



RHODES UNIVERSITY MEDICAL SCHEME
(Registration Number 1013)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**



Independent Auditor's Report on Summary Financial Statements

To the Members of Rhodes University Medical Scheme

Opinion

The summary financial statements, as set out on pages 4 to 5, which comprise the summary statement of financial position as at 31 December 2018, the summary statement of comprehensive income, the summary statement of changes in members' funds, the summary cash flow statement 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 2018.

In our opinion, the accompanying summary 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.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summary 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 summary financial statements and 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 10 April 2019.

Trustees' Responsibility for the Summary Financial Statements

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

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Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
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



Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary 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*.

Report on Other Legal and Regulatory Requirements

As required by the Council for Medical Schemes' Circular 38 of 2018, *Audit Tenure*, we report that PricewaterhouseCoopers Inc. has been the auditor of Rhodes University Medical Scheme for 19 years.

The engagement partner, A Rathan, has been responsible for Rhodes University Medical Scheme's audit for 7 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: A Rathan
Registered Auditor
16 April 2019
Port Elizabeth

**RHODES UNIVERSITY MEDICAL SCHEME
SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2018.

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)		H.A. Long
	G.A.S. Armstrong		Rhodes University
	R. Walker		Grahamstown
	J.P. Gillam		
	S.C.M. Smailes		
	G. Barker (term of office ended 5 June 2018)		
	R. van Rooyen (appointed 5 June 2018)		
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		Port Elizabeth
	Port Elizabeth		6000
	6001		
2.5	Medical Scheme Administrators during the year:	2.6	Auditors
	Momentum Thebe Ya Bophelo (Pty) Ltd (previously known as PROVIDENCE Healthcare Risk Managers (Pty) Ltd)		PricewaterhouseCoopers Inc.
	7 Lutman Street		Ascot Office Park
	Richmond Hill		Greenacres
	Port Elizabeth		Port Elizabeth
	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

	2018	2017
Average number of members during the accounting period. (N)	1 150	1 151
Number of members at the end of the accounting period. (N)	1 160	1 143
Average number of beneficiaries during the accounting period (N)	2 329	2 352
Number of beneficiaries at 31 December	2 360	2 319
Number of dependants at 31 December	1 200	1 176
Average number of dependants	1 179	1 201
Dependant ratio at 31 December	1.03	1.03
Net contributions per average beneficiary per month (R)	1 808.05	1 702.96
Relevant healthcare expenditure per average beneficiary per month (R)	1 817.90	1 652.51
Non-healthcare expenditure per average beneficiary per month (R)	114.42	108.29
Relevant healthcare expenditure as a percentage of gross contributions (%)	100.54	97.04
Non-healthcare expenditure as a percentage of gross contributions (%)	6.33	6.36
Average age per beneficiary	39.82	39.93
Pensioner ratio at 31 December (percentage of beneficiaries > 65 years)	17.63%	17.20%
Average accumulated funds per member at 31 December (R)	50 780	50 360
Return on investments as a percentage of investments (%)	8.00%	8.22%

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

	2018 R	2017 R
Gross contributions	50 525 875	48 059 225
Accumulated funds	58 905 280	57 561 675
Accumulated funds ratio	116.58%	119.77%

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 2018 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 3 761 658 (2017: R 3 552 740).

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.

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.

Section 33(2)

Each benefit option should be financially sound and self-supporting. In this respect the scheme incurred a net healthcare deficit. Non-compliance could affect the financial soundness of the scheme. 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 Annual Financial Statements.

10. AUDIT COMMITTEE

During 2018 the committee comprised: Prof. H. Nel, Prof. R. Walker, Ms. D. Philipson, Prof. K. Maree and Mr. G. Barker (resigned 5 June 2018) and Mr. J.P. Gillam (appointed 10 October 2018). The meeting was chaired by Ms. D. Philipson.

11. MEETING ATTENDANCE AND REMUNERATION

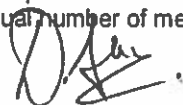
The following schedule sets out Board of Trustees meeting attendances, attendances by members of Board sub-committees. The Trustees were not remunerated.

