



SED MED
MEDICAL SCHEME



Operations Report 2024

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 2024 to 31 December 2024. The report contains financial and non-financial information of the scheme. The Audited Annual Financial Statements for 2024 (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 2024. At the Annual General Meeting (AGM) in June 2024, 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.

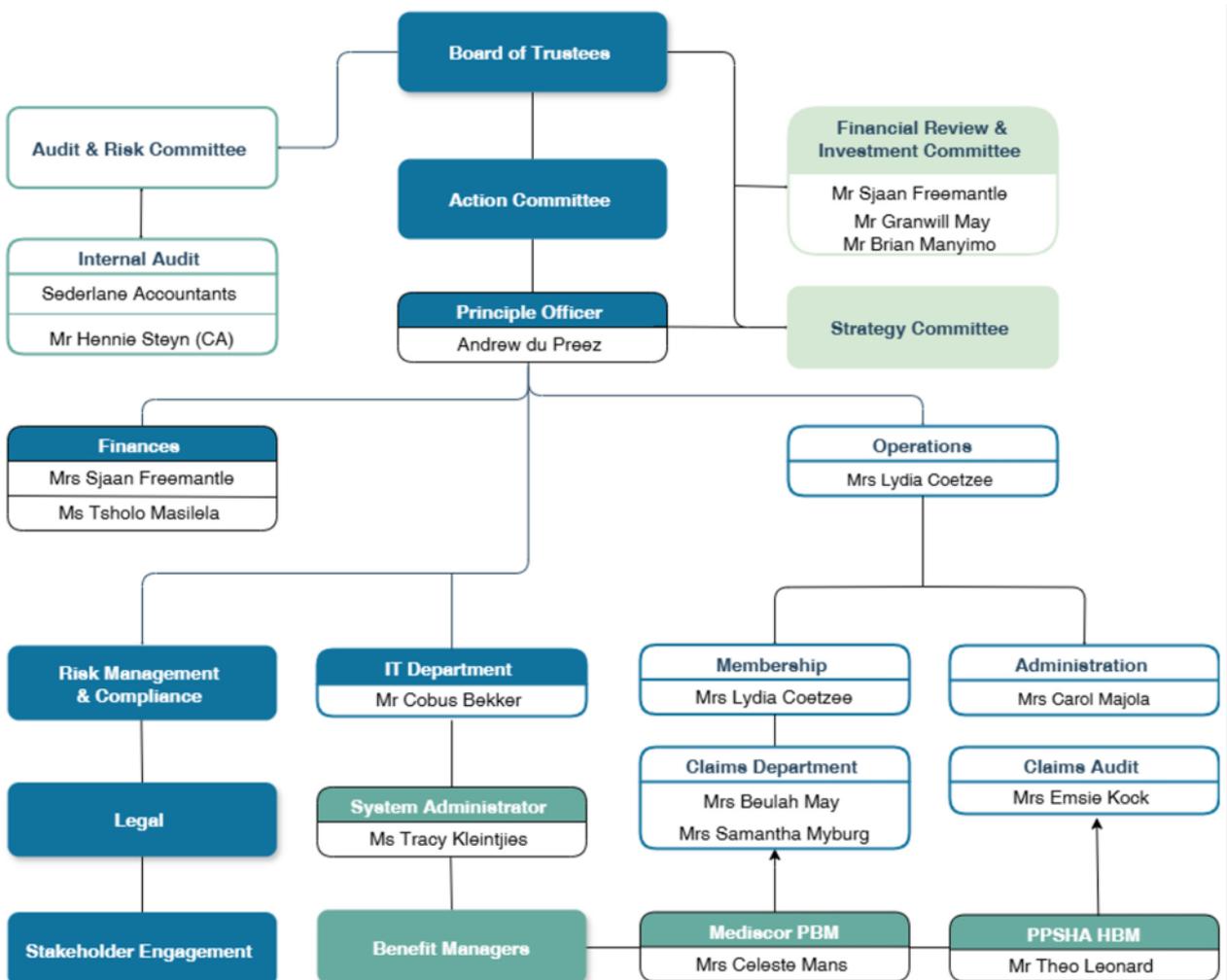
As part of being a member of Sedmed, the employing organisation also provides a post-retirement and death-in-service benefit. For those employees who retire from the organisation's service and meet the qualifying criteria, the organisation has established a Sedmed post-retirement medical contribution 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 2024

South Africa's economy in 2024 was characterized by modest growth and easing inflation. GDP expanded by only about 0.6%, essentially stagnating after a mere 0.7% growth in 2023. Multiple sectors actually contracted, reflecting ongoing challenges like power supply issues (though electricity shortages eased by mid-year) and other structural constraints. Unemployment remained extremely high, ending the year at roughly 31.9%. Such elevated unemployment meant many households had less disposable income, with implications for healthcare affordability and medical scheme membership. On a positive note, inflation averaged 4.4% for the year, the lowest in four years and comfortably within the Reserve Bank's 3 to 6% target range. This marked improvement in consumer price inflation (down from higher levels in 2022–2023) was driven by better currency stability and lower increases in food and fuel costs. The South African Reserve Bank responded by beginning to reduce interest rates late in 2024, after a period of earlier rate hikes, providing some relief to consumers and businesses. However, overall economic conditions were tough: sluggish growth and prior cost-of-living increases strained consumers' finances, which in turn affected healthcare spending patterns.

The challenging economic climate had a direct impact on the healthcare and the medical aid sector. Slower growth and high unemployment meant fewer people could afford private medical cover, putting pressure on membership growth for medical aid schemes in general. Indeed, the share of South Africans covered by medical aid remained roughly flat – about 15 to 16% of the population as of 2023. Those who were members of medical schemes faced continued medical cost inflation that outpaced general inflation, leading to contribution increases in the mid to high single digits. Healthcare costs (for medicines, hospital services, etc.) rose at roughly 6 to 7% in 2024, higher than general CPI. This meant medical aid premiums also increased by amounts above the headline inflation rate, challenging affordability. In summary, households' tight budgets and the economic slowdown limited growth in the private healthcare market, even as the need for affordable healthcare continued to increase.

Political Developments and Policy Landscape

The year was a landmark in South African politics. The general election in May 2024 produced an unprecedented outcome: for the first time since 1994, the ruling African National Congress (ANC) fell below an outright majority in Parliament. In response, a broad coalition Government of National Unity (GNU) was formed in June 2024 under President Cyril Ramaphosa's leadership. This unity government brought together multiple political parties (reportedly around 11 parties) in a power-sharing arrangement. The coalition's platform emphasised restoring confidence in governance, strengthening constitutional principles, and improving service delivery and social support. For citizens and the business community, this development initially introduced some uncertainty, but it also signaled a commitment to stability and collaborative problem-solving across the political spectrum. There was renewed high-level focus on critical issues like economic reform, infrastructure (for example, reducing power outages), and anti-corruption efforts – all factors that indirectly benefit the healthcare system by aiming to free up resources and improve public services.

Health and social policy featured prominently on the political agenda. Notably, just before the election, President Ramaphosa signed the National Health Insurance (NHI) Bill into law in May 2024, paving the way for a major healthcare reform. The NHI Act is meant to establish a single national health fund to provide universal health coverage and tackle the deep inequalities between the public and private healthcare systems. The new coalition government affirmed its commitment to implementing NHI despite vigorous opposition and debate from various quarters. The pro-business and opposition parties in the coalition, for instance, raised concerns about NHI's funding model and its impact on the private sector. This created lively policy discussions within the government on how to roll out NHI in a sustainable way. Outside government, stakeholder groups, including medical schemes, healthcare providers, and business associations, engaged in dialogue with officials to seek a workable approach. Their goal has been to achieve universal access without destroying the private medical insurance sector, advocating for possible adjustments to the NHI plan. Implementing NHI is recognised as a long-term endeavor. The government itself has indicated that full implementation will take years, if not decades. In the meantime, existing healthcare policies and regulations remained in force in 2024, with regulators continuing oversight to protect consumers. Overall, the political developments in 2024, from the historic coalition to the push for NHI, set the tone for a period of significant change in the healthcare policy environment. Medical schemes in particular watched these changes closely, as they herald potential shifts in the industry's future role once NHI is phased in.

Healthcare Sector Overview and Industry Dynamics

South Africa's healthcare system in 2024 continued to be a story of two worlds: a constrained public sector serving the vast majority, and a world-class but costly private sector serving a minority. Approximately 83% of South Africans rely on public healthcare services, while the remaining 17% have access to private care. This public–private divide has long resulted in unequal access to resources. In 2024, these disparities were as pronounced as ever, and the NHI reforms are aimed at bridging this gap over time. However, immediate challenges in the public healthcare system were pressing. Government healthcare funding faced significant strain during the year. In the national budget, health expenditure saw only a modest increase (around 3 to 5%, roughly keeping pace with general inflation) which lagged behind the higher medical-sector inflation (6.5%)¹. The public health sector consequently continued to struggle with resource shortages. Public hospitals and clinics nationwide grappled with understaffing, essential posts left unfilled, and tight equipment budgets. For example, due to fiscal constraints, provincial health departments could not hire all the new doctors coming out of training, despite many government facilities experiencing doctor vacancy rates between 5% and 22%. This mismatch resulted in hundreds of qualified doctors remaining unemployed even as public hospitals were short-staffed, a stark illustration of budgetary pressure on service delivery. Chronic underfunding led some areas to freeze hiring, lengthening patient wait times and increasing workloads for the doctors and nurses who remained. Operational challenges like periodic medicine stock-outs and infrastructure maintenance backlogs persisted as well, especially in rural and underserved communities. These access issues underscored why systemic reform (like NHI) has been a focal point, but they also





highlighted that immediate improvements in efficiency and funding are needed to shore up the public health system.

On the other hand, the private healthcare sector, including private hospitals, clinics, and medical schemes, continued to provide high-quality care for those who could afford it. Private facilities remained well-resourced and were staffed by a large share of the country's health professionals. Yet, the cost of private care continued to rise. Medical scheme claims costs and hospital tariffs increased faster than general inflation, driven by advanced treatments, imported medical technologies, and an increasing burden of chronic diseases. Most medical aid schemes accordingly implemented premium increases in 2024 that, while necessary to cover claims, outpaced wage growth for many consumers. The result has been growing pressure on affordability. Medical schemes thus find themselves balancing the need to fund quality care (and remain financially solvent) with the need to keep contributions reasonable in a tough economic climate.

How 2024's Environment Affected Sedmed Members

The broader economic and healthcare circumstances of 2024 significantly influenced the lived realities of Sedmed members. As a closed medical scheme serving employees of the Seventh-day Adventist Church and its affiliated entities, Sedmed's membership is particularly sensitive to developments in both the public sector and the non-profit employment environment.

1. Salary Constraints and Contribution Pressure

Salary growth across the Church and its institutions remained constrained in 2024, reflecting the wider financial pressures affecting most faith-based and non-profit employers in South Africa. With high unemployment and low GDP growth (0.6%), many organisations within the Seventh-day Adventist network faced financial pressure. These conditions directly impacted the salary budgets available for staff.

As a result, Sedmed members experienced a widening gap between salary growth and medical aid contribution increases. While inflation eased to around 4.4%, healthcare-specific inflation, driven by the rising cost of hospital services, chronic disease management, and imported medical technologies, remained significantly higher. Like most schemes, Sedmed had to implement contribution increases to maintain solvency and ensure sufficient funding for member benefits.

2. Health System Strain and Growing Reliance on Private Care

Public healthcare services continued to deteriorate in many areas, with unfilled posts, longer waiting times, and stock shortages in state hospitals and clinics. Although Sedmed members primarily rely on private care, some members in rural or under-served areas still interface with public facilities, particularly for emergency services or when private provider networks are not available. The decline in public sector capacity in 2024 further reinforced the critical role of medical scheme cover for our members and their families.

3. Rising Chronic Disease Burden and Lifestyle Health Challenges

Mirroring national trends, Sedmed has seen a steady increase in chronic disease registrations, particularly for conditions such as diabetes, hypertension, and mental health concerns. These patterns are compounded by socio-economic stress, lifestyle factors, and limited access to preventive care outside the insured environment. In 2024, the scheme expanded its focus on wellness initiatives and member education to encourage early intervention and better management of long-term conditions, an effort essential to reducing long-term healthcare costs and improving member quality of life.

4. Uncertainty Around Healthcare Reform (NHI)

The passing of the NHI Act in 2024 created national debate and some concern among members regarding the future of private medical schemes. While full implementation is expected to take years, many Sedmed members have asked whether their medical cover will remain secure.

Sedmed has continued to engage with policymakers, regulators, and other stakeholders to monitor developments and ensure that the scheme remains compliant and sustainable under the evolving framework. Importantly, members were assured that the NHI Act, as it currently stands, does not require any changes to benefits or contributions in the immediate term, and Sedmed remains fully operational, solvent, and responsive to member needs.

In conclusion, 2024 was a pivotal year setting the stage for transformative change in South Africa's healthcare environment. Economic conditions created a challenging backdrop, with limited growth and constrained consumer budgets testing the resilience of both public and private health sectors. Political developments, especially the formation of a unity government and the passage of the NHI Act, signaled a strong commitment to tackling inequality and overhauling healthcare delivery, even as they introduced new uncertainties and the need for careful policy navigation. And within the healthcare sector, stakeholders worked to maintain service quality and access amid funding pressures, while also gearing up for the reforms to come. Going forward, the interplay of these economic, political, and healthcare factors will continue to shape the medical aid industry. A stable economy and stable governance will be critical to expanding access to care. Likewise, effective implementation of health policies will determine how successfully South Africa can achieve the goal of quality healthcare for all, without compromising the sustainability of medical schemes and providers.



