



B·H·F
SOUTHERN AFRICA



ANNUAL
REPORT **2018**

OUR VISION

A member-centric healthcare system that is affordable and accessible to the 'healthcare citizen'. Our aim is to remain relevant, understanding the context we work in, and improving our value proposition.

OUR VALUES


- Commitment
- Leadership
- Innovation
- Inclusivity
- Excellence
- Communication
- Integrity

ANNUAL REPORT 2018

THE BOARD OF HEALTHCARE
FUNDERS OF SOUTHERN AFRICA NPC



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CHAIRMAN'S REPORT

The 2018 calendar year has truly passed by in a flash. It began with leadership changes in government, which brought an opportunity for convergence between business, government and labour in South Africa to usher in much-needed change. Dr Ali Hamdulay, Chairman of the BHF, reflects on some of the highlights.

The year in review will be remembered for a host of key proposals, developments and health market insights. The National Health Insurance (NHI) Bill, the Medical Schemes Amendment Bill, the draft Health Market Inquiry report, the Presidential Consultative Forum and Summit and the various circulars issued by the Council for Medical Schemes were just some of the developments that dominated the industry and kept all of us very busy and engaged, both as teams and individuals.

During the year, we convened a strategic session to further enhance the relevance of the BHF to the market, industry, our members, providers and healthcare consumers. The need for deeper and broader collaboration across all stakeholders re-emerged and is highlighted as a key theme for the re-engineering of our health system.

Furthermore, our various forums, summits and indabas brought more face to face contact with our members to reflect our commitment to fostering close relationships with them. These engagements formed the conduit for awareness, inputs debates and knowledge on the relevant discourses and submissions.

It is a great honour to extend my deepest appreciation to all board members, our MD Dr Katlego Mothudi, his management team and the staff of the BHF for their commitment in contributing to all these and many more initiatives, as well as improving the health industry for all our members.

It is indeed a privilege to be part of a team that is dedicated to servicing the needs of our members and 'health citizens', effecting meaningful influence on our health landscape and forging ahead with remarkable progress towards our organisation's objectives.

We look forward to continuing in earnest with our contribution and influence in the healthcare industry for Southern Africa.

DR ALI MIA HAMDULAY
CHAIRMAN

**MEDIUM
TERM GOAL**

Fully aligned ecosystem where member needs are driven by all stakeholders

**MEDIUM
TERM GOAL**

Be the trusted driver of health system reform that incorporates all stakeholders

**MEDIUM
TERM GOAL**

Proactively drive content and position BHF as *the* industry thought leader

**MEDIUM
TERM GOAL**

Generate more revenue whilst fundamentally serving our members

**VALUE CHAIN
ALIGNMENT****UNIVERSAL
HEALTH
COVERAGE****THOUGHT
LEADERSHIP
& BRAND****FINANCIAL
STABILITY**

STRATEGIC THRUSTS

- Collaborative innovation
- Stakeholder participation
- BHF internal processes and structures
- Vulnerable (smaller) members support
- Inter-operable industry

- Shaping NHI
- Medical Scheme reform
- Member expectations

- Relevant research
- BHF Conference relevance
- Product improvement
- BHF Academy
- Industry information hub
- BHF brand building

- Revenue generating principles
- Membership, fees and structure
- Training offerings
- Consulting and research offering
- Conferencing offering
- Joint industry issue resolution
- Associate membership



MANAGING DIRECTOR'S REVIEW



2018 HIGHLIGHTS

Value added Tax increase 14% to 15%

Medical Scheme Consolidation

Prescribed Minimum Benefits (PMBs) Review

BHF Research into the provisions of Healthcare Resources into South Africa

Compensation Fund and NAMMED join the BHF as members

BHF submissions: HMI Preliminary Findings; Medical Schemes Amendment Bill Announcement; National Health Insurance Bill; and International travel Benefit.

Dr Katlego Mothudi, Managing Director of the BHF, reflects on an eventful year in which, once again, the BHF was at the forefront of providing thought leadership on a wide range of issues affecting the healthcare industry in Southern Africa. Some of the highlights and achievements of 2018 are covered in this review.

Impact of the VAT increase on medical schemes

Value-added tax (VAT) increased from 14% to 15% on 1 April 2018. This measure had important implications for the medical scheme industry and its members. Medical scheme contributions do not include VAT and thus an increase in VAT did not affect member contributions directly. However, payments to healthcare and third-party providers increased, as the additional VAT was added

to their invoices. Medical schemes are VAT payers - not recipients, and are unable to offset VAT paid by adding VAT to contributions. Medical scheme members therefore experienced an indirect impact on their contributions because the increased expenditure by medical schemes required a commensurate increase in contributions to ensure that costs were adequately covered. It was calculated that risk contributions needed to increase by 0.9% to cover the additional annual costs.

1000 Delegates


B·H·F
SOUTHERN AFRICA

**The
19th
Annual**
**Sun City
17-20 June 2018**
**BHF Southern
African Conference**

PUTTING THE HEALTH CITIZEN FIRST | PUSHING THE BOUNDARIES OF THE IMPOSSIBLE

17 Countries



49

Industry thought
leaders and experts
presented at the
conference

300

Organisations from across
the healthcare, financial,
medical and other sectors
were represented

18

Media were
represented at the
conference

Nineteenth annual BHF conference: 2018

As healthcare systems around the world move towards universal health coverage, much research has been undertaken on what needs to be done to achieve this. Fittingly, the theme of the 2018 annual BHF conference was *'Putting the healthcare citizen first'* as we sought a deeper understanding of what the next steps are for the industry to find alignment, action and participation in driving implementation of systems that are equitable, affordable and accessible to all 'healthcare citizens'.

Topics covered included the following:

- What are the next steps?
- How can we overcome fragmentation in the systems?
- Transformation: Women – the custodians of health
- How can we incentivise investments in areas that promote access to quality and affordable healthcare?
- How do we incorporate the voice of civil society, business and the public as we progress towards universal healthcare?
- What quick wins can be implemented now as we move towards universal healthcare?
- Impact of national health insurance on strategic purchasing of medicines: perspectives from pharmaceutical companies and hospital groups.
- What platforms can be used to hear the voices of the marginalised?
- How do we galvanise and get buy-in from healthcare professionals?
- How do we translate technical evidence and knowledge into policy and action?
- How to reduce non-healthcare costs?
- How to better engage the medical scheme beneficiary to reduce moral hazards?



Research into the provisions of healthcare resources in South Africa

In July 2018 the BHF's research unit released the results of research on the provisions of healthcare resources in South Africa in the form of an analysis of healthcare professional providers registered on the Practice Code Numbering System (PCNS).

The research unit investigated the distribution of healthcare providers in South Africa, looking at both the public and private sectors, including not only general practitioners (GPs) and specialists, but also allied health professionals such as medical technologists, radiologists and pathologists. The report highlighted

areas of concern, notably significant variations between provinces in respect of the distribution of human resources; but there were also some reasons for optimism around human resources planning as the country moves towards universal health coverage.

The report focused specifically on professionals registered on the PCNS during the period January 2000 to December 2017. For a healthcare provider to claim from a medical scheme they need to be registered on the PCNS. A 52% increase in active healthcare professionals was noted, from about 36 000 in 2000 to 54 800 in 2017. Surprisingly, however, this increase occurred in tandem with an

increase in their average age in most disciplines.

This unexpected observation is worrying as it suggests that there has been an increase in the number of older professionals moving from state facilities to the private sector. In 2000, there were 7 million beneficiaries registered on medical schemes, so there has been an increase over the years. But there has clearly been an even larger increase in healthcare professionals in the private sector (52% vs 27%). The report found that the distribution of healthcare providers is disproportionate in terms of geographical location and population needs. Gauteng and the Western Cape have more providers per 10 000 population than in rural provinces. This disproportionate distribution is acute

BHF BOARD MEMBERS (FROM LEFT TO RIGHT)

BACK ROW: Callie Schafer, Osborn Mahanjana, Howard Stephens, Mark Bayley.

MIDDLE ROW: Sekhonyana Matsoso, Mangaliso Mahlaba, Yvonne Mabule, Ian Isdale, Thato Moumakwa.

FRONT ROW: Costa Raftopoulos, Antea Fourie-Van Zyl, Vusi Memela, Shylet Sanyanga, Katlego Mothudi.

in more specialised disciplines. The provider numbers in some provinces are well below the national Department of Health targets of healthcare providers per 10 000 population. This disproportionate distribution is evident in both sectors. Over and above this, there is a disproportionate number of providers practising in the private sector compared to the public sector. This leaves a high burden of care for those in public facilities.

The increasing number of providers in the private sector and the

aforementioned increase in their average age suggests two things; training programmes to recruit new providers are inadequate and the public sector has lost staff to the private sector over the years. Those registered on the PCNS do not seem to stay in practice for long. A high number leaves before reaching retirement. About half of male healthcare professionals de-register their PCNS numbers before they reach the age of 50. The rates of exit are significantly higher among women; about half leave private practice before the age of 45. This is very worrying. But while the

maldistribution of human resources and the rates of exit are alarming, the report also made some positive findings. The number of GPs in private practice is 15.69 per 10 000 population, which is higher than the Department of Health target of 3.66 per 10 000 population. This presents an opportunity for both medical schemes and the state, as GPs may be contracted into arrangements where they serve a targeted population group. The government's plans for rolling out the National Health Insurance (NHI) are possible given the number of GPs in the private sector – if they can be contracted to



50%

Male Healthcare Professionals

About half of male healthcare professionals de-register their PCNS numbers before they reach the age of 50.



52%

Active Healthcare Professionals

A 52% increase in active healthcare professionals was noted, from about 36 000 in 2000 to 54 800 in 2017.



0.16%

GPs in Private Practice

The number of GPs in private practice is 15.69 per 10 000 population, which is higher than the Department of Health target of 3.66 per 10 000 population.

MANAGING DIRECTOR'S REVIEW

for the year ended 31 December 2018

TITANIUM AWARDS 2018 (LEFT TO RIGHT):

Dr Mothudi, Managing Director, BHF; Dr Sivuyile Madikana (Young Achiever Award); Roselyne Sachiti (Best Healthcare Media Content Award); Medscheme CEO, Anthony Pederson and Executive Director, Dr Lungi Nyathi (Service Excellence Award – Administrators); Witrand Hospital CEO, Naledi Mocwaledi-Senyane (Health Facilities Award – Public Sector); Professor Malegapuru William Makgoba, Office of the Health Standards Compliance (Excellence in Creating Access to Healthcare Award); Dr Rajesh Patel on behalf of Prof. Abdul Wahab Barday, winner of the Dr Humphrey Zokufa Lifetime Achievement Award; and Zola Mtshiya, Stakeholder Relations and Communications Head of BHF.



service the rest of the South African population. (In Gauteng and the Western Cape, even the number of specialists is above target.) The report concluded that the training of healthcare professionals should be considered as a lever to improve the provider/patient ratio, especially among specialists. Greater focus must be placed on increasing the number of specialists. The higher average age points partly to a small base of new providers entering from training facilities.

The BHF comments on CMS Annual Report

The BHF welcomed the Council for Medical Schemes (CMS) annual report for 2017/18. The report provides a comprehensive overview of the status of the medical schemes industry in South Africa. Despite the strong financial performance of schemes, there are still challenges in the medical schemes' environment with regard to, inter alia, quality of care and understanding healthcare expenditure. Medical schemes managed to make surpluses of

R8.9 billion in 2017 while reserves grew by R9.4 billion to R63.6 billion in 2017. This suggests a healthy industry, but a closer inspection reveals a different story as the industry saw a weakening risk profile, continuing growth in prescribed minimum benefits (PMBs) expenditure and an increase in unresolved complaints received by the CMS. Reform is needed to ensure the industry is sustainable to the benefit of medical scheme beneficiaries.

The Bio Africa Convention: Innovative medicines

The BHF presented at the inaugural Bio Africa Convention, a three-day international event. Its presentation was on trends in medicine expenditure by medical schemes and highlighted the need for new essential benefits packages targeting primary and preventative care.

Revised PMBs

In January 2018 on behalf of its members, the BHF released its commentary on the proposed Code of Conduct (CoC) in respect of PMBs

published by the CMS under Circular 74 of 2017. The BHF does not support some elements of the CoC. While the BHF recognises that there may be a need to amend the CoC published in 2010, it does not support the current process adopted for the review thereof. The CoC must be a consensus document that medical schemes, healthcare providers and scheme members can buy into. It should not stray outside the bounds of the legislative framework of the industry and it should not be couched in the form of instructions by the regulator.

It covers a number of controversial issues that have not been satisfactorily resolved in law and comes across as an attempt on the part of the CMS to get schemes to agree to overly simplistic solutions to complex industry problems, to the detriment of schemes and their members. In some instances the CoC seems to be suggesting an expansive interpretation of PMBs that would significantly increase the already substantial burden on schemes the PMB package represents. The BHF does not concur with this approach, but supports a complete overhaul



of the PMB package that moves completely away from its current diagnosis-based and hospicentric nature. The relevance of the CoC development process in light of the PMB review is also questionable. There is a perception that if schemes agree to certain positions, as set out in the CoC, this will be taken as constituting their consent to certain controversial issues that can only be properly explored, canvassed and resolved in the PMB review.

