



Council for Medical Schemes Presentation

Health Portfolio Committee
3 November 2021

**ANNUAL
REPORT**
2020/21

**REGULATING
THROUGH A PANDEMIC**



PARLIAMENTARY PROGRAMME



ANNUAL REPORT

2020/21

14:00 – 14:15

OPENING REMARKS AND INTRODUCTION

Dr Memela Makiwane – Chairperson of Council

14:15 – 14:40

PERFORMANCE INFORMATION PROGRAMME

Dr Sipho Kabane – Chief Executive & Registrar

14:40 – 15:00

ANNUAL FINANCIAL STATEMENTS AND AUDIT OUTCOME

Ms Andisa Zinja – Chief Financial Officer

15:00 – 15:30

QUESTION AND ANSWER SESSION

Committee Chairperson

15:30 – 15:50

UTILISATION TRENDS

Mr Michael Willie – GM: Research and Monitoring

15:50 – 16:10

FINANCIAL SUPERVISION

Mr Sameer Rajab – Acting GM: Financial Supervision

16:10 – 16:30

QUESTION AND ANSWER SESSION

Committee Chairperson

16:30 – 16:40

CLOSING

Dr Memela Makiwane – Chairperson of Council




**ANNUAL
REPORT**
2020/21

OPENING & INTRODUCTION

Dr Memela Makiwane
Chairperson of Council

**REGULATING
THROUGH A PANDEMIC**

PARLIAMENTARY PROGRAMME



ANNUAL REPORT

2020/21

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PERFORMANCE INFORMATION

Dr Siphon Kabane
Chief Executive
& Registrar

**ANNUAL
REPORT**

2020/21

**REGULATING
THROUGH A PANDEMIC**

Strategic Goals



Vision

To be an **agile and transformative regulator** in order to **promote affordable and accessible healthcare cover** towards universal health coverage.

Mission

The CMS regulates the medical schemes industry in a fair and transparent manner, and achieves this by:

Protecting the public and informing them about their rights, obligations, and other matters, in respect of medical schemes.

Ensuring that **complaints raised by members of the public are handled appropriately** and speedily.

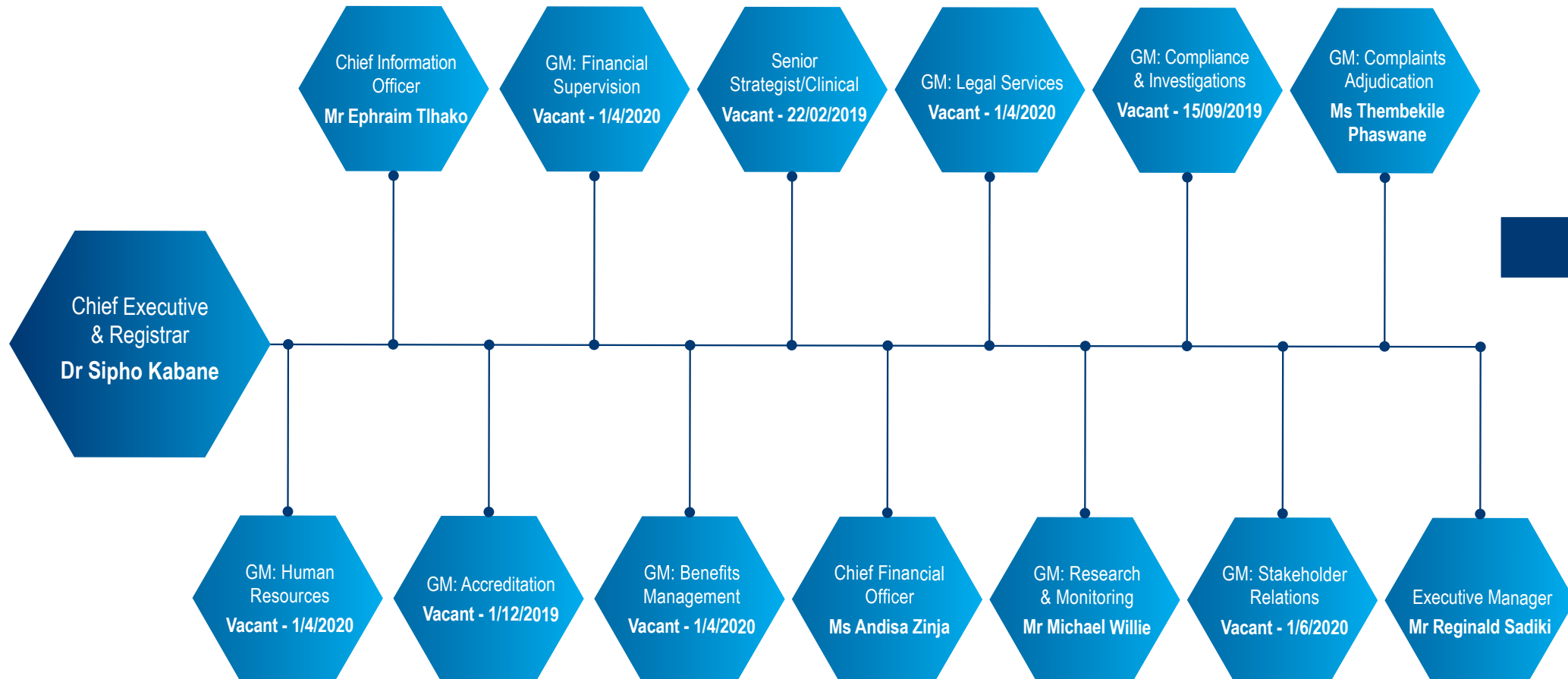
Ensuring that all entities conducting the business of medical schemes, and other regulated entities, **comply with the Medical Schemes Act** (No. 131 of 1998).

Ensuring the improved management and governance of medical schemes.

Advising the Minister of Health of appropriate regulatory and policy interventions that will assist in attaining national health policy objectives.

Ensuring **collaboration with other stakeholders** in executing its regulatory mandate.

Organisational Structure



Part A: Page 22



Aggregated performance

Performance on set objectives for CMS 2020/21

- The overall performance achievement for CMS in 2020/21 is **90.83%**
- **80%** is the benchmark set by the AGSA
- Negative variance:
 - Programme 1.4 HR Output 9.1
 - Programme 5 SHR Output 19.2
 - Programme 6 CIU Output 23.1 & 24.1
- CMS Annual Report **Part B: Performance Information** (*page 33-62*)

Part B: Page 33

Achievement of Strategic Objectives



PERFORMANCE ACHIEVEMENTS DURING 2020/21

- **Unqualified audit report** by the Auditor General
- ICT systems **up-time** were maintained **99%** of the time
- Revised PMB benefit **package updated & costed**
- Increased **research projects** in support of the National Health Policy
- **Increased stakeholder awareness** and training sessions
- Improvement in the resolution of complaints during the year

Strategy to overcome underperformance



Human Resources

High turnover rate: The new CMS structure is expected to improve the retention of staff. There are also no executive contracts ending in the next financial year.

Stakeholder Relations

Stakeholder awareness survey: The unit has allocated a budget for a service provider to assist with the survey. In addition, it will collaborate with the Research and Monitoring unit in developing the survey.

Compliance & Investigations

Routine and commissioned inspections: The relaxation of national lockdown will allow for the unit to procure the services of investigators.

Sub-programme 1.1: Office of the Chief Executive & Registrar



Part B: Page 33

| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|--|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Outcome 4: To become a more effective and efficient organisation | | | | | | | | |
| Output 1: Ensure that reported performance information is in accordance with the Framework for Strategic and Annual Performance plans. | | | | | | | | |
| Output Indicator 1.1 | Ensure that overall performance of the entity is maintained at above 80% | New indicator | New indicator | New indicator | 80% | 90.83% | 10% | Various units experienced pockets of excellence and overachievement toward their targets. |
| Output Indicator 1.2 | Produce Annual Performance Information report that is reliable, accurate and complete by 31 July each year | 1 | 1 | 1 | 1 | 1 | - | - |
| Output 2: An effective, efficient and transparent system of risk management is maintained in order to mitigate the risks exposure of the CMS | | | | | | | | |
| Output Indicator 2.1 | Number of strategic risk register reports submitted to the Council for monitoring | 4 | 4 | 4 | 4 | 4 | - | - |
| Outcome 6: To collaborate with local, regional and international entities | | | | | | | | |
| Output 3: Collaboration with local, regional and international entities | | | | | | | | |
| Output Indicator 3.1 | Number of signed Memoranda of Understanding | New indicator | New indicator | New indicator | 4 | 4 | - | - |

Sub-programme 1.2: Office of the Chief Financial Officer



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|--|--|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|-----------------------|
| Outcome 4: To be a more effective and efficient organisation | | | | | | | | |
| Output 4: Ensure effective financial management and alignment of budget allocation with strategic priorities | | | | | | | | |
| Output Indicator 4.1 | An unqualified opinion issued by the Auditor-General on the Annual Financial Statements by 31 July each year | 1 | 1 | 1 | 1 | 1 | - | - |
| Output 5: Ensure that reported performance information is useful and reliable and in accordance with the Performance Management and Reporting Framework | | | | | | | | |
| Output Indicator 5.1 | Produce a budget that is reliable, accurate, complete and approved by Council by 31 January each year | 1 | 1 | 1 | 1 | 1 | - | - |

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Sub-programme 1.3: Information Communication Technology and Knowledge Management



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|--|--|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Outcome 4: To be a more effective and efficient organisation | | | | | | | | |
| Output 6: An established ICT Infrastructure that ensures information is available, accessible and protected | | | | | | | | |
| Output Indicator 6.1 | Percentage of network and server uptime | 99.45% | 99.41% | 99% | 99% | 99% | - | - |
| Output Indicator 6.2 | Percentage of IT security incidents (breaches) | 0.27% | 0% | 5% | 5% | 0.75% | 4.25% | The achieved performance is 0.75%. There is, therefore, a positive deviation of 4.25% due to fewer IT security incidents experienced. |
| Output Indicator 6.3 | Number of successful IT Disaster Recovery (DR) failover tests | New indicator | New indicator | 1 | 2 | 2 | - | - |
| Output 7: Provide software applications that serve both internal as well as external stakeholders that improve business operations and performance | | | | | | | | |
| Output Indicator 7.1 | Percentage of uptime, of all installed application systems where network access exists | 99.47% | 100% | 99% | 99% | 99% | - | - |
| Output 8: Effectively provide information management services and organise and manage organisational knowledge with a view to enhance knowledge sharing | | | | | | | | |
| Output Indicator 8.1 | Percentage of physical requests for information received and finalised within 30 days | 97.5% | 98.5% | 95% | 95% | 95% | - | - |

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Sub-programme 1.4: Human Resources Management



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|--|---|--|---|--|------------------------|----------------------------|---|--|
| Output 9: Build competencies and retain skilled employees | | | | | | | | |
| Output Indicator 9.1 | Minimise staff turnover rate to less than 10% | 7.1% | 4.48% | <10% | <10% | 18.3% | 8.3% | High turnover rate resulted from the non-renewal of 5-year fixed-term contracts of senior managers, non-filling of vacancies that have been impacted by the BMP, and a high number of resignations due to career advancements during the reporting year. |
| Output Indicator 9.2 | Turnaround time to fill a vacancy (turnaround time of 120 working days for each vacancy that exists during the year), excluding position of CEO | There were 16 vacancies during the period; 12 were filled within 120 days, one took longer than the 120 days to fill and the recruitment process was underway for another two. | There were 14 vacancies during the period; 9 were filled within 120 days, three took longer than 120 days and the recruitment process was underway for another two. | 18 vacancies during the reporting period were filled within 120 days | 120 days | 70.8 days | -49.2 days | Exceeded the turnaround time of 120 days to fill all vacancies. An average of 46 days maintained quarterly from the date of advertising to filling vacancies. |

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Sub-programme 1.4: Human Resources Management



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|---|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|--|
| Output Indicator 9.3 | Achievement of employment equity targets (according to the BBBEE targets), annually | 79.82% | 97.12% | 85% | 85% | 108.57% | 23.57% | BBBEE scorecard target by 23.57% on Black people employed at senior management, professionally qualified and skilled technical and Black women employed at senior management levels. |
| Output 10: Maximise performance to improve organisational efficiency and maintain high performance culture | | | | | | | | |
| Output Indicator 10.1 | Percentage of employee performance agreements are signed by no later than 31 May of each year | 100% | 100% | 100% | 95% | 100% | 5% | All 115 employees, excluding the Registrar, signed the performance agreement by no later than 30 May. |
| Output Indicator 10.2 | Percentage of employees' performance assessments concluded, bi-annually | 100% | 93.97% | 100% | 95% | 99.10% | 4.10% | 110 employees, excluding the CE, participated in the 1st performance assessment during the reporting period. Appraisals for the 2nd review cycle are underway. |

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Sub-programme 1.5: Legal Services



Table 18: Sub-programme 1.5 key performance indicators, planned targets and actual achievements

| Performance indicators | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|--|----------------------------|----------------------------|------------------------|----------------------------|---|-----------------------|
| Outcome 4: To become a more effective and efficient organisation | | | | | | | |
| Output 11: Legal advisory and support services for effective regulation of the industry and operations of the office | | | | | | | |
| Output Indicator 11.1 | Number of written and verbal legal opinions provided to internal and external stakeholders, attended to within 14 days | 267 | 279 | 80% | 85% | 85% | - |
| Output 12: Defending decisions of the Council and the Registrar | | | | | | | |
| Output Indicator 12.1 | Percentage of court and tribunal appearances in legal matters received and action initiated by the unit within 14 days | 100% | 100% | 100% | 100% | 100% | - |

Part B: Page 42

Sub-programme 2: Strategy



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|--|---|---|--|---|--|---|--|
| Outcome 1: To promote the improvement of quality and the reduction of costs in the private health care sector | | | | | | | | |
| Output 13: Formulate prescribed minimum benefits (PMBs) definitions to ensure members are adequately protected | | | | | | | | |
| Output Indicator 13.1 | The number of benefit definitions published | 10 | 10 | 10 | 10 | 10 | - | - |
| Output Indicator 13.2 | Develop primary health care package to incorporate into the PMBs | Draft costed PMB benefit package completed but not submitted to the Council | A service based preventative and primary healthcare package and costing methodology report was submitted to the Executive Authority | Develop primary healthcare package for incorporation into the PMBs | Review and update revised PMB benefit package | Revised and updated PMB benefit package costed | - | - |
| Output 14: Provide clinical opinions with a view to resolve complaints and enquiries | | | | | | | | |
| Output Indicator 14.1 | Percentage of category 1 clinical opinion provided | 98% | 54% | 90% | 90% | 92.75% | 2.75% | The unit was able to exceed the target owing to fewer competing work. |
| Output Indicator 14.2 | Percentage of category 2 clinical opinions provided within 60 working days of receipt of a request from Complaints Adjudication unit | 100% | 99% | 95% | 95% | 100% | 5% | The unit was able to exceed the target owing to fewer competing work demands whilst working virtually during the national lockdown period. |