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 2268, 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 2024 from 2283 in 2023 to 2268. 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. Unlike open medical schemes that can attract large numbers of new members, including younger, lower-risk individuals, Sedmed's membership numbers and risk pool are relatively fixed over time. Because of this, the Scheme is more exposed to fluctuations in claims patterns. A small number of high-cost cases, such as hospitalisations, chronic disease management, or specialised treatments, can have a disproportionately large impact on overall claims expenditure. In contrast, larger open schemes can spread such costs across a broader base, smoothing the financial impact. This phenomenon is known as claims volatility—and for Sedmed, it means that year-to-year claims can vary significantly depending on a few individual high-impact cases, such as cancer treatments, dialysis, or surgeries. This makes budgeting and reserving more complex and places a premium on sound actuarial forecasting, risk management, and cost-containment measures.

To manage this volatility, Sedmed employs strategies such as:

- Partnering with designated service providers (DSPs) to contain costs,
- Encouraging preventative care and early intervention,

- Monitoring high-cost claims more closely,
- And maintaining strong reserve levels above regulatory minimums to cushion against spikes in claims.

Ultimately, Sedmed's commitment to financial stability must account for this inherent characteristic of its member base—and the Scheme remains proactive in mitigating the risks associated with claims variability.



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 2025, 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 and implementing Service Provider Networks to reduce medical claim costs and out of pocket expenses for the scheme and its members.

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 2024 stood at 60 years for main members and 44 for beneficiaries. The pensioner ratio of Sedmed stands at 26.58% compared to the industry average of 10%. The pensioner ratio for other restricted medical schemes is 6.9. In the healthcare funding environment, older members typically claim more—and at higher cost—than younger, healthier individuals. This is due to the increased prevalence of chronic conditions, hospitalisation, specialist consultations, and the use of high-cost medicines in older age groups.

According to the Council for Medical Schemes Annual Report, the average claims ratio for medical scheme members:



- Under the age of 35 is generally below 70%,
- Between ages 45–59 it rises to around 85–95%, and
- For pensioners (65+), it can exceed 110%, meaning these members claim more than what they contribute on average.

In the case of Sedmed, the pensioner ratio is significantly higher than the open scheme industry average, which the CMS reported as approximately 8.5% in 2022. Sedmed's closed and maturing membership structure places a greater proportion of financial pressure on a smaller active (working-age) base.

As a result, claims ratios are elevated, and the Scheme must fund a higher proportion of healthcare costs than schemes with a younger, more diversified risk pool. This leads to greater financial strain, particularly in the absence of strong membership growth from younger, lower-claims-risk members.



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:

1. **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.

As Sedmed continues to reflect on its role within the broader healthcare system in South Africa, it becomes increasingly important to recognise that the pursuit of UHC is not only a policy goal, it is a moral and ethical imperative, deeply rooted in our national values. One such foundational value is the African philosophy of Ubuntu. Ubuntu, often summarised as "I am because we are", speaks to the interconnectedness of humanity. It emphasises compassion, dignity, community, and the responsibility we have to care for one another. These same principles are reflected in the global vision of UHC: that all people, regardless of income, status, or location, should have access to quality healthcare without financial hardship.

At its core, UHC is a practical expression of Ubuntu in the healthcare system. It demands that we view health not as a privilege for the few, but as a shared right and responsibility. It calls for solidarity in healthcare financing, equity in access to services, and the prioritisation of the vulnerable. It recognises that the well-being of one contributes to the well-being of all.



Sedmed's response:

Sedmed, as a faith-based medical scheme, embraces this ethical foundation. Our mission—to provide affordable, member-focused, quality healthcare—is inherently aligned with the principles of Ubuntu as reflected in UHC. We see healthcare not just as a transaction, but as a ministry of compassion and community care. This has informed key initiatives such as:

- Expanding access to lower-income employees within the Church community through proposed contribution support mechanisms;
- Investing in preventative care and member education, recognising that long-term health requires proactive care, not just reactive treatment;
- Upholding fairness and transparency in benefit design and governance, ensuring every member is treated with dignity and equality.

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:

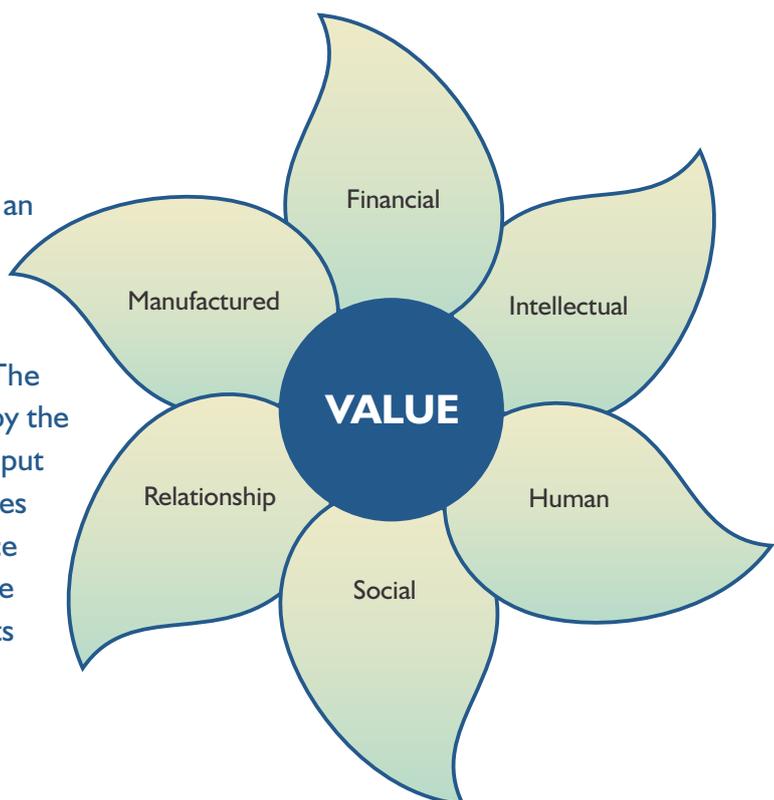
A significant cause of member frustration is high call and query turn-around times from the Sedmed office. Possible solutions to the problem are appointing additional staff members and implementing systems to improve service delivery. Management responded to this matter by the appointment of more employees to assist with service delivery. 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.

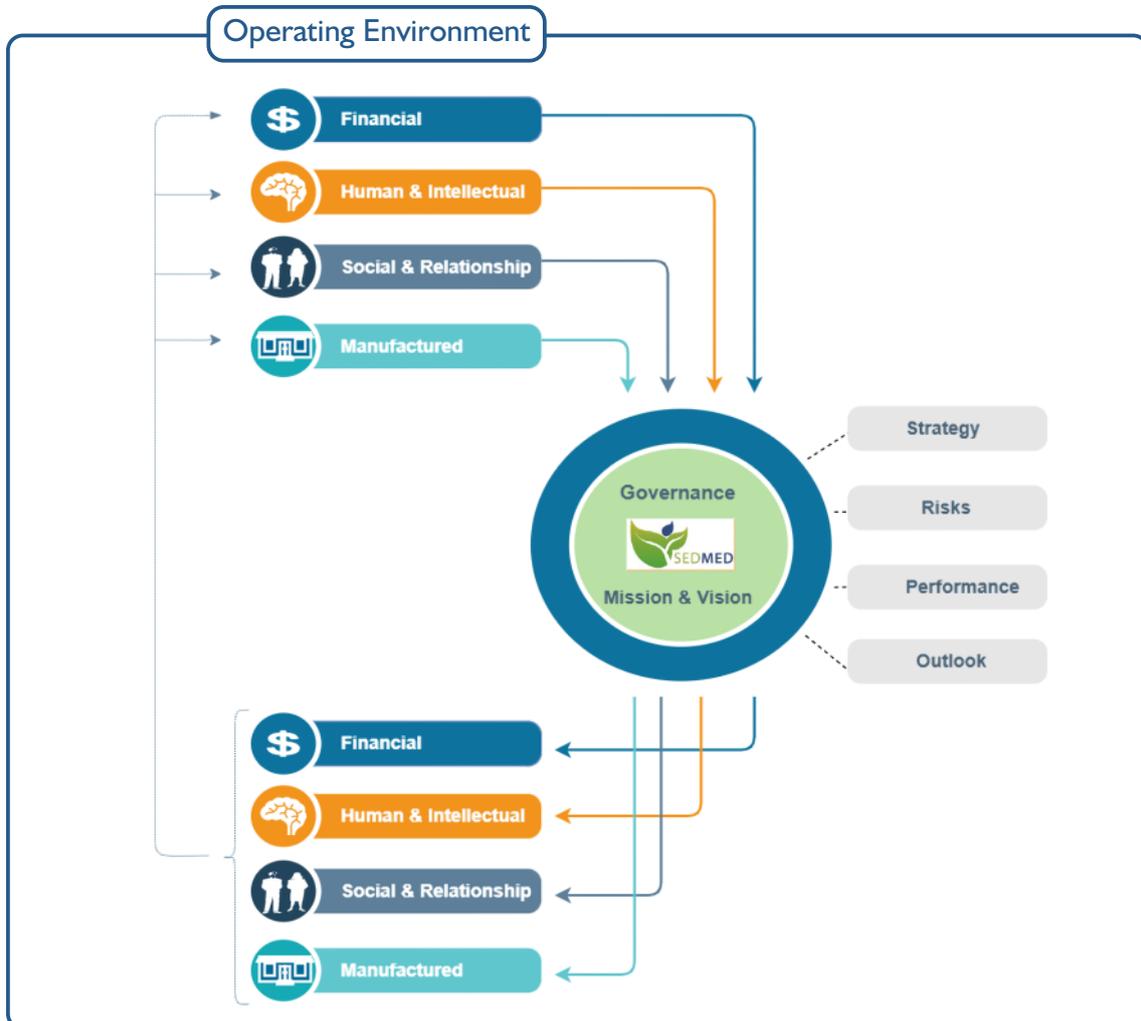
Human
Board members, employees, stakeholders and strategic partners.

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 76 369 207 (2023: R 71 194 458)
- Investment income of R 5 780 658 (2023: R 3 903 335)

Human & Intellectual

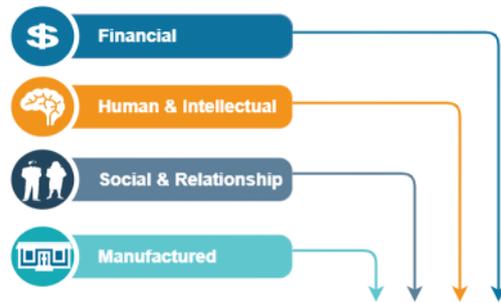
- Skilled and dedicated Board of Trustees responsible for scheme governance and strategy.
- Compliant governance frameworks, processes and structures.
- Capable management team and operational staff can effectively perform their duties through continuous learning.

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 IT infrastructure and administration programmes.



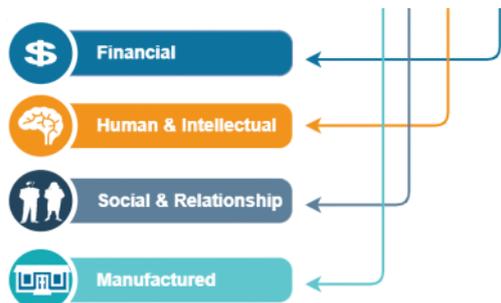
Material Matters affecting core inputs:

Size and Scale & Pensioner Ratio (p13)
Member Needs (p16)
Benefit Design (15)

Member Needs (p16)
Benefit Design (p15)

Member Needs (p16)
Benefit Design & Value-Add (p15)

Member Needs (p16)



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 80 023 587 in member claims to promote our members' health and well-being. Of this amount, the following were paid:

- Hospitalisation: R 40 975 170.00
- Day-to-day: R 15 293 804.00
- PMB non CDL: R 10 559 791.00
- PMB CDL: R 4 388 324.00

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

Age grouping (in years) 2024	In-hospital	PMB	Chronic	Day-to-day	Total
<26	3,788,168	4,382,316	238,413	2,332,516	10,741,413
26-35	2,137,621	75,343	189,251	1,026,497	3,428,712
36-50	6,502,181	369,403	589,842	3,088,685	10,550,110
51-65	8,550,879	655,165	1,374,263	4,262,919	14,843,227
>65	19,996,321	5,077,564	1,996,555	4,583,187	31,653,627
Total	40,975,170	10,559,791	4,388,324	15,293,804	71,217,089

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

The gross administrative expenses of the scheme were held under 10% at 2.78% of insurance revenue received.

The scheme paid 97.3% of its income towards member claims.

The scheme solvency ratio decreased from 70.82% in 2023 to 69.26% in 2024. The statutory solvency ratio required for a medical scheme is 25%. The main reason for the decrease in solvency is mainly due to three unexpected high-cost hospitalisation cases that amounted to an unbudgeted claims increase of almost R7 000 000.00. Notwithstanding, the solvency ration of the scheme remains well above the statutory soveny ratio.

Scheme reserves grew by 4.94% from R50 406 114.00 to R52 894 900.00



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 five 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. Refresher training was provided on the Sedmed administration programme to ensure effective operational processes within the scheme ensuring member satisfaction and staff competence and growth.





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

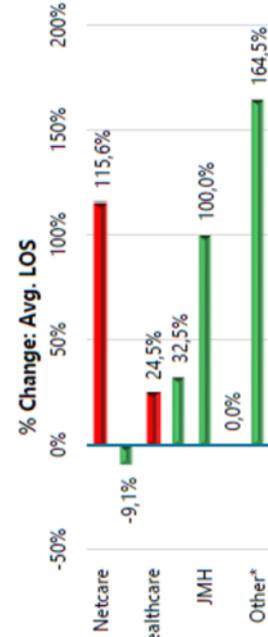
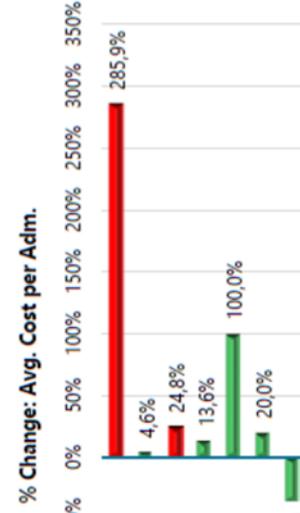
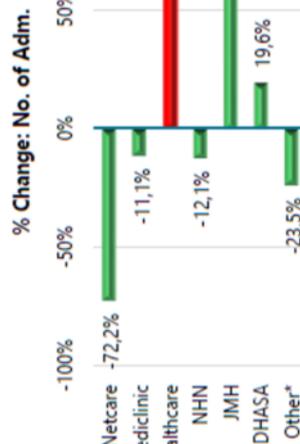
The scheme paid a total of R40 975 170.00 for hospital admissions. The top ten most expensive hospital admissions during 2024 amounted to R10 837 417.00. This equates to an admission cost of R 1 083 742.00 per individual. On an average contribution per member, it will take 433 years of contributions by the said members to fund their hospitalisation expenses for 2024. The aforementioned claims constitute 25.3% of hospital claims for 2024.

