

BANKMED

AGM

2022

**NOTICE OF THE
ANNUAL GENERAL
MEETING TO BE HELD
ON 23 JUNE 2022**

*Includes the 2021 Summarised
Financial Statements*



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 108th Annual General Meeting of Bankmed will be held Virtually on Thursday, 23 June 2022.

Agenda

1. To read the notice convening the meeting
2. To approve the minutes of the 107th Virtual Annual General Meeting held on Thursday 24 June 2021
3. Feedback on matters arising and general update
4. To receive and adopt the audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2021
5. To note the Bankmed Trustee Fee Policy, and approve the proposed Trustee Fee increase for 2022/2023
6. To appoint the auditors for the ensuing year
7. To transact any other business of which notice was given by 30 April 2022
8. Announcement of the newly elected members of the Board of Trustees
9. Closure

By order of the Board



.....
J CRESSWELL

Chairman



MINUTES OF THE 107TH ANNUAL GENERAL MEETING OF BANKMED

Date and time: Thursday, 24 June 2021 at 16h00

Venue: Virtual Meeting held via MS Teams

Attendees:

Bankmed Board of Trustees present:	Mr EA Schaffrath	Chairman
	Mr D Armstrong	Vice Chairman
	Mr R Gush	
	Dr L Rametsi	
	Mr J Cresswell	
	Mr J Henning	
	Ms G Noemdoe	
	Mr D Bolt	
	Ms D Mantle	
	Mr N Naidoo	
Independent Chairperson of the Bankmed Audit Committee:	Ms F Petersen-Cook	
Officials in Attendance:	Mr T Mosomothane	Principal Officer
	Dr N Naidoo	Clinical and Operations Executive
	Mr N Coghlan	Finance and Risk Executive
	Ms M Bam	Senior Manager: Client Management
	Ms L Diba	Senior Manager: Client Management
	Ms N Schubach	Senior Manager: Communications
Bankmed Members:	70 Principal Members	
Observers:	19 Non-voting attendees	
Apologies:	Bankmed Board of Trustees:	Mr G de Lange Mr D Mkhonza



ITEMS MINUTED

1 OPENING, WELCOME AND ATTENDANCE	ACTION
<p>The Chairman, Mr Alex Schaffrath, welcomed all present to the 107th Annual General Meeting ('AGM') of Bankmed.</p> <p>It was noted that Bankmed would be assisted by the Scheme's Independent Electoral Body, namely BDO Advisory Services (Pty) Ltd ('BDO'), during the proceedings.</p> <p>In terms of Rule 28.4 of the Bankmed Scheme Rules, 30 members must be present at the AGM for the meeting to be deemed quorate. The Chairman confirmed that there were more than 30 Principal members present at 16:00, constituting a quorum.</p> <p>The Chairman informed attendees that claims or benefit queries would not be attended to at the meeting. Client Relationship Managers from Discovery Health would typically be available for member queries, however, due to the AGM being held virtually, this was not possible. Members were requested to contact the Bankmed call centre at 0800 BANKMED (0800 226 5633) or email enquiries@bankmed.co.za.</p> <p>The Chairman informed attendees of the Virtual AGM ('VAGM') House Rules:</p> <ul style="list-style-type: none">• Attendees would not be allowed to speak during the live event;• Attendees must submit any questions via the Q&A function. BDO would first moderate all submissions before being published to the live event; questions raised, to the extent that they relate to the specific agenda items for the AGM, would be addressed at the AGM. All other general or personal queries that do not relate to the particular AGM agenda items would be responded to in writing. Scheme Management would respond to questions and publish feedback on the Bankmed website within seven (7) days of the AGM.• Attendees are to include their full name as per their registered details. Anonymous questions, comments or submissions would be disregarded and not be published on the live event;• Voting attendees can vote on proposals through the VAGM portal. Attendees must toggle back to the VAGM portal tab and access their voting options in the menu. Once a member has submitted a vote, the member could not amend his/her vote or vote again. <p>The Chairman informed attendees that voting for the three proposals had opened at 14:30 on 24 June 2021. He confirmed that members would be requested to cast their vote regarding the respective proposals. The unaudited voting results would be presented to all attendees closer to the end of the meeting. The Chairman recommended that members cast their vote after all agenda items had been discussed.</p> <p>The Chairman confirmed that voting for the Board of Trustees ('BOT') was carried out before the AGM, and the results would be announced by BDO later in the afternoon.</p>	
2 TO READ THE NOTICE CONVENING THE MEETING	ACTION
<p>The Chairman confirmed the following in respect of the notice convening the meeting:</p> <p>Rule 28.2.1 of the Registered Rules of Bankmed states that the notice convening the AGM shall be sent to members at least 14 days before the day of the meeting.</p> <p>The Chairman confirmed that Bankmed had distributed the Notice convening the AGM on 8 June 2021. Members with an email address were issued the Notice on 8 June 2021, while Bankmed sent members without an email address an SMS with a link to the website and Notice on 8 June 2021. Postal communication was submitted to members without an email address or cellphone number on 9 June 2021. The official AGM documentation was made available on the Bankmed website.</p>	
3 MINUTES OF THE 106TH AGM HELD ON THURSDAY, 1 OCTOBER 2020	ACTION
<p>The draft minutes of the 106th AGM held on Thursday, 1 October 2020, were included in the booklet (as well as made available to members online) for review and approval and were taken as read. The minutes were approved to be signed by the Chairman as a true reflection of proceedings, as proposed by Mr Steve Ward and seconded by Mr Pieter Nel.</p>	



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

4.1. Matters Arising

The Principal Officer confirmed the following matters arising from the prior year’s minutes were attended to:

01	The Audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2019 were, therefore, approved/ adopted. This was subject to the audit and confirmation of the voting results, by BDO	Completed.	✓
02	It was therefore resolved that the trustee fees would remain unchanged for 2020/2021 cycle. This was subject to the audit and confirmation of the voting results, by BDO to the Scheme	Completed.	✓
03	PwC was therefore re-appointed as the auditor for Bankmed for the 2020 financial year. This was subject to audit and confirmation of the voting results, by BDO to the Scheme	Completed.	✓
04	Questions and comments submitted via the chat platform to be responded to comprehensively and in writing within 7 to 14 days of the AGM	Completed.	✓

- The Principal Officer referred to item four of the matters arising schedule above, and advised that Scheme Management would publish the 2021 AGM feedback on the Bankmed website within seven (7) to fourteen (14) days of the AGM.

4.2. Industry Matters

General Update

The Principal Officer highlighted that Bankmed’s foundation was the partnership with leading financial institutions and their employees. He expressed the Scheme’s appreciation for engaged members who provided robust feedback and input, and the leadership from trustees that come from institutions that are pillars of the South African economy.

The Principal Officer expressed Bankmed’s full appreciation of governance expectations from the Scheme’s stakeholders, which includes the Regulator, the Council for Medical Schemes (‘CMS’). As far as governance is concerned, the Principal Officer confirmed that the tone is set by the BOT at the top, and this is an attribute of a very progressive organisation that pays attention to governance requirements.

The Principal Officer confirmed that Bankmed was sustainable and amongst the leading medical schemes in the country. He also advised, however, that Bankmed was not immune to cost drivers and other factors that require the Scheme to find the right balance across several considerations.

He further informed the meeting that Bankmed continued to stay close to industry developments. Bankmed remained an active member of the Health Funders Association (‘HFA’). This industry association allows Bankmed to proactively participate in industry deliberations, to influence how the healthcare landscape may evolve.

Bankmed is committed to its members, pays particular attention to their views and experiences, and takes the Scheme’s accountability to members very seriously. Evidence in this regard, he suggested, is shown through responses to issues raised by members, with specific reference to the AGM frequently asked questions (‘FAQs’) communication that sought to address all queries that have been submitted.

Bankmed’s Response to COVID-19

The Principal Officer confirmed that COVID-19 remained the most topical industry challenge, and that Bankmed had been diligent in its response to the pandemic, and saw the Scheme’s response as part of demonstrating value to its members. He informed the meeting that details relating to Bankmed’s response to the pandemic were available on the Scheme’s website. The benefits implemented in response to the pandemic were highlighted as follows:

- COVID-19 tests are paid from Insured Benefits, regardless of the outcome of the result, provided that the test was considered necessary and in line with the National Institute for Communicable Diseases' protocols. Bankmed took the lead in this instance, when other medical schemes paid for tests only when the test proved positive. Bankmed had paid for tests from Insured Benefits before the CMS categorised the benefit as a prescribed minimum benefit (PMB);
- In-and-out of hospital cost of COVID-19 treatments are paid from Insured Benefits;
- Relaxation of network restrictions, specifically for COVID-19;
- Virtual and Telephonic consultations continue to be available to members;
- A COVID-19 Isolation Hotel benefit had been made available to members;
- The Hospital at Home COVID-19 benefit: Treatment required can be delivered at home. The Principal Officer recommended that members access the website to get full details on benefits introduced;
- A Pulse Oximeter and additional consultations had been made available to high-risk members; and
- The COVID-19 Vaccine is paid from Insured Benefits as a PMB.

