POLMED®

OUR INVESTMENT OUR HEALTH OUR FUTURE

INTEGRATED REPORT 2019

FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

PRINCIPAL MEMBERS
176 981

AVERAGE AGE
27.88
YEARS

66 826
MEMBERS WERE REACHED WITH OUTREACH AND COMMUNICATION DRIVES

GP NETWORK
3 860

NET SURPLUS
R10.87M

MEMBERSHIP GROWTH
1.27%

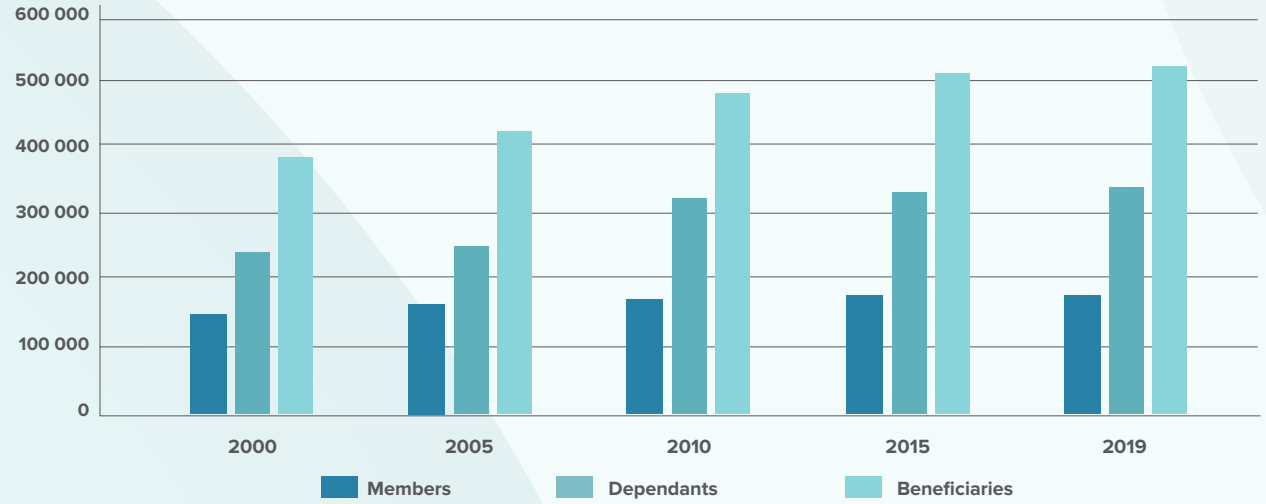
BENEFICIARIES OLDER THAN 65 YEARS
16 289

HEALTH AND WELLNESS SCREENING
24 849 MEMBERS

SPECIALIST DOCTORS
2 580

HIGHLIGHTS

1 MEMBERSHIP OVER TIME:



2 HOSPITAL EXPENDITURE

R3.7BN

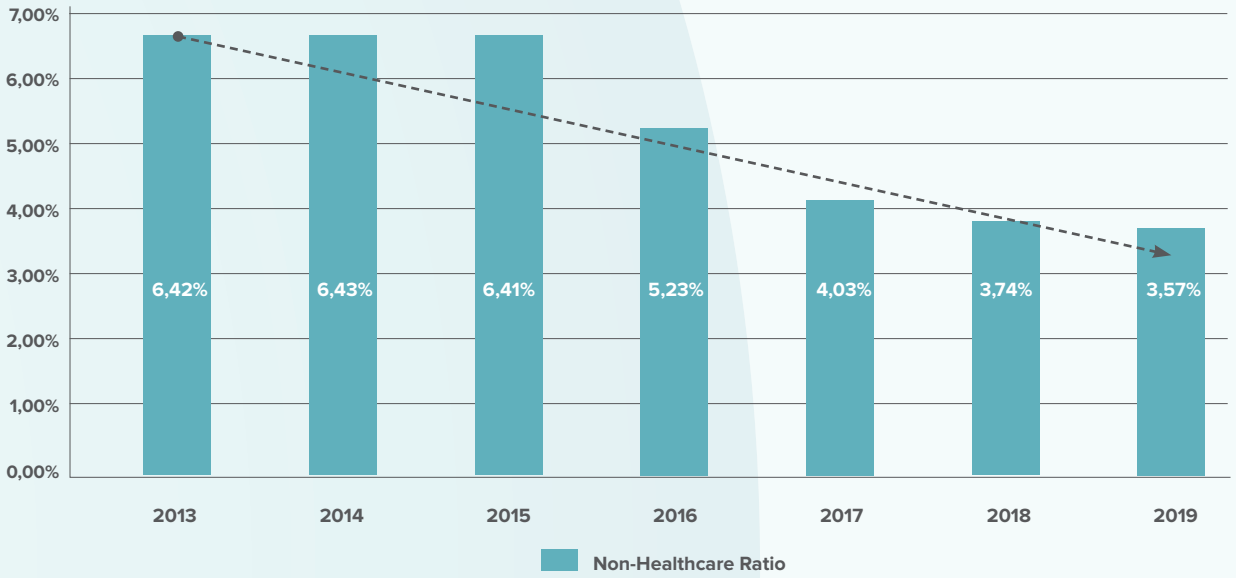
3 MANAGED HEALTHCARE SAVINGS:

R263M

4 FRAUD, WASTE AND ABUSE ACCUMULATED SAVINGS

R763M

5 NON-HEALTHCARE EXPENDITURE OVER TIME:



6 AUDITED RESERVES (R):

R4.05BN

7 AUDITED SOLVENCY:

40.45%

CMS STATUTORY REQUIRED SOLVENCY OF 25%

CONTENTS

2020 **ANNUAL GENERAL MEETING**

THE PRELIMINARY AGENDA IS AS FOLLOWS:

AGENDA

2020 POLMED ANNUAL GENERAL MEETING

16 JULY 2020

ITEM	SPEAKER
1. Opening and Welcome	Chairperson
a) Opening Prayer	Chaplain (TBC)
b) Welcome Address	TBC
2. Attendance and Confirmation of Quorum (Rule 26.1.3)	Adv N Bhuka
3. Confirmation of Agenda	AGM
4. Confirmation and adoption of the Minutes of the previous AGM held on 11 July 2019 at the President Hotel, 1 Union Avenue, Bloemfontein, Free State Province	AGM
5. Chairperson's Remarks	Chairperson
6. Consideration of Integrated Report and Financial Statements for the year ending 31 December 2019	
a) Highlights of the Integrated Report (Rule 26.1)	Principal Officer
b) Highlights of the Annual Financial Statements (Rule 26.1.1.1) (Independent Chairperson of the Audit and Risk Committee)	Mr Z Samsam
c) Independent Audit Report (Rule 26.1.1.1)	PwC
7. Appointment of External Auditors (Rule 26.1.1.2)	Mr Z Samsam
8. Trustees' Remuneration (Rule 18.24)	Principal Officer
9. Other matters for which due Notice has been given (Rule 26.1.1.4)	Chairperson
10. Closure	Chairperson

AGM ATTENDANCE

In keeping with the Polmed Rules, attendance at the AGM will be limited to Members, officers of the Scheme and individuals or organisations who are expressly invited by the Scheme to attend.

A quorum, as prescribed by Polmed Rule 26.1.3, is required to ensure that the AGM may proceed.

Members attending the AGM must have their membership cards and any of the following identification documents: A South African ID book or Smart ID card, South African Driver's Licence or a Passport and their RSVP confirmation or any other document/information as required for the purpose of virtual AGM.

SUBMITTING MOTIONS

Polmed Rule 26.1.6 requires that notices of motions should be placed before the AGM and reach the Principal Officer no later than 7 days prior to the date of the meeting.

BELOW IS A GUIDELINE THAT WILL HELP YOU CONSTRUCT YOUR MOTION IN LINE WITH RULE 26.1.6 OF THE SCHEME RULES:

1. Only a Principal Member may submit a motion.
2. All motions should be duly proposed and seconded (co-signed) in support that the matter be placed on the agenda of the meeting (AGM).
3. Furthermore, such motions should be concise and free from ambiguity, so that all present may clearly understand their importance. It should be worded such that a definite decision thereon can be arrived at within the scope of the notice convening the meeting and within the powers of the meeting to decide.
4. A motion that is vague and ambiguous in its terms may be rejected.
5. A motion may not deal with matters affecting the operations of the Scheme or matters that fall beyond the scope of the AGM and must be for the benefit of and/or in the interest of the Scheme and its members.
6. All motions received by the Principal Officer will be evaluated by the Board, based on the above guidelines and only valid motions will be put to the meeting (AGM).

MOTIONS CAN BE SUBMITTED AS FOLLOWS:

- e-mailed to polmedmotions@polmed.co.za or
- posted to The Principal Officer, P O Box 14812, Hatfield, Pretoria, 0028 or
- hand delivered to Block A, Crestway Office Park, 20 Hotel Street, Persequor Park, Lynnwood, 0081, in an envelope clearly marked for the attention of The Principal Officer: Polmed.

Motions must reach the Principal Officer by no later than 17:00 on 9 July 2020. Any motions received after this date and time will be invalid.

Ms F N Vuma
Chairperson
1 June 2020

MINUTES OF THE ANNUAL GENERAL MEETING (AGM) (AD VERBATIM)

MINUTES OF THE AGM OF POLMED HELD AT PRESIDENT HOTEL, 1 UNION AVENUE, NAVAL HILL, BLOEMFONTEIN ON THURSDAY, 11 JULY 2019 AT 10H00

1 OPENING AND WELCOME

1.1. At 10h00, the Chairperson, Ms Vuma opened the meeting and welcomed all delegates. Ms Vuma invited the Chaplain to open the proceedings with a prayer.

1.2. OPENING PRAYER

THE CHAPLAIN introduced himself as Mr Lerepa and welcomed everyone in attendance. Mr Lerepa referenced the old testament book of 1 Samuel Chapter 12 to be read by attendees at their own time. 1 Samuel Chapter 12 would be the point of departure for Mr Lerepa's word, the chapter starts with the farewell speech of the servant of God Samuel. It was stated that in the first seven verses of the book of 1 Samuel, Samuel stood before the people in the same manner in which the Chaplain stood in front of the AGM attendees. Samuel challenged his people and raised issues of corruption. The Chaplain stated that he wished to raise and highlight what issues of corruption were, [some crowd members shouted "amen"]. He wanted to highlight what the scripture and Bible said about corruption:

- What is corruption
- How corruption would end
- How corruption could be eradicated

THE CHAPLAIN proceeded to explain that corruption is that which could be referred to by many other names such as the following:

- **Bribery** - "giving a consideration or inducement to influence conduct in one's favour, contrary to the standing procedures and regulations".
- **Extortion** - "unlawful excursion of money or favour by force or intimidation".
- **Fraud** - "misrepresentation carried out to obtain an unfair advantage by giving or receiving false information"
- **Nepotism** - "showing special favour to one's relatives and/or friends agent other competitors e.g. in appointments and in securing contracts. "[crowd: "go deeper pastor"]
- **Embezzlement** - "an illegal diversion of money and other resources for one's own use"
- Trafficking
- **Graft** - "procuring illegal profits or fraudulent financial gain "

CHAIR asked the crowd to give the Chaplin an opportunity to give the sermon without commentary from the crowd.

- **Cronyism** - "the appointment of friend or associate to a position of authority without proper regard of their qualifications"
- **Subversion of justice and good governance** - "an unlawful interference in the course of justice".

MR LEREPA:

"It (corruption) can happen to anyone and can happen anywhere where there is money and people handling it. You are aware that some members sometimes connive with dubious doctors to divert from the Scheme to buy groceries, petrol, to pay for holiday destination. So, we are not immune to it. It can also happen when a glorious organisation like this of ours, Polmed becomes a profit driven organisation. Where the focus moves from serving our people and addressing their needs of health and the focus moves to profit making it can happen."

"Sometimes you can ask yourself where it comes from? Sometimes it could be fear of death, sometimes it is jealousy and hatred, insecurity but the bottom line is greed: the love of money, materialism. I think this is what Paul speaks to in 1 Timothy Chapter 6 verse 6-10: he says that godliness with contentment is great gain for we brought nothing into the world, and we can take nothing out of it. But if we have food and clothing, we will be content with that, people who want to get rich fall into temptation and into a drab and into many foolish and harmful desires that blanch men into ruin and disruption. For the love of money is the root all kinds of evil. Some people eager for money have wandered from the face and pissed themselves with many griefs".

"Witness the new day. We thank you Lord that we are blessed, we are blessed with blessing spiritually things that we cannot see with our naked eyes. We are blessed with things material, things which we can see and we are able to count these blessings. One of those blessings Lord we normally take for granted that we have this oxygen to breathe, it's your provision even to work in SAPS is a blessing from the Lord in the face of unemployment in our world and our country here we are. We have a job and a salary to look forward to and we take it for granted. Sometimes we think we are here because we have degrees we have studied. We are here because we deserve it but if we pause and think about it, we know it is by grace. Even to travel from all over the country to converge here, it is by grace. You may be having experience of driving; we may have resources to be here this morning but it's by your grace that we made it. And even to converge here, we have the agenda, we have the points of discussion. Some may be having burning issues, oh Lord we pray that you have mercy on us. May we achieve the purpose of the meeting through your spirit Lord may you guide us, may we humble ourselves knowing that it is by your grace that we are here. And we can allow the spirit of God to lead us in our interactions and deliberations knowing that He is a righteous judge. He is the one who stands for us and it is by His grace that we sit here this morning. Forgive us Lord when we have taken things for granted, help us Lord to be

humbled and level-headed. And may we not allow anybody to disrupt this meeting today. In the name of Jesus may we have discipline like those who believe in this disciplinarian, this great god, the god of honour and order. The one who is in charge, we put this agenda in your hands. May you chair this meeting for if we sit here alone and you are not here, we will not achieve anything. For we are nothing without you we can achieve nothing. Holy Spirit take charge of this meeting and I pray for those who partake on this programme that you clothe them in your grace. That they would be instruments in your hand, that this meeting will steer in the direction, that at the end of it you will take all the glory and honour. For we ultimately account to you. Lord this morning I pray for each one of these attendees that your spirit will govern them and guide them. The way we think, argue and reason may it be filled with the wisdom that God can provide. May we achieve fruits for this gathering for we pray in Jesus' name, Amen."

CHAIRPERSON:
"Thank you very much to our chaplain for opening the meeting with a prayer. [disruption]: "I'm still talking, I've noted your hands. Thank you for the wonderful message be sure to fear the Lord and consider the great things he has done. God has done the great things for us, that is why we are here all of us this morning to attend our meeting. Our annual general meeting for our medical aid Scheme that ensures that it takes care of us when we are sick together with our families as well as our continuation members. I'm going to take this opportunity and call upon the representative of the provincial commissioner of the Free State to welcome us.

[DISRUPTION]:
Chairperson I'm working according to the agenda...

[REQUEST TO TALK FOR TWO MINUTES FROM THE CROWD]

CHAIRPERSON:
You will get the time to talk but not now. Can we please behave, can we please respect each other? I'm saying you will get the time to talk. [continual request to talk for two minutes and threats not to allow the meeting to proceed].

CHAIRPERSON:
I'm not going to give it to you now, I will give it to you when the time is right. Can we please respect each other colleagues' meetings are held.

Crowd interjects: this is our meeting chairperson, we want to say something, or you will not proceed, we want only two minutes.

CHAIRPERSON:
We have our agenda, can I take this opportunity to call upon the representative, I'm sure all these members that are here want to talk.

MEMBER OF THE CROWD:
But I'm sitting on very same rule that he referred to, because when we ended the AGM in Paarl last year the chairperson decided that claiming that there were disruptions then invoked that rule. The question that I have I want to put the CMS to task, to say that they are the ones. The registrar from there is the one who approves the rules of Polmed. My question in terms of that is to CMS to say which criteria did they use to satisfy themselves that before the Board of Trustees themselves changed that rule that giving notices to the members because when you read further all the members are supposed to be notified of the rule change prior to that happening. And then items of that as well chair before the registrar themselves can approve and before signing on that rule. So now chair it's not about you, we recognize you, we respect you. But we want CMS to respond to us to say how did they approve this rule change about alleged disruptions without us members knowing, I was not notified of the disruptions I need an answer from CMS.

CHAIRPERSON:
Can I be given the opportunity now to take over the meeting, I've noted your concern member, but we are going to proceed with the agenda for the day. And I indulge you for your co-operation because this item you are raising is not on the agenda and there's no motion that has been received in time that you have been given to submit a motion.

GLEN:
Answer him, please answer him.

CROWD:
Chants "CMS".

CHAIRPERSON:
But this is not a CMS meeting, they will respond when a motion was sent.

CROWD:
We want answers from CMS.

CHAIRPERSON:
Can you please behave and show some respect members. Can you please co-operate with the processes of the meeting. We are proceeding with meeting in terms of the agenda. We are on the item where I was about to request the person who is representing the provincial commissioner to do a welcome address. I'm going to call major general.

CROWD:
We don't want that person here, we want answers, CMS where are you, we don't want that general.

CHAIRPERSON:
We have an agenda and we are going to follow that agenda.

GLEN:
We don't want the general, whoever that general.

CHAIRPERSON:
We have an agenda and we will follow the agenda.

GLEN:
We don't want general here, CMS come.

CHAIRPERSON:
Can you please give me the mic I did not give you an opportunity to speak. Give the mic member.

GLEN:
It's my money, CMS come respond, this mic is my money.

CHAIRPERSON:
Can you please give me the mic I did not give you an opportunity to speak. Give the mic member.

GLEN:
It's my money, CMS come respond, this mic is my money, I'm paying every month. No general will address me until CMS comes to address me. I'm demanding CMS to address me now, I don't want you generals, the days of dictatorship are over. CMS come out don't be a rat come out, chants with the crowd CMS, come out don't be a coward.

CHAIRPERSON:
Can you please take the mic from him; I did not give him a chance to speak. I am giving you respect and you are going to give me respect and do the same to me. Can you bring me the mic? I'm expecting full co-operation from all of us in the room.

GLEN:
CMS come out; we want CMS to come out please.

CROWD MEMBER:
Maybe CMS is not in the house, we believe they are observers, they are here they must come out and respond.

CHAIRPERSON:
But you were supposed, you know the procedure, you were supposed to send us a motion with regard to that particular item to put it in the agenda you did not do that and the agenda has been finalised. We are not going to deliberate on that because the agenda has been finalised. We are not going to deliberate on an item that is not on the agenda. There is an agenda that has been planned for today and we will follow the agenda. Can you please bring me the mic, members you are displaying a disrespectful attitude. Can you please bring me the mic, I didn't give you a chance to speak. Your item is not on the agenda you had an ample time to provide us with a motion so that we are able to put your item on the agenda which you didn't exercise. You had ample time to do that. Can I have the mic. You had an opportunity to bring a motion so we put you item on the agenda, so I will not allow an item that's not on the agenda to be discussed here.

CROWD:
It's our money.

CHAIRPERSON:
It's not only your money, it's also my money and all the members who are here. It is all our money. This is our Polmed, this is our medical aid scheme that is there to make sure that as members of the police service we are taken care of. And if there are problems let's discuss the problems like matured adults. Let us discuss problems and find a way of resolving them rather than disrespecting each other. I'm going to take this opportunity to welcome the representative of the PC to welcome us.

PC stands at the podium.

CROWD:
Nooooo, starts singing [PC unable to speak].

CROWD MEMBER:
Chief you can talk we are listening.

CHAIRPERSON:
You are making noise, please leave the podium. I'm going to request those disrupting this meeting to be leaving this room.

CROWD:
Commotion

CHAIRPERSON:
You have been given an opportunity to speak and you have spoken. And you are going to respect other people by giving them an opportunity to speak. You have spoken up your mind and I have ruled against what you have raised that it is not on the agenda. So, you are going to give this general an opportunity to welcome us.

