

# INTEGRATED REPORT 2018



POLMED

# HIGHLIGHTS OF POLMED'S PERFORMANCE FOR 2018

ABOVE HALF A MILLION  
LIVES COVERED

502 175



INVESTMENT RETURN

R245.2m



NON-HEALTHCARE  
RATIO

3.74%  
Down from 4.03%  
in 2017



ACCUMULATED FUNDS

R4.03b



SOLVENCY RATIO

43.15%  
More than the  
regulatory target of a  
25% solvency ratio



NET SURPLUS/DEFICIT

(R313.2m)



AVERAGE MEMBER AGE

44.81 years  
An increase from  
44.39 years in 2017



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## NOTE

- Remember to bring your **identification** to the AGM, e.g. Polmed membership card and identification document or driver's licence.
- **Only principal members in good standing with Polmed are permitted to attend the AGM. Dependants are thus not allowed to attend the AGM.**

BOARD MEMBERS AND PRINCIPAL OFFICER



**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 N KHAUOE**

- Principal Officer of Polmed.
- Over 22 years industry experience, with over 15 years executive experience.
- MBA graduate.
- Various qualifications: Health, HR, Management, Theology, etc.



**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.



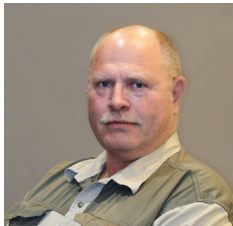
**MR ST NKOSI**

- 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.

# NOTICE OF THE ANNUAL GENERAL MEETING

Consistent with the prescripts of the section 29(1)(m) of the Medical Schemes Act, 1998 (Act 131 OF 1998) read with Rule 26.1 of the Polmed Scheme Rules, notice is hereby given that the Annual General Meeting (“the meeting”) of the

The Agenda is as follows:

Members of the South African Police Medical Scheme (“Polmed”) will be held at the President Hotel, 1 Union Avenue, Bloemfontein Central, Bloemfontein, on the 11 July 2019 at 10h00. Please note that registration will commence at 07h30

## AGENDA

### 2019 POLMED ANNUAL GENERAL MEETING 11 JULY 2019

1. Opening and Welcome - **Chairperson**
  - a) Opening Prayer - Chaplain (TBC)
  - b) Welcome Address by the Free State Provincial Commissioner
2. Attendance and Confirmation of Quorum - **Adv. N Bhuka**
3. Confirmation of Agenda - **AGM**
4. Introduction of officials
5. Confirmation and adoption of the Minutes of the previous AGM held on the 12 July 2018 at Paarl Academy, Cape Town. - **AGM**
6. Chairperson’s Remarks - **Chairperson**
7. Consideration of Integrated Report and Financial Statements for the year ending 31 December 2018
  - a) Highlights of the Integrated Report (Rule 26.1) - **Principal Officer**
  - b) Highlights of the Annual Financial Statements (Rule 26.1.1) - **Mr Z Samsam (Independent Chairperson of the Audit and Risk Committee)**
  - c) Independent Audit Report (Rule 26.1.1) - **PwC**
8. Appointment of External Auditors (Rule 26.1.2) - **Mr Samsam**
9. Trustee Remunerations (Rule 18.24) - **Principal Officer**
10. Other matters for which due Notice has been given (Rule 26.1.4) - **Chairperson**
11. Closure - **Chairperson**

## AGM ATTENDANCE

In keeping with the Polmed Rules, attendance at the AGM will be limited to Members in good standing, 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 bring 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.

## SUBMITTING MOTIONS

The Rules of Polmed require that notices of motions should be placed before the AGM and reach the Principal Officer no later than 07 days prior to the date of the meeting.

Below is a guideline that will help you construct your motion in line with Rules 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 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.

Motions can be submitted as follows:

- e-mailed to [polmedmotions@polmed.co.za](mailto: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 04 July 2019. Any motions received after this date and time will be invalid.



**Ms. F N Vuma**  
**Chairperson**  
**31 May 2019**



# MINUTES OF THE ANNUAL GENERAL MEETING (AGM)

**MINUTES OF THE ANNUAL GENERAL MEETING OF POLMED HELD ON 12 JULY 2018 AT 10H00, SAPS ACADEMY PAARL, 429 MAIN ROAD, PAARL, WESTERN CAPE (VERBATIM)**

## 1 OPENING AND WELCOME

The Chairperson opened the meeting and welcomed all the delegates. He then invited Captain Mbali, the Co-ordinator of Health and Safety as well as Procurement and Facilities Officer at the SAPS Paarl College to take the meeting through health and safety measures.

Captain Mbali introduced himself and explained where all the restrooms were situated and the process to follow in the event of an emergency situation, such as fire. He further pointed out to all present, where the emergency exits and assembly points were located. The Chairperson of the meeting, Advocate Linda Mbana, introduced herself to the meeting and thanked all in attendance for taking the time to be at the meeting. All present were requested to stand and join together in song for the South African National Anthem. The Chairperson thanked all and requested all to be seated.

Pastor Groenewald was invited on stage to honour all in prayer. Following the prayer session, the Chairperson thanked Pastor Groenewald.

## 2 CONSTITUTION

The Chairperson informed the meeting that Rule 26.1.3 indicates that a quorum is necessary for the commencement of the AGM and has been met as she had an update at

10h00 which indicated a total of 204 members in attendance. She further invited the Scheme's CLO, Advocate N Bhuka to verify the numbers of attendees. Adv Bhuka confirmed that the Rule requires 50 members to be in attendance to form a quorum, and as at 10h05, 258 registered and validated members in good standing were recorded to be in attendance.

The Chairperson thanked Adv Bhuka and declared the meeting officially opened. She further confirmed that a notice was circulated 14-days prior to the AGM, and that a notification of the AGM was circulated to all members via SMS, e-mail and published on the website on 31 May 2018.

## 3 APPROVAL OF AGENDA

The Chairperson requested that the agenda of the day be displayed on the screen. Captain Mbolekwa moved for adoption of the agenda. The adoption was seconded by Colonel Mdingi, subject to that sequence of the arrangement of the item number 3 and 4 be noted.

Various concerns were raised by members who requested for the meeting not to continue due to the order of the agenda being displayed and being presented in the 2017 Annual Report does not correspond. Members refused for the meeting to continue.

The Chairperson requested the members to stay calm and to be seated. The Chairperson

raised her concern about the behaviour of the members, as the matters that certain members are enquiring about will be discussed but can only be done if the members allow the meeting to continue. After numerous attempts and requests for order, the Chairperson confirmed that the agenda was adopted and seconded and therefore continued to the next item.

## 4 DELIBERATIONS

### 059148

Thank you. I am Capt. Mncedisi Mbolekwa, stationed at PC Office Crime Prevention. My number is 059148 and I want to move for the adoption of the agenda. I thank you.

### 005810

Thank you very much Chair. My name is Loyiso Mdingi and I am a Colonel from Eastern Cape DPCI Organized Crime as a Unit Commander, "Mtata". Chair I second the approval of the agenda with a new arrangement. Actually, as my documents, this one is number 4 and the approval of the agenda.

### CHAIR

We have someone for adoption and one to second. I see another hand.

### 59090

Thanks very much Chair. I am Mothobi Letebele, that is my number. Chair I would like to place before this sitting in terms of the agenda given before us here, it was proper that point number 4 should be placed in relation with point number 3 Chair so that we should engage and be

able to know who's sitting in front of us Chairperson. So, I am not seconding the agenda Chair, I am against moving of the approval of the agenda Chair, in relation to that. Thank you very much.

### CHAIR

We have someone that moved for adoption and someone has seconded. You are saying that you don't have a problem, providing that the agenda be restructured, which makes me believe that you are also moving.

### 59090

No Chair I am not seconding the moving for the agenda Chair. I raised my hand before you have noted the person who moved in terms of the agenda. I wanted to raise my concern in relation to that Chair. I am not moving for adoption Chairperson, thank you Chair. And I am not seconding Chair.

### CHAIR

Let me repeat, someone moved for adoption and someone seconded, and you are raising your point, that item will be addressed. What is making you uncomfortable? that item is going to be addressed as soon as the agenda item is approved.

### 040687

Thank you, Chairperson. My name is Captain Ivan Magerman. My number appears to be 64004989675. Sorry it is 040687. I raise for the non-acceptance of the agenda. I therefore propose the non-acceptance of the agenda. Thank you.

### 069708

Thank you very much Chairperson. I am a Constable from the rural areas of Khayelitsha SAPS. My name is Genuine Mbele, my number 069708. Chairperson, in terms of the meeting procedures, I am raising that if you object, there was a mover and a seconder and if you object and you don't give any reason for your objection then that objection should fall away and we proceed with the meeting. That one I want to ask the meeting. Thank you.

### 116006

Thank you very much Chair, my name is Sergeant Glen Mahwayi from Pretoria. My number is 116006. Chair I am saying to you we cannot adopt the agenda if we don't move number 4 to number 3, the introduction of the Board of Trustees and officials, then from there we can then decide that we approve the agenda. We first deal with the introduction of the Board, first you introduce the Board to us, then you say can we approve the agenda. If you can do that, then we can agree.

\*\*

Chair thank you very much. Let me correct the colleagues here. In terms of the meeting procedures, you can't start with a meeting and continue with a meeting actually without first approving the agenda that you want to discuss. There is no way that you can continue with the introduction of the Board of directors without first the approval of the agenda. That is the procedure. Let us stop there.

### CHAIR

Ladies and Gentlemen, I can see that there's a lot of hands going up and we are taking time discussing one item, we are talking about approval of the agenda. I am sure that you had a chance to go through the agenda. All the items appearing on the agenda will be discussed and that also applies to the introduction of the Board of Trustees and Officials. Now that the agenda has been approved and seconded, can we continue with the business of the day?

Disruptions and indication that the agenda had not been approved.

### CHAIR

Can we continue with the business of the day?

The audience voiced positive and negative responses to continuing.

### 060687

My point that I am trying to make Chairperson is a counter proposal for the non-acceptance of the agenda. That is one that you must raise.

### CHAIR

And what would your reason be?

### 060687

The 2017 AGM in PE did not materialise. It was called off, and we all here together know the reasons for that. A month thereafter there was another meeting in

Gauteng, Centurion. That meeting had also not materialized.

Then soon thereafter in September, Board members been appointed without us sitting together and who condoned their appointments? And this is the reason why we are against the adoption of the agenda and there was certain directors given. One of the directors given at the PE meeting was that the Principals of POPCRU and SAPU must meet with the NASCOM on a way forward and that has been reflected ... [unclear]. Thank you [Members applaud]

## 041212

Thank you, Chairperson. I am Joseph Brummage and I want to second what the previous speaker has said, because I don't think that we can proceed with approval of the agenda if you don't know who we are speaking to. You must remember that this is my future, this is my money, we cannot do things and allow a situation where we are talking to people we don't even know. There are certain procedures that needs to be followed. We must not make Polmed a tuckshop. This is not a tuckshop.

Let's deal with procedures and there are rules and some of these rules need to be amended somewhere, somehow. What he is saying is there was supposed to be a meeting where the Principals were supposed to meet but now I see a few people there that I don't even know, and as a person paying Polmed I need to know to whom I am talking to and I want to know who is the Board and how have they been

appointed. So, I move that approval cannot be accepted by this house. Thank you.  
[Some Members applaud]

## CHAIR

The item that you are talking about is appearing on the agenda and is the item that is going to be addressed. Can we continue with the meeting? The agenda has been approved and been seconded.

**DISRUPTIONS, [everyone talking at once]  
Voices heard indicating - No, No, you cannot do that, this is our money.**

## CHAIR

Can we have one person talking at a time? Can we please sit down? Please take your seats.

**DISRUPTIONS, [everyone talking / shouting at the same time] this is our money. We are not going to keep quiet.**

## CHAIR

Please take your seats.

## 59090

Thanks very much Chair. I tend to get worried, before you get to point number 3, when you raised it Chairperson, and I am having a white paper in my hand and you chose as usual Chairperson to choose the speaker who moved for the adoption of the agenda. My hand was already up, but nevertheless Chairperson, I still maintain Chairperson that you treat us equal Chairperson. We are here as members

of Polmed Chairperson. I still maintain Chairperson, that we cannot go on with the approval of the agenda for this meeting, so this order we declared the mover and the seconder of the agenda null and void Chair. Thank you.

## CHAIR

The Chairperson explained that no matter can be called null and void without any reasons. She is able to see from the top who the first person is to raise their hands.

\*\*

Chairperson let me also assist in terms of Rule 26.1.6. It tells you that you should submit any motion before 14 days of the sitting of the Annual General Meeting and in terms of Rules 26.1.2, it says Polmed will submit the notice of the convening of the Annual General Meeting to all members, which then gives you as an individual an opportunity to contest anything that is wrong with the agenda.

The agenda has been circulated before and we don't hear that there was somebody who had made a motion or submitted a motion that is in dispute of this agenda that is presented before us today. So, on those basis Chairperson and based on those particular rules that I have just read, we think without wasting time of this AGM, let us proceed with the good spirit in the interest of ourselves members of this Scheme. Also, Chairperson there is also rule 27.4 which at some stage would need to be considered in this particular meeting. Thank you very much Chair.

## CHAIR

The hands that are up, are people who have spoken already.

The Chairperson reiterated that all matters under the agenda items will be addressed. The agenda was approved and seconded. It was noted that the reasons given for the agenda to not be approved are not valid and we will now continue with the meeting. Can I request for you to sit down in order to continue with the meeting of today?

\*\*

You are not going to do that, it is my money Chairperson, it is my money!

## CHAIR

Ladies and Gentlemen, I did not recognize you. Can you sit down please? A marshal was requested to escort the disruptive person from the meeting.

### **[Disruptions] Voices heard - Marshals are not Polmed members**

## CHAIR

We need to continue with the meeting. I am getting a threat from the floor. Can that person please get out of the room so that we can continue with the meeting. The Chairperson requested for assistance in removing the disruptive members from the floor.

### **[Disruptions] voice heard - This meeting is not going to continue.**

## CHAIR

There is someone who is representing you here, please listen. Can we have order in the room please? Can we have order in the room? Can we have order in the auditorium?

**[Disruptions] We want the marshals out of the meeting.**

## CHAIR

Please speak when permission is given for you to speak. Can we move to the next point of the agenda? You want us to introduce the Trustees.

**[Disruptions] We want the marshals out of the meeting.**

## CHAIR

I request the marshals to please stand out, it is fine. Please sit down and keep quiet.

## 59090

Thank you very much Chairperson. We are going to continue with the meeting unless the person you recognise adheres to the points raised, based on the approval of the agenda Chair. We are against the approval of the agenda Chair. If nothing else, we are not going to move on to point number 4 or whatever point you choose to move on with Chairperson please. We are against the adoption of the agenda Chair.

## 041212

Thank you, Chairperson, I think Chairperson, sometimes...

