

**BANKMED**

# **AGM** 20 23



**NOTICE OF THE ANNUAL GENERAL  
MEETING TO BE HELD ON  
22 JUNE 2023**

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Includes the 2022 Summarised  
Financial Statements

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## Notice of the Annual General Meeting of Bankmed

Notice is hereby given that the 109<sup>th</sup> Annual General Meeting of Bankmed will be held virtually on Thursday, 22 June 2023 at 16:00.

### Agenda

1. To read the notice convening the meeting
2. To approve the minutes of the 108<sup>th</sup> virtual Annual General Meeting held on Thursday, 23 June 2022
3. Feedback on matters arising and general update
4. To receive and adopt the audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2022
5. To note the Bankmed Trustee Fee Policy, and approve the proposed Trustee Fee increase for 2023/2024
6. To appoint the auditors for the ensuing year
7. To transact any other business of which notice was given by 30 April 2023
8. Announcement of the newly elected members of the Board of Trustees
9. Closure

By order of the Board



J CRESSWELL

Chairperson

## Minutes of the 108<sup>th</sup> Annual General Meeting of Bankmed

**Date and time:** Thursday, 23 June 2022 at 16h00

**Venue:** Virtual Meeting held via Microsoft Teams

**Attendees:**

<b>Bankmed Board of Trustees:</b>	Mr J Cresswell	Chairman
	Mr D Bolt	Vice-Chairman
	Mr D Armstrong	
	Mr EA Schaffrath	
	Mr G Betela	
	Mr R Gush	
	Mr J Henning	
	Ms D Mantle	
	Ms G Noemdoe	
	Dr L Rametsi	
<b>Bankmed Audit Committee:</b>	Ms F Petersen-Cook	Independent Chairperson
<b>Officials in Attendance:</b>	Mr T Mosomothane	Principal Officer
	Dr N Naidoo	Clinical and Operations Executive
	Mr N Coghlan	Finance and Risk Executive
	Ms M Bam	Senior Manager: Client Management
	Ms L Diba	Senior Manager: Client Management
	Ms N Schubach	Senior Manager: Communications
<b>Bankmed Members:</b>	36 Principal Members	
<b>Observers:</b>	20 Non-voting attendees	
<b>Apologies:</b>	<b>Bankmed Board of Trustees:</b>	Ms S Moodley

### Items Minuted

#### 1. OPENING, WELCOME AND ATTENDANCE

The Chairman, Mr J Cresswell, welcomed all present to the 108th Annual General Meeting (“AGM”) of Bankmed (“the Scheme”). He extended special thanks and welcome to Ms Bontle Tshela, from the Council for Medical Schemes (“CMS”), for attending the meeting.

In terms of Rule 28.4 of the Bankmed Scheme Rules, 30 members must be present at the AGM for the meeting to be deemed quorate. The Chairman confirmed that more than 30 Principal Members were present at 16:04, constituting a quorum.

The Chairman advised that Bankmed would be assisted by the Scheme's Independent Electoral Body (IEB), namely BDO Advisory Services (Pty) Ltd ("BDO"), during the proceedings.

The Chairman informed attendees that the panel would not attend to claims or benefit queries at the meeting. Client Relationship Managers from Discovery Health would typically be available for member queries. However, this was not possible due to the AGM being held virtually. Members were requested to contact the Bankmed call centre at 0800 BANKMED (0800 226 5633) or email [enquiries@bankmed.co.za](mailto:enquiries@bankmed.co.za).

The Chairman informed attendees of the Virtual AGM ("VAGM") House Rules:

- Attendees must submit any questions via the Q&A function/chat platform. BDO would first moderate all submissions before being published to the live event. Questions raised, to the extent that they relate to the agenda items for the AGM, would be addressed at the AGM. All other general or personal queries that do not relate to the AGM agenda items would be responded to in writing. Scheme Management would respond to such questions and publish feedback on the Bankmed website within seven (7) days of the AGM;
- Attendees would not be allowed to speak during the live event;
- Voting attendees can vote on proposals through the VAGM portal. Attendees must toggle to the VAGM portal tab and access their voting options in the menu;
- Once a member has submitted a vote, they cannot amend their vote or vote again.

The Chairman informed attendees that voting on the three standard recommendations/ proposals was open and would close at a time that he would later make known to the attendees. He requested members to vote on the respective recommendations. Members could also note their votes if they preferred to vote after the Chairman and the Principal Officer had discussed all agenda items. The unaudited voting results would be presented to all attendees closer to the end of the meeting. He further confirmed that voting for the Board of Trustees ("BOT") was carried out before the AGM, and the results would be announced by BDO later in the afternoon before closing the AGM.

## **2. TO READ THE NOTICE CONVENING THE MEETING**

The Chairman confirmed the following in respect of the Notice convening the meeting:

Rule 28.2.1 of the Registered Rules of Bankmed states that the Notice convening the AGM shall be sent to members at least 14 days before the meeting day.

The Chairman confirmed that Bankmed had distributed the Notice convening the AGM on 9 June 2022. Members with an email address were issued the Notice on 9 June 2022, while Bankmed sent members without an email address an SMS with a link to the website and Notice on 9 June 2022. Bankmed sent postal communication to members without an email address or cell phone number on 9 June 2022. The official AGM documentation was made available on the Bankmed website.

### 3. MINUTES OF THE 107<sup>TH</sup> AGM HELD ON THURSDAY, 24 JUNE 2021

The draft minutes of the 107<sup>th</sup> AGM held on Thursday, 24 June 2021, were included in the booklet (and made available to members online) for review and approval, and were taken as read. The Chairman confirmed that the panel had received no questions concerning the minutes.

The minutes were approved, to be signed by the Chairman, as a true reflection of proceedings of the previous meeting. This was proposed by Mr Jan Henning and seconded by Mr Rod Gush.

### 4. MATTERS ARISING AND GENERAL UPDATE FROM THE MINUTES OF THE 107<sup>TH</sup> AGM HELD ON THURSDAY, 24 JUNE 2021

The Chairman called upon the Principal Officer, Mr Teddy Mosomothane, to lead a presentation on matters arising from the prior year's minutes, and a general Bankmed update. The Principal Officer shared the following salient points by way of a presentation:

#### 4.1. Matters Arising







The Principal Officer confirmed that the following matter arising from the previous year's minutes was attended to:

01	Scheme to respond to all questions raised via the chat platform at the AGM. Scheme to make documents available on the website, post-AGM question and answer document to members that were in attendance at the AGM.	Completed
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The Principal Officer confirmed that all documents, which included the post-AGM questions and a summary of all responses to all questions raised via the chat platform, were made available on the website within seven (7) days of the previous year's AGM. Furthermore, the audited outcome of the votes on the three proposals at the previous meeting was also published on the Bankmed website.

#### 4.2. General Update

##### 4.2.1. Bankmed Profile

	<b>Since 1914</b> Collaboration in the banking industry		<b>AA+</b> Global Credit Rating		<b>6</b> Benefit Options
	<b>Main Clients</b> Standard Bank, Absa and FRG		<b>17/170</b> Employees: Bankmed/DH outsourced		<b>2.5% Covered Lives</b> 2.5% Covered Lives 5.4% Restricted 6 <sup>th</sup> Largest Medical Scheme 3 <sup>rd</sup> Largest Restricted Scheme

	2020	2021
<b>Reserves</b>	R2.91 Billion	<b>R3.31 Billion</b>
<b>Reserve Ratio</b>	50.72%	<b>53.58%</b>
<b>Claims Ratio</b>	83.15%	<b>94.57%</b>
<b>Total Assets</b>	R4.05 Billion	<b>R4.52 Billion</b>
<b>Annual Gross Contribution Income</b>	R5.67 Billion	<b>R5.73 Billion</b>

The Principal Officer presented a high-level overview of Bankmed’s profile. He confirmed that Bankmed had retained its AA+ credit rating, following the latest assessment carried out by the Global Credit Rating Agency. He emphasised that Bankmed's foundation was based on partnership with leading financial institutions and their employees.

The Principal Officer highlighted the increase in the Scheme’s reserves from R2.91 billion in 2020 to R3.31 billion in 2021, and this was primarily attributable to the temporary, overall low claims experience as a result of the deferral of elective hospital procedures during the peak of COVID-19. The reserve ratio had increased from 50.72%, in 2020, to 53.58% in 2021. However, an increase in the claim’s ratio from 83.15% in 2020 to 94.57% in 2021 was also noted. The increase in the claim’s ratio was a reflection of the normalisation of the claims experience to levels close to what was observed in 2019. The Principal Officer reported that these were factors that the Scheme had to consider as Bankmed deliberates on a forward-looking strategy, with due consideration to sustainability and affordability.

#### 4.2.2. Better Value

Plan Type	Relative Cost	Relative Benefit	Relative Value
Bankmed Basic Plan	24%	18%	42%
Bankmed Comprehensive Plan	-38%	2%	40%
Bankmed Core Saver Plan	-26%	1%	27%
Bankmed Essential Plan	-65%	-14%	50%
Bankmed Plus Plan	-46%	10%	56%
Bankmed Traditional Plan	-58%	2%	60%
	<b>37%</b>	<b>4%</b>	<b>41%</b>

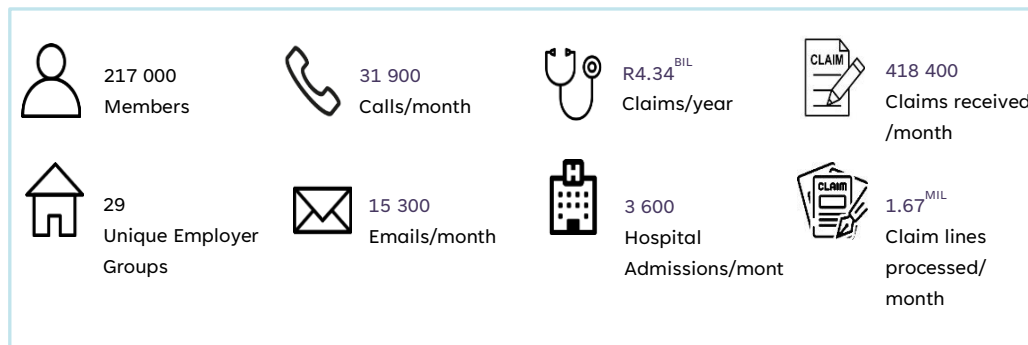
The Principal Officer highlighted better value as one of the value attributes that set Bankmed apart. He suggested that, based on independent actuarial analysis, Bankmed’s richer benefits and competitive contributions provided Bankmed members approximately 41% better value than an average comparable open medical scheme. He supplemented this point by showing Bankmed’s lower average contribution increases, compared to the top 3 open medical schemes, over a 11-year period from 2011 to 2021.

### Average Contribution Increases: 2011 – 2021

#### Bankmed versus the Top 3 Open Schemes

Year	Bankmed	Average Open Schemes
2011	7.2%	8.5%
2012	7.1%	8.7%
2013	6.9%	9.6%
2014	6.9%	8.9%
2015	7.9%	8.3%
2016	7.8%	9.0%
2017	7.8%	11.0%
2018	8.1%	8.3%
2019	7.9%	9.6%
2020	7.3%	9.2%
2021	3.6%	4.8%

#### 4.2.3. Operations and Service Environment



The Principal Officer highlighted a selection of indicators relating to the Scheme’s operations and service environment. He informed the attendees that earlier this year, the Bankmed Service Team won the Regional Service Team of the Year award at the Annual Awards Event hosted by Discovery Health. He suggested that this demonstrated the administrator’s responsiveness to Bankmed’s expectations of high standards, and the service that Bankmed believes its members deserve.

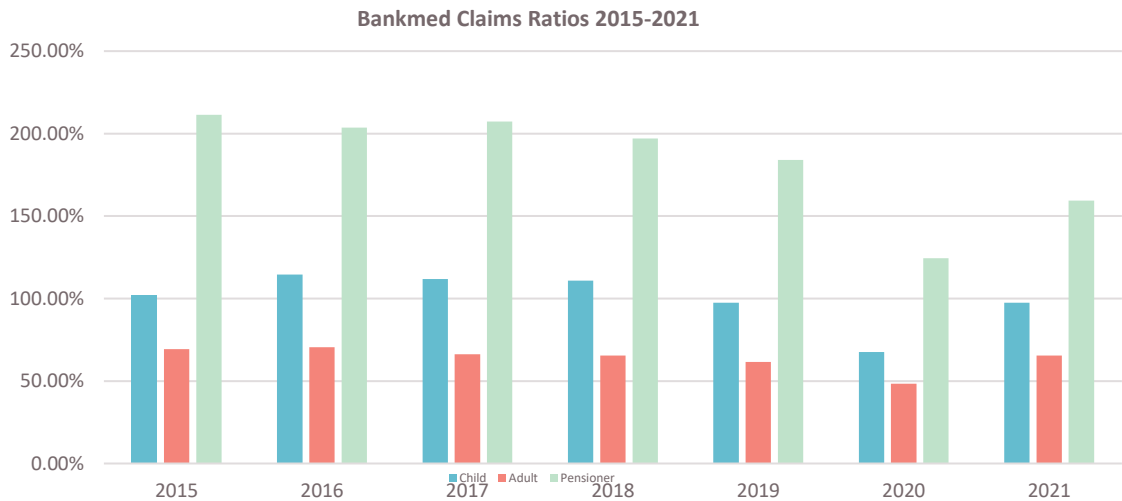
#### 4.2.4. Claims Ratio

##### Claims by Age/Life Stage

The Principal Officer reminded the audience of previous requests submitted by members for a benefit option specific for pensioners. With reference to the graph below, he confirmed that the claims by age/life stage demonstrated the increasing healthcare needs and the changing claim patterns as members age. Older members' claiming profiles are supported through cross-subsidisation from younger, healthier members.



The Principal Officer reiterated that a separate benefit option for pensioners would be unaffordable if priced to match the claims. Bankmed would not be able to give the necessary assurance to the CMS and members on the sustainability of such an option. Bankmed continues to try to find the right balance across several considerations and is sympathetic to the plight of pensioners.



