



SED MED
MEDICAL SCHEME

Operations Report 2023



SED MED

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1. ABOUT THIS REPORT

1.1 Scope and boundary

This report is addressed to the members of Sedmed Medical Scheme. The report provides information about our operating activities, strategy, performance and governance. The report covers Sedmed's financial year from 1 January 2023 to 31 December 2023. The report contains financial and non-financial information of the scheme. The Audited Annual Financial Statements for 2023 (AFS) are included in this report.

Sedmed is a registered medical scheme with the Counsel of Medical Schemes (CMS). Information contained in this report applies to Sedmed and no other entity. In the report, reference will be made to third-party service providers of Sedmed concerning services rendered by those entities to Sedmed and its members.

1.2 Auditor independence

PricewaterhouseCoopers Inc (PWC) has been appointed as Sedmed's external auditor for 2023. At the Annual General Meeting (AGM) in June 2023, PWC's appointment was approved based on the recommendation of the Sedmed Audit Committee. PWC is a respected and skilled audit firm with extensive experience in auditing medical schemes.

PWC is a highly competent and well-regarded audit firm with significant experience in medical scheme auditing. The trustees are confident that the value that PWC will bring to Sedmed and its members will be of great benefit from a risk assurance perspective. The Sedmed Audit Committee has verified the independence of the auditor.

The audit fees and compliance issues identified during the audit are disclosed in the Financial Statements.



SEDMED
MEDICAL SCHEME

2. ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

2.1 Sedmed's Mission, Vision and Values

Purpose:

Sedmed provides medical aid benefits specifically and exclusively for the individuals in the regular and full-time employment of the Seventh-day Adventist Church in South Africa, Lesotho, Namibia and those who qualifies for continuation benefits after retiring from the service of the organisation. Sedmed strives to provide the best medical benefits at affordable contribution rates. This can only be achieved through prudent financial management of the fund and the active guarding of the fund by its management and its members to avoid abuse and misuse of recourses.

Mission:

The mission of Sedmed is to provide affordable member-focused quality healthcare to enhance the well-being of all members and, in so doing, promote the mission of the Seventh-day Adventists Church.

Vision

The vision of Sedmed is to be the medical scheme of choice for all Seventh-day Adventist Church employees.

Values

- Integrity
- Transparency
- Fairness
- Compassion
- Respect
- Accountability



2.2 Business Model & Organisational Structure

2.2.1 Member product

Sedmed offers a single benefit option for all its members. The benefit option provides comprehensive in-and out-of-hospital benefits. The option provides access to specialised services, general practitioners, dentists, optometrists, radiology, medical and surgical appliances and auxiliary services. The option also covers all Prescribed Minimum Benefits and Chronic Disease List conditions. It further provides an 80% Chronic Condition Disease List covering 40 identified illnesses. Designated Service Provider agreements for in-hospital and pharmaceutical benefits are in place. The MediClinic and Life Hospital Groups have been contracted as Designated Service Providers for all in-hospital procedures. Dischem and Clicks pharmacies are the scheme's preferred service providers for pharmaceutical benefits.

On average, Sedmed offers a good level of benefit richness with competitive contributions. Open schemes offer a few benefit options with a similar or higher level of benefit richness and a lower member contribution. However, these benefits are restricted to low-income earners and those willing to access services in provider networks only. Sedmed engaged Alexander Forbes to conduct a comprehensive study on product performance, value for money, and benefit richness, known as the Benefit Richness Comparison (BERICO) study. This study aimed to evaluate Sedmed's offerings against five prominent open medical schemes to determine how we measure up in terms of value provided to our members.

The findings from the BERICO study indicated that Sedmed's benefit richness is above the average when compared to other medical schemes. Benefit richness, which measures the scope and depth of coverage provided by a medical scheme, is a critical factor for members seeking comprehensive healthcare solutions. This result underscores Sedmed's commitment to offering high-quality benefits and services.

Moreover, the study highlighted that Sedmed's contributions are very competitive within the industry. This means that while our members enjoy higher-than-average benefit richness, they also benefit from reasonable and competitive contribution rates. This dual advantage of comprehensive benefits and competitive pricing reinforces Sedmed's value proposition to its members.

These findings demonstrate that Sedmed is well-positioned to meet the needs of our members and offer them substantial value for money. The results of this study are integral to our ongoing efforts to ensure that we maintain and enhance our competitiveness in the

medical scheme sector. The positive results from the BERICO study serve as validation of our strategy and will guide our future decisions regarding product design and member benefits.

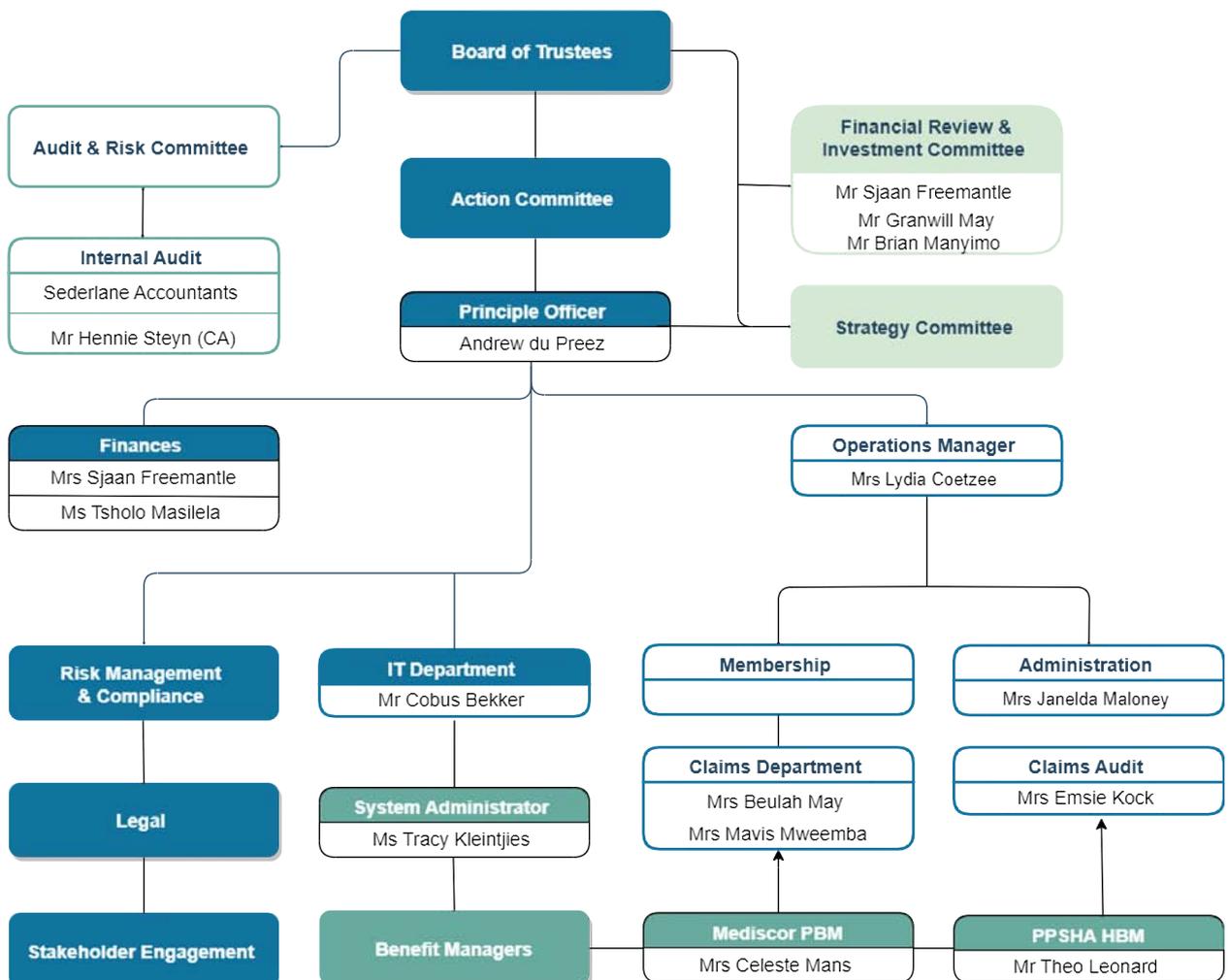
As part of being a member of Sedmed, the employing organisation also provides a post-retirement and death-in-service benefit. For those employees who retire from the organisation's service and meet the qualifying criteria, the organisation has established a Sedmed post-retirement medical contribution benefit. In terms of this benefit, the Sedmed contributions of a qualifying member will be paid by the organisation on behalf of the member until termination of membership by death or resignation. Membership will be subject to the rules of Sedmed. To qualify for the post-retirement benefit, an employee must have been a member of Sedmed for the period determined by the Southern Africa Union Conference of Seventh-day Adventists (SAU) Chief Financial Officers Committee from time to time. An employee must have ten years of continuous membership in Sedmed to qualify. For more information regarding this benefit, you can contact the office of Sedmed. The death-in-service benefit provides a similar benefit to the loved ones of those who passed away whilst in the organisation's service. The spouse and children of an employee who passes away whilst in service are entitled to the death-in-service benefit if they meet the qualifying criteria. Regarding this benefit, the Sedmed contributions of a qualifying spouse and children will also be paid by the organisation on their behalf until termination of membership by death or resignation. Membership will be subject to the rules of Sedmed. To qualify, the employee and their spouse must have been members of Sedmed for the period determined by the SAU Executive Committee.

2.2.2 Outsourced member services

To ensure clinical relevancy and sustainable benefit management, Sedmed utilises the services of third-party benefit managers. These third-party managers are experts in their areas of benefit management. They offer invaluable services to the scheme through the rendering of case management, clinical auditing, authorisation services, account vetting, designated services provider administration and disease risk management. The table below explains the contracted services and service provider status:

CATEGORY	CONTRACTED SERVICES	SERVICE PROVIDER
Pharmaceutical	Clinical management of medicine benefits; Pharmaceutical claims switching system; Clinical chronic and PMB benefit management; Prescription checking and auditing; Utilisation and pricing management; Benefit formulary management. Pharmaceutical dispute appeals management.	Mediscor PBM
Hospitalisation	Management of hospital authorisations; Case Management; Hospital account auditing and vetting; Stakeholder engagements and DSP negotiations; Annual tariff negotiations; Disease Risk Management; Non-Disclosure auditing; Clinical management of hospitalisation benefit.	Professional Provident Society Health Administrators (PPSHA)

2.2.3 Sedmed governance structure



3. EXTERNAL ENVIRONMENT IN 2023

Despite experiencing a record-breaking year of load shedding in 2023, with over 6,700 hours compared to about 3,700 in 2022, South Africa managed to avoid a technical recession, achieving a real GDP growth rate of 0.6% last year. During the first half of 2023, businesses and households invested heavily in self-generation and rooftop solar power, which boosted investment spending and helped mitigate energy shortages. However, household final consumption expenditure growth has remained stagnant due to the high cost of living and ongoing energy crises. This, along with increased operational challenges in rail and port infrastructure, has negatively impacted investment and hindered crucial growth on both the demand and supply sides. Of the 10 industries reported by Statistics South Africa (StatsSA), four experienced contractions in 2023, while three recorded modest gains of less than 1%. The only sectors that grew by more than 1% were finance, transport, and personal services, with growth rates of 1.8%, 4.3%, and 2%, respectively. Business sentiment remained subdued as companies navigated a range of challenges, including high business costs, elevated lending rates, significant power and transport disruptions, among other factors. In its February 2024 budget review, South Africa's National Treasury forecasted that GDP growth would reach 1.3% in 2024 and 1.6% in 2025. These projections are more optimistic than those of other organisations, like the International Monetary Fund, which expects South Africa's GDP growth to be 0.9% in 2024 and 1.3% in 2025. However, despite this relative optimism, South Africa's growth outlook remains significantly lower than that of the global economy, which is expected to expand by 3.2% for both 2024 and 2025. In 2023, South African consumers faced a significant rise in the cost of living, leading to reduced savings among lower- and middle-income groups as they directed most of their income towards essential expenses. For medical aid users, this could have several implications. With a larger portion of their income going towards essential expenses, medical aid users in lower- and middle-income groups might struggle to afford their monthly medical aid premiums. This could lead to lapsed policies or downgrades to cheaper plans with fewer benefits. Given financial constraints, medical aid users might also delay or avoid seeking medical care to save money, potentially leading to worse health outcomes in the long term.

Reduced savings and financial stress can have a direct impact on mental health, which might increase the need for medical or psychological support, further stretching the financial resources of medical aid users.

Overall, the increased cost of living in 2023 made it more challenging for medical aid users, especially those in lower- and middle-income groups, to maintain their medical aid coverage and access needed healthcare services. Given the financial strain on many consumers, especially those in lower- and middle-income groups, Sedmed is constrained in its ability to implement contribution increases at market-related rates, which are typically 2 to 3% higher than inflation.

The industry average for contribution increases in 2023 was about 10%, reflecting the need to keep pace with rising healthcare costs and other operational expenses. However, due to the increased cost of living and the poor financial performance of the Church in South Africa, Sedmed was forced to implement a smaller contribution increases to avoid further burdening its members. This limitation has several implications:

- **Reduced Benefit Increases:** With lower contribution increases, Sedmed might struggle to maintain or expand the level of benefits it offers to members. This could mean fewer covered services, reduced coverage for certain treatments, or higher co-payments.
- **Impact on Service Quality:** Lower contribution increases can also affect Sedmed's ability to invest in other services, such as customer support, wellness programs, or technology improvements, potentially impacting overall member satisfaction and experience.
- **Financial Sustainability:** Sedmed's financial health could be challenged if contribution increases are too low to cover rising healthcare costs. This could lead to a reduction in reserves, impacting the scheme's long-term sustainability.

Overall, the need to keep contribution increases below market-related rates, driven by the significant rise in the cost of living, creates a difficult balancing act for Sedmed. The scheme must find ways to maintain its financial stability and provide adequate benefits and services to its members while keeping contributions affordable during challenging economic times.

4. VALUE CREATION

4.1 Reporting Materiality

Material matters materially impact the scheme's ability to create value over the short, medium and long term. Material matters are linked to the strategic objectives of the scheme, its performance ability and its capital input and output. The scheme's management determines materiality through strategy workshops and meetings. During these processes, broader healthcare, economic, external and internal environmental conditions are discussed to identify those matters which will impact the scheme in the short, medium and long term. The trustees are responsible for effectively managing material risk through strategic objectives to preserve the scheme's ability to create value and sustainability.

4.1.1 Size and Scale

When evaluating the performance of a medical scheme, the key factors to consider are size and scale, membership growth, membership profile, financial results and solvency levels. We believe three factors are material to Sedmed's operations: size and scale, membership growth and membership profile. These factors also impact the scheme's value creation and, as such, impact the scheme's potential to increase value for our members.



Issue:

Larger schemes tend to have a more stable and more predictable claims experience. Larger schemes also have more negotiation power when negotiating with service providers for better services and fee structures. Sedmed is one of the smallest restricted medical schemes in South Africa. With a beneficiary total of 2283, Sedmed's negotiating leverage is minimal. Growth potential is restricted due to slow human resource growth within the organisation and employees' unwillingness to join Sedmed. Sedmed experienced a decrease in membership for 2023 from 2303 in 2022 to 2283. With low or no membership increase, Sedmed is under pressure to provide quality healthcare at low contribution rates sustainably. Due to Sedmed's static membership base, claims volatility is high.



Sedmed's response:

For the last several years, the trustees of Sedmed have initiated processes to enable membership growth. Unfortunately, not all employer groups have joined the process of supporting membership growth strategies. One of the aims for 2023-2025 is to encourage all employer groups to unite in providing a stable growth factor, Sedmed.

In a further attempt to mitigate the impact of this materiality point, strategic partnerships with key stakeholders have provided a platform for collective bargaining for benefit and tariff negotiations. By partnering with PPSHA, Sedmed benefits from the collective power of all the schemes on its panel. This partnership has resulted in fee and tariff savings of more than 2% under CPI.

In 2024, the focus will be on improving Sedmed's membership position by creating a structure allowing low-income employees, who cannot afford Sedmed's contributions, to join Sedmed at a higher subsidised rate.

4.1.2 Pensioner ratio & average age of membership



Issue:

Member profile is one of the most important factors contributing to a scheme's performance. Average age, pensioner ratio and average family size are critical factors influencing scheme outcomes and member value.

As a scheme gets older, the expected increase in claims per member is 2% per year per average age. The average age of other restricted schemes stands at 31.6 years. Sedmed's average age for 2023 stood at 57 years for main members and 45 for beneficiaries. The pensioner ratio of Sedmed stands at 25% compared to the industry average of 10.8%. The pensioner ratio for other restricted medical schemes is 6.9% compared to Sedmed's 25%. With the high pensioner ratio in Sedmed, a corresponding high claims ratio is experienced. The impact of this factor can only be absorbed through an increase in younger members joining the scheme, increased contributions and stricter cost-saving mechanisms.