The top ten oncology costs amounted to R1 448 188.00.

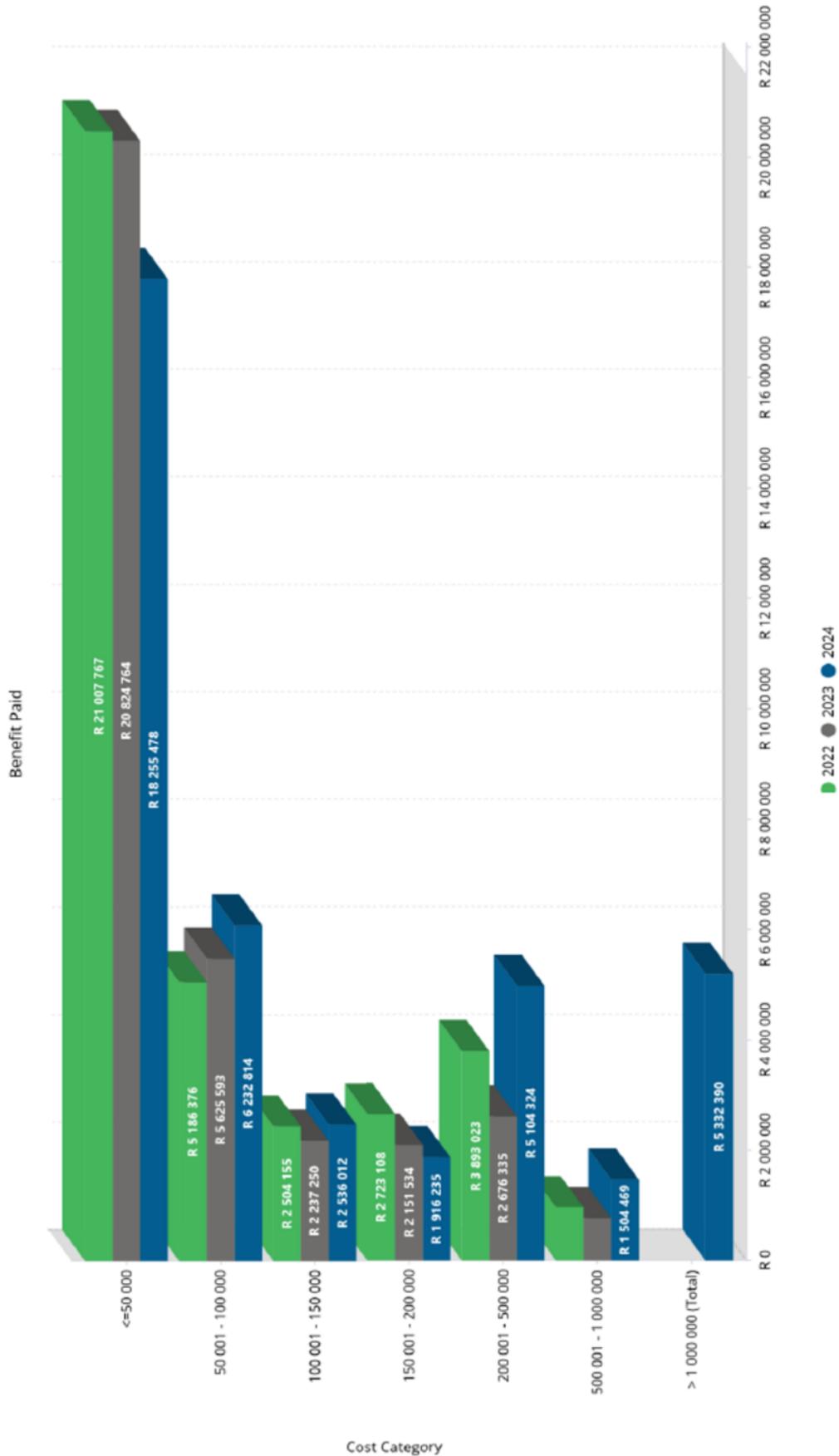
Specialist costs increases by 9.7% compared to 2023. Notably, the largest percentage increases in costs are observed among specialists such as Paediatricians (251.6%), Urologist (118.1%) and Surgeon (41.2%). Fluctuation in the percentage change in specialist costs is associated with the top 10 high-cost admissions.

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

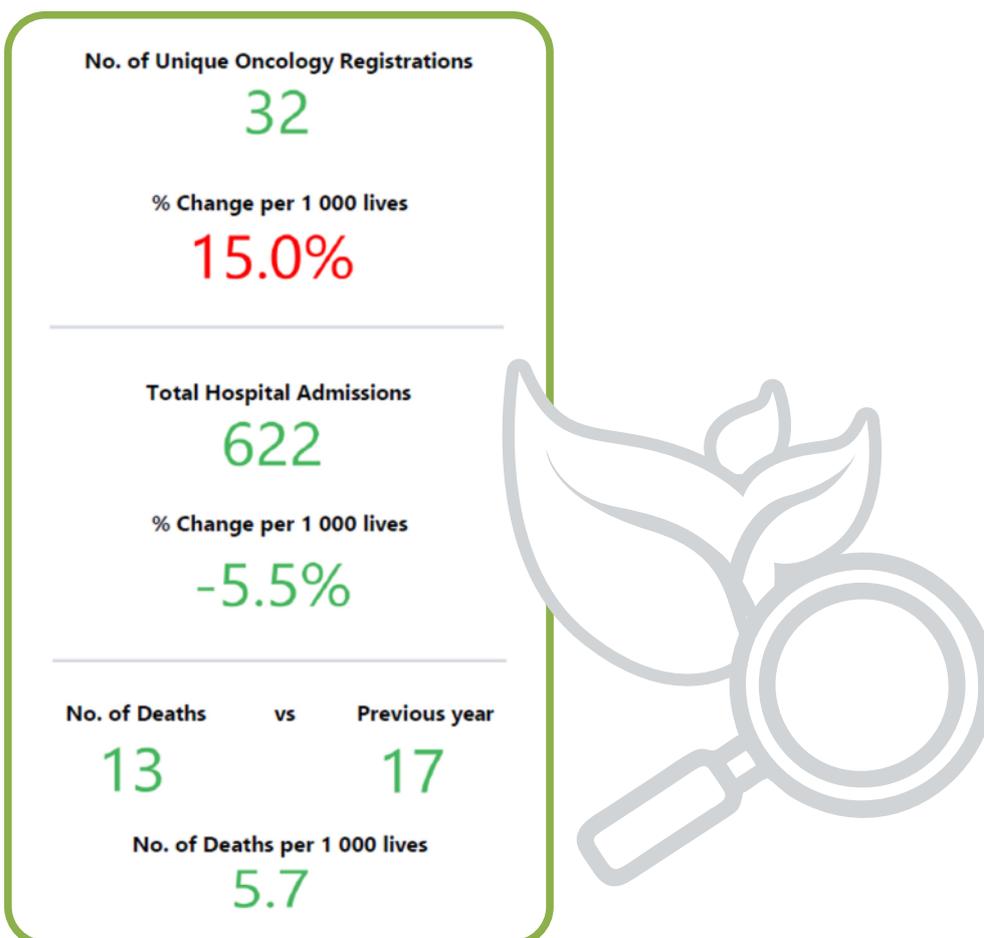
Network Group	2023				2024				% Change			% of Total Hospital Cost		% of Total Hospital Admissions		
	No. of Adm.	Avg. LOS	Hospital Cost	Avg. Cost /Adm.	No. of Adm.	Avg. LOS	Hospital Cost	Avg. Cost per Adm.	No. of Adm.	Avg. LOS	Hospital Cost	Avg. Cost per Adm.	2023	2024	2023	2024
Mediclinic	226	5.5	R7 182 499	R31 781	201	5.0	R6 679 333	R33 231	-11.1%	-9.1%	-7.0%	4.6%	31.6%	23.4%	34.1%	34.5%
Life Healthcare	80	4.9	R3 475 319	R43 441	167	6.1	R9 052 809	R54 208	108.8%	24.5%	160.5%	24.8%	15.3%	31.8%	12.1%	28.6%
NHN	107	8.0	R3 360 135	R31 403	94	10.6	R3 354 055	R35 681	-12.1%	32.5%	-0.2%	13.6%	14.8%	11.8%	16.1%	16.1%
DHASA	46	0.0	R767 946	R16 694	55	0.0	R1 101 962	R20 036	19.6%	0.0%	43.5%	20.0%	3.4%	3.9%	6.9%	9.4%
Netcare	187	4.5	R7 410 912	R39 631	52	9.7	R7 952 461	R152 932	-72.2%	115.6%	7.3%	285.9%	32.6%	27.9%	28.2%	8.9%
JHM	0	0.0	R0	R0	1	5.0	R92 082	R92 082	100.0%	100.0%	100.0%	100.0%	0.0%	0.3%	0.0%	0.2%
Other*	17	3.1	R524 746	R30 867	13	8.2	R258 652	R19 896	-23.5%	164.5%	-50.7%	-35.5%	2.3%	0.9%	2.6%	2.2%
Total	663	5.4	R 22 721 558	R 34 271	583	6.7	R 28 491 354	R 48 870	-12.1%	24.1%	25.4%	42.6%	100%	100%	100%	100%



The table below presents the admission cost breakdown for Sedmed:



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



The table below provides information of hospital admissions over R200 000.00.

YTD	2022		2023		2024	
Type of Admission	No. of Adm.	Benefit Paid	No. of Adm.	Benefit Paid	No. of Adm.	Benefit Paid
Newborns and other neonates	1	R225 655	0	R0	2	R2 750 296
Cellulitis, Infectious & Parasitic Conditions	0	R0	0	R0	1	R2 160 625
Abdominal / GIT Related	1	R404 767	0	R0	2	R1 740 831
Cardiac Related	3	R764 727	4	R1 084 175	5	R1 723 627
Respiratory Related - not Covid-19	0	R0	0	R0	2	R1 211 686
Spinal Related	2	R430 505	2	R505 747	3	R721 374
Endocrine, nutritional and metabolic diseases	0	R0	0	R0	1	R400 497
Rehabilitation	0	R0	0	R0	1	R337 880
Joint Replacement	2	R1 012 057	0	R0	1	R238 505
Stroke / TIA	0	R0	0	R0	1	R228 566
Covid-19	1	R256 795	0	R0	1	R221 026
Musculo-Skeletal System Treatment / Procedure	0	R0	0	R0	1	R206 271
Integumentary Treatment / Procedure	1	R1 225 830	0	R0	0	R0
Head and Neck Procedures	0	R0	1	R787 187	0	R0
Cancer Related	1	R359 603	1	R256 448	0	R0
Urinary Tract Related	0	R0	1	R422 487	0	R0
Cranial / Brain Related	0	R0	1	R407 479	0	R0
Diabetes Mellitus	1	R201 619	0	R0	0	R0
Total	13	R 4 881 558	10	R 3 463 522	21	R 11 941 184

Medicine

The scheme paid R6 216 706.00 (2023: R6 502 971.00) on medicine claims. These claims represent 43 363 items approved for payment with an average cost per item of R143.36. Medical expenditure increased by 0.21% year on year.

Acute expenditure (32% of medicine expenditure) increased by 8.9%, due to a 5.64% increase in item costs and a 2.42% in prevalence. Intensity decreases by 0.10%.

The **OTC benefit** (12.2% of medicine expenditure) increased by 7.34%, due to a 4.29% increase in item costs and 4.17% increase in prevalence. Intensity decreased by 1.19%.

The **oncology benefit** was responsible for 9.6% of medicine expenditure in 2024 compared to 15.0% in 2023. Expenditure pbpm decreased by 35.85%, due to a 39.62% decrease in item cost and a 3.56% decrease in prevalence. Intensity increased by 10.18%. In 2024, an average of five patients claimed for oncology medicines at R9 107 per patient per month compared to the six patients at R12 948 for 2023. The large decrease is primarily due to Adcetris®, the highest costing oncology medicine in 2023, not being claimed in 2024.

Chronic expenditure (4.2% of medicine expenditure) increased by 11.72%, due to a 10.08% increase in item cost and a 1.53% increase in intensity. Prevalence decreased by only 0.04%.

Although the average number of beneficiaries claiming chronic medications decreased marginally from 86 patients in 2023 to 85 in 2024, the cost per patient per month experienced a substantial rise.

In 2023, the average cost was R228.29 per patient per month, whereas this figure increased to R252.28 in 2024. This is partly due to existing patients changing to products with a higher average cost. 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%.