CROWD:
Singing and dancing in front of stage preventing PC from speaking.

CHAIRPERSON: It is unfortunate that you are disrupting those who want to listen and take part in this meeting. So, we will continue with the meeting.

Crowd continues to sing and dance.

CHAIRPERSON:
General can you address, we must proceed.

Members dancing on the stage and continue to sing. The chair tries to engage with crowd members off mic.

CHAIRPERSON:
General M come welcome us.

GENERAL:
Chairperson, ... You will not intimidate me (to the crowd).

CROWD:
Boo, points fingers and hurls insults.

CHAIRPERSON:
You will respect us.

Continued commotion not allowing the PC to address the member.

CHAIRPERSON:
You are the ones intimidating us, we not intimidating anyone. You are the one intimidating us and we cannot allow that to happen. Do you see what he is doing to me (Glen point fingers at the chair while she has the mic). No, you must respect one another, please take up your seats.

[CONTINUED COMMOTION SINGING AS GLEN AND OTHERS POINT FINGERS AT THE CHAIR AND OTHER BOARD MEMBERS AND ATTEMPTING TO ENGAGE WITH HER. MULTIPLE PEOPLE ON THE STAGE INTERRUPTING THE PROCEEDINGS. SOME ATTENDEES GRAB THE MIC AND PROCEED TO SING.]

CHAIRPERSON:
This is our meeting not a CMS meeting. Which paraffin did I put, this is not a CMS meeting, this is our meeting.

CROWD MEMBER:
Let us talk only for a minute, only for a minute. [Continued singing and arguing].

CHAIRPERSON:
Can you give us a space here, I'm requesting order here, I want to talk. [Crowd continues singing].

GLEN:
Amandla, Amandla awethu. Bopha comrades, the chairperson has just spoken to me now she would like to have a five-minute caucus with the Board, and she will come back to me.

[SINGING].

CHAIRPERSON:
Hello can you hear me.

Comrades comrades leaders, Bopha comrades, let's allow the chairperson to say something.

CHAIRPERSON:
To all Polmed members in this room I'm just requesting a five-minute caucus with the Board and then we will come back and give you feedback on the decision we will take after this caucus. I'm indulging for order please thanks.

[AT ABOUT 11H00, AGM PROCEEDINGS WERE BRIEFLY ADJOURNED TO ALLOW THE BOARD TO MEET IN-CAMERA WITH THE PRINCIPAL OFFICER AND SCHEME SECRETARY].

[AT 11H30 THE MEETING RESUMED].

CHAIRPERSON:
We are all members of the South African Police Service that is a fact that can never be disputed. We qualify to be members of Polmed because we are employed according to South African Police Act and we are members of the police we are still subjected to the same discipline the South African police prescribes of its members. Do we want to continue with this meeting or not? Are we going to respect each other or are we going to do as we please? I think we owe it to ourselves to respect each other as human beings first and also as colleagues. We owe it to respect each other, we may have differences and it's okay to have differences, but as humans as and when we have differences we must find a way to resolving them by talking to each other about our differences with respect. So, I'm appealing for respect, do we want to proceed with our AGM members today? If we don't want to proceed must just say so. But then in as far as I have seen the situation is getting out of hand. We don't want to respect each other, we don't want the meeting to be properly constituted and the provincial representative of the PC to speak. I've taken note and have acknowledged that.

2. ATTENDANCE AND CONFIRMATION OF QUORUM - ADV N BHUKA

CHAIRPERSON:
I just want to confirm the attendance in terms of the quorum are we forming a quorum Mr Bhuka? In terms of our AGM and our Rules? Can you please confirm for me if we are forming a quorum?

CLO:
Chair in terms of rule 26.1.3 we require 50 members to form a quorum. At 10 am when the meeting started, we were sitting at 683 members in good standing who are in attendance and right now we are sitting at 956 members therefore chair I confirm that we do quorate.

CHAIRPERSON:
Thank you very much the man says by 10 when we started the meeting, please get off the podium [addressing members on the podium].

GLEN:
We are dissolving the Board.

CHAIRPERSON:
The man says by 10 when we started the meeting, we had 683 members in good standing and now we sit at 956 members, we do make a quorum in as far as our meeting is concerned.

CROWD:
You are fired as a chairperson. [Chanting].

CHAIRPERSON:
Members of Polmed do we want to proceed with the meeting, I've taken note of the fact that you wanted CMS to talk, they are here but only here as observer today in the meeting. There is a hand there, what do you want to say. As far as the quorum is concerned, I'm declaring the meeting officially opened we meet the quorum.

[DISRUPTIONS AS SOME MEMBERS CHANTED "YOU ARE FIRED!"].

CHAIRPERSON:
If you want to stand, stand where you are supposed to be seated.

GLEN:
You are fired.

CHANTING CROWD:
You fired.

CHAIRPERSON:
Can we please move from the podium, there was a hand there someone wants to talk. People who came here with the purpose of attending the meeting want to talk.

GLEN:
No Chairperson: People who came here with the purpose of ensuring that we are progressive in the AGM.

CROWD MEMBERS:
On the stage interrupting the chair and pointing fingers at her at close range.

CHAIRPERSON:
Can we respect each other colleagues, are we here to fight or are we here to respect each other.

M:
Thank you chairperson for noting me. Now that the quorum has been confirmed and the meeting is opened officially. My name is M (NAME NOT AUDIBLE DUE TO SINGING IN THE BACKGROUND).

CROWD MEMBERS:
Who are you interrupting the speaker?

CHAIRPERSON:
Can the marshals assist us here?

M:
Thank you chairperson for noting me. Now that the quorum has been confirmed and the meeting is opened. Point to me chairperson to speak, I move that you chairperson to invoke rule 27.4 and then you adjourn this meeting. And all the proceedings of this meeting will be taken as they were adopted by this AGM, I so move thank you. Rule 27.4 chair.

CHAIRPERSON:
There is another hand there.

NCEDISI MBOLEKWA:
I'm Ncedisi Mbolekwa captain in the Western Cape, patient enough, we must close this meeting. I second the speaker. Thank you.

CHAIRPERSON:
There is a move for us to end the meeting in terms, and I as confirming because this has been seconded. The meeting is adjourned officially closed based on invoking the rule. Thank you very much. May you have a safe journey home thank you.

3. CLOSURE

It was noted that rest of the agenda items were not considered due to the disruptive behaviour of members which resulted in the invocation of Rule 27.4 of the Scheme Rules.

[AT 11H45, THE MEETING WAS ADJOURNED DUE TO ONGOING DISRUPTIONS].

KNOW YOUR POLMED BOARD MEMBERS AND PRINCIPAL OFFICER

MS N KHAUOE

- Principal Officer of Polmed.
- Over 23 years' industry experience, with over 16 years' executive experience.
- MBA graduate.
- Various qualifications: Health, HR, Management and Theology.

MS FN VUMA

- Chairperson of the Polmed Board of Trustees (BoT).
- Member of the BoT since 1 August 2018.
- Serving as Deputy National Commissioner of the South African Police Service (SAPS).

MS MV PHIYEGA

- Deputy Chairperson of the BoT.
- Member of the Polmed Board since 1 September 2017.
- Chief Executive Officer of the Safer South Africa Foundation.
- Retired General of the SAPS.

MS PP DIMPANE

- Polmed Board member since 1 September 2017.
- Serving as the Chief Financial Officer (CFO) of the SAPS.

ADV ED GROENEWALD

- Polmed Board member since 1 August 2018.
- Serving as the Head of Litigation and Administration within the Legal and Policy Services Division (SAPS).

MR RD ORSMOND

- Elected to the Polmed Board on 1 August 2018.
- Has 40 years' experience, mostly in Special Investigations and Training.

MR TN NGWENYA
- Polmed Board member since 1 September 2017.
- Vice Chairperson of the Safety and Security Sectoral Bargaining Council (SSSBC).

MR SJ NELSON
- Appointed to the Polmed Board on 1 August 2018.
- Serving as a Major General, Head of Financial Services: Management Accounting within the SAPS.

MR ST NKOSI
- Member of Polmed Board since 1 August 2018.
- Serving as Component Head: Priority Crime Specialised Investigation within the SAPS.

MS BD MOKWENA
- Elected to the Polmed Board on 1 September 2017.
- Serving as a detective at the Directorate of Priority Crime Investigation (DPCI) in Mpumalanga.

MR BSJ MULLER
- Polmed Board member since 1 September 2017.
- Has been a member of the SAPS since December 1980.
- Serving as a Warrant Officer within the SAPS.

MS NP CUPIDO
- The Lieutenant-Colonel within the SAPS with 28 years' unbroken service.
- Polmed Board member since 1 August 2018.

MS HK SENTHUMULE
- Polmed Board member since 1 August 2018.
- Serving as the Head of Organised Crime Investigations within the Detective Service Division.

MS BP TEMBA
- Member of the Polmed Board since 18 November 2016.
- Serving as the National Head: Employee Health and Wellness within the SAPS.

MS BC MGWENYA
- Member of the Polmed Board since 1 August 2018.
- Currently serving as the Deputy National Commissioner: Human Resource Management within the SAPS.
- Has been part of the police service since July 1986.

1. INTRODUCTION

1.1. SCOPE OF THE REPORT

This report covers the financial year period 1 January 2019 to 31 December 2019, and it is our primary report to our stakeholders. It provides an overview of our business model and strategy to achieve our stated ambition, as well as an integrated view of the past year's performance as it relates to the financial, economic and social factors that impact our business. We aim to confine our report to the material issues that impact on our business and our stakeholders.

1.2. INTEGRATED REPORT FRAMEWORK

The Board of Trustees formally adopted integrated reporting principles in 2013. The reporting principles that have been applied in this report are consistent with the requirements of the Council for Medical Schemes and those provided in the King IV Code, as appropriate to medical schemes.

The principles relating to financial statements are in terms of the Medical Schemes Act (MSA), the registered rules of Polmed, the South African Institute of Chartered Accountants (SAICA), Accounting Guidelines for Medical Schemes and the International Financial Reporting Standards (IFRS).

1.3. MATERIALITY

Polmed is committed to ensuring that its members, the employer and stakeholders have access to accurate and reliable information. The Polmed Board of Trustees acknowledges its responsibility to assure the integrity of the Polmed Annual Integrated Report. As such, it has taken responsibility for determining the matters that materially impact the Scheme's ability to create value for its members and ensure the sustainability of the Scheme.

The purpose of the materiality process is to ensure that matters that substantively affect Polmed's ability to create value are identified and reported on. Material matters are defined as those reflecting significant economic, environmental and social impacts or those that would influence the decisions of the Scheme's stakeholders. The material matters disclosed in this report have been informed by regulatory obligations, internal financial and non-financial reports and voluntary disclosure standards.

1.4. ASSURANCE

PricewaterhouseCoopers Inc., the Scheme's external auditors have audited the annual financial statements and provided an unqualified audit report. The Scheme's independent actuaries have been consulted where estimates and projections are presented. The internal audit function of the Scheme's administrator performed a limited review of the non-financial information and qualitative data presented in this report.

The Trustees received assurance on the contents of the report and the accuracy thereof from both internal and external assurance providers. A combined assurance approach was followed, with coverage and outcomes by the relevant assurance providers contained in the table below:

CONTENT AND PROCESSES	ASSURANCE PROVIDER	OUTCOME
Annual Financial Statements	External Auditors	Unqualified audit opinion
Annual Integrated Report	External Auditors Audit and Risk Committee	Occurrence and accuracy of reported items validated
Material matters disclosed	External Auditors	Occurrence and accuracy of reported items validated
Risk management	Audit and Risk Committee Internal Auditors Risk Steering Committee	Effectiveness and adequacy of risk management process and control validated
Investment management	External Auditors Investment Committee	Effectiveness and adequacy of investment strategy validated
Human resources and remuneration	Internal Auditors Human Resources and Remuneration Committee	Effectiveness and adequacy of human resources and remuneration policies, and procedures validated
Information Technology (IT)	Internal Auditors Risk Steering Committee	Effectiveness and adequacy of general IT environment and IT security.

1.5.STATEMENT BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation and fair presentation of the Annual Financial Statements of the South African Police Service Medical Scheme ("the Scheme"), comprising the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in members' funds and reserves and statement of cash flows for the year that ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Medical Schemes Act, No 131 of 1998, as amended.

The Trustees consider that in preparing the Annual Financial Statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The administration of the Scheme has been outsourced to an accredited medical scheme administrator, Medscheme Holdings (Pty) Ltd ("the Administrator").

The Trustees are satisfied that the information contained in the Annual Financial Statements fairly presents the results of the operations for the year and the financial position of the Scheme at year-end.

The Trustees are responsible for ensuring that proper accounting records are kept and maintained by the Administrator. The accounting records disclose with reasonable accuracy the financial position of the Scheme, which enables the Trustees to ensure that the Annual Financial Statements comply with the relevant legislation. The Scheme operates in an adequate control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance, that assets are safeguarded and the risks facing the business are controlled.

The Scheme's external auditors, PricewaterhouseCoopers Inc., are responsible for auditing the Annual Financial Statements in terms of International Standards on Auditing, and reporting on the fair presentation of the Annual Financial Statements

The going concern basis has been adopted in preparing the Annual Financial Statements. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These Annual Financial Statements support the viability of the Scheme.

1.6. STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Scheme is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. Fifty percent (50%) of the Trustees are elected by members of the Scheme, whilst another 50% is designated by the employer.

1.7. BOARD OF TRUSTEES

The Board of Trustees meets regularly and monitors the performance of all service providers. The Board addresses a range of key issues and ensures that discussion of items of policy, strategy, risk and performance is critical, informed and constructive.

The Board of Trustees has access to the advice and services of the Principal Officer and the Chief Legal Officer, and where appropriate, may seek independent professional advice at the expense of the Scheme to assist them in their duties.

The Board of Trustees has adopted relevant principles of Corporate Governance as appropriate to Medical Schemes as contained in the King IV report.

1.8. INTERNAL CONTROL

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties. A formal internal audit function exists at the Scheme and the administrator, with regular reporting to the Audit and Risk Committee.

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties. A formal internal audit function exists at the Scheme and the administrator, with regular reporting to the Audit and Risk Committee.

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.

1.9. RISK MANAGEMENT

The Trustees are responsible for the process of risk management. They adhere to appropriate risk management, evaluation and management processes which include contract review, maintaining a risk register and review of internal and external reports.

Risks are reviewed and identified annually and appropriate strategies are implemented. These strategic actions are monitored on a monthly basis.

The Scheme adopted a risk framework and maintains a risk register for all identified strategic and operational risks. These are monitored on an ongoing basis at Executive level and at Risk Steering Committee and Board meetings.

The internal audit function is outsourced to Ngubane & Co. The Administrator has an internal audit function which supports Ngubane & Co. The internal auditors report to the Audit and Risk Committee.

2. CHAIRPERSON'S OVERVIEW

Polmed's Five-year Strategic Plan implementation for the period 2019 to 2023 got underway with the important objectives of maintaining Scheme Sustainability, ensuring Quality Healthcare for Polmed members and Sound Relationships with stakeholders.

The Scheme's financial performance has significantly improved. In contrast with the deficit of R313.3 million reported for the Financial Year 2018, the Scheme reported a surplus of R10.9 million for the Financial Year 2019.

The 2019 financial year was another eventful year for Polmed where the Scheme was unable to have a fruitful Annual General Meeting (AGM), thereby making it difficult to report to our members on the health of the Scheme. The AGM could not conclude its business due to lack of cooperation from some members.

The economic and industry challenges of 2019 tested the agility and resilience of the Scheme's outsourcing business model, which entails collaboration between the Scheme and Medscheme, its Administration and Managed Care Provider. Fraud, Waste and Abuse (FWA) are other challenges that the Scheme is grappling with and during the year under review more fraud, waste and abuse recoveries were made with high downstream savings of R763 million resulting from provider claims behaviour change.

The Management of the Scheme and its key stakeholders executed their analytic capabilities and big data informatics to perform extensive analysis to establish root causes of this continuous increases in utilisation of healthcare services and mapped such causes to specific drivers. These were observed in the benefit categories of Oncology, Hospital, Medical Specialists, Specialised Medicine, Pathology and Radiology utilisation. The Scheme introduced a Hospital Network on the Marine option to further stabilise hospital claims and Open Pharmacy Network to increase access without compromising price. Polmed, in collaboration with the managed care organisation, introduced managed care interventions and clinical protocols where it was practically possible and managed to reduce exposure and derived savings of R263 million through these interventions.

Against this backdrop, Management expected an operating loss for the 2019 benefit year, however, the thorough measures that were put in place by the Scheme to contain costs while ensuring quality of care and managing the utilisation of health services, were highly effective in protecting members' funds and financial performance of the Scheme, resulting in a R10.9 million surplus.

The Scheme continued to monitor and manage its non-healthcare expenses which led to a further improvement of 4.55% from a Non-Healthcare ratio of 3.74% in 2018 to 3.57% as at the end of the year 2019.

The R10.9 million surplus was unable to preserve our solvency level such that our solvency ratio declined from 43.15% in 2018 to 40.45% in 2019, however it has remained within the Board target of 40% and well above the 25% regulatory requirement.

It is against this background that the Board will continue to implement managed care and benefit design interventions in an effort to maintain the Scheme's sustainability.

Ms FN Vuma
CHAIRPERSON

3. PRINCIPAL OFFICER'S MESSAGE

During the year under review, Polmed continued to be the most sustainable medical scheme in South Africa with over R4 billion reserves. However, the net healthcare result remained negative because our claims were higher than contributions received. The Board has consistently attempted to keep contribution increases lower than medical inflation, which resulted in utilisation of investment returns to cover other components of the operational budget. This model is not sustainable in the long run due to a strained economic market environment which is continuously affecting our investment returns.

The COVID-19 pandemic has even worsened the investment performances worldwide, more so for South Africa as a result of the sub-investment grade downgrade by global credit rating agencies, coupled with a negative outlook. Uncertainty prevails as market participants struggle to get a handle on the economic impact of COVID-19. Asset values and hence investment income for the Scheme will remain volatile until this uncertainty subsides. The Scheme's actuaries have modelled several scenarios and estimated that the financial impact of COVID-19 on the Scheme's reserves could range from R109 million (low case scenario) to R446 million (high case scenario) with an estimated net solvency impact reduction by up to 4%. .

Despite many challenges over the past year, Polmed was able to fulfil the purpose of caring for our members' health and wellness while also safeguarding its funds. We ended the year in a very solid position across all key measures in relation to Scheme Sustainability, Quality Healthcare for our members and Stakeholder Relations.

Polmed continues to experience high claims which are mainly driven by lifestyle diseases, trauma and the high prevalence of cancer and renal failures, some of which require expensive treatment in the form of biologics and dialysis. Several health risk management interventions are therefore required to curb these increases. Polmed is very conscious that certain risk management interventions may be disruptive for some of our stakeholders and continues to do whatever is possible to balance the needs of all of our stakeholders in implementing them. Our duty of care as a medical scheme requires us to make use of evidence-based healthcare delivery models that continually improve the quality of care as cost-effectively as possible.

In an effort to manage these escalating healthcare costs, the Board approved the establishment of a Hospital Network for both Aquarium and Marine plans effective from 1 January 2019 and we have since observed some stabilisation of hospital costs.

The Scheme also considered members' complaints regarding the Pharmacy Network distribution especially in rural areas and has since established the Polmed Open Pharmacy Network which covers more than 92% of all Pharmacies in South Africa, effective from 1 January 2019. This network applies to both Acute and Chronic medicines and members are therefore encouraged to use them.

The Polmed medicine formulary was also introduced for both acute and chronic medicines together with a Risk Sharing arrangement for Chronic Medicines.