Sedmed's response:

To reduce the impact, Sedmed has partnered with PPSHA to implement a Disease Risk Management Programme to manage chronic illnesses, which are most prevalent amongst Sedmed's older membership base. The programme's philosophy is that health needs to be managed as a whole to achieve better outcomes. This is achieved by the integration and coordination of services. The focus is on prevention through the coaching and monitoring of members to ensure better results. The programme will help our members manage their diseases to improve overall health and well-being optimally.

The Board of Trustees also initiated the increase of the Post-Retirement Benefit qualification period from five to ten years. The change will not only have a positive impact on the average age of the scheme but also on the overall financial position of the scheme. Post-Retirement benefit programmes are very high-risk benefits, and those providing such benefits must manage the risks involved.

4.1.3 Changing environment, benefit design shortcomings & Universal Health Care



Issue:

The medical aid industry has been and still is undergoing a paradigm shift. The focus has shifted from the traditional profit-driven operation to a more member-focused approach. In line with this shift in focus, the industry moved into the universal healthcare (UHC) era. UHC addresses healthcare sustainability by prioritising patient outcomes and collaboration. UHC is a system in which all individuals and communities receive the health services they need without suffering financial hardship. This includes a full spectrum of health services, from health promotion to prevention, treatment, rehabilitation, and palliative care. The concept is often encapsulated by three key components:

- I. **Access to Health Services:** Everyone should have access to a wide range of health services, from primary care to specialised treatments, without discrimination.
- II. **Quality of Care:** Healthcare services should be of a high standard, meeting safety and effectiveness criteria, and should aim to improve the health of those receiving care.
- III. **Financial Protection:** Universal healthcare aims to protect individuals from the financial risks associated with accessing healthcare. This is achieved by reducing or eliminating out-of-pocket expenses, ensuring that no one is pushed into poverty due to medical costs.

Universal healthcare does not necessarily mean that all healthcare services are provided by the government or are free of charge. It can be delivered through a mix of public and private providers, with various financing mechanisms like taxation, insurance, or a combination of both. The overarching goal is to ensure that everyone can access the care they need in an equitable and financially sustainable manner.

Sedmed's benefit design needs to incorporate the principles of UHC. This calls for innovative measures and stakeholder collaboration to reach the required outcomes. UHC,

in part, consists of providing a platform that deals with member health holistically. As such, lifestyle wellness and preventative care are fundamental to UHC. The benefit design of Sedmed lacks in this area.



Sedmed's response:

The trustees have embarked on structuring a Preventative Care Programme specific to the needs of our members. The programme is designed to address the onset of certain illnesses and reduce disease complications. The industry standard protocol applicable to these items will ensure that we meet the standard subscribed to by the industry. Our actuaries prepared the costing models to manage such a programme effectively without threatening the scheme's sustainability. Unfortunately, due to the contribution increase required to fund such a benefit was not accepted by the CFO's of the various organisations due to the poor economic performance of the organisation. Once incorporated into our benefit structure, a risk that Sedmed will encounter is member uptake. Unfortunately, industry experience is that members are slow to utilise member wellness and preventative care programmes. The trustees will therefore have to find innovative ways to encourage member participation.

4.1.4 Member needs



Issue:

The following member needs have been identified, which have an impact on the scheme's value offering. These needs are partly driven by industry developments and the need to remain relevant as a scheme. The needs can be summarised as follows:

- Easy access to information and assistance;
- Member-centered care;
- Quality healthcare;
- Member participation in wellness and preventative care programmes;
- Access to digital healthcare.

Fulfilment of member needs is critical to scheme relevancy. The needs identified are based on the fundamental principles of UHC. Sedmed supports all initiatives to meet member needs to promote satisfaction, health and well-being.



Sedmed's Response:

A significant cause of member frustration is high call and query turn-around times from the Sedmed office. Possible solutions to the problem are appointing additional staff members

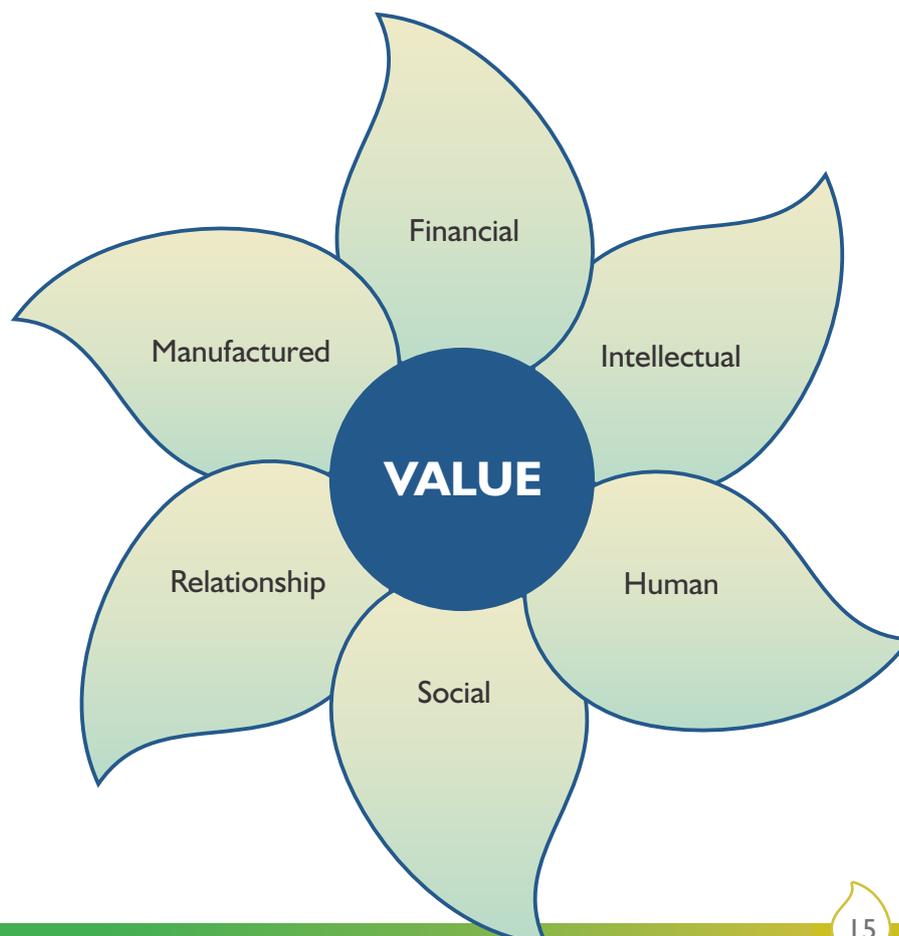
and implementing systems to improve service delivery. Management responded to this matter by the appointment of more employees to assist with service delivery. The office of Sedmed was also enlarged to accommodate more employees. Monthly, management requires from Sedmed's service providers to report on call response and query turn-around times. Management is satisfied that service provider service delivery is up to standard. Preventative care and wellness programmes are under investigation. The costs involved is a main factor when considering the provisioning of these services. Sedmed has also implemented a Sedmed member Cellphone Application to improve access to information. The roll-out took place in 2023. The long-term aim is to utilise the app as a means to provide digital healthcare to members.

4.2 Capitals

4.2.1 Core Capital

General

Various capital forms lays the basis of an organisation's success. Sedmed's capitals comprise of financial, intellectual, human, social and relationship and manufactured. The success of an entity can be evaluated by the manifestation of transformation in its input and output capital. Therefore, an entities success is depended on the balance between the input of means into the business and the value derived from its activities.



Sedmed Capitals explained:

Financial
The pool of funds that is available to Sedmed. These are member contributions, investments and donation income.

Intellectual
Skills, knowledge, software, internal systems and procedures necessary to ensure effective governance and management of the scheme.

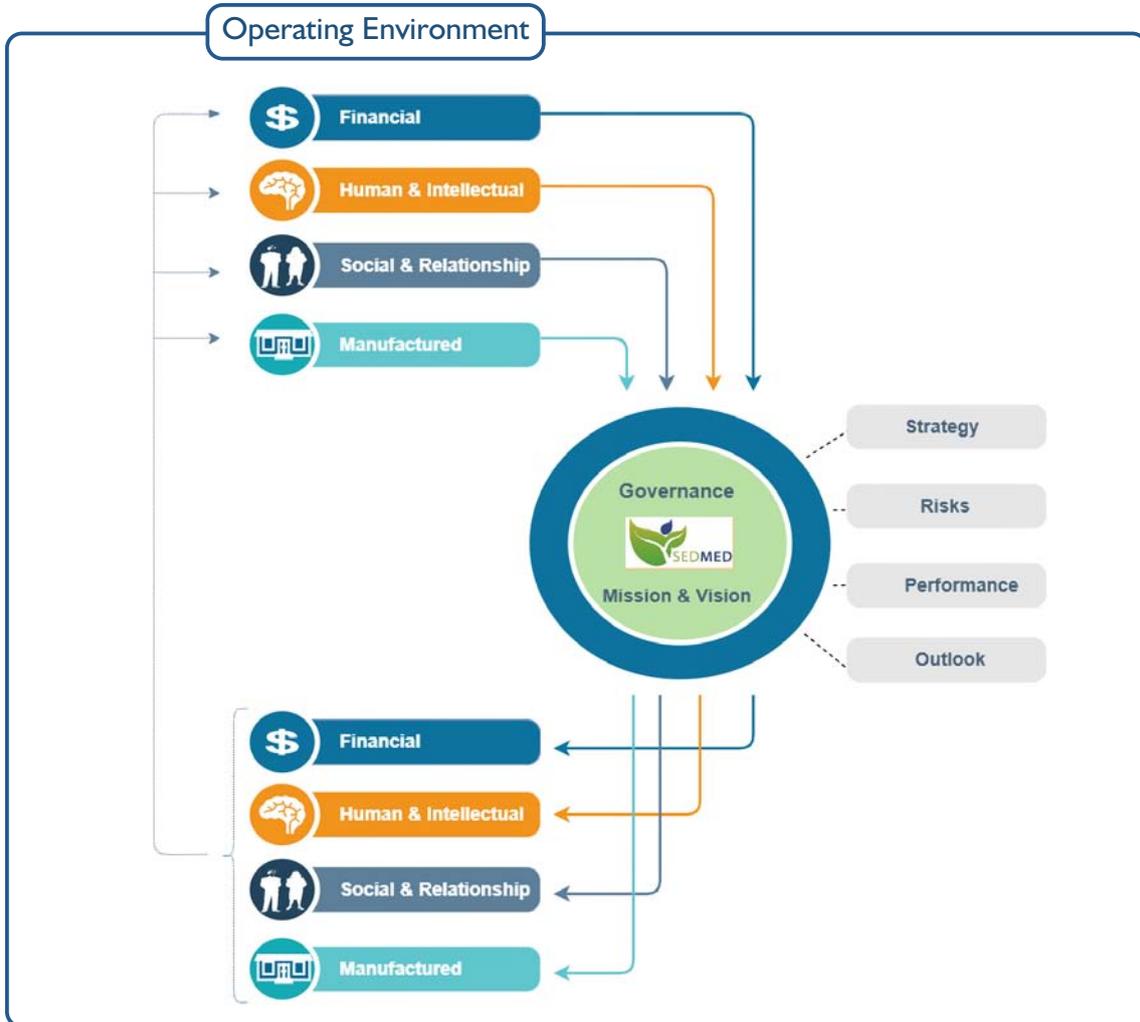
Human
Board members, employees, stakeholders and strategic partners.

Social & Relationships
Relationships between key stakeholders (members, employers, SDA Church, service providers, CMS) aimed at the enhancement of well-being.

Manufactured
Buildings, equipment and infrastructure used by the scheme to operate. Includes capital created by other entities like SAU.



4.2.2 Our Value Creation Process



4.2.3 Core Capital Inputs

Financial

- Insurance Revenue of R 71 194 485.00 (2022: R 67 419 893.00)
- Investment income of R 3 903 335.00 (2022: R 2 591 069.00)

Human & Intellectual

- Skilled and dedicated Board of Trustees responsible for scheme governance and strategy.
- Compliant governance frameworks, processes and structures.
- Capable management team and operational staff can effectively perform their duties through continuous learning.

Social and relationship

- Membership base supporting cross-subsidisation and sustainability.
- Employer organisations providing medical scheme allowances and donations to enhance scheme effectiveness and sustainability.
- Collaborative partnerships with third party service providers to ensure clinical expertise and effectiveness in scheme operations.
- Being a good corporate citizen by promoting an ethical environment and balancing corporate and social responsibilities.

Manufactured

- Use of SAU office space and infrastructure for Sedmed business activities.



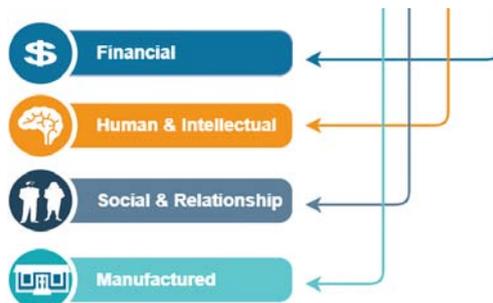
Material Matters affecting core inputs:

Size and Scale & Pensioner Ratio (p11)
Member Needs (p14)
Benefit Design (13)

Member Needs (p14)
Benefit Design (p13)

Member Needs (p14)
Benefit Design & Value-Add (p13)

Member Needs (p14)



4.2.4 Core Capital Output

4.2.4.1 Financial

Sedmed was able to provide a stable performance in terms of benefits provision. The scheme provided a comprehensive benefit structure to provide for the healthcare needs of our members. Reasonable benefit limits are in place to prevent waste and abuse.

During the period, Sedmed paid R 67 581 218.00 in member claims to promote our members' health and well-being. Of this amount, the following were paid:

- Hospitalisation: R 39 219 084.00
- Day-to-day: R 14 452 757.00
- PMB non CDL: R 4 133 277.00
- PMB CDL: R 4 872 495.00

The below table illustrates Sedmed's claim expenditure per age grouping:

Age grouping (in years) 2023	In-hospital	PMB	Chronic	Day-to-day	Total
<26	3,598,655	419,667	324,078	2,098,597	6,440,997
26-35	1,961,448	80,638	179,332	1,000,719	3,222,137
36-50	6,209,180	262,903	749,036	3,059,860	10,280,978
51-65	11,241,792	1,352,440	1,529,350	3,937,665	18,061,247
>65	16,208,009	2,017,629	2,090,699	4,355,915	24,672,252
Total	39,219,084	4,133,277	4,872,495	14,452,757	62,677,613

Age grouping (in years) 2022	In-hospital	PMB	Chronic	Day-to-day	Total
<26	4,117,777	323,444	241,156	2,227,556	6,909,933
26-35	2,521,065	116,004	109,753	1,160,170	3,906,992
36-50	6,996,063	796,591	1,215,482	3,030,858	12,038,994
51-65	7,579,588	958,618	1,432,553	3,431,013	13,401,772
>65	17,964,478	1,712,350	1,739,411	4,147,211	25,563,450
Total	39,178,791	3,907,007	4,738,355	13,996,808	61,821,141

The gross administrative expenses of the scheme were held under 10% at 2.19% of insurance revenue received.

The scheme paid 97.9% of its income towards member claims.

The scheme solvency ratio increased from 65.19% in 2022 to 70.80% in 2023. The statutory solvency ratio required for a medical scheme is 25%.

Scheme reserves grew by 14.6% from R43 950 826.00 to R50 406 114.00.

4.2.4.2 Human and Intellectual

- **Board of Trustees**

Scheme trustees received trustee accredited training to comply with the fit and proper requirements of the scheme regulatory body. Conflict of Interest verification processes were followed to ensure independence and the integrity of meeting procedures. The trustees were provided with a Trustee Information Pack, which included the Board of Trustees Charter, Medical Schemes Act and Sedmed Rules. The trustees met as a Board of Trustees four times during the year. The trustees are responsible for ensuring compliance through systems and frameworks. Various policies were adopted to structure roles of responsibility through Delegation of Authority levels, rule amendments, and general governance control evaluations.

- **Employees**

The scheme values its employees. The scheme employees are responsible for the successful day-to-day execution of the scheme's purpose and mission. The scheme aims to protect its workers' dignity and safety by providing a safe working environment, fair remuneration and training and development opportunities. Monthly management meetings, combined and individual, were held with all the employees to provide a platform for sharing information, concerns and recommendations with the management. Several team social events were held to foster team building and to show appreciation to the employees for the services rendered to the scheme and its members.

4.2.4.3 Social and Relationship

- **Affordability**

In response to the difficult economic circumstances experienced by the employer groups, Sedmed implemented a contribution increase of only 6.9% to alleviate the financial pressure on our members. The increase was below the industry average of about 10%.

