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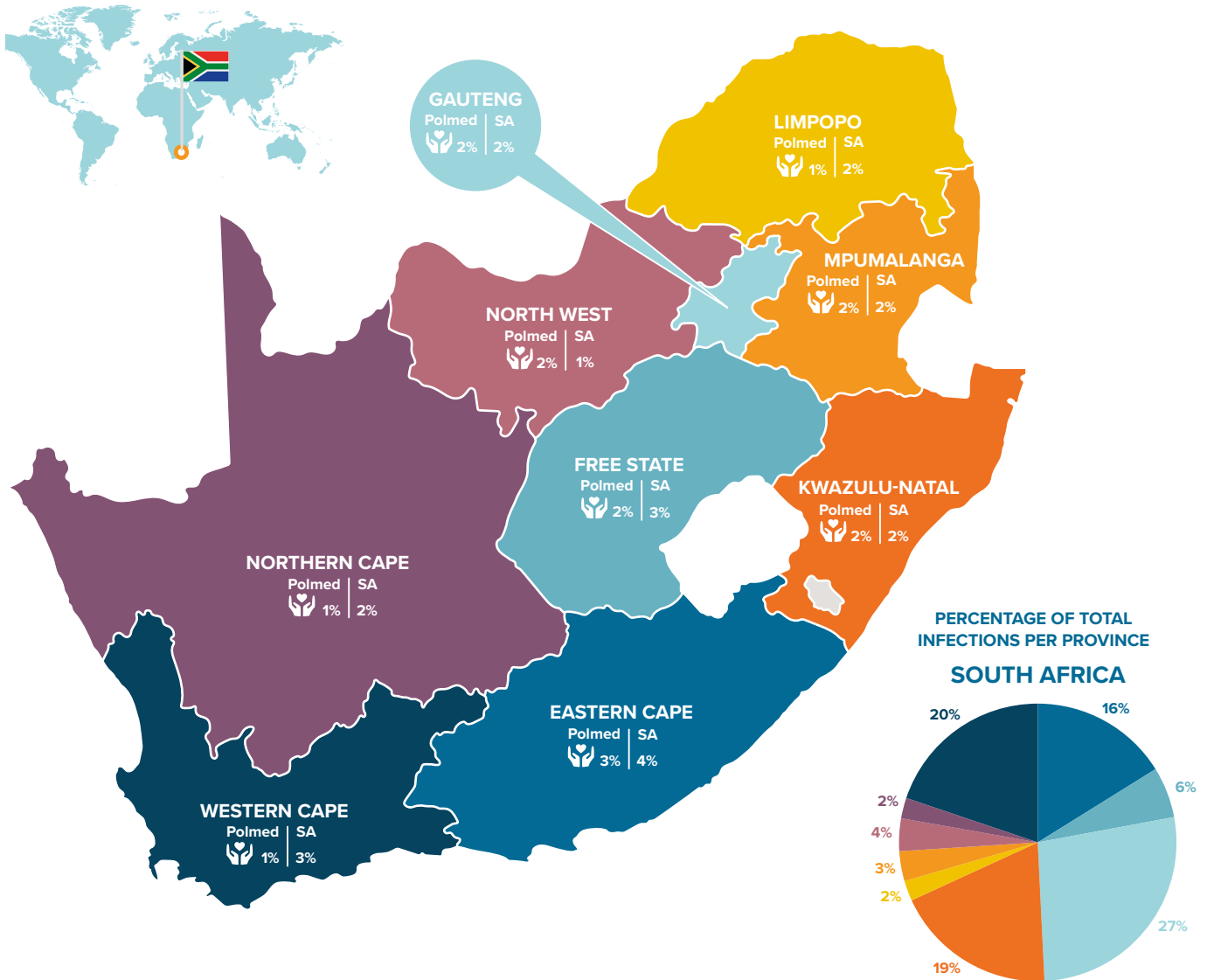
2020

INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

POLMED-SA COVID-19 STATISTICS AS AT 31 DECEMBER 2020

TOTAL NUMBER OF TESTS		TOTAL NUMBER OF POSITIVE CASES		TOTAL NUMBER DECEASED	
POLMED	SA	POLMED	SA	POLMED	SA
187 004	6 609 208	31 018	1 057 161	584	28 469



Reference: www.sacoronavirus.co.za/2020/12/31/update-on-covid-19-31st-december-2020
NB: Actual percentages have been rounded off for display purposes.

Polmed members have fared well managing the spread of COVID-19 considering that SAPS did not go into lockdown with the rest of the country in March 2020 and in addition, were unable to maintain the required social distance due to the nature of their occupation during the year. An increase in infection percentages due to increased exposure is therefore expected for Polmed members. This is shown by the slightly raised infection percentages in the smaller provinces against the infection percentages for South Africa. In fact, for the higher population density provinces Polmed members showed a lower rate of infection compared to the South African percentages as at end December 2020. This can be directly attributed to the isolation and quarantine facilities Polmed proactively implemented earlier on in the year under the leadership of the Board of Trustees (BoT) and the Principal Officer (PO).

Polmed members may call 0860POLMED (0860 765 633) with regards to use of the isolation and quarantine facilities. NB Isolation and quarantine will be prioritised for members with comorbidities.

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NOTICE OF THE ANNUAL GENERAL MEETING

Consistent with the prescripts of Section 29(1)(m) of the Medical Schemes Act, 1998 (Act 131 of 1998) read with Rule 26.1 of the South African Police Service Medical Scheme (Polmed) Rules; notice is hereby given that the Annual General Meeting of the members of Polmed will be held at **Hedgehog's Nest, Plot 153, Rietvlei, Donkerhoek Road, Rustenburg, North West Province on Thursday, 15 July 2021 at 10h00.**

Please note that registration will commence at 07h30.



THE PRELIMINARY AGENDA IS AS FOLLOWS:

AGENDA 2021 POLMED ANNUAL GENERAL MEETING | 15 JULY 2021 | 10H00

ITEM	SPEAKER
1. Opening and welcome	Chairperson
a) Opening prayer	Lt Col (Rev) PM Esau
b) SHE representative	Ms Neo Bonya
c) Welcome address	Lieutenant General Kwena
2. Attendance and confirmation of quorum (Rule 26.1.3)	Ms Julia Motapola
3. Confirmation of agenda	AGM
4. Confirmation and adoption of the minutes of the previous AGM held on 03 December 2020 at The Retreat Wedding and Conference Centre, Kimberley, Northern Cape	AGM
5. Matters arising (page 9–10)	Chairperson
6. Introduction of officials	Chairperson
7. Consideration of Integrated Report and Financial Statements for the year ending 31 December 2020	
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	PwC
8. Appointment of external auditors (Rule 26.1.2)	Mr Z Samsam
9. Motions (Rule 26.1.6)	Chairperson
10. Trustee elections outcome announcement	Ms Bontle Mpakanyane (Elections Agency)
11. Verification of Trustee elections	Independent auditors
12. Closure	Chairperson

AGM ATTENDANCE

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

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

Members attending the AGM must present their membership cards, their RSVP confirmation together with any of the following identification documents:

- A South African ID book or smart ID card
- South African driver's licence
- Passport

SUBMITTING MOTIONS

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

Below is a guideline that will help you construct your motion in line with Rule 26.1.6 of the Scheme Rules:

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

Motions can be submitted as follows:

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

Motions have to reach the Principal Officer by no later than **17h00 on Thursday, 08 July 2021**. Any motions received after this date and time will be invalid.

Ms FN Vuma

Chairperson of the Board of Trustees
01 June 2021



MINUTES OF THE ANNUAL GENERAL MEETING (AGM)

MINUTES OF THE POLMED ANNUAL GENERAL MEETING (AGM) HELD ON THURSDAY, 03 DECEMBER 2020 AT 10h00 AT THE RETREAT WEDDING AND CONFERENCE CENTRE, 28 SOUTHEY STREET, KIMBERLEY, NORTHERN CAPE

1. OPENING AND WELCOME

The Chairperson of the Board, Ms Vuma welcomed all present and declared the meeting officially open at 10h00. Ms Vuma further welcomed all the stakeholders, the Board of Trustees, the Principal Officer (PO), the Polmed Executive Team, and most importantly the members of Polmed.

She requested the SAPS Acting Provincial Commissioner of the Northern Cape, Major General De Waal, as the host province, to welcome all. The Chairperson remarked that the South African Police Service has lost over 400 employees due to the COVID-19 pandemic. She encouraged the meeting to pray for those who are in hospitals and in quarantine and/or isolation.

The Chairperson further indicated that the lockdown regulations published in terms of the Disaster Management Act 57 of 2002 impacted on the Scheme's ability to convene the AGM as per the calendar plan.

ATTENDANCE AND APOLOGIES

The attendance register was circulated.

BOARD OF TRUSTEES

Ms FN Vuma, Chairperson
Ms MV Phiyega, Deputy Chairperson
Ms NP Cupido
Ms PP Dimpone
Ms ED Groenewald
Ms BD Mokwena
Mr BSJ Muller
Mr SJ Nelson
Mr TN Ngwenya
Mr ST Nkosi
Mr RP Ntsime
Mr RD Orsmond
Ms BP Temba
Ms HK Senthumule

EX OFFICIO

Ms N Khauoe, Principal Officer (PO)

POLMED EXECUTIVES

Mr H Du Plessis, Chief Financial Officer (CFO)
Dr J Makkink, Chief Operations Officer (COO)
Ms J Motapola, Senior Legal Manager (SLM)

INVITEES

Mr Z Samsam, Audit and Risk Committee Chairperson
Mr S Johnson, PwC
Mr L Lazarus, Medscheme
Ms C Makelana, Secretariat

APOLOGIES

Council for Medical Schemes (CMS) officials

DECLARATION OF INTEREST

The declaration of interest register was circulated and noted by members. Board members declared interest in item 8 on the agenda – Trustee remuneration.

A. OPENING PRAYER

Chaplain P Volgraaff, opened the meeting with a word of prayer and a short message from the book of Genesis 32:30.

B. SHE REPRESENTATIVE

SHE representative, Mr Armand Ridgard took the meeting through the evacuation procedure and pointed out all the emergency exit points of the building. He further urged the meeting to comply with the COVID-19 protocols, wearing of masks, regularly sanitizing hands, and maintaining a 1.5 meter social distance.

C. WELCOME ADDRESS

Major General de Waal, the Acting Provincial Commissioner, thanked Polmed and the Scheme members for hosting the AGM in Kimberley. Maj Gen de Waal encouraged all in attendance to explore and enjoy the city and to contribute to making the day a success. The value of the Scheme to members was noted and an appreciation for the Scheme leadership was expressed.

2. ATTENDANCE AND CONFIRMATION OF QUORUM (RULE 26.1.3)

The Chairperson of the Board called upon Ms Motapola to confirm if the required quorum was constituted for the AGM to convene. Subsequently, Ms Motapola reported that in terms of the Scheme Rule 26.1.3, a minimum of 50 members was required to form a quorum. At 10h00, 83 members had been in attendance, thus a quorum had been met and therefore the meeting was duly constituted.

VIDEO MESSAGE FROM THE NATIONAL COMMISSIONER OF POLICE:

The Honourable General Khehla Sitole (NC) addressed the AGM via a video message and welcomed the Chairperson of the Board, Board members, stakeholders, members and heads of labour organisations. The NC highlighted various health and lifestyle issues that affected Polmed members. The Board and its Chairperson was thanked for their good work and he expressed appreciation for the Scheme's response to the COVID-19 outbreak as it had a significant impact on Polmed members and their families. The NC expressed pride at the opening of the quarantine and isolation facilities for Polmed members in Pretoria West. He indicated that the facilities are strategically positioned nationwide to assist members who needed isolation or quarantine.

He commended Polmed leadership on the resourceful initiative and for prioritising member wellness. Furthermore, he noted a healthy relationship between the SAPS and Polmed. In closing, he encouraged the meeting to find lasting and practical solutions to the discussions of the day as well as challenges at hand.

3. CONFIRMATION OF AGENDA

The Chairperson presented the agenda and invited members to provide inputs and propose additions and/or amendments, and to move and second the adoption of the agenda. The agenda was moved by Mr Magerman and Mr Magagula seconded the adoption of the agenda subject to addition of matters arising from the previous meeting.

4. CONFIRMATION AND ADOPTION OF THE MINUTES OF THE PREVIOUS AGM HELD ON 11 JULY 2019 AT THE PRESIDENT HOTEL, 1 UNION AVENUE, BLOEMFONTEIN, FREE STATE PROVINCE

The Chairperson presented the 2019 AGM minutes for adoption, Mr Magerman moved for the adoption of the minutes and the proposal was seconded by Mr Johnson subject to amendments.

Mr Magerman commented that the invocation of Rule 27.4 was moved and seconded at the previous AGM in 2019, but was generally not accepted and requested that the minutes reflect that position. Other members, including Mr Mluleki Mbhele, supported the Rule. The Chairperson commented that Rule 27.4 was a matter arising and was currently *sub judice*. The Board would communicate the result of the *sub judice* matter once resolved with CMS.

The following comments were made by members on the floor:

- Mr Magagula thanked the National Commissioner, the Chairperson of the Board and the Board for the work well done. He further commented that the invocation of Rule 27.4 is no longer necessary as police officials cannot be associated with disruptions. He further affirmed that he does not foresee disruptions taking place in future meetings.
- Ms Molefe indicated that Rule 27.4 must be upheld as the meeting is not certain that there will not be future disruptions.
- Mr Nsele stated that issues around Rule 27.4 were misplaced, as the current agenda item under discussion was the adoption of the minutes.
- Mr Magerman reiterated that there was no need to invoke this Rule at this AGM as the matter was *sub judice*, furthermore there would be no disruptions at this meeting.
- Mr Mbhele advised that if other members wished to deliberate on the matter of Rule 27.4, a proper motion should be tabled.
- Mr Nsele requested the Chairperson not to refer to the Rule as *sub judice* as the Rule is currently a registered Scheme Rule. He further commented that the Rules cannot be subjected to discussions that were outside the AGM and requested, that if members are willing, they must prepare a motion on the Rule.

The Chairperson in closing indicated that the Rule was a matter outside of this AGM and was between the Scheme and CMS. Furthermore, she indicated that the Rule stands until a resolution with CMS has been reached.

5. CHAIRPERSONS REMARKS

The Chairperson acknowledged the Deputy Chairperson, Ms Phiyega; the PO of Polmed; the Board of Trustees; stakeholders; Deputy Presidents of SAPU, Mr Magerman and Mr Magagula; and Deputy President of POPCRU, Mr Masemola, and extended a warm welcome to all members.

The Chairperson noted that 2020 was a challenging year and congratulated all members that had been at the forefront of the battle against COVID-19. The spirit of unity was encouraged amongst all the leaders of labour, Medscheme and other stakeholders. Furthermore, she reflected on the legacy of Nelson Mandela and lessons that could be learnt from his leadership. The Chairperson remarked that peace cannot be kept by force, but only through understanding. Moreover, peace was not the absence of conflict but the ability to handle conflict by peaceful means.

The Chairperson introduced the following representatives to the members:

- Board of Trustees
- Polmed PO and her executive team
- Independent member and Chairperson of the Audit and Risk Committee
- External auditor, PwC
- Medscheme representatives
- Deputy Presidents of SAPU and POPCRU

6. CONSIDERATION OF THE INTEGRATED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

A. HIGHLIGHTS OF THE INTEGRATED REPORT (RULE 26.1)

The PO presented the highlights of the Integrated Report which included the following salient features:

GOVERNANCE STRUCTURE

The PO outlined the governance structure of Polmed and indicated that members are the key stakeholders of the Scheme. The Board of Trustees is vested with the responsibility of managing the affairs of the Scheme as well as the strategic oversight and monitoring of the Scheme's performance on behalf of its members. She advised that the Board consists of the following five sub-committees:

- Audit and Risk Committee: this is a statutory committee of the Board. It consists of two Trustees and three independent persons. The role of this committee is to assist with the evaluation of the efficiency of the internal control systems, accounting practices, information systems, risk management and auditing processes.
- Clinical Governance Committee: the committee ensures continuous quality improvement of clinical care and is responsible for benefit design, data analytics and apportion benefits accordingly.
- Investment Committee: is responsible for advising the Board on proper investment vehicles and portfolios. The committee consists of independent investment consultants in addition to Trustees.
- Complaints and Dispute Resolutions Committee: deals with member's complaints which have been referred to it after the administrator has escalated the complaint

to the Principal Officer's office and the member is still not satisfied with the outcome thereof. If the member is still not satisfied with the decision of CDRC, it is then that the member can refer the matter to CMS.

- Human Resources and Remuneration Committee: deals with the remuneration of Polmed employees as well as related policies and procedures.

The Principal Officer reports to the Board and is responsible for the management of operational matters of the Scheme and oversees the Finance department, Operations department, Corporate services and Legal, Risk, Compliance and Secretariat departments.

BUSINESS MODEL

The PO explained that 25% of Scheme funding is derived from member contributions and 75% from employer contributions. She further explained that the Scheme follows an outsourced business model. Medscheme is the current Scheme administrator. Chronic medicines is managed by Scriptpharm – the network is no longer restricted to certain pharmacies. The optical benefit is outsourced to Preferred Provider Negotiators (PPN). The PO announced that emergency medical services is now outsourced to ER24, to which members applauded.

FUNDING MODEL

The PO illustrated the funding model to the members and indicated that it is a mixed model in that the model constitutes both fee for service and capitation, particularly with regard to chronic medicines and optical benefits. Net healthcare costs relate to member claims whereas non-healthcare costs deal with operational costs of the Scheme. The PO further advised members about changes to child dependants coming into effect.

POLMED STRATEGY

The meeting noted that the Board has three objectives: sustainability, quality healthcare and stakeholder relations. National Health Insurance (NHI) and AGM disruptions were red flagged, as the Scheme has no control over them.

KEY CHALLENGES

The PO urged members to be physically active and exercise regularly to reduce the prevalence of high cholesterol. High costs of advanced technology was identified as one of the key challenges

TRUSTEE CONSIDERATIONS

The PO reported that since the adoption of remuneration consideration at the 2015 AGM held in Polokwane, there has been no increase in Trustee honorarium.

The Board of Trustees rejected the 2017/2018 increase which was duly approved by the Council for Medical Schemes. The Board of Trustees further rejected a fee increase for 2018/2019 as well.

It was noted that travel and accommodation contributed to high costs.

ASSURANCE PROVIDERS

The meeting noted that Polmed has internal and external auditors as well as independent actuaries as assurance providers.

