scheme determined the estimated incremental borrowing rate using information obtained from the Scheme's banker, Nedbank. It obtained pricing for computer and office equipment, which was prime less 0.5%.

The Scheme used that rate for leased equipment and adjusted rate to prime less 1% for leased properties. Details pertaining to leasing arrangements, where the Scheme is lessee are presented below:

	2023			2022		
	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying Value R'000
Buildings	115 239	(97 544)	17 695	115 239	(92 439)	22 800
IT equipment	-	-	-	-	-	-
	<b>115 239</b>	<b>(97 544)</b>	<b>17 695</b>	<b>115 239</b>	<b>(92 439)</b>	<b>22 800</b>

**Net carrying amounts of right-of-use assets**

	2023 R'000	2022 R'000
Opening balance		22 800
Additions		-
Depreciation		(5 104)
	<b>17 696</b>	<b>22 800</b>

**The carrying amounts of right-of-use assets are as follows:**

	2023 R'000	2022 R'000
Buildings	17 695	22 800
IT equipment	-	-
	<b>17 695</b>	<b>22 800</b>

**Lease liabilities**

The reconciliation of lease liabilities is as follows:

Opening balance as at 1 January	23 271	20 205
Increase in lease liability - new lease	-	25 917
Lease payments	(6 374)	(26 006)
	16 897	20 116
Less finance charges component	3 413	3 155
	<b>20 310</b>	<b>23 271</b>
Non-current liabilities	15 602	17 540
Current liabilities	4 708	5 731
	<b>20 310</b>	<b>23 271</b>

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	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
<b>5. Investments at fair value</b>		
Investments held by the medical scheme which are measured at fair value, are as follows:		
Investments at fair value through profit or loss	1 490 851	1 676 665
Investments at fair value through other comprehensive income	1 263 856	1 220 774
	<b>2 754 707</b>	<b>2 897 439</b>
<b>Reconciliation of the Investment</b>		
Fair value at beginning of the year	2 897 439	2 716 099
Additions/re-investments	3 063 607	2 939 590
Disposals/Withdrawals	(3 442 907)	(2 914 260)
Re-investment of investment income	208 740	183 578
Investment management fees	(16 300)	(15 218)
Realised profit/(loss)		
Fair value of equity instruments	49 603	32 463
Fair value through profit or loss	16 602	9 841
Unrealised gains/(losses)		
Fair value through OCI (equity)	(30 158)	(21 439)
Fair value through profit or loss	8 083	(33 215)
	<b>2 754 709</b>	<b>2 897 439</b>
<b>Designated at fair value through profit or loss:</b>		
Allan Gray Life Limited	939 191	961 688
<i>Bonds, Property, Equities and Cash</i>		
Argon Asset Managers	549 157	457 028
<i>Bonds, Equities, Cash and Commodities</i>		
Stanlib Investments Managers	2 503	257 949
<i>Cash</i>		

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	2023 R'000	2022 R'000
<b>5. Investments at fair value – continued</b>		
<b>Equity investments at fair value through other comprehensive income:</b>		
Prudential Portfolio Managers	981 303	946 653
<i>Bonds, Property, Equities and Cash</i>		
Sanlam Investment Management	282 553	274 121
<i>Bonds, Equities and Cash</i>		
	<b>2 754 709</b>	<b>2 897 439</b>
<b>Split between non-current and current portions</b>		
Non-current assets	1 252 196	1 392 914
Current assets	1 502 511	1 504 525
	<b>2 754 707</b>	<b>2 897 439</b>
<p>The fair value of the investments is based on market value at year end.</p> <ol style="list-style-type: none"> <li>Listed equities are based on the JSE Ltd closing price.</li> <li>Debt instruments and money market instruments are based on the Bond Exchange of South Africa closing price.</li> <li>Unitised investments are measured at the repurchase price.</li> </ol> <p>The maximum exposure to credit risk at the reporting date is the fair value of debt securities classified as financial assets. All investments are denominated in South African Rands</p>		
<b>6. Other receivables</b>		
Other receivable	778	579
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	8	14
Bank balances	177 680	90 552
	<b>177 688</b>	<b>90 566</b>

The average effective interest rate on current accounts was 6.50% (2022: 3.35%). The carrying value of cash and cash equivalents is a reasonable approximation of their fair value due to their short-term maturities.

A portion of the cash and cash equivalents is encumbered as a guarantee to Investec Property Fund Ltd ("Landlord") and the Scheme entered into a lease agreement in respect of the premises situated at 192 Bram Fischer Drive, Ferndale, Randburg. In terms of the lease agreement, the Landlord requires that the Scheme furnishes the Landlord with a letter of guarantee in respect of the Scheme's rental obligation to the Landlord in terms of the Lease. The Scheme has furnished the Landlord with the required guarantee in the amount of R1 988 000.

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**Notes to the Financial Statements****8. Insurance Contract Liability**

	Liability for Remaining Coverage R'000	Personal Medical Savings Account Liability R'000	Liability for Incurred Claims R'000	Liability for present and future members R'000	Total R'000	Current portion R'000	Non-current portion R'000
<b>As at 31 December 2022</b>							
Insurance contract liabilities	(62 713)	(160 452)	(204 712)	-	<b>(427 877)</b>	(427 877)	-
Reinsurance contract liabilities	(1 574)	-	-	-	<b>(1 574)</b>	(1 574)	-
Insurance contract liabilities (note 10)	-	-	-	(2 479 658)	<b>(2 479 658)</b>	(14 165)	(2 465 493)
<b>As at 31 December 2023</b>							
Insurance contract liabilities	(42 851)	(129 434)	(224 126)	-	<b>(396 411)</b>	(396 411)	-
Reinsurance contract liabilities	(1 711)	-	-	-	<b>(1 711)</b>	(1 711)	-
Insurance contract liabilities (note 10)	-	-	-	(2 482 565)	<b>(2 482 565)</b>	(14 228)	(2 468 337)

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**Notes to the Financial Statements****9. Reconciliation of LRC and LIC****Insurance contracts issued****Reconciliation of the liability for remaining coverage and the liability for incurred claims Scheme 2023**

	LRC	LIC		Total R'000
	Non-loss component R'000	PVFCF R'000	Risk Adjustment R'000	
<b>Opening insurance contract liabilities</b>	<b>223 165</b>	<b>204 228</b>	<b>484</b>	<b>427 877</b>
<b>Insurance revenue</b>	<b>(3 692 968)</b>	-	-	<b>(3 692 968)</b>
<b>Insurance service expenses</b>	<b>3 809 252</b>	<b>225 000</b>	<b>61</b>	<b>4 034 313</b>
Incurred claims and other directly attributable expenses	3 808 835	-	-	3 808 835
Claims provision in respect of current year	-	225 000	-	225 000
Change in other insurance contract liabilities	417	-	-	417
Risk adjustment for non-financial risk on incurred claims	-	-	9 266	9 266
Release of Risk Adjustment in respect of current and prior year	-	-	(9 205)	(9 205)
PMSA Refunds and Write-offs	(40 720)	-	-	(40 720)
<b>Insurance service result</b>	<b>75 564</b>	<b>225 000</b>	<b>61</b>	<b>300 625</b>
PMSA Transfers in and out	1 690	-	-	1 690
<b>Total amounts recognised in comprehensive income</b>	<b>77 254</b>	<b>225 000</b>	<b>61</b>	<b>302 315</b>
<b>Cash flows</b>	<b>(128 134)</b>	<b>(205 646)</b>	-	<b>(333 780)</b>
Premiums received	3 766 856	-	-	3 766 856
Claims and other directly attributable expenses paid	(3 894 990)	(205 646)	-	(4 100 636)
<b>Net balance at the end of the year</b>	<b>172 285</b>	<b>223 582</b>	<b>545</b>	<b>396 412</b>

