



RHODES UNIVERSITY MEDICAL SCHEME
(Registration Number 1013)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022**

**RHODES UNIVERSITY MEDICAL SCHEME
SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2022.

Registration number 1013

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1. Terms of registration

The Rhodes University Medical Scheme is a restricted membership Medical Scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended. Membership of the Medical Scheme is restricted to employees and retired employees of Rhodes University and their dependants.

1.2. Rhodes University Medical Scheme benefit option

The Rhodes University Medical Scheme offers a single benefit option which provides comprehensive in and out of hospital benefits. Most out of hospital benefits are paid at scheme tariff after a 20% co-payment by the member which the Board of Trustees believes, encourages the responsible utilization of benefits.

1.3. Risk transfer arrangements

The scheme has entered into a capitation agreement with ER24 for the provision of emergency transport.

2. MANAGEMENT AND KEY THIRD PARTY CONTRACTORS

2.1	Board of Trustees in office during the year under review:	2.2	Principal officer
	D. Sewry (Chairperson)		M.D. Arendse
	G.A.S. Armstrong		Rhodes University
	R.B. Walker		Makhanda
	S.C.M. Smailes		
	R. van Rooyen – resigned 28 February 2022		
	E. Knoesen		
	J. Pillay – co-opted 12 April 2022, appointed 7 June 2022		
2.3	Registered office address:	2.4	Registered postal address:
	Momentum Thebe Ya Bophelo (Pty) Ltd		Momentum Thebe Ya Bophelo (Pty) Ltd
	7 Lutman Street		P O Box 1672
	Richmond Hill		Gqeberha
	Gqeberha		6000
	6001		
2.5	Medical Scheme Administrators during the year:	2.6	Auditors
	Momentum Thebe Ya Bophelo (Pty) Ltd		PricewaterhouseCoopers Inc.
	7 Lutman Street		Ascot Office Park
	Richmond Hill		Greenacres
	Gqeberha		Gqeberha
	6001		6045

3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

The Trustees continue to invest in line with the requirements of the Medical Schemes Act. There has been no change in the policy during the current accounting period. The scheme's investment objectives are to maximise the return on its investments on a long term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. To achieve this, the funds are invested on call and on short-term deposits with major banking institutions.

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Operational statistics

	2022	2021
Average number of members during the accounting period. (N)	1 210	1 200
Number of members at the end of the accounting period. (N)	1 224	1 192
Average number of beneficiaries during the accounting period (N)	2 423	2 431
Number of beneficiaries at 31 December	2 436	2 416
Number of dependants at 31 December	1 212	1 224
Average number of dependants	1 213	1 231
Dependant ratio at 31 December	0.99	1.03
Net contributions per average beneficiary per month (R)	2 208.27	2 115.81
Relevant healthcare expenditure per average beneficiary per month (R)	1 959.83	1 595.96
Non-healthcare expenditure per average beneficiary per month (R)	143.44	131.03
Relevant healthcare expenditure as a percentage of gross contributions (%)	88.75	75.43
Non-healthcare expenditure as a percentage of gross contributions (%)	6.50	6.19
Average age per beneficiary	40.42	40.86
Pensioner ratio at 31 December (percentage of beneficiaries > 65 years)	17.98%	18.71%
Average accumulated funds per member at 31 December (R)	86 777	81 569
Return on investments as a percentage of investments (%)	5.65	4.02

4.2 Results of operations

The results of the scheme are set out in the annual financial statements, and the trustees believe that no further clarification is required.

4.3 Accumulated funds ratio

	2022 R	2021 R
Gross contributions	64 198 947	61 722 340
Accumulated funds	106 214 486	97 230 577
Accumulated funds ratio	165.45%	157.53%

4.4 Reserve accounts

Movement in the reserve accounts are reflected in the financial statements.

4.5 Outstanding risk claims

Movements on the outstanding claims provision are set out in Note 6 to the annual financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the medical scheme.

5. ADMINISTRATION SERVICES

Momentum Thebe Ya Bophelo (Pty) Ltd, the administrator and managed care provider provides key management information to the scheme. Momentum Thebe Ya Bophelo (Pty) Ltd participates in the financial and operational activities of the scheme, but does not control the scheme.

Administration and managed care fees for the year ended 31 December 2022 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 4 726 609 (2021: R 4 524 626).

6. GUARANTEES RECEIVED BY THE SCHEME FROM A THIRD PARTY

There are no guarantees.

7. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period that require disclosure, other than those already addressed.

8. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL SCHEME AND TO OTHER RELATED PARTIES

The scheme holds no investments in participating employers of scheme members, or other related parties.