The Principal Officer reported on the COVID-19 out-of-hospital (OH) and in-hospital (IH) costs (**up until May 2021**) as summarised in the table below. He advised the meeting that a full financial year view for 2020 was not possible as COVID-19 only began in March 2020:

COVID-19 Costs

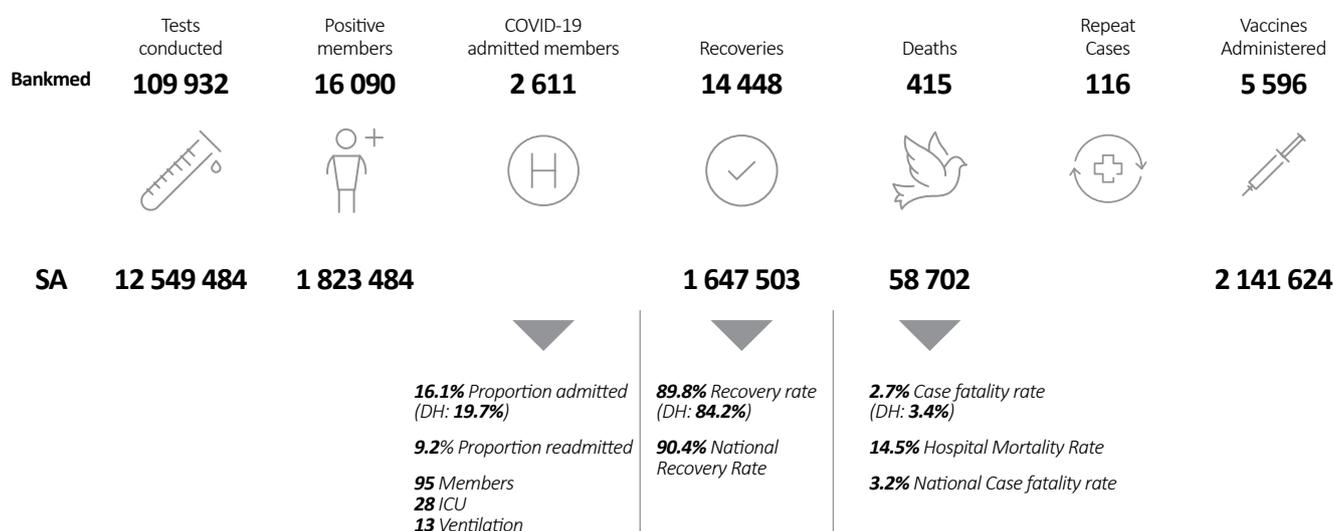
	2020	YTD May 2021	TOTAL
Out-of-Hospital Cost			
Testing	R37.5M	R20.5M	R79.4M
Isolation Hotel	R490K	R10K	
Oximeter	R300K	R200K	
Vaccine	N/A	R1.3M	
GP Cost	R1.85M	R1.25M	
Medication Cost	R1.2M	R1.0M	
Other OH	R9.0M	R4.8M	
In-Hospital Cost	R143.5M	R178M	
		TOTAL	R400.9M

COVID-19 Clinical Tracker

The Principal Officer shared some information on COVID -19 from a Bankmed perspective. For comparative purposes, Discovery Health figures had been used as a proxy or point of reference to give an indication of how Bankmed compared to other medical schemes administered by Discovery Health.

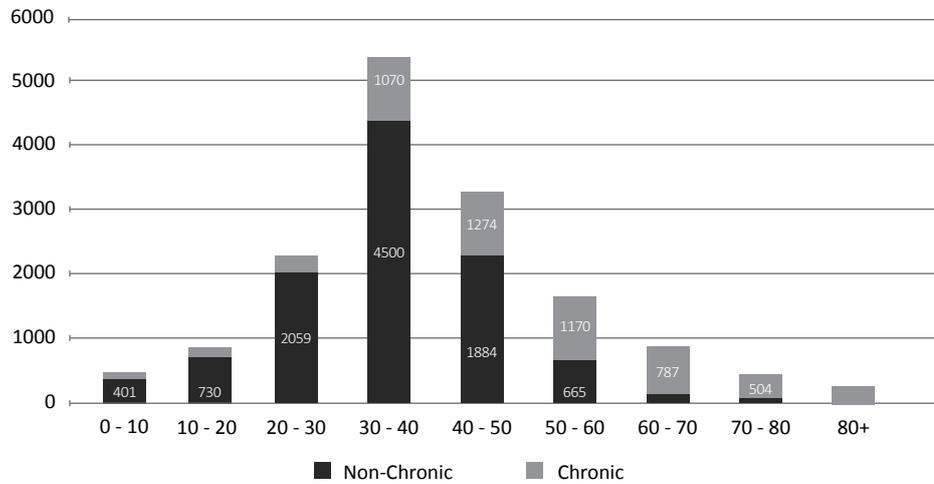
As at 21 June 2021 (cumulative since the start of the pandemic), Bankmed reported a total of 16 090 confirmed cases, and 5 596 COVID-19 Vaccines had been administered. A total of 415 fatalities for Bankmed was noted, compared to a national total of 58 702 deaths. The Principal Officer extended condolences to the families who had lost loved ones during this period.

BANKMED CONFIRMED CASES | 16 090 | as at 21 June 2021 (cumulative since the start of the pandemic)



COVID-19 Experience

To date, the average age of Bankmed members who had tested positive for COVID-19 was 37 years old, and the percentage of chronicity was 35%. The table below summarised the distribution of positive COVID-19 members by age and chronicity:



The tables below summarised the admissions for COVID-19 positive members and their associated costs to date (latest figures available before the meeting):

Admissions for COVID-19 positive members Key Indicators		
Admissions	ICU Members	Ventilation Members
2 978	484	272

Admission Costs					
<i>*Limited to completed admissions</i>					
Highest Acuity	Admissions	Total Cost	Average CPE	Average LOS	Death Rate
Other Wards	1 933	R92 063 523	R47 627	7.1	6.1%
High Care	402	R47 148 762	R117 285	9.7	9.3%
ICU	213	R64 065 487	R300 777	15.7	41.5%
Ventilation	270	R123 089 941	R455 889	18.6	70.3%
Total	2 818	R326 367 723	R115 815	9.3	15.1%

The table below summarised the utilisation of the Virtual and Telephonic consultation benefits:

Consultation Type	Jan to Jun 2020	Jul 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021
Virtual Consultations	135	96	45	22	8	7	10	4	10	1	2	7
Telephonic Consultations	4 069	2 755	1 271	673	681	767	1 367	2 159	956	840	719	1 089

The table below summarised the utilisation of the Isolation Hotel Benefit:

	Jun 2020	Jul 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021
Number of Members	13	15	5	0	1	0	4	0	1	0	0	0
Number of Days	105	116	24	0	1	0	34	0	6	0	0	0

The table below summarised the utilisation of the Pulse Oximeter benefit:

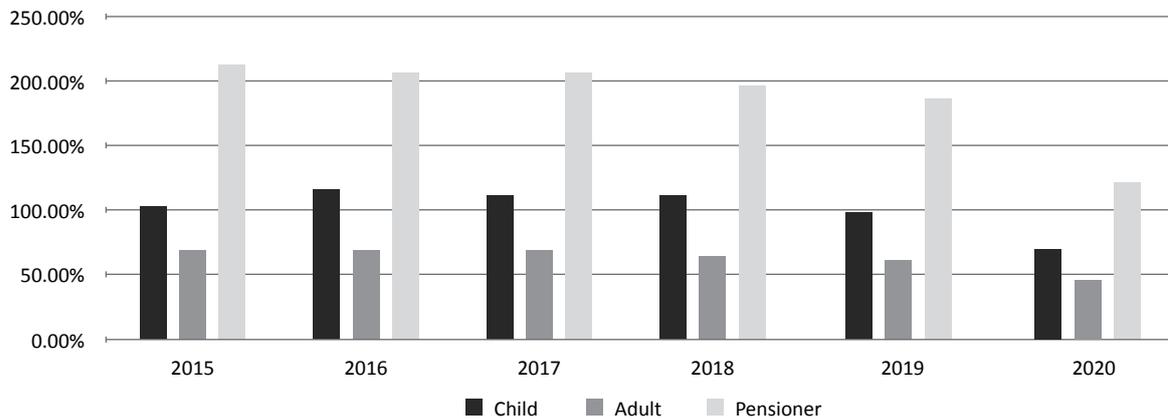
	YTD Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021
Number of Approved Pulse Oximeters	424	59	77	42	200	415	43	13	28	39

Claims by Age/Life Stage

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

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

Bankmed Claims Ratios 2015 – 2020



Conclusion

In conclusion, the Principal Officer acknowledged the complexities that had accompanied the COVID-19 vaccination rollout initiative. He advised that the process was led by the government, and the private funding industry was collaborating as best as this could possibly be done. Bankmed was also a participant in the collaboration with the government, in the best interest of all citizens, including Bankmed members. The Principal Officer appealed to members for their patience as the Scheme continues to try to make the vaccination journey as seamless as possible. He further expressed the commitment to ensure all eligible members have access to the vaccination as far as possible.

5 TO RECEIVE AND ADOPT THE AUDITED FINANCIAL STATEMENTS AND THE ANNUAL REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2020

ACTION

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

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

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

The Chairman, by way of a presentation, made introductory remarks on investment governance and oversight. He advised that the investment managers report back monthly and that the Scheme's investment performance is reviewed quarterly by the Investment Committee. The Investment Committee had five trustees assigned to the Committee, and there were five investment managers, of which Allan Gray and ABAX were added in March 2019.

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

The Chairman highlighted the effect of IFRS 9 being adopted in the AFS, and summarised that as follows:

- Investments are now disclosed at fair value through profit and loss as opposed to available-for-sale;
- Realised versus unrealised returns, whereby all returns are accounted for as realised through the statement of comprehensive income; and
- No available-for-sale reserve any longer.

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

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

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

Mr Flint, by way of a presentation, gave an investment update. He gave an overview of the market status as at the end of 2020, aligned with financial statements, and a market update as at the end of April 2021. Mr Flint highlighted the different asset allocations to the investment managers. He further made a comparison of the Scheme's performance against off-the-shelf products as additional information.

Mr Flint reported that Bankmed's net investment performance as at end December 2020 as 3.8%, below the CPI target of 6.7% and the Stefi Composite (the short-term fixed interest index) of 5.4%. Bankmed had not met the 3-year, 5-year and 10-year CPI+3% target. This outcome was mainly due to poor returns from equities, meant to drive market performance, but had not delivered the type of returns that the Scheme needs to achieve the CPI+3% target. Mr Flint confirmed that Bankmed's required future focus was on returns to compensate for the poor equity returns noted.

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

- Investment markets continue to underperform;
- Bankmed continues to review the choice of asset managers available in the market;
- Volatility in returns remains a feature;
- The longer-term picture (10-year) was still positive;
- High cash weighting meant that the Bankmed longer-term performance lost ground against typical medical scheme investment portfolios, but reduced risk;
- CPI+3%/3.5% target had been a challenge given the weaker market.

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

In response to a comment made by Mr Flint, the Chairman confirmed that the large inflow into investments noted was a result of the lower claims ratios the Scheme had since COVID-19 started. The Scheme had intentionally ensured those large inflows remain in the cash and near-cash realm as the Scheme was uncertain when a resurgence of claims would occur, and for that reason, the BOT believed it was sensible to have access to investments in the cash or near cash realm. The Chairman confirmed that this was being monitored and adjusted for on an ongoing basis.

The Chairman informed the meeting that the AFS-related Q&A would be opened at this stage and invited the Principal Officer, who had been monitoring questions received by members on the chat platform, to assist with feedback to members.