MEMBERSHIP GROWTH

The PO reported that for the period between 2000 to 31 December 2019, Polmed members, dependants, and beneficiaries increased by 46.06%, 61.54%, and 55.78% respectively.

GRANT CONTRIBUTIONS OVER TIME

The PO explained the schematic graph to the members and explained that for the period between 2000 to 31 December 2019, Polmed members, dependants and beneficiaries increased by 46.06%, 61.54%, and 55.78% respectively. During the same period, health inflation increased by 205.4% and that during this same period, the State grant only increased by 165.52% representing a 39.88% funding gap.

HEALTHCARE EXPENDITURE

The PO outlined claims by beneficiaries and explained the chart that 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, as well as interventions. She further reported that with regard to claims and solvency ratios, the claims ratio is driven by much lower contributions resulting from higher health inflation increase over time.

STAKEHOLDER MANAGEMENT

The PO confirmed the list of key stakeholders which included members, SAPS, labour and associations representatives, the administrator, bankers, investment consultants, actuaries, internal, and external auditors respectively.

RISK MANAGEMENT

The PO reported that the Board identified inherent risks in respect of NHI and an adverse decrease in solvency levels.

FRAUD, WASTE AND ABUSE

Members were urged to check their statements and report suspicious claims. Members were also requested not to engage in fraudulent activities.

COVID-19 UPDATE 2020

The PO advised that the CMS has classified the treatment of COVID-19 as a Prescribed Minimum Benefit (PMB) and that Polmed has established isolation and quarantine sites for members across the country and affirmed all members that require isolation/quarantine support will be assisted. In addition, the total expenditure on COVID-19 was presented.



B. INDEPENDENT AUDIT REPORT (RULE 26.1.1)

Mr Johnson, the PwC external auditor, gave brief feedback on the Independent Audit Report of the Scheme's financial statements and reported that the audit met international practices and standards. Mr Johnson confirmed PwC's independence from the Scheme and announced qualified report audit opinion.

7. APPOINTMENT OF EXTERNAL AUDITORS (RULE 26.1.2)

Mr Samsam requested PwC personnel and anyone with a financial interest in PwC to excuse themselves for the duration of this agenda item. Members were informed that there was a provision to retain the same auditor for a maximum period of seven years. The AGM was informed that rotation of the lead auditor takes place every five years. The current lead partner had already served four years and was still eligible for another year.

He reported that Polmed policies provided for a five-year term contract and currently the auditor's contract had one year remaining. Moreover, governance principles made provision for an additional year and the Board had recommended that PwC be re-appointed for an additional year. The Scheme was comfortable with the quality of work and reports provided by PwC. Furthermore, all the deliverables had been met by PwC and costs had been stable.

Mr Samsam requested the AGM to approve PwC as the external auditors. A member moved to adopt the motion to appoint PwC for up to seven years and another seconded the motion for the appointment of PwC, but only for an additional year. Mr Charlton Johnson moved for the approval and the proposal was seconded by Ms Molefe.

RESOLUTION

The AGM resolved to appoint PwC as external auditor for an additional year.

8. TRUSTEE REMUNERATION (RULE 18.24)

It was reported that Trustees last received a remuneration increase in 2015. The members present were requested to consider a CPI increase of Trustee remuneration for the 2020/2021 period. The members moved to adopt the increase in Trustee remuneration as per the guidelines on page 35 of the Integrated Report.

Mr Magerman enquired whether Polmed employees would also receive a salary increase. In response, it was reported that HRREMCO dealt with employee remuneration and approved salary increases accordingly. Ms Molefe moved for the approval and the proposal was seconded by Mr Magerman.

9. OTHER MATTERS FOR WHICH DUE NOTICE HAS BEEN GIVEN (RULE 26.1.4)

The following motions had been received by Polmed from Scheme members and the response to the motions are as follows:

A. RENEGOTIATION OF FUNDING IN RESPECT OF INCOME BRACKETS (Proposed by R Lawlor and seconded by P Cloete)

The Board must be tasked with renegotiating funding in respect of the income brackets whereby contributions are determined for 2020/2021. The proposal/s is/are a direct

result of increased monthly contributions of up to 30% which were applied with effect from 1 April 2020 and particularly affected those members in the lower income brackets. This increase in contributions had eradicated most of the 3.6% increase of the pension increase which is still subject to tax. It therefore figures that approximately 3.6% of all Polmed members have suffered negatively.

RESPONSE BY MR NELSON

Contribution increases that were effected in April 2020 mainly affected high-income earners. Low-income earners benefited instead from the cross-subsidisation that was implemented in April. Members are encouraged to inform the Scheme of their correct income. Members' annual contribution increases are actuarially calculated as part of the benefit redesign process. Due consideration is given to ensure that the annual increases remain as low as possible and still maintain Polmed's sustainability. It was reported that members should provide total gross income so that they fall into the correct income brackets.

B. CURRENT INTRODUCTION OF SAVINGS TRANSLATES INTO ADDITIONAL COSTS FOR MEMBERS (Proposed by R Lawlor and seconded by P Cloete)

Introduction of savings, which translates into an additional cost to members, is contrary to the Scheme's benefit overview which says that, "We don't pursue profits or try to accumulate reserves at the expense of our members."

RESPONSE BY MR NGWENYA

By law, the Scheme must accumulate reserves of 25%. The Scheme's risk-based solvency is calculated at 40% by actuaries. The Scheme managed COVID-19 without concerns of low reserves as a result of maintaining the required 40%. The annual savings that is generated via Polmed's managed care interventions translate into a relatively lower year-on-year member contribution increase that would not have been the case had the savings not been achieved.

The interventions/savings are directed at changing provider's behaviour where unnecessary procedures or medicines are prescribed for members, which mainly benefit the service providers instead of members. For example, these interventions like back and neck, saved members from undergoing unnecessary back operations. Positive feedback has been received from members regarding these interventions. Members are encouraged to use designated service providers or preferred service providers to avoid co-payments.

C. WITHDRAWAL OF ONLINE VOTING (Proposed by R Lawlor and seconded by P Cloete)

Voting at the AGM is limited to those persons who can afford to attend, whereas a broader opinion of members would have been achieved and given more credibility to any decisions taken.

RESPONSE BY MS TEMBA

Scheme Rules do not make provision for online voting. Polmed members had the opportunity to vote on 07 April as well as on 30 July 2020. Members who did not vote on the two dates, still had the opportunity to vote at the AGM on 03 December 2020 in Kimberley.

D. SAPU'S PROPOSAL FOR ALL LAW ENFORCEMENT TO FALL UNDER POLMED IS REJECTED

(Proposed by R Lawlor and seconded by P Cloete)

SAPU's proposal for all law enforcement agencies (prisons, provincial traffic and municipal etc.) to fall under Polmed, should be met with a definite and emphatic "no."

RESPONSE BY MS SENTHUMULE

Ms Senthumule noted the motion, and explained the SAPS Act defines who should be Polmed members and the matter was not a part of the scope of the Board and within the Board's sphere of influence.

E. INCOME VERIFICATION FOR CONTINUATION MEMBERS

(Proposed by Petrus Dirk Schoeman and seconded by Wynand Johannes Schoeman)

Member contributions for continuation are calculated in accordance with pensionable income as per Polmed Rule 4.25. There is no provision made for numerous members that obtained a severance package from the SAPS who are dependent on a monthly income resulting from investments that have been made. The issue has been raised with Polmed on several occasions without success. No income is derived from the State's Pension Fund. Proof of income had been submitted from Sanlam and Old Mutual on 31 July 2019, to no avail.

NATURE OF MOTION

Provision should be made in the Polmed Rules that the income of members that have obtained a severance package from the SAPS should be assessed separately in order to determine monthly premiums.

RESPONSE BY MR ORSMOND

Proof of income determined contributions. It is important for members to submit accurate proof of income so that correct contributions can be charged. The Board has ensured that member contributions are levied accordingly.

F. RESUSCITATION OF AGM TASK TEAM

(Proposed by Mluleki Mbhele and seconded by Mncedisi Mbolekwa)

The Polmed AGM task team that was established during one of the AGM's must be resuscitated to fulfil its mandate and perform its role.

RESPONSE BY MR NGWENYA

The Board will follow the direction of the AGM and will implement the AGM task team.

G. THE CURRENT STRUCTURE OF DAY-TO-DAY COVER MUST BE CHANGED

(Proposed by Godiamang Pico and not seconded)

Please change the way you have divided day-to-day cover per member to be used by any member who is sick at that particular time because I have children who sometimes don't even consult a doctor in a year, but I have a very sick one who will exhaust his doctor consultation benefits, and I have to pay out of my pocket without using the others money.

RESPONSE BY MS TEMBA

The current benefits have been divided to be used by any member of the family. Members are directed to please refer to the current benefit guide. Allocation is per family size and not per beneficiary.

H. CURRENT SCHEME RULES AND RATES DO NOT BENEFIT MEMBERS

(Proposed by Roger Maquena and not seconded)

The Scheme Rules and rates that are applied, do not benefit the members because members have to pay a lot of money out of their pockets and I'm one of the disgruntled members that hate these Scheme rates.

RESPONSE BY PO

Members are encouraged to use designated service providers or preferred service providers to avoid co-payments. Polmed's actuaries performed an in-depth actuarial analysis whereby Polmed benefits and contributions were compared with five of the largest medical schemes in South Africa. Based on the analysis that was performed, Aquarium Plan members enjoyed the highest quality benefits at the lowest contribution compared to the other medical schemes in South Africa. Compared to other medical schemes, with the exception of one medical scheme that offered slightly higher benefits, Marine Plan members paid the lowest contributions. These benefits can only be accessed through strict designated Service Provider Networks. Comparing both Polmed options with the five largest medical aids in South Africa, Polmed was the most cost-effective medical scheme. In other words, members will not enjoy such rich benefits at such low monthly premiums from any other medical scheme in the country.

I. ACUTE AMOUNT AND DOCTORS' VISITATION MUST BE INCREASED

(Proposed by Vanessa Subramoney and not seconded)

Acute amount must be increased as well as doctors' visitation. My medical aid was exhausted in April and that being on the higher plan, I do hope this is implemented.

RESPONSE BY DR MAKKINK

As indicated earlier, Polmed has rich benefits. Comparing both Polmed options with the five largest medical aids in South Africa, Polmed is the most cost effective.

FOR MARINE PLAN, MEMBERS HAVE ACCESS TO THE FOLLOWING GP VISITS:

M0 – 11
M1 – 16
M2 – 20
M3 – 24
M4+ – 29

FOR AQUARIUM PLAN, MEMBERS HAVE ACCESS TO THE FOLLOWING GP VISITS:

M0 – 8
M1 – 12
M2 – 15
M3 – 18
M4+ – 22

Although the acute medication benefits are being utilised by almost all members of Polmed, only 0.21% Aquarium Plan members deplete the acute benefits and 1.14% of Marine Plan members deplete their acute benefits. This indicates that the available acute medication benefit exceeds members' requirements. Members are encouraged to familiarise themselves with their benefit options.

J. TERM OF OFFICE OF ELECTED BOARD MEMBERS MUST END AT THE CLOSURE OF THE FIFTH ANNUAL GENERAL MEETING

(Proposed by Sipho Nkambule and seconded by Vusana Simelane)

Rule 18.3 states that the term of office of an elected member of the Board ends at the closure of the third Annual General Meeting after his/her election, unless re-elected for a further term.

Due to the nature of the Scheme, the term is not appropriate for one to be conversant with the Rules of the Scheme. As a result, the elected members of the Board are not given enough time to effectively manage the affairs of the Scheme with due regard to the interests of members and dependants.

SOLUTION:

The term of office of elected members of the Board should end at the closure of the fifth Annual General Meeting.

RESPONSE BY MS DIMPANE

The request was acknowledged and the Board will amend the Scheme Rules accordingly and submit to CMS for approval.

K. TRUSTEE ELECTION RESULTS

The election official, Ms Bontle Mpakanyane, from Elexions Agency took the AGM through the process of how the election had been conducted, including the removal of the online voting platform as requested by CMS.

The election results were announced as follows:

Re-elected:

- White male: Mr BSJ Muller
- Black female continuation member: Ms MV Phiyega
- Black male: Mr TNL Ngwenya

Newly elected black females:

- Ms PA Mabotja
- Ms KL Moeng

The election official congratulated the incoming Board members and thanked the Polmed Board for appointing Elexions Agency.

Grant Thornton, the official from SNG, provided assurance that Elexions Agency had conducted an independent, free and fair election and confirmed that the agency completed its duties as per the agreement entered into with Polmed, the Scheme's Rules for nomination, voting and counting phase for Board of Trustees.

10. CLOSURE

The Chairperson congratulated all the re-elected members of the Board and welcomed the newly elected Board members. Appreciation was expressed for the two outgoing Board members, Ms PP Dimpane and Ms BD Mokwena, and they were thanked for their participation in Board meetings. The members of the AGM were thanked for their peaceful participation and display of unity. With no other matters left to discuss, the AGM was closed.



MATTERS ARISING SCHEDULE OF THE POLMED ANNUAL GENERAL MEETING (ACTION POINTS/RESPONSES) HELD ON THURSDAY, 03 DECEMBER 2020 AT 10H00

NO.	AGENDA ITEM	ACTION	PROGRESS UPDATE	PERSON RESPONSIBLE
1	6.b. Highlights of the Annual Financial Statements (Rule 26.1.11) (Independent Chairperson of the Audit and Risk Committee)	Members expressed concerns on the contribution by the employer. The Board was requested to request an increased subsidy from the State.	The discussion with the employer regarding the issue is ongoing.	BoT
2		Objections were raised regarding the limit of three (3) children being eligible for benefits, as some members had multiple families comprising of many children.	There is no limitation on the number of dependants that can be registered per principal member. Scheme rules apply in terms of such dependants. The principal member will be required to pay contributions for all the said dependants.	BoT
3		The Board was requested to consider salary scales across the police force as it differed based on skill level and rank. Members requested that this consideration should be taken into account when contribution fees are implemented.	Contributions are aligned to SAPS' salary scales since 2020 and adjustments will be done annually.	BoT
4		The Board was requested to fight the curatorship matter.	<p>The curatorship application was defended as resolved by members at the AGM. In a nutshell:</p> <p>The Registrar removed the matter from the roll on 27 November 2020. As the Scheme was not notified of the justifiable reasons for such withdrawal, the Scheme sent a letter to CMS attorneys requesting clarity on whether they will be proceeding with the curatorship application. To expedite the processes and to protect the interest of the Scheme, Polmed outlined certain proposals such as withdrawal of the application by the Registrar in order to bring the matter to finality.</p> <p>In response, the Registrar, through its attorneys, advised the Scheme during May 2021 that it is agreeable to the Scheme's proposal to withdraw the application as well as for each party to pay its own costs. Proof of the said withdrawal was submitted to Polmed.</p> <p>Parallel to the above mentioned legal processes, the PO together with the Chairperson of the Board continue to make efforts to facilitate improved stakeholder relations with CMS.</p>	BoT
5		The Board was requested to reinstate the AGM Task Team as it previously assisted the Board with operational matters.	The AGM Task Team/Sub-Committee was reinstated. It consists of four Trustees and four representatives from stakeholders. The sub-committee has commenced with its work and has already finalised its Terms of Reference.	BoT
6		The term of office of an elected member of the Board must end at the closure of the fifth Annual General Meeting.	<p>A Rule Amendment Application was submitted to CMS requesting extension of Trustees' term of office from three (3) years to five (5) years (Rule 18.3). The request was extended to designated members (Rule 18.8) to ensure uniformity within the Board. Polmed has also requested that the extension be effective from 03 December 2020.</p> <p>The Board is awaiting a decision from CMS in this regard.</p>	BoT

MATTERS ARISING SCHEDULE OF THE POLMED ANNUAL GENERAL MEETING (ACTION POINTS/REPOSSES) HELD ON THURSDAY, 03 DECEMBER 2020 AT 10H00 (CONTINUED)

NO. AGENDA ITEM	ACTION	PROGRESS UPDATE	PERSON RESPONSIBLE
7	Members noted that the Scheme fully supported the NHI Bill for the country, but has, however, submitted a recommendation to the National Department of Health to the effect that the dispensation that covered the National Defence Force and Intelligence should also apply to Polmed.	The Scheme with the support of the National Commissioner has submitted an exemption request to NDOH. Feedback is still pending.	BoT



KNOW YOUR POLMED BOARD MEMBERS AND PRINCIPAL OFFICER



MS FN VUMA

- Chairperson of the Board of Trustees (BoT)
- Member of the BoT since 01 August 2018
- Deputy National Commissioner, South African Police Service (SAPS)



MR TN NGWENYA

- Deputy Chairperson of the BoT
- Member of the BoT since 01 September 2017
- Vice-chairperson, Safety and Security Sectoral Bargaining Council (SSSBC)



MS N KHAUOE

- Principal Officer (PO)
- 27 years managerial experience in the healthcare environment
- Previous PO of Sizwe Medical Fund
- MBA graduate



MS NP CUPIDO

- Member of the BoT since 01 August 2018
- Lieutenant Colonel, SAPS with 30 years unbroken service



MR SJ NELSON

- Member of the BoT since 01 August 2018
- Major General, Head of Financial Services: Management Accounting, SAPS



MS KL MOENG – New

- Member of the BoT since 03 December 2020
- Member of the SAPS since 2007
- Provincial Treasurer, Police and Prisons Civil Rights Union (POPCRU), Northern Cape



MR BSJ MULLER

- Member of the BoT since 01 September 2017
- Member of the SAPS since December 1980
- Warrant Officer, SAPS



MS PA MABOTJA – New

- Member of the BoT since 03 December 2020
- Provincial Treasurer, Police and Prisons Civil Rights Union (POPCRU), Limpopo



MR ST NKOSI

- Member of the BoT since 01 August 2018
- Component Head, Priority Crime Specialised Investigation, SAPS



MR RP NTSIME – New

- Member of the BoT since 20 October 2020
- Member of the SAPS since 1994
- Acting Deputy General Secretary, South African Policing Union (SAPU)



MS MV PHIYEGA

- Member of the BoT since 01 September 2017
- Retired General of the SAPS
- Chief Executive Officer, Safer South Africa Foundation



MR RD ORSMOND

- Member of the BoT since 01 August 2018
- 40 years' experience, mostly in special investigations and training



MS HK SENTHUMULE

- Member of the BoT since 01 August 2018
- Head of Organised Crime Investigations, Detective Service Division, SAPS



MR Z SKADE – New

- Member of the BoT since 18 January 2021
- Member of the SAPS since 1998, before being seconded to POPCRU in 2002
- Provincial Secretary, Police and Prisons Civil Rights Union (POPCRU), Eastern Cape



MS BP TEMBA

- Member of the BoT since 18 November 2016
- National Head, Employee Health and Wellness, SAPS

1. INTRODUCTION

1.1. SCOPE OF THE REPORT

The Polmed Integrated Report 2020 covers the financial period from 1 January 2020 to 31 December 2020. The report is Polmed's primary report to its stakeholders. It provides an overview of the business model and strategy applied to achieve the Scheme's ideals, as well as giving a consolidated review of the past year's performance as it relates to the financial, economic and social factors that impact the Scheme. The Scheme aims to limit the report to the material issues that impact its business and, subsequently, its stakeholders.