#### 4.2.5. What keeps Bankmed going?

The Principal Officer highlighted the following as features that keep Bankmed going:

- Partnership
- Leadership and governance
- Sustainability
- Involved
- Committed
- Responsive

Specifically with reference to leadership and governance, he expressed Bankmed's full appreciation of governance expectations from the Scheme's stakeholders, including the CMS as the Regulator. He confirmed that the Scheme's governance and compliance were actively managed by the Board of Trustees (BOT), an attribute of a progressive organisation that pays attention to governance requirements. The Principal Officer informed the attendees about a routine inspection by the CMS, that the Scheme was subjected to in the second half of 2021. He asserted that Bankmed embraced the inspection as part of what the CMS is mandated to do, and responded to this in a manner that sought to enhance the governance practices of Scheme. He reported that the outcome of the inspection did not highlight any cause for concern, and this provided some evidence of the Scheme's attitude to leadership and governance.

Mr Clem Goemans (via the chat platform) complimented the Scheme on the outcome of the CMS inspection.

Mr Trevor Dell (via the chat platform) complimented Mr Rod Gush for the assistance that he provides to pensioners to sort out problems with claims issues.

#### 4.3. Bankmed’s Response to COVID-19

The Principal Officer confirmed that the Scheme had provided comprehensive updates about COVID-19 at the AGMs in 2020 and 2021. By way of presentation, the Principal Officer provided attendees with the following update:

##### 4.3.1.COVID-19 Costs

Bankmed had spent R965 million (Year to Date May 2022) since the start of the pandemic. The Principal Officer highlighted the need for the Scheme to respond to the pandemic, as this was the time when members needed the Scheme the most.

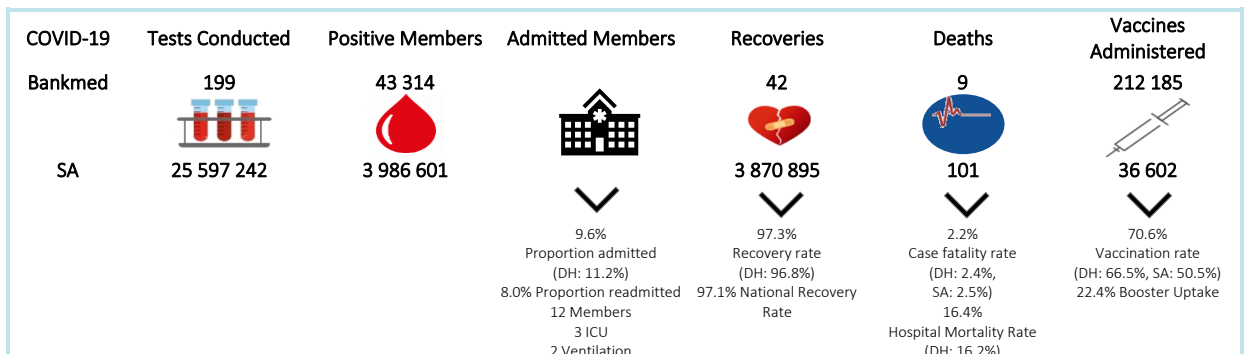
The Principal Officer highlighted the COVID-19 out-of-hospital (OH) and in-hospital (IH) costs as summarised in the table below:

		2020	2021	YTD May 2022	Total
Out of Hospital (OH)	Testing	R45.9M	R74.1M	R9.8M	R279.2M
	Isolation Hotel	R490K	R17K	-	
	Oximeter	R300K	R511K	R118K	
	Vaccine	N/A	R49.1M	R38.2K	
	GP Cost	R2.5M	R7.8M	R1.6M	
	Medication Cost	R1.4M	R5.5M	R1.5M	
	Other OH Cost	R10.4M	R25.9M	R4.1M	
In Hospital Cost		R143.5M	R473.2M	R69.1M	R685.8M
<b>TOTAL</b>					<b>R965.0M</b>

##### 4.3.2.COVID-19 Clinical Tracker

The Principal Officer shared some COVID -19 insights from a Bankmed perspective, with reference to the slide shown below. For comparative purposes, Discovery Health figures were used as a proxy to establish how Bankmed compared with other medical schemes administered by Discovery Health.

As at 20 June 2022 (cumulative since the start of the pandemic), Bankmed reported a total of 43 314 confirmed cases, and 212 185 COVID-19 vaccines had been administered. A total of 929 fatalities had been recorded, compared with a national total of 101 604 deaths. The Principal Officer extended condolences to the families who had lost loved ones to COVID-19.



#### 4.4. Conclusion

In conclusion, the Principal Officer expressed Bankmed's full appreciation of its clients and members, who are the reason for the Scheme's continued existence. He highlighted the Scheme's strategic intention to not only survive, but to thrive in the new normal.

### **5. TO RECEIVE AND APPROVE THE AUDITED FINANCIAL STATEMENTS AND THE ANNUAL REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2021**

The Chairman confirmed that the Summarised Financial Statements were made available to members in the AGM booklet. The complete set of Audited Financial Statements ("AFS") was made available to members on the Bankmed website.

The Chairman confirmed that the Bankmed Audit Committee ("Committee") had reported that no event or item had come to the Committee's attention indicating any material breakdown in the functioning of key internal controls and systems during the year under review.

The Chairman reported that Bankmed has three sets of auditors: The Discovery Group internal auditors, who review system-related matters in the Discovery Health environment; Bankmed's internal auditors, namely BDO, who review administrative and Scheme office matters; and PricewaterhouseCoopers ("PwC"), the Scheme's appointed external auditor. The latter leverages the work done by internal auditors, carries out the work required of the external auditor, and expresses PwC's external audit opinion thereon.

The Chairman made introductory remarks on investment governance and oversight by way of a presentation. He confirmed that the investment managers report back monthly, and that the Scheme's investment performance is reviewed quarterly by the Investment Committee. The Investment Committee has five Trustees assigned to the Committee, and there are five investment managers.

The Investment Committee meets quarterly with management for strategy and oversight. The Investment Committee meetings include the Bankmed independent Investment Advisor, Willis Towers Watson. Furthermore, the purpose of the Investment Committee is to review the investment managers' investment performance, assess the effects of recent political and economic events, interrogate investment managers' performance, and address any other relevant issues.

The Chairman also highlighted the following portfolio limitations as a result of Regulation 30 of the Medical Schemes Act:

- Prohibited from investing in offshore equities;
- Maximum of 40% investment ratio in South African equities;
- Maximum exposure to any bank may not exceed 35%;
- Maximum exposure of 10% to other private entities and 20% to public entities; and
- A minimum requirement of 20% cash and/or liquid instruments.

Before moving to the adoption of the audited Annual Financial Statements and the Annual Report of the BOT, the Chairman introduced Mr Dave Flint from Willis Towers Watson (the Scheme's independent Investment Advisor).

Mr Flint, by way of a presentation, gave an investment update. He gave an overview of the market status as at the end of 2021, aligned with financial statements, and a market update at the end of April 2022. Mr Flint highlighted the different asset allocations to the investment managers. He further compared the Scheme's performance against off-the-shelf products as additional information.

Mr Flint reported that Bankmed's net investment performance as of the end of December 2021 was 11.1%, above the CPI target of 9.6% and the STeFI Composite (the short-term fixed interest index) of 3.8%. Bankmed had not met the 3-year, 5-year and 10-year CPI+3% targets. This outcome was mainly due to poor returns from equities, meant to drive market performance, but had not delivered the type of returns that the Scheme needs to achieve the CPI+3% target. Mr Flint confirmed that Bankmed's required future focus was on returns to compensate for the poor equity returns noted.

Mr Flint concluded by making and/or reiterating the following points:

- Volatility in returns remains a feature;
- Bankmed Scheme returns remain least volatile amongst similar peers;
- Bankmed continues to review the choice of asset managers available in the market, as well as alternative strategies to enhance risk-return characteristics;
- More robust 2021 returns boosted Bankmed's longer-term view;
- The longer-term view (10-year) was still positive;
- High cash weighting in 2021 had been addressed, and a higher allocation had been made into higher yielding Money Market instruments;
- CPI +3%/3.5% target had been a challenge given weaker equity markets.

The Chairman thanked Mr Flint for his presentation on behalf of Bankmed.

The Chairman invited the Principal Officer, who had been monitoring questions received by members on the chat platform, to assist with feedback to members. The Principal Officer noted that all queries had been responded to thus far by the moderation panel. The panel had reported no specific questions regarding the financials. He informed the attendees that the panel had received questions relating to the investment presentation. These questions would be attended to by Mr Newton Coghlan and Mr Dave Flint via the chat platform.

Mr Clem Goemans (via the chat platform) suggested that monitoring performance with reference the All-Share index (ALSI) is meaningless. Mr Coghlan's response to this was that the overwhelming contributor of volatility in the Scheme's portfolio is directly related to the JSE holdings, therefore the comparison to the overall volatility of the ALSI seems appropriate.

## **6. TO NOTE THE BANKMED TRUSTEE FEE POLICY AND APPROVE THE PROPOSED TRUSTEE FEE INCREASE FOR 2022/2023**

The Chairman confirmed that the AGM booklet included the Trustee Fee Policy. The total amount for Trustee remuneration was disclosed in the audited summarised Annual Financial Statements in the AGM booklet, note 9 on page 35 of the booklet (summarised Annual Financial Statements).

The Chairman reminded members that a 0% increase for Trustee fees was applied at the AGM meeting held on 1 October 2020 for the 2020/2021 cycle, and a 4% increase for Trustee fees was applied at the AGM meeting held on 24 June 2021 for the 2021/2022 cycle.

Bankmed received a recommendation from Korn Ferry, a remuneration specialist organisation, who recommended that Bankmed provides for a 5.2% Trustee fee increase for the 2022/2023 cycle to align with the prevalent market indicators. At the BOT meeting held on 22 June 2022, the Trustees deliberated on the potential fee increase and recommended a 5% increase for the Trustees for the 2022/2023 cycle.

## **7. APPOINTMENT OF THE AUDITORS**

The Chairman confirmed that on the Audit Committee's recommendation, the BOT agreed to propose to the meeting that PwC be retained as Bankmed's auditor for the 2022 annual financial audit. The Chairman reminded the meeting of the change in auditors from KPMG to PwC, as was approved at the 105th Annual General Meeting held on 27 June 2019. The Audit Committee was comfortable with the performance of PwC and therefore recommended to the BOT to recommend their re-appointment to the members.

The Chairman invited the Principal Officer, who had been monitoring questions received by members on the chat platform, to assist with feedback to members. The Principal Officer confirmed that the panel received questions via the chat platform. The questions were attended to as soon as received.

## **8. TO TRANSACT ANY OTHER BUSINESS OF WHICH NOTICE WAS GIVEN BY 30 APRIL 2022**

The Chairman advised that voting on the standard recommendations/proposals that required to be voted on would close at approximately 17h50. He called on the Principal Officer to attend to the Notices of Motions agenda item. The Principal Officer attended to this through a short presentation.

The Principal Officer first emphasised the Scheme's commitment to addressing all issues raised by members. This, he suggested, was demonstrated by the Scheme's diligent response (sent to members on 17 June 2022) to the submissions (as "Notices of Motions") and questions raised by members at the time of registering to attend the AGM.

The Principal Officer reminded the audience of what constitutes a Motion as explicitly addressed in the Rules and as included in the communication submitted to members on 10 March 2022:

- Rule 4.39: a "Motion" shall mean a written proposal formally submitted to the Scheme for discussion and possible adoption as a recommendation at a general meeting of the Scheme;

- Rule 28.1.6 Motion must comply with provisos in Rules 28.3.3 and 28.3.6;
- Rule 28.3.2: A motion may not deal with matters that affect the operation of the Scheme or matters that fall outside of the ambit of the Annual General Meeting;
- Rule 28.3.3: Motions must be for the benefit of all members and/or be in the best interest of the Scheme and its members; and
- Rule 28.3.4: Motions must be concise, defined and free from ambiguity, accompanied by a detailed motivation. Should a motion be submitted without the required detailed motivation, the Motion may be deemed to be invalid.

Submissions received were presented to the BOT to determine whether the proposals met the Scheme Rule requirements of a Motion. The BOT reviewed the various submissions and dealt with them accordingly.

In total, 62 members responded, submitting 86 queries or suggestions. With specific reference to the provisions made in the Rules about what constitutes a Motion, no submissions met these requirements; therefore, although all submissions had been responded to a head of the AGM, none of these could be voted on at the meeting as the questions and requests referred mainly to personal claims, benefits, and enhancements thereto. Bankmed contacted all members personally to resolve claim and benefits queries by 17 June 2022. The Scheme subsequently compiled and distributed a document that sought to address the questions that members had raised before the AGM.

The Principal Officer noted the question received via the chat platform where incorrect information was provided to a member. The member had indicated that a Bankmed representative had advised that benefit queries could be raised at the AGM. The Principal Officer apologised for the incorrect information provided and undertook to have the member contacted directly to assist with their query through the correct channel.

The Principal Officer provided a broad summary of member queries and suggestions received and the Scheme's response to these submissions by way of presentation (summarising the document that had already been sent to the members on 17 June 2022, six days ahead of the AGM).

The Principal Officer referred specifically to the submission on benefit enhancements and confirmed the Scheme's process whereby requests are submitted to the Bankmed Benefit Design Committee each year for consideration. He assured members that the Scheme considered these requests diligently, and that other factors, including pricing, affordability, and sustainability, are also considered out of necessity, leading up to the Scheme's decisions.

The Chairman further referred to the suggestion (amongst the members' submissions) to remove Discovery Health as the administrator. He highlighted Rule 28.3.3 of the Scheme Rules, which confirmed a Motion must not deal with matters that affect the operations of the Scheme. He informed the meeting that when appointing the administrator, Bankmed reviewed all suitable administrators. The Trustees concluded that Discovery Health was the right administrator to provide the services that Bankmed required.

## 9. VOTING ON THE STANDARD RECOMMENDATIONS/PROPOSALS

At 17:50, the Chairman informed attendees that the voting platform was closed for the three agenda items that required members to vote on. The Chairman confirmed that while BDO tallied the votes, the Principal Officer would provide an update on National Health Insurance (“NHI”).