These interventions in medicine management have derived **R780 million in savings** for the Scheme.

Polmed has also introduced Day Procedure Benefits for certain procedures which do not require hospital admissions. The South African private healthcare sector lags behind other developed healthcare systems in the use of same-day surgery. In the US, for example, over 85% of eligible hospital admissions occur on a same-day basis. In South Africa, the rate remains below 20%, with most procedures carried out in general acute hospitals.

Shifting a higher proportion of suitable patients to Day Clinics and Sub-acute Facilities is a well-proven approach to improving quality of care and patient convenience, and to reducing cost.

The Scheme is continuously looking at innovative ways of managing healthcare costs and is pleading with members to cooperate with the Scheme as all these innovative processes are done in the interest of ensuring the long-term sustainability of the Scheme.

Ms Neo Khauoe
PRINCIPAL OFFICER

4. HIGHLIGHTS OF PERFORMANCE DURING THE YEAR

4.1. KEY INDICATORS

THE SCHEME'S PERFORMANCE IN RELATION TO KEY BUSINESS INDICATORS RELEVANT TO 2019, COMPARED TO THE PREVIOUS REPORTING PERIOD, IS SUMMARISED IN THE TABLE BELOW:

INDICATOR	DECEMBER 2019	DECEMBER 2018	% CHANGE
Average number of members for the year	177 430	175 954	0.84%
Number of members at 31 December	176 981	174 761	1.27%
Average number of beneficiaries for the year	507 217	502 996	0.84%
Number of beneficiaries at 31 December	507 764	502 175	1.11%
Dependant ratio at 31 December	1.87	1.87	0.00%
Average risk contributions per member per month	R 4 703	R 4 431	6.14%
Average risk contributions per beneficiary per month	R 1 645	R 1 550	6.13%
Average relevant healthcare expenditure per beneficiary per month	(R1 650)	(R1 583)	4.23%
Average non-healthcare expenditure per beneficiary per month	(R 59)	(R 58)	1.72%
Relevant healthcare expenditure as a percentage of risk contributions	100.33%	102.12%	-1.75%
Non-healthcare expenses as a percentage of risk contributions	3.57%	3.74%	-4.55%
Average age of beneficiaries	27.88	27.60	1.01%
Number of beneficiaries older than 65 years at 31 December	16 289	15 554	4.73%
Ratio of beneficiaries older than 65 years (Pensioner Ratio)	3.21%	3.10%	3.55%
Average accumulated funds per member at 31 December	R 22 758	R 22 902	-0.63%
Return on investments as a percentage of investments	9.59%	5.75%	3.84%

The increasing claims played the biggest role to the monetary decline during the 2019 benefit year. This is mainly driven by ageing membership which increased by 4.73% when using beneficiaries above 65 years old as a measuring indicator. Several cost-saving initiatives were introduced, such as the Hospital Network and Pharmacy Network and stricter medicine formulary to curb the increasing healthcare claims trend which saved the Scheme **R263.9 million**, which further reduced healthcare expenditure.

The Scheme had an excellent investment return, which was **R70 million** better than budget in monetary terms.

4.2. SCHEME DESIGNATED SERVICE PROVIDERS (DSPS) AND PROVIDER NETWORKS

GENERAL PRACTITIONER (GP) NETWORK

As at 31 December 2019, the GP Network consisted of 3 860 general practitioners.

HOSPITAL DSPs

Polmed established a Hospital Network made up of the following hospital groups for Aquarium Plan, namely;

- Mediclinic;
- Life Healthcare;
- National Hospital Network (NHN);
- Clinix Hospitals; and
- Isolated Netcare Hospitals in areas where the above hospital groups do not have coverage.

However, during the period under review, Polmed invited ALL hospital groups to make proposals for consideration on the Hospital Network for both Aquarium and Marine options. Following an intense process the following hospital groups and/or clinics were appointed to the Polmed Hospital Group:

HOSPITAL GROUP	REMARKS
Clinix	ALL Clinix Hospitals
Life Healthcare	ALL Life Healthcare Hospitals
Intercare	ALL Intercare Hospitals
Mediclinic	ALL Mediclinic Hospitals
National Hospital Network (NHN)	ALL NHN Hospitals
Netcare	Limited Netcare Hospitals, which are used as additional hospitals in areas where other Hospital Groups are not well distributed.

PHARMACY NETWORK
The Scheme introduced an Open Pharmacy Network which encompasses retail, independent/community and courier pharmacies with a combined total of 3 012 Pharmacies.

RENAL NETWORK
Fresinius Medical Care South Africa and National Renal Care South Africa remain the preferred renal care service providers.

ONCOLOGY NETWORK
ICON South Africa remained our preferred oncology care service provider for the treatment of our members with cancer and members are continuusly encouraged to use services of ICON service providers. The Oncology Network has 101 Oncology Units with 153 Oncologists across all provinces.

SPECIALIST NETWORK
The Scheme's Specialist Network had shown satisfactory growth from 2 440 in 2018 to 2 580 specialist doctors for the year under review.

OPTICAL SERVICE PROVIDER
Preferred Provider Negotiators (PPN) remains the Scheme's preferred service provider for optical benefits management and administration, and our beneficiaries are encouraged to continue using their Optical Network for optical services to avoid co-payments.

EMERGENCY MEDICAL SERVICES
Netcare 911 is the Scheme pre-approval administrator for emergency medical services and our beneficiaries are encouraged to call for emergency services approval for emergency medical services to avoid co-payments.

4.3. HEALTH SCREENING TESTS CONDUCTED AT OUR HEALTH AND WELLNESS EVENTS

For the period under review, 24 849 members were screened at Polmed's health and wellness events and pharmacy walk-ins and 17.7% (4 406) of them were flagged for Active Disease Risk Management (ADRM) and were accordingly referred to their General Practitioners for further treatment and management.

During these wellness events, 3 862 flu vaccines were administered.

5. ORGANISATIONAL OVERVIEW, BUSINESS MODEL AND GOVERNANCE STRUCTURE

5.1. ORGANISATIONAL OVERVIEW

The South African Police Service Medical Scheme (Polmed) ("the Scheme") is a "not-for-profit restricted medical scheme", registered in terms of the Medical Schemes Act of South Africa, No 131 of 1998, as amended (the "Act") under registration number 374.

The Scheme is administered by Medscheme Holdings (Pty) Ltd (Medscheme). Polmed previously comprised of the South African Police Service Medical Scheme (Polmed) and Polmed Property Investments (Pty) Ltd (PPI), a wholly-owned entity established as part of the Scheme's Investment portfolio (Registration number: 2010/018469/07). PPI was dissolved on 27 June 2019.

Only employees of the South African Police Service (SAPS) who have been appointed in terms of the SAPS Act are eligible to join as members of the Scheme.

REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS

Crestway Office Park - Block A
20 Hotel Street
Persequor Park
Lynnwood
0081

PO Box 14812
Hatfield
0028

BENEFIT OPTIONS WITHIN THE SCHEME
The Scheme offers two benefit options to the employees of the South African Police Service ("SAPS"), both without a savings component. These are:
- Marine Plan; and
- Aquarium Plan.

5.2. RISK TRANSFER ARRANGEMENT

During the year under review, the Scheme had risk transfer arrangements with Preferred Provider Negotiators (Pty) Ltd ("PPN") and Scriptpharm Risk Management (Pty) Ltd ("Scriptpharm"). AfroCentric Health (Pty) Ltd acquired a majority shareholding in Scriptpharm Risk Management (Pty) Ltd in August 2017. The emergency services contract with Netcare 911 (Pty) Ltd was terminated with effect from 31 December 2018.

PREFERRED PROVIDER NEGOTIATORS (PTY) LTD (PPN)

PPN administers and provides optical benefits to the members of the Scheme, on both options, in accordance with the terms of the agreement

SCRIPTPHARM RISK MANAGEMENT (PTY) LTD (SCRIPTPHARM)

Scriptpharm provides chronic medication to both plans.

5.3. MEMBERSHIP DEMOGRAPHICS

Policing is a psychologically stressful occupation filled with danger, high demands, human misery and exposure to trauma and death. Research undertaken has identified connections between the daily stresses of police work and higher risk of long-term physical and mental health effects. It is accepted that there are general health disparities between police officers and the general population.

Police officers may retire from the service due to medical boarding at any stage of their lives. The continuation member profile illustrates this phenomenon. Specific targeted interventions are therefore necessary to help police officers deal with this difficult and stressful occupation.

Polmed was established to provide employees of SAPS appointed under the SAPS Act with affordable access to quality healthcare. In this regard, the Scheme has, over time, collected significant clinical data in order to better understand its members' unique profile and has responded by developing disease management programmes that are member-centric. These programmes require innovative benefit design solutions and simple, yet effective, delivery techniques to manage underlying conditions. Prolonged Care, Home Based Care and the psycho-social programmes are but three of the initiatives employed by the Scheme to manage stress-related and other conditions prevalent in the Scheme's population. Psychological debriefing following a traumatic incident is a unique need peculiar to the occupation, thus differentiating it from the needs of the general public.

Polmed acknowledges that stress may manifest in ways that can hurt loved ones and as such the Scheme has developed disease management programmes that are proactive and relevant for the broader family unit, thereby covering the needs of all the beneficiaries of the Scheme.

THE FOLLOWING BUSINESS MODEL HAS BEEN ADOPTED BY POLMED:

5.4. BUSINESS MODEL

The business model of medical schemes creates value for stakeholders without a motive to derive profit. The success of the Scheme's business model depends on product differentiation, affordability and service excellence. Medical schemes operate in a complex and challenging environment. Trustees have the responsibility of maintaining the fragile balance between competitive contribution rates, cost and sustainability. Risk management tools and refined benefit design techniques are utilised to provide access to quality healthcare while managing the cost and ensuring the sustainability of the Scheme.

Although Polmed is a closed medical scheme, it falls under the ambit of the Medical Schemes Act as promulgated in 1998. As such, Polmed has to comply with all levels of governance as stipulated in the Act.

THE BUSINESS MODEL IMPLEMENTED BY POLMED CAN BE SUMMARISED AS FOLLOWS:

CONTRIBUTIONS INCOME

Employer contributions – Employer contributions are calculated using the aggregate growth model negotiated by employee group representatives (+/-75% of contributions are received from the employer).

Member contributions – Member contributions are calculated to be affordable (+/-25% of the contributions are received from the members).

Net healthcare result is targeted at a breakeven level over time, and is calculated as follows: Net healthcare result = [income (excluding investment income) – healthcare expenditure].

As stipulated in the Medical Schemes Act, a solvency ratio, which is calculated as accumulated funds (excluding unrealised gains) divided by total contributions, has to be maintained at 25%. In order to achieve this level, Polmed follows a scientifically sound and actuarially supported benefit design process on an annual basis. Although the demands on medical care are infinite, the benefits available to fund medical care are finite, thus complying with a solvency ratio of at least 25% remains a challenge.

Non-healthcare costs – This includes all expenditure incurred that is deemed non-healthcare related. In terms of the Medical Schemes Act, this expenditure cannot exceed 10% of the Scheme's total expenditure.

FUNDING MODEL

Like most funders in South Africa, Polmed is following the fee-for-service payment model to providers. There is currently one exception to this model relating to optometry benefits that Polmed outsourced in a capitation agreement to Preferred Provider Negotiators (PPN).

In order to mitigate the risk that is associated with the fee-for-service environment, Polmed entered into various contractual agreements with provider groups such as

hospitals, general practitioners, specialists, oncologists, renal dialysis providers and step-down facilities. Preferred rates and Service Level Agreements (SLAs) have been negotiated with these provider groups to ensure not only cost-effective service delivery, but also superior clinical outcome and member experience.

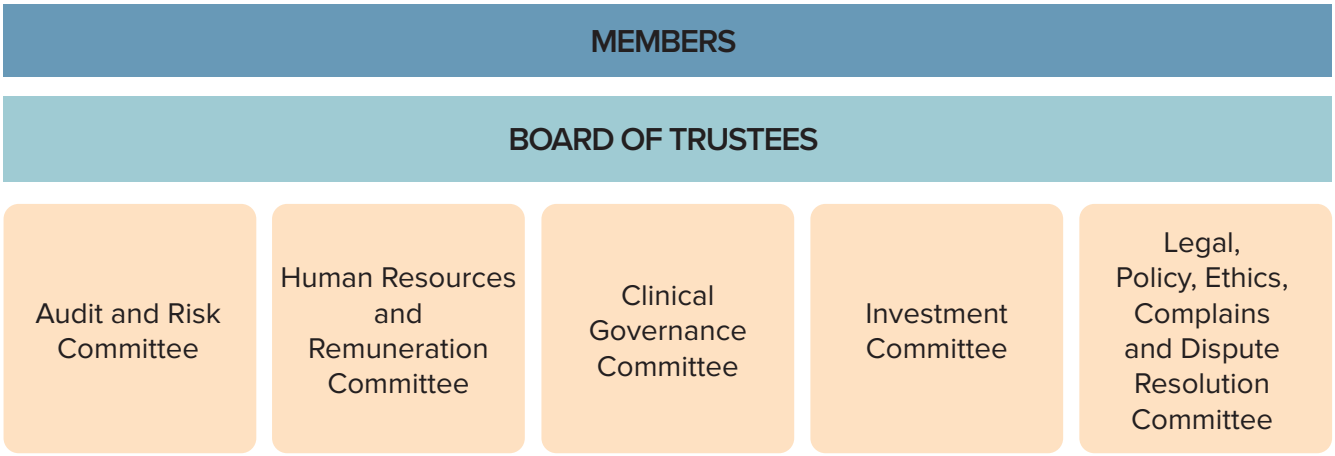
MANAGED CARE AND ADMINISTRATION

In order to comply with all aspects of the Medical Schemes Act, Polmed has outsourced the managed care as well as administration functions of operating the Scheme.

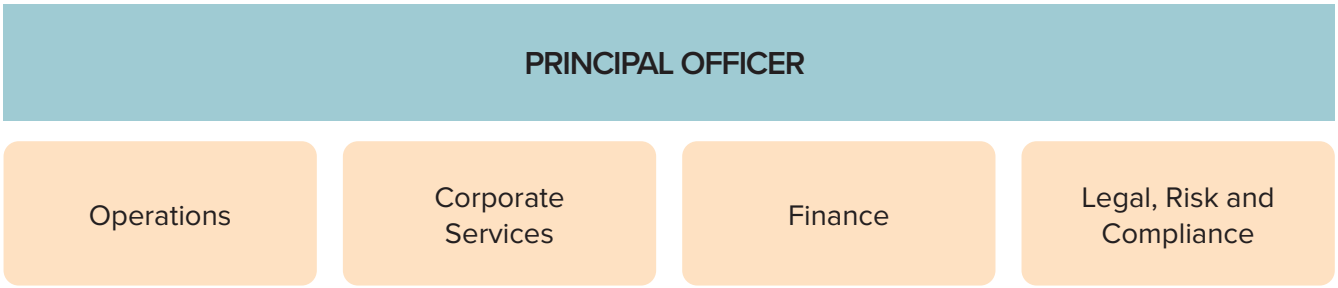
Medscheme is currently Polmed's service provider in both managed care as well as administration. Medscheme's contractual obligations to Polmed are being monitored through Service Level Agreements by Scheme Management.

5.5. GOVERNANCE STRUCTURE

The Scheme is governed by the Board of Trustees, which has the following structure:



The business structure of the Scheme is as follows:



In addition to the structures indicated above, the Scheme has outsourced certain functions and its extended structure and form would in essence be much larger if one takes into account the core functions that have been outsourced.

Ultimately, the Board of Trustees has the fiduciary responsibility to look after the Scheme and ensure that the actions of the service providers and management are in the best interest of the members.

The Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders.

The Scheme appointed Medscheme to assist with day-to-day operations. The Board of Trustees meets regularly and monitors the performance of the Scheme. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

The Board of Trustees has access to the advice and services of the Principal Officer and Executives. The Board may, where appropriate, seek independent professional advice on Polmed's account.

The Board of Trustees has adopted the principles of corporate governance as contained in the King IV Report, which are applicable to medical schemes.

Polmed maintains internal controls and systems designed to provide reasonable assurance on the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures, and are implemented by trained personnel with the appropriate segregation of duties. A formal internal audit function exists, with regular reporting to the Audit and Risk Committee.

5.6. VISION, MISSION AND VALUES

VISION

In pursuance of its strategic mandate and in resonance with its founding purpose, the Board envisaged the vision of the Scheme as: **"Healthy members for a safer South Africa".**

MISSION

The mission of the Scheme is: "**To enable quality healthcare for SAPS members and their beneficiaries in a cost-effective manner**".

VALUES

The Scheme subscribes to the principles of putting its people first and strives to uphold the highest ethical standards and all effort is and will be placed on ensuring that ethics receive priority and are treated as the cornerstone of all organisational activity.

The Scheme's value statements that are underpinned by the pursuance of ubuntu are:

- Care
- Respond
- Collaborate
- Respect

The Trustees and employees build trusting relationships with all stakeholders they engage with by living up to these values.

5.7. BOARD COMPOSITION

The Board of Trustees consists of fourteen (14) members constituted as follows:

- 7 Trustees who are designated by the National Police Commissioner; and
- 7 Trustees who are elected through an election process conducted and overseen by an independent body and must include two (2) continuation members.

The Board of Trustees is required to take all reasonable steps to ensure that its composition broadly mirrors the composition of the membership of the Scheme as far as race and gender are concerned.

For these purposes it is accepted that the membership of the Scheme should consist of:

- 60% male members and 40% female members; and
- 70% Black members (which include Coloureds and Indians) and 30% White members.

The Board of Trustees must endeavour to have one (1) Black member and one (1) White member elected as continuation members of the Board and that one is female and the other is male.

TRUSTEE	CAPACITY	APPOINTMENT DATE	TERMINATION DATE	RESIDES
FN Vuma (Chairperson)	Employer-designated	01 August 2018		Gauteng
ED Groenewald	Employer-designated	01 August 2018		Gauteng
BC Mgwenya	Employer-designated	01 August 2018		Gauteng
SJ Nelson	Employer-designated	01 August 2018		Gauteng
ST Nkosi	Employer-designated	01 August 2018		Gauteng
HK Senthumule	Employer-designated	01 August 2018		Gauteng
BP Temba	Employer-designated	01 August 2018		Gauteng
NP Cupido	Member-elected	01 August 2018		Western Cape
RD Orsmond	Member-elected	01 August 2018		Western Cape
PP Dimpane	Member-elected	01 September 2017	16 July 2020	Gauteng
BD Mokwena	Member-elected	01 September 2017	16 July 2020	Mpumalanga
BSJ Muller	Member-elected	01 September 2017	16 July 2020	Mpumalanga
TNL Ngwenya	Member-elected	01 September 2017	16 July 2020	Mpumalanga
MV Phiyega	Member-elected	01 September 2017	16 July 2020	Gauteng

The roles of the Chairperson and the Principal Officer are separate. The Chairperson, who has non-executive functions, meets periodically with the Principal Officer to monitor progress and discuss relevant business issues. All Trustees have the appropriate knowledge and experience necessary to carry out their duties, with each actively involved in Polmed's affairs.

A minimum of six ordinary Board meetings are held with additional or special meetings called where circumstances necessitate. Proceedings are conducted efficiently and all appropriate matters are addressed at each meeting. One person does not dominate meetings; rather the interests of members remain at the core of all decisions.

Adequate Trustees' and Officers' insurance cover has been purchased by Polmed to meet any material claims against the Board of Trustees.