1.2. INTEGRATED REPORT FRAMEWORK

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

The generation of financial statements complies with the Medical Schemes Act (MSA), the registered Rules of Polmed, the South African Institute of Chartered Accountants (SAICA), Accounting Guidelines for Medical Schemes and the International Financial Reporting Standards (IFRS).

1.3. MATERIALITY

Polmed is mandated to provide its members, the employer and stakeholders access to accurate and reliable information. The Polmed Board of Trustees acknowledges its responsibility to contribute to the integrity of the Polmed Annual Integrated

Report, and thereby determines the matters that materially impact the Scheme's ability to create value for its members and so ensures the Scheme continues to operate sustainably.

The purpose of the materiality assessment is to ensure that matters that substantively affect Polmed's ability to create value are identified and reported on. Material matters are defined as matters that contribute to significant economic, environmental and social outcomes 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. Where estimates and projections are presented, Polmed's independent actuaries have been consulted. The independent internal audit function of the Scheme's Administrator also performed a limited review of the non-financial information and qualitative data presented in this report.

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

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

1.5. STATEMENT BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation and fair presentation of the Annual Financial Statements of Polmed, comprising the statement of financial position, the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year that ended 31 December 2020 and the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Medical Schemes Act, No 131 of 1998, as amended.

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

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

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

The Trustees are responsible for ensuring that proper accounting records are kept and maintained by the Administrator. The accounting records disclose with reasonable accuracy, the financial position of the Scheme, which enables the Trustees to ensure that the Annual Financial Statements comply with the relevant legislation.

The Scheme operates in an adequately controlled environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance that assets are safeguarded and the risks facing the Scheme are managed.

The Scheme's external auditors, PricewaterhouseCoopers Inc., are responsible for auditing the Annual Financial Statements in terms of the International Standards on Auditing, and reporting on the fair presentation of the Annual Financial Statements. The going-concern basis has been adopted in preparing the Annual Financial Statements. Based on forecasts and the Scheme's available cash assets, the Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future. The Annual Financial Statements further supports the viability of the Scheme.

1.6. STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

1.7. BOARD OF TRUSTEES

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

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

1.8. INTERNAL CONTROL

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

The following event had come to the attention of the Board of Trustees that indicated a material breakdown in the functioning of the key internal controls and systems during the year under review.

During the period from 17 August 2020 to 16 October 2020, Polmed conducted a forensic investigation (the investigation) through the services of Ntumba and Associates Consulting (Pty) Ltd (Ntumba). The investigation was informed by certain allegations of misconduct and/or impropriety levelled against one executive, in particular, pertaining to the termination of a Motor Vehicle Accidents (MVA) recovery contract of Batsumi Claims Management Solutions (Pty) Ltd (Batsumi) and the subsequent appointment of KNK Healthcare Solutions (Pty) Ltd (KNK).

The investigation revealed that:

- there were irregularities in the appointment of KNK, coupled with allegations of a bribe by the CLO of Polmed;
- the CLO did not disclose the circumstances surrounding the appointment of KNK;
- the PO and Board of Trustees of Polmed were as a result, misled by the tender evaluation committee; and
- the contractual agreement between Polmed and KNK was null and void.



Based on the above, the Board decided to implement the recommendations as outlined in the forensic investigation report. In this regard, the following steps were taken by Polmed:

- Disciplinary action was taken against all members of the tender evaluation committee
- Three executives have since left the employ of Polmed
- Disciplinary procedures in respect of the remaining executive are unfolding
- The KNK agreement with Polmed was terminated as it was found to be null and void *ab initio* and the Scheme has, as a result, commenced with the recovery
- The BoT resolved to share information and related documentary evidence with the Hawks in respect of the matter that has been reported in terms of Section 34 of the Prevention and Combatting of Corrupt Activities Act, 12 of 2004 (PRECCA) under IR 2021/04/168
- The BoT has opened a case of fraud with the South African Police Service
- The Scheme has on its own volition informed its external auditor's as well as the Council for Medical Schemes

1.9. RISK MANAGEMENT

The Trustees are responsible for the oversight of the risk management process within the Scheme which includes monitoring, contract review, maintenance of risk registers and review of internal and external reports.

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

The Scheme adopted a risk framework and maintains a risk register for all identified strategic and operational risks. These are monitored on an ongoing basis at executive level, Risk Steering Committee, Audit and Risk Committee and Board meetings. The internal audit function is outsourced to Ngubane & Co. The Administrator has an internal audit function which supports Ngubane & Co. The internal auditors report to the Audit and Risk Committee.



2. CHAIRPERSON'S OVERVIEW

The year 2020 was an unprecedented one, but despite the turmoil of COVID-19, the Scheme stood its ground and did well, under the circumstances, which is testament to its resilience.

This is in part thanks to the five-year strategic plan implemented in 2019 with the objective of maintaining the Scheme's sustainability, ensuring quality healthcare for our members and sound relationships with stakeholders, which has gained ground in the year under review and kept the Scheme on track with an unwavering commitment to achieving these goals.

The Scheme's financial performance has also continued its strong recovery path, performing above expectation with a significant improvement over the previous year: from a R313.3 million deficit in 2018, to a turnaround surplus of R8.4 million in 2019, with a surplus of R 1.07 billion in the 2020 financial year. Despite the economy hitting new lows and the Scheme's investment performance being negatively affected by the downgrade of South Africa's sovereign credit rating to junk status, coupled with the devastating impact of the COVID-19 pandemic, the Scheme's investment income of R353.4 million comfortably achieved a higher-than-budgeted level by R33.2 million. This was due to the Scheme's achievement of higher-than-target investment returns, owing to improvements in investment markets and higher accumulated funds, given the lower claims in the fourth quarter of the year.

The extraordinary nature of the year caused by the global COVID-19 pandemic, brutally affected our operating environment and had a huge impact on all our members and the Scheme. This situation made it difficult to report to our members on the health of the Scheme during the year. However, I am pleased to report that the AGM ran smoothly and successfully at the end of the year and concluded with the election of a highly competent new Board of Trustees.

The economic and industry challenges of 2020 tested the agility and resilience of the Scheme's outsourcing business model, which entails collaboration with its administration and managed care provider, Medscheme. Issues around fraud, waste and abuse (FWA) are additional challenges that the entire medical scheme industry faced over the past year. The Scheme has not been impervious to this abuse. However, we have managed to make some effective FWA recoveries, with high downstream savings of over R1 billion since 2017 and changing behaviour in provider claims.

To further isolate avoidable cost escalations, this year we placed a specific focus on analysing high cost drivers in the Scheme. To this end, management working together with key stakeholders and using big data, performed extensive analysis on establishing the root cause of overconsumption of healthcare services, the causes of which were mapped against specific drivers. These cost drivers were observed in



the benefit categories of oncology, in-hospital costs, medical specialists, specialised medicine, pathology and radiology. The Scheme accordingly introduced a hospital network on the Marine Plan to further stabilise hospital claims while offering an open pharmacy network to increase access without compromising price.

In collaboration with our managed-care partner, the Scheme also introduced additional managed care interventions and clinical protocols where it was practically possible. These interventions not only resulted in reduced exposure, but also yielded additional savings of R263 million.

Against this backdrop, while we expected an operating surplus of R34.8 million for the 2020 benefit year, the thorough measures that were taken to contain costs while maintaining a high quality of care and managing the utilisation of health services, meant that we were highly effective in protecting our members' funds and enhancing the financial performance of the Scheme, resulting in a R1 billion surplus.

Over and above the measures discussed, we continued to monitor and manage our non-healthcare expenses, ending the year on a non-healthcare ratio of 3.88%, marginally up from 3.57% in 2019. The slight increase can be attributed to the unanticipated additional spend on COVID-19 initiatives.

The R1 billion surplus has helped increase our solvency level significantly, from 40.45% in 2019 to 47.85% in 2020. This is comfortably above the board target of 40% and well above the 25% regulatory requirement, giving us an adequate buffer to absorb some of the COVID-19 impact.

The Board, together with management, continues to make interventions that benefit both the Scheme and its members in an effort to ensure the Scheme's sustainability into the future.

I wish to thank the management, Board and staff for the outstanding achievements obtained during an extremely trying year. The Scheme ended the year in a position of strength which bodes well for all members into 2021 and beyond.

Last but not the least, I would like to thank SAPS in particular the National Commissioner for his unwavering and undivided support. All Polmed members from the lowest to the highest ranks for providing us an opportunity to exercise our fiducial duties to their scheme.

Ms FN Vuma

Chairperson of the Board of Trustees



FINANCIAL PERFORMANCE AT A GLANCE:

Surplus of R1.07 billion

Investment income of R353.4 million

FWA recoveries of R1 billion since 2017

Solvency level of 47.85% against goal of 40% (Minimum regulatory requirement of 25%)

3. PRINCIPAL OFFICER'S MESSAGE



As we face these challenging times, it is important for us to take this time to reflect and review, and I am pleased therefore to report that the hard work we continue to put into the Scheme is paying off. We have proven our stability and strength and continue to be the most sustainable medical scheme in South Africa with over R5 billion in reserves, demonstrating our tenacity in the face of a storm.

On a concerning note, however, rising costs continue to negate the net healthcare result as claims persistently and disturbingly overtake contributions received. The Board has consistently attempted to keep contribution increases lower than medical inflation, which resulted in utilisation of investment returns to cover other components of the operational budget. This model is not sustainable in the long run due to a strained economic market environment which is continuously affecting our investment returns.

The global pandemic has also affected investment performance across the globe, and in South Africa this has been exacerbated by the impact of last year's junk status downgrade.

Uncertainty continues to prevail as market participants struggle to get a handle on the economic impact of COVID-19. Now that vaccination roll-out plans have taken shape globally and with South Africa ramping up its delivery in the second half of 2021, the estimated cost of COVID-19 vaccination has been projected at 2% of gross contribution income (R223 million). Asset values, and hence investment income for the Scheme, will remain volatile until this uncertainty subsides. We continue to monitor the ongoing impact both these external forces have on our investment strategy and on the Scheme's reserves as we continue to develop and review our risk mitigation strategies. Our actuaries had previously modelled several scenarios and estimated the financial impact of COVID-19 on the Scheme's reserves ranging from a low-end scenario of R109 million to a high-end scenario of R446 million for 2020. The actual costs incurred in respect of COVID-19 for 2020 were almost double the worst case scenario estimate with a total of R748.4 million (see Section 13.2). This could result in a negative net solvency impact of 4% in 2021.

Considering the context of the South African economy and the challenges we have been faced with, we have still been able to fulfil our duties to our members and maintain a positive and solid performance thanks to our commitment to our core strategy, supported by key risk mitigation strategies.

We continue to have a high claims experience from certain identified cost drivers within the Scheme, including lifestyle diseases, trauma, cancer and renal diseases, for which we are seeing no respite in claims. We therefore have several health-risk management interventions in place, which are outlined below in order to help curb these increases. These interventions are evidence-based and help us to manage

costs while still ensuring a high-level of care for our members. While we understand that some of these initiatives may take some adjustment, we believe that they are the best solution for both the Scheme and our members so that we can remain financially sustainable while still offering quality healthcare delivery models.

We are pleased to report that the hospital network we put in place for both the Aquarium and Marine Plans in January 2019 have helped us to stabilise costs on both of these plans.

Last year we also took into account members' complaints regarding the pharmacy network distribution footprint, especially in rural areas, and so established the Polmed Open Pharmacy Network which covers more than 92% of all pharmacies in South Africa. This modification has given our members much greater access to pharmacy care and both acute and chronic medicines, and members are therefore encouraged to use them.

Our medicine formulary for both acute and chronic medicines, coupled with a risk sharing arrangement for chronic medicines, also continued to help us manage these costs. These interventions in medicine management have derived a R780 million saving for the Scheme.

We also continue to garner further savings through our day procedure benefits for identified procedures which do not require hospital admissions. This follows international healthcare trends in most developed healthcare systems in which much benefit is derived from shifting a higher proportion of suitable patients to day clinics and sub-acute facilities. It is a well-proven approach to improving quality of care and patient convenience, while simultaneously reducing cost.

We are continuously looking at innovative ways of managing healthcare costs as a means of ensuring our sustainability well

into the future, which ensures the health and care of all our members. We therefore appeal to our members to help support us with their co-operation on these initiatives.

We thank all our members for their ongoing loyalty to, and support of the Scheme. I know that the last year has been a challenging one, and this year continues to echo these challenges, but together we can get through this. From the Scheme's perspective, we have been able to stand by our members through these turbulent times and will continue to remain at their side. We, the management team of Polmed, would like to honour our members' courage and resilience at this time. And a final thank you and salute to my team, I thank you for your commitment, hard work and steadfast dedication to the Scheme and the members we serve.

Ms N Khauoe
Principal Officer



4. HIGHLIGHTS OF PERFORMANCE DURING THE YEAR

4.1. OPERATIONAL STATISTICS

The Scheme's performance with regards to key business indicators for the Scheme for 2020 and the previous reporting period, is summarised in the tables below:

	TOTAL SCHEME 2020	TOTAL SCHEME 2019	% CHANGE
Average number of members for the year	175 728	177 430	-0.96%
Number of members at 31 December	174 447	176 981	-1.43%
Average number of beneficiaries for the year	504 758	507 217	-0.48%
Number of beneficiaries at 31 December	502 631	507 764	-1.01%
Number of dependants at 31 December	328 184	330 783	-0.79%
Dependant ratio at 31 December	1.88	1.87	0.66%
Average risk contributions per member per month	R 5 123	R 4 703	8.93%
Average risk contributions per beneficiary per month	R 1 784	R 1 645	8.41%
Average relevant healthcare expenditure per beneficiary per month	(R1 607)	(R1 650)	-2.65%
Average non-healthcare expenditure per beneficiary per month	(R 70)	(R 58)	18.99%
Relevant healthcare expenditure as a percentage of risk contributions	90.08%	100.33%	-10.21%
Non-healthcare expenses as a percentage of risk contributions	3.90%	3.55%	0.35%
Average age of beneficiaries	28.27	27.88	1.40%
Number of beneficiaries older than 65 years at 31 December	16 933	16 289	3.95%
Pensioner ratio	3.37%	3.21%	0.16%
Average accumulated funds per member at 31 December	R 29 341	R 22 758	28.93%
Return on investments as a percentage of investments	7.25%	9.59%	-2.34%

The decreasing claims played the biggest role to the monetary increase during the 2020 benefit year. This is mainly driven by the postponement of elective procedures during the COVID-19 lockdown period. Several cost-saving initiatives were introduced, such as the Hospital Network and Pharmacy Network and stricter medicine formulary to curb the increasing healthcare claims trend which saved the Scheme R302.3 million, which further reduced healthcare expenditure. The Scheme's accumulated funds increased

by 28% due to the total income received that was higher than budgeted.

Investment performance in 2020 was negatively affected by the downgrade of South Africa's sovereign credit rating to junk status, as well as the COVID-19 pandemic. The investment return was R33.2 million better than budget in monetary terms.

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

GENERAL PRACTITIONER (GP) NETWORK

As at 31 December 2020, the GP Network consisted of 3 860 general practitioners.

HOSPITAL DSPS

Polmed established a Hospital Network made up of the following hospital groups for Aquarium Plan:

- Mediclinic
- Life Healthcare
- National Hospital Network (NHN)
- Clinix Hospitals
- Isolated Netcare Hospitals in areas where the above groups do not operate
- Joint Medical Holdings (JMH)

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



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

PHARMACY NETWORK

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

RENAL NETWORK

Fresenius Medical Care South Africa and National Renal Care South Africa remain the preferred renal care service providers.

ONCOLOGY NETWORK

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

SPECIALIST NETWORK

The Scheme's Specialist Network had shown satisfactory growth from 2 580 in 2019 to 2 887 specialist doctors for the year under review.

OPTICAL SERVICE PROVIDER

Preferred Provider Negotiators (PPN) remains the Scheme's

preferred service provider for optical benefits management and administration, and the Scheme's beneficiaries are encouraged to continue using their Optical Network for optical services to avoid co-payments.

EMERGENCY MEDICAL SERVICES

Netcare 911 is the Scheme's pre-approved administrator of emergency medical services and beneficiaries are encouraged to call for emergency services approval for emergency medical services to avoid co-payments.

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

Approximately 6 995 members and registered dependants were expected to attend the Western Cape wellness event that ran from 09 to 13 March 2020, accounting for 10% of the total Polmed membership for the province. A total of 1 699 members (including 120 dependants) were reached during the event, which equates to 24.3% of the expected volume of members.

There were no events after March 2020.

5. ORGANISATIONAL OVERVIEW, BUSINESS MODEL AND GOVERNANCE STRUCTURE

5.1. ORGANISATIONAL OVERVIEW

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

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

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

REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS

Block A	PO Box 14812
Crestway Office Park	Hatfield
20 Hotel Street	0028
Perseuor Park	
Lynnwood	
0081	

BENEFIT OPTIONS WITHIN THE SCHEME

The Scheme offers two benefit options to the employees of the South African Police Service (SAPS), both without a savings component:

- Marine Plan
- Aquarium Plan

5.2. RISK TRANSFER ARRANGEMENTS

The nature, terms and conditions of the Scheme’s risk transfer arrangements with PPN and Scriptpharm, including the results of the agreements thereof, are set out in note 15 of the Annual Financial Statements.

During the year under review, the Scheme had risk transfer arrangements with Preferred Provider Negotiators (Pty) Ltd (PPN) and Scriptpharm Risk Management (Pty) Ltd (Scriptpharm). Afrocentric Health (Pty) Ltd owns a majority shareholding in Scriptpharm.

PREFERRED PROVIDER NEGOTIATORS (PTY) LTD (PPN)

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

SCRIPTPHARM RISK MANAGEMENT (PTY) LTD (SCRIPTPHARM)

Scriptpharm provides chronic medication to both plans.