The Principal Officer relayed the following salient points concerning NHI by way of a presentation:

- NHI is a matter that was unfortunately also affected by political ideologies, and this invariably compromised progress in discussions on this matter;
- NHI remains a matter of great interest to many stakeholders;
- Submissions made to the Parliamentary Health Portfolio Committee, by stakeholders that Bankmed was aligned with in this regard, all had a common thread and registered similar concerns about NHI. The stakeholders referred to include the Health Funders Association (HFA), Business Unity South Africa (BUSA), and Discovery Health;
- Bankmed, like HFA, BUSA, and Discovery Health, continues to support the objective of NHI in principle, but is strongly opposed to the envisaged diminished role of medical schemes (amongst other concerns about the NHI Bill).

The Principal Officer briefly reiterated Bankmed's position relating to NHI, as previously communicated to Bankmed members. He stated that the inequalities in access to good quality healthcare services are a significant concern for all South Africans. The objectives of Universal Health Coverage were therefore absolutely desirable. He suggested that the Scheme's stance was informed by the best interests of its members specifically, and fellow South Africans in general. Bankmed remains fully engaged in industry discussions to influence how the healthcare landscape may change.

### 9.1. Voting Outcome

The Chairman reported on the outcome of the voting on agenda items where voting was required, as provided by BDO, summarised below:

Minute item	Proposal	Abstained	In favour (approved)	Against (not supported)
5	<b>Motion 1</b> Approve the audited annual financial statements and the auditor's report to members as at 31 December 2021.	0	22	0
6	<b>Motion 2</b> Approve the proposal of a 5% increase in the Trustee and Independent Audit Committee member remuneration for the 2022/2023 cycle.	0	20	2
7	<b>Motion 3</b> Approve the recommendation that PwC continues as the Scheme's external auditor for the 2022 financial year.	0	22	0

The Chairman confirmed that all three proposals had been approved by members who had attended the meeting and voted. The results were subject to the audit and confirmation to the Scheme by BDO. The confirmation would also be published on the Scheme's website.

## 10. ANNOUNCEMENT OF THE NEWLY ELECTED MEMBERS OF THE BOARD OF TRUSTEES

The Chairman handed over to BDO to present the outcome of the Trustee elections, and give assurance that the Trustee election was held in terms of relevant provisions of the Scheme Rules.

BDO, in their capacity as the IEB, facilitated the presentation on the outcome of the Trustee voting process:

It was reported that the call for nominations was issued on 15 December 2021, with a closing date of 28 February 2022 at 12:00 noon. All nominations were vetted to ensure compliance with the Scheme Rules. BDO conducted criminal, credit, and other verifications on qualifying nominees.

Vetted and verified candidates were presented to the Nominations Committee on 13 April 2022. Voting was conducted electronically through the online voting portal and a text voting system. The voting process commenced on 3 May 2022 at 12:00 noon and closed on 3 June 2022 at 12:00 noon.

BDO received a total of 4 844 votes, a 10% decrease in the 2021 voting turnout.

The results of the election of two candidates to the BOT (listed alphabetically in order of surname) were confirmed as follows:

Mr Douglas Bolt  
Mr Jeffrey Cresswell

BDO concluded that the election of Bankmed Trustees was carried out as per the Scheme Rules, and allowed all members to participate.

Mr Trevor Dell (via the chat platform) congratulated Mr Douglas Bolt and Mr Jeffrey Cresswell on their election.

## 11. CLOSURE

There being no further business, the Chairman thanked the members, the BOT, and the executive team for their attendance. Mr Ray Webber (via the chat platform) thanked all involved in arranging the AGM.

The Chairman declared the meeting closed at 18:15.

Signed as an accurate record of proceedings.

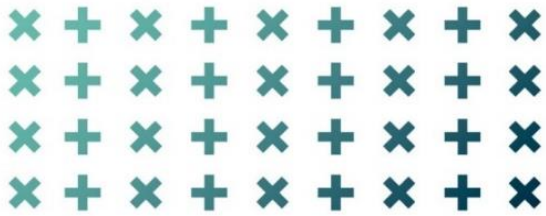
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Chairman's Signature

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Date





## Summarised Financial Statements for the year ended 31 December 2022

The full Annual Financial Statements are available for download at  
[www.bankmed.co.za](http://www.bankmed.co.za)



# SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2022

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

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# REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its annual report for the year ended 31 December 2022.

## 1 DESCRIPTION OF THE MEDICAL SCHEME

### 1.1 Terms of registration

Bankmed Medical Scheme (the Scheme) is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998 (the Act) and the Regulations thereto, as amended.

### 1.2 Benefit options within the Scheme

In terms of its rules, the Scheme offered six benefit options during 2022:

Bankmed Essential Plan  
Bankmed Basic Plan  
Bankmed Core Saver Plan  
Bankmed Traditional Plan  
Bankmed Comprehensive Plan  
Bankmed Plus Plan

### 1.3 Personal Medical Savings Accounts

In order to provide a facility for members to set funds aside to meet future healthcare costs not covered in the benefit options, the Trustees have made the option of a savings plan available to meet this objective. The savings plan is available on the Bankmed Core Saver Plan, Bankmed Comprehensive Plan and Bankmed Plus Plan.

Unexpended savings amounts are accumulated for the long-term benefit of members and 50% of the interest earned on these funds is allocated to members.

The liability to the members in respect of the Personal Medical Savings Account monies is reflected as a financial liability in the Summarised Financial Statements, repayable in terms of Regulation 10 of the Act.

### 1.4 Risk transfer arrangements

The Scheme had the following capitation agreements in place during the year under review:

- Discovery Health (Pty) Ltd - To cover primary healthcare for members on the Bankmed Basic Plan and Bankmed Essential Plan; and
- Centre for Diabetes and Endocrinology (Pty) Ltd - To cover diabetes claims for members on the Bankmed Comprehensive Plan, Bankmed Plus Plan, Bankmed Core Saver Plan and Bankmed Traditional Plan.



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 2 MANAGEMENT

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

The Board of Trustees comprises 12 members constituted as follows:

- Six members are appointed by the three largest employer groups.
- Six members are elected by the members on a rotation basis at the Annual General Meeting. Two of the elected Board members retire at each Annual General Meeting and the vacancies thus created are filled.

##### Appointed by employer groups

Mr DW Bolt (Vice-Chairman)(End of term 23 June 2022)	FirstRand Limited
Ms S Moodley	FirstRand Limited
Ms L Nkosi (Appointed 30 November 2022)	FirstRand Limited
Mr G Betela	Absa Bank Limited
Dr L Rametsi	Absa Bank Limited
Mr W MacFarlane (Appointed 24 August 2022)	The Standard Bank of South Africa Limited
Mr N Naidoo (Resigned 21 April 2022)	The Standard Bank of South Africa Limited
Ms G Noemdoe	The Standard Bank of South Africa Limited

##### Elected by members

Mr J Cresswell (Chairman)(Re-elected 23 June 2022)  
Mr DW Bolt (Vice-Chairman)(Elected 23 June 2022)  
Mr D Armstrong  
Mr RP Gush  
Mr J Henning (resigned 23 June 2022)  
Ms D Mantle  
Mr EA Schaffrath

The Board of Trustees met seven times during 2022 for Board meetings and once for the Annual Strategic Planning session on the following dates:

21 April 2022  
22 June 2022  
21 July 2022  
24 August 2022  
29 September 2022  
24 October 2022 (Special Board of Trustees Meeting)  
30 November 2022

23 to 25 February 2022 (Annual Strategic Planning Session)

#### 2.2 Principal Officer

Mr T Mosomothane  
WeWork Rosebank (The Link), 1F  
173 Oxford Road  
Rosebank  
2196

#### 2.3 Registered office address and postal address

WeWork Rosebank (The Link), 1F	Private Bag X2
173 Oxford Road	Rivonia
Rosebank	2128
2196	



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 2 MANAGEMENT (continued)

#### 2.4 Medical scheme administrator

Discovery Health (Pty) Ltd 1 Discovery Place Sandton 2196	PO Box 786722 Sandton 2146
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#### 2.5 Managed care and wellness providers

Discovery Health (Pty) Ltd 1 Discovery Place Sandton 2196	PO Box 786722 Sandton 2146
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MediKredit Integrated Healthcare Solutions (Pty) Ltd 10 Kikuyu Road Sunninghill Sandton 2157	PO Box 521058 Saxonwold 2132
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#### 2.6 Capitation providers

Discovery Health (Pty) Ltd 1 Discovery Place Sandton 2196	PO Box 786722 Sandton 2146
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Centre for Diabetes and Endocrinology (Pty) Ltd 81 Central Street Houghton 2198	P.O. Box 2900 Saxonwold 2132
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#### 2.7 Investment managers

Ninety One SA (Pty) Ltd Investec Building Cnr Bree and Hans Strijdom Avenue Foreshore 8001	P.O. Box 1655 Cape Town 8000
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Taquanta Asset Managers (Pty) Ltd 7th Floor Newlands Terraces 8 Boundary Road Newlands 7700	P.O. Box 23540 Claremont Cape Town 7708
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M&G Investment Managers (Pty) Ltd (formerly Prudential Investment Managers (Pty) Ltd) 7th Floor Protea Place 30 Dreyer Street Claremont 7735	P.O. Box 44813 Claremont Cape Town 7708
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Allan Gray South Africa (Pty) Ltd 1 Silo Square V&A Waterfront Cape Town 8001	P.O. Box 51318 V&A Waterfront Cape Town 8002
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## REPORT OF THE BOARD OF TRUSTEES (continued)

### 2 MANAGEMENT (continued)

#### 2.7 Investment managers (continued)

Abax Investments (Pty) Ltd The Oval 1 Oakdale Road Newlands 7700	P.O. Box 23851 Claremont Cape Town 7708
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#### 2.8 Investment consultant

Willis Towers Watson 1st Floor Illovo Edge 1 Harries Road Illovo 2196	Postnet Suite 154 Private Bag X1 Melrose Arch 2076
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#### 2.9 Actuary

NMG Consultants and Actuaries (Pty) Ltd 9th Floor 19 Ameshoff Street Braamfontein 2001	P.O. Box 3075 Randburg 2194
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#### 2.10 External auditor

PricewaterhouseCoopers Inc. 4 Lisbon Lane Waterfall City Jukskei View 2090	Private Bag X36 Sunninghill 2157
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#### 2.11 Internal auditor

BDO South Africa Wanderers Office Park 52 Corlett Drive Illovo 2196	Private Bag X60500 Houghton 2041
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#### 2.12 Attorney

Edward Nathan Sonnenbergs Inc. 150 West Street Sandton 2196	PO Box 783347 Sandton 2146
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## REPORT OF THE BOARD OF TRUSTEES (continued)

### 3 INVESTMENT STRATEGY OF THE SCHEME

The overall objective is that the return on the assets should be such that:

- The highest rate of return is achieved within the determined risk tolerance level;
- Assets are broadly selected to obtain real growth relative to the Consumer Price Index (CPI);
- The negative effect of equity volatility is mitigated by diversifying investment holdings over various types of asset classes, and by employing multiple investment managers to administer these holdings; and
- The Scheme's Statement of Investment Policy includes several risk mitigating provisions.

This means that the multi-asset portfolios are expected to provide real rates of return over a three-year period at the lowest possible rates of volatility, whilst the money market portfolio aims to ensure capital preservation and will be limited to investing in cash and fixed interest instruments.

Asset managers have been appointed to manage the assets of the Scheme. The Trustees will not undertake investment decisions in respect of these allocated assets without consulting a professional asset manager. An investment consultant has been appointed to assist with design and implementation of the investment policy, appointment and termination of asset managers, periodic review of each asset manager's performance against an agreed benchmark and assistance with all other investment consulting issues.

The Trustees will not encumber asset managers with restrictions or pre-determinations, other than limitations documented in the Statement of Investment Policy or applicable to the Regulations of the Act. The asset managers will be free to invest assets under their control according to a specified mandate on the understanding that their performance will be assessed according to the benchmarks set by the Scheme.

The Scheme utilises a current account and a liquid money market portfolio to manage its working capital cash requirements. Temporarily unused funds are kept in the higher interest-yielding money market portfolio to maximise investment returns. When the funds are required for monthly operational purposes, they are transferred to the Scheme's transactional current account.

The Trustees have appointed an Investment Committee to recommend an appropriate investment policy to the Board of Trustees, and to oversee the implementation thereof.

### 4 ENVIRONMENTAL, SOCIAL AND GOVERNANCE INVESTMENT MEASURES

The importance of the impact that the operations of an organisation have on Environmental, Social and Governance (ESG) factors, is appreciated by Bankmed. The effect of an organisation's operations on the environment is an ever increasing point of focus, mainly due to the rapidly increasing number of climate change events. Along with this, the impact an organisation has on the social aspects of the community in which it operates, is a direct indicator of the long-term sustainability and overall success of the organisation. Bankmed complies with the provisions of the Medical Schemes Act and the regulations of the Council for Medical Schemes. Bankmed insists on the highest standards of Governance practices within the Scheme, as well as within the Scheme's various service providers.

Bankmed's major sphere of influence on ESG factors is via its investment of the Scheme's reserves. The Scheme has investments in several varied organisations, as this results in diversity of the investments which is part of the investment risk management strategy. Bankmed's Investment Committee devotes substantial time to interrogating the Scheme's five investment managers' ESG analysis and assessment methodologies of the organisations they choose to invest in. All of Bankmed's appointed investment managers subscribe to the five principals of the Code of Responsible Investing in South Africa, of which the first principle addresses ESG requirements. The investment managers are required to report to the Investment Committee annually on various aspects of their investment performance and processes, one of the aspects being their consideration of an organisation's ESG factors, and any initiatives in this regard that the organisation has adopted.

As mentioned in section 3, however, part of Bankmed's investment strategy is that the investment managers are mandated to decide which organisations they invest in. The Investment Committee does not dictate asset choice within an investment manager's portfolio. The Scheme's investment managers undergo extensive scrutiny and due diligence before being appointed. But once appointed, their expertise in investing is not interfered with. Therefore, the regular analysis of their application of ESG considerations is carried-out instead of instructing the investment managers to invest or disinvest in any particular organisation.



