WCMAS
Our members Our passion
Witbank Coalfields Medical Aid Scheme

2021

ANNUAL REPORT

"Happiness lies first of all in health"

George William Curtis

Contents

2021 Performance Snapshot

24 500
total beneficiaries

9 397
principal members

29
average beneficiary age

4.9%
pensioner ratio

2.6
average family size

30.8%
chronic disease prevalence

4 568
hospital cases authorised

51 937
items of medicine processed

R428 399 910
claims paid

R66 707 766
COVID-19 expenditure

3 887
no. of COVID-19 positive beneficiaries

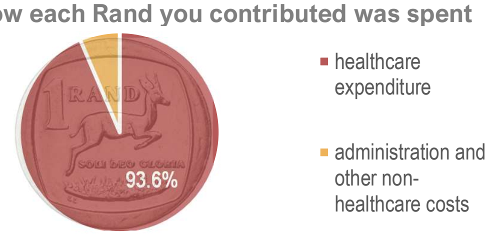
349
no. of COVID-19 hospital admissions

5 331
no. of COVID-19 vaccines funded

R639 092 080
in reserves

97.7%
solvency ratio

how each Rand you contributed was spent



Report of the Board of Trustees

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

1. ABOUT THE WITBANK COALFIELDS MEDICAL AID SCHEME ('WCMAS')

The Witbank Coalfields Medical Aid Scheme (WCMAS) is a non-profit, restricted membership, self-administered medical aid scheme governed by the Medical Schemes Act of South Africa, as amended, (the Act) and is regulated by the Council for Medical Schemes. It has been serving its members, associated employer groups and the coal mining industry, for over 80 years.

WCMAS originated from the amalgamation of a number of "medical clubs" operated by some of the Coal Mines in the Witbank area. These "medical clubs" date back to the early 1920's and mainly offered their members hospital benefits for a monthly membership fee. In 1935, these "medical clubs" amalgamated and formed the Witbank Coalfields Benefit Society (WCBS), a non-profit organisation offering its members medical cover mainly through a panel doctor system. With the development in the coal mining industry the Scheme flourished and in 1976 it changed from a benefit society to a medical aid scheme, offering members a wide range of benefits at service providers of their choice.

Serving a niche market and being managed by a Board of Trustees representing major stakeholders and members, the Scheme has designed cover to meet both the healthcare and affordability needs of a broad spectrum of coal mining employees to provide value that significantly surpasses that which can be offered by most open schemes. This superior product set is underpinned by personalized service from a regional operations team who understand the coal mining industry and the eMalahleni region. The Scheme has robust reserves, making WCMAS a solid and trusted medical scheme for the coal mining industry.

2. BENEFIT OPTIONS

The Scheme's benefit options remained largely unchanged during the 2021 year, except some enhancements made to the Ntsika option in line with the needs indicated by our members for additional maternity care and appliance benefits.

The Scheme's Comprehensive option provides complete peace of mind benefits at competitive rates. Contributions are linked to the income levels of members which allows for better cross subsidization of continuation members who retire on the option. The day to day component of cover is funded largely by a Medical Savings Account (MSA) accumulating at 25% of contributions. Savings not used are carried forward to the next benefit year. Comprehensive is by far the option of choice for WCMAS members and contributes 71% (2020: 69%) of the Scheme's total membership.

The Ntsika option was launched in 2017 to provide lower earning employees an affordable primary care focused insurance option. Members make use of private healthcare facilities of their choice within the Ntsika network, which is managed by Universal Health. Day to day expenditure focuses largely on primary care and is funded from insured benefits. Contributions are based on income, with the lowest premium being R950 per member per month. Members would be hard pressed to find a similar option at such low premiums. The option is the Scheme's second largest benefit option with 26% of the Scheme's membership.

The Scheme launched the Midmas option in 2017. This option allows for middle-range in hospital benefits and a discretional MSA for day to expenditure at 18% of contributions. Membership on this option remains relatively low with only 309 members but has grown by 28% compared to prior year.

3. MEDICAL SAVINGS ACCOUNTS

Witbank Coalfields Medical Aid Scheme provides personal medical savings account options through the Comprehensive and Midmas options. The savings plan was established to meet future day-to-day healthcare costs not fully covered by the risk pool.

Personal medical savings are managed on the members' behalf in terms of the Scheme rules and the Medical Schemes Act, as amended. Unexpended savings amounts are accumulated for the long-term benefit of the member and interest is accumulated on the effective interest method. The liability to the members in respect of the savings plan is reflected as a current liability in the financial statements, in terms of Regulation 10. In terms of the rules of the Scheme, the Scheme carries some risk relating to forward allowance of savings account utilisation.

Savings contributions are refundable when a member enrols in another benefit option or another medical scheme without a personal medical savings account, or does not enrol in another medical scheme, and the accumulated unutilised personal medical savings account balance will be transferred to the member in terms of the Scheme's rules.

4 SCHEME MANAGEMENT AND THIRD PARTY SERVICE PROVIDERS

4.1 Trustees in office during the year under review:

Member elected

JC de Carvalho	Re-elected 26/10/2021
KL Leripa	Re-elected 26/10/2021
RV Mnguni	Elected 26/10/2021
MBL Modise	
MH Pearson	Term of office expired 26/10/2021
R Prinsloo	
M Wenum	Elected 26/10/2021

Employer appointed

AR Bates (alternate to HG Schoeman and S Viljoen)	Glencore	Appointed 15/12/2021
M Dugmore (Vice-chairman)	Thungela	Re-appointed 26/10/2021
OA Maritz (Chairman)	Thungela	Re-appointed 26/10/2021
TM Masike	Seriti	
JT Musie (alternate to M Dugmore)	Thungela	Appointed 26/10/2021
Z Nkozi (alternate to HG Schoeman and S Viljoen)	Glencore	Term of office expired 26/10/2021
N Pitjeng	Seriti	Appointed 26/10/2021
HG Schoeman	Glencore	Re-appointed 26/10/2021
S Seakamela (alternate to OA Maritz)	Thungela	Appointed 26/10/2021
S Viljoen	Glencore	Re-appointed 26/10/2021

Non-voting stakeholder representatives invited to observe Board of Trustee meetings during the year under review:

E Buthelezi	NUM
S Matthews	SACMA
A Mazibuko	NUM

4.2 Principal Officer

MA Anthony	Acting

4.3 Registered Office and Postal Address

WCMAS Building
Corner OR Tambo Road and Susanna Street
eMalahleni

PO Box 26
eMalahleni
1035

4.4 Actuaries

3One Consulting Actuaries
52 Grosvenor Road
Bryanston
Sandton

4.5 Administration

WCMAS was self-administered for this financial year ending 31 December 2021.

Select administration functions and network management for the Ntsika option:
Universal Healthcare Administrators (Pty) Ltd
Universal House
15 Tambach Road
Sunninghill Park
Sandton

IT support and infrastructure:
RiskCede Solutions (Pty) Ltd
18C Garsfontein Office Park
45 Jacqueline Road
Garsfontein

4.6 Managed Healthcare

Universal Care (Pty) Ltd
Universal House
15 Tambach Road
Sunninghill Park
Sandton

Performance Health (Pty) Ltd
10 Kikuyu Road
Sunninghill
Sandton

ER24
371 Rivonia Boulevard
Sandton

Non-accredited managed healthcare services were provided by Medikredit:
Medikredit Integrated Healthcare Solutions (Pty) Ltd
10 Kikuyu Road
Sunninghill
Sandton

4.7 Asset Managers

Aluwani Capital Partners
Aluwani House
24 Georgian Crescent East
Bryanston East
Johannesburg

Coronation Fund Managers
7th Floor
MontClare Place
Cnr Campground & Main Road
Claremont
Cape Town

NinetyOne Investment Managers
100 Grayston Drive
Sandown
Sandton

M&G Investments
Formerly Prudential Investment Managers
Loft Offices East
31 Tyrwhitt Avenue
Rosebank
Johannesburg

4.8 Investment manager

Willis Towers Watson
Illovo Edge
1 Harries Road
Illovo
Sandton

4.9 Auditors

PricewaterhouseCoopers Inc
WCMAS Building
Cnr Susanna and OR Tambo
Emalahleni
Mpumalanga

4.10 Principal Bankers

Nedbank Limited

5 CORPORATE GOVERNANCE

The WCMAS Board of Trustees is committed to the principles and practice of fairness, responsibility, transparency and accountability in all dealings with its stakeholders. The Board of Trustees is also fully committed to, and has applied, the Principles and the Code of Corporate Practices and Conduct as set out in the King Report on Governance where applicable to Medical Schemes.

5.1 Board of Trustees

The Board of Trustees comprises at least 10 members, fifty percent of whom are appointed by participating employer groups and fifty percent who are nominated and elected by the members of the Scheme. All trustees serve a two-year period of office with a recommended maximum of three successive terms. This is in accordance with the provisions of the Medical Schemes Act of South Africa, as amended, and the Rules of the Scheme. All changes to the Board of Trustees are noted in 4.1 of this report.

The Board of Trustees met regularly and critically monitored the performance of the management of the Scheme. The Board of Trustees addressed a range of key issues and ensured that discussion on items of policy, strategy, risk management and service delivery were informed and constructive. To assist in the performance of their duties, the Board of Trustees received actuarial and legal advice from experienced and well-qualified consultants. All Trustees have access to the advice and services of the Principal Officer and when required may seek independent professional advice at the expense of the Scheme. The Principal Officer and Fund Manager attend all meetings of the Board of Trustees.

5.2 Committees of the Board of Trustees

The Board of Trustees has established sub-committees to assist it in its duties. All committees meet regularly and consist of both Trustees and non-trustee members who have been appointed for their skills relating to the responsibilities of each committee. Each committee is mandated by the Board of Trustees by means of a written charter as to its membership, authority and duties. The Principal Officer and Fund Manager attend all committee meetings.

5.3 Audit and Governance Committee

The Scheme has an established Audit Committee, which was set up in accordance with Section 36 of the Act. The Committee consisted of six members during the year, two of whom are members of the Board of Trustees. The chairman of the Committee may not be a trustee. Representatives of Scheme management and the auditors attend meetings, by invitation. The Principal Officer, external auditors and the Scheme management have unrestricted access to the Chairman of the Committee.

In accordance with the provisions of the Act, the primary functions and responsibilities of the Committee are to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the Committee on significant findings regarding accounting matters and any significant internal control deficiencies arising from the auditing activities.

The Committee Chairman provides a verbal report on the Committee's work to the Board of Trustees after each Audit and Governance Committee meeting.

The report of the Audit and Governance Committee is presented on page 26 of the Annual Report.

The audit and governance committee comprised of the following members during the year under review:

AJ de Klerk	Chairman from 26/10/2021	Non-trustee member
M Wenum	Chairman until 25/10/2021	Non-trustee member until 25/10/2021
RC Joseph		Non-trustee member
OA Maritz		Trustee member
A Nienaber		Non-trustee member
MH Pearson		Trustee member until 25/10/2021
NM Prinsloo		Trustee member appointed 08/12/2021

5.4 Investment Committee

The Investment Committee is mandated to manage the Scheme's investments in line with its stated investment objectives and strategy, as approved by the Board of Trustees. The Scheme's investment objectives are to maximize the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration the constraints imposed by legislation and the strategies of the Board of Trustees with the following mandate:

- achieve a return that exceeds consumer price inflation ("CPI") by 3.0% per annum (net of fees) over a three year period,
- capital preservation over a 12 month period;
- investments are only made in highly rated institutions with moderate risk; and
- investments are made in compliance with the regulations of the Act.

The Committee consisted of four members, two of whom were members of the Board of Trustees. Representatives of Scheme management and the asset managers attend meetings, by invitation. The investment committee comprised of the following members during the year under review:

OA Maritz	Chairman	Trustee member
RC Joseph		Non-trustee member
A Nienaber		Non-trustee member
MH Pearson		Trustee member until 25/10/2021

The Committee Chairman provides a verbal report on the Committee's work to the Board of Trustees after each Investment Committee meeting.

5.5 Remuneration Committee

The committee's primary objective is to develop, manage and monitor all remuneration and remuneration related matters by recommending appropriate remuneration values and strategies to the Board of Trustees for approval, and by so doing, to ensure the objectivity and credibility of the remuneration and bonus system (staff only), for the Board of Trustees, sub-committees, Principal Officer and other members of management and staff.

The committee consisted of three members who do not receive remuneration for attending meetings. These committee members were all members of the Board of Trustees. The remuneration committee comprised of the following members during the year under review:

M Dugmore	Chairman	Trustee member
OA Maritz		Trustee member until 20/05/2021
TM Masike		Trustee member
S Viljoen		Trustee member from 21/05/2021

5.6 Disputes Committee

The committee consisted of three members. The members are not members of the Board of Trustees and only meet when a dispute arises that necessitates their meeting. The disputes committee comprised of the following members during the year under review:

M Botha	Non-trustee member
F Kruger	Non-trustee member
E Wiese	Non-trustee member

5.7 Review Committee

The committee is comprised of the Chairpersons of each subcommittee as well as an Investment Committee representative. The Committee's primary objective is to review the skill and functioning of the Board, its sub-committees and the Principal Officer, including fit and proper assessments, office duration, succession planning, meeting attendance and overall performance evaluation.

The review committee comprised the following members during the year under review:

OA Maritz	Chairman	Chairman of the Board of Trustees
M Dugmore		Chairman of the Remuneration Committee
M Wenum		Chairman of the Audit and Governance Committee
RC Joseph		Investment Committee representative

5.8 Attendance of Board and Committee Meetings

	Board of Trustees	Audit and Governance Committee	Investment Committee	Remuneration Committee	Review Committee
Number of meetings	**19**	**4**	**4**	**-**	**1**
OA Maritz (Chairman)	16	3	3	-	1
M Dugmore (Vice-chairman)	17	-	-	-	1
JC de Carvalho	18	-	-	-	-
KL Leripa	3	-	-	-	-
RV Mnguni[1]	3	-	-	-	-
MBL Modise	14	-	-	-	-
MH Pearson[2]	14	4	4	-	-
R Prinsloo	15	-		-	-
M Wenum[1]	6	3	-	-	1
TM Masike	9	-	-	-	-
N Pitjeng[3]	4	-	-	-	-
HG Schoeman	15	-	-	-	-
S Viljoen	17	-	-	-	-
AR Bates (Alternate to H Schoeman & S Viljoen)[4]	0	-	-	-	-
JT Musie (Alternate to M Dugmore)[3]	0	-	-	-	-

	Board of Trustees	Audit and Governance Committee	Investment Committee	Remuneration Committee	Review Committee
Number of meetings	**19**	**4**	**4**	**-**	**1**
Z Nkozi (Alternate to H Schoeman & S Viljoen)[2]	1	-	-	-	-
S Seakamela (Alternate OA Maritz)[3]	0	-	-	-	-
E Buthelezi (NUM representative)	0	-	-	-	-
S Matthews (SACMA representative)	8	-	-	-	-
A Mazibuko (NUM representative)	9	-	-	-	-
J de Klerk	5	3	-	-	-
RC Josephs	1	4	3	-	-
A Nienaber	5	2	2	-	1

[1] Elected on 26 October 2021
[2] Term of office expired on 25 October 2021
[3] Appointed on 26 October 2021
[4] Appointed on 15 December 2021

5.9 Trustees' and Committee Members' Remuneration

The members of the Board of Trustees and Committee have been remunerated for services rendered to the Scheme on the basis of expertise, skills and time needed to serve as a Trustee or Committee member. The Scheme's Remuneration committee was tasked with implementing a remuneration philosophy and policy for the Trustees and officers of the Scheme, which is approved by the members at the Annual General Meeting. Not all Trustee and Committee members exercise their right to remuneration due to alternative arrangements with their employers. Trustee and Committee member remuneration is disclosed in note 16 to the Annual Financial Statements.

