COUNCIL FOR MEDICAL SCHEMES

ANNUAL REPORT

2022 | 2023

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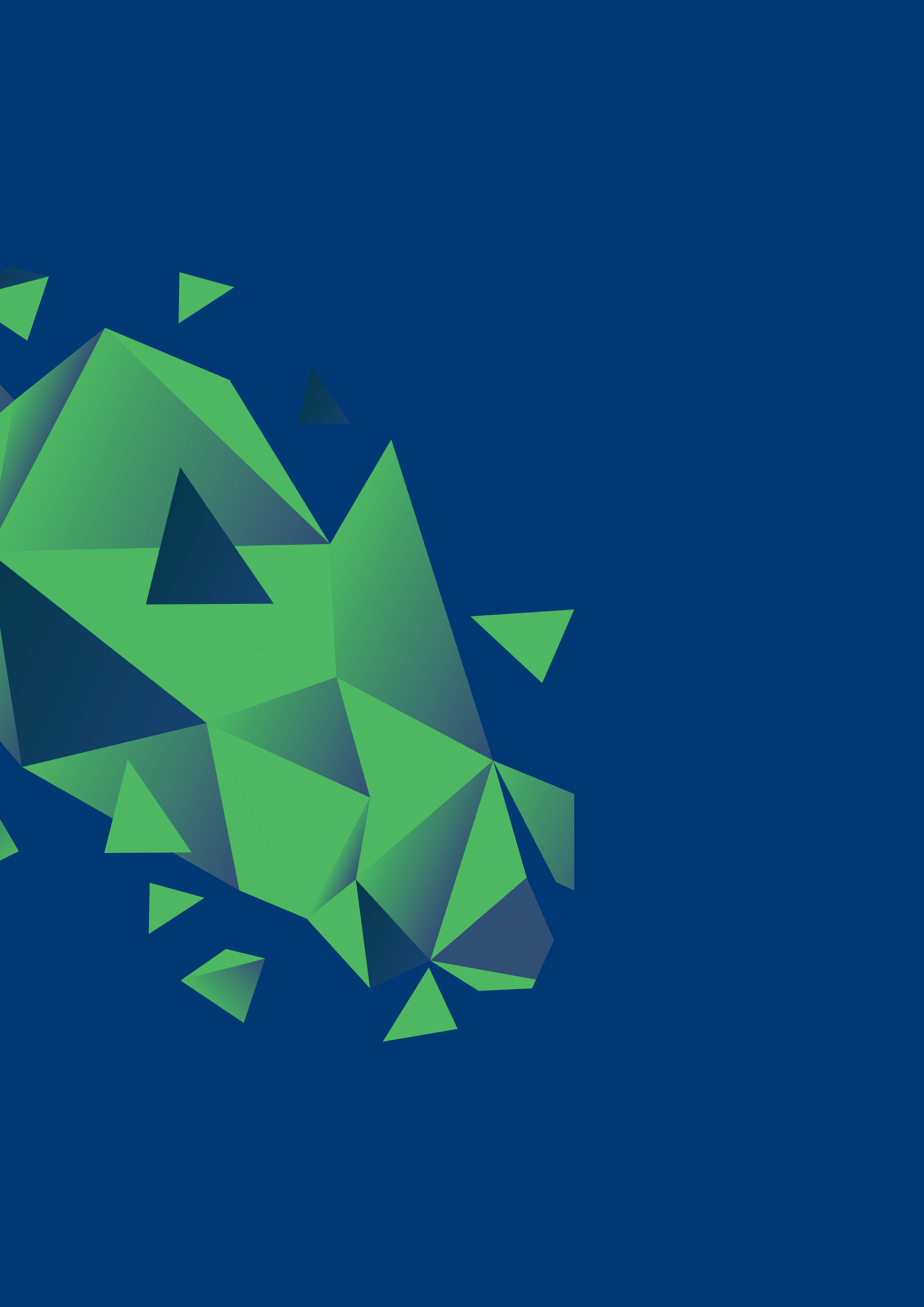

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Year 2022-2023

at a Glance

1

Regulates the medical schemes industry in a fair and transparent manner

INDUSTRY OVERVIEW

- 71 Medical schemes
- 32 Administrators
- 8.9 Million medical scheme beneficiaries
- R233 Billion in member contributions
- 43 Managed-care organisations
- 7 567 Accredited healthcare brokers
- 2 185 Accredited healthcare brokerages
- 123 Employees
- 89% Organisational performance

2

Protecting and informing the public about their rights, obligations and other matters concerning medical schemes

- 47 Consumer education outreach sessions
- 9 Community radio interviews
- 2 Board of Trustee training sessions
- 3 Broker training sessions
- 2 Scheme-specific training sessions
- 3 Trustee Development Programme blocks with Gordon Institute of Business Sciences (GIBS)
- 12 CMScript newsletters

- 3 017 Complaints resolved
- 599 Clinical complaints
- 604 Clinical Opinions
- 39 Appeals resolved
- 7 Appeals Board matters
- 26 600 Customer care calls handled

3

Ensuring public complaints are handled appropriately and speedily

4

Ensuring all entities conducting medical schemes businesses and other regulated entities comply with the Medical Schemes Act

- 2 Physical routine Inspections
- 8 Online routine Inspections
- 52 Annual General Meetings observed

- 4 Research studies
- 3 Published research papers

5

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

6

Ensuring collaboration with other stakeholders in executing its regulatory mandate

- 63 Circulars
- 10 Prescribed Minimum Benefit Definition Guidelines
- 6 Fraud, Waste and Abuse engagements
- 12 Fraud, Waste and Abuse signatories
- 3 Principal Officer and Board of Trustee forums
- 14 Memoranda of Understanding (MoUs)
- 1 200 clinical complaints and opinions processed
- 52 Annual General Meetings undertaken by schemes observed
- 3 Governance Interventions (curatorship and statutory management)

Part A
General Information

1. GENERAL INFORMATION

REGISTERED NAME	Council for Medical Schemes
PHYSICAL ADDRESS	Block A, Eco Glades 2 Office Park 420 Witch – Hazel Avenue Eco Park Centurion Pretoria 0157 South Africa
POSTAL ADDRESS	Private Bag X34 Hatfield Pretoria 0028 South Africa
TELEPHONE NUMBER/S	012 431 0500
CUSTOMER CARE CENTRE	0861 123 267 (0861 123 CMS)
FAX NUMBER	0862 068 260
EMAIL ADDRESS	information@medicalschemes.co.za
WEBSITE ADDRESS	medicalschemes.co.za
INTERNAL AUDITORS	Lunika Inc
EXTERNAL AUDITORS	Auditor-General of South Africa
BANKERS	Absa Group Limited
CHAIRPERSON	Dr Memela Makiwane
CHIEF EXECUTIVE AND REGISTRAR	Dr Sipho Kabane
COMPANY/ BOARD SECRETARY	Mr Khayalethu Mvulo

2. LIST OF ABBREVIATIONS/ACRONYMS

Annual Financial Statements	**AFS**
Annual General Meetings	**AGMs**
Annual Performance Plan	**APP**
Antiretroviral therapy	**ART**
Audit and Risk Committee	**ARC**
Auditor-General of South Africa	**AGSA**
Board of Healthcare Funders	**BHF**
Board of Trustees	**BoTs**
Broad-Based Black Economic Empowerment	**B-BBEE**
Broad-based Black Economic Empowerment Act, No 52 of 2003	**BBBEEA**
Broad-Based Black Economic Empowerment Commission	**B-BBEE Commission**
Chief Executive Officer	**CEO**
Chief Financial Officer	**CFO**
Chief Information Officer	**CIO**
Codes of Good Practice	**CoGP**
Commission for Conciliation, Mediation and Arbitration	**CCMA**
Committee of Insurance, Securities and Non-Banking Financial Authorities	**CISNA**
Communications, Marketing and Stakeholder Relations	**CM&SHR**
Competition Commission	**CC**
Conduct of Financial Institutions	**COFI**
Consumer Price Index	**CPI**
Consumer Protection Forum	**CPF**
Coronavirus disease	**COVID-19**
Country Core Group	**CCG**
Designated Service Providers	**DSPs**
Diabetes Mellitus 2	**DM2**
Efficiency Discounted Options	**EDOs**
Employee Assistance Programme	**EAP**
Employment Equity	**EE**
Executive Committee	**Exco**
Extended Relational Diagram	**ERD**
Financial Intermediary Association	**FIA**
Financial Planning Institute	**FPI**
Financial Sector Conduct Authority	**FSCA**
Financial Sector Regulation Act, No 9 of 2017	**FSRA**
Financial Services Regulatory Authority	**FSRA**
Fraud, Waste and Abuse	**FWA**
Funding Model Committee	**FMC**
Gordon Institute of Business Sciences	**GIBS**
Gross Domestic Product	**GDP**
Health and Welfare Sector Education and Training Authority	**HWSETA**
Health Funders Association	**HFA**
Health Market Inquiry	**HMI**
Health Professions Council of South Africa	**HPCSA**
Health Quality Assessment	**HQA**
Health Squared	**HS**
Human Immunodeficiency Virus	**HIV**
Human Resources, Social and Ethics Committee	**HRSE**
Human Resources	**HR**
Information Communication Technology	**ICT**
Information Management	**IM**
Information Technology	**IT**
Innovative Pharmaceutical Association of South Africa	**IPASA**
International Society for Quality in Health Care	**ISQua**
Joint Learning Network	**JLN**
United Nations Programme on HIV/AIDS	**UNAIDS**
Labour Relations Act, No 66 of 1995	**LRA**
Late Joiner Penalties	**LJPs**
Loss Control Committee	**LCC**

Low-Cost Benefit Options	**LCBO**
Managed Care Organisations	**MCOs**
Medical Schemes Act Amendment Bill	**MSAAB**
Medical Schemes Act, No 131 of 1998	**MSA / The Act**
MEDiPOS Medical Scheme	**MediPos**
Medium-Term Strategic Framework	**MTSF**
Memoranda of Understanding	**MoU**
Namibian Association of Medical Aid Funds	**NAMAF**
Namibian Financial Institutions Supervisory Authority	**NAMFISA**
National Consumer Financial Education Committee	**NCFEC**
National Department of Health	**NDOH**
National Development Plan	**NDP**
National Education, Health and Allied Workers' Union	**Nehawu**
National Essential Medicine List Committee	**NEMLC**
National Health Accounts	**NHA**
National Health Insurance	**NHI**
National Health Reference Price List	**NHRPL**
National Strategic Plan	**NSP**
Nominations Committee	**NomCom**
Out-Of-Pocket	**OOP**
Policy, Research and Monitoring Programme	**PRMP**
Practice Code Numbering System	**PCNS**
Prescribed Minimum Benefit	**PMB**
Primary Healthcare Package	**PHC**
Principal Officer	**PO**
Private Sector Forum	**PSF**
Promotion of Access to Information Act, No 2 of 2000	**PAIA**
Promotion of Administrative Justice Act, No 3 of 2000	**PAJA**
Protection of Personal Information Act, No 4 of 2013	**POPIA**
Public Finance Management Act, No 1 of 1999	**PFMA**
Public Protector	**PP**
Risk-Based Capital	**RBC**
Scheme Risk Measurement	**SRM**
Service Level Agreement	**SLA**
Severe Acute Respiratory Syndrome Coronavirus 2	**SARS-COV-2**
Sexual and Gender-Based Violence	**SGBV**
Sexually Transmitted Infections	**STIs**
South African Depression and Anxiety Group	**SADAG**
South African Medical Association	**SAMA**
South African National AIDS Council	**SANAC**
South African National Consumer Union	**SANCU**
South African Pharmacy Council	**SAPC**
South African Post Office	**SAPO**
South African Private Practitioners Forum	**SAPPF**
South African Reserve Bank	**SARB**
South African Revenue Service	**SARS**
Southern African Development Community	**SADC**
Special General Meeting	**SGMs**
Special Investigating Unit	**SIU**
Supply Chain Management	**SCM**
Technical and Vocational Education and Training	**TVET**
National Health Act, No 61 of 2003	**NHA**
The South African Institution of Chartered Accountants	**SAICA**
Tuberculosis	**TB**
Undesirable Business Practice Declaration	**UDBP**
United Kingdom	**UK**
University of Stellenbosch	**US**

3. CHAIRPERSON'S FOREWORD

Dr Memela Makiwane
Council Chairperson

I pen this statement as my last as chairperson and Council member. My colleagues and I embarked on this tenure during a challenging and uncertain period – the COVID-19 pandemic and I reflect proudly on how the Council for Medical Schemes (CMS) led the industry through purposeful regulation to safeguard medical scheme members and entities' interests. The organisation also found its feet in a new era of effectiveness and efficiency with a new organisational structure and operating model. Guided by the 2020 – 2025 Strategic Plan, the organisation leveraged its advantage by developing frameworks and models that align with National Health Insurance (NHI) objectives.

INTRODUCTION

The CMS regulates the medical schemes industry by protecting and informing the public about their rights, efficiently handling complaints, complying with the Medical Schemes Act (MSA), improving management and governance, advising the Minister of Health on regulatory matters and collaborating with other stakeholders.

The industry has experienced notable developments in the past year, culminating in regulatory changes, shifting healthcare needs and technological advancements. As we navigate these terrains, we must hold fast to the CMS' vision of attaining affordable and accessible healthcare towards universal health coverage.

A HIGH-LEVEL OVERVIEW OF THE STRATEGY AND THE PERFORMANCE OF THE PUBLIC ENTITY IN ITS RESPECTIVE SECTOR

The CMS adopted a strategic approach to enhance quality and reduce healthcare costs in the sector. Its focus lies in delivering exceptional value for money, championing alternative reimbursement models and fostering contractual arrangements that yield superior health outcomes. Central to the organisation's mission is protecting beneficiaries from undue financial burdens through effective risk pooling and oversight of regulated entities, ensuring compliance with national policy, the Medical Schemes Act (MSA) (No. 131 of 1998) and relevant regulations.

I am confident that our collective efforts have strengthened the CMS and made a tangible impact on the lives of our members, entities and stakeholders. As we depart, we are proud that the organisation is sound in leadership, character and will reach greater heights. The Council navigated challenging times, celebrated remarkable achievements and made significant strides towards attaining the CMS' strategic goals. It has been my honour and privilege to serve as the chairperson.

Steadfast in the effective and efficient execution of our strategy, the organisation scored 89% on its annual performance targets in this financial year, together with a clean audit outcome. These efforts translate to a robust industry of 71 registered medical schemes collectively covering 8,9 million medical scheme members through 32 administrators. Fittingly, these members accessed services from 43 managed-care organisations, 2 185 brokerages and were serviced by 7 567 healthcare brokers.

On the other hand, the increase in Out-Of-Pocket (OOP) payments raised concerns on the ongoing issue of medical scheme membership affordability, a strategic focus area. Similarly, after extensive stakeholder engagements, the CMS developed recommendations to the Minister of Health on implementing a Low-Cost Benefit Option (LCBO) and the fate of exempted products in the medical schemes industry. These include a comprehensive analysis of the consultation process, legal and policy implications, addressing the disease burden, OOP expenses and alignment with broader healthcare system objectives.

The CMS research endeavours to align with national policy developments in the ever-evolving healthcare industry. These endeavours manifested through the publication of several research studies, conference presentations and collaborations with regulators, industry organisations and academic institutions.

The Special Investigating Unit (SIU) served the CMS with a report containing systematic findings with recommendations on administrative improvements. The probe was borne by Proclamation R29 of 2019 to investigate regulatory interventions and improper or unlawful conduct by the CMS or its officials during the years between 2014 and 2019.

The CMS is determined to conclude the Section 59 Investigation. The panel invited additional submissions on the interim report through virtual public hearings. While considering all available information, the organisation will continue establishing a Fraud, Waste and Abuse (FWA) structure with industry players.

STRATEGIC RELATIONSHIPS

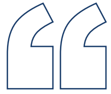
Collaboration with local, regional and international stakeholders, including government, industry players and healthcare providers, is pivotal in addressing healthcare challenges and building a sustainable and inclusive healthcare system.

As such, the CMS formalised partnerships through Memoranda of Understandings (MoUs) with 14 entities comprising co-regulators, industry bodies, associations and academic institutions. Regionally, the CMS actively participated in the Southern African Development Community's (SADC) Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA), serving as a strategic player in its governing Council.

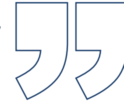
CHALLENGES FACED BY THE BOARD

Limited funding and budgetary constraints hindered organisational efficiency and regulatory competence. This has primarily affected the Human Capital and Information and Communication Technology (ICT) function as the new organisational structure is yet to be fully implemented. At the same time, the organisation's ICT infrastructure needs an immediate overhaul in line with technological developments and operational needs.

On the legislative front, the delays in approving the Medical Schemes Amendment Bill deter the Council's ability to effectively enforce regulatory measures. As such, medical scheme members are often forced to endure otherwise avoidable prolonged resolution processes.



On industry sustainability, the CMS believes a coding authority can play a crucial role in combating FWA by standardising practices on detecting, preventing and ultimately improving healthcare outcomes and quality. Finalising the Primary Health Care Package (PHC) as part of the Prescribed Minimum Benefit (PMB) review underscores the organisation's commitment to affordable and accessible healthcare.



THE STRATEGIC FOCUS OVER THE MEDIUM TO LONG-TERM PERIOD

The CMS acknowledges significant progress in the NHI Bill's legislative process consistent with the quest to create a more equitable, comprehensive health system. In line with the impending health reforms, the CMS will continue supporting universal healthcare undertakings such as consolidating medical schemes and standardising and simplifying benefit options – all novel approaches to strengthen social solidarity.

On industry sustainability, the CMS believes a coding authority can play a crucial role in combating FWA by standardising practices on detecting, preventing and ultimately improving healthcare outcomes and quality. Finalising the Primary Health Care Package (PHC) as part of the Prescribed Minimum Benefit (PMB) review underscores the organisation's commitment to affordable and accessible healthcare.

ACKNOWLEDGEMENTS /APPRECIATION

I extend my heartfelt appreciation to the entire CMS staff for their unwavering commitment and tireless efforts in regulating a giant industry, collectively equipped with resources valued at an estimated R200 billion while operating with a budget of only R198 million.

I acknowledge the CMS management, led by Dr Sipho Kabane, who exhibited strong leadership in guiding us to regulate the medical schemes industry with an impact true to our vision. I also offer a word of thanks to my fellow council members whose invaluable cooperation has allowed us to make informed decisions fairly and transparently as a transformative regulator.

Lastly, I thank the Honourable Minister of Health, Dr Joe Phaahla for his guidance and unwavering commitment to promoting affordable and accessible healthcare coverage. Together, we have achieved remarkable outcomes and I am genuinely grateful for the efforts and contributions of all involved.

Dr Memela Makiwane
Council Chairperson
Council for Medical Schemes
31 July 2023

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Dr Sipho Kabane

Chief Executive and Registrar

GENERAL OVERVIEW

The CMS operates as the medical schemes industry's regulatory authority with the primary objective of safeguarding medical scheme members' well-being. For the 2022/2023 financial year, the CMS was allocated a R198 million budget to carry out its mandated functions and it successfully collected over R201 million in revenue.

The CMS' budget is derived from the following sources:

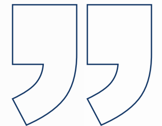
1. **Principal scheme member once-off levies (89%):** This is the CMS' primary revenue source. Approximately, 4 million principal scheme members contribute an annual once-off levy. The amounts are determined in consultation with the Ministers of Health and Finance after considering the CMS' proposal. In the 2022/2023 period, the levy imposed on principal members was R44.06 per member per annum, representing a modest R1.79 (4.23%) increase compared to the previous year.
2. **Revenues generated through regulatory activities (8%):** The CMS also generates income through various regulatory actions including fees for registering schemes, registering new rules and amendments, registering, renewing and accrediting administrators, managed care organisations and brokers. It is worth noting that the tariff rates for these services have not been regularly adjusted to keep pace with inflation. An adjustment was made only once over the 23 years of the CMS' existence.
3. **A grant from the National Department of Health (NDOH) (3%):** The CMS additionally receives an NDOH operational grant to primarily support its research initiatives undertaken in collaboration with the NDOH.

These sources of revenue ensure the CMS has the necessary financial resources to effectively carry out its statutory responsibilities and to protect the interests of medical scheme members.

SPENDING TRENDS AND CAPACITY CONSTRAINTS

In terms of expenditure trends, the CMS has managed its spending in line with the budget. Further, in the current year, some cost savings have favourably benefited the entity's bottom line. These savings are mainly in consulting and legal fees. Employees' compensation has also stayed within budget with some savings at year-end due to resignations and delays in filling certain funded positions. However, it is important to note that the entity's compensation of employees' budget is insufficient to support the organisation's entire structure and it is phasing in a new structure based on critical areas and affordability.

The CMS has strengthened its financial position and shows strong solvency and liquidity after three years of economic pressure and constraints. Through robust cost management and driving efficiencies, the entity has an accumulated surplus of R35.6 million in the year under review and will apply for a rollover from National Treasury.



DISCONTINUED KEY ACTIVITIES

Adopting a Risk-Based Capital (RBC) framework was halted after it was found it would lead to varying capital requirements for medical schemes – lower contributions and benefit enhancements – yet, for under-capitalised schemes, it could potentially lead to member attrition and difficulty attracting new members. As such, the CMS will not directly pursue the RBC approach but will use it as an early warning tool and initiate a shadow process for evaluation and adjustment.

On another matter, the CMS representations on risks and legal implications surrounding the Practice Code Numbering System (PCNS) led to its handover to the NDOH. The CMS continues participating in the task team exploring a system akin to the PCNS.

Similarly, the Benefit Registry project was transferred to the NDOH for strategic direction and implementation following challenges with attaining data from medical schemes.

NEW OR PROPOSED KEY ACTIVITIES

As the CMS operates in the fourth year of its strategic planning cycle, the process of identifying new strategic objectives with due consideration of healthcare needs, industry developments, and policy changes will earnestly commence. In this spirit, one of its critical tasks is guiding and regulating medical schemes in the transition to the NHI while fostering stakeholder collaboration. This will be supported by re-engineering ICT systems and cyber security for efficiency and effectiveness, an undertaking funded by a once-off grant, under the leadership of the newly appointed Chief Information Officer (CIO). True to the CMS' value of being responsive is to empower employees through personnel development, coaching and mentoring in line with macro-environmental shifts.

SURPLUS ROLLOVER

The CMS has strengthened its financial position and shows strong solvency and liquidity after three years of economic pressure and constraints. Through robust cost management and driving efficiencies, the entity has an accumulated surplus of R30.8 million in the year under review and will apply for a rollover from National Treasury. This is an impressive achievement given the entity reported significant accumulated deficits in the 2019/2020 and 2020/2021 financial years.

SUPPLY CHAIN MANAGEMENT (SCM)

SCM PROCESSES AND SYSTEMS IN PLACE

SCM is centralised in the Chief Financial Officer's (CFO) office and has been instrumental in assisting the entity address inefficiencies and non-compliance challenges experienced in previous financial periods. Regarding the approved organisation structure, the unit is capacitated by three officials: SCM Manager, Supply Chain Officer and Supply Chain Administrator.

The unit ensures the organisation's SCM policies and procedures comply with prescripts and are in line with best practices. Council reviewed and approved these policies in October 2022 and March 2023 to align with new legislation, especially the new National Treasury preferential procurement regulations of 2022 and National Treasury cost containment measures. The reviews addressed shortcomings identified within the CMS and aligned them with new National Treasury guidelines and best practices.

Lastly, the entity seriously considers consequence management regarding any SCM transgressions. A fully functional Loss Control Committee (LCC) discharges

its duties in addressing non-compliance with the organisation's SCM policies, procedures and National Treasury regulations.

CHALLENGES EXPERIENCED AND HOW THEY WERE RESOLVED

SCM encountered challenges due to changes in public sector procurement regulations, most specifically the new Public Procurement Regulations of 2022 gazetted in November 2022 and officially implemented in January 2023. This delayed procurement activities by nearly a month. SCM devised the specific goals framework to partially mitigate this impact. The framework served as an interim measure, providing guidance and structure to the procurement activities while awaiting policy approval from the CMS Council.

SCM was also confronted with capacity issues that pose risks in terms of the segregation of duties, oversight and workload, particularly concerning contract management. SCM has requested an organisational diagnostic review of the unit aimed to thoroughly assess the current capabilities and identify potential areas for improvement.

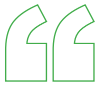
The total number of justifiable complaints adjudicated includes 1 498 for open medical schemes and 548 lodged against restricted or closed medical schemes

CONCLUDED UNSOLICITED BID PROPOSALS FOR THE YEAR

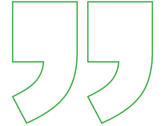
The CMS did not entertain, award or conclude any unsolicited bid proposals in the 2022/2023 financial year.

AUDIT REPORT MATTERS

The CMS obtained an unqualified audit opinion with no material adjustments on Annual Financial Statements and Annual Performance Information. This is a much welcomed and significant improvement from the previous financial year, where material adjustments were identified through the audit process. The improved audit outcome is mainly attributed to a detailed audit improvement action plan put together by management to strengthen internal controls. The outcome of this improvement plan is evident from the audit opinion. The CMS is focusing more on combating the two non-compliance matters relating to irregular expenditure and consequence management. There has been a significant decline in irregular expenditure incurred over the years. Further, efforts have been made to strengthen the LCC with a view to addressing the root causes and areas of consequence management.



Furthermore, the CMS has recorded a R35 million surplus as of 31 March 2023, signifying its revenues exceeded expenses in the financial year and reinforcing its economic viability.



LOOKING TO THE FUTURE TO ADDRESS FINANCIAL CHALLENGES

The organisation has revised its funding model to mitigate its sustainability risks and there is consensus with National Treasury and NDOH that medical scheme member levies, the CMS' primary funding source, be linked to the Consumer Price Index (CPI). The funding model aims to ensure efficiencies in performance and provide sufficient funding to deliver on the entity's mandate. The CMS works closely with NDOH on this project which is earmarked for completion by the end of the 2025 financial year.

EVENTS AFTER THE REPORTING DATE

Considering the delay since the Section 59 investigation interim report publication, the panel convened virtual hearings over two days to allow stakeholders to make legal submissions. Seven respondents heeded the call consisting of medical schemes, administrators and associations.

Similarly, the Public Protector (PP) investigation absolved the CMS officials following an anonymous complainant's allegations of occupational detriment resulting from an October 2018 disclosure regarding improper conduct. The public protector ruled the complaint, related to unfair labour practice, should be handled under the Labour Relations Act.

The Minister of Health gazetted amendments to Regulation 32 on the amounts payable to register a medical scheme, accredit an administrator, managed care organisation and brokers, change the name of a medical scheme and renewal of accreditation of entities.

The CMS employees who are Nehawu members embarked on industrial action, citing a list of wage and service-related demands to management. After consultations with the Council, management signed a collective agreement with Nehawu, and the strike action ended.

ECONOMIC VIABILITY

According to the AFS, the CMS is in a sound financial position, demonstrated by key financial ratios:

a. **Liquidity ratio:** the CMS has achieved a healthy 1:1 liquidity ratio that implies the organisation maintains sufficient short-term assets to cover its current liabilities, reflecting its ability to effectively meet any immediate financial obligations.
b. **Solvency ratio:** the CMS has observed a 2:1 solvency ratio highlighting its ability to meet long-term financial obligations with available assets and indicating a favourable financial position and reduced financial risk.

Furthermore, the CMS has recorded a R30.8 million surplus as of 31 March 2023, signifying its revenues exceeded expenses in the financial year and reinforcing its economic viability.

ACKNOWLEDGEMENTS AND APPRECIATION

I sincerely appreciate all the CMS employees and management for serving with passion and diligence over the past year. I also express my gratitude to the Council who has been instrumental in guiding the organisation to achieving its strategic goals.

Dr Sipho Kabane
Chief Executive and Registrar
Council for Medical Schemes
31 July 2023

5. STATEMENT OF **RESPONSIBILITY**

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General of South Africa (AGSA).

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the Annual Report Guidelines for Schedule 3A and 3C Public Entities as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully,

Dr Memela Makiwane
Chairperson of the Board
31 July 2023

Dr Sipho Kabane
Chief Executive & Registrar
31 July 2023

6. STRATEGIC **OVERVIEW**

Vision

To be an agile and transformative regulator in order to promote affordable and accessible healthcare coverage 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 of their rights, obligations and other matters in respect of medical schemes;
- ensuring complaints raised by the public are handled appropriately and speedily;
- ensuring all entities conducting the business of medical schemes and other regulated entities comply with the Medical Schemes Act;
- ensuring the improved management and governance of medical schemes;
- advising the Minister of Health of appropriate regulatory and policy interventions to attain national health policy objectives; and
- ensuring collaboration with other stakeholders in executing its regulatory mandate.

Values

The CMS' values stem from those underpinning the Constitution and its specific vision and mission. Being an organisation subscribing to a rights-based framework where everyone is equal before the law, where the right of access to health care must be protected and enhanced and where access must be simplified transparently, the values below are critical requirements of all employees:

REGULATORY PHILOSOPHY (EXTERNAL)

- Transparent
- Fair
- Equitable
- Consultative
- Cost-effective
- Firm
- Proactive
- Independence

SHARED VALUES (INTERNAL)

- Accountability
- Ubuntu
- Professionalism
- Integrity
- Honesty
- Respect
- Responsive

7. LEGISLATIVE **AND OTHER MANDATES**

LEGISLATIVE MANDATES

Section 9 of the Constitution of the Republic of South Africa (No. 108 of 1996) states everyone has the right to equality including access to healthcare services. This means individuals should not be unfairly excluded from the provision of healthcare.

People also have the right to access information held by another if it is required for the exercise or protection of a right. This may arise in relation to accessing one's medical records from a health facility to lodge a complaint or give consent for medical treatment. This enables people to exercise their autonomy in decisions related to their health that is an integral part of the rights to human dignity and bodily integrity in sections 9 and 12 of the Constitution, respectively.

Section 27 places the obligation on the state to make reasonable legislation to realise socio-economic rights including access to progressive healthcare.

The Medical Schemes Act (No. 131 of 1998) (MSA) represents such legislation and creates the framework for non-discriminatory access to medical schemes. The MSA regulates the medical schemes industry to ensure synchrony and consonance with national health objectives.

Section 27 of Chapter 2 of the Bill of Rights of the Constitution states the following with regards to healthcare, food, water and social security:

Everyone has the right to access to:

- healthcare services including reproductive healthcare;
- sufficient food and water; and
- social security including appropriate social assistance if they are unable to support themselves and their dependants.

The state must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of these rights and no one may be refused emergency medical treatment.

Section 36 of the Constitution deals with the limitation of rights and spells out strict criteria which must be adhered to whenever rights included in the Bill of Rights are limited by law. Section 22 guarantees the freedom of trade that may be limited by law.

The MSA limits the business of a medical scheme to those parties registered by the CMS and requires such parties to comply with the MSA provisions.

THE NATIONAL HEALTH ACT, NO. 61 OF 2003 (NHA)

The NHA provides the framework for a structured, uniform health system for South Africa, considering the Constitutional obligations and other laws on the national, provincial and local governments regarding health services. A key NHA objective is to unite the various elements of the national health system to actively promote and improve South Africa's national health system. Added to this is the intent to foster a spirit of cooperation and shared responsibility among public and private health professionals, providers and other relevant stakeholders within the context of national, provincial and district health plans.

THE CHARTER FOR SOUTH AFRICA'S PUBLIC AND PRIVATE HEALTH SECTORS, 2006

The health charter was initiated in support of the NHA and indicates the public and private health sectors constructively engage in discussions to create an improved healthcare delivery system for South Africa. Such a system will be coherent, efficient, cost-effective and quality-driven and optimise the use of both sectors' resources to benefit the entire citizenry.

THE MEDICAL SCHEMES ACT, NO. 131 OF 1998

The MSA No. 131 of 1998 established the CMS and Section 7 of the MSA confers on it the following functions:

- Protect the interests of the beneficiaries at all times.
- Control and coordinate the functioning of medical schemes in a manner that is complementary to the national health policy.
- Make recommendations to the Minister of Health on criteria for the measurement of quality and outcomes of the relevant health services provided by medical schemes and such other services as the Council may from time to time determine.
- Investigate complaints and settle disputes in relation to the affairs of medical schemes as provided for in this Act.
- Collect and disseminate information about private health care.

- Make rules not inconsistent with the provisions of the Act for the purpose of the performance of its functions and the exercise of its powers.
- Advise the Minister of Health on any matter concerning medical schemes.
- Perform any other functions conferred on the CMS by the Minister of Health or the Act.

RELATED LEGISLATION IMPACTING AND INFLUENCING CMS' FUNCTIONING

Council for Medical Schemes Levy Act (No. 58 of 2000) - provides a legal framework for the council to collect levies from medical schemes.

Public Finance Management Act (No. 1 of 1999) (PFMA) - provides for the effective, efficient and economic financial management in government departments and public entities.

Financial Sector Regulation Act (No. 9 of 2017) (FSRA) - establishes a system of financial regulation by establishing the Prudential Authority and the Financial Sector Conduct Authority.

NDP VISION 2030

As a state organ, Council is obliged to discharge its legislated mandate in a coherent manner consistent with national policy as set out in the NDP Vision 2030.

The key NDP Vision 2030 priorities are (extract from Chapter 10):

- Raise the life expectancy of South Africans to at least 70 years.
- Progressively improve TB prevention and cure.
- Reduce maternal, infant and child mortality.
- Significantly reduce the prevalence of non-communicable diseases.
- Reduce injury, accidents and violence by 50% from 2010 levels.
- Complete health system reforms.
- Primary healthcare teams provide care to families and communities.
- Universal health coverage.
- Fill posts with skilled, committed and competent individuals.

Furthermore, the NDP Vision 2030 sets out nine priority areas highlighting the key interventions required to achieve a more effective health system to contribute to achieving the desired outcomes. The priority areas are:

- Address the social determinants affecting health and diseases.
- Strengthen the health system.
- Improve health information systems.
- Prevent and reduce the disease burden and promote health.
- Finance universal healthcare coverage.
- Improve human resources in the health sector.
- Review management positions and appointments and strengthen accountability mechanisms.
- Improve quality by using evidence.
- Meaningful public-private partnerships.

POLICY MANDATES

The political environment has been stable for the greater part of this five-year period. The Minister of Health has consistently articulated policy developments affecting the industry. The policy mandate and context for the health sector and the medical schemes industry has largely been driven by:

- NDP Vision 2030
- Sustainable Development Goals
- National Department of Health strategic plan

These policy mandates remain relevant for the medical schemes industry for the next five years. However, it is important to note these mandates are committing the health sector (private and public) to the following key deliverables:

- Increased life expectancy.
- Reduced maternal, infant and child mortality.
- Reduced HIV and TB burden.
- Reduced burden of non-communicable diseases including violence.
- Universal health coverage.