The Principal Officer highlighted several questions that had already been responded to via the chat platform during the presentation. He noted concerns about investments, which included suggestions that the Scheme should move away from the property investment as an asset class. The Principal Officer confirmed that the Investment Committee had considered all issues very carefully, and this would continue. In response to the suggestion referred to earlier, he highlighted the potential risk of prematurely parting ways with an asset manager, or changing asset classes. He highlighted that the Scheme was optimising asset class diversification, and deliberations at the Investment Committee meetings were conscious of the space that Bankmed is currently operating in. The Principal Officer assured members that all issues were receiving ongoing attention.

The Chairman further highlighted questions received on the chat platform querying whether Bankmed had disposed of its investments in listed properties. He confirmed that Bankmed had not disposed of the asset class as it was a decision of the investment manager involved. The reduction in value was due to their decrease in value.

The Chairman confirmed that the AGM was held in terms of the Rules of the Scheme. Rule 28.2.1 determines that the content of the Notice convening the AGM and states that the Notice must include the agenda, the summarised Annual Financial Statements, the auditor's and Trustees' report, and must be sent to all members at least 14 days before the day of the meeting. He confirmed that Bankmed thus distributed the summarised Annual Financial Statements in terms of the Scheme Rules.

The Chairman called on members to vote if they had not already done so. Alternatively, members could note their vote if they preferred to vote after the Chairman and the Principal Officer had discussed all agenda items.

6 TO NOTE THE BANKMED TRUSTEE FEE POLICY AND APPROVE THE PROPOSED TRUSTEE FEE INCREASE FOR 2020/2021

ACTION

The Chairman confirmed that the AGM booklet included the Trustee Fee Policy. The total amount for trustee remuneration was disclosed in the audited summarised Annual Financial Statements in the AGM booklet, note 9 on page 34 of the booklet (summarised Annual Financial Statements).

The Chairman reminded members that a 0% increase for trustee fees was applied at the AGM meeting held on 1 October 2020 for the 2020/2021 cycle. Bankmed received a recommendation from Korn Ferry, a remuneration specialist organisation, who recommended that Bankmed provides for 5.4% trustee fee increase to align to the prevalent market indicators. The Chairman advised at the time of the BOT meeting held on 23 June 2021, the published inflation rate had increased to 5.2%. Considering this detail, the BOT deliberated on the potential fee increase and recommended a 4% increase for the trustees for the 2021/2022 cycle.

The Chairman further highlighted that given the difficulty in securing the services of suitable independent audit committee members, and the critical responsibilities that they are entrusted with, the BOT recommended separating the fee increase for independent audit committee members from that of the trustees. An increase of 5% was proposed for independent audit committee members.

The Chairman called on members to vote if they had not already done so. Alternatively, members could note their vote if they preferred to vote after the Chairman and the Principal Officer had discussed all agenda items.

The Chairman confirmed that on the audit committee's recommendation, the BOT agreed to propose to the meeting that PwC be retained as Bankmed's auditor for the 2021 annual financial audit. The Chairman reminded the meeting of the change in auditors from KPMG to PwC, as was approved at the 105th Annual General Meeting held on 27 June 2019. The audit committee was comfortable with the performance of PwC and therefore recommended to the BOT to recommend their re-appointment to the members.

The Chairman noted that several questions were raised on the chat platform requesting PwC to explain their part in the South African Airways ("SAA") auditing services. He informed the meeting that audit partners specialise in specific industries. The Bankmed audit partner was involved purely in medical schemes and would not have been involved in the audit of SAA. It is on this basis that members were requested not to conflate the issues.

The Chairman called on members to vote if they had not already done so. Alternatively, members could note their vote if they preferred to vote after the Chairman and the Principal Officer had discussed all agenda items.

The Chairman handed the Notices of Motions agenda item to the Principal Officer, who attended to the requests received through a short presentation.

The Principal Officer first referred to a question submitted via the chat platform querying how a member could vote on the Trustee Fee Policy when their proposed Motion on this matter had not been addressed. He reminded the members at the meeting of the Chairman's repeated earlier statement, informing members that they could vote at the end of the meeting after all agenda items had been discussed.

The Principal Officer first emphasised the Scheme's commitment to addressing all issues raised by members. This, he suggested, was demonstrated by the Scheme's diligent response (sent to members on 18 June 2021) to the submissions (as "Notices of Motions") and questions raised by members at the time of registering to attend the AGM.

The Principal Officer reminded the audience of what constitutes a Motion as explicitly addressed in the Rules, and as included in the communication submitted to members on 10 March 2021:

- Rule 4.39: A "Motion" shall mean a written proposal formally submitted to the Scheme for discussion and possible adoption as a recommendation at a general meeting of the Scheme;
- Rule 28.1.6: A motion must comply with provisos in Rules 28.3.3 and 28.3.6;
- Rule 28.3.2: A motion may not deal with matters that affect the operation of the Scheme or matters that fall outside of the ambit of the Annual General Meeting;
- Rule 28.3.3: Motions must be for the benefit of all members and/or be in the best interest of the Scheme and its members; and
- Rule 28.3.4: Motions must be concise, defined and free from ambiguity, accompanied by a detailed motivation. Should a motion be submitted without the required detailed motivation, the Motion may be deemed to be invalid.

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

In total, 86 members responded, submitting 121 queries or suggestions. With specific reference to the provisions made within the Rules about what constitutes a Motion, no submissions met these requirements; therefore, although all submissions had been responded to ahead of the AGM, none of these could be voted on at the meeting as the questions and requests referred mainly to personal claims, benefits, enhancements thereto, and benefits queries. Bankmed contacted all members personally to resolve claim and benefits queries by 18 June 2021. Further to this, as alluded to earlier, when registering to attend the AGM, members could raise any questions they may still have had at the time. The Scheme subsequently compiled a document that sought to address these questions that had been raised pre-AGM.

The Principal Officer highlighted Bankmed's focus on continuous improvement through active projects to address areas of concern and improve member experience.

The Principal Officer provided a broad summary of member queries and suggestions received and the Scheme's response to these submissions by way of presentation (summarising the document that had already been sent to the members on 18 June 2021, ahead of the AGM).

The Principal Officer referred specifically to the submission on communication, which had been raised again via the chat platform. He reiterated that Bankmed must send communications to its members, and the administrator provides the necessary support. Bankmed is protective of its brand and would generally prohibit Discovery Health branded communication to the members of the Scheme. Bankmed may, however, sometimes choose to participate in Discovery Health-led initiatives, informed by the members' best interest. An example of such an initiative is the COVID-19 vaccination journey initiative, where the Scheme chose to leverage off the strengths of their partnership with the administrator to ensure Bankmed members receive the best possible experience on their journey to vaccination.

The Principal Officer further referred to submissions relating to changing the administrator, which had been raised again via the chat platform. He confirmed that the governance of medical schemes includes accountability to medical scheme members, which is supported by specific responsibilities (as expressed in the Scheme Rules) being assigned to the BOT. The continuation of Discovery Health as the Scheme's administrator fell within the duties assigned to the BOT. It could therefore not be subjected to a vote at the AGM. The BOT diligently fulfils its responsibilities to give due consideration to all sentiments expressed by members. The administrator's performance is monitored carefully, including through an independent reviews of service level measures. The Principal Officer acknowledged that there may be service related instances that are less than acceptable, resulting in unpleasant member experience. He assured members that the Scheme pays attention to such exceptions and outliers as part of a commitment to continuous improvement, even when service level measures are met (which was generally the case).

In addition to the above, the Chairman further confirmed that half of the trustees were appointed by the three large Employers Groups, direct competitors of Discovery Bank, highlighting the sensitivity to using the Discovery brand. At the time of the COVID-19 vaccination rollout, the BOT deliberated whether the Scheme could leverage off the Discovery Health process as Discovery Health had spent an inordinate amount of time and resources to ensure the vaccination system worked. Considerations were given for a Bankmed rebrand of the Discovery Health COVID-19 vaccination journey. The BOT raised the concern regarding the potential delay of the vaccination rollout if a rebrand was to occur. The Chairman confirmed that Discovery Health had only been permitted to use their name on the COVID-19 vaccine journey communications. The administration agreement included penalty clauses for the Discovery name being used in any other communication.

The Chairman further noted the suggestion to remove Discovery Health as the administrator. He highlighted Rule 28.3.3 of the Scheme Rules, which confirmed a Motion must not deal with matters that affect the operations of the Scheme. He informed the meeting that when appointing the administrator, Bankmed reviewed all the possible administrators. The trustees concluded that Discovery was currently the right administrator to provide the services which Bankmed required.

9 ANNOUNCEMENT OF THE NEWLY ELECTED MEMBERS OF THE BOARD OF TRUSTEES

ACTION

The Chairman welcomed BDO to present the outcome of the Trustee elections and indicated that the Trustee election was held in terms of Rule 18.1.1 of the Bankmed Scheme Rules.

BDO, in their capacity as the Independent Electoral Body, facilitated the presentation on the outcome of the Trustee voting process.

It was reported that the voting process commenced on 5 May 2021 at 12:00 noon and closed on 4 June 2021 at 12:00 noon. The call for nominations was issued on 14 December 2020, with a closing date of 26 February 2021 at 12:00 noon. All nominations were vetted to ensure compliance with the Scheme Rules. BDO conducted criminal, credit and other verifications on qualifying nominees.

Vetted and verified candidates were presented to the Nominations Committee on 15 April 2021. Voting was conducted electronically through the online voting portal and a text voting system.

BDO received a total of 5 406 votes, a 12% increase on the 2020 voting turnout.

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

- Mr Daniel Edward Armstrong
- Ms Denise Dawn Mantle

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

The Chairman congratulated Mr Daniel Edward Armstrong and Ms Denise Dawn Mantle on their re-elections.

The Chairman confirmed at 16:15 (allowing enough time for members to vote) that the voting platform would be closed for the three agenda items that required members to vote. He requested that all members cast their vote if they had not already done so for BDO to verify the actual votes provisionally.

The Chairman confirmed that while BDO verified the votes, he and the Principal Officer would open the floor to member queries received via the chat platform. He further requested the Principal Officer give an update on National Health Insurance (“NHI”). The Principal Officer is on the board of the Health Funders Association (“HFA”), which collaborates with Business Unity South Africa (“BUSA”), giving him insight into current industry discussions.

The Principal Officer confirmed that Scheme Management had attempted to respond to all questions raised via the chat platform. He noted several queries on issues already spoken to during the meeting, and also referred to the document that had been sent to members on 18 June 2021, which sought to address all issues in fair detail. He also reiterated the Scheme’s commitment to engage beyond the AGM with specific members to the extent that they are not satisfied with the provided response.