6 STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS

We engage with stakeholders to create an effective network that benefits all. The network ultimately supports members as our first priority. We aim to resolve a member query at the first point of contact.

Our network relies on the Scheme's human resources, outsourced partners such as our IT service provider and managed care organisation and the sub-contractor for administration on the Ntsika option. Each is tasked with supporting and engaging with various stakeholders as and when a query arises. These are captured as operating procedures and are governed by Service Level Agreements (SLAs) with partners and service providers. Escalating a matter to the Scheme is defined in SLAs. Service providers send the Scheme monthly reports to highlight engagement interactions and matters of concern.

Internal stakeholder escalation processes allow for matters to be communicated to the relevant executives. They ensure that monthly reports to the Board highlight material stakeholder concerns.

6.1 Engagement Topics

Key stakeholder	Typical frequency of interaction	Methods of engagement	Summary of concerns and needs arising from interactions	Scheme response
Universal Care	Weekly/ monthly/ quarterly	- Management meetings - Written reports - Feedback presentations - Ad hoc meetings	- COVID-19 management - Healthcare expenditure - Fraud, waste and abuse exposure - Managed healthcare value realization	- Regular reviews against the budget and market trends (benchmarks) - Reviews to ensure members on managed care programs are compliant with their care plans
Performance Healthcare	Weekly/ monthly/ quarterly	- Management meetings - Board meetings - Ad hoc meetings	- COVID-19 management - Healthcare expenditure	- Regular reviews against the budget and market trends (benchmarks)
Riskcede Solutions	Weekly/ monthly/ quarterly	- Management meetings - Ad hoc meetings	- Data and integration management - IT governance and controls monitoring	- Appointment of an IT Officer for additional oversight - Initiated migration off of the Scheme's in-house administration software to a third party support licensed system. - Regular reviews against IT governance and controls frameworks
Universal Health Administrators	Weekly/ monthly/ quarterly	- Management meetings - Board meetings - Ad hoc meetings	- Member interactions via call centre - Member dissatisfaction with network and/or benefits	- The scheme appointed onsite consultants for its large employer group sites to provide additional client service to members in person - The scheme made several enhancements to its Ntsika option benefits and extended the allowed number of appointed GPs per member.
Willis Towers Watson	Monthly/ quarterly	- Investment committee meetings	- Global financial crisis - Market trends/outlook - Strategic asset allocation - Investment strategy - Asset manager performance	- Asset manager review

Key stakeholder	Typical frequency of interaction	- Methods of engagement	- Summary of concerns and needs arising from interactions	- Scheme response
3One Actuaries and Consultants	Monthly/ quarterly	- Management meetings - Board meetings	- Value optimization of benefit design - Product comparison - COVID-19 responses and economic impact - Market trends - Healthcare expenditure	- Review of scheme pricing and benefit design - Review of scheme reserves - Competitor reviews - Macro environment analysis - Regular reviews of healthcare expenditure against budget and market trends - Review of scheme reserves
Members	Daily/ Weekly/ Monthly	- Onsite consultants - Walk-in centre - Telephone - Email - SMS - Webiste	- COVID-19 information - and support - Vaccine information and support - Contribution relief measures - Understanding of benefits - Finding a network provider - Claims not paid	- Website information on COVID-19 - Continuous training of officials who engage with members - Communication on reasons for short or non-payment of claim - Communication and implementation of contribution relief measures to members in need
Regulators and Government	Ad hoc	- Formal correspondence - Circulars	- Requests for data/ information - Changes in processes	- Collaboration and engagement - Compliance and adherence

6.2 CMS Inspection Update

In 2020 the Council for Medical Schemes, commissioned an investigation into the Scheme's governance in terms of section 44(4)(a) of the Medical Schemes Act. The Regulator recommended the appointment of a Statutory Manager in terms of section 5A of the Financial Institutions (Protection of Funds) Act, 28 of 2001.The Scheme have agreed to such appointment and await the selection by the Regulator of a suitable person.

The inspections itself and the appointment of a Statutory Manager does not impact the members directly. However, the Scheme may be held liable for the costs should the Registrar exercise its discretion as such.

6.3 Industry Trends Impacting the Scheme

COVID-19 amplified the global struggle countries face to offer affordable healthcare and make it accessible to all citizens. Countries with very low population growth and strong stable economic growth seem to be the only success stories in providing healthcare that is accessible, affordable and of a high quality.

South Africa has additional challenges, including low economic growth, rising unemployment, a looming debt crisis and pervasive corruption. According to the IMF, South Africa's general gross debt is 78.8% of GDP and expected to peak at 87.3% in the next five years. Without the necessary fiscal consolidation, government will not be able to make critical investments in infrastructure, health, education and social protection.

Bleak economic forecasts mean that the vast gap between rich and poor will remain particularly evident in our industry: many urbanised cities are faced with an oversupply of healthcare services while remote, rural areas have only limited access to healthcare facilities.

According to the Health Market Inquiry in 2019, the South African private healthcare market is characterised by the rising cost of healthcare and medical scheme cover, with significant overuse, without stakeholders having been able to demonstrate associated improvements in health outcomes.

With the ongoing challenges within the public healthcare system, the uncertainties around National Health Insurance, and the demarcation between insurance and medical aid products, it is important for the Scheme to define its future role in a dynamic environment.

The coalmine landscape is changing which could lead to changes in mine ownership and operations. Coal industry developments are carefully monitored through employer group and industry representation bodies participation in Board and Strategic Planning meetings.

The Scheme responds to external trends and their related risks and opportunities through the following strategic business objectives:

- To provide a variety of diverse and cost-effective benefit options to members of the Scheme at affordable contributions.
- To carefully manage the funds and reserves to keep required contribution increases as low as possible in order to remain sustainable and viable.
- To carefully monitor industry movements and competitors to ensure the Scheme remains relevant and a Scheme of choice
- To carefully manage the membership pool to ensure enough members with a healthy risk profile to enable cross subsidisation within the risk pool.

7 RISK MANAGEMENT

The Board of Trustees understand the importance of sound risk management and are committed to the principles of ethical leadership and good corporate governance to protect the Scheme and to ensure the sustainability of its operations. The Board of Trustees review the risks facing the Scheme on a regular basis to manage the risks insofar as it is within their control.

In developing the strategies of the Scheme, the major inherent risks identified are:

- Member retention;
- Regulatory change;
- Fees charged for Prescribed Minimum Benefits;
- Each benefit option not being financially sound to the extent that it would jeopardise the Scheme;
- Performance of service providers; and
- Significant changes to the membership’s health profile.

The Board of Trustees believe that adequate controls are in place to manage the above risks.

7.1 Drivers of Change within the Medical Schemes Industry and Emanating Emerging Risks

The most significant drivers of change that are expected to impact the Scheme are:

- COVID-19 impact on medical scheme sustainability
- Accelerated industry consolidation
- Changing private hospital market dynamics
- Preparing for a new healthcare financing system

COVID-19 impact on medical scheme sustainability

General areas of concern triggered by COVID-19 that potentially impact medical schemes' sustainability include:

- Investments and economic growth: South Africa's sovereign credit rating was downgraded to sub-investment grade status with a negative outlook by the Moody's and Fitch ratings agencies in 2020. South Africa's real GDP has been low for a number years and contracted during 2021. The country also experienced significant civil unrest during the year. The Zondo Commission of Inquiry reports released speak of large-scale corruption within public institutions. Analysts expect a weakening of South Africa's fiscal position and an increase in the unemployment rate over the next five years which may affect employer groups and member participation on the Scheme.
- Claims expenditure: while some categories such as in-hospital admissions experienced a major decline, with a high number of elective surgeries cancelled, there was a marked increase in medicine claims and costs. Furthermore, underservicing could lead to higher downstream healthcare costs over the long term.
- Vaccination logistics and cost: the centralization by the Department of Health for the securing, funding and distribution of vaccines as part of a comprehensive and inclusive vaccination plan hampered medical schemes' ability to plan and budget. Government announced a single exit price for vaccines at a cost high enough to subsidise multiple doses in order to give effect to a public private co-funding in which private healthcare users indirectly subsidise public healthcate users. Tthose in the public sector. The entire treatment process for COVID-19 has been added to the PMB list, the implication of which is that medical schemes are required to fund these claims at cost prescribed by the service provider. that this expenditure must be reimbursed by medical schemes at cost. The effectiveness of vaccines and general uptake may have a significant impact on reserves.
- Additional emerging risks emanating from the epidemic include:
  - Business continuity
  - People and skills availability
  - Cyber risk due to increase of remote workers in the industry
  - Supplier-induced demand for elective surgery
  - Mental health concerns

Accelerated industry consolidation

The consolidation of medical schemes is anticipated to take place at a faster rate than is currently the case, driven by administrators. The latter are prompting this by assisting schemes with amalgamations and by awarding tenders for the administration of specific schemes.

Medical schemes compete in an environment characterised by an incomplete regulatory framework that distorts the parameters of competition. The HMI report stated, for example, that medical schemes increasingly compete on the risk profiles of their members. This is due to the absence of a risk adjustment mechanism, and the requirement for schemes to pay PMBs at cost.

Due to the small number of administrators in South Africa, medical schemes have limited options to change administrators. This also means that schemes tend to carry more healthcare risk, taking into account the increase in communicable diseases, ageing members and a reducing market pool in the private healthcare sector. As the cost of healthcare rises, smaller schemes with good risk profiles and/or high reserves may see increased attention for amalgamation.

Changing private hospital market dynamics

The supply side of the market is largely unregulated, with negative consequences for competition and for the consumer. The Health Market Inquiry recommended the establishment of a supply-side regulator for health to ensure a new needs-based system of licensing that would be more rational, effective, inclusive, and oriented to promote innovation. Such licensing would also be applied consistently across all provinces, with the aim of balancing capacity across the country by reducing or redirecting selective overcapacity and overinvestment to areas with lower capacity, which could contribute to curbing excessive utilisation.

Capacity constraints during COVID-19, including the need to apply temporary capacity diverts, resulted in public and private hospitals working together and co-operating successfully. Increased sharing of information and resources towards a common goal may pay the way for effective universal healthcare.

Preparing for a new healthcare financing system

South Africa is preparing for a healthcare future based on the principles of universal health coverage and the proposed NHI. The NHI aims to create a health financing system that is designed to pool funds to provide access to quality affordable personal health services for all South Africans based on their health needs, irrespective of their socioeconomic status. Delays due to the vast number of submissions to the NHI bill, and lack of clarity on level of centralization, scope of service and funding meant continued high levels of uncertainty for stakeholders.

To enable the NHI, medical schemes must be empowered to assist administratively, but also to absorb some of the risk and burden that will lie with the NHI in respect of members of medical schemes. This will protect the funds to be deployed in the procurement of healthcare services from unnecessary exploitation through duplication of administrative functions.

Lessons learnt from the COVID-19 pandemic are likely to help shape the NHI. New partnerships and forced collaboration between the public and private sector laid a foundation for implementation in the current fragmented and complex system. Infectious disease is now regarded as the top global risk according to impact by the World Economic Forum and therefore is likely to significantly inform future healthcare systems and policy.

7.2 Management of Insurance Risk

The primary insurance activity carried out by the Scheme is that of assuming the risk of certain claims costs from members and their dependants as these directly relate to their health. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme managed its medical insurance risk through benefit limits and sub-limits, approval procedures for transactions that involved pricing guidelines, pre-authorisation and case management, negotiations with all major service providers, centralised management of risk transfer arrangements as well as the monitoring of emerging issues.
The Scheme uses several methods to assess and monitor medical insurance risk both for individual types of risks and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing.

The Scheme's affairs are governed by a set of rules, registered with the Council for Medical Schemes, which set out the benefits provided by each option and the definition of the restricted membership group.

Benefits provided include the following:

- In-hospital benefits cover costs incurred by members, whilst they are in hospital;
- Chronic disease benefits cover medication and consultations on all options. Disease management programmes have been designed to assist, educ ate and support members in managing their chronic illness;
- Day-to-day benefits cover the cost of out-of-hospital medical attention, such as visits to general practitioners and dentists as well as a cute and over-the-counter medicines, subject to the benefit limits and Scheme tariffs contained in the Rules of the Scheme; and
- Other benefits such as the Scheme's disease management programmes, preventative wellness benefits and external appliances are available.

The Scheme has the right to change the terms and conditions of the contract in terms of the Scheme Rules. Management information, including contribution income, expenditure and claims ratios by option, is reviewed monthly.

8 REVIEW OF THE YEAR'S ACTIVITIES

8.1 Operational and Financial Overview

WCMAS ended 2021 with a larger than budgeted operating surplus for the second year running. Although COVID-19 induced severe capacity constraints in the healthcare system, the hiatus in all other areas of healthcare decelerated a long-term trend towards overuse and medical cost inflation. This occurred against an economic backdrop of market volatility, record low interest rates, rising unemployment and declining incomes.

The significant surplus capacity was systemic within the healthcare industry. Hospitals avoided elective procedures to safeguard their capacity to deal with COVID-19. Members preferred to delay physical interaction with providers and facilities to avoid the risk of infection. The combination of these factors led to lower claims in an environment where the Scheme actively continued to manage costs, promote managed care and supervise investment performance.

Our challenge now is to make meaningful strategic decisions about current reserves in the interests of our members, while facing significant uncertainty, especially in terms of the impact of future COVID-19 surges and the efficacy of existing vaccines against new variants.

8.1.1 Membership

Scheme membership averaged 9,397 principal members and 24,500 beneficiaries during the 2021 financial year. This represents a 1.8% decrease in members and 0.6% decrease in beneficiaries compared to the prior year. The decline in membership can be attributed to restructuring activities at participating employers.

The average age of the Scheme's beneficiaries has remained in line with prior year at 29.2 years old at the end of 2021. The average beneficiary age in the medical schemes industry is 33.6 years old (*CMS Annual Report 2020/21*). An increase in age is directly correlated to an increase in healthcare claims. The Scheme's significantly lower than industry average age reflects a favourable risk profile for WCMAS.

The Scheme's primary focus remains retention and organic growth within its current stable of employer groups by being responsive to their changes and needs and through tailored benefit design and onsite engagement and marketing to its members.

8.1.2 Healthcare expenditure

A significant cost driver during the year under review was of course the COVID-19 pandemic. The Scheme funded COVID-19 claims totalling R66.7 million in 2021. Of this, R43.7 million related to 349 admissions to hospital and R9 million was spent on COVID-19 testing. 61 beneficiaries lost their lives as a direct result of COVID-19 during the year.

