



ANNUAL GENERAL MEETING

Friday, 20th May 2016

10h00

Nelson Mandela Centre of Memory



Healthy communities. Our bottom line.

Board Of Trustees



Healthy communities. Our bottom line.

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Healthy communities. Our bottom line.

Notice of the 12th Annual General Meeting

Notice is hereby given of the Twelfth Annual General Meeting of members of Thebemed Medical Scheme.

Should you wish to attend, the details are as follows:

Friday, 20th May 2016 | 10h00 | Nelson Mandela Centre of Memory

Agenda

1. Welcome and Quorum
2. Approval of the minutes of the previous Annual General Meeting held on 25th June 2015
3. To receive and adopt the audited financial statements for the year ended 31 December 2015, together with the report of the trustees and auditors
4. Financial performance for the period 31 December 2015
5. Trustee remuneration
6. Appointment of the auditors of the scheme for the ensuing year
7. Operational report
8. Feedback regarding the proposed merger
9. General

Please notify the Principal Officer of any motions at least seven days prior to the meeting (by Friday, 13th May 2016). Notices of motions may be sent by post to:

The Principal Officer, P O Box 16144, Doornfontein, 2028

Proxies

Each member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (who must be a member of the scheme) to attend, speak and vote in the member's stead for all matters apart from election of trustees in terms of rule 18.2. Trustees can only be elected by members present at the AGM or SGM if applicable.

Chairmans Report



Dear Members

2015 was an extremely challenging year for Thebemed. Despite a loss of 1 547 members (mainly due to retrenchments at a number of clients), we were able to grow the scheme by a net 10% as a result of the recruitment of 2 408 new members. These members were obtained through a combination of growth from existing clients (especially at Aquarius) as well as the enrollment of four new clients:

Financially, Thebemed performed well, posting a net surplus of R4.8m (2014 - R15.1m) which brought reserves up to R42.2m, representing 22.3% of annual premiums. In terms of healthcare claims, the net claims ratio of 81% represented generally higher claims industry wide. The Universal Plan claim ratio however was concerning at 95%. Key concerns revolved around hospital and specialist costs.

The hospital costs were driven by Respiratory, Circulatory and Perinatal related conditions. Cost drivers for specialists are driven by Radiation and Oncology which is comparable to the industry benchmark. Oncology care is generally expensive. Secondly the Ophthalmologists due to the nature of high cost procedures which can be performed in the rooms.



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It is possible to draw a number of conclusions from this performance:

- a. The financial position of Thebemed has improved significantly over the last few years as illustrated in the table below:

	2011	2012	2013	2014	2015
Total Reserves	15.2m	15.8m	22.5m	37.6m	42.2m
Reserve Ratio	11%	10.6%	15.1%	22.8%	22.3%

- b. The current reserve ratio of 22.3% remains below the 25% reserve requirements of the Act, but is well above the targeted 18.8% agreed to with the Council for Medical Schemes (CMS) in terms of the business plan for 2013;
- c. The actual claims ratio for Thebemed was 81% which is significantly below the industry average of around 85%;
- d. Thebemed continues to provide meaningful benefits to our members and besides the normal day to day claim, we paid a number of high individual hospital claims including (9 admissions in excess of R 500 000 and 5 admissions in excess of R 1 million);
- e. Thebemed continues to enjoy a very healthy member profile with an average age of 42 years, pensioner ratio of 0.44% and a chronic ratio of 13%;
- f. From an administrative perspective, Thebemed continues to exceed industry service level benchmarks with average claims turnaround times at less than 4 days, call centre response rates at 15 seconds (with 90% of queries resolved in the first call) and new membership turnaround of within 3 days.

Chairmans Report cont.



Conclusion

In conclusion, Thebemed has enjoyed a pleasing performance for 2015. During the year, the board of Thebemed engaged in discussions about a potential merger with another medical scheme. Despite the fact that these talks reached a very advanced stage, the two parties were ultimately unable to agree on a way forward.

Nevertheless, in line with our mandate to extend medical coverage to a broader section of the population, we continue to assess viable options for a potential merger with other likeminded schemes and will approach our members should a suitable option arise.

We would like to express our gratitude to all of our partners and especially our administrators Thebe Ya Bophelo Healthcare Administrators for their commitment to continual improvement and for containing administrative costs at well below the industry average.