PO

The Principal Officer briefly reiterated Bankmed’s position relating to NHI, as previously communicated to Bankmed members. He stated that the inequalities in access to good quality healthcare services are a significant concern for all South Africans. The objectives of Universal Health Coverage were therefore desirable. He suggested that the Scheme’s stance was informed by the best interests of its members specifically, and fellow South Africans in general. Bankmed remained fully engaged in industry discussions to influence how the healthcare landscape changes. The Scheme strongly believes in a more significant role that medical schemes can continue to play in future, in collaboration with the NHI. He informed the meeting that stakeholders interested in this matter had been invited to make submission to the parliamentary portfolio committee of health at the National Assembly. The HFA was waiting to be called to present its position to the parliamentary committee.

Voting Outcome

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

Minute item	Proposal	Abstained	In favour (Approved)	Against (Not approved)
5	Approve the audited annual financial statement and the auditor’s report to members as at 31 December 2020	0	23	0
6	Approve the proposal on the increase in Trustee and Independent Audit Committee member remuneration for the ensuing year (4% for Trustees and 5% for Independent Audit Committee members)	1	19	3
7	Approve the recommendation that PwC continues as the Scheme’s external auditor for the 2021 financial year	2	18	3

It was confirmed that all three proposals had been approved by members who had attended the meeting and voted. This was subject to the audit and confirmation of the voting results, by BDO to the Scheme. This would also be published on the Scheme’s website.

BDO/PO

There being no further business, the Chairman thanked the members, the BOT, and the Executive team for their attendance. The meeting was declared closed at 16:26.

Signed as an accurate record of proceedings.

Chairman Signature

Date

.....
EA SCHAFFRATH





Summarised Financial Statements for the year ended 31 December 2021

The full Annual Financial Statements are accessible for download
by visiting www.bankmed.co.za



SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2021

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

Contents

Report of the Board of Trustees	3 – 17
Trustees' responsibility and approval	17
Statement of corporate governance by the Board of Trustees	18
Statement of financial position	19
Statement of comprehensive income	20
Statement of changes in funds and reserves	21
Statement of cash flows	22
Accounting policies	23 – 24
Notes to the summarised financial statements	25 – 42



REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its annual report for the year ended 31 December 2021.

1 DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

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

1.2 Benefit options within the Scheme

In terms of its rules, the Scheme offered six benefit options during 2021:

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

1.3 Personal Medical Savings accounts

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

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

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

1.4 Risk transfer arrangements

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

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



REPORT OF THE BOARD OF TRUSTEES (continued)

2 MANAGEMENT

2.1 Board of Trustees in office during the year under review

The Board of Trustees comprises twelve members constituted as follows:

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

Appointed by employer groups

Mr DW Bolt (Vice-Chairman)	FirstRand Limited
Mr D Armstrong (End of term 24 June 2021)	FirstRand Limited
Mr G Betela (Appointed 25 November 2021)	Absa Bank Limited
Mr D Mkhonza (Resigned 20 October 2021)	Absa Bank Limited
Ms S Moodley (Appointed 30 September 2021)	FirstRand Limited
Dr L Rametsi	Absa Bank Limited
Mr N Naidoo	The Standard Bank of South Africa Limited
Ms G Noemdoe	The Standard Bank of South Africa Limited

Elected by members

Mr J Cresswell (Chairman)
Mr D Armstrong (Elected 24 June 2021)
Mr G de Lange (End of term 24 June 2021)
Mr RP Gush
Mr J Henning
Ms D Mantle (Re-elected 24 June 2021)
Mr EA Schaffrath

The Board of Trustees met seven times during 2021 on the following dates:

26 January 2021 (Special Board of Trustees Meeting)
1 to 3 March 2021 (Annual Strategic Planning Session)
23 April 2021
23 June 2021
22 July 2021
30 September 2021
25 November 2021

2.2 Principal Officer

Mr T Mosomothane
Office 302B
34 Whiteley Road
Melrose Arch
2076

2.3 Registered office address and postal address

Office 302B	
34 Whiteley Road	Private Bag X2
Melrose Arch	Rivonia
2076	2128

2.4 Medical scheme administrator

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 786722
Sandton	Sandton
2196	2146



REPORT OF THE BOARD OF TRUSTEES (continued)

2 MANAGEMENT (continued)

2.5 Managed care and wellness providers

Discovery Health (Pty) Ltd
1 Discovery Place PO Box 786722
Sandton Sandton
2196 2146

MediKredit Integrated Healthcare Solutions (Pty) Ltd
10 Kikuyu Road
Sunninghill PO Box 521058
Sandton Saxonwold
2157 2132

2.6 Capitation providers

Discovery Health (Pty) Ltd
1 Discovery Place PO Box 786722
Sandton Sandton
2196 2146

Centre for Diabetes and Endocrinology (Pty) Ltd
81 Central Street PO Box 2900
Houghton Saxonwold
2198 2132

2.7 Investment managers

Ninety One SA (Pty) Ltd
Investec Building
Cnr Bree and Hans Strijdom Avenue PO Box 1655
Foreshore Cape Town
8001 8000

Taquanta Asset Managers (Pty) Ltd
7th Floor
Newlands Terraces PO Box 23540
8 Boundary Road Claremont
Newlands Cape Town
7700 7708

M&G Investment Managers (Pty) Ltd (formerly Prudential Investment Managers (Pty) Ltd)
7th Floor
Protea Place PO Box 44813
30 Dreyer Street Claremont
Claremont Cape Town
7735 7708

Allan Gray South Africa (Pty) Ltd
1 Silo Square PO Box 51318
V&A Waterfront V&A Waterfront
Cape Town Cape Town
8001 8002

Abax Investments (Pty) Ltd
The Oval PO Box 23851
1 Oakdale Road Claremont
Newlands Cape Town
7700 7708



REPORT OF THE BOARD OF TRUSTEES (continued)

2 MANAGEMENT (continued)

2.8 Investment consultant

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

2.9 Actuary

NMG Consultants and Actuaries (Pty) Ltd	
NMG House	
411 Main Avenue	PO Box 3075
Randburg	Randburg
2125	2194

2.10 External auditor

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

2.11 Internal auditor

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

2.12 Attorney

Edward Nathan Sonnenbergs Inc.	
150 West Street	PO Box 783347
Sandton	Sandton
2196	2146



REPORT OF THE BOARD OF TRUSTEES (continued)

3 INVESTMENT STRATEGY OF THE SCHEME

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

- The highest rate of return is achieved within the determined risk tolerance level; in order to
- Maximise the fair value of the portfolios by buying, selling and holding investment assets such as equity, bonds and money market instruments;
- Assets are broadly selected to obtain real growth relative to the Consumer Price Index (CPI);
- Equity volatility may result in negative returns at times, and this is permissible, except in the money market portfolio where there are no equity holdings; and
- The Scheme's Statement of Investment Policy includes several risk mitigating provisions.

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

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

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

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

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



REPORT OF THE BOARD OF TRUSTEES (continued)

4 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Operational statistics

	Essential Plan		Basic Plan		Core Saver Plan		Traditional Plan		Comprehensive Plan		Plus Plan		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Number of members at year end	3,829	3,552	21,224	22,140	30,263	29,517	11,810	12,292	34,175	35,791	2,981	3,175	104,282	106,467
Number of beneficiaries at year end	5,369	4,862	40,863	41,697	63,293	60,435	26,222	27,249	74,977	78,793	5,426	5,894	216,150	218,930
Average number of members for the year	3,713	3,527	21,413	22,359	30,288	29,637	12,015	12,441	34,739	36,366	3,040	3,233	105,208	107,563
Average number of beneficiaries for the year	5,172	4,789	40,983	41,687	62,797	59,967	26,640	27,493	76,154	79,840	5,556	6,033	217,302	219,809
Dependant ratio to members at year end	0.40	0.37	0.93	0.88	1.09	1.05	1.22	1.22	1.19	1.20	0.82	0.86	1.07	1.06
Pensioner ratio (65 Years +)	1.02%	0.95%	3.10%	1.94%	3.04%	2.92%	10.64%	10.07%	14.95%	14.38%	42.24%	40.57%	8.85%	8.72%
Average age of beneficiaries	28.97	28.58	25.97	25.55	26.56	26.34	35.13	34.44	38.05	37.53	56.19	55.28	32.28	32.05

Average net contributions per member per month (R)	1,625	1,554	2,751	2,626	3,047	2,901	5,211	5,013	5,029	4,840	7,574	7,397	3,969	3,835
Average net contributions per beneficiary per month (R)	1,167	1,144	1,438	1,409	1,470	1,434	2,350	2,269	2,294	2,205	4,144	3,964	1,922	1,877
Relevant healthcare expenditure as a percentage of net contributions	39.25%	39.10%	74.09%	63.82%	76.03%	65.53%	103.21%	92.55%	107.69%	94.03%	112.70%	99.53%	94.57%	83.15%
Average administration costs per member per month (R)	208	198	214	203	208	198	209	202	208	201	209	198	209	201
Average administration costs per beneficiary per month (R)	150	146	112	109	100	98	94	91	95	92	114	106	101	98
Amounts paid to administrator (R'000)	7,983	7,292	46,037	46,224	60,246	56,693	23,898	23,798	69,099	69,566	6,047	6,185	213,310	209,758
Non-health expenses as a percentage of gross contributions	12.85%	12.86%	7.79%	7.81%	6.10%	5.88%	4.27%	4.07%	3.63%	3.46%	2.21%	2.08%	4.81%	4.62%
Average accumulated funds per member at 31 December (R)													31,779	27,305
Average healthcare management expense per member per month (R)	106	102	106	102	98	103	98	99	98	103	98	103	100	101
Average healthcare management expense per beneficiary per month (R)	76	75	55	55	47	51	44	45	45	47	53	47	48	50
Return on investments as per an independent review by the Scheme's investment consultants													11.50%	3.80%

REPORT OF THE BOARD OF TRUSTEES (continued)

4 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)

4.2 Results of operations

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

The Trustees would, however, like to draw the members' attention to the unusually low level cost of claims paid during 2020 and 2021. The claims experience was a direct result of the Covid-19 lockdown restrictions limiting the movement of the Scheme's beneficiaries, along with the rest of the population. This resulted in many non-essential doctors' visits, and elective medical procedures, being cancelled or postponed.

The above resulted in excess net healthcare surpluses accumulating as Scheme reserves, and the accumulated funds ratio increased from 40.46% at the end of 2019, to 50.72% at the end of 2020 and 53.58% at the end of 2021. The Scheme's strategic accumulated funds ratio range is between 35% and 40%. The budget for 2021 aimed for an accumulated funds ratio equal to the upper end of the strategic target range of 40%.

