



**2021**  
**INTEGRATED**  
**REPORT**  
FOR THE YEAR ENDED 31 DECEMBER 2021

# POLMED COVID-19 STATS 2021

## TOTAL NUMBER OF TESTS POLMED



POLMED	Principal Members	Dependants	SA
389 434	117 723	219 867	21 231 024

## TOTAL NUMBER POSITIVE CASES POLMED



POLMED	Principal Members	Dependants	SA
73 878	42 924	30 956	3 458 286

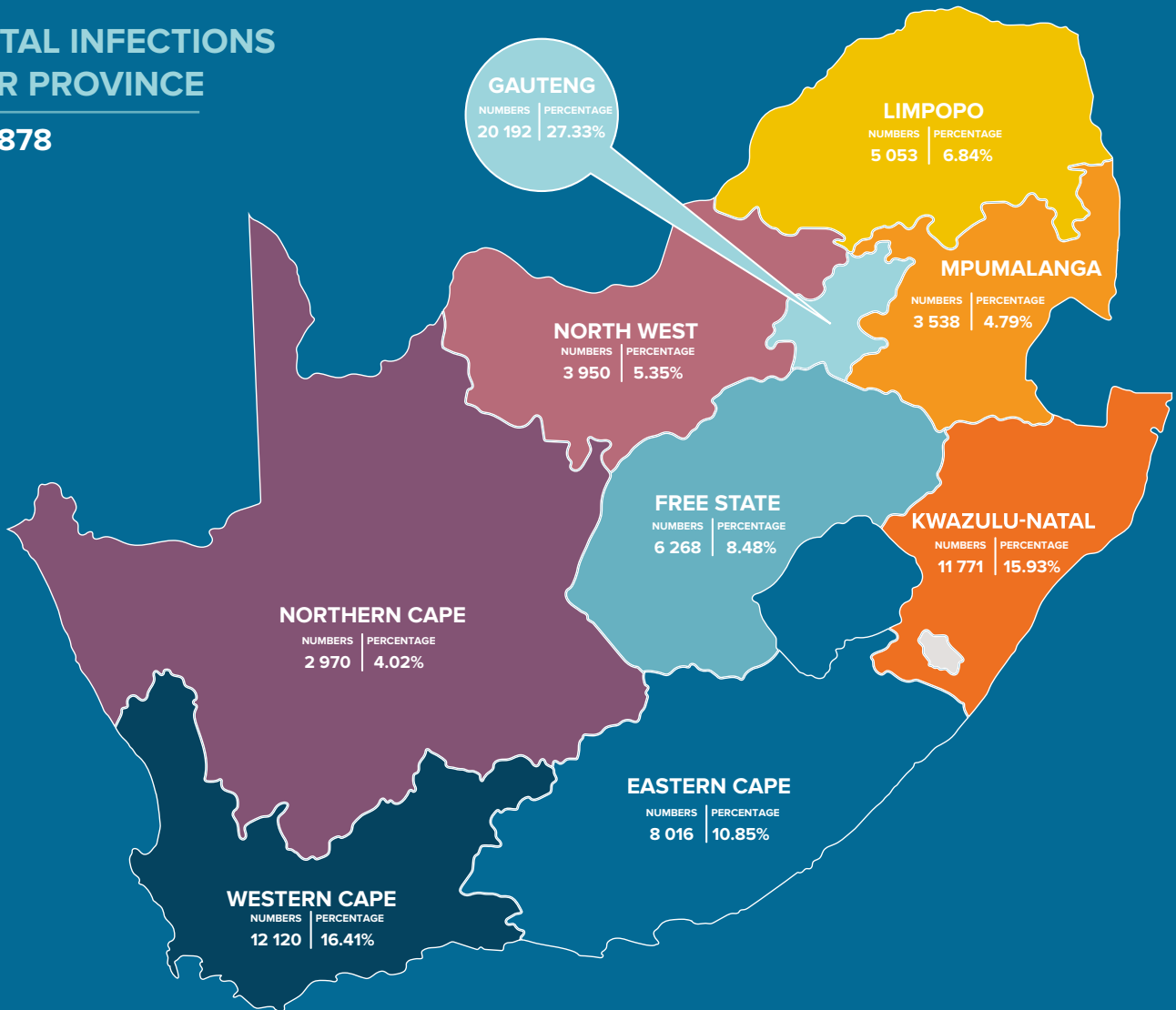
## TOTAL NUMBER DECEASED POLMED



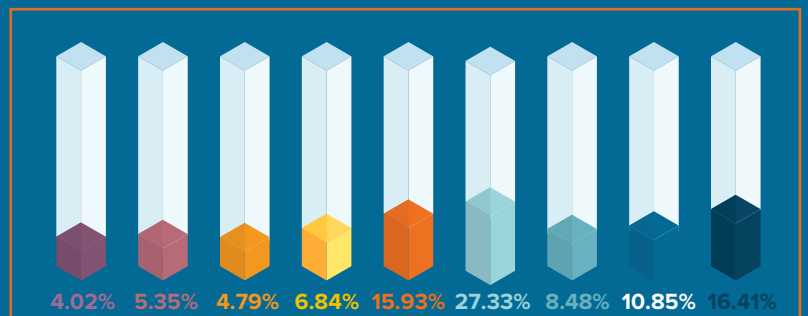
POLMED	Principal Members	Dependants	SA
1 695	1 229	466	91 145

## TOTAL INFECTIONS PER PROVINCE

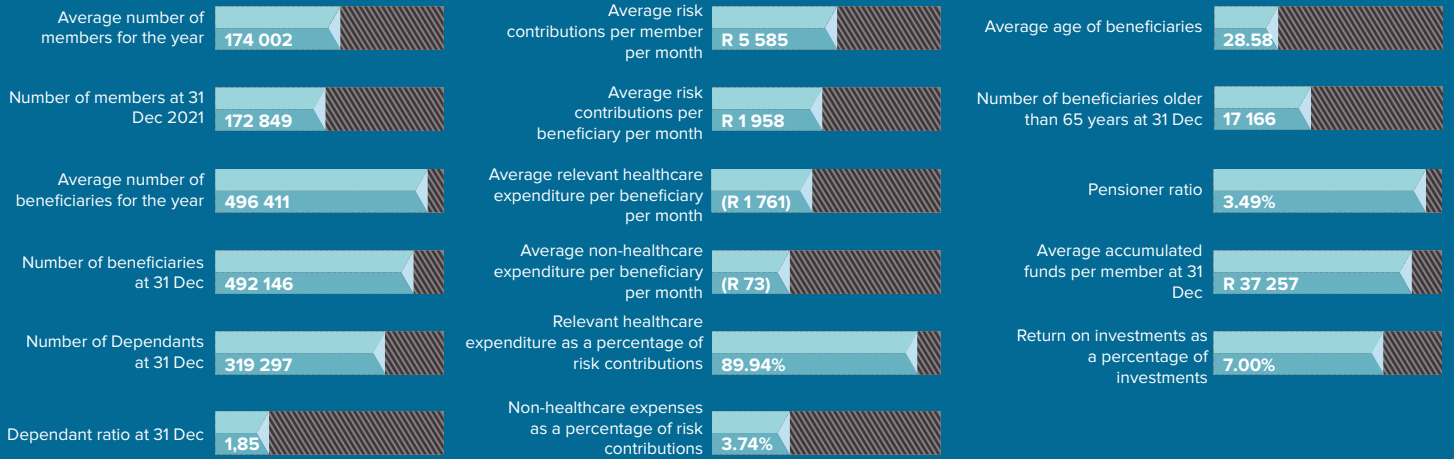
73 878



## PERCENTAGE OF TOTAL INFECTIONS PER PROVINCE POLMED













# OPERATIONAL STATS 2021

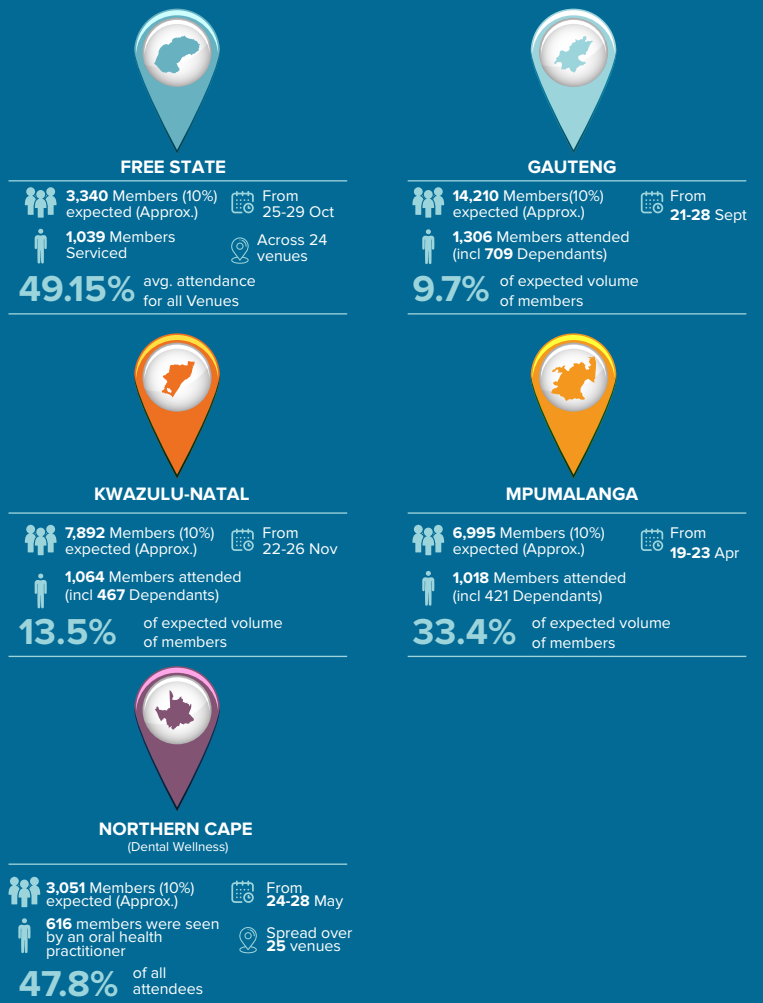


## NETWORK

### GP Network consisted of 3 898, Hospital Designated Service Providers:

 <b>CLINIX</b> All hospitals	 <b>JOINT MEDICAL HOLDINGS (JMh)</b> All hospitals
 <b>LIFE HEALTHCARE</b> All hospitals	 <b>PHARMACY NETWORK</b> 2,633 pharmacies
 <b>INTERCARE</b> All day clinics and Sub-acute facilities	 <b>RENAL NETWORK</b> Renal Dialysis Network - Open network with a national footprint
 <b>MEDICLINIC</b> All hospitals	 <b>ONCOLOGY NETWORK</b> ICON - oncology network has 27 Treatment Units and 152 oncology service providers
 <b>NATIONAL HOSPITAL NETWORK (NHN)</b> All hospitals	 <b>SPECIALIST NETWORK</b> 3,539 specialist doctors
 <b>NETCARE HOSPITALS</b> Used as additional hospitals in areas where other hospital groups are not well distributed	 <b>EMERGENCY MEDICAL SERVICES ADMINISTRATION AND PRE AUTH</b> ER24

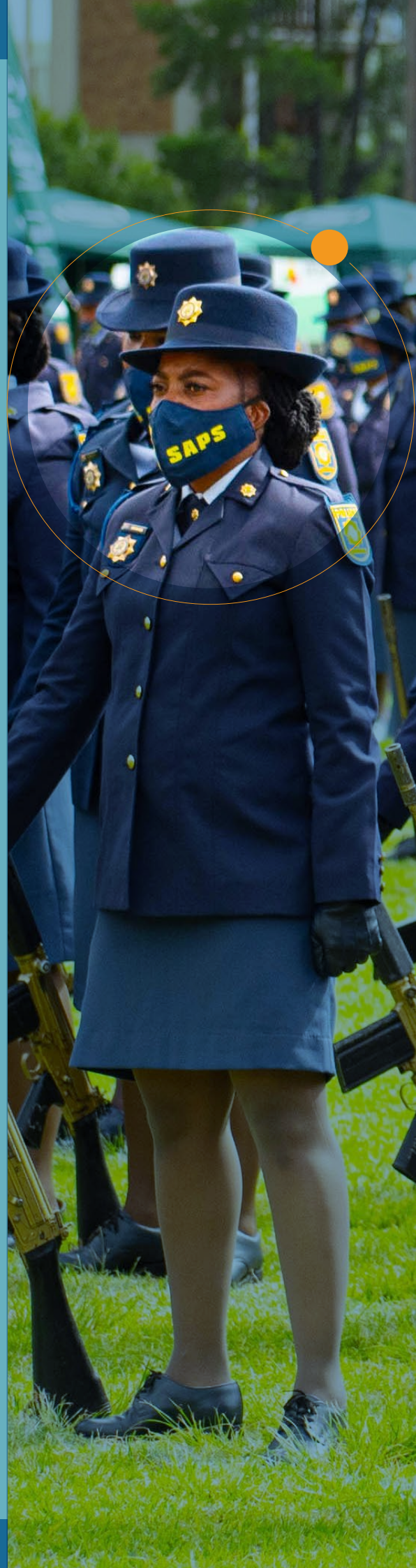
### Health Screening Tests conducted at Polmed Health and Wellness Events:



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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 **The Globe, 20 Battery Beach Suncoast Casino (Tsogo Sun), Suncoast Boulevard, Durban's Golden Mile in Kwazulu-Natal ("KZN") Province on Thursday, 14 July 2022 at 10h00.**

Please note that registration will commence at 07h30.

## THE PRELIMINARY AGENDA IS AS FOLLOWS: AGENDA

2022 POLMED ANNUAL GENERAL MEETING | 14 JULY 2022 | 10H00

ITEM	SPEAKER
1. Opening and welcome	Chairperson
a) Opening prayer	Captain Z Duma
b) SHE representative	Mr K Dubazane
c) Welcome address: KZN PC	Lieutenant General Mkhwanazi
d) National Commissioner	General SF Masemola
2. Attendance and confirmation of the quorum (Rule 26.1.3)	Ms Vuyo Xaxa
3. Confirmation of agenda	AGM
4. Confirmation and adoption of the minutes of the previous AGM held on 16 September 2021, North West	AGM
5. Matters arising (page 14 - 15)	Chairperson
6. Introduction: Trustees and Officials	Chairperson
7. Chairperson's remarks	Chairperson
8. Consideration of Integrated Report and Financial Statements for the year ending 31 December 2021	Principal Officer
a) Highlights of the Integrated Report (Rule 26.1)	Mr Z Samsam (Independent Chairperson of Audit and Risk Committee)
b) Highlights of the Annual Financial Statements (Rule 26.1.1)	PWC
c) Independent Audit Report	Mr Z Samsam
9. Appointment of External Auditors (Rule 26.1.2)	Mr V Simelane
10. Trustees' remuneration (Rule 18.24)	Chairperson
a) Review Trustee remuneration policy	
b) Trustee remuneration	
11. Motions (Rule 26.1.6)	
12. Closure	



## AGM ATTENDANCE

In accordance with POLMED Rules, attendance at the AGM will be limited to Principal members in good standing (whose contributions are not in arrears), officers of the Scheme and relevant stakeholders who are formally invited by the Scheme to attend the AGM in line with the Medical Schemes Act (MSA) and POLMED Rules. A quorum of 50 members, as prescribed by POLMED Rule 26.1.3, is required to ensure that the AGM proceeds.

**As a result, members are required to confirm their attendance by means of an “RSVP” if they intend to attend the AGM. RSVPs must reach POLMED by Wednesday, 13 July 2022.**

Please note that once we reach the capacity allowed for the venue, no further reservation will be accepted. RSVPs must be e-mailed to 2022agm@POLMED.co.za OR call 012 818 7549 to confirm your attendance. Seats will be reserved for members who confirm their attendance.

Members attending the AGM must bring or provide their membership cards and any of the following identification documents:

- A South African ID book or Smart ID card;
- A South African Driver’s License; or
- A Passport

## SUBMISSION OF MOTIONS

The Rules of Polmed require that notices of motions must be placed before the AGM and reach the Principal Officer no later than 7 days prior to the date of the meeting. Below is a guideline that will help a member to construct a motion in line with Rule 26.1.6 of the Scheme Rules:

**1** Only a Principal Member in good standing can submit a motion.

**2** All motions should be duly proposed and seconded (co-signed) in support that the matter be placed on the agenda of the meeting (AGM).

**3** Such motions should be concise and free from ambiguity, so that all present may clearly understand their importance. It should be worded such that a definite decision hereon can be arrived at within the scope of the notice convening the meeting and within the powers of the meeting to decide.

**4** A motion that is vague and ambiguous in its terms may be rejected.

**5** A motion shall not deal with matters affecting the operations of the Scheme or matters such that fall beyond the scope or competency 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 based on the above guidelines and only valid competent motions will be tabled at the AGM.



## Motions can be submitted as follows:



E-mailed to:  
**POLMEDmotions@POLMED.co.za**



Posted to **The Principal Officer,**  
**P O Box 14812, Hatfield, Pretoria,**  
**0028**



Hand delivered to **Block A, Crestway Office Park, 20 Hotel Street, Persequor Park, Lynnwood, 0081,** in an envelope clearly marked for the attention of The Principal Officer, POLMED.

Motions must have reached the Principal Officer by no later than 17:00 on Thursday, 07 July 2022. Any motions received after this date and time will be invalid.

Your support towards the 2022 POLMED AGM will be highly appreciated.

**MS N KHAUOE**  
**PRINCIPAL OFFICER**

# MINUTES OF THE POLMED ANNUAL GENERAL MEETING (“AGM”)

HELD ON THURSDAY, 16 SEPTEMBER 2021 AT 10:00 AM, AT THE HEDGEHOG’S NEST, PLOT 153 RIETVLEI, DONKERHOEK ROAD, RUSTENBURG, NORTHWEST PROVINCE

## ATTENDANCE AND APOLOGIES

### TRUSTEES

Ms Vuma FN	<b>BoT - Chairperson</b>
Mr Ngwenya TNL	<b>BoT - Deputy Chairperson</b>
Ms Cupido NP	<b>Trustee</b>
Ms Moeng KL	<b>Trustee</b>
Ms Senthumule HK	<b>Trustee</b>
Mr Muller BSJ	<b>Trustee</b>
Mr Nelson SJ	<b>Trustee</b>
Mr Nkosi ST	<b>Trustee</b>
Mr Ntsime RP	<b>Trustee</b>
Mr Orsmond RD	<b>Trustee</b>
Ms Mabotja PA	<b>Trustee</b>
Mr Skade Z	<b>Trustee</b>
Mr Kwena SJ	<b>Trustee</b>

### APOLOGIES

Ms Phiyega MV	<b>Trustee</b>
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### EX OFFICIO

Ms Khauoe N	<b>Principal Officer (PO)</b>
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### POLMED EXECUTIVES

Dr Makkink J	<b>Chief Operations Officer (COO)</b>
Ms Motsepe L	<b>Acting Chief Financial Officer (ACFO)</b>
Ms Motapola J	<b>Acting Chief Legal Officer (ACLO)</b>

### INVITEES

Mr Samsam Z Chairperson	Audit & Risk Committee (ARC)
Mr Mitchelson C	PricewaterhouseCoopers (“PwC”)
Mr Lazarus L	Medscheme
Ms Maseko K	IKB Company Secretaries - Scribe
Ms Bolley D	IKB Company Secretaries - Scribe

### MEMBERS

144 members of the Scheme were present as at 09h58 am

## 1. OPENING AND WELCOME

The Chairperson of the Board, Ms Vuma welcomed all present and declared the meeting officially open at 10h00. Ms Vuma proceeded to welcome the various stakeholders present, the Board of Trustees, the PO, the POLMED Executive Team, and all the members of the Scheme. The Chairperson made mention of representatives from the Council for Medical Schemes (CMS), and the South African Police Service Provincial Commissioners (“PC”) present, from the North-West (Lt General Kwena), Limpopo (Lt General Hadebe) and the Western Cape (Lt General Patekile).