BHF submission on the HMI preliminary findings

The BHF reviewed the series of reports published in December 2017 by the Competition Commission's Health Market Inquiry (HMI). The BHF serves all its members to protect the interests of medical

scheme members, and therefore the sustainability of the private healthcare sector is considered paramount. The commentary provided aimed to support the HMI in recommending policy, legislative and regulatory changes that will ensure quality and affordable healthcare for all. The BHF maintained that certain benefit option design features negatively impact healthcare costs and access to benefits or care, and that further investigation is required.

The HMI has invested considerable effort in developing analytical measures and tools. Where feasible, these models and tools should be refined and shared with industry to promote consistency in benchmarking and the development of performance measures.

Further to the provisional findings and recommendations from the HMI, the BHF commended the then Minister of Health, Dr Aaron Motsoaledi, for listening to the industry and initiating this initiative in the interest of the healthcare citizen. The BHF also thanked the Competition Commission for implementing the HMI and helping the industry progress towards achieving access to affordable healthcare for all.

Medical Schemes Consolidation Framework

The BHF commented on the draft Medical Schemes Consolidation Framework. While the BHF understands that the Minister of Health had instructed the CMS to embark on a process of consolidation

MANAGING DIRECTOR'S REVIEW

for the year ended 31 December 2018

of medical schemes in order to pave the way for NHI, government policy cannot be implemented in a vacuum and has to take into account existing legal, scientific and rational frameworks.

The BHF is of the view that the CMS did not consult the industry sufficiently prior to the release of this framework and believes that for consolidation to take place effectively, there is an urgent need to prepare the medical schemes environment through the restructuring of the PMBs and the introduction of measures such as income cross-subsidisation within schemes. Fragmentation should first be reduced through the introduction of a standard base benefit across all schemes. Risk rating at benefit option level currently undermines the principles of community rating and social solidarity. The CMS should implement measures, such as income-based contribution tables for the base benefit, to

eliminate this before attempting consolidation of schemes.

Medical Schemes Amendment Bill

The Medical Schemes Amendment Bill was welcomed by the BHF as a long overdue revision of the Medical Schemes Act No 131 of 1998. BHF commended the Minister of Health for the section on corporate governance of medical schemes and made a submission of its own with regard to a number of concerns on points related to complementary cover, health governance, contracts with third parties and non-healthcare costs, among others.

National Health Insurance Bill

The BHF's submission on the National Health Insurance Bill included member comments as per feedback received at both the Johannesburg and Cape Town regional meetings, which took place on 23 August 2018 and 10 September 2018, respectively. The BHF was encouraged that the Bill took into

consideration many of the comments and inputs the BHF made over the past few years to improve the healthcare system. We were especially encouraged that the Bill recognised the expertise and infrastructure which existed in the private sector and could be utilised under the NHI.

CMS Circular 45 of 2018: International Travel Benefit

The CMS issued this circular regarding medical schemes that provide travel insurance benefits to members. According to the circular, travel insurance benefits offered by medical schemes conflict with the provisions of the Medical Schemes Act. The BHF obtained a legal opinion on this matter, key highlights of which were as follows: there is no indication in the definition of 'relevant health service' that the service may only be rendered in South Africa. The provider of the service must be registered in terms of 'any law'. It does not state that it must be a South African law. Section 20(2) states: 'No medical scheme shall purchase any insurance policy in respect of any relevant health service other than to reinsure a liability in terms of section 26(1)(b). Section 26(1)(b) refers to the assumption of liability for and the guarantee of benefits offered to the scheme's

CATEGORY 4:
Titanium Award for
Young Achiever:
Dr Sivuyile Madikana





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members and their dependants in terms of its rules. Section 21A(3) of the Medical Schemes Act states that it is an offence to market, advertise or in any other way promote a medical scheme in a manner likely to create an impression that membership of such medical scheme is conditional upon an applicant purchasing or participating in any product, benefit or service provided by a person other than a medical scheme in terms of its rules.

2018 Titanium Award Winners

- CATEGORY 1: Titanium Award for Excellence in Creating Access to Healthcare: Office of the Health Standards Compliance (OHSC)
- CATEGORY 2: Titanium Award for Best Healthcare Media Content: Roselyne Sachiti
- CATEGORY 3: Titanium Award for Health Facilities Public Sector: Witrand Hospital
- CATEGORY 4: Titanium Award for Young Achiever: Dr Sivuyile Madikana
- CATEGORY 5: Titanium Award for Service Excellence – Administrators: Medscheme
- CATEGORY 6: Humphrey Zokuka Lifetime Achievement Award: Prof. Abdul Wahab Barday

BHF 360 Magazine

The fifth edition of the BHF 360° magazine was launched and used to profile the BHF Managing Director, Dr Katlego Mothudi. We also looked at how companies in healthcare are grooming the next generation of leaders and highlighted the PCNS rebrand. All in all, the magazine showcased 40% of the BHF members' thought leadership positioning. The magazine also positioned regional members: Zimbabwe, Malawi, Mozambique, eSwatini, Namibia and Botswana.

SADC update

Visa requirements remain a huge obstacle for foreign students wishing to study in South Africa. The Immigration Act 13 of 2002 and the Immigration Regulations of 2014 require foreign students to submit

proof of medical cover with a locally registered medical scheme in order to qualify for a study visa.

On 23 October 2018, the BHF met with representatives from CMS and the Department of Home Affairs (DHA). The BHF and CMS proposed an exemption for students coming into South Africa to study to the DHA, as well as the need for solutions that do not flout the current regulations and take into consideration the implementation of NHI.

Key highlights from the meetings with the DHA included its recognition that finding a solution was important to the DHA; the importance of involving all stakeholders affected, such as universities, hospitals, the Department of Health (DoH) and service providers; the DHA being happy to implement a solution, as long as all risks were taken into consideration; and all parties needing to understand the unintended consequences of an exemption.

MANAGING DIRECTOR'S REVIEW

for the year ended 31 December 2018

As the BHF has members from other SADC countries, finding a solution to this impasse is key. The regulations state that medical schemes need to be registered with the CMS. The BHF therefore escalated this issue to the Registrar's office. Key action points from the meeting included, in the short term, a recognition letter including: scheme registration details; scheme to be in good standing with its regulator; endorsement letter from the regulators; and engagement of all key stakeholders, including the BHF and CMS. Long-term action points included an exemption or

change in the regulations. So far the BHF has developed an equivalency assessment framework. The equivalency framework will ensure that universities and the state are assured that adequate cover is in place for foreign students. The CMS is preparing for the collection of data from medical schemes in South Africa on the number of students covered, contributions paid, benefit packages and levels of utilisation.

The CMS is also investigating broker conduct with regard to marketing and selling of student cover. A student

project committee was set up by CISNA, the Committee of Insurance, Securities and Non-banking Financial Authorities, to seek a solution to the difficulties faced by SADC students. The CMS convened a meeting in Namibia, which was attended by representatives from the BHF and a few from the SADC, who shared their experiences with the meeting. The CMS is also reviewing benefit packages of student options, and together with the Financial Services Conduct Authority is reviewing the regulatory regime for providers of health insurance that are based

BHF MEMBER ENGAGEMENTS**STAKEHOLDER REVIEW 2018**

COUNTRY	CHANNEL	TYPE	KEY ISSUES
South Africa	Regional Meeting (Cape Town & Johannesburg)	40 Medical Schemes	Member input on NHI, MSA Bill; Medical Scheme consolidation
	One on One & BoT Presentations	30 Medical Schemes	Medical scheme consolidation; NHI, MSA Bill; HMI preliminary findings; Fraud Waste and Abuse
	NHI Symposium	40 Medical Schemes; 7 Administrators; 2 Managed Care	Strategic Purchasing Reform – alignment to NHI; Clinical Governance and Survey Results; Effective Coverage; HMI Analysis; Update from NDoH; The BHF Action Plan.
	BHF Wits Trustee Development Programme	30 Medical Schemes	85% Pass Rate; 46 Students;
	Fraud Waste & Abuse Indaba	40 Medical Schemes	HFMU Portal: A tool for effective collaboration; Impact of MSA & HMI on FWA.
Botswana	One on One Meetings with Principal officers	3 Medical Schemes	Collection of Data for the region; Participation in Fraud Waste & Abuse Portal; Challenges in the Industry.
	Regional Meeting	4 Medical Schemes 1 Administrator	Industry Challenges: Collection of Data; Fraud Waste and Abuse; Student Visa.
Zimbabwe	Regional Meeting	10 Medical Schemes	Value of belonging to BHF; Student Visa; Industry Challenges
eSwatini	Regional Meeting	1 Medical Scheme	industry challenges; NHI Update; Student Visa
South Africa	SADC Fraud Waste Workshop	7 Countries 10 Medical Schemes 2 Administrators	Development of a SADC Anti-Fraud Framework Policies
Namibia	Trustee Training (Inhouse)	1 Medical Scheme	Benefit Review; Strategy; Health Governance.
	Regional Meeting	4 Medical Schemes	PCNS update: - Ownership and user agreement BHF/CMS and Namaf - BHF support to Namaf on PCNS and other operational matters - BHF UID NHI; Student Visa; Fraud Waste & Abuse.

abroad. Repeal of requirements for medical scheme cover is still considered a long-term viable solution.

Stakeholder engagement

Engaging with membership and key stakeholders was a key focus of 2018, with the BHF co-ordinating member meetings in Botswana, Malawi, Mozambique, Zimbabwe, eSwatini, Lesotho and South Africa.

New members

The BHF is pleased to welcome the Compensation Fund and Nammed Medical Aid Fund as new members.

The Compensation Fund provides compensation to employees who are injured or contract diseases in the course of their employment.

We believe that this partnership will advance our call for a unified healthcare sector. Nammed Medical Aid is a pioneer in the healthcare

industry in Namibia, providing unique benefits in a diverse and complex spectrum of healthcare needs. We believe that the decision by Nammed Medical Aid to partner with the BHF will strengthen regional efforts towards accessible, affordable and sustainable healthcare.



DR KATLEGO MOTHUDI
MANAGING DIRECTOR

PARTICIPATION IN INDUSTRY INITIATIVES			STAKEHOLDER REVIEW 2018
STAKEHOLDER	CHANNEL	BHF REPRESENTATIVE	KEY ISSUES
National Department of Health SA	Health Data Advisory and coordination Committee; consists of researchers, statisticians; demographers and public health experts	Dr Rajesh Patel	HDACC started work on putting together quality measures for SA.
Council for Medical Schemes	Clinical Risk Review Committee	Dr Rajesh Patel	Review of PMBs
Lancet Commission South Africa	Review the status of the quality of health services in the system.	Dr Rajesh Patel	Improve Quality in the Health System; Produce a national report
Special Investigating Unit (SIU)	SIU Health Sector Anti Fraud Forum: collaboration between government and the private sector	Dr Katlego Mothudi	Fraud Waste and Abuse

PARTICIPATION IN INDUSTRY FORUMS			STAKEHOLDER REVIEW 2018
STAKEHOLDER	CHANNEL	TYPE	KEY ISSUES
President South Africa	Presidential Health Summit - NHI	Multi-sectorial leaders in healthcare	Private Sector Engagement - National Health Insurance; Health System Strengthening.
Global Health Care Anti-Fraud Network (GHCAN)	NHCAA Health Care Fraud Prevention's Annual Training Conference (ATC)	Investigators and investigative authorities in the US	Latest Trends Fraud Waste and Abuse.
Department of Health SA	National Department of Health Cancer Campaign	Members of the public; civil society and key stakeholders in healthcare	National Department of Health to attend the Launch of the National Cancer Campaign hosted by the Health Minister, Dr Aaron Motsoaledi and Dr Sibongiseni Dlomo, KwaZuluNatal MEC.
Department of Monitoring and Evaluation: Presidency	DPME Consultative Workshop	Various stakeholders in South Africa	DPME tasked by Cabinet to work with state and non-state stakeholders to review South Africa since the dawn of freedom in 1994. Consultative forum considering what has happened in our country in the past 24 years, our achievements as a nation, persistent challenges that we face, and proposed solutions to move our country forward in the next 25 years.

PARTNERSHIP ENGAGEMENTS			STAKEHOLDER REVIEW 2018
PARTNER	CHANNEL	TYPE	KEY ISSUES
ENCA	BHF partnership with ENCA to create Health Matters	7 days a week, twice a day include social media posts	Focus on important facts – Did you know. Various issues covered: what you need to know about PMBs; Breast Cancer, Fraud Waste and Abuse; diabetes; Mental health; etc
Health Professions Council of SA	HPCSA road shows	900 healthcare professionals	The programme featured the overview of the HPCSA, Medical Schemes Amendment Bill and NHI Bill, Health Committee: Practitioner Impairment, Online Registrations, and ethics: Practitioners Using Social Media. The PCNS unit participated as an exhibitor as part of the BHF communications strategy to interact and engage all stakeholders.
Bio Africa	Bio Africa	600 Delegates from around Africa	Programme featured: SA White Paper on Science & Technology, inter-ministerial panel: Inspiring Investor Confidence in African Biotech Through Policy, Innovation for Health in Africa, Biosimilars: Development Trends & Regulatory Framework, Artificial Intelligence Advancement for Health, agricultural biotech, industrial biotech, health biotech.
National Department of Health	Electronic Record & Provider Registry	The BHF and DG of Health: CSIR; HIS	Department did a demonstration on the work completed by CSIR on the Electronic Record and Provider Registry; The BHF shared some of its experience on how they can improve the system
South African Medical Association	SAMA Conference	300 Healthcare Professionals	Themed 'Patient Centred Care – Putting the heart into medicine'. The programme provided an update on common clinical conditions in practice, with a strong focus on the new trends in continuing medical education using innovative multi-media solutions; clinical governance, alternative remuneration models, the patient centred consultation as an HPCSA core competency, dying with dignity and managing the stresses that come with being a doctor in South Africa.