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**Notes to the Financial Statements****9. Reconciliation of LRC and LIC – continued****Insurance contracts issued****Reconciliation of the liability for remaining coverage and the liability for incurred claims Scheme 2022**

	LRC	LIC		Total R'000
	Non-loss component R'000	PVFCF R'000	Risk Adjustment R'000	
<b>Opening insurance contract liabilities</b>	<b>214 977</b>	<b>219 000</b>	<b>575</b>	<b>434 552</b>
<b>Insurance revenue</b>	<b>(3 671 213)</b>	-	-	<b>(3 671 213)</b>
<b>Insurance service expenses</b>	<b>3 509 799</b>	<b>200 596</b>	<b>(91)</b>	<b>3 710 304</b>
Incurred claims and other directly attributable expenses	3 505 241	-	-	3 505 241
Claims provision in respect of current year	-	200 596	-	200 596
Change in other insurance contract liabilities	4 558	-	-	4 558
Risk adjustment for non-financial risk on incurred claims	-	-	7 761	7 761
Release of Risk Adjustment in respect of current and prior year	-	-	(7 852)	(7 852)
PMSA Refunds and Write-offs	(5 757)	-	-	(5 757)
<b>Insurance service result</b>	<b>(167 171)</b>	<b>200 596</b>	<b>(91)</b>	<b>33 334</b>
PMSA Transfers in and out	495	-	-	495
<b>Total amounts recognised in comprehensive income</b>	<b>(166 676)</b>	<b>200 596</b>	<b>(91)</b>	<b>33 829</b>
<b>Cash flows</b>	<b>174 864</b>	<b>(215 368)</b>	-	<b>(40 504)</b>
Premiums received	3 750 891	-	-	3 750 891
Claims and other directly attributable expenses paid	(3 576 027)	(215 368)	-	(3 791 395)
<b>Net balance at the end of the year</b>	<b>223 165</b>	<b>204 228</b>	<b>484</b>	<b>427 877</b>

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**Notes to the Financial Statements****Reinsurance contracts held****Reconciliation of the remaining coverage and incurred claims**

	PVFCF	RA	RCC	Total
<b>2023</b>				
<b>Opening insurance contract liabilities</b>	-	-	1 574	1 574
<b>Net income (expenses) from reinsurance contracts held</b>	22 273	-	(17 650)	4 623
Reinsurance expenses		-	(17 650)	(17 650)
Claims recovered	22 273	-	-	22 273
<b>Total amounts recognised in comprehensive income</b>	22 273	-	(17 650)	4 623
<b>Cash flows</b>	-	-	(4 486)	(4 486)
Premiums paid	-	-	(4 486)	(4 486)
<b>Net balance at the end of the year</b>	22 273	-	(20 562)	1 711
<b>Closing insurance contract liabilities</b>	-	-	1 711	1 711
<b>2022</b>				
<b>Opening insurance contract liabilities</b>	-	-	2 370	2 370
<b>Net income (expenses) from reinsurance contracts held</b>	20 987	=	(17 238)	3 749
Reinsurance expenses	-	-	(17 238)	(17 238)
Claims recovered	20 987	-	-	20 987
<b>Total amounts recognised in comprehensive income</b>	20 987	-	(17 238)	3 749
<b>Cash flows</b>	-	-	(4 545)	(4 545)
Premiums paid	-	-	(4 545)	(4 545)
<b>Net balance at the end of the year</b>	20 987	-	(19 413)	1 574
<b>Closing insurance contract liabilities</b>	-	-	1 574	1 574

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**Notes to the Financial Statements**

<b>2023</b>	<b>2022</b>
<b>R '000</b>	<b>R '000</b>

**10. Liability for present and future members****Liability for present and future members**

Opening balance	2 479 658	2 349 910
Current year (deficit)/surplus amount attributable to future members	(47 180)	96 710
Realised gains/(loss) for equity instruments fair valued through OCI	49 603	32 463
Release of risk adjustment in respect of prior year	484	575
	<b>2 482 565</b>	<b>2 479 658</b>

**Liability for present and future members**

Non-Current portion	2 468 337	2 465 493
Current portion	14 228	14 165
	<b>2 482 565</b>	<b>2 479 658</b>

**11. Trade and other payables****Financial instruments:**

Other payables	297	511
Accrued leave pay	5 198	5 792
Accrued bonus and other staff costs	31 876	31 081
Accrued expense Strategic projects	6 175	17 618
Accrued expense for legal and consulting fees	11	7 450
Unallocated deposits	2 714	18 317
Accrued audit fees	7 794	5 158
	<b>54 064</b>	<b>85 927</b>

**12. Insurance revenue and expenses****Insurance Revenue and insurance service result**

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by product line for 2023 and 2022 is included in the following tables. Additional information on amounts recognised in profit or loss and OCI is included in the insurance contract balances reconciliations above in notes 9.

**Insurance revenue**

Insurance revenue for contracts measured under PAA	3 767 055	3 748 289
Less: contribution premium from PMSA members	(74 087)	(77 076)
	<b>3 692 968</b>	<b>3 671 213</b>

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	<b>2023</b>	<b>2022</b>
	<b>R '000</b>	<b>R '000</b>
<b>12. Insurance revenue and expenses – continued</b>		
<b>Insurance Revenue and insurance service result</b>		
<b>Insurance services expenses</b>		
Claims incurred	3 517 644	3 240 414
Insurance acquisition cashflows (broker fees)	78 176	76 790
Third party claims recoveries	(1 635)	(3 248)
Accredited managed healthcare services (no risk transfer)	50 704	57 511
Attributable expenses incurred	226 259	193 151
Amounts attributable to future members	(47 180)	96 710
	<b>3 823 968</b>	<b>3 661 328</b>
<b>Net income from reinsurance contracts</b>		
Amounts recovered from risk transfer arrangement/reinsurance	22 273	20 987
An allocation of premiums paid	(17 650)	(17 238)
	<b>4 623</b>	<b>3 749</b>
<p>The recovery in respect of Netcare 911 contract is based on the total costs incurred by them in respect of services rendered to the Scheme. Services include emergency telephonic assistance via health-on-line emergency response by road or air ambulance to the scene of the accident as well as transfer of the beneficiary by road or air to the most appropriate medical facility.</p>		
<b>13. Investment income and insurance finance expenses</b>		
An analysis of net investment income is presented below:		
<b>Investment Income</b>		
Interest on financial assets	169 095	135 007
Interest on cash and cash equivalents	4 363	2 224
Dividend income	39 645	48 570
	<b>213 103</b>	<b>185 801</b>
<b>14. Other operating income</b>		
Fraud recoveries	5 006	5 585
Savings written back*	34 124	(936)
Other income	333	450
	<b>39 463</b>	<b>5 099</b>

\*The savings written back represents the amount of savings that prescribed due to not being claimed by members who left the Scheme. The prescription period per the Regulation is 3-years.