Chairperson requested the person to please state their name as they are being recorded.

Okay I am recorded. My name is Justice Brummage and I hope there can be justice in this meeting. My number is 041212.

Chairperson you know usually, and I am going to blame you for this situation, because you are fast to moving forward to trying to adopt the agenda, whilst your notice itself is referring otherwise.

According to the agenda, introduction of the Board of Trustees, is item 3 and approval of agenda is 4. You decided no, I am going to change everything, because you got a sinister move you want to pull, and I want to tell you I don't want to talk to ghosts. I want to know whom I am talking to because I am paying money and this thing that you have done now today, is uncalled for. To call security guards to be marshals here as if we are in parliament [unclear].

Chairperson, this Polmed belongs to the members, it cannot be captured by anybody. So we deal according to the notice, we debate on the issues and you must not become biased, I respect you as an independent chairperson who will give us direction but if you allow a situation like this one, where someone is going to lecture us, maybe this is not [unclear]. He must understand whom he is speaking to because, he says he is going to lecture us. How can he lecture us, he did not even look at the notice that the agenda here is different. [members applaud].

Now Chairperson we deal with the issues as mentioned in the circulated notice, not the camouflage one. Thank you.

### **CHAIR**

We are going to move to the introduction of the Board of Trustees.

### **041212**

Can we agree that we will go back to number 3?

### **055055**

Thank you Chair. My name is Tebogo Diphoko and my number is 055055. I will memorise it from now. Chairperson, I am of the opinion we really need to concentrate and investigate the happenings that just happened. The previous speaker indicated, and I want to say thank you to God, that I suspect that this could have been arranged. This speaker (I forgot his number) he mentioned that, and I saw, and I can confirm that he raised his hands long before.

Someone raised his hands after him, he was chosen to second the agenda and I suspect that it was intentional. I am saying I suspect. The second one next to me mentioned that he had to give us a lecture and he was saying, voting and rule yet the Chairperson who has listened and knew what he mentioned was actually vice versa, because it was circulated, it is not what he has said. I requested that matter be investigated before we proceed.

### **065692**

My name is Nomalanga Mabokela and the number that I have been given today is 065692. I want to assist also with the issue of approval of the agenda and then, can I be given a chance as I was keeping quiet while you were talking. The reason why I am raising my hand Chairperson, is that when you do have an agenda, yes, we have seen the agenda where number 3 being the introduction of the Board of trustees and officials, and it has changed.

The reason why I want to say I want to assist is that we have two motions - the ones that are saying we can continue with the agenda, and the ones who are saying we cannot continue with the agenda. So, I wanted to assist to say if we can't find ourselves in some way to agree why can't we go for voting? I think it will assist us. This is a constitutional thing. If it doesn't agree we go for voting. That is my understanding of the meeting procedures.

### **CHAIR**

The Chairperson stated that there are elderly citizens who took the time out of their day to be here and we need to continue with the meeting. She further explained that the BoT would like to provide feedback on the running of the Scheme. The agenda has been adopted and been seconded. [Disruptions].

The Chairperson indicated that the item that members are referring to is the item that she is addressing now.

## 4 INTRODUCTION OF THE BOARD OF TRUSTEES AND OFFICIALS

### BOARD OF TRUSTEES

The Chairperson allowed the BoT members, Polmed Executives and Service Providers to introduce themselves.

Mr TNL Ngwenya (Trustee), Mr Muller (Trustee), Ms NL Twetwa (Trustee), Ms PP Dimpane (Trustee), Mr NP Nethengwe (Trustee), Ms MV Phiyega (Deputy Chairperson), Adv D Odendaal (Trustee), Mr SJ Nelson (Trustee), Dr BM Zulu (Trustee), Ms BD Mokwena (Trustee), Ms KC Moloko (Trustee) and Ms BP Temba.

The Chairperson introduced the Polmed Executives as Ms N Khaoe (Principal Officer), Mr H Du Plessis (Chief Financial Officer), Dr J Makkink (Chief Operational Officer), Adv N Bhuka (Chief Legal Officer / Scheme Secretary), Mr M Sadiki (Chief of Corporate Services), Ms M Eloff and Ms L Motsepe. The Chairperson further introduced the Independent Auditor Mr Brown. Mr Thamsanqa Diniso a representative from Council of Medical Schemes, was introduced. The service providers from Medscheme were introduced and a special welcome was extended to the Continuation members.

**[Disruptions] / you are fired, you are fired (Comment to Mr Ngwenya)**

**[Disruptions] / boo, boo (Comment to Ms Phiyega)**

You are not our Board

**A POINT OF ORDER WAS RAISED BY THE CHAIRPERSON.**

### CHAIR

Please sit down and take your seats. General Burger was requested to remove all the disruptive members from the meeting. Police spoke to disruptive members.

### DISRUPTIONS

### CHAIR

Can people sit down in the auditorium? Please keep quiet and sit down!

**DISRUPTIONS – THIS IS OUR POLMED. YOU ARE NOT TAKING US SERIOUSLY.**

### CHAIR

Can we now continue? Thank you.

\*\*

Chairperson, you see what people are doing to me. I will open a case.

\*\*

She cannot intimidate us with police officers.



## 041212

What I am saying to you is the mere effect that there was a proposal for the approval of the agenda and a seconder of that. It does not mean that it has been adopted for the sake of adoption. It was not generally accepted by the house in sitting and number 2, I made a counter proposal for the non-acceptance of the agenda and you as the Chairperson come and tell me that I mentioned some invalid reasons. [member then walks away....]

We are concerned about Polmed as the membership. Polmed used to be a [unclear] benefit where we paid nothing and since the inception of the Board and all of a sudden, we pay money [unclear]. It is not right and that is why we are here today to raise issues. I am saying to you Chairperson, you walk away, you are very much disrespectful. What I am saying chairperson is this, the mere fact that there was a proposal and a seconder of the agenda, that doesn't necessarily mean that everyone is in acceptance of the agenda. Then there is the principle of repeating procedures.

Number 2 Chairperson is that I raised a counter proposal for the non-acceptance of the agenda and you telling me that the reasons that I gave was invalid. It's not right. Thank you.

## CHAIR

The Chairperson introduced the Deputy Minister of Police, Minister BM Mkhongu

## 5 MESSAGE OF SUPPORT

### DEPUTY MINISTER MR BM MKHONGU

The Minister addressed the meeting and called for order. Disruptive members were noted, and it was made clear that action will be taken. The Deputy Minister requested members to listen to the report and engage freely on issues of concern instead of disrespecting people. The Deputy Minister called for the meeting to be adjourned and reconvened within 35 days with all issues sorted.

## CHAIR

The Chairperson thanked the members for allowing the BoT to deliberate on the matter and confirmed that the meeting will continue. The Chairperson requested for the members to be seated and called for order to the room.

\*\*

Thank you, Chairperson. I am happy that Deputy Minister humbly requested. We approach the podium Chairperson and said [unclear] that this meeting was adjourned. He is further saying Chairperson that in 35 days to be fully quorate for a special meeting. I propose that the meeting be adjourned as said by the Minister. Thank you, Chairperson.

## CHAIR

The Chairperson noted the suggestion and indicated that the Minister was recognized, and that the AGM will continue to adhere to the Rules.

\*\*

Chairperson we are not meeting eye to eye. You can see what is happening here today. Chairperson, can you please adjourn the meeting.

## 093448

Thank you, Chairperson. I am Innocentia Molefe. My number is 093448. Chairperson we would like to thank the intervention by the Deputy Minister, but Chairperson you know this is the fifth AGM that is sitting and we would like to continue with the AGM, because we are the members of Polmed and we want to know what is happening at Polmed. And each and every time we are having the AGM, there are members deliberately disrupting the AGM. As members we are not going to allow that because we are very jealous of this Polmed of ours. Thank you, Chairperson.

\*\*

On that same [unclear] let's proceed with the business of the day, but I would also like to make this call - I would like to thank the Minister for his strategy, because you are able to expose who wants the best interest of the Scheme. Because those who said, no let's adjourn they don't have the best interest of the Scheme. I have urged and pledged that those who have the best interest of the Scheme let's continue and have the best outcome.

These issues that are raised here they [unclear] and taking us nowhere. And it is very embarrassing to see policemen

behaving in this manner. Which college did they go to? Thank you very much.

## 051886

I have a disadvantage because I am short Chairperson. My name is Ramokwane Ntsime. Chairperson I am not here to lecture either you or anyone here in terms of meeting procedures, but it is worrisome as I stand here as a member of Polmed expecting you as a Trustee to guide and lead us in the interest of the Scheme.

In terms of King III and now King VI, fiduciary duties there was to a point that leads to this disruption and I am here sitting in my capacity as a member who came to participate fully in the Annual General Meeting of Polmed. Where I was invited by the SMS and by the email. There is a screen here that is talking to welcoming, constitution and approval of the agenda. There was a position to accept and there was a seconder to that. There was a counter proposal and a seconder to that and you made it clear that there must be a reason for that counter proposal and one would have expected you then to guide us the members of Polmed, in a situation where people say the introduction of Board of trustees cannot not be dealt with post the adoption of the agenda. It must be dealt with pre the adoption of the agenda.

Now instead of you telling us what the position is, you say the agenda be adopted. You allow Board of Trustees who by virtue of that position have fiduciary duties to talk while there are still disruptions. I cannot

even tell you now where I am sitting here, the first person who spoke, who is he. Even to the last person, I only saw people who stood up in the meeting.

Then we got a suggestion, one would say that in terms of 4.1 the Deputy Minister stood up here as the Minister, and my understanding in my capacity as a person who has an interest in this institution, I hereby I want to quote the Minister: "I hereby give you 35 days, and I declare this meeting to be adjourned" [unclear]. Meeting procedures say the Chairperson of the meeting would open and would close the meeting.

Well the person that you gave the chance to speak, who has an interest, not only has an interest, but who gave you 7 Board of Trustees, not elected? It doesn't make them Board of Trustees. The 7 Board of Trustees elected by the Minister we will have to adjourn the meeting and you have 35 days and come back here in a process and as the Minister I will engage with the Board of Trustees to resolve, because it is very clear according to him there are problems that are not resolved.

Now, instead of taking those directions, you come back to ask those who had said what is your position. Instead of saying guys can you take advise of this person who has an interest in the matter to adjourn the meeting, resolve the matter outside this AGM. And he is not saying close and forget, he is saying within 35 days we must come and convene again so that all the

matters that are outside Annual General Meeting would be dealt with. So that when we come here you don't talk about him or her, old man or old lady, you talk about members of Polmed and we look into the papers of Polmed.

Can we please take the advice from the Deputy Minister, a member of Parliament, who understand exactly what the fiduciary duties mean? I thank you and that's the main reason why my hand was up prior to the Minister. Thank you.

#### **005810**

I am not one of the disrupters. My name is Loyiso Mdingi from Eastern Cape and my number is 005810. The meeting knows what are disrupters. My appeal Chair from the side of the progressor is to say let us respect the decision and the intervention of the Deputy Minister to adjourn the meeting. The disrupters are not willingly [unclear]. Let's respect the decision if we can continue to the meeting now and something happen after the intervention of the Minister. So, let us adjourn the meeting and come back within 35 days. I also appeal to my colleagues to accept that, let us adjourn now and come back in 35 days and continue with the meeting.

**\*\***

We would like to withdraw with the continuation but would like to urge the disrupters to make sure that they consult Polmed and raise their issues with Polmed and not come here and stand as they normally do and we want Polmed to

continue and we are not going to be broken down by the individuals who are having their ulterior motives. Thank you, Chairperson.

### 059148

Thank you, Chairperson. Advocate Linda Mbana, my number 059148. I want to salute my Deputy Minister, my comrade. You have given direction. That is why the Minister is there to give direction, but we have to sit down with him in 35 days and resolve a way forward.

We cannot allow this AGM to be disrupted. In this country we have democracy. If you want to disrupt us we are going to call the police. There is no way you can say I call the police, because when things are wrong and out of order you call for the police and you deal with the disrupters to get out and discuss issues, because when you get the report from the Board, but unfortunately those disrupters they don't campaign to vote for those people that is why they are coming in this short cut.

There is no shortcuts in life. You must campaign on the ground and get those 7 people voted in, and you still go vote them in, because the majority we have a power in membership. We have a power here. [unclear] Let us adjourn for 35 days. Thank you.

### 029199

Thank you, Chairperson. My name is Erika Stutterheim. My proposal is in the annual report that is part of our package

that we received, there is a special notice of the Annual General Meeting and it seems that one differs from the one that is being portrayed on the screen for us. My proposal is can't we just come back because we got this notice to go back and continue with this agenda instead of wasting again a lot of our money for convening another AGM because that has wasted our money as well. Thank you very much.

### 013249

Thank you, Chairperson. I am C Johnston. I am a warrant officer from Khayelitsha. I am registered as 013249. Chair I was last year in Pretoria where the same happened. When you look around here it seems that we are not going to go any forward with disruptions. You know what makes my heart sore is when I see elderly retired Polmed members here. Last year the same in Pretoria.

I would support that this matter must be adjourned but however, here is video recordings. There is Rule 24 if the Board can make a decision and identify these people because we cannot allow disruptive people in meetings. Whether we have issues or not and Chair my request to you also is that you must stand firm and stop letting people guide you. You are the Chairperson and every time the howlers make a noise you look for a solution. We've got rules please stick to the rules.

I am in support of the guidance of the Minister. Even though he made a mere suggestion, that is the point that we must

consider here. He made a suggestion now it is up to us as Polmed members to consider the suggestion and make the request to you which we have done. There are for and against. What do we do? It is now up to you as a Chairperson. It is either to say that we adjourn, or we vote. But the Minister can only make a suggestion he cannot give a rule that we must support. But myself as an individual I support the Minister's suggestion, so I am for it. Thank you.

#### **041212**

Thank you, Chairperson. I am humbled by the suggestion by the Minister because he shows that he's got a vision. I am also not very happy with how procedures were done today. You cannot circulate an agenda and decide to change your agenda. It is where the trouble started. We are not saying that you are a weak Chairperson, but since there is a lot of things that need to be addressed in order for us to ensure that Polmed is catering for the members, we must deal with the issues and we must not postpone them because some of the issues. I am very happy that the Minister gave a deadline, because at the last meeting a suggestion was made that the stakeholders must meet with the National Commissioner, but it never transpired.

Which means at the end of the day you cannot hide and think you will survive. This issue is you must come out clear and the Minister has given us 35 days and then we come even with those issues, that are important in order for us to have a way forward in the interest of the members.

Look at the expenditure of people. The expenditure of what people are paying to come to this meeting is nothing compared to when you look at annual reports and things that was supposed to have happened when you look at the CMS report. On that note Chairperson, I humbly request you apply your mind. Let's postpone the meeting.