2016 promises to present similar challenges in terms of balancing our need for growth with the need to build our reserves. The economic climate is likely to remain challenging and will necessitate extra effort to ensure good service to our members in order to justify membership retention. On behalf of the board of trustees, I would like to assure you of our continued commitment to providing excellent value to our members.



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V. MAZIBUKO
Chairman

For the year ended 31 December 2015

Statement Of Responsibility By The Board Of Trustees



The trustees are responsible for the preparation, integrity, and fair presentation of the financial statements of THEBEMED Medical Scheme. The financial statements presented have been prepared in accordance with International Financial Standards (IFRS), The Medical Schemes Act of South Africa and include amounts based on judgments and estimates made by management.

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

The trustees are satisfied that the information contained in the financial statements fairly presents 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 summarized 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 kept. The accounting records disclose with reasonable accuracy the financial position of the scheme which enable the trustees to ensure that the financial statements comply with the relevant legislation

Thebemed Medical Scheme operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the financial statements. The trustees have no reason to believe the scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the scheme. The scheme's external auditors are responsible for auditing the financial statements in terms of International Standards on Auditing and their report is presented on page 14.

The financial statements were approved by the Board of Trustees on 31 March 2016 and are signed on its behalf:

Chairman

Principle Officer

Trustees



For the year ended 31 December 2015

Statement Of Corporate Governance By The Board Of Trustees



Thebemed Medical Scheme is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The trustees are proposed and elected by the members of the scheme and the employers.

BOARD OF TRUSTEES

The trustees meet regularly and monitor the performance of the Administrators. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

All trustees have access to the advice and services of the principal officer and, where appropriate, may seek independent professional advice at the expense of the scheme.

INTERNAL CONTROL

The Administrator of the scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets.

Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

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


Chairman


Principle Officer


Trustees



For the year ended 31 December 2015

Independent Auditors Report



STRACHAN & CROUSE

GEKTOEGEERDE REKENMEESTERS (SA) / CHARTERED ACCOUNTANTS (SA)
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ONS VERW: 2/56140
OUR REF : _____

31 March 2016

INDEPENDENT AUDITOR'S REPORT

To the members of THEBEMED MEDICAL AID SCHEME

We have audited the annual financial statements of THEBEMED MEDICAL AID SCHEME which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 19 to 48.

Trustees' Responsibility for the Financial Statements

The scheme's trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of THEBEMED MEDICAL AID SCHEME as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act of South Africa.

Report on other legal and regulatory requirements

As required by the Council for Medical Schemes, we report the fact that the medical scheme did not comply with the following regulations of the Medical Schemes Act 131 of 1998 (refer to Note 14 in the Board of Trustees' Report and Note 23 in the Notes to the Annual Financial Statements):

- Regulation 29(2) as the accumulated funds ratio at 31 December 2015 was not achieved.
- Section 26(7) – Contributions received more than 3 days after the due date.
- Section 33(2) – Option not self supporting.
- Section 59(2) – Payment of benefits within 30 days of benefits to be paid.

STRACHAN & CROUSE
Registered Auditors
D G Strachan

31 March 2016
Pretoria

For the year ended 31 December 2015

Statement Of Financial Position



	2015	2014
	R	R
ASSETS		
Non-current assets		
Property and equipment	2 385	7 336
Current assets	56 498 503	49 819 812
Available-for-sale investment	20 345 947	-
Trade and other receivables	8 743 365	4 268 682
Cash and cash equivalents	27 409 191	45 551 130
Total assets	56 500 888	49 827 148
FUNDS AND LIABILITIES		
Members' funds		
Accumulated funds	42 209 251	37 557 759
Investment Reserves	178 166	-
Current liabilities	14 113 471	12 269 389
Outstanding claims provision	9 864 241	7 489 218
Trade and other payables	4 249 230	4 780 171
Total funds and liabilities	56 500 888	49 827 148

For the year ended 31 December 2015

Solvency Ratio



	2015	2014
	R	R
Total Members' funds per Statement of financial position	42 209 251	37 557 759
Accumulated funds per Regulation 29	42 209 251	37 557 759
Gross Contributions	189 612 166	164 612 983
Solvency Ratio	22.3%	22.8%

The solvency ratio has not been met as per the Regulations of the Medical Schemes due to the focus on membership growth to allow the scheme to build up sufficient reserves. The scheme is aware that the increase in membership will negatively affect the reserves until such time as the increased membership contributes to reserves. A business plan was submitted to the Council for Medical Schemes and the solvency ratio for 2015 was approved at 18.8%