The Chairperson mentioned that the AGM was initially scheduled for 15 July 2021 but was postponed due to the then prevailing COVID-19 restrictions that were announced by the President in line with the Disaster Management Act 57 of 2002.

The postponement was consistent with the prescripts of Section 29(1) (m) of the Medical Schemes Act 1998, Act 131 of 1998, (“the Act”) read with Rule 26.1 of the South African Police Service Medical Scheme (POLMED) Rules.

### a) Opening Prayer: Lieutenant Colonel) (Lt Col) Reverend (“Rev”) PM Esau

Rev. PM Esau opened the meeting with a word of prayer and a short message from the book of 2 Samuel 3 verses 1 to 2.

### b) Safety, Health and Environment (SHE)

The SHE representative, Mr Emile Pretorius representative from the AGM venue, outlined the safety protocols and the evacuation procedure in case of any emergencies.

### c) Welcome Address

#### National Commissioner’s address

The National Commissioner (“NC”) of Police, General KJ Sithole, addressed the AGM via electronic communication. The following key notes of the NC’s welcome address were noted:

- a. The NC welcomed the Chairperson of the Board, Board members, Stakeholders, members, and heads of labour organizations, and appreciated all for their diligent service despite the challenges that come with the unprecedented COVID-19 pandemic.
- b. The NC further noted the healthy relationship between the South African Police Service (“SAPS”) and POLMED and wished the AGM to succeed in finding lasting and practical solutions to the discussions of the day.

## d) Northwest Provincial Commissioner's Address: Lt General Kwena

The PC of the hosting province (Northwest Province), Lt General SJ Kwena welcomed all to the province and wished the AGM success in its proceedings. The following highlights of the PC's speech were noted:

- a. Lt Gen Kwena applauded the Scheme's spirit of transparency, evidenced by the consistent holding of AGMs, and the quality of service the Scheme offers to its members.
- b. The employer (SAPS) was commended for the subsidy which eases members' financial burden.
- c. The PC noted that the AGM coincided with the commemoration of Police Safety Month and urged all members to be vigilant and cautious in the discharge of their duties.

## 2. ATTENDANCE AND CONFIRMATION OF QUORUM

### Attendance

The members' attendance was recorded during the registration process while the Trustees, Executive Management team and the invitees are recorded in the attendance section above. [Ref: Attendance and Apologies section].

### Confirmation of Quorum (Rule 26.1.3)

The ACLO confirmed the following:

- a. Quorum requirements in terms of Rule 26.1.3 which reads: "Fifty (50) members of the Scheme, present in person or via videoconferencing, and/or by proxy, shall constitute a quorum".
- b. The ACLO confirmed that as at 09:58am, 144 members were present at the meeting, hence the AGM was duly constituted.

### Declaration of Interest

- a. The Declaration of interest register was circulated and noted by members. Board members declared interest on item 10 on the agenda: "Trustee remuneration".
- b. The External Auditors would be recused for agenda item 9 – Appointment of External Auditors (Rule 26.1.1.2).

## 3. CONFIRMATION OF THE AGENDA

The Chairperson presented the agenda and invited members to provide their inputs, move and second the adoption of the agenda.

- a. Mr Mdingi from the Eastern Cape raised the following points:
  - There were 2 agendas included in the pack and it was not clear which agenda should be followed. The Chairperson confirmed that the agenda circulated separately from the pack was the agenda to be approved.
  - Mr Mdingi further proposed that the item on the Address by the NC should be a standing item in future agendas.

- The motions should have been circulated together with the pack to allow members to prepare for the discussions at the AGM.
- b. Mr Gous introduced himself as a continuation member and moved a motion to withdraw all the proxies received seven days before the AGM as they were invalid due to the following reasons:
  - The date of the proxy does not correspond with Rule 27, which reads "Every member can nominate another member as a proxy member and both of them should be clearly identified and should sign the proxy forms..."
  - Implementation of the instruction on the proxy was impossible as the proxy was only published on the POLMED's website on the 13th of September 2021 which was after the 9th of September 2021 deadline contained in the proxy. The rules states that the proxy must be presented to the PO seven days before the AGM.
- c. The Chairperson thanked Mr Gous for his inputs.
- d. Mr Maggerman alerted the Chairperson to the absence of Rule 27.4 which was discussed in the previous meeting but was not included in the Matters Arising Schedule.
- e. The Chairperson thanked all members who made inputs/comments. She clarified the reasons for the new agenda, being the postponement of the AGM from the 15th of July 2021 to 16th September 2021. The NC was initially not available to attend as he had other commitments. However, in the morning he requested to greet members. The Chairperson apologized and committed to include the NC as a standing item in the agenda going forward.
- f. The PO acknowledged that Rule 27.4.2 should have been included in the Matters Arising, however due to the status being given in the report elsewhere, it would have appeared as a duplication.
- g. Mr Mluleki Mbhele, seconded by Mr Lesiba Thobakgale moved to adopt the agenda and to disregard Mr Gous' item on proxies, noting that there was no need to dwell on the matter regarding attendance since the quorum was confirmed and the AGM declared duly constituted.
- h. With the above having been highlighted, Mr Johnson emphasized the move for the adoption of the agenda as moved by other members.
- i. The Chairperson confirmed the adoption of the agenda and moved to the next item.







## Continuation Members

The Chairperson recognized and welcomed all Continuation Members present.

## Labour Unions

Mr MK Masemola <b>(Deputy President and NOB of POPCRU)</b>	Ms T Mkhize <b>(Acting President and NOB of SAPU)</b>
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## 7. CHAIRPERSON’S REMARKS

In her overview, contained in the AGM pack, the Chairperson briefly considered the Scheme’s performance in the year under review, commending the commitment of the Board and Executive Team towards the implementation of the 5-year strategic plan implemented during 2019.

The Chairperson thanked the Management, Board and Staff of POLMED for the outstanding achievements obtained during an extremely trying year, noting that the Scheme ended the year in a position of strength which bodes well for all members into 2021 and beyond.

The National Commissioner of the SAPS was especially thanked for his unwavering and undivided support.

## 8. CONSIDERATION OF THE INTEGRATED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2020

### a) Highlights of the Integrated Report (Rule 26.1)

There was an unsuccessful motion by Mr Louw attempting to defer the presentation of the Integrated Report to be tabled after item 11 (Motions). This motion was rejected by members on the basis that entertaining this motion, at this stage, would be tantamount to reversing the approval of the agenda.

The PO was then requested to proceed to present the Integrated Report which was included in the AGM pack. The PO presented a summary which highlighted the following salient aspects:

### 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 the members. The PO further noted that the Board is constituted by the following 5 sub-Committees:

- a. Audit and Risk Committee (“ARC”): this Committee is constituted as a statutory committee of the Board. It comprises of two Trustees and three independent persons. The role of this Committee is to assist with the evaluation of the effectiveness of the internal control systems, accounting practices, information systems, risk management and auditing processes.
- b. Clinical Governance Committee: the purpose of this Committee is to ensure continuous quality improvement of clinical care. This Committee is responsible for benefit design, data analytics and to apportion benefits accordingly.
- c. The Investment Committee: the Committee is responsible

for advising the Board on proper investment vehicles and portfolios. It comprises of independent investment consultants in addition to Trustees.

- d. Complaints and Dispute Resolutions Committee: deals with member’s complaints which have been escalated to it by the PO’s Office and the member was not satisfied with the outcome of the PO’s ruling. If the member is still not satisfied with the decision of the Committee, it is then that the member is encouraged to refer the matter to CMS.
- e. Human Resources and Remuneration Committee: deals with the remuneration of POLMED employees as well as related Policies and Procedures.

The PO further highlighted the chain of command, highlighting that the PO reports to the Board and is responsible for the management of operational matters of the Scheme and oversees the Finance, Operations, Corporate Services and Legal, Risk, Compliance and Secretariat departments. It was noted that the Board is responsible for the appointment of a fit and proper PO with the attributes which are contained in the Act.

### Business Model

The POLMED Business model was briefly explained to the members. It was highlighted that 25% of Scheme funding is generated from member contributions while 75% is 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. Optical benefit is outsourced to Preferred Provider Negotiators (PPN). The PO announced that Emergency Medical Services is now outsourced to ER24.

### Funding Model

The PO explained the capitation fee agreement which allows the Scheme to move away from the fee for service arrangements. In the capitation fee agreement, the Scheme pays the service providers, in this case, the Chronic Medicines service provider and the Optical Benefits service at an agreed amount. If the service provided exceeds the amount paid, the service provider takes the risk and if the service provided is less than the amount paid, the service provider refunds the Scheme.

The PO explained that the Scheme is regulated to keep non-health care costs within 10% of the funds collected. It was noted that for many years, POLMED has managed to incur less than 5% of non-health care costs which is commendable. This implies that POLMED utilizes more than 95% of members’ contribution towards members’ medical benefits.

The PO stated that POLMED covers an array of benefits including post-retirement benefits and dependants of fallen heroes. Members were implored to make sure their dependants on the medical scheme are aware that they can be covered in the event of the member passing on.

The members were further urged to ensure that the relevant information such as their account details and contact details, as well as the contact details of their beneficiaries are up to date. The PO implored members who, for one reason or another, may require conversion to continuation membership, to speedily inform the Scheme in order to avoid the imposition of the 3 months waiting period.

### POLMED Strategy

The Scheme’s relationship with the SAPS and Labour Unions was reported to be good and hoping to resolve challenges with the CMS.

The PO pointed out that POLMED had applied for an exemption from the National Health Insurance (NHI) legislative framework which was deemed to be a risk to the Scheme's sustainability. A response had not yet been received.

The members were informed that there were grant increases, and earlier in the year SAPS granted POLMED approximately R120 million to cover the members and agreed to a 5% grant increase for 2022. It was further reported that the Scheme was in conversation with the National Commissioner of the SAPS for a refund on COVID-19 related expenses.

## Key Challenges

The macroeconomic related challenges were mentioned in summary. The PO explained that medical inflation was always above the consumer price index, inflation rates and the Scheme always endeavors to counter the effects of medical inflation. The utilization of preferred providers and network hospitals was noted to be one of the ways the Scheme is countering medical inflation.

The members were informed of the benefits of having a family doctor as opposed to having medical records spread across different doctors.

## Trustee Consideration

The PO made reference to the introduction of the Board of Trustees that was covered in the Chairperson's address and proceeded to outline the expenses related to the Board of Trustees.

It was highlighted that there was expenditure related to Board fees which relates to the frequency of meetings and reasons thereof as stated in the Integrated Report, and the training, travel, accommodation and data expenses. All the expenditure was tabulated in the Integrated Report.

## Assurance Providers

Assurance Providers were highlighted as indicated in the Integrated Report and the ARC is responsible for reviewing the scheme efficiency of control systems, providing assurance on the Scheme's quarterly and annual reports as per the Act. The Scheme submits all statutory returns to the CMS as prescribed and no penalties were levied for late submissions.

## Membership Growth

The Scheme's membership tracked from the year 2000 to 2020 was contained in the Integrated Report.

It was highlighted that in 2020, there was a decrease from 176, 981 members to 174, 447 by the end of 2020, while lives decreased from 507, 000 to 502, 000 in the same period. The total contribution increase over the years was graphically illustrated in the Integrated Report and explained by the PO. It was noted that while POLMED membership is growing, older members outnumber younger members which translates to more claims.

## Data Analytics

It was reported that from 2016 to date, POLMED has attained unqualified audit opinions. The importance of tracking statistics was emphasized, with the PO noting that the Organizational Design (OD) process had shown that POLMED had previously not been appropriately tracking or analyzing data. An example of fraud, waste and abuse related to a member who went to 300 different service providers was cited. The PO emphasized that Data Analytics would be useful to curb fraud, waste, and abuse.

## Net Surplus

The PO reported that in 2020, POLMED reported a surplus of over R 1 billion. These funds were invested and would be used to benefit the members.

## Risks

The following Risks were highlighted:

- The risk associated with the NHI regulation (risk to the Scheme's sustainability as earlier alluded).
- Adverse solvency.
- Inadequate technology systems.
- The Protection of Personal Information Act (POPIA), Act 4 of 2013, impact on information gathering and sharing.
- Fraud, waste and abuse: It was noted that in 2020, some members fraudulently claimed to have contracted COVID-19.

## COVID-19

The PO concluded her summation of the Integrated Report by highlighting the following COVID-19 statistics.

- Year to date infection rates for the active members, continuation members and dependants.
- The impact of the 1st, 2nd and 3rd waves and the initiatives put in place by the Scheme.
- Approximately R5 million had been spent on isolation sites across the country.
- The members were also updated on the vaccination rollout, 82 000 members who were vaccinated at the SAPS vaccination sites who received the Johnson and Johnson (J&J) single shot while other members received the two Pfizer shots at the open sites.
- The PO dismissed social media claims on the harmful effects of the vitamins that the Scheme was distributing to members, emphasizing that POLMED protects its members. To disprove the social media claims, an independent provider tested and certified the vitamins to be safe, and the PO in a show of confidence was captured on video taking the vitamins.

## b) Highlights of the Annual Financial Statements ("AFS") (Rule 26.1.1)

In line with Rule 26.1.1, the Chairperson of the ARC (Independent), Mr. Samsam presented the AFS, focusing of the Statement of Comprehensive Income and the Statement of Financial Position for the year 2020.

Mr Samsam briefly highlighted the Scheme's Risk Contribution Income, Risk Claims, and the Net Healthcare result for the year under review, noting that the Scheme registered a Comprehensive Income of R 1.1 billion.

## c) Independent Audit Report

Mr Clinton Mitchelson, the PwC Audit Partner, validated the presentation of the ARC Chairperson, confirming that the Scheme attained an Unqualified Audit Opinion with the key area of judgement being on Incurred but Not Reported (IBNR) claims, which is a provision for outstanding claims.

Mr Mitchelson further informed the AGM that a lot of work had gone towards resolution of the IBNR, and Management and the External Auditors were confident that the matter of the IBNR calculation had been conclusively solved.

Mr Johnson moved, and Mr Mdingi seconded the approval of the POLMED Annual Financial Statements for the Financial Year ended 31 December 2020 and the Integrated Report.

The Chairperson confirmed approval of the 2020 Annual Financial Statements and Integrated report.

## 9. APPOINTMENT OF EXTERNAL AUDITORS (RULE 26.1.1.2)

Mr Samsam requested PwC personnel and anyone with a financial interest on the item to excuse themselves from the meeting while this item is being addressed.

\*In line with Rule 26.1.1.2, PwC representatives were recused from the meeting at 12h47. \*

It was noted that the appointment of External Auditors is a responsibility of the AGM. With the External Auditors term coming to an end, the Scheme embarked on a procurement process. The ARC Chairperson updated the AGM on the details of the procurement process which culminated in PwC as the winning bidder, hence the recommendation to appoint PwC as an External Auditor for another 5 years.

Mr Thobakgale moved, and Ms Molefe seconded the appointment of PwC as the External Auditors of the Scheme for 5 years.

The Chairperson noted and confirmed the appointment of PwC as external auditors for 2021 financial year.

## 10. TRUSTEES' REMUNERATION (RULE 18.24)

\*The Board of Trustees did not take part in this agenda item. The item was Chaired by the PO. \*

Mr Gous proposed that the decisions taken by this AGM be invalidated as the correct voting procedures were not followed.

Members vehemently objected to Mr Gous' proposal citing that he was out of order and reprimanded the Chairperson on the item to refrain from allowing a member to speak when members raised point of order. She was ordered to follow meeting protocols.

Mr Mbhele moved and Mr Maggerman seconded the increase of the Trustees' remuneration by 4.4% in 2022.

Mr Gous rose again on a point of order, seeking to invalidate all decisions taken in this meeting because voting was not done by ballot, electronically or by show of hands in line with Rule 27. In response, the majority of the members expressed their support for the current process of moving and seconding of items except where there are dissenting views expressed by majority of members present.

The Chairperson of the session confirmed approval of trustee remuneration as presented and thanked members.

## 11. MOTIONS (RULE 26.1.6)

This item was presented by the Deputy Chairperson Mr. TNL Ngwenya, in his capacity as the Chairperson of the AGM Sub Committee.

The Deputy Chairperson outlined the procedure for the discussion, i.e., the members must deal with each item with

respect and that each item must be dealt with on its own and be completed before moving to another item. Further, the Chairperson reminded the members that they gave the Board the responsibility to deal with strategic issues of the Scheme and the PO to deal with operational matters. It is the members' duty to ensure that the Board implements its responsibilities as per the Act, the Rules, and related Directives.

Rule 19 and Rule 20 deal with the duties of the Board and the powers of the Board respectively. Therefore, it is important that each party understands its roles and responsibilities.

In addition, the Chairperson highlighted that POLMED's Rule 26.1.6 requires that notices of motion to be placed before the AGM must reach the PO not later than seven (7) days prior to the date of the meeting.

The following motions from Mr Gous, seconded by Mr van Staden were received by POLMED within the stipulated timeframe.

The Chairperson asked if the bearers of these motions are comfortable to come forward to present their own motions to avoid a third party presenting on their behalf. Mr Gous advised that he is comfortable to read the motions by himself.

**Mr Gous presented the following motions:**

### REMUNERATION OF THE PRINCIPAL OFFICER AND TRUSTEES

**(Proposed by: Mr Gous and seconded by Mr van Staden).**

**The following deliberations ensued amongst members**

Mr Johnson, seconded by Mr Tibello, Mr Mbhele and Mr Thobakgale challenged the motion and requested that all the motions from Motion 1 up to Motion 7, be referred back to the Board of Trustees for further consideration and subjected to a legal opinion and report back in the next AGM.