9. NON-COMPLIANCE MATTERS

Section 59(2)

Certain claims were paid in excess of 30 days after receipt by the administrator as a result of queries to be investigated/ audited in relation thereto. Non-compliance could impact on the relationship with members and providers. Procedures and policies are in place to manage late payment of claims including a weekly report of claims held for investigation which is checked and signed by management to ensure that the 30 day limit is not exceeded. This practice ensures accurate claims processing and is in the interest of the risk management of the scheme.

Section 26(7)

Certain contributions were not received within three days of becoming due. Non-compliance could affect the cash flow of the scheme and lead to member benefits being suspended. Due to the short duration of the contributions being outstanding, this is not significant. A credit control process is in place to address this matter.

The Trustees do not consider that these non-compliance matters have had a significant impact on the operations of the scheme or on the Annual Financial Statements.

10. AUDIT COMMITTEE

During 2022 the committee comprised: Prof. H. Nel, Prof. R .Walker, Prof. K. Maree, Mr. E. Knoesen and Ms. D. Coopasamy. The meeting was chaired by Prof. K. Maree.

11. IMPACT OF IFRS 17

IFRS 17 is the new accounting standard under which insurance contracts will be reported and is effective for the scheme's period end commencing 1 January 2023. Previously insurance contracts were reported under the ambit of IFRS 4.

Two methodologies are allowed in the standard, namely the general measurement model or the premium allocation approach. As the contract boundary for the scheme is 12 months (January to December), the scheme is eligible to apply the premium allocation approach, which is a simplified valuation model.

IFRS 17 requires medical schemes to identify a portfolio of insurance contracts, which comprises contracts of similar risk and are managed together. These portfolios could be at, amongst others, three main levels for a medical scheme – scheme level, option level or member level. As the scheme is managed as a whole, i.e. options and members are managed together, the portfolio of insurance contracts in the case of the scheme would be at scheme level.

Fulfilment cash flows would include all items which are directly attributable to the business of a medical scheme, for example contribution income, relevant healthcare expenses, administration fees and other directly attributable items. Those non-directly attributable items, such as investment returns, will be excluded. This is subject to final guidance from SAICA and the Council for Medical Schemes.

The standard also requires a risk adjustment factor to be included in the scheme's IBNR provision, to be known under IFRS 17 as the Liability for Incurred Claims (LIC), to address the following risks: premium risk, claims risk, reinsurance risk and administration risk. This adjustment will be evaluated at the time of calculation as the scheme's current IBNR provision includes an additional margin already.

From a disclosure point of view, the face of the statement of financial position will refer specifically to "insurance contract liabilities" and the face of the statement of profit and loss and other comprehensive income to "insurance revenue" and "insurance service expenses", amongst others.

12. MEETING ATTENDANCE AND REMUNERATION

The following schedule sets out Board of Trustees meeting attendances and attendances by members of Board sub-committees. The Trustees were not remunerated.

Trustee/Sub-Committee Member	Board Meetings		Audit Committee Meetings	
	A	B	A	B
G. Armstrong*	6	6	-	-
R.B. Walker*	6	3	3	3
D. Sewry*	6	6	-	-
S.C.M. Smailes*	6	3	-	-
R. van Rooyen – resigned 28 February 2022 *	2	2	-	-
E. Knoesen *	6	5	3	2
J. Pillay – co-opted 12 April 2022, appointed 7 June 2022 *	4	4	-	-
K. Maree	-	-	3	3
H. Nel	-	-	3	2
D. Coopasamy	-	-	3	3
M. Arendse (Principal Officer)	6	6	3	3

* - Trustee

A = Total possible number of meetings that could have been attended

B = Actual number of meetings attended.



D. Sewry
Chairperson

Date: 14 April 2023



Independent Auditor's Report on Summarised Financial Statements

To the Members of Rhodes University Medical Scheme

Opinion

The summarised financial statements, as set out on pages 5 to 6, which comprise the summarised statement of financial position as at 31 December 2022, and the summarised statement of comprehensive income, summarised statement of changes in funds and reserves and summarised statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of Rhodes University Medical Scheme (the Scheme) for the year ended 31 December 2022.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Summarised Financial Statements

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa as applicable to annual financial statements. Reading the summarised financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summarised financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 14 April 2023. That report also includes:

- The communication of a key audit matter.