The table below shows the top 10 chronic conditions for Sedmed:

Condition	SEDMED							Mediscor Client Base
	# UBs	# Items	% Total cost	Total cost (R)	Patient pay (R)	Total cost per item (R)	Total cost per UB* (R)	Total Cost per item (R)
Totals	648	16 242	100.0	2 800 045	336 523	172.40	4 321.06	174.05
HYPERTENSION	393	5 190	20.9	586 005	82 858	112.91	1 491.11	101.69
DIABETES MELLITUS TYPE 2	147	2 773	18.5	517 947	54 621	186.78	3 523.45	181.53
HYPERLIPIDAEMIA	208	2 201	6.9	193 523	25 833	87.93	930.40	87.94
DIABETES MELLITUS TYPE 1	7	233	5.8	162 234	6 238	696.29	23 176.35	390.58
DYSRHYTHMIA	25	407	5.3	149 328	27 377	366.90	5 973.10	312.87
BIPOLAR MOOD DISORDER	22	541	4.9	137 054	12 112	253.34	6 229.75	267.62
MULTIPLE SCLEROSIS	1	34	3.6	101 973	542	2 999.19	101 972.51	3 455.16
CHRONIC RENAL DISEASE	8	148	3.2	89 437	4 754	604.30	11 179.63	509.91
DEPRESSION	43	394	2.6	73 042	26 359	185.39	1 698.65	161.77
HIV/AIDS	24	223	2.5	70 850	411	317.71	2 952.08	286.13

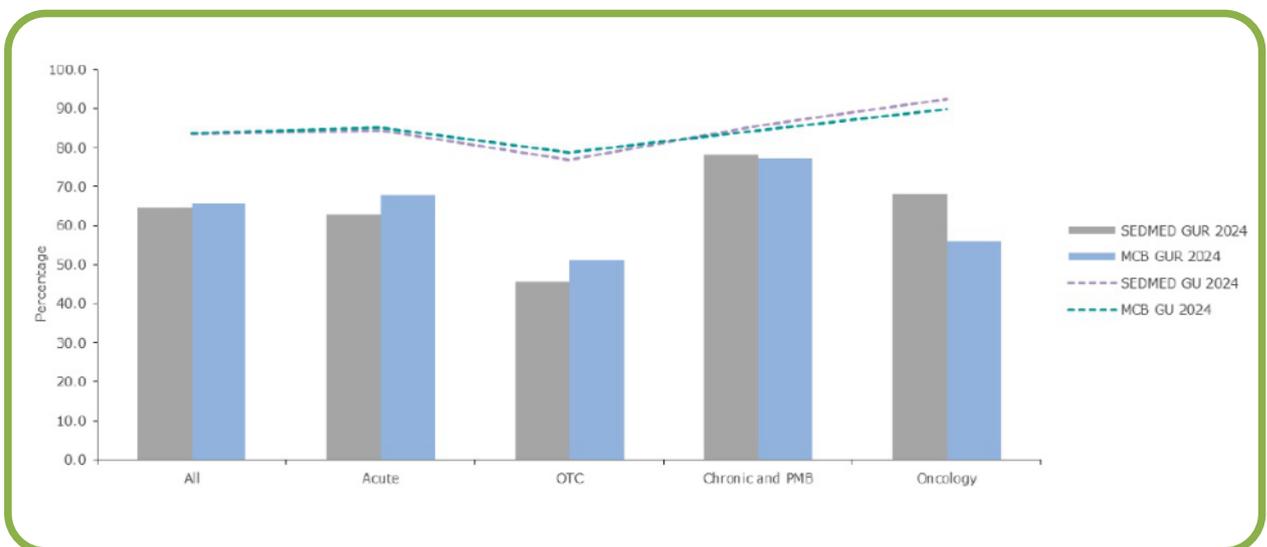
*UB = beneficiary/ies



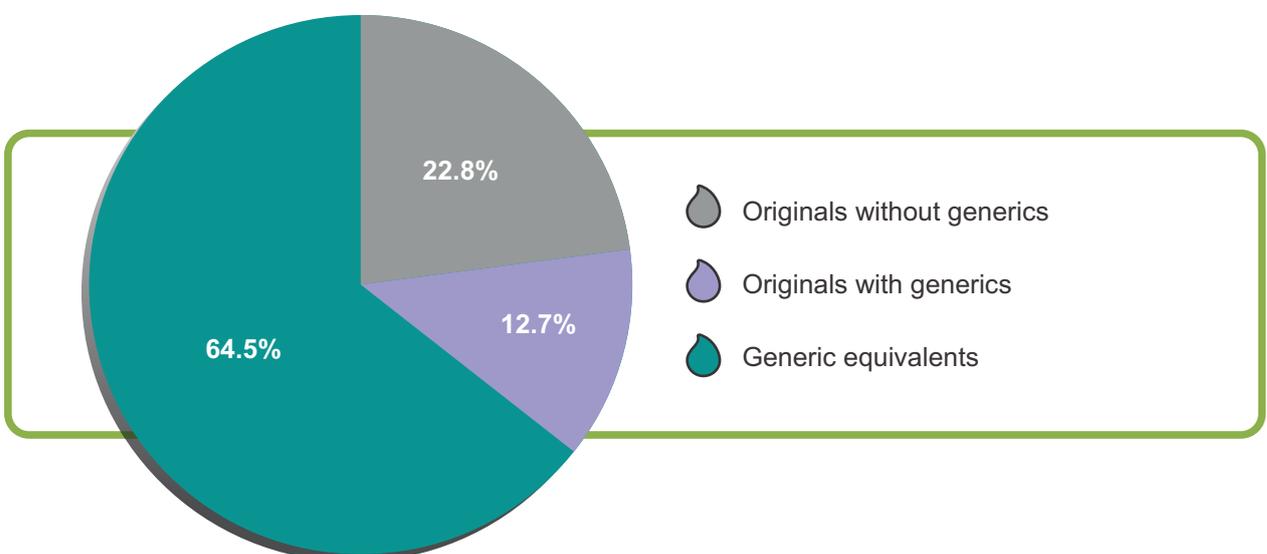
Expenditure on the **PMB benefit** was responsible for 38.0% of medicine expenditure in 2023 compared to 35.5% in 2022. The cost pbpm increased by 2.28%, due to a 1.64% increase in item cost, a 0.40% increase in prevalence and a 0.24% increase in intensity. For 2023, an average of 414 patients claimed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

Generic utilisation rate increased from 64.0% in 2023 to 64.5% for 2024. This compares to 65.6% for the Mediscor Client Base for 2024. Generic uptake decreased from 83.8% in 2023 to 83.5% for 2024. This compares to 83.7% for the Mediscor Client Base for 2024.

The table below shows the generic utilisation rate by benefit category for Sedmed.



The table below shows the generic volume distribution by product.



4.2.4.4 Manufactured

Sedmed's Manufactured Capital encompasses the digital, technological, and physical infrastructure that enables the Scheme to deliver services efficiently, securely, and consistently to its members. In 2024, strategic investment in our core systems and platforms played a pivotal role in improving member experience, operational reliability, and service accessibility. Key developments include the continued enhancement and rollout of the Sedmed Mobile App and online membership application platform, which have greatly simplified access to Scheme services and enabled real-time engagement. The digital onboarding system has improved turnaround times and reduced administrative inefficiencies, aligning with our objective of streamlined, paperless operations. Our transition to a fully cloud- and server-based document management system marks another significant advancement in this capital area. This not only supports environmental sustainability under our ESG goals but also strengthens data security and compliance with the Protection of Personal Information Act (POPIA). In addition, Sedmed upgraded its automated payment run system, introducing tighter internal controls, encryption protocols, and audit trails. This enhances both financial integrity and operational resilience in managing payments to members and providers. The phased development of a Specialist Provider Network further strengthens our service infrastructure by establishing structured, quality-assured access to specialist care, based on clinical and financial best practices. Collectively, these improvements reflect Sedmed's commitment to building and maintaining a robust operational backbone. Our Manufactured Capital ensures that we can meet the evolving needs of our members while remaining efficient, compliant, and forward-looking in our service delivery.



5. STRATEGY AND LEADERSHIP REVIEWS

5.1 Chairman's Report



Chairperson's Report

Francois Louw
Chairperson, SEDMED

Dear Members,

Welcome

It is my great honour and privilege, on behalf of the Board of Trustees, the Principal Officer, and the administrative team of Sedmed Medical Scheme, to welcome you to the 2025 Annual General Meeting. This gathering is more than a statutory requirement, it is a vital occasion that brings us together as members, leaders, and custodians of a shared mission.

The AGM offers us an important opportunity to reflect on the journey of the past year, one marked by economic turbulence, regulatory shifts, and profound developments in the healthcare sector. It is also a time to evaluate our progress, acknowledge the challenges still ahead, and reaffirm the values that guide our work. In a healthcare landscape that is rapidly evolving, forums like these ensure transparency, foster accountability, and strengthen the bond between the Scheme and its members.

Thank you for joining us. Your presence and participation are at the heart of Sedmed's strength and continued success.

Appreciation for Our Principal Officer, Members and Administrative Personnel

At the heart of Sedmed's stability and progress this past year lies the unwavering dedication of its people. I would like to begin by extending our sincere gratitude to our Principal Officer, Mr Andrew du Preez, whose steadfast leadership and unwavering commitment have been critical in guiding Sedmed through a demanding and dynamic healthcare landscape. His ability to lead with both technical precision and a deep sense of mission has helped the Scheme not only maintain operational strength but also advance its strategic goals.

Mr du Preez's report, which will be presented during this meeting, provides a comprehensive overview of the strides made during 2024. It reflects both the challenges faced and the innovative responses employed to safeguard the Scheme's sustainability, improve member access, and reinforce our commitment to excellence. His leadership

continues to position Sedmed as a reliable, values-driven healthcare partner within the South African medical scheme sector.

To our members: thank you. Your continued trust, engagement, and loyalty form the very foundation of this Scheme. You are not just beneficiaries—you are co-guardians of Sedmed's legacy and future. Your feedback, participation in governance processes, and collective responsibility in managing claims and resources are deeply appreciated. It is your partnership that enables Sedmed to remain strong, ethical, and member-focused.

I also wish to acknowledge and celebrate the dedication of our administrative staff. Operating as a small but highly capable team, you have kept the core of Sedmed running smoothly under often intense and complex conditions. Your professionalism, empathy, and commitment to service are evident in every member interaction, claim processed, and operational improvement achieved. You are the engine behind our day-to-day delivery—and your efforts do not go unnoticed.

Finally, I extend a heartfelt thank you to the members of our sub-committees. Your voluntary contribution of time, insight, and oversight in areas ranging from audit and compliance to investment and clinical governance has enriched the quality of our decisions and fortified our accountability. You serve with integrity and diligence, and for that, we are sincerely grateful.

Together, as members, leaders, and staff, we continue to build a Scheme that reflects the values of stewardship, equity, and compassion. Thank you for your service and your trust.

Achievements and Highlights

The Principal Officer's report outlines in detail the strategic and operational milestones achieved by Sedmed over the past year. I would like to take this opportunity to emphasise some of the notable highlights that demonstrate the Scheme's unwavering commitment to innovation, resilience, and member-focused excellence.

Throughout 2024, Sedmed advanced its efforts in safeguarding member benefits, enhancing service quality, and reinforcing financial stability. These achievements reflect our dedication to securing long-term sustainability while adapting to the evolving needs of our members and the broader healthcare landscape. Among the key accomplishments are the following:

- **Laying the Groundwork for Future Enhanced Member Benefits:**
We undertook a comprehensive benefit design review, including external benchmarking through the BERICO study, which confirmed that Sedmed's benefit richness compares favourably with larger open schemes. Our engagement with specialist consultants and service providers has positioned us to expand and strengthen the range of services available to members. Notably, the Scheme is actively working toward implementing a preventative care programme, focused on wellness, early detection, and long-term health outcomes. This shift reflects our





intention to promote health, not just treat illness.

- **Digital Transformation and Technological Innovation:**

Sedmed made significant strides in digital innovation this past year. The successful rollout of the Sedmed Mobile App has empowered members with real-time access to their benefits, claims history, and provider information—streamlining communication and reducing administrative bottlenecks. In addition, the introduction of a fully digital new member application platform has simplified onboarding, improved data integrity, and accelerated processing times. These developments are part of a broader strategy to modernise service delivery and enhance member engagement through accessible, secure, and user-friendly technology.

- **Strengthened Financial Stewardship and Stability:**

Operating as a small, closed medical scheme carries unique risk-sharing constraints, particularly in the face of rising healthcare costs and an uncertain macroeconomic environment. Despite these challenges, Sedmed has remained financially resilient, maintaining solvency levels well above the statutory requirement. Through careful budgeting, prudent investment oversight, and disciplined claims management, the Scheme continues to offer both financial security and peace of mind to our members. Our ability to contain contribution increases while protecting benefit value speaks to the strength of our financial governance.

These achievements reflect not just operational progress, but a deeper commitment to safeguarding the wellbeing of our members. Every milestone reached is part of a broader mission to serve, protect, and uplift those who place their trust in Sedmed.

Role of the Board of Trustees (Governing Body)

The Board of Trustees serves as the strategic and ethical anchor of Sedmed Medical Scheme. In a complex and shifting healthcare landscape, the Board is charged with ensuring that the Scheme remains financially sustainable, operationally effective, and fully aligned with its mission to deliver high-quality, member-centred healthcare.

In 2024, the Board's focus extended beyond day-to-day oversight to include the critical task of navigating the broader policy environment—particularly in response to the signing of the National Health Insurance Act. Trustees have remained engaged with industry bodies and regulatory authorities to assess potential impacts, advocate for the preservation of member choice, and position Sedmed to adapt appropriately while safeguarding member benefits.

The core responsibilities of the Board encompass:

- **Strategic Leadership:** Defining Sedmed's long-term direction and ensuring its strategy remains responsive to national healthcare reform and member needs.
- **Risk Management:** Proactively identifying and mitigating financial, operational, and legislative risks that could impact the Scheme's stability.

- **Performance Oversight:** Monitoring the Scheme's financial performance, benefit delivery, and service outcomes, ensuring high standards are maintained.
- **Sustainability and Innovation:** Steering Sedmed towards long-term viability through prudent financial management and forward-thinking decision-making.