The following reasons for requesting that the motions be referred back to the Board were provided:

- a. The members noted that the motion on the Remuneration of the PO and the Trustees goes against the resolutions of the AGM on the Integrated Report and on the Remuneration of Trustees;
- b. The motions were infringing on the responsibilities of the Board, reiterating that the Board has the members' mandate to handle matters, such as the remuneration of the PO; and
- c. The AGM noted with concern the nature of the motion and requested the Board to investigate if the confidential information that informs the motions had been acquired legally in compliance with the Promotion of Access to Information Act (PAIA).

One other member advised the members that the [Remuneration] Policy outlines who has the powers to address the issues of the PO's remuneration. It is clear from both the Policy and the Integrated Report that the PO's remuneration is the competency of the Board.

The proposal to reject this motion was moved and seconded by the members.

## LOSS OF CRITICAL STAFF IN A SHORT PERIOD OF TIME

(Proposed by: Mr Gous and seconded by Mr van Staden)

The following deliberations ensued amongst members: Mr Johnson sought clarity from the Chairperson as to why the Chairperson is allowing the member to read the motions when the item has already been approved in the Integrated Report. Meeting process was agreed upon and there was no counter proposal. He reminded the Chairperson that a proposal was already made on how to proceed with the matter. The members applauded Mr Johnson for the proposal.

Mr Thobakgale reminded the Chairperson that when he commenced with the item, he explained the duties of the Board very clearly. He proposed that the AGM must allow the Board to execute its mandate

- Mr Mbhele pleaded with members to conduct themselves in a disciplined manner. The Board must be requested whether the information before them followed the process of Promotion of Access to Information. The agenda was approved by the members. Rule 27.2 states that “the instrument appointing the proxy shall be in writing, in a form determined by the Board and shall be in writing, ...” It is incorrect for the member to argue what the Board has done, which is in the rules.

Mr Johnson indicated that there are 4 (four) individuals cited in the Integrated Report and the issues are clear. He pleaded with the Chairperson to resend the motions to the Board for their consideration as the members have agreed on the way forward, which was not to consider all motions from 1 – 7 as they are not competent for the AGM.

Mr Mdingi raised a concern that the information placed before them is internal information which no external person would have access to. It is important to know whether PAIA was followed to access the information before them. Where did this member obtain this information? The Board is mandated to institute an investigation into how such internal information could be accessed externally without following the correct legal process. Mr Mdingi was of the view that either the Board or one of the staff members of Polmed may have shared that information.

Mr Mbhele brought the Chairperson to order to stop entertaining one individual as opposed to addressing the whole AGM. The members have already made a resolution regarding the issue of proxies and those motions 1-7 must not be debated. These were moved and seconded by members. Mr Mbhele emphasized that none of the items or discussions required voting. He cautioned the member (Mr Gous and Louw) not to threaten the AGM by referring to proxies and voting.

Maggerman and Mbhele reiterated that the Board is competent to address the motions and as seconded by other members, the motions must be returned to the Board for their consideration.

A member who did not indicate his name suggested that all motions must be read and dealt with accordingly. Those that are not competent must be removed. The Chairperson tried to accommodate the request, but Mr Mdingi objected and reiterated that the matter was closed.

The Chairperson summarized the deliberations by confirming that the motions from 2-7 are not going to be discussed as moved and seconded by members.

The Chairperson afforded members who submitted motion 8 to present it. Mr Thobakgale, the author of the motion proposed that to be consistent, like others, the motion must also be returned to the Board for consideration and feedback in the next AGM.

The Chairperson acknowledged the proposal and indicated that all motions will be send back to the Board for consideration as resolved by members.

## 12. TRUSTEE ELECTIONS OUTCOME ANNOUNCEMENT

The Chairperson presented the background to this agenda item. In her remarks, she highlighted that there were two members whose term should have expired in July 2021, but due to the postponement of the AGM, their termination is hereby tabled at this AGM. Elections were held to appoint one active black female member of the Board of Trustees and one white continuation member of the Board of Trustees.

Ms Bontle Mpakanyane from Elexions Agency, an independent service provider appointed by the Board, in terms of Rule 18.6, to oversee the elections of members, updated the AGM on the election process.

Ms Mpakanyane informed the AGM that the entire election process was overseen by Elexions Agency, its Internal Auditors and Independent External Auditors (Sizwe Ntsaluba Gobodo – Grant Thornton (SNG Grant Thornton).

It was reported that the results done before and during the AGM had been consolidated and the election results were thus announced as follows:

- Newly elected serving black female member – Ms Violette Maite Kwetepane; and
- Newly elected continuation white male member – Mr Andre Johan Gerber.

The Chairperson congratulated the incoming Board members and thanked the outgoing Board members, wishing them well in their future endeavors.

## 13. VERIFICATION OF TRUSTEES ELECTION OUTCOME

Ms Maripa Moabelo from SNG - Grant Thornton provided assurance that the election’s 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.

The Chairperson thanked the auditors for the verification of elections.

## 14. CLOSURE

The Chairperson congratulated and welcomed the newly elected Board members. Appreciation was expressed for the two outgoing Board members, Ms Cupido and Mr Orsmond and thanked them for their participation in Board meetings and strategic matters of the Scheme. The members of the AGM were thanked for their peaceful and constructive participation and display of unity.

There being no further business to discuss, the 2021 AGM was declared adjourned at 14h13.

CHAIRERSON

## MATTERS ARISING FOR POLMED'S AGM HELD ON THURSDAY, 16 SEPTEMBER 2021 AT 10:00 AM, AT THE HEDGEHOG'S NEST, PLOT 153 RIETVLEI, DONKERHOEK ROAD, RUSTENBURG, NORTHWEST PROVINCE

### Annexure A

#### ACTIVE MATTERS FROM THE PREVIOUS AGM HELD ON 16 SEPTEMBER 2021

NO.	AGENDA ITEM	ACTION/MOTION AS RECEIVED	PROGRESS UPDATE	
1	<b>ADDRESS BY THE NATIONAL COMMISSIONER (NC)</b>	Mr Mdingi proposed that the item on the Address by the National Commissioner should be a standing item in future agendas.	Completed. Incorporated in the Integrated Report under "Agenda".	BOT
2	<b>AGM MOTIONS TO FORM PART OF THE PACK</b>	The motions should have been circulated together with the pack to allow members to prepare for the discussions at the AGM.	Motions are received seven (7) days before the meeting. It is therefore, not possible to circulate the motions with the pack as it would have been dispatched by then.	BOT
3	<b>CONFIRMATION OF THE ANNUAL FINANCIAL STATEMENTS (AFS)</b>	The Chairperson confirmed approval of the 2020 Annual Financial Statements and Integrated report, moved by Mr Johnson and seconded by Mr Mdingi.	Completed.	BOT
4	<b>APPOINTMENT OF THE EXTERNAL AUDITORS</b>	The Chairperson noted and confirmed the appointment of PwC as external auditors for 2021 financial year, moved by Mr Thobakgale and seconded by Ms Molefe.	Completed. Subsequent to the AGM resolution to appoint PwC as the Scheme's external auditors for 2021, a communication was sent to CMS informing them of this resolution.	BOT
5	<b>2021 TRUSTEE REMUNERATION</b>	The Chairperson confirmed approval of trustee remuneration increase by 4.4%, moved by Mr Mbhele and seconded by Mr Maggerman	Completed. An increase of 4.4% for trustees' remuneration was implemented in 2021.	BOT
6	<b>RECONSIDERATION OF MOTIONS AND SOURCING OF A LEGAL OPINION</b>	The AGM noted with concern the nature of the motions (1-5 and 7) and requested that the latter motions be returned to the Board for reconsideration and to investigate if the confidential information that informs the motions had been acquired legally in compliance with the Promotion of Access to Information Act (PAIA).	The legal opinion was secured and, in a nutshell, the conclusion was that: In respect of motion relating to the Remuneration of Trustees, the AGM has the necessary jurisdictional competence to raise the issue; However, the AGM has no jurisdictional competence to deal with the remuneration of the Principal Officer as the matter falls within the competence of the Board of Trustees; The issue relating to "... the loss of critical staff..." was deemed operational for which the AGM has no competence whatsoever; The information that gave rise to motions submitted by Mr Gous was not procedurally acquired as both Rule 31 of POLMED Rules and Promotion of Access to Information Act, Act 2 of 2000, were not invoked; The Scheme is not in a position to action any legal recourse due to lack of sufficient information or evidence to institute any disciplinary action against any employee; Investigating the source of leakage of privileged information is not deemed a cost-effective option under the circumstances; and The Scheme is advised to take the necessary measures to ensure that employees understand and abide by the Scheme's Code of Conduct.	BOT
7	<b>ALLEGATIONS REGARDING SUBMISSION OF PROXIES</b>	Allegation by one member to the effect that "... implementation of the instruction on the proxy was impossible as the proxy was only published on the POLMED's website on the 13th of September 2021 which was after the 9th of September 2021 deadline contained in the proxy."	The allegation was investigated and there is evidence that the proxy form was placed on the POLMED's website on the 1st of September 2021.	BOT

Annexure B

NO.	AGENDA ITEM	ACTION	PROGRESS UPDATE	PERSON RESPONSIBLE
<b>COMPETENT MOTIONS</b>				
<b>1</b>	<p><b>BOARD OF TRUSTEES: DRASTIC INCREASE IN NUMBER OF BOARD MEETINGS BETWEEN 2019 AND 2020</b></p>	<p>The Polmed rules - rule 18.13.1 - provides for three compulsory ordinary meetings of the Board of Trustees ('at least three'). The 2019 Polmed Integrated Report on page 33 indicates that the number of Trustee-meetings for that year was 12.</p> <p>The 2020 report (page 42) indicates that the number of Trustee meetings has risen to 18 - excluding committee meetings. This is an extra ordinary rise in meetings and way above the 3 meetings that should be needed to oversee the functioning of Polmed. Trustee members are remunerated for the attendance of trustee meeting and said becomes a major cost element in the Financial Statements.</p> <p>Trustee cost thus rose from 2019: R5 148 011 to 2020 R6 576 727: a 28% rise (R1 428 716) in expenditure. The Board and committee meetings became of source of additional income for board members. The Principal Officer displayed gross incompetence in managing these meetings and related costs.</p> <p>Proposal: The PO is tasked to keep meetings to the absolute minimum and to manage the cost relating to the remuneration of trustees with more diligence and</p> <p>The PO is reprimanded for allowing this escalation in the number of BoT meetings and the related cost element of 28%”</p>	<ul style="list-style-type: none"> <li>⦿ This motion is within the competency of the AGM and therefore, accepted.</li> <li>⦿ During the Financial Year 2020, the Board held eighteen (18) meetings, nine (9) of which were special Board Meetings and four (4) were in relation to other critical issues such as the Board strategy session, Pre-AGM deliberations, AGM and Post-AGM meetings.</li> <li>⦿ It is important to understand that the Board may be confronted with certain pertinent matters that affect the interests of members or sustainability of the Scheme at any point in time.</li> <li>⦿ In this regard, the Board may be required to hold special meetings as per Rule 18.13.2 to attend to the issues at hand. For example, during 2020, the Board had to call for such extraordinary meetings to respond to certain key instructions from the Registrar regarding two of the Scheme’s critical tenders and curatorship related matters, several CMS Instructions, meeting with the Chairperson, the Deputy Chairperson and Registrar of CMS, etc.</li> <li>⦿ The Principal Officer has no authority to deal with certain matters but the Board.</li> </ul>	<p>BOT</p>
<b>2</b>	<p><b>NOTICE OF MOTION TO THE 2021 POLMED AGM</b></p>	<p><b>NOTING THAT:</b></p> <p>The composition of the Board is regulated in terms of Rule 18.2.1 insofar as it regulates that the Board must take all reasonable steps to ensure that its composition broadly reflects the composition of the membership of the Scheme as far as race and gender is concerned;</p> <p><b>AND FURTHER NOTING THAT:</b></p> <p>Rule 18.2.2 accepts that the membership of the Scheme consists of a minimum 40% female members:</p> <ol style="list-style-type: none"> <li>1. and 70% black and 30% white members;</li> <li>2. black and one white member elected as continuation members, one of which must be female and one male;</li> <li>3. Rule 18.2.3 provides that the Board must endeavour to have at least one,</li> </ol> <p><b>THEREFORE, IT IS PROPOSED THAT:</b></p> <p>Rule 18.2.3 of the Rules be scrapped in its totality as the principle of broad representativeness of the Board is already covered in Rule 18.2.1 Rule 18.2.3 that is only applicable to continuation members is selective and/or discriminatory in nature.</p> <p><b>SECOND PROPOSAL</b></p> <p>and that rule 18.2.2 should reflect at least 50% males and 50% females representation (as the clause that talks to race percentage is selective and or discriminatory in nature).</p>	<ul style="list-style-type: none"> <li>⦿ This motion is within the competency of the AGM and therefore, accepted.</li> <li>⦿ Proposed Rule Amendment was submitted to relevant Sub Committees of the Board for consideration and recommendation to the Board. The Board will, if satisfied, submit the proposed Rule to the Registrar of Council for Medical Schemes for approval and registration.</li> </ul>	<p>BOT</p>

# BOARD OF TRUSTEES AND PRINCIPAL OFFICER COMMITTEES, QUALIFICATIONS AND TRAINING



**FN Vuma**  
CHAIRPERSON OF BOT

## QUALIFICATIONS

- BA Policing Hons
- ND Policing
- ND Police Administration
- Presidential Strategic Leadership Development Programme



**N Khaue**  
PRINCIPAL OFFICER

## QUALIFICATIONS

- Bachelor of Theology
- Bachelor of Human Resource Management
- MBA
- MAP
- ND Personnel Management
- ND Nursing
- Nomadic Leadership Programme
- UCT Leadership Programme
- Nine Conversations in Leadership Programme



**TNL Ngwenya**  
DEPUTY CHAIRPERSON OF THE BOT,  
HRREMO, CGC, BTEC, LOYALTY PROGRAMME  
TASK TEAM

## QUALIFICATIONS

- Labour Relations Diploma
- Post Graduate Diploma – Labour Law



**SJ Kwena**  
CGC

## QUALIFICATIONS

- National Higher Diploma – Policing
- National Diploma – Police Administration
- BA – Police Science
- B Iuris
- Degree in Human Resource Management



**MV Kwetepane**

## QUALIFICATIONS

- Diploma – Anti Corruption and Commercial Crime Investigation



**PA Mabotja**  
CDRC

## QUALIFICATIONS

- Higher Certificate – Accounting



**KL Moeng**  
IC

## QUALIFICATIONS

- National Diploma in Human Resource Management
- BA: Business admin



**BSJ MULLER**  
CGC

## QUALIFICATIONS

- National Diploma Policing



**SJ Nelson**  
IC, BTEC

## QUALIFICATIONS

- National Diploma Government Finance



**ST Nkosi**  
CDRC

## QUALIFICATIONS

- LLB
- BTech Policing
- National Diploma Police Administration





**RP Ntsime**  
HRREMCO, IC, BTEC

**QUALIFICATIONS**

- National Higher Certificate in Policing



**Gerber AJ**  
CDRC

**QUALIFICATIONS**

- Baccalaureus Commerce
- Baccalaureus Legum



**MV Phiyega**  
HRREMCO, CDRC, BTEC

**QUALIFICATIONS**

- Post Graduate Diploma – Business Management
- MA – Social Science
- BA – Social Science
- BA – Social Work



**HK Senthumule**  
ARC, CGC

**QUALIFICATIONS**

- BA Social Science
- BA Hons Psychology
- Executive Leadership Development programme



**Z Skade**  
ARC, CDRC

**QUALIFICATIONS**

- Bachelor of Law
- Advanced Diploma – Labour Law
- Post Graduate Diploma – Labour Law
- Project Management



# INDEPENDENT COMMITTEE MEMBERS (AGM & ARC)

## AGM



**BJ Ximba**

**QUALIFICATIONS**

- National Diploma in policing



**V Simelane**

**QUALIFICATIONS**

- Diploma in education
- Diploma in labour relations management
- Diploma in Humna resource management



**ML Letebele**

**QUALIFICATIONS**

- National Diploma in policing



**IN Molefe**

**QUALIFICATIONS**

- Post Grad diploma: Labour law
- M-Tech in policing
- B-Tech in policing
- National Diploma Registration of Deeds

## ARC



**K Skhosana**

**QUALIFICATIONS**

- Chartered Accountant (SA)
- B.Com



**Z Samsam**

**QUALIFICATIONS**

- Chartered Accountant (SA)
- B.Com



**M Mathibela**

**QUALIFICATIONS**

- B.Sc (Actuarial Science)

# INTRODUCTION

## SCOPE OF THE REPORT

The POLMED Integrated Report 2021 covers the financial period from 1 January 2021 to 31 December 2021. 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.

## 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).

## 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.

## 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 at administrator

## 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 2021 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.

## 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.

## 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.

## 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 Board decided to implement the recommendations as outlined during the year under review, in the forensic investigation report. In this regard, the following steps were taken by POLMED which was concluded towards the end of the financial year 2020:**

- 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 Combating 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

## 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.



# POLMED’S BOARD OF TRUSTEES

approved Strategic initiatives over the remainder of the 5 years

At the Strategy session in September 2021, POLMED’s Board of Trustees approved a strategic initiative wherein POLMED will change its business model from a fully fledged insurance model to a Health Maintenance Model (HMM). The impact of the strategic shift is described in more detail below.