THOUGHT LEADERSHIP PRESENTATIONS			STAKEHOLDER REVIEW 2018
STAKEHOLDER	CHANNEL	TYPE	KEY ISSUES
Bio Africa	Bio Africa Summit	Charlton Murove: BHF Head of Research	Innovative Medicines.
UCT Faculty of Health Sciences and Digital Health	South African Digital Health Conference	Dr Rajesh Patel	The role and impact of digital health on the medical aid landscape
South African Clinical Technology Association	South African Clinical Technology Association Congress	Dr Rajesh Patel	NHI
GIBS	Gordon Institute of Business Science's Healthcare Industry Updates and Innovation Conference	Dr Katlego Mothudi: Managing Director	The New Healthcare Landscape: After NHI and the HMI: What will the future look like?
PSI	PSI's conference on National Health Insurance	Dr Katlego Mothudi: Managing Director	Labour and the People's NHI
Mediscor	Mediscor Client Workshop	Dr Katlego Mothudi: Managing Director	How can funders combat fraud, waste and abuse?
AHFoZ (Zimbabwe)	AHFoZ All Stakeholders Conference on Health	Dr Katlego Mothudi: Managing Director	Fraud Waste and Abuse

BOARD OF
HEALTHCARE
FUNDERS OF
SOUTHERN
AFRICA NPC

(Non-Profit Company in terms of
Section 10 of the Companies Act 2008)

**ANNUAL
FINANCIAL
STATEMENTS**

for the year ended 31 December 2018

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

COUNTRY OF INCORPORATION AND DOMICILE	South Africa																																																																																	
NATURE OF BUSINESS	"To promote the interest of members as medical schemes and administrators with a view to efficient access of their subscribing members to health care benefits."																																																																																	
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SECRETARY	Michelle Beneke																																																																																	
COMPANY REGISTRATION	2001/003387/08																																																																																	
REGISTERED OFFICE	Lower Ground Floor South Tower 1Sixty Jan Smuts Jan Smuts Avenue cnr Tyrwhitt Avenue Rosebank 2196																																																																																	
POSTAL ADDRESS	PO Box 2863 Saxonwold 2132																																																																																	
ATTORNEYS	Adams and Adams Attorneys																																																																																	
BANKERS	Nedbank Limited																																																																																	
AUDITORS	SizweNtsalubaGobodo Grant Thornton Inc Registered Auditors																																																																																	

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

FINANCE AND AUDIT COMMITTEE REPORT

Composition of the Finance and Audit Committee

Owing to the size of the company, the Board of Directors resolved to appoint a Finance and Audit Committee that will undertake additional functions.

The Finance and Audit Committee is also responsible for providing oversight in respect of risk management. A risk register was compiled and is reviewed on a regular basis. These risks are monitored by this Committee. At 31 December 2018, the membership of the Finance and Audit Committee comprised:

A Fourie-van Zyl	Non-Executive Director	Chairperson
J K Mothudi	Managing Director	Member from 1 September 2017
D J Alexander	Independent	Member until 7 November 2018
H Stephens	Director	Member/ Acting Finance Manager on contract basis until 7 July 2018 and Financial Consultant until 31 July 2019

The Chairperson or, in her absence, at least one member of the Finance and Audit Committee attends the Annual General Meeting.

Functions of the Finance and Audit Committee

Although the BHF has not voluntarily adopted the Enhanced Accountability and Transparency provisions in its Memorandum of Incorporation (MOI), the Finance and Audit Committee performs the duties outlined in Section 94(7) of the Companies Act 71 of 2008 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to external auditors. In the current year, four meetings were held by the Finance and Audit Committee. The details of membership and attendance are set out on page 47.

The Terms of Reference of the Finance and Audit Committee are reviewed on a regular basis to ensure that they remain relevant.

In these Terms of Reference, the main responsibilities are:

- Considering the appointment of the external auditors, assessing their independence and making appropriate recommendations, through the Board, to members for consideration at the Annual General Meeting;
- Discussing, with the external auditors, the auditor's engagement letter;
- Recommending to the Board the external audit fee and pre-approving any non-audit services;
- Ensuring that the provision of non-audit services does not impair the external auditor's independence or objectivity;
- Reviewing the annual financial statements prior to Board submissions;
- Reviewing policies and processes;
- Enquiring of the external auditors about significant financial risks or exposure;
- Reviewing, with the internal auditors, the internal audit process;
- Reviewing and monitoring corporate governance practices; and
- Reviewing the company's risk management assessment.

FINANCE AND AUDIT COMMITTEE REPORT (CONTINUED)

Statement of Internal Control

Based on the assessment by the Finance and Audit Committee of the results of the internal audit of the company's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls and considering information and explanations given by management and discussions with both the internal and external auditors on the results of their audits, nothing has come to the attention of the Finance and Audit Committee that caused it to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The opinion of the Finance and Audit Committee has been recommended to the Board for approval.

Annual Financial Statements

The Audit Committee has evaluated the annual financial statements for the year ended 2018 and concluded that they comply, in all material aspects, with the requirements of the Companies Act and the International Financial Reporting Standard for Small and Medium-sized Entities. The Finance and Audit Committee, therefore, recommended the approval of the annual financial statements to the Board. The financial statements for the current year have been prepared in accordance with the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities.

Internal Audit

Outsourced Risk and Compliance Assessment (Pty) Ltd was re-appointed as internal auditor during 2018.

External Auditor

The auditors are engaged to provide members with an independent opinion as to whether or not the annual financial statements fairly present, in all material aspects, the financial position of the company and its financial performance and cash flows in accordance with the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.

The Finance and Audit Committee has been provided with a management letter by the external auditors.



A FOURIE-VAN ZYL

Johannesburg
23 May 2019

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Directors are required by the Companies Act of South Africa, 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

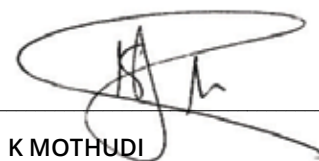
The Directors have reviewed the company's cash flow forecast for the year to 31 December 2019 as part of the going concern assessment and, in the light of this review and the current financial position, they are satisfied that the company has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for reporting whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 20 to 22.

The annual financial statements set out on pages 25 to 42 which have been prepared on the going concern basis, were approved by the Board on 23 May 2019 and were signed on its behalf by:



DR A K MIA HAMDULAY
Johannesburg
23 May 2019



DR J K MOTHUDI

REPORT OF THE INDEPENDENT AUDITORS

to the members of the Board of Healthcare
Funders of Southern Africa NPC

Opinion

We have audited the financial statements of the Board of Healthcare Funders of Southern Africa NPC set out on pages 25 to 42, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board of Healthcare Funders of Southern Africa NPC as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies 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 company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Finance and Audit Committee Report, Directors Responsibilities and Approval and the Directors' Report as required by the Companies Act of South Africa and the supplementary information set out on pages 43 to 47.

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.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 company to cease to continue as a going concern.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

- 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 directors 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.



Pravesh Hiralall
SizweNtsalubaGobodo Grant Thornton Inc.
Director
Registered Auditor
24 June 2019

20 Morris Street East
Woodmead

DIRECTORS' REPORT

for the year ended 31 December 2018

The Directors present their report for the year ended 31 December 2018.

MAIN BUSINESS AND OPERATIONS

The Company promotes the interest of members as medical schemes and administrators with a view to efficient access of their subscribing members to health care benefits.

The operating results of the Company are set out in the attached financial statements and do not, in our opinion, require any further comment.

DIRECTORS

NAME	TERM 1	TERM 2	DATE OF RESIGNATION	COUNTRY
	DATE OF APPOINTMENT	DATE OF APPOINTMENT		
M R Bayley	17 August 2017			South Africa
M E Dlamini	13 September 2018			eSwatini
A Fourie-van Zyl	08 February 2016			South Africa
G Goolab	07 June 2016			South Africa
I W M Isdale	08 February 2016		19 June 2018	South Africa
J H Joubert	19 June 2018			South Africa
N J Khauoe	17 May 2018			South Africa
Y S Mabule	26 November 2015		19 June 2018	South Africa
O M Mahanjana	28 July 2015		19 June 2018	South Africa
M Mahlaba	30 November 2016			South Africa
T B Makoetlane	22 November 2018			Lesotho
S Martinus	22 November 2018			South Africa
S A Matsoso	22 November 2017		30 October 2018	Lesotho
A V Memela	08 February 2016			South Africa
A K Mia Hamdulay	19 August 2015	19 June 2018		South Africa
J K Mothudi	23 August 2017			South Africa
T Moumakwa	28 September 2016		10 December 2018	Botswana
H L Nhlapo	28 July 2015	19 June 2018		South Africa
S T Nsele	26 August 2014		23 February 2018	South Africa
B L Ntando	19 June 2018		27 July 2018	eSwatini
N Nyathi	30 November 2016			South Africa
C Raftopolous	26 August 2014	19 June 2018		South Africa
S N Sanyanga	19 August 2015	19 June 2018		Zimbabwe
H C Schafer	28 September 2016			Namibia
C G Schmidt	19 June 2018		03 April 2019	South Africa
H Stephens	08 February 2016			South Africa
M C Wilson	13 September 2018			South Africa

DIRECTORS' REPORT (CONTINUED)

for the year ended 31 December 2018

ACCOUNTING FRAMEWORK

The financial statements have been prepared in accordance with the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities.

TAXATION

Prior to the incorporation as a Section 21 company, the Board of Healthcare Funders of Southern Africa (BHF) was an unincorporated association, exempt from income tax. After incorporation under Section 21 of the previous Companies Act, The BHF had to reapply for a tax exemption certificate. The exemption certificate was approved on 22 March 2012 without an effective date. However, all amounts owed to the BHF have been refunded. For the current year, no taxation has been provided as a result of the tax exempt status granted by the South African Revenue Service.

PRACTICE CODE NUMBERING SYSTEM

On 18 March 2014 Council for Medical Schemes wrote to the Company advising that the tender for the administration of PCNS had not been awarded to the Company. The Company then launched legal proceedings contesting the legality of the tender award. An arrangement was also reached with the Council for Medical Schemes that the Company would continue to administer PCNS pending the outcome of the legal proceedings. There has been no progress in terms of these legal proceedings in the current year and no legal costs have been incurred in respect of this matter. The only known exposure is any future potential legal costs incurred to close out on this matter. Further engagement occurred during 2018 and progress is being made. An RFP for due diligence on PCNS was issued by the Council for Medical Schemes in late 2018 and we await feedback.

GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments that will occur in the ordinary course of business.

AUDITORS

SizweNtsalubaGobodo Grant Thornton Inc were appointed as external auditors for a three-year term which ends in 2020.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	NOTES	2018 R	2017 R
Revenue	3	39 086 536	41 002 115
Other Income	4	10 899 424	10 022 747
Operating Expenses	21	(55 699 784)	(44 929 334)
OPERATING (DEFICIT)/SURPLUS	5	(5 713 824)	6 095 528
Investment Revenue	6	3 100 285	3 001 905
TOTAL (DEFICIT)/SURPLUS FOR THE YEAR		(2 613 539)	9 097 433
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(2 613 539)	9 097 433

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2018

	NOTES	2018 R	2017 R
Non-Current Assets		3 739 259	3 491 700
Property, Plant and Equipment	8	3 727 033	3 456 446
Intangible Assets	9	12 226	35 254
Current Assets		33 290 191	37 055 101
Trade and Other Receivables	10	1 985 962	633 189
Cash and Cash Equivalents	11	31 304 229	36 421 912
TOTAL ASSETS		37 029 450	40 546 801
Reserves		30 715 509	33 329 047
Accumulated Funds	12	20 974 889	23 409 151
PCNS Reserve	15	9 740 620	9 919 896
Current Liabilities		6 313 941	7 217 754
Trade and Other Payables	13	5 492 094	6 664 294
Provision for Leave Pay	14	821 847	553 460
TOTAL FUNDS RESERVES AND LIABILITIES		37 029 450	40 546 801

STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2018

	Accumulated funds R	Actuarial gains/losses R	PCNS reserve R	Total R
BALANCE AT 31 DECEMBER 2016	19 746 887	(13 758)	4 498 485	24 231 614
Surplus for the Year	9 097 433	-	-	9 097 433
Transfer to Actuarial Losses	(13 758)	13 758	-	-
Transfer to PCNS reserve	(5 421 411)	-	5 421 411	-
BALANCE AT 31 DECEMBER 2017	23 409 151	-	9 919 896	33 329 047
Deficit for the Year	(2 613 539)	-	-	(2 613 539)
Transfer from PCNS Reserve	179 277	-	(179 277)	-
BALANCE AT 31 DECEMBER 2018	20 974 889	-	9 740 620	30 715 509

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 R	2017 R
CASH FLOWS FROM OPERATING ACTIVITIES		(4 111 710)	10 936 778
Cash receipts from Customers / Members		49 805 591	50 332 794
Cash paid to Suppliers and Employees		(57 017 586)	(42 397 921)
Cash generated / (utilised) by operating activities	18	(7 211 995)	7 934 876
Interest received		3 100 285	3 001 905
CASH FLOWS FROM INVESTING ACTIVITIES		(1 005 973)	(1 826 013)
Replacement of Property, Plant and Equipment		(1 310 321)	(1 800 661)
Replacement of Intangible Assets		-	(37 427)
Proceeds on disposal of Property, Plant and Equipment		304 348	12 075
Net increase / (decrease) in cash and cash equivalents		(5 117 683)	9 110 768
Cash and cash equivalents at the beginning of the year	11	36 421 912	27 311 146
Cash and cash equivalents at the end of the year	11	31 304 229	36 421 912

ACCOUNTING POLICIES

for the year ended 31 December 2018

1 CORPORATE INFORMATION

The financial statements of Board of Healthcare Funders of Southern Africa (Non-Profit Company in terms of Section 10 of the Companies Act, 2008) (the "company") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 23 May 2019. The company is a non-profit company in terms of Section 10 of the Companies Act, 2008 incorporated and domiciled in South Africa with its membership comprising administrators, medical schemes and societies in South Africa, Botswana, Lesotho, Mozambique, Namibia, eSwatini (formerly Swaziland), Malawi and Zimbabwe.