8. ORGANISATIONAL **STRUCTURE**

COUNCIL

COUNCIL SECRETARIAT
Mr Khayalethu Mvulo

CHIEF EXECUTIVE AND REGISTRAR
Dr Sipho Kabane

CHIEF INFORMATION OFFICER
Vacant

CHIEF FINANCIAL OFFICER
Ms Andisa Zinja

EXECUTIVE: REGULATION
Mr Mfana Maswanganyi

EXECUTIVE: POLICY, RESEARCH AND MONITORING
Mr Michael Willie

EXECUTIVE: MEMBER PROTECTION
Vacant

EXECUTIVE: CORPORATE SERVICES
Mr Zongezile Baloyi

EXECUTIVE MANAGER: OFFICE OF THE CHIEF EXECUTIVE
Mr Reginald Sadiki

Figure 1: CMS Organisational Structure

9. REGISTERED **MEDICAL SCHEMES**

Table 1: List of Open and Restricted Medical Schemes

NO.	NAME OF SCHEME	TYPE
1	AECI MEDICAL AID SOCIETY	RESTRICTED
2	ALLIANCE-MIDMED MEDICAL SCHEME	RESTRICTED
3	ANGLO MEDICAL SCHEME	RESTRICTED
4	ANGLOVAAL GROUP MEDICAL SCHEME	RESTRICTED
5	BANKMED	RESTRICTED
6	BARLOWORLD MEDICAL SCHEME	RESTRICTED
7	BESTMED MEDICAL SCHEME	OPEN
8	BMW EMPLOYEES MEDICAL AID SOCIETY	RESTRICTED
9	BONITAS MEDICAL FUND	OPEN
10	BP MEDICAL AID SOCIETY	RESTRICTED
11	BUILDING AND CONSTRUCTION INDUSTRY MEDICAL AID FUND	RESTRICTED
12	CAPE MEDICAL PLAN	OPEN
13	CHARTERED ACCOUNTANTS (SA) MEDICAL AID FUND (CAMAF)	RESTRICTED
14	COMPCARE MEDICAL SCHEME	OPEN
15	DE BEERS BENEFIT SOCIETY	RESTRICTED
16	DISCOVERY HEALTH MEDICAL SCHEME	OPEN
17	ENGEN MEDICAL BENEFIT FUND	RESTRICTED
18	FEDHEALTH MEDICAL SCHEME	OPEN
19	FISHING INDUSTRY MEDICAL SCHEME (FISH-MED)	RESTRICTED
20	FOODMED MEDICAL SCHEME	RESTRICTED
21	GENESIS MEDICAL SCHEME	OPEN
22	GLENCORE MEDICAL SCHEME	RESTRICTED
23	GOLDEN ARROW EMPLOYEES' MEDICAL BENEFIT FUND	RESTRICTED
24	GOVERNMENT EMPLOYEES MEDICAL SCHEME (GEMS)	RESTRICTED
25	HORIZON MEDICAL SCHEME	RESTRICTED
26	IMPALA MEDICAL PLAN	RESTRICTED
27	IMPERIAL AND MOTUS MEDICAL AID	RESTRICTED
28	KEYHEALTH MEDICAL SCHEME	OPEN
29	LA-HEALTH MEDICAL SCHEME	RESTRICTED
30	LIBCARE MEDICAL SCHEME	RESTRICTED
31	LONMIN MEDICAL SCHEME	RESTRICTED
32	MAKOTI MEDICAL SCHEME	OPEN
33	MALCOR MEDICAL AID SCHEME	RESTRICTED
34	MASSMART HEALTH PLAN	RESTRICTED

Table 1: List of Open and Restricted Medical Schemes (continued)

NO.	NAME OF SCHEME	TYPE
35	MBMED MEDICAL AID FUND	RESTRICTED
36	MEDIHELP MEDICAL SCHEME	OPEN
37	MEDIMED MEDICAL SCHEME	OPEN
38	MEDIPOS MEDICAL SCHEME	RESTRICTED
39	MEDSHIELD MEDICAL SCHEME	OPEN
40	MOMENTUM MEDICAL SCHEME	OPEN
41	MOTOHEALTH CARE	RESTRICTED
42	MULTICHOICE MEDICAL AID SCHEME	RESTRICTED
43	NETCARE MEDICAL SCHEME	RESTRICTED
44	OLD MUTUAL STAFF MEDICAL AID FUND	RESTRICTED
45	PARMED MEDICAL AID SCHEME	RESTRICTED
46	PG GROUP MEDICAL SCHEME	RESTRICTED
47	PICK N PAY MEDICAL SCHEME	RESTRICTED
48	PLATINUM HEALTH	RESTRICTED
49	PROFMED	RESTRICTED
50	RAND WATER MEDICAL SCHEME	RESTRICTED
51	REMEDI MEDICAL AID SCHEME	RESTRICTED
52	RETAIL MEDICAL SCHEME	RESTRICTED
53	RHODES UNIVERSITY MEDICAL SCHEME	RESTRICTED
54	SOUTH AFRICAN BREWERIES MEDICAL AID SCHEME (SABMAS)	RESTRICTED
55	SABC MEDICAL SCHEME	RESTRICTED
56	SOUTH AFRICAN MUNICIPAL UNION NATIONAL MEDICAL SCHEME(SAMWUMED)	RESTRICTED
57	SASOLMED	RESTRICTED
58	SEDMED	RESTRICTED
59	SISONKE HEALTH MEDICAL SCHEME	RESTRICTED
60	SIZWE HOSMED MEDICAL SCHEME	OPEN
61	SOUTH AFRICAN POLICE SERVICE MEDICAL SCHEME (POLMED)	RESTRICTED
62	SUREMED HEALTH	OPEN
63	TFG MEDICAL AID SCHEME	RESTRICTED
64	THEBEMED MEDICAL SCHEME	OPEN
65	TIGER BRANDS MEDICAL SCHEME	RESTRICTED
66	TRANSMED MEDICAL FUND	RESTRICTED
67	TSOGO SUN GROUP MEDICAL SCHEME	RESTRICTED
68	UMVUZO HEALTH MEDICAL SCHEME	RESTRICTED
69	UNIVERSITY OF KWAZULU-NATAL MEDICAL SCHEME	RESTRICTED
70	WITBANK COALFIELDS MEDICAL AID SCHEME (WCMAS)	RESTRICTED
71	WOOLTRU HEALTHCARE FUND	RESTRICTED

10. CMS **COUNCIL**

DR MEMELA MAKIWANE
CHAIRPERSON

MS DIANE TERBLANCHE
DEPUTY CHAIRPERSON

ADV. RODGER MAREUME

DR AQUINA THULARE

DR HONOURS MUKHARI

MR NAHEEM RAHEMAN

DR NOMBEKO MBAVA

DR SUGENDRA NAIDOO

DR THANDI MABEBA

MR IMRAN VANKER

MR MABALANE MFUNDISI

MR MOERANE MAIMANE

DR XOLANI NGOBESE

MR KHAYALETHU MVULO
COMPANY SECRETARY

11. CMS **EXECUTIVES**

DR SIPHO KABANE
CHIEF EXECUTIVE AND REGISTRAR

MS ANDISA ZINJA
CHIEF FINANCIAL OFFICER

MR REGINALD SADIKI
EXECUTIVE MANAGER:
OFFICE OF THE CHIEF EXECUTIVE

MR MFANA MASWANGANYI
EXECUTIVE: REGULATION DIVISION

MR MICHAEL WILLIE
EXECUTIVE: POLICY, RESEARCH & MONITORING

MR ZONGEZILE BALOYI
EXECUTIVE: CORPORATE SERVICE

VACANCIES:

CHIEF INFORMATION OFFICER

EXECUTIVE: MEMBER PROTECTION

Part B

Performance Information

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to pages 106-110 of the Report of the Auditor's Report, published as Part F: Financial Information.

1. OVERVIEW OF **PERFORMANCE**

1.1. SERVICE DELIVERY ENVIRONMENT

During the period under review, the Registrar successfully brought an application for Health Squared to be placed under provisional curatorship pending the liquidation application. At the time, there were clear signs that Health Squared was managed inefficiently. It is trite in a competitive market, less efficient firms will fail. The regulator's responsibility is not only to protect medical schemes from failing but to ensure even in the state of failure, members' interests are protected. This includes ensuring members are assisted in joining other medical schemes and, as they do so, are admitted and treated in line with thelaw; and also ensuring that Health Squared's assets are disposed of in terms of the applicable law.

The CMS successfully applied for the appointment of a curator for MediPos since April 2020. The organisation had experienced challenges in collecting contributions from the South African Post Office (SAPO). MediPos is duly registered as a restricted medical scheme in terms of Section 24 of the MSA and was established with the sole intention of covering SAPO employees. The CMS is obliged by law to follow and apply the MSA. MediPos curatorship process was drawn from statutory grounds, Section 56 (1) of MSA that warrants the Registrar, if he or she believes it is in the interest of beneficiaries or is desirable to do so because material irregularities have come to his or her notice.

During the 2021 fiscal year, the CMS Regulation Division flagged MediPos' declining solvency rates. Accordingly, the scheme was notified it would be placed under close monitoring as a Type III scheme, namely one with above 25% solvency experiencing financial difficulties and rapidly reducing solvency levels.

Under the CMS close monitoring processes, MediPos was required to submit monthly management accounts to monitor the SAPO payments as per the 13 October 2021 court order. The failure or lack thereof to collect SAPO contributions resulted in MediPos members being adversely affected, including suspended membership.

At a meeting with MediPos, the scheme informed the CMS of SAPO's last payment, reflecting only until July 2022. By this time, the scheme's solvency ratio was 35.9% and by December, was expected to have dropped to 11%. The Registrar's application for curatorship came at the pinnacle of MediPos' dwindling membership numbers. During the 2020/2021 financial period, the scheme saw a 9.4% decline in beneficiaries.

The MediPos situation became untenable even with the CMS having granted an exemption. The scheme's solvency level declined from 90.5% pre-COVID in 2019, to 67.7% in 2020 and 36.1% in 2021. Further to this, the scheme suffered a rapid decline in its reserves due to the losses incurred in both periods, thus negatively affecting the scheme's solvency level. Section 35(1) (2) and (3) of the Medical Schemes Act requires all medical schemes registered with the CMS to be under sound financial conditions. Regulation 29 (2) of the Medical Schemes Act also instructs a scheme to maintain accumulated funds which may not be less than 25%. With SAPO having been declared technically insolvent and indicating its intention to cut working hours and/ or retrench staff, the future of MediPos looks bleak, necessitating for the Registrar to act swiftly. It is important to note that before applying for curatorship at the High Court, the Registrar previously engaged the MediPos Board of Trustees (BoT) with the view of obtaining their consent for the appointment of a statutory manager, but unfortunately, such efforts were rebuffed.

The provisional curator will investigate MediPos' financial position and advise on viable solutions, including the future of the scheme, namely: merger, liquidation or continued existence and the terms thereof.

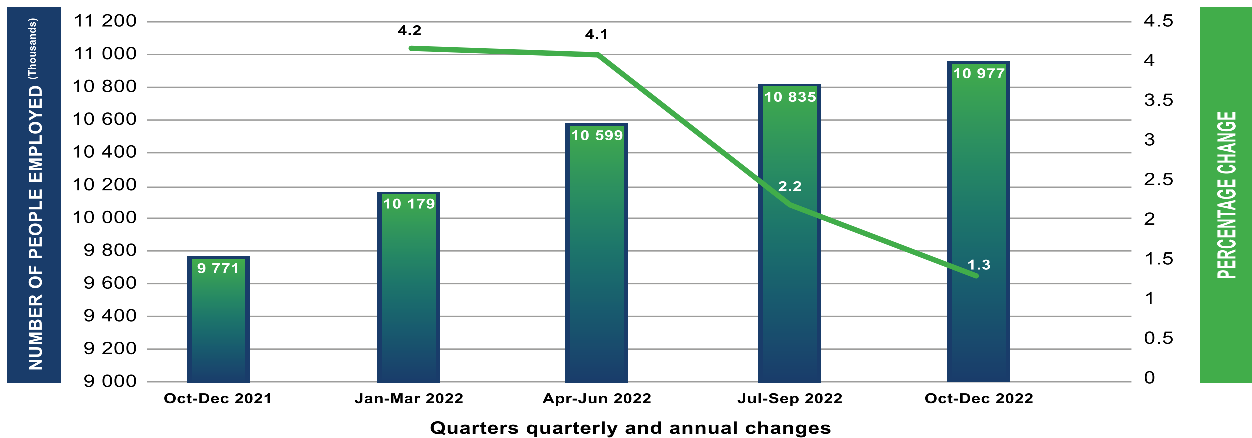
The above two mentioned scenarios can be prevented by good medical scheme governance that will also drive healthy competition in the market for private healthcare funding. Good governance will also ensure the following: complaints received at the scheme are resolved with speed; carrying out sensitivity analysis; pilot framework before implementation of effective regulatory mechanisms and checks and balances to mitigate against risks of scheme capture; a regulatory environment in which trustee independence can be maintained to ensure that member interests are prioritised and protected; implementation of transparency measures in the scheme's processes; (to ensure that trustee appointments are transparent and without favour; as well as transparency in the way in which administrators are contracted and retained by the scheme); and effective oversight by the Board of Trustees over administrators (reporting and evaluation of performance); as well as effective regulatory enforcement and oversight by the CMS.

The regulations that accompanied the efforts to combat the COVID-19 pandemic continued to have an impact on lives and livelihoods, movement of goods and services, employment, poverty, and inequity. These, in-turn, had a considerable impact on scheme membership and sustainability of the medical scheme industry in the short, medium, to long term.

The two figures below explain economic conditions in the external environment by using formal employment (non-agricultural sector) data. Growth trends in employment level dissipated in 2022. Most of the gains in the private sector were overtaken by employment reductions in the public sector (see figures for 2022). Employment trends are likely to be exacerbated by the impact of load-shedding on the economy (SARB Quarterly Bulletin, Q1 2023). Employment recovery in the private sector may have resulted in the positive growth in medical scheme enrolment for 2022. That said, slow growth rates in employment will remain a concern for medical scheme enrolment into the new financial year.

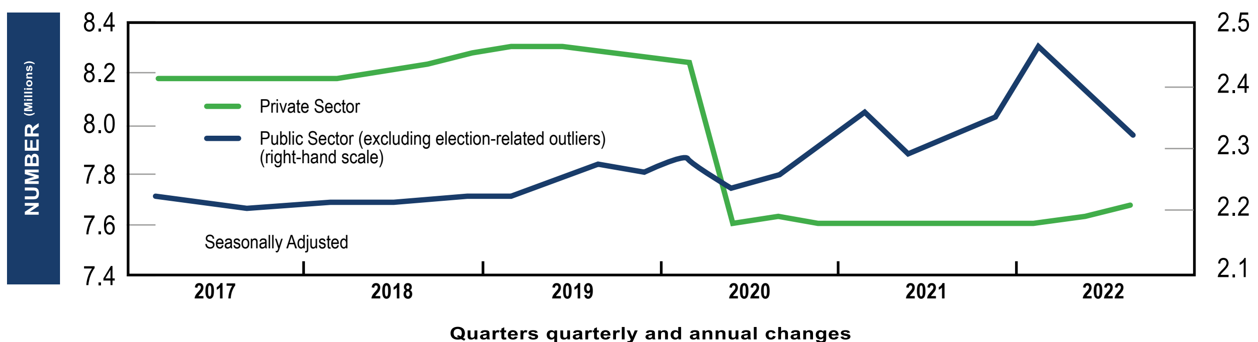
The extent to which these external factors are likely to affect the CMS cannot be predicted with great accuracy in the medium to long term. The CMS has to, however, ensure that the risks that are posed by these factors towards its ability to achieve its set objectives are understood and plans put in place to mitigate against them.

The utilisation of virtual platforms for meetings has seen an exponential increase since 2020. In the regulatory environment, the CMS saw an increase in the number of medical schemes that opted for virtual platforms. The CMS issued Circular 20 of 2021, supporting the use of the virtual platform for meetings at the beginning of the Annual General Meeting (AGM) season. During the 2022/2023 financial year, a few schemes that moved back to having in-person meetings, but a large number of schemes opted to host virtual or hybrid meetings, thereby lowering the costs of convening AGMs. The effects of climate change, energy and water shortages have negatively affected the economic recovery efforts of the country and adversely impacted the healthcare burden in general terms. Regions like KwaZulu-Natal, at some point, experienced the effect of these phenomena all at once.



Data Source: Stats SA, Quarterly Labour Force Survey Quarter 4: 2022

Figure 2: Quarterly formal sector employment — non-agricultural (October 2021 to December 2022)



Source: SARB Quarterly Bulletin 2023 Q1, p. 26.

Figure 3: Public vs Private sector employment – seasonally adjusted (2017 to 2022)

In terms of scenario planning, we are in a difficult period of economic recovery, considering the revised GDP projections by the South African Reserve Bank and the World Bank. This scenario emanates from an analysis based on the economic recovery as well as key uncertainties in the CMS environment over the remainder of the five years Strategic Planning Cycle. This scenario remains dominated by extensive legal challenges to the CMS and the Ministry as they attempt to implement the National Health Insurance (NHI). This scenario will also signal fewer resources to the CMS to address its regulatory short-falls, human resources, IT systems and other operational challenges. The aggregated impact is slow progress towards regulatory effectiveness and efficiency as well as delayed delivery of the NHI support programmes.

The medical schemes, which the CMS regulates, consists of various key stakeholders with diverse interests and agendas. As of 31 March 2023, CMS regulated 71 medical schemes, 32 administrators (Including self-administered schemes and limited accreditation administrators), 43 managed care organisations (including schemes providing own managed care services) and 2 185 broker organisations, and 7 567 individual brokers. The role of the CMS is to regulate these entities utilising the MSA and its regulations to ensure that all the 8.95 million scheme beneficiaries' interests are protected. This means that the CMS should ensure that all the regulated entities are always compliant with the MSA and its provisions.

The central aim of these reforms provided for in the MSA is to enhance the risk pooling potential of medical schemes and other important regulatory and oversight mechanisms by introducing:

- A preferred health insurance vehicle, which required that any person doing the business of a medical scheme must operate in terms of a single legislative framework;
- Open enrolment, which removed the discriminatory practice of medical schemes to select only good risk beneficiaries for membership (risk selection);
- Mandatory minimum benefits, which removed the ability of schemes to discriminate against older and sicker members through the selective non-provision of key benefits;
- Waiting periods and late joiner penalties to eliminate any significant application of penalties for member movement between medical schemes and options while substantially removing the opportunities for anti-selection where a member joins only when sick and then leaves or only joins for the first time later in life;
- Improved governance, which removed the historical conflicts of interest embedded in the oversight of medical schemes;
- Regulation of intermediaries, which implemented accreditation and more stringent regulatory oversight of medical scheme brokers, administrators, and managed care organisations;
- Improved oversight through the implementation of a substantially enhanced special-purpose regulator to oversee the Act; and;
- Member protection, which includes the complaints resolution mechanisms at the scheme level and
- providing members access to the complaints resolution mechanisms at the Registrar's office and appeals processes.

These reforms remain relevant to this day. The original intentions in the introduction of the above measures were to ensure that all health funders operate on a level playing field, which maximises the advantages and minimises the disadvantages of a competing and highly commercialised multi-fund health industry. However, many facets of the funding and provision of private health services are still not adequately regulated, resulting in systemic shortfalls in coverage, the quality of coverage, cost containment, and impact on the public health system.

The CMS, in the period under review was faced with significant financial challenges due to funding limitations. This has led to the completion of key strategic projects being delayed, thus negatively impacting the role that the Regulator must play in the medical schemes industry.

1.2. ORGANISATIONAL ENVIRONMENT

The PFMA requires public entities to submit quarterly performance information reports to the relevant executive authority and the National Treasury. During the period under review, the CMS submitted all the quarterly information reports to the executive authority and the National Treasury. There were no issues of concern raised by the executive authority on the reports. All the quarterly reports showed excellent performance by the organisation under the direction of the Council.

The organisation continues to experience a loss of institutional knowledge due to terminations terminations, either in the form of resignations or as retirements. The sub-programme, in collaboration with the migration committee, successfully completed the placement of non-executive employees in the new structure. A job evaluation and salary benchmarking exercise awaits implementation once approved by the Council.

The Human Resources sub-programme continued to provide support to employees through Employee Assistance Programme (EAP) initiatives that included quarterly wellness talks to promote employee work-life balance.

1.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The Constitution of the Republic of South Africa, in Chapter 2, includes the Bill of Rights, which mandates the State to implement reasonable legislative and other measures to ensure that healthcare services are accessible and delivered to all citizens. Section 27 specifically guarantees the right to access healthcare services, food, water, and social security. Additionally, Section 24 safeguards the right to an environment that does not pose harm to the health or well-being of all South Africans.

During the reviewed period, the NDOH released the National Strategic Plan for the Prevention and Control of Non-Communicable Diseases, 2022 – 2027. This strategic plan embodies the department's commitment to sustainable and human-rights-based approaches in accelerating the response to the prevention and control of non-communicable diseases, risk factors, and mental health conditions. It provides an opportunity to adopt an integrated and person-centred approach, strengthen health systems for non-communicable diseases, establish coordinated engagements with stakeholders at all levels of care, and promote the implementation and enhancement of care cascades for hypertension and diabetes.

Hypertension and diabetes are among the most prevalent chronic conditions within medical schemes. These conditions are actively measured and monitored through the scheme's risk measurement projects. The National Strategic Plan aligns with these priorities, addressing the need to tackle these prevalent chronic conditions while working collaboratively with stakeholders to achieve improved health outcomes.

The impact of COVID-19 on the screening of services, particularly in relation to HIV, has been evident through various sources and the most recent publication by the CMS in the World Medical Journal. Additionally, during the year under review, there was a revised strategy for addressing HIV, as reflected in the 2023 – 2028 National Strategic Plan (NSP) by the South African National AIDS Council (SANAC). The NSP 2023 – 2028 sets forth ambitious strategic objectives aimed at reducing barriers to accessing health and social services. Building upon the lessons learned from the previous NSP, this new plan places a renewed and urgent

"An emergent trend in the 2022 benefit year was the short payment and, in some cases, denial of post-limb amputation benefits"

focus on reducing inequalities for individuals living with HIV, Tuberculosis (TB), and Sexually Transmitted Infections (STIs) who have not been able to fully benefit from treatment and care services. Recognising the interconnectedness of various health and social issues, the NSP also emphasises the inclusion of mental health services and social support. This inclusion is rooted in the understanding of the strong associations between HIV, TB, STIs, Sexual and Gender-Based Violence (SGBV), human rights violations, inequalities, and mental health challenges.

Furthermore, the NSP highlights the importance of addressing viral hepatitis as a neglected infection of high prevalence that is closely linked to HIV and STIs. By acknowledging the significance of viral hepatitis within the framework of the NSP, efforts can be directed towards addressing this health concern alongside HIV and STIs. Overall, the NSP 2023 - 2028 represents a comprehensive approach to addressing HIV, TB, STIs, mental health, and viral hepatitis, with a particular focus on reducing inequalities and improving access to essential services for all affected individuals.

The South African government has made a firm commitment to ensuring that all South Africans can enjoy a long and healthy life. This commitment has been evident since 1994, as the government has actively pursued the establishment of a healthcare system that provides universal access to healthcare services. The core principle underlying this system is to focus not only on treating illnesses but also on promoting preventive measures to keep individuals healthy. By adopting a proactive approach, the South African healthcare system aims to address health concerns before they escalate and ensure timely intervention when individuals are in poor health. This comprehensive approach encompasses various aspects, such as disease prevention, health promotion, and effective healthcare delivery. To further strengthen these efforts, the South African government has set forth key priorities in the MTSF. This strategic framework serves as a roadmap to guide the country's healthcare initiatives and aligns them with the overarching goals of the National Development Plan 2030. The National Development Plan 2030 outlines a comprehensive vision for South Africa's future, including specific healthcare objectives. These objectives encompass expanding access to quality healthcare services, reducing health disparities among different population groups, improving healthcare infrastructure and resources, enhancing healthcare workforce capacity, and prioritising preventive healthcare measures. Considerable efforts and notable advancements have been made in expediting the realisation of the NHI vision, aimed at achieving universal healthcare coverage. This vision has entered a crucial phase of industry consultations, where stakeholders have been invited to provide their input and present their perspectives to the Portfolio Committee on Health.

As of June 2023, the NHI Bill was endorsed by the National Assembly, marking a significant milestone in its legislative journey. The bill is now poised to enter its final phase, where it will be presented to the National Council of Provinces for further deliberation and consideration. The implementation of the NHI is envisioned to be a gradual process, ensuring a systematic and well-planned transition towards universal healthcare coverage. It is expected that this transformative healthcare model will have far-reaching implications for the role of medical schemes in the long run. The introduction of the NHI holds the potential to reshape the healthcare landscape, fostering greater equity, accessibility, and affordability of healthcare services for all South Africans. As the NHI continues to progress, it will be essential to engage with stakeholders, address concerns, and ensure a smooth transition that aligns with the broader objectives of achieving universal health coverage in South Africa.

By diligently implementing the MTSF and the National Development Plan 2030, the South African Government is actively working towards the realisation of its vision for a resilient healthcare system. This vision is centred around achieving universal access to healthcare, enhancing overall well-being, and delivering effective care during periods of illness or compromised health. A fundamental aspect of this vision is the recognition that primary healthcare is intricately linked to the economic, political, and socio-economic landscape of a nation. It necessitates comprehensive inter-sectoral coordination across domains such as housing, education, agriculture, and social services. It also places great importance on community participation and individual empowerment.

Through the collaborative efforts of local healthcare workers, including community-based health workers and referral facilities, in conjunction with various sectors, the diverse health needs of individuals and communities are addressed. This comprehensive approach encompasses promotive, preventive, curative, rehabilitative, and palliative services, ensuring that holistic care is provided to those in need. By prioritising primary healthcare and fostering strong multi-sectoral collaboration, the South African government is striving

to create a healthcare system that is accessible, responsive, and sustainable. These efforts are geared towards improving the health and well-being of all citizens and fostering a healthier nation as a whole.

Despite our earnest intentions in enacting the MSA and its accompanying regulations in 2000, the CMS has encountered significant challenges in fulfilling its role as an effective regulator. These challenges stem from resistance by industry players and certain limitations within the existing legislative framework. As a result, the CMS has recognised the need to amend specific areas of the MSA to enhance its effectiveness and efficiency as a regulator.

Over the past five years, the CMS has faced difficulties in implementing the necessary legislative changes due to the lengthy and arduous process involved. However, the release of the Medical Schemes Act Amendment Bill (MSAAB) for public comment in June 2018 marks a significant shift towards empowering the CMS through legislation. We wholeheartedly embrace this development, as it holds the potential to strengthen the role of the CMS. The CMS has diligently completed all the required modifications related to the MSAAB and has duly submitted them to the Ministry of Health for finalisation. The approval of the NHI could provide an opportunity to assess the impact of the NHI Bill on the MSA and its subsequent amendments. This marks a pivotal moment in the journey towards enhancing the regulatory landscape and achieving more effective oversight of medical schemes.

DEMARCATION REGULATIONS AND LOW-COST BENEFIT OPTIONS (LCBO)

The regulations on demarcation provide oversight and responsibility for supervising health insurance products and medical schemes, ensuring that insurance products do not undermine the medical scheme environment. The CMS Accounting Authority is responsible for granting exemptions based on advice from the Registrar and team and the Exemption Framework developed by the CMS, National Treasury, and the NDOH. The insurers conducting medical scheme business were granted an exemption period from April 2019 to March 2022, which was extended to March 2024 to ensure continued coverage for existing members and finalisation of the LCBO framework. Circulars 9 of 2022 and 56 of 2020 provide more details on this process. The CMS engaged in a consultative process with key government departments, regulatory entities, and industry stakeholders, resulting in the establishment of three advisory committees and the development of draft guidelines for the LCBO Framework Report and Risk Assessment & Roadmap. These proposed guidelines were published for public comment and input in Circular 53 of 2022, and an extension was granted for submitting comments in Circular 57 of 2022. The CMS aims to ensure that all inputs from stakeholders and interested parties are accommodated and considered before finalising the LCBO guidelines, and that the process aligns with other policy developments, such as the current PMB review process and broader health system priority programmes like NHI.

UDBP DSPS AND EXCESSIVE CO-PAYMENTS

The matter remains with the Appeals Board for a ruling on the intervention application, and the CMS is process of undertaking stakeholder engagement.

FINANCIAL SECTOR REGULATION ACT (FSRA) AND CONDUCT OF FINANCIAL INSTITUTE BILL

The CMS has presented a comprehensive submission to the Minister of Health to ensure key areas are covered in the engagements between the Minister's team and Treasury and how agreement on a tri-lateral regulatory framework must be reached. The CMS supports the implementation of these twin peaks to the extent that such do not erode the powers or authority of the CMS in line with its constitutional mandate.

NHI BILL

The CMS is engaging with the submissions presented at the Portfolio Committee. The CMS preliminary position is that the opinion prepared by Advocate Adhikari for the Portfolio Committee is legally sound in that it contextualises the proposed NHI Bill.

2. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

2. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

IMPACT STATEMENT	To be an agile and transformative Regulator in order to **promote affordable** and **accessible** healthcare cover towards **universal health coverage**.
PROGRESS REVIEW STATEMENT	The period under review is year two of the five-year (2020 – 2025) strategic plan. The CEO and Registrar led the development and execution of the 2020 – 2025 Strategic Plan that resulted in the CMS analysis of both the internal and external environmental changes in order for the CMS to be proactive towards the developments of the industry that it regulates. The strategic focus has been enhanced in the review of the 2022/2023 Annual Performance Plan, taking a forward-looking posture for the 2023/2024 financial year. The CMS is making significant progress on the strategic outcomes it adopted in 2020 and is striving to achieve these outcomes within the remaining two years of the five-year plan.

The CMS has developed the following Strategic Outcomes for the 2020 – 2025 Strategic Plan aligned with the 2019 – 2024 Medium Term Strategic Framework (MTSF):

OUTCOME 1	**TO PROMOTE THE IMPROVEMENT OF QUALITY AND THE REDUCTION OF COSTS IN THE PRIVATE HEALTH CARE SECTOR**
PROGRESS REVIEW STATEMENT	In terms of Section 7 (e) of the Medical Schemes Act, one of the key functions of the Council is to collect and disseminate information about private health care. The CMS is also mandated by the Medical Schemes Act (MSA) Section 7 (c) to make recommendations to the Minister on the quality of healthcare in medical schemes, and it publishes the findings annually in this report. The CMS reports the utilisation of health services and monitors the prevalence of chronic conditions in the medical schemes' population. Other monitoring processes include the continued collection of the Scheme Risk Measurement (SRM) data to measure and report on the risk profiles of medical schemes and benefit options. This allows schemes to understand better the IMPACT of age and chronic disease on the beneficiaries covered by medical schemes. According to a recent study on the prevalence of chronic conditions for the 2021 review period, diabetes mellitus type 2, hypertension, and coronary artery disease accounted for over 50% of hospital admissions for the treatment of chronic conditions. Additionally, there was a rising rate of admission for female beneficiaries, who make up the majority of those covered by medical schemes. The study also revealed a worsening trend in illnesses related to mental health, including bipolar disorder and HIV. During the COVID-19 period 2020, the medical scheme industry had a slight decline in membership. However, data from 2021 shows a marginal increase reflecting beneficiary patterns seen prior to COVID-19. Membership of medical schemes is demonstrating tenacity in the face of economic hardships, rising unemployment rates in recent years, and financial constraints on people. According to the CMS Quarter 3 data for the 2022 review period, the number of beneficiaries has increased, reaching levels higher than 9 million. On contemporary medical schemes, claim experience rates are extremely high, exceeding 95%, while on other schemes, the claim ratio exceeds 100%. These patterns show higher demand or accelerated utilisation of services that weren't used during COVID-19. These would most likely have an impact on the rate of contribution, which will be regularly monitored using projections for contribution costs.

OUTCOME 2	TO ENCOURAGE EFFECTIVE RISK POOLING
PROGRESS REVIEW STATEMENT	Among the findings of the Health Market Inquiry Report (2019) is that it is difficult for beneficiaries to make benefit option choices due to the high proliferation of benefit options in the medical schemes industry. A recommendation was that supplementary benefit packages should be standardised to allow for a simpler choice environment for medical scheme beneficiaries. The CMS developed a framework for standardising and simplifying benefit options over the years. A pre-procurement market analysis was done for the period under review to implement a project needs assessment for benefit option standardisation and simplification. Further work will include a market segmentation survey and a choice experimental analysis to assess the impact of product .and information standardisation beneficiary choices. The CMS conducted a study to understand medical scheme benefit enrichment from the medical scheme member perspective. One of the study's key findings was that nearly half of the respondents, 44.8%, indicated that they ran out of benefits in the last 12 months. The study recommends that the benefit design and product development process focus on member needs. Member input in this process could significantly improve access to benefits and increase cover for primary healthcare benefits. The CMS continues to explore various risk-based solvency models, which are currently being piloted and reviewed. An impact assessment at the individual and industry level is still to be finalised. Further engagement in this regard is to continue.

OUTCOME 3	TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH, NATIONAL POLICY, THE MSA AND REGULATIONS
PROGRESS REVIEW STATEMENT	Numerous regulatory interventions were implemented during the strategic period under review, which includes monitoring and implementation of enforcement actions, governance interventions and inspection of regulated entities. Therefore, this included observing most of the medical scheme member meetings (AGMs) and generating observation reports along with advocating for virtual member meetings in response to the COVID-19 pandemic. Furthermore, during this period, routine monitoring of Compliance inspections and Commissioned inspections were instituted to review the affairs of medical schemes and other regulated entities. The oversight and responsibility of supervising health insurance products and medical schemes are provided by regulations on demarcation, which ensure that insurance products do not undermine the medical scheme environment. The CMS governance body oversees granting exemptions based on advice from the Registrar and team, and the Exemption Framework created by the Council for Medical Schemes, National Treasury, and the National Department of Health. Insurers conducting medical scheme business were granted an exemption period from April 2019 to March 2022, which was extended to March 2024 to ensure continued coverage for existing subscribers and the finalisation of the LCBO framework. The process is detailed in Circulars 9 of 2022 and 56 of 2020. The CMS has engaged in a consultative process with key government departments, regulatory entities, and industry stakeholders, which has led to the establishment of three advisory committees and the development of draft guidelines for the LCBO Framework Report and Risk Assessment & Roadmap. These guidelines were proposed, published for public comment, and input in Circular 53 of 2022, and an extension was granted for submitting comments in Circular 57 of 2022.