Trustees' Responsibility for the Summarised Financial Statements

The trustees are responsible for the preparation of the summarised financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: AF Puggia

Registered Auditor

Gqeberha, South Africa

17 April 2023

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Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

SUMMARISED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022

Notes	2022 R	2021 R
ASSETS		
Non-current assets		
Investments	20 017 599	29 335 799
Current assets	90 118 814	72 462 972
Investments	74 300 000	58 500 000
Trade and other receivables	6 949 771	6 020 009
Cash and cash equivalents	8 869 043	7 942 963
Total assets	110 136 413	101 798 771
FUNDS AND LIABILITIES		
Members' funds	106 192 703	97 258 646
Accumulated funds	106 214 486	97 230 577
Revaluation reserve – investments	(21 783)	28 069
Current liabilities	3 943 710	4 540 125
Trade and other payables	943 710	790 125
Outstanding risk claims provision	3 000 000	3 750 000
Total funds and liabilities	110 136 413	101 798 771

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 R	Notes	2021 R
Risk contribution income	64 198 947	5	61 722 340
Risk claims incurred	(55 757 182)		(45 527 488)
Net result of risk transfer arrangement	6 771	8	143 277
Managed care services (accredited organisations)	(1 225 849)		(1 172 996)
Gross healthcare result	7 222 687		15 165 133
Administration expenditure	(4 117 917)		(3 819 565)
Impairment (expense)/reversal			
Trade and other receivables	(52 287)		(2 845)
Net healthcare result	3 052 483		11 342 723
Other income	5 931 426		3 907 592
Net surplus for the year	8 983 909		15 250 315
Other comprehensive income	(49 852)		21 694
Fair value adjustments on investments at fair value through other comprehensive income	(18 200)		21 694
Realised gain on investment	(31 652)		-
Total comprehensive income for the year	8 934 057		15 272 009

SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2022

	Accumulated Funds R	Fair value adjustment reserve R	Total Members' Funds R
Balance as at 1 January 2021	81 980 262	6 375	81 986 637
Net surplus for the year	15 250 315	-	15 250 315
Fair value adjustments of investments at fair value through other comprehensive income	-	21 694	21 694
Balance as at 31 December 2021	97 230 577	28 069	97 258 646
Net surplus for the year	8 983 909	-	8 983 909
Realised gain on investment		(31 652)	(31 652)
Fair value adjustments of investments at fair value through other comprehensive income	-	(18 200)	(18 200)
Balance as at 31 December 2022	106 214 486	(21 783)	106 192 703

SUMMARISED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 R	2021 R
Net cash inflow from operating activities	2 701 120	11 146 392
Net cash outflow from investing activities	(1 775 040)	(11 474 630)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	926 080	(328 238)
Cash equivalents at beginning of period	7 942 963	8 271 201
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8 869 043	7 942 963

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Basis of preparation

The summarised financial statements have been extracted from the statutory financial statements prepared in accordance with IFRS for the year ended 31 December 2022. The same accounting policies and methods of computation have been used in preparing the summarised financial statements as in the previous annual financial statements.

2. Financial assets

Financial assets are recognised on the scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument.

3. Provisions

Provisions are recognised when the scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The outstanding risk claims provision is a provision made for the estimated cost of healthcare benefits that have occurred before the year end, but have not been reported to the scheme by that date.

3.1 Outstanding claims provision

	2022	2021
	R	R
Balance at beginning of year	3 750 000	3 500 000
Payments in respect of prior year	(3 572 087)	(2 986 348)
Overprovision in prior year	177 913	513 652
Adjustment for current year	2 822 087	3 236 348
Balance at end of year	3 000 000	3 750 000

4. Medical insurance contracts

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

5. Contribution income

Risk contribution income is received monthly and recognised as income over the period of indemnity.

6. Claims

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

7. Investment income

Interest is recognised as it accrues according to the effective interest method.

8. Risk transfer arrangements

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. Risk transfer premiums and benefits reimbursed are presented in the statement of comprehensive income on a net basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Claims recoveries relating to risk transfer arrangements are calculated based on claims settled in terms of risk transfer arrangements.

Net result of risk transfer arrangement

	2022	2021
	R	R
ER24 RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(362 923)	(487 084)
Claims incurred in respect of related risk transfer arrangements	369 694	630 361
Net income	6 771	143 277

9. Related party transactions

Momentum Thebe Ya Bophelo (Pty) Ltd, the administrator provides key management information to the scheme. Momentum Thebe Ya Bophelo (Pty) Ltd participates in the financial and operational activities of the scheme, but does not control the scheme.

Administration fees and managed care fees for the year ended 31 December 2022 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 4 726 609 (2021: R 4 524 626). Amounts due and outstanding to Momentum Thebe Ya Bophelo (Pty) Ltd regarding administration and managed care fees as at 31 December 2022 were R 391 231 (2021: R 362 497).

Principal Officer fees for the year ended 31 December 2022 amounted to R 60 000 (2021: nil).

APPROVAL OF THE STATUTORY ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were approved by the board on 11 April 2023 and signed on its behalf by D. Sewry (Chairperson), Prof. R.B. Walker (Trustee) and M.D. Arendse (Principal Officer).

The full audited annual financial statements, including the report of the auditors, will be available at the Annual General Meeting. Further copies may be obtained from the Fund Manager at (041) 395-4426.