



**REGULAR FORCE  
MEDICAL CONTINUATION FUND**

## **RFMCF STATUS REPORT**

---

Joint Standing Committee on Defence  
**November 2023**

# SCOPE OF PRESENTATION

---

- Introduction
- Background
- Turnaround Strategy
- Financials & Actuarial Report
- Successes to Date
- Challenges & Fund Sustainability
- Conclusion





**REGULAR FORCE  
MEDICAL CONTINUATION FUND**



## **ABOUT US**

---

The Fund is an autonomous structure that was established around 1964 for retired Regular Force Members to receive continued healthcare benefits. The Fund is a medical pension type Fund and cannot be compared to other Funds of the SANDF and does not function like a Committee in the SANDF. Our aim is to ensure the Fund's sustainability through managed healthcare.



# BACKGROUND

---

- The Board until 2016 comprised of SANDF members, Trustees, Retired and Union Representation
- During this time, the challenges within the Fund that were highlighted in the Audited Financial Statements and Actuarial Reports seemed not to have been addressed
- A financial and management crisis had developed by 2016
- By January 2017 – Board was dissolved by the Military Command Council
- Interim Board appointed by the Minister was established as an intervention to manage and address this crisis
- Trustees composed of SANDF & Private sector
- Chairperson - Surgeon General



REGULAR FORCE  
MEDICAL CONTINUATION FUND

# THE STAKEHOLDERS



## RFMCF

Managed by the Board of Trustees



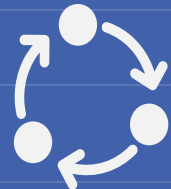
## SAMHS

Primary Designated Service Provider



## PPSHA

RFMCF's Professional Administrator



## Third Parties

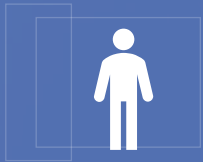
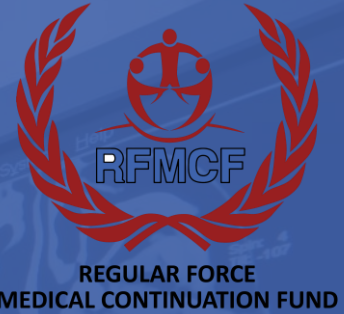
Managed Healthcare Organizations in their specialized fields



## Healthcare Providers

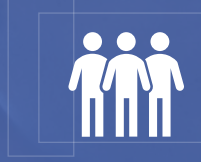
Designated Service Providers

# RFMCF PORTFOLIO



**19,345**

Principal Members



**32,827**

Total number of lives covered by the RFMCF



**57,841**

Active Force Members



**101.7%**

Claims Ratio



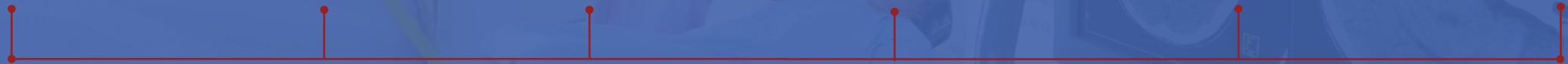
**R0**

Active Force Contribution Increase since 2019



**CONSISTENTLY INCREASES**

Medical Inflation



# TURNAROUND STRATEGY

---

- Improved Governance
- Improved Management (Administration, Operational & Financial)
- Relationships - Stakeholders & Membership
- Impact of Interventions – (Managed Healthcare, Prudent Financial Management, Internal Audit Functions)



REGULAR FORCE  
MEDICAL CONTINUATION FUND



# FINANCIAL

## CURRENT FUNDING MODEL



### RFMCF is not a registered Medical Scheme, but a FUND

Pre-Funding Model

Current model was established within the DoD

Finance with CHR and Legal must review the current model to define its juristic status for contributions



### RFMCF is a CLOSED Fund

Age of entry criteria

Contribution criteria

ONLY for military pensioners as per outlined qualifying criteria



### Funding Model since RFMCF establishment

Rank or salary does not determine contribution level but is calculated per age of entry into the SANDF