We have all incurred financial loss to come to this meeting but let's not rush through the meeting and try to justify things that are wrong, because this meeting would have never materialized. There are many answers that are needed, and I also accept the proposal by the Minister. Thank you.

#### **BOT - MR NETHENGWE**

Thank you Chair. Mr Nethengwe addressed the meeting and requested the meeting to continue. He explained that the Board has a responsibility towards members and requested to be given the opportunity to continue with the meeting.

**\*\***

Chair for the sake of direction can we allow the Board to have a 10-minute discussion and come back with a decision and then give us a decision and then we will align ourselves with the decision of the Board. Obviously, they would have been advised by the Minister and the decision that would be coming by the Board would have been the advice from the Deputy Minister. And we cannot distance ourselves from the decision of the Minister.

## CHAIR

The meeting took a short break at 11:50 and resumed at 12:05.

The Chairperson thanked the members for allowing the BoT to deliberate on the matter and confirmed that the meeting will continue.

The Chairperson requested for the members to be seated and be called back for order to the room.

## 041212

Justice Brummage, and the number is 041212. Chairperson, I humbly request you to reconsider the decision that you as the AGM took, based on the following: there is havoc today because Polmed is not transparent to members. We talk about transparency when it comes to procedures and I know why the Board wants the Board to proceed with this AGM. They are afraid of a curator being appointed to run the Polmed. This is why they are doing this.

Chairperson, we cannot proceed. Do the honourable thing and let's all go home and sober up. Maybe all of us will be sober when we come next time. Because presently it seems to me all of us are raising issues and they are being ignored by a Board that doesn't have the interest of the members at heart. Over the years I have been at SAPS, a member of Polmed. Previously it was mahala but today people want to protect their seats and when you look at the reports and go to the websites you see even the document that has been

submitted to us is not fine. Chairperson, I humbly request you take a decision, the decision is that we don't proceed with the AGM. Whether the 35 days, I don't think it is long, why do we want to justify the meeting that might be illegal for that matter, because even the Board that is sitting here, they have been appointed through the back doors.

Why do we want, you refer to fit and proper, do you want to [unclear] on the issue of fit and proper because even amongst your people who are sitting there on the Board, some of them have been found not to be fit and proper to hold public office? Now why are we playing around, why do we not postpone and iron out this issue? Because at the end of the day, even the Chairperson is being paid from the Polmed members money. The Board is being paid from our money, but at the end of the day you want to suffocate us, you want to push through your own agenda. But at the end of the day Chairperson, this cannot materialize even taking into consideration the people whose phones have been broken, the people whose clothes have been torn.

Those people Chairperson they deserve to make a case and you say it is a democratic process and I wonder who has paid those security, those marshals, they are called marshals, but I know they are paid from Polmed money. This is fruitless expenditure. I think it is high time that Polmed is investigated by the Public Protector to protect us, because this is our money.

Chairperson, I humbly request you let us postpone. Let's get the minutes here. The Board, the existing Board has been elected / appointed and then we will be in a position to proceed. The CMS report is not in here, why? Compliance, the other issue that created havoc for this meeting is the following: what happened with what the CMS said regarding people who are involved in the loans and those things. I don't want us to go into those issues but let's do the honourable thing and come and debate issues correctly so. Thank you, Chairperson. [members applaud]

## CHAIR

The Chairperson requested the members not to repeat the same issues and continue with the meeting.

## Disruptions. All the members talking at the same time

### 055055

Thank you Chair. My number again is 055055. I heard your explanation with regards to the guidance by the Deputy Police Minister and I also want to say people when they stand, they say I am biased. I don't know which word I must use because it would be improper to advise so many people. Let me speak on my own and say, madam Chairperson that the Deputy Minister in his capacity, he is giving you the precaution on the issue of safety. And you should foresee what is going to happen thereafter. I am not intimidating or threatening you, I am saying please sober up because emotions are high, and people

tend to react differently to the situation that is unforeseen.

So, can we humbly, humbly take the recommendation made by the Police Minister because this is an issue of safety. I thank you Chair.

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Thank you Chair. I am very much sorry Chair. I am down. Chair you know the Board went outside to go and have a discussion to look into the issue. I am wondering Chair as to whether amongst the Board, when we are sitting with this issue where Ms Phiyega [unclear] you remember the Farlam Commissioner. It was very much clear that she is not fit to hold office. [Order Chair, Order Chair].

No Chairperson. My point is Chairperson, the Minister has spoken that this meeting has been called off. Now let this meeting be called off my Chairperson. It is a humble request. Thank you, Chairperson.

## CHAIR

The Chairperson addressed the meeting and explained that answers will be given to all the questions. She further explained that Polmed reports to the CMS and no other structure. She requested the meeting to give the Board the opportunity.

### 159525

Thank you, Chairperson. My name is Mosaraki Bogodile and my unique number is 159525.

We know we are here and we know how we came here. I would respond to the statement of the Chairperson, the statement which says, we gave the Chairperson and the Board an opportunity to consult. That is a misleading statement. The Chairperson imposed a 5 minutes break on us and we were not on a break. We would not have given the Chairperson an opportunity to consult with the Board that has not yet been introduced to us. [Chair: Talk about yourself when you are talking].

I would not have given the Chairperson and the Board an opportunity to consult if the Chairperson is going to consult with the Board that has not yet been introduced to me. Because the main issue here is item number 3 and item number 4. That is the main issue. Thank you.

So, what I am trying to say is the statement of the Chairperson was misleading and if we are going to accept it, nothing justifiable is going to come out on anything that is going to proceed after that. Thank you.

## CHAIR

Thank you to the member who gave the Board permission to consult.

## 051886

Thank you Chair. Again, my name is Ntsime Ramokwane, my number 051886. Chairperson you know I am reminded that I am short, because I raise my hand, but you do not recognise me. Please recognize

me. Board of Trustees, you know this is not a union environment where people have embargoes.

Any meeting that takes place you will have a scribe, a secretary and a Board that is duly constituted. What happen here I am not sure of, I don't know. When we were here Chairperson there was a suggestion, there was a proposal and most of the people that are here were of the opinion that this meeting must be adjourned. My understanding is there was that meeting that you just had now, which was rushed to a short meeting. You had an opportunity of 35 days to have that kind of a meeting that will deal with everything that was raised in this forum Chairperson.

If we rush issues, we will still have a problem because emotions are high. Now I want to talk to you Chairperson, as an ex- director fiduciary duty. Chairperson, chairing the meeting of the Annual General Meeting of Polmed if a matter has been raised at the Chairperson and the matter has been dealt with, suggestion has been made, [unclear] now Chairperson my humble request, I am not going to repeat anything. I am not going to the agenda. I am not going to talk about the Board of Trustees. I am not going to talk for anyone else here. I don't want to sit here and give you a dissenting voice, because I don't want to be part of a process that can be challenged at another level.

And I can tell you Chairperson, this process that is unfolding now, it is not the correct process. Members must act at all times



independently and objectively, in the interest of the Scheme and their members. But what is happening here today we don't see that independence. My humble request I am saying please, please let's adjourn this meeting. Again, people are saying sober up. I don't want to use the words sober up. Let's adjourn the meeting go back. Let's engage Polmed. Let's engage the Board members outside of this meeting and the agenda be given the way it was given in terms of the book and in terms of the notification.

Then from there Chairperson, we come again and convene here and have a normal Board meeting or AGM meeting. Because this platform is the only platform that will endorse some of the decisions that have to be taken here Chairperson. Our humble request, and I am not going to stand up until I get this clear directive, can you please adjourn this meeting.

### 061929

Thank you, Chairperson. My name is Nomsa Dlodlu, number 061929. Chairperson, I am standing to say a decision was taken by Chairperson of this meeting and we have the Rules on how to go about in this meeting and as an individual member, I am not willing to come all the way from [unclear] and go back home and I don't have answers in this AGM.

You have taken a decision. Rules are guiding us in what should happen if there is a certain situation in this meeting. So, I am saying let the Rules guide this

process today, not individual spilling's this is how they feel and how they want. We have the Rules that we must adhere to and I am then requesting you Chairperson to say that you have taken a decision and then anything else we must then proceed, and the Rules must guide us. Thank you. [members applaud]

### 116006

My name Glen Mahwayi from Pretoria Central SAPS the capital city of South Africa. My number 116006. Chairperson, I am not happy at all. I am paying, and I am a member in good standing of Polmed. I am paying a lot of money and if I come here in this meeting the AGM of Polmed and I will be suppressed by you, it doesn't go down well with me because I am paying. I am being suppressed. I am being told that whatever I am saying it is not correct. I am saying Chairperson if we want to move forward with this meeting, please Chairperson let's leave here in peace not in pieces, because if you continue someone will say, let's proceed you proceed and I will come still to say no this is wrong and you will again assault me and will again send those people to come and assault me and at this time I will fight back. I didn't fight back. This time I will fight back, if you proceed here, because I am not happy. I have really been assaulted for fighting for my right. It is right for fighting for my money. You sent people to come and assault me, while I am fighting for my money. Not to be eaten by who is eating my money. No, it can't be like that. Please Chairperson, do us a favour and adjourn this meeting now. Let it be so.



**MR NETHENGWE**

Mr Nethengwe addressed the meeting and explained procedures should be followed through. He requested the members to respect the collective.

**CHAIR**

The Chairperson explained that no further opinions will be heard as it was indicated that the meeting would continue.

**Disruptions, don't do that Chairperson, don't to that Chairperson.**

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Thank you, Chairperson. Thank you, guys. Thank you very much. Chairperson, I want to make the last appeal to you, as the Chairperson to apply the Rule 27.4.2 is very clear and you should apply it now. That is the bottom line.

**CHAIR**

The Chairperson asked the meeting to continue and the members were not in favour of continuing with the meeting.

The Chairperson stated that she has tried everything for the meeting to continue without any successes.

She stated that the Board is invoking RULE 27.4.2 which stated the following: "In the event that the proceedings at the Annual General Meeting are disrupted by members present at the meeting, or if the prevailing circumstances at the Annual General Meeting render it impossible for the meeting to continue at the Chairperson's discretion, then the Board shall be entitled to assume the meeting to have taken place and all the agenda items of the Annual General Meeting would have been deemed to have been approved by members present".

**Comments from the floor: We will see you in court.**

**The meeting was adjourned at 12:30.**

# INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

## 1 INTRODUCTION

### 1.1 SCOPE OF THE REPORT

This report covers the financial year period 1 January 2018 to 31 December 2018, and it is our primary report to our stakeholders. It provides an overview of our business model and strategy to achieve our stated objective, 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, 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 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 auditor, has 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
<b>Annual Financial Statements</b>	External Auditors	Unqualified audit opinion
<b>Annual Integrated Report</b>	External Auditors Audit and Risk Committee	Occurrence and accuracy of reported items validated
<b>Material matters disclosed</b>	External Auditors	Occurrence and accuracy of reported items validated
<b>Risk management</b>	Audit and Risk Committee Internal Auditors Risk Steering Committee	Effectiveness and adequacy of risk management process and control validated
<b>Investment management</b>	External Auditors Investment Committee	Effectiveness and adequacy of investment strategy validated
<b>Human resources and remuneration</b>	Internal Auditors Human Resources and Remuneration Committee	Effectiveness and adequacy of human resources and remuneration policies, and procedures validated

**1.5 STATEMENT BY THE BOARD OF TRUSTEES**

The Board of Trustees acknowledges its responsibility to ensure the integrity of this report. The Board has accordingly applied its mind to this report and in the opinion of the Board, the report addresses all material issues, and presents fairly the integrated performance of Polmed and its impacts. The report has been prepared in line with best practice.

Accounting policies applied by the Scheme are informed and updated, when required, based on Council for Medical Schemes Circulars, the Annual Medical Schemes Accounting Guide issued by SAICA and updates on the latest International Financial

Reporting Standards (IFRS) developments. The Trustees consider that in preparing the Annual Financial Statements, they have used the most appropriate accounting policies, consistently applied these policies and supported the application of these policies with reasonable and prudent judgements and estimates.

The Scheme takes cognisance of the King Report on Corporate Governance for South Africa 2016 (King IV) and seeks to apply the principles thereof where appropriate to the business of a medical scheme and its Trustees and employees.

## 2 FOREWORD BY CHAIRPERSON

The 2018 financial year was another eventful year for Polmed where the Scheme was unable to have a fruitful Annual General Meeting (AGM) 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 2018 tested the agility and resilience of the Scheme's outsourcing business model, which entails collaboration with our intermediaries such as Investment Consultants, Fund Managers, Administrator and Managed Care Provider. Fraud, Waste and Abuse 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 R600m resulting from provider claims behavior change.

The 2018 financial year was characterised by higher than expected utilisation of healthcare services which forced the Scheme to tap into its reserves to ensure that members' access to healthcare was not compromised.

Scheme Management 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. As we price our contributions in August of every benefit year for the following year, there was limited scope for the Scheme to respond to such unexpected deviations within a benefit year. However, in collaboration with our managed care organisation, we introduced managed-care interventions and clinical protocols where it was practically possible and managed to reduce our exposure in these areas. The Scheme was able to save R90.6m through these interventions.

In addition, treasury revised Value Added Tax (VAT) to 15%, increasing our expenses by R59.2m which the Board decided to absorb.

The contribution grant which we received from SAPS was reduced post our budgeting process, creating a R64m shortfall. This has been a trend since 2016 as a result of government's inability to reach its tax collection targets.

The investment turmoil characterised by a negative 14% JSE did not spare us. However, the Board revised the investment strategy and moved more reserves to cash for a guarantee return which somewhat reduced our exposure.

Against this backdrop, the Board expected an operating loss for the 2018 benefit year.

However, the thorough measures that were put into 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.

The Scheme continued to monitor and manage its non-healthcare expenses which led to a further reduction of 7% from a Non-Healthcare ratio of 4.03% in 2017 to 3.74% as at the end of 2018.

The Scheme's Solvency Ratio declined from 46.41% in 2017 to 43.15% in 2018 as a result of higher utilisation and claims experience than anticipated, which led to the Scheme funding part of the claims from reserves.

It is against this backdrop that the Board decided to implement a Hospital Network on both Aquarium and Marine Plans and to extend the Pharmacy Network to include community pharmacies and apply protocols for both acute and chronic medicines.

On behalf of the Board of Trustees, I wish to thank the former Board Chairperson Adv L Mbana, former Trustees Ms K Moloko, Mr N Nethengwe, Adv D Odendaal, Ms N Twetwa and Dr B Zulu for their valuable contribution to the effective corporate governance of the Scheme. We also wish to thank the former Chairperson of Audit and Risk Committee Mr M Brown for his effective contribution to the work of our Audit and Risk Committee over the years.

On behalf of the Board, I wish to also welcome the newly appointed Chairperson of the Audit and Risk Committee, Mr Z Samsam, who became part of Polmed on 1 January 2019, for taking on this critical role.