Fig 1

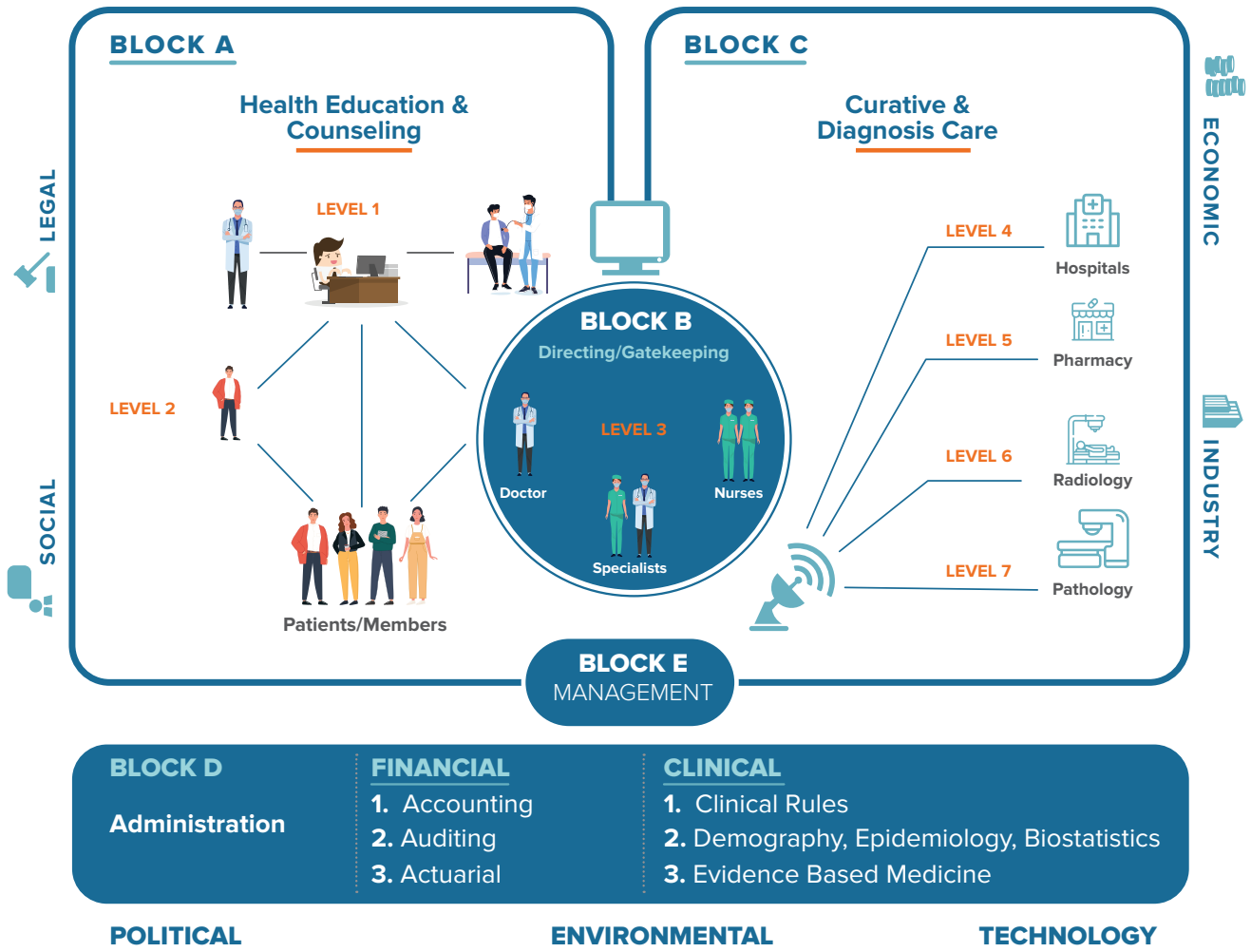


Fig 1 above provides a schematic view of the strategic changes that POLMED will be implementing to introduce aspects of an HMM over the next three to five years.

**Block C**, demonstrates the current “hospicentric” health insurance model that POLMED and most other medical aids in the country are implementing. In this model most of the Scheme’s attention and focus is to ensure provider networks are in place where appropriate tariffs have been negotiated and evidence based funding protocols are being implemented.

Although **Block C** will remain critical to ensure our members have access to appropriate medical care, however, more and more attention will be given to services included in Block A as depicted above.

**Block A**, represents the “non-healthcare” component of patient management which are generally included in a HMM model.

The primary difference between an HMM and an insurance health model, is that the HMM focuses much more on primary and preventative measures to ensure members remain as healthy as possible for as long as possible. Thus, avoiding the current hospicentric approach whereby members health care needs are addressed at a tertiary care level instead of a primary and wellness care level.

**World Health Organization’s definition of Health:**

“Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.”

**The National Wellness Institute’s definition of Wellness:**

“Wellness is an active process of becoming aware of and making choices toward a healthy and fulfilling life.”

Wellness is more than being free of illness, it is a dynamic process of change and growth.

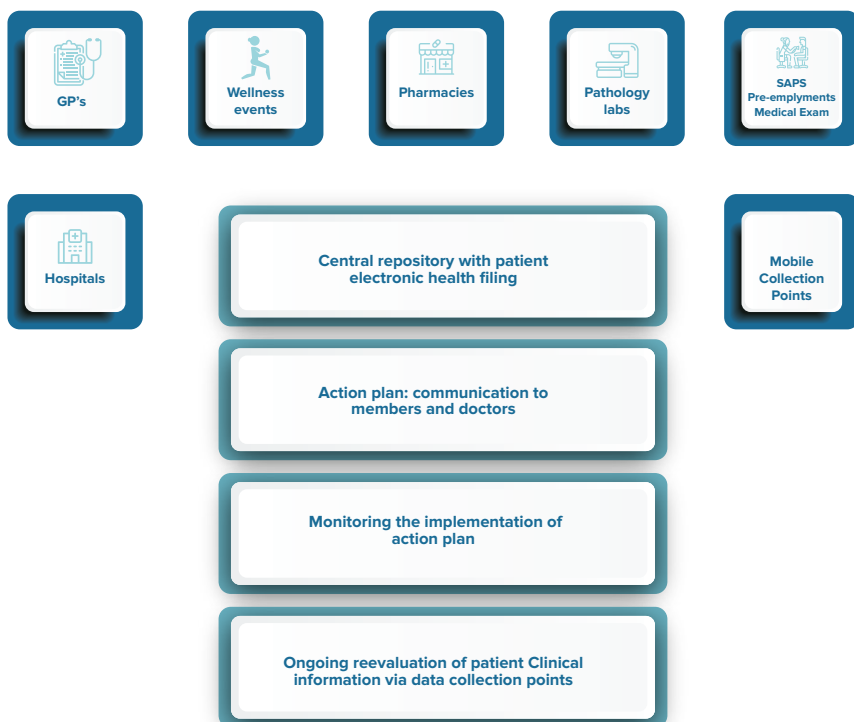
# THE EIGHT COMPONENTS OF WELLNESS THAT POLMED WILL BE EXPLORING ARE:

Utilising big data to drive member wellness in these key areas.



## CLINICAL DATA COLLECTION AND PATIENT MANAGEMENT

FIG 2



**Fig 2** above, illustrates how big data will be implemented to accurately risk stratify POLMED's membership base in order to improve overall patient management by early identification of the highest at-risk patients.

Clinical and claims data from various sources will be analyzed to ensure POLMED's membership base is appropriately clinically risk stratified based on geographic distribution, gender, age and underlying chronic conditions.

Targeted management and educational programs will be implemented based on the members' risk profiles per province, town or SAPS Cluster.

Because the data collection process is dynamic and members' profiles might change over time, the aim is to identify the high risk members early in their pathophysiological pathway, and ensure appropriate interventions can be implemented as soon as the patient is identified.

# CHAIRPERSON'S FOREWORD



Despite the ongoing global pandemic and economic challenges, the year ending 2021 proved to be a successful year for the Scheme. In the face of a shrinking job market and lack of growth in our membership numbers, the Scheme managed to achieve outstanding operational performance.

The sustainability of the Scheme is a key strategic objective that is tracked and measured at the level of the Board. In the current year end the Scheme achieved a solvency ratio of 54%. We are cognisant of these results being attributed to reduced elective hospital procedures and strengthened by the strong hospital networks in place. The Schemes financial performance has enthused strength to strength during the reporting period, the Scheme reported a net healthcare surplus of R737,1 million (2020: R601,5 million) and total comprehensive income of R1,29 billion (2020: R1,12 billion).

There has been a gradual increase in the prevalence of chronic conditions in the past three years noted within our membership base. From December 2018 to December 2021, the chronic prevalence has increased from 27.9% to 31.5% on Marine, and from 8.7% to 10.5% on Aquarium. We encourage all members to ensure that they are aware of any chronic diseases they may be suffering from and register on the disease management programmes which are designed to look after our members.

The ongoing effects of COVID 19 on our members has been at the forefront of initiatives and plans at the Scheme. A total of R1,2 billion has been spent on COVID 19 related claims. Through data analytics assessments, we have seen a significant increase of mental conditions within our membership base. As part of our 5-year strategic plan, the Board has embarked on seeking a more holistic wellness member centric approach in managing our members. The long-term wellness centre project has begun, we are excited with the prospects of the centres and the opportunity this will provide for us to better care for our members.

The 2021 AGM was held in September after some delays ascribed to adherence to National COVID-19 regulations and protocol. The meeting was a success and the electoral outcomes resulted in two new trustees being appointed. We continue to support these new members and they have successfully acclimatised to the environment.

The remarkable performance of the Scheme would not be possible without the support and hard work of the entire Board of Trustees and the Executive management team. I wish to extend my gratitude to all parties and special acknowledgment to the National Commissioner and all SAPS members for their continued support.



## PRINCIPAL OFFICER'S FOREWORD

Reflecting on our achievements in 2021, it can only fill one with great pride and joy. Amidst relentless COVID-19 global challenges, Polmed remained steadfast and continued with great performance outcomes. The overall solvency ratio improved to 54.61% compared to 47.85% in 2020. Claims ratio further reduced to 89.94% from 90.53% in the previous reporting period. Non-healthcare expenditure improved to 3.74% from 3.90% in the previous year due to continued cost optimization initiatives, despite inflationary pressures.

One of the key initiatives that management embarked on in 2021 was ensuring we protect and vaccinate our members. Through initiatives and strategic partnerships with the Department of Health and other stakeholders, Polmed was able to vaccinate 105 555 members. As at end of December 2021 a total of R54,9 million was spent on vaccinations. We have every intention to ensure that herd immunity amongst our members is reached, as this will assist with reducing the SAPS infection rate.

The COVID-19 pandemic has impacted claims through decreased healthcare utilisation as well as the mix between out-of-hospital and in-hospital services. The Electronic Vaccination Data System (EVDS) from the Department of Health reflects that 270 524 doses have been administered to Polmed beneficiaries up to the end of December 2021. Thus far, 150 013 vaccine claims have been received by Polmed. Therefore, 118 511 vaccine claims are outstanding due to the backlog. Within the reporting period the Scheme has spent just over R2 billion in COVID related claims.

Pathology claims as well as claims for out-of-hospital auxiliary services continue to show above average utilisation increases.

In the ending months of 2021, there has been an increase in the utilisation of non-chronic medicine, with an increase of 8.1% compared to 2019 and 23.1% compared to 2020. A part of this increase is due to the rollout of multivitamin supplements to some of the Scheme's beneficiaries during 2021. The Scheme wanted to ensure that our most vulnerable members who were categorised as high-risk received multivitamins. POLMED led the industry with this vitamin initiative, and we have seen a great appreciation from our members commending the Board and management team for this gesture.

In line with the good governance and compliance, we note from the Auditors that there is no material instances of non-compliance in line with the requirements of the Medical Schemes Act 131. The Scheme received an unqualified audit opinion and is in a healthy financial position.

Lastly, in line with the Board's strategy of increasing our members overall health and wellness, we have introduced two exciting programmes for the upcoming year namely, weight loss and smoking cessation. These can be accessed via your health care practitioner.

We express our gratitude to our Members, Board, Key stakeholders, and POLMED employees for their support throughout 2021.

We look forward to 2022 and continuing to provide support and care to our members.

**Ms N Khauoe**  
**PRINCIPAL OFFICER**



# HUMAN RESOURCES



In the year 2021 the focus for HR has been in supporting the first Strategic Objective: Supporting Scheme Sustainability. More specifically, HR has been supporting the organisational transformation process through ensuring that the organisational skills, structure, and culture align with the changing Scheme strategy.

The key activities that drove this organisational re-alignment include the following: employee consultation processes, internal skills audits, as well as recruitment.

## Workforce profile

As at the end of December 2021 the Scheme had a staff compliment of 38 people. Of the 38, 63% were women. It is expected that the staff compliment will expand to an estimated 62 employees over the medium to long term as the Scheme phases in its talent and skills requirements.

## Recruitment

In the year 2021, the Scheme employed 7 external resources. These resources were a combination of core and support functions.

## Organisational Culture

Part of the Scheme's transformational journey included a culture transformation. The Scheme aims to build a high-performance culture. In 2021 this process was initiated through an employee survey that sought to identify enablers for the desired high-performance culture. High priority policies have been targeted for review in order to enable the desired culture. This is an ongoing journey that through HR the Scheme will continue to drive.

## Employee Development

In order to support the transformation journey, focus has been placed on investing on the development of people skills through Learning and Development. The Scheme has a policy that allocates learning and development budget per employee, per annum as per their developmental needs. Over and above that generic training initiatives are rolled out at specific intervals.

The Scheme also continues with its "Fallen Heroes internal" programme where it employs young people whose SAPS parents passed in the line of duty.

## Compliance: Employment Equity and Workplace Skills Plan

The Scheme remains fully compliant with both the Employment Equity and Skills Development requirements. In the year 2021, both the Employment Equity and Workplace Skills Plan and Annual Training Reports were submitted timeously.

## Employee Wellness

POLMED employee wellness is ensured through a comprehensive Employee Assistance Programme. The programme provides support to both employees and their immediate families. For workplace safety the Scheme premises follow stringent COVID protocols that include regular sanitation of communal and individual workspaces. Social distancing is also facilitated by optimising online meetings, even when employees are office based.



# SUPPLY CHAIN MANAGEMENT (SCM) **REPORT**

During 2021 a centralised and well resourced SCM department was established to bolster governance and skills within the Scheme. The SCM department addressed the following key areas:

## Supplier Database

Utilising a centralised database, due diligence is conducted on all service providers to insure compliance to national legislation, tax legislation and B-BBEE requirements.

## Procurement of Goods and Services

The procurement of goods and services follows a competitive process which is fair, equitable, transparent, cost effective and competitive in accordance with our approved SCM policies.

## Preferential Procurement

POLMED supports the principles of empowering emerging suppliers. The Preferential Procurement Strategy for POLMED is aligned with the Dti Codes of Good practice and incorporated into the SCM policy.

## B-BBEE Compliance

POLMED is in the process of conducting a gap analysis for its B-BBEE compliance. The gap analysis is aimed at ensuring that POLMED supports the spirit of B-BBEE in all elements required in the respective B-BBEE scorecard.

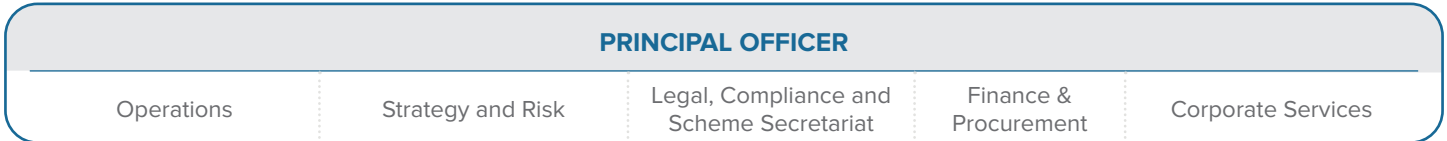


# GOVERNANCE STRUCTURE

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 beneficiaries.

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.

## VISION, MISSION AND VALUES

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:



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

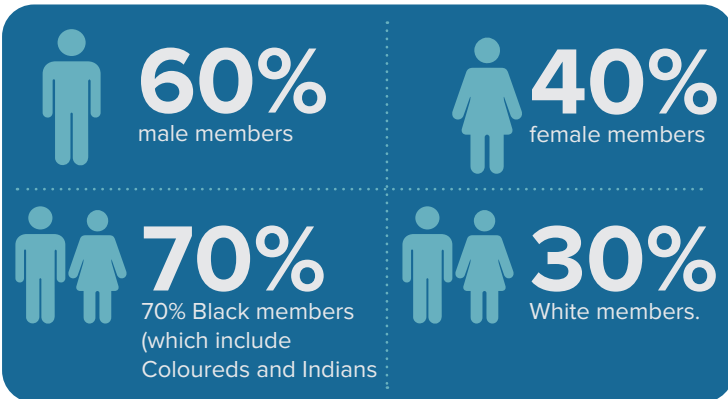
### BOARD COMPOSITION

- 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:



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.

The Trustees have adequate Liability cover to insure them against claims that might arise in the execution of their duties.

## POLMED CURRENT BOARD OF TRUSTEES

TRUSTEE	CAPACITY	APPOINTMENT DATE	TERMINATION DATE	RESIDES
FN Vuma (Chairperson)	Employer-designated	01 August 2021	31 July 2026	Gauteng
TNL Ngwenya (Deputy)	Member-elected	03 December 2020	AGM 2023	Mpumalanga
MV Phiyega	Member-elected	03 December 2020	AGM 2023	Gauteng
ST Nkosi	Employer-designated	01 August 2021	31 July 2027	Gauteng
RP Ntsime	Employer-designated	20 October 2020	19 October 2023	Gauteng
HK Senthumule	Employer-designated	01 August 2021	31 July 2027	Gauteng
KL Moeng	Member-elected	03 December 2020	AGM 2023	Northern Cape
BSJ Muller	Member-elected	03 December 2020	AGM 2023	Mpumalanga
PA Mabotja	Member-elected	03 December 2020	AGM 2023	Limpopo
Z Skade	Employer-Designated	18 January 2021	17 January 2024	Eastern Cape
AJ Gerber	Member-elected	16 September 2021	AGM 2026	Western Cape
MV Kwetepane	Member-elected	16 September 2021	AGM 2026	Limpopo
SJ Kwena	Employer-Designated	01 August 2021	AGM 2026	North West
NP Lushaba	Employer-Designated	01 April 2022	30 April 2027	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.

## 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

#### Roles and responsibilities of the Audit and Risk Committee

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

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

Member	Capacity	Appointment/Term ended date
Z Samsam (Independent)	Chairperson (Re-appointed)	Ended December 2021
T Mtongana-Zote (Independent)	Member	Ended December 2021
N Tshombe (Independent)	Member	Ended December 2021
Z Skade	Member	Appointed August 2021
HK Senthumule	Member	

### Human Resources and Remuneration Committee

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

Member	Capacity
MV Phiyega	Chairperson
RP Ntsime	Member
TNL Ngwenya	Member

### Clinical Governance Committee

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

Member	Capacity	Term ended date
TNL Ngwenya	Chairperson	
NP Cupido	Member	Appointed 19 May 2021 Term ended September 2021
SJ Kwena	Member	Appointed 07 September 2021
MV Kwetepane	Member	Appointed 16 September 2021
BSJ Muller	Member	Joined 05 February 2021
HK Senthumule	Member	
BP Temba	Member	Term ended July 2021

### Investment Committee

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

Member	Capacity	Appointment/Term ended date
SJ Nelson	Chairperson	
RP Ntsime	Member	
KL Moeng	Member	Appointed 05 February 2021
BSJ Muller	Member	Appointed 11 May 2021
NP Cupido	Member	Ended September 2021

### Complaints and Dispute Resolution Committee (CDRC)

This committee deals with legal, policy, ethics, complaints and disputes from members and service providers. The Committee consists of the following members:

Member	Capacity	Appointment/Term ended date
AJ Gerber	Members	Appointed 26 October 2021
RD Orsmond	Chairperson	Ended September 2021
PA Mabotja	Member	Appointed 24 June 2021
MV Phiyega	Member	Ended January 2021
Z Skade	Acting Chairperson	Appointed October 2021
ED Groenewald	Member	Ended July 2021
ST Nkosi	Member	

### Board Tender Evaluation Committee (BTEC)

The Board Tender Evaluation Committee evaluates submissions presented for procurement of goods and services, that are not delegated to the Principal Officer but are reserved for the Board.