The Scheme will incur additional costs in 2022, related to the treatment of Covid-19, further testing, and the cost of the vaccine. There may also be the cost of 2020 and 2021 postponed claims materialising in 2022. The funds accumulated in 2021 though, have put Bankmed in a strong financial position in order to deal with the challenges facing the Scheme in 2022.

4.3 Accumulated funds ratio

	2021 R'000	2020 R'000
Total members' funds per the statement of financial position	3,313,940	2,907,114
Less: Cumulative unrealised net gain on remeasurement of investments to fair value	(241,945)	(32,984)
Accumulated funds per Regulation 29	<u>3,071,994</u>	<u>2,874,130</u>
Gross contribution income	5,733,096	5,666,578
Accumulated funds ratio	53.58%	50.72%

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

4.4 Outstanding risk claims provision

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

5 ACTUARIAL SERVICES

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

6 INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE SCHEME

The Scheme holds the following investments in employer groups:

	2021 R'000	2020 R'000
Financial assets at fair value through profit or loss	952,747	1,474,743
Cash and cash equivalents	278,865	25,749
Total	<u>1,231,612</u>	<u>1,500,492</u>

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



REPORT OF THE BOARD OF TRUSTEES (continued)

7 AUDIT COMMITTEE

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

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

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

The Committee comprised of:

Ms F Petersen-Cook - Chairman (Independent)

Ms R Gani (Independent)

Ms F Levy-Hassen (Independent)

Mr B Phillips (Independent)

Mr J Henning (Trustee)

Mr D Mkhonza (Trustee)

Mr EA Schaffrath (Trustee)

The Committee met five times during 2021 on the following dates:

19 February 2021

7 April 2021

12 April 2021 (Special Audit Committee Meeting)

26 August 2021

18 October 2021

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

8 REMUNERATION COMMITTEE

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

The Committee comprised of:

Mr DW Bolt (Chairman)

Mr D Armstrong (Chairman of the Investment Committee)

Mr J Cresswell (Chairman of the Board of Trustees)

Ms G Noemdoe (Chairman of the Risk Management Committee)

Mr N Naidoo (Trustee)

The Committee met three times during 2021 on the following dates:

8 February 2021

6 September 2021

5 November 2021



REPORT OF THE BOARD OF TRUSTEES (continued)

9 RISK MANAGEMENT COMMITTEE

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

The Committee comprised of:

Ms G Noemdoe (Chairman)(Trustee)

Mr J Cresswell (Trustee)

Ms D Mantle (Trustee)

Mr N Naidoo (Trustee)

Dr L Rametsi (Trustee)

Ms F Petersen-Cook (Independent Audit Committee Chairman)

Mr T Mosomothane (Principal Officer)

Mr N Coghlan (Executive: Finance and Risk)

Dr N Naidoo (Executive: Clinical and Operations)

The Committee met four times during 2021 on the following dates:

24 March 2021

12 May 2021

5 August 2021

7 October 2021

10 INVESTMENT COMMITTEE

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

The Committee comprised of:

Mr D Armstrong - (Chairman)(Trustee)

Mr RP Gush (Trustee)

Mr J Henning (Trustee)

Mr EA Schaffrath (Trustee)

The Committee met four times during 2021 on the following dates:

25 March 2021

27 May 2021

3 September 2021

19 November 2021

11 NOMINATIONS COMMITTEE

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

The Committee comprised of:

Mr EA Schaffrath (Chairman)(Trustee)

Mr J Cresswell (Trustee)

Mr D Mkhonza (Trustee)

The Committee met once during 2021 on the following date:

15 April 2021



REPORT OF THE BOARD OF TRUSTEES (continued)

12 MEETING ATTENDANCE

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

Trustee	Board of Trustees meetings		Remuneration Committee meetings		Audit Committee meetings		Risk Management Committee meetings		Nominations Committee meeting		Investment Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B
Mr J Cresswell	7	7	3	3	–	–	4	4	1	1	–	–
Mr DW Bolt	7	7	3	3	–	–	–	–	–	–	–	–
Mr D Armstrong	7	7	3	3	–	–	–	–	–	–	4	4
Mr G Betela	1	1	–	–	–	–	–	–	–	–	–	–
Mr G de Lange	4	4	–	–	–	–	–	–	–	–	2	2
Mr RP Gush	7	7	–	–	–	–	–	–	–	–	4	4
Mr J Henning	7	7	–	–	5	5	–	–	–	–	4	4
Mrs D Mantle	7	7	–	–	–	–	4	4	–	–	–	–
Mr D Mkhonza	6	5	–	–	5	5	–	–	1	1	–	–
Ms S Moodley	1	1	–	–	–	–	–	–	–	–	–	–
Mr N Naidoo	7	7	2	2	–	–	4	4	–	–	–	–
Ms G Noemdoe	7	7	2	2	–	–	4	4	–	–	–	–
Dr L Rametsi	7	7	–	–	–	–	4	4	–	–	–	–
Mr EA Schaffrath	7	7	1	1	2	2	–	–	1	1	4	4



REPORT OF THE BOARD OF TRUSTEES (continued)

13 NON-COMPLIANCE MATTERS

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

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred net healthcare deficits for the year ended 31 December 2021, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for the failure

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

Corrective action

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

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

Nature and impact

Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2021, which is in contravention of Section 26(7) of the Act.

Causes for the failure

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

Corrective action

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

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

Nature and impact

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

Causes for the failure

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

Corrective action

The Scheme applied to the Council for Medical Schemes (CMS) for an exemption from this section of the Act and is awaiting a response from CMS.

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

Nature and impact

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

Causes for the failure

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



REPORT OF THE BOARD OF TRUSTEES (continued)

13.4 Non-compliance with Section 35(8)(c) – Investments in any administrator (continued)

Corrective action

The Scheme applied to the Council for Medical Schemes and received an exemption from this section of the Act. The exemption granted is effective 1 December 2019 to 30 November 2022.

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

Nature and impact

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

Causes for the failure

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

Corrective action

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

13.6 Prescribed minimum benefits

Nature and impact

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

Causes for the failure

During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

Corrective action

These identified claims are being reprocessed and paid as far as possible.

13.7 Disclosure of personal information

Nature and impact

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

Causes for the failure

During the year under review 3,035 Bankmed members' confidential claims information were emailed to unintended 3rd parties. This was caused due to a system error that populated incorrect email addresses to statements.

Corrective action

The system error was subsequently corrected and all affected parties were issued apology letters incorporating all the POPIA requirements.

14 MEMBERSHIP

The membership of the Scheme decreased by 4.13% to 104,282 at the end of 2021 when compared to the total membership of 108 770 at the end of 2020. The Board of Trustees is aware of the decline in membership over the previous two years, and the matter is receiving the necessary attention in terms of both risk management and future strategic options. At the end of 2021, the Scheme's average beneficiary age was 32.28 years (2020: 32.05 years). The pensioner ratio increased from 8.72% at the end of 2020 to 8.85% at the end of 2021.



REPORT OF THE BOARD OF TRUSTEES (continued)

15 BENEFIT OPTIONS

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

16 SERVICE AND ADMINISTRATION

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

17 FINANCIAL OVERVIEW

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

17.1 Review of underwriting results

The overall claims experience for 2021 was 3.05% lower than that budgeted for the year. With this, the Scheme achieved a gross healthcare surplus of R272.2 million.

Relevant healthcare expenditure, expressed as a percentage of risk contribution income, was 94.57% for 2021 (2020: 83.15%). The gross healthcare (underwriting) result for 2021, amounted to 4.75% of gross contributions (2020: 14.72%).

The net healthcare deficit, after deducting non-healthcare expenditure, amounted to R3.8 million (before investment and other income) in 2021, compared to a surplus of R572.3 million in the previous year. In the budget it was anticipated that a net healthcare deficit of R143.8 million would be incurred, compared to a budgeted net healthcare deficit of R26.5 million in 2020.

The Scheme generated a net surplus for the year under review of R406.6 million (2020: R668.1 million).

17.2 Administration expenditure

Administration expenditure remained stable at 4.80% of gross contribution income in 2021 (2020: 4.57%). The overall administration expenditure figure compares favourably with the average administration expenditure of medical schemes in the healthcare industry.

17.3 Investments

The Scheme has a clearly documented investment policy and employs the services of independent investment managers in order to manage its various investment portfolios. Net investment income (including fair value gains after deducting asset management fees) during 2021 amounted to R409.2 million, which is 327.38% greater than the R93.1 million generated in 2020. The performance of the Scheme's managers was in line with market performance. All of the Scheme's investment managers operate in terms of strict mandates that have been delegated to them by the Board of Trustees, which comply with the requirements of the Act and Regulations, and which are closely monitored.

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

17.4 Covid-19

At the beginning of 2020, the Covid-19 pandemic caused large-scale uncertainty worldwide, increasing both national and business risk in an unprecedented manner. The risk to the Scheme posed by the Covid-19 pandemic was initially predicted to be a threat to the solvency of the Scheme because of the potential increase in members' healthcare needs, the cost of vaccinations and other associated costs. It was predicted there would be a sharp decline in the financial markets which would decrease investment income and also the potential loss of members due to the pandemic.

The gross investment income fell from the 7.81% produced on the invested funds in 2019, to just 3.77% in 2020, due to the negative impact the pandemic had on the financial markets. Contrary to initial projections, however, the level of claims reduced from R4.4 billion in 2019 to R4.0 billion in 2020, largely due to lockdown measures preventing members from regular access to medical practitioners and the postponement of elective medical procedures. This, together with the stable contribution income and other minor contributory factors, more than offset the reduction in investment income and resulted in the Scheme's accumulated funds increasing substantially.



REPORT OF THE BOARD OF TRUSTEES (continued)

17.4 Covid-19 (continued)

The members' claims behaviour in 2020 continued to limit claims expenditure in the first few months of 2021, but gradually began returning to a more regular claims pattern over the remaining months of the year. The total net claims expenditure increased from R4.0 billion in 2020 to R4.7 billion in 2021. The investment income improved markedly during 2021, with investment income increasing to 11.50% on the invested funds over the 12-month period. Although the claims expenditure was significantly higher than that incurred in 2020, the increase in investment returns again resulted in a substantial increase in the Scheme's accumulated funds.