On 17 May 2021, South Africa started its national vaccination program against COVID-19 for non-healthcare workers. The program was rolled out in phases, prioritized based on age, with older, higher risk lives being earmarked for vaccination first. By 31 December 2021, the Scheme had received 5 331 vaccine claims indicating 1 776 fully vaccinated beneficiaries. This excludes beneficiaries who were vaccinated at employer funded vaccine sites.

The Scheme continues to fund the cost of COVID-19 testing for persons under investigation from risk benefits, where the relevant clinical entry criteria has been met, and has negotiated competitive pricing with pathology groups to contain the cost impact of this necessary risk measure.

The number of non-COVID related hospital admissions decreased further in 2021 to 4,219 admissions compared to 4,292 in 2020 and 5,970 in 2019. High cost cases, however, are adversely affecting the overall non-COVID hospital costs. The Scheme defines a high cost case as a beneficiary who incurred claims of more than R350 000 in a benefit year. The number of non-COVID high cost cases increased by 75% from 130 cases in 2020 to 173 cases in 2021 Total claims paid for non-COVID high cost cases totalled R129 336 370, representing a 35% increase compared to 2020 (2020: R95 528 197). This claims category is sensitive to claims mix and due to the catastrophic nature of the claim event can fluctuate significantly year on year. These claims remain a focus area for the Board of Trustees and are actively monitored and reported on by management.

8.1.3 Non-healthcare expenditure

The Scheme is self-administered with some components of its administration and risk management functions outsourced to third party experts. To ensure maximum value to members within this category of spend, the Board actively monitor non-healthcare expenditure through a monthly review of actual itemized costs versus budget. Administration costs make up the bulk of non-healthcare expenditure. The Scheme's non-healthcare expenditure per beneficiary per month for 2021 was R136.75 (2020: R124.94). This is in line with the industry average reported for 2020 of R160.40 per beneficiary per month *(CMS Annual Report 2020/21)*.

8.2 Operational statistics per benefit option

2021		Comprehensive	Midmas	Ntsika	Yebomed	Scheme
Average number of members during the accounting period		6 607	309	2 456	25	9 397
Number of members at 31 December		6 529	332	2 412	-	9 273
Average number of beneficiaries during the accounting period		17 433	735	6 257	74	24 500
Number of beneficiaries at 31 December		17 304	796	6 162	-	24 262
Average Family Size at 31 December		2.7	2.4	2.6	-	2.6
Average beneficiary age as at 31 December		30.5	26.5	26.0	-	29.2
Average net contributions per member per month	R	4 839	3 218	2 393	1 989	4 139
Average net contributions per beneficiary per month	R	1 834	1 352	939	678	1 588
Average relevant healthcare expenditure per beneficiary per month	R	1 775	1 009	804	637	1 500
Relevant healthcare expenditure as a percentage of net contributions	%	96.8	74.6	85.6	94.0	94.5
Non-healthcare expenses as a percentage of net contributions	%	9.4	3.8	5.0	6.1	8.6
Pensioner ratio at 31 December	%	6.8	0.6	0.3	-	4.9
Average accumulated funds per member as at 31 December*	R			68 920		
Return on investments as a percentage of investments*	%			10.9		

*Average accumulated funds per member and return on investments are only calculated for the Total Scheme and not per option.

2020		Comprehensive	Midmas	Ntsika	Yebomed	Scheme
Average number of members during the accounting period		6 644	241	1 646	1 041	9 572
Number of members at 31 December		6 629	238	2 486	152	9 505
Average number of beneficiaries during the accounting period		17 353	571	3 750	2 972	24 646
Number of beneficiaries at 31 December		17 452	574	6 201	446	24 673
Average Family Size at 31 December		2.6	2.4	2.5	2.9	2.6
Average beneficiary age as at 31 December		30.4	26.1	26.2	22.6	29.1
Average net contributions per member per month	R	4 676	3 181	2 104	1 982	3 903
Average net contributions per beneficiary per month	R	1 790	1 343	924	694	1 516
Average relevant healthcare expenditure per beneficiary per month	R	1 480	1 006	618	652	1 238
Relevant healthcare expenditure as a percentage of net contributions	%	82.7	74.9	67.0	94.0	81.7
Non-healthcare expenses as a percentage of net contributions	%	8.8	3.7	5.5	5.9	8.2
Pensioner ratio at 31 December	%	6.8	-	0.3	-	4.9
Average accumulated funds per member as at 31 December*	R			60 084		
Return on investments as a percentage of investments*	%			5.1		

*Average accumulated funds per member and return on investments are only calculated for the Total Scheme and not per option.

8.3 Actuarial information

An actuarial review of the Scheme is not required in terms of the Act; however, the Scheme had the budgeted contributions and assumptions used in the benefit design process prepared by 3One Consulting Actuaries to confirm the appropriateness of the contribution increases for 2021 and 2022. The actuaries have also provided the Scheme with estimates on the potential impact of the COVID-19 pandemic on the Scheme throughout the year as well as the valuation of the post-retirement employment benefit liability.

8.4 Outstanding claims

Movement on the outstanding claims provision and the basis of the calculation of the outstanding claims provision is set out in Note 10 to the Annual Financial Statements. The basis of calculation is consistent with the prior year. There were no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

8.5 Fidelity insurance

The Scheme maintains fidelity insurance at a level which the Board of Trustees considers to be appropriate.

8.6 Related party transactions

Refer to related party disclosure in note 19 to the Annual Financial Statements. Trustee remuneration is disclosed in note 16 to the Annual Financial Statements.

8.7 Significant events

In 2019 the Scheme reported a significant event relating to alleged fraudulent activities committed by a member of senior management. The alleged fraudulent activities included misuse of the Scheme's property, expenses incurred without the appropriate authorisation, non-compliance with the Scheme's internal procurement policies and theft of the Scheme's monetary assets. The Scheme commissioned an independent forensic investigation on the matter. The member of senior management has been suspended pending the outcome of their disciplinary hearing, which is currently under dispute at the Labour Court.

8.8 Non-compliance matters

The items below reflect all non-compliance matters identified irrespective of whether they have a material impact or not.

- Section 26(7) of the act requires that “all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.” The Scheme has aged debtors of up to 120 days for both group and direct paying members and is thus in breach of the threeday rule. Significant debt with members could affect the liquidity of the Scheme and its ability to service members and potential non recoverability of such debtors. It is not possible to receive all contributions within three days of becoming due, as there may be economic circumstances whereby contributions cannot be paid as per Section 26(7). In such instances members are notified of the breach. In addition, the Scheme has mitigating controls in place to address the non-payment of contributions, which include the enforcement of the Scheme’s Credit Control Policy. Other interventions include, direct management engagement with affected groups to resolve such concerns.

- Section 59(2) of the Act states that “a medical scheme shall 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.” The scheme endeavours to pay all claims within 30 days of receipt, however processing of a few claims is occasionally delayed due to procedures to ensure their validity. The claims paid outside of 30 days are investigated by management to ensure this matter is effectively managed.

- Section 31(4)(a) of the Act states that Registrar may order a medical scheme to, within a period of 30 days as from the date he or she addressed the request to the medical scheme concerned, amend the rules in the manner indicated by him or her. The Scheme received an email on 11 June 2021 from the Registrar containing a letter dated 19 May 2021. The letter requested that the Scheme change its rules concerning the quorum for Annual General Meetings and Special General meetings to to align it with the CMS Model rules. The Scheme submitted the requested rule change to the CMS on 1 October 2021 following discussion and approval by the Board of Trustees. This submission was outside of the 30 day period. The Scheme will closely manage timeliness to ensure compliance in future.

8.9 Solvency Ratio (in terms of the Act)

In accordance with Regulation 29(2) in the Medical Schemes Act 131 of 1998, as amended, the Scheme must maintain accumulated funds excluding unrealised investment reserves at a minimum of 25%. The solvency ratio calculations for 2021 and 2020 are set out in the table below:

	2021 R	2020 R
Total members' funds per the Statement of Financial Position	639 092 080	571 102 651
Less: Cumulative net unrealised non-distributable reserve movements recognised in the statement of income	(55 601 235)	(1 591 944)
Accumulated funds per regulation 29	583 490 845	569 510 707
Gross contributions (including savings contributions)	597 193 916	574 549 505
Solvency ratio	99.7%	99.1%

Movements in the members funds' and reserve accounts are set out in the Statement of Changes in Funds and Reserves on page 34 of the Annual Financial Statements. There were no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

9 EVENTS AFTER THE REPORTING PERIOD

No adjusting or non-adjusting events occurred after the reporting period.

Statement of Responsibility by the Board of Trustees

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of Witbank Coalfields Medical Aid Scheme ("the Scheme"), comprising the statement of financial position at 31 December 2021 and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes required in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Medical Schemes Act of South Africa No. 131 of 1998, as amended ("the Act").

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

The Trustees are satisfied that the information contained in the annual financial statements fairly present the results of operations for the year and the financial position of the Scheme at year-end. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The Trustees are responsible for ensuring that accounting records are maintained. The accounting records disclose, with reasonable accuracy, the financial position of the Scheme which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

Witbank Coalfields Medical Aid Scheme operates in a well-established control environment which is well documented. This incorporates risk management and internal control procedures which are designed to provide reasonable but not absolute assurance that assets are safeguarded and the risks facing the business are adequately mitigated.

The Trustees, with the support of the independent actuarial advisors, have assessed the ability of the Scheme to continue as a going concern and have no reason to believe, given its solvency position, that the Scheme will not be a going concern in the year ahead.

The Audit and Governance committee functioned effectively throughout the year.

The Scheme's external auditors are responsible for auditing the fair presentation of the financial statements in terms of International Reporting Standards on Auditing in accordance with the applicable financial reporting framework of the Scheme.

Approval of financial statements

The financial statements set out on pages 32 to 69, which have been prepared on the going concern basis, were approved by the Board of Trustees on 21 April 2022 and were signed on their behalf by:

OA Maritz
Chairperson

M Dugmore
Vice-chairperson

MA Anthony
Acting Principal Officer

Statement of Corporate Governance by the Board of Trustees

Witbank Coalfields Medical Aid Scheme is committed to the principles and practice of fairness, responsibility, transparency and accountability in all dealings with its stakeholders. Where practical, the Scheme strives to comply with the King IV Code of Corporate Governance. Reporting in terms of King IV is guided by the Council for Medical Schemes.

In meeting Corporate Governance requirements, the Scheme's management, Board of Trustees and sub-committees have access to governance experts as and when the need arises. This is deemed to be adequate for appropriately governing the affairs of the Scheme.

1. ETHICS

The industry experiences high levels of waste and abuse of members' benefits by certain healthcare professionals. There is also a high incidence of fraudulent claims due to collusion between healthcare professionals and, in some instances, members. This behaviour undermines the financial sustainability of the Medical Schemes Industry, and, as such, has a negative impact on all members. The Scheme therefore has stringent fraud policies in place and processes to prevent, detect and discipline any fraudulent activities.

The Scheme minimises the impact of this risk by adopting a zero-tolerance approach to fraud, waste and abuse. The Scheme has applied deterrent measures to curb unethical behaviour and reinforce the principles of ethical billing and claims behaviour during the provision of services to medical aid members.

The deterrent measures include:
- raising awareness about fraud, waste and abuse;
- applying abuse prevention tactics; and
- using analytical software to identify outlier behaviour.

The Scheme has stringent fraud policies and processes in place to prevent, detect and discipline any fraudulent activities. All investigations or interviews/interrogations related to suspected fraudulent acts are confidential and the identity of whistle blowers remain anonymous.

2. CORPORATE CITIZENSHIP

In terms of the King IV code on corporate governance, corporate citizenship is defined as the recognition that the Scheme is an integral part of the broader society in which it operates, affording the organisation standing as a juristic person in that society with rights but also responsibilities and obligations. It is also the recognition that the broader society is the licensor of the Scheme.

The Scheme acknowledges its responsibility for being a responsible and ethical corporate citizen and management and the Trustees make decisions with this in mind.

Stakeholder engagement

Stakeholder relationships are governed by contracts with the relevant parties and also by policies put in place to ensure that the Scheme staff, management and Board of Trustees are on par with the highest priority set to good stakeholder relationships. The Scheme enforces:
- regular communication with all stakeholder groups;
- adequate representation by major groups on the Scheme's Board of Trustees;
- queries are routed to the correct person with fast turnaround times and prompt resolution; and
- complaints received, from any stakeholder, is followed up on and escalated to management where necessary.

Statement of Corporate Governance by the Board of Trustees (continued)

Responsible business practices

The Scheme is committed to responsible business practices to ensure the future success and sustainability of the Scheme by:
- employing competent, adequately trained staff to run and manage its day-to-day operations;
- maintaining the highest standards of ethics, honesty and integrity; and
- assessing the impact of its decisions on all relevant third parties.

During the period under review, the Scheme worked extensively on its marketing and sustainability strategies to ensure that it remains relevant and the scheme of choice for existing and potential members. Due to the Scheme placing great value on its stakeholders and its corporate citizenship, extensive quality control procedures are in place along with staff and Trustee performance reviews and monitoring of complaints and queries from key stakeholders.

3. PRINCIPAL OFFICER

The Principal Officer's duties and responsibilities are governed by her Service Level Agreement in addition to the Act and the Scheme's Rules. She is contractually required to give the Scheme 30 days' notice in the event of resigning, but sufficient succession planning is in place to ensure that the position will not be vacant for extended periods of time.

The Principal Officer is employed in an executive capacity and is employed on a full-time basis by the Scheme. She does not hold other positions or memberships of other governing bodies outside the Scheme.

4. BOARD OF TRUSTEES

The primary governing body of the Scheme is the Board of Trustees. Even though they delegate some of their functions to other committees in an appropriate delegation of authority framework, they remain the primary decision maker and the party where the ultimate responsibility rests for the proper functioning of the Scheme.

The Board of Trustees has the appropriate balance of knowledge, skills, experience, diversity and independence to adequately manage the affairs of the medical scheme and its members. The Trustees are proposed and elected by members of the Scheme and participating employers and are governed by an agreed Terms of Reference. 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 policy, strategy and performance is critical, informed and constructive. All the 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 believes that the delegation of authority framework contributes to the role clarity and the effective exercise of authority and responsibilities of the Board's duties. To assist the Trustees in the execution of their fiduciary duties, the following Board committees were in place:
- Audit and Governance committee;
- Remuneration committee;
- Review committee;
- Disputes committee; and
- Investment committee.

Performance evaluations

The Board of Trustees are evaluated through a biennial review process whereby they are required to complete a set of questions pertaining to their functioning and performance. These are reviewed by a review committee who consists of the chairman of each of the Scheme's committees (Board of Trustees, Audit and Governance, Remuneration, Disputes and Investment committees) whereafter feedback and remedial actions, if any, are provided to the Board of Trustees.

Statement of Corporate Governance by the Board of Trustees (continued)

Overall, the Board of Trustees and sub-committees were found to be fit and proper and functioning within their mandate. There were no remedial actions necessary as all members were found to be acting satisfactorily.

The governing body believes this process to be sufficient and efficient in evaluating its performance and motivating it to improve output.