Administration and Managed Care tender members	Capacity	Appointment/Term ended date
MV Phiyega	Chairperson	
ED Groenewald	Member	Ended January 2021
RP Ntsime	Member	
SJ Nelson	Member	
TNL Ngwenya	Member	
HK Senthumule	Member	
BP Temba	Member	Ended July 2021

Optometry tender members	Capacity	Appointment/Term ended date
RP Ntsime	Chairperson	Appointed 23 April 2021
PA Mabotja	Member	Appointed 23 April 2021
Z Skade	Member	Appointed 23 April 2021
ST Nkosi	Member	Appointed 23 April 2021
BSJ Muller	Member	Appointed 23 April 2021
MV Phiyega	Member	Appointed 23 April 2021

### Annual General Meeting Committee (AGM)

The main responsibility of the Committee is to monitor the implementation of the AGM resolutions to ensure the smooth running of the AGM and enhance the relationship between members of the Scheme and the Trustees.

Member	Capacity	Appointment/Term ended date
TNL Ngwenya	Chairperson	
RP Ntsime	Member	
IN Molefe (Independent)	Member	Appointed 07 April 2021
ML Letebele (Independent)	Member	Appointed 07 April 2021
V Simelane (Independent)	Member	Appointed 07 April 2021
BJ Ximba (Independent)	Member	Appointed 07 April 2021



BOARD SUB-COMMITTEES	ROLES AND RESPONSIBILITIES	HIGHLIGHTS FOR 2021
1 <b>Audit and Risk Committee (ARC)</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Finalization of the appointment of the External Auditors</li> <li>Initiated the process of procuring of the new Internal Auditors</li> <li>Review of the Strategic Risk Register</li> <li>Positive operational and financial performance</li> <li>Successful Risk Management Workshop with the BOT</li> <li>Successful review of internal controls</li> <li>Recommended the appointment of Risk Management provider</li> </ul>
2 <b>Clinical Governance Committee (CGC)</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Successful finalization of the 2022 Benefit Design</li> <li>Conclusion of the Aquarium Plan Hospital network</li> <li>Successful Covid-19 Vaccination Roll-out</li> <li>The expansion of Specialist network to proper geographical coverage</li> </ul>
3 <b>Investment Committee (IC)</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Rectifying of Sanlam Investment Managers overdraft</li> <li>Return net of Investment fee: 4.90% vs target return of 3.7%</li> <li>Review of the Investment Policy and Strategy to strike a balance between short- and long-term investments.</li> <li>Improvement of Perpetua and Mergence performance</li> <li>Re-applying of CMS Exemption, section 35 (8)</li> </ul>
4 <b>Human Resources and Remuneration Committee (HRREMCO)</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Finalization of the Organizational Design Process</li> <li>Staff Performance Review and Bonus for 2021</li> <li>Policy Compendium</li> <li>Staff Annual Increase for 2022</li> </ul>
5 <b>Complaints and Dispute Resolution Committee (CDRC)</b>	<ul style="list-style-type: none"> <li>The Board has taken a decision to 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.</li> </ul>	<ul style="list-style-type: none"> <li>Finalization of a member complaint</li> <li>Ethics Assessment Report</li> <li>POPI Readiness Assessment</li> <li>Debt Management Policy</li> </ul>
6 <b>Board Tender Evaluation Committee (BTEC)</b>	<ul style="list-style-type: none"> <li>This Committee is responsible for evaluating all procurement reserved for the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Administration Agreements</li> <li>Managed Care Agreement</li> <li>Optical Benefits Management Services</li> </ul>

# PRINCIPAL OFFICER AND **EXECUTIVE TEAM**

The Scheme's executive structure consists of the POLMED Principal Officer (Chief Executive Officer) and Executives as shown in the organogram below:



**N Khauoe**  
PRINCIPAL OFFICER



**J Makkink**  
CHIEF OPERATING OFFICER



**N Manyoni**  
EXECUTIVE ACTING CHIEF CORPORATE SERVICES OFFICER



**M Pretorius**  
EXECUTIVE FINANCE & PROCUREMENT



**V Xaxa**  
EXECUTIVE LEGAL, COMPLIANCE & SCHEME SECRETARY



# 2021 LITIGATION REPORT

## CASE

## NATURE

## STATUS

1

**Curatorship: Constitutionality of certain provisions of the Medical Schemes Act and Financial Institutions (Protection of Funds) Act**

Declaratory order.

The applicant (the Scheme) seeks a declaratory order in the following terms, that:

- (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 utilizes 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 authorization for an ex parte approach to Court for the appointment of a curator:
  - 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 ex parte application is permissible in law – i.e., that an ex parte 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.

The hearing was scheduled for 07 June 2021. However, the Judge directed that the matter be decided on papers as opposed to the actual hearing. The Scheme is still awaiting decision from the court.

2

**Amendment of POLMED Rule 27.4.2**

Appeal: Rule Amendment

POLMED lodged an appeal against the decision of the Registrar to amend and delete Rule 27.4.2 of the POLMED Rules.

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. On 14 June 2021, the Committee held that the Registrar did not have the statutory authority to delete the Rule and therefore, the appeal was successful (found in favour of the Scheme).

3

**Contractual dispute with a Service Provider (MVA)**

Arbitration

This matter relates to a contractual dispute wherein POLMED terminated its service level agreement (SLA) with the Service Provider. The latter was of the view that certain provisions of the SLA were still applicable after termination.

As a result, the Service Provider referred the matter to Arbitration. However, the parties have subsequently reached an amicable solution to the dispute wherein the Service Provider will resume recoveries of Motor Vehicle Accident claims in line with clause 4.4 of the SLA which allowed the Service Provider to take over the active files as at date of termination of the contract. The arbitration proceedings have been put in abeyance until further notice.

4

**Contractual dispute with a Service Provider (MVA)**

Arbitration

Subsequent to the forensic investigation the Scheme continued to implement the recommendations for an example;

- took disciplinary action against the implicated staff members;
- terminated its contractual relationship with the Service Provider as it was found to be null and void ab initio;
- instructed its Attorneys to recover all monies paid to the Service Provider as a result of the agreement; (matter ongoing) and
- reported the matter to the Hawks in terms of section 34 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA), and opened a case with SAPS. (SAPS is busy with the case )
- POLMED has further demanded its files (in writing) from one law firm who were attorneys of record for the Service Provider on the matter.

The Service Provider has since lodged a court application against POLMED to declare the SLA binding between the parties until terminated by effluxion of time; seeking an order for damages against POLMED for unlawful termination of the Agreement calculated from 09 December 2020 until 30 April 2021.

POLMED opposed the application on the basis that the Service Provider had prematurely approached the court as, in terms of the SLA, they are obliged to pursue the arbitration route instead. The Service Provider has since withdrawn the application from the court and pursuing the arbitration process.

5

**Contractual Dispute with a law firm**

Civil action

POLMED appointed a particular law firm on 12 February 2020 for assistance with the provision of secretariat services to the Board Technical Evaluation Committee (BTEC).

The law firm was later instructed/ briefed on other services such as provision of legal opinions and arbitration which fell outside of the scope of the Service Level Agreement.

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 and/or overcharging its invoices in relation to the work done.

The analysis undertaken has shown that the firm had overcharged/ inflated its invoices in the amount of R551 759.67, out of which R46 094.68 was in respect of the SLA between the parties for the provision of secretariat services. Based on the cost-benefit analysis undertaken, it was deemed prudent to rather lodge a complaint with the Legal Practice Council (Legal Practitioners' Professional Body) as opposed to pursuing the matter through the courts or arbitration.

Implicated staff members left the employ of POLMED.

6

**Member vs POLMED**

Medical negligence

On or around 16 March 2021, POLMED received combined summons whereby a member alleges that POLMED has failed to provide her and her baby acceptable medical aid authorization for an ambulance, during an emergency medical case, from one Doctor's surgery to a specific Medi Clinic. In so doing, the member alleges that POLMED has therefore wrongfully and negligently denied her and her baby their right to medical support.

POLMED has filed its Notice of Intention to defend the matter. Currently, the parties are exchanging pleadings which will be followed by a pre-trial conference and related legal proceedings.

7

**Medical Professional Society**

Medical Schemes' fraud, waste and abuse prevention policies, strategies and related legislative framework of the Medical Schemes Act, 1998.

On or around October 2021, the Professional Society lodged an application against 83 (eighty three) Medical Aid Schemes/Funds wherein they seek an order from the High Court declaring section 59(3) of the Medical Scheme's Act, Act 131 of 1998, to be unconstitutional and invalid. POLMED is seventy ninth Respondent in the application and had filed its Notice of intention to oppose the said application.

The Professional Society has since filed a joinder application joining about 13 additional Respondents to the matter.. The basis of the application is that the additional respondents have a direct and substantial interest in the outcome of the main application. The application is unopposed, and the Registrar has provisionally allocated 31 May 2022 as the hearing date of the joinder application.

The 4th to 24th and 73rd Respondents have brought interlocutory applications in terms of Rule 47 of the Uniform Rules of Court, requesting the Court to make an order that the applicant furnish security for costs in the amount of R1 250 000.00, R850 000.00 respectively. The Professional Society has opposed both applications and the Respondents have applied for hearing dates with the Registrar. In order to make a well-informed decision and to save legal costs, POLMED will await the decision in respect of the above applications and decide on the way forward thereafter.

8

**Review Application**

Review application to set aside the decision of the Scheme appointing a particular Administrator (winning bidder) to render Administrative and Managed Healthcare services to POLMED.

During 2021, POLMED issued a tender for the appointment of a Service Provider to render (a) Administration as well as (b) Managed Healthcare Services to POLMED for a period of three (3) years commencing on 01 January 2022, with the option to renew the contracts, based on performance, on an annual basis up to a maximum period of five (5) years.

On or around the 30th of November 2021, POLMED was served with a review application (Notice of Motion) whereby another Administrator (complainant) is, amongst others, calling upon POLMED to show cause why an order in the following terms should not be granted against POLMED:

- a.** that, a decision taken by the Board to award both contracts to a winning bidder (2<sup>nd</sup> Respondent) should be reviewed or set aside;
- b.** that, any contract/s entered into between POLMED and the winning bidder, pursuant to the above decision, should be declared unlawful, invalid, reviewable and set aside; and
- c.** that, once the Board's decision is set aside, POLMED be ordered to award both contracts to the complainant.

POLMED has filed its Notice of intention to oppose the application.

9

**POLMED vs Member**

On 12 November 2021, an appeal was heard by the Appeals Committee of the Council for Medical Schemes ("CMS") in the matter between POLMED and of its members where POLMED sought to appeal the ruling of the Registrar of the CMS, dated 01 October 2020.

The subject of the above application was whether POLMED was obliged to fund, in full, the Elaphrase<sup>®</sup> treatment as a prescribed minimum benefit (PMB) level of care in terms of Regulation 15H(c) of the Medical Schemes Act 131 of 1998 ("the Act").

As at the end of the financial year (December 2021), the Committee had not issued its Ruling on the matter.

10

**CMS Application for  
Curatorship against  
POLMED**

Ex parte:  
Curatorship  
Application

The Registrar of Medical Schemes lodged an ex parte 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 ex parte basis and that service of the application to relevant parties is necessary.

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.

On 17 December 2020, POLMED advised the Registrar of its intention to pursue its remedies in respect of costs and to enrol the application on a normal opposed motion court roll for that purpose. Further, POLMED proposed to CMS to withdraw the application and undertake not to bring a similar application against POLMED premised on any of the same grounds and without prior Notice to POLMED. CMS was advised that should they agree to 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.

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.

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.



# RISK MANAGEMENT

The Board is ultimately accountable for the complete process of risk management within the Scheme. The Board may elect to fulfil some of its functions through delegation to committees and the Principal Officer. The risk governance structure supporting the Board includes the Audit and Risk Committee, the Risk Steering Committee, the Principal Officer, Scheme Management, and Independent Assurance Providers.

Risks are reviewed and identified annually, and appropriate strategies are implemented. These strategic actions are monitored monthly.

The Scheme adopted a risk framework and maintained a risk register for all identified strategic and operational risks. These are monitored on an ongoing basis by Management, Risk Steering Committee, Combined Assurance Committee, Audit and Risk Committee and the Board of Trustees' meetings.

The Risk management process is continuously assessed and adapted to remain relevant and dynamic.

The internal audit function was outsourced to Ngubane & Co. during the period under review. The Administrator's internal audit supported Ngubane & Co. The internal auditors report to the Audit and Risk Committee.

## COMBINED ASSURANCE:

The Board acknowledges that risk management is fundamental to the scheme achieving its strategic objectives and delegates the responsibility of designing, implementing, and monitoring the risk management process and tools to management.

Risk management was facilitated by the Executive Legal Compliance and Scheme Secretary who ensures that risk management is embedded in daily management activities. Risk management is integrated into our business planning, strategy formulation, performance management and implementation processes. The Trustees are satisfied that the risk management process is effective in continuously identifying and evaluating risks and ensuring that these risks are managed in line with business strategy.

To obtain assurance on the controls across the business of the scheme, the scheme utilises a Combined Assurance approach facilitated by the Executive Finance and Procurement.

The combined assurance model is based on three lines of defence:

### Scheme Management

- Ensuring that Risk management is embedded into the daily activities of the Scheme and is monitored and reported on continuously

### Outsourced business partners

- Ensuring that Scheme risks are managed at a strategic partner level as well adding to the effectiveness of the Scheme's internal control and risk management process.

### External Assurance partners

- Ensuring that external assurance is obtained on the scheme's internal controls and financials through the engagements of external and internal audit.

## STRATEGIC RISK REGISTER

The 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.



RISK TITLE INHERENT RISK		INHERENT RISK RATING	RESIDUAL RISK	MITIGATING ACTION
1	Impact of NHI Implementation	20	20	<ul style="list-style-type: none"> <li>Stakeholder positioning for POLMED to attain a special dispensation as part of security cluster</li> </ul>
2	Drastic reduction in solvency levels	25	20	<ul style="list-style-type: none"> <li>Lobbying employer to increase grant in line with healthcare inflation</li> <li>Healthcare cost optimisation</li> <li>Non-healthcare cost control</li> <li>Enhancing investment returns</li> </ul>
3	Health Pandemics	25	20	<ul style="list-style-type: none"> <li>Sound SLA and contract management of outsourced partners</li> <li>Business continuity management</li> </ul>
4	Cyber threats and data and information breaches	25	20	<ul style="list-style-type: none"> <li>POPIA monitoring and continuous assessment</li> <li>Enhanced IT governance</li> <li>Continuous improvement and upgrading of software and systems</li> </ul>
5	Outdated Technology infrastructure	25	20	<ul style="list-style-type: none"> <li>Daily monitoring of systems</li> <li>Systematic upgrading of infrastructure</li> </ul>
6	Fraud, corruption and gross misconduct	20	10	<ul style="list-style-type: none"> <li>Monitoring of relevant policies</li> <li>Ethics survey</li> <li>Whistle blowing hotline</li> <li>Liability insurance</li> </ul>
7	Inadequate third-party provider management	25	9	<ul style="list-style-type: none"> <li>Enhancement of contract management processes including enforcement of penalty clauses</li> <li>Enhance organizational structure</li> </ul>
8	Unsatisfactory stakeholder relations	20	10	<ul style="list-style-type: none"> <li>Identification of high interest/high impact stakeholders and development of engagement/ collaboration strategies</li> </ul>
9	Benefit plans not self-sustaining	20	10	<ul style="list-style-type: none"> <li>Ongoing monitoring and optimization as part of robust Benefit design process</li> <li>Independent Actuarial modelling</li> </ul>
10	Increasing regulation and compliance requirements	20	6	<ul style="list-style-type: none"> <li>Continuous monitoring of new regulations and directives</li> <li>Training on new regulation requirements conducted.</li> </ul>

## Insurance Risk Management

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 also has exposure 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. Certain risks are mitigated by entering into risk transfer arrangements. 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 exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analysis, scenario analysis and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The prioritisation of risk is based on the frequency and severity of impact on claims where the claims are greater than contributions or erode on reserves.

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. 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 demographic split thereof. Benefits and associated contributions are calculated considering the Scheme's risk concentrations, changes in utilisation based on historical data and inflationary increases.





## EXTRACT OF THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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# STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation and fair presentation of the Annual Financial Statements of South African Police Service Medical Scheme (“the Scheme”), comprising the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in members’ funds and reserves and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (“IFRS”), and in the manner required by the Medical Schemes Act, No 131 of 1998, as amended.

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

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

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

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

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

The Scheme’s external auditor, PricewaterhouseCoopers Inc., is responsible for auditing the Annual Financial Statements in terms of International Standards on Auditing, and reporting on the fair presentation of the Annual Financial Statements. Their report is presented on pages 60 - 61.

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

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements of the Scheme were approved by the Board of Trustees on 21 April 2022 and were signed on its behalf by:

**FN VUMA**

CHAIRPERSON OF BOARD OF TRUSTEES

**TNL NGWENYA**

DEPUTY CHAIRPERSON OF BOARD OF TRUSTEES

**N KHAUOE**

PRINCIPAL OFFICER (PO)

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

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

## BOARD OF TRUSTEES

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

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

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

## 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.

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

## RISK MANAGEMENT

The Board is ultimately accountable for the complete process of risk management within the Scheme. The Board may elect to fulfil some of its functions through delegation to committees and the Principal Officer. The risk governance structure supporting the Board includes the Audit and Risk Committee, the Risk Steering Committee, the Principal Officer, Scheme Management, and Independent Assurance Providers.

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 by Management, Risk Steering Committee, Combined Assurance Committee, Audit and Risk Committee and the Board of Trustees' meetings.

The internal audit function was outsourced to Ngubane & Co. during the period under review. The Administrator's internal audit supported Ngubane & Co. The internal auditors report to the Audit and Risk Committee.

## APPROVAL OF THE STATEMENT OF CORPORATE GOVERNANCE

The statement of corporate governance was approved by the Board of Trustees on 21 April 2022 and was

**FN VUMA**

CHAIRPERSON OF BOARD OF TRUSTEES

**TNL NGWENYA**

DEPUTY CHAIRPERSON OF BOARD OF TRUSTEES

**N KHAUOE**

PRINCIPAL OFFICER (PO)

# REPORT OF THE BOARD OF TRUSTEES

## ORGANISATIONAL OVERVIEW

### Terms of registration

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.

### Benefit options within the Scheme

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

- Marine Plan; and
- Aquarium Plan.

### Risk transfer arrangements

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 holds a majority shareholding in Scriptpharm Risk Management (Pty) Ltd.

#### Preferred Provider Negotiators (Pty) Ltd (PPN)

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

#### Scriptpharm Risk Management (Pty) Ltd (Scriptpharm)

Scriptpharm provides chronic medication to both plans.

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 14 of the Annual Financial Statements.