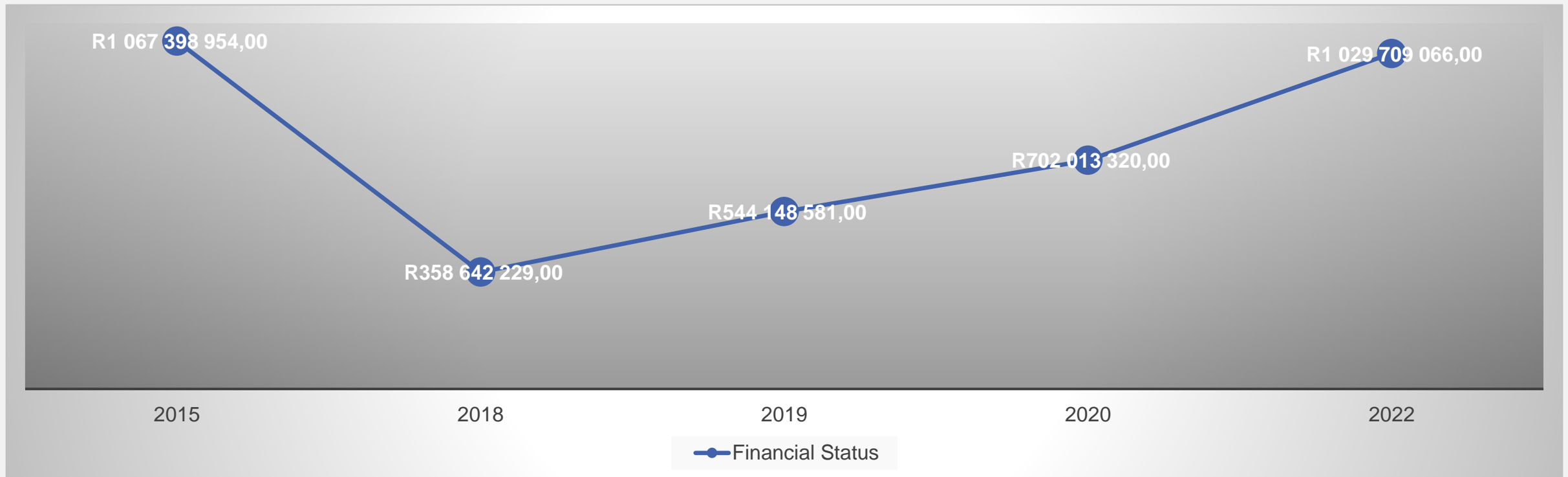


# FINANCIAL STATUS



The Fund's investment portfolio performance strategy has been reviewed, however as expenditure rises, the amounts left for investment are minimal. The Fund with good management has grown.

## Success Ratios



# FINANCIAL STATUS



## Status of the income vs expenditure

| Financial Year Ending on: | Monthly Contributions | Total Healthcare Expenditure | Shortfall/Surplus |
|---------------------------|-----------------------|------------------------------|-------------------|
| 31-Mar-23                 | R 582 378 000         | R 583 874 000                | -R 1 496 000      |
| 31-Mar-22                 | R 567 449 000         | R 477 567 000                | R 89 882 000      |
| 31-Mar-21                 | R 568 265 000         | R 401 516 000                | R 166 749 000     |
| 31-Mar-20                 | R 566 441 000         | R 391 982 000                | R 174 459 000     |
| 31-Mar-19                 | R 483 453 000         | R 335 243 000                | R 148 210 000     |
| 31-Mar-18                 | R 265 577 000         | R 492 538 000                | -R 226 961 000    |
| 31-Mar-17                 | R 224 923 000         | R 459 734 000                | -R 234 811 000    |
| 31-Mar-16                 | R 201 677 000         | R 363 104 000                | -R 161 427 000    |
| 31-Mar-15                 | R 203 159 000         | R 311 322 000                | -R 108 163 000    |