- **Beneficiary Health Outcomes**

Hospitalisation

The scheme paid a total of R 26 726 858.00 for hospital admissions. The top ten most expensive hospital admissions during 2022 amounted to R5 581 928.00. This equates to an admission cost of R 581 928.00 per individual. On an average contribution per member, it will take 178 years of contributions by the said members to fund their hospitalisation expenses for 2022. There were 28 admissions with an average cost of R345 903.00 per admission.

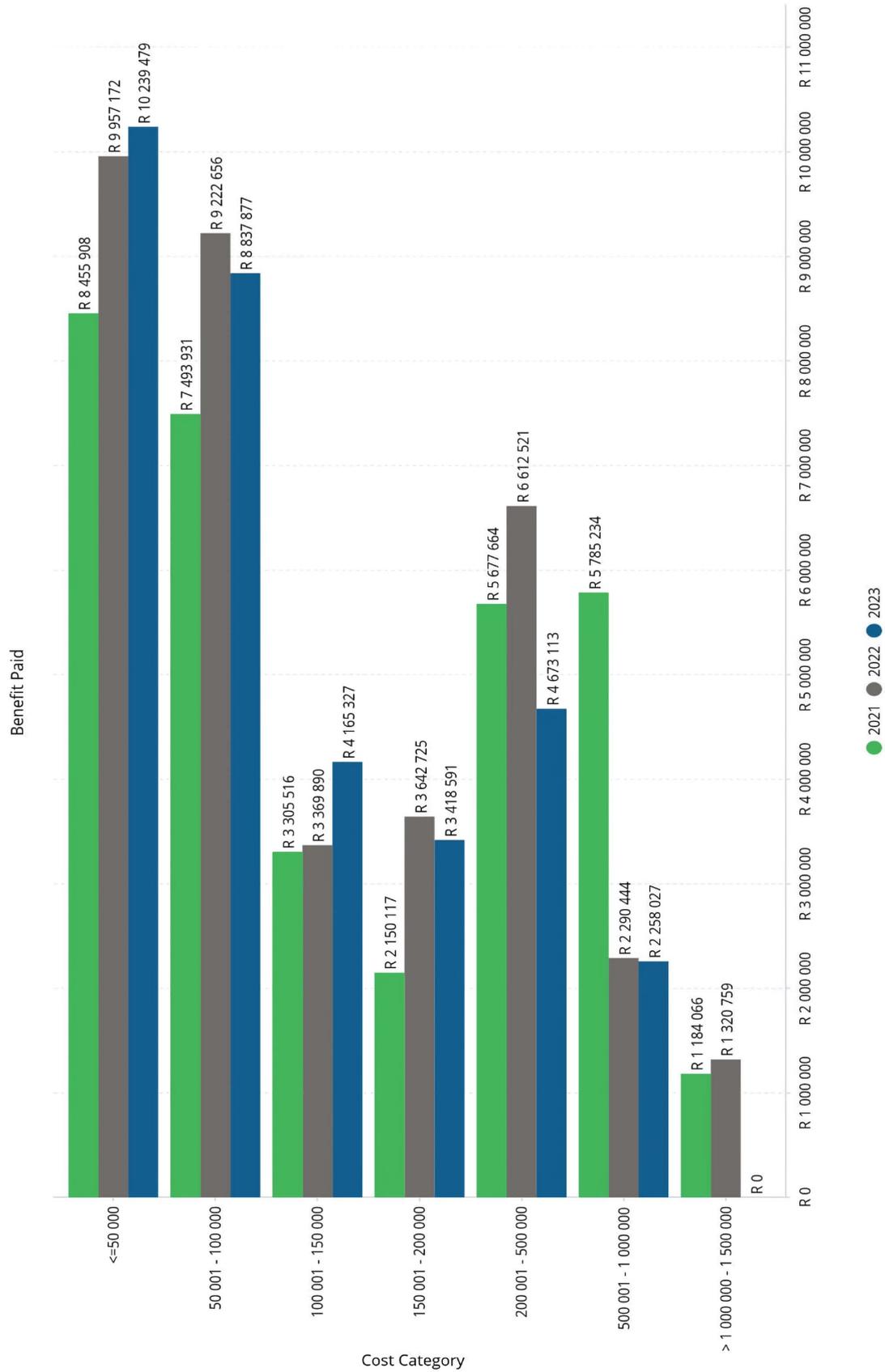
Psychiatric hospital admissions increased by 46.2% in 2022. A total amount of R2 794 628.00 was paid on psychiatric admissions.

The tables below present an overview of Facility Network Key Indicators:

Network Group	Life Healthcare				Mediclinic			
Ward Type	Total Adm.	Avg. Cost per Adm.	Avg. LOS	% of Total Hospital Cost	Total Adm.	Avg. Cost per Adm.	Avg. LOS	% of Total Hospital Cost
High Care	12	R 24 345	2.0	50.5%	24	R 18 694	3.7	39.4%
ICU	5	R 40 080	2.0	34.6%	10	R 61 978	6.4	54.4%
Neonatal HC A	1	R 72 080	6.5	12.5%	0	R 0	0.0	0.0%
Neonatal HC B	1	R 14 020	2.0	2.4%	1	R 33 985	8.0	3.0%
Specialized ICU	0	R 0	0.0	0.0%	3	R 12 413	1.3	3.3%
Total	19	R 30 455	2.2	100%	38	R 29 991	4.3	100%

Network Group	Netcare				NHN			
Ward Type	Total Adm.	Avg. Cost per Adm.	Avg. LOS	% of Total Hospital Cost	Total Adm.	Avg. Cost per Adm.	Avg. LOS	% of Total Hospital Cost
High Care	29	R 32 530	3.6	61.4%	8	R 23 869	2.1	100%
ICU	11	R 52 137	3.7	37.3%	0	R 0	0.0	0.0%
Neonatal HC A	1	R 19 704	2.0	1.3%	0	R 0	0.0	0.0%
Neonatal HC B	0	R 0	0.0	0.0%	0	R 0	0.0	0.0%
Specialized ICU	0	R 0	0.0	0.0%	0	R 0	0.0	0.0%
Total	41	R 37 478	3.6	100%	8	R 23 869	2.1	100%

The table below presents the admission cost breakdown for Sedmed:



The table below represents the aging and health status of Sedmed members:

No. of Unique Oncology Registrations	
26	
No. of Unique Oncology Registrations per 1 000 lives	
11.4	
<hr/>	
Total Hospital Admissions	
652	
Total Hospital Admissions per 1 000 lives	
23.7	
<hr/>	
No. of Deaths	Avg. Death Age
17	75
No. of Deaths per 1 000 lives	
0.62	



Medicine

The scheme paid R6 502 971.00 on medicine claims. These claims represent 45 248 items approved for payment with an average cost per item of R143.72. Medical expenditure decreased by 4.25% year on year. The table below presents the expenditure by benefit for Sedmed:

Benefit	% Total cost	Total cost (R)	Total items	Total cost pbpm [§]	Total cost pmpm [^]	Total cost per item	Patient pay per item	# UB* as a % of total ben ^{&} (Prevalence)	# Items per UB* (Intensity)
All benefits	100.0	6 263 009	42 806	227.54	487.62	146.31	32.75	39.30	3.96
Acute	30.0	1 878 973	16 160	68.26	146.29	116.27	47.45	21.30	2.76
Chronic	3.7	234 001	1 330	8.50	18.22	175.94	56.08	3.69	1.31
COVID-19 vaccine	< 0.1	445	2	0.02	0.03	222.63	-	< 0.01	2.00
HIV/AIDS	1.0	65 068	206	2.36	5.07	315.86	3.29	0.50	1.50
Oncology	15.0	941 349	286	34.20	73.29	3 291.43	31.32	0.24	4.27
OTC	11.4	711 347	10 209	25.84	55.38	69.68	31.08	17.14	2.16
Other†	0.9	55 114	43	2.00	4.29	1 281.72	35.65	0.08	1.95
PMB	38.0	2 376 711	14 570	86.35	185.04	163.12	15.93	17.90	2.96

*UB = utilising beneficiaries per month; & ben = beneficiary/ies; §pbpm = per beneficiary per month
†Other includes the appliance and organ transplant benefits.

Acute expenditure (30.0% of medicine expenditure) decreased by 3.84%, due to a 4.46% decrease in prevalence and a 0.81% decrease in intensity. Item cost increased by 1.47%.

The **OTC benefit** (11.4% of medicine expenditure) decreased by 0.84%, due to a 2.15% decrease in prevalence and a 0.35% decrease in intensity. Item cost increased by 1.70%.

Chronic expenditure (3.7% of medicine expenditure) increased by 11.45%, due to a 7.63% increase in item cost, a 2.04% increase in prevalence and a 1.48% increase in intensity. During 2023, an average of 86 patients claimed for chronic medicines compared to 83 patients for 2022.

HIV/AIDS expenditure (1.0% of medicine expenditure) increased by 13.70%, due to a 29.72% increase in prevalence and a 7.14% increase in item cost. Intensity decreased by 18.20%.

Expenditure on the **PMB benefit** was responsible for 38.0% of medicine expenditure in 2023 compared to 35.5% in 2022. The cost pbpm increased by 2.28%, due to a 1.64% increase in item cost, a 0.40% increase in prevalence and a 0.24% increase in intensity. For 2023, an average of 414 patients claimed PMB medicines per month compared to 408 patients in 2022.

The table below illustrates the actual cost comparison between the use of original medications versus generic equivalents. Generic utilisation rate increased from 2022 (59%) to 64% in 2023.

Benefit	Product type	SEDMED			Mediscor Client Base		
		% Expenditure	% Items	Total cost per item (R)	% Expenditure	% Items	Total cost per item (R)
All benefits	Originals without generics	40.7	23.7	250.96	39.6	22.7	282.37
	Originals with generics	10.3	12.3	121.80	11.5	12.6	148.05
	Generic equivalents	49.0	64.0	112.22	48.9	64.7	122.50
Acute	Originals without generics	33.4	25.9	149.82	30.7	21.9	179.33
	Originals with generics	11.1	11.1	115.83	12.1	10.8	142.73
	Generic equivalents	55.5	63.0	102.56	57.2	67.3	108.61
OTC	Originals without generics	58.7	43.6	93.75	48.3	38.1	95.48
	Originals with generics	11.5	12.2	65.96	14.5	13.1	83.75
	Generic equivalents	29.8	44.2	46.97	37.2	48.8	57.60
PMB and Chronic	Originals without generics	28.9	8.8	543.21	27.8	9.1	520.45
	Originals with generics	10.6	13.7	128.69	13.5	15.1	150.92
	Generic equivalents	60.5	77.5	129.65	58.7	75.8	131.51
Oncology	Originals without generics	73.1	25.5	9 428.27	60.2	39.6	1 984.26
	Originals with generics	7.3	11.2	2 149.39	5.0	6.1	1 075.96
	Generic equivalents	19.6	63.3	1 018.26	34.8	54.3	836.78

4.2.4.4 Manufactured

The Sedmed office is situated in the building of the SAU. Sedmed does not pay any rent to the SAU because Sedmed is a department of the SAU. However, Sedmed regards it as a responsibility to care for and maintain the office at its own expense. Sedmed also takes responsibility for any incidental expenses relating to the usage of the office. During 2022 Sedmed improved the asset of the SAU by upgrading the facility to comply with the POPI Act requirements to protect personal information. Sedmed also improved the office by launching a project to build an additional office to make room for more staff in Sedmed. The project was completed in the first quarter of 2023. The property was kept in a good state of repair, and we believe that the SAU derived benefit from the usage of the office by Sedmed.

5. STRATEGY 2022 AND LEADERSHIP REVIEWS

5.1 Chairman's Report



Chairperson's Report June 2023

Francois Louw
Chairperson, SEDMED

Dear Members,

Welcome

It is my great honour and privilege to, on behalf of the Board of Trustees, the Principle Officer and Administrative staff of SEDMED, welcome you to the Annual General Meeting of SEDMED for the year 2024. This meeting provides an essential platform for us to reflect on our achievements, address the challenges we face, and outline our path forward in the ever-evolving landscape of healthcare in South Africa.

Appreciation for Our Principal Officer, Members and Administrative Personnel

Firstly, I would like to extend my deepest gratitude to our Principal Officer, whose tireless dedication and exceptional leadership have been instrumental in navigating SEDMED through another challenging year, successfully. Your commitment to our mission and service, as well as your energy and ability to steer us through complex challenges have been exemplary.

Mr Andrew du Preez's report, which we will review shortly, underscores the significant strides we have made and highlights the comprehensive strategies that continue to position SEDMED as one of the best and preferred insurances in the healthcare sector in South Africa. His report is comprehensive and informative and covers key areas that impacts on SEDMED and its sustainability as well as the various elements of its operations.

I also wish to express my sincere appreciation to all our members. Your unwavering support and active participation are the bedrock upon which SEDMED stands. It is your trust in us that motivates our continuous pursuit of excellence in providing the highest standard of medical care and support.

Special Thanks to Our Administrative Staff

I would also like to extend heartfelt thanks to our dedicated administrative staff. Your hard work, personal touch and commitment are the driving forces behind the day-to-day

operations that make SEDMED a top-scoring and preferred closed medical aid scheme for our members. We wish to recognise that, under difficult circumstances as a small workforce, you have kept operations functional and smooth running. It is the many hours of committed work, professionalism, and relentless efforts of caring, that ensure that our members receive the highest quality service. It is your dedication that enables us to meet our goals and maintain the exceptional standards that SEDMED is known for.

This special thanks is extended to the voluntary and dedicated work of appointed sub-committee members, operating in the interest and to the benefit of members.

Achievements and Highlights

The P.O. report covers key achievements and Highlights of SEDMED over the past year. I wish to underscore some of these:

This year, SEDMED has made significant strides in the early development of enhancing member benefits, managing the numerous risks that may compromise this key member asset, improving service delivery, and maintaining financial stability. Some of our key achievements include:

- **Future Enhanced Member Benefits:** We have done market research, engaged specialist providers and have done much groundwork to set the stage for expansion of member benefits, ensuring comprehensive coverage and better health outcomes for our members. A preventative care program is one of the future benefit programs, that we wish to finalise on.
- **Technological Advancements:** The implementation of new digital platforms (eg. Sedmed Mobile App) to streamline information and services, giving members easy smart-phone access to their insurance account, making healthcare information access more efficient and user-friendly.
- **Financial Stability:** Being a small closed Medical Insurance scheme, with limited scope of member growth, presents very specific risk-share challenges. We therefore have to be especially vigilant and prudent in the financial management of the scheme. We have ensured that SEDMED remains financially robust and compliant to the regulated reserve levels (and above), providing security and peace of mind to our members.

Role of the Board of Trustees (Governing Body)

As part of the strategic futures of SEDMED, The Board of Trustees have taken action to enhance communication, member engagement and key education. “My Health, My Scheme” would be a fitting slogan for this endeavor. We therefor are intending to continue the “circuit AGM's”; i.e. taking the business of the fund, to it's members, where they reside.

This initiative plays a pivotal role in the governance and strategic direction of SEDMED.

In order to keep to this promise, allow me to expand on some responsibilities of the BOT, which encompass several critical areas:

- **Strategy:** The Board is tasked with defining the long-term strategic vision of SEDMED. This includes setting objectives that align with our mission, identifying opportunities for growth, and ensuring that our plans are adaptable to the changing healthcare environment. Strategic oversight ensures that SEDMED, irrespective of the complexities and difficulties that such a small closed schemes is faced with, remains competitive and continues to meet the needs of our members.
- **Risk Management:** Identifying, assessing, and mitigating risks are crucial functions of the Board. This includes financial risks, operational risks, regulatory risks, and market risks. The Board implements robust risk management frameworks to protect the scheme's assets and ensure the sustainability of our operations.
- **Performance Monitoring:** The Board is tasked to review the performance of SEDMED against its strategic goals and operational benchmarks. This includes financial performance, member satisfaction, and service delivery efficiency. Continuous performance monitoring ensures accountability and drives improvements in all areas of the scheme's operations. As an example, during the past years RFP process and tariff negotiations, member responses have influenced key DSP network decisions.
- **Sustainability:** Ensuring the long-term sustainability of SEDMED is a core responsibility of the Board, and given the reality of changing circumstances, quite a daunting task. This involves prudent financial management, strategic investments, and fostering a culture of innovation. The Board's commitment to sustainability ensures that SEDMED can continue to provide high-quality healthcare services to our members well into the future.

Ethical and Effective Leadership: King IV, 2016

In alignment with the principles outlined in King IV, 2016, the Board of Trustees is committed to promoting ethical and effective leadership to ensure the sustainability and success of SEDMED. The corporate governance outcomes that we strive to achieve include:

- **Ethical Culture:** The Board drives the tone at the top to foster an ethical culture throughout SEDMED. We are committed to transparency, integrity, and accountability in all our actions and decisions, ensuring that ethical considerations are integral to our operations. The realities of the world around us are riddled with reports of unethical and fraudulent conduct. We wish to be known and seen as a Board of Trustees, who can be trusted.