5.3. MEMBERSHIP DEMOGRAPHICS

Policing is a psychologically challenging occupation. Research has shown a direct correlation between the daily stresses of police work and an increased risk of long-term physical and mental health issues. It is therefore accepted that health concerns of police officers and the general public differ.

Police officers may retire from service due to medical boarding at any stage of their lives. The Scheme’s continuation member profile demonstrates this. Specific targeted interventions are therefore necessary to help police officers deal with their gruelling and stressful occupation.

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

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

5.4. BUSINESS MODEL

The business model of medical schemes creates value for stakeholders without the intention 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. Therefore 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:

CONTRIBUTION INCOME

Employer contributions: Employer contributes 75% of the contributions

Member contributions: Members contribute 25% of the contributions

Net healthcare result is targeted at a breakeven level over time, and is calculated as follows:

$$\text{Net healthcare result} = [\text{income (excluding investment income)} - \text{healthcare expenditure}]$$

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 include 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 follows the fee-for-service payment model to providers. One of the exceptions is the outsourced capitation agreement with Preferred Provider Negotiators (PPN) relating to optometry benefits.

In order to mitigate the risk that is associated with the fee-for-service environment, Polmed has 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 (SLA’s) have been negotiated with these provider groups to ensure not only cost-effective service delivery, but also superior clinical outcomes and member experience.

MANAGED CARE AND ADMINISTRATION

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

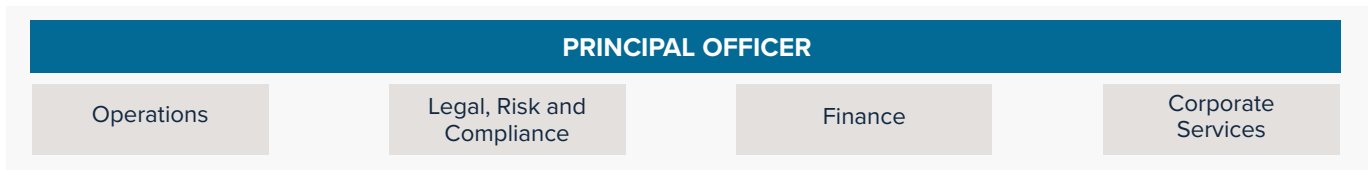
Medscheme is currently Polmed’s service provider of both managed care as well as administration. Medscheme’s contractual obligations to Polmed are monitored through Service Level Agreements by the Scheme’s management.

5.5. GOVERNANCE STRUCTURE

The Scheme belongs to its members and is governed by the Board of Trustees as follows:



The business structure of the Scheme is as follows:



In addition to the structures indicated above, the Scheme has outsourced certain functions and if this is taken into consideration, the Scheme’s structure is much larger.

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

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

The Board of Trustees meets regularly and monitors the performance of the Scheme. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive. The Board of Trustees has access to the advice and services

of the Principal Officer and executives. The Board may, where appropriate, seek independent professional advice on Polmed’s account. The Board of Trustees has adopted the principles of corporate governance as contained in the King IV Report, which are applicable to medical schemes.

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

5.6. VISION, MISSION AND VALUES

VISION

In execution of its strategic mandate and in resonance with its founding purpose, the Board identifies 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’s members are its guiding light and it strives to uphold the highest ethical standards across the organisation in all its dealings.

The Scheme’s value statements, that are supported by the pursuance of ubuntu, are:

- Care
- Respond
- Collaborate
- Respect

The Trustees and the Scheme’s employees endeavour to build trusting relationships with all stakeholders they engage with by living these values.

5.7. BOARD COMPOSITION

The Board of Trustees consists of 14 members as follows:

- Seven (7) Trustees designated by the National Police Commissioner of the SAPS
- Seven (7) Trustees who are elected by members of the Scheme through an election process conducted and

overseen by an independent body, and which must include two (2) continuation members

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

For this purpose it is accepted that the membership of the Scheme should consist of:

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

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

The roles of the Chairperson and the Principal Officer are distinct. The Chairperson, who performs 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 Trustee actively involved in Polmed’s affairs.

A minimum of six ordinary Board meetings are held with additional or special meetings called when required. Proceedings are conducted efficiently and all relevant matters are addressed at each meeting. For example, one person is not allowed to dominate meetings, instead the interest of members remain pivotal to all discussions and decisions taken.

Adequate Trustees’ insurance cover has been taken out by Polmed to meet any material claims against the Board of Trustees.

POLMED BOARD OF TRUSTEES FOR 2020

TRUSTEE	CAPACITY	APPOINTMENT DATE	TERMINATION DATE	RESIDES
FN Vuma (Chairperson)	Employer-designated	01 August 2018	31 July 2021	Gauteng
ED Groenewald	Employer-designated	01 August 2018	18 January 2021	Gauteng
BC Mgwenya	Employer-designated	01 August 2018	October 2020	Gauteng
SJ Nelson	Employer-designated	01 August 2018	31 July 2021	Gauteng
ST Nkosi	Employer-designated	01 August 2018	31 July 2021	Gauteng
RP Ntsime	Employer-designated	20 October 2020	19 October 2023	Gauteng
HK Senthumule	Employer-designated	01 August 2018	31 July 2021	Gauteng
BP Temba	Employer-designated	01 August 2018	31 July 2021	Gauteng
NP Cupido	Member-elected	01 August 2018	15 July 2021	Western Cape
RD Orsmund	Member-elected	01 August 2018	15 July 2021	Western Cape
PP Dimpone	Member-elected	01 September 2017	03 December 2020	Gauteng
PA Mabotja	Member-elected	03 December 2020	AGM 2023	Limpopo
KL Moeng	Member-elected	03 December 2020	AGM 2023	Northern Cape
BD Mokwena	Member-elected	01 September 2017	03 December 2020	Mpumalanga
BSJ Muller	Member-elected	03 December 2020	AGM 2023	Mpumalanga
TNL Ngwenya	Member-elected	03 December 2020	AGM 2023	Mpumalanga
MV Phiyega	Member-elected	03 December 2020	AGM 2023	Gauteng

Subsequent to the year-end, there were changes in the composition of the Board of Trustees whereby a new Deputy Chairperson was appointed and some of the designated members were replaced.

5.8. BOARD COMMITTEES

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

AUDIT AND RISK COMMITTEE (ARC)

ROLES AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee was established in accordance with Section 36(10) of the Medical Schemes Act. The Committee has adopted appropriate formal terms of reference as provided for in its Audit and Risk Committee Charter, and regulates its affairs in compliance with this Charter and discharges all its responsibilities as contained therein. It is responsible for reviewing the effectiveness of the financial reporting process, the system of internal control and management of financial risks and the assurance processes of the Scheme.

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

The Committee requires two Trustee and three independent members, and consists of the following members:

Member	Capacity
Z Samsam (Independent)	Chairperson
T Mtongana-Zote (Independent)	Member
N Tshombe (Independent)	Member
PP Dimpane	Member (<i>Term ended 03 December 2020</i>)
HK Senthumule	Member

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 these controls and processes.

The various reports from the internal and external auditors indicated that the overall control environment is functioning correctly and the annual financial statements are not materially misstated.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

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

For the period under review, the Audit and Risk Committee was satisfied that it had carried out its 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 2020, 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.

HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRREMC)

The function of the Committee is to provide the Board of Trustees with a broader human resources and remuneration framework for the Scheme and to ensure that personnel are adequately remunerated for their contribution to the Scheme's operating performance. In fulfilling its duties, consideration is given to industry and local benchmarks.

The Committee requires three Trustee members and consists of the following members:

Member	Capacity
MV Phiyega	Chairperson
BC Mgwanya	Member (<i>Term ended 20 October 2020</i>)
RP Ntsime	Member (<i>Term started 20 October 2020</i>)
TNL Ngwenya	Member

CLINICAL GOVERNANCE COMMITTEE (CGC)

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. In addition to this, it is responsible for the Scheme Rules, administration and managed care matters.

The Committee requires four Trustee members and consists of the following members:

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

INVESTMENT COMMITTEE (IC)

The Committee's primary mandate is to assist the Board of Trustees in carrying out its duties relating to the investment policy of the Scheme.

The Committee requires four Trustee members and consists of the following members:

Member	Capacity
SJ Nelson	Chairperson
PP Dimpane	Member (<i>Term ended 03 December 2020</i>)
NP Cupido	Member
BD Mokwena	Member (<i>Term ended 03 December 2020</i>)

COMPLAINTS AND DISPUTE RESOLUTION COMMITTEE (CDRC)

The Board has taken a decision to establish a Complaints and Dispute Resolution Committee, which is responsible for legal, ethics and policy matters, and for resolving both member and service provider complaints and disputes.

The Committee consists of the following members:

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

BOARD TENDER EVALUATION COMMITTEE (BTEC)

The Board Tender Evaluation Committee is responsible for evaluating submissions presented for the procurement of goods and services above R15 000 000 (Excluding Value Added Tax), subject to budget availability. This Committee is responsible for evaluating submissions presented for the procurement of goods and services for administration and managed care agreements.

The Committee consists of the following members:

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

LOYALTY PROGRAMME TASK TEAM

The task team is responsible for planning, implementing and rolling out of the proposed loyalty programme.

Member	Capacity
JL Makkink	Chairperson
BD Mokwena	Member (<i>Term ended 03 December 2020</i>)
BSJ Muller	Member
TNL Ngwenya	Member
HK Senthumule	Member
BP Temba	Member

BOARD OF TRUSTEES AND PRINCIPAL OFFICER COMMITTEES, QUALIFICATIONS AND TRAINING

TRUSTEE	COMMITTEE	QUALIFICATIONS	OTHER TRAINING ATTENDED
NP Cupido	IC	<ul style="list-style-type: none"> BA Public Administration PGDip Labour Law Advanced Diploma: Public Administration 	<ul style="list-style-type: none"> Internal induction CMS induction CMS Trustee training Risk management Media relations Ethics management Governance In-house investment training
PP Dimpane Term ended 03 December 2020	ARC IC	<ul style="list-style-type: none"> BCom Accounting and Auditing BBA Hons 	<ul style="list-style-type: none"> Courses: <ul style="list-style-type: none"> Online Public Sector Risk Management Strategic Management Essentials of Budget Formation Lateral Entity Programme Street Survival: Legal Principles Internal Control and Risk Management A practical approach to Internal Auditing Dealing with Fraud Tools and Techniques for the Internal Auditor
ED Groenewald Term ended 03 December 2020	CDRC BTEC	<ul style="list-style-type: none"> BA Law LLB Safety and Security Executive Development Programme 	<ul style="list-style-type: none"> Courses: <ul style="list-style-type: none"> Course Annexed Mediation Financial Management for Non-Financial Managers Litigation Legislative Drafting Officer's Programme
N Khaoue	Principal Officer	<ul style="list-style-type: none"> BA Theology BA Human Resource Management MBA MAP ND Personnel Management ND Nursing Nomadic Leadership Programme UCT Leadership Programme Nine Conversations in Leadership Programme 	

BOARD OF TRUSTEES COMMITTEES, QUALIFICATIONS AND TRAINING (CONTINUED)

TRUSTEE	COMMITTEE	QUALIFICATIONS	OTHER TRAINING ATTENDED
PA Mabotja New	CDRC	<ul style="list-style-type: none"> • SAPS Basic Learning Programme • Higher Certificate Accounting • Women Leadership Development 	<ul style="list-style-type: none"> • Internal induction
BD Mokwena Term ended 03 December 2020	IC Loyalty Programme Task Team	<ul style="list-style-type: none"> • Police Practice (Current) • Police Official • ND Forensic Investigation • Detective Learning Programme 	<ul style="list-style-type: none"> • Courses - Serious and violent crime - Counter terrorism - Organised crime - Project management - Presentation skills - Anti-corruption training - Collection of non-intimate forensic DNA reference (buccal) samples - Psychologically motivated crime
KL Moeng New	IC	<ul style="list-style-type: none"> • ND Human Resource Management (current) • Certificates: <ul style="list-style-type: none"> - International Tourism - Labour Relations 	<ul style="list-style-type: none"> • Internal induction
BSJ Muller	CGC Loyalty Programme Task Team	<ul style="list-style-type: none"> • ND Policing 	<ul style="list-style-type: none"> • Internal induction • CMS induction • CMS Trustee training • King IV training • Risk management • Media relations • Ethics management • Governance • In-house investment training • Diversity training
SJ Nelson	IC BTEC	<ul style="list-style-type: none"> • ND Government Finance • Certificates Public Finance Management Academy: <ul style="list-style-type: none"> - Public Finance Management Act - REAL Management (Revenue, Expenditure, Assets and Liabilities) - Generally Recognised Accounting Practice - Internal Control and Risk Management - Performance Management - Preparing Annual Financial Statements - Evaluating Capital Projects 	<ul style="list-style-type: none"> • Internal induction • CMS induction • CMS Trustee training • Risk management • Media relations • Ethics management • Governance • In-house investment training
TNL Ngwenya	HRREMCO CGC BTEC Loyalty Programme Task Team	<ul style="list-style-type: none"> • Labour Relations Diploma • PGDip Labour Law • Certificates: <ul style="list-style-type: none"> - Enhancing Performance Management and Labour Relations in the Public Sector - Competence, Faculty of Humanities/Wits School of Social Sciences - Corporate Governance • Basic Police Training • Explosives Expert, SAPS college • Detective Learning Programme, SAPS college • Negotiations training, SSSBC • Finance for Non-Financial Managers • Leadership course, POPCRU • Social Dialogue, ILO Training 	<ul style="list-style-type: none"> • Internal induction • CMS induction • CMS Trustee training • King IV training • Risk management • Media relations • Ethics management • Governance • In-house investment training • Diversity training
ST Nkosi	CDRC	<ul style="list-style-type: none"> • Masters in Theology (current) • LLB • BTech Policing • ND Police Administration • Certificate Human Resource Management 	<ul style="list-style-type: none"> • Internal induction • CMS induction • BHF/WitsTrustee Development • Risk management • Media relations • Ethics management

BOARD OF TRUSTEES AND PRINCIPAL OFFICER COMMITTEES, QUALIFICATIONS AND TRAINING (CONTINUED)

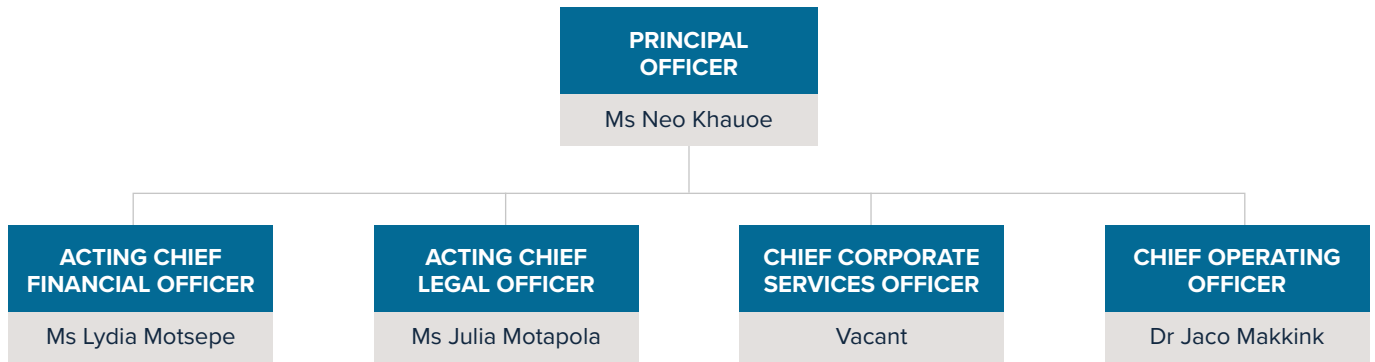
TRUSTEE	COMMITTEE	QUALIFICATIONS	OTHER TRAINING ATTENDED
ST Nkosi (Continued)			<ul style="list-style-type: none"> • Governance • In-house investment training • GIBS Trustee Development Leadership Programme • Diversity training
RP Ntsime New	HRREMCO IC BTEC	<ul style="list-style-type: none"> • National Higher Certificate Policing • Industrial and Labour Relations • Negotiations Skills Training • Courses: <ul style="list-style-type: none"> - Basics Ambulance Assistance - Basic Police Training - Detective - Fraud • Scene Management 	<ul style="list-style-type: none"> • Internal induction • Diversity training
RD Orsmond	CDRC	<ul style="list-style-type: none"> • Senior Management Integration Perspectives (University level) • Project management: University level and practical working environment) • Training officer, Advanced Policing Strategies • Product and Curriculum Development (Higher Diploma level Civilian and Military Structures) • Labour relations and Negotiation Techniques (Civilian and Military Structures) • Management Course (Field training programme) • Fundamental Human Rights and Negotiation Complexities • Observation and Pursuit Course • Facilitator Partici-plan • Diversity Studies • Project management Development and Implementation levels • Human Rights (Basic Standards) 	<ul style="list-style-type: none"> • Internal induction • CMS induction • CMS Trustee training • Risk management • Media relations • Ethics management • Governance • In-house investment training • Diversity training • Training officer, Basic Policing • Interrogation Techniques • Special Weapons and Tactics • Computer Training Course (MS Word/ Excel/PPT)
MV Phiyega	HRREMCO CDRC BTEC	<ul style="list-style-type: none"> • BA Social Work • BA Social Science • MA Social Science • PGDip Business Management • Executive Management Development Programme • Finance for Non-Financial Managers 	<ul style="list-style-type: none"> • Internal induction • CMS induction • CMS Trustee training • Risk management • Media relations • Ethics management • Governance • IODSA-HRREMCO training • In-house investment training
HK Senthumule	ARC CGC BTEC	<ul style="list-style-type: none"> • BA Hons Psychology • Certificates: <ul style="list-style-type: none"> - HR Assessment - Public Management - Emotional Intelligence - Integrated Management - Project Management - Executive Leadership Development Programme 	<ul style="list-style-type: none"> • Internal induction • CMS induction • King IV training • BHF/Wits Trustee Development • Risk management • Media relations • Ethics management • Governance • In-house investment training
Z Skade New	ARC CDRC	<ul style="list-style-type: none"> • BA Law • LLB • Advanced Diploma Labour Law • PGDip Labour Law • Programme and Project Management • Public and Development Management 	

BOARD OF TRUSTEES AND PRINCIPAL OFFICER COMMITTEES, QUALIFICATIONS AND TRAINING (CONTINUED)

TRUSTEE	COMMITTEE	QUALIFICATIONS	OTHER TRAINING ATTENDED
BP Temba	CGC BTEC Loyalty Programme Task Team	<ul style="list-style-type: none"> • BA Educational Management • BA Education (Honours) • BA Psychology • MA Psychology • ND Secondary Teacher • PGDip Sexuality Education • Advanced Programme/Certificate, Human Resource Management • Modules in Occupational Health,WHO • Certificate Advanced Trauma Management 	<ul style="list-style-type: none"> • Internal induction • CMS induction • CMS Trustee training • GIBS/CMS course • Risk management • Media relations • Ethics management • Governance • Director development, IODSA • In-house investment training • Diversity training
FN Vuma	Chairperson of BoT	<ul style="list-style-type: none"> • Master of Policing Practice (In process) • BA Policing Hons • MA Policing (Incomplete) • ND Policing • ND Police Administration • Presidential Strategic Leadership Development Programme • Certificates: <ul style="list-style-type: none"> - Executive Public Management Development Programme - Keys to Effective Education and Christian Leadership - Advanced Financial Management - Public Finance Management Act - Internal Control and Risk Management - Financial Management - Intergovernmental Policies - Strategic Management - Corporate Government and Ethics Management Principles - Transformation Unit Training - Advanced Management Development Programme - Meeting Procedures - Human Resources Management for Senior Managers - Productivity and Quality Management/Improvement - Training Task of the Supervisor - Preferential Procurement for Government Departments - English Basic Course - SAPS Candidate Officer Course - SAPS Course in Logistics Administration - SAPS Diversity Management - SAPS Polfin System Course - SAPS Junior Commanders Course Level 1 and 2 - SAPS Basic Police Training 	

5.9. SCHEME EXECUTIVE PERSONNEL AND HEADS OF DEPARTMENTS

The Scheme's current executive structure consists of the Polmed Principal Officer (Chief Executive Officer) and four executive officers as shown in the organogram below:



POLMED EXECUTIVE PERSONNEL

Back row: Ms Motsepe, Dr Makkink, Ms Motapola
Front row: Ms Khaue

6. UNDERSTANDING THE OPERATING CONTEXT

6.1. MATERIAL ISSUES AND IMPACT IDENTIFYING MATERIAL ISSUES, IMPACTS AND RELATIONSHIPS

PRESCRIBED MINIMUM BENEFIT (PMB) CLAIMS

The management of PMB's is an industry challenge as it is generally assumed 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 call into question 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
- The introduction and continuous expansion of a Specialist Network, which has had the effect of capping the Scheme's exposure to PMB's by setting the reimbursement tariffs upfront. This has also had the effect of improving the member and provider experience in dealing with the Scheme, as tariffs are negotiated at the time the provider joins the Network and are therefore known to all stakeholders. This has the effect of reducing the re-processing of claims as well as member and provider frustration. As at 31 December 2020, Polmed had 2 887 specialist doctors on the Preferred Providers Network.

