



**RHODES UNIVERSITY MEDICAL SCHEME**  
(Registration Number 1013)

**REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED  
31 DECEMBER 2023**

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REGISTRATION NUMBER 1013  
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The report and schedules set out below comprise the report of the Board of Trustees presented to the members of Rhodes University Medical Scheme.

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**REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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The Board of Trustees hereby presents its report for the year ended 31 December 2023.

**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 Reinsurance contract (risk transfer arrangement)**

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

The methodology used to determine the claims covered by these arrangements is set out below.

- Premiums are calculated on the basis of beneficiary quantities and a fixed rate agreed upon with the respective service providers; and
- Claim recoveries relating to risk transfer arrangements are calculated based on information supplied by the contracted providers of actual payments made by the contracted providers in respect of the contracted benefits.

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**2. MANAGEMENT**

**2.1 Board of Trustees in office during the year under review:**

D. Sewry (Chairperson)	- Employer appointed
G. Armstrong	- Member elected
R.B. Walker	- Employer appointed
S.C.M. Smailes	- Employer appointed
E. Knoesen	- Member elected
J. Pillay	- Member elected

**2.2 Principal Officer:**

M.D. Arendse  
Rhodes University  
Makhanda

**2.3 Registered office address and postal address during the year:**

Momentum Thebe Ya Bophelo (Pty) Ltd	
7 Lutman Street	P.O. Box 1672
Richmond Hill	Gqeberha
Gqeberha	6000
6001	

**2.4 Medical Scheme Administrators (Accreditation number Admin:22) during the year:**

Momentum Thebe Ya Bophelo (Pty) Ltd	
7 Lutman Street	P.O. Box 1672
Richmond Hill	Gqeberha
Gqeberha	6000
6001	

**2.5 Auditors:**

PricewaterhouseCoopers Inc.  
Ascot Office Park  
Greenacres  
Gqeberha  
6045

**2.6 Actuaries (used for calculation of risk adjustment factor)**

Momentum Health Solutions (Pty) Ltd  
201 Umhlanga Ridge Boulevard  
Cornubia  
4439

**3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME**

The Trustees continue to invest in line with the requirements of the Act. The key objectives of the scheme's investment policy are to:

- Maximize investment returns whilst preserving capital;
- Maintain sufficient liquidity to fund operating expenses and claims; and
- Invest only in approved financial service providers and approved instruments;
- Prudent management of long term investment risks; and
- Comply with the Act.

The Scheme has an investment policy statement which is reviewed annually. The Scheme has implemented an appropriate investment strategy for the assets of the scheme that is split into 3 components: short term, medium term and long term.

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**4. MEDICAL INSURANCE RISK MANAGEMENT**

The primary insurance activity of the scheme is to indemnify covered members and their dependants against the risk of loss arising as the result of the occurrence of a health related event. 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 investment activities.

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

Certain risks are mitigated by entering into risks transfer arrangements. In this regard the scheme specifically decided to transfer all risks relating to emergency and ambulance services to an external service provider.

The scheme uses several methods to assess and monitor insurance risk exposure 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.

Medical insurance events are, by their nature random, and the actual number and size of event(s) during any one year period may vary from those estimated using established statistical methods.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The scheme has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories of risks to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

**5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES**

**5.1 Operational statistics**

	<b>2023</b>	<b>Restated 2022</b>
Average number of members during the accounting period	1 234	1 210
Number of members at the end of the accounting period	1 232	1 224
Average number of beneficiaries during the accounting period	2 463	2 423
Number of beneficiaries at 31 December	2 471	2 436
Number of dependants at 31 December	1 239	1 212
Average number of dependants	1 229	1 213
Dependant ratio at 31 December	1.01	0.99
Net insurance revenue per average beneficiary per month ( R )	2,310.33	2,208.27
Insurance service expenses per average beneficiary per month ( R ) *	2,407.96	2,080.79
Other expenses per average beneficiary per month ( R )	30.45	22.41
Insurance service expenses as a percentage of insurance revenue (%) *	104.23	94.23
Other expenses as a percentage of insurance revenue (%)	1.32	1.01
Average age per beneficiary	40.24	40.42
Pensioner ratio at 31 December (percentage of beneficiaries > 65 years)	17.89%	17.98%
Average insurance contract liability to future members per member at 31 December ( R )	90 503	86 624
Return on investments as a percentage of investments (%)	7.66%	5.65%

\* Insurance service expenses exclude amounts attributable to future members

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**5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES - continued**

**5.2 Results of operations**

The results of the medical scheme are set out in the Annual Financial Statements, and the Trustees believe that no further clarification is required.