Remuneration

As from 1 June 2012, Board of Trustees and sub-committee members are compensated for their time, input and the responsibilities that they bear. To qualify for these fees, committee members must complete all the required training and orientation courses defined by the Council for Medical Schemes and the Scheme's rules. The King IV report on Corporate Governance was taken into account in drafting the policy for remuneration of committee members.

Board of Trustees (voting members only), Audit and Governance, Remuneration and Investment committee members may be paid R 1 960 (2020: R 1 886) per meeting fully attended. However, no fees will be paid for consulting services performed by trustees. Not all Trustee and committee members exercise their right to remuneration due to alternative arrangements with their employers. Chairpersons of committees may be paid R 2 939 (2020: R 2 939) per meeting fully attended. This is also applicable to the acting chairman at any particular meeting. Committee members are paid travel costs at the standard AA rate for members who do not qualify for travel allowances through other institutions.

All remuneration paid to Trustee and committee members are detailed in note 16 of the Annual Financial Statements.

5. RISK MANAGEMENT

The Scheme faces inherent and business risks that must be identified, mitigated and/or managed to ensure that the Scheme is sustainable. The Scheme's risk management processes include:

- management identifies risks on a continual basis;
- the Scheme has formal strategic planning processes;
- management is charged with putting appropriate controls in place to mitigate risks;
- the Audit and Governance committee performs quarterly reviews of risk assessments;
- an annual review is performed of internal policies and procedures; and
- a review of committee terms of reference is performed at least every three years.

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial information 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 Scheme monitors the effectiveness of controls and resultant deficiencies (if any) by:

- maintaining monthly, quarterly, bi-annual and annual quality control processes; and
- conducting monthly Board of Trustees meetings, where queries and complaints from members are addressed.

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

Statement of Corporate Governance by the Board of Trustees (continued)

6. INVESTMENT STRATEGY

The Scheme's investment objectives are to maximize the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration the constraints imposed by legislation and the strategies of the Board of Trustees with the following mandate:

- achieve a return that exceeds consumer price inflation ("CPI") by 3.0% per annum (net of fees) over a rolling three year period, but with low risk of losing capital over a 12 month period;
- savings account trust funds should be ring-fenced and invested separately in liquid funds and net returns on these funds are allocated to savings account balances of members;
- maintain liquidity levels as required by the Scheme;
- invest only in highly rated institutions with low to moderate risk;
- make investments in compliance with the regulations of the Act; and
- perform risk assessments with feedback to the Board of Trustees with recommendations on the risks identified.

7. INFORMATION TECHNOLOGY

The Scheme's information technology functionality is administered internally, under the guidance of scheme management. Critical functionality has been outsourced to a contractor who has sufficient skill and expertise in the Medical Schemes industry to maintain the IT systems to the required service levels. Scheme management have enforced stringent change management and cost control measures including structured incident logging with defined severity levels and agreed response resolution times.

This statement was approved by the Board of Trustees and is signed on their behalf by:

OA Maritz
Chairperson

M Dugmore
Vice-chairperson

MA Anthony
Acting Principal Officer

Report from the Audit and Governance Committee

This report is provided by the Audit and Governance committee appointed in respect of the 2021 financial year of Witbank Coalfields Medical Aid Scheme. The committee oversees the Scheme's financial reporting process on behalf of the Board of Trustees in terms of a delegation of authority framework. In fulfilling its oversight responsibilities, the Audit and Governance committee reviewed and discussed the audited financial statements and related schedules in the Annual Report with the Scheme's management, including:

- a discussion of the quality, not just the acceptability, of the accounting principles;
- the reasonableness of significant judgments; and
- the clarity of disclosures in the financial statements.

The Scheme discussed with the overall scope and plans for their audit with the independent external auditor.

1. INDEPENDENT EXTERNAL AUDITOR

The Audit and Governance committee meets with the independent external auditor, with and without management present, to discuss the results of their examinations; their evaluations of the Scheme's internal control, including internal control over financial reporting, and the overall quality of the Scheme's financial reporting.

The Audit and Governance committee recognises the importance of maintaining the independence of the Scheme's independent external auditor, both in fact and appearance. The committee remains vigilant of any facts or circumstance that may arise that may cloud the auditor's independence and judgment and takes that into account in recommending re-engagement of the external auditor to the Board of Trustees.

Based on the above, the Audit and Governance committee has recommended to the Board of Trustees that PricewaterhouseCoopers Inc. be retained as the auditors of Witbank Coalfields Medical Scheme for the 2021 financial year. The firm has been the Scheme's external auditors since the 2013 financial year. The audit partner has been rotated according to the rotation policy provided by The Independent Regulatory Board for Auditors (IRBA) in respect of widely held entities.

The members of the Audit and Governance committee and the Board of Trustees believe that, due to external auditor's knowledge of the Scheme and of the medical schemes industry, it is in the best interests of the Scheme to continue retention of the firm to serve as the Scheme's independent external auditor. This decision has also been ratified by the Annual General Meeting of the Scheme held on 26 October 2021.

Any non-audit services that the Scheme may require are recommended for approval to the Board of Trustees by the Audit and Governance committee as and when the need arises.

2. SENIOR MANAGEMENT

The Scheme continued to be managed by the Acting Principal Officer. During the year the Scheme appointed an IT Officer to oversee the performance of its IT service providers and to monitor its IT Governance and Controls. All other business-critical positions are filled. Specialised information technology, professional actuarial, human resources and legal skills have been sourced from competent external contractors where necessary.

3. ANNUAL FINANCIAL STATEMENTS

The committee have reviewed and discussed, together with management and the independent auditor, the Scheme's audited financial statements for the year ended 31 December 2021, and the independent auditor’s observations of the internal control over financial reporting of the Scheme.

Report from the Audit and Governance Committee (continued)

Relying on the reviews and discussions above, the committee recommends to the Board of Trustees, and the Board of Trustees approves, that the audited financial statements and related schedules be included in the Annual Report for the year ended 31 December 2021.

On behalf of the Audit and Governance committee:

J de Klerk
Chairperson of the Audit and Governance Committee

Independent Auditor's Report

To the Members of Witbank Coalfields Medical Aid Scheme

Report on the financial statements

Opinion

We have audited the financial statements of Witbank Coalfields Medical Aid Scheme (the Scheme), set out on pages 32 to 69, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

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

Key Audit Matter

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

Key audit matter	How our audit addressed the key audit matter
Outstanding claims provision The outstanding claims provision of R34 382 544 at year-end as described in Note 10 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end. The outstanding claims provision is calculated by the Scheme's actuaries which is reviewed by management and the Audit and Governance Committee and recommended to the Board of Trustees for approval. The Scheme's actuaries use an actuarial model, based on the Scheme's actual claim development patterns throughout the year, to project the year-end provision. This model applies the Chain Ladder Method ("CLM"). The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision. We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern could cause a material change to the amount of the provision.	We obtained an understanding from the Scheme's actuaries regarding the process followed in calculating the outstanding claims provision, which included the design and implementation of controls within the process. The actuarial method applied by the Scheme is one that is generally applied within the medical scheme industry. We obtained the actual claims data from the member administration system covering the year ended 31 December 2021. The actual claims data reflects the most recent claims patterns, including the impact of COVID-19, and is taken into account in calculating the outstanding claims provision. We assessed the completeness of the claims data on the member administration system by understanding management's controls and selecting claim transactions from the claim source and agreeing these to the member administration system. No material inconsistencies were noted. We substantively tested a sample of claims received by the Scheme in the 31 December 2021 financial year, selected from the member administration system, and confirmed the accuracy of the service and process dates and the validity of the claim against the relevant Scheme rules. No material inconsistencies were noted. We assessed the completeness of the claims data in the Scheme's actuarial model by understanding management's controls and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. No material inconsistencies were noted. To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year provision. We noted no matters for further consideration with respect to the estimation process.

	We have evaluated management's experts by assessing their competence, capability, and objectivity and noted no aspects requiring further consideration. We also obtained the outstanding claims provision report from the Scheme's actuaries and assessed whether the inputs, assumptions, methodology and findings per the report were consistent with our testing above. Based on the results of our assessment we accepted the inputs, assumptions, methodology and findings as reasonable.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled "Witbank Coalfields Medical Aid Scheme Annual Report 2021." The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether

due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Witbank Coalfields Medical Aid Scheme for 9 years.

The engagement partner, Schalk Barnard, has been responsible for Witbank Coalfields Medical Aid Scheme's audit for 2 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Schalk Barnard
Registered Auditor
Emalahleni
25 April 2022

Statement of Financial Position

	Note	2021 R	2020 R
ASSETS			
Non-current assets			
Equipment and other assets	3	2 688 763	4 125 348
Investment properties	4	14 210 598	14 779 845
Investments at fair value through other comprehensive income	5	572 473 589	462 538 325
		589 372 950	**481 443 518**
Current assets			
Trade and other receivables	6	21 484 245	26 022 915
Investments at fair value through other comprehensive income	5	287 114 039	275 054 942
Cash and cash equivalents	7	48 505 083	81 024 478
		357 103 367	**382 102 335**
TOTAL ASSETS		**946 476 317**	**863 545 853**
FUNDS AND LIABILITIES			
MEMBERS' FUNDS			
Accumulated funds		**634 846 027**	**571 102 651**
LIABILITIES			
Non-current liabilities			
Retirement benefit obligation	8	1 608 000	1 445 984
Current liabilities			
Personal medical savings account liabilities	9	242 436 287	233 183 679
Outstanding claims provision	10	34 382 544	25 620 392
Trade and other payables	11	33 182 458	32 161 131
Retirement benefit obligation	8	21 000	32 016
		310 022 290	**290 997 218**
Total liabilities		**311 630 290**	**292 443 202**
TOTAL FUNDS AND LIABILITIES		**946 476 317**	**863 545 853**

Statement of Comprehensive Income

	Note	2021 R	2020 R
RISK CONTRIBUTION INCOME	12	**466 742 027**	**448 312 521**
RELEVANT HEALTHCARE EXPENDITURE			
Risk claims incurred		(432 936 507)	(358 648 476)
Third party claim recoveries		1 074 912	644 664
Net claims incurred		**(431 861 595)**	**(358 003 812)**
Accredited managed care: management services		**(8 466 817)**	**(7 394 068)**
Risk transfer arrangement fees	13	(568 533)	(23 268 650)
Recoveries from risk transfer arrangement	13	-	22 500 388
Net expense on risk transfer arrangement	13	**(568 533)**	**(768 262)**
GROSS HEALTHCARE RESULT		**25 845 083**	**82 146 379**
Administration and other operating expenses	15	(39 586 132)	(36 967 032)
Net impairment losses on trade and other receivables		(618 128)	15 051
NET HEALTHCARE RESULT		**(14 359 178)**	**45 194 398**
OTHER INCOME			
Investment income on investments held at fair value through profit or loss:		90 557 116	39 148 574
Interest income		*27 130 503*	*30 547 722*
Dividend income		*9 417 321*	*7 008 908*
Fair value gains/(losses)		*54 009 291*	*1 591 944*
Investment income on investments held at amortised cost			
Interest income		*1 129 102*	*1 174 833*
Investment income from rentals received		3 718 170	3 902 869
		95 404 388	**44 226 276**
OTHER EXPENDITURE			
Asset management fees		(3 895 892)	(3 012 087)
Investment manager fees		(322 000)	-
Interest paid on members' savings account liabilities	9	(9 704 822)	(10 609 137)
Cost incurred in provision of own facilities to external parties		(3 379 119)	(4 599 759)
		(17 301 833)	**(18 220 983)**
NET SURPLUS FOR THE YEAR		**63 743 377**	**71 199 691**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**63 743 377**	**71 199 691**

Statement of Changes in Funds and Reserves

	Note	Accumulated funds R	Total members' funds R
Balance as at 1 January 2020		499 902 959	499 902 959
Total comprehensive income for the year	31	71 199 691	71 199 691
Balance as at 31 December 2020		**571 102 650**	**571 102 650**
Total comprehensive income for the year		63 743 377	63 743 377
Balance as at 31 December 2021		**634 846 027**	**634 846 027**

Statement of Cash Flows

	Note	2021 R	2020 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows generated from/(used in) operations	*17*	935 074	63 225 153
Net cash from/(used in) operating activities		**935 074**	**63 225 153**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to equipment and other assets	*3*	(174 474)	(524 200)
Additions to investment properties	*4*	-	(311 628)
Additions to investments at fair value through profit or loss	*5*	(35 000 000)	(20 000 000)
Investment income received on investments at amortised cost		1 129 102	1 174 833
Investment manager fees paid		(322 000)	-
Rental income received		3 722 904	3 020 821
Cost incurred in provision of own facilities to external parties		(3 379 119)	(4 599 759)
Non-cash flow item: depreciation on investment property	*4*	569 119	573 644
Net cash used in investing activities		**(33 454 468)**	**(20 666 289)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment on lease liabilities		-	(57 327)
Net cash from/(used in) investing activities		**-**	**(57 327)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(32 519 395)**	**42 501 537**
Cash at the beginning of the year		81 024 478	38 522 941
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**48 505 083**	**81 024 478**

Notes to the Annual Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Scheme:

1.1 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis in accordance with, and compliance with, International Financial Reporting Standards ("IFRS"), and interpretations of those standards as adopted by the International Accounting Standards Board (IASB), and in the manner required by the Medical Schemes Act of South Africa No. 131 of 1998, as amended. The financial statements have been prepared on the historic cost convention, except for investments which are reflected at fair value. They are presented in Rands, which is the Scheme's functional currency. The preparation of 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 areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.21

1.2 EQUIPMENT AND OTHER ASSETS

An item of equipment and other assets is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Scheme, and the cost of the item can be measured reliably. Equipment and other assets are reflected at historic cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Maintenance and repairs, which neither materially add to the value of assets, nor appreciably prolong their useful lives, are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged on the straight-line basis over the estimated useful lives of items of equipment and other assets after taking into account the assets' residual values. The following are the estimated useful lives of equipment and other assets:

Item	Depreciation method	Estimated useful life
Motor vehicles	Straight line	5 years
Office equipment	Straight line	4 years
Computer equipment	Straight line	3 years
Mailroom equipment	Straight line	5 years
Generator	Straight line	10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Surpluses and deficits on disposal of equipment and other assets are determined by comparing the proceeds with the carrying amount and are recognised within other operating income/sundry expenses in the statement of comprehensive income.

1.3 INVESTMENT PROPERTIES

Investment properties are recognised as assets when, and only when, it is probable that the future economic benefits that are associated with the investment properties will flow to the enterprise, and the cost of the investment properties can be measured reliably.

Investment properties are held to earn rental income and for capital appreciation and are initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment properties, the carrying amount of the replaced part is derecognised.

Cost model

Investment properties are carried at historical cost less accumulated depreciation less any accumulated impairment losses. Depreciation is charged on the straight-line basis over the estimated useful life of the property after taking into consideration the asset's residual value as follows:

Item	Depreciation method	Estimated useful life
Airconditioners	Straight line	6 years
Lifts	Straight line	15 years
Partitioning and electrical	Straight line	10 years

Land is not depreciated. Management assess the fair value of buildings constituting investment properties on an annual basis and as the fair value exceeds carrying value buildings are not depreciated.

The residual values and useful lives of the assets are reviewed on an annual basis.