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 5 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

#### 5.1 Operational statistics

	Essential Plan		Basic Plan		Core Saver Plan		Traditional Plan		Comprehensive Plan		Plus Plan		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Number of members at year end	4,696	3,829	22,064	21,224	31,497	30,263	11,542	11,810	33,064	34,175	2,830	2,981	105,693	104,282
Number of beneficiaries at year end	6,569	5,369	42,754	40,863	65,809	63,293	25,388	26,222	71,829	74,977	5,090	5,426	217,439	216,150
Average number of members for the year	4,129	3,713	21,469	21,413	31,066	30,288	11,658	12,015	33,515	34,739	2,892	3,040	104,729	105,208
Average number of beneficiaries for the year	5,782	5,172	41,624	40,983	65,147	62,797	25,762	26,640	73,140	76,154	5,223	5,556	216,678	217,302
Dependant ratio to members at year end	0.40	0.40	0.94	0.93	1.09	1.09	1.20	1.22	1.17	1.19	0.80	0.82	1.06	1.07
Pensioner ratio (65 Years +)	0.88%	1.02%	2.16%	3.10%	3.23%	3.04%	11.33%	10.64%	15.61%	14.95%	43.85%	42.24%	8.93%	8.85%
Average age of beneficiaries	28.64	28.97	26.21	25.97	26.99	26.56	35.67	35.13	38.73	38.05	56.90	56.19	32.48	32.28
Average net contributions per member per month (R)	1,648	1,625	2,811	2,751	3,177	3,047	5,383	5,211	5,190	5,029	7,816	7,574	4,059	3,969
Average net contributions per beneficiary per month (R)	1,177	1,167	1,450	1,438	1,515	1,470	2,436	2,350	2,378	2,294	4,328	4,144	1,962	1,922
Relevant healthcare expenditure as a percentage of net contributions	44.53%	39.25%	77.61%	74.09%	75.55%	76.03%	108.72%	103.21%	113.81%	107.69%	129.57%	112.70%	98.77%	94.57%
Average administration costs per member per month (R)	221	208	227	214	221	208	222	209	221	208	222	209	222	209
Average administration costs per beneficiary per month (R)	158	150	117	112	105	100	100	94	101	95	123	114	107	101
Amounts paid to administrator (R'000)	9,404	7,983	48,898	46,037	65,469	60,246	24,568	23,898	70,631	69,099	6,095	6,047	225,065	213,310
Non-health expenses as a percentage of gross contributions	13.48%	12.85%	8.13%	7.79%	6.25%	6.10%	4.41%	4.27%	3.76%	3.63%	2.29%	2.21%	5.02%	4.81%
Average accumulated funds per member at 31 December (R)													31,683	31,779
Average healthcare management expense per member per month (R)	114	106	114	106	104	98	104	98	104	98	104	98	107	100
Average healthcare management expense per beneficiary per month (R)	81	76	59	55	50	47	47	44	48	45	58	53	52	48
Return on investments as per an independent review by the Scheme's investment consultants.													7.20%	11.50%





## REPORT OF THE BOARD OF TRUSTEES (continued)

### 5 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)

#### 5.2 Results of operations

The financial results of the Scheme are clearly set out in the Summarised Financial Statements accompanying this report.

#### 5.3 Accumulated funds ratio

	2022 R'000	2021 R'000
Total members' funds per the statement of financial position	3,348,701	3,313,940
Less: Cumulative unrealised net gain on remeasurement of investments to fair value	(227,068)	(241,945)
Accumulated funds per Regulation 29	<b>3,121,633</b>	<b>3,071,995</b>
Gross contribution income	5,833,518	5,733,096
Accumulated funds ratio	53.51%	53.58%

The Scheme's accumulated funds ratio exceeds the statutory reserve requirement of 25% of gross contribution income.

#### 5.4 Outstanding risk claims provision

Movements on the outstanding risk claims provision are set out in Note 2 to the Summarised Financial Statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

### 6 ACTUARIAL SERVICES

The Scheme's actuary has been consulted in determining the contribution increases and the viability of benefit levels.

### 7 INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE SCHEME

The Scheme holds the following investments in employer groups:

	2022 R'000	2021 R'000
Financial assets at fair value through profit and loss	782,170	952,747
Cash and cash equivalents	620,182	278,865
Total	<b>1,402,352</b>	<b>1,231,612</b>

Refer to Note 11 for detailed disclosure in terms of related parties. The Scheme obtained an exemption from Section 35(8)(a) of the Act and is therefore permitted to hold investments in the participating employers of members.



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 8 AUDIT COMMITTEE

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

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review. At all times the majority of the Committee is independent.

The Audit Committee has adopted a Combined Assurance Model to facilitate a coordinated approach to all assurance activities. The Combined Assurance Model aims to optimise the assurance coverage obtained from Scheme management, auditors, service providers and other assurance providers.

The Committee comprised of:

Ms F Petersen-Cook - Chairman (Independent)  
Ms R Gani (Independent)  
Ms F Levy-Hassen (Independent)  
Mr B Phillips (Independent)  
Mr EA Schaffrath (Trustee)  
Mr J Henning (Trustee)(Resigned 23 June 2022)  
Mr G Betela (Trustee)(Appointed 29 July 2022)

The Committee met five times during 2022 on the following dates:

17 February 2022  
07 April 2022  
22 April 2022  
29 July 2022  
21 October 2022

The Chairman of the Board of Trustees, the Principal Officer, the Finance Executive of the Scheme, the administrator, the internal auditor as well as the external auditor are invited to attend all Audit Committee meetings and have unrestricted access to the Chairman of the Committee. The Chairman of the Audit Committee is also a member of the Risk Management Committee.



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 9 REMUNERATION COMMITTEE

The Remuneration Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. Membership of the Remuneration Committee comprises four Trustees. The Remuneration Committee meetings are attended by an independent advisor to provide expert advice and guidance to the Committee.

The Committee comprised of:

Mr DW Bolt (Chairman)  
Mr D Armstrong (Chairman of the Investment Committee)  
Mr J Cresswell (Chairman of the Board of Trustees)  
Ms G Noemdoe (Chairman of the Risk Management Committee)  
Mr N Naidoo (Trustee)(Resigned 21 April 2022)

The Committee met three times during 2022 on the following dates:

10 February 2022  
6 September 2022  
8 November 2022

### 10 RISK MANAGEMENT COMMITTEE

The Risk Management Committee enabled the Board to oversee the risks against which the Scheme should be protected. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Ms G Noemdoe (Chairman)(Trustee)  
Mr J Cresswell (Trustee)  
Ms D Mantle (Trustee)  
Mr N Naidoo (Trustee)(Resigned 21 April 2022)  
Dr L Rametsi (Trustee)  
Ms F Petersen-Cook (Independent Audit Committee Chairman)  
Mr T Mosomothane (Principal Officer)  
Mr N Coghlan (Executive: Finance and Risk)  
Dr N Naidoo (Executive: Clinical and Operations)

The Committee met four times during 2022 on the following dates:

24 March 2022  
24 May 2022  
11 August 2022  
6 October 2022



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 11 INVESTMENT COMMITTEE

The Investment Committee ensures that the investment process is operated within the parameters of the Scheme's investment strategy. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Mr D Armstrong - (Chairman)(Trustee)  
Mr G Betela (Trustee)(Appointed 17 November 2022)  
Mr RP Gush (Trustee)  
Mr J Henning (Trustee)(Resigned 23 June 2022)  
Mr EA Schaffrath (Trustee)

The Committee met four times during 2022 on the following dates:

31 March 2022  
26 May 2022  
18 August 2022  
17 November 2022

### 12 NOMINATIONS COMMITTEE

The Nominations Committee ensures that the process of assessing the suitability of potential trustee candidates is thorough, fair and complete. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Mr D Armstrong - (Chairman)(Trustee)  
Mr G Betela (Trustee)  
Ms G Noemdoe (Trustee)

The Committee met once during 2022 on the following date:

13 April 2022



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 13 MEETING ATTENDANCE

The following schedule sets out trustee meeting attendances where column A indicates the total number of meetings that could have been attended and B the actual number of meetings attended.

Trustee	Board of Trustees meetings		Remuneration Committee meetings		Audit Committee meetings		Risk Management Committee meetings		Nominations Committee meeting		Investment Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B
Mr J Cresswell	8	8	3	3	-	-	4	4	-	-	-	-
Mr DW Bolt	8	8	3	3	-	-	-	-	-	-	-	-
Mr D Armstrong	8	7	3	3	-	-	-	-	1	1	4	4
Mr G Betela	8	7	-	-	3	3	-	-	1	1	1	1
Mr RP Gush	8	8	-	-	-	-	-	-	-	-	4	4
Mr J Henning	3	3	-	-	2	2	-	-	-	-	2	2
Mrs D Mantle	8	8	-	-	-	-	4	4	-	-	-	-
Mr W MacFarlane	4	2	-	-	-	-	-	-	-	-	-	-
Ms S Moodley	8	8	-	-	-	-	-	-	-	-	-	-
Mr N Naidoo	2	2	1	1	-	-	1	1	-	-	-	-
			-	-	-	-	-	-	-	-	-	-
Ms G Noemdoe	8	7	3	3	-	-	4	4	1	1	-	-
Dr L Rametsi	8	8	-	-	-	-	4	3	-	-	-	-
Mr EA Schaffrath	8	8	-	-	5	5	-	-	-	-	4	4

### 14 NON-COMPLIANCE MATTERS

#### 14.1 Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options

##### *Nature and impact*

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred net healthcare deficits for the year ended 31 December 2022, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

##### *Causes for the failure*

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which were approved by the Council for Medical Schemes (the CMS).

##### *Corrective action*

The benefits and contributions proposal approved by the CMS for 2022 included a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

#### 14.2 Non-compliance with Section 26(7) – Late payment of contributions

##### *Nature and impact*

Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2022, which is in contravention of Section 26(7) of the Act.

##### *Causes for the failure*

Due to internal process delays in some participating employers, the contributions paid on behalf of members were not paid within three days of becoming due. As a result, the Scheme is in contravention of Section 26(7) of the Act.

##### *Corrective action*

Scheme management continues to engage any employer group that pays late, and appropriate action is taken as and when necessary. The administrator's robust follow-up processes have been instrumental in ensuring continuous improvement in timeous payment of contributions by employer groups.



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 14 NON-COMPLIANCE MATTERS (continued)

#### 14.3 Non-compliance with Section 35(8)(a) – Investments in participating employers

##### *Nature and impact*

The Scheme holds investments, via various instruments, with Absa Bank Limited, FirstRand Limited, Landbank SOC Limited and The Standard Bank of South Africa Limited all of who are participating employers of the Scheme. The Scheme also banks with FirstRand Limited and therefore has various current accounts with this employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

##### *Causes for the failure*

As these institutions are major banks, an investment portfolio excluding these employers would fail to diversify optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

##### *Corrective action*

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective 7 April 2022 to 7 April 2025.

#### 14.4 Non-compliance with Section 35(8)(c) – Investments in any administrator

##### *Nature and impact*

The Scheme has investments in other administrators via unitised fund holdings within the Ninety One Absolute Opportunity and Prudential Global Real Return portfolios.

##### *Causes for the failure*

The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

##### *Corrective action*

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective 1 December 2022 to 30 November 2025.

#### 14.5 Non-compliance with Section 59(2) – Payment of claims within 30 days

##### *Nature and impact*

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

##### *Causes for the failure*

A small number of claims were paid later than 30 days of the date of receipt. Delays occur when accounts are referred for clinical audit or other investigations. These are however exceptions and claims are generally paid within the prescribed time.

##### *Corrective action*

The Scheme is aware of the requirements and complies as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.



## REPORT OF THE BOARD OF TRUSTEES (continued)

### 14 NON-COMPLIANCE MATTERS (continued)

#### 14.6 Disclosure of personal information

##### *Nature and impact*

Regulation 15J (2) (b) requires the Scheme to ensure that there are provisions for ensuring confidentiality of clinical and proprietary information, including the diagnosis and treatment pertaining to any beneficiary. Condition 7 of the Protection of Personal Information Act (POPIA) requires that personal information be kept secure against the risk of loss, unauthorised access, interference, modification, destruction or disclosure.

##### *Causes for the failure*

During the year under review there were incidents where minor amounts of personal information were unintentionally shared with 3rd parties.

##### *Corrective action*

These incidents were reported to the Information Registrar as required. Remedial action included disciplinary action where applicable, additional training and the strengthening of control systems.

### 15 MEMBERSHIP

The membership of the Scheme increased by 1.35% to 105,693 at the end of 2022 when compared to the total membership at the end of 2021 of 104,282. The Board of Trustees continues to monitor membership movements and the matter is receiving the necessary attention in terms of both risk management and future strategic options. At the end of 2022, the Scheme's average beneficiary age was 32.48 years (2021: 32.28 years). The pensioner ratio increased from 8.85% at the end of 2021 to 8.93% at the end of 2022.

### 16 BENEFIT OPTIONS

Benefit design is a dynamic process and aimed at fulfilling the needs and healthcare benefit requirements of the Bankmed member and employer base. For this reason, the Scheme offers six benefit options which are reviewed on an on-going basis in terms of affordability, financial viability, membership choice and legislative compliance.

### 17 SERVICE AND ADMINISTRATION

The Scheme's administration is outsourced to Discovery Health (Pty) Ltd. The Scheme regularly reviews its service level agreements. The Scheme also ensures that effective service delivery and service levels are monitored and evaluated on an on-going basis.

### 18 FINANCIAL OVERVIEW

The financial position of the Scheme and its robust risk management approach resulted in a reaffirmation of the AA+ rating from the Global Credit Ratings Agency, indicating its strong ability to pay claims.

#### 18.1 Review of underwriting results

The overall claims for 2022 were 1.82% lower than that budgeted for the year. With this the Scheme achieved a gross healthcare surplus of R62.9 million.

Relevant healthcare expenditure, expressed as a percentage of risk contribution income, was 98.77% for 2022 (2021: 94.57%). The gross healthcare (underwriting) result for 2022, amounted to 1.08% of gross contributions (2021: 4.75%).

The net healthcare deficit, after deducting non-healthcare expenditure, amounted to R230.1 million (before investment and other income) in 2022, compared to a deficit of R3.8 million in the previous year. In the budget it was anticipated that a net healthcare deficit of R296.4 million would be incurred, compared to a budgeted net healthcare deficit of R143.8 million in 2021.