Vaccine rollout and associated risks

The Scheme is leveraging its partnership with its administrator, Discovery Health (Pty) Ltd (DH), who has been involved in supporting the vaccine acquisition task team established by the Minister of Health, as well as the B4SA vaccine rollout project. The Scheme, together with DH and other industry stakeholders, has also been playing an active role in ongoing engagements with the CMS (through the Health Funders Association) on the vaccine rollout for medical schemes. The Scheme has stayed close to this matter through these engagements, and has reliable indications of costs associated with the vaccine funding, as well as the timing and other implications of the vaccine rollout. The Trustees have assessed various scenarios in this regard. On the basis of these scenarios we are satisfied that the budget provision for vaccines is adequate. DH has a project focusing on vaccine implementation with the aim of optimising access and risk mitigation for the Scheme while being consistent with, and supportive of, the national vaccine rollout plan.

18 COMMUNICATION

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

19 MANAGED CARE

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

20 EVENTS AFTER THE REPORTING DATE

The conflict which broke out in Ukraine in February 2022, is predicted to increase inflation rates globally. There is uncertainty as to how this, or any other effect of the conflict, may impact investment markets worldwide, including local investment markets, where the majority of the Scheme's reserves are invested. The Scheme will closely monitor developments in this regard.

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

21 GOING CONCERN

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

22 VOTE OF APPRECIATION

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

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



REPORT OF THE BOARD OF TRUSTEES (continued)

23 CONCLUSION

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



J CRESSWELL
CHAIRMAN



D BOLT
VICE CHAIRMAN



T MOSOTHANE
PRINCIPAL OFFICER

21 April 2022

DATE



SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2021

Trustees' responsibility and approval

The Trustees are responsible for the preparation of the summarised financial statements, which fairly present the state of affairs of Bankmed, comprising the statement of financial position at 31 December 2021, and the statements of comprehensive income, changes in funds and reserve and cash flows for the year then ended, and the notes to the summarised financial statements. These include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa, as amended. In addition, the Trustees are responsible for preparing the Board of Trustees report and the Statement of Corporate Governance.

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

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

Approval of the summarised financial statements

The summarised financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 21 April 2022 and are signed on its behalf by



J CRESSWELL
CHAIRMAN



D BOLT
VICE CHAIRMAN



T MOSOTHANE
PRINCIPAL OFFICER

21 April 2022

DATE



SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2021

Statement of Corporate Governance by the Board of Trustees

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

Board of Trustees

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

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

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

Internal control

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the summarised financial statements and to safeguard, verify and 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. The adequacy and effectiveness of the systems are assessed by the appointment of internal and external auditors.

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



J CRESSWELL
CHAIRMAN



D BOLT
VICE CHAIRMAN



T MOSOMOTHANE
PRINCIPAL OFFICER

21 April 2022

DATE



STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

Notes	2021 R'000	2020 R'000
ASSETS		
Non-current assets	3,952,956	3,676,454
Equipment	881	913
Financial assets at fair value through profit or loss	1 3,952,075	3,675,541
Current assets	567,022	375,050
Financial assets at fair value through profit or loss	1 173,628	230,395
Trade and other receivables	78,366	71,430
Cash and cash equivalents	315,028	73,225
Total assets	4,519,978	4,051,504
FUNDS AND LIABILITIES		
Members' funds	3,313,940	2,907,114
Accumulated funds	3,313,940	2,907,114
Non-current liability	5,308	5,853
Post-retirement medical aid benefit liability	5,308	5,853
Current liabilities	1,200,730	1,138,537
Post-retirement medical aid benefit liability	950	959
Outstanding risk claims provision	2 193,039	134,507
Personal Medical Savings Account monies	3 934,373	893,322
Trade and other payables	72,368	109,749
Total funds and liabilities	4,519,978	4,051,504



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Risk contribution income	4	5,010,748	4,949,944
Relevant healthcare expenditure		(4,738,529)	(4,107,320)
Net claims incurred		(4,610,045)	(3,974,040)
Risk claims incurred	5	(4,614,201)	(3,987,893)
Third-party claims recoveries	5	4,156	13,853
Accredited managed healthcare service (no risk transfer)	6	(125,928)	(123,913)
Net (expense)/income on risk transfer arrangements		(2,556)	(9,367)
Risk transfer arrangements premiums paid	7	(149,424)	(168,058)
Risk transfer arrangements recoveries	7	146,868	158,691
Gross healthcare surplus		272,219	842,624
Administration fees	8	(213,310)	(209,758)
Other operating expenditure	9	(50,849)	(46,909)
Non-accredited managed care costs		(10,922)	(10,892)
Net impairment losses		(918)	(2,728)
Net healthcare surplus / (deficit)		(3,780)	572,337
Other income		456,392	150,652
Investment income	10	455,198	148,002
Sundry income		1,194	2,650
Other expenditure		(45,975)	(54,900)
Asset management fees		(15,343)	(13,193)
Interest paid on Personal Medical Savings Accounts monies		(30,632)	(41,707)
Net surplus for the year		406,637	668,089
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Actuarial gain on post-retirement liability		189	61
Total comprehensive income for the year		406,826	668,150

STATEMENT OF CHANGES IN FUNDS AND RESERVE

As at 31 December 2021

Notes	2021	2020
	R'000	R'000
Opening balance at the beginning of the year	2,907,114	2,238,964
Net surplus for the year	406,637	668,089
Other comprehensive income	189	61
Closing balance at the end of the year	3,313,940	2,907,114



STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

Notes	2021 R'000	2020 *Restated R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from members and providers	5,742,495	5,680,865
Cash receipts from members - contributions	5,730,175	5,663,494
Cash receipts from members and providers - other	12,320	17,371
Cash paid to members and providers	(5,712,275)	(5,008,780)
Cash paid to members and providers - claims	(5,385,546)	(4,705,511)
Cash paid to providers - non-healthcare expenditure	(273,204)	(251,309)
Cash paid to members - savings plan refunds	(53,525)	(51,960)
Asset management fees	(15,343)	(13,193)
Dividends received	37,414	38,570
Interest received	114,657	72,818
Net cash utilised in operating activities	166,948	770,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(192)	(150)
Purchase of investments	(5,814,172)	(5,928,465)
Proceeds on disposal of investments	5,889,219	5,003,585
Net cash generated from/(utilised in) investing activities	74,855	(925,030)
Net increase/(decrease) in cash and cash equivalents	241,803	(154,750)
Cash and cash equivalents at beginning of the year	73,225	227,975
Cash and cash equivalents at end of the year	315,028	73,225

*Refer to note 14



ACCOUNTING POLICIES

For the year ended 31 December 2021

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION

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

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

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

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

- Financial instruments at fair value through profit or loss

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

CHANGE IN ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH FLOWS

During 2021 the Council for Medical Schemes (CMS) published Circular 52 of 2021: Statement of Cash Flows. In the circular it was noted that Paragraph 19 of IAS 7 encourages entities to report cash flows from operating activities using the direct method. The CMS introduced the direct method in its 2011 annual statutory returns.

The Statement of Cash Flows (SOCF) has been aligned to the prescribed format as set out in Circular 52 of 2021, with the most notable changes being the reporting of cash flows from operating activities using the direct method. The cash flows from operating activities were previously reported using the indirect method. Due to the fact that these two reporting methods are totally different, a reconciliation between the two methods has not been attempted.

This change in accounting policy has been applied in preparing the Summarised Financial Statements for the year ended 31 December 2021. The change is applied retrospectively, with the comparative period presented as if this accounting policy had always been applied. Note 14 sets out the change in disclosure of the Statement of Cash Flows.

3 IMPLEMENTATION OF NEW STANDARDS

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

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

Standard	Scope	Effective date
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures' and IFRS 4 'Insurance Contracts'	Disclosure Initiative: The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. This amendment had no significant impact on the Summarised Financial Statements of the Scheme.	1 January 2021



ACCOUNTING POLICIES (continued)

For the year ended 31 December 2021

3 IMPLEMENTATION OF NEW STANDARDS (continued)

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

The following new standards, amendments and interpretations to the existing standards have been published and are not yet effective for the current financial year. The Scheme has not early adopted them and it is not expected that they will have any material impact on the Scheme's assets, liabilities and results, but may result in additional disclosure in the Summarised Financial Statements.

Standard	Scope	Effective date
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Disclosure Initiative: The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date.	1 January 2022
IFRS 17: Insurance contracts	<p>The Standard was issued in May 2017 and supersedes IFRS 4 Insurance Contracts.</p> <p>The Standard creates one accounting model for all insurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The Standard requires insurance contracts to be measured using updated estimates and assumptions that reflect the timing of cash flows and takes into account any uncertainty relating to insurance contracts.</p> <p>The Standard provides for a simplified approach ("premium allocation approach") for the measurement of a group of insurance contracts only if, at the inception of the group, the entity reasonably expects that the simplification will produce measurement of the liability for remaining coverage that would not differ materially from that produced using the general measurement model and if the coverage period is one year or less.</p> <p>Potential impact: The Scheme has assessed the requirements of the standard and agreed a project plan to implement the standard. The coverage period for the Scheme's contracts is one year or less allowing for the premium allocation approach to be applied, resulting in similar treatment to the current accounting. The most notable exceptions relate to the accounting for Personal Medical Savings Accounts, the treatment of onerous contracts and changes to disclosures in the Financial Statements.</p>	1 January 2023



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

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

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

Note

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

	2021	2020
	R'000	R'000
Listed equities	1,248,229	875,123
Commodity linked instruments	58,448	50,763
Collective investment schemes	216,779	604,609
Offshore collective investment schemes	131,454	97,941
Money market instruments	910,126	1,035,103
Bonds	1,170,196	880,401
Linked Insurance Policies	390,471	361,996
	4,125,703	3,905,936



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note	2021	2020
	R'000	R'000
Fair value at the beginning of the year	3,905,936	2,940,526
Dividends recapitalised	37,414	38,570
Interest recapitalised	160,230	142,514
Realised gains/(losses) on disposal	40,218	(28,258)
Management fees	(15,343)	(13,193)
Acquisition of Financial assets at fair value through profit or loss	5,662,163	5,838,152
Proceeds on disposal of Financial assets at fair value through profit or loss	(5,873,876)	(4,990,392)
Net movement on revaluation of Financial assets at fair value through profit or loss	208,961	(21,983)
Fair value at the end of the year	4,125,703	3,905,936
Less: Short-term portion shown in current assets	(173,628)	(230,395)
	3,952,075	3,675,541

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

The weighted average effective interest rate on bonds for the year was 8.40% (2020: 8.70%).