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**Notes to the Financial Statements**

	<b>2023</b>	<b>2022</b>
	<b>R '000</b>	<b>R '000</b>
<b>15. Administration and other operating expenses</b>		
Marketing fees	23 866	23 949
Auditors' remuneration - external auditors	3 529	3 353
Auditors' remuneration - internal audit	3 336	3 249
Bad debts	2 178	557
Bank charges	2 492	2 365
Consulting fees	(3 659)	2 187
Legal & inspection fees	1 470	10 344
Depreciation	7 834	20 912
Trustee remuneration fees	6 683	6 685
Regional office infrastructure, facilities and support	698	670
Rentals of office equipment	723	916
Council for Medical Schemes	3 332	3 285
Board of Healthcare Funders membership fees	1 140	1 125
Strategic projects cost	(2 183)	15 216
Forensic services fees	4 263	4 181
Other expenses	274	183
Conference expenses	435	402
White boxing expenses	-	5 725
Insurance	917	951
Office rent	6 098	2 262
Motor vehicle expenses	1 284	1 298
Asset management fees	18 908	17 845
Recruitment costs	2 559	1 153
Postage	4 437	4 268
Printing and stationery	383	1 301
Distribution costs	14 991	11 848
Subscriptions	252	359
Telephone and fax	3 305	3 471
Training	2 340	2 674
Travel & Entertainment	5 418	3 832
	<b>117 303</b>	<b>156 566</b>

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**Notes to the Financial Statements****16. Provision for impairments of insurance contract assets****31 December 2023**

	<b>Private Members R'000</b>	<b>Employer Groups R'000</b>	<b>Savings R'000</b>	<b>Members Portion R'000</b>	<b>Provider Debtors R'000</b>	<b>Total R'000</b>
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**31 December 2023**

Opening balance	(5 424)	(10 712)	(12)	(933)	(3 299)	(20 380)
Net provisions (raised) during the year						
- Additional provisions made during the year	(562)	(1 110)	(22)	(42)	(442)	(2 178)
	<b>(5 986)</b>	<b>(11 822)</b>	<b>(34)</b>	<b>(975)</b>	<b>(3 741)</b>	<b>(22 558)</b>

**31 December 2022**

Opening balance	(4 589)	(10 335)	(152)	(1 733)	(3 014)	(19 823)
Net provisions reversed/(raised) during the year	(835)	(377)	140	800	(285)	(557)
Additional provisions made during the year	3 048)	(1 373)	(222)	(143)	(373)	(5 159)
Unused amounts reversed during the period	2 213	996	362	943	88	4 602
Net (impairment losses)/recoveries on insurance contract assets	<b>(5 424)</b>	<b>(10 712)</b>	<b>(12)</b>	<b>(933)</b>	<b>(3 299)</b>	<b>(20 380)</b>

**17. Other comprehensive income**

	<b>Gross R'000</b>	<b>Tax R'000</b>	<b>Net R'000</b>
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**Components of other comprehensive income 2023**

Items that will not be reclassified to profit/(loss)

Movements on fair value hedge of investments in equity instruments at fair value through other comprehensive income

Gains/(losses) on fair value hedge	(30 158)		(30 158)
	<b>(30 158)</b>		<b>(30 158)</b>

**Components of other comprehensive income 2022**

Items that will not be reclassified to profit/(loss)

Movements on fair value hedge of investments in equity instruments at fair value through other comprehensive income

Gains/(losses) on fair value hedge	(21 439)		(21 439)
	<b>(21 439)</b>		<b>(21 439)</b>

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**Notes to the Financial Statements****18. First-time adoption of International Financial Reporting Standards**

The Scheme has applied IFRS 17, First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. On principle these standards have been applied retrospectively and the 2022 comparatives contained in these financial statements differ from those published in the financial statements published for the year ended 31 December 2023.

The date of transition was 1 January 2023 and the effect of the transition was as follows.

	Note	As reported under IFRS4 R '000	Effects of transition to IFRS 17 R '000	Revised 31 Dec figures R '000
<b>Reconciliation of equity at 31 December 2022</b>				
Other receivables	6	27 695	(27 116)	579
<b>Total Assets</b>		<b>27 695</b>	<b>(27 116)</b>	<b>579</b>
Liabilities for future members	10	-	2 479 658	2 479 658
Insurance contract liabilities	8	-	427 877	427 877
Outstanding claims provision	9	204 230	(204 230)	-
Personal medical savings account trust liability	8	160 452	(160 452)	-
Trade and other payables	11	177 330	(91 403)	85 927
Reinsurance contract liabilities	8	-	1 574	1 574
<b>Total liabilities</b>		<b>542 012</b>	<b>2 453 024</b>	<b>2 995 036</b>
<b>Total assets less total liabilities</b>		<b>(514 317)</b>	<b>(2 480 140)</b>	<b>(2 994 457)</b>
Accumulated funds		2 382 180	(2 382 180)	-
Fair value through OCI reserve (equity)		97 960	(97 960)	-
<b>Total</b>		<b>2 480 140</b>	<b>(2 480 140)</b>	<b>-</b>
<b>Reconciliation of equity at 31 December 2021</b>				
Other receivables	6	24 732	(24 732)	-
<b>Total Assets</b>		<b>24 732</b>	<b>(24 732)</b>	<b>-</b>
Liability for future members		-	2 349 908	2 349 908
Insurance contract liabilities		-	434 552	434 552
Outstanding claims provision		219 000	(219 000)	-
Personal medical savings account trust liability		159 507	(159 507)	-
Trade and other payables		165 244	(82 571)	82 674
Reinsurance contract liabilities		-	2 370	2 370
<b>Total liabilities</b>		<b>543 751</b>	<b>2 325 752</b>	<b>2 869 504</b>
<b>Total assets less total liabilities</b>		<b>(519 019)</b>	<b>(2 350 484)</b>	<b>(2 869 504)</b>
Accumulated Funds		2 231 085	(2 231 085)	-
Fair value through OCI reserve (equity)		119 399	(119 399)	-
<b>Total</b>		<b>2 350 484</b>	<b>(2 350 484)</b>	<b>-</b>

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**Notes to the Financial Statements****19. Surplus/(deficit) from operations per benefit option**

31 December 2023	MediPlus Prime R'000	MediPlus Compact R'000	MediValue Prime R'000	MediValue Compact R'000	MediBonus R'000	MediPhila R'000
Number of members	14 353	851	27 411	6 275	1 861	10 320
Net contribution income	1 081 112	59 068	1 212 629	256 662	217 330	293 329
Net claims incurred & net income/ (expense) from risk transfer arrangements	(727 445)	(43 131)	(1 389 256)	(318 032)	(94 320)	(523 043)
<b>Gross healthcare result</b>	<b>353 667</b>	<b>15 937</b>	<b>(176 627)</b>	<b>(61 370)</b>	<b>123 010</b>	<b>(229 714)</b>
Broker service fees	(19 786)	(1 114)	(31 044)	(6 655)	(2 553)	(8 459)
Administration expenditure	(70 830)	(4 077)	(131 806)	(28 934)	(9 142)	(47 650)
Net impairment (losses) on healthcare receivables	1 944	16	47	(308)	3 497	(495)
<b>Net healthcare result</b>	<b>264 995</b>	<b>10 762</b>	<b>(339 430)</b>	<b>(97 267)</b>	<b>114 812</b>	<b>(286 318)</b>
Investment income	43 906	2 603	83 851	19 195	5 693	31 569
Sundry income	8 131	482	15 528	3 555	1 054	5 846
<b>Surplus/(deficit) for the year</b>	<b>317 032</b>	<b>13 847</b>	<b>(240 051)</b>	<b>(74 517)</b>	<b>121 559</b>	<b>(248 903)</b>

31 December 2023	MediCore R'000	MediSaver R'000	Premium Plus R'000	MediCurve R'000	MediSwift R'000	Total R'000
Number of members	2 821	3 737	1 318	674	43	69 664
Net contribution income	184 420	240 250	132 699	13 899	1 572	3 692 970
Net claims incurred & net income/ (expense) from risk transfer arrangements	(142 975)	(189 400)	(66 799)	(34 160)	(2 179)	(3 530 740)
<b>Gross healthcare result</b>	<b>41 445</b>	<b>50 850</b>	<b>65 900</b>	<b>(20 261)</b>	<b>(607)</b>	<b>162 230</b>
Broker service fees	(2 752)	(4 170)	(1 217)	(395)	(31)	(78 176)
Administration expenditure	(13 842)	(18 409)	(6 501)	(2 909)	(188)	(334 288)
Net impairment (losses) on healthcare receivables	380	17 039	5 732	(14)	(12)	27 826
<b>Net healthcare result</b>	<b>25 231</b>	<b>45 310</b>	<b>63 914</b>	<b>(23 579)</b>	<b>(838)</b>	<b>(222 408)</b>
Investment income	8 629	11 432	4 031	2 062	132	213 103
Sundry income	1 598	2 116	747	382	24	39 463
<b>Surplus/(deficit) for the year</b>	<b>35 458</b>	<b>58 858</b>	<b>68 692</b>	<b>(21 135)</b>	<b>(682)</b>	<b>30 158</b>