In keeping with the principles of King IV, the Board is also deeply committed to ethical governance. We seek to foster a culture of integrity, accountability, and transparency throughout the Scheme. Our governance practices are designed not only to meet compliance standards but to uphold the trust placed in us by our members. As part of strengthening governance practices, Sedmed has also introduced term limits for Board members, aligned with best practice guidelines in the healthcare and non-profit sectors. While experience and continuity are valuable, prolonged tenure can hinder fresh perspectives and renewal. To balance both, the Scheme has amended its Rules to limit Trustees to a maximum of three consecutive terms, equivalent to nine years of service. After serving three terms, a Trustee must take a mandatory one-term break before being eligible for re-election. This change promotes board renewal, enhances oversight independence, and creates space for emerging leadership. However, with term limits comes the need for intentional succession planning. The Board is acutely aware that as long-serving Trustees conclude their terms, critical institutional knowledge and skills must be preserved.

These changes underscore our commitment to effective governance, generational renewal, and long-term sustainability, ensuring that Sedmed remains both principled and progressive in the years to come. As custodians of the Scheme, the Board recognises the weight of its responsibility. We remain committed to leading Sedmed with discernment and purpose, ensuring that every decision serves the health, dignity, and well-being of our members today and into the future.

Main Challenges for the Board of Trustees in a VUCA World

In today's unpredictable and fast-changing environment, often described as volatile, uncertain, complex, and ambiguous—or VUCA—the role of Sedmed's Board of Trustees has become more demanding and more essential than ever. Our work is shaped by both external forces and internal responsibilities that require not only oversight, but foresight, resilience, and a deep commitment to ethical leadership.

One of the foremost challenges we continue to grapple with is building resilience within the Scheme itself. The aftermath of the COVID-19 pandemic served as a stark reminder of the need for strong systems, adaptable structures, and the ability to respond quickly in times of crisis. As a Board, we are focused on ensuring that Sedmed remains prepared, not only for health emergencies, but for financial, operational, and regulatory disruptions.

Another key concern is the rising cost of healthcare, which continues to outpace inflation and place pressure on member contributions. Balancing affordability with the need to offer comprehensive, quality benefits is no easy task. It requires innovation in how we design





benefits, manage claims, and work with service providers to ensure value for money.

Related to this is the ongoing challenge of managing high claim trends. While we are committed to ensuring that members receive the care they need, we must also be mindful of long-term sustainability. High utilisation, particularly in chronic care and hospitalisation, can strain the Scheme's resources. Our focus remains on deploying effective cost-containment measures that preserve care quality while protecting the financial health of the fund.

Fraudulent claims also remain a threat—one that erodes trust and drains valuable resources. As a Board, we uphold zero tolerance for unethical behaviour and continue to strengthen fraud prevention and detection mechanisms. Governance, for us, is not just a compliance requirement—it is a moral imperative to protect the shared pool of resources entrusted to us.

Reducing out-of-pocket expenses for members is another area of active concern. These costs are often a hidden burden on families, especially when gaps in coverage or provider arrangements lead to unexpected payments. Through more strategic partnerships and benefit design enhancements, we are working to ease that burden and ensure that care remains financially accessible.

A larger and more complex challenge lies in ensuring the long-term viability of Sedmed itself. As a small, closed medical scheme, our growth potential is limited by design. Yet, this only heightens the importance of prudent financial planning, scenario modelling, and member retention. The Board remains committed to securing the Scheme's future through sound investments, responsible budgeting, and constant review of our strategic direction.

Of course, no discussion of current challenges would be complete without acknowledging the broader healthcare policy environment. The recent signing of the National Health Insurance Act has introduced significant uncertainty into the industry. While the Act sets out an ambitious vision of universal healthcare, its impact on restricted schemes like Sedmed is still unfolding. We are actively monitoring developments, engaging in policy discussions, and ensuring that we are prepared to respond with agility and purpose when the time comes.

These challenges, though varied, are interconnected, and together, they form the backdrop against which the Board must operate. Yet, in the face of complexity, we remain steadfast. Our commitment is to lead Sedmed with clarity, to protect its values, and to ensure that it continues to serve its members with excellence, integrity, and compassion, regardless of the uncertainty that lies ahead.

Financial Soundness and Value for Money

At the core of Sedmed's long-term sustainability is a disciplined and forward-looking approach to financial management. In an economic climate characterised by slow growth, elevated unemployment, and persistent cost-of-living pressures, maintaining the Scheme's financial stability has been both a challenge and an achievement.

Despite these headwinds, Sedmed concluded the 2024 financial year in a position of strength. Our reserves remain well above the statutory 25% solvency requirement, providing the Scheme with a solid buffer against volatility in claims experience, healthcare inflation, and broader market risks. This healthy solvency ratio ensures not only the Scheme's ability to meet its obligations to members and service providers but also instills confidence in our long-term viability.

A key priority for the Board has been to safeguard the Scheme's capital without compromising member value. To this end, the Scheme's investment strategy has been guided by prudence, diversification, and alignment with our risk appetite. Through diligent oversight and collaboration with our Investment Committee, Sedmed has been able to balance risk and return while meeting liquidity needs for claims and operations.

Importantly, Sedmed's value proposition remains strong. According to the independent BERICO benchmarking study conducted by Alexander Forbes, Sedmed's benefit richness exceeds the industry average when compared to five of the country's largest open medical schemes. This means our members receive access to a broader and deeper range of benefits, across chronic care, hospitalisation, and day-to-day services, than is typically available at comparable contribution levels.

What sets Sedmed apart is not just the quality of cover, but its affordability. While many schemes have implemented aggressive contribution increases to manage rising healthcare costs, Sedmed has remained disciplined in controlling expenses and ensuring that increases are reasonable, justified, and aligned with real value delivered. In several categories, our contribution levels are lower than industry norms, offering members high-quality, comprehensive cover at a cost that reflects stewardship and fairness.

This balance of financial strength and affordability speaks directly to our mission: to offer accessible, member-focused healthcare that promotes well-being without placing undue strain on the financial resources of our members or their families.

Looking ahead, we will continue to prioritise sound financial governance, adapt to the changing regulatory and economic environment, and remain committed to delivering value-for-money in every aspect of Scheme operations.

Regulatory Oversight and CMS Findings

As a registered medical scheme operating under the Medical Schemes Act, Sedmed is subject to the regulatory authority of the CMS. The role of the CMS is essential—not only





in upholding the integrity of the industry but in ensuring that schemes like Sedmed operate with transparency, fairness, and in the best interests of their members.

During 2023, Sedmed was subject to a formal review by the CMS. The findings of that review have served as a timely and valuable reminder of the importance of maintaining strong corporate governance standards, even as a Scheme that exists to serve the mission and workforce of the Seventh-day Adventist Church. Our faith-based foundation must never be used as a reason to lower the bar on governance. Instead, it should strengthen our commitment to accountability and stewardship.

We acknowledge the concerns raised by the CMS and view them not as criticisms but as opportunities to enhance our internal frameworks and refine our operational practices. In this regard, Sedmed has already demonstrated its seriousness and intent. Over the past two years, the Board has implemented a number of governance reforms, including the adoption of updated policies, improved committee oversight, and greater alignment with the King IV principles of ethical and effective leadership.

In addition, we have engaged the CMS directly and constructively. Several in-person meetings were held between Scheme leadership and CMS officials to discuss the matters affecting Sedmed's regulatory standing. These engagements were frank, professional, and ultimately encouraging. We are pleased to report that these discussions yielded positive outcomes, including a shared understanding of the corrective steps being taken and a mutual commitment to ongoing collaboration.

Sedmed remains resolute in its determination to work with the CMS in a spirit of transparency and accountability. We recognise that governance is not merely a compliance requirement, it is a moral responsibility. It safeguards the contributions of our members, strengthens public trust, and underpins the long-term sustainability of the Scheme.

As we move forward, the Board will continue to prioritise compliance, risk management, and ethical leadership. We are committed to being an exemplary faith-based medical scheme, one that honours its values while meeting, and where possible exceeding, the standards set by our regulator.

Combating Fraud, Waste, and Abuse (FWA) through Innovation

Fraud, Waste, and Abuse (FWA) remain a persistent and costly challenge across the healthcare funding industry. According to estimates from the Board of Healthcare Funders (BHF), as much as 10–15% of all scheme expenditure is lost to FWA annually. For Sedmed, this translates to a potential financial leakage of R7–R10 million every year—a figure that directly impacts the funds available for legitimate member claims and benefit improvements.

The Scheme recognises that traditional approaches to detecting and managing FWA, while still important, are no longer sufficient in isolation. The complexity and volume of

healthcare data demand more sophisticated, proactive, and adaptive tools. This is where Artificial Intelligence (AI) will play a pivotal role.

Sedmed is currently exploring the integration of AI-powered technologies into its day-to-day operations as part of a broader digital strategy aimed at improving efficiency and reducing risk. AI offers powerful capabilities in identifying unusual billing patterns, flagging suspicious claims in real time, and learning from historical trends to improve future prevention. The speed, accuracy, and scalability of AI make it the most promising tool in the fight against FWA.

Importantly, our third-party service providers have already adopted AI-driven systems to assist Sedmed in this effort. These systems are currently in operation and are enhancing our ability to detect inconsistencies, analyse provider behaviour, and support investigations that might otherwise take months to complete using manual methods.

As we move forward, the Board is committed to formalising the use of AI as a key risk management tool, ensuring that we remain not only compliant with regulatory expectations but also at the forefront of innovation. Every rand recovered or prevented from being lost to fraud is a rand redirected toward improving member health and benefit sustainability.

This is not just about technology, it's about protecting our members, preserving the financial integrity of the Scheme, and honouring the principle of stewardship that guides everything we do.

Strategic Outlook: Growth, Equity, and Stewardship

As we look to the future, the Board of Trustees remains guided by a clear and principled strategy focused on three pillars: growth, equity, and stewardship. These themes are not abstract aspirations, they are anchored in the realities of our member base, the broader socio-economic context, and the evolving demands of South Africa's healthcare system.

Growth, within the context of a restricted medical scheme, presents unique challenges. Our membership base is defined by the employment boundaries of the Seventh-day Adventist Church, and as such, we cannot rely on mass market expansion. However, we believe there is still untapped opportunity, particularly among lower-income employees within the Church's institutions. These workers often face barriers to accessing private healthcare, despite working within structures served by Sedmed.

Beyond growth, we recognise that true sustainability is multifaceted. It depends on robust risk management, effective claims oversight, and the continued education of members about responsible healthcare usage. Member behaviour has a direct impact on the financial health of the Scheme. That is why Sedmed will continue to invest in communication strategies and digital tools that empower members to make informed choices, prevent unnecessary claims, and use designated service providers effectively.





In addition, we are enhancing our fraud prevention and detection systems to protect the integrity of the fund. Fraudulent activity, while statistically limited, poses a significant threat to the long-term viability of the Scheme if left unchecked. Through strengthened controls and member awareness, we aim to foster a culture of vigilance and accountability.

Our strategic partnerships also remain key. Sedmed's contracted service providers, including administrators, managed care partners, and pharmacy benefit managers, play a critical role in ensuring operational efficiency, clinical appropriateness, and cost-effectiveness. Maintaining close, transparent collaboration with these partners will be central to achieving both member satisfaction and operational success.

In all these efforts, we hold fast to our stewardship mandate. We do not manage Sedmed as a commercial venture, but as a community resource entrusted to us by our members and ultimately guided by the values of service, compassion, and equity. With careful planning, collaborative leadership, and unwavering ethical commitment, we are confident that Sedmed will continue to fulfil its mission long into the future.

Acknowledgements and Closing Reflections

In closing, I wish to express my sincere thanks to the Principal Officer, the management team, and all administrative personnel for your tireless efforts throughout the year. Your professionalism, humility, and commitment reflect the values of the Seventh-day Adventist Church in action.

To my fellow trustees, thank you for your wisdom, integrity, and unwavering focus on the mission of Sedmed. And most of all, I thank our members. Your trust and engagement sustain this Scheme. You are not just beneficiaries; you are co-stewards of this fund.

As we look to the future, we do so with faith, resilience, and clarity. Sedmed remains a beacon of ethical health stewardship, committed to affordable care, excellent service, and a vision that places human dignity at the center of healthcare.

May continue to bless our work, guide our leadership, and protect the health of every member under our care.

Thank you.

Francois Louw

Chairperson: SEDMED

5.2 Principle Officer's Report



Sedmed 2025 AGM Report

Andrew du Preez
Principal Officer

1. Introduction

Welcome to the 2025 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 2024, 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:** In 2023, Sedmed successfully introduced *Circuit* AGMs as part of our commitment to enhancing member engagement and ensuring that the Scheme remains responsive to the needs of its members across various regions. This initiative was designed to bring Sedmed closer to its members by facilitating direct interaction at a local level, outside of the central AGM. The first Circuit AGM was held in Durban in 2023 and was met with enthusiasm from members in the region. The meeting provided a valuable platform for open dialogue, allowing members to raise their concerns, seek clarity on benefits, and gain a deeper understanding of the Scheme's operations and governance. The feedback from this event was overwhelmingly positive and demonstrated the value of engaging with members in their own circuits. Building on this success, a second Circuit AGM was conducted in Cape Town in 2024. Attendance was strong, and once again, members expressed appreciation for the opportunity to interact with the Principal Officer and representatives of the Scheme directly. The engagement was constructive, with members commending the initiative and encouraging its continuation in other regions. These Circuit AGMs have proven to be an effective mechanism for strengthening trust, improving communication, and fostering a culture of transparency and accountability. They also provide valuable insights that inform the Board and management in aligning benefits and services with member expectations.

Sedmed intends to continue and expand this initiative, ensuring that members in all regions feel heard, valued, and informed about the workings of their medical aid Scheme.

- **Member Access Through Sedmed Mobile App:** As part of our ongoing drive to modernise service delivery and enhance member convenience, Sedmed launched the *Sedmed Mobile App* in 2023. This digital platform represents a significant operational milestone, giving members direct access to key Scheme services from their mobile devices. The app enables users to view their benefits, track claims, access membership documents, find healthcare providers, and submit queries with ease and efficiency. The launch of the app was accompanied by a focused communication campaign to encourage adoption, particularly among younger and more tech-savvy members. Member feedback thus far has been positive, with many appreciating the convenience of real-time access to their medical aid





information and the reduction in administrative turnaround times. The introduction of the Sedmed App has not only improved accessibility but has also reduced pressure on our call centre and administrative teams, streamlining internal processes and improving response times. We see this tool as a critical part of our digital strategy going forward, and we remain committed to improving its features based on member feedback.

