



RHODES UNIVERSITY MEDICAL SCHEME
(Registration Number 1013)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023**

**RHODES UNIVERSITY MEDICAL SCHEME
SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023**

REPORT OF THE BOARD OF TRUSTEES

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

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. Reinsurance contract (risk transfer arrangement)

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		
	E. Knoesen		
	J. Pillay		
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
2.7	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.

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Operational statistics

	2023	Restated 2022
Average number of members during the accounting period.	1 234	1 210
Number of members at the end of the accounting period.	1 231	1 224
Average number of beneficiaries during the accounting period	2 463	2 423
Number of beneficiaries at 31 December	2 468	2 436
Number of dependants at 31 December	1 237	1 212
Average number of dependants	1 229	1 213
Dependant ratio at 31 December	1.00	0.99
Net insurance revenue per average beneficiary per month (R)	2 310.49	2 208.27
Insurance service expenses per average beneficiary per month (R)*	2 408.12	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)	90 576	86 624
Return on investments as a percentage of investments (%)	7.66	5.65

* Insurance service expenses exclude amounts attributable to future members

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 Solvency ratio

	2023 R	Restated 2022 R
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)	-
Insurance contract liabilities to future members excluding unrealised gains	110 608 381	106 027 541
Gross contributions	68 284 188	64 198 947
Ratio of insurance contract liabilities (future members) to gross annual contribution income	161.98%	165.15%

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 2023 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 5 132 509 (2022: R 4 726 609).

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.

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 Annual Financial Statements.

10. AUDIT COMMITTEE

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.

11. ASSESSMENT AS TO WHETHER THE SCHEME IS A MUTUAL ENTITY

A medical scheme is not legally defined as a mutual entity and the assessment as to whether a medical scheme is a mutual entity was done based on the principles set out in IFRS® Accounting Standards.

IFRS 3 defines a "mutual entity" as "An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities".

IFRS 17 does not define a "mutual entity", however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. IFRS 17 explains that "a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder." The Act is not explicit that members (i.e. policyholders) hold a residual interest or are entitled to the residual interest upon the liquidation of the medical scheme. Section 64 of the Act requires the medical scheme rules to be followed in the event of liquidation.

The rules of the scheme do not contain specific guidance on how the assets of the scheme should be distributed on liquidation. The Act prohibits the disposal of assets of a medical scheme except in limited, listed circumstances, one of them being the liquidation of the scheme. Members can opt for voluntary liquidation and can distribute the scheme's remaining assets amongst themselves. As the scheme does not have shareholders, the current members will access the reserves through economic benefits such as funding reductions in contributions or deferral of contribution increases.

Although the rules do not specify how the assets should be distributed on liquidation, IFRS 17 states that "contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no

discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation". Therefore, based on customary business practices, the remaining assets of the scheme should be distributed to the members on liquidation if there are any and if the scheme does not amalgamate with another scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

The substance of the legal framework issued regarding insurance contracts and observed practice is that once a contribution is paid to the medical scheme, the contribution is used to provide benefits to members. The benefits are provided by the medical scheme (or amalgamated schemes) through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members).

It is therefore expected that the remaining assets of the scheme will be used to pay current and future members. Based on the above, the scheme meets the definition of a mutual entity in IFRS Accounting Standards.

The scheme has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the scheme recognises any cumulative surpluses or deficits as part of the insurance liability attributable to future members (which forms part of the insurance contract liabilities on the face of the statement of financial position).

Due to the scheme being categorised as a mutual entity in terms of IFRS 17, the assessment of onerous contracts is also affected.

The impact on the opening insurance contract liabilities on future members as a result of IFRS 17 was R 174 043 on 1 January 2022.

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*	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	-	-	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 that could have been attended

B = Actual number of meetings attended.



