



Andrew du Preez  
Principal Officer

# Principal Officer's Operational Report

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The operational and administrative structure of Sedmed has undergone inevitable and necessary changes over the last two years. These changes have not only brought about unique and challenging complications, but also opportunities. These challenges required the administration of Sedmed to come up with innovative strategies in order to effect positive and effective resolutions.

The purpose of the Operations Report is to provide members and stakeholders with an overview of the responsibilities discharged by the Scheme's management and how the Scheme's resources have been used in this regard.

## Background

During 2015 the Council for Medical Schemes (CMS) conducting its final administration compliance audit on Sedmed. The aim of an administration compliance audit is to certify that a scheme meets the accepted corporate governance and administration standards as determined by the King 3 report, corporate practice models and medical aid industry criteria.

It will be remembered that the first CMS audit of Sedmed took place during June 2013. The results of the said audit, although anticipated, were upsetting, to say the least.

Non-compliance with the accreditation standards of the CMS was prevalent in the following key areas:

- Governance
- Membership administration
- Claims assessment
- Accounting
- General risk management

The non-compliance with the accreditation standards not only indicated the high risks present in the governance model of Sedmed at that stage, but it also highlighted the importance of managing Church corporate entities in accordance with the relevant and applicable corporate standards.

Conditional accreditation was granted to Sedmed on condition that the non-compliance matters be resolved within a period of 6 months after the date of accreditation.

Therefore urgent changes had to be effected by the Board of Trustees (BOT)

in an attempt to meet the conditions of the CMS.

The CMS conducted its follow-up audit during October 2014. With the Lord's blessing and the hard work of the BOT and the administration of Sedmed, the CMS found that Sedmed, notwithstanding minor issues here and there, met the accreditation standards as prescribed by the CMS.

## Strategic Plan

The goals of the BOT for 2014-2017 are:

- to achieve a higher standard of governance and risk management procedures in the financial department of Sedmed, especially in light of the issues raised by the CMS in this regards;
- to shift the focus of the Sedmed members from curative to preventative measures by emphasizing health awareness.

Therefore the BOT has already met on various occasions to discuss strategies to achieve the above.

The following recommendations were submitted by the principal officer and his team to the BOT in order to achieve its goals:

- Appointment of external auditors to assist Sedmed with the implementation of proper financial risk management strategies specific to medical schemes;

- Implementation of proper financial risk management procedures and policies;
- Standardisation of the Scheme's monthly management accounts;
- Upgrading of the Scheme's accounting software;
- Appointment of external auditors to monitor internal adherence to compliance standards;
- Equipping of the Audit Committee of Sedmed to better fulfill its functions in order to assist Sedmed to achieve its goals in this area;
- Appointment of competent and qualified accountants to direct the functions of the accounts department of Sedmed;
- Conducting of or providing assistance with or participating in Health Awareness and/or life-style change seminars/workshops / programs which will promote healthful living amongst our Sedmed members.

The BOT adopted the aforementioned recommendations as part of their strategic plan.

## Governance and Compliance

As the Principal Officer, I am the accounting officer of the Scheme. It is my responsibility to ensure that the Scheme's operational and strategic plans are effectively and efficiently executed. Since the adoption of the strategic plan the following goals were achieved:

### *Sedmed Financial Department*

In fulfillment of the BOT's strategic plan, meetings were arranged with various stakeholders in the medical industry and accounting fraternity to assist Sedmed with the implementation of a more controlled risk environment in the financial department of Sedmed.

Due to the technicality of medical aid accounting, PWC was appointed to oversee the above. PWC, after their investigation into the procedures, practices and policies of the said department, found various ways to improve the risk management environment within the department.

Recommendations were made regarding the development of and improvement to reconciliations between the various systems and sub-systems within the financial framework of Sedmed.

Proper procedures and policies were put in place to ensure the correctness of financial data captured during assessment.

Monthly management reports to the BOT were developed in line with CMS requirements and these reports are currently managed and produced by PWC.

Qualified accountants were appointed and trained to oversee the department.

However, and notwithstanding the above, the department is still struggling to manage specific challenges within the department, e.g. meeting reporting

deadlines, keeping up to date with the monthly accounting functions, etc.

PWC was requested to investigate and report back on methods of improving the specific issues as identified.

### *MSO Hospitalisation Benefit Management Company*

As of June 2014 MSO manages Sedmed's hospitalisation benefit on behalf of Sedmed.

The purpose of appointing MSO was two fold, namely:

- To meet the accreditation standards of the CMS;
- To limit Sedmed's exposure to exploitation by healthcare entities by evaluating all cost drivers and where possible reducing or eliminating same.