- **Automated and Secure Payment Run Process:** As part of our continuous efforts to enhance operational efficiency and safeguard financial integrity, Sedmed successfully upgraded its payment run process in 2024. This transition from a partially manual system to a fully automated and security-enhanced process marks a significant advancement in our financial operations. The new system integrates advanced workflow automation, significantly reducing manual handling, minimising human error, and shortening processing times. Payments to both healthcare providers and members are now executed more swiftly and with greater reliability. A key focus of the upgrade was the strengthening of internal controls and security protocols. The process now includes, multi-level authentication and approvals before any disbursement, Real-time reconciliation checks, automated audit trails, etc. This improvement not only ensures greater compliance with regulatory standards but also promotes member and provider confidence in the integrity and professionalism of Sedmed's financial operations. It reflects our commitment to leveraging technology for better service and stricter financial stewardship.
- **New Member Digital Application Form:** In line with Sedmed's commitment to modernising administrative processes and enhancing the member experience, a new digital membership application platform was introduced in 2024. Prospective members can now conveniently complete and submit their application forms directly via the Sedmed website, significantly simplifying the onboarding process. This innovation has eliminated the need for physical forms and manual submissions, which were often subject to delays, incomplete information, or back-and-forth correspondence. The digital platform is user-friendly, mobile-responsive, and includes built-in validation checks to ensure that all required information and supporting documents are submitted correctly from the outset. The new system enables real-time tracking of application status by the administration team and allows for faster verification of employment and eligibility criteria. As a result, the turnaround time for processing new applications has been notably reduced, improving the overall efficiency of the Scheme's membership processes and enhancing the first experience of members joining Sedmed. This development reflects our strategic focus on efficiency, accessibility, and service excellence.
- **Transition to a Paperless Administration System:** As part of Sedmed's broader commitment to Environmental, Social, and Governance (ESG) principles, the Scheme implemented a full transition to a paperless administration system in 2024. All member and internal documentation is now securely stored and managed on cloud-based and server-backed digital platforms, eliminating the need for physical document handling. This move significantly reduces the Scheme's environmental footprint by cutting down on paper consumption, printing, and

physical storage. At the same time, it enhances operational efficiency by ensuring quick, secure, and centralised access to records, reducing the risk of document loss or duplication. The digitisation initiative also supports compliance with the Protection of Personal Information Act (POPIA) through improved control over document access, user authentication, and audit trails. It further strengthens data security and backup reliability. Going paperless reflects Sedmed's strategic intent to modernise operations while promoting sustainable and responsible business practices in line with global ESG trends.

- **Revision of Orthodontic Benefit to Reflect Current Healthcare Costs:** In 2024, Sedmed revised its orthodontic benefit limit, increasing it from R12,000 to R24,000 per member per year. This adjustment was made in response to both member feedback and a comprehensive review of actual market-related costs for orthodontic treatment across the country. The previous benefit amount had become misaligned with the realities of clinical pricing, resulting in higher out-of-pocket expenses for members. By doubling the benefit, Sedmed has acted proactively to ensure fair and meaningful cover for this essential healthcare service, particularly for dependants undergoing long-term dental correction. This change demonstrates Sedmed's ongoing commitment to delivering relevant, responsive benefits that support the health and well-being of its members while remaining financially sustainable for the Scheme.
- **Strengthening Governance Through Policy Adoption:** In 2024, Sedmed took further steps to enhance its governance framework by adopting several new and updated governance policies, aligning the Scheme more closely with industry standards and regulatory expectations set by the Council for Medical Schemes. These policies were introduced to promote transparency, accountability, and ethical leadership across all levels of Scheme management. The adopted policies include updates to the Conflict of Interest Policy, Trustee Remuneration Policy, Risk Management Policy, Procurement Policy, and Delegation of Authority, among others. These instruments serve as essential tools to guide decision-making, clarify roles and responsibilities, and ensure that Sedmed operates in compliance with the Medical Schemes Act, the King IV governance principles, and best practices in the healthcare funding sector. The Board of Trustees remains committed to ongoing governance review and enhancement, reinforcing Sedmed's position as a well-managed, member-focused medical scheme.
- **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.
- **Trustee Training and Peer Review for Governance:** In line with Sedmed's commitment to maintaining high standards of governance and fiduciary responsibility, the Scheme implemented a structured programme of Trustee Training and Peer Review during 2024. All trustees were required to attend





governance training facilitated by accredited providers, covering key areas such as medical schemes regulation, fiduciary duties, ethical leadership, financial oversight, and POPIA compliance. In addition to formal training, the Scheme introduced an annual peer review process for trustees, aligned with the Sedmed Governance Handbook. Each trustee's performance was evaluated through a structured framework that included self-assessment, peer feedback, and input from the Principal Officer and Chairperson. The objective was to encourage accountability, continuous improvement, and leadership development at Board level. These initiatives reflect Sedmed's strategic focus on strong governance, informed leadership, and continuous professional development, all of which are essential to the effective stewardship of member interests and Scheme sustainability.

Sedmed's Commitment to Universal Healthcare

Sedmed 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.

In 2024, the 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 2024 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). In 2024, 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 2024 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 2024. 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 2024.

I am pleased to inform our members that the Scheme's solvency ratio has increased to 75%, a significant improvement 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 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 75%, 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 Rising Chronic Illness Prevalence and Its Financial Impact on the Scheme

One of the emerging risk trends in the medical schemes industry is the increased prevalence of chronic illnesses among members. Conditions such as hypertension, diabetes, asthma, and mental health disorders are becoming more common, influenced by factors including ageing membership, lifestyle changes, and improved diagnostic awareness. Sedmed, like other schemes, is not exempt from this trend. There is a direct and sustained relationship between high chronic illness prevalence and increased healthcare costs. Chronic conditions typically require ongoing treatment, long-term medication, regular specialist consultations, and diagnostic testing, all of which contribute to elevated claims over extended periods. Unlike once-off acute treatments, chronic care represents a continuous financial obligation for the Scheme.

As chronic disease burdens increase, so do the Scheme's annual risk claims, particularly within pharmaceutical and specialist benefit categories. Without appropriate interventions, this can place pressure on contributions, affect reserve levels, and challenge the overall sustainability of the benefit structure.

To mitigate this risk, Sedmed continues to monitor chronic disease trends closely and emphasises:

- Early registration and compliance with treatment plans,
- The use of generic medication where appropriate,
- Partnerships with designated service providers (DSPs), and
- Member education initiatives to encourage healthier lifestyles and preventative care.

These measures aim to balance member health outcomes with cost containment, ensuring the long-term viability of the Scheme while supporting those who need chronic care.

6.2 CMS Inspection and Findings

One of the major events during 2023 was an inspection by the 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 had 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

- **Independence from SAU:** The CMS flagged undue influence by the Southern Africa Union Conference (SAU) over Sedmed's operations, including trustee appointments and HR functions. To restore compliance with Section 57 of the Medical Schemes Act, the Board initiated a process to establish Sedmed as an independent entity, with staff employment contracts being transferred from the SAU to Sedmed—targeted for completion by 1 July 2024.
- **Governance and Trustee Fitness:** Concerns were raised about the fit and proper status of trustees and sub-committee members due to delayed training, lack of vetting, and absence of performance reviews. In response, Sedmed has implemented mandatory vetting procedures, peer reviews, and structured training programmes for both trustees and sub-committee members.
- **Lack of Internal Policies:** The CMS noted the absence of essential internal governance policies, previously reliant on SAU frameworks. Sedmed has since adopted its own policies covering recruitment, procurement, peer review, vetting, and training—aligned with industry best practices.
- **Oversight of the Principal Officer:** A gap was identified in vetting and performance management of the Principal Officer. The Board has addressed this by completing the vetting process and adopting a dedicated Vetting and Performance Review Policy for the role.

7. Future Outlook and Strategic Plans

In 2025, 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 2025, 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 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.

Establishment of the Sedmed Specialist Network

In pursuit of improving both cost efficiency and quality of care, Sedmed has initiated the process of establishing a dedicated Specialist Network for Sedmed members in 2025. This strategic initiative aims to give members access to a pre-approved group of medical specialists across key disciplines, who deliver care at agreed-upon rates and within defined clinical protocols. The introduction of a Specialist Network is an important development in Sedmed's managed care strategy. By partnering with specialists based on clinical outcomes, pricing transparency, and service quality, the Scheme seeks to:

- Enhance continuity of care for members through coordinated treatment pathways,
- Contain escalating specialist costs without compromising access to essential services,
- Ensure appropriate referral and diagnostic practices, and
- Reduce out-of-pocket payments through negotiated tariff arrangements.

The network will be phased in, starting with high-claims specialities such as orthopaedics, cardiology, and gynaecology. Selection criteria for inclusion in the network are based on ethical practice, licensing, geographic spread, and a demonstrated commitment to patient-centred care and association with current DSP hospitals of Sedmed.

This initiative not only supports financial sustainability for the Scheme but also improves the member experience by offering clarity, quality assurance, and affordability when accessing specialist services. Member communication and provider onboarding are underway, and the first phase of the network is expected to go live during the second half of 2025.

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 and detection mechanisms. As the healthcare funding environment grows more complex, the need for robust controls has never been more urgent. Sedmed will invest in improved risk management systems, including the implementation of advanced analytics, real-time data monitoring, and targeted internal audits, all aimed at identifying anomalies, claim irregularities, and non-compliant practices. To ensure the effectiveness and sustainability of these interventions, specialised training will be sought for Scheme management, administrative staff, and relevant stakeholders. This training will equip the team with the skills to detect and respond to potential FWA threats proactively and to maintain compliance with the Council for Medical Schemes' guidelines and POPIA obligations.

Furthermore, Sedmed is committed to collaborating with service providers, including healthcare professionals and administrators, to promote transparent billing, ethical conduct, and a shared responsibility in preventing abuse of Scheme benefits. This includes exploring joint FWA mitigation initiatives with designated service providers (DSPs) and encouraging adherence to evidence-based clinical protocols.

In aligning with industry best practices, Sedmed will benchmark its FWA framework against other leading medical schemes and international standards. This includes adopting whistleblower protection measures, formalising investigation procedures, and ensuring that corrective actions are timely and effective.

Through these integrated efforts, Sedmed aims to strengthen the financial resilience of the Scheme, protect member contributions, and preserve the integrity of the healthcare ecosystem in which we operate.

8. Closing Remarks

As we reflect on the year past and look ahead, it is clear that Sedmed's progress in 2024 has been shaped by diligence, resilience, and divine guidance. The journey to strengthen our governance, expand member access, modernise operations, and uphold the integrity of the Scheme has not been without challenges, but it has been marked by significant strides forward.

I wish to express my heartfelt appreciation to the Sedmed staff and the Board of Trustees for their continued commitment, hard work, and unwavering dedication to the best



interests of our members. Your perseverance under pressure and your shared vision have made it possible for us to implement key reforms, uphold our fiduciary duties, and serve with integrity. Above all, we give glory to God, whose providence continues to guide and sustain this vital work.

As we prepare for the implementation of our upcoming strategic priorities, including the launch of the Specialist Network and stronger risk and compliance frameworks, I encourage all members to continue supporting and praying for the Board and management. It is only through unity, transparency, and accountability that we can safeguard both the financial stability of the Scheme and the well-being of its members.

Our slogan, "*My Fund, My Health*," continues to reflect our collective commitment to nurturing a fund that serves not just as a healthcare provider, but as a trusted partner in the lives of those we serve. Let us move forward together—with faith, courage, and a shared purpose—toward a healthier, more sustainable future for Sedmed and our wider community.

Thank you for your ongoing support and trust.
Andrew du Preez
Principal Officer

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 Goal	Strategic Indicator	2025 Target	Progress	Material Matters
		<p>Compliance with Rules of the Scheme by the BOT and management.</p>	<p>PO and Chairman attended BHF Governance workshops which focused on Trustee responsibility, roles of trustees, roles of PO, Fraud Waste and Abuse, AI, etc.</p> <p>A Compliance Committee was appointed to evaluate actions by the BOT and management to ensure that it aligns with the Rules and Policies of the scheme.</p> <p>Internal Audit function was extended to include audits on governance compliance.</p> <p>Trustees received trustee induction training to understand their roles and responsibilities as trustees in relation to adherence to the rules of the scheme and the MSA.</p>	
<p>Member needs</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 2em; font-weight: bold; margin-top: 20px;">Member needs</p>	<p>Family orientation</p>	<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</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
<p style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 2em; font-weight: bold; text-align: center;">Member needs</p>		<p>Roadshows to increase awareness.</p>	<p>was purchased to ensure access by staff to member profiles to assist with after hours requests for admissions and authorisations.</p> <p>Circuit AGMs were implemented in 2023 to allow access by members to information and to management of the scheme.</p> <p>Roadshows and Zoom meetings were held to raise member awareness on the establishment of the new Specialist Network for Sedmed.</p>	
		<p>Scheme communication is directly sent to members.</p>	<p>MIP System is utilised to send member communication directly to members. This ensures better awareness of scheme information.</p> <p>Mobile App created which allows for push notifications to members to inform them of urgent information.</p> <p>Member communications sent via MIP:</p> <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. • NHI Implementation • Digital Application Form • AGM Notice and further particulars • Trustee Nominations • Unsolicited Telemarketing 	





Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
<p style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 2em; font-weight: bold;">Member needs</p>	<p>Member health</p>	<p>Collaboration with SAU Departments (Health, Woman's & APHHS) in providing relevant and well-presented health and wellness education or programmes.</p>	<ul style="list-style-type: none"> • Additional MHS services • Process for activation of Post Retirement Benefit • Maseru DSPs • Specialist Networks • BOT Membership • Invitation to Cape Town Roadshow • Specialist Network FAQ • Sedmed Facebook Page <p>A Digital Health Assessment tool was acquired from PPSHA and added to the Sedmed App. Members can self-evaluate the status of their health with the use of the tool.</p> <p>Readmission Prevention programme implemented to address high readmission rates in Sedmed.</p>	
	<p>Digitisation</p>	<p>Develop a cellphone app to improve member experience.</p>	<p>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.</p>	
	<p>Benefit Protection and Awareness</p>	<p>Establish a quarterly Sedmed Health Newsletter.</p> <p>Include in the Sedmed Information booklet and the SAU Working Policy information on the post-retirement and death-in-service benefits.</p>	<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>	

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Member needs	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	<p>Membership for Low-income employees.</p> <p>Membership of MOWCS employees.</p>	<p>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.</p>	<p>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.</p> <p>Addressed the matter again on the 2024 CFO councils. Unfortunately, the matter does not seem to initiate to anything further due to lack of CFO interest.</p>	<p>Ageing member base.</p> <p>High average age and pensioner age. High volatility and lack of growth in benefits.</p>





Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Benefits	Increase key member benefits.	Increase the following benefits: 1. Optometry; 2. Dental; 3. Specialised Orthodontics	Dental benefit increased from R6000.00 to R8000.00 per family per annum. Specialised orthodontics increased to from R12 000.00 to R24 000.00 per cycle.	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. Digital Health Assessment will be added to Mobi App to help with preventative screening.	
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;	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	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.