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Programme 2: Strategy



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|--|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Output Indicator 14.3 | Percentage of category 3 clinical opinions provided within 90 working days of receipt of a request from Complaints Adjudication unit | 100% | 100% | 98% | 98% | 100% | 2% | The unit was able to exceed the target owing to fewer competing work demands whilst working virtually during the national lockdown period. |
| Output Indicator 14.4 | Percentage of clinical enquiries received via e-mail or telephone and responded to within 7 days | 99% | 98% | 98% | 98% | 100% | 2% | The unit was able to exceed the target owing to fewer competing work demands whilst working virtually during the national lockdown period. |
| Output 15: Conduct research to inform appropriate national health policy interventions | | | | | | | | |
| Output Indicator 15.1 | Number of research projects and support projects published in support of the National Health Policy | 5 | 5 | 5 | 5 | 11 | 6 | Special projects responding to research requests are often urgent and unpredictable. This is the reason for the achievement being above target. |

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Programme 3: Accreditation



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|--|--|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Outcome 3: To ensure that all regulated entities comply with National Policy, the MSA and Regulations | | | | | | | | |
| Output 16: Accredit regulated entities based on their compliance with the requirements for accreditation in order to provide accredited services and monitor legal compliance throughout the period of accreditation. | | | | | | | | |
| Input Indicator 16.1 | Percentage of broker and broker organisations' applications finalised within 30 working days on receipt of complete information | 5 500 | 5 030 | 80% | 80% | 84.8% | 4.8% | The unit received more complete application forms than anticipated. |
| Input Indicator 16.2 | Percentage of managed care organisations' applications analysis completed and outcome communicated to applicants, within three months of receipt of complete information | 15 | 22 | 100% | 100% | 100% | - | - |
| Input Indicator 16.3 | Percentage of administrators and self-administered schemes' applications analysis completed and outcome communicated to applicants, within three months of receipt of complete information | 6 | 14 | 100% | 100% | 100% | - | - |

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Programme 4: Research and Monitoring



| Performance indicators | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|--|---|----------------------------|----------------------------|------------------------|----------------------------|---|-----------------------|
| Outcome 5: To conduct policy driven research, monitoring and evaluation of the medical schemes industry to facilitate decision-making and policy recommendations to the Health Ministry | | | | | | | |
| Output 17: Conduct research to inform appropriate policy interventions | | | | | | | |
| Output Indicator 17.1 | Number of research projects finalised | 9 | 14 | 12 | 12 | - | - |
| Outcome 18: Monitoring trends to improve regulatory policy and practice | | | | | | | |
| Input Indicator 18.1 | Non-financial report submitted for inclusion in the annual report | 1 | 1 | 1 | 1 | - | - |

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Programme 5: Stakeholder Relations



| Performance indicators | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations | |
|--|--|----------------------------|----------------------------|------------------------|----------------------------|---|-----------------------|--|
| Outcome 3: To ensure that all regulated entities comply with National Policy, the MSA and Regulations | | | | | | | | |
| Output 19: To create awareness and collaboration with stakeholders, while enhancing the visibility and protecting the reputation of the CMS | | | | | | | | |
| Output Indicator 19.1 | Number of stakeholder awareness activities conducted | 7 | 85 | 21 | 25 | 55 | 30 | Overachieved <i>per annum</i> : (55 versus 25). Due to collaboration with other professional bodies and co-regulators e.g. FSCA, HPCSA, National Treasury. COVID-19 also necessitated a lot of unplanned stakeholder engagement activities. |
| Output Indicator 19.2 | Percentage of stakeholder awareness of CMS resulting from survey | n/a | 64% | 50% | 55% | 50% | -5% | There were limited resources to publicise the survey due to budgetary constraints therefore, the interest and response rate was low. In addition, this survey came on the back-end of the vaccination survey. |

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Programme 5: Stakeholder Relations



| Performance indicators | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|--|---|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Outcome 3: To ensure that all regulated entities comply with National Policy, the MSA and Regulations | | | | | | | |
| Output 20: CMS must ensure that an Annual Report is submitted to the Executive Authority five months after the end of a financial year | | | | | | | |
| Output Indicator 20.1 | Submission of Annual Report by 31 August to the Executive Authority | 1 | 1 | 1 | 1 | 1 | - |
| Output 21: To enhance knowledge and skills among stakeholders, in order to create an in-depth understanding of governance and compliance with the Medical Schemes Act, through education and training interventions | | | | | | | |
| Output Indicator 21.1 | Number of stakeholder education and training sessions | New indicator | New indicator | 35 | 40 | 56 | 16 |
| | | | | | | | Overachieved <i>per annum</i> : (56 versus 40) due to collaboration with other professional bodies and co-regulators e.g. HPCSA, FSCA, FPI, National Treasury and requests received for COVID-19 as a PMB training. |

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Programme 6: Compliance and Investigations



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|---|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|--|
| Outcome 3: To ensure that all regulated entities comply with National Policy, the MSA and Regulations | | | | | | | | |
| Output 23: Inspect regulated entities for routine monitoring of compliance with the Medical Schemes Act, 1998 and all other related laws | | | | | | | | |
| Output Indicator 23.1 | Number of routine inspections finalised if applicable | 14 | 11 | 13 | 15 | 10 | -5 | The unit experienced some setbacks in terms of completing the balance of 5 routine inspections to reach the set target due to lack of adequate capacity to finalise inspections that were initiated. Furthermore, the impact of the COVID-19 pandemic resulted in schemes requesting more time to submit information which led to a delay in finalisation of routine inspections. The remainder will be transferred to the 2021/22 financial year. |

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Programme 6: Compliance and Investigations



| Performance indicators | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|--|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Outcome 3: To ensure that all regulated entities comply with National Policy, the MSA and Regulations | | | | | | | |
| Output 24: Inspect regulated entities for alleged irregularity or non-compliance with the Medical Schemes Act, 1998 and all other related laws | | | | | | | |
| Output Indicator 24.1 | Percentage of commissioned inspections finalised | New indicator | New indicator | 80% | 80% | 33% | -47% |
| | | | | | | | As a result of the COVID-19 related national lockdown which restricted movement, the unit could not appoint investigators to conduct the investigations. Where Inspectors were appointed, they could not commence inspections on time. Some investigations were held off due to budgetary constraints and they will be attended to during the 2021/22 financial year. |

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Programme 7: Benefits Management



| Performance indicators | | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|--|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Outcome 3: To ensure that all regulated entities comply with National Policy, the MSA and Regulations | | | | | | | | |
| Output 27: To ensure that rules of the schemes are simplified, standardised, fair and compliant with the Medical Schemes Act | | | | | | | | |
| Output Indicator 27.1 | Percentage of interim rule amendments processed within 14 working days of receipt of all information | 96.3% | 96.2% | 80% | 80% | 96.8% | 16.8% | The unit exceeded its target of analysing 80% of the rule submissions within 14 days by 16.8%. |
| | | 108 | 106 | | | | | |
| Output Indicator 27.2 | Percentage of annual rule amendments processed before 31 December of each year | 100% | 100% | 90% | 90% | 100% | 10% | The unit was able to exceed its target of 90% by reviewing 100% of the submissions relating to the changes to benefits and contributions increases. |
| | | 91 | 78 | | | | | |

Part B: Page 55

Programme 8: Financial Supervision



| Performance indicators | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations | |
|---|--|----------------------------|----------------------------|------------------------|----------------------------|---|-----------------------|--|
| Outcome 3: To ensure that all regulated entities comply with National Policy the MSA and Regulations | | | | | | | | |
| Outcome 28: Monitor and promote the financial soundness of medical schemes | | | | | | | | |
| Output Indicator 28.1 | Percentage of business plans processed in respect of Regulation 29 (which requires all schemes below statutory solvency to submit nature and causes of failure to the Registrar) | 100% | 88% | 100% | 100% | 0 | 100% | No business plans were received in the period under review |
| Output Indicator 28.2 | Percentage of business plans processed in respect of schemes with rapidly reducing solvency (but above statutory minimum) | 100% | n/a | 100% | 100% | 0 | 100% | No business plans were received in the period under review |
| Output Indicator 28.3 | Percentage of auditor applications analysed | 100% | 100% | 100% | 100% | 100% | - | - |
| Output Indicator 28.4 | Number of quarterly financial return reports published (excluding quarter four) | 3 | 3 | 3 | 3 | 3 | - | - |
| Output Indicator 28.5 | Number of financial sections prepared for the Annual Report | 1 | 1 | 1 | 1 | 1 | - | - |

Part B: Page 57

Programme 9: Complaints Adjudication



| Performance indicators | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Outcome 3: To ensure that all regulated entities comply with National Policy, the MSA and Regulations | | | | | | | |
| Output 29: Resolve complaints with the aim of protecting beneficiaries of medical schemes | | | | | | | |
| Output Indicator 29.1 Percentage of complaints adjudicated within 120 working days and in accordance with standard operating procedures | 68% | 55% | 65% | 70% | 76% | 6% | The unit exceeded the target as the focus was mainly on investigation and resolution of complaints while other activities were held in abeyance due to the restrictive movements associated with the national lockdown. |
| Output Indicator 29.2 Percentage of complaints adjudicated within 30 working days and in accordance with standard operating procedures | New target | New target | New target | 70% | 76% | 6% | The unit exceeded the target as the focus was mainly on investigation and resolution of complaints while other activities were held in abeyance due to the restrictive movements associated with the national lockdown. |

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Programme 9: Complaints Adjudication



| Performance indicators | Actual achievement 2017/18 | Actual achievement 2018/19 | Actual achievement 2019/20 | Planned target 2020/21 | Actual achievement 2020/21 | Deviation from planned target to actual achievement 2020/21 | Comment on deviations |
|---|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|---|---|
| Outcome 3: To ensure that all regulated entities comply with National Policy, the MSA and Regulations | | | | | | | |
| Output 29: Resolve complaints with the aim of protecting beneficiaries of medical schemes | | | | | | | |
| Output Indicator 29.3 Percentage of complaints adjudicated within 60 working days and in accordance with standard operating procedures | New target | New target | New target | 70% | 76% | 6% | The unit exceeded the target as the focus was mainly on investigation and resolution of complaints while other activities were held in abeyance due to the restrictive movements associated with the national lockdown. |
| Output Indicator 29.4 Percentage of complaints adjudicated within 90 working days and in accordance with complaints standard operating procedures | New target | New target | New target | 70% | 76% | 6% | The unit exceeded the target as the focus was mainly on investigation and resolution of complaints while other activities were held in abeyance due to the restrictive movements associated with the national lockdown. |

Part B: Page 59



**ANNUAL
REPORT**
2020/21

**THANK
YOU**



**REGULATING
THROUGH A PANDEMIC**

PARLIAMENTARY PROGRAMME



ANNUAL REPORT

2020/21

14:00 – 14:15

OPENING REMARKS AND INTRODUCTION

Dr Memela Makiwane – Chairperson of Council

14:15 – 14:40

PERFORMANCE INFORMATION PROGRAMME

Dr Siphon Kabane – Chief Executive & Registrar

14:40 – 15:00

ANNUAL FINANCIAL STATEMENTS AND AUDIT OUTCOME

Ms Andisa Zinja – Chief Financial Officer

15:00 – 15:30

QUESTION AND ANSWER SESSION

Committee Chairperson

15:30 – 15:50

UTILISATION TRENDS

Mr Michael Willie – GM: Research and Monitoring

15:50 – 16:10

FINANCIAL SUPERVISION

Mr Sameer Rajab – Acting GM: Financial Supervision

16:10 – 16:30

QUESTION AND ANSWER SESSION

Committee Chairperson

16:30 – 16:40

CLOSING

Dr Memela Makiwane – Chairperson of Council



AFS & AUDIT OUTCOME

Ms Andisa Zinja
Chief Financial Officer



**ANNUAL
REPORT**

2020/21

**REGULATING
THROUGH A PANDEMIC**

Outline

- Audit report
- Management Report
- Statements
 - Financial Position
 - Financial Performance
- Notes to the Financial Statements



Annual Report: Page 84 - 120

Audit Report

- Report on the audit of the Financial Statements
 - Unqualified audit opinion with no material misstatements on financial statements.
- Report on the audit of the Annual Performance Report
 - No material finding on usefulness and reliability of performance information.
- Report on the audit of Compliance with legislation
 - Internal control deficiencies
 - Non-compliance with section 55(1)(b) of the PFMA – irregular expenditure