D. Sewry
Chairperson

Date: 18 April 2024

SUMMARISED STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2023				SUMMARISED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023			
	2023 R	Restated 31 Dec 2022 R	Restated 1 Jan 2022 R		2023 R	Notes	Restated 2022 R
ASSETS				Insurance revenue	68 284 188	4	64 198 947
Non-current assets				Insurance service expenses (excluding amounts attributable to future members)	(71 169 538)		(60 492 872)
Financial assets at fair value through profit or loss	51 243 368	20 017 599	29 335 799	Net result of reinsurance contract held	(292 235)	7	6 771
Current assets	62 717 210	86 205 481	67 895 172	Insurance service result	(3 177 585)		3 712 846
Financial assets at amortised cost	49 999 458	74 300 000	58 500 000	Investment income from financial assets	8 591 507		5 833 044
Trade and other receivables	1 829 977	2 041 145	1 324 436	Net fair value gains/(losses) on fair value investments	913 070		(18 200)
Cash and cash equivalents	10 887 775	8 869 043	7 942 963	Net investment income	9 504 577		5 814 844
Insurance contract assets	-	995 293	127 773	Net healthcare result	6 326 992		9 527 690
Total assets	113 960 578	106 223 080	97 230 971	Sundry income	45 082		66 730
LIABILITIES				Other operating expenses	(814 484)		(651 482)
Non-current liabilities				Fund management fees	(50 055)		-
Insurance contract liabilities	111 499 667	106 027 541	97 084 603	Investment consulting	(35 409)		-
Current liabilities	2 460 911	195 539	146 368	Total comprehensive income for the year	5 472 126		8 942 938
Trade and other payables	282 365	162 968	103 890				
Reinsurance contract liabilities	44 887	32 571	42 478				
Insurance contract liabilities	2 133 659	-	-				
Total liabilities	113 960 578	106 223 080	97 230 971				
SUMMARISED STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2023				SUMMARISED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023			
	Accumulated Funds R	Fair value adjustment reserve R	Total Members' Funds R		2023 R		Restated 2022 R
Balance as at 1 January 2022 (as previously reported)	97 230 577	28 069	97 258 646	Net cash (outflow)/inflow from operating activities	(721 731)		2 309 745
Transition restatement	(97 230 577)	(28 069)	(97 258 646)	Net cash inflow/(outflow) from investing activities	2 740 463		(1 383 665)
Balance as at 31 December 2022 (restated)	-	-	-	NET INCREASE IN CASH AND CASH EQUIVALENTS	2 018 732		926 080
				Cash equivalents at the beginning of the year	8 869 043		7 942 963
				CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10 887 775		8 869 043

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. Basis of preparation

The summarised financial statements have been extracted from the statutory financial statements prepared in accordance with IFRS Accounting Standards for the year ended 31 December 2023. The same accounting policies and methods of computation have been used in preparing the summarised financial statements as in the full annual financial statements. Comparative figures have been reclassified where considered necessary due to the adoption of IFRS 9 and IFRS 17.

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. 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 insurance service expenses incurred.

4. Insurance revenue

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

5. Insurance service expenses

Insurance service expenses comprise the total estimated cost of all insurance services arising from healthcare events that have occurred in the year and for which the scheme is responsible, whether or not reported by year-end.

6. Investment income

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

7. Reinsurance contract held (risk transfer arrangement)

Reinsurance expenses are recognised as an expense over the indemnity period on a straight-line basis. Reinsurance expenses and reinsurance income 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.

Reinsurance income relating to reinsurance contracts are calculated based on insurance service expenses settled in terms of reinsurance contracts held.

Net result of reinsurance contract held

	2023 R	2022 R
ER24 REINSURANCE CONTRACT		
Reinsurance expenses from reinsurance contract held	(514 369)	(362 923)
Reinsurance income from reinsurance contract held	222 134	369 694
Net (expense)/income	(292 235)	6 771

8. 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 2023 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 5 132 509 (2022: R 4 726 609). Amounts due and outstanding to Momentum Thebe Ya Bophelo (Pty) Ltd regarding administration and managed care fees as at 31 December 2023 were R 417 917 (2022: R 391 231).

Principal Officer fees and expenses for the year ended 31 December 2023 amounted to R 254 586 (2022: R 60 000).

APPROVAL OF THE STATUTORY ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were approved by the board on 12 April 2024 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.