## MANAGEMENT

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

Employer-designated	Appointment date	Termination date	Resides
FN Vuma (Chairperson)	01 August 2021	31 July 2026	Gauteng
RP Ntsime	20 October 2020	19 October 2023	Gauteng
Z Skade	18 January 2021	17 January 2024	Eastern Cape
SJ Kwena	01 August 2021	31 July 2026	North West
ST Nkosi	01 August 2021	31 July 2026	Gauteng
HK Senthumule	01 August 2021	31 July 2026	Gauteng
SJ Nelson	01 August 2021	31 March 2022	Gauteng
<b>Member-elected</b>			
PA Maboŋja	03 December 2020	AGM2023	Limpopo
KL Moeng	03 December 2020	AGM 2023	Northern Cape
BSJ Muller	03 December 2020	AGM 2023	Mpumalanga
TNL Ngwenya	03 December 2020	AGM 2023	Mpumalanga
MV Phiyega	03 December 2020	AGM 2023	Gauteng
AJ Gerber	16 September 2021	AGM 2026	Gauteng
MV Kwetepane	16 September 2021	AGM 2026	Limpopo
NP Cupido	01 August 2018	16 September 2021	Western Cape
RD Orsmond	01 August 2018	16 September 2021	Western Cape

### Principal Officer

#### N Khaue

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

### Registered office address and postal address of the Scheme

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

## KEY SERVICE PROVIDERS

### Medical scheme administrator during the year

#### Medscheme Holdings (Pty) Ltd

37 Conrad Street	PO Box 1101
Florida North	Florida Glen
Johannesburg	1708
1709	
Accreditation number: 21	

### Managed care providers during the year

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

The Boulevard	PO Box 38632
Buildings F & G	Pinelands
Searle Street	7430
Woodstock 792	7430
Accreditation number: MCO53	

#### Aid for Aids Management (Pty) Ltd

The Boulevard	PO Box 38632
Buildings F & G	Pinelands
Searle Street	7430
Woodstock	
7925	
Accreditation number: MCO94	

### Investment managers during the year

#### ALUWANI Capital Partners (Pty) Ltd

EPPF Office Park	Postnet Suite 8
24 Georgian Crescent East	Private Bag X75
Bryanston East	Bryanston
Johannesburg	2021
2152	

Financial Service Provider Number: 46196

#### Ashburton Fund Managers (Pty) Ltd

3rd Floor	PO Box 782027
4 Merchant Place	Sandton
1 Fredman Drive	2146
Sandown	
Sandton	
2196	

Financial Service Provider Number: 40169

#### Mergence Investment Managers (Pty) Ltd

2nd Floor	PO Box 8275
Dockside Cruise Terminal	Rogebaaai
Duncan Road	Cape Town
V&A Waterfront	8012
Cape Town	
8001	

Financial Service Provider Number: 16134

#### Mianzo Asset Management (Pty) Ltd

Unit EG01	PO Box 1210
Vesta House	Milnerton
The Forum	7435
Northbank Lane	
Century City	
Cape Town	
7441	

Financial Service Provider Number: 43114

#### Perpetua Investment Managers (Pty) Ltd

5th Floor	PO Box 44367
The Citadel	Claremont
15 Cavendish Street	Cape Town
Claremont	7735
Cape Town	
7708	

Financial Service Provider Number: 29977

**Sanlam Investment Managers (Pty) Ltd**

55 Willie van Schoor Avenue	Private Bag X8
Bellville	Tyger Valley
Cape Town	Cape Town
7530	7536

Financial Service Provider Number: 579

**STANLIB Asset Management Ltd**

17 Melrose Arch Boulevard	PO Box 203
Melrose Arch	Melrose Arch
Johannesburg	Johannesburg
2196	2076

Financial Service Provider Number: 719

**Taquanta Asset Managers (Pty) Ltd**

7th Floor	PO Box 23540
Newlands Terraces	Claremont
8 Boundary Road	Cape Town
Newlands	7735
Cape Town	
7700	

Financial Service Provider Number: 618

**Investment consultant during the year****Independent Actuaries & Consultants (Pty) Ltd**

6th Floor	P.O. Box 1172
Wale Street Chambers	Cape Town
38 Wale Street	8000
Cape Town	
8001	

Financial Service Provider Number: 6832

**Actuarial services during the year****Insight Actuaries & Consultants (Pty) Ltd**

Ground Floor	Private Bag X17
Block J	Halfway House
Central Park	1685
400 16th Road	
Midrand	

**Independent Internal Auditors****Ngubane & Co.**

Ngubane House	PO Box 8468
1 Superior Road	Halfway House
Midrand	1685
1685	

Ngubane &amp; Co.'s internal audit service contract ended effective 31 December 2021.

**PKF (VGA) Advisory Services (Pty) Ltd**

The Office of the Director	PO Box 2690
PFK Building	Alberton
89 Michelle Avenue	1450
Corner Sangiro Close	
Randhart	
Alberton	
1449	

PKF (VGA) Advisory Services (Pty) Ltd were appointed as independent internal auditors with effect from 01 January 2022.

**Independent External Auditor****PricewaterhouseCoopers Inc.**

4 Lisbon Lane	Private Bag X36
Waterfall City	Sunninghill
Jukskei View	2157
2090	

**INVESTMENT POLICY OF THE SCHEME**

The Scheme's investments are subject to Regulation 30 of the Medical Schemes Act, read with Annexure B. The Scheme's investment strategy complies with these regulations. The investment strategy followed by the Scheme was reviewed and approved by the Board of Trustees during the financial year.

**The Board of Trustees ensures that:**

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

The Scheme invested in money-market, equities, bonds, unit trusts and cash and cash equivalents during the year under review. The investment consultant's primary mandate was to ensure value retention and growth within the prevailing legislative constraints. The funds are currently managed by the Board of Trustees in terms of an active investment policy statement and in conjunction with the Scheme's Investment Committee that meets on a quarterly basis throughout the year.



# MANAGEMENT OF INSURANCE RISK

The primary insurance risk carried by the Scheme is the risk of loss related to the health of the Scheme's members and their dependants. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for the transactions that involve pricing guidelines, pre-authorising and case management, service provider profiling, centralised management of risk transfer arrangements as well as the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements. 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 exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analysis, scenario analysis and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The prioritisation of risk is based on the frequency and severity of impact on claims where the claims are greater than contributions or erode on reserves.

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. 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 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.

# REVIEW OF THE SCHEME'S OPERATIONS DURING THE YEAR

## Results of operations

The results of the Scheme are set out on pages 28 to 76 of the Annual Financial Statements. The Board of Trustees believe that the Annual Financial Statements fully disclose the financial affairs of the Scheme for the year ended 31 December 2021.

## Net healthcare result

For the year ended 31 December 2021, at a Scheme level, the net healthcare surplus was reported at R737,136,951 (2020: R601,533,057). In respect of the Marine plan, the net healthcare surplus was reported at R846,453,373 (2020 : R745,197,658) whilst Aquarium plan reported a net healthcare deficit of R109,316,422 (2020: R143,664,601).

The Scheme realised positive net healthcare results at a consolidated level. The current year's overall net healthcare surplus reduced by 22.54% as compared to the prior year. The reduction can be attributable to surges in the number of COVID-19 cases as a result of eased lockdown restrictions, thus leading to high claims for COVID-19 treatment. The net healthcare results are 202.59% favourable compared to budget. The solvency ratio has increased from 47.85% in the prior year to 54.61% in the current year. The solvency ratio, in respect of the period under review, of 54.61% is substantially above the prescribed minimum solvency level of 25%.

## Reserve accounts

Movements in the Scheme's reserves are set out in the Statement of Changes in Members' Funds and Reserves. The investments at fair value through other comprehensive income reserve arose as a result of fair value movements that are directly recognised in Other Comprehensive Income.

## Outstanding claims provision

The basis for the calculation of the outstanding claims provision is detailed in note 8 of the Annual Financial Statements. In calculating an appropriate outstanding claims provision, the actuaries considered the provision suggested by the traditional Chain Ladder (CL) method; the Bornhuetter-Ferguson (BF) method and the Health Monitor model (Insight in-house stochastic risk management), and compared the results to arrive at an appropriate provision. The BF method was used to estimate the outstanding claims provision at year-end.

Movements in the outstanding claims provision as well as changes in assumptions and sensitivity to changes in key variables are also set out in note 8 of the Annual Financial Statements. There are no unusual movements to be brought to the attention of the members of the Scheme.

## Actuarial services

The Scheme's actuaries calculated the incurred but not yet reported (IBNR) claims reserve and have been consulted in the determination of contribution and benefit levels.

## Administration services

Medscheme Holdings (Pty) Ltd is the appointed administrator for the Scheme. The administration agreement came into effect on 01 January 2021 and ended on 31 December 2021. Medscheme Holdings (Pty) Ltd was appointed as the administrator effective 01 January 2022 until 31 December 2026. The administration fee is calculated monthly based on principal member count and therefore fluctuations can be expected.

## Related party transactions

Refer to related party disclosures in note 28 of the Annual Financial Statements.

## Solvency ratio

In terms of Regulation 29(2) of the 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, the Scheme follows a scientifically sound and actuarially supported benefit design and contribution setting process on an annual basis.

The solvency ratio is 54.61%. The calculation is set out in note 34 of the Annual Financial Statements. The Scheme's solvency ratio has improved as a result of elective procedures being deferred during the various lockdown levels during the COVID-19 pandemic, including various cost containment measures that have been implemented to manage claims cost as well as the rapid recovery of financial markets in 2021.

The Board of Trustees is confident that with its solvency level being well above the regulated requirement, the Scheme's reserves are adequate to cover its members' healthcare needs.

## Benefit design

The Board of Trustees utilise refined benefit design techniques to provide access to quality healthcare while managing the cost and ensuring the sustainability of the Scheme.

The Clinical Governance Committee provides input on actuarial calculations supplied by the actuaries and assists the Board of Trustees in carrying out its duties relating to the benefit design of the Scheme.

## Investments in and loans to employer and members of the Scheme and to other related parties

The Scheme holds no direct investments in, nor has it made loans to the employer of members nor the members of the Scheme nor to other related parties.



## Operational statistics per benefit option

2021	Marine Plan	Aquarium Plan	Total Scheme
Average number of members for the year	115,307	58,694	174,002
Number of members at 31 December	114,155	58,694	172,849
Average number of beneficiaries for the year	311,701	184,710	496,411
Number of beneficiaries at 31 December	306,229	185,917	492,146
Dependant ratio at 31 December	1.68	2.17	1.85
Average risk contributions per member per month	R 6 821	R 3 156	R 5 585
Average risk contributions per beneficiary per month	R 2 523	R 1 003	R 1 958
Average relevant healthcare expenditure per beneficiary per month	(R 2 212)	(R 999)	(R 1 761)
Average non-healthcare expenditure per beneficiary per month	(R 85)	(R54)	(R 73)
Relevant healthcare expenditure as a percentage of risk contributions	87.67%	99.58%	89.94%
Non-healthcare expenses as a percentage of risk contributions	3.36%	5.34%	3.74%
Average age of beneficiaries	32.00	22.95	28.58
Number of beneficiaries older than 65 years at 31 December	15,859	1,307	17,166
Beneficiaries older than 65 years ratio	5.18%	0.70%	3.49%
Average accumulated funds per member at 31 December	R 56 221	R 110 449	R 37 257
Return on investments as a percentage of investments	4.72%	2.28%	7.00%

2020	Marine Plan	Aquarium Plan	Total Scheme
Average number of members for the year	119,052	56,676	175,728
Number of members at 31 December	117,925	56,522	174,447
Average number of beneficiaries for the year	331,712	173,046	504,758
Number of beneficiaries at 31 December	328,057	174,574	502,631
Dependant ratio at 31 December	1.78	2.09	1.88
Average risk contributions per member per month	R 6 252	R2 752	R 5 123
Average risk contributions per beneficiary per month	R2 244	R 901	R 1 784
Average relevant healthcare expenditure per beneficiary per month	(R1 978)	(R 919)	(R1 615)
Average non-healthcare expenditure per beneficiary per month	(R 79)	(R 52)	(R 70)
Relevant healthcare expenditure as a percentage of risk contributions	88.15%	101.91%	90.53%
Non-healthcare expenses as a percentage of risk contributions	3.51%	5.77%	3.90%
Average age of beneficiaries	31.24	22.69	28.27
Number of beneficiaries older than 65 years at 31 December	15,675	1,258	16,933
Beneficiaries older than 65 years ratio	4.78%	0.72%	3.37%
Average accumulated funds per member at 31 December	R 42 902	R 90 119	R 29 065
Return on investments as a percentage of investments	4.29%	2.95%	7.25%



# 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. By combining preventative, detective and corrective controls, savings are realised, thus attaining the value of an integrated fraud risk management programme. The Scheme continues to make important strides in reducing the losses incurred by abusive and fraudulent billing. The drop in claims continued to set a new benchmark of medical necessity and clinical appropriateness.

From a forensic perspective, Medscheme Forensics uncovered new ways that practitioners and facilities tried to circumvent payment controls.

Despite the challenges, excellent forensic outcomes were realised in the 2021 financial year-end. A return on investment of 1,489% was achieved.

“Direct savings of R71.1 million (R60.0 million through recoveries and R11.1 million through claim intervention) was recorded in 2021. Since the Scheme contracted Medscheme to perform their healthcare forensic services in 2017, forensic initiatives saved the Scheme R1,59 billion through direct savings and a drop in billing behaviour. R792.9 million worth of fraudulent and abusive billing has been identified and R328.6 million (R286.4 million through recoveries and R42.2 million through claim intervention) has been recovered. This money has helped keep contributions lower and benefits richer in line with the Scheme’s ultimate objective.

## LEGISLATIVE ENVIRONMENT

### Governance

The Board of Trustees has the fiduciary responsibility to look after the Scheme and to ensure that the actions of the service providers and management are in the best interest of the members. The Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders.

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

### Prescribed minimum benefits (PMBs)

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

To mitigate PMB risk, the Scheme introduced a PMB management process that requires the billing behaviour of the claiming provider to be ascertained in order to determine the reimbursement level.

The Scheme has also introduced a Specialist Network which is continuously expanding and has had the effect of capping the Scheme’s exposure to PMBs by setting the reimbursement tariffs upfront. Refer to note 10 of the Report of the Board of Trustees.

### POPIA Regulations

The Scheme has completed its POPIA Assessment Project and has commenced with the implementation thereof. This includes the finalisation of the Privacy Policy for members, staff awareness training, incorporation of POPIA related clauses in its contracts, including non-disclosure agreements and policies.

### Medical Schemes Amendment Bill

Since National Health Insurance (NHI) will have implications for medical schemes, a draft Medical Schemes Amendment Bill was published for comment at the same time as the NHI Regulations in June 2018. The Medical Schemes Amendment Bill contains proposals to improve scheme governance, tighten broker fees (not applicable to the Scheme), and expand PMBs to include more primary healthcare benefits.

## COVID-19 IMPACT

The outbreak of the COVID-19 contagion across the globe has resulted in the World Health Organisation declaring the outbreak a pandemic on 11 March 2020. Since March 2020, South Africa was impacted by four waves of the COVID-19 pandemic with the impact of the second and third waves being significantly worse than expected, driven by new variants and the delay in vaccine supply.

COVID-19 claims and vaccines are regarded as a PMB condition and cases of COVID-19 are paid in full in line with the current published National Institute for Communicable Diseases guideline. This covers all consultations, clinically appropriate diagnostic tests and medication as well as the costs of hospitalisation and rehabilitation.

### COVID-19 related medical expenses for SAPS employees (members)

The SAPS employees are front line workers that were continuously exposed to potential infected members of the public in the execution of their duties. It is the Scheme’s view, that all SAPS employees that were infected with COVID-19, should be regarded as an injury on duty (IOD) unless the Employer can prove otherwise.

The process that has been followed thus far is as follows:

- ① The matter was deliberated with SAPS Finance and Legal
- ② A letter was sent to the Workman’s Compensation Commissioner (WCC) via the office of the National Commissioner, motivating that the SAPS employees, be placed on the same risk category as healthcare workers in relation to registering COVID-19 infections as an IOD, unless the Employer can prove otherwise.

The WCC declined the Scheme’s request.

A letter and the COVID-19 report was submitted to the National Commissioner outlining the concern of the Scheme’s Board of Trustees, who requested a full refund of the R566.8 million that the Scheme incurred to treat 24,856 SAPS employees that contracted COVID-19. Refer to note 11 of the Report of the Board of Trustees and note 27 of the Annual Financial Statements.

The Scheme is awaiting a response from the National Commissioner on the above matter.

<b>COVID-19 financial reporting</b>	<b>2021</b>	<b>2020</b>
<b>COVID-19 claims experience</b>		
Total member lives infected by COVID-19	79,395	36,054
Total member lives recovered from COVID-19	77,645	31,547
Total member deaths from COVID-19	1,725	608
Total COVID-19 related claims in Rands	R2,061,000,000	R751,873,851
<b>Types of COVID-19 relief granted to its members</b>		
<b>COVID-19 relief granted via contribution deferrals</b>		
Total members granted contribution deferrals	166	178
Total Rand amount of contribution deferrals granted	-	-
Total Rand amount of deferrals recovered / paid back	-	-
Total remaining Rand balance of contribution deferrals	R421,577	R444,486
Total Rand amount of deferrals impaired to date	R421,577	R444,486
Total accounts receivable balance of the Scheme	R28,176,983	R6,962,871
Impact of relief on net healthcare results in Rands	-	-
Impact of relief on solvency percentage	0.00%	0.00%
<b>COVID-19 relief granted via rule amendments</b>		
Total members impacted by relief via rule amendments	-	-
Total Rand amount of relief via rule amendments	-	-
Impact of relief on net healthcare results in Rands	-	-
Impact of relief on solvency percentage	0.00%	0.00%
<b>Other forms of COVID-19 relief (e.g. employer grant)</b>		
Method of relief granted	-	-
Number of members impacted	-	-
Total Rand amount of relief	-	-
Impact to net healthcare results in Rands	-	-
Impact to net result in Rands	-	-
Impact to solvency percentage	0.00%	0.00%

## Expected credit losses (ECL)

The Scheme elects to hold its direct holdings in interest bearing assets at fair value through other comprehensive income and amortised cost. To estimate the potential loss from credit risk on these instruments, the Scheme has computed the ECL using the IFRS 9 principles.

The Scheme has applied the lifetime expected credit loss measure to all Land and Agricultural Bank instruments as the intended restructure of its balance sheet is not yet finalised.

Additional assumptions for the ECL calculation are shown below.

“Default probabilities - for South African Government bonds and state-owned entities (SOE’s), credit default swap (CDS) spreads were used to derive default probabilities. For other instruments, the instrument (or failing that, the issuer) credit rating was mapped to historical default data provided by Standard and Poor’s (S&P) ratings.

Loss given default - the Scheme considered a loss given default of 45% appropriate based on the average recovery rate of senior secured and unsecured debt.

Forward looking adjustments - IFRS 9 requires the Scheme to adjust for forward looking conditions. The Scheme performed a statistical analysis to derive a relationship between S&P historic default rates and various econometric factors. The model indicates a normalisation of global economic growth and hence has removed the upward adjustments in default probabilities that were applied in the 2021 financial year-end. Refer to note 30 of the Annual Financial Statements.