6.2. KEY SERVICE PROVIDERS

6.2.1 Medical scheme administrator during the year

Medscheme Holdings (Pty) Ltd 37 Conrad Street Florida North Johannesburg 1709	PO Box 1101 Florida Glen 1708
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Accreditation number: MC053

6.2.2 MANAGED CARE PROVIDERS DURING THE YEAR

6.2.2.1 Medscheme Holdings (Pty) Ltd (Health Risk Solutions)

The Boulevard Buildings F & G Searle Street Woodstock 7925	PO Box 38632 Pinelands 7430
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Accreditation number: MC053

6.2.2.2 Aid for Aids Management (Pty) Ltd The Boulevard

Buildings F & G Searle Street Woodstock 7925	PO Box 38632 Pinelands 7430
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Accreditation number: MC094

6.2.3 INVESTMENT MANAGERS DURING THE YEAR

6.2.3.1 ALUWANI Capital Partners (Pty) Ltd

EPPF Office Park 24 Georgian Crescent East Bryanston East Johannesburg 2152	Postnet Suite 8 Private Bag X75 Bryanston 2021
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Financial Service Provider Number: 46196

6.2.3.2 Ashburton Fund Managers (Pty) Ltd

3rd Floor 4 Merchant Place 1 Fredman Drive Sandown Sandton 2196	PO Box 782027 Sandton 2146
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Financial Service Provider Number: 40169

6.2.3.3 Mergence Investment Managers (Pty) Ltd

2nd Floor Dockside Cruise Terminal Duncan Road V&A Waterfront Cape Town 8001	PO Box 8275 Rogebaaai Cape Town 8012
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Financial Service Provider Number: 16134

6.2.3.4 Mianzo Asset Management (Pty) Ltd

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

PO Box 1210
Milnerton
7435

Financial Service Provider Number: 43114

6.2.3.5 Perpetua Investment Managers (Pty) Ltd

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

PO Box 44367
Claremont
Cape Town
7735

Financial Service Provider Number: 29977

6.2.3.6 Sanlam Investment Managers (Pty) Ltd

55 Willie van Schoor Avenue
Bellville
Cape Town
7530

Private Bag X8
Tyger Valley
Cape Town
7536

Financial Service Provider Number: 579

6.2.3.7 STANLIB Asset Management Ltd

17 Melrose Arch Boulevard
Melrose Arch
Johannesburg
2196

PO Box 203
Melrose Arch
Johannesburg
2076

Financial Service Provider Number: 719

6.2.3.8 Taquanta Asset Managers (Pty) Ltd

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

PO Box 23540
Claremont
Cape Town
7735

Financial Service Provider Number: 618

6.2.4 INVESTMENT CONSULTANTS DURING THE YEAR

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

PO Box 1172
Cape Town
8000

Financial Service Provider Number: 6832

6.2.5 ACTUARIAL SERVICES DURING THE YEAR

Insight Actuaries & Consultants (Pty) Ltd
Ground Floor
Block J
Central Park
400 16th Road
Midrand
1687

Private Bag X17
Halfway House
1685

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

6.2.6 INDEPENDENT INTERNAL AUDITORS

Ngubane & Co.
Ngubane House
1 Superior Road
Midrand
1685

PO Box 8468
Halfway House
1686

6.2.7 INDEPENDENT EXTERNAL AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Private Bag X36
Sunninghill
2157



6.3. ADMINISTRATION AND MANAGED CARE FEES

ACCREDITED MANAGED HEALTHCARE SERVICES (NO RISK TRANSFER)

	2020 R	2019 R
Case management	56 320 168	54 242 272
Disease management	39 726 777	38 068 443
Network management	23 514 358	22 546 614
HIV management	15 056 368	14 478 308
Pharmacy benefit management	21 778 825	20 885 061
TOTAL	156 396 496	150 220 698

The above table shows an increase of 4.1% in the accredited managed healthcare services costs for the period under review from R150.2 million in 2019 to R156.4 million in 2020.

ADMINISTRATION EXPENDITURE: BENEFIT MANAGEMENT SERVICES

	2020 R	2019 R
Ambulance services	2 588 649	2 493 994
Fraud management	17 533 541	19 138 128
Optical	10 588 010	10 217 666
Provider network management services	4 536 189	4 361 724
Wellness	11 774 069	13 488 791
TOTAL	47 020 457	49 700 303

The table above depicts the administrative expenditure Benefit Management Services for 2020 which has shown a decrease of 5.4% from R49.7 million in 2019 to R47 million in 2020.

ADMINISTRATION FEES AND OTHER OPERATING EXPENSES

	2020 R	2019 R
Actuarial fees	1 534 495	1 889 237
Administrator's fees	215 101 074	207 801 656
Administration fees — Road Accident Fund recoveries	4 997 197	3 074 349
Audit and Risk Committee remuneration	334 076	371 709
Audit fees	1 896 047	2 046 437
Audit fees disbursements	25 000	45 000
Bank charges	1 363 655	1 351 339
Board of Healthcare Funders subscription	2 365 528	2 223 659
Consultation fees	11 704 517	4 988 237
COVID-19 isolation sites	5 169 416	-
Depreciation on property and equipment	3 550 719	3 196 287
Election costs	6 268 951	-
Internal audit fees	2 051 193	1 560 272
Legal expenses	3 525 651	228 177
Revaluation deficit	14 221 690	-
Marketing fees	19 884 859	622 131
Members outreach	184 616	260 210
Principal Officer's fees	5 755 535	5 282 324
Principal Officer's office expenses	78 796	619 054
Printing and photocopiers rented	199 904	(182 161)
Property expenses — levies and rates	2 300 895	2 268 247
Registrar levies	6 822 371	6 642 328
Salaries	42 286 119	38 634 570
Toll free lines	3 133 874	3 287 796
Trustees' honoraria and considerations	6 576 727	5 148 011
Travel	2 336 093	3 574 606
Utilities	968 006	936 824
Other expenses	7 933 479	7 985 712
	372 570 483	303 856 011

Marketing fees increased in 2020 as a result of the following public relations campaign utilising digital platforms among others billboards, radio and television adverts.

6.4. MEMBER EDUCATION AND AWARENESS

The business plan of the Scheme determined that at least 60 000 members had to be reached during 2020. A communication plan and strategy was implemented in support of the objectives as set out in the plan. However, due to the global COVID-19 pandemic and the resulting lockdowns, no events could take place after March 2020.



7. ENTERPRISE RISK MANAGEMENT

7.1. MANAGEMENT OF INSURANCE RISK

The primary insurance activity undertaken by the Scheme assumes the risk of the loss from members and their dependants which loss would be brought about by the covered health perils. These risks relate to the health of the Scheme's members. The uncertainty surrounding the timing and severity of claims resulting from the covered health perils determines the risks to which the Scheme is exposed. The Scheme is also exposed to market risk through its investment activities.

The Scheme 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. The Scheme 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.

The Scheme uses several methods to assess and monitor insurance risk exposure. 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 erodes 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. The Scheme 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 the demographic split thereof. Benefits and associated contributions are calculated taking into account the Scheme's risk concentrations, changes in utilisation based on historical data and inflationary increases.

7.2. RISK MANAGEMENT

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

Risk management at the Scheme comprised of, amongst others, development and implementation of a Charter 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 responsibilities in this regard. The Risk Management Framework that elaborates the risk management processes and procedures to manage the Scheme's risks was developed and implemented.

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

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

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



7.3. STRATEGIC RISK REGISTER

	RISK TITLE	INHERENT RISK RATING (WITHOUT CONTROLS)	RESIDUAL RISK RATING (AFTER CONTROLS)	RISK RESPONSE DECISION
1	Lack of clarity on impact of implementation of NHI on Polmed	20	20	<ul style="list-style-type: none"> Stakeholder positioning for Polmed to attain a special dispensation comparable to defence
2	Adverse decrease in solvency levels	25	20	<ul style="list-style-type: none"> Persuading the employer to increase grant Healthcare cost optimisation Non-healthcare cost control
3	Fraud, corruption and gross misconduct	20	10	<ul style="list-style-type: none"> Reduction of fraud, waste and abuse exposure by a further 30% from the current exposure Monitoring of relevant policies
4	Inadequate third-party provider management	25	10	<ul style="list-style-type: none"> Enhancement of contract management processes including enforcement of penalty clauses
5	Poor stakeholder relations	20	10	<ul style="list-style-type: none"> Identification of high interest/high impact stakeholders and development of engagement/collaboration strategies
6	Unstructured Scheme response to new governance and compliance protocols	20	9	<ul style="list-style-type: none"> Development of incident/rapid response strategies to augment the existing governance framework Enhanced compliance management
7	Benefit design and structure not meeting member and Scheme needs	20	9	<ul style="list-style-type: none"> Ongoing monitoring and enhancement
8	Inadequate technology systems	25	15	<ul style="list-style-type: none"> Immediate provision
9	Failure to adapt to change	15	6	<ul style="list-style-type: none"> Ongoing monitoring and continuous benchmarking
10	Inadequate contingency management	15	6	<ul style="list-style-type: none"> Development of incident/rapid response strategies to augment the existing governance framework

7.4. FRAUD RISK AND FORENSIC MANAGEMENT

Effective fraud risk management is about mitigation and deterrence of actual and potential losses that may be suffered as a result of false and irregular claims submitted by the insured or on their behalf. The success of any fraud risk management programme is measured not only by how much fraud, waste and abuse (FWA) is retrospectively detected and recovered, but also by how much FWA has been proactively prevented.

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

Measurable savings created exceptional value for Polmed during 2020. Savings through recoveries, reversals and drop in billing behaviour ensured a return on investments of 1 698% for Polmed in 2020 which amounts to R1 275 billion value created since January 2017.

In 2020, recoveries reduced from R55.6 million to R49.3 million. Since the Scheme contracted Medscheme to perform its

healthcare forensic services in 2017, R616.2 million worth of fraudulent and abusive billing has been identified, and R226.5 million has been recovered. These recovered funds have been applied by the Scheme to subsidise annual contribution increases and to provide members with more healthcare benefits.

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

FRAUD RESPONSE

The following mitigation actions were implemented by the Scheme:

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

7.5. LEGAL MATTERS

LITIGATION REPORT: FINANCIAL YEAR 2020

CASE	NATURE	STATUS
1 MATTERS BETWEEN POLMED AND SAPU		
<p>Following a successful 2020 AGM, SAPU and Polmed had engagements in an effort to find amicable ways of resolving the active litigation matters between them. These engagements were informed by both parties' need to improve relations with one another as key stakeholders, unity amongst members of the Scheme, the imperative to protect the interests of the members and the Scheme as well as the need to ensure compliance with the Rules by, <i>inter alia</i>, holding successful Annual General Meetings as required. It was on this basis that the parties agreed to withdraw all the matters against each other and for SAPU to pay the costs as negotiated between the parties in respect of the 2016 and 2017 matters. In respect of the 2019 matter, the parties agreed that each party will pay its own costs. The Board, after deliberation and consideration of the imperatives as outlined above, resolved to accept the proposal resulting in the parties settling the matters amicably. SAPU has subsequently paid the costs as agreed.</p> <p>Below is a summary of the three matters referred to above as at end of March 2021, for members' ease of reference:</p>		
(a) ON Skommer & SAPU / Polmed Case no: 46670/2017	Judicial enquiry/ Application to direct an investigation into Polmed	<p>This matter is an Application by the Applicants for a judicially directed investigation into the First Respondent (Polmed).</p> <p>After exchange of pleadings, the matter was set down for hearing on 17 November 2020 wherein judgment was granted in favour of Polmed. The court ordered the Applicants to pay costs of the application, jointly and severally, the one paying the other to be absolved.</p>
(b) South African Police Union / Polmed & 1 other (Case no: 54786/2016)	Application to interdict Polmed's AGM scheduled for 14 July 2016	<p>This is an application where the Applicants (SAPU) sought relief to set aside Polmed's 2016 AGM.</p> <p>The Parties settled that Polmed will not oppose the interdict on condition that should Polmed be successful on the main action (election of trustees and certain irregularities alleged by the Plaintiff), the Plaintiff will pay the wasted costs incurred by Polmed in scheduling the AGM. The Court granted the Plaintiff an opportunity to amplify its arguments in respect of the main action, which opportunity the Plaintiff lost as they were unable to file as directed by the Court.</p>
(c) Polmed AGM (2019)	Summons against Polmed members for cost incurred in hosting the AGM	<p>Summons were issued in the Bloemfontein High Court against members of Polmed for the costs incurred in hosting the AGM that was disrupted.</p> <p>All the Defendants have filed their Pleas and the requisite legal processes between the parties are proceeding.</p>
2 CMS Application for Curatorship against Polmed	<i>Ex parte:</i> Curatorship Application	<p>The Registrar of Medical Schemes lodged an <i>ex parte</i> urgent application seeking the Court to place Polmed under curatorship on the basis of, among others, mismanagement of the Scheme. The Judge ordered that there was no justification for the matter to be brought on an <i>ex parte</i> basis and that service of the application is necessary. The Judge further ordered the Registrar to join Medscheme in the application as they were also an interested party.</p> <p>However, on 27 November 2020 the Registrar filed a Notice of removal of the matter from the court roll citing excess number of court papers, amongst other reasons.</p> <p>On 17 December 2020, Polmed wrote CMS attorneys a letter advising that Polmed intends to pursue its remedies in respect of costs and to enrol the application on a normal opposed motion court roll for that purpose. Further, a proposal was made to CMS to withdraw the application and undertake not to bring an application for curatorship against Polmed premised on any of the same grounds and without prior Notice to Polmed. CMS was advised that should they agree on these terms, Polmed is prepared to agree that each party pays its own costs. However, if CMS does not accept Polmed's proposal, it must advise how it intends to pursue the application. The Registrar was further advised that should they take the matter to court through the court processes, Polmed will request for punitive court order against CMS.</p> <p>In response, the Registrar, through its Attorneys, advised the Scheme during May 2021 that it is agreeable to Polmed's proposal to withdraw the curatorship application as well as for each party to pay its own costs. Proof of the said withdrawal was submitted to Polmed.</p>

CASE	NATURE	STATUS
		Parallel to the above legal process, the PO together with the Chairperson of the Board continue to make efforts to facilitate improved stakeholder relations with the CMS.
3 Curatorship: Constitutionality of certain provisions of the Medical Schemes Act and Financial Institutions (Protection of Funds) Act	Declaratory order	<p>The applicant (the Scheme) seeks a declaratory order in the following terms, that:</p> <ul style="list-style-type: none"> (a) Section 56 (1) of the Medical Schemes Act envisages that an application for the appointment of a curator will be upon notice to the affected medical scheme; (b) Section 56 (2) of the Medical Schemes Act, which utilises the mechanism of the Financial Institutions (Protection of Funds) Act to give effect to the appointment of a curator, is to be read subject to the above provision; (c) Section 5 (1) of the Financial Institutions (Protection of Funds) Act, insofar as it is a blanket authorisation for an <i>ex parte</i> approach to Court for the appointment of a curator: <ul style="list-style-type: none"> i. constitutes an unjustified infringement of a medical scheme's right to oppose such curatorship in terms of Section 34 of the Constitution; and ii. is inconsistent with the Medical Schemes Act; (d) the above provisions must be read down to apply to instances where an <i>ex parte</i> application is permissible in law – i.e., that an <i>ex parte</i> approach to the High Court must be justified on the facts in the founding affidavit, which facts must justify the dispensing with notice to the medical scheme, based on the facts at hand and / or on the basis of urgency. (e) in the event of the applicant succeeding, that the first and second respondents pay the costs of this application.
4 Polmed Rules Appeal	Appeal: Rule Amendment	<p>Polmed lodged an appeal against the decision of the Registrar to amend and delete Rule 274.2 of the Polmed Rules.</p> <p>The matter was initially set down for hearing on 16 October 2020, however, the hearing never took place. It was subsequently heard on 30 April 2021 by the Council for Medical Schemes' Appeal Committee via Microsoft Teams. The Committee reserved its judgment.</p>
5 Batsumi contractual dispute	Arbitration	<p>This matter relates to a contractual dispute wherein Polmed terminated its service level agreement (SLA) with Batsumi. Batsumi is of the view that certain provisions of the SLA are still applicable after termination.</p> <p>Batsumi has therefore referred the matter to Arbitration. However, the parties have been engaging in an effort to reach an amicable solution to the dispute. After exchange of correspondence and consultations, the parties agreed that Batsumi will resume recoveries of Motor Vehicle Accident claims in line with clause 4.4 of the Service Level Agreement between the parties which allowed Batsumi to take over active files on termination of the contract. The pending arbitration proceedings have been put in abeyance until further notice.</p>
6 KNK contractual dispute	Contractual dispute	<p>During the period between August 2020 and October 2020, Polmed conducted a forensic investigation through an external forensic investigation company. The investigation was informed by certain allegations of misconduct and/or impropriety levelled against one member of Polmed staff pertaining to the termination of a Motor Vehicle Accidents (MVA) recovery contract of Batsumi Claims Management Solutions (Pty) Ltd (Batsumi) and the subsequent appointment of KNK Healthcare Solutions (Pty) Ltd (KNK).</p> <p>The investigation found that:</p> <ul style="list-style-type: none"> • there were irregularities in the appointment of KNK; • the staff member failed to disclose the circumstances surrounding the appointment of KNK; • the PO and Board of Trustees of Polmed were as a result, misled in believing that the appointment process was procedural and regular; and • the contractual agreement between Polmed and KNK was null and void.

