



RHODES UNIVERSITY MEDICAL SCHEME
(Registration Number 1013)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020**

**RHODES UNIVERSITY MEDICAL SCHEME
SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2020.

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

	2020	2019
Average number of members during the accounting period. (N)	1 209	1 177
Number of members at the end of the accounting period. (N)	1 203	1 189
Average number of beneficiaries during the accounting period (N)	2 450	2 385
Number of beneficiaries at 31 December	2 439	2 414
Number of dependants at 31 December	1 236	1 225
Average number of dependants	1 241	1 208
Dependant ratio at 31 December	1.03	1.03
Net contributions per average beneficiary per month (R)	2 040.16	1 946.94
Relevant healthcare expenditure per average beneficiary per month (R)	1 460.89	1 803.75
Non-healthcare expenditure per average beneficiary per month (R)	125.94	127.75
Relevant healthcare expenditure as a percentage of gross contributions (%)	71.61	92.65
Non-healthcare expenditure as a percentage of gross contributions (%)	6.17	6.56
Average age per beneficiary	39.40	39.66
Pensioner ratio at 31 December (percentage of beneficiaries > 65 years)	17.06%	17.32%
Average accumulated funds per member at 31 December (R)	68 147	53 961
Return on investments as a percentage of investments (%)	5.49	7.64%

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

	2020 R	2019 R
Gross contributions	59 982 705	55 729 130
Accumulated funds	81 980 262	64 159 102
Accumulated funds ratio	136.67%	115.13%

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 2020 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 4 437 160 (2019: R 4 103 938).

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 but there has been some recovery.

The lockdown ordered by President Ramaphosa was adjusted throughout 2020 to take into account the number of active cases in South Africa which allowed businesses to start operating again.

On 9 December 2020, Health Minister Dr Zweli Mkhize announced that South Africa had entered a second wave of Covid-19 infections with the majority of the new infections being from the Western Cape and Eastern Cape. Due to this re-occurrence, the lockdown level was increased to an adjusted level 3 by the President.

South Africa has negotiated with the various vaccine manufacturers as well as Covax and the WHO to secure vaccines for the South African population. The vaccine strategy is to have a phased rollout with healthcare workers being vaccinated first.

Until such time as South Africa has achieved herd immunity against the virus, there is a very real possibility of a third and fourth wave of infections. The possible financial impact of these are unknown at this stage but based on risk assessments, financial forecasts and the strong financial position of the scheme, the impact of a third and fourth wave is likely to be insignificant. No adjustment to the financial statements for the year ended 31 December 2020 is deemed necessary.

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 2020 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

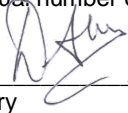
The following schedule sets out Board of Trustees meeting attendances, attendances by members of Board sub-committees. The Trustees were not remunerated.

Trustee/Sub-Committee Member	Board Meetings		Audit/Investment Committee Meetings	
	A	B	A	B
G. Armstrong*	4	4	-	-
R. Walker*	4	3	2	1
D. Sewry*	4	4	-	-
J.P. Gillam*	4	3	2	2
S.C.M. Smailes*	4	3	-	-
R. van Rooyen *	4	4	-	-
D. Phillipson	-	2	2	2
K. Maree	-	-	2	2
H. Nel	-	-	2	1
M. Arendse (Principal Officer) – appointed 1 January 2020	4	4	2	2

* - Trustee

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

B = Actual number of meetings attended.



D. Sewry
Chairperson

Date: 23 April 2021



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 2020, and the summarised statement of comprehensive income, summarised statement of changes in funds and reserves and 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 2020.

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. 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 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 13 April 2021. 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 International Standards on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

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

PricewaterhouseCoopers Inc.

Director: AF Puggia

Registered Auditor

23 April 2021

Port Elizabeth

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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 2020

Notes	2020 R	2019 R
ASSETS		
Non-current assets		
Investments	23 314 105	3 831 797
Current assets		
Investments	49 500 000	48 400 000
Trade and other receivables	5 235 723	5 888 667
Cash and cash equivalents	8 271 201	10 247 608
Total assets	86 321 029	68 368 072
FUNDS AND LIABILITIES		
Members' funds		
Accumulated funds	81 980 262	64 159 102
Revaluation reserve – investments	6 375	24 292
Current liabilities	4 334 392	4 184 678
Trade and other payables	834 392	684 678
Outstanding risk claims provision	3 500 000	3 500 000
Total funds and liabilities	86 321 029	68 368 072

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes	2020 R	2019 R
Risk contribution income	59 982 705	55 729 130
Risk claims incurred	(41 675 211)	(50 849 218)
Net result of risk transfer arrangement	(125 945)	282 713
Managed care services (accredited organisations)	(1 150 425)	(1 064 011)
Gross healthcare result	17 031 124	4 098 614
Administration expenditure	(3 716 102)	(3 632 745)
Impairment reversal/(losses):		
Trade and other receivables	13 291	(23 941)
Net healthcare result	13 328 313	441 928
Other income	4 492 847	4 811 894
Net surplus for the year	17 821 160	5 253 822
Other comprehensive income		
Fair value adjustments on investments at fair value through other comprehensive income	(17 917)	(8 256)
Total comprehensive income for the year	17 803 243	5 245 566

SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2020

	Accumulated Funds R	Fair value adjustment reserve R	Total Members' Funds R
Balance as at 1 January 2019	58 905 280	32 548	58 937 828
Net surplus for the year	5 253 822	-	5 253 822
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
Net surplus for the year	17 821 160	-	17 821 160
Fair value adjustments of investments at fair value through other comprehensive income	-	(17 917)	(17 917)
Balance as at 31 December 2020	81 980 262	6 375	81 986 637

SUMMARISED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 R	2019 R
Net cash inflow/(outflow) from operating activities	14 169 695	(1 564 637)
Net cash (outflow)/inflow from investing activities	(16 146 102)	6 676 118
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1 976 407)	5 111 481
Cash equivalents at beginning of period	10 247 608	5 136 127
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8 271 201	10 247 608

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020. 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

	2020 R	2019 R
Balance at beginning of year	3 500 000	4 700 000
Payments in respect of prior year	(3 434 042)	(4 929 538)
Over/(under) provision in prior year	65 958	(229 538)
Adjustment for current year	3 434 042	3 729 538
Balance at end of year	3 500 000	3 500 000

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

	2020 R	2019 R
ER24 RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(472 170)	(353 725)
Claims incurred in respect of related risk transfer arrangement	346 225	636 438
Net (expense)/income	(125 945)	282 713

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 2020 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 4 437 160 (2019: R 4 103 938). Amounts due and outstanding to Momentum Thebe Ya Bophelo (Pty) Ltd regarding administration and managed care fees as at 31 December 2020 were R 365 431 (2019: R 344 197).

APPROVAL OF THE STATUTORY ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were approved by the board on 13 April 2021 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.