## Going concern

The going concern basis has been adopted in preparing the Annual Financial Statements. The Trustees have reviewed the Scheme’s financial position as at 31 December 2021, as well as the budget for the year ended 31 December 2021. Total members’ funds exceeded R6 billion (2020 : R5 billion) with a solvency level of 54.61% (2020 : 47.85%) as at 31 December 2021. The Trustees had considered the plans for dealing with the adverse effects of the identified conditions and events such as COVID-19, the increased cost of healthcare, the increased cost of doing business and assessed the likelihood of effective implementation thereof. The Trustees are therefore of the opinion that the Scheme does not appear to have a going concern problem. On the basis of this review, the Trustees considers that:

- The Scheme’s total assets of R7 billion (2020 : R6 billion) currently exceed its liabilities of R731 million (2020 : R878 million)
- The Scheme reports a current ratio of 3.34 (2020 : 2.20)
- The Scheme will be able to settle its liabilities as they arise for the foreseeable future.

The commitment of the Employer to provide the Scheme with a grant each year is a key contributor to the Scheme’s going concern assumption.

The Scheme assets are weighted to short-dated money market instruments. The Scheme expects the duration and credit risks exposure to be low.

Based on the assessment conducted, the Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future.

## Recoverability test

The Scheme has risk transfer arrangements for chronic medicine with Scriptpharm and for optometry services with PPN. During 2021, the actuaries did not observe unusual claim settlement patterns by Scriptpharm nor PPN, due to COVID-19. The actuaries do not expect COVID-19 to significantly change the past levels of default risk associated with these agreements.

## Change in assumptions used to measure insurance liabilities: Key demographics

Since the onset of the COVID-19 pandemic in 2020, the usual enrolment cycles of new student recruits to SAPS have been disrupted. SAPS student recruitments have taken place later in the 2021 financial year-end and at lower numbers compared to previous years. SAPS student recruits, who are then enrolled to the Scheme, tend to have lower claims loss ratios as they are younger, with a lower prevalence of chronic diseases. However, given the size of the Scheme, changes in student recruitment processes are not expected to have a material impact on overall financial performance.

## COVID-19 insurance liability

The Scheme carries insurance liabilities with respect to outstanding claims only. The outstanding claims provision as at 31 December 2021, of R418.3 million, makes allowance for COVID-19 related claims and non COVID-19 related claims. The outstanding claims provision was derived after analysing claims processing patterns for various claims categories such as medicines, medical doctor, professional fees, hospital fees, etc. Outstanding claims are not apportioned to specific conditions or diagnoses; such apportionments are considered to be spurious. However, delays in COVID-19 vaccination claims were specifically considered. After considering data from the Electronic Vaccine Data System (EVDS) as accessed by the actuaries, it was found that R51 million can be expected to be the outstanding cost of COVID-19 vaccines as at 31 December 2021. This estimated outstanding figure has been considered in the estimation of outstanding claims.

## COVID-19 experience

COVID-19 affected the Scheme in a number of conflicting directions. At the onset of the COVID-19 pandemic in March 2020, the National Government implemented a strict nationwide lockdown. During the lockdown, healthcare utilisation was at record lows. All elective/non-urgent healthcare services were suspended. As a result, there was a significant reduction in the claims paid, leading to savings accumulated for the Scheme.

As the lockdown restrictions eased, surges were noted in the number of COVID-19 cases, which lead to high claims for COVID-19 treatment.

## Cost of COVID-19 treatment

The Scheme paid R1,234,275,513 (2020: R892,080,730) in respect of COVID-19 claims during the period under review, which exceeded the 2020 financial year-end experience by 38.4%.

## COVID-19 vaccinations

The Scheme's experience of vaccination costs were tracked since May 2021.

Vaccine claims are subject to longer time lags than usual. Some vaccination sites were not submitting claims through the usual claims channels. Up to March 2022, about 154,000 beneficiaries were confirmed to have been vaccinated, of which 127,200 beneficiaries were confirmed to be fully vaccinated.

Based on the EVDS data, the Scheme's actuaries expected that 68,000 additional beneficiaries have been vaccinated.

As at December 2021, the Scheme incurred R81,819,524 in respect of vaccination costs.

## Projecting COVID-19 experience in 2022

In estimating the impact of COVID-19 in 2022, the Scheme's actuaries considered the below factors:

- New sources of uncertainty continue to emerge. It was expected that by the 2022 financial year-end, most beneficiaries who qualify for COVID-19 would be vaccinated. Uptake of the vaccines has been relatively high on the Scheme, particularly amongst older and chronic beneficiaries.

- Vaccination rates remained relatively low among younger beneficiaries between the ages of 18 and 30, although there are signs of acceleration over the periods of December 2021 to March 2022.
- Suggestions indicate that the Janssen vaccine is most effective as a two dose vaccine (instead of one) and the Pfizer vaccine is more effective as a three dose vaccine (instead of two).
- The need for additional vaccine doses together with the slower than expected vaccine uptake may compromise the effectiveness of the vaccination rollout to the beneficiaries and the overall effectiveness of vaccines in slowing down infections and decreasing disease severity at a Scheme level."

The Competition Commission entered into an agreement to reduce COVID-19 testing costs with the largest pathology labs in the country. It is expected that the Competition Commission deal should contribute to significantly lower costs per test for the Scheme.

In the context of the uncertainty outlined above, experience scenarios were studied by the Scheme's actuaries to determine possible COVID-19 testing claims, claims for out-of-hospital treatment and management of positive cases, claims for COVID-19 admissions and COVID-19 vaccination claims.

The table below summarises the estimated cost of the vaccine for the Scheme in the 2022 financial year-end:

	Beneficiaries	Cost per beneficiary	Total cost
		R	R
Unvaccinated adults - getting vaccinated for the first time	163,000	779	95,171,624
Janssen booster adults (vaccinated in 2021)	20,500	411	6,311,438
Pfizer booster adults (vaccinated in 2021)	37,000	435	12,078,188
<b>Total</b>	<b>220,500</b>	<b>515</b>	<b>113,561,250</b>

For a prudent projection of vaccination claims, the actuaries assumed that 75% of qualifying unvaccinated individuals over the age of 18 will be vaccinated in the 2022 financial year-end and that 75% of individuals over the age of 50, that were vaccinated in 2021, will receive their booster shot in 2022.

Projected COVID-19 claims in respect of the 2022 financial year-end are as follows:

	Low scenario	Middle scenario	High scenario
	R	R	R
Vaccine	113,561,250	113,561,250	113,561,250
Testing	112,200,000	112,200,000	112,200,000
Out of hospital treatment of positive cases	52,231,000	52,231,000	52,231,000
Cost of admissions	304,950,000	835,720,000	1,308,530,000
<b>Total</b>	<b>582,942,250</b>	<b>1,113,712,250</b>	<b>1,586,522,250</b>

In the scenarios presented above, only hospital admission costs are varied in the three scenarios. Since March 2020, the Scheme's actuaries have found that there is low uncertainty arising from out of hospital treatment costs. The primary COVID-19 risk faced by the Scheme is the cost of hospital admissions. In the past four COVID-19 waves experienced, admission costs per admission recorded in each wave have been significantly different.

In the first COVID-19 wave, admission costs per COVID-19 admission recorded were R112,500. In the second wave, the average cost per COVID-19 admission was R118,500. In the third wave, the average cost per COVID-19 admission was R129,000. In the fourth wave of COVID-19, the average cost per admission dropped to R51,500. The variance in admission costs per COVID-19 wave has been driven by the evolution in COVID-19 variants driving cases in each wave. Due to the uncertainty in future evolution of COVID-19 variants,

admission costs have been shown in three scenarios. The first scenario allows for a relatively mild variant driving likely fifth and sixth waves of COVID-19 in the 2022 financial year-end. The middle scenario allows for more severe infections in the 2022 financial year-end. The high scenario allows for infection severity consistent with the third wave experience, which was the most severe wave compared to all four waves recorded thus far.

### Scheme budget

As the lockdown restrictions were eased in the 2021 financial year-end, there have been surges in the number of COVID-19 cases, leading to high claims for COVID-19 treatment. Each wave of COVID-19 has been accompanied by Government restrictions on movement and the suspension of elective and non-urgent healthcare services by providers. Savings from lower non COVID-19 utilisation have generally been higher than COVID-19 direct claims which is evident in the Scheme’s year to date December 2021 financial results outlined below. The actuaries assumed that the claims experience in 2022 will largely revert to long-term trends, with direct COVID-19 claims offsetting any lockdown savings. Appropriate stress testing and scenario testing was performed on the 2022 budget to ensure that it remained robust in the face of COVID-19 uncertainty.

	2021 Actual	2021 Budget	Actual vs. Budget
	R'000	R'000	%
Net healthcare surplus/(deficit)	737,136	(718,547)	203%
Net investment results	555,144	211,796	162%
<b>Total comprehensive income/(loss) for the year</b>	<b>1,292,280</b>	<b>(506,751)</b>	<b>355%</b>

## EVENTS AFTER THE REPORTING DATE

Material events have occurred subsequent to the financial year-end that required disclosure in but no adjustment to the Annual Financial Statements for the year ended 31 December 2021.

The employer (SAPS) refunded POLMED R566.8 million to cover COVID-19 expenses incurred by the Scheme from March 2020 to Feb 2021 in respect of serving members.



# TRUSTEE HONORARIA AND CONSIDERATIONS

## BOARD OF TRUSTEES MEETINGS

### Attendance at Trustee and Sub-Committee meetings

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 Committee Meetings		BTEC Committee Meetings		AGM Committee Meetings		Other Adhoc Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
BP Temba	7	7	-	-	-	-	5	5	-	-	-	-	13	13	1	1	-	-
NP Cupido	12	12	-	-	-	-	4	3	1	1	-	-	-	-	-	-	-	-
KL Moeng	15	15	-	-	-	-	-	-	4	4	-	-	-	-	-	-	-	-
PA Mabotja	15	15	-	-	-	-	-	-	-	-	3	3	7	7	4	4	-	-
BSJ Muller	15	15	-	-	-	-	1	1	3	3	-	-	7	7	-	-	-	-
SJ Nelson	15	14	-	-	-	-	-	-	4	4	-	-	13	13	-	-	1	1
TNL Ngwenya	15	15	-	-	6	6	7	7	-	-	-	-	13	12	5	5	9	9
ST Nkosi	15	14	-	-	-	-	-	-	-	-	4	4	7	5	-	-	-	-
RD Orsmond	12	12	-	-	-	-	-	-	-	-	4	3	-	-	-	-	-	-
MV Phiyega	15	13	-	-	6	6	-	-	-	-	1	1	19	19	-	-	2	2
HK Senthumule	15	14	4	3	-	-	7	6	-	-	-	-	13	12	-	-	-	-
FN Vuma	15	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11	11
RP Ntsime	15	15	-	-	6	6	-	-	4	4	-	-	19	17	4	4	2	2
Z Skade	15	14	3	2	-	-	-	-	-	-	3	3	7	7	-	-	-	-
ED Groenewald	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	-
SJ Kwena	8	7	-	-	-	-	2	2	-	-	-	-	-	-	3	3	-	-
AJ Gerber	5	5	-	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-
MV Kwetepane	5	5	-	-	-	-	2	2	-	-	-	-	-	-	-	-	-	-

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

Members	Audit and Risk Committee Meetings	
	A	B
Z Samsam	4	4
T Mtongana-Zote	4	4
N Tshombe	4	4

The schedule below sets out the attendance by the Independent Annual General Meeting Committee members at Committee meetings.

Members	Annual General Meeting Committee Meetings	
	A	B
IN Molefe	7	7
ML Letebele	7	7
V Simelane	7	6
BJ Ximba	7	7

A - total possible number of meetings that could have been attended  
 B - actual number of meetings attended



## TRUSTEES' HONORARIA AND CONSIDERATIONS

### 2021

	Fees for meeting attendance	Training and conference	Travel and lodging	Data costs	Total
	R	R	R	R	R
NP Cupido	263 624	12 123	54 610	2 131	332 488
AJ Gerber	68 806	2 400	10 913	1 755	83 874
ED Groenewald	11 363	-	-	149	11 512
SJ Kwena	194 800	10 912	4 956	2 053	212 721
MV Kwetepane	92 530	2 400	31 920	1 755	128 605
PA Mabotja	413 470	15 144	86 927	3 096	518 637
KL Moeng	321 067	14 523	98 181	3 096	436 867
BSJ Muller	378 881	12 123	37 873	3 170	432 047
SJ Nelson	496 183	12 123	12 245	3 200	523 751
TNL Ngwenya	793 394	18 294	149 799	3 096	964 583
ST Nkosi	341 220	12 744	3 613	3 096	360 673
RP Ntsime	647 789	12 744	31 612	3 096	695 241
RD Orsmond	260 784	12 123	128 355	1 341	402 603
MV Phiyega	604 623	12 744	11 123	3 816	632 306
HK Senthumule	470 518	12 123	7 634	4 206	494 481
Z Skade	383 427	12 744	89 704	3 567	489 442
BP Temba	354 527	1 212	7 815	1 341	364 895
FN Vuma	554 971	11 412	4 612	3 595	574 590
<b>Total</b>	<b>6 651 977</b>	<b>187 888</b>	<b>771 892</b>	<b>47 559</b>	<b>7 659 316</b>

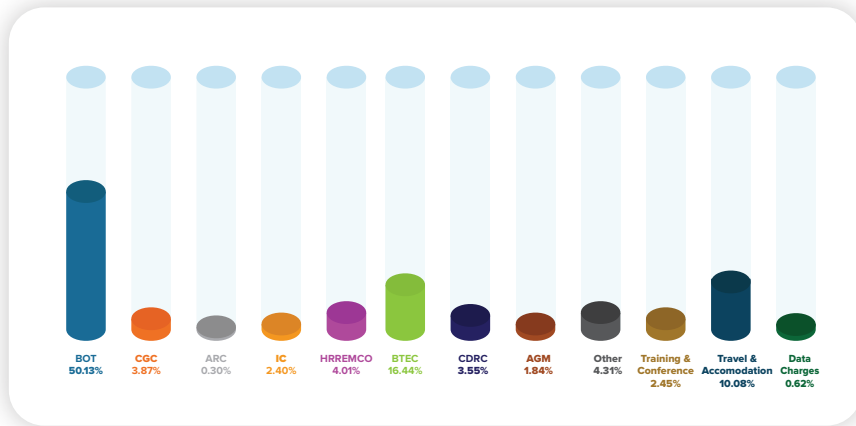
### 2020

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
<b>Total</b>	<b>6,067,600</b>	<b>108,610</b>	<b>368,594</b>	<b>31,923</b>	<b>6,576,727</b>

# Trustee honoraria and considerations Policy guidelines

Members of the Board shall 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.

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.



## Trustee honoraria and considerations

Other - refers to additional meetings that the Trustees and the Chairperson have attended.

BTEC costs relate to the evaluation of the Administration, Managed care and Optical benefit tenders. 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.





# 2022/3 PROPOSED FEES

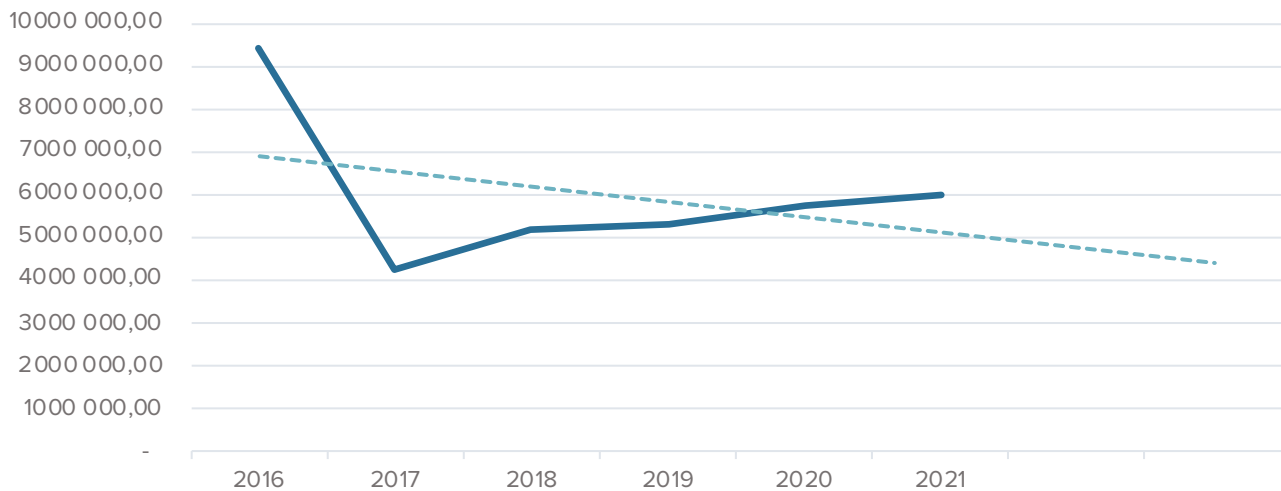
	2023	2022	2021	2020	2019	2018
	R	R	R	R	R	R
<b>BOARD OF TRUSTEES MEETING</b>						
CHAIRPERSON	25 125	23 725	22 726	22 000	22 000	22 000
TRUSTEE	20 100	18 980	18 181	17 600	17 600	17 600
<b>SUB-COMMITTEE MEETING</b>						
CHAIRPERSON	15 703	14 828	14 204	13 750	13 750	13 750
TRUSTEE	12 562	11 862	11 363	11 000	11 000	11 000
<b>INCREASE BASE</b>	<b>CPI 5,9%</b>					

The proposed Trustee fees structure and movement on prior years will be based on the latest published CPI of 5.9% as at the end May 2022.

## PRINCIPAL OFFICER’S CONSIDERATION

For the year under review, the Principal Officer’s consideration amounted to R6,105,547. Considerations include short term employee benefits, post-employment pension and medical benefits, performance bonus, termination benefits and office expenses.

### PRINCIPAL OFFICER FEES



# NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT, No. 131 OF 1998, AS AMENDED

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

## Contravention of Section 26(7):

Nature and cause of the non-compliance	Corrective course of action
<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 Services, and continuation members. Continuation members' contributions are collected via debit orders and cash payments.</p> <p>The employer, South African Police Services, paid all contributions within the stipulated time frame 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

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 3 days.