The Scheme generated a net surplus for the year under review of R35.1 million (2021: R406.6 million).

#### 18.2 Administration expenditure

Administration expenditure remained stable at 4.98% of gross contribution income in 2022 (2021: 4.80%). The overall administration expenditure figure compares favourably with the average administration expenditure of medical schemes (as obtained from the CMS annual report) in the healthcare industry.



## **REPORT OF THE BOARD OF TRUSTEES (continued)**

### **18 FINANCIAL OVERVIEW (continued)**

#### **18.3 Investments**

The Scheme has a clearly documented investment policy and employs the services of independent investment managers in order to manage its various investment portfolios. Net investment income (including fair value gains after deducting asset management fees) during 2022 amounted to R263.3 million, which is 35.83% less than the R409.2 million generated in 2021. The performance of the Scheme's managers was in line with market performance. All of the Scheme's investment managers operate in terms of strict mandates that have been delegated to them by the Board of Trustees, which comply with the requirements of the Act and Regulations, and are closely monitored.

The Board of Trustees has appointed an Investment Committee that in turn utilises the services of independent investment experts with the objective of advising the Board of Trustees regarding the implementation, benchmarking and monitoring of appropriate investment mandates. The investment mandates incorporate strategies which aim to outperform medical inflation.

### **19 COMMUNICATION**

Scheme communications continue to be aimed at the education and empowerment of members and elevating the profile of the Bankmed brand in order to retain the current membership and attract new members. Ongoing evaluation of communication tools and channels has ensured continuous improvement of the impact of the marketing and communication messages and strategies.

### **20 MANAGED CARE**

The Scheme constantly reviews the manner in which it mitigates its clinical and financial risks while at the same time ensuring the provision of the highest quality of care to members. The Managed Care programmes will continue to undergo improvement and development in order to cater for the prevailing conditions in the industry, and the interest of the members.

### **21 EVENTS AFTER THE REPORTING DATE**

There have been no other events that have occurred subsequent to the end of the accounting period that effect the summarised financial statements, and that the Trustees consider should be brought to the attention of the members of the Scheme.

### **22 GOING CONCERN**

The Trustees have no reason to believe that the Scheme will not be a going concern in the year ahead.

### **23 VOTE OF APPRECIATION**

On behalf of Bankmed the Board would like to express its thanks to:

- All members of Bankmed and their employers.
- Independent members of the Board committees for their support.
- The Executive team and staff for the diligent manner in which they have managed the affairs of the Scheme.
- The Registrar of Medical Schemes and his staff for their co-operation and assistance.
- Our contracted service suppliers, industry associations and healthcare service providers.





## REPORT OF THE BOARD OF TRUSTEES (continued)

### 24 CONCLUSION

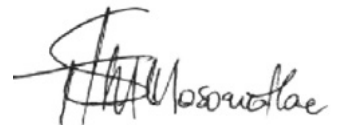
The Scheme is well positioned to meet the current industry challenges, as well as future changes in the legislative framework. The Scheme continues to be financially strong and its products are competitive in terms of pricing, benefits and service levels.



J CRESSWELL  
CHAIRMAN



D BOLT  
VICE CHAIRMAN



T MOSOMOTHANE  
PRINCIPAL OFFICER

19 April 2023

DATE



## SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### TRUSTEES' RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation of the summarised financial statements, which fairly present the state of affairs of Bankmed, comprising the statement of financial position at 31 December 2022, and the statements of comprehensive income, changes in funds and reserve and cash flows for the year then ended, and the notes to the summarised financial statements. These include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa as amended, and the regulations prescribed by the Council for Medical Schemes. In addition, the Trustees are responsible for preparing the Board of Trustees report and the Statement of Corporate Governance.

The Trustees are responsible for such internal controls as they deem necessary to enable the preparation of summarised financial statements that are free from material misstatement, whether due to fraud or error. The Trustees ensure the use of appropriate accounting policies and prudent judgements and estimates. The Trustees are also responsible for maintaining adequate accounting records and an effective system of risk management.

The Trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe that the Scheme will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the summarised financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Approval of the summarised financial statements


The summarised financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 19 April 2023 and are signed on its behalf by:



J CRESSWELL  
CHAIRMAN



D BOLT  
VICE CHAIRMAN



T MOSOMOTHANE  
PRINCIPAL OFFICER

19 April 2023

DATE



## SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Bankmed is committed to the principles and practice of responsibility, fairness, transparency, integrity and accountability in all dealings with its stakeholders. The Scheme conducts its affairs according to ethical values, and in compliance with a governance framework based on the principles published by the King Commission.

#### BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that the discussion of items of policy, strategy and performance are critical, informed and constructive. The performance of third-party service providers is monitored against contracted service level agreements. The Trustees have adopted, and maintain, a process of risk identification, assessment and management.

All Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

The Board of Trustees has appointed an Audit Committee, a Remuneration Committee, a Risk Management Committee, an Investment Committee and a Nominations Committee to assist in executing its duties. The performance of the Board of Trustees, and the appointed sub-committees, is assessed annually against agreed upon terms of reference for each committee.

#### INTERNAL CONTROL

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the summarised financial statements and to safeguard, verify and adequately maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties. The adequacy and effectiveness of the systems are assessed by the appointment of internal and external auditors.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



J CRESSWELL  
CHAIRMAN



D BOLT  
VICE CHAIRMAN



T MOSOMOTHANE  
PRINCIPAL OFFICER

19 April 2023

DATE



## STATEMENT OF CHANGES IN FUNDS AND RESERVES

For the year ended 31 December 2022

	2022	2021
	R'000	R'000
Opening balance at the beginning of the year	3,313,940	2,907,114
Net surplus for the year	35,081	406,637
Other comprehensive income	(320)	189
<b>Closing balance at the end of the year</b>	<b>3,348,701</b>	<b>3,313,940</b>



## STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
		<b>4,035,919</b>	<b>3,952,956</b>
Equipment		635	881
Financial assets at fair value through profit and loss	1	4,035,284	3,952,075
<b>Current assets</b>			
		<b>537,493</b>	<b>567,022</b>
Financial assets at fair value through profit and loss	1	364,454	173,628
Trade and other receivables		104,496	78,366
Cash and cash equivalents		68,543	315,028
<b>Total assets</b>		<b>4,573,412</b>	<b>4,519,978</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
		<b>3,348,701</b>	<b>3,313,940</b>
Accumulated funds		3,348,701	3,313,940
<b>Non-current liability</b>			
		<b>5,157</b>	<b>5,308</b>
Post-retirement medical aid liability		5,157	5,308
<b>Current liabilities</b>			
		<b>1,219,554</b>	<b>1,200,730</b>
Post-retirement medical aid liability		1,025	950
Outstanding risk claims provision	2	160,869	193,039
Personal Medical Savings Account monies	3	931,302	934,373
Trade and other payables		126,358	72,368
<b>Total funds and liabilities</b>		<b>4,573,412</b>	<b>4,519,978</b>



## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
<b>Risk contribution income</b>	4	<b>5,101,515</b>	<b>5,010,748</b>
<b>Relevant healthcare expenditure</b>		<b>(5,038,612)</b>	<b>(4,738,529)</b>
Net claims incurred		(4,920,630)	(4,610,045)
Risk claims incurred	5	(4,932,327)	(4,614,201)
Third-party claims recoveries	5	11,697	4,156
Accredited managed healthcare services (no risk transfer)	6	(134,073)	(125,928)
Net income/(expense) on risk transfer arrangements		16,091	(2,556)
Risk transfer arrangements premiums paid	7	(160,497)	(149,424)
Risk transfer arrangements recoveries	7	176,588	146,868
<b>Gross healthcare surplus</b>		<b>62,903</b>	<b>272,219</b>
Administration fees	8	(225,065)	(213,310)
Other operating expenditure	9	(54,017)	(50,849)
Non-accredited managed care costs		(11,276)	(10,922)
Net impairment losses		(2,657)	(918)
<b>Net healthcare deficit</b>		<b>(230,112)</b>	<b>(3,780)</b>
<b>Other income</b>		<b>305,964</b>	<b>456,392</b>
Investment income	10	304,117	455,198
Sundry income		1,847	1,194
<b>Other expenditure</b>		<b>(40,771)</b>	<b>(45,975)</b>
Asset management fees		(17,656)	(15,343)
Interest paid on Personal Medical Savings Account monies		(23,115)	(30,632)
<b>Net surplus for the year</b>		<b>35,081</b>	<b>406,637</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on post-retirement liability		(320)	189
<b>Total comprehensive income for the year</b>		<b>34,761</b>	<b>406,826</b>



**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2022

	2022 R'000	2021 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from members and providers	5,831,363	5,742,495
Cash receipts from members - contributions	5,813,886	5,730,175
Cash receipts from members and providers - other	17,477	12,320
Cash paid to members and providers	(6,085,084)	(5,712,275)
Cash paid to members and providers - claims	(5,742,751)	(5,385,546)
Cash paid to providers - non-healthcare expenditure	(288,633)	(273,204)
Cash paid to members - savings plan refunds	(53,700)	(53,525)
Asset management fees	(17,656)	(15,343)
Dividends received	59,768	37,414
Interest received	137,818	114,657
<b>Net cash (utilised in)/generated from operating activities</b>	<b>(73,791)</b>	<b>166,948</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds/(purchase) of equipment	32	(192)
Purchase of investments	(4,936,374)	(5,814,172)
Proceeds on disposal of investments	4,763,648	5,889,219
<b>Net cash (utilised in)/generated from investing activities</b>	<b>(172,694)</b>	<b>74,855</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(246,485)</b>	<b>241,803</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>315,028</b>	<b>73,225</b>
<b>Cash and cash equivalents at end of the year</b>	<b>68,543</b>	<b>315,028</b>



## ACCOUNTING POLICIES for the year ended 31 December

### 1 GENERAL INFORMATION

Bankmed Medical Scheme (the Scheme) is a medical scheme that offers hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly owned subsidiary of Discovery Limited, listed in the insurance sector of the Johannesburg Stock Exchange (JSE).

The Scheme is a restricted-membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998, as amended (the Act), and is domiciled in the Republic of South Africa.

### 2 BASIS OF PREPARATION

The Summarised Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which are set by the International Accounting Standards Board (IASB). The Summarised Financial Statements are also prepared in accordance with the Act, which requires additional disclosures for registered medical schemes.

The detailed accounting policies have been set out in the respective note to the Summarised Financial Statements, with the general accounting policies applied in the preparation of these Summarised Financial Statements set out below. These policies have been applied consistently to all years presented, except for changes required by the mandatory adoption of new and revised IFRS.

The preparation of the Summarised Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies.

The Summarised Financial Statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities, which include:

- Financial instruments at fair value through profit and loss

All monetary information and figures presented in these Summarised Financial Statements are stated in South African Rand thousand (R'000), unless otherwise indicated.

### 3 IMPLEMENTATION OF NEW STANDARDS

#### **New standards, amendments and interpretations effective and relevant to the Scheme:**

The following new standards, amendments and interpretations to the existing standards have been published and are effective for the current financial year.

Standard	Scope	Effective date
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Disclosure Initiative: The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date.	1 January 2022

#### **New standards, amendments and interpretations not yet effective and relevant to the Scheme:**

The following new standard has been published but is not yet effective for the current financial year. The Scheme has not early adopted the standard. The standard, under certain circumstances, may have a material impact on the Scheme's assets, liabilities and results, and will result in additional and varied disclosure in the Summarised Financial Statements. Further detail is disclosed below.

#### **INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 17: INSURANCE CONTRACTS (Effective 1 January 2023)**

IFRS 17 was issued in May 2017 and supersedes IFRS 4 'Insurance Contracts'. The Standard creates one accounting model for all insurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The Standard requires insurance contracts to be measured using updated estimates and assumptions that reflect the timing of cash flows and takes into account any uncertainty relating to insurance contracts.





## ACCOUNTING POLICIES for the year ended 31 December

### 3 IMPLEMENTATION OF NEW STANDARDS (continued)

#### INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 17: INSURANCE CONTRACTS (continued) (Effective 1 January 2023)

##### Insurance contracts

The primary objective of the standard is to identify insurance contracts within the Scheme. The contracts issued by the Scheme are insurance contracts, indemnifying members and their dependants against the risk of loss arising as a result of a health event. Certain of these contracts contain a Personal Medical Savings Account which were previously accounted for as financial instruments. Under IFRS 17 these will be accounted for as part of the insurance contracts.

##### Level of aggregation

Insurance contracts are aggregated into groups, or portfolios, of individual contracts when being measured and assessed as onerous or not. The level of aggregation has an impact on accounting for the insurance contracts, including the extent of offsetting and cross subsidisation to determine the appropriate level of aggregation in order to ultimately identify onerous contracts.

A portfolio of insurance contracts comprises contracts subject to similar risks that are managed together. Once the portfolio of insurance contracts has been established, it becomes the unit of account to which the requirements of IFRS 17 are applied. All member contracts issued by the Scheme are subject to similar risks and are managed together, and therefore fall into the same portfolio, with no further disaggregation required.

##### Contract boundary

The contracts issued by the Scheme are in line with its financial year and therefore no contracts will be issued for a financial year after the end of that specific financial year. In addition, as no contract will exceed 12 months, no discounting will be applied.

Insurance contracts issued shall be recognised from the earliest of the following:

- (a) The beginning of the coverage period;
- (b) The date when the first payment from a policyholder becomes due; and
- (c) For onerous contracts, when the contracts become onerous.

With the insurance contracts being included in a single portfolio, and the coverage period aligning with the reporting period (financial year), the insurance contracts will be recognised from 1 January or from inception of cover, should the member join the Scheme after 1 January. An exception to this would be where the Scheme as a whole is priced for a deficit position.

This would mean that all contracts would be onerous and the loss would need to be recognised when the contracts become onerous. As pricing for the Scheme is done in September for the following year, the onerous contract test would be assessed at this time, with the following year's loss being recognised in the current financial year.