OUTCOME 3	TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH, NATIONAL POLICY, THE MSA AND REGULATIONS (CONTINUED)
PROGRESS REVIEW STATEMENT (CONTINUED)	Currently, the LCBO proposed guidelines are in the final stages of completion and will be considered for approval by the Minister of Health. The CMS aims to ensure that all inputs from stakeholders and interested parties are accommodated and considered before finalising the LCBO guidelines. The process aligns with other policy developments, such as the current PMB review process and broader health system priority programs like NHI. Medical scheme administrators (including limited accreditation administrators), managed care organisations and schemes providing their own administration and/or managed care services are subject to rigorous evaluations of their compliance with the regulatory requirements and accreditation standards before accreditation is granted or compliance certificate issues (in the case of medical schemes). In addition, the CMS continued to ensure that compliance is monitored throughout the accreditation or compliance periods. Moreover, appropriate action was taken where and when non-compliance to accreditation requirements and standards was detected. The CMS has been doing ongoing work on the nature of transformation in the medical schemes industry. The Health Market Inquiry Report (2019) identified transformation as a barrier to market participation. Among these was that although there has been marginal market entry, this has involved minimal participation of previously disadvantaged groups. For the period under review, the CMS conducted a study that focused on the analysis of B-BBEE transformation in the industry; and considered a B-BBEE scorecard that might be more amenable to the medical schemes industry's contribution to inclusive economic growth. The scorecard is under review. During the period under review, the overall solvency of schemes improved, including their accumulated reserves. The CMS continues to adhere to a stringent process for assessing and registering medical scheme rule amendments that are submitted in accordance with Section 31 (1) of the Act. This is done in order to ensure that the rules that are registered are fair to members and consistent with the Act. In addition, the CMS does this to ensure proper governance of medical schemes. The set turnaround times for the processing of medical scheme rules are met with precision, consistency, and commitment. Changes to benefits offered by medical schemes and contribution adjustments are among the processed rule amendments. In considering these amendments, the CMS has endeavoured to safeguard beneficiaries of medical schemes from the trend of diminishing benefits and an unsustainable increase in contributions paid by medical scheme beneficiaries. The processing and approval of efficiency discounted options (EDOs) applications for exemption (Section 29(1)(n)) has ensured that a significant number of medical scheme beneficiaries have access to high-quality health services at affordable contributions. On the other hand, the Council has, on an annual basis, reviewed and granted approved exemptions (Section 29(1)(o)) from the provisions of PMBs for benefits options of medical schemes that were previously registered under the auspices of respective bargaining councils and typically provided health insurance coverage to beneficiaries who would ordinarily be unable to afford membership in a standard medical scheme or the cost of privately delivered health services. These exemptions are conditional on an annual review and increase in benefits that bring them in line with the PMB regulations while also considering the epidemiological profile of those who are insured.

OUTCOME 4	TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION
PROGRESS REVIEW STATEMENT	The CMS has successfully completed the placement of employees in the new structure for non-executive personnel during the first quarter of the reporting period according to the migration framework. In top management layer two executive positions were advertised and appointments finalised during the first quarter The results of the job evaluation and salary benchmarking exercise that was completed to align with the new structure were presented to the HRSE Committee for recommendation to Council. The CMS is in the process of reviewing its funding model. The current outdated funding model remains the highest enterprise risk. Plans are underway to mitigate this risk, although this is a multi-year process.

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
PROGRESS REVIEW STATEMENT	The CMS also kept up its assistance of the South African National Aids Council (SANAC), primarily by collecting statistics on HIV/STIs in the private sector twice a year. The CMS is an active participant in the Private Sector Forum (PSF), with representatives from the Board of Healthcare Funders (BHF), Health Funders Association (HFA), and non-affiliated schemes. The CMS continues to disseminate research outputs across various channels, including publishing in the World Medical Journal. The funding of eye care services, the effect of COVID-19 on HIV care in Africa, the regulatory framework, and the gender pay gap among medical scheme Principal Officers (POs), and CEOs were just a few of the topics covered in more than ten research publications. These publications also evaluated changes in the medical schemes industry. In the UK-based book Healthcare Access - New Threats, New Approaches, the CMS published a chapter with the title “Funding of Oncology Benefits by Medical Schemes, South Africa: A Focus on Breast and Cervical Cancer.” The CMS took part in the international conference held by the ISQua (International Society for Quality in Health Care), where a poster session presentation of a study on patient experience of care took place. The managed care symposium and the Institute of Health Risk Managers, respectively, featured presentations on the impact of pre-authorisation or health outcomes and patient-centred care. The National Department of Health, the CMS, and the National Treasury are all members of the JLN South Africa Country Core Group (CCG), which continues to represent South Africa in the global joint learning network (JLN) on universal health coverage. To encourage the culture of research collaborations, the CMS continues to interact and work with other regulators, industry organisations like the Health Quality Assessment (HQA), and academic institutions. A report outlining a regulatory framework was generated by the CMS, which was assessed based on feedback from its members’ complaints. To assess the Risk-Based Capital (RBC) Model and provide recommendations, a service provider was appointed.

OUTCOME 6	TO COLLABORATE WITH LOCAL, REGIONAL AND INTERNATIONAL ENTITIES
PROGRESS REVIEW STATEMENT	During the implementation of the CMS 2020 – 2025 Strategic Plan, the CMS collaborated with local and regional entities to establish a working relationship between the CMS and the entities to set out the mechanisms for implementation and monitoring of the relationship entered into. In addition, the collaboration and relationship with these entities were entered in the form of a Memorandum of Understanding (MoU) that expressed a convergence of will between the CMS and the entities, indicating an intended common line of action and agreement. As a result, the MoU's concluded between the 2020 – 2023 financial years are as follows: • The South African Institution of Chartered Accountants (SAICA) • Namibian Financial Institutions Supervisory Authority (NAMFISA) • South African Revenue Service (SARS) • Health Funders Association (HFA) • Broad-Based Black Economic Empowerment (B-BBEE) Commission • Namibian Association of Medical Aid Funds (NAMAF) • University of Stellenbosch (US) • Financial Planning Institute (FPI) • Innovative Pharmaceutical Association of South Africa (IPASA) • Health Care Quality Association (HQA) • Financial Intermediary Association (FIA) • South African Medical Association (SAMA) • Competition Commission (CC) • South African Pharmacy Council (SAPC) It should be noted that for the remainder of the Medium-Term Strategic Framework, the CMS will maintain the relationship and collaboration with these entities to regulate the medical scheme industry in a fair and transparent manner. The CMS is a member of the governing Council of SADC's Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA) and attends all its activities on a regular basis. Most importantly, the CMS hosted several engagements with its primary stakeholders – Principal Officers and the Board of Trustees of Medical Schemes. Relevant key policy discussions and updates were provided at the PO & BoT Forum held in Cape Town and Pretoria.

3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

PROGRAMME 1: ADMINISTRATION

The administrative programmes of the Council for Medical Schemes focus on the efficient functioning of the office and provide support to the core programmes to effectively carry out their mandates. The administration programme entails five sub-programmes, namely:

Sub-Programme 1.1: Office of the Chief Executive and Registrar

Sub-Programme 1.2: Office of the Chief Financial Officer

Sub-Programme 1.3: Information Communication Technology and Information Management

Sub-Programme 1.4: Corporate Services

Sub-Programme 1.5: Council Secretariat

SUB-PROGRAMME 1.1: OFFICE OF THE CHIEF EXECUTIVE AND REGISTRAR

The CEO is the Accounting Officer exercising overall control over the office of the CMS, and as Registrar, has legislated powers to regulate medical schemes, administrators, brokers and managed care organisations.

The CEO and Registrar is responsible for leading the development and execution of the CMS' strategy. The CEO and Registrar is ultimately responsible for all day-to-day management decisions and for implementing the CMS' strategic and annual plans.

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 2: Sub-Programme 1.1. Office of the CEO & Registrar

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.1: OFFICE OF THE CHIEF EXECUTIVE AND REGISTRAR							
OUTCOME 4: TO BE 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 the Review and Development of a Strategic Plan and Annual Performance Plan is done for Council's consideration	New indicator	New indicator	1	1	-	-
	Output Indicator 1.2: Ensure that the overall performance of the entity is 80% of the targets set for the year	90.83%	83.33%	80%	89.19%	9.19%	The annual overall performance target is exceeded because the CMS experienced over-achievements in some programmes and sub-programmes.

Table 2: Sub-Programme 1.1. Office of the CEO & Registrar

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.1: OFFICE OF THE CHIEF EXECUTIVE AND REGISTRAR							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
	Output Indicator 1.3: Ensure that an Annual Performance Information report produced is reliable, accurate and complete by 31 July each year in line with the statutory requirements	1	1	1	1	-	-
OUTCOME 6: TO COLLABORATE WITH LOCAL, REGIONAL AND INTERNATIONAL ENTITIES							
Output 2: Develop strategic relationships with other regulators and stakeholders	Output Indicator 2.1: Number of signed memoranda of understanding with local, regional and international regulators and stakeholders	4	4	4	4	-	-

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The CMS, in the year under review, submitted its mid-term report indicating that the organisation is on track to achieving its 5-year planned targets. The impact of COVID-19 on the organisation's strategic plan has been minimal, the CMS is on track in achieving its target amid resource constraints. The CMS achieved an overall performance of 89.19% against predetermined objectives. During the year under review, the CMS continued to sign the Memorandum of Understanding with local stakeholders to foster strategic and fruitful technical cooperation and entered into collaborative relationship with the stakeholders.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
There were no areas of under-performance in this sub-programme.	There were no changes to planned targets for this sub-programme during the year under review.

"The CMS, in the reporting period, conducted 47 consumer education and outreach sessions"

LINKING PERFORMANCE WITH BUDGETS

SUB-PROGRAMME 1.1 LINKING PERFORMANCE WITH BUDGET

Table 3: Linking Performance with Budget; Office of the CEO

	2022/2023*			2021/2022		
Office of the CEO	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administrative Expenses						
Printing and stationery	5	2	3	-	-	-
Subscriptions	55	53	2	141	4	137
	60	**55**	**5**	**141**	**4**	**137**
Operating Expenses						
Consulting	1 569	219	1 350	376	4 479	(4 103)
Labour relations costs	1 924	343	1 581	872	990	(118)
Postage and courier	2	-	2	4	3	1
Transcription services	-	-	-	-	4	(4)
Travel and subsistence	125	130	(6)	-	0	(0)
Venue and catering	109	113	(4)	7	4	3
	3 729	**806**	**2 923**	**1 259**	**5 480**	**(4 221)**
Staff costs						
Salaries	5 329	5 639	(310)	5 978	5 383	595
Staff training	-	-	-	17	7	10
	5 329	**5 639**	**(310)**	**5 994**	**5 390**	**605**
TOTAL	**9 118**	**6 500**	**2 618**	**7 395**	**10 874**	**(3 479)**

*Some expenses historically included in the current programme have been moved to the relevant programme to align with the new organisational structure implemented with effect from 01 April 2022.

VARIANCE EXPLANATION

Positive and negative differences per line item above the approved significance materiality of R1.89 million are explained. The individual line items in the 2022/2023 financial year are below the set threshold therefore no explanation is required.

"Over 1200 clinical complaints and opinions were processed"

SUB-PROGRAMME 1.2: OFFICE OF THE CHIEF FINANCIAL OFFICER

The purpose of the sub-programme is to serve all business units in the CMS, the executive management team and Council by maintaining an efficient, effective and transparent system of financial performance and supply chain management that complies with the applicable legislation. The Office of the CFO in support of the Registrar also serves the Council, Audit and Risk Committee, Internal Auditors, the NDOH, National Treasury and the Auditor-General South Africa by making available to them information and reports that allow them to carry out their statutory responsibilities. By doing this, the Sub-programme assists the Council to be a reputable regulator.

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 4: Sub-Programme 1.2. Office of the CFO

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.2: OFFICE OF THE CHIEF FINANCIAL OFFICER							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 3: Ensure that reported financial information is useful and reliable, and in accordance with the Expenditure Management and Reporting Framework.	Output Indicator 3.1: An unqualified opinion issued by the Auditor-General South Africa on the Annual Financial Statements by 31 July each year	1	1	1	1	-	-
Output 4: Ensure effective financial management and alignment of budget allocation with strategic priorities.	Output Indicator 4.1: Review, develop and implement a funding model that considers the long-term strategic outcomes of the CMS	New indicator	New indicator	1	0	-1	The planned target of a funding model was not achieved by Q4 as the scope of the work is large, thus, the project is anticipated to be a multi-year project. Phase 1 of the project will be completed by the 31st of March 2024.
	Output Indicator 4.2: Produce a budget that is approved by Council by 31 January each year	1	1	1	1	-	-

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The CMS manages its finances as prescribed by the Public Finance Management Act (PFMA) and maintains a strong system of internal controls for effective and efficient management of its finances. It constantly seeks ways to improve its systems to better align with the requirements of the PFMA and best practices. This is evidenced by the unqualified audit opinion on its annual financial statements over the previous financial years from the Auditor-General South Africa.

The CMS is actively working on an alternative funding model that will ensure the organisation's long-term sustainability and sufficient reserves to counter the risk identified above. The entity has requested assistance, in terms of skilled human capacity, from the National Department of Health to ensure that this project. The target as per the 2022/2023 APP (an approved funding model) has not been met due to the complexity of the project. This project has been carried over to the 2023/2024 APP with a clear project plan put together by the Funding Model Committee. The assistance requested from the Executive Authority will assist a great deal in this regard.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
The target as per 2022/2023 APP (an approved funding model) has not been met due to the complexity of the project. This project has been carried over to the 2023/2024 APP with a clear project plan put together by the Funding Model Committee. The assistance requested from the Executive Authority will assist a great deal in this regard.	There were no changes to planned targets for this sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

SUB-PROGRAMME 1.2: LINKING PERFORMANCE WITH BUDGET

Table 5: Linking Performance with Budget: Office of the CFO

	2022/2023			2021/2022		
Office of the CFO	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Operating expenses						
Consulting	1 382	56	1 326	125	132	(7)
Postage and courier	6	-	6	2	-	2
Travel and subsistence	8	1	7	31	38	(7)
Venue and catering	39	5	34	38	4	34
	1 436	62	1 373	197	175	22
	1 436	**62**	**1 373**	**197**	**175**	**22**
Staff Costs						
Employee benefits	3 827	3 444	383	3 472	3 226	246
Employee wellness	-		-	2	-	2
Salaries	8 874	10 016	(1 141)	11 911	11 733	177
Staff training	-		-	347	238	109
Workmen's compensation	250	96	154	569	569	0
	12 952	**13 557**	**(605)**	**16 301**	**15 766**	**534**
TOTAL	**15 344**	**14 618**	**726**	**37 661**	**35 584**	**1 961**

VARIANCE EXPLANATION

Positive and negative differences per line item that are above the approved significance materiality of R1.89 million are explained. The individual line items in the 2022/2023 financial year are below the set threshold therefore no explanation is required.

1. There are no differences above the approved significance materiality during 2022/2023 financial year.
2. Some expenses historically included in the Office of the CFO have been moved to the relevant programme in the current financial year to align with the new organisational structure implemented with effect from 01 April 2022. The programmes to which expenditure has been moved include Facilities, Human Resources, and Strategy Risk and Performance.

SUB-PROGRAMME 1.3: INFORMATION COMMUNICATION TECHNOLOGY AND INFORMATION MANAGEMENT

The purpose of the sub-programme is to provide secure, reliable, innovative and process driven information and communication technology and knowledge management solutions, thereby improving productivity and business value.

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 6: Sub-Programme; ICT and IM

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.3: INFORMATION COMMUNICATION TECHNOLOGY AND INFORMATION MANAGEMENT							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 5: An established ICT Infrastructure that ensures information is available, accessible and protected.	Output Indicator 5.1: Percentage of network uptime	99%	99%	99%	97%	2%	Unstable Internet connectivity from the CMS current service provider due to continuous loadshedding.
	Output Indicator 5.2: Percentage of IT security incidents (breaches)	0.75%	5%	5%	5%	-	-
	Output Indicator 5.3: Number of successful IT Disaster Recovery (DR) failover tests	2	2	2	2	-	-
Output 6: Provide software applications that serve both internal as well as external stakeholders and which improves business operations and performance.	Output Indicator 6.1: Percentage of uptime business-critical application systems (server uptime)	99%	95%	95%	95%	-	-
Output 7: Effectively provide information management services and organise and manage organisational knowledge with a view to enhancing knowledge sharing.	Output Indicator 7.1: Percentage of PAIA requests for information received and finalised within 30 days	95%	95%	95%	95%	-	-

ACHIEVEMENT OF STRATEGIC OBJECTIVES

In the 2022/2023 financial year, the Information Communication Technology and Information Management (ICT&IM) sub-programme continued to be dedicated to achieving its annual targets and commitment to supporting the CMS in achieving its business outcomes. The sub-programme conducted two disaster recovery fail-over tests, an ICT vulnerability test in order to maintain less than 5% of major cyber security incidents/attacks and Cyber Security remain a high priority for the sub-programme.

Several initiatives are being undertaken to modernise the ICT Environment. The Annual Financial returns are being revamped to work across all browsers and to give the users a more suitable experience while capturing the data. ICT also obtained licenses for cloud hosting of their Databases and several critical Virtual machines. The Cloud project is one of the main objectives of ICT in modernising the environment to enable users to use and access data from anywhere on any platform in the most secure way.

The unavailability of the servers had an impact on the business-critical applications such as Complaints, M-files and Accreditation, affecting productivity. We are now in the process of migrating to the cloud environment to mitigate the risk of not having these core applications available when they are needed. The migration of M-Files to SharePoint is another critical project we are undertaking that will also remedy the availability of document management, including the security of data.

To ensure that the CMS continues to be an effective and efficient regulator of the medical schemes industry, the ICT&IM programme prioritised the digitisation and automation of as many business processes as possible, integrated siloed applications, and upgraded legacy systems to develop a more integrated regulatory system that is responsive to the needs of the industry. Digitised business processes and integrated applications enabled the delivery of business insights for effective monitoring and evaluation of CMS performance as a regulator. The implementation of a hot disaster recovery site (to enable business continuity) remains one of the key priorities for the new financial year.

The CMS continues to give effect to Section 32 of the Constitution by maintaining a high response rate to PAIA information requests for the medium-term period. During the period in review, all requests received were completed within 30 days as required in terms of PAIA the act. POPIA compliance and monitoring report in terms of Section 40(1)(b)(i) was prepared and submitted to the Information Regulator in January 2023, outlining progress in terms of CMS compliance with the Act.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
The target was reduced to 95% in the 2023/2024 APP, due to the unstable internet network connectivity which has constantly been an issue in the financial year under review due to power supply interruptions (load-shedding). The CMS have engaged the current service provider to schedule the link fail-over testing every quarter.	There were no changes to planned targets for this sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

SUB-PROGRAMME 1.3: LINKING PERFORMANCE WITH BUDGET

Table 7: Linking Performance with Budget: ICT & IM

Information Technology and Information Management	2022/2023			2021/2022		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administrative Expenses						
General Administrative Expenses	708	604	103	475	292	183
Printing and Stationery	17	6	11	16	-	16
Rent: Copiers	403	201	203	437	401	36
Security	573	568	5	550	541	9
Subscriptions	0	-	0	25	2	24
Telecommunications expense	8 473	7 779	695	6 709	7 203	(494)
	10 175	**9 158**	**1 016**	**8 212**	**8 438**	**(226)**
Operating Expenses						
Consulting	652	1 024	(372)	352	116	236
Knowledge Management	1 296	854	442	1 036	1 415	(379)
Travel and subsistence	6	-	6	2	3	(1)
Venue and catering	-0	-	(0)			-
	1 953	**1 878**	**75**	**1 390**	**1 533**	**(143)**
Staff Costs						
Employee Wellness	-	-	-	2	-	2
Salaries	13 132	12 473	659	13 135	12 403	732
Staff Training	-	-	-	159	106	53
	13 132	**12 473**	**659**	**13 296**	**12 509**	**786**
TOTAL	**25 260**	**23 510**	**1 750**	**22 898**	**22 482**	**416**

VARIANCE EXPLANATION

1. Positive and negative differences per line item that are above the approved significance materiality of R1.89 million are explained. The individual line items in the 2022/2023 financial year are below the set threshold therefore no explanation is required.

SUB-PROGRAMME 1.4: CORPORATE SERVICES

The purpose of the Sub-programme is to:

- provide legal advice and representation to the CMS and business units to ensure the integrity of regulatory decisions;
- provide high-quality service to internal and external customers by assessing their needs and pro-actively addressing those needs through developing, delivering, and continuously improving human resource programmes that promote and support the Council's vision; and
- create and promote awareness and understanding of the Medical Schemes Act (1998) and the industry among all regulated and non-regulated entities through communication, marketing, and stakeholder engagement.

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 8: Sub-programme 1.4. Corporate Services

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.4: CORPORATE SERVICES							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 8: Legal advisory and support services for effective regulation of the industry and operations of the office.	Output Indicator 8.1: Percentage of written and verbal legal opinions provided to internal and external stakeholders attended to within 14 days.	85%	95%	90%	100%	10%	The sub-programme exceeded its target due to a strict adherence to turnaround times and mentoring legal advisors on efficient drafting of opinions resulting in the effective delivery of opinions on time and with greater quality assurance.
Output 9: Defending decisions of the Council and the Registrar	Output indicator 9.1: Percentage of court and tribunal appearances in legal matters received and action initiated by the Unit within 14 days	100%	100%	100%	100%	-	-
Output 10: Build competencies and retain skilled employees.	Output Indicator 10.1: Minimise staff turnover rate to less than 15% per annum.	18.3%	9.5%	<15%	13.82%	1.18%	Terminations below the 15% norm. Employees were afforded training opportunities to enhance their skill set and internal promotions, 17 terminations (ten resignations, one retirement and six internal movements). Investment in staff training opportunities and internal promotions contributed to the turnover rate.
Output 10: Build competencies and retain skilled employees.	Output Indicator 10.2: Turnaround time to fill a vacancy (turnaround time of 120 working days for each vacancy that exists during the year), excluding the position of CEO.	70.8 days	492 days	120 days	54 days	66 days	HR placed priority on managing vacancies by ensuring the timeous release of advertisements, sitting panels and fast-racking appointments approval memos with the exception of the position of Executive: Member Protection.

Table 8: Sub-programme 1.4. Corporate Services (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.4: CORPORATE SERVICES							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 10: Build competencies and retain skilled employees. (continued)	Output Indicator 10.3: Improve the CMS B-BEE targets [according to the Broad-Based Black Economic Empowerment Act (BBBEEA targets)], annually.	New indicator	New indicator	40-54	50.50	-	-
	Output Indicator 10.4: Develop and maintain a talent management policy framework by implementing a career path and succession plan.	New indicator	0	1	1	-	-
Output 11: Maximise performance to improve organisational efficiency and maintain high performance culture.	Output Indicator 11.1: Percentage of employee' performance agreements are signed by 31st May each year (excluding employees out of office on extended absence).	100%	100%	95%	96%	1%	Most employees were in the office during the contracting period. Pre-planning and support provided by HR resulted in high compliance levels.
	Output Indicator 11.2: Percentage of employees' performance assessment concluded, bi-annually (excluding employees out of office on extended absence).	99.10%	99.72%	95%	95.16%	0.16%	More employees participated in the performance appraisals than planned.
	Output Indicator 11.3: Number of Training and Development Sessions to Improve Employee Relations.	New indicator	4	4	6	2	Due to high demand, an additional two sessions were facilitated to improve employee relations during the reporting period.
	Output Indicator 11.4: Percentage of signed annual declarations of financial interest by CMS employees (excluding employees out of office on extended absence).	New indicator	New indicator	100%	100%	-	-
Output 12: Ensure maximisation of the coordination of various planning efforts that are undertaken in relation to the CMS facilities.	Output Indicator 12.1: Develop an Office Capacity and Utilisation Report by 30 June each year.	New indicator	New indicator	1	1	-	-

“The CMS finalised several research studies that looked broadly at transformation in the medical schemes industry”

Table 8: Sub-programme 1.4. Corporate Services (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.4: CORPORATE SERVICES							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS							
Output 13: To create awareness and collaboration with stakeholders while enhancing the visibility and protecting the reputation of the CMS.	Output Indicator 13.1: Number of stakeholder awareness Activities conducted.	55	67	30	30	-	-
	Output Indicator 13.2: Percentage of stakeholder awareness of the CMS resulting from a survey.	50%	57%	60%	60%	-	-
Output 14: CMS must ensure that an Annual Report is submitted to the Executive Authority five months after the end of a financial year.	Output Indicator 14.1: Submission of the CMS Annual Report by 31 August to the Executive Authority.	1	1	1	1	-	The annual report was submitted to the Executive Authority after Council requested an extension.

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The legal opinions indicator under this programme was under-reported in the quarterly reports. However, this has since been corrected in the annual performance information report and verified with the internal auditors to give the assurance required. The control improvement action taken is going forward the use of a central repository tool SharePoint to develop the reporting template for review and populating. The workforce profile of the CMS for the reporting year ended 31 March 2023 comprised 137 employees consisting of 123 permanent and five-year fixed-term contract appointments, seven (7) on work-integrated learning, and seven (7) on fixed-term contracts. The CMS had 29 vacancies during the reporting period and has successfully filled twenty-five with both internal and external candidates in accordance with the CMS' recruitment and selection process. The recruitment and selection process for the remaining four will be finalised during the first quarter of the new financial year. Seventeen (17) terminations were received, made up of ten (10) resignations and six (6) internal movements where employees were appointed to other positions within the organisation. HR reported during quarter four a turnover 6.15% due to an omission to average the number of employees at the beginning of the year with the number of employees at the end of the year. To improve the control, a template is developed to automate the calculations. The performance information adjustments in this report are prepared in line with the provision in the Public Entities Quarterly Reporting (PEQR) guidelines 2021/2022 from the National Treasury.

The Communications, Marketing and Stakeholder Relations (CM&SHR) sub-programme under the period review achieved all its targets. Awareness of the CMS was conducted through stakeholder engagements, media and providing support to the CMS educational awareness activities. A number of Principal Officers and Board of Trustee Forums (representing medical schemes) were held to apprise the industry to gain feedback on the following: the LCBO Framework and PMB Review process; Fraud, Waste and Abuse (FWA), GIBS/CMS BoT Trustee Development Training and the launch of the Industry Report. Several MoU were concluded with key primary stakeholders on areas that have a direct impact on our mandate. The CMS was covered widely in print media in areas of curatorship and the LCBO process. To this effect, the Unit was able to produce monthly media reports. A brand awareness survey was developed and distributed to medical scheme members. The purpose of the survey was to measure CMS brand awareness. An overwhelming majority of respondents were in agreement that the CMS brand was visible and accessible to medical scheme members.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
Indicator 14.1 is not included in the overall achieved performance since the report was submitted after the due date. The CMS reviewed the Annual Report project team, the terms of reference and the project plan for the Annual Report.	There were no changes to planned targets for this sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

SUB-PROGRAMME 1.4: LINKING PERFORMANCE WITH BUDGET

Table 9: Linking Performance with Budget: Corporate Services

	2022/2023			2021/2022		
Corporate Services	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administrative Expenses						
Building expenses	2 122	2 045	78			-
General administrative expenses	320	135	185	67	3	64
Printing and stationery	152	104	49	29	22	6
Refreshments	39	-	39			-
Rent	14 815	11 690	3 125			-
Rent: Operating expense	2 922	3 244	(322)			-
Subscriptions	229	120	109	181	166	15
	20 600	**17 336**	**3 264**	**277**	**191**	**85**

Table 9: Linking Performance with Budget: Corporate Services (continued)

Corporate Services	2022/2023 Budget R'000	2022/2023 Actual Expenditure R'000	2022/2023 (Over)/Under Expenditure R'000	2021/2022 Budget R'000	2021/2022 Actual Expenditure R'000	2021/2022 (Over)/Under Expenditure R'000
Operating Expenses						
Consulting	913	369	543	2 250	804	1 446
Legal fees	9 530	6 802	2 728	5 636	8 372	(2 736)
Legal fees-Section 59	1 000	-	1 000	-	-	-
Postage and courier	22	19	2	3		3
Exhibition costs	94	42	52	-	-	-
Media and promotion	2 039	1 051	988	1 167	425	742
Printing and publication	973	531	442	365	365	-
Transcription services			-	7		7
Travel and subsistence	193	156	37	131	70	61
Venue and catering	443	195	248	137	6	132
	15 206	**9 166**	**6 040**	**9 696**	**10 042**	**(345)**
Staff Costs						
Employee wellness	327	280	47	313	182	131
Recruitment and relocation	1 548	1 317	231	429	544	(115)
Salaries	16 730	17 051	(321)	16 225	16 792	(567)
Staff training	1 667	1 593	73	266	188	79
Temporary staff	2 003	1 986	17	1 921	2 103	(182)
	22 274	**22 228**	**47**	**19 156**	**19 810**	**(654)**
TOTAL	**58 080**	**48 730**	**9 350**	**29 129**	**30 043**	**(914)**

VARIANCE EXPLANATION

Positive and negative differences per line item that are above the approved significance materiality of R1.89 million are explained.

1. The difference in rental is due to a budget that was put aside for relocation cost as the lease was coming to an end. CMS subsequently renewed the lease agreement for 12 months, hence the underspending.
2. The difference in legal fees is due to cost containment measures put in place by the legal unit to manage the escalation of legal costs. Further, some internal capacity has been brought in to reduce the cost of outsourcing legal matters.
3. Corporate Services is a new programme comprising of the Communications and Marketing, Facilities, Legal and Human Resources units. For the comparative year, some expenses historically included in the old programmes have been combined in the current programme to align with the new organisational structure implemented with effect from 01 April 2022.

SUB-PROGRAMME 1.5: COUNCIL SECRETARIAT

The purpose of this programme is to provide corporate governance services to the Council as Accounting Authority and its committees. The Council Secretariat also provides support to the independent Appeal's Board and ensures that all the rulings are communicated to key stakeholders. The programme seeks to achieve the above objective through seamless board administration, secretariat service and support.

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 10: Sub-Programme 1.5: Council Secretariat

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.5: COUNCIL SECRETARIAT							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 15: Corporate governance, Secretariat & Board administration Support and Legal Services for effective governance by the Accounting Authority.	Output Indicator 15.1: Develop an Annual Council Work Plan for Council and its Committees by 31 March.	New indicator	1	1	1	-	-
	Output Indicator 15.2: Develop and Review Council and Committees Governance Charters.	New indicator	6	6	6	-	-
	Output Indicator 15.3: Communicate Council resolutions within 3 days of the meeting to the affected internal stakeholders.	New indicator	New indicator	100%	100%	-	-
	Output Indicator 15.4: Arrange Council meetings quarterly.	New indicator	New indicator	4	19	15	More special meetings were arranged due to urgent matters that needed to be resolved.
	Output Indicator 15.5: Arrange Council Committees meetings.	New indicator	New indicator	4	33	29	More special meetings were arranged due to urgent matters that needed to be resolved.
	Output Indicator 15.6: Facilitate training and development of Council.	New indicator	New indicator	1	1	-	-
	Output Indicator 15.7: Percentage of signed annual declaration of financial interest by Council Members (excluding Council Members out of office on extended absence).	New indicator	New indicator	100%	100%	-	-

Table 10: Sub-Programme 1.5: Council Secretariat (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
SUB-PROGRAMME 1.5: COUNCIL SECRETARIAT							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 16: Support Dispute Resolution Forums in furtherance of Council and MSA objectives	Output Indicator 16.1: Arrange the Appeals Committee hearings.	New indicator	New indicator	12	34	22	The CMS received more Appeals matters that needed to be resolved.
	Output Indicator 16.2: Arrange the Appeal Board hearings.	New indicator	New indicator	4	7	3	The CMS resolved the matters that were on backlog hence more meetings were scheduled than planned.
	Output Indicator 16.3: Support the publication of rulings of the Appeals Committee and the Appeal Board within 14 days of receipt from the Presiding Officers.	100%	75%	100%	100%	-	-

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The Council Secretariat had a successful year in terms of the deliverables of the financial year in question. Corporate governance and administration services were provided to the Council and its Committees. There were more meetings than usual due to the regulatory nature of the Council and the challenges that were faced. Most of these challenges were unforeseen. Council members selflessly gave their time, energy and talents to the organisation and were often available for meetings, even at night, to ensure that the mandate of the Council is executed. The Council Secretariat continued to provide corporate governance services to the Council as the Accounting Authority and its committees. The Council Secretariat also provided support to the independent Appeal Board and ensured that all the rulings were communicated to key stakeholders. The sub-programme achieved its targets.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
There were no areas of under-performance in this programme.	There were no changes to planned targets for this sub-programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

SUB-PROGRAMME 1.5: LINKING PERFORMANCE WITH BUDGET

Table 11: Linking Performance with Budget: Council Secretariat

Council Secretariat	2022/2023 Budget R'000	2022/2023 Actual Expenditure R'000	2022/2023 (Over)/Under Expenditure R'000	2021/2022 Budget R'000	2021/2022 Actual Expenditure R'000	2021/2022 (Over)/Under Expenditure R'000
Administrative Expenses						
Printing and stationery	34	7	27	3	1	2
Subscriptions	55	27	28	38	73	(35)
	89	**35**	**55**	**42**	**74**	**(33)**
Operating Expenses						
Consulting	1 055	423	632	571	267	304
Committee remuneration	-	292		-	359	(359)
Council member fees	5 715	3 916	1 800	3 568	3 967	(398)
Postage and courier	46	-	46	4	-	4
Transcription services	73	25	48	59	14	45
Travel and subsistence	144	44	100	100	-	100
Venue and catering	243	238	5	-	-	-
	7 276	**4 938**	**2 630**	**4 302**	**4 606**	**(304)**
Staff Costs						
Salaries	1 947	2 246	(299)	1 862	1 978	(116)
Training	361	76	285	50	15	35
	2 307	**2 322**	**(14)**	**1 912**	**1 992**	**(81)**
TOTAL	**9 673**	**7 294**	**2 671**	**6 256**	**6 673**	**(417)**

VARIANCE EXPLANATION

1. Positive and negative differences per line item that are above the approved significance materiality of R1.89 million are explained.
2. The individual line items in the 2022/2023 financial year are below the set threshold therefore no explanation is required.

PROGRAMME 2:
STRATEGY, PERFORMANCE AND RISK

The purpose of this Programme is:

- To engage in projects to provide information to the Council through the office of the Registrar, on strategic organisational and health reform matters to achieve the government's objective of an equitable and sustainable healthcare financing system in support of universal access;
- To co-ordinate the review, formulation, implementation, performance monitoring and evaluation of the Strategic, Annual Performance and Operational Plans;
- To analyse developments and trends in the medical industry and advice the Registrar and Council on the appropriate responses through the use of appropriate tools;
- To facilitate engagements between the CMS and National Department of Health Treasury and other key stakeholders;
- To assume the responsibility for the preparation of key policy and technical documents for the engagements between the CMS and key stakeholders;
- To represent the CMS in key stakeholder events as delegated by the Registrar;
- To co-ordinate all efforts aimed at ensuring that the CMS is compliant with all the relevant legislation;
- To develop and maintain the CMS Enterprise Risk Management and Compliance Frameworks. Identify and evaluate the risks to the organisation's people, property, finances, and image and implement measures to control and mitigate risks in consultation with the Council through the office of the Registrar;
- To review and implement the Council's Ethics Policy in developing an ethical leadership culture within the CMS; and
- To co-ordinate the CMS Audit function (Internal and External).

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 12: Programme 2: Strategy, Performance and Risk

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 2: STRATEGY, PERFORMANCE AND RISK							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 17: Ensure that strategic projects are scoped, and project plans are in place.	Output Indicator 17.1: Development and Maintain a Strategic Projects Register.	New indicator	New indicator	1	1	-	-
	Output Indicator 17.2: Scope and develop plans for strategic projects.	New indicator	New indicator	80%	88.88%	8.88%	The programme exceeded target due to the support received from the project owners.