CASE	NATURE	STATUS
KNK contractual dispute (Continued)		<p>As a result of the above, Polmed:</p> <ul style="list-style-type: none"> • took disciplinary action against the implicated staff members; • terminated its contractual relationship with KNK as it was found to be null and void <i>ab initio</i>; • instructed its Attorneys to recover all monies paid to KNK as a result of the agreement; and • reported the matter to the Hawks in terms of Section 34 of the Prevention and Combatting of Corrupt Activities Act, 12 of 2004 (PRECCA), and opened a case with SAPS. • Polmed has further demanded its files (in writing) from Sikhala Attorneys who were attorneys of record for KNK on the matter.
7 S M Vakalisa Attorneys		<p>Polmed appointed S M Vakalisa Attorneys on 12 February 2020 for assistance with the provision of Administrative services to Board Technical Evaluation Committee (BTEC).</p> <p>The law firm was later instructed/ briefed on other services such as provision of legal opinions and arbitration which fell outside the scope of the Service Level Agreement.</p> <p>The firm's contract was terminated on 30 November 2020. However, on analysis of the firm's invoices, it was found that the firm had been misrepresenting its invoices in relation to the work done. Processes to recover the overcharged monies are underway.</p>



8. SUMMARY OF PERFORMANCE AGAINST STRATEGIC OBJECTIVES

PERFORMANCE AREA	TARGET	ACHIEVEMENT
Compliance other than exemptions	100%	100% on all those due for review. All returns completed on time, no penalties levied against the Scheme. See Section 12 of this report on compliance matters.
Spend on non-healthcare costs with enterprises above Level 3 B-BBEE or Exempt Micro-Enterprises	80%	100% Exceeded the target, all entities contracted with the Scheme are strictly evaluated on this and none of the entities scored at 4 or below.
Earned net investment returns	CPI +2%	R353.4 million against a year-to-date budget of R320.2 million as of 31 December 2020 representing a R33.2 million performance better than budget.
Claims ratio	102.11%	90.53%
% of confirmed fraud that is financially recovered	50%	40%
% productivity lost due to information technology infrastructure	5%	Possible data leak. IT risk elevated to red following forensic audit findings.
MOA with SAPS	Reviewed MOA in place Agreed SLA in place	MOA implemented. On-going project.
SLA	80% adherence	90% adherence.
Number of members reached through outreach and communication initiatives (face to face cumulative)	70 000	Despite not being able to host events, there was increased electronic communication.
Solvency	40%	47.85%
Contribution increase: Employer	7.5%	6.8%
Employee increase	10%	7.5%
Non-healthcare costs	10%	3.88%

SUSTAINABILITY

NHI
(POLMED ROLE)

GRANT FUNDING
(WEAK GOVERNMENT
FISCUS)

GOVERNANCE COSTS
(LOW NON-HEALTHCARE
COSTS AND STABLE
HEALTHCARE COSTS)

QUALITY HEALTHCARE

**PREVENTATIVE CARE
BASED DELIVERY
MODEL**

**EVIDENCE BASED
HEALTHCARE
BENEFITS**

STAKEHOLDER RELATIONS

CMS

**SAPS
MEMBERS
LABOUR**

Polmed supports the principle of universal health coverage as espoused by the World Health Organisation (WHO), which advocates that all people must have access to primary or essential healthcare services.

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

Polmed offers its members healthcare benefits that are best suited to the conditions of service of the South African Police Service. The Scheme is of the view that the risk profile of SAPS members necessitates and dictates that members of the police service should continue receiving the best suited benefits without undue reduction or dilution, well beyond the basket of benefits envisaged in the NHI Bill. It is for this reason that Polmed has requested to be exempted from the application of the NHI Bill so that the Scheme can continue providing its members with quality and best suited healthcare services at reasonable costs.



9. TRUSTEE HONORARIA AND CONSIDERATIONS

9.1 TRUSTEE MEETING ATTENDANCE

The schedule below sets out Trustee attendance at Trustee and key Committee meetings.

TRUSTEE MEMBERS	BOARD OF TRUSTEES MEETINGS		AUDIT AND RISK COMMITTEE MEETINGS		HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETINGS		CLINICAL GOVERNANCE COMMITTEE MEETINGS		INVESTMENT COMMITTEE MEETINGS		CDRC MEETINGS		BTEC MEETINGS		LOYALTY PROGRAMME TASK TEAM		OTHER AD HOC MEETINGS	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
NP Cupido	18	15	-	-	-	-	-	-	4	4	-	-	-	-	-	-	1	1
PP Dimpane	18	16	4	4	-	-	-	-	4	4	-	-	-	-	-	-	-	-
ED Groenewald	18	18	-	-	-	-	-	-	-	-	4	4	13	13	-	-	-	-
BC Mgwenya	18	7	-	-	4	2	-	-	-	-	-	-	-	-	-	-	-	-
BD Mokwena	18	16	-	-	-	-	-	-	4	4	-	-	-	-	2	2	-	-
BSJ Muller	18	17	-	-	-	-	6	4	-	-	-	-	-	-	2	2	-	-
SJ Nelson	18	18	-	-	-	-	-	-	4	4	-	-	13	10	-	-	1	1
TNL Ngwenya	18	16	-	-	4	4	6	5	-	-	-	-	13	13	2	2	-	-
ST Nkosi	18	15	-	-	-	-	-	-	-	-	4	4	-	-	-	-	-	-
RP Ntsime	18	4	-	-	4	1	-	-	-	-	-	-	-	-	-	-	-	-
RD Orsmond	18	18	-	-	-	-	-	-	-	-	4	4	-	-	-	-	-	-
MV Phiyega	18	17	-	-	4	4	-	-	-	-	4	2	13	11	-	-	2	2
HK Senthumule	18	18	4	4	-	-	6	5	-	-	-	-	13	13	2	2	1	1
BP Temba	18	18	-	-	-	-	6	6	-	-	-	-	13	12	2	2	-	-
FN Vuma	18	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	5

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

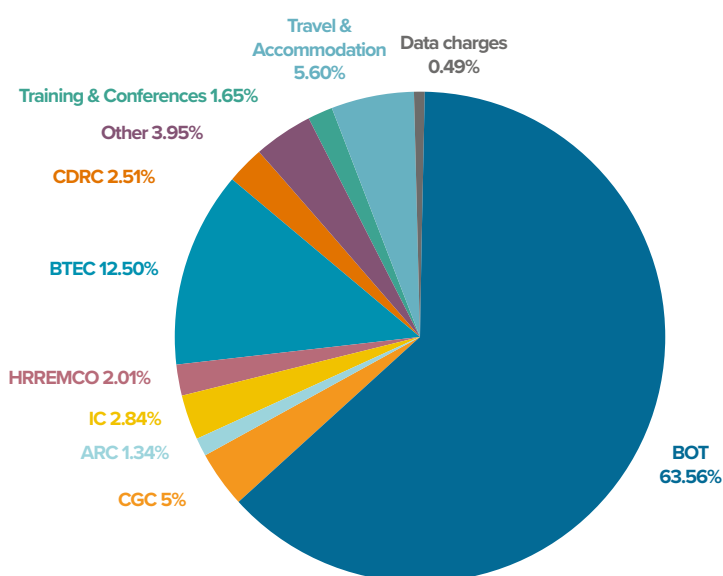
MEMBERS	ARC MEETINGS	
	A	B
Z Samsam	4	4
T Mtongana-Zote	4	4
N Tshombe	4	4

A: total number of meetings scheduled or special meetings
B: actual number of meetings attended

9.2 TRUSTEE HONORARIA AND CONSIDERATIONS

2020	FEES FOR MEETING ATTENDANCE	TRAINING AND CONFERENCE	TRAVEL AND LODGING	DATA COSTS	TOTAL
	R	R	R	R	R
NP Cupido	319 000	6 557	64 194	2 260	392 011
PP Dimpane	369 600	926	2 566	2 260	375 352
ED Groenewald	503 800	6 556	15 216	2 260	527 832
BC Mgwenya	145 200	-	-	1 490	146 690
BD Mokwena	347 600	12 296	16 539	2 260	378 695
BSJ Muller	365 200	12 295	24 315	2 260	404 070
SJ Nelson	492 800	6 557	6 113	2 438	507 908
TNL Ngwenya	559 350	6 556	92 256	2 840	661 002
ST Nkosi	308 000	6 558	5 999	1 913	322 470
RP Ntsime	81 400	926	3 175	299	85 800
RD Orsmond	371 800	6 556	105 948	2 260	486 564
MV Phiyega	560 450	6 557	11 760	2 260	581 027
HK Senthumule	591 800	6 556	16 788	2 260	617 404
BP Temba	536 800	23 157	3 725	1 913	565 595
FN Vuma	514 800	6 557	-	2 950	524 307
TOTAL	6 067 600	108 610	368 594	31 923	6 576 727

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



Other: Refers to additional meetings that the Trustees or the Chairperson have attended.

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

9.3 POLICY GUIDELINES FOR TRUSTEE REMUNERATION

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

It should be noted that there had been no increase of Trustee honoraria day rates since 2015, until 2020 at the AGM.

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.

2022 PROPOSED FEES

	2022 R	2021 R	2020 R	2019 R	2018 R	2017 R
BOARD OF TRUSTEES MEETINGS:						
CHAIRPERSON	23 725.94	22 726	22 000	22 000	22 000	22 000
TRUSTEE	18 980.96	18 181	17 600	17 600	17 600	17 600
SUB-COMMITTEE MEETINGS:						
CHAIRPERSON	14 828.98	14 204	13 750	13 750	13 750	13 750
TRUSTEE	11 862.97	11 363	11 000	11 000	11 000	11 000
INCREASE BASE	CPI 4.4 %					

CPI at as at the end of April 2021

MOTIVATION FOR ADOPTION

South African annual consumer price inflation in April 2021.

9.4 EMPLOYEE REMUNERATION POLICY

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

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

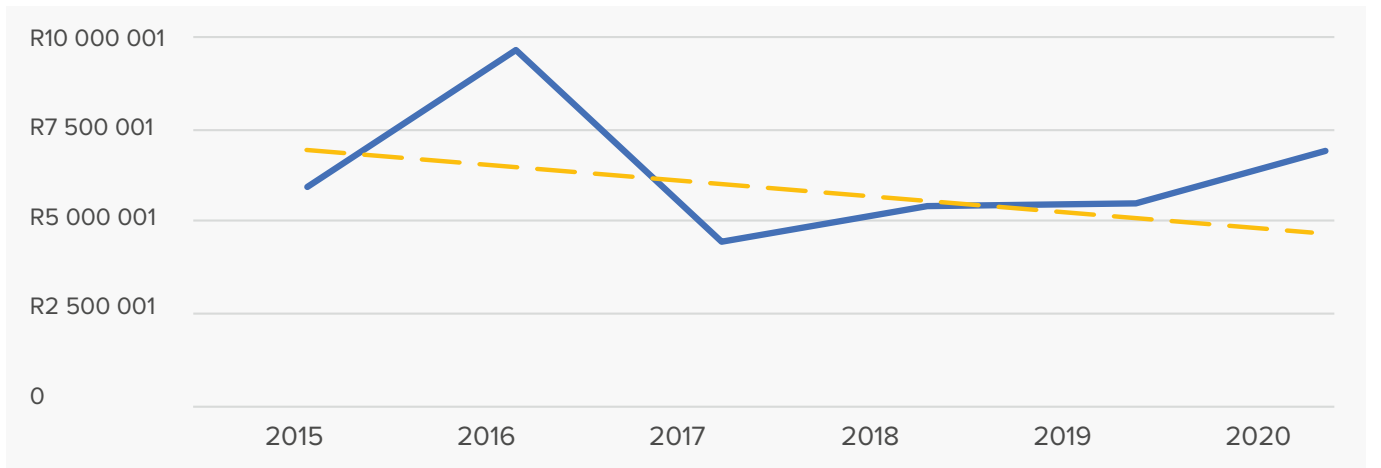
The Polmed Employee Remuneration Policy has met its stated objectives in that it supports the Scheme’s commitment to attracting and retaining highly-skilled talent. This can be seen from the staff turnover recorded for the 2020 financial year where only one employee resigned due to family reasons. The Polmed performance management process further entrenches this commitment as it continues to reward high performers within the organisation.

9.5 PRINCIPAL OFFICER’S FEES

For the year under review the Principal Officer’s fees amounted to R5 755 535 representing a 7.67% year-on-year increase from R5 282 324 in 2019. The fees are made up of salary, pension fund and leave provision among others.

	2020	2019	%CHANGE
Principal Officer fees	R5 755 535	R5 282 324	7.67%

PRINCIPAL OFFICER FEES



10. PERFORMANCE OBJECTIVES

The specific strategic goals for 2020 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
1. Scheme sustainability	<ul style="list-style-type: none"> A. To effectively lobby and rationalise grant funding through the employer B. Containment and optimisation of healthcare costs C. Containment and optimisation of non-healthcare costs D. To effectively manage fraud, waste and abuse E. To ensure optimal and sustainable rate of return on Scheme investments F. Support quality healthcare services to members through effective Scheme governance
2. Quality healthcare for Scheme members	<ul style="list-style-type: none"> A. To provide quality and evidence-based healthcare benefits B. To position a delivery-model that is focused on preventative care
3. Sound relationships with stakeholders	<ul style="list-style-type: none"> A. To enable integration in member service through the implementation and progress monitoring of the MOA with SAPS B. To position the Scheme for an increase in scope to include the security services cluster C. To improve relationships with stakeholders (providers and organised labour) through effective communication strategies and interventions D. To ensure effective and on-going member education



11. FINANCIAL HIGHLIGHTS

This document contains highlights of the Scheme's results for the year ended 2020, extracted for the 2020 Integrated Report. The auditor has expressed an unqualified opinion on the Consolidated Financial Statements.

11.1 SUMMARY OF FINANCIAL PERFORMANCE

	2020 R	2019 R	2018 R	2017 R	2016 R	2015 R
Contributions collected	10.8 bn	10.05 bn	9.3 bn	8.8 bn	8.2 bn	7.6 bn
Net surplus or deficit	1.07 bn	10.87 m	(313.2 m)	198.7 m	143.3 m	229 m
Solvency	47.85%	40.45%	43.15%	46.41%	50.41%	51.29%
Members' funds	5.22 bn	4.03 bn	4.03 bn	4.35 bn	4.16 bn	4.0 bn
Reserves per beneficiary	10 385	7 936	8 172	8 690	8 342	8 162
Non-healthcare costs	3.88%	3.57%	3.74%	4.03%	5.23%	6.41%

11.2 EXTRACTS FROM THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

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

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	2020 R	2019 R
ASSETS		
Non-current assets	4 111 400 260	3 140 584 126
Property and equipment	42 026 341	57 267 476
Investments	1 140 603 714	766 478 076
Financial assets at fair value through profit or loss		
Financial assets at fair value through other comprehensive income (OCI)	2 928 770 205	2 316 838 574
Current assets	1 936 130 419	1 633 545 386
Investments		
Financial assets at fair value through profit or loss	510 581 280	277 267 696
Financial assets at fair value through other comprehensive income	828 895 702	900 095 801
Insurance and other receivables	105 289 578	142 759 133
Cash and cash equivalents	491 363 859	313 422 756
Total assets	6 047 530 679	4 774 129 512
FUNDS AND LIABILITIES		
Members' funds	5 169 437 193	4 049 828 892
Accumulated funds	5 107 604 684	4 038 022 453
Investments at fair value through other comprehensive income reserve	61 832 509	11 806 439
Current liabilities	878 093 486	724 300 620
Outstanding claims provision	557 973 550	450 665 388
Insurance and other payables	317 697 204	271 150 890
Employee benefits obligations	2 422 732	2 484 342
Total funds and liabilities	6 047 530 679	4 774 129 512

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 R	2019 R
Risk contribution income	10 803 037 435	10 013 095 376
Relevant healthcare expenditure	(9 780 124 610)	(10 045 737 710)
Net claims incurred	(9 554 986 242)	(9 852 367 812)
Risk claims incurred	(9 618 416 766)	(9 918 691 377)
Third-party claim recoveries	63 430 524	66 323 565
Net (expense)/income on risk transfer arrangements	(68 741 872)	(43 149 200)
Risk transfer arrangement premiums paid	(958 559 642)	(701 745 510)
Recoveries from risk transfer arrangements	860 064 893	651 036 144
Profit share on risk transfer arrangements	29 752 877	7 560 166
Accredited managed healthcare services (no risk transfer)	(156 396 496)	(150 220 698)
Gross healthcare result	1 022 912 825	(32 642 334)
Administration expenditure: benefit management services	(47 020 457)	(49 700 303)
Administration fees and other operative expenses	(372 570 483)	(303 856 011)
Net impairment losses on insurance and other receivables	(1 788 828)	(2 303 072)
Net healthcare result	601 533 057	(388 501 720)
Other income	490 526 575	413 709 492
Investment income	353 399 358	396 371 621
Other realised and unrealised gains and losses	(11 499 931)	9 814 434
Sundry income	148 627 148	7 523 437
Other expenditure	(22 477 401)	(16 805 781)
Asset management fees	(18 256 514)	(15 098 265)
Net impairment losses on investments	(4 220 887)	(1 707 516)
Net income for the year	1 069 582 231	8 401 991
Other comprehensive income	50 026 070	2 468 097
Debt instruments at fair value through OCI – change in fair value	55 867 554	9 322 081
Debt instruments at fair value through OCI – reclassified to profit or loss	(5 841 484)	(6 853 984)
Total comprehensive income for the year	1 119 608 301	10 870 088