5.8. BOARD COMMITTEES

Specific functions and responsibilities as stipulated in the Board Charter have been delegated to Board Committees with defined terms of reference set out in their respective instructions. The Board Committees are indicated below:

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The function of the Committee is to approve a broad human resources and remuneration framework for the Scheme and to ensure that personnel are adequately remunerated for their contribution to the Scheme's operating performance. In fulfilling its duties, consideration is given to industry and local benchmarks. The Committee consists of the following members:

Member	Capacity
MV Phiyega	Chairperson
BC Mgwenya	Member
TNL Ngwenya	Member

CLINICAL GOVERNANCE COMMITTEE

The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the benefit design of the Scheme. The Committee consists of the following members:

Member	Capacity
TNL Ngwenya	Chairperson
HK Senthumule	Member
BSJ Muller	Member
BP Temba	Member

INVESTMENT COMMITTEE

The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the investment policy of the Scheme. The Committee consists of the following members:

Member	Capacity
SJ Nelson	Chairperson
PP Dimpane	Member
NP Cupido	Member
BD Mokwena	Member

LEGAL, POLICY, ETHICS, COMPLAINTS AND DISPUTE RESOLUTION COMMITTEE (LPECDRC)

The Board has taken a decision to establish a Legal, Policy, Ethics, Complaints and Dispute Resolution Committee, which is responsible for legal, ethics, policy and for resolving both member and service provider complaints and disputes. The Committee consists of the following members:

Member	Capacity
RD Orsmond	Chairperson
MV Phiyega	Member
ED Groenewald	Member
ST Nkosi	Member

BOARD TENDER EVALUATION COMMITTEE (BTEC)

The Board Tender Evaluation Committee is responsible for evaluating submissions presented for the procurement of goods and services above R15 million (Excluding Value Added Tax), subject to budget availability. This Committee is also responsible for evaluating submissions presented for the procurement of goods and services for Administration and Managed Care agreements.

Member	Capacity
MV Phiyega	Chairperson
ED Groenewald	Member
SJ Nelson	Member
TNL Ngwenya	Member
HK Senthumule	Member
BP Temba	Member

ANNUAL GENERAL MEETING (AGM) TASK TEAM

This Committee is tasked with the review of preparation for and review of the Annual General Meeting plan.

Member	Capacity
MV Phiyega	Chairperson
PP Dimpane	Member
ED Groenewald	Member
TNL Ngwenya	Member
BP Temba	Member

AUDIT AND RISK COMMITTEE

Roles and responsibilities of the Audit and Risk Committee

The Audit and Risk Committee was established in accordance with Section 36(10) of the Medical Schemes Act. The Committee has adopted appropriate formal terms of reference as provided for in its Audit and Risk Committee Charter, and has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

During the period under review, the Committee had four meetings and appropriate feedback was provided to the Board of Trustees on matters that fell within the mandate of the Committee. The Committee consists of the following members:

Member	Capacity
Z Samsam (Independent)	Chairperson Appointed 01 January 2019
T Mtongana-Zote (Independent)	Member Appointed 01 January 2019
N Tshombe (Independent)	Member Appointed 01 January 2019
PP Dimpane	Member
HK Senthumule	Member

DISCHARGING OF AUDIT AND RISK COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee reports that it has adopted appropriate formal terms of reference as provided for in its Audit and Risk Committee Charter, and has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

INDEPENDENCE OF EXTERNAL AUDITORS

The Audit and Risk Committee is satisfied that the External Auditors were independent of the Scheme.

THE EFFECTIVENESS OF INTERNAL CONTROL

The systems of controls are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

In line with the King IV Report on Corporate Governance requirements, internal audit provides the Audit and Risk Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the Risk Management process, as well as the identification of corrective action and suggested enhancements to the controls and processes.

From the various reports of the Internal and External Auditors, they indicated that the overall control environment is working as intended and the annual financial statements are not materially misstated, respectively.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit and Risk Committee was satisfied that there were no weaknesses which constituted a material breakdown in controls. Management implemented action plans and due dates to address those areas identified that required improvement.

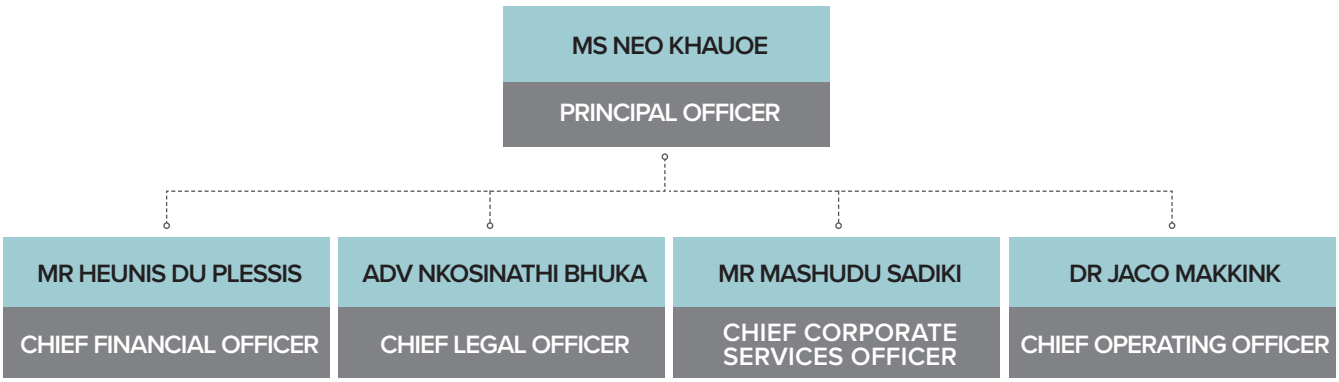
For the period under review, the Audit and Risk Committee was satisfied that it had carried out the mandate in accordance with its charter, good governance principles and the requirements of the Medical Schemes Act, as amended.

ADOPTION OF FINANCIALS

Following the Board's review of the Annual Financial Statements for the year ended 31 December 2019, the Board is of the opinion that, in all material respects, they comply with the relevant provisions of the Medical Schemes Act, as amended, and International Financial Reporting Standards, and they fairly present the results of the operations, cash flow and the financial position of Polmed. The Board therefore recommends that the financial statements as submitted be adopted.

5.9. SCHEME EXECUTIVE PERSONNEL AND HEADS OF DEPARTMENTS

THE SCHEME'S EXECUTIVE STRUCTURE IN 2019 CONSISTED OF THE POLMED PRINCIPAL OFFICER (CHIEF EXECUTIVE OFFICER) AND FOUR CHIEF OFFICERS.



6. UNDERSTANDING THE OPERATING CONTEXT

IDENTIFYING MATERIAL ISSUES, IMPACTS AND RELATIONSHIPS

6.1. MATERIAL ISSUES AND IMPACT

PRESCRIBED MINIMUM BENEFIT (PMB) CLAIMS

The management of PMBs is an industry-wide challenge given that there is a broad view that medical schemes are compelled to reimburse providers at cost for the treatment of PMB conditions. If this view was to be upheld, it would cast into doubt the sustainability of a number of medical schemes in the industry. Polmed has sought to mitigate PMB risk in a number of ways which include the following:

- The introduction of a PMB management process that requires the billing behaviour of the claiming provider to be ascertained in order to determine the reimbursement level. Where it is found the provider is consistent in billing between PMB and non-PMB conditions, the provider is reimbursed at cost. Where the billing behaviour is found to be inconsistent, further investigations are conducted to determine the reimbursement applicable to affected claims; and

- The introduction and continuous expansion of a Specialist Network, which has had the effect of capping the Scheme's exposure to PMBs by setting the reimbursement tariffs upfront. This has also had the effect of improving the member and provider experience in dealing with the Scheme, as tariffs are negotiated at the time the provider joins the Network and are therefore visible to all stakeholders. This has the effect of reducing the reprocessing of claims as well as member and provider frustration. As of 31 December 2019, Polmed had 2 580 specialist doctors on the Preferred Providers Network.

6.2. KEY SERVICE PROVIDERS

6.2.1 MEDICAL SCHEME ADMINISTRATOR DURING THE YEAR

Medscheme Holdings (Pty) Ltd
37 Conrad Street
Florida North
Johannesburg
1709
Accreditation number: 21

PO Box 1101
Florida Glen
1708

6.2.2 MANAGED CARE PROVIDERS DURING THE YEAR

6.2.2.1 HEALTH RISK SOLUTIONS, A DIVISION OF MEDSCHEME

The Boulevard
Buildings F & G
Searle Street
Woodstock
7925
Accreditation number: MC053

PO Box 38632
Pinelands
7430

6.2.2.2 AID FOR AIDS MANAGEMENT (PTY) LTD

The Boulevard
Buildings F & G
Searle Street
Woodstock
7925
Accreditation number: 94

PO Box 38632
Pinelands
7430

6.2.3 INVESTMENT MANAGERS DURING THE YEAR

6.2.3.1 ALUWANI CAPITAL PARTNERS (PTY) LTD

EPPF Office Park
24 Georgian Crescent East
Bryanston East
Johannesburg
2152
Financial Service Provider Number: 46196

Postnet Suite 8
Private Bag X75
Bryanston
2021

6.2.3.2 MAZI ASSET MANAGEMENT (PTY) LTD

11th Floor
Sandton Eye
126 West Street
Sandown
Sandton
2196
Financial Service Provider Number: 46405
Mazi Asset Management contract was terminated on the 30 April 2019.

PO Box 784583
Sandton
2146

6.2.3.3 MERGENCE INVESTMENT MANAGERS (PTY) LTD

2nd Floor
Dockside Cruise Terminal
Duncan Road
V&A Waterfront
Cape Town
8001
Financial Service Provider Number: 16134

PO Box 8275
Rogebaai
Cape Town
8012

6.2.3.4 MIANZO ASSET MANAGEMENT (PTY) LTD

Unit EG01
Vesta House
The Forum
Northbank Lane
Century City
Cape Town
7441

PO Box 1210
Milnerton
7435

Financial Service Provider Number: 43114

6.2.3.5 PERPETUA INVESTMENT MANAGERS (PTY) LTD

5th Floor
The Citadel
15 Cavendish Street
Claremont
Cape Town
7708

PO Box 44367
Claremont
Cape Town
7735

Financial Service Provider Number: 29977

6.2.4 INVESTMENT MANAGERS DURING THE YEAR (CONTINUED)

6.2.4.1 SANLAM INVESTMENT MANAGERS PTY) LTD

55 Willie van Schoor Avenue
Bellville
Cape Town
7530

Private Bag X8
Tyger Valley
Cape Town
7536

Financial Service Provider Number: 579

6.2.4.2 STANLIB ASSET MANAGEMENT LTD

17 Melrose Arch Boulevard
Melrose Arch
Johannesburg
2196

PO Box 203
Melrose Arch
Johannesburg
2076

Financial Service Provider Number: 719

6.2.4.3 TAQUANTA ASSET MANAGERS (PTY) LTD

7th Floor
Newlands Terraces
8 Boundary Road
Newlands
Cape Town
7700

PO Box 23540
Claremont
Cape Town
7735

Financial Service Provider Number: 618

6.2.5 INVESTMENT CONSULTANTS DURING THE YEAR

Independent Actuaries & Consultants (Pty) Ltd
6th Floor
Wale Street Chambers
38 Wale Street
Cape Town
8001

P.O. Box 1172
Cape Town
8000

Financial Service Provider Number: 6832

6.2.6 ACTUARIAL SERVICES DURING THE YEAR

6.2.6.1 DELOITTE & TOUCHE

Building 33
Deloitte Place
20 Woodlands Drive
Woodmead
2128

Private Bag X6
Gallo Manor
Johannesburg
2052

Deloitte & Touche actuarial services were terminated effective 31 December 2019.

6.2.6.2 INSIGHT ACTUARIES & CONSULTANTS (PTY) LTD

Ground Floor
Block J
Central Park
400 16th Road
Midrand
1687

Private Bag X17
Halfway House
1685

Insight Actuaries & Consultants (Pty) Ltd were appointed with effect from 01 January 2020.

6.2.7 INDEPENDENT INTERNAL AUDITORS

Ngubane & Co.
Ngubane House
1 Superior Road
Midrand
1685

PO Box 8468
Halfway House
1686

6.2.8 INDEPENDENT EXTERNAL AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Private Bag X36
Sunninghill
2157

6.3. ADMINISTRATION AND MANAGED CARE FEES

	2019	2018
	R	R
ACCREDITED MANAGED HEALTHCARE SERVICES (NO RISK TRANSFER)		
Case management	54 242 272	50 936 073
Disease management	38 068 443	35 746 910
Network management	22 546 614	21 168 805
HIV management	14 478 308	13 840 513
Pharmacy benefit management	20 885 061	19 597 512
	150 220 698	**141 289 813**

The table above depicts the accredited managed healthcare services costs for the period under review which have increased by 6.32% from R141.3 million in 2018 to R150.2 million in 2019.

	2019	2018
	R	R
ADMINISTRATION EXPENDITURE: BENEFIT MANAGEMENT SERVICES		
Ambulance services	2 493 994	3 633 489
Fraud management	19 138 128	20 359 368
Optical	10 217 666	10 672 636
Provider network management services	4 361 724	4 164 821
Wellness	13 488 791	11 628 237
	49 700 303	**50 458 551**

The table above depicts the administrative expenditure – Benefit Management Services for the period under review which has decreased by 1.50% from R50.4 million in 2018 to R49.7 million in 2019.

	2019	2018
	R	R
ADMINISTRATION FEES AND OTHER OPERATING EXPENSES		
Actuarial fees	1 889 237	1 423 379
Administrator's fees	207 801 656	196 045 581
Audit and Risk committee	371 709	338 622
Audit fees	2 046 437	2 884 767
Audit fees disbursements	45 000	66 038
Bank charges	1 351 339	1 576 554
Board of Healthcare Funders subscription	2 223 659	1 986 878
Depreciation on property and equipment	3 196 287	1 516 422
Election costs	-	3 507 226
Internal audit fees	1 560 272	2 287 720
Legal expenses	228 177	1 190 806
Members' outreach	260 210	497 855
Operating lease rentals buildings	-	5 849 226
Principal Officer's fees	5 282 324	5 193 184
Principal Officer's office expenses	619 054	6 155
Printing and photocopiers	(182 161)	430 097
Registrar levies	6 642 328	6 200 925
Salaries	38 634 570	29 199 848
Toll free lines	3 287 796	3 235 651
Trustees' remuneration and considerations	5 148 011	5 617 397
Travel	3 574 606	4 331 766
Utilities	936 824	637 780
Other expenses	18 938 676	14 452 034
	303 856 011	**288 475 911**

The table above depicts the administration expenditure and other operating expenses for the period under review which increased by 5.3% from R288.5 million in 2018 to R303.9 million in 2019.

6.4. MEMBER EDUCATION AND AWARENESS

The business plan of the Scheme determined that at least 70 000 members had to be reached during 2019. A communication plan and strategy were implemented in support of the objectives as set out in the plan.

The Communications Team has undertaken several outreach and communication drives, which reached some 66 826 members as reflected in the tables below:

	2019	2018
Student Intake	6,558	6,431
Marketing and Area Visits	26,132	16,458
Ad hoc and Special Projects	5,215	15,999
Wellness	18,913	8,793
Flu Vaccines	8,910	19,299
AGM	1,098	274
TOTAL	**66,826**	**66,900**

7. ENTERPRISE RISK MANAGEMENT

7.1. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by Polmed assumes the risk of the loss from members and their dependants that are directly subject to the risk. These risks relate to the health of Polmed's members. As such Polmed is exposed to the uncertainty surrounding the timing and severity of claims under the contract. Polmed also has exposure to market risk through its insurance and investment activities.

Polmed manages its insurance risk through benefit limits and sub-limits, approval procedures for the transactions that involve pricing guidelines, pre-authorising and case management, service provider profiling, centralised management of risk transfer arrangements as well as the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements.

Polmed uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analysis, scenario analysis and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Polmed has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The strategy is set out in the annual business plan, which specifies the benefits to be provided by each option, the preferred target market and demographic split thereof.

Benefits and associated contributions are calculated taking into account Polmed’s risk concentrations, changes in utilisation based on historical data and inflationary increases.

7.2. RISK MANAGEMENT

The ultimate responsibility for managing the risk environment of the Scheme lies with the Board of Trustees.

Risk management at the Scheme comprised of, amongst other things, development and implementation of Charters for the Audit and Risk Committee. Management has formed a Risk Steering Committee that manages risk at an operational level to enable the Audit and Risk Committee to discharge of its duties in this regard. The Risk Management Framework that elaborates the risk management processes and procedures to manage the Scheme's risks was developed and implemented.

The risk appetite of the Scheme that defines the tolerance levels for its identified risks was developed. Annual risk workshops were hosted where several risks and threats to the Scheme were identified both at strategic level as well as business level, and developing the mitigation actions in order to limit the Scheme's risk exposures. Risk management training was conducted for all interested parties and included all members of the Board to ensure a sound understanding of risk management principles within the Scheme.

The internal audit function as a risk-based assurance over the effectiveness of controls and risk management within the Scheme has been outsourced. The Scheme has implemented the BarnOwl system as a systemised control over risk management.

The strategic and business risk register tables on the following pages illustrate the strategic risks identified against the strategic objectives and the subsequent inherent risk versus residual risk distribution after applying the controls developed within the Scheme. The rating scores were determined through evaluating both the likelihood that a risk event will occur and the impact of the risk event if it does occur and the actual ranking of risk is then determined by calculating the product of likelihood and impact scores.

7.3. STRATEGIC RISK REGISTER

	RISK TITLE	INHERENT RISK RATING (WITHOUT CONTROLS)	RESIDUAL RISK RATING (AFTER CONTROLS)	RISK RESPONSE DECISION
1	**Lack of clarity on impact of implementation of NHI on Polmed**	20	20	• Stakeholder positioning for Polmed to attain a special dispensation comparable to defence
2	**Adverse decrease in solvency levels**	25	20	• Persuading the employer for increased grant • Healthcare cost optimisation • Non-healthcare cost control
3	**Fraud, corruption and gross misconduct**	20	10	• Reduction of fraud, waste and abuse exposure by a further 30% from the current exposure.
4	**Inadequate 3rd party provider management**	25	10	• Enhancement of contract management processes including enforcement of penalty clauses
5	**Poor stakeholder relations**	20	10	• Identification of high interest / high impact stakeholders and development of engagement / collaboration strategies
6	**Unstructured Scheme response to new governance and compliance protocols**	20	9	• Development of incident / rapid response strategies to augment the existing governance framework • Enhanced compliance management
7	**Benefit design & structure not meeting Member & Scheme needs**	20	9	• Ongoing monitoring and enhancement
8	**Inadequate technology systems**	25	9	• Ongoing monitoring and enhancement
9	**Failure to adapt to change**	15	6	• Ongoing monitoring and enhancement
10	**Inadequate contingency management**	15	6	• Development of incident / rapid response strategies to augment the existing governance framework

7.4. FRAUD RISK AND FORENSIC MANAGEMENT

Polmed continues to make important strides in reducing the losses incurred by abusive and fraudulent billing. The Scheme has implemented a multi-pronged strategy that includes specific focus on the key elements of detection, investigation and prevention which are crucial when it comes to fighting fraud. Polmed has invested in the latest predictive analytical software to identify claiming outliers and to recover overpaid healthcare claims.

In 2019, recoveries reduced from R60.9 million to R55.6 million. Since the Scheme contracted Medscheme to perform their healthcare forensic services in 2017, R499.6 million worth of fraudulent and abusive billing has been identified, and R177.1 million has been recovered, which is money that has been used by the Scheme to reduce annual contribution increases and to provide members with more healthcare benefits.

The Scheme also managed to derive accumulative savings of R763 million as a result of Provider Behaviour change. It naturally takes a lot of time and effort to achieve these results and the Healthcare Forensics team performed 607 forensic interventions on behalf of Polmed.