Table 12: Programme 2: Strategy, Performance and Risk (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 2: STRATEGY, PERFORMANCE AND RISK							
OUTCOME 4: TO BE A MORE EFFECTIVE AND EFFICIENT ORGANISATION							
Output 18: Compile performance information in accordance with the Framework for Strategic and Annual Performance Plans.	Output Indicator 18.1: Review and Develop a Strategic Plan and Annual Performance Plan for the consideration of the CEO & Registrar as well as Council.	New indicator	New indicator	1	1	-	-
	Output Indicator 18.2: Produce an Annual Performance Information report that is reliable, accurate and complete by 31 July each year in line with the statutory requirements.	1	1	1	1	-	-
	Output Indicator 18.3: Produce Quarterly Performance Information report that is reliable, accurate and complete.	New indicator	New indicator	4	4	-	-
Output 19: An effective, efficient and transparent system of risk management is maintained in order to mitigate the risks exposure of the CMS.	Output Indicator 19.1: Number of strategic risk register reports submitted to the Council for monitoring.	4	4	4	4	-	-
Output 20: An effective, efficient and transparent system of coordinating the CMS Audit function is maintained.	Output Indicator 20.1: Ensure the development of an Internal Audit three year rolling plan and reports, for the Audit and Risk Committee's adoption and monitoring.	New indicator	New indicator	4	4	-	-
	Output Indicator 20.2: Coordinate the External Audit Function and submit an Audit Strategy and Reports to Council for adoption.	New indicator	New indicator	1	1	-	-

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The CMS conducted its annual strategic risk rating workshop during the year under review, jointly between Council, the Audit and Risk Committee, and CMS management. The governance structures continued to exercise their oversight over the organisation's strategic risks. The CMS submitted its Annual Performance Plan for the 2022/2023 financial year on 31 January 2022. The CMS continues to institutionalise its project management methodology with the view to fast tract special strategic projects.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
There were no areas of under-performance in this programme.	There were no changes to planned targets for this programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

PROGRAMME 2: LINKING PERFORMANCE WITH BUDGET

Table 13: Linking Performance to Budget: Strategy, Performance and Risk

Strategy,Performance and Risk	2022/2023*			2021/2022		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administrative Expenses						
Printing and Stationery	3	-	3			
Subscriptions	5	4	1			
	8	**4**	**4**			
Audit Expenses						
External Audit	1 000	870	130			
Internal Audit	1 499	1 137	361			
	2 499	**2 008**	**491**			
Operating Expenses						
Travel and subsistence	50	13	37			
Venue and catering	90	9	81			
Printing and Publication	100	45	55			
	240	**66**	**174**			
Staff Costs						
Salaries	3 005	-	3 005			
	3 005	**-**	**3 005**			
TOTAL	**5 751**	**2 078**	**3 673**			

*This is a new programme which forms part of the new organisational structure implemented with effect from 01 April 2022.

VARIANCE EXPLANATION

Positive and negative differences per line item that are above the approved significance materiality of R1.89 million are explained.

1. The variance in salaries is due to the planned position not being filled.

PROGRAMME 3: REGULATION

The purpose of the Programme is to:

- Ensure brokers and broker organisations, administrators and managed care organisations are accredited in line with the accreditation requirements as set out in the Medical Schemes Act (1998), including whether applicants are fit and proper, have the necessary resources, skills, capacity and infrastructure and are financially sound;
- To serve beneficiaries of medical schemes and the public in general by reviewing and approving changes to contributions paid by members and benefits offered by schemes. The Programme analyses and approves all scheme rules to ensure consistency with the MSA. This ensures that the beneficiaries have access to affordable and appropriate quality health care. By doing this, we help the CMS ensure that the rules of medical schemes are fair to beneficiaries and are consistent with the MSA;
- Serve members of medical schemes and the public in general by taking appropriate action to enforce compliance with the Medical Schemes Act; and
- Serve beneficiaries of medical schemes, the Registrar's Office and Trustees by analysing and reporting on the financial performance of medical schemes and ensuring adherence to the financial requirements of the MSA. By doing this, the unit helps the CMS to monitor and promote the financial performance of schemes in order to achieve an industry that is financially sound.

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 14: Programme 3: Regulation

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 3: REGULATION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS.							
Output 21: 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.	Output Indicator 21.1: Percentage of broker and broker organisation applications accredited within 30 working days per quarter on receipt of complete information.	84.8%	92.6%	80%	86.5%	6.5%	The sub-programme received more correct and complete applications since the system does not allow applicants to submit incomplete applications. Where the supporting documents attached to the applications are incorrect, the system fast tracks quicker communication to request the correct information.

Table 14: Programme 3: Regulation (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 3: REGULATION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS.							
Output 21: 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.	Output Indicator 21.2: Percentage of managed care organisation applications analysis completed, and outcomes communicated to applicants, within three months of receipt of complete information.	100%	100%	100%	100%	-	-
	Output Indicator 21.3: Percentage of administrators and self-administered scheme's applications analysis completed, and outcomes communicated to applicants, within three months of receipt of complete information.	100%	100%	100%	100%	-	-
Output 22: To ensure that rules of the schemes are simplified, standardised, fair and compliant with the Medical Schemes Act (1998).	Output Indicator 22.1: Percentage of interim rule amendments processed within 14 working days of receipt of all information.	96.8%	80%	80%	82.2%	2.2%	The sub-programme achieved its target by efficiently managing processes.
	Output Indicator 22.2: Percentage of annual rule amendments processed before 31 December of each year.	100%	100%	90%	97.1%	7.1%	The sub-programme achieved its target by efficiently managing processes.
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 draft inspection reports issued annually.	New indicator	New indicator	10	10	-	-
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 within 12 months from the date the appointment letter was signed.	New indicator	New indicator	60%	100%	40%	The sub-programme achieved 100% because 2 inspections were finalised within the required timeframe as the inspection was conducted by external parties with sufficient resources.

Table 14: Programme 3: Regulation (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 3: REGULATION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS.							
Output 25: Ensure enforcement action is undertaken against regulated entities.	Output Indicator 25.1: Percentage of enforcement actions undertaken during the period.	100%	100%	70%	94%	24%	There was a change in approach wherein the big inspections were moved to Q4 so that incumbents could deal with enforcement matters upon receipt.
Output 26: Strengthen and monitor governance systems of medical schemes and other regulated entities.	Output Indicator 26.1: Percentage of governance interventions implemented during the period.	100%	100%	70%	100%	30%	The frequent monthly regulation Manco, RDC and Exco meetings assisted with subdivision matters that were rolled over being adjudicated timeously.
	Output Indicator 26.2: Number of scheme member meetings attended (including virtual meetings).	26	51	44	52	8	The sub-programme attended unplanned SGMs, and some schemes moved their AGM to a later date that allowed the sub-programme to attend more AGMs than planned.
Output 27: Monitor and promote the financial soundness of medical schemes.	Output Indicator 27.1: 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).	0%	100%	100%	100%	-	-
	Output Indicator 27.2: Percentage of business plans processed in respect of schemes with rapidly reducing solvency (but above statutory minimum).	0%	100%	100%	n/a	-	None Identified.
	Output Indicator 27.3: Percentage of auditor applications analysed.	100%	99%	100%	100%	-	-

Table 14: Programme 3: Regulation (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 3: REGULATION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS.							
Output 27: Monitor and promote the financial soundness of medical schemes.	Output Indicator 27.4: Number of quarterly financial return reports published (excluding quarter four).	3	3	3	2	1	The Q1 report was not published due to ICT issues caused by both the M-files and FSU shared drive crash, causing prior year comparative figures being unavailable. The data was NOT retrievable as of September 2022 and thus Q1 could not be generated and published.
	Output Indicator 27.5 Number of financial sections prepared for the Annual Report.	1	1	1	1	-	-

ACHIEVEMENT OF STRATEGIC OBJECTIVES

THIRD-PARTY ADMINISTRATORS AND SELF-ADMINISTERED SCHEMES:

- One new administrator accreditation, eight administrator accreditation renewals, five self-administered scheme compliance certificate renewal and four new limited administrator accreditation evaluations were finalised during the 2022/2023 financial year;
- On-site evaluations, which had been suspended during the COVID-19 pandemic, were resumed during the 2022/2023 financial year. One on-site evaluation findings report is to be finalised, and one on-site evaluation, which commenced in March 2023, is to be concluded in the 2023/2024 financial year;
- The Accreditation sub-programme continued to monitor compliance by accredited entities with conditions imposed and continued financial soundness; and
- A new annexure to the application form was published in which entities must declare their compliance with applicable laws and regulations.

THE LIMITED ADMINISTRATOR ACCREDITATION FRAMEWORK

The final Limited Administrator Accreditation Framework was published in June 2022 and was effective from 1 January 2023. To date, four out of six identified entities have applied for and been granted limited administrator accreditation. The other two applications will be finalised in the 2023/2024 financial year.

MANAGED CARE ORGANISATIONS:

- Two new managed care organisation accreditation, nineteen renewal applications, and two compliance certificate evaluations (in respect of medical schemes providing their own managed care services) were finalised during the year under review. Two new managed care organisation accreditation applications were evaluated, and accreditation was refused due to the entities not providing managed care services as defined and, therefore, not needing to be accredited; and
- On-site evaluations, which had been suspended during the COVID-19 pandemic, were resumed

during the 2022/2023 financial year. One on-site evaluation, which was commended in March 2023, is to be concluded in the 2023/2024 financial year.

- The Accreditation Programme continued to monitor compliance by accredited entities with conditions imposed and continued financial soundness;
- A new annexure to the application form was published in which entities must declare their compliance with applicable laws and regulations;
- The revised and updated accredited Managed Care Services document was published with Circular 54 of 2022 and was effective from 1 January 2023.

BROKER AND BROKER ORGANISATIONS:

The sub-programme continued to verify the verification reports of individuals applying to be accredited as brokers and successfully verified 939 verification reports submitted by applicants in the period under review. The sub-programme published Circular 35 of 2022 in June 2022, publishing the proposed guidelines to revise Circular 20 of 2010, which deals with the appointment of brokers by a member or employer (in the case of employer group) as prescribed by Regulation 28(7) of the Medical Schemes Act, 131 of 1998.

Of the 5 301 broker and broker organisation applications received in the period under review, 4 585 were accredited within 30 working days of receipt of complete information, resulting in an over-achievement of 86.5% against the target of 80%.

The Minister of Health announced an increase in the maximum amount payable to brokers by medical schemes in respect of broker clients who are members of medical schemes, in terms of Section 65 of the MSA. The amount was increased to R111.18 per member per month, with effect from 1 January 2023. A circular in this regard was published on the CMS website.

COMPLIANCE AND INVESTIGATIONS

During the reporting period, the unit attended Annual General Meetings to observe the meeting proceedings. Schemes convened either virtual, in-person or hybrid AGMs. The sub-programme had planned to attend 44 AGMs but was able to exceed the target and attend 52 AGMs due to schemes postponing their AGMs to later dates in addition to attending SGMs.

The Demarcation Exemption Framework was developed for the purpose of providing exemptions for insurers and their respective FSPs, which provide exemptions to products that meet the definition of 'business of a medical scheme' according to the MSA. This is an interim measure while the LCBO Guideline is developed. The revised Demarcation Framework was published via Circular 9 of 2022. The framework was submitted to the NDOH, the National Treasury, the PA, and the Financial Sector Conduct Authority for comments. The purpose of the Circular is to advise the industry of the extension of the demarcation exemption period by a further two years, from 01 April 2022 to 31 March 2024. The extension is a result of delays in finalising the LCBO Guideline.

On 07 April 2022, the Registrar instituted 10 routine inspections into the affairs of various medical schemes in terms of Section 44(4)(b) of the MSA and/or Sections 134 and 135 of the Financial Sector Regulations Act. Notice of inspection letters were issued and 10 draft routine inspections were completed in the reporting period as planned.

BENEFITS MANAGEMENT

The sub-programme is responsible for the approval of scheme rules, monitoring of marketing materials, and setting of guidance on contribution increases and benefits changes and thereby contributes to the objectives of the CMS to ensure that schemes are regulated efficiently in line with the prescripts of the MSA.

The overall operations of medical schemes in respect of contributions rates payable, benefits offerings and governance are premised on the registered schemes rules. The sub-programme is therefore critical in assisting the CMS in achieving its mandate of protecting the interest of beneficiaries of medical schemes by making sure that the rules are both fair and consistent with the Act. It is, therefore, paramount that the annual targets set are consistently achieved. During the period under review, the unit managed to meet all targets for the 2022/2023 financial year.

FINANCIAL SUPERVISION

Regulation 29 of the MSA prescribes that the minimum accumulated funds of medical schemes should be at least 25% of gross contributions to ensure that beneficiaries' interests are protected and to guarantee the continued operation of the scheme, ensuring that it is able to pay members' claims when due.

“The CMS published a report on government funded medical schemes that include a review of state employee’s medical schemes and schemes with fewer than 6000 principal members”

The prescribed solvency also acts as a buffer against unforeseen and adverse developments, whether from claims, assets, liabilities or expenses. Where reserves fall below the prescribed solvency ratio, it serves as a warning that the medical scheme will possibly be unable to meet its obligations. The schemes that fell below the minimum required statutory solvency level were placed under close monitoring and submitted business plans detailing their turnaround strategies. As an additional measure, schemes with solvency above 25%, but with rapidly reducing solvency (referred to as Type II and Type III), are identified, requested to provide turnaround strategies, and are also closely monitored. In the period under review, two schemes fell below the minimum required statutory solvency levels.

Annual statutory returns form the basis of the financial sections prepared for annual reports. There were no significant analysis findings for the 2021 annual statutory returns submitted by medical schemes, and the medical schemes industry remained above the statutory solvency requirement of 25% overall.

- The MSA requires that the Annual Financial Statements of medical schemes are audited. The reliance that is placed on the information contained in the Annual Financial Statements is high, and it is therefore important to ensure not only the quality of audits but that auditors are familiar with the very complex medical schemes environment. During the auditor approval process, the capability of the proposed audit firms and individual auditors is assessed. The programme ensures that all medical schemes appoint auditors who have the experience and qualifications required to perform the audit of medical schemes.
- The Quarterly Return System serves as the core of the CMS’ Early Warning System and enables the continuous monitoring of schemes in between audit cycles. It enables the CMS to respond timeously and appropriately to changes, to interact with the management of schemes, and to ensure the ongoing protection of members. However, it should be noted that IT system failures have caused significant delays in the submission, analysis and report publication of the Quarterly Return System data.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
Regarding indicator 27.4 Quarterly Financial Reports, it is expected that IT system issues will be resolved for 2023/2024 and that the prior year reports will be backed up on OneDrive to ensure the availability of comparative data when creating the new reports for 2023/2024.	There are no changes to planned targets for indicator 27.4 for this programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

PROGRAMME 3: LINKING PERFORMANCE WITH BUDGET

Table 15: Linking Performance to Budget: Regulation

	2022/2023			2021/2022		
Regulation	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administrative Expenses						
Printing and stationery	78	41	37	44	7	37
Subscriptions	99	85	14	134	11	124
Refreshments	-		-	-	-	-
	177	**126**	**51**	**178**	**18**	**160**
Operating Expenses						
Consulting	41	-	41	40	-	40
Inspection costs	2 635	406	2 230	2 177	585	1 592
Travel and subsistence	579	266	313	288	35	252
Venue and catering	37	-	37	10	-	10
	3 292	**672**	**2 621**	**2 514**	**621**	**1 893**
Staff Costs						
Employee wellness	0	-	0	7	-	7
Salaries	36 596	36 176	420	35 051	32 122	2 929
Staff training			-	457	210	247
	36 596	**36 176**	**420**	**35 508**	**32 332**	**3 176**
TOTAL	**40 065**	**36 974**	**3 091**	**38 200**	**32 970**	**5 229**

VARIANCE EXPLANATION

Positive and negative differences per line item that are above the approved significance materiality of R1.89 million are explained.

1. The variance in inspection costs is due to less tip-off received for commissioned inspections.
2. Regulation is a new programme comprising of the Accreditation, Broker Accreditation, Benefits Management, Compliance & Investigation and Financial Supervision units. For the comparative year, expenses historically included in the old programmes have been combined in the current programme to align with the new organisational structure implemented with effect from 01 April 2022.

PROGRAMME 4:
POLICY, RESEARCH AND MONITORING

The purpose of the Programme is to serve beneficiaries of medical schemes and members of the public by collecting and analysing data to monitor, evaluate and report on trends in medical schemes, measure risk in medical schemes and develop recommendations to improve regulatory policy and practice. By doing this, the programme helps the CMS to contribute to the development of policy that enhances the protection of the interests of beneficiaries and members of the public. The Unit also undertakes strategic research that would enable the CMS to advise the NDOH on policy initiatives. It also provides a mechanism for the CMS to provide support to the NDOH on key policy reforms such as the NHI and HMI.

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 16: Programme 4: Policy, Research and Monitoring

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 4: POLICY, RESEARCH AND MONITORING							
OUTCOME 5: TO CONDUCT POLICY DRIVEN RESEARCH, MONITORING AND EVALUATION OF THE MEDICAL SCHEMES INDUSTRY TO FACILITATE							
Output 28: Conduct research to inform appropriate national health policy interventions.	Output Indicator 28.1: Number of research projects and support projects published in support of the National Health Policy.	12	12	17	17	-	-
Output 29: Monitoring trends to improve regulatory policy and practice.	Output Indicator 29.1: Non-financial report submitted for inclusion in the Annual Report.	1	1	1	1	-	-

ACHIEVEMENT OF STRATEGIC OBJECTIVES

The programme published research papers in scholarly journals and a chapter in a healthcare book. The research topics cover a wide range of areas, including the funding of oncology benefits by medical schemes with a focus on breast and cervical cancer, the impact of COVID-19 on HIV care (published in the World Medical Journal), and more. The programme has also played a leading role in finalising the FWA (Fraud, Waste, and Abuse) code of conduct and developing the LCBO (Low-Cost Benefit Option) guidelines. Furthermore, a draft regulatory framework has been published using complaint data, emphasising member protection. The programme actively participates in local conferences and has presented a poster at the international ISQua (International Society for Quality in Health Care) conference. Topics covered in these conferences include the effects of pre-authorisation on health outcomes and patient-centred care. The programme has continued its support for the South African National AIDS Council (SANAC) by collecting biannual private-sector data on HIV and STIs. By analysing medical schemes’ risk profiles, the prevalence of chronic conditions, provider distribution, quality measurement in medical schemes, and healthcare service utilisation, the programme contributes to advocating for priority areas and interventions that safeguard members. Additionally, the programme offers support to the NDOH (National Department of Health) on various projects, including data collection and reporting on HIV/STIs by the private sector, as well as providing technical assistance to the National Health Accounts (NHA) task team for the finalisation and publication of the NHA report. For the upcoming year, the programme has set targets such as publishing research works in reputable journals, participating in industry forums and conferences to disseminate policy and research outputs in support of Sections 7 (c), (e), and (g) of the MSA and supporting strategic outcome 5: the CMS provides strategic advice to influence and support the development and implementation of National health policy.

The 2023/2024 annual targets of the programme have been adjusted as part of the operationalisation of the new structure, which involved the transfer of certain functions to this programme. Specifically, the PMB (Prescribed Minimum Benefits) review and benefit definitions projects, previously managed by the clinical consulting services unit, have now been shifted to the PRMP (Policy, Research, and Monitoring Programme) starting from April 2023/2024. Additionally, certain outputs related to policy and research projects have also been transitioned to the PRMP.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
There were no areas of under-performance in this programme.	There were no changes to planned targets for this programme during the year under review.

LINKING PERFORMANCE WITH BUDGETS

PROGRAMME 4: LINKING PERFORMANCE WITH BUDGET

Table 17: Linking Performance to Budget PRM

Policy, Research and Monitoring	2022/2023			2021/2022		
	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administrative Expenses						
Printing and stationery	3	3	(0)	3	-	3
Subscriptions	15	15	0	14	12	2
	18	**18**	**0**	**17**	**12**	**5**
Operating Expenses						
Consulting	111	50	-	89	-	89
Travel and subsistence	25	23	-	33	-	33
Venue and catering	2	2	-	4	-	4
	138	**76**	**-**	**126**	**-**	**126**
Staff Costs						
Employee wellness	-	-	-	2		-
Salaries	9 537	8 290	1 247	6 529	6 557	-
Staff training	-	-	-	123	123	0
	9 537	**8 290**	**1 247**	**6 655**	**6 680**	**(25)**
TOTAL	**9 693**	**8 384**	**1 248**	**6 798**	**6 692**	**106**

VARIANCE EXPLANATION

- Positive and negative differences per line item that are above the approved significance materiality of R1.89 million are explained. The individual line items in the 2022/2023 financial year are below the set threshold therefore no explanation is required.

"A common threat among complaints is misunderstanding or misinterpreting benefit rules and limits"

PROGRAMME 5:
MEMBER PROTECTION

The purpose of the Programme is to:

- Provide customer service and training in support of the CMS Stakeholder engagement initiatives;
- Serve the beneficiaries of medical schemes and the public by investigating and resolving complaints in an efficient and effective manner. By doing this, we ensure that beneficiaries are treated fairly by their medical schemes; and
- Provide support to the office on clinical matters so that good quality medical scheme cover is maximised and that regulated entities are properly governed through prospective and retrospective regulation.

PERFORMANCE

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Table 18 : Programme 5 - Member Protection

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 5: MEMBER PROTECTION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS.							
Output 30: 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 30.1: Number of stakeholder education and training sessions.	55	25	50	66	16	The sub-programme received and honoured invites to take part in the World Consumer Rights Day Celebration activities in the North West. There was also an increase in face-to-face scheme-specific training requests as opposed to the virtual programmes. Opportunities for free consumer education radio slots were welcomed.
Output 31: To provide Customer care interventions by rendering effective and efficient services.	Output Indicator 31.1: Percentage of customer care interventions resulting from calls and e-mailed queries handled by the customer care centre.	New indicator	100%	90%	100%	10%	Due to continuous training and improved processes to ensure customer care consultants are highly effective in handling queries, the sub-programme exceeded its target.

Table 18 : Programme 5 - Member Protection (continued)

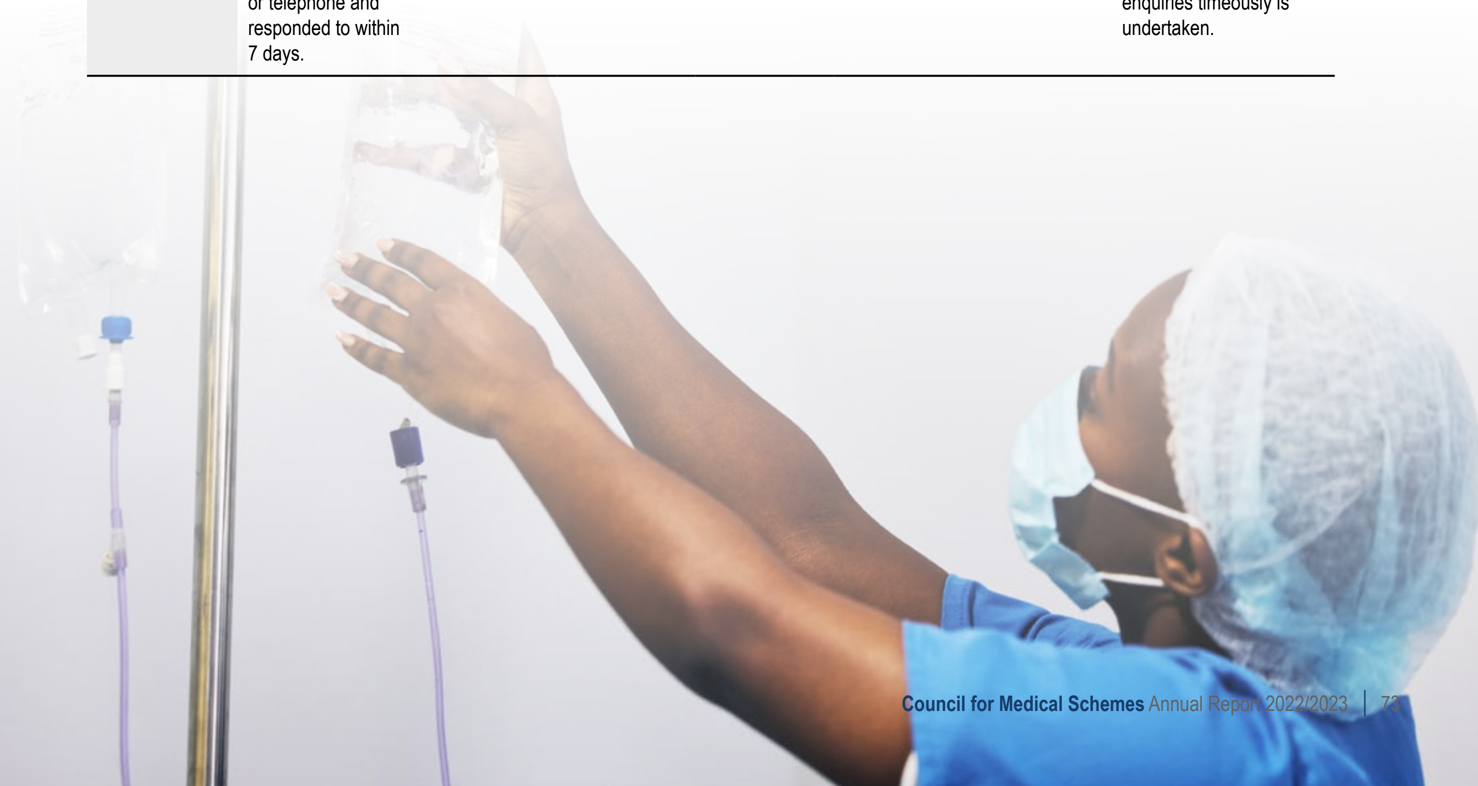
Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 5: MEMBER PROTECTION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS.							
Output 32: Resolve complaints with the aim of protecting beneficiaries of medical schemes.	Output Indicator 32.1: Percentage of complaints older than 120 calendar days adjudicated during the reporting period in accordance with complaints standard operating procedures.	New indicator	New indicator	75%	84.3%	9.3%	The sub-programme exceeded its target by implementing continuous investigation monitoring and bi-weekly performance review meetings to address complexities and resolution delays. It must be noted that the correct method of calculation in the TID should be interpreted by excluding the word 'unresolved' in the denominator.
	Output Indicator 32.2: Percentage of category 4 complaints adjudicated within 120 calendar days and in accordance with complaints standard operating procedures.	76%	90%	75%	70.2%	-4.8%	The category constituted of complex complaints requiring detailed clinical investigations and collation of evidence. Target achievement was affected by numerous ICT server and document management system challenges that resulted in prolonged downtimes and restarting of completed processes.
	Output Indicator 32.3: Percentage of category 1 complaints adjudicated within 30 calendar days and in accordance with complaints standard operating procedures.	76%	45%	75%	87.6%	12.6%	The sub-programme exceeded the target by implementing an early resolution strategy to identify and prioritise the resolution of complaints wherein investigations were completed and holding bi-weekly performance review meetings.
	Output Indicator 32.4: Percentage of category 2 complaints adjudicated within 60 calendar days and in accordance with complaints standard operating procedures.	76%	67%	75%	73.5%	-1.5%	Target achievement was affected by numerous ICT server challenges and document management system that resulted in prolonged downtimes. Resolution delayed due to restarting of completed processes following ICT system failures.

Table 18 : Programme 5 - Member Protection (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 5: MEMBER PROTECTION							
OUTCOME 3: TO ENSURE THAT ALL REGULATED ENTITIES COMPLY WITH NATIONAL POLICY, THE MSA AND REGULATIONS.							
Output 32: Resolve complaints with the aim of protecting beneficiaries of medical schemes.	Output Indicator 32.5: Percentage of category 3 complaints adjudicated within 90 calendar days and in accordance with complaints standard operating procedures.	76%	78%	75%	76.1%	1.1%	The sub-programme exceeded the target by implementing an early resolution strategy to identify and prioritise the resolution of complaints wherein investigations were completed and holding bi-weekly performance review meetings.
	Output Indicator 32.6: Percentage of Rulings submitted to Corporate Services for publication on the CMS website within 30 days following the lapse of 3 months within which an appeal must be filed.	100%	68%	80%	71.1%	-8.9%	No publication could be done in Q1 as rulings were still within the three-month appeal window. Q 2 and Q3 publication targets were affected by the document management system crash in July and December 2022 respectively.
Output 33: Appeal Committee hearings attended based on written request received from Council.	Output Indicator 33.1: Percentage of Appeal Committee hearings attended based on written request received from the Council.	100%	N/A	100%	N/A	N/A	The unit did not receive any written requests to attend Appeal Committee hearings during the reporting period.
OUTCOME 1: TO PROMOTE THE IMPROVEMENT OF QUALITY AND THE REDUCTION OF COSTS IN THE PRIVATE HEALTH CARE SECTOR							
Output 34: Formulate Prescribed Minimum Benefits (PMBs) definitions to ensure uniform interpretation of the benefits and entitlements.	Output Indicator 34.1: The number of benefit definitions published.	10	10	10	10	-	-
	Output Indicator 34.2: Develop preventative and primary healthcare package to incorporate into the PMBs.	Revised and Updated PMB Befits package costed.	Primary healthcare package in support of the review of the PMBs was developed.	Review and update revised PMB benefit package.	Work in progress	Work in progress	A subset of the preventative package will be presented as part of the costing report by the PRMP that includes the preventative services report by Q1, June 2023 and the remainder of the costing report by Q3 December 2023.

Table 18 : Programme 5 - Member Protection (continued)

Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
PROGRAMME 5: MEMBER PROTECTION							
OUTCOME 1: TO PROMOTE THE IMPROVEMENT OF QUALITY AND THE REDUCTION OF COSTS IN THE PRIVATE HEALTH CARE SECTOR							
Output 35: Provide clinical opinions to resolve complaints and enquiries.	Output Indicator 35.1: Percentage of category 1 clinical opinions provided within 30 working days of receipt of a request from Complaints Adjudication Unit.	92.75%	100%	90%	99.62%	9.62%	The sub-programme identified and prioritised targets and shared information for relevant literature review and search according to the urgency.
	Output Indicator 35.2: Percentage of category 2 clinical opinions provided within 60 working days of receipt of a request from Complaints Adjudication Unit.	100%	100%	95%	100%	5%	The sub-programme identified and prioritised targets and shared information for relevant literature review and search according to urgency.
	Output Indicator 35.3: Percentage of category 3 clinical opinions provided within 90 working days of receipt of a request from Complaints Adjudication Unit.	100%	100%	98%	100%	2%	The sub-programme identified and prioritised targets, and shared information for relevant literature search according to urgency, reviewed the previous process enhancing it to be more efficient and efficacious.
	Output Indicator 35.4: Percentage of clinical enquiries received via e-mail or telephone and responded to within 7 days.	100%	100%	98%	100%	2%	The sub-programme ensured daily personnel delegation to ensure prioritisation of clinical enquiries timeously is undertaken.



ACHIEVEMENT OF STRATEGIC OBJECTIVES

In the quest to achieve the CMS strategic objectives, to promote the improvement of quality and the reduction of costs in the private healthcare sector, the Clinical Unit achieved the following deliverables for the Financial Year 2022/2023:

- 12 CMS Scripts,
    - Prostate cancer, Prematurity and PMB's, PMTCT, Type 2 Diabetes, Rheumatoid Arthritis, Breast cancer, Cleft Palate, Cervical cancer, Focus on amputations, Fracture of limbs, Focus on alcohol and drug abuse,
- 10 Prescribed Minimum Benefit Definition Guidelines
    - COVID-19
    - Diffuse large B cell Lymphoma
    - Myelodysplastic syndrome
    - Marginal Zone Lymphoma
    - Mantle Cell Lymphoma
    - Chronic Myeloid Leukaemia
    - Hodgkins Lymphoma
    - Follicular Lymphoma
    - Chronic Lymphocytic Leukaemia
    - Supportive care for Haematological Oncology

A total of 599 clinical complaints were received, and 604 clinical opinions were completed. The difference is due to the clinical complaints carried- over from the previous financial year. There were 711 clinical enquiries received via email.

The Unit also provided clinical inputs to the LCBO and PMB Review Primary Preventative Package Costing projects. The Clinical training on Overview of PMB's and Clinical Governance, in support of the Training Unit. It also provided clinical support to the Legal Department on litigation issues related to the NHRPL, SAPPF, and Rare Diseases. The Unit continues to support the following NDOH in the Forum to promote Transparency and Multi-stakeholder Engagement regarding Medicine Availability. This serves to contribute to improving access and availability of medicines through enhanced transparency, equity, efficiency, responsiveness, and accountability in the supply chain. We participate in the National Essential Medicine List Committee, (NEMLC), which outlines the access to standard treatment guidelines and essential medicines list available at primary, secondary, tertiary, and quaternary hospital levels. This assists in the alignment of the PMB Definitions and PMB member entitlements with the National Department of Health Guidelines. The SADAG initiative on PMB's and Mental Health was honoured and supported by the Clinical Unit.

COMPLAINTS ADJUDICATION

The Complaints Adjudication Unit opened the 2022/2023 financial year with no backlog, and 514 complaints carried over from the previous financial year. A total of 2 968 new complaints were received and adjudicated. The unit resolved 3 017 complaints, closing the financial year with 465 complaints still open. The unit continued to publish rulings issued in adjudicated matters in an effort to empower and educate medical scheme beneficiaries and inform them of how key provisions of the Medical Schemes Act and medical scheme rules are interpreted.

The unit also participated in the Cape Town and Pretoria leg of the Principal Officers and Board of Trustees Forum in May and June 2022, respectively, where these stakeholders were engaged on how to better protect the interests of medical scheme members.

Furthermore, the unit provided support to the Education and Training Unit's Broker and Trustee Induction Programmes, where accredited brokers and members of various medical schemes' Board of Trustees were trained on complaint adjudication and complaint trends.

CUSTOMER CARE CENTRE

An overall number of 26 600 calls and emailed queries were handled by customer care for the 2022/2023 financial year, which is more by 2 270 compared to the previous year. These were recorded through different platforms such as telephone, email, and walk-ins. Of the total number of received queries, 8 199 queries were queries that had the potential of being brought into CMS as formal complaints but were resolved at the first level by Customer care. The queries in question generally spoke to the interpretation of various sections of the Medical Schemes Act, mostly Section 29A on waiting periods (underwriting), Regulation 11 on Late Joiner Penalties (LJPs) and Regulation 8 on Prescribed Minimum Benefits (PMBs) etc. Through resolving these queries, the Customer Care Centre contributed towards the reduction of potential complaints that could have landed in at CMS.

STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE	CHANGES TO PLANNED TARGETS
Areas of under-performance were largely occasioned by ICT system breakdowns which are expected to be resolved in the 2023/2024 financial year. Additionally, continued implementation of early investigation and resolution strategies as well as merger of four indicators into two, is expected to improve resolution time-frames and targets.	Output targets for adjudication of complaints have been increased from 75% to 80%. Indicators 32.2 and 32.5 as well as Indicators 32.3 and 32.4 have been merged into two, each with combined turnaround time of 60 and 120 calendar days, respectively. This change is expected to afford more resolution time without compromising on early resolution of complaints.