12. NON-COMPLIANCE MATTERS

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

12.1 CONTRAVENTION OF SECTION 26(7):

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
<p>In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, as amended, all subscriptions or contributions shall be paid directly to a medical scheme no later than three days after payments thereof becoming due.</p>	<p>Contributions are receivable from the employer, South African Police Service, and continuation members. Continuation members' contributions are collected via debit orders and cash payments.</p> <p>The employer, South African Police Service, paid all contributions within the stipulated timeframe of the Act via the payroll administration system.</p> <p>In accordance with the Scheme's Debt Policy, the late paying members are contacted and informed of the requirement of the Medical Scheme Act and Polmed Rule 13.3. Failure of the member to settle outstanding contributions will result in suspension and termination of Scheme membership.</p>
Possible impact of the non-compliance	
<p>Late payments may result in a loss of interest to the Scheme for the number of days that payments are late. The amount is, however, not considered significant as it relates to a small number of continuation members. All employer contributions were received within the permitted three days.</p>	

12.2 CONTRAVENTION OF SECTION 35(8):

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
<p>In terms of Section 35(8) of the Medical Schemes Act 131 of 1998, as amended, a Scheme should not have any shares in an employer who participates in the medical scheme or any administrator or any agreement associated with the medical scheme.</p> <p>As at 31 December 2020, the Scheme had indirect holdings in the following entities: Discovery Ltd – R19 399 618 Liberty Holdings Ltd – R 8 243 640 Momentum Metropolitan Holdings Ltd – R 9 892 949</p>	<p>The Council for Medical Schemes has granted the Scheme an exemption from Section 35(8)(a) and (c) of the Medical Schemes Act for a period of three years, effective 01 December 2019 until 30 November 2022.</p> <p>The exemption is granted subject to the following conditions:</p> <ul style="list-style-type: none"> • The Scheme continues to take steps to avoid conflicts of interest; • The investments, which constitute the subject matter of this exemption application continue to be managed by an independent investment manager with no influence from the Scheme or its officers. The Scheme will be required on an annual basis to submit declarations from investment managers stating that no conflict of interest exists between themselves and the prohibited investment entities; and • The Scheme conducts a comprehensive quarterly analysis on total assets to ensure that the investments do not exceed the limitations set out in Annexure B.
Possible impact of the non-compliance	
<p>As a result of the Scheme receiving an exemption from Section 35(8)(a) and (c) of the Act, the Scheme believes that there is no non-compliance.</p>	

12.3 NON-COMPLIANCE WITH REGULATIONS 15A AND 15:

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
<p>In terms of Regulation 15F of the Medical Schemes Act 131 of 1998, as amended, a Scheme shall not enter into a capitation agreement unless the agreement embodies a genuine transfer of risk from the medical scheme to the managed health care organisation.</p> <p>Regulation 15A(1)(b) of the Medical Schemes Act 131 of 1998, as amended, states that with effect from 01 January 2004, such capitation arrangements can only be concluded with an accredited managed health care organisation.</p> <p>The Scheme entered into a capitation agreement with KNK in 2020. The agreement did not embody genuine risk transfer nor was the agreement concluded with an accredited managed care organisation.</p> <p>The Scheme has a capitation agreement with PPN. PPN is not an accredited managed care organisation.</p>	<p>The Scheme entered into a capitation agreement with KNK in 2020. Based on the fraud investigation completed by Ntumba and Associates Consulting (Pty) Ltd (Ntumba), it was concluded that the contract was non-compliant with Regulation 15. In light of the Ntumba findings, the service level agreement with KNK has been terminated as it was null and void.</p> <p>Management acknowledges the finding noted by the external Auditors. PPN is however in the process of being accredited by the CMS. No corrective action is required by the Scheme in respect of the non-compliance matter noted.</p>
Possible impact of the non-compliance	
Financial loss to the Scheme.	

12.4 NON-COMPLIANCE WITH SCHEME RULE 13.3:

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
<p>In terms of Rule 13.3 of the Scheme Rules, contributions shall be due monthly in advance and be payable by not later than the third day of each month. Where contributions or any other debt owing to the Scheme, have not been paid within three days of the due date, the Scheme shall inform the member concerned and the employer in writing of such failure. In the event that the arrears are not paid within the grace period of 14 days after notification, membership shall be suspended forthwith. In the event that the arrear contributions are not paid within 30 days of suspension, membership of the relevant member shall terminate. Such membership shall only be reinstated after the payment of the contributions in arrears. No benefits shall be payable from the date of suspension until the date of reinstatement.</p> <p>It was noted that two continuation members with contributions to the value of R837 were not suspended in terms of Rule 13.3.</p>	<p>The two continuation members, who are cash paying members, normally pay their contributions timeously however, due to the lockdown restrictions the members could not visit financial institutions to pay their outstanding contributions. The members were contacted and encouraged to use the debit order facility offered by the Scheme to pay their contributions.</p>
Possible impact of the non-compliance	
Financial loss to the Scheme as members may continue enjoying claim benefits without settlement of their contributions.	

12.5 CONTRAVENTION OF SECTION 59(2):

NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
<p>In terms of Section 59(2) of the Medical Schemes Act of 1998, as amended, a Scheme shall settle all claims due within 30 days of receipt.</p> <p>As part of the claims processing function a claim may be placed in PDI (Personal Discrepancy Intervention) status where the assessor or the system validation rules identifies the claim as incomplete. The claim is captured in full but remains unpaid until the claim error is resolved either through interaction with the provider or through system validation review.</p>	<p>The Administrator has implemented eligibility and validation rules to verify all claims before payment is issued to members or providers. Section 59(2) rules that a Scheme shall settle all claims due within 30 days of receipt, where the claims are both valid and complete.</p> <p>A claim of R5 424 was identified as a non-compliant process during the 2019 audit as the claim was not paid within 30 days. The 2019 audit finding was corrected in May 2020. This corrective action has now been identified as a non-compliance matter in the 2020 audit.</p>
Possible impact of the non-compliance	
<p>Valid claims could be rejected or amounts due on valid claims could be short-paid or could be paid beyond the prescribed 30-day period.</p>	

12.6 CONTRAVENTION OF SECTION 33(2):

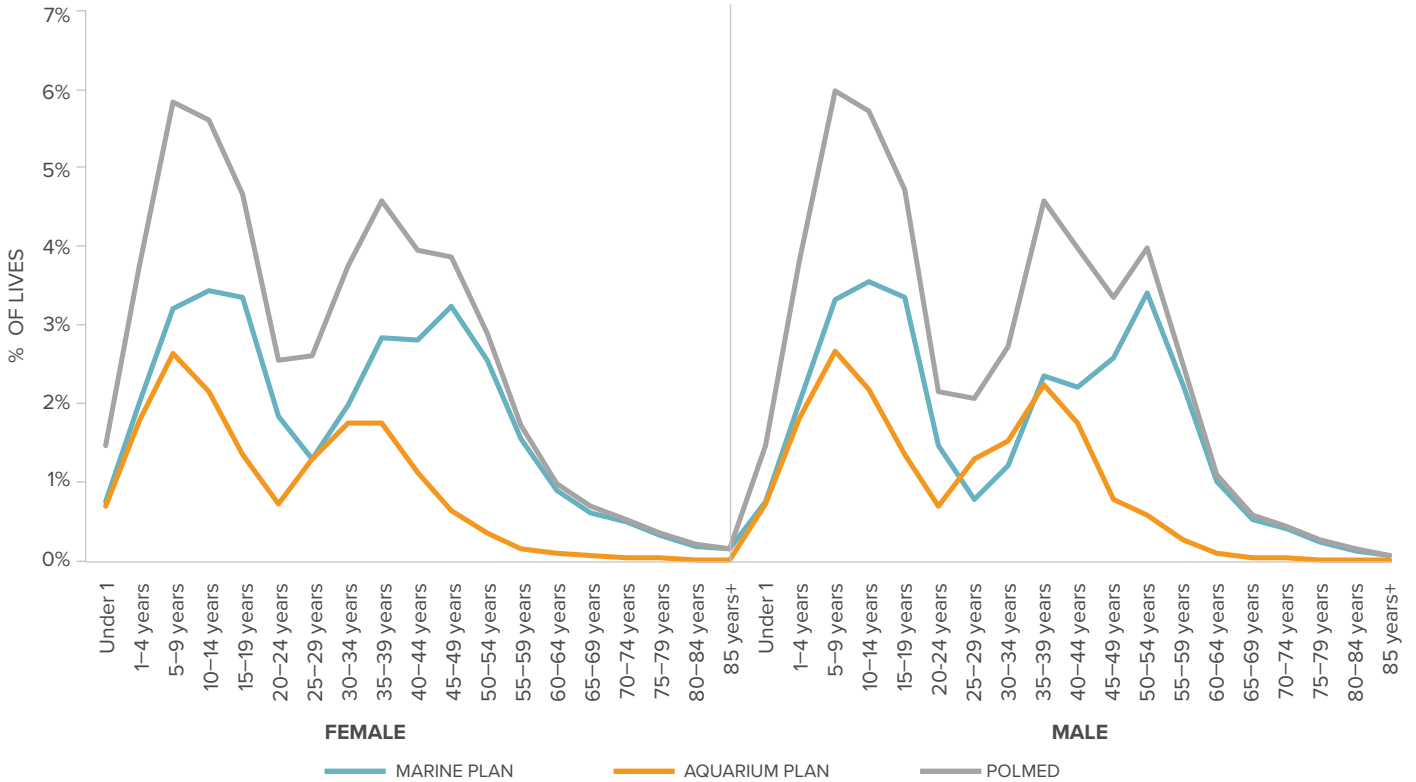
NATURE AND CAUSE OF THE NON-COMPLIANCE	CORRECTIVE COURSE OF ACTION
<p>In terms of Section 33 of the Medical Schemes Act of 1998, as amended, the Registrar shall not approve any benefit option under this section unless the Council for Medical Schemes is satisfied that such benefit option:</p> <ul style="list-style-type: none"> • Includes the prescribed benefits • Shall be self-supporting in terms of membership and financial performance • Is financially sound • Will not jeopardise the financial soundness of any existing benefit option within the medical scheme. <p>The Aquarium Plan reported a net healthcare deficit of R143 664 601. The Aquarium Plan at the end of the year, including other income and other expenditure and other comprehensive income, realised a comprehensive income of R37 586 167.</p>	<p>When the hospital Designated Service Providers (DSP's) were introduced to both Marine and Aquarium Plans, the tariff rate was equalised between the two options. This had an adverse impact on the claims ratio for the Aquarium Plan.</p> <p>The contributions received for the Aquarium Plan are lower than those of the Marine Plan, however the equalised rate impacted the claims ratio for the Aquarium Plan. This has been addressed via the hospital tariff negotiations for 2020 and was also assisted by a moratorium on elective procedures during the National Lockdown, to <i>inter alia</i> free up capacity in hospitals and assist in curbing the spread of COVID-19 by implementing the mandated isolation regulations for South Africa.</p>
Possible impact of the non-compliance	
<p>In terms of Section 33(4), the Registrar may withdraw the approval of such benefit options, which in the Registrar's opinion are or may not be financially sound. The Scheme may also be required to change its contribution rates accordingly with effect from a date determined by the Registrar.</p>	



13. OPERATIONAL AND COVID-19 STATISTICS

13.1 OPERATIONAL STATISTICS

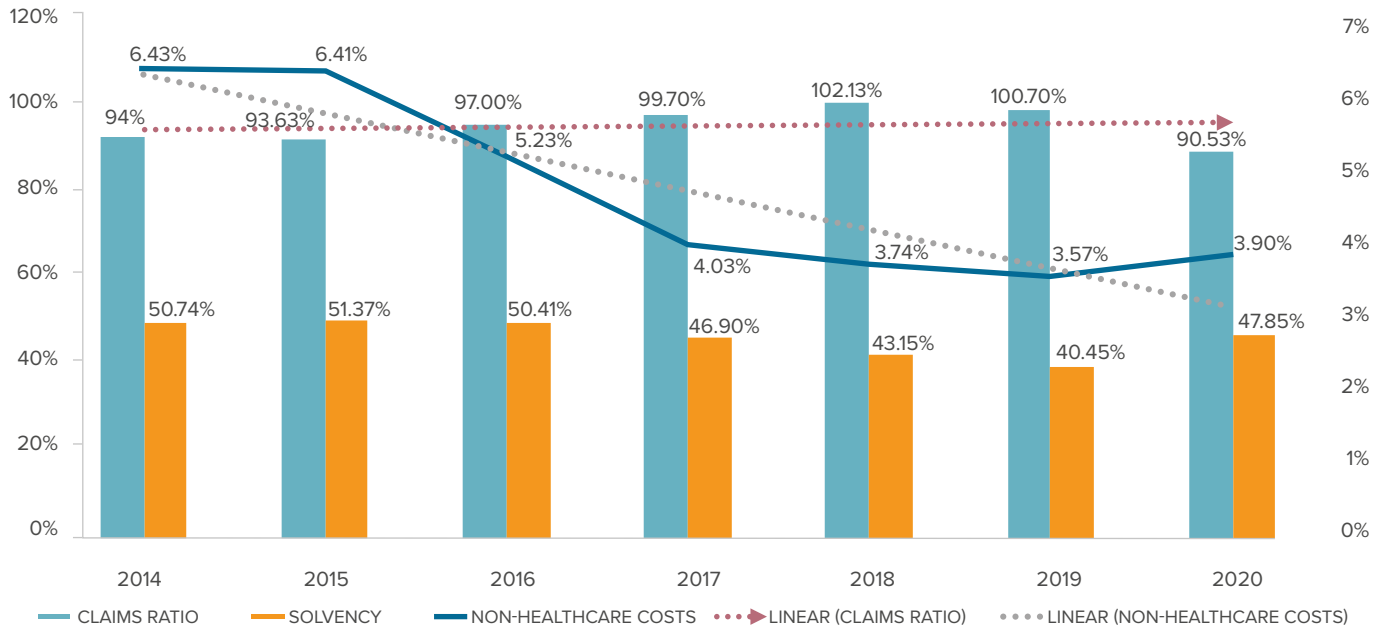
MEMBERSHIP DISTRIBUTION BY AGE AND GENDER FOR POLMED AS AT 31 DECEMBER 2020



The graph above compares the membership distribution of the Scheme as at 31 December 2020, by age and gender and benefit option. A “twin-peak” profile distribution is observed with the first peak during the childhood years, decreasing sharply after the age of 18.

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

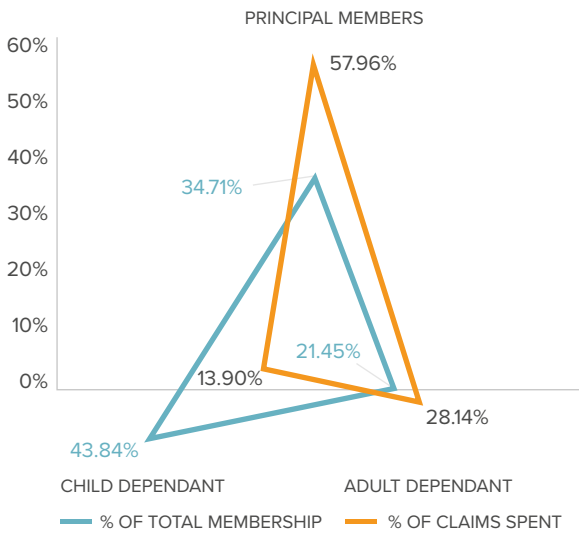
CLAIMS RATIO, SOLVENCY, NON-HEALTHCARE COSTS



The graph above reveals the impact of slightly lower healthcare costs in comparison to contribution income with a claims ratio of 90.53%. This situation is mainly driven by lower claims paid during 2020 because of deferred elective procedures due to COVID-19. The Scheme's solvency increased from 40.45% to 47.85% in 2020.

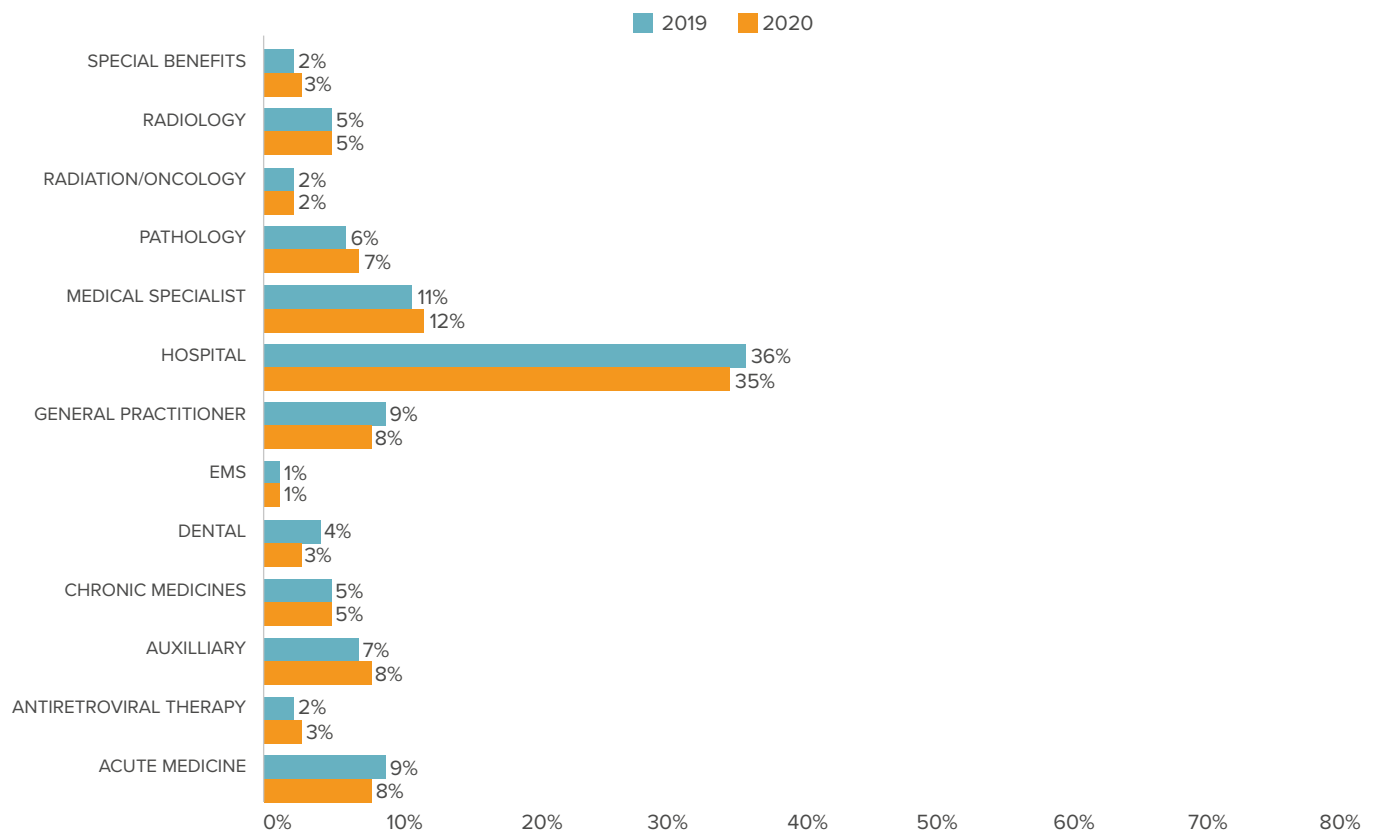
The non-healthcare expenditure ratio is stable as shown in the graph above and as at the end of December 2020, it was recorded at 3.90%. This ratio is amongst the lowest in the industry and compared favourably to the 10% prescribed by CMS guidelines.