2 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements set out on pages 25 to 42 have been prepared in accordance with the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities and in accordance with the Companies Act of South Africa, (2008).

These financial statements are presented in Rands which also represents the functional currency of the Company. All financial information is presented in Rands and has been rounded to the nearest Rand except where otherwise stated.

2.1 *Property, plant and equipment*

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment when the cost is incurred if the recognition criteria are met. Depreciation is calculated on a diminishing balance basis over the estimated useful life of the assets to their residual values.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit in the year the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed on an annual basis and adjusted if appropriate, if there is any indication of changes in these.

ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2018

2.1 Property, plant and equipment (continued)

The useful life of the assets is estimated as follows:

Furniture and fittings:	6 to 20 years
Office equipment:	2 to 15 years
Computer equipment:	2 to 12 years
Leasehold improvements	8 years
Motor vehicles	4 years

2.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are not capitalised, and expenditure is charged against surplus or deficit in the year in which the expenditure is incurred where these costs do not meet the recognition criteria. The useful life of the PCNS intangible asset is assessed to be finite and has been impaired to R1 in prior periods (Refer to Note 9).

The useful life of the assets is estimated as follows:

Computer software	3 to 15 years
PCNS software	3 to 15 years

Research costs

Research costs are expensed as incurred.

2.3 Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the company makes an estimate of the asset's recoverable amount. An asset's or cash generating unit's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless that asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The difference between the carrying value and recoverable amount is recorded in surplus or deficit. 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.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The best evidence of the fair value less costs to sell of an asset is a price in a binding sale agreement in an arm's length transaction or a market price in an active market.

2.3 Impairment of assets (continued)

If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over the remaining useful life.

2.4 Financial instruments

Initial recognition and measurement

All financial instruments are recognised at the trade date. Trade date is the date at which the Company committed to purchase the asset. Financial instruments are initially recognised when the company becomes party to the contractual terms of the instruments and are measured at the transaction price. Financial liabilities and equity instruments are classified according to the substance of the contractual agreement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

Accounts receivable

Trade receivables are recognised and carried at the undiscounted amount less an allowance for any impairment. Provision is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified. Trade receivables are non-interest bearing and are generally settled within 30 – 90 days.

Cash and cash equivalents

The accounting policy for cash and cash equivalents is set out in 2.5 on page 32.

ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2018

2.4 Financial instruments (continued)

Financial liabilities

The company's principal financial liabilities are trade and other payables. These are categorised under "other liabilities".

Trade and other payables

Trade and other payables are carried at the undiscounted amount. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Derecognition

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in surplus or deficit.

Fair value methods and assumptions

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair value.

2.5 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments held to meet short-term cash commitments rather than for investment or other purposes. Therefore, an investment normally qualifies as a cash equivalent only when it has a maturity of, say, three months or less from the date of acquisition. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call and investments in money market instruments all of which are available for use by the company unless otherwise stated.

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

2.6 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of that amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the surplus or deficit net of any reimbursement.

2.7 Employee Benefits

The cost of short-term employee benefits (those payable within 12 months after service is rendered) such as paid vacation, leave pay, sick leave and bonuses are recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Provisions for leave pay and bonuses are recognised as a liability in the financial statements.

Defined Contribution Fund

Contributions in respect of defined contribution plans are recognised as an expense in the year to which the related service is rendered.

2.8 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a Lessee
Operating Lease

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

ACCOUNTING POLICIES (CONTINUED)

2.9 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised at the fair value of the consideration received or receivable excluding discount rebates and other SARS taxes and duty. The following specific recognition criteria must also be met before revenue is recognised:

PCNS provider income

PCNS income from providers is accounted for on the cash basis when payment is received. The fee is recognised as revenue when no significant uncertainty about its collectability exists.

Levy income

Levy income from members and user income from the Practice Code Numbering System is accounted for on the accrual basis where there is reasonable assurance that the levy will be received.

Interest income

Interest is recognised using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument, or a shorter period, where appropriate, on a time proportion basis that takes into account the effective yield on the asset.

All other income is accounted for on the accrual basis.

2.10 Taxes

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognised as part of the cost of acquisition of the asset, or as part of the expense item, as applicable. The net amount of VAT recoverable / payable is included as part of receivables or payables in the statement of financial position.

2.11 Significant accounting judgements and estimates

Estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below:

Property, plant and equipment

Estimation is used in approximating the useful lives and residual values of property, plant and equipment. These assessments are made on an annual basis and use historical evidence and current economic factors to estimate the values (see note 8).

Trade receivables

Estimation is used in approximating the recoverability of debtors. These assessments are made on an annual basis and uses management's best estimate based on current economic factors and historical experience with debtors (see note 10).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. REVENUE

Levy Income	
Practice Code Numbering System Income	

2018 R	2017 R
14 746 523	18 549 298
24 340 013	22 452 817
39 086 536	41 002 115

4. OTHER INCOME

Conference Income and Sponsorship	
Trustee Training Income	
Sundry Income	

9 678 694	8 655 949
282 411	179 825
938 319	1 186 973
10 899 424	10 022 747

5. OPERATING SURPLUS

Operating surplus is stated after:

Depreciation and Amortisation	
Operating Leases - Equipment	
Operating Leases - Premises	
Salaries and Wages	
Internal Audit Services	

732 694	355 861
55 444	86 532
2 381 236	1 456 427
22 123 345	18 675 012
170 522	328 296
25 463 241	20 902 128

6. INVESTMENT REVENUE

Interest Received on Cash and Short-Term Deposits	
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3 100 285	3 001 905
3 100 285	3 001 905

7. AUDITORS REMUNERATION

External Audit Fees	
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349 984	341 475
349 984	341 475

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

8. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Office equipment	Computer equipment	Leasehold improvements	Capital Work in Progress	Total
	R	R	R	R	R	R
COST:						
At 1 Jan 2017	882 834	1 232 394	791 117	941 539	-	3 847 884
Additions	838 845	26 207	254 794	403 769	277 046	1 800 661
Disposals	(10 001)	(52 937)	(113 969)	-	-	(176 907)
At 31 Dec 2017	1 711 678	1 205 664	931 942	1 345 308	277 046	5 471 638
Additions	145 053	70 639	655 070	439 558	-	1 310 320
Disposals	(132 189)	(247 775)	(59 531)	-	(277 046)	(716 541)
At 31 Dec 2018	1 724 542	1 028 528	1 527 481	1 784 866	-	6 065 417

	Furniture and fittings	Office equipment	Computer equipment	Leasehold improvements	Capital Work in Progress	Total
	R	R	R	R	R	R
ACCUMULATED DEPRECIATION:						
At 1 Jan 2017	557 572	517 237	483 840	287 846	-	1 846 495
Depreciation Charge for the Year	38 498	99 286	84 395	109 407	-	331 586
Disposals	(9 677)	(52 937)	(100 274)	-	-	(162 888)
At 31 Dec 2017	586 393	563 587	467 960	397 253	-	2 015 192
Depreciation Charge for the Year	110 956	96 145	195 422	325 857	-	728 380
Disposals	(114 593)	(247 765)	(42 829)	-	-	(405 187)
At 31 Dec 2018	582 756	411 967	620 553	723 110	-	2 338 384

NET BOOK VALUE:

At 31 Dec 2018	1 141 786	616 561	906 928	1 061 756	-	3 727 033
At 31 Dec 2017	1 125 285	642 077	463 982	948 055	277 046	3 456 446

9. INTANGIBLE ASSETS**Computer Software****Cost**

At 1 January	107 153	69 727
Additions	-	37 426
Disposal	(37 427)	-

At 31 December**69 726****107 153****Accumulated Amortisation**

At 1 January	71 900	47 625
Amortisation Charge for the Year	4 314	24 275
Disposal	(18 713)	-

At 31 December**57 501****71 900****Net Book Value****12 225****35 253****PCNS Copyright**

The carrying value is determined as follows:

Cost	2 850 000	2 850 000
Accumulated Impairment	(2 849 999)	(2 849 999)
Carrying value at end of year	1	1

Total Intangible Assets**12 226****35 254**

The PCNS copyright was purchased from Bestmed Medical Scheme, in terms of an out-of-court settlement. The Council for Medical Schemes, which accredits BHF with the administration of PCNS stipulated that no profit may be derived from PCNS. The excess PCNS income over the actual expenditure is placed in a specific reserve for the maintenance of PCNS.

The impairment was assessed on the date of acquisition of the copyright and represents the generating recoverable amount. The recoverable amount was determined at the PCNS cash generating unit level and was based on the value in use of zero, as no profit may be derived from the PCNS administration.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

10. TRADE AND OTHER RECEIVABLES

	2018 R	2017 R
Trade Receivables	935 303	754 934
Provision for Credit Allowances	(550 305)	(596 649)
	384 998	158 285
Other Receivables	-	4 000
Prepayments	148 087	83 302
South African Revenue Services - VAT	1 452 876	387 602
	1 985 962	633 189
Provision for impairment		
Balance at beginning of year	596 649	362 244
Arising During the Year	259 102	270 897
Unused Amounts Reversed	(305 446)	(36 492)
Balance at end of year	550 305	596 649

Age analysis of financial assets that are past due but not impaired

	0 – 30 Days R	31 – 60 Days R	61 – 90 Days R	91+ Days R	Total R
Trade Receivables	24 959	6 385	88 038	265 617	384 998
As at 31 December 2018	24 959	6 385	88 038	265 617	384 998
Trade Receivables	63 738	39 417	3 700	51 430	158 285
As at 31 December 2017	63 738	39 417	3 700	51 430	158 285

Trade and other receivables are non-interest bearing and are generally on 30 day terms. Trade and other receivables that are not past due nor impaired are considered to be fully recoverable.

Due to the short-term nature of the instruments their fair value approximates the carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial statements of each class of trade and other receivables mentioned above. The company does not hold any collateral as security.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2018 R	2017 R
Cash on Hand	84	6 013
Bank Balances	519 718	751 495
Short Term Deposits	30 784 427	35 664 404
Total Cash	31 304 229	36 421 912

12. ACCUMULATED FUNDS

In terms of the Companies Act, these funds are not distributable to constituent members in the normal course of business but can be used to create a specific reserve.

13. TRADE AND OTHER PAYABLES

	2018 R	2017 R
Trade Payables	858 084	1 558 510
Accruals	1 768 477	1 880 409
Other Payables	2 316 217	2 700 462
PCNS Over Payments	544 411	531 437
Employee Related Payables	4 905	(6 524)
	5 492 094	6 664 293

Other Payables comprise the following items

Accrual for Audit Fees	388 795	408 369
Debtors with Credit Balances	1 927 422	2 292 093
	2 316 217	2 700 462

Terms and conditions of the above financial liabilities.

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Accruals and other payables are non-interest bearing and have on average a term of six months.

PCNS overpayments occur as a result of practitioners paying excess amounts over and above current year subscriptions fees.

Due to the short-term nature of the instruments their carrying amounts approximate their fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

14. PROVISION FOR LEAVE PAY

	2018 R	2017 R
Provision at the Beginning of the Year	553 460	371 310
Provision Raised during the Year	1 126 475	1 171 090
Provision Utilised during the Year	(858 088)	(988 940)
	821 847	553 460

Leave pay

A provision is recognised for the estimated value of outstanding leave entitlement for staff but not yet taken at the reporting date.

The outflow of benefits will occur as the leave is taken. There are no cash flow implications unless employment is terminated.

15. PCNS Reserve

During the 2018 Financial Year R179 277 was transferred from the PCNS Reserve to Accumulated Funds. During the 2017 Financial Year R5 421 411 was transferred from Accumulated Funds to the PCNS Reserve.

16. BHF CONFERENCE

Other income and operating expenses are stated after:

	2018 R	2017 R
Conference Income and Sponsorship (included in other income - note 4)	9 678 694	8 655 949
Conference Expenses (included in operating expenses)	(8 945 602)	(8 435 199)
Conference Surplus	733 092	220 750

17. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The company has entered into leases on property and an office machine. The leases have an average life of eight years and five years respectively. There are no restrictions placed upon the lessee by entering into the lease.

