

2023

# INTEGRATED REPORT

REGISTRATION NUMBER 1512

*Bonitas*

Medical Aid for South Africa

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## WHAT DIFFERENTIATES US

Bonitas is a medical aid for all South Africans

We have substantial reserves that enable us to pay claims

We have strong networks with the best healthcare providers in South Africa

Our contributions for quality healthcare are affordable, starting from R1 378 per month

Our core team is dedicated and experienced and is supported by a strong Board of Trustees

We have an active presence in all market sectors and target markets

Our diversified product range meets members' health needs at their various life stages

Our technology and multi-layered distribution channels enable us to connect with members and help them manage their healthcare on-the-go

Our operations are stable and sustainable, and we enjoy consistent membership growth



# ABOUT THIS REPORT

*This integrated report is for our members, brokers, the regulator and other stakeholders. We are accountable and transparent to you for Bonitas's sustainability and performance. We keep our reporting simple and give you the facts because we know that sustainable healthcare is important to you.*

## CONTENT SCOPE AND APPROACH

The report covers our financial and operational performance from 1 January 2023 to 31 December 2023. We also look towards the next few years as we anticipate challenges and opportunities.

We believe the report covers all material information to enable our members to determine whether Bonitas's resources were applied efficiently and effectively. The structure of the report, data and measurements are comparable to previous reports.

International Integrated Reporting Framework, 2021 (<IR> Framework)	This report complies with the <IR> Framework. We made significant reporting improvements in the past few years, including additional disclosure on material matters and an expanded description of our value creation model that includes more detail on the six capitals, their availability and impact.
King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) <sup>1</sup>	We apply and explain our adherence to the King IV™ principles in this report and provide detailed profiles of the members of the Board of Trustees.
International Financial Reporting Standards (IFRS)	Financial information in this report was compiled using IFRS and was extracted from and agrees with the annual financial statements audited by Deloitte. Bonitas adopted the new insurance accounting standard IFRS 17 effective 1 January 2023. The unqualified audit opinion of fair presentation and representation is on page 94.
United Nations Sustainable Development Goals (SDGs)	We are expanding our reporting focus on environmental, social and governance (ESG) aspects relevant to Bonitas. In this report we highlight our contribution to two SDGs as part of our value creation model: <div style="display: flex; justify-content: space-around; align-items: flex-start; margin-top: 10px;"> <div style="text-align: center;">  <p>Goal 3. Ensure healthy lives and promote wellbeing for all at all ages</p> </div> <div style="text-align: center;">  <p>Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p> </div> </div>

## APPROVAL

The report was prepared by Executive Management and reviewed by the Audit and Risk Committee. The Bonitas Board and Executive Management approved the integrity of the report, with salient features including:

- A chapter on our strategy to ensure the delivery of affordable and quality healthcare to members
- Data and commentary on our performance against this strategy, with insights from the Principal Officer
- An overview of financial performance, including operational statistics
- Challenges and opportunities faced in 2023
- How the Board exercised and discharged its responsibility for governance

Approved on 19 April 2024 by

**Mr OJ Komane**

*Chairperson of the Board*

**Mr LR Callakoppen**

*Principal Officer*

## WE WELCOME FEEDBACK

If you have suggestions to improve this report, please email [annualreportqueries@bonitas.org.za](mailto:annualreportqueries@bonitas.org.za).

Please look out for notices that invite members to our annual or special general meetings. Recordings and minutes of these events are available on our website.

Find the list of **abbreviations** and **definitions of terms** on page 164.

<sup>1</sup> Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

**Bonitas is an open medical scheme registered in terms of the Medical Schemes Act, No 131 of 1998, as amended, under registration number 1512.**

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<b>MEDICAL EMERGENCY SERVICES: BONITAS SOS</b> call 0860 555 505	<b>PHARMACY DIRECT REGISTRATION</b> call 0860 027 800 email <a href="mailto:care@pharmacydirect.co.za">care@pharmacydirect.co.za</a> or visit <a href="http://www.pharmacydirect.co.za">www.pharmacydirect.co.za</a>	<b>HIV/AIDS PROGRAMME</b> call 0860 100 646 please call me 083 410 9078 email <a href="mailto:afa@afadm.co.za">afa@afadm.co.za</a> or visit <a href="http://www.afa.co.za">www.afa.co.za</a>
<b>OPTICAL BENEFITS (PPN)</b> call 041 065 0650 email <a href="mailto:bonitas@ppn.co.za">bonitas@ppn.co.za</a> or visit <a href="http://www.ppn.co.za">www.ppn.co.za</a>	<b>INTERNATIONAL TRAVEL BENEFIT</b> call 087 135 4795 / +27 (10) 211 4958 or email <a href="mailto:bonitas-assist@linkham.com">bonitas-assist@linkham.com</a>	<b>HIP AND KNEE PROGRAMME (JOINTCARE)</b> call 011 568 3334 or visit <a href="http://www.joint-care.co.za">www.joint-care.co.za</a>
<b>MENTAL HEALTH PROGRAMME</b> call 0860 106 155 or email <a href="mailto:mentalhealth@bonitas.co.za">mentalhealth@bonitas.co.za</a>	<b>HIP AND KNEE PROGRAMME (ICPS)</b> call 011 327 2599 or visit <a href="http://www.icpservices.co.za">www.icpservices.co.za</a>	<b>DIABETES PROGRAMME</b> call 0860 002 108 or email <a href="mailto:diabeticcare@bonitas.co.za">diabeticcare@bonitas.co.za</a>
<b>DENTAL PROGRAMME (DENIS)</b> call 0860 336 346 or email <a href="mailto:denis@bonitas.co.za">denis@bonitas.co.za</a>	<b>ONCOLOGY MANAGEMENT PROGRAMME (CANCER)</b> call 0860 100 572 or email <a href="mailto:oncology@bonitas.co.za">oncology@bonitas.co.za</a>	<b>BACK AND NECK PROGRAMME (DBC)</b> call 0860 105 104 or visit <a href="http://www.dbsca.co.za">www.dbsca.co.za</a>
<b>BABYLINE AND BABY BAGS</b> call 0860 999 121	<b>BONCAP (ALL SERVICES)</b> call 0861 239 333 or email <a href="mailto:BonCap@bonitas.co.za">BonCap@bonitas.co.za</a> for HIV email <a href="mailto:BonCapCares@bonitas.co.za">BonCapCares@bonitas.co.za</a>	<b>PALLIATIVE CARE PROGRAMME</b> email <a href="mailto:info@alignd.co.za">info@alignd.co.za</a>

# 2023 PERFORMANCE AT A GLANCE

## MEMBERSHIP TRENDS



Principal members

**350 505** ↓  
(2022: 353 763)



Total beneficiaries

**715 856** ↓  
(2022: 727 041)



Average beneficiary age

**35.9** ↑  
(2022: 35.5)



Dependants per principal member

**1.04** ↓  
(2022: 1.06)



Pensioner ratio

**11.4%** ↑  
(2022: 11%)



Chronic profile

**19.1%** ↑  
(2022: 18.7%)

## VALUE CREATED FOR MEMBERS



Percentage of hospital claims paid within 10 days

**95.31%** ↓  
(2022: 99.47%)



Hospital claims processed per day

**1 163** ↑  
(2022: 1 140)



Hospital authorisations per day

**1 347** ↑  
(2022: 1 311)



Non-healthcare expenditure as a percentage of risk contributions

**9.3%** ↑  
(2022: 9.1%)



Hospital tariff savings

**R475 million** ↑  
(2022: R260 million)

## ENSURING BONITAS REMAINS SUSTAINABLE



Insurance liability for future members (reserves)

**R8.9 billion** ↑  
(2022: R8.6 billion\*)



Solvency ratio

**41.5%** ↑  
(2022: 40.6% restated)



Amounts attributable to future members (surplus)

**R265.3 million** ↓  
(2022: R696.4 million\*)



Investment income

**R830 million** ↑  
(2022: R781 million)



Total investment portfolio value excluding cash\*

**R10.21 billion** ↑  
(2022: R9.97 billion)



Insurance service result

**R451 million** ↑  
(2022: R414.3 million\*)



Aggregate gross investment return

**7.7%** ↑  
(2022: 7.2%)



**AA+** credit rating ↑  
(2022: AA-)



Gross recoveries from fraud, waste and abuse (FWA)

**R52.3 million** ↓  
(2022: R55 million)

\* Restated as per the IFRS 17 accounting standard.

\* Includes investment property held for sale

# ABOUT BONITAS

**Bonitas is the second largest open medical scheme in South Africa, based on the number of members. We aim to make quality healthcare affordable and accessible to all South Africans and offer a wide range of plans that are simple to understand and easy to use.**

We have a rich heritage and solid understanding of the South African private healthcare industry. Over more than four decades, we evolved and expanded our capabilities in response to the needs of a growing membership base.

We know the rising cost of healthcare is the top concern for our members. Therefore, our team of experts is constantly looking for innovative ways to reduce costs and increase benefits. We make strategic investments in technology, for example, to ensure that lifestyle diseases are identified before they become chronic.

Bonitas's administration for all benefit plans excluding BonCap is outsourced to Medscheme, South Africa's largest health risk management service provider and largest medical aid administrator. The BonCap benefit plan is outsourced to Private Health Administrators.

We put our members first when negotiating rates and sourcing reputable service providers. We do not believe in one-size-fits-all. We adjust our wide range of benefit plans every year while keeping it simple and user-friendly.

Bonitas is there for our members – whether they are entrepreneurs, chief executive officers, newlyweds, young couples with children, retirees or minimum wage earners – who all need peace of mind when it comes to healthcare.

This is how we fulfil our aim of providing affordable, quality healthcare for all South Africans

**Our purpose is to align our strategic intent to a new South Africa while achieving balance between growth and financial sustainability, thus securing the future of Bonitas Medical Fund.**

## HOW WE CARE FOR OUR MEMBERS

We provide risk assessments to allow for early detection and intervention for chronic conditions

We provide broader access to preventative care benefits paid from risk, to proactively support members at all life stages (including childhood vaccines and vaccines for the elderly)

We ensure quality care in and out of hospital through extended benefits and innovations such as Hospital at Home

We leverage technology to extend care through initiatives such as virtual care and online wellness assessments

We perform by using data analytics proactively

We extend emergency medical services to a greater pool of providers, with a dedicated line through Bonitas SOS

### A BRAND THAT PROTECTS



**Bonitas has two interdependent priorities:**

1

To ensure financial sustainability while meeting the needs of our members

2

To make quality healthcare more affordable and accessible



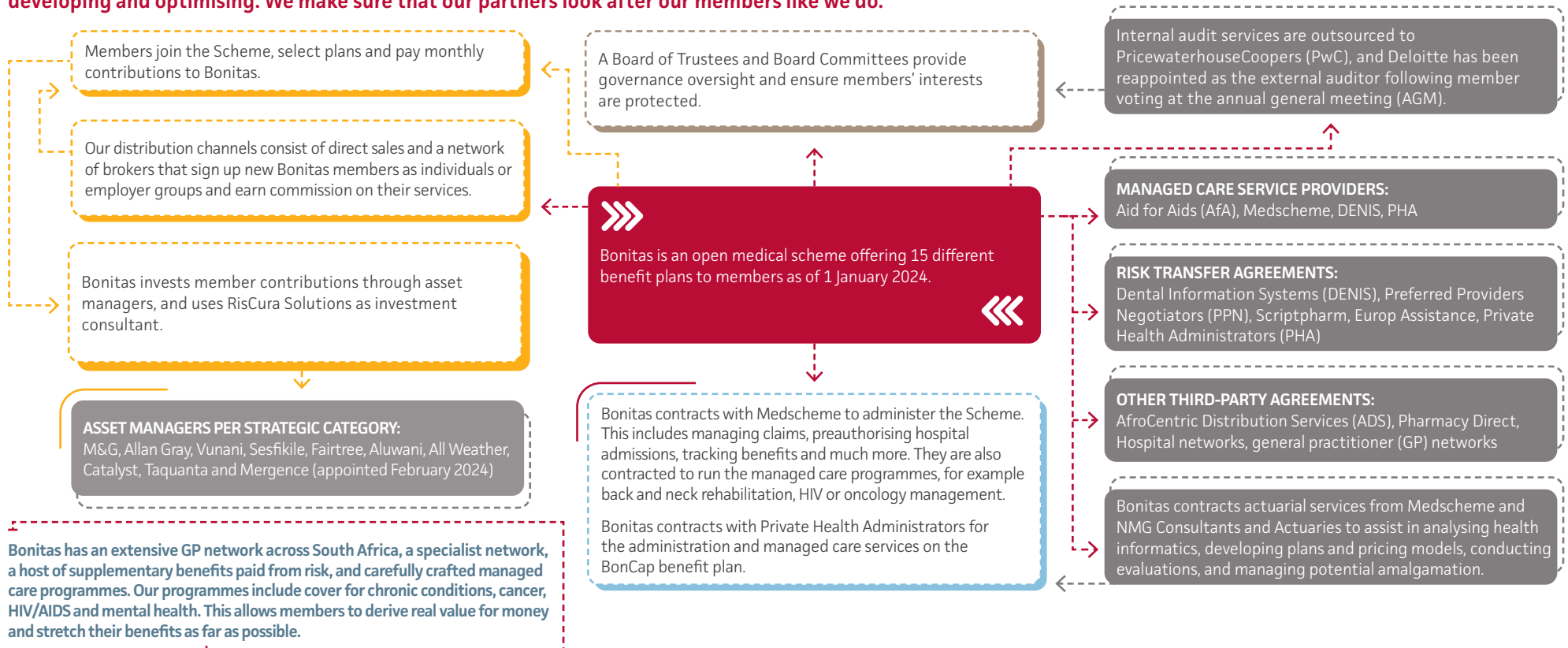
# OUR VALUE PROPOSITION

## As the medical aid for South Africa, we:

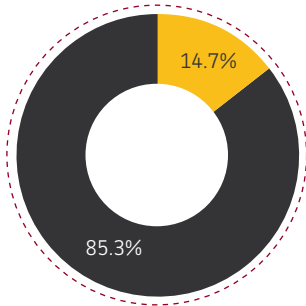
Care about our members so we always act in their best interest	Offer a wide range of plans that are easy to use and understand to suit a broad variety of our members' healthcare needs
Partner with the best service providers so our members have access to quality care at affordable rates	Are financially stable so we can afford to pay out members' claims
Keep people healthy and assist when they are ill through a range of managed care programmes; we also keep corporates healthier so they are more productive and engaged	Find innovative ways to connect with our members, including our helplines, service centres, website, app, WhatsApp and social media

# OUR HEALTHCARE MODEL

We have a Business Process Outsourcing (BPO) model based on quality relationships that we continue developing and optimising. We make sure that our partners look after our members like we do.



# BENCHMARKING BONITAS



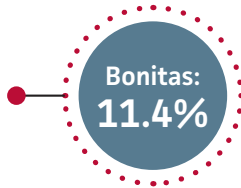
- Bonitas market share (open medical scheme beneficiaries)
- Other open medical schemes

Source: 2022/23 Council for Medical Schemes (CMS) annual report



**Average age of beneficiaries:**  
Average age for registered open schemes: 35.1

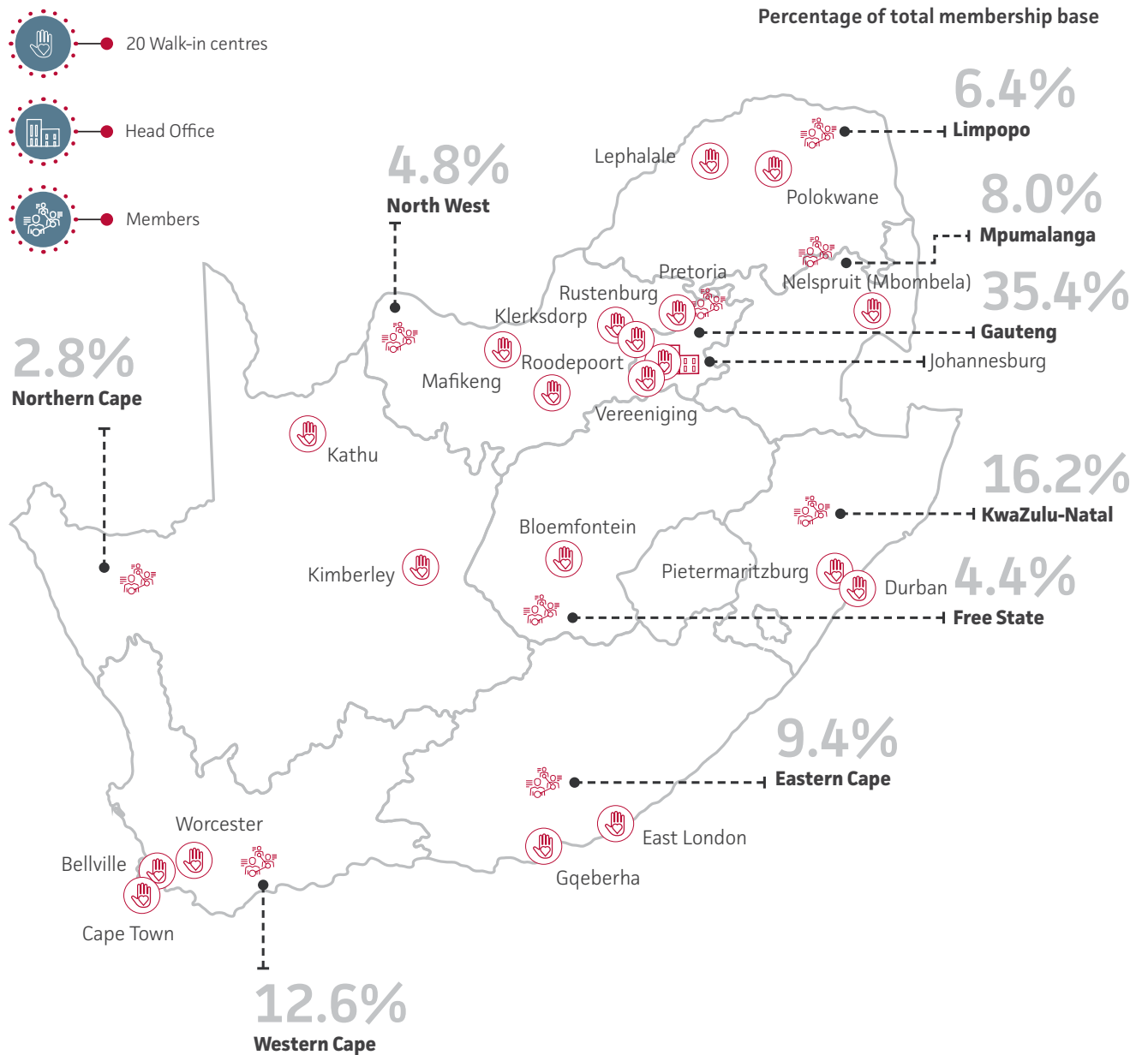
**Pensioner ratio:**  
Average ratio for registered open schemes: 10.98%



**Solvency ratio:**  
Average ratio for registered open schemes: 39.61%

# OUR FOOTPRINT

- 20 Walk-in centres
- Head Office
- Members





# THE BONITAS PLANS

As of 1 January 2024, we offer 15 benefit plans (12 registered benefit options and three efficiency discounted options) to suit a range of member needs. We have traditional, savings, hospital and Edge plans, all offering members more value and rich benefits.

## Two traditional plans with two efficiency discounted options (EDOs):

<b>Standard and Standard Select</b>	Standard: A traditional option offering rich day-to-day benefits and comprehensive hospital cover  Standard Select: A traditional option using a quality provider network to offer rich day-to-day benefits and hospital cover
<b>Primary and Primary Select</b>	Primary: A traditional option offering simple day-to-day benefits and hospital cover  Primary Select: A traditional option using a quality provider network to offer simple day-to-day benefits and hospital cover

## Two hospital plans with one EDO:

<b>Hospital Standard</b>	A hospital plan offering extensive hospital benefits with some value-added benefits
<b>BonEssential and BonEssential Select</b>	BonEssential: A hospital plan offering rich hospital benefits with some value-added benefits  BonEssential Select: A hospital plan using a quality provider network to offer comprehensive hospital benefits with some value-added benefits

## Five savings plans:

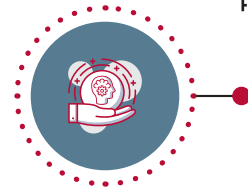
<b>BonComprehensive</b>	A first-class savings plan offering ample savings, an above-threshold benefit and extensive hospital cover
<b>BonClassic</b>	A generous savings option offering a wide range of medical benefits, in and out of hospital
<b>BonComplete</b>	A savings option offering generous savings, an above-threshold benefit and rich hospital cover
<b>BonSave</b>	A savings option offering savings to use as members choose for medical expenses and extensive hospital cover
<b>BonFit Select</b>	A savings plan offering basic cover for day-to-day medical needs and essential hospital cover

## One low-income contribution plan:

<b>BonCap</b>	An income-based entry-level plan offering basic day-to-day benefits and hospital cover using a network of doctors, providers and hospitals
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## Two Edge plans:

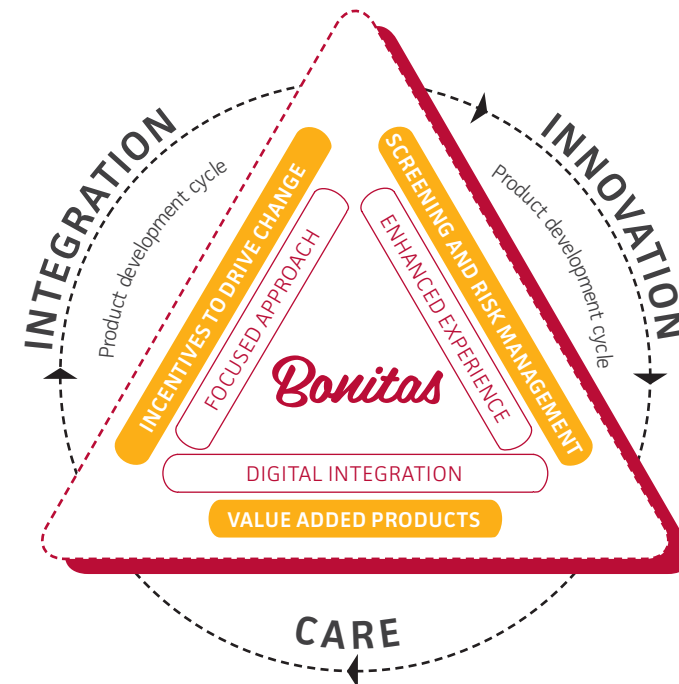
<b>BonStart</b>	Driven by technology, intelligence and innovation, this plan is designed for economically active singles living in the larger metros, with a drive to succeed
<b>BonStart Plus</b>	Driven by technology, intelligence and innovation, this plan is aimed at young families and couples intending to expand their families



## THE BONITAS PRODUCT PHILOSOPHY

*Our product philosophy is that there is value in being real.*

- Bonitas is a medical aid that puts members first
- We are in tune and sensitive to member needs
- We have affordable and easy-to-understand options for all income groups
- We aim to be the everyday-hero brand
- We incentivise health and wellness screenings to drive behaviour change, activate managed care programmes and improve risk management
- We enhance stakeholder experiences through people, processes, technology/systems and data
- We provide real value to members in the form of low contribution increases and a wide range of benefits



As the medical aid for South Africa, we aim to provide access to quality healthcare for every South African through our range of healthcare plans.

# OUR KEY RELATIONSHIPS

*As a non-profit organisation, Bonitas exists to serve our members. To ensure that they have access to quality healthcare at affordable prices, we develop and maintain effective relationships with all stakeholders who materially impact our value offering.*

## BOARD AND EMPLOYEES



The Bonitas Board and employees govern and manage our operations

Stakeholders in this group include:

- Board of Trustees
- Board Committees
- Employees

## MEMBERS AND AGENTS



We aim to meet members' needs through quality and affordable healthcare, and we work with agents to help us engage our members

Stakeholders in this group include:

- Members
- Brokers
- Trade unions
- Employer groups and paypoints

## APPROACH, PRINCIPLES AND OUTCOMES

Bonitas's Stakeholder Engagement and Communication Framework outlines the approach, key principles and anticipated outcomes of our engagement and communication with stakeholders.

### Approach

- Leverage existing experience
- Share knowledge and develop joint expertise
- Build partnerships based on mutual values and trust
- Adapt and respond to one another's needs
- Be purposeful in our work with stakeholders
- Engage timeously with stakeholders

### Principles

- Bring about consistency across the value chain on issues relating to stakeholder interests and engagement
- Raise mutual awareness of Bonitas, our strategy, and our position on strategic issues, industry concerns and stakeholder interests
- Build trust-based relationships through effective engagements with all key stakeholders while ensuring transparent and honest communication, to understand and address stakeholder issues and concerns
- Proactively analyse stakeholder needs, interests in relation to Bonitas's interests, and potential impacts on decision-making, and reduce expectation gaps and misunderstandings
- Create a caring, empowering and consensus-building environment that promotes coexistence and partnership, and contributes to South Africa's overall healthcare ecosystem
- Be agile and proactive in all media, business and communication strategies

### Outcomes

- Communicate our value proposition to our stakeholders
- Build caring, trusting, honest, ethical and open relationships that advance mutual coexistence and shared value creation
- Promote good corporate citizenship and cooperation in our stakeholder community
- Manage risk, reputation, legitimacy and relationship-building to create a sustainable future for all stakeholders
- Maintain and enhance Bonitas's governance integrity and reputation among stakeholders

## OUR STAKEHOLDERS

## GOVERNMENT AND REGULATORY BODIES



We operate in a highly regulated environment and are committed to following industry best practices

Stakeholders in this group include:

- National Department of Health
- Council for Medical Schemes
- Board of Healthcare Funders
- Industry associations

## SERVICE PROVIDERS



We meet members' needs by contracting with a range of service providers

Stakeholders in this group include:

- Administrators
- Managed care organisation
- Managed care service providers
- Healthcare providers
- Asset managers
- Auditors
- Capitation houses (risk transfer)
- Distribution, advertising and marketing providers

## STAKEHOLDER ENGAGEMENTS AND RESPONSES

How we define the quality of our relationships:

- |          |                         |          |                                       |          |   |          |                                       |          |  |
|----------|-------------------------|----------|---------------------------------------|----------|---|----------|---------------------------------------|----------|--|
| <b>1</b> | Poor or no relationship | <b>2</b> | Transactional or one-way relationship | <b>3</b> | Good relationship but needs to improve to add value to both sides | <b>4</b> | Good relationship with mutual benefit | <b>5</b> | Strong relationship of trust, collaboration and mutual understanding |
|----------|-------------------------|----------|---------------------------------------|----------|---|----------|---------------------------------------|----------|--|



### Board and employees

**5**

Bonitas is managed by a skilled Executive Management team, supported by employees, and with oversight from a Board of Trustees and Board Committees. These internal stakeholders are fundamental to the achievement of our value proposition and are the cornerstone of our service to members.

#### HOW WE ENGAGE

- Meetings and forums
- Manager–team dialogues
- Formal correspondence
- Employee presentations
- Informal engagements and social activities
- Internal policies and procedures

#### THEIR KEY CONCERNS

- Strong and ethical leadership
- Strategic objectives and implementation
- Pay, conditions of employment, reward and recognition

#### BONITAS RESPONSE

- We ensure that members of our Board and Executive Management team possess the required skills and experience to effectively govern and manage Bonitas
- In 2023 we commissioned our bi-annual independent performance assessments of the Board and its Committees (see page 73)
- Our Board conducts an annual mid-year strategic review, and this year we made some tactical adjustments aimed at enhancing member acquisition and retention (see page 26)
- We strive for broad and inclusive participation at our AGMs, and member attendance has increased since we transitioned to a virtual format (see page 34)
- We regularly review our Trustee and Employee Remuneration Policies, and in 2023 we made some amendments in line with industry benchmarks (see page 84)

How we define the quality of our relationships:

**1** Poor or no relationship

**2** Transactional or one-way relationship

**3** Good relationship but needs to improve to add value to both sides

**4** Good relationship with mutual benefit

**5** Strong relationship of trust, collaboration and mutual understanding



## Members and agents

**3**

Bonitas exists to create and protect value for our members. By understanding members' needs, we are better able to deliver relevant products and services, identify growth opportunities, retain existing members and attract new members. We aim to continually find new ways to add value for our members while providing more effective and efficient support.

Our members are advised, assisted and signed up through our distribution network, which includes brokers and direct sales. In addition to the brokers that Bonitas contracts directly, we have tied sales forces with Liberty and Sanlam, which allows us access to their wide network of brokers. Our partnership with Hippo and Medquote ensures that potential members can get multiple quotes from a range of medical schemes, including Bonitas, at the same time.

### HOW WE ENGAGE

- Integrated report and annual financial statements
- Publications, websites and other material
- Meetings and forums
- Surveys, focus groups, workshops and roadshows
- Contracts and service level agreements (SLAs)
- Formal correspondence
- Walk-in centres
- Call centre
- Bonitas member app and Member Zone portal, corporate portal, brokers' portal and Business Hub

### THEIR KEY CONCERNS

- Membership contributions
- Options and benefits
- Claims and benefit queries
- Finding a network provider
- Customer satisfaction

### BONITAS RESPONSE

- We follow a rigorous and data-driven approach to reviewing and adjusting our plans, benefits and pricing (see page 54)
- The weighted average increase in membership contributions for 2024 is 6.9%, which is in line with the recommendation of the CMS
- In 2024, around 65% of our members will experience an increase below healthcare inflation
- We look for innovative ways to increase member value on our plans, and introduced a range of benefit changes and enhancements for 2024 (see page 30)
- Members and agents can get in touch with us through a number of communication channels, and this year we introduced a new Business Hub for our brokers (see page 37)
- We continually evaluate our provider and hospital networks, network congruency and provider management. We established a physiotherapy network for 2024, and our pharmacy network now includes over 4 000 pharmacies
- In 2023 we commissioned independent research into membership terminations, which resulted in the development of our 2023/4 strategic intent (see page 26)

How we define the quality of our relationships:

- |                                     |   |   |   |  |
|-------------------------------------|---|---|---|--|
| <b>1</b><br>Poor or no relationship | <b>2</b><br>Transactional or one-way relationship | <b>3</b><br>Good relationship but needs to improve to add value to both sides | <b>4</b><br>Good relationship with mutual benefit | <b>5</b><br>Strong relationship of trust, collaboration and mutual understanding |
|-------------------------------------|---|---|---|--|

## Service providers

**4**

Bonitas has a BPO model, so quality partnerships with service providers are crucial to our ability to offer affordable and high-quality products and services to members.

Medscheme is Bonitas's most significant outsourced partner, and administers our financial, actuarial and operating activities. As our largest accredited managed care organisation, it also runs managed care programmes on our behalf – such as for chronic conditions, cancer, diabetes and mental health. Managed care services are also provided by PHA (BonCap), DENIS and AfA.

Other key service providers include the following:

- PHA was appointed as the administrator for the BonCap option with effect from 1 January 2023.
- RisCura Solutions provides advisory consulting on Bonitas's portfolio of investments, and cash and cash equivalents. We use a variety of asset managers, such as M&G, Allan Gray, Vunani and Sesfikile among others. Mergence was contracted as an asset manager in February 2024.
- Internal audit services are outsourced to PwC, while Deloitte has been reappointed as our external auditor for the year ended 31 December 2023.
- Bonitas has risk transfer arrangements in place with DENIS, PPN, Scriptpharm, Europ Assistance and PHA.
- ADS handles our distribution, advertising and marketing activities.

Bonitas offers its members access to a substantial network of GPs, hospital groups, specialists and pharmacies that provide wellbeing and healthcare services. Pharmacy Direct manages the dispensing and delivery of chronic medication. Through our close relationship with these stakeholders, we are able to develop plans and programmes that respond to members' real needs and incorporate the latest innovations in healthcare.

### HOW WE ENGAGE

- Integrated report and annual financial statements
- Meetings and forums
- Contracts and SLAs
- Formal correspondence

### THEIR KEY CONCERNS

- Contractual roles and responsibilities
- Fees and reimbursements
- Financial and operational performance

### BONITAS RESPONSE

- We implement outcomes-based contracting by ensuring that service providers clearly understand their role, expected deliverables, and how they contribute to achieving Bonitas's strategic objectives
- We monitor the operational performance of our service providers on a monthly basis, and engage with them as required (see page 28)
- We review service provider fees as stipulated in the applicable SLA, taking into account performance and industry benchmarks
- In 2023 we were awarded the Board of Healthcare Funders (BHF) Titanium Award for Excellence in Operational Performance (for the second year running – see page 34), as well as the Medical Scheme of the Year Award at the inaugural News24 Business Awards. Bonitas also won an award for the TOPCO TOP500 best managed companies as the winner in the medical scheme category.

How we define the quality of our relationships:

- 1** Poor or no relationship
- 2** Transactional or one-way relationship
- 3** Good relationship but needs to improve to add value to both sides
- 4** Good relationship with mutual benefit
- 5** Strong relationship of trust, collaboration and mutual understanding



## Government and regulatory bodies

**3**

The medical schemes industry is highly regulated and is governed primarily by the National Department of Health and the Medical Schemes Act (MSA). Bonitas collaborates with the following government and regulatory bodies to ensure that members' rights are protected, and that our regulatory and governance controls remain of the highest standard:

- The CMS, which acts as the regulator and is responsible for the control and coordination of medical schemes, administrators, managed care organisations and brokers.
- The BHF, which is a representative body of the healthcare funding industry that drives the sustainability of the healthcare ecosystem.
- Industry associations such as the South African Medical Association (SAMA), Health Professions Council of South Africa (HPCSA) and Hospital Association of South Africa (HASA).

### HOW WE ENGAGE

- Integrated report and annual financial statements
- Publications, websites and other material
- Meetings and forums
- Formal correspondence
- Circulars

### THEIR KEY CONCERNS

- Legal, regulatory and governance compliance
- FWA
- Access to healthcare
- National Health Insurance (NHI)

### BONITAS RESPONSE

- We monitor and implement all relevant legislative and regulatory updates, and remain abreast of progress regarding CMS investigations
- Our approach to managing FWA includes fraud prevention, detection, investigation, risk management and reporting, and the Bonitas FWA Forum meets monthly (see page 39)
- We aim to make quality healthcare more affordable and accessible, and believe that universal healthcare is a right, not a privilege
- We lobby and engage with relevant stakeholders regarding the importance of an effective, efficient and well-governed NHI, and the critical role of the private sector in ensuring universal healthcare (see page 31)





# HOW WE CREATE AND PROTECT VALUE

We want to make quality healthcare accessible to all South Africans.

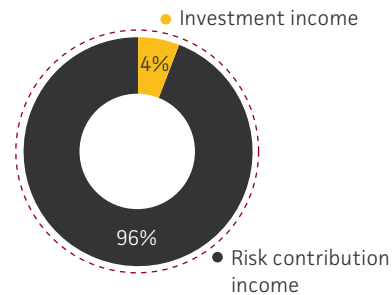
## INPUTS

Our healthcare model relies primarily on relationships which, in turn, are dependent on the availability of resources set out according to the six capitals below.

### Financial capital

As a medical scheme, we are a non-profit organisation.

Members' contributions are our primary source of income. According to our Investment Strategy and Policy, these funds are invested to generate further returns. Government also supports the sustainability of this pool of funds by offering a tax credit for people paying medical scheme contributions.



### Manufactured capital

We have our head office in Johannesburg and 20 walk-in centres, as set out on the map on page 6. We also have a 24/7 helpline and a whistle-blowing hotline.

We use digital platforms to take the hassle out of member and broker interactions with Bonitas.

Our information and technology (I&T) infrastructure is integrated with that of service providers and provides us with data to effectively manage our networks and member services. We use digital tools to track performance against strategic targets, and analytical software to identify anomalies or irregularities that could indicate potential FWA.

Our broader service provider network comprises facilities such as hospitals, surgeries, clinics, pharmacies, offices, medical equipment and other necessary infrastructure to deliver healthcare services.

### Human capital

Our 20 employees and network of outsourced administration and health service providers form a pool of human capital to maintain, serve and support Bonitas and our members.

We offer a comprehensive training programme for brokers.

### Intellectual capital

Bonitas has been operating for more than 40 years as a medical scheme, and our management team has 141 years' combined management experience within the healthcare/medical schemes industry.

Our Board members have extensive experience in critical aspects of leading a medical scheme and ensuring the appropriate governance structures, processes and controls to effectively manage our outsourced administration model.

Our core competency is designing and pricing healthcare benefits and managed care plans. We have several risk transfer arrangements to outsource some member health risks.

We share information on our healthcare plans, claims, tenders and performance via our website, the media, app and other channels.

### Social and relationship capital

We operate an outsourced model that uses strategic service providers to execute a range of our activities.

We collaborate across the healthcare value chain with industry stakeholders such as the CMS, BHF, hospital groups and healthcare practitioners to enable systemic sustainability.

We are committed to the transformation and reform of the healthcare industry.

The Bonitas brand has a strong reputation associated with specific attributes and member benefits.

### Natural capital

We do not rely on natural capital to create value and we have an immaterial impact on natural resource use.

We recognise that environmental factors potentially impact individual health through air pollution, water quality and sanitation, or through natural disasters such as flooding and heatwaves.

## BUSINESS ACTIVITIES

Our activities depend on the relationships that underpin our outsourced healthcare administration model.

*We serve our members and contribute to a more resilient society through these activities. We keep people healthy and assist them when they are ill by removing healthcare-related stress.*

We **design healthcare plans** with options to suit everyone. We have different types of cover, all offering more value and rich benefits.

We **select and negotiate service provider contracts** and rates to ensure affordable, quality healthcare.

We **monitor the quality of care** and the treatment plans designed by medical service providers.

We **facilitate the collection of monthly risk premiums** according to healthcare plan contributions for individuals, families and employees.

We **invest member funds** and maintain appropriate reserves.

We ensure that **member administration** is effective and efficient, and that the necessary fraud prevention and risk management measures are in place.

We **facilitate claims payments** to members according to their plan conditions and benefits.

We provide ongoing **member education and awareness**.

## OUTPUTS

For 2023 we offered 15 benefit plans to suit members' healthcare needs. Members also have access to discounted financial services products such as gap cover and lifestyle vouchers with our health insurance partners. Members can use various tools and services for clinical support, easier claims processing and access to information. Detail is available on <https://bonitas.co.za/>.



## OUTCOMES

We want to improve the integration of care and enable more access to out-of-hospital services, clinical information and benefits via various solutions. This includes simplifying healthcare, improving our members' quality of life, and creating a productive society.

Everything we do is in the best interest of our members, saving them money by making their benefits last longer and making Bonitas sustainable. This means our members can enjoy the value of private medical care while being protected against unexpected and expensive medical costs.

For this reason, we focus on continually improving the healthcare value chain.

### Financial capital

We pay claims according to members' plans and benefits. Our main cost drivers are hospital, specialist and medicine claims. We do not have shareholders or investors who receive dividends. We exist and spend our funds purely for the benefit of members.

Some of our largest claim categories in 2023 included:

- R7.2 billion hospital
- R2.3 billion medical specialists
- R1 billion day-to-day benefits
- R976.5 million radiology
- R973.9 million auxiliary
- R915.3 million GPs
- R811.1 million pathology

Strategic purchasing strategies yielded savings of at least R745 million.









We achieved a 7.7% gross return on investment for members' funds.

Bonitas had five loss-making options of a total 12 registered benefit options in 2023.

Solvency remained 16.5% above the legislated 25%.

R1.2 billion quantified as a drop in billing behaviour as a result of FWA since 2016, with gross recoveries due to proactive mitigation of R52.3 million in 2023.

#### Value created, preserved or eroded for stakeholders:









Board and employees		
Members and agents		
Service providers		
Government and regulatory bodies		

### Manufactured capital

Read more about member interactions at walk-in and call centres on pages 34 and 35.

Our I&T Steering Committee oversees I&T security and ensures that disaster recovery plans are in place.

#### Value created, preserved or eroded for stakeholders:

Board and employees		
Members and agents		
Service providers		
Government and regulatory bodies		

### Human capital









Our 350 505 members and 715 856 beneficiaries received healthcare support according to their plans and benefits. Our customer service agents provided one-on-one assistance to members and their beneficiaries.

We partnered with the best service providers to ensure our members get access to care of the highest quality.

In 2023 we had a net membership decrease of 0.9%. There were 50 729 membership acquisitions and 53 987 membership terminations.

We had an employee turnover of 3 (14%) and appointed one new person in the key role of Clinical and Managed Care Executive.

#### Value created, preserved or eroded for stakeholders:

Board and employees		
Members and agents		
Service providers		
Government and regulatory bodies		

# OUTCOMES

## Intellectual capital

Our benefits are unique, comprehensive and suit a wide range of members' needs.

Benefits covered a range of 334 conditions, including:

- 271 diagnosis and treatment pairs (DTPs) based on the admission categories within hospital benefit management
- 27 prescribed minimum benefit (PMB) chronic conditions for all options
- 36 additional conditions for certain options from a chronic medicine management perspective

Our protocols and formularies ensured high-quality treatment according to a list of safe and effective medicines that can be prescribed to treat certain conditions.

Our digital channels helped people understand their conditions and recommend steps they can take to remain healthy. These include virtual healthcare and self-service channels that allow members to access statements and tax certificates, submit and view claims, and access electronic membership cards.

Our internal risk measurement models, sensitivity and scenario analyses, and stress testing enabled us to manage risk exposure.

### Value created, preserved or eroded for stakeholders:

Board and employees		
Members and agents		
Service providers		
Government and regulatory bodies		

## Social and relationship capital

Our members were covered when unexpected medical expenses arose.

Our network of hospitals, doctors and specialists provided full-cover services and managed care options to members. We contributed to better healthcare outcomes for South Africa and continued to engage on universal healthcare opportunities.

We received recognition through awards which contributed to a strong brand.

### Value created, preserved or eroded for stakeholders:

Board and employees		
Members and agents		
Service providers		
Government and regulatory bodies		

## Natural capital

We continue to optimise the use of resources such as energy and water in our head office.

### Value created, preserved or eroded for stakeholders:

Board and employees		
Members and agents		
Service providers		
Government and regulatory bodies		

The outcomes of our value creation model contribute to:



### Goal 3. Ensure healthy lives and promote wellbeing for all at all ages

Target 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Target 3.b Provide access to affordable essential medicines and vaccines for all



### Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Target 16.5 Substantially reduce corruption and bribery in all their forms

Target 16.6 Develop effective, accountable and transparent institutions at all levels

To deliver on our purpose, the Board has to consider the following:

- We exist to create and protect value for our members, but we also aim to make quality healthcare more affordable and accessible to all South Africans. Bonitas supports the principle of universal healthcare and lobbies government and regulatory bodies in this regard in a manner that benefits both members and non-members. This requires financial, human, social and intellectual resources such as time, stakeholder engagement and submissions that could have been applied otherwise in the short term. We believe the long-term outcome will be favourable to Bonitas's sustainability.
- Bonitas's efforts to increase healthcare access and maintain the affordability of our plans may lead to loss-making options. Although loss-making options are considered non-compliant with Regulation 29 of the MSA, they are common in all medical schemes. Bonitas's intent is to improve the financial viability of all our plans while continuing to meet members' healthcare needs. We do this through considered and option-specific cost management across the value chain, as well as member education and awareness.
- We must find the optimal balance between affordability for our members in a challenging economic environment, and our responsibility to ensure Bonitas's sustainability through surpluses and solvency levels. From time to time, Bonitas may decide to reduce its surpluses and erode some of its solvency to keep contribution increases as low as possible or, for example, by deferring price increases.

## FUTURE AVAILABILITY AND RISK TO THE CAPITALS

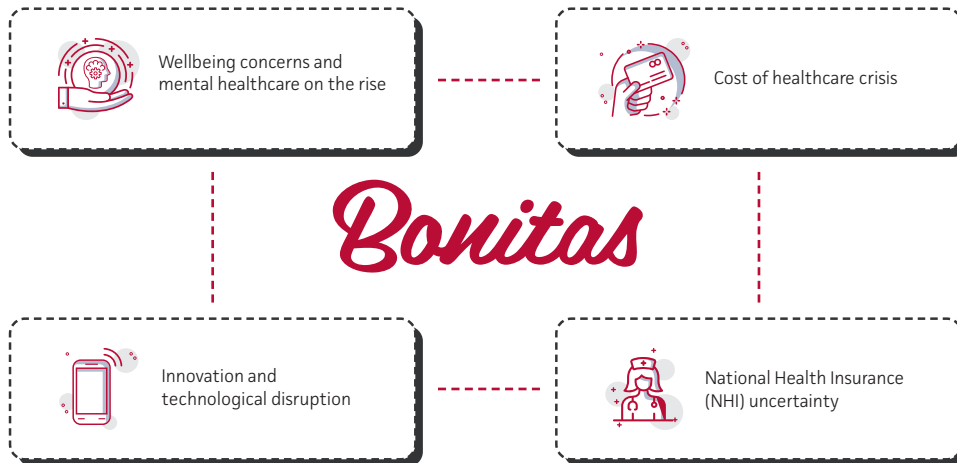
<b>Financial capital</b>	This capital relies on membership growth, investment returns and strategic purchasing to be sustainably available.
<b>Manufactured capital</b>	This capital relies on national infrastructure and services, such as electricity, with loadshedding affecting the optimal functioning of Bonitas's network of service providers.
<b>Human capital</b>	This capital relies on Bonitas's ability to attract and retain talent, as well as ensure high performance.
<b>Intellectual capital</b>	Cyber risk can affect the availability, quality and integrity of data. Cyber risk can impact our ability to ensure member privacy.
<b>Social and relationship capital</b>	Bonitas relies on service provider partnerships, which can be at risk when not transacted at arm's length or where fees are not market-related or value-adding.  The Bonitas brand and reputation can be affected by negative publicity and industry issues such as the Section 59 report.
<b>Natural capital</b>	Climate change impacts might increase risks, costs and the ability to serve members due to physical events or pandemics.

## OUR VALUE CREATION MODEL CONTEXT

Our external environment and trends in healthcare	Page 18
Progress with the implementation of our strategy	Page 25
The effectiveness of our risk management, and ability to identify and capture opportunities for growth	Page 43
Ethical leadership and effective governance structures, processes and controls	Page 62
Solid financial performance	Page 51
Sustainability and prospects despite future uncertainty	Page 49

# TRENDS SHAPING OUR WORLD

The South African healthcare sector is influenced by some unique trends. While the trends themselves remain relatively stable year on year, their dynamics evolve in line with changing circumstances.



## COST OF HEALTHCARE CRISIS

The term 'healthcare inflation' (or 'medical inflation') refers to the rising cost of medical products and services. Just as the cost of living – typically measured by CPI – increases each year, the cost of healthcare also increases.

Globally, healthcare inflation is typically higher than CPI. Whereas annual salary increases in South Africa are usually based on CPI, the cost of healthcare will typically increase between CPI+2% and CPI+4% each year. Healthcare therefore becomes more expensive, and less affordable, each year.

Healthcare inflation is driven by factors on both the demand and supply side.

- On the demand side, changes in lifestyle and medical innovations have increased life expectancy, meaning that people require medical products and services for longer, and this increases strain on the healthcare sector. In countries with high incidences of chronic diseases – such as HIV/AIDS, diabetes, heart disease and tuberculosis – pressure on the healthcare sector is even more severe.
- On the supply side, factors such as a low gross domestic product (GDP), high inflation and high interest rates increase the cost of healthcare as they do with other expenses. Supply chain disruptions and labour shortages in the healthcare sector have a further detrimental effect, as does the cost of new medicines, treatments and technology.

To counter healthcare inflation and continue growing their membership base – which is critical for financial stability and sustainability – private medical schemes across the world are investigating ways to improve the health of their members and reduce healthcare costs. This is done through, for example, promoting healthy activities and behaviours, investing in preventative measures (such as healthcare screenings and vaccinations), developing disease-specific managed care programmes, and negotiating preferential rates with networked healthcare providers.

## Bonitas strategic response



Be a strategic purchaser



Integrate the value chain



Create value through innovation

## NATIONAL HEALTH INSURANCE UNCERTAINTY

Goal 3 of the United Nations' SDGs relates to good health and wellbeing, and one of its targets is to achieve universal health coverage (UHC) for all. According to the World Health Organization (WHO), "UHC means that all people have access to the full range of quality health services they need, when and where they need them, without financial hardship. It covers the full continuum of essential health services, from health promotion to prevention, treatment, rehabilitation, and palliative care across the life course".<sup>2</sup>

In South Africa, the NHI Bill is a key piece of legislation on the road towards UHC. The Bill aims to provide universal access to quality healthcare for all South Africans through a single NHI Fund that will be funded from general taxes and employee contributions. Once the NHI is fully implemented, medical schemes will only be able to provide cover for services that are not reimbursable by the NHI Fund.

The Bill was first presented to Parliament in 2019, and was approved in the National Council of Provinces (NCOP) in December 2023. Once the Bill is signed into law by President Cyril Ramaphosa, it will become law in the form of an Act of government.

The NHI Bill has been met with much criticism, in part because it severely limits the role of medical schemes – which will lead to the erosion of jobs, scarce skills, infrastructure, financial investment, and the quality of the healthcare services provided to beneficiaries. It seems certain that the NHI Bill will face challenges in the courts, but in the interim medical schemes must develop strategies to ensure their sustainability and ongoing relevance. More information on the NHI is provided on page 31.

We believe Medical Schemes must fulfil a complementary role to NHI with similar services.

## Bonitas strategic response



Integrate the value chain



Create value through innovation

<sup>2</sup> World Health Organization (WHO). 2023. Universal health coverage (UHC). 5 October. Available on: [https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-\(uhc\)](https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-(uhc))



## INNOVATION AND TECHNOLOGICAL DISRUPTION

Over the past years technological innovations have disrupted almost every sector, and the healthcare sector is no different. Technologies such as mobile apps, wearable devices, telemedicine platforms and electronic health records are fundamentally changing how healthcare is provided. Advanced I&T systems, algorithms and artificial intelligence are creating new opportunities for speed, efficiency and effectiveness.

These technologies have the potential to reduce the cost of healthcare, increase access to healthcare (especially for those in remote or underserved areas), empower patients to take responsibility for and better manage their own health, and improve clinical outcomes and the quality of care.

While innovation and new technologies hold tremendous potential – and are in many cases already yielding remarkable results – further work is needed to connect, integrate and organise healthcare data to allow for appropriate decision-making by relevant stakeholders. This will require continued focus on both data integrity and data security.

Furthermore, it is critical to ensure that patients remain at the centre of technological developments. Healthcare technology should be tailored to the patient's unique healthcare needs, preferences and goals, and must provide them with a more convenient and personalised healthcare experience. It is also vital to monitor the impact of technologies on patients and their health to ensure that future developments meet evolving needs.

### Bonitas strategic response



## WELLBEING CONCERNS AND MENTAL HEALTHCARE ON THE RISE

Mental health problems remain a growing concern, and middle-income countries such as South Africa are disproportionately affected.

The *Mental State of the World Report 2022*<sup>3</sup> ranks South Africa among the countries with the lowest mental wellbeing, with 35.8% of respondents stating that they are distressed or struggling with their mental health. A 2023 poll conducted by the United Nations Children's Fund (UNICEF) South Africa found that some 60% of children and youth feel they needed mental health support over the past year,<sup>4</sup> while other researchers state that over 25% of adults report moderate to severe symptoms of probable depression.<sup>5</sup>

Reasons for the high prevalence of mental health conditions in South Africa vary and include factors such as unemployment, poverty, exposure to violence, adverse childhood experiences and substance use, as well as global and regional events such as the COVID-19 pandemic, climate change and conflict situations. Unfortunately, it is estimated that fewer than one in 10 people living with a mental health condition in South Africa receives the care they need.<sup>6</sup>

It is incumbent on both the public and private healthcare sectors to effectively support people with mental health problems. In April 2023, the Department of Health released the long-awaited *National Mental Health Policy Framework and Strategic Plan 2023–2030*, but there are concerns around its implementation, especially considering that there is often a shortage of funds and human resources (particularly psychiatrists) in the public sector.

The private sector too has been increasing its focus on wellbeing and mental healthcare. Interventions include considering mental health as a priority area and a key component of managed care services, revising the classification of mental health conditions on their Chronic Disease List (CDL), and exploring changes to PMBs for mental health conditions.

### Bonitas strategic response



<sup>3</sup> WHO. 2022. *World Mental Health Report: Transforming mental health for all*. Available on: <https://www.who.int/publications/i/item/9789240049338>

<sup>4</sup> UNICEF. 2023. *60 per cent of youth needed mental health support over past year – UNICEF South Africa U-Report poll*. 9 October. Available on: <https://www.unicef.org/southafrica/press-releases/60-cent-youth-needed-mental-health-support-over-past-year-u-report>

<sup>5</sup> Craig A, Roachat T, Naicker SN, Mapanga W, Mtintsilana A, Dlamini SN, Ware LJ, Du Toit J, Draper CE, Richter L & Norris SA. 2022. 'The prevalence of probable depression and probable anxiety, and associations with adverse childhood experiences and socio-demographics: A national survey in South Africa'. *Frontiers in Public Health*, Volume 10 – 2022. Available on: <https://doi.org/10.3389/fpubh.2022.986531>









<sup>6</sup> Sorsdahl K, Petersen I, Myers B, Zingela Z, Lund C & Van der Westhuizen C. 2023. 'A reflection of the current status of the mental healthcare system in South Africa'. *SSM – Mental Health*, Volume 4, 15 December. Available on: <https://www.sciencedirect.com/science/article/pii/S2666560323000622>

# MATERIAL MATTERS

*Our material matters are those matters that can substantively affect our ability to create and preserve value over the short, medium and long term.*

The Bonitas Board is responsible for determining, approving and integrating the material matters in their oversight process. Following the structured and facilitated process completed in 2022, the 2023 review confirmed that all the previous matters remain material, and no new matters emerged as material in terms of Bonitas’ ability to create and preserve value.

## OUR MATERIAL MATTERS

-  Successful and efficient healthcare reform
-  Trust and confidence in our ability to protect stakeholders’ interests
-  Thought leadership in functional, clinical and specialist areas
-  Making it easy for members to look after their health
-  Leveraging our bargaining power, footprint and networks
-  Protecting our financial sustainability
-  Preventing fraud, waste and abuse
-  Cyber and information resilience





### Successful and efficient healthcare reform

Read more in the strategy section from page 25.

Although the Constitution guarantees access to healthcare services as a basic human right, access to quality healthcare in South Africa remains unequal. The NHI Bill is a step in the right direction, but its implications for medical schemes and their role remain unclear, and there are concerns about its funding model and governance.

Bonitas supports healthcare reform that will address cost and quality while making healthcare widely accessible in South Africa. We lobby for the importance of a well-governed NHI, and request clarity on the implications of the NHI for medical schemes, members and the public at large. Simultaneously, we explore future-proof strategies and operating models that will enable us to continue serving our members.

Relevant stakeholders:	Related external trend:	Strategic pillar response:	Related strategic risk:
Board and employees Members and agents Service providers Government and regulatory bodies	National Health Insurance uncertainty	 Create value through innovation  Boost business development	Impact of NHI on sustainability and structure of the Scheme  Impact of increasing regulation or regulatory changes and/or lack thereof



## Trust and confidence in our ability to protect stakeholders' interests

Read more in the strategy section from page 25.

In a world characterised by misinformation, our stakeholders need certainty that Bonitas can provide sustainable access to affordable and quality healthcare, manage our funds responsibly and practice good governance. Without this certainty, Bonitas will be unable to grow its membership base and negotiate favourable rates with healthcare providers.

We manage member contributions with due care and diligence, in accordance with an investment strategy approved by the Board. Our Stakeholder Engagement and Communication Framework describes how we interact with stakeholders, and we aim to develop relationships that are purposeful, relevant, open and honest, inclusive and responsive. We consider stakeholder needs when developing our strategy, which improves collaboration and our ability to deliver maximum benefits to all stakeholders.

Relevant stakeholders:	Related external trend:	Strategic pillar response:	Related strategic risk:
Board and employees Members and agents Service providers Government and regulatory bodies	Cost of healthcare crisis Innovation and technological disruption	 Connect with the customer  Apply best practice governance	Negative media publicity and potential loss of stakeholder confidence and brand and/or reputational damage



## Thought leadership in functional, clinical and specialist areas

Read more in the strategy section from page 25.

The healthcare sector evolves rapidly as innovations in medical practice, diagnostics and treatment improve the range of products and service available to patients. To provide quality care, Bonitas must ensure that these products and services are made available to members, that members are educated on their use, and that member contributions remain affordable.

We review service provider performance monthly, and our SLAs include outcomes-based measures to ensure that members receive real healthcare benefits. Our managed care programmes provide dedicated support to members suffering from specific illnesses or conditions, and we use data and analytics to ensure that the benefits included in our plans are appropriate to members.

In these efforts we are supported by a dedicated and experienced Board and Board Committees, Executive Management team and employees.

Relevant stakeholders:	Related external trend:	Strategic pillar response:	Related strategic risk:
Board and employees Members and agents Service providers Government and regulatory bodies	Innovation and technological disruption Wellbeing concerns and mental healthcare on the rise	 Connect with the customer  Create value through innovation	Inability to achieve Scheme growth, retention and/or affordability Negative media publicity and potential loss of stakeholder confidence and brand and/or reputational damage



## Making it easy for members to look after their health




Read more in the strategy section from page 25.

Members are better able to look after their health when they are appropriately informed, and have access to the products and services they need, when they need them.

We engage with our members through multiple touchpoints, and where appropriate – such as in the case of the Bonitas Maternity Programme – we provide relevant information throughout the member's healthcare journey.

We apply the latest technology to facilitate communication between members and healthcare practitioners.

We offer wellness and preventative care benefits on all our plans, including vaccinations and an annual online wellness questionnaire or screening. In 2024 we introduced the Be Better Benefit that offers tools for the early detection of health and wellness challenges. We also included depression as a chronic condition, and added the Bonitas Mental Health Programme to all plans, giving members access to a dedicated Care Manager to support them with mental health conditions.

Relevant stakeholders:	Related external trend:	Strategic pillar response:	Related strategic risk:
Board and employees Members and agents Service providers Government and regulatory bodies	Wellbeing concerns and mental healthcare on the rise  Innovation and technological disruption	 Integrate the value chain   Connect with the customer   Create value through innovation	Impact of NHI on sustainability and structure of the Scheme  Impact of increasing regulation or regulatory changes and/or lack thereof  Inability to achieve Scheme growth, retention and/or affordability



## Leveraging our bargaining power, footprint and networks

Read more in the strategy section from page 25.

Healthcare costs consistently outpace inflation, and the healthcare sector is regularly disrupted by new technology, innovations, legislation and regulations. To protect the interests of our members, Bonitas must represent them in our engagement with other stakeholders.

As the second largest open medical scheme in South Africa (based on the number of members), we are able to negotiate favourable rates with service providers, and expand our network in line with member needs. We onboard service providers that have innovative solutions to improving the quality and affordability of healthcare, and work with humanitarian organisation Gift of the Givers to improve health and wellness outcomes for the public at large.

We are a member of a number of industry organisations and associations, including the BHF, which deepens our channels of engagement with legislators and regulators.

Relevant stakeholders:	Related external trend:	Strategic pillar response:	Related strategic risk:
Board and employees Members and agents Service providers Government and regulatory bodies	Cost of healthcare crisis  Innovation and technological disruption	 Integrate the value chain   Be a strategic purchaser	Inability to achieve Scheme growth, retention and/or affordability  Negative media publicity and potential loss of stakeholder confidence and brand and/or reputational damage






## Protecting our financial sustainability

Read more in the strategy section from page 25.

A medical scheme's financial sustainability depends on membership growth, a balanced membership profile, responsible investment and stability. Without these characteristics, the scheme risks a solvency level below the legislated 25%, which jeopardises members' continued healthcare coverage.

Bonitas's plans and contribution increases are aimed at attracting new members and retaining existing members through the appropriate balance between benefits and cost. We closely monitor the profile of our members, and develop dedicated programmes to assist those with long-term healthcare needs. We invest responsibly to protect member funds and increase our reserves, and have a solvency level of 16.5% above the required 25%.

We monitor the impact of legislation and regulations – such as those related to low-cost benefit options and the NHI – and develop strategies and models to ensure that we are able to continue meeting our members' healthcare needs.

Relevant stakeholders:	Related external trend:	Strategic pillar response:	Related strategic risk:
Board and employees Members and agents Service providers Government and regulatory bodies	Cost of healthcare crisis National Health Insurance uncertainty	 Optimise investment returns  Integrate the value chain  Be a strategic purchaser	Impact of NHI on sustainability and structure of the Scheme Inability to achieve Scheme growth, retention and/or affordability






## Preventing fraud, waste and abuse

Read more in the strategy section from page 25.

In the healthcare sector, FWA manifests in many forms, including false claims, overbilling for services, providing unnecessary services, bribery and kickbacks. In addition to being illegal, such acts increase the cost of healthcare, which translates to increased contribution costs for members.

Bonitas has an integrated approach to prevent FWA across our value chain. All service providers are required to comply with our Anti-Fraud, Waste and Abuse Policy, and the Bonitas FWA Forum meets monthly with primary service providers to ensure sound FWA policies and practices.