- **Good Performance:** We focus on both financial and non-financial performance. Our integrated reporting (IR) framework ensures that we measure and report on all aspects of our performance, including financial health, service quality, and member satisfaction.
- **Effective Control:** The Board ensures a robust control environment through diligent oversight of risk management, compliance, and internal controls. We promote a strong risk culture and maintain a comprehensive compliance framework to safeguard the scheme's integrity and resilience.
- **Legitimacy:** We are dedicated to maintaining our legitimacy by actively engaging with key stakeholders, including our members. The Board, through amongst others, sub-committees, prioritizes fairness, clinically sound judgments and member satisfaction and trust, ensuring that the researched needs of members are met through responsive and responsible governance.

Duties of the Board of Trustees (MSA - Sec 57(4))

In accordance with Section 57(4) of the Medical Schemes Act, the Board of Trustees is entrusted with several critical duties to ensure the proper governance and functioning of SEDMED:

- **Appoint a Principal Officer:** The Board is responsible for appointing a Principal Officer who is fit and proper to manage the operations of the scheme. The Principal Officer must possess the necessary skills, experience, and integrity to lead SEDMED effectively. We have introduced, with the prompting of the CMS, a thorough vetting and evaluation process with accompanying and regulatory compliant instruments.
- **Independence and non-interference:** At this point, as would be reported by the P.O., an instructed inspection by the CMS (The Regulator) indicated that due to its “close proximity” to the SDA Church and the SAU in particular, the independence of the BOT seemed perceivably compromised. The “make-up” of the member population of the closed SEDMED scheme and their organizational affiliation is unique and special. In order to convince and prove to the Regulator the independence and autonomy of the BOT, some clarification changes was affected. These are intended to satisfy regulatory compliance and underscores non-interference to the BOT and its decision making.
- **Maintain Proper Records and Minutes:** The Board must ensure that accurate and comprehensive records and minutes of all meetings are maintained. This includes documenting decisions and actions taken by the Principal Officer, sub-committees and other key officials, ensuring transparency and accountability.
- **Control Systems:** The Board must establish and maintain relevant and capacitated control systems to ensure effective governance. This includes implementing

assurance processes, developing detailed SOP's, specific registers and to verify that controls are operating as intended.

- **Communication to Members:** Effective communication with members is essential. The Board must ensure that members are kept informed about significant developments, benefits, and any changes that may affect them. The SDA Employee and SEDMED communication system is well established and, given some notable limitations, the BOT has embarked on a very focussed communication strategy which includes some changes to the traditional communication systems. Independent, confidential stakeholder management is a key component of this duty.
- **Timely Payment of Contributions:** The Board must ensure that contributions from members are collected and paid in a timely manner. This is critical for maintaining the financial health of the scheme and is a regulatory requirement. Your support and influence to continue securing these, is crucial to the compliant future and sustainability of SEDMED.
- **Professional Indemnity Insurance and Fidelity Guarantee Insurance:** The Board must obtain and maintain appropriate professional indemnity insurance and fidelity guarantee insurance to protect the scheme against potential losses. Trustees must fulfil their fiduciary duties to ensure that this coverage remains effective as per the Insurance Act 2017.
- **Seek Independent Professional Advice:** When necessary, the Board should seek independent professional advice from experts such as lawyers, clinicians, accountants, and actuaries to inform their decisions and actions. This helps ensure that the scheme operates within legal and regulatory frameworks and maintains financial soundness.
- **Rules, Operation, and Administration:** The Board must ensure that SEDMED operates in accordance with its rules and the provisions of the Medical Schemes Act. This includes overseeing the administration of the scheme to ensure compliance and efficiency. The immediate past number of months has seen significant improvements and change to improve hereon.
- **Confidentiality:** The Board must uphold strict confidentiality regarding the personal and medical information of members. Protecting member data is paramount to maintaining trust and compliance with amongst others, the Health Care-, Mental Health Care- acts, and other privacy regulations such as the POPI act.

Five Key Points for the Future to Remember

As we move forward, it is crucial to keep in mind the significant challenges and opportunities that lie ahead. As Chairperson of the BOT, I wish to share and convey five critical areas of importance for each member to remember, which the industry and the BOT are confronted with:

- i. Challenge #1: Sustainability in Healthcare
 - o High Claims Inflation: Rising medical costs are putting pressure on our resources and careful, considered financial management is imperative.
 - o Solvency Pressure: Maintaining financial stability, liquidity and regulatory reserves, amidst increasing expenses is a continuous challenge.
 - o Fraud, Waste, and Abuse: Vigilance against fraudulent activities and inefficiencies is paramount to safeguarding our resources. Much could be said about this risk. It should be noted that future engagements with members and service providers, would most likely include the use of AI to identify and confront these.
- ii. Challenge #2: Regulatory Pressure
 - o Funding Oversight in Flux: Changes in regulatory frameworks require us to stay adaptable, compliant and change-embracing.
 - o Lack of Provider Oversight: Ensuring quality and accountability among healthcare providers remains a critical concern and contracted specialist services are essential.
 - o Lack of Medicine and Regulations: The need for robust pharmaceutical regulations, as well as reliable and stable supply chains to ensure safe and effective treatments for our members remains a critical element to health care.
- iii. Challenge #3: Macro-Economic Factors
 - o Currency Volatility: Fluctuations in currency values impact the cost of imported medical goods and services, drives medical inflation and puts strain on fund sustainability.
 - o Political Instability: Political changes, promises such as the NHI and South African political landscape can lead to shifts in healthcare policies and funding. This is a real challenge to private health insurance futures.
 - o Economic Growth Impairment: Slow economic growth, high unemployment realities affect our members' ability to afford medical aid contributions.
- iv. Your Role: Stewardship
 - o Heavy Responsibility: Guiding SEDMED requires careful and responsible management of our resources. This can only be accomplished by a joint awareness of all members' stewardship responsibility. This is "My Health, My Fund". Let us be stewardship responsible.

- o High Degree of Trust: Our members place immense trust in us to protect their health and financial well-being. This is to be reciprocal to be sustainably successful.
 - o Balancing Stakeholders: We must balance the needs and interests of various stakeholders, including members, healthcare providers, and regulatory bodies. An understanding hereof by each member, would go a long way to support the BOT in their responsibility and duty.
 - o Active and Not Passive Role: Leadership demands proactive decision-making and strategic planning to navigate challenges effectively. In a fast changing world, change is inevitable and essential. Once again, understanding, embracing and supporting change is needed to strengthen the BOT in their governance duties.
- v. Solutions: Innovation
- o Strategic Purchasing: Leveraging strategic purchasing (with the assistance of professional contractors), to negotiate better rates, ARM's and DSP's and other essential services from healthcare providers is an industry specific task and requires experienced, specialised acumen. The future BOT is to be comprised of such members and decision makers.
 - o Investing in Data and Tools: Utilizing advanced data analytics and technological tools to enhance service delivery and operational efficiency is simply non-negotiable and investment herein will be part of any and all future governance entities.
 - o Intentional Product Design: Developing innovative health plans and products that meet the evolving needs (not wants) of our members are provider focus areas. The BOT and SEDMED members, are to be open and receptive to pilot and implement innovative interventions.
 - o Be Bold, Be the Change: Embracing bold initiatives and transformative changes to keep SEDMED as the valuable member benefit that it has been (and is), calls for bold and change leading actions. The future BOT and SEDMED membership is to be prepared and acquainted with these.

Main Challenges for the Board of Trustees in a VUCA World

In today's volatile, uncertain, complex, and ambiguous (VUCA) world, the Board of Trustees faces several strategic risks that drive its agenda. Here are the key challenges we must navigate and which members are to understand:

- Building Resilience within the Scheme: The lessons learned from the COVID-19 pandemic highlight the importance of resilience. We must continue to build robust systems and processes that can withstand future crises and ensure uninterrupted service delivery to our members.

- **Affordability of Healthcare:** Balancing the rising costs of healthcare with the need to provide affordable options for our members is a critical challenge. We must explore innovative solutions to keep healthcare accessible and cost-effective.
- **High Claim Trends:** Managing the financial impact of high claim trends is essential for the scheme's sustainability. This requires effective risk management strategies and the implementation of measures to control costs without compromising on care quality.
- **Risk of Fraudulent Claims:** Ethical governance is crucial in combating fraudulent claims. The Board must ensure that robust anti-fraud measures are in place to protect the scheme's resources and maintain trust among members.
- **Out-of-Pocket Payments by Members:** Reducing out-of-pocket expenses for our members is a priority. We must work towards providing comprehensive coverage that minimizes the financial burden on members while ensuring they receive necessary care.
- **Long-term Viability of the Scheme:** Ensuring the long-term viability of SEDMED requires strategic planning and sound financial management. The Board must continually assess the changing landscape, risks and the scheme's financial health and operationally initiate the implementation of measures to sustain its operations.
- **Uncertainty on the NHI and Implications for the Industry:** The pending National Health Insurance (NHI) legislation brings significant uncertainty to the healthcare landscape. The Board must stay informed and adaptable to navigate the potential changes and ensure that SEDMED remains compliant and competitive.
- **Conduct of Financial Institutions Bill (COFI Bill):** The COFI Bill presents new regulatory requirements for the medical scheme environment. The Board must ensure that SEDMED adheres to these regulations and maintains high standards of governance and compliance.
- **IFRS 17 (Insurance Contracts):** The new accounting standard IFRS 17 changes the way insurance contracts are reported. The Board must oversee the implementation of these changes to ensure accurate and transparent financial reporting.

Implications of the National Health Insurance Legislation

President Ramaphosa is set to sign the National Health Insurance legislation into law on Wednesday, 15 May 2024. This landmark legislation aims to transform the healthcare landscape in South Africa by providing universal health coverage to all citizens. While the goals of the NHI are commendable, and it facing many threatening legal action from various stakeholders, the transition presents several challenges:

- **Integration with Existing Systems:** There is a need for seamless integration between the NHI and existing medical schemes. Ensuring that our members

continue to receive high-quality care without disruption is paramount.

- **Funding and Resource Allocation:** The NHI will require substantial funding and resources. The financial sustainability of the NHI remains a concern. Adequate funding mechanisms must be in place to support the extensive coverage envisaged by the NHI without compromising the quality of care.

The Board must carefully assess the financial implications for SEDMED and develop strategies to adapt to the new funding models that might be initiated to fund the NHI.

- **Regulatory Compliance:** The NHI will introduce new regulatory requirements. The Board must ensure that SEDMED remains compliant with these regulations and actively engages with policymakers to advocate for the interests of our members.
- **Equity and Access:** While the NHI promises to reduce disparities in healthcare access, its implementation must be carefully managed to ensure that rural and underserved communities genuinely benefit.

Our Commitment and Way Forward

SEDMED is committed to working collaboratively with all stakeholders to ensure a smooth transition under the NHI framework. We will continue to advocate for the interests of our members, ensuring that the high standards of care and service we provide are maintained. Our proactive engagement with policymakers will focus on safeguarding the sustainability and efficiency of healthcare delivery during this transformative period.

In closing, I reaffirm our dedication to our members and to the principles of fairness, excellence, and compassion that define SEDMED. Together, we will navigate these challenges and seize the opportunities to build a healthier future for all South Africans.

I am confident that with the dedication of our Principal Officer, the unwavering support of our members, and the hard work of our administrative staff, SEDMED will continue to thrive. Together, we will build a sustainable and resilient future for our medical scheme.

Given the specific character and calling of SEDMED membership as that of a faith community, I encourage all members and beneficiaries to remain faithful in their prayers for the future of our country and that of the Health Care industry – and for SEDMED in particular.

Thank you.

Francois Louw

Chairperson: SEDMED

5.2 Principle Officer's Report



Principal Officer's Operational Report

Andrew du Preez
Principal Officer

Report for the 2024 Sedmed Annual General Meeting

I. Introduction

Welcome to the 2024 Annual General Meeting of Sedmed Medical Scheme. It's my pleasure to share the significant events and progress made over the past year. I want to begin by expressing our deep appreciation to all of you, our loyal members, for your continued support and engagement. Your participation and feedback are crucial to our success.

Additionally, I'd like to extend a special word of thanks to our trustees for their invaluable work this term. Their commitment to our Scheme's strategic goals has been instrumental in guiding us through challenging times and achieving notable progress. We appreciate their dedication, leadership, and the collaborative spirit they bring to Sedmed. Their efforts have made a difference, and we look forward to building on their success in the coming year.

It is crucial for those attending to appreciate the importance and value of an Annual General Meeting (AGM) for a medical scheme and the significance it holds from both governance and operational perspectives. It's a crucial event that fosters transparency, accountability, and member engagement, allowing stakeholders to understand and influence the Scheme's direction. The AGM provides a platform for the medical Scheme's leadership to demonstrate accountability to its members. The AGM also allows members to engage directly with the Scheme's leadership. This engagement can cover a range of topics, from governance to strategic goals and plans. Members can raise concerns, suggest improvements, and seek clarification on policies and procedures. This direct interaction helps to build trust and fosters a sense of community among members and management. The AGM is an occasion for the Scheme's leadership to outline its vision and strategic goals. Members are kept informed about potential changes and developments by sharing their plans for the future.

2. Overview

2.1 Mission, Vision, and Values

In 2022, the Board of Trustees adopted the following mission, vision and values for Sedmed:

Mission: To provide affordable member-focused quality healthcare to enhance the well-being of all members and, in so doing, promote the mission of the Seventh-day Adventist Church.

Vision: To be the Medical Scheme of choice for all Seventh-day Adventist Church employees.

Values: Integrity, Transparency, Fairness, Compassion, Respect, Accountability.

The mission, vision, and values of Sedmed can be effectively aligned with the broader healthcare industry context in South Africa and universal healthcare principles by focusing on affordability, quality, inclusivity, equity, ethical practices, and compassion. This alignment not only supports the goals of the Seventh-day Adventist Church but also contributes to broader efforts to create a more accessible and equitable healthcare system in South Africa.

3. Key Achievements and Highlights

3.1 Membership Growth and Trends

Our analysis of the membership trends within Sedmed indicates that growth has remained stagnant over the past years. This stagnation can be primarily attributed to the closed scheme status of Sedmed, limiting our ability to attract new members beyond a predefined group. The slow growth rate is concerning, as it can impact the Scheme's sustainability and our ability to offer comprehensive benefits to our members.

To address this issue and rejuvenate membership growth, we propose a strategy that targets a previously untapped segment of our community: low-income employees. By expanding the membership base to include this group, we can both grow our membership and support our broader mission of promoting health equity.

One approach to achieving this goal is to increase the employer's medical allowance for low-income employees. This increase would create a financial incentive for these workers to join Sedmed, making healthcare coverage more accessible to those who might otherwise find it unaffordable. By implementing this change, we not only support Sedmed's growth but also align with South Africa's universal healthcare principles, which advocate for equitable access to healthcare services.

Increasing the medical allowance for low-income employees has additional benefits. It contributes to a healthier workforce, reduces the burden on public health systems, and fosters a sense of community within our church. Moreover, it demonstrates our commitment to social responsibility by ensuring that all workers, regardless of income level, have access to proper healthcare.

In summary, addressing the slow membership growth of Sedmed requires a strategic shift in focus. By providing an opportunity for low-income employees to join the Scheme through increased employer medical allowances, we can stimulate membership growth, support universal healthcare principles, and ultimately improve the health and well-being of our entire community.

3.2 Operational Achievements

In 2023, Sedmed made significant strides in improving operations and enhancing member engagement, all with an eye toward greater transparency, efficiency, and alignment with universal healthcare principles. Here are some of the key operational achievements:

- **Circuit AGMs for Improved Member Engagement:** We introduced Circuit Annual General Meetings (AGMs) to increase interaction with members at a local level. This initiative has allowed for better feedback, more direct communication, and a deeper understanding of our members' needs and concerns.
- **Launch of the Sedmed Mobile App:** To facilitate more accessible access to information and services, we launched a new mobile app. This technology allows members to access their benefits, submit queries, and receive updates in real-time, leading to greater convenience and satisfaction.
- **New Information Booklet Distributed to All Members:** To keep our members well-informed, we designed and circulated a comprehensive information booklet. This resource provides details about scheme benefits, processes, and important contacts, contributing to better awareness and engagement.
- **Enhanced Internal Query Resolution Process:** We revamped our internal query resolution process to improve response times and member satisfaction. This overhaul has led to a more efficient system, reducing delays and ensuring that members' issues are resolved promptly and effectively.
- **Improved Communication Channels:** In 2023, we upgraded our communication system to allow for direct interaction with members, bypassing the need to go through the office of the conference CFO. This change has streamlined our communication process, ensuring that members receive timely information and updates.
- **Commitment to UHC Principles:** Sedmed continues to actively pursue the principles of universal healthcare by focusing on affordability, enhanced service,

and improved benefits. Our operational changes this year reflect a commitment to these ideals, striving to ensure that all members have access to quality healthcare services.