Future minimum rentals payable under non-cancellable operating lease agreements at year-end are as follows:

	2018 R	2017 R
Up to One Year	2 525 817	2 319 826
After One Year but not more than Five Years	7 196 702	9 722 519
More than Five Years	-	-
	9 722 519	12 042 345

18. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of net surplus before taxation
to cash generated by operations

	2018 R	2017 R
Net Deficit/Surplus	(2 613 538)	9 097 433
Adjustments:		
Depreciation	728 380	331 586
Amortisation	4 314	24 275
Loss on disposal of property and equipment	25 720	1 943
Interest Received	(3 100 285)	(3 001 905)
	(4 955 409)	6 453 332
Changes in working capital	(2 256 586)	1 481 541
Trade and other receivables	(1 352 773)	674 730
Provisions	268 387	182 150
Trade and other payables	(1 172 200)	624 661
Cash generated by operating activities	(7 211 995)	7 934 873

19. DIRECTOR'S EMOLUMENTS

Executive

	2018 R	2017 R
Short term employee benefits- emoluments received by director	3 382 046	1 283 333
Non-board related activities	1 139 742	3 190 000
	4 521 788	4 473 333

Only the managing director is an executive director, no other directors' emoluments are paid.

The managing director's service contract is a permanent contract, with no time lines applicable, other than notice periods. Non-board related activities refer to the employment contracts for the Acting Finance Manager.

A detailed breakdown of the emoluments paid to key staff members is available on request from the Company Secretary.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

20. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Credit risk

Receivables balances are monitored on an on-going basis. The maximum exposure is the carrying amount as disclosed in note 10. There is the possibility for a concentration of credit risk within the provision for impairment of trade receivables, the majority of which is for a resigned member's levies and may be the subject of litigation.

With respect to credit risk arising from the other financial assets of the company, which comprise cash and cash equivalents, the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The company only deposits cash surpluses with financial institutions with a credit rating of not less than the equivalent of AA(ZA) with Global Credit Rating Company.

The company trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an on-going basis with the result that the company's exposure to bad debts is not significant.

The maximum credit risk exposure arises from trade and other receivables and cash and bank balances.

There are no significant concentrations of credit risk.

Liquidity risk

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. accounts receivable) and projected cash flows from operations.

The company has not entered into any loan arrangements and does not have any overdraft facilities.

Capital management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

No changes were made in the objectives, policies or processes during the years ending 31 December 2018 and 31 December 2017.

SUPPLEMENTARY INFORMATION

Supplementary Schedule not forming part of the Annual Financial Statements

DETAILED EXPENDITURE - NOTE 21

	2018 R	2017 R
OPERATING EXPENSES		
Advertising	116 651	35 461
Agency Fees	120 233	46 231
Audio-visual Costs	23 909	-
Auditors remuneration	349 984	341 475
Bank charges	265 911	310 969
Cleaning	187 422	94 621
Computer expenses	548 593	459 555
Conference	8 945 602	8 435 199
Consumables	108 490	74 492
Depreciation and Amortisation	732 694	355 861
Electricity, water and rates	815 488	906 421
Entertainment	21 251	9 459
Inspection fees	520 213	557 073
Insurance	220 152	177 072
Internal auditor's remuneration	170 522	328 296
Legal expenses	559 607	125 796
Loss on disposal of property and equipment	25 720	1 943
Maintenance	328 024	346 902
Meetings	1 306 827	1 120 924
Motor vehicle expenses	48 864	41 968
Operating lease expenses - equipment	55 444	86 532
Operating lease expenses - premises	2 381 236	1 456 427
Postage and courier	144 852	65 700
Printing and stationery	167 347	128 868
Professional services	11 102 704	6 789 712
Provision for doubtful debts	(46 344)	234 405
Recruitment costs	446 702	956 925
Staff remuneration	22 123 345	18 675 012
Statutory levies	201 053	172 050
Subscriptions	1 019 707	432 488
Sundry expenses	18 170	12 149
Telephone	385 966	350 796
Training and welfare costs	1 372 725	881 999
Travel and accommodation	910 721	916 552
Total	55 699 784	44 929 334

SUPPLEMENTARY INFORMATION (CONTINUED)

Supplementary Schedule not forming part of the Annual Financial Statements

DETAILED INCOME STATEMENT

	2018 R	2017 R
REVENUE	39 086 536	41 002 115
Levy Income	14 746 523	18 549 298
Practice Code Numbering System Income	24 340 013	22 452 817
OTHER INCOME	13 999 709	13 024 652
BHF Conference and Sponsorship	9 678 694	8 655 949
Interest Received	3 100 285	3 001 905
Sundry Income	938 319	1 186 973
Trustee Training Income	282 411	179 825
Total Income	53 086 245	54 026 767
OPERATING EXPENSES	(55 699 784)	(44 929 334)
(DEFICIT)/SURPLUS AFTER TAXATION	(2 613 539)	9 097 433

SUPPLEMENTARY INFORMATION (CONTINUED)

Supplementary Schedule not forming part of the Annual Financial Statements

DETAILED PCNS INCOME STATEMENT

	2018	2017
	R	R
INCOME	26 450 523	24 959 939
BHF Levy Contribution	2 270 204	2 798 300
PCNS Service Provider Income	16 538 804	15 264 759
PCNS User Agreement Income	5 531 005	4 389 758
Inspection Fees	452 933	532 791
Interest Received	1 267 429	1 380 993
Sundry Income	390 148	593 338
EXPENSES	26 629 801	19 538 529
Agency Fees	-	6 226
Bank Charges	232 314	277 434
Cleaning	107 873	30 349
Computer Expenses	106 613	11 261
Consumables	51 423	16 623
Depreciation	300 789	114 154
Electricity, Water and Rates	347 728	492 517
Entertainment	-	950
Inspection Fees	520 213	557 073
Legal Expenses	559 607	125 796
Maintenance	44 094	56 273
Meetings	94 706	47 109
Motor Vehicle Expenses	2 370	500
Operating Leases - Equipment	16 828	43 426
Operating Leases - Premises	1 109 168	830 142
Postage and Courier	128 181	56 104
Printing and Stationery	110 614	82 319
Professional Services	5 105 747	1 341 736
Provision for Doubtful Debts	(72 401)	-
Recoveries	9 929 110	8 694 876
Recruitment Costs	124 522	131 383
Staff Remuneration	7 253 853	5 953 890
Statutory Levies	64 883	54 354
Subscriptions	136 893	101 118
Sundry Expenses	11 158	8 288
Telephones	185 734	165 032
Training and Welfare Costs	42 797	249 913
Travel and Accommodation	114 983	89 681
PCNS Deficit/Surplus	(179 277)	5 421 411

GENERAL INFORMATION

Supplementary Schedule not forming part of the Annual Financial Statements

MANAGEMENT TEAM

- Kathlego Mothudi – Managing Director
- Lamees Scholtz – Head: PCNS Department
- Rajesh Patel – Head: Benefit & Risk
- Zola Mtshiya – Head: Marketing and Communications
- Eric Rantsho – Head of Shared Services
- Charlton Murove – Head of Research

ATTENDANCE AT BOARD OF DIRECTORS MEETINGS

Director	15 February	17 May	19 June	13 September	22 November
M R Bayley	√	√	●	√	√
M E Dlamini	n/a	n/a	n/a	n/a	√
A Fourie van Zyl	●	√	√	√	√
G Goolab	●	●	√	●	●
I W M Isdale	√	√	n/a	n/a	n/a
J H Joubert	n/a	n/a	√	√	●
N J Khauoe	n/a	●	√	●	√
Y S Mabule	√	√	n/a	n/a	n/a
O M Mahanjana	●	√	n/a	n/a	n/a
M Mahlaba	√	√	√	●	√
T B Makoetlane	n/a	n/a	n/a	n/a	√
S Martinus	n/a	n/a	n/a	n/a	√
S A Matsotso	√	√	●	●	n/a
A V Memela	√	√	√	√	√
A K Mia Hamdulay	√	●	√	√	√
J K Mothudi	√	√	√	√	√
T Moumakwa	√	√	√	√	●
H L Nhlapo	●	●	√	●	√
S T Nsele	●	n/a	n/a	n/a	n/a
B L Ntando	n/a	n/a	●	n/a	n/a
N Nyathi	√	√	√	√	√
C Raftopolous	●	√	√	√	√
S N Sanyanga	√	√	●	√	√
H C Schafer	●	√	√	√	●
C G Schmidt	n/a	n/a	●	●	●
H Stephens	√	√	√	√	√
M C Wilson	n/a	n/a	n/a	n/a	√

- √ - Attended meeting
 ● - Apologies given
 n/a - Not a member of the board

GENERAL INFORMATION (CONTINUED)

Supplementary Schedule not forming part of the Annual Financial Statements

FINANCE AND AUDIT COMMITTEE

- The role of the Audit Committee is fulfilled by the Finance and Audit Committee.
- Finance and Audit Committee Meetings:

ATTENDANCE AT FINANCE AND AUDIT COMMITTEE MEETINGS

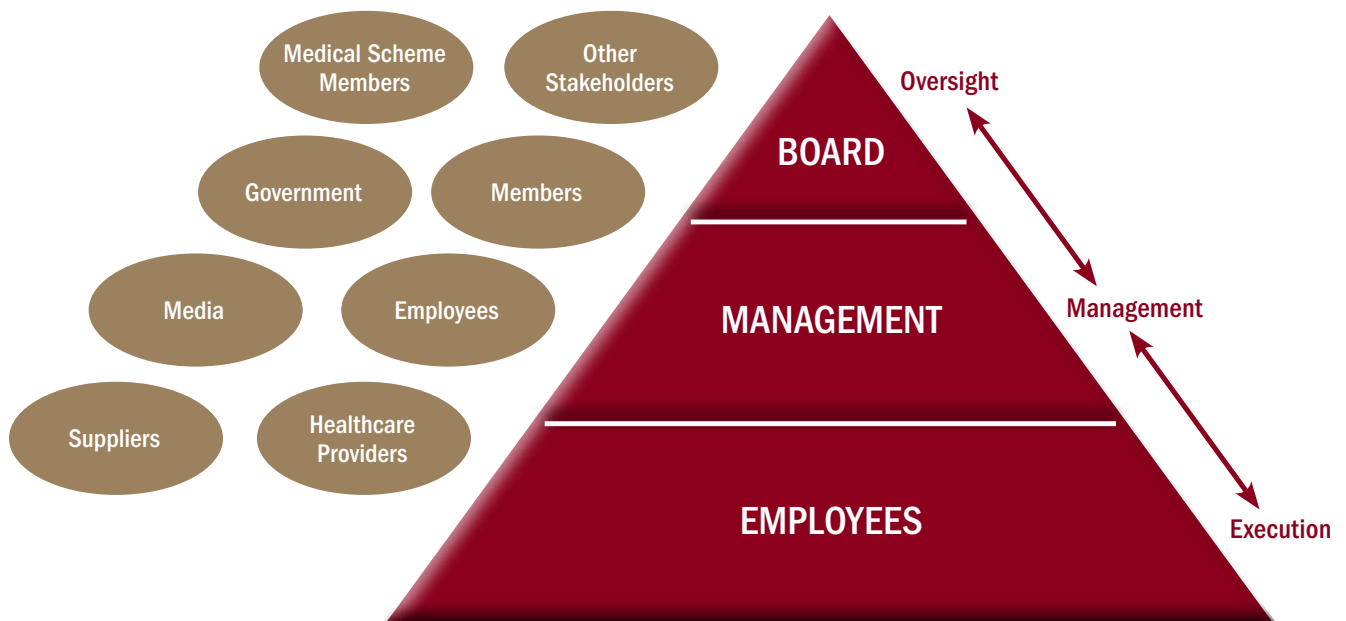
Committee members	12 February	20 April	14 May	12 September	7 November
A Fourie-van Zyl (Chairperson)	√	√	√	√	√
J K Mothudi	√	√	√	√	√
D J Alexander	√	√	√	√	√
H Stephens	√	√	√	√	√

- √ - Attended meeting
 ● - Apologies given
 n/a - Not a member of the committee at that time

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2018

Governance structure



The BHF is a non-profit company registered as such with the Companies and Intellectual Property Commission. Its origins are as a representative organisation for medical schemes in South Africa, but it has expanded its representation to include healthcare funders, administrators and managed care organisations in Southern Africa.

The BHF recognises that it operates in the context of its stakeholders and that its corporate governance arrangements should reflect the inter-dependency between the BHF and its various stakeholders to ensure that its stakeholders recognise its legitimacy as a good corporate citizen.

This report includes the disclosures required by the King IV Report on Corporate Governance for South Africa 2016 (King IV).

Objects

As a representative non-profit organisation, the BHF:

Represents its members' interests	<ul style="list-style-type: none"> • Lobbying and advocating policy positions • Assisting members with regulatory compliance • Providing legal advice on industry issues • Identifying and monitoring trends • Protecting the image of the healthcare funding industry
Creates platforms for member engagement	<ul style="list-style-type: none"> • Promoting unity and collaboration between members and the BHF through participation on industry issues • Creating member network opportunities • Creating and developing relationships with key stakeholders
Develops industry standards	<ul style="list-style-type: none"> • Promoting best practice • Promoting healthcare quality • Identifying and recognising key industry stakeholders
Facilitates education and training	<ul style="list-style-type: none"> • Facilitating thought leadership exchange on industry issues • Enhancing skills and knowledge among members • Providing guidance to members • Tracking industry issues • Promoting stakeholder and consumer awareness
Drives transformation through development	<ul style="list-style-type: none"> • Identifying opportunities to drive transformation in the healthcare funding industry • Developing graduate programmes
Provides and identifies opportunities	<ul style="list-style-type: none"> • Profiling members and healthcare funding industry

Membership of the BHF is open to medical schemes, administrators and managed healthcare organisations in the Republic of South Africa (South Africa) as well as medical schemes, administrators and managed healthcare organisations within the Southern African Development Community (SADC).