We work with applicable stakeholders to assist in the investigation of allegations or cases of FWA, including the South African Police Service (SAPS) and the Specialised Commercial Crime Unit.

Relevant stakeholders:	Related external trend:	Strategic pillar response:	Related strategic risk:
Board and employees Members and agents Service providers Government and regulatory bodies	Innovation and technological disruption	 Apply best practice governance  Integrate the value chain  Be a strategic purchaser	Inability to achieve Scheme growth, retention and/or affordability



## Cyber and information resilience

Read more in the strategy section from page 25.

Organisations that work with people's data are under increasing pressure to secure this data and protect their systems from cyber attacks. This is particularly so in the healthcare sector, since compromised data and systems can cost lives.

Bonitas is committed to protecting members' data by ensuring the security of internal systems as well as those of service providers. We ensure that audits and penetration testing are conducted where appropriate, and confirm that service providers adhere to the I&T requirements specified in our SLAs. In cases of a data breach or system failure, we ensure that root causes are identified, and the appropriate corrective actions implemented.

Relevant stakeholders:	Related external trend:	Strategic pillar response:	Related strategic risk:
Board and employees Members and agents Service providers Government and regulatory bodies	Innovation and technological disruption	 Apply best practice governance	Cyber/information security threats and vulnerabilities Inadequate and/or insufficient I&T change control management/incident management Impact on system stability and/or accessibility of the administrator/managed care organisation

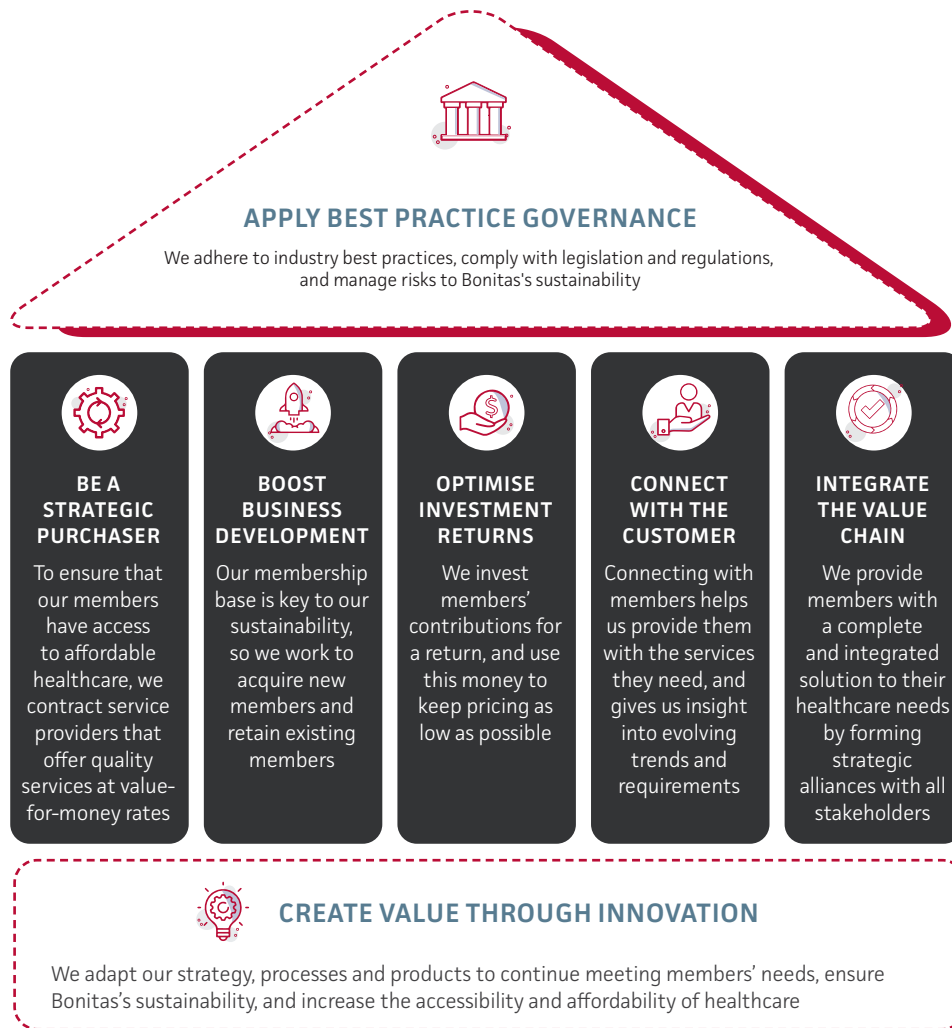
*Over the past four decades Bonitas has developed a rich heritage and a solid understanding of the private healthcare sector in South Africa, and we continue providing our members with new and innovative ways to improve their wellness and access affordable, quality healthcare.*



# OUR STRATEGY

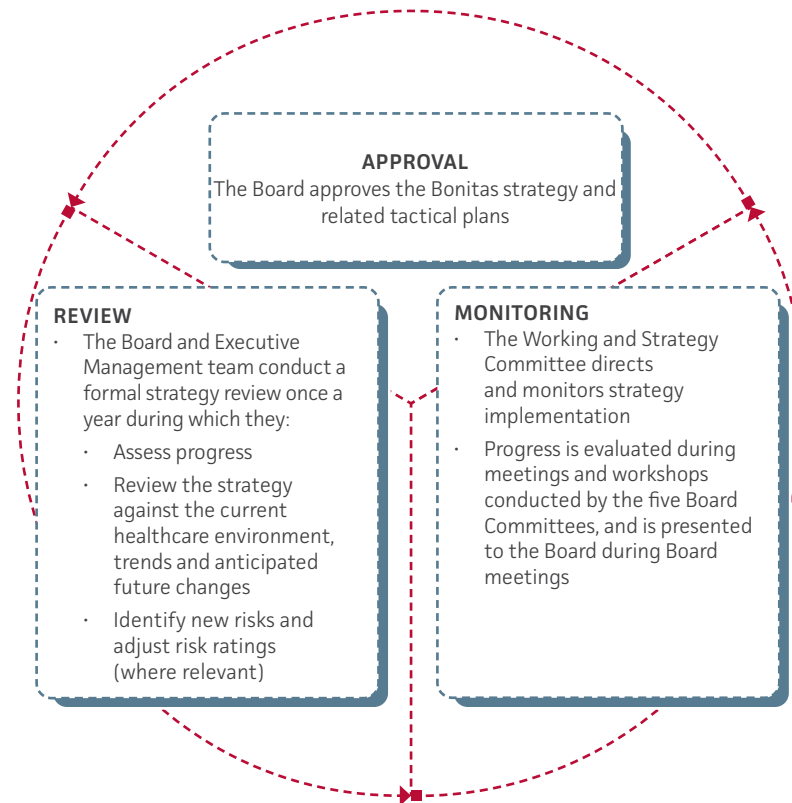
## OUR FIVE-PILLAR STRATEGY AND PERFORMANCE

To ensure that we deliver on our purpose, Bonitas has a detailed and robust strategy based on five core pillars, supported by governance and innovation – which are relevant to each pillar.



### STRATEGY APPROVAL, MONITORING AND REVIEW

Our strategy is continually monitored and regularly reviewed to ensure its ongoing relevance. The Bonitas strategy is approved by the Board.



# 2023/4 STRATEGIC INTENT

The 2023 strategy review was conducted in June. Key data was interrogated in terms of the macroeconomic environment, industry innovations, best practices, membership figures and trends, and insights provided by independent research bodies.

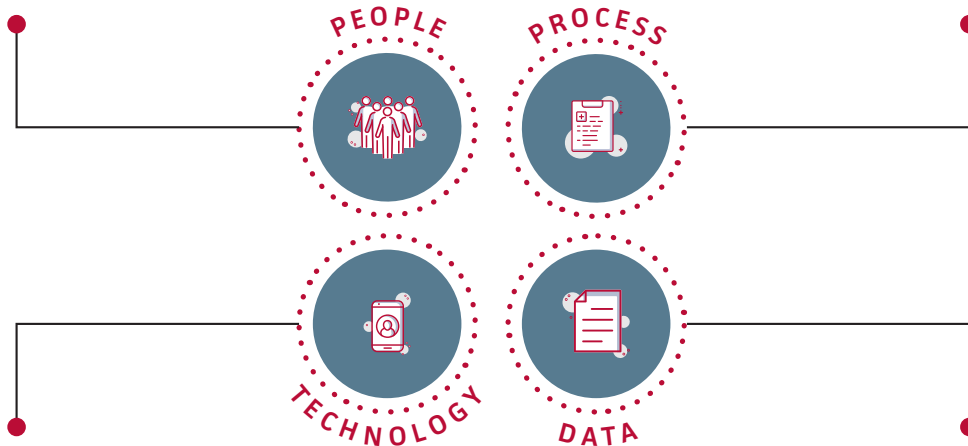
This requires Bonitas to consider the following:

## Prioritise people

- People are central to business operations
- Without people, nothing gets accomplished

## Consider how it should be done

- Standardised processes create predictability and efficiency
- Progress is obstructed without process



## Enable people, support processes

- The tool must fit the task
- Technology should simplify processes and amplify effectiveness

## Make data-driven decisions

- Data analysis is essential as it helps organisations to better understand customers, improve sales, improve customer targeting, reduce costs, and develop better problem-solving techniques

A number of actions have been identified to realise the 2023/4 strategic intent. Some of these actions commenced and/or concluded in 2023, while others will come to a close in 2024. Actions include the following:

- Improve the ease with which members, brokers and healthcare providers do business with Bonitas, particularly with regard to the activation and onboarding of new members. This includes streamlining processes, improving network alignment, reducing member co-payments, and leveraging technology and data to improve members' experience.
- Investigate strategic partnerships that will enable Bonitas to provide a complete and integrated menu of products and services that will support members' needs throughout all life stages.
- Empower and incentivise members to look after their own health, and proactively identify potential health and wellness risks, so that we can assist them to protect, promote, maintain and improve their health.
- Implement a new operating model to support corporate growth and servicing, which will integrate a number of services to create a strategic focus on corporate business. Bonitas will also further develop our brand and reputation in this space by engaging with potential corporate clients on health and wellness solutions for typical challenges – such as high absenteeism or low productivity due to illness – and by sharing the benefits of a split-risk opportunity for both employer and employee (i.e. when the employer allows employees to choose between two or more medical schemes).

**In response to this data, the Board agreed that the strategic intent for 2023/4 is to create a high-performance culture with incentive-driven outcomes in order to enhance member acquisition and retention.**

# PROGRESS WITH IMPLEMENTING OUR STRATEGIC PILLARS



## BE A STRATEGIC PURCHASER

Over the past two decades, healthcare costs have outpaced inflation. This trend is a key concern for the medical scheme industry and is exacerbated by FWA and the non-regulation of other costs.

Bonitas has to make strategic purchases related to services, contracts and networks to maintain costs, ensure service quality and minimise risk. By matching our members' needs and profiles with the optimum spread, availability and cost of services, we create efficiencies and value that members will not be able to access individually.

### SHORT-TERM FOCUS AREAS



- Create a seamless service experience
- Optimise collective bargaining with hospital groups
- Reduce co-payments and short payments with the aim of creating a wallet-free experience for our members
- Integrate services to deliver on our new corporate growth strategy
- Expand our hospital-at-home initiatives
- Enhance outcomes-based measures with managed care providers to improve healthcare outcomes
- Implement focused initiatives to improve the performance of loss-making options

### LONG-TERM FOCUS AREAS



- Define and optimise purchasing power with hospital groups
- Build more efficient networks of service providers and enhance current networks
- Ensure preventative and primary services are available when required
- Ensure that secondary and tertiary healthcare only come into play after the first level of relevant care has been accessed

### RELATED MATERIAL MATTER



- Leveraging our bargaining power, footprint and networks

## 2023 progress

- As of 1 January 2023, PHA has been responsible for the administration and managed care services on the BonCap benefit plan, and we succeeded in achieving our aim of reducing net healthcare losses on this benefit plan. As of 1 January 2024, BonCap healthcare claims (excluding those covered through other risk transfer arrangements) will be administered and paid using the PHA system, and PHA's responsibilities have been expanded to include HIV management for members on this benefit plan from 1 January 2024.
- As of 1 May 2023, hearConnect has been managing our new Audiology Benefit Management Programme, which provides full cover for all audiology consultations, tests and treatment needs, subject to the use of a networked audiologist. Historically, audiology has been undermanaged by medical schemes, with reducing annual benefits, no provider networks and a high predominance of FWA. Bonitas is the first medical scheme in the country to launch a full audiology programme, and this is also the first audiology network in South Africa.

### AUDIOLOGY BENEFIT MANAGEMENT PROGRAMME

<b>1 412</b> Programme enrolments	<b>422</b> Network locations countrywide	<b>2 175</b> Authorisations issued for hearing aids
<b>27%</b> Drop in FWA cases (R8 million savings)	<b>&gt; R5.8 million</b> Reduction in member co-payments	<b>R8 million</b> Reduction in year-on-year claims paid

- We conducted an analysis of AfroCentric's service quality over the past three years, with a particular focus on urgency and responsiveness. The results were discussed with AfroCentric's Group Executive Committee in order to ensure continual improvement.
- The Bonitas I&T Steering Committee is closely monitoring progress with regard to stabilising and modernising the AfroCentric system. System stability and incidents are closely tracked, and root cause analyses are scrutinised and discussed during regular review meetings. See page 82 for more information.
- Bonitas contracted NMG Consultants and Actuaries to perform an independent performance review of Pharmacy Direct, specifically with regard to benchmarking and best practices. Findings and suggested next steps will be discussed with Pharmacy Direct once the review has been completed and considered by the Board.
- In July 2023, Bonitas appointed two small enterprises to our supplier database as part of our supplier development programme – Modjadji Pulane Communications, and Techplo Branding and Signage. We supported them through early payments, I&T support and office space. By the end of December 2023, we had awarded them orders exceeding R3 million, and we hope to graduate them to fully fledged Bonitas preferred suppliers.

- We enhanced tariffs for specialists in line with industry benchmarks, and to contract additional specialists to our network. This will reduce member co-payments, assist us to reduce the Scheme's reserves, enhance congruency with network hospitals, and widen access to healthcare for our members. We also enhanced tariffs for certain procedures that specialists can divert to in-room procedures.
- Strategic purchasing yielded estimated savings of at least R745 million (2022: R447 million), mainly driven by hospital negotiation savings of R475 million.

## HOW WE HOLD SERVICE PROVIDERS TO ACCOUNT

Bonitas follows an outcomes-based approach to contracting, which means that we measure the performance of service providers against a set of predetermined healthcare outcomes – such as hospital readmissions, patient engagements and patient-reported outcomes.

We receive monthly reports from our contractual service providers that include information on operational performance, strategic projects, and areas of concern, risk and improvement. We also review audit findings where these are available.

By monitoring service provider performance on a monthly basis, we are able to proactively engage with them on potential areas of concern, and implement additional outcomes-based measures on identified gaps.



## KEY INDICATORS

Total estimated savings due to managed care initiatives **R1.7 billion | 10.9%**  
(2022: R1.5 billion) ↑

## ADDITIONAL INDICATORS

Beneficiaries registered for chronic medicine **193 418 | 27%**  
(2022: 202 611)

Beneficiaries on the Diabetes Programme **57 946 | 8.1%**  
(2022: 67 641)

Beneficiaries on the HIV/AIDS Programme **39 091 | 54.6%**  
(2022: 40 311)

Beneficiaries identified for the Back and Neck Programme **7 289 | 1%**  
(2022: 7 144)

Beneficiaries on the Cancer Programme who are claiming **16 499 | 2.3%**  
(2022: 16 649)

Beneficiaries referred to the Back and Neck Programme **4 100 | 0.6%**  
(2022: 5 430)

## FUTURE PRIORITIES

- In 2024, we will investigate and address service provider contracts that are due for renewal. The renewal process is subject to the applicable SLA, and where relevant we embark on a Request for Proposal (RFP) process to benchmark current services and pricing against other service providers in the market.
- A key focus – as stated in our 2023/4 strategic intent – will be to explore strategic partnerships to enable Bonitas to offer a more comprehensive and integrated suite of products and services to our members. This is likely to improve member satisfaction, loyalty and retention.
- In March 2023, we launched our Audiology Screening Programme, in partnership with humanitarian organisation Gift of the Givers, and 12 230 learners were screened by December 2023. We will continue working with Gift of the Givers in 2024, and will focus on installing boreholes in public healthcare facilities across South Africa, as well as a bursary initiative for students studying medicine or nursing.



## BOOST BUSINESS DEVELOPMENT

Growing our membership base is critical to Bonitas's sustainability. Corporate business growth is a focus area to counterbalance the universal trend towards more direct-paying member business, which traditionally carries a higher risk.

To grow membership, Bonitas has to demonstrate value for money in our product offerings, ease of doing business in onboarding processes, and efficiency in our administration and claims handling procedures. We also need to make a strong emotional connection with members. Solvency, ethical leadership and effective governance are essential components in Bonitas's overall appeal to corporate decision-makers.

### SHORT-TERM FOCUS AREAS



- **Develop a marketing strategy to improve market penetration at an acceptable cost of acquisition**
- **Simplify and streamline the member onboarding process**
- **Implement a focused corporate strategy to improve the reporting and servicing experience at paypoints**
- **Develop the Bonitas brand within identified target markets**
- **Improve the ease of doing business for all stakeholders**
- **Use member data to facilitate and support Bonitas's distribution channels in order to address gaps in member needs**
- **Implement a retention strategy to improve membership terminations and lapses**

### LONG-TERM FOCUS AREAS



- Enhancement of distribution channels
- Improved retention (groups and direct-paying members)
- Corporate membership growth and the integration of value-add products
- Continued pursuit of amalgamation opportunities

### RELATED MATERIAL MATTER

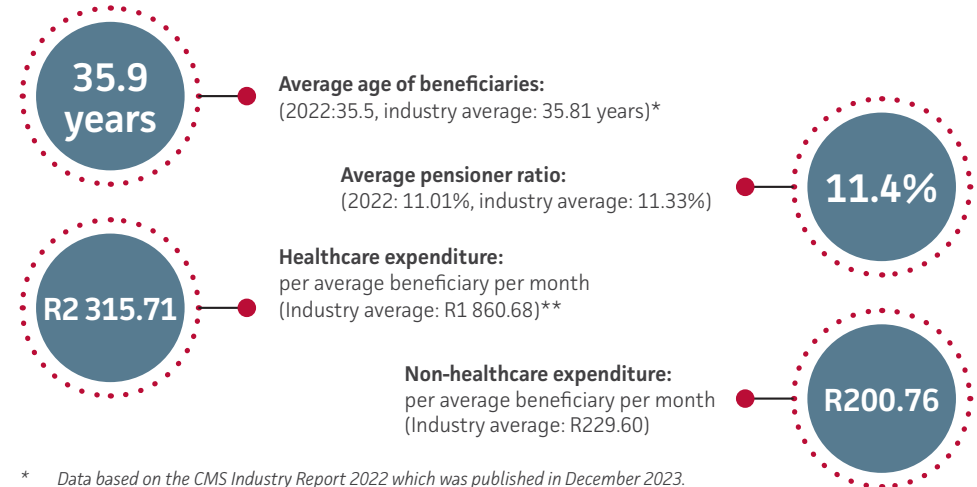


- Successful and efficient healthcare reform

## 2023 progress

- As at 31 December 2023, Bonitas had a net membership decrease of 0.9% (3 258) following high member acquisitions and losses. However, our membership profile has improved and compares favourably with industry averages.

### BONITAS MEMBERSHIP PROFILE



\* Data based on the CMS Industry Report 2022 which was published in December 2023.

\*\* Healthcare expenditure reported as insurance service expense, excluding amounts distributable to future members.

The CMS Industry Report 2022 states that Bonitas is one of only two open schemes to boast a demographic profile with averages that are lower than the industry average.

- The CMS recommended that medical schemes limit their 2024 price increases to 5% plus a reasonable utilisation estimate – taking the possible increase to between 8.2% and 8.8% (based on 2002/3 assumed utilisation increases for the industry). With a weighted increase of 6.9% and an average increase of 6% across nine of our plans, Bonitas's 2024 price increases are in line with the CMS's recommendations and below healthcare inflation, which is generally in the range of between CPI+2% and CPI+4%. This means that over 227 000 members – around 65% of our membership – will experience an increase below healthcare inflation. See page 54 for information on how we calculate contribution increases.
- In late 2023, the Board approved a new strategy and operating model to support corporate growth and servicing, and ensure that Bonitas competes successfully in large corporate businesses. This model will integrate a number of services to create a strategic focus on corporate businesses, and in 2024 we will request and evaluate proposals from service providers to integrate our basket of services.
- We introduced significant benefit changes and enhancements for 2024. Some of these are described below.
  - Bonitas has seen a 2.8% increase in the 2023 mental health hospital admission rate relative to 2022, and a 23.8% increase relative to 2021 as a result of COVID-19 contributing to these higher increases. The admission rate for beneficiaries aged between 20 and 44 remains higher than other cohorts. We have therefore extended the Bonitas Mental Health Programme to all plans for 2024, and included depression as a chronic condition. This is in addition to the Panda digital platform, which provides easy access to expert help, mental health information and community support. Panda is free to download and is available to all members.



## BONITAS MENTAL HEALTH PROGRAMME

The Bonitas Mental Health Programme aims to improve members' quality of life and empower them to more effectively manage their mental health condition.

### WHAT DOES THE PROGRAMME OFFER?

Once a member is registered on the programme, they are assigned a dedicated Care Manager who will assist them and collaborate with their treating doctor to ensure that they get the support they need. The Care Manager will help the member:

- Set up appointments with their doctor
- Obtain authorisation for healthcare services
- Understand the importance of preventative care and the use of wellness benefits
- Resolve queries related to any other health condition

The member will also gain access to educational material about mental health to empower them to manage their condition.

### WHO CAN JOIN THE PROGRAMME?

Members on all options who suffer from mental health conditions such as depression, anxiety, post-traumatic stress disorder (PTSD) and alcohol abuse may be assessed and registered on the programme.

### 2024 Benefit enhancements

- The Bonitas Benefit Booster has been increased by 10% on most options, with an increase of 150% on the Standard/Standard Select options, 133% on the Primary/Primary Select options and 282% on the BonSave benefit plan. See page 49 for more information.
- We introduced the Be Better Benefit, which provides a range of screening tests and benefits to allow for early detection of health and wellness challenges. The Be Better Benefit is funded completely from risk and is available on all options except BonCap. Benefits vary depending on the option but may include:
  - An annual wellness screening to check blood pressure, blood glucose, body mass index (BMI) and cholesterol
  - Flu, pneumococcal and Human Papillomavirus (HPV) vaccines, and whooping cough boosters
  - HIV tests, pap smears, mammograms and prostate screening
  - Lipograms and stool tests for colon cancer
  - Dental fissure sealants to prevent tooth decay
  - Access to contraceptives valued at up to R1 950
- We launched the Bonitas Maternity Programme which, combined with the Be Better Benefit, offers families up to R50 000 in extra value for the year. The programme offers access to:
  - Bonitas's comprehensive Maternity Programme – see page 37 for more information
  - GP, maternity and paediatric consultations and scans
  - Newborn hearing screenings and childhood immunisations
  - Access to a 24/7 helpline for medical advice for children under the age of 3
  - Paediatric and GP consultations
- A benefit of two emergency room consultations per family has been added to all options for 2024.
- As recommended by the WHO, we have lowered the age of administration for the HPV vaccine and now offer two doses for females aged 9 to 14 years, and three doses for females aged 15 to 26 years. We also now cover mammogram screenings on all options for women aged over 40, and faecal occult blood tests (used to test for colon or rectal cancer) on all options for those aged 45 to 75.
- We increased the child dependant age to 24 years – regardless of whether the child is studying or not.



## KEY INDICATORS

Organic membership acquisitions **50 729 | 7%** (2022: 47 446)\* ↑

## ADDITIONAL INDICATORS

Online unique engagements

**867 124**

(2022: 797 222) ↑

Leads generated

**115 372**

(2022: 104 214) ↑

## BROKERS

**1** corporate executive brunch with

**128** delegates in person

(2022: 1; streamed to 523; 82 in person)

**1** financial broker roadshow streamed to

over **1 086** delegates with **55** in person

(2022: streamed to 1 179)

**2** corporate launches

(2022: 2)

**28** union engagements

(2022: 27)

**1** product launch streamed to **769** delegates with **982** delegates in person

(2022: streamed to 2 115)

## National Health Insurance

In December 2023, the NHI Bill was approved in the NCOP, but has not yet been signed into law. The NHI Bill aims to ensure that all South Africans have access to quality healthcare through the establishment of a single government fund that will be used to pay for medical products and services. Medical schemes will only be able to offer “complementary services” that are not available through the NHI.

### CONCERNS REGARDING THE NHI BILL

Bonitas unequivocally supports the right of every person to access **quality** healthcare, and we believe that universal healthcare is a right, not a privilege. We also agree that access to quality healthcare in South Africa is currently disproportionate, and we regard the NHI Bill as a positive progression towards universal healthcare for the country.

However, the NHI Bill in its current form has been contentious since inception, with critics believing that the Bill is so inherently flawed that it may jeopardise citizens’ right to healthcare. Nonetheless, the Bill was approved without taking into account the numerous objections raised by private medical schemes, industry role players, business associations and others – including Bonitas and the BHF.

Issues that we believe require further discussion and clarification include the following:

- The impact of the NHI on the reserves held by medical schemes, particularly as there have been calls for this money to be transferred to the NHI Fund.
- Legislative conflict between the NHI Bill and the Constitution, especially in terms of preventing citizens who have the means to purchase healthcare, and removing the right of healthcare providers to offer healthcare products and services.
- The impact of the NHI on government healthcare infrastructure and resources, service providers and skills, all of which are already under pressure.
- How the NHI will be funded.
- How sound governance of the NHI Fund will be ensured, as well as the secure administration of member data and information.
- The benefits and services that will be offered to citizens under the NHI, and how their access to these will be allocated and prioritised.

### IMPACT OF THE NHI ON OUR MEMBERS

The implementation of the NHI is a significant undertaking that is likely to take quite some time. It is expected that the process of bringing the NHI into law will take a year, and full implementation will take a few years.

It is unlikely that Bonitas members will be adversely impacted in the immediate future, as both the NHI Bill and the 2015 *White Paper on National Health Insurance* emphasise that the role of private medical schemes will only change once the NHI is fully implemented.

\* Excludes 14 585 members acquired through the NMAS amalgamation.



## NEXT STEPS FOR BONITAS

There are many uncertainties regarding the financing and implementation of NHI, and since this is an entirely new development there are still many lessons to be learned. However, Bonitas maintains that the only way for the healthcare system to evolve is through interdependent relationships between the public and private sector. We need to focus on these two sectors working together, strong leadership, accountability, and dealing with socioeconomic issues as an integral part of the process.

Furthermore, private medical schemes and associated services make an enormous contribution to the annual fiscus. The industry contributes significantly to employment and, in turn, to the country's economy.

Bonitas will therefore continue to:

- Monitor developments with regard to the NHI. This is primarily the responsibility of the Working and Strategy Committee, and Audit and Risk Committee, who report on developments to the Board.
- Lobby and engage with relevant stakeholders on the importance of a well-governed NHI, and the critical role that the private sector can and should play in a South African healthcare system that supports all citizens equitably and fairly.
- Collaborate with industry associations in its aim of ensuring the sustainability of the South African healthcare sector, including medical schemes, administrators and managed care organisations.
- Provide information, commentary and insights on NHI developments to all our stakeholders, as well as to healthcare professionals and the public at large.
- Investigate actions, options, models and strategies that will ensure our future relevance in terms of service provision.

## FUTURE PRIORITIES

- Given the economic hardship facing many of our members, membership terminations remain a risk and retention strategies will therefore continue to receive focus. In 2023, the retention team successfully retained 20 131 members after being further capacitated. In 2024 we will closely monitor the impact of these initiatives, and will also investigate alternative service delivery and operating models for Bonitas that have the potential to improve affordability and member experience.
- In 2023, we commissioned independent research on membership losses in an attempt to identify their root causes. A representative sample of resigned members were interviewed, together with brokers and other key stakeholders. The findings resulted in the implementation of our 2023/4 strategic intent (see page 26). In 2024 we will continue implementing the tactical plans related to this strategic intent, which include identifying and offering additional value-added services, improving the ease of doing business with Bonitas, further aligning our network, and implementing additional digital innovations.
- In 2024, we will implement a new corporate servicing model to boost growth and retention in corporate groups. By integrating specific services, Bonitas can establish a focused approach with corporate business. The new operating model will allow us to compete in targeted industry sectors through bespoke strategies for each sector.



## OPTIMISE INVESTMENT RETURNS

We want to ensure that member funds are invested according to an optimal mix that maximises returns while minimising risk. Our investment strategy considers the Bonitas risk appetite, relevant regulations and constraints imposed by the MSA.

Our investment portfolio is appropriately diversified in line with the Bonitas Investment Policy Statement. Asset allocations are managed by considering our asset-liability matching to ensure sufficient liquid funds to meet claims and other liabilities as they fall due.

Our liabilities are short-term in nature. As a result, a significant portion of the investment portfolio is invested in cash instruments. The MSA also requires medical schemes to hold a minimum of 20% of investable assets in cash.

## SHORT-TERM FOCUS AREAS



- **Achieve a targeted net (of fees and taxes) return in excess of CPI+3.5% per annum over a rolling 36-month period**
- **Onboard a new asset manager (Mergence)**

## LONG-TERM FOCUS AREAS



- Preserve capital over a rolling 12- to 18-month period
- Be proactive and reposition Bonitas when there are opportunities to maximise returns while adhering to the set strategic asset allocation parameters
- Manage investment risk to be within tolerable levels
- Challenge the regulator regarding investment constraints in Regulation 30 of the MSA

## RELATED MATERIAL MATTER



- Protecting our financial sustainability

## 2023 progress

Following the investment strategy review workshop conducted by the Investment Committee on 31 January 2023, it was agreed that no significant changes would be made to the investment strategy, although minor amendments were made to reduce the equity allocation, and one of the bond asset managers was moved from a passive to an active mandate.

Bonitas is proud to announce that, in keeping with our strategic transformation objectives, we have appointed a black-owned asset management firm. Mergence was effectively appointed as an asset manager in February 2024 and will take up an equity allocation of approximately 5% of Bonitas's equity holdings, equating to R180 million over the next 12 months.

In July 2023, Global Credit Rating revised our financial strength rating from AA- to AA+, which indicates that Bonitas has very strong financial security characteristics relative to comparable entities in South Africa.

Bonitas was successful in achieving our strategic investment return target of CPI+3,5% (net of fees) over the three-year period ending 31 December 2023. Read more about our investment performance on page 57.

### KEY INDICATORS

Return on investment **7.7%**  
(target of 9.5%)

(2022: 7.2%) ↑

Investment portfolio value  
**R10.21 billion**

(2022: R9.97 billion) ↑

Percentage of asset managers who outperformed their benchmarks net of fees **56%**

(2022: 89%) ↓

### FUTURE PRIORITIES

In our effort to reduce the cost of healthcare, Bonitas intends to approach the regulator with regards to Regulation 30 of the MSA, which sets out the investment guidelines for medical schemes. Under the current legislation, medical schemes are not permitted to hold foreign equities exceeding 2.5% of their investment portfolio (in comparison, the Pension Funds Act permits pension funds to invest 45% offshore.)

Bonitas believes that this limitation in the MSA hinders the ability of medical schemes to achieve higher investment returns. If investment guidelines for medical schemes were similar to those for pension funds, medical schemes would be in a better position to earn higher returns at a lower investment risk, which in turn would enable them to lower contribution rates and improve benefit packages.



## CONNECT WITH THE CUSTOMER

Our members are the customers we serve through every phase of their health and life cycle. Bonitas focuses on providing quality and affordable healthcare to meet members' evolving needs. Communication is key to engaging with members and ensuring full value for the medical aid cover purchased.

### SHORT-TERM FOCUS AREAS

- Meet Bonitas members' needs through all life stages
- Optimise digital platforms and engagements (such as during onboarding) to enhance the Bonitas experience
- Support regular, simplified communication to improve member understanding
- Implement an enhanced stakeholder communication strategy
- Implement a wellness strategy to drive health risk assessments that would create value and competitiveness through activation of the Bonitas Benefit Booster
- Enhance our net promoter score (NPS)

### LONG-TERM FOCUS AREAS

- Educate and engage patients to take responsibility for their health and conditions
- Form partnerships with doctors, health practitioners and patients
- Actively promote openness and approachability

### RELATED MATERIAL MATTERS

- Trust and confidence in our ability to protect stakeholders' interests
- Thought leadership in functional, clinical and specialist areas
- Making it easy for members to look after their health

## 2023 progress

- Member participation has increased since we transitioned to a virtual AGM. Our 2023 AGM, held on 16 August, was attended by over 730 members, and we offered data vouchers to members so they do not need to incur participation costs.

### How we drove AGM member engagement

Emails (296 611)

SMS (53 605)

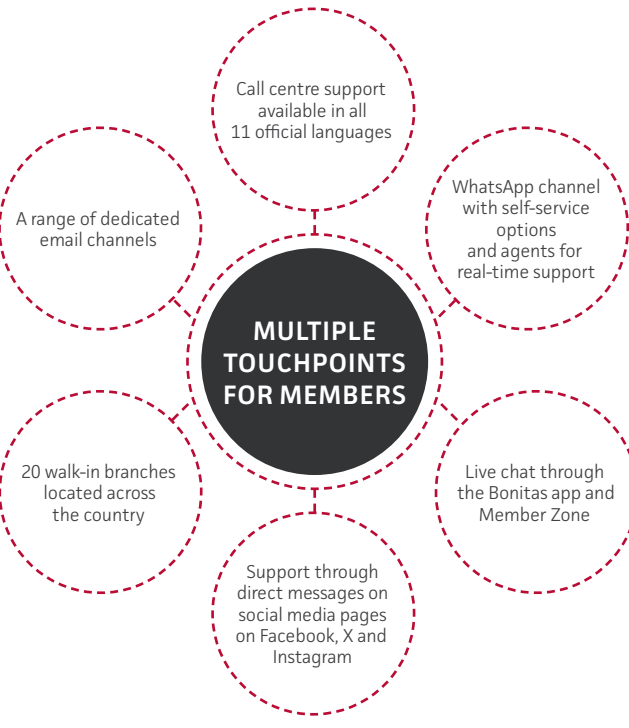
Postal (1 516)

Bonitas app, Member Zone and WhatsApp

Notices in publications such as *Sunday Times* and *City Press*

Social media such as Facebook, LinkedIn and Instagram

Third-party influence platforms such as broker announcement newsletters



- As part of our 2023/4 strategic intent (see page 26) we contracted an independent consultant to perform industry research. The consultant is inter alia responsible for advising the Scheme regarding improvements to our market intelligence and data analytics, product development, marketing and digital strategies, member onboarding and underwriting process.
- Digital channels continue to be a key tool for enabling and empowering our members. In 2023, we released an improved version of the Bonitas app with new features, including the ability to request authorisation for a claim, and request international travel insurance. The app also allows Bonitas to communicate with the Department of Home Affairs to verify identity and therefore expedite member registration.



### Bonitas wins operational excellence award for second consecutive year

In May 2023, Bonitas was awarded the BHF Titanium Award for Excellence in Operational Performance for the second year running. Nominees have to demonstrate how they have created, supported and sustained access to affordable, quality healthcare services for their members. Part of the submission requires verification of:

- Growth over the past three years
- Credit rating
- Proof of average increases

- Health governance measures
- Preventative healthcare benefits
- Risk benefits

The award speaks to the measures Bonitas has put in place to invigorate our approach to providing affordable and quality healthcare for our members, and ensuring we support our sustainability. This recognition further endorses our commitment to being agile and playing our part in reshaping the healthcare ecosystem.

## KEY INDICATORS

Industry awards and benchmarking: Winner of the BHF Titanium Award for Excellence in Operational Performance (second consecutive year)

Net promoter score\* **8**  
(2022: 18) ↓

\* NPS is a metric to measure customer satisfaction and loyalty. It is calculated by asking the question: "On a scale of one to 10, how likely are you to recommend our product/service to a friend or colleague?" The NPS benchmark varies greatly between industries, and in the South African healthcare sector, a healthy NPS is considered to be 20 or above.

## ADDITIONAL INDICATORS

**68 688** Live Chat and chatbot interactions  
(2022: 53 379) ↑

**475 637** WhatsApp agent chats  
(2022: 278 993) ↑

## ADDITIONAL INDICATORS

**5 964 650** WhatsApp bot and self-service interactions  
(2022: 8 352 669) ↓

**77 179** via walk-in centres (face-to-face)  
(2022: 66 163) with 161 837 queries logged ↑

**1 519 996** via call centres (2022: 1 526 874) ↓

**666 802** main call centre  
(2022: 678 961) ↓

**288 032** BonCap call centre  
(2022: 230 115) ↑

**411 970** hospital benefit management  
(2022: 460 182) ↓

**153 192** chronic medicine management (2022: 157 616) ↓

**685 516** emails (2022: 582 885) ↑

**543 408** main back office  
(2022: 484 715) ↑

**77 354** BonCap back office  
(2022: 51 749) ↑

**64 754** BonCap emails  
(2022: 46 421) ↑

**339 257** hospital benefit management authorisations created  
(2022: 330 547) ↑

**16 725** chronic medicine management authorisations created (2022: 13 891) ↑

Our customer satisfaction (CSAT) score captures member satisfaction with specific interactions and averaged 87.7% this year. Our consumer experience score (CES) assesses the ease of the member experience and averaged 67.7%. Both will remain key measures as they allow us to better understand how members relate to our service.

## FUTURE PRIORITIES

In 2024, we will continue our focus on enhancing members' experience and ease of doing business with Bonitas, with a particular emphasis on improving our NPS, creating seamless service touchpoints, and providing personalised communication.



## INTEGRATE THE VALUE CHAIN

Bonitas believes that the key to successful value chain integration is quality inter-organisation relationships. Value chain integration inherently aspires to improve and create value continuously. Bonitas has many partnerships and relationships with service providers built over many years, creating the ideal basis for value creation. Our healthcare model on page 5 sets out Bonitas's partners in the value chain.

## SHORT-TERM FOCUS AREAS



- Implement a free-to-member strategy aimed at reducing out-of-pocket expenses
- Implement an integrated product and service strategy and solution to improve member retention, enhance the performance of our distribution channels, and complement the Bonitas corporate strategy
- Actively build a future for NHI partnerships
- Improve our virtual services

## LONG-TERM FOCUS AREAS



- Provide a wallet-free experience for all members
- Integrate our product offering to improve retention
- Brand Bonitas as the future of healthcare in South Africa

## RELATED MATERIAL MATTERS



- Making it easy for members to look after their health
- Leveraging our bargaining power, footprint and networks

## 2023 progress

The Bonitas Benefit Booster is a key initiative in our commitment to integrate the value chain while adding real value to members. By completing an online wellness questionnaire or wellness screening, members on all options unlock an additional amount to use for out-of-hospital expenses (such as GP consultations or over-the-counter medication) at no extra cost.

The questionnaire and screening give members insight into their own health status, allowing them to manage their health and wellness more proactively. Bonitas also uses this data – with member consent – to identify potential health and wellness risks, and recommend the member's enrolment on an active disease management programme where appropriate.

### Benefit Booster value experience

- Provides real value to members on their day-to-day benefits
- Incentivises health and wellness screenings to assist in identifying and mitigating risks
- Improve Bonitas's risk management, as members with health risks can be placed on managed care programmes that provide specialised care and support
- Improves members' experience with Bonitas, which improves our NPS
- Enhances Bonitas's competitiveness in identified target markets

## FUTURE PRIORITIES

Bonitas's new corporate operating model will see further integration of the healthcare value chain in our effort to integrate our product and service offering for the corporate sector. See page 32 for more information.



## CREATE VALUE THROUGH INNOVATION

Healthcare innovation aims to be preventative, promotive, therapeutic and rehabilitative while focusing on new ways to provide care. It can improve efficiency, effectiveness, quality, safety and affordability.

Healthcare innovation will be driven by technology for the next decade and will involve seamless processes that enable members to optimise their health and that of their dependants. Treatment and medicine will become community-based again as drones and other technology will provide integrated healthcare at local delivery points. Medical schemes will be required to build communication and delivery systems to implement these innovations.

Innovation can be segmented into three types:

- **Product innovation** to respond to the needs of our members.
- **Process innovation** to improve member experience and ensure that they are educated and empowered concerning their health and wellness needs.
- **Strategic innovation** to ensure we remain sustainable and competitive in terms of affordability for members in the current economic climate. Expanding and integrating partnerships across the value chain can be a competitive advantage in purchasing power.

## SHORT-TERM FOCUS AREAS



- **Issue communication that is focused on aligning providers in Bonitas's value chain**
- **Actively build a future for Bonitas to be part of the NHI in South Africa**
- **Develop a front-end I&T solution to enhance experience, access and convenience for potential new members**

## LONG-TERM FOCUS AREAS



- Educate role players to balance the triangle of affordability, quality and cost efficiencies
- Use disruptive strategies to make healthcare technology more readily available to more people

## RELATED MATERIAL MATTERS



- Successful and efficient healthcare reform
- Thought leadership in functional, clinical and specialist areas

## 2023 progress

- The 2023 data from the South African Health Quality Assessment, which is based on 2022 claims, indicates that coverage rates for Bonitas and the industry have improved. Bonitas's coverage rates are higher than the industry average for maternity and antenatal care, and for chronic disease management. Most of our benefit options were just above the average, and admission rates were slightly higher than the industry on a risk-adjusted basis.

### Bonitas Maternity Programme

The Bonitas Maternity Programme provides targeted support to expecting mothers during each trimester, with the aim of helping them improve their health and reduce complications. Benefits include:

- 24/7 Maternity Health Advice line
- Dedicated clinical care advisors
- Online antenatal classes
- Weekly stage-appropriate SMSs
- Web content
- Pregnancy education emails
- Bonitas baby bag
- Digital webinars and events

- The Bonitas Business Hub has been one of our key digital successes over the past year. This platform is used by our top-performing brokers and allows them to easily register both individuals and corporates to Bonitas. As at 31 December 2023, over 30 000 applications had been successfully submitted through the system.



### Bonitas Business Hub

The Bonitas Business Hub makes it easier for our brokers to register new members. The system validates ID numbers and banking details in seconds with online photo verification, and brokers can track the application status every step of the way.

From a servicing perspective, brokers can view their members and membership statuses, claims, contributions, benefits and more. They can also address queries, access the latest marketing material, and add or remove dependants as needed. Online option changes can also be effected quickly and easily.

Bonitas Business Hub allows our brokers to:

→ Sign up new individual members

→ Sign up new groups

→ Validate ID and banking information

→ Track applications

→ View member details

→ Access membership certificates

→ Add or remove dependants

→ Complete option changes

→ Access forms and brochures

In partnership with hearConnect, Bonitas now offers free online hearing screening for members and the public at large. The screening test uses the latest in audiological technology, combined with the highest standards of clinical expertise. Users can complete the screening on <https://bonitas.co.za/hearing-screening>, and if the test indicates that they are experiencing hearing loss, hearConnect will guide them on the next steps.

### FUTURE PRIORITIES

In 2023, we ran pilot programmes with a number of digital products aimed at improving members' experience. This included software aimed at improving member insights and management, streamlining processes, improving response times and developing more accurate workflows. We will continue these investigations in 2024, and will implement those software programmes that have resulted in positive benefits for Bonitas and our members.





## APPLY BEST PRACTICE GOVERNANCE

Bonitas has a holistic, integrated approach to organisation-wide governance, risk and compliance. This ensures that we act ethically, correctly, and according to our risk appetite, internal policies and external regulations. It also aligns strategy, processes, technology and people, thereby improving efficiency and effectiveness.

### CORE ELEMENTS



- **Governance**
- **Risk management**
- **Compliance management**

### RELATED MATERIAL MATTERS



- Trust and confidence in our ability to protect stakeholders' interests
- Preventing fraud, waste and abuse
- Cyber and information resilience

Read more about the core elements of our governance structure on page 67.



### 2023 progress

- Every second year, the Bonitas Board and its Committees are independently evaluated to determine the effectiveness of their performance against accepted good corporate governance principles and standards. The most recent evaluation was conducted in 2023. See page 73 for more information.
- To ensure fair and consistent remuneration at Bonitas, the Remuneration Committee obtained expert advice from independent business management consultants regarding market-related data and benchmarking to be used in reviewing remuneration practices. As a result of this review – and as approved by members at the AGM – we have amended the definition of 'CPI' in the Trustee Remuneration Policy, and increased the remuneration of the Chairperson of the Board.
- As of 1 January 2023, Bonitas has adopted the IFRS 17 accounting standard, which sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 reporting was introduced in the management accounts as of May 2023, and we transitioned to comprehensive IFRS 17 management accounts reporting in January 2024. Bonitas monitors announcements by both the South African Institute of Chartered Accountants (SAICA) and the CMS to ensure that best practices are applied in our accounting approach and disclosures.



- We monitor regulatory developments that may impact Bonitas and our members. Noteworthy events in this regard over the past year included:
  - In 2022, the Road Accident Fund (RAF) issued an internal communiqué directing its staff to reject claims for medical expenses where these expenses have already been paid by medical schemes. Following similar judgments by the High Court and Supreme Court of Appeal, this directive was declared unlawful by the Constitutional Court in October 2023. This means that medical scheme members retain the right to claim medical expenses from the RAF.
  - In September 2023, the RAF Amendment Bill was made public for commentary. If the Bill becomes law, the rights of individuals to claim compensation from the RAF for injuries they have sustained in a motor vehicle collision will be severely curtailed. Following the invitation for public comment by the Director-General of the Department of Transport, Bonitas submitted a response to the Bill on 6 October 2023, and we await further developments in this regard.
  - By law, medical schemes in South Africa must provide their members with certain minimum health services – called PMBs – regardless of the option the member has selected. However, these PMBs increase the cost of membership, meaning that many low-income individuals cannot afford basic private healthcare services. In contrast, insurance providers are able to provide medical coverage that excludes PMBs, but they are not regulated by the MSA.
 

In 2015, the CMS developed a framework on low-cost benefit options (LCBOs) that would allow medical schemes to offer options that are exempt from providing PMBs. As of 2015, the CMS’s guidelines on LCBOs have not been published, prompting the BHF to launch legal action against the CMS to compel it to provide light on the LCBO decision-making process so far. Judgment was handed down in favour of the BHF, and an appeal by the CMS was dismissed by the Supreme Court of Appeal in December 2023.

In January 2024, the CMS announced its intention to apply to the court to reconsider the decision to dismiss its appeal. We monitor further developments in this regard.
- In 2019, healthcare providers – represented by two associations – made allegations against medical schemes and administrators, including that they conduct racial profiling. The investigation (which relates to Section 59 of the MSA) remains ongoing and, where appropriate, Medscheme responds to CMS requests on our behalf.
- Bonitas does not perform any racial profiling when auditing healthcare claims, and our datasets contain no racial information or indicators. As requested by the CMS, legal submissions were made during virtual hearings in June and July 2023 to reaffirm our position, and additional data was provided in August 2023. We await the final CMS report in this regard, as well as with regard to the Section 44 investigation into administration and managed care fees.

## CMS SECTION 59 INVESTIGATION TIMELINE

JUN 2019	Panel established
2019 & 2020	Public hearings
JAN 2021	Public release of interim report
APR 2021	Stakeholders respond to interim report
JUN 2023	Legal submissions (virtual hearings)
JUL 2023	Opportunity for further submissions
AUG 2023	Requests for additional information
NOV 2023	<ul style="list-style-type: none"> <li>• Dr Kimmie's third report received</li> <li>• Notice for request for comment</li> </ul>
JAN 2024	Medscheme submits response

## FRAUD, WASTE AND ABUSE PREVENTION

We have a zero-tolerance approach to FWA. The repercussions of fraud are widespread and directly impact every Bonitas member. When a scheme is defrauded, or money is wastefully spent on unnecessary medication or services, it impacts the funds available to pay claims, and also has a direct link to increased membership contributions. For these reasons, FWA is one of our primary risk management focus areas.

- Our approach to managing FWA includes fraud prevention, detection, investigation, risk management and reporting.

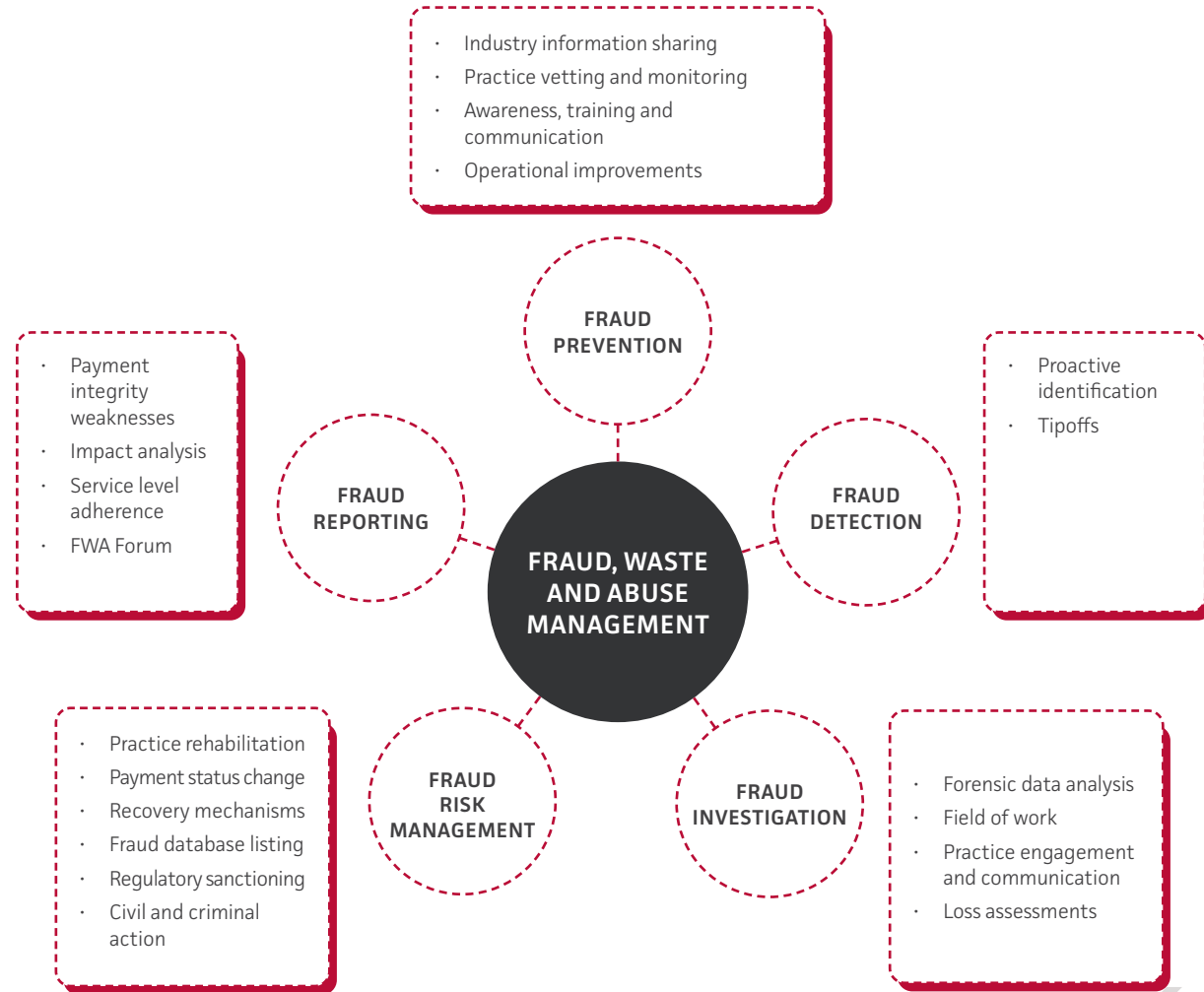
- Our Anti-Fraud, Waste and Abuse Policy ensures a consolidated approach in dealing with FWA, while also protecting our reputation and relationships with stakeholders. The policy provides guidelines for preventing, deterring, detecting, reporting and investigating incidences of FWA, as well as the appropriate actions and/or sanctions, in line with applicable legislation.
- All Bonitas service providers are expected to abide by the principles contained in the Anti-Fraud, Waste and Abuse Policy. Non-compliance may result in sanctions and/or penalties, as per agreed-upon SLAs.
- The Bonitas FWA Forum meets monthly with the Medscheme, PPN, DENIS, and Europ Assistance forensics teams to report and discuss operational FWA matters, and both parties engage with service providers to drive preventative and corrective measures.
- We use analytical software to identify anomalies or irregularities that could indicate potential instances of FWA, and document each step of the forensic process to provide an auditable trail and assurance to all stakeholders.
- FWA interventions are planned using a risk-based approach and incorporate the Medscheme Consortium of administered schemes. Bonitas has exposure to most of the providers paid in the Medscheme Consortium.

Investigating alleged cases of FWA has inherent benefits since the action itself has a deterrent effect on those engaging or considering engaging in FWA. The investigation may also reveal additional corrective or preventative measures to improve systems, processes and policies.

If evidence of FWA is obtained during an investigation, Bonitas may initiate alternative dispute resolution or legal proceedings (disciplinary, civil or criminal). In the case of legal proceedings, we engage with SAPS and the Specialised Commercial Crime Unit to provide the necessary assistance to make headway on FWA cases.

### NOTABLE 2023 EVENTS

- We created and added content onto the Bonitas website that is targeted at GPs to deepen engagement on matters relating to FWA. The content has been endorsed by SAMA, the Independent Practitioners Association Foundation (IPAF) and PsychMG, and includes videos that allow GPs to claim Continuing Professional Development (CPD) points.



- Bonitas added an additional channel for reporting instances of FWA – a WhatsApp chatbot and call option. This channel boasts the following features:
  - Users can select one of the following chat languages: English, Afrikaans, Swahili and isiZulu.
  - The channel elicits information from the user and allows for the uploading of evidence. The user can also return to add additional information to a report made earlier.
  - Users are provided with a report reference number, and are also given the option of sharing their contact details if they are willing to have a live conversation with an Information Agent.
- Bonitas is one of 35 schemes participating in a class action against the three major pathology groups in South Africa regarding the pricing of COVID-19 pathology tests. Medscheme presented to the Health Sector Anti-Corruption Forum of the Special Investigating Unit in March 2023. After considering the submissions, the Competition Commission made a ruling and indicated that they cannot take any further steps as the litigants made a consent agreement with the three pathology labs involved. The ruling has since been appealed to the Commission Tribunal.
- In 2023, we closely monitored the following allegations of FWA levelled against our service providers:
  - In July 2023, the CMS received a whistle-blower tip-off against Europ Assistance regarding alleged improper behaviour. An independent forensic investigator was appointed to investigate the matter and found no evidence supporting the whistle-blower's allegations. As required, Bonitas submitted its response to the CMS within 60 days, and the matter was subsequently closed by the CMS.
  - In August 2023, a whistle-blower who claims to be an ex-Mediclinic employee sent an email to medical schemes alleging claim manipulation by Mediclinic. Mediclinic appointed an independent investigator to perform an investigation, and a separate investigation was also conducted by the Medscheme Forensics team on behalf of Bonitas. As required, Bonitas submitted all its required response to the CMS. Having considered the reports from Medscheme Forensics and the briefing we had with both Mediclinic and their independent investigator, we are satisfied that no evidence was found to substantiate the allegations.

## FWA STATUS AS AT 31 DECEMBER 2023

Investigations and remedial action	Recoveries	Risk mitigation
<b>686</b> practices under investigation (2022: 560) ↑	<b>R52.3 million</b> recovered in 2023, including reversals, recoveries and claim interventions (target of R56 million) (2022: R55.5 million; target of R52 million) ↓	<b>307</b> practices blocked (2022: 700) ↓
<b>1 583</b> practices in recovery (2022: 1 507) ↑		<b>2 489</b> practices vetted (2022: 1 660) ↑
<b>170</b> practices with existing regulatory matters or criminal sanctioning (2022: 184) ↓		

The following table demonstrates the amounts quantified, recovered and saved because of the FWA Prevention Programme:

Fraud, waste and abuse prevention (R'000)									
	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Quantified	79 559	111 612	106 208	85 881	64 920	75 869	102 037	<b>89 056</b>	715 142
Recoveries (Gross)	17 529	26 469	39 847	39 875	37 060	26 642	44 141	<b>34 236</b>	265 799
Change in behaviour	83 000	85 000	60 000	165 219	237 309	272 710	200 225	<b>89 200</b>	1 192 663
Prepayment intervention	729	6 521	10 942	11 338	14 216	16 989	10 969	<b>17 703</b>	89 407
Reversals	1 804	371	424	182	401	461	393	<b>343</b>	4 379

## INDICATORS\*

<b>694 672</b> lives impacted (2022: 713 003) ↓	<b>1 766</b> hotline reports received (2022: 1 466) ↑	<b>2 489</b> providers vetted (2022: 1 660) ↑	<b>51%</b> recovery rate (25% industry benchmark)	<b>21</b> healthcare providers sanctioned	<b>8</b> court appearances	<b>27%</b> of cases closed with findings
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\* These indicators are for the Medscheme Consortium, which includes Bonitas and other schemes administered by Medscheme.

## EIGHT WAYS TO SUBMIT A REPORT TO THE WHISTLE BLOWERS HOTLINE

Healthcare fraud can contribute directly and indirectly to the rise of medical costs, including increases in membership contributions. Bonitas members are encouraged to use any of the dedicated Whistle Blowers hotline reporting channels to report any suspected medical aid fraud. Reports can be made anonymously or in confidence.



### CALL DIRECTLY ON THE TOLL-FREE NUMBER 0800 112 811

Use the dedicated Whistle Blowers hotline number to make a report via the live answering service.



### SMS TO 33490

Send your report via the SMS line from anywhere in South Africa at a cost of R1.50.



### REPORT ONLINE AT WWW.WHISTLEBLOWING.CO.ZA

Visit the Whistle Blowers website to report and make your submission via the online reporting platform.



### EMAIL TO INFORMATION@WHISTLEBLOWING.CO.ZA

Send an email of your report privately to Whistle Blowers.



### DOWNLOAD AND USE THE WHISTLE BLOWERS APP

Download the secure Whistle Blowers app from Google Play or the Apple App Store. The app guides you through the reporting process.



### POST A LETTER

Send a letter of your report to Whistle Blowers via post using the following details: Freepost KZN665, Musgrave, South Africa, 4062



### FAX YOUR REPORT TO 0800 212 689

Send your report to Whistle Blowers via a toll-free fax line.



### WHATSAPP ON 031 308 4664

Send your report to Whistle Blowers via WhatsApp.

## INDICATORS

**488**

whistle-blower hotline cases reported

(2022: 448) ↑

**66%**

cases closed with no findings

(2022: 53%) ↑

**21%** cases closed with findings and the relevant claims reversed

(2022: 38%) ↓

**8%** cases closed with findings, relevant claims reversed and promoted for further investigation

(2022: 6%) ↑

**5%** cases closed with no findings, no reversal but promoted for further investigation

(2022: 3%) ↑

**98%** of all cases acknowledged, captured and reviewed within three working days from date of receipt

(2022: 97%) ↑

## FUTURE PRIORITIES

- Bonitas plans to further enhance collaboration with industry bodies. This will include training law enforcement officials on how to identify fraudulent medical claims, and driving FWA awareness and education through the Healthcare Forensic Management Unit of the BHF, and other bodies and associations representing medical schemes and healthcare providers.
- We plan to investigate the use of innovation and technology to enhance our engagement with members and healthcare providers on issues relating to FWA, track processes and behaviour throughout all membership stages, and proactively identify possible instances of FWA for further investigation (such as through machine learning and artificial intelligence).

# STRATEGIC RISKS AND OPPORTUNITIES

*Bonitas takes a comprehensive approach to risk management to ensure that risks are identified and mitigated, and that opportunities that will benefit members are thoroughly explored and exploited.*

## APPROACH TO RISK MANAGEMENT

Bonitas has identified eight risk management principles that create and protect value for our members.

### INTEGRATED

Risk management is integrated into our planning process, from strategy setting, expectations and performance targets, tactical production and service initiatives, through to execution.

### STRUCTURED AND COMPREHENSIVE

We implement a practical framework that sets a clear policy, role definitions and requirements for reporting, i.e. registers and dashboards.

### CUSTOMISED

The process is customised to Bonitas in proportion to our external and internal environment.

### INCLUSIVE

Our stakeholders' needs and concerns are considered.

### DYNAMIC

Risk management is adapted for changes in the external and internal factors impacting Bonitas as they appear and disappear.

### BEST INFORMATION

Inputs are based on previous knowledge (historical information), current know-how and forward-looking information based on future expectations within the industry.

### HUMAN AND CULTURAL FACTORS

Human behaviour and culture significantly influence all aspects of risk management at each level and stage. Therefore, Bonitas promotes and embraces a culture that values the importance of risk management by entrenching it in day-to-day processes, activities and decision-making.