- **Implementation of New Reception Desk Software:** To facilitate query resolution and improve overall efficiency, we implemented new software at our reception desk. This technology has reduced wait times and improved the overall member experience when they contact us for assistance.
- **Implementation of IFRS 17**
In 2023, Sedmed successfully implemented the International Financial Reporting Standard 17 (IFRS 17), a significant milestone in our financial reporting practices. This achievement ensures that our Annual Financial Statements align with the latest international accounting standards for insurance contracts, demonstrating our commitment to transparency, accountability, and compliance. The transition to IFRS 17 represents a significant accomplishment for Sedmed, reinforcing our commitment to high standards of financial reporting and governance. By aligning our Annual Financial Statements with this international standard, we are better positioned to meet regulatory requirements, attract potential members and investors, and build trust with our existing stakeholders. The successful implementation of IFRS 17 has strengthened Sedmed's financial reporting framework, providing a solid foundation for future growth and sustainability. As we continue to develop our financial capabilities, we remain dedicated to maintaining compliance with international standards and promoting a culture of transparency and accountability.

Sedmed's Commitment to Universal Healthcare

Sedmed Medical Scheme is dedicated to the ideals of Universal Healthcare (UHC), which ensures equitable access to healthcare without financial hardship. Our commitment includes reducing out-of-pocket expenses and providing easy access to critical healthcare information. UHC is an approach to healthcare that aims to ensure that all individuals have access to the healthcare services they need without experiencing financial hardship. The goal of UHC is to make healthcare more equitable and to ensure that everyone, regardless of their income or social status, can access medical care when they need it.

UHC is based on several key pillars that guide its implementation and define its values:

1. **Good Governance:** Governance refers to how healthcare systems are managed and led. Good governance in UHC means having transparent, accountable, and efficient systems that ensure resources are used effectively to provide high-quality care to all.
2. **Changed Focus to Caring for the Member:** In a UHC system, the primary focus

shifts from maximising profits to providing care centred around the needs of the individual. This pillar emphasises a patient-first approach, where healthcare providers prioritise the well-being of their patients.

- 3. Member Education:** UHC seeks to empower individuals with the knowledge they need to make informed decisions about their health. This includes educating members about healthy lifestyle choices, the benefits available to them, and how to access healthcare services effectively.
- 4. Preventative Care Benefits:** A critical aspect of UHC is preventing illnesses before they require extensive treatment. Preventative care benefits include routine screenings, vaccinations, health check-ups, and wellness programs designed to maintain health and prevent diseases from developing or worsening.
- 5. Paying for Performance:** This pillar incentivises healthcare providers to deliver high-quality care. Instead of paying based on the number of services performed, UHC promotes payment models that reward providers for achieving positive health outcomes, encouraging better care practices.
- 6. Increase Access to Care:** UHC aims to ensure everyone has access to essential healthcare services, regardless of where they live or their economic status. This involves expanding healthcare networks, removing barriers to care, and ensuring that services are available when and where they are needed.
- 7. Reduce Out-of-Pocket Payments:** A key goal of UHC is to reduce the financial burden on individuals when they seek medical care. This pillar focuses on reducing out-of-pocket payments, making healthcare more affordable, and ensuring that medical costs do not cause financial stress or deter people from seeking care.
- 8. Provide Benefits that Meet the Needs of Your Members:** UHC encourages medical schemes and healthcare providers to offer benefits that are relevant and useful to their members. This requires understanding the diverse needs of the population and providing a range of services that cover those needs effectively.

Together, these pillars create a framework that guides the development and implementation of Universal Healthcare systems. By focusing on these pillars, healthcare organisations can work toward providing equitable, high-quality care that is accessible to all.

At Sedmed, we recognise the importance of UHC principles in shaping our approach to healthcare delivery. As part of our strategic initiatives, we are actively seeking ways to align our practices with the pillars of UHC, ensuring that all our members have access to high-quality care without facing financial barriers.

This term, our trustees have concentrated their efforts on several key areas to advance the principles of UHC within Sedmed:

1. **Governance Improvement:** We understand that good governance is fundamental to achieving UHC. Therefore, our trustees have focused on enhancing governance structures within the Scheme, ensuring transparency, accountability, and efficiency in our operations.
2. **Increase of Benefits to Meet Members' Needs:** Central to the concept of UHC is providing benefits that address the diverse needs of our members. This term, we have worked diligently to expand and improve our benefit offerings, ensuring that they align with the healthcare needs of our members.
3. **Ensuring Easy Access to Care Through App Technology:** Access to care is a crucial aspect of UHC. To facilitate easy access for our members, we have invested in innovative technologies, such as the Sedmed App. This mobile application provides a convenient platform for members to access information, locate healthcare providers, and manage their healthcare needs effectively.
4. **Expansion of Staff and Third-Party Providers:** To meet the growing demand for healthcare services and ensure timely access to care, we have expanded our staff and third-party provider networks. This expansion enables us to enhance service delivery and meet the evolving healthcare needs of our members.
5. **Looking at Reducing Co-payments:** Recognising the financial burden that co-payments can impose on our members, we are actively exploring ways to reduce these costs. By lowering co-payments, we aim to make healthcare more affordable and accessible to all our members, which is in line with the UHC principle of reducing out-of-pocket payments. The Scheme is currently in the process of conducting a study on the possibility of lowering out-of-pocket payments for our members.

These operational achievements in 2023 demonstrate Sedmed's dedication to enhancing member engagement, streamlining communication, and aligning with universal healthcare principles. By continuing to innovate and adapt to our members' needs, we are confident that Sedmed will become a more robust, more member-centric healthcare scheme.

4. Financial Performance

The Scheme's finances were managed efficiently and prudently by making strategic investment decisions that allowed us to meet our obligations while optimising returns. This careful approach ensured that we could pay liabilities as they became due in the ordinary course of business. A more detailed discussion of the scheme finances can be found in the report of the Financial Officer of Sedmed as contained in the Annual Report.

Our financial management practices were supported by external chartered accountants,

internal auditors, financial professionals, and actuarial services. To maintain strong internal controls, we provided monthly management accounts for accurate tracking and decision-making.

Furthermore, our Annual Financial Statements and Statutory Returns were prepared in accordance with the Council for Medical Schemes (CMS) guidelines and International Financial Reporting Standards (IFRS). As stated, in 2023, we adhered to the new IFRS 17 standard, which significantly changes how insurance contracts, including those in medical aids like Sedmed, are reported. This standard provides a consistent framework that promotes transparency and comparability, ensuring a clearer view of the Scheme's financial health and sustainability. As a result, our 2023 Financial Statements have been drawn up in line with IFRS 17, offering a more detailed perspective on our revenue, costs, and liabilities. To protect our trustees and business operations, we secured sufficient Professional Indemnity insurance in 2023. Our financial data reflect our commitment to providing value to our members, with over 97% of Sedmed's income allocated to fund healthcare needs in 2023.

I am pleased to inform our members that the Scheme's solvency ratio has increased to 70%, reflecting our commitment to financial stability and prudent management. The solvency ratio is a critical measure of a medical scheme's financial health. It represents the proportion of reserves a scheme holds relative to its liabilities, ensuring sufficient funds to cover members' claims and other financial obligations.

The Council for Medical Schemes (CMS), the regulatory body overseeing medical schemes in South Africa, requires a minimum solvency ratio of 25%. This requirement ensures that medical schemes maintain adequate reserves to operate sustainably and meet their commitments to members. By achieving a solvency ratio of 70%, our Scheme demonstrates a robust financial position, providing a high level of assurance to our members that we can continue to offer quality healthcare services while meeting all regulatory requirements. This strengthened financial position also allows us to explore opportunities for enhancing member benefits and investing in future growth. We are dedicated to maintaining this financial stability to ensure the long-term sustainability of our Scheme and the well-being of our members.

We are grateful for these positive results, and we thank God for guiding us through this successful year.

5. Risk Management and Challenges

The medical aid industry in South Africa is experiencing significant changes, driven by advancements in technology, demographic shifts, and an increased focus on Universal Healthcare. Medical schemes must adapt to this evolving environment to ensure they continue providing value to their members while supporting the broader goals of Universal Healthcare.

5.1 Universal Healthcare (UHC) Focus

UHC, embodied by the National Health Insurance (NHI) initiative, seeks to ensure that all citizens have access to essential healthcare services without financial hardship. This focus on UHC is reshaping the medical aid industry, challenging schemes to redefine their roles in a more inclusive healthcare system.

Sedmed Medical Scheme is committed to supporting the principles of UHC. While we recognise the importance of providing universal healthcare, we also believe that its implementation must be balanced and careful, ensuring it does not disrupt existing medical schemes or the overall healthcare system. As the NHI progresses, Sedmed will monitor the developments to assess the impact on our operations and members. More information on this topic will be provided later in this report.

5.2 Impact of Artificial Intelligence (AI) and Technology

Artificial Intelligence (AI) and technology are playing a growing role in the healthcare industry, offering new opportunities to improve efficiency and patient care. AI-driven solutions can streamline administrative tasks, enhance diagnostic accuracy, and support telemedicine services. Medical schemes must embrace these technological advancements to stay relevant and continue to provide valuable services to their members. AI also enables medical schemes to analyse large data sets, allowing for predictive analytics that can help identify health trends and risks among members. By leveraging AI, Sedmed can focus on preventive care, reducing long-term healthcare costs and improving health outcomes for members.

5.3 Sedmed's Future Focus

Sedmed is committed to adapting to the changing medical aid industry to ensure our members always benefit from our services. Here's how we plan to address the challenges and opportunities in this evolving landscape:

- **Navigating Regulatory Changes:** Sedmed is closely monitoring the rollout of the NHI and its impact on the industry. We are engaging with industry stakeholders, attending workshops, and staying informed about UHC developments to ensure compliance and understand how Sedmed can best support our members in this new environment.

- **Embracing Technology and AI:** We are exploring AI-driven solutions to improve efficiency and enhance member services. This includes expanding telemedicine, using AI for predictive analytics, and streamlining administrative processes. Our goal is to leverage technology to create a more responsive and efficient healthcare experience for our members.
- **Strengthening Member Benefits:** We continually explore ways to offer flexible benefits that accommodate changing member needs. This includes reducing acute co-payments, launching the Sedmed App for better communication, and considering new wellness and preventive care programs to promote healthier lifestyles among our members.

Sedmed Medical Scheme recognises the rapidly changing landscape in the medical aid industry, driven by the focus on Universal Healthcare, advancements in technology, and evolving member needs. We are committed to adapting and evolving to ensure our members receive the best possible care and services. By embracing technology, navigating regulatory changes, and focusing on UHC, we aim to remain a trusted partner in your healthcare journey.

6. Identified Risks

6.1 Sustainability Challenges

6.1.1 Low contribution increases

Low contribution increases can have significant negative impacts on a medical scheme like Sedmed, leading to a number of risks that can affect its sustainability and ability to provide quality healthcare benefits to its members.

1. **Financial Instability:** Medical schemes rely on contributions from members to fund healthcare claims and administrative costs. When contribution increases are low, the Scheme may struggle to cover rising healthcare costs, including medical inflation, which often outpaces general inflation. This can lead to financial instability, with the Scheme using its reserves to cover shortfalls, eroding the financial buffer meant for emergencies or unexpected high claims.

2. **Underfunding of Benefits:** With low contribution increases, a medical scheme might not have enough funds to cover the cost of benefits promised to its members. This could lead to reduced benefits, delayed reimbursements, or the need to impose stricter limitations and co-payments on services. Consequently, members might not receive the care they expect or require, undermining their confidence in the Scheme.

3. **Decreased Quality of Service:** When a medical scheme faces financial constraints due to low contribution increases, it might cut costs by reducing administrative support or network agreements with healthcare providers. This can lead to reduced customer service quality, longer wait times for claim processing, and fewer contracted healthcare providers, affecting members' overall experience and access to care.

4. **Risk of Adverse Selection:** If a scheme keeps contribution increases low to maintain membership, it might attract individuals more likely to make high claims, such as those with existing health issues. This phenomenon, known as adverse selection, can further strain the Scheme's financial resources, leading to a negative feedback loop where costs continue to rise without sufficient contribution revenue to balance them.

5. **Long-Term Unsustainability:** While low contribution increases might seem appealing in the short term to keep members happy, they can lead to long-term unsustainability. If the Scheme's reserves are depleted, or if it consistently operates at a loss, it could face regulatory interventions, membership loss, or even closure, leaving members without coverage.

Given these risks, medical schemes like Sedmed need to strike a balance between attaining affordable contribution increases and ensuring long-term sustainability.

6.1.2 Aging membership

An ageing or older membership base in a medical scheme can significantly impact the Scheme's sustainability in various ways. As medical schemes primarily rely on member contributions to cover healthcare costs, shifts in the demographics of the membership can affect both revenue and expenditures. Here's a detailed explanation: Older members generally require more healthcare services due to age-related health issues and chronic conditions. This can lead to an increase in healthcare costs for the Scheme, including frequent doctor visits, medication, surgeries, and other treatments. As the proportion of older members grows, the overall claims paid by the Scheme also increase, putting pressure on the Scheme's financial resources. With age, the frequency of claims tends to rise. Older individuals are more likely to have regular medical needs and chronic conditions that require ongoing treatment. This leads to a higher volume of claims, necessitating more administrative resources to process them, thus impacting the Scheme's operational efficiency and overhead costs. An older membership base can also lead to underfunding of the Scheme's reserves if contributions do not align with the increased claims. Medical schemes must maintain a certain level of reserves to meet regulatory requirements and ensure financial stability. A growing

older membership base can erode these reserves if contributions are not adjusted to reflect the increased risk.

To maintain sustainability with an ageing membership base, the Scheme may need to increase contribution rates to cover the rising healthcare costs. However, if these increases are too steep, they can lead to member dissatisfaction, causing some members to seek alternative, possibly more affordable healthcare options. This could create a cycle where younger, healthier members leave, further skewing the membership base toward older individuals exacerbating the sustainability challenge. As the Scheme's costs rise and its demographic profile skews older, it may struggle to attract new members, reducing the influx of fresh contributions. If this trend continues unchecked, the Scheme could face diminishing membership, leading to a reduction in financial resources and potential insolvency.

6.1.3 National Health Insurance (NHI)

The future of the current medical aid system is very uncertain, and the steps medical schemes take to potentially and proactively meet the challenge are considerable. Unfortunately, these changes are putting more and more pressure, financially and administratively, on private medical schemes to comply with the ever-increasing requirements and standards. The most significant development in the industry is the rollout of the Government's National Health Insurance (NHI). The NHI aims to provide free medical care to people experiencing poverty by equalising disparities within the industry to achieve healthcare on an equitable basis. However, ensuring the NHI government's successful implementation requires buy-in from the private healthcare sector from a financial and skills level. Unfortunately, the NHI poses a significant risk to private health care in various ways and forms. As alluded to above, one of the objectives of the NHI is to establish a medical aid sector free of income class disparities by reducing the number of medical schemes in South Africa and the vast number of benefit options provided within medical schemes. Thus, quality of service is likely to be lost due to the removal of competition and the free market approach. The administration of Sedmed has had several meetings with key stakeholders to discuss the future of private healthcare in South Africa. Sedmed will have to take proactive steps to mitigate the potential impact of the NHI on its operations

6.2 CMS Inspection and Findings

One of the major events of the year was an inspection by the Council for Medical Schemes (CMS). Before addressing the outcome of the inspection, it is essential to recognise that Sedmed finds itself in a highly regulated and controlled environment. The requirements of the Medical Scheme's Act and the Regulations thereunder, King

Reports, and other pertinent legislation govern the Scheme's operations. In this dynamic landscape, Sedmed must continually adapt and evolve, ensuring alignment with the changing regulatory framework. On 22 December 2023, the CMS inspection team shared its comprehensive report with Sedmed's management. This report includes several significant findings that have profound implications for the future operations of Sedmed and the organisational structure of the SAU. The gravity of the situation necessitates immediate attention and concerted efforts from Sedmed's governance structures. Failure to address the issues raised in the report may prompt the CMS to intervene in order to safeguard the interests of Sedmed's members. It is, therefore, imperative that the governance structures of Sedmed take swift and decisive action to address the concerns raised in the CMS report, thereby safeguarding the stability and reputation of our organisation.

Significant Matters Identified

- **Matter I: SAU Control**
- The CMS has identified a significant risk to the expected independence required of a medical scheme, specifically in the undue control exerted by the SAU over Sedmed's affairs. This control is perceived as a potential interference with the Scheme's governance, contravening Section 57 of the Medical Schemes Act. The CMS has flagged multiple instances where the SAU's influence is evident, including the appointment and resignation of trustees following SAU sessions, the SAU's role in appointing the Principal Officer (the executive officer of the Scheme), the SAU's direct involvement in the payment of staff salaries, and the HR functions of Sedmed being fulfilled by the SAU's HR department. In light of the CMS's findings regarding the lack of independence within Sedmed, it is essential to emphasise the significance the CMS places on the autonomy of medical schemes. The CMS requires that medical schemes operate independently to safeguard the best interests of their members. The imperative for independence arises from the inherent need to avoid any external influence that may introduce conflicting interests or lead to conduct in conflict with the well-being of members. An autonomous medical scheme is better positioned to make decisions and implement policies that prioritise the health and financial interests of its members without any compromise.