Polmed received 1 118 whistleblower tip-offs, and we lodged 54 complaints with the Health Professions Council of South Africa (HPCSA) and opened 25 new criminal cases.

Despite these excellent results, there is still a lot of work to be done. Polmed will continue to invest in technology, resources and innovation to make sure that only valid and legitimate claims are paid and that member funds are spent responsibly.

FRAUD RESPONSE

The following mitigation actions were implemented by the Scheme:

- Direct payment to members instead of providers, referred to as indirect payment;
- Fraud information shared with medical professional bodies;
- Providers that were impossible to rehabilitate were removed from the Scheme's established provider networks;
- Amount owing by provider offset against future claims;
- Direct recovery from providers; and
- Criminal charges laid against providers and/or members.

7.5. LEGAL MATTERS

CASE	TYPE	STATUS
ON Skommere, Ntsime, Mboweni & SAPU / Polmed **Case no: 8500/2017**	Application to set aside Polmed's 2017 trustee election	**Background:** 1. This matter relates to an Application to set aside Polmed's 2017 trustee election 1.1 The Judgement on this matter was handed down on Friday, 23 November 2018 at 09h00 as follows: • The Applicants' (ON Skommere, Ntsime, Mboweni & SAPU) application was dismissed; and • The applicants were ordered to pay the costs of the application in solidum, jointly and severally, the one paying the other to be absolved. • The matter was taxed (decision by the Taxing Master) on an opposed basis on 27 August 2019. The Opponents have paid the amount of R101 577.00 as per the allocator.
ON Skommere & SAPU / Polmed **Case no: 46670/2017**	Judicial enquiry/ Application to direct an investigation into Polmed	**Background:** This matter is an Application by the Applicants for a judicially directed investigation into the First Respondent (Polmed). **Status of the matter:** 1. The Applicant subsequently withdrew its application and proposed that each party pays its own costs. 2. Polmed is pursuing the matter for the recovery of costs.
SOUTH AFRICAN POLICE UNION / POLMED & OTHERS **(CASE NO: 54786/2016)**	Application to interdict Polmed's AGM scheduled for 14 July 2016	**Background:** In this matter the Applicants sought relief to set aside Polmed's 2016 AGM. The court order in respect of the interdict dated 14 July 2016, granted as follows: • Should the application be dismissed on the merits, the applicant shall be liable for the proven wasted costs flowing from cancellation of the AGM on 14 July 2016; Applicant has not amplified its papers timeously as per the court order. Polmed is proceeding with this matter in order to recover the wasted costs in terms of the court order providing that in the event that the Applicant's application is dismissed, Polmed will be granted costs and the Applicant will be liable for the proven wasted costs flowing from the cancellation of the AGM of 14 July 2016 incurred by Polmed. The Applicants are using all kinds of delaying tactics to stall the matter. Polmed cannot recover its wasted costs until such time that the Court dismisses the Applicants' application. Polmed is currently pursuing the matter further in terms of the litigation process.
SOUTH AFRICAN POLICE UNION / POLMED & 0THERS **(CASE NO: 31506/2017)**	Urgent Application to interdict Polmed's Annual General Meeting	**This was a matter brought to interdict Polmed's AGM in 2017. A court order was awarded on the 18 August 2017 as follows:** • The Court found no urgency and dismissed the application and ordered the Applicant to pay Polmed's costs. • The matter was taxed on an opposed basis on 7 March 2018. The South African Police Union has paid the amount owed, R39 958.72, in terms of the taxed bill of costs.

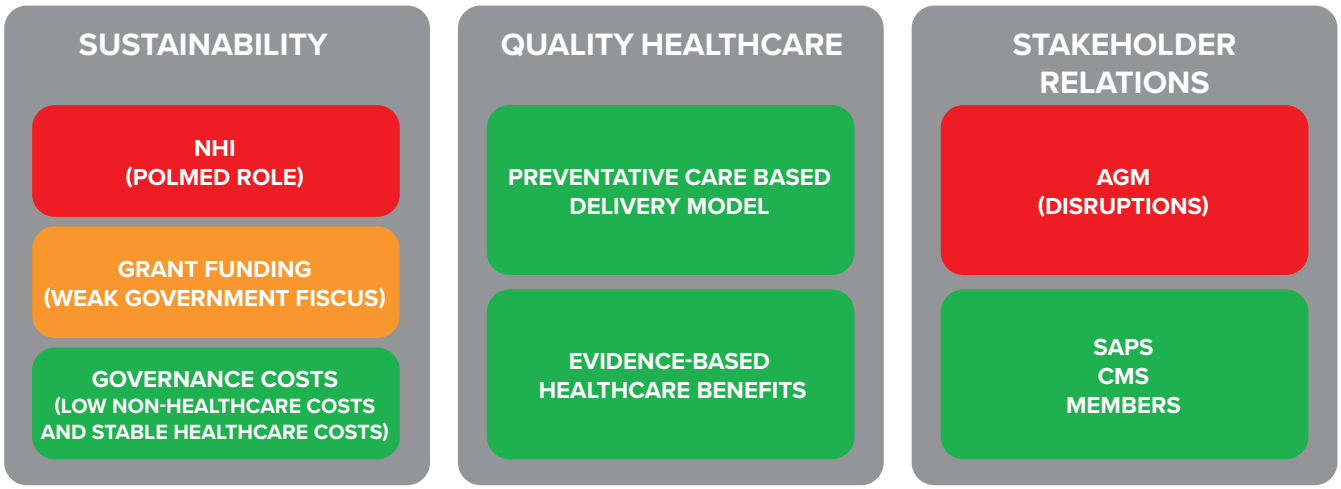
CASE	TYPE	STATUS
2019 AGM Litigation	Claim for damages against SAPU and some of its members	Polmed have initiated proceedings (Letters of Demand and Summons have been issued) against SAPU and some 9 identified members thereof wherein the Scheme is claiming R1 077 354.50 as damages suffered as a result of the disruption of the 2019 AGM.

LEGAL AND WASTED COSTS RELATED TO AGMs

YEAR	LEGAL COSTS	AGM WASTED COSTS	TOTAL
2016	R403 973	R5 244 875	R5 648 818
2017	R288 741	R4 758 465	R5 047 206
2018	R256 297	R4 129 639	R4 385 937
2019	R130 402	R946 951	R1 077 3583
TOTAL	**R1 079 413**	**R15 079 930**	**R16 159 343**

8. SUMMARY OF PERFORMANCE AGAINST STRATEGIC OBJECTIVES

PERFORMANCE AREA	TARGET	ACHIEVEMENT	RATING
Compliance other than exemptions	100%	Compliant and exemption obtained on matters where compliance was not possible. See section 14 of this report on compliance matters.	
Spend for non-health cost on enterprises above Level 3 BBBEE or Exempt Micro-Enterprises	80%	100% (1% Level 1, 97% level 2, and 2% Level 3)	
Earned Net Investment returns	R294m	R391.2m against a YTD budget of R320.2m as at 31 December 2019 representing a R70.9m performance better than budget	
Claims Ratio	102.11%	100.7%	
Quantum of claims adjudicated for Fraud	100%	100%	
Confirmed fraudulent/ irregular claims recovered	60%	41.6% (R133.7m confirmed and R55.6m recovered).	
Productivity lost due to failing information technology	5%	Except for Load Shedding interruptions, there were no system interruptions for the year under review.	
MOA with SAPS	Signed MOA	MOA Review process concluded, awaiting SAPS signature	
Member debriefing	20%	In 2019, 997 members were debriefed compared to 576 members in 2018 representing a 73% year on year increase.	
SLA	80% Adherence	90% adherence	
Managed Healthcare Outcome Reporting	Outcome Reports	Outcome Reports received. R264m managed care savings via cost containment interventions reported.	
Beneficiaries admissions per 1 000	≤240	106 admissions per 1 000 (HQA Industry Benchmark – 142 admissions / 1 000 lives)	
Member Outreach	70 000	66 826 face to face engagements for the year 2019	
Solvency	40%	40.45% against a budget of 39.69%	
Contribution Increase: Employer Grant increase Employee	 6.5% 7.5%	 6.3% 8%	
Non-healthcare Costs	≤10%	3.57%	



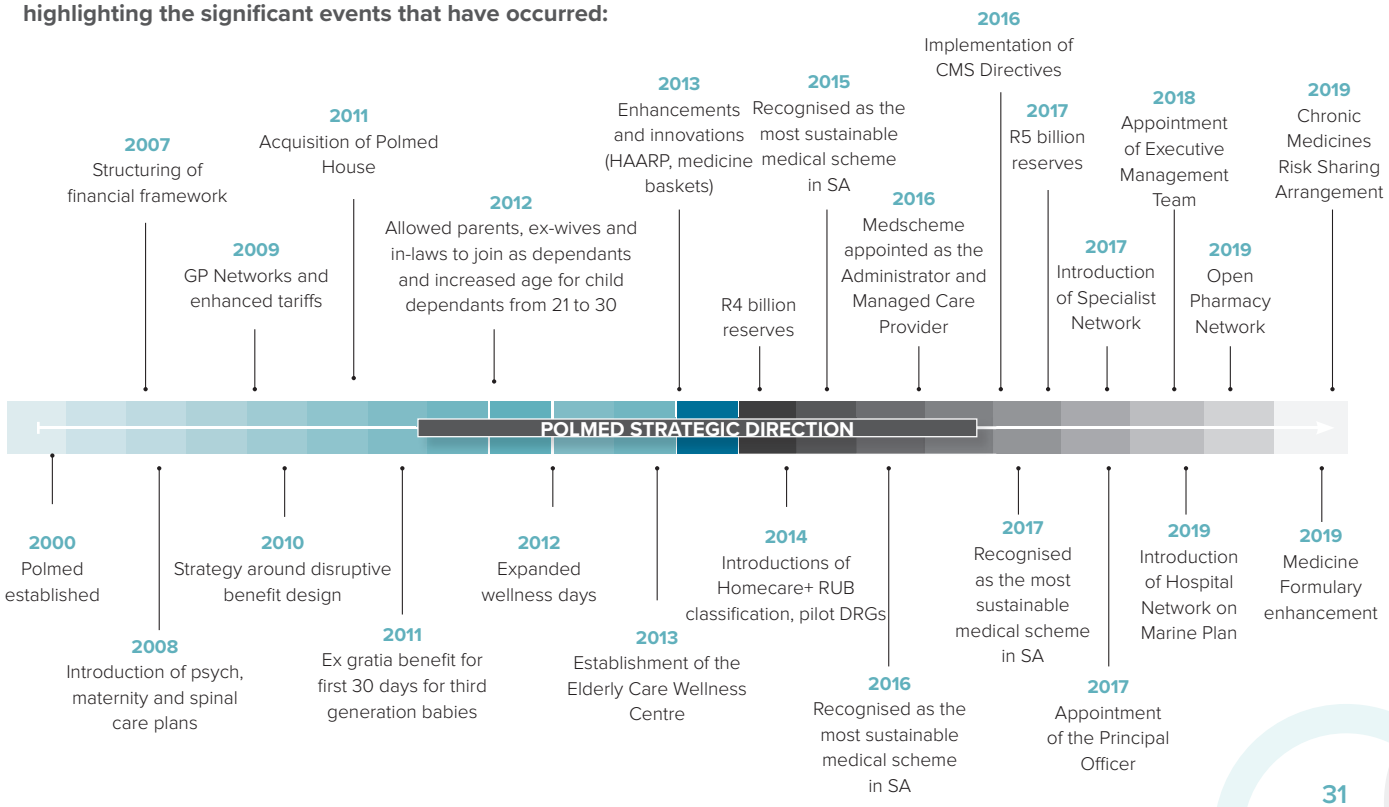
The South African Police Service Medical Scheme ("Polmed") supports the principle of universal health coverage as espoused by the Word Health Organization (WHO), which advocates that all people must have access to primary or essential healthcare services.

Polmed believes that the National Health Insurance Bill (NHI Bill) is one of the vehicles that the South African government can use to achieve universal health coverage. For this reason, Polmed fully supports the NHI Bill and will provide assistance and its expertise where required during the implementation of this noble project.

Polmed offers its members the healthcare benefits that are best suited to the conditions of service of the South African Police Service. The Scheme is of the view that the risk profile of SAPS members necessitates and dictates that members of the police service should continue receiving the best suited benefits without undue reduction or dilution, well beyond the basket of benefits envisaged in the NHI Bill. It is for this reason that Polmed has requested to be exempted from the application of the NHI Bill so that the Scheme can continue providing its members with quality and best suited healthcare services at reasonable costs. Continuous AGM disruptions remain a risk and Polmed has continued to use all avenues available to the Scheme ranging from legal, stakeholder relations and mediations to ensure that the upcoming AGMs are not disrupted.
The associated wasted AGM costs (as shown in section 7.5 above) have cumulatively amounted to R15 million over the past four AGMs (2016-2019 inclusive).

9. POLMED JOURNEY

The graph below illustrates the journey of the Scheme since its inception, highlighting the significant events that have occurred:



10. MEDICAL SCHEMES SUSTAINABILITY INDEX

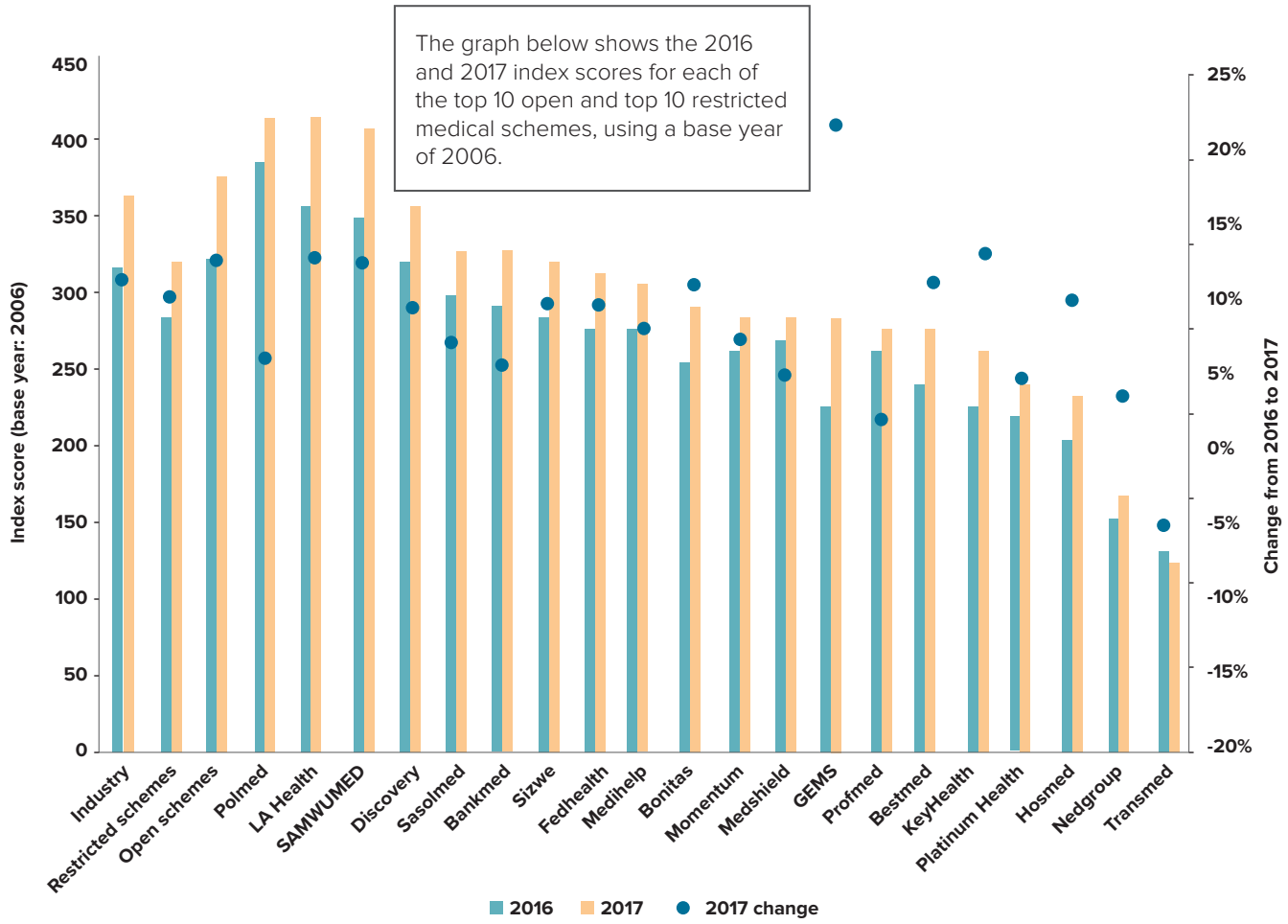
The Alexander Forbes Health Diagnosis (AFHD) is an analysis of key trends in the medical scheme industry looking at the 10-year performance of medical schemes in South Africa. The AFHD is based largely on the financial results of registered medical schemes, with the focus being on the 10 largest open and 10 largest restricted schemes by membership.

Using the results of this analysis, the Alexander Forbes Health Medical Schemes Sustainability Index (Index) attempts to assess a medical scheme's sustainability index by combining certain key factors related to the performance indicators below and considering their impact on a medical scheme in future years.

In their own words, Alexander Forbes stated 'Polmed is once again the top performer in the index' as reflected in the graph below.

The graph below shows the top 20 most sustainable medical schemes according to the 2018/2019 Alexander Forbes Health Diagnosis. As seen below, Polmed remains the most sustainable closed medical scheme in the market.

MEDICAL SCHEMES SUSTAINABILITY INDEX: 2016 AND 2017



Source: Alexander Forbes Health Diagnosis, an analysis of key trends in the medical scheme industry published in November 2018.

11. TRUSTEE AND PRINCIPAL OFFICER FEES

11.1 TRUSTEE MEETING ATTENDANCE

TRUSTEE MEMBERS	BOT		ARC		HR-REMCO		CGC		IC		LPEC-DRC		BTEC		AGM TASK TEAM	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
NP Cupido	12	11	-	-	-	-	-	-	4	3	-	-	-	-	-	-
PP Dimpane	12	8	4	4	-	-	-	-	4	4	-	-	-	-	3	1
ED Groenewald	12	11	-	-	-	-	-	-	-	-	4	4	8	8	3	3
BC Mgwenya	10	1	-	-	4	2	-	-	-	-	-	-	-	-	-	-
BD Mokwena	12	11	-	-	-	-	-	-	4	4	-	-	-	-	-	-
BSJ Muller	12	11	-	-	-	-	5	5	-	-	-	-	-	-	-	-
SJ Nelson	12	11	-	-	-	-	-	-	4	4	-	-	8	6	-	-
TNL Ngwenya	12	10	-	-	4	4	5	5	-	-	-	-	8	8	3	2
ST Nkosi	12	11	-	-	-	-	-	-	-	-	4	4	-	-	-	-
RD Orsmond	12	11	-	-	-	-	-	-	-	-	4	4	-	-	-	-
MV Phiyega	12	11	-	-	4	4	-	-	-	-	4	3	8	8	3	3
HK Senthumule	12	9	4	4	-	-	5	4	-	-	-	-	8	1	-	-
BP Temba	12	11	-	-	-	-	5	4	-	-	-	-	8	6	3	3
FN Vuma	12	11	-	-	-	-	-	*1	-	-	-	-	-	-	-	-

The schedule below sets out the attendance by the Independent Audit and Risk Committee members at Committee meetings.