### CONTINUAL IMPROVEMENT

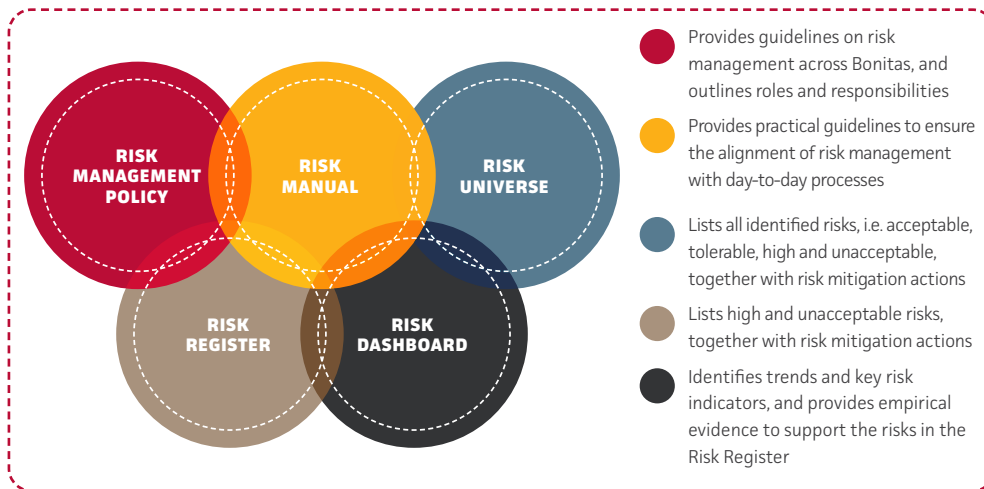
The risk management process is continually assessed and revised to remain relevant.

Risk management is driven by three key role players:

- The Board, through the Audit and Risk Committee, remains ultimately responsible for the oversight and approval of risk management within Bonitas, and for setting our risk appetite. The Board is supported by the Principal Officer and the Governance, Risk and Compliance (GRC) function.
- The Principal Officer is responsible for risk management across Bonitas. This includes the facilitation of risk identification, assessment, monitoring and reporting of risks.
- The GRC is an independent function and is considered a second line of defence from a governance and combined assurance perspective. The GRC works closely with Bonitas's management team to execute risk management activities.

# RISK MANAGEMENT FRAMEWORK

Bonitas has a Board-approved Risk Management Framework that provides guidance on identifying, evaluating and responding to key risks and opportunities in a consistent, efficient and effective way. The Risk Management Framework is based on the principles of the Committee of Sponsoring Organizations (COSO) Framework of the Treadway Commission, the International Guideline on Risk Management (ISO 31000:2018) and the King IV™ governance outcomes, i.e. ethical culture, good performance, effective control and legitimacy. The Risk Management Framework comprises the following:





The Risk Management Framework defines several important elements:














- The relationship between assurance providers and risk management as part of a combined assurance approach.
- Clear descriptions of risk appetite and tolerances. The Framework shows tolerance levels that do not exclusively focus on the financial thresholds of acceptance; they also focus on the non-financial impacts of risk and opportunity.
- Bonitas's risk categories (strategic, operational, financial, legal and compliance).









We prioritise risks after considering related opportunities as well as the impact and likelihood in terms of levels: acceptable, tolerable, high or unacceptable. Our disclosure below focuses on the most strategic matters with unacceptable or high residual risk, as these could have an impact – positive or negative – on our ability to create and preserve value.

# STRATEGIC RISKS AND OPPORTUNITIES

*The risks included in our risk register are top of mind for the Board, respective Board Committees and Executive Management team, and receive specific attention to reduce them to tolerable levels.*

Strategic risk and opportunity	Context and causes	Our strategic response
<b>Impact of NHI on sustainability and structure of the Scheme</b>	<p>NHI remains a significant uncertainty that can adversely impact the future of private medical schemes and new membership growth.</p> <p>We monitor developments with regard to the NHI Bill and participate in ongoing active engagement, also through industry associations directly with the Parliamentary Portfolio Committee. The Working and Strategy Committee and the Audit and Risk Committee oversee these developments and report to the Board.</p> <p>See page 32 for more information on Bonitas's next steps now that the NHI Bill has been approved in the NCOP.</p>	<p> Boost business development</p> <p> Apply best practice governance</p>

Strategic risk and opportunity	Context and causes	Our strategic response
<b>Impact of increasing regulation or regulatory changes and/or lack thereof</b>	Bonitas monitors all new circulars published by the CMS and implements applicable requirements. We also monitor regulations, legislation and court judgments that impact our fund to ensure that we continue governing Bonitas according to best practices and providing our members with quality healthcare. New or changing legislation that could have an impact on Bonitas and members include the Medical Schemes Amendment Bill, the Conduct of Financial Institutions Bill and the Road Accident Fund Amendment Bill.	 Boost business development  Integrate the value chain  Apply best practice governance
<b>Cyber/ information security threats and vulnerabilities</b>	<p>Risks around cyber and information security threats and vulnerabilities remain high on the radar. Internal and external audits are conducted, as well as penetration testing. A disaster recovery test, overseen by AfroCentric internal audit was conducted during 2023.</p> <p>We review clauses relating to data management and protection in our SLAs with service providers, and ensure that the appropriate policies and frameworks are in place. Progress in terms of the implementation of the Protection of Personal Information Act (POPIA) by our primary service providers is monitored by the GRC.</p>	 Boost business development  Be a strategic purchaser  Connect with the customer  Integrate the value chain  Create value through innovation  Apply best practice governance
<b>Inadequate and/or insufficient I&amp;T change control management/ incident management</b>	<p>The I&amp;T Steering Committee is responsible for providing oversight, governance, risk identification and monitoring for all Bonitas I&amp;T-related functions, inclusive of primary contracted service providers. This includes monitoring the implementation of Bonitas's Information and Technology Governance Framework and Strategy, and reviewing internal and external I&amp;T operations and audit reports.</p> <p>Our SLAs with primary service providers include outcomes-based measures relating to I&amp;T, and non-adherence may result in penalties or penalty events. Responses and mitigation plans are overseen by the I&amp;T Steering Committee.</p>	 Boost business development  Connect with the customer  Integrate the value chain  Apply best practice governance

Strategic risk and opportunity	Context and causes	Our strategic response
<b>Impact on system stability and/ or accessibility of the administrator/ managed care organisation</b>	Medscheme's system stability remains a focus area, and the tactical plan to upgrade and modernise the system is closely monitored by the Bonitas I&T Steering Committee. See page 82 for more information.	 Boost business development  Connect with the customer  Integrate the value chain  Apply best practice governance
<b>Inability to achieve Scheme growth, retention and/ or affordability</b>	<p>We strive to ensure access to affordable healthcare in an ever-changing healthcare environment. Membership growth and retention remain priorities and, following our mid-year strategic review, we adjusted our tactical plans to address member acquisition and retention in our 2023/4 strategic intent (see page 26).</p> <p>Our 2024 plans, pricing and benefits were designed to provide value to our members while still ensuring that contributions remain affordable, and we investigate new innovations, technology and operating models to improve quality of service and decrease costs. A revised retention mandate has been implemented with the retention recovery rate improving as a result. Our wellness strategy and benefits further contribute to retention.</p>	 Boost business development  Be a strategic purchaser
<b>Negative media publicity and potential loss of stakeholder confidence and brand and/ or reputational damage</b>	<p>Bonitas engages with the regulator on potential issues, and elicits ongoing guidance and input from our legal advisor and reputation management consultant. We collaborate with other schemes and the regulator as required.</p> <p>We await final reports on the Section 44 and 59 investigations by the CMS – see page 39 for more information.</p> <p>If allegations are made by whistle-blowers against Bonitas or any of our service providers, we ensure that the allegations are thoroughly and independently investigated. See page 42 for more information in this regard.</p>	 Connect with the customer  Apply best practice governance



Strategic risk and opportunity	Context and causes	Our strategic response
<b>Low investment returns</b>	<p>Bonitas has a clearly defined investment strategy that is reviewed annually. The Investment Committee monitors and tracks the performance of Bonitas's investment portfolio, with input and guidance from our investment consultant, RisCura Solutions.</p> <p>Although there was a large degree of volatility across both global and local markets, the current Investment Policy Statement caters for derivatives to protect Bonitas against volatility in the short term, and monthly cash re-balancing is performed by the Chief Financial Officer (CFO) and/or Finance Manager.</p>	<p> Boost business development</p> <p> Be a strategic purchaser</p> <p> Optimise investment returns</p>

## MANAGEMENT OF INSURANCE RISK

Bonitas has a portfolio of insurance contracts that covers our risk in terms of member claims. Our risk exposure relates to uncertainty around the timing and severity of claims. The insurance contracts thus enable us to manage the healthcare risk exposure of our members and their dependants.

Bonitas uses internal risk measurement models, sensitivity and scenario analyses, and stress testing to assess and monitor risk exposure. This applies to both individual and overall risks.

We apply probability in pricing and provisioning, and further manage insurance risk through:

- Inclusion of benefit limits and sub-limits
- Approval procedures for transactions that involve pricing guidelines
- Pre-authorisation and case management
- Service provider profiling
- Monitoring of emerging issues
- Centralised management of risk transfer arrangements

Over the past few years, there has been a steady insurance risk migration from systematic to unsystematic in terms of PMBs. This is mainly due to changing legislation that requires Bonitas to pay PMBs at total invoice price and not according to benefit limits and sub-limits. Refer to note 21 of the annual financial statements for more information.

## RISK TRANSFER ARRANGEMENTS

Certain health risks are outsourced where it is considered beneficial to members – for example, where the cost of procurement, infrastructure or intellectual property would be disproportionate to member benefits. This would only add to rising healthcare and downstream costs such as hospital admissions.

Bonitas has risk transfer arrangements with the following service providers, who all have a national footprint across South Africa:

Service provider	Risk transfer arrangements
<b>DENIS</b>	Dental benefits <ul style="list-style-type: none"> <li>· Standard, Standard Select, BonFit Select, BonComplete, BonSave and BonClassic</li> </ul>
<b>Europ Assistance</b>	Ambulance and emergency services for all options International travel benefits <ul style="list-style-type: none"> <li>· All members except those on BonCap</li> </ul>
<b>PHA</b>	Non-hospital costs <ul style="list-style-type: none"> <li>· BonCap only</li> </ul>
<b>PPN</b>	Optometry benefit management <ul style="list-style-type: none"> <li>· Standard, Standard Select, Primary, Primary Select, BonClassic and BonCap</li> </ul>
<b>Scriptpharm</b>	Chronic medicine management for all options

In addition to reducing costs for members, risk transfer arrangements also encourage service providers to put more effort into meeting their deliverables. Bonitas will therefore continue investigating risk transfer arrangements for loss-making options – as was done for BonCap – in an effort to increase value for our members. For more information on our risk transfer arrangements, refer to note 15.7 in the annual financial statements.

# MESSAGE FROM THE CHAIRPERSON

*The Board's key focus in 2023 was to manage our reserves and solvency in a way that benefits members and promotes Bonitas's long-term sustainability.*

Medical schemes exist to serve their members, and this requires them to achieve two objectives. First, members must enjoy access to quality and affordable healthcare, and second, the scheme must be financially and operationally stable so that this access can be provided in the long term.

Achieving these two objectives often requires trade-offs, since improving the accessibility and affordability of quality healthcare comes at a cost, and this cost can impact a scheme's long-term sustainability. The Bonitas Board is responsible for ensuring that these trade-offs are managed effectively and in the interest of both current and future members.

## FINANCIAL RESERVES, ACCESS AND AFFORDABILITY

One of the Board's key responsibilities is to oversee the product and pricing design process. This process begins in the first quarter of each year with a thorough analysis of data and trends, and concludes when we announce our plans, benefits and pricing for the forthcoming year.

Our 2024 plans were designed to improve members' experience and make a real impact on their health and wellness. We enhanced the benefits on all options, increased access to preventative and managed care, and implemented initiatives to reduce out-of-pocket expenses for our members (see page 30 for more information on benefit changes and enhancements). We are able to do this – while still maintaining Bonitas's long-term sustainability – as a result of prudent financial management, healthy reserves and a 41.5% solvency ratio.

By reducing our surpluses, we are able to maintain the affordability of healthcare while simultaneously increasing access. For example, the Bonitas Benefit Booster provides members with additional funds to use for out-of-hospital expenses, and our Be Better Benefit improves access to health and wellness screenings. Bonitas's healthy financial position also enables us to effectively negotiate with service providers, and in 2023 we optimised our GP, specialist and hospital network to improve access and choice for our members.

## RISK MANAGEMENT

The Board is ultimately accountable for risk management at Bonitas, and it is our responsibility to advise on and approve strategic responses to identified risks. Membership growth and cost-management initiatives are key in this regard, and 2023 was a successful year on both counts.

Bonitas enjoyed stable growth over the past financial year with only a marginal decline in membership. We also approved a new strategic intent for 2023/4 which is intended to facilitate the ease of doing business with Bonitas, improve members' onboarding experience, and increase our offering of value-added products. We anticipate that these initiatives will have a positive impact on member acquisition and retention, and the Board is monitoring implementation as a priority. See page 26 for more information on our strategic intent.

Managed care programmes remain an important component of cost-management at Bonitas. These programmes offer members dedicated support and treatment for chronic conditions, while also assisting us to manage risks and contain costs. The Board carefully monitors the implementation of Bonitas's managed healthcare strategy to ensure that healthcare outcomes improve, and that members get real value for money from their contributions.

**Mr OJ Komane**

Chairperson

The NHI Bill remains a key risk for medical schemes and, if passed in its current form, will negatively impact the quality of health coverage that schemes are able to provide their members. The Bonitas Board does everything in our power to protect the scheme and members' reserves, and we continue exploring innovative ideas to expand healthcare coverage and ensure our long-term sustainability. See page 31 for more on our response to the NHI Bill.

## 2024 AND BEYOND

Monitoring the 2025 product and pricing design process will be a key focus for the Board in 2024, and our intention is to further erode our reserves and solvency level to ensure that current and potential members will be able to afford access to quality healthcare despite the current cost-of-living crisis.

B-BBEE will also continue to receive attention as part of the Board's fiduciary duties to promote corporate stewardship. We made significant progress in this regard with the approval of the appointment of black-owned Mergence as an asset manager in early 2024. We also appointed two small black-owned enterprises to our supplier database, and look forward to seeing them develop to fully fledged suppliers with Bonitas's support and assistance.

## THANKS AND WELCOME

In terms of our colleagues, 2023 was bitter-sweet as we both bade farewell and welcomed new experts into our fold.

Dr PW Hill resigned from the Board in pursuit of an exciting opportunity which we hope will enable him to further build on his extensive experience in the healthcare sector. On behalf of the Board, I wish to extend our sincere gratitude for the contributions he has made to the Bonitas Board and Managed Healthcare Committee, and we wish him success in his new endeavours.

Ms S Padayachy was appointed as a member of the Audit and Risk Committee. She brings with her immense knowledge and experience in GRC and will no doubt contribute to effective governance and compliance at Bonitas.

Finally, Dr T Hadebe was appointed as Bonitas's Clinical and Managed Care Executive. His vibrancy and experience in the occupational health space will stand him in good stead to further strengthen Bonitas's corporate and managed care offerings.

On behalf of the Board, I would like to welcome Ms S Padayachy and Dr T Hadebe to Bonitas, and invite them to join us in our passion for improving the health and wellness of all South Africans.

**Mr OJ Komane**

*Chairperson of the Board*

19 April 2024



# REPORT FROM THE PRINCIPAL OFFICER



**Mr LR Callakoppen**

Principal officer

***The South African healthcare ecosystem is complex, dynamic and sensitive to disruption. In this environment, Bonitas remains steadfast in broadening access to healthcare, maintaining affordability and meeting our fiduciary duties to members.***

The South African economy grew by only 0.93% in 2023<sup>8</sup>, placing pressure on all businesses. In such an environment, the effective use of resources is often the difference between thriving, surviving and stagnating, and Bonitas has reaped the rewards of good governance and prudent financial management.

Even though our 2023 contribution increase was well below CPI – and we ploughed back approximately R300 million to members through our first-ever contribution deferral – we ended the financial year with healthy reserves and an increased solvency ratio, thanks in large part to our cost-saving initiatives. We also acquired a significant number of new members, although by year-end our membership numbers were down 0.9% compared to 2022.

For most medical schemes, the first few months of the year provide a good indication of that year's membership trends, since it is during this time that members tend to move to higher or lower plans, or move to a new medical scheme altogether. We track these movements closely in terms of member opinions, experiences and requirements, and develop a strategic response to ensure that, even in these difficult times, South Africans remain able to access quality healthcare through Bonitas.

## EASE OF DOING BUSINESS

We commissioned independent research to identify the root causes of membership attrition, and one of the key findings was that members' service expectations are on the rise – as is the case in many sectors.

In response to these findings, Bonitas formulated a strategic intent aimed at facilitating the ease with which members do business with us (see page 26). Our intention is to offer an efficient and seamless service experience – from the first point at which we engage with a potential new member, through to the point at which that member exits as a result of, for example, immigrating or moving to another scheme.

To improve the ease of doing business, Bonitas introduced a number of process innovations in 2023. For example, we released an improved version of the Bonitas app that integrates with the Department of Home Affairs. Identity verification is completed through the app, which reduced the administrative burden of member registration. We also launched the Bonitas Business Hub, an online tool for brokers that facilitates the registration of new members (see page 37).

## VALUE AND AFFORDABILITY

Many of our members face a cost-of-living crisis brought on by a struggling economy, weakening rand, soaring food prices and a relentless energy crisis. Therefore, front of mind during the design of our 2024 plans, pricing and benefits – a process which began in March 2023 – was to maintain the affordability of our plans while also enhancing member benefits and experience.

Adding benefits to medical plans obviously comes at a cost, and these costs are generally passed on to members in the form of contribution increases. However, as a result of our investment performance over the past years, as well as healthy reserves, we were able to minimise our contribution increase while still adding benefits to our 2024 plans.

<sup>8</sup> Statista. 2024. South Africa: Real gross domestic product (GDP) growth rate from 2018 to 2028 (compared to the previous year). Available on: <https://www.statista.com/statistics/370514/gross-domestic-product-gdp-growth-rate-in-south-africa/>

Once again, our year-on-year contribution increase was below the industry average, and our total weighted contribution increase of 6.9% was among the lowest in the industry (see page 29).

Benefit changes to our plans are driven by member needs, which we identify by analysing (among others) member and claims data. One of our key initiatives in this regard is the Bonitas Benefit Booster, which is funded completely from risk and is the only benefit in the market that provides members with access to an additional amount to use for out-of-hospital expenses at no extra cost.

Accessing the Benefit Booster requires the member to complete a health and wellness questionnaire or screening, and the results enable Bonitas to recommend proactive disease management programmes where appropriate, and ensure that annual changes to benefits respond to member needs and healthcare trends. See page 30 for more information on the Benefit Booster.

## THE REGULATORY ENVIRONMENT AND OUR FIDUCIARY DUTIES

Bonitas has a fiduciary duty towards our members, meaning that we must at all times act in their best interest. This includes the responsibility to protect and invest members' contributions with due care and diligence, maintain the sustainability of the Scheme, and ensure that our members continue having access to affordable, quality healthcare.

To fulfil our fiduciary duty, we require an enabling regulatory and legislative environment, and Bonitas therefore carefully monitors changes in the legislative landscape and engages with relevant stakeholders through the appropriate channels. In this regard there are three developments that are of particular importance to Bonitas and our members.

### National Health Insurance

We are closely monitoring progress with regard to the implementation of the NHI Bill, particularly now that it has been approved in the NCOP. As the medical aid for South Africa, we recognise that although our Constitution guarantees access to healthcare services as a basic human right, this access remains unequal. However, we are firm in our position that the best way to ensure equal access to quality healthcare is for the public and private sectors to work together.

The successful rollout of vaccinations during the COVID-19 pandemic is proof of the power of public-private collaboration to improve access to healthcare, and Bonitas maintains that this is the only way to secure universal healthcare in South Africa.

In our engagements with government around the NHI, our focus is on promoting closer collaboration, lobbying for a well-governed NHI that benefits all South Africans, and seeking clarity on the financing and implementation of the NHI – in particular details surrounding the transition period, and the impact on members and medical scheme reserves. We are of the view that whilst in transition that medical aids must be able to co-exist. See page 31 for more information on the NHI and Bonitas's response.

Regulatory and legislative ambiguity makes it difficult for Bonitas to meet our fiduciary duty towards members, since a lack of information and clarity hampers our ability to act in their best interest.

### Low-cost benefit options

Although Bonitas continues to take all possible steps to curb and address affordability challenges, the current economic climate places strain on consumers' ability to afford medical aid. Alternative insurance-based products are a real competitive threat and indirectly impact the sustainability of medical schemes. In the absence of regulatory changes to immediately allow the registration of low-cost benefit options (LCBOs), member needs remain unaddressed. In the meantime, we have continued to apply to the CMS to register such options to provide members with alternatives. Unfortunately, this was not approved.

We await the publication of the LCBO report which the CMS handed to the Minister of Health late last year and we trust that the outcome will bring about policy reforms. The ability to offer LCBOs that exclude PMBs would both increase access to and the affordability of quality primary healthcare, alternatively the PMB regulation should be reviewed.

We maintain that regulatory reform in this regard is overdue and will continue to engage the relevant stakeholders to bring about these reforms, with urgency.

### Investment regulations

The MSA stipulates that medical schemes may not hold any foreign equity which is exceptionally restrictive when compared to pension funds, which are allowed to invest up to 45% of their assets offshore. Given that foreign equities have for many years outperformed domestic equities, this legislative limitation reduces potential investment returns for medical schemes, leading to higher member contributions to cover the rising cost of healthcare.

We aim to formalise our efforts in 2024 in the hope of regulatory reform that will bring closer alignment between investment regulations for medical and pension schemes, since increasing the return on our investment portfolio will ultimately benefit members.

## LOOKING AHEAD

We expect 2024 to be another difficult year for South Africans in terms of the cost of living. Macroeconomic factors such as the conflicts in the Ukraine and Middle East are also likely to impact the investment environment negatively. Uncertainty around the outcome of our national elections may also scupper foreign-investor confidence, and international divestment in the Johannesburg Stock Exchange (JSE) has a direct impact on the investment options available to Bonitas.

Mental health challenges have seen a significant increase since COVID-19, and many people postponed getting the healthcare support they need due to the pandemic. We therefore expect both healthcare costs and healthcare needs to increase in the coming years. This will put additional pressure on the sector, which is a noteworthy consideration for the implementation of the NHI.

In this environment, Bonitas will be focusing on driving membership growth – particularly in the corporate sector – by increasing the ease of doing business with the Scheme, using our reserves and solvency to improve healthcare affordability, and driving innovations and benefits that make it easier for our members to look after their health.

Mr LR Callakoppen  
Principal Officer

19 April 2024

# FINANCIAL AND OPERATIONAL RESULTS

## DRIVERS FOR FINANCIAL HEALTH

<b>Membership growth and contributions</b>	Despite acquiring 50 729 new members, we ended the year on a net loss of 3 258 members compared to the previous financial year, resulting in membership decreasing by 0.9%.
<b>Investment performance</b>	Although we did not meet our investment target of CPI+3.5% this year, we managed to achieve approximately CPI+1.5% net of fees in a very challenging economic environment. Our investment income grew by 6% to R830 million compared to R781 million in 2022.
<b>Claims trends</b>	Insurance service expenses increased by 2.2% to R20.2 billion, and our insurance expense ratio for the year ended on 103.9% (2022: 103.1%).
<b>Cost-saving initiatives</b>	Cost savings were driven primarily by capitation agreements, successful disease management, and targeted initiatives aimed at improving the performance of our loss-making options.
<b>Fraud, waste and abuse</b>	Our FWA programme saw banked recoveries of R52.3 million (2022: R55 million).
<b>Reserves and contributions</b>	We ended the financial year reporting amounts due to future members of R265.3 million, and our reserves grew by 3.1% to R8.9 billion.

## KEY FINANCIAL STATISTICS

### INDICATORS

**R265.3 million\***

for amounts attributable to future members  
(2022: R696.4 million)

**102.6%#**

insurance expense ratio  
(2022: 99.5%)

**41.5%**

solvency ratio  
(2022: 40.6% restated)

**9.3%\*\***

ratio of non-healthcare expenditure against Insurance revenue  
(2022: 9.1%)

**Five**

loss-making options  
(2022: five)

\* In accordance with IFRS 17 and recognising the Scheme as a mutual entity, amounts attributable to future members represent the excess over fair value for the current financial period. Under the previous application of IFRS 4 this would be representative of Net Surplus excluding the impact of the LIC risk adjustment. (Refer to note 11) of the financial statements.

# Insurance service expense as a percentage of insurance revenue.

\*\* Attributable, non-attributable and acquisition costs (previously non-healthcare expenditure) as a percentage of insurance revenue.



## APPLICATION OF IFRS 17 ACCOUNTING STANDARD

Medical schemes have applied and adopted IFRS 17 from 1 January 2023. This standard has brought significant changes to the accounting for insurance and reinsurance. As a result, Bonitas has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Medical schemes have also adopted mutual entity principles when applying IFRS 17.

A mutual entity, as defined in Appendix A to IFRS 3, is an organisation (distinct from investor-owned entities) that directly provides dividends, cost savings, or other economic benefits to its owners, members, or participants. Examples of mutual entities include mutual insurance companies, credit unions, and co-operative organisations. Since medical schemes are not investor-owned and directly offer medical benefits to their members, they fit the criteria for mutual entities. Consequently, Bonitas identified itself as a mutual entity and will apply mutual entity accounting treatment, specifically considering the requirements outlined in IFRS 3.

Given the significant changes to the reporting framework after adopting IFRS 17 and applying mutual entity principles, Bonitas provided a reconciliation in the financial statements for the retrospective changes made to 2022. Refer to note 2.1 of the Annual Financial Statements.

A reconciliation for specific critical reporting items is provided below between IFRS 4 and IFRS 17 for 2023:

R'000	2023 IFRS 4	2023 IFRS 17	Variance
Net surplus for the period	<b>406 216</b>		
Amounts attributable to future members		<b>265 314</b>	
Liability for incurred claims risk margin adjustment			140 902
Accumulated funds/Member reserves	<b>9 036 104</b>		
Insurance liability for future members		<b>8 895 202</b>	
Liability for incurred claims risk margin adjustment			140 902
Net healthcare result	<b>480 335</b>		
Insurance service result		<b>451 043</b>	
Difference:			29 292
Non-attributable expenses*			(306 257)
Amounts attributable to future members			265 314
Liability for incurred claims risk margin adjustment – 2022			(129 251)
Liability for incurred claims risk margin adjustment – 2023			140 902

\* Non-insurance related expenses

## OVERVIEW

**Despite a challenging economic and investment environment, Bonitas increased its reserves (now referred to as insurance liability for future members) and solvency levels in the 2023 financial year. This enabled us to give back to members in the form of lower contribution increases and significant benefit enhancements in 2024.**

Bonitas enjoyed good performance during 2023, despite a net reduction in membership figures of 0.9% and a consequent marginal increase of 1.4% in insurance revenue to R19.5 billion (2022: R19.2 billion).

Insurance service expenditure increased by 2.2%, and the amounts attributable to future members decreased from R696.4 million to R265.3 million.

The total value of our investment portfolio (excluding cash and cash equivalents) is R10.21 billion (2022: R9.97 billion). Our solvency level has increased to 41.5% (2022: 40.6% restated), which is significantly higher than the 25% minimum required by the regulator.



# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 R'000	Restated 2022 R'000
<b>Insurance revenue</b>	15	<b>19 461 328</b>	19 185 306
<b>Insurance service expense</b>	15	<b>(20 227 945)</b>	(19 785 396)
Claims incurred	15.1	<b>(18 066 419)</b>	(17 361 681)
Third party claims recoveries	15.8	<b>57 698</b>	74 966
Changes that relate to past service – adjustments to the LIC	15.2	<b>165 859</b>	242 633
Insurance acquisition cash flows	15.3	<b>(395 201)</b>	(381 799)
Accredited managed healthcare services	15.4	<b>(606 668)</b>	(591 335)
Losses on onerous contracts and reversal of those losses	15	<b>-</b>	-
Attributable expenses incurred	15.5	<b>(1 117 900)</b>	(1 071 811)
Amounts attributable to future members*	15.6	<b>(265 314)</b>	(696 369)
<b>Net income from risk transfer arrangement/reinsurance</b>	15.7	<b>315 574</b>	185 765
An allocation of premiums paid		<b>(1 879 274)</b>	(1 547 984)
Amounts recovered from risk transfer arrangement/reinsurance		<b>2 194 848</b>	1 733 749
<b>Insurance service result</b>		<b>(451 043)</b>	(414 325)
<b>Other income</b>		<b>865 105</b>	813 422
Investment income – Scheme	16	<b>829 915</b>	780 862
Change in fair value of investment property	16	<b>(3 500)</b>	1 500
Sundry income	17	<b>38 690</b>	31 060
<b>Net insurance finance expenses</b>		<b>(70 838)</b>	(40 380)
Finance expenses from insurance contracts issued – PMSA	12.3	<b>(70 838)</b>	(40 380)
<b>Other expenditure</b>		<b>(343 224)</b>	(358 717)
Administration fees and other operating expenses	18	<b>(306 257)</b>	(298 847)
Asset management fees		<b>(31 714)</b>	(54 846)
Interest expense	4.2	<b>(531)</b>	(264)
Operating expenses on rental of investment property		<b>(4 722)</b>	(4 760)
<b>Surplus/deficit for the year</b>		<b>-</b>	-
<b>Total comprehensive income for the year</b>		<b>-</b>	-

\* In accordance with IFRS 17 and recognising the Scheme as a mutual entity, amounts attributable to future members represent the excess over fair value for the current financial period. Under the previous application of IFRS 4 this would be representative of Net Surplus excluding the impact of the LIC risk adjustment. (Refer to note 11).

## MEMBERSHIP AND RISK CONTRIBUTION INCOME

The financial year was challenging in terms of membership growth. Although 50 729 (2022: 62 031) new members joined Bonitas – one of the highest acquisition figures we have had – we also lost 53 987 (2022: 48 387) members. As a result, our net membership figure decreased by 3 258 to 350 505 (2022: 353 763), and consequently insurance revenue increased by only 1.4% to R19.5 billion (2022: R19.2 billion).

The low increase in insurance revenue was also impacted by the contribution increase deferral that took place for the period 1 January 2023 to 31 March 2023. In deferring the 2023 contribution increase, Bonitas was able to return reserves of R302 million to our members over the three-month period ending March 2023. This provided economic relief to our members in an economy where average household income is tracking below inflation.

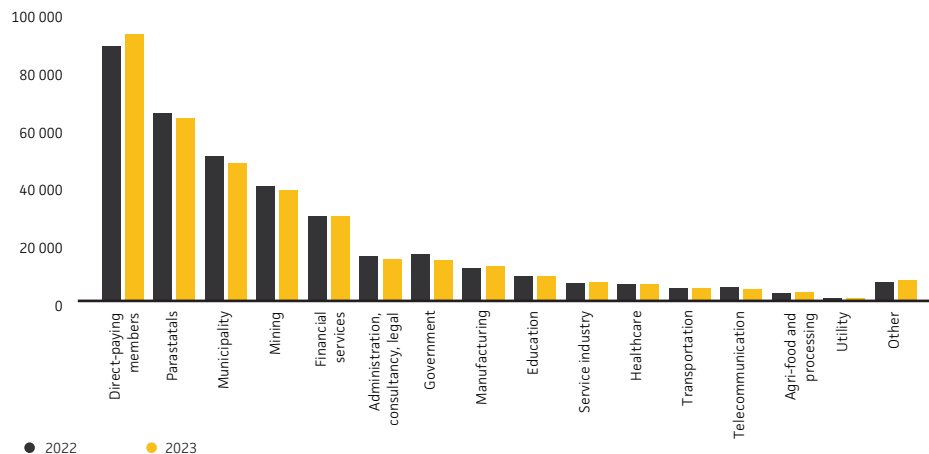
We retained 37% of total terminations against a target of 30% (2022: 36%, 30%). Principal membership declined by 0.9% (2022: 4% growth), and total beneficiaries (lives covered) decreased by 1.5% to 715 856 (2022: 2.4% growth).

However, we are pleased with our membership profile, which compares favourably to industry averages (see page 6), especially in terms of the pensioner ratio and average beneficiary age. Of the total lives covered by Bonitas, only 11.4% (2022: 11%) are 65 years and older, and our average beneficiary age increased by only 0.4 years (2022: 0.4).

We also achieved healthy growth on our surplus-generating options, which is testament to the potential of new-generation technology-driven plans. Membership on BonCap, which was loss-making and the lowest-cost option in the portfolio, reduced by 2 525, while membership on BonFit Select, BonStart and BonStart Plus, which are all surplus-generating, increased by 2 938, 2 543 and 1 667 respectively. Growth in these surplus-generating options contributes directly to Bonitas's profitability, and assisted in offsetting lower-than-expected risk contribution income.

The buying-down trend worsened slightly compared to 2022, with 5 610 (2022: 5 242) members moving to lower-cost options and 5 355 (2022: 5 617) moving to higher-cost options during the period December 2023 to January 2024. Overall, we experienced a net buy-down of only 255 members (2022: buy-up of 375) despite budgeting for a net buy-down of 1 500 members.

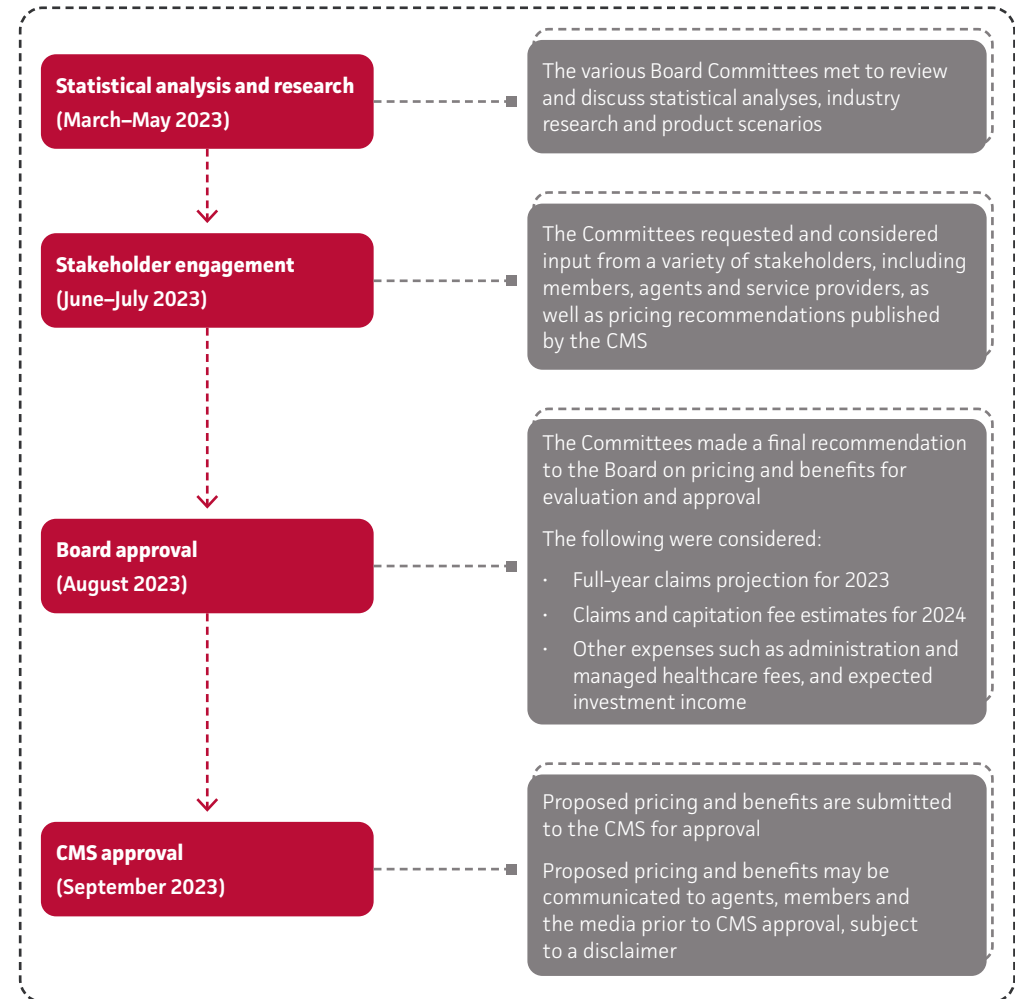
### Membership distribution by industry



## Plan pricing and affordability

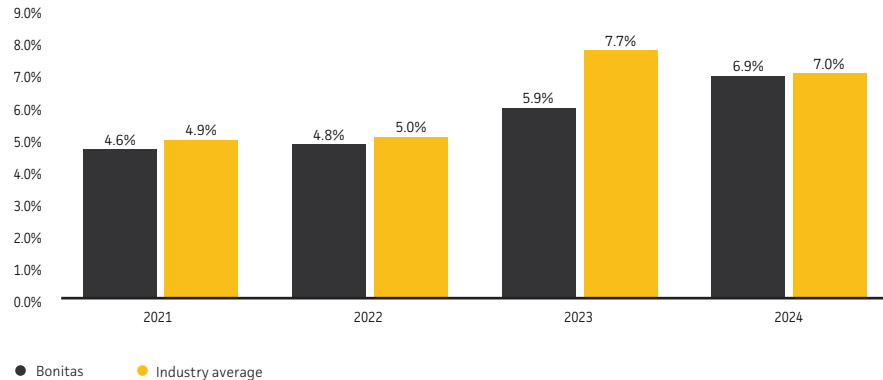
The cost of healthcare increases annually, and this increase is often higher than inflation. For this reason, Bonitas – together with our team of actuaries – reviews our option pricing and benefits each year to ensure that we can cover the higher cost of healthcare claims, continue providing quality healthcare to our members, and ensure our sustainability. Price increases are implemented each year, but the pricing process also considers the next five years.

In 2023, we conducted in-depth research which included stakeholder engagement, actuarial analysis and projections to explore how we can enhance our benefits. In addition, we analysed feedback from over 10 000 members through surveys, and researched international healthcare protocols, trends and disease burden rates in South Africa.



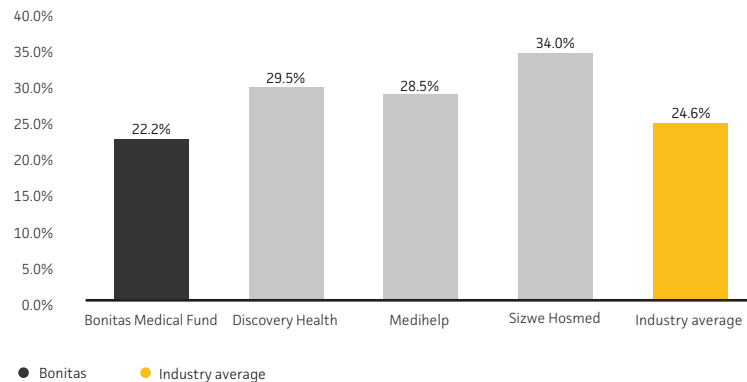
For the past four years, Bonitas's weighted contribution increases have been lower than the industry average, and our total contribution increase over this period has been significantly lower than all the large open schemes in the market. The weighted average increase in membership contributions for 2024 is 6.9%.

### Year-on-year comparison of weighted contribution increases



\* Data based on public announcements from schemes.

### Total weighted contribution increases from 2021 to 2024



\* Data based on public announcements from schemes.

## INSURANCE EXPENDITURE

Net claims incurred increased by 4.1% to R18.1 billion (2022: R17.4 billion), and our net claims ratio increased by 2.4% to 92.5%. This was impacted by factors such as inflationary adjustments to hospital tariffs and the increased burden of disease. Our insurance expense ratio for the year ended on 103.9% (2022: 103.1%), which is lower than anticipated.

Although we expected to end the year with seven loss-making options, we managed to turn two into surplus-generating options, so the total number of loss-making options was five out of 12 registered benefit options (2022: four out of 12).

Every year we analyse the performance of our loss-making options and identify suitable initiatives to address identified concerns. In 2023, the focus was on BonCap, Standard Select and Primary Select, and our initiatives were aimed at increasing the number of corporate members, reducing the claims ratio, improving the insurance result and improving members' service scores and experience.

Our capitation fee arrangement on BonCap yielded positive results, and we achieved our aim in terms of reducing insurance losses on this option. This has improved BonCap's profitability, although it remains a loss-making option. The net income reported on the PHA risk transfer arrangement totalled R58 million and healthcare claims were lowered by approximately R40 million when compared to original projections prior to entering into the capitation agreement. Bonitas's arrangements with its capitation partners generated significant savings, with a net income reported of R315 million (2022: R186 million) across all its risk transfer arrangements.

Insurance expenditure only increased by 2.2% year on year, well below CPI for 2023. Attributable expenditure increased by 4.3% in 2023, with accredited administration fees increasing by 4.3% to R954 million. Broker fees/insurance acquisition cash flows only increased by 3.5% as a result of negative membership growth.

Unfortunately, our third-party recoveries reduced from R75 million to R57.7 million due to the directive issued by the Road Accident fund (RAF) whereby claims that have been settled by medical schemes are being rejected. Bonitas remains committed to ensure that its members retain the right to claim medical expenses from the RAF (see page 39).

Hospital costs per member per month (pmpm) increased by 6.2% to R1 729 pmpm (2022: 2.8%), and the costs incurred by accredited managed healthcare services increased by 2.6% (2022: 7.7%). Strategic purchasing and managed care initiatives realised an estimated reduction in healthcare costs of R745.2 million (2022: R447 million), which included R475 million (2022: R260 million) in hospital costs. The insurance service result excluding amounts attributable to future members decreased from R1.106 billion to R716 million largely as a result of the contribution increase deferral that took place in the first quarter of 2023.

**Savings in 2023 as a result of managed care programmes**

Hospital negotiations	R475 million
Alternatives to hospitalisation	R64 million
High Risk Beneficiary Programme	R60 million
Anaesthetic network	R39 million
Specialist Outlier Engagement Programme	R38 million
Emerging Risk Beneficiary Programme	R24 million
Oncology medicine	R16 million
Chronic medicine	R15 million
Transitional Care Programme	R11 million
Computed tomography (CT) angiogram	R1.9 million
Renal dialysis	R1.3 million
<b>Total</b>	<b>R745.2 million</b>

**FRAUD WASTE AND ABUSE**

In 2023, Bonitas invested R56 million (2022: R49 million) in the FWA programme with Medscheme, and we saw banked recoveries in excess of R52 million (2022: R55 million). Over time, we expect FWA recoveries to reduce as initiatives become more effective, and we therefore intend to include outcomes-based metrics in our SLA with Medscheme that go beyond financial metrics. These will include, for example, the size and representativeness of coverage, the number of successful criminal cases, and the number of reports made to the respective provider associations.

Bonitas has estimated a saving of R1.2 billion from change in behaviour since the commencement of our FWA programme in 2016 (2022: R1.1 billion).

**STATEMENT OF FINANCIAL POSITION****AT 31 DECEMBER 2023**

	Notes	<b>2023</b> <b>R'000</b>	Restated 2022 R'000	Restated 1 January 2022 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	4	<b>5 201</b>	7 390	4 231
Investment properties	5	<b>-</b>	78 500	77 000
Financial assets held at fair value through profit or loss	7	<b>4 757 012</b>	4 892 220	4 784 072
		<b>4 762 213</b>	4 978 110	4 865 303
<b>Current assets</b>				
Investment property held for sale	6	<b>72 700</b>	-	-
Financial assets held at fair value through profit or loss	7	<b>5 376 956</b>	5 004 190	4 128 385
Reinsurance contract assets	13	<b>86 198</b>	114 412	50 278
Trade and other receivables	8	<b>11 298</b>	9 773	9 387
Cash and cash equivalents	9	<b>767 601</b>	646 015	843 192
		<b>6 314 753</b>	5 774 390	5 031 242
<b>Total assets</b>		<b>11 076 966</b>	10 752 500	9 896 545
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Lease liability	4.2	<b>2 002</b>	4 342	-
Long-term employee benefit obligation	10	<b>-</b>	3 449	-
Insurance liability for future members	11	<b>8 895 202</b>	8 629 888	7 933 520
		<b>8 897 204</b>	8 637 679	7 933 520
<b>Current liabilities</b>				
Insurance contract liabilities	12	<b>2 126 489</b>	2 041 659	1 907 720
Lease liability	4.2	<b>2 730</b>	1 980	3 047
Long-term employee benefit obligation	10	<b>5 716</b>	-	-
Trade and other payables	14	<b>44 827</b>	71 182	52 258
		<b>2 179 762</b>	2 114 821	1 963 025
<b>Total liabilities</b>		<b>11 076 966</b>	10 752 500	9 896 545

## INVESTMENT PERFORMANCE

Bonitas did not meet our investment target of CPI+3.5% for 2023 but met the target over the three-year period ending December 2023. Bonitas assesses its investment performance over a rolling three-year period. For 2023 we achieved approximately CPI+1.7% (gross of fees) in a very challenging economic and investment environment, confirming that our investment strategy is appropriate and robust. Bonitas increased our investment risk appetite in 2022 with a slight increase in equities, which we maintained in 2023. Read more in the Principal Officer's report from page 49 about our drive to align medical fund offshore investment limits with that of pension funds, which can invest up to 45% of their assets offshore.

We reported R830 million in investment income, which includes R147 million in fair value gains. This translated to a gross composite return on our investment portfolio of 7.7% (2022: 7.2%).

The market value of our investment portfolio, excluding cash and cash equivalents, breached the R10 billion rand milestone and stood at R10.21 billion at 31 December 2023 (2022: R9.97 billion), representing growth of 2.4% (2022: 20%).

## AMOUNTS ATTRIBUTABLE TO FUTURE MEMBERS AND SOLVENCY RATIO

Bonitas produced R265.3 million attributable to future members for the financial year (2022: R696.4 million), and our solvency ratio has increased slightly to 41.5% (minimum required level of 25%) (2022: 41.3%).

Bonitas made a strategic decision in 2022 to reduce our surplus and solvency levels over the next three years to benefit our members financially. This decision informed Bonitas's low contribution increase for 2024, as well as the significant enhancements to benefits on all options (see page 30). Although a small reduction in solvency was planned for 2023, due to the decrease in membership the solvency improved by 0.2%. Bonitas remains committed to reduce solvency in a responsible and sustainable manner by returning reserves to members over the next few years either through low contribution increases or enhanced benefit design.

Over the past decade, most medical schemes have reduced benefits and increased member co-payments in an effort to maintain reserves and solvency. Given Bonitas's healthy financial position, we are able to keep member contributions and co-payments to a minimum whilst expanding the benefit cover and limits.

We also increased tariffs for some specialist healthcare providers to increase members' access to healthcare, reduce co-payments and promote even more integration with our hospital network.

We are again targeting a lower solvency in 2024 but remain cognisant of the statutory minimum solvency level and the longer-term impacts of reduced profitability.

## CAPITAL MANAGEMENT

The Board of Trustees' policy is to maintain a strong capital base to maintain investor, creditor and market confidence and sustain Bonitas's future growth. To assist us in achieving this objective, RisCura Solutions provides consulting on Bonitas's portfolio of investments and cash and cash equivalents.

Bonitas is required to maintain a minimum level of accumulated funds in terms of Regulation 29 of the MSA. 'Accumulated funds' is defined as Bonitas's net asset value, excluding funds set aside for specific purposes and unrealised non-distributable reserves. Accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review may not be less than 25.0%.

As per Regulation 29, cumulative net unrealised losses on remeasurement to fair value of investments and investment properties are excluded from the solvency calculation.

	<b>2023</b>	2022
	<b>R'000</b>	R'000
Insurance Liability for future members	<b>8 895 202</b>	8 629 888
Adjusted for:		
Regulation 29 exclusion of unrealised gains on remeasurement of investments and investment property to fair value*	<b>(421 318)</b>	(490 628)
Accumulated funds per Regulation 29	<b>8 473 884</b>	8 139 260
Gross contributions (note 15)	<b>20 435 010</b>	20 029 813
<b>Solvency ratio (%)</b>	<b>41.47%</b>	40.64%
<i>* Cumulative net (losses)/gains on remeasurement to fair value of investments are calculated as follows:</i>		
At beginning of year	<b>469 354</b>	539 212
Movement in unrealised losses on remeasurement to fair value of financial instruments included in accumulated funds as per Regulation 29 of the Act)	<b>(65 810)</b>	(69 858)
<b>At end of year</b>	<b>403 544</b>	469 354
<i># Cumulative net gains on remeasurement to fair value of investment properties are calculated as follows:</i>		
At beginning of year	<b>21 274</b>	19 774
Movement in unrealised (losses)/gains on remeasurement to fair value of investment properties included in accumulated funds (as per Regulation 29 of the Act)	<b>(3 500)</b>	1 500
<b>At end of year</b>	<b>17 774</b>	21 274
<b>Cumulative net gains on remeasurement of investments and investment property at the end of the year</b>	<b>421 318</b>	490 628

*Cumulative net unrealised losses on remeasurement to fair value of investments and investment properties are excluded from the solvency calculation according to Regulation 29.*

## LIABILITY FOR INCURRED CLAIMS

In accordance with IFRS 17 the best estimate liability for incurred claims, but not yet reported (IBNR), is now disclosed under insurance contract liabilities. In addition, IFRS 17 prescribes the addition of a risk margin ("risk adjustment") which represents an explicit monetary liability over and above the IBNR reported.

The best estimate liability for incurred but not yet reported claims (IBNR) for 2023 was R933 million (2022: R960 million) and risk adjustment was R145 million (2022: R132 million). This represents 6.0% of the claims expenditure (2022: 6.3%). Provisions have mainly been in the hospital and specialist categories.

The total of the best estimate provision for incurred claims including risk adjustment is R1.1 billion and risk adjustment is R1.1 billion (2022: R1.1 billion). This is included in liability for incurred claims as part of insurance contract liabilities as per note 12 of the financial statements totalling R2.1 billion (2022: R2.0 billion).

The additional components of the liability for incurred claims comprise of the PMSA liability of R1.2 billion (2022: R1 billion) and claims creditor of R115 million (2022: R111 million).

## ACTUARIAL VALUATION

The independent actuary reports monthly to Bonitas on the risk status and performs an annual actuarial evaluation. Contributions and benefit levels are redesigned with recommendations from our actuary.

## STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2023

R'000	Notes	Accumulated funds R'000	Total R'000
<b>Balance – 1 January 2022 (as previously reported)</b>		8 060 122	8 060 122
Remeasurement		(126 602)	(126 602)
Transition restatement		(7 933 520)	(7 933 520)
<b>Balance as at 1 January 2022 (restated)</b>		–	–

Refer to note 2.1.5.1 in the financial statements for the impact of this transition.



## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 R'000	2022 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from members and providers		<b>20 569 353</b>	20 168 419
Cash receipts from members – contribution		<b>20 408 915</b>	20 117 745
Cash receipts from members and provider – Other		<b>160 438</b>	50 674
Cash paid to providers, employees and members		<b>(20 934 559)</b>	(20 062 577)
Cash paid to providers and employees – claims		<b>(19 413 634)</b>	(18 236 397)
Cash paid to providers and employees – non healthcare expenditure		<b>(1 455 228)</b>	(1 732 749)
Cash paid to members – savings plan refunds	12.3	<b>(65 697)</b>	(93 431)
<b>Cash (utilised)/generated by operating activities</b>		<b>(365 206)</b>	105 842
Interest paid	12.3	<b>(70 838)</b>	(40 380)
Interest received	16	<b>11 508</b>	7 075
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(424 536)</b>	72 537
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	4	<b>(589)</b>	(327)
Proceeds on disposal of property and equipment	17	<b>12</b>	14
Acquisition of financial assets held at fair value through profit or loss	7	<b>(702 280)</b>	(1 798 938)
Disposal of financial assets held at fair value through profit or loss	7	<b>820 508</b>	1 215 958
Interest received	20.1.1	<b>255 038</b>	181 218
Dividends received	20.1.2	<b>195 628</b>	180 694
Asset management fees	20.1.3	<b>(30 437)</b>	(53 964)
Rentals received	20.1.4	<b>10 364</b>	9 400
<b>Net cash inflow/(outflow) from investing activities</b>		<b>548 243</b>	(265 945)
<b>Cashflows from financing activities</b>			
Lease payments	4.2	<b>(2 121)</b>	(3 768)
<b>Net cash outflow from financing activities</b>		<b>(2 121)</b>	(3 768)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>121 586</b>	(197 176)
Net cash acquired on amalgamation	27	<b>-</b>	76 726
Cash and cash equivalents at beginning of the year		<b>646 015</b>	766 465
<b>Cash and cash equivalents at end of the year</b>		<b>767 601</b>	646 015
Analysed as follows:			
Cash and cash equivalents	9	<b>767 601</b>	646 015
		<b>767 601</b>	646 015

## FUTURE PERFORMANCE EXPECTATIONS

We anticipate that 2024 will be another challenging year from an economic perspective. The leadup to and outcome of the general elections will be carefully monitored by local and foreign investors, and uncertainty regarding the impact of the NHI Bill on medical schemes and members will remain a matter of concern.

In terms of membership numbers, we will continue investigating and entering into discussions on potential amalgamation opportunities, and much attention will be focused on developing and implementing our corporate strategy. Corporate growth will remain an important component in securing our profitability and long-term sustainability.

Fortunately, Bonitas is in a sound position to weather whatever storms may come our way. Our member profile is favourable when compared to industry on many indicators, and we are enjoying growth in our surplus-generating options. We also have healthy reserves which we will continue using to improve the affordability of quality healthcare.

**Mr L Woodhouse**  
Chief Financial Officer

19 April 2024

# OPERATIONAL STATISTICS

Bonitas Medical Fund 2023	Consolidated total	Standard	BonSave	Primary	BonCap	BonClassic	BonComp	BonEssential	BonFit	Hospital Std	BonComplete	BonStart	BonStart Plus
Average number of members during the year (n)	351 061	101 516	40 104	96 623	54 483	7 810	4 018	13 237	12 065	4 107	7 951	6 136	3 012
Number of members at 31 December (n)	350 505	99 642	39 578	96 492	54 298	7 566	3 935	13 340	13 198	3 985	7 773	7 113	3 585
Average number of beneficiaries during the year (n)	718 538	214 757	92 021	222 921	78 606	13 362	6 683	29 440	26 467	7 438	15 160	6 717	4 966
Number of beneficiaries at 31 December (n)	715 856	210 488	91 008	222 413	78 320	12 886	6 510	29 571	28 957	7 156	14 729	7 823	5 995
Proportion of dependants at the end of the year (n)	1.04	1.11	1.30	1.30	0.44	0.70	0.65	1.22	1.19	0.80	0.89	0.10	0.67
Insurance revenue per average member per month (Rands)	4 620	6 858	3 814	4 223	1 923	7 377	10 238	3 324	2 891	4 408	6 077	1 461	2 257
Insurance revenue per average beneficiary per month (Rands)	2 257	3 242	1 662	1 830	1 333	4 312	6 155	1 495	1 318	2 434	3 187	1 335	1 369
Insurance service expense excluding amounts distributable to future members per average beneficiary per month (Rands)	2 315	3 312	1 555	1 873	1 594	4 368	7 386	1 597	1 178	2 427	3 328	961	1 113
Relevant healthcare expenditure ratio (Net claims incurred, Accredited managed healthcare services and Net income/(expense) from risk transfer arrangement/reinsurance) per average beneficiary per month (Rands)	2 103	3 051	1 377	1 687	1 381	4 072	7 184	1 430	1 010	2 199	3 072	813	1 000
Attributable insurance service expenses per average beneficiary per month (Rands)	130	141	129	125	98	174	179	127	132	164	156	126	83
Relevant healthcare expenditure ratio (Net claims incurred, Accredited managed healthcare services and Net income/(expense) from risk transfer arrangement/reinsurance) per average beneficiary per month as a percentage of insurance revenue (%)	93.2%	94.1%	82.9%	92.1%	103.6%	94.4%	116.7%	95.7%	76.6%	90.3%	96.4%	60.9%	73.1%
Attributable insurance service expenses (DAE) ratio as a percentage of insurance revenue (%)	5.7%	4.3%	7.8%	6.8%	7.4%	4.0%	2.9%	8.5%	10.0%	6.8%	4.9%	9.5%	6.1%
Insurance service expense ratio (excluding amounts distributable to members) as a percentage of insurance revenue (%)	102.6%	102.2%	93.6%	102.3%	119.6%	101.3%	120.0%	106.9%	89.4%	99.7%	104.4%	72.0%	81.3%
Non-attributable expenditure as a percentage of gross contributions (%)	1.5%	1.1%	1.5%	1.7%	3.8%	0.8%	0.6%	2.2%	2.1%	1.6%	1.0%	5.0%	3.2%
Attributable, non-attributable and acquisition costs (previously non-healthcare expenditure) as a percentage of risk contributions (%)	9.3%	6.9%	12.5%	11.0%	14.3%	6.0%	4.6%	13.4%	15.8%	10.7%	8.0%	17.6%	12.3%
Average beneficiary age (n)	35.9	41.2	32.3	31.4	36.1	54.8	56.8	36.8	29.3	50.2	46.5	34.2	27.4
Pensioner ratio at 31 December (%)	11.4%	16.8%	7.4%	5.7%	9.1%	41.7%	24.9%	12.7%	4.3%	31.1%	24.9%	3.3%	1.4%
Chronic profile at 31 December (%)	19.1%	29.1%	14.2%	13.6%	11.9%	49.9%	53.6%	11.7%	9.0%	21.2%	32.4%	4.7%	4.6%

<b>Bonitas Medical Fund 2022</b>	Consolidated total	Standard	BonSave	Primary	BonCap	BonClassic	BonComp	BonEssential	BonFit	Hospital Std	BonComplete	BonStart	BonStart Plus
Average number of members during the year (n)	353 905	106 479	40 794	95 580	56 555	8 632	4 343	13 528	9 870	4 525	8 674	3 674	1 251
Number of members at 31 December (n)	353 763	104 874	40 607	95 566	56 823	8 423	4 256	13 612	10 260	4 398	8 456	4 570	1 918
Average number of beneficiaries during the year (n)	729 904	228 091	93 355	222 035	81 760	14 941	7 342	29 856	21 287	8 333	16 826	4 066	2 012
Number of beneficiaries at 31 December (n)	727 041	224 085	93 017	221 413	81 978	14 538	7 160	30 022	22 333	8 084	16 276	5 057	3 078
Proportion of dependants at the end of the year (n)	1.06	1.14	1.29	1.32	0.44	0.73	0.68	1.21	1.18	0.84	0.92	0.11	0.60
Insurance revenue per average member per month (Rands)	4 518	6 548	3 783	4 099	1 845	6 996	9 646	3 173	2 809	4 298	5 839	1 451	2 166
Insurance revenue per average beneficiary per month (Rands)	2 190	3 057	1 653	1 765	1 277	4 042	5 705	1 438	1 302	2 334	3 010	1 311	1 347
Insurance service expense excluding amounts distributable to members per average beneficiary per month (Rands)	2 259	2 973	1 576	1 727	1 460	4 348	6 994	1 409	1 208	2 364	3 134	956	1 059
Relevant healthcare expenditure ratio (Net claims incurred, Accredited managed healthcare services and Net income/(expense) from risk transfer arrangement/reinsurance) per average beneficiary per month (Rands)	1 992	2 742	1 412	1 561	1 319	4 078	6 794	1 251	1 051	2 152	2 889	818	1 025
Attributable insurance service expenses per average beneficiary per month (Rands)	122	131	122	117	94	162	166	121	128	153	145	117	76
Relevant healthcare expenditure ratio (Net claims incurred, Accredited managed healthcare services and Net income/(expense) from risk transfer arrangement/reinsurance) per average beneficiary per month as a percentage of insurance revenue (%)	91.0%	89.7%	85.4%	88.4%	103.3%	100.9%	119.1%	87.0%	80.7%	92.2%	96.0%	62.4%	76.1%
Attributable insurance service expenses (DAE) ratio as a percentage of insurance revenue (%)	5.6%	4.3%	7.4%	6.6%	7.4%	4.0%	2.9%	8.4%	9.8%	6.6%	4.8%	9.0%	5.6%
Insurance service expense ratio (excluding amounts distributable to members) as a percentage of insurance revenue (%)	99.5%	97.3%	95.3%	97.9%	114.4%	107.6%	122.6%	98.0%	92.8%	101.3%	104.1%	72.9%	78.7%
Non-attributable expenditure as a percentage of gross contributions (%)	1.5%	1.1%	1.5%	1.7%	3.8%	0.9%	0.6%	2.2%	2.1%	1.6%	1.0%	4.9%	3.2%
Attributable, non-attributable and acquisition costs (previously non-healthcare expenditure) as a percentage of insurance revenue (%)	9.1%	6.9%	11.9%	10.8%	14.3%	6.0%	4.6%	13.3%	15.5%	10.5%	7.8%	8.0%	11.8%
Average beneficiary age (n)	35.5	39.0	32.0	30.8	35.7	53.9	55.7	36.2	29.2	49.1	45.6	33.8	27.9
Pensioner ratio at 31 December (%)	11.0%	15.4%	7.2%	5.2%	8.6%	39.0%	44.3%	12.0%	4.6%	28.9%	23.4%	2.8%	1.9%
Chronic profile at 31 December (%)	18.7%	28.0%	13.8%	12.0%	11.3%	49.0%	51.4%	11.6%	9.0%	20.4%	31.3%	4.1%	3.8%

# GOVERNANCE REPORT

## BOARD OF TRUSTEES: PROFILES



**Mr OJ Komane (58)**  
Chairperson  
(Elected Trustee)

Mr OJ Komane is Independent Chairman of the Mineworkers Investment Trust, the 100% shareholder of the Mineworkers Investment Company. He holds a Master of Science Degree in Engineering Business Management from the University of Warwick (UK). Mr Komane is currently the Managing Director of Accelerated Mining and Engineering Services, and served for two terms in the office as the Deputy General Secretary of the National Union of Mineworkers. He previously also held a number of positions on different boards of companies.