Annual Report: Page 85 - 88

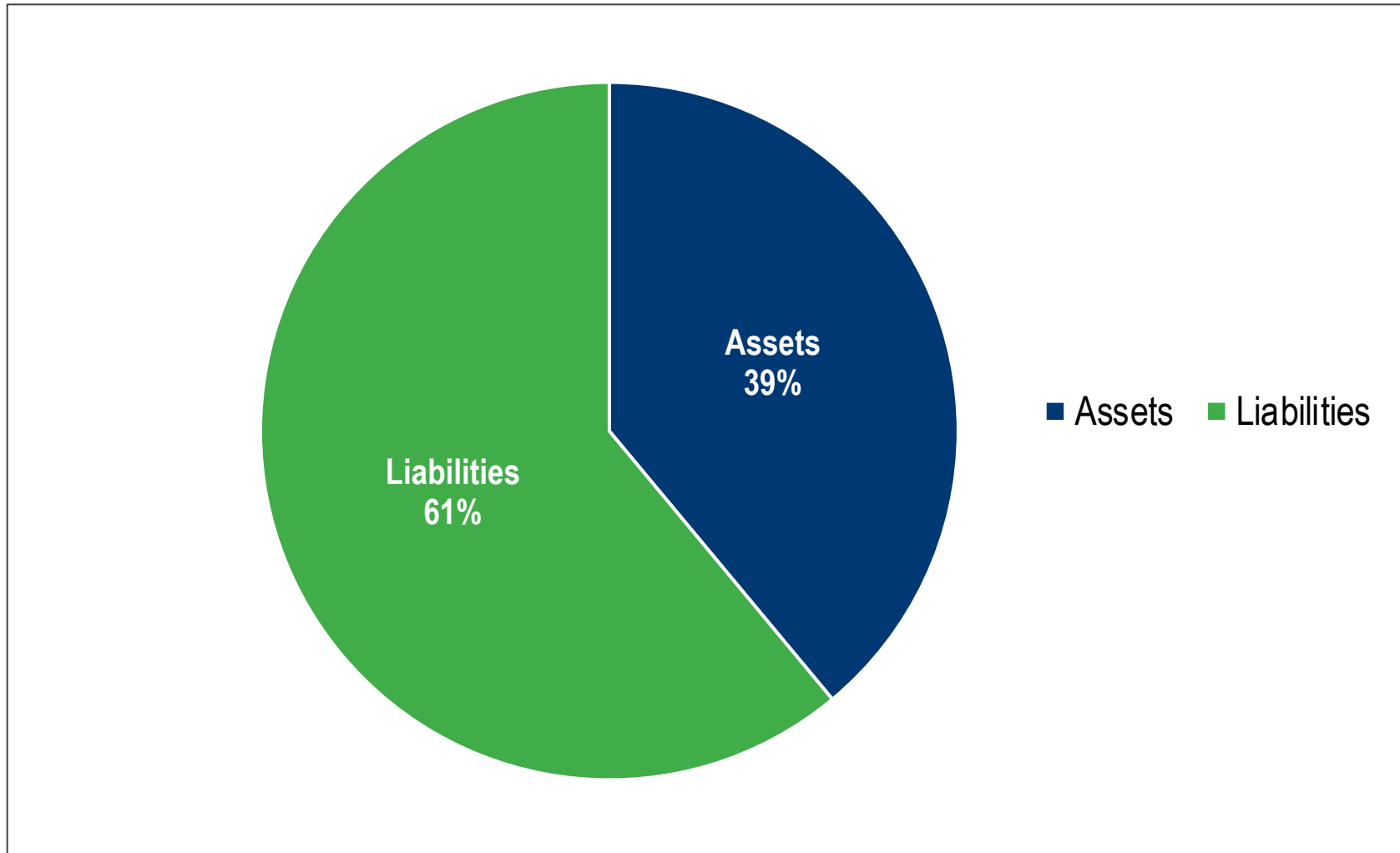
Management Report



| Summary of detailed audit findings | 2020/2021 | 2019/2020 |
|------------------------------------|-----------|-----------|
| Matters affecting audit report | 0 | 15 |
| Other important matters | 8 | 9 |
| Administrative matters | 2 | 0 |
| Total number of matters reported | 10 | 24 |

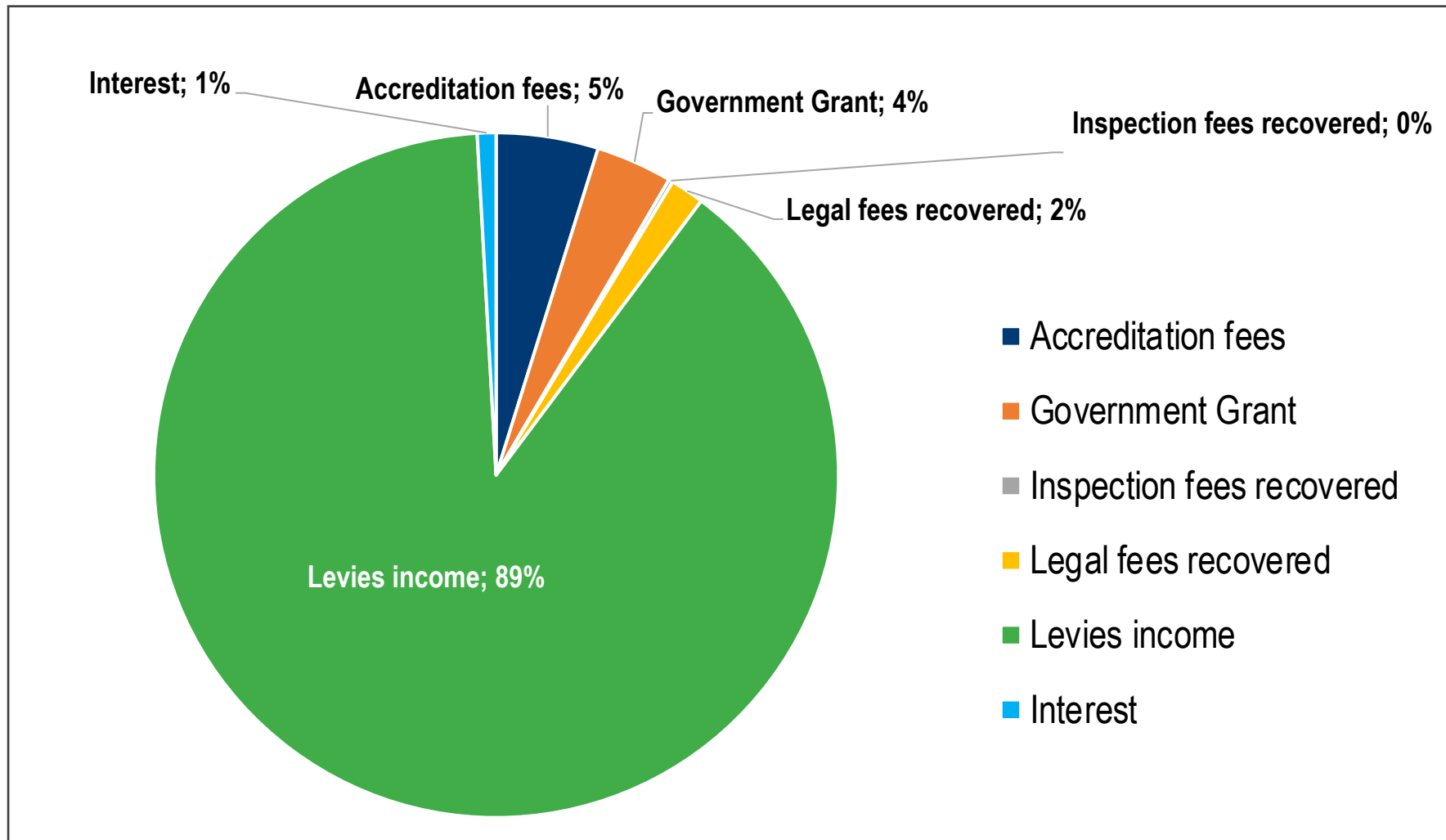
- Of the 10 matters reported, only 2 related to Supply Chain vs 12 in 2019/20.
- There were no matters reported affecting the audit report.
- This shows a significant audit outcome improvement.