The Board of Trustees (BOT) recognised the need for proactive engagement with the SAU leadership to address the CMS's concern regarding the lack of independence. Collaborative efforts are essential to devise creative solutions. One potential avenue for achieving this independence is to designate Sedmed as an

independent organisation of the SAU. Designing Sedmed as an independent organisation within the SAU opens avenues for securing the necessary autonomy while maintaining a collaborative framework. Since the CMS report, the BOT of Sedmed took action to establish Sedmed as an entity separate from the influence of the SAU and to transfer the employment contracts of all Sedmed staff from the SAU to Sedmed. This process is ongoing, and we hope it will be fully implemented by 1 July 2024.

- **Matter 2: Governance**

Trustees:

The CMS has expressed a notable concern regarding the governance of Sedmed, explicitly focusing on the fit and proper status of trustees serving as trustee members. This concern is multifaceted, encompassing various aspects that impact the effectiveness and integrity of the governance structure. One major issue highlighted is the delayed participation of trustees in training sessions and the sluggish submission of required information to the CMS. This delay raises the perception that trustees may not view their roles with the seriousness and dedication it inherently deserve. Additionally, the CMS has noted the absence of a vetting process for trustees before appointment and the lack of structured review processes during their terms. This absence implies that there might be a gap in ensuring that trustees continuously meet the fit and proper criteria to serve in their capacity. In the context of governance, being "fit and proper" denotes the suitability, competence, and integrity of individuals to fulfil their roles responsibly. The CMS, in its regulatory framework, emphasises the significance of trustees meeting these criteria to ensure the effective and ethical governance of a medical scheme. Fit and proper assessments encompass factors such as competence, financial soundness, ethical conduct, and overall suitability for the role.

The implications of the CMS's concerns suggest that improvements in trustee selection, ongoing evaluation, and adherence to fit and proper standards are crucial for maintaining the governance integrity of Sedmed. The Board of Trustees, in response, implemented measures to enhance the governance framework, ensuring that trustees fulfil their roles with the requisite dedication and competence. Vetting and background checks are a mandatory requirement for all trustees of Sedmed.

- **Sub-committee members: Vetting**

In conjunction with the above, the CMS has also raised concerns regarding the status of sub-committee members of Sedmed. A notable gap identified is the insufficient vetting process for sub-committee members before they assume their roles, raising questions about the suitability and competence of individuals serving in these capacities. Furthermore, the CMS has flagged instances where committee members are not effectively fulfilling their designated tasks, indicating a potential lapse in commitment or understanding of their responsibilities. The absence of regular performance reviews exacerbates this concern, as it impedes the ability to ensure ongoing suitability and effectiveness.

In addressing these specific concerns, the Board of Trustees implemented enhanced vetting processes for sub-committee members, emphasising their fit and proper status. Additionally, establishing robust mechanisms for task fulfilment and regular performance reviews will contribute to Sedmed's overall robustness in governance.

- **Matter 3: Lack of Specific Policies**

The CMS has identified a critical deficiency in Sedmed's governance structure pertaining to the absence of internal policies guiding the affairs of the Scheme. It has been underscored that reliance solely on SAU policies is not permissible. Instead, the CMS emphasises the necessity of adopting industry-specific policies to direct and regulate the operations of the Scheme, ensuring adherence to sound business practices. Specifically, the CMS has highlighted the lack of internal policies related to crucial areas such as recruitment, procurement, vetting, peer review, and training. These policies play a pivotal role in providing a structured framework for decision-making and operations within the Scheme, contributing to transparency, fairness, and ethical conduct.

In response to these concerns, the Board of Trustees adopted and implemented several comprehensive internal policies tailored to the specific needs and functions of Sedmed. These policies are aligned with industry standards and best practices, ensuring that the Scheme operates within a framework that promotes accountability, efficiency, and compliance.

- **Matter 5: Vetting and Performance Principle Officer**

The CMS has expressed concern regarding the oversight by the Board of Trustees in neglecting to conduct vetting and performance reviews on the Principal Officer (PO). This failure to assess the fitness and propriety of the PO for the position has left the CMS unable to verify whether the individual is suitable to hold this vital role within the medical Scheme. The implication of this oversight is grave, suggesting that the Board may not have recognised the importance of ensuring the PO, as a critical figure in the business of our medical Scheme, is competent.

In response to this concern, the Board took immediate action. The PO was vetted, and background checks were done to ensure his fit-and-proper status as the PO of Sedmed. The BOT also adopted a comprehensive Vetting and Performance Review Policy tailored to the Principal Officer. This policy aims to ensure that, moving forward, the individual occupying this critical role meets the necessary standards of competence, ethics, and capability.

The CMS has underscored the imperative for immediate action to rectify the identified deficiencies. In response to this critical situation, the Board of Trustees is unequivocally committed to embarking on a robust process to meet the CMS's regulatory standards.

7. Future Outlook and Strategic Plans

In 2024, Sedmed is committed to implementing a comprehensive action plan to address several key areas that are critical to the organisation's success and its ability to provide high-quality services to its members. This plan focuses on compliance, member satisfaction, operational efficiency, and risk management.

Compliance with CMS Inspection Outcomes

To ensure that Sedmed meets the high governance standards required by the Council for Medical Schemes (CMS), we will dedicate substantial resources to addressing the outcomes of recent CMS inspections. Our approach involves a thorough review of the inspection findings, followed by targeted actions to resolve any identified issues. We are committed to working collaboratively with the CMS to ensure full compliance with regulatory standards and will prioritise transparency and accountability throughout this process. Given the technical nature of this task, we will engage subject matter experts to guide our efforts and ensure successful outcomes.

Reducing Acute Out-of-Pocket Payments for Members

Sedmed recognises the financial burden that acute healthcare expenses can place on its members. In 2024, we will explore strategies to reduce these out-of-pocket costs. This may involve revising our benefit structures, renegotiating provider contracts, or identifying new reimbursement models that can lower costs for our members without compromising care quality. Our aim is to ensure that healthcare remains accessible and affordable for all Sedmed members.

Progress Towards Universal Healthcare Coverage (UHC)

We will continue our efforts to expand access to healthcare services, with a focus on reaching Universal Healthcare Coverage (UHC) for our members. This will involve conducting research into existing barriers to coverage, exploring new partnerships with healthcare providers, and identifying innovative approaches to widen our coverage scope. Our objective is to ensure that all Sedmed members have access to comprehensive healthcare services, regardless of their circumstances.

Investigation into AI Usage for Reducing Disease Burden

To stay at the forefront of medical innovation, Sedmed will investigate the potential use of artificial intelligence (AI) in our operations. We believe that AI has the potential to revolutionise healthcare by improving early disease detection, personalising treatment plans, and streamlining administrative processes. Throughout 2024, we will explore AI-based solutions that can help reduce the disease burden among Sedmed members and enhance overall healthcare outcomes.

Strengthening Fraud, Waste, and Abuse Mechanisms

A critical aspect of Sedmed's future action plan is the enhancement of our internal fraud, waste, and abuse (FWA) prevention mechanisms. We will invest in improved risk management processes, including advanced analytics, data monitoring, and internal audits, to detect and mitigate FWA activities. By strengthening these controls, we aim to protect Sedmed's financial integrity and ensure that our resources are used to benefit our members.

Through these focused efforts, Sedmed is confident in its ability to address the challenges of 2024 and beyond, providing high-quality healthcare services while adhering to industry-leading governance standards.

8. Closing Remarks

In conclusion, the journey towards the successful implementation of our strategic plan has been marked by dedication, sacrifice, and divine guidance. I extend my heartfelt gratitude

to the Sedmed staff and Board for their unwavering commitment and countless sacrifices in safeguarding the interests of Sedmed and its members. Our deepest thanks go to God for His guidance and blessings throughout this endeavour.

As we continue to navigate the challenges ahead, I urge all members to keep the Board of Trustees in their prayers, united in our shared goal of preserving the prosperity and well-being of Sedmed and its valued members. Our slogan, "My Fund, My Health," encapsulates our collective commitment to both the financial stability of the fund and the health and wellness of our members.

Let us carry this spirit of unity and shared purpose into the future. Together, with faith and perseverance, we will forge ahead towards a brighter future for our organisation. As we continue to implement our strategic plan and address the needs of our growing community, we are confident that our efforts will lead to greater success and lasting impact.

Thank you for your continued support and commitment to Sedmed. Let's move forward, knowing that our collective efforts are making a difference in the lives of our members and our community.

5.3 Strategic Performance

The following table presents the strategic objectives of the Scheme for the 2022-2025 period, outlining the specific goals we aim to achieve within this timeframe. Alongside each objective, we've indicated the progress made to date, providing a clear view of how we are tracking against our targets. This comprehensive overview is designed to offer stakeholders insights into our strategic focus areas, the initiatives underway, and the measurable outcomes we have achieved so far. It serves as a transparent record of our journey towards fulfilling the Scheme's long-term vision and underscores our commitment to delivering results within the established timeline.



Strategic Plan Performance Table

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Scheme Positioning	Self-Administration	<p>Remain self-administered by complying with CMS administration and governance standards.</p> <p>Ensure diligent and prudent financial and governance management through, amongst others, the utilisation of external professionals.</p> <p>Compliance with Rules of the Scheme by the BOT and management.</p>	<p>The internal auditor's audit scope was broadened to include auditing the Scheme's compliance with the CMS administration compliance standards.</p> <p>The internal auditor was appointed to ensure compliance with the new IFRS 17 standards and his scope was broadened to include CMS compliance standard audit. Insight Actuaries appointed to assist with the IFRS Policy and Methodology. Several meetings were held with PWC and the Actuaries to ensure compliance with the standard.</p>	<p>Self-administration status.</p> <p>Loss of independence and social license to operate if standards are not maintained and improved.</p>
Member needs	Family orientation	<p>Improve member experience through staff training and awareness.</p> <p>Improved access by members to management.</p>	<p>Had weekly staff meetings to raise awareness.</p> <p>Informed the staff of the content of BHF Conference in CT in May 2023 regarding member-centricity, UHC and value-based care.</p> <p>On 13 June staff got training in customer care.</p> <p>Freshdesk Reception desk programme implemented to ensure effective and efficient member query resolution and SLA feedback.</p> <p>After hours cellphone number was activated to deal with emergencies and hospital admission related enquiries. Laptop was purchased to ensure access by staff to member profiles to assist with after hours requests for admissions and authorisations.</p>	<p>Member-centered care.</p> <p>Member-centred value-based, high-quality healthcare balanced with scheme sustainability.</p>

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters	
Member needs		Roadshows to increase awareness.	Circuit AGMs were implemented in 2023 to allow access by members to information and to management of the scheme.		
		Scheme communication is directly sent to members.	MIP System is utilised to send member communication directly to members. This ensures better awareness of scheme information. Mobile App created which allows for push notifications to members to inform them of urgent information. Member communications sent via MIP:		
	Member health	Collaboration with SAU Departments (Health, Woman's & APHHS) in providing relevant and well-presented health and wellness education or programmes.		<ul style="list-style-type: none"> • DSP FAQ; • Post-Retirement Benefit; Qualification; • Claim Queries Process; • 2023 Contribution Increase; • Afterhours Emergency Contact; • Benefit Increases; • Appointment of new DSPs; • Support Email addresses; • AGM 2023 Notice. 	
	Digitisation	Develop a cellphone app to improve member experience. Establish a quarterly Sedmed Health Newsletter.	The mobile app was created and went live in September 2023. The app provides access to an electronic membership card, member details, benefit limits, claims history, member statements and tax certificates, service provider search and push notifications.		

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Member needs	Benefit Protection and Awareness	Include in the Sedmed Information booklet and the SAU Working Policy information on the post-retirement and death-in-service benefits.	<p>The information regarding the post retirement benefit and the death-in-service benefit was included in the 2023 Info Booklet and will going forward remain in the booklet.</p> <p>The PRB and DSB Policy was drafted and forwarded to the SAU Secretarial Department for inclusion in the SAU Working Policy.</p>	
	Easy access to scheme	Improve incoming call service and response time.	<p>Had considerable problems with Telkom lines. In response the Telkom lines were ported to Vodacom to provide more stable and cost-effective telephone service. Telephone cost is reduced from R1300 pm to R150 pm.</p> <p>Appointed an additional staff member to assist with incoming call service.</p> <p>Acquired the Freshdesk Helpdesk software programme to ensure effective handling of incoming email to the fund. The software tickets all incoming emails and automates email assignments and time tables. The software will assist in member services by ensuring that all correspondence are dealt with effectively and sufficiently.</p>	
	Patient-centric services			
Membership Growth	Membership for Low-income employees.	Initiate and support organisational initiatives to provide opportunities to low-income employees to join Sedmed either through a salary sliding scale whereby employers contribute more towards medical aid contributions or a cost-neutral method whereby contributions rates for employees are determined by their salary scale, thus following a cross-subsidization model.	The matter was discussed at the 2023 mid-year SAU CFO Council meeting and a sub-committee appointed to investigate the viability of the proposal.	Ageing member base. High average age and pensioner age. High volatility and lack of growth in benefits.
	Membership of MOWCS employees.			

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Benefits	Increase key member benefits.	Increase the following benefits: 1. Optometry; 2. Dental; 3. Specialised Optometry		Benefit design and value-care proposition. Benefit design must be transformed to meet value-care principles and to improve benefits. Sustainability
	Screening and Prevention	Incorporate Preventative Care Benefit and organisation health evaluation benefit into the Sedmed benefit design.	An actuarial study was conducted and unfortunately this will not be achievable for 2024.	
Branding	Ownership	Stronger message to members to impress their ownership of the scheme.		Branding. Competing with other medical schemes to win trust and support. Create awareness of scheme value proposition.
	Value	Inform members of the value of Sedmed membership and value for money by providing statistical information on Sedmed cost to benefit ratio.		
	Sedmed slogan	Promote the slogan “My fund, my health” on all correspondence and branding.		
	Promotional Material	Distribute promotional material to members.		
Governance	Fit and Proper	All trustees must be fit and proper to serve. The same will be achieved through: 1. Criminal background checks and vetting; 2. Conflict of interest declarations; 3. Trustee training; 4. King IV training; 5. Peer trustee evaluations; 6. Alternate year BOT evaluation, reflection and discussion on BOT and sub-committee performance;	Development of Governance Handbook complied in 2024 to introduce policies on governance. Trustee vetting questionnaires were created for all trustees and committee members of sub-committees. Conflict of Interest Policy drafted and awaits approval from the BOT. A Peer Review Policy, Vetting Policy, and questionnaires developed and adopted by trustees. Code of Ethics was drafted for the scheme adopted by trustees.	Ethical and competent leadership. Promote ethical, competent and fair leadership to meet social responsibility and create a better society. Low competence and integrity and poor governance will lead to distrust, fraud and abuse.