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

2 OUTSTANDING RISK CLAIMS PROVISION

Accounting policy

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

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

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

Note	2021 R'000	2020 R'000
Outstanding claims provision - not covered by risk transfer arrangements	193,039	131,397
Outstanding claims provision - covered by risk transfer arrangements	–	3,110
	193,039	134,507
<i>Analysis of movement in outstanding claims</i>		
Balance at the beginning of the year	134,507	151,645
Payments in respect of prior year	(131,125)	(157,591)
Over/(under) provision	3,382	(5,946)
Outstanding claims provision raised in current year		
Not covered by risk transfer arrangements	189,657	137,343
Covered by risk transfer arrangements	–	3,110
Balance at the end of the year	193,039	134,507
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	202,215	138,255
Less: estimated recoveries from savings plan accounts (note 3)	(9,176)	(3,748)
Balance at the end of the year	193,039	134,507



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

3 PERSONAL MEDICAL SAVINGS ACCOUNT MONIES

Accounting policy

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

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

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

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

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

Interest payable on members' PMSAs is expensed when incurred.

Note	2021	2020
	R'000	R'000
Balance of PMSAs at the beginning of the year	893,322	784,411
<i>Add:</i>		
PMSA contributions received or receivable (note 4)	722,348	716,634
Interest received on PMSAs	30,632	41,707
Transfers received from other medical schemes	2,556	2,376
<i>Less:</i>		
Claims paid to or on behalf of members (note 5)	(660,960)	(599,846)
Refunds paid on death or resignation	(53,525)	(51,960)
	934,373	893,322

It is estimated that claims to be paid out of members' PMSAs in respect of claims incurred in 2021 (but not reported) will amount to approximately R9.2 million (2020: R3.7 million).

As at 31 December 2021 the carrying amount of the members' PMSAs were deemed to be equal to their fair values, which is the amount payable on demand.

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

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

4 RISK CONTRIBUTION INCOME

Accounting policy

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

Note	2021	2020
	R'000	R'000
Gross contributions per registered Scheme Rules	5,733,096	5,666,578
Less: Personal Medical Savings Account contributions (note 3)	(722,348)	(716,634)
	5,010,748	4,949,944

5 NET CLAIMS INCURRED

Accounting policy

Claims incurred

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

Risk claims incurred comprise:

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

Net of:

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

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



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

5 NET CLAIMS INCURRED (continued)

Accounting policy (continued)

Reimbursements from Road Accident Fund

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

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

Note	2021 R'000	2020 R'000
Current year claims per registered Scheme Rules	5,082,121	4,453,232
Claims not covered by risk transfer arrangements	4,935,253	4,297,651
Claims covered by risk transfer arrangements (note 7)	146,868	155,581
Movement in outstanding risk claims provision	193,040	134,507
(Over)/under provision in prior year (note 2)	(3,382)	5,946
Adjustment for the current year	196,422	128,561
	5,275,161	4,587,739
Less: Claims charged to members' Personal Medical Savings Accounts (note 3)	(660,960)	(599,846)
Risk claims incurred	4,614,201	3,987,893
Less: Third party claims recoveries	(4,156)	(13,853)
	4,610,045	3,974,040



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

6 ACCREDITED MANAGED HEALTHCARE SERVICES (NO RISK TRANSFER)

Accounting policy

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

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

Note	2021	2020
	R'000	R'000
Clinical risk management	38,215	37,589
Hospital referrals and pre-authorisations	35,485	34,892
Medical provider network management	32,993	32,451
Pharmacy benefit management	19,235	18,981
	125,928	123,913

7 NET EXPENSE ON RISK TRANSFER ARRANGEMENTS

Accounting policy

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

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

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

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

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



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

Note	2021 R'000	2020 R'000
The Scheme operated the following risk transfer arrangements during the year:		
Recoveries received from risk transfer arrangements	146,868	158,691
Discovery Health (Pty) Ltd	137,509	149,755
Centre for Diabetes and Endocrinology (Pty) Ltd	9,359	8,936
Less: Premiums paid on risk transfer arrangements	(149,424)	(168,058)
Discovery Health (Pty) Ltd	(141,266)	(160,730)
Centre for Diabetes and Endocrinology (Pty) Ltd	(8,158)	(7,328)
	(2,556)	(9,367)

The Scheme renewed three existing risk transfer arrangements during 2021.

Discovery Health (Pty) Ltd - primary healthcare

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

Discovery Health (Pty) Ltd - emergency evacuation

Discovery Health (Pty) Ltd also provides emergency evacuation services to members of all benefit options of the Scheme. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per beneficiary basis. This contract ended 31 December 2020.

Centre for Diabetes and Endocrinology (Pty) Ltd

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

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



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

8 ADMINISTRATION FEES

Accounting policy

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

Note	2021	2020
	R'000	R'000
Accredited services		
Member record management	19,473	19,149
Contribution management	17,103	16,818
Claims management	21,545	21,187
Financial management	691	679
Information management and data control	34,920	34,339
Customer services	95,101	93,517
Other services		
Internal audit services	2,894	2,846
Marketing services	9,957	9,791
Forensic investigations and recoveries	3,621	3,560
Governance and compliance	572	562
Additional services		
Quality Management and Monitoring Services	2,727	2,682
Advanced Data Analytics	2,275	2,237
Digital Service Offering	846	832
Enhanced Service Offering	453	445
Enterprise risk management services	453	445
Legal Services	131	129
Product Innovation	548	539
	213,310	209,758



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

9 OTHER OPERATING EXPENDITURE

Accounting policy

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

Note	2021	2020
	R'000	R'000
Actuarial fees	2,929	2,730
Association fees	664	657
Communication expenses	3,882	4,124
Consulting fees	1,886	1,442
Depreciation	224	187
External audit fees	1,435	1,347
Fidelity guarantee and professional indemnity insurance premium	223	220
Internal audit fees	523	607
Legal fees	383	228
Levies - Council for Medical Schemes	4,702	4,236
Office lease and other rental charges	2,465	2,741
Other expenses	6,757	5,124
Principal Officer's remuneration	4,125	4,009
Staff costs	17,956	16,202
Trustee remuneration	2,695	3,056
	50,849	46,910



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

10 INVESTMENT INCOME

Accounting policy

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

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

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

Note	2021	2020
	R'000	R'000
Financial assets at fair value through profit or loss	197,644	181,084
Dividend income	37,414	38,570
Interest income	160,230	142,514
Cash and cash equivalents interest income	8,375	17,159
Net fair value gains/(losses) on Financial assets at fair value through profit or loss	249,179	(50,241)
	455,198	148,002

11. RELATED PARTY TRANSACTIONS

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

Key management personnel and their close family members

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

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

Parties with significant influence over the Scheme

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

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

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

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



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

11. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

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

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

	2021	2020
	R'000	R'000
Statement of Comprehensive Income		
Compensation		
Short-term employee benefits	13,775	13,140
Trustee remuneration	2,695	3,056
Contributions and claims		
Gross contributions received	930	909
Gross claims paid	814	1,436
Interest paid on Personal Medical Savings Accounts	2	1
Statement of Financial Position		
Personal Medical Savings Accounts balances	66	54

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

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



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

11. RELATED PARTY TRANSACTIONS (continued)

Transactions with entities that have significant influence over the Scheme

	2021	2020
	R'000	R'000
Statement of Comprehensive Income		
Actuarial fees	2,929	2,730
Administration fees	213,310	209,758
Road Accident Fund recoveries	–	4,875
Risk transfer premiums paid	141,266	160,730
Managed care: management services	118,679	116,728
Statement of Financial Position		
Financial assets at fair value through profit or loss: Participating employers	952,747	1,474,743
Cash and cash equivalents: Participating employers	278,865	25,749
Insurance and other payables	23,657	23,680
Share of outstanding claims provision	–	3,110

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

Terms and conditions of the actuarial contract

The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received.

The Scheme has the right to terminate the agreement on 90 days' notice.

Terms and conditions of the administration agreement

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

Terms and conditions of the risk transfer agreements

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

Terms and conditions of the managed care agreements

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

Terms and conditions of investments in participating employers

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



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

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

2021	Bankmed Essential Plan R'000	Bankmed Basic Plan R'000	Bankmed Core Saver Plan R'000	Bankmed Traditional Plan R'000	Bankmed Comprehensive Plan R'000	Bankmed Plus Plan R'000	Consolidated R'000
Risk contribution income	72,427	706,963	1,107,523	751,284	2,096,238	276,313	5,010,748
Relevant healthcare expenditure	(28,425)	(523,824)	(842,059)	(775,366)	(2,257,457)	(311,398)	(4,738,529)
Net claims incurred	(22,578)	(493,741)	(806,507)	(761,469)	(2,217,716)	(308,034)	(4,610,045)
Risk claims incurred	(22,594)	(494,062)	(807,261)	(762,185)	(2,219,777)	(308,322)	(4,614,201)
Third party claim recoveries	16	321	754	716	2,061	288	4,156
Managed care: management services	(4,733)	(27,290)	(35,503)	(14,090)	(40,745)	(3,567)	(125,928)
Net income on risk transfer arrangements	(1,114)	(2,793)	(49)	193	1,004	203	(2,556)
Risk transfer arrangements premiums paid	(4,518)	(137,054)	(983)	(1,370)	(4,999)	(500)	(149,424)
Risk transfer arrangement recoveries	3,404	134,261	934	1,563	6,003	703	146,868
Gross healthcare surplus	44,002	183,139	265,464	(24,082)	(161,219)	(35,085)	272,219
Administration fees	(7,983)	(46,037)	(60,246)	(23,898)	(69,099)	(6,047)	(213,310)
Administration expenditure	(1,301)	(8,906)	(15,375)	(6,181)	(17,518)	(1,568)	(50,849)
Non-accredited managed care costs	–	–	(3,299)	(1,859)	(5,429)	(335)	(10,922)
Net impairment loss on insurance receivables	(23)	(161)	(277)	(112)	(317)	(28)	(918)
Net healthcare surplus/(deficit)	34,695	128,035	186,267	(56,132)	(253,582)	(43,063)	(3,780)
Other income	15,227	94,906	126,531	52,692	153,425	13,611	456,392
Investment income	15,187	94,658	126,200	52,554	153,024	13,575	455,198
Sundry income	40	248	331	138	401	36	1,194
Other expenditure	(512)	(3,191)	(17,455)	(1,771)	(21,168)	(1,878)	(45,975)
Asset management fees	(512)	(3,191)	(4,252)	(1,771)	(5,159)	(458)	(15,343)
Interest paid on Personal Medical Savings Account monies	–	–	(13,203)	–	(16,009)	(1,420)	(30,632)
Net surplus/(deficit) for the year	49,410	219,750	295,343	(5,211)	(121,326)	(31,329)	406,637