**Appointed:** 1 June 2021

*First appointed as Trustee 2 January 2016; appointed Vice-Chairperson with effect from 1 October 2017; appointed Chairperson with effect from 13 March 2019 to 3 December 2020; Trustee term ended with effect 4 January 2021; re-elected as Trustee with effect 1 June 2021 and appointed as Chairperson with effect 28 September 2021; re-appointed as Chairperson with effect 12 August 2022; re-appointed as Chairperson with effect 21 September 2023.*



**Mr R Cowlin (69)**  
Vice-Chairperson  
(Appointed Trustee)

Mr R Cowlin has over 35 years' experience in the medical aid industry and was involved in several aspects of the industry, including administration, marketing, product design and managed care. He held various top management positions within Medscheme and was the Managing Director of Aid for Aids for ten years.

**Appointed:** 5 January 2021

*Appointed Vice-Chairperson with effect from 13 March 2019 to 3 December 2020; Trustee term ended with effect 4 January 2021; appointed by the Board with effect 5 January 2021; appointed as Vice-Chairperson with effect 12 August 2022; re-appointed as Vice-Chairperson with effect 21 September 2023.*



**Mr J Bagg (71)**  
(Appointed Trustee)

Mr J Bagg is a qualified actuary with over 40 years' actuarial, financial management and consulting experience. He served as Statutory Actuary for numerous life insurance companies and is a Trustee of various retirement funds. He also holds directorships at life insurance and reinsurance companies.

**Appointed:** 5 October 2022

*Previous Trustee of Liberty Medical Scheme (LMS). Appointed to the Bonitas Board pursuant to the amalgamation with LMS; re-appointed by the Board as a Trustee with effect from 1 April 2019 as part of a casual vacancy (appointment was approved by the members at the AGM held on 19 August 2019); appointed Vice-Chairperson with effect from 4 December 2020 and stepped down as Vice-Chairperson on 12 August 2022; Trustee term ended 31 August 2022 and appointed by the Board with effect 5 October 2022.*



**Dr PW Hill (77)**  
**(Elected Trustee)\***

Dr PW Hill, PhD, is a chronic disease self-care consultant pharmacist. He earned a doctorate in patient behaviour in Type 2 diabetes mellitus at Rhodes University. His doctoral studies included training in Chronic Disease Self-Management at Stanford University. His practice, teaching and research remain focused on helping people with chronic diseases prevention. He previously served on the Board of Trustees of Liberty Medical Scheme prior to the amalgamation with Bonitas Medical Fund.

**Appointed:** 1 June 2021

\* Resigned effective 31 October 2023



**Adv RT Monene (31)**  
**(Elected Trustee)**

Adv RT Monene completed her diploma in Law, LLB, and additional module Public International Law at UNISA. She joined the Johannesburg Bar in December 2018 after her studies at UNISA and serving on student representative bodies. In 2017, she Chaired the Student Representative Council at UNISA. In 2022, Adv Monene was appointed as a member of the Board of Trustees of Bonitas Medical Fund. Adv Monene is a general litigator with experience and interest in administrative and public law, medical negligence, constitutional law, human rights law, family law, labour law and regulatory law.

**Appointed:** 9 September 2022



**Mr MG Netshisaulu (47)**  
**(Elected Trustee)**

Mr MG Netshisaulu holds an LLB and MCom in Taxation. He is a chartered tax adviser and a member of the Compliance Institute of South Africa. He has extensive experience in the tax industry from SARS, as well as corporate and non-profit organisations. He completed a CMS Trustee development and inhouse BHF programme. He is currently employed as a Financial Strategic Analyst at the University of South Africa (UNISA). He also serves as UNISA member of the Professional Research Committee. He also previously served as Nehawu Branch Chairperson and Deputy Chairperson.

**Appointed:** 1 September 2017 and re-elected 9 September 2022



**Mr JD Ngwane (67)**  
**(Elected Trustee)**

Mr JD Ngwane was employed by the National Union of Mineworkers as Unit Head: Social Benefits until his retirement on 31 December 2021. In recognition of his skills, the union renewed his term of Trusteeship in 2022 to the R33 billion Mineworkers Provident Fund up until 2025, and he was recently appointed as Chairperson of the Communications and Benefits Committee, as well as a member of both the Audit and Risk Committee and Investment Committee. As part of his fiduciary duties at the Mineworkers Provident Fund, he assisted union-negotiated retirement funds to self-insure risk benefits, which ensures that profits which would traditionally accrue to underwriting service providers are instead reverted to members. He also assisted with medical aid comparisons across the mining industry in order to ensure that the selected options, benefits and costs are favourable to members and their families during difficult financial times.

**Appointed:** 1 July 2019

*Appointed Chairperson with effect from 4 December 2020 and stepped down as Chairperson on 28 September 2021.*



**Mr PJ Ribbens (52)**  
**(Elected Trustee)**

Mr PJ Ribbens started his business in 1997 and has run it for the past 25 years. He has vast experience in marketing and sales and is a director of Ribbens Office National. His responsibilities include overseeing assigned accounts and monitoring and evaluating project activities. He provides guidance to the marketing department by evaluating and developing marketing strategies and planning and coordinating marketing efforts. He positions the company's brand and also develops pricing strategies with the sales department. Mr Ribbens was elected as a Bonitas Trustee in 2019. He has completed a number of Trustee training courses and is well-equipped to support the Board in terms of complex decision-making. He has served for several years on the Managed Healthcare and Investment Committees, and his experience in these areas assists him greatly in serving the Bonitas community.

**Appointed:** 1 July 2019



**Ms V Rikhotso (38)**  
**CA(SA) (Elected Trustee)**

Ms V Rikhotso is a chartered accountant registered with the South African Institute of Chartered Accountants. She has 15 years' experience in public and private sector auditing, specialising in financial services, tourism and transport sectors. She is currently a Senior Specialist: Governance, Risk and Compliance at Transnet SOC Ltd. She is responsible for establishing and maintaining sustainably effective internal controls across the Transnet Corporate Centre operating division, identifying areas that require financial and operational improvements in the internal control processes and driving the development of appropriate models/solutions to sustainably address risks and compliance with applicable legislation.

**Appointed:** 9 September 2022



**Mr JR Venter (42)**  
**(Elected Trustee)**

Mr JR Venter holds a BCom from the University of Pretoria. He has extensive experience in business development, corporate governance, strategic member relationship, retention management and financial management. He is employed by the largest technology service provider in Africa with more than 15 years' ICT experience. Mr Venter is member-focused and drives SLA adherence from service providers, thorough due diligence for contracts and value creation for members.

**Appointed:** 1 July 2019



# EXECUTIVE MANAGEMENT: PROFILES



**Mr LR Callakoppen (47)**  
Principal Officer

Mr LR Callakoppen holds a Master HR Professional (SA Board for People Practices), MPhil (Human Resource) and Industrial Sociology and Information Science Honours Degree from the University of Johannesburg. He also holds a Global Executive Development Qualification (GEDP) from GIBS and Completed the Professional Trustee Development Programme at Wits Business School. He has a wealth of experience at an executive level with specialisation in human capital, transformation, and operational management. He has been involved with Medscheme and the AfroCentric Group in various functions for over 13 years, including heading up the Bonitas business unit. He serves on the BHF Board and is Chair of the BHF Finance and Audit Committee.

**Appointed:** 1 May 2019



**Mr L Woodhouse (43)**  
Chief Financial Officer

Mr L Woodhouse is a qualified chartered accountant (CA)SA and holds a BCompt (Hons) Accounting Science. He has over 13 years' experience in the healthcare sector, previously heading up finance and operational roles within the AfroCentric Group. He has a wealth of practical experience when managing technical finance matters relating to the medical scheme and healthcare industry.

**Appointed:** 1 October 2019



**Dr T Hadebe (40)**  
Clinical and Managed  
Care Executive

Dr T Hadebe is a qualified medical practitioner from Stellenbosch University. He also holds postgraduate qualifications, including in business studies and occupational health, and has a keen interest in global health matters. He has over 12 years' work experience in both the private and public healthcare sectors, and has held numerous clinical managerial roles. Dr Hadebe's client-centred and value-based approach to healthcare ensures that he succeeds in his roles whilst delivering optimal healthcare to clients.

**Appointed:** 6 November 2023



**Dr BM Mkhathswa (65)**  
Clinical Executive\*

Dr BM Mkhathswa is a qualified medical practitioner and holds MBChB, DOH and MBA qualifications. He has over 20 years' work experience in the healthcare industry, both public and private, as a clinician and held various managerial roles. He recently joined the medical scheme environment.

**Appointed:** 1 October 2022

\* Resigned effective 31 July 2023

# SENIOR MANAGEMENT: PROFILES



**Ms Mathilda Marais (44)**  
**Head: Governance,  
 Risk and Compliance**

Ms Marais holds a BCom (Financial Accounting) and BCom Honours (Internal Audit) from the University of Pretoria, and she is a qualified Certified Internal Auditor. Before joining Bonitas in 2018, she was a Senior Manager in the Financial Services–Risk Assurance division at PwC. Ms Marais has over 21 years' experience in internal audit, governance, compliance and risk management within the financial services sector, and more specifically the medical scheme and healthcare industry. She is a member of the Institute of Internal Auditors, and through them has obtained certification in Risk Management Assurance.

**Appointed:** 15 October 2018



**Ms Mpho Masilela (43)**  
**Scheme Secretary**

Ms Masilela holds a Professional Advanced Qualification in Governance and Administration, a Postgraduate Diploma in Management Practice from a reputable international business school, and Postgraduate Certificates in Company Law, Advanced Company Law, and Governance, Risk and Compliance from Wits University. Ms Masilela has over 20 years' company secretarial experience working directly with Boards in the trade union environment, with nongovernmental healthcare organisations and in the medical schemes industry, and she specialises in Board administration, corporate governance, company law, compliance and King IV™.

**Appointed:** 14 February 2017



**Mr Shane Perumal (49)**  
**Head of Operations**

Mr Perumal holds an MBA (specialisation in Healthcare Management) from a reputable business school. He has been involved in the healthcare industry for the past 28 years, and was employed by Medscheme and the AfroCentric Group in functions including I&T system support, business development and project leadership. Mr Perumal's passion for optimising business processes and improving operational efficiency led him to pursue a career in operations management. His expertise lies in analysing complex systems, identifying bottlenecks, and implementing innovative solutions to drive efficiency and maximise performance. This is fuelled by his strong analytical skills and attention to detail.

**Appointed:** 1 January 2018

# GOVERNANCE PRACTICES AND STRUCTURES

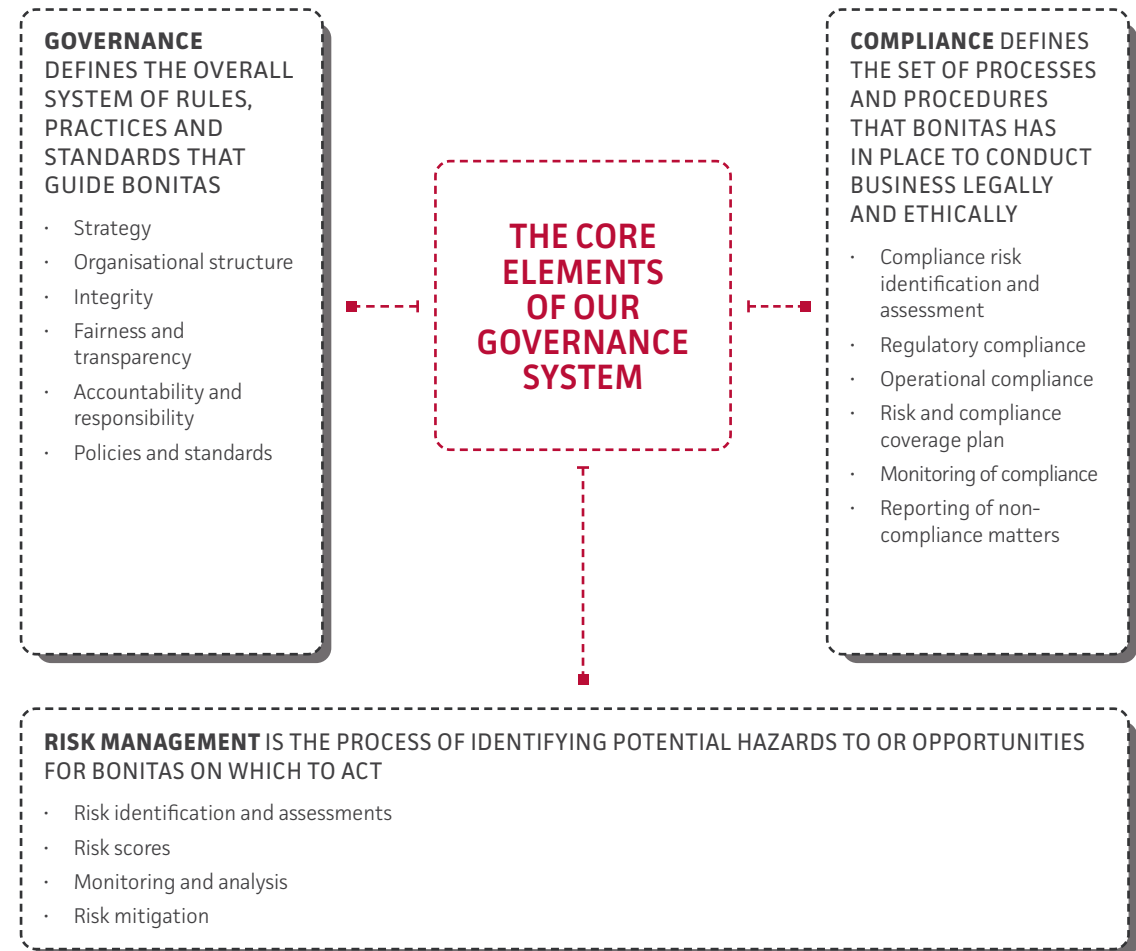
*The Bonitas Board is committed to leading ethically and effectively, and promoting the characteristics of integrity, competence, responsibility, accountability, fairness and transparency.*

Bonitas is governed by a Board of Trustees that is accountable for governance and oversight at the Scheme. This includes providing direction, monitoring strategy implementation and guiding decision-making in the interests of our members. Trustees are either elected by our members or appointed by the Board, and must possess the required skills and capabilities to be able to benefit Bonitas in their oversight role.

The Board is responsible for the proper and sound management of the Scheme, in the best interests of members, while safeguarding the Scheme's long-term sustainability. This requires the Board to ensure adherence to the governing legislation and regulation of a medical scheme, including corporate governance principles.

MSA	Scheme Rules	King IV™
<p>The MSA requires the Board to:</p> <ul style="list-style-type: none"> <li>Take all reasonable steps to ensure that the interests of beneficiaries in terms of the rules of the medical scheme and the provisions of the MSA are protected at all times</li> <li>Act with due care, diligence, skill and good faith</li> <li>Take all reasonable steps to avoid conflicts of interest, and act with impartiality in respect of all beneficiaries</li> <li>Develop and adhere to Scheme Rules that are registered with the CMS</li> </ul>	<p>Bonitas is governed according to Scheme Rules that are reviewed and amended from time to time</p> <p>Among others, these Rules require the Board to:</p> <ul style="list-style-type: none"> <li>Apply sound business principles and ensure Bonitas's financial soundness</li> <li>Ensure that proper control systems are employed by and on behalf of Bonitas</li> <li>Ensure that adequate and appropriate information is communicated to members regarding their rights, benefits, contributions and duties</li> </ul>	<p>King IV™ outlines a set of voluntary principles and practices aimed at improving corporate governance in South Africa</p> <p>King IV™ states that the Board is expected to provide the necessary leadership to realise the following outcomes for Bonitas:</p> <ul style="list-style-type: none"> <li>Ethical culture</li> <li>Good performance</li> <li>Effective control</li> <li>Legitimacy</li> </ul>

Bonitas's governance structures and processes are described in the Bonitas Governance, Risk and Compliance Framework, which has been developed in line with the requirements of the MSA, Scheme Rules and King IV™. The Framework is implemented according to the following three functions and accountabilities:



## Governance outcomes

The Bonitas Governance, Risk and Compliance Framework aims to achieve four outcomes as defined by King IV™. Initiatives related to these outcomes include:

Outcome	Bonitas practices and principles	Board focus areas
<b>Ethical culture</b>	<ul style="list-style-type: none"> <li>· Bonitas and the Board promote an ethical environment in which employees, Trustees and Independent Members are encouraged to report violations, cooperate with investigations and seek advice when facing a difficult situation. See page 37 for information on FWA reporting and our whistle-blowing hotline.</li> <li>· Ethics and professional conduct are governed by the following codes, each of which must be acknowledged annually by the target audience:               <ul style="list-style-type: none"> <li>· Code of Ethics and Professional Conduct for Trustees and Independent Members</li> <li>· Code of Ethics and Professional Conduct for Executives and Staff</li> </ul> </li> <li>· Bonitas's Gifts Policy defines business courtesy, entertainment, promotional items and invitations that can be considered gifts, and describes the declaration process.</li> <li>· The Board follows established practices to promote ethics and effectiveness in its deliberations. These include declaring any conflicts of interest at all Board and Board Committee meetings (in line with the Conflict of Interest Policy) and ensuring transparency through its communication efforts.</li> </ul>	<ul style="list-style-type: none"> <li>· Ensure that all Board and Scheme actions and decisions are in the best interests of members</li> </ul>
<b>Good performance</b>	<ul style="list-style-type: none"> <li>· The Board, supported by the Audit and Risk Committee and Investment Committee, reviews Bonitas's financial performance and key performance indicators at the respective meetings, including the going concern status, solvency and investment performance.</li> <li>· The Board holds a bi-annual strategy review meeting to assess the relevance of and progress against the strategic pillars.</li> <li>· The Board approves targets for specific strategic indicators, including non-financial aspects. These targets form part of the approved annual Organisational Performance Matrix, which determines employee performance objectives and is implemented according to the Performance Management and Incentive Policies.</li> <li>· The Board ensures regular and transparent performance reporting to members through the AGM and integrated reports.</li> </ul>	<ul style="list-style-type: none"> <li>· Maintain financial sustainability to ensure that members' healthcare costs are covered</li> <li>· Drive membership growth and retention</li> <li>· Promote healthcare affordability, cost efficiency and accessibility</li> <li>· Educate and empower members in terms of healthcare</li> </ul>
<b>Effective control</b>	<ul style="list-style-type: none"> <li>· Bonitas has a Combined Assurance Framework that applies the four layers of defence governance model (see page 80 for more information). This enables a coordinated approach in which assurance providers work closely, effectively and efficiently towards a control environment where the right assurance is received in the right areas.</li> </ul>	<ul style="list-style-type: none"> <li>· Ensure consistent and sustainable business operations that adhere to the following:               <ul style="list-style-type: none"> <li>· Agreed strategy and risk appetite/tolerance</li> <li>· Agreed business objectives</li> <li>· Agreed policies and processes</li> <li>· Applicable laws and regulations</li> </ul> </li> </ul>

Outcome	Bonitas practices and principles	Board focus areas
<b>Legitimacy</b>	<ul style="list-style-type: none"> <li>Bonitas exists to serve our members, and therefore we must maintain their trust and respond to the legitimate concerns of all our stakeholders. See page 8 for more information on the nature of our relationships and outcomes of engagements.</li> <li>As the Medical Aid for South Africa, we aim to enhance the healthcare ecosystem and psychosocial landscape for all South Africans. In 2023 this included the following: <ul style="list-style-type: none"> <li><b>Addressing the increase in mental health conditions:</b> The Bonitas Mental Health Programme has been added to all our plans for 2024. See page 30 for more information.</li> <li><b>Promoting preventative care:</b> Bonitas introduced the Be Better Benefit for 2024, which provides members with a range of screening tests and benefits to allow for early detection of health and wellness challenges, as well as the Maternity Programme that is targeted at expectant mothers and newborns.</li> <li><b>Broadening access to vaccinations:</b> Bonitas lowered the age of administration for the HPV vaccine, and increased the child dependant age to 24.</li> <li><b>Maintaining the sector's professionalism:</b> Bonitas supports the continual professional development of healthcare professionals through content and courses on our website.</li> <li><b>Promoting ethical behaviour:</b> Bonitas is actively engaged in identifying, reporting and combatting instances of FWA. See page 37 for more information.</li> <li><b>Supporting healthcare and wellness in the larger ecosystem:</b> We partner with humanitarian organisation Gift of the Givers to improve the accessibility of healthcare for all South Africans. In 2023 our Audiology Screening Programme screened 12 230 learners, and in 2024 we will install boreholes in public healthcare facilities, and offer bursaries to students in the healthcare sector.</li> </ul> </li> <li>We do not sponsor political parties or entities involved in extreme sports that are controversial or disruptive.</li> <li>Following the success of our learnership programme in 2022, three new learners were appointed in 2023. One learner was recruited directly by Bonitas and was assigned to a Bonitas service provider/broker. The other two learners were recruited with the assistance of SA Business School and were assigned to the Scheme. These learners were funded by Bonitas until the completion of their National Qualifications Framework (NQF) Level 4 Business Administration and NQF Level 5 Generic Management learnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Promote corporate responsibility and position Bonitas effectively as a good corporate citizen</li> <li>Effectively incorporate ESG from an investment and Bonitas perspective, with a particular focus on the following SDGs: <ul style="list-style-type: none"> <li>Goal 3. Ensure healthy lives and promote wellbeing for all at all ages</li> <li>Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</li> </ul> </li> </ul>

### Our healthcare partnership with Gift of the Givers

Our partnership with Gift of the Givers, the leading philanthropic organisation in South Africa, drives positive outcomes in healthcare. We have been collaborating since 2018 on the basis of shared values and the intent to provide relief to the most vulnerable and marginalised communities, specifically in the field of healthcare interventions. In 2024 we allocated an additional investment of R3.3 million to the partnership. Our key projects for 2024 included:

- Eight bursaries, targeted at medical students in their sixth and final year of study at the University of KwaZulu-Natal. The bursaries cover outstanding and current fees, enabling them to complete their final year of medicine and graduate as a doctor at the end of 2024. The students were selected based on their academic results, financial needs and diverse backgrounds.
- Six public hospitals and clinics have been identified as being in urgent need of water interventions to run their facilities and provide quality healthcare. Through our partnership with Gift of the Givers, we provided boreholes to facilities located in the Eastern Cape, Gauteng, KwaZulu-Natal and Free State. Facilities include a psychiatric hospital, general hospitals, clinics and an orphanage.

Other recent projects included:

- We honoured 470 nurses at the Mahatma Gandhi Memorial Hospital in KwaZulu-Natal in recognition of International Nurse's Day.
- We responded to disaster relief calls after the floods in KwaZulu-Natal and donated R500 000 to assist in rebuilding damaged healthcare facilities in the region.
- We sponsored an Audiology Screening Programme in KwaZulu-Natal which tested the hearing of 12 230 learners by December 2023 to make a meaningful impact on the academic development of learners.
- Bonitas was a key sponsor of the disaster relief conference held in Cape Town earlier this year. The conference, the largest of its kind in the world, was attended by various stakeholders responsible for community upliftment and healthcare delivery.

## SUMMARY OF KEY GOVERNANCE DECISIONS AND DELIBERATIONS FOR 2023

<b>AGM and governance appointments</b>	<p>The Bonitas AGM was held on 16 August 2023, in line with the Scheme Rules and in compliance with CMS guidelines. An extensive engagement strategy was deployed to drive member awareness and increase participation, and over 730 members were in attendance. PwC was appointed as the independent oversight body.</p> <p>At the AGM, members agreed to:</p> <ul style="list-style-type: none"> <li>· Reappoint Deloitte as Bonitas's independent auditor</li> <li>· Approve proposed amendments to the Trustee Remuneration Policy regarding the definition of 'CPI', and an increase in the remuneration of the Chairperson of the Board to above the CPI rate.</li> </ul> <p>Dr PW Hill, an elected Trustee of the Board, declared a conflict of interest and, after obtaining a legal opinion, the Board and Dr PW Hill agreed that he should resign from the Board. The Board remains quorate.</p> <p>The Board approved the appointment of Ms S Padayachy as an Independent Member of the Audit and Risk Committee for five years, following the transfer of Dr YO Carrim as an Independent Member to the Managed Healthcare Committee.</p>
<b>Board and Board Committees performance assessments</b>	<p>Independent performance assessments of the Board and its Committees were conducted to evaluate the effectiveness of their performance against accepted good corporate governance principles and standards. All members of the Board and its Committees participated in these assessments, and the Board was satisfied with the results. The average ratings out of a maximum of 4 points were as follows:</p> <ul style="list-style-type: none"> <li>· Board of Trustees – 3.71</li> <li>· Audit and Risk Committee – 3.75</li> <li>· Investment Committee – 3.88</li> <li>· Managed Healthcare Committee – 3.83</li> <li>· Remuneration Committee – 3.61</li> <li>· Working and Strategy Committee – 3.73</li> </ul>
<b>2023/4 strategic intent</b>	<p>The Board is responsible for providing direction, monitoring strategy implementation and guiding decision-making in the interests of our members. Following the 2023 strategy review conducted in June, the Board agreed that the strategic intent for 2023/4 will be to create a high-performance culture with incentive-driven outcomes to enhance member acquisition and retention. See page 26 for more information.</p> <p>The Board closely monitored the 2024 product and pricing design process and approved a weighted average increase in membership contributions of 6.9%. See page 7 for information on our plans, and page 30 for an overview of our 2024 benefits.</p>
<b>NHI Bill and actions</b>	<p>The Board closely monitors developments with regard to the NHI Bill and evaluates the potential impact on members, Bonitas and the South African healthcare sector as a whole. It provides guidance on stakeholder lobbying and engagement in an effort to ensure that quality healthcare is accessible to all South Africans, and also approves research efforts aimed at investigating alternative strategies and models to ensure Bonitas's sustainability. For more information on the NHI Bill, see page 31.</p>
<b>Transformation</b>	<p>Transformation remains a key focus area for the Board as part of its fiduciary duties in promoting corporate stewardship. The Board provided clarity in terms of transformation-related definitions and evaluation criteria, and approved the appointment of Mergence as an additional black-owned asset manager. Mergence is 79.51% black-owned and has a Level 1 B-BBEE status.</p>
<b>Policy approvals</b>	<p>The Board reviewed and approved a number of policies, charters and strategy documents to provide for ongoing process enhancements and an effective governance and control environment. These include the Board and Board Committee Charters, Compliance Policy, Credit Control Policy, Delegation of Authority, Employee Remuneration Policy, Gifts Policy, I&amp;T Governance Framework, Incentive Scheme Policy, Investment Policy Statement, Performance Management Policy, Sponsorship and Donations Policy, and the Whistle Blowing Policy.</p>



# MAIN ELEMENTS OF OUR GOVERNANCE SYSTEM

The Board is accountable for governance and oversight at Bonitas, and is assisted by five Board Committees and the Principal Officer.



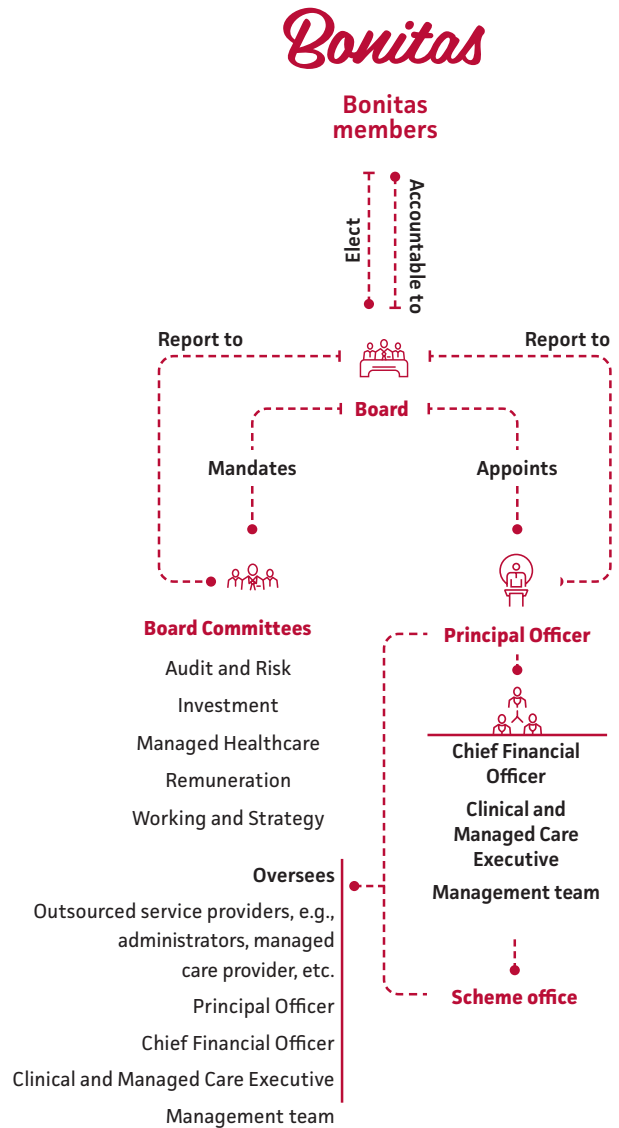
## Governing legislation and regulation

**The Act** and regulations (including proposed Amendment Bill) – all medical schemes in South Africa are governed by the Act.

**Scheme Rules** – developed and maintained in accordance with the Act and approved by the CMS.

**Corporate governance principles** – although voluntary for medical schemes, Bonitas is committed to subscribing to King IV™ for additional governance guidance and leading practice on good governance.

**Common law** – relevant common law principles such as fit and proper, public funds, position of trust, etc.



## Board

- Scheme governed by an independent Board
- Trustees duly elected in terms of Scheme Rules for a five-year term
- Fit and Proper
- Accountable to Bonitas members
- Appoints and contracts with the administrators

## Board Committees

- Board supported by five Board Committees to fulfil its duties and responsibilities effectively
- Consist of Trustees and Independent Members
- Mandated through defined Charters

## Principal Officer

- Board-appointed
- Accountable for implementing strategy and any other decisions made by the Board
- Responsible for the day-to-day management of Bonitas
- Fit and proper
- Supported by Executive and Management team

## BOARD COMPOSITION

As at 31 December 2023, the Board consisted of nine Trustees: seven Trustees elected by members and two Trustees appointed by the Board. The Board composition changed in October 2023 when Dr PW Hill resigned.

According to the Scheme Rules, the Board can appoint a maximum of three Trustees who bring specific skills and diversity to the Board without undergoing elections. Such an appointed Trustee must be a member of Bonitas and must possess qualifications or belong to professions such as attorney/advocate, accountant/auditor, actuary, medical practitioner/specialist, or any other specialist expertise identified by the Board. The option to appoint specific Trustees allows the Board to source capabilities that will benefit Bonitas and improve race and gender diversity in its composition.

In terms of the MSA, section 57(2): “at least 50 per cent of the members of the board of trustees shall be elected from amongst members.” Based on the current Scheme Rules, the composition of the Board only represents members of the Scheme whether elected or appointed.

The Board believes Bonitas has the appropriate mix of skills and experience, and aims to improve its gender diversity in future years.

## BOARD AND EXECUTIVE MANAGEMENT SKILLS PROFILE

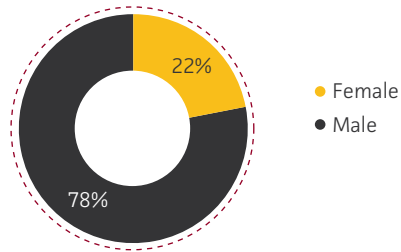
Skills	Trustees										Executive Management			
	Mr J Bagg	Mr R Cowlin	Dr PW Hill*	Mr OJ Komane	Adv RT Monene	Mr MG Netshisaulu	Mr JD Ngwane	Mr PJ Ribbens	Ms V Rikhotso	Mr JR Venter	Mr LR Callakoppen	Dr T Hadebe**	Dr BM Mkhathshwa***	Mr L Woodhouse
Corporate governance	☑	☑	☑	☑		☑			☑	☑	☑	☑	☑	☑
Medical and retirement funds	☑	☑	☑				☑				☑	☑	☑	☑
Strategy		☑	☑	☑		☑		☑	☑		☑	☑	☑	☑
Financial management	☑	☑				☑		☑	☑	☑	☑			☑
Business development		☑						☑		☑	☑			
Law					☑	☑								
Marketing		☑						☑						
Taxation						☑			☑					☑
Skills development	☑	☑	☑	☑		☑	☑	☑		☑	☑	☑	☑	☑
Clinical		☑	☑								☑	☑		
Actuarial science	☑													
Leadership	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Information technology										☑				

\* Resigned as a Trustee of the Board with effect from 31 October 2023.

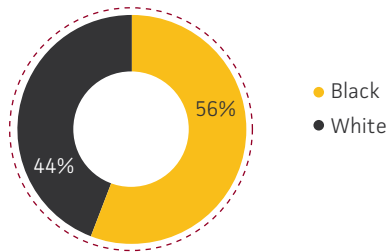
\*\* Appointed as Clinical and Managed Care Executive with effect from 6 November 2023.

\*\*\* Resigned as Clinical and Managed Care Executive with effect from 31 July 2023.

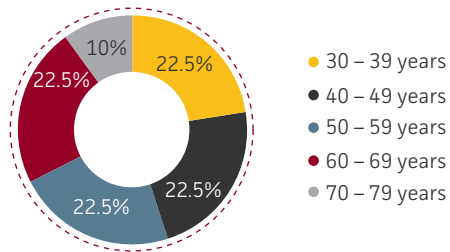
### Gender profile as at 31 December 2023



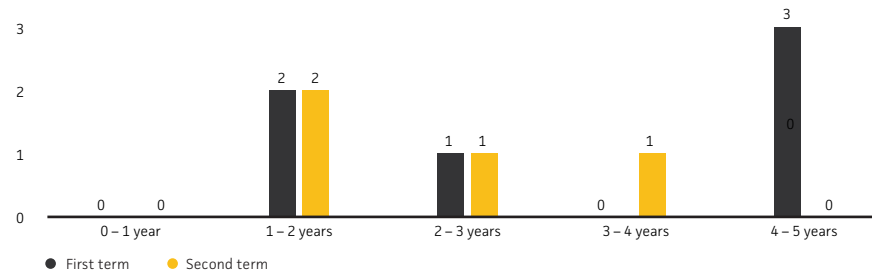
### Race profile as at 31 December 2023



### Age profile as at 31 December 2023



### Tenure as Board member



The Board aims to ensure that its Trustees have the appropriate skills and experience to effectively govern Bonitas, and strives for both racial and gender diversity in order to adequately represent all South Africans.

## TRAINING AND EVALUATION

In March 2023, the Trustees, Executives and Senior Management attended a ‘Governance for Trustees’ training session that was facilitated through the Institute of Directors in South Africa (IoDSA). The training session provided insights into corporate governance as well as the roles and responsibilities of Trustees.

Independent performance assessments of the Board and its Committees are conducted every second year, in line with King IV™, with the purpose of evaluating the effectiveness of their performance against accepted good corporate governance principles and standards. The 2023 assessments were conducted by an external service provider and covered the 2021 and 2022 financial years.

Detailed questionnaires were developed and completed by Trustees and Committee members, and interviews were held with a sample of individuals. Results were then collated and reviewed by the service provider, resulting in detailed reports for the Board and each Committee containing:

- A list of the key themes considered during the evaluation
- A rating out of 4 for each identified evaluation category
- An average overall score out of 4
- A description of identified good practices and areas of potential improvement

The reports were distributed to the Board and its Committees during the last quarter of 2023. The Board will consider the identified good practices and areas of potential improvement contained in the reports, and is satisfied that the evaluation process assists in improving the effectiveness of the Bonitas governance system.

Committee	Key themes	Average score out of 4
<b>Board of Trustees</b>	<ul style="list-style-type: none"> <li>Board composition and skills mix</li> <li>Adequacy of information provided to Board for decision-making</li> <li>Board pack timeliness</li> <li>Levels of stakeholder engagement</li> <li>PO input and feedback to the Board</li> <li>Preparedness for meetings</li> <li>Adequacy of information related to stakeholder management and interaction</li> <li>Compliance with laws and regulations</li> <li>Strategy development</li> </ul>	<b>3.71</b>
<b>Audit and Risk Committee</b>	<ul style="list-style-type: none"> <li>Committee members' input and participation</li> <li>Preparedness for meetings</li> <li>Adequacy and balance of risk focus versus audit and financial focus</li> <li>Adequacy of coverage of the key sources of risk in Bonitas</li> <li>Input from management on compliance and any areas of non-compliance</li> <li>Escalation of risk to the right levels in Bonitas per the risk appetite</li> </ul>	<b>3.75</b>
<b>Investment Committee</b>	<ul style="list-style-type: none"> <li>Investment strategy and compliance with regulations</li> <li>Review of the investment strategy and performance of the portfolios selected by asset managers</li> <li>Risk appetite and monitoring</li> <li>Adequacy of information and insight to make investment decisions</li> <li>Skills and insights of Committee members</li> </ul>	<b>3.88</b>
<b>Managed Healthcare Committee</b>	<ul style="list-style-type: none"> <li>Adequacy of information provided to enable the Committee to oversee the development, implementation and monitoring of a governance strategy relating to clinical and financial risk management by the managed care organisation</li> <li>Quality of healthcare monitoring</li> <li>Frequency of managed healthcare updates and reports</li> <li>Monitoring of the changing healthcare environment and related advice to the Board on the implications for Bonitas</li> <li>Levels of stakeholder engagement</li> </ul>	<b>3.83</b>
<b>Remuneration Committee</b>	<ul style="list-style-type: none"> <li>Fair, responsible and transparent remuneration</li> <li>Expert advice on remuneration</li> <li>Oversight of the criteria and process for the selection of any experts to advise on remuneration</li> <li>Compliance with remuneration policies and legislation</li> <li>Attendance and presentation at AGM (when required based on agenda)</li> </ul>	<b>3.61</b>

Committee	Key themes	Average score out of 4
<b>Working and Strategy Committee</b>	<ul style="list-style-type: none"> <li>Adequacy of the ongoing oversight with regards to the achievement of Bonitas's strategic objectives, including monitoring of key strategic initiatives (strategic planning)</li> <li>Level of input and oversight of the annual benefit and pricing processes (options planning)</li> <li>Level of input and oversight of the annual budgeting process</li> </ul>	<b>3.73</b>

## KEY BOARD AREAS OF OVERSIGHT

Highlights from the Board's activities, in fulfilment of the Board Charter, are included below to demonstrate how governance supports value creation and preservation.

### Financial

- Evaluated financial performance, including going concern status, loss-making options, unknown and unclaimed deposits, stale claims, the claims ratio, and provision for claims incurred but not yet reported (IBNR).
- Approved the annual financial statements and Board of Trustees report, including the Arm's Length Assertion.
- Approved the Bonitas Investment Strategy and Policy, relevant changes to investment mandates, and the appointment of a new asset manager.
- Reviewed financial forecasts and approved the 2024 budget.
- Appointed the external auditor and approved the audit fee.
- Tracked performance, and determined remuneration increases and incentives against the Organisational Performance Matrix.
- Oversaw progress towards Bonitas's adoption of the IFRS 17 accounting standard.
- Approved yearly fee increases for service providers, considering in particular the need to ensure uninterrupted service provision to members.
- Participated in the Investment Committee workshop in January 2023.

### Operational

- Reviewed the product development process, and considered and approved the pricing and benefit option design for 2024.
- Tracked membership numbers, membership trends, claims history and projections.
- Monitored engagements regarding potential amalgamations.
- Monitored progress towards the disposal of the Bonitas Park property.

### Stakeholders

- Made arrangements for the virtual AGM, including online voting, with a particular focus on ensuring inclusivity and maximum participation by members.
- Monitored the performance of and engagement with key service providers.
- Approved contract renewals and monitored the process of procuring new service providers.
- Monitored resignations, recruitment and selection – both at Bonitas and at key service providers – to ensure that positions are suitably filled, and that institutional knowledge is retained.

## Governance

- Scrutinised reports from the Board Committees, and approved their priorities and workplans.
- Approved revised policies, the Board Charter and Charters for the Board Committees.
- Provided clarity on transformation-related definitions and evaluation criteria.
- Approved appointments to the Board and its Committees as follows:
  - Ms S Padayachy was appointed as an Independent Member of the Audit and Risk Committee for five years, with effect from 6 February 2023. She replaced Dr YO Carrim, who transferred to the Managed Healthcare Committee in October 2022 as an Independent Member.
  - Prof DP van der Nest's term as Chairperson of the Audit and Risk Committee was extended.
  - The appointment of Mr OJ Komane and Mr R Cowlin as Chairperson and Vice-Chairperson of the Board respectively was extended.
- Approved the appointment of an independent service provider to conduct performance evaluations of the Board and Board Committees, and reviewed the resulting reports.

## Strategy, people and performance

- Approved a business development strategy for 2023/4 to enhance member acquisition and retention. More information is provided on page 26.
- Approved the 2023 Organisational Performance Matrix.
- Reviewed and approved the PO's performance rating.
- Approved employee salary increases, the STI allocation and LTI formulae.
- Approved the appointment of Dr T Hadebe as the Bonitas Clinical and Managed Care Executive, with effect from 6 November 2023, following the resignation of Dr BM Mkhathshwa with effect from 31 July 2023.

## Risk and compliance

- Provided oversight of the key risks facing Bonitas, and reviewed and monitored the effectiveness of the risk management process.
- Reviewed and monitored the effectiveness of the compliance management process.
- Considered updates on legal proceedings.

## MEETING ATTENDANCE

The schedule below summarises mandatory Board and Board Committee meetings held during 2023.<sup>1</sup> This includes special meetings and attendance by invitation.

Trustee and/or Independent Member	Board	Audit and Risk Committee	Investment Committee	Managed Healthcare Committee	Remuneration Committee	Working and Strategy Committee
<b>Number of meetings</b>	<b>10 (including 2 days' workshop)</b>	<b>6</b>	<b>5 (including 1 workshop)</b>	<b>9 (including 2 special meetings and 2 workshops)</b>	<b>4 (including 1 special meeting)</b>	<b>11 (including 4 special meetings)</b>
Mr J Bagg	10/10	2/2	5/5			11/11
Dr YO Carrim				9/9		
Mr R Cowlin*	10/10		5/5	9/9		11/11
Dr PW Hill**	8/8		1/1	8/8		
Ms P Kekana	2/2				4/4	1/1
Ms W Kirima			5/5			
Mr OJ Komane***	10/10	6/6	5/5	9/9	4/4	11/11
Adv RT Monene	10/10		1/1		4/4	
Mr MG Netshisaulu	10/10		1/1		4/4	11/11
Mr JD Ngwane	10/10		1/1			
Ms S Padayachy*^		5/6				
Mr T Poho		6/6				
Mr PJ Ribbens	10/10		5/5	9/9		
Ms V Rikhotso	10/10	6/6	1/1			11/11
Prof DP van der Nest***^	2/2	6/6				
Mr C van Zyl***^			5/5		4/4	1/1
Mr JR Venter	10/10	6/6	1/1	2/2		

\* Re-appointed as Vice-Chairperson of the Board with effect from 21 September 2023.

\*\* Resigned as a Trustee of the Board with effect from 31 October 2023.

\*\*\* Re-appointed as Chairperson of the Board with effect from 21 September 2023.

\*^ Appointed as an Independent Member of the Audit and Risk Committee with effect from 6 February 2023.

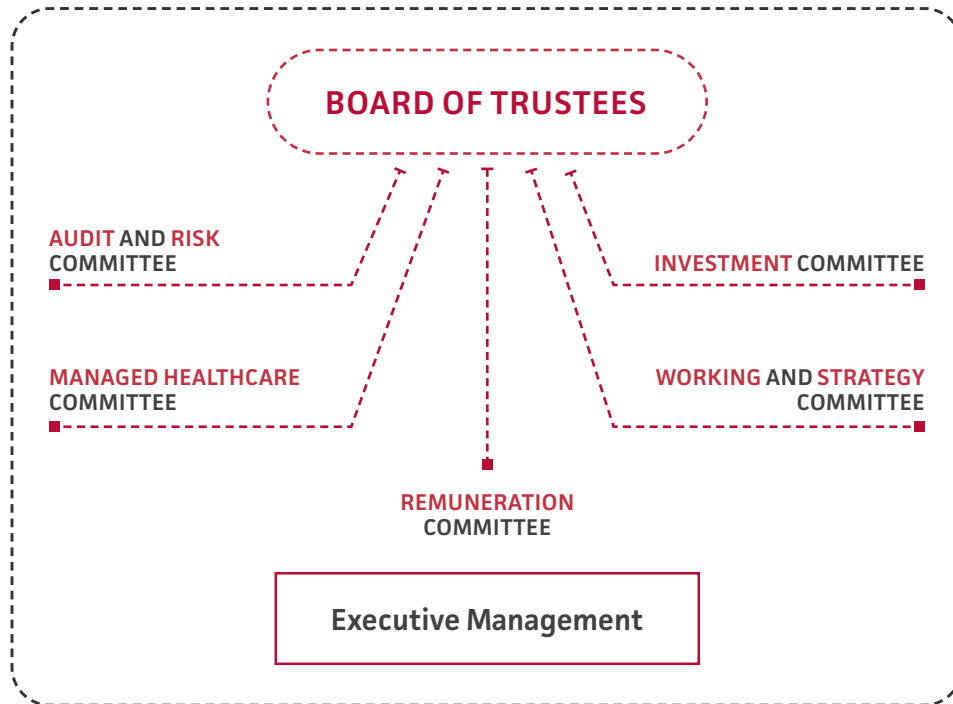
\*\*\*^ Term as Chairperson of the Audit and Risk Committee was extended from 1 August 2023 to 31 July 2024.

\*\*\*^^ Re-appointed as an Independent Member for another term with effect from 1 March 2023.

<sup>1</sup> Actual number of meetings attended/total number of meetings members could have attended.

## BOARD COMMITTEES AND ACTIVITIES FOR 2023

*The Board Committees reviewed their performance in terms of each Committee's mandate and were satisfied that they had performed their responsibilities under the relevant charter.*



### Audit and Risk Committee

#### MANDATE

In terms of section 36 of the MSA, Bonitas is obliged to have an Audit and Risk Committee. The Committee is duly constituted and functional. The Committee comprises a majority of Independent Members whose mandate is to assist the Board in discharging its duties relating to:

- Safeguarding of assets.
- Operation of adequate and effective systems, internal controls and processes.
- Preparation of annual financial statements that fairly represent Bonitas's financial position.
- Oversight of the external and internal audit appointments and functions.
- Oversight of the policies and processes for identifying and assessing business risks.
- Oversight of the governance, risk and compliance functions.
- Provision of advice on any matter referred to the Committee by the Board.

### KEY ACTIVITIES FOR 2023

- Assessed financial and investment performance.
- Provided oversight of risk management and compliance reporting.
- Oversaw the internal and external audit plans, processes and reports.
- Monitored the audit and risk processes of key service providers, and followed up on related assessments, reports, action plans and commitments.
- Oversaw I&T governance matters, processes and reports.
- Provided oversight of combined assurance reporting, and approved the revised Terms of Reference of the Combined Assurance Forum.
- Monitored the process and requirements relating to the implementation of the IFRS 17 accounting standard.
- Considered all matters relating to ethics, contracts and SLAs, legal matters and litigation, and non-compliance with laws and regulations.
- Recommended the following to the Board for approval: Audited annual financial statements and related disclosures (including the report of the Board); external audit plan and fees; external auditors' report; going concern status; IBNR methodology; reappointment of external auditors; updated Committee Charter; and updated policies, i.e. Compliance Policy, Credit Control Policy, Internal Audit Charter and Petty Cash Policy.

#### Important disclosures

The Audit and Risk Committee has assessed and is satisfied that our external auditor, Deloitte, is sufficiently independent of Bonitas. The Audit and Risk Committee recommended the reappointment of the external auditor for the 2023 financial year to the Board and the AGM.

Deloitte's independence was reviewed by the Committee. The provision of non-audit services by the external auditor is limited and any such request must be approved by the Audit and Risk Committee with the required motivation and guarantees of independence.

The Audit and Risk Committee is satisfied that the tenure of the external auditor and the engagement partner does not impair independence and does not create a risk of familiarity with management.

The Audit and Risk Committee has reviewed the financial statements and received assurance on key figures, including the IBNR.

The Audit and Risk Committee received the external audit report from Deloitte as well as the management representation letter. The Committee is comfortable with the assurance provided, the quality of the audit work conducted and the report.

Bonitas has an outsourced internal audit function, and the service is provided by PwC. The Committee has approved a risk-based coverage plan, and the plan has been completed for the financial year. The Audit and Risk Committee is satisfied with the assurance provided by the internal auditor. The Committee receives further assurance from AfroCentric internal audit at every meeting. An annual internal audit effectiveness assessment on the outsourced internal auditor is conducted and the results were satisfactory.

The Audit and Risk Committee has received assurance on the quality of the system of internal control. The Governance, Risk and Compliance function – including management, internal and external audit – contributes to the Combined Assurance Forum meetings where any possible risk and control matters are dealt with, and quarterly reports and minutes are provided to the Audit and Risk Committee as part of the assurance required. Internal and external audits have not found any material weaknesses in financial controls and Bonitas received an unqualified audit opinion. No material losses were reported resulting from a failure in internal financial controls, fraud or corruption.

The Audit and Risk Committee is satisfied with the capacity and skills of the finance function and the CFO. An annual assessment of the performance of the CFO is conducted and the results were satisfactory.



Members as at 31 December 2023	Capacity	Member since
Prof DP van der Nest*	Independent Member (Chairperson)	1 August 2019
Ms S Padayachy**	Independent Member	6 February 2023
Mr T Poho	Independent Member	1 August 2019
Ms V Rikhotso	Trustee Member	5 October 2022
Mr JR Venter	Trustee Member	1 August 2019

\* Appointed as Chairperson of the Committee with effect from 1 February 2021. Appointment as Chairperson was extended from 1 August 2022 to 31 July 2023, and from 1 August 2023 to 31 July 2024.

\*\* Appointed as Independent Member with effect from 6 February 2023.

## Investment Committee

### MANDATE

The Investment Committee manages the investment portfolio in line with the Bonitas Investment Strategy and Policy, and ensures compliance with the regulations of the MSA. The Committee advises the Board on strategic matters relating to the investment of reserves, ensuring investments are made in members' best interests.

### KEY ACTIVITIES FOR 2023

- Conducted an Investment Committee workshop in January 2023 to revisit the strategic asset allocation.
- Developed and recommended the Investment Strategy for 2023 following consideration of market and economic developments and trends, as well as Bonitas's overall strategy.
- Reviewed Bonitas's investment mandates, strategic asset allocations, expected risks and returns, and financial position – in particular the solvency ratio and related projections.
- Scrutinised the performance of Bonitas's investments, investment consultant (RisCura Solutions) and asset managers, and negotiated favourable fees with service providers.
- Scrutinised asset managers' due diligence processes, especially those relating to fraud and cyber security.
- Considered the potential impact of South Africa's greylisting by the Financial Action Task Force (FATF).
- Recommended the appointment of Mergence as a new asset manager.
- Recommended an updated Investment Committee Charter and Investment Policy Statement to the Board for approval.

Members as at 31 December 2023	Capacity	Member since
Mr R Cowlin*	Trustee Member (Chairperson)	30 June 2016
Mr J Bagg**	Trustee Member	15 October 2016
Ms W Kirima***	Independent Member	1 June 2014
Mr PJ Ribbens	Trustee Member	16 November 2019
Mr C van Zyl*^	Independent Member	1 July 2016

\* Trustee term ended on 4 January 2021 and appointed by the Board with effect from 5 January 2021. Re-appointed by the Board to the Investment Committee with effect from 5 January 2021.

\*\* Trustee term ended on 31 August 2022 and appointed as Trustee by the Board with effect from 5 October 2022. Re-appointed by the Board to the Investment Committee with effect from 27 October 2022.

\*\*\* Re-appointed as an Independent Member for another term with effect from 1 June 2020.

\*^ Re-appointed as an Independent Member for another term with effect from 1 July 2021.

## Managed Healthcare Committee

### MANDATE

The Managed Healthcare Committee provides direction, oversight and guidance on all strategic and operating matters relating to Bonitas's managed healthcare activities to ensure these activities are managed in the best interests of Bonitas members. Managed healthcare is about comprehensive care, including preventative, rehabilitative and curative care to promote appropriateness and cost.

### KEY ACTIVITIES FOR 2023

- Continually monitored the changing healthcare environment and provided advice to the Board on the implications for Bonitas.
- Conducted a workshop in February 2023 to consider the managed care objectives and strategy, deliverables and timelines.
- Monitored COVID-19 data, including testing, number of infections, admission rates, immunisation rates and claims.
- Evaluated provider and hospital networks, network congruency and provider management.
- Evaluated the performance of managed care service providers and other relevant third parties.
- Reviewed the strategies and operational plans of key service providers, specifically Medscheme and PHA.
- Implemented and evaluated outcomes-based measures, and recommended additional outcomes-based metrics for inclusion in managed care SLAs.
- Monitored membership and financial data, and loss-making options, to ensure the ongoing relevance of managed care solutions.
- Recommended an updated Managed Healthcare Committee Charter to the Board for approval.

Members as at 31 December 2023	Capacity	Member since
Mr R Cowlin*	Trustee Member (Chairperson)	16 July 2020
Dr YO Carrim	Independent Member	5 October 2022
Dr PW Hill**	Trustee Member	7 October 2021
Mr PJ Ribbens	Trustee Member	16 July 2020

\* Trustee term ended 4 January 2021 and appointed by the Board with effect from 5 January 2021. Re-appointed by the Board to the Managed Healthcare Committee with effect from 5 January 2021.

\*\* Resigned as a Trustee of the Board with effect from 31 October 2023.

## Remuneration Committee

### MANDATE

The Remuneration Committee provides oversight of the Bonitas Remuneration Strategy and Philosophy and related policies, and ensures compliance with these policies. The Committee oversees the remuneration of Trustees and employees.

### KEY ACTIVITIES FOR 2023

- Engaged with independent business management consultants with regard to market-related data and benchmarking to be used in reviewing remuneration practices.
- Considered the impact of a fluctuating CPI and differing definitions of CPI on remuneration.
- Reviewed and updated remuneration practices with a view to ensuring clarity and alignment with industry benchmarks, particularly regarding the implementation of the LTI Scheme.
- Considered and recommended annual employee salary increases and the overall STI amount, based on the Organisational Performance Score, employee performance scores, affordability, as well as salary benchmark source data and comparison ratios.
- Recommended a fee increase for the Chairperson of the Board following a review against industry benchmarks, which was subsequently approved by members at the AGM.
- Discussed succession planning and the job evaluation governance process.
- Considered regulations and legislation that impact on human capital and related matters, particularly discrimination and harassment in the workplace, and employment equity.
- Reviewed the learning and development budget and planned training for the year.
- Recommended the following updated policies to the Board for approval: Acting Allowance Policy, Employee Remuneration Policy, Incentive Scheme Policy, Leave Policy, Remuneration Committee Charter, Talent and Succession Management Plan and Framework, Talent and Succession Management Policy, and Trustee Remuneration Policy (approved at the AGM).

Members as at 31 December 2023	Capacity	Member since
Ms P Kekana*	Independent Member (Chairperson)	2 January 2016
Adv RT Monene	Trustee Member	5 October 2022
Mr MG M Netshisaulu**	Trustee Member	16 July 2020
Mr C van Zyl***	Independent Member	1 March 2018

\* Appointed as Chairperson 1 October 2017. Re-appointed as an Independent Member and the Chairperson with effect from 2 January 2021. Re-appointed as an Independent Member and the Chairperson for another term with effect from 2 January 2021.

\*\* Term as Trustee ended 31 August 2022 and re-elected as Trustee with effect from 9 September 2022. Continued as member of the Remuneration Committee.

\*\*\* Re-appointed as an Independent Member for another term with effect from 1 March 2023.

## Working and Strategy Committee

### MANDATE

The Working and Strategy Committee directs and monitors the implementation of the strategy and is responsible for managing procurement and contract management processes, and recommending the budget to the Board for its consideration and approval.

### KEY ACTIVITIES FOR 2023

- Reviewed and recommended Bonitas's financial forecast and budget.
- Finalised the scoring of the 2022 Organisational Performance Scorecard and finalised the 2023 Organisational Performance Scorecard KPI's.
- Reviewed and recommended the renewal of business insurance, professional indemnity insurance and cyber security insurance.
- Recommended an independent service provider to conduct performance evaluations of the Board and Board Committees.
- Monitored engagements regarding potential amalgamations.
- Monitored the performance of the healthcare administrators (Medscheme and PHA) and other service providers, and recommended service provider fee increases for the 2023 financial year.
- Considered and recommended contract renewals with service providers.
- Considered I&T governance reports.
- Considered FWA reports.
- Monitored changes at key service providers – such as Sanlam's acquisition of a majority shareholding in AfroCentric – to determine the possible impact on Bonitas.
- Monitored progress with regard to regulatory reports and enquiries, including the CMS's Section 44 final inspection report and LCBO guidelines.
- Recommended the following to the Board for approval: 2024 plan options, pricing and benefits; Acting Allowance Policy; Board and Working and Strategy Committee Charters; Delegation of Authority; Disciplinary Policy; Gifts Policy; Grievance Policy; I&T Governance Charter and Framework; Learning and Development Policy; Membership Management Policy; Performance Management Policy; Sponsorship and Donations Policy; and Whistle Blowing Policy.

Members as at 31 December 2023	Capacity	Member since
Mr OJ Komane*	Trustee Member (Board Chairperson and Chairperson of this Committee)	1 June 2021
Mr R Cowlin**	Trustee Member (Board Vice-Chairperson)	1 October 2017
Mr J Bagg***	Trustee Member	4 December 2020
Mr MG Netshisaulu*^	Trustee Member	16 November 2019
Ms V Rikhotso	Trustee Member	24 November 2022
Mr LR Callakoppen	Principal Officer	1 May 2019
Mr L Woodhouse	Chief Financial Officer	1 October 2019
Dr T Hadebe**^	Clinical and Managed Care Executive	6 November 2023
Dr BM Mkhatshwa***^	Clinical Executive	1 October 2022 – 31 July 2023

\* Trustee term ended 4 January 2021. Re-elected as Trustee with effect from 1 June 2021 and appointed as Chairperson on 28 September 2021. Re-elected as Chairperson of the Board with effect from 12 August 2022. Term as Chairperson of the Board extended with effect from 21 September 2023.

\*\* Trustee term ended 4 January 2021 and appointed by the Board with effect from 5 January 2021. Re-elected as Vice-Chairperson of the Board with effect from 12 August 2022. Term as Vice-Chairperson of the Board extended with effect from 21 September 2023.

\*\*\* Trustee term ended on 31 August 2022 and appointed as Trustee by the Board with effect from 5 October 2022. Re-appointed by the Board to the Working and Strategy Committee with effect from 5 October 2022.

\*^ Term as Trustee ended 31 August 2022 and re-elected as Trustee with effect from 9 September 2022. Continued as member of the Working and Strategy Committee.

\*\*^ Appointed as Clinical and Managed Care Executive with effect from 6 November 2023.

\*\*\*^ Appointed as Bonitas Clinical Executive with effect from 1 October 2022. Resigned from Bonitas with effect from 31 July 2023.

## RISK MANAGEMENT

Bonitas's approach to risk management is as follows:

### RISK MANAGEMENT AT BONITAS

#### RISK MANAGEMENT FRAMEWORK

- Approved by the Board
- Ensures that risk management is integrated into significant activities and functions
- Provides guidance on identifying, evaluating and responding to key risks and opportunities
- See page 43 for more information



#### GRC

- Applies the Framework
- Coordinates risk management across Bonitas, including facilitating risk identification, assessment, monitoring and reporting
- Reports to the Audit and Risk Committee



#### AUDIT AND RISK COMMITTEE

- Performs oversight of risk management processes
- Assists the Board in evaluating the adequacy and efficiency of internal control systems, accounting practices, information systems and auditing processes
- May recommend measures to enhance the credibility and objectivity of Bonitas's financial statements and reports



#### BOARD

- Accountable for Bonitas risk management
- Sets Bonitas's risk appetite
- Advises on and approves strategy in response to existing and emerging risks



### RISK, COMPLIANCE AND COMBINED ASSURANCE

*There are risks inherent in all businesses and sectors. Bonitas is committed to identifying, managing and mitigating these risks in the best interests of our members, and ensuring that we comply with all applicable regulations and legislation.*

The governance of risk and compliance encompasses both internal and external role players.