##### Measurement

The Standard further provides for a simplified approach, the "premium allocation approach", for the measurement of a group of insurance contracts under certain conditions. One of those conditions is that at the inception of the group of contracts, the entity reasonably expects that the simplification will produce measurement of the liability for remaining coverage that would not differ materially from that produced using the 'general measurement' model. Another condition is that the coverage period is one year or less. The Scheme has opted for the simplified "premium allocation approach".

##### Risk adjustment

The Standard requires an adjustment for non-financial risk. The Scheme shall adjust the estimate of the present value of the future cash flows in order to provide for the possible financial implications of the Scheme bearing the uncertainty of the amount and timing of cash flows that may arise from non-financial risk. The objective of the risk adjustment provision for non-financial risk is to reflect the Scheme's perception of the possible economic burden which may be the result of non-financial risks.

IFRS 17 requires that the Standard is implemented retrospectively. This requires the identification, recognition and measurement of each group of insurance contracts as if the standard had always been applied. This also results in the derecognition of current balances that would not exist under IFRS 17, and the recognition of the resulting difference in Members' funds.



## ACCOUNTING POLICIES for the year ended 31 December

### 3 IMPLEMENTATION OF NEW STANDARDS (continued)

#### INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 17: INSURANCE CONTRACTS (continued) (Effective 1 January 2023)

##### FINANCIAL IMPACT

##### Onerous contracts

With the requirement to implement the Standard retrospectively, the opening balances of 2021 and 2022 will be impacted by the budgeted deficits (onerous contracts) for the respective years. The 2021 budgeted deficit unwinds in 2021 with the 2022 budgeted deficit unwinding in 2022. The original budgets, with IFRS17 adjustments, will be the starting point in calculating the onerous contract loss.

##### Risk margin on onerous contracts

In addition to the “best estimate” onerous contract provision above, a risk margin amount reflecting potential adverse claims experience is required. It is required that a confidence interval approach is used. A confidence interval is a range of values into which one would expect an outcome to fall with a given chance.

Historic variations from budget as a percentage of claims are used to calculate a ‘standard error’ deviation from budget, which is then used along with the Value at Risk (VaR) formula for claims variability in the Risk Based Solvency Assessment. The Value at Risk reflects a maximum financial loss which could be expected with a given probability i.e. a 90% VaR figure would be one that the Scheme only has a 1 in 10 chance of performing worse than.

**This margin is expected to have a material impact on the onerous contract value.**

The Scheme has made extensive progress in the development of the necessary principles, policies and methodologies required to implement IFRS 17. Management are confident that the Scheme will be fully prepared to apply IFRS 17 to the Annual Financial Statements for the financial year ending 31 December 2023, including the required comparative figures arising from the 2022 financial year end.



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

#### Accounting policy

The Scheme's investment strategy ("business model objective") is determined by means of an allocation across different asset classes and grouping of Financial assets into specific portfolios. Independent asset managers manage these portfolios under fully discretionary, active mandates with performance evaluated at portfolio level on a fair value basis. All asset managers are remunerated based on the fair value of the portfolios under management. The business model objective is achieved through the selling of assets per the documented strategy for realisation of gains with the collection of contractual cash flows being incidental to the primary business model objective. The Financial assets are managed together and grouped into specific portfolios. Based on the business model objective the Financial assets are measured at fair value through profit and loss.

Financial assets at fair value through profit and loss are initially recognised at fair value and the transaction costs are expensed in the surplus or deficit section of the Statement of Comprehensive Income.

The fair value of the financial instruments traded in an active market is determined by using quoted market prices or dealer quotes. The fair value of financial instruments not traded in an active market is determined by using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Gains or losses arising from subsequent changes in fair value are recognised under "Other income" in the Statement of Comprehensive Income within the period in which they arise.

#### Note

The Scheme's Financial assets at fair value through profit and loss are summarised by measurement classes as follows:

	2022 R'000	2021 R'000
Listed equities	1,288,433	1,248,229
Commodity linked instruments	60,865	58,448
Collective investment schemes	417,017	216,779
Offshore collective investment schemes	131,568	131,454
Money market instruments	549,226	910,126
Bonds	1,319,173	1,170,196
Linked insurance policies	633,456	390,471
	<b>4,399,738</b>	<b>4,125,703</b>
Fair value at the beginning of the year	4,125,703	3,905,936
Dividends recapitalised	58,483	37,414
Interest recapitalised	180,351	160,230
Realised gains on disposal	62,452	40,218
Management fees	(17,656)	(15,343)
Acquisition of Financial assets at fair value through profit and loss	4,751,273	5,662,163
Proceeds on disposal of Financial assets at fair value through profit and loss	(4,745,992)	(5,873,876)
Net movement on revaluation of Financial assets at fair value through profit and loss	(14,876)	208,961
Fair value at the end of the year	4,399,738	4,125,703
Less: Short-term portion shown in current assets	(364,454)	(173,628)
	<b>4,035,284</b>	<b>3,952,075</b>

A register of investments is available for inspection at the registered office of the Scheme.

The weighted average effective interest rate on bonds for the year was 4.30% (2021: 8.40%).



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 2. OUTSTANDING RISK CLAIMS PROVISION

#### *Accounting policy*

Claims outstanding comprise provisions for the Scheme's best estimate of the ultimate cost of settling all claims incurred, but not yet reported at the reporting date. Claims outstanding are determined as accurately as possible based on a number of factors. These include previous experience in claims patterns, claims settlement patterns, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim.

Claims handling expenses are not separately accounted for as this service is provided by the Administrator and a fixed fee is paid for the full administration service, including claims handling. No provision for claims handling expenses is required, as the Scheme has no further liability to the Administrator at year end.

Estimated co-payments and payments from members' Personal Medical Savings Account monies are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding claims, since the effect of the time value of money is not considered material.

#### *Note*

	2022 R'000	2021 R'000
Outstanding claims provision - not covered by risk transfer arrangements	160,869	193,039
	<b>160,869</b>	<b>193,039</b>
<i>Analysis of movement in outstanding claims</i>		
Balance at the beginning of the year	193,039	134,507
Payments in respect of prior year	(198,181)	(131,125)
(Under)/over provision	(5,142)	3,382
Outstanding claims provision raised in current year		
Not covered by risk transfer arrangements	166,011	189,657
<b>Balance at the end of the year</b>	<b>160,869</b>	<b>193,039</b>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	164,678	202,215
Less: estimated recoveries from savings plan accounts (note 3)	(3,809)	(9,176)
<b>Balance at the end of the year</b>	<b>160,869</b>	<b>193,039</b>



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 3. PERSONAL MEDICAL SAVINGS ACCOUNT MONIES

#### *Accounting policy*

Members' Personal Medical Savings Accounts (PMSAs) represent savings contributions (which are a deposit component of the insurance contracts), and accrued interest thereon, net of any savings claims paid on behalf of members in terms of the Scheme's registered Rules. The deposit component has been unbundled since the Scheme can measure the deposit component separately and the Scheme's accounting policies do not otherwise require recognition of all obligations and rights arising from the deposit component.

The deposit component is recognised in accordance with IFRS 9 and is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. The insurance component is recognised in accordance with IFRS 4.

The savings accounts contain a demand feature and are initially measured at fair value plus transaction costs, which is the amount payable to a member on demand, discounted from the first date that the amount could be required to be paid. Subsequent to initial measurement, the liability is measured at amortised cost using the effective interest rate method.

Unspent savings at year end are carried forward to meet future expenses for which the members are responsible. In terms of the Act, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on savings contributions are funded from the Scheme's funds and the risk of impairment is carried by the Scheme.

Interest payable on members' PMSAs is expensed when incurred.

#### **Note**

	2022 R'000	2021 R'000
Balance of PMSAs at the beginning of the year	934,373	893,322
Add:		
PMSA contributions received or receivable (note 4)	732,003	722,348
Interest received on PMSAs	23,115	30,632
Transfers received from other medical schemes	4,547	2,556
Less:		
Claims paid to or on behalf of members (note 5)	(708,664)	(660,960)
Refunds paid on death or resignation	(53,700)	(53,525)
Prescribed balances written off	(372)	-
	<b>931,302</b>	<b>934,373</b>

It is estimated that claims to be paid out of members' PMSAs in respect of claims incurred in 2022 but not reported, will amount to approximately R3.8 million (2021: R9.2 million).

As at 31 December 2022 the carrying amount of the members' PMSAs was deemed to be equal to their fair values, which is the amount payable on demand.

Interest is determined in line with the Scheme's PMSA interest policy and added to the funds allocated to the member's PMSA in terms of the Scheme Rules. The Scheme does not charge interest on negative (overdrawn) PMSA balances.



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 4. RISK CONTRIBUTION INCOME

#### *Accounting policy*

Gross contributions comprise risk contributions and Personal Medical Savings Account contributions. Contributions on member insurance contracts are accounted for monthly, when their collection in terms of the insurance contract is reasonably assured. Risk contributions represent gross contributions after the deduction of Personal Medical Savings Account contributions. Risk contributions are earned from the date of acceptance of risk, over the indemnity period on a straight-line basis. The earned portion of risk contributions received is recognised as revenue.

#### *Note*

	2022 R'000	2021 R'000
Gross contributions per registered Scheme Rules	5,833,518	5,733,096
Less: Personal Medical Savings Account contributions (note 3)	(732,003)	(722,348)
	<b>5,101,515</b>	<b>5,010,748</b>

### 5. NET CLAIMS INCURRED

#### *Accounting policy*

#### *Claims incurred*

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

Risk claims incurred comprise:

- Claims submitted and accrued for services rendered during the year;
- Payments under provider contracts for services rendered to members;
- Over or under provisions relating to prior year claims estimates;
- Claims incurred but not yet reported;
- Claims settled in terms of risk transfer arrangements.

Net of:

- Claims from members' Personal Medical Savings Account monies;
- Recoveries from members for co-payments;
- Recoveries from third parties;
- Discount received from service providers.

Anticipated recoveries under risk transfer arrangements are disclosed separately as assets, and are assessed in a manner similar to the assessment of the outstanding claims provision and claims reported not yet paid.

#### *Reimbursements from Road Accident Fund*

The Scheme grants assistance to its members in defraying expenditure incurred in connection with the rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made against the Road Accident Fund, administered in terms of the Road Accident Fund Act No 56 of 1996. If the member is reimbursed by the Road Accident Fund, they are obliged, contractually, to cede that payment to the Scheme to the extent that they have already been compensated.

Due to the uncertainty around the confirmation and measurability of the Road Accident Fund amounts, the Scheme accounts for these amounts on a cash basis. These amounts are recognised as a reduction of net claims incurred.



**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS  
for the year ended 31 December 2022**

**5. NET CLAIMS INCURRED (continued)**

**Accounting policy (continued)**

**Note**

	2022 R'000	2021 R'000
Current year claims per registered Scheme Rules	5,480,121	5,082,121
Claims not covered by risk transfer arrangements	5,303,533	4,935,253
Claims covered by risk transfer arrangements (note 7)	176,588	146,868
Movement in outstanding risk claims provision	160,869	193,040
Over/(under) provision in prior year (note 2)	5,142	(3,382)
Adjustment for the current year	155,727	196,422
	5,640,991	5,275,161
Less: claims charged to members' Personal Medical Savings Accounts (note 3)	(708,664)	(660,960)
Risk claims incurred	4,932,327	4,614,201
Less: Third-party claims recoveries	(11,697)	(4,156)
	<b>4,920,630</b>	<b>4,610,045</b>

**6. ACCREDITED MANAGED HEALTHCARE SERVICES (NO RISK TRANSFER)**

**Accounting policy**

Accredited managed healthcare services (no risk transfer) fees comprise amounts paid or payable to a third party for managing the utilisation, costs and quality of healthcare services to the members of the Scheme and are expensed as incurred.

Accredited managed healthcare services are part of healthcare expenditure as they directly impact on the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of the Scheme.

**Note**

	2022 R'000	2021 R'000
Clinical risk management	41,597	38,215
Hospital referrals and pre-authorisations	37,476	35,485
Medical provider network management	34,844	32,993
Pharmacy benefit management	20,156	19,235
	<b>134,073</b>	<b>125,928</b>



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 7. NET INCOME/(EXPENSE) ON RISK TRANSFER ARRANGEMENTS

#### *Accounting policy*

Risk transfer arrangements are contractual arrangements entered into by the Scheme and third parties who undertake to indemnify the Scheme against all or part of the loss that the Scheme may incur, as a result of carrying out the business of a medical scheme. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependants. The arrangements only decrease the loss the Scheme may incur as a result of carrying on the business of a medical scheme.

Risk transfer arrangement fees are recognised as an expense over the indemnity period on a straight-line basis.

The claims incurred under member insurance contracts and the equivalent claims recoveries are presented in the Statement of Comprehensive Income on a gross basis. Amounts recoverable under such contracts are therefore recognised in the same year as related claims. The claims incurred liability under risk transfer arrangements and the equivalent receivable are also presented in the Statement of Financial Position on a gross basis.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions, and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provision, claims reported not yet paid and settled claims associated with the risk transfer arrangement.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. These assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Scheme may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Scheme will receive under the risk transfer arrangement. The Scheme gathers the objective evidence that a risk transfer arrangement asset is impaired, using the same process adopted for insurance receivables. The impairment loss is also calculated following the same method used for these receivables.

#### **Note**

	2022 R'000	2021 R'000
<b>The Scheme operated the following risk transfer arrangements during the year:</b>		
Recoveries received from risk transfer arrangements	176,588	146,868
Discovery Health (Pty) Ltd	166,487	137,509
Centre for Diabetes and Endocrinology (Pty) Ltd	10,101	9,359
Less: Premiums paid on risk transfer arrangements	(160,497)	(149,424)
Discovery Health (Pty) Ltd	(152,103)	(141,266)
Centre for Diabetes and Endocrinology (Pty) Ltd	(8,394)	(8,158)
	<b>16,091</b>	<b>(2,556)</b>

The Scheme renewed two existing risk transfer arrangements during 2022.

#### *Discovery Health (Pty) Ltd - primary healthcare*

Primary healthcare for the Basic and Essential Plans are covered by the risk transfer arrangement with Discovery Health (Pty) Ltd. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per beneficiary basis.

#### *Centre for Diabetes and Endocrinology (Pty) Ltd*

The Centre for Diabetes and Endocrinology (Pty) Ltd provides diabetes benefits to members of all benefit options of the Scheme, except for the Bankmed Basic Plan and Bankmed Essential Plan. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per enrollee basis.