**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 results remained negative because our claims were higher than our contribution increases. The Board has consistently attempted to keep contribution increases lower than medical inflation, which resulted in utilisation of reserves to cover certain components of the operational budget. This model is not sustainable in the long run due to strained economic market which is continuously affecting our investment returns.

The Scheme is troubled by the recent governance and ethics failures in organisations across the public and private sectors. While the Scheme's financial exposure to Steinhoff was limited, as part of ongoing adherence to governance and ethical codes, in particular the King IV Report on Corporate Governance for South Africa 2016 (King IV), the Scheme is continuously reviewing its internal and external stakeholder environment and is optimising the structure that continually monitors and evaluates related risks.

The increase in claims ratio has played the largest part to the monetary decline during the 2018 benefit year. Several cost-saving initiatives were introduced, such as the implementation of a hospital network and stricter medicine formulary to curb this increase in healthcare claims trend, and

some positive outcomes are already being realised. These high costs are driven by increased lifestyle diseases and the high prevalence of cancer and renal failure which require expensive treatment in the form of biologics and dialysis.

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. The Board also considered members' complaints regarding the Pharmacy Network distribution especially in rural areas and approved the roll-out of the Polmed Open Pharmacy Network which covers more than 90% of all Pharmacies in South Africa, effective from 1 January 2019. This network applies to both Acute and Chronic medicines and our members are therefore encouraged to use them.

In leveraging the Scheme's ability to absorb environmental shocks, Polmed did not pass the VAT increase onto members during the remainder of 2018 and utilised reserves to absorb the increase. As noted above, the Scheme's reserves remain above R4 billion, and shielding members from unexpected additional contribution increases was deemed appropriate by the Board.

The Board and management are continuously looking at innovative ways of managing healthcare costs and plead with members to cooperate with the Scheme as all these innovative processes

are done in the interest of ensuring long-term sustainability of the Scheme.

The Scheme supports the objectives of universal health coverage and participates in all forums of the National Health Insurance (NHI). As the most sustainable Scheme in the private healthcare sector and being a government funded Scheme with a distinct funding model, Polmed is undoubtedly a national asset. These discussions provide the Scheme with an opportunity to collaborate with the Department of Health and all other stakeholders to determine how best the sector can achieve the objectives of quality and equitable healthcare.

During 2018, the Scheme welcomed a new Chief Legal Officer, Advocate Nkosinathi Bhuka, a new Chief Financial Officer, Mr Heunis du Plessis and a new Chief Operating Officer, Dr Jaco Makkink.

At the end of my first year as the Principal Officer of the Scheme, I extend my gratitude to the Trustees, independent Committee members and Polmed employees for their unwavering support during this time, which has been a period of great learning and personal development. I also welcome the Trustees appointed and elected to the Board during the course of 2018 and express my appreciation for the way in which they have integrated into the Scheme's governing bodies with great concern for their fiduciary duties and the wellbeing of the Scheme and its members.

I wish all Polmed members good health.



**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 2018, compared to the previous reporting period, is summarised in the table below:

Indicator	December 2018	December 2017	Difference	% Change
Principal members	174 761	174 252	509	0.29%
Beneficiaries	502 175	500 466	1 709	0.34%
Average family size	2.88	2.87	0.01	0.35%
Average member age	44.81	44.39	0.42	0.95%
Average beneficiary age	29.02	28.75	0.27	0.93%
Non-healthcare ratio	3.74%	4.03%	(0.29%)	-7.19%
Claims Ratio	102.13%	99.88%	2.25%	2.25%
Net surplus/ (deficit)	(R313 264 229)	R198 671 081	(R511 935 307)	-257.68%
Accumulated funds	R4 038 958 806	R4 348 878 756	(R309 919 950)	-7.13%
Reserves ratio	43.15%	46.41%	(3.26%)	-7.02%
Investment Return	R245 238 392	R553 523 726	R142 395 660	-55.70%

The increasing claims ratio played the largest part to the monetary decline during the 2018 benefit year. Several cost-saving initiatives were introduced, such as the hospital network and stricter medicine formulary to curb this increasing healthcare claims trend.

Investment return also contributed in that we have below historical average investment returns for 2018 where equity managers lost more than R120 million of Scheme reserves during the year. This was further compounded by the capital loss in late December 2017 relating to Steinhoff. The 2017 investment year in comparison

was an above historical average year in terms of positive investments returns with the actual results far exceeding the budgeted amount. The Scheme has curbed these losses by moving the bulk of investments in the short term to interest earning instruments. It remains the strategic long-term objective to invest in equity to exceed inflation in the long term and to this end the Scheme will again survey the market for equity opportunities shortly after the elections when historically an uptick in equities has been observed.

**4.2 SCHEME DESIGNATED SERVICE PROVIDERS (DSPs) AND PROVIDER NETWORKS**

**GENERAL PRACTITIONER (GP) NETWORK**

As at 31 December 2018, the GP Network consisted of 3,863 general practitioners.

**HOSPITAL DSPs**

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

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

However, due to the continuous escalation of hospital costs, the Board has had to enhance its Hospital Strategy aimed at fostering stronger relationships with specific hospitals and hospital groups for reduced tariff.

It is against this background that 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 Network:

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

## **PHARMACY NETWORK**

The Pharmacy network consisted of:

### **Courier pharmacies:**

- Medipost Pharmacy;
- Pharmacy Direct.

### **Retail pharmacies:**

- MediRite Pharmacy with 145 pharmacy outlets and 82% of their dispensed medicine being generic.
- Clicks with 526 pharmacy outlets and 91.2% of their dispensed medicine being generic.

The contract with the above service providers came to an end on 31 December 2018 and Polmed has since established an Open Pharmacy Network which accounts for at least 90% of ALL Pharmacies in South Africa.

## **RENAL NETWORK**

Fresenius 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 continuously encouraged to use services of ICON service providers.

## **SPECIALIST NETWORK**

The Scheme's Specialist Network had shown satisfactory growth of 23% from 1,983 in 2018 to 2,440 for the year under review. The Network consisted of:

## **OPTICAL SERVICE PROVIDER**

Preferred Provider Negotiators (PPN) remains our 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 remains our preferred service provider for emergency medical services and our beneficiaries are encouraged to continue using them 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, 8 793 members were screened at our health and wellness events and 3 590 of them were flagged for ADRM and referred to their General Practitioners for further treatment and management.

Following the events, efforts were made to contact our flagged members and 2 312 of them were successfully contacted and eventually registered on our ADRM representing a 96.2% enrolment rate.

## 5 ORGANISATIONAL OVERVIEW, BUSINESS MODEL AND GOVERNANCE STRUCTURE

### 5.1 ORGANISATIONAL OVERVIEW

The Scheme is a non-profit, closed medical scheme registered and domiciled in the Republic of South Africa in terms of the Medical Schemes Act, 131 of 1998, as amended 'the Act'. (Registration number: 374)

The Scheme is administered by Medscheme Holdings (Pty) Ltd (Medscheme). Polmed comprises 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)

Only employees of the South African Police Service (SAPS) appointed under the South African Police Service Act (Act 68 of 1995) and their dependents are eligible to be members of Polmed.

#### 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

In terms of Polmed's rules, the Scheme offered two (2) options during 2018, namely: Marine and Aquarium Plans.

### 5.2 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 Police 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 we have developed disease management programmes that are proactive and relevant for the broader family unit, thereby covering the needs of all Scheme beneficiaries.

The following business model has been adopted by Polmed:

### 5.3 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 member).

**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 are currently one exception to this model relating to optometry benefits that Polmed outsourced in a capitation agreement to the 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 have been negotiated with these provider groups to ensure not only cost-effective service delivery, but also superior clinical outcome and member experience.

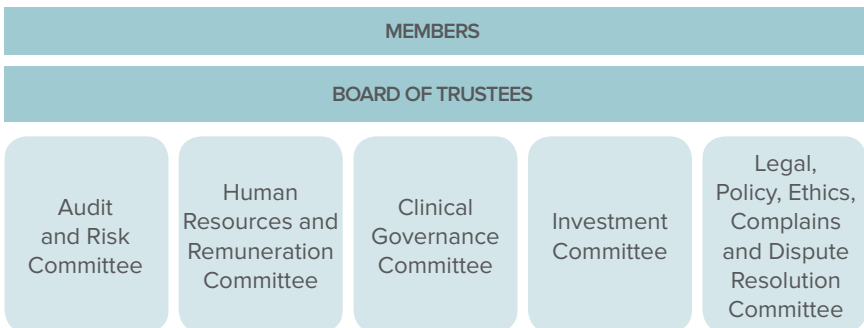
**MANAGED CARE AND ADMINISTRATION**

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

**5.4 GOVERNANCE STRUCTURE**

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



The Scheme has the following business structure:



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 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.

## 5.5. VISION, MISSION AND VALUES

### VISION

In pursuance of its strategic mandate and in resonance with its founding purpose, the Board in August 2018 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 under-pinned by the pursuance of ubuntu are:

- Care;
- Respond;
- Collaborate; and
- Respect.

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

## 5.6. BOARD COMPOSITION

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

- 7 Trustees who are designated by the National 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 are 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 consists 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 of the two is female and the other is a male.



SURNAME	INITIALS	ELECTED/ DESIGNATED	STARTED	ENDED/ENDING
Dimpane	PP	Elected	01 September 2017	AGM 2020
Phiyega	MV (DC)	Elected	01 September 2017	AGM 2020
Temba	BP	Designated	01 August 2018	31 July 2021
Cupido	NP	Elected	01 August 2018	AGM 2021
Orsmond	RD	Elected	01 August 2018	AGM 2021
Vuma	FN	Designated	01 August 2018	31 July 2021
Mokwena	BD	Elected	01 September 2017	AGM 2020
Groenewald	ED	Designated	01 August 2018	31 July 2021
Muller	BSJ	Elected	01 September 2017	AGM 2020
Nelson	SJ	Designated	01 August 2018	31 July 2021
Senthumule	HK	Designated	01 August 2018	31 July 2021
Ngwenya	TNL	Elected	01 September 2017	AGM 2020
Nkosi	ST	Designated	01 August 2018	31 July 2021
Mgwenya	BC	Designated	01 August 2018	31 July 2021
Mbana	L	Designated	18 November 2015	31 July 2018
Moloko	KC	Designated	01 January 2016	31 July 2018
Nethengwe	NP	Designated	01 January 2016	31 July 2018
Odendaal	DV	Designated	18 November 2015	31 July 2018
Zulu	BM	Designated	01 August 2017	31 July 2018
Twetwa	N	Elected	01 August 2015	31 July 2018

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.

## 5.7. 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 current Board Committees are indicated below:

### A. AUDIT AND RISK COMMITTEE

#### ROLES AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

Section 36(10) of the Act requires the Board of Trustees to establish an Audit and Risk Committee.

It is important to note the role of the Audit and Risk Committee is advisory and not executive.

#### AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Audit and Risk Committee consists of the members listed hereunder and during the period under review, the Audit and Risk Committee had three (3) meetings and appropriate feedback was provided to the Board of Trustees on matters that fell within the mandate of the Committee.

The Principal Officer, Heads of Departments, the Risk Manager, the Actuaries, the Administrators, and the Internal and External Auditors are invited to attend all Audit and Risk Committee meetings and have unrestricted access to the Chairperson of the Committee.

#### DISCHARGING OF COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee reports that it has adopted appropriate formal terms of reference as provided for 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 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 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 2018, 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.

## **B. HUMAN RESOURCES AND REMUNERATION COMMITTEE**

This Committee's function is to approve a broad human resources and remuneration framework for Polmed and to ensure that personnel are adequately remunerated for their contribution to Polmed's operating performance. In fulfilling its duties,

consideration is given to industry and local benchmarks.

The Principal Officer, Chief Legal Officer, Chief of Corporate Services, Chief Financial Officer and Human Resources Manager attend all meetings and the Scheme provides secretarial services.

## **C. 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 Principal Officer, Chief Legal Officer, Chief of Corporate Services, Chief Financial Officer, Senior Management, the Administrator, Managed Care Providers and the Actuaries of the Scheme attend all meetings and the Scheme provides secretarial services.

## **D. 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 Polmed.

The investment mandate of the Committee is to ensure that:

- Polmed remains liquid;
- capital is preserved as far as possible; and
- the best possible rate of return is achieved for the determined tolerance to risk and that investments made are in compliance with the regulations of the Act.

Polmed invested mainly in money-market, shares, bonds and enhanced cash instruments since 2014. The investment consultant's primary mandate during the year was to comply with prevailing legislative constraints and to ensure value retention while still ensuring growth. The funds are currently managed by the Board of Trustees in terms of an active investment policy.

The Principal Officer, Chief Legal Officer, Chief of Corporate Services, Chief Financial Officer, Senior Management and the Scheme's Investment Consultants attend all meetings and the Scheme provides secretarial services.

## **E. LEGAL, POLICY, ETHICS, COMPLAINTS AND DISPUTE RESOLUTION COMMITTEE**

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 members and service provider complaints and disputes.

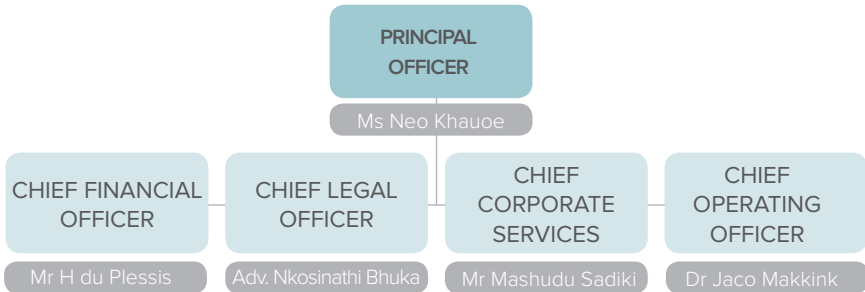
The Principal Officer, Chief Legal Officer, Chief of Corporate Services and Chief Financial Officer attend all meetings and the Scheme provides secretarial services.

The table below is a representation of Polmed Board and Board Committee members:

SURNAME	INITIALS	CGC	HRREMCO	IC	ARC	LPECDCRC
Dimpane	PP			Member	Member	
Phiyega	MV (Deputy Chair)		Chair			Member
Temba	BP	Member				
Cupido	NP			Member		
Orsmond	RD					Chair
Vuma	FN (Board Chair)					
Mokwena	BD			Member		
Groenewald	ED					Member
Muller	BSJ	Member				
Nelson	SJ			Chair		
Senthumule	HK	Member			Member	
Ngwenya	TNL	Chair	Member			
Nkosi	ST					Member
Mgwenya	BC		Member			

**5.8. SCHEME EXECUTIVE PERSONNEL AND HEAD OF DEPARTMENTS**

The Scheme’s Executive Structure in 2018 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 is 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 2018, Polmed had 2,440 specialist doctors on the Preferred Providers Network.