Statement of financial position



Annual Report: Page 89

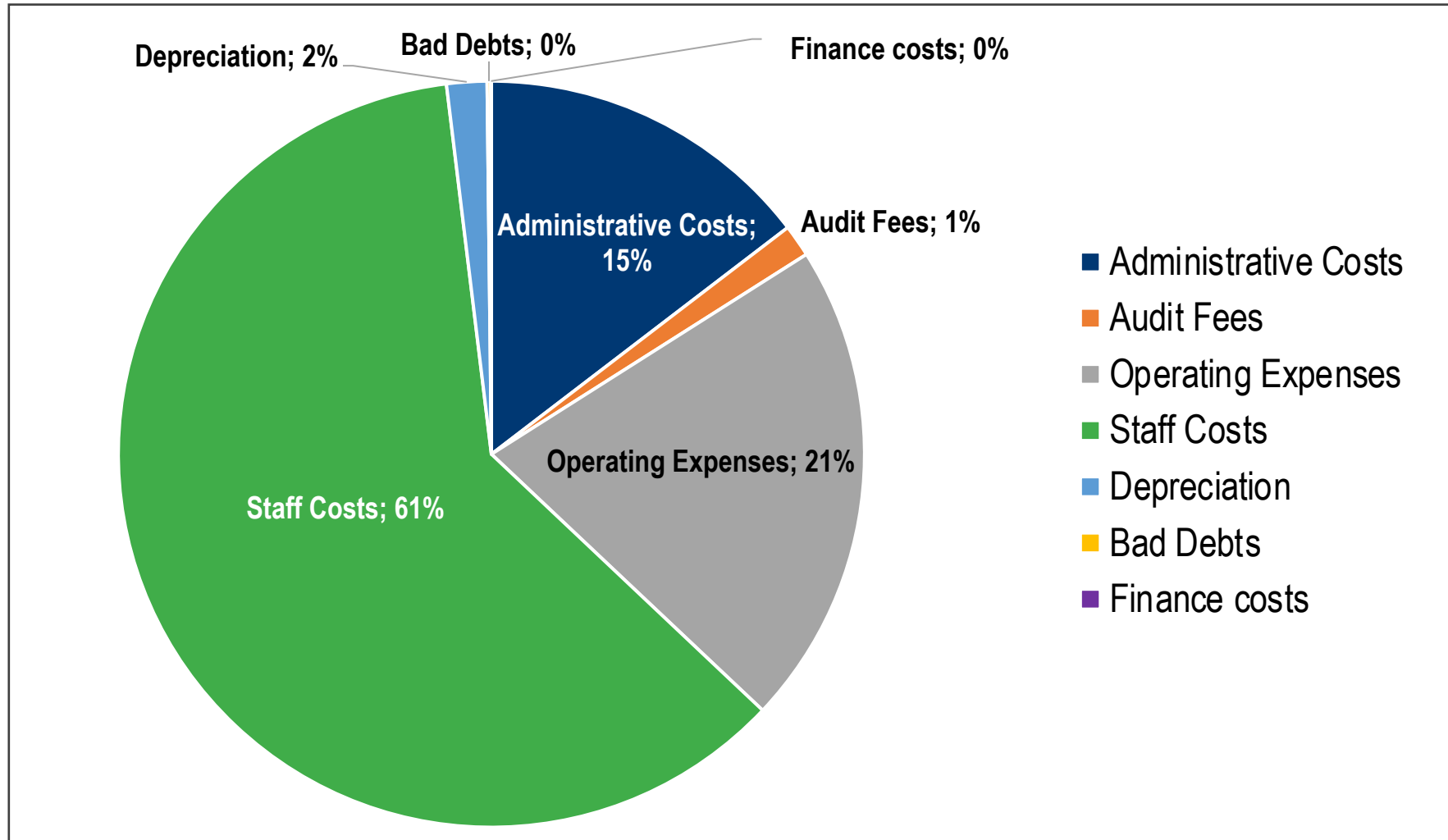
Statement of financial performance



Annual Report: Page 90

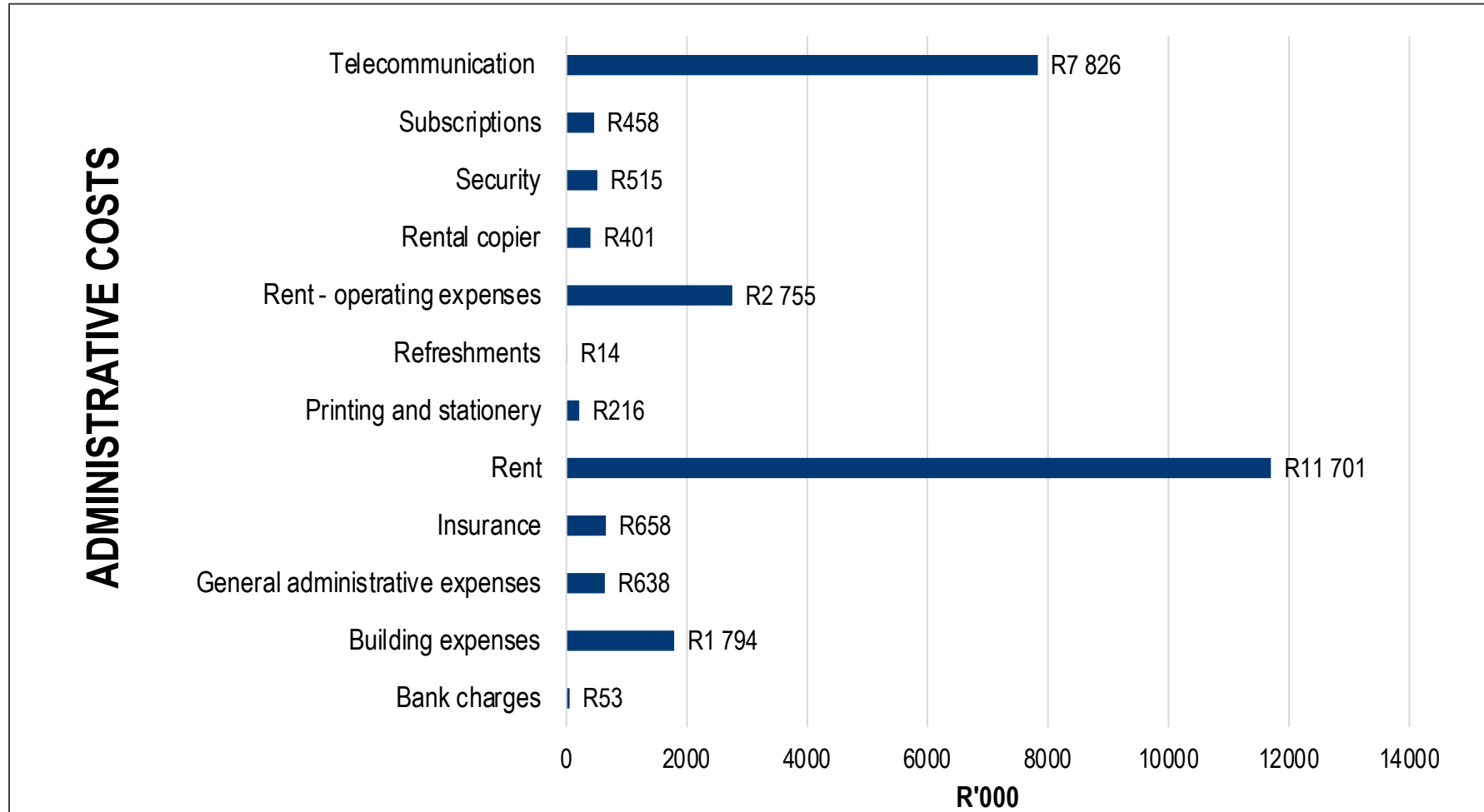


Statement of financial performance



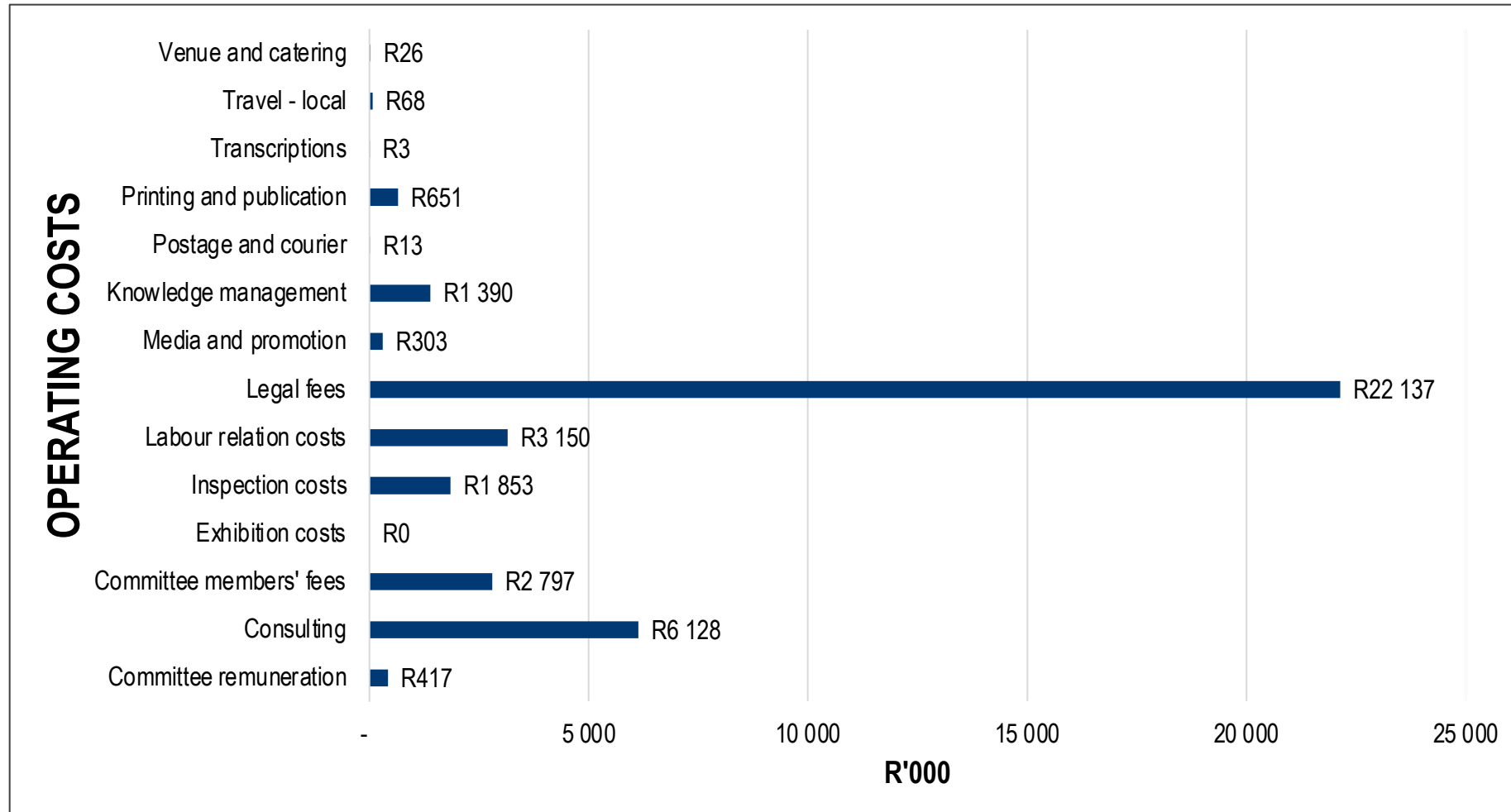
Annual Report: Page 90

Statement of financial performance – administrative costs



Annual Report: Page 90

Statement of financial performance – operating costs



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Notes to the Annual Financial Statements



- Fruitless and wasteful expenditure – *Page 116*
 - **Relates to SARS penalties and interest**
- Irregular expenditure – *Page 117*
 - **Non-compliance with section 55(1)(b) of the PFMA – legal panel**
- Events after the reporting date – *Page 120*
 - **Proposed levy increase for 2020/21 only approved after year-end**

Annual Report: Page 116 - 120

Conclusion

- CMS is facing **liquidity challenges** as cash and cash equivalents constitute 16% of total assets and 12% of current liabilities.
- A **deficit** of R0,348 million was incurred declining from R25,163 million in prior year.
- **Accumulated deficit** as a result has increased marginally.
- CMS is working on a **long-term financial sustainability model**.



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QUESTIONS AND DISCUSSION



**REGULATING
THROUGH A PANDEMIC**

PARLIAMENTARY PROGRAMME



ANNUAL REPORT

2020/21

14:00 – 14:15

OPENING REMARKS AND INTRODUCTION

Dr Memela Makiwane – Chairperson of Council

14:15 – 14:40

PERFORMANCE INFORMATION PROGRAMME

Dr Siphon Kabane – Chief Executive & Registrar

14:40 – 15:00

ANNUAL FINANCIAL STATEMENTS AND AUDIT OUTCOME

Ms Andisa Zinja – Chief Financial Officer

15:00 – 15:30

QUESTION AND ANSWER SESSION

Committee Chairperson

15:30 – 15:50

UTILISATION TRENDS

Mr Michael Willie – GM: Research and Monitoring

15:50 – 16:10

FINANCIAL SUPERVISION

Mr Sameer Rajab – Acting GM: Financial Supervision

16:10 – 16:30

QUESTION AND ANSWER SESSION

Committee Chairperson

16:30 – 16:40

CLOSING

Dr Memela Makiwane – Chairperson of Council



UTILISATION TRENDS

Mr Michael Willie
General Manager:
Research & Monitoring

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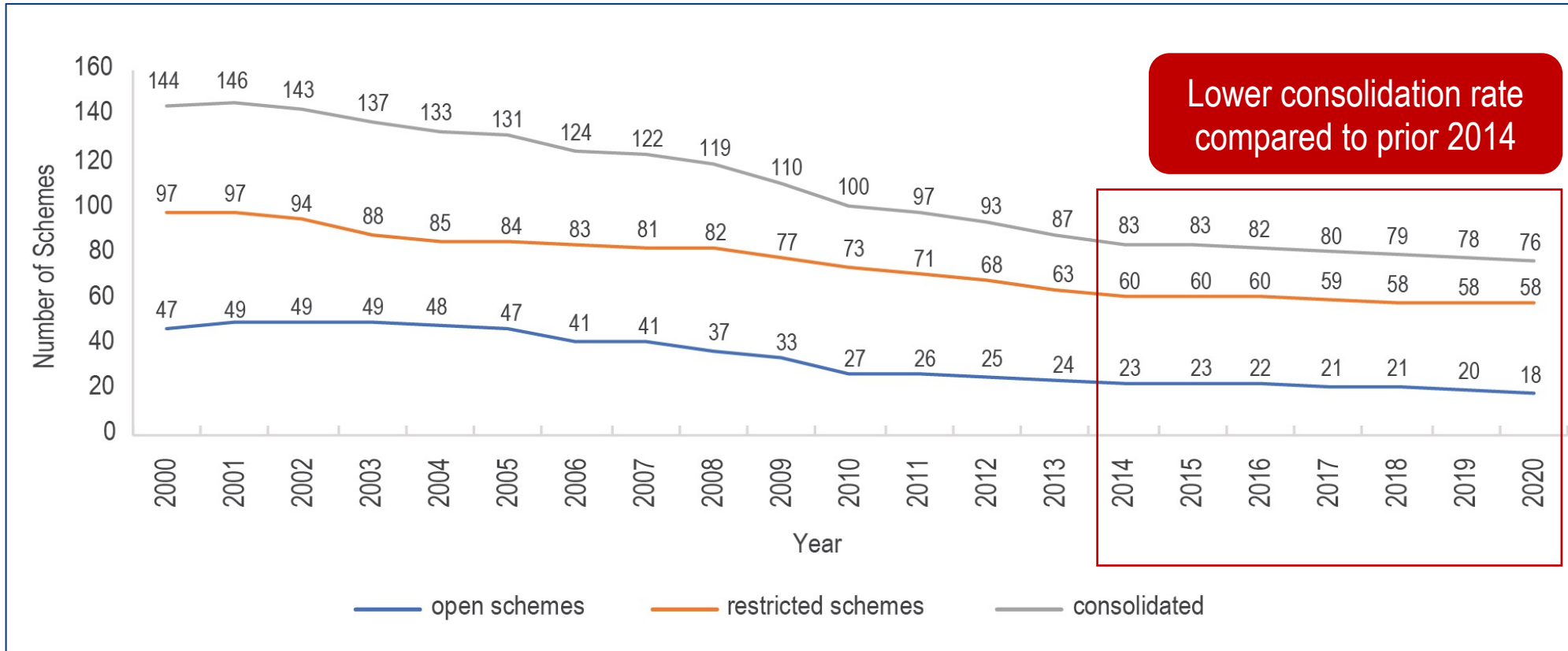
**REGULATING
THROUGH A PANDEMIC**

Outline of presentation

- Number of schemes
- Benefit options
- Membership
- Demographics
- Benefits paid
- Utilisation of services
- Closing remarks



Number of schemes



Industry Report: Page 7

Number of schemes in operation in 2020 (2019):

- Consolidated: **76 (78)**
- Open schemes: **18 (20)**
- Restricted schemes: **58 (58)**



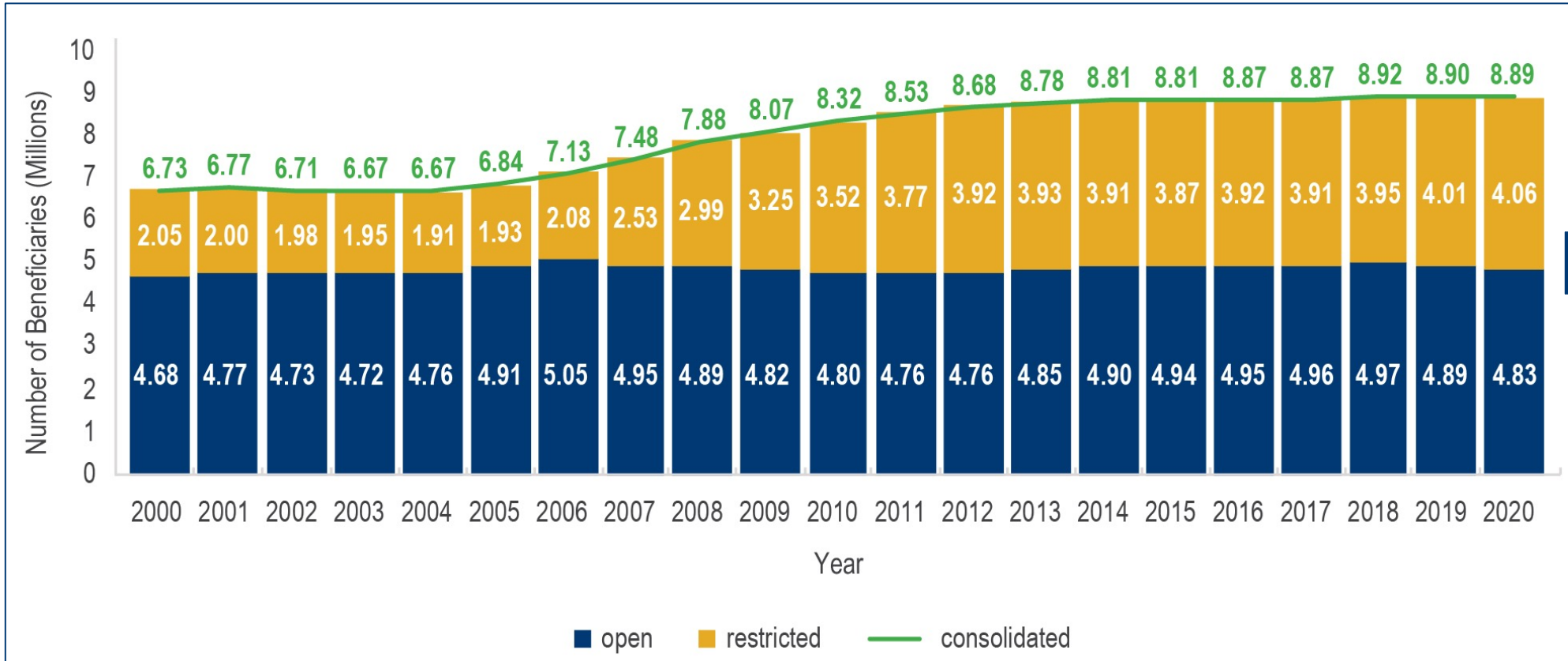
Membership



Membership as % of population declined thus indicator lower exposure to medical schemes:

- **16%** in 2000 vs **14.78%** in 2020.
- **Open schemes** accounted for more than half of the medical scheme's population (**54.35%**), while restricted schemes accounted for the balance (45.65%) in 2020.
- **Open schemes** generally saw a **decline** in the number of beneficiaries covered in 2020 compared to 2019.
- **Restricted schemes** saw an **increased** number of beneficiaries covered in 2020 compared to 2019.
- Overall, the **industry declined by less than 2%** between 2020 and 2019