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**Notes to the Financial Statements****19. Surplus/(deficit) from operations per benefit option – continued**

<b>31 December 2022</b>	<b>MediPlus Prime R'000</b>	<b>MediPlus Compact R'000</b>	<b>MediValue Prime R'000</b>	<b>MediValue Compact R'000</b>	<b>MediBonus R'000</b>	<b>MediPhila R'000</b>
Number of members	15 946	726	28 020	5 565	2 086	10 154
Net contribution income	1 129 082	47 945	1 179 434	215 128	229 709	271 320
Net claims incurred & net income/ (expense) from risk transfer arrangements	(1 001 458)	(56 977)	(993 992)	(193 288)	(226 422)	(222 750)
<b>Gross healthcare result</b>	<b>127 624</b>	<b>(9 032)</b>	<b>185 442</b>	<b>21 840</b>	<b>3 287</b>	<b>48 570</b>
Broker service fees	(20 804)	(919)	(30 036)	(5 575)	(2 744)	(7 878)
Administration expenditure	(77 635)	(3 425)	(134 008)	(25 440)	(10 206)	(46 300)
Net impairment (losses) on healthcare receivables	(269)	(66)	(1 184)	(539)	259	(543)
<b>Net healthcare result</b>	<b>28 916</b>	<b>(13 442)</b>	<b>20 214</b>	<b>(9 714)</b>	<b>(9 404)</b>	<b>(6 151)</b>
Investment income	42 075	1 856	72 645	13 814	5 537	25 157
Sundry income	2 243	70	3 172	131	32	120
Realised profit/(loss) - through P&L	2 228	98	3 848	732	293	1 332
Unrealised profit/(loss) - through P&L	(7 552)	(332)	(12 986)	(2 469)	(990)	(4 497)
Asset management fees	(4 041)	(178)	(6 977)	(1 327)	(532)	(2 416)
Finance expense	(791)	(35)	(1 366)	(260)	(104)	(134)
<b>Surplus/(deficit) for the year</b>	<b>63 078</b>	<b>(11 963)</b>	<b>78 550</b>	<b>907</b>	<b>(5 168)</b>	<b>13 411</b>

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**Notes to the Financial Statements****19. Surplus/(deficit) from operations per benefit option – continued**

<b>31 December 2022</b>	<b>MediCore</b>	<b>MediSaver</b>	<b>Premium Plus</b>	<b>MediCurve</b>	<b>MediSwift</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Number of members	3 235	4 110	1 476	582	17	71 917
Net contribution income	198 930	249 575	138 494	11 449	148	3 671 214
Net claims incurred & net income/ (expense) from risk transfer arrangements	(175 278)	(247 936)	(148 568)	(12 541)	(51)	(3 279 261)
<b>Gross healthcare result</b>	<b>23 652</b>	<b>1 639</b>	<b>(10 074)</b>	<b>(1 092)</b>	<b>97</b>	<b>391 953</b>
Broker service fees	(2 951)	(4 259)	(1 284)	(338)	(3)	(76 791)
Administration expenditure	(15 648)	(20 042)	(7 191)	(2 555)	(47)	(342 497)
Net impairment (losses) on healthcare receivables	30	192	674	(47)	-	(1 493)
<b>Net healthcare result</b>	<b>5 083</b>	<b>(22 470)</b>	<b>(17 875)</b>	<b>(4 032)</b>	<b>47</b>	<b>(28 828)</b>
Investment income	8 552	10 862	3 896	1 393	16	185 803
Sundry income	35	209	29	(5)	-	6 036
Realised profit/(loss) - through P&L	453	575	206	74	1	9 840
Unrealised profit/(loss) - through P&L	(1 529)	(1 942)	(696)	(249)	(3)	(33 245)
Asset management fees	(821)	(1 043)	(374)	(134)	(2)	(17 845)
Finance Expense	(161)	(204)	(73)	(26)	-	(3 154)
<b>Surplus/(deficit) for the year</b>	<b>11 612</b>	<b>(14 013)</b>	<b>(14 887)</b>	<b>(2 979)</b>	<b>59</b>	<b>190 524</b>

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**Notes to the Financial Statements****20. Contingent assets**

No.	Litigation Matter	Description of Action	Contingent Status
1	Medshield / Penny Moiloa	Medshield instituted an action to recover R 261 484.75 (Inclusive of interest) regarded as unduly paid to former trustees of the Scheme, the Respondent in this matter. An Arbitration Award was issued in favour of the Scheme, with costs and the Award was made an Order of Court, in order to pursue the funds owing to the Scheme. The Scheme has instituted the recovery process.	Asset
2	Medshield/Neels Barendrecht and 4 others	This is an action in terms of Section 424 of the Companies Act against the former directors of Calabash Health Solutions (Pty) Ltd to hold them personally liable for the debts of the entity to the value of R 46 209 104.63. The Scheme is engaged in a court process to recover these debts.	Asset
3	Medshield/ Calabash Health Solution (In liquidation) – claim against liquidators of Calabash	Action has been instituted against Calabash Health Solutions (Pty) Ltd (In liquidation) regarding the recovery of the amount of R46.2m relating to claims paid by the Scheme as a result of Calabash’s breach of a capitation agreement.	Asset
4	Medshield/ Bletchley Park and Medshield Distribution Services	The Scheme has brought an action against both Bletchley Park and Medshield Distribution Services, for the recovery of “research fees” that were paid to Brokers through the two entities, totalling the amount of R27 666 500.18.	Asset
5	SASP Commercial Affair (Pty) Ltd/ Medshield and 82 others	South African Society for Physiotherapists issued a legal review in October 2021 seeking to have Section 59(3) of the Medical Schemes Act declared unconstitutionally invalid and to be set aside. The Application is being opposed by the Scheme on the grounds of constitutional validity. This is a Constitutional matter and no value is being claimed or defended.	None – no value claimed
6	Medshield/Alumni Trading 264 (Pty) Ltd (issued under the names of the joint liquidators of Alumni, Anneke Barnard and Oscar Sithole as the applicants)	The Scheme purchased the name and trademark, Medshield, from Alumni Trading for R10 million. Alumni failed to transfer the trademarks to the Scheme and consequently the Scheme instituted proceedings to liquidate Alumni Trading, over and above attempts to have the agreement set aside and the money paid recovered. The first respondent made a settlement offer of R 1 million which was accepted, and the money was paid into the trust account of Lawton attorneys. The matter is proceeding against the remaining respondents.	Asset

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Financial Statements for the year ended 31 December 2023

### **Notes to the Financial Statements**

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#### **21. Estimates and assumptions**

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results.

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below together with information about the basis of calculation for each affected line item in the consolidated financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability weighted mean of a full range of scenarios.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 22.

#### **22. Insurance risk management**

##### **Nature and extent of risks arising from insurance contract**

The Scheme issues contracts that transfer risk to the Scheme from the members. This section summarizes these risks and the way the Scheme manages them.

##### **Insurance risk - description of benefit options**

The types of benefits offered by the Scheme in return for monthly contributions are a mix of traditional and savings options as indicated below:

In-hospital benefits cover all costs incurred by members, up to the member's benefit limit, whilst they are in hospital to receive pre-authorized and pre-authorized treatment for certain medical care.

Chronic benefits provide cover to members limited to their specific options as prescribed by the chronic disease list. When limits have been reached, additional benefits per option as registered by the CMS are made available to members and will be paid in accordance with Scheme rules.

Day-to-day benefits cover the cost (up to Scheme scheme-approved tariff) of all out-of-hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.

The MediSaver and Premium Plus options include a savings benefit to cover day-to-day costs.

The above benefits are extended to the principal member and their dependents based on their elected benefit option.