## 6.2. RELATIONSHIPS

The following entities have relationships with Polmed:

### THE MEMBER

- Serving members and continuation members.

### THE EMPLOYER

- South African Police Service.

### ASSOCIATIONS AND EMPLOYEE REPRESENTATIVES

- Labour representatives; and
- Association representatives.

### THE ADMINISTRATOR

- Medscheme Holdings (Pty) Ltd

### MANAGED CARE SERVICES

- Medscheme Holdings (Pty) Ltd;
- Aid for Aids (Pty) Ltd;
- Netcare 911 (Pty) Ltd;
- Preferred Provider Negotiators (Pty) Ltd;
- Fresenius Kabi South Africa (Pty) Ltd;
- Pharmacy DSP (Designated Service Providers);
- General Practitioner Network;
- Specialist Network;
- Hospital Network;
- National Renal Care;
- Psychologist Network;
- Social Worker Network; and
- Independent Practitioners' Association Foundation (Peer Review Committee).

### BANKER

- Standard Bank.

### INVESTMENT CONSULTANTS

- Independent Actuaries and Consultants (Pty) Ltd.

### ACTUARIES

- Deloitte

### EXTERNAL AUDITORS

- PwC Inc.

### INTERNAL AUDITORS

- SizweNtsalubaGobodo Inc; and
- Medscheme Independent Internal Audit Division.

6.3. ADMINISTRATION AND MANAGED-CARE FEES

6.3.1. ADMINISTRATION EXPENDITURE: BENEFIT MANAGEMENT SERVICES

	SERVICE	GROUP		SCHEME	
		2018	2017	2018	2017
	PROVIDER	R	R	R	R
<b>Actuarial fees</b>	Deloitte	1 423 379	1 502 680	1 423 379	1 502 680
<b>Administration Fees</b>	Medscheme	196 045 581	187 022 223	196 045 581	187 022 223
<b>Ambulance services</b>	Netcare 911	3 633 489	3 580 314	3 633 489	3 580 314
<b>Fraud management</b>	Medscheme	20 359 368	10 910 812	20 359 368	10 910 812
<b>Optical</b>	PPN	10 672 636	20 071 850	10 672 636	20 071 850
<b>Provider network management services</b>	Medscheme	4 164 821	2 834 137	4 164 821	2 834 137
<b>Wellness</b>	Wellness Odyssey	11 628 237	13 876 804	11 628 237	13 876 804
		<b>247 927 511</b>	<b>239 798 820</b>	<b>247 927 511</b>	<b>239 798 820</b>

The table above depicts the managed-care and administration fees paid to our service providers during the period under review which reveals a year-on-year increase of 4.66% and 3.39% on Managed Care and Administration respectively.



### 6.3.2. ACCREDITED MANAGED CARE MANAGEMENT SERVICES

	SERVICE	GROUP		SCHEME	
		2018	2017	2018	2017
	PROVIDER	R	R	R	R
<b>Case Management</b>	Medscheme	50 936 073	48 699 886	50 936 073	48 699 886
<b>Disease Management</b>	Medscheme	35 746 910	34 177 555	35 746 910	34 177 555
<b>Network Management</b>	Medscheme	21 168 805	20 239 455	21 168 805	20 239 455
<b>HIV Management</b>	Aid for Aids	13 840 513	13 149 546	13 840 513	13 149 546
<b>Pharmacy Benefit Management</b>	Medscheme	19 597 512	18 737 145	19 597 512	18 737 145
		<b>141 289 813</b>	<b>135 003 587</b>	<b>141 289 813</b>	<b>135 003 587</b>

### 6.4. MEMBER EDUCATION AND AWARENESS

The business plan of the Scheme determined that at least 56,000 members had to be reached during 2018.

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 66,900 members and resulted in 18,6 million communication hits as reflected in the table below:

	2018	2017
SAPS Student Enrolment	6,431	3,591
Marketing and Area Visits	16,458	28,787
Ad hoc and Special Projects	15,999	1,050
Wellness	8,793	15,176
Flu Vaccines	19,299	15,330
<b>TOTAL</b>	<b>66,900</b>	<b>63,924</b>

## 7 ENTERPRISE RISK MANAGEMENT, LEGAL, COMPLIANCE, PUBLIC POLICY, AND SECRETARIAT

### 7.1. MANAGEMENT OF INSURANCE RISK

The primary insurance activity undertaken by Polmed is to assume the risk of the loss from members and their dependants which loss would be brought about by the covered health perils. The uncertainty surrounding the timing and severity of claims resulting from the covered health perils determine the risks to which Polmed is exposed. Polmed also has exposure to market risk through its 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 ensures that these risks are managed in a manner consistent with the legal/regulatory universe governing medical schemes, financial institutions and health/medical practice formations.

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 prioritisation of risk is based on the frequency and severity of impact on claims where the claims are greater than contributions or erode on reserves.

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 comprises 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 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.

There was development of the risk appetite of the Scheme that defines the tolerance levels for its identified risks. 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 addressing the mitigation actions in order to limit the Scheme's risk exposures. Risk management training was launched across interested parties

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 an automated control over risk management.

The strategic and business risk register tabled 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.

7.2.1. STRATEGIC RISK REGISTER

RISK TITLE	INHERENT RISK RATING	RESIDUAL RISK RATING (AFTER CONTROLS)	RISK RESPONSE DECISION
(without controls)	Residual Risk Rating	12	Treat
(after controls)	Risk Response Decision	10	Treat
Poor Stakeholder Relations	20	10	Treat
Inadequate Scheme Governance and Compliance	20	9	Treat
Adverse decrease in solvency levels	25	9	Treat
Inadequate technology systems	25	8	Tolerate
Failure to Adapt to Change	15	6	Tolerate
Inadequate contingency management	15	6	Tolerate
Benefit Design & structure not meeting Member & Scheme needs	20	6	Tolerate
Loss of Specialised Focus	12	2	Tolerate
Loss of specialised focus	12	2,4	

## 7.2.2. BUSINESS RISK REGISTER

RISK TITLE	INHERENT RISK RATING (WITHOUT CONTROLS)	RESIDUAL RISK RATING (WITH CONTROLS)	RISK RESPONSE DECISION
Inadequate investment performance	20	16	Treat
Inadequate solvency levels	20	16	Treat
Breach and misuse of sensitive Scheme information	25	12	Treat
Inadequate stakeholder communication	20	12	Treat
Ineffective management of fraud, waste and abuse risk	25	12	Treat
NHI White Paper: Consolidation of Government Funded Schemes	20	12	Treat
Prolonged timeline to submit Benefit design to CMS	20	12	Treat
Decline in relationship with SAPS	15	9	Treat
Inadequate technology systems	20	9	Treat
Ineffective human capital management	15	9	Treat
Ineffective management of Administrator & Managed Care Organisations	15	9	Treat
Lack of coordinated processes and procedures between Polmed and SAPS (IOD, suspensions, backdated)	15	9	Treat
Loss of institutional knowledge	12	9	Treat
Regulatory breach	25	9	Treat
Inability to provide access to healthcare services to persons in remote geographic locations	15	8	Tolerate
Inability to provide member centric healthcare benefits and services	25	6	Tolerate

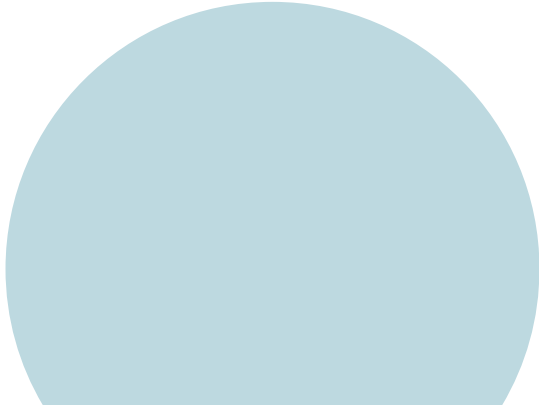
**7.2.3. RISK MITIGATING STRATEGIES FOR HIGH RISKS**

**7.2.3.1. NHI WHITE PAPER: CONSOLIDATION OF GOVERNMENT FUNDED SCHEMES**

RELATIONSHIP	CONTROLS	REMARKS
Government development of the NHI White Paper referring to the consolidation of Government Funded Schemes	<ul style="list-style-type: none"> <li>Memorandum of Agreement between SAPS and Polmed</li> </ul>	<ul style="list-style-type: none"> <li>MOA signed in November 2017</li> <li>Board of Trustees' new 2019 - 2023 Strategy adopted in August 2018.</li> </ul>

**7.2.3.2. BREACH AND MISUSE OF SENSITIVE INFORMATION**

RELATIONSHIP	CONTROLS	REMARKS
Complacency with Existing Relationships	<ul style="list-style-type: none"> <li>Continuous monitoring of SLA</li> <li>Ethics Policy</li> <li>Forensics SLA &amp; Stakeholder Management Process</li> </ul>	<ul style="list-style-type: none"> <li>Bi-annual meetings with Senior Management of SAPS</li> </ul>



### 7.3. FRAUD RISK AND FORENSIC MANAGEMENT

Polmed continues to make important strides in reducing the losses incurred by abusive and fraudulent billing. We have 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. We have invested in the latest predictive analytical software to identify claiming outliers and to recover overpaid healthcare claims.

In 2018 we increased our recoveries to R60,9 million. Since we contracted Medscheme to perform our healthcare forensic services in 2017, we have identified R365,8 million worth of fraudulent and abusive billing, and we have recovered over R155 million which is money that has been used by Polmed to reduce annual contribution increases and provide our members with more healthcare benefits. In the past two years we have also monitored the change in billing behaviour by those healthcare providers who received forensic intervention and their claims reduced by at least 44.5% which is equal to R340,8 million. This is a total estimated saving to Polmed of R600 million within the last 24 months.

It naturally takes a lot of time and effort to achieve these results and the Healthcare Forensic team performed 687 forensic interventions on behalf of Polmed in 2018 alone. They performed 337 physical inspections and travelled 79,024km and further conducted 146 provider interviews. Polmed received 1,295 whistleblower tip-

off's, and we lodged 94 complaints with the HPCSA and opened 19 new criminal cases. We have been focusing mainly on the quality of services rendered at rehabilitation facilities and dialysis centres to ensure all our beneficiaries receive value for money.

Despite these excellent results, there is still a lot of work to be done. Fraudsters never sleep and the job is never done. We will continue to invest in technology, resources and innovation to make sure that only valid and legitimate claims are paid and that the funds of our members 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 cases lodged against providers and/or members.

7.4. LITIGIOUS MATTERS - MARCH 2019

CASE DESCRIPTION: APPLICANT / RESPONDENT PLAINTIFF / DEFENDANT	EX PARTE MATTER	OPPOSED MATTER	NATURE OF OPPOSED MATTER	REGION	START DATE
ON Skommere & SAPU / Polmed		46670/2017	Application to direct an investigation into the affairs Polmed (Judicial enquiry)	Gauteng H/C	07/07/2017
SAPU / Polmed		54786/2016	2016 AGM Interdict	Gauteng H/C	13/07/2016
ON Skommere / Polmed & Trustees		85500/2017	Application: Invalidate 2017 Trustee Elections, AGM and CMS exemption	Gauteng H/C	08/01/2018
Transfer of Property from PPI to Polmed	Con- veyancing		n/a	Office of the Chief Registrar of Deeds (National)	29/10/2018



END DATE	STATUS	CLAIM VALUE, IF RELEVANT	POLMED DIVISION
	<p>Exchange of pleadings is completed. Applicant (Skommere &amp; SAPU) have failed /delayed to apply for set down. Polmed did and was directed by the court that the Applicant must first file papers summing up its case (practice note and heads of arguments and paginated file). The Applicant was supposed to do this before end of January 2019, but instead they proposed that the case be abandoned and each party pays its own costs. Naturally, Polmed rejected the proposal that each party pays its own costs. Polmed's firm position is to pursue the recovery of the wasted costs, whether through settlement or other proceedings.</p>	<p><b>R 5 822 628.94</b></p>	<p>PO (Principal Officer)</p>
	<p>After Polmed filed its intention to defend the main claim, the Applicant applied for summary judgment (i.e. argued that Polmed will be defending simply to waste time but has no valid defence nor prospects of success). The summary judgment Application was dismissed by the Court. The Applicant then asked the court to allow it to amplify / supplement its initial argument and Polmed in the meantime proceeded to file its answering affidavits. We still await receipt of the Applicant's amplified papers which they undertook would be filed prior to the end of January 2019</p>	<p>Cost of Application plus wasted costs of AGM</p>	<p>PO (Principal Officer)</p>
	<p>Judgment was handed down on 23/11/2018:</p> <ul style="list-style-type: none"> <li>• Skommere application was dismissed;</li> <li>• Applicants were ordered to pay the costs of the application in solidum, jointly and severally, the one paying the other to be absolved. Polmed presented its Bill of Costs to the Applicant who then wanted to have the "taxed". We await the taxation decision from the taxing master.</li> </ul>	<p>Cost of rescheduling the AGM, re-running the elections and reversing all decisions taken pursuant to the CMS exemption</p>	<p>PO (Principal Officer)</p>
	<p>Transfer PPI and registration on Polmed was confirmed by the Deeds Office on 19/12/2018.</p>	<p>Transfer duty: <b>R6 263 000.00</b></p>	<p>CLO (Legal Services)</p>

**7.5. PUBLIC POLICY**

**KING IV**

A process to align internal policies to King IV recommendations is continuing. Scheme Consolidated Circular Polmed made submissions to the Consolidation Circular 42 of the Council for Medical Schemes (CMS). Further engagement with CMS in the form of PO’s forum is continuing. The CMS had not affirmed a date on which the engagement process will be finalised.

**NHI BILL**

Polmed made submissions on the Bill. The Bill had been delayed due to the need to align national government views between National Treasury, National Department of Health and the Presidency, the re-allocation of national fiscus due to the Economic Stimulus Response Strategy announced by the Presidency and the administrative processes relating to transition to the 6th administration.

**HEALTH MARKET INQUIRY**

Polmed made submissions to the Competition Commission’s market inquiry conducted in respect of the private healthcare funding

sector to establish the level of competition in the health funding industry. The final report is awaited in September 2019.

**POPI REGULATIONS**

Polmed made submissions to the development of the Protection of Personal Information Act. Some parts of the POPI Act had come into effect which includes the appointment of the Information Regulator. The commencement date of the full POPI Act was not proclaimed yet. Regulations were tabled in Parliament in November 2018. Polmed Management is cognizant of the POPI impact and is ensuring that systems are in place to comply with the regulations. We endeavour to ensure that that there is a balance between the importance of information sharing in respect of managing fraud, waste and abuse and the compliance with the POPI Act.

**MSA BILL**

Polmed noted and had varying engagements on the proposals contained in the Medical Schemes Amendment Bill and the date of tabling in Parliament was still awaited.