**5.3 Solvency ratio**

	<b>2023 R</b>		<b>Restated 2022 R</b>
The solvency ratio is calculated on the following basis:			
Insurance contract liabilities to future members	111 499 667		106 027 541
Less: cumulative unrealised net gains	( 891 286)		( 28 069)
Insurance contract liabilities to future members excluding unrealised gains	110 608 381		105 999 472
Net contributions	68 284 188		64 198 947
Ratio of insurance contract liabilities to future members to gross annual contribution income	163.29%		165.15%

In terms of the Act, regulation 29.3, medical schemes are required to have 25% of contributions in reserves. The scheme is well above this requirement.

**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. RELATED PARTY TRANSACTIONS**

Refer to related parties disclosure in note 20 to the Annual Financial Statements.

**9. 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 medical scheme members, or other related parties.

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**10. 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. There are no contracts in place that is contrary to the legislation. 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.

Section 33 (2)

Each benefit option should be financially sound and self-supporting. In this respect the scheme incurred a net insurance deficit, before taking amounts attributable to future members into account. Non-compliance could affect the financial soundness of the scheme. The scheme experienced numerous high cost cases during the course of the year, of which the highest was in excess of R 2 million. High cost cases are not a usual occurrence for the scheme. Member claims are managed by the administrator's clinical risk management team to manage costs. The deficit is more than adequately offset by the income from investments.

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

**11. AUDIT COMMITTEE**

An Audit Committee was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members, of which two are members of the Board of Trustees. The majority of the members, including the chairperson, are not officers of the scheme or its third party administrator. The Committee met on three occasions during the course of the year as follows:

22 March 2023;  
27 June 2023; and  
11 October 2023.

The Principal Officer of the scheme, the financial manager of the administrator and the external auditors attend all Audit Committee meetings and have unrestricted access to the chairperson of the Committee.

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**11. AUDIT COMMITTEE**

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

The Audit Committee is pleased to report that:

- It has carried out its duties in terms of the Medical Schemes Act;
- The external auditors have confirmed their independence;
- The assurances provided by management and the external auditors have satisfied the Committee that the controls are adequate and effective;
  - It has had oversight of the financial reporting process;
  - It has reviewed the Annual Financial Statements and the audit report thereon and recommended the acceptance thereof by the Board of Trustees; and
  - It has evaluated the effectiveness of the risk management and governance processes of the scheme.

During 2023 the committee comprised: Prof. H. Nel, Prof. R. Walker, Prof. K. Maree, Mr. E. Knoesen; Ms. W. Lombard (appointed 7 March 2023) and Ms. D. Coopasamy (resigned 7 March 2023). The meeting was chaired by Prof. K. Maree.

**12. TRUSTEE MEETING ATTENDANCE AND REMUNERATION**

The following schedule sets out Board of Trustees meeting attendances, 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*	5	4	-	-
R.B. Walker*	5	4	3	1
D. Sewry*	5	5	-	-
S.C.M. Smailes *	5	5	-	-
E. Knoesen *	5	3	3	2
J. Pillay *	5	4	-	-
K. Maree - Chairperson	-	-	3	3
H. Nel	-	-	3	3
W. Lombard (appointed 7 March 2023)	-	-	3	1
D. Coopasamy (resigned 7 March 2023)	-	-	-	-
M. Arendse (Principal Officer)	5	5	3	3

\* - Trustee

A - total possible number of meetings could have attended

B - actual number of meetings attended



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**13. OTHER SCHEME COMMITTEES**

13.1 Ex gratia Committee:

The purpose of the Committee is to assist the Board with clinical related matters and decisions, such as protocols and managed health care interventions, as well as ex gratia decisions.

The Committee during the year under review and meeting attendance was as follows:

NAME	EX GRATIA COMMITTEE MEETINGS	
	A	B
M. Neubert	7	7
R.B. Walker	7	7
G. Armstrong	7	5

A - total possible number of meetings which could have attended

B - actual number of meetings attended

13.2 Investment Committee:

The purpose of the Committee is to monitor the investment process and investment achievements through regular reports received from the Investment Consultant and Portfolio Managers. The Committee creates and monitors the scheme's investment process and reports its recommendations to the Board. The Committee is responsible for implementing the investment process which is approved by the Board.

The Committee during the year under review and meeting attendance was as follows:

NAME	INVESTMENT COMMITTEE MEETINGS	
	A	B
E. Knoesen (Chairperson)	4	4
L. Greyling	4	3
H. Nel (resigned 7 March 2023)	-	-
W. Lombard (appointed 7 March 2023)	3	3

A - total possible number of meetings which could have attended

B - actual number of meetings attended

13.3 Disputes Committee:

The Disputes Committee meets as and when a dispute arises. It comprises of a chairperson, who will co-opt two additional members with relevant knowledge on a case by case basis, who may not be members of the Board. The Committee determines the procedure to be followed at meetings.

As there were no disputes to be resolved, no meetings were held during the year.

\_\_\_\_\_  
Prof D. Sewry  
Chairperson

Date: \_\_\_\_\_



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