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**Notes to the Financial Statements****22. Insurance risk management** – continued**Risk management objectives and policies for mitigating insurance risk**

The primary insurance activity carried out by the Scheme assumes the cost of healthcare provision to members and their dependents. The risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contracts. The Scheme also has exposure to market risk through its insurance and investment activities. The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, case management and service provider profiling.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are random by nature and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Medical Scheme regulations do not permit the selection of risk by explicit risk rating, e.g. rating by age or medical health. The structuring of options enables the Scheme to attract and discourage certain risk. However, all options must contain PMBs.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, location and demographics of members covered.

**Insurance risk - Demographic Analysis**

	2022			2023		
	Number of Beneficiaries	Male R'000	Female R'000	Number of Beneficiaries	Male R'000	Female R'000
< 25	49 287	205 921	201 056	46 571	230 966	225 515
26 - 35	17 113	76 573	187 644	16 034	71 705	206 000
36 - 54	40 628	227 216	310 616	38 858	275 623	378 394
55 - 65	17 203	359 073	427 735	16 518	382 355	476 701
>65	19 107	479 507	598 956	18 922	549 323	735 270
	<b>143 338</b>	<b>1 348 290</b>	<b>1 726 007</b>	<b>136 903</b>	<b>1 509 972</b>	<b>2 021 880</b>
	<b>143 338</b>	<b>1 348 290</b>	<b>1 726 007</b>	<b>136 903</b>	<b>1 509 972</b>	<b>2 021 880</b>
Grand Total	3 074 297		3 074 297	3 531 852		3 531 852
Males	44%		44%	43%		43%
Females	56%		56%	57%		57%

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**Notes to the Financial Statements****22. Insurance risk management – continued****Concentration of risks**

The following tables summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, as determined by the service date of the claim, in relation to type of benefit provided, and by age group:

	<b>General Practitioners</b>	<b>Specialists</b>	<b>Dentistry</b>	<b>Optometry</b>	<b>Medicines</b>	<b>Hospital</b>	<b>Other</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>

**31 December 2022**

< 26 Gross claims	39 283	56 579	22 655	7 022	49 616	172 021	76 985	424 161
Net claims	36 729	55 480	19 479	5 338	45 309	171 600	73 041	406 976
26-35 Gross claims	25 423	41 224	10 035	4 813	28 219	102 501	56 372	268 587
Net claims	24 944	40 888	9 512	4 329	27 267	102 379	54 897	264 216
36-54 Gross claims	39 965	74 988	18 230	13 735	86 529	180 674	141 281	555 402
Net claims	38 112	73 830	16 129	11 499	81 732	180 264	136 265	537 831
55-65 Gross claims	36 055	122 172	18 967	16 725	115 780	307 037	208 480	825 216
Net claims	32 293	119 250	15 027	11 162	104 949	306 382	197 746	786 809
>65 Gross claims	26 903	201 679	16 009	8 951	126 653	534 235	273 066	1 187 496
Net claims	20 849	194 772	9 913	3 673	102 112	532 814	214 331	1 078 464
<b>Gross claims</b>	<b>167 629</b>	<b>496 642</b>	<b>85 896</b>	<b>55 575</b>	<b>406 797</b>	<b>1 296 468</b>	<b>756 184</b>	<b>3 265 191</b>
<b>Net claims</b>	<b>152 927</b>	<b>484 220</b>	<b>70 060</b>	<b>36 001</b>	<b>361 369</b>	<b>1 293 439</b>	<b>676 280</b>	<b>3 004 236</b>

**31 December 2023**

< 26 Gross claims	38 773	60 254	22 072	6 779	50 337	198 699	79 567	456 481
Net claims	36 581	59 347	19 459	5 562	46 523	198 215	75 604	441 291
26-35 Gross claims	29 757	220 962	16 444	9 621	128 389	586 009	293 412	1 284 594
Net claims	23 658	214 137	10 587	4 874	106 197	584 638	269 256	1 213 347
36-54 Gross claims	25 150	42 123	9 635	4 719	27 731	109 822	58 526	277 706
Net claims	24 676	41 822	9 171	4 304	26 714	109 666	56 961	273 314
55-65 Gross claims	41 980	85 465	18 133	13 867	82 438	258 872	153 263	654 018
Net claims	40 518	84 461	16 486	12 100	78 716	224 092	148 619	604 992
>65 Gross claims	36 571	130 279	19 148	17 373	110 522	333 371	211 791	859 055
Net claims	33 061	127 352	15 051	11 883	100 835	332 957	201 180	822 319
<b>Gross claims</b>	<b>172 231</b>	<b>539 083</b>	<b>85 432</b>	<b>52 359</b>	<b>399 417</b>	<b>1 486 773</b>	<b>796 559</b>	<b>3 531 854</b>
<b>Net claims</b>	<b>158 494</b>	<b>527 119</b>	<b>70 754</b>	<b>38 723</b>	<b>358 986</b>	<b>1 449 568</b>	<b>751 620</b>	<b>3 355 264</b>

Gross claims are made up of claims submitted by service providers or members and include members' portion amounts. Net claims are claims settled in accordance with the rules of the Scheme.

Classification of "other" includes radiology, pathology, physiotherapy and associated health services based on the extract of claims from the operating system, Nexus, used by the Scheme in 2022 and 2023.

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**Notes to the Financial Statements****22. Insurance risk management – continued****Frequency and severity of claims**

For insurance contracts issued, climatic and seasonal changes, as well as the spread of pandemics give rise to more frequent and severe claims.

**Sources of uncertainty in the estimation of future claim payments**

The Scheme frequently reprices its products to ensure that the necessary surplus is maintained relative to the risk exposure. It is relatively easy to assess the future claims payments since a large majority of claims are lodged soon after year-end before the four- month expiration of claims period comes into effect.

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The strategy is set out in the annual business plan, which specifies the benefits to be provided by each option, the preferred target market and demographic split thereof. The Scheme has the right to change the terms and conditions of the contracts at renewal. Management information including contribution income and claims management information including claims ratio by option and target market demographic split, is reviewed monthly.

The main risks addressed by the Scheme in determining the contribution rates and benefits of the Scheme's different options are summarised below:

**23. Financial instruments and risk management****Categories of financial instruments****Categories of financial assets**

	<b>Note(s)</b>	<b>Fair value through other comprehensive income R'000</b>	<b>Fair value through profit or loss - Designated R'000</b>	<b>Amortised Cost R'000</b>	<b>Total R'000</b>	<b>Fair value R'000</b>
<b>2023</b>						
Investments at fair value	5	1 263 856	1 490 851	-	<b>2 754 707</b>	2 754 707
Other receivables	6	-	-	778	<b>778</b>	778
Cash and cash equivalents	7	-	-	177 698	<b>177 698</b>	177 698
		<b>1 263 856</b>	<b>1 490 851</b>	<b>178 476</b>	<b>2 933 183</b>	<b>2 933 183</b>
<b>2022</b>						
Investments at fair value	5	1 220 774	1 676 665	-	<b>2 897 439</b>	2 897 439
Other receivables	6	-	-	579	<b>579</b>	579
Cash and cash equivalents	7	-	-	103 206	<b>103 206</b>	103 206
		<b>1 220 774</b>	<b>1 676 665</b>	<b>103 785</b>	<b>3 001 224</b>	<b>3 001 224</b>

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**Notes to the Financial Statements****23. Financial instruments and risk management – continued****Categories of financial instruments****Categories of financial liabilities**

	<b>Note(s)</b>	<b>Amortised cost R '000</b>	<b>Leases R '000</b>	<b>Total R '000</b>	<b>Fair value R '000</b>
<b>2023</b>					
Trade and other payables	11	54 065	-	54 065	54 065
Finance lease obligations	4	-	20 310	20 310	20 310
		<b>54 065</b>	<b>20 310</b>	<b>74 375</b>	<b>74 375</b>
<b>2022</b>					
Trade and other payables	11	85 927	-	85 927	85 927
Finance lease obligations	4	-	23 271	23 271	23 271
		<b>85 927</b>	<b>23 271</b>	<b>109 198</b>	<b>109 198</b>

**Pre-tax gains and losses on financial instruments****Gains and losses on financial liabilities**

	<b>Leases R'000</b>	<b>Total R'000</b>
<b>2023</b>		
<b>Recognised in profit or loss:</b>		
Finance costs	(3 413)	<b>(3 413)</b>
<b>2022</b>		
<b>Recognised in profit or loss:</b>		
Finance costs	(3 155)	<b>(3 155)</b>

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Financial Statements for the year ended 31 December 2023

### Notes to the Financial Statements

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#### 23. Financial instruments and risk management – continued

##### Financial risk management

###### Overview

The Scheme is exposed to the following risks from its use of financial instruments:

- a) Credit risk;
- b) Liquidity risk; and
- c) Market risk (currency risk, interest rate risk and price risk).