LINKING PERFORMANCE WITH BUDGETS

PROGRAMME 5: LINKING PERFORMANCE WITH BUDGET

Table 19 : Linking Performance to Budget - Member Protection

	2022/2023			2021/2022		
Member Protection	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administrative Expenses						
Printing and stationery	20	6	14	14	4	10
Subscriptions	41	20	20	13	5	8
	61	**27**	**34**	**27**	**9**	**18**
Operating Expenses						
Consulting	1 465	102	1 363	802	649	153
Postage and courier	20	-	20			-
Travel and subsistence	316	105	212	52	-	52
Venue and catering	112	30	83	41	-	41
	1 913	**237**	**1 676**	**895**	**649**	**246**
Staff Costs						
Employee wellness	0	-	0	4	-	4
Salaries	22 128	21 751	378	18 141	15 535	2 606
Staff training			-	259	130	128
	22 128	**21 751**	**378**	**18 404**	**15 666**	**2 738**
TOTAL	**24 102**	**22 014**	**2 088**	**19 326**	**16 324**	**3 002**

VARIANCE EXPLANATION

1. Positive and negative differences per line item that are above the approved significance materiality of R1.89 million are explained. The individual line items in the 2022/2023 financial year are below the set threshold, therefore no explanation is required.
2. Member Protection is a new programme comprising of Customer Care, Complaints Adjudication, Education & Training and Strategy sub-programmes. For the comparative year, expenses historically included in the old programmes have been combined in the current programme to align with the new organisational structure implemented with effect from 01 April 2022.

4. REVENUE **COLLECTION**

Table 20 : Revenue Collection

Sources of Revenue	2022/2023 Estimate R'000	2022/2023 Actual Amount Collected R'000	2022/2023 (Over)/Under Collection R'000	2021/2022 Estimate R'000	2021/2022 Actual Amount Collected R'000	2021/2022 (Over)/Under Collection R'000
Accreditation fees	6 799	7 130	331	6 780	7 624	845
Inspection fees recovered	-		-	102	-	(102)
Government transfers: Department of Health	6 272	6 272	-	6 181	6 212	31
Legal fees recovered	-	1 898	1 898	-	1 150	1 150
Levies income	178 866	178 866	(0)	170 754	170 035	(719)
Mandatory transfer: Department of Higher Education and Training	-	233	233	-	16	16
Registration fees	535	456	(79)	513	467	(46)
Appeal fees	-	20		-	3	
Penalties	-	4		-	-	-
Sundry income	286	650	364	274	1 265	990
Interest received	5 467	5 561	94	1 946	1 978	32
Gain/loss on disposal of asset	-	12	12	-	4	4
TOTAL	**198 224**	**201 102**	**2 854**	**186 550**	**188 755**	**2 202**

In the 2022/2023 financial year, the Council over-collected by 1.5% in terms of its estimated revenue for the financial year. This was mainly influenced by the unplanned recovery of legal fees. There was also an increase in interest received due to higher interest rates and cash balances. To ensure the entity's long-term financial stability, the Council is reviewing and updating its funding model to grow revenue and fully cater for the activities of the Council as a regulator.

5. CAPITAL **INVESTMENT**

The CMS has no capital investment projects.

Part C
Governance

1. INTRODUCTION

The Council for Medical Schemes, as a Section 3A entity in terms of the Public Finance Management Act 1 of 1999 and founded on the Medical Schemes Act (131 of 1998), is a beneficiary of a multi-layered governance oversight, spanning the parliamentary health portfolio committee, executive authority, and the Council as accounting authority. The three layers of oversight bodies play different roles; have different mandates *vis-à-vis* CMS and the entity's management must account to all three regarding the way the organisation's statutory mandate is carried out. This report seeks to summarise the entity's activities in relation to the portfolio committee and executive authority and will also delve deeper into the activities of the accounting authority in relation to its oversight duties.

2. PORTFOLIO COMMITTEES

The CMS presented its Annual Report 2021/2022 to the Portfolio Committee on Health on 13 October 2022. The committee approves the organisation's Annual Performance Plan and exercises legislative oversight on the organisation's delivery of services. Consequently, CMS' Annual Performance Plan for 2022/2023 was presented in January 2023 and was approved with no areas of risk or concern raised.

3. EXECUTIVE AUTHORITY

The CMS must submit quarterly performance reports to the executive authority and National Treasury as prescribed in the Public Finance Management Act. During the year under review, CMS complied with the relevant prescript and submitted the four statutory reports:

- Quarter 1 – 30 July 2022
- Quarter 2 – 31 October 2022
- Quarter 3 – 31 January 2023
- Quarter 4 – 30 April 2023

The executive authority raised no issues, and again the reports showed an excellent performance by the organisation.

4. ACCOUNTING AUTHORITY

The CMS accounting authority is known as the Council. The Minister of Health appoints up to 15 Council members drawn from a cross-section of society with members possessing skills ranging from accounting to economics, medicine, law, and civil society activism. Its duties in terms of the MSA are to:

- protect the beneficiaries of medical schemes;
- control and coordinate the functioning of medical schemes;
- advice the Minister of Health on the quality and outcomes of relevant health services provided by medical schemes
- investigate complaints and resolve disputes and
- collect and disseminate information about the private healthcare industry.

In addition to its statutory duties, the Council also fulfils its traditional governance oversight role by:

- evaluating and approving the five-year strategic plan;
- evaluating and approving the Annual Performance Plan;
- evaluating and approving the annual financial statements and annual performance information report and
- exercising oversight of the executive management's performance.

The Council exercises its functions in terms of the Medical Schemes Act, Public Finance Management Act, Treasury regulations, other applicable laws and its charter and code of conduct. Further, its work is carried out by various committees that report directly to it. The Chief Executive Officer (CEO) and Registrar is accountable to the Council for his duties.

COUNCIL AND COUNCIL COMMITTEE COMPOSITION

Council members represent a variety of skills and backgrounds including experts in law, finance, actuarial sciences, economics, medical sciences, corporate governance, and consumer affairs. Members are appointed on a part-time basis for a period up to three years. The Minister of Health appointed the following members:

Table 21 : Council composition and meeting attendance

Name of Council member	Designation	Date appointed	End date	Qualifications	Area of expertise	Other committees or task teams	Number of meetings attended
Dr Memela Makiwane	Council chairperson	16/11/20	15/11/23	• Master of Medicine (MMed) • MBChB • Diploma in HIV Management (Dip HIV Man) • Post-graduate Diploma in Pharmaceutical Medicine (PGDip PharmMed) • Fellowship of the College of Clinical Pharmacologists (FCCP)	• Medicine	• Exco • HRSE • NomCom	37
Ms Diane Terblanche	Council vice-chairperson	16/11/20	15/11/23	• LLM • LLB • BA Law	• Law, • Corporate governance • Strategic management • Consumer law • Dispute resolution	• Exco • Appeals committee • ICT governance committee	38
Mr Moerane Maimane	Council member	16/11/20	15/11/23	• MBA • BPA (Hons) • B. Admin (Accounting) • Diploma in Public Administration	• Corporate governance	• Exco • HRSE • Appeals committee	45
Dr Aquina Thulare	Council member	16/11/20	15/11/23	• MBA • BSc MedS (Hons) • MBChB	• Medicine	• Exco • ARC	24
Dr Thandi Mabeba	Council member	16/11/20	15/11/23	• MPhil Med Law & Ethics • MBChB • SAMLA Medico Legal certificate	• Medicine	• Appeals committee • HRSE committee • NomCom • ARC	42
Dr Sugendra Naidoo	Council member	16/11/20	15/11/23	• MBChB • MBA	• Medicine	• Appeals committee • ICT governance committee	43
Mr Mabalane Mfundisi	Council member	16/11/20	15/11/23	• Certificate in Principles of Business Management • Certificate in Basic Journalism	• Corporate governance	• HRSE committee • Appeals committee	28
Dr Xolani Ngobese	Council member	16/11/20	15/11/23	• PhD Specialising in Bus Admin • MBA	• Corporate governance	• ARC • Appeals committee	37

Table 21 : Council composition and meeting attendance (continued)

Name of Council member	Designation	Date appointed	End date	Qualifications	Area of expertise	Other committees or task teams	Number of meetings attended
Mr Imran Vanker	Council member	16/11/20	15/11/23	• Bachelor of Commerce (Honours) • Chartered Accountant (SA) • Certificate in Labour Law	• Accounting • Auditing • Corporate governance		11
Mr Naheem Raheman	Council member	16/11/20	15/11/23	• LLM • LLB • BA Law	• Legal	• Appeals committee	12
Dr Honours Mukhari	Council member	16/11/20	15/11/23	• MBChB • B Dent Ter (Bachelor of Dental Therapy)	• Medical	• Appeals committee • Exco	35
Adv. Rodger Mareume	Council member	16/11/20	15/11/23	• LLB • BJuris • Certificate in Investigation and Management of Cyber and Electronic crimes • Certificate Prosecuting Child Sex Offender	• Legal	• Appeals committee • ICT governance	19
Dr Nombeko Mbava	Council member	23/11/20	22//11/23	• PhD in Public Management and Development • MBA • BA Economics	• Corporate governance • Public sector management and development	• HRSE • NomCom	16

COMMITTEES AND MANDATES

Table 22 : Council committees and mandate

Name of Council member	Designation
Executive committee (Exco) *Five members*	Chaired by the Council chairperson and responsible for the Council's regulatory tasks.
Human resource, social and ethics committee (HRSE) *Five members*	Responsible for governance of human resources, remuneration, social and ethics matters.
Audit and risk committee (ARC) *Six members*	Assists Council in fulfilling its oversight responsibility that includes responsibilities regarding the safeguarding of assets, operating effective control systems and preparing annual financial statements as required by the PFMA, Treasury regulations, risk management and internal audit oversight.
Information communications and technology (ICT) strategic committee *Three members*	Responsible for ICT governance in line with the corporate governance of ICT policy framework.
Appeals committee *Nine members*	Responsible for hearing appeals against the Registrar's decisions relating to the settlement of complaints or disputes between beneficiaries (Section 48 of the MSA) and the Registrar's decisions against regulated entities (Section 49).
Nominations committee (NomCom) *Three members*	Monitors the transparent nomination and appointment of members of Council committees, ensuring the necessary knowledge, skills, experience, balance of power and diversity of gender and race. NomCom oversees the composition of Council committees.

COUNCIL COMMITTEES

Table 23 : Council committees

Term 16/11/2020 to 15/11/2023			
Committee	**Number of meetings held**	**Number of members**	**Name of members**
Full Council		13	All Council members
EXCO		5	• Dr Aquina Thulare • Dr Memela Makiwane • Ms Diane Terblanche • Dr Honours Mukhari • Mr Moerane Maimane
HRSE		5	• Dr Thandi Mabeba • Mr Mabalane Mfundisi • Mr Moerane Maimane • Dr Memela Makiwane • Dr Nombeko Mbava
NomCom		3	• Dr Thandi Mabeba • Dr Memela Makiwane • Dr Nombeko Mbava
ICT strategic committee		3	• Ms Diane Terblanche • Adv. Rodger Mareume • Dr Sugendra Naidoo
Appeals committee		9	• Ms Diane Terblanche • Dr Thandi Mabeba • Dr Sugendra Naidoo • Adv. Rodger Mareume • Dr Honours Mukhari • Mr Naheem Raheman • Mr Moerane Maimane • Dr Xolani Ngobese • Mr Mabalane Mfundisi
Audit and Risk committee (ARC)		6	• Mr John Raphela • Mr Masibulele Phesa • Ms Dineo Thabede • Dr Thandi Mabeba • Dr Xolani Ngobese • Ms Sizo Mzizi – term ended 3 February 2023 • Mr Lesetsa Matshekga – term ended 3 February 2023 • Dr Aquina Thulare

REMUNERATION OF BOARD MEMBERS

COUNCIL MEMBERS' FEES*

Table 24 : Council Members' Fees

Name	2023 R'000	2022 R'000
Dr Thandi Mabeba	320	514
Dr Nombeko Mbava	113	132
Mr Moerane Maimane	560	305
Dr Memela Makiwane	825	730
Mr Mabalane Mfundisi	98	149
Dr Honours Mukhari	373	468
Mr Naheem Raheman	95	142
Dr Sugendra Naidoo	541	470
Dr Xolani Ngobese	232	148
Ms Diane Terblanche	760	677
Dr Leavit Mkhansi (Resigned 1 May 2022)	-	216
Mr Lusani Mulaudzi (Resigned 17 May 2021)	-	16
	3 917	**3 967**

*Not included in the above non-executive members are Mr Imran Vanker, Dr Aquina Thulare and Adv Roger Mareume who do not collect board fees as public servants.

INDEPENDENT AUDIT AND RISK COMMITTEE MEMBERS' REMUNERATION

Table 25 : Independent Audit and Risk Committee Members' Remuneration

Name	2023 R'000	2022 R'000
Mr Lesetsa Matshekga (Contract ended 03 February 2023)	185	225
Ms Sizo Mzizi (Contract ended 03 February 2023)	44	75
Mr John Raphela	16	-
Ms Dineo Thabede	11	-
Mr Masibulele Phesa	36	-
Ms Egashnee Pillay	-	58
	292	**358**

"9 752 total number of accredited brokers and broker organisations as at 31 March 2023"

"Every year around 31 July, the CMS must publish a Circular on the guidance of contribution increases and benefit adjustments to medical schemes"

5. RISK MANAGEMENT

CMS risk management is governed in terms of the CMS enterprise risk management policy and framework that is reviewed annually and approved by Council. At an operational level, risk management is handled by risk champions and the risk management committee with the two structures sitting regularly. At the strategic level, the ARC exercises governance oversight. Management reports to the ARC quarterly regarding all aspects of risk management including advising the committee on any emerging risks identified during the reporting period.

Management conducts annual risk assessment exercises in a workshop consisting of the ARC and Council to obtain a broad stakeholder view to ascertain whether the risk management framework is fit for purpose and addresses the issues as intended. A risk management assessment exercise was held in September 2022 and its recommendations have since been implemented.

The ARC plays a critical part in monitoring the effectiveness of the CMS enterprise risk management policy and framework. The committee has closely monitored management's quarterly reports and reported to Council on any areas of concern noted and raised by it. The ARC chairperson further submits independent quarterly reports to the Council on all matters serving at his committee including the critical issue of risk management.

The CMS risk management system has improved over the years and translated into the entity's good performance. This reporting period was no exception.

6. INTERNAL CONTROL UNIT

The CMS service delivery model allows for outsourcing the internal audit function (under which the internal control evaluation and review function falls). The current service provider is Lunika Inc. effective 1 April 2021 and will run until 31 March 2024. The scope of internal audit for the period under review is outlined below. In consultation with the ARC, the outsourced internal audit service provider prepared:

- the three-year rolling strategic CMS internal audit plan based on its assessment of key risk areas for the CMS considering the regulator's current operations, operations proposed in its strategic plan and its risk management strategy.
- the annual CMS internal audit plan:
    - plans indicating the scope, cost, and time-lines of each audit in the annual internal audit and
    - audit reports directed to ARC detailing its performance against the Annual Performance Plan.

The internal audit service provider assisted the CMS accounting authority in maintaining effective controls by evaluating those controls and developing recommendations for enhancement or improvement. Furthermore, the service provider assisted the accounting authority achieve the CMS objectives by evaluating and developing recommendations for enhancing or improving processes.

Other audits considered included:

- IT security and systems processes audit;
- conducting special assignments and investigations on behalf of the ARC or the Registrar into any matter or activity affecting the CMS probity, interest, and operating efficiency; and
- audits designed to detect fraud.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

The following key activities were undertaken by internal audit during the reporting period:

- reviewed the annual report prior to its submission to the Council and the Auditor-General of SA;
- provided governance oversight over CMS ICT;
- provided assurance to Council with regards to matters falling within its purview; and
- checked the attendance of audit committee meetings by audit committee members.

The ARC operates in terms of an approved charter that is reviewed annually. The charter spells out the committee's mandate over and above what is prescribed in the Public Finance Management Act, Treasury regulations and codes of good governance. During the reporting period, the committee carried out the following activities:

- approved the annual internal audit plan for implementation;
- reviewed any submitted internal audit reports and noted the issues raised therein;
- reviewed the risk management framework to ensure it contributes positively to achieving strategic outcomes;
- reviewed the internal control framework to ensure it was relevant and updated;
- reviewed quarterly reports submitted by the executive management to the Council to ensure they are accurate, reliable and are submitted timely;
- reviewed the fraud and corruption prevention framework;
- reviewed the annual financial statements before submitting to the Council and the Auditor-General of SA; and
- reviewed the annual performance information report before submitting to the Council and the Auditor-General of SA.

The table below discloses relevant information on the audit committee members.

Table 26 : Disclosure of ARC Members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	End date	Number of meetings attended
Mr Lesetsa Matshekga	• MBA • BCom Honours (Finance) • BCom Honours (Economics)	External		3 February 2020	3 February 2023	9
Ms Sizo Mzizi	• BCom Honours (Financial Management) • PG: Corporate Law • BTech: Cost and Management Accounting • PG Cert: Corporate Governance • Higher Diploma in Education (Economic Sciences) • CIMA (ACMA CGMA) • Cert: Accountancy	External		3 February 2020	3 February 2023	8
Mr John Raphela	• Masters in Information Technology (MIT) • MBA • BSc Comp (Hons) • Prince2 Project Management Certification • ITIL Foundation Certification	External		27 January 2022	27 January 2025	8

Table 26 : Disclosure of ARC Members (continued)

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	End date	Number of meetings attended
Dr Aquina Thulare	• MBA • BSc Med (Hons) • MBChB	External		16 November 2020	15 November 2023	10
Dr Xolani Ngobese	• PhD in Business Administration • MBA	External		16 November 2020	15 November 2023	11
Mr Masibulele Phesa	• Masters in Accounting • Postgraduate Diploma in Applied Accounting Science • Postgraduate Diploma in Accounting Preliminary • BCom Accounting	External		16 February 2023	15 February 2026	1
Ms Dineo Thabede	• MBA • Bachelor of Accounting Science (Accounting and Auditing) • Women in Leadership Certificate • Practical Labour Relations Certificate • Managing Turnaround and Corporate Renewal Certificate	External		16 February 2023	15 February 2026	1
Dr Thandi Mabeba	• SAMLA Medico Legal certificate • MPhil Med Law & Ethics • MBChB	External		16 November 2020	15 November 2023	1

8. COMPLIANCE WITH LAWS AND REGULATIONS

The CEO/Registrar, with the assistance of his executive manager, monitors compliance with laws and regulations. The executive manager periodically reports to the ARC on issues relating to this compliance.

9. FRAUD AND CORRUPTION

CMS has a fraud and corruption prevention strategy and policy that is reviewed and approved annually by the ARC and Council. The comprehensive plan provides for a whistle-blower mechanism through a confidential hotline and reports received via the system are presented to the ARC that determines a way forward to address the issues raised. Confidentiality for reporting suspicions of fraud and corruption is guaranteed and the Council takes measures to ensure these identities are not compromised.

The year under review had no instances of fraud and corruption needing the committee's attention. The few issues reported were found not to be related to fraud and corruption but rather complaints intended for the Registrar's office in his adjudication capacity in terms of Section 47. Management issues quarterly publications intended to sensitive the staff on ethics and anti-fraud and corruption measures.

10. MINIMISING CONFLICT OF INTEREST

CMS has a system for both the staff and Council members that require them to submit annual declarations of interests. The declarations are reviewed to ensure there are no conflict of interest cases. The supply chain management unit uses the central supplier database to verify the identity of those who conduct business with CMS to avoid conflicts of interest and corruption.

11. CODE OF CONDUCT

A new code of ethics and conduct was adopted during the previous year and remains in place. The code sets down common ethical standards to which CMS employees, suppliers and the accounting authority should consistently adhere to ensure their actions are in accordance with the CMS values and standards.

The CMS code of ethics and conduct was reviewed after consulting with all internal stakeholders and the annual review done in line with the Council's ethics awareness outlook for the year. In addition, the CMS ethics strategy and awareness plan continued to be implemented and all staff are provided with the CMS ethics booklet.

> *“10 routine inspections were initiated, and various schemes were issued with draft inspection reports to respond to the relevant findings and recommendations”*

The process followed in the event of a breach of the code of conduct is:

LESS SERIOUS OFFENCE

If CMS management deems the breach to be less serious, an employee is subjected to an informal disciplinary hearing that may result in a verbal or written warning if found guilty. Normally the process will only involve the employee and his supervisor/manager.

SERIOUS OFFENCE

If CMS management deems the breach to be serious, an employee is subjected to a formal disciplinary hearing that may result in a final written warning, suspension without pay and/or dismissal if found guilty. In a formal disciplinary hearing, the Registrar appoints a chairperson to preside over the hearing and an initiator to present the case on behalf of the CMS. The employee has a right to be represented by a CMS employee or shop steward. Furthermore, an employee is afforded the opportunity to state their side, cross-examine CMS witnesses and plead in mitigation of the penalty should they be found guilty

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The CMS continued to comply with the prescripts of the Occupational Health and Safety Act. The health and safety committee completed CMS risk assessments and plans and updated them in line with the code of good practice: managing SARS-COV-2 in the workplace during the reporting period.

13. COMPANY SECRETARY

The CMS Council is assisted by the CMS Company Secretary who provides corporate governance and administration services. He is further mandated to guide members on their duties, responsibilities, and functions. He facilitates full and unfettered access to the organisation’s information including records for Council’s use. The CMS company secretary maintains an arm’s length relationship with the Council and the governing body is satisfied he is fit and proper to perform his functions. During the year under review, Mr Khayalethu Mvulo served as CMS Company Secretary.

14. SOCIAL RESPONSIBILITY

The CMS did not participate in social responsibility activities during the reporting period.

15. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with compliance to the B-BBEE requirements as required by the B-BBEE Act and determined by the Department of Trade, Industry and Competition.

Table 27 : B-BBEEE Certificate Levels

Has the department/public entity applied any relevant code of good practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes/ no**	**Discussion (include a discussion on your response and indicate what measures have been taken to comply)**
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	Not applicable to CMS
Developing and implementing a preferential procurement policy?		CMS has implemented the B-BBEE Code of Good Practice by applying the preference points system of 80/20 for transaction of goods and services between R2 000 and R49 999 999 and preference points system for transaction above R50 million when it is applicable. The measures taken by CMS include the following: • Requesting and ensuring that bidders submit their Sworn Affidavit and B-BBEE when responding to invitation for bids. • Using the quote evaluation system to allocate points for B-BBEE during the evaluation process.
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable to CMS
Developing criteria for entering into partnerships with the private sector?	No	Not applicable to CMS
Determining criteria for the awarding of incentives, grants, and investment schemes in support of broad-based black economic empowerment?	No	Not applicable to CMS

"The Complaints Adjudication Unit serves beneficiaries of medical schemes and general public by investigating and resolving complaints. It achieves this by monitoring the fair treatment of members and ensuring that members have access to the benefits provided for in the rules of medical schemes"

16. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

ARC RESPONSIBILITY

The ARC assists the council in fulfilling its oversight responsibility, which includes safeguarding assets, operating effective control systems and preparing the annual financial statements as required by the Public Finance Management Act (PFMA), Treasury regulations, risk management and internal audit oversight. During the year under review, the ARC reports complied with its responsibilities arising from Section 51 (1)(a)(ii) of the PFMA and Treasury Regulation 27.1. The Committee reports that it has appropriate formal terms of reference in place, has regulated its affairs in compliance with its terms of reference and has discharged its duties.

THE EFFECTIVENESS OF INTERNAL CONTROL

The following internal audit work was completed during the year under review:

- Quarterly Performance Information Reviews for the year;
- Review of the Annual Performance Information Report;
- Review of the internal controls relating to the financial system;
- Review of the Supply Chain Management system;
- Review of the Benefits Management Unit;
- Reviewed the Significance and Materiality of the Framework;
- Conducted a probity review in respect of printer and photocopy machines;
- Conducted an assessment of Council remuneration;
- Conducted a review of the Compliance Unit;
- Conducted a corporate governance review; and
- Followed up on audits to ensure that recommendations in respect of findings are implemented.

The following were areas of concern:

- The Committee was satisfied with improvements in operations and noted the implementation of recommendations on findings and weaknesses identified in the prior year.
- A finding that was outstanding and partially resolved relating to the prior year and satisfactorily addressed by Management.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The public entity reports quarterly to the executive authority and National Treasury as the Public Finance Management Act requires.

EVALUATION OF FINANCIAL STATEMENTS

The Committee has reviewed the annual financial statements prepared by the entity.

AUDITOR'S REPORT

We have reviewed the entity's implementation plan for audit issues raised in the prior year and are satisfied that the matters have been adequately resolved.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and believes the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Mr Masibulele Phesa
ARC Chairperson
Council for Medical Schemes
31 July 2023

Part D
Human Resource Management

OVERVIEW OF HUMAN RESOURCES MATTERS

The Human Resources (HR) mandate is to provide high-quality service to internal and external customers by assessing their needs and proactively addressing them through developing, delivering and continuously improving HR programmes that promote and support the Council's vision. This is an overview of the HR sub-programme activities in implementing the HR strategy for the 2022/2023 financial year through the Annual Performance Plan (APP).

During the past year, the HR sub-programme, in collaboration with the migration committee, successfully placed non-executive personnel in the new macro-micro organisational structure. In addition, the sub-programme was involved in workforce planning, job evaluation and salary benchmarking, performance management, policy review and development, employee benefits, training and development, employment equity, employee relations, employee wellness, as well as budget planning and administration to support the organisational objectives efficiently and effectively.

1.1 WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

Attracting and retaining talent remains a key priority, and the HR sub-programme continued to address internal capacity constraints by appointing temporary human resources on fixed-term employment contracts for specific projects with a limited duration and where there were newly created positions not funded during the reporting period. The sub-programme further empowered qualifying employees by providing opportunities to act in senior roles while recruitment processes were underway.

CMS successfully filled two fixed-term contract appointments and 25 permanent positions, seven of which were filled through internal appointments. All vacancies were advertised in accordance with the CMS recruitment and selection policy.

External appointments	Internal movement
Executive: Corporate Services	Executive: Regulation
Senior Manager: Clinical Consulting Services	Senior Manager: Legal Services
Senior Manager: Benefits Management	Senior Manager: Complaints Adjudication
Senior Manager: Communications, Marketing, & SHR	Senior Manager: Compliance & Investigations
Public Health Specialist	Senior Investigator Officer
Manager: IT Operations	Senior Legal Adjudication Officer
Legal Advisor	Legal Adjudication Officer
Senior Software Developers (3)	
Senior Investigator Officer	
Senior Compliance Officer	
Senior Analyst: Financial Supervision	
Analyst: Financial Supervision	
Analyst: MCO Accreditation	
Legal Adjudication Officer	
Client Contact Agent	
Administrator: Accreditation	

In keeping with the government's call for employers to give opportunities to young graduates and students, the unit facilitated work-integrated learning by entering into Service Level Agreements (SLAs) with some institutions of higher learning and TVET Colleges and successfully appointed six students to provide them with on-the-job training.

A comprehensive orientation programme was provided to new employees, with in-depth information on the structure and functions of the CMS.

A total of 17 terminations were processed; 10 were due to career advancement, one to retirement and six to internal movement where employees were appointed in new roles within the organisation.

Resignations/career advancement	Internal movement
Chief Information Officer	Senior Investigator Officer
Senior Health Economist	Legal Advisor
Senior Manager: Clinical Consulting Services	Analyst: Financial Supervision
Senior Software Developers (2)	Senior Compliance Officer
Business Analyst	Senior Legal Adjudication Officer
Senior Investigator Officers (2)	Legal Adjudication Officer
Manager: IT Operations	
Legal Adjudication Officer	

Retirement
Executive Assistant: Accreditation

The staff turnover rate for 2022/2023 was 14.23% compared to 9.5% in the previous financial year.

1.2 JOB EVALUATION AND SALARY BENCHMARKING

The results of the job evaluation and salary benchmarking exercise aligned with the new structure was completed and awaits the Council's consideration for implementation.

1.3 PERFORMANCE MANAGEMENT

Performance management is strategically imperative for the CMS and continues to be a high-priority area for HR. Employees are evaluated bi-annually against the performance agreements entered by all employees during the reporting period. The consolidation of the performance scores for moderation is completed at the end of Q1 of the new financial year.

A service provider to facilitate 360-degree performance assessment was appointed on a three-year term contract.

1.4 POLICY REVIEW AND DEVELOPMENT

HR policies were reviewed and approved by the Council on 28 April 2022 and 12 July 2022. These policies are still relevant and current.

1.5 EMPLOYEE BENEFITS

A task team was established to investigate and make recommendations on employee benefit options for consideration by the organisation. The current retirement benefit arrangement was found to be uncompetitive, and potential service providers were invited to submit proposals.

1.6 TRAINING AND DEVELOPMENT

The training budget was centralised for the 2022/2023 financial year to optimise use, and training was implemented according to planned training and development activities. The workplace skills plan and annual training report were submitted to the HWSETA. The CMS continued to benefit from the mandatory and discretionary grants.

1.7 EMPLOYMENT EQUITY (EE)

Employment equity remains a major focus for the CMS as it is mandated to build and maintain an environment that provides equal opportunities to all its employees with special consideration for previously disadvantaged groups at all occupational levels. CMS is fairly aligned with the management control element of the BBBEEA scorecard but still falls below skills development in terms of spending.

HR continued to report to the Department of Employment and Labour on implementing its EE plan for the year under review.

1.8 EMPLOYEE RELATIONS

There were no reported cases of disciplinary and grievances during the reporting period.

To improve employer/employee engagements and relations, training was facilitated for newly appointed CMS Nehawu shop stewards. Furthermore, monthly consultative meetings were introduced.

CMS Nehawu referred four matters to the CCMA on wage dispute for 2022/2023; non-payment of 1.5% payment progression and non-pensionable allowance for employees at levels 13-16; performance bonus dispute in respect of 2020/2021 financial year and the dispute for unfair labour practice on non-pensionable benefits.

1.9 EMPLOYEE WELLNESS

Employee wellness remained a priority for HR and a key strategic imperative in ensuring staff well-being and improving productivity. In line with this objective, several employee wellness initiatives were facilitated on a quarterly basis aimed at assisting employees in managing a work-life balance and their health proactively.

Other HR wellness initiatives included promoting fitness and healthy habits, Wellness Day, annual on-site flu vaccination and wellness talks on health and well-being.

HR OVERSIGHT STATISTICS

Table 28: Personnel cost by Programme (Unit)

Programme	Total expenditure of unit (R'000)	Personnel expenditure (R'000)	Personnel expenditure as % of total expenditure	Number of employees at year end	Average personnel cost per employee (R'000)
Programme 1 - Administration					
Sub-programme 1.1 - Office of the CEO and Registrar	6 500	5 639	86,75%	3	1 880
Sub-programme 1.2 - Office of the CFO	17 060	10 016	58,71%	10	1 002
Sub-programme 1.3 - ICT & IM	23 510	12 473	53,05%	13	959
Sub-programme 1.4 - Corporate Services	48 730	17 051	34,99%	22	775
Sub-programme 1.5 - Secretariat	7 294	2 246	30,79%	3	749
Programme 2 - Strategy, Performance & Risk	2 078	-	0,00%	-	-
Programme 3 - Regulation	36 974	36 176	97,84%	35	1 034
Programme 4 - Policy, Research & Monitoring	8 384	8 290	98,88%	9	921
Programme 5 - Member Protection	22 014	21 751	98,80%	28	777
TOTAL	**172 544**	**113 641**	**65,86%**	**123**	**924**

Table 29: Personnel cost per salary band

Programme	Personnel expenditure	Personnel expenditure as % of total expenditure	Number of employees at year end	Average personnel cost per employee (R'000)
Top management	11 397	10,03%	5	2 279
Senior management	12 733	11,20%	9	1 415
Professionals	39 327	34,61%	31	1 269
Skilled Technical & Academically Qualified	43 332	38,13%	58	747
Semi-skilled labour	4 971	4,37%	11	452
Unskilled labour	1 881	1,66%	9	209
TOTAL	**113 641**	**100%**	**123**	**924**

Table 30: Performance rewards

Level	Performance reward (R '000)	% Performance reward per level	Number of employees at year end	Average personnel cost per employee (R '000)
Top management	56 302	9,95%	4	14 076
Senior management	32 980	5,83%	4	8 245
Professionals	212 091	37,47%	28	7 575
Skilled Technical & Academically Qualified	229 090	40,47%	46	4 980
Semi-skilled labour	26 460	4,67%	8	3 307
Unskilled labour	9 154	1,62%	9	1 017
TOTAL	**566 077**	**100,00%**	**99**	**5 718**

The reported performance bonuses relate to the 2020/2021 financial year.

Table 31: Training costs by Programme

Programme	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as % of personnel costs (R'000)	Number of employees	Average training cost per employee (R'000)
Programme 1 - Administration					
Sub-programme 1.1 – CEO's Office	6 500	49	0,76%	2	25
Sub-programme 1.2 -CFO's Office	17 060	260	1,52%	9	29
Sub-programme 1.3 - ICT & IM	23 510	77	0,33%	5	15
Sub-programme 1.4 - Corporate Services	48 730	393	0,81%	12	33
Sub-programme 1.5 - Secretariat	7 294	198	2,71%	2	99
Programme 2 - Strategy, Risk & Performance	2 078	-	-	-	-
Programme 3 – Regulation	36 974	209	0,56%	17	12
Programme 4 - Policy, Research & Monitoring	8 384	166	1,98%	6	28
Programme 5 - Member Protection	22 014	318	1,44%	16	20
TOTAL	**172 544**	**1 669**	**10,11%**	**69**	**24**

Table 32: Employment and vacancies per programme

Business unit	2021/2022 number of employees	Approved posts 2022/2023	2022/2023 number of employees	2022/2023 vacancies	% of vacancies
Programme 1 – Administration					
Sub-programme 1.1 – CEO's Office	3	-	3	-	0.00%
Sub-programme 1.2 – CFO's Office	10	-	10	-	0.00%
Sub-programme 1.3 – ICT & IM	14	-	13	5	25.00%
Sub-programme 1.4 – Corporate Services	21	2	22	2	10.00%
Sub-programme 1.5 – Secretariat	3	-	3	-	0.00%
Programme 2 - Strategy, Risk & Performance	-	-	-	-	0.00%
Programme 3 – Regulation	31	2	35	6	30.00%
Programme 4 – Policy, Research & Monitoring	7	1	9	-	0.00%
Programme 5 – Member Protection	27	1	28	7	35.00%
TOTAL	116	6	123	20	100%

Recruitment process for some vacancies were carried over from the 2021/2022 financial year.

Table 33: Employment and vacancies per salary level

Level	2021/2022 number of employees	Approved posts 2022/2023	2022/2023 number of employees	2022/2023 vacancies	% of vacancies
Top management	5	-	6	2	10.00%
Senior management	4	6	10	1	5.00%
Professionals	30	-	28	8	40.00%
Skilled Technical & Academically Qualified	54	-	56	7	35.00%
Semi-skilled labour	14	-	14	2	10.00%
Unskilled labour	9	-	9	-	0.00%
TOTAL	**116**	**6**	**123**	**20**	**100.00%**

Five of the six approved posts were filled with internal candidates.

Table 34: Employment changes per salary band

Level	Employment at the beginning of period	Appointments	Terminations	Employment at end of period
Top management	5	2	1	6
Senior management	4	7	1	10
Professionals	30	6	7	28
Skilled Technical & Academically Qualified	54	8	7	56
Semi-skilled labour	14	2	1	14
Unskilled labour	9	0	-	9
TOTAL	**116**	**25**	**17**	**123**

The number of staff at the beginning of the reporting period (1 April 2022) does not correspond to the number of staff per grade at 31 March 2023. The organisation appointed internal candidates to occupy the six approved posts and vacancies from the previous financial year.