MEMBERS	ARC MEETINGS	
	A	B
Z Samsam	4	4
T Mtongana-Zote	4	4
N Tshombe	4	4

A - total possible number of meetings that could have been attended
B - actual number of meetings attended
* - FN Vuma - by invitation

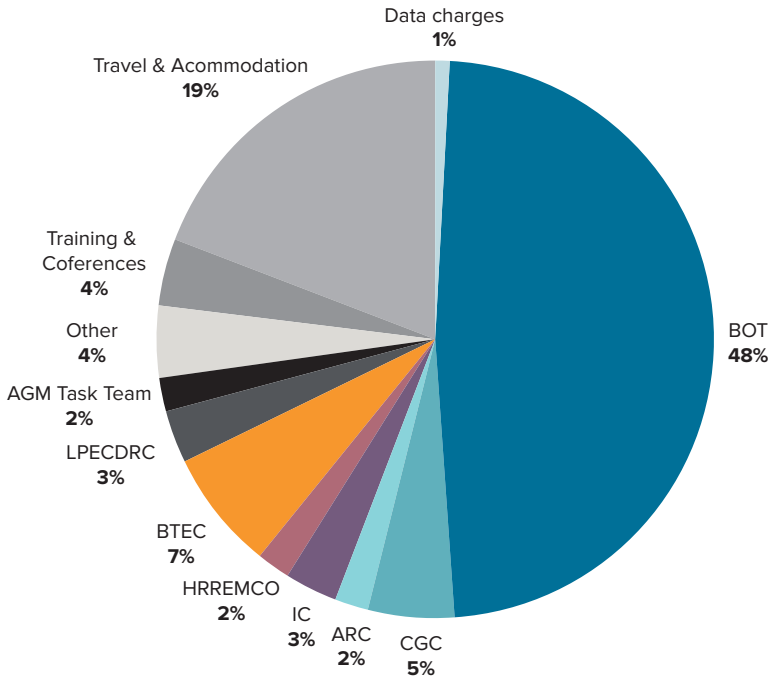
11.2. TRUSTEES REMUNERATION AND CONSIDERATIONS

2019					
	FEES FOR MEETING ATTENDANCE	TRAINING AND CONFERENCE	TRAVEL AND LODGING	DATA COSTS	TOTAL
	R	R	R	R	R
NP Cupido	226 886	18 657	156 114	2 949	404 606
PP Dimpane	240 196	4 756	7 623	2 469	255 044
ED Groenewald	358 996	16 158	38 060	2 469	415 683
BC Mgwenya	39 886	2 877	889	1 166	44 818
BD Mokwena	237 886	16 158	49 369	2 469	305 882
BSJ Muller	248 886	6 158	63 399	2 469	330 912
SJ Nelson	286 314	4 756	14 189	2 631	307 890
TNL Ngwenya	399 284	16 158	138 541	2 483	556 466
ST Nkosi	237 886	16 158	41 894	1 969	297 907
RD Orsmond	248 913	16 158	231 905	2 469	499 445
MV Phiyega	378 647	16 158	46 523	2 469	443 797
HK Senthumule	258 093	16 158	39 764	3 039	317 054
BP Temba	314 996	16 158	56 688	1 869	389 711
FN Vuma	484 220	16 158	75 949	2 469	578 796
	3 961 089	**192 626**	**960 907**	**33 389**	**5 148 011**

2018					
	FEES FOR MEETING ATTENDANCE	TRAINING AND CONFERENCE	TRAVEL AND LODGING	DATA COSTS	TOTAL
	R	R	R	R	R
NP Cupido	99 990	15 298	109182	2 066	226 536
PP Dimpane	293 304	5823	88 291	3 466	390 884
ED Groenewald	100 784	9364	4 753	2 066	116 967
L Mbana	322 190	10 650	72485	1 400	406 725
BC Mgwenya	88 880	17 611	2497	2 066	111 054
BD Mokwena	322 190	13 523	62 361	3 466	401 540
KC Moloko	222 200	16 389	32 693	1 400	272 682
BSJ Muller	333 300	17 947	50 265	3 466	404 978
SJ Nelson	268 862	16 473	24 212	3 466	313 013
NP Nethengwe	178 316		11 521	1 400	191 237
TNL Ngwenya	351 632	23 686	84 587	3 466	463 371
ST Nkosi	99 990	5823	3 482	2 066	111 361
DV Odendaal	266 640	10 650	22 750	1 600	301 640
RD Orsmond	102 768	15 298	124 316	2 066	244 448
MV Phiyega	366 075	16 473	31 221	3 466	417 235
HK Senthumule	111 100	11 561	2497	2 022	127 180
BP Temba	282 750	30 711	24 212	3 466	341 139
N Twetwa	222 200	10 650	130 618	1 400	364 868
FN Vuma	191 092	16 589	2497	2 223	212 401
BM Zulu	164 428	10 650	21 660	1 400	198 138
	4 388 691	**275 169**	**906 100**	**47 437**	**5 617 397**

Trustee fees were reduced by 8.36% from R5.6 million in 2018 to R5.1 million in 2019.

GRAPH 1.1 TRUSTEES REMUNERATION AND CONSIDERATIONS



Other - refers to provincial outreach, Board of Trustees meeting preparations and one meeting set with the auditors to discuss the 2018 Annual Financial Statements.

Travel and accommodation relate mostly to Trustees from other provinces who need to be transported to the Scheme offices in Gauteng as well as to the AGM annually.

11.3. POLICY GUIDELINES FOR TRUSTEE REMUNERATION

Members of the Board shall be entitled to such remuneration/honorarium and other fees in respect of services rendered in their capacity as members of the Board and to such reimbursement in respect of travelling, accommodation and other expenses, which they may incur in attending meetings of the Board, as the Board may from time to time determine.

It should be noted that there has been no increase in trustee remuneration day rates since 2015.

The rate of reimbursement for travelling is reviewed by the Board on an annual basis and is calculated by taking into account the South African Revenue Service rates.

2021 PROPOSED FEES

	2021	2020	2019	2018	2017	2016
	R	R	R	R	R	R
BOARD OF TRUSTEES MEETINGS: CHAIRPERSON	22,946	22,000	22,000	22,000	22,000	22,000
TRUSTEE	18,357	17,600	17,600	17,600	17,600	17,600
SUB-COMMITTEE MEETINGS:						
CHAIRPERSON	14,341	13,750	13,750	13,750	13,750	13,750
TRUSTEE	11,473	11,000	11,000	11,000	11,000	11,000
INCREASE BASE	CPI (4.3%)					

MOTIVATION FOR ADOPTION

Since the adoption of remuneration consideration at the 2015 AGM held in Polokwane, there has been no increase in Trustee honorarium and the Board rejected the 2017/2018 increase which was duly approved by the Council for Medical Schemes.

11.4. EMPLOYEE REMUNERATION POLICY

The Board of Trustees determines the remuneration and reward structures of Polmed employees in keeping with the provisions of the Polmed Employee Remuneration Policy and has the duty to ensure that employees are appropriately compensated.

The Board adopted the remuneration policy in 2016 which reflects Polmed's commitment to attracting and retaining highly-skilled, high-performing employees that enable the Scheme to maintain and improve on its performance. The remuneration policy is aligned to the Scheme's business strategy, objectives, values and achieving long-term sustainability. During this adoption, the Board reduced remuneration percentiles from the 75th percentile to between the 25th and 50th percentiles which resulted in a 25% year-on-year reduction in overall remuneration.

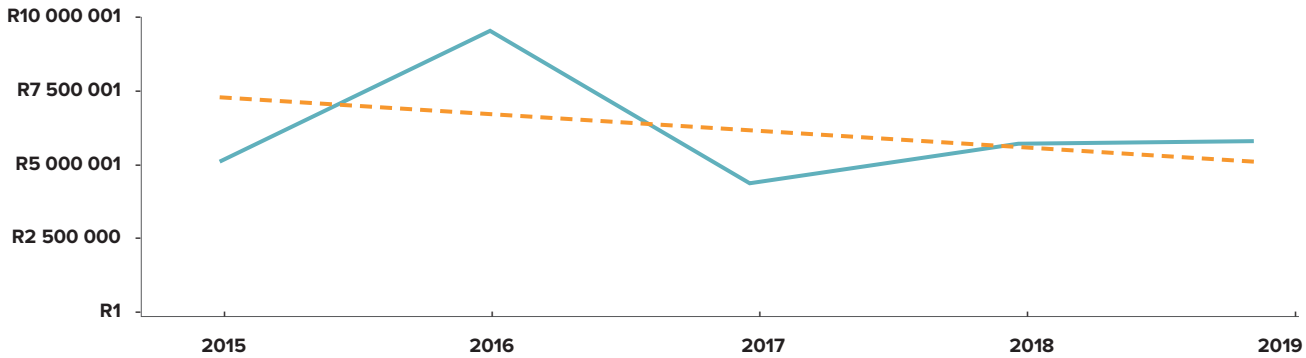
The Polmed Employee Remuneration Policy has met its stated objectives in that it supports the Scheme's commitment to attracting and retaining highly-skilled talent. This can be seen from the staff turnover recorded for the 2019 financial year where only one employee left the employ of Polmed for family reasons. The Polmed performance management process further entrenches this commitment as we continue to reward high performers within the organisation.

11.5. PRINCIPAL OFFICER'S FEES

For the year under review the Principal Officer's fees amounted to R5,282,324 representing a 1.72% year on year increase from R5,193,184 in 2018.

YEAR	2019	2018	%CHANGE
Principal Officer Fees	R5,282,324	R5,193,184	1.72%

PRINCIPAL OFFICER FEES



12. PERFORMANCE OBJECTIVES

The specific strategic goals for 2019 are each supported by measurable objectives. Below is a list of each strategic goal supported by its core strategic objectives. A multi-period performance scorecard will then provide further details under each objective.

STRATEGIC GOALS	STRATEGIC (MEASURABLE) OBJECTIVES
Scheme sustainability	• To effectively lobby and rationalise grant funding through the employer • Containment and optimisation of healthcare costs • Containment and optimisation of non-healthcare costs • To effectively manage fraud, waste and abuse • To ensure optimal and sustainable rate of return on Scheme investments • Support quality healthcare services to members through effective Scheme governance
Quality healthcare for Scheme members	• To provide quality and evidence-based healthcare benefits • To position a delivery-model that is focused on preventative care
Sound relationships with stakeholders	• To enable integration in member service through the implementation and progress monitoring of the MOA with SAPS • To position the Scheme for an increase in scope to include the security services cluster • To improve relationships with stakeholders (providers and organised labour) through effective communication strategies and interventions • To ensure effective and on-going member education

13. FINANCIAL HIGHLIGHTS

This document contains highlights of the Scheme's results for the year ended 2019, extracted for the 2018 Integrated Report. The Auditor has expressed an unqualified opinion on the Consolidated Financial Statements.

13.1. SUMMARY OF FINANCIAL PERFORMANCE

	2019	2018	2017	2016	2015
	R	R	R	R	R
Contributions collected	10.05bn	9.3bn	8.8bn	8.2bn	7,6bn
Net surplus or dificit	10.87m	(313,26m)	198.7m	143.3m	229m
Solvency	40.45%	43.15%	46.41%	50.41%	51,29%
Members' funds	4.05bn	4.03bn	4.35bn	4.16bn	4,0bn
Reserves per beneficiary	7,936	8,172	8,690	8,342	8,162
Non-Healthcare	3.57%	3.74%	4.03%	5.23%	6.41%

13.2. EXTRACTS FROM THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

PwC Inc, the Scheme's Independent Auditors, has audited the consolidated financial statements, including the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Members' Funds and Reserves and the Statement of Cash Flows from which Management extracted the primary reports contained in this Integrated Report.

The Auditors have expressed an unqualified audit opinion on the consolidated financial statements in terms of International Financial Reporting Standards and the manner required by the Medical Schemes Act of South Africa. The full consolidated financial statements as well as the Auditor's Report thereon are available on the Polmed website.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	2019	2018
	R	R
ASSETS		
Non-current assets	**3 140 584 126**	**3 796 918 090**
Property and equipment	57 267 476	59 440 459
Investments		
Financial assets at fair value through profit or loss	766 478 076	323 224 554
Financial assets at fair value through other comprehensive income	2 316 838 574	3 414 252 977
Investment in subsidiary	-	100
Current assets	**1 633 545 386**	**975 579 964**
Investments		
Financial assets at fair value through profit or loss	277 267 696	10 962 204
Financial assets at fair value through other comprehensive income	900 095 801	514 593 972
Insurance and other receivables	142 759 133	81 980 623
Cash and cash equivalents	313 422 756	368 043 165
Total assets	**4 774 129 512**	**4 772 498 054**
FUNDS AND LIABILITIES		
Members' funds	**4 049 828 892**	**4 038 958 804**
Accumulated funds	4 038 022 453	4 029 620 462
Investments at fair value through other comprehensive income reserve	11 806 439	9 338 342
Current liabilities	**724 300 620**	**733 539 250**
Outstanding claims provision	450 665 388	424 953 044
Insurance and other payables	271 150 890	306 412 067
Employee benefits	2 484 342	2 174 139
Total funds and liabilities	**4 774 129 512**	**4 772 498 054**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	R	R
Risk contribution income	**10 013 095 376**	**9 355 589 355**
Relevant healthcare expenditure	**(10 045 737 710)**	**(9 553 953 984)**
Net claims incurred	(9 852 367 812)	(9 413 771 844)
Risk claims incurred	(9 918 691 377)	(9 486 510 282)
Third party claim recoveries	66 323 565	72 738 438
Net (expense)/income on risk transfer arrangements	(43 149 200)	1 107 673
Risk transfer arrangement premiums paid	(701 745 510)	(257 366 014)
Recoveries from risk transfer arrangements	651 036 144	258 473 687
Profit share on risk transfer arrangements	7 560 166	-
Accredited managed healthcare services (no risk transfer)	(150 220 698)	(141 289 813)
Gross healthcare result	**(32 642 334)**	**(198 364 629)**
Administration expenditure: benefit management services	(49 700 303)	(50 458 551)
Administration fees and other operative expenses	(303 856 011)	(288 475 911)
Net impairment losses	(4 010 588)	(10 892 288)
Net healthcare result	**(390 209 236)**	**(548 191 379)**
Other income	**413 709 492**	**259 175 853**
Investment income	396 371 621	376 338 840
Investments at fair value through profit/(loss)	9 814 434	(123 290 323)
Other operating income	7 523 437	6 127 336
Other expenditure	**(15 098 265)**	**(16 438 578)**
Asset management fees	(15 098 265)	(16 438 578)
Net income/(expense) for the year	**8 401 991**	**(305 454 104)**
Other comprehensive income	**2 468 097**	**7 810 125)**
Debt instruments at fair value through OCI – net change in fair value	9 322 081	(7 810 125)
Debt instruments at fair value through OCI – reclassified to profit or loss	(6 853 984)	-
Total comprehensive income for the year	**10 870 088**	**(313 264 229)**

14. NON-COMPLIANCE MATTERS

The following areas of non-compliance with the Act were identified during the course of the financial year:

CONTRAVENTION OF SECTION 26(7):

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, as amended, all subscriptions or contributions shall be paid directly to a medical scheme no later than three days after payments thereof becoming due.	The amount is not considered significant as it relates to a small number of continuation members. All employer contributions were received within the permitted three days.
POSSIBLE IMPACT OF THE NON-COMPLIANCE	
Late payments may result in a loss of interest to the Scheme for the number of days that payments are late.	

CONTRAVENTION OF SECTION 35(8):

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
In terms of Section 35(8) of the Medical Schemes Act 131 of 1998, as amended, a Scheme should not have any shares in an employer who participates in the medical scheme or any administrator or any agreement associated with the medical scheme. **At 31 December 2019, the Scheme had indirect holdings in the following entities:** Discovery Ltd - R7,827,516 Liberty Holdings Ltd - R20,961,807 Sanlam Ltd - R11,049,654 Santam Ltd - R16,269,945 Momentum Metropolitan Life Holdings Ltd - R6,049,384	The Council for Medical Schemes has granted the Scheme an exemption from Section 35(8)(a) and (c) of the Medical Schemes Act for a period of 3 years, effective 01 December 2019 until 30 November 2022. **The exemption is granted subject to the following conditions:** • the Scheme continues to take steps to avoid conflicts of interest; • the investments, which constitute the subject matter of this exemption application continue to be managed by an independent investment manager with no influence from the Scheme or its officers. The Scheme will be required on an annual basis to submit declarations from investment managers stating that no conflict of interest exists between themselves and the prohibited investment entities; and • the Scheme conducts a comprehensive quarterly analysis on total assets to ensure that the investments do not exceed the limitations set out in Annexure B.
POSSIBLE IMPACT OF THE NON-COMPLIANCE	
As a result of the Scheme receiving an exemption from Section 35(8)(a) and (c) of the Act, there is no non-compliance.	

NON-COMPLIANCE WITH SECTION 32 AND SCHEME RULE 12.4

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
In terms of Section 32 of the Medical Schemes Act of 1998, as amended, the rules of the medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any other person who claims any benefit under the rules or whose claim is derived from a person claiming. It was noted that claims to the value of R809 were paid in respect of two members where the members failed to pay contributions to the Scheme.	The monthly exception report reflecting members with amounts owing greater than 60, 90 and 120 days not suspended has been implemented by management to ensure adherence to the credit control policy and to mitigate the risk of claims paid to members where no contribution was paid.
POSSIBLE IMPACT OF THE NON-COMPLIANCE	
Financial loss to the Scheme as members may continue enjoying claim benefits without settlement of their contributions.	

CONTRAVENTION OF SECTION 59(2):

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
In terms of Section 59(2) of the Medical Schemes Act of 1998, as amended, a Scheme shall settle all claims due within thirty (30) days of receipt. The Administrator has a fraud, waste and abuse validation process in place whereby all claims are routinely scrutinised to ensure that only eligible and valid claims are paid by the Scheme. Secondly the claims are analysed for abuse and fraud whereby the payment of claims failing the upfront validation is placed on hold until the forensic department completes their review. Claims deemed valid are subsequently released and paid. In a few instances the payment was delayed due to the claim verification process. Other exceptions were identified where the Administrator has a secondary control in place to monitor member and provider weekly payment trends. Where the weekly payment limit is exceeded, the payment is placed on hold and the claims are checked by Forensics. The payments are released subsequently once validated. In certain instances, the validation process results in the claims being paid after 30 days.	The Administrator has implemented eligibility and validation rules to verify all claims before payment is issued to members or providers. Section 59 (2) rules that a Scheme shall settle all claims due within thirty (30) days of receipt, where the claims is both valid and complete. As part of the claims processing function a claim may be placed in PDI (Personal Discrepancy Intervention) status where the assessor or the system validation rules identifies the claim as incomplete. The claim is captured in full but remains unpaid until the claim error is resolved either through interaction with the provider or through system validation review.
POSSIBLE IMPACT OF THE NON-COMPLIANCE	
Valid claims could be rejected or amounts due on valid claims could be short-paid or could be paid beyond the prescribed 30-day period.	