**8. SUMMARY OF PERFORMANCE AGAINST STRATEGIC OBJECTIVES**

PERFORMANCE AREA	TARGET	ACHIEVEMENT
1. Compliance other than exemptions	100%	100%: Housekeeping internal audit findings noted and receiving attention.
2. Effective Risk Management	90%	All policies referred to the BoT during the February and April Board meetings were accordingly approved by the Board

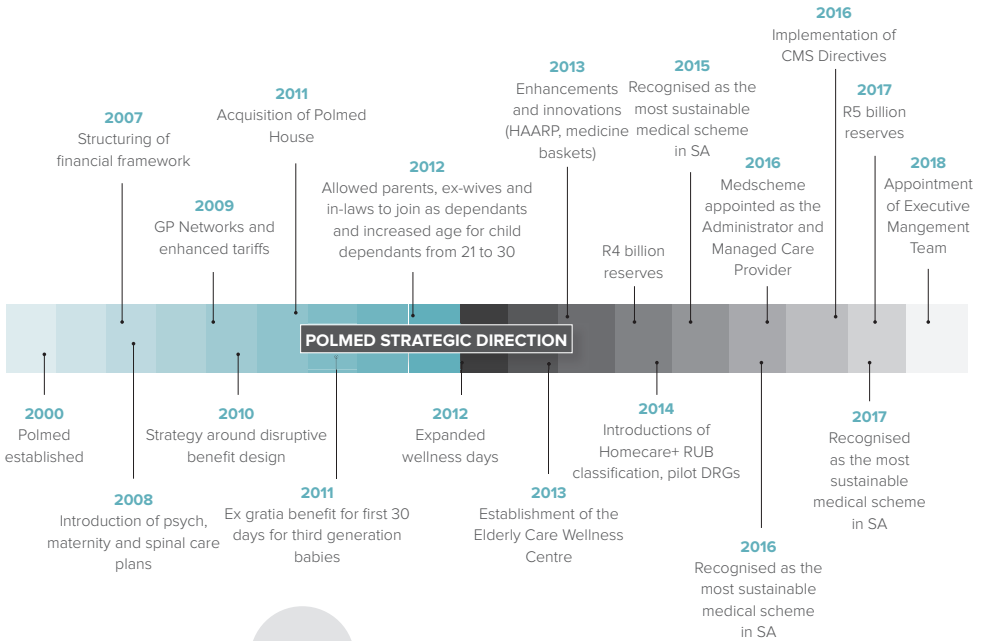
3. BBBEE Spend on Large Enterprise (Level 4)	80%	100% (97% level 2, 2% Level 3 and 1% Level 4)
4. BBBEE Spend on Small Enterprise (Level 4)	80%	100% (5% level 1, 73% Level 2, 10% Level 3 and 12% Level 4)
5. Earned Net Investment returns	R294m	R216m against a YTD budget of R210m as at 31 December 2018
6. Net-Healthcare Results	102.11%	102.13%
7. Quantum of claims adjudicated for Fraud	100%	100%
8. Confirmed fraudulent/irregular claims recovered	60%	34.18% (R204.5m confirmed and R69.9m recovered).
9. Productivity lost due to failing information technology	0.5%	There were no system interruptions during quarter 4.
10. MOA with SAPS	Signed MOA	MOA Signed. Polmed. Process underway to operationalise the MOA.
11. Member debriefing	20%	473 members accessed the service.
12. SLA	80% Adherence	85% adherence
13. Member Benefit Survey	80%	88% loyalty
14. Managed Healthcare Outcome Reporting	Outcome Report	2018 Q2 received.
15. Member Outreach	42 000	66 900 reached for the year 2018
16. Solvency	45.76%	43.15% against a revised budget of 43.86%

During the period under review, the uptake of our Psychosocial benefits for member debriefing remains low in that only 473 members accessed the benefits. We will

continue to encourage our members to use these debriefing benefits as a preventative benefits against post trauma mental illness.

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

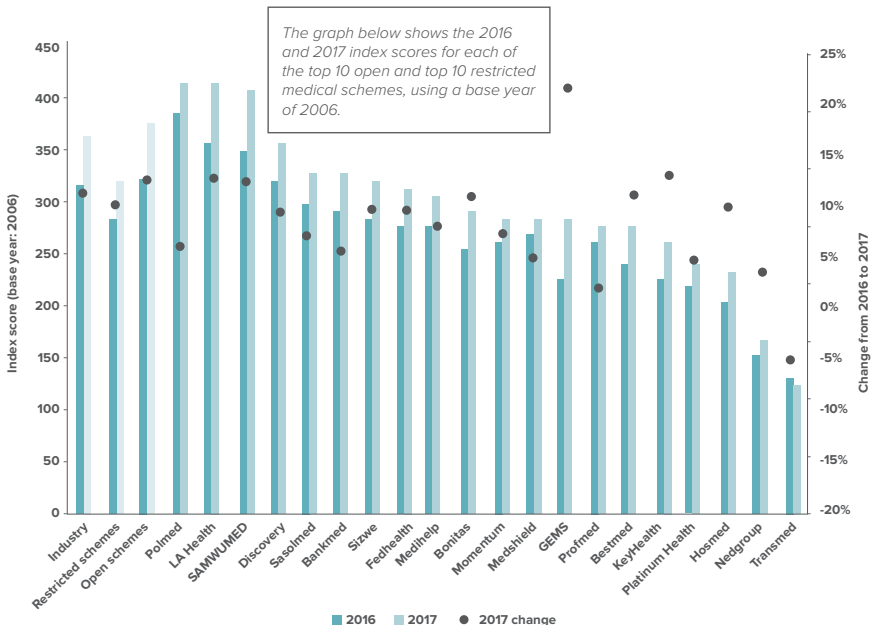
The Alexander Forbes Health Diagnosis (AFHD) is an analysis of key trends in the medical scheme industry looking at 10-year Schemes performance. The AFHD is based largely on the financial results of registered medical schemes, with the focus being on the 10 largest open and 10 largest restricted schemes 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 2016/2018 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 REMUNERATION AND CONSIDERATIONS

### 11.1 MEETING ATTENDANCE

INITIALS	NAME	BOT		CGC		ARC	
		A	B	A	B	A	B
N	Cupido	4	4				
P	Dimpane	13	12			4	3
E	Groenewald	4	4				
L	Mbana	9	9	1	1	2	2
B	Mgwenya	4	4				
B	Mokwena	13	13				
K	Moloko	9	7				
B	Muller	13	13	5	5		
S	Nelson	13	11				
N	Nethengwe	9	7				
T	Ngwenya	13	12	5	5		
S	Nkosi	4	4				
D	Odendaal	9	8				
R	Orsmond	4	4				
M	Phiyega	13	11				
H	Senthumule	4	4	1	1	1	1
B	Temba	13	12	5	4		
N	Twetwa	9	9	3	3		
F	Vuma	4	4				
B	Zulu	9	6			4	2

**A** Scheduled Meetings

**B** Actual Attendance

INV		HR		HR Interviews		LPECDRC		TOTAL	
A	B	A	B	A	B	A	B	A	B
1	1							5	5
1	1							18	16
						1	1	5	5
								12	12
								4	4
4	4							17	17
		4	1	7	1			20	9
								18	18
4	4							17	15
4	2					1	1	14	10
		4	1	7	1	1	1	30	20
						1	1	5	5
		4	3	7	7	1	1	21	19
						1	1	5	5
4	4	4	4	7	7	1	0	29	26
								6	6
				7	3			25	19
								12	12
								4	4
								13	8

11.2 REMUNERATION AND CONSIDERATIONS

TRUSTEE NAMES	FEES FOR MEETING ATTENDANCE	TRAINING AND CONFERENCES	TRAVEL AND ACCOMMODATION	DATA COSTS	TOTAL
	R	R	R	R	R
N Cupido	99,990	15,298	109,182	2,066	226,536
P Dimpane	293,304	5,823	88,291	3,466	390,884
E Groenewald	100,784	9,364	4,753	2,066	116,967
L Mbanja	322,190	10,650	72,485	1,400	406,725
B Mgwenya	88,880	17,611	2,497	2,066	111,054
B Mokwena	322,190	13,523	62,361	3,466	401,540
K Moloko	222,200	16,389	32,693	1,400	272,682
B Muller	333,300	17,947	50,265	3,466	404,978
S Nelson	268,862	16,473	24,212	3,466	313,013
N Nethengwe	178,316	-	11,521	1,400	191,237
T Ngwenya	351,632	23,686	84,587	3,466	463,371
S Nkosi	99,990	5,823	3,482	2,066	111,361
D Odendaal	266,640	10,650	22,750	1,600	301,640
R Orsmond	102,768	15,298	124,316	2,066	244,448
M Phiyega	366,075	16,473	31,221	3,466	417,235
H Senthumule	111,100	11,561	2,497	2,022	127,180
B Temba	282,750	30,711	24,212	3,466	341,139
N Twetwa	222,200	10,650	130,618	1,400	364,868
F Vuma	191,092	16,589	2,497	2,223	212,401
B Zulu	164,428	10,650	21,660	1,400	198,138
Total	4,388,691	275,169	906,100	47,437	5,617,397
<b>2017 Total</b>	<b>4,806,877</b>	<b>287,249</b>	<b>862,156</b>	<b>29,651</b>	<b>5,985,933</b>
<b>% Change</b>	<b>-9,53%</b>	<b>-4,39%</b>	<b>4,85%</b>	<b>59,98%</b>	<b>-6,56%</b>

Trustee fees were reduced by 7% from R5,98m in 2017 to R4,80m in 2018.



### 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.

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.

### POLICY GUIDELINES FOR TRUSTEE REMUNERATION 2019

#### PROPOSED FEE

	2020	2019	2018	2016	2015
	R	R	R	R	R
<b>Board of Trustees meetings:</b>					
Chairperson	22,000	22,000	22,000	22,000	22,000
Trustee	17,600	17,600	17,600	17,600	17,600
<b>Sub-committee meetings:</b>					
Chairperson	13,750	13,750	13,750	13,750	13,750
Trustee	11,000	11,000	11,000	11,000	11,000

#### 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.

The Board has resolved to waive any potential Trustee Remuneration increase for the year 2019/2020 the same way they waived 2018/2019 increase.

### 11.4. EMPLOYEE REMUNERATION

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 2018 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**

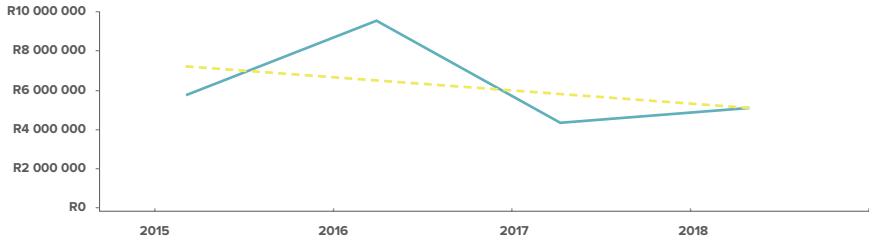
For the year under review the Principal Officer’s fees amounted to R5,193,184. It should be noted that 2016 and 2017 are not the best comparison years because the Principal Officer was appointed late in 2017 and the fees listed is a combination of her five months’ fees together with those of the Acting Principal Officer. On the other hand, 2016 was the year in which the former Principal Officer resigned. However his resignation followed a special leave during which an Acting Principal Officer was appointed.

The best comparison is therefore 2015, and it should be noted that the Principal Officer’s Fees were 10% lower than 2015 fees resulting from the new remuneration policy dispensation which reduced the remuneration percentile from 75th to 50th.

<b>PRINCIPAL OFFICER FEES</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Principal Officer</b>	R5,193,184	R4,253,788	R9,417,152	R5,743,984



## PRINCIPAL OFFICER FEES



## 12 FUTURE 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
<b>1. Scheme sustainability</b>	<ul style="list-style-type: none"> <li>To effectively lobby and rationalise grant funding through the employer</li> <li>Containment and optimisation of healthcare costs</li> <li>Containment and optimisation of non-healthcare costs</li> <li>To effectively manage fraud, waste and abuse</li> <li>To ensure optimal and sustainable rate of return on Scheme investments</li> <li>Support quality healthcare services to members through effective Scheme governance</li> </ul>
<b>2. Quality healthcare for Scheme members</b>	<ul style="list-style-type: none"> <li>To provide quality and evidence-based healthcare benefits</li> <li>To position a delivery-model that is focused on preventative care</li> </ul>
<b>3. Sound relationships with stakeholders</b>	<ul style="list-style-type: none"> <li>To enable integration in member service through the implementation and progress monitoring of the MOA with SAPS</li> <li>To position the Scheme for an increase in scope to include the security services cluster</li> <li>To improve relationships with stakeholders (providers and organised labour) through effective communication strategies and interventions</li> <li>To ensure effective and on-going member education</li> </ul>

## 13 FINANCIAL HIGHLIGHTS

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

### 13.1. SUMMARY OF FINANCIAL PERFORMANCE

	2018	2017	2016	2015	2014
	R	R	R	R	R
Contributions collected	9.3bn	8.8bn	8.2bn	7,6bn	7,1bn
Net surplus or deficit	(313.2m)	198.7m	143.3m	229m	289m
Solvency	43.15%	46.41%	50.41%	51.29%	50.74%
Members' funds	4.03bn	4.34bn	4.16bn	4.0bn	3.8bn
Reserves per beneficiary	8.172	8.690	8.342	8.162	7.650
Non-Healthcare	3.74%	4.03%	5.23%	6.41%	6.43%

### **13.2 EXTRACTS FROM THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

PwC Inc, the Scheme's Independent Auditors, have audited the consolidated financial statements, including the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in 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.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