Membership



Industry Report: Page 9



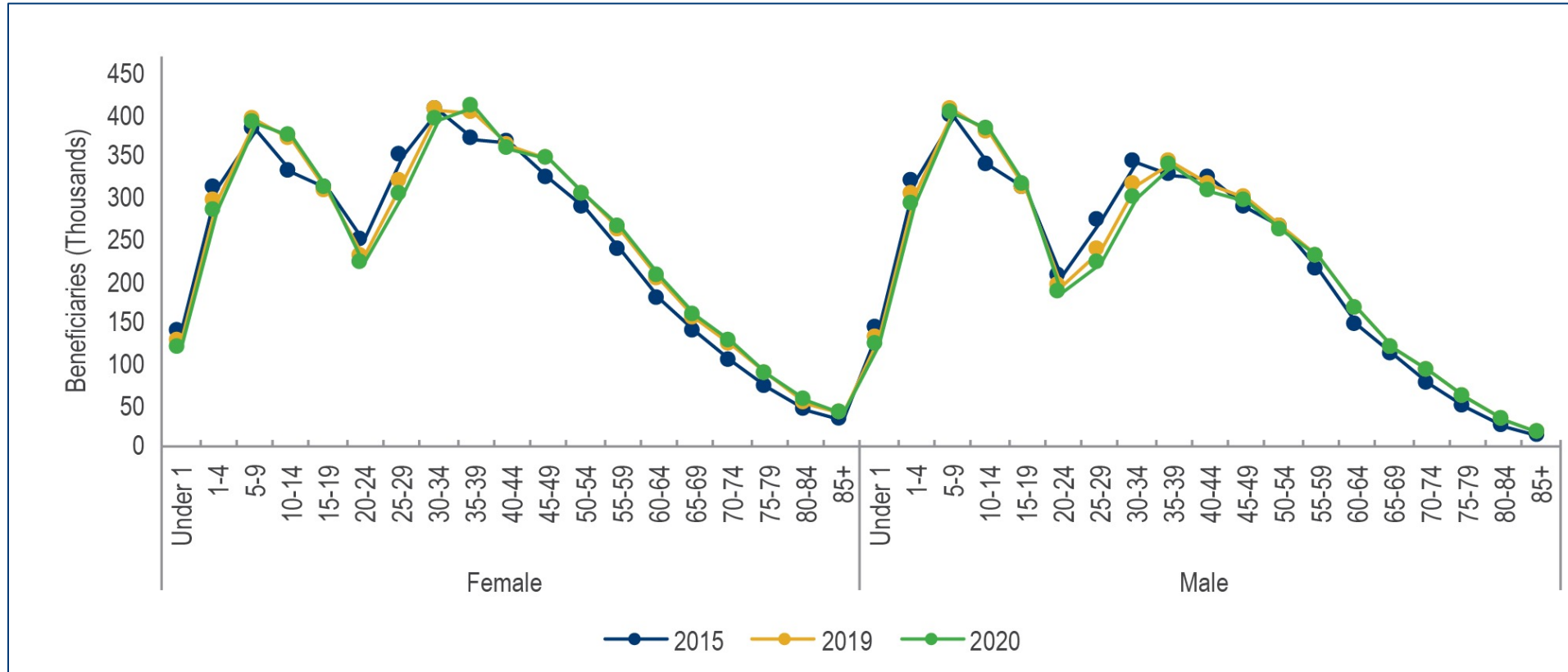
Membership - select schemes



Membership year-on-year increases were only in **three schemes**, which grew by **more than 5%** over the period:

- Makoti Medical Scheme **(20.3%)**
 - LA-Health **(7.1%)**
 - Building & Construction Industry Medical Aid Fund **(5.9%)**
-
- **GEMS** contributed to the increase in restricted schemes and registered 71 463 beneficiaries, with less than 5% year-on-year growth **(3.8%)**
 - **Discovery** Health Medical Scheme, which accounted for the lion's share of open scheme market, **registered a loss of nearly 50 000 beneficiaries** (49 770), followed by **Fedhealth** (13 015) and **Bonitas** (12 858)

Demographics - 2020 (2019)



Industry Report: Page 12



Age (years)
33.4 (33.0)



Pensioner Ratio (%)
8.9 (8.6)



Dependency Ratio:
1.21 (1.20)

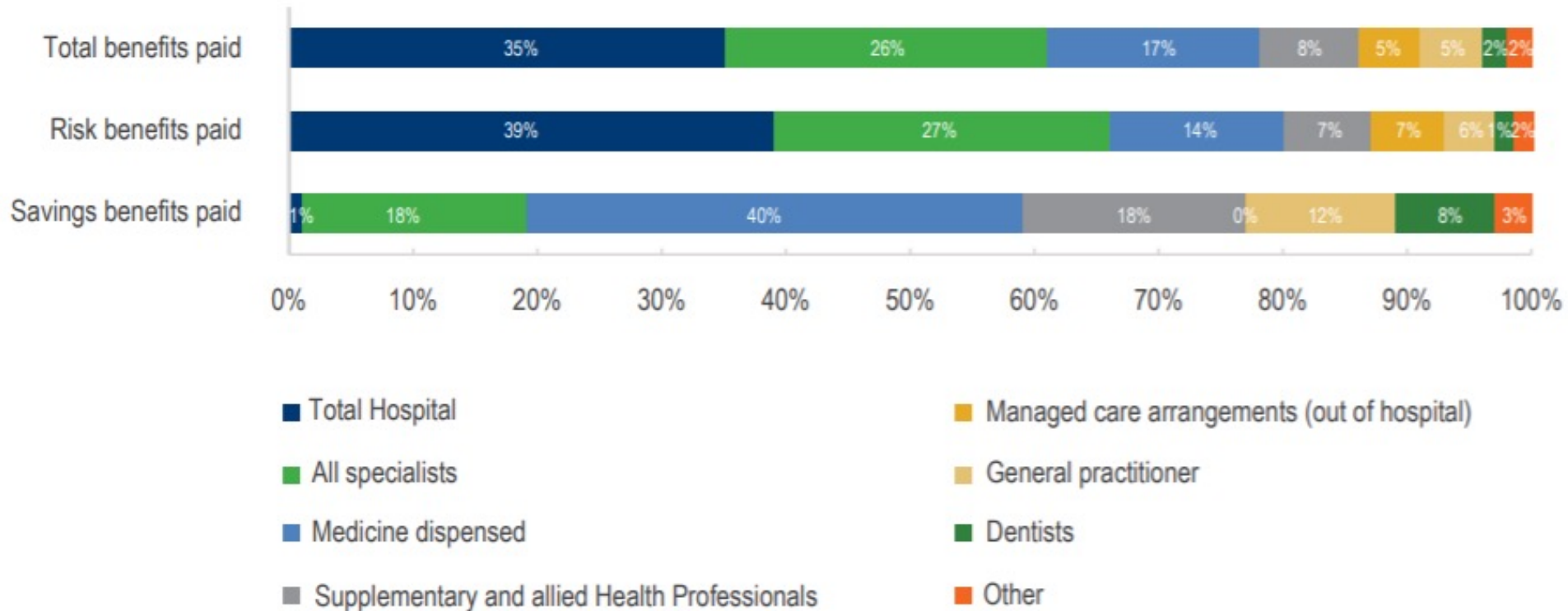


Benefits paid: 2020 (2019)

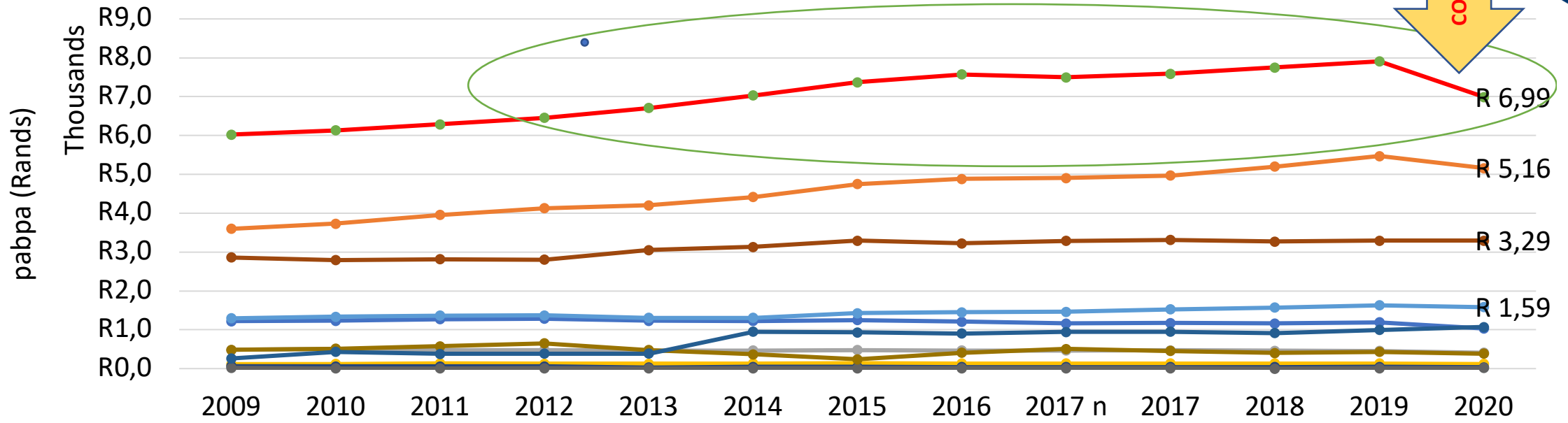


- Total healthcare expenditure on benefits paid:
 - R178.04 billion (R185.1 billion), **down by 3.81%**
- **Risk benefits** paid was R159.8 billion at **90%** of total benefits
- **Saving benefits** paid was R18.2 billion at **10%** of total benefits
- **Total and Risk Benefits paid per average beneficiary per annum (pabpa)**
 - **Total Benefits : R20 028.63 (R20 838.17) decreased by 3.9%**
 - **Risk Benefits : R17 980.26 (R 18 790.72) decreased by 4.2%**
- **Average amount paid from medical savings accounts pabpa increased by only 0.04% to R2 048.37.**

Distribution of healthcare benefits paid 2020



Benefits paid - trend



- General practitioners
- All specialists
- Dentists
- Dental specialists
- Supplementary and Allied Health Professionals
- Private hospitals
- Provincial hospitals
- Medicines Dispensed
- Ex-gratia payments
- Other Health Services
- Managed care arrangements

Industry Report: Page 20



Benefits paid – adjusted 2020 (2019)



- Expenditure on private hospitals **decreased by 8.38%** in real terms
 - R62.7 billion (R68.4 billion)
- The annual average **increase was 9.18%** from R23.7 billion in 2009 to R62.4 billion in 2020
- The proportion of benefits paid toward private hospitals has averaged around 36.6% between 2009 and 2020
- The amount paid in real terms on private hospitals **decreased by 8.7%** R6 991 (R7 655)
- Amount spent on **specialists increased** in real terms from R2 105 pabpa in 2009 to R5 157 pabpa in 2020

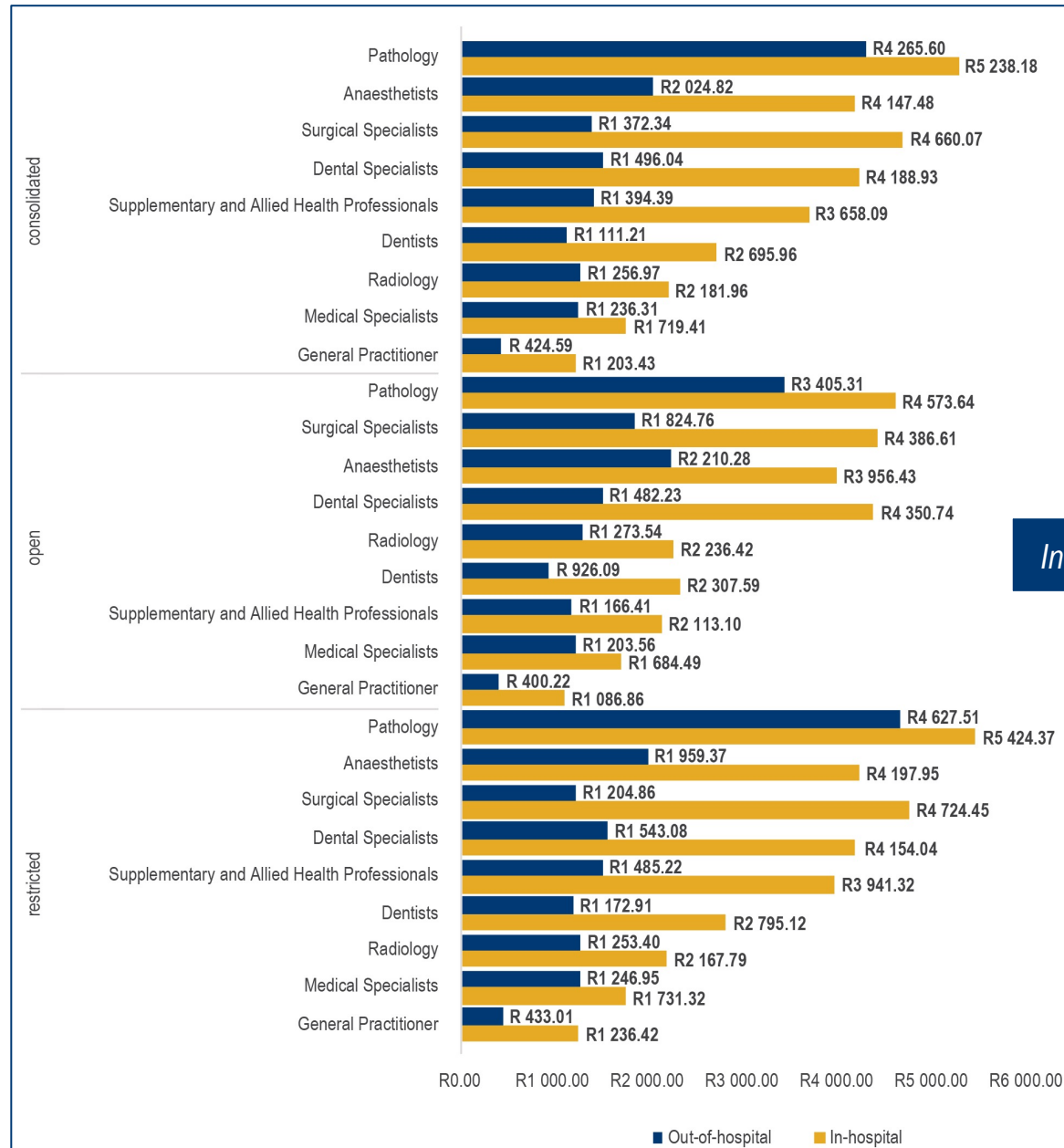
Benefits paid per event per facility

An **overall decline** in benefits paid to:

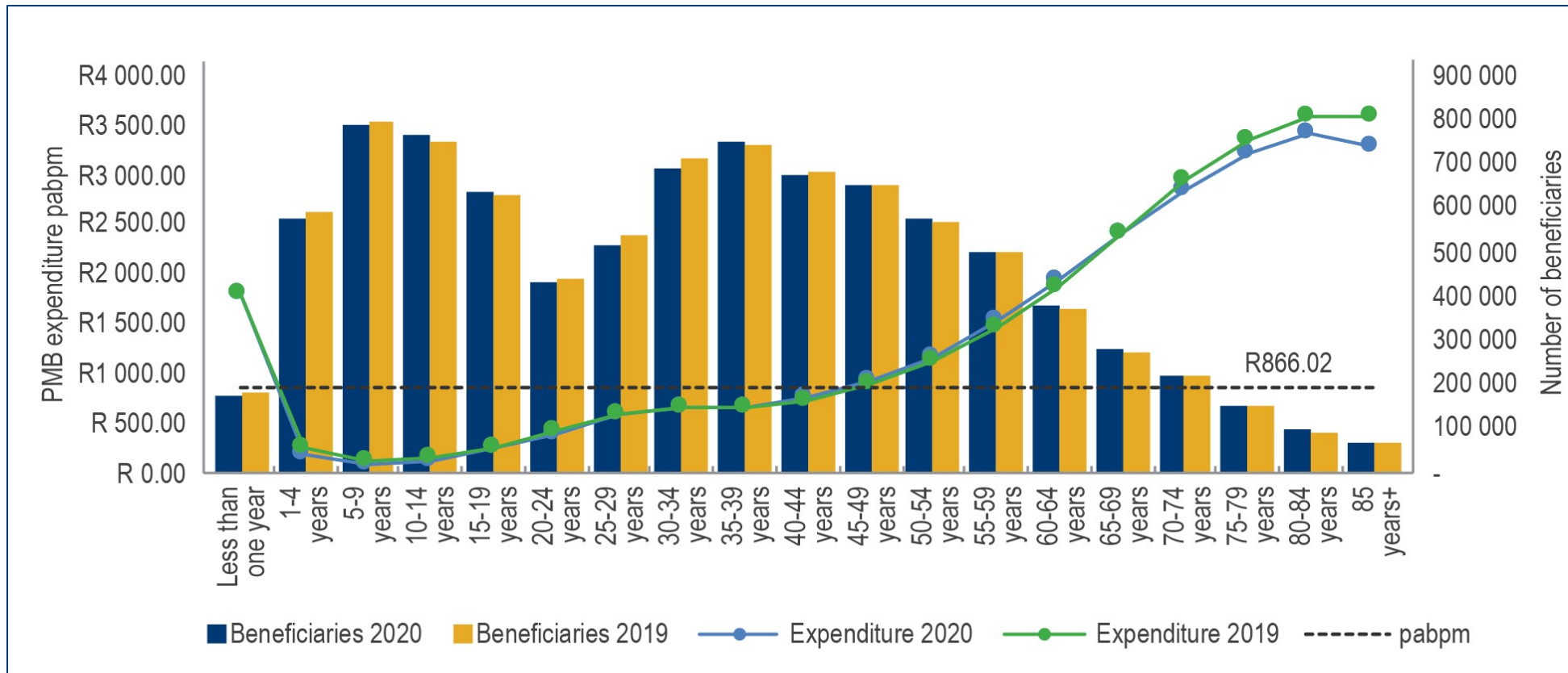
- Specialists: 2.26%,
- Hospitals: 8.83%
- General practitioners: 10.07%
- Dentists: 7.19%
- Dental specialists: 5.52%

This is attributed to lockdowns and the cancellation of elective in 2020 due to the COVID-19 pandemic.

Pathology services which amounted to R11.6 billion in 2020 and increased by 10.88% from R10.5 billion in 2019.



PMB expenditure pabpm 2019/2020



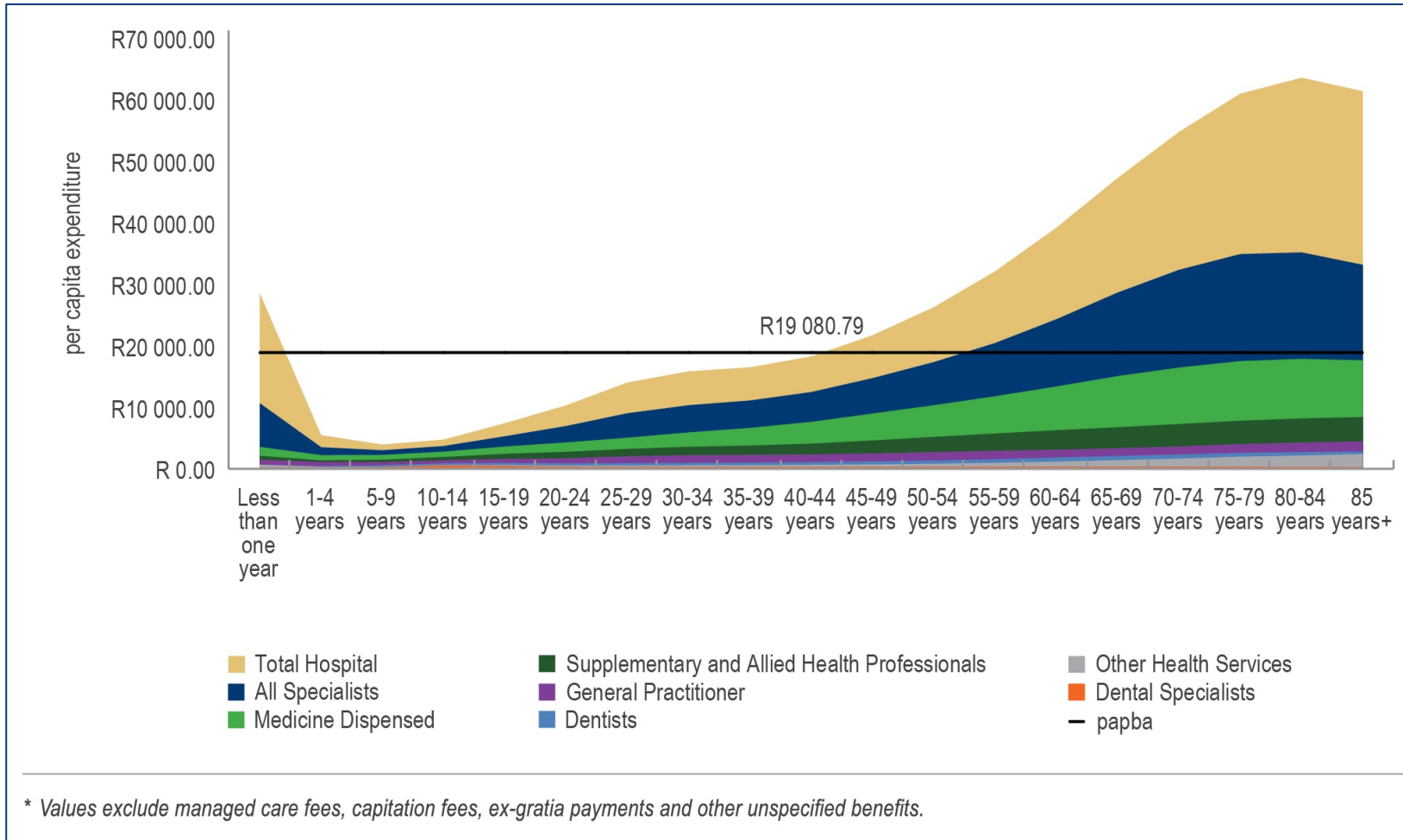
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Healthcare benefits paid per age band



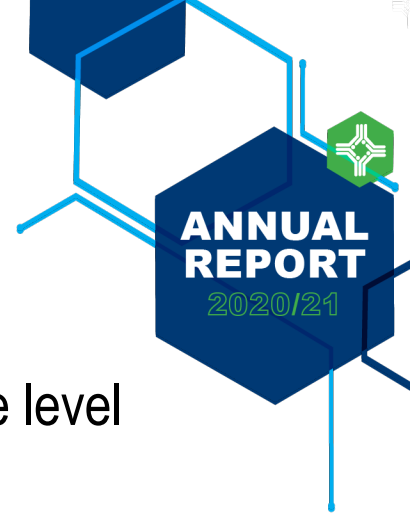
Industry Report: Page 18



- Expenditure for beneficiaries over the age of **44 years rises above the average cost** per beneficiary of R19 999
- The expenditure peaks for beneficiaries in the age band **80 to 84 years at R68 944** per average beneficiary.



Closing remarks



- Consolidation more at option level than at scheme level
 - Sustainability of risk pools
- Membership and age profile not adversely affected by COVID-19
 - Slight decline
 - Sustainability of the sector, affordability constraints notable
- Impact of COVID-19 on health services
 - Notable overall decline in benefits paid
 - Low utilisation of health services, however increase in LOS
 - Increase demand for Pathology related services
 - Possible Supply Induced Demand (SID)



Closing remarks



- Impact of COVID-19 on health outcomes
 - Possibility of poor long term health outcomes, due to delayed care
- Opportunities for benefit design:
 - Lower utilisation of health benefits provides an opportunity for more enriched benefits for members
 - COVID-19 provides key learning for reprioritising primary health and preventative care, vaccines and importance thereof.



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**THANK
YOU**



**REGULATING
THROUGH A PANDEMIC**

PARLIAMENTARY PROGRAMME



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Committee Chairperson

16:30 – 16:40

CLOSING

Dr Memela Makiwane – Chairperson of Council



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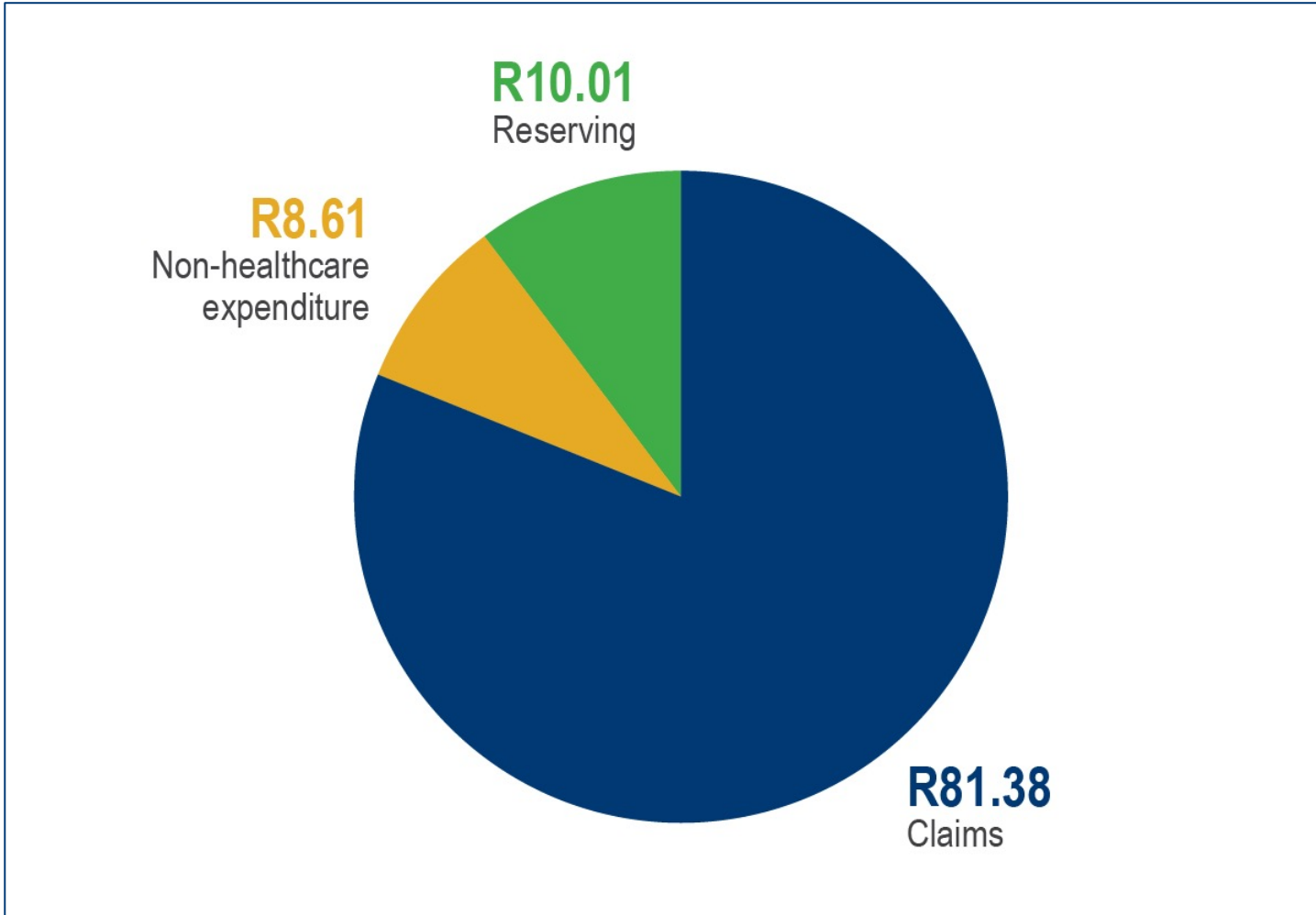