CONTRAVENTION OF SECTION 33(2):

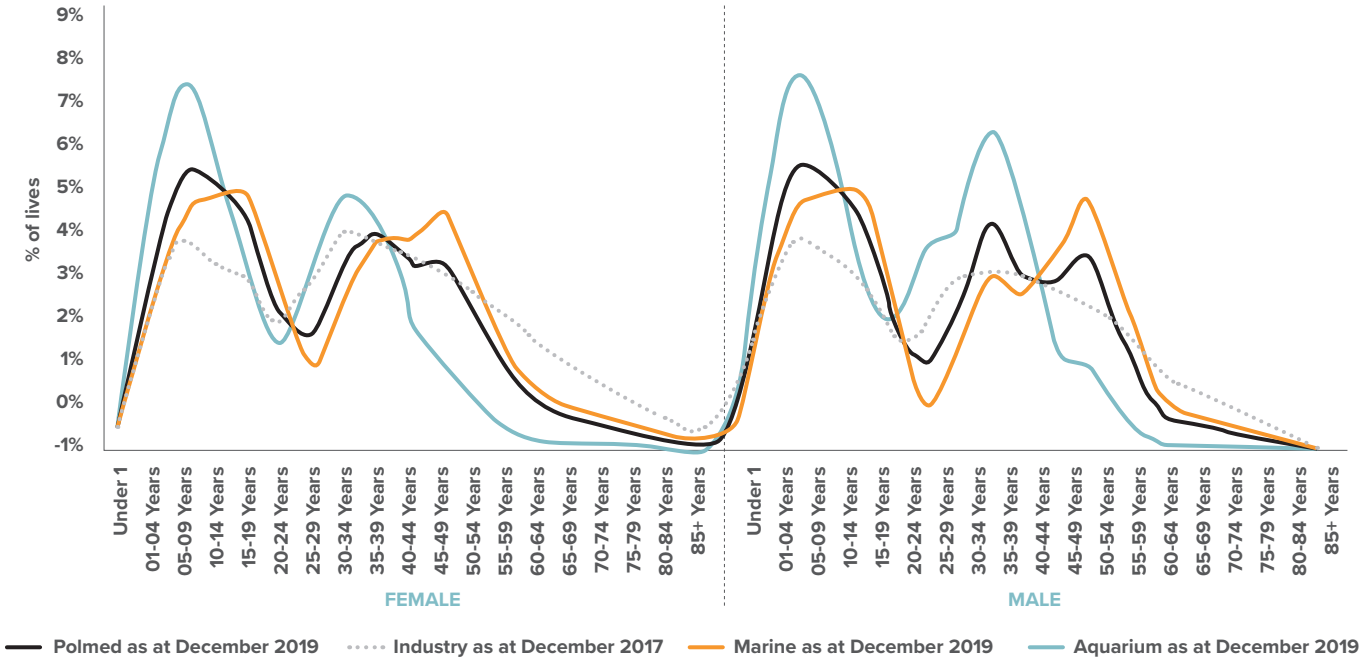
NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
In terms of Section 33 of the Medical Schemes Act of 1998, as amended, the Registrar shall not approve any benefit option under this section unless the Council for Medical Schemes is satisfied that such benefit option - • Includes the prescribed benefits; • Shall be self-supporting in terms of membership and financial performance; • Is financially sound; and • Will not jeopardise the financial soundness of any existing benefit option within the medical scheme.	When the hospital Designated Service Providers (DSPs) were introduced to both Marine and Aquarium plans, the tariff rate was equalised between the two options. This had an adverse impact on the claims ratio for the Aquarium plan. The contributions received for the Aquarium plan are lower than those of the Marine plan, however the equalised rate impacted the claims ratio for the Aquarium plan. This has been addressed via the hospital tariff negotiations for 2020 and the Scheme's independent actuaries, projected claims ratio for 2020 for the Scheme is below 100%. **The option projected claims ratios are as follows:** • Aquarium plan - 101.07% (membership 31 December 2019: 56 992) • Marine plan - 98.03% (membership 31 December 2019: 119 989) In addition, the Scheme has introduced two new income bands for the Marine option and one new income band for the Aquarium option to the contribution table in 2020 in an effort to improve option sustainability.
POSSIBLE IMPACT OF THE NON-COMPLIANCE	
In terms of Section 33(4), the Registrar may withdraw the approval of such benefit options, which in the Registrar's opinion are or may not be financially sound. The Scheme may also be required to change its contribution rates accordingly with effect from a date determined by the Registrar.	

15. OPERATIONAL STATISTICS

MEMBERSHIP ANALYSIS

Membership Distribution by Age and Gender

Membership Distribution by Age and Gender for Polmed as at December 2019

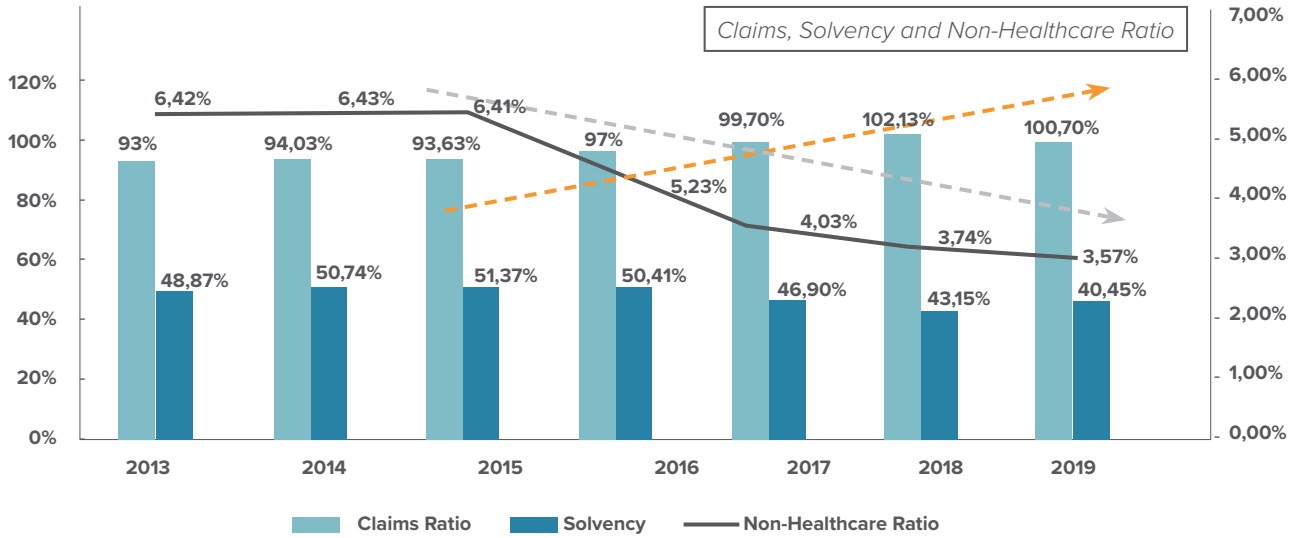


The graph above compares the membership distribution of the Scheme as at December 2019, by age and gender on a Scheme and Benefit Option basis, to that of the industry as at December 2017. A "twin-peak" profile distribution is observed with the first peak during the childhood years, decreasing sharply after the age of 18.

The second peak occurs at the beginning of the economically active years, which also coincides with the childbearing years of women. The Scheme shows a higher proportion of child dependants, as well as adult male dependants as compared to the industry. A lower proportion of female pensioners can be observed compared to industry. The Scheme, specifically the Aquarium Option, has less pensioners when compared to the industry.

HEALTHCARE VERSUS SOLVENCY RATIOS OVER TIME

Claims, Solvency and Non-Healthcare Ratio

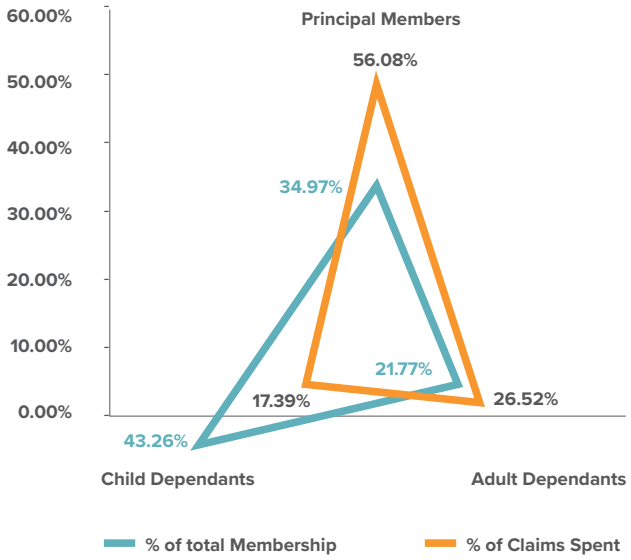


The graph above reveals the impact of higher healthcare costs in comparison to contribution income with a claims ratio of 100.7%. This situation is mainly driven by higher lifestyle diseases.

The non-healthcare expenditure ratio is continuously declining as shown in the graph above and as at the end of December 2019, it was recorded at 3.57%. This ratio is the lowest in the industry and compared favourably to the 10% prescribed by CMS guidelines.

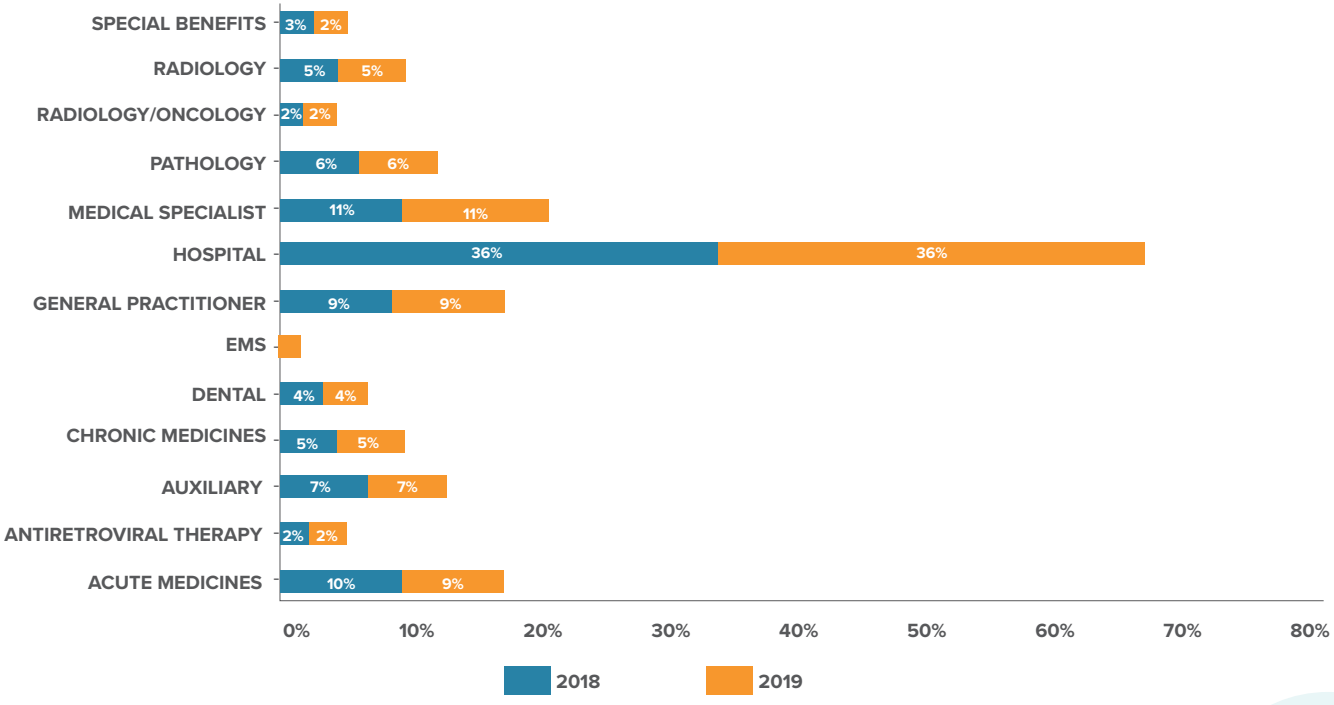
CLAIMS ANALYSIS

Claims by beneficiary category



The chart alongside reveals that Principal members account for 34,97% of membership but represent the highest claimers at 56,08% of ALL claims while Child dependants represent 43,26% of membership and represent 17,39% of ALL claims.

CLAIMS OVERVIEW (BY DISCIPLINE) - 2017 V/S 2018



Hospital costs at 36% was the highest contributor to healthcare spend. Although 70% of members are on the Marine Plan, there was no Hospital Network arrangement in place for Marine Plan members. In order to improve risk mitigation in the hospital space, the Board decided to expand Hospital Network to Marine Plan members effective from 01 January 2019.

SPECIALISED CARE

The Scheme is also witnessing continued increase in specialised care in the form of organ transplant, haemodialysis and Peritoneal dialysis resulting from organ failures. These organ failures are complications resulting from non-adherence to treatment, healthy lifestyles and eating patterns for those members with hypertension, diabetes and cardiovascular diseases and are very costly which may challenge the sustainability of the Scheme if they continue unabated. The sustainability of Polmed is therefore dependent upon beneficiaries' commitment to healthy living and the Board will continue to find ways to encourage and reward members for healthy lifestyles.

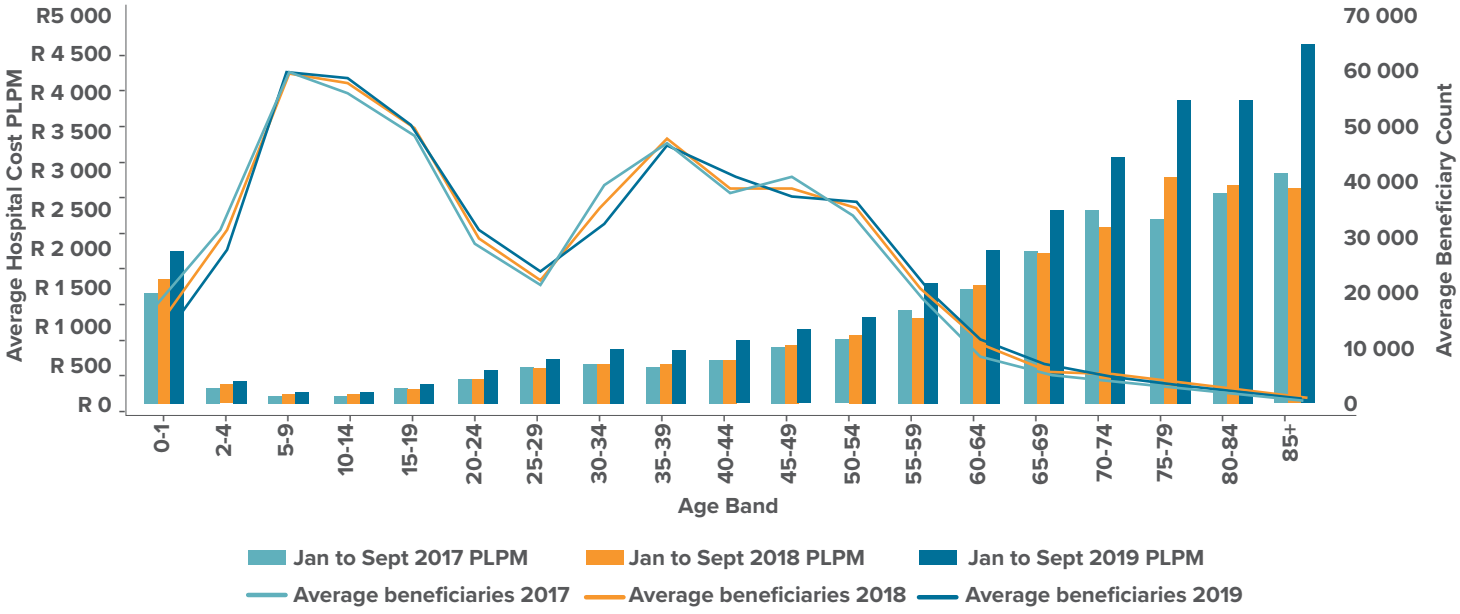
CHANGES IN BENEFIT DESIGN

The following major changes were made to benefit design with effect from 1 January 2019:

- A hospital Designated Service Provider (DSP) network was introduced across the Marine and Aquarium options
- A chronic medication capitation contract was entered into with Scriptpharm
- The Scriptpharm pharmacy DSP network was implemented for both chronic and acute medicines
- A Polmed Acute Out of Formulary List was implemented to control acute medication spend, and
- Emergency medical services (primary and inter-hospital transfers) were no longer capitated.

The introduction of a hospital DSP network has reduced the admissions to the Netcare group of hospitals and increased admissions to the NHN, Mediclinic, Life Health, JMH, and Clinix hospital groups. Admissions that do end up within Netcare hospitals tend to be more complex or severe (their case mix index has increased), which partly explains their increase in average Length of Stay (LOS) in addition to the mental health admissions in Akeso psychiatric facilities. State facilities (included under "Other") receive very few Polmed admissions and this has resulted in large movement in costs and LOS.

POLMED AVERAGE COST PER LIFE PER MONTHS OVER AGE:



The graph above confirms the relationship between age and claims whereby higher hospital claims are observed first at beneficiaries between 0 and 1 years mainly driven by premature birth. Apart from newborn babies, a continuous increase in hospital claims is noted from the age of 30 years, with the oldest beneficiaries (85 years and above) costing even more.

TOP 10 ADMISSION CATEGORIES

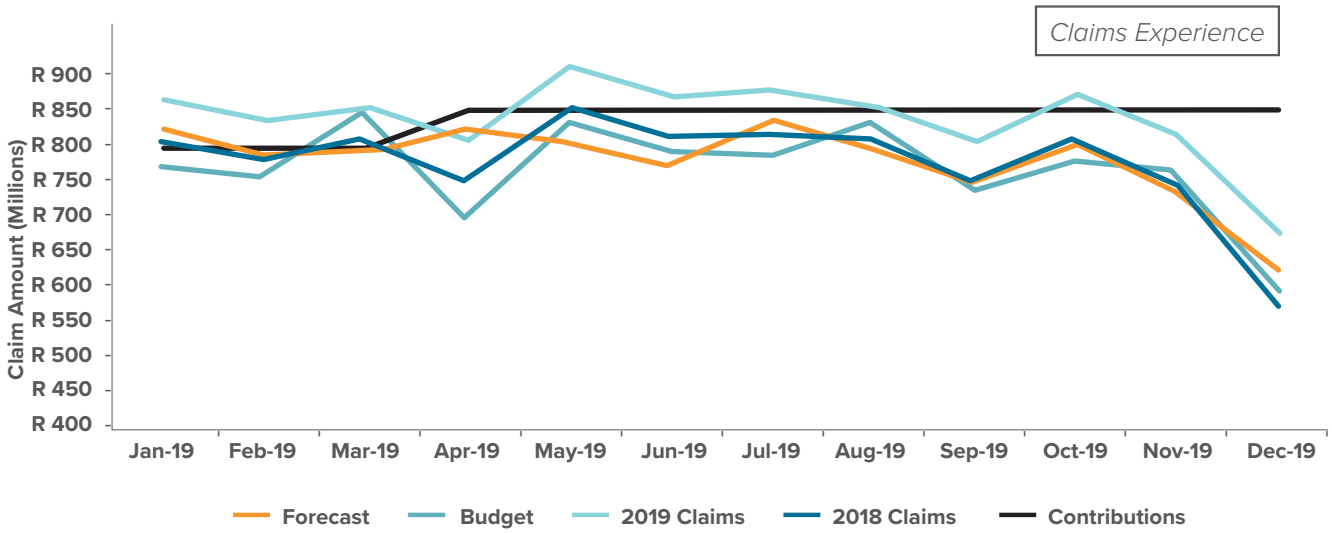
TOP 10 ADMISSIONS CATEGORIES BY FREQUENCY		ADMISSION PER 1 000			AVERAGE COST PER ADMISSION			HOSPITAL COST PER LIFE PER MONTH		
		2018	2019	% Change	2018	2019	% Change	2018	2019	% Change
1	Mental Health Admissions	11.11	14.72	4%	25 909	27 947	8%	30.47	34.28	12%
2	Caesarean Delivery	9.31	9.05	-3%	30 210	32 008	6%	23.44	24.14	3%
3	Intestinal infectious diseases	5.93	7.96	34%	14 217	13 603	-4%	7.03	9.02	28%
4	Pneumonia	9.48	7.21	-24%	21 335	21 702	2%	16.85	13.03	-23%
5	Dental Admission	6.03	5.94	-1%	11 876	12 646	6%	5.96	6.26	5%
6	Complicated Pregnancy	5.79	5.85	1%	8 694	9 520	10%	4.20	4.64	11%
7	Lower GI Endoscopy	4.31	4.89	14%	7 542	7 598	1%	2.71	3.10	14%
8	Upper GI Endoscopy	4.11	4.62	12%	12118	10 421	-14%	4.15	4.02	-3%
9	Cataract procedures	4.21	4.60	9%	12484	12 796	3%	4.38	4.91	12%
10	Circumcision	5.02	4.41	-11%	9 027	8 778	-3%	3.78	3.26	-14%

Mental health remains one of the top conributors to hospital cost drivers for Polmed, not only in as far as frequency of admissions is concerned, but also in terms of hospital cost per life per month. It is for this reason that the Board established a Psychosocial Network to enhance access to primary psychosocial healthcare in the form of debriefing sessions which is covered under risk benefits for serving members. Members are therefore encouraged to take advantage of this offering.