Register of investment properties

A register of all investment properties is available for inspection at the registered office of the Scheme.

1.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Scheme assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Scheme estimates the recoverable amount of the asset.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit.

1.5 FINANCIAL INSTRUMENTS

1.5.1 Classification, recognition and measurement

The Scheme has the following financial instrument categories: Fair value through profit or loss; Loans and receivables; and Financial liabilities. The Scheme has classified its financial instruments into the following classes:

- Financial assets held at fair value through profit or loss;
- Insurance, trade and other receivables;
- Cash and cash equivalents;
- Insurance, trade and other payables; and
- Personal member savings accounts liability.

The classification and measurement of the financial instruments depend on the objective of the Fund’s business model whether it is to hold assets only to collect cash flows, or to collect cash flows and to sell and whether the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. Management applies this assessment on financial instruments at initial recognition and re-evalulates this for Financial assets when the objective of the Fund’s business model changes.

Financial instruments are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below.

Regular-way purchases and sales of financial assets and liabilities are recognised on trade date, being the date that the Scheme becomes a party to the contractual rights or obligations of the instrument.

i. Financial assets held at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

These financial assets are initially recorded at fair value excluding transaction costs, which are immediately expensed. These financial assets are subsequently measured at fair value. The fair value adjustments are recognised in profit or loss during the financial period.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Scheme intends to sell in the short term. Insurance receivables are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables comprise of 'Insurance, trade and other receivables' and 'Cash and cash equivalents'.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses.

a) Insurance, trade and other receivables

Insurance, trade and other receivables with members (insurance receivables) and these balances are reviewed for impairment as part of the impairment review conducted on loans and receivables.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value and have an original maturity of 90 days or less.

c) Financial liabilities

A financial liability is a liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

Financial liabilities comprise of 'Insurance, trade and other payables' and 'personal member savings accounts liability'.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method.

1.5.2 Impairment of financial assets

i. Loans and receivables

The Scheme's loans and receivables do not contain a significant financing component and therefore the loss allowance is measured at initial recognition as expected credit losses that result from all possible default events over the expected life of a financial instrument (ECL) in accordance with IFRS 9. As a practical expedient, IFRS 9 allows a provision matrix to be used to estimate ECL for these financial instruments.

The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Scheme about the following events: the Scheme is unable to collect all amounts due according to the original terms of the receivables; significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in payments by the debtor; the disappearance of an active market for that financial asset because of financial difficulties; or national or local economic conditions that correlate with defaults on the assets in the Scheme.

The provision matrix considers contributions receivable, member and service provider debit balances and advances on savings plan accounts to members. The Scheme utilises readily available economic information such as consumer price index, healthcare inflation, national credit rating and unemployment indicators as a basis for determining the future expectations of the observable data.

If it is determined that a possible impairment loss will be incurred on loans and receivables measured at amortised cost, the amount of the loss is measured as the difference between the present value of the cash flows due under the contract and the present value of the cash flows that the entity expects to receive. These losses are recognised at initial recognition in profit or loss and reflected in an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed directly to profit or loss.

1.5.3 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired, the right to receive cash flows has been retained but an obligation to pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Scheme has retained substantially all the risks and rewards of ownership of the transferred asset, the Scheme continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Scheme recognises any income on the transferred asset and any expense incurred on the financial liability.

Where the Scheme neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Scheme determines whether it has retained control of the financial asset. If the Scheme has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and if the Scheme has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Scheme derecognises a financial liability when the contractual obligations are discharged, cancelled or expire.

1.5.4 Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has certain investments in other funds (investee funds), which are investments in unconsolidated structured entities. The Scheme invests in investee funds whose objectives range from achieving medium- to long-term capital growth. The investee funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

1.7 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

1.8 PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY

The personal medical savings account, which is managed by the scheme on behalf of its members, represents savings contributions (which are a deposit component of the insurance contracts), and accrued interest thereon in terms of the rules of the Scheme, net of any savings claims paid on behalf of members in terms of the Scheme’s registered rules.

The deposit component of the insurance contracts has been unbundled since the Scheme can measure the deposit component separately. The deposit component is recognised in accordance with IFRS 9: Financial Instruments and is initially measured at fair value and subsequently at amortised cost using the effective interest method. The insurance component is recognised in accordance with IFRS 4: Insurance Contracts.

Unspent savings at year end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, 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 scheme will assess the advances for impairment in terms of its accounting policy on impairment in note 1.5.5

The personal medical savings accounts are invested (on behalf of members) in money market instruments with asset managers in terms of the rules of the Scheme.

The personal medical savings liability, i.e. deposit component, is recognised in accordance with IFRS 9 and is initially measured at fair value (i.e. the amount payable on demand) because it has a demand feature and subsequently measured at amortised cost.

1.9 OUTSTANDING CLAIMS PROVISION

Outstanding risk claims comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims Incurred but not yet reported at the reporting date. Outstanding claims are determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the outstanding risk 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.

1.10 LIABILITIES AND RELATED ASSETS UNDER THE LIABILITY ADEQUACY TEST

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made and the Scheme recognises the deficiency in profit/loss for the year.

1.11 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.12 PROVISIONS

Provisions are recognised when:

- the Scheme has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money, where material, and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

If the Scheme has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.13 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, salaries and bonuses, are recognised in the period in which the related service was delivered. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonuses if the Scheme has a present legal or constructive obligation to pay amounts as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Employees all belong to a defined contribution pension fund. Contributions to the fund are recognised in the statement of comprehensive income in the period in which they are incurred.

Post-retirement medical benefits

On retirement the staff employed by the Scheme as at 31 January 2011, will receive a medical aid subsidy equal to 50% of their contribution for the remainder of their lives. Surviving spouses of employees entitled to the subsidy will continue to receive the benefit. The benefit will cease upon the death of the surviving spouse. Payments in terms of this liability has been effective from 1 January 2012.

The post-retirement medical aid contribution benefit liability is measured at the present value of the amount payable for the remaining lives of the beneficiaries and their surviving spouses. Employees become eligible at retirement age of 60.

An actuarial valuation is performed every second year to determine the value of the liability and the liability is unfunded. For the year ended 31 December 2021 the Projected Unit Credit discounted cash flow method was used.

1.14 MEDICAL INSURANCE CONTRACTS

These are contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary for costs incurred if a specified uncertain future event (the insured event) adversely affects the member or another beneficiary. The contracts issued compensate the Scheme's members for healthcare expenses incurred.

1.15 RISK CONTRIBUTION INCOME

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Risk contributions represent the gross contributions per the registered rules after the unbundling of savings contributions. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before the deduction of broker service fees and other acquisition costs.

1.16 RELEVANT HEALTHCARE EXPENDITURE

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk transfer arrangements.

1.16.1 Risk claims incurred

Risk 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 in terms of its registered rules, whether or not reported by the end of the year.

1.16.2 Net claims incurred

Net claims incurred comprise:

- claims submitted and/or accrued for services rendered during the year, net of recoveries from members' savings plan accounts and recoveries from third parties;
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members' savings plan accounts and recoveries from third parties;
- claims settled in terms of risk transfer arrangements; and
- managed healthcare services accredited by the Regulator.

1.16.3 Risk transfer arrangements

Contracts entered into by the Scheme with third party service providers under which the Scheme is compensated for losses/claims (through the provision of services to members) on one or more contracts entered into by the Scheme and that meet the classification requirements of insurance contracts are classified as risk transfer arrangements (reinsurance contracts).

Risk transfer premiums are recognised as an expense over the indemnity period on the straight-line basis. If applicable, a portion of risk transfer premiums is treated as a prepayment.

Risk transfer claims and recoveries are presented in the statement of comprehensive income and the statement of financial position on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as risk transfer arrangements. Amounts recoverable under such contracts are recognised in the same year as the related claim.
Claims paid in terms of risk transfer arrangements are calculated based on actual utilisation statistics provided by the third party service providers. In the prior year claims paid in terms of risk transfer arrangements were estimated on the basis of what it would have cost the Scheme had the arrangement not been in place.

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 arrangements taking into account the terms of the contract.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. Such 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 arrangements.

1.16.4 Road Accident Fund recoveries

The Scheme grants advances 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 to the Road Accident Fund by the member, administered in terms of the Road Accident Fund Act, 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.

A reimbursement from the Road Accident Fund is a contingent asset that arises from claims submitted to the Road Accident Fund and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Scheme. If an inflow of economic benefits becomes possible, the Scheme discloses a contingent asset.

Recoveries from the Road Accident Fund are recognised on a receipt basis and are netted off against claims expenditure.

1.17 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS

The following items are directly allocated to benefit options:
- Risk contributions;
- Risk claims incurred;
- Net income/(expense) on risk transfer arrangements;
- Accredited managed healthcare services;
- Administration fees;
- Broker fees; and
- Interest paid in terms of the rules of the Scheme on personal medical savings account monies.

The remaining items are apportioned based on the number of members on each option:
- Other administration expenditure;
- Investment income;
- Other income; and
- Other expenditure.

1.18 INVESTMENT INCOME

Interest income is recognised using the effective interest method, taking account of the principal amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme. Dividend income is recognised when the right to receive payment is established. Rental income from investment properties is recognised in the statement of comprehensive income on a contractual basis over the lease term. All leases with tenants are linked to the Consumer Price Index (CPI) and therefore straight-line recognition of rental income cannot be calculated.

1.19 UNALLOCATED FUNDS

Unallocated funds arise on the receipt of unidentified deposits in favour of the Scheme. Unallocated funds that have legally prescribed, that is, funds older than three years, are written back and are included under other income in profit or loss.

1.20 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, management are required to make critical assumptions regarding the future and accounting judgements. In the current and prior year, the most significant estimates were considered in the determination of the outstanding claims provision. In the prior year, a significant estimate was made to determine the recoveries from the Scheme's risk transfer arrangements.

1.20.1 Outstanding claims provision

The provision for outstanding risk claims has been calculated using an actuarial valuation. The method used by the actuary, including information about significant areas of estimation, uncertainty and critical judgements applied, is discussed in note 10, Outstanding risk claims provision.

1.20.2 Recoveries from risk transfer arrangements

For the 2016 to 2019 financial years, the measurement of recoveries from risk transfer arrangements was an area that required the use of complex models and significant assumptions around member claims utilization and pricing. This was owing to the service providers not maintaining fee for service information of the services they provide to Yebomed beneficiaries hence claims data could not be used to determine the net income or expense to the Scheme from the capitation agreement. The actuaries therefore estimated the fee for service claims based on what it would have cost the Scheme had the arrangement not been in place.

2. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following IFRS Standards, amendments and interpretations are not yet effective but relevant to the Scheme's operations:

Effective date	Standard, Amendment or Interpretation	Impact on the Scheme
Annual periods beginning on or after 1 January 2023	IFRS 17 *Insurance Contracts*	IFRS 17 will impact the measurement of the contracts with members in the Scheme's financial statements. The Scheme will qualify for the premium allocation approach which requires the Scheme to recognise a liability for remaining coverage (with reference to the premiums received) and a liability for incurred claims (calculated as the expected cash outflows and a risk adjustment). The Scheme expects that the boundary of the contracts with members will be one year, in line with the benefit year of the Scheme. The Scheme will be required to assess for onerous contracts at the point members elect the benefit option for the following year. The effective date of IFRS 17 has been deferred by two years to annual reporting periods beginning on or after 1 January 2023. The standard should be applied retrospectively. An amendment to IFRS 17 related to comparative information on initial application permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. IFRS 17, 'Insurance contracts', begins a new epoch of accounting for insurers. IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For the Scheme, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. The Scheme is in the process of assessing the impact of the new standard.
Annual periods beginning on or after 1 January 2022	IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract	Amendments to IAS 37, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both: ○ the incremental costs – e.g. direct labour and materials; and ○ an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.
Annual periods beginning on or after 1 January 2022	Annual Improvements to IFRS Standards 2018-2020	IFRS 9 Financial Instruments: The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
Annual periods beginning on or after 1 January 2023	IAS 1 -Classification of liabilities as current or non-current -	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.
Annual periods beginning on or after 1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Effective date	Standard, Amendment or Interpretation	Impact on the Scheme
Annual periods beginning on or after 1 January 2023	IAS 8: Definition of Accounting Estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

3. EQUIPMENT AND OTHER ASSETS

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Motor vehicles	564 317	(288 972)	275 345	564 317	(203 822)	360 495
Office equipment	4 665 579	(3 152 543)	1 513 036	4 669 539	(2 236 430)	2 433 109
Computer equipment	4 939 573	(4 547 459)	392 114	4 761 139	(3 990 352)	770 787
Generator	1 267 594	(759 327)	508 268	1 267 594	(706 637)	560 957
Total	**11 437 063**	**(8 748 300)**	**2 688 763**	**11 262 589**	**(7 137 241)**	**4 125 348**

RECONCILIATION OF EQUIPMENT AND OTHER ASSETS – 2021

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
Motor vehicles	360 495	-	-	(85 150)	275 345
Office equipment	2 433 109	1 688	(275)	(921 487)	1 513 035
Computer equipment	770 787	178 434	-	(557 107)	392 114
Generator	560 957	0	-	(52 690)	508 268
Total	**4 125 348**	**180 123**	**(275)**	**(1 616 433)**	**2 688 763**

RECONCILIATION OF EQUIPMENT AND OTHER ASSETS – 2020

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
Motor vehicles	446 026	-	-	(85 532)	360 495
Office equipment	2 624 879	524 200	-	(715 970)	2 433 109
Computer equipment	1 439 652	-	-	(668 865)	770 787
Generator	614 664	-	-	(53 707)	560 957
Total	**5 125 221**	**524 200**	**-**	**(1 524 074)**	**4 125 348**

4. INVESTMENT PROPERTIES

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Land and buildings	13 139 815	(1 647 475)	11 492 340	13 139 815	(1 647 475)	11 492 340
Partitioning, electrical and fittings	1 520 378	(578 231)	942 147	3 286 939	(2 235 270)	1 051 669
Lift	1 486 448	(656 559)	829 889	1 486 448	(557 468)	928 980
Airconditioners	4 113 549	(3 167 327)	946 222	5 019 694	(3 712 838)	1 306 856
Total	**20 260 190**	**(6 049 592)**	**14 210 598**	**22 932 896**	**(8 153 051)**	**14 779 845**

RECONCILIATION OF INVESTMENT PROPERTIES – 2021

	Opening balance	Additions	Disposals - cost	Disposals - accumulated depreciation	Depreciation	Total
	R	R	R	R	R	R
Land and buildings	11 492 340	-	-	-	-	11 492 340
Partitioning, electrical and fittings	1 051 669	-	(1 766 561)	1 766 432	(109 394)	942 147
Lift	928 980	-	-	-	(99 091)	829 889
Airconditioners	1 306 856	-	(906 146)	906 146	(360 634)	946 222
Total	**14 779 845**	**-**	**(2 672 706)**	**2 672 578**	**(569 119)**	**14 210 598**

RECONCILIATION OF INVESTMENT PROPERTIES – 2020

	Opening balance	Additions	Depreciation	Total
	R	R	R	R
Land and buildings	11 221 915	270 425	-	11 492 340
Partitioning, electrical and fittings	1 162 123	-	(110 453)	1 051 669
Lift	1 028 126	-	(99 146)	928 980
Airconditioners	1 629 697	41 203	(364 044)	1 306 856
Total	**15 041 861**	**311 628**	**(573 644)**	**14 779 845**

Investment properties comprise the land and buildings on the corner of OR Tambo Road and Susanna Street, erf 5091 and erf 286, Emalahleni (Witbank) and the vacant land in Susanna Street, erf 5090. The fair value of the properties as valued by the Board of Trustees on 31 December 2021 is R 50 million (2020: R50 million). Management has assessed the residual value of the building to be R16.5 million. This is greater than the current carrying value of the building and therefore no depreciation has been processed. Direct operating expenses arising from the property that generated rental income amount to R3 319 346 (2020: R3 574 775) and which did not generate rental income amount to R59 773 (2020: R1,075,446).