FINANCIAL PERFORMANCE

Mr Sameer Rajab
Acting GM:
Financial Supervision

**REGULATING
THROUGH A PANDEMIC**

Snapshot: Distribution of healthcare Rand

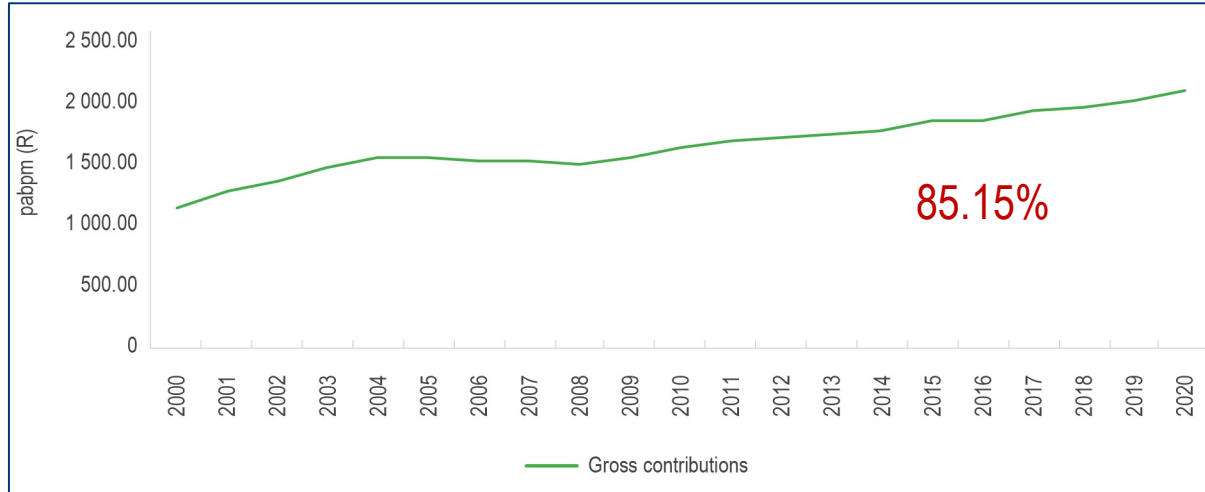


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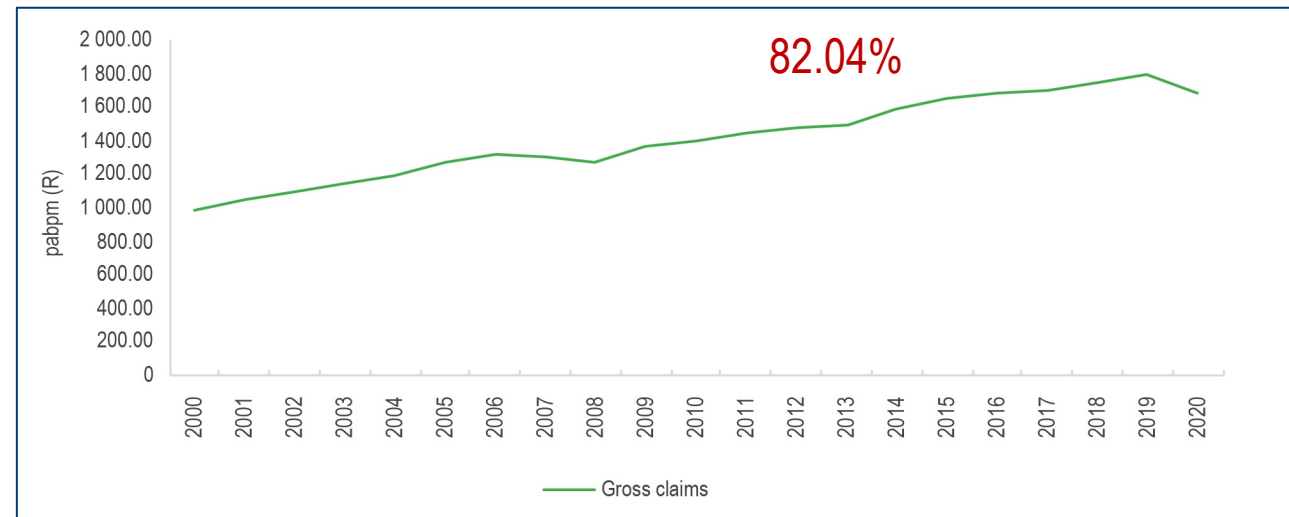
Gross: contributions and claims



2020 GCI of R219.43 billion



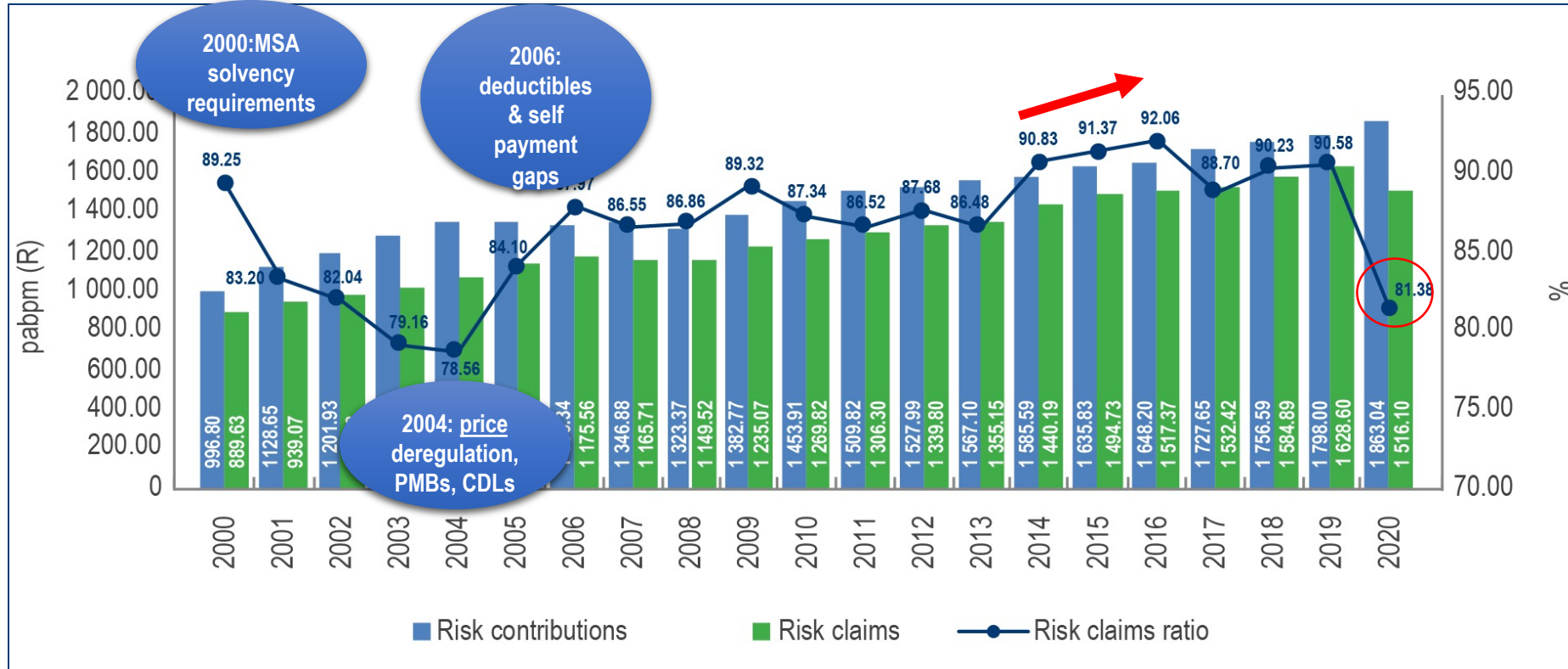
Industry Report: Page 45,46



2020 gross claims of R179.74 billion



Risk: relationship between contributions and claims



2020 RCI of R199.08 billion

Industry Report: Page 55

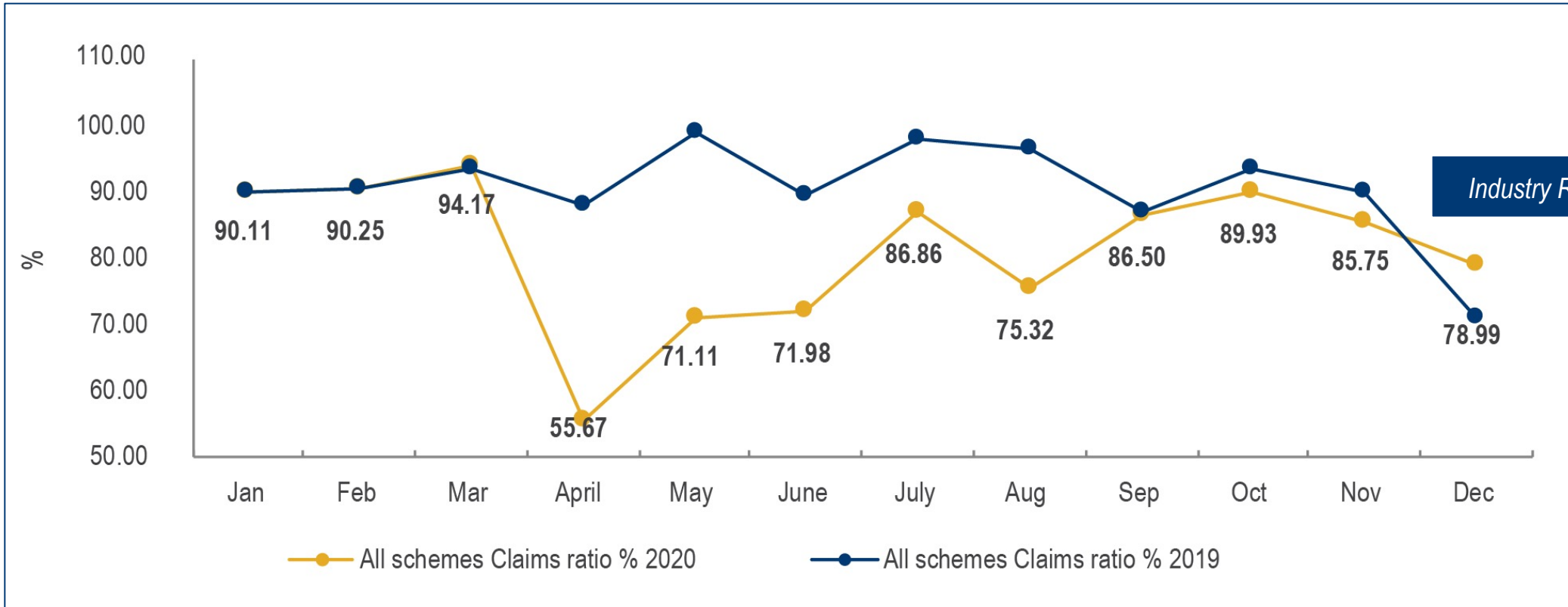
2020 risk claims of R162.00 billion



Claims seasonality



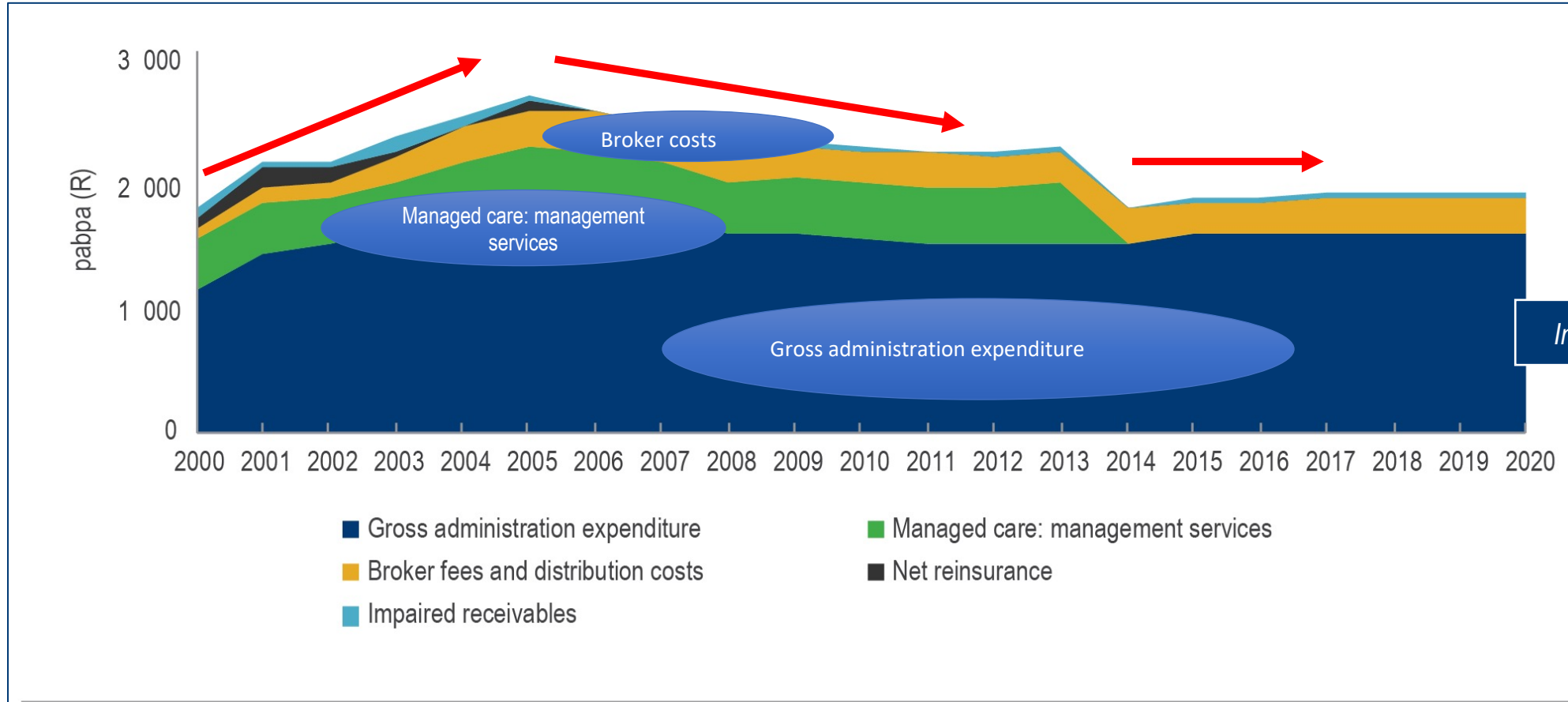
Industry Report: Page 55



Trends in NHE



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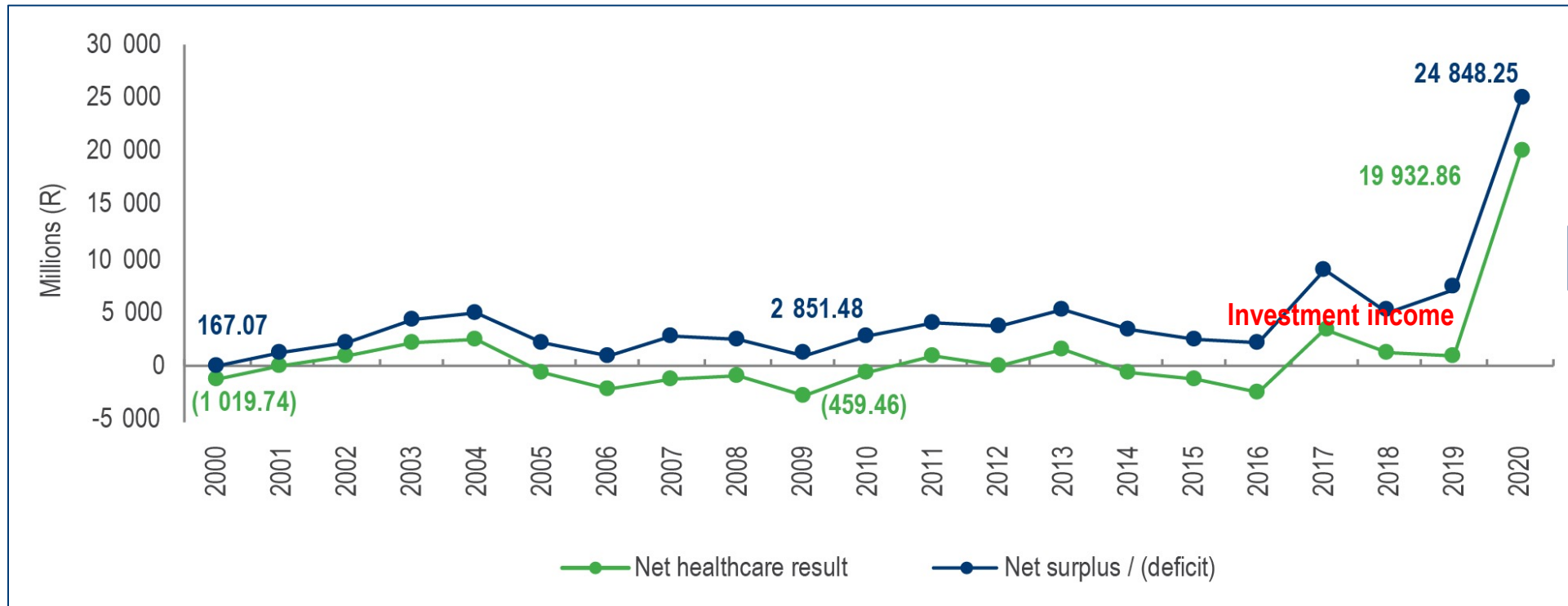