Board of directors

Composition

Being a representative organisation, the composition of the board of directors of the BHF (Board) is provided for in the Memorandum of Incorporation of the company (MOI).

To ensure representativity on the Board, the MOI provides that its directors are appointed as follows:

Constituency	Number of directors
Administrators and Managed Healthcare Organisations	6
Open Medical Schemes	7
Restricted Medical Schemes	6
Medical Schemes, Administrators and Managed Healthcare Organisations from SADC countries other than South Africa	One director per country

The following individuals were directors during the 2018 financial year:

Director	Date: Term 1 Appointment	Date: Term 2 Appointment	Resignation	Reason for resignation
M.R. Bayley	17-Aug-17			
M.E. Dlamini	13-Sep-18			
A. Fourie-van Zyl	08-Feb-16			
G. Goolab	07-Jun-16			
I.W.M. Isdale	08-Feb-16		19-Jun-18	Lack of availability
J.H. Joubert	19-Jun-18			
N.J. Khauoe	17-May-18			
Y.S. Mabule	26-Nov-15		19-Jun-18	Tenure
O.M. Mahanjana	28-Jul-15		19-Jun-18	Not re-elected
M. Mahlaba	30-Nov-16			
T.B. Makoetlane	22-Nov-18			
S. Martinus	22-Nov-18			
S.A. Matsoso	22-Nov-17		30-Oct-18	No longer representative of constituency
A.V. Memela	08-Feb-16			
A.K. Mia Hamdulay	19-Aug-15	19-Jun-18		
J.K. Mothudi	23-Aug-17			
T. Moumakwa	28-Sep-16		10-Dec-18	Resignation from employer
H.L. Nhlapo	28-Jul-15	19-Jun-18		
S.T. Nsele	26-Aug-14		23-Feb-18	No longer representative of constituency
B.L. Ntando	19-Jun-18		27-Jul-18	
N. Nyathi	30-Nov-16			
C. Raftopoulos	26-Aug-14	19-Jun-18		
S.N. Sanyanga	19-Aug-15	19-Jun-18		
H.C. Schafer	28-Sep-16			
C.G. Schmidt	19-Jun-18		03-Apr-19	Lack of availability
H. Stephens	08-Feb-16			
M.C. Wilson	13-Sep-18			

Board of directors (CONTINUED)

The Board has an appropriate mix of knowledge, skills and experience in various aspects of the healthcare funding industry and, save for the Managing Director who occupies an executive management role, the remainder of the directors are non-executive directors. Diversity is promoted on the Board with Board members representing different fields of knowledge, skills and experience as well as age, culture, race and gender.

Director	Age	Gender	Constituency	Field of expertise
M.R. Bayley	55	Male	Administrators - SA	Business
M.E. Dlamini	53	Male	SADC - eSwatini	Business
A. Fourie-van Zyl	54	Female	Open Schemes - SA	Accounting
G. Goolab	57	Male	Restricted Schemes - SA	Medical
I.W.M. Isdale	68	Male	Restricted Schemes - SA	Legal
J.H. Joubert	48	Male	Open Schemes - SA	Business
N.J. Khaueo	52	Female	Restricted Schemes - SA	Business
Y.S. Mabule	58	Female	Restricted Schemes - SA	Legal
O.M. Mahanjana	41	Male	Administrators - SA	Medical
M. Mahlaba	54	Male	Administrators - SA	Business
T.B. Makoetlane	35	Male	SADC - Lesotho	Business
S. Martinus	43	Male	Restricted Schemes - SA	Business
S.A. Matsoso	53	Male	SADC - Lesotho	Business
A.V. Memela	55	Male	Open Schemes - SA	Medical, Legal
A.K. Mia Hamdulay	45	Male	Administrators - SA	Medical
J.K. Mothudi	49	Male	Managing Director	Medical
T. Moumakwa	46	Male	SADC - Botswana	Medical
H.L. Nhlapo	57	Male	Administrators - SA	Medical
S.T. Nsele	56	Male	Restricted Schemes - SA	Police
B.L. Ntando	-	Female	SADC - eSwatini	Business
N. Nyathi	37	Female	Administrators - SA	Medical
C. Raftopoulos	55	Male	Restricted Schemes - SA	Human Resources
S.N. Sanyanga	51	Female	SADC - Zimbabwe	Medical
H.C. Schafer	64	Male	SADC - Namibia	Business
C.G. Schmidt	53	Male	Restricted Schemes - SA	Human Resources
H. Stephens	66	Male	Restricted Schemes - SA	Accounting
M.C. Wilson	55	Male	Restricted Schemes - SA	Business

Board of directors (CONTINUED)

Chairperson and Deputy Chairperson

The Board is chaired by a non-executive director who is appointed by the board at a special meeting immediately succeeding the annual general meeting (AGM). A deputy chairperson is appointed concurrently as are the committee members and chairpersons of those committees. At the special meeting of the Board following the 2018 AGM, the Board appointed Dr A.K. Mia Hamdulay as chairperson of the Board and Mrs A. Fourie-van Zyl as the deputy chairperson.

Mrs Fourie-van Zyl is the chairperson of the Finance and Audit Committee (which is responsible for risk governance) and a member of the Remuneration Committee. Dr Mia Hamdulay is not a member of the Finance and Audit Committee but is a member of the Remuneration Committee and was its chairperson. In compliance with the requirements of King IV, this will change in the 2019 financial year.

Nomination and appointment of directors

Board members are appointed by the members at the AGM but provision is made in the MOI for the appointment, between AGMs, of directors nominated by the constituency in respect of which a vacancy arises. All appointments of directors made between AGMs are ratified by the members at the following AGM. The MOI outlines a formal nomination process for directors both at the AGM as well as by the Board between AGMs.

Board members serve for terms of three years. Any Board member who has served for a minimum term is entitled to make him or herself available for re-election for such further number of 3-year terms, as the Board member is re-elected by the membership.

The following directors' terms of office expire at the 2019 AGM:

Constituency	Director
Administrators and Managed Care Organisations	<ul style="list-style-type: none"> • M. Mahlaba • N. Nyathi
Restricted Medical Schemes	<ul style="list-style-type: none"> • G. Goolab • H. Stephens
Open Medical Schemes	<ul style="list-style-type: none"> • A. Fourie-van Zyl • A.V. Memela
SADC	<ul style="list-style-type: none"> • H.C. Schafer

Meetings of the Board

The Board met as follows during the 2018 financial year:

Attendee	Capacity	15-Feb-18	17-May-18	19-Jun-18	13-Sep-18	22-Nov-18
A.K. Mia Hamdulay	Chairperson	√	●	√	√	√
T. Moumakwa	Deputy chairperson/ director	√	√	√	√	●
J.K. Mothudi	Managing Director	√	√	√	√	√
M.R. Bayley	Director	√	√	●	√	√
M.E. Dlamini	Director	n/a	n/a	n/a	n/a	√
A. Fourie-van Zyl	Director / Deputy chairperson	●	√	√	√	√
G. Goolab	Director	●	●	√	●	●
I.W.M. Isdale	Director	√	√	n/a	n/a	n/a
J.H. Joubert	Director	n/a	n/a	√	√	●
N.J. Khauoe	Director	n/a	●	√	●	√
Y.S. Mabule	Director	√	√	n/a	n/a	n/a
O.M. Mahanjana	Director	●	√	n/a	n/a	n/a
M. Mahlaba	Director	√	√	√	●	√
T.B. Makoetlane	Director	n/a	n/a	n/a	n/a	√
S. Martinus	Director	n/a	n/a	n/a	n/a	√
S.A. Matsoso	Director	√	√	●	●	n/a
A.V. Memela	Director	√	√	√	√	√
H.L. Nhlapo	Director	●	●	√	●	●
S.T. Nsele	Director	●	n/a	n/a	n/a	n/a
B.L. Ntando	Director	n/a	n/a	●	n/a	n/a
N. Nyathi	Director	√	√	√	√	√
C. Raftopoulos	Director	●	√	√	√	√
S.N. Sanyanga	Director	√	√	●	√	√
H.C. Schafer	Director	●	√	√	√	●
C.G. Schmidt	Director	n/a	n/a	●	●	●
H. Stephens	Director	√	√	√	√	√
M.C. Wilson	Director	n/a	n/a	n/a	n/a	√
G. Forsman	Management	√	√	√	√	√
Z. Mtshiya	Management	●	√	●	√	√
C. Murove	Management	n/a	n/a	√	√	√
R. Patel	Management	●	√	√	√	√
E. Rantsho	Management	n/a	n/a	n/a	√	√
L. Scholtz	Management	√	√	●	√	√
M. Beneke	Company secretarial	√	√	√	√	√
C. Cupido	Company secretarial	√	√	√	√	√

√ - In attendance

● - Apologies given

n/a - Individual not a director or employed by the BHF at the time

Independence and conflicts

An opportunity exists for directors to declare any interests when signing the attendance register for any Board meeting. In addition, each Board meeting starts with an agenda item reminding the directors to declare any interests they may have to the extent that any conflict arises either respect of an item on the agenda or during the course of the proceedings at Board meetings.

Performance evaluation

The Board conducted a self-assessment of its performance on an online basis in 2019 in respect of the 2018 financial year. The Board reflected on the outcome of the evaluation at its Board meeting in May 2019.

Board Committees

A calculation of the BHF's public interest score is conducted on an annual basis following the approval by the members of the audited financial statements. The calculation is reviewed by the external auditors. The public interest score for the BHF for the 2017 financial year was less than 350 and accordingly the BHF is not required to have a Social and Ethics Committee nor is obliged to have an audit committee. In addition, the MOI of the BHF does not provide for the voluntary adoption of the Enhanced Accountability and Transparency requirements set out in Chapter 3 of the Companies Act 71 of 2008, as amended (Companies Act).

Notwithstanding this, the BHF has established the following Committees with the following areas of responsibility:

Committee	Area of responsibility / oversight
Finance and Audit Committee	<ul style="list-style-type: none"> • Combined assurance • Annual financial statements • External audit function • External audit report • Accounting policies, financial control, records and reporting • Budget review • Internal audit • Risk governance • Technology and information governance
Governance Committee	<ul style="list-style-type: none"> • Development, implementation and maintenance of good corporate governance • Setting governance standards • Non-financial risk management • Compliance governance • Non-financial disclosures in the annual report
Remuneration Committee	<ul style="list-style-type: none"> • Ensure fair, responsible and fair remuneration in support of the BHF's strategic objectives • Policy development • Monitoring policy implementation • Disclosure of remuneration • Recommendations on performance management • Human capital risk management
SADC Committee	<ul style="list-style-type: none"> • Implementation of the strategy in the SADC region • Development and growth of the healthcare funding industry in the SADC region • Regional collaboration in the SADC region • Lobbying the SADC Health Desk
Universal Healthcare Committee	<ul style="list-style-type: none"> • Consider the implications of universal healthcare on the interests of the BHF membership • Review draft legislation • Formulate policy • Partner with stakeholders • Consider ramifications of universal healthcare in other countries in the SADC region

Finance and Audit Committee

Although the requirement in terms of the Companies Act for an audit committee is not required of the BHF given that its public interest score is less than 350 and despite the fact that the BHF has not voluntarily adopted the Enhanced Accountability and Transparency requirements outlined in Chapter 3 of the Companies Act, the BHF has nonetheless established a Finance and Audit Committee which essentially performs the functions of an audit committee and is responsible in addition for risk governance and information and technology governance.

The internal auditors are invited to all Finance and Audit Committee meetings as are the external auditors. However, the external auditors have elected to only attend the Finance and Audit Committee meeting towards the end of the financial year in presenting their proposal for the external audit in respect of that financial year as well as the meeting of the Committee prior to the Board meeting recommending the audited financial statements to the members for approval.

The Committee has an independent member who is appointed for a period of three years. Mr DJ Alexander was the independent member of the Finance and Audit Committee for the 2018 financial year and his tenure expired at the end of the financial year.