For the year ended 31 December 2015

Operational Statistics



2015	Total	ENERGY	UNIVERSAL
Average number of members during the accounting period	9 319	3 291	6 028
Number of members at 31 December 2015	9 364	3 223	6 141
Average number of beneficiaries during the accounting period	21 296	11 075	10 221
Number of beneficiaries at 31 December 2015	21 412	11 023	10 389
Dependant Ratio at 31 December 2015	2.3	3.4	1.7
Net contributions per member per month (R)	1 696	2 909	1 033
Average net contributions per beneficiary per month (R)	742	865	609
Relevant healthcare expenditure per average beneficiary per month	603	628	576
Non-health expenses per average beneficiary per month (R)	131	144	117
Relevant healthcare expenditure as a percentage of gross contributions	81%	73%	95%
Non-health expenses as a percentage of gross contributions	18%	17%	19%
Average accumulated funds per member at year end	4 529.33		
Return on investments as a percentage of investments	5.6%		
Average Age	26.57	24.70	28.56
Pensioner Ratio	0.44%	0.41%	0.47%

For the year ended 31 December 2015

Statement of Comprehensive Income



	Universal Plan	Energy Plan	Total scheme
	R	R	R
2015			
Net contribution income	74 713 243	114 898 923	189 612 166
Relevant healthcare expenditure	(71 437 854)	(84 824 679)	(156 262 533)
Net claims incurred	(69 867 257)	(82 688 070)	(152 555 327)
Accredited managed healthcare services	(829 220)	(1 319 982)	(2 149 202)
Net expense on risk transfer arrangement	(741 377)	(816 627)	(1 558 005)
Risk transfer arrangement fees	(5 768 877)	(6 022 275)	(11 791 152)
Recoveries from risk transfer arrangements	5 078 856	5 286 754	10 265 609
Profit share	51 356	(81 106)	(132 462)
Gross healthcare result	3 275 389	30 074 244	33 349 633
Net income on commercial re-insurance	-	-	-
Re-insurance premiums paid	-	-	-
Recoveries from re-insurance	-	-	-
Broker service fees	(2 122 005)	(2 991 403)	(5 113 407)
Administration fees	(11 146 312)	(14 536 427)	(25 682 739)
Impairment losses on trade and other receivables	(156 308)	(238 229)	(394 537)
Net healthcare result	(11 149 236)	12 308 185	2 158 949
Other income - Investment income	1 035 196	1 626 004	2 661 200
Asset Management fees	(65 607)	(103 050)	(168 657)
Net surplus/(deficit) for the year	(9 179 647)	13 831 139	4 651 492

For the year ended 31 December 2015

Statement of Comprehensive Income



	Universal Plan	Energy Plan	Total scheme
	R	R	R
2014			
Net contribution income	55 756 683	108 856 300	164 612 983
Relevant healthcare expenditure	(47 165 236)	(82 233 351)	(129 398 587)
Net claims incurred	(46 667 323)	(80 523 845)	(127 191 169)
Accredited managed healthcare services	(570 339)	(1 187 827)	(1 756 166)
Net expense on risk transfer arrangement	72 426	(523 679)	(451 254)
Risk transfer arrangement fees	(4 655 834)	(6 160 776)	(10 816 610)
Recoveries from risk transfer arrangements	4 307 330	4 971 597	9 278 927
Profit share	420 929	665 499	1 086 428
Gross healthcare result	8 591 447	26 622 949	35 214 396
Net income on commercial re-insurance	84 087	3 205 913	3 290 000
Re-insurance premiums paid	(555 736)	(1 154 264)	5 000 000
Recoveries from re-insurance	639 823	4 360 177	5 015 828
Broker service fees	(1 843 092)	(3 137 880)	(4 980 973)
Administration fees	(6 774 613)	(13 172 395)	(19 947 008)
Impairment losses on trade and other receivables	(62 509)	(120 588)	(183 097)
Net healthcare result	(4 682)	13 397 999	13 393 316
Other income - Investment income	594 801	1 224 441	1 819 243
Asset Management fees	(39 266)	(80 832)	(120 098)
Net surplus/(deficit) for the year	550 853	14 541 607	15 092 460



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THEBE

YA BOPHELO ADMINISTRATORS