The BOT has overall responsibility for the establishment and oversight of the Scheme's risk management framework and has established the ARC committee, which is responsible for monitoring the Scheme's risk management policies. The Committee reports quarterly to the BOT on its activities.

The Scheme's risk management policies are established to identify and analyse the risks faced by the Scheme, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The ARC committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme. The ARC committee is assisted in its oversight role by internal audit which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARC Committee.

###### Credit risk

Credit risk is the risk of financial loss to the Scheme if a customer or counterpart to a financial instrument fails to meet its contractual obligations.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Scheme only deals with reputable counterparts with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterpart is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterpart as well as external bureau data (where available). Counterpart credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparts is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Scheme through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

For receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other receivables, and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management has chosen, as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for receivables, contract assets or lease receivables.

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**Notes to the Financial Statements****23. Financial instruments and risk management – continued****Financial risk management – continued****Credit risk – continued**

The Scheme's exposure to credit risk is limited to direct paying members. This risk is managed by adhering to the requirements of Section 26(7) of the MSA, that is actively pursuing all contributions not received within three days of becoming due resulting in the suspension of benefits for all members where contributions have not been received and terminating membership for all members where contributions have not been received within 60 days. The credit risk is considered when the expected contribution premium is calculated. As at year end, the Scheme was in a net Insurance Contract Liability position.

The Scheme has one reinsurance contract with Netcare 911 which has a GCR credit rating of AA- for long-term credit and A1+ for short-term credit.

The maximum exposure to credit risk is presented in the table below:

		2023			2022		
		Gross carrying amount	Credit loss Allowance	Amortised cost / fair value	Gross carrying amount	Credit loss Allowance	Amortised cost / fair value
		R'000	R'000	R'000	R'000	R'000	R'000
Investments at fair value through profit or loss	5	1 490 851	-	1 490 851	1 676 665	-	1 676 665
Other receivables	6	52 438	(51 660)	778	52 239	(51 660)	579
Cash and cash equivalents	7	177 698	-	177 698	103 206	-	103 206
		<b>1 720 987</b>	<b>(51 660)</b>	<b>1 669 327</b>	<b>1 832 110</b>	<b>(51 660)</b>	<b>1 780 450</b>

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented, are only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

**Liquidity risk**

The Scheme is exposed to liquidity risk, which is the risk that the Scheme will encounter difficulties in meeting its obligations as they become due. The risk mainly faced by the Scheme is the need to settle PMSA balances of members leaving the Scheme, which become due four (4) months after the member has left and is payable on demand.

The Scheme controls its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The Scheme has insurance contract liabilities, which according to IFRS 17 will pose a liquidity risk. The current solvency ratio of the Scheme puts it in a sound financial position and thus the liquidity risk is minimal. The amount of liability is what the Scheme will have to cover in case of liquidity issues which has already been provided for in the amount disclosed as a liability for present and future members.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

## Notes to the Financial Statements

### 23. Financial instruments and risk management – continued

#### Financial risk management – continued

#### Liquidity risk – continued

	Less than 1 year	1 to 2 years	Total	Carrying amount
	R'000	R'000	R'000	R'000
<b>2023</b>				
<b>Non-current liabilities</b>				
Lease liabilities	-	15 602	<b>15 602</b>	15 602
Liability for future members	-	2 468 337	<b>2 468 337</b>	2 468 337
<b>Current liabilities</b>				
Trade and other payables	54 065	-	<b>54 065</b>	54 065
Lease liabilities	4 708	-	<b>4 708</b>	4 708
Insurance contract liabilities	396 411	-	<b>396 411</b>	396 411
Reinsurance contract liabilities	1 711	-	<b>1 711</b>	1 711
Liability for future members	14 228	-	<b>14 228</b>	14 228
	<b>471 123</b>	<b>2 483 939</b>	<b>2 955 062</b>	<b>2 955 062</b>
<b>2022</b>				
<b>Non-current liabilities</b>				
Lease liabilities	-	17 540	<b>17 540</b>	17 540
Liability for future members	-	2 465 493	<b>2 465 493</b>	2 465 493
<b>Current liabilities</b>				
Trade and other payables	85 928	-	<b>85 928</b>	85 927
Lease liabilities	5 731	-	<b>5 731</b>	5 731
Insurance contract liabilities	427 877	-	<b>427 877</b>	427 877
Reinsurance contract liabilities	1 574	-	<b>1 574</b>	1 574
Liability for future members	14 165	-	<b>14 165</b>	14 165
	<b>535 275</b>	<b>2 483 033</b>	<b>3 018 308</b>	<b>3 018 307</b>

**MEDSHIELD MEDICAL SCHEME**

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Financial Statements for the year ended 31 December 2023

**Notes to the Financial Statements****23. Financial instruments and risk management – continued****Financial risk management – continued****Liquidity risk – continued**

The maturity profile of contractual cash flows of derivative financial liabilities are as follows:

**Interest rate risk**

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk. The Scheme policy with regards to financial assets, is to invest cash at floating rates of interest and to hold cash reserves in short-term investments to maintain liquidity, while also achieving a satisfactory return for members.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

**Price risk**

The Scheme is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio, and the use of asset managers. The Scheme is not exposed to commodity price risk.

There have been no significant changes in the price risk management policies and processes since the prior reporting period.

**Options****Price risk sensitivity analysis**

The following sensitivity analysis has been prepared using a sensitivity rate which is used when price risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant prices. All other variables remain constant. The sensitivity analysis includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	PVFCF R '000	RA R '000	LIC R '000	% Change in LIC
<b>2023 Scenario</b>				
Base Scenario	225 000	9 266	234 266	-
10% Increase	247 500	9 266	256 766	9,6%
10% Decrease	202 500	9 266	211 766	-9,6%
<b>2022 Scenario</b>				
Base Scenario	203 154	7 761	210 915	-
10% Increase	223 469	7 761	231 230	9,6%
10% Decrease	182 839	7 761	190 599	-9,6%

**MEDSHIELD MEDICAL SCHEME**

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Financial Statements for the year ended 31 December 2023

**Notes to the Financial Statements**

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**23. Financial instruments and risk management – continued**

**Financial risk management – continued**

**Price risk – continued**

**Price risk sensitivity analysis – continued**

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
<b>Sensitivity Analysis on Insurance Contract Liabilities</b>		
Insurance Contract Liability	396 411	427 877
1% Increase in interest rates (7,50% in 2023; 4.35% in 2022)	457 397	555 601
1% Decrease in interest rates (5,50% in 2023; 2.35% in 2022)	335 425	300 153

**MEDSHIELD MEDICAL SCHEME**

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**Notes to the Financial Statements****24. Other financial assets and liabilities - Risk and capital management**

The Scheme's financial assets and liabilities not relating to insurance and investment (contracts) operations comprise mainly cash and cash equivalents, investment assets and subordinated debt. The Scheme is exposed to interest rate, equity, credit and liquidity risks from these financial assets and liabilities.