### Assets

#### Non-Current Assets

Property and equipment

Financial assets held at fair value through profit and loss

Financial assets held at fair value through other comprehensive income

Investment in subsidiary

#### Current Assets

Financial assets held at fair value through profit and loss

Financial assets held at fair value through other comprehensive income

Loan to subsidiary

Insurance and other receivables

Cash and cash equivalents

### Total Assets

### Equity and Liabilities

#### Equity

Total reserves

Accumulated funds

#### Liabilities

##### Non-Current Liabilities

Operating lease liability

##### Current Liabilities

Operating lease liability

Outstanding claims provision

Insurance and other payables

Employee benefits

### Total Liabilities

### Total Equity and Liabilities

Notes	GROUP		SCHEME	
	2018	2017	2018	2017
	R	R	R	R
3	59,440,459	57,626,774	59,440,459	3,348,792
4	323,224,554	3,951,309,285	323,224,554	3,951,309,285
5	3,414,252,977	-	3,414,252,977	-
6	100	-	100	100
	<b>3,796,918,090</b>	<b>4,008,936,059</b>	<b>3,796,918,090</b>	<b>3,954,658,177</b>
4	10,962,204	303,858,602	10,962,204	303,858,602
5	514,593,972	-	514,593,972	-
7	-	-	-	59,753,989
9	81,980,623	75,643,382	81,980,623	76,323,071
10	368,043,165	668,649,270	368,043,165	667,193,524
	<b>975,579,964</b>	<b>1,048,151,254</b>	<b>975,579,964</b>	<b>1,107,129,186</b>
	<b>4,772,498,054</b>	<b>5,057,087,313</b>	<b>4,772,498,054</b>	<b>5,061,787,363</b>
	9,338,342	21,007,902	9,338,342	-
	4,029,620,464	4,327,870,854	4,029,620,464	4,352,223,037
	<b>4,038,958,806</b>	<b>4,348,878,756</b>	<b>4,038,958,806</b>	<b>4,352,223,037</b>
8	-	197,866	-	1,838,799
11	-	-	-	251,682
12	424,953,044	405,576,219	424,953,044	405,576,219
13	306,412,067	300,262,953	306,412,067	299,726,107
14	2,174,137	2,171,519	2,174,137	2,171,519
	<b>733,539,248</b>	<b>708,010,691</b>	<b>733,539,248</b>	<b>707,725,527</b>
	<b>733,539,248</b>	<b>708,208,557</b>	<b>733,539,248</b>	<b>709,564,326</b>
	<b>4,772,498,054</b>	<b>5,057,087,313</b>	<b>4,772,498,054</b>	<b>5,061,787,363</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

### Risk contribution income

#### Relevant healthcare expenditure

Net claims incurred

Risk claims incurred

Third party claim recoveries

Net income on risk transfer arrangements

Risk transfer arrangement fees/premiums paid

Recoveries from risk transfer arrangements

Accredited managed care: management services

#### Gross healthcare result

Administration expenditure: benefit management services

Administration expenses

Net impairment losses on healthcare receivables

#### Net healthcare result

#### Other income

Investment income

Other realised and unrealised gains and losses

Other operating income

#### Other expenditure

Asset management fees

#### Total comprehensive (loss) income for the year

#### Other comprehensive income:

Changes in the fair value of debt instruments at fair value through other comprehensive income

#### Total comprehensive (loss) income for the year



Notes	GROUP		SCHEME	
	2018	2017	2018	2017
	R	R	R	R
15	<b>9,355,589,355</b>	<b>8,804,287,404</b>	<b>9,355,589,355</b>	<b>8,804,287,404</b>
	<b>(9,553,953,984)</b>	<b>(8,793,557,523)</b>	<b>(9,553,953,984)</b>	<b>(8,793,557,523)</b>
	(9,413,771,844)	(8,687,964,191)	(9,413,771,844)	(8,687,964,191)
16	(9,486,510,282)	(8,757,496,087)	(9,486,510,282)	(8,757,496,087)
17	72,738,438	69,531,896	72,738,438	69,531,896
18	1,107,673	29,449,480	1,107,673	29,449,480
	(257,366,014)	(207,831,316)	(257,366,014)	(207,831,316)
	258,473,687	237,280,796	258,473,687	237,280,796
19	(141,289,813)	(135,042,812)	(141,289,813)	(135,042,812)
	<b>(198,364,629)</b>	<b>10,729,881</b>	<b>(198,364,629)</b>	<b>10,729,881</b>
20	(51,881,930)	(52,776,597)	(51,881,930)	(52,776,597)
21	(287,052,532)	(278,399,126)	(287,052,532)	(278,572,087)
23	(10,892,288)	(23,573,573)	(10,892,288)	(23,573,573)
	<b>(548,191,379)</b>	<b>(344,019,415)</b>	<b>(548,191,379)</b>	<b>(344,192,376)</b>
	<b>259,175,853</b>	<b>556,651,974</b>	<b>259,175,853</b>	<b>562,251,118</b>
24	376,338,840	339,643,222	376,338,840	346,397,212
25	(123,290,323)	213,880,504	(123,290,323)	213,880,504
26	6,127,336	3,128,248	6,127,336	1,973,402
	<b>(16,438,578)</b>	<b>(19,387,662)</b>	<b>(16,438,578)</b>	<b>(19,387,662)</b>
28	(16,438,578)	(19,387,662)	(16,438,578)	(19,387,662)
	<b>(305,454,104)</b>	<b>193,244,897</b>	<b>(305,454,104)</b>	<b>198,671,080</b>
	(7,810,125)	-	(7,810,125)	-
	<b>(313,264,229)</b>	<b>193,244,897</b>	<b>(313,264,229)</b>	<b>198,671,080</b>

14. NON-COMPLIANCE MATTERS

14.1. UPDATE ON NON-COMPLIANCE MATTERS IN THE PRIOR YEAR (PAGE 16-18)

PRIOR YEAR COMPLIANCE	NATURE AND CAUSE OF NON-COMPLIANCE	EXEMPTION OBTAINED
1 Non-compliance with Section 33(2) of the Act – Option self-sufficiency	Testing of the option self-sufficiency indicated that both the Marine and Aquarium options were not self-sufficient on a net-healthcare result basis at year-end.	Not applicable
2 Non-compliance with Section 26(7) - Contributions not received within three days of becoming due.	Certain contributions were paid to the Scheme more than three days after the payment thereof became due.	Not applicable
3 Non-compliance with Section 59(2) of the Act – claims should be paid within 30 days after the date on which they were received	<p>Few exceptions noted with reason:</p> <p><b>Administrator’s Comments:</b></p> <p>The Administrator has a fraud, waste and abuse claims 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 certain instances the payment was delayed as the claim was incomplete. The provider was notified to provide the additional motivations to enable the Administrator to assess and pay the claims.</p>	Not applicable
4 Non-compliance with Section 35 (8)(a) and 35(6)(d) the Scheme granted a loan to PPI to purchase the property and provided letter of support for PPI	The loan was settled in December 2018 and is considered resolved.	Exemption has been obtained by the Scheme for Section 35(8)(a)

<p>5 Non-compliance with Section 35(8) – Investments in employers, administrators</p>	<p>There is an indirect investment of R5,786,919 in Discovery Limited debt instruments in the Scheme's investment look-through information for the return.</p>	<p>Exemption has been obtained by the Scheme for Section 35(8)</p>
<p>6 Non-compliance with Regulation 6 (1) – Claims may not be rejected for 'late submission' within four months</p>	<p>One claim number was rejected using rejection code '43' which reflects stale claims although it was received and processed within 22 days of the treatment date. It was confirmed that this was an isolated case and no other such incident was noted for the year.</p> <p><b>Administrator's comments:</b> All the claims for this treatment date were rejected for possible duplication (code 23), however the one claim line was incorrectly rejected by the user for error code stale (code 43). The claim rejection code was subsequently corrected and paid to the providers.</p>	<p>Not applicable</p>
<p>7 Non-compliance with Section 32 and the scheme rules in respect of the timeous suspension and termination of members</p>	<p>Four exceptions noted.</p> <p><b>Administrator's comments:</b> Delayed suspensions are due to the Scheme continuation membership settling their monthly contribution via debit order or through cash deposits. For members whose debit orders are rejected, the membership is automatically suspended however a manual procedure is followed where cash payers default on their monthly payments. The cash payers are suspended by 15th day of the month as set out in the Scheme Debt Policy. There may be instances where the suspension occurs after the 15th day due to non-business days i.e. weekends or holidays.</p>	<p>Not applicable</p>

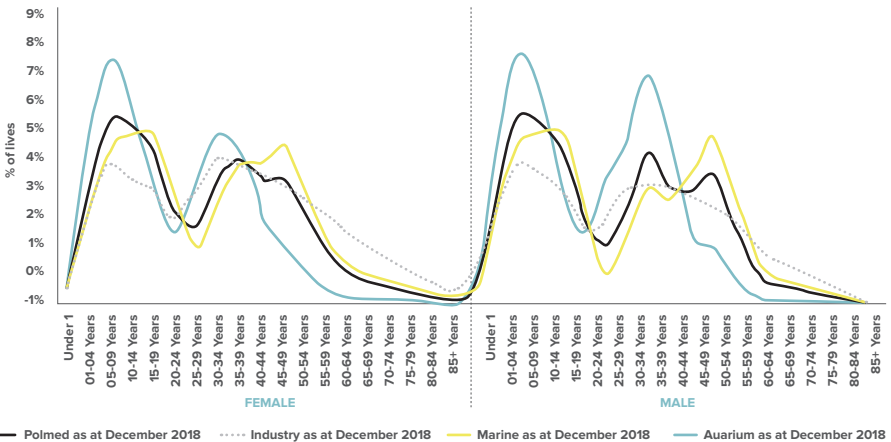
<p>8 Non-compliance with s32 – Binding force of rules and Rule 16.2.2 – Notification of changes in benefits or contributions to members should be made by 30 November</p>	<p>Members were not notified of changes to benefits and contributions for the 2019 year by 30 November 2018. The communication was sent on 19 December 2018.</p> <p><b>Administrator’s comments:</b> Reason noted by the Scheme is due to the 2019 member benefit guide distributed after the Council for Medical Schemes confirmed the approval of the 2019 benefits and rules on 19 December 2018. The Member Benefits Guide was distributed on 19 December 2018.</p>	<p>Not applicable</p>
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## 15. OPERATIONAL STATISTICS

### MEMBERSHIP ANALYSIS

Membership Distribution by Age and Gender

Membership Distribution by Age and Gender for Polmed as at December 2018



The graph above compares the membership distribution of the Scheme as at December 2018, 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.

of women. The scheme shows a higher proportion of child dependents, as well as adult male dependents 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.

The second peak occurs at the beginning of the economically active years, which also coincides with the childbearing years

### CONTRIBUTIONS VERSUS HEALTH INFLATION OVERTIME

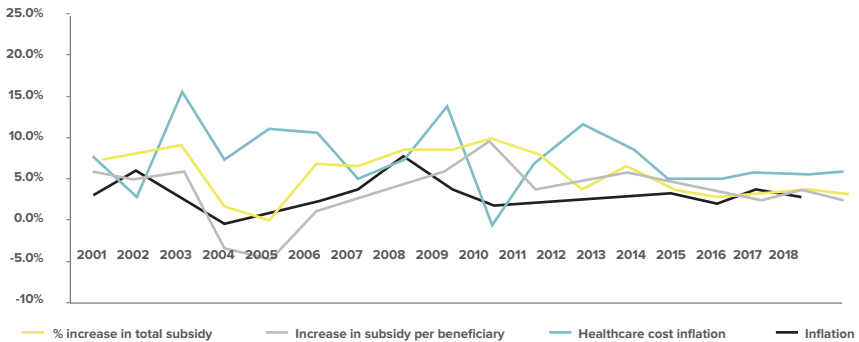


Figure 4

The graph above reveals the following: For the period 2000 to date Polmed beneficiaries increased by 54,6% from 235,940 in 2000 to 502,795 in December 2018. During the same period, health inflation increased by 197%, however the State Grant only increased by 159%.

Between the year 2000 to date there has been a 38% Funding-Gap between State Grant increase and Health Inflation increase since the inception of Polmed, which was initially covered by investment return, however in the current economic environment, the Scheme was forced to use its reserves to cover this gap.

HEALTHCARE VERSUS SOLVENCY RATIOS OVERTIME

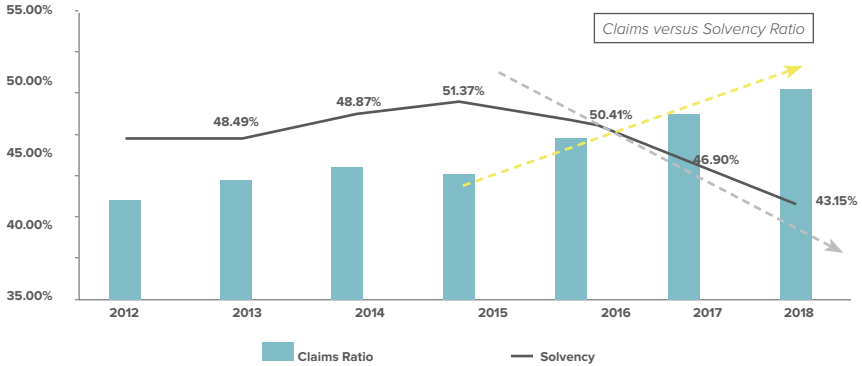


Figure 5

The graph above reveals the impact of the contribution gap revealed under Figure 4 above evidenced by the continuous increase in claims ratio resulting from the decline in contribution income, the outcome

of which is declining reserves. This situation is exacerbated by continuous increase in lifestyle disease as it will be shown elsewhere in this report.

NON-HEALTHCARE RATIO OVERTIME

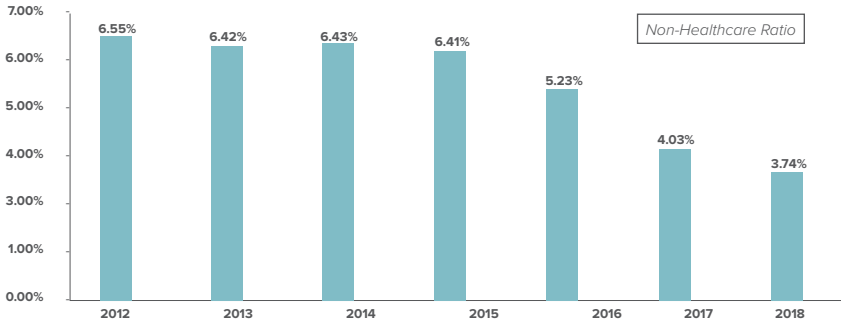


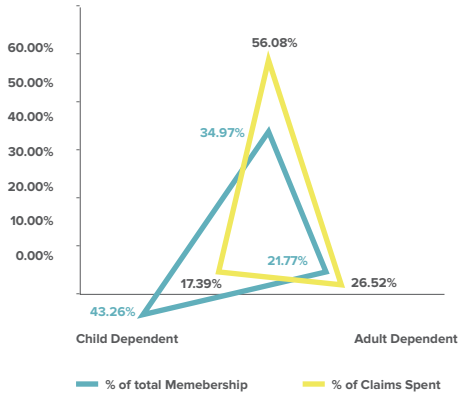
Figure 6

Non-healthcare expenditure ratio is continuously declining as shown in the graph above and as at the end of December 2018, it was recorded at 3.74% against a budget of 3.76%. This ratio is

the lowest in the industry and compared favorably to the 10% prescribed by CMS guidelines. This equates to a R14 million saving in terms of proposed budget for 2018.