5. INVESTMENTS

Investments are held at fair value through profit and loss and comprise:

	2021 R	2020 R
Segregated multiclass portfolio	195 503 834	172 982 129
Linked fund policies	376 969 755	289 556 196
Money market instruments	287 114 039	275 054 942
	859 587 628	**737 593 267**

The underlying asset allocation, on a look-through basis, is as follows:

Cash	394 718 802	358 713 875
Investments in property	16 313 210	9 330 336
Interest-bearing investments, including bonds	216 423 958	200 500 945
Listed equities	232 131 658	169 048 111
	859 587 628	**737 593 267**

The split between the non-current and current portions of investments is as follows:

Non-current assets	572 473 589	462 538 325
Current assets	287 114 039	275 054 942
	859 587 628	**737 593 267**

Refer to note 1.5 financial instruments, for details of valuation policies and processes.

Reconciliation of fair value of investments

	2021 R	2020 R
Balance at the beginning of the year	737 593 268	681 456 779
Additions	35 000 000	20 000 000
Proceeds on disposal	-	-
Investment income capitalised net of fees	86 994 360	36 136 489
Interest	27 130 503	30 547 728
Dividends	9 417 321	7 008 908
Management fees	(3 562 755)	(3 012 086)
Fair value adjustments	54 009 291	1 591 939
Balance at the end of the year	**859 587 628**	**737 593 268**

6. TRADE AND OTHER RECEIVABLES

	2021 R	2020 R
Insurance receivables		
Contributions receivable	19 354 054	22 375 367
Recoveries from members and suppliers	2 321 864	3 221 433
Provision or impairment losses	(627 935)	(71 809)
Total receivables arising from insurance contracts	21 047 982	25 524 991
Financial assets		
Prepayments	26 683	54 386
Sundry debtors	249 872	249 872
Deposits paid	97 617	99 666
Rental income receivable	1 111 989	1 116 723
Provision for impairment loss on rental income receivable	(1 049 898)	(1 022 723)
	436 263	497 924
Total trade and other receivables	**21 484 245**	**26 022 915**

The fair value of trade and other receivables approximates their carrying amounts due to the short- term maturities of these assets. Further detail on the Scheme's credit risk related to a customer or other counter party to a financial instrument failing to meet their current obligations to the Scheme is disclosed in note 20.2 of the Annual Financial Statements.

7. CASH AND CASH EQUIVALENTS

	2021 R	2020 R
Current accounts	34 516 172	39 134 205
Call accounts	13 988 911	41 890 273
	48 505 083	81 024 478

The effective interest rates on current accounts was 0.1% (2020: 0.7%) and call accounts was 3.9% (2020: 3.8%).

The carrying amount of the cash and cash equivalents approximates the fair values due to the short-term maturities of these balances.

8. RETIREMENT BENEFIT OBLIGATION

POST-RETIREMENT MEDICAL AID BENEFIT

On retirement the staff employed by the Scheme as at 31 January 2011, will receive a medical aid subsidy equal to 50% of their medical aid contribution per month for the remainder of their lives. Surviving spouses of employees entitled to the subsidy will continue to receive the benefit. The benefit will cease upon the death of the surviving spouse. The actuarial valuation to determine the liability is performed every year and the liability is unfunded. The post-retirement medical aid benefit liability is measured at the present value of the amount payable for the remaining lives of the beneficiaries and their surviving spouses. Employees become eligible for the medical aid subsidy on normal retirement at any age after 60.

Movements in the post-retirement medical aid benefit for the year are as follows:

	2021 R	2020 R
Balance at the beginning of the year	1 478 000	2 810 000
Expenses in respect of the current year		
Service cost	85 000	92 000
Interest cost	191 000	182 000
Benefits paid	(32 000)	(38 000)
Settlements	-	(1 379 000)
Remeasurements	(93 000)	(189 000)
	1 629 000	**1 478 000**

Net expense/(income) recognized in surplus or deficit:

	2021	2020
Employee costs	**32 000**	**45 313**

Split between non-current and current portions:

	2021	2020
Non-current liabilities	1 608 000	1 445 984
Current liabilities	21 000	32 016
	1 629 000	**1 478 000**

If the assumed future rate of medical inflation was 1% higher, the liability would have been R319 284 (2020: R286 732) higher.

The five year summary of the post-retirement medical aid benefit liability as at 31 December 2021 is as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present value of liability	1 629 000	1 478 000	2 810 000	2 970 000	3 427 223
Actuarial gain/(loss)	93 000	189 000	633 000	964 323	(253 951)

Key assumptions used:

An actuarial valuation was performed by independent valuators, 3One Actuaries (Pty) Ltd, on 31 December 2021, using the Projected Unit Credit discounted cashflow method. The projections contained in the valuation was consistent with those used in the prior year. The key assumptions used were:

	2021	2020
Discount rate	12.32%	13.11%
Real discount rate	2.52%	2.81%
Health care cost inflation	9.56%	10.02%
Long-term price inflation	8.06%	8.52%
Expected increase in salaries	9.56%	10.02%
Retirement age	63 years old	63 years old
Mortality rates	Pre-retirement: SA 85-90 (light) with a 3 year age reduction for females Post-retirement: PA(90)	

9. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITIES

	2021	2020
	R	R
Balance of savings account balances at the beginning of the year	233 183 678	199 859 865
Net movement for the year:		
Savings account contributions received	130 451 888	126 236 983
Transfers from other schemes in terms of Regulation 10(4)	3 003 669	864 103
Interest and other income earned on monies invested in terms of the rules of the Scheme	9 704 822	10 609 137
Claims paid out of savings	(109 178 951)	(92 072 878)
Refunds on death or resignation in terms of regulation 10(5)	(24 728 819)	(12 313 532)
Balances due to members on personal medical savings account balances held at the end of the year	**242 436 287**	**233 183 678**

The personal medical savings account liability contains a demand feature in terms of Regulation 10 of the Act that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option and then enrols in another benefit option or medical scheme without a personal medical savings account or does not enrol in another medical scheme.

Interest is accrued to the member in terms of the rules of the scheme on the personal medical savings accounts on a monthly basis, based on the effective interest method.

It is estimated that claims to be paid out of members' personal medical savings accounts in respect of claims incurred in 2021 but not recorded amount to R3 980 188 (2020: R5 524 033).

Advances on personal medical savings accounts are funded by the Scheme and are included in trade and other receivables. The scheme does not charge interest on advances on personal medical savings accounts.

Unclaimed monies are written back to scheme funds to the extent that it has prescribed in terms of the Prescription Act 69 of 1969.

	2021	2020
	R	R
Bank account	3 121 015	28 303 153
Investments	239 315 272	204 880 525
Total personal medical savings account trust monies invested	**242 436 287**	**233 183 678**

10. OUTSTANDING RISK CLAIMS PROVISION

	2021 R	2020 R
Not covered by risk transfer arrangements		
Provision for outstanding risk claims – incurred but not yet reported	34 382 544	25 620 392
Provision arising from liability adequacy test	-	-
	34 382 544	**25 620 392**
Analysis of movements in outstanding risk claims:		
Balance at the beginning of year	25 620 392	26 444 000
Payments in respect of prior year	(25 820 503)	(28 352 585)
Under provision in prior year	(200 111)	(1 908 585)
Adjustment of current year	34 582 655	27 528 977
Balance at end of year	**34 382 544**	**25 620 392**
Analysis of outstanding risk claims provision:		
Estimated gross claims per registered rules	38 362 732	31 144 425
Less: Estimated savings plan claims	(3 980 188)	(5 524 033)
Balance at year end	**34 382 544**	**25 620 392**

PROCESS USED TO DETERMINE THE ASSUMPTIONS

The process used to determine the assumptions is intended to result in a neutral estimate of the most likely or expected outcome or to provide a given level of assurance. The sources of data used as inputs for the assumptions are internally obtained. In determining the estimate there is more emphasis on current trends taking past experience into account. However, the ultimate liabilities may vary as a result of subsequent developments.

The sources of data used as inputs for the assumptions incorporated claims payment information with service dates during 2020 and 2021, with payment dates to 28 February 2022. The claims payment information during 2020 enhances the reliability of results by allowing for incorporation of historic claims payment run-off trends.

The sources of information used as inputs for the assumptions was provided by the Scheme's IT system administrator and Ntsika claims data was provided by the sub-contracted administrator. The data has not been audited. However, reasonability checks were performed that provide comfort that the data is sufficiently accurate for the purposes of this exercise.

The following are examples of the data checks were performed:
- detection of unrealistic/impossible values (e.g service dates in the future);
- reasonability of total claims amounts relative to historic values;
- claims amounts relative to independent sources (e.g management accounts); and
- ensuring completeness of the data.

ASSUMPTIONS

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected claims ratios for the most recent benefit years for each of the scheme's benefit options. These are used for assessing the outstanding risk claims provisions for the 2021 and 2020 benefit years.
The primary assumption is that previous run-off patterns are representative of current run-off expectations.

Expected claim ratios are calculated by the Scheme's actuaries using the Chain Ladder Method ("CLM"). The expected claims ratio assumed for the benefit years 2021 and 2020 is 8.24% and 9.46% respectively for Comprehensive, 17.79% and 7.19% respectively for Midmas and 4.44% and 12.67%

respectively for Ntsika. The Scheme does not carry any risk in terms of the capitation fee agreement and therefore did not make a provision for Yebomed option claims.

CHANGES IN ASSUMPTIONS AND SENSITIVITIES TO CHANGES IN KEY VARIABLES

The table below outlines the sensitivity of insured liability estimates for reasonable possible movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of and reasonable changes to that variable in the future may be required.

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions, which could differ when claims arise.

Impact on members' funds reported caused by reasonable possible changes in key variables:

The actuaries have considered the possible sensitivity of the IBNR estimate to change by considering the distribution of the 200 estimates produced through the bootstrapping process employed.

The table below compares the IBNR provision to the 1st and 99th percentile of simulated IBNR estimates:

	IBNR Estimate	Difference to recommended provision	Difference
	R	R	%
First percentile (bottom-end)	33 809 491	(573 053)	-1.7%
IBNR provision (75th)	34 382 544	-	0.0%
99th percentile (top-end)	34 839 576	457 032	1.3%

This analysis is prepared for a change in a specified variable with other assumptions remaining constant. The change in liability also represents the absolute change in income / (expense) for the period. It should be noted that increases in liabilities will result in decreases in members' funds and vice versa. These reasonable possible changes in key variables do not result in any changes directly in reserves.

If volatility is in line with that observed since the beginning of 2020, there is a 99% probability that the ultimate claims experience for 2021 will prove, at worst, R457 032 (2020: R428 970) worse than that incorporated in the recommended IBNR provision. This represents 1.3% of the total claims estimate for 2021.

11. TRADE AND OTHER PAYABLES

	2021 R	2020 R
Insurance payables		
Reported claims not yet paid	26 296 977	26 697 472
Contributions received in advance	3 091 186	2 399 840
Unallocated deposits	-	124
Total receivables arising from insurance contracts	29 388 163	29 097 436
Financial liabilities		
Provision for audit fees	693 105	521 312
Provision for employee costs	699 581	1 261 837
Accruals	2 380 404	1 265 204
VAT liability	21 205	15 342
	3 794 294	3 063 695
Total trade and other payables	**33 182 457**	**32 161 131**

The fair value of trade and other payables approximate their carrying amounts due to the short-term nature of these liabilities.

12. RISK CONTRIBUTION INCOME

Gross contributions per registered rules	597 193 916	574 549 505
Less: Personal medical savings account contributions received*	(130 451 888)	(126 236 983)
Risk contribution income per statement of comprehensive income	**466 742 027**	**448 312 522**

*The Savings contributions are received by the scheme in terms of Regulation 10(1) and the scheme's registered rules and held in trust on behalf of its members. Refer to note 9 to the financial statements for more detail on how these monies were utilised.

13. RELEVANT HEALTHCARE EXPENDITURE

Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims per registered rules	533 353 306	429 044 574
Third party claims recoveries	(1 074 912)	(644 664)
Movement in outstanding risk claims provision:		
Under provision in prior year	200 111	1 908 585
Adjustment for current year	8 562 041	(2 732 193)
Claims paid from personal medical savings accounts*	(109 178 951)	(92 072 878)
Accredited managed healthcare services (note 14)	8 466 817	7 394 068
Non-accredited managed healthcare services	-	
	440 328 411	342 897 492
Claims incurred in respect of risk transfer arrangements	-	22 500 388
Net claims incurred per the statement of comprehensive income	**440 328 411**	**365 397 880**

*Claims are paid on behalf of the members from their personal savings accounts in the terms of Regulation 10(3) and the scheme's registered benefits. Refer to note 9 to of the financial statements for a breakdown of the movement in these balances.

Net income/(expense) on risk transfer arrangements		
Risk transfer arrangement fees	(568 533)	(23 268 650)
Recoveries from risk transfer arrangement	-	22 500 388
	(568 533)	**(768 262)**

A risk transfer arrangement is defined by IFRS 4 as an insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. The cost the Scheme would have incurred to deliver the specified benefits had it not entered into the capitation agreement primarily represents the Scheme's exposure to its members, as the capitation agreement cannot absolve the Scheme from its responsibility towards its members. This "cost" is disclosed as claims incurred.

The Scheme would have incurred this cost (had it not entered into the capitation agreement) to deliver the specified benefits and as such it represents the Scheme's recovery in kind from the service provider. This recovery in kind, of cost incurred, is disclosed as recoveries from risk transfer arrangements.

The Scheme entered into a risk transfer arrangement (capitation contract) whereby the parties agreed that the Anglo Coal Highveld Hospital render services to beneficiaries on the Yebomed option. A fixed fee is paid monthly to ACHH per beneficiary. ACHH are responsible for pre-authorising and funding all benefits applicable to the Yebomed option as per the registered rules of the Scheme. The Yebomed option is fully capitated through a comprehensive Health Maintenance Organisation providing a full range of health services as well as healthcare. Actual claims data was used to determine the under the risk transfer arrangement. At the end of February 2021, all members on the Yebomed option moved to Ntsika. The Scheme had applied for deregistration of Yebomed by the CMS and therefore this risk transfer arrangement is no longer relevant.