Financial risk management is discussed in note 23.

**Interest rate and liquidity risks - Maturity analysis**

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from financial assets, lease liabilities and financial liabilities that do not relate to insurance and investment (contracts) operations. When debt securities mature, the proceeds not needed to meet liability cash flows will be reinvested.

**31 December 2023**

	<b>Up to 1 month R '000</b>	<b>1-3 Months R '000</b>	<b>3-12 Months R '000</b>	<b>1-5 Years R '000</b>	<b>over 5 years R '000</b>	<b>Total R '000</b>
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**31 December 2023****Assets**

Cash and cash equivalents	177 688	-	-	-	-	<b>177 688</b>
Financial assets	740 181	15 068	747 263	382 744	869 451	<b>2 754 707</b>
	<b>917 869</b>	<b>15 068</b>	<b>747 263</b>	<b>382 744</b>	<b>869 451</b>	<b>2 932 395</b>

**Liabilities**

Lease liabilities	-	-	4 708	15 602	-	<b>20 310</b>
<b>Net discounted cash flows</b>	<b>917 869</b>	<b>15 068</b>	<b>751 971</b>	<b>398 346</b>	<b>869 451</b>	<b>2 952 705</b>

**31 December 2022****Assets**

Cash and cash equivalents	90 566	-	-	-	-	<b>90 566</b>
Financial assets	746 182	18 180	740 163	455 088	937 826	<b>2 897 439</b>
	<b>836 748</b>	<b>18 180</b>	<b>740 163</b>	<b>455 088</b>	<b>937 826</b>	<b>2 988 005</b>

**Liabilities**

Lease liabilities	-	-	5 731	17 540	-	<b>23 271</b>
<b>Net discounted cash flows</b>	<b>836 748</b>	<b>18 180</b>	<b>745 894</b>	<b>472 628</b>	<b>937 826</b>	<b>3 011 276</b>

The following table presents the estimated amount and timing of the remaining contractual undiscounted cash flows arising from lease liabilities and financial liabilities that do not relate to insurance and investment (contracts) operations. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## MEDSHIELD MEDICAL SCHEME

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Financial Statements for the year ended 31 December 2023

### Notes to the Financial Statements

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#### 25. Fair value information

##### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

- a) Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Scheme can access at measurement date.
- b) Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
- c) Level 3: Unobservable inputs for the asset or liability.

For financial assets measured at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 fair value measurement represents those assets that are measured using unadjusted quoted market closing prices in an active market for identical assets.

As of 31 December 2023, investments classified as Level 1 comprised approximately 57% (2022: 61%) of financial assets measured at fair value regularly. Fair value measurements classified as Level 1 included exchange-traded prices of fixed maturities and equity securities.

Unit-linked funds usually have a published price used for the previous day's transactions. Where the valuation of the instrument is based on these observable unit prices with no significant unobservable inputs and there are sufficient transactions to meet the definition of a quoted price in an active market, it is likely to be classified as Level 1. However, if an insurer calculates the liability without reference to the published price, it will fall into Level 2 or 3. Where the valuation of the liability incorporates significant inputs influenced by management's assumptions, such as tax adjustments not reflected in the observable price or underlying assets and liabilities, this is likely to be a Level 3 classification.

Listed debt securities such as Government securities and corporate bonds may be classified as Level 1 or 2 depending on trade frequency and data availability.

As of 31 December 2023, investments classified as Level 2 comprise approximately 43% (2022: 39%) of financial assets measured at fair value regularly. They primarily include Government and Agency securities and certain corporate debt securities, such as private fixed maturities. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilizing relevant information generated by market transactions involving comparable securities. Inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices) are applied.

Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data. Additional observable inputs are used when available, and as may be appropriate, for certain security types, such as pre-payment, default, and collateral information to measure the fair value of mortgage and asset-backed securities.

## Notes to the Financial Statements

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### 25. Fair value information – continued

#### Levels of fair value measurements

	2023 R'000	2022 R'000
<b>Level 1</b>		
<b>Recurring fair value measurements</b>		
<b>Assets</b>		
<b>Financial assets</b>		
Argon	646 099	627 940
M & G	406 481	390 835
Sanlam	524 498	508 837
Stanlib	3 439	241 060
<b>Total other</b>	<b>1 580 517</b>	<b>1 768 672</b>
<b>Level 2</b>		
<b>Recurring fair value measurements</b>		
<b>Assets</b>		
<b>Financial assets</b>		
M & G	212 871	204 668
Sanlam	120 007	116 434
Allan Gray	689 139	667 372
Mergence	152 175	-
Stanlib YF	-	140 293
<b>Total other</b>	<b>1 174 192</b>	<b>1 128 767</b>

# MEDSHIELD MEDICAL SCHEME

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Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

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### 26. Related parties

#### Relationships

Members of key management

Kevin Aron - Principal Officer (from 1 Nov 2022)

Alan Fritz - Acting Principal Officer (up to 31 Oct 2022)

2023	2022
R'000	R'000

#### Related party transactions

##### Principal Officer

- Total remuneration and expenses	4 498	4 832
- Short-term incentive provision	2 208	581
- Contribution paid by the PO	57	10
- Claims paid in respect of the PO	87	-

##### Executives

- Remuneration, short-term incentive and expenses	15 093	18 422
- Contributions paid by Executives	432	419
- Claims paid in respect of Executives	451	105

##### Board of Trustees

- Remuneration, fees and expenses	4 189	4 369
- Contributions paid by trustees	957	504
- Claims paid in respect of trustees	697	75
- Trustee personal medical savings account balance	31	18

##### Compensation to Trustees and Independent sub-committee members

Fees and expenses	6 683	6 685
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## MEDSHIELD MEDICAL SCHEME

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Financial Statements for the year ended 31 December 2023

### Notes to the Financial Statements

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<b>Transaction</b>	<b>Nature of transactions and terms and conditions thereof</b>
Contribution received	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed in respect of the Scheme's registered benefits by the related parties, in their individual capacities as members of the Scheme.
Contribution debtor	This constitutes outstanding contributions payable. The amounts are due immediately. No provisions for doubtful debts have been raised on these amounts.
Personal medical savings accounts	The amounts owing to the related parties relate to medical aid savings balances which are held and managed on their behalf. In line with the terms applied to third parties and in terms of the rules of the Scheme, the balances earn interest at the effective interest rate, which accrues to the Scheme. The amounts are all current and would need to be payable on demand should an appropriate claim be issued, or the member exits the Scheme.

## MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

### Notes to the Financial Statements

#### 27. Trustees' emoluments

##### Board of Trustees

	Expense Allowances	Fees for meeting attendance	Fees for acceptance of office	Total
	R'000	R'000	R'000	R'000
<b>2023</b>				
<b>Services as Trustee</b>				
Andries Labuscagne	65	76	586	727
Trevor Wiblin	48	360	237	645
Seth Makhani (start: Aug 2023)	2	138	94	234
Katlego Majola (end: Sep 2023)	11	267	164	442
Mammule Chidi (end: Nov 2023)	53	272	199	524
Ritesh Nandkoomar	37	328	237	602
Leon De Lange (start: Aug 2023)	9	110	94	213
Antea Fourie-Van Zyl (start: Nov 2023)	-	33	21	54
Elizabeth Botha (end: Aug 2023)	35	236	143	414
Dr Zaheera Soni (end: Aug 2023)	-	191	143	334
	<b>260</b>	<b>2 011</b>	<b>1 918</b>	<b>4 189</b>
<b>2022</b>				
<b>Services as Trustee</b>				
Andries Labuscagne	63	97	564	724
Trevor Wiblin	75	324	227	626
Katlego Majola (end: Sep 2023)	43	376	227	646
Mammule Chidi (end: Nov 2023)	73	306	227	606
Dr Ritesh Nandkoomar	47	312	227	586
Elizabeth Botha (end: Aug 2023)	46	372	227	645
Dr Zaheera Soni (end: Aug 2023)	5	306	227	538
	<b>352</b>	<b>2 093</b>	<b>1 926</b>	<b>4 371</b>

# MEDSHIELD MEDICAL SCHEME

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Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

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### 28. Non-Compliance with the Medical Schemes Act and Regulations

#### 28.1 Contributions Not Received Within the Time Stipulated By the Act

##### Nature of the non-compliance

Section 26(7) of the Act states that: All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becomes due.