Governance

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
		<p>4. King IV training;</p> <p>5. Peer trustee evaluations;</p> <p>6. Alternate year BOT evaluation, reflection and discussion on BOT and sub-committee performance;</p> <p>7. New Trustee orientation on MSA; code of conduct; function of internal and external auditors; business environment;</p>	<p>approval from the BOT.</p> <p>A Peer Review Policy, Vetting Policy, and questionnaires developed and adopted by trustees.</p> <p>Code of Ethics was drafted for the scheme adopted by trustees.</p> <p>Other policies adopted during 2024:</p> <p>Trustee Remuneration Policy</p> <p>Delegation of Authority Policy</p> <p>Compliance Committee Policy</p> <p>Investment Policy</p> <p>Risk Management Policy</p> <p>Ex Gratia Policy</p> <p>Gift Policy</p> <p>Procurement Policy</p> <p>Strategic Planning Policy</p> <p>Recruitment Policy</p> <p>Vetting Policy</p> <p>HR Policy</p> <p>Peer Review Policies</p> <p>All trustees received trustee training from the CMS.</p>	
	Delegation of Authority	BOT to approve a DOA describing the parameters for the powers of the BOT, management and the PO.	Completed and adopted.	
	Risk assurance	Improve Audit Committee functionality and skill through orientation and training.		





Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
<p style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 2em; font-weight: bold; text-align: center;">Governance</p>	<p>Risk Management</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> <p>Appoint Investment Committee.</p>	<p>Financial Statements and Investment Committee appointed.</p> <p>Investment strategy Policy Drafted and approval by the trustees.</p> <p>Risk Management Policy adopted by the BOT.</p>	
	<p>Principal Officer</p>	<p>Appoint a Risk Management Committee.</p> <p>Adopt a Financial Policy.</p> <p>Adopt an IT Policy.</p> <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>Attended BHF Conference during May 2023, 2024, 2025. Topics considered was member-centricity, value-based care, NHI, good governance, trustee training, fraud and waste abuse, benefit designs, preventative care, Universal Health Care and King V.</p>	

Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Governance			<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>Attended the BHF Conference Governance Workshop and Healthcare Conference in May 2024.</p> <p>Attended the BHF FWA Conference in February 2025 which dealt with industry trends on FWA and empowered attendees to address the risk of FWA in their schemes.</p>	
		Principal Officer vetting and performance reviews must implement to ensure compliance with fit and proper requirements.	<p>PO Peer Review Evaluation Policy adopted.</p> <p>Vetting Policy adopted.</p>	
Administrative Efficiency	Paperless System	<p>All incoming documents must be uploaded on to the Sedmed administrative system for security and record purposes.</p> <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>Completed in November 2024. Members can access the Membership Application form via the Sedmed Website.</p> <p>The Sedmed Administrative system was improved to include a function to allow for correspondence to be sent directly to our</p>	<p>Internal Efficiency</p> <p>Create internal systems that are responsive to change and respect the environment.</p>
	Implementation of an efficient member query resolution process to delay response time and errors.			





Strategic Goal	Strategic Indicator	2025 Target	Progress	Material Matters
Administrative Efficiency			<p>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>On 6 March 2025 staff of Sedmed participated in a Team Building event to promote collaboration, teamwork, trust and relationships.</p> <p>During March 2025 staff received training on the new implementation of a Specialist Network for Sedmed.</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

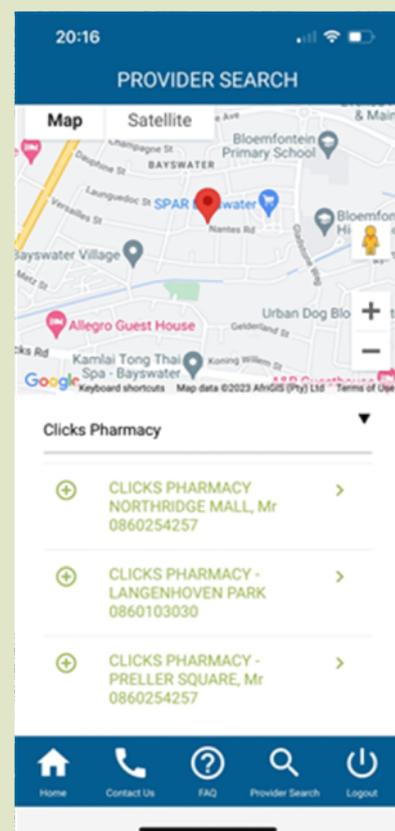
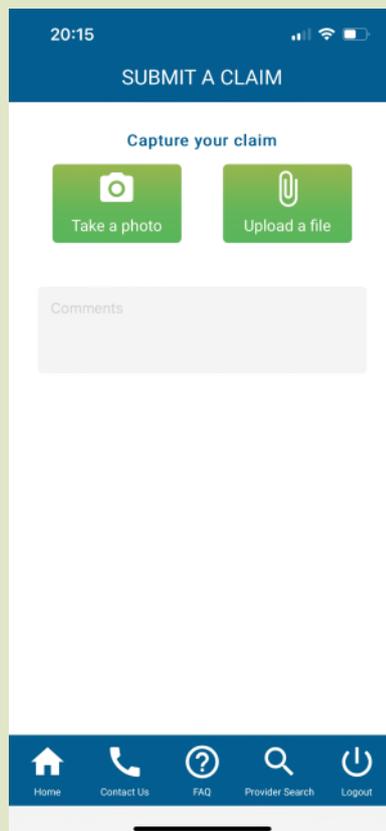
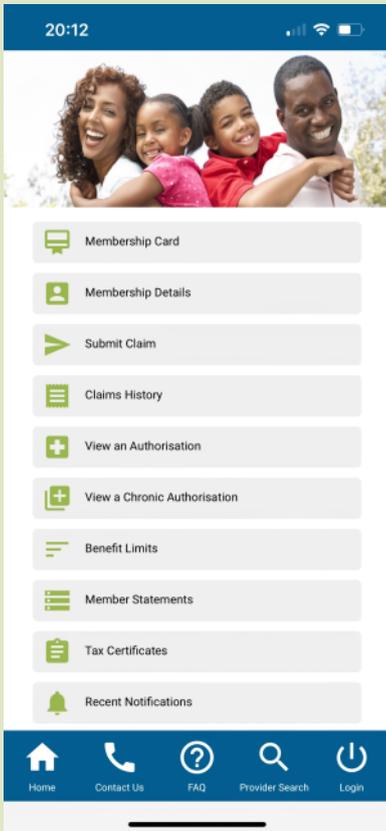
Sedmed's mission is to provide member-centric, universal health care to all our members. It has always been Sedmed's aim to provide the best healthcare benefits at affordable contribution rates. Over the last several years, Sedmed has implemented certain strategies to reach the mentioned outcomes. In 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 Board of Trustees appoint all employees of the scheme. The scheme HR Department works closely with the Principal Officer on Sedmed employee-related matters. In 2024 all employees were transferred from the SAU to Sedmed to align the operations of Sedmed with the regulatory requirements of the CMS. Sedmed has created 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 2025 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



Carol Majola
Administrator



Beulah May
Senior Claims Assessor



Samantha Myburg
Claims Assessor

6.5 Council for Medical Schemes

The Council for Medical Schemes 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 entitled to remuneration for the services they render as trustees. The trustees are also 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.

- **Ms Colette Moonsamy** (LLB, BCom)

Ms Moonsamy is an admitted attorney with an LLB degree and over 14 years of dedicated service to the Seventh-day Adventist Church and its affiliated entities. She currently manages the rental property portfolio of the Northern Conference Development Trust (NCDT), where she plays a key role in legal compliance, lease administration, and property oversight. Prior to joining the NCDT, she served as a Legal Assistant in the Trust Services Department of the Northern Conference of South Africa. Her legal expertise, long-standing commitment to church service, and experience in managing trust and property matters make her a valuable asset to the Sedmed Board of Trustees, particularly in the areas of governance, compliance, and strategic oversight.

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

Mr Bekker is an admitted Attorney of the High Court of South Africa and a retired employee of the Seventh-day Adventist Church. He currently practices law through his own legal firm and brings a wealth of experience to the Sedmed Board of Trustees. In



addition to his legal background, Mr Bekker holds membership with the Institute of Directors of South Africa. His diverse expertise spans business management, trust services, and property management, equipping him with a well-rounded perspective. Mr. Bekker's contributions to the Board reflect his enduring dedication to ethical governance and the long-term sustainability of the Scheme.

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

The NCSA currently employs Ms Ndinisa as Assistance Financial Officer. Before taking up her responsibility at the NCSA, 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, Adv.Dip (Accounting Science), PGD (Applied Accounting Science))

Mr May currently serves as the Assistant Financial Officer of the SAU. Prior to this role, he worked as an External Audit Supervisor at several auditing firms in Bloemfontein. He also served as an Assistant Director at the Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs. Mr May has been a member of the South African Institute of Chartered Accountants (SAICA) since June 2016, holding the professional designation of Associate General Accountant – AGA(SA). In addition to his responsibilities at the SAU, Mr May holds several governance and leadership roles. He serves as a Director of the Fairview Conference Centre (Pty) Ltd, a Director of Sedcom (NPC), the Financial Officer of HHES, and the Treasurer of the Governance Board of Child Line Free State, Bloemfontein.

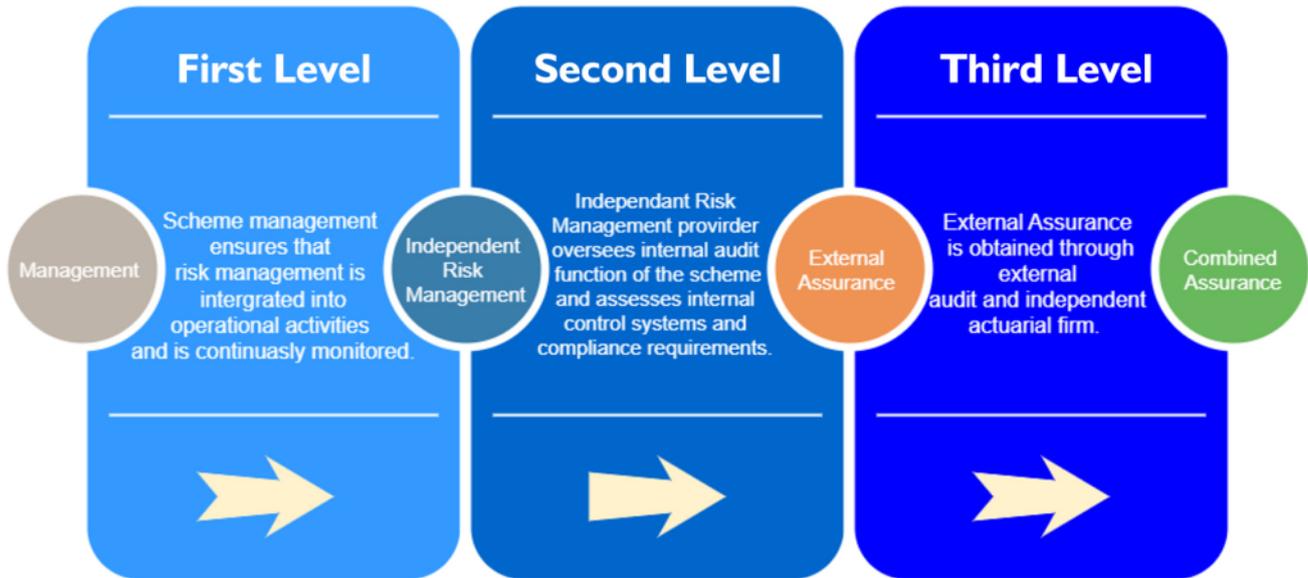
- **Mrs Wilhelmina Martin** (NDip and BTech (Human Resource), Hons BPA and MPA)

Mrs Martin currently serves as the Human Resources Manager for the NCSA. Before joining the NCSA she served as the Human Resources Director for Helderberg College. Prior to her position at Helderberg College she worked for the West Coast District Municipality in Community Development. Mrs Martin is a member of the South African Board for People Practices. And she also serves as a member on the NCSA MOWCS Board.