#### REPORTING FOCUS AREAS

##### REPORTING FOCUS AREAS

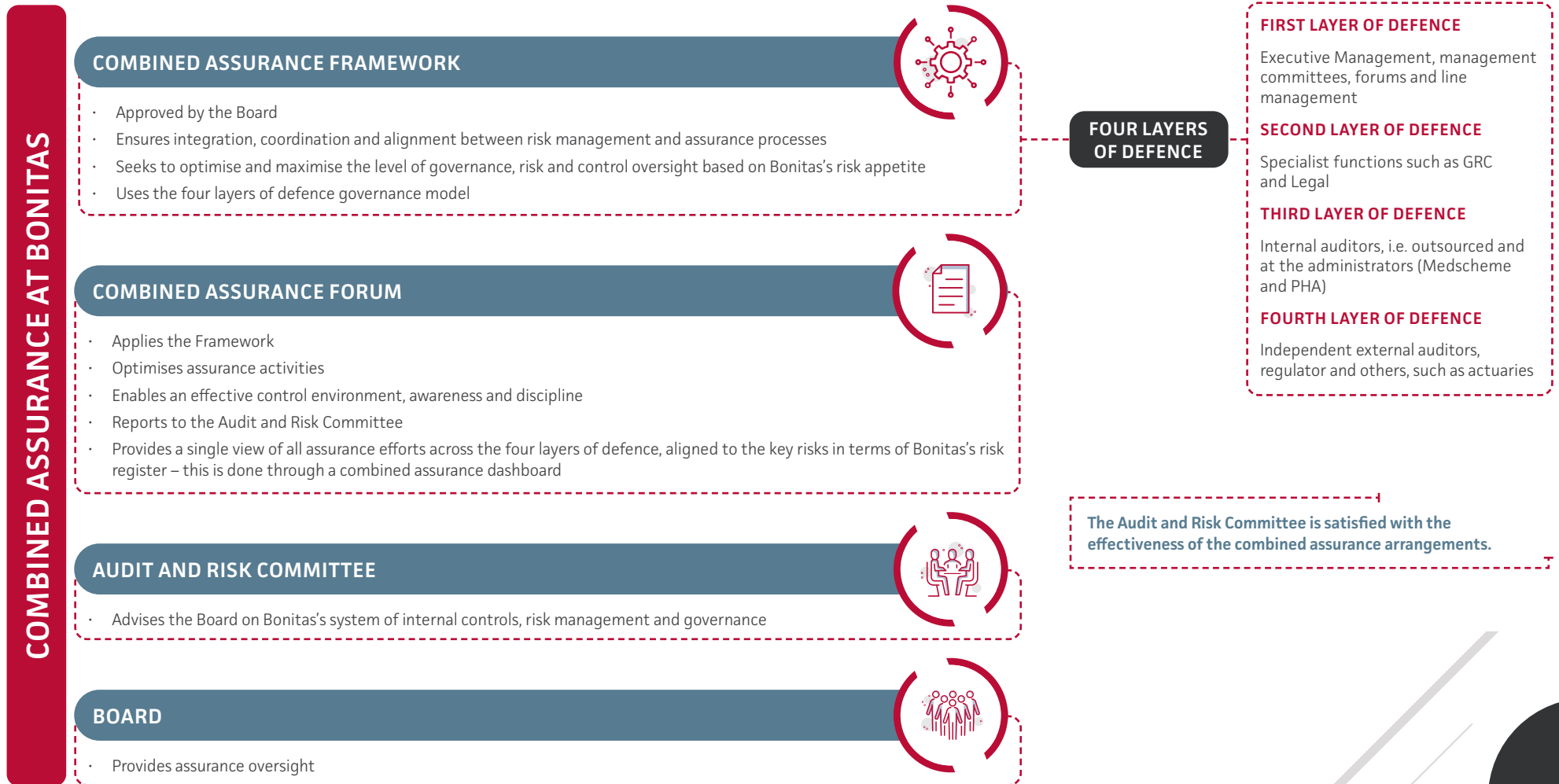
- Emerging risks, together with identified risk mitigating actions
- 'Unacceptable' and 'high' risks that remain key focus areas for the Board and Executive Management team, and progress regarding their management
- Changes in risk ratings; in other words, risks that have become more or less acceptable or tolerable as a result of changing circumstances either within Bonitas or externally
- Key risk indicators, such as membership and financial data

Read more about the strategic risks and opportunities that Bonitas is facing, as well as mitigation through our strategic pillars, on page 43.

## COMBINED ASSURANCE

The term 'combined assurance' refers to the coordinated activities of both internal and external parties to develop a holistic view of an organisation's alignment between risk management and assurance processes. For example, instead of the Executive Management and external audit teams working in silos, they communicate and collaborate (together with all other relevant role players) to improve risk management, control, reporting and accountability.

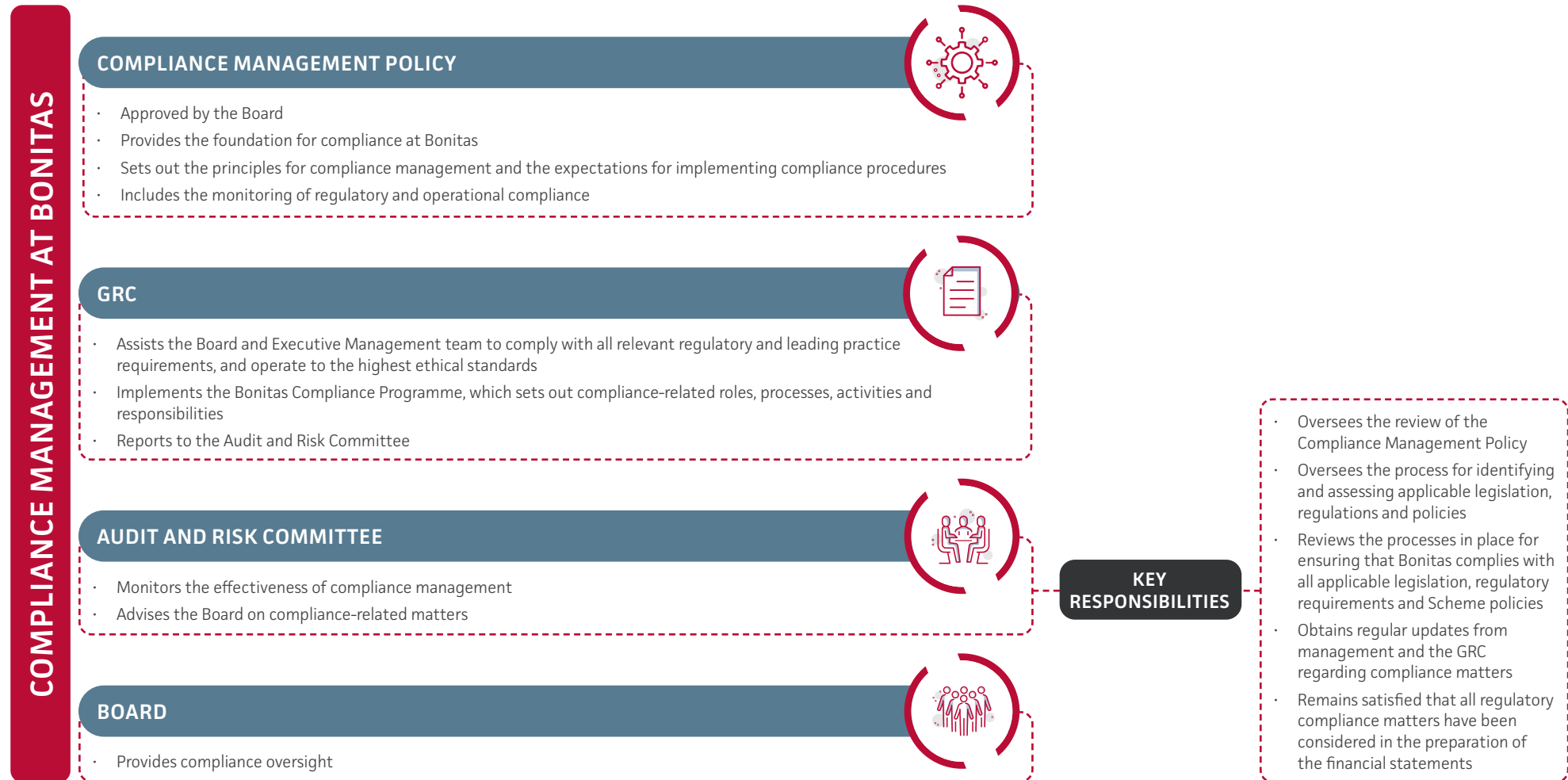
Bonitas's approach to combined assurance is as follows:



## COMPLIANCE MANAGEMENT

The South African healthcare sector is complex and highly regulated, and Bonitas has a formal process in place to identify applicable legislation and regulations, and ensure compliance. Since we use an outsourced model for our main activities – including administration – we also ensure that our service providers remain compliant.

Bonitas's approach to compliance management is as follows:



Our compliance focus areas include the following:

- **Operational compliance:** We monitor operational compliance with the Scheme Rules and policies. Policies are regularly reviewed by the responsible Board Committees, and if amendments are required, these are presented to the Board for approval.
- **Regulatory and legislative compliance:** We ensure compliance with all regulations and legislation that affect Bonitas and our members – specifically the MSA and related regulations – and report on any instances of non-compliance (see the section that follows).
- **New and amended requirements:** Bonitas monitors new Circulars published by the CMS, as well as progress regarding Acts and Bills that may impact our operations.

Planned areas of future focus include the following:

- Ongoing compliance monitoring in line with Bonitas's Regulatory Risk Profile (i.e. prioritised for the legislation identified as 'primary' and rated with a 'high' compliance risk exposure). These include the following:
  - Medical Schemes Amendment Bill, which was published in 2018 but has not yet been signed into law.
  - NHI Bill, which was approved in the National Council of Provinces in December 2023 and is due to be signed into law soon. See page 31 for more information.
  - CMS Circulars, investigations and reports, such as the CMS investigation into alleged racial profiling (Section 59), guidelines on LCBOs, and Circulars regarding the status of the healthcare sector and recommended contribution increases.
- Legislation that impacts our operations and members, such as the RAF Amendment Bill, Conduct of Financial Institutions (COFI) Bill, Protection of Personal Information Act (POPIA) and Broad-based Black Economic Empowerment (B-BBEE) Act.
- Reported instances of FWA, and related court proceedings and judgments.
- Reporting requirements such as IFRS 17 and the best practices contained in King IV™.
- Ongoing monitoring of implementation plans with regard to non-compliance matters as reported in the next section.

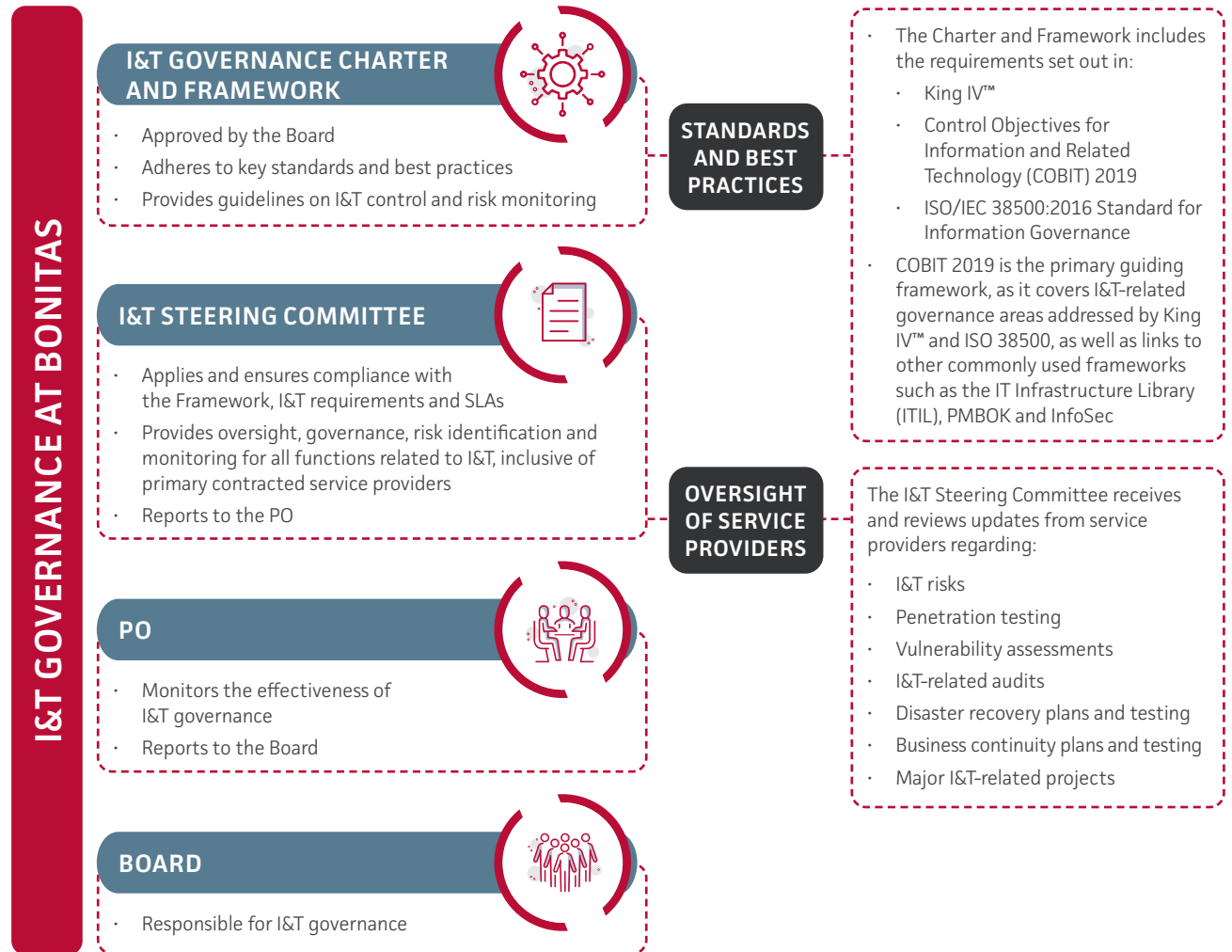
## NON-COMPLIANCE WITH THE MSA

The areas of non-compliance with the MSA which were identified during the financial year are included in note 26 of the annual financial statements for more details.

## INFORMATION AND TECHNOLOGY

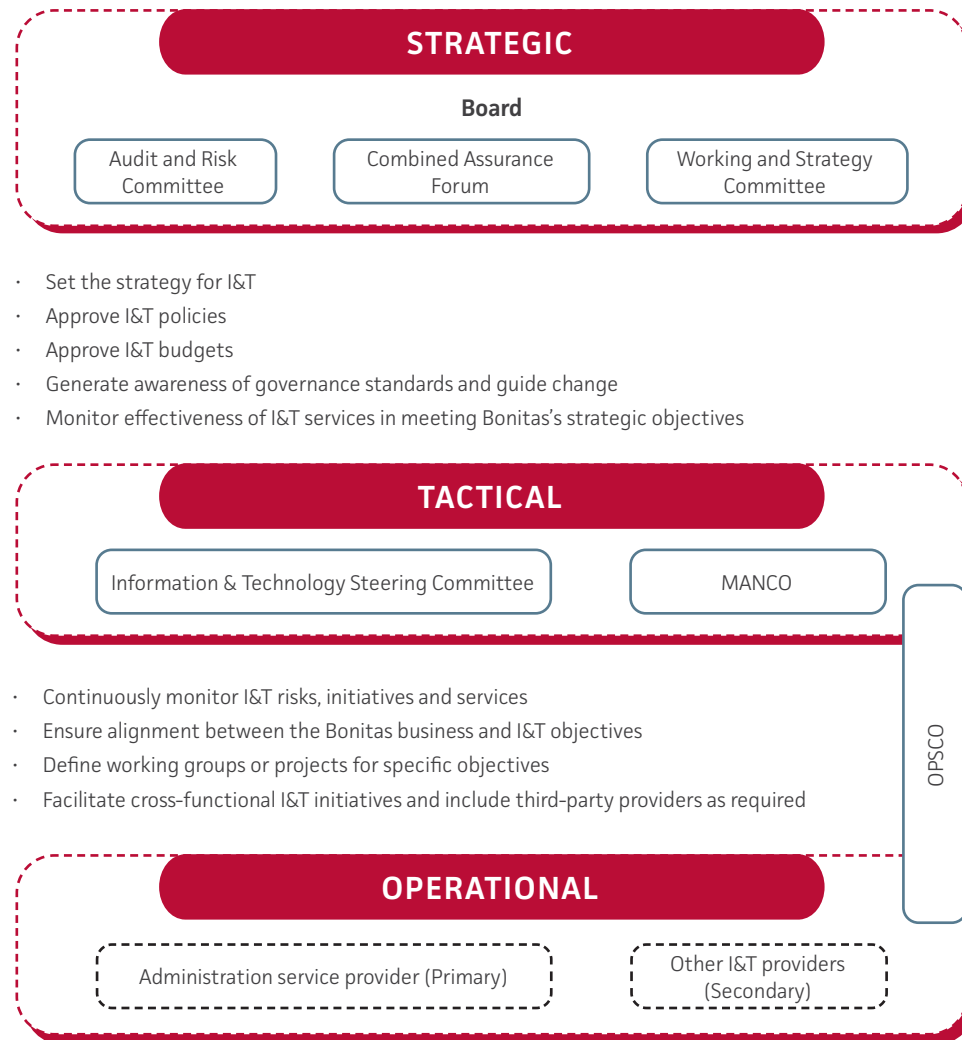
### Information and technology governance structures

Bonitas's approach to I&T governance is as follows:



## Information and technology operating model

Bonitas implements I&T governance across all levels and structures, including service providers.



- Set the strategy for I&T
- Approve I&T policies
- Approve I&T budgets
- Generate awareness of governance standards and guide change
- Monitor effectiveness of I&T services in meeting Bonitas’s strategic objectives

- Continuously monitor I&T risks, initiatives and services
- Ensure alignment between the Bonitas business and I&T objectives
- Define working groups or projects for specific objectives
- Facilitate cross-functional I&T initiatives and include third-party providers as required

- Manage and monitor service delivery and ensure strategic alignment
- Ensure SLA and policy compliance
- Identify pain points and improvement areas
- Recommend and manage change
- Deal with incidents

- Bonitas Committee
- ▤ External Service Provider

## Information and technology progress in 2023

- Monitored progress with regard to the I&T strategies and plans developed by key service providers.
- Monitored I&T incidents and daily system updates provided by key service providers.
- Ensured that the root causes of incidents were identified and analysed so that appropriate mitigation plans could be put in place where required.
- Ensured that independent assurance was provided to validate the implementation of deliverables by key service providers, and identify gaps and/or weaknesses.

### FUTURE FOCUS AREAS

- Closely monitor the I&T risks and control environment of key service providers.
- Review the results of service provider tests and audits, such as stability, penetration and vulnerability tests.
- Investigate measures to secure Bonitas’s data in the event of a collapse of the South African electricity grid.
- Review and monitor the digital platforms offered by Bonitas’s service providers.
- Research and monitor trends relating to cyber security, and in particular insurance and coverage.
- Review I&T SLAs and revise them as necessary.



# REMUNERATION REPORT

## INTRODUCTION AND BACKGROUND STATEMENT

*The Board provides leadership and sets the direction in terms of Bonitas's holistic remuneration approach and implementation.*

A Remuneration Strategy and Philosophy, approved by the Board, is in place for Bonitas, setting out the Remuneration Strategy, financial reward model and detail on the components of remuneration relevant to all employee levels.

The Remuneration Strategy and Philosophy provides guidance on:

- The strategic intent of remuneration decision-making, thereby enhancing Bonitas's profile as an employer of choice
- The need for consistency in remuneration decision-making, thereby enhancing internal and external equity
- Corporate governance principles to inform remuneration decisions

The philosophy is based on the following principles:

- Ensure alignment with the business strategy and Bonitas vision
- Attract and retain key talent
- Manage risk and liability and be financially responsible
- Be externally competitive
- Be internally equitable, fair and supportive of diverse and individual needs
- Offer pay for performance
- Comply with relevant legislation
- Stand up to scrutiny by key stakeholders

The Remuneration Strategy and Philosophy is an important guide to the Remuneration Committee and the Board as we evolve our remuneration practices. For example, the philosophy recognises the concept of equal pay for work of equal value and requires adherence. It establishes Executive Management accountability and ownership of the reward process by linking the total reward process to business objectives and managing it in a fair and equitable way that balances affordability and quality of life for employees.

The Board has mandated the Remuneration Committee to provide oversight in terms of remuneration. The Committee's membership, meeting attendance, mandate and key activities for the past year are set out on page 78.

## REMUNERATION CONTEXT AND BENCHMARKING

Unlike restricted medical schemes, Bonitas finds itself in a very small but competitive industry that is shrinking every year. Given changes in legislation and regulatory controls, our employees, as well as the Board and Committee members, have to be well acquainted with compliance requirements and corporate governance principles while ensuring Bonitas's sustainability.

To attract people with the required skills, Bonitas compares its remuneration with other medical schemes and considers research done on the remuneration of non-executives. We gave due consideration to the Guidelines on Trustee Remuneration issued by the CMS, which acknowledge that medical schemes are not-for-profit organisations.

Bonitas has an Employee Remuneration Policy and Scheme Remuneration Strategy and Philosophy in place to ensure remuneration governance and best practices. The Employee Remuneration Policy is reviewed at least every two years for good governance. However, we ensure we apply industry salary benchmarking best practices to the annual employee increment process.

We continue to work with industry remuneration experts on further updates to the remuneration elements and for salary benchmarking data.

Bonitas endeavours to participate in medical scheme-specific Trustee remuneration benchmarking at least every second year. Willis Towers Watson conducted benchmark research on the remuneration guidelines for the Board of Trustees and Board Committees of medical schemes. The peer group utilised for the research included eight medical schemes of which four participated (including Bonitas).

Following the research, it was evident that the fees for the Chairperson of the Bonitas Board were not aligned to the average paid by the peer group, especially when taking into account that all the medical schemes that formed part of the peer group are much smaller in size than Bonitas. The Remuneration Committee, which is an independent body, recommended a staggered approach to align the Chairperson's fee per meeting over a period of time, as opposed to a once-off increase.

Bonitas also reviewed the Employee Remuneration and Trustee Remuneration Policies and proposed an amendment to the definition of CPI. This amendment was as follows:

- Original definition: "CPI – Refers to the Consumer Price Index. For purposes of this Policy this shall refer to the calendar year average of the preceding year."
- Amended definition: "CPI – The consumer price index (CPI) is the official measure of inflation in South Africa. For the purposes of CPI, the Scheme recognises CPI as the annual headline consumer price inflation published by StatsSA as of April of the current year."

The rationale for the CPI definition amendment was to ensure alignment with other Scheme remuneration-related policies, and to ensure better alignment with regards to timelines in terms of the application of CPI for Trustee remuneration, as increases are only effective on 1 September each year. Applying previous-year calendar averages of CPI for increases would result in a significant time lapse and would potentially skew the market-related increase to be considered for calculating the Trustee remuneration increase.

At the AGM, held on 16 August 2023, members approved an increase of 20% to the Chairperson's retainer and meeting fee, as well as the amended policy definition of CPI.

Bonitas increased trustee and independent member fees by 6.8% for 2023 in line with CPI, with the exception of the Chairperson as outlined above.

## REMUNERATION IN PRACTICE

### Annual increases for employees

Employees are eligible for annual increases in April every year. These are based on performance reviews of which guidelines, rating scales and definitions are included in the Performance Management Policy, Employee Remuneration Policy and Remuneration Strategy and Philosophy.

Executive and Senior Management performance is measured against an organisational performance scorecard that includes key performance indicators with weightings and targets.

### Incentive scheme allocations

Annual incentive awards to employees are based on biannual performance reviews and are directly linked to Bonitas's overall performance. Minimum performance criteria and the calculation of the incentive pool are defined in the Incentive Scheme Policy.

### Independent member remuneration

The Independent Member Remuneration Policy and fees are reviewed annually by the Executive Management and recommended for approval to the Board if/when an increase above CPI is considered. As the Remuneration Committee chair and some members are independent members, the Committee follows good governance principles and does not participate in this process. Fee changes apply from 1 June every year, following approval and/or adoption at the Board meeting in April if/when the proposed fee increase is above CPI.

## Trustee remuneration

The Trustee Remuneration Policy is reviewed by the Executive Management and the Remuneration Committee annually.

Bonitas members are only required to vote on trustee remuneration at the AGM if there is a material change to the Trustee Remuneration Policy or if an increase above CPI is recommended.

<b>2019 AGM</b>	Members approved the Trustee Remuneration Policy and fees
<b>2020 AGM</b>	Members were not required to vote on the Trustee Remuneration Policy and fees as there were no material changes to the Policy and fees reflected a CPI increase
<b>2021 AGM</b>	Members were not required to vote on the Trustee Remuneration Policy and fees as there were no material changes to the Policy and fees reflected a CPI increase
<b>2022 AGM</b>	Members were not required to vote on the Trustee Remuneration Policy and fees as there were no material changes to the Policy and fees reflected a CPI increase
<b>2023 AGM</b>	Members were required to vote on the following two resolutions because of the recommended CPI definition change in the Policy and fees for the Chairperson above the CPI rate: <ul style="list-style-type: none"> <li>• To approve the amendment of the definition of CPI*.</li> <li>• To approve an increase in the fees of the Chairperson of the Board above the CPI rate.</li> </ul>

\* Amended CPI definition: "CPI - The consumer price index (CPI) is the official measure of inflation in South Africa. For the purposes of CPI, the Scheme recognises CPI as the annual headline consumer price inflation published by StatsSA as at April of the current year.

Fee changes apply from 1 September each year to provide for member approval, if necessary, as the Scheme Rules require that the AGM be held before 31 August every year.

## ONGOING FOCUS AREAS

The Bonitas Remuneration Strategy and Philosophy implemented during 2022 continues to direct future remuneration, reward and employee value proposition decisions based on best practice.

# REMUNERATION POLICIES

Bonitas has a holistic rewards approach based on the following:

Elements		Purpose	Related policies and frameworks
<b>Financial rewards</b>			
Guaranteed remuneration	Basic salary   Retirement benefits   Medical benefits   Death and disability benefits   Statutory payments	We aim to be a competitive employer that offers market-related remuneration while managing costs and promotion fairness and pay equity. We want to enable long-term financial security for employees including support for their individual healthcare needs. While complying with legislation our intent is to also give employees benefits that will ensure their peace of mind.	Employee Remuneration Policy Scheme Pension rules Scheme Medical Aid rules Scheme risk-benefit rules Relevant legislative framework
Variable remuneration	Short term incentives   Long term incentives	Bonitas wants to retain talent by rewarding individual performance through short and long term incentives. This will support succession and Scheme performance.	Employee Remuneration Policy Incentive Scheme Policy Performance Management Policy Talent & Succession Management Policy & Framework
<b>Non-financial reward</b>			
Learning and development	Performance management   Training   Workplace learning   Career development	We support employee development, performance and productivity through formal and informal learning, including professional development where relevant. We want to create a pipeline of skills for future talent needs while providing employees with opportunities to manage life, career choice, learning and career prospects.	EE & Transformation Policy Diversity, inclusion, engagement and satisfaction initiatives
Work environment	Leadership, climate and culture   Core values   Job/work design   Work-life balance   Wellness	We promote a culture of empowerment and leadership that values diversity. We strive to create and maintain a positive working environment, conducive to productivity, performance, strong relationships, health, and commitment to organisational culture and values.	Scheme values Code of Conduct and Ethics Leave Policy Flexible work arrangements Employee Wellness programme
<b>Other</b>			
Additional benefits and reimbursement	Travel expenses   Cellular & data   Overtime   Acting	We provide employees with tools to perform and reward them for assuming duties that exceed current role requirements.	Overtime Policy included in Travel and Reimbursement Policy Acting Allowance Policy

## EMPLOYEE REMUNERATION POLICY

Reviewed and approved by the Board on 27 February 2023.

***This Policy aims to ensure a remuneration system that supports Bonitas's strategy and is linked to business and employee performance.***

This Policy aims to ensure a remuneration system that:

- Is an integral part of an overall human resources strategy supporting Bonitas's strategy.
- Reflects the competitiveness of the market and alignment with Bonitas's strategic direction.
- Is designed to attract and retain high-quality employees with the optimum mix of competencies.
- Is aimed at securing employee commitment to the Scheme's purpose and goals.
- Is aligned with the anti-discriminatory clause in the Bill of Rights.

It seeks to:

- Attract, engage and retain the best talent available, and recognise and reward individual performance against accountabilities set out by Bonitas.
- Drive high levels of performance through the provision of fair and competitive remuneration.
- Encourage the development of competencies required to meet future business needs.
- Motivate and reinforce superior performance amongst employees.

Applicable to all Bonitas employees, the Policy aligns with the following regulatory and internal policies:

- Basic Conditions of Employment Act, 2002 (as amended)
- Labour Relations Act, 1998 (as amended)
- Amendments of the Employment Equity Act
- Equal Pay for Equal Work Act 2014
- Leave Policy
- Performance Management Policy
- Recruitment, Selection and Appointment Policy
- Incentive Scheme Policy
- Disciplinary Policy

## INCENTIVE SCHEME POLICY

Reviewed and approved by the Board on 28 February 2024.

***This Policy aims to ensure that incentives attract, reward and retain high-performing individuals and create a clear link between performance and strategic objectives.***

### SHORT-TERM INCENTIVES

Payment of short-term incentives is directly linked to the performance of Bonitas and the employee's performance review outcome. Performance below the set threshold level results in no performance incentive payment.

The Policy sets out the performance cycles, assessment arrangements and short-term incentive pool calculation. Bonitas must also achieve a minimum score per the approved Organisational Performance Scorecard to provide for an incentive pool. The short-term incentive pool is capped at a maximum of 30% of Bonitas's annual salary CTC total for the financial year.

The calculation of the incentive pool and final incentive awards is subject to approval by the Remuneration Committee and the Board.

The incentive pool is the maximum total short-term incentive that can be paid in a financial period by the Scheme.

The Policy sets out all conditions for awards, including for new hires, after promotions and during disciplinary proceedings.

### LONG-TERM INCENTIVES (LTI)

The aim of the LTI is to attract, retain, motivate, and reward executives and identified employees who can influence Bonitas's performance.

It supports Bonitas's vision by attracting and retaining the right talent and correlating with the long-term growth plans and financial performance of the Scheme.

The LTI Scheme has a three-year fixed cycle. LTI targets are agreed and approved by the Board. These targets focus on Bonitas's medium to long-term sustainability.

The value of the incentive is determined by the performance of Bonitas over a three-year period.

The final calculation of the LTI vested amount for the three-year performance period ended 31 December 2023 was signed-off by the Remuneration Committee and approved by the Board following the sign-off of the Scheme's 2023 annual financial statements. Refer to the Remuneration Implementation Report on page 90.

The new long term incentive performance targets for January 2024 until December 2026 have been approved by the Board.

## BOARD COMMITTEES' INDEPENDENT MEMBER REMUNERATION POLICY

Approved by the Board on 26 June 2023. This Policy only requires approval by the Board for subsequent years if there are material changes or if remuneration increases are above the South Africa Consumer Price Index (CPI). There was a recommended change with regards to the CPI definition and therefore Board approval was required.

***This Policy is designed to facilitate a fair and responsible remuneration model for Independent Members by ensuring that the level and composition of remuneration is sufficient and reasonable. This includes considering their fiduciary duties and responsibilities towards Bonitas and its members, and the inherent risks and responsibilities associated with such positions of trust.***

The Policy aims to remunerate Independent Members appropriately and in line with sound corporate governance principles and based on market-leading practices. The Policy is further based on and relates to:

- Regulations applicable to medical schemes established in terms of the MSA
- Scheme Rules
- King IV™
- Board and Committee Charters
- Delegation of Authority Policy
- Travel and Reimbursement Policy

### Our approach and model

In setting fees related to Independent Member remuneration, Bonitas ascribes to the process set out by the South African Institute of Directors in their Position Paper of 3 October 2014. This ensures conflicts of interest are appropriately managed.

Independent Members are appointed by the Board to serve on the various Board Committees, and they do so based on the roles and duties set out in the charters of the relevant Committee to which they are appointed. This includes attending and participating in meetings, preparing for such meetings, conducting research to execute their duties and keeping in touch with industry developments. In accepting their appointment, they also attract possible personal liability as provided for in various legislation. Their remuneration is therefore not different to that of other Bonitas non-executive directors.

However, as Bonitas is a not-for-profit organisation, Independent Member remuneration is not comparable to that of JSE listed or private companies. Based on the different remuneration models applied in the healthcare industry, Bonitas elected a Per Meeting Fee model.

The Per Meeting Fee relates to scheduled and special Committee meetings on which an Independent Member is a permanent member. This includes any special general meeting (SGM) attendance. Independent Members may also be required to attend specific Board meetings and/or ad-hoc meetings, for example, interviews or tender evaluations, for which an Independent Member will be entitled to a Per Hourly Meeting Fee, which includes preparation time.

Independent Members are not remunerated for attending training and development activities, seminars, functions or meetings with stakeholders or the regulator. No retirement benefits or other forms of bonus or incentive payments are paid to Independent Members.

### Independent Members' fees

Fees are reviewed annually. Increases are equivalent to CPI unless extraordinary circumstances justify a higher increase. Fees applicable for the past and next year are:

Committee meetings	Meeting fee from 1 June 2022	Meeting fee from 1 June 2023
Audit and Risk Committee: Chairperson	R37 818	<b>R40 390</b>
Audit and Risk Committee: Member	R32 415	<b>R34 620</b>
Investment Committee: Member	R28 093	<b>R30 004</b>
Remuneration Committee: Chairperson	R32 415	<b>R34 620</b>
Remuneration Committee: Member	R28 093	<b>R30 004</b>
Managed Healthcare Committee: Member	R28 093	<b>R30 004</b>

Ad hoc meetings*	Hourly meeting fee from 1 June 2022	Hourly meeting fee from 1 June 2023
Ad hoc meeting: Chairperson	R5 078	<b>R5 424</b>
Ad hoc meeting: Invitee	R4 322	<b>R4 616</b>

\* *Ad hoc meetings are those scheduled in addition to the formal meeting calendar due to specific business requirements and dictated by the Board.*

## TRUSTEE REMUNERATION POLICY

The Policy has been recommended by the Remuneration Committee on 8 June 2023 and adopted by the Board on 25 July 2023. This Policy was approved by the members at the AGM held on 16 August 2023. Member approval was required because of the recommended CPI definition change in the Policy and fees for the Chairperson above the CPI rate.

***This Policy aims to facilitate a fair and responsible remuneration model for Trustees. We want to ensure that the level and composition of remuneration is sufficient and reasonable given the fiduciary duties and responsibilities of Trustees towards Bonitas and our members. It considers the inherent risks and responsibilities associated with such positions of trust.***

The Board and Committees focus on Bonitas's long-term strategic direction, overall performance and sustainability. Trustee remuneration is not directly related to short-term results but considers longer-term sustainability and performance.

The Policy aims to remunerate Trustees appropriately and in line with sound corporate governance principles and based on market-leading practices. The Policy is further based on and relates to:

- Regulations applicable to medical schemes established in terms of the MSA
- Scheme Rules
- King IV™
- Board and Committee Charters
- Delegation of Authority Policy
- Travel and Reimbursement Policy

Trustees are elected from among our Bonitas members or appointed by the Board and have to be fit and proper to manage Bonitas's business. As such, Trustees carry substantial accountabilities and risks and assume substantial fiduciary duties and responsibilities. Therefore, it is of crucial importance to attract and retain suitable and qualified individuals to serve as Trustees and to dedicate the appropriate time to serve Bonitas and our members. Therefore, trustees are remunerated according to sound corporate governance principles and based on market-leading practices.

In recommending fees for Trustees, Bonitas and the Remuneration Committee acknowledge the process suggested by the South African Institute of Directors in determining the fees of Non-executive Directors as set out in their Position Paper 3 of October 2014. The Remuneration Committee ascribes to this process to ensure conflicts of interest are appropriately managed when determining fees.

Bonitas applies a combination of a Retainer Fee model and Per Meeting Fee model. The rationale is that the Retainer Fee model will enable Bonitas to attract and retain suitable and qualified individuals to serve as Trustees to assume the fiduciary duties and responsibilities associated with such positions, while the Per Meeting Fee will ensure attendance. In other words, the combined model will ensure that Trustees dedicate enough time to Bonitas while avoiding unnecessary meetings that could increase costs.

## Trustees' fees

Fees are reviewed annually. The fees below demonstrate a comparative analysis for FY2022 and FY2023 aligned to the Scheme's Trustee Remuneration Policy.

Name	FY2022		FY2023		% Variance	FY2022 Meeting Fee R	FY2023 Meeting Fee R	% Variance
	Retainer Fee (Monthly) R	Retainer Fee (Annual) R	Retainer Fee (Monthly) R	Retainer Fee (Annual) R				
Board of Trustees - Chairperson	28 121	337 452	<b>33 750</b>	<b>405 000</b>	20%	21 259	<b>25 511</b>	20%
Board of Trustees - Trustee	20 246	242 952	<b>21 623</b>	<b>259 476</b>	6.8%	14 173	<b>15 137</b>	6.8%
Audit and Risk Committee – Members						14 173	<b>15 137</b>	6.8%
Investment Committee – Chairperson						17 513	<b>18 704</b>	6.8%
Investment Committee – Member						9 449	<b>10 092</b>	6.8%
Remuneration Committee – Member						7 086	<b>7 568</b>	6.8%
Working and Strategy Committee – Chairperson						17 513	<b>18 704</b>	6.8%
Working and Strategy Committee – Member						9 449	<b>10 092</b>	6.8%
Managed Healthcare Committee - Chairperson						17 513	<b>18 704</b>	6.8%
Managed Healthcare Committee – Member						9 449	<b>10 092</b>	6.8%
Sales and Marketing Committee – Member						7 086	<b>7 568</b>	6.8%

# REMUNERATION IMPLEMENTATION REPORT

## EXECUTIVE REMUNERATION

### Executive remuneration summary (including the Principal Officer)

	2023	2022
Executive remuneration	<b>R10 360 367</b>	R8 484 297
Performance bonus (short-term incentive)	<b>R3 271 273</b>	R2 451 388
Performance bonus (long-term incentive)	<b>R2 055 370</b>	R1 839 451
Defined contribution benefits	<b>R564 184</b>	R470 293

#### Notes:

There were three Executives at the end of the 2022 and 2023 financial years.

Dr Mkhathshwa was appointed as Clinical Executive effective 1 October 2022 and resigned on 1 July 2023.

Dr T Hadebe was appointed as Clinical and Managed Care Executive effective 6 November 2023.

The PO's salary increase of 7.5% was approved by the Board.

The PO's fixed-term contract was due to end in May 2024. The Board approved the renewal of the PO's fixed-term contract for a further five years in March 2024.

### Short-term incentives

- Short-term incentives are determined by performance against an agreed organisational scorecard and targets. Bonitas met the minimum required organisation score for the purposes of a short-term incentive. The total bonus pool was calculated as R7.2 million and the final short-term incentive value totalled R6.1 million before tax. Surpluses in the bonus pool are not carried over to the next financial period.
- We benchmarked the short-term STI allocations as part of our annual policy review to ensure that STI allocations are aligned with market and industry benchmarks. Amendments were made to align STI allocations to industry benchmarks and to increase the weightings applied to organisation performance across all grade levels.

### Long-term incentives

- The three-year long-term incentive cycle ended in December 2023. The vesting conditions which pertained to specific key performance indicators were satisfied and settlement is due to take place at the end of April 2024 for eligible participants, in line with Bonitas's incentive policy. The full settlement value was accrued in the 2023 financial statements.
- The long-term total incentive value payable to eligible participants in April 2024 for the three-year cycle ending December 2023 is R5 715 855. This is allocated as follows:
  - Executives R5 109 366
  - Employees R606 489
- The long-term incentive performance targets for the period January 2024 to December 2026 have been implemented and approved by the Board.

## Independent member fees

- Independent members fees included fees for attendance at committee meetings, the AGM and workshops.

Independent Member	Audit and Risk Committee	Investment Committee	Managed Healthcare Committee	Remuneration Committee	Other	Total
	Prof DP van der Nest	<b>R232 052</b>	-	-	-	<b>R37 621</b>
Dr YO Carrim	-	-	<b>R234 300</b>	-	-	<b>R234 300</b>
Mr T Poho	<b>R198 902</b>	-	-	-	-	<b>R198 902</b>
Mr C van Zyl	-	<b>R144 288</b>	-	<b>R171 714</b>	-	<b>R316 002</b>
Ms W Kirima	-	<b>R144 288</b>	-	-	-	<b>R144 288</b>
Ms P Kekana	-	-	-	<b>R166 486</b>	<b>R46 051</b>	<b>R212 537</b>

- A fee increase of 6.8% was implemented as of 1 June 2023.
- There were no deviations from the Independent Member Remuneration Policy.
- The Scheme will conduct a remuneration benchmarking for trustees and independent members in 2024 which will include other participating medical schemes for a comparative market benchmarking analysis.
- Mr C van Zyl was re-appointed as an Independent Member for another term with effect from 1 March 2023.

### Trustee fees

- The Remuneration Committee confirmed that the effective date of new Trustee fees is 1 September of each financial year. This aligns with the AGM, which means that trustees would have completed a 12-month cycle since the date of the previous AGM.
- A fee increase of 6.8% was implemented as of 1 September 2023 for all trustees with the exception of the Chairperson of the Board who received an above CPI increase. The fees for the 2023 financial year are set out in note 18.2 of the annual financial statements.
- Meeting attendance by Trustees and Independent Members is set out in the Governance section on page 75.





# ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF RESPONSIBILITY OF THE BOARD OF TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2023

### ANNUAL FINANCIAL STATEMENTS

The Board is responsible for ensuring that Bonitas Medical Fund ("the Scheme") maintains accurate accounting records; the preparation, integrity and fair presentation of the annual financial statements of the Scheme. The annual financial statements comprise the statement of financial position as at 31 December 2023, the statements of comprehensive income, changes in funds and reserves and cash flows for the period ended; and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes. The annual financial statements presented on pages 98 to 161 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in a manner required by the Medical Schemes Act of South Africa, No 131 of 1998, as amended.

In the preparation of the annual financial statements, the Board considers that the most appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates in line with IFRS. The Board is satisfied that the information contained in the annual financial statements fairly represents the results of operations for the year and the financial position of the Scheme as at year-end. The Board also prepares other information included in the annual report and is responsible for its accuracy and consistency with the annual financial statements.

### GOING CONCERN

The going concern basis has been adopted in preparing these financial statements.

The Board has reviewed detailed impact analyses and claims sensitivities to determine the financial impact of adverse and abnormal claiming trends on its reserves, profitability and liquidity and has determined that the Scheme has the sufficient reserves and liquidity in place to manage the associated financial risk.

The Scheme's forecasts support the long-term viability of the Scheme.

### ACCOUNTING RECORDS AND CONTROL ENVIRONMENT

The Board is responsible for the Scheme's system of internal controls which includes risk management and internal control procedures that are designed to provide reasonable, but not absolute assurance that assets are safeguarded and the risks facing the business are being monitored and controlled. Furthermore, the internal controls are designed to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error, and maintaining adequate accounting records and an effective system of risk management.

To the best of its knowledge and belief, based on the above, the Board is satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

### EXTERNAL AUDITOR'S RESPONSIBILITY

The external auditor, Deloitte, is responsible for reporting on whether the annual financial statements fairly represent the financial position of the Scheme in accordance with the applicable financial reporting framework, and their unqualified audit report is presented on page 94. Deloitte had unrestricted access to all financial records and related data. The Board believes that all representations made to the external auditor during their audit were accurate and appropriate.

### NON-ASSURANCE SERVICE

During 2023, the Board approved a non-assurance review as recommended by the Audit and Risk Committee to be performed by Deloitte, who are also the external auditor of the Scheme. The engagement included a review of the Scheme's relational governance. In addition to this, a review is performed on the Scheme's transactional governance with respect to its administration and managed care contracts. The review provides the Audit and Risk Committee and the Board with insights into the arms-length nature of services provided by the administrator and managed care providers when compared to industry.

The review is performed every two years and the cost for the current review which took place early 2024 is R2.4 million excluding Vat.

A concern was raised by the Audit and Risk Committee given the current external audit fee of R3.8 million excluding Vat, as to whether the review may pose a threat to the independence of the external auditor or result in a conflict of interest.

Following an inquiry into the matter with the external audit partner, the Audit and Risk Committee considered all potential threats to independence resulting from this engagement and assessed the relevant safeguards put in place by Deloitte and have concluded that the independence of the external auditor will not be impaired.

### APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the Scheme were approved by the Board on 19 April 2024.

**Mr OJ Komane**  
Chairperson of the Board  
19 April 2024

**Mr LR Callakoppen**  
Principal Officer  
19 April 2024

**Mr R Cowlin**  
Vice-Chairperson of the Board  
19 April 2024

## STATEMENT OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2023

### BOARD

The Scheme is committed to the principles and practices of fairness, transparency, responsibility and accountability in all dealings and engagements with its stakeholders. The Trustees are nominated and elected by the members of the Scheme or appointed by the Board in terms of the Rules of the Scheme and in accordance with the Medical Scheme Act of South Africa, No. 131 of 1998, as amended ("the Act"). The Trustees are required to act with due care, diligence and good faith in the best interests of the Scheme and its members. In pursuit of this, the Trustees conduct themselves in accordance with the Rules of the Scheme, the Act and terms of reference of the Board. Although voluntary for medical schemes, Bonitas is committed to subscribing to King IV™ for additional guidance and best practice on good governance.

The Board meets regularly and monitors the performance of the Scheme, the administrator and other third-party service providers. The Trustees address a range of key issues and ensure that engagements, review and assessment of policy, governance, strategy and performance are critical, informed and constructive.

The Board further monitors its performance and that of the Board Committees against an agreed charter and performance targets.

All Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board, through the Audit and Risk Committee, remains ultimately responsible for oversight and approval of risk management within the Scheme. The governance, risk and compliance function is responsible for co-ordinating, facilitating, monitoring and reporting risk within the Scheme. These roles are executed based on an established risk management policy.

The Board is responsible for overseeing the establishment of effective systems of internal controls in order to provide reasonable assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard the Scheme's assets, mainly through an outsourced model (i.e. administrator). The Scheme's internal controls are based on established policies and procedures and are implemented and exercised by trained personnel with the appropriate segregation of duties.

PricewaterhouseCoopers provides an outsourced internal audit function to the Scheme with a direct functional reporting line to the Audit and Risk Committee of the Scheme. PricewaterhouseCoopers confirmed in an Assessment of the systems of Internal Control, Risk Management and Governance Management Report issued to the Audit and Risk Committee (dated 12 February 2024) for the year ended 31 December 2023 that: "Notwithstanding the fact that there were internal audit findings reported, PricewaterhouseCoopers do not have significant concerns about the control environment in the areas reviewed (based on specific scope and results of sample testing) including the risk management control environment, should the areas raised be addressed by management in a timely manner. Although a formal governance assessment was not performed for the year ended 31 December 2023, to the extent that the individual reviews considered governance areas, PricewaterhouseCoopers concluded that no significant concerns were noted in this regard." In addition, internal audit reviews are also conducted by the administrators with regular reporting to Executive Management, including the Audit and Risk Committee of the Scheme.

**Mr OJ Komane**  
Chairperson of the Board  
19 April 2024

**Mr LR Callakoppen**  
Principal Officer  
19 April 2024

**Mr R Cowlin**  
Vice-Chairperson of the Board  
19 April 2024



Private Bag X6  
Gallo Manor 2052  
South Africa

Deloitte & Touche  
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Accounting & Auditing  
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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Bonitas Medical Fund

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Bonitas Medical Fund set out on pages 98 to 160 which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in reserves for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Bonitas Medical Fund as at 31 December 2023, and its financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



National Executive: \*R Redfearn Chief Executive Officer \*GM Berry Chief Operating Officer JW Eshun Managing Director Businesses LN Mahluza Chief People Officer \*N Sing Chief Risk Officer AP Theophanides Chief Sustainability Officer \*NA le Riche Chief Growth Officer \*ML Tshabalala Audit & Assurance AM Babu Consulting TA Odukoya Financial Advisory G Rammego Risk Advisory DI Kubeka Tax & Legal DP Ndlovu Chair of the Board

A full list of partners and directors is available on request \* Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited



Key Audit Matter	How the matter was addressed
<p><b>Incurred but not reported (IBNR) component of the liability for incurred claims (LIC) and Risk adjustment (RA)</b></p> <p><b>IBNR</b></p> <p>As disclosed in note 12, the carrying amount of the IBNR claims at year end was R849 332 396 (2022: R902 002 118)</p> <p>The determination of the IBNR requires the Scheme's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date and related external claims handling expenses. The Bornhuetter Ferguson (BF) method has been used to determine the IBNR as at 31 December 2023.</p> <p>The IBNR calculation is based on several factors which include:</p> <ul style="list-style-type: none"> <li>• Previous experience in claims patterns,</li> <li>• Claims settlement patterns,</li> <li>• Changes in the nature and number of members according to gender and age,</li> <li>• Trends in claims frequency and severity, and</li> <li>• Changes in the claims processing cycle per claim.</li> </ul> <p><b>RA</b></p> <p>As disclosed in note 12, the carrying amount of the RA at year end was R140 901 995 (2022: R129 251 194)</p> <p>Under IFRS 17, the Risk Adjustment reflects the compensation that the entity requires for bearing the uncertainty for the amount and the timing of the cashflows that arise from non-financial risk. A Boot strapping model was used to determine the risk adjustment for non-financial risk. The risk adjustment is calculated at a scheme level. The confidence level has been set to lie between the 90<sup>th</sup> and 99.5<sup>th</sup> percentile to reflect the risk tolerance of the IBNR provision.</p> <p>The transition from IFRS 4 to IFRS 17 resulted in a retrospective adjustment to the IBNR claims component of the LIC and RA the for the period 31 December 2021 amounting to R862 998 059 and R126 597 482 respectively and 31 December 2022 amounting to R902 002 118 and R129 251 194 respectively.</p> <p>Certain of the above-mentioned factors require judgement and assumptions to be made by the Scheme's Trustees and</p>	<p>In evaluating the valuation of the IBNR claims component of the LIC and RA, we audited the calculations approved by the Board of Trustees and performed various procedures which included:</p> <ul style="list-style-type: none"> <li>• Considering the design and implementation of the Scheme's controls relating to the preparation of the IBNR and Risk adjustment calculation;</li> <li>• Testing the integrity of the information used in the calculation of the IBNR and RA by performing substantive procedures to test the accuracy and completeness of data used in the valuation of IBNR and RA;</li> <li>• With the assistance of our actuarial specialists, assessed the appropriateness of the methodology and assumptions used in determining the IBNR and RA, performed an independent calculation of the estimate of the provision under historical claims data and trends, and using this estimate as a basis of assessing the reasonableness of the Board of Trustee's estimate of provision. A recalculation of the IBNR provision and RA for 2021 and 2022 was also performed for reasonability.</li> <li>• Testing a sample of claims paid in the current year against the related IBNR reserve and RA held to assess the reasonability of assumptions used to calculate the IBNR estimate; and</li> <li>• Assessing the presentation and disclosure in respect of the IBNR and RA and considered the adequacy of these disclosures.</li> </ul> <p>In respect of the 2021 and 2022 IFRS 17 transition periods, our work focused on the calculation of the RA and assessment of the reasonability thereof for the 2021 and 2022 periods. For the IBNR, we leveraged the work performed previously where we performed a full review of the methodology, assumptions, and calculations. The results for 2021 and 2022 were appropriate for the IFRS 17 base as management used a point estimate at the time without applying hindsight. Therefore, we are comfortable that the IBNR and RA is appropriately valued for transition periods 31 December 2021 and 2022 in line with the requirements of IFRS 17.</p>



## Deloitte.

therefore accordingly, for the purposes of our audit, we identified the valuation of the IBNR and RA as representing a key audit matter.	
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### Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the Annual Integrated Report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Scheme's trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Scheme's trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 Scheme's internal control.

## Deloitte.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of our audit.

### Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that Deloitte and Touche has been the auditor of Bonitas Medical Scheme for 7 years.

The engagement partner, Rachel Nkgodi, has been responsible for Bonitas Medical Scheme's audit for 2 years.

### Deloitte & Touche

Registered Auditor  
Per: Rachel Nkgodi  
Partner

🍏 Month 2024

5 Magwa Crescent  
Waterfall City  
2090

## STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 R'000	Restated 2022 R'000	Restated 1 January 2022 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	4	5 201	7 390	4 231
Investment properties	5	-	78 500	77 000
Financial assets held at fair value through profit or loss	7	4 757 012	4 892 220	4 784 072
		<b>4 762 213</b>	4 978 110	4 865 303
<b>Current assets</b>				
Investment property held for sale	6	72 700	-	-
Financial assets held at fair value through profit or loss	7	5 376 956	5 004 190	4 128 385
Reinsurance contract assets	13	86 198	114 412	50 278
Trade and other receivables	8	11 298	9 773	9 387
Cash and cash equivalents	9	767 601	646 015	843 192
		<b>6 314 753</b>	5 774 390	5 031 242
<b>Total assets</b>		<b>11 076 966</b>	10 752 500	9 896 545
<b>LIABILITIES</b>				
<b>Non-Current liabilities</b>				
Lease liability	4.2	2 002	4 342	-
Long-term employee benefit obligation	10	-	3 449	-
Insurance liability for future members	11	8 895 202	8 629 888	7 933 520
		<b>8 897 204</b>	8 637 679	7 933 520
<b>Current liabilities</b>				
Insurance contract liabilities	12	2 126 489	2 041 659	1 907 720
Lease liability	4.2	2 730	1 980	3 047
Long-term employee benefit obligation	10	5 716	-	-
Trade and other payables	14	44 827	71 182	52 258
		<b>2 179 762</b>	2 114 821	1 963 025
<b>Total liabilities</b>		<b>11 076 966</b>	10 752 500	9 896 545

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 R'000	Restated 2022 R'000
<b>Insurance revenue</b>	15	<b>19 461 328</b>	19 185 306
<b>Insurance service expense</b>	15	<b>(20 227 945)</b>	(19 785 396)
Claims incurred	15.1	<b>(18 066 419)</b>	(17 361 681)
Third party claims recoveries	15.8	<b>57 698</b>	74 966
Changes that relate to past service – adjustments to the LIC	15.2	<b>165 859</b>	242 633
Insurance acquisition cash flows	15.3	<b>(395 201)</b>	(381 799)
Accredited managed healthcare services	15.4	<b>(606 668)</b>	(591 335)
Losses on onerous contracts and reversal of those losses	15	-	-
Attributable expenses incurred	15.5	<b>(1 117 900)</b>	(1 071 811)
Amounts attributable to future members*	15.6	<b>(265 314)</b>	(696 369)
<b>Net income from risk transfer arrangement/reinsurance</b>	15.7	<b>315 574</b>	185 765
An allocation of premiums paid		<b>(1 879 274)</b>	(1 547 984)
Amounts recovered from risk transfer arrangement/reinsurance		<b>2 194 848</b>	1 733 749
<b>Insurance service result</b>		<b>(451 043)</b>	(414 325)
<b>Other income</b>		<b>865 105</b>	813 422
Investment income – Scheme	16	<b>829 915</b>	780 862
Change in fair value of investment property	16	<b>(3 500)</b>	1 500
Sundry income	17	<b>38 690</b>	31 060
<b>Net insurance finance expenses</b>		<b>(70 838)</b>	(40 380)
Finance expenses from insurance contracts issued – PMSA	12.4	<b>(70 838)</b>	(40 380)
<b>Other expenditure</b>		<b>(343 224)</b>	(358 717)
Administration fees and other operating expenses	18	<b>(306 257)</b>	(298 847)
Asset management fees		<b>(31 714)</b>	(54 846)
Interest expense	4.2	<b>(531)</b>	(264)
Operating expenses on rental of investment property		<b>(4 722)</b>	(4 760)
<b>Surplus/deficit for the year</b>		<b>-</b>	-
<b>Total comprehensive income for the year</b>		<b>-</b>	-

\* In accordance with IFRS 17 and recognising the Scheme as a mutual entity, amounts attributable to future members represents the excess over fair value for the current financial period. Under the previous application of IFRS 4 this would be representative of Net Surplus excluding the impact of the LIC risk adjustment. (Refer to note 11).

## STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2023

R'000	Notes	Accumulated funds R'000	Total R'000
<b>Balance – 1 January 2022 (as previously reported)</b>		8 060 122	8 060 122
Remeasurement		(126 602)	(126 602)
Transition restatement		(7 933 520)	(7 933 520)
<b>Balance as at 1 January 2022 (restated)</b>		–	–

Refer to note 2.1.5.1 in the financial statements for the impact of this transition.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 R'000	2022 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from members and providers		<b>20 569 353</b>	20 168 419
Cash receipts from members – contribution		<b>20 408 915</b>	20 117 745
Cash receipts from members and provider – Other		<b>160 438</b>	50 674
Cash paid to providers, employees and members		<b>(20 934 559)</b>	(20 062 577)
Cash paid to providers and employees – claims		<b>(19 413 634)</b>	(18 236 397)
Cash paid to providers and employees – non healthcare expenditure		<b>(1 455 228)</b>	(1 732 749)
Cash paid to members – savings plan refunds	12.4	<b>(65 697)</b>	(93 431)
<b>Cash (utilised)/generated by operating activities</b>		<b>(365 206)</b>	105 842
Interest paid	12.4	<b>(70 838)</b>	(40 380)
Interest received	16	<b>11 508</b>	7 075
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(424 536)</b>	72 537
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	4	<b>(589)</b>	(327)
Proceeds on disposal of property and equipment	17	<b>12</b>	14
Acquisition of financial assets held at fair value through profit or loss	7	<b>(702 280)</b>	(1 798 938)
Disposal of financial assets held at fair value through profit or loss	7	<b>820 508</b>	1 215 958
Interest received	20.1.1	<b>255 038</b>	181 218
Dividends received	20.1.2	<b>195 628</b>	180 694
Asset management fees	20.1.3	<b>(30 437)</b>	(53 964)
Rentals received	20.1.4	<b>10 364</b>	9 400
<b>Net cash inflow/(outflow) from investing activities</b>		<b>548 243</b>	(265 945)
<b>Cashflows from financing activities</b>			
Lease payments	4.2	<b>(2 121)</b>	(3 768)
<b>Net cash outflow from financing activities</b>		<b>(2 121)</b>	(3 768)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>121 586</b>	(197 176)
Net cash acquired on amalgamation	27	<b>–</b>	76 726
Cash and cash equivalents at beginning of the year		<b>646 015</b>	766 465
<b>Cash and cash equivalents at end of the year</b>		<b>767 601</b>	646 015
Analysed as follows:			
Cash and cash equivalents	9	<b>767 601</b>	646 015
		<b>767 601</b>	646 015

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 1. GENERAL INFORMATION

The Scheme is a registered non-profit, open medical Scheme in terms of the Medical Schemes Act 131 of 1998 ("the Act") and is domiciled in the Republic of South Africa. The Scheme is administered by Medscheme Holdings Proprietary Limited.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 BASIS OF PREPARATION

##### 2.1.1 STATEMENT OF COMPLIANCE

The annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committees, as applicable in South Africa, and in the manner required by the Act.

##### 2.1.2 BASIS OF MEASUREMENT

These annual financial statements have been prepared on the going concern principle and using the historical cost basis except for fair value through profit or loss financial instruments and investment properties that are held at fair value and Insurance and reinsurance assets and liabilities that are measured in terms of IFRS 17 current estimates.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or liability, the Scheme takes into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis except for leasing transactions that are within the scope of IFRS 16.

