



RHODES UNIVERSITY MEDICAL SCHEME
(Registration Number 1013)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**



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 summarised statement of financial position as at 31 December 2019, the summarised statement of comprehensive income, the summarised statement of changes in funds and reserves, the summarised statement of cash flow 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 2019.

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 12 May 2020.

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.

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*.

*PricewaterhouseCoopers Inc., Ascot Office Park, 1 Ascot Road, Greenacres, Port Elizabeth, 6045
P O Box 27013, Greenacres, 6057
T: +27 (0) 41 391 4400, F: +27 (0) 41 391 4500, www.pwc.co.za*

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.



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 20 years.

The engagement partner, AF Puggia, has been responsible for Rhodes University Medical Scheme's audit for one year.

A handwritten signature in black ink, appearing to read 'AF Puggia', with a flourish at the end.

PricewaterhouseCoopers Inc.
Director: AF Puggia
Registered Auditor
12 May 2020
Port Elizabeth

**RHODES UNIVERSITY MEDICAL SCHEME
SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2019.

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 (deceased 21 November 2019)
	G.A.S. Armstrong		Rhodes University
	R. Walker		Grahamstown
	J.P. Gillam		
	S.C.M. Smailes		M.D. Arendse (appointed effective 1 January 2020)
	R. van Rooyen		Rhodes University
			Grahamstown
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

	2019	2018
Average number of members during the accounting period. (N)	1 177	1 150
Number of members at the end of the accounting period. (N)	1 189	1 160
Average number of beneficiaries during the accounting period (N)	2 385	2 329
Number of beneficiaries at 31 December	2 414	2 360
Number of dependants at 31 December	1 225	1 200
Average number of dependants	1 208	1 179
Dependant ratio at 31 December	1.03	1.03
Net contributions per average beneficiary per month (R)	1 946.94	1 808.05
Relevant healthcare expenditure per average beneficiary per month (R)	1 803.75	1 817.90
Non-healthcare expenditure per average beneficiary per month (R)	127.75	114.42
Relevant healthcare expenditure as a percentage of gross contributions (%)	92.65	100.54
Non-healthcare expenditure as a percentage of gross contributions (%)	6.56	6.33
Average age per beneficiary	39.66	39.82
Pensioner ratio at 31 December (percentage of beneficiaries > 65 years)	17.32%	17.63%
Average accumulated funds per member at 31 December (R)	53 961	50 780
Return on investments as a percentage of investments (%)	7.64%	8.00%

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

	2019 R	2018 R
Gross contributions	55 729 130	50 525 875
Accumulated funds	64 159 102	58 905 280
Accumulated funds ratio	115.13%	116.58%

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 2019 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 4 103 938 (2018: R 3 761 658).

6. GUARANTEES RECEIVED BY THE SCHEME FROM A THIRD PARTY

There are no guarantees.

7. EVENTS AFTER THE REPORTING PERIOD

On 11 March 2020, the World Health Organisation declared the Covid-19 virus (more commonly referred to as the Corona virus) to be a worldwide pandemic. On 5 March 2020, the National Institute for Communicable Diseases confirmed that a suspected case of Covid-19 had tested positive in KwaZulu Natal, after which it spread to all 9 provinces. On 24 March 2020, President Cyril Ramaphosa ordered a 21 day nationwide lockdown, except for essential service providers. The developments in the spread of the virus and the global impact has negatively affected financial markets and continues to do so. The duration of this impact is unknown but is expected to return to normal in the future.

The impact of the Covid-19 virus on the scheme going forward is as yet unknown, but no adjustment to the financial statements for the year ended 31 December 2019 is necessary. Due to the scheme's strong financial position, it is well positioned to deal with the potential impact of the pandemic.

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 2019 the committee comprised: Prof. H. Nel, Prof. R. Walker, Ms. D. Philipson, Prof. K. Maree and Mr. J.P. Gillam. The meeting was chaired by Ms. D. Philipson.

11. MEETING ATTENDANCE AND REMUNERATION

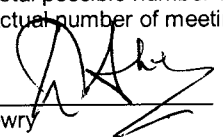
The following schedule sets out Board of Trustees meeting attendances, attendances by members of Board sub-committees. The Trustees were not remunerated.