# FINANCIAL STATUS



## Claims Ratio Per Financial year

| FINANCIAL YEAR | Claims Ratio                       |
|----------------|------------------------------------|
|                | (ratio % of expenditure vs income) |
| 2015           | 153%                               |
| 2016           | 180%                               |
| 2017           | 201%                               |
| 2018           | 185%                               |
| 2019           | 69%                                |
| 2020           | 69%                                |
| 2021           | 70%                                |
| 2022           | 84%                                |
| 2023           | 100%                               |

# FINANCIAL MODEL



The current model is established as follows:

- Age of entry is the criteria
- Built up a fund of R250 k (assumption- however unclear benefit to model exact amount)
- Important to note that rank or salary level does not determine the contribution level, but the age of entry into the SANDF

Example:

| Entry Date | Retirement Date | Split Code | Contribution Amount | Rank | Contribution Amount Paid until Retirement Date |
|------------|-----------------|------------|---------------------|------|--|
| 2017/06/01 | 2025/07/25      | 58         | R 2,188.50          | PTE  | R 210,096.00                                   |
| 2019/04/12 | 2024/04/30      | 56         | R 1,704.50          | CPL  | R 102,270.00                                   |
| 2012/06/01 | 2023/05/31      | 30         | R 756.30            | SSGT | R 99,831.60                                    |
| 1985/05/20 | 2025/09/30      | 3          | R 676.00            | WO2  | R 324,480.00                                   |

# ACTUARIAL REPORT

- The Actuaries have been warning the Fund for many years of its increased risk and its sustainability
- The current valuation shows how the Fund's liability has increased from 8.4bil (2019) to a Gross Liability of 18.8bil (2023). The Fund is only 6,83% funded
- The SAMHS (National Treasury) want to introduce the Uniform Payment Fee System. The tariff charged to RFMCF - consequence of which will bankrupt the Fund within a year
- This tariff will increase the claims (already extremely high) by further 30% to a value of R14.26 mil per month to the current already R47.89mil. Avg income R47mil
- Monthly total R62.15mil
- This is unsustainable to the Fund
- The extent of outsourcing cannot warrant such tariffs - who will carry this liability for the Fund - past 5 years no contribution increases by SANDF



# SUCCESSSES TO DATE

---



- Improved Governance
- Prudent financial management
- Member communication & engagement – Enhanced Member Experience
- Internal Audit Interventions (Fraud investigations)
- Technology Improvements (Mobi App, Online application)
- Implementation of Schedule of Benefits

# CHALLENGES AND FUND SUSTAINABILITY



## Causes of Financial Depletion

- Low contributions model
- Membership challenges (term of employment service, number of spouses, dependents, divorce, death)
- DoD not live system - not aligned to membership database, e.g divorce
- High expenditure

## Increased costs of liabilities (SAMHS Challenges)

- Increased use of the private sector
- Inadequate control and monitoring
- Open-ended benefits
- Tariff management
- SAMHS Healthcare Practitioner's – lack of knowledge on Managed Health Care and medical administration
- DoD/SAMHS environment (facilities management/refurbishments, human resources, systems & processes, procurement and log functions, service providers – Board of Healthcare Funders)



# CONCLUSION

---



## Strategic Priorities are:

- Prudent financial management – The Fund remains < 10% funded
- Reviewing the funding model – HR
- Expedited review of the General Regulations & Amendment of HR policies
- Permanent Board – management of conflict of interests
- SAMHS intervention on challenges impacting the Fund
- Managing and Monitoring the change in the Risk Register (Risks)
- Improved stakeholder engagement – active force members remain a challenge
- Improved engagement with RFMCF Beneficiaries

**The sustainability of the RFMCF is totally dependent on the status of the SANDF and the professional management of the RFMCF**



REGULAR FORCE  
MEDICAL CONTINUATION FUND

# THANK YOU



**Dr Anushka Jamuna**  
PRINCIPAL OFFICER OF THE RFMCF



info@rfmcf.co.za



012 679 4200



www.rfmcf.co.za