Many schemes have recognised MSO's unique hospital risk management capability. Hospital costs are the single greatest cost to a scheme. Together with associated specialist costs, hospital event costs account for over 60% of scheme health related expenditure. MSO currently integrates real-time, on line with all major administration systems in South Africa.

MSO provides its services to 16 Southern African medical schemes, covering over 500 000 principal members.

Further to that, MSO is the only hospital benefit manager that provides in-hospital case management where a

case manager visits specific cases in hospital.

MSO is the only managed care provider that accurately costs the admission, down to detail tariff level, at the time of the authorisation, thus ensuring that the hospital does not have a blank cheque once the patient is admitted.

All of the abovementioned, amongst others, enables MSO to deliver real benefit to Sedmed in the key performance areas namely; client service experience and cost containment.

### *Risk Management, Internal Procedures and Policies and Training of Staff*

With the assistance of the compliance consultant, proper internal policies and procedures were adopted by the BOT.

The staff have undergone further training with regard to their role in ensuring compliance and in understanding and appreciating their responsibilities and functions in their various departments.

The BOT also appointed the following committees to ensure proper risk evaluation and prevention and dispute resolution:

- Sedmed Audit Committee
- Internal Audit Committee
- Sedmed Dispute Committee

In the near future a Risk Management and Policy Committee will be appointed to identify and assess the strategic risks facing Sedmed.

Trustee Training Workshops were attended by the majority of the trustees of Sedmed in an attempt to align the governance body of Sedmed with the governance compliance criteria of the CMS.

### *Health Awareness and lifestyle Change Initiatives*

Studies have shown that a healthy lifestyle improves the quality of life and reduces the risk of disease and illness.

It has been found that that a healthy lifestyle improves the immune system, provides the body with more energy, strength and endurance, etc.

Some of the most prevalent illnesses amongst Sedmed members and also the largest healthcare cost drivers are lifestyle related illnesses, namely; diabetes, high cholesterol, high blood pressure, depression and heart disease.

In an attempt to promote and foster a healthier lifestyle amongst our members, Sedmed will endeavor to make use of various methods to assist our members to improve their health.

This will not only benefit the members, but also Sedmed.

During March 2015 the BOT has taken the first step in meeting this goal by taking an action to provide each Sedmed member with a set of the *Homes of Hope and Health* books written by Doctors John and Millie Youngberg.

## Communication and Member Affairs

Member growth and member retention is one of the key focus areas of any medical aid. Inherently, any strategic plan is ultimately aimed at membership growth and retention. Membership growth and retention is dependent on various factors, i.e. competence, efficiency, proficiency, etc., which in combination establishes member trust, satisfaction and contentment.

If the strategic plan is misguided, inadequate or poorly implemented poor membership growth and retention, amongst others, will be the result.

Currently Sedmed covers 65% of eligible SDA employees and it is our aim to increase this percentage to 80% by 2016.

We believe that the growth cannot only be attributed to operational factors, but also the implementation of a stronger awareness and information program.

During the last two years various information sharing sessions were held in the different conferences to create awareness and an understanding of Sedmed's operational changes.

A more consumer friendly Sedmed Information Booklet was developed to establish a more professional and attractive image of Sedmed.

A number of member communications have also been sent to the participating employer groups for distribution to all Sedmed members.

A website has also been developed for Sedmed and same can be visited at [www.sedmed.co.za](http://www.sedmed.co.za). All the latest Sedmed information and the booklet can be found on the website. A portal has been created on the website from which any member can obtain crucial information regarding his medical benefits, authorisations, chronic medicine approvals and benefit payments.

## Finance

Scheme finances were managed efficiently and prudently by ensuring that appropriate investment decisions were taken to enable the Scheme to pay its liabilities as they become due in the normal course of business, whilst at the same time earning optimal returns on investments made.

Financial reporting at the level of monthly management accounts was introduced during 2014 to ensure better control and management of financial data.

Our Annual Financial Statements and Statutory Returns were dealt with in line with CMS guidelines issued and International Financial Reporting Standards.

To provide protection to the Scheme Officers and business operations, sufficient Professional Indemnity insurance was obtained during 2013 and 2014.

The audit processes of the Scheme reported some deficiencies within the control framework of the Scheme and

measures were put in place to address these areas.

The Annual Financial Statements for 2014 received an unqualified audit opinion from KPMG Auditors.

## Conclusion

Much work has been done during the last year to ensure proper implementation of our strategic plan. Many sacrifices were made by the Sedmed staff to safeguard the interest of Sedmed and its members.

I want to thank the staff members of Sedmed for the hard work done during this period.

We want to thank the Lord for His guidance and blessing during this term. Although there is still much work to be done we believe that with the Lord all things are possible.

With Him in control Sedmed will achieve and even exceed its goals.