Caesarian delivery is the Scheme's second top admission which is driven mainly by the Obstetricians' preference of Caesarian section over normal childbirth. However, following the implementation of Specialist Network, a marked 3% reduction in Caesarian sections was noted.

There was also a significant 24% decline in Pneumonia admissions, following the default one-day admission authorisation for all Pnuemonia admissions which was also accompanied by a resultant 23% decrease in Pneumonia Hospital Cost per life per month.

SUMMARY – OVERVIEW OF RESULTS



The graph above reveals a very nominal year-on-year change in claims experience of 0.4% which is a confirmation that the benefit design changes introduced and the managed care interventions applied have yielded the desired outcome. However, the claims experience appears to have similar seasonality trends as the claims in 2018, with the magnitude of claims fluctuation being lower in 2019.

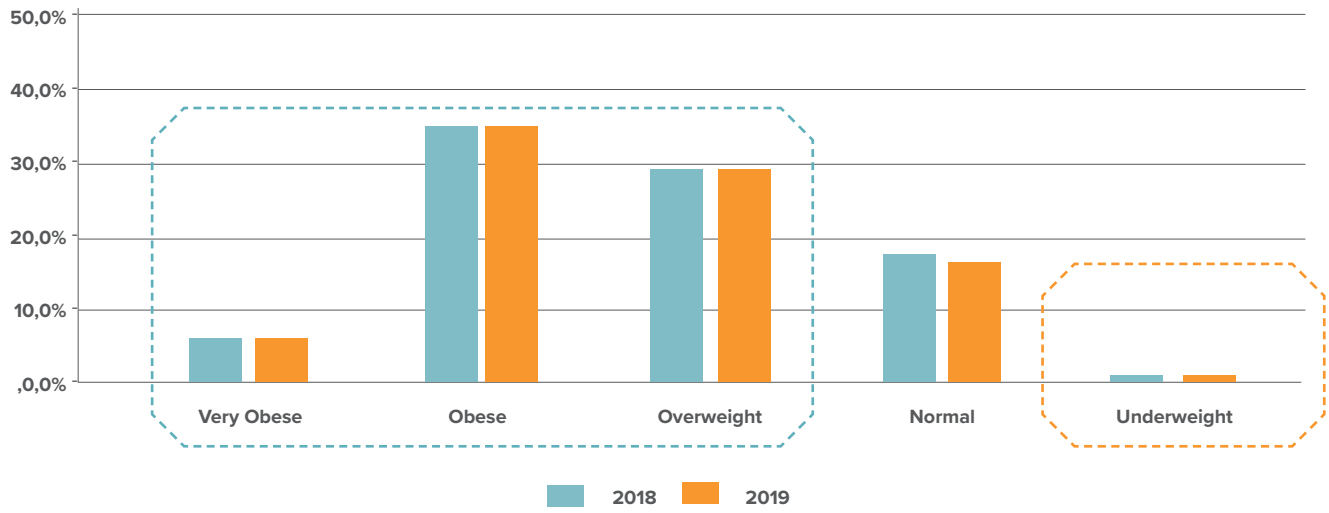
Claims in 2019 overall were higher than contributions received for most months. The loss ratio was observed to be lower than 100% during April, July, September, November and December 2019.

POLMED MEMBER WELLNESS

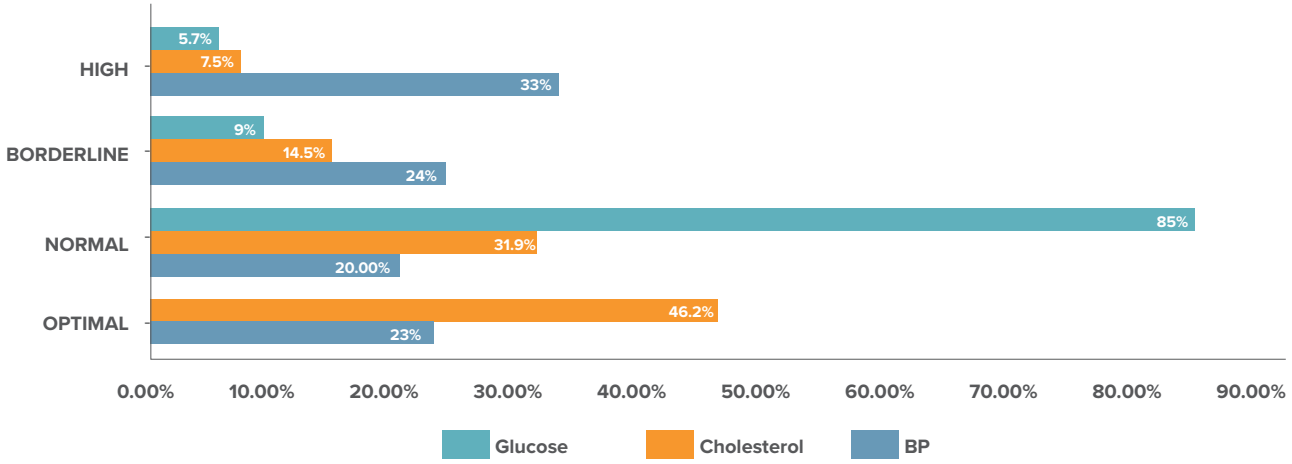
	PRINCIPAL MEMBERS	DEPENDANTS	TOTAL
Wellness Participants	22 499	6 215	28 714

Below is the Body Mass Index (BMI) of the 28 714 beneficiaries who participated in the 2019 wellness events:

BMI RISK

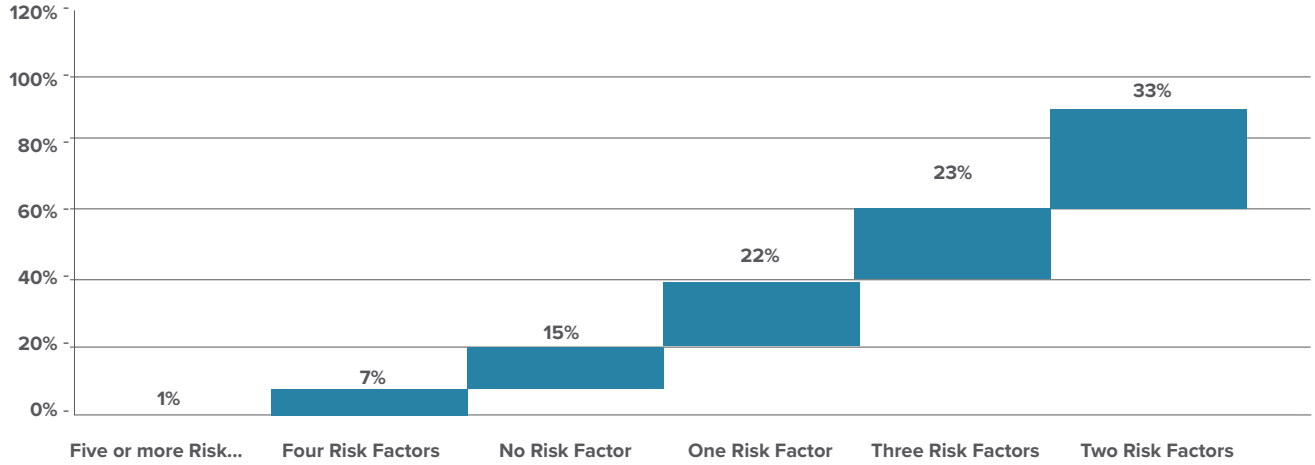


BLOOD PRESSURE AND CHOLESTEROL PROFILE



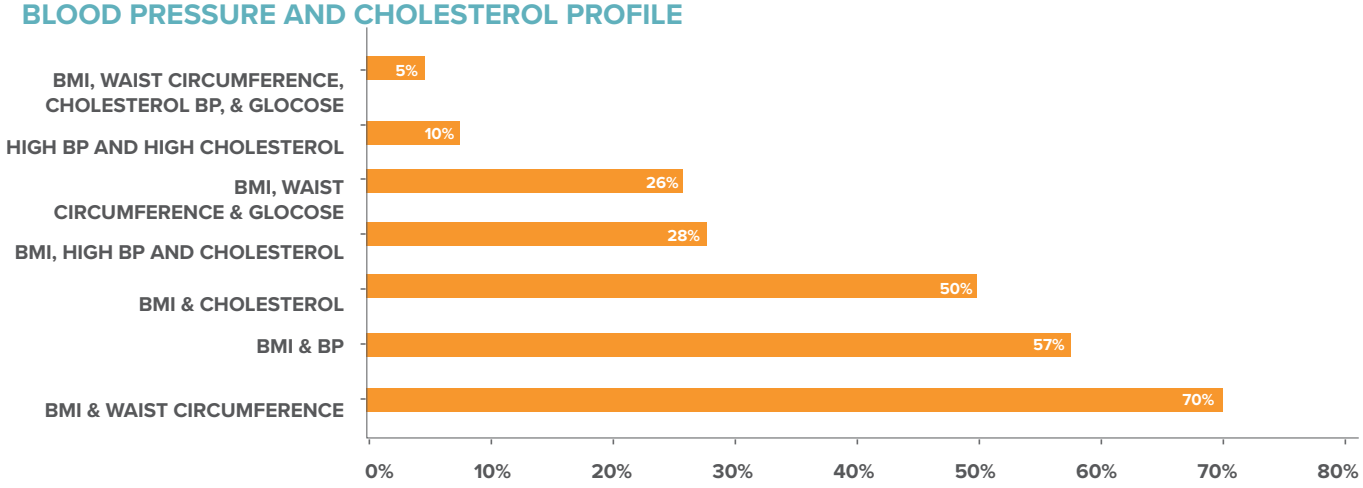
The chart above reveals the blood pressure and cholesterol profile of Polmed members based on their participation in the wellness events. 24% of all participants had their blood pressure at borderline and 33% had high blood pressure, however only 14.5% had borderline cholesterol and 7.5% had high cholesterol.

HEALTH RISK ASSESSMENT "RISK FACTORS"



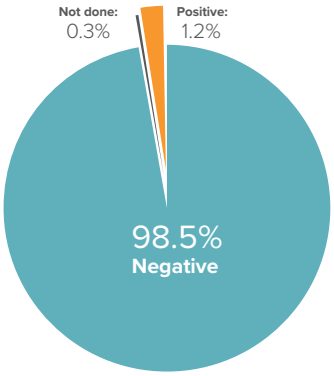
The chart above depicts the majority of members screened and the risk factors presented during the reporting period. The majority of the members screened presented with two risk factors (33%), followed by those presenting with three risk factors (23%) and those with one risk factor (22%).

BLOOD PRESSURE AND CHOLESTEROL PROFILE

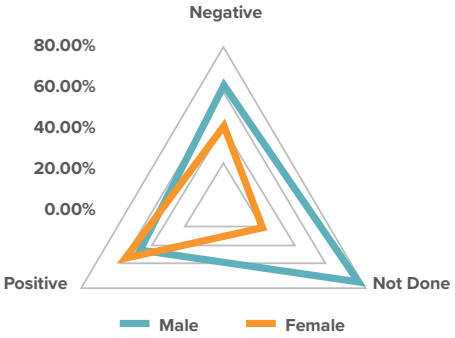


The results in the chart above confirm that **increased waist circumference together with increased BMI** were the major contributors towards increasing the overall health risk profile of members.

HCT RESULTS



HCT RESULTS BY GENDER



Of the 6 976 members screened for HIV, only 1.2% tested positive as reflected in the graph above and the results suggest higher prevalence in females than in males. It should be noted that more males were screened than females (56:44) and that 73.4% of those screened were participating in HCT for the first time.

PROSTATE CANCER SCREENING

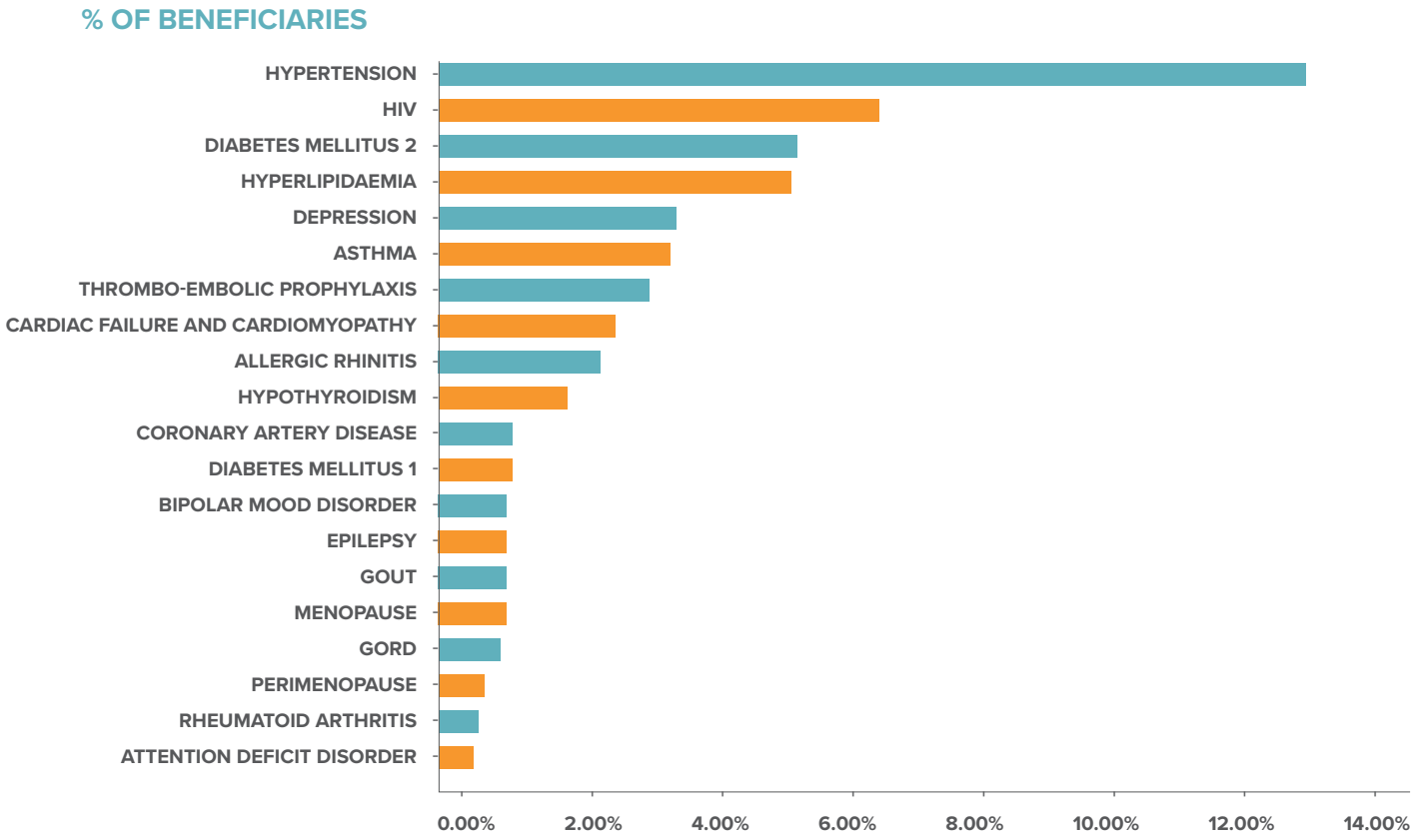
During the period under review, 1 071 males were screened for prostate cancer and 0.47% (5) people had an elevated PSA level and were immediately referred for further diagnosis and treatment.

ACTIVE DISEASE RISK MANAGEMENT (ADRM)

During the period under review at least 2 175 members were identified during the wellness events and accordingly enrolled on the ADRM programme for further support.

SCHEME CLINICAL RISK

	CDL* CONDITION	COUNT	% OF BENEFICIARIES		CDL* CONDITION	COUNT	% OF BENEFICIARIES
1	Hypertension	64 302	12.8%	11	Diabetes Mellitus 1	5 473	1.1%
2	HIV	32 810	6.5%	12	Coronary Artery Disease	5 389	1.1%
3	Diabetes Mellitus 2	26 541	5.3%	13	Menopause	5108	1.0%
4	Hyperlipidaemia	26 223	5.2%	14	Gout	4 924	1.0%
5	Depression	17 402	3.5%	15	Epilepsy	4 869	1.0%
6	Asthma	17 310	3.4%	16	Bipolar Mood Disorder	4 796	1.0%
7	Thrombo-Embolic Prophylaxis	15 821	3.1%	17	GORD	4 731	0.9%
8	Cardiac Failure and Cardiomyopathy	13 021	2.6%	18	Perimenopause	3 369	0.7%
9	Allergic Rhinitis	11 859	2.4%	19	Rheumatoid Arthritis	2 837	0.6%
10	Hypothyroidism	9 626	1.9%	20	Attention Deficit Disorder	2 621	0.5%



A summary of the top 25 chronic conditions for Polmed's chronic beneficiaries reveals that at least 13% are registered for hypertension, 7% for HIV, 7% for Diabetes Mellitus and 5% for Hyperlipidaemia. This insurgence of lifestyle diseases poses a serious threat to the sustainability of the Scheme. For Polmed to withstand this threat, the Scheme will require new partnership with its members aimed at fostering healthy lifestyles. The Board is looking at strategies aimed at encouraging and rewarding healthy living and our members will receive communication outlining such strategies in due course.

16. CONCLUDING REMARKS

Polmed has maintained a healthy position with reserves of 40.45% as at 31 December 2019. However, the solvency ratio is decreasing as a result of claims increase driven by hospital, specialists, auxilliary, radiology and pathology claims, which are utilisation driven.

The investment return for the period under review was R70m higher than budget. However, Polmed's exposure to economic uncertainties resulting from global tariff wars involving USA and China and COVID-19 poses a serious risk to its investments in the short-term. Management with the assistance of the Investment Consultants of the Scheme are continuously monitoring the economic environment and its potential impact on investments to enable the Board to make informed investment decisions.

The Scheme has also noted a continuous increase in lifestyle diseases as well as a huge utilisation increase in mental health benefits at hospital level. The Scheme has provided exclusive mental health benefits for active members which include debriefing by independent Psychologists or Social Workers who are on the Scheme's Psychosocial Network.

However, the uptake of such benefits remains unacceptably low considering the prevalence of mental illness as evidenced in our reports. This remains the discussion matters with the employer with the hope of finding a comprehensive Mental Health Strategy that involves both the employer and Polmed.

Changes in benefit structure for the year 2019 characterised by the introduction of Hospital Network and Open Pharmacy Network have yielded good outcomes as evidenced by a 0.4% year-on-year increase in claims.

Fraud, waste and abuse remain a problem and we invite our members to partner with us to root them out completely from Polmed. Members are encouraged to report any potential fraud, waste or abuse to our anonymous fraud hotline on **0800 112 811** or email **fraud@medscheme.co.za**. This will give us the opportunity to investigate and deal decisively with all those involved in these activities.

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Polmed Client Service Call Centre
0860 765 633 or 0860 Polmed
Fax: 0860 104 114