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

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

2020	Bankmed Essential Plan R'000	Bankmed Basic Plan R'000	Bankmed Core Saver Plan R'000	Bankmed Traditional Plan R'000	Bankmed Comprehensive Plan R'000	Bankmed Plus Plan R'000	Consolidated R'000
Risk contribution income	65,770	704,595	1,031,897	748,454	2,112,237	286,991	4,949,944
Relevant healthcare expenditure	(25,717)	(449,673)	(676,202)	(692,690)	(1,986,165)	(285,632)	(4,116,079)
Net claims incurred	(20,380)	(413,158)	(639,572)	(678,013)	(1,941,816)	(281,101)	(3,974,040)
Risk claims incurred	(20,447)	(414,593)	(641,788)	(680,372)	(1,948,613)	(282,080)	(3,987,893)
Third party claim recoveries	67	1,435	2,216	2,359	6,797	979	13,853
Managed care: management services	(4,323)	(27,401)	(36,492)	(14,815)	(45,035)	(4,606)	(132,672)
Net income on risk transfer arrangements	(1,014)	(9,114)	(138)	138	686	75	(9,367)
Risk transfer arrangements premiums paid	(4,756)	(142,452)	(5,675)	(3,279)	(10,867)	(1,029)	(168,058)
Risk transfer arrangement recoveries	3,742	133,338	5,537	3,417	11,553	1,104	158,691
Gross healthcare surplus/(deficit)	40,053	254,922	355,695	55,764	126,072	1,359	833,865
Administration fees	(7,292)	(46,224)	(56,693)	(23,798)	(69,566)	(6,185)	(209,758)
Administration expenditure	(1,103)	(8,322)	(10,311)	(4,468)	(12,773)	(1,173)	(46,909)
Non-accredited managed care costs	–	–	(3,290)	(1,854)	(5,414)	(334)	(10,892)
Net impairment loss on insurance receivables	(63)	(477)	(788)	(335)	(978)	(87)	(2,728)
Net healthcare surplus/(deficit)	31,595	199,899	284,613	25,309	37,341	(6,420)	563,578
Other income	5,026	31,328	41,767	17,393	50,645	4,493	150,652
Investment income	4,938	30,777	41,032	17,087	49,754	4,414	148,002
Sundry income	88	551	735	306	891	79	2,650
Other expenditure	(440)	(2,743)	(21,634)	(1,523)	(26,233)	(2,327)	(54,900)
Asset management fees	(440)	(2,743)	(3,658)	(1,523)	(4,436)	(393)	(13,193)
Interest paid on Personal Medical Savings Account monies	–	–	(17,976)	–	(21,797)	(1,934)	(41,707)
Net surplus/(deficit) for the year	36,181	228,484	304,746	41,179	61,753	(4,254)	668,089

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

13 NON-COMPLIANCE MATTERS

During 2021, the Scheme did not comply with the following Sections and Regulations of the Act.

Sustainability of benefit plans

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred net healthcare deficits for the year ended 31 December 2021, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes of failure

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

Corrective action

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

Contributions received after due date

Nature and impact

Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2021, which is in contravention of Section 26(7) of the Act.

Causes of failure

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

Corrective action

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

Investments in participating employers

Nature and impact

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

Causes of failure

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

Corrective action

The Scheme applied to the Council for Medical Schemes (CMS) for the renewal of the exemption from this section of the Act and is awaiting a response from CMS.



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

13 NON-COMPLIANCE MATTERS (continued)

Investments in any administrator

Nature and impact

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

Causes of failure

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

Corrective action

The Scheme applied to the Council for Medical Schemes and received an exemption from this section of the Act. The exemption granted is effective 1 December 2019 to 30 November 2022.

Claims paid in excess of 30 days

Nature and impact

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

Causes of failure

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

Corrective action

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

Prescribed minimum benefits

Nature and impact

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

Causes of failure

During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

Corrective action

The Scheme has aligned its interpretation of prescribed minimum benefits with CMS's interpretation, and affected claims have been reprocessed to ensure correct payment.

Disclosure of personal information

Nature and impact

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

Causes of failure

During the year under review 3,035 Bankmed members' confidential claims information were emailed to unintended 3rd parties. This was caused due to a system error that populated incorrect email addresses to statements.

Corrective action

The system error was subsequently corrected and all affected parties were issued apology letters incorporating all the POPIA requirements.



NOTES TO THE SUMMARISED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

14. CHANGE IN THE ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH FLOWS

PREVIOUSLY PRESENTED	2020
	R'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Cashflows generated from operations before working capital changes	
Net surplus for the year	668,089
Adjustments for:	
- Depreciation	187
- Increase in outstanding risk claims provision	(17,138)
- Dividend income	(38,570)
- Interest income	(159,673)
- Net return on Personal Medical Savings Account monies invested	41,707
- Net fair value losses on investments at fair value through profit or loss	50,241
- Asset management fees	13,193
- Decrease in post retirement medical aid benefit liability - staff cost	(302)
Cash generated from operations before working capital changes	557,734
Working capital changes	
- Decrease in insurance and other receivables	8,216
- Increase in insurance and other payables	38,931
- Increase in Personal Medical Savings Account monies	108,911
Cash generated by operations	713,792
Interest received	21,075
Interest paid on Personal Medical Savings Account monies	(41,707)
Net cash generated from operating activities	693,160
Cash flows from investing activities	
Purchase of equipment	(150)
Proceeds on disposal of Financial assets at fair value through profit or	4,990,392
Acquisition of Financial assets at fair value through profit or loss	(5,838,152)
Net cash utilised in investing activities	(847,910)
Net decrease in cash and cash equivalents	(154,750)
Cash and cash equivalents at the beginning of the year	227,975
Cash and cash equivalents at the end of the year	73,225



BANKMED TRUSTEE FEE POLICY

Incorporating Independent Committee Members

1. OBJECTIVES OF THE POLICY

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

2. SCOPE

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

3. PRINCIPLES

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

3.1. Remuneration stance

Bankmed wishes to remunerate its member-elected and employer-appointed trustees for their contribution to the Board and its various committees. This will include independent committee members serving on any committee of the Board.

Employer-appointed trustees may elect not to receive the fee in their personal capacity. In this event, the fee shall either be waived in writing or paid to the respective employer organisation, as directed by the trustee.

3.2. The quantum of the fee

In setting the quantum of the fee Bankmed acknowledges:

- That the role of the trustee is akin to that of a non-executive director. This means that the role of the trustee is primarily one of strategic oversight dealing with long term sustainability issues. The normal role of the trustee is therefore to provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and plans devised by the executive team. Trustees should not be treated as employees with a 'portfolio' of day-to-day responsibilities for the Scheme;
- Trustees carry personal liability for the oversight role of the Scheme;
- That, as a medical scheme, Bankmed has a non-profit motive; and
- The public interest of providing affordable healthcare.

3.3. Differentiating the fee

Fees will typically vary according to the responsibility of the trustee or committee member. Fees for the Board chair and the committee chair will therefore carry a premium over an ordinary member's fee.

4. THE FEE STRUCTURE

- 4.1. The fee will comprise of an attendance fee per scheduled meeting attended as per the sign-on register.
- 4.2. Persistent late coming and tardiness shall, at the discretion of the chair, result in non-payment, or pro-rata payment of the meeting fee. Disqualification of attendance fees shall be based on the holistic performance of the trustee, as determined by the chair from time to time.
- 4.3. A fee will not be paid for non-attendance.
- 4.4. The fee shall be payable within 10 days of the meeting subject to the timely receipt of evidence of attendance (signed attendance register).
- 4.5. The proposed fees for the forthcoming year/cycle are set out in Appendix A.

5. SCHEDULED MEETINGS

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

6. EXPENSES

- 6.1. Trustees shall be reimbursed for all reasonable expenses incurred by them for attendance at the meetings, the annual strategy session, and the AGM.



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

7. TAXATION

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

8. CONSULTING SERVICES

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

9. CONFERENCES, WORKSHOPS AND TRAINING EVENTS

Fees shall not be payable for attendance at conferences, over and above the conference cost as well as accommodation where applicable.

Trustees would be paid up to a maximum of three (3) days for the Annual Strategic Planning Workshop. For other workshops and/or training, trustees would be paid at the latest hourly flat rate, for a maximum of two (2) workshops per annum, for a maximum of six (6) hours per workshop.

10. ANNUAL GENERAL MEETING

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

11. REVIEW OF FEES

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

12. MONITORING AND REVIEW OF THE POLICY

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



ANNEXURE A: BANKMED TRUSTEE REMUNERATION FOR 2020/2021

Bankmed Board of Trustee fees per meeting:

BOARD	FEE PER MEETING 2020/2021	FEE PER MEETING 2021/2022 (BASED ON A 4% INCREASE, ROUNDED)
Chairman	R 31 300	R 32 500
Vice Chairman	R 23 500	R 24 400
Other Members	R 15 700	R 16 300

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

COMMITTEE	FEE PER MEETING 2020/2021	FEE PER MEETING 2021/2022 (BASED ON A 4% INCREASE, ROUNDED)
Chairman	R 19 400	R 20 200
Other Members	R 9 800	R 10 200

Independent Audit Committee members:

COMMITTEE	FEE PER MEETING 2020/2021	FEE PER MEETING 2021/2022 (BASED ON A 5% INCREASE, ROUNDED)
Chairman	R 19 400	R 20 400
Other Members	R 9 800	R 10 300

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

Fees payable for ad-hoc tasks:

For ad hoc tasks or deliverables that require attendance by Board or committee members, a fee shall be paid at a flat rate of R 2 700 per hour across the board, with a maximum cap of 6 hours. The R2 700 is based on the current fixed fee per meeting, for an ordinary Board member, of R16 300, divided by 6 hours (and rounded off to R2 700).

Any Independent Committee Member, requested to attend the AGM, shall be paid at the ad-hoc rate.

ANNEXURE B: CORE MEETINGS PER ANNUM

COMMITTEE	NUMBER OF CORE MEETINGS
Board of Trustees	7*
Audit Committee	4
Remuneration Committee	3
Risk Management Committee	4
Investment Committee	4

* Board = 4
 Strategy = 1
 Benefit Design = 2 max





www.bankmed.co.za



0800 Bankmed (0800 226 5633)



<http://www.facebook.com/BankmedSA/>



http://twitter.com/Bankmed_SA



<https://www.linkedin.com/company/bankmed-medical-scheme/>



Instagram