CLAIMS ANALYSIS



The chart shows that principal members account for 34.71% of membership, but represent the highest claimers at 57.96% of all claims. Child dependants, on the other hand, represent 43.84% of membership and contribute to 13.9% of all claims.

CLAIMS OVERVIEW (BY DISCIPLINE) – 2019 VS 2020



Hospital costs at 35% of overall healthcare expenditure was the highest contributor to healthcare spend. 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.

The introduction of the hospital DSP network has reduced the admissions to the Netcare group of hospitals and increased admissions to the NHN, Mediclinic, Life Health, JMH and Clinix hospital groups. Admissions that do end up within Netcare hospitals tend to be more complex or severe (their case mix index has increased), which partly explains their increase in average Length of Stay (LOS) in addition to the mental health admissions in Akeso psychiatric facilities.

State facilities (included under “Other”) receive very few Polmed admissions and this has resulted in large movement in costs and LOS.

SPECIALISED CARE

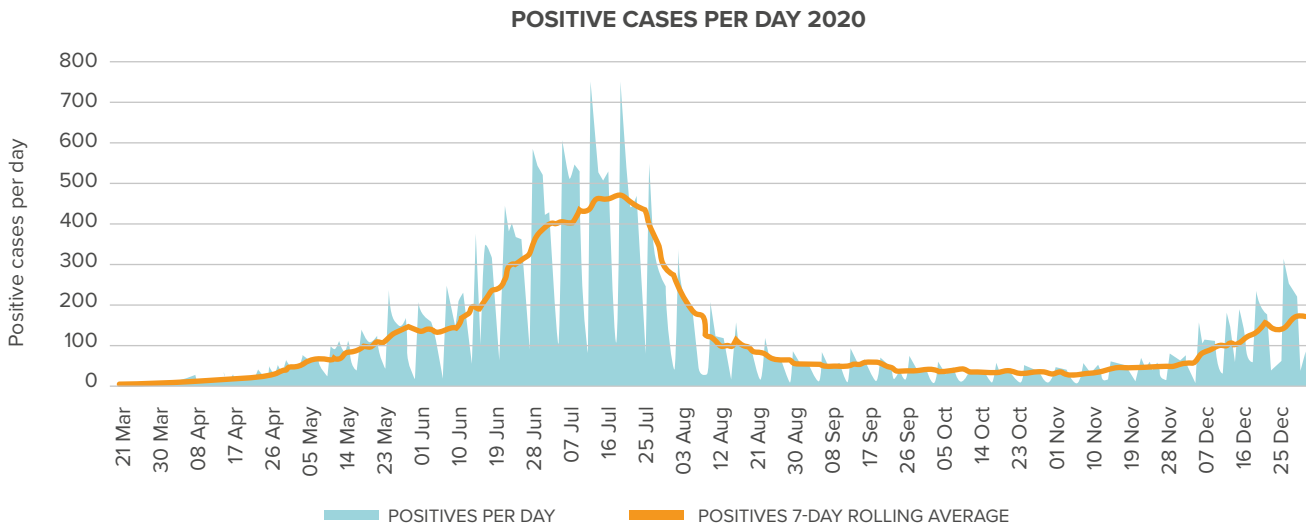
The Scheme is also witnessing a continued increase in specialised care in the form of organ transplants, haemodialysis and peritoneal dialysis resulting from organ failures. These organ failures are complications resulting from possible non-adherence to treatment plans, unhealthy lifestyles and eating patterns for those members with hypertension, diabetes and cardiovascular diseases. The sustainability of Polmed is therefore dependant upon beneficiaries’ commitment to healthy living and the Board will continue to find ways to encourage and reward members for healthy lifestyles.

Scriptpharm has been appointed in January 2019 as Polmed’s pharmacy DSP network that includes over 2 400 pharmacies with a well-represented national footprint and is responsible for managing both acute and chronic medicine utilisation and costs.

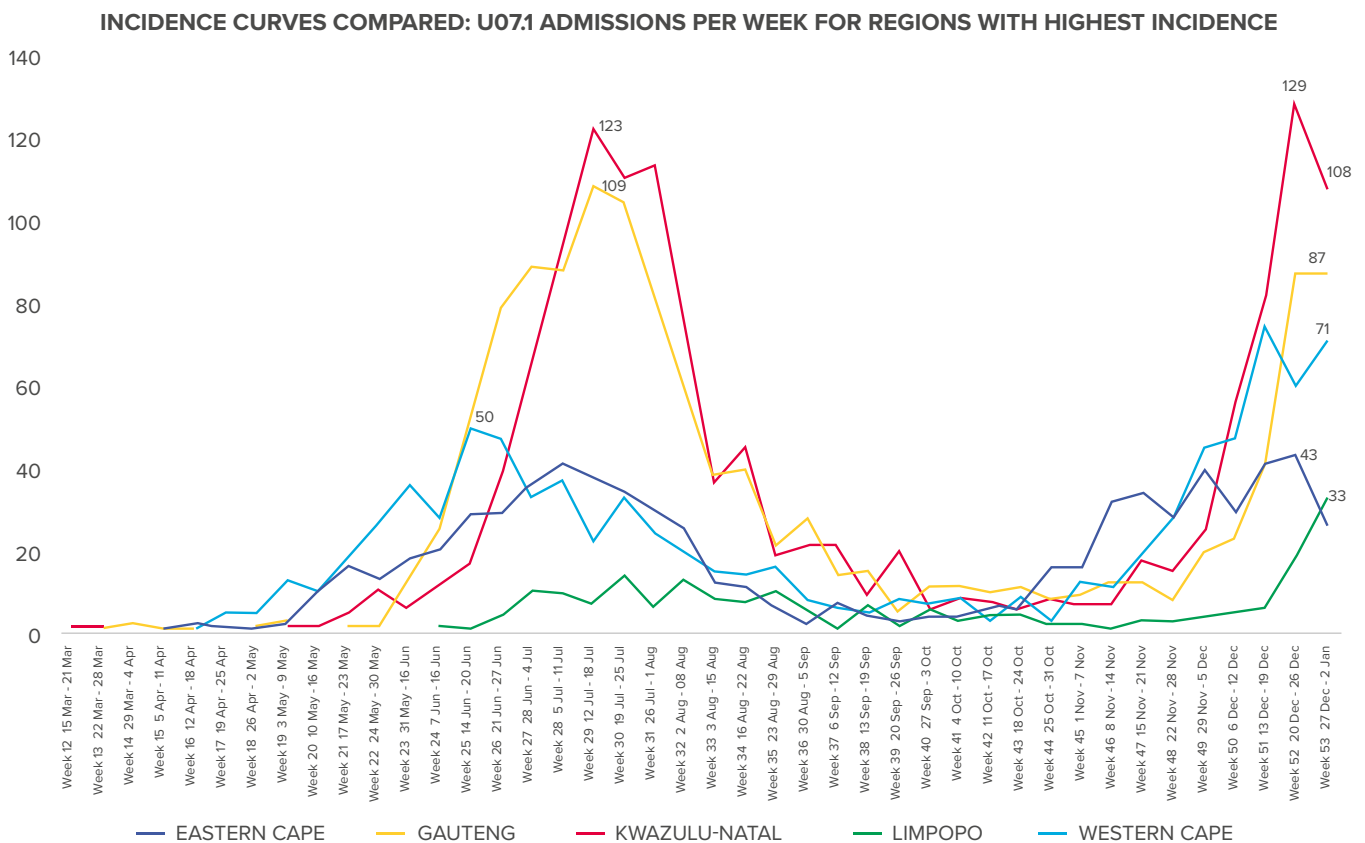
As of 01 January 2021, Polmed contracted ER24 as its emergency services provider. ER24 is responsible for all pre-authorisations and dispatching of ambulances/paramedics to patients in emergency situations. Polmed, via its administrator, is responsible to settle the claims from emergency service providers.

13.2 COVID-19 STATISTICS

COVID-19 DAILY INFECTIONS



COVID-19 HOSPITAL ADMISSIONS

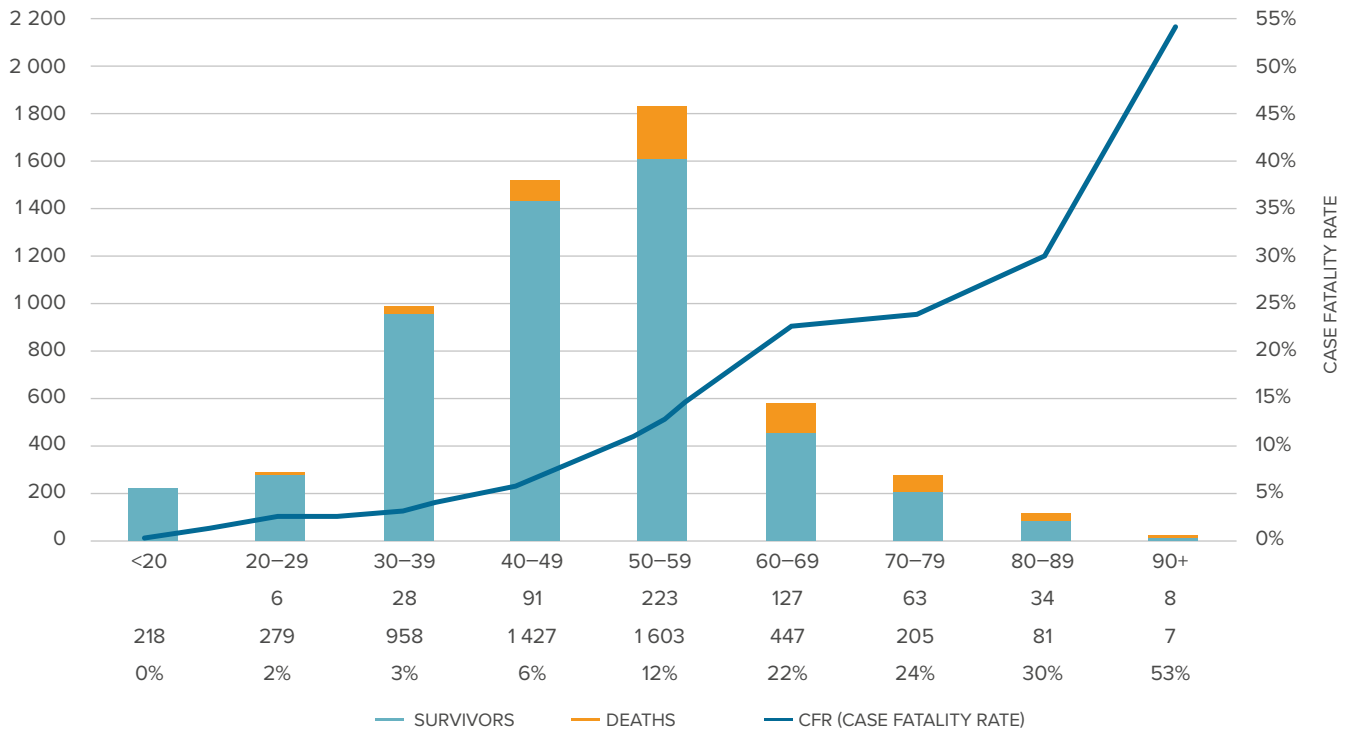


COVID-19 SUMMARY OF POSITIVE CASES

	COVID-19 POSITIVE						
	TOTAL TESTS	DISTINCT BENEFICIARIES	DISTINCT BENEFICIARIES	RECOVERED	ADMISSIONS	DISCHARGED	DECEASED
SAPS principal members	104 368	75 142	20 424	18 035	3 110	2 361	235
Continuation principal members	14 101	9 677	2 297	1 688	1 055	629	229
SAPS dependants	58 867	47 901	11 633	10 417	1 763	1 416	94
Continuation dependants	9 668	7 333	1 700	1 407	408	282	50
TOTAL	187 004	140 053	36 054	31 547	6 336	4 688	608

COVID-19 COMORBIDITY

HOSPITAL SURVIVORS AND DEATHS BY AGE



COVID-19 COSTS: SERVING MEMBERS AS AT 31 DECEMBER 2020

	PATHOLOGY	HOSPITAL ADMISSIONS	OOH ACUTE MEDS	OOH GP	ISOLATION/ QUARANTINE	TOTAL
	R	R	R	R	R	R
Mar-20	316 074	1 307 744	-	-	-	1 623 818
Apr-20	2 008 232	1 719 723	11 339	25 006	-	3 764 300
May-20	8 076 219	12 139 242	123 927	295 001	-	20 634 389
Jun-20	18 222 241	48 751 385	629 468	1 296 270	-	68 899 364
Jul-20	26 594 027	90 288 564	2 322 405	3 970 278	995 268	124 170 541
Aug-20	8 013 251	42 463 928	1 032 501	1 676 589	713 000	53 899 270
Sep-20	4 535 256	25 851 300	311 497	468 654	386 400	31 553 107
Oct-20	4 613 620	17 890 667	184 854	279 495	427 800	23 396 435
Nov-20	5 046 678	16 527 392	205 149	314 635	92 000	22 185 855
Dec-20	8 746 804	12 458 048	682 238	1 107 557	441 600	23 436 247
TOTAL	86 172 401	269 397 994	5 503 378	9 433 485	3 056 068	373 563 326

COVID-19 COSTS: SCHEME AS AT 31 DECEMBER 2020

	PATHOLOGY	HOSPITAL	OOH ACUTE	OOH GP	ISOLATION/ QUARANTINE	TOTAL
	R	ADMISSIONS	MEDS	R	R	R
	R	R	R	R	R	R
Mar-20	666 312	2 667 368	1 683	2 624	-	3 337 987
Apr-20	3 296 923	3 501 961	16 903	33 120	-	6 848 906
May-20	12 861 125	24 940 564	167 249	396 737	-	38 365 675
Jun-20	28 758 524	90 570 407	928 988	1 898 574	-	122 156 493
Jul-20	42 694 372	194 796 964	3 546 798	5 935 683	995 268	247 969 083
Aug-20	15 706 961	97 981 211	1 725 444	2 659 858	805 000	118 878 475
Sep-20	10 574 959	49 861 726	512 294	777 075	506 000	62 232 054
Oct-20	11 071 413	38 017 007	324 536	487 832	593 400	50 494 187
Nov-20	11 417 490	37 191 035	360 601	562 053	92 000	49 623 179
Dec-20	17 205 580	28 015 902	1 217 342	1 913 005	547 400	48 899 229
TOTAL	154 253 659	567 544 145	8 801 837	14 666 561	3 539 068	748 805 269

COVID-19 POLMED ISOLATION AND QUARANTINE FACILITIES

- Polmed has established isolation and quarantine facilities for members across South Africa.
- 123 Members have been assisted with isolation support as at 31 December 2020.
- Members may contact Polmed's contracted Managed-Care Organisation on 0860 POLMED (0860 765 633) with regards to the use of the facilities.
- Clinical nurses will do an assessment of a member's request based on set-out protocols.
- Should a member qualify, Medscheme will issue the member with a letter confirming the member's cover for isolation or quarantine.
- NB Isolation and quarantine will be prioritised for members with comorbidities.
- Isolation and quarantine days will be in line with NDoH and WHO regulations (currently between 10 and 14 days).

14. CONCLUDING REMARKS

Polmed has maintained a healthy position with reserves of 47.85% as at 31 December 2020. The solvency ratio increased as a result of lower claims driven by deferred elected procedures due to COVID-19.

The investment return for the period under review was R353.4 million, which was R33.2 million higher than budget. However, Polmed's exposure to economic uncertainties resulting from COVID-19 posed a serious risk to its investments in the short-term. Management with the assistance of the investment consultants of the Scheme are continuously monitoring the economic environment and its potential impact on investments to enable the Board to make informed investment decisions.

Although the accumulated 2020 COVID-19 related costs were R766 million, Polmed's overall healthcare claims experience as at 31 December 2020 was 3.5% lower than for the same period in 2019. This was largely due to the fact that members either postponed or cancelled their elective procedures or doctor visits. Due to the uncertainty that was brought on in the industry by COVID-19, hospitals only allowed for emergencies to be admitted in hospital. This process was followed during most of 2020 in order to ensure that enough hospital beds were available when patients required ventilation support due to COVID-19 complications.

COVID-19 also had a detrimental impact on patients' mental status and an increase was observed in the utilisation of social worker and psychology services.

The largest increase in claims was in the pathology space, both in-hospital and out-of-hospital, mainly driven by the Polymer Chain Reaction (PCR) testing to confirm COVID-19 infections. Polmed negotiated preferred rates for the PCR testing with several service providers in order to minimise the financial exposure to the increase in utilisation.

In order to accommodate both members and doctors, Polmed agreed to waive the R15 000 co-payment when patients were admitted to non-DSP hospitals during the pandemic.

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





POLMED CLIENT SERVICE CALL CENTRE

0860 765 633 OR 0860 POLMED
WWW.POLMED.CO.ZA