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
<p style="text-align: center; font-size: 2em; font-weight: bold; color: #ccc;">Governance</p>		<p>7. New Trustee orientation on MSA; code of conduct; function of internal and external auditors; business environment;</p>	<p>Other policies adopted during 2024:</p> <ul style="list-style-type: none"> Trustee Remuneration Policy Delegation of Authority Policy Compliance Committee Policy Investment Policy Risk Management Policy Ex Gratia Policy Gift Policy Procurement Policy Strategic Planning Policy Recruitment Policy Vetting Policy HR Policy Peer Review Policies 	
	<p>Delegation of Authority</p> <p>Risk assurance</p>	<p>BOT to approve a DOA describing the parameters for the powers of the BOT, management and the PO.</p> <p>Improve Audit Committee functionality and skill through orientation and training.</p> <p>Improve Audit Committee functionality and performance through participative task performance.</p> <p>Audit Committee to ensure effective internal control environment.</p> <p>Ensure the integrity of financial information used by the BOT.</p> <p>Ensure the integrity of external reports.</p> <p>Improve internal auditor functions to achieve appropriate risk assurance standards.</p>		

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Governance	Risk Management	<p>Appoint Investment Committee.</p> <p>Appoint a Risk Management Committee.</p> <p>Adopt a Financial Policy.</p> <p>Adopt an IT Policy.</p>	<p>Financial Statements and Investment Committee appointed.</p> <p>Investment strategy Policy Drafted and waits approval by the trustees.</p> <p>Risk Management Policy drafted and awaits approval from the BOT.</p>	
	Principal Officer	<p>Annually attend industry-specific workshops to equip him/her and to remain informed of the latest industry developments.</p> <p>Annually attend BHF Conference and CMS liaison sessions.</p> <p>Principal Officer vetting and performance reviews must implemented to ensure compliance with fit and proper requirements.</p>	<p>Attended BHF Conference during May 2023, 2024. Topics considered was member-centricity, value-based care, NHI, good governance, trustee training, fraud and waste abuse, benefit designs and preventative care.</p> <p>On 31 May 2023, attended the BHF e-Forum workshop on UHC and Value-based care.</p> <p>Attended the BHF Stakeholder Engagement Meeting during November 2023 dealing with NHI impact and our response.</p> <p>PO Peer Review Evaluation Policy adopted.</p> <p>Vetting Policy drafted adopted.</p>	
Administrative Efficiency	Paperless System	All incoming documents must be uploaded on to the Sedmed administrative system for security and record purposes.		<p>Internal Efficiency</p> <p>Create internal systems that are responsive to change and respect the environment.</p>

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Administrative Efficiency	Implementation of an efficient member query resolution process to delay response time and errors.	<p>All financial documents must be uploaded on appropriate system/cloud to allow for remote access and safekeeping.</p> <p>Implement a paperless membership application form.</p> <p>Implement systems to ensure effective processes.</p>	<p>The Sedmed Administrative system was improved to include a function to allow for correspondence to be sent directly to our members via their email addresses. In future, the marketing material of Sedmed will be sent by way of this newly developed functionality ensuring that all members receive all communications between the fund and them.</p> <p>Freshdesk Ticket Program, an automated email ticketing system, was implemented to code and track performance on all incoming email communications to Sedmed.</p>	
Human Resource	Staff Enrichment and training	<p>Provide Sedmed staff with training in critical areas to ensure a sound knowledge base and personal growth. Critical areas identified:</p> <ul style="list-style-type: none"> • Customer care; • Life skills; • Team building; • CPD courses. 	<p>On 17 May 2023 SAU took staff for team building programme. Staff learned how to identify personality types and how to deal with conflict.</p> <p>On 13 June 2023 staff received training from Staff Straining in Customer care.</p> <p>On 19-22 February 2024 staff received a refresher workshop on the MIP Administrative system. MIP presented the workshop to the staff.</p>	<p>Create a worker-friendly environment where teamwork is respected and the best interest of the member forms the basis of all actions.</p> <p>Promote staff wellness and training to improve well-being.</p>
Investment Strategy	Performance Growth	Secure investment performance growth of not lower than 8.5% for the period on all investments.		

6. STAKEHOLDER RELATIONSHIP

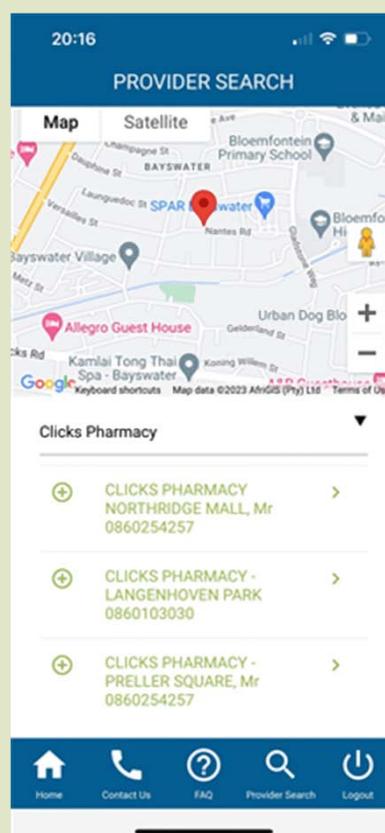
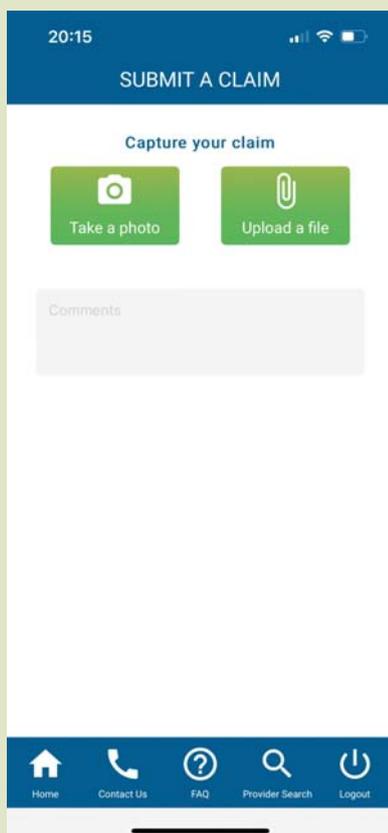
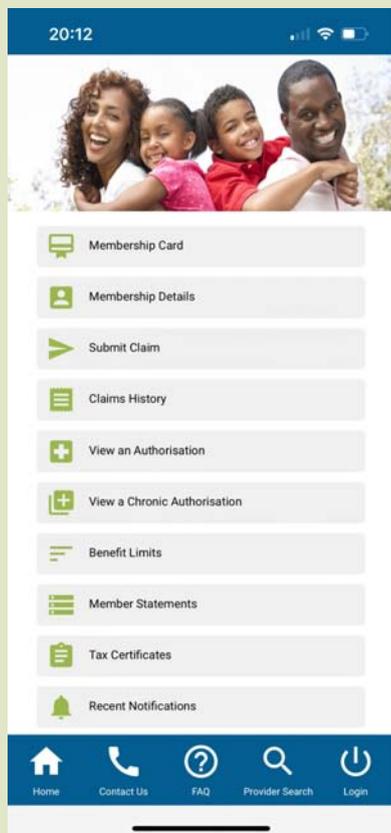
6.1 Sedmed Members

Sedmed's mission is to provide member-centric, universal health care to all our members. It has always been Sedmed's aim to provide the best healthcare benefits at affordable contribution rates. Over the last several years, Sedmed has implemented certain strategies to reach the mentioned outcomes. In challenging economic circumstances with high healthcare inflation operating a small medical scheme requires prudent management of scheme resources and sustainable provision of benefits to our members. Building a strong relationship with our members also forms one of the fundamental elements of sustainability. As part of aligning Sedmed operations with the changing medical industry landscape, member-centricity became the focal point of the strategic direction of the scheme. Placing the member at the centre of care forms the basis of our value-based care approach. As such, some of the strategic initiatives the trustees embarked on involve incorporating fundamental mechanisms to reduce cost and increase value care. One of these mechanisms is to manage disease with the aim of improving member wellness. Currently, Sedmed's Disease Riks Management programme is limited to those members registered for PMB CDL Conditions. The objective is to expand the programme to include all PMB Non-CDL conditions in the future. By broadening the boundaries of the programme, we will have better control of health outcomes and significantly impact the lives of our members. Currently, the programme provides for home visitations by specialised nurses to care for, monitor and educate our members. It further includes monthly call centre engagement with members to reach out to our members to improve their health. Contact sessions with member service providers by the fund to discuss the best ways to treat illness form part of a holistic approach to member care. In 2023 the programme limitations will be addressed to broaden its positive effect to more members.

Accessibility to information is critical to member experience and satisfaction. Sedmed, being a small scheme, operates on a minimal employee base. Our members sometimes struggle to get access to information due to delayed access to personal assistance.

For this reason, the scheme has made it possible for its members to access their healthcare information by way of the scheme website and the mobile app. These portals allows members access to their benefit limits, personal information and latest member statements. The app provide members quick access to their healthcare information, benefits, service provider locations, and more.

Screenshots of some of the app features



6.2 Employer Groups

Sedmed serves six Seventh-Day Adventist employer conferences, various schools, Institutions, the Southern Africa Indian-Ocean Division, and organisations. These employers offer their employees an employer subsidy when they join Sedmed. The employer groups value the health of their workers because a healthy workforce is a productive workforce. The relationship between the employer groups and Sedmed is based on good health outcomes of their members belonging to Sedmed. The employer groups contribute significant financial resources towards Sedmed to achieve this outcome. Therefore, Sedmed must meet the employer groups' needs whilst offering affordable contribution rates. The benefits provided by Sedmed are sufficient to meet the healthcare needs of all its employee members. Sedmed and the employer groups are also collaborating on providing a Sedmed-managed employee wellness programme. It is intended that this programme will be externally funded and will therefore not affect the limits of the members. To reach the aims of Universal Health Care, Sedmed has launched an investigation into the possibility of providing healthcare benefits to the low-income employees of our employer organisations.

6.3 Benefit Managers

Sedmed uses two highly specialised benefit manager companies to assist with managing the scheme's pharmaceutical and hospitalisation benefits. Mediscor PBM manages Sedmed's pharmaceutical benefit, and Professional Provident Society Healthcare Administrators (PPSHA) manages the hospitalisation benefit of the scheme. The outsourcing of these benefits was necessary to ensure the provision of clinical management within the said benefit categories. The benefit managers ensure that the said benefits are dealt with in accordance with the scheme Rules and in line with the Medical Schemes Act, Regulations and industry best practice. The benefit managers use qualified personnel, including medical practitioners, nurses, pharmacists and industry specialists, to provide clinical oversight and services. With the assistance of the benefit managers, Sedmed is placed in a position to provide managed healthcare services and disease management to increase the value proposition of the scheme. Maintaining good relationships with the benefit managers is essential to ensure the best outcomes for all stakeholders.

Consequently, the scheme's management regularly met with the operation teams of the said managers to discuss issue relevant to the governance of the scheme, service delivery enhancement and industry best practice. The Principal Officer had 16 operational meetings with the benefit managers during the period. Both companies provide monthly and quarterly operational reports to Sedmed and regularly meet with the trustees to discuss relevant trends within the statistical framework of the scheme. The Principal

Officer also have a direct line of communication with the executive officers of the companies to discuss any matter of importance to the scheme and its members.

6.4 Sedmed Employees



The scheme values its employees. The scheme's service delivery capability depends on its employees' effort and sacrifice. We are dedicated to protecting the dignity and well-being of our members. We provide decent work and work facilities to our employees. We also provide fair remuneration and opportunities for training and development. The SAU appoints all employees of the scheme. The SAU Human Resources Department works closely with the Principal Officer on Sedmed employee-related matters. In 2024 all employees will be transferred to Sedmed to align the operations of Sedmed with the regulatory requirements of the CMS. Sedmed will create its own HR Office. The employees have free access to the Principal Officer's office to discuss any personal and work-related issues. Management strives to build a work environment of support, trust and unity. We believe that teamwork is essential for the success of the scheme. As such, management had monthly staff meetings with the employees, individually and collectively, to discuss issues relevant to the scheme's business and matters affecting employee performance. The employees have access to all Employee Policies and Manuals of the workplace. We ensure that all employees are provided with Key Performance Indicators to ensure that each employee understands what is expected of them. Where necessary, employees are trained to meet industry and department-specific requirements.

In 2024 the scheme will focus on employee wellness with particular attention to interpersonal relationships, conflict management and team building.



Meet our Team



Andrew du Preez
Principal Officer



Lydia Coetzee
Operations Manager



Sjaan Freemantle
Financial Officer



Tsholo Masilela
Accountant



Janelda Maloney
Administrator



Beulah May
Senior Claims Assessor



Mavis Mweemba
Claims Assessor



Emsie Kock
Claims Audit

6.5 Council for Medical Schemes

The Council for Medical Schemes (CMS) is the regulatory body of all medical schemes in South Africa. The CMS is tasked, amongst others, to ensure that medical schemes act in the best interest of their members; ensure that medical schemes function in a manner complementary with the national health policy, and ensure that schemes comply with the Rules and the Medical Schemes Act. We strive to work with the CMS to ensure the best results for our members and the South African community.

7. GOVERNANCE

7.1 Overview

Sedmed is governed by a Board of Trustees. The trustees manage the scheme in accordance with the Medical Scheme's Act and the scheme Rules. Besides the aforementioned sources, the trustees also ascribe to the best practice corporate governance principles as outlined in the King IV Report. In line with the King IV principles, the trustees always strive to lead effectively, achieve good performance, establish an ethical culture and establish legitimacy. Trustees are expected to act with honesty, integrity, accountability, skill and fairness at all times. In terms of the Rules of the scheme, trustees must be fit and proper to serve as trustees. Being fit and proper means:

- that the individual has the required knowledge and understanding of the objects of the scheme;
- understanding what is in the best interest of the scheme and its members;
- to have qualifications, skill or experience that will be to the benefit for the management of the scheme;
- to be a person of integrity and sound judgement;
- to be able to put the interest of the scheme above his/her own;
- to be diligent in the fulfilment of his/her duties.

The purpose of the role of the Board of Trustees is to provide strategic direction and monitor the implementation of the scheme's strategy in line with its purpose, vision and values.

7.2 Duties of the Trustees

In terms of the Rules of the scheme, the trustees have the following duties:

- The trustees must act with due care, diligence, skill and in good faith;
- Trustees must avoid conflicts of interest and must declare any interest they may have in any particular matter serving before each meeting;
- The trustees must apply sound business principles and ensure the financial soundness of the scheme;
- The trustees shall appoint a principal officer who is fit and proper to hold such office and may appoint any staff which, in its opinion, are required for the proper execution of the business of the scheme and shall determine the terms and conditions of service of the principal officer and any person employed by the scheme;
- The trustees must ensure that proper control systems are employed by and on behalf of the scheme;
- The trustees must ensure that adequate and appropriate information is

communicated to the members regarding their rights, benefits, contributions and duties in terms of the Rules.

- The trustees must ensure that the Rules and the scheme's operation and administration comply with the Act's provisions and all other applicable laws.
- The Board must take all reasonable steps to protect the confidentiality of medical records concerning any member or dependant's state of health.

7.3 Trustee Remuneration

The trustees of Sedmed are currently not entitled to any remuneration for the services they render as trustees. The trustees are, however, entitled to be reimbursed for expenses incurred in the fulfilment of their duties.

7.4 Sedmed Trustees

- **Pastor Francois Louw** (Bachelor of Theology)
(Chairman)

Pastor Louw is the CEO of Vista Clinic, a well know and reputable psychiatric hospital in Centurion. From 2015 to 2021, Pastor Louw served as the Vice-chairman of the National Health Network (NHN). Whilst serving the NHN he was responsible for providing strategic and operational direction for the hospitals and clinics that are members of the NHN. He was closely involved in strategic negotiations with several healthcare funders and administrators. He also serves as a board member of the Adventists Professional Health and Humanitarian Services Institution of the SAU. He is also a Division Health Systems Board of Governance board member.

Before entering the healthcare industry, Pastor Louw was the president of the SAU from 2006-2010. Before being elected as the president of the SAU, he served as the president of the Cape Conference from 2000-2006.

- **Mrs Constance Penniken** (BCur, MPhil (HIV Management))

Mrs Penniken is currently the Health and Family Director of the Northern Conference of the Seventh-day Adventist Church (NCSA), responsible for health ministries. Before joining the NCSA she worked for several years in the healthcare industry as an intensive care unit nurse.

- **Mr Hannes Bekker** (MBA, LLB, PGD (Management))

Mr Bekker is an admitted Attorney of the High Court of South Africa. He currently serves as trustee of the Northern Conference Development Trust (NCDT) of the NCSA. He is a

Director of Montamed (Pty) Ltd and the NCDT Rentals (Pty) Ltd. He is also a member of the Institute of Directors of South Africa. Before joining the NCDT, he served for over 20 years as the NCSA Trust Services Director.

- **Ms Portia Ndinisa** (BCom (Financial Management))

The SAU currently employs Ms Ndinisa as Senior Accountant. Before taking up the responsibility as Senior Accountant, she worked for several years in the financial department of the SAU. Before joining the finance team of the SAU she served as Pensions Administrator in the Pensions Department of the SAU.

- **Mr Granwill May** (B.ACC, Dip (Accounting Science), PGD (Applied Accounting))

Mr May currently serves as an Assistant Financial Officer of the SAU. Before joining the SAU he worked as an Audit Supervisor for several Auditing Firms in Bloemfontein. He also served as Assistant Director of the State Department of Environmental Affairs.

Mr May is a member of the South African Institute of Chartered Accountants.

Besides the above, Mr May also serves as trustee of the Fairview Trust and Director of Sedcom (NPC).

- **Pastor Trevor Kunene** (BA Religion)

Pastor Trevor Kunene is a seasoned religious leader with a strong background in pastoral work and organisational leadership. He earned a degree in Religion in 1997 and began his career as a pastor in 1986. In 2000, he was appointed as the President of the Trans-Orange Conference (TOC), where he demonstrated effective leadership and management skills. In 2005, Pastor Kunene took on the role of Executive Secretary of the South Africa Union Conference (SAU), a position he held until 2022. During his tenure, he played a pivotal role in shaping the strategic direction of the SAU and overseeing its operations. As President of the TOC and Executive Secretary of the SAU, Pastor Kunene held various leadership positions, demonstrating his commitment to serving his community and advancing the mission of the organisation.

7.5 Board of Trustee Committees

- **Audit and Risk Committee**

Sedmed uses a three-tiered risk assurance model to ensure and obtain assurance on scheme activities. The Audit and Risk Committee oversees internal risk management.