##### Impact

Risk of paying claims where no contributions were received or possible bad debts as a result of not collecting the contributions on time.

##### Cause of the non-compliance

There were some instances noted where the contributions were not received within three days of becoming due.

##### Corrective course of action

Strict credit control procedures are in place to prevent loss to the Scheme. Members and employers are continuously reminded via Short Message Service (SMS) and email to submit payment. Non-payment of contributions results in the suspension of the account and claims related to the specific member(s) are not paid until the account is brought up to date.

#### 28.2 Loss Making Options

##### Nature of the non-compliance

Section 33(2) of the Act states: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option:

- includes the prescribed benefits;
- shall be self-supporting in terms of membership and financial performance;
- is financially sound; and
- Will not jeopardize the financial soundness of any existing benefit option within the medical scheme.

Ten of the Scheme's options incurred a net healthcare result deficit.

##### Impact

Benefit options will not be self-sustainable.

##### Cause of the non-compliance

The Scheme budgeted for the following benefit options to make a loss at the net healthcare result level as a way to share some of its accumulated reserves with the members. These options were: MediValue Compact; MediCore; MediPlus Prime; MediPlus Compact; MediPhila; MediCurve; MediSwift.

MediBonus, Premium Plus, and MediValue Prime were budgeted to have a surplus however due to the loss of membership and an increase in claims, the options ended up with a deficit.

As of 31 December 2023, MediSwift was in a surplus-making position at the net healthcare results level.

##### Corrective course of action

The Scheme, in conjunction with the Scheme's actuaries, constantly reviews the performance of these options, and after taking all factors into consideration, contributions and benefits are adjusted accordingly on an annual basis in the normal course of business. The Scheme intends to achieve option self-sustainability in the medium term as per the Scheme's 5-year sustainability plan. The Scheme through the actuaries had already planned the deficit on certain benefit options to reduce the impact of contribution increases.

## MEDSHIELD MEDICAL SCHEME

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Financial Statements for the year ended 31 December 2023

### Notes to the Financial Statements

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#### 28. Non-Compliance with the Medical Schemes Act and Regulations – continued

##### 28.3 Direct Or Indirect Investments In Other Medical Scheme Administration Companies & Participating Employers

###### Nature of the non-compliance

Section 35(8) of the Act states that a Medical Scheme shall not invest any of its assets in the business of any other medical scheme or administrator or employer who participates in the medical scheme.

###### Impact

Direct equity investment holdings in holding companies of medical scheme administrators.

###### Cause of the non-compliance

This is a result of the mandate given to the asset managers by the Scheme, who have the discretion to invest in any approved instrument, in terms of Regulation 30.

###### Corrective course of action

The Scheme has obtained an exemption from the Council for Medical Schemes for this non-compliance. This exemption expires on 30 November 2025.

##### 28.4 Claims payments made in excess of 30 days since receipt thereof

###### Nature of the non-compliance

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

###### Impact

Members might be charged interest on the late payment of accounts by healthcare professionals.

###### Cause of the non-compliance

These instances mainly arise due to queries on the accounts submitted and further investigation is required before claims are processed. In these exceptional cases claims were paid later than 30 days after the date of submission. However, two main process issues will arise every year; firstly, PMB claim reversals and corrections will always breach 30 days because of the nature of the claim and secondly, there are technical system issues that result in development. This leads to claims being put on hold until the development is implemented, causing certain claims to breach the 30-day payment requirement.

###### Corrective course of action

The Scheme has an adequate process in place to ensure adequate assessment and authorisation of these claims.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

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### 28. Non-Compliance with the Medical Schemes Act and Regulations – continued

#### 28.5 Netcare 911 capitation agreement for the provision of emergency medical services

##### Nature of the non-compliance

Regulation 7 defines a DSP and PMBs:

- a) DSP means a health care provider or a group of providers selected by the medical scheme concerned as the provider or providers to decide its members' diagnosis, treatment and care of medical conditions including PMB conditions;
- b) PMB condition means a condition contemplated in the Diagnosis and Treatment Pairs listed in Annexure A or any emergency medical condition;
- c) Section 15A (1) If a medical scheme provides benefits to its beneficiaries by means of a managed health care arrangement with another person -
  - the terms of that arrangement must be clearly set out in a written contract between parties;
  - With effect from 1 January 2004. such arrangement must be with a person who has been granted accreditation as a managed health care organization by the CMS; and
  - Such arrangement must not absolve a medical scheme from its responsibility towards its members if any other party to the arrangement is in default with regard to the provisions of any service in terms of such agreement.

##### Impact

In June 2015, the Scheme entered into a contract with Netcare 911 for the provision of emergency medical services based on a capitated arrangement, and in terms of the agreement Netcare was appointed as a DSP of the Scheme. The initial contract expired on 31 December 2017 and has subsequently been renewed. CMS ruled on 22 December 2017 that the agreement is sanctioned (not valid) by regulations 8 and 15F of the Act.

##### Cause of the non-compliance

At the time of the CMS Ruling, Netcare 911 was not accredited as an Administrator or a Managed Care Organisation, therefore could not be appointed as a DSP under a capitation agreement. The capitation agreement transfers the risk to the service provider which should only occur with a managed healthcare organisation accredited by the Council.

##### Corrective course of action

The Scheme appealed the Directives issued by the CMS, which appeal is pending adjudication. The Scheme engaged with the CMS about the matter and a way forward is being determined on how the Scheme will implement business process changes to ensure compliance with the Act going forward. The Scheme is currently contracted with Netcare 911 on a month-to-month basis, while a new arrangement is being formulated. Subsequently Netcare911 has received limited administration accreditation from the CMS.

#### 28.6 Encumbered Assets

##### Nature of the non-compliance

Section 35(6) of the Act states: A Medical Scheme shall not encumber its assets.

##### Impact

A portion of the Scheme's cash and cash equivalents are encumbered as a guarantee to Investec Property Fund Ltd ("Landlord") as a result of the Scheme entering into a lease agreement in respect of the premises situated at 192 Bram Fischer Drive Ferndale Randburg. In addition, the Scheme issued a deposit to the South African Post Office.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

Financial Statements for the year ended 31 December 2023

## Notes to the Financial Statements

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### 28. Non-Compliance with the Medical Schemes Act and Regulations – continued

#### 28.6 Encumbered Assets – continued

##### Cause of the non-compliance

In terms of the lease agreement, the Landlord requires the Scheme to furnish a letter of guarantee in respect of the Scheme's rental obligation to the Landlord in terms of the Lease. The Scheme has furnished the Landlord with the required guarantee in the amount of R1 988 000. The South African Post Office deposit of R500 000 was required to conduct business with it and in terms of its standard contract.

##### Corrective course of action

The Scheme is in the process of applying for an exemption from the Council for Medical Schemes for this non-compliance. The contract with the South African Post Office is no longer active and the Scheme is attempting to retrieve the deposit.

### 29. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Trustees believe that the Scheme has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Trustees are satisfied that the Scheme is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Trustees are not aware of any new material changes that may adversely impact the Scheme. The Trustees are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Scheme.

### 30. Events after the reporting period

There are no material matters that have occurred after the financial year-end that the BOT believes should be brought to the attention of the members of the Scheme.

On the 15th of May 2024, President Cyril Ramaphosa signed the National Health Insurance (NHI) Bill into law but it is not expected to have any impact on the Scheme in the short to medium term.