The following meetings of the Finance and Audit Committee were held during the 2018 financial year:

Attendee	Capacity	12-Feb-18	20-Apr-18	14-May-18	12-Sep-18	07-Nov-18
A. Fourie-van Zyl	Chairperson	√	√	√	√	√
J. K. Mothudi	Managing Director	√	√	√	√	√
D.A. Alexander	Independent member	√	√	√	√	√
H. Stephens	Member	√	√	√	√	√
G. Forsman	Management	√	√	√	√	√
Z. Mtshiya	Management	√	●	√	√	●
C. Murove	Management	n/a	√	√	√	●
R. Patel	Management	●	●	●	●	●
E. Rantsho	Management	n/a	n/a	n/a	√	√
L. Scholtz	Management	√	√	√	√	√
J. Asa	Internal audit	√	∅	●	●	●
L. Konar	Internal audit	√	∅	●	●	●
V. Mabwe	Internal audit	√	∅	√	√	√
M. Oosthuizen	Internal audit	●	∅	√	√	√
P. Bhebhe	External audit	∅	∅	√	∅	√
P. Hiralall	External audit	∅	∅	√	∅	●
E. Njenge	External audit	n/a	n/a	n/a	n/a	√
M. Beneke	Company secretarial	√	√	√	√	√
C. Cupido	Company secretarial	●	√	√	√	√
E. Guvakava	Observer - Management	n/a	√	n/a	n/a	n/a
J. Keeler	Observer - Management	n/a	√	n/a	n/a	n/a

√ - In Attendance

● - Apologies

∅ - Optional

n/a - Individual not a member of the Committee or employed by the BHF at the time

Finance and Audit Committee (CONTINUED)

During the 2018 financial year, the Finance and Audit Committee monitored and provided oversight in respect of the following:

Pricing model	<ul style="list-style-type: none"> • Revised membership fee pricing model • Investigation into the establishment of a for-profit subsidiary
Policies	<ul style="list-style-type: none"> • Finance policies
Risk management	<ul style="list-style-type: none"> • Monitored performance of management against risk register action items
Internal audit	<ul style="list-style-type: none"> • Approved internal audit plan and internal audit fee • Monitored progress of management against internal audit findings
External audit	<ul style="list-style-type: none"> • Approved external audit plan, external audit fee and external audit engagement letter • Recommended approval of audited financial statements to the Board
Medical aid cover for employees	<ul style="list-style-type: none"> • Recommended and implemented medical aid cover for all the BHF employees
Practice Code Numbering System (PCNS)	<ul style="list-style-type: none"> • Oversight in respect of the PCNS data take-on project
Terms of reference	<ul style="list-style-type: none"> • Reviewed and approved its terms of reference
Budget	<ul style="list-style-type: none"> • Reviewed and recommended to the Board for approval
Independent member	<ul style="list-style-type: none"> • Recommendation to the Board for the appointment of a new independent member with effect from the 2019 financial year

The Finance and Audit Committee members all have the necessary financial literacy, skills and experience to execute their duties effectively and were non-executive members of the Board save for Mr DJ Alexander who was an independent member. Board members are entitled to attend meetings of the Finance and Audit Committee as observers and are entitled to speak at such meetings but are not entitled to vote.

ORCA Services are the appointed internal audit service providers and the Finance and Audit Committee is satisfied that ORCA operate sufficiently independently of management and follow a risk-based internal audit plan and that the internal audit plan is amended from time to time as the organisational risk profile changes. The Committee met with the internal auditors independently of management during the 2018 financial year.

A self-assessment of the performance of the Committee was conducted in respect of the 2018 financial year by the Committee in March 2019. The results of the evaluation will be discussed the Committee meeting scheduled for May 2019. Any actions arising from the self-evaluation will be included in the work plan for the Committee for the 2019 financial year.

A risk register had been prepared by management which identified certain strategic, tactical and operational risks facing the BHF. These were monitored by the Committee during the 2018 financial year. A risk management policy was adopted by the BHF, including a statement by the Board in relation to the BHF's risk appetite and risk tolerance. The risk management policy will be reviewed during the 2019 financial year by the Committee and referred to the Board for approval.

Mr E. Rantsho was appointed by the BHF during the 2018 financial year to head up the Shared Services function within the BHF, including responsibility for technology and technology governance. The Committee recognised that technology governance would become an area of focus during the 2019 financial year. Insofar as information governance is concerned, the BHF implemented a SharePoint functionality during the 2018 financial year with the aim of centralising its information in a secure, readily accessible portal, which has improved information governance significantly. In addition, a knowledge management function was formally established by the BHF which operates as the custodian of the SharePoint portal.

The Committee has developed a work plan that will guide its activities during the 2019 financial year and will include a focus on information and technology governance in addition to other continuous improvements within its area of oversight.

Governance Committee

The Governance Committee was established in 2016 to oversee all governance matters relating to the BHF and its operations. The Committee performs some of the functions of a social and ethics committee including taking accountability for organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships in addition to monitoring non-financial risk. This monitoring of risk represents an overlap of the work performed by the Finance and Audit Committee and serves to strengthen the monitoring of non-financial risk.

Some of the members of the Finance and Audit Committee are members of the Governance Committee and this cross-membership translates into collaboration between the Committees, where required and avoiding the duplication or fragmentation of the functioning of the Committees as far as possible. The members of the Governance Committee have the requisite knowledge, skills, experience and capacity to enable the committee to execute its duties effectively. Board members are entitled to attend the Committee meetings as observers and to address the Committee but are not entitled to vote at such meetings.

The following meetings of the Governance Committee were held during the 2018 financial year:

Attendee	Capacity	14-Feb-18	16-May-18	12-Sep-18	21-Nov-18
I.W.M. Isdale	Chairperson	√	√	n/a	n/a
A.V. Memela	Chairperson	n/a	n/a	√	√
J. K. Mothudi	Managing Director	√	●	√	√
N.J. Khauoe	Member	n/a	n/a	√	√
Y.S. Mabule	Member	√	√	n/a	n/a
H.C. Schafer	Member	●	√	●	●
H. Stephens	Member	√	√	√	√
G. Forsman	Management	√	●	√	●
Z. Mtshiya	Management	√	√	√	√
C. Murove	Management	n/a	√	√	√
R. Patel	Management	√	●	●	√
E. Rantsho	Management	n/a	n/a	√	√
L. Scholtz	Management	√	√	√	√
M. Beneke	Company secretarial	√	√	√	√
C. Cupido	Company secretarial	●	√	√	√

√ - In Attendance

● - Apologies

n/a - Individual not a member of the Committee or not employed by the BHF at the time

Governance Committee (CONTINUED)

The work of the Governance Committee during the 2018 financial year included:

Compliance	<ul style="list-style-type: none"> • Considering various issues that arose with regards to the Competition Act including the Health Market Inquiry and the impact on the BHF and its members and the work of the Health Forensics Management Unit (HFMU) as well as Designated Service Providers • Calculation of the public interest score • Review of the findings of the internal audit function in relation to corporate governance and the monitoring of progress made by management
Policies	<ul style="list-style-type: none"> • Consideration of various policies including an Independent Legal Advice Policy for members of the Board or any of the Committees who sought professional legal advice in their capacities as members of the Board or any of the Committees, a review of the updating of the Terms of Reference of the various Committees to make provision for this
Protection of intellectual property rights of the BHF	<ul style="list-style-type: none"> • Employment agreements, non-disclosure agreements
AGM documentation	<ul style="list-style-type: none"> • Consideration and approval of the King IV compliance statement as part of the disclosures of the BHF in the 2017 annual report, the AGM documentation and the corporate governance report
Terms of Reference	<ul style="list-style-type: none"> • Review of the Terms of Reference of the Governance Committee, the Finance and Audit Committee, the Remuneration Committee, the SADC Committee and the Universal Healthcare Committee

The Committee undertook a self-evaluation of its performance during the 2018 financial year in March 2019 and feedback will be provided to the Committee at its meeting in May 2019 and the outcomes of such self-evaluation is an agenda item for discussion at that meeting. The Committee has a work plan in place to track its performance and the work plan will be updated for any issues identified by the Committee during its review.

In furtherance of the objectives of information governance, an electronic portal comprising all of the company secretarial information available to management has been developed and populated during the 2018 financial year. The aim is to ensure the security of documentation emanating from the BHF; particularly in terms of the dissemination of that information to the members of the Board and its Committees. From May 2019, Committee agenda packs will be distributed via the Board Portal. In addition, the evaluations conducted by the Committee and the Board during 2019 in respect of the 2018 financial year have been conducted online using the new Board Portal.

During the 2019 financial year, the Committee will focus on strengthening its governance processes and procedures and embedding them in the organisation including focussing on the SharePoint portal as an online hub for training and compliance reviews which may be utilised by employees and Board and Committee members of the BHF.

Remuneration Committee

The Board has delegated the role of remuneration governance to the Remuneration Committee. Formal Terms of Reference have been adopted and approved by the Committee and the Board.

Some of the members of the Remuneration Committee are members of the Finance and Audit Committee and the Governance Committee and the cross-collaboration ensures that the work of the Committee complements that of the other Committees rather than overlapping the role of the Remuneration Committee.

The Committee members have the necessary knowledge, skill, experience and capacity to enable the Committee to perform its duties and members of the Board are invited to attend Committee meetings on an observer basis provided that they are unable to vote at such meetings.

During the 2018 financial year, the work of the Committee focussed on:

Remuneration methodology	Reviewing the performance management, salary and bonus methodology of the BHF to ensure alignment with the strategic objectives of the organisation
Terms of Reference	The Committee reviewed its Terms of Reference to ensure compliance with King IV
Remuneration proposals	The Committee considered salary increase and bonus proposals made by management and recommended the adjustment to the payroll to the Finance and Audit Committee for inclusion in the Budget recommended by the Finance and Audit Committee to the Board

The Committee met as follows during the 2018 financial year:

Attendee	Capacity	17-May-18	07-Nov-18
A.K. Mia Hamdulay	Chairperson	●	√
T. Moumakwa	Deputy Chairperson	√	n/a
J.K. Mothudi	Managing Director	√	√
A. Fourie-van Zyl	Member/ Deputy Chairperson	√	√
N. Nyathi	Member	●	n/a
H. Stephans	Member	n/a	√
G. Forsman	Management	√	√
M. Beneke	Company secretarial	√	√

√ - In Attendance

● - Apologies

n/a - Individual not a member of the Committee or employed by the BHF at the time

Remuneration Committee (CONTINUED)

The Remuneration Committee has ensured that the approach to remuneration within the BHF addresses organisation-wide remuneration and that all of the elements of remuneration offered by the BHF are included in this approach as well as ensuring the implementation of this approach within the BHF environment.

In March 2019, the Committee conducted an online self-assessment in respect of its performance during the 2018 financial year. The results of the assessment were presented to the Committee.

The Terms of Reference of the Committee was reviewed in early 2019 and a recommendation was made by the Governance Committee to expand the scope of the Committee to include remuneration governance and governance in respect of all aspects of human resources given the importance of human capital to the BHF as well as in recognition of that the fact that the employees of the BHF are key stakeholders of the BHF. Additional suitably skilled Board members were co-opted to the Committee. The work of the Committee during 2019 will therefore focus on its increased scope whilst providing oversight in respect of remuneration governance.

SADC Committee

The SADC Committee focusses on one of the key stakeholder groupings of the BHF i.e. the members who are located in the SADC countries.

During 2018, the Committee met as follows:

Attendee	Capacity	Country represented	14-Feb-18	16-May-18	12-Sep-18	21-Nov-18
S.N. Sanyanga	Chairperson / Member	Zimbabwe	√	√	√	√
B. Kamanga	Member/ Chairperson	Malawi	√	√	√	√
J.K. Mothudi	Managing Director	South Africa	√	√	√	√
T.B. Makoetlane	Member	Lesotho	n/a	n/a	n/a	√
M.E. Dlamini	Member	eSwatini	√	√	●	√
S. Matsoso	Member	Lesotho	n/a	√	√	n/a
T. Moumakwa	Member	Botswana	√	√	√	●
R. Palermo	Member	Mozambique	●	●	●	●
H.C. Schafer	Member	Namibia	●	√	●	●
Z. Mtshiya	Management		●	√	√	√
C. Murove	Management		n/a	√	√	√
E. Rantsho	Management		n/a	n/a	√	√
R. Patel	Management		√	●	●	√
L. Scholtz	Management		√	●	●	●
M. Manamela	Observer		√	●	●	√
M. Beneke	Company secretarial		√	√	√	√
C. Cupido	Company secretarial		●	√	√	√

√ - In Attendance

● - Apologies

n/a - Individual not a member of the Committee or employed by the BHF at the time

The Committee has adopted Terms of Reference which outline the requirements of King IV. The performance of the Committee as against the strategy developed by the Committee in 2017 will be evaluated by the Committee on a self-evaluation process at its meeting in May 2019 and any issues identified by the Committee shall be added to the Committee's work plan for consideration during the 2019 financial year.

The members of the Committee represent the various SADC members and have been nominated by members in those SADC countries. Accordingly, they have the necessary knowledge, skill, experience and capacity to enable the Committee to exercise its duties effectively.

SADC Committee (CONTINUED)

The key areas of focus of the Committee during the 2018 financial year included:

Review of hospitalisation in the SADC region as compared with those hospital costs in South Africa	<ul style="list-style-type: none"> • Engagement with the World Health Organisation to conduct research on behalf of the Committee
Student visa issue	<ul style="list-style-type: none"> • Oversight of the process of engagement by management with the Council for Medical Schemes (CMS) and the SADC Health Desk
Fraud Waste and Abuse (FWA)	<ul style="list-style-type: none"> • Consideration of a framework developed by management to combat FWA in the region • Regional developments
Industry regulation	<ul style="list-style-type: none"> • Consideration of the status quo in the various member countries including regarding engagement in those member countries with their regulators • Changes in regulatory environment
Coding standards	<ul style="list-style-type: none"> • Consideration of best practice codification in various member countries
National Health Insurance	<ul style="list-style-type: none"> • Review of the progress of the implementation of national health insurance initiatives in various member countries
Forming industry associations in member countries	<ul style="list-style-type: none"> • Discussion as to approaches to be adopted and engagement with management for assistance
Work Plan	<ul style="list-style-type: none"> • Development of a work plan to capture the initiatives of the Committee
Regional meetings	<ul style="list-style-type: none"> • Feedback from regional meetings held in various SADC member countries
Regional developments	<ul style="list-style-type: none"> • Funding of rare diseases • Unallocated member funds

Universal Healthcare Committee

The Universal Healthcare Committee was formed specifically to ensure responsiveness to developments in respect to universal healthcare in South Africa, to review draft regulations and to address issues that affected members.