## 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 2021, the Scheme had indirect holdings in the following entities:</p> <table border="0" data-bbox="95 1220 778 1288"> <tr> <td><b>Discovery Ltd</b></td> <td><b>• R 15,869,583</b></td> </tr> <tr> <td><b>Momentum Metropolitan Holdings Ltd</b></td> <td><b>- R 29,854,713</b></td> </tr> </table>	<b>Discovery Ltd</b>	<b>• R 15,869,583</b>	<b>Momentum Metropolitan Holdings Ltd</b>	<b>- R 29,854,713</b>	<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 3 years, effective 01 December 2019 until 30 November 2022.</p> <p><b>The exemption is granted subject to the following conditions:</b></p> <ul style="list-style-type: none"> <li>○ the Scheme continues to take steps to avoid conflicts of interest;</li> <li>○ 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;</li> <li>○ 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.</li> </ul>
<b>Discovery Ltd</b>	<b>• R 15,869,583</b>				
<b>Momentum Metropolitan Holdings Ltd</b>	<b>- R 29,854,713</b>				

### Possible impact of the non-compliance

As a result of the Scheme receiving an exemption from Section 35(8)(a) and (c) of the Act, the Scheme believes that there is no non-compliance.

## Non-compliance with Regulations 15A and 15F:

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 1 January 2004, such capitation arrangements can only be concluded with an accredited managed health care organisation.</p> <p>The Scheme has a capitation agreement with PPN. PPN is not an accredited managed care organisation.</p>	<p>PPN has submitted an application to be accredited by the CMS. The Scheme is awaiting the outcome.</p> <p>It should be noted that effective 01 January 2022, the PPN agreement is a fee for service and no longer a capitation agreement.</p>

### Possible impact of the non-compliance

Financial loss to the Scheme.

## Contravention of Section 59(2):

### Nature and cause of the non-compliance

In terms of Section 59(2) of the Medical Schemes Act of 1998, as amended, a Scheme shall settle all claims due within thirty (30) days of receipt.

As part of the claims processing function a claim may be placed in POI (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..

### Corrective course of action

The Administrator has implemented eligibility and validation rules to verify all claims before payment is made to members or providers. Section 59(2) rules that a Scheme shall settle all claims due within thirty (30) days of receipt, where the claims are both valid and complete.

### Possible impact of the non-compliance

Valid claims could be rejected or amounts due on valid claims could be short-paid or could be paid beyond the prescribed 30-day period.

## Contravention of Section 33(2):

### Nature and cause of the non-compliance

In terms of Section 33 of the Medical Schemes Act of 1998, as amended, the Registrar shall not approve any benefit option under this section unless the Council for Medical Schemes is satisfied that such benefit option -

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

The Aquarium plan reported a net healthcare deficit of R109,316,422 . The Aquarium plan at the end of the year including other income and other expenditure and other comprehensive income realised a comprehensive income of R57,798,214.

### Corrective course of action

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.

Benefit amendments have been approved by the Trustees and will be implemented in 2022 in order to ensure that the Aquarium plan is self-sustaining with a claims ratio lower than 100%. Due to the impact that COVID-19 had on elective procedures and doctor visits, a reduction in claims have been experienced during Quarter 4 of 2021 in both options..

### Possible impact of the non-compliance

In terms of Section 33(4), the Registrar may withdraw the approval of such benefit options, which in the Registrar's opinion are or may not be financially sound. The Scheme may also be required to change its contribution rates accordingly with effect from a date determined by the Registrar.

## Non-compliance with Scheme Rule 8.5.1.5

### Nature and cause of the non-compliance

In terms of rule 8.5.1.5 of the Scheme rules, waiting periods are applicable when principal members join the Scheme after 30 days have elapsed between being enrolled by the Employer (SAPS) and them registering with the Scheme.

Trainees (constables) were enlisted on 1 December 2020 in the Introductory Police Development Learning Programme, which commenced on 11 April 2021 at SAPS Basic Police Development (BPD) Academies. Trainees initially voluntarily opted not to join, however due to increased clinical risk associated with COVID 19 pandemic, the trainees after the 30 days lapsed, expressed interest to join the Scheme. The Scheme received a request from SAPS on 11 May 2021 to waive the waiting period for the trainees attending the programme.

In order to accommodate SAPS as well as the trainees' healthcare needs, the Scheme agreed to waive the waiting period for the trainees.

### Corrective course of action

An exception was made by the Scheme to waive the waiting periods given the extraordinary circumstances and risks associated with the pandemic, and due to the strain and exposure the COVID 19 pandemic brought to essential workers like SAPS members.

To ensure financial prudence and that the trainees' claims risk was managed, the Scheme requested that the trainees' contributions be backdated to 1 December 2020. An agreement was concluded with the Employer to collect the contribution debt due to the Scheme through payroll (PERSAL). The contribution debt is being collected monthly and the balance in December 2020 was R1,445,244 and reduced to R256,257 at year-end. Subsequent to year-end the debt reduced further to R132,362 as at 31 March 2022.

A contribution debt was created against each of the trainees and the debt was collected according to the provision of the Debt Management Policy of the Scheme.

### Possible impact of the non-compliance

Financial loss to the Scheme as members may continue enjoying claim benefits without settlement of their contributions.

# INDEPENDENT AUDITOR'S REPORT

To the Members of South African Police Service Medical Scheme ("POLMED")

## Report on the financial statements

### Opinion

We have audited the financial statements of South African Police Service Medical Scheme (the Scheme), set out on pages 28 to 76, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in members' funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are

further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

### Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Outstanding claims provision</b></p> <p>The outstanding claims provision of R425,359,454 at year-end as described in Note 8 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end.</p> <p>The outstanding claims provision is calculated by the Scheme's actuaries which is reviewed by management and the Audit and Risk Committee and recommended to the Board of Trustees for approval.</p> <p>The Scheme's actuaries use an actuarial model, based on the Scheme's actual claim development patterns throughout the year, to project the year-end provision. This model applies the Bornhuetter-Ferguson model.</p> <p>The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision.</p> <p>We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern could cause a material change to the amount of the provision.</p>	<p>We obtained an understanding from the Scheme's actuaries and administrator regarding the process followed in calculating the outstanding claims provision, which included the design and implementation of controls within the process. The actuarial method applied by the Scheme is one that is generally applied within the medical scheme industry.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December 2021. The actual claims data reflects the most recent claims patterns, including the impact of COVID-19, and is taken into account in calculating the outstanding claims provision.</p> <p>We assessed the completeness of the claims data on the member administration system by understanding management's controls and selecting claim transactions from the claim source and agreeing these to the member administration system. No material inconsistencies were noted.</p> <p>We substantively tested a sample of claims received by the Scheme in the 2021 financial year, selected from the member administration system, and confirmed the accuracy of the service and process dates and the validity of the claim against the relevant Scheme rules. No material inconsistencies were noted.</p> <p>We assessed the completeness of the claims data in the Scheme's actuarial model by understanding management's controls and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. No material inconsistencies were noted.</p> <p>To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year provision. We noted no matters for further consideration with respect to the estimation process.</p> <p>Our internal actuarial experts independently calculated the Scheme's outstanding claims provision, taking into account the claims data tested above. We compared our results with that of the Scheme and found the amounts to be within a reasonable range.</p>

## Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled "South African Police Service Medical Scheme (POLMED) Annual Financial Statements for the year ended 31 December 2021". The other information does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

### Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of the South African Police Service Medical Scheme for 6 years.

The engagement partner, Clinton Mitchelson, has been responsible for the South African Police Service Medical Scheme's audit for 6 years.

*PricewaterhouseCoopers Inc.*

### PricewaterhouseCoopers Inc.

**Director:** Clinton Mitchelson  
Registered Auditor  
Johannesburg, South Africa  
28 April 2022

# STATEMENT OF FINANCIAL POSITION

	2021	2020
	R	R
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>4 747 189 532</b>	<b>4 111 400 260</b>
Property and equipment	39 523 092	42 026 341
Investments		
Financial assets at fair value through profit or loss	1 559 652 730	1 140 603 714
Financial assets at fair value through other comprehensive income ("OCI")	3 148 013 710	2 928 770 205
<b>Current assets</b>	<b>2 445 764 427</b>	<b>1 936 130 419</b>
Investments		
Financial assets at fair value through profit or loss	596 486 372	510 581 280
Financial assets at fair value through other comprehensive income ("OCI")	1 291 885 250	828 895 702
Insurance and other receivables	214 141 331	105 289 578
Cash and cash equivalents	343 251 474	491 363 859
<b>Total assets</b>	<b>7 192 953 959</b>	<b>6 047 530 679</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Members' funds</b>	<b>6 461 717 937</b>	<b>5 169 437 193</b>
Accumulated funds	6 482 737 154	5 107 604 684
Investments at fair value through other comprehensive income reserve	(21 019 217)	61 832 509
<b>Current liabilities</b>	<b>731 236 022</b>	<b>878 093 486</b>
Outstanding claims provision	425 359 454	557 973 550
Insurance and other payables	303 285 874	317 697 204
Employee benefits obligations	2 590 694	2 422 732
<b>Total funds and liabilities</b>	<b>7 192 953 959</b>	<b>6 047 530 679</b>

# STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
	R	R
<b>Risk contribution income</b>	<b>11 661 372 074</b>	<b>10 803 037 435</b>
<b>Relevant healthcare expenditure</b>	<b>(10 488 031 416)</b>	<b>(9 780 124 610)</b>
Net claims incurred	(10 291 418 535)	(9 554 986 242)
Risk claims incurred	(10 354 173 492)	(9 618 416 766)
Third party claims recoveries	62 754 957	63 430 524
Net expense on risk transfer arrangements	(33 392 357)	(68 741 872)
Risk transfer arrangement premiums paid	(945 523 753)	(958 559 642)
Recoveries from risk transfer arrangements	843 882 546	860 064 893
Profit share on risk transfer arrangements	68 248 850	29 752 877
Accredited managed healthcare services (no risk transfer)	(163 220 524)	(156 396 496)
<b>Gross healthcare result</b>	<b>1 173 340 658</b>	<b>1 022 912 825</b>
Administration expenditure: benefit management services	(44 373 992)	(47 020 457)
Administration fees and other operative expenses	(389 041 176)	(372 570 483)
Net impairment losses on insurance and other receivables	(2 788 539)	(1 788 828)
<b>Net healthcare result</b>	<b>737 136 951</b>	<b>601 533 057</b>
<b>Other income</b>	<b>659 259 878</b>	<b>490 526 575</b>
Investment income	393 512 409	353 399 358
Other realised and unrealised gains and losses	150 828 000	(11 499 931)
Sundry income	114 919 469	148 627 148
<b>Other expenditure</b>	<b>(21 264 359)</b>	<b>(22 477 401)</b>
Asset management fees	(23 597 977)	(18 256 514)
Net impairment changes on investments	2 333 618	(4 220 887)
<b>Net income for the year</b>	<b>1 375 132 470</b>	<b>1 069 582 231</b>
<b>Other comprehensive income</b>	<b>(82 851 726)</b>	<b>50 026 070</b>
Debt instruments at fair value through OCI – change in fair value	(121 673 984)	55 867 554
Debt instruments at fair value through OCI – reclassified to profit or loss	38 822 258	(5 841 484)
<b>Total comprehensive income for the year</b>	<b>1 292 280 744</b>	<b>1 119 608 301</b>

# STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

	Accumulated funds	Investments at fair value through other comprehensive income reserve	Total members' funds
	R	R	R
<b>Balance as at 1 January 2020</b>	4 038 022 453	11 806 439	4 049 828 892
<b>Total Comprehensive income</b>	<b>1 069 582 231</b>	<b>50 026 070</b>	<b>1,119,608,301</b>
Net income for the year	1 069 582 231	-	1 069 582 231
Realised losses on disposal of investments held through fair value through other comprehensive income	-	(5 841 484)	(5 841 484)
Unrealised gains on revaluation of investments held through fair value through other comprehensive income	-	55 867 554	55 867 554
<b>Balance as at 31 December 2020</b>	<b>5 107 604 684</b>	<b>61 832 509</b>	<b>5 169 437 193</b>
<b>Total Comprehensive income</b>	<b>1 375 132 470</b>	<b>(82 851 726)</b>	<b>1 292 280 744</b>
Net income for the year	1 375 132 470	-	1 375 132 470
Realised gains on disposal of investments held through fair value through other comprehensive income	-	38 822 258	38 822 258
Unrealised losses on revaluation of investments held through fair value through other comprehensive income	-	(121 673 984)	(121 673 984)
<b>Balance as at 31 December 2021</b>	<b>6 482 737 154</b>	<b>(21 019 217)</b>	<b>6 461 717 937</b>



# TOPFAQ'S



## WHAT DOCUMENTS ARE REQUIRED TO ADD MY DEPENDANT?

- Application form to add Dependants
- Copy of ID
- Copy of marriage certificate if applicable
- Copy/ies of birth certificates
- Membership certificate from previous medical aid if applicable
- POLMED affidavit A, B, C or D if applicable.



## HOW LONG WOULD I HAVE WAIT BEFORE MY DEPENDANT IS ADDED AFTER SUBMITTING THE DOCUMENTS?

3 working days



## WILL THERE BE WAITING PERIODS IMPOSED ON MY DEPENDANT(S) AFTER ADDING THEM?

Yes, waiting periods will be applied where applicable



## WHY IS MY MEMBERSHIP SUSPENDED?

Due to outstanding contributions or member claims debt



## I'VE MADE PAYMENT, WOULD YOU BE ABLE TO LIFT THE SUSPENSION?

Suspension is lifted immediately after payment has been received and allocated to the member.



## HOW MUCH AM I SUPPOSED TO PAY ON A MONTHLY BASIS?

The full monthly contributions. Short payments may lead to suspension of benefits.



## HAS MY SUSPENSION BEEN LIFTED? IS MY MEMBERSHIP ACTIVE?

An SMS is send to confirming that the suspension has been lifted and that membership is active.



## HAVE YOU RECEIVED A CLAIM FROM XXXXX AND HAS THE CLAIM BEEN PAID AND DATE OF PAYMENT?

No we did not receive the claim –Please forward to: POLMEDcurrentclaims@medscheme.co.za If it is a valid claim, the claim will be paid at POLMED rates. If Dr xxxxx is on our network, we will pay an increased rate. The claim will be paid within 30 days of receipt.



## PLEASE SEND ME A LIST OF THE GP NETWORK.

You can access a list of network GP's close to you on the web site by using the provider locator tool on [www.POLMED.co.za](http://www.POLMED.co.za) You just need to insert your address and select your plan. A list of all the GP 's with network indicators can be exported from the website



## I WOULD LIKE TO UPDATE MY CONTACT DETAILS, CELL NUMBER/EMAIL ADDRESS/ ADDRESS

Kindly contact the contact center On 0860 765 633 for updating your personal details



## PLEASE ASSIST ME IN OBTAINING MY ELECTRONIC CARD. HOW DO I GO ABOUT GETTING MY E-CARD ON WHATSAPP?

You need to save the WhatsApp chat number 060 070 2547 on your contacts and follow the instructions



## PLEASE SEND ME MY PREVIOUS YEAR(S) TAX CERTIFICATE.

Tax certificate can be downloaded from the website, WhatsApp chat or member calling the contact center.



## WHAT BENEFITS DO I HAVE FOR A MAMMOGRAM? WHAT DO MY PREVENTATIVE CARE/ALLIED HEALTH BENEFITS ENTAIL OF?

- Mammogram will pay from Preventative benefit for women aged 40-69 years, every 2 years
- If needed outside the guidelines, a motivation letter need to be send to POLMEDspecialcases@POLMED.co.za. The mammogram will be paid from Basic Radiology if approved.
- The Preventative benefit allows for risk assessment tests to ensure the early detection of conditions that may be completely cured or successfully managed if treated early. All services as per specified benefit to be covered from the in-hospital benefits and will not deplete your out-of-hospital benefits. A full list of all the tests allowed under this benefits is available on p22 -23 of the benefit guide.
- Allied health services and alternative healthcare providers Biokineticists, chiropractors, chiropodists, dieticians, homeopaths, naturopaths, orthoptists, osteopaths, podiatrists, reflexologists, therapeutic massage therapists Benefits will be paid for clinically appropriate services.
- This benefit is ONLY available for Marine members.



## YOUR SMOKE-FREE JOURNEY STARTS HERE!

The **GoSmokeFree** service is a fully supported, pharmacy-led stop smoking programme with 6 once a week, one-on-one sessions with a trained **GoSmokeFree** advisor.

The programme begins with a pre-quit assessment where a smoker's readiness and ability to stop smoking is determined and an individual plan is developed.

The follow-up sessions are designed to provide support and guidance along the **GoSmokeFree** journey to triple your chance of success.

Stopping smoking is the single most important thing you can do for your health.

### Start the journey today...

Book a pre-quit assessment with our **GoSmokeFree** advisor and begin to feel the benefits immediately.

Visit our website at [www.GoSmokeFree.co.za](http://www.GoSmokeFree.co.za) for more information.



## WEIGHT MANAGEMENT PROGRAMME

### POLMED Weight Management Programme January 2022

This has led POLMED to introduce the Weight Management Programme from 1 January 2022 – a programme specifically designed for qualifying POLMED members with a high BMI and waist circumference.

Under this programme, members will participate in a 12-week, biokineticist-led intervention plan that will give them access to a dietician and behavioural psychologist with the goal to lose the excess weight and lead healthier lives. Once the programme is completed, ongoing advice and monitoring will also be made available to the member.

### Who qualifies for the programme?

POLMED members within the following parameters will be eligible for the programme:

- BMI ≥ 30 kg/m<sup>2</sup>, or
- Men with a waist circumference ≥ 102 cm, or
- Women with a waist circumference ≥ 88 cm, or
- Other cases identified by a General Practitioner or BASA biokineticist supported by a motivation e.g. member with a BMI between 25.0 kg/m<sup>2</sup> and 29.9 kg/m<sup>2</sup> with diabetes and comorbidities.

### How it works

The weight management programme runs over 12 weeks (three months) and entails:

- 🔍 Once a member or beneficiary has been identified as suitable for the weight management intervention, their GP is notified electronically that their patient has been enrolled on the weight management programme;
- 👤 Management by a BASA biokineticist which includes:
  - Three (3) one-on-one consultations with the biokineticist;
  - Referral to a dietician and/or psychologist for one consultation if necessary; and
  - The biokineticist submits electronic reports to the member's GP and POLMED after each interaction.
- 📱 Self-monitoring; and
- 📞 At the end of the programme, POLMED will contact the member to get feedback and conduct a discussion on health outcomes.

Furthermore, the member will be advised about ongoing assistance available to ensure sustained weight management.



Contact Centre: 0860 765 633



@PolmedZA



@Polmed ZA



# TESTIMONIALS

“

Good day.

I do not have any complaints and feel POLMED is the best medical aid available. I also want to say thank you for the Vit-Co Max that my daughter and me received from POLMED.

Thank you and keep up the excellent service.

**- Regards, Lorette Mostert**

”

“

Dear POLMED

Thank you for this opportunity and an excellent service.

Thanking you in advance.

**- Regards, Col. Frederick J Schutte**

”

“

Thanks for such support.

**- Regards, Thamsanqa Dlamini**

”



**POLMED CLIENT SERVICE CALL CENTRE**

0860 765 633 OR 0860 POLMED  
[WWW.POLMED.CO.ZA](http://WWW.POLMED.CO.ZA)