##### 2.1.3 FUNCTIONAL AND PRESENTATION CURRENCY

The annual financial statements are prepared in Rand which is the Scheme's functional and presentation currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

##### 2.1.4 NEW STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS

The following standards, amendments and interpretations are effective for the current financial year. The Scheme has complied with the new standards and interpretations from the various effective dates:

###### (a) New standards, amendments to published standards and interpretations issued and effective in 2023 and relevant to the Scheme:

Standard	Details of amendment	Effective date Periods beginning on or after
IFRS 17 Insurance contracts	IFRS 17 aims to standardise the accounting treatment of insurance contracts, by providing the basis for recognising, measuring and disclosing insurance contracts as defined in the Standard, including those contracts that meet the definition of a reinsurance contract. The main principle introduced by IFRS 17 is to recognise revenue arising from insurance contracts to best reflect the transfer of services provided in any given reporting period. IFRS 17 does not allow for profits to be earned at inception of insurance contracts i.e. initial recognition, but rather deferred to reflect to the delivery of contracted obligations. In line with the Standard's requirements, losses on onerous contracts are required to be recognised upfront on initial recognition.  Refer Note 2.1.5 Significant change in account policy, for full details and financial impact analysis.	1 January 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 BASIS OF PREPARATION (continued)

##### 2.1.4 NEW STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS (continued)

###### (b) New standards, amendments and interpretations issued and not yet effective in 2023 and relevant to the Scheme

Standard	Details of amendment	Effective date Periods beginning on or after
IAS 1 Presentation of Financial Statements	<b>Classification of Liabilities as Current or Non-current:</b>  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.  The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.  Disclosure of Accounting Policies: The amendments require Schemes to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	1 January 2024
IFRS 16 Lease Liability in a Sale and Leaseback	<b>Amendments to IFRS 16:</b>  Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.	1 January 2024

##### 2.1.5 SIGNIFICANT CHANGE IN ACCOUNTING POLICY

The Scheme has applied IFRS 17 from 1 January 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result the Scheme has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

###### 2.1.5.1 Transition to IFRS 17 and mutual entity impact

Change in accounting policies as a result of the adoption of IFRS 17 have been applied using the full retrospective approach. Under the full retrospective approach, at the transition date, the Scheme did the following:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied; and
- identified the accounting requirements and treatment as a mutual entity. Refer note 3 for detail regarding further judgements and assessments.

It is expected that the remaining assets of the Scheme will be used to pay current and future policyholders.

As the Scheme is in a surplus position, it recognised a liability in its statement of financial position to provide coverage to future members.

This liability is in essence incurred because the Scheme is obliged to:

- provide coverage to that member;
- pay incurred claims of that member; or
- provide coverage to future members.

On measurement of the liability to future members, the fulfilment cash flows of this liability are measured incorporating information about the fair value of the other assets and liabilities of the Scheme.

Where the following year's deficit exceeds the value attributable to members – the most residual interest – the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to members exceed the following year's deficit the contracts would not be determined as onerous, and no provision raised as a liability is already recognised.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 BASIS OF PREPARATION (continued)

##### 2.1.5 SIGNIFICANT CHANGE IN ACCOUNTING POLICY (continued)

##### 2.1.5.1 Transition to IFRS 17 and mutual entity impact (continued)

###### (i) Financial impact

Reconciliation of statement of financial position balance from IFRS 4 to IFRS 17 at 1 January 2022

Measurement category	Carrying amount 31 December		Carrying amount 1 January 2022 IFRS 17 R'000
	2021 IFRS 4 R'000	Re-classifications/ remeasurement R'000	
<b>Impact on total assets</b>			
<b>Insurance, trade and other receivables</b>	706 417	(697 239)	9 178
Contributions outstanding	646 822	(646 822)	-
Recoveries due from members for co-payments	6 545	(6 545)	-
Service provider receivables	5 745	(5 745)	-
Amounts owing from Managed care organisation	3 631	(3 631)	-
Amounts owing from related entities	9 492	(9 492)	-
Receivables under risk transfer arrangements	39 194	(39 194)	-
Savings plan account advances	1 333	(1 333)	-
Allowance for impairment losses	(15 523)	15 523	-
<b>Trade and other receivables</b>	9 178	-	9 178
Prepaid expenses	5 714	-	5 714
Other receivables			
Interest receivables	12	-	12
Rent receivables	564	-	564
Rent deposit	1 533	-	1 533
Sundry receivables	1 355	-	1 355
<b>Reinsurance contract asset</b>	-	50 278	50 278
<b>Impact on Equity reserves</b>			
<b>Accumulated Funds</b>	(7 447 331)	7 447 331	-
<b>Impact on non-current liabilities</b>			
Insurance liability for future members	-	(7 320 729)	(7 320 729)
<b>Impact on total current liabilities</b>			
<b>Insurance, trade and other payables</b>	(551 318)	506 411	(44 907)
Contributions received in advance	(420 116)	420 116	-
Reported claims not yet paid	(74 874)	74 874	-
Credit balances due to members – overpayments	(7 037)	7 037	-
<b>Trade and other payables</b>			
Accrual of external audit fees	(2 277)	-	(2 277)
Accrual of internal audit fees	(581)	-	(581)
Amounts owing to administrator	(7 322)	-	(7 322)
Amounts owing to related entities (including marketing costs)	(15 414)	-	(15 414)
South African Revenue Service	(225)	-	(225)
Broker fees	(10 000)	-	(10 000)
Accrual for advertising and marketing expenses (excluding related entity)	(1 377)	-	(1 377)
Sundry payables	(12 095)	4 384	(7 711)
<b>Outstanding risk claims provision</b>	(904 350)	904 350	-
<b>Personal medical savings accounts liability</b>	(894 037)	894 037	-
<b>Net insurance contract liabilities</b>	-	(1 784 439)	(1 784 439)
<b>Net impact</b>	(9 090 619)	-	(9 090 619)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 BASIS OF PREPARATION (continued)

##### 2.1.5 SIGNIFICANT CHANGE IN ACCOUNTING POLICY (continued)

##### 2.1.5.1 Transition to IFRS 17 and mutual entity impact (continued)

###### (i) Financial impact (continued)

Reconciliation of statement of financial position balance from IFRS 4 to IFRS 17 at 31 December 2022

Measurement category	Carrying amount 31 December		Carrying amount 31 December 2022 IFRS 17 R'000
	2022 IFRS 4 R'000	Re-classifications/ remeasurement R'000	
<b>Impact on total assets</b>			
<b>Insurance, trade and other receivables</b>	705 285	(695 512)	9 773
Contributions outstanding	587 008	(587 008)	-
Recoveries due from members for co-payments	5 404	(5 404)	-
Service provider receivables	5 370	(5 370)	-
Amounts owing from Managed care organisation		-	-
Amounts owing from related entities	3 663	(3 663)	-
Receivables under risk transfer arrangements	107 848	(107 848)	-
Savings plan account advances	1 300	(1 300)	-
Allowance for impairment losses	(15 081)	15 081	-
<b>Trade and other receivables</b>	9 773	-	9 773
Prepaid expenses	5 887	-	5 887
Other receivables			
Interest receivables	42	-	42
Rent receivables	838	-	838
Rent deposit	1 210	-	1 210
Sundry receivables	1 796	-	1 796
<b>Reinsurance contract asset</b>	-	114 412	114 412
<b>Impact on Equity reserves</b>			
<b>Accumulated Funds</b>	(8 759 140)	8 759 140	-
<b>Impact on non-current liabilities</b>			
Insurance liability for future members	-	(8 629 888)	(8 629 888)
<b>Impact on total current liabilities</b>			
<b>Insurance, trade and other payables</b>	(588 064)	516 882	(71 182)
Contributions received in advance	(399 982)	399 982	-
Reported claims not yet paid	(108 265)	108 265	-
Credit balances due to members - overpayments	(5 898)	5 898	-
<b>Trade and other payables</b>	(73 919)	2 737	(71 182)
Accrual of external audit fees	(2 216)	-	(2 216)
Accrual of internal audit fees	(321)	-	(321)
Amounts owing to administrator	(4 376)	-	(4 376)
Amounts owing to related entities (including marketing costs)	(23 149)	-	(23 149)
South African Revenue Service	(257)	-	(257)
Broker fees	-	-	-
Accrual for advertising and marketing expenses (excluding related entity)	(6 847)	-	(6 847)
Sundry payables	(36 753)	2 737	(34 016)
<b>Outstanding risk claims provision</b>	(960 490)	960 490	-
<b>Personal medical savings accounts liability</b>	(1 016 135)	1 016 135	-
<b>Net insurance contract liabilities</b>	-	(2 041 659)	(2 041 659)
<b>Net impact</b>	(10 618 544)	-	(10 618 544)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 BASIS OF PREPARATION (continued)

##### 2.1.5 SIGNIFICANT CHANGE IN ACCOUNTING POLICY (continued)

###### 2.1.5.1 Transition to IFRS 17 and mutual entity impact (continued)

###### (i) Financial impact (continued)

###### Reconciliation of statement of comprehensive income from IFRS 4 to IFRS 17 at 31 December 2022

The impact of the restatement on the disclosure in the statement of comprehensive income is reflected below:

Original classification under IFRS 4	New classification under IFRS 17	2022 Previously (IFRS 4) R'000	2022 Restated (IFRS 17) R'000	Difference
<b>Statement of comprehensive income</b>				
Risk contribution income	Insurance revenue	19 183 315	19 185 306	(1 990)
Relevant healthcare expenditure	Insurance service expense	(17 439 033)	(19 785 396)	2 346 364
Risk claims incurred	Claims incurred	(17 107 121)	(17 361 681)	254 560
	Changes that relate to past service – adjustments to the LIC	–	242 633	(242 633)
	Amounts attributable to future members*	–	(696 369)	696 369
	Attributable expenses incurred	–	(1 071 811)	1 071 811
Net income on risk transfer arrangements	Net income from risk transfer arrangement/reinsurance	184 458	185 765	(1 307)
Risk transfer arrangement fees/premiums paid	An allocation of premiums paid	(1 547 984)	(1 547 984)	–
Recoveries from risk transfer arrangements	Amounts recovered from risk transfer arrangement/reinsurance	1 732 442	1 733 749	(1 307)
Gross healthcare result	Insurance service result	1 744 282	(414 325)	2 158 606
Broker service fees		(381 799)	–	(381 799)
Administrative expenditure		(1 370 660)	–	(1 370 660)
Net impairment losses on healthcare receivables		(5 977)	–	(5 977)
Administrative expenditure	Administration fees and other operating expenses	–	(298 847)	298 847
Net healthcare result		(14 154)	–	(14 154)
Surplus for the year	Profit/Loss for the year	699 018	–	699 018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 EVENTS AFTER REPORTING DATE

Recognised amounts in the annual financial statements are adjusted to reflect events arising after reporting date that provide evidence of conditions that existed at the reporting date. Events arising after the reporting date, that are indicative of conditions that arose after the reporting date, are dealt with by way of a note disclosure.

#### 2.3 PROPERTY AND EQUIPMENT

Property and equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset.

Depreciation is calculated using the straight-line method to allocate the cost of items of property and equipment to their residual values over their estimated useful lives.

The depreciation rates applicable to each category of property and equipment for the current and comparative periods are as follows:

- Motor vehicles – 5 years
- Leasehold improvements – 5 years
- Computer equipment – 1 to 5 years
- Office equipment – 1 to 5 years
- Furniture and fittings – 1 to 5 years
- Right of use asset – Amortised over Lease term

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted where appropriate. If the carrying amount of the asset is greater than its estimated recoverable amount, the carrying amount is written down immediately to its recoverable amount.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds from the disposal with the carrying amount of the relevant asset and these are recognised in profit or loss during the financial period.

#### 2.4 INVESTMENT PROPERTIES

Investment properties are initially measured at cost and subsequently measured using the fair value model.

Land and buildings that constitute investment properties are not depreciated. The fair value of investment properties is determined annually by independent external professional valuers using the comparable sales and income capitalisation approaches. The fair value movement is recognised in profit or loss during the financial period.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

#### 2.5 INVESTMENT PROPERTY HELD FOR SALE

Assets are classified as held-for-sale if the carrying amount will be recovered principally through a sale transaction, not through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Upon initial classification as held for sale, current assets are recognised at the lower of carrying amount and fair value less costs to sell.

#### 2.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Scheme's property and equipment are reviewed at each reporting date to determine whether there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, then the affected asset's recoverable amount is estimated.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.7 FINANCIAL INSTRUMENTS

##### 2.7.1 CLASSIFICATION, RECOGNITION AND MEASUREMENT

Regular-way purchases and sales of financial assets and liabilities are recognised on trade date, being the date that the Scheme becomes a party to the contractual rights or obligations of the instrument. The Scheme has the following financial instrument categories: Fair value through profit or loss; Loans and receivables; and Financial liabilities. The Scheme has classified its financial instruments into the following classes:

- Financial assets held at fair value through profit or loss;
- Trade and other receivables (non-insurance related);
- Cash and cash equivalents;
- Trade and other payables; and

The classification and measurement of the financial instruments depend on the objective of the Scheme's business model whether it is to hold assets only to collect cash flows, or to collect cash flows and to sell and whether the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. Management applies this assessment on financial instruments at initial recognition and re-evaluates this for Financial assets when the objective of the Scheme's business model changes.

Financial instruments are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below.

##### i) Financial assets held at fair value through profit or loss

These financial assets are initially recognised at fair value excluding transaction costs, which are immediately expensed.

These financial assets are subsequently measured at fair value. The fair value adjustments are recognised in the statement of profit or loss during the financial period.

##### ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Scheme intends to sell in the short term. Insurance receivables are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables comprise of 'Trade and other receivables' (excluding prepayment) and 'Cash and cash equivalents'.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses.

##### a) Trade and other receivables (does not include members that are in arrears)

Trade and other receivables balances are reviewed for impairment as part of the impairment review conducted on loans and receivables.

##### b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value, and have an original maturity of 90 days or less.

##### iii) Financial liabilities

A financial liability is a liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

Financial liabilities comprise Trade and other payables.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method.

##### a) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### 2.7.2 IMPAIRMENT OF FINANCIAL ASSETS

##### i) Loans and receivables

The Scheme's loans and receivables do not contain a significant financing component and therefore the loss allowance is measured at initial recognition as the expected credit losses that result from all possible default events over the expected life of a financial instrument (ECL) in accordance with IFRS 9. As a practical expedient, IFRS 9 allows a provision matrix to be used to estimate ECL for these financial instruments.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.7 FINANCIAL INSTRUMENTS (continued)

##### 2.7.2 IMPAIRMENT OF FINANCIAL ASSETS (continued)

##### i) Loans and receivables (continued)

The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Scheme about the following events: the Scheme is unable to collect all amounts due according to the original terms of the receivables; significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in payments by the debtor; the disappearance of an active market for that financial asset because of financial difficulties; or national or local economic conditions that correlate with defaults on the assets in the Scheme.

If it is determined that a possible impairment loss will be incurred on loans and receivables measured at amortised cost, the amount of the loss is measured as the difference between the present value of the cash flows due under the contract and the present value of the cash flows that the entity expects to receive. These losses are recognised at initial recognition in profit or loss and reflected in an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed directly to profit or loss.

##### 2.7.3 DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets are derecognised when the rights to receive cash flows from the assets have expired, the right to receive cash flows has been retained but an obligation to pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Scheme has retained substantially all the risks and rewards of ownership of the transferred asset, the Scheme continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Scheme recognises any income on the transferred asset and any expense incurred on the financial liability.

Where the Scheme neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Scheme determines whether it has retained control of the financial asset. If the Scheme has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and if the Scheme has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Scheme derecognises a financial liability when the contractual obligations are discharged, cancelled or expire.

##### 2.7.4 OFFSET

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.8 INSURANCE CONTRACTS

#### 2.8.1 IDENTIFICATION OF INSURANCE CONTACTS

The contracts issued by medical Schemes (the issuer) indemnify covered members (the policyholder) and their covered dependants against the risk of loss arising from the occurrence of a health event (insured event). The timing, frequency and severity of the health event covered is uncertain. These contracts fall under the scope of IFRS 17.

Whilst the timing, frequency, severity and type of health events are uncertain, the ultimate insurance risk covered by a medical Scheme can be defined as a single risk – that of providing cover for a health event that the member may incur. The risk under the insurance contracts issued by medical Schemes can be expressed as the probability that an insured event ("health event") occurs, multiplied by the expected amount of the resulting claim. Risk transfer arrangements are dealt with in note 2.9 and all sections are with reference to gross contracts unless stated otherwise.

#### 2.8.2 SEPARATING COMPONENTS FROM AN INSURANCE CONTRACT

An investment component and an insurance component are highly interrelated if, and only if:

- a) the entity is unable to measure one component without considering the other. Thus, if the value of one component varies according to the value of the other, an entity shall apply IFRS 17 to account for the combined investment and insurance component; or
- b) the policyholder is unable to benefit from one component unless the other is also present. Thus, if the lapse or maturity of one component in a contract causes the lapse or maturity of the other, the entity shall apply IFRS 17 to account for the combined investment component and insurance component.

The Personal Medical Savings Account (PMSA) meets the definition of an investment component in IFRS 17 as it requires the medical Scheme to repay a member in all circumstances, regardless if an insured event occurred. The investment component is not distinct and has to be accounted for in terms of IFRS 17.

The cash flows relating to the PMSA are not recorded in the statement of comprehensive income, but are considered in assessing onerous contracts.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.8 INSURANCE CONTRACTS (continued)

##### 2.8.3 LEVEL OF AGGREGATION

The Scheme as a whole was identified as a portfolio. All contracts issued by a Scheme are subject to similar risks and managed together. As the Act specifically constrains the entity's practical ability to set a different price or level of benefits for members with different characteristics the Scheme as whole was also identified as the group. The Scheme assesses if the group as whole is onerous or profitable. Where the following year's deficit exceeds the value attributable to members – the most residual interest – the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to members exceed the following year's deficit the contracts would not be determined as onerous, and no provision raised as a liability is already recognised. (as the Scheme is regarded as a mutual entity for accounting purposes).

##### 2.8.4 CONTRACT BOUNDARY

The Scheme uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the member is obligated to pay contributions, or the Scheme has a substantive obligation to provide the member with insurance coverage or other services. A substantive obligation ends when both of the following criteria are satisfied:

- The Scheme has the practical ability to reprice the group of contracts so that the price fully reflects the reassessed risk of that portfolio; and
- the pricing of contributions related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered; other risks, such as lapse or surrender and expense risk, are not included.

IFRS 17(35) Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Scheme has assessed all its contracts and determined all contracts have a boundary of one year.

##### 2.8.5 RECOGNITION AND DERECOGNITION

Insurance contracts issued shall be recognised from the earliest of the following:

- (a) The beginning of the coverage period;
- (b) The date when the first payment from a policyholder becomes due; and
- (c) For onerous contracts, when the contracts become onerous.

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

##### 2.8.6 PREMIUM ALLOCATION APPROACH (PAA)

The contract coverage period for contracts issued does not exceed 12 months and consequently the Scheme elected to apply the PAA.

The classification of medical schemes as mutual entities does not impact the extent of insurance cover insurance contract services to be provided by the medical Scheme in terms of the member contracts and therefore the PAA is still applicable.

In applying the PAA, the medical Scheme chose to recognise any insurance acquisition cash flows as expenses when it incurs those costs.

The Scheme measures the liability for incurred claims at the fulfilment cash flows relating to incurred claims. The future cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred. There is no significant financing component included in the liability for remaining coverage and thus the Scheme is not required to apply a discounted value.

##### 2.8.7 INITIAL AND SUBSEQUENT MEASUREMENT

For insurance contracts issued, on initial recognition, the Scheme measures the Liability for remaining coverage (LRC) at the amount of contributions received. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Scheme expects to be entitled to in exchange for those services and increased the LRC. Debtors that paid in advance and for which no service has yet been provided are included in the LRC. Debtors in arrears and for which services and coverage have been provided but not yet paid are included in LRC.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:

- a. the LRC, including a loss component for onerous contracts where applicable; and
- b. the Liability for incurred claims (LIC), comprising the future fulfilment cash flows related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for contributions received in the period; and
- b. decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.8 INSURANCE CONTRACTS (continued)

##### 2.8.7 INITIAL AND SUBSEQUENT MEASUREMENT (continued)

For insurance contracts issued at each of the subsequent reporting dates the LIC is:

- a. best estimate of cash flows and
- b. risk adjustment.

The Scheme has chosen to account for the accounts payable related to the attributable expenses under the currently applicable accounting standard, which is IFRS 9, rather than IFRS 17. Consequently, the attributable expenses payable are disclosed as financial liabilities, specifically under the category of trade and other payables.

Refer to note 3.1 for the significant judgements and estimates used to determine the LIC and the estimates to determine the fulfilment cash flow.

##### Onerous contract assessment:

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, the Scheme considers whether the expected deficit of the following year exceeds the insurance liability attributable to future members. In the rare scenario where the following year's deficit exceeds the insurance liability attributable to future members – the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to future members exceed the following year's deficit the contracts would not be determined as onerous, and no provision raised as a liability is already recognised.

##### 2.8.8 INSURANCE REVENUE

Insurance revenue for the period is the amount of expected premium receipts (excluding the PMSA) allocated to the period. The expected contribution receipts include the risk of non-payment by the member. The Scheme allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

##### 2.8.9 INSURANCE EXPENSES

Insurance service expenses include:

- (a) incurred claims and benefits excluding investment components;
- (b) other incurred directly attributable insurance service expenses;
- (c) changes that relate to past service (i.e., changes in the fulfilment cash flows (FCF) relating to the LIC); and
- (d) changes that relate to future service (i.e., losses/reversals on onerous groups of contracts from changes in the loss components).

Cash flows that are not directly attributable to a group of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

The Scheme includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- (a) costs directly attributable to individual contracts and the group of contracts; and
- (b) costs directly attributable to the group of insurance contracts, which are allocated on a reasonable and consistent basis.

Insurance acquisition costs are expensed by the Scheme when it incurs the cost.

##### 2.8.10 INSURANCE FINANCE INCOME AND EXPENSES

The non-distinct investment component (PMSA) accrues interest. This is disclosed within the insurance finance expense line item.

### 2.9 RISK TRANSFER ARRANGEMENTS

#### 2.9.1 DEFINITION

Risk transfer arrangements are contractual arrangements entered into by the Scheme with a provider. The provider is paid a fixed fee per member to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependants.

#### 2.9.2 LEVEL OF AGGREGATION

Groups of reinsurance contracts held are assessed for aggregation separately from groups of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Scheme aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the group, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Scheme tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net gain position.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.9 RISK TRANSFER ARRANGEMENTS (continued)

##### 2.9.3 RECOGNITION AND DERECOGNITION

The reinsurance contract held that covers the losses of separate insurance contracts on a proportionate basis is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Scheme does not recognise their reinsurance contract held until it has recognised at least one of the underlying insurance contracts.

##### 2.9.4 INITIAL AND SUBSEQUENT MEASUREMENT

For reinsurance contracts held, on initial recognition, the Scheme measures the remaining coverage at the amount of ceding contributions paid.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Subsequent measurement of the remaining coverage for reinsurance contracts held is:

- a. increased for ceding contributions paid in the period; and
- b. decreased for the amounts of ceding contributions recognised as reinsurance expenses for the services received in the period.

The Scheme does not adjust the asset for the remaining coverage for reinsurance contracts held for the effect of the time value of money. The reinsurance contributions are due within the coverage period which are one year or less.

The LRC will not be discounted and there are no significant financing components.

##### 2.9.5 BOUNDARY

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Scheme is compelled to pay amounts to the reinsurer or in which the Scheme has a substantive right to receive services from the reinsurer.

The Scheme's capitation agreements held have a duration of one year but are cancellable with a 30-day notice period by either party.

##### 2.9.6 NET INCOME/(EXPENSE) FROM REINSURANCE CONTRACTS HELD

Reinsurance income consists of the amount that depicts the value the insurer benefits from entering into a risk transfer arrangement (i.e. the value of services received from the capitation provider).

Reinsurance expenses consist of:

- a. reinsurance expenses; and
- b. effect of changes in risk of reinsurer non-performance.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding contributions the Scheme expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

### 2.10 EMPLOYEE BENEFITS

#### 2.10.1 DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### 2.10.2 SHORT-TERM BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in profit or loss during the period in which the employee renders the related service.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Scheme has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.10 EMPLOYEE BENEFITS (continued)

##### 2.10.3 OTHER LONG-TERM BENEFITS

There is currently a long term deferred remuneration Scheme/long-term employee benefit obligation ("LTI") in place whereby key employees who qualify are entitled to a deferred portion of each year's incentive determined based on tenure and certain performance conditions agreed to by the Board of Trustees. The amounts are payable at the end of the applicable three-year vesting period if the employees are still in the employment of the Scheme and the performance conditions have been met. The Board of Trustees will approve the final amount of the LTI to be settled in line with the terms and conditions of the Scheme's incentive policy and each participant will be allocated their amounts payable accordingly.

The liability due to eligible participants is recognised over the required service/vesting period and reflects the present value of amounts due to the participants at the end of that period. The liability is measured on the mostly likely outcome basis, with the corresponding expense recognised over the service period.

##### 2.11 LEASES

The Scheme leases property which is accounted for under IFRS 16. The contracts contains a lease as defined because it conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

The Scheme as a lessee:

For contracts for which the Scheme is a lessee the initial measurement requires the recognition of a right of use asset and lease liability recognised at commencement date.

The right of use asset is initially recognised at cost which includes the initial amount of the lease liability adjusted for any lease payments made on or before commencement date plus initial direct costs incurred.

The right of use asset is subsequently depreciated on a straight line basis over the useful life which is the same basis as the lease period. Additionally the right of use asset is periodically reduced by impairments if any and adjusted for changes in the remeasurement of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date discounted at the interest rate if that rate can be readily determined. If that rate cannot be readily determined, the Scheme uses the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments including in substance fixed payments less any incentives receivable.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Scheme as a lessor:

Contracts wherein the Scheme is a lessor, are either classified as an operating lease or a finance lease based on an overall assessment to determine whether substantially all the risks and rewards are transferred or retained by the Scheme. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

##### 2.12 INVESTMENT INCOME

Investment income comprises: interest on call accounts, current accounts, bonds and money market instruments; dividend income; rental income from investment properties; net fair value gains on financial assets at fair value through profit or loss; changes in the fair value of investment property and gains/losses on disposal of investment properties.

##### 2.12.1 INTEREST INCOME

Interest income is recognised on a yield to maturity basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme.

##### 2.12.2 DIVIDEND INCOME

Dividend income from investments is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

##### 2.12.3 RENTAL INCOME

Assets leased to third parties are included in investment property in the statement of financial position. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.13 ALLOCATION OF INCOME AND EXPENSES TO BENEFIT OPTIONS

The following items are directly allocated to benefit options:

- Insurance revenue;
- Claims incurred;
- Net income from risk transfer arrangements/reinsurance;
- Attributable expenses incurred;
- Accredited managed healthcare services;
- Acquisition costs; and
- Finance expenses from insurance contracts issued – PMSA

The remaining non-healthcare expenses and income are apportioned based on the average number of members per option divisible by total membership on the Scheme for the financial period:

- Other administrative expenditure;
- Investment income;
- Sundry income; and
- Asset management fees.

### 3. USE OF ESTIMATES AND JUDGEMENTS

Consistent with other IFRS, financial reporting under IFRS 17 is, to a larger extent, based on estimates, judgements and models rather than exact depictions. The IFRS Conceptual Framework establishes the concepts that underlie those estimates, judgements and models. Where an application of a particular standard requires judgments or provides options, it is expected that the preparers of financial information will choose among the alternatives in a way that achieves the objective of financial reporting: to provide financial information about the reporting entity that is useful to the trustees, Council for Medical Schemes (CMS) and members.

In addition to the existing requirement in IFRS to disclose critical judgements made in applying accounting policies (IAS 1(122)) and major sources of estimation uncertainties (IAS 1(125)), IFRS 17 requires the following specific disclosures with respect to contracts in the scope of the standard:

- the methods used to measure insurance contracts and the processes used for estimating inputs to those methods, including quantitative information about those inputs when practicable, and specifically approaches used to determine the risk adjustment for non-financial risk,
- any changes in the above method and process, together with an explanation of the reason for each change and the type of contracts affected.

If an entity uses a technique other than the confidence-level technique for determining the risk adjustment, it is required to disclose a translation of the result of that technique into a confidence level to allow users of financial statements to see how the entity's own assessment of its risk aversion compares to that of other entities.

#### 3.1 SIGNIFICANT JUDGEMENTS AND ESTIMATES FOR INSURANCE CONTRACTS: ASSETS AND LIABILITIES

##### 3.1.1 ASSESSMENT AS TO WHETHER A SCHEME IS A MUTUAL ENTITY

A medical Scheme is not legally defined as a mutual entity and the assessment as to whether a medical scheme is a mutual entity was done based on the principles set out in IFRS.

IFRS 3 defined a "mutual entity" as "An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities".

IFRS 17 does not define a "mutual entity" however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. IFRS 17 paragraph BC265 explains that "a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder." The Act is not explicit that members (i.e. policyholders) hold a residual interest or are entitled to the residual interest upon the liquidation of the medical Scheme. Section 64 of the Act requires the medical Scheme rules to be followed in the event of liquidation.

The rules of the Scheme do not contain specific guidance on how the assets of the Scheme should be distributed on liquidation. The Act prohibits the disposal of assets of a medical Scheme except in limited, listed circumstances, one of them being the liquidation of the Scheme. Members can opt for voluntary liquidation and can distribute the Scheme's remaining assets amongst themselves. As Bonitas does not have shareholders, the current members will access the reserves through economic benefits such as funding reductions in contributions or deferral of contribution increases.

Although the rules do not specify how the assets should be distributed on liquidation, IFRS 17 states that contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation" (IFRS 17.2). Therefore, based on customary business practices, the remaining assets of Bonitas should be distributed to the members on liquidation if there are any and if the Scheme does not amalgamate with another

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 3. USE OF ESTIMATES AND JUDGEMENTS (continued)

#### 3.1 SIGNIFICANT JUDGEMENTS AND ESTIMATES FOR INSURANCE CONTRACTS: ASSETS AND LIABILITIES (continued)

##### 3.1.1 ASSESSMENT AS TO WHETHER A SCHEME IS A MUTUAL ENTITY (continued)

Scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

The substance of the legal framework issued regarding insurance contracts and observed practice is that once a contribution is paid to the medical scheme, the contribution is used to provide benefits to members. The benefits are provided by the medical Scheme (or amalgamated schemes) through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members).

It is therefore expected that the remaining assets of the Scheme will be used to pay current and future members. Based on the above, Bonitas meets the definition of a mutual entity in IFRS. Bonitas has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the Scheme recognises any cumulative profit or losses as part of the insurance liability attributable to future members (which forms part of the insurance contract liabilities on the face of the statement of financial position).

Consequently, the statement of comprehensive income reflects no total comprehensive income for the year. The movement in the insurance liability attributable to future members are included in the insurance service expenses.

Due to the Scheme being a mutual entity, the assessment of onerous contracts are also affected.

##### 3.1.2 LEVEL OF AGGREGATION

Judgement has been applied to how the Scheme determined the level of aggregation for the measurement of its insurance contracts. Management has assessed their portfolio as the Scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a Scheme level.

The above is demonstrated by the following:

- Hospital claims are managed on a Scheme level.
- Chronic conditions are managed on a Scheme level, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Risk transfer arrangements are based on conditions and not on benefit options.
- Pricing and benefit option changes are determined at a Scheme level to ensure sustainability for the Scheme overall, given inherent cross-subsidies in the medical Scheme environment.
- Risk (utilisation and concentration) is managed holistically.

##### 3.1.3 RISK ADJUSTMENT – LIABILITY FOR INCURRED CLAIMS (LIC)

The biggest risk inherent in run-off models are the run-off assumptions applied. Any processing changes and/or delays between providers and the administrator (relative to the input assumptions) would impact on the best estimate value of fulfilment cash flow provided.

Therefore, provision for such adverse experience is made in the form of a risk adjustment (that is, where the model relies on run-off assumptions).

The risk adjustment was determined by applying sensitivity testing to the run-off input assumptions used to calculate the best estimate reserve value, i.e. a deterministic sensitivity approach. This methodology is referred to as a 'Provision for Adverse Deviation'.

Stochastic claims modelling (based on simulations of multiple prior year outstanding claim reserve distributions of the Scheme) was used to assess this overall risk adjustment value by attaching an upper confidence interval to the value. In other words, it was also stochastically assessed what the required risk adjustment would be to ensure that the Scheme is not under-reserved with a certain confidence level, relative to its unique reserving history and claims run-off patterns. The risk adjustment, relative to this level, was assessed to be greater than 90.0%.

The risk adjustment reflects the Scheme's risk attitude towards the levels of conservatism considered in its liability reserving, solvency management and pricing practices.

Changes in the risk adjustment for nonfinancial risk are not disaggregated and included in insurance service result.

##### 3.1.4 RISK ADJUSTMENT - RISK TRANSFER ARRANGEMENTS

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Scheme to the reinsurer. A confidence interval level of between 75% and 90% was applied with regards to the determination of the risk adjustment for the risk transfer arrangements per service provider.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 3. USE OF ESTIMATES AND JUDGEMENTS (continued)

#### 3.1 SIGNIFICANT JUDGEMENTS AND ESTIMATES FOR INSURANCE CONTRACTS: ASSETS AND LIABILITIES (continued)

##### 3.1.5 ESTIMATES OF FUTURE CASH FLOWS TO FULFIL INSURANCE CONTRACTS

Included in the measurement of the group of contracts are all the future cash flows within the boundary of the group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Scheme uses information about past events, current conditions and forecasts of future conditions. The Scheme's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenarios representing the probability weighted mean of a full range of scenarios.

The uncertainty in the insurance contracts lies in the number, severity and timing of claims.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

##### 3.1.6 METHODS USED TO MEASURE THE INSURANCE CONTRACTS

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities. A generally accepted actuarial methodology used in assessing the estimated claims outcome of insurance liabilities is the chain ladder method. The chain ladder method involves an analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. Run-off triangles are used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

Run-off factors are most reliable as a predictive tool where outstanding claims are relatively small and the payment pattern is stable over time. For the most recent treatment months the outstanding claims can be significant, and therefore very sensitive to the run-off assumptions.

A further technique, called the Bornhuetter-Ferguson method, can also be employed for the most recent months, which are the most sensitive to the run-off factors. This method allows for an independent estimate of the expected claims to have an impact on the projected amount and, thus, reduces the sensitivity of the projection to the run-off factors. The Scheme's claims budget is typically used as the original independent estimate. The estimate can be refined as the year progresses based on more recent claims experience (i.e. using an approach called 'credibility theory').

Information from the managed healthcare provider, on hospital pre-authorisations can also be used as an independent source of information to assess the reasonability of the projected hospital claims and to modify the estimate where necessary. Hospital claims are the largest claims category by value and are also one of the slowest categories of claims to be paid.

As the reserving model can rely on independent estimates (for example, budgeted claims or independently estimated hospital amounts from pre-authorisation models), this would reduce the sensitivity to run-off assumptions. The 2021 Financial year used the chain ladder method exclusively, whereas the 2022 and 2023 Financial Years incorporated independent estimates into the model as well (Bornhuetter-Ferguson).

The following was taken into account when estimating the LIC:

- The level of homogeneity of the data;
- Changes in patterns of claims and claims processing;
- Changes in the composition of the Scheme ie. distribution of members and their beneficiaries across various options;
- Changes in benefit limits; and
- Changes in prescribed minimum benefits.

The Scheme is not required to disclose information about the development of claims for which uncertainty about the amount and timing of the claims payments is typically resolved within one year.

#### 3.2 DETERMINATION OF FAIR VALUES

Investment properties, fair value through profit or loss financial instruments and derivative financial instruments are measured at fair value and include an estimation component. Fair values have been determined for measurement and/or disclosure purposes based on the methods listed below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### 3.2.1 INVESTMENT PROPERTIES

An independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Scheme's investment property portfolio annually.

Valuations reflect, when appropriate the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Scheme and the lessee; and the remaining economic life of the property.

##### 3.2.2 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Financial assets classified as level 2 are valued using a discounted cash flow method. For unlisted equity financial assets, fair value was determined by the Board of Trustees using the net asset value valuation approach.

The unlisted property holding is valued based on the fair value of the underlying property. The property is valued using the net income of the property and applying a capitalisation rate to the net income. The capitalisation rate applied is based on an assumed average commercial property yield simulating the risk characteristics of a similar investment. The majority of investments held within the portfolio are subject to various assumptions based on valuation techniques not supported by observable market data.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 4. PROPERTY AND EQUIPMENT

Property and equipment comprise owned and leased assets that do not meet the definition of investment property.

R'000	Note	2023	2022
Property and equipment	4.1	1 247	1 176
Right of use asset	4.2	3 954	6 214
		5 201	7 390

R'000	Motor Vehicles	Leasehold improvements	Computer Equipment	Office Equipment	Furniture and Fittings	Total
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#### 4.1 PROPERTY AND EQUIPMENT

##### Cost

<b>Balance at 31 December 2021</b>	359	4 339	5 540	1 161	5 266	16 665
Additions	-	26	236	-	65	327
Disposals/scrappings	-	-	(117)	-	(132)	(249)
<b>Balance at 31 December 2022</b>	359	4 365	5 659	1 161	5 199	16 743
Additions	-	344	205	-	40	589
Disposals/scrappings	-	-	-	-	-	-
<b>Balance at 31 December 2023</b>	<b>359</b>	<b>4 709</b>	<b>5 864</b>	<b>1 161</b>	<b>5 239</b>	<b>17 332</b>

##### Accumulated depreciation

<b>Balance at 31 December 2021</b>	359	3 661	5 391	567	4 418	14 396
Disposals/scrappings	-	-	(12)	-	(132)	(144)
Depreciation for the period	-	704	111	210	290	1 315
<b>Balance at 31 December 2022</b>	359	4 365	5 490	777	4 576	15 567
Disposals/scrappings	-	-	-	-	-	-
Depreciation for the period	-	52	106	163	197	518
<b>Balance at 31 December 2023</b>	<b>359</b>	<b>4 417</b>	<b>5 596</b>	<b>940</b>	<b>4 773</b>	<b>16 085</b>

##### Carrying amount

Balance at 31 December 2022	-	-	169	384	623	1 176
<b>Balance at 31 December 2023</b>	<b>0</b>	<b>292</b>	<b>268</b>	<b>221</b>	<b>466</b>	<b>1 247</b>

#### 4.2 LEASE

The Scheme leases the building from which it operates its head office. The remaining lease term on 31 December 2023 was determined to be one year and 9 months. Depreciation charge is determined on a straight line basis over the remaining lease term. There are no impairments in the current period. Information about the lease for which the Scheme is the lessee is presented below:

##### RIGHT OF USE ASSET

R'000	Building
<b>Balance at 1 January 2022</b>	1 962
Additions	6 779
Depreciation charge for the year	(2 527)
<b>Balance at 31 December 2022</b>	6 214
Additions	-
Depreciation charge for the year	(2 260)
<b>Balance at 31 December 2023</b>	<b>3 954</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 4. PROPERTY AND EQUIPMENT (continued)

#### 4.2 LEASE (continued)

##### LEASE LIABILITIES

R'000	Building	Total
<b>Maturity Analysis – contractual undiscounted cashflows:</b>		
Not later than one year	2 511	2 511
Later than one year and not later than five years	4 746	4 746
<b>Total undiscounted lease liabilities as at 31 December 2022</b>	<b>7 257</b>	<b>7 257</b>
Not later than one year	<b>2 662</b>	<b>2 662</b>
Later than one year and not later than five years	<b>2 085</b>	<b>2 085</b>
<b>Total undiscounted lease liabilities as at 31 December 2023</b>	<b>4 747</b>	<b>4 747</b>

The Scheme terminated its head office lease as of 30 September 2022 and entered into a new lease agreement effective 1 October 2022 for a 3 year period ending 30 September 2025. Included in the Statement of Financial Position is the lease liability for the remaining lease term of 1 year and 9 months as at 31 December 2023:

	2023 R'000	2022 R'000
Current lease liability	<b>2 730</b>	1 980
Non-current lease liability	<b>2 002</b>	4 342
	<b>4 732</b>	6 322

The Scheme's interest rate per the lease contract of 8% was used to discount the cashflows to the present value of the lease liability from which the interest expense is derived. The variable costs relating to the lease were expensed in profit or loss and largely relate to the utility bill which is driven by utilisation. These expenses comprise 41% of the fixed lease payments and are excluded in the determination of the lease liability and related right of use asset. Included in the Statement of profit or loss and other comprehensive income at 31 December 2023:

	2023 R'000	2022 R'000
Interest on lease liability	<b>(531)</b>	(264)
Rental costs – variable in nature	<b>(1 962)</b>	(1 997)
	<b>(2 493)</b>	(2 261)

Total cash outflow with respect to the head office lease for 31 December 2023 is as follows:

	2023 R'000	2022 R'000
Lease liability cashflows	<b>(2 121)</b>	(3 768)
Rental costs – variable in nature	<b>(1 962)</b>	(1 997)
	<b>(4 083)</b>	(5 765)

Details of the property and equipment are recorded in an asset register which may be inspected at the registered office of the Scheme. No assets have been pledged as security.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 5. INVESTMENT PROPERTIES

	2023 R'000	2022 R'000
Balance at the beginning of the year	<b>78 500</b>	77 000
Fair value (decrease)/increase in investment property	<b>(3 500)</b>	1 500
Reclassified as investment property held for sale (note 6)	<b>(75 000)</b>	–
<b>Balance at the end of the year</b>	<b>–</b>	78 500
Direct operating expenses incurred in the generation of rental income applicable to investment properties	<b>4 722</b>	4 760

Investment properties comprise commercial properties that are leased to third parties. The properties are leased for various periods. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. Refer to note 23 of the financial statements for minimum future lease rental receivables from lessees. Lease rental receipts amounting to R10.7 million (2022: R10.0 million) relating to the lease of investment properties are included in profit or loss, refer to note 16 of the financial statements.

Initially the estimated open market value for developed commercial property leased to third parties was determined by independent property valuers DDP Valuations & Advisory Services (Pty) Ltd, on 9 January 2024, using an income capitalisation approach. The capitalisation rate used in determining the open market value of R81.2 million was 10.0% (2022: 9.50%). However, management performed an assessment as at 31 December 2023 to determine whether the investment property should be recognised as a non-current asset held for sale. Management have determined that all the recognition criteria had been met as per IFRS 5 at 31 December 2023 given that the Board had resolved to realise the value of the property through sale and the property had been actively marketed during the 2023 financial period. For this reason, the investment property has been reclassified to 'Investment Property held for sale' and valued at R75 million. Refer to note 6 of the financial statements.

### 6. INVESTMENT PROPERTY HELD FOR SALE

	2023 R'000	2022 R'000
Balance at the beginning of the year	<b>–</b>	–
Transfer from investment property at fair value (note 5)	<b>75 000</b>	–
Provision for selling costs	<b>(2 300)</b>	–
<b>Net fair value less costs to sell at the end of the year</b>	<b>72 700</b>	–

The Board resolved in July 2022 that the value of the property should be recovered through sale. The property was actively marketed from February 2023.

After an extended period exceeding 12 months of actively marketing the property, and the current economic conditions prevalent in the commercial property sector, management, with advice from industry experts have determined that the realisable selling price of the property is R75 million excluding VAT. Management have estimated the costs associated to sell the property at R2.3 million. The net fair value less costs to sell of the property has therefore been determined at R72.7 million.

Management have a committed plan to dispose of the property by the end of 2024 and have appointed additional real estate agents to expedite the disposal of the property.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>7. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Balance at the beginning of the year	9 896 410	8 245 970
Acquisition through amalgamation (Note 27)	-	666 487
Additions/reinvestments	702 280	1 798 938
Withdrawals	(820 508)	(1 215 958)
Interest income reinvested	207 700	186 469
Dividend income reinvested	1 594	22 161
Asset management fees capitalised to investments	(1 277)	(882)
Net fair value gains on fair value assets through profit or loss (note 16)	147 769	193 225
<b>Balance at the end of the year</b>	<b>10 133 968</b>	9 896 410
Non-current	4 757 012	4 892 220
Current	5 376 956	5 004 190
	<b>10 133 968</b>	9 896 410
<i>Comprises:</i>		
Listed equities	4 569 302	4 449 465
Bonds	3 924 002	3 581 279
Money market instruments	1 640 664	1 865 666
	<b>10 133 968</b>	9 896 410
	2023 R'000	Restated 2022 R'000
<b>8. TRADE AND OTHER RECEIVABLES</b>		
<b>Trade and other receivables</b>		
Prepaid expenses	5 815	5 887
Other receivables	5 483	3 886
Interest receivables	1 847	42
Rent receivables	777	838
Rent deposit	1 210	1 210
Sundry receivables	1 649	1 796
<b>Total trade and other receivables</b>	<b>11 298</b>	9 773

The carrying amounts of receivables approximate their fair values, due to the short-term maturities of these assets.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>9. CASH AND CASH EQUIVALENTS</b>		
Cash with investment managers	235 119	240 963
Call accounts with investment managers	123 295	85 421
Current accounts with banks	409 187	319 631
<b>Total cash and cash equivalents</b>	<b>767 601</b>	646 015
The carrying amount of the cash and cash equivalents approximates the fair values due to the short-term nature of the investments. The weighted average effective interest rate was 6.0% (prior year: 6.4%) on call account balances.		
<b>10. LONG-TERM EMPLOYEE BENEFIT OBLIGATION</b>		
Eligible executive and staff qualify for a long-term incentive that runs over a fixed three-year cycle. The vesting criteria is dependent upon both service and performance elements. The three year cycle/vesting period runs from January 2021 to December 2023.		
	2023 R'000	2022 R'000
Unvested long-term employee benefit obligation	5 716	3 449
<b>Balance at the end of the year</b>	<b>5 716</b>	3 449
The liability is recognised over the required service/vesting period and reflects the present value of amounts due to the participants on a most likely outcome basis at the end of the three-year cycle. In the prior year a discount factor of 7% was utilised to present value the liability. Of the total liability reported in 2022 of R3.4 million, an amount of R1.4 million related to the previous financial period (2021). No restatement has taken place in the prior year given that the amount is immaterial in nature.		
	2023 R'000	2022 R'000
Current	5 716	-
Non-current	-	3 449
	<b>5 716</b>	3 449
<b>11. INSURANCE LIABILITY FOR FUTURE MEMBERS</b>		
Balance at the beginning of the year	8 629 888	7 933 520
Excess over net asset value (Note 15.6)	265 314	696 368
<b>Balance at the end of the year</b>	<b>8 895 202</b>	8 629 888
In accordance with IFRS 17 requirements, and recognising the Scheme as a mutual entity, the prior year amounts have been reclassified from equity to insurance liability for future members. This adjustment reflects the application of the relevant mutual entity accounting principles, which attribute the liability to policyholders with the most residual interest in the entity. Refer to note 2.1.5.1 in the financial statements for the impact of this transition.		
The Scheme is budgeting a marginal surplus for the year ending 31 December 2024. Therefore the balance as at 31 December 2023 is considered a non-current liability.		

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 12. INSURANCE CONTRACT LIABILITIES

The Scheme as a whole is identified as a portfolio. All the contracts issued by the Scheme are subject to similar risks and are managed together. The breakdown at a portfolio level of the Liability for remaining coverage and Liability for incurred claims are set out below:

#### RECONCILIATION OF LIABILITY FOR REMAINING COVERAGE AND LIABILITY FOR INCURRED CLAIMS

	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total 2023 R'000
	Excluding loss component R'000	Loss component R'000	Best Estimate Liability R'000	Risk Adjustment R'000	
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	(171 645)	-	2 081 154	132 150	2 041 659
<b>Net insurance contract liabilities as at 1 January 2023</b>	<b>(171 645)</b>	<b>-</b>	<b>2 081 154</b>	<b>132 150</b>	<b>2 041 659</b>
<i>Changes in the statement of comprehensive income</i>					
<b>Insurance revenue</b>	<b>(19 461 328)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19 461 328)</b>
Insurance revenue from contracts measured under the PAA (note 15)	(19 461 328)	-	-	-	(19 461 328)
<b>Insurance services expense</b>	<b>-</b>	<b>-</b>	<b>20 214 744</b>	<b>13 201</b>	<b>20 227 945</b>
Incurring claims and other insurance service expenses (note 15)	-	-	20 248 453	145 351	20 393 804
Changes that relate to past service – adjustments to the LIC (note 15)	-	-	(33 709)	(132 150)	(165 859)
Losses on onerous contracts and reversal of those losses (note 15)	-	-	-	-	-
<b>Insurance service result</b>	<b>(19 461 328)</b>	<b>-</b>	<b>20 214 744</b>	<b>13 201</b>	<b>766 617</b>
Finance expense from insurance contracts issued (note 12.4)	-	-	70 838	-	70 838
<b>Total changes in the statement of comprehensive income</b>	<b>(19 461 328)</b>	<b>-</b>	<b>20 285 582</b>	<b>13 201</b>	<b>837 455</b>
<b>Investment components*</b>	<b>(973 682)</b>	<b>-</b>	<b>973 682</b>	<b>-</b>	<b>-</b>
<i>Cash flows</i>					
Contributions received**	20 364 481	-	-	-	20 364 481
Claims and other directly attributable expenses paid***	-	-	(20 721 905)	-	(20 721 905)
Insurance acquisition cash flows paid	-	-	(395 201)	-	(395 201)
<b>Total Cash flow</b>	<b>20 364 481</b>	<b>-</b>	<b>(21 117 106)</b>	<b>-</b>	<b>(752 625)</b>
<b>Net insurance contract liabilities as at 31 December 2023</b>	<b>(242 174)</b>	<b>-</b>	<b>2 223 312</b>	<b>145 351</b>	<b>2 126 489</b>
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	(242 174)	-	2 223 312	145 351	2 126 489
<b>Net insurance contract liabilities as at 31 December 2023</b>	<b>(242 174)</b>	<b>-</b>	<b>2 223 312</b>	<b>145 351</b>	<b>2 126 489</b>
*Savings contributions received	20 364 481				
**Contributions received	19 390 799				
Risk contributions	973 682				
PMSA contributions	(20 721 905)				
***Claims and other directly attributable expenses paid	(18 849 241)				
Risk claims	(805 937)				
PMSA claims	(1 066 727)				
Expenses					

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 12. INSURANCE CONTRACT LIABILITIES (continued)

The Scheme as a whole is identified as a portfolio. All the contracts issued by the Scheme are subject to similar risks and are managed together. The breakdown at a portfolio level of the Liability for remaining coverage and Liability for incurred claims are set out below:

#### RECONCILIATION OF LIABILITY FOR REMAINING COVERAGE AND LIABILITY FOR INCURRED CLAIMS (continued)

	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total 2022 R'000
	Excluding loss component R'000	Loss component R'000	Best Estimate Liability R'000	Risk Adjustment R'000	
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	(221 731)	-	2 001 262	128 189	1 907 720
<b>Net insurance contract liabilities as at 1 January 2022<sup>#</sup></b>	<b>(221 731)</b>	<b>-</b>	<b>2 001 262</b>	<b>128 189</b>	<b>1 907 720</b>
<i>Changes in the statement of comprehensive income</i>					
<b>Insurance revenue</b>	<b>(19 185 306)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19 185 306)</b>
Insurance revenue from contracts measured under the PAA (note 15)	(19 185 306)	-	-	-	(19 185 306)
<b>Insurance services expense</b>	<b>-</b>	<b>-</b>	<b>19 781 435</b>	<b>3 961</b>	<b>19 785 396</b>
Incurring claims and other insurance service expenses (note 15)	-	-	19 895 879	132 150	20 028 029
Changes that relate to past service – adjustments to the LIC (note 15)	-	-	(114 444)	(128 189)	(242 633)
Losses on onerous contracts and reversal of those losses (note 15)	-	-	-	-	-
<b>Insurance service result</b>	<b>(19 185 306)</b>	<b>-</b>	<b>19 781 435</b>	<b>3 961</b>	<b>600 090</b>
Finance expense from insurance contracts issued (note 12.4)	-	-	40 380	-	40 380
<b>Total changes in the statement of comprehensive income</b>	<b>(19 185 306)</b>	<b>-</b>	<b>19 821 815</b>	<b>3 961</b>	<b>640 470</b>
<b>Investment components*</b>	<b>844 507</b>	<b>-</b>	<b>(844 507)</b>	<b>-</b>	<b>-</b>
<i>Cash flows</i>					
Contributions received**	18 390 885	-	-	-	18 390 885
Claims and other directly attributable expenses paid***	-	-	(18 515 617)	-	(18 515 617)
Insurance acquisition cash flows paid	-	-	(381 799)	-	(381 799)
<b>Total Cash flow</b>	<b>18 390 885</b>	<b>-</b>	<b>(18 897 416)</b>	<b>-</b>	<b>(506 531)</b>
<b>Net insurance contract liabilities as at 31 December 2022</b>	<b>(171 645)</b>	<b>-</b>	<b>2 081 154</b>	<b>132 150</b>	<b>2 041 659</b>
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	(171 645)	-	2 081 154	132 150	2 041 659
<b>Net insurance contract liabilities as at 31 December 2022</b>	<b>(171 645)</b>	<b>-</b>	<b>2 081 154</b>	<b>132 150</b>	<b>2 041 659</b>
*Savings contributions received	18 390 885				
**Contributions received	17 546 378				
Risk contributions	844 507				
PMSA contributions	(18 515 617)				
***Claims and other directly attributable expenses paid	(16 755 732)				
Risk claims	(735 899)				
PMSA claims	(1 023 986)				
Expenses					

<sup>#</sup> Included in the opening net balances for insurance contract assets and liabilities as at 1 January 2022 are Nedgroup Medical Aid Scheme assets and liabilities that were acquired through amalgamation at fair value on 1 January 2022.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 12. INSURANCE CONTRACT LIABILITIES (continued)

#### 12.1 RECONCILIATION OF NET INSURANCE CONTRACT LIABILITIES BALANCES

The breakdown of the net insurance contract liabilities are set out below:

	Liability for remaining coverage (LRC) R'000	Liability for incurred claims (LIC) R'000	Total 2023 R'000
<b>Net insurance contract liabilities</b>			
Contributions outstanding	(630 989)	-	(630 989)
Recoveries due from members for co-payments	-	(1 359)	(1 359)
Service provider receivables	-	(5 884)	(5 884)
Savings plan account advances	-	(728)	(728)
Contributions received in advance	377 975	-	377 975
Credit balances due to members – overpayments	10 840	-	10 840
Reported claims not yet paid	-	117 928	117 928
Personal medical savings accounts liability (note 12.4)	-	1 180 666	1 180 666
Best estimate liability – incurred but not reported	-	932 689	932 689
Risk adjustment	-	145 351	145 351
<b>Total net insurance contract liabilities as at 31 December 2023</b>	<b>(242 174)</b>	<b>2 368 663</b>	<b>2 126 489</b>

	Liability for remaining coverage (LRC) R'000	Liability for incurred claims (LIC) R'000	Total 2022 R'000
<b>Net insurance contract liabilities</b>			
Contributions outstanding	(577 525)	-	(577 525)
Recoveries due from members for co-payments	-	(1 110)	(1 110)
Service provider receivables	-	(4 657)	(4 657)
Savings plan account advances	-	(707)	(707)
Contributions received in advance	399 982	-	399 982
Credit balances due to members – overpayments	5 898	-	5 898
Reported claims not yet paid	-	111 002	111 002
Personal medical savings accounts liability (note 12.4)	-	1 016 135	1 016 135
Best estimate liability – incurred but not reported	-	960 491	960 491
Risk adjustment	-	132 150	132 150
<b>Total net insurance contract liabilities as at 31 December 2022</b>	<b>(171 645)</b>	<b>2 213 304</b>	<b>2 041 659</b>

#### 12.2 LIABILITY FOR REMAINING COVERAGE (LRC)

During the reporting period, the LRC was reduced by the amount of insurance revenue recognised for the services provided in the period. The composition of insurance revenue is disclosed in the analysis of insurance revenue provided in note 15. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Scheme expects to be entitled to in exchange for those services and increased the LRC. Debtors that paid in advance and for which no service has yet been provided are included in the LRC. Debtors in arrears and for which services and coverage have been provided but not yet paid are included in LRC.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 12. INSURANCE CONTRACT LIABILITIES (continued)

#### 12.3 LIABILITY FOR INCURRED CLAIMS (LIC)

For insurance contracts issued at each of the subsequent reporting dates the LIC is:

- best estimate of cash flows and
- risk adjustment.

(i) Members must submit all claims for payment within four months of seeking medical treatment. However, some claims do take significantly longer than four months to settle (i.e. to “run off”).

Run-off patterns are therefore calculated by considering the Scheme’s unique experience on the pattern of when claims occur and when they are ultimately settled, categorised into groups for which one can expect a homogenous run-off pattern to emerge.

The best estimate of cash flow provision is based on information available as at the measurement date, which includes amounts already settled (processed) as at the measurement date, the run-off input assumptions outlined above, as well as any other available estimates (for example, budgeted claims or independently estimated hospital amounts from pre-authorisation case estimate models).

#### RISK ADJUSTMENT:

The biggest risk inherent in run-off models are the run-off assumptions applied. Any processing changes and/or delays between providers and the administrator (relative to the input assumptions) would impact on the best estimate value of fulfilment cash flow provided.

Therefore, provision for such adverse experience is made in the form of a risk adjustment (that is, where the model relies on run-off assumptions).

The risk adjustment was determined by applying sensitivity testing to the run-off input assumptions used to calculate the best estimate reserve value, i.e. a deterministic sensitivity approach. This methodology is referred to as a ‘Provision for Adverse Deviation’.

Stochastic claims modelling (based on simulations of multiple prior year outstanding claim reserve distributions of the Scheme) was used to assess this overall risk adjustment value by attaching an upper confidence interval to the value. In other words, it was also stochastically assessed what the required risk adjustment would be to ensure that the Scheme is not under-reserved with a certain confidence level, relative to its unique reserving history and claims run-off patterns. The risk adjustment, relative to this level, was assessed to be greater than 90.0%.

The risk adjustment reflects the Scheme’s risk attitude towards the levels of conservatism considered in its liability reserving, solvency management and pricing practices.

#### CLAIMS SENSITIVITY:

Refer Note 21.4 for the claims sensitivity analysis.

#### 12.4 RECONCILIATION OF MEMBERS’ PMSA BALANCE

The PMSA is a non-distinct investment component with the balances included in either insurance contract assets or liabilities in the statement of financial position. The Members’ PMSA Reconciliation in line with Regulation 10 of the Act:

	2023 R'000	2022 R'000
Balance of Personal medical savings account liability at 1 January	1 016 135	894 037
Less: Personal medical savings plan advances	(1 300)	(1 333)
Add: Acquisition through amalgamation (note 27)	-	67 920
Balance of Personal medical savings account liability at 1 January	1 014 835	960 624
Add: Savings account contributions received	973 682	844 507
Savings plan liabilities transferred to the scheme from other Schemes in terms of Regulation 10 (4)	1 678	2 854
Net interest paid on savings plan account	70 838	40 380
Interest paid	86 864	54 625
Investment fees	(1 411)	(1 251)
Recovery of personal medical savings account investment and administrative expense (note 17)	(14 615)	(12 994)
Less: Claims paid on behalf of members	(805 937)	(735 899)
Refunds on death or resignation in terms of Regulation 10 (5)	(65 697)	(93 431)
Personal medical savings plan advances	1 339	1 300
Unclaimed Personal medical savings account liability written off to Scheme funds (note 17)	(10 072)	(4 200)
<b>Balances due to members on Personal medical savings accounts held at 31 December</b>	<b>1 180 666</b>	<b>1 016 135</b>

The BonSave, BonClassic, BonComprehensive, BonComplete and BonFit benefit options allow members the facility to pay a percentage of their gross contributions into a savings account, to assist members in managing their healthcare costs to their own requirements. The percentage per option varies from 14.1% on BonClassic, 15.0% on BonFit, 15.0% on BonComplete, 24.0% on BonSave, and 18.9% on BonComprehensive. Savings are capped at a maximum of 25.0% of the gross contributions.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 12. INSURANCE CONTRACT LIABILITIES (continued)

#### 12.4 RECONCILIATION OF MEMBERS' PMSA BALANCE (continued)

The personal medical savings account (PMSA) contains a demand feature in terms of Regulation 10 of the Act that any credit balance on a member's PMSA must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and then enrolls in another benefit option or medical scheme without a PMSA, or does not enroll in another medical scheme.

The following Scheme Rules were adopted from 1 January 2020:

- Interest would still be paid to members on PMSA monies at the rate achieved by the Scheme's cash portfolio net of administration costs. An effective 0.125% return achieved for a particular month (1.5% annual) is deducted for investment expenses from the return allocated to the PMSA, relating to administration costs associated with managing the members PMSA.
- Interest would be applied to members accumulated fund balances. Net interest is not allocated to current savings balances. The effective interest rate earned was 8.8% (2022: 6.0%) and 7.3% was allocated to the PMSA balances.