7.5 Board of Trustee Committees

- **Audit Committee**

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



The Audit 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
Mrs Yenny tito de Harris	CA (SA)	Member	Independent
Mr Hennie Steyn	CA (SA)	Invitee	Internal Audit

Activities during 2024:

During the term, the committee met on four occasions. The committee evaluated the Internal Audit 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 2024 and implemented a non-compliance remedial framework to address the non-compliance matter raised in the Financial Statements. The Committee is satisfied that the external audit process for the reporting period was conducted independently and objectively, with the required professional care and competence. No significant audit matters were identified, and the audit results confirm that the financial statements present a fair and materially accurate account of the Scheme's financial position. Any regulatory non-compliance matters noted were non-material and consistent with industry-wide patterns; they do not materially impact the Scheme's financial sustainability or operations.

The Committee acknowledges that the current internal control environment is generally sound and effective in supporting Sedmed's objectives. However, opportunities for enhancement have been identified, particularly in the areas of IT security controls relating to staff onboarding and offboarding, password protection standards, and role-based access and segregation of duties.

Importantly, no incidents of fraud, theft, or misappropriation were reported or detected during the review period. The Committee is confident that the Scheme's existing combined assurance model, integrating internal controls, management oversight, internal audit, external audit, and regulatory feedback, provides a layered and sufficiently robust framework for identifying, managing, and mitigating financial, operational, and compliance risks.

During the period 2025 to 2027, the Audit Committee will prioritise strengthening the Scheme's regulatory compliance framework, improving internal controls, and enhancing the effectiveness of its internal audit function. The Committee reaffirms its role in upholding Sedmed's financial integrity, risk mitigation, and governance responsibilities as outlined in its Charter and aligned with the principles of King IV.

Looking forward, the Committee will focus more intensively on:

- Evaluating the design and operational effectiveness of internal controls;
- Strengthening compliance monitoring across all functional areas;
- Enhancing policies related to cybersecurity and data access;
- Conducting formal assessments of staff effectiveness and organisational culture as it relates to ethical conduct and accountability.

These efforts are intended to support the long-term sustainability of the Scheme, safeguard members' interests, and ensure continued compliance with the Medical Schemes Act and governance standards.

- **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 2024 focused on the following testing areas:

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

During 2025, the internal audit function will focus on regulatory compliance, which includes the CMS Compliance Standards and internal control testing, conflict of interest, and risk management.



- **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 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 Administrative 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.

- **Risk Management Committee**

The Risk Management Committee of Sedmed plays a critical role in ensuring the effective identification, assessment, and management of risks that could impact the Scheme's operations, financial stability, and compliance obligations. The Committee is responsible for overseeing the development and annual review of the Scheme's risk management policy and framework, monitoring the implementation of risk mitigation strategies, and maintaining a dynamic Risk Register that categorises operational, financial, strategic, compliance, and reputational risks. It provides ongoing guidance on emerging risks, evaluates the effectiveness of mitigation actions, and ensures that risk assessments are conducted continuously. The Committee reports regularly to the Board of Trustees, offering formal opinions on the overall effectiveness of the Scheme's risk management processes and making recommendations for improvements to align with regulatory requirements and industry best practices. By actively monitoring risks and fostering a

culture of risk awareness, the Risk Management Committee contributes significantly to Sedmed's resilience and long-term sustainability.

- **Compliance Committee**

The Compliance Committee of Sedmed is responsible for overseeing and promoting a robust culture of compliance, integrity, and ethical conduct within the Scheme. The Committee ensures that Sedmed adheres to all applicable laws, regulations, industry standards, and internal policies. Its key functions include regularly reviewing and assessing the Scheme's policies and practices for compliance, monitoring regulatory developments, and recommending enhancements where necessary. The Compliance Committee also evaluates the effectiveness of internal controls, oversees compliance training initiatives for staff and representatives, and ensures that ethical standards are understood and applied across the organisation. Furthermore, the Committee monitors and reports on compliance activities, oversees investigations into potential breaches, and liaises with external regulatory bodies as needed. Through these activities, the Compliance Committee ensures that Sedmed operates transparently, lawfully, and in the best interests of its members and stakeholders.

- **Procurement Committee**

The Procurement Committee of Sedmed is entrusted with providing oversight, guidance, and recommendations for all procurement activities, ensuring that processes are conducted fairly, transparently, and in compliance with Sedmed's Procurement Policy and applicable legislation. Its responsibilities include reviewing and approving procurement plans and strategies, overseeing the procurement process, evaluating and recommending vendors based on criteria such as cost, quality, and reliability, and monitoring procurement-related risks. The Committee ensures that vendor selection is conducted through competitive, transparent methods and that exceptions are justified and properly documented. It also actively manages compliance with procurement thresholds, maintains detailed records for audit purposes, and promotes continuous improvement of procurement practices. Regular reporting to the Board of Trustees ensures transparency and provides strategic oversight of procurement activities, thereby supporting Sedmed's commitment to ethical governance and the prudent management of member funds.

- **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, PGD (Labour Law))



Mr Du Preez is an admitted Attorney of the High Court of South Africa and holds an LLM degree in Law, along with a Postgraduate Diploma in Labour Law. With over 14 years of service to the Seventh-day Adventist Church organisation, Mr Du Preez currently serves as the Principal Officer of Sedmed. Prior to assuming the role of Principal Officer, he served as Chairperson of the Sedmed Board of Trustees for several years, where he provided strategic leadership and governance oversight.

Before his tenure at Sedmed, he practised law in the Free State, specialising in civil law. His legal expertise, combined with an understanding of medical scheme governance and labour relations, has been instrumental in advancing the Scheme's objectives. Under his leadership, Sedmed continues to uphold the values of ethical management, compliance, and member-focused healthcare delivery.

- **Operations Manager**
Mrs Lydia Coetzee



Mrs Coetzee brings over 30 years of dedicated service to the Seventh-day Adventist Church, with the past 15 years devoted specifically to Sedmed. She began her journey with Sedmed as a Membership and Statistical Administrator and, through her consistent performance and leadership, rose to her current role as Operations Manager. In her current position, she oversees the Membership, Claims, and Service Provider departments, ensuring the seamless execution of day-to-day operations. Mrs Coetzee plays a pivotal role in reviewing and approving membership applications, supervising claims processing for accuracy and timeliness, and ensuring healthcare providers adhere to Scheme protocols. Her long-standing institutional knowledge and unwavering commitment make her a cornerstone of Sedmed's operational success.

- **Finances**
Mr Sjaan Freemantle (B.Acc)



Mr S. Freemantle is a qualified Business Accountant in Practice, registered with the Chartered Institute for Business Accountants (CIBA).

With over nine years of dedicated service to the Seventh-day Adventist Church organisation and more than six years of prior accounting and auditing experience, Mr Freemantle currently serves as the Senior Accounting Officer for Sedmed. Before assuming his current role, he served as Senior Accounting Officer for Trimed Medical Centre for several years. Prior to his tenure within the Seventh-day Adventist Church organisation, Mr Freemantle practiced accounting and completed his articles in the Free State, where he was actively involved in both internal and external audits, as well as general accounting operations.

His extensive accounting expertise and strategic financial management skills have been instrumental in strengthening Sedmed's financial structures, supporting the Scheme in achieving its operational and member-focused objectives.

8. FINANCIAL PERFORMANCE

8.1 Financial Report



Sedmed Financial Report

Ms Tsholo Masilela
Sedmed Accountant
(BRek, PGD (Internal Audit))

Executive Summary

The financial year ended 31 December 2024 was another period of resilience, financial stability, and measured growth for Sedmed. Despite certain operational and healthcare-related challenges, particularly higher-than-usual hospitalisation claims, the Scheme demonstrated continued strength in its key financial indicators. This report outlines the Scheme's financial performance and position for the year under review, highlighting areas of achievement, operational efficiency, and opportunities for refinement.

Financial Performance Overview

Sedmed maintained a healthy financial standing throughout 2024, with growth in both member funds and income streams, supported by prudent financial management and a focused approach to cost control. While the Scheme faced an increase in healthcare claims driven by a few high-cost hospitalisation cases, it nonetheless preserved a solid solvency margin and a positive financial outcome for its members. At the end of 2024, the amount attributable to future members amounted to R2,488,786, compared to R6,455,289 in 2023. This decrease is directly linked to the higher healthcare expenditure experienced during the year. Notwithstanding this, the Scheme succeeded in maintaining a positive allocation, reaffirming its commitment to safeguarding the interests of both current and future members.

Member funds increased from R50,406,114 in 2023 to R52,894,900 in 2024, a growth of 4.94%. This steady increase underscores Sedmed's ability to sustain and strengthen its financial base through effective member contribution management and operational oversight. The Scheme's solvency level remained sound at 69.26%, slightly lower than the 70.80% reported in 2023, yet comfortably above the statutory minimum requirement of 25%. This achievement, in the face of increased healthcare claims, is indicative of Sedmed's financial resilience and its capacity to meet future obligations without compromising operational stability.

On the operational side, administration expenses were well-managed, amounting to 2.78% of contribution income, compared to 2.20% in the previous year. The slight increase was contained within acceptable limits and reflects Sedmed's ongoing commitment to operational efficiency. Importantly, for every R1.00 spent on administration, R36.30 was allocated directly to member claims in 2024, reaffirming the Scheme's focus on prioritising member benefits over operational expenditure.

Income and Expenditure Highlights

Insurance income grew by 7.27%, from R71,194,485 in 2023 to R76,369,207 in 2024, reflecting positive membership retention and acquisition initiatives. In addition, investment income increased by an impressive 48.10%, rising from R3,903,335 in 2023 to R5,780,658. This significant growth can be attributed to the Scheme's strategic reallocation of funds into higher-yield, low-to-medium risk investment instruments, aimed at optimising returns while preserving capital. However, member claims and directly attributable expenses saw a notable increase of 14.21% in 2024, reaching R77,187,012 compared to R67,581,218 in the prior year. This surge was largely driven by a few high-cost hospitalisation cases. To provide context, the increase from 2022 to 2023 was a modest 1.79%, further highlighting the impact of these outlier cases on the 2024 financial outcome.

Despite this, Sedmed maintained a robust financial position with no long-term liabilities. The Scheme's current assets remained sufficient to cover all short-term obligations, ensuring operational liquidity and the ability to honour member claims and operational expenses without strain.

Non-Compliance Matters

The Scheme continued its rigorous compliance efforts in alignment with the Medical Schemes Act but experienced a few instances of statutory non-compliance during the year:

- **Late Payment of Contributions (Section 26(7)):** Contributions totalling R8,619,699 were received outside the statutory three-day period. While every effort is made to enforce prompt payment, responsibility for this rests with members and employer groups. Active follow-ups and monthly reconciliations remain in place to address this matter.
- **Late Payment of Claims (Section 59(2)):** Benefits amounting to R9,506,938 were settled after the statutory 30-day period from claim receipt. The Scheme has provided ongoing assistance to affected parties and is continuously refining processes to mitigate recurrence.
- **Payment of Late Claims (Regulation 6(1)):** Claims totalling R386,156 were paid beyond the prescribed four-month submission period. Sedmed's internal policy, prioritising member well-being, mandates the payment of all hospital and Prescribed Minimum Benefit (PMB) claims, irrespective of submission date. While this protects member rights, it does expose the Scheme to potential penalties.





- **Benefit Option in deficit:** In terms of section 33(2) of the Act, each benefit option should be financially sound and self supporting. In the financial year the option incurred an insurance service deficit of R1 165 594.00. This was due to higher-than-expected claims.

Possible impact of the non-compliance:

If this trend continues, it may render the option unsustainable.

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

The Board of Trustees are monitoring the option carefully. The scheme has sufficient investment income to fund service deficits.

Audit Opinion

The PriceWaterhouseCoopers (PWC) conducted a comprehensive independent audit of Sedmed's financial statements for the year ended 31 December 2024. In their opinion, the financial statements fairly present, in all material respects, the financial position of the Scheme as at 31 December 2024, as well as its financial performance and cash flows for the year then ended. The financial statements were confirmed to be prepared in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Conclusion

In summary, the 2024 financial year was marked by both achievements and challenges for Sedmed. Growth in member funds, controlled administration expenses, and increases in both insurance and investment income have collectively supported the Scheme's financial stability. Despite the pressure from high-cost outlier claims, Sedmed sustained a healthy solvency level of 69.26%, positioning the Scheme well for future growth and continued delivery of benefits to its members.

The Board of Trustees remains confident in the financial health and operational capability of the Scheme and reaffirms its commitment to prudent financial management, regulatory compliance, and service excellence in the interests of all Sedmed 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 2024, 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.

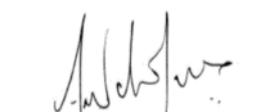
The financial statements for 2024 were approved by the Board of Trustees.



Chairman

Granwill May

Trustee



Principal officer



8.2.2 Statement of Financial Position as at 31 December 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Non-Current Assets			
Property, plant and equipment	2	84,957	109,119
Financial assets at fair value through profit and loss	3	18,313,958	15,561,318
Financial assets at amortised cost	3	30,733,806	18,842,392
		49,132,721	34,512,829
Current Assets			
Financial assets at amortised cost	3	7,153,860	24,055,700
Cash and cash equivalents	4	7,019,198	2,413,304
		14,173,058	26,469,004
Total Assets		63,305,779	60,981,833
Liabilities			
Non-Current Liabilities			
Insurance contract liabilities	6	52,894,900	50,406,114
Current Liabilities			
Trade and other payables	5	50,631	305,594
Insurance contract liabilities	6	10,360,248	10,270,125
		10,410,879	10,575,719
Total Liabilities		63,305,779	60,981,833

8.2.3 Statement of Profit or Loss and Comprehensive Income

Figures in Rand	Note(s)	2024	2023
Insurance revenue	7	76,369,207	71,194,485
Insurance service expenses	7	(80,023,587)	(73,534,602)
Insurance service result		(3,654,380)	(2,340,117)
Other operating expenses		(2,126,278)	(1,563,314)
Investment income	8	5,780,658	3,903,335
Other operating income	9	-	96
Total comprehensive income for the year		-	-
Amounts attributable to future members		2,488,786	6,455,289

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 2024, 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 2024, and its financial performance and cash flows for the year then ended.



SED MED
MEDICAL SCHEME



Operations Report 2024



SED MED