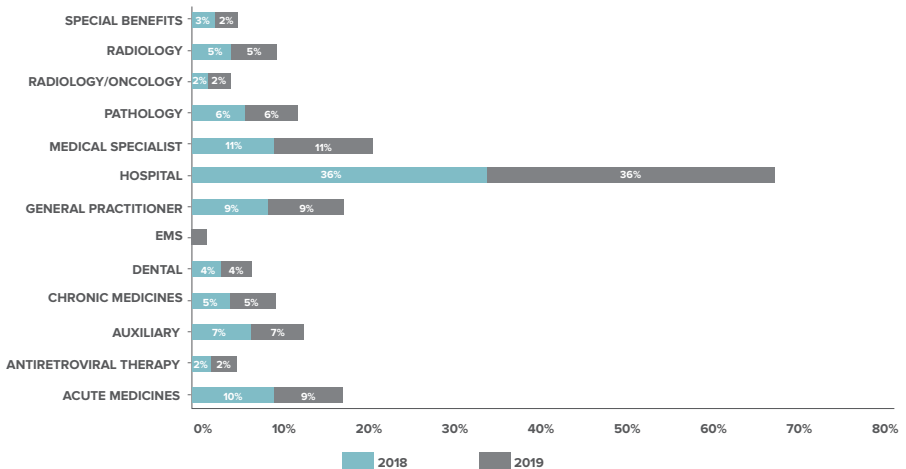
## CLAIMS ANALYSIS

Claims by beneficiary category



The chart 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**

We are 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 our sustainability if they continue unabated. Our sustainability is therefore at the mercy of our beneficiaries’ commitment to healthy living and the Board will continue to find ways to encourage and reward members for healthy lifestyles.

**TOP ADMISSIONS BY FREQUENCY (2017V/S2018)**

		ADMISSION PER 1000			AVERAGE COST PER ADMISSION			HOSPITAL COST PER LIFE PER MONTH		
		2017	2018	% Change	2017	2018	% Change	2017	2018	% Change
1	Mental Health Admissions	13.83	14.07	2%	23 788	25 875	9%	27.42	30.33	11%
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 w/w/o insertion of lens	4.21	4.60	9%	12484	12 796	3%	4.38	4.91	12%
10	Circumcision	3.87	4.35	12%	8 019	9119	14%	2.59	3.31	28%



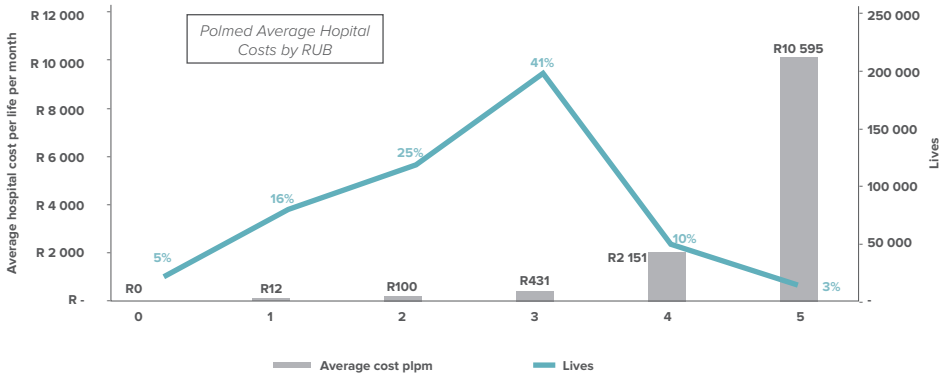
Mental health remains one of the top contributors to hospital cost drivers for Polmed, not only in as far as frequency of admissions is concerned, but also in terms of hospital cost per life per month. It is for this reason that the Board established a Psychosocial Network to enhance access to primary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

section over normal child birth. However, following the implementation of Specialist Networks, a marked 3% reduction in caesarian sections was noted.

We have also noted a whopping 24% decline in Pneumonia admissions, following the default one-day admission authorisation for all Pnuemonia admissions which was also accompanied by a whopping 23% Pneumonia Hospital Cost per life per month.

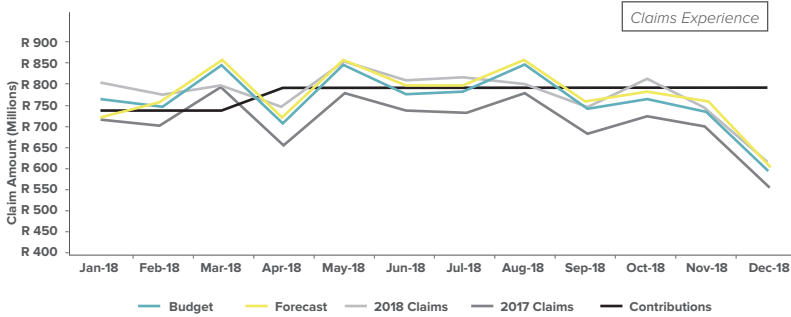
Caesarian delivery is our second top admission which is driven mainly by the Obstetricians' preference of caesarian

### RESOURCE UTILISATION BAND (RUB) PER RAND SPENT



The above graph confirms that although only 3% of members fall within RUB 5 (which is the highest clinical/comorbid risk), 35% of the healthcare spend was on that group of members/patients.

SUMMARY – OVERVIEW OF RESULTS



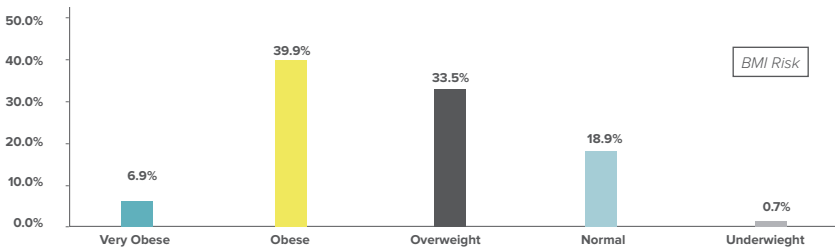
The claims experience for the year 2018 is consistently higher than the claims in the year 2017. However, the claims experience appears to have similar seasonality trends as the claims in 2017, with the magnitude of claims fluctuation being lower in 2018.

Claims in 2018 overall are higher than contributions received for most months. The loss ratio is observed to be lower than 100% during April, September, November and December 2018.

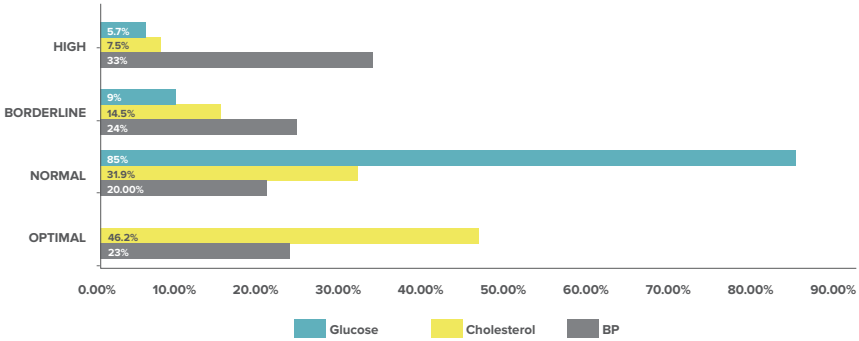
POLMED MEMBER WELLNESS

	PRINCIPAL MEMBERS	DEPENDANTS	TOAT
Wellness Participants	9 729	1 414	11 143

Below is the Body Mass Index (BMI) of the 11 143 beneficiaries who participated during 2018 wellness events;



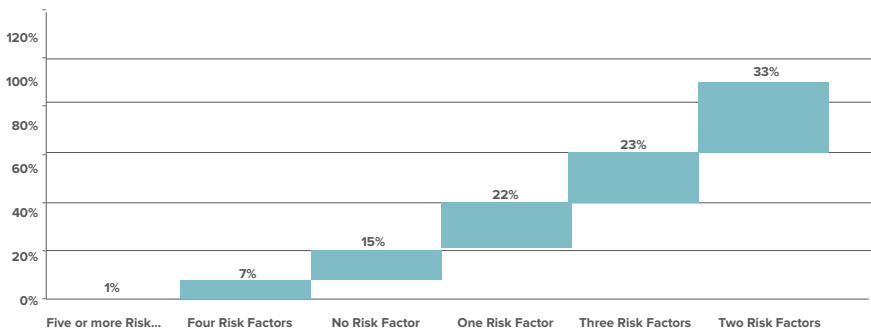
## BLOOD PRESSURE AND CHOLESTEROL PROFILE



The chart above reveals blood pressure and cholesterol profile of our members based on participants in our 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.

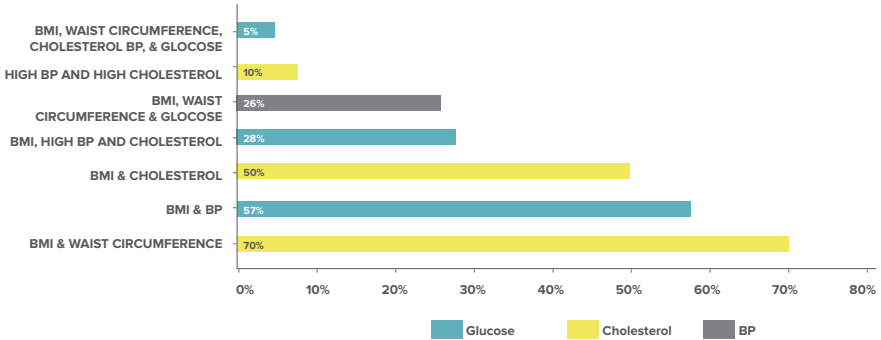
## HEALTH RISK ASSESSMENT "RISK FACTORS"



The chart above depicts the majority of members screened and the risk factors presented during the reporting period.

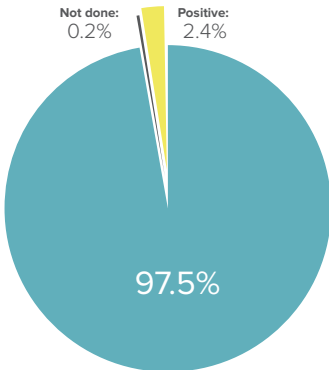
The majority of the members screened presented with two risk factors (33%), followed by those presenting with three risk factors (23%) and those with one risk factor (22%).

BLOOD PRESSURE AND CHOLESTEROL PROFILE



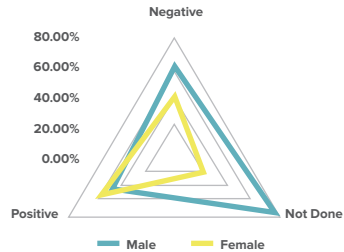
The results in the chart above confirm that **increased waist circumference together with increased BMI** were the major contributors towards increasing the overall health risk profile of members.

HCT RESULTS



Of the 5,957 who were screened for HIV, only 2.4% tested positive as reflected in the graph above and the results suggest higher prevalence in females than in males.

HCT RESULTS BY GENDER



It should be noted that more males were screened than females (60:40) and that 70% of those screened were participating in HCT for the first time.

### PROSTATE CANCER SCREENING

During the period under review, we screened 980 males for prostate cancer and 2% (18) people had an elevated PSA level and were immediately referred for further diagnosis and treatment.

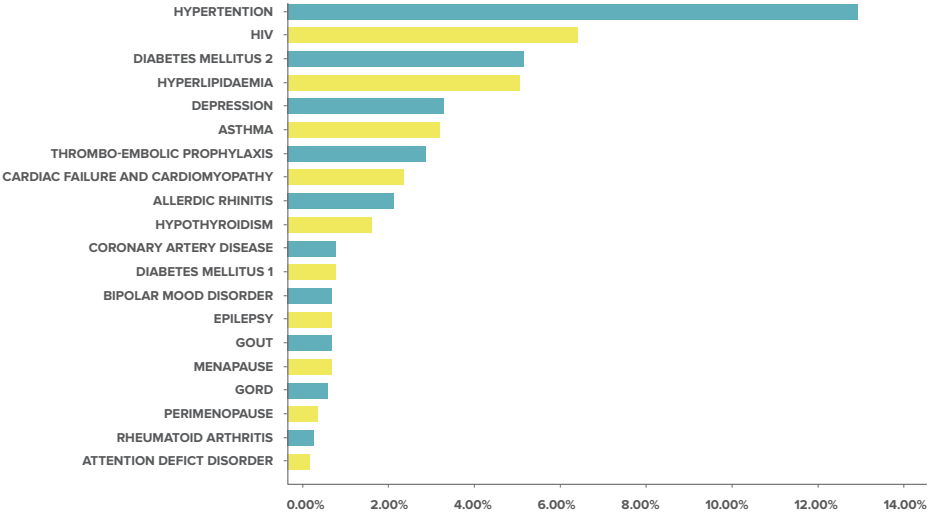
### ACTIVE DISEASE RISK MANAGEMENT (ADRM)

During the period under review we screened at least 9 138 during our wellness and adhoc events and 44% of them were enrolled on our 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	5 108	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%

% OF BENEFICIARIES



A summary of top 25 chronic conditions for Polmed’s chronic beneficiaries reveals that 12.8% are registered for hypertension, 6.5% for HIV, 6.4% for Diabetes Mellitus and 5.2% for Hyperlipidaemia. This insurgence of lifestyle diseases poses a serious threat to our sustainability and for us to withstand this

threat we will require new partnership with our members aimed at fostering healthy lifestyles. The Board is busy looking at strategies aimed at encouraging and rewarding healthy living and our members will receive communication outlining such strategies in due time.

## 16. CONCLUDING REMARKS

Polmed has maintained a healthy position with reserves of 43.15% as at 31 December 2018. However, the solvency ratio decreased as a result of a claims increase which was driven by hospital, oncology, chronic medicines, radiology and pathology claims, which are driven by utilisation.

The investment return for the period under review was lower, however a shift in the short-term investment strategy ensured increased returns towards the latter months of 2018. Our exposure to economic uncertainties resulting from global tariff wars involving USA and China poses a serious risk to our investments. However management and the Scheme's Investment Consultants are continuously monitoring the economic environment and its potential impact on investments to enable the Board to make informed investment decisions.

We have 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 will form part of our 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 is envisaged to yield good outcomes for the next financial year and more focus will be placed on stakeholder engagement and member education.

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.

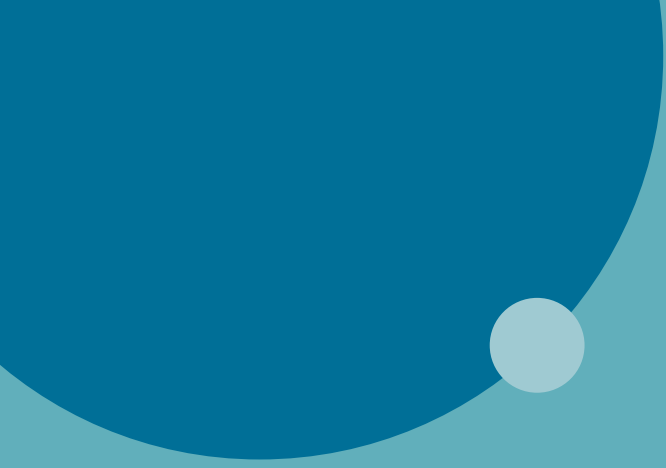












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