14. ACCREDITED MANAGED HEALTHCARE SERVICES

	2021 R	2020 R
Active risk management services	3 586 849	2 938 711
Hospital benefit management services	3 164 801	2 843 520
Pharmacy benefit management services	955 360	922 707
Disease risk management support services	609 005	538 051
Managed care network management services and risk management	150 802	151 078
	8 466 817	**7 394 067**

15. ADMINISTRATION FEES AND OTHER OPERATIING EXPENSES

	2021 R	2020 R
Actuarial fees	573 528	552 000
Administration expenditure: benefit management services (not accredited managed care)	3 393 400	2 509 246
AGM and committee meeting expenses	10 031	35 557
Association fees	-	20 590
Audit fees	990 150	1 229 416
Bank charges	258 918	280 337
Board of Trustees and Subcommittee remuneration	54 216	28 904
Consulting fees	760 534	905 666
Council for Medical Schemes expenses	418 254	402 605
Debt collection fees	-	1 103
Depreciation, amortisation and impairments	1 616 432	1 578 655
Fidelity guarantee insurance premiums	28 888	28 433
Insurance	196 817	186 873
IT Infrastructure support	1 003 674	966 000
IT Administration system licensing and support	4 163 149	3 836 400
IT Business analytics	1 175 738	1 131 600
IT Networking and hosting	1 170 449	1 051 020
IT Project management fees	767 560	425 500
Legal fees	2 028 911	2 141 623
Marketing	2 053 063	498 395
Motor vehicle expenses	62 278	
Operating leases - office equipment	148 860	133 476
Other levies	15 446	11 818
Principal officers' conference and travel costs	28 431	149 853
Principal officers' remuneration	4 623 418	4 257 462
Printing and stationery	170 124	173 370
Professional indemnity insurance	48 936	44 487
Repairs and maintenance	237 560	21 497
Staff remuneration and employment costs	13 169 782	13 810 116
Staff training	89 972	-
Telephone and fax	234 932	420 217
Third party claims recovery administration fees	92 679	18 411
Travel, accommodation and conferences	-	116 402
	39 586 132	**36 967 032**

16. TRUSTEES' REMUNERATION AND CONSIDERATIONS

	Fees for meeting attendance	Travelling and other expenses for meetings and conferences	Total
	R	R	R
2021			
BOARD OF TRUSTEES			
JC de Carvalho	34 568	-	34 568
AUDIT AND GOVERNANCE COMMITTEE			
AJ de Klerk	17 367	2 281	19 648
	51 935	**2 281**	**54 216**
2020			-
BOARD OF TRUSTEES			
JC de Carvalho	19 723	-	19 723
KL Leripa	-	810	810
	19 723	810	20 533
AUDIT AND GOVERNANCE COMMITTEE			
AJ de Klerk	5 379	2 992	8 371
	25 102	**3 802**	**28 904**

17. CASH GENERATED FROM/(USED IN) OPERATIONS

	2021	2020
	R	R
Cash receipts from members and providers		
Cash receipts from members - contributions	600 906 451	569 761 960
Cash receipts from members and providers - other	3 903 238	(2 035 910)
Cash paid to providers, employees and members		
Cash paid to members and providers - claims	(541 714 239)	(456 009 876)
Cash paid to providers and employees - non-healthcare expenditure	(37 431 558)	(36 177 489)
Cash paid to members - savings plan refunds	(24 728 819)	(12 313 532)
	935 074	**63 225 153**

18. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

2021

	Comprehensive	Midmas	Ntsika	Yebomed	Scheme
	R	R	R	R	R
Gross contribution income	511 531 469	14 542 623	70 515 169	604 654	597 193 916
Savings contributions	(127 834 898)	(2 616 990)	-	-	(130 451 888)
Risk contribution income	**383 696 571**	**11 925 633**	**70 515 169**	**604 654**	**466 742 027**
Risk claims incurred	(357 924 445)	(7 849 504)	(58 600 247)	-	(424 374 196)
Accredited managed healthcare services	(5 882 173)	(207 725)	(2 376 918)	-	(8 466 817)
Provision for outstanding claims	(7 941 971)	(844 787)	24 605	-	(8 762 152)
Net loss on risk transfer arrangements	-	-	-	(568 533)	(568 533)
Third party claim recoveries	455 908	-	619 004	-	1 074 912
Relevant healthcare expenditure	**(371 292 681)**	**(8 902 016)**	**(60 333 557)**	**(568 533)**	**(441 096 786)**
GROSS HEALTHCARE RESULT	**12 403 890**	**3 023 617**	**10 181 612**	**36 121**	**25 645 242**
Administration expenditure	(35 449 630)	(406 285)	(3 493 367)	(37 008)	(39 386 291)
Net impairment on healthcare receivables	(559 010)	(49 175)	(9 943)	-	(618 128)
Non-healthcare expenditure	**(36 008 641)**	**(455 460)**	**(3 503 310)**	**(37 008)**	**(40 004 419)**
NET HEALTHCARE RESULT	**(23 604 750)**	**2 568 158**	**6 678 302**	**(887)**	**(14 359 178)**

2020

	Comprehensive	Midmas	Ntsika	Yebomed	Scheme
Gross contribution income	497 006 855	11 224 312	41 562 339	24 756 000	574 549 506
Savings contributions	(124 216 607)	(2 020 377)	-	-	(126 236 984)
Risk contribution income	**372 790 248**	**9 203 935**	**41 562 339**	**24 756 000**	**448 312 522**
Risk claims incurred	(306 039 718)	(6 583 547)	(23 863 862)	(22 500 388)	(358 987 516)
Accredited managed healthcare services	(5 704 075)	(156 433)	(1 533 560)	-	(7 394 068)
Provision for claims	3 404 087	(151 841)	(2 428 638)	-	823 608
Risk transfer arrangements	-	- -		(768 262)	(768 262)
Third party claim recoveries	160 095	- -			160 095
Relevant healthcare expenditure	**(308 179 612)**	**(6 891 821)**	**(27 826 060)**	**(23 268 650)**	**(366 166 143)**
GROSS HEALTHCARE RESULT	**64 610 636**	**2 312 114**	**13 736 279**	**1 487 350**	**82 146 379**
Administration expenditure	(32 884 092)	(324 118)	(2 296 228)	(1 462 594)	(36 967 032)
Net impairment on healthcare receivables	34 631	(19 580)	-	-	15 051
Non-healthcare expenditure	**(32 849 461)**	**(343 698)**	**(2 296 228)**	**(1 462 594)**	**(36 951 981)**
NET HEALTHCARE RESULT	**31 761 175**	**1 968 416**	**11 440 051**	**24 756**	**45 194 398**

19. RELATED PARTIES

Relationships

Key management personnel	Trustees and their close family members
	Principal Officer and her close family members
	Acting Principal Officer and her close family members

Related party balances and transactions

	2021 R	2020 R
Trustee Remuneration (note 16)	34 568	20 533
Payments to related parties of trustees	172 399	-
Contributions received in terms of the Scheme's Rules	1 036 834	1 126 626
Claims paid in terms of the Scheme's Rules	837 772	563 464
Principal Officers' Remuneration (note 15)	4 623 418	4 257 462
Principal Officers' Travel, accommodation and conferences (note 15)	28 431	103 978
Principal Officers' Cell phone and other reimbursements	-	44 087
Savings account balances	542 396	120 046
Loan receivable (note 6)	249 872	249 872

All costs were charged at market related prices in accordance with the provisions of the Act.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

20.1 FAIR VALUES AND FINANCIAL INSTRUMENTS

For financial assets held at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. Fair value disclosures are based on the level within which a instrument falls in the fair value hierarchy. The inputs are categorised into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority given to unobservable inputs.

The three fair value hierarchy levels are:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted prices included within Level 1 that are either directly or indirectly (that is, derived from prices) observable for the asset or liability;
- Level 3 inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Scheme's assets held at fair value on a look-through basis:

	Level 1	Level 2	Level 3	Total
2021	R	R	R	R
Assets				
Financial assets held at fair value through profit or loss (note 5)				
Listed equities	232 131 658			232 131 658
Bonds	216 423 958			216 423 958
Listed property holding	16 313 210			16 313 210
Money market instruments		394 718 802		394 718 802
Total assets	**464 868 826**	**394 718 802**	**-**	**859 587 628**
2020				
Assets				
Financial assets held at fair value through profit or loss (note 5)				
Listed equities	169 048 111			169 048 111
Bonds	200 500 945			200 500 945
Listed property holding	9 330 336			9 330 336
Money market instruments		358 713 875		358 713 875
Total assets	**378 879 392**	**358 713 875**	**-**	**737 593 267**

Financial assets held at fair value through profit or loss held by the Scheme categorised as level 2:

- unlisted money market instruments and valued using discounted cash flows based on applicable interest rates

20.2 FINANCIAL RISK MANAGEMENT

The Scheme's activities expose it to the following financial risks:

- Credit risk;
- Liquidity risk; and
- Market risk from equity market prices (price risk) and interest rate risk.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments which the Scheme holds to meet its obligations to its members.

Financial risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees together with the Scheme's Executive Management who establish and oversee the Scheme's financial and non-financial risk management framework.

The Investment Committee is responsible for assisting the Board to manage the investment portfolio in accordance with the agreed policies of the Scheme and to ensure compliance with the regulations of the Act. Refer to page 8 of the annual report for further details on the Scheme's investment strategy.

20.2.1 Credit risk

Credit risk refers to the risk that the Scheme will suffer a financial loss is a customer (insurance or trade receivable) or other counter party to a financial instrument fails to meet their current obligations to the Scheme. Credit risk arises principally from the Scheme's investment securities (excluding the equity instruments), cash and cash equivalents and insurance receivables.

Exposure to credit risk

The carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021			2020		
	Fair value/ Amortised cost	Impairment	Carrying amount	Fair value/ Amortised cost	Impairment	Carrying amount
	R	R	R	R	R	R
Investments (note 5)	837 160 120	-	837 160 120	737 593 268	-	737 593 268
Insurance receivables (note 6)	21 675 917	(627 935)	21 047 982	25 596 800	(71 809)	25 524 991
Non-insurance receivables (note 6)	1 486 161	(1 049 898)	436 263	1 520 647	(1 022 723)	497 924
Cash and cash equivalents (note 7)	48 505 083	-	48 505 083	81 024 478	-	81 024 478
	908 827 281	**(1 677 833)**	**907 149 448**	**845 735 193**	**(1 094 532)**	**844 640 661**

Investments

The credit risk is managed by limiting exposure as well as the quality of instruments that the Scheme's assets can be invested in, limiting the impact of a default on the overall portfolio. The following guidelines provide the current limits on each instrument:

Domestic equity investments

- Domestic Equity Investments shall be restricted to securities that are actively traded on the Johannesburg Stock Exchange (JSE) and readily marketable;
- Not more than 5% of the total share portfolio may be invested in the share of any one company at the time of purchase;
- For investee companies that have a market capitalisation of below R5 billion no more than 2.5% of the total Scheme investment portfolio may be invested in the share instrument of any one investee company; and
- In cases of investments into a pooled fund, the Scheme may invest in accordance with Regulation 30 requirements, in which case the Scheme may waive strict adherence to the guidelines above.

Domestic fixed-income and cash investments

- At the time of purchase, debt instruments should have a minimum quality rating of Ba or equivalent as rated by Moody's in accordance with their long-term rating definition. Split-rated issues, will be governed by the lower quality designation. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Obligations rated Ba and Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
- Debt instruments which are downgraded for which the asset manager believes it should continue to hold the instrument, a report providing reasons should be provided in one month;
- Instruments that are rated Aa and above are limited to no more than 20% per issuer. Instruments below A but not lower than Ba are limited to not more than 10% and no instruments rated below B may be held; and
- With the exception of those situations involving reorganisation of Scheme assets, debt securities should be made only in issuers with an outstanding value of at least R50 million, valued at par, at the time of purchase.

The quality rating of the domestic fixed income and cash investments held at the reporting date was:

	Top 5 holdings at 31 December 2021	Ratings (long term)	Percentage of portfolio 2021	2020
Current accounts	Nedbank Ltd	Ba2	100.0%	100.0%
Money market	Nedbank Ltd	Ba2	31.8%	20.8%
	FirstRand Bank Ltd	Ba2	20.2%	22.0%
	Standard Bank Group Ltd	Ba3	18.0%	20.2%
	ABSA Bank Ltd	Ba1	18.9%	21.7%
	Investec Bank Ltd	Baa1	9.9%	13.6%
	HSBC Bank Plc	A3	1.2%	1.7%
			100.0%	100.0%

Insurance, trade and other receivables

The Scheme's exposure to credit risk is influenced by the individual characteristics of each member. The demographics of the Scheme's membership base, including the default risk of the industry in which the member operates, has less of an influence on credit risk. The Scheme's revenue streams are evenly spread thereby reducing credit risk exposure.

The majority of the Scheme's members have been loyal to the Scheme for many years, resulting in infrequent losses occurring. Credit risk is actively managed by suspending members accounts on non-receipt of contributions.

Age analysis of insurance, trade and other receivables

	2021 Gross carrying amount R	2021 Impairment R	2021 Carrying amount R	2020 Gross carrying amount R	2020 Impairment R	2020 Carrying amount R
Insurance receivables						
Not past due	19 119 785	-	19 119 785	25 236 449	-	25 236 449
Past due 1 - 30 days	166 028	-	166 028	14 358	-	14 358
Past due 31 - 60 days	168 074	(76 549)	91 526	34 808	-	34 808
Past due 61 - 90 days	100 231	(88 464)	11 766	9 600	-	9 600
Past due more than 90 days	2 121 799	(462 922)	1 658 877	301 586	(71 809)	229 777
	21 675 917	(627 935)	21 047 982	25 596 800	(71 809)	25 524 991
Financial assets						
Not past due	186 391	-	186 391	247 055	-	247 055
Past due 1 - 30 days	-	-	-	683	-	683
Past due 31 - 60 days	1 541	(1 541)	-	132 981	(132 664)	317
Past due 61 - 90 days	25 633	(25 633)	-	161 113	(161 113)	0
Past due more than 90 days	1 272 595	(1 022 723)	249 872	978 815	(728 946)	249 869
	1 486 161	(1 049 898)	436 263	1 520 647	(1 022 723)	497 924
Trade and other receiveables (excluding prepayments)	**23 162 078**	**(1 677 833)**	**21 484 245**	**27 117 447**	**(1 094 532)**	**26 022 915**

With respect to the insurance assets that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations based on, the nature of the counterparty, the historical information about the counterparty default rates and other information used to assess credit quality.

The Scheme establishes an allowance for impairment that represents its estimate of expected credit losses (IFRS 9) in respect of insurance receivables. The collective loss allowance is determined based on a set policy, while bearing in mind historical data of payment statistics for similar financial assets.

The provision for impairment at 31 December 2021 was determined in accordance with the guidelines of the simplified approach (life time expected losses) of the expected credit loss model as required by IFRS 9. It is in respect of contributions receivable, member and service provider debit balances and advances from savings plan accounts recoverable by management.

In order for the Scheme to determine life time expected losses, a provision matrix was used. The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated. The provision matrix is split for the following categories:

a) Active member contributions and savings debtors
b) Resigned member contributions and savings debtors
c) Provider debtors
d) Tenant debtors
e) Sundry debtors

The expected credit loss estimates were updated to account for future economic conditions, relative to historic conditions, given the severity of the economic impacts of COVID-19. Cash flows were impacted due to contribution relief granted to defer contribution payments for the period. Members who qualified per the stipulated criteria, considering credit risk, utilised accumulated savings balances to offset contribution debt. Payment defaults were managed according to the Credit Policy. Refer note 25 for the financial impact of the relief measures granted.