Trustee/Sub-Committee Member	Board Meetings		Audit/Investment Committee Meetings	
	A	B	A	B
G. Armstrong*	4	2	-	-
R. Walker*	4	2	1	1
D. Sewry*	4	4	-	-
J.P. Gillam*	4	4	1	1
S.C.M. Smailes*	4	3	-	-
R. van Rooyen *	4	4	-	-
D. Phillipson	-	2	1	1
K. Maree	-	-	1	1
H. Nel	-	-	1	1
H.A. Long (Principal Officer) – deceased 21 November 2019	4	1	1	-

* - Trustee

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

B = Actual number of meetings attended.


D. Sewry
Chairperson

Date: 14 MAY 2020

SUMMARISED STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2019				SUMMARISED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019			
	Notes	2019 R	2018 R		2019 R	Notes	2018 R
ASSETS							
Non-current assets							
Investments		3 831 797	8 140 053	Risk contribution income	55 729 130	5	50 525 875
Current assets							
Investments		48 400 000	46 000 000	Risk claims incurred	(50 849 218)		(50 450 891)
Trade and other receivables		5 888 667	4 975 555	Net result of risk transfer arrangement	282 713	8	624 962
Cash and cash equivalents		10 247 608	5 136 127	Managed care services (accredited organisations)	(1 064 011)		(975 304)
Total assets		68 368 072	64 251 735	Gross healthcare result	4 098 614		(275 358)
FUNDS AND LIABILITIES							
Members' funds							
Accumulated funds		64 159 102	58 905 280	Administration expenditure	(3 632 745)		(3 198 184)
Revaluation reserve – investments		24 292	32 548	Impairment losses: Trade and other receivables	(23 941)		591
Current liabilities		4 184 678	5 313 907	Net healthcare result	441 928		(3 472 951)
Trade and other payables		684 678	613 907	Other income	4 811 894		4 816 555
Outstanding risk claims provision	3.1	3 500 000	4 700 000	Net surplus for the year	5 253 822		1 343 604
Total funds and liabilities		68 368 072	64 251 735	Other comprehensive income			
				Fair value adjustments on investments at fair value through other comprehensive income	(8 256)		13 997
				Total comprehensive income for the year	5 245 566		1 357 597
SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2019				SUMMARISED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019			
	Accumulated Funds R	Fair value adjustment reserve R	Total Members' Funds R		2019 R		2018 R
Balance as at 1 January 2018	57 561 675	18 551	57 580 226	Net cash outflow from operating activities	(1 564 637)		(1 889 229)
Net surplus for the year	1 343 604	-	1 343 604	Net cash inflow from investing activities	6 676 118		3 731 811
Fair value adjustments of investments at fair value through other comprehensive income	-	13 997	13 997	NET INCREASE IN CASH AND CASH EQUIVALENTS	5 111 481		1 842 582
Balance as at 31 December 2018	58 905 280	32 548	58 937 828	Cash equivalents at beginning of period	5 136 127		3 293 544
Net surplus for the year	5 253 822	-	5 253 822	CASH AND CASH EQUIVALENTS AT END OF PERIOD	10 247 608		5 136 127
Fair value adjustments of investments at fair value through other comprehensive income	-	(8 256)	(8 256)				
Balance as at 31 December 2019	64 159 102	24 292	64 183 394				

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 2019. 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

	2019 R	2018 R
Balance at beginning of year	4 700 000	2 900 000
Payments in respect of prior year	(4 929 538)	(2 550 218)
(Under)/over provision in prior year	(229 538)	349 782
Adjustment for current year	3 729 538	4 350 218
Balance at end of year	3 500 000	4 700 000

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

	2019 R	2018 R
ER24 RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(353 725)	(257 959)
Claims incurred in respect of related risk transfer arrangements	636 438	882 921
Net income	282 713	624 962

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 2019 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 4 103 938 (2018: R 3 761 658). Amounts due and outstanding to Momentum Thebe Ya Bophelo (Pty) Ltd regarding administration and managed care fees as at 31 December 2019 were R 344 197 (2018: R 312 597).

APPROVAL OF THE STATUTORY ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were approved by the board on 14 April 2020 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.