Trustee/Sub-Committee Member	Board Meetings		Audit/Investment Committee Meetings	
	A	B	A	B
G. Armstrong*	4	3	-	-
R. Walker*	4	2	2	1
D. Sewry*	4	4	-	-
J.P. Gillam*	4	3	1	1
S.C.M. Smailes*	4	4	-	-
G. Barker (term of office ended 5 June 2018)*	3	3	1	1
R. van Rooyen (appointed 5 June 2018) *	1	1	-	-
D. Phillipson	-	2	2	2
K. Maree	-	-	2	1
H. Nel	-	-	2	2
H.A. Long (Principal Officer)	4	4	2	1

* - Trustee

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

B = Actual number of meetings attended.



D. Sewry
Chairperson

Date: 2018/04/16

**SUMMARISED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018**

	Notes	2018 R	2017 R
ASSETS			
Non-current assets			
Investments		8 140 053	24 117 513
Current assets			
Investments		46 000 000	29 000 000
Trade and other receivables		4 975 555	4 709 705
Cash and cash equivalents		5 136 127	3 293 544
Total assets		64 251 735	61 120 762
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		58 905 280	57 561 675
Revaluation reserve – investments		32 548	18 551
Current liabilities			
Trade and other payables		613 907	640 536
Outstanding risk claims provision	3.1	4 700 000	2 900 000
Total funds and liabilities		64 251 735	61 120 762

**SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 R	2017 R
Risk contribution income	5	50 525 875	48 059 225
Risk claims incurred		(50 450 891)	(45 903 106)
Net result of risk transfer arrangement		624 962	188 587
Managed care services (accredited organisations)	8	(975 304)	(921 098)
Gross healthcare result		(275 358)	1 423 608
Administration expenditure		(3 198 184)	(3 053 135)
Impairment losses: Trade and other receivables		591	(2 842)
Net healthcare result		(3 472 951)	(1 632 369)
Other income		4 816 555	4 664 456
Net surplus for the year		1 343 604	3 032 087
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value adjustments on available-for-sale investments		13 997	25 871
Total comprehensive income for the year		1 357 601	3 057 958

**SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Accumulated Funds R	Fair value adjustment reserve R	Total Members' Funds R
Balance as at 1 January 2017	54 529 588	(7 320)	54 522 268
Net surplus for the year	3 032 087	-	3 032 087
Fair value adjustments of available-for-sale investments	-	25 871	25 871
Balance as at 31 December 2017	57 561 675	18 551	57 580 226
Net surplus for the year	1 343 604	-	1 343 604
Fair value adjustments of available-for-sale investments	-	13 997	13 997
Balance as at 31 December 2018	58 905 280	32 548	58 937 828

**SUMMARISED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 R	2017 R
Net cash outflow from operating activities	(1 889 229)	(1 716 293)
Net cash inflow/(outflow) from investing activities	3 731 811	(374 697)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1 842 582	(2 090 990)
Cash equivalents at beginning of period	3 293 544	5 384 534
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5 136 127	3 293 544

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018. 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 risk claims provision

	2018 R	2017 R
Balance at beginning of year	2 900 000	2 200 000
Payments in respect of prior year	(2 550 218)	(1 974 165)
Over provision in prior year	349 782	225 835
Adjustment for current year	4 350 218	2 674 165
Balance at end of year	4 700 000	2 900 000

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

	2018 R	2017 R
ER24 RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(257 959)	(238 209)
Claims incurred in respect of related risk transfer arrangement	882 921	426 796
Net income	624 962	188 587

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 2018 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 3 761 658 (2017: R 3 552 740). Amounts due and outstanding to Momentum Thebe Ya Bophelo (Pty) Ltd regarding administration and managed care fees as at 31 December 2018 were R 312 597 (2017: R 291 904).

APPROVAL OF THE STATUTORY ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were approved by the board on 16 April 2019 and signed on its behalf by D. Sewry (Chairperson), Prof. R.B. Walker (Trustee) and H.A. Long (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.