The Audit and Risk Committee is a statutory committee established in accordance with Section 36 (10) and (13) of the Medical Schemes Act. The Board of Trustees appoints the membership of the committee. In considering qualification for membership of this committee, the trustees seek to appoint individuals skilled in financial, actuarial, legal, governance and IT. The committee comprises of five members of which two are members of the Board of Trustees. The responsibilities of the committee are:

- o Assist the board of trustees in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and combined assurance processes applied by that medical scheme and/or its administrator in the day-to-day management of its business;
- o Facilitate and promote communication and liaison regarding the matters referred to above or a related subject, between the board of trustees, principal officer, administrator, external audit staff and, where applicable, the internal audit staff of the medical scheme;
- o Recommend the introduction of measures which the committee believes may enhance the credibility and objectivity of the annual integrated report, including the financial statements and other reports concerning the affairs of the medical scheme;
- o Have oversight over the governance and risk management processes adopted by the board of trustees to better enable the committee to recommend for approval by the board of trustees the internal and external audit plans and the appropriateness of the combined assurance model; and
- o Overseeing the external and internal audit;
- o Evaluating the performance of the Financial Officer of the scheme;
- o Considering all actuarial reports received from the scheme Actuaries;

- o Advise on any matter referred to the committee by the board of trustees.

The committee aligned its risk activities to the strategic plan of the scheme by emphasising internal financial risk management.

The committee members are:

Name	Qualification	Position	Relation
Mrs Julia van Wyk	CA (SA)	Chairperson	Independent
Ms Nicole Moonsamy	CA (SA)	Member	Independent
Mr Hennie van der Ness	Accountant	Member	Independent
Mr Granwill May	Accountant	Member	Trustee
Ms Portia Ndinisa	Financial Management	Member	Trustee
Mr Hennie Steyn	CA (SA)	Invitee	Internal Audit

Activities during 2023:

During the term, the committee met on four occasions. The committee evaluated the Internal Audit Reports, Principle Officer Reports and the reports from the external auditors. The committee met twice with the external auditors to discuss the external audit memorandum and audit findings. The committee evaluated and approved the internal auditor Audit Plan in line with the strategic objectives of the Board of Trustees. The committee reviewed the audited financial statements for the period 2023 and implemented a non-compliance remedial framework to address the non-compliance matter raised in the 2023 Financial Statements.

During 2024 the committee will focus on improving scheme regulatory compliance criteria.

- **Internal Auditor**

The Board of Trustees appointed an independent chartered accountant to fulfil the internal audit function of Sedmed. The internal auditor works under the supervision of and reports to the Sedmed Audit and Risk Committee. The internal auditor is a permanent invitee to all Audit and Risk committee meetings. The Audit and Risk Committee annually approves the Internal Audit Plan of the internal auditor. It is expected of the internal auditor to render quarterly reports to the Audit and Risk Committee on his internal audit activities and findings. The Internal Audit Plan for 2023 focused on the following testing areas:

- o Claims;
- o Ex Gratia Claims;
- o Journals;
- o Reconciliations;
- o Membership.

During 2024, the internal audit function will focus on regulatory compliance, which includes the CMS Compliance Standards and internal control testing.

- **Financial Review and Investment Committee**

The Financial Review and Investment Committee is a sub-committee of the Board of Trustees. Its function is to review monthly internal financial statements, monthly scheme Management Accounts, investments schedules and investment performance. The committee presents all its findings to the trustees with advisory comments. The committee works closely with the scheme management to advise on current risk and trends that require intervention.

The committee members are:

Name	Qualification	Position	Relation
Mr Sjaan Freemantle	Accountant	Chairman	Scheme Financial Officer
Mr Granwill May	Accountant	Member	Trustee
Mr Brian Manyimo	Accountant	Member	Independent

The committee met on eight occasions during the terms. It met with the Board of Trustees four times to discuss important financial information emerging from the scheme's internal financial statements and Management Accounts.

- **External Risk Assurance**

The Board appointed an external independent Auditor as an external risk assurance to monthly review all scheme financial transactions to identify trends or items that pose a risk to the scheme. The company is also responsible for preparing the scheme's monthly Management Accounts and annual budget with the scheme Actuaries. The company acts as an advisory body to the scheme management, and monthly management meetings are held with the company.

- **Administrative Committee**

The Action Committee members are the Chairman of the Board of Trustees, the Principal and Financial Officer of the scheme. The committee's purpose is to assist with the day-to-day management of the scheme. The committee operates within clearly defined parameters as outlined in a formal delegation of authority implemented by the Board of Trustees. The Action Committee has delegated the authority to make recommendations on strategy and policies, to take action on financial and contractual items within specific limits, and to decide on tariff negotiation outcomes and asset management within defined limits.

- **Dispute Committee**

The Dispute Committee hears and adjudicates complaints formally lodged by scheme members regarding healthcare-related disputes. The committee is empowered to adjudicate disputes on the Medical Schemes Act stipulations and the latest scheme Rules. Mediscor and PPSHA provide also entertain disputes particular to the discipline. Clinical experts consider those disputes. If unsatisfied with the outcome of the service provider dispute process. A member may lodge a dispute with the scheme Dispute Committee for a final decision from the scheme. If unsatisfied with a ruling of the Dispute Committee, a member may lodge a complaint with the Council for Medical Schemes in terms of Section 47 of the Medical Schemes Act. During 2023 the scheme committee did not receive any disputes.

- **Ex Gratia Committee**

The Ex Gratia Committee is responsible for considering all ex gratia applications submitted by the members of Sedmed. The committee membership comprises independent healthcare professionals from various disciplines within the field. The committee meets quarterly to evaluate and decide on all applications received. The committee is empowered to make discretionary decisions on all ex gratia applications.

7.6 Scheme Management

The Board of Trustees are responsible for the appointment of the Principle Officer of the scheme. The Principal Officer must be fit and proper to hold the office. The Principal Officer reports directly to the Board of Trustees. The Principal Officer is the executive and accounting officer of the scheme and shall ensure that all decisions of the Board of Trustees are executed; to keep the trustees informed of the affairs of the scheme as it relates to the duties of the Board of Trustees; ensure that the scheme is governed according to sound accounting principle; ensure that compliance with all statutory and regulatory requirement; supervise the staff of the scheme. Besides the statutory duties of the Principal Officer, the Board of Trustees delegates management responsibilities to the Principal Officer through a formal delegation of authority. The Principal Officer is responsible for stakeholder relationships and represents the scheme at all relevant stakeholder engagements.

The Principal Officer is supported by a management team comprising the Operations Manager, the Financial Officer of the Scheme and the IT. The Operations Manager oversees the scheme's operations, including the claims department, membership and administration departments. The Financial Officer oversees the accounting department. The management team ensures that the scheme's operations give effect to the strategic objectives of the Board of Trustees.



Our Management Team



Principal Officer
Mr Andrew du Preez (LLM)



Operations Manager
Mrs Lydia Coetzee



Finances
Mr Sjaan Freemantle (B.Acc)

8. FINANCIAL PERFORMANCE

8.1 Financial Officer Report



Sedmed Financial Officer's Report

Finances
Mr Sjaan Freemantle (B.Acc)

Executive Summary

The financial performance of Sedmed for the year 2023 demonstrates remarkable improvements and growth across several key financial metrics. This report provides an in-depth analysis of these metrics, including the impact of the IFRS 17 standard implementation, growth in member funds, enhancement of the scheme's solvency level, efficient management of administrative expenses, and significant increases in both insurance and investment income.

Key Financial Metrics:

i. Amounts Attributable to Future Members:

- 2023: R6,455,289.00
- 2022: R3,381,946.00
- Growth: 90.85%

The implementation of IFRS 17 has resulted in operational gains or losses being recorded as amounts attributable to future members. For 2023, this amount was R6,455,289.00, nearly doubling from R3,381,946.00 in 2022. This significant growth of 90.85% reflects the scheme's improved financial health and the anticipated positive financial outcomes for future periods.

ii. Member Funds:

- 2023: R50,406,114.00
- 2022: R43,950,826.00
- Increase: 14.6%

Member funds, which represent the total financial resources available to the scheme, increased by 14.6%, from R43,950,826.00 in 2022 to R50,406,114.00 in 2023. This increase is a strong indicator of the scheme's ability to attract and retain member contributions, thereby strengthening its financial base.

iii. Solvency Level:

- 2023: 70.80%
- 2022: 65.19%
- Regulatory Requirement: 25%

The solvency level of Sedmed improved from 65.19% in 2022 to 70.80% in 2023. This metric, which measures the scheme's ability to meet its long-term obligations, significantly exceeds the regulatory requirement of 25%. The high solvency level underscores the scheme's long-term financial stability and its capacity to cover future member claims.

iv. Administration Expenses:

- 2023: 2.2% of contribution income
- 2022: 2.25% of contribution income

Administration expenses were maintained at 2.2% of contribution income in 2023, a slight decrease from 2.25% in 2022. This indicates Sedmed's commitment to efficient cost management and minimizing overheads. By keeping administration expenses well below the industry benchmark of 10%, the scheme ensures more funds are available for member benefits.

v. Administration Costs vs. Member Claims:

For every R1.00 spent on administration costs, R43.20 were spent on member claims in 2023. This ratio highlights Sedmed's prioritization of member claims over administrative spending, ensuring that a substantial portion of contributions directly benefits the members.

vi. Insurance Income:

- 2023: R71,194,485
- 2022: R67,419,893
- Increase: 5.59%

Insurance income grew by 5.59% from R67,419,893 in 2022 to R71,194,485 in 2023. This growth is indicative of the scheme's successful insurance operations and its ability to generate consistent revenue from premiums.

vii. Investment Income:

- 2023: R3,903,335.00
- 2022: R2,591,069.00
- Increase: 50.65%

The scheme generated R3,903,335.00 in investment income in 2023, up by 50.65% from R2,591,069.00 in 2022. This significant increase was due to rising interest rates during 2023, which allowed the scheme to invest in higher interest, low to medium risk investments, ensuring a higher yield for invested member funds.

viii. Member Claims and Direct Expenses:

- 2023: R67,581,218.00
- 2022: R66,391,828.00
- Increase: 1.79%

During 2023, Sedmed paid R67,581,218.00 in member claims and directly attributable expenses, up by 1.79% from R66,391,828.00 in 2022. This spending was aimed at promoting members' health and well-being. The breakdown of benefits paid includes:

- Hospitalisation: R39,219,084.00
- Day-to-day: R14,452,757.00
- PMB CDL: R4,133,277.00
- PMB non-CDL: R4,133,277.00

Included in these claims was R6,263,009 for medicine claims, covering 42,806 items with an average cost per item of R227.54 per beneficiary per month.

The scheme allocated 97% of its contribution income towards direct member claims, reflecting a strong focus on member benefits.

Financial Stability and Liabilities

Sedmed maintains a strong financial position with no long-term liabilities, and its current assets sufficiently cover current liabilities. This robust liquidity position ensures that the scheme can meet its short-term obligations without financial strain, contributing to overall financial health and operational efficiency.

Impact of IFRS 17 Implementation

The introduction of the IFRS 17 standard has brought about a clearer and more accurate representation of operational gains and losses. By recording these as amounts attributable to future members, the financial statements now provide a more transparent view of the scheme's financial performance and future financial commitments. This change has enhanced the ability to plan and allocate resources effectively, ensuring better financial management.

Conclusion

The year 2023 has been marked by significant financial achievements for Sedmed. The substantial growth in amounts attributable to future members, increase in member funds, improvement in solvency levels, effective management of administration expenses, and increases in insurance and investment income all point to a robust and stable financial performance.

Sedmed is well-positioned for continued growth and long-term financial stability, ensuring sustained benefits for its members.

8.2 Finances

8.2.1 Statement of Responsibility by the Board of Trustees

The Trustees are responsible for the preparation, integrity and fair presentation of the financial statements of Sedmed comprising the statement of financial position at 31 December 2023, the statement of comprehensive income, the statement of changes in funds and reserves and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Medical Schemes Act of South Africa and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council.

The Trustees' responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Trustees' responsibilities also include maintaining adequate accounting records and an effective system of risk management. The Trustees have ultimate responsibility for the system of internal control.

The Trustees are satisfied that the information contained in the financial statements fairly presents the financial performance for the year and the financial position of the Scheme at year-end.

The Scheme operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

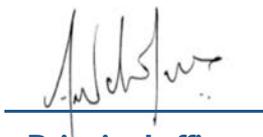
The financial statements for 2023 were approved by the Board of Trustees.



Chairman

Granwill May

Trustee



Principal officer

8.2.2 Statement of Financial Position as at 31 December 2023

Statement of Financial Position as at 31 December 2023

Figures in Rand	Note(s)	2023	2022 Restated *	1 Jan 2022 Restated *
Assets				
Non-Current Assets				
Property, plant and equipment	2	109,119	97,956	97,507
Financial assets at fair value through profit and loss	3	15,561,318	12,374,849	8,855,900
Financial assets at amortised cost	3	18,842,392	24,555,664	9,949,932
		34,512,829	37,028,469	18,903,339
Current Assets				
Financial assets at amortised cost	3	24,055,700	11,476,040	21,846,806
Cash and cash equivalents	4	2,413,304	6,501,923	9,037,553
		26,469,004	17,977,963	30,884,359
Total Assets		60,981,833	55,006,432	49,787,698
Liabilities				
Non-Current Liabilities				
Insurance contract liabilities	6	50,406,114	43,950,826	40,587,171
Current Liabilities				
Trade and other payables	5	305,594	189,150	94,477
Insurance contract liabilities	6	10,270,125	10,866,456	9,106,050
		10,575,719	11,055,606	9,200,527
Total Liabilities		60,981,833	55,006,432	49,787,698

8.2.3 Statement of Profit or Loss and Comprehensive Income

Statement of Profit or Loss and Comprehensive Income

Figures in Rand	Note(s)	2023	2022 Restated *
Insurance revenue	7	71,194,485	67,419,893
Insurance service expenses	7	(73,534,602)	(68,493,073)
Insurance service result		(2,340,117)	(1,073,180)
Other operating expenses	8	(1,563,314)	(1,518,049)
Net healthcare result		(3,903,431)	(2,591,229)
Investment income	9	3,903,335	2,591,069
Other operating income	10	96	160
Net surplus for the year		1	-

8.2.4 Non-Compliance Matters

Non-compliance to the Medical Schemes Act

i. Nature and Cause of the non-compliance

In terms of section 26(7) of the Medical Schemes Act, all contributions shall be paid to a medical scheme by no later than three days after payment thereof becomes due. Whilst every effort is made to enforce this requirement the onus is on the member or employer group to ensure compliance. During the financial year, contributions amounting to R2,939,806 (2022: R1,765,830) were identified that were not paid to the Scheme within three days of becoming due.

Possible impact of the non-compliance:

Late payments may result in a loss of interest to the Scheme. This amount would, however, not be considered significant.

Corrective course of action adopted to ensure compliance, including timing of corrective action:

- Actively pursuing all contributions not received after three days of becoming due.
- Monthly reconciliations between administrator and employer are discussed for possible suspensions of memberships.

ii. Nature and Cause of the non-compliance

Section 59(2) of the Medical Schemes Act (Act) states that: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of the act and the rules of the Fund concerned, pay to a member or supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the Fund". During the financial year ended 31 December 2023, non-compliance to this section amounting to R3,865,614 (2022: R6,790,749) was identified.

Situations beyond the control of the Scheme could result in claims being paid later than 30 days after receipt when, for example, further supporting documentation is required or incorrect bank details provided.

Possible impact of the non-compliance:

Late payment of claims could result in inconvenience to members and healthcare providers.

Corrective course of action adopted to ensure compliance, including timing of corrective action:

The necessary assistance is provided to the identified members and healthcare providers to ensure that these types of cases are minimised.

iii. Nature and Cause of the non-compliance

Regulation 6(1) of the Act states: "In order to qualify for benefits, any claim must, be signed and certified as correct and must be submitted to the scheme not later than the last day of the fourth month following the month in which the service was rendered". SEDMED paid out claims to the amount of R78,401 (2022: R865,958) claims which were received more than 4 months after the service date.

Possible impact of the non-compliance:

There is the possibility of fines levied by the Council for Medical Schemes, as well as SEDMED unfavourably impacting their financial position by paying out these claims.

Corrective course of action adopted to ensure compliance, including timing of corrective action

SEDMED does not intend to cease payment of these late claims, as they have an in-house rule which states that all hospital and PMB (Prescribed Minimum Benefit) claims will be paid out regardless of when the claim is received.

8.2.5 Independent Audit Opinion

The annual financial statements of SEDMED Medical Scheme have been audited. These statements comprise the statement of financial position as of 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and reserves, and the statement of cash flows for the year then ended, along with the notes to the annual financial statements, including a summary of significant accounting policies. In the auditor's opinion, the annual financial statements present fairly, in all material respects, the financial position of SEDMED as of 31 December 2023, and its financial performance and cash flows for the year then ended.





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