Terms of Reference were adopted by the Committee and approved by the Board. The Terms of Reference comply with the requirements of King IV.

During the 2018 financial year, the Committee met as follows:

Attendee	Capacity	15-Feb-18	16-May-18	16-Jul-18	31-Jul-18	05-Oct-18	10-Oct-18
N. Nyathi	Observer/ Chairperson	√	√	●	●	●	●
G. Goolab	Member	●	●	√	●	√	√
A.V. Memela	Member / Observer	√	√	n/a	n/a	n/a	n/a
A.K. Mia Hamdulay	Member	●	√	n/a	√	√	√
J.H. Joubert	Member	n/a	n/a	√	√	√	√
N.J. Khauoe	Observer	n/a	n/a	√	√	√	√
J.K. Mothudi	Managing Director	√	√	√	√	●	●
M.R. Bayley	Observer / Member / Observer	√	√	n/a	√	n/a	√
A. Fourie-van Zyl	Observer	n/a	n/a	n/a	√	n/a	n/a
C. Raftopoulos	Observer / Member	n/a	√	●	●	√	√
H.C. Schafer	Observer	n/a	n/a	n/a	√	n/a	n/a
H. Stephens	Observer	n/a	√	√	√	√	n/a
M.C. Wilson	Observer	n/a	n/a	n/a	n/a	n/a	√
Z. Mtshiya	Management	●	√	√	√	√	√
C. Murove	Management	n/a	√	√	√	√	√
R. Patel	Management	●	●	√	√	√	√
E. Rantsho	Management	n/a	n/a	√	√	√	●
L. Scholtz	Management	√	●	√	√	●	●
J. Combrinck	GEMS - Observer	n/a	n/a	n/a	n/a	n/a	√
J. Keeler	Observer	n/a	n/a	√	n/a	n/a	n/a
K. Lethoba	Rand Water - Observer	n/a	n/a	n/a	n/a	n/a	√
F. Mosoeu	Medipos - Observer	n/a	n/a	n/a	n/a	n/a	√
D. Pearmain	Consultant	n/a	n/a	n/a	√	n/a	n/a
K. Pierce	GEMS - Observer	n/a	n/a	n/a	n/a	n/a	√
Z. Sodawe	Engen - Observer	n/a	n/a	n/a	n/a	n/a	√
M. Beneke	Company secretarial	√	√	√	√	√	√
C. Cupido	Company secretarial	√	√	●	√	√	√

√ - In Attendance

● - Apologies

n/a - Not necessary for this person to attend

Universal Healthcare Committee (CONTINUED)

The key areas of focus of the Committee during the 2018 financial year included:

Stakeholder engagement	<ul style="list-style-type: none"> • Stakeholder engagement plan developed relating to the future of private healthcare in a post-national health insurance (NHI) world • Process to be developed to formalise approach when members had divergent positions
Health Charter	<ul style="list-style-type: none"> • Consideration of development of Health Charter in line with the BHF Member Commitment
NHI publications and communications plan	<ul style="list-style-type: none"> • Development of public relations strategy in relation to NHI • 2018 BHF Conference briefing document • Research conducted in respect of the Draft Consolidation Framework in preparation for submissions that were provided to the CMS • Draft Medical Schemes Act Amendment Bill and Draft National Health Insurance Bill
Draft consolidation framework	<ul style="list-style-type: none"> • Workshop in terms of submissions to the CMS on the Draft Consolidation Framework published by the CMS
NHI Bill	<ul style="list-style-type: none"> • Convening a workshop to consider the draft legislation • Review and oversight of development of submissions
HMI Report	<ul style="list-style-type: none"> • Convening a workshop to consider the draft report • Review and oversight of development of submissions
Medical Schemes Act Amendment Bill	<ul style="list-style-type: none"> • Convening a workshop to consider the draft legislation • Review and oversight of development of submissions

Responsible corporate citizenship

Compliance

The BHF has subscribed to the tenets of King IV and complies with material applicable laws. It is in the process of implementing, via its SharePoint portal, an auditable compliance review mechanism to ensure that it complies with all material applicable laws. Regularly, legal advice is sought to ensure that its operations comply with applicable laws.

Workplace

The BHF is office-based with its management and staff travelling to meetings with members and other stakeholders. Health and safety procedures are in place within the BHF's offices in Rosebank and its staff comply with the health and safety procedures of stakeholder premises.

From an employment perspective, the BHF has an employment equity plan in place as required by the Employment Equity Act. Fair remuneration for the organisation is considered by the Remuneration Committee and recommendations in this regard are made to the Finance and Audit Committee for inclusion in the annual budget which was approved by the Board in November 2018. In addition, during the 2018 financial year, the BHF approached its members to provide medical aid cover for all its employees who were not already members or dependants of medical schemes. Performance management and development plans are in place in respect of employees throughout the organisation.

Economy

The BHF subscribes to broad-based black economic empowerment and its results from the 2018 financial year will be subjected to a broad-based black economic empowerment verification exercise to obtain a verification certificate from a SANAS-accredited verification agency.

Fraud, waste and abuse (FWA) in the healthcare funding environment is rife and the BHF has created a portal for the management of FWA through its Health Forensics Management Unit (HFMU). The HFMU portal provides all stakeholders from the healthcare funding industry, including third parties who are not members of the BHF, the ability to collaborate on the eradication of FWA. In addition, the BHF has introduced the FWA framework for adoption by the SADC members in order to reduce FWA throughout the SADC region. HFMU operates as a platform for this collaboration with multiple stakeholders including law enforcement agencies and regulatory bodies.

The BHF is a non-profit organisation which relies on membership subscriptions and fees for the attendance of its annual conference and other training programmes including its trustee training programmes to generate revenue. It is registered as a public benefit organisation with the South African Revenue Service.

Society

One of the objects of the BHF is to promote consumer awareness which it has achieved through, amongst other initiatives, its partnership with etv and the information programmes flighted on that channel during 2018. Through its HFMU endeavours, it has further committed to fighting the scourge of FWA in the medical scheme industry which has a direct impact on rising medical scheme contributions; thereby seeking to ensure the ongoing affordability of private healthcare funding for consumers in the SADC region.

Strategy, performance and reporting

Strategy and performance

The BHF's strategy was revised by the Board in conjunction with management in August 2018. The strategy and implementation plans were approved by the Board in September 2018. The performance of management against the strategy will be monitored by the Board during the 2019 financial year and for the duration of the strategic timeline. The BHF revisits its strategy and the performance against that strategy on an annual basis for the duration of its strategic timeline to ensure that the strategy and the implementation plans remain relevant given changing internal and external environmental factors.

Reporting

The preparation of the annual financial statements and the annual report are overseen by the Finance and Audit Committee and the Governance Committee and are recommended to the Board for approval prior to being distributed by management to the members of the BHF.

Appointment and delegation to management

Managing Director role

The Managing Director is responsible for leading the implementation and execution of the approved strategy, policy and operational planning and is the chief link between management and the Board and is accountable and reports to the Board. An organisation-wide succession plan (including in relation to the Managing Director) will be reviewed and approved by the Human Capital Committee (formerly the Remuneration Committee) during the 2019 financial year.

Delegation

Although an Authority Framework *per se* has not been established in respect of the BHF, Management Authority Limits in terms of financial aspects of the BHF have been adopted and approved by the Finance and Audit Committee. An Authority Framework will be introduced during the 2019 financial year.

Professional corporate governance services to the Board

Even though the public interest score of the BHF is less than 350 and the MOI of the BHF does not voluntarily adopt the Enhanced Accountability and Transparency Requirements outlined in Chapter 3 of the Companies Act, the BHF has access to professional and independent guidance on corporate governance and its legal duties and the requisite support to co-ordinate the functioning of the Board and its committees partially through the utilisation of internal non-dedicated resource and the appointment, on a part-time basis of Letsema Consulting & Advisory (Pty) Ltd, which appointment has been approved by the Board.

The Board has ensured that the company secretarial function is empowered and carries the necessary authority and has the necessary competence, gravitas and objectivity to provide independent guidance and support to the Board and its committees. The company secretary is not a member of the Board and reports to the Board via the chairperson in respect of statutory duties and functions performed in connection with the Board and to the chairpersons of the Committees in connection with those Committees. In respect of other duties and administrative issues, the company secretary reports to the Head: Shared Services. The performance of the company secretary during the 2018 financial year was included in the evaluations of the Board and its Committees conducted in March 2019.

Governance functional areas

Risk governance

The Board assumes responsibility for the governance of risk by setting direction for how risk should be approached and addressed in the BHF. Risk is integral to the manner in which the Board makes decisions and executes its decisions. The Board has approved a risk management policy and has determined its risk appetite and its risk tolerance.

The Board has delegated responsibility for the implementation and effective risk management to management and provides ongoing oversight and receives periodic independent assurance on the effectiveness of risk management via the internal auditors.

The responsibility for oversight, in respect of risk management overall, lies with the Finance and Audit Committee with the Governance Committee providing additional oversight in respect of non-financial risk.

Risk management has been included in the performance scorecards of management and in future, the Board will ensure that risk management is further strengthened within the organisation. In 2019, the risk management policy will be reviewed by the Finance and Audit Committee to ensure compliance with King IV.

Technology and information governance

The BHF appointed the Head: Shared Services to provide additional focus to technology deployed by the BHF. Technology governance will be an area of significant focus for the BHF during the 2019 financial year.

From an information governance perspective, during 2018 the BHF made significant strides in improving knowledge management within the organisation including through the deployment of a SharePoint portal both in terms of an intranet as well as a Board portal developed to prevent the dissemination of sensitive information via email and to improve information security.

Compliance governance

As a matter of course, the BHF complies with the precepts of King IV as well as all material applicable laws. Legal advice is sought from competent professionals who are specialists in their field. A legal advisor has also been appointed on a consulting basis to assist the BHF with its regulatory work and to provide ad hoc advice from time to time. In addition, the company secretary who is also an admitted attorney, provides supplementary legal advice as required from time to time by the Board and the Committees.

In the 2018 financial year, the significant focus of the BHF was transferring its information and data to a centralised SharePoint portal. During 2019, the focus will shift to ensuring the provision of online training of employees and directors from a compliance perspective within the context of the BHF and its operations. In addition, online gap analyses will be conducted to identify compliance gaps and monitor the implementation of policies, processes, standard operating procedures and training, to the extent required, to close any identified compliance gaps.

Governance functional areas (CONTINUED)

Remuneration governance

A Remuneration Committee was in place during the 2018 financial year to monitor the implementation of the remuneration policy of the BHF and to ensure that this was effectively linked to the performance management system to ensure that employees were fairly remunerated proportionate to their performance. The performance management system was also significantly simplified to ensure equitable application to all employees. The Remuneration Committee furthermore reviewed the performance management results compared to the proposed remuneration for employees for the 2019 financial year, which were approved. Recommendations were made by the Remuneration Committee to the Finance and Audit Committee insofar as payroll costs included in the budget for the 2019 financial year were concerned. These recommendations were accepted by the Finance and Audit Committee and included in the recommended budget for the 2019 financial year which was adopted by the Board.

During the 2018 financial year, anomaly adjustments were approved by the Remuneration Committee which rectified the unintended consequences of the application of the remuneration policy as well as rewarding employees who performed significantly in excess of requirements.

Stakeholder relationships

Stakeholders

One of the core functions of the BHF relates to stakeholder engagement and management including the BHF's members, the relevant regulatory authorities, the Government (through the Department of Health), the media, employees, suppliers and other stakeholders affected by its operations including non-member subscribers to the HFMU FWA portal and the various HFMU structures.

Stakeholder engagement is further monitored according to various stakeholder groupings by the Committees. In particular, the SADC Committee and the Universal Healthcare Committee are stakeholder-focussed Committees. The Universal Healthcare Committee has, in particular, identified opportunities for updating stakeholder engagement policies and procedures and identified areas of potential stakeholder conflict.

During the 2019 financial year, focus on stakeholder management will continue with the introduction of further policies supporting effective communication and management of stakeholders.

Value Proposition

1. REPRESENT MEMBER INTERESTS

- Lobby and advocate policy position on behalf of our members
- Assist members with regulatory compliance
- Provide legal advice to membership on industry issues
- Assist in containing healthcare costs
- Protect the image of the industry
- Identify and monitor trends impacting our members

2. CREATE PLATFORMS FOR MEMBER ENGAGEMENT

- Promote unity and collaboration by creating platforms that enable our members to engage with the BHF and participate in industry issues
- Create networking opportunities
- Engage and develop relationships with key stakeholders

3. DEVELOP INDUSTRY STANDARDS

- Promote best practice in the healthcare funding industry
- Promote healthcare quality
- Identify and recognise key role players in the industry

4. FACILITATE EDUCATION AND TRAINING

- Provide guidance
- Provide stewardship and facilitate thought leadership exchange on industry issues
- Enhance skills and knowledge within our membership
- Progress tracking reports on industry issues
- Promote stakeholder, consumer awareness and medical scheme member education

5. TRANSFORMATION THROUGH DEVELOPMENT

- Identify opportunities to drive transformation in the industry
- Graduate programme development

PROVIDE AND IDENTIFY OPPORTUNITIES

- Profile our members and our industry



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Serving Medical Scheme Members

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