The estimated claims incurred under these arrangements are determined using the similar claims experience for members not on the relevant plans and calculating a Per Life Per Month (PLPM) rate. The value of claims under these arrangements is determined by multiplying the PLPM rate by the lives exposure for the relevant plan members.





## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 8. ADMINISTRATION FEES

#### *Accounting policy*

Administration fees paid to the Scheme Administrator are expensed as incurred.

#### *Note*

	2022 R'000	2021 R'000
<b>Accredited services</b>		
Member record management	20,546	19,473
Contribution management	18,045	17,103
Claims management	22,733	21,545
Financial management	729	691
Information management and data control	36,845	34,920
Customer services	100,342	95,101
<b>Other services</b>		
Internal audit services	3,054	2,894
Marketing services	10,506	9,957
Forensic investigations and recoveries	3,820	3,621
Governance and compliance	603	572
<b>Additional services</b>		
Quality management and monitoring services	2,878	2,727
Advanced data analytics	2,400	2,275
Digital service offering	892	846
Enhanced service offering	478	453
Enterprise risk management services	478	453
Legal services	138	131
Product innovation	578	548
	<b>225,065</b>	<b>213,310</b>



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 9. OTHER OPERATING EXPENDITURE

#### *Accounting policy*

Other operating expenses include expenses other than administration fees, and are expensed as incurred.

#### *Note*

	2022	2021
	R'000	R'000
Actuarial fees	3,391	2,929
Association fees	694	664
Communication expenses	4,955	3,882
Consulting fees	2,514	1,886
Depreciation	214	224
External audit fees	1,284	1,435
Fidelity guarantee and professional indemnity insurance premium	228	223
Internal audit fees	893	523
Legal fees	824	383
Levies - Council for Medical Schemes	4,610	4,702
Office lease and other rental charges	1,572	2,465
Other expenses	6,556	6,757
Principal Officer's remuneration	4,313	4,125
Staff costs	19,058	17,956
Trustee remuneration	2,911	2,695
	<b>54,017</b>	<b>50,849</b>



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 10. INVESTMENT INCOME

#### *Accounting policy*

Investment income comprises dividends and interest received and accrued on Financial assets at fair value through profit and loss and interest on cash and cash equivalents.

Interest income is recognised using the effective interest rate method, taking into account the principal amount outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Scheme.

Dividend income from investments is recognised when the right to receive payment is established - this is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares.

#### *Note*

	2022 R'000	2021 R'000
Financial assets at fair value through profit and loss	246,595	197,644
Dividend income	58,483	37,414
Interest income	188,112	160,230
Cash and cash equivalents interest income	9,947	8,375
Net fair value gains on Financial assets at fair value through profit and loss	47,575	249,179
	<b>304,117</b>	<b>455,198</b>

### 11. RELATED PARTY TRANSACTIONS

The Scheme is governed by the Board of Trustees which is constituted of 12 Trustees, six whom are employer appointed and six being member elected.

#### **Key management personnel and their close family members**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the non-executive Board of Trustees and the Executive Officers of the Scheme. The disclosure deals with full-time Executive Officers who are compensated on a salary basis, and non-executive Board of Trustees who are compensated on a fee basis.

Close family members include close family members of the Board of Trustees and Executive Officers of the Scheme.

#### **Parties with significant influence over the Scheme**

Absa Bank Limited, FirstRand Limited and The Standard Bank of South Africa Limited have significant influence over the Scheme, as they participate in the Scheme's financial and operating policy decisions through representation on the Board of Trustees, but do not control the Scheme.

NMG Consultants and Actuaries (Pty) Ltd has significant influence over the Scheme, as it consults and advises on various strategic issues which guide the Scheme's operations, but does not control the Scheme.

Discovery Health (Pty) Ltd (DH) has significant influence over the Scheme, as it participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. DH provides administration and managed care services. The Scheme furthermore has a risk transfer arrangement for the Basic and Essential Plans with DH. As DH is a related party, its subsidiaries and fellow subsidiaries within the Discovery Ltd group are related parties to the Scheme. Discovery Ltd's Annual Report provides detail of its group structure.

The Scheme has contracted with Discovery Third Party Recovery Services (Pty) Ltd (DTPRS), a wholly owned subsidiary of Discovery Health (Pty) Ltd, to manage the identification and collection of third-party recoveries from the Road Accident Fund.



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 11. RELATED PARTY TRANSACTIONS (continued)

#### Transactions with related parties

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

Transactions with key management personnel and their close family members which includes Trustees and Executive Officers:

	2022 R'000	2021 R'000
<b>Statement of Comprehensive Income</b>		
Compensation		
Short-term employee benefits	14,617	13,775
Trustee remuneration	2,911	2,695
Contributions and claims		
Gross contributions received	925	930
Gross claims paid	897	814
Interest paid on Personal Medical Savings Accounts	2	2
<b>Statement of Financial Position</b>		
Personal Medical Savings Accounts balances	69	66

The terms and conditions of the related party transactions were as follows:

Transactions	Nature of transactions and their terms and conditions
Compensation	This constitutes remuneration and consideration paid to Trustees and Executive Officer's short-term employee benefits.
Contributions received	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were on the same terms as applicable to other members.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to other members.
Personal Medical Savings Account balances	The amounts owing to the related parties relate to Personal Medical Savings Account balances to which the parties have a right. In line with the terms applied to other members, the balances earn monthly interest on an accrual basis, at interest rates determined by the Scheme from time to time at its discretion. The amounts are all current and would need to be payable on demand as applicable to other members.



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 11. RELATED PARTY TRANSACTIONS (continued)

#### Transactions with entities that have significant influence over the Scheme

	2022 R'000	2021 R'000
<b>Statement of Comprehensive Income</b>		
Actuarial fees	3,391	2,929
Administration fees	225,065	213,310
Road Accident Fund recoveries	5,605	-
Risk transfer premiums paid	152,103	141,266
Managed care: management services	125,338	118,679
<b>Statement of Financial Position</b>		
Financial assets at fair value through profit and loss: Participating employers	782,170	952,747
Cash and cash equivalents: Participating employers	620,182	278,865
Insurance and other payables	25,612	23,657

The terms and conditions of the transactions with entities with significant influence over the Scheme were as follows:

#### *Terms and conditions of the actuarial contract*

The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Scheme has the right to terminate the agreement on 90 days' notice.

#### *Terms and conditions of the administration agreement*

The administration agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations. The Scheme has the right to terminate the agreement on 6 months' notice.

#### *Terms and conditions of the risk transfer agreements*

The risk transfer agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations.

#### *Terms and conditions of the managed care agreements*

The managed care agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations. The Scheme has the right to terminate the agreement on 6 months' notice.

#### *Terms and conditions of the third party recovery services agreement*

The third-party recovery services agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually. The Scheme has the right to terminate the agreement on 6 months' notice.

#### *Terms and conditions of investments in participating employers*

All investments in participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.



**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS**  
for the year ended 31 December 2022

**12. SURPLUS/(DEFICIT) AFTER INVESTMENT INCOME, OTHER INCOME AND OTHER EXPENDITURE PER BENEFIT OPTION**

<b>2022</b>	<b>Bankmed Essential Plan R'000</b>	<b>Bankmed Basic Plan R'000</b>	<b>Bankmed Core Saver Plan R'000</b>	<b>Bankmed Traditional Plan R'000</b>	<b>Bankmed Comprehen- sive Plan R'000</b>	<b>Bankmed Plus Plan R'000</b>	<b>Consolidated R'000</b>
<b>Risk contribution income</b>	<b>81,679</b>	<b>724,125</b>	<b>1,184,269</b>	<b>753,030</b>	<b>2,087,159</b>	<b>271,253</b>	<b>5,101,515</b>
<b>Relevant healthcare expenditure</b>	<b>(36,375)</b>	<b>(562,011)</b>	<b>(894,702)</b>	<b>(818,722)</b>	<b>(2,375,327)</b>	<b>(351,475)</b>	<b>(5,038,612)</b>
Net claims incurred	(31,282)	(547,509)	(855,874)	(804,255)	(2,333,816)	(347,894)	(4,920,630)
Risk claims incurred	(31,343)	(548,458)	(857,985)	(806,229)	(2,339,560)	(348,752)	(4,932,327)
Third-party claim recoveries	61	949	2,111	1,974	5,744	858	11,697
Managed care: management services	(5,630)	(29,250)	(38,931)	(14,610)	(42,027)	(3,625)	(134,073)
Net income on risk transfer arrangements	537	14,748	103	143	516	44	16,091
Risk transfer arrangements premiums paid	(5,370)	(147,087)	(1,030)	(1,426)	(5,141)	(443)	(160,497)
Risk transfer arrangement recoveries	5,907	161,835	1,133	1,569	5,657	487	176,588
<b>Gross healthcare surplus/(deficit)</b>	<b>45,304</b>	<b>162,114</b>	<b>289,567</b>	<b>(65,692)</b>	<b>(288,168)</b>	<b>(80,222)</b>	<b>62,903</b>
Administration fees	(9,404)	(48,898)	(65,469)	(24,568)	(70,631)	(6,095)	(225,065)
Administration expenditure	(1,528)	(9,489)	(16,832)	(6,425)	(18,131)	(1,612)	(54,017)
Non-accredited managed care costs	-	-	(3,580)	(1,900)	(5,459)	(337)	(11,276)
Net impairment loss on insurance receivables	(78)	(466)	(819)	(313)	(903)	(78)	(2,657)
<b>Net healthcare surplus/(deficit)</b>	<b>34,294</b>	<b>103,261</b>	<b>202,867</b>	<b>(98,898)</b>	<b>(383,292)</b>	<b>(88,344)</b>	<b>(230,112)</b>
Other income	10,208	63,625	84,826	35,324	102,856	9,125	305,964
Investment income	10,146	63,241	84,314	35,111	102,236	9,069	304,117
Sundry income	62	384	512	213	620	56	1,847
Other expenditure	(589)	(3,672)	(14,856)	(2,038)	(18,017)	(1,599)	(40,771)
Asset management fees	(589)	(3,672)	(4,893)	(2,038)	(5,937)	(527)	(17,656)
Interest paid on Personal Medical Savings Account monies	-	-	(9,963)	-	(12,080)	(1,072)	(23,115)
<b>Net surplus/(deficit) for the year</b>	<b>43,913</b>	<b>163,214</b>	<b>272,837</b>	<b>(65,612)</b>	<b>(298,453)</b>	<b>(80,818)</b>	<b>35,081</b>



**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS**  
for the year ended 31 December 2022

**12. SURPLUS/(DEFICIT) AFTER INVESTMENT INCOME, OTHER INCOME AND OTHER EXPENDITURE PER BENEFIT OPTION (continued)**

<b>2021</b>	<b>Bankmed Essential Plan R'000</b>	<b>Bankmed Basic Plan R'000</b>	<b>Bankmed Core Saver Plan R'000</b>	<b>Bankmed Traditional Plan R'000</b>	<b>Bankmed Comprehen- sive Plan R'000</b>	<b>Bankmed Plus Plan R'000</b>	<b>Consolidated R'000</b>
<b>Risk contribution income</b>	<b>72,427</b>	<b>706,963</b>	<b>1,107,523</b>	<b>751,284</b>	<b>2,096,238</b>	<b>276,313</b>	<b>5,010,748</b>
<b>Relevant healthcare expenditure</b>	<b>(28,425)</b>	<b>(523,824)</b>	<b>(842,059)</b>	<b>(775,366)</b>	<b>(2,257,457)</b>	<b>(311,398)</b>	<b>(4,738,529)</b>
Net claims incurred	(22,578)	(493,741)	(806,507)	(761,469)	(2,217,716)	(308,034)	(4,610,045)
Risk claims incurred	(22,594)	(494,062)	(807,261)	(762,185)	(2,219,777)	(308,322)	(4,614,201)
Third-party claim recoveries	16	321	754	716	2,061	288	4,156
Managed care: management services	(4,733)	(27,290)	(35,503)	(14,090)	(40,745)	(3,567)	(125,928)
Net income on risk transfer arrangements	(1,114)	(2,793)	(49)	193	1,004	203	(2,556)
Risk transfer arrangements premiums paid	(4,518)	(137,054)	(983)	(1,370)	(4,999)	(500)	(149,424)
Risk transfer arrangement recoveries	3,404	134,261	934	1,563	6,003	703	146,868
<b>Gross healthcare surplus/(deficit)</b>	<b>44,002</b>	<b>183,139</b>	<b>265,464</b>	<b>(24,082)</b>	<b>(161,219)</b>	<b>(35,085)</b>	<b>272,219</b>
Administration fees	(7,983)	(46,037)	(60,246)	(23,898)	(69,099)	(6,047)	(213,310)
Administration expenditure	(1,301)	(8,906)	(15,375)	(6,181)	(17,518)	(1,568)	(50,849)
Non-accredited managed care costs	-	-	(3,299)	(1,859)	(5,429)	(335)	(10,922)
Net impairment loss on insurance receivables	(23)	(161)	(277)	(112)	(317)	(28)	(918)
<b>Net healthcare surplus/(deficit)</b>	<b>34,695</b>	<b>128,035</b>	<b>186,267</b>	<b>(56,132)</b>	<b>(253,582)</b>	<b>(43,063)</b>	<b>(3,780)</b>
Other income	15,227	94,906	126,531	52,692	153,425	13,611	456,392
Investment income	15,187	94,658	126,200	52,554	153,024	13,575	455,198
Sundry income	40	248	331	138	401	36	1,194
Other expenditure	(512)	(3,191)	(17,455)	(1,771)	(21,168)	(1,878)	(45,975)
Asset management fees	(512)	(3,191)	(4,252)	(1,771)	(5,159)	(458)	(15,343)
Interest paid on Personal Medical Savings Account monies	-	-	(13,203)	-	(16,009)	(1,420)	(30,632)
<b>Net surplus/(deficit) for the year</b>	<b>49,410</b>	<b>219,750</b>	<b>295,343</b>	<b>(5,211)</b>	<b>(121,325)</b>	<b>(31,330)</b>	<b>406,637</b>



## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 13. NON-COMPLIANCE MATTERS

Circular 11 of 2006 (the Circular) issued by the Council for Medical Schemes (the CMS) deals with issues to be addressed in the audited Financial Statements of medical schemes. This includes the requirement that all instances of non-compliance be disclosed in the audited financial statements, irrespective of whether the auditor considers them to be material or not.