### 13. REINSURANCE CONTRACT ASSETS

#### RECONCILIATION OF ASSET FOR REMAINING COVERAGE AND ASSET FOR INCURRED CLAIMS FOR REINSURANCE CONTRACTS

	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		Total 2023 R'000
	Excluding loss recovery component R'000	Loss recovery component R'000	Best Estimate Liability R'000	Risk Adjustment R'000	
<b>2023</b>					
Opening reinsurance contract assets as at 1 January 2023	61 468	-	50 045	2 899	114 412
<i>Changes in the statement of comprehensive income:</i>					
Allocation of RTA premiums paid* (note 15.7)	(1 879 274)	-	-	-	(1 879 274)
Amounts recoverable from reinsurers (note 15.7)			2 193 298	1 550	2 194 848
Recoveries for incurred claims	-	-	2 243 343	4 449	2 247 792
Changes that relate to past service – adjustments to incurred claims	-	-	(50 045)	(2 899)	(52 944)
<b>Total changes in the statement of comprehensive income</b>	<b>(1 879 274)</b>	<b>-</b>	<b>2 193 298</b>	<b>1 550</b>	<b>315 574</b>
<i>Cash flows</i>					
Premiums paid	1 822 504	-	-	-	1 822 504
Recoveries from reinsurance**	-	-	(2 166 292)	-	(2 166 292)
<b>Total Cash flow</b>	<b>1 822 504</b>	<b>-</b>	<b>(2 166 292)</b>	<b>-</b>	<b>(343 788)</b>
<b>Closing reinsurance contract assets as at 31 December 2023</b>	<b>4 698</b>	<b>-</b>	<b>77 051</b>	<b>4 449</b>	<b>86 198</b>

\* FY2023 includes a refund of capitation fees totalling R4.7 million for Scriptpharm Risk Management Proprietary Limited.

\*\* Recoveries from reinsurance represent the value of the services provided by the risk transfer provider. This represents a non-cash transaction.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 13. REINSURANCE CONTRACT ASSETS (continued)

#### RECONCILIATION OF ASSET FOR REMAINING COVERAGE AND ASSET FOR INCURRED CLAIMS FOR REINSURANCE CONTRACTS (continued)

	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		Total 2022 R'000
	Excluding loss recovery component R'000	Loss recovery component R'000	Best Estimate Liability R'000	Risk Adjustment R'000	
<b>2022</b>					
Opening reinsurance contract assets as at 1 January 2022	-	-	48 686	1 592	50 278
<i>Changes in the statement of comprehensive income:</i>					
Allocation of RTA premiums paid* (note 15.7)	(1 547 984)	-	-	-	(1 547 984)
Amounts recoverable from reinsurers (note 15.7)			1 732 442	1 307	1 733 749
Recoveries for incurred claims	-	-	1 781 128	2 899	1 784 027
Changes that relate to past service – adjustments to incurred claims	-	-	(48 686)	(1 592)	(50 278)
<b>Total changes in the statement of comprehensive income</b>	<b>(1 547 984)</b>	<b>-</b>	<b>1 732 442</b>	<b>1 307</b>	<b>185 765</b>
<i>Cash flows</i>					
Premiums paid	1 609 452	-	-	-	1 609 452
Recoveries from reinsurance**			(1 731 083)	-	(1 731 083)
<b>Total Cash flow</b>	<b>1 609 452</b>	<b>-</b>	<b>(1 731 083)</b>	<b>-</b>	<b>(121 631)</b>
<b>Closing reinsurance contract assets as at 31 December 2022</b>	<b>61 468</b>	<b>-</b>	<b>50 045</b>	<b>2 899</b>	<b>114 412</b>

\* FY2022 included a refund due of risk capitation fees totalling R65 million due by Preferred Provider Negotiators Proprietary Limited for R57 million and Scriptpharm Risk Management Proprietary Limited for R8 million relating to FY2022 contract period.

\*\* Recoveries from reinsurance represent the value of the services provided by the risk transfer provider. This represents a non-cash transaction.

### 14. TRADE AND OTHER PAYABLES

#### 14.1 TRADE AND OTHER PAYABLES

	2023 R'000	Restated 2022 R'000
Accrual of external audit fees	2 973	2 216
Accrual of internal audit fees	1 045	321
Amounts owing to administrator	3 774	4 376
Amounts owing to related entities (including marketing costs)	16 562	23 149
South African Revenue Service	272	257
Accrual for advertising and marketing expenses (excluding related entity)	8 073	6 847
Sundry payables	12 128	34 016
<b>Total trade and other payables</b>	<b>44 827</b>	<b>71 182</b>
<b>Total arising from any financial payable</b>	<b>44 827</b>	<b>71 182</b>

The carrying amount of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>15. INSURANCE REVENUE AND SERVICE EXPENSES</b>		
<b>Insurance revenue</b>		
Gross contributions from contracts	20 435 010	20 029 813
Savings contributions from contracts	(973 682)	(844 507)
<b>Total insurance revenue</b>	<b>19 461 328</b>	19 185 306
<b>Less: Insurance service expenses</b>		
Claims incurred (note 15.1)	18 066 419	17 361 681
Third party claims recoveries (note 15.8)	(57 698)	(74 966)
Changes that relate to past service – adjustment to the LIC (note 15.2)	(165 859)	(242 633)
Insurance acquisition cash flows (note 15.3)	395 201	381 799
Accredited managed healthcare services (note 15.4)	606 668	591 335
Losses on onerous contracts and reversal of those losses	–	–
Attributable expenses incurred (note 15.5)	1 117 900	1 071 811
Amounts attributable to future members (note 15.6)	265 314	696 369
<b>Total insurance service expenses</b>	<b>20 227 945</b>	(19 785 396)
<b>Net income from risk transfer arrangement/reinsurance contract held</b>		
Net income from risk transfer arrangement/reinsurance (note 15.7)	315 574	185 765
<b>Total insurance service result</b>	<b>(451 043)</b>	(414 325)
<b>15.1 CLAIMS INCURRED</b>		
Incurred claims	18 066 419	17 361 681
<b>Total claims incurred</b>	<b>18 066 419</b>	17 361 681
<b>15.2 CHANGES THAT RELATE TO PAST SERVICE - ADJUSTMENT TO THE LIC</b>		
Changes that relate to past service – adjustment to the LIC	(165 859)	(242 633)
<b>Total changes that relate to past service – adjustment to the LIC</b>	<b>(165 859)</b>	(242 633)
<b>15.3 INSURANCE ACQUISITION CASH FLOWS</b>		
Broker fees	395 201	381 799
<b>Total Insurance acquisition cash flows</b>	<b>395 201</b>	381 799
<b>15.4 ACCREDITED MANAGED HEALTHCARE SERVICES</b>		
Hospital benefit management	211 163	196 571
Medicine benefit management	103 347	96 590
Disease management	112 157	137 554
HIV/AIDS management	59 131	57 849
Provider network management	98 843	81 568
Dental risk management	22 027	21 203
<b>Total Accredited managed healthcare services</b>	<b>606 668</b>	591 335

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>15. INSURANCE REVENUE AND SERVICE EXPENSES (continued)</b>		
<b>15.5 ATTRIBUTABLE EXPENSES INCURRED</b>		
<b>Accredited Administrator service fees</b>	<b>954 308</b>	914 637
Member record management	133 298	127 479
Contribution management	51 279	49 028
Claims management	226 248	218 484
Financial management	41 027	39 212
Information management and data control	143 547	137 227
Broker remuneration management	102 534	98 060
Customer services	256 375	245 147
<b>Other expenses</b>	<b>163 592</b>	157 174
Marketing costs	128 674	119 991
Benefit management services	17 000	18 409
RAF administration expense	6 746	9 146
Wellness expenses	9 129	7 869
Actuarial services	2 043	1 759
<b>Total Attributable expenses incurred</b>	<b>1 117 900</b>	1 071 811
<b>15.6 AMOUNTS ATTRIBUTABLE TO FUTURE MEMBERS</b>		
Excess over net asset value	265 314	696 369
<b>Total amounts attributable to future members</b>	<b>265 314</b>	696 369
<b>15.7 NET INCOME FROM RISK TRANSFER ARRANGEMENT/REINSURANCE CONTRACT HELD</b>		
An allocation of premiums paid	1 879 274	1 547 984
Dental Information Systems Proprietary Limited	346 269	378 198
Scriptpharm Risk Management Proprietary Limited*	769 874	785 099
Preferred Provider Negotiators Proprietary Limited*	244 848	225 720
ER24 EMS Proprietary Limited#	–	58 072
Europ Assistance Worldwide Services (South Africa) Proprietary Limited – EMS#	141 952	85 472
Europ Assistance Worldwide Services (South Africa) Proprietary Limited – Travel	14 179	15 423
Private Health Administrators Proprietary Limited	362 152	–
Amounts recovered from risk transfer arrangement/reinsurance	(2 194 848)	(1 733 749)
Claims recoveries	(2 194 848)	(1 733 749)
<b>Total Net income from risk transfer arrangement/reinsurance contract held</b>	<b>(315 574)</b>	(185 765)

\* FY2023 includes a refund of capitation fees due totalling R4.7 million for Scriptpharm Risk Management Proprietary Limited. FY2022 included a refund due of risk capitation fees totalling R65 million due by Preferred Provider Negotiators Proprietary Limited for R57 million and Scriptpharm Risk Management Proprietary Limited for R8 million relating to FY2022 contract period.

# Following a request for proposal tender process, the emergency medical services contract terminated with ER24 EMS Proprietary Limited on 30 April 2022 and a new contract was entered into with Europ Assistance from 1 May 2022. See note 21.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 15. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

#### 15.7 NET INCOME FROM RISK TRANSFER ARRANGEMENT/REINSURANCE CONTRACT HELD (continued)

The net (income)/loss of the risk transfer arrangements/reinsurance contracts for the current financial year per third party service provider is as follows:

	2023 R'000	2022 R'000
Dental Information Systems Proprietary Limited	(75 702)	(62 711)
Scriptpharm Risk Management Proprietary Limited*	(90 344)	(64 586)
Preferred Provider Negotiators Proprietary Limited	(47 947)	(54 520)
ER24 EMS Proprietary Limited – EMS	–	3 945
Europ Assistance Worldwide Services (South Africa) Proprietary Limited – EMS	(47 033)	(18 182)
Europ Assistance Worldwide Services (South Africa) Proprietary Limited – International Travel	3 662	10 289
Private Health Administrators Proprietary Limited	(58 210)	–
<b>Total Net income from risk transfer arrangement/reinsurance contract held</b>	<b>(315 574)</b>	<b>(185 765)</b>

Risk transfer arrangements are entered into in respect of the provision of medical services that are outsourced to third parties by the Scheme. These services comprise:

- Dental benefits provided by Dental Information Systems Proprietary Limited;
- Chronic medicine benefits provided by Scriptpharm Risk Management Proprietary Limited;
- Optical benefit management provided by Preferred Provider Negotiators Proprietary Limited;
- Ambulance and emergency services provided by ER24 EMS Proprietary Limited up until 30 April 2022 and Europ Assistance Worldwide Services (South Africa) Proprietary Limited from 1 May 2022;
- International travel benefits provided by Europ Assistance Worldwide Services (South Africa) Proprietary Limited; and
- Non-hospital events for Boncap provided by Private Health Administrators Proprietary Limited

The service providers noted above have a national footprint across South Africa, providing access to all members.

Refer to note 21 to the financial statements for nature, terms and conditions of the risk transfer arrangements.

#### DENTAL INFORMATION SYSTEMS PROPRIETARY LIMITED (“DENIS”)

The Scheme has appointed DENIS to attend to all aspects of dental claim administration, including payments of all claims and to provide the SMILE programme. The Scheme pays DENIS a fixed fee on a monthly basis for members on the Standard, BonSave, BonComplete, BonFit and BonClassic Options.

#### SCRIPTPHARM RISK MANAGEMENT PROPRIETARY LIMITED (“SCRIPTPHARM”)

The Scheme has entered into a risk transfer arrangement with Scriptpharm to provide Chronic medicine benefits for the members. The Scheme pays Scriptpharm a monthly fixed fee per beneficiary on all of the options.

#### PREFERRED PROVIDER NEGOTIATORS PROPRIETARY LIMITED (“PPN”)

The Scheme has entered into a risk transfer arrangement with PPN for optometry services and pays a monthly fee per member per month on the Standard, Primary, BonClassic and BonCap. Included in the contract is an arrangement whereby if a defined surplus, comprised of premiums less claims paid less expenses, is reported at the end of the benefit or contract cycle then 100% of the defined surplus, up to a maximum of 6% of the total of the premiums paid, is due to PPN and remainder to the Scheme.

#### ER24 EMS PROPRIETARY LIMITED (“ER24”) AND EUROP ASSISTANCE WORLD WIDE SERVICES (SOUTH AFRICA) PROPRIETARY LIMITED (“EASA”)

In the previous year the Scheme appointed ER24 up until 30 April 2022 to render emergency medical services whereby they will maintain a twenty-four (24) hour a day professionally staffed contact centre to provide general medical advice, appropriate rapid response vehicle services with the necessary life saving support equipment and care as well as medical transportation to the most appropriate medical facility for providing adequate care for all members of the Scheme.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 15. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

#### 15.7 NET INCOME FROM RISK TRANSFER ARRANGEMENT/REINSURANCE CONTRACT HELD (continued)

##### EUROP ASSISTANCE WORLDWIDE SERVICES (SOUTH AFRICA) PROPRIETARY LIMITED (“EASA”)

The Scheme has entered into a risk transfer arrangement with EASA for the provision of international travel benefits for members who travel overseas for a period of not more than 90 days at a fixed fee per member per month. This contract applies to all members of the Scheme except for those on the BonCap option.

##### PRIVATE HEALTH ADMINISTRATORS PROPRIETARY LIMITED (“PHA”)

The Scheme has entered into a risk transfer arrangement with PHA to provide non-hospital benefits to members belonging to the Boncap option. The Scheme pays PHA a monthly fixed fee per beneficiary on Boncap option.

### 15.8 THIRD PARTY CLAIM RECOVERIES

Third party claim recoveries of R57.7 million (2022: R75.0 million) are included in insurance services expenses as part of net claims incurred. Included in this are third party recoveries for motor vehicle accident (“MVA”) and injury on duty (“IOD”) claims of R11.9 million (2022: R30.6 million). The timing and consideration of MVA or Road Accident Fund recoveries is uncertain. These claims are currently being administered by Gildenhuis Malatji Attorneys and Batsumi Claims Management Solutions Proprietary Limited. The claims recoveries in the current year includes R35.8 million (2022: R41.4 million), net of recovery fees, in relation to forensic recoveries pertaining to the fraud waste and abuse services provided by the Administrator, R0.5 million (2022: R0.8 million) in relation to diabetes clawbacks and R9.5 million (2022: R2.2 million) in recoveries from Mediclinic and Life Healthcare related to settlement discounts.

	2023 R'000	2022 R'000
<b>16. INVESTMENT INCOME</b>		
Cash and cash equivalents interest income	11 508	7 075
Financial assets held at fair value through profit or loss	659 960	570 542
Interest income	462 738	367 687
Dividend income	197 222	202 855
Net fair value gains on financial assets held at fair value through profit or loss	147 769	193 225
Rentals received	10 678	10 020
Contractual rental	10 302	9 673
Straight-lining of lease accrual	376	347
Investment income – Scheme	829 915	780 862
Change in fair value of investment properties	(3 500)	1 500
	<b>826 415</b>	<b>782 362</b>
<b>17. SUNDRY INCOME</b>		
Profit on sale of property and equipment	12	14
Forensic recoveries	–	96
Sundry income	38 678	30 950
Unclaimed personal medical savings account write backs (note 12.4)	10 072	4 200
Recovery of personal medical savings account investment and administration expense (note 12.4)	14 615	12 994
Service Level Agreement penalty recoveries from Administrator	13 228	12 166
Other income	763	1 590
	<b>38 690</b>	<b>31 060</b>

Claim recoveries from Healthcare practitioners are offset against claims paid. Forensic recoveries comprise financial recoveries from members and healthcare providers arising from irregularities due to fraud and abuse as these members and healthcare providers were thoroughly investigated and either legally prosecuted by the Scheme, or have signed an acknowledgement of debt, thereby committing to pay back the Scheme the amounts claimed erroneously. See note 15.8 third party claims recoveries which includes recoveries as a result of fraud, waste and abuse services provided by the Administrator.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>18. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES</b>		
Other administration services provided by Accredited Administrator (note 18.1)	<b>108 865</b>	101 806
Actuarial services	<b>2 078</b>	2 150
Annual general meeting costs	<b>1 760</b>	1 236
Audit remuneration – external	<b>4 333</b>	4 953
Audit fees	<b>4 333</b>	3 167
Fees for other non-audit services	<b>–</b>	1 786
Audit remuneration – internal	<b>3 526</b>	3 958
Audit fees	<b>3 526</b>	3 911
Prior year under provision	<b>–</b>	47
Bank charges	<b>4 001</b>	3 769
Communication expenses	<b>205</b>	135
Consulting fees	<b>6 175</b>	5 477
Council for Medical Schemes levies	<b>16 405</b>	15 595
Committee fees – Independent members	<b>1 500</b>	1 588
Audit and risk committee fees	<b>611</b>	938
Investment committee fees	<b>291</b>	259
Managed care committee fees	<b>234</b>	56
Remuneration committee fees	<b>364</b>	335
Computer maintenance	<b>2 649</b>	3 814
Depreciation	<b>2 778</b>	3 843
Fidelity, professional indemnity and other insurance premiums	<b>1 459</b>	1 709
Forensic fees	<b>–</b>	50
Hire of equipment	<b>133</b>	156
Human resourcing and payroll management fees	<b>366</b>	562
Legal fees and inspection costs	<b>2 372</b>	3 165
Marketing and advertising expenses	<b>91 431</b>	84 771
Meeting venue and catering costs	<b>189</b>	213
Office expenses	<b>338</b>	338
Postage and courier service	<b>65</b>	361
Principal Officer short-term employee benefits	<b>8 672</b>	8 806
Principal Officer remuneration	<b>5 210</b>	4 776
Performance incentive	<b>1 724</b>	1 610
Unvested long term employee benefit	<b>1 306</b>	1 980
Defined contribution benefits	<b>291</b>	252
Other disbursements	<b>141</b>	188
Printing and stationery	<b>1 318</b>	1 557
Professional services	<b>1 254</b>	1 373
Rental costs	<b>1 962</b>	1 997
Repairs and maintenance	<b>23</b>	24
Staff short-term employee benefits	<b>28 860</b>	27 162
Staff remuneration	<b>20 877</b>	19 214
Performance incentive	<b>4 361</b>	3 846
Unvested long term employee benefit	<b>961</b>	1 469
Termination benefit	<b>–</b>	293
Defined contribution benefits	<b>1 197</b>	1 036
Other disbursements	<b>1 464</b>	1 304
Subscription fees	<b>3 508</b>	3 380
Sundry expenses	<b>2 744</b>	434
Travel, accommodation and conferences	<b>628</b>	546
Trustee elections	<b>–</b>	7 330
Trustees' remuneration and other disbursements (note 18.2)	<b>6 660</b>	6 590
Trustees' remuneration	<b>6 103</b>	6 033
Other disbursements	<b>557</b>	557
	<b>306 257</b>	298 847

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>18. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES (continued)</b>		
<b>18.1 OTHER ADMINISTRATION SERVICES PROVIDED BY ACCREDITED ADMINISTRATOR</b>		
Internal audit services	<b>31 293</b>	31 586
Forensic investigations and recoveries	<b>37 742</b>	35 942
Governance and compliance services rendered	<b>39 830</b>	34 278
<b>Total other administration services provided by Accredited Administrator</b>	<b>108 865</b>	101 806

### 18.2 TRUSTEES' REMUNERATION AND CONSIDERATIONS

2023

R	Fees for meeting attendance <sup>1</sup>	Fees for holding of office <sup>2</sup>	Fees for other meeting attendance <sup>3</sup>	Total remuneration	Accommodation, travel and meals	Training and annual subscription fees	Total
Mr O Komane	398 054	359 968	491 697	1 249 719	35 622	19 210	1 304 551
Mr J Bagg	269 065	248 460	58 623	576 148	10 932	7 110	594 190
Mr MG Netshisaulu	256 011	248 460	30 707	535 178	21 627	18 460	575 265
Mr R Cowlin	241 362	248 460	343 263	833 085	63 193	18 460	914 738
Mr JD Ngwane	145 586	248 460	38 275	432 321	29 008	19 210	480 539
Mr JR Venter	170 172	248 460	89 763	508 395	86 476	18 461	613 332
Mr P Ribbens	193 474	248 460	76 878	518 812	32 718	7 110	558 640
Dr PW Hill	124 761	205 214	80 959	410 934	29 730	6 901	447 565
Ms V Rikhotso	225 900	248 460	125 086	599 446	27 702	40 637	667 785
Ms RT Monene	145 586	248 460	45 361	439 407	23 763	40 637	503 807
	<b>2 169 971</b>	<b>2 552 862</b>	<b>1 380 612</b>	<b>6 103 445</b>	<b>360 771</b>	<b>196 196</b>	<b>6 660 412</b>

2022

R	Fees for meeting attendance <sup>1</sup>	Fees for holding of office <sup>2</sup>	Fees for other meeting attendance <sup>3</sup>	Total remuneration	Accommodation, travel and meals	Training and annual subscription fees	Total
Mr O Komane	544 659	327 556	293 251	1 165 466	157 829	13 829	1 337 124
Mr J Bagg	169 400	212 974	192 574	574 948	5 524	13 329	593 801
Mr MG Netshisaulu	295 991	229 758	38 390	564 139	5 978	2 330	572 447
Mr R Cowlin	278 552	235 832	248 254	762 638	67 049	13 329	843 016
Ms J Usher	153 565	154 848	108 398	416 811	8 575	1 748	427 134
Ms MP Lesunyane	108 396	154 848	19 873	283 117	3 818	1 748	288 683
Mr JD Ngwane	138 615	235 832	56 765	431 212	19 098	13 329	463 639
Mr JR Venter	248 261	235 832	27 099	511 192	83 320	13 329	607 841
Mr P Ribbens	188 713	235 832	91 578	516 123	38 274	13 329	567 726
Dr PW Hill	152 165	235 832	92 078	480 075	62 870	13 329	556 274
Ms V Rikhotso	70 865	74 910	28 346	174 121	2 675	582	177 378
Ms RT Monene	70 865	74 910	7 086	152 861	1 606	582	155 049
	<b>2 420 047</b>	<b>2 408 964</b>	<b>1 203 692</b>	<b>6 032 703</b>	<b>456 616</b>	<b>100 793</b>	<b>6 590 112</b>

<sup>1</sup> Fees for meeting attendance refers to remuneration payable to Trustees for attending meetings of Board of Trustees.

<sup>2</sup> Fees for holding office refers to remuneration payable to individuals to act in their capacity as Trustee, including carrying out their fiduciary duty.

<sup>3</sup> Fees for other meeting attendance refers to remuneration payable to Trustees for attendance of other meetings at which their attendance is required to act in the interest of the Scheme.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 19. SURPLUS/(DEFICIT) PER BENEFIT OPTION

For management purposes the traditional Scheme is organised into the following twelve benefit options: Standard, BonSave, Primary, BonCap, BonFit, BonClassic, BonComprehensive, BonEssential, BonComplete, Hospital Standard, BonStart and BonStart Plus. The features of the benefit options are disclosed in the Annual Report.

R'000	Standard	BonSave	Primary	BonCap	BonFit	BonClassic	Bon Compre- hensive	Bon Essential	Bon Complete	Hospital Standard	BonStart	BonStart Plus	Scheme Total (Excluding Amounts attributable to future members)	Other*	Scheme Total (Including Amounts attributable to future members)
<b>2023</b>															
Insurance revenue	8 354 315	1 835 460	4 896 571	1 257 300	418 488	691 325	493 623	528 021	579 791	217 264	107 583	81 587	19 461 328	-	19 461 328
Insurance service expense	(8 535 248)	(1 717 494)	(5 009 408)	(1 503 282)	(374 252)	(700 453)	(592 329)	(564 209)	(605 453)	(216 670)	(77 485)	(66 344)	(19 962 631)	(265 314)	(20 227 945)
Net claims incurred	(7 929 876)	(1 472 956)	(4 414 009)	(1 305 921)	(302 488)	(659 001)	(569 363)	(491 384)	(558 111)	(192 876)	(56 677)	(56 059)	(18 008 721)	-	(18 008 721)
Claims incurred	(7 946 512)	(1 479 534)	(4 429 891)	(1 314 874)	(304 503)	(660 278)	(570 021)	(493 562)	(559 413)	(193 548)	(57 713)	(56 570)	(18 066 419)	-	(18 066 419)
Third party recoveries	16 636	6 578	15 882	8 953	2 015	1 277	658	2 178	1 302	672	1 036	511	57 698	-	57 698
Changes that relate to past service – adjustments to the LIC	70 457	16 048	39 295	10 105	2 641	6 912	4 510	5 760	5 837	2 609	702	983	165 859	-	165 859
Insurance acquisition cash flows	(124 617)	(51 938)	(118 516)	(39 074)	(13 515)	(6 751)	(4 729)	(14 231)	(10 800)	(5 084)	(3 450)	(2 496)	(395 201)	-	(395 201)
Accredited managed healthcare services	(188 979)	(66 243)	(182 721)	(75 742)	(18 963)	(13 698)	(8 418)	(19 525)	(14 010)	(6 649)	(7 886)	(3 832)	(606 668)	-	(606 668)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable expenses incurred	(362 233)	(142 405)	(333 457)	(92 650)	(41 927)	(27 917)	(14 329)	(44 829)	(28 369)	(14 670)	(10 174)	(4 940)	(1 117 900)	-	(1 117 900)
Amounts attributable to future members	-	-	-	-	-	-	-	-	-	-	-	-	-	(265 314)	(265 314)
<b>Net income from risk transfer arrangement/reinsurance</b>	<b>185 153</b>	<b>2 135</b>	<b>45 478</b>	<b>69 060</b>	<b>(1 870)</b>	<b>12 929</b>	<b>(2 872)</b>	<b>(86)</b>	<b>7 343</b>	<b>675</b>	<b>(1 665)</b>	<b>(707)</b>	<b>315 574</b>	<b>-</b>	<b>315 574</b>
An allocation of premiums paid	(841 164)	(112 011)	(243 935)	(448 565)	(21 758)	(74 869)	(52 623)	(14 095)	(53 459)	(10 439)	(4 110)	(2 248)	(1 879 274)	-	(1 879 274)
Amounts recovered from risk transfer arrangement/reinsurance	1 026 317	114 146	289 413	517 625	19 888	87 798	49 751	14 009	60 802	11 114	2 445	1 541	2 194 848	-	2 194 848
<b>Insurance service result</b>	<b>4 220</b>	<b>120 101</b>	<b>(67 359)</b>	<b>(176 922)</b>	<b>42 366</b>	<b>3 801</b>	<b>(101 578)</b>	<b>(36 274)</b>	<b>(18 319)</b>	<b>1 269</b>	<b>28 433</b>	<b>14 536</b>	<b>(185 729)</b>	<b>(265 314)</b>	<b>(451 043)</b>
<b>Other income</b>	<b>228 537</b>	<b>119 100</b>	<b>218 135</b>	<b>123 644</b>	<b>31 259</b>	<b>34 621</b>	<b>19 475</b>	<b>30 056</b>	<b>29 322</b>	<b>9 224</b>	<b>14 569</b>	<b>7 163</b>	<b>865 105</b>	<b>-</b>	<b>865 105</b>
Investment income – Scheme	218 372	115 081	208 440	118 194	30 042	33 840	19 073	28 728	28 527	8 813	13 947	6 858	829 915	-	829 915
Sundry income	11 177	4 419	10 658	5 993	1 337	859	442	1 460	874	452	683	336	38 690	-	38 690
Change in fair value of investment property	(1 012)	(400)	(963)	(543)	(120)	(78)	(40)	(132)	(79)	(41)	(61)	(31)	(3 500)	-	(3 500)
<b>Net insurance finance expenses</b>	<b>-</b>	<b>(28 790)</b>	<b>-</b>	<b>-</b>	<b>(3 093)</b>	<b>(17 084)</b>	<b>(10 415)</b>	<b>-</b>	<b>(11 456)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(70 838)</b>	<b>-</b>	<b>(70 838)</b>
Finance expenses from insurance contracts issued – PMSA	-	(28 790)	-	-	(3 093)	(17 084)	(10 415)	-	(11 456)	-	-	-	(70 838)	-	(70 838)
<b>Other expenditure</b>	<b>(99 248)</b>	<b>(39 209)</b>	<b>(94 466)</b>	<b>(53 266)</b>	<b>(11 797)</b>	<b>(7 635)</b>	<b>(3 928)</b>	<b>(12 942)</b>	<b>(7 773)</b>	<b>(4 015)</b>	<b>(5 999)</b>	<b>(2 946)</b>	<b>(343 224)</b>	<b>-</b>	<b>(343 224)</b>
Administration fees and other operative expenses	(88 560)	(34 986)	(84 291)	(47 530)	(10 525)	(6 813)	(3 505)	(11 548)	(6 936)	(3 583)	(5 352)	(2 628)	(306 257)	-	(306 257)
Interest expense	(154)	(61)	(146)	(82)	(18)	(12)	(6)	(20)	(12)	(6)	(9)	(5)	(531)	-	(531)
Asset management fees	(9 169)	(3 623)	(8 729)	(4 921)	(1 091)	(705)	(363)	(1 196)	(718)	(371)	(555)	(273)	(31 714)	-	(31 714)
Operating expenses on investment property	(1 365)	(539)	(1 300)	(733)	(163)	(105)	(54)	(178)	(107)	(55)	(83)	(40)	(4 722)	-	(4 722)
<b>Net surplus/(deficit) for the year</b>	<b>133 509</b>	<b>171 202</b>	<b>56 310</b>	<b>(106 544)</b>	<b>58 735</b>	<b>13 703</b>	<b>(96 446)</b>	<b>(19 160)</b>	<b>(8 226)</b>	<b>6 478</b>	<b>37 003</b>	<b>18 753</b>	<b>265 314</b>	<b>(265 314)</b>	<b>0</b>
<b>Average number of members (n)</b>	<b>101 516</b>	<b>40 104</b>	<b>96 623</b>	<b>54 483</b>	<b>12 065</b>	<b>7 810</b>	<b>4 018</b>	<b>13 237</b>	<b>7 951</b>	<b>4 107</b>	<b>6 136</b>	<b>3 012</b>	<b>-</b>	<b>-</b>	<b>351 061</b>

\* This includes R265 million relating to the surplus/funds attributable to future members as reported in the Statement of comprehensive income.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

### 19. SURPLUS/(DEFICIT) PER BENEFIT OPTION (continued)

For management purposes the traditional Scheme is organised into the following twelve benefit options: Standard, BonSave, Primary, BonCap, BonFit, BonClassic, BonComprehensive, BonEssential, BonComplete, Hospital Standard, BonStart and BonStart Plus. The features of the benefit options are disclosed in the Annual Report.

R'000	Standard	BonSave	Primary	BonCap	BonFit	BonClassic	Bon Compre- hensive	Bon Essential	Bon Complete	Hospital Standard	BonStart	BonStart Plus	Scheme Total (Excluding Amounts attributable to future members)	Other*	Scheme Total (Including Amounts attributable to future members)
<b>2022</b>															
<b>Insurance revenue</b>	8 366 695	1 852 015	4 701 398	1 252 409	332 644	724 706	502 644	515 119	607 835	233 368	63 967	32 506	19 185 306	-	19 185 306
<b>Insurance service expense</b>	(8 138 208)	(1 765 094)	(4 602 662)	(1 432 601)	(308 683)	(779 540)	(616 223)	(504 739)	(632 708)	(236 370)	(46 629)	(25 571)	(19 089 027)	(696 369)	(19 785 396)
<i>Net claims incurred</i>	(7 505 888)	(1 559 010)	(4 075 240)	(1 249 336)	(261 868)	(739 484)	(595 665)	(442 843)	(587 945)	(213 020)	(35 012)	(21 405)	(17 286 715)	-	(17 286 715)
Claims incurred	(7 527 824)	(1 567 924)	(4 095 490)	(1 261 353)	(264 084)	(741 349)	(596 583)	(445 790)	(589 817)	(213 976)	(35 809)	(21 681)	(17 361 681)	-	(17 361 681)
Third party recoveries	21 936	8 914	20 250	12 017	2 216	1 865	918	2 947	1 874	956	797	276	74 966	-	74 966
Changes that relate to past service – adjustments to the LIC	66 960	41 224	64 414	17 577	10 861	9 449	5 652	13 103	9 277	3 713	403	-	242 633	-	242 633
Insurance acquisition cash flows	(125 341)	(49 723)	(112 420)	(38 577)	(10 596)	(7 073)	(4 843)	(13 736)	(11 097)	(5 415)	(2 017)	(961)	(381 799)	-	(381 799)
Accredited managed healthcare services	(215 768)	(60 882)	(166 956)	(69 622)	(14 383)	(13 335)	(6 716)	(17 948)	(13 719)	(6 356)	(4 277)	(1 373)	(591 335)	-	(591 335)
Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable expenses incurred	(358 171)	(136 703)	(312 460)	(92 643)	(32 697)	(29 098)	(14 651)	(43 315)	(29 224)	(15 292)	(5 725)	(1 832)	(1 071 811)	-	(1 071 811)
Amounts attributable to future members	-	-	-	-	-	-	-	-	-	-	-	-	-	(696 369)	(696 369)
<b>Net income from risk transfer arrangement/reinsurance</b>	149 019	(3 105)	19 484	7 050	(3 162)	12 162	(1 828)	(396)	9 041	453	(1 001)	(1 953)	185 765	-	185 765
An allocation of premiums paid	(837 754)	(142 452)	(243 826)	(82 578)	(18 390)	(79 981)	(51 777)	(23 040)	(52 365)	(11 166)	(2 310)	(2 345)	(1 547 984)	-	(1 547 984)
Amounts recovered from risk transfer arrangement/reinsurance	986 773	139 347	263 310	89 628	15 228	92 143	49 949	22 644	61 406	11 619	1 309	392	1 733 749	-	1 733 749
<b>Insurance service result</b>	377 505	83 816	118 220	(173 142)	20 799	(42 672)	(115 407)	9 984	(15 832)	(2 549)	16 337	4 982	282 044	(696 369)	(414 325)
<b>Other income</b>	229 966	105 154	208 448	124 512	23 427	29 162	15 382	29 861	25 804	9 770	8 706	3 230	813 422	-	813 422
Investment income – Scheme	220 175	101 400	199 733	119 319	22 515	28 368	14 983	28 532	25 006	9 354	8 363	3 114	780 862	-	780 862
Sundry income	9 346	3 582	8 310	4 952	868	758	381	1 271	762	397	324	109	31 060	-	31 060
Change in fair value of investment property	445	172	405	241	44	36	18	58	36	19	19	7	1 500	-	1 500
<b>Net insurance finance expenses</b>	-	(15 670)	-	-	(1 395)	(10 379)	(5 959)	-	(6 977)	-	-	-	(40 380)	-	(40 380)
Finance expenses from insurance contracts issued – PMSA	-	(15 670)	-	-	(1 395)	(10 379)	(5 959)	-	(6 977)	-	-	-	(40 380)	-	(40 380)
<b>Other expenditure</b>	(107 646)	(41 409)	(96 882)	(57 357)	(10 064)	(8 744)	(4 395)	(13 739)	(8 786)	(4 577)	(3 793)	(1 322)	(358 717)	-	(358 717)
Administration fees and other operative expenses	(89 914)	(34 448)	(80 711)	(47 757)	(8 334)	(7 289)	(3 667)	(11 423)	(7 325)	(3 821)	(3 103)	(1 056)	(298 847)	-	(298 847)
Interest expense	(76)	(30)	(71)	(42)	(7)	(6)	(3)	(10)	(6)	(3)	(3)	(4)	(264)	-	(264)
Asset management fees	(16 226)	(6 383)	(14 814)	(8 797)	(1 590)	(1 333)	(667)	(2 124)	(1 339)	(692)	(636)	(244)	(54 846)	-	(54 846)
Operating expenses on investment property	(1 430)	(548)	(1 286)	(761)	(133)	(116)	(58)	(182)	(116)	(61)	(51)	(18)	(4 760)	-	(4 760)
<b>Net surplus/(deficit) for the year</b>	499 826	131 892	229 789	(105 985)	32 767	(32 631)	(110 379)	26 106	(5 790)	2 644	21 251	6 887	696 369	(696 369)	(0)
<b>Average number of members (n)</b>	106 479	40 794	95 580	56 555	9 870	8 632	4 343	13 528	8 674	4 525	3 674	1 251	-	-	353 905

\* This includes R696 million relating to the surplus/funds attributable to future members as reported in the Statement of comprehensive income.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 20. CASH FLOW NOTES

#### 20.1 RETURNS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The bulk of investment income on investments is held as cash and cash equivalents and not reinvested by the fund managers into financial instruments.

	2023 R'000	2022 R'000
<b>20.1.1 INTEREST RECEIVED</b>		
Finance income (note 16)	462 738	367 687
Interest capitalised in investments	(207 700)	(186 469)
	255 038	181 218
<b>20.1.2 DIVIDENDS RECEIVED</b>		
Dividend income (note 16)	197 222	202 855
Dividends capitalised in investments	(1 594)	(22 161)
	195 628	180 694
<b>20.1.3 ASSET MANAGEMENT FEES</b>		
Asset management fees per statement of comprehensive income	(31 714)	(54 846)
Fees capitalised in investments	1 277	882
	(30 437)	(53 964)
<b>20.1.4 RENTALS RECEIVED</b>		
Rentals received (note 16)	10 678	10 020
Straight-lining of lease receivables	(376)	(347)
Decrease in rent receivables	62	(273)
	10 364	9 400

### 21. INSURANCE RISK MANAGEMENT

#### 21.1 RISK MANAGEMENT OBJECTIVES, POLICIES AND STRATEGIES TO MITIGATE INSURANCE RISK

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. This risk relates to the health of the Scheme members. As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements and the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

This variation could be due to adverse experience for example an unexpected pandemic, unanticipated demographic movements e.g. a substantial number of young members leaving the Scheme, changes in the health profile of the membership, unexpected price increases and the cost of new technologies or drugs.

A major risk affecting the future sustainability of the Scheme is the possibility of deterioration in the risk profile of members. Schemes with a better member risk profile can offer the same benefits at a lower contribution rate than other Schemes, as their members will be claiming less.

If a Scheme charges higher contribution rates than the market, it is at risk of losing members and not replacing them. It is typically easier for younger, healthier members to move to another Scheme. Should this happen, the member risk profile would deteriorate, resulting in even higher contribution rates being required.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

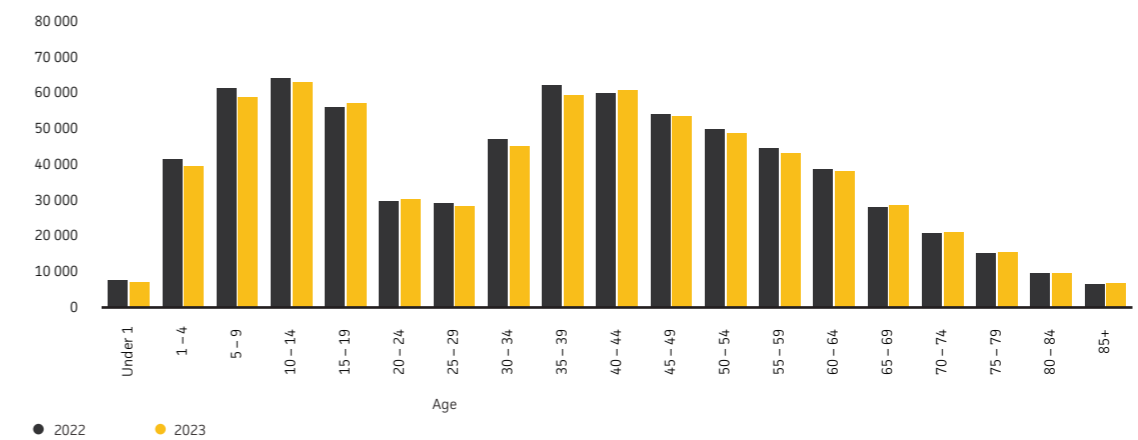
### 21. INSURANCE RISK MANAGEMENT (continued)

#### 21.1 RISK MANAGEMENT OBJECTIVES, POLICIES AND STRATEGIES TO MITIGATE INSURANCE RISK (continued)

One of the Scheme's key objectives, therefore, is to keep contribution rates as competitive and affordable as possible given the increases in claims costs. It is important that the Scheme maintains or improves its member risk profile, by attracting lower risk members and retaining healthy members in the Scheme.

The chart below provides an overview of the Scheme's beneficiaries demographic profile:

Beneficiary demographic profile



The Scheme's strategy seeks diversity to ensure a balanced portfolio approach. This approach is based on having a large portfolio of similar risks over a number of years, which is believed to reduce the variability of the outcome.

The strategy is set out in the annual pricing and benefit plan, and specifies the benefits to be provided by each option, the expected number of members per option and their expected demographic profile.

All the benefit option contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contracts at renewal. Management information including contribution income, claims ratios, target market and demographic split profile per option is reviewed periodically. There is also an underwriting review programme that reviews a sample of contracts periodically, to ensure adherence to the Scheme's objectives.

It is important to note that the Scheme's insurance risk management strategy focuses primarily on the management of systematic risk factors, which are risks within the control of the Scheme. Conversely, limited focus is placed on the management of non-systematic risk factors as these factors are uncontrollable in nature and are inherent to the medical industry as a whole.

The Scheme has noted the steady migration of insurance risk pertaining to Prescribed Minimum Benefits ("PMBs"), from systematic to non-systematic risk over the past five years. This is mainly attributable to change in legislation associated with PMBs, which requires the Scheme to pay for PMBs at full invoice price and no longer at set benefit limits and sub-limits.

#### 21.2 CONCENTRATIONS OF INSURANCE RISK

The Scheme's concentrations of insurance risk can be split into the following three benefit categories:

- **OUT-OF-HOSPITAL BENEFITS**

The out-of-hospital benefits include both the PMSA and an insurance risk element, dependent on the elected benefit option. These benefits cover the cost of out-of-hospital healthcare services, such as visits to general practitioners and dentists as well as prescribed acute medicines.

- **IN-HOSPITAL BENEFITS**

The hospital benefit covers medical expenses incurred due to admission to hospital.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 21. INSURANCE RISK MANAGEMENT (continued)

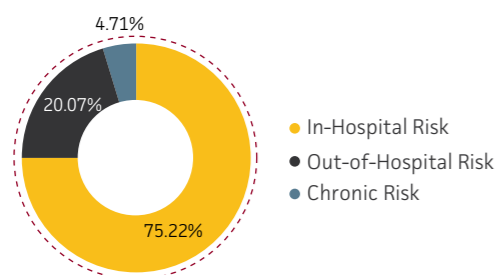
### 21.2 CONCENTRATIONS OF INSURANCE RISK (continued)

#### • CHRONIC ILLNESS BENEFIT

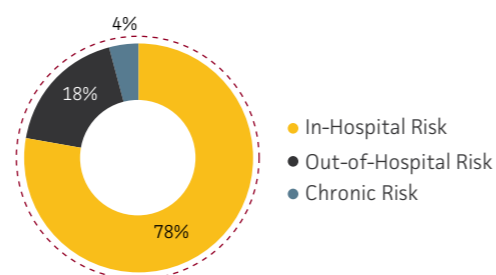
The Chronic Illness Benefit (CIB) covers approved medication for listed conditions, including the 27 PMB chronic conditions.

The following charts summarise the concentrations of insurance risk in relation to the type of risk covered/benefits provide

Concentration of insurance risk: 2022



Concentration of insurance risk: 2023

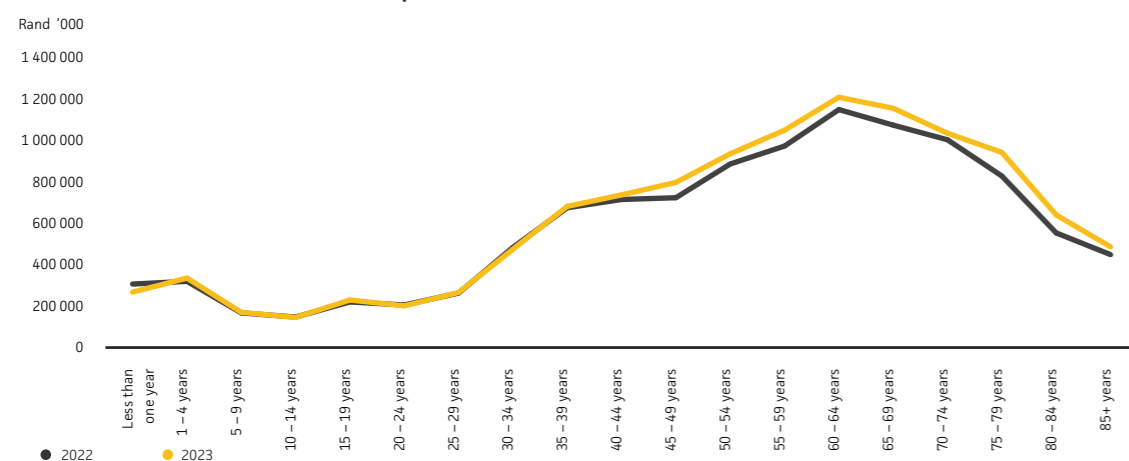


The following graphs summarise the concentrations of insurance risk, with reference to the carrying amount of the insurance claims incurred (before risk transfer arrangements), by age category in years of the Scheme and in relation to the benefit category.

The health status of the membership is a primary determinant of demand for health services which subsequently affects total cost of care. Therefore mitigation strategies are focused on positively influencing the utilisation and price of such services, to ensure overall system-wide cost-containment of quality care. These strategies for each benefit category are also summarised below.

#### 21.2.1 IN-HOSPITAL RISK

Concentration of insurance risk: In-Hospital Risk



Hospital and major medical expenses make up a significant part of overall expenditure and require close management. Therefore, there is a strong focus on ensuring appropriate treatment during the hospital stay (including level of care and length of stay), as well as post-discharge, which improves patient outcomes and reduces the likelihood of readmission for high risk admissions.

Initiatives used by the Scheme include:

- Hospital Benefit Management Programme – focusing on patient care co-ordination, from pre-admission to six weeks post-discharge, in order to ensure best and appropriate care.
- Reviewing and updating of clinical funding protocols as well as criteria for recognising specific healthcare professionals as being able to perform certain procedures.
- Health technology assessments (HTA) on existing and new technologies entering the market, within a framework of clinical validity and economic appropriateness of the healthcare intervention, based on a systematic review of the evidence base and costing considerations.
- Specialised case management – providing a dedicated focus on psychiatric cases, neonates, high cost cases and cases involving alternatives to hospitalisation (e.g. step down facilities).
- “Call-me-back” functionality to promote treating Doctor and/or Medical Advisor engagement in answering questions and offering choice in terms of funding alternatives.
- Monitoring compliance to care pathways to reduce the risk of readmission. This involves a follow-up process where, in the case of non-compliance, support is provided to assist the beneficiary to return to the care pathway.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 21. INSURANCE RISK MANAGEMENT (continued)

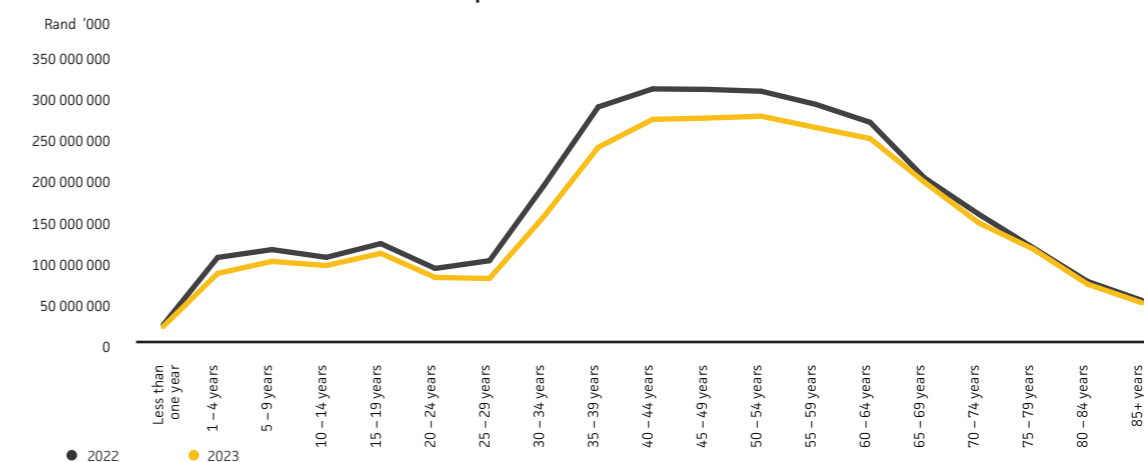
### 21.2 CONCENTRATIONS OF INSURANCE RISK (continued)

#### 21.2.1 IN-HOSPITAL RISK (continued)

- Innovative reimbursement models with hospitals/hospital groups to ensure the most appropriate level of risk is transferred through reimbursement such as;
  - Efficiency gain share
  - Claims increase protection
  - Rewarding providers for efficiency and quality care
- Entering into risk-based contracting with specialists where specific risks within the member population can be addressed e.g. arthroplasty (global fee).
- Contracting of a specialist network at agreed reimbursement rates.
- Clinical audit and re-pricing of claims to ensure that claims are paid against the contracted hospital rates and the pre-authorised level of care.
- Promoting alternatives to hospitalisation such as step-down facilities, Hospital-at-home and Home-Based Nursing to ensure that the right patient receives the right care at the right time.

#### 21.2.2 OUT-OF-HOSPITAL RISK

Concentration of insurance risk: Out-of-Hospital Risk



Managing claims expenditure is not only about negotiating lower rates but also about curtailing preventable hospital utilisation and cost. Initiatives focused on coordinating care for segments of the population who are likely to present for medical care, with associated high claim costs, have been implemented. Such initiatives include:

- Active Disease Risk Management Programme – An integrated care coordination programme enabling high and emerging risk beneficiaries to improve their health and quality of life by empowering the beneficiary through information sharing and counselling, to take responsibility for his or her own health and wellness.
- Back Rehabilitation Programme – An evidence-based physiotherapy and active rehabilitation programme that concentrates primarily on back and neck ailments, thus reducing the need for surgical intervention.
- High Risk Maternity Case Management – Pregnant mothers with potentially high risk pregnancies are supported and additional benefits are provided where this is deemed necessary to reduce the risk of high-cost hospitalisation and premature deliveries.
- Oncology Disease Management – Complex or unusual patient-specific requirements are managed on a case-by-case basis ensuring that beneficiaries access funding for appropriate and cost-effective oncology therapy before, during and after active treatment.
- Palliative care for oncology – Most terminally ill patients indicate a wish to spend their remaining days at home, but in South African private healthcare sector they are much more likely to remain in an intensive care or high care unit, frequently receiving aggressive, invasive and non-beneficial care. Under the palliative care programme, oncology patients are supported by a multidisciplinary team to ensure that they receive the most appropriate care in the most appropriate setting.
- Pathology Programme – Application of clinical protocols and utilisation rules to prevent wasteful utilisation of pathology benefits.
- Contracting of a GP network at agreed reimbursement rates.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

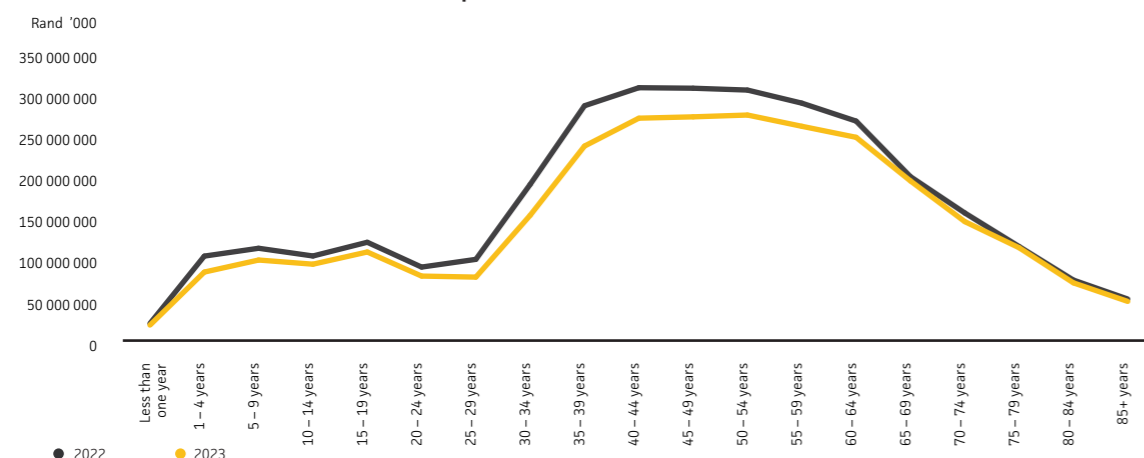
FOR THE YEAR ENDED 31 DECEMBER 2023

### 21. INSURANCE RISK MANAGEMENT (continued)

#### 21.2 CONCENTRATIONS OF INSURANCE RISK (continued)

##### 21.2.3 CHRONIC ILLNESS RISK

###### Concentration of insurance risk: Out-of-Hospital Risk



Chronic risk may, if not managed appropriately, have a significant impact on both out-of-hospital and in-hospital risks.

Initiatives in this regard include:

- Diabetes Management Programme – The programme is made up of a combination of care co-ordination including risk stratification, adherence and pathology management and health coaching. The programme also includes family practitioner up-skilling and payment for prolonged consultations for diabetic patients through enhanced care plans. There is also an arrangement for acute diabetic hospitalisations where the diabetic beneficiaries are registered on the chronic programme.
- A chronic medicine pre-authorisation process which ensures access to appropriate treatment and the management of the chronic medicine benefit through a formal drug utilisation review.
- Generic reference pricing and formularies incentivise cost-effectiveness.
- Medicine exclusions eliminate products with no clinical benefit or which may be harmful.
- Real-time drug utilisation evaluation to alert against potential contraindications and drug interactions as well as excessive utilisation.
- Processing of claims in real-time against all Scheme Rules and benefit limits.
- Sophisticated analytical capabilities to identify medicine trends and potential fraud.

#### 21.3 RISK TRANSFER ARRANGEMENTS

The Scheme makes use of risk transfer arrangements as an alternative insurance risk management strategy to mitigate specified risks associated with the provision of certain in-hospital and out-of-hospital benefits. Currently risk transfer arrangements approximate 9.3% of the Scheme's Insurance service expenditure.

The Scheme entered into capitation agreements directly with DENIS, Scriptpharm, PPN, PHA and Europ Assistance. The capitation agreements involve a transfer of risk however the Scheme remains ultimately liable to its members with respect to ceded risks if any supplier fails to meet the obligations it assumes.

These risk transfer arrangements spread the insurance risk and minimise the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances, to maximum limits on the basis of characteristics of coverage. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to all Scheme members, as and when required by the members.

When selecting a supplier, the Scheme considers its relative security and ability to deliver the relevant service.

Management renegotiates the agreed fees and benefits of the capitation agreements annually.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

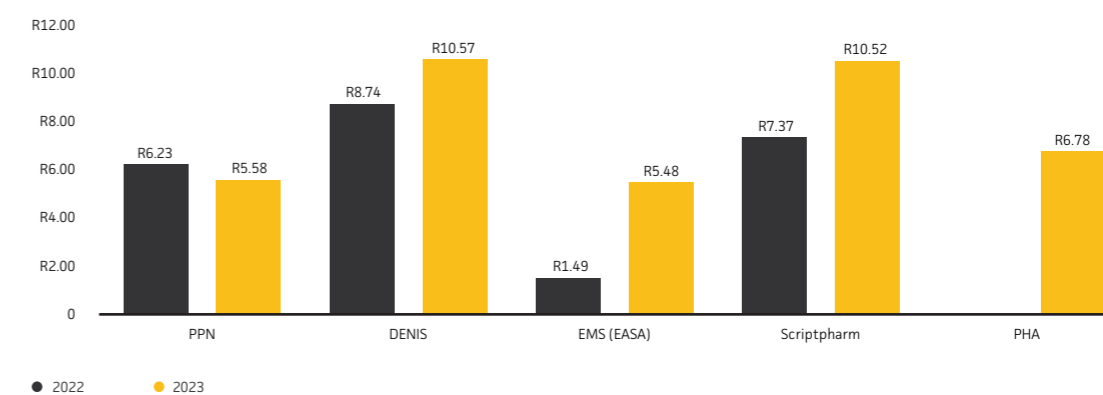
FOR THE YEAR ENDED 31 DECEMBER 2023

### 21. INSURANCE RISK MANAGEMENT (continued)

#### 21.3 RISK TRANSFER ARRANGEMENTS (continued)

The graph below outlines the net income (i.e. capitation premiums less cost recoveries) incurred per beneficiary relevant to services provided in accordance with the capitation agreements.

###### Average net income per average beneficiary per month



##### 21.3.1 DENTAL INFORMATION SYSTEMS PROPRIETARY LIMITED (“DENIS”)

The Scheme contracts DENIS to manage all aspects of dental claims administration, including the payment of all approved claims from service providers. Services rendered by DENIS are limited to all aspects of dental benefits including related hospitals, clinic and anaesthetist cost and any claim administration related to such dental and related services excluding services, benefits and claims classified under PMB as defined by the Medical Scheme Act, or amendments of the Act applicable to PMBs. DENIS also provides the Scheme with monthly financial reports reflecting all transactions related to fees paid by the Scheme and services rendered by DENIS.

The Scheme pays DENIS a monthly fixed fee, in advance for beneficiaries on Standard, BonSave, BonClassic, BonComplete and BonFit options.

The current contract took effect from 1 January 2017 for a period of 5 years. After a request for proposal exercise (“RFP”), the contract was renewed on 1 January 2023 for a period of 3 years. Fees and benefits have been agreed for the 2024 benefit year.

##### 21.3.2 SCRIPTPHARM RISK MANAGEMENT PROPRIETARY LIMITED (“SCRIPTPHARM”)

The Scheme contracted Scriptpharm as an accredited managed care organisation, to provide Chronic medicine benefits to beneficiaries of the Scheme on a capitated basis. Scriptpharm creates and provides the Scheme with a Network of Providers which shall ensure the delivery of chronic medicines to the beneficiaries of the Scheme. Scriptpharm pays all valid medicine claims which shall be submitted to Scriptpharm by any pharmacy that is a Designated Service Provider and any General Practitioner or Specialist. Scriptpharm will provide the Scheme with all information, data and reports as required.

The Scheme pays Scriptpharm a monthly fixed fee per beneficiary on BonComprehensive, BonClassic, Standard, Standard Select, BonComplete, BonSave, Primary, Primary Select, BonFit, Hospital Standard BonEssential, BonEssential Select, BonCap, BonStart and BonStart Plus options.

The contract commenced on 1 February 2020 and was renewed on 1 January 2022 and extended to 31 December 2023. The contract has been renewed for a further 12 months to 31 December 2024 and fees for the 2024 financial year have been agreed.

##### 21.3.3 PREFERRED PROVIDERS NEGOTIATORS PROPRIETARY LIMITED (“PPN”)

The Scheme has contracted PPN for optometry services and pays a monthly fixed fee per member per month on the Standard, Standard Select, Primary, Primary Select, BonClassic and BonCap options. Included in the contract is an arrangement whereby if a defined surplus, comprised of premiums less claims paid less expenses, is reported at the end of the benefit or contract cycle then 100% of the defined surplus, up to a maximum of 6% of the total of the premiums paid, is due to the PPN and the remainder to the Scheme.

The contract of 1 January 2019 to 31 December 2022 was renewed, following a RFP process, on 1 January 2023 and will remain in force until 31 December 2024. Fees and benefits have been agreed for the 2024 financial year.

##### 21.3.4 ER24 EMS PROPRIETARY LIMITED (“ER24”)

In the prior year the Scheme contracted ER24 for the provision of emergency medical services for the period up until 30 April 2022. The provision of emergency medical was then awarded to Europ Assistance Worldwide Services. ER24 conducted its business as an emergency response, assistance and transportation company. ER24 ensured that all telephonic requests for medical assistance received from members are dealt with in accordance with the contract. ER24 maintained and updated its database to continuously reflect the most recently available data and information relating to the provision of services.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 21. INSURANCE RISK MANAGEMENT (continued)

#### 21.3 RISK TRANSFER ARRANGEMENTS (continued)

##### 21.3.5 EUROP ASSISTANCE WORLDWIDE SERVICES (SOUTH AFRICA) PROPRIETARY LIMITED (“EASA”)

###### Travel benefit

The Scheme has entered into a risk transfer arrangement with EASA for the provision of international travel benefits for members who travel overseas for a period of not more than 90 days. This contract applies to all members of the Scheme except for those on the BonCap Option.

The contract commenced on the effective date of 1 January 2020 and remained in force up until 31 December 2021 and was extended to 30 June 2022. The service was re-negotiated as part of the contract when EASA was appointed as the service provider for EMS, effective 1 May 2022. Fees and benefits were agreed upon for 2024.

###### Emergency medical services

From 1 May 2022 the Scheme entered into a risk transfer arrangement with EASA for the provision of emergency medical services to provide emergency response, assistance and transportation to the members of the Scheme.

The contract commenced on the effective date of 1 May 2022 and will remain in force for a period of 32 months up until 31 December 2024. Fees and benefits were agreed upon for 2024.

##### 21.3.6 PRIVATE HEALTH ADMINISTRATORS PROPRIETARY LIMITED (“PHA”)

The Scheme has entered into a risk transfer arrangement with PHA for the provision of non-hospital benefit services for BonCap option.

The contract commenced on 1 January 2023 with an original term of 36 months. A new contract has been negotiated effective 1 January 2024 for a period of 24 months with an option to renew for a further 24 months. Fees have been agreed for the 2024 financial period.