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pabpa = per average beneficiary per annum
* Values were adjusted for CPI for 2000 – 2019



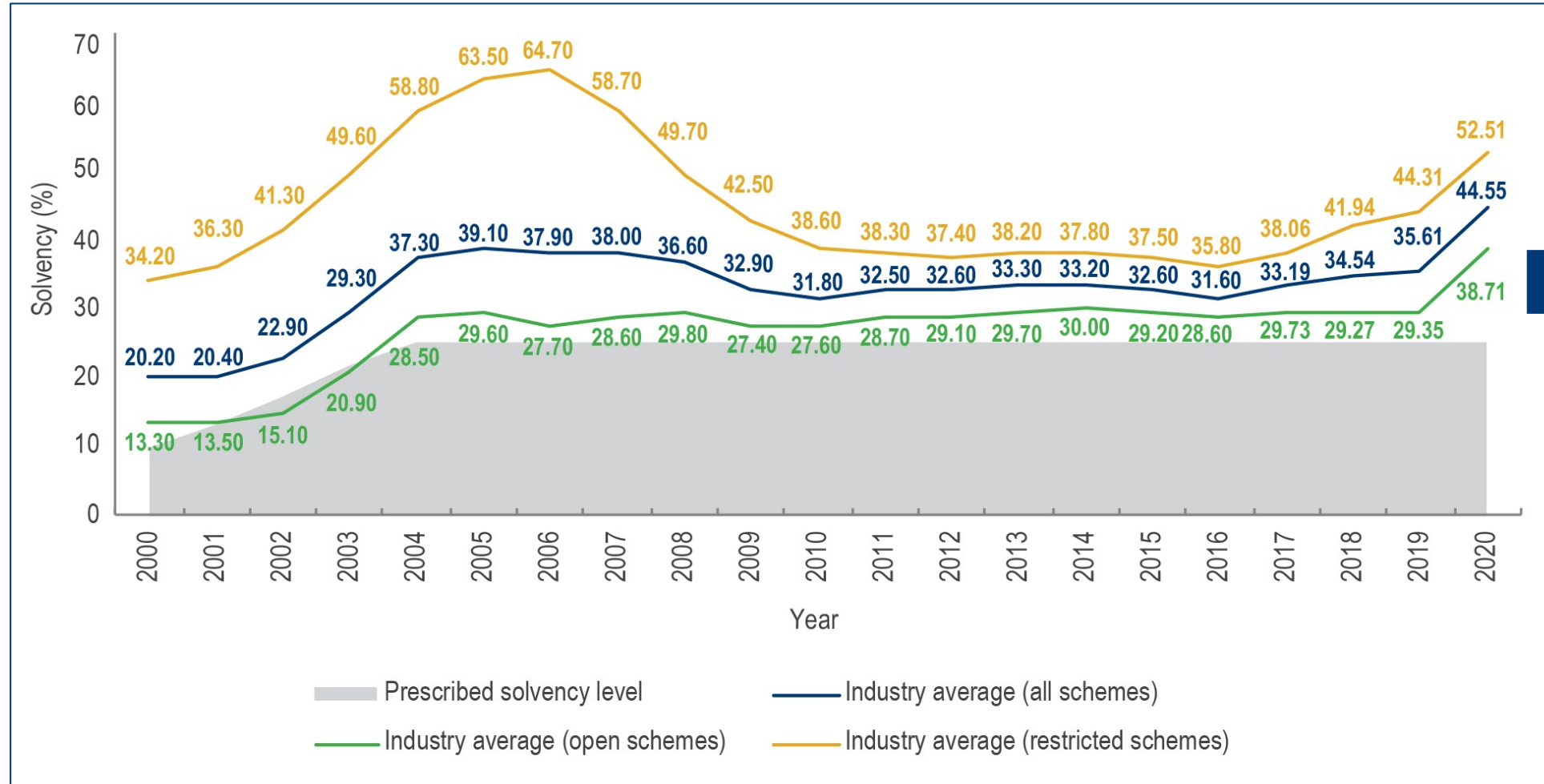
Net healthcare results & net surplus



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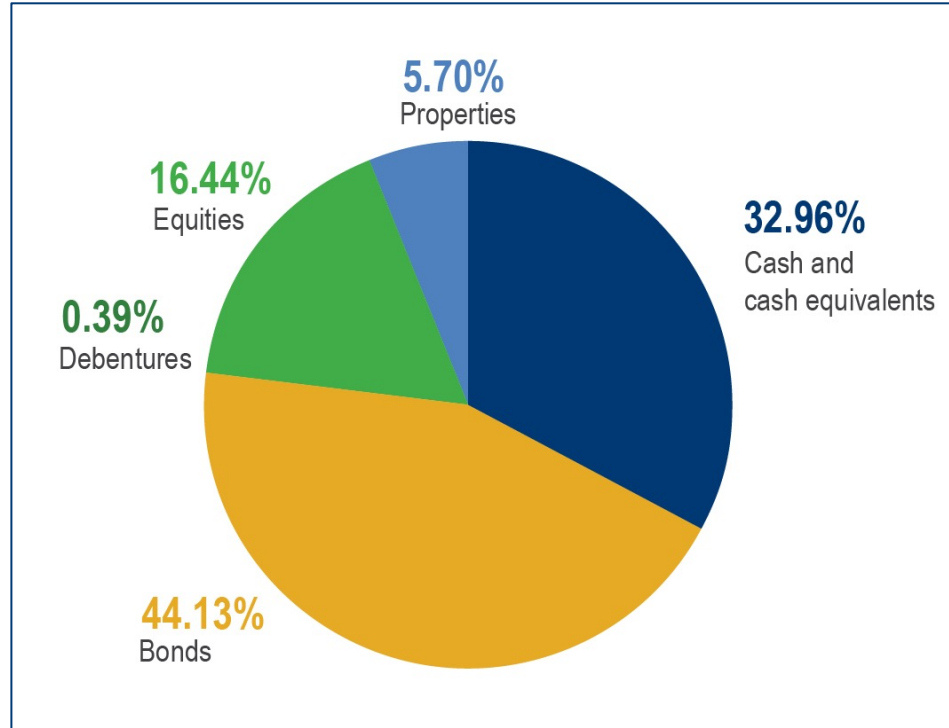
Solvency trends



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Scheme investments

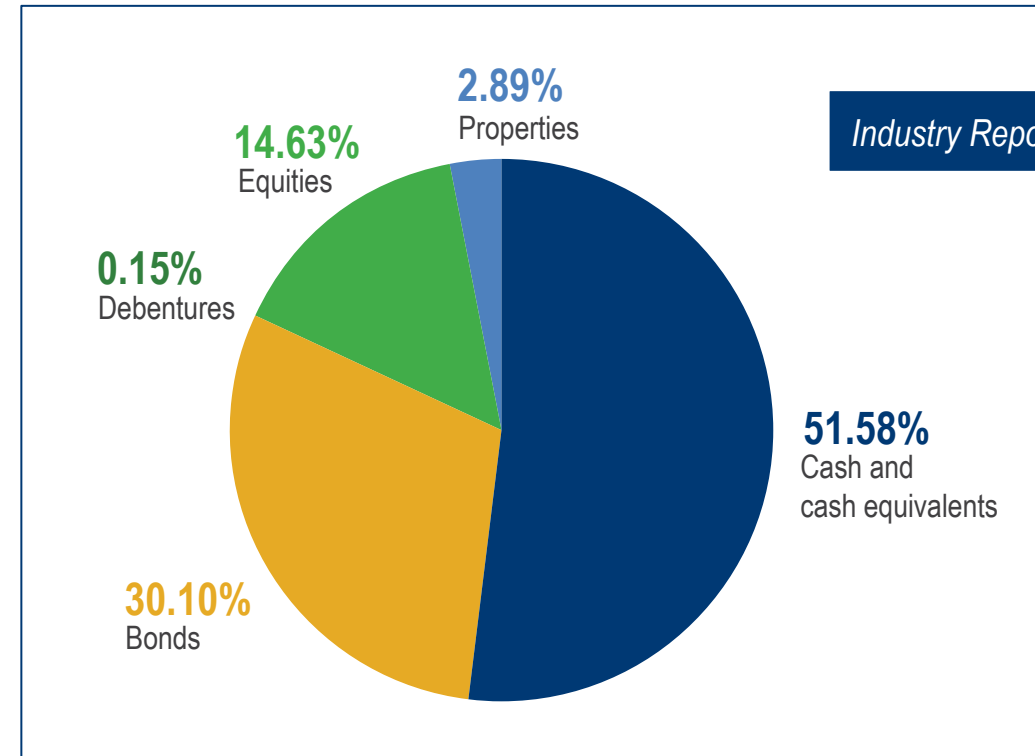


Open schemes: R62.1 billion:

- 95.91% local
- 4.10% foreign

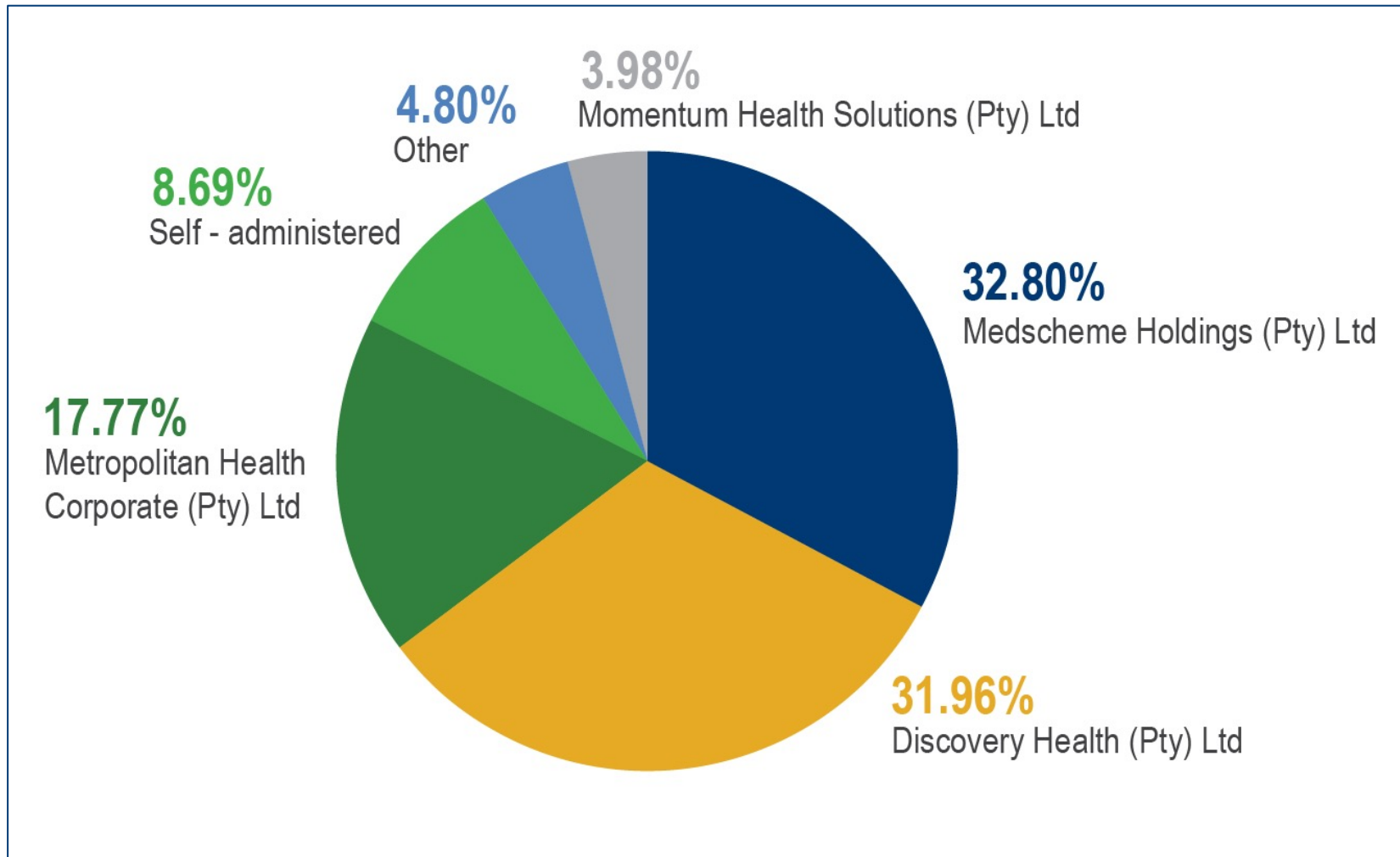
Restricted schemes: R58.5 billion:

- 97.44% local
- 2.56% foreign



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Administrator market share: 2020



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Conclusion

- The medical scheme industry remains financially sound.
- The long-term effects of the pandemic on scheme reserves is still unclear.





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QUESTIONS AND DISCUSSION



**REGULATING
THROUGH A PANDEMIC**



CLOSING REMARKS

Dr Memela Makiwane
Chairperson of Council

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