20.2.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Trustees, which has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium and long-term funding and liquidity management requirements.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities; the availability of funding through liquid cash positions with various financial institutions ensures that the Scheme can fund the day-to-day operations. The Scheme manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The financial liabilities posing a liquidity risk are outstanding claims provision and trade and other payables.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	0 - 1 Month R	2 - 3 Months R	4 - 12 Months R	Contractual cash flows R	Carrying amount R
2021					
Current liabilities					
Outstanding risk claims provision (note 10)	22 313 855	10 434 444	1 634 245	34 382 544	34 382 544
Non-insurance payables (note 11)	3 794 294	-	-	3 794 294	-
	26 108 149	**10 434 444**	**1 634 245**	**38 176 838**	**34 382 544**
2020					
Current liabilities					
Outstanding risk claims provision (note 10)	22 802 149	2 562 039	256 204	25 620 392	25 620 392
Non-insurance payables (note 11)	3 063 695	-	-	3 063 695	3 063 695
	25 865 844	**2 562 039**	**256 204**	**28 684 087**	**28 684 087**

20.2.3 Interest rate risk

The Scheme's investment policy during the year under review was to hold most of investments in interest bearing instruments when assessed on a look-through basis in accordance with Annexure B of Regulation 30 to the Medical Schemes Act. The Scheme's investments were therefore exposed to changes in the market interest rates. Except for the Scheme's investments in interest-bearing instruments, cash and cash equivalents also expose the Scheme to interest rate risk. The table below summarises the Scheme's exposure to interest rate risks. Included in the table are the Scheme's investments at carrying amounts categorised by earlier of contractual repricing or maturity dates.

	Carrying amount R	
	2021	**2020**
Investments in property (note 5)	16 313 210	9 330 336
Interest-bearing investments, including bonds (note 5)	216 423 958	200 500 945
Cash and cash equivalents (notes 5 and 7)	443 223 885	439 738 353
	675 961 053	**649 569 634**

The money market and cash and cash equivalents are managed on a net returns basis by the Scheme's asset managers. The balance of fixed and variable instruments being held in these portfolios is adjusted in response to movements in market interest rates to maintain an acceptable level of risk as well as returns. The net returns are benchmarked against the SteFi Composite index.

The carrying amounts of fixed-rate instruments in these portfolios approximate their fair values due to the short period to maturity, and no fair value adjustments are processed to the statement of profit or loss in respect of these instruments. Variable-rate instruments are not linked to one specific market interest rate. The reported returns on these investments will vary in response to movements in market rates.

The Scheme does not discount insurance, trade or other receivables or payables as they are all settled or fall due within one year

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Change in interest rates by 100 basis points

	2021		**2020**	
	Increase R	**Decrease** R	**Increase** R	**Decrease** R
Impact on surplus of deficit	**6 759 611**	**(6 759 611)**	**6 495 696**	**(6 495 696)**

20.2.4 Market price risk

Market price risk arises from fair value through profit or loss in equity securities held for partially meeting the Scheme's financial obligations. The Scheme is exposed to market price risk because of investments held by the Scheme which are classified as at fair value through profit or loss. The Scheme was not exposed to commodity risk.

To manage its market price risk arising from investments, the Scheme diversifies its portfolio. The Scheme's assets are managed by various asset managers on behalf of the Scheme. Diversification of the portfolio is done by the asset manager. All buy and sell decisions are measured in terms of the investment mandate of the Scheme.

The Scheme strives to minimise market risk as follows:

- The Scheme has established an investment strategy and in line with this strategy, the Scheme diversifies its investment portfolio by investing in domestic equities, domestic bonds, derivative instruments and domestic cash to achieve a balance investment portfolio.
- Diversifying the management of the Schemes investment portfolio to specific specialised mandates thus mitigating the risk through diversification.
- Structuring the investment portfolio so that sufficient cash and cash like securities are available to meet cash requirements for ongoing cash flow needs, thereby avoiding the need to sell securities on the open market during periods of market volatility.

The market price risk sensitivity analysis has been determined based on the exposure to price risks at the reporting date on investments. The analysis assumes that all other variables remain constant. The method remained consistent with the prior period.

The Scheme uses a sensitivity analysis technique for financial market risks that measures the estimated change to profit or loss and accumulated funds. If the equity indexes had been 3% lower, the Scheme's surplus and accumulated funds for the year would reduce by R 5 million (2020: R 5 million) as a result of the change in the market value of instruments.

20.3 CAPITAL RISK MANAGEMENT

The Scheme manages its capital in order to maintain the capital requirements of the Act. Regulation 29 of the Act requires a minimum ratio of accumulated funds expressed as a percentage of gross annual contribution income to be 25%. The calculation of the regulatory requirement is set out in section 2.5 of the Report of the Board of Trustees.

21. STRUCTURED ENTITIES

The Scheme's investments in investee funds are subject to the terms and conditions of the respective investee fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investee funds. The asset manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All investee funds in the investment portfolio are managed by portfolio managers who are compensated by the respective investee funds for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the fund's investment in each of the investee funds. These investments are included in investments at fair value through other comprehensive income as in the statement of financial position.

The exposure of the investments in investee funds at fair value is disclosed in the following table:

	2021	2020
Investee fund	R	R
Coronation Medical Absolute	184 534 084	143 830 790
NinetyOne Stable Money	73 427 979	70 174 406
M&G Medical Aid Inflation Plus 5%	192 435 671	145 725 407

The strategy of the investee funds is to protect the capital of investors in an absolute sense, whilst providing income in excess of short-term bank deposit rates. The Scheme is not exposed to any further risks of financial loss beyond the fair value of its share in the investee funds as outlined in the preceding table.

22. LIABILITY AND ADEQUACY TESTS

The liability adequacy test was considered and concluded not to be material. This is due to the fact that current estimates of future cash flows relating to the recognised liability equals the recognised liability as a result of the settlement of the recognised liability taking place within four months of report date.

23. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS

	2021	2020
	R	R
Minimum lease payments due:		
- within one year	68 936	82 485
- in the second to the fifth year inclusive	97 660	-
	166 596	**82 485**

The Scheme entered into various operating lease agreements for office equipment. Leases on office equipment are contracted for a period of mostly three years. Low value and short-term leases were recognised in surplus or deficit in accordance with IFRS 16. No contingent rent is payable.

CONTINGENT ASSETS

Claims against the Road Accident Fund for benefits paid on behalf of the Scheme's members are disclosed as a contingent asset as the inflow of economic benefits is probable, but not virtually certain. At the reporting date Road Accident Fund claims of R6 893 063 (2020: R7 735 000) had been submitted but not yet concluded.

24. INSURANCE RISK MANAGEMENT

24.1 RISK MANAGEMENT OBJECTIVES AND POLICIES FOR MITIGATING INSURANCE RISK

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

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, case management, service provider profiling and monitoring of emerging issues.

The Board of Trustees oversees the operational duties and management of insurance risk to which the Scheme is exposed The Board of Trustees reviews the insurance risks to which the Scheme is exposed to at each meeting and ensures that the benefit options provided to members are structured to fall within the acceptable insurance risk levels specified.

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

The Scheme’s affairs are governed by a set of rules, registered with the Council for Medical Schemes, which set out the benefits provided by each option and the definition of the restricted membership group.

Benefits provided include the following:

- In-hospital benefits cover costs incurred by members, whilst they are in hospital;
- Chronic disease benefits cover medication and consultations on all options. Disease management programmes have been designed to assist, educ ate and support members in managing their chronic illness;
- Day-to-day benefits cover the cost of out-of-hospital medical attention, such as visits to general practitioners and dentists as well as a cute and over-the-counter medicines, subject to the benefit limits and Scheme tariffs contained in the Rules of the Scheme; and
- Other benefits such as the Scheme’s disease management programmes, preventative wellness benefits and external appliances are available.

The Scheme has the right to change the terms and conditions of the contract in terms of the Scheme Rules. Management information, including contribution income, expenditure and claims ratios by option, is reviewed monthly.

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

24.2 NATURE AND EXTENT OF RISK ARISING FROM INSURANCE CONTRACTS

The Scheme issues contracts that transfer insurance risk. This section summarises these risks and the way the Scheme manages them.

24.3 CONCENTRATION OF INSURANCE RISK

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the volatility of the outcome. The strategy is set out in the annual business plan, which specifies the benefits to be provided, the preferred target market and demographic split thereof.

In-hospital benefits cover all cost incurred by members, whilst they are in hospital to receive pre-authorised treatment for certain medical conditions. Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma. Day-to-day benefits cover the cost (up to 100% of the Scheme tariff) of all out of hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines. Savings account claims are excluded. All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal.

Management information, including contribution income, claims ratios and demographic split, is reviewed monthly.

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, excluding capitation fees, by age group in relation to the type of risk covered / benefits provided.

Age group	Unique beneficiaries	In-hospital		Chronic		Day to day		Total
		PMB	Non-PMB	PMB	Non-PMB	PMB	Non-PMB	
		R	R	R	R	R	R	R
2021								
< 25	178	21 077 930	6 711 299	5 357 203	1 681 485	10 175 620	10 277 389	55 280 926
25 - 34	2 301	13 471 238	4 608 811	479 410	1 292 483	9 556 783	9 534 582	38 943 307
35 - 49	5 116	48 045 417	13 964 250	5 086 829	4 174 682	25 175 239	27 299 830	123 746 248
50 - 64	2 386	36 879 330	10 581 456	8 321 785	4 247 523	23 637 368	20 864 114	104 531 575
> 65	997	43 303 558	7 360 499	6 839 291	3 229 183	25 239 205	18 749 754	104 721 489
	10 978	**162 777 473**	**43 226 315**	**26 084 517**	**14 625 355**	**93 784 215**	**86 725 668**	**427 223 545**
2020								
< 25	148	16 153 586	5 565 452	5 596 355	1 347 667	6 141 049	8 618 350	43 422 459
25 - 34	2 197	12 850 594	3 563 075	498 169	590 792	8 422 850	8 127 216	34 052 696
35 - 49	4 359	26 057 181	8 282 078	4 713 352	3 469 792	18 075 747	19 397 418	79 995 568
50 - 64	2 065	39 056 434	8 530 813	8 217 493	3 648 092	23 603 007	17 855 915	100 911 754
> 65	898	31 266 652	5 498 300	6 682 489	2 889 445	17 608 161	14 644 172	78 589 219
	9 667	**125 384 447**	**31 439 718**	**25 707 858**	**11 945 788**	**73 850 814**	**68 643 071**	**336 971 696**

24.4 RISK TRANSFER ARRANGEMENTS

The Scheme reinsures a portion of the risks it underwrites so that it can limit its exposures to losses and protect capital resources. The Scheme has entered into a capitation agreement with Anglo Coal Highveld Hospital in respect of the Yebomed option.

The risk transfer arrangement spreads the risk and minimises the effect of losses. According to the terms of the capitation agreement, the Anglo Coal Highveld Hospital Network provides certain benefits to all Yebomed members, as and when required by the members. The Scheme does, however, remain liable to its members and suppliers with respect to ceded insurance obligations if any reinsurer (supplier) fails to meet the obligations it assumes.

At the end of February 2021, all members on the Yebomed option moved to Ntsika. The Scheme had applied for deregistration of Yebomed by the CMS and therefore this risk transfer arrangement is no longer relevant.

24.5 CLAIMS DEVELOPMENT

Claims development tables are not presented. The uncertainty regarding the amount and timing of claim payments are resolved within a year.

25. FIDELITY COVER

In accordance with the Rules of the Scheme, the fidelity cover at 31 December 2021 amounts to R 800,000 (2020: R 800,000). The cover is provided under a group Fidelity Policy covering the scheme.

26. MATTERS OF NON-COMPLIANCE WITH THE ACT

The Scheme places high priority to meeting requirements set by the Act. In this regard, the Scheme subjects itself to an independent external audit to ensure compliance. Due to this approach, the Scheme does not focus on one area of compliance only, but on all areas that affect the Scheme and ensures compliance in this way.

The following are non-compliance with the that arose during the year under review. The Scheme has not incurred any regulatory penalties, sanctions or fines for any contraventions. The details of each matter of non-compliance is disclosed below:

26.1 LATE RECEIPT OF CONTRIBUTIONS

Section 26(7) of the act requires that “all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.” The Scheme has aged debtors of up to 120 days for both group and direct paying members and is thus in breach of the three day rule. Significant debt with members could affect the liquidity of the Scheme and its ability to service members and potential non recoverability of such debtors. It is not possible to receive all contributions within three days of becoming due, as there may be economic circumstances whereby contributions cannot be paid as per Section 26(7). In such instances members are notified of the breach. In addition, the Scheme has mitigating controls in place to address the non-payment of contributions, which include the enforcement of the Scheme’s Credit Control Policy. Other interventions include, direct management engagement with affected groups to resolve such concerns.

26.2 CLAIMS PAID IN EXCESS OF 30 DAYS OF RECEIPT

Section 59(2) of the Act states that: “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.” The scheme endeavours to pay all claims within 30 days of receipt, however processing of a few claims is occasionally delayed due to procedures to ensure their validity. The claims paid outside of 30 days are investigated by management to ensure this matter is effectively managed.

26.3 RULE CHANGE NOT SUBMITTED WITHIN 30 DAYS OF REQUEST

Section 31(4)(a) of the Act states that Registrar may order a medical scheme to, within a period of 30 days as from the date he or she addressed the request to the medical scheme concerned, amend the rules in the manner indicated by him or her. The Scheme received an email on 11 June 2021 from the Registrar containing a letter dated 19 May 2021. The letter requested that the Scheme change its rules concerning the quorum for Annual General Meetings and Special General meetings to to align it with the CMS Model rules. The Scheme submitted the requested rule change to the CMS on 1 October 2021 following discussion and approval by the Board of Trustees. This submission was outside of the 30 day period. The Scheme will closely manage timeliness to ensure compliance in future.

27. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. this basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

The Board has reviewed the budgets and cash flow projections for the next twelve months from date of approval and has concluded that the going concern assumption is appropriate and will continue to be for the foreseeable future. The Board has an annual strategic meeting at which the business plan together with key performance indicators and strategic targets for the forthcoming year are formulated to ensure that all material risk areas are comprehensively addressed and that contingency plans are implemented. The Audit and Governance Committee regularly reviews the Scheme’s risk register and management accounts and reports to the Board of trustees with recommendations regarding the necessary steps taken to mitigate such risks.

28. SIGNIFICANT EVENTS

In 2019 the Scheme reported a significant event relating to alleged fraudulent activities committed by a member of senior management. The alleged fraudulent activities included misuse of the Scheme's property, expenses incurred without the appropriate authorisation, non-compliance with the Scheme's internal procurement policies and theft of the Scheme's monetary assets. The Scheme commissioned an independent forensic investigation on the matter. The member of senior management has been suspended pending the outcome of their disciplinary hearing, which is currently under dispute at the Labour Court.

29. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period.