Table 35: Reasons for leaving

Reason	Number of employees	% of total number of staff leaving
Death	-	0.00%
Resignations	16	94.12%
Dismissal	-	0.00%
Retirement	1	5.88%
Ill health	-	0.00%
Expiry of contract	-	0.00%
Other	-	0.00%
TOTAL	17	100.00%

Part E
PFMA
Compliance Report

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 IRREGULAR EXPENDITURE

A) RECONCILIATION OF IRREGULAR EXPENDITURE

Table 36

Description	2022/2023 R'000	2021/2022 R'000
Opening balance		
Add: Irregular expenditure confirmed	1 410	3 705
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
CLOSING BALANCE	**1 410**	**3 705**

RECONCILING NOTES

Description	2022/2023 R'000	2021/2022 R'000
Irregular expenditure that was under assessment in 2021/2022 and 2022/2023	-	651
Irregular expenditure that relates to 2021/2022 and identified in 2022/2023	-	905
Irregular expenditure for the current year	1 410	2 800
TOTAL	**1 410**	**4 356**

B) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE (UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)

Table 37

Description[1]	2022/2023 R'000	2021/2022 R'000
Irregular expenditure under assessment	-	651
Irregular expenditure under determination	1 410	3 705
Irregular expenditure under investigation	-	-
TOTAL[2]	**1 410**	**4 356**

Irregular expenditure under assessment relates to Council Remuneration paid at A1 rates instead of A2 rates.

1 Group similar items

2 Total unconfirmed irregular expenditure (assessment), losses (determination), and criminal conduct (investigation)

C) DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE CONDONED

Table 38

Description	2022/2023 R'000	2021/2022 R'000
Irregular expenditure condoned and removed	-	-
TOTAL	**-**	**-**

Irregular expenditure amounting to R12 960 000 relating to the years prior to 2021/2022 was condoned by National Treasury in 2021/2022 financial year. There was no irregular expenditure condoned relating to expenditure incurred in 2021/2022 and 2022/2023 financial years.

1.2 FRUITLESS AND WASTEFUL EXPENDITURE

A) RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

Table 39

Description	2022/2023 R'000	2021/2022 R'000
Opening balance		
Add: Fruitless and wasteful expenditure confirmed	13	-
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-
CLOSING BALANCE	**13**	**-**

The fruitless and wasteful expenditure relates to legal fees incurred on a default judgement.

RECONCILING NOTES

Description	2022/2023 R'000	2021/2022 R'000
Fruitless and wasteful expenditure that was under assessment in 2021/2022 and 2022/2023	-	-
Fruitless and wasteful expenditure that relates to 2021/2022 and identified in 2022/2023	-	-
Fruitless and wasteful expenditure for the current year	13	-
TOTAL	**13**	**-**

B) DETAILS OF CURRENT AND PREVIOUS YEAR FRUITLESS AND WASTEFUL EXPENDITURE (UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)

Table 40

Description[3]	2022/2023 R'000	2021/2022 R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	13	-
Fruitless and wasteful expenditure under investigation	-	-
TOTAL[4]	13	-

In the 2021/2022 financial year, there was fruitless and wasteful expenditure under assessment relating to Council Remuneration. The full amount could not be quantified.

3 Group similar items

4 Total unconfirmed fruitless and wasteful expenditure (assessment), losses (determination), and criminal conduct (investigation)

1.3 ADDITIONAL DISCLOSURE RELATING TO MATERIAL LOSSES IN TERMS OF PFMA SECTION 55(2)(B)(I) &(III))

There were no material losses.

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Table 41

Description	Number of invoices	Consolidated Value R'000
Valid invoices received	796	22 007
Invoices paid within 30 days or agreed period	742	11 967
Invoices paid after 30 days or agreed period	13	2 147
Invoices older than 30 days or agreed period (unpaid and without dispute)	-	-
Invoices older than 30 days or agreed period (unpaid and in dispute)	41	7 893*

* The amounts that are in dispute include the amounts relating to SIU to the value of R4 459 000. Further, Section 59 invoices amounting to R1 944 000 were unpaid as they were also in dispute with the supplier. The balance of the invoices unpaid and in dispute relates to legal and recruitment services totalling R1 490 000.

3. SUPPLY CHAIN MANAGEMENT

3.1 PROCUREMENT BY OTHER MEANS

Table 42

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Purchasing of exhibition space at Board of Healthcare Funders conference	Board of Healthcare Funders of Southern Africa	Sole Provider	N/A	42
Subscriptions	Arena Holdings (Pty) Ltd	Sole Provider	N/A	11
Annual license renewal for Manage Engine products	ITR Technology	Sole Provider	N/A	120
To conduct a job profile matching assessment	Tiana Business Consulting	Basis of continuation from the previous appointment and same project	N/A	37
Supply and delivery of stationery for ICT Unit	Eclipse Stationers (Pty) Ltd	Lack of response - Out of nine suppliers invited to quote only two responded	N/A	6
Flu Vaccination of CMS employees	Classic Health Consulting (Pty) Ltd		N/A	18
To assisting with investigating and resolving issues on Microsoft Server 2016 Exchange renewal for Manage Engine products	First Technology National (Pty) Ltd	Emergency	N/A	10
M-Files Upgrade and Support Subscription Renewal – June 2022 until June 2023	Pro-Vision IT	Lack of response - Out of eleven suppliers invited to quote only one responded	N/A	324
To supply and install Altron 4K scaler switchers	Ngwane It and Corporate Solutions (Pty) Ltd	Lack of response - Out of eleven suppliers invited to quote only one responded	N/A	19
Design, layout, authors corrections, typesetting, editing, and proofreading of the Annual Report for 2021/2022 and Industry Report for 2021	Kashan Advertising	Lack of response - Out of twelve suppliers invited to quote only one responded	N/A	399

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Renewal of Sage Evolution Fixed Assets for one (1) user	Brilliant Link Pty Ltd	Lack of response - Out of four suppliers invited to quote only two responded	N/A	3
To assist with refilling and pressure testing the Pyroshield / Pilot cylinders	Ngwane IT and Corporate Solutions	Lack of response - Out of twelve suppliers invited to quote only one responded	N/A	32
Jetbrains product renewals	Titus Corporation (Pty) Ltd	Lack of response - Out of three suppliers invited to quote only one responded		32
To supply, deliver and install UPS Batteries	Buwesi Generators	Lack of response - Out of eleven suppliers invited to quote only two responded	N/A	73
Repairs of under counter pub fridge	Sir Julio Solutions (Pty) Ltd	Lack of response - Out of nineteen suppliers invited to quote only one responded, also advertise on e-tender	N/A	5
To Supply Emergency release Manual call point glass, Panel Batteries, fire document holder and document, Smoke detector and Gas suppression logbook	DMS Fire & Security	Lack of response - Out of eighteen suppliers invited to quote only one responded, also advertise on e-tender	N/A	632
Renewal of checkpoint 5600 licences and ongoing support for 12 months	Syrex (Pty) Ltd	Lack of response - Out of ten verified resellers suppliers invited to quote only two responded.	N/A	838
Annual renewal of ArcGIS licenses	Esri South African	Sole Provider	N/A	22
To print CMS Annual Report 2021/2022	Shereno Printers	Lack of response - Out of three service providers invited to quote only one responded.	N/A	337
Red Box Communications	Red Box Communications	Lack of response - Out of thirty-two service providers invited to quote only two respond	N/A	30
To provide shuttle services for 6 CMS Staff for 13 Saturdays	Mphakisene Travel & Tours Shuttle	Lack of response - Out of thirty-two service providers invited to quote only two responded.	N/A	24
Facilitation services- strategic planning session for CMS	ETM Consulting (Pty) Ltd	Lack of response - Out of seven service providers invited to quote only one responded.	N/A	81
To provide recording and transcription services for strategic planning session	Danzab Recording & Transcription CC	Lack of response - Out of eighteen service providers invited to quote only two responded.	N/A	25
To facilitate the Strategic Planning Session (PESTEL/SWOT analysis) on urgent basis	Paul Aucamp Strategic Advisors	Lack of response - Out of seven service providers invited to quote only one responded.	N/A	43
Catering services- strategic planning session 30 September 2022 for CMS.	Ayiqhame Trading Enterprise (Pty) Ltd	Lack of response - Out of nineteen service providers invited to quote only one responded.	N/A	6
Manage Engine Software license renewal	ITR Technology	Sole Provider	N/A	378
Verification Agency as the preferred service provider to conduct BEE Verification for CMS	AAA BEE Verification	Lack of response - Out of eleven service providers invited to quote only two responded.	N/A	60
To undertake plumbing service for Council for Medical Schemes for a period of 3 (three) years	THBO Trading and Projects	Lack of response - Out of thirty-three service providers invited to quote only one responded.	N/A	As per call out fees

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
To conduct investigations into the Medical Scheme	Ernst & Young Advisory Services (Pty) Ltd	Lack of response - Out of sixteen service providers invited to quote only two responded.	N/A	590
To supply, branding, and delivery of CMS Light boards with Vision and Mission (Corporate Services: Communications & Marketing)	Outsource Creative (Pty) Ltd	Lack of response - Out of ten service providers invited to quote only two responded.	N/A	7
Sabinet for renewal of annual subscription	Sabinet	Sole Service Provider	N/A	274
Consulting Solutions on an Ad hoc basis to provide support and consulting services for the Internal Finance Unit and Human Resources Unit.	X4 Consulting Solutions	Sole Service Provider	N/A	80
To review the proposed model for Risk Based Solvency.	Insight Actuaries & Consultants (Pty) Ltd	Lack of response - After advertising on CMS Website and eTender portal only one response received.	N/A	89
Shredding Services for the Period of two months	Iron Mountain (Pty) Ltd	Awaiting approval of the new SCM Policy to address the new Preferential Procurement Regulations 2022	N/A	8
Renewal of Annual License Fee Subscription	SAGE South Africa	It is impractical to obtain three or more quotations because Sage Premier & HR is linked to other internal business process flows such as payroll and leave	N/A	127
Renewal of Microsoft Direct Enterprise Agreement for a period of three (3) years on a sole provider basis	Microsoft Ireland	Sole Provider	N/A	10 869
Mimecast license for month period	Destiny Global (Pty) Ltd	Continuation of service - Awaiting approval of the new SCM Policy to address the new Preferential Procurement Regulations 2022	N/A	26

3.2 CONTRACT VARIATIONS AND EXPANSIONS

Table 43

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s R'000	Value of current contract expansion or variation R'000
Extension of the Shredding Services for the Period of two months	Iron Mountain (Pty) Ltd	Expansion	N/A	101	0	8
One Month extension of Mimecast contract with Destiny global (ICT)	Destiny Global (Pty) Ltd	Expansion	N/A	316	0	27
Addendum for renewal of the office lease for the Council for Medical Schemes for one year	Faerie Glen Waterpark (Pty) Ltd	Expansion	N/A	101 137	33 309	17 946
TOTAL				**101 554**	**33 309**	**17 981**

Part F
Financial Information

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STATEMENT OF **RESPONSIBILITY**

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL FINANCIAL STATEMENTS

The Council members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Council members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the members set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Council members have reviewed the entity’s cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Council members are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 106 to 110.

The annual financial statements set out on pages 113 to 144 which have been prepared on the going concern basis, were approved by the Council members on 31 July 2023 and were signed on its behalf by:

Dr Memela Makiwane
Chairperson of Council
31 July 2023

Dr Sipho Kabane
Chief Executive and Registrar
31 July 2023

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON COUNCIL FOR MEDICAL SCHEMES

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Council for Medical Scheme set out on pages 113 to 144 which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council for Medical Schemes as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

CONTEXT FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

OTHER MATTER

6. I draw attention to the matters below. My opinion is not modified in respect of this matter.

COUNCIL MEMBERS' REMUNERATION

7. In terms of a letter titled "Determination of category and remuneration level for members of the council of medical schemes" signed by the executive authority, dated 18 November 2022, council members are to be remunerated for meetings attended in line with National Treasury Circular on "remuneration levels: service benefit packages for office-bearers of certain statutory and other institutions". The letter and circular further stated that the rates are for sitting fees and are exclusive of payments in respect of preparation, research and travelling (to and from meetings venues) time, however Council members were paid full daily rates instead of actual sitting time.

UNAUDITED IRREGULAR EXPENDITURE AND FRUITLESS AND WASTEFUL EXPENDITURE

8. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of Section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements,

only the current year and prior year figures are disclosed in note 24 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Council for Medical Schemes. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

9. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR-GENERAL FOR THE AUDIT OF THE FINANCIAL STATEMENTS

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to/influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

14. In accordance with the Public Audit Act 25 of 2004 (PM) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
15. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programme that measures the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

PROGRAMME	PAGE NUMBERS	PURPOSE
Member protection	70-75	Provide customer service and training in support of the CMS Stakeholder engagement initiatives. Serve the beneficiaries of medical schemes and the public by investigating and resolving complaints in an efficient and effective manner. By doing this, we ensure that beneficiaries are treated fairly by their medical schemes. Provide support to the office on clinical matters so that good quality medical scheme cover is maximised and that regulated entities are properly governed through prospective and retrospective regulation.

16. I evaluated the reported performance information for the selected programme development priority against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the planning and delivery on its mandate and objectives.
17. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives.
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements.
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
    - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents.
    - the reported performance information is presented in the annual performance report in the prescribed manner.
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
18. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
19. I did not identify any material findings on the reported performance information of selected material performance indicators.

ACHIEVEMENT OF PLANNED TARGETS

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for over and under achievements.

REPORT ON COMPLIANCE WITH LEGISLATION

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.
22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
24. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

EXPENDITURE MANAGEMENT

25. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 24 to the annual financial statements, as required by Section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by the non-compliance to National Treasury Regulations 16A6 and the extension of contracts without motivation.

CONSEQUENCE MANAGEMENT

26. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against the officials who had incurred irregular expenditure, as required by Section 51(1) (e) (iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

OTHER INFORMATION IN THE ANNUAL REPORT

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specially reported in this auditor's report.
28. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
29. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary

INTERNAL CONTROL DEFICIENCIES

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
32. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the findings on compliance with legislation included in this report.
33. Management did not perform determination tests to ensure that investigations into irregular expenditure are performed to enable consequence management against officials who had incurred irregular expenditure.

Auditor-General

Pretoria
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the entity's compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

COMPLIANCE WITH LEGISLATION - SELECTED LEGISLATIVE REQUIREMENTS

	Legislation	Sections or regulations
1	Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(f); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b); Section 66(3)(c); 66(5)
2	Treasury Regulations	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.116A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c) Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a) Treasury Regulation 31.3.3 Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c) Treasury Regulation 33.1.1; 33.1.3
4	Public service regulation	Public service regulation 13(c);18; 18 (1) and (2);
15	Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
8	PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
9	PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
10	PPR2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
11	PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
12	National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
13	NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) - (d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
14	NT SCM Instruction 4A of 2016/17	Paragraph 6

	Legislation	Sections or regulations
15	NT SCM Instruction Note 03 2019/20	Par 5.5.1(vi); Paragraph 5.5.1(x);
16	NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7
17	NT SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b); 3.3.1; 3.2.2 Paragraph 4.1
18	PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1); 4(2): 4(4)
19	Practice Note 5 of 2009/10	Paragraph 3.3
20	PFMA SCM Instruction 08 of 2022/23	Paragraph 3.2 Par. 4.3.2; 4.3.3
22	NT instruction note 4 of 2015/16	Paragraph 3.4
23	Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
24	Erratum NTI 5 of 202/21	Paragraph 1
25	Erratum NTI 5 of 202/21	Paragraph 2
26	Practice note 7 of 2009/10	Paragraph 4.1.2
27	Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1 (b)
28	NT instruction note 1 of 2021/22	Paragraph 4.1

STATEMENT OF **FINANCIAL POSITION**

AS AT 31 MARCH 2023

	NOTE(S)	2023 R'000	2022 R'000
ASSETS			
CURRENT ASSETS			
Receivables from exchange transactions	3	6 635	4 212
Cash and cash equivalents	4	51 708	18 101
		58 343	**22 313**
NON-CURRENT ASSETS			
Property, plant and equipment	5	8 211	9 200
Intangible assets	6	1 540	1 748
Security deposit	25	4 200	3 975
		13 951	**14 923**
Total Assets		**72 294**	**37 236**
LIABILITIES			
CURRENT LIABILITIES			
Operating lease liability	9	650	4 108
Payables from exchange transactions	7	29 127	21 947
Unspent conditional grants and receipts	12	2 080	2 080
Provisions	8	2 850	1 446
		34 707	**29 581**
NON-CURRENT LIABILITIES			
Operating lease liability	9	-	649
Provisions	8	6 772	4 750
		6 772	**5 399**
Total Liabilities		**41 479**	**34 980**
Net Assets		**30 815**	**2 256**
Accumulated surplus		30 815	2 256
Total Net Assets		**30 815**	**2 256**

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2023

	NOTE(S)	2023 R'000	2022 R'000
Revenue	11	195 529	186 772
Gain on disposal of assets		12	4
Administrative expenses	13	(27 253)	(26 203)
Auditors' remuneration	14	(2 007)	(1 961)
Operating expenses	15	(18 410)	(23 396)
Staff costs	16	(122 432)	(110 144)
Depreciation and amortisation	5/6	(2 442)	(2 913)
Interest income	11	5 561	1 978
Surplus for the year		**28 559**	**24 137**

STATEMENT OF **CHANGES IN NET ASSETS**

FOR THE YEAR ENDED 31 MARCH 2023

	ACCUMULATED SURPLUS R'000	TOTAL NET ASSETS R'000
Balance at 1 April 2021	**(21 881)**	**(21 881)**
Surplus for the year	24 137	24 137
Balance at 31 March 2022	**2 256**	**2 256**
Surplus for the year	28 559	28 559
Balance at 31 March 2023	**30 815**	**30 815**

CASH FLOW **STATEMENT**

FOR THE YEAR ENDED 31 MARCH 2023

	NOTE(S)	2023 R'000	2022 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Proceeds from levies and fees		188 051	187 865
Transfers		6 505	6 228
Interest received		5 551	1 974
		200 107	**196 067**
PAYMENTS			
Employee costs		(112 130)	(116 412)
Suppliers		(52 912)	(65 108)
		(165 042)	**(181 520)**
Net Cash Flows from Operating Activities	19	**35 065**	**14 547**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1 271)	(831)
Proceeds from sale of property, plant and equipment	5	38	4
Purchase of other intangible assets	6	-	(647)
Security deposit		(225)	(128)
Net Cash Flows from Investing Activities		**(1 458)**	**(1 602)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**33 607**	**12 945**
Cash and cash equivalents at the beginning of the year	4	18 101	5 156
Cash and Cash Equivalents at the End of the Year		**51 708**	**18 101**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2023

	APPROVED BUDGET R'000	ADJUSTMENTS R'000	FINAL BUDGET R'000	ACTUAL AMOUNTS ON COMPARABLE BASIS R'000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R'000	REFERENCE
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Accreditation fees, registration, appeal fees and inspection fees recovered	7 334	-	7 334	7 468	134	
Levy income	178 565	301	178 866	178 866	-	
Legal fees recovered	-	-	-	1 069	1 069	
Interest received	2 028	3 439	5 467	5 551	84	
Other income	286	-	286	650	364	
Total revenue from exchange transactions	**188 213**	**3 740**	**191 953**	**193 604**	**1 651**	
REVENUE FROM NON- EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Government transfers	6 272	-	6 272	6 272	-	
Mandatory transfer (DHET)	-	-	-	233	233	
Total revenue from non-exchange transactions	**6 272**	**-**	**6 272**	**6 505**	**233**	
Total revenue	**194 485**	**3 740**	**198 225**	**200 109**	**1 884**	
EXPENDITURE						
Personnel	(117 278)	-	(117 278)	(105 539)	11 739	1
Social contributions	(4 077)	-	(4 077)	(3 589)	488	
Advertising	(1 824)	(215)	(2 039)	(1 059)	980	
Agency and support/outsourced services	(86)	10	(76)	(32)	44	
Audit costs	(1 000)	-	(1 000)	(723)	277	
Board costs	(5 715)	-	(5 715)	(4 054)	1 661	
Bank charges	(115)	-	(115)	(62)	53	
Building expenses	(5 475)	30	(5 445)	(5 553)	(108)	
Communication	(3 185)	462	(2 723)	(1 787)	936	
Consultants	(13 244)	1 922	(11 322)	(4 167)	7 155	2
Computer expenses	(4 988)	(432)	(5 420)	(5 450)	(30)	
Legal fees	(7 910)	(4 544)	(12 454)	(8 500)	3 954	3
Non-life insurance	(632)	-	(632)	(298)	334	
Printing and publication	(1 145)	6	(1 139)	(610)	529	
Rental of buildings and office equipment	(15 320)	80	(15 240)	(11 904)	3 336	4
Repairs and maintenance	(1 031)	100	(931)	(798)	133	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

	APPROVED BUDGET R'000	ADJUSTMENTS R'000	FINAL BUDGET R'000	ACTUAL AMOUNTS ON COMPARABLE BASIS R'000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R'000	REFERENCE
Staff costs	(3 119)	(758)	(3 877)	(3 160)	717	
Training and development	(1 824)	(203)	(2 027)	(1 612)	415	
Travel and subsistence	(1 275)	(234)	(1 509)	(554)	955	
Venue and facilities	(767)	(309)	(1 076)	(475)	601	
Other unclassified goods and services	(3 433)	347	(3 086)	(2 260)	826	
Total expenditure	**(193 443)**	**(3 738)**	**(197 181)**	**(162 186)**	**34 995**	
Surplus/(deficit) for the year	**1 042**	**2**	**1 044**	**37 923**	**36 879**	
Actual Amount on a comparable Basis as Presented in the Statement of Comparison of Budget and Actual Amounts	**1 042**	**2**	**1 044**	**37 923**	**36 879**	

RECONCILIATION

BASIS OF ACCOUNTING DIFFERENCE	
Depreciation and amortisation	(2 442)
Gain on sale of assets	12
MOVEMENT IN PROVISIONS	
Movement in provisions	3 426
Change in receivables from exchange transactions	2 423
Change in payables from exchange transactions	(7 180)
Movement in operating lease	(4 107)
Change in security deposit	(225)
Movement in capital expenditure	(1 271)
Actual Amount in the Statement of Financial Performance	**28 559**

NOTES

BASIS OF ACCOUNTING:

The approved budget is based on a cash basis, thus recognising transactions and other events only when cash is received or paid.

The actual amounts are based on an accrual basis of accounting and were adjusted to be comparable to the budget which is on cash basis.

CLASSIFICATION BASIS:

The classification basis adopted in the approved budget is according to the economic classification as per National Treasury ENE database.

PERIOD OF THE APPROVED BUDGET:

01 April 2022 to 31 March 2023

THE APPROVAL OF LEVY RATE:

The 2022/2023 levy rate was approved in terms of Section 2(4) of the Council for Medical Schemes Levies Act, 2000 (Act no 58 of 2000) by the Minister of Health with the concurrence of the Finance Minister.

Calculated materiality and significance value as determined in terms of Treasury Regulation 28.3.1 amounts to R 1.89 million. Positive and negative differences above the calculated materiality are explained in this statement below:

1. The variance is due to resignations and funded vacant posts not filled by year end.
2. The variance is attributable to the following factors:
   a) Fewer commissioned inspections in the year under review.
   b) Fewer labour related matters which had been issues in the prior financial year.
   c) Dispute between the CMS and Special Investigative Unit on their submitted invoices.
3. The variance is due to fewer litigation matters and the ability to manage labour related matters by CMS. CMS established a committee to evaluate and contain litigations.
4. The variance is due to an upward adjustment made to 2022/23 budget to cater for new lease agreement.

ACCOUNTING **POLICIES**

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the entity and figures are rounded off to the nearest thousand.

1.2 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The use of judgement, estimates and assumptions is inherent to the process of preparing Annual Financial Statements. These judgements, estimates and assumptions affect the amounts presented in the Annual Financial Statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Estimates are informed by historical experience, information currently available to management, assumptions and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the corresponding notes.

IMPAIRMENT TESTING

In testing for and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the assets' ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of the information.

PROVISIONS

Provisions are measured at the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision, management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Additional disclosure of these estimates of provisions is included in Note 8 - Provisions.

EFFECTIVE INTEREST RATE

The entity uses an appropriate interest rate, taking into account guidance provided in the Standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the prime interest rate to discount future cash flows of receivables at year end.

ALLOWANCE FOR DOUBTFUL DEBTS

On accounts receivable, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

DEPRECIATION AND AMORTISATION

At the end of each financial year, management assesses whether there is any indication that the Council for Medical Schemes' expectations about the residual value and useful life of assets included in property, plant and equipment have changed since the preceding reporting date. If any such indication exists, the change is accounted for as a change in accounting estimate in accordance with the Standards of GRAP on accounting policies, Change in Accounting Estimates and Errors.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets that are held for use in the supply of goods or services, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment cease when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Furniture and fixtures	Straight-line	14 years
Motor vehicles	Straight-line	5 years
Computer equipment	Straight-line	7 years
Computer software	Straight-line	7 years
Leasehold improvements	Straight-line	Over the lease period
Other fixed assets	Straight-line	16 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity discloses expenditure to repair and maintain property, plant and equipment separately in the notes to the financial statements (see Note 13).

1.5 INTANGIBLE ASSETS

An asset is identifiable if it either:

- separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Developed software	Straight-line	7 years
Acquired software	Straight-line	7 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

CLASSIFICATION

The entity has the following types of financial assets (classes and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

CLASS	CATEGORY
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Security deposit	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

CLASS	CATEGORY
Payables from exchange transactions	Financial liability measured at amortised cost

Payables from exchange transactions are obligations for goods and services that have been acquired from suppliers in the ordinary course of business. Payables from exchange transactions are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

1.7 STATUTORY RECEIVABLES IDENTIFICATION

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. For CMS, additional disclosure is included in note 3 of the financial statements.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Other CMS receivables comprise sundry debtors, which are receivables other than the CMS statutory receivables.

RECOGNITION

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from Exchange Transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from Non-exchange Transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

INITIAL MEASUREMENT

The entity initially measures statutory and all other receivables at their transaction amount.

SUBSEQUENT MEASUREMENT

The entity measures statutory and all other receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

IMPAIRMENT LOSSES

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

1.8 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

OPERATING LEASES - LESSEE

An operating lease is a lease other than finance lease and for the CMS it is the rental of the office building. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.10 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are possible assets and liabilities whose occurrence depends on whether some uncertain future event occurs or payment is not probable or the amount cannot be measured reliably. Contingent assets and liabilities are not recognised. Contingencies are disclosed in Note 20.

1.11 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.12 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The main sources of revenue from exchange transactions are:

- Accreditation fees: Accreditation fees are fixed tariffs paid by administrators, managed healthcare organisations and brokers over two years. Accreditation fees are recognised in the financial period in which services are rendered.
- Appeal fees: Appeal fees are fixed tariffs paid by appellants when appealing to the Appeal Board . Appeal fees are recognised in the financial period in which the appeal was raised and services were rendered.
- Levy income: Levies are the amounts paid by medical schemes based on the number of principal members in a medical scheme during the financial period. Levies are recognised on an accrual basis in accordance with the number of principal members in the medical scheme in the period in which they fall due.
- Registration fees: Registration fees relate to the amounts paid by medical schemes to register or amend their rules. Registration fees are recognised in the financial period in which they fall due.
- Sundry income: All other income received not in the normal operations of the CMS is recognised as revenue when future economic benefits flow to the CMS and these benefits can be measured reliably.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably

Interest is recognised in surplus or deficit, using the effective interest rate method.

1.13 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor. Revenue from non-exchange transactions comprise the following:1. Grant from the Department of Health which is sometimes conditional or unconditional. 2. Mandatory transfer from the Department of Higher Education and Training.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. The CMS receives conditional and unconditional transfers. The conditional transfer is for the Beneficiary Registry and Single Exit Pricing List development. The unconditional transfer is utilised in the operations of CMS.

RECOGNITION

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

SERVICES IN-KIND

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

1.14 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by the CMS in relation to interest payable in any given period.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 COMPARATIVE FIGURES

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated,unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and the reason for such reclassifications and restatements are also disclosed.

Where there are material accounting errors which relate to prior periods , the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in the accounting policy in the current year,the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods. Where necessary comparative figures have been restated/reclassified to conform to changes made in the current year.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as an expenditure in the Statement of Financial Performance and where it is recovered, it is accounted for as revenue in the Statement of Financial Performance.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure as defined in Section 1 of the Public Finance Management Act (PFMA) is expenditure other than unauthorised expenditure, incurred in contravention of, or not in accordance with a requirement of any applicable legislation, including:

(a) This Act

(b) The State Tender Board Act, No. 86 of 1968 or any regulations made in terms of the Act.

(c) Any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is accounted for and disclosed in terms of National Treasury Instruction 4 of 2022/23: PFMA compliance and reporting framework effective from 03 January 2023.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

In such instances, no further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law, immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure must be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 BUDGET INFORMATION

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by an entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022-04-01 to 2023-03-31.

The annual financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.19 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity’s legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.20 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.21 PREPAYMENTS

A prepaid expense is an expense paid for in one accounting period but for which the underlying asset will not be consumed until a future period.

A prepaid expense is carried on the Statement of Financial Position of the CMS as a current asset until it is consumed. If a prepaid expense were likely to not be consumed within the next 12 months, it would instead be classified on the Statement of Financial Position as a non-current asset. Once consumption has occurred, the prepaid expense is removed from the Statement of Financial Position and is instead reported in that period as an expense on the Statement of Financial Performance.

1.22 INCOME RECEIVED IN ADVANCE

Income received in advance is revenue received for a service that has not yet been rendered by the CMS at the end of the financial year. The income received in advance is carried as a liability on the Statement of Financial Position. As the service is been rendered, the liability is released onto the Statement of Financial Performance and recognised as revenue.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The CMS did not have new standards and interpretations that came into effect and that are relevant to its operations in the current financial year.

2.2 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2023 or later periods:

STANDARD/ INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
GRAP 25 (as revised 2021): Employee Benefits	01 April 2025	Unlikely there will be a material impact
iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2025	Unlikely there will be a material impact
GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	The effective date has not yet been determined by the Minister	Unlikely there will be a material impact

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2023 R'000	2022 R'000
Statutory receivable	1 316	1 379
Sundry debtors	2 134	1 306
Prepaid expenses	3 185	1 527
	6 635	**4 212**

Statutory receivables included in receivables from exchange transactions above are as follows:

	2023 R'000	2022 R'000
Rule amendments in terms of Regulation 31 of the Medical Schemes Act (No.131 of 1998)	96	159
Inspection costs recoverable from inspected schemes in terms of Regulation 4B of the Financial Sector Regulation Act No. 9 of 2017.	969	969
Penalties in terms of Section 66 of the Medical Schemes Act (No. 131 of 1998)	251	251
	1 316	**1 379**
Other financial asset included in receivables from exchange transactions above are prepaid expenses and interest receivable	**5 319**	**2 833**

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	2023 R'000	2022 R'000
Total receivables from exchange transactions	6 635	4 212

ACCOUNTS RECEIVABLE AGEING	Current	30 days	60 days	90 days	120 days	Over 120 days
Accounts receivable	-	26	20	1	29	265
Subtotal	**-**	**26**	**20**	**1**	**29**	**265**
	-	**26**	**20**	**1**	**29**	**265**

Sundry debtors of R2 134 000 comprise: legal fees recovered of R1 869 000 current and R250 000 over 120 days, salary advance of R1 500 current and interest received of R13 698 current.

Statutory receivables include inspection costs recoverable of R969 000 over 120 days. During the year, there was debt impairment of R339 000. Refer to Note 17 for further details.

4. CASH AND CASH EQUIVALENTS

	2023	2022
Cash and cash equivalents consist of:		
Bank balances	700	5 305
CPD account	51 008	12 796
	51 708	**18 101**

5. PROPERTY, PLANT AND EQUIPMENT

	2023			2022		
	Cost R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
Furniture and fixtures	8 519	(5 605)	2 914	8 435	(5 209)	3 226
Motor vehicles	470	(403)	67	470	(377)	93
Computer equipment	18 717	(14 531)	4 186	17 569	(13 561)	4 008
Computer software	2 163	(2 088)	75	2 163	(2 060)	103
Leasehold improvements	11 980	(11 203)	777	11 980	(10 447)	1 533
Other fixed assets	789	(597)	192	789	(552)	237
Total	**42 638**	**(34 427)**	**8 211**	**41 406**	**(32 206)**	**9 200**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2023	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture and fixtures	3 226	84	-	(396)	2 914
Motor vehicles	93	-	-	(26)	67
Computer equipment	4 008	1 187	(25)	(983)	4 187
Computer software	103	-	-	(28)	75
Leasehold improvements	1 533	-	-	(756)	777
Other fixed assets	237	-	-	(45)	192
	9 200	**1 271**	**(25)**	**(2 234)**	**8 212**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2022	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Furniture and fixtures	3 632	-	(406)	3 226
Motor vehicles	118	-	(25)	93
Computer equipment	4 093	831	(916)	4 008
Computer software	127	-	(24)	103
Leasehold improvements	2 807	-	(1 274)	1 533
Other fixed assets	283	-	(46)	237
	11 060	**831**	**(2 691)**	**9 200**

6. INTANGIBLE ASSETS

	2023			2022		
	Cost R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000
Developed software	2 977	(2 048)	929	2 977	(1 885)	1 092
Acquired software	3 096	(2 485)	611	3 096	(2 440)	656
Total	**6 073**	**(4 533)**	**1 540**	**6 073**	**(4 325)**	**1 748**

RECONCILIATION OF INTANGIBLE ASSETS - 2023	Opening balance R'000	Amortisation R'000	Total R'000
Developed software	1 092	(163)	929
Acquired software	656	(45)	611
	1 748	**(208)**	**1 540**

RECONCILIATION OF INTANGIBLE ASSETS - 2022	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Developed software	1 269	-	(177)	1 092
Acquired software	54	647	(45)	656
	1 323	**647**	**(222)**	**1 748**

7. PAYABLES FROM EXCHANGE TRANSACTIONS

	2023 R'000	2022 R'000
Account payables	13 614	7 322
Income received in advance	1 515	1 722
Accrual for leave pay	3 884	3 804
Accruals	10 114	9 099
	29 127	**21 947**

Current	30 days	60 days	90 days	120 days and over
2 982	2 051	-	96	5 687

Included in the account payables is an amount of R2 799 378 for PAYE still to be paid, tea club, employee wellness and medical aid.

8. PROVISIONS

RECONCILIATION OF PROVISIONS - 2023	Opening balance R'000	Additions R'000	Paid out during the year R'000	Total R'000
Provision for long service award	5 186	2 862	(436)	7 612
Provision for court cases	1 010	-	(190)	820
Provision for performance bonus	-	1 190	-	1 190
	6 196	**4 052**	**(626)**	**9 622**

RECONCILIATION OF PROVISIONS - 2022	Opening balance R'000	Additions R'000	Paid out during the year R'000	Reversed during the year R'000	Total R'000
Provision for long service award	6 010	5 186	(497)	(5 513)	5 186
Provision for court cases	-	1 010	-	-	1 010
	6 010	**6 196**	**(497)**	**(5 513)**	**6 196**

	2023 R'000	2022 R'000
Non-current liabilities	6 772	4 750
Current liabilities	2 850	1 446
	9 622	**6 196**

PROVISION FOR LONG SERVICE AWARD

Employees receive long service awards in intervals of 10 years. The provision for long service award represents management's best estimate of the CMS' liability at year-end for current employees in service.The calculation is based on the current employee's salary factored by the number of years in service until the award falls due. This is factored by the expectancy rate of employees being in service after 10 years, based on historic information.