### 21.4 SENSITIVITY DISCLOSURE

#### 21.4.1 CLAIMS SENSITIVITY ANALYSIS

The table below outlines the sensitivity of claims and solvency to the major insurance risks, i.e. tariff inflation, ageing and utilisation being higher than expected. Each change in the criteria is quantified in the form of an expected claims and solvency impact on the Trustee-approved 2024 Budget.

Claims category	Change in variable	Estimated impact on expected 2024 claims R'000	Estimated impact on expected 2024 solvency %
<b>Inflation assumptions</b>			
<i>Represents the increase in the price of service units rendered</i>			
In-hospital claims (ward/theatre/consumables)	Tariff inflation 1% higher	72 311	-0,33%
<b>Ageing assumptions</b>			
<i>Represents the expected claims increase due to members getting older on average</i>			
In-hospital claims (ward/theatre/consumables)	Average member age 0.5 years higher	95 037	-0,44%
Acute Medicine claims	Average member age 0.5 years higher	3 638	-0,02%
<b>Utilisation assumptions</b>			
<i>Represents expected claims increases over and above what is explained by inflation, ageing and benefit changes</i>			
In-hospital claims (ward/theatre/consumables)	Utilisation rate 1% higher	75 735	-0,35%
Specialist costs	Utilisation rate 1% higher	24 055	-0,11%

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 21. INSURANCE RISK MANAGEMENT (continued)

#### 21.4 SENSITIVITY DISCLOSURE (continued)

##### 21.4.2 RISK ADJUSTMENT SENSITIVITY

The following table provides a sensitivity on the insurance contract liabilities. The table provides the sensitivity before and after the impact of the Scheme being a mutual entity. As the Scheme is a mutual entity, the impact of any changes in the insurance liability to current members would impact the insurance liability to future members. The table presents information on how reasonably possible changes in risk confidence level made by the Scheme will impact the risk adjustment.

Fund	2023 R'000			2022 R'000		
	LIC as at 31 December	Impact on LIC	Impact on SOCI	LIC as at 31 December	Impact on LIC	Impact on SOCI
<b>Insurance contract liabilities</b>						
Net insurance contract liabilities	2 126 489			2 041 659		
<b>Unpaid claims and expenses – 5% increase</b>						
Insurance contract liabilities (before mutualisation)		106 324	106 324		102 083	102 083
Insurance contract liabilities (after mutualisation)		-	-		-	-
<b>Expenses – 5% increase</b>						
Insurance service expense (before insurance service expense relating to future members)	(19 962 631)			(19 331 661)		
Insurance service expenses		(998 132)			(966 583)	

Sensitivity description	Method	Change in variable	Effect of change in risk adjustment and Risk mitigation by RTA		Comment
			2023 R'000	2022 R'000	
Change in run-off speeds	Deterministic – December process month (with a confidence interval of 90% as reported)	15%	140 902	129 251	Also adopted as Risk Adjustment Value
Change in run-off speeds	Deterministic – December process month (with a confidence interval of 99%)	20%	192 888	176 753	
Hospital & Specialist Utilisation (higher)	Deterministic – December service month	5%	26 852	25 722	Assuming run-off speeds remain unchanged
Chronic Utilisation (higher)	Deterministic – December service month	2%	-	-	Capitation Arrangement (Risk Transfer Arrangement), therefore no change to LIC (demonstrates impact of RTA on LIC)

Any change in the risk adjustment will impact the incurred claims and other directly attributable expenses in insurance service expenses with an equal and opposite impact on the amounts attributable to future members in insurance services expenses. The net impact on profit or loss for any change in the risk adjustment would therefore be nil.

The analysis is based on a change in an assumption while holding all the assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Scheme in the methods and assumptions used in preparing the above analysis. To further demonstrate the sensitivity to insurance risk, the risk adjustment at a 99% confidence level has also been disclosed.

### 22. FINANCIAL RISK MANAGEMENT

#### 22.1 FINANCIAL RISK MANAGEMENT PRINCIPLES

The Scheme's activities expose it to the following financial risks:

- Credit risk;
- Liquidity risk; and
- Market risk from equity market prices (price risk) and interest rate risk.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

Financial risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees, together with the Scheme's Executive Management, who have overall responsibility for the establishment and oversight of the Scheme's financial and non-financial risk management framework.

The Investment Committee is responsible for assisting the Board to manage the investment portfolio in accordance with the agreed policies of the Scheme and ensure compliance with the regulations of the Act. Refer to page 32 of the Annual Report for further details on the Scheme's investment strategy.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### 22.2 CREDIT RISK

Credit risk is the risk that the Scheme will suffer a financial loss if a customer (insurance or trade receivable) or other counterparty to a financial instrument fails to meet their current obligations to the Scheme. Credit risk arises principally from the Scheme's investment securities (excluding the equity instruments), cash and cash equivalents and insurance, trade and other receivables.

##### 22.2.1 EXPOSURE TO CREDIT RISK

The carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

R'000	2023 R'000	2022 R'000
Investments (current and non-current)	10 133 968	9 896 410
Trade and other receivables (excluding prepayments)	5 483	3 885
Insurance contract assets	638 960	583 999
Cash and cash equivalents	767 601	646 015
	<b>11 546 014</b>	11 130 309

##### 22.2.2 INVESTMENTS

The credit risk is managed by limiting exposure as well as the quality of instruments that the Scheme's assets can be invested in, limiting the impact of a default on the overall portfolio. The following guidelines provide the current limits on each instrument:

###### Domestic equity investments

- Domestic Equity Investments shall be restricted to securities that are actively traded on the Johannesburg Stock Exchange (JSE) and readily marketable.
- Not more than 7.5% of the Investment Portfolio of the Scheme may be invested in the share instrument of any one company with market capitalisation of more than R50 billion.
- Not more than 5% of the Investment Portfolio of the Scheme may be invested in the share instrument of any one company with market capitalisation of between R5 billion and R50 billion.
- Not more than 2.5% of the total Scheme's total reported as Insurance liability for future members shall be invested in a company with market capitalisation less than R5 billion at any point in time.
- In cases of investments into a pooled fund, the Scheme may invest in accordance with Regulation 30 requirements, in which case the Scheme may waive strict adherence to the guidelines above.

###### Domestic fixed-income and cash investments

- An important element of credit risk management is the establishment of exposure limits on single counterparties and groups of connected counterparties. Limits should also be established for industries or economic sectors, geographic regions, etc. Risk ratings are an important tool in monitoring and controlling credit risk. In order to facilitate early identification of changes in risk profiles, the Scheme's risk rating system should be responsive to indicators of potential or actual deterioration in credit risk. The credit limits set out below shall apply to all debt securities:

Per Issuer Limit:	
Credit category (Fitch/S&P or equivalent)	Per Issuer limit as % of total bond and cash allocation
RSA bonds	Up to 100%
AAA (including sovereign & Government-guaranteed bonds)	Not more than 25%
Below AAA but not lower than AA-	Not more than 20%
Below AA- but not lower than A	Not more than 15%
Below A but not lower than BBB	Not more than 10%
Below BBB	Not more than 5%

In addition to the per issuer limits, a minimum of ninety percent of the debt securities held by the fund must be investment grade (AAA to BBB- or equivalent) credit rating).

###### Derivatives

- Derivative instruments are used for the purposes of hedging or protecting the Scheme's investment portfolio, rebalancing or facilitating cash flows in order to enhance the Scheme's investment returns. The mark-to-market value of investments are limited to 2.5% of the investment portfolio.

##### 22.2.3 INSURANCE CONTRACTS, TRADE AND OTHER RECEIVABLES

The Scheme's exposure to credit risk is influenced by the individual characteristics of each member. The demographics of the Scheme's membership base, including the default risk of the industry in which the member operates, has less of an influence on credit risk. The Scheme's revenue streams are evenly spread thereby reducing credit risk exposure.

The majority of the Scheme's members have been loyal to the Scheme for many years, resulting in infrequent losses occurring. Credit risk is actively managed by suspending members accounts on non-receipt of contributions.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### 22.2 CREDIT RISK (continued)

##### 22.2.3 INSURANCE CONTRACTS, TRADE AND OTHER RECEIVABLES (continued)

Age analysis of insurance contracts and trade and other receivables:

R'000	Not past due	Past due 1 - 30 days	Past due 61 - 90 days	Past due more than 90 days	Total
<b>2023</b>					
<b>Financial assets</b>					
Trade and other receivables (excluding prepayments)	2 628	-	-	2 855	5 483
<b>Reinsurance assets</b>					
Reinsurance contract assets	86 199	-	-	-	86 199
<b>Insurance assets</b>					
Insurance contract assets	634 034	662	1 967	2 297	638 960
	<b>722 860</b>	<b>662</b>	<b>1 967</b>	<b>5 152</b>	<b>730 642</b>

R'000	Not past due	Past due 1 - 30 days	Past due 61 - 90 days	Past due more than 90 days	Total
<b>2022</b>					
<b>Financial assets</b>					
Trade and other receivables (excluding prepayments)	967	-	-	2 919	3 886
<b>Reinsurance assets</b>					
Reinsurance contract assets	114 412	-	-	-	114 412
<b>Insurance assets</b>					
Insurance contract assets	562 130	14 753	2 155	4 960	583 998
	677 509	14 753	2 155	7 879	702 296

With respect to the insurance assets that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations based on, the nature of the counterparty, the historical information about the counterparty default rates and other information used to assess credit quality.

##### 22.2.4 CASH AND CASH EQUIVALENTS

Cash transactions are limited to high credit quality financial institutions. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution and only uses the reputable banks.

##### 22.2.5 CONCENTRATIONS OF CREDIT RISK

The Scheme establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The collective loss allowance is determined based on a set policy, while bearing in mind historical data of payment statistics for similar financial assets.

#### 22.3 LIQUIDITY RISK

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme manages its cash flows on a daily basis to ensure sufficient liquidity to cover daily requirements of which the rental costs constitute a non-significant portion of cash flow requirements on a monthly basis. Furthermore, the Scheme has appointed asset managers to manage its liquidity requirements in the short, medium and long-term.

The Scheme has strategically allocated 25% of its total investment assets to be invested in cash which provides a high degree of liquidity on investments. Additionally, the other asset managers are keeping cash in their portfolios at no more than 5% of total investments.

As part of the Scheme's liquidity risk management on market linked investments, the following categories are specifically excluded from the investment portfolio unless the Board of Trustees provides prior written approval for these investments:

- Private equity funding including venture capital and direct property investments;
- Physical commodities or physical commodity contracts; and
- Unregistered and/or restricted instruments which are unlisted and/or not freely traded.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### 22.3 LIQUIDITY RISK (continued)

The contractual maturities of the financial liabilities at reporting date are tabled below. The amounts are gross and undiscounted:

R'000	Within three months	Three to twelve months	Total
<b>2023</b>			
<b>Financial liabilities</b>			
Trade and other payables (excluding VAT)	(44 555)	–	(44 555)
	(44 555)	–	(44 555)
<b>Insurance liabilities</b>			
Liability for remaining coverage	(388 815)	–	(388 815)
Liability for incurred claims	(1 160 420)	(1 216 214)	(2 376 634)
	(1 549 235)	(1 216 214)	(2 765 449)

R'000	Within three months	Three to twelve months	Total
<b>2022</b>			
<b>Financial liabilities</b>			
Trade and other payables (excluding VAT)	(70 925)	–	(70 925)
	(70 925)	–	(70 925)
<b>Insurance liabilities</b>			
Liability for remaining coverage	(405 880)	–	(405 880)
Liability for incurred claims	(1 175 245)	(1 044 533)	(2 219 778)
	(1 581 125)	(1 044 533)	(2 625 658)

Liquidity analysis assumptions:

- The carrying amount of the financial liabilities equals the undiscounted contractual values of these instruments due to the short period to maturity.
- PMSA balances are included in Liability for incurred claims and payable on demand when a member exits the Scheme.

#### 22.4 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

##### 22.4.1 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate in Rands due to changes in foreign exchange rates. The Scheme had no material exposure to currency risk during the year under review as no material foreign currency-denominated investments were held.

##### 22.4.2 INTEREST RATE RISK

The Scheme is exposed to interest rate risk on its money market investments, cash and cash equivalents. The money market and cash and cash equivalents are managed on a net returns basis by the Scheme's asset managers. The balance of fixed and variable instruments being held in these portfolios is adjusted in response to movements in market interest rates to maintain an acceptable level of risk as well as returns. The net returns are benchmarked against the SteFi Composite index.

The carrying amounts of fixed-rate instruments in these portfolios approximate their fair values due to the short period to maturity, and no fair value adjustments are processed to the statement of profit or loss in respect of these instruments. Variable-rate instruments are not linked to one specific market interest rate. The reported returns on these investments will vary in response to movements in market rates.

The Scheme does not discount insurance, trade and other receivables and payables as they are all settled or fall due within one year.

	2023 R'000	2022 R'000
<b>Interest-bearing instruments</b>		
<i>Financial assets</i>	<b>6 332 266</b>	6 092 960
Investments – interest-bearing assets (note 7)	<b>5 564 665</b>	5 446 945
Cash and cash equivalents	<b>767 601</b>	646 015
<i>Insurance contract liabilities</i>		
Personal medical savings account liability	<b>(1 180 666)</b>	(1 016 035)
	<b>5 151 600</b>	5 076 925

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### 22.4 MARKET RISK (continued)

##### 22.4.2 INTEREST RATE RISK (continued)

###### Interest rate sensitivity analysis

At the end of December 2023, the Scheme earned interest income of R474m (2022: R375m) from its investments in bonds, cash and money market instruments.

The following tables illustrates the impact of negative and positive market returns to the overall Scheme as a result of the current interest rate exposure. The sensitivity analysis is based on the modified duration of each of the Scheme's fixed income portfolios. The modified duration of each portfolio was obtained from the applicable Investment Manager (Modified duration is a measure of the sensitivity of the value of an investment to a change in interest rates. As an example, the value of a portfolio with a modified duration of 5 will increase by 5% when interest rates decrease by 5% and vice versa):

(R'000)	Decrease in interest rate	-2,5%	-2,0%	-1,5%	-1,0%	-0,5%	-0,25%	0,0%
<b>2023</b>								
Scheme impact (surplus) (R'000)		<b>601 505</b>	<b>481 204</b>	<b>360 903</b>	<b>240 602</b>	<b>120 301</b>	<b>60 150</b>	–
Solvency impact		<b>2,94%</b>	<b>2,35%</b>	<b>1,77%</b>	<b>1,18%</b>	<b>0,59%</b>	<b>0,29%</b>	–
<b>2022</b>								
Scheme impact (surplus) (R'000)		559 823	447 858	335 894	223 929	111 965	55 982	–
Solvency impact		2,79%	2,24%	1,68%	1,12%	0,56%	0,28%	–

(R'000)	Increase in interest rate	0,0%	0,25%	0,5%	1,0%	1,5%	2,0%	2,5%
<b>2023</b>								
Scheme impact (surplus) (R'000)		–	<b>(60 150)</b>	<b>(120 301)</b>	<b>(240 602)</b>	<b>(360 903)</b>	<b>(481 204)</b>	<b>(601 505)</b>
Solvency impact		–	<b>-0,29%</b>	<b>-0,59%</b>	<b>-1,18%</b>	<b>-1,77%</b>	<b>-2,35%</b>	<b>-2,94%</b>
<b>2022</b>								
Scheme impact (surplus) (R'000)		–	(55 982)	(111 965)	(223 929)	(335 894)	(447 858)	(559 823)
Solvency impact		–	-0,28%	-0,56%	-1,12%	-1,68%	-2,24%	-2,79%

Solvency figures are calculated on the assumption that all cumulative unrealised fair value reserves have been realised.

The impact of interest rate changes on the Scheme's money market deposits is as follows:

(R'000)	Increase in interest rate	2,5%	2,0%	1,5%	1,0%	0,5%	0,25%	0,0%
<b>2023</b>								
Scheme impact (surplus) (R'000)		<b>60 207</b>	<b>48 165</b>	<b>36 124</b>	<b>24 083</b>	<b>12 041</b>	<b>6 021</b>	–
Solvency impact		<b>0,29%</b>	<b>0,24%</b>	<b>0,18%</b>	<b>0,12%</b>	<b>0,06%</b>	<b>0,03%</b>	–
<b>2022</b>								
Scheme impact (surplus) (R'000)		63 266	50 613	37 960	25 306	12 653	6 327	–
Solvency impact		0,32%	0,25%	0,19%	0,13%	0,06%	0,03%	–
(R'000)	Decrease in interest rate	0,0%	0,25%	0,5%	1,0%	1,5%	2,0%	2,5%
<b>2023</b>								
Scheme impact (surplus) (R'000)		–	<b>(6 021)</b>	<b>(12 041)</b>	<b>(24 083)</b>	<b>(36 124)</b>	<b>(48 165)</b>	<b>(60 207)</b>
Solvency impact		–	<b>-0,03%</b>	<b>-0,06%</b>	<b>-0,12%</b>	<b>-0,18%</b>	<b>-0,24%</b>	<b>-0,29%</b>
<b>2022</b>								
Scheme impact (surplus) (R'000)		–	(6 327)	(12 653)	(25 306)	(37 960)	(50 613)	(63 266)
Solvency impact		–	-0,03%	-0,06%	-0,13%	-0,19%	-0,25%	-0,32%

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### 22.4 MARKET RISK (continued)

##### 22.4.3 MARKET PRICE RISK

Market price risk arises from fair value through profit or loss in equity securities held for partially meeting the Scheme's financial obligations. The Scheme's assets are managed by various asset managers on behalf of the Scheme. All buy and sell decisions are measured in terms of the investment mandate of the Scheme.

The following guidelines provide the current limits on each instrument:

##### Domestic equity investments

- Domestic Equity Investments shall be restricted to securities that are actively traded on the Johannesburg Stock Exchange (JSE) and readily marketable.
- Not more than 7.5% of the Investment Portfolio of the Scheme may be invested in the share instrument of any one company with market capitalisation of more than R50 billion.
- Not more than 5% of the Investment Portfolio of the Scheme may be invested in the share instrument of any one company with market capitalisation of between R5 billion and R50 billion.
- Not more than 2.5% of the total Scheme's total reported as Insurance liability for future members shall be invested in a company with market capitalisation less than R5 billion at any point in time.
- In cases of investments into a pooled fund, the Scheme may invest in accordance with Regulation 30 requirements, in which case the Scheme may waive strict adherence to the guidelines above

##### Domestic fixed-income and cash investments

The credit limits set out below shall apply to all debt securities:

Per Issuer Limit:	
Credit category (Fitch/S&P or equivalent)	Per Issuer limit as % of total bond and cash allocation
RSA bonds	Up to 100%
AAA (including sovereign & Government-guaranteed bonds)	Not more than 25%
Below AAA but not lower than AA-	Not more than 20%
Below AA- but not lower than A	Not more than 15%
Below A but not lower than BBB	Not more than 10%
Below BBB	Not more than 5%

In addition to the per issuer limits, a minimum of ninety percent of the debt securities held by the fund must be investment grade (AAA to BBB- or equivalent) credit rating.

##### Derivatives

- The Scheme is permitted to invest into derivative structures as per Annexure B of the Medical Schemes Act. Annexure B of Regulation 30 Section 7 a(ii) allows for an allocation of no more than 2.5% of Scheme's assets towards any other local assets not referred to in Annexure B and derivative instruments are not referred to anywhere in Annexure B. Therefore, this provision qualifies derivatives as "other" among other assets not referred to in Annexure B.
- The Regulation 30 limitation would therefore permit the Scheme to invest in derivative instruments not exceeding 2.5% of the Scheme's assets. For clarity, the 2.5% would relate to the value of the derivative asset/liability recognised and not the value of the underlying assets held by the Scheme.

##### The Scheme strives to minimise market risk as follows:

- The Scheme has established an investment strategy and in line with this strategy, the Scheme diversifies its investment portfolio by investing in domestic equities, domestic bonds, domestic listed and fixed property and domestic cash to achieve a balanced investment portfolio.
- Investments are limited to the types of securities listed in the Investment Policy Statement. Furthermore, the following categories of securities are excluded and may only be considered with written approval from the Board of Trustees:
  - Private equity funding including venture capital and direct property investments;
  - Physical commodities or physical commodity contracts; and
  - Unregistered and/or restricted instruments which are unlisted and/or not freely traded.
- Diversifying the management of the Schemes investment portfolio to specific specialised mandates thus mitigating the risk through diversification. The Scheme, in addition to this, has one asset manager responsible for managing the Scheme's cash.
- Structuring the investment portfolio in order to ensure that sufficient cash and cash-like securities are available to meet cash requirements for ongoing cash flow needs, thereby avoiding the need to sell securities on the open market during periods of market volatility.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### 22.4 MARKET RISK (continued)

##### 22.4.3 MARKET PRICE RISK (continued)

##### Sensitivity analysis

The analysis presented below assumes all other factors remain constant and is performed on the same basis for 2023 and 2022.

##### Listed equities

At the end of December 2023, the Scheme had 45.1% (2022: 45.0%) of its investment portfolio (excluding cash) invested in equity listed instruments. The following tables illustrates the impact of negative and positive market returns to the overall Scheme as a result of the current equity exposure:

(R'000)

Decrease	-35,0%	-25,0%	-15,0%	-10,0%	-5,0%	-2,0%	0,0%
<b>2023</b>							
Scheme impact (surplus) (R'000)	<b>(1 599 256)</b>	<b>(1 142 325)</b>	<b>(685 395)</b>	<b>(456 930)</b>	<b>(228 465)</b>	<b>(91 386)</b>	-
Solvency impact	<b>-7,83%</b>	<b>-5,59%</b>	<b>-3,35%</b>	<b>-2,24%</b>	<b>-1,12%</b>	<b>-0,45%</b>	-
<b>2022</b>							
Scheme impact (surplus) (R'000)	(1 103 999)	(788 571)	(473 142)	(315 428)	(157 714)	(63 086)	-
Solvency impact	-5,85%	-4,18%	-2,51%	-1,67%	-0,84%	-0,33%	-

(R'000)

Increase	0,0%	2,0%	5,0%	10,0%	15,0%	25,0%	35,0%
<b>2023</b>							
Scheme impact (surplus) (R'000)	-	<b>91 386</b>	<b>228 465</b>	<b>456 930</b>	<b>685 395</b>	<b>1 142 325</b>	<b>1 599 256</b>
Solvency impact	-	<b>0,45%</b>	<b>1,12%</b>	<b>2,24%</b>	<b>3,35%</b>	<b>5,59%</b>	<b>7,83%</b>
<b>2022</b>							
Scheme impact (surplus) (R'000)	-	63 086	157 714	315 428	473 142	788 571	1 103 999
Solvency impact	-	0,33%	0,84%	1,67%	2,51%	4,18%	5,85%

Solvency figures are calculated on the assumption that all cumulative unrealised fair value reserves have been realised.

#### 22.5 FAIR VALUE

For financial assets held at fair value, disclosure is required of the fair value hierarchy which reflects the significance of the inputs used to make the measurements. Fair value disclosures are based on the level within which an instrument falls in the fair value hierarchy. The inputs are categorised into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority given to unobservable inputs.

The three fair value hierarchy levels are:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are either directly or indirectly (that is, derived from prices) observable for the asset or liability;
- Level 3 inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### 22.5 FAIR VALUE (continued)

The following table presents the Scheme's assets held at fair value:

R'000	Level 1	Level 2	Level 3	Total
<b>at 31 December 2023</b>				
<b>Assets</b>				
Financial assets held at fair value through profit or loss				
Listed equities	4 569 302	-	-	4 569 302
Bonds	3 924 002	-	-	3 924 002
Money market instruments*	-	1 640 664	-	1 640 664
Investment properties held for sale*	-	-	72 700	72 700
<b>Total assets</b>	<b>8 493 304</b>	<b>1 640 664</b>	<b>72 700</b>	<b>10 206 668</b>

R'000	Level 1	Level 2	Level 3	Total
<b>at 31 December 2022</b>				
<b>Assets</b>				
Financial assets held at fair value through profit or loss				
Listed equities	4 449 465	-	-	4 449 465
Bonds	3 581 279	-	-	3 581 279
Money market instruments*	-	1 865 666	-	1 865 666
Investment properties*	-	-	78 500	78 500
<b>Total assets</b>	<b>8 030 744</b>	<b>1 865 666</b>	<b>78 500</b>	<b>9 974 910</b>

There were no changes in levels noted in the current year.

\* Movements and valuation techniques relating to Level 2 and Level 3 category items are disclosed in notes 5 and 6.

Financial assets held at fair value through profit or loss held by the Scheme categorised as Level 1 were invested in listed preference shares, equities, bonds and priced with reference to published price quotations (unadjusted) in an active market.

Financial assets held at fair value through profit or loss held by the Scheme categorised as Level 2:

- unlisted money market instruments and valued using discounted cash flows based on applicable interest rates.

Financial assets held at fair value through profit or loss held by the Scheme categorised as Level 3 were invested in:

- Investment properties leased to third parties valued annually by independent property valuers.

The following table shows a reconciliation of the movement during the year for fair value measurements for investments through profit and loss in Level 3 of the fair value hierarchy of the Scheme for 2023:

R'000	Investment property held for sale	Investment property	Total
Opening balance	-	78 500	78 500
Fair value adjustment	-	(3 500)	(3 500)
Transfer to investment property held for sale	75 000	(75 000)	-
Provision for property selling costs	(2 300)	-	(2 300)
Closing balance	72 700	-	72 700

Although the Scheme believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Key inputs and assumptions used in the model at 31 December 2023 include:

#### Investment property

Refer to note 5 for the details regarding key inputs and assumptions used in the valuation at 31 December 2023.

The property value is based on the fair value of the underlying property. The property is valued using the net income of the property and applying a capitalisation rate to the net income.

The capitalisation rate applied is based on an assumed average commercial property yield simulating the risk characteristics of a similar investment.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 22. FINANCIAL RISK MANAGEMENT (continued)

#### 22.5 FAIR VALUE (continued)

##### Unconsolidated investment structures

The asset managers invest the Scheme's monies in reputable funds which target returns to the Scheme. The Scheme views these funds as unconsolidated structured entities. The Scheme monitors the performance of the funds closely to ensure the Scheme earns high returns without unnecessary exposure to risk.

The Scheme has investments in pooled investment products and collective investment Schemes (the Funds) as listed in the table below. The exposure the Scheme has to these funds is listed in the table below in terms of Regulation 30 of the Act. The Scheme's maximum exposure to loss from its interests in the fund is limited to the total fair value of its investments as detailed below:

Fund	at 31 December 2023		at 31 December 2022	
	Fair value R'000	% exposure in terms of Regulation 30	Fair value R'000	% exposure in terms of Regulation 30
Nedgroup Structured Life Taquanta EIF	563 801	6%	438 301	4%
Nedgroup Investments Corporate Money Market Fund Class C4	186 305	2%	-	0%
Nedgroup Investments Money Market Fund Class C4	483 773	5%	486 006	5%
Nedgroup Investments Core Income Fund Class C4	104 194	1%	694 139	7%
	<b>1 338 073</b>	<b>14%</b>	1 618 446	16%

#### 22.6 CAPITAL MANAGEMENT

The Board of Trustees' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth of the business. RisCura Solutions (Pty) Ltd provides consulting on the Scheme's portfolio of investments and cash and cash equivalents to achieve this objective.

The Board of Trustees monitors the solvency ratio of the Scheme. The Scheme is required to maintain a minimum level of accumulated funds in terms of Regulation 29 of the Act. Accumulated funds (as per Regulation 29 of the Act) expressed as a percentage of gross annual contributions for the accounting period under review may not be less than 25.0%. "Accumulated funds" is defined as the net asset value of the Scheme, excluding funds set aside for specific purposes and unrealised non-distributable reserves.

	2023 R'000	2022 R'000
Insurance Liability for future members	8 895 202	8 629 888
Adjusted for:		
Regulation 29 exclusion of unrealised gains on remeasurement of investments and investment property to fair value*	(421 318)	(490 628)
Accumulated funds per Regulation 29	8 473 884	8 139 260
Gross contributions (note 15)	20 435 010	20 029 813
<b>Solvency ratio (%)</b>	<b>41,47%</b>	40,64%
* Cumulative net (losses)/gains on remeasurement to fair value of investments are calculated as follows:		
At beginning of year	469 354	539 212
Movement in unrealised losses on remeasurement to fair value of financial instruments included in accumulated funds (as per Regulation 29 of the Act)	(65 810)	(69 858)
<b>At end of year</b>	<b>403 544</b>	469 354
* Cumulative net gains on remeasurement to fair value of investment properties are calculated as follows:		
At beginning of year	21 274	19 774
Movement in unrealised (losses)/gains on remeasurement to fair value of investment properties included in accumulated funds (as per Regulation 29 of the Act)	(3 500)	1 500
<b>At end of year</b>	<b>17 774</b>	21 274
<b>Cumulative net gains on remeasurement of investments and investment property at the end of the year</b>	<b>421 318</b>	490 628

Cumulative net unrealised losses on remeasurement to fair value of investments and investment properties are excluded from the solvency calculation according to Regulation 29.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>23. COMMITMENTS</b>		
<b>23.1 LESSEE OPERATING LEASE COMMITMENTS</b>		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	2 730	1 980
Later than one year and not later than five years	2 002	4 342
	<b>4 732</b>	6 322
<b>23.2 LESSOR OPERATING LEASE COMMITMENTS</b>		
The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:		
Not later than one year	4 728	6 733
Later than one year and not later than five years	1 607	6 335
	<b>6 335</b>	13 068

## 24. RELATED PARTY TRANSACTIONS

### 24.1 RELATED PARTY RELATIONSHIPS

#### 24.1.1 KEY MANAGEMENT PERSONNEL AND THEIR CLOSE FAMILY MEMBERS

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Chairman of the Board, the Board of Trustees, the Principal Officer, the Chief Financial Officer and the Clinical Executive.

Close family members include direct family members of the Chairman of the Board, the Board of Trustees, the Principal Officer, the Chief Financial Officer and the Clinical Executive.

#### 24.1.2 KEY SERVICE PROVIDER

Medscheme Holdings Proprietary Limited is a key service provider for the Scheme as it has a significant role in the administering of Scheme's financial, actuarial and operating activities.

Medscheme Holdings Proprietary Limited is also the accredited managed care service provider.

Afrocentric Distribution Services Proprietary Limited, is a key service provider as it handles the Scheme's advertising and marketing activities. It is a fellow subsidiary of the Scheme's administrator.

Aids for Aids Management Proprietary Limited, is a key service provider for the Scheme as it participates in providing managed care services to the Scheme's members. It is a fellow subsidiary of the Scheme's administrator.

Pharmacy Direct Proprietary Limited, is a key service provider as it handles the Scheme's dispensing and delivery of chronic medication. It is a subsidiary of ACT Healthcare Assets Proprietary Limited, the holding company of the Scheme's administrator.

Dental Information Systems Proprietary Limited, is a key service provider as it handles the Scheme's dental claims management. It is a fellow subsidiary of the Scheme's administrator.

Scriptpharm Risk Management Proprietary Limited, is a key service provider as it handles the Scheme's chronic risk management. It is a subsidiary of ACT Healthcare Assets Proprietary Limited, the holding company of the Scheme's administrator.

Private Health Administrators (PHA) Proprietary Limited, is a key service provider as it handles the Scheme's benefit option, Boncap, non-hospital claims. This also includes associated administration and managed care services relating to the Boncap option. It is a subsidiary of ACT Healthcare Assets Proprietary Limited, the holding company of the Scheme's administrator.

Tendahealth Proprietary Limited, is a service provider that provides the Scheme's members with brokerage services. It is a subsidiary of Afrocentric Distribution Services, a fellow subsidiary of the Scheme's administrator.

All transactions with related parties are at arms-length.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 24. RELATED PARTY TRANSACTIONS (continued)

### 24.2 TRANSACTIONS WITH RELATED PARTIES

	2023 R'000	2022 R'000
<b>24.2.1 PARTIES WITH SIGNIFICANT INFLUENCE OVER THE SCHEME</b>		
<b>Medscheme Holdings Proprietary Limited – Scheme administrator</b>		
<b>Statement of comprehensive income</b>		
<i>Administration fees paid</i>		
The administration agreement between Medscheme Holdings Proprietary Limited and the Scheme stipulates that Medscheme Holdings Proprietary Limited administers the Scheme in terms of the rules of the Scheme and in accordance with the instructions given by the Board of Trustees.	979 015	1 016 444
<i>Service Level Agreement penalty recoveries from Administrator</i>		
As part of the administration agreement, the Scheme is entitled to recoveries due to service failures if services as per the agreements are not satisfied.	(14 615)	(12 416)
<i>Third party recoveries</i>		
As part of the administration agreement, the Administrator was entitled to 25% on fraud, waste and abuse recoveries.	11 934	13 825
<b>Statement of financial position</b>		
<i>Balances payable to related party</i>		
The balances payable bear no interest, are unsecured and are due within 30 days.	(3 774)	(4 376)
<b>Medscheme Holdings Proprietary Limited – Managed care provider</b>		
<b>Statement of comprehensive income</b>		
<i>Managed care fees (including wellness)</i>		
The managed care agreement between Medscheme Holdings (Pty) Ltd and the Scheme stipulates that Medscheme Holdings (Pty) Ltd renders managed healthcare services to the Scheme in terms of the rules of the Scheme and in accordance with the instructions given by the Board of Trustees.	454 034	520 270
<b>Statement of financial position</b>		
<i>Balances (payable to)/owed by related party</i>		
The balances (payable)/owed bear no interest, are unsecured and are owed upon presentation of an approved invoice (managed care).	(1 953)	(5 285)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>24. RELATED PARTY TRANSACTIONS (continued)</b>		
<b>24.2 TRANSACTIONS WITH RELATED PARTIES (continued)</b>		
<b>24.2.1 PARTIES WITH SIGNIFICANT INFLUENCE OVER THE SCHEME (continued)</b>		
<b>Medscheme Holdings Proprietary Limited – Actuarial service provider</b>		
<b>Statement of comprehensive income</b>		
<i>Actuarial consulting fees</i>		
The actuarial consulting agreement between Medscheme Holdings (Pty) Ltd and the Scheme stipulates that Medscheme Holdings (Pty) Ltd renders actuarial consulting services and technical marketing services to the Scheme in accordance with the instructions given by the Board of Trustees.	2 912	2 745
<b>Statement of financial position</b>		
<i>Balances owed to related party</i>		
The balances payable bear no interest, are unsecured and are payable upon presentation of an approved invoice.	-	(229)
<b>Afrocentric Distribution Services Proprietary Limited (a fellow subsidiary of Medscheme Holdings Proprietary Limited)</b>		
<b>Statement of comprehensive income</b>		
<i>Sales and marketing fees</i>	128 674	122 302
<b>Statement of financial position</b>		
<i>Balances payable to related party</i>		
The balances payable bear no interest, are unsecured and are payable upon presentation of an approved invoice.	(10 706)	(10 065)
<b>Aid for Aids Management Proprietary Limited (a fellow subsidiary of Medscheme Holdings Proprietary Limited)</b>		
<b>Statement of comprehensive income</b>		
<i>Managed care fees</i>		
The managed care agreement between Aid for Aids Management Proprietary Limited and the Scheme stipulates that Aid for Aids Management Proprietary Limited renders management services to the Scheme in terms of the rules of the Scheme and in accordance with the instructions given by the Board of Trustees.	59 131	57 849
<b>Statement of financial position</b>		
<i>Balances payable to related party</i>		
The balances payable bear no interest, are unsecured and are payable upon presentation of an approved invoice.	(4 918)	(4 830)
<b>Pharmacy Direct Proprietary Limited (a subsidiary of ACT Healthcare Assets Proprietary Limited, the holding company of Medscheme Holdings Proprietary Limited)</b>		
<b>Statement of comprehensive income</b>		
<i>Claims paid during the year</i>	331 807	324 726
<b>Statement of financial position</b>		
<i>Balances payable to related party</i>		
The balance payable bears no interest, is unsecured and is due within 30 days.	(1 394)	(2 740)
<b>Scriptpharm Risk Management (Pty) Ltd (a subsidiary of ACT Healthcare Assets Proprietary Limited, the holding company of Medscheme Holdings Proprietary Limited)</b>		
<b>Statement of comprehensive income</b>		
<i>An allocation of premiums paid</i>		
The capitated risk management agreement between the Scheme and Scriptpharm Risk Management (Pty) Ltd, as an accredited managed care organisation, stipulates that Scriptpharm Risk Management (Pty) Ltd renders Chronic medicine benefits to beneficiaries of the Scheme on a capitated basis.	774 572	791 982
<i>Refund of capitation fees</i>	(4 698)	(6 883)
<b>Statement of financial position</b>		
<i>Balances owing by related party</i>		
The balance owing by bears no interest, is unsecured and is due within 30 days.	4 698	3 663

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>24. RELATED PARTY TRANSACTIONS (continued)</b>		
<b>24.2 TRANSACTIONS WITH RELATED PARTIES (continued)</b>		
<b>24.2.1 PARTIES WITH SIGNIFICANT INFLUENCE OVER THE SCHEME (continued)</b>		
<b>Dental Information Systems Proprietary Limited</b>		
<b>Statement of comprehensive income</b>		
<i>An allocation of premiums paid</i>		
The capitated risk agreement between Dental Information Systems Holdings Proprietary Limited and the Scheme stipulates that Dental Information Systems Holdings Proprietary Limited renders dental risk management to the members of the Scheme.	357 836	389 501
<i>Capitation fees payable (including fees for wellness and administration costs)</i>		
<b>Statement of financial position</b>		
<i>Managed care services</i>		
The managed care agreement between Dental Information Systems Holdings Proprietary Limited and the Scheme stipulates that Dental Information Systems Holdings Proprietary Limited renders managed care services for Primary and Primary Select options of the Scheme.	22 027	21 204
<i>Dental risk management</i>		
<b>Statement of financial position</b>		
<i>Balances payable to related party</i>		
The balance owing by bears no interest, is unsecured and is due within 30 days.	-	-
<b>Private Health Administrators (Pty) Ltd (a subsidiary of ACT Healthcare Assets Proprietary Limited, the holding company of Medscheme Holdings Proprietary Limited)</b>		
<b>Effective 1 January 2023 the Scheme entered into an agreement with Private Healthcare Administrators (Pty) Ltd to provide administration, managed care services and capitation services (non-hospital) for BonCap option.</b>		
<b>Statement of comprehensive income</b>		
<i>Administration fees paid</i>		
The administration agreement between Private Health Administrators (Pty) Ltd and the Scheme stipulates that Private Health Administrators (Pty) Ltd administers BonCap option in terms of the rules of the Scheme and in accordance with the instructions given by the Board of Trustees.	84 157	-
<i>Managed care fees (including wellness)</i>		
The managed care agreement between Private Health Administrators (Pty) Ltd and the Scheme stipulates that Private Health Administrators (Pty) Ltd renders managed healthcare services for the BonCap option in terms of the rules of the Scheme and in accordance with the instructions given by the Board of Trustees.	68 693	-
<i>An allocation of premiums paid</i>		
The capitated risk management agreement between the Scheme and Private Health Administrators (Pty) Ltd, as an accredited managed care organisation, stipulates that Private Health Administrators (Pty) Ltd renders all associated non-hospital benefits to beneficiaries of the Boncap option of the Scheme on a capitated basis.	362 152	-
<b>Statement of financial position</b>		
<i>Balances payable to related party</i>		
The balance payable bears no interest, is unsecured and is due within 30 days.	-	-
<b>Tendahealth (Pty) Ltd (a subsidiary of Afrocentric Distribution Services (Pty) Ltd, a fellow subsidiary of Medscheme Holdings (Pty) Ltd)</b>		
<b>Statement of comprehensive income</b>		
<i>Insurance acquisition cash flows</i>	24 415	19 736
<b>Statement of financial position</b>		
<i>Balances payable to related party</i>		
The balance payable bears no interest, is unsecured and is due within 30 days.	-	-



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 R'000	2022 R'000
<b>24. RELATED PARTY TRANSACTIONS (continued)</b>		
<b>24.2 TRANSACTIONS WITH RELATED PARTIES (continued)</b>		
<b>24.2.2 KEY MANAGEMENT PERSONNEL AND THEIR CLOSE FAMILY MEMBERS</b>		
<b>Key management compensation</b>		
Trustee's remuneration and other disbursements (note 18)	6 660	6 590
Principal Officer's remuneration and other disbursements (note 18)	8 672	8 806
Executive remuneration and other disbursements	7 436	5 611
	<b>22 768</b>	21 007
<b>Statement of comprehensive income</b>		
<i>Contributions received</i>		
This constitutes the contributions paid by the Executive Management and Trustees as members of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.	943	894
<i>Claims paid</i>		
This constitutes amounts claimed by the Executive Management and Trustees, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.	402	276
<i>Trustee savings balances</i>		
This constitutes savings balances held by the Scheme on behalf of the trustees.	-	7

### 25. CONTINGENCIES

The Scheme has contingent assets in respect of the Road Accident Fund claim recoveries for members that are or may be involved in a motor vehicle accident of R582 million (2022: R477 million). Management is confident that the contingent assets will be recoverable, should they arise.

### 26. NON-COMPLIANCE WITH THE ACT

The following areas of non-compliance with the Medical Schemes Act were identified during the course of the financial year:

#### 26.1 CONTRAVENTION OF SECTION 33(2) OF THE ACT

##### 26.1.1 NATURE AND CAUSE

In terms of Section 33(2) of the Act, the Registrar may withdraw the approval of such benefit options which, in his opinion, are not financially sound. For the year ended 31 December 2023 the Scheme reported the following loss making options as defined by the Council of Medical Schemes on five (2022: five) of its benefit options:

	2023 R'000	2022 R'000
Primary	(67 359)	-
BonCap	(176 922)	(173 142)
BonClassic	-	(42 672)
BonComprehensive	(101 578)	(115 409)
BonEssential	(36 274)	-
BonComplete	(18 319)	(15 832)
Hospital Standard		(2 549)

Options that are considered loss making by the Council of Medical Schemes are benefit options that report a deficit after excluding amounts attributable to future members from Insurance Service Result.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 26. NON-COMPLIANCE WITH THE ACT (continued)

#### 26.1 CONTRAVENTION OF SECTION 33(2) OF THE ACT (continued)

##### 26.1.2 POSSIBLE IMPACT

Loss-making benefit options erode the solvency margin of the Scheme. However, due to historical member reserves coupled with an efficient return on investments, the Scheme is able to absorb these losses.

##### 26.1.3 CORRECTIVE COURSE OF ACTION

The Scheme has experienced positive performance on its largest option. In 2023 Standard has reported a net healthcare surplus of R0.4 million (ie. after excluding amounts attributable to future members). Much of the positive performance can be attributed to successful hospital negotiations and managed care protocols. The Scheme continues to monitor the performance of the five benefit options listed above on a monthly basis. The Scheme has adopted a long-term strategy to correct the loss-making options into the future. The Scheme has also appointed a task team to drive initiatives which will reduce both healthcare and non-healthcare costs over the medium term and improve health outcomes. These measures should have a positive impact across all options.

#### 26.2 CONTRAVENTION OF SECTION 26(7) OF THE ACT

##### 26.2.1 NATURE AND CAUSE

Section 26(7) of the Act, requires that all subscriptions and contributions be paid directly to a Medical Scheme not later than three days after payment thereof becomes due. The Scheme has aged debtors of up to 120 days for both group and direct paying members and is thus in breach of the three day rule.

##### 26.2.2 POSSIBLE IMPACT

There is a risk of non-compliance with Section 26(7) of the Act. Significant debt with members could affect the liquidity of the Scheme and its ability to service members and potential non recoverability of such debtors.

##### 26.2.3 CORRECTIVE COURSE OF ACTION

It is not possible to receive all contributions within three days of becoming due, as there may be economic circumstances whereby contributions cannot be paid as per Section 26(7). In such instances members are notified of the breach. In addition, the Scheme has mitigating controls in place to address the non-payment of contributions, which include the enforcement of the Scheme's Credit Control Policy. Other interventions include direct management engagement with affected groups to resolve such concerns.

During 2023 the South African Post Office (SAPO) paypoint faced financial difficulties relating to outstanding debtors, totalling R17.9 million. As a result, a Business Rescue Plan was implemented, and a claim was submitted for settlement. Additionally, an impairment has been recognised in response to this situation. Similarly, there is an outstanding amount of R7.8 million for the South 32 paypoint, and an acknowledgment of debt has been issued by the Paypoint through the broker agent.

#### 26.3 EXEMPTION OF SECTION 35(8) OF THE ACT

##### 26.3.1 NATURE AND CAUSE

Section 35(8) of the Act prohibits a medical Scheme from investing any of its assets in the business of or granting loans to; (a) an employer group who participates in the medical Scheme or any administrator or any arrangement associated with the medical Scheme; (b) any other medical Scheme; (c) any administrator; and (d) any person associated with any of the above.

##### 26.3.2 POSSIBLE IMPACT

The Scheme has invested with various entities associated with its administrator and the Scheme's employer groups during the financial year.

##### 26.3.3 CORRECTIVE COURSE OF ACTION

The Scheme obtained an exemption in terms of Section 35(8) of the Act from the Council for Medical Schemes in respect of the non-compliance noted.

#### 26.4 CONTRAVENTION OF SECTION 59 (2) OF THE ACT

##### 26.4.1 NATURE AND CAUSE

Section 59(2) of the Act states that: "A medical Scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical Scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical Scheme."

Exceptions were noted during the year where claims were delayed when providers exceeded their monthly limit. Providers are screened first by the Forensic team prior to the limit being lifted, resulting in the claims being paid after the 30 days.

Additional exceptions were identified whereby claim payments were delayed due to system related issues experienced with the electronic approval workflow process.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 26. NON-COMPLIANCE WITH THE ACT (continued)

#### 26.4 CONTRAVENTION OF SECTION 59 (2) OF THE ACT (continued)

##### 26.4.2 POSSIBLE IMPACT

Providers and/or members not settled timely should be communicated with appropriately to avoid non-compliance.

##### 26.4.3 CORRECTIVE COURSE OF ACTION

Provider limits are lifted before the next weekly payment run, provided no fraud risk was identified and are communicated with within the 30-day period, where necessary. The system issues related to workflow approval issues were subsequently resolved. Ongoing monitoring of exception reporting is in place to identify any issues proactively and ensure corrective measures are taken. Furthermore, a communication strategy is in place to inform the providers and members of any delays in claim payments outside the 30 days period to reduce the risk of non-compliance.

### 26.5 CONTRAVENTION OF REGULATION 10 (6) OF THE ACT

#### 26.5.1 NATURE AND CAUSE

Regulation 10(6) of the Act prohibits the funding of a Prescribed Minimum Benefit ("PMB") from the members' medical savings accounts. During the year-end process, an incident occurred where batch claims were released and then two claims were paid incorrectly from savings due to a timing issue.

#### 26.5.2 POSSIBLE IMPACT

Non-compliances with Regulation 10(6) is the risk. This may result in escalation of member complaints whose claims were incorrectly paid from their medical savings accounts and causing the member's out-of-pocket expenses to increase.

#### 26.5.3 CORRECTIVE COURSE OF ACTION

This error was resolved and a monitoring and reporting tool introduced to identify anomalies during the year-end process, preventing any recurrence of such incidents

### 27. AMALGAMATION WITH NEDGROUP MEDICAL AID SCHEME

On 1 January 2022 Nedgroup Medical Aid Scheme (NMAS), a restricted medical Scheme for employees of Nedbank and Old Mutual Insurance, amalgamated with Bonitas Medical Fund. The amalgamation was approved by the Competition Commission and Tribunal on 26 October 2021 and Council for Medical Schemes on 17 November 2021.

This transaction was duly undertaken as Nedbank adjusted their Human Resources Policy effective from 1 January 2022, offering employees and retirees compulsory medical Scheme membership with the choice of selecting one of three open medical Schemes namely Bonitas Medical Fund, Bestmed Medical Scheme or Discovery Medical Scheme. Thus the NMAS Scheme Board of Trustees resolved to consider an amalgamation with one of these three medical Schemes with the intent to amalgamate effective 1 January 2022. After finalising a Request for Information process Bonitas Medical Fund was selected as the preferred amalgamation partner.

Of the 25 280 impacted NMAS members, 14 585 members transitioned to Bonitas Medical Fund on 1 January 2022 whilst 10 695 members joined either Discovery Medical Scheme or Bestmed Medical Scheme or resigned from NMAS Scheme.

As this is deemed an amalgamation in terms of the Medical Schemes Act, 100% of the Assets and Liabilities of NMAS Scheme were transferred 1 January 2022 to Bonitas Medical Fund.

The acquisition date fair value of the total consideration transferred and the acquisition date fair value of each major class of asset and liabilities of NMAS was:

	R'000
<b>Consideration at 1 January 2022</b>	
Insurance liability for future members	612 791
<b>Total Consideration Transferred</b>	612 791
<b>Recognised amounts of identifiable assets acquired and liabilities assumed at fair value</b>	
<b>Current Assets</b>	743 422
Available-for-sale investments	666 487
Trade and other receivables	209
Cash and cash equivalents	76 726
<b>Current Liabilities</b>	(130 631)
Insurance contract liabilities	(123 280)
Trade and other payables	(7 351)
<b>Total identifiable net assets</b>	612 791

The net assets transferred of R613 million bolstered Bonitas' solvency by 3.1% in January 2022.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

### 28. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

#### 28.1 LIABILITY FOR INCURRED CLAIMS

The outstanding claims provision is expected to have a run-off period of four months after the date of the statement of financial position date, thereafter the stale claims mandate will apply which will assess each claim on merit. However, changes past reporting period would be adjusted in a subsequent period for past services.

#### 28.2 IMPLEMENTATION OF NEW BUSINESS SERVICE MODEL

A Board resolution was approved on 20 January 2024, whereby the Board resolved to provide notice of termination with respect to the Sales and Marketing agreement with Afrocentric Distribution Services (Pty) Ltd. The contract provides for a notice period of 6 months. The contract will be terminated effective 30 August 2024.

The value of fees payable per the contract equated to R128.6 million for the 2023 financial period.

In addition to this the Board of Trustees also resolved to terminate the wellness services provided by Medscheme Holdings (Pty) Ltd and Private Health Administrators (Pty) Ltd. The total fees payable for the wellness services for the 2023 financial period equated to R8.2 million. The notice period associated with the wellness services is 6 months.

The decision to provide notice on the sales and marketing contract, and to withdraw the wellness services was driven by the Scheme's intention to implement a new operating model with respect to corporate servicing. The decision taken is informed by the Board's review of the value proposition offered to Corporate pay points which is central to the Business Development, Connecting with Customer, and Integration of the value chain, strategic pillars.

Under the new corporate operating model, specific integrated services that span across administration, managed care, wellness and information technology will be grouped together to ensure a bespoke unique value proposition is offered by the Scheme for various market segments that has been undercapitalised through the Schemes strategic growth and sustainability ambitions. Focused approach is taken with regards to corporate servicing and strategy.

Fees associated with certain service aspects currently being performed by Medscheme Holdings (Pty) Ltd and Private Health Administrators (Pty) Ltd, which will form part of the new operating model, are in the process of being reviewed with both administrators. Services that require reconfiguring within the administration contracts relate to the following services:

- Member record management
- Customer Services
- Information technology

In February 2024, the Scheme issued a Request for Expression of Interest, with the objective of sourcing interested parties that have the capabilities to fulfil the Scheme's strategic objectives with respect to the new integrated corporate servicing model:

The Board expects to finalise the tender process by the end of May 2024. However the new operating model is likely to be implemented in late 2024 or January 2025.

#### 28.3 INVESTMENT PROPERTY HELD FOR SALE

The Scheme located a buyer for the Investment Property Held for Sale in March 2024. An agreement of sale was signed on the 8th April 2024. The agreed selling price approximates the current fair value reported in the financial statements of R72,7 million. At the time the Board of Trustees approved the financial statements being 19th April 2024, the purchaser was in the process of making the funds available in order for transfer to be affected.

# OTHER INFORMATION

## OUR CONTACT DETAILS

### Bonitas officers

Principal Officer	Chief Financial Officer	Clinical and Managed Care Executive
<b>Mr LR Callakopen</b>	<b>Mr L Woodhouse</b>	<b>Dr T Hadebe</b>
<b>Physical address</b>	<b>Physical address</b>	<b>Physical address</b>
2nd Floor 34 Melrose Boulevard Melrose Arch Johannesburg 2076	2nd Floor 34 Melrose Boulevard Melrose Arch Johannesburg 2076	2nd Floor 34 Melrose Boulevard Melrose Arch Johannesburg 2076
<b>Postal address</b>	<b>Postal address</b>	<b>Postal address</b>
PO Box 3496 Cramerview 2060	PO Box 3496 Cramerview 2060	PO Box 3496 Cramerview 2060

### Bonitas registered office and postal address

Bonitas Medical Fund	Administrator Medscheme Holdings Proprietary Limited	Managed care provider Medscheme Holdings Proprietary Limited	Administrator and Managed care provider Private Health Administrators (Pty) Ltd
	Accreditation nr MCO53	Accreditation nr MCO53	
<b>Physical address</b>	<b>Physical address</b>	<b>Physical address</b>	<b>Physical address</b>
2nd Floor 34 Melrose Boulevard Melrose Arch Johannesburg 2076	37 Conrad Drive Florida North 1709	The Boulevard Building F Searle Street Woodstock 7925	Pharos House 70 Buckingham Terrace Westville 3630
<b>Postal address</b>	<b>Postal address</b>	<b>Postal address</b>	<b>Postal address</b>
PO Box 3496 Cramerview 2060	PO Box 1101 Florida Glen 1708	PO Box 38632 Pinelands 7430	PO Box 343 Westville 3630

### Asset/investment managers

Taquanta Asset Management Proprietary Limited	Allan Gray Investment Managers	M&G Investments (Prudential Portfolio Managers)	Fairtree Investment Manager	Sesfikile Capital
FSP nr 618	FSP nr 40592	FSP nr 615	FSP nr 25917	FSP nr 39946
<b>Physical address</b>	<b>Physical address</b>	<b>Physical address</b>	<b>Physical address</b>	<b>Physical address</b>
5th Floor Draper on Main 47 Main Road Claremont Cape Town 7708	1 Silo Square V&A Waterfront Cape Town 8001	30 Dreyer Street Claremont Cape Town 7700	3rd Floor Willowbridge Place Cnr Carl Cronje Drive and Old Oak Bellville 7530	2nd Floor 18 The High Street Melrose Arch Johannesburg 2076
<b>Postal address</b>	<b>Postal address</b>	<b>Postal address</b>	<b>Postal address</b>	<b>Postal address</b>
PO Box 23450 Claremont 7700	PO Box 51318 V&A Waterfront Cape Town 8002	PO Box 44813 Claremont Cape Town 7735	PO Box 4124 Tygervalley Cape Town 7536	Suite 334 Private Bag X1 Melrose Arch 2076

## Asset/investment managers

All Weather Capital (Pty) Limited	Catalyst Fund Managers	Vunani Fund Managers	Aluwani Capital Managers	Mergence Investment Managers (Pty) Limited
FSP nr 36722	FSP nr 36009	FSP nr 49846	FSP nr 46196	FSP nr 16134
<b>Physical address</b> 9th Floor Katherine Towers 1 Park Lane Wierda Valley Sandton 2196	<b>Physical address</b> 4th Floor Protea Place Protea Road Claremont 7708	<b>Physical address</b> 1st Floor Cavendish Links 1 Cavendish Street Claremont 7708	<b>Physical address</b> EPPF Office Park 24 Georgian Crescent East Bryanston East 2152	<b>Physical address</b> 2nd Floor Cape Town Cruise Terminal Duncan Road V&A Waterfront Cape Town 8001
	<b>Postal address</b> PO Box 44845 Claremont Cape Town 7735			

## Actuaries

Medscheme Holdings Proprietary Limited	NMG Consultants and Actuaries Proprietary Limited
Accreditation nr MC053	FSP nr 12968
<b>Physical address</b> The Boulevard Building F Searle Street Woodstock 7925	<b>Physical address</b> Nicolway West Office Block Cnr William Nicol Drive and Wedgewood Link Bryanston 2001
<b>Postal address</b> PO Box 38632 Pinelands 7430	

## External auditor

Deloitte	PwC
<b>Physical address</b> 5 Magwa Crescent Waterfall City 2090	<b>Physical address</b> 4 Lisbon Lane Waterfall City Jukskei View 2090
<b>Postal address</b> Private Bag x6 Gallo Manor 2052	<b>Postal address</b> Private Bag x36 Sunninghill 2157

## Internal auditor

# ABBREVIATIONS AND DEFINITIONS

<b>the administrator or Medscheme</b>	Medscheme Holdings Proprietary Limited
<b>ADS</b>	AfroCentric Distribution Services Proprietary Limited
<b>AfA</b>	Aid for Aids
<b>AGM</b>	Annual general meeting
<b>AIDS</b>	Acquired immunodeficiency syndrome
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>BPO</b>	Business Process Outsourcing
<b>BHF</b>	Board of Healthcare Funders
<b>BMI</b>	Body mass index
<b>Board</b>	Board of Trustees
<b>Bonitas</b>	Bonitas Medical Fund
<b>CDL</b>	Chronic Disease List
<b>CFO</b>	Chief Financial Officer
<b>CMS</b>	Council for Medical Schemes
<b>COBIT</b>	Control Objectives for Information and Related Technology
<b>COFI</b>	Conduct of Financial Institutions
<b>COSO</b>	Committee of Sponsoring Organizations
<b>COVID-19</b>	Coronavirus disease
<b>CPD</b>	Continuing Professional Development
<b>CPI</b>	Consumer Price Index
<b>CT</b>	Computed tomography
<b>CTC</b>	Cost to Company
<b>DBC</b>	Documentation Based Care
<b>Deloitte</b>	Deloitte & Touche
<b>DENIS</b>	Dental Information Systems Proprietary Limited
<b>DTP</b>	Diagnosis and treatment pair
<b>EDO</b>	Efficiency discounted option
<b>EE</b>	Employment equity
<b>ESG</b>	Environmental, social and governance
<b>Europ Assistance</b>	Europ Assistance Worldwide (South Africa) Services Proprietary Limited

<b>FATF</b>	Financial Action Task Force
<b>FY</b>	Financial year
<b>FWA</b>	Fraud, waste and abuse
<b>GDP</b>	Gross domestic product
<b>GP</b>	General practitioner
<b>GRC</b>	Governance, Risk and Compliance
<b>HASA</b>	Hospital Association of South Africa
<b>HIV</b>	Human immunodeficiency virus
<b>HMO</b>	Health maintenance organisation
<b>HPCSA</b>	Health Professions Council of South Africa
<b>HPV</b>	Human Papillomavirus
<b>I&amp;T</b>	Information and technology
<b>IBNR</b>	Incurred but not reported
<b>ICPS</b>	Improved Clinical Pathway Services
<b>IFRS</b>	International Financial Reporting Standards
<b>IoDSA</b>	Institute of Directors in South Africa
<b>IPAF</b>	Independent Practitioners Association Foundation
<b>IR</b>	Integrated Reporting
<b>ITIL</b>	IT Infrastructure Library
<b>JSE</b>	Johannesburg Stock Exchange
<b>King IV™</b>	King IV Report on Corporate Governance™ for South Africa, 2016*
<b>LCBO</b>	Low-cost benefit option
<b>LTI</b>	Long-term incentive
<b>MANCO</b>	Management Committee
<b>Medscheme</b>	Medscheme Holdings Proprietary Limited
<b>MSA</b>	Medical Schemes Act, No 131 of 1998, as amended
<b>NCOP</b>	National Council of Provinces
<b>NHI</b>	National Health Insurance
<b>NPS</b>	Net promoter score
<b>NQF</b>	National Qualifications Framework
<b>OPSCO</b>	Operations Committee
<b>PMB</b>	Prescribed minimum benefit

<b>PMBOK</b>	Project Management Body of Knowledge
<b>PHA</b>	Private Health Administrators
<b>PO</b>	Principal Officer
<b>POPIA</b>	Protection of Personal Information Act, No 24 of 2013
<b>PPN</b>	Preferred Providers Negotiators Proprietary Limited
<b>PTSD</b>	Post-traumatic stress disorder
<b>PwC</b>	PricewaterhouseCoopers
<b>RAF</b>	Road Accident Fund
<b>the report</b>	2023 Integrated Report
<b>RFP</b>	Request for Proposal
<b>RisCura Solutions</b>	RisCura Solutions Proprietary Limited
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SAMA</b>	South African Medical Association
<b>SAPS</b>	South African Police Service
<b>Scriptpharm</b>	Scriptpharm Risk Management Proprietary Limited
<b>SDG</b>	Sustainable Development Goal
<b>SGM</b>	Special general meeting
<b>SLA</b>	Service level agreement
<b>SMS</b>	Short messaging service
<b>STI</b>	Short-term incentive
<b>UHC</b>	Universal health coverage
<b>UNICEF</b>	United Nations Children's Fund
<b>WHO</b>	World Health Organization
<b>the year</b>	Financial year ended 31 December 2023

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