During 2022, the Scheme did not comply with the following Sections and Regulations of the Act:

#### **Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options**

##### *Nature and impact*

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred net healthcare deficits for the year ended 31 December 2022, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

##### *Causes of failure*

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which were approved by the CMS.

##### *Corrective action*

The benefits and contributions proposal approved by the CMS for 2022 included a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

#### **Non-compliance with Section 26(7) – Late payment of contributions**

##### *Nature and impact*

Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2022, which is in contravention of Section 26(7) of the Act.

##### *Causes of failure*

Due to internal process delays in some participating employers, the contributions paid on behalf of members were not paid within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

##### *Corrective action*

Scheme management continues to engage any employer group that pays late, and appropriate action is taken as and when necessary. The administrator's robust follow-up processes have been instrumental in ensuring continuous improvement in timeous payment of contributions by employer groups.

#### **Non-compliance with Section 35(8)(a) – Investments in participating employers**

##### *Nature and impact*

The Scheme holds investments, via various instruments, with Absa Bank Limited, FirstRand Limited, Landbank SOC Limited and The Standard Bank of South Africa Limited, all of whom are participating employers of the Scheme. The Scheme also banks with FirstRand Limited and therefore has various current accounts with this employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

##### *Causes of failure*

As these institutions are major commercial banks, an investment portfolio excluding these employers would fail to perform optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

##### *Corrective action*

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 7 April 2022 to 7 April 2025.





## NOTES TO THE SUMMARISED FINANCIAL STATEMENTS for the year ended 31 December 2022

### 13. NON-COMPLIANCE MATTERS (continued)

#### **Non-compliance with Section 35(8)(c) – Investments in any administrator**

##### *Nature and impact*

The Scheme has investments in other administrators via unitised fund holdings within the Ninety One Absolute Opportunity and M&G Global Real Return portfolios.

##### *Causes of failure*

The Scheme invests in pooled investment products with independent third-party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision-making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

##### *Corrective action*

The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 1 December 2022 to 30 November 2025.

#### **Non-compliance with Section 59(2) – Payment of claims within 30 days**

##### *Nature and impact*

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

##### *Causes of failure*

A small number of claims were paid later than 30 days of the date of receipt. Delays occur when accounts are referred for clinical audit or other investigations. These are however exceptions and claims are generally paid within the prescribed time.

##### *Corrective action*

The Scheme is aware of the requirements and complies as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

#### **Disclosure of personal information**

##### *Nature and impact*

Regulation 15J (2) (b) requires the Scheme to ensure that there are provisions for ensuring confidentiality of clinical and proprietary information, including the diagnosis and treatment pertaining to any beneficiary. Condition 7 of the Protection of Personal Information Act (POPIA) requires that personal information be kept secure against the risk of loss, unauthorised access, interference, modification, destruction or disclosure.

##### *Causes of failure*

During the year under review there were incidents where minor amounts of personal information were unintentionally shared with third parties.

##### *Corrective action*

These incidents were reported to the Information Registrar as required. Remedial action included disciplinary action where applicable, additional training and the strengthening of control systems.



## Bankmed Trustee Fee Policy

### Incorporating Independent Committee Members

#### 1. OBJECTIVES OF THE POLICY

The purpose of this policy is to document Bankmed's approach for fees paid to Trustees for services rendered in their capacity as a Trustee of the board and of the board's committees.

#### 2. SCOPE

Once approved, this policy is applicable to all current Trustees formally appointed to Bankmed's board and committees.

#### 3. PRINCIPLES

The following principles underpin Bankmed's approach to Trustee and independent committee member fees:

- 3.1 **Remuneration stance.** Bankmed wishes to remunerate its member-elected and employer-appointed Trustees for their contribution to the Board and its various committees. This will include independent committee members serving on any committee of the Board. Employer-appointed Trustees may elect not to receive the fee in their personal capacity. In this event, the fee shall either be waived in writing or paid to the respective employer organisation, as directed by the Trustee.
- 3.2 **The quantum of the fee.** In setting the quantum of the fee Bankmed acknowledges:
- That the role of the Trustee is akin to that of a non-executive director. This means that the role of the Trustee is primarily one of strategic oversight dealing with long term sustainability issues. The normal role of the Trustee is therefore to provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and plans devised by the executive team. Trustees should not be treated as employees with a 'portfolio' of day-to-day responsibilities for the scheme;
  - Trustees carry personal liability for the oversight role of the scheme;
  - That, as a medical scheme, Bankmed has a non-profit motive; and
  - The public interest of providing affordable healthcare.
- 3.3 **Differentiating the fee.** Fees will typically vary according to the responsibility of the Trustee or committee member. Fees for the board chair and the committee chair will therefore carry a premium over an ordinary member's fee.

#### 4. THE FEE STRUCTURE

- 4.1 The fee will comprise of an attendance fee per scheduled meeting attended as per the sign-on register.
- 4.2 Persistent late coming and tardiness shall, at the discretion of the chair, result in non-payment, or pro-rata payment of the meeting fee. Disqualification of attendance fees shall be based on the holistic performance of the Trustee as determined by the chair from time to time.
- 4.3 A fee will not be paid for non-attendance.



- 4.4 The fee shall be payable within 10 days of the meeting subject to the timely receipt of evidence of attendance (signed attendance register).
- 4.5 The proposed fees for the forthcoming year/cycle are set out in Appendix A.

## 5. SCHEDULED MEETINGS

- 5.1 Core meetings shall be scheduled in advance each year.
- 5.2 The number of core meetings that are expected to be held each year are indicated in Appendix B.

## 6. EXPENSES

- 6.1 Trustees and Independent Committee Members shall be reimbursed for all reasonable expenses incurred by them for attendance at the meetings, the annual strategy session, and the AGM.
- 6.2 Travel and accommodation requirements for attendance at these meetings shall be co-ordinated by Bankmed, in terms of Bankmed's Travel Policy.
- 6.3 Trustees shall be reimbursed for all reasonable and properly documented travel, meal and accommodation expenses that were incurred for attendance at these meetings. Where Trustees and Independent Committee members may be travelling from outside the borders of South Africa, reimbursements will be capped at the lesser of the actual expenses, and what would be paid for a trip from a location furthest from the meeting venue, but within the borders of South Africa, as determined by the Principal Officer. The receipts and documentation associated with these expenses must be submitted to Bankmed's finance department.

## 7. TAXATION

Consistent with the Income Tax Act, of 1962, as amended, fees paid to Trustees shall be subject to applicable withholding tax (if any), in compliance with the latest regulations in this regard.

## 8. CONSULTING SERVICES

Fees shall not be paid for consulting services performed by any Trustee to the board or the scheme as this impinges on their independence and increases the risk of a conflict of interest, between their independent role as a Trustee and their role as consultant.

## 9. CONFERENCES, WORKSHOPS AND TRAINING EVENTS

- 9.1 Fees shall not be payable for attendance at conferences, over and above the conference cost as well as accommodation where applicable.
- 9.2 Trustees would be paid up to a maximum of three (3) days for the Annual Strategic Planning Workshop. For other workshops and/or training, Trustees would be paid at the latest hourly flat rate, for a maximum of two (2) workshops per annum, for a maximum of six (6) hours per workshop.

## 10. ANNUAL GENERAL MEETING

- 10.1 The notice of meeting of the AGM shall be distributed to the members and the CMS at least 14 days before the AGM.
- 10.2 Trustee fees and all expense reimbursements shall be disclosed in the annual financial statements on an individual Trustee basis, rather than on a 'globular' basis, in order to promote transparency.
- 10.3 The Annual Financial Statements are available to all members.



## 11. REVIEW OF FEES

Market trends will normally guide the remuneration committee in proposing any increases to the Trustee fees. In addition, the fees shall be benchmarked to similar size restricted schemes, from time to time.

## 12. MONITORING AND REVIEW OF THE POLICY

- 12.1 Adherence to this policy shall be monitored by the CEO's office. Any party found in non-compliance with Trustee Fee Policy will be dealt with in accordance with Bankmed's Disciplinary Policy.
- 12.2 Changes to this policy shall be recommended by the Remuneration Committee.



## Appendix A: Bankmed Trustee Remuneration for 2023/2024

### Bankmed Board of Trustee fees per meeting:

Board of Trustees	Fee per Meeting 2021/2022	Fee per Meeting 2022/2023 (Based on a 5% increase, rounded)
Chairman	R 32 500	R 34 100
Vice Chairman	R 24 400	R 25 600
Other Members	R 16 300	R 17 100

### Bankmed Committee fees for Trustees and independent committee members (for example - the Audit Committee members), but excluding independent Audit Committee members:

Board of Trustees	Fee per Meeting 2021/2022	Fee per Meeting 2022/2023 (Based on a 5% increase, rounded)
Chairman	R 20 200	R 21 200
Other Members	R10 200	R 10 700

### Independent Audit Committee members:

Board of Trustees	Fee per Meeting 2021/2022	Fee per Meeting 2022/2023 (Based on a 5% increase, rounded)
Chairman	R 20 400	R 21 400
Other Members	R 10 300	R 10 800

Only Committee and Board meetings, formally constituted with the Board's approval or subsequently ratified by the Board, shall attract fees. Trustees/Independent Committee Members are only remunerated for attendance at meetings. Payment for meeting attendance includes payment for preparation time.

### Fees payable for adhoc tasks:

For ad hoc tasks or deliverables that require attendance by Board or committee members, a fee shall be paid at a flat rate of R 2 840 per hour across the board, with a maximum cap of 6 hours. The R2 840 is based on the current fixed fee per meeting, for an ordinary Board member, of R17 100, divided by 6 hours (and rounded off to R2 840). Any Independent Committee Member, requested to attend the AGM, shall be paid at the adhoc rate.



## Appendix B: Bankmed Core Meetings per Annum

Committee	Number of Core Meetings
Board of Trustees	7*
Audit Committee	4

\*Board = 4

Strategy = 1

Benefit Design = 2 maximum



## Bankmed Frequently Asked AGM Questions

### 1. MEMBERSHIP, CONTRIBUTIONS, AND BENEFITS

#### 1.1. MAY PENSIONERS' CONTRIBUTIONS BE LESS THAN THAT OF OTHER MEMBERS?

No, the Medical Schemes Act prohibits the differentiation of contributions and benefits based on age. See Question 1.6 below for basis on which contributions may vary.

#### 1.2. MUST MY EMPLOYER SUBSIDISE MY CONTRIBUTIONS TO BANKMED?

Subsidies are conditions of employment and the Medical Schemes Act does not provide for such conditions. Neither the Registrar nor Bankmed can intervene in matters relating to medical scheme subsidies and such issues must be taken up with the employer directly.

#### 1.3. IF I DO NOT CLAIM FROM BANKMED, MAY I RECEIVE A NO-CLAIM BONUS OR REBATE?

No, the Act prohibits the payment of dividends, bonuses, rebates or re-funding of any portion of contributions. Benefits may also not be carried over to the next financial year.

#### 1.4. CAN CO-PAYMENTS IN RESPECT OF PRESCRIBED MINIMUM BENEFITS (PMBS) BE PAID OUT OF MY MSA?

No, the Act specifically prohibits it.

### 2. MANAGEMENT AND FUNCTIONING

#### 2.1. WHO MANAGES THE AFFAIRS OF A MEDICAL SCHEME?

Board of Trustees (BOT) of which at least 50% must be elected from amongst members. These persons must be fit and proper to perform their duties, ensure that the interests of members are protected and that the scheme is properly administered. If they are guilty of misconduct, or reckless trading, they may be held accountable for losses incurred by the scheme. The day to day affairs of the scheme is managed by a Principal Officer (PO) who reports to the BOT.

#### 2.2. HOW DO MEDICAL SCHEMES FUNCTION?

Contributions are pooled for the benefit of members. Schemes are not-for-profit entities and belong to the members. Therefore, the trust funds remains in the scheme, for the benefit of members and their dependants. The Act specifies how medical schemes must treat and invest the funds of the scheme. The funds in a member's Medical Savings Account (MSA) do not form part of the risk pool and is used for the exclusive benefit of the member and his/her dependants.

### 3. ADMINISTRATOR VERSUS SCHEME

#### 3.1. WHAT IS THE DIFFERENCE BETWEEN BANKMED, DISCOVERY HEALTH (PTY) LTD AND DISCOVERY HEALTH MEDICAL SCHEME?

- Bankmed is registered as a restricted access medical scheme where membership is limited to persons employed by an institution with a banking licence.
- Discovery Health Medical Scheme is registered as an open medical scheme and access is open to the public as a whole.
- Bankmed and Discovery Health Medical Scheme are two separate legal entities. No relationship exists between Bankmed and Discovery Health Medical Scheme.
- Discovery Health (Pty) Ltd is a registered medical scheme administrator and managed care organisation, also registered with the Council for Medical Schemes.
- Discovery Health (Pty) Ltd provides administration and managed care services to both Bankmed and Discovery Health Medical Scheme as well as other restricted access medical schemes.

#### 3.2. WHAT DOES IT MEAN TO BE ADMINISTERED BY DISCOVERY HEALTH (PTY) LTD?

- Discovery Health (Pty) Ltd is a registered medical scheme administrator and managed care organisation.
- Discovery Health (Pty) Ltd is appointed by Bankmed to manage administration and managed care services on behalf of Bankmed.
- The Bankmed rules, policies and protocols are applied and managed, on Bankmed's instructions, by Discovery Health (Pty) Ltd.
- Discovery Health (Pty) Ltd develops the systems that manage the claims and are the people that take the calls in the call centre and answer queries, for example.
- As a medical scheme, Bankmed benefits from this administration by taking advantage of Discovery Health's healthcare resources, clinical risk management practices, digital tools, wellness offering, economies of scale, data analytics and continuous innovations in medical scheme administration.
- Discovery Health (Pty) Ltd does not amend or change Bankmed benefits. It merely acts on behalf of Bankmed.





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