The assumptions applied in the calculation of the provision are as follows:

- Salary inflation 6.5% (2021/22: 0%)
- Discount rate 11.25% (2021/22: 7.75%)
- Retention rate 89% (2021/22: 90%)

PROVISION FOR PERFORMANCE BONUS

The performance bonus provision relates to the financial year 2022/23.

PROVISION FOR COURT CASES

The provision for court cases relates to cases that have been finalised but costs still to be determined by the Tax Master. R189 725 was paid during in the 2022/23 financial year.

9. OPERATING LEASE ASSET (ACCRUAL)

	2023 R'000	2022 R'000
Non-current liabilities	-	(649)
Current liabilities	(650)	(4 108)
	(650)	**(4 757)**

OPERATING LEASE COMMITMENT

	2023 R'000	2022 R'000
Within a year	14 594	15 798
In second to fifth year inclusive	1 205	2 677
	15 799	**18 475**

The CMS entered into a renewable 10-year lease agreement which commenced on 1 June 2013 and will terminate on 31 May 2023 and which provides for an escalation of 8.5% per annum. In conjunction with the first lease, a second lease was entered into to start in June 2014 for additional space in the existing building with the same terms as the first lease agreement. In conjunction with first lease, a third lease was entered into to start in October 2015 for additional space in the existing building with the same terms as the first lease agreement. The CMS also contracted to have the option to purchase the office building. This lease agreement was extended for 12 months ending 30 April 2024. There is no escalation linked to the extension.

10. FINANCIAL INSTRUMENTS DISCLOSURE

CATEGORIES OF FINANCIAL INSTRUMENTS

2023

FINANCIAL ASSETS	At amortised cost R'000	Total R'000
Trade and other receivables from exchange transactions	2 134	2 134
Cash and cash equivalents	51 708	51 708
Security deposit	4 200	4 200
	58 042	**58 042**

FINANCIAL LIABILITIES	At amortised cost R'000	Total R'000
Trade and other payables from exchange transactions	23 728	23 728

2022

FINANCIAL ASSETS	At amortised cost R'000	Total R'000
Trade and other receivables from exchange transactions	1 306	1 306
Cash and cash equivalents	18 101	18 101
Security deposit	3 975	3 975
	23 382	**23 382**

FINANCIAL LIABILITIES	At amortised cost R'000	Total R'000
Trade and other payables from exchange transactions	16 421	16 421

11. REVENUE

	2023 R'000	2022 R'000
Accreditation fees	7 130	7 624
Government transfers: Department of Health	6 272	6 212
Appeal/Inspection fees recovered	20	3
Interest received - investment	5 561	1 978
Legal fees recovered	1 898	1 150
Levies income	178 866	170 035
Mandatory transfer: Department of Higher Education and Training	233	16
Registration fees	456	467
Sundry income	654	1 265
	201 090	**188 750**

THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

Accreditation fees	7 130	7 624
Levy income	178 866	170 035
Registration fees	456	467
Sundry income	654	1 265
Legal fees recovered	1 898	1 150
Appeal/Inspection fees recovered	20	3
Interest received- investment	5 561	1 978
	194 585	**182 522**

THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:

TRANSFER REVENUE		
Government transfers: Department of Health	6 272	6 212
Mandatory transfer: Department of Higher Education and Training	233	16
	6 505	**6 228**

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

GRANT RECEIVED FROM DEPARTMENT OF HEALTH

Conditional grant received	2 080	2 080

The CMS received grants in the amount of R2 556 000 in 2015/16 and R1 613 000 in 2016/17 with a condition to complete:

a) Development and maintenance of Medicines Pricing Registry.

The CMS Council endorsed the Registrar's recommendation to hand over the Central Beneficiary Registry (CBR) project to the NDOH. Discussions were held with the NDOH on the future of CBR and in response, NDOH indicated that the CBR is no longer a priority for the department and advised that the project be closed.

13. ADMINISTRATIVE EXPENSES

	2023 R'000	2022 R'000
Bank charges	62	55
Building expenses	2 045	1 811
Debt impairment	339	-
General administrative expenses	662	611
Insurance	298	785
Printing and stationery	336	199
Rent	11 690	11 676
Rent - Operating expenses	3 244	3 003
Rental copiers	201	401
Security	568	541
Settlement discount expense	207	-
Subscriptions	347	357
Telecommunication expenses	7 254	6 764
	27 253	**26 203**

Included in the general administrative expenses above are the repairs and maintenance costs disclosed below:

	2023 R'000	2022 R'000
Repairs and maintenance costs	782	411

14. AUDITORS' REMUNERATION

	2023 R'000	2022 R'000
External audit	870	829
Internal audit	1 137	1 132
	2 007	**1 961**

15. OPERATING EXPENSES

	2023 R'000	2022 R'000
Committee remuneration	292	359
Consulting	2 245	6 445
Council members fees	3 916	3 967
Exhibition costs	42	-
Inspection costs	406	585
Knowledge management	1 459	1 707
Labour costs	343	990
Legal fees	6 802	8 372
Media and Promotions	1 051	425
Postage and courier	19	3
Printing and publication	478	365
Transcription	25	18
Travel - local	739	146
Venue and catering	593	14
	18 410	**23 396**

16. STAFF COSTS	2023 R'000	2022 R'000
Employee benefits	3 444	3 226
Employee wellness	280	182
Recruitment and relocation	1 317	544
Salaries	113 640	102 504
Staff training	1 669	1 016
Temporary staff	1 986	2 103
Workmen's compensation	96	569
	122 432	**110 144**
Total number of employees	123	116

17. SETTLEMENT DISCOUNT EXPENSE

	2023	2022
Settlement discount expense	207	-

In the 2021/22 financial year, a receivable was raised on the case of GW Alberts vs CMS based on the lawyers' confirmation of R750 000. The Tax Master billing was subsequently received and the debt confirmed at R411 000. The two parties settled on R204 000 which was paid to CMS in the year under audit. The CMS recorded a debt impairment of R339 000 and a settlement discount of R207 000. This transaction is included in the receivables Note (3).

18. OPERATING SURPLUS

The CMS disposed of some assets during the year with proceeds of R38 000

	2023	2022
Gain on disposal of assets	12	4

19. CASH GENERATED FROM OPERATIONS

	2023	2022
Surplus (deficit)	28 559	24 137
Adjustments for:		
Depreciation and amortisation	2 442	2 913
(Gain) on sale of assets	(12)	(4)
Movements in operating lease assets and accruals	(4 107)	(2 870)
Movements in provisions	3 426	(824)
Changes in working capital:		
Receivables from exchange transactions	(2 423)	7 731
Payables from exchange transactions	7 180	(16 536)
	35 065	**14 547**

20. CONTINGENCIES

20.1. CONTINGENT LIABILITIES

20.1.1 The two former General Managers and the former late CFO whose contracts with CMS expired on 31 March 2020 and were not renewed referred a dispute of legitimate expectation of renewal of their fixed term contracts to CCMA. They received the award in their favour and the CCMA and CMS have since referred the matter to the Labour Court for review. The amount of the award is estimated at R5 536 962. Another General Manager referred an unfair dismissal dispute to the CCMA and he received an award in his favour. The CMS had since referred the matter to the Labour Court for review. The amount of the award is estimated at R2 835 000 however, it was impracticable to estimate the outcome probability for these cases in the Labour Court.

20.1.2 The former Communications Manager referred an unfair dismissal dispute against her to the CCMA which was further referred to the Labour court of which the cost and outcome probability was impracticable to estimate.

20.1.3 The former Network Manager referred an unfair dismissal dispute against him to the CCMA of which the costs and outcome probability was impracticable to estimate. This dispute was later referred to the Labour Court.

20.1.4 The Knowledge Management Manager referred to the CCMA an unfair labour practice dispute regarding a grading exercise. The manager lost the dispute which was subsequently referred to the Labour Court for review. It was impracticable to determine the cost estimate and outcome probability in this case.

20.1.5 The following cases are still ongoing in courts of which the judgements are still pending and it is impracticable to estimate their outcome probability:

- The CMS vs Medihelp (Inspection challenge)
- The CMS vs Mokoditoa (S59 challenge)
- CMS vs HFA (undesirable Business Practices)
- CMS vs BP Medical Society (Curatorship)
- Optivest vs CMS (challenge on powers of Registrar
- Discovery Medical Scheme vs CMS (Illegal vouchers)
- 3sixty appeal (appeal on refusal of exemption)
- Ossa appeal (appeal of Section 43 enquiry)
- Bankmed appeal (appeal of Registrar's decision to reject the registration of a rule)
- CMS/Discovery Holdings accreditation (appeal on the imposition of condition for DHMS to be accredited as an administration service provider).
- LCBO cases (appeals in respect of Circular 80 and 82 to abolish primary healthcare products)
- The CMS/Leroux vs Genesis Medical Scheme. The cost is estimated at an amount of R431 394.72.
- CMS vs Netcare (Curatorship) The costs are estimated at R500 000.
- CMS vs MOTO Health (Curatorship) R231 556 in legal costs has been incurred thus far.
- CMS vs Health Squared (Curatorship) costs are estimated at R1 242 250.

20.1.6 Dispute over invoices from Special Investigative Unit (SIU)

- CMS/Registrar vs SIU (CMS disputing SIU invoices of which the cost is R5 556 898).

20.2 CONTINGENT ASSETS

The following cases are pending before various fora and it is impractical to estimate their outcome probability:

- The CMS vs Government Employees Medical Scheme. The cost is estimated at an amount of R3 153 428.57.
- The CMS vs Medihelp Medical Scheme. The cost is estimated at an amount of R1 641 625.

21. RELATED PARTIES

RELATIONSHIPS

Executive Authority	The Executive Authority as defined in Section 1 of the PFMA, is the Minister of Health, as the CMS falls under the portfolio of the Department of Health.
Accounting Authority	Council, as defined in Section 49 of the PFMA , is the controlling body of the CMS, Council members,who are appointed by the Minister of Health, control the financial and operating activities of the CMS.
Executive management	In terms of Section 8(a) of the Medical Schemes act, No. 131 of 1998, Council shall appoint such staff as the Council may deem necessary to employ, to assist Council in the performance of its functions and execution of its duties.

RELATED PARTY BALANCES

TRANSFER PAID TO/(RECEIVED FROM) RELATED PARTIES	2023 R'000	2022 R'000
Department of Health	(6 272)	(6 212)

22. REMUNERATION OF MANAGEMENT

EXECUTIVE

2023	Basic salary R'000	Performance management R'000	Acting allowance and other R'000	Total R'000
Chief Executive and Registrar: Dr S. Kabane	2 737	23	-	2 760
Chief Financial Officer: Ms. A. Zinja	1 881	-	-	1 881
Chief Information Officer: Mr. E. Tlhako (Terminated 31 January 2023)	1 394	-	88	1 482
Executive: Corporate Services: Mr. Z. Baloyi (Appointed 01 June 2022)	1 568	-	-	1 568
Executive: Research and Monitoring - Mr. M. Willie	1 850	12	-	1 862
Executive: Regulation - Mr M.M. Maswanganyi (Appointed 01 May 2022)	1 835	8	67	1 910
Executive Manager: Office of the Chief Executive and Registrar - Mr. R. Sadiki	1 850	13	-	1 863
	13 115	**56**	**155**	**13 326**

Senior management titles were changed from General Managers to Executives due to implementation of the new organisational structure.

The performance bonuses related to the 2020/21 financial year but were paid in the 2022/23 financial year.

2022	Basic salary R'000	Performance management R'000	Acting allowance and other R'000	Total R'000
Chief Executive and Registrar: Dr S. Kabane	2 645	247	-	2 892
Chief Financial Officer: Ms. A. Zinja (from 1 November 2020)	1 800	-	-	1 800
Chief Information Officer: Mr. E. Tlhako	1 601	-	-	1 601
General Manager: Complaints and Adjudication - Ms. T. Phaswane	786	153	17	956
General Manager: Research and Monitoring- Mr. M. Willie	1 846	177	-	2 023
Executive Manager: Office of the Chief Executive and Registrar - Mr. R. Sadiki	1 939	152	-	2 091
	10 617	**729**	**17**	**11 363**

22. REMUNERATION OF MANAGEMENT (CONTINUED)

NON-EXECUTIVE

2023	Members' fees R'000	Total R'000
Dr T. Mabeba	320	320
Dr P. Mbava	113	113
Mr M. Maimane	560	560
Dr M. Makiwane	825	825
Mr M. Mfundisi	98	98
Dr H. Mukhari	373	373
Mr N. Raheman	95	95
Dr S. Naidoo	541	541
Dr X. Ngobese	232	232
Ms D. Terblanche	760	760
	3 917	**3 917**

Not included in the above non-executive members are Mr I Vanker, Dr A Thulare and Adv R Mareume who are public servants.

2022	Members' fees R'000	Total R'000
Dr T. Mabeba	514	514
Dr P. Mbava	132	132
Mr M. Maimane	305	305
Dr M. Makiwane	730	730
Mr M. Mfundisi	149	149
Dr L. Mkhansi (Resigned 1 May 2022)	216	216
Dr H. Mukhari	468	468
Mr L. Mulaudzi (Resigned 17 May 2021)	16	16
Mr N. Raheman	142	142
Dr S. Naidoo	470	470
Dr X. Ngobese	148	148
Ms D. Terblanche	677	677
	3 967	**3 967**

INDEPENDENT AUDIT AND RISK COMMITTEE MEMBERS' REMUNERATION

2023	Fees for services as a member of Audit and Risk Committee R'000	Total R'000
Mr L. Matshekga (Contract ended 03 February 2023)	185	185
Ms S. Mzizi (Contract ended 03 February 2023)	44	44
Mr J.N. Raphela	16	16
Ms D. Thabede	11	11
Mr M. Phesa	36	36
	292	**292**

Not included in the above audit and risk committee members is Mr I Vanker who once served in this committee representing Council and later resigned in this committee and Dr T Mabeba and Dr X Ngobese who represent Council in this committee. They are all still serving at Council.

22. REMUNERATION OF MANAGEMENT (CONTINUED)

INDEPENDENT AUDIT AND RISK COMMITTEE MEMBERS' REMUNERATION 2022	Fees for services as a member of Audit and Risk Committee R'000	Total R'000
Mr L .Matshekga	225	225
Ms S. Mzizi	75	75
Ms E.M. Pillay (Contract ended on 26 November 2021)	58	58
	358	**358**

23. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk (including cash flow interest rate risk).

LIQUIDITY RISK

The entity's risk in relation to liquidity is a result of payment of its payables. These payables are all due within the short-term. The CMS manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in the CPD account of R51 007 990 as at 31 March 2023.

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

MARKET RISK INTEREST RATE RISK

The entity invests surplus funds in the CPD account. The interest rates on this account fluctuate in line with movements in money market rates. The impact on investment revenue of a percentage shift would be a maximum increase/ decrease of R51 995.

24. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	2023 R'000	2022 R'000
Irregular Expenditure	1 410	3 705
Fruitless and wasteful expenditure	13	-
Total balance	**1 423**	**3 705**

National Treasury issued PFMA Compliance and Reporting Framework that has resulted in changes in this disclosure note. The previous financial year disclosure has been reclassified to be in line with the guidance from National Treasury. Additional disclosure has therefore been reported on in the Annual Report Section E.

The irregular expenditure identified mainly relates to non-compliance with Treasury Regulation 16(A)(6).

Irregular expenditure and fruitless and wasteful expenditure are investigated by the Loss Control Committee. In the 2022/23 financial year, no matters relating to criminality were identified. Where disciplinary steps have not been taken and are warranted, the Loss Control Committee makes recommendation accordingly.

25. SECURITY DEPOSIT

	2023 R'000	2022 R'000
Invested amount	4 200	3 975

This amount comprises R2 835 000 and R1 000 000 relating to a CCMA award for one former General Manager and three other former General Managers respectively. The CMS has placed these funds into a security deposit account as mandated by S145 of Labour Relations Act.

26. CHANGE IN ESTIMATE

PROPERTY, PLANT AND EQUIPMENT

The CMS has reassessed the useful lives of property, plant and equipment which resulted in remaining useful lives to change to reflect the actual pattern of service potential derived from the assets. The effect of the change in accounting estimate has resulted in a decrease in depreciation for the current period amounting to R473 551. The impact of the adjustment in future periods could not be ascertained.

CATEGORY	Cost price R'000	Current depreciation R'000	Revised depreciation R'000	Difference R'000
Leasehold Improvement	11 980	1 229	756	(473)

27. GOING CONCERN

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R30 815 and that the entity's total assets exceed its liabilities by R30 815.

The annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

28. EVENTS AFTER THE REPORTING DATE

In July 2023, CMS NEHAWU embarked on industrial action. An agreement was reached between the CMS and the CMS NEHAWU. The agreement resulted in the non-adjusting event relating to the implementation of the job evaluation report and salary benchmarking results with effect from 1 July 2022.

Part G
Overview of CMS Activities

1. POLICY, RESEARCH **AND MONITORING**

SUPPORT TO THE NATIONAL DEPARTMENT OF HEALTH

As part of its partnership with the South African National Aids Council (SANAC), the unit provided data and technical support while collecting private sector data on HIV/STI biannually. The CMS is also represented at the SANAC technical committee and participates in the private sector forum (PSF).

The unit provides technical support to the national health accounts (NHA) technical committee, data and analytics support. The task team is currently busy with round three of the project covering healthcare expenditure and use for 2017-2021.

The CMS participates at the Joint Learning Network (JLN) as a member of country representatives together with the National Treasury and NDOH. The JLN for Universal Health Coverage is an innovative, country-driven network of practitioners and policymakers who co-develop global knowledge products to bridge the gap between theory and practice to extend health coverage to over 3 billion people.

CMS was involved in various technical committees, including the technical workstream for international classification of diseases (ICD) coding. The unit also provided technical support to other ad hoc technical and policy-related topics.

BURDEN OF DISEASE AND USE OF HEALTHCARE SERVICES

PREVALENCE OF CHRONIC DISEASES IN THE MEDICAL SCHEMES' POPULATION

The CMS conducted a comprehensive study between 2014 and 2021 to assess the prevalence of chronic conditions among medical scheme beneficiaries. It revealed a persistent increase in the prevalence of chronic conditions, with 2020 and 2021 specifically showing an increased prevalence for most chronic conditions. Hypertension and diabetes mellitus Type 2 (DM2) continued to be the two most prevalent chronic conditions, while HIV exhibited the most significant rise in prevalence. In 2021, more than 50% of hospital admissions for chronic conditions were attributed to hypertension, coronary artery disease and DM2. Furthermore, there was a noticeable increase in the rate of hospital admissions among female beneficiaries, who constitute the largest proportion of the medical schemes' population.

The COVID-19 pandemic profoundly impacted medical schemes, necessitating legislative changes pertaining to the diagnosis, treatment, management and rehabilitation of beneficiaries who have contracted the virus. The economic repercussions for both medical schemes and beneficiaries were addressed by implementing innovative strategies that included minimising increases in contributions for beneficiaries, adjusting the timing of contribution increases and using reserves to offset larger increases in contributions. Although the number of beneficiaries with chronic conditions enrolling in disease management programs (DMP) has increased, it remains consistently lower than the rate of treated prevalence observed in this study.

POLICY RESEARCH AREAS

REGULATORY FRAMEWORK

The unit updated and published findings of the regulatory framework report mainly focused on complaints data. Key recommendations entailed:

- Learning from the market conduct of buyers and sellers of health insurance and providers of healthcare, thus, enabling a managed environment. Asset specificity, as defined by Investopedia in the field of economics, refers to the extent to which a valuable resource, such as an object or individual, can be easily repurposed or used in alternative contexts, particularly in the face of competition;
- learning from patient health-seeking episodes to reduce market exit by ensuring cost efficiencies and continuously improving patient experience in achieving effective cover;
- learning through harnessing the recent computational power of artificial intelligence (AI) text and sentiment analysis to develop regulatory interventions from a patient-centred approach; and
- disseminating information to the public in a coordinated fashion to avoid reputational risk caused by negative health-seeking experiences received by patients.

TRANSFORMATION IN THE MEDICAL SCHEMES INDUSTRY

The CMS finalised several research studies that looked broadly at transformation in the medical schemes industry under the following topics:

GENDER PAY GAP AMONG MEDICAL SCHEMES' CEOS

The study indicated a predominant representation of white Principal Officers/Chief Executive Officers (CEOs) in the medical scheme industry, highlighting a significant bias towards white males. Out of the 50 medical schemes analysed, the study revealed 32 (64%) were white, while 18 (36%) were black. Additionally, the study observed that CEO remuneration increased in accordance with the scheme's size, with larger schemes offering significantly higher pay than smaller ones. Furthermore, it highlighted the median pay for CEOs in open schemes exceeded closed schemes. In large schemes, there was a substantial 39% pay gap between male and female CEOs. However, in small schemes, this pay gap was only 6%.

The study recommended medical schemes take steps to close the gender pay gap among CEOs. Additionally, it emphasised the importance of attracting and retaining capable black CEOs and suggested further efforts to reduce the pay disparity between female and male CEOs. The study concluded more could be done to mitigate inequality within the industry by promoting diversity and equality in CEO positions, particularly by addressing racial disparities and gender pay gaps.

REVIEW OF ENTITIES CONTRACTED TO MEDICAL SCHEMES' EXTERNAL AUDIT SERVICES

This review examined the status of entities contracted to provide auditing services to medical schemes to assess the number of market players and the level of transformation and market dominance within the industry. The findings revealed a select few audit firms held significant market share, thus influencing the transformation efforts. Specifically, PwC and Deloitte account for nine out of 10 beneficiaries of medical schemes.

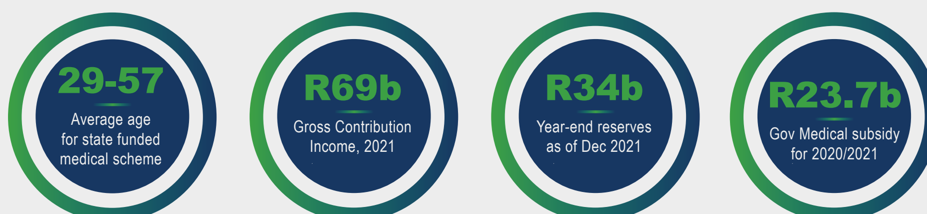
Based on these findings, the Board of Trustees (BoT) was identified as crucial in promoting fair competition and ensuring other potential competitors are given equal opportunities to provide auditing services. Additionally, the study provided recommendations to empower and encourage smaller audit firms to enter the medical scheme environment, and it emphasised the BoT's key role in facilitating this process.

MARKET STUDY ON THE TRANSFORMATION OF THE MEDICAL SCHEMES INDUSTRY

At present, the CMS is undertaking a market study to evaluate the viability of creating a BBBEE scorecard specifically for the medical schemes industry. This project aims to gather secondary data from various authorities, including the BBBEE Commission as well as other diverse and accessible sources

Research: Government funded medical schemes

CMS Policy Research and Monitoring Division continues to publish extraordinary policy research outcomes for the benefit of the medical schemes sector and government. Its recent research report titled 'A Review of Government Funded Medical Schemes and Medical Schemes With Less Than 6000 Members'



STANDARDISATION AND SIMPLIFICATION OF BENEFIT OPTIONS

Among the findings of the Health Market Inquiry Report (2019) is the difficulty facing beneficiaries when making benefit option choices due to their high proliferation. A recommendation was to standardise supplementary benefit packages to allow for a simpler choice environment. The unit has developed a framework for standardising and simplifying benefit options over the years, and a pre-procurement market analysis was done for the period under review to implement a project-needs assessment for benefit option standardisation and simplification.

Further work that must be conducted and funded includes a market segmentation survey and a choice experimental analysis to assess the impact of product and information standardisation beneficiary choices. An extended relational diagram (ERD) was designed to start collecting medical scheme rules electronically, pursuant to developing model rules specific to benefit option designs.

TECHNICAL SUPPORT FOR UNDESIRABLE BUSINESS PRACTICES DECLARATION ON DSP NETWORKS

An analysis was conducted on stakeholder submissions in response to the Undesirable Business Practice Declaration of 2017. These submissions were examined to gather input for developing guidelines pertaining to designated service provider (DSPs) tenders for pharmaceutical services and co-payments. The resulting guidelines will be shared with stakeholders for their feedback and comments. Additionally, the CMS conducted technical work to establish criteria for pharmacy networks, aligning with the Health Market Inquiry (2019) recommendations on DSPs. The draft guidelines have been completed, and the process of engaging stakeholders and seeking their input and feedback will be initiated in the near future.

A REVIEW STUDY ON GOVERNMENT-FUNDED MEDICAL SCHEMES AND MEDICAL SCHEMES WITH LESS THAN 6000 MEMBERS

The CMS published a report on government-funded medical schemes that includes a review of state employees' medical schemes and schemes with fewer than 6000 principal members. The analysis focused on 11 state employees' medical schemes, collectively accounting for 1.1 million principal members and 2.9 million beneficiaries in 2021. These numbers represent approximately 33.1% of the medical scheme industry and 71% of restricted schemes in terms of beneficiaries.

Five of the 11 state employees' medical schemes had fewer than 6000 members. The average ages for state-funded medical schemes ranged from 29 to 57 years, while the dependent ratio varied between 0.5 and 1.9.

Fraud, Waste & Abuse (FWA) Bi-Laterals

In November 2022, the CMS hosted a landmark healthcare signing ceremony on the Codes of Good Practice (CoGP) and Fraud, Waste and Abuse (FWA) Tribunal rules with various medical schemes.

This CoGP recognises the statutory mandate of the CMS to control FWA against a medical scheme, a beneficiary; of the HPCSA to regulate illegal practices of medical practitioners; of the SAPC to control the activities of a pharmacist, among other regulators.

The solvency ratio of the state employees' medical schemes was above the minimum threshold of 25% as prescribed by the Medical Schemes Act. Out of the 11 schemes analysed, ten complied with Regulation 29. Furthermore, the state employees' medical schemes had a year-end reserve of just over R34 billion as of December 2021, indicating a strong financial position. The study revealed varying remuneration practices among the schemes, and the schemes exhibited different demographic and risk profiles and showed variation in terms of scheme size.

Overall, these schemes demonstrated a favourable financial position with substantial reserves. The report also highlighted the total government medical scheme subsidy for the 2020/2021 period amounted to R23.7 billion, providing additional context to the government's support for these medical schemes.

QUALITY OF CARE IN MEDICAL SCHEMES

Medical schemes engage in contracts with managed-care organisations (MCOs) to assist in identifying at-risk beneficiaries and place them on appropriate levels of care to enhance their health outcomes. Disease management programmes play a crucial role in achieving this objective by ensuring individuals with chronic conditions adhere to the minimum standard of care corresponding to their specific health condition.

As per the Medical Schemes Act (MSA) Section 7 (c), the CMS is obligated to provide recommendations to the Minister of Health regarding the quality of healthcare in medical schemes. These recommendations are published annually. The latest report focusing on the period of 2021/2022 concentrated on five conditions: asthma, chronic obstructive pulmonary disease, HIV, hypertension and DM2. The study assessed selected tests and procedures considered the most significant in evaluating compliance with the standard of care. Coverage ratios were used as the measuring tool, and the study aimed to analyse the quality of care delivered by South African medical schemes.

The report's main findings revealed the number of beneficiaries registered with hypertension experienced the highest growth rate in the past six years, followed by those with DM2 and then individuals with HIV. However, the coverage ratios for hypertension and diabetes remained low, whereas those for HIV were closest to meeting the targets set by UNAIDS.

These results indicate the necessity for schemes to prioritise disease management programmes for hypertension and DM2 to effectively address the increasing number of registered beneficiaries.

RESEARCH PUBLICATIONS

The unit published more than ten research studies in various journals, presented topics covering the impact of pre-authorisation on health outcomes and participated in various industry webinars. The unit also participated in local conferences and presented a poster at the international ISQua conference.

IMPACT OF COVID-19 ON HIV CARE IN AFRICA STUDY – WORLD MEDICAL JOURNAL

The CMS published a research paper in the World Medical Journal examining the impact of COVID-19 on HIV care. A key finding highlighted the effects of COVID-19 on certain African countries. In December 2020, the UNAIDS targets for 2025 were revised, aiming for 95% of individuals living with HIV to be aware of their status; 95% of those aware to be on antiretroviral therapy (ART) and 95% of those on ART to achieve viral suppression.

The study revealed South Africa falls significantly below these targets compared to neighbouring countries, including Lesotho and Botswana. It also demonstrated the Kingdom of Eswatini (formerly Swaziland) not only met but surpassed the 95-95-95 targets by September 2022. This indicates variations in the progress towards achieving the UNAIDS targets among different countries, with Eswatini demonstrating commendable success while South Africa faces challenges in meeting the desired levels of HIV care.

FUNDING OF ONCOLOGY BENEFITS BY MEDICAL SCHEMES, SOUTH AFRICA: A FOCUS ON BREAST AND CERVICAL CANCER - HEALTHCARE ACCESS - NEW THREATS, NEW APPROACHES

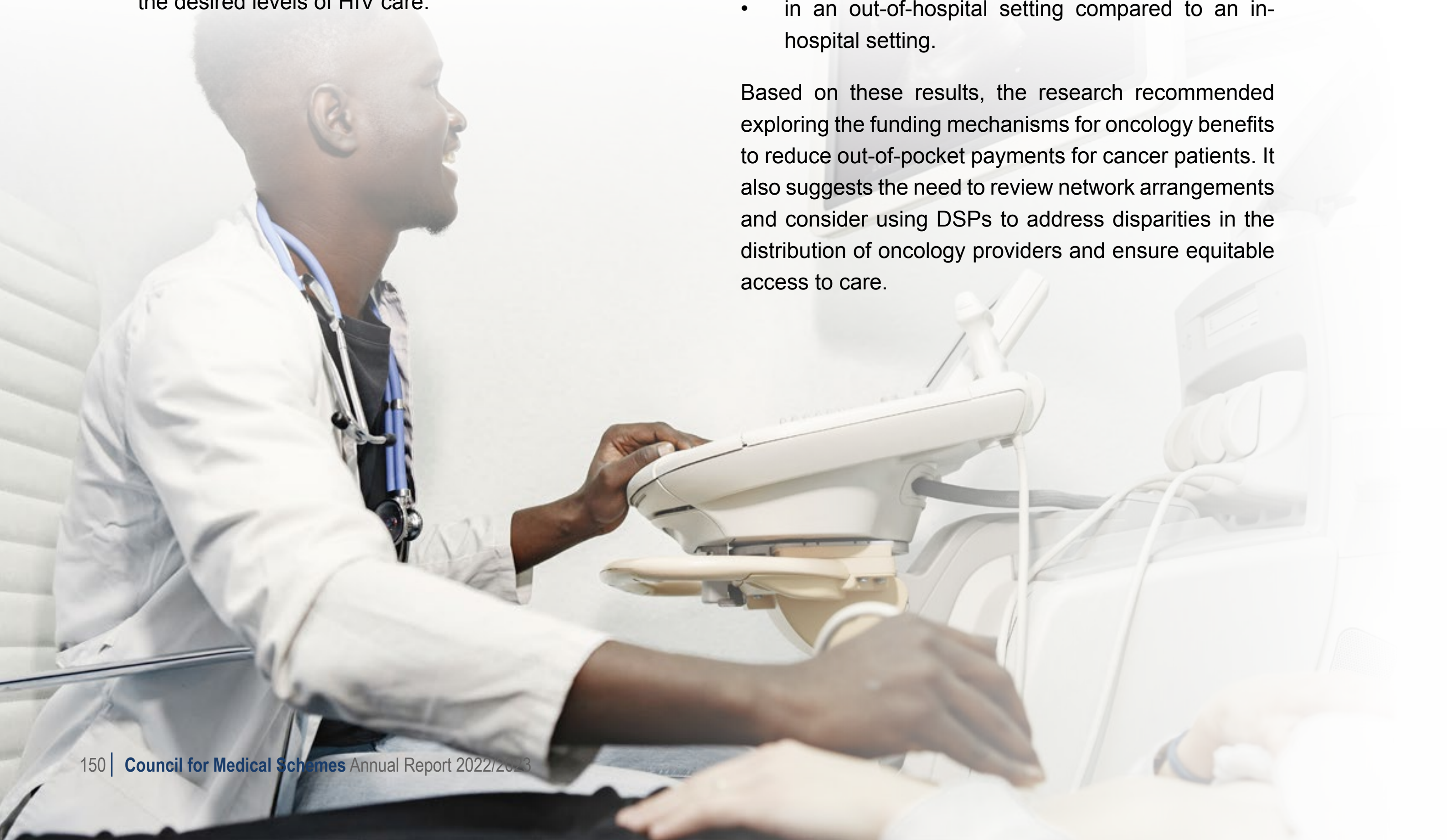
The unit contributed a book chapter titled The Funding of Oncology Benefits by Medical Schemes, South Africa: A Focus on Breast and Cervical Cancer, published in a UK-based book titled Healthcare Access - New Threats, New Approaches, edited by Prof. Ayse Emel Onal. The chapter follows a study investigating breast and cervical cancer incidence among members of South African medical schemes.

The study's secondary objective was to analyse the funding of these two types of cancer by medical schemes, including patient payments and out-of-pocket expenses, to identify funding gaps. A cross-sectional retrospective review of medical scheme claims data for oncology benefits, with a specific focus on breast and cervical cancers, was conducted. A multivariate logistic regression model was used to assess cancer rates.

The findings revealed several significant associations. Firstly, the relative proportion of beneficiaries with breast cancer was higher:

- in open schemes compared to restricted schemes;
- in large schemes compared to medium and small schemes;
- in comprehensive plans and efficiency discount options (EDOs) compared to partial cover plans;
- among age groups older than 55; and
- in an out-of-hospital setting compared to an in-hospital setting.

Based on these results, the research recommended exploring the funding mechanisms for oncology benefits to reduce out-of-pocket payments for cancer patients. It also suggests the need to review network arrangements and consider using DSPs to address disparities in the distribution of oncology providers and ensure equitable access to care.



2. CLINICAL **OVERVIEW**

In the quest to promote quality improvement and reduce costs in the private healthcare sector, the clinical services unit published CMScripts focused on informing members of their PMB level of care. In the 2022/2023 period, 12 CMScripts were published covering a range of cancers, diabetes, injuries and other conditions.

Furthermore, the unit issued PMB definition guidelines recommending a standard interpretation of PMB provisions based on available evidence of clinical and cost-effectiveness, taking into consideration affordability constraints and the financial viability of medical schemes in South Africa. Nine of the ten guides issued in the period under review focused on haematological/ oncology conditions and an update on COVID-19.

Operationally, over 1 200 clinical complaints and opinions were processed.

The unit also collaborated with other units and government stakeholders for clinical advice and support. Together with legal services, the unit dealt with matters related to the national health reference price list (NHRPL), the South African private practitioners' forum (SAPPF) and rare diseases. Together with the education and training unit, it presented PMB and clinical governance talks to trustees. The clinical unit provided submissions to the low-cost benefit option (LCBO), and PMB review primary preventative package costing projects.

The unit participates in the forum to promote transparency and multi-stakeholder engagement regarding medicine availability in support of the NDOH. The forum is tasked with improving access and availability of medicines through enhanced transparency, equity, efficiency, responsiveness and accountability in the supply chain.

To align PMB definitions and member entitlements with the NDOH guidelines, the unit is part of the national essential medicine list committee (NEMLC) that outlines the access to standard treatment guidelines and essential medicines list available at primary, secondary, tertiary and quaternary hospital levels. The unit was honoured to participate in webinars for the South African Depression and Anxiety Group (SADAG) on PMBs and mental health.

3. PRESCRIBED MINIMUM BENEFITS **REVIEW**

The PMB review project involves the review of PMBs to ensure minimum and essential health coverage for members of schemes regardless of the member's benefit option, age or health status. The PMB review project currently focuses on establishing a PHC service package for all medical scheme members to ensure alignment with national health policy. PHC is defined as essential healthcare that is affordable, practical, evidence-based and socially acceptable. This will ensure a health system focused on health promotion and disease prevention, but that contains curative and rehabilitative aspects of health.

During the 2022/2023 financial year, progress was made towards costing ten identified PHC service packages. These included the addition of changes proposed by the PMB advisory committee and the priority-setting committee. In addition, the CMS concluded and published 10 PMB benefit definition guidelines that will play a central role in the PMB review process and improve funding decisions in determining PMB level of care by medical schemes, taking into consideration evidence-based medicine, affordability and cost-effectiveness.

The 2023/2024 financial year will finalise the PHC costing report and include an affordability framework and assessment. Thereafter, the draft report will be published for stakeholder comment and feedback. An update was published recently and details the progress made and the way forward (Circular 15 of 2023).

The CMS and GIBS join hands to develop a BoT Leadership Development Programme

23 February 2023, the Council for the Medical Schemes and GIBS launched the second Medical Scheme Board of Trustee Leadership Development Programme. Nine of the medical schemes deployed its Board of Trustees members to the training on corporate governance.

The 2019 Competition Commission's Health Market Inquiry (HMI) Report had recommended that the CMS develop a set of core competencies for Medical Scheme Board of Trustees (BoT) and establish a trustee training relevant to their needs. GIBS with their stellar record of programme management was a preferred choice - to equip all BoT's with governance skills in order to administer the schemes properly.

4. DEMARCATION REGULATIONS **UPDATE**

In the absence of a finalised LCBO guideline, the CMS published the Demarcation Renewal Exemption Framework on the 25 of January 2022 (Circular 9 of 2022), which provided for the extension of the exemption of insurers conducting the business of medical schemes by a further two years, from 1 April 2022 to 31 March 2024. The said exemption relates to the insurers conducting the business of a medical scheme without due registration, which existed as at 31 March 2017, with active policyholders and active policies.

On 3 February 2022, a virtual workshop was held to guide authorised data officers with the submission of renewal application information. Applicants were requested to submit relevant exemption applications and pay prescribed fees before 29 March 2022.

The various applications were submitted by the exempted entities within the relevant timeframes. Upon evaluating the various submissions, it was noted that some of the insurers did not submit sufficient healthcare utilisation information, and insurers were required to submit revised information.

5. CALL CENTRE **TRENDS**

The customer care centre experienced a 9% (2 270) increase in calls, email queries and walk-ins to a total of 26 600. The unit supports the business by resolving queries that could potentially lead to formal complaints. Close to a third of these (31%) related to interpreting various sections of the MSA, such as the underwriting of waiting periods, late joiner penalties (LJPs) and PMBs.

The customer care centre offers guidance and support for brokers and brokerages needing help navigating the broker accreditation self-help online system. Additionally, the centre experienced a surge of queries emanating from the curatorship of Health Squared and MediPos medical schemes.

6. EDUCATION AND TRAINING **ACTIVITIES**

The education and training unit is tasked with educating consumers about their rights and responsibilities and creating awareness about the CMS. As such, the unit conducted 47 consumer education/outreach sessions, supported by nine interviews on local community radio stations. Collaborating with community radio enables the CMS to raise awareness and share educational messages at a community level, reaching rural-based consumers in a language they understand.

The unit is also charged with enhancing knowledge and skills among stakeholders to create an in-depth understanding of governance and compliance with the MSA through education and training interventions. Linked to the strategic goal of enhancing knowledge and skills among stakeholders to create an in-depth understanding of governance and compliance with the Medical Schemes Act, this manifests through trustee, broker and scheme-specific training sessions.

Trustee induction sessions enable the CMS to orientate newly appointed BoT members with knowledge of the business of medical schemes, instilling governance and compliance confidence, especially in those trustees who might not be familiar with the private healthcare sector dynamics. The unit hosted two sessions in the period.

Together with the Gordon Institute of Business Science (GIBS), the unit hosted the trustee development programme, pitched at NQF-level 8, as a progression of the CMS' induction training for trustees and accredited skills programme. The programme is a structured block release emphasising continuous learning with certification on completion.

Scheme-specific and broker training sessions offer refreshers and upskilling to trustees and brokers on current industry developments and compliance with the MSA. Three broker training sessions and two scheme-specific training sessions were undertaken by the unit.

The success of the unit's activities aligns closely to its collaboration with industry groupings and stakeholders such as the consumer protection forum (CPF), the South African National Consumer Union (SANCU), the national consumer financial education committee (NCFEC) and others.

7. PROMOTING A HEALTHY INDUSTRY THROUGH **STAKEHOLDER ENGAGEMENT**

The communications, marketing and stakeholder unit continued earnestly with the FWA project, focusing on attaining industry concurrence on the industry codes of good practice (CoGP) and tribunal rules. These papers highlight effective ways of dealing with fraudulent activities, including appropriate sanctions for convicted fraudsters.

The year's activities followed a roadmap adopted by the FWA advisory committee that consisted of a consultative workshop in August, a webinar in September and a signing ceremony in November as a pledge to combat fraud, waste and abuse in the private healthcare industry. These key activities were fulfilled through the unit's collaboration with the policy, research and monitoring division and legal services unit. Ultimately, these activities will culminate in an FWA summit.

The unit led the CMS' participation in the Board of Health Funders (BHF) conference in May, where the organisation's mission was reinforced to stakeholders through an exhibition stand. The stand was a central point of interaction for the CMS and stakeholders attending the conference. Through three PO and BoT forums, the unit aimed to ensure consistent stakeholder engagement with the industry it regulates. The forums' themes covered topics on the CMS' regulatory role, the industry's performance in 2022, member benefits and MSA compliance. The unit's communications operations ensure the CMS stakeholders have access to the latest and most up-to-date regulatory information, circulars and pronouncements through mass mailing, website and social media updates.

Engagements with Medical Schemes

PO & BoT Forum

A Principal Officers & Board of Trustee (PO & BoT) Forum was held in Cape Town (27 March) and Pretoria (30 March). Over 72 Medical Schemes PO & BoT were in attendance. Discussions resolved around routine inspections, benefits rules, the current LCBO, Demarcation Exemptions. The forum serves as an important occasion for medical schemes to pose their concerns.

8. ENFORCING AND ENCOURAGING COMPLIANCE **FOR A HEALTHY INDUSTRY**

ROUTINE INSPECTIONS

During the reporting period, the unit conducted eight online routine inspections by receiving all required information from medical schemes via the CMS Medical Schemes portal and conducting interviews with key personnel via virtual platforms. This strategy allowed the compliance and investigations unit to digitise inspection records, transitioning from hard-copy files to a wholly paperless process. Two routine inspections were conducted via a hybrid system meaning the relevant documents were submitted via the portal, but the routine inspections were conducted at the various scheme premises.

In total, 10 routine inspections were initiated, and the various schemes were issued with draft inspection reports to respond to the relevant findings and recommendations. It was noted the various medical schemes have overall good controls in place, and scheme finances are well-managed. Based on the submission, board meetings are well-attended, and minutes well maintained.

However, some policies are lacking, and boards can ensure the recommended policies are adopted. It was further noted that some boards and committees are not properly diverse in relation to race and female representation, while not all boards conduct adequate trustee vetting (elected and appointed) prior to these positions being filled. In certain instances, it was noted some trustees serve excessive terms that can hinder objectivity and prevent bringing fresh blood to the table.

The routine inspection findings also found BoT's still enter into indefinite terms with service providers as it relates to administration and managed-care agreements without testing the market for competitive pricing and value-add services.

COMMISSIONED INVESTIGATIONS

During the reporting period, the unit observed most of the commissioned investigations initiated resulted from complaints relating to improper/irregular procurement processes. The second reason for initiating commissioned inspections related to allegations of improper trustee election processes or undue influence over medical schemes' trustee election processes.

ANNUAL GENERAL MEETINGS

The CMS issued Circular 17 of 2022 on 4 March 2022, encouraging all medical schemes to comply with their relevant scheme rules and to be mindful of the prevailing COVID-19 restrictions. Most medicals scheme already amended their rules to hold virtual AGMs during the 2020 period following the national lockdown restrictions. The unit attended 52 annual member meetings for the period 1 April 2022 to 31 March 2023, and AGM observation reports were prepared for internal purposes. The observation reports guide future regulatory interventions.

ENFORCEMENT ACTIONS

Enforcement actions implemented at regulated entities that include activities such as:

- Section 43 and 45 enquiries
- Enforcement of rulings
- Inspection directives
- Issuing of penalties

GOVERNANCE INTERVENTIONS

Governance interventions were implemented at regulated entities that include activities such as:

- Trustee removal processes
- Curatorship monitoring
- Exemptions applications
- Board notice evaluations

Medipos was placed under provisional curatorship during the period under review, given the non-payment of contributions by the South African Post Office. At the time of approaching the high court, the contributions were in arrears by R600 million.

Witbank Coalfields Medical Scheme was placed under statutory management in terms of Section 5A of the Protection of Funds Act following the adverse findings from a forensic investigation report into allegations against a scheme official and the board's lack of appropriate action. The statutory manager, Mr Juanito Damons, issued his first report to the CMS that detailed remedial action to be taken by the board.

Health Squared Medical Scheme's demise was decided at its AGM on 24 November 2022. Eight of the 13 attendees voted in favour of winding up the scheme. Health Squared stated its primary reason for applying for leave to voluntarily liquidate was its financial deterioration caused by the 2020 and 2021 high COVID-19 claims. In addition, Health Squared stated it experienced substantial member loss that led to a solvency decline that was 2.15% by the end of July 2022 and projected to be between 0.2% and 2.3% by the end of the year.

9. ACCREDITATION OF MEDICAL SCHEME ADMINISTRATORS AND SELF-ADMINISTERED SCHEMES

ADMINISTRATORS AND SELF-ADMINISTERED SCHEMES' ACCREDITATION AND COMPLIANCE CERTIFICATE APPLICATION EVALUATIONS COMPLETED DURING 2022/2023:

Table 44: Limited Administrator Accreditation

ADMINISTRATORS AND SELF-ADMINISTERED SCHEMES APPLICATION EVALUATIONS COMPLETED				
	New applications	Renewals	On-site evaluations completed	Conditions compliance on-site evaluations
Administrators	• Europ Assistance Worldwide Services (Pty) Ltd* • Iso Leso Optics (Pty) Ltd* • Kaelo Prime Cure (Pty) Ltd • Opticlear (Pty) Ltd* • Preferred Provider Negotiators (Pty) Ltd*	• 3Sixty Health (Pty) Ltd • Afrocentric Integrated Health Administrators (Pty) Ltd • Agility Health (Pty) Ltd • Discovery Administration Services (Pty) Ltd • Momentum Health Solutions (Pty) Ltd • National Health Group (Pty) Ltd • Private Health Administrators (Pty) Ltd • Universal Healthcare Administrators (Pty) Ltd	None	None
Self-administered Schemes	• None	• De Beers Benefit Society • Foodmed Medical Scheme • Rand Water Medical Scheme • SAMWUMED • Sedmed	None	None

* Limited Administrator Accreditation

THIRD-PARTY ADMINISTRATORS AND SELF-ADMINISTERED SCHEMES:

- One new administrator accreditation, eight administrator accreditation renewals, five self-administered scheme compliance certificate renewals and four new limited administrator accreditation evaluations were finalised during the 2022/2023 financial year;
- On-site evaluations, suspended during the COVID-19 pandemic, were resumed during the 2022/2023 financial year. One on-site evaluation findings report is to be finalised, and one on-site evaluation, commenced in March 2023, is to be concluded in the 2023/2024 financial year;
- The accreditation sub-programme monitored compliance by accredited entities with conditions imposed and continued financial soundness; and
- A new annexure to the application form was published in which entities must declare their compliance with applicable laws and regulations.

THE LIMITED ADMINISTRATOR ACCREDITATION FRAMEWORK

The final limited administrator accreditation framework was published in June 2022 and effective 1 January 2023. To date, four out of six identified entities have applied for and been granted limited administrator accreditation. The other two applications will be finalised in the 2023/2024 financial year.

MANAGED-CARE ORGANISATIONS / MEDICAL SCHEMES PROVIDING OWN MANAGED-CARE SERVICES ACCREDITATION AND COMPLIANCE CERTIFICATE APPLICATION EVALUATIONS COMPLETED DURING 2022/2023:

Table 45: Managed Care Organisations

MANAGED-CARE ORGANISATIONS AND MEDICAL SCHEMES APPLICATION EVALUATIONS COMPLETED				
	New applications	Renewals	On-site evaluations completed	Conditions compliance on-site evaluations
Managed-care organisations	• MediKredit Integrated Healthcare Solutions (Pty) Ltd • Pan-African Managed Care (Pty) Ltd	• Agility Health (Pty) Ltd • Aid for AIDS Management (Pty) Ltd • CareWorks (Pty) Ltd • Discovery Administration Services (Pty) Ltd • Discovery Health (Pty) Ltd • Health Calibrate (Pty) Ltd • ICON Managed Care (Pty) Ltd • Improved Clinical Pathway Services (Pty) Ltd • Kaelo Prime Cure (Pty) Ltd • Lifesense Disease Management (Pty) Ltd • Mediscor PBM (Pty) Ltd • Momentum Health Solutions (Pty) Ltd • Momentum Thebe Ya Bophelo (Pty) Ltd • National Health Group (Pty) Ltd • Performance Health (Pty) Ltd • Professional Provident Society Healthcare Administrators (Pty) Ltd • Rx Health (Pty) Ltd • Scriptpharm Risk Management (Pty) Ltd • South African Oncology Consortium (Pty) Ltd	None	None
Medical schemes providing own managed-care services	• None	• Bestmed Medical Scheme • Cape Medical Plan	None	None

MANAGED-CARE ORGANISATIONS AND MEDICAL SCHEMES PROVIDING OWN MANAGED-CARE SERVICES

- Two new managed care organisation accreditation applications, nineteen accreditation renewal applications, and two manged care compliance certificate renewal evaluations (in respect of medical schemes providing their own managed-care services) were finalised during the year under review. Two new managed-care organisation accreditation applications were evaluated, and accreditation refused due to the entities not providing managed-care services as defined and, therefore not needing to be accredited; and
- On-site evaluations, suspended during the COVID-19 pandemic, were resumed during the 2022/2023 financial year. One on-site evaluation, that commenced in March 2023, is to be concluded in the 2023/2024 financial year.
- The accreditation programme monitored compliance by accredited entities with conditions imposed and continued financial soundness;
- A new annexure to the application form was published in which entities must declare their compliance with applicable laws and regulations;
- The revised and updated accredited managed-care services document was published with Circular 54 of 2022 and effective 1 January 2023.

BROKERS AND BROKER ORGANISATIONS

INDIVIDUAL BROKERS AND BROKER ORGANISATIONS ACCREDITED: (NEW AND RENEWAL)

Total number of broker and broker organisation applications received	5 301
Total number of broker and broker organisation applications accredited within 30 working days of receipt of complete information	4 585
Percentage of broker and broker organisation applications accredited within 30 working days of receipt of complete information	86.5%
Total number of accredited brokers and broker organisations as at 31 March 2023	9 752

VERIFICATION OF ACADEMIC QUALIFICATIONS

The sub-programme continued to verify the qualification verification reports of individuals applying to be accredited as brokers. The qualification verification reports of 939 individuals were verified independently during the period under review.

REVISION OF CIRCULAR 20 OF 2010

The sub-programme published Circular 35 of 2022 during June 2022, publishing the proposed guidelines to revise Circular 20 of 2010 that deals with appointing brokers by a member or employer (in the case of employer group) as prescribed by Regulation 28(7) of the Medical Schemes Act, 131 of 1998.

ADJUSTMENTS OF BROKER FEES

The Minister of Health announced an increase in the maximum amount payable to brokers by medical schemes in respect of broker clients who are members of medical schemes in terms of Section 65 of the Medical Schemes Act. The amount was increased to R 111.18 per member per month with effect 1 January 2023. A circular in this regard was published on the CMS website.

10. ADJUDICATION OF COMPLAINTS

MILESTONES

During the reporting period, the CMS took active measures to protect the interests of medical scheme beneficiaries and improve their overall experience. One way of achieving this goal was to eliminate the historical backlog of complaints at the close of 2021/2022 financial year and ensure it does not re-accumulate. This was made possible by introducing a backlog monitoring output indicator. The net effect is that the complaints adjudication unit can now keep tabs on any complaint ageing beyond the set turnaround time and take steps to resolve the delay.

Secondly, the CMS overhauled its complaints adjudication process by significantly reducing the turnaround time for complaints resolution from 120 working days to 120 calendar days. This represented a 56-day reduction in the turnaround time for resolution of complaints.

Thirdly, the complaints adjudication unit introduced new, complexity-based categorisation linked to specified resolution timeframes, resulting in a significant increase in early resolution of complaints, the majority of which were resolved within 30 days. This allows focused investigation of complex complaints, thereby avoiding a new backlog.

1. COMPLAINT VOLUMES

Following the decline in the new complaint volumes seen in the year 2020, an upward trend in now taking hold. In 2022/2023, new complaints surpassed the volumes recorded in 2019.

2. NUMBER OF COMPLAINTS ADJUDICATED

In total, 3 480 complaints were handled in 2022/2023 that included 514 carried over from 2021/2022 financial year. New logged complaints amounted to 2 966. There were 3 017 complaints resolved overall including both justiciable and non-justiciable complaints. In line with the early resolution strategy, the unit resolved more than 90% of complaints within 120 calendar days of which 60% was realised within 30 calendar days following the receipt of all relevant documentation.

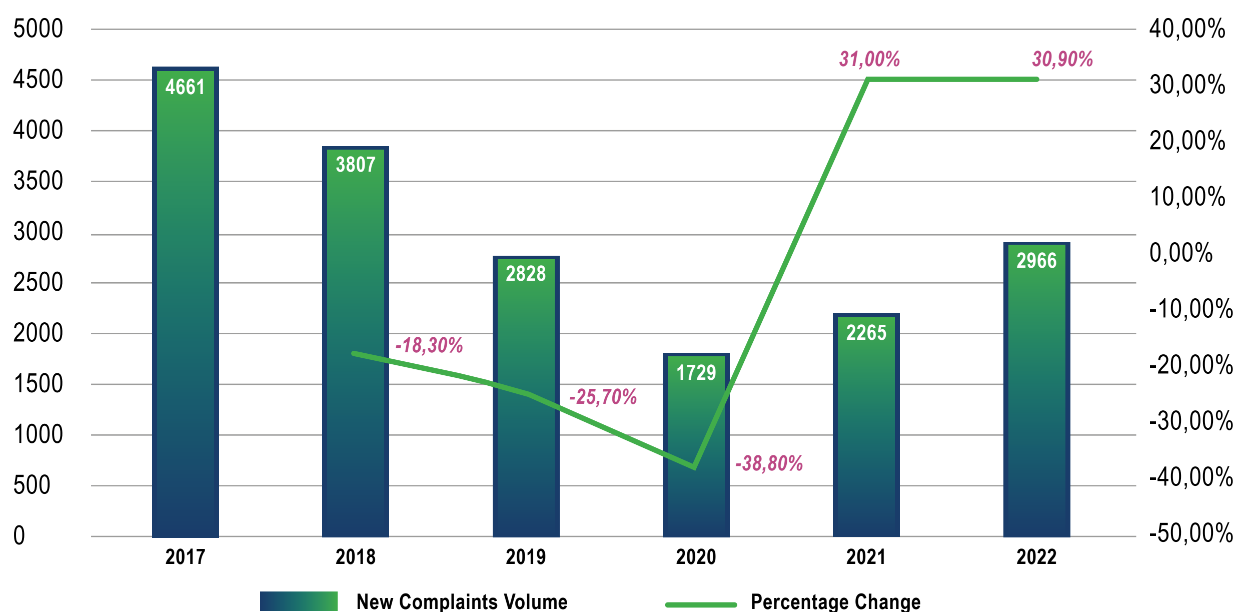
Brought forward	514	3 480
New registered complaints	2 966	

Table 46: Resolution statistics

Resolution period	Actual	%
Non-justiciable complaints*	**932**	**30.9%**
Within 30 days	1 873	31.18%
Within 60 days	525	17.4%
Within 90 days	344	11.4%
Within 120 days	275	9.11%
Total finalised	**3 017**	**100%**
Overall resolution (<120 days)	**2 800**	**92.8%**
Resolved (>120 days)	**217**	**7.1%**
Still open (>120 days)	**9**	**0.29%**

*Non-justiciable complaints are those that do not require referral to regulated entities due to evidence sufficiently showing correct application of the law and registered rules.

Figure 4: Illustrates the fluctuation of complaint volumes over a five-year period



3. ANALYSIS OF NON-JUSTICIABLE COMPLAINTS**

Of the 932 non-justiciable complaints processed, 98% were lodged against medical schemes and 2% against other regulated entities such as administrators, managed-care organisations and demarcated product insurers.

Table 47: Non-justiciable complaint per sub-category

Non-justifiable sub-category	Actual	%
Closed due to failure to submit outstanding supporting documents/evidence	546	58.58%
Duplicates (online and manual submission)	205	22%
Enquiries	43	4.61%
Lack of merits	130	13.94%
Non-formal referral to entities	8	0.85%
Total non-justiciable complaints	932	100%

* Non-justiciable complaints are those that do not require referral to regulated entities due to evidence sufficiently showing correct application of the law and registered rules.

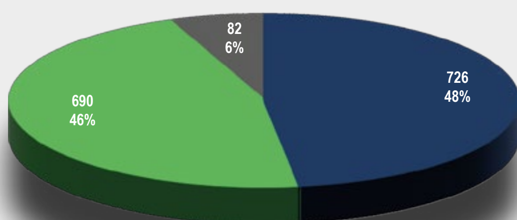
** Included under non-justiciable complaints are other complaints that cannot be formally pursued due to failure to submit supporting documentation/evidence, informal queries and duplicate complaints.

4. OUTCOME OF JUSTICIABLE COMPLAINTS: PER ENTITY TYPE

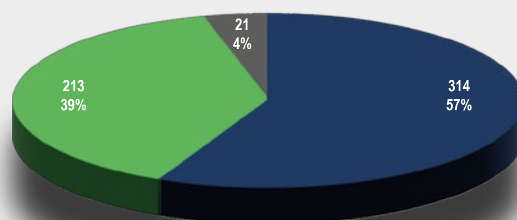
The total number of justiciable complaints adjudicated includes 1 498 open medical scheme complaints and 548 lodged against restricted (closed) medical schemes. Jointly, open and closed medical scheme complaints constitute 98% of the justiciable complaints handled by the CMS in this reporting period.

The resolution outcomes per entity type is illustrated below.

COMPLAINT RESOLUTION OUTCOMES: OPEN MEDICAL SCHEMES



RESTRICTED MEDICAL SCHEMES



Ruled for complaints | Ruled for entities | Ruled for both parties

Figure 5: Complaint Resolution Outcomes: Open Medical Schemes

Figure 6: Complaint Resolution Outcomes: Restricted Medical Schemes

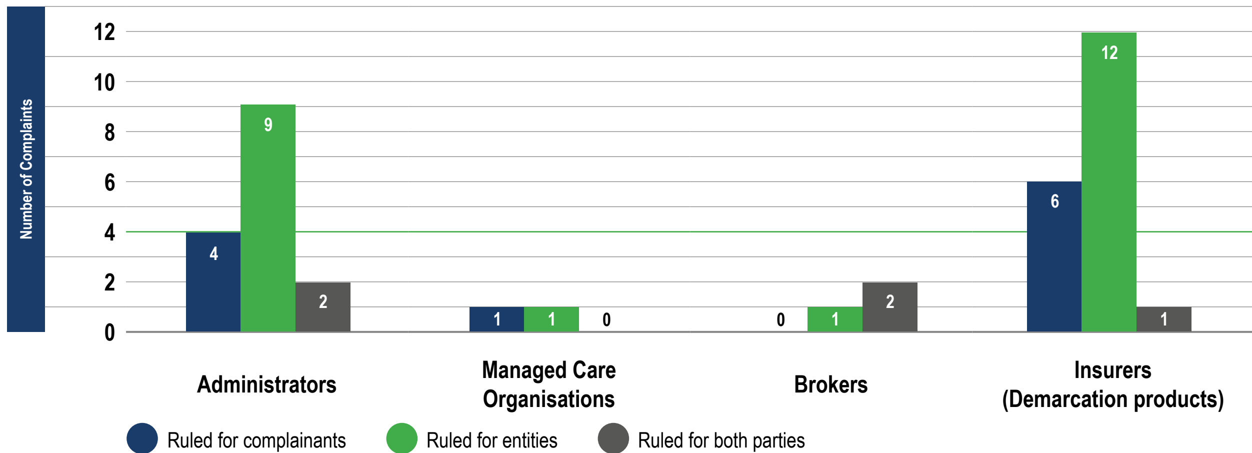


Figure 7: Resolution outcomes for other regulated entities (non-schemes)

5. RESOLVED COMPLAINTS PER COMPLAINT TYPE

Based on the CMS complaints classification matrix, administrative complaints constitute the majority of adjudicated complaints. These are mainly general funding disputes including complaints regarding repudiation of discretionary benefit claims due to reasons such as uncovered services/benefit exclusions, depletion of benefits and waiting periods.

Complaints related to non-payment and short payment of PMBs are classified under the clinical/technical complaints genre. This classification is further sub-divided based on reasons behind the complaints that may include application of treatment protocols, short payments related to out of formulary medicines and designated service provider disputes. At the heart of PMB complaints, we see interpretation disputes where parties differ on the interpretation of PMB regulations and applicable funding limits. Also included are disputes over whether the treatments used for PMB conditions constitute PMB level of care or not. The CMS clinical review committee provides expert opinions and guidance on the correct interpretation of benefit definitions and entitlements linked to the diagnosis and treatment pairs and chronic disease list.

Table 48: Resolved complaints per complaint type

Complaint type	Number of complaints resolved
Administrative	**1 265**
Nature of complaint	
Benefit option changes	10
Contributions	61
General customer service	122
Medical savings account	55
Payment of benefits	794
Pre-authorisation	214
Legal/compliance	**203**
Nature of complaint	
Broker conduct	6
Late joiner penalties	27
Membership suspension/termination	119
Rejection of membership application	5
Waiting periods	46
Clinical/technical	**617**
Nature of complaint	
Non-payment*	312
Short payment**	305
Total justiciable complaints	**2 085**
Non-justiciable complaints	**932**
Overall complaints resolved (justiciable and non-justiciable)	**3 017**

* Sub-categories under the non-payment group include disputes over PMB level of care, application of treatment protocols, treatment not covered/scheme exclusions, use of non-formulary drugs, ineffective treatments and application of Regulation 15H and I.

** Sub-categories under short payment group include disputes over voluntary or involuntary use of non-designated service providers, non-PMB level of care and application of co-payments (Regulation 8(5)).

6. 2022 COMPLAINT TRENDS

During the reporting period, the complaints adjudication sub-programme dealt with the same complaint trends as in previous years, many of which were concerned with non-payment and short payment of claims, disputes over PMB funding liability and interpretation of benefit rules and limits.

NON-PAYMENT AND SHORT PAYMENT OF CLAIMS

Disputes over payment of claims remains one of the most prevalent complaint trends with several variations. While in some cases, claims are unpaid due to correct application of registered rules by medical schemes, we still see instances where benefits that must be funded are unduly rejected or limited. Among others, the reasons given are administrative or system processing errors, misalignment between authorised benefits and submitted claims and misapplication of the legislation and scheme rules by the medical scheme and administrator officials.

On the beneficiaries' side, there is a lagging gap in understanding of the business of a medical scheme and the benefits entitlement. Beneficiaries often misunderstand their level of cover, and many do not read their benefit rules. While that is partly attributed to the complex benefits design and lengthy terms and conditions, beneficiaries' role in familiarising themselves with medical scheme rules and asking questions when in doubt cannot be overemphasised. At the same time, medical schemes also bear the responsibility of making information readily available, accessible and easy for any layperson to understand.

DISPUTES OVER PMB FUNDING LIABILITY

Disputes over medical schemes' funding liability for PMBs remain a concern. Although the trends point to a marginal increase, it is still concerning that some beneficiaries struggle to access legislated benefits. An emergent trend in the 2022 benefit year was the short payment and, in some cases, denial of post-limb amputation benefits.

The Registrar issued several rulings against medical schemes that incorrectly limited post-amputation, PMB-related benefits such as wheelchairs and prosthetic limbs. These medical schemes were imposing a monetary cap on funding, using unsubstantiated cost comparisons of similar services in the public sector. The unfortunate result was that beneficiaries struggled to access benefits to which they are lawfully entitled, negatively impacting on their healing and recovery.

What concerned us the most was all but three of these offending medical schemes had a common administrator. This, in our view, may point to an administrator-driven policy, requiring closer scrutiny.

(MIS)INTERPRETATION OR UNDERSTANDING OF BENEFIT RULES AND LIMITS

A common thread among complaints is misunderstanding or misinterpreting benefit rules and limits. Treatment protocols and medicine formularies remain high among issues of which beneficiaries have little to no understanding. These two are followed by funding limits and interpretation of medical scheme tariffs versus what healthcare providers charge.

Medical schemes must invest time and resources to explain these concepts in simple terms. Similarly, scheme agents who handle beneficiary queries on a day-to-day basis must be sufficiently skilled to explain these concepts in understandable language.

11. COURT **RULINGS**

The regulator's responsibility is not only to protect medical schemes from failing, but to ensure, even in the state of failure, members' interests are protected. These include ensuring members are assisted in joining other medical schemes and are admitted and treated in line with the law and ensuring the assets of Health Squared are disposed of in terms of the applicable law.

THE CMS VS HEALTH SQUARED MEDICAL SCHEME

The Registrar successfully brought an application for Health Squared Medical Scheme to be placed under provisional curatorship pending a liquidation application.

THE CMS VS MEDIPOS

The CMS successfully applied for the appointment of a curator for MediPos medical scheme. The scheme had been experiencing challenges collecting contributions from the South African Post Office (SAPO) as far back as April 2020.

THE CMS VS OPTIVEST

Optivest contended Section 58(1)(c) did not create concurrent jurisdiction on the CMS and the FSCA. According to it, the CMS had fundamentally misconstrued its powers under the MSA and the FSRA. Accordingly, the CMS' decision to appoint OWARS to undertake an investigation on its behalf into Optivest's affairs was to be reviewed and set aside under the Promotion of Administrative Justice Act, 2000 (PAJA), alternatively under the principle of legality.

The court dismissed Optivest's application with costs. This reaffirmed the CMS' mandate that even with entities that are not fully regulated or where there is co-regulation with other regulators under FSRA and COFI, CMS still retains the mandate to investigate such entities.

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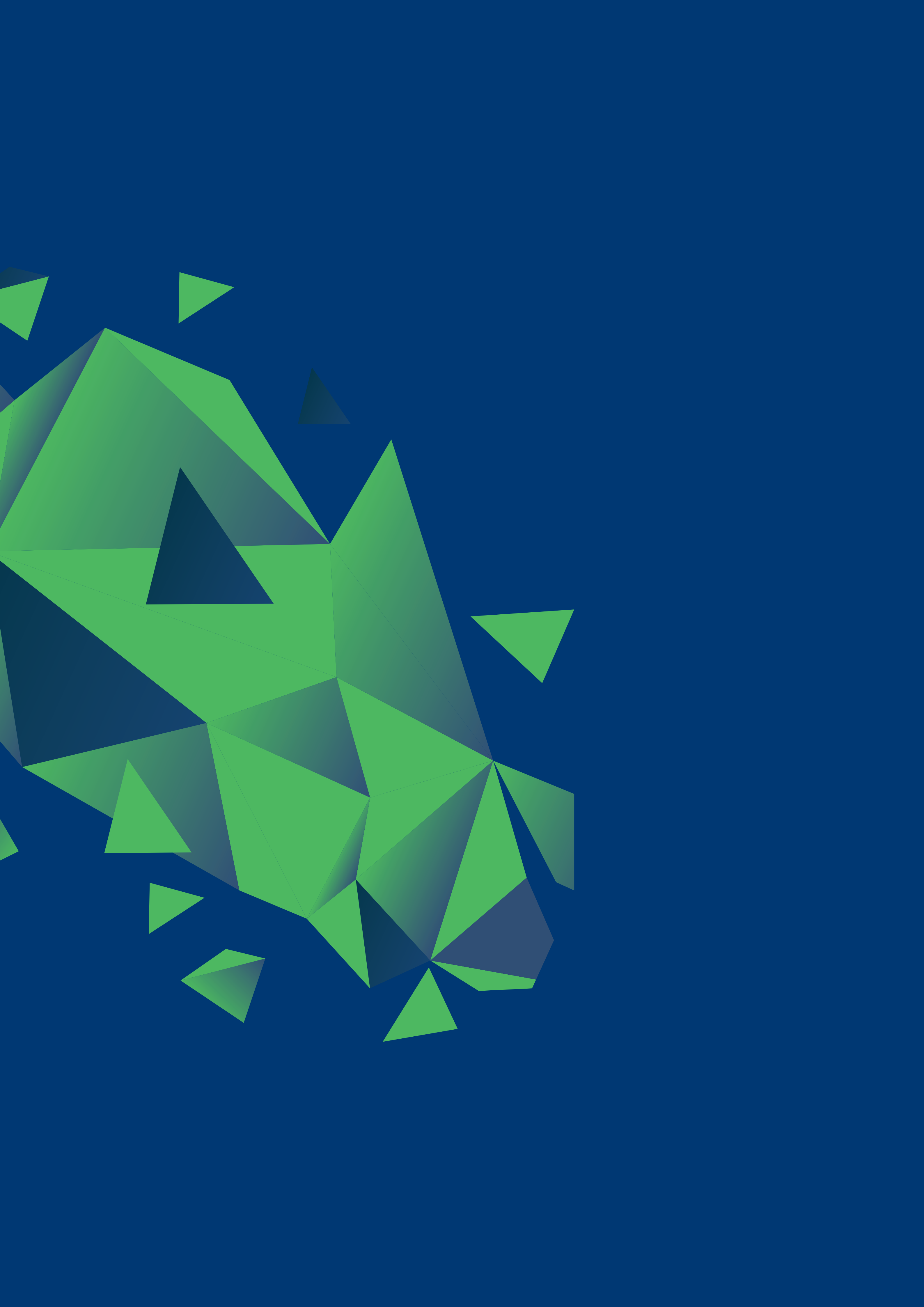

Council for Medical Schemes
Private Bag X34
Hatfield 0028

Tel: 021 431 0500
Fax 0862 068 260

E-mail information@medicalschemes